Annual Report 2016/17

National, regional, and global trust





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1. INTRODUCTION

The South African National Accreditation System (SANAS) is the sole national body responsible for carrying out accreditations in respect of conformity assessment. Conformity assessment includes the accreditation of calibration, testing and verification laboratories, certification bodies, inspection bodies, verification agencies and any other type of body that may be added to its scope of activity by the Minister of Trade and Industry. SANAS is also the national body for monitoring good laboratory practice (GLP) compliance with principles adopted by the Organisation for Economic Cooperation and Development (OECD) for GLP facilities. SANAS is the largest accreditation body on the African continent.

SANAS plays a key role in South Africa's economy by facilitating a network of competent conformity assessment bodies (CABs) through an impartial and transparent mechanism for organisations to independently demonstrate their competence, providing national, regional and global trust in the quality of its goods and services, fostering the beneficial exchange of goods and services, and providing a service that is recognised as equitable to best international practice.

The value that SANAS offers to the South African economy is a growing network of accredited conformity assessment facilities that can service the calibration, testing, inspection, and certification needs of South African manufacturers and exporters of products and services, as well as support socio-economic issues such as health, safety and environmental protection. This is combined with highly specialised knowledge and a competent skills base, and the facilitation of the international recognition of conformity assessment results produced by South African CABs.

SANAS ACCREDITATION SUPPORTS SOCIO-ECONOMIC GROWTH AND ENVIRONMENTAL SUSTAINABILITY



What we do Benefit to society



Benefit to industry and exporters



Benefit to South Africa

Accreditation of conformity assessment bodies

Expand the acceptance of conformity assessment results nationally, regionally, and globally

Develop new accreditation programmes in support of our Industrial Policy Action Plan and the National Development Plan

Offer training on matters related to accreditation

Accredited conformity assessment bodies provide accurate calibration, test inspection, and certification results that are essential for the protection of society's health and safety, and the protection of the environment

Poor-quality products are kept out of our borders

Improved living conditions and a safer environment

Calibration, testing, inspection, and certification results can be trusted Facilitate the acceptance of South African-produced goods and services globally

Tested, inspected, or certified once, accepted everywhere

Reduce cost and mitigate the risk of rejection of exported goods and services

Level the playing field between big and small conformity assessment bodies

Reduce the need for retesting, re-certification, or re-inspection

Provide world-class quality infrastructure

Improve the understanding of accreditation and the implementation of a management system

Increase local business export opportunities

Improve South Africa's product competitiveness

Support regulators in the protection of society's health and safety, and the environment

Lock in exports and improve economic growth

Minimise waste of scarce financial resources and create jobs

Improve South Africa's knowledge base and encourage continued compliance to international requirements

ACCREDITATION: DELIVERING CONFIDENCE IN THE MANUFACTURING SECTOR

Manufacturers need to make sure that products are of high quality, comply with regulations and standards, and meet customers' needs. The use of accredited services in the manufacturing process is aimed at minimising product failure and recalls, as well as supporting access to markets.

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

Testing and calibration laboratories accredited to ISO/IEC 17025

SANAS accredits testing and calibration laboratories to ISO/IEC 17025: 'General requirements for the competence of testing and calibration laboratories'. These laboratories serve a broad range of manufacturing sectors. SANAS accreditation uses criteria and procedures specifically to determine the technical competence of the laboratory to perform specific tasks. Laboratory accreditation assesses factors relevant to a laboratory's ability to produce precise, accurate tests and data, which includes the technical competence of staff, the validity and appropriateness of test methods, the suitability, maintenance and traceability of test and measurement equipment, the testing environment, the sampling, handling and transportation of test items, and the quality assurance of test data.

Accredited testing and calibration is performed to support the manufacturing process through component testing, product testing, and calibration and dimensional testing to ensure accurate measurement.

Testing and calibration underpin the production of many products, from food products, plastics, fuels and oils, detergents, paints and coatings, consumer goods, textiles, glass, cosmetics, construction products to electronic goods.

Certification schemes accredited to ISO/IEC 17021

SANAS accredits certification bodies to ISO/IEC 17021: Requirements for bodies providing the audit and certification of management systems to provide certification in a range of areas that provide supply chain confidence for those operating in the manufacturing sector. These include ISO 9001 Quality Management Systems (QMS), ISO 14001 Environmental Management Systems (EMS) certification, ISO 50001 Energy Management Systems (EnMS), OHSAS 18001 Occupational Health, Safety Management Systems (OHSAS), ISO 27001 Information Security Management Systems (ISMS), ISO 22000-1 Information Technology Service Management Systems (ITSMS), and SANS/ISO 3834 Fusion Welding of Metallic Materials.

Inspection programmes accredited to ISO/IEC 17020

Inspection bodies are accredited to ISO/IEC 17020: Requirements for the operation of various types of bodies performing inspection to provide inspection services to manufacturers, such as the measurement and verification of energy efficiency, the inspection of occupational hygiene at the workplace, valves, pressure systems, storage vessels and tanks, and the transportation of dangerous goods by rail or road in pressurised vessels.

KNOWLEDGE TRANSFER: TRAINING SERVICES

The SANAS Knowledge Transfer Department (KTD) is historically and currently highly regarded nationally and internationally for its training services. As a training provider of courses, its portfolio includes:

- lateral services (training of SANAS staff members);
- lead and technical assessors;
- cognate services (in the development of new accreditation fields);
- value-added services (accreditation focused workshops); and
- commercial services (external current and potential accreditation clients).

SANAS'S STAKEHOLDERS

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

Stakeholder group	What matters to them?	Engagement methods	How do we respond to their needs?
Portfolio Committee on Trade and Industry	SANAS's support for the effective implementation of government's objectives	Portfolio Committee meetings and presentations	By contributing to industrial development, regional integration, and economic growth
The Department of Trade and Industry (the dti)	SANAS's fulfilment of its mandate, achievement of its objectives, and compliance with laws and regulations	Regular meetings and submission of the Strategic Plan, Annual Performance Plan, Business Plan, Quarterly Reports, and Annual Report	By being fully compliant with the Shareholders' Compact and aligning its programmes with policies such as the Industrial Policy Action Plan (IPAP) and National Development Plan (NDP)
Government departments	SANAS's support for the effective implementation of government's objectives	One-on-one meetings with government departments	By contributing to the protection of the health and safety of the consumer, worker, and the environment
Conformity assessment bodies (CABs)	SANAS's provision of effective accreditation services	Assessments of CABs, annual communication meetings, Specialist Technical Committee meetings, and the New Applicants' Workshop	By providing independent third-party accreditation, as well as SANAS lead and technical assessor experts that can cover the accreditation scopes required by the CABs
Industry	IPAP sectors that seek SANAS-accredited testing, inspection, and certification services	SANAS Advisory Forum, presentations, and structured meetings	By developing new programmes that respond to the new needs of industry and the sectors identified in the IPAP
Regulators	SANAS's accreditation support, which enables them to fulfil their regulatory mandates	One-on-one meetings, Specialist Technical Committee meetings and the Annual Regulators' Workshop	By developing new accreditation programmes and maintaining the current accreditation programmes required by regulators
International and regional accreditation cooperation	SANAS's effective participation in cooperation activities and compliance with ISO/IEC 17011	Annual General Assembly meetings of the African Accreditation Cooperation (AFRAC), International Laboratory Accreditation Cooperation (ILAC) and International Accreditation Forum (IAF), as well as mid-term meetings	By representing South Africa in the various decision management committees of ILAC and IAF, and hosting the AFRAC and Southern African Development Community Cooperation in Accreditation (SADCA) secretariats for accreditation cooperation
Other Council of Trade and Industry Institutions (COTII)	SANAS's support of their activities where relevant	One-on-one interaction	By building capacity in the incubators of the Small Enterprise Development Agency (SEDA)

Stakeholder group	What matters to them?	Engagement methods	How do we respond to their needs?
Academic institutions	Raising awareness of SANAS and SANAS's accreditation standards	Meetings of the SANAS/Academic Institutions Working Group, presentations at open days, bursaries to students, and a student development programme	By forming strategic partnerships with various academic institutions and engaging in awareness-raising activities, as well as granting external bursaries to students
The media	Addressing various challenges and successes as they relate to SANAS	Press releases, radio and television interviews, and meetings	By conducting media engagement activities
SANAS assessors	The capacity and capability to do assessments for SANAS	Assessors form part of SANAS's assessment teams that assess CABs	By training and mentoring SANAS assessors before they are qualified, and expanding the assessors' pool and the representation of previously disadvantaged individuals (PDIs)
Employees	SANAS's organisational culture, values, and Service Delivery Charter	Staff meetings, Chief Executive Officer's (CEO's) meeting with staff, Shanduka communication, and staff training and development	By keeping employees engaged, providing support to relevant staff members, and providing personal development initiatives

HIGHLIGHTS 2016/17



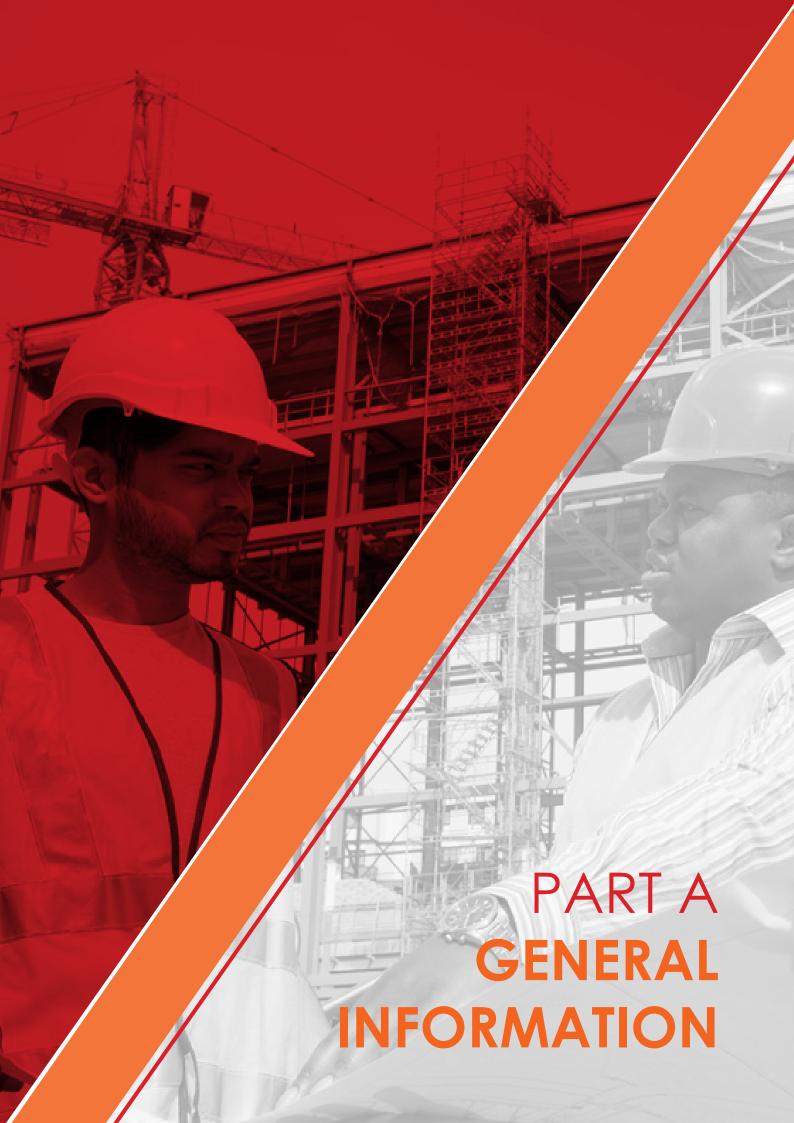
accredited organisations in the fields of testing, inspection, certification and other conformity assessment services against a target of **1511.**



previously disadvantaged assessors registered with SANAS in the assessors' pool against a target of **250**.



new accreditation programme launched for Fusion Welding of Metallic Materials for certification bodies



2. PUBLIC ENTITY'S GENERAL INFORMATION

Registered name of the public entity	South African National Accreditation System
Registration Numbers and/or other relevant numbers (e.g.: FSP)	N/A
Registered Office address	the dti Campus, 77 Meintjies Street, Sunnyside, Pretoria, 0002
Postal Address	Private Bag X23, Sunnyside, Pretoria, 0132
Contact telephone numbers	+27 12 394 3760
E-mail address	keleabetswem@sanas.co.za
Website address	www.sanas.co.za
External Auditor's Information	Ernst & Young Incorporated on behalf of the Auditor-General 102 Rivonia Road, Sandton, Gauteng, South Africa
Banker's Information	First National Bank Shop 39 Hillcrest Boulevard, Lynnwood Road, Hillcrest, South Africa, 0083
Company Secretary	Mr Dawood Petersen Company Secretary

3. LIST OF ABBREVIATIONS AND ACRONYMS

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

MRA Multilateral Recognition Arrangement Medium Term Expenditure Framework NDP National Development Plan National Health Education & Allied Workers Union NMISA National Metrology Institute of South Africa NRCS National Regulator for Compulsory Specifications OECD Organisation for Economic Cooperation and Development OHSAS Occupational Health, Safety Management Systems PAQI Pan-African Quality Infrastructure PDI Previously Disadvantaged Individuals PER Pressure Equipment Regulation PFMA Public Finance Management Act QMS Quality Management Systems RTMS Road Transport Management System SAACB South African Association of Certification Bodies SABS South African Development Community Southern African Development
NDP National Development Plan National Health Education & Allied Workers Union NMISA National Metrology Institute of South Africa NRCS National Regulator for Compulsory Specifications OECD Organisation for Economic Cooperation and Development OHSAS Occupational Health, Safety Management Systems PAQI Pan-African Quality Infrastructure PDI Previously Disadvantaged Individuals PER Pressure Equipment Regulation PFMA Public Finance Management Act QMS Quality Management Systems RTMS Road Transport Management System SAACB South African Association of Certification Bodies SABS South African Development Community Southern African Development
NEHAWU National Health Education & Allied Workers Union NMISA National Metrology Institute of South Africa NRCS National Regulator for Compulsory Specifications OECD Organisation for Economic Cooperation and Development OHSAS Occupational Health, Safety Management Systems PAQI Pan-African Quality Infrastructure PII Previously Disadvantaged Individuals PER Pressure Equipment Regulation PFMA Public Finance Management Act QMS Quality Management Systems Road Transport Management Systems Road Transport Management System SAACB South African Association of Certification Bodies SABS South African Development Community Southern African Development
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SAACB Certification Bodies SABS South African Bureau of Standards Southern African Development Community Southern African Development
SADC Southern African Development Community Southern African Development
Community Southern African Development
Community Cooperation in Accreditation
Southern African Development Community Cooperation in Accreditation Services
SANAS South African National Accreditation System
SANEDI South African National Energy Development Institute
SANS South African National Standard
SCM Supply Chain Management
SEDA Small Enterprise Development Agency
CIA Comical aval Agracia
Service Level Agreement
the dti Service Level Agreement The Department of Trade and Industry
The Department of Trade and

4. FOREWORD BY THE MINISTER OF TRADE AND INDUSTRY

Dr Rob Davies, MP
Minister of Trade and Industry

Building global, regional, and national trust in South Africa's goods and services requires a well-functioning, internationally recognised independent accreditation system.

It is my pleasure to present the annual report of the South African National Accreditation System (SANAS), the sole national accreditation body for the Republic of South Africa.

Consumers nationally and around the world are becoming increasingly aware of what they consume and of their power to influence the quality of goods and services, as well as their right to an environment that is protected and not harmful to their well-being. Manufacturers that have to produce for local and export markets against various standards and technical specifications require third-party attestation to build and maintain trust in their offerings. Regulators are increasingly seeking assurance of compliance with health, safety, and environmental regulations.

The relevance of accreditation as a third-party attestation of a conformity assessment body's (CAB's) competence to produce reliable conformity assessment results has grown. Also, accreditation bodies are expected to provide the trust consumers need nationally, regionally, and internationally.

SANAS is South Africa's sole accreditation body and exercises its mandate in accordance with the Accreditation for Conformity Assessment, Calibration and Good Laboratory Practice Act, Act No. 19 of 2006 (the Accreditation Act).

As an internationally recognised national accreditation body for the accreditation of CABs, SANAS is tasked to

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

The aforementioned contributions are critical to building trust and facilitating economic growth. The network of accredited facilities provided by SANAS services South African industries such as metals fabrication, aerospace,

the automotive industry, green industries, agro-processing, clothing and textiles, information and communications technology (ICT), biofuels, and pharmaceuticals and chemicals. This network is also used to protect the health and safety of the South African public and the environment.

SANAS, which is the largest accreditation body in Africa, was successfully peer reviewed by the International Laboratory Accreditation Cooperation (ILAC), the International Accreditation Forum (IAF), and African Regional Accreditation Cooperation (AFRAC) in order to remain a signatory to these cooperations. This international and regional network of accreditation bodies allows South African goods and services to continue to be accepted in 125 economies across the world, represented by accreditation bodies that are also signatories to the Multilateral Recognition Arrangement (MRA), without being re-tested, re-certified, or re-inspected.

SANAS, as the GLP monitoring authority, was also successfully peer reviewed by the OECD. This allows for the mutual acceptance of conformity assessment results, and thus accompanying goods and services within the OECD member states.

A feature of the international and regional engagement of **the dti** involves work to support African regional economic integration and the promotion of the development of regional value chains that will slow down the importation of finished goods and give Africa some space as a continent to industrialise. In this regard, the progress made towards the Southern African Development Community (SADC), East African Community (EAC), and the Common Market for Eastern and Southern Africa (COMESA) Tripartite Free Trade Area was a particular highlight.

Growth in many African countries remained high. This is powered by resource exploitation, infrastructure investment, and a growing middle class. **the dti** will continue to pursue growing South African exports to the Africa region. In this regard, the success achieved by SANAS through the leadership role it plays in supporting the establishment of an internationally recognised accreditation infrastructure in SADC and the rest of Africa paves the way in realising meaningful regional integration and cross-border trade, while ensuring that products of a poor quality are locked out, and intra-regional trade is locked in.

SANAS' mandate extends across government departments, and as such, it plays a pivotal role in providing accreditation services to the departments of Labour, Tourism, Health, Transport, Water Affairs, and Agriculture, Forestry and Fisheries, which continue to use SANAS' accreditation services to support effective and efficient service delivery.

I would like to congratulate SANAS for once more achieving a performance of 84.6% following last year's excellent performance, and look forward to SANAS's increased contribution to **the dti** deliverables in line with the IPAP and the broader South African economy.

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

Dr Rob Davies, MP

Minister of Trade and Industry

5. FOREWORD BY THE CHAIRPERSON



This annual report highlights the achievements of SANAS during the 2016/17 financial year and addresses the challenges experienced during this period in fulfilling its mandate.

Global, regional, and national trust

Supporting local regulators, manufacturers, and exporters of South African goods based on the principle of "tested, inspected, or certified once, accepted everywhere", SANAS plays a major role in building regional and global trust in South Africa's goods and services. This principle also supports socio-economic development by providing the accreditation tools that support the protection of its citizens' health and safety, as well as the environment. Such focus continued during the 2016/17 financial year. As a public entity, SANAS is one of the country's key technical infrastructure institutions. It plays a critical role in supporting the efforts of government to re-industrialise on the continent and produce value-added goods in South Africa.

I am pleased to report that SANAS has made significant strides towards attaining the objectives set by its Board of Directors for 2016/17. Our strategy of ensuring national, regional, and global trust through an internationally recognised accreditation system bodes well for South Africa's industrialisation policy objectives, as SANAS-accredited CABs provide a vital link for the testing, inspection, and certification of goods and services produced by the manufacturing sector.

Since the approval of IPAP by Cabinet, SANAS has continued to play a role in supporting government's green industries' objective through the further roll-out of accreditation programmes for the inspection of the energy performance of buildings, and the development and roll-out of the accreditation programme for the certification of information security management systems (ISMS) and information technology service management systems (ITSMS). Other government departments, such as Labour, Tourism, Health, Transport, Water Affairs, and Agriculture, Forestry and Fisheries, also continue to rely on SANAS' accreditation services.

Stakeholder engagement

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

International and regional relations

SANAS, as the largest accreditation body in Africa, continued to play a leading role in SADC and on the African continent. It has done that by supporting the creation of the required internationally recognised accreditation infrastructure for SADC and Africa.

We have reaffirmed our commitment to ensuring that the quality and safety of locally produced goods and services meet international standards by actively engaging in the activities of ILAC, IAF, and AFRAC. SANAS maintains its global recognition of the equivalence of its accreditation system with other accreditation bodies around the world. This recognises SANAS' accreditation as equivalent to their own and therefore obliges them to promote the acceptance of SANAS' accreditation within their national economies. Such arrangements enable a national, regional, and global trusted network for the acceptance of South Africa's goods and services.

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

During the period under review, SANAS and, in particular, its chief executive officer (CEO), Mr Ron Josias, continued to lead the process of obtaining the required international recognition for the African accreditation infrastructure through AFRAC.

Service delivery

SANAS continues to be a well-run organisation. This is supported by the reports of the Audit Committee, the Risk Committee, the Human Resources and Remuneration Committee, and the independent internal auditors.

Although SANAS performed well during the period under review, it had to do so with perseverance through trying circumstances, specifically in terms of serious office space limitations. However, it managed to achieve a score of 84.6% for its set targets for the financial year 2016/17. This represents 11 of the 13 targets achieved 100%.

An independent customer satisfaction survey undertaken during this period showed significant improvement in the key performance areas, reaching 7.69. The analysis and comparison of the SANAS 2016/17 and 2015/16 customer satisfaction surveys highlighted a significant improvement in the results. All the results are higher: quality of SANAS's assessments, SANAS's response to queries from CABs and the ease of doing business with SANAS, the benefits of being accredited by SANAS and the quality of a SANAS accreditation certificate.

Through partnership agreements with various academic institutions, four students received bursaries in the past year. SANAS also invested in the development and training of its own staff and pool of assessors. During this period, 69 employees received formal training, and four bursaries were awarded. SANAS continued to roll out an internship programme, and four interns were appointed for a one-year period from September 2016. The number of registered PDIs in the assessor pool expanded from 240 to 261 over the past year.

Looking ahead

Although much work has been done, more still remains to be done. Therefore, the Board will continue to focus the organisation's efforts towards contributing to government's strategic objectives, improving its external relationships and processes, raising awareness of SANAS and accreditation, increasing productivity, transforming the assessor pool, and improving the quality of SANAS' product and service delivery. The organisation's business model will remain rooted in the international requirements for an accreditation body as documented in ISO/IEC 17011.

Appreciation

The commitment of SANAS' employees, including its management, continued to contribute to the organisation's success. I would like to express my sincere thanks and appreciation to all SANAS staff members. To my fellow Board members, with whom I have had the privilege to lead the organisation during this financial year, a special word of thanks for their devotion and dedication to the entity. SANAS is blessed with a competent Board, comprised of professionals from diverse backgrounds with outstanding knowledge and expertise. Special thanks to Dr Rob Davies, Minister of Trade and Industry; Mr Mzwandile Masina, Deputy Minister of Trade and Industry; Mr Lionel October, Director-General in **the dti**, as well as all the staff of **the dti** who contributed to the activities and success of SANAS during the period under review. I would like to also thank all our stakeholders, both locally and internationally. With your valued support, SANAS will continue its contribution towards national priorities and meeting our regional and international commitments.

Lastly, I would like to extend my sincere thanks and appreciation to all the assessors, as well as the members of the Specialist Technical Committee, the Approval Committee, and the Advisory Forum for their continued support and valued input in the accreditation process.

Prags Govender

Chairperson

CHIEF EXECUTIVE OFFICER'S OVERVIEW

SANAS as the sole national accreditation body for South Africa, is mandated through the Accreditation of Conformity Assessment Calibration and Good Laboratory Practices Act, 1996 (Act 19 of 2006) to provide an internationally recognised and effective accreditation and monitoring system for the Republic.



Supporting the national development plan and the Industrial Policy Action Plan (IPAP) of the Department of Trade and Industry, is core to SANAS business objectives. SANAS contributes in the sectors of metal fabrication, automotive and components, plastics, pharmaceuticals and chemicals, business process services, bio-fuels, cultural industries, clothing and textiles, agro-processing, cutting edge: aerospace, green and energy saving industries.

It gives me great pleasure to present the 2016/17 annual report with a focus on SANAS's financial performance, augmented by its non-financial performance.

Overview of SANAS' non-financial performance

During the year under review, SANAS achieved 84.6% of it set performance objectives

In fulfilment of its mandate, SANAS must maintain its international recognition. During 2015, SANAS's competence to run an internationally recognised accreditation body, was evaluated by the International Accreditation Forum, the International Laboratory Accreditation Cooperation (ILAC) and the African Accreditation Cooperation (AFRAC). During 2016/17, SANAS's signatory status to the ILAC/IAF/AFRAC mutual recognition agreement was reconfirmed for a period of 4 years. A status SANAS now holds for over 25 years.

A notable accomplishment for SANAS is the partnership established with SANEDI to support the development of new enterprises that will perform energy inspections. Furthermore, a partnership had been established with the Medicals Control Council, to support the accreditation of bodies that will certify medical devices manufacturers.

The Pressure Equipment regulation (PER) under the Department of Labour (DoL) requires manufacturers to ensure that all equipment designed and manufactured for use in RSA shall conform to the relevant module requirement applicable in line SANS 347. In support of the DoL, SANAS rolled out the accreditation programmes for Fusion Welding that fulfils the structural needs to enable this regulation during the month of March 2017.

Overview of SANAS' Financial Performance

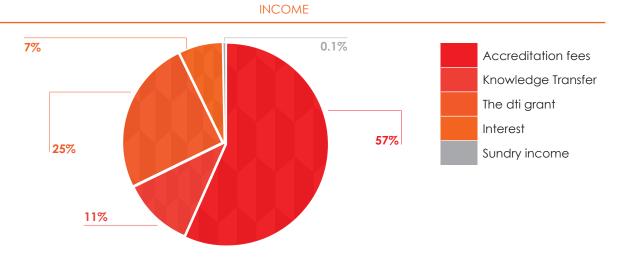
Income

Despite the ongoing economic challenges South Africa faces, the financial year ending 31 March 2017 continues to be characterised by the improvements witnessed over the past 12 months. The growth in accreditation contributed 8% to income above budget.

SANAS's Testing Laboratory Accreditation Programme remains the fastest-growing programme, closely followed by the Inspection Body programme.

SANAS's income is derived from fees charged for accreditation services, the government grant, training services and projects. The largest contributor to SANAS's income for 2016/17 is fees collected for accreditation services amounting to 57%, followed by the government grant of 25%.

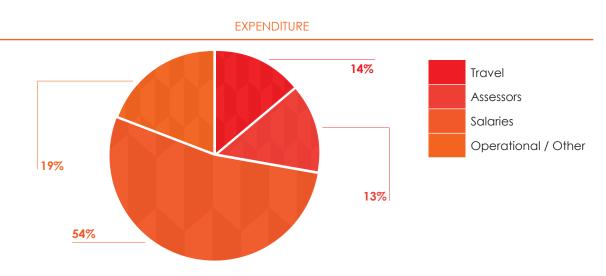
The breakdown as a percentage of income is as follows:



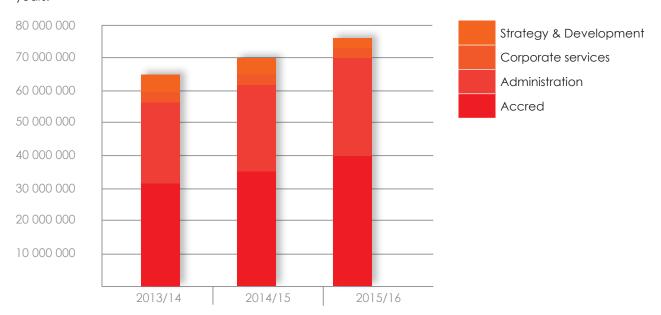
Spending trends

Accreditation, as well as the compensation of core accreditation-function employees, makes up the greatest proportion of expenditure. With the restructuring project, Project Breakthrough, accreditation expenditure increased by 6%.

As SANAS is a service delivery entity, the overall compensation of employees has increased to 54% of total expenditure over the past financial year. The other two major components of expenditure are travel costs (14% of total expenditure) and contracted assessors to assess facilities for accreditation (13%). Both these expenditure items remained relatively constant.



The expenditure focus remained on accreditation services as the core function of SANAS at 54% of total expenditure. This includes the direct costs of providing accreditation services, such as travel costs and contracted assessors to assess facilities. This has remained at an average of 53% (R42 million) over the past three financial years.



Capacity constraints and challenges

The main challenge that has hampered the implementation of SANAS's activities is limited office space and the cession of the associated 15-year lease agreement. SANAS has now obtained all the required regulatory permissions. It also applied for and obtained National Treasury concurrence in terms of section 54(2)(d) of the Public Finance Management Act (PFMA). However, the reduction in SANAS's baseline that was initially announced introduced a delay in acquiring the required office space. The procurement process has now been finalised and an agreement signed with the preferred bidder in quarter four of 2016/17.

SANAS hopes to move into its new office space by 30 May 2018.

Discontinued activities

No programmes were discontinued during the period under review.

New or proposed activities

The demand by government for accreditation services to support its strategic objectives continues to grow. During the year under review, SANAS continued with the implementation of accreditation systems for the projects assigned to it through IPAP. This included finalising accreditation systems for certification bodies for ISO 27001 ISMS, ISO 22000-1 ITSMS and for inspection bodies for the Energy Performance Certificate for Buildings, which were rolled out in March 2016.

Requests for the roll-over of funds

SANAS realised a R3.8 million surplus, made up mostly of interest earned on SANAS's funding reserved for the procurement of office space. An application to retain surplus funds was made 31 May 2017 as required by National Treasury.

Supply chain management

SANAS manages all procurement in line with the guidelines and instructions stipulated by National Treasury. SANAS's internal auditing process raised a few concerns, which have since been addressed. The Supply Chain Unit consists of a supply chain officer and a supply chain administrator.

During 2016/17, SANAS was required to utilise the National Treasury's Central Supplier database for all procurement requiring quotations. This replaces the supplier database that SANAS previously had compiled on the Advanced Procurement Module on SAGE Evolution. SANAS embarked on an integration project in order to continue to utilise the Advanced Procurement Module and the integration tool will be implemented during 2017/18. This integration will allow SANAS to automatically rotate suppliers when quotations are required. Formal tenders are placed in the Government Tender Bulletin, as well as on SANAS's website. Specification, Evaluation and Adjudication bid committees are established in terms of SANAS's Supply Chain Management Policy.

As per Section 53(3) of the PFMA, SANAS as a Schedule 3A Public Entity may not retain cash surpluses that were realised in the previous financial year without the prior written approval of the National Treasury. Therefore in terms of this section and National Treasury's Instruction no. 6 of 2017/2018, SANAS has made an application to retain surpluses for 2016/17. The surplus is based on the cash and cash equivalents plus receivables less current liabilities and commitments at the end of the financial year and for 2016/17 the cash surplus is R885,469.

During the 2016/17 financial year, SANAS received an unqualified audit with three findings raised.

Outlook or plan for the future to address financial challenges

The largest portion of SANAS's income is derived from fees charged to customers. SANAS will continue to grow the accreditation base. In addition, cost containment is being implemented with further areas identified where process improvements could contribute to ensuring that accreditation remains a financially viable business. The reclassification of SANAS training provision to a cost center has seen a noticeable increase in income derived from training. SANAS will further capitalise on this stream of income in the coming years.

Economic viability

During November 2016, SANAS received notice of further baseline cuts over the outer financial year of the Medium-term Expenditure Framework (MTEF) period for 2019/20 of R12.9 million. SANAS has finalised the acquisition of office property by 31 March and the majority of the SANAS-approved accumulated reserve will be utilised towards the costing of the office building and the office fit out, This may place a strain on SANAS's budget during the 2019/20 financial year as it is expected that the approved reserve will be depleted at that stage. Further cost-saving measures, cost containments and additional streams of income are now being investigated to tackle this future financial challenge. Failure to cover future financial gaps will expose SANAS to the risk of not being able to effectively deliver on its mandate.

Acknowledgements

In conclusion, I would like to express my gratitude to the Chairperson and SANAS's Board of Directors, the SANAS team, assessors, committee chairpersons, committee members and accredited facilities, **the dti** and all stakeholders for their continued support and feedback. We are looking forward to an exciting and successful 2017/18.

Ron Josias

Chief Executive Officer

7. STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF THE ACCURACY OF THE ANNUAL REPORT

To the best of my knowledge and belief, I confirm the following:

- All information and amounts disclosed in the annual report are consistent with the annual financial statements audited by the independent external auditors.
- The annual report is complete, accurate, and free from any omissions.
- The annual report has been prepared in accordance with the guidelines for annual reports as issued by National Treasury.
- The annual financial statements (Part E) have been prepared in accordance with the Generally Recognised Accounting Practice (GRAP) standards applicable to the public entity.
- The Accounting Authority is responsible for the preparation of the annual financial statements and for the judgements made in this information.
- The Accounting Authority is responsible for establishing and implementing a system of internal control, which has been designed to provide reasonable assurance of the integrity and reliability of the performance information, the human resources information, and the annual financial statements.
- The external auditors are engaged to express an independent opinion on the annual financial statements.

In our opinion, the annual report fairly reflects the operations, performance information, human resources information, and financial affairs of the entity for the financial year ended 31 March 2017.

Prags Govender

Chairperson of the Board

rais Generalder

20 July 2017

8. STRATEGIC OVERVIEW

8.1 OUR VISION

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

8.2 OUR MISSION

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

8.3 OUR VALUES

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





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

INTEGRITY



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

INNOVATION



We are a forward-thinking company and have the courage and confidence to come up with creative ways in accreditation development

DEDICATION



As a team, we are committed and passionate about our work and take ownership in all that we do

SOCIALLY RESPONSIBLE



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

8.4 LEGISLATIVE MANDATE

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

8.4.1 ACT AND MANDATE

Table 1: Act and mandate

ENABLING ACT	MANDATE
Accreditation for Conformity Assessment, Calibration and Good Laboratory Practice Act, 2006 (Act No. 19 of 2006)	SANAS is the sole national accreditation body, established to provide an internationally recognised and effective accreditation and monitoring system for the Republic of South Africa by doing the following:
	 Accrediting or monitoring, for GLP compliance purposes, organisations falling within its scope of activity
	 Promoting accreditation as a means of facilitating international trade and enhancing South Africa's economic performance and transformation
	 Promoting the competence and equivalence of accredited bodies
	Promoting the competence and equivalence of GLP-compliant facilities

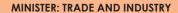
8.4.2 CORE FUNCTIONS

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

- Promote the organisation as the sole national accreditation body in its scope of activity
- Encourage and promote the accreditation of calibration, testing and verification laboratories, certification bodies, inspection bodies, rating agencies, and any other type of body that may be added to its scope of activity
- Encourage and promote GLP compliance with principles adopted by the OECD for GLP facilities
- Promote the acceptance of its activities and those of all bodies accredited by SANAS or its international counterparts
- Promote the recognition of accredited bodies by users of conformity assessment
- Liaise with regional and international standard bodies and with technical regulatory and metrology organisations in respect of any matter related to accreditation
- Liaise with national regulators in respect of any matter related to accreditation
- Promote the use of accredited bodies to facilitate trade
- Advise national, regional, and international organisations on conditions for accreditation and other issues related to accreditation
- Establish and maintain a register of all accredited organisations in South Africa
- Initiate, negotiate, conclude, and maintain MRAs
- Support government in activities on MRAs
- Obtain and maintain membership of national or international organisations that may assist SANAS to achieve its objectives and actively participate in such organisations
- Participate in formulating international and regional guidelines and standards to facilitate the accreditation process
- Formulate and implement national guidelines and standards to facilitate the accreditation process
- Promote recognition and protect the use of the SANAS logo nationally and internationally
- Promote and protect regional and international arrangement logos, such as those of ILAC and IAF
- Establish appropriate technical committees
- Investigate methods of facilitating trade through accreditation

9. **ORGANISATIONAL STRUCTURE**

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





EXECUTIVE AUTHORITY

BOARD OF DIRECTORS

CHAIRPERSON



ACCOUNTING AUTHORITY

ADVISORY FORUM

COMMITTEE OF THE BOARD



AUDIT COMMITTEE & RISK COMMITTEE **CHAIRPERSON**



HR & REMUNERATION COMMITTEE **CHAIRPERSON**

COMPANY SECRETARY/ LEGAL ADVISOR



CHIEF EXECUTIVE OFFICER

MEMBERS OF KEY MANAGEMENT



EXECUTIVE: ACCREDITATION

- Inspection Bodies
- Calibration Laboratories
 Testing Laboratories
 Medical Laboratories
- Verification Laboratories
- Certification Bodies
 Blood Transfusion Facilities
- B-BBEE Verification Agencies
- GLP and GCP Compliant



EXECUTIVE: CORPORATE **SERVICES**

- Human Resources
- Quality Management

- Facility Management
 Administration Co-ordination
 Marketing and Communications
- IT Security
 Quality Management



EXECUTIVE: STRATEGY AND **DEVELOPMENT**

- Research and Development Knowledge Transfer (Training)
 SADC Accreditation Regional
- AFRAC and SADCA Secretariats



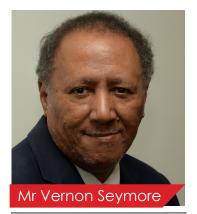
CHIEF FINANCIAL **OFFICER**

• Finance Management Procurement
 Risk Management

BOARD MEMBERS



CHAIRPERSON: BOARD OF DIRECTORS



CHAIRPERSON: HR AND REMUNERATION



CHAIRPERSON: AUDIT COMMITTEE AND RISK COMMITTEE



CHIEF EXECUTIVE OFFICER



















10. EXTERNAL AUDITOR'S REPORT ON PREDETERMINED OBJECTIVES

The External Auditors, Ernst & Young Incorporated, performed the necessary audit procedure to obtain evidence of the usefulness and reliability of the performance information presented in this annual report. The outcome of this audit is captured in Part E (Annual Financial Statements), pages 63 to 104

11. SITUATIONAL ANALYSIS

11.1 SERVICE DELIVERY ENVIRONMENT

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

11.1.1 GLOBAL TRENDS

Global demand for accreditation is largely fueled by the green economy and regional integration initiatives. New and established global bodies, such as the World Trade Organisation (WTO), the World Anti-doping Agency (WADA), the International Electrotechnical Committee (IEC), and retailer-based schemes such as GlobalGap, increasingly recognises the value a network of national accreditation bodies contribute in supporting their objectives. This realisation places the burden on SANAS to ensure that its accreditation programmes meet the demands of global bodies. This will make it possible for SANAS' national CABs to demonstrate their competencies and facilitate the acceptance of their testing, inspection, or certification results by these international bodies. Failure to meet the requirements of these global bodies may exclude goods and services produced in South Africa from being accepted. Such goods and services might also become uncompetitive due to the high cost of international conformity assessment services.

11.1.2 REGIONAL TRENDS

Continental and regional (SADC, EAC etc.) demand for for accreditation arises from the role that accreditation plays in facilitating intra- and inter-regional trade in high-quality manufacturing. Industrial development and export are key commodities to SADC. The competitiveness of SADC's goods and services hinges on the quality of these products and services, which is confirmed by accredited laboratories, certification and inspection bodies, collectively referred to as CABs. Non-acceptance of conformity assessment results normally leads to the rejection or costly re-testing, re-inspection, or re-certification of such exported goods and services, making such goods uncompetitive in the global market. Non-acceptance of conformity assessment results is mainly due to a lack of confidence in the competence of the CABs producing the results.

11.1.3 NATIONAL TRENDS

National growth is largely the result of recognising the importance of accreditation in achieving South Africa's development goals and SANAS' strategic role in locking in export markets and locking out unsafe, poor-quality goods and services as part of South Africa's technical infrastructure.

The growth in the demand for accreditation from the private sector continues to add to the accreditation statistics and highlights the importance of this activity to industry.

11.1.4 OUTLOOK

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

11.1.5 SERVICE DELIVERY IMPROVEMENT PLAN

11.1.5.1 SERVICE DELIVERY: CUSTOMER EXPERIENCE

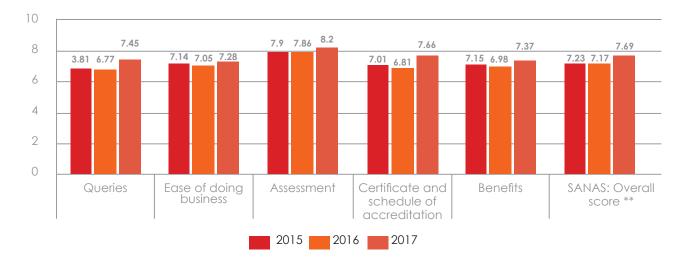
In 2016/17 financial year, SANAS conducted an independent CAB customer satisfaction survey. The survey covered the following:

- The quality of SANAS's assessments
- The benefits of being accredited by SANAS
- The quality of a SANAS accreditation certificate
- The ease of doing business with SANAS
- SANAS's response to queries from CABs

The analysis of the SANAS 2016/17 surveys highlighted a good improvement in the key performance areas results over the previous year's results, from 7.17 in 2015/16 to 7.69 during the financial year 2016/17. SANAS' investment in ICT, communication and staff development yielded very positive results, exceeding the 2016/17 target set by the Board, resulting in the overall key performance areas results of 7.69 against a 2015/16 target of 7.5.

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

The overall satisfaction of the evaluation of the key performance areas results (out of 10) from the customer survey are set out in the table below:



11.2 ORGANISATIONAL ENVIRONMENT

The period under review has seen SANAS continue with its focus on improving its efficiency and effectiveness through investment in information technology (IT), stronger focus on government support, tertiary institutions as well as investment in its staff. To this end, SANAS has successfully rolled out phase two of the SANAS three phase ICT project, Shanduka. SANAS continues to pursue a permanent solution for its current office space constraints through the procurement of suitable office space.

The 2016/17 financial year was concluded with a satisfactory performance as SANAS managed to achieve completion of 11 of its 13 targets, which amounted to an overall performance score of 84.6% achievement of its targets.

11.3 KEY POLICY DEVELOPMENTS AND LEGISLATIVE CHANGES

There have been no legislation and policy changes that may impact on the operations and finances of SANAS during the foreseeable future.

12. STRATEGIC OUTCOME-ORIENTATED GOALS

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

i) IMPROVE SANAS' OPERATIONAL EFFICIENCY TO DELIVER SERVICES WITH A SPIRIT OF EXCELLENCE

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

ii) CONTRIBUTE TO INDUSTRIAL DEVELOPMENT AND THE PROTECTION OF HEALTH, SAFETY, AND THE ENVIRONMENT

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

iii) PROMOTE ACCEPTANCE OF SANAS-ACCREDITED RESULTS AMONG INTERNATIONAL PARTNERS TO ADVANCE SOUTH AFRICA'S TRADE AND INDUSTRY OBJECTIVES

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

iv) SUPPORT REGIONAL INTEGRATION AND RELATIONS TO ADVANCE SOUTH AFRICA'S TRADE, INDUSTRIAL POLICY, AND ECONOMIC DEVELOPMENT OBJECTIVES

Locking in exports and locking out poor-quality goods and services are key objectives of the South African technical infrastructure institutions, of which SANAS is a key member. SANAS plays a leading role in developing the required accreditation infrastructure in SADC and the rest of the African continent. SANAS hosts the secretariats of both AFRAC and SADCA. It also holds the chairmanship of AFRAC.

13. PERFORMANCE INFORMATION BY PROGRAMME

13.1 PROGRAMME 1: ADMINISTRATION

13.1.1 PURPOSE

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

Description of the programme

The sub-programmes that fall under this programme include Policy Development, Financial Management, and Legal Services.

Policy Development

SANAS' Board of Directors, as the Accounting Authority, provides strategic direction to SANAS, in keeping with the Accreditation Act and the Shareholders' Compact, which was concluded with the Minister of Trade and Industry, as the Executive Authority. Through its CEO, SANAS' management is responsible for the day-to-day implementation and control of the organisation's Strategic Plan.

Financial Management

This sub-programme continues to focus on ensuring compliance with all relevant financial standards and regulations, particularly the PFMA and Treasury Guidelines, as well as overseeing the supply chain management function.

This sub-programme continues to refine its managerial financial accounting systems, advise the CEO on financial risk and risk control, and perform the function of Chief Financial Officer (CFO).

Legal Services

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

Company Secretary

The Company Secretary, as the overseer of corporate governance, is responsible for assisting the Board of Directors to ensure adherence to sound corporate governance principles. The Company Secretary assists the Board by providing refresher training on roles and responsibilities. The Company Secretary continues to provide guidance to the Board on governing legislation, regulations, and policies that affect SANAS, as well as providing Secretariat services to the Board and its subcommittees.

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

Outputs	Performance indicators/ measures	Annual achievement 2015/16	Annual target 2016/17	Annual achievement 2016/17	Reasons for variance/comment
Creditors' payments in accordance with legislative requirements	Eligible creditor payment process days	NA	20	19 days	SANAS has processes in place to ensure invoices received are paid within a short period of time.

13.1.2 LINKING PERFORMANCE WITH BUDGETS

The programme had an actual expenditure of R 33,647,511, of which 71% was used for the compensation of employees, 29% for goods and services, and 0% for capital assets.

	2015/16			2016/17	
Final appropriation	Actual expenditure	Over-/under- expenditure	Final appropriation	Actual expenditure	Over-/under- expenditure
R31 383 127	R29 297 338	R2 085 789	R 36,631,202	R 33,647,511	R 2,983,691

13.2 PROGRAMME 2: CORPORATE SERVICES

13.2.1 PURPOSE

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

Description of the programme

The sub-programmes that fall under this programme include:

Quality Management

This sub-programme oversees SANAS' compliance with international requirements for operating and maintaining an internationally recognised accreditation infrastructure. On 4 November 2016, following the ILAC and IAF ballots to accept the re-evaluation of SANAS, ILAC and IAF recognised SANAS' continued signatory status to the ILAC MRA and IAF Multilateral Recognition Agreement (MLA). The Quality Management division ensures SANAS' full compliance to the ISO/IEC 17011 standard for Accreditation Bodies, and hence its readiness for the peer evaluations, including the effective implementation of corrective actions to any findings identified. The next ILAC and IAF re-evaluation of SANAS is scheduled to take place in 2019, and the next AFRAC re-evaluation is scheduled to take place in August 2017. As a signatory to the ILAC, IAF and AFRAC MRAs, SANAS continues to comply with its obligations, which include making peer evaluators available to assist ILAC, IAF, and AFRAC in their evaluations of other accreditation bodies.

In 2016, following the outcome of the 2015/16 external Customer Satisfaction Survey, SANAS implemented various successful improvement initiatives to address the shortcomings identified, one of these being the online system for the submission of complaints and queries, which we commit to address within 48 hours. SANAS' focus remains on striving to provide an improved service to and relationship with its customers, through the efficient and timely handling of complaints and queries, the consistent application of SANAS' policies and procedures, and the various IT projects which also form part of the improvement initiatives.

Accreditation Administration

Integral to the overall objectives of SANAS is enhanced and excellent customer service to our customers. The achievement of this objective is accomplished by continuously looking at various approaches to improve the quality of our final product, improve turnaround times, and ensure professional engagements with core business stakeholders. The Administration Unit sub-programme provides support to Accreditation Administration function by offering continuous training and coaching to the administrators, with the aim of improving and enhancing customer service.

In the year under review, this sub-programme has continued to provide this administrative support by offering external and in-house training of administrators in customer care, telephone etiquette, e-mail communication, and complaints handling. In addition to that, the focus has also been on ensuring that we continue to improve our turnaround times as well as the quality of the end-product that is given to our customers. To enforce this culture, an internal service level agreement (SLA) has been implemented and is being closely monitored to ensure compliance and adherence to turnaround times and quality levels.

Human Resources Management

This sub-programme is responsible for ensuring that SANAS has the human resources capacity to deliver on its mandate. Its activities during this period focused on intellectual capital development through partnerships with institutions of higher learning and the provision of bursaries and internships.

Information and Communications Technology

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

implementing, and maintaining the ICT infrastructure. The tasks of this sub-programme include the provision of reliable ICT infrastructure through ongoing refinement of support services and delivering business value in compliance with legislation and best practices.

During this period, the ICT sub-programme focused on the refinement of the online accreditation application process. The sub-programme has also made strides towards aligning SANAS' governance of technology and information systems to various IT governance and Corporate Governance frameworks such as KING IV and COBIT 5. There has also been an increased focus on the protection of SANAS Information and Information Assets. An ISMS in line with the ISO/IEC 27001 International Standards was successfully implemented in the year under review.

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

Marketing and Communication

This sub-programme is responsible for activities that will increase awareness of SANAS activities and its importance.

In the year under review, this sub-programme fulfilled its mandate by facilitating and coordinating a range of integrated communication activities in line with the business strategy and objectives of the organisation. This was done through various internal and external communication as well as relevant marketing interventions.

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

Continuous communication, updating, and providing feedback to full-time and contracted assessors is vital to the business of SANAS, as those resources are the face of the company and are constantly interacting with customers. In the year under review, the Marketing sub-programme facilitated annual communication and training sessions targeting the SANAS assessors. These sessions, formally known as the Assessor Conclaves, are held annually with the aim of communicating and guiding assessors on the expected SANAS conduct, assessments requirements, and latest developments in the accreditation space of various programmes. In the year under review, three (3) assessor conclaves were held in Gauteng, Western Cape, and KwaZulu-Natal provinces.

During 2016/17, the sub-programme hosted a regulator's information session, where representatives from various regulatory bodies and government departments participated. This session is hosted annually by SANAS, and its aim is to inform regulators and government departments of the changes in accreditation requirements and international trends in relation to accreditation matters.

There is continued effort to strengthen the SANAS brand and enhance stakeholder relations by collaborating with Technical Infrastructure Entities. In the year under review, the Marketing sub-programme focused on strengthening this collaboration by facilitating a joint advertising initiative with the National Metrology Institute of South Africa (NMISA). The two entities participated in the Arrive Alive campaign during the 2016 festive season – an initiative that was spearheaded and funded by one of the accredited laboratories, Dräger (SA). SANAS and NMISA were featured in a Dräger (SA) co-branded billboard that was erected at the N1 highway by the Killarney off-ramp in Johannesburg.

Other Marketing and Advertising Initiatives:

World Quality Month Celebration: The month of November is recognised internationally as World Quality
Month. In the 2016/17 year, on 24 November, the Marketing sub-programme facilitated the World Quality
Month celebration. This event was hosted by SANAS in collaboration with the South African Association
of Certification Bodies (SAACB). The key focus of the event was to raise awareness on the importance of
accredited certification as opposed to non-accredited certification. Representatives from regulatory

bodies and relevant government departments were in attendance, and various challenges and risks facing accredited certification bodies were discussed.

- B-BBEE Roadshows: In the year under review, SANAS and the Department of Trade and Industry (the dti) hosted broad-based black economic empowerment (B-BBEE) roadshows in various provinces, namely: Gauteng, Western Cape, KwaZulu-Natal, and Eastern Cape. The aim of these roadshows was to communicate the new B-BBEE accreditation requirements as well as to educate the industry on the application of the Revised B-BBEE Codes of Good Practice and the Sector Charters gazetted under Section (9)1 of the Act. These roadshows were conducted in the months of July and August 2016.
- World Accreditation Day: In 2016/17, on 9 June 2016, SANAS celebrated the World Accreditation Day, joining more than 85 accreditation bodies in the world that cover over 125 economies in celebrating this annual event. The event was hosted by the Marketing sub-programme. The theme of the 2016 Celebration was "Accreditation: A global tool to support public policy" and was attended by various individuals in key leadership positions within **the dti** and other government departments.
- Advertisements: In the year under review, the sub-programme released two advertisements in sector-related publications.
- Exhibitions: the Communications and Marketing sub-programme exhibited at various industry and sectorrelated conferences and EXPOs with the aim of raising accreditation awareness while raising awareness of the SANAS brand as well. In this period, SANAS participated in the following exhibitions:
 - The Greater Alexandra Chamber of Commerce (GALAXCOC)
 - Manufacturing Indaba
 - the dti Open Day
 - Test and Measurement Conference

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

Outputs	Performance indicators/ measures	Annual achievement 2015/16	Annual target 2016/17	Annual achievement 2016/17	Reasons for variance/comment
Reduce the vacancy rate	Percentage of vacant positions	12% (73 staff members)	8% (76 staff members)	11% (74 of 83 staff)	Six positions have been placed on hold due to the limited office space and baseline cuts.
Improve SANAS' operational efficiency through the automation of SANAS' accreditation processes	Number of processes automated	Training management process	1 Finalise and rollout improvements to Shanduka phase 2	No Sign off	The Sign off for Shanduka Phase 2 Improvements did not take place by 31st of March 2017 as initially planned. It is expected to be finalised by 30 April 2017. This was due to delays caused by approvals for variation in quoted price that required approval from National Treasury as it was above the CEO's delegated authority.
Increase awareness of SANAS	Number of communication events held and participated in	20 accumulative	16 accumulative	21 accumulative	A substantive effort was made to increase awareness of SANAS among all its stakeholders.

Outputs	Performance indicators/ measures	Annual achievement 2015/16	Annual target 2016/17	Annual achievement 2016/17	Reasons for variance/comment
Provide input into the international accreditation requirements of ILAC and IAF		100%	95%	100%	Influencing the international accreditation requirements of ILAC and IAF is important from a national point of view. SANAS aims to provide 100% input in all the quarters of 2016/17

13.2.3 STRATEGY TO OVERCOME AREAS OF UNDERPERFORMANCE

Reducing the vacancy rate is important to SANAS. However, it is as important to find suitable candidates for key positions such as those of human resources manager and procurement officer. Both these positions, as well as other positions, will be filled as soon as possible sufficient office space permits.

The programme had one area of underperformance.

13.2.4 Changes to targets

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

Target	Motivation for adjustment	2016/17	2017/18	2018/19	
Number of processes automated	It was necessary to implement strategic changes / improvements to Phase 2 of the Shanduka system before Phase 3 is addressed.	Current targets			
		Integrate the document at management process into Shanduka phase 3 Implement electronic signatures	2 Develop an IT Green Strategy (Paperless Office) Design and implement the E-learning solution	Design business process management (BPM)	
		New targets			
		1 Finalise and rollout improvements to Shanduka phase 2	Integrate the document at management process into Shanduka phase 3 Implement electronic signatures	2 Develop an IT Green Strategy (Paperless Office) Design and implement the E-learning solution	

13.2.5 LINKING PERFORMANCE WITH BUDGETS

The programme had actual expenditure of R2,144,993, of which 0% was used for the compensation of employees, 100% for goods and services, and 0% for capital assets.

2015/16			2016/17			
Final appropriation	Actual expenditure	Over-/under- expenditure	Final appropriation	Actual expenditure	Over-/under- expenditure	
R3 166 333	R2 651 914	R514 419	R 3,137,275	R 2,144,993	R 992,282	

13.3 PROGRAMME 3: STRATEGY AND DEVELOPMENT

13.3.1 PURPOSE

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

Description of the programme

The sub-programmes that fall under this programme include International and Regional Developments, Knowledge Transfer, and New Programme Development.

International and Regional Developments

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

In November 2016, SADCAS achieved its signatory status in the ILAC MRA for Testing and Calibration. SANAS' twinning arrangement with SADCAS will therefore only continue for the medical, inspection, and certification programmes until SADCAS obtains international recognition for these as well. As Secretariat and Chairperson of AFRAC, SANAS will play a leadership role to facilitate the participation of Africa as a continent in the activities of IAF and ILAC, and enable the recognition of an AFRAC MRA by IAF and ILAC. The aim is to have an operational MRA within the next four years. At the continental level, the Pan-African Quality Infrastructure (PAQI) developed a strategic plan that is aligned to the African Union Commission's Strategic Plan and will be implemented over the next five years. PAQI also completed a stocktaking document of quality infrastructure capacity in African countries.

Knowledge Transfer

This sub-programme has developed a solid reputation both nationally and regionally, and is a sought-after provider of training. The sub-programme will continue to deliver accreditation courses, lead and technical assessor training and development courses for existing and new accreditation fields supporting IPAP. The pool of registered PDI assessors will be increased, thus contributing to SANAS' objective of diversifying the pool. The SANAS' Knowledge Transfer Department (KTD) is historically and currently highly regarded nationally and internationally for its training services. As a training provider of courses, its portfolio includes: Lateral Services (training of SANAS staff members, Lead and Technical Assessors); Cognate services (in the development of new accreditation fields); Value-Added Services (Accreditation focused workshops) and Commercial Services (external current and potential accreditation clients). During the 2016/2017 Financial year KTD delivered 82 commercial courses, in 247 training days to a total of 1285 course participants within South Africa and from countries such as Ethiopia, Kenya, Nigeria and Zambia. The sectors and industries represented by the participants included the Medical, Food, Water, Pharmaceutical, Veterinary, Electrical, Mechanical, Civil Engineering, Energy Efficiency, Agriculture, Nuclear, Geology, Mining, Textiles, Calibration, B-BBEE, Forensic Science and Crime Scene investigation to name a few. The scope of the courses included: Management Systems, Documenting the System, Internal Auditing and Technical Assessing Techniques based on various standards such as ISO/IEC 17025; ISO/IEC 15189; ISO/IEC 17020, SANS 10378 and SANAS R47 for B-BBEE Verification Agency. In

addition to this KTD continued to provide other services such as participation in Assessor workshops, training in new accreditation fields under development by the SANAS R&D department, Assessor training courses in the Medical and Inspection fields and National B-BBEE Roadshows as organized by **the dti**. Through its competent Course facilitation team and training coordinators, KTD continues to successfully position itself in response to national and international training market demands. SANAS's operations rely on the availability of competent assessors who are contracted on an as-needed basis. Most of these individuals work in their fields of expertise and are trained by members of the Knowledge Transfer Unit prior to qualifying as SANAS assessors. SANAS's pool of registered assessors now stands at 478 which includes 261 PDI assessors (an increase of 11 over the previous year).

New Programme Development

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

SANAS ACCREDITATION SUPPORT FOR THE FUSION WELDING OF METALLIC MATERIALS DIAGNOSTICS

Key intervention: Establishing accreditation programme for the accreditation of certification bodies in Fusion Welding of Metallic Material

Background: The Pressure Equipment Regulation (PER) R734 promulgated on 15 July 2009 by the Department of Labour under section 3(3) makes provision that all pressure equipment for use in the Republic of South Africa (RSA) shall be categorised and subjected to the applicable conformance assessment of SANS 347 in addition to the requirements of the relevant health and safety standard incorporated into the PER. The PER further makes provision that manufacturers have an obligation to ensure that all equipment designed and manufactured for use in RSA conform to the relevant module requirement applicable in line with SANS 347. Under section 7.1.9 of SANS 347, ISO 3834 is stated as one of the acceptable quality systems.

ISO 3834 consists of a group of standards that detail quality requirements for fusion welding of metallic materials that are applicable to different manufacturing situations. Typically, they may be applied in the following circumstances:

- In contractual situations: specification of welding quality requirements
- By manufacturers: establishment and maintenance of welding quality requirements
- By committees drafting manufacturing codes or application standards: specification of welding quality requirements
- By organisations assessing welding quality performance, e.g. third parties, customers, or manufacturers

ISO 3834 has six parts, and organisations can either be certified to be part 2, 3, or 4. The six parts are as follows:

- ISO 3834-1: Criteria for the selection of the appropriate level of quality requirements
- ISO 3834-2: Comprehensive Quality Requirements
- ISO 3834-3: Standard Quality Requirements
- ISO 3834-4: Elementary Quality Requirements
- ISO 3834-5: Documents with which it is necessary to conform to claim conformity to the quality requirements of ISO 3834-2, ISO 3834-3, or ISO 3834-4
- ISO3834-6: Guidance on implementing ISO 3834 has been prepared

SANAS launched Fusion Welding of Metallic Material accreditation programme for certification bodies on 16 March 2017 in Pretoria. The roll-out of this accreditation programme for Fusion Welding of Metallic Materials for certification bodies was the result of the work done by a SANAS working group of technically knowledgeable experts who developed the SANAS Technical Requirements that address accreditation criteria and scope of accreditation to be adopted. Stakeholders in the Fusion Welding of Metallic Materials as well as certification bodies implemented ISO 3834 Fusion Welding of Metallic Materials.

Accreditation by SANAS

SANAS will be providing third-party attestation of the technical competence of the certification bodies that will be certifying to Fusion Welding of Metallic Material in accordance with ISO 3834. The SANAS-accredited certification bodies will be certifying organisations Fusion Welding of Metallic Material on how they have fulfilled the requirements stated in the ISO 3834. Certification Bodies (CB) are to provide certification services according to ISO 3834. Certification bodies will be accredited according to ISO/IEC 17021-1. SANAS will give recognition of the technical competence of the CB, to certify organisations.

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

Outputs	Performance indicators/ measures	Annual achievement 2015/16	Annual target 2016/17	Annual achievement 2016/17	Reasons for variance/ comment
Develop and roll out an accreditation system for the accreditation of IPAP2-assigned areas	Number of accreditation programmes for the accreditation of IPAP2- assigned areas	Accreditation programme for Inspection for Energy Performance Certificate developed and rolled out	One Accreditation programme for Fusion Welding developed and rolled Out	The accreditation programme for Fusion Welding of Metallic Materials was rolled out on 16 March 2017	No variance
Develop and roll out an accreditation system to facilitate trade	Number of accreditation programmes to facilitate trade	Accreditation system for ITSMS (ISO/IEC 20000- 1) developed and rolled out	No Accreditation programme for medical devices developed and rolled out	The workshop concluded with the establishment of a working group tasked with the development of the accreditation criteria for Medical Devices in support of the DoH, MCC regulations. A MOU between SANAS and the DoH and MCC was signed on 18 January 2017 at a working group meeting. The final regulations were published by DOH in December 2016. Two working group meeting were convened. The Technical Requirements were finalised.	No variance
Provide an AFRAC Secretariat	Number of meetings where Secretariat support is provided	4 meetings	4 meetings	4 meetings	Mr Ron Josias, CEO of SANAS, was the Chairperson of AFRAC until September 2016

Outputs	Performance indicators/ measures	Annual achievement 2015/16	Annual target 2016/17	Annual achievement 2016/17	Reasons for variance/comment
Provide a SADCA Secretariat and regional coordination function	Number of meetings where Secretariat support and regional coordinator functions are provided	4 meetings	4 meetings	4 meetings	SANAS continued to provide a leadership role. The SADCA General Assembly approved the reappointment of SANAS as the SADCA Secretariat. Dr Elsabe Steyn is the Regional Coordinator of SADCA, and Mr Ron Josias, CEO of SANAS, is the Chairperson of the SADCA MRA Committee

13.3.3 STRATEGY TO OVERCOME AREAS OF UNDERPERFORMANCE

The programme did not have any areas of underperformance.

13.3.4 CHANGES TO TARGETS

The targets were not changed. The motivation for the changes of the two targets is as follows:

Target	Motivation for adjustment	2016/17	Revise Target to: 2017/18	2018/19
Number of	The target was		Current target:	
meetings where	mistakenly	4 meetings in Q1	4 meetings in Q1	4 meetings in Q1
SADCA Secretariat	allocated to Q1		New target:	
support is provided	and not Q4.	4 meetings in Q4	4 meetings in Q4	4 meetings in Q4

13.3.5 LINKING PERFORMANCE WITH BUDGETS

The programme had actual expenditure of R3,090,596. Of this amount, 0% was used for the compensation of employees, 100% for goods and services, and 0% for capital assets.

2015/16				2016/17	
Final appropriation	Actual expenditure	Over-/under- expenditure	Final appropriation	Actual expenditure	Over-/under- expenditure
R3 835 855	R2 875 418	R960 437	R 3,835,595	R 3,090,596	R 745,000

13.4 PROGRAMME 4: ACCREDITATION PROVISION

13.4.1 PURPOSE

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

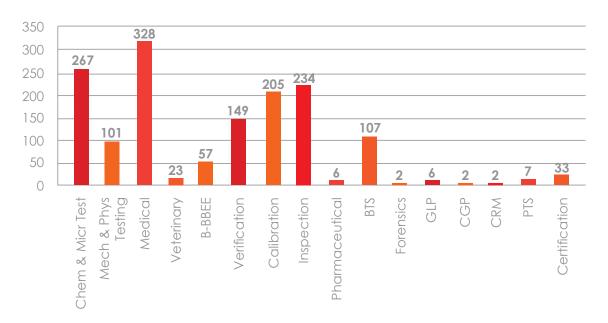
Description of the programme

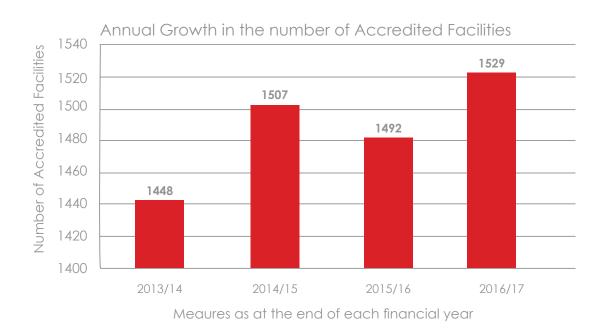
This programme is responsible for managing the accreditation of new and existing clients in compliance with legislation and international good practice. Ensuring a competent pool of accredited conformity assessment services to the IPAP priority sectors is a key driver. The sub-programmes cover the following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

- Calibration laboratories, which provide metrological traceability in South Africa as stipulated in the
 Measurement Units and Measurement Standards Act, Act No. 18 of 2006. SANAS-accredited laboratories
 form an integral part of the metrological chain whenever physical measurements are performed for
 manufacturing and exports, safety or scientific purposes, for law enforcement purposes, or to ensure that
 South African manufacturers remain globally competitive.
- **Testing laboratories**, which play a significant role in supporting South African manufacturing, exports, and IPAP priority sectors by providing objective evidence that a product or service conforms to certain customer requirements or specifications.
- **Pharmaceutical laboratories**, which provide a service to the South African pharmaceutical industry, in particular for chemical and microbiological testing. The South African pharmaceutical industry is regarded as the largest in Africa, constituting about 33% of all the pharmaceutical sales in Africa. Pharmaceutical laboratories not only support this industry but also play a vital role in fighting the numerous diseases that are ravaging our country, such as tuberculosis and HIV/AIDS.
- Inspection bodies, which mainly operate in the regulatory domain where regulators, the industry, and citizens need to be confident that inspection bodies are competent to perform their duties. This is especially relevant in the case of bodies inspecting workplace health and safety requirements in accordance with the Occupational Health and Safety Act, those inspecting diagnostic imaging equipment such as medical and dental diagnostic X-ray equipment in accordance with the Hazardous Substances Act, and those inspecting compulsory standards in accordance with the National Regulator for Compulsory Specifications Act. Inspection bodies also support the Green Industry Initiative through the measurement and verification of energy efficiency and the energy performance of buildings.
- Legal metrology (verification laboratories), which protects consumers from unfair trade practices. These laboratories fall under the domain of legal metrology and perform verifications on volume, mass, and length measuring instruments in accordance with the requirements of the Legal Metrology Act and other related technical regulations to ensure reliable results. The introduction of the Legal Metrology Act, Act No. 9 of 2014 broadened the scope of accreditation to include measuring instruments in other areas such as Safety, Health, and Environment. Furthermore, the Act requires that the verification activities be separated from repair activities. This will require organisations to be accredited for both activities if they so wish.
- Certification bodies that are accredited by SANAS and that certify other organisations in terms of the compliance of their management systems with recognised standards, such as that of ISO and SANS. These management systems include those for quality management (ISO 900), environmental management (ISO 14000), occupational health and safety management (ISO 18000), food safety management (ISO 22000), energy management (ISO 50001), road transport management (SANS 1395), and organic agricultural production and processing (SANS 1369). ISMS and ITSMS certification bodies also validate and verify greenhouse gas emissions of organisations and projects.
- Medical laboratories, which need to be credible, as their credibility is paramount to the health and safety of
 patients who rely on testing services they provide. Laboratory tests are an integral part of the workup of any
 patient and constitute up to 80% of a physician's diagnosis and treatment choice. As medical doctors base
 their diagnosis on the results issued by medical laboratories, it is important that these results be accurate and
 reliable.

- **Blood transfusion facilities**, which aim to provide the transfusion of safe units of blood. Accreditation plays a vital role in ensuring that the personnel involved in all the activities (donor registration, blood collection, testing, processing, and storage) of a blood transfusion service are competent and that they adhere to national and/or international standards.
- A veterinary laboratory industry that is strong and competent. Such an industry is important in South Africa for the diagnosis of diseases, especially emerging diseases, such as bovine spongiform encephalopathy (BSE) (mad cow disease), as well as for testing the safety of meat and other animal products.
- A GLP monitoring authority that inspects test facilities and conducts study audits to ascertain their degree of compliance to the OECD principles of GLP. These principles were primarily developed to promote the quality and validity of test data used to determine the safety of chemicals and chemical products. Quality test data forms the basis for the mutual acceptance of data among countries. The application of these principles should help avoid the creation of barriers to trade and further improve the protection of human health and the environment. SANAS is the official GLP monitoring authority in South Africa.
- Forensic laboratories, which are crucial to our criminal justice system, as they provide very useful information that aids in the investigation and prosecution of crime through the scientific examination of physical evidence.
- Broad-based black economic empowerment (B-BBEE) verification agencies, which are accredited by SANAS. These agencies support government's national objective to allow for the broader participation of PDIs in the mainstream economy.
- Providers of Proficiency Testing (PT) Schemes may seek accreditation from SANAS according to the
 requirements of the international standard ISO/IEC 17043. The primary purpose of PT schemes is the evaluation
 of the performance of laboratories for specific tests or measurements and monitoring laboratories on-going
 performance, the validation of uncertainty claims, and the evaluation of the performance characteristics of
 a calibration, test or measurement method.
- The accreditation of **Producers of Certified Reference Materials** by SANAS is undertaken according to the International Standard ISO 17034. The standard outlines the general requirements for the producers of reference materials (RM's) and Certified Reference Materials (CRM's). RM's and CRM's may be used by testing and calibration laboratories at all stages of the measurement process, including method validation, calibration and quality control.

Total No. of Accredited Facilities: **1529** 31/03/2017





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

Outputs	Performance indicators/ measures	Annual achievement 2015/16	Annual target 2016/17	Annual achievement 2016/17	Reasons for variance/ comment
STRATEGIC OBJECTIVE	2: Contribute to	industrial develop	oment and the p	rotection of healt	h, safety, and the
Expand accredited organisations in the fields of testing, inspection, calibration, certification and other conformity assessment services	Number of accredited organisations	1 492	Revised target: 1511	1 529	A slightly higher number of new applications were received than projected
Assessments of accredited organisations in the fields of testing, inspection, calibration, certification and other conformity assessment services	Number of assessed facilities	1 334	Revised target: 1339	1 413	The original annual target set for 2016/17 was revised upwards and the target was overachieved as additional new applications received during the year
Increase the registration of PDI assessors	Number of PDI assessors in the assessor pool registered with SANAS	240	250	261	The Assessors 500 Project resulted in an increase in the number of PDI assessors to 261.
Accreditation certificates issued in time	Timeframe for issuing certificates after completion of approval process	N/A	20	19	Attributed to a change in process in an effort to expedite the issuing of the certificates and schedules of accreditation

13.4.3 STRATEGY TO OVERCOME AREAS OF UNDERPERFORMANCE

The programme had two area of underperformance identified during the year which resulted in a revision of targets as follows:

Number of assessed facilities

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

		Target 2016/17 to 2018/19	
Number of assessed	1 431	1 485	1 577
facilities	Rev	rised target 2016/17 to 2018	/19
	1 339	1 361	1 397

Number of accredited facilities

Taking the quarter 1 applications of 2016/17 in progress and the impact of the economic slowdown into account on the growth in the number of accredited facilities, an adjustment to the target was done for the following three years accordingly.

		Target 2016/17 to 2018/19		
Number of accredited facilities	1 511	1 540	1 574	
	Revised target 2016/17 to 2018/19			
	1 492	1 521	1 541	

13.4.4 LINKING PERFORMANCE WITH BUDGETS

The programme had actual expenditure of R45,672,128, of which 52% was used for the compensation of employees, 48% for goods and services, and 0% for capital assets.

2015/16				2016/17	
Final appropriation	Actual expenditure	Over-/under- expenditure	Final appropriation	Actual expenditure	Over-/under- expenditure
R46 445 543	R43 043 909	R3 401 634	R 47,306,377	R 45,672,128	R 1,634,249

14. TRANSFER PAYMENTS

For the 2016/17 financial year, SANAS has received monthly transfer payments from **the dti** totalling R22.208 million. SANAS applied for permission to acquire immovable property as required by the PFMA. Approval was received on 14 February 2014 from the Minister of Trade and Industry, and subsequently, confirmation was received during November 2014 that National Treasury concurred with the approval during August 2014. Although SANAS now has the required permissions to acquire immovable property and retain the 2013/14 surplus, SANAS received notice that the baseline will further be reduced by R17 million during the 2016/17 financial year. This had an impact on the funds available to purchase immovable property during 2014/15, as reserves had to be ring-fenced towards operations. Fortunately, SANAS received approval to retain a R14 million surplus for 2014/15 as well as a R2 million surplus for 2015/16; this has increased the available reserves for immovable property to R62 million, which the SANAS Board of Directors has approved. SANAS is in the final stages of awarding a contract to acquire immovable property and is positive a building will be secured before the end of the 2016/17 financial year.

15. REVENUE COLLECTION

		2015/16			2016/17		
Sources of revenue	Estimate	Actual amount collected	(Over-)/ under- collection	Estimate	Actual amount collected	(Over-)/ under- collection	
	R'000	R'000	R'000	R'000	R'000	R'000	
Accreditation fee income	44 961	43 907	1 054	50 681	48 299	2 382	
Training income	6 205	5 551	654	9 571	7 675	1 896	
Total	51 166	49 458	1 708	60 252	55 974	4 278	

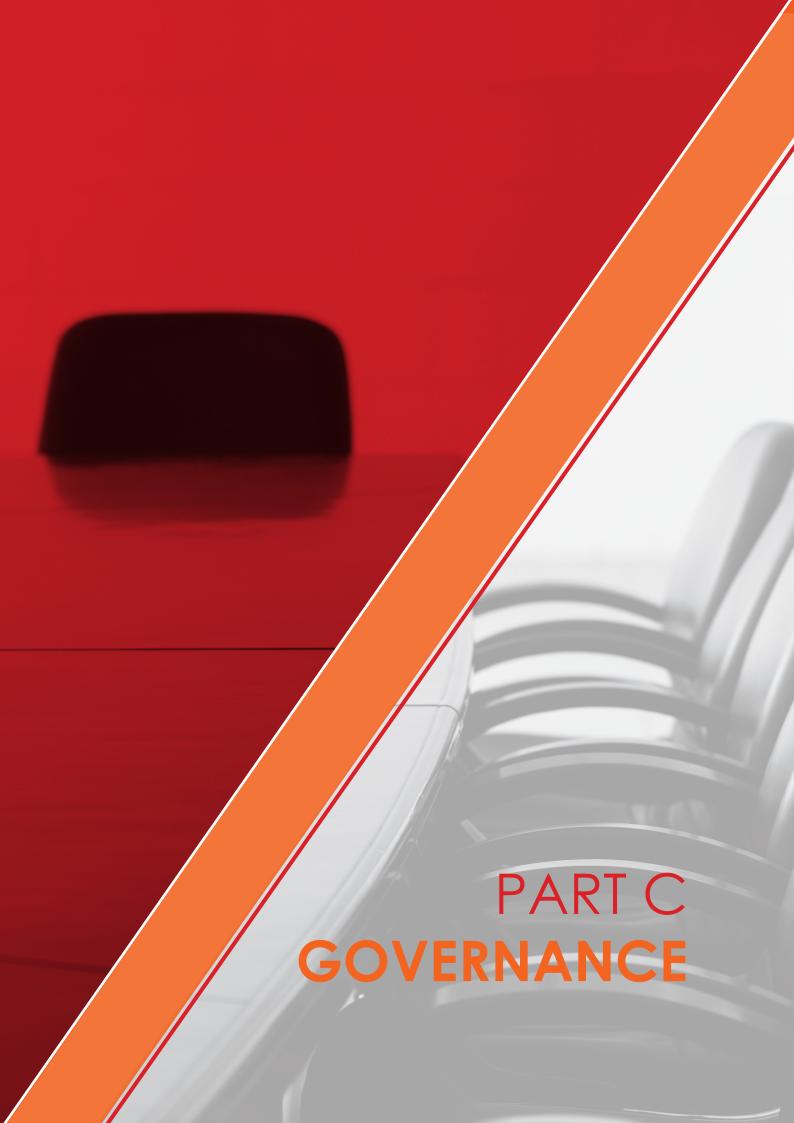
The SANAS accreditation fee income consists of annual fees, as well as income received on additional accreditation services requested by customers. The SANAS revenue collection policy for fee income therefore differs for these two categories. Annual fees are required to be paid by 31 May each year, whereas the other fee income requires payment to be made before the required service is delivered in order for SANAS to make the necessary travel arrangements. For SANAS to facilitate the process of additional accreditation services, invoices are issued upon request. However, the recognition of income only occurs when the particular service has been delivered. In special circumstances, deviation from this policy is allowed. Nevertheless, these are kept to a bare minimum to keep control over debtors. Therefore, the under-collection at year end predominantly relates to annual fees.

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

16. CAPITAL INVESTMENT

	2015/16			2016/17		
Infrastructure projects	Budget	Actual expenditure	(Over-)/ under- expenditure	Budget	Actual expenditure	(Over-)/ under- expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Acquisition of immovable property	48 853	-	48 853	55 000	-	55 000

The main challenge that has hampered the implementation of SANAS's activities is limited office space and the cession of the associated 15-year lease agreement. SANAS has now obtained all the required regulatory permissions. SANAS also applied and obtained National Treasury concurrence in terms of section 54(2)(d) of the PFMA. SANAS received approval to retain the 2015/16 surplus for purposes of acquiring immovable property. This resulted in an approved total budget of R48.8 million as stipulated under 2015/16. Although R55 million was budgeted for 2016/17, the baseline shortfalls within the 2015/16 and 2016/17 financials did not materialise and therefore and additional R29million is available for the office building. Considering baseline cuts for 2017/18, R7million needs to be ring-fenced thus resulting in R73 million now available for the acquisition of an office building and the office contents fit out. The procurement process has now been finalised and SANAS plans to move into its new office space in 2018.



17. INTRODUCTION

The SANAS Board is committed to effective corporate governance to ensure that the interests of SANAS and its stakeholders are paramount. Consequently, SANAS subscribes to the principles of transparency, accountability, and business integrity in all its dealings with stakeholders.

The Board, as the custodian of corporate governance, ensures that SANAS endorses and implements the Code of Corporate Practices and Conduct contained in King III. SANAS continues to comply with the prescripts of King III, and the Board is satisfied with SANAS' levels of compliance.

The Board is cognisant of the benefits that SANAS can derive from good corporate citizenship by adhering to the prescripts of King III. Accordingly, the Board does not only consider SANAS' financial performance but also its non-financial performance, aiming to achieve a balance of integrated economic performance, service delivery, and social and environmental performance.

SANAS continually strives to improve its compliance with the prescripts of King III. The internal auditors conducted an independent audit into SANAS' compliance and indicated that SANAS was in compliance with the prescripts of King III. SANAS' compliance is monitored by the Board and the respective subcommittees.

17.1 PORTFOLIO COMMITTEE

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

17.2 EXECUTIVE AUTHORITY

In terms of section 6(2)(b) of the Accreditation Act, the Minister of Trade and Industry is the Executive Authority, as contemplated in section 52 of the PFMA. The oversight function of the Executive Authority rests by and large on the prescripts of the PFMA. The PFMA governs and gives authority to the Executive Authority for oversight powers.

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

Date	Reasons for engagement
16 September 2016 12 October 2016 06 February 2017	IPAP discussion and reporting on entities' contributions

Quarterly reports submitted to the Executive Authority:

Quarter	Date submitted
1	29 July 2016
2	31 October 2016
3	31 January 2017
4	28 April 2017

17.3 THE BOARD

17.3.1 INTRODUCTION

In terms of section 6(2)(a) of the Accreditation Act, the Board is the Accounting Authority, as contemplated in section 49(2)(a) of the PFMA.

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

SANAS is and remains committed to the principles of openness, integrity, and accountability. It continually reviews its processes and practices to ensure compliance with legal obligations and adherence to good corporate governance as captured in King III and the PFMA, which is an integral part of SANAS' objectives.

The primary objective of any system of corporate governance is to ensure that the Board and management, who manage the day-to-day operations of SANAS, have been entrusted to carry out their responsibilities faithfully and effectively, placing the interests of the organisation ahead of its own. This process is facilitated through the establishment of appropriate reporting and control structures within SANAS.

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

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

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

An annual self-assessment review process has been developed for the Board, individual directors, and Board subcommittees. All Board members have access to the advice and services of the Company Secretary and are entitled to seek independent professional advice at the company's expense. They also have unrestricted access to all company information, records, documents, and property. The Board meets at least four times a year, and additional meetings are convened at short notice to consider specific business. The Board has delegated specific responsibilities to the subcommittees that are chaired by independent non-executive directors. All subcommittees have specific terms of reference.

17.3.2 ROLES AND RESPONSIBILITIES OF THE BOARD

In addition to the roles and responsibilities that the Board executes in accordance with the prescripts of King III and the Accreditation Act, it also does the following:

- Approves SANAS' Strategic Plan, Annual Performance Plan, and Business Plan
- Monitors the implementation of the plans and approves all budgets
- Ensures that policies and procedures that provide for effective risk management and internal controls are established and reviewed
- Recognises the need for establishing and appointing committees to enable it to comply with the PFMA and other legal requirements
- Determines the composition and, as it sees fit, amends, develops, and implements any rules, regulations, and procedures of committees established, which may be necessary in the opinion of the Board
- Formulates and makes publicly available rules consistent with the provisions of the Accreditation Act, including the form and procedure for applications for accreditation or GLP compliance, fees applicable to different categories of accreditation or GLP compliance, and fees for training or other projects undertaken
- Monitors the proper use of the name, accreditation body logo or accreditation symbol of SANAS' logo, as well as regional and international accreditation logos
- Approves all permanent positions of executives

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

17.3.3 COMPOSITION OF THE BOARD

The composition of the Board is premised on a unitary Board structure that provides solid interaction among members of the Board of Directors in the decision-making process on strategy, performance, planning, and the allocation of resources, risk, ethics, and communication with stakeholders. In terms of the Accreditation Act, the Board should consist of no less than 10 members and no more than 15 members.

The Board therefore comprises 12 members, all of whom are appointed by the Minister of Trade and Industry as the Executive Authority of SANAS. There are 11 non-executive directors and one executive director (the CEO). The CFO is invited to attend all Board meetings. All non-executive directors are independent of the management function of SANAS and have no conflict of interest with the business of SANAS.

The Board provides strategic direction and is the legally accountable body for the daily operations of SANAS. The Board has adopted appropriate formal terms of reference in the Charter in line with the requirements of King III, the PFMA, and the Shareholders' Compact entered into between SANAS and **the dti.**

The performance of the members of the Board is evaluated annually to ensure its effectiveness and to identify any areas of improvement. A self-evaluation exercise was conducted during the year under review. The Company Secretary compiled a report and submitted it to the Executive Authority. The performance of the Board was significantly high.

Name	Designation (in terms of the public entity Board structure)	Date appointed	Date on which appointment expires	Qualifications	Area of expertise	Other committees
Prags Govender	Chairperson of the Board	1 December 2013	30 November 2018	MSC (USA) MBA (USA)	Biology Chemistry Governance	
Lunga Saki	Chairperson of the Audit Committee and Chairman of the Risk Committee	1 December 2013	30 November 2018	BCom from University of Cape Town	Finance Audit and Finance Strategy Risk Management Corporate Governance Supply Chain Advanced Verifications and B-BBEE	Audit Committee Risk Committee
Vernon Seymour	Chairman of the Human Resources and Remuneration Committee	1 December 2013	30 November 2018	LLM from Harvard University	Law	Human Resources and Remuneration Committee
Berenice Lue Marais	Non- Executive Director	1 December 2013	30 November 2018	MBA from American University KOGOD School of Business	Finance and Development	

Name	Designation (in terms of the public entity Board structure)	Date appointed	Date on which appointment expires	Qualifications	Area of expertise	Other committees
Jacob Malatse	Non- Executive Director	1 December 2013	30 November 2018	MPhil from University of Stellenbosch	Engineering	Audit Committee Risk Committee
Phakamisa Zonke	Non- Executive Director	1 December 2013	30 November 2018	CA(SA)	Accountancy, Finance and Property	Audit Committee Risk Committee
Tervern Jaftha	Non- Executive Director	1 December 2013	30 November 2018	B Admin from University of Pretoria	Quality and Standards	Human Resources and Remuneration Committee
Nomkhosi Magwaza	Non- Executive Director	1 December 2013	30 November 2018	MBA from University of Durban- Westville	Black Economic Empowerment	Human Resources and Remuneration Committee
Anna- Marie Lötter	Non- Executive Director	1 December 2013	30 November 2018	MPhil from University of Pretoria	Industrial Development and Technical Infrastructure	
Jennifer Rathebe	Non- Executive Director	1 December 2013	30 November 2018	MSc in Chemistry from University of Salford	Chemistry and Biology	Human Resources and Remuneration Committee
Aluwani Ramabulana	Non- Executive Director	1 December 2013	30 November 2018	BSc from Oregon State University and MBA from Nyenrode University	Engineering and Transport Finance	Audit Committee Risk Committee
Ron Josias	CEO	Not Applicable	Not Applicable	MBA from University of Wales MPhil: International Management from University of Pretoria	Engineering Management	
By Invitation						
Dawood Petersen	Company Secretary	Not Applicable	Not Applicable			
Christi Warren	CFO	Not Applicable	Not Applicable			

The Board has conducted its affairs in compliance with this Charter and all other legal obligations. The following table depicts the attendance of board members in the year under review.

	Meeting attendance records						
Board member	26 May 2016	*22 July 2016	15 Sept 2016	*19 Oct 2016	*8 Dec 2016	10 March 2017	
Prags Govender	X	Χ	Х	Х	Χ	Χ	
Lunga Saki	X	Χ	Χ	-	Χ	X	
Jennifer Rathebe	X	-	X	X	Χ	X	
Berenice Lue Marais	-	X	X	X	Χ	-	
Jacob Malatse	X	X	X	X	Χ	X	
Phakamisa Zonke	-	X	-	X	-	-	
Tervern Jaftha	X	-	-	X	-	X	
Nomkhosi Magwaza	X	X	X	X	X	-	
Anna-Marie Lötter	Χ	Χ	Χ	Χ	Χ	-	
Vernon Seymour	Χ	Χ	Χ	Χ	Χ	X	
Aluwani Ramabulana	-	X	X	-	-	-	
Ron Josias (Chief Executive Officer)	X	X	X	X	X	X	
By Invitation							
Dawood Petersen (Company Secretary)	X	X	X	X	X	X	
Christi Warren (Chief Financial Officer)	X	X	****	X	X	X	

^{*}This was a special meeting arranged to approve the audited financial statements and/or to consider the tender for purchasing office accommodation and/or Board strategic session; **Not yet appointed; ***Resigned; **** On annual leave; X Attended; ***** Not invited; - Absent and/or apology.

17.3.4 REMUNERATION OF BOARD MEMBERS

The members of the Board receive a stipend for attending meetings in accordance with National Treasury's determination. The Board's remuneration is based on SANAS' classification as a Schedule 3A entity. Eight of the members of the Board are employed by an organ of state and are not entitled to remuneration other than a refund for out-of-pocket expenses incurred to attend a meeting.

17.3.5 COMMITTEES

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

17.3.5.1 HUMAN RESOURCES AND REMUNERATION COMMITTEE

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

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

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

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

- Annually reviewing the remuneration terms and conditions and making recommendations to the Board
- · Considering any changes to the employee benefit structures and making recommendations to the Board
- Considering the remuneration, incentive, and benefit arrangement of the CEO, including pension rights and any compensation payments, and making recommendations to the Board
- Considering cost of living increases, performance bonus awards, changes to employees' terms and conditions, and any other related activities, and making recommendations to the Board
- Reviewing the Human Resources Strategy and Human Resources policies, and making recommendations to the Board
- Promoting and fostering a culture of excellence throughout SANAS
- Ensuring compliance with applicable legislation and regulations

17.3.5.1.1 Remuneration Policy

SANAS aims to attract, retain, and motivate employees of the highest calibre, while at the same time aligning its remuneration packages with market-related remuneration based on best practice and benchmarking with similar organisations. SANAS' approach to remuneration is all-inclusive, balanced, and mindful of the following elements:

- A guaranteed remuneration package
- Eligibility for a discretionary performance bonus
- Individual growth and development
- A stimulating and professional work environment

17.3.5.1.2 Human Resources and Remuneration Committee Membership and Attendance

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

Human Resources and	Meeting attendance records					
Remuneration Committee member	14 April 2016	27 June 2016	02 Sept 2016	01 Dec 2016	14 February 2017	
Vernon Seymour	Χ	Χ	Χ	Χ	Χ	
Jennifer Rathebe	-	-	X	X	-	
Tervern Jaftha	-	X	X	X	X	
Nomkhosi Magwaza	X	-	-	-	-	
By Invitation						
Dawood Petersen (Company Secretary)	X	X	X	X	X	
Ron Josias (Chief Executive Officer)	****	****	X	X	****	
Busi Radebe (Executive: Corporate Services)	X	X	X	****	X	
Dudu Mashinini (Human Resources Manager)	**	**	****	X	X	
Christi Warren (Chief Financial Officer)	****	***	****	****	X	

^{*} This was a special meeting arranged to approve the audited financial statements; ** Not yet appointed; *** Resigned;

^{****} Not invited; X Attended; - Absent

17.3.5.2 Audit Committee

The Audit Committee is an independent statutory committee appointed by the Board, which delegates duties and responsibilities to it in accordance with section 77 of the PFMA. In terms of section 51(1)(a)(ii) of the PFMA, the Board, as the Accounting Authority, must ensure that SANAS has and maintains a system of internal audit under the control and direction of the Audit Committee.

The function of the Audit Committee is to assist the Board to discharge its duties relating to the safeguarding of assets and liabilities, and the operation of adequate systems of control. It is also tasked with reviewing financial information and preparing annual financial statements.

The Audit Committee's terms of reference are formalised in a Charter approved by the Board and is annually reviewed to ensure its compliance. During the period under review, the Audit Committee conducted its affairs in accordance with the Charter and discharged its responsibilities as required by the Charter, the Companies Act, Act No. 71 of 2008, and the prescripts of King III.

17.3.5.2.1 Audit Committee's responsibilities

The Audit Committee has adopted appropriate terms of reference in accordance with the requirements of section 77 of the PFMA and Treasury Regulation 27.1, and conducted its affairs in compliance with these terms of reference. Furthermore, the Audit Committee ensured compliance with the relevant provisions of the Shareholders' Compact entered into between SANAS and **the dti.**

The Audit Committee performs an oversight function and advises the Board in carrying out its responsibilities. These include responsibilities relating to financial, management, and other reporting practices; internal controls and the management of risks; integrated reporting; combined assurance; information technology governance; and compliance with laws, regulations, and ethics.

The Audit Committee reports to the Board on any matter identified during the course of carrying out its duties that it considers to be significant.

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

In addition, the Audit Committee does the following:

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

17.3.5.2.2 Audit Committee membership and attendance

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

Audit Committee	Meeting attendance records						
member	18 May 2016	*12 July 2016	18 August 2016	06 December 2016	16 February 2017		
Lunga Saki	X	X	X	X	X		
Jacob Malatse	X	X	-	-	-		
Aluwani Ramabulana	-	-	X	X	X		
By Invitation							
Ron Josias (Chief Executive Officer)	X	X	X	X	X		
Dawood Petersen (Company Secretary)	X	X	X	X	X		
Christi Warren (Chief Financial Officer)	X	X	X	X	X		

^{*} This was a special meeting arranged to approve the audited financial statements; ** Not yet appointed; *** Resigned; X Attended; - Absent

17.3.5.3 RISK MANAGEMENT

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

Under the supervision of the Risk Committee, SANAS' management assessed, reviewed, and updated the organisational Risk Management Framework during the period under review. The Risk Management Framework was implemented in all streams and business units to ensure that risks are understood and that the controls necessary to mitigate these risks are in place.

The Risk Committee performs an oversight function and advises the Board primarily on matters relating to risks that SANAS is and may be exposed to.

More specifically, the Risk Committee does the following:

- Monitors major risk areas, including the financial, legal, and fiscal risks; the internal control environment; and the control process
- Monitors areas that expose SANAS to potential financial risks and ensures that SANAS' management effectively manages the risks
- Ensures that an effective system of accounting and internal control is established and maintained to manage financial risks
- Oversees the development and annual review of a Risk Management Framework to be recommended for approval to the Board
- Monitors the implementation of the Risk Management Framework by means of risk management systems and processes, and quarterly reports
- Makes recommendations to the Board concerning SANAS' levels of risk tolerance and appetite
- Obtains assurance that risks are managed within the levels of tolerance and appetite as approved by the Board
- Ensures that the Risk Management Plan is widely disseminated throughout SANAS and integrated into its dayto-day activities

- Obtains assurance that risk management assessments are performed on an ongoing basis
- Obtains assurance that frameworks and methodologies are implemented to increase the possibility of anticipating unpredictable risks
- Obtains assurance that SANAS considers and implements appropriate risk strategies and responses
- Obtains assurance that continuous risk monitoring by SANAS takes place
- Liaises closely with the Human Resources and Remuneration Committee to exchange information relevant
- Expresses its formal opinion to the Board on the effectiveness of the system and process of risk management
- Reviews reports concerning risk management to be included in the integrated report to ensure that it is timely, comprehensive, and relevant

17.3.5.3.1 Risk Committee membership and Attendance

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

Audit Committee	Meeting attendance records					
member	18 May 2017	*12 July 2016	18 August 2016	06 December 2016	16 February 2017	
Lunga Saki	X	X	X	X	X	
Jacob Malatse	X	X	-	-	-	
Aluwani Ramabulana	-	-	X	X	X	
By Invitation						
Ron Josias (Chief Executive Officer)	X	X	X	X	X	
Dawood Petersen (Company Secretary)	X	X	X	X	X	
Christi Warren (Chief Financial Officer)I Officer	X	X	X	X	X	

^{*} This was a special meeting arranged to approve the audited financial statements and/or risk workshop; ** Not yet appointed; *** Resigned; X Attended; - Absent

17.4 INTERNAL CONTROL

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

17.5 COMPLIANCE WITH LAWS AND REGULATIONS

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

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

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

17.6 FRAUD AND CORRUPTION

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

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

All managers are responsible for the detection, prevention, and investigation of fraud, corruption, theft, maladministration, or any dishonest activities of a similar nature within their areas of responsibility.

SANAS will take appropriate legal recourse to recover losses or damages arising from fraud, corruption, theft, or maladministration. The responsibility to conduct investigations relating to allegations of fraud, corruption, theft, maladministration, or any other dishonest activity of a similar nature resides with the CEO.

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

17.7 MINIMISING CONFLICT OF INTEREST

SANAS, as part of **the dti**'s COTII, acknowledges the importance of ensuring that potential conflicts of interest are mitigated. In this regard, SANAS has adequate measures in place to ensure that possible conflicts of interest do not exist.

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

17.8 CODE OF CONDUCT

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

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

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

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

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

17.9 HEALTH, SAFETY, AND ENVIRONMENTAL ISSUES

SANAS makes the necessary resources available to actively manage occupational health, safety, and environmental issues in line with the Occupational Health and Safety Act of 1993. In August 2014, SANAS updated its Health, Safety, Security and Emergency Response Procedure HR 12-02 that provides clear principles and guidelines to be followed in ensuring effective health and safety working conditions for employees of SANAS, the prevention of health hazards in the workplace, and the effective handling of emergency response situations.

17.10 COMPANY SECRETARY

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

During the year under review, the Company Secretary assisted in providing ongoing training to members of the Board on the implications of King III.

17.11 SOCIAL RESPONSIBILITY

During the 2016/17 financial year, SANAS continued with its social responsibility in South African communities. In this regard, the corporate social investment (CSI) strategy was developed and adopted and implemented. SANAS continued to be involved with the adopted homes for the needy, being Madzibandlela Orphanage Home and the Boitumelo Community Project. The Madzibandlela Orphanage Home takes care of vulnerable and abused children in the community, and the Boitumelo Community Project aims to create a conducive environment for orphans and street children.

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

- SANAS' staff observed the 67 minutes of Mandela Day by visiting the Madzibandlela Home in Soshanguve.
 During that visit, donations of food, educational toys, and clothes were made to the home. In addition, SANAS staff members spent their 67 minutes interacting with the children and engaging them in various activities such as reading for them, picture painting, and playing other educational games with them.
- Another visit was made to Madzibandlela home, where a collection of books, good quality usable clothing, and non-perishable food was donated to the Madzibandlela Home. During that visit, SANAS donated stationery as well as uniforms for the school-going children. A full needs analysis of the home was also performed, and SANAS will be using that to prioritise future support of the home.
- A visit was made to Boitumelo Home to donate various items such as stationery, food, and clothing.
 Additionally, SANAS staff participated in painting a SANAS-donated container and other areas of the home that required painting.

17.12 BROAD-BASED BLACK ECONOMIC EMPOWERMENT

SANAS is committed to supporting the country's transformational agenda and the policy objectives of B-BBEE. The company believes that B-BBEE is more than a regulatory requirement; it is a prerequisite for South African businesses to move forward towards the transformation and inclusivity of the country and the economy.

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

SANAS does not only focus on its own B-BBEE contribution but also ensures that the principles of B-BBEE are entrenched within the businesses of its service providers and suppliers. All the service providers that provide goods and services to SANAS are required to disclose their B-BBEE status.

18. AUDIT COMMITTEE REPORT

We are pleased to present our report for the financial year ended 31 March 2017.

Audit Committee responsibility

The Audit Committee reports that it has complied with its responsibilities arising from section 51(1)(a)(ii) of the PFMA and Treasury Regulation 27.1. The Audit Committee also reports that it has adopted appropriate formal terms of reference, as its Audit Committee Charter has regulated its affairs in compliance with this charter, and it has discharged all its responsibilities as contained therein, except that it has not reviewed changes in accounting policies and practices.

The effectiveness of internal control

Our review of the findings of the internal audit work, which was based on the risk assessments conducted in the public entity, revealed certain weaknesses which were raised with the public entity.

The following internal audit work was completed during the year under review:

- Internal Audit Report Human Resources and Payroll Review
- Internal Audit Report Audit of Performance Information
 - Quarter 1 Audit of Performance Information
 - Quarter 2 Audit of Performance Information
 - Quarter 3 Audit of Performance Information
 - Quarter 4 Audit and Annual Review of Performance Information
 - Report on the Review of Report on Annual Performance Plan 2017/18
- Internal Audit Report Finance and Supply Chain Management Review
- Internal Audit Report Accreditation Division Review
- Internal Audit Report Marketing and Communications Review
- Internal Audit Report IT General Controls Review
- Internal Audit Report Risk Management and Governance Review
- Internal Audit Report Audit of Building Lease Tender SCM processes followed

The following were areas of concern:

• Internal Audit Report – Marketing and Communication Review

The internal auditors found that management should ensure that a marketing and communications plan that is in line with the objectives of the organisation is developed and approved by the relevant committee. The plan should link the use of strategic marketing and communication tools to enable the achievement of the organisation's strategic objectives.

• Internal Audit Report – Marketing and Communication Review

The internal auditors found that a reporting process must be developed and implemented. Management should ensure that reports are consistently prepared on a monthly basis, reviewed, and approved by the Executive: Corporate Services. Evidence of review and approval by the Executive: Corporate Services and the Executive Committee (EXCO) should be retained for auditing purposes.

In-year management and monthly/quarterly report

The public entity has been reporting to National Treasury monthly and quarterly as is required by the PFMA.

Evaluation of financial statements

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

Auditor's report

We have reviewed the entity's implementation plan for audit issues raised in the prior year, and we are satisfied that the matters have been adequately resolved.

The Audit Committee concurs and accepts the conclusions of the external auditors on the annual financial statements and is of the opinion that the audited annual financial statements be accepted and read together with the report of the external auditors.

Mr Lunga Saki

Chairperson of the Audit Committee

SANAS

20 July 2017



19. Human Resource Management

19.1 HUMAN RESOURCE MANAGEMENT

The Human Resources Manager is responsible for managing day-to-day operations. These include the administration of human resources policies, procedures, and programmes; implementing effective and efficient human resources systems; and ensuring the effective implementation of SANAS' Human Resources Strategy.

The value of human capital within the public entity is critical, as SANAS must be able to achieve its mandate in terms of the Accreditation Act. It must also be in a position to respond to clients' different needs and expectations.

The aim of the Human Resources Management function is to improve vacancy management, staff turnover and performance management, as well as to comply with statutory requirements and advance SANAS as a learning organisation.

19.1.1 THE SANAS PERFORMANCE MANAGEMENT FRAMEWORK

The SANAS Performance Management Framework is based on a balanced scorecard philosophy and balanced scorecard principles. An organisational scorecard, aligned with SANAS' Strategic Plan, is used to agree on individual scorecards in April every year. Quarterly reviews are used to measure performance, which culminate in annual performance reviews.

19.1.2 EMPLOYEE WELLNESS AND APPRECIATION PROGRAMMES

SANAS has designated a member of executive management to the service of the Employment Equity Committee. This person is responsible for equity issues and health promotion programmes. SANAS' policies are non-discriminatory and do not discriminate unfairly against employees on the basis of their HIV status.

The passion, commitment, and enthusiasm of its people enable SANAS to deliver on its mandate, thus contributing to the economy of our country. SANAS is passionate about recruiting, developing, recognising, and rewarding a talented workforce that is as diverse as the industries and sectors it serves.

The performance-driven culture of SANAS is embedded in an environment that motivates and encourages people to continuously improve and develop their skills. SANAS is committed to continuous improvement. In its endeavour to ensure that employees are enabled to perform, SANAS conducted an independent employee climate survey. This survey was conducted in December 2015. It was aimed at gauging the level of employee satisfaction and identifying key challenges and strengths affecting employee satisfaction within SANAS. Following the survey, a series of internal engagement talks and discussions in the form of focus groups were conducted, with attendance and input by over 90% of the staff. Issues raised were categorised according to the variables of the survey and the key issues identified for each dimension that was tested.

The foregoing has resulted in the development of a coherent approach to addressing challenges raised. These were grouped into hygiene and motivational factors, and action plans have been developed to address the highlighted areas. Focus has shifted to ensuring that we implement the solutions and further embed acceptable behaviour and practice, changes such as an amendment to lunch break, review of policies, and transparency in salary scales. In the year 2017/18, SANAS will continue to implement the changes required to improve its employee satisfaction.

During the year under review, recognising the economic strain that the general South African workforce is undergoing, the theme for the year under review was financial wellness. Presentations were conducted by a financial services provider from FNB Bank, and educational literature was also provided to all staff, including a book by Phumelele Ndumo: From Debt to Riches – Steps to Financial Success.

SANAS held an Employee Wellness Day in partnership with Discovery Health, where holistic screening tests were conducted. SANAS also negotiated staff massage therapy sessions at no cost to the organisation. Competitions called "Biggest loser" were held among staff to encourage a healthy lifestyle and weight management. Over and above that, through our Employee Support Programme, SANAS supports staff members as they deal with issues in their personal lives or professional lives with help extended by psychologists or therapists.

To acknowledge the loyalty and length of service with SANAS, a Long Service Awards Event was held in March 2017 honouring employees who have been with SANAS for 5 and 10 years respectively. Three employees received recognition for a 5-year tenure, and four employees received recognition for 10 years' service.

19.1.3 LABOUR RELATIONS

A recognition agreement was signed with the National Health Education & Allied Workers Union (NEHAWU) as the majority union in the company in August 2016. This was done to facilitate stronger employer/employee relationships and as a platform to provide collective bargaining between the parties with respect to salary negotiations, employment conditions, and settlement of disputes through ongoing dialogue and bilateral engagements.

Communication with NEHAWU continues, and salary negotiation processes are underway. No incidents of labour disputes with the union occurred this year.

19.1.4 KEY ACHIEVEMENTS

All human resources queries and complaints were addressed, and all performance contracts and performance reviews were completed. SANAS allocated bursaries to staff members. All compliance reporting was done in the form of the Employment Equity Report and the Workplace Skills Plan.

SANAS continues to provide learning, personal growth, and development opportunities for its employees. The skills development initiatives available to employees include short courses, in-house training, and bursaries.

19.1.5 CHALLENGES FACED BY SANAS

SANAS' strategy to maintain, grow, and support national, regional, and international developments in accreditation continues to place a significant demand on its human resources. These resources include external contracted assessors, as well as internal administration and management resources. SANAS' ability to sustain and grow its existing customers and programmes, integrate new programmes, and support accreditation developments will depend on its ability to attract, train, and retain personnel and assessors with the skills that will enable it to keep pace with the growing demand for its services. Most of SANAS' personnel possess technical and managerial capabilities that are difficult to replace. Their expertise is also in high demand in the industry. A significant loss or diminution in the collective pool of SANAS' employees and assessors could have a materially adverse effect on its ability to fulfil its mandate.

19.1.6 FUTURE HUMAN RESOURCES PLANS AND GOALS

Attracting and retaining the right skills remains a challenge. SANAS has conducted and implemented a review of its salary structures, pay progression, and rewards schemes. The future human resources plans and goals include reducing the vacancy rate to 10%, rolling out a continuous development and succession programme, and the continued roll-out of the partnership arrangement with tertiary institutions, including the external bursary scheme and internship programme.

19.2 HUMAN RESOURCES OVERSIGHT STATISTICS

19.2.1 TRAINING COSTS

SANAS is committed to the continuous development and training of its employees. An intellectual capital framework has been implemented with the key focus on developing SANAS' human capital. A full competency analysis has been mapped, and training interventions are planned and rolled out in line with the identified skills gap.

A total of 69 employees received formal training during the year in review, amounting to a total cost of R366 772-50.

The table that follows depicts a list of group training sessions during the year under review.

19.2.2 TRAINING INTERVENTIONS

Training intervention	Business unit	Number of employees trained
Dealing with Difficult People	Assessment Specialists	9
Employment Equity & Skills Development Committee Training	Various	11
Project Management Training	Various – Team Assistants, Administrators, PAs	26
Performance Management Course	Various managers, HR	22

19.2.3 EMPLOYMENT AND VACANCIES

SANAS currently has a full-time staff complement of 74 employees as indicated in the table below.

SANAS staff complement

Group	Number of employees	Percentage
African	57	77%
White	10	14%
Indian	2	3%
Coloured	5	7%
Total	74	100%

SANAS gender distribution SANAS gender distribution

Group	Number of employees	Percentage
Male Female	19 55	26% 74 %
Total	73	100%

During the year under review, SANAS continued with its effort to fill its vacant positions. Five vacant positions were permanently filled.

The table that follows depicts the total number of employees who terminated their employment in the year under review. These employees resigned voluntarily due to further career advancement opportunities.

Employee changes						
Employee level	Number of employees as at 2015/16	Unfilled vacancies	Permanent appointments	Terminations	Number of employees as at 2016/17	
Top management	1	0	0	0	1	
Executive management	4	0	0	0	4	
Middle management	27	2	2	0	29	
Professionally qualified	26	2	1	1	26	
Skilled	14	0	1	2	13	
Semi-skilled	1	0	0	0	1	

Reasons for staff leaving				
Reason	Number			
Death	0			
Resignation	3			
Dismissal	0			
Retirement	0			
Expiry of contract	0			
Other	0			
Total	3			

19.2.4 LABOUR RELATIONS: MISCONDUCT AND DISCIPLINARY ACTION

Reason	Number
Verbal warning	3
Written warning	3
Final written warning	0
Dismissal	0

19.2.5 EMPLOYMENT EQUITY STATUS

Female								
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top management	0	0	0	0	0	0	0	0
Executive management	1	0	0	0	0	0	2	0
Professionally qualified	13	0	0	0	0	0	4	0
Skilled	19	0	3	0	1	0	1	0
Semi-skilled	9	0	0	0	0	0	0	0
Unskilled	2	0	0	0	0	0	0	0
Total	44	0	3	0	1	0	7	0

Male								
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top management	0	0	1	0	0	0	0	0
Executive management	1	0	0	0	0	0	0	0
Professionally qualified	8	1	1	0	1	0	3	1
Skilled	3	0	0	0	0	0	0	0
Semi-skilled	1	0	0	0	0	0	0	0
Unskilled	0	0	0	0	0	0	0	0
Total	13	1	2	0	1	0	3	1

SANAS' recruitment provides for the accommodation of people with disabilities. All recruitment advertisements encourage, support, and welcome job applications from people with disabilities. A recruitment strategy for people with disabilities has been formulated and approved, and will be implemented in the new financial year.

Disabled						
Mo	ale	Female				
Current	Target	Current	Target			
0	2	1	2			



SOUTH AFRICAN NATIONAL ACCREDITATION SYSTEM 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 Accounting Authority and Parliament:

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The following supplementary information does not form part of the annual financial statements and is unaudited:	
Detailed Statement of Financial Performance for the year ended 31 March 2017	109

ACCOUNTING AUTHORITY'S RESPONSIBILITIES AND APPROVAL

The Accounting Authority is required by the Public Finance Management Act (Act 1 of 1999), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is our responsibility to ensure that the annual financial statements fairly present the state of affairs of the South African National Accreditation System as at the end of the financial year and the results of its operations and cash flows for the period then ended in conformity with Generally Recognised Accounting Practice. The external auditors are responsible for reporting on the fair presentation of the annual financial statements.

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 Accounting Authority acknowledges that they are ultimately responsible for the system of internal financial control established by the entity and place considerable importance on maintaining a strong control environment. To enable the Accounting Authority to meet these responsibilities, the Accounting Authority sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the entity and all employees are required to maintain the highest ethical standards in ensuring the entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the entity is on identifying, assessing, managing and monitoring all known forms of risk across the entity. While operating risk cannot be fully eliminated, the entity endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Accounting Authority is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The Accounting Authority has reviewed the entity's cash flow forecast and, in the light of this review and the current financial position, they are satisfied that the entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

The 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 66 to 69.

The annual financial statements set out on page 72 to 108, which have been prepared on the going concern basis, were approved by the Accounting Authority on 20 July 2017 and were signed on its behalf by:

Mr P Govender

Chairperson

Mr R Josias

CEO



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

REPORT ON THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of the South African National Accreditation System set out on pages72 to 108 which comprise the statement of financial position as at 31 March 2017, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended 31 March 2017, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements present fairly, in all material respects, the statement of financial position as at 31 March 2017, and its statement of financial performance and cash flow statement for the year then ended in accordance with Generally Recognised Accounting Practice (GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No.1 of 1999) (PFMA).

Emphasis of matter

We draw attention to the matter below. Our opinion is not modified in respect of this matter.

Contingent liability for retention of cash surplus

Note 14 to the financial statement highlights a significant uncertainty with respect to the retention of the entity's cash surplus, given that written approval of the National Treasury has not been received. As has been the case with previous financial years where the entity had cash surplus, the entity has applied to National Treasury to retain the 2016/17 cash surplus. The ultimate outcome on the matter cannot presently be determined and no provision for any liability that may result has been made in the financial statements.

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 Financial Statements section of our report. We are independent of the entity in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code), the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA code) and other independence requirements applicable to performing the audit of South African National Accreditation Systems. We have fulfilled our other ethical requirements applicable to performing the audit of South African National Accreditation Systems. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Accounting Authority for the Financial Statements

The board, which constitutes the accounting authority are responsible for the preparation and fair presentation of the financial statements in accordance with Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA), and for such internal control as the Accounting Authority determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Accounting Authority is responsible for assessing the entity's

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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 entity or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the South African National Accreditation System's financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 financial statements.

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

REPORT ON THE AUDIT OF ANNUAL PERFORMANCE REPORT

Introduction and scope

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

Our procedures address the reported performance information which must be based on the approved performance planning documents of the entity. We have not evaluated the completeness and appropriateness of the performance indicators/measures established and included in the planning documents. Our procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information relating to future periods that may be included as part of the reported performance information. Accordingly our findings do not extend to these matters.

We evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the Performance management and reporting framework, as defined in the general notice, for the following selected programmes presented in the annual performance report of the entity for the year ended 31 March 2017:

Programmes/ objectives	Pages in the annual performance report		
Programme 4: Accreditation provision	38 – 42		

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

We did not identify any material findings on the usefulness and reliability of the reported performance



information for the following programme:

Programme 4: Accreditation provision

Other matter
We draw attention to the matter below.

Achievement of planned targets Refer to the annual report on page 40 for the year.

for information on the achievement of the planned targets

REPORT ON THE AUDIT OF COMPLIANCE OF WITH LEGISLATION

Introduction and scope

In accordance with the PAA and the general notice issued in terms thereof we have a responsibility to report material findings on the compliance of the entity with specific matters in key legislation. We performed procedures to identify findings but not to gather evidence to express assurance.

We did not identify any instances of material non-compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA.

OTHER INFORMATION

The SANAS accounting authority is responsible for the other information. The other information comprises the information included in the annual report which includes the report by the Minister of Trade and Industry, Report by the Chairperson of the Board and the Report by Chief Executive Officer's Overview as required by NT Annual Report Preparation Guidelines. The other information does not include the financial statements, the auditor's report thereon and those selected programmes presented in the annual performance report that have been specifically reported on in the auditor's report.

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

In connection with our audit, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected programmes presented in the annual performance report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact.

INTERNAL CONTROL DEFICIENCIES

We considered internal control relevant to our audit of the financial statements, reported performance information and compliance legislation, but not to gather evidence to express an opinion or conclusion on the effectiveness of the entity's internal control.



Matters of internal control considered are limited to significant deficiencies that would result in a basis for a modification of the audit opinion, or any findings reported with regard to reported performance information or any matters identified as non-compliance with legislation included in this report.

Consequently, as no matters were reported, we did not identify any significant deficiencies in internal control as described above.

AUDIT TENURE

In terms of the IRBA rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Ernst & Young Inc. has been the auditor of South African National Accreditation System for 3 years.

Ernst 41 Young Inc.

Ernst & Young Inc.
Director - Sphiwe Stemela
Registered auditor
Chartered Accountant (SA)

28 July 2017

ACCOUNTING AUTHORITY'S REPORT

GENERAL REVIEW

The South African National Accreditation System (SANAS) is a Schedule 3A Public Entity as listed in the Public Finance Management Act of South Africa, 1999 (Act No.1 of 1999) (PFMA) as amended.

SANAS is the sole government recognised accreditation body for conformity assessment in South Africa. SANAS promotes the competence, against a specific schedule of activity, of its accredited facilities nationally, regionally and internationally. It has successfully concluded several mutual recognition arrangements in this regard.

SANAS is guided by the principles of the PFMA and promulgated by the Accreditation for Conformity Assessment, Calibration and Good Laboratory Practice Act of South Africa, 2006 (Act No.19 of 2006) as of 1 May 2007. The statutory duties, responsibilities and liabilities are imposed on the Accounting Authority by the PFMA.

The activities of SANAS during the year under review are comprehensively covered in the annual report.

2. ACCOUNTING AUTHORITY MEMBERS

The governing body of SANAS is the Accounting Authority.

Mr P Govender (Chairperson)

Mr R Josias (CEO)

Mr J Malatse

Ms N Magwaza

Ms J Rathebe

Mr T Jaftha

Ms B Lue Marais

Mr L Saki

Mr P Zonke

Mr V Seymour

Ms A Lötter

Mr A Ramabulana

Mr D Petersen (Company Secretary)

3. BUSINESS AND OPERATIONS

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

4. FIXED ASSETS

There have been no major changes in the fixed assets during the period or any changes in the policy relating to their use. SANAS anticipated to purchase an Office Building during 2014 however this was delayed as SANAS awaited concurrence by the Minister of Finance for acquisition of immovable property as well as approval to retain surpluses up to the 2015/16 financial year. All approvals were subsequently received. SANAS now has sufficient funds available for the acquisition of a building (see note 25 for further information). SANAS has now concluded on the tender process to acquire immovable propery and a sales agreement contract was signed 29 March 2017. SANAS will take occupancy of the building 1 May 2018.

5. EVENTS SUBSEQUENT TO THE YEAR END

The Board approved the payout of staff bonuses for the 2016/17 financial year on 20 July 2017. This has been captured under trade and other payables under note 15. No other material facts or circumstances arose between the accounting date and the date of this report that require disclosure in or adjustment to the financial statements.

6. TAXATION

SANAS is exempt from paying normal South African income tax in terms of the Income Tax Act as amended as detailed in note 23 however SANAS is liable to pay all other statutory taxes.

7. PUBLIC FINANCE MANAGEMENT ACT (PFMA)

The Board is the Accounting Authority in terms of the PFMA, of which SANAS is listed as a Schedule 3A public entity.

The PFMA focuses on financial management with related outputs and responsibilities. SANAS has established an ongoing process of awareness and education. In this regard, SANAS has already taken expert advice on the PFMA resulting in various initiatives which are addressed in more detail later in the report.

With the continuing emphasis on PFMA compliant systems, the Accounting Authority is of the opinion that SANAS has complied, in all material respects, with the provisions of the Public Finance Management Act, 1 of 1999 (PFMA), as amended, and other applicable legislation during the period under review.

8. BUSINESS AND POSTAL ADDRESS

Business addresses	Postal address	Contact details
the dti Campus 77 Meintjies Street Building G Ground Floor Sunnyside	Private Bag X23 Sunnyside 0132	Telephone: (012) 394 3760 Fax number: (012) 394 0526 Email: keleabetswem@sanas.co.za

SANAS Knowledge Transfer Centre 121 Muckleneuck street Nieuw Muckleneuk. Pretoria

Bankers First National Bank – Hatfield Branch

Auditors Ernst & Young Incorporated as elected in terms of the Public Audit Act

Section 4(3)

9. CONTROLLING ENTITY

SANAS as part of the Economic cluster within government reports to the Department of Trade and Industry.

Telephone: (012) 740 8400

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2017

Figures in Rand	Notes	2017	2016
ASSETS			
Current Assets			
Trade and other receivables from exchange transactions	7	1,272,718	1,847,706
Other receivables from non exchange transactions	8	131,277	125,026
Cash and cash equivalents	9	98,189,539	94,902,912
·		99,593,934	96,875,644
Non Current Assets			
Property, plant and equipment	4	2,243,898	2,667,986
Intangible assets	5	2,246,154	2,094,067
		4,490,052	4,762,053
Total Assets		104,083,586	101,637,697
Liabilities			
Current Liabilities			
Finance lease obligation	11	-	2,182,255
Trade and other payables	15	7,227,396	7,097,479
Income received in advance	12	8,576,896	8,150,901
Provisions	13	2,064,652	1,543,903
		17,868,944	18,974,538
Non Current Liabilities			
Operating lease liability	25	2,362,765	2,604,226
Total Liabilities		20,291,709	21,578,764
Net Assets		83,851,877	80,058,933
B			
Reserves	10	0.007.47.4	0.007.47.4
Government grant reserve	10	8,097,674	8,097,674
Accumulated surplus	10	75,754,203	71,961,259
Total Not Assets		92 051 077	90.050.033
Total Net Assets		83,851,877	80,058,933

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31 MARCH 2017

Figures in Rand	Note(s)	2017	2016
Revenue	17	72,704,677	70,985,978
Other income	18	9,630,988	6,384,715
Operating expenses	19	(84,555,229)	(79,659,685)
Operating surplus (deficit)	20	(2,219,564)	(2,288,992)
Investment income	21	6,012,508	4,706,302
Finance costs	22	-	(278,644)
Surplus for the year		3,792,944	2,138,666

STATEMENT OF CHANGES IN NET ASSETS

Figures in Rand
Balance at 01 April 2015
Changes in net assets
Surplus for the year
Total changes
Balance at 01 April 2016 (see note 10)
Changes in net assets
Surplus for the year
Total changes

Balance at 31 March 2017

Government grant reserve	Accumulated surplus	Total net assets
8,097,674	69,822,593	77,920,267
-	2,138,666	2,138,666
-	2,138,666	2,138,666
8,097,674	71,961,259	80,058,933
-	3,792,944	3,792,944
	3,792,944	3,792,944
8,097,674	75,754,203	83,851,877

CASH FLOW STATEMENT

Figures in Rand	Note(s)	2017	2016
Cash flows from operating activities			
Cash receipts			
Funds received from the dti		22,208,000	26,025,000
Fee income		50,880,788	44,960,478
Investment income		5,774,443	4,399,986
Other receipts		8,955,749	6,384,715
		87,818,980	81,770,179
Payments			
Employee costs		(42,363,817)	(40,565,594)
Suppliers		(39,449,729)	(34,504,798)
Finance costs		-	(278,644)
		(81,813,546)	(75,349,036)
Net cash flows from operating activities	24	6,005,434	6,421,143
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(304,066)	(259,814)
Disposal of property, plant and equipment	4	-	8,873
Capitalised development costs	5	(232,486)	(307,496)
Net cash flows from investing activities		(536,552)	(558,437)
Cash flows from financing activities			
Finance lease payments		(2,182,255)	(146,660)
Net cash flows from financing activities		(2,182,255)	(146,660)
Net increase/(decrease) in cash and cash equivalents		3,286,627	5,716,046
Cash and cash equivalents at the beginning of the year		94,902,912	89,186,866
Cash and cash equivalents at the end of the year	9	98,189,539	94,902,912

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial						
Performance						
Revenue						
Revenue from exchange transactions						
the dti grant	22,208,000	-	22,208,000	22,208,000	-	
Fee income	46,558,632	-	46,558,632	50,496,677	3,938,045	Note 32
Recoveries	20,000	-	20,000	25,777	5,777	
Courses and project fees	6,576,748	-	6,576,748	9,571,400	2,994,652	Note 32
Sundry income	62,500	-	62,500	33,811	(28,689)	
Utilisation of reserve	15,334,569	-	15,334,569	-	(15,334,569)	Note 32
Interest received investment	150,000	-	150,000	6,012,508	5,862,508	Note 32
Total revenue from exchange transactions	90,910,449	-	90,910,449	88,348,173	(2,562,278)	
iransactions						
Expenditure						
Employee costs	(46,320,892)	-	(46,320,892)	(46,116,856)	204,036	Note 32
Transfer payments Other	(563,010)	-	(563,010)	(563,010)		
Depreciation and amortisation	(1,208,601)	-	(1,208,601)	(770,257)	438,344	
Lease rentals on operating leases	(1,752,000)	-	(1,752,000)	(3,452,334)	(1,700,334)	Note 32
Bad debts written off	(150,000)	-	(150,000)	(92,013)	57,987	
General Expenses	(40,917,946)	-	(40,917,946)	(33,560,759)	7,357,187	Note 32
Total expenditure	(90,912,449)	-	(90,912,449)	(84,555,229)	6,357,220	
Operating surplus	(2,000)	-	(2,000)	3,792,944	3,792,944	
Gain on foreign exchange	2,000	-	2,000	-	(2,000)	
Surplus	-	-	-	3,792,944	3,792,944	
Actual Amount on Comparable Basis	-	-	-	3,792,944	3,792,944	

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash flows from operating activities						
Receipts						
Funds from the dti	22,208,000	-	22,208,000	22,208,000	-	
Fee income	53,135,380	-	53,135,380	59,776,949	6,641,569	
Utilisation of Reserves	15,334,569	-	15,334,569	-	(15,334,569)	
Interest income	150,000	-	150,000	5,774,443	5,624,443	
Other receipts	82,500	-	82,500	59,588	(22,912)	
	90,910,449	-	90,910,449	87,818,980	(3,091,469)	
Payments						
Employee costs	(46,320,892)	-	(46,320,892)	(42,363,817)	3,957,075	
Suppliers	(40,997,654)	-	(40,997,654)	(39,449,729)	1,547,925	
	(87,318,546)	-	(87,318,546)	(81,813,546)	5,505,000	
Net cash flows from operating activities	3,591,903	-	3,591,903	6,005,434	2,413,531	Note 32
Cash flows from investing activities						
Purchase of property, plant and equipment	(200,000)	-	(200,000)	(304,066)	(104,066)	
Capitalised development costs	(1,000,000)	-	(1,000,000)	(232,486)	767,514	
Net cash flows from investing activities	(1,200,000)	-	(1,200,000)	(536,552)	663,448	Note 32
Cash flows from financing activities						
Finance lease payments	(198,912)	-	(198,912)	(2,182,255)	(1,983,343)	
Net increase/(decrease) in cash and cash equivalents	2,192,991	-	2,192,991	3,286,627	1,093,636	
Cash and cash equivalents at the beginning of the year	23,381,073	-	23,381,073	94,902,912	71,521,839	
Cash and cash equivalents at the end of the year	25,574,064	-	25,574,064	98,189,539	72,615,475	

ACCOUNTING POLICIES

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

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

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

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

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

1.1 GOING CONCERN ASSUMPTION

These annual financial statements have been prepared based on the expectation that the entity will continue to operate as a going concern for at least the next 12 months.

1.2 SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

TRADE RECEIVABLES

The entity assesses its trade receivables for impairment at each statement of financial position date. In determining whether an impairment loss should be recorded in the Statement of Financial Performance, the entity makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables is calculated on a portfolio basis, based on historical data stored on the ability of trade debtors to settle their balances and other indicators present at the reporting date that correlate with defaults on the portfolio.

IMPAIRMENT TESTING

The recoverable amounts of cash generating units and individual assets have been determined based on the higher of value in use calculations and fair values. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of tangible assets.

The entity reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including supply demand, together with economic factors such as such as exchange rates and inflation interest.

When the carrying amount of a non cash generating asset exceeds its recoverable service amount, it is impaired.

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

PROVISIONS

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 13 Provisions.

ALLOWANCE FOR DOUBTFUL DEBTS

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

1.3 PROPERTY, PLANT AND EQUIPMENT

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

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

Item	Depreciation method	Average useful life
Furniture and fixtures	Straight line	10 to 20 years
Office equipment	Straight line	5 to 18 years
IT equipment	Straight line	4 to 7 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

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

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

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

1.4 INTANGIBLE ASSETS

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the entity; and
- the cost or fair value of the asset can be measured reliably.

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

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

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

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

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

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

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

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

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

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software	10 years

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an intangible assets is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

The gain or loss arising from the derecognition of an intangible asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.5 FINANCIAL INSTRUMENTS

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

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

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

CLASSIFICATION

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Trade and other receivables	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Trade and other payables	Financial liability measured at amortised cost
Finance lease obligation	Financial liability measured at amortised cost

INITIAL RECOGNITION

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

INITIAL MEASUREMENT OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

SUBSEQUENT MEASUREMENT OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

IMPAIRMENT AND UNCOLLECTIBILITY OF FINANCIAL ASSETS

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

Financial assets measured at amortised cost:

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

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

DERECOGNITION

Financial assets

The entity derecognises a financial asset only when:

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

Financial liabilities

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

1.6 LEASES

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

FINANCE LEASES - LESSEE

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

The lease payments are apportioned between the finance charge and reduction of the outstanding liability.

The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

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. This liability is not discounted.

Any contingent rents are expensed in the period they are incurred.

1.7 IMPAIRMENT OF CASH GENERATING ASSETS

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

IDENTIFICATION

When the carrying amount of a cash generating asset exceeds its recoverable amount, it is impaired.

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

Irrespective of whether there is any indication of impairment, the entity also test a cash generating intangible asset with an indefinite useful life or a cash generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

VALUE IN USE

Value in use of a cash generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the entity estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the entity applies the appropriate discount rate to those future cash flows.

REVERSAL OF IMPAIRMENT LOSS

The entity assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash generating asset is adjusted in future periods to allocate the cash generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash generating unit is allocated to the cash generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non cash generating asset contributing service potential to a cash generating unit.

In allocating a reversal of an impairment loss for a cash generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

REDESIGNATION

The redesignation of assets from a cash generating asset to a non cash generating asset or from a non cash generating asset to a cash generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.8 EMPLOYEE BENEFITS

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

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

SHORT TERM EMPLOYEE BENEFITS

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

Short term employee benefits include items such as:

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

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

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

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non accumulating absences, when the absence occurs. The entity measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

1.9 PROVISIONS AND CONTINGENCIES

Provisions are recognised when:

- the entity has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Contingent assets and contingent liabilities are not recognised however are disclosed when there is a potential significant and material effect on the entity.

1.10 REVENUE FROM EXCHANGE TRANSACTIONS

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

MEASUREMENT

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

RECOGNITION OF RENDERING OF SERVICES

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity:
- · the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Rendering of services is divided into two categories, namely fee income for accreditation services and courses for training. Fee income is received for new and existing clients in terms of legislation and international good practice, and for ensuring that accredited conformity assessment services are available to the IPAP priority sectors. Course fees are received for accreditation courses held in order to support existing and new accreditation fields within IPAP.

Service revenue for accreditation services is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by surveys of work performed. Training courses revenue is recognised when the relevant course has been attended.

1.11 REVENUE FROM NON EXCHANGE TRANSACTIONS

Non exchange transactions are transactions that are not exchange transactions. In a non exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Transfers are inflows of future economic benefits or service potential from non exchange transactions, other than taxes.

RECOGNITION

An inflow of resources from a non exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

MEASUREMENT

Revenue from a non exchange transaction is measured at the amount of the increase in net assets recognised by the entity.

When, as a result of a non exchange transaction, the entity recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value (the cost) as at the date of acquisition, unless it is also required to recognise a liability. Fair value is the amount for which an asset could have been exchanged between knowledgeable willing parties in an arm's length transaction. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

TRANSFERS

The entity recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

GIFTS AND DONATIONS, INCLUDING GOODS IN KIND

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the entity and the fair value of the assets can be measured reliably.

1.12 FUNDS RECEIVED FROM THE dti

Funds received from the dti are recognised as revenue from non exchange transactions when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity;
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any conditions associated with the grant.

1.13 TRANSLATION OF FOREIGN CURRENCIES

FOREIGN CURRENCY TRANSACTIONS

A foreign currency transaction is recorded, on initial recognition in Rands, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At each statement of financial position date:

- foreign currency monetary items are translated using the closing rate;
- non monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous annual financial statements are recognised in surplus or deficit in the period in which they arise.

When a gain or loss on a non monetary item is recognised directly in equity, any exchange component of that gain or loss is recognised directly in equity. When a gain or loss on a non monetary item is recognised in surplus or deficit, any exchange component of that gain or loss is recognised in surplus or deficit.

Cash flows arising from transactions in a foreign currency are recorded in Rands by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.

1.14 IRREGULAR EXPENDITURE

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

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act;
- (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 is recorded at the transaction amount as and when it is in incurred.

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

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

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

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

1.15 SEGMENT INFORMATION

A segment is an activity of an entity:

- that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity);
- whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance; and
- for which separate financial information is available.

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

MEASUREMENT

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

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

1.16 BUDGET INFORMATION

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

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

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

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

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

Comparative information is not required.

1.17 RELATED PARTIES

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

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

A related party transaction is a transfer of resources or obligations between related parties, regardless of whether a price is charged. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party entity and another entity are subject to common control.

Related parties include:

- a) Entities that directly, or indirectly through one or more intermediaries, control, or are controlled by the entity;
- b) Associates (see International Public Sector Accounting Standard (IPSAS) 7, "Accounting for Investments in Associates");
- c) Individuals owning, directly or indirectly, an interest in the reporting entity that gives them significant influence over the entity, and close members of the family of any such individual;
- d) Key management personnel, and close members of the family of key management personnel; and
- e) Entities in which a substantial ownership interest is held, directly or indirectly, by any person described in (c) or (d), or over which such a person is able to exercise significant influence.

The following are deemed not to be related parties:

- a) (i) Providers of finance in the course of their business in that regard; and
 - (ii) Trade unions;
- (b) In the course of their normal dealings with an entity by virtue only of those dealings (although they may circumscribe the freedom of action of the entity or participate in its decision making process); and
- (c) An entity with which the relationship is solely that of an agency.

2. CHANGES IN ACCOUNTING POLICY

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year. No changes have been made other than the additional standards effective and adopted in the current financial year.

3. NEW STANDARDS AND INTERPRETATIONS

3.1 STANDARDS AND INTERPRETATIONS EFFECTIVE AND ADOPTED IN THE CURRENT YEAR

In the current year, the entity has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

GRAP 17 (AS AMENDED 2015): PROPERTY, PLANT AND EQUIPMENT

Based on the feedback received as part of the post implementation review, the Board agreed to reconsider certain principles in GRAP 16 and GRAP 17. In particular, the Board agreed to:

- Review the principles and explanations related to the distinction between investment property and property, plant and equipment.
- Consider whether an indicator based assessment of useful lives of assets could be introduced.
- Clarify the wording related to the use of external valuers.
- Introduce more specific presentation and disclosure requirements for capital work in progress.
- Review the encouraged disclosures and assess whether any should be made mandatory or deleted.
- Require separate presentation of expenditure incurred on repairs and maintenance in the financial statements.

Amendments identified as part of the post implementation review, affected the following areas:

- Indicator based assessment of the useful lives of assets
- Use of external valuers
- Encouraged disclosures
- Capital work in progress
- Expenditure incurred on repairs and maintenance

The effective date of the standard is for years beginning on or after 01 April 2016.

The entity has adopted the standard for the first time in the 2017 annual financial statements.

The impact of the standard is not material.

3.2 STANDARDS AND INTERPRETATIONS ISSUED, BUT NOT YET EFFECTIVE

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 April 2017 or later periods:

Standard/ Interpretation:		Effective date: Years beginning on or after	Expected impact:
•	GRAP 20: Related parties	01 April 2017	The adoption of this amendment will not have a material impact on the results of the company but will result in more disclosure than would have previously been provided in the financial statements
•	GRAP 108: Statutory Receivables	01 April 2017	The adoption of this amendment will not have a material impact on the results of the company but will result in more disclosure than would have previously been provided in the financial statements

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

4. PROPERTY, PLANT AND EQUIPMENT

Figures in Rand
Furniture and fixtures
Office equipment
IT equipment
Total

	2017		2016			
Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value	
1,056,608	(411,088)	645,520	1,056,608	(310,446)	746,162	
2,899,750	(2,028,831)	870,919	2,856,075	(1,784,702)	1,071,373	
2,009,512	(1,282,053)	727,459	1,823,762	(973,311)	850,451	
5,965,870	(3,721,972)	2,243,898	5,736,445	(3,068,459)	2,667,986	

RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT – 2017

Figures in Rand					
Furniture and fixtures					
Office equipment					
IT equipment					

Opening balance	Additions	Disposals	Depreciation	Total	
746,162	-	-	(100,642)	645,520	
1,071,373	54,401	(7,408)	(247,447)	870,919	
850,451	249,665	(30,888)	(341,769)	727,459	
2,667,986	304,066	(38,296)	(689,858)	2,243,898	

RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT - 2016

Figures in Rand					
Furniture and fixtures					
Office equipment					
IT equipment					

Opening balance	Additions	Disposals	Depreciation	Total	
847,194	-	-	(101,032)	746,162	
1,309,310	16,699	(1)	(254,992)	1,071,373	
978,310	243,115	(41,188)	(329,786)	850,451	
3,135,171	259,814	(41,189)	(685,810)	2,667,986	

ASSETS SUBJECT TO FINANCE LEASE (NET CARRYING AMOUNT)

Office equipment

2016	2017	
-	702,559	

5. INTANGIBLE ASSETS

	2017		2016			
Figures in Rand	Cost / Valuation	Accumulated Amortisation	Carrying value	Cost / Valuation	Accumulated Amortisation	Carrying value
Computer software	254,673	(99,148)	155,525	254,673	(73,681)	180,993
Intangible assets under development	1,596,252	-	1,596,252	1,913,074	-	1,913,074
Knowledge Transfer management system	549,308	(54,931)	494,377	-	-	-
Total	2,400,233	(154,079)	2,246,154	2,167,747	(73,681)	2,094,067

RECONCILIATION OF INTANGIBLE ASSETS – 2017

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

RECONCILIATION OF INTANGIBLE ASSETS – 2016

Figures in Rand	Opening balance	Additions	Amortisation	Total
Computer software	206,460	-	(25,467)	180,993
Intangible assets under development	1,605,578	307,496	-	1,913,074
	1.812.038	307.496	(25.467)	2.094.067

INTANGIBLE ASSETS UNDER DEVELOPMENT

The Intangible asset under development is software developed for the automation of the accreditation assessment process up to the monitoring of the accreditation process and a website front end for external stakeholders. Operational costs of R70,332 incurred for the intangible asset under development were not capitalised and were therefore included in operating expenses. The Knowledge Transfer Management system developed for the automation of the course application process was finalised and went live 1 April 2016.

6. FINANCIAL ASSETS BY CATEGORY

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

2017

Figures in Rand

Trade and other receivables Cash and cash equivalents

Financial instruments at amortised cost	Total
1,272,718	1,272,718
98,189,539	98,189,539
99,462,257	99,462,257

2016

Figures in Rand

Trade and other receivables

Cash and cash equivalents

Financial instruments at amortised cost	Total
1,847,706	1,847,706
94,902,912	94,902,912
96,750,618	96,750,618

7. TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS

Figures in Rand

Trade debtors Less: Provision for Bad Debts Prepayments

Interest accrued

2017	2016
880,235	1,708,213
(259,416)	(150,652)
123,690	-
528,209	290,145
1,272,718	1,847,706

CREDIT QUALITY OF TRADE AND OTHER RECEIVABLES

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

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

OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS PAST DUE BUT NOT IMPAIRED

Trade and other receivables which are less than "2 months or less past due" are not considered to be impaired as services are only rendered after receipt of payment or payment commitment. At 31 March 2017, R 1,438,939 (2016: R 1,231,542) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

Figures in Rand

1 month past due 2 months past due

2017	2016
-	30,320
1,438,939	1,201,222

OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS

As of 31 March 2017, trade and other receivables of R 259,416 (2016: R 150,652) were impaired and provided for.

2016

150,652

The ageing of these receivables is as follows:

Figures in Rand	2017	
Over 6 months	259,416	

RECONCILIATION OF PROVISION FOR IMPAIRMENT OF TRADE AND OTHER RECEIVABLES

Figures in Rand	2017	2016
Opening balance	150,652	121,599
Provision for Bad Debts	259,416	150,652
Amounts written off as uncollectible	(92,013)	(109,397)
Unused amounts reversed	(58,639)	(12,202)
	259,416	150,652

The creation and release of provision for impaired receivables have been included in operating expenses in the Statement of Financial Performance (note 20). Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

8. RECEIVABLES FROM NON EXCHANGE TRANSACTIONS

Figures in Rand	2017	2016
Lease agreement deposit	131,277	125,026

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

9. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

Figures in Rand	2017	2016
Cash on hand	3,139	2,257
Current account	6,019,762	3,199,326
Short term deposits	33,289,553	31,225,935
Call accounts	58,876,890	60,462,025
Foreign exchange on hand	195	13,369
	98,189,539	94,902,912

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

BREAKDOWN OF CASH AND CASH EQUIVALENTS

The following depicts the available cash and cash equivalents as at 31 March 2017 for commitments:

Figures in Rand

Accumulated reserve ringfenced for baseline cuts see note 10
Accumulated reserve available for immovable property see note 10
Other commitments liabilities and trade payables
2016/17 Surplus retention of surplus to be requested
Less: Assets on hand

2017	2016
6,851,249	-
73,207,684	-
20,231,709	-
3,792,944	-
(5,894,047)	-
98,189,539	-

10. ACCUMULATED SURPLUS

RING FENCED INTERNAL FUNDS AND RESERVES WITHIN ACCUMULATED SURPLUS - 2017

Figures in Rand	Accumulated reserve	Government grant reserve	Commitment for Immovable Property	Baseline reduction (2017/18)	Total
Opening balance	71,961,259	8,097,674	-	-	80,058,933
Accumulated reserve approved to be retained for immovable property	(71,961,259)	(8,097,674)	80,058,933	-	-
Accumulated reserve ringfenced for baseline cuts	-	-	(6,851,249)	6,851,249	-
Accumulated reserve ringfenced for immovable property	-	-	73,207,684	-	73,207,684
Accumulated reserve ringfenced for 2017/18 baseline cuts	-	-	-	6,851,249	6,851,249

SANAS received a reduction in baseline for the 2017/18 financial year of R11 million. This reduction resulted in approved accummulated reserves ringfenced towards operational costs as the operational budget could not be reduced. The remaining reserves are allocated towards the office building (swee note 25 for further information).

11. FINANCE LEASE OBLIGATION

Figures in Rand

Minimum lease payments due

- within one year

Present value of minimum lease payments due

- within one year

2017	2016	
-	2,182,255	
-	2,182,255	

It is entity policy to lease certain office equipment under finance leases.

On 1 June 2006, SANAS entered into an operating lease agreement for office space that contained a finance lease in terms of the furniture and fittings. At this time SANAS was a Section 21 Company and on 1 May 2007, all assets and liabilities were transferred to SANAS as a Public Entity in terms of the Accreditation Act. The initial lease term was 15 years and the average effective borrowing rate was 14% (2016: 14%).

Interest rates are fixed at the contract date. The lease payments escalate at 6.5% p.a and no arrangements have been entered into for contingent rent.

The entity's obligations under finance lease was secured by the lessor's charge over the leased assets. Refer note 4.

The building that SANAS occupies is currently under sale and SANAS opted to settle the tenant installation allowance that was subject to this finance lease. The total settlement amounted to R2,182,255 at 31 March 2016 and was settled subsequent to the 2015/16 financial year end.

12. INCOME RECEIVED IN ADVANCE

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

Figures in Rand

Income received in advance

2017	2016
8,576,896	8,150,901

13. PROVISIONS

RECONCILIATION OF PROVISIONS - 2017

Figures in Rand

Leave pay provisions
Travel costs/operational costs

Opening balance	Additions	Utilised during the year	Total
1,494,903	506,341	(80,659)	1,920,585
49,000	102,355	(7,288)	144,067
1,543,903	608,696	(87,947)	2,064,652

RECONCILIATION OF PROVISIONS - 2016

Figures	ın K	and
Leave p	рау	

provisions Travel costs

Opening balance	Additions	Utilised during the year	Reversed during the year	Total
1,524,879	61,114	(91,090)	-	1,494,903
8,400	49,000	(2,376)	(6,024)	49,000
1,533,279	110,114	(93,466)	(6,024)	1,543,903

A provision is recognised for leave pay due to employees based on the actual leave days due multiplied by the daily remuneration rate. A provision for travel costs and operational matters is recognised for services rendered but not yet charged to SANAS as the amounts can only be estimated.

14. CONTINGENT LIABILITY

As per Section 53(3) of the PFMA, SANAS as a Schedule 3A Public Entity may not retain cash surpluses that were realised in the previous financial year without the prior written approval of the National Treasury.

Therefore in terms of this section and National Treasury's Instruction no. 6 of 2017/2018, SANAS has made an application to retain surpluses for 2016/17

The surplus is based on the cash and cash equivalents plus receivables less current liabilities and commitments at the end of the financial year and for 2016/17 the surplus is R885,469.

15. TRADE AND OTHER PAYABLES

Figures in Rand

Trade payables Accrued bonus

2017	2016
4,836,721	5,018,857
2,390,675	2,078,622
7,227,396	7,097,479

Trade payables are non interest bearing and are normally settled on 30 days terms.

16. FINANCIAL LIABILITIES BY CATEGORY

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

2017

Figures in Rand

Trade and other payables

Financial liabilities at amortised cost		Total
	7,227,396	7,227,396

2016

Figures in Rand

Trade and other payables Finance lease obligation

Financial liabilities at amortised cost	Total
7,097,479	7,097,479
2,182,255	2,182,255
9,279,734	9,279,734

17. REVENUE

Figures in Rand

Funds received from **the dti** (non exchange revenue) Fee income (exchange revenue)

2017	2016	
22,208,000	26,025,000	
50,496,677	44,960,978	
72,704,677	70,985,978	

18. OTHER INCOME

Figures in Rand

Bad debt recovered
Unclaimed receipts held more than 3 years
Courses and project fees
Sundry income

2017	2016	
25,777	-	
3,725	23,891	
9,571,400	6,205,127	
30,086	155,697	
9,630,988	6,384,715	

19. GENERAL EXPENSES

Figures in Rand
Advertising
Auditors remuneration
Bank charges
Consulting and professional fees
Donations/Social contributions
Printing and stationery
Project expenses
Subscriptions and membership fees
Training Course expenses
Accounting Authority expenses
Intenal audit
International and regional responsibilities
Other office expenses
Accreditation expenses assessors and travel costs
Marketing conclave

2017	2016
1,084,414	1,469,572
134,999	135,002
52,804	58,645
1,054,452	1,031,603
52,119	89,007
457,065	474,728
371,153	879,852
444,224	446,898
1,375,978	704,571
712,648	798,096
562,651	786,411
1,405,300	2,039,441
1,364,778	1,467,392
23,992,458	22,884,007
278,398	304,764
33,343,441	33,569,989

20. OPERATING SURPLUS

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

Figures in Rand	2017	2016
Operating lease charges		
Premises		
 Contractual amounts 	3,351,941	3,557,125
Equipment		
 Photocopy machines 	100,393	127,732
	3,452,334	3,684,857
Deficit on write off of property, plant and equipment	38,297	32,316
Provision for Bad Debts	259,416	150,652
Gain on foreign exchange differences	-	4,189
Loss on foreign exchange differences	2,138	533
Amortisation on intangible assets	80,399	25,467
Depreciation on property, plant and equipment	689,858	685,810
Employee costs	46,116,856	40,954,028
Auditors remuneration	134,999	135,002
Accounting Authority emoluments	390,010	546,421

21. INVESTMENT INCOME

Figures in Rand

Interest income
Interest received on fixed deposits

2017	2016	
6,012,508	4,706,302	

22. FINANCE COSTS

Figures in Rand

Finance lease

2017	2016
-	278,644

23. TAXATION

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

24. CASH GENERATED FROM OPERATIONS

Figures in Rand	2017	2016
Surplus	3,792,944	2,138,666
Adjustments for:		
Depreciation and amortisation	770,257	711,277
Deficit on write off of assets	38,297	32,316
Movements in operating lease assets and accruals	(241,461)	(136,477)
Movements in provisions	520,749	10,624
Movement in finance lease accrual	-	341,771
Changes in working capital:		
Trade and other receivables	574,988	(702,448)
Other receivables from non exchange transactions	(6,251)	(16,172)
Trade and other payables	129,916	1,615,343
Income received in advance	425,995	2,426,243
	6,005,434	6,421,143

25. COMMITMENTS

Figures in Rand	
Authorised capital expenditure	
Already contracted for but not provided for	
 Property, plant and equipment 	
Not yet contracted for and authorised by members	
 Property, plant and equipment 	
Total capital commitments	
Already contracted for but not provided for	
Not yet contracted for and authorised by members	

2017	2016
73,207,684	-
-	60,480,267
73,207,684	-
-	60,480,267
73,207,684	60,480,267

Figures in Rand	2017	2016
Authorised operational expenditure		
Already contracted for but not provided for	886,160	-
Project Management		
Not yet contracted for and authorised by members		
• 2017/18 Baseline reduction	6,851,249	-
* I.I		
Total operational commitments		
Already contracted for but not provided for	886,160	-
Not yet contracted for and authorised by members	6,851,249	-
	7,737,409	-

This committed expenditure relates to property and will be financed by available retained surpluses, existing cash resources, funds internally generated, etc.

Operating leases – as lessee (expense)		
Minimum lease payments due		
within one year	2,143,783	2,010,324
 in second to fifth year inclusive 	7,015,692	8,958,761
	9,159,475	10,969,085

Operating lease payments represent rentals payable by the entity for certain of its office properties. Sunnyside office lease was negotiated for a term of 15 years with escalation of 6.5% per annum, whereas Brooklyn office lease was negotiated for an initial term of 2 years with escalation of 8% per annum, 2 annual extensions until 31 May 2017 and a final 1 year until 31 May 2018. No contingent rent is payable.

26. RELATED PARTIES

RELATIONSHIPS

Members of key management	Mr R Josias (CEO) Ms F Radebe (Executive: Corporate Services) Mr M Phaloane (Executive: Accreditation) Dr E Steyn (Executive: Strategy and Development) Ms CR Warren (CFO) Mr D Petersen (Company Secretary)
Executive Authority	Minister of the Department of Trade and Industry (the dti)
Accounting Authority	Mr P Govender (Chairperson) Mr R Josias (CEO) Mr J Malatse Ms N Magwaza Ms J Rathebe Mr T Jaftha Ms B Lue Marais Mr L Saki Mr P Zonke Mr V Seymour Ms A Lötter Mr A Ramabulana Mr D Petersen
SANAS MOU signatory	National Laboratory Association (NLA)
Public Entities	
National Departments	

RELATED PARTY BALANCES

Figures in Rand	2017	2016
Amounts included in Trade receivables regarding related parties		
Agricultural Research Council	90,103	5,443
Amatola Water	-	14,685
Council for Scientific and Industrial Research	23,053	-
ESKOM	168,491	237,691
Lepelle Northern Water	38,680	25,554
Magalies Water	-	10,930
National Health Laboratory Service	(259,749)	(608,125)
National Metrology Institute of South Africa	132,901	268,018
National Regulator for Compulsory Specifications	(17,180)	(17,180)
Rand Water	127,828	26,070
Sedibeng Water	420	-
South African Bureau of Standards	313,067	19,381
Telkom SA Limited	(43,335)	-
Amounts included in Trade Payables regarding related parties		
Agricultural Research Council	14,800	-
Department of Trade and Industry	8,837	11,965
Government Printer Works	1,000	-
ESKOM	-	5,180
National Metrology Institute of South Africa	123,370	49,909
National Laboratory Association	35,739	18,714
National Regulator for Compulsory Specifications	53,756	25,345
South African Bureau of Standards	-	21,414
Telkom SA Limited	-	2,590
Related party transactions		
Funds received from related parties the dti	22,208,000	26,025,000
Operational costs paid to related parties		
Telephone – the dti	101,671	108,563
Postage – the dti	6,890	4,607
Internet usage – the dti	26,393	26,393
incinor osage inc di	20,0,0	25,576
Funds paid to related parties		
Transfer payment National Laboratory Association	563,010	530,142
Exchange Transactions Services rendered to other Public Entities		
Agricultural Research Council	148,448	9,114
Amatola Water	30,300	111,988
Council for Geoscience	126,646	-
Council for Scientific and Industrial Research	827,746	481,300
Denel (Pty) Ltd	318,166	125,450
ESKOM	1,066,049	649,907
LONGIN	1,000,047	047,707

Figures in Rand	2017	2016
Lepelle Northern Water	80,614	11,033
Magalies Water	57,815	124,574
Mhlathuze Water	33,260	107,372
National Health Laboratory Service	3,090,928	2,521,275
National Metrology Institute of South Africa	726,042	888,347
National Regulator for Compulsory Specifications	565,733	808,963
Rand Water	242,104	305,222
Sedibeng Water	103,928	74,454
South African Airways (Pty) Ltd	76,230	71,800
South African Bureau of Standards	1,739,340	1,450,999
South African Weather Services	42,024	-
Telkom SA Limited	197,624	175,590
Umgeni Water	142,110	55,386
Expenses Goods and Services paid to other Public Entities		
Agricultural Research Council	55,800	88,710
Compensation Commissioner for Occupational Diseases	82,882	67,948
ESKOM	(5,180)	2,168
Government Printing Works	3,165	5,278
National Health Laboratory Service	15,647	15,324
National Metrology Institute of South Africa	371,704	169,074
National Laboratory Association	691,324	669,030
National Regulator for Compulsory Specifications	273,583	200,545
South African Bureau of Standards	216,981	212,538
South African Revenue Services (SARS)	11,152,804	10,363,685
Telkom SA Limited	8,400	19,490
Umemployment Insurance Fund	263,727	254,903

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

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

REMUNERATION OF MANAGEMENT

EXECUTIVE MANAGEMENT

2017

	Basic salary	Bonuses and performance related payments	Travel allowance	Provident Fund	Medical Aid	Total
Ron Josias – CEO	1,477,035	151,680	40,152	284,753	121,112	2,074,732
Mpho Phaloane – Executive	1,157,537	95,642	54,000	225,306	84,740	1,617,225
Elsabe Steyn – Executive	1,111,826	95,176	-	206,643	77,076	1,490,721
Felicity Radebe – Executive	1,150,584	108,051	-	140,409	62,540	1,461,584
Christi Warren – CFO	1,031,171	83,778	-	187,959	50,232	1,353,140
Dawood Petersen – Company Secretary	895,234	65,794	-	107,601	35,268	1,103,897
	6,823,387	600,121	94,152	1,152,671	430,968	9,101,299

2016

	Basic salary	Bonuses and performance related payments	Travel allowance	Provident Fund	Medical Aid	Total
Ron Josias – CEO	1,363,970	218,235	40,152	260,577	110,152	1,993,086
Mpho Phaloane – Executive	1,062,410	165,810	54,000	206,177	81,735	1,570,132
Elsabe Steyn – Executive	1,018,207	175,299	-	185,317	84,474	1,463,297
Felicity Radebe – Executive	822,894	165,828	-	101,216	52,284	1,142,222
Christi Warren – CFO	953,865	175,802	-	172,001	45,672	1,347,340
Dawood Petersen – Company Secretary	827,196	96,495	-	98,466	32,440	1,054,597
	6,048,542	997,469	94,152	1,023,754	406,757	8,570,674

27. DIRECTORS' EMOLUMENTS

2017

Figures in Rand

Mr P Govender*
Mr J Malatse*
Ms N Magwaza*
Ms J Rathebe
Mr T Jaftha*
Ms B Lue Marais
Mr L Saki
Ms A Lötter*
Mr P Zonke
Mr V Seymour
Mr A Ramabulana

Meeting fees	Annual Board fee	Total
-		-
-		-
-		-
32,960	55,572	88,532
-	-	-
16,480	23,155	39,635
7,288	48,626	55,914
-	-	-
9,888	11,578	21,466
58,882	64,835	123,717
32,960	27,786	60,746
158,458	231,552	390,010

2016

Figures in Rand

Mr P Govender*
Mr J Malatse*
Ms N Magwaza*
Ms J Rathebe
Mr T Jaftha*
Ms B Lue Marais*
Mr L Saki
Ms A Lötter*
Mr P Zonke*
Mr V Seymour
Mr A Ramabulana

Meeting fees	Annual Board fee	Total
-		-
-	-	-
-	-	-
60,224	64,835	125,059
-	-	-
-	-	-
74,715	64,835	139,550
-	-	-
-	-	-
76,099	64,835	140,934
76,043	64,835	140,878
287,081	259,340	546,421

^{*} These Non Executive Directors are not remunerated in their personal capacity.

28. CHANGE IN ESTIMATE

PROPERTY, PLANT AND EQUIPMENT

The useful life of certain Plant, Propery and Equipment was estimated in 2007 2012 to be 5 17 years. In the current period management have revised their estimate to 6 18 years due to the pending move in 2018 where replacements will be made. The effect of this revision has decreased depreciation charge in the current period and decreased the depreciation charges for future periods by R 8,883

29. RISK MANAGEMENT

The entity's activities expose it to a variety of financial risks: market risk (including fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the entity's financial performance. The Accounting Authority provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and investment of excess liquidity.

LIQUIDITY RISK

The entity's risk to liquidity is a result of whether funds are available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

At 31 March 2017	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	7,227,396	-	-	-

At 31 March 2016	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	7,097,479	-	-	-
Finance lease obligation	2,182,255	-	-	-

INTEREST RATE RISK

As the entity has no significant interest bearing assets, the entity's income and operating cash flows are substantially independent of changes in market interest rates.

Fixed deposits attracts interest rates that vary in relation to the prime rate. The entity's policy is to manage interest rate risk so that fluctuations in variable rates do not have a material impact on surplus or deficit

CREDIT RISK

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The entity only deposits cash with major banks with high quality credit standing and limits exposure to any one counter party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2017	2
Cash and cash equivalents	98,189,539	
Trade and other receivables	1,272,718	

CURRENCY RISK

The entity operates internationally but invoices only in South African Rands, thus the entity is exposed to minimal foreign exchange risk.

The entity does not hedge foreign exchange fluctuations as the number of international transactions is very small.

The entity reviews its foreign currency exposure, including commitments on an ongoing basis.

2016

94,902,912 1,847,706

30. IRREGULAR EXPENDITURE

Figures in Rand

Add: Irregular Expenditure current year

Less: Amounts condoned

2017	2016
47,056	1,623
(47,056)	(1,623)

2016: Details of Irregular Expenditure condoned by the Accounting Authority				
Accommodation booked above prescribed rate*	Condoned by Accounting	1,623		
	Authority	1,025		

2017: Details of Irregular Expenditure condoned by the Accounting Authority				
Car Hire group	7,566			
Procurement process not followed	1,186			
Contract signed above delegation and without approval	38,304			
	47,056			

Car hire: As per National Treasury Instruction No.03 of 2016/17, prior written approval is required for the hiring of vehicles outside of the assigned category of car. There were 3 instances where prior written approval was not requested as per the prescripts and these individuals received various disciplinary sanctions

Procurement process not followed: In this instance, a user department procured goods without following the required procurement process which resulted in payment prior to a purchase order issued. The individual received coaching in terms of the SANAS disciplinary policy

Contract signed above delegation and without approval: The Procurement division was requested to assist with the appointment of a labour consultant after the HR Manager did not adhere to the National Treasury Instruction No.02 of 2016/17 wherein a business case is required to be signed off prior to the procurement process. The HR Manager had obtained her own quotes prior to this. Whilst the correct procurement process was underway, the HR Manager concluded a contract with the supplier with the lowest price however this was above her delegation. Further to this, SANAS was committed to a debit order without approval. After investigation and the procurement process was concluded, it was found that the contracted supplier would have been granted the contract. Discussions held with the HR Manager revealed that the approval of the business case was confused with the approval to proceed. Fortunately SANAS was at no financial loss however to the delegation of authority as well as concluding a contract without approval, this was found to be Irregular expenditure. A disciplinary was sanctioned against the individual.

31. SEGMENT INFORMATION

GENERAL INFORMATION

IDENTIFICATION OF SEGMENTS

The entity is organised and reports to management on the basis of four major functional areas: Administration services, Corporate services, Strategy and development services and Accreditation services. The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

Information reported about these segments is used by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes.

TYPES OF GOODS AND/OR SERVICES BY SEGMENT

These reportable segments as well as the goods and/or services for each segment are set out below:

Reportable segment	Goods and/or services
Administration	Policy development, financial management, legal and administrative support
Corporate Services	Human resources (HR) management, quality management, information and communication technology, and communication and marketing
Strategy and Development	Research and development of new accreditation programmes, knowledge transfer and regional and international development
Accreditation Provision	Accreditation assessments and good laboratory practice monitoring

SEGMENT SURPLUS OR DEFICIT, ASSETS AND LIABILITIES

2017

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

2016

Figures in Rand	Administration	Corporate Services	Strategy and Development	Accreditation Provision	Total
Revenue					
Revenue from non exchange transactions	26,025,000	-	-	-	26,025,000
Revenue from exchange transactions	-	-	6,205,127	44,960,978	51,166,105
Interest revenue	4,706,302	-	-	-	4,706,302
Sundry income	188,461	-	-	-	188,461
Total segmanet revenue	30,919,763	-	-	44,960,978	82,085,868
Entity's revenue					82,085,868
Expenditure					
Salaries and wages	19,206,790	-	-	21,129,615	40,336,405
Other expenses	12,169,171	2,651,914	2,875,418	21,914,294	39,610,797
Total segment expenditure	31,375,961	2,651,914	2,875,418	43,043,909	79,947,202
Total segmental surplus/ (deficit)					2,138,666

32. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

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

STATEMENT OF FINANCIAL PERFORMANCE:

Accreditation fees: Accreditation programmes such as the B-BBEE, Testing, Medical and Inspection Bodies had an influx of requests for additional services. Within Testing and Medical, requests for extension of scope was the main reason whilst B-BBEE and Inspection Bodies received a vast number of new applications within a new field.

Courses and project fees: SANAS provides courses in all current accreditation and emerging fields in a form of scheduled courses at SANAS premises, provincial regional courses and In house courses nationally and internationally. For 2016/17 the demand for In house courses was higher than expected.

Utilisation of Reserve: As a Public Entity, SANAS may not budget for a deficit and hence R11million was allocated from the approved reserves to ensure that the operational budget of SANAS is balanced. According to GRAP1, utilisation of reserves needs to be reported on the statement of net assets and hence no actual amount is allocated towards this budget amount.

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

Employee costs: Remaining posts within the approved restructuring project could not all be employed during 2015/16 due to space constraints, however an additional office space was sourced during 2013 for the training department in order to provide temporary space. This temporary office was further split into office space during 2015/16 to accommodate the vacancies temporarily until the immovable property is acquired.

Lease payments: SANAS had anticpated to have moved mid 2016, however due to the acquistion of the building only finalissed in March 2017, the current office building leases had to be extended.

General expenses: Unutilised budget is due to delay in acquiring additional office space and associated costs not incurred. Other unutilised budgets include direct costs of accreditation assessments that were withdrawn or postponed into the next financial year. It is difficult to budget for some activities as the final outcome is based on the demand in the industry.

CASH FLOWS:

Net cash from operating: This variance is as a result of the surplus for 2016/17 which was higher than budgeted due to the reasons detailed above.

Net cash from investing: Budget was anticipated to have been used towards the finalisation of the intangible assets under development. These costs are expected to be incurred in the next financial year.

DETAILED STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31 MARCH 2017

Figures in Rand	Note(s)	2017	2016
Revenue			
Transfers from the dti		22,208,000	26,025,000
Rendering of services		50,496,677	44,960,978
		72,704,677	70,985,978
Other income			
Unclaimed receipts held more than 3 years		3,725	23,891
Courses and management fees		9,571,400	6,205,127
Sundry income		30,086	155,968
Bad debts recovered		25,777	-
Investment income	21	6,012,508	4,706,302
		15,643,496	11,091,017
Expenses (Refer to page 102)		(84,555,229)	(79,659,685)
Operating surplus	20	3,792,944	2,417,310
Finance costs	22	-	(278,644)
Surplus of the year		3,792,944	2,138,666
0			
Operating Expenses		(1,004,414)	(1, 4/0, 570)
Advertising		(1,084,414)	(1,469,572)
Assets expensed		(70,257)	(23,626)
Auditors remuneration		(134,999)	(135,002)
Bad debts Rank charges		(200,777) (52,804)	(153,450) (58,645)
Bank charges Consulting fees		(1,054,452)	(1,031,603)
Depreciation and amortisation		(770,257)	(711,277)
Donations/Social contributions		(52,119)	(89,007)
Employee costs		(46,116,856)	(40,954,028)
Accounting Authority expenses		(712,648)	(798,096)
Marketing conclave		(278,398)	(304,764)
Internal audit		(562,651)	(786,411)
International and regional responsibilities		(1,405,300)	(2,039,441)
Other office expenses		(1,364,778)	(1,467,392)
Accreditation expenses assessors and travel costs		(23,992,458)	(22,884,007)
Lease rentals on operating lease		(3,452,334)	(3,684,857)
Loss on disposal of assets		(38,297)	(32,316)
Printing and stationery		(457,065)	(474,728)
Project expenses		(371,153)	(879,852)
Subscriptions and membership fees		(444,224)	(446,898)
Training Course expenses		(1,375,978)	(704,571)
Transfer payment National Laboratory Association		(563,010)	(530,142)
		(84,555,229)	(79,659,685)



RP140/2017 ISBN: 978-0-621-45481-9 Annual Report for 2016/2017

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