

**ANNUAL
REPORT
2023/2024**

***Protecting Health, Safety, the
Environment and Ensuring Fair Trade***



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PART A

GENERAL
INFORMATION

NRCS information



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Auditor-General of South Africa (AGSA)



Bankers

ABSA

Abbreviations/Acronyms

Acronym	Description
AFRIMETS	Intra-Africa Metrology System
AGSA	Auditor-General of South Africa
AMID	Association of motorcycle importers and Distributors
ARSO	African Organisation for Standardisation
CFO	Chief Financial Officer
CGCSA	Consumer Goods Council of South Africa
CMM	Chemicals, Materials and Mechanicals
DAFF	Department of Agriculture, Forestry and Fisheries
DALRRD	Department of Agriculture, Land Reform and Rural Development
DFFE	Department of Forestry, Fisheries and the Environment
DMRE	Department of Mineral Resources and Energy
DoH	Department of Health
DoL	Department of Labour
DoT	Department of Transport
EAC	East African Community
EACREEE	East African Centre of Excellence for Renewable Energy and Efficiency
EELA	Energy Efficient Lighting and Appliances
ERP	Enterprise Resource Planning
FAI	Food and Associated Industries
GDP	Gross Domestic Product
HR	Human Resources
ICASA	Independent Communications Authority of South Africa
ICT	Information and Communication Technology
IEC	International Electro-technical Commission
OIML	International Organization of Legal Metrology
ISO	International Organization for Standardization
LMA	Legal Metrology Act
LoA	Letter of Authority
LoC	Letter of Certification
MEPS	Minimum Energy Performance Standard
MIBs	Manufacturers, Importers and Builders
MOU/A	Memorandum of Understanding/Agreement
NBR&BS Act	National Building Regulations and Building Standards Act

Acronym	Description
NCC	National Consumer Commission
NICD	National Institute for Communicable Diseases
NIOH	National Institute of Occupational Health
NRCS	National Regulator for Compulsory Specifications
NRTA	National Road Traffic Act
OIML	International Organisation of Legal Metrology
PAC	Project Approvals Committee
PFMA	Public Finance Management Act
PPE	Personal Protective Equipment
RR&D	Regulatory Research and Development
S&L	Standards & Labelling
SAAFoST	South African Association for Food Science and Technology
SABS	South African Bureau of Standards
SACREEE	SADC Centre for Renewable Energy and Energy Efficiency
SADC	Southern African Development Community
SADCMEL	SADC Cooperation in Legal Metrology
SANAS	South African National Accreditation System
SANEDI	South African National Energy Development Institute
SANS	South African National Standards
SAPS	South African Police Service
SARS	South African Revenue Service
SME	Small and Medium Enterprise
SMME	Small, Medium, and Micro-Enterprise
SPS	Sanitary and Phytosanitary
TBT	Technical Barriers to Trade
TC	Technical Committee
TCA	Technical Cooperation Agreement
the dtic	Department of Trade, Industry and Competition
TR	Technical Regulation
UNDP	United Nations Development Programme
UNECA	United Nations Economic Commission for Europe
VC	Compulsory Specification
WP	Working Party
WTO	World Trade Organization



It is my pleasure to present the Annual Report of the National Regulator for Compulsory Specifications (NRCS) for the 2023/24 financial year. I note that the NRCS achieved an unqualified audit opinion with no findings on the financial statements, but material findings were reported on predetermined objectives (performance information).

Minister's foreword

During this period, the NRCS issued 8,254 health guarantees, facilitating the export of 67,512 tonnes of fish and fishery products valued at R8,6 billion to various international markets. Notably, approximately R427 million worth of non-compliant products were identified in the market. The majority of these discrepancies were linked to products found non-compliant under the Legal Metrology Act, amounting to R61 million, automotive products amounting to R167 million, as well as electro-technical products valued at R145 million. Additional non-compliance was noted in chemicals, materials, and mechanicals worth R13 million and food products totalling R40 million.

By focusing on these central outcomes, the entities within the dtic Group—including regulators, financiers, and technical institutions—can combine their resources and collaborate effectively to serve the South African populace.

In the upcoming year, the NRCS will continue to align its work with the common outcomes defined for the dtic Group, including the central outcomes established for the 2023/24 financial year. These outcomes are designed to measure performance in terms of tangible impact, assessed through key metrics such as the number of jobs supported, investments unlocked, and outputs generated by our initiatives.

At the heart of the Government of National Unity's agenda are three key priority areas:

- Accelerating industrialisation,
- Driving transformation, and
- Building a capable and ethical state.

I would like to extend my gratitude to the Chief Executive Officer, the management team, and the staff of the NRCS for their invaluable contributions to the performance and impact of the entity during the year under review.



Mr. Parks Tau

Minister of Trade, Industry and Competition

Date: 30 September 2024





CEO's overview

NRCS will continue to play a significant role in realising the goal of South Africa being a developmental state. The NRCS in support of the dtic key priority areas and the approved master plans will continue to play a significant role within the Automotive, Chemicals and Plastics, Agriculture and Agro-processing and the Oceans Economy.

The NRCS will balance its regulatory responsibilities and the needs of the economy in terms of operationalising the Industrial Policy and application of the master plans in the areas where the entity has a role to play. The orientation of regulatory activities to support both the 'lock out' of unsafe and inferior imports and the 'lock in' of access to increasingly demanding export markets, will also receive attention in the way that technical regulations are developed, market surveillance are conducted and enforcement activities are implemented by the NRCS.

Looking ahead to the new financial year, the NRCS is focused on the following goals:

- Effective regulation
- Sanctioning of non-compliant products and companies
- Financial stability and diversification
- Human capital development
- Strengthened governance and improved stakeholder engagement
- Adopting technological advancements for world-class operations

Performance

During the year under review, in ensuring that products or services complied with the regulations, the NRCS conducted 48 275 inspections across all regulated industries. This represents a 3,4 % decrease from the previous year's performance during which 49 955 inspections were conducted.

The mandate of the NRCS is to protect public health, safety and the environment and promote fair trade. In terms of its strategic mandate, the organisation also continues to encourage local manufacturing of compliant products by "locking-out" non-compliant imported products. This is achieved by ensuring that businesses produce, import or sell products, and provide services that comply with the minimum safety and environment requirements, and do not fall short of the declared measure.

The NRCS is the competent authority for fish and fishery products in South Africa for the export of fish and fishery products and is acknowledged as such throughout the world, especially by the European Union and People's Republic of China, among others. In fulfilling its mandate, the organisation conducted 26 961 inspections on locally produced, imported and exported product consignments as well as fishing vessels and factories. In respect to imported fish and fishery products, a total of 8 185 compliance certificates were issued. 8 254 health guarantees issued for product consignments exported to various countries.

Approvals

During the financial year, the NRCS processed 21 06 pre-market approval application, of those approvals, 72% were finalised within 90 days. Approximately 77% of the approved applications were for electro-technical products, 19% for automotive and 4% for chemical, materials and mechanical.

Non-compliances

The sale of non-compliant products remains a challenge. The majority of the non-compliant products are unfortunately imported and some of which are found at the retail level having already been made available for sale. During the year under review, non-compliant products worth approximately R427million were identified on the market.

Non-compliant products, are products that fail to meet the minimum requirements as set out in the respective technical regulations or compulsory specifications. These products were either removed or corrected to ensure compliance with the minimum safety or legal metrology requirements. The non-compliant products vary and included brake friction material, motor cycles, safety footwear, plastic carrier bags, detergent, disinfectants, incandescent lamps, compact fluorescent lamps, adaptors, cord extension sets, automotive replacement lights, hydraulic brake

fluid, electric motorbikes, child restraint systems (baby seats), towing devices, safety glass, and fishery products

Information Communication Technology

The NRCS has made strides in updating its systems by implementing a new Enterprise Resource Planning (ERP) system. However, the implementation of an Operations System to streamline market surveillance activities has been delayed due to funding constraints, now expected to roll out in the 2025/26 financial year.

Stakeholder and Consumer Awareness

Increased efforts have been made in engagements with communities in rural areas to align with broader government priorities. The NRCS continues to build strong partnerships with key stakeholders such as the National Consumer Commission (NCC), the South African Revenue Service (SARS), the South African Police Service (SAPS), the Department of Agriculture, Land Reform and Rural Development (DALRR), the Department of Forestry Fisheries and the Environmental (DFFE), the Department of Health (DoH), the Department of Transport (DoT) and Industry, to prevent and/or remove non-compliant products from the trade. A notable campaign in collaboration with the dtic and the NCC involved removing unsafe paraffin stoves from the market

Finance

The NRCS generated a total revenue of R457.392 million for the year, with 30% from government grant and 70% from its own sources comprising of levies and fees. However, the organisation posted a deficit of R110.157 million for the 2023/24 financial year. Despite the unqualified audit, the Auditor-General raised concerns about the recurring deficits. The organisation is working on improving revenue generation, cost management, and aims to break even in the 2024/25 financial year.

Human resources

The NRCS had a staff compliment of 318 employees, consisting of 309 permanent employees and nine (9) contract employees as at the end of the financial year. The NRCS had a 10% vacancy rate, unfortunately due to cost containment measures being implemented; the vacancy rate is only expected to be reduced in the 2025/26 financial year. The table below provides the age demographics of the NRCS permanent employees:

Occupational categories	Age category					Total
	20 - 30	31 - 40	41 - 50	51 - 60	61+	
Top Management			1	1		2
Senior Management		6	31	11	2	50
Professionally qualified and experienced specialists and mid-management, supervisors, foremen, and superintendent	6	42	109	22	4	183
Skilled technical and academically qualified workers	11	15	24	9	9	68
Semi-skilled and discretionary decision		3	2	1		6
Total	17	66	167	44	15	309

Conclusion

The NRCS received an unqualified audit opinion with no findings on the financial statements, but material findings were reported on predetermined objectives (performance information) for the 2023/24 financial year. I would like to extend my gratitude to the Department of Trade, Industry and Competition, the Audit and Risk Committee, and all NRCS employees for their hard work and dedication in ensuring the continued success of the NRCS in serving the people of South Africa.



Duncan Mutengwe

Acting Chief Executive Officer

Date: 27 September 2024

Statement of responsibility and confirmation of accuracy of the Annual Report

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

- Financial information and amounts disclosed in the Annual Report are consistent with the Annual Financial Statements audited by the AGSA.
- The Annual Report is complete, accurate and is free of any omissions.
- The Annual Report has been prepared in accordance with the Annual Report Guide for Schedule 3A and 3C Public Entities, as issued by National Treasury.
- 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 is responsible for the preparation of the Annual Financial Statements and for the judgments made in this information.
- The Accounting Authority is responsible for establishing and implementing a system of internal controls, designed to provide reasonable assurance as to the integrity and reliability of the performance information, human resources information and Annual Financial Statements.
- The AGSA is engaged to express an independent opinion on the Annual Financial Statements.

In my opinion, the Annual Report fairly reflects the operations, performance information, human resources information and the financial affairs of the NRCS for the financial year that ended on 31 March 2024.

Yours faithfully



Duncan Mutengwe

Acting Chief Executive Officer

Date: 30 September 2024

NRCS Overview

NRCS Mandate

The mandate is to promote public health, safety and environmental protection through the development and enforcement of compulsory specifications or technical regulations and ensuring fair trade.

Strategic overview

Vision

A safe, sustainable South Africa where people and businesses can trade and purchase with confidence.

Mission

To protect public health and safety, safeguard the environment and facilitate fair trade.

Values

• Professionalism	The NRCS acts independently and take informed decisions with a high level of integrity. In doing so, the decisions that we make are responsive to the country's needs and ensure that we are competent in discharging our responsibilities.
• Accountability	The NRCS adopted a high performance culture which is dictated by predictable, responsible, efficient and effective task teams.
• Innovation	The NRCS is proactive and respond rapidly, intelligently and appropriately, and is adaptable to dynamic consumer and market needs by ensuring maintained relevance.
• Collaboration	The NRCS leads inclusively through dedicated teams, respecting the views, wisdom and loyalty of its valued stakeholders.
• Ethical behaviour	The NRCS takes decisions and actions with integrity and displays consistency and impartiality. We treat our clients and the regulated industry equitably and is transparent in how we perform our functions.

NRCS Core-process

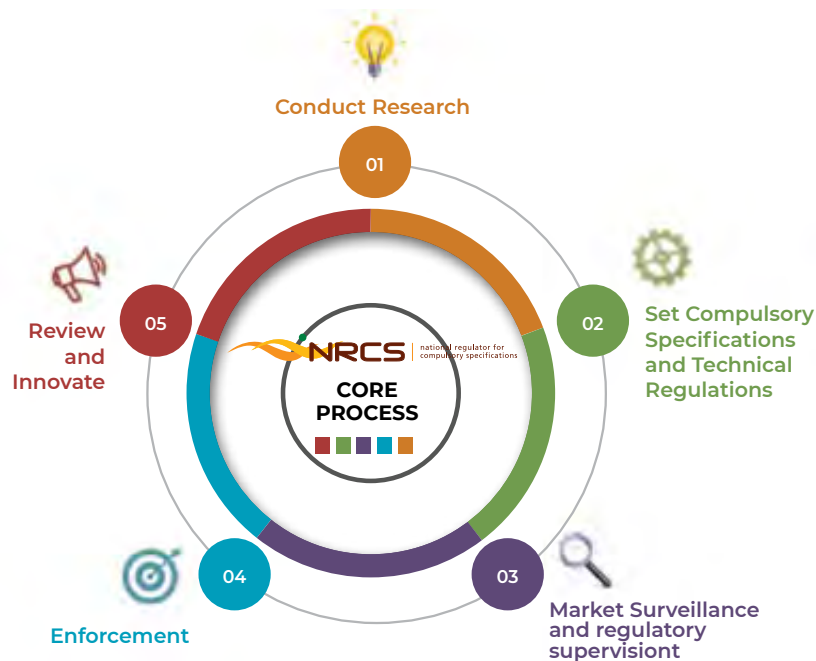


Figure 1 NRCS Core-process

Conduct Research

The NRCS conducts market research and environmental scans or analyses to determine which compulsory specifications and technical regulations should be introduced to protect the health and safety of the South African citizens and the environment as well as to ensure fair trade.

Setting Compulsory Specifications and Technical Regulations

The development, amendment or withdrawal of compulsory specifications and technical regulations include the conducting of risk, impact assessments and approval by the Minister of Trade, Industry and Competition. Wherever possible, national and international standards are used as reference to ensure international harmonisation.

Stakeholder Engagement

The NRCS consults with relevant stakeholders and role-players to ensure that the specifications and regulations developed are practical, appropriate and meaningful and that the industry complies to the set compulsory or technical regulations.

Enforcement, Market Surveillance and Regulatory Supervision

The NRCS apply an “Enforcement at Source” Strategy and a “Risk Based” Approach to its work to promote compliant behaviour. The NRCS comprehensively and continuously explore and enhance the “inspecting at source of production or port of entry” as well as the risk-based approach based on non-compliant rates. Regulatory supervision also incorporates a pre-market approval process.

The following important principles inform the work of the NRCS:

- Safety critical products must be identified and regulated.
- Inspection activity should correspond with the level of risk inherent to the product and the risk profile of the applicant/supplier to ensure effective deployment of resources.

Legislative and other mandates

The NRCS was established on 1 September 2008 as an agency of the then dtic. Its broad mandate is to promote public health and safety, environmental protection and fair trade through the administration, maintenance and enforcement of compulsory specifications (VCs) and technical regulations (TRs).

The legislative mandate of the NRCS is derived from:

- The National Regulator for Compulsory Specifications Act 5 of 2008 (NRCS Act)
- The Legal Metrology Act 9 of 2014 (LMA)
- The National Building Regulations and Building Standards Act 103 of 1977 (NBR&BS Act)
- The Public Finance Management Act 1 of 1999 (PFMA)
- The National Road Traffic Act 93 of 1996.

The NRCS is a Schedule 3A public entity in terms of the PFMA, and its stakeholders include the South African Government, industry and citizens.

Organisational structure

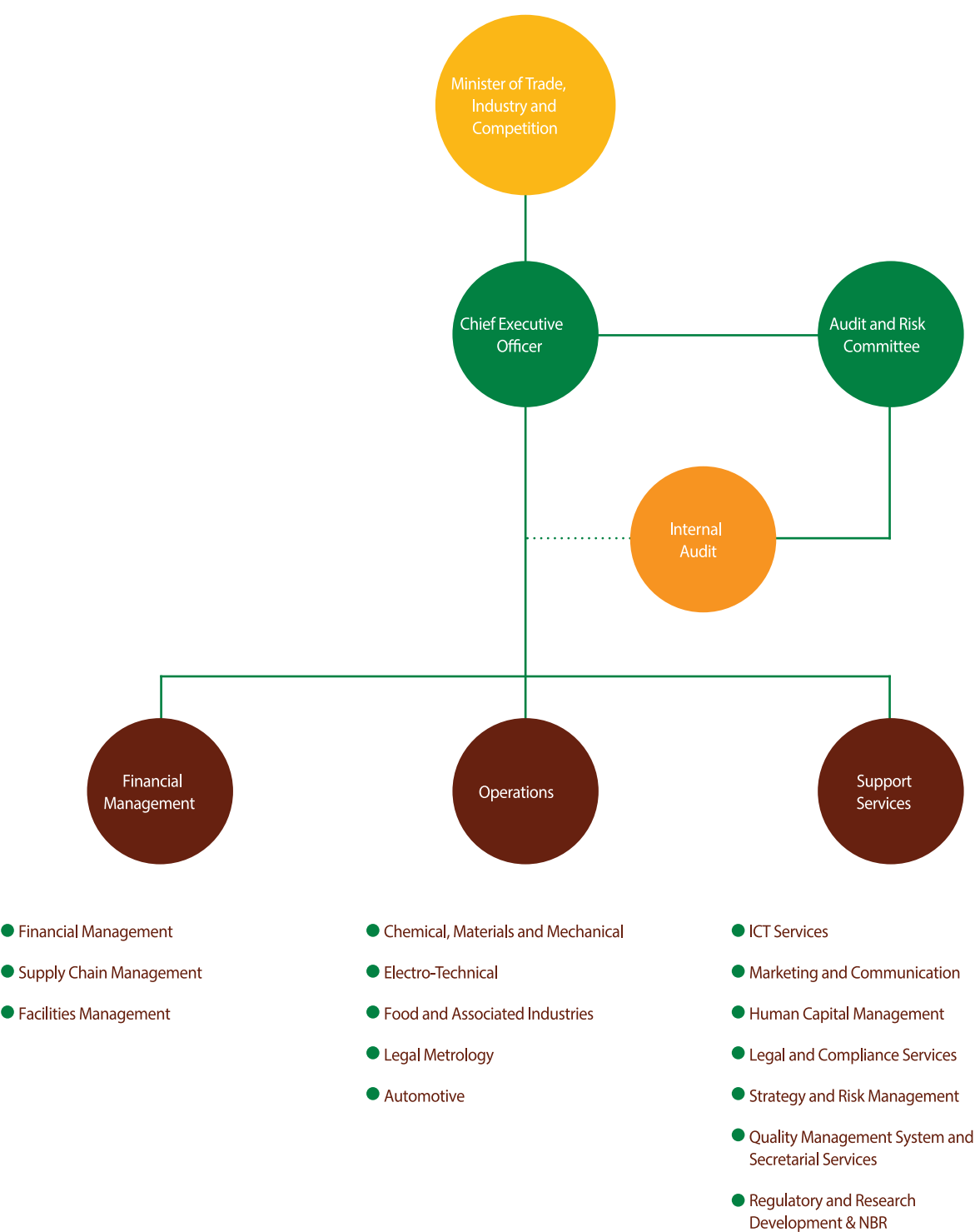


Figure 2 Organisational Structure



PART B

PERFORMANCE INFORMATION

Auditor's report: predetermined objectives

The Auditor General of South Africa performs audits to assess how well the entity progress against set predetermined objectives, and to assist to identify areas of strengths and weaknesses, and to decide on future initiatives, with the overall objective being to improve performance.

The audit conclusion is in the AGSA Report to Management, with material findings reported under the 'Predetermined Objectives' heading in the 'Report on other Legal and Regulatory Requirements' section.

Refer to page 114 of the AGSA's Report, published in Part E: Financial Information of this Annual Report.

The NRCS situational analysis

The NRCS' role as a regulator is to ensure that businesses produce, import, or sell products, measuring instruments or services that are not harmful to consumers or the environment or that do not fall short of the declared measure. The NRCS also has a mandate in terms of NBR&BS Act and its regulations.

The strategic context within which the NRCS operates is characterised by two significant trends. The first is the increasing sophistication and activism of consumers, manufacturers and retailers.

The second is the ever-changing global trading environment leading to an increased need for stronger relationships and cooperation with industry, other regulators, law enforcement bodies, regional and international bodies and other stakeholders.

In updating its assessment of the external environment and its potential impact, the NRCS has performed an External Performance Delivery Environment Analysis using a PESTLE analysis, a SWOT analysis, Stakeholder Analysis and a Risk Review. The NRCS's macro-environment, in particular, was assessed, taking into consideration the Political, Economic, Social, Technological, Legal, Ethics & Environmental aspects.

These trends have informed the development of strategic goals and objectives to steer the organisation on its path to deliver on its mandate.

Performance information by objective

Strategic Goal 1: To develop, maintain and administer compulsory specifications and technical regulations.

Table 1 Strategic Goal 1: To develop, maintain and administer compulsory specifications and technical regulations

No.	Outcome	Output	Output Indicator / Measure	Audited Performance 2021/22	Audited Performance 2022/23	Annual Target 2023/24	Actual Performance 2023/24	Deviation from planned target to actual performance	Reason for Deviation/ Variance	Corrective Action
1.1	Develop a regulatory system responsive to market needs and capable of contributing to sustained economic impact	Develop Compulsory Specifications (VC)/Technical Regulations (TR) that are relevant, impactful and responsive to market needs	Number of VC's/Tech Regulations (new, amended or withdrawn) submitted to the dtic	12 Compulsory Specifications/ Technical Regulations submitted to the dtic for 1st or 2 nd gazette	5 Compulsory Specifications/ Technical Regulations submitted to the dtic	10 Compulsory Specifications/ Technical Regulations submitted to the dtic for 1 st and 2 nd gazette	10 Compulsory Specifications/ Technical Regulations submitted to the dtic for 1 st and 2 nd gazette	No variance		

Table 1 Strategic Goal 1: To develop, maintain and administer compulsory specifications and technical regulations

Strategic Goal 2: To maximise compliance with all specifications and technical regulations

No.	Outcome	Output	Output Indicator /Measure	Audited Performance 2021/22	Audited Performance 2022/23	Annual Target 2023/24	Actual Performance 2023/24	Deviation from planned target to actual performance	Reason for Deviation/ Variance	Corrective Action
2.1	Enable compliance and facilitate trade	Increased coverage of effective market surveillance activities and compliance activities	Number of inspections conducted as per the NRCS Risk-Based Approach to monitor compliance to regulations within Automotive, Chemicals Materials and Mechanicals (CMM), Electro-technical and legal Metrology Sectors and 100% sanctions issued where non-compliances are identified	21 065	21 293	20 433	21 309	+876	Positive variance is due to high number of targeted inspections conducted to tackle high levels of non-compliances in identified areas and administrative non-compliance on levies	
2.2			Percentage of inspections conducted on locally produced, imported and exported canned fishery and meat product consignments in accordance with the compulsory specification and procedures	100% of inspections conducted on all declared canned fishery and meat products produced.	101% of inspections conducted on all declared canned fishery and meat products produced	100% of inspections conducted on all declared canned fishery and meat products produced	Inspected 100% of all declared canned fishery and meat products.	No Variance		

No.	Outcome	Output	Output Indicator /Measure	Audited Performance 2021/22	Audited Performance 2022/23	Annual Target 2023/24	Actual Performance 2023/24	Deviation from planned target to actual performance	Reason for Deviation/ Variance	Corrective Action
2.3			Number of inspections conducted on locally produced fishery products (live, chilled and frozen), processed meat products, retail, fishery and meat processing factories and vessels as well as fishery and meat retail inspections, in accordance with the compulsory specification and procedures	2 247 inspections	2 701 inspections	2 458 inspections	2 664 Inspections	+206 inspections	Variance was due to high number of fishing vessels inspected during the quarter.	
2.4			Trade Facilitation: Exportation of canned meat, fish and fishery products	-	-	R8 billion worth of products exported from South Africa	R8,606 billion worth of products exported	+R0,606 billion	NRCS received higher than expected export consignment inspection requests	
2.5			Percentage of gaming approval applications finalised (approved or rejected) within the set timeframes	100% of all applications processed within 30 calendar days	99% of all applications processed within 30 calendar days	99% of all applications processed within 30 calendar days	100% of all approval applications processed within 30 calendar days	+1		

No.	Outcome	Output	Output Indicator /Measure	Audited Performance 2021/22	Audited Performance 2022/23	Annual Target 2023/24	Actual Performance 2023/24	Deviation from planned target to actual performance	Reason for Deviation/ Variance	Corrective Action
2.6			Percentage of approval applications finalised (approved or rejected or closed) within the set timeframes in Automotive, Electro-technical, Chemicals Materials and Mechanicals. Improve the ease of doing business	95% of all approval applications processed within 120 calendar days	95% of all approval applications processed within 120 calendar days	95% of all approval applications processed within 90 calendar days	72% of all approval applications processed within 90 calendar days	-24%	Variance is due to inadequate administrative capacity and failure to meet target in Quarter 1 and Quarter 2	Administrative capacity added to the Electro-technical business Unit
2.7			Identify and sanction non-compliant products and services to enable compliant business to trade fairly	-	-	R350 million worth of non-compliant products identified and corrected or removed from the market	R427 million	+R77 million	The NRCS implemented target inspections which led to discovery of high number of non-compliant products	

Note: 2.4 and 2.5 are new targets

Table 2 Strategic Goal 2: To maximise compliance with all specifications and technical regulations

Strategic Goal 3: To inform and educate our stakeholders about the NRCS

No.	Outcome	Output	Output Indicator / Measure	Audited Performance 2021/22	Audited Performance 2022/23	Annual Target 2023/24	Actual Performance 2023/24	Deviation from planned target to actual performance	Reason for Deviation/ Variance	Corrective Action
3.1	Informed Stakeholder on NRCS functions	Build Stakeholder and Public awareness	Number of stakeholder and consumer education events or campaigns	21 stakeholder and consumer education events or campaigns	27 NRCS consumer education events or campaigns	12 NRCS stakeholder and consumer education events or campaigns	20 NRCS consumer education events or awareness sessions	+ 8 consumer awareness sessions	Variance is due to NRCS targeting rural communities where in high levels of non-compliant regulated products, where identified	
3.2			Approved Stakeholder Engagement Strategy and % Implementation of the Stakeholder Engagement Strategy	60% implementation of the Stakeholder Engagement Strategy	98% implementation of the Stakeholder Engagement Strategy	96% implementation of the Stakeholder Engagement Strategy	96% implementation of the Stakeholder Engagement Strategy	No variance		

Table 3 Strategic Goal 3: To inform and educate our stakeholders about the NRCS

Strategic Goal 4: To ensure an optimally capacitated institution

No.	Outcome	Output	Output Indicator / Measure	Audited Performance 2021/22	Audited Performance 2022/23	Annual Target 2023/24	Actual Performance 2023/24	Deviation from planned target to actual performance	Reason for Deviation/ Variance	Corrective Action
4.1	Increase effectiveness of human resources (NRCS employees)	A capacitated organisation with relevant systems to support business	Percentage (%) of vacancies. Vacancy rate of approved and funded posts	8%	14%	8%	10%	-25%	The variance is due to delays in the recruitment process and the implementation of cost containment measures	Critical vacancies are under a recruitment process and a plan is being implemented for the rest of the vacancies. However, appointments will be subject to availability of funds
4.2		Create employment and build a skills base through the internship program	Number of employees employed through the internship programs	-	-	30 employees	0 employees	-100%	Delays in the advertisement of internship positions and the implementation of cost containment measures	Internship positions are under recruitment and will be filled during Quarter 1 of 2024/25 Financial year
4.3		Generate revenue to sustain NRCS operations	Percentage revenue generated against the revenue budget for levies and service revenue	-	-	95% budgeted revenue achieved	74% budgeted revenue achieved	-22%	Difficult market conditions leading to depressed revenue collections	Revenue improvement task team established to drive revenue improvement mechanisms. Tariff increase is under consideration by the dtic
4.4		Build IT platform and systems that supports and improve business	Percentage (%) implementation of modernisation related projects	95% Implementation of Enterprise Resource Planning System	30% implementation of the NRCS Operations System	50% implementation of the NRCS Operations System	0%	-100%	The NRCS delayed the project due to inadequate funding resulting from the negative financial position of the organisation	Project under review

Table 4 Strategic Goal 4 - To ensure an optimally capacitated institution

LINKING PERFORMANCE WITH BUDGETS

Strategic Goal	Audited Outcome	Approved budget	Audited Outcome	Approved budget	% Budget spent during the financial year	% Achievement of key Performance Indicators
R thousand	2022/23	2022/23	2023/24	2023/24	2023/24	2023/24
Administration	57 255	77 810	69 987	69,987	100%	-
Maximise compliance with all specifications and technical regulations	352 180	374 104	369 122	373 115	99%	86%
Develop, maintain and administer compulsory specifications and technical regulations	11 919	12 630	12 942	12 942	100%	100%
Inform and educate stakeholders on the regulator's mandate	12 696	16 030	15 745	15 745	100%	100%
Ensure an optimally capacitated institution	94 499	90 513	99 753	99 753	100%	0%
Total expense	528 549	571 087	567 549	571 542	99%	64%

Table 5 Linking performance with budgets



BUSINESS UNIT PERFORMANCE

Overview

The Automotive Business Unit (ABU) is one of the business units operating within the National Regulator for Compulsory Specifications (NRCS). In addition, ABU carries its mandate as an appointed inspectorate for Motor Vehicle Manufacturers, Builders, and Importers (MIBs) under the provisions of the National Road Traffic Act 93 of 1996 (NRTA). The ABU is entrusted with the responsibility to conduct comprehensive market surveillance activities within the automotive industry. The ABU plays a critical role in ensuring compliance with automotive compulsory specifications and the applicable road traffic act regulations. The unit is also responsible to ensure efficiency in the realm of motor vehicles and automotive products, in alignment with the NRTA and relevant regulations. It fulfils its mandate through a range of essential functions and operations to cover the following products in the markets:

- Agricultural tractors
- Heavy passenger vehicles (buses)
- Child restraints systems (baby seats)
- Heavy commercial vehicles (trucks)
- Hydraulic brake and clutch fluid
- Light commercial vehicles (panels vans and bakkies)
- Head lights
- Secondary lights
- Replacement incandescent lamps (bulbs)
- Motorcycles
- Motor tricycles
- Quadri-cycles
- Light passenger vehicles (cars)
- Special purpose adopted vehicles covered in NTRA
- Replacement brake friction material (brake pads and brake shoes)
- Replacement safety glass
- Safety helmets for motorcyclists
- Towing devices (tow bars)
- New tyres for commercial vehicles and passenger vehicles
- Trailers
- Elastomeric cups and seals

One of the primary tasks of the ABU is to assess and register manufacturers, builders, and importers of motor vehicles (MIBs) in adherence to the NRTA. Through rigorous evaluation processes, the ABU determines the eligibility and compliance of applicants, ensuring that only qualified and accountable entities are recommended to register for participation in the industry by the Department of Transport.

Moreover, the ABU conducts single vehicle approvals for motor vehicles that are manufactured, built, or imported by MIBs not required to be registered. This meticulous approval process verifies that

these vehicles meet the necessary standards and specifications, thereby upholding safety and quality standards across the automotive sector. All vehicles that meet the requirements are issued with a letter of authority which facilitates the registration of such vehicles in the National Traffic Information System (NaTIS).

Another critical aspect of the ABU's responsibilities is automotive product approvals, which entails assessing compliance with compulsory specifications and the corresponding road traffic regulations. By conducting thorough evaluations, the ABU guarantees that all automotive products, including components and accessories, meet the minimum mandatory standards, ensuring the overall safety of vehicles on our roads. Vehicle models, pneumatic tyres, child restraint systems, and safety helmets for motorcyclists that comply with the respective requirements are issued with the homologation certificate, and all components receive a Letter of Authority (LOA).

To enforce compliance and ensure adherence to regulations, the ABU carries out market surveillance inspections. These inspections serve as robust enforcement mechanisms, identifying non-compliant products and taking appropriate actions, including the issuing of sanctions and implementation of necessary measures to rectify the situation. Through these efforts, the ABU safeguards the interests of consumers and bolsters the integrity of the automotive industry.

In addition to its operational functions, the ABU actively engages in stakeholder collaborations. These collaborations span across various government departments, industry associations, consumers, the South African Revenue Service (SARS), the South African Police Service (SAPS), the International Trade Administration Commission (ITAC), and the National Consumer Commission (NCC). By fostering strong partnerships and promoting the exchange of knowledge, the ABU ensures a coordinated approach to regulatory compliance and addresses industry challenges collectively.

Overall performance

Approvals of the automotive-regulated products

At the start of the reporting period, the business unit had 339 applications for approval that were outstanding from the 2023/24 reporting period. The table below shows how the applications were processed:

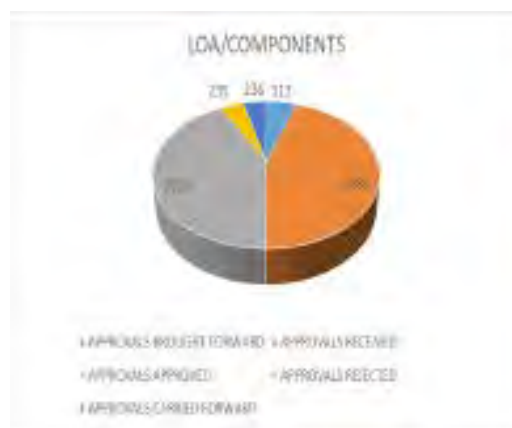


Figure 3 LOA Automotive components

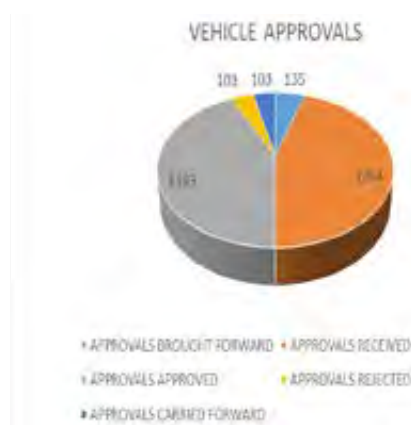


Figure 4 Automotive Vehicle approvals

	Individual vehicle LOA/Components	Whole vehicle approvals
Approvals brought forward	313	135
Approvals Received	2 681	1 264
Approvals Approved	2 523	1 193
Approvals rejected	235	103
Approvals carried forward	236	103

Table 6 Automotive vehicle approvals

The total applications workload for the reporting period was 4 193 applications. The Automotive Business Unit granted 3 716 approvals and 338 applications were rejected or cancelled.

Market Surveillance Inspections

Market surveillance inspections are conducted to monitor compliance with the compulsory specifications and regulations, and to ensure that products granted with the approval, comply with the respective requirements. During the period under review, the ABU conducted successful Original Equipment Manufacturer (OEM) group audits for the pre-identified companies. The unit worked on four investigative inspection projects covering vehicle body conversions, the online sales of child restraint systems, the misuse of trailer registration papers and towing devices.

During the financial year, the unit conducted 5 647 inspections against a target of 5 100 inspections at the points of manufacture, ports of entry and retail outlets including motor dealerships and motor spare shops.

CUMULATIVE INSPECTIONS PER MONTH 2023/24

INSPECTIONS PERFORMANCE													
Annual Target								5 100					
Quarterly performance													
Quarter	Q1(1150)			Q2 (1360)			Q3 (1340)			Q4 (1250)			
Actual	1 283			1 197			1 580			1 587			
Monthly performance													
Month	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	YTD
Target	383	383	384	453	453	454	446	446	447	416	417	417	5100
Inspections Conducted	313	508	462	329	471	397	468	716	396	437	618	532	5647

Table 7 Automotive Cumulative Inspections per month 2023/24



Figure 5 Automotive Inspection progressive reporting

Non-Compliances/Sanctions

The business unit continued its mission to eradicate non-compliance in the market through inspection activities. A total of 85 directives were issued in terms of section 15(1) of the NRCS Act for non-compliant products. The identified non-compliant products and their estimated value were as follows:

Directives	No. of directives	Sum of estimated Value
Section 15(1) Directives issued	85	R 167 021 626,83
	TOTAL	R 167 021 626,83

Table 8 Automotive identified non-compliant products and their estimated value

The non-compliant products that were identified for the period under review comprises of trailers, hydraulic brake and clutch fluid, safety glass, passenger and commercial tyres, headlights, tail lights and incandescent lights, brake pads, Towing devices, motorcycles, agricultural tractor, commercial vehicles and protective helmets.

The unit's analysis of the directives issued revealed that most manufacturers, importers and bottlers of hydraulic brake and clutch fluid lacked an understanding of the marking and labelling requirements. For that reason, all renewals of LOAs for the product in question were subjected to sample inspections to ensure that the marking and labelling requirements were adhered to. Furthermore, the sampling projects for testing purposes identified the need to provide oversight for automotive lights and hydraulic brake and clutch fluid products, considering the high number of sanctions in these areas.

The unit also ensured that imported agricultural tractors and motorcycles found in our markets which did not follow the approval process, were dealt with in accordance with the NRCS Act. In this instance, these products were recommended to be returned to the country of origin and, where possible, subjected to a homologation process. In the absence of proof of compliance issued, the unit recommended destruction.

MIBs who were suspected of issuing registration documents to the consumers for trailers were inspected and the observation was that there was no manufacturing capacity at their premises. Accordingly, 4 MIBs were de-linked from the NaTIS database. Furthermore, 35 MIBs were also de-linked from the database as part of the process of recommendation for cancellation from registration on the NaTIS.

Sampling

Out of the 16 projects, seven projects have been 100% completed. The overall sampling programme sits at around the 50% milestone.

The remaining will likely overlap with the new financial year due to the current organisational financial challenges.

Quality management

The ABU is accredited by the South African National Accreditation System (SANAS) pursuant to SANS/ ISO/ IEC17020, "General criteria for the operation of various types of bodies for performing inspection" and operates within its quality management system. The business unit seeks to maintain its accreditation on an ongoing basis and to expand its scope of accreditation to include any new compulsory specifications and any additional mandate which may be placed on the unit from time to time. The focus of the SANAS assessment for the performance period was on the business unit's inspection and approval activities. The annual assessment took place in September 2023, and all conformances raised were closed as per the SANAS requirements. For the 13th consecutive year the ABU successfully upheld its accreditation status.

Stakeholder engagement

During the reporting period, we interacted with stakeholders in accordance with the plan. The interaction with stakeholders created a platform for consultations and engagements on matters of mutual benefit. The following activities were highlighted during stakeholder engagements:

- The Automotive invited all the trailer MIBs for an interactive industry meeting at different provinces, namely, Gauteng, KwaZulu-Natal, Eastern Cape and Western Cape. The attendees were introduced to the relevant operational areas of the automotive business unit and the different functions. Eight meetings were convened with two meetings per province, first with the light trailer MIBs and then medium to heavy trailers MIBs. The business unit noted the challenges experienced by the MIBs and their views on the NRCS ABU.
- Under the programme of work for the WP.29, ABU attended nine WP29 meetings in Geneva. The program of work addressed among other things, improvement on vehicle light and lighting systems safety requirements, harmonisation of vehicle regulation with regards to improvement on vehicle exhaust and other new energy vehicles safety requirements, improvement on passive safety requirements (Airbags, baby seats, pedestrian protection etc.) and vehicle regulation pertaining to automated/autonomous and connected vehicles.
- Engagements with the RMI yielded positive results in that we managed to utilise the free publication for three quarters in RMI's Automobile magazine. This assisted the NRCS to reach out to members of the RMI and any other consumer who reads the magazine.

The table below provides more details on the implementation of the stakeholder engagement plan:

Date	Name of Stakeholder	Nature of Engagement/issues discussed	Outcome/Recommendation/Benefits
15 May 2023	SA Tyre Industry (RMI, SATMC, TIASA)	Discussions regarding regulatory matters within the tyre industry.	First scheduled stakeholder engagement took place. The platform assist in aligning the common issues regarding tyre regulations matters between NRCS and tyre industry as whole.
2 May 2023	South African Vehicle and Bodybuilder Association (SAVABA)	Discussions regarding regulatory matters within the bodybuilders and trailer industry.	First scheduled stakeholder engagement took place. Alignment of technical matters affecting both body builder associations and NRCS to reach consensus on resolving of technical interpretation matters
22 May 2023	The Business Council: NAAMSA	Discussions regarding regulatory matters within the original equipment vehicle manufacturers and importers.	First scheduled stakeholder engagement took place. This platform creates an opportunity for both the vehicle manufacturers and NRCS in resolving and interpretation of technical regulations and resolving administrative challenges for homologation of new vehicles
29 May 2023	Association of motorcycle importers and Distributors (AMID)	Discussions regarding regulatory matters within the motorcycle and other L categories vehicle industry.	The first scheduled stakeholder engagement took place where matters relating to approvals and inspections of this category of vehicles were discussed. This platform enable both motorcycle industry and NRCS to interpret and to resolve technical matter relating to motorcycles compliance matters to align to best international practices.
0 May 2023	South African Bus Operators Association (SABOA)	Discussions regarding regulatory matters within the bus manufacturers and importers industry	The first scheduled stakeholder engagement took place where matters relating to approvals and inspections of this category of vehicles were discussed. Engagement between the Bus industry and NRCS enables both parties to reach common interpretation of applicable technical regulations and smooth processing of homologation processing for better turn around approval time frames
25 March 2024	International Trade and Administration Commission (ITAC)	Discussions on matters relating to the MOU and conditional approvals.	The meeting re-established contact and officials clarified issues related to conditional approvals of tyres.
24 July to 3 August 2023	O1 to O4 trailer industry stakeholders	Discussions on matters relating to approvals and inspections of vehicles.	Issues related to approvals and inspections were resolved. The trailer industry ad NRCS engagements assists in eradicating fraudulent activities where model numbers are misused and offenders are blocked from the Natis sytem to prevent such entities to licence their vehicles and also assist in maintaining compliance in particular to braking requirements.
16 October 2023	Tyre Forum SAPS, tyre industry, dtic, NRCS	Stakeholder engagement	Information sharing on the control of tyre imports. The engagement with SAPS assist with addressing matters of common interest particularly with the stoppages of consignments where SAPS detain containers on behalf of NRCS and the exchange of applicable NRCS regulated products enhances the detention of products regulated by NRCS through their risk engine.
14 th -16 th November 2023	UNECE WP 29	World forum for harmonization of vehicle regulations affected in road safety, environmental protection and fair trade.	SA as a member state of this forum, have an opportunity to get resolution of specific challenges should the need arise since the global group of experts with regards to vehicle regulations are readily available for assistance and advice for resolution of vehicle regulations interpretations or difficulties in that regard.
7 February 2024	Interaction meeting/ Training with Burquip SA	Discussion on issues related to compatibility calculations for O2 trailers.	Information sharing on requirements related to compatibility calculations on braking systems.

Table 9 Automotive implementation of the stakeholder engagement plan:

During the reporting period, we interacted with stakeholders in accordance with the plan. The interaction with stakeholders created a platform for consultations and engagements on matters of mutual benefit. The following activities from stakeholder engagements are highlighted:

- Automotive invited all the trailer MIBs for an interactive industry meeting. The attendees were introduced to the relevant operational areas of the automotive business unit and the different functions. Two meetings were convened, first with the light trailer MIBs and then, medium to heavy trailers MIBs. The intention was to have a sense of the challenges experienced by the MIBs and their views on NRCS ABU.
- Under the program of work for the WP.29 ABU, through the chairmanship of Mr Van Tonder, led the discussion on the drafting of the Terms of Reference for the Informal Working Group on Safer and Cleaner Used and New Vehicles (IWG on SCUNV) for the Developing Countries.
- Engagements with RMI yielded positive results, allowing us to utilise the free publication for three quarters in RMI's Automobile magazine. This will help the NRCS to reach out to members of the RMI and any other consumer who reads the magazine.
- The NRCS' was involved in a workshop to discuss the objectives and plans to be implemented in support of the local market optimisation under the South African Automotive Masterplan. The workshop was arranged by the Executive Oversight Committee and formulated on behalf of the Minister under the local market optimisation pillar of the Masterplan.
- Participation in the conference arranged by the automotive Industry in support of the South African Automotive Week during the October transport month. The presentation was about the activities to curb illegal and non-compliant second-hand vehicles destined for Africa.

Challenges

During the reporting period, the ABU gathered intelligence through market surveillance activities, investigations, sanctioning, sampling and approvals. Our analysis has revealed the following challenges that will inform our tactical approach going into the next performance period:

- Lack of digitisation of applications for approvals, as well as the manual capturing of application technical details into our database. The unit will work closely with the ICT business unit to solicit an interim solution while waiting for the modernisation project to complete.
- Testing project delays due to challenges with the service providers. The unit will strengthen the engagements with the testing service providers to ensure adherence to the Service Level Agreements (SLA).
- Increased non-compliance of hydraulic clutch and brake fluid due to failure to adhere to the marking and labelling requirements. The unit started to provide in-house training for the inspectorate to incorporate requirements in terms of the Legal Metrology technical regulations. Furthermore, all LOA applications are subjected to the inspection of the sample before approval can be granted.
- A sudden influx of tractor stoppages by the EDI SARS system which requires an immediate presence of the unit's inspectors to conduct inspections on each stoppage. This is a challenge as we have limited resources assigned to the port of entry activities. The ABU will explore the possibilities of remote inspections to accelerate the release of these tractors under an embargoed release. Final inspections will then be conducted at the importer's premises.
- Lack of cooperation from retailers regarding entry to conduct inspections. Some retailers deliberately return non-compliant products covered in the prohibition of sale directive without informing us. The unit believes there

is a lack of awareness with regards to NRCS processes. The ABU will continue to work with the marketing and communication business unit in the awareness programmes and participation in the various automotive roadshows/events.

Conclusion

In conclusion, the Automotive Business Unit (ABU), operating under the National Regulator for Compulsory Specifications (NRCS), serves as a pivotal entity within the automotive sector. By conducting market surveillance activities, assessing applicants, granting approvals, enforcing compliance, and engaging with stakeholders, the ABU ensures the safety, quality, and regulatory compliance of motor vehicles and automotive products as mandated by the NRTA. Through its commitment to excellence, the ABU plays a key role in promoting consumer confidence and industry growth.

To address these challenges, the CMM business unit remains vigilant in conducting surveillance inspections across the country, encompassing manufacturers, distributors, and retailers. By enforcing Compulsory Specifications, we aim to identify and remove non-compliant products from the market, thereby safeguarding consumers and supporting economic stability.

The CMM business unit is responsible for the administration and maintenance of Compulsory Specifications that cover a wide range of industry sectors within the South African economy. Compulsory Specifications (also known as VCs) are technical regulations that require conformity of a product or service, to health, safety, or environmental protection requirements of a standard, or specific provisions of a standard.

This strategy ensures the identification and removal of non-compliant products through surveillance inspections by the sanctioning of goods, according to the mandate set out by the National Regulator for Compulsory Specifications Act, 2008 (Act No. 5 of 2008) and divisional procedures within CMM. CMM continues to act on behalf of the Department of Environmental Affairs by regulating plastic carrier and flat bags.

The CMM business unit also performs a regulatory function on behalf of the following departments:

The South African Police Service

- The Firearms Control Act
- The regulation of shooting ranges and firearms

The Department of Environment, Forestry and Fisheries

- Waste Bureau – Memorandum of Agreement
- The regulation of plastic carrier and flat bags.

The activities of the CMM Business Unit, in the administration and maintenance of compulsory specifications, involve the processes of pre-approval, market surveillance inspection, sampling and sanctioning. The Unit currently regulates 15 Compulsory Specifications covering vast product categories in the chemical, mechanical and material industries, with a total staff complement of 32.

Year in review

Throughout the fiscal year, the dedicated CMM team displayed unwavering commitment and diligence, resulting in the surpassing of our performance targets. The collective efforts of the business unit yielded notable outcomes in the various industries it regulates.

Key performance highlights:

1. Exceeding Targeted Metrics:

The business unit's performance exceeded the predefined metrics across all key areas, including inspections and approvals. This achievement underscores the team's proficiency and effectiveness in delivering results as set out by the organisation.

2. Revenue collection

One of the focus areas and standout achievements of the year was the significant attention given to revenue collection. Through strategic initiatives and diligent execution, the business unit collected revenue owed by companies and thereby assisting the organisation in executing its mandate.

3. Operational Efficiency

CMM's commitment to its mandate resulted in increased efficiency and noteworthy effectiveness. By optimizing workflows and implementing solutions, we have maximised productivity, while being cognisant of cost containment measures. The business unit accomplished these results while experiencing instability within its management structure.

4. Employee Engagement

CMM's success is attributable to the collective efforts and dedication of its staff. By fostering a culture of collaboration, empowerment, and continuous learning, we have cultivated a workforce that is instrumental in achieving our organisational goals.

Operating Highlights

The CMM business unit annually reviews its performance targets for the coming year taking into consideration various micro and macro factors that might possibly have a bearing on it as well as the Annual Performance plan as approved by the dtic.

The business unit also considers the performance targets of other operations units and measures itself in line with their targets. Surveillance inspections are conducted at manufacturing, importation and retail level, post the approval process to confirm that the CMM regulated commodities are registered, approved and complies with the relevant Compulsory Specification.

The CMM business unit conducted 5 102 inspections against a set annual target of 4 800 surveillance inspections for the period under review. This signifies that the CMM business unit did not only meet its performance target but exceeded it by 6, 3%. The business unit achieved 106, 3% of the annual performance target for surveillance inspections. The total inspections conducted include the products found at manufacturers, retailers and ports-of-entry. Non-compliant goods in excess of R13 million (R13 936 758,25) was found and sanctioned.

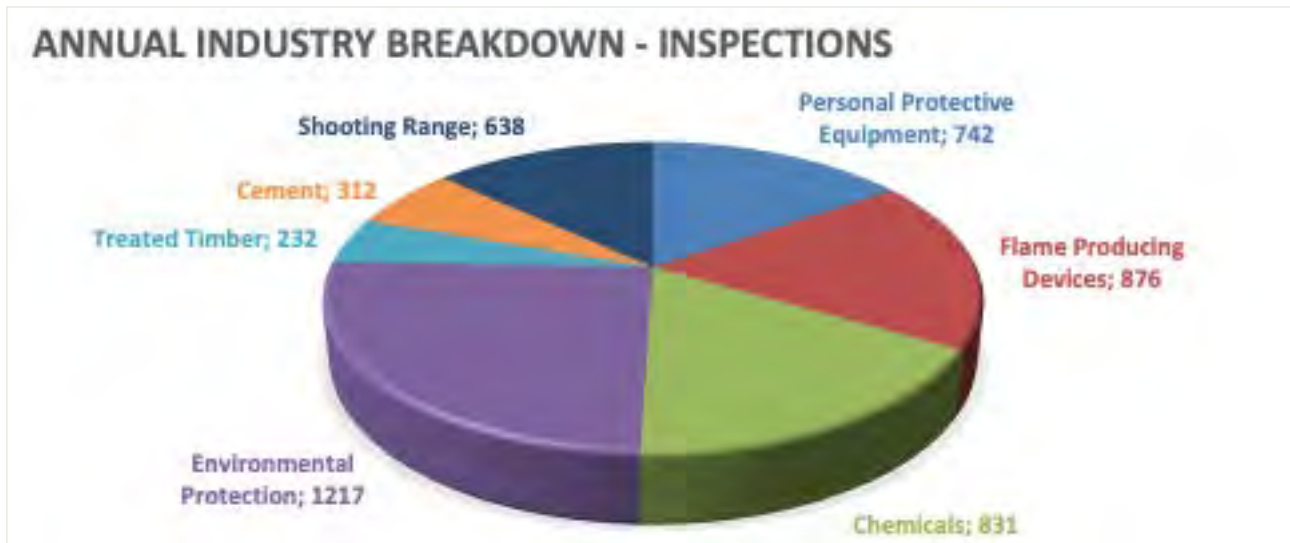


Figure 6 Surveillance Inspections 2023/24

The figure above shows that the coverage of inspections is indicative, and directly proportional, to the capacity of the business unit.

Throughout the fiscal year, the business unit diligently monitored its performance, mindful of corporate commitments such as the NRCS's Rural Engagement initiative. Collaboration with other business units or relevant national or provincial governmental departments was actively pursued and executed. This commitment ensured alignment with organisational objectives and the fulfilment of mandated responsibilities. Regardless of these factors, the business unit remained focused on meeting its annual performance targets, as seen in the graph labelled figure 7.

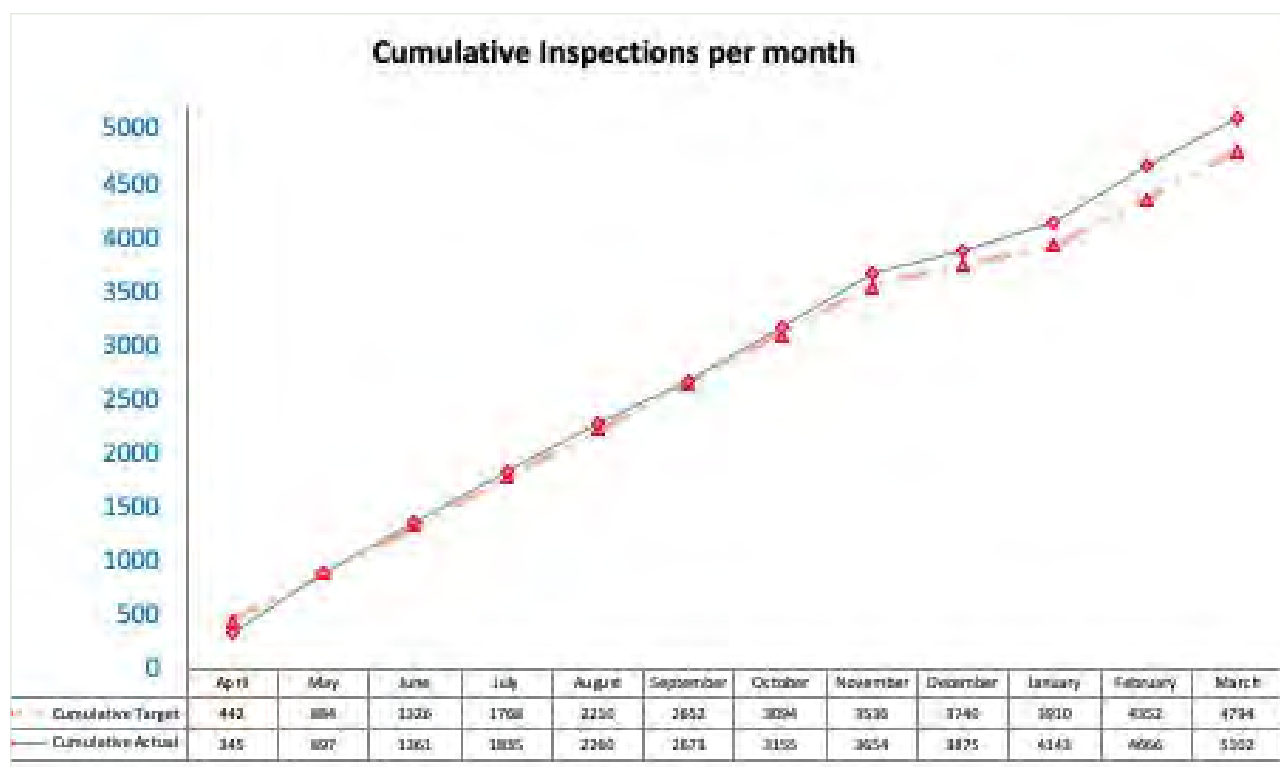


Figure 7 Cumulative inspections per month

To ensure coverage across South Africa and all industries regulated by CMM numerous group inspections were held. The following areas were identified during the planning phase for the year:

- **KZN**
 - CMM took part in a joint operation with the KwaZulu-Natal Department of Economic Development, Tourism and Environmental Affairs on 21 July 2023. The multi-task team and stakeholder operation included, amongst others: eThekweni Municipality, Department of Labour, Home Affairs, SARS and ICASA. The operation was conducted at the China Mall in Springfield Park, Durban.
 - Group inspections were held in Ixopo, Kokstad, Umzimkhulu and Harding during the week of 18 – 21 December 2023. A total of 215 inspections were conducted, covering products regulated by other business units within the NRCS.
 - Gauteng
 - CMM Business Unit embarked on targeted group inspections from 9 - 14 October 2023 to conduct inspections at Marabastad and Dragon City on CMM-regulated commodities. The feasibility studies conducted, and the market intelligence received from the stakeholders indicated that it became necessary to conduct inspections in the areas identified.
- **Free State**
 - The CMM department embarked on a project to eradicate non-compliant items with a main focus on paraffin appliances as they pose a high risk to consumers. The areas that were visited are Bloemfontein, Botshabelo, Thaba Nchu, Ficksburg and Ladybrand. The NRCS management extended this invitation to other interested stakeholders such as SAPS, municipality and other regulators/authorities to provide support during the execution of the project.

- **Eastern Cape**

- NRCS was invited by the SAPS Provincial branch to assist with a joint multilateral operation. The Department of Economic Development Environmental Affairs and Tourism (DEDEAT) through Business Regulations and Governance (BRAG), [Regulation Services and the Office of the Consumer Protector] is mandated to develop, implement and promote measures that ensure that the rights and interests of consumers are protected in the province. Business Regulations and Governance provides certainty in business transactions and to attain a fair and equitable marketplace for all consumers. The Department through collaborations with stakeholders that share similar objectives strives to tackle illegal and illicit trade especially in townships and villages while empowering local businesses and communities to derive economic benefits from business trading and transactions.

Approvals

The Approvals section of the CMM business unit demonstrated commendable efficiency, processing 97% of all applications received, and carried over from the previous year, during the period under review. Out of a total of 841 applications evaluated, 110 were rejected, and 4 were cancelled. Rejected applications are defined as those failing to meet the minimum requirements specified in the Compulsory Specification or those where applicants did not address all findings within the allotted timeframe.

Key Metrics:

- Total Applications evaluated: 841
- Rejected Applications: 110
- Cancellations: 4

Performance Analysis:

The unit's performance in processing applications is noteworthy, achieving a high rate of completion within the designated timeframe. The 97% completion rate underscores the unit's commitment to timely and thorough evaluation processes.

Definition of Rejected Applications:

Rejected applications are those that do not meet the minimum requirements outlined in the Compulsory Specification or where applicants fail to address all identified issues within the specified timeframe. This ensures adherence to quality standards and regulatory compliance.

Recommendations for Improvement:

While the unit's overall performance is commendable, there may be opportunities to further streamline processes and reduce the number of rejected applications. A detailed analysis of reasons for rejection, and the implementation of targeted improvement measures could enhance efficiency and effectiveness.

Conclusion of Approvals:

The Approvals section of the CMM business unit has demonstrated strong performance in processing applications, achieving a 97% completion rate. By adhering to established standards and guidelines, the unit ensures the integrity and quality of approved applications while striving for continuous improvement in its operations.

The approval statistics for the period under review are summarised in the table below:

	Processed	Approved	Rejected	Cancelled	Withdrawn	Average turn-around days	% Issued within 90 days
Q1	183	110	26	1	2	37	90%
Q2	213	121	25	0	1	36	100%
Q3	240	139	40	2	3	37	99%
Q4	205	106	19	1	6	29	99%
Total	841	476	110	4	12	34,75	97%

Table 11 Approvals Summary 2023/2024

The requirements for the implementation of the Compulsory Specification for chemical disinfectants (herein referred to as VC8054:2017) as published by Government Notice No. 1119 (Government Gazette No. 41186) of 20 October 2017, has resulted in a backlog in the processing of approvals. These outstanding applications negatively affected the unit's performance as applicants failed to provide corrective action for identified deficiencies in their applications to Compulsory Specifications and the relevant Standard.

Rejections were mainly due to incomplete application information, applicants failing to submit corrective action within the stipulated time as well as poor, or no, response from the applicants. Throughout the reporting period, the Approvals section of the CMM business unit issued a total of 476 approval certificates for various compliant commodities under its regulation. The unit maintained an average processing time of 35 working days for approval within the CMM industry, calculated from the date of receipt to the date of approval or rejection.

Quality Management System Report

Policy statement

It is the policy of CMM to establish, implement and maintain a documented divisional management system that shall conform to the requirements of the latest edition of SANS 17020 for the administration of VCs in accordance with Act No. 5 of 2008.

Objectives

The policy statement is directed towards achieving the following objectives:

Objective 1: To establish, maintain, measure and improve a documented divisional management system that satisfies the requirements of the latest edition of SANS 17020 for the administration of compulsory specifications for which the Division is responsible in terms of Act No. 5 of 2008 by means of the implementation of the latest edition of Divisional Manual No. CMM MAN 3.

Objective 2: To implement management system measures that shall ensure the impartiality of divisional inspection activities by means of the implementation of the latest edition of Divisional Manual No. CMM MAN 3.

Objective 3: To achieve and maintain accreditation from the South African National Accreditation System (SANAS) in order to demonstrate the Division's competence as an inspection body in accordance with the latest edition of SANS 17020 for the management system for the administration of the following compulsory specifications:

- Compulsory Specification for personal flotation devices (herein referred to as VC8032:2009) as published by Government Notice No. R. 91 (Government Gazette No. 31844) of 6 February 2009;
- VC8054:2017;

- c. Compulsory Specification for respiratory protective devices (herein referred to as VC8072:2011) as published by Government Notice No. R. 407 (Government Gazette No. 34272) of 13 May 2011;
- d. Compulsory Specification for the safety of lighters (herein referred to as VC8076:2002) as published by Government Notice No. R. 1279 (Government Gazette No. 23928) of 18 October 2002;
- e. Compulsory Specification for plastic carrier bags and flat bags (herein referred to as VC8087:2013) as published by Government Notice No. R. 651 (Government Gazette No. 36808) of 6 September 2013;
- f. Compulsory Specification for cement (herein referred to as VC9085:2007) as published by Government Notice No. R. 544 (Government Gazette No. 30023) of 6 July 2007;
- g. Compulsory Specification for small arms shooting ranges (herein referred to as VC9088:2015) as published by Government Notice No. 518 (Government Gazette No. 38877) of 19 June 2015;
- h. Compulsory Specification for non-pressure paraffin stoves and heaters (herein referred to as VC9089:2013) as published by Government Notice No. R. 552 (Government Gazette No. 36725) of 8 August 2013;
- i. Compulsory Specification for swimming aids (herein referred to as VC9090:2009) as published by Government Notice No. R. 91 (Government Gazette No. 31844) of 6 February 2009.

Objective 4: To implement and maintain the requirements, obligations and duties of an accredited facility as set out in SANAS Document No. F 147 for those operations of the Division that are covered by the scope of SANAS accreditation by means of the implementation of the latest edition of Divisional Manual No. CMM MAN 3.

2023 SANAS assessment of CMM

On 26 - 27/06/2023 the 2nd surveillance assessment of CMM by SANAS took place at the NRCS head office in Pretoria. During the assessment six non-conformances were identified. On 02/08/2023 the evidence of implemented corrective actions was submitted to SANAS. On 22 August 2023 SANAS communicated that the assessment team indicated acceptance of the corrective actions submitted.

Accreditation

During the 2023/2024 financial year CMM has maintained accreditation from SANAS in order to demonstrate the Division's competence as an inspection body in accordance with the latest edition of SANS 17020. This was demonstrated by means of SANAS Certificate of Accreditation No. INSP0023, valid for the period 11/12/2021 – 10/12/2025.

Stakeholder Engagement

The CMM business unit maintains a steadfast commitment to enhance its relationships with diverse governmental departments, industry associations, and business stakeholders. This endeavour is realized through regular engagements outlined in the Stakeholder Engagement plan. These structured interactions provide a platform for substantive dialogue regarding challenges faced by both regulatory bodies and industry stakeholders. Additionally, they foster effective communication and dispel any adverse public perceptions, thus promoting mutual understanding and collaboration.

The CMM business unit met with stakeholders covering the various industries throughout the year; amongst them are:

1. Revised Compulsory Specification on Plastic Carrier and Flat bags
2. Chemical Disinfectant industry
3. Treated Timber industry
4. Personal Flotation Aids industry
5. Personal Protective Equipment industry
6. Shooting Range industry
7. Provincial Office of the Consumer Protector

These planned and unplanned industry meetings resulted in the business unit actively addressing issues identified and putting measures in place to strengthen regulatory activities within the industry.

Quarter	Planned engagement targets for per quarter	Actual performance
Q1	-	7
Q2	4	6
Q3	3	9
Q4	1	11
Total	8	33

Table 12 Planned engagement

Conclusion

In the past financial year, the business unit demonstrated remarkable resilience and determination in enhancing its overall performance. Despite encountering challenges, significant progress was achieved compared to the preceding financial period. In a strategic move to foster stability within the office of the General Manager and Approvals section, the unit will appoint a General Manager and an Approval manager. Additionally, the business unit expanded its inspectorate arm by recruiting two additional staff members, thereby bolstering its capacity. Throughout the fiscal period, the CMM business unit surpassed expectations, excelling notably in both surveillance inspections and the expeditious processing of approval files. This commendable performance underscores the unit's commitment to excellence amidst adversities and underscores its pivotal role within the organization.

In conclusion, the NRCS, through its CMM business unit, continues to uphold its mandate of regulating Compulsory Specifications to safeguard public health, safety, and environmental protection. Despite the dynamic nature of the operating environment, we remain committed to our objectives and strive for maximum coverage and compliance across all industry sectors.



ELECTRO-TECHNICAL

Overview

Electro-technical deploys a risk-based approach and inspection at source (ports of entry, importers and manufacturers premises) philosophy to conduct market surveillance inspections. It enforces a total of 20 compulsory specifications to protect the safety and health of consumers and the environment from the risks posed by regulated products in the electrical and electronic technology areas. The environmental protection is achieved through the enforcement of the energy efficiency requirements of regulated products and the continued participation in national programs under the Standards and Labelling (S&L) Energy Efficiency Programme. Approximately 600 different products are covered by the scope of the safety and energy efficiency compulsory specifications. The unit is an accredited inspection body, conducting its operations in accordance with the requirements of SANS/ISO/IEC 17020: *Conformity assessment — Requirements for the operation of various types of bodies performing the inspection*. The accreditation demonstrates the technical competency of the staff for the defined scope and the operation of an effective management system.

The key activities carried out by the business unit, which lock out non-compliant products from the market and lock in compliant products, are

approvals, market surveillance, and the sanctioning. Regulated products are required to have pre-market approvals before they enter the market, and Electro-technical conducts post-market inspections, striving to achieve an inspection balancing of 80% conducted at source and at 20% at retailers. Any non-compliant products found during market surveillance inspections are dealt with in accordance with the requirements of the NRCS Act, Act 5 of 2008, as amended.

To leverage on the state's regulatory machinery, the NRCS collaborates and partners with other regulators, government departments and agencies, through some co-operative arrangements including conducting joint operations. In the period under review a new MOU was signed with ICASA, and discussions for an MOU with the South African Health Products Regulator (SAHPRA) commenced. Some of the existing cooperative arrangements which the NRCS has with other government departments and agencies with overlapping mandates and related interests in the Electro-technical sector include Memoranda of Understanding/Agreement (MOU/A) with the following:

Department of Labour and Employment (DoL) – on aspects regarding the approval of components of fixed electrical installations

Department of Mineral Resources and Energy (DMRE) – on energy efficiency of electrical and electronic apparatus

Independent Communications Authority of South Africa (ICASA) – on aspects concerning the electro-magnetic compatibility and electro-magnetic interference of certain electrical and electronic apparatus

SARS – on the control of the movement of regulated goods at the ports of entry

NCC – on establishing and maintaining a cooperative relationship for the provision of mutual assistance and advice to ensure the consistent application of the relevant legislation.

In the period under review, online trading of regulated products continued to increase at an exponential rate, together with the proliferation of new technologies on the market in the post Covid-19 4IR economy (Fourth Industrial Revolution). In addition to the complex and changing technological dimension, the African Continental Free Trade Area (AfCFTA) became effective and saw a move towards the harmonisation of product standards in the Southern African Development Community (SADC) and the East African Community (EAC), with respect to lighting products and cooling products (refrigerators and air conditioners).

Performance

Inspections

For the 2023/24 financial period, Electro-tech exceeded the inspections target by 13,6%, having conducted 5 682 inspections against a target of 5 000. The impact of the market interventions was to issue 430 Section 15.1 directives for non-compliant products found, with an estimated value of R145,2 million. The non-compliant products found included socket outlet adapters, plastic bucket heaters, compact fluorescent lamps, LED displays, ice makers, shavers, stoves, LED drivers, sirens, washing machines, dishwashers, ovens, washer-dryers, electrical cables, beauty equipment, air blowers, cord sets, optical network units, speakers, wine makers, power supplies, luminaires, and freezers. Table 1 shows the quarterly market surveillance statistics per region, indicating the number of inspections conducted, the number of directives issued, the number of samples taken for testing, and the rand value of non-compliant products found on the market from the issued directives.

Description		Q1	Q2	Q3	Q4	ANNUAL
No. of inspections conducted	BU Total	1 334	1 295	1 371	1 682	5 682
	GP	648	633	662	780	2 723
	WC	187	181	214	270	852
	EC	273	289	268	265	1 095
	KZN	226	192	227	367	1 012
Quarterly Inspections Target		1 250	1 250	1 250	1 250	5 000
No. of Section 15.1 directives issued		128	141	112	49	430
No. of samples taken for testing		15	18	48	11	92
Rand value of non-compliant products		R60 305 885	R23 998 492	R38 263 763	R22 673 863	R145 242 003

Table 13 Electro-technical market surveillance statistics

The statistics in Table 1 show that in the period under consideration, the unit issued one directive in every 13 inspections conducted, which is the same as in the previous financial period. Each inspection conducted yielded approximately R25 562 worth of non-compliant products, with each directive averaging R337 772 worth of non-compliant products. The number of samples taken for testing in the financial period was 92, yielding approximately one sample taken in every 62 inspections conducted. Table 2 shows the market surveillance

statistics per region. The KwaZulu-Natal and Western Cape regions contributed the highest rand value of non-compliant products per inspector with approximately R20, 2 million and R15, 7 million respectively, when compared to the BU average of R7, 3 million per inspector.

Region	GP	EC	WC	KZN
Annual inspections	2 723	1 095	852	1 012
Inspections target	2 500	1 000	750	750
Annual directives	148	86	107	89
Annual samples for testing	25	17	26	24
Number of inspectors	10	4	3	3
Rand value of non-compliant products	33 323 289	4 020 231	47 161 447	60 737 036
Rand value of non-compliant products per inspector	3 332 329	1 045 057	15 720 482	20 245 679

Table 14 Market surveillance statistics per region

Figure 8 shows the percentage contribution of each region. Gauteng, with the highest number of inspectors, contributed the largest number of inspections (47,9%), and directives (34,4%), while the largest rand value of non-compliant products was attributed to KZN (41,9%), with most products found at the sea port. The most samples for testing were taken from the WC market (28,3%), while KZN recorded the highest inspections per inspector, approximately 337.

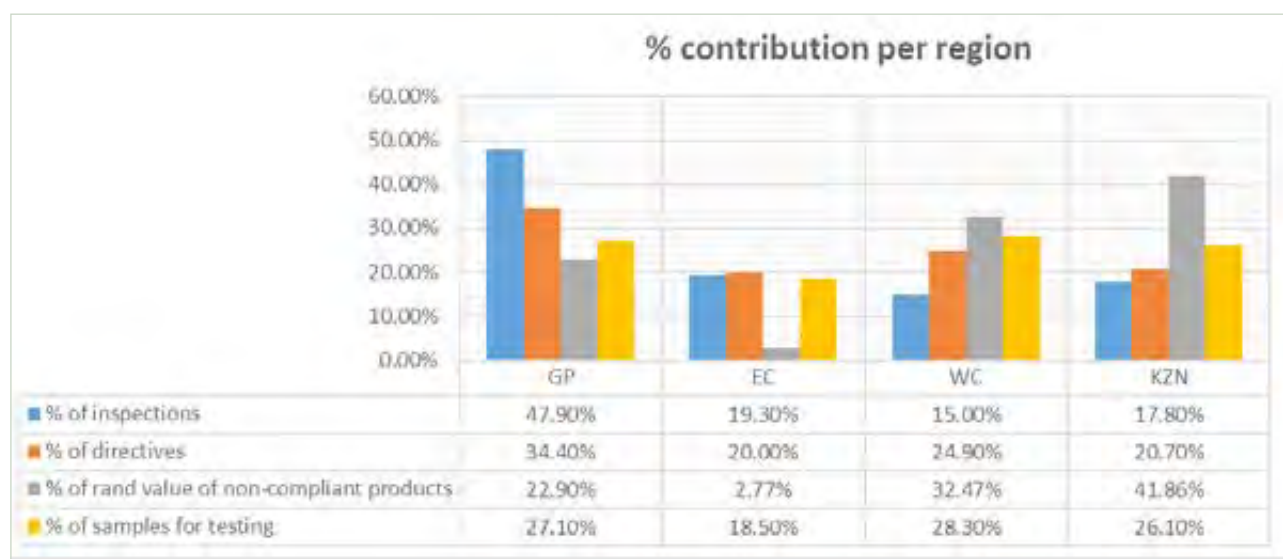


Figure 8 Percentage contribution per region

The BU implemented four blitz operations in support of the national imperatives to reduce greenhouse gas emissions and protect the environment by enforcing compliance to energy efficiency requirements of compulsory specifications. The blitzes targeted specific products as follows: Q1 – cooling products (refrigerators/air conditioners), Q2 – geysers, Q3 – audio/visual and related equipment, and Q4 – laundry products (washing machines, washer-dryers, etc.). Table 15 summarises some of the main activities undertaken, including the participation in national projects such as the S&L Program.

2023/24 ENERGY EFFICIENCY OF THE ELECTROTECH BUSINESS UNIT		
Ref	Activity	Details
1	SADC Energy Efficient Lighting and Appliances (EELA) Project	1. Webinars for Change Agents • Lighting Application Standards • Unpacking the lab in a suitcase • The next level of lighting 2. In person training workshop in Zambia, at the Kafue Gorge Regional Training Centre 3. Conducted baseline testing of common brands of GSLs sourced from major retailers using portable testing equipment – 60% compliance on efficacy limit of 90 lm/watt
2	DFFE/DMRE/SANEDI	Participated in meeting to discuss Energy Efficiency Initiatives in South Africa, in order to synchronise work plans
3	Energy efficiency blitzes	1. Laundry equipment labelling in Cape Town and Durban – 100% compliance 2. Sampling and testing of audio/visual equipment – 94.1% compliance on standby power for the 20 samples tested 3. Hot water storage tanks (geysers) blitz in Durban – A total of 103 refurbished geysers and 359 work in progress refurbished pieces were removed for destruction. 4. Cooling appliances (refrigerators and air conditioners) – 100% label and visual compliance from the 67 products inspected
4	Destruction of non-compliant incandescent lamps	A total of 1 235 000 (R 12 350 000) non-compliant bulbs stored in the SARS states warehouse for 4 years were finally destroyed.
5	Preparation for new VCs 9109 on energy efficiency of general service lamps	1. Engagement of Lighting Industry Stakeholder, 7 months prior to VC implementation, to assess readiness in addition to educating and informing the industry about the gazetted requirements 2. A portable lighting products testing equipment was donated to NRCS by DMRE, who had sourced it from UNIDO
6	Standards and Labelling (S&L) Program	1. Staff participated in the UNEP coordinated report back meeting for the Green Climate Fund (GCF) projects in SADC Region, involving 8 countries, where NRCS presented on refrigerator MEPS in South Africa 2. NRCS participated in the finalisation of the Development of the updated Energy Efficiency Label Guideline 3. Participated in the inception workshop for the UNDP funded Leapfrog Project, focusing on LED lamps and distribution transformers 4. Participated in S&L PSC quarterly reporting meetings 5. Participated in S&L Program Workshop to develop and synchronise annual workplan amongst government agencies (DMRE, SABS, SANEDI) 6. Issued 1371 LOAs to ensure that products entering the market were compliant

Table 15 :Energy efficiency activities in support of national imperatives

Approvals

Approximately 72% of the 16 211 total processed applications (approved + rejected + cancelled) were completed within 90 calendar days, against a target of 95% processed within 90 calendar days. Safety LOAs constituted the largest proportion, approximately 90,3%, of the approvals, while approximately 9% were accounted for by EE LOAs, and the balance, 0,7%, were for RCCs. A total of 2198 applications were carried over to the next financial period. The approval statistics from the 2018/19 period to 2023/24, are summarised in Figure 9. A total of 16 409 new applications were received in the period under review, while 785 applications were closed, approximately 4,8% as a proportion of the number of applications processed in the period. The applications were closed for three main reasons:

Corrective action from the administrative and technical findings raised during the evaluation for compliance was not submitted within the 30 days' deadline

The application failed technical evaluation and could not feasibly be corrected

Duplicate applications were submitted

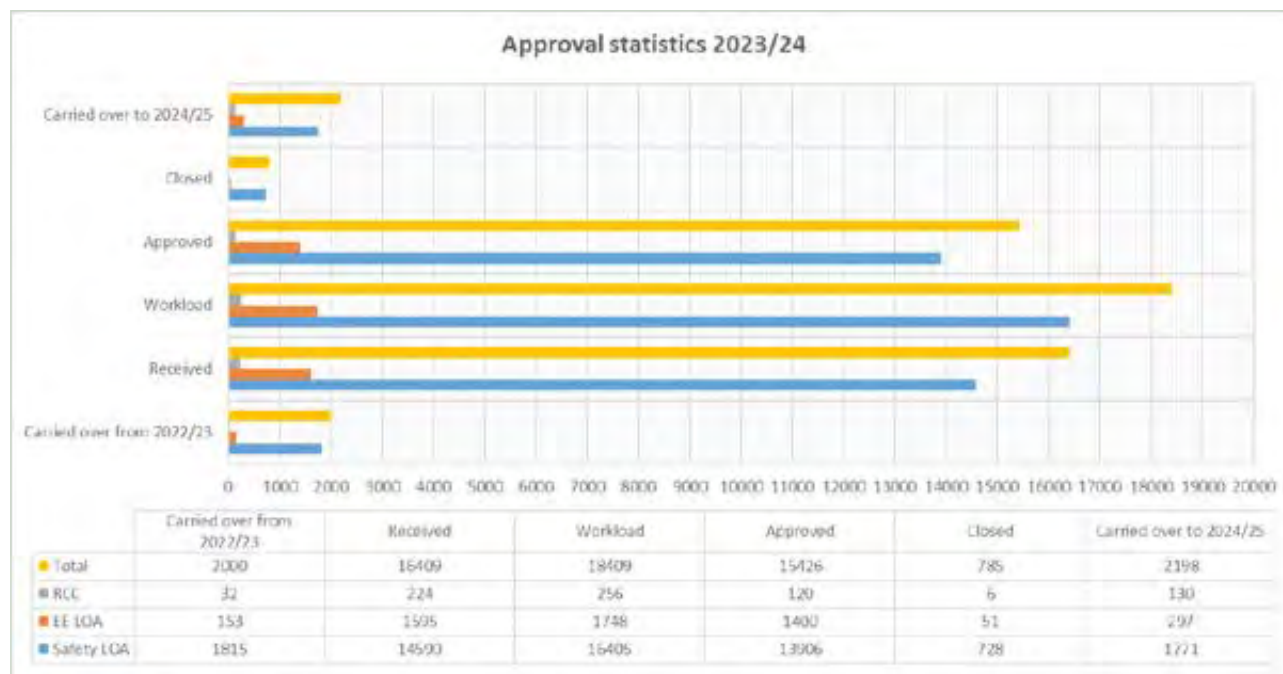


Figure 9 Electro-technical approval statistics for 2023/24

While the overall turnaround times were not met, the average turnaround times for EE LOAs applications show that lower turnaround times were achieved throughout the financial period. The efforts to educate and inform the stakeholders about compulsory specifications, and the efforts of market surveillance, mainly at the ports of entry, where products with no approval from the regulator were denied market entry, ensured that the number of applications received, remained high.

CERTIFICATE	TOTAL PROCESSED
SAFETY LOA	14 634
EE LOA	1 451
RCC	126
TOTALS (% of total)	16 211 (100%)

Table 16 Electro-technical approvals per certificate type

The EE Database reflects not only the reduction in turnaround times, but the accuracy of LOA information since the clients enter the information themselves. The BU has received a number of complements on the reduced turnaround times, considering that when the EE compulsory specifications were implemented in 2016/17, the average turnaround times were above 120 days.



Figure 10 EE LOA turnaround times for 2023/24

Stakeholder engagements

In line with one of the objects of the NRCS founding act, Electro-technical seeks to encourage voluntary compliance by informing "...the South African commerce, industry and the public about compulsory specifications". Whilst recognizing the existence of different stakeholder interests and influence, the regulator seeks to optimise the positive input of stakeholders and minimise any negative or detrimental impact, as a result of stakeholder contributions and actions. At the beginning of each financial year, the unit drafts and adopts a stakeholder engagement plan, targeting the priority stakeholders to be engaged in the financial period, and subsequently measures the progress towards the implementation of the plan. In addition, there are numerous unplanned engagements which take place with the stakeholders especially on matters of compliance. Table 4 shows the progress in implementing the stakeholder engagement plan in the period under review, with green indicating 'full achievement,' yellow 'partial achievement,' and red 'not achieved' activity. In the 2023/24 financial period, the BU managed to achieve all the planned engagements as set in the stakeholder engagement plan.

The engagements took the form of meetings, workshops, and teleconferences, with a majority of the meetings taking place online. Electro-technical continued to maintain expertise at an acceptable international level by participating and obtaining membership of relevant regional and international bodies such as the International Electro-technical Commission (IEC), SADC and African Region Standardisation Organisation (ARSO). Staff also participated and, in some cases, chaired standards development committees at SABS to influence the content of national standards to suit the regulator and the South African market.

Other platforms to engage stakeholders were through participating and supporting initiatives led by other sections within the NRCS and other government agencies. Some of the activities conducted in the period under review included:

Staff participated in the Rural Engagement Campaigns organised by Marketing and Communications, specifically attending campaigns in KZN and EC, where joint inspections were held as well as educating and informing consumers.

RD led VC development committees including the development of compulsory specifications for electric motors, lithium batteries, and general service lamps.

Staff participated in joint operations with other government agencies such as SAPS, municipalities, NCC, and the dtic. Some of the joint operations included the National Consumer Week in the Free State.

A joint operation with the Department of Employment and Labour was conducted in the Bloemfontein area, targeting components of fixed electrical installations

A joint operation was conducted in the Buffalo City Municipal area, in conjunction with the Eastern Cape Consumer Office, where inspections were conducted and a number of products removed from the market

Approximately 6,2 km of various electrical cables was confiscated in the Southern Cape areas, in a joint operation which included CMM and the Western Cape Consumer Office.

- Group inspections, involving 11 BU inspectors and 2 support staff were conducted in Limpopo, in the Polokwane and Lebowakgomo areas, where 52 148 noncompliant products were confiscated with a market value of ~ R1 093 075
- BU continued to work with Takealot.com, conducting follow up inspections on the identified non-compliant companies, with an agreement that such non-compliant companies would be taken off the trading platform from time to time. The training of staff and clients was moved to the next quarter in 2024/25.
- The BU participated in the Authorized Economic Operators Programme, coordinated by SARS. One BU representative constitutes part of the NRCS Task Team on the project and led the BU participation in the pilot study at the Skilpadshek, Botswana/South Africa Port of Entry. Most of the products found were exiting South Africa, thus, it was proposed that an inland port such as the OR Tambo International Airport should be targeted next. The program seeks to synchronize the inspections at the ports of entry amongst government agencies, whilst recognizing each government agency legislation and risk profiling.

Table 17: Progress report on the implementation of the unit's 2023/24 stakeholder engagement plan

List of stakeholders	Priority stakeholders	Rationale for engagements/ current engagements methods/issues	Actions/ activities	Comments	Annual Report Status
Government Departments/ Agencies	the dtic, DMRE, DEFF, and SANEDI	Promote alignment with government policy and cooperation	Participate in Standards and Labelling (S&L) Project Steering Committee (PSC)	- Participated in quarterly PSC Reporting –Meetings - Participated in inception meeting for Leapfrog Project on 6 July 2023 - Participated in Regulatory Review Project - Participated in the development of new EE Label	Achieved
			Participate in the implementation of the South African National Cooling Action Plan (NCAP)	Participated in inter-governmental agencies/ departments meeting on Energy Initiatives in South Africa involving DMRE/DFFE/SANEDI on 9 February 2024	
			Participate in standards development	Participated in TC Meetings including TC 72 (Safety of Electrical Appliances and Electronic Equipment), TC 64 (Lighting), and chaired TC 61 (Safety of household and similar electrical appliances)	
Electro-technical Industry	Local manufacturers, importers and retailers	Educate and inform stakeholders about compulsory specifications. Encourage voluntary compliance to compulsory specification	Appointment of Specialist Consultative Committee (SCC)	- Appointment letters sent to 8 external SCC members in March 2024 - SCC TORs developed - SCC structure developed	Achieved
			Meeting with at least two industry associations	Meetings with BUSA/OUTA, Lighting Industry, and Vaping Association of South Africa (VPSA)	
			Follow up engagement with Regulatory Agents/ Consultants	Meeting held on 19 March 2024 to discuss the recognition criteria, the risk-based approach implementation, levies, and the new ICT system.	
Regional and International bodies	International Electro-technical Commission (IEC) Southern African Development Community (SADC)	Establish and maintain the necessary expertise on an internationally acceptable level and keep abreast of developments.	Participate in IEC Technical Committee and Working Group Meetings to discuss international standards.	- Two representatives attended IEC TC61 in Italy to discuss standards affecting VC 8055 - One representative attended the IEC CMC Engagements in USA to discuss mutual recognition of test reports, amongst other agenda items	Achieved
			Participate in SADCSTAN TCs, promote the SADC/EAC Energy Efficiency Compliance Framework, and the cooperation with regional regulatory authorities. Participate in SADC TBT Forum.	- Participated in a series of EELA webinars on lighting - Attended in person EELA Project training on lighting in Zambia from 11-15 December 2024 - Participated in SADC TBT online engagements including annual meetings - Participated and chaired SADCSTAN TC16 Meeting on the harmonisation of cooling product standards	
			Hold a strategy session for all Electro-tech staff including regional staff	Held 2 Days BU Strategic Session on 14-15 March 2024	
Internal BU stakeholders	Electro-tech staff	Employee engagements			Achieved

Table 17 Progress report on the implementation of the unit's 2023/24 stakeholder engagement plan

Highlights

During the review period, the following operational highlights are noted:

- **Protecting the health and safety of the public:** The BU inspectors raided a geyser refurbishing/reconditioning facility in KZN and impounded 103 unsafe hot water heaters and 359 which were still in refurbishing.
- **Demonstrating the competency of inspection body:** The unit retained its SANAS 17020 accreditation status with no non-compliances raised by the independent external auditors
- **ICT System for safety:** The delay in the modernisation project propelled the NRCS to develop an interim online solution for safety LOA applications, in the mould of the EE Database. The system was successfully tested with a few industry applicants and is planned to be rolled out in Q2 of 2024/25. The new system would result in applicants capturing their applications online, eliminating the current need to capture approved safety applications on a separate database to print the LOA certificate. Instead, the capturing will be completely eliminated, with the benefit of improved turnaround times, and applicants being able to download LOAs online as soon as approved.
- **Contributing to the reduction of the national energy intensity and the reduction in greenhouse gas emissions:** Electro-tech continued to play a major role in the energy efficiency discourse, enforcing compulsory specifications for energy efficiency by ensuring that only energy efficient appliances were found on the market. It also informed and educated stakeholders about regulations and issued LOAs for compliant products (as depicted in Table 3)
 - A total of 1 373 energy efficiency LoAs were issued compared to 1 511 in 2022/23, 1 392 in 2021/22, 1 535 in 2021/22, 1 373 in 2019/20 and 1 503 in 2018/19, and 1 129 in 2017/18.

- A total of 1 235 000 (R 12 350 000) non-compliant incandescent bulbs, stored in the SARS states warehouse for four years, were finally destroyed, thus contributing to a reduced carbon footprint by preventing their use in the homes

Challenges

The main challenges faced by the business unit in the financial period included:

- The growth of online trading continued to present challenges, given the limited resources of the regulator and the lack of intelligence in the sector. The BU determined that there were many more online trading platforms than previously believed, and the problem was exacerbated by the announcement by Amazon that it would fully participate in the South African market in the coming period.
- Limited storage capacity of confiscated goods
- The unavailability of testing laboratories to cover the full regulatory scope, for example, the energy efficiency of air conditioners and laundry equipment, where there was no testing capacity in the country
- The proliferation of new technologies which are not covered by the scope of compulsory specifications, and the engagement in circumvention innovation by the regulated products suppliers to circumvent the scope of the compulsory specifications.

Conclusion

In the period under review, Electro-technical fulfilled its mandate of protecting the public and the environment, by conducting 5 682 inspections, where approximately R145,2 million worth of non-compliant products were removed from the market. This means that the BU exceeded the target of 5 000 inspections, issuing 430 Section 15.1 Directives compared to 417 in the previous period.

Although the approvals target was not met, the BU made strides in adjusting from the previous target of 95% processed within 120 calendar days, to the new target of 95% processed within 90 calendar days, by achieving the 72% within 90 days. The EE applications were processed in favourable turnaround times on average.

The unit fully implemented its Stakeholder Engagement Plan, by meeting all the planned engagements target and conducting in excess of 60 unplanned engagements, mainly on compliance matters. In addition, cooperation with other governments departments continued to gain momentum, and in the period under review, the BU concluded the signing of the MOU with ICASA and started engagements with SAHPRA for an MOU. The BU staff were part of the pilot project on the Authorised Economic Operators coordinated by SARS to recognise compliant traders.

Some of the highlights for the period under review included:

- Maintaining SANAS 17020 accreditation
- Conducting a number of group and joint inspections which yielded positive results in removing non-compliant products from the market.

The lack of adequate storage capacity for non-compliant products, the lack of testing facilities for certain products, and the rapid proliferation of new technologies and online trading in the post covid-19 4IR economy, continues.



FOODS AND ASSOCIATED INDUSTRIES

Overview

The Food and Associated Industries Business Unit protects consumers by regulating processed meat, canned meat and canned fish products, frozen fish products, smoked snoek, aquaculture live abalone, live products including chilled Bivalve Molluscs which are traded nationally and internationally. This is achieved by:

Inspecting processing plants and fishing vessels used to produce, process or transport food products.

Taking samples of food products in accredited surveillance facilities and submitting these for testing in accredited testing laboratories.

Ensuring that non-compliant products do not enter the market and removing such products if discovered in the market. A risk-based approach to surveillance was adopted in order to improve efficiency and the effectiveness of FAI processes. Source/targeted enforcement was introduced as a measure to prevent the entry of non-compliant products into trade in South Africa.

Conducting surveillance inspections on locally produced and imported products. Port of entry surveillance entails the profiling of various containers entering South Africa and the inspection of these containers at the point of entry. Imported fishery products are taken to various cold stores and warehouses where products are sampled for inspection at the NRCS laboratories.

Cooperating with other food safety regulators, both nationally and internationally, and participating in food safety-related activities. The NRCS actively participates in both the local and international (through Codex Alimentarius) standards setting processes. At national level, it works in close cooperation with several other legislators in the food environment, including the Department of Health(DOH), Department of Agriculture, Land Reform and Rural Development (DALRRD) and the Department of Forestry, Fisheries and the Environment (DFFE). There is also cooperation with other critical government entities such as the Small Enterprise Development Agency (SEDA), Border Management Agency (BMA), National Consumer Commission (NCC) etc. The NRCS has entered into various technical co-operation agreements with countries trading fishery products with South Africa. This provides preventative measures to ensure that safe products with the necessary health guarantees are obtained from these countries.

The business unit is also the Competent Authority for fish and fishery products which are traded to various countries. In facilitating trade, the FAI Issues health guarantees for fish and fishery products that are exported. The NRCS is the competent authority for the issuing of health guarantees to various countries and trade groupings.

Overall performance

For the 2023/24 financial year there were three performance targets in the annual business plan which consisted of six product categories. The business unit achieved its targets in all categories. For the 2023/24 financial year, a total of 26 961 inspections were conducted.

Performance Indicator / Measure	Annual target as per Business Plan	Inspection requests received for 2023/24	Number of inspections conducted in 2023/24	Inspection Performance
Percentage of Inspections conducted on: 1. Locally produced canned fishery and meat products 2. Imported and exported canned fishery and meat consignments 3. Imported and exported frozen fish consignments 4. Exported chilled and live consignments in accordance with the relevant compulsory specifications and procedures	100% of all declared exported, imported products and all productions produced locally	24302	24302	
Number of inspections conducted on locally produced fishery products (live, chilled and frozen), processed meat products, fishery and meat processing factories and vessels as well as fishery and meat retail inspections, in accordance with the compulsory specification and procedures (Accumulatively)	2458	N/A	2659	
Trade Facilitation: Facilitate exportation of: 1. canned meat, fish and fishery products 2. frozen fish and fishery products 3. Chilled and live fish and fishery products.	R8 billion worth of products exported from South Africa	11258	R 8,596,563,918.90	

Table 18 Performance Target Achievement

The business unit noted a decrease in the total amount of inspections conducted during the 2023/24 financial year from the previous year (28 324 inspections). The possible reason for the decrease in the number of inspections conducted may be attributed to the availability of resources at sea in 2023 and the economic climate and consumer markets. The business unit conducted 1 363 fewer inspections than in the previous financial year. In four of the six inspection categories there was a decrease in the number of inspections conducted and with export and facility inspections there was a slight increase. However, the business unit achieved the targets for all inspections categories. The 2023/2024 financial year was the first year that the monetary value of exported products was recorded as a target.



Figure 11 Inspection trends for the last 5 years

The business unit implemented a risk-based approach and the regulatory and inspection methodologies rest firmly on the assessed risk profiles of the various food commodities it regulates. Therefore 100% of inspections on high risk products, such as canned and imported products from countries where there is no official inspection agreement, were conducted. At the same time low risk products are monitored with a predetermined surveillance inspection programme.

All inspections and operations of the unit is conducted according to the policies and procedures of the quality management system implemented by the business unit system based on ISO/IEC 17020.

Internal audits were conducted to measure the unit's performance in terms of its documented quality management system. The business unit successfully maintained its SANAS accreditation after the external audit was conducted for the 2023/24 financial year.

Description	2020/21	2020/21	2021/22	2022/23	2023/24
Imported products	6439	6439	7050	8690	7234
Exported products	10804	10804	10460	10684	11258
Local canned fish	2612	2612	2816	3182	2964
Local canned meat	3811	3811	3446	3281	2846
Local frozen fish	805	805	949	930	869
Facility inspection	956	956	1298	1771	1790
Total	25427	25427	26019	28538	26961

Table 19 Inspection trends for the last 5 years per category

Inspections

The business unit conducted 24 302 inspections on export, local and imported fishery and canned meat consignments and products. In comparison to the last financial year there was a slight decrease in four of the inspections categories conducted and a slight increase in two of the inspection categories i.e. export inspections and facility inspections with a total decrease of 1 363 inspections.

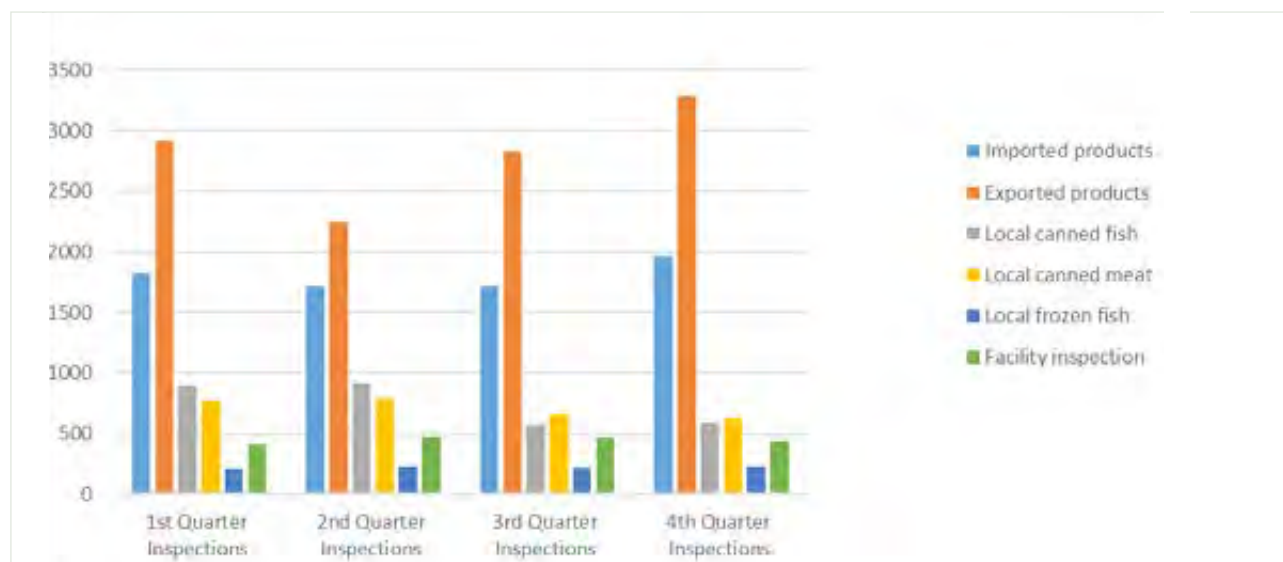


Figure 12 Inspections conducted per category per quarter for the 2023/24 financial year

Health guarantees and Compliance Certificates

The NRCS is the competent authority for fish and fishery products in South Africa for the export of fish and fishery products and is acknowledged as such by the European Union and the People's Republic of China, amongst others. Health guarantees are certificates that are issued by competent authorities, such as the NRCS, which comply with international food laws (Codex Alimentarius) for food products, or the laws of the importing country. These health guarantees are issued for exported products, including chilled fish, frozen fish, canned fish, canned meat, canned abalone and live lobster, abalone and oysters. The business unit conducted 11 258 inspections on product consignments exported to various countries with a total of 8 254 health guarantees issued.

For all fish and fishery products imported into the country and local canned fish and meat productions the Business Unit will issue compliance certificates when compliance has been established in terms of the requirements of the Compulsory Specifications, before such products are released to the market place. For the period under review a total of 7 195 compliance certificates were issued by the Business Unit.

Non-compliances

Non-compliance certificates were issued for products that did not comply with the requirements of the relevant Compulsory Specifications, labelling requirements as specified in the Foodstuffs, Cosmetics and Disinfectant Act, Act No. 54 of 1972, and relevant SANS standards. Non-compliance certificates were also issued for productions or consignments that were found to be of substandard quality or which did not fully comply with certain non-food safety related quality requirements. Sales permits, which stipulate prescribed sales conditions, were issued for these products.

The Business Unit issued 23 non-compliance certificates for products found to be of substandard quality, and 41 for products that were found to be not for sale. In addition, it issued 50 directives for products that were not safe for human consumption. The non-compliant products were either re-labelled, destroyed by industry at their own cost (under the supervision of NRCS), or returned to the country of origin. The products not fit for human consumption had an estimated value of R 40 386 919,00.

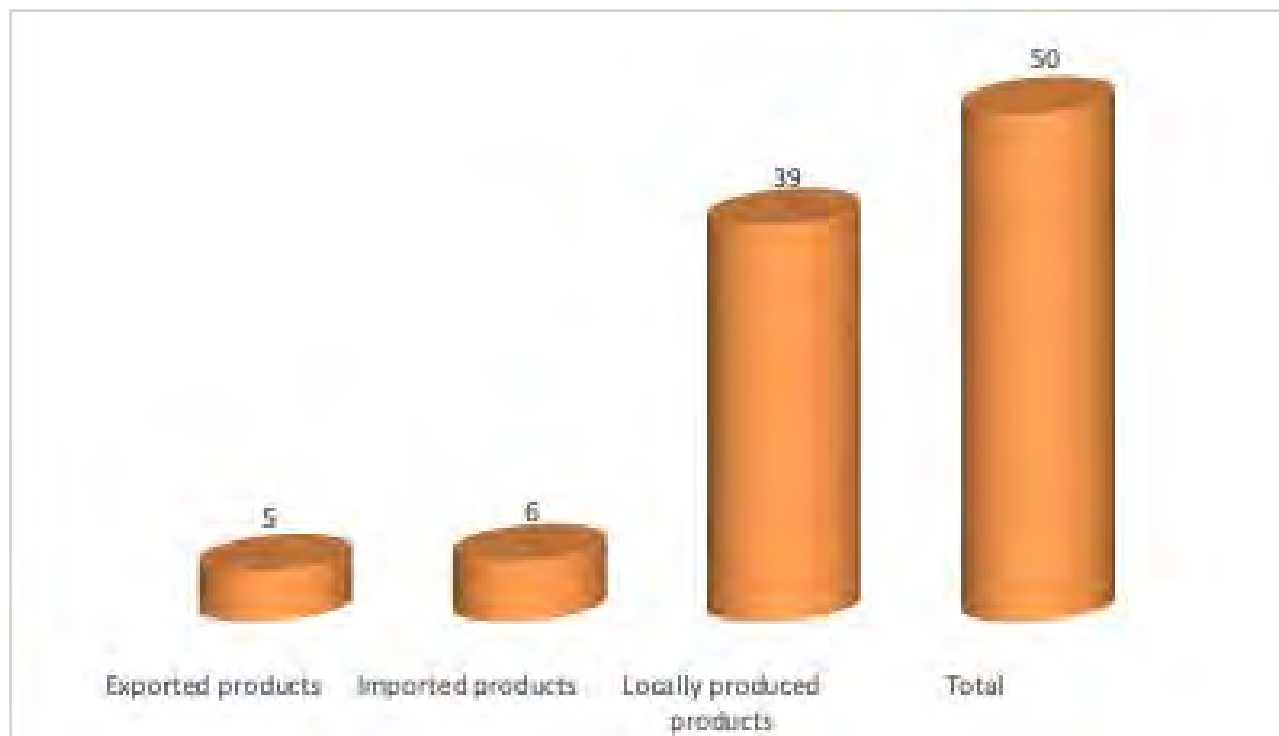


Figure 13 Directives issued for 2023/24 financial year

National and international liaison

As the competent authority for the regulation of frozen and canned fish and fishery products, canned meat and smoked snoek in South Africa, the NRCS represents the country at various international regulatory forums, notably the Codex Alimentarius Commission (CAC), the Codex Committee for Fish and Fishery Products (CCFFP) and the Codex Committee for Food Inspection and Certification Systems (CCFICS) including Codex Committee for Food Hygiene (CCFH).

In the year under review, the FAI participated in the following international food standard meetings:

- The Codex Alimentarius Commission (CAC) meeting held on 27th November 2023 - 2nd December 2023. The objective of attending the meeting was for South Africa, as a member country of the CAC to fulfil its obligation, namely, to ensure that the interests of the country, where applicable, are taken into consideration. It also presented an opportunity to express South Africa's views on issues that are discussed during the meeting, especially those that affects the country and in particular, specific food regulatory bodies. The knowledge and experience gained by attending meetings such as the CAC, ensures that the members of the South African delegation can participate more effectively in the discussions. It further provides an opportunity for the South African members to network with delegates from other countries and to strengthen ties with those with which South Africa has a common interest, with specific reference to delegates from the African Region of Codex and other developing countries.

- The meeting of the Codex Alimentarius Committee on Food Import, Export Inspection and Certification Systems (CCFICS) was held in Australia, on 1 – 5 of May 2023. This is the International Food Law committee on trade, which debates food trade regulatory standards for all the member states and makes recommendations to the Codex Alimentarius Commission. The purpose of the meeting was to conduct a Feedback meeting of the CODEX Committee on Food Import and Export Inspection and Certification Systems (CCFICS)

The NRCS continued to interact and collaborate internationally with other regulators. The NRCS entered into technical cooperation agreements with various countries, including Namibia, Mozambique, Mauritius and Thailand. These agreements are designed to ensure that food traded between the countries are safe for human consumption and comply with all specifications and regulations. Through the FAI Business Unit, various virtual joint management meetings were held with these countries during the year.

A joint Technical Cooperation Agreement (TCA) meeting between the Namibian Standards Institution (NSI) and the National Regulator for Compulsory Specifications (NRCS) was conducted on the 30 March 2023. The aim of the meeting was to discuss the Inspection and Certification of Fish and Fishery Products and strengthen the collaboration between the two organisations to ensure product safety and fulfil respective mandates. During the meeting the TCA agreement was also concluded and signed. Both organisations addressed the exports and import controls between RSA and Namibia. It was noted that the main challenge in Namibia was that fish and fishery products fall under three departments, hence small borders still remain a challenge. A proposal was put forward by the NRCS that RSA will still conduct inspections on fish and fishery products coming in, if not accompanied by a certificate from NSI. Once NSI is granted with certification, random inspections will still be conducted, as per NRCS sampling plan.

Both organisations are committed to ensure continuous good relationship and knowledge sharing.

Two meetings were held in May 2023 with the Department of Fisheries and Aquaculture Control (DIPOA) in Brazil, to discuss the draft Technical Cooperation Agreement and MoU between the two countries.

In December 2023 the NRCS and DTI hosted a Zambian delegation to discuss regulatory methodology and procedures and included a visit to some of the NRCS regulated industry factories.

In December 2023 the business unit, the Embassy of Argentina and the Argentina National Food Safety and Quality Service (SENASA) delegates had a meeting to discuss the rejected container of frozen baby hake from Argentina. The stakeholders discussed the rejected consignment that failed to comply with the Compulsory Specification for Frozen Fish, frozen Marine molluscs and frozen products derived therefrom. The distributor in Argentina informed the Embassy of Argentina based in South Africa, which then contacted the NRCS to request information about the rejected consignment that included the test report and return shipment documentation.

The meeting concluded that NRCS will notify the Embassy of Argentina about any future product rejections from Argentina.

On 24 Jan 2024 the NRCS, DFFE, dtic, and Russian delegates met to discuss the registration of South African oysters and mussels producing Establishments with the Federal Service for Veterinary and Phytosanitary Supervision of the Russian Federation. The aim of the meeting was to discuss the challenges faced by the SA.

The collaboration between the Kwazulu-Natal Department of Economic Development, Tourism and Environmental Affairs (EDTEA), Small Enterprise Development Agency (SEDA), and The National Regulator for Compulsory Specifications (NRCS), Food and Associated Industries (FAI) business unit,

in assisting the small-scale fisheries co-operatives based in KwaZulu-Natal - Umzumbe (UGU District) and Dukuduku, (uMkhanyakude District). While collaborating during this project each Government entity has its specific role to play. The EDTEA, as a department who started this project of unlocking the economic potential in the KwaZulu-Natal maritime sector, has a role to facilitate the development and growth of the oceans economy. The NRCS – FAI as the custodian, and a regulator of the fish and fishery products compulsory specifications has a responsibility to provide guidance that will ensure that all Compulsory Specifications requirements are considered and adhered to. SEDA has a responsibility to provide funding and business support service for the small enterprises. SEDA funding assists where the EDTEA budget is not able to cover, to ensure that all the project needs are covered. This collaboration aims to assist the small-scale fisheries co-operatives based in Kwazulu-Natal by providing the fish processing establishments that will be managed at the cost effective manner while ensuring food safety compliance. It ensures that that all the required resources that are needed during the processing of the fish and fishery products are provided for.

The Unit also contributed to local legislation and standards setting forums:

- SANS technical committees for various food standards. Various compulsory standards were reviewed and recommended to the dtic Minister to consider publication.
- Several regulatory meetings were held with the Department of Agriculture, Land Reform and Rural Development (DALRRD) and the Department of Forestry, Fisheries and Environment, (DFFE) to discuss the MOU agreement between the departments, the implementation of the residue programme and to discuss the shellfish monitoring sampling progress reports.
- Several meetings were held between the business unit and The Director General for the Department of Basic Education. The purpose of these meetings was to outline the type of canned products intended to be supplied for the National School Nutrition Programme (NSNP). This assists the department to set up selection specifications for suppliers who intend to supply the department with canned meat products to be provided to nutrient-deficient learners. The department also highlighted some support that are needed by upcoming Small Enterprises / Manufacturers. FAI recommended that these SMMEs should contact the Small Enterprise Development Agency (SEDA) for help.
- Then business unit participated in several rural engagements and inspections during 2023/24. The purpose of these engagements was to educate consumers regarding the mandate and activities of the NRCS and to conduct inspections at the local shops and markets to identify and sanction non-compliant products.
- The 25th South African Food Scientist Association (SAAFoST) international congress was held in Cape Town between 28 and 30 August 2023. Expert speakers from the local and international food industries presented on and discussed rapid food technological changes and trends that are happening in the food industry sector. This conference helped to improve the scientific knowledge of the FAI attendees.
- During the conference, one of the candidate inspector in the FAI presented his Master's degree thesis topic on 'The effect of fermentation on the quality of canned Bambara groundnuts (*Vigna subterranean* (L.) Verdc.) with spaghetti in tomato sauce'.
- During the conference FAI delegates were present on the NRCS exhibition stand, to showcase the work that the NRCS does in the interests of the public safety and health of South Africans, and also to answer questions posed by the SAAFoST participants.

Highlights

During the period under review the business unit continued to inspect processed meat factories and draw monitoring samples at the factories. Various meetings were held regarding the regulation of processed meat.

FAI is an internationally accredited inspection body and complies fully with ISO 17020 criteria for inspection bodies. As the competent authority for the regulation of food products and processes, ongoing confirmation of the credibility of the processes of the business processes are paramount. The business unit maintained its accreditation status after third party audits. No incidents of food poisoning were reported from products manufactured by the industries regulated by the business unit.

FAI is also recognised as the competent authority for the export of fish and fishery products. During the period under review the FAI was audited by the European EU to extend the scope to aquaculture products. The audit was conducted by the Directorate General for Health and Food Safety of the European Union (EU) Commission to establish if South Africa's official control systems are able to demonstrate compliance with the EU applicable requirements on Bivalve molluscs and Marine gastropods (Mussels and Abalone) products. The result of the audit will provide market access to the EU for aquaculture products.

The business unit established and appointed members of the Specialist Consultative Committee (SCC). The purpose of this committee is to participate in the processes to develop and administer Compulsory Specifications and technical requirements for inspections, testing and sanctions.

The World Food Safety Day was once again commemorated on 7 June 2023 with the theme of Food Standards Save Lives. This resonates with the mandate of the NRCS to save the lives of consumers through the enforcement of various food standards. The NRCS recognises the fact that compliance with food standards is everyone's business, from producers, food business operators, retailers,

wholesalers and consumers of food products. The NRCS as an essential regulator and stakeholder in the Food Control System of South Africa collaborates on the enforcement of Food Standards with the Department of Health (DoH), the Department of Agriculture, Land Reform and Rural Development (DALR&RD) and also the National Consumer Commission (NCC). The collaborations aim to ensure food is safe; thus to protect consumers and facilitate fair trade practices in-line with the Food Safety Regulatory mandate of the Department of Trade, Industry and Competition (dtic).

The business unit also joined, and is a member of, the Gauteng Food Control Forum. This is an intergovernmental forum to ensure food safety in the province.

Conclusion

Although the government's cost containment measures and financial challenges impacted the activities of the unit, the Food and Associated Industries Business unit contributed successfully to the NRCS' objective to protect consumers by effectively administering the relevant Compulsory Specifications. During this time the business unit successfully changed and implemented operational plans and procedures which reduced and mitigated some of the challenges presented by cost containments measures and financial challenges. The business unit supported and facilitated trade for the local industry by ensuring that only good quality and safe food products were exported, and all export consignments were accepted in the international markets with no notifications. To drive the basic performance efficiencies, the unit constantly strives to keep abreast of new technology developments and benchmarks itself against other regulators, both nationally and internationally. Multiskilling and ongoing training programmes are some of the tools that support the business unit to effectively protect consumers. The unit continued to participate in national and international standards-setting processes to ensure safe food is traded in the country and provides assistance with regards to market access as the competent authority.



LEGAL METROLOGY

Overview

Legal Metrology ensures that consumers receive the accurate quantity of goods as declared by an importer, manufacturer, or retailer on packaging or when services are provided. It also verifies the suitability of measuring instruments used in various sectors such as trade, health, safety, and the environment, ensuring compliance within defined error margins. This safeguards both industry and consumers, fostering equitable trade and upholding public health, safety, and environmental standards. The administration of the Legal Metrology Act (LMA) is mandated to the NRCS and covers all measurable products, services, and instruments used across trade, health, safety, and environmental domains.

The primary responsibilities of the NRCS under the LMA include:

- Advising the Minister on legal metrology technical regulations.
- Ensuring adherence to legal metrology technical regulations.
- Approval and verification of measuring instruments.
- Overseeing repair activities of measuring instruments.
- Representing South Africa at international and regional forums on legal metrology issues.
- Issuing certificates authorizing the sale of instruments or products and the provision of services pertaining to legal metrology.

Establishing compliance schemes and regulating the use of distinctive marks and verification marks.

The NRCS fulfils its mandate to foster equitable trade and safeguarding public health, safety, and the environment through the following actions:

- Conducting thorough evaluations of measuring instruments used for specific legal purposes, ensuring they meet design, construction, and accuracy standards tailored to South Africa's climate and environmental conditions.
- Conducting market surveillance to verify that importers, manufacturers, and retailers use accurate instruments for trade and ensure that pre-packaged products meet specified measurement requirements.
- Taking enforcement actions against importers, manufacturers, and retailers found supplying products with inaccurate measurements or using unapproved measuring instruments.

- Appointing verification bodies to verify measuring instruments on behalf of the National Regulator in accordance with the LMA.
- Appointing repair bodies to handle the repair of measuring instruments.
- Assessing the proficiency of verification officers employed by private verification laboratories authorised to conduct verifications on behalf of the National Regulator.
- Establishing traceability to national standards for verification and inspection criteria used in the approval, verification, and inspection of measuring instruments.
- Providing training to inspectors and, upon request, to regional legal metrology bodies such as SADC member states.
- Reviewing and evaluating test reports of gaming hardware and software to issue a Letter of Certification (LOC) to participants in the gaming and gambling industry, as mandated by the National Gambling Act. This serves as a pre-market approval mechanism to assess compliance with relevant standards and technical regulations.
- Contributing expertise on legal metrology matters to the development of national, regional, and international standards as needed by organizations like SADC MEL, AFRIMETS, and OIML.

Service delivery

During the period in review, the Legal Metrology business unit provided all crucial services as mandated to the South African industry and consumers and has achieved its core operational objectives despite several operational limitations.

These services and functions are further outlined in this document and are summarised as follows:

The type approval of measuring instruments as prescribed in the LM Act, the issuing of Letters of Certification (LOC) to the gambling industry, market surveillance inspections, the calibration

of verification and working standards in industry, the administration of compliance schemes, the designation of verification and repair bodies, the provision of support to technical infrastructure bodies within the dtic cluster, the development of technical regulations and stakeholder engagement.

Accreditation enhances credibility, trustworthiness and provides confidence in the accuracy and reliability of measurement results generated by the legal metrology body. The work put into maintaining accreditation ensures that our service level is consistent in terms of the quality of service rendered. This is essential for ensuring fairness in commercial transactions, protecting consumer interests, and maintaining public trust in the integrity of measurements.

To this end, The Legal Metrology business unit is accredited through the South African National Accreditation System (SANAS) under the following SANS standards:

- SANS/ISO 17020 as an inspection body for market surveillance inspections
- SANS/ISO 17025 as a mass and volume calibration laboratory (verification standards)
- SANS/ISO 17025 as a test laboratory for undertaking type evaluation tests

Type Approval of prescribed measuring instruments

During the year under review, type approval received 230 applications from instrument manufacturers and suppliers (this is in addition to the 96 applications carried over from the previous year) processed 286 applications and issued 131 Type Approval Certificates (TAC) for instruments that have met all regulatory requirements. 99,65 % of the type approval applications were completed within the 120-day target period.

The TAC authorises a person to sell or make available an approved measuring instruments for use in terms of the LMA and relevant technical requirements.

Issuing of Letters of Certification (LOC) to the gambling industry

Legal Metrology received 795 new applications from the gambling industry for the evaluation of gambling hardware and software. In total, 871 applications were processed during the year and 822 LOC were issued for compliant gambling hardware and software whereas 49 applications were refused a LOC. 100 % of the LOC were completed within the 30-day target period.

Market surveillance activities

A total number of 4 888 market surveillance inspections were conducted. This amounts to 175 more than the inspection target of 4 750 set for the year.

To regulate more effectively and efficiently, the focus of market surveillance inspections remained on importers and manufacturers as the source of prepacked goods and measuring instruments. Thus 80 % of the market surveillance inspections were carried out at the source, and 20 % of the inspections were carried out at retail level.

During these market surveillance inspections, 20 003 samples of different prepacked products were evaluated, and the following non-compliances were uncovered:

Sale of goods - Type of contravention	Incidents of non-compliance	
	2023/2024	2022/2023
Short measure	772 – 15 %	711 – 4.2 %
Incorrectly marked	2 988 – 57 %	283 – 1.7 %
Unmarked goods	381 – 7 %	165 – 1 %
e-mark used without registration	1 128 – 21 %	58 – 0,3 %
Other	8 – 0.1 %	5 – 0,1 %
Total	5 277 – 26.4 %	1 222 – 7.2 %

Table 20 Sale of goods – Type of contraventions

A total number of 12 583 measuring instruments were inspected and the following were noted:

Instruments - Type of contravention	Incidents of non-compliance	
	2023/24	2022/23
Verification status lapsed	1 279 – 10.2 %	2 010 – 13.2 %
Unapproved	179 – 1.4 %	195 – 1.3 %
Inaccuracy	104 – 0.8 %	40 – 0.03 %
Technical, marking and other non-compliances	42 – 0.3 %	68 – 0.04 %
Total	1 604 – 12.7 %	2 313 – 15 %

Table 21 Instruments – Type of contraventions

The verification status of measuring instruments as well as the number of unapproved measuring instruments that found their way into the market, continue to be main contributors to incidents of non-compliance.

To ensure that none of the non-compliant goods found their way to the consumer and that non-compliant instruments were not used in transactions, Legal Metrology market surveillance inspectors issued a total number of 5 591 embargoes for pre-packed goods and 1 290 rejections for measuring instruments. Legal Metrology market surveillance inspectors issued directives to 802 businesses for supplying non-compliant pre-packed goods or instruments.

The total monetary value of the products tested by Legal Metrology market surveillance inspectors amounted to R632 million. The total value of the products found non-compliant, that was either removed from the market or corrected before being sold, amounted to R61 million.

Calibration of verification standards

The SANAS accredited calibration laboratories inspected and calibrated 11 677 mass verification standards, 722 volumetric verification standards and 207 balances. The calibrations ensured that standards used by verification officers as well as equipment used by market surveillance inspectors of the National Regulator were accurate and traceable to national standards. All calibration equipment in these laboratories were upgraded to enable Legal Metrology to calibrate verification standards to an F1 accuracy class to serve the industry better.

Compliance schemes

The E-mark (prepacked products) and O-mark (measuring container bottles) compliance schemes are schemes of regulatory control that allows South African manufactured commodities greater access into regional and international markets and lowers the risk of importing non-compliant commodities. For local companies it also means that producers and exporters can further gain access into foreign markets with less red tape and the capacity to lock in their business in foreign markets. The registration of a manufacturer or importer also requires them to implement a system of quantity control and traceability for the products.

There are currently 87 local manufacturers, and 113 importers registered by the NRCS under these mark schemes. Seven new local manufacturers and two new importers were registered during the year under review.

Designation of verification and repair bodies

Legal Metrology designated 91 verification and 31 repair bodies during the year.

To ensure that personnel working for these bodies were competent, verification officers and persons responsible for repairs (repairers) had to pass all required theoretical and practical examinations.

A total number of 364 persons wrote 534 theoretical examination papers of which 245 (45%) were passed

Demographic breakdown of the officers that wrote theoretical exams

	Male	Female
African	180 (55,4 %)	26 (66,7 %)
Coloured	8(2,5 %)	0 (0 %)
Indian	19(5,8 %)	12 (30,8 %)
White	118 (36,3 %)	1(2,6 %)
Total	325	39

Table 22 Demographic breakdown of the officers that wrote theoretical exams

43 of the 51 Candidates passed practical evaluations on verifying/repairing measuring instruments and were issued with the relevant certificate.

Support to Technical Infrastructure bodies of the dtic

SANAS

Legal Metrology provided support to SANAS, in the form of lead or technical assessors, to conduct assessments on verification and repair laboratories. Some 123 man-days were utilised in the assessment of verification laboratories by assessors from Legal Metrology. The assessment of verification and repair laboratories remains strategic to the National Regulator because it underpins confidence in the designation of the laboratories to operate under the LMA.

SABS

Personnel members from the Legal Metrology unit chaired SABS Committees dealing with legal metrology standards, and specialists and inspectors from the unit also participated in various other work groups dealing with new standards and amendments to existing standards covering the technical requirements for legal metrology. The involvement of Legal Metrology in these activities ensured that the regulator remained on the cutting edge of technological developments in the field of legal metrology.

Development of technical regulations

Legal Metrology started the process to develop interim requirements for electrical energy meters (OIML R 46), stationary source emission (OIML R 143 and 144), vehicle exhaust emissions (OIML R 99), automatic instruments for weighing road vehicles in-motion as well as legal metrology technical regulations for tyre thread depth gauges, king pin measuring instruments, mobile brake tester and mass pieces (OIML R111).

The unit is also reviewing the existing technical regulation for liquid meters based on the updated version of OIML R117.

Inspectorate capacity

The inspectorate has several vacancies in key positions that need to be filled as soon as the internal organisational cost containment measures

are sufficiently relaxed. The inspectorate also embarked upon several training initiatives internally in an effort to maintain key competencies whilst sufficiently capacitating officials to perform their duties effectively and efficiently.

National, Regional and International Liaison

The Legal Metrology division maintained strong collaboration with national, regional, and global regulatory authorities, along with standard-setting organisations in the legal metrology domain, and participated in the following endeavours:

OIML

The OIML enables economies to put in place an effective legal metrology infrastructure that is mutually compatible and internationally recognised

The Legal Metrology business unit represents South Africa as a participating member on various technical committees of the International Organisation of Legal Metrology (OIML). These committees are responsible for drafting model regulations (recommendations) to be used in legal metrology. Input was provided to several of these recommendations which ensured that South African requirements were considered in the development of new harmonised international requirements.

Legal Metrology participated actively through comments or votes on five international projects namely:

- Revision of R 126 Evidential breath analysers
- New publication R 87 Pre-package template
- Revision of R 140 Measuring systems for gaseous fuels
- Revision of R 51 Automatic catch weighing instruments
- Revision of R49: Water meters intended for the metering of cold potable water and hot water.
- Revision of R 76:2006 non-automatic weighing instruments

The Legal Metrology unit also hosts the secretariat of the OIML Technical Committee 6 – *Pre-packaged products* (OIML TC 6), which deals with labelling and quantity requirements for pre-packaged goods and is in the process of developing an international harmonised inspection template for the evaluation of prepacked products.

The head of the Legal Metrology business unit, and the senior manager inspections represented South Africa at the Seminar:

“The future of the OIML in the “digital era” and at the 58th Meeting of the International Committee of Legal Metrology (CML) in Chiang Mai, Thailand which were held from 17 to 19 October 2023. The CML reviewed the organisation’s progress on technical, administrative and strategic operations.

Because South Africa was elected as the chairperson of the OIML Countries and Economies with Emerging Metrology Systems (CEEMS) the OIML president also invited the chairperson of CEEMS from South Africa to the OIML strategic meeting. Legal Metrology also participated in the Regional Legal Metrology Organisation (RLMO) Round Table meeting and the OIML CEEMS Annual General meeting to ensure the development of legal metrology on the African continent and all other OIML regions.

South Africa, represented by Legal Metrology, could not attend the OIML Certificate System Management and Review Committee meeting that was physically held in India during March 2024 due to budget constraints. However, the views of the unit were presented through a proxy.

SADC

The SADC is comprised of 16 member states in Southern Africa to promote regional cooperation and integration, economic growth, and sustainable development in the region.

The Legal Metrology unit provides the secretariat for the SADC Cooperation in Legal Metrology (SADCMEL). The secretariat was responsible for arranging the 37th SADCMEL Committee meeting that took place in May 2023 and were virtually

hosted by the Democratic Republic of the Congo as well as the 38th SADCMEL meeting that took place in March 2024, hosted by Angola.

The involvement of the Legal Metrology unit and the attendance of these meetings are valuable as it furthered the commitment of the NRCS to play a leading role in sub-regional legal metrology matters of interest.

The NRCS Legal Metrology hosted members of the Zambian Bureau of Standards, the Zambia Compulsory Standards Agency and the Zambia Metrology Agency during December 2023 at the offices of the NRCS in Pretoria. The purpose of the visit was to better understand the quality infrastructure model implemented in South Africa. Legal Metrology further planned a visit to a NRCS designated verification body for the delegation to better understand how verification is carried out by private sector bodies on behalf of the National Regulator and to witness first-hand the operation of tank level gauges.

The NRCS Legal Metrology unit also participated in a visit of a ministerial committee from Ethiopia to South Africa that took place during July 2023. The delegation received a presentation on the regulatory model implemented by the NRCS as well as the products regulated by the various units within the NRCS.

AFRIMETS

AFRIMETS, the African Regional Metrology Organization, is a regional body dedicated to promoting metrology in Africa. AFRIMETS works to enhance the accuracy, reliability, and uniformity of measurements across the continent by fostering cooperation, sharing expertise, and developing metrological infrastructure. It provides support to national metrology institutes (NMIs), Legal Metrology bodies and other measurement laboratories in Africa, helping them meet international standards and best practices. AFRIMETS plays a crucial role in advancing trade, industry, and scientific research by ensuring the consistency and traceability of measurements, thereby contributing to economic growth, consumer protection, and environmental sustainability in Africa.

South Africa serves as the secretariat to AFRIMETS, with the NRCS acting as the secretariat specifically for the Legal Metrology division. Active involvement in AFRIMETS activities is crucial as it not only enhances the NRCS's reputation as a prominent regulator in legal metrology and related domains but also ensures the fulfilment of AFRIMETS' objectives.

The 16th AFRIMETS General Assembly (GA) took place from 16 to 20 July in Giza, Egypt. South Africa was represented by the NRCS appointed secretariat as well as the Acting General Manager for Legal Metrology.

During the meetings various technical committees convened to discuss specific areas of metrology, such as legal metrology, scientific metrology, and digitalisation. These meetings addressed strategic initiatives, workshops, training programmes, and harmonisation efforts within each region.

Representatives from sub-regional metrology organizations (SRMOs), such as SADC MEL, ECOMET, and EAMET, provided updates on their respective work programmes and initiatives aimed at harmonising metrology activities within their regions.

Several resolutions were made during the meetings, including the reaffirmation of office bearers, plans for hosting future meetings, and the need for workshops and training programs on specific metrology topics, such as precious metals regulation and digitalisation.

The director's meeting focused on providing feedback on AFRIMETS activities, discussing membership, sustainability, participation in international schemes, and addressing challenges faced by member states. AFRIMETS organised a workshop on digitalisation, featuring presentations on digital strategies, initiatives, and transformation in metrology infrastructure, as well as discussions on artificial intelligence, big data analysis, and electronic calibration certificates.

The General Assembly included open and closed sessions where technical committees presented reports, external stakeholders provided updates, and high-level discussions took place on metrology issues, regional collaboration, and the role of AFRIMETS in supporting metrology activities across Africa.

The meetings concluded with insights gained from international developments, policy discussions, and networking opportunities. Recommendations were made to continue active participation in such meetings to stay updated and contribute to the advancement of metrology in South Africa and across the continent.

Stakeholder engagement

Legal Metrology continued to create awareness and informed South African commerce and industry about legal metrology technical regulation requirements through meetings with various stakeholders in the retail and instrument manufacturer sectors.

Meetings with the Formal Verification and Repair Body Sector were held virtually during March 2024 to inform verification and repair bodies, carrying out repair work or verifications on behalf of the National Regulator, about the requirements and implications of the LMA on this sector.

External stakeholder work group meetings for the development of interim requirements for tyre pressure gauges for motor vehicles, vehicle exhaust emissions, stationary source emissions and automatic instruments for weighing road vehicles in motion and measuring axle loads were also virtually hosted by the Legal Metrology unit.

Legal Metrology engaged with the following stakeholder with the intention to resolve some of the issue of common interest:

South African Metering Industry Association – water meter industry issues raised and resolved and, where they could not be resolved, actions were put in place.

South African Sugar Association – compliance of measuring instruments used in the processing of sugar.

Ice cream industry – the shrinking package leading to misleading practice,

Legal Metrology also collaborated with Food and Associated Industry (FAI) of the NRCS to ensure that imported or locally manufactured fish products complied with legal metrology requirements.

A stakeholder engagement sector meeting was held on 27 March 2023 for the compliance mark scheme holders. This was to address the procedural requirements for continued registration and to provide an update on the NRCS' internal protocols applicable to registered firms.

Funding

Legal Metrology receives its principal source of funding through a government grant to the NRCS. Additional funding is generated from its calibration, verification, type approval, the issuing of LOCs and assessment activities.

The NRCS has submitted a request to increase Legal Metrology Funding, the gazetted tariffs and fees. Thus, the revenue remained unchanged in relation to the organisation's expenses.

Conclusion

The year 2023-2024 was a year of dedicated service and achievement for the Legal Metrology division of the NRCS. Despite operational limitations, the unit successfully fulfilled its mandate of fostering equitable trade, safeguarding public health and safety, and protecting the environment. Through rigorous market surveillance, calibration activities, and enforcement actions, the unit ensured compliance with legal metrology regulations, thereby upholding standards and protecting consumer interests.

Active participation in international, regional, and national forums such as AFRIMETS, OIML, SADC, and stakeholder engagements further solidified the NRCS's role as a leading regulator in legal metrology. Collaboration with stakeholders and industry players facilitated the resolution of common issues and ensured alignment with evolving standards and practices.

Despite funding challenges, the Legal Metrology unit remained steadfast in its commitment to enhance measurement accuracy, promote industry competitiveness, and protect consumer rights. Looking ahead, the unit remains dedicated to strengthening enforcement mechanisms, develop legislative frameworks, and support local industry growth to ensure continued confidence in South Africa's measurement systems and market access for local manufacturers.



REGULATORY RESEARCH AND DEVELOPMENT

Overview

The Regulatory Research and Development (RR&D) Business Unit supports the NRCS's first strategic goal which is to develop and maintain Compulsory Specifications (VCs) and Technical Regulations (TRs) under the NRCS Act, 2008 (Act No.5 of 2008) as amended, Legal Metrology Technical Regulations under the Legal Metrology Act, 2014 (Act No.9 of 2014) and National Building Regulations and Building Standards Act, 1977 (Act No.103 of 1977).

The business unit's role within the NRCS is to ensure continued effectiveness, efficiency and relevance of regulatory activities through the development of new, and the amendment of existing, VCs or TRs. The Unit conducts impact and risk assessments to determine the feasibility of new Compulsory Specifications and Technical Regulations, as well as the revision and amendment of existing ones.

Throughout these processes, RR&D focuses on building strong stakeholder relationships to encourage stakeholder participation in determining regulations. Stakeholder engagement primarily ensures transparency and accountability in the development and maintenance of VCs and TRs. To achieve wide participation, the NRCS establishes broad-based (multi-disciplinary/sectors) stakeholder groups representing common interests composed

of experts (technical, academic, and industrial), other government departments and government entities, non-governmental organisations (NGOs), industry bodies, consumer bodies, and other organised civil society groups, as may be necessary.

The RR&D develops and maintains VCs and TRs for the five broad sectors under the NRCS, namely, Automotive; Electro-technical; Chemicals, Mechanical and Materials (CMM); Food and Associated Industries (FAI); Building and Construction Materials; and for accurate measurement units and instruments under the Legal Metrology Act. The Unit develops and maintains VCs and TRs through the following activities:

- Identification of the need for new, or amendments, to the VCs and TRs, according to the latest international and national requirements;
- Conducting feasibility studies, risk assessment, and impact assessment in the process of determining the minimum requirements in VCs and TRs;
- Collaborating with stakeholders on the determination of minimum requirements and associated conformity assessment activities in VCs and TRs;

- d. Conducting regulatory research to benchmark the NRCS's regulatory practices with international best practice and to inform regulatory decisions that are included in VCs and TRs;
- e. Supporting the Industrial Master Plans of the Department of Trade, Industry and Competition (the dtic) by developing VCs and TRs that promote industrial development initiatives across different key action programmes such as green industries, electro-technical, footwear, plastics and chemicals, automotive products, and components, agro-processing and growing the Oceans Economy.

Performance highlights

The development and maintenance of Compulsory Specifications (VCs) and Technical Regulations (TRs).

- a. Ten VCs/TRs were targeted for approval by the CEO for submission for publication by the dtic and a 100% target was reached. These are:
- b. VC 8022 – motor vehicles of category M1 (first gazette),
- c. VC 8024 – motor vehicles of category N1 (first gazette) ,
- d. VC 8033 – child restraints for use in motor vehicles (first gazette),
- e. VC 8048 – replacement light sources for use in motor vehicles (first gazette),
- f. VC 8049 – replacement headlights for motor vehicles (first gazette),
- g. VC 8050 – replacement secondary lights for motor vehicles (first gazette),
- h. VC 8051 – replacement safety glazing for use in road vehicles (first gazette),
- i. VC 8065 – mechanical coupling devices of combinations of vehicles (first gazette),
- j. VC 9113- efficiency requirements for electric motors (final gazette)
- k. VC 9114 - Chilled finfish, marine molluscs and crustaceans and products derived therefrom (first gazette),

Some 21 Compulsory Specifications are still pending publication by the dtic.

- a. VC 9108, Farmed and wild dried abalone
- b. VC 9111, Crude fish oil For human consumption and further processing
- c. VC 8020, Frozen lobster
- d. VC 8021, Chilled smoked finfish and smoke-flavoured finfish
- e. VC8017, Frozen fish, marine molluscs, and products derived therefrom.
- f. VC 8031, Frozen shrimps (prawns), langoustines and crabs and products derived therefrom
- g. VC9100, Processed meats (Correction notice)
- h. VC 8055, Safety of electrical and electronic appliances
- i. VC 8006, Flexible cords for electrical appliances
- j. VC 9103, Portable generators
- k. VC 8035, Earth leakage protection devices
- l. VC 9012, Electric Luminaire
- m. VC 8057, Agricultural tractors
- n. VC 8080, Elastomeric cups and seals
- o. VC 9092, Preservative Treatment of Timber
- p. VC8087, Plastic carrier bags and flat bags
- q. VC 8032, Personal floating aids
- r. VC 9090, Swimming aids
- s. VC 9106 , Polymer film for damp-proofing and waterproofing in buildings
- t. VC 9003, The Compulsory Specification for Safety Glass and other safety glazing materials.
- u. VC8079, The control of gaming devices and related apparatus.

The RR&D Project Approvals Committee reviewed and approved a number of project reports

Significant progress was made towards completion of other projects, some of which were not targeted for completion during the period under review but are part of the progressive achievement of project milestones by RR&D. In addition extensive research was conducted as part of several feasibility studies, risk and impact assessments during the year. The reports produced through these processes are

approved by the Project Approvals Committee (PAC) of the RR&D, which is responsible for managing the progress and quality control of projects registered in RR&D. Its main role is to appraise and approve technical reports produced during the projects and to make recommendations on actions needed to improve outcomes prior to submission to the NRCS's Forum of General Managers. During the 2023/24 financial year, the PAC reviewed and approved the following submissions:

Periodic review reports: One

- a. VC 9002, The Compulsory Specification for Personal Protective Equipment: Safety Footwear

Feasibility reports for the development of Two new VCs and TRs:

- a. Thin Gauge Corrugated Roof Sheetting
- b. Safety Matches

Three project proposals:

- a. VC 9085, The Compulsory Specification for cement
- b. technical regulation for kingpin measuring instruments
- c. technical regulation for tyre tread depth measuring instrument

One impact assessment report:

Impact report for the proposed compulsory specification for chilled fishery products (VC 9114) approved by Project Approvals Committee.

Stakeholder engagement

In the financial year 2023/24, RR&D hosted/participated in 31 official stakeholder consultation meetings on proposed regulatory interventions. These meetings are open to any affected or interested party and are widely attended. However, more effort is needed to increase the participation of Small, Medium, and Micro-Sized Enterprises (SMMEs) in these meetings.

The Unit participated in 93 SABS technical committee meetings to develop standards.

The RR&D unit also had 83 engagement meetings with government departments and their agencies to aid coordination and foster full value chain approach. These include the dtic, Department of Transport, Department of Forestry, Fisheries and the Environment (DFFE), Department of Agriculture, Land and Rural Development (DALRRD), Department of Mineral Resources and Energy (DMRE) Council for Scientific and Industrial Research (CSIR), South African National Energy Development Institute (SANEDI), South African Health Products Regulatory Authority (SAPHRA), SARS-Customs and the Road Traffic Management Cooperation (RTMC). RR&D Staff members also participated in several intergovernmental coordinating structures such as the National Interdepartmental Sanitary and Phytosanitary measures (SPS) and Technical Barriers to Trade (TBT) fora, Interdepartmental Task Team on Food Control, the Multi-sector Committee on Chemicals Management (MCCM), Department of Transport's Vehicle Technical Committee (VTC), Inter-Provincial Policy & Procedures working group (IPPP) and Abnormal Load Technical Committee (ALTC), Department of Environmental Affairs' Industry Waste Management Plan (IWMP) forums and the Appliance Standards and the Labeling group of the Department of Energy. The Unit also participated in Technical Committees of the South African Bureau of Standards (SABS), meetings responsible for developing, adopting, and maintaining South African National Standards (SANS) and applicable to commodities that are regulated by the NRCS.

The Unit also provides training and/or makes presentations to relevant forums that deal with Technical Regulations when required.

National Building Regulations (NBR) engagements

The Unit had five successful NBR awareness workshops in April, May and June 2023 held in Mbombela, Tshwane, North Cape, Johannesburg and Mogale City. The unit also participated in the Inaugural summit by the Council for the Build Environment Sustainability; convened to allow

Government to co-ordinate all sustainability initiatives, presented at the Summit for Building Inspectors. This invitation covered all Government role players including the NHBRC, SALGA and Local Government representatives. NRCS presented on the role of the NBR& BS Act in governing Energy Efficiency in buildings.

The Unit serving as a secretariat, oversaw the election of a Chairman and the Deputy Chairman at the National Building Control Forum (NBCF). The NBR unit follows the upkeep of SANS 10400 series including Part S: access for people with disabilities.

The 12th Annual BCO (Building Control Officer) convention was conducted on the 15th of November 2023, and it was a success. Among the guests were the Deputy Minister of Trade, Industry and Competition, Ms. Nomalungelo Gina, the Mayor of eThekweni: Cllr. Mxolisi Thomas Kaunda as well as the NBCF Chairperson: Mr. Loyin Rajkumar. The BCO was represented by 11 speakers. Some 118 participants attended in person. With a further 109 virtually.

Regional and international involvement

RR&D participated in 90 regional and international engagements in the effort to enhance regional and international harmonisation of regulatory practices. During the period under review, RR&D participated in several regional and international initiatives that are part of the ongoing effort to foster strategic partnerships with other regulators, policymakers, and industries to ensure relevance of the outcomes of the processes to develop and maintain Compulsory Specifications. The participation of regional and international engagement were in all five (5) sectors that the RR&D specialists are either chairpersons or members including ARSO TC234 fisheries & Aquaculture, ARSO COCO Working Group 1: Child Product Safety, Cosmetics, ARSO TC 59 – Automotive, ARSO Conformity Assessment Committee (CACO), Hydrogen fuelled vehicles webinar, AU(African Union) Codex Alimentarius Commission (CAC) preparation meeting for african position, WTO-SPS (Sanitary and Phytosanitary

agreement) workshop on risk assessment to inform regulations, WP.29/GRPE Task Force Autonomous Vehicles meeting, International Standardisation Organisation - Committee on consumer policy ISO/COPOLCO/WG on product safety, also as a panelist and participation at the AU/AFCFTA Good Regulatory Practice (GRP) learning event.

TRAINING

RR & D staff members were engaged in 48 training programmes nationally and internationally to improve skills, competency, and awareness. Noticeably, • e-SEIAS (Socio-Economic Impact Assessment System) launch and training, the Trade Law Centre (tralac) Survey: Africa's traders experience on the African Continental Free Trade Agreement (AfCFTA), EV ACAD – Programme on EV Technology, ARSO webinar on Mutual Recognition Arrangements and Trade Facilitation Confirmation, SADC-EU EPA for exports of agricultural products from South Africa to the European Union, ARSO training on ASHAM and standards writing, CGCSA (Consumer Goods Council of South Africa) annual summit, Food safety summit, University of Cape Town Chemical Network Discussion: 'Accelerating Innovation to Drive the Informed Substitution of Chemicals of Concern', Electric Vehicle technology and development, PV solar system installation course, the SAAFoS congress 2023, EELA training on energy efficiency of appliance, Electric vehicle charging and energy infrastructure etc.

- The review of the risk assessment methodology for the development and maintenance of VCs and TRs commenced. The Business Unit actively worked with the service provider in the review process to ensure that the project is completed within the agreed timeline.
- The NRCS has appointed a panel of service providers to assist with research on the impact of the proposed regulation on various stakeholders. This will greatly assist the RR&D business unit to produce compulsory specifications that are based on a comprehensive assessment to supplement internal capacity before submitting to the dtic.

- Research paper on the feasibility of 2 & 3-wheeler electric scooters in Africa was published and Joseph Mashele (Automotive Specialist within RRD) was a co-author of the paper.

Challenges and opportunities

The Unit faced several challenges affecting its performance, some of which are the following:

- Extended project (CSP 350 processes) timelines:
 - a. Persistent backlog in the publication of VCs submitted to the dtic.
 - b. New requirements that are being implemented retrospectively by the dtic on approving VCs submitted.
 - c. Lengthy processes to clarify concurrent mandates (NDoH, DoE, DoT, etc.).
 - d. The lack of control over time duration for approval and publication of regulations.
 - e. Poor stakeholder participation in consultation meetings (improving with online meetings).
 - f. Capacity for requests in the plumbing components/ building materials fields and economist
 - g. Local laboratory capacity for newly requested VCs and amendments.

The RR&D unit had an opportunity to review of the risk assessment methodology for the development and maintenance of VCs and TRs during the financial year 23/24. The Business Unit actively worked with the service provider in the review process to ensure that the project is completed within the agreed timeline.

The NRCS has also appointed a panel of service providers to assist with research on the impact of the proposed regulation on various stakeholders. This will greatly assist the RR&D business unit to produce compulsory specifications that are based on a comprehensive assessment to supplement internal capacity before submitting to the dtic. On the other hand, a research paper on the feasibility of 2 & 3-wheeler electric scooters in Africa was published and Joseph Mashele (Automotive Specialist within RRD) was a co-author of the paper.

Conclusion

The implementation of Covid-19 measures resulted in significant changes in the business processes of the Business Unit. The use of online tools to attend external meetings and convene stakeholder consultation meetings is the most noticeable development. Meeting attendance has increased as online meetings have become more accessible to stakeholders around the country, at no cost. Another advantage is the money saved on logistical arrangements for organising these meetings, such as transport and refreshments for attendees. Because they all worked from home, the Unit's personnel were able to acclimatise to the unexpected changes and learn how to use the web tools needed to work remotely.

The strategic objectives and goals/objectives of the RR&D Business Unit to support the NRCS Strategy, as well as its performance against those objectives, were reported in this report for the fiscal year 2023/24. RR&D will focus on strengthening its processes and procedures in the approaching fiscal year, 2024/25, to streamline VC/TR development, reduce VC development objections, and produce high-quality and sound VCs/TRs. RR&D will work with all stakeholders to produce VCs/TRs that address market problems while causing the least amount of harm to the industry and the general public. Finally, the RR&D will keep up with worldwide developments by participating in national and international forums on a regular basis.



COMMUNICATIONS AND MARKETING

The role of the Communications and Marketing Business Unit of the NRCS is to facilitate and coordinate an array of integrated communication solutions in line with the business strategy and objectives of the Regulator. This promotes and enhances the image of the Regulator to all its stakeholders. These solutions include internal and external communication, public relations, media liaison, marketing, branding and advertising.

Overview

The unit is responsible for the NRCS's Strategic Goal 3: to inform and educate our stakeholders about the NRCS. Activities of the unit are arranged in line with this goal, as outlined in the NRCS Strategic Plan and the Annual Performance Plan.

Performance

Consumer education and awareness

During the period under review, the Business Unit conducted 27 consumer awareness programmes working in partnership with other stakeholders such as government departments and other agencies, as well as various municipalities across the country. Through this, the organisation reached more communities and educated them about the mandate of the organisation, its regulatory activities, and the danger of using non-compliant products.

Media liaison activities

Multimedia campaigns

The unit implemented two multi-media campaigns in the form of a TV advert and community radio engagement as part of its marketing plan to profile the organisation and improve its recognition among various stakeholders.

- The TV advert was aired on various SABC platforms
- The radio engagement was with Kurara FM

Media Statements and Interviews

The unit communicates organisational messages and key activities through various media platforms. During the period under review, it compiled several media releases for distribution on topical issues around the regulatory activities of the NRCS.

The following 12 media statements and one media response were issued during the period under review:

- Treated timber raid in Limpopo
- World Legal Metrology Day
- NRCS Mahikeng rural engagement
- NRCS Mahikeng rural engagement, post event
- NRCS clean audit finding
- Mpumalanga rural engagement campaign
- Mpumalanga rural engagement campaign, post event

- BCO convention
- Reconditioned geysers
- Northern Cape rural engagement
- Report on the assessments/rollover test of panel vans, (media response)
- WCRD Joint Statement with NCC and DEDECT
- Free State rural engagement campaign

The unit facilitated media interviews with various radio stations about the confiscation of non-compliant articles and the mandate of the organisation in general, thereby reaching millions of listeners. The unit also coordinated interviews based on media statements issued to various media houses in the country and, thus, generated free publicity for the organisation. The interviews were conducted with the following radio stations/publications:

- Mahikeng FM x2
- Bokone Bophirima FM x2
- Mmabatho FM
- Power FM
- Radio Bushbuckridge
- Rise FM
- Phalaphala FM
- Interact Media
- Business Focus Magazine
- Kurara FM
- Motswedding FM
- SABC Radio (countrywide)

The organisation was covered by media houses such as Business Live, Herald Live, Times Live and Engineering News, amongst others.

Media queries

The Unit received four media queries for the period under review.

Social media

As part of its integrated communication plan, the unit develop the Social Media Strategy and plan which saw the establishment of various media platforms on Facebook, Twitter, Instagram, YouTube and a Google account. These platforms were used to market the organisation and create easy access to NRCS information. As a result of the implementation of the Social Media Strategy, the NRCS experienced an increase in the number of followers and interaction on all the platforms.

Stakeholder Management

The unit:

- Hosted the Parliamentary Portfolio Committee on Trade, Industry and Competition which conducted an oversight visit;
- Organised a webinar assisting small businesses attached to the Small Enterprise Development Agency (SEDA);
- Conducted joint inspections with the North West Department of Economic Development, Conservation, Environment and Tourism's Consumer Affairs Unit, and MIOSA, as part of the Mahikeng rural engagement programme;
- Conducted Timber Raids in Umtata with the Chemical Mechanical and Materials (CMM) business unit;
- Attended a webinar on debt counselling organised by the NCR;
- Successfully organised the NRCS Rural Engagement Campaign that was held in Mpumalanga from 26 - 29 September 2023;
- Attended four Consumer Education Committee (CEC) meetings;
- Attended the dtic session to deliver a presentation on the mandate of the NRCS;
- Coordinated the FAI industry meeting;
- Hosted the 11th Annual BCO Convention;
- Attended a raid conducted by Electro Technical where non-compliant refurbished geysers were confiscated;
- Facilitated the CEO and business units' participation at the Pakistan-Africa Trade Development Conference and Exhibition;

- Successfully executed the four NRCS rural engagement campaigns working with various stakeholders;
- Attended four meetings of the Consumer Protection Forum (CPF);
- Hosted levy consultation sessions with various industries in Pretoria, Durban, Port Elizabeth and Cape Town;
- Facilitated the hotline awareness sessions;
- Exhibited at the South Africa-Uganda Trade and Investment Business Forum.

Publications

The unit developed and issued two external publications during the period under review aimed at enhancing communication with the industry.

The Unit also compiled 11 internal newsletters aimed at communicating developments around the organisation to employees.

Conclusion

Despite capacity issues, the unit achieved all its targets for the year. The unit continues to make major strides in its drive to market and promote the NRCS and create an understanding of its role and mandate.



PART C

GOVERNANCE REPORT

GOVERNANCE REPORT

Introduction

The NRCS was established on 1 September 2008, through the promulgation of the NRCS Act. As a public entity, the NRCS is guided by the protocol on good corporate governance, as defined in the Public Finance Management Act, Act No. 1 of 1999 (PFMA). In managing its activities, the organisation strives to achieve transparency, accountability, efficiency and the effective use of resources.

Executive Authority

The NRCS is a schedule 3(A) entity in terms of the PFMA. As an entity of the dtic, the Minister of Trade, Industry and Competition is the Executive Authority. The NRCS complied with its obligations in terms of the PFMA and shareholder expectations from the Executive Authority.

Accounting Authority

The governance structure of the NRCS was amended with the promulgation of the Legal Metrology Act, Act No. 9 of 2014, subsequent to which the NRCS does not have a Board, and the CEO is the Accounting Authority of the NRCS.

Governance Committees

Audit and Risk Committee

The role and report of the Audit and Risk Committee are discussed on page 88.

Technical Committee

The Technical Committee fulfils the role of a management committee, assisting the Accounting Authority in fulfilling corporate governance responsibilities relating to technical and related matters. In brief, the committee was responsible for:

- Considering and advising the CEO on proposed compulsory specifications (VCs) or proposed amendments to VCs in terms of Section 13 of the NRCS Act.
- Recommending actions to be taken against non-compliant products in terms of Section 15(3) of the NRCS Act.
- Considering and advising the CEO on the regulations published in Government Notice R924 in terms of Section 36 of the NRCS Act.
- Considering and advising the CEO on technical and related matters as outlined in the Trade Metrology Act.
- Addressing any issues that are in the public interest as requested by the Executive Authority.

The committee met its obligations and played a major role in the administration of non-compliant products during the financial year.

Risk management

The NRCS is committed to manage risk and its Enterprise Risk Management Framework is aligned to the principles of good corporate governance. The NRCS risk management system encompasses the culture, processes and structures that are directed towards the effective management of potential opportunities and adverse effects presented by the risks to business of the NRCS. The NRCS regards strategic management of risk as an integral element of a decision-making process, supporting effective planning and evaluation of its activities, including encouraging and building confidence for innovation and change. To be effective in the execution of its mandate and achieve its objectives, the organisation has incorporated risk management into the day-to-day operations of the organisation.

The Audit and Risk Committee exercises oversight on risk management matters within the organisation. In managing risks, the NRCS instituted a system of internal controls which covers NRCS business operations, financial and information communication technology aspects. The system of internal control is also designed to fulfil the requirements as set out in the NRCS Governance Framework.

In terms of risk management, the NRCS has a risk management policy, risk management strategy and other relevant policies and procedures that provides the basis for a system of enterprise risk management. Through this system, management identifies threats and activities which, should they arise may negatively affect the organisation's ability to achieve its objectives and opportunities. The system also creates an environment where management can prioritise risks and develop a Risk Response Strategy in accordance with the NRCS Materiality Framework. The Accounting Authority is responsible for ensuring that the system of internal controls is effective, efficient and transparent.

During the year under review, management reviewed the organisational strategic risks. The strategic and operational risk registers also clearly provide the mitigation measures aimed at managing the risks that are faced by the entity. The top two strategic risks of the organisation are inadequate ICT systems and infrastructure and financial sustainability.

The strategic, operational and project risk registers are periodically monitored through the various internal committees and reported to the Audit and Risk Committee on a quarterly basis.

The Audit and Risk Committee plays a significant role in ensuring compliance with good corporate governance principles, aiding the Accounting Authority in the management of the NRCS' risks. The committee also played a significant role in identifying strategic areas of concern. The identified internal audit findings continue to receive attention from management.

Internal control

The system of internal control is designed to provide cost-effective assurance that assets are safeguarded and that liabilities and working capital are efficiently managed. The Audit and Risk Committee noted the finding on review of policies and related weaknesses in the internal control environment. The Accounting Authority is implementing measures to ensure that policies are timeously reviewed.

Internal audit

The NRCS considers compliance with applicable laws, regulations, codes and its own ethical standards and internal policies to be an integral part of its business culture. Its Internal Audit Unit therefore provides independent, objective assurance and consulting services to add value to, and improve the organisation's operations. The unit takes a systematic, disciplined approach to evaluate and improve the adequacy of risk management, control and governance processes.

The unit is primarily responsible for the execution of operational and compliance audits, performance audits, financial audits, IT audits, forensic audits as well as ad hoc assignments. At present, the unit comprises four employees and is complemented by a co-sourced internal audit partner.

Audit work during the year

During the year under review, the Internal Audit Unit planned 11 risk-based audit engagements, which were mainly successfully concluded.

- Review of Annual Financial Statements;
- Review of internal financial controls;
- Review of expenditure and contract – SCM;
- ERP Probity Audits;
- Follow up on Auditor General Findings;
- Follow up on internal audit findings;
- Validation of quarterly performance information;
- Compliance reviews; and
- HCM and payroll review

It also concluded the following tasks, in consultation with the Audit and Risk Committee:

- A three-year rolling Strategic Internal Audit Plan, based on its assessment of key risk areas to the NRCS, having regard for current operations and operations proposed in the Strategic Plan and Risk Management Strategy;
- A risk-based annual Internal Audit Plan;
- Development of the scope, cost and timelines of each audit set out in the annual Internal Audit Plan; and
- Audit reports, directed to the Audit and Risk Committee, detailing the unit's performance against the plan, and allowing for effective monitoring and intervention when necessary.

The internal audits were, where possible, coordinated with the AGSA to ensure proper audit coverage and to minimise the duplication of efforts. The unit assisted the Accounting

Authority in maintaining the system of internal control, by evaluating controls and developing recommendations for enhancement or improvement. The overall conclusion of internal audit for the year was that controls were essentially partially adequate and, therefore, not yet effective in providing reasonable assurance that the objectives would be achieved.

The Internal Audit Unit assisted the Accounting Authority in achieving the NRCS's objectives by evaluating and developing recommendations for the enhancement or improvement of internal processes, through which:

- Objectives and values are established and communicated
- The accomplishments of objectives are monitored
- Accountability is ensured
- Corporate values are preserved
- The adequacy and effectiveness of the system of internal control is reviewed and appraised
- The relevance, reliability and integrity of management, financial and operating data, and reports are appraised
- Systems are established or reviewed to ensure compliance with policies, plans, procedures, statutory requirements and regulations, which could have a significant impact on operations
- The means of safeguarding assets are reviewed and, when appropriate, their existence verified
- The economy, efficiency and effectiveness with which resources are employed are appraised
- The results of operation or programmes are reviewed to ascertain whether results are consistent with the NRCS's established objectives and goals, and whether the operations or programmes are being carried out as planned
- The adequacy of established systems and procedures are assessed.

Fraud and corruption

The NRCS is committed to zero tolerance to fraud and corruption. The NRCS has an independent hotline for reporting fraud and allegations thereof. The NRCS has an approved three-year risk management plan which incorporates anti-fraud and corruption interventions which was implemented during the financial year. The NRCS efforts are channelled towards reducing the potential for fraud and corruption. The NRCS has approved a Fraud and Corruption Prevention Policy and Whistle-Blowing Policy. The whistle-blowing policy promotes a culture of whistle-blowing to eliminate fraud and corruption. The NRCS has an independent hotline and encourages employees and stakeholders to utilise this facility and report any acts of fraud and corruption. Customer complaints that were received and not classified as fraud and corruption were handled as per the NRCS customer complaints handling procedure.

Minimising conflict of interest

The NRCS has a Conflict of Interest Policy, which guides employees with regards to potential conflicts of interest and acceptance of gifts. The policy, among other things, provides guidance to employees pertaining to their relationships with suppliers or regulated organisations. Employees are required to declare their financial interests annually, at governance or management meetings as well as for each project that requires a decision – especially of a financial nature. All gifts must be declared and entered into the Gifts Register. To minimise potential conflicts of interest, no NRCS employee is allowed to undertake remunerative work outside of the NRCS or conduct business with any other state institution without prior approval.

Code of ethics

The NRCS has a Code of Ethics Policy which guides and commits all employees to high ethical standards of conduct. The full suite of NRCS policies is available for perusal by all employees and provides guidance on how to behave when interacting with stakeholders.

Health, safety and the environment

The NRCS operates under the Occupational Health and Safety Act, Act No. 181 of 1993 and the Compensation of Occupational Injuries and Diseases Act, Act No. 61 of 1997. The NRCS did not record any serious injury in the reporting period. Safety audits are performed to identify, assess and mitigate risks.

Injury on duty

The following table provide basic information on injury on duty.

Nature of injury on duty	Number	% of total
Required basic medical attention only	1	100%
Temporary Total Disablement	0	
Permanent Disablement	0	
Fatal	0	
Total	1	100%

Table 23 Injury on duty, 1 April 2023 to 31 March 2024

PROCUREMENT/SUPPLY CHAIN INFORMATION

Procurement by other means:

Number of Contracts	Amount
2	R14 137 735,83

Table 24 Procurement by other means:

Variation Orders 2023/24 Financial Year

Number of Variation orders	Number of Contracts Varied	ORIGINAL CONTRACT AMOUNT	VARIATION ORDER AMOUNT	REVISED CONTRACT AMOUNT
3	3	R1 789 683,78	R655 761,59 (37%)	R2 445 445,37

Table 25 Variation Orders 2023/24 Financial Year

Irregular Expenditure**Reconciliation of Irregular expenditure**

Description	2023/24	2022/23
	R'000	R'000
Opening balance	42 956 327	37 757 191
Add: Irregular expenditure confirmed	645 793	5 199 136
Closing balance	43 602 120	42 956 327

Table 26 Reconciliation of Irregular expenditure

Irregular Expenditure 2023/24

Description	2023/2024	2022/2023
	R'000	R'000
Irregular expenditure for the current year	645 793	5 199 136
Total	645 793	5 199 136

Table 27 Irregular Expenditure 2023/24

Irregular Expenditure under Determination

Description	2023/2024	2022/2023
	R'000	R'000
Irregular expenditure under assessment		101 200
Total	-	101 200

Table 28 Irregular Expenditure under Determination

Fruitless and wasteful expenditure**Reconciliation of Fruitless and wasteful expenditure**

Description	2023/24	2022/23
	R'000	R'000
Opening balance	3 693 265	3 373 544
Add: Fruitless and wasteful expenditure confirmed		101 230
Add: Fruitless and wasteful expenditure restated		218 491
Closing balance	3 693 265	3 693 265

Table 29 Reconciliation of Fruitless and wasteful expenditure

Details of current and previous year's expenditure (investigation)

Description	2023/24	2022/23
	R'000	R'000
Fruitless and wasteful expenditure under investigation		3 474 774
Total		3 474 774

Table 30 Details of current and previous year's expenditure (investigation)

NRCS B-BBEE REPORT

Section 10 of the Broad-Based Black Empowerment Act obliges government to implement B-BBEE when procuring goods and services. It states the following:

Every organ of state and public entity must apply any relevant code of good practice issued in terms of this Act in:

- Determining qualification criteria to the issues of licenses, concessions or other authorisation in respect of economic activity in terms of any law;
- Developing and implementing a preferential procurement policy;
- Determining qualification criteria for the sale of state-owned enterprises;
- Developing criteria for entering into partnerships with the private sector and
- Determining criteria for the awarding of incentives, grants and investment schemes in support of B-BBEE.

The B-BBEE Act mandates that each government institution must annually include in their reports how it has implemented Section 10 of the B-BBEE Act as highlighted above. To comply with the requirements of the Act, this report presents the work that the NRCS undertook during the 2023/24 financial year to comply with Section 10 of the B-BBEE Act

Preferential Procurement

The organisation fully supports transformation and inclusivity of the economy in all its procurement. Policies have been amended and implemented fully to ensure compliance with the Preferential Procurement Policy Framework Act (PPPFA).

REPORTING BY ORGANS OF STATE AND PUBLIC ENTITIES IN TERMS OF SECTION 13(G)(1) OF THE BROAD-BASED BLACK ECONOMIC EMPOWERMENT ACT NO. 53 OF 2003 AS AMENDED BY ACT NO. 46 OF 2013.

Name of sphere of Government/public entity/organ of state		Public Entity
Registration number(if applicable)		N/A
Physical address		SABS Campus, 1 Dr Lategan Road, Groenkloof, Brooklyn 0075
Type of sphere of government/public entity/organ of state		Public Entity (Schedule 3A)
Organisation industry/sector		National Regulator For Compulsory Specifications (NRCS)
Has the sphere of government/public entity/organ of state applied any relevant code of good practice B-BBEE Certificate level 1-8) with regard to the following:		
Criteria	Circle relevant answer	Attachment
Determining qualification criteria for the issuing of licenses, concessions, or other authorisations in respect of economic activity in terms of any law	Yes	As per the Regulations to the Legal Metrology Act, the NRCS implemented the B-BBEE requirements. The NRCS may designate a private laboratory to perform verification or repair activities. The designation may be done in terms of section 7 (verification bodies) and section 9 (repair bodies), in a prescribed manner. The prescribed criteria are outlined in the regulations, for verification and repair bodies.
Developing and implementing a preferential procurement policy	Yes	The NRCS is implementing the government policy on preferential procurement and has aligned its supply chain policy to the policy
Determining qualification criteria for the sale of state-owned enterprise	No	The NRCS has no land available for sale
Developing criteria for entering into partnership with private sector	No	The NRCS has not entered into any partnership with the private sector
Determining criteria for the awarding of incentives, grants, investment schemes in support of Broad- Based Black Economic Empowerment	No	Not applicable to the NRCS

Audit and Risk Committee Report

The Committee is pleased to present its report for the financial year ended 31 March 2024.

Committee members and attendance

According to its terms of reference, the committee should comprise three independent members. During the year under review, eight Audit and Risk Committee meetings were held. The Chief Executive Officer, Chief Financial Officer, Internal Audit Manager, other executives and the external auditor regularly attend meetings by invitation. Names, tenure period and qualifications of the Audit and Risk Committee members were as follows

Table 21: Audit and Risk Committee members and meetings

Name and surname	Qualifications	Tenure Period	Number of meetings attended	Special meetings
Ms M Lepele, Representative of the dtic	BCom (Hons)	N/A	3/5	1/3
Mr Suleman Badat, Chairperson	BAcc, CA (SA); CD(SA)	28 January 2019 – 27 January 2022 28 January 2022 – 27 January 2025	5/5	3/3
Ms Sizo Mzizi	BCom (Hons), ACMA, CGMA, ACIS	28 January 2019 – 27 January 2022 28 January 2022 – 27 January 2025	4/5	3/3
Adv. Johannes Weapond	BJuris, LLB, BCom (Hons), B.Tech	25 March 2019 – 24 March 2022 25 March 2022 – 24 March 2025	5/5	3/3

Table 31 Audit and Risk Committee members and meetings

Audit and Risk Committee Responsibility

The Audit and Risk Committee reports that it has complied with its responsibilities arising from Section 51(1) (a) (ii) of the Public Finance Management Act (PFMA) and National Treasury Regulations 27.1. It has adopted appropriate formal terms of reference, as its Audit and Risk Committee Charter, regulated its affairs in compliance with this Charter and has discharged all its responsibilities contained therein.

The Effectiveness of Internal Control and Risk Management

From our review of the reports of the Internal Auditors, the Audit Report on the Annual Financial Statements and the Independent Auditor's Management Report, we can conclude that the system of internal control as a whole, as applied over financial and non-financial matters and enterprise risk management at the NRCS, is partially adequate and not effective. This is consistent with the previous year's practice. Management is in the process of instituting measures to remediate the deficiencies identified relating to governance, internal controls, risk management and compliance. The Committee has noted Management's commitment to address control deficiencies and will be monitoring Management's progress in resolving these findings.

The following internal audit reviews were completed during the year under review:

- Annual Financial Statements;
- Auditor General Follow ups;
- Internal Financial Controls;
- Assurance on revenue;
- Supply Chain Management;
- Performance Information;
- Compliance- Operational, Finance and ICT;
- Human Capital Management and Payroll; and
- Follow-up reviews on previously reported Internal Audit findings

There is an Enterprise Risk Management Framework in place, which includes the Enterprise Risk Management Strategy, Fraud Prevention Plan and Policy as well as the Fraud Hotline. Key strategic risks that were highlighted in the risk register were monitored and discussed at the EXCO and Audit and Risk Committee meetings as part of the Enterprise Risk Management Strategy. The strategic risk register was not formally reviewed and updated during the year under review.

Internal Audit

We are satisfied that the internal audit function has operated effectively, that it has addressed the risks pertinent to the NRCS in its audits and has assisted the entity with value-adding services to ensure that both financial and operational objectives were achieved.

Corporate Governance

Several of the entity's policies were not reviewed and updated on a timely basis.

The Committee was concerned with the instability in the CEO position in that a permanent CEO was not appointed since the former CEO's contract ended on 31 August 2023. The CFO position was vacant between 1 April 2023 and 31 August 2023 during the year under review.

In-Year Management and Monthly/Quarterly Report

The Accounting Authority has tabled the in-year management and monthly/quarterly reports to the Minister and to the Committee, as required by the PFMA and Treasury regulations. The Committee is satisfied with the content and quality of these reports, based on assurances provided by Internal Audit and Management. However, the Committee noted that in some instances these reports were tabled to the Committee post submission to the Minister.

Evaluation of financial statements

The Audit and Risk Committee has:

- reviewed and discussed the audited Annual Financial Statements to be included in the Annual Report with the independent auditors

and management;

- reviewed the Independent Auditor's Management Report and their audit findings;
- reviewed changes, if any, to accounting policies and practices as reported in the Annual Financial Statements;
- reviewed the NRCS's processes for compliance with legal and regulatory provisions;
- reviewed the information on predetermined objectives as reported in the Annual Report; and reviewed material adjustments resulting from the audit.

Independent Auditor's Report.

The Committee has on a quarterly basis, reviewed the NRCS's implementation plan for audit findings raised in the previous year. Certain findings raised by the auditors in the previous year, prevailed again in the current year. The Audit and Risk Committee has met with the Independent Auditor to ensure that there are no unresolved issues that emanated from the audit.

The Audit and Risk Committee accepts the Independent Auditor's opinion regarding the Annual Financial Statements and proposes that the Audited Annual Financial Statements be accepted and read together with the report of the Independent Auditor

Appreciation

The Committee wishes to acknowledge the dedication and hard work performed by the Accounting Authority, other governance structures, and management. The Audit and Risk Committee also wishes to express its appreciation to the Independent Auditors and the Internal Audit Unit for the co-operation and information they have provided to enable us to compile this report.

On behalf of the Audit and Risk Committee.



Mr Suleman Badat

Chairperson of the Audit & Risk Committee

31 July 2024



PART D

HR MANAGEMENT

HR management

Overview of Human Resources

Introduction

The Human Capital Management (HCM) Business Unit contributes to the achievement of the Strategic Goal Four, which is to ensure an optimally capacitated institution. The Unit work towards achieving its goal by ensuring that the NRCS effectively and efficiently utilises all available human capital in the most optimal manner. The NRCS works on improving the attraction and retention of Human Capital that is highly engaged, skilled and competent.

The Human Capital Management's main objective is to ensure that the NRCS is capacitated with competent, effective and adequate human capital that will ensure that the NRCS mandate is carried out efficiently and effectively.

HR priorities for the year

The HCM BU focused on the following areas with specific activities aimed to optimise and make best use of the limited resources to meet the organisation goals and objectives

- Recruitment of competent employees (to supply the required candidates with the right skills specific for NRCS business and mandate).
- Human Capital Management and Administrative Services (to ensure appropriate and adequate administration and management of employee information).
- Remuneration & Benefits administration (to manage effective implementation of the NRCS remuneration system)
- Organisational Development and Transformation (to foster business optimisation and continuous improvement).
- Learning and Development (to develop and implement training initiatives through the Work Place Skills plan and Competency Development Programmes to ensure capacity building to deliver on the NRCS mandate
- Employee Relations (to create a suitable labour environment for the NRCS to effectively carry out its mandate).

Workforce planning framework

A long term Human Capital Strategy has been developed and approved.

Employee performance management framework

The NRCS has been implementing the performance management framework to improve performance within the organisation and ensure that performance is monitored and measured accordingly.

Employee wellness programme

The BU continues to implement the wellness programme. The aim is to enhance NRCS employee wellness and also address work psychosocial challenges through empowering employees with health education and lifestyle skills that enable them to achieve their best possible health. This impacts positively on employee morale and job satisfaction and optimizes performance and productivity.

Achievement highlights and challenges faced

The HCM business unit successfully submitted the Workplace Skills Plan and the Annual Training Report as well as the Employment Equity Report as required by legislations pertaining to skills development and Employment Equity Act. With system improvement, it implemented an employee self-service and manager self-service through the ERP which resulted in efficiency on leave management and other systems that relies on Employee Self Service. The vacancy rate remains a challenge as it is above the 10 percent target (currently 15%). This is due to current financial challenges that the organisation is facing, leading to some vacant positions not being budgeted for and budgeted position not being filled. The 2023/24 Cost of Living Adjustments for both bargaining employees and management employees for the financial year were processed although there were some delays due to the protracted negotiation process for bargaining employees.

Future HCM plans/goals

- Continue digitalising HCM processes through the implementation of HCM ERP modules
- HCM continues to realign its policies, people and processes to meet defined human resources demands.
- To implement the Human Capital Strategy

Human Resources Oversight Statistics

Human Resources Expenditure

Programme	Total Expenditure	Personnel Expenditure	Performance Bonus	Training Expenditure	Professional and Special Services	Personnel cost as a percent of total expenditure	Average personnel cost per employee
Develop, maintain and administer VCs and TRs (6)	12 942	9 671	-	373	-	75%	1 611.83
Maximise compliance with all specifications and TRs (236)	369 122	313 584	-	4 087	-	85%	1 328.50
Inform and educate our stakeholders about the NRCS (7)	15 745	6 957	-	148	-	44%	993.86
Ensure an optimally capacitated institution (46)	99 753	50 531	-	99	-	51%	1 098.50
Administration (23)	69 987	20 509	-	842	-	29%	891.70
Total (318)	567 549	401 252	-	5 549	-	71%	1 261.80

Table 32 Human Resources Expenditure

Personnel Cost by Salary Band 2023/2024

Salary bands	Personnel cost Including, SDL, training, Bonus and Overtime Expenditure	Personnel cost Excluding SDL and training	Personnel cost Excluding SDL, Training, overtime and Bonus Expenditure	% of total personnel cost	Average personnel cost per employee	Average personnel cost per employee Including Bonus and Overtime	Average personnel cost per employee Excluding overtime and Bonus
Interns (0)	-	-	-	-	-	-	-
Lower level skill including Contractors(6)	1 694 415.65	1 678 226.63	1 678 226.63	99%	282 402.61	282 402.61	279 704.44
Skilled including contractors (77)	48 719 255.83	48 263 277.70	46 749 827.04	96%	632 717.61	632 717.61	607 140.61
Professional (183)	271 079 765.40	267 296 483.27	264 551 915.07	98%	1 481 310.19	1 481 310.19	1 445 638.88
Senior Management (50)	75 546 577.06	74 312 177.45	74 243 510.97	98%	1 510 931.54	1 510 931.54	1 484 870.22
Top management (2)	4 211 949.06	4 152 575.95	4 152 575.95	99%	2 105 974.53	2 105 974.53	2 076 287.97
Total (318)	4 01 251 963.00	395 702 741.00	391 376 055.66	98%	1 261 798.63	1 261 798.63	1 230 742.31

Table 33 Personnel Cost by Salary Band 2023/2024

Salary, performance bonus overtime and allowances by programme

Programme	Personnel Expenditure		Basic Salaries		Overtime		13th cheque		Performance Bonus		Home Owners Allowance		Vehicle Allowance and Travel Claims		Medical Assistance		Pension		Training	
	Amount (000)	% of personnel cost	Amount (000)	% of personnel cost	Amount (000)	% of personnel cost	Amount (000)	% of personnel cost	Amount (000)	% of personnel cost	Amount (000)	% of personnel cost	Amount (000)	% of personnel cost	Amount (000)	% of personnel cost	Amount (000)	% of personnel cost	Amount (000)	% of personnel cost
Develop, maintain and administer VCs and TRs	9 671	84%	8 141	84%	0	0%	62	1%	-	-	22	0%	9	0%	422	4%	644	7%	373	4%
Maximise compliance with all specifications and TRs	313 584	74%	233 087	74%	2 813	1%	15 443	5%	-	-	4 590	1%	17 464	6%	14 296	5%	21 816	7%	4 087	1%
Inform and educate our stakeholders about the NRCS	6 957	80%	5 581	80%	0	0%	215	3%	-	-	152	2%	39	1%	328	5%	500	7%	148	2%
Ensure an optimally capacitated institution	50 531	81%	40 993	81%	0	0%	2 188	4%	-	-	696	1%	48	0%	2 578	5%	3 934	8%	99	0%
Administration	20 509	73%	14 932	73%	1 513	7%	617	3%	-	-	326	2%	70	0%	865	4%	1 320	6%	842	4%
Total	401 252	75%	302 734	75%	4 327	1%	18 525	5%	-	-	5 787	1%	17 630	4%	18 488	5%	28 213	7%	5 549	1%

Table 34 Salary, performance bonus overtime and allowances by programme

Salary, performance bonus, overtime and allowances by salary band

Programme	Personnel Expenditure	Basic Salaries		Overtime		13th cheque		Vehicle Allowance and Travel Claims		Home Owners Allowance		Medical Assistance		Pension		Training	
		Amount (R000)	Amount (000)	% of personnel cost	Amount (000)	% of personnel cost	Amount (000)	% of personnel cost	Amount (000)	% of personnel cost	Amount (000)	% of personnel cost	Amount (000)	% of personnel cost	Amount (000)	% of personnel cost	
Lower level skill including Contractors(6)	1 694.42	1 132.71	67%	0%	96.18	6%	-	0%	96.68	6%	256.63	15%	96.02	6%	16.19	1%	
Skilled including contractors (77)	48 719.26	35 385.53	73%	3%	2 659.04	5%	759.78	2%	1 337.98	3%	3 310.27	7%	3 297.23	7%	455.98	1%	
Professional (183)	271 079.77	197 121.57	73%	1%	2 744.57	6%	16 611.93	6%	4 352.22	2%	12 227.08	5%	18 469.05	7%	3 783.28	1%	
Senior manager (50)	75 546.58	65 270.21	86%	0%	-	0%	257.85	0%	-	0%	2 613.72	3%	6 101.73	8%	1 234.40	2%	
Top management (2)	4 211.95	3 823.70	91%	0%	-	0%	-	0%	-	0%	79.94	2%	248.94	6%	59.37	1%	
Total (318)	401 251.96	302 733.72	75%	1%	18 525.29	5%	17 629.57	4%	5 786.88	1%	18 487.64	5%	28 212.97	7%	5 549.22	1%	

Table 35 Salary, performance bonus, overtime and allowances by salary band

Employment and vacancies

TABLE 36 – Employment and vacancies by programme, 1 April 2023 – 31 March 2024

Programme (Business units)	Number of posts	Number of posts filled	Number of vacant budgeted posts	Positions Not budgeted for/ On hold	Vacancy Rate for budgeted	Vacancy Rate For budget and unbudgeted
Automotive	46	44	2	0	4%	4%
CMM	35	32	3	0	9%	9%
Comms & Marketing	7	7	0	0	0%	0%
Electro- Technical	49	49	3	0	6%	6%
Executive Business	2	2	0	0	0%	0%
Facilities	8	7	1	0	13%	13%
FAI	78	60	6	12	8%	23%
Finance	28	27	2	1	7%	11%
HCM	12	10	3	0	25%	25%
ICT Services	8	9	0	0	0%	0%
Internal Audit	4	4	0	0	0%	0%
Legal Metrology	64	51	11	2	17%	20%
Legal Services	5	5	0	0	0%	0%
NBR	2	1	1	0	50%	50%
QMS	2	2	1	0	50%	50%
Regulatory Services	3	1	1	1	33%	66%
Risk and Strategy	3	2	2	0	67%	67%
RR&D	6	5	0	1	0%	50%
Total	362	318 (Including 9 temps)	36	17	10%	15%

Table 36 Employment and vacancies by programme, 1 April 2023 – 31 March 2024

TABLE 37 – Employment and vacancies by salary bands 1 April 2023 to 31 March 2024

Salary band	Number of posts	Number of posts filled	Vacancy Rate Budget and unbudgeted	Number of posts filled additional to the staff establishment
Top Management (P2-3)	4 (2)	2	50%	
Senior Management & high Level specialists (P4-6)	71 (21)	50	30%	
Middle Management superintendents and lower level specialists (P7-9)	188 (5)	183	3%	
Supervisors and high-level skilled/ clerical (P10-12)	93 (25)	77 (incl 9 temps)	27%	There are 9 temps in total and 3 are above the staff establishment
Lower-level skilled/clerical (P13- 16)	6	6	0%	
Total	362 (53)	318 (Including 9 temps)	15%	

Table 37 Employment and vacancies by salary bands 1 April 2023 to 31 March 2024

TABLE 38 – Annual turnover rates by salary band for the period 1 April 2023 to 31 March 2024

Salary Band	Number of employees per band as on 31 March 2023	Appointments and transfers into the NRCS	Terminations/ transfers out of the NRCS	Turnover rate
Top Management (P2-3)	2	1	1	50%
Senior Management & high Level specialists (P4-6)	50	2	4	8%
Middle Management superintendents and lower level specialists (P7-9)	183	6	2	1%
Supervisors and high-level skilled/clerical (P10-12)	77	21	14	18%
Lower-level skilled/clerical (P13- 16)	6	0	0	0%
Unskilled	0	0	2 (interns)	100%
Total:(including interns & contractors)	318	30	23	7,2%

Table 38 Annual turnover rates by salary band for the period 1 April 2023 to 31 March 2024

TABLE 39 – Annual turnover rates by critical occupation for the period 1 April 2023 to 31 March 2024

Occupation:	Number of employees per occupation	Appointments and transfers	Terminations and transfers out of the NRCS	Turnover rate
Top Management (P2-3)	2	1	1	
Senior Management & high Level specialists (P4-6)	50	2		8%
Total	52	3	5	10%

Table 39 Annual turnover rates by critical occupation for the period 1 April 2023 to 31 March 2024

Table 40 – Reasons why staff are leaving the NRCS

Cause	Number	% of total
Death	1	4%
Resignation	7	31%
Expiry of contract	11	48%
Dismissal – operational changes	0	0%
Dismissal – misconduct	0	0%
Dismissal – inefficiency	0	0%
Discharged due to ill-health	0	0%
Retirement	4	17%
Transfers to other Business units / departments	0	0%
Other –Mutual separation	0	0%
Total	23	100%
Total number of employees who left as a % of the total employment		7,2%

Table 40 Reasons why staff are leaving the NRCS

Employment equity

Table 41 – Total number of employees (including employees with disabilities) in each of the following occupational categories as from 1st April 2023 to 31 March 2024

Occupational categories	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top Management (P1-P3)	1	0	0	0	0	1	0	0	2
Senior Management (P4-P6)	22	4	0	5	16	1	0	2	50
Professionally qualified and experienced specialists and mid-management, supervisors, foremen, and superintendent (P7-P9)	71	16	7	10	70	4	2	3	183
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents (P10-P12)	18	5	0	0	31	6	2	6	68
Semi-skilled and discretionary decision (P13-P16)	1	0	0	0	5	0	0	0	6
Unskilled and defined decision-making (Interns)	0	0	0	0	0	0	0	0	0
Total	113	25	7	15	122	12	4	11	309
Temporary employees	5	0	0	0	4	0	0	0	9
Total	118	25	7	15	126	12	4	11	318

***Total is including disabled employees**

Table 41 Total number of employees (including employees with disabilities) in each of the following occupational categories as from 1st April 2023 to 31 March 2024

Table 42 – Total number of employees with disabilities only in each of the following occupational bands as on 1st April 2023 to 31 March 2024

Occupational categories	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top Management (P1-P3)	0	0	0	0	0	0	0	0	0
Senior Management (P4-P6)	0	0	0	0	0	0	0	0	0
Professionally qualified and experienced specialists and mid-management, supervisors, foremen, and superintendent (P7-P9)	0	0	0	0	0	0	0	0	0
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents (P10-P12)	0	0	0	0	1	0		1	2
Semi-skilled and discretionary decision (P13-P16)	0	0	0	0	0	0	0	0	0
Unskilled and defined decision-making (Interns)	0	0	0	0	0	0	0	0	0
Total	0	0	0	0	1	0	0	1	2

Table 42 Total number of employees with disabilities only in each of the following occupational bands as on 1st April 2023 to 31 March 2024

Table 43 – Total number of employees with disabilities only in each of the following occupational bands as on 1st April 2023 to 31 March 2024

The NRCS had two-disability persons during the reporting period

No:	Number of employees with disability (indefinite)	Gender	Race	Level
1	1	Female	White	P10
2	1	Female	African	P11

Table 43 Total number of employees with disabilities only in each of the following occupational bands as on 1st April 2023 to 31 March 2024

Table 44 – Recruitment for the period 1 April 2023 to 31 March 2024 (inclusive of interns)

Occupational Bands	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top Management 2-3	0	0	0	0	0	1	0	0	1
Senior Management 4-6	1	0	0	0	1	0	0	0	2
Professionally qualified and experienced specialists and mid-management 7-9	3	0	0	0	3	0	0	0	6
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents 10-12	7	0	0	0	12	1	0	0	20
Semi-skilled and discretionary decision-making 13-15	0	0	0	0	0	0	0	0	0
Unskilled and defined decision-making 16-18	0	0	0	0	0	0	0	0	0
Total (including Interns /Contractors)	11	0	0	0	16	2	0	0	29
Overall Total	11	0	0	0	17	2	0	0	30
Employees with disabilities	0	0	0	0	1	0	0	0	1

Table 44 Recruitment for the period 1 April 2023 to 31 March 2024 (inclusive of interns)

Table 45– Terminations for the period 1 April 2023 to 31 March 2024 (inclusive of interns)

Occupational Bands	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top Management (2-3)	1	0	0	0	0	0	0	0	1
Senior Management (4-6)	0	0	0	3	1	0	0	0	4
Professionally qualified and experienced specialists and mid-management (7-9)	0	0	0	0	1	0	0	1	2
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents (10-12)	2	0	0	0	11	1	0	0	14
Semi-skilled and discretionary decision-making (13-16)	0	0	0	0	0	0	0	0	0
Unskilled and defined decision-making (interns)	0	0	0	0	2	0	0	0	2
Total	3	0	0	3	15	1	0	1	23

Table 45 Terminations for the period 1 April 2023 to 31 March 2024 (inclusive of interns)

Table 46: Skills development for the period 1 April 2023 to 31 March 2024

Occupational Categories	Gender	Number of employees as at 31 March 2023	Training needs identified at start of reporting period			
			Learner ships Internships	Skills Programmes & other short courses	Other forms of training	Total
Top management	Female	0	0	0	0	0
	Male	1	0	1	0	1
Senior management	Female	18	0	18	0	18
	Male	35	0	35	0	35
Professionally qualified and experienced specialists and mid-management	Female	75	0	75	0	75
	Male	101	0	101	0	101
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	Female	53	0	53	0	53
	Male	13	0	13	0	13
Semi-skilled and discretionary decision making	Female	5	0	5	0	5
	Male	1	0	1	0	1
Unskilled and defined decision making	Female	10	0	10	0	10
	Male	9	0	9	0	9
Total		321	0	321		321

Table 46 Skills development for the period 1 April 2023 to 31 March 2024

Table 47 – Training provided 1 April 2023 to 31 March 2024

Occupational Categories	Gender	Number of employees as at 1 April 2023	Training provided within the reporting period			
			Learner ships / Interns	Skills Programmes & other short courses	Other forms of training	Total
Top management	Female	0	0	1	0	1
	Male	1	0	0	0	0
Senior management	Female	18	0	18	0	18
	Male	35	0	27	0	27
Professionally qualified and experienced specialists and mid-management	Female	75	0	0	29	29
	Male	101	0	0	91	91
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	Female	53	0	0	26	26
	Male	13	0	0	10	10
Semi-skilled and discretionary decision-making	Female	5	0	0	5	5
	Male	1	0	0	1	1
Unskilled and defined decision-making	Female	10	0	0	1	1
	Male	9	0	0	1	1
Sub Total	Female	161	0	19	61	80
	Male	160	0	27	103	130
Total		321 (including interns)	0	46	164	210

Table 47 Training provided 1 April 2023 to 31 March 2024

Leave utilisation for the period 1 April 2023 to 31 March 2024

TABLE 48 – Sick Leave, 1 April 2023 to 31 March 2024

Salary Band	Total days	Number of days with medical certification	Number of Employees using sick leave	% of total employees using sick leave	Average days per employee
Top Management (P2-3)	2	1	2	(1)	1.00
Senior Management & high Level specialists (P4-6)	197	88	47	94%	4.19
Middle Management superintendents and lower level specialists (P7-9)	279	100	182	100%	1.53
Supervisors and high-level skilled/ clerical (P10-12)	410	137	63	82%	6.50
Lower-level skilled/clerical (P13- 15)	13	8	6	100%	2.16
Total	901	334	300	94%	3.00

Table 48 Sick Leave, 1 April 2023 to 31 March 2024

Incapacity- As at the end of the financial year the NRCS did not have any employee on incapacity (temporary and permanent), 1 April 2023 to 31 March 2024

TABLE 49 – Annual Leave, 1 April 2023 to 31 March 2024

Salary Bands	Total days taken	Average per employee
Top Management (P2-3) 1	45.83	22.92
Senior Management & high Level specialists (P4-6) 50	1 313.74	26.27
Middle Management superintendents and lower level specialists (P7-9) 183	4 778.66	26.11
Supervisors and high-level skilled/clerical (P10-12) 77	1 725.16	22.40
Lower-level skilled/clerical (P13- 16) 6	110.58	18.43
Total (318)	7973.99	25.08

Table 49 Annual Leave, 1 April 2023 to 31 March 2024

Table 50 – Leave pay-outs for the period 1 April 2023 to 31 March 2024.

CATEGORY (REASON)	Total Amount (R'000)	Number of Employees	Average payment per employee
Leave pay-out due to non-utilisation of leave for the previous cycle (2377.05)	R0	0	0
Capped leave & Current leave pay-out on termination of service , leave pay-out on termination of service and extension of contracts	R898 813, 06	29	30, 99
Total	R898 813, 06	29	30, 99

Table 50 Leave pay-outs for the period 1 April 2023 to 31 March 2024

Labour relations

TABLE 51 – Misconduct and disciplinary hearings finalised, 1 April 2023 to 31 March 2024

Outcomes of disciplinary hearings	Number	% of total
Correctional counselling	4	80%
Verbal warning	1	20%
Written warning	0	0%
Final written warning	0	0%
Suspended without pay	0	0%
Fine	0	0%
Demotion	0	0%
Dismissal	0	0%
Not guilty	0	0%
Case withdrawn	0	0%
Total	5	100%

Table 51 Misconduct and disciplinary hearings finalised, 1 April 2023 to 31 March 2024

No misconduct addressed at disciplinary hearings for the reporting period (1 April 2023 to 31 March 2024)

Type of misconduct	Number	% of total
Fraud and Absenteeism	0	0
Unacceptable Behaviour	0	0
Fruitless and wasteful expenditure	0	0
Total	0	0

TABLE 52 – Grievances lodged for the period 1 April 2023 to 31 March 2024

	Number	% of Total
Number of grievances resolved	5	71%
Number of grievances not resolved	2	29%
Total number of grievances lodged	7	100%

Table 52 Grievances lodged for the period 1 April 2023 to 31 March 2024

TABLE 53 – Disputes lodged with Councils for the period 1 April 2023 to 31 March 2024

	Number	% of Total
Number of disputes upheld	1	14
Number of disputes dismissed	6	86
Total number of disputes lodged	7	100

Table 53 Disputes lodged with Councils for the period 1 April 2023 to 31 March 2024

No Precautionary suspensions for the period 1 April 2023 to 31 March 2024

Employee wellness programme

The employee wellness programme within NRCS is divided into two parts. One is overseen by the HR Business Unit and the other part outsourced to an independent company that provides professional assistance to employees as far as their wellbeing is concerned. During the period under review articles were published on different health, wellness and safety solutions. Various wellness webinars were provided to NRCS employees in all the NRCS regions.

HIV and AIDS & health promotion programmes (PI19)

TABLE 54 – Steps taken to reduce the risk of occupational exposure

Units/categories of employees identified to be at high risk of contracting HIV & related diseases (if any)	Key steps taken to reduce the risk
	HIV testing and counselling available in Pretoria office
Covid-19 Compliance	OHS Committee is responsible for all the NRCS offices. Work from home protocols in place. Rotational work days implemented. Covid-19 policies and procedures are in place.

Table 54 Steps taken to reduce the risk of occupational exposure

TABLE 55 – Details of Health Promotion and HIV and AIDS Programmes (tick the applicable boxes and provide the required information)

Question	Yes	No	Details, if yes
1. Has the entity designated a member of the SMS to implement the provisions contained in Part VI E of Chapter 1 of the Public Service Regulations, 2001? If so, provide her/his name and position.	X		OHS & W Officer and Covid-19 Compliance officer H de Beer
2. Does the NRCS have a dedicated unit, or has it designated specific staff members to promote the health and well-being of your employees? If so, indicate the number of employees who are involved in this task and the annual budget that is available for this purpose.	X		OHS & W Committee (19) members in all offices Wellness Budget R 200 000, 00
3. Has the NRCS introduced an Employee Assistance or Health Promotion Programme for your employees? If so, indicate the key elements/ services of this Programme.	x		ICAS has been appointed to provide employee assistance program and wellness services. Various interventions were hosted during the reporting period as per the table below.
4. Has the NRCS established (a) committee(s) as contemplated in Part VI E.5 (e) of Chapter 1 of the Public Service Regulations, 2001? If so, please provide the names of the members of the committee and the stakeholder(s) that they represent.	x		OHS& W Committee: CEO, management, Union members and OHS representatives
5. Has the NRCS reviewed its employment policies and practices to ensure that these do not unfairly discriminate against employees on the basis of their HIV status? If so, list the employment policies/ practices so reviewed.		X	Policies are still undergoing the review process.
6. Has the NRCS introduced measures to protect HIV-positive employees or those perceived to be HIV-positive from discrimination? If so, list the key elements of these measures.	X		Various measure introduced through the wellness service provider including counselling and comprehensive HIV/AIDS programme. This is confidential medical care information.
7. Does the NRCS encourage its employees to undergo Voluntary Counselling and Testing? If so, list the results that you have you achieved.	X		Yes however, no new positive cases tested or reported
8. Has the NRCS developed measures/indicators to monitor & evaluate the impact of its health promotion programme? If so, list these measures/ indicators.	X		The following measures have been developed: • Feedback after online wellness sessions • Reports submitted by the service provider • Support and check-ins with sick employees by the Wellness Officer

Table 55 Details of Health Promotion and HIV and AIDS Programmes (tick the applicable boxes and provide the required information)

Wellness events from April 2023- March 2024

No	Date	Event
1	18/5/2023	Menopause respectful response webinar
2	4/8/2023	Stress and mental health webinar
3	21/8/2023	Woman's Health webinar
4	4/9/2023	Durban office wellness day
5	12/09/2023	Bloemfontein office wellness day
6	1/2/2024	Pretoria office Massages for stress
7	6/3/2024	Work life balance webinar
8	18 & 19/ 3/2024	Pretoria office Massages for stress

Table 56 Wellness events



PART E

FINANCIAL INFORMATION

General Information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	The NRCS's mandate includes promoting public health and safety, environmental protection and ensuring fair trade. This mandate is achieved through the development and administration of technical regulations and compulsory specifications as well as through market surveillance to ensure compliance with the requirements of the compulsory specifications and technical regulations. NRCS stakeholders include the South African Government, industry and the citizens.
Registered office	1 Dr Lategan Rd Groenkloof 358-Jr Pretoria 0181
Business address	1 Dr Lategan Rd Groenkloof 358-Jr Pretoria 0181
Controlling entity	Department of Trade, Industry and Competition
Bankers	ABSA
Auditors	Auditor-General South Africa

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Report of the Auditor-General to parliament on national regulator for compulsory specifications

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the National Regulator for Compulsory Specifications set out on pages 123 to 169, which comprise the statement of financial position as at 31 March 2024, 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, as well as notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the National Regulator for Compulsory Specifications as at 31 March 2024 and its financial performance and cash flows for the year then ended in accordance with Standards of Generally Recognised Accounting Practice (Standards of GRAP) and the requirements of the Public Finance Management Act 1 of 1999 (PFMA).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the responsibilities of the auditor-general for the audit of the financial statements section of my report.
4. I am independent of the public entity in accordance with the International Ethics Standards Board for Accountants' International code of ethics for professional accountants (including International Independence Standards) (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Material uncertainty relating to going concern

6. I draw attention to the matter below. My opinion is not modified in respect of this matter.
7. I draw attention to note 30 to the financial statements, which indicates that a deficit of R110 million was incurred during the year ended 31 March 2024 and, as of that date the current liabilities exceeded its total current assets by R5 million. As stated in note 30, these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the public entity's ability to continue as a going concern.

Emphasis of matter

8. I draw attention to the matter below. My opinion is not modified in respect of this matter.

Receivables Debt Impairment

9. As disclosed in note 20 of the financial statements, material losses of R50 293 795 (2022/23: R17 329 956) was incurred as a result of irrecoverable long outstanding debtors.

Responsibilities of the accounting authority for the financial statements

10. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with the Standards of GRAP and the requirements of the PFMA; and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
11. In preparing the financial statements, the accounting authority is responsible for assessing the public entity's ability to continue as a going concern; disclosing, as applicable, matters relating to going concern; and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the public entity or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the auditor-general for the audit of the financial statements

12. My objectives are to obtain reasonable assurance about whether the public entity 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 my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
13. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report. This description, which is located at page 119, forms part of our auditor's report.

Report on the audit of the annual performance report

14. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I must audit and report on the usefulness and reliability of the reported performance against predetermined objectives for the selected strategic goal presented in the annual performance report. The accounting authority is responsible for the preparation of the annual performance report.
15. I selected the following strategic goal presented in the annual performance report for the year ended 31 March 2024 for auditing. I selected a strategic goal that measures the public entity's performance on its primary mandated functions and that are of significant national, community or public interest.

Strategic goal	Page numbers	Purpose
To maximise compliance with all specifications and technical regulations	22	To improve compliance with compulsory specifications and technical regulations through establishing pre-market approvals, enhanced market surveillance, timeous testing where required and imposition of consequences where non compliances identified.

16. I evaluated the reported performance information for the selected strategic goal against the criteria developed from the performance management and reporting framework, as defined in the general notice. When an annual performance report is prepared using these criteria, it provides useful and reliable information and insights to users on the public entity's planning and delivery on its mandate and objectives.
17. I performed procedures to test whether:
- the indicators used for planning and reporting on performance can be linked directly to the public entity's mandate and the achievement of its planned objectives
 - all the indicators relevant for measuring the public entity's performance against its primary mandated and prioritised functions and planned objectives are included
 - the indicators are well defined to ensure that they are easy to understand and can be applied consistently, as well as verifiable so that I can confirm the methods and processes to be used for measuring achievements
 - the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated
 - the indicators and targets reported on in the annual performance report are the same as those committed to in the approved initial or revised planning documents
 - the reported performance information is presented in the annual performance report in the prescribed manner and is comparable and understandable.
 - there is adequate supporting evidence for the achievements reported and for the reasons provided for any over- or underachievement of targets.
18. I performed the procedures for the purpose of reporting material findings only; and not to express an assurance opinion or conclusion.
19. The material findings on the reported performance information for the selected strategic goal are as follows:

Strategic goal 2 - To maximise compliance with all specifications and technical regulations

Number of Inspections conducted as per the NRCS Risk Based Approach to monitor compliance to regulations within Automotive, Chemicals Materials and Mechanicals (CMM), Electro technical and legal Metrology Sectors and 100% sanctions issued where non-compliances are identified.

The target in the annual performance report differed from what was committed to in the approved planning documents. The reported target was (100% sanctions issued for identified non-compliances), while the planned target was (0).

Other matters

20. I draw attention to the matters below.

Achievement of planned targets

21. The annual performance report includes information on reported achievements against planned targets and provides explanations for over- or under achievements. This information should be considered in the context of the material findings on the reported performance information.
22. The table that follows provides information on the achievement of planned targets and lists the key service delivery indicators that were not achieved as reported in the annual performance report. The reasons for any underachievement of targets are included in the annual performance report on pages 22 to 27.

Strategic goal 2 - To maximise compliance with all specifications and technical regulations

Targets achieved: 88%

Budget spent: 99%

Key indicator not achieved	Planned target	Reported achievement
Percentage of approval applications finalised (approved or rejected or closed) within the set timeframes in Automotive, Electro technical, Chemicals Materials and Mechanicals. Improve the ease of doing business	95% of all approval applications processed within 120 calendar days	72% of all approval applications processed within 90 calendar days

Material misstatements

23. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information for Strategic goal 2 - To maximise compliance with all specifications and technical regulations. Management did not correct all of the misstatements and I reported material findings in this regard.

Report on compliance with legislation

24. In accordance with the PAA and the general notice issued in terms thereof, I must audit and report on compliance with applicable legislation relating to financial matters, financial management and other related matters. The accounting authority is responsible for the public entity's compliance with legislation.
25. I performed procedures to test compliance with selected requirements in key legislation in accordance with the findings engagement methodology of the Auditor-General of South Africa (AGSA). This engagement is not an assurance engagement. Accordingly, I do not express an assurance opinion or conclusion.
26. Through an established AGSA process, I selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the public entity, clear to allow consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.
27. I did not identify any material non-compliance with the selected legislative requirements.

Other information in the annual report

28. The accounting authority is responsible for the other information included in the annual report. The other information referred to does not include the financial statements, the auditor's report and those selected strategic goal presented in the annual performance report that have been specifically reported on in this auditor's report.
29. My opinion on the financial statements, the report on the audit of the annual performance report and the report on compliance with legislation do not cover the other information included in the annual report and I do not express an audit opinion or any form of assurance conclusion on it.
30. My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with the financial statements and the selected strategic goal presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
31. The other information I obtained prior to the date of this auditor's report is the information on irregular and fruitless and wasteful expenditure, and the general information (including a report of the accounting officer), governance information (including the audit committee report) and human resource management information are expected to be made available to us after 31 July 2024.
32. If, based on the work I have performed on the other information that I obtained prior to the date of this auditor's report, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.
33. When I do receive and read this information the general information (including a report of the accounting authority), Governance information (including the audit committee report and human resource management information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

34. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.
35. The matters reported below are limited to the significant internal control deficiencies that resulted in the material findings on the annual performance report.
36. Management did not exercise oversight responsibility regarding performance reporting, and related internal controls as material non-compliance were identified in the reported performance information.

Other reports

37. I draw attention to the following engagements conducted by various parties. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation
38. There is a forensic investigations regarding the NRCS retention surplus for the 2022/23 financial year and concerns about the financial matters of the entity. The investigation covers the 2022/23 financial year. The investigation was still in progress at the date of the audit report.

Auditor - General

Pretoria

31 July 2024



**AUDITOR - GENERAL
SOUTH AFRICA**

Auditing to build public confidence

Annexure to the auditor's report

The annexure includes the following:

- The auditor-general's responsibility for the audit
- The selected legislative requirements for compliance testing

Auditor-general's responsibility for the audit

Professional judgement and professional scepticism

As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements and the procedures performed on reported performance information for selected strategic goal and on the public entity's compliance with selected requirements in key legislation.

Financial statements

In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the public entity's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made
- conclude on the appropriateness of the use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the public entity to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a public entity to cease operating as a going concern
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

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

I also provide the accounting authority with a statement that I have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

Compliance with legislation – selected legislative requirements

The selected legislative requirements are as follows:

Legislation	Sections or regulations
Public Finance Management Act 1 of 1999	Section 51(1)(b)(i); 51(1)(b)(ii); 51(1)(e)(iii); 53(4); 54(2)(c); 54(2)(d); 55(1)(a); 55(1)(b); 55(1)(c)(i); 56(1); 57(b); 66(3)(c)
Treasury Regulation, 2005	Regulation 8.2.1; 8.2.2; 16A3.2; 16A3.2(a); 16A6.1; 16A6.2(a); 16A6.2(b); 16A6.3(a); 16A6.3(c); 16A6.3(e); 16A6.4; 16A6.5; 16A6.6; 16A7.1; 16A7.3; 16A7.6; 16A7.7; 16A8.3; 16A8.4; 16A9.1(b)(ii); 16A9.1(d); 16A9.1(e); 16A9.1(f); 16A9.2(a)(ii); 30.1.1; 30.1.3(a); 30.1.3(b); 30.1.3(d); 30.2.1; 31.2.1; 31.2.1; 31.3.3; 31.2.5; 31.2.7(a); 32.1.(a); 32.1.1(b); 32.1.1(c); 33.1.1; 33.1.3
Prevention and Combating of Corrupt Activities Act 12 of 2004	Section 34(1)
Construction Industry Development Board Act 38 of 2000	Section 18(1)
Construction Industry Development Board Regulations, 2004	Regulation 17; 25(7A)
Preferential Procurement Policy Framework Act 5 of 2005	Section 1; 2.1(a); 2.1(f)
Preferential Procurement Regulations, 2017	Regulation 4.1; 4.2; 5.1; 5.3; 5.6; 5.7; 6.8; 7.8; 8.2; 8.5; 9.1; 9.2; 10.1; 10.2; 11.1
Preferential Procurement Regulations, 2022	Regulation 4.4; 5.4
National Treasury SCM Instruction No. 03 2021/22	Paragraphs 4.1; 4.2(b); 4.4; 7.2
National Treasury SCM Instruction No. 4A of 2016/17	Paragraph 6
National Treasury SCM Instruction No. 2 of 2021/22	Paragraphs 3.2.1; 3.2.4; 3.3.1
Practice Note 5 of 2009/10	Paragraph 3.3
Second amendment of National Treasury Instruction 05 of 2020/21	Paragraph 1
Erratum National Treasury Instruction 5 of 202/21	Paragraph 2
National Treasury instruction No. 1 of 2021/22	Paragraph 4.1
National Treasury instruction No 5 of 2020/21	Paragraph 4.8; 4.9

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 accuracy, validity and completeness of the annual financial statements and related financial information included in this report. It is the responsibility of the Accounting Authority to ensure that the annual financial statements fairly present the state of affairs of the NRCS as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and are given unrestricted access to all financial records and related data.

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

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

The Accounting Authority acknowledges that he is ultimately responsible and accountable for the system of internal financial control established by the NRCS 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 deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties

to ensure an acceptable level of risk. These controls are monitored throughout the NRCS and all employees are required to maintain the highest ethical standards in ensuring the NRCS's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the NRCS is on identifying, assessing, managing and monitoring all known forms of risk across the NRCS. While operating risk cannot be fully eliminated, the NRCS 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 deficit.

The Accounting Authority has reviewed the NRCS's cash flow forecast for the year to 31 March 2025 and, in the light of this review and the current financial position, he is satisfied that the NRCS has or has access to adequate resources to continue in operational existence for the foreseeable future.

Although the Accounting Authority is primarily responsible for the financial affairs of the financial affairs of the entity, assurance is provided by the NRCS's external auditors.

The external auditors are responsible for independently auditing and reporting on the NRCS's annual financial statements. The annual financial statements have been examined by the NRCS's external auditors and their report.

The annual financial statements set out on page 123, which have been prepared on the going concern basis, were approved by the Accounting Authority on 31 July 2024 and were signed on its behalf by:



Duncan Mutengwe

Acting Chief Executive Officer

Pretoria

31 July 2024

Statement of Financial Position as at 31 March 2024

Figures in Rand	Note(s)	2024	2023 Restated
Assets			
Current Assets			
Receivables from exchange transactions	8	15,095,612	15,182,675
Receivables from non-exchange transactions	9	31,776,063	97,393,218
Deposits	7	152,200	152,200
Cash and cash equivalents	10	36,693,583	94,385,211
		83,717,458	207,113,304
Non-Current Assets			
Property, plant and equipment	3	18,732,097	15,570,564
Intangible assets	5	14,477,258	14,074,301
Deposits	7	568,438	568,438
		33,777,793	30,213,303
Total Assets		117,495,251	237,326,607
Liabilities			
Current Liabilities			
Payables from exchange transactions	13	54,128,497	55,412,705
Payable from non-exchange transactions	14	15,401,000	-
Post-retirement medical obligation	6	671,000	562,000
Provisions	11	17,586,987	41,291,796
Long service awards	12	1,480,000	1,016,000
		89,267,484	98,282,501
Non-Current Liabilities			
Post-retirement medical obligation	6	7,767,000	7,614,000
Long service awards	12	2,542,000	3,354,000
		10,309,000	10,968,000
Total Liabilities		99,576,484	109,250,501
Net Assets		17,918,767	128,076,106
Accumulated surplus		17,918,767	128,076,106

Statement of Financial Performance for the year ended 31 March 2024

Figures in Rand	Note(s)	2024	2023 Restated
Revenue			
Revenue from exchange transactions			
Rendering of services	16	25,369,670	19,245,137
Approval application fee income	15	57,306,888	44,061,868
Recovery of bad debts		850,195	-
Sundry income	15	1,033,903	1,590,558
Interest income from exchange	15	11,385,212	14,213,551
Actuarial gains		-	1,381,672
Total revenue from exchange transactions		95,945,868	80,492,786
Revenue from non-exchange transactions			
Interest income from non-exchange		8,771,782	4,412,510
Levies for compulsory specifications	15	211,736,161	214,814,039
Registration fee income		2,327,200	1,416,800
Government grants and core funding		138,611,000	147,560,000
Total revenue from non-exchange transactions		361,446,143	368,203,349
Total revenue	15	457,392,011	448,696,135
Expenditure			
Employee related costs	17	(401,251,963)	(406,099,707)
Depreciation and amortisation	18	(5,860,063)	(7,264,339)
Finance costs	19	(1,010,579)	(1,851,471)
Lease rentals on operating lease		(17,382,876)	(16,624,443)
Debt Impairment	20	(50,293,795)	(17,329,956)
Bad debts written off		-	(976,672)
Advertising and marketing expenses		(2,978,225)	(6,014,627)
Testing and sampling		(10,976,256)	(7,851,992)
Contracted services		(14,559,529)	(8,740,818)
Travel expenditure		(27,412,379)	(24,013,511)
Actuarial losses		(69,074)	-
General Expenses	21	(30,590,159)	(28,991,830)
Auditors remuneration	22	(5,164,452)	(5,008,315)
Total expenditure		(567,549,350)	(530,767,681)
Deficit for the year		(110,157,339)	(82,071,546)

Statement of Changes in Net Assets for the year ended 31 March 2024

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 April 2022	264,635,666	264,635,666
Changes in net assets		
Deficit for the year	(79,852,522)	(79,852,522)
Transfer to National Treasury	(54,488,000)	(54,488,000)
Total changes	(134,340,522)	(134,340,522)
Opening balance as previously reported	130,295,142	130,295,142
Correction of errors	(2,219,034)	(2,219,034)
Restated balance at 01 April 2023	128,076,106	128,076,106
Changes in net assets		
(Deficit) for the period	(110,157,339)	(110,157,339)
Total changes	(110,157,339)	(110,157,339)
Balance at 31 March 2024	17,918,767	17,918,767
Note(s)		

Cash Flow Statement for the year ended 31 March 2024

Figures in Rand	Note(s)	2024	2023
Cash flows from operating activities			
Receipts			
Cash received from rendering of services		328,850,138	290,085,647
Grants		138,611,000	147,560,000
Interest income		6,341,296	11,152,710
		472,802,434	448,798,357
Payments			
Employee costs		(423,927,299)	(398,780,851)
Suppliers		(97,141,466)	(98,829,582)
		(521,068,765)	(497,610,433)
Net cash flows from operating activities	23	(48,266,331)	(48,812,076)
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(8,395,081)	(302,609)
Purchase of other intangible assets	5	(1,030,216)	(1,793,441)
Net cash flows from investing activities		(9,425,297)	(2,096,050)
Cash flows from financing activities			
Payments to DTIC		-	(54,488,000)
Net increase/(decrease) in cash and cash equivalents		(57,691,628)	(105,396,126)
Cash and cash equivalents at the beginning of the year		94,385,211	199,781,337
Cash and cash equivalents at the end of the year	10	36,693,583	94,385,211

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis						
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						
Rendering of services	38,062,987	(4,319,413)	33,743,574	25,369,670	(8,373,904)	A note 34
Approval application fee income	41,738,941	-	41,738,941	57,306,888	15,567,947	B note 34
Recovery of bad debts	-	-	-	850,195	850,195	
Sundry income	1,645,760	(99,065)	1,546,695	1,033,903	(512,792)	C note 34
Interest received	11,594,880	8,340,747	19,935,627	11,385,212	(8,550,415)	D note 34
Total revenue from exchange transactions	93,042,568	3,922,269	96,964,837	95,945,868	(1,018,969)	
Revenue from non-exchange transactions						
Interest income from non exchange	-	-	-	8,771,782	8,771,782	
Levies for compulsory specifications	347,061,990	(14,015,338)	333,046,652	211,736,161	(121,310,491)	E note 34
Registration fee income	2,920,082	-	2,920,082	2,327,200	(592,882)	F note 34
Government grants and core funding	154,012,000	(15,401,200)	138,610,800	138,611,000	200	
Total revenue from non-exchange transactions	503,994,072	(29,416,538)	474,577,534	361,446,143	(113,131,391)	
Total revenue	597,036,640	(25,494,269)	571,542,371	457,392,011	(114,150,360)	
Expenditure						
Employee related costs	(454,770,000)	19,835,000	(434,935,000)	(401,251,963)	33,683,037	G note 34
Depreciation and amortisation	(8,900,000)	2,547,654	(6,352,346)	(5,860,063)	492,283	
Finance costs	(3,600)	(1,100,000)	(1,103,600)	(1,010,579)	93,021	H note 34
Lease rentals on operating Lease	(16,315,161)	(1,100,000)	(17,415,161)	(17,382,876)	32,285	I note 34
Debt Impairment	-	-	-	(50,293,795)	(50,293,795)	J note 34
Bad debts written off	-	-	-	-	-	
Advertising and marketing Expenditure	(8,105,830)	4,000,000	(4,105,830)	(2,978,225)	1,127,605	K note 34
Testing and sampling	(7,908,262)	(3,736,858)	(11,645,120)	(10,976,256)	668,864	L note 34
Contracted Services	(17,571,587)	-	(17,571,587)	(14,559,529)	3,012,058	M note 34
Travel expenditure	(36,965,625)	-	(36,965,625)	(27,412,379)	9,553,246	N note 34
General expenses	(40,073,282)	5,048,473	(35,024,809)	(30,590,159)	4,434,650	O note 34
Auditors remuneration	(6,423,293)	-	(6,423,293)	(5,164,452)	1,258,841	P note 34
Total expenditure	(597,036,640)	25,494,269	(571,542,371)	(567,480,276)	4,062,095	
Operating deficit	-	-	-	(110,088,265)	(110,088,265)	
Actuarial gains/losses	-	-	-	(69,074)	(69,074)	
Deficit	-	-	-	(110,157,339)	(110,157,339)	

All variances above 10 % are explained in Note 33.

Accounting Policies

Annual Financial Statements for the year ended 31 March 2024

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 122(3) 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.

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

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the NRCS.

1.2 Going concern assumption

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

1.3 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:

Other significant judgements, sources of estimation uncertainty and/or relating information, have been disclosed in the relating notes.

Trade receivables impairment

The NRCS assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, 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 based on customers owing more than 120 days and other indicators present at the reporting date that correlate with defaults on the customer or industry.

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 11 - Provisions.

Useful lives of property, plant and equipment

The NRCS's management determines the estimated useful lives and related depreciation charges for the property, plant and equipment. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Accounting Policies

Annual Financial Statements for the year ended 31 March 2024

1.3 Significant judgements and sources of estimation uncertainty (continued)

Post-retirement benefits

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

The NRCS determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the NRCS considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 6.

1.4 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

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 NRCS; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

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

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

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

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

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.

Accounting Policies

Annual Financial Statements for the year ended 31 March 2024

1.4 Property, plant and equipment (continued)

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.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

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

All assets costing less than R5 000 will be classified as 'minor assets'. These assets must be recorded in the asset register but will be fully depreciated/written-off in the year of acquisition and not over its useful life, as is the case with assets costing R5 000 and more.

It is required that all assets are classified and recorded, both minor and major assets. The assets costing less than R5 000 will be included under "current expenditure" on the income statement.

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

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

Item	Depreciation method	Average useful life
Buildings	Straight-line	30 years
Plant and machinery	Straight-line	8 years
Furniture and fixtures	Straight-line	10 years
Trucks and vehicles	Straight-line	5-10 years
Leasehold improvements	Straight-line	Lease term
Office equipment	Straight-line	5-7 years
Laboratory equipment	Straight-line	10-15 years

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

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 method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the NRCS. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

Accounting Policies

Annual Financial Statements for the year ended 31 March 2024

1.4 Property, plant and equipment (continued)

The NRCS assesses at each reporting date whether there is any indication that the NRCS expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the NRCS revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

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

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

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised.

The entity assesses its property, plant and equipment for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the entity makes judgements as to whether there is observable data indicating a measurable decrease in the value of property, plant and equipment.

The NRCS separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 3).

The NRCS discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 3).

1.5 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the NRCS or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

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 NRCS; and
- the cost or fair value of the asset can be measured reliably.

The NRCS 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.

Accounting Policies

Annual Financial Statements for the year ended 31 March 2024

1.5 Intangible assets (continued)

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.

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

Item	Depreciation method	Average useful life
Computer software	Straight-line	2-5 years

The NRCS discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 5).

The entity assesses its intangible assets for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the entity makes judgements as to whether there is observable data indicating a measurable decrease in the value of intangible assets.

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 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).

Accounting Policies

Annual Financial Statements for the year ended 31 March 2024

1.6 Financial instruments

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

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectable.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an NRCS's statement of financial position.

A financial asset is:

- cash;
- a contractual right to:
 - receive cash or another financial asset from another NRCS; or
 - exchange financial assets or financial liabilities with another NRCS under conditions that are potentially favourable to the NRCS.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another NRCS; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the NRCS.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

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

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

Accounting Policies

Annual Financial Statements for the year ended 31 March 2024

1.6 Financial instruments (continued)

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the NRCS had not acquired, issued or disposed of the financial instrument.

Classification

The NRCS 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
Receivables from exchange and non-exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalent	Financial asset measured at amortised cost

The NRCS 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
Payables from exchange transactions	Financial liability measured at amortised cost

Receivables from exchange and non-transactions

Trade receivables are initially recognised at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments (more than 120 days overdue) are considered indicators that the trade receivable is impaired.

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

Payables from exchange transactions

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost using the effective interest rate method if they are expected to be settled after 12 months.

1.7 Cash and cash equivalents

Cash and cash equivalents consist of the following

- cash
- cash in current bank accounts
- cash in interest bearing bank accounts or money market accounts where the funds are available immediately; and

These are initially measured at fair value and subsequently measured at cost.

Accounting Policies

Annual Financial Statements for the year ended 31 March 2024

1.8 Statutory receivables

Identification

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset.

Carrying amount is the amount at which an asset is recognised in the statement of financial position.

The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

The transaction amount for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

Recognition

The NRCS recognises statutory receivables as follows:

- if the transaction is an exchange transaction, using the policy on revenue from exchange transactions;
- if the transaction is a non-exchange transaction, using the policy on revenue from non-exchange transactions (Taxes and transfers); or
- if the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

Initial measurement

The NRCS initially measures statutory receivables at their transaction amount.

Subsequent measurement

The NRCS measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

Accrued interest

Where the NRCS levies interest on the outstanding balance of statutory receivables, it adjusts the transaction amount after initial recognition to reflect any accrued interest. Accrued interest is calculated using the nominal interest rate.

Interest on statutory receivables is recognised as revenue in accordance with the policy on revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers), whichever is applicable.

Accounting Policies

Annual Financial Statements for the year ended 31 March 2024

1.8 Statutory receivables (continued)

Other charges

Where the NRCS is required or entitled in terms of legislation, supporting regulations, by-laws or similar means to levy additional charges on overdue or unpaid amounts, and such charges are levied, the entity applies the principles as stated in "Accrued interest" above, as well as the relevant policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers).

Impairment losses

The NRCS assesses at each reporting date whether there is any indication that a statutory receivable, or a group of statutory receivables, may be impaired.

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the NRCS considers, as a minimum, the following indicators:

- Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.
- A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).
- Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the NRCS measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable, or group of statutory receivables, is reduced, either directly or through the use of an allowance account. The amount of the losses is recognised in surplus or deficit.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows.

Any previously recognised impairment loss is adjusted either directly or by adjusting the allowance account. The adjustment does not result in the carrying amount of the statutory receivable or group of statutory receivables exceeding what the carrying amount of the receivable(s) would have been had the impairment loss not been recognised at the date the impairment is revised. The amount of any adjustment is recognised in surplus or deficit.

Derecognition

The NRCS derecognises a statutory receivable, or a part thereof, when:

- the rights to the cash flows from the receivable are settled, expire or are waived;
 - the NRCS transfers to another party substantially all of the risks and rewards of ownership of the receivable;
- or

Accounting Policies

Annual Financial Statements for the year ended 31 March 2024

1.8 Statutory receivables (continued)

- the NRCS, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable 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 receivable; and
 - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of any statutory receivables transferred are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. The entity considers whether any newly created rights and obligations are within the scope of the Standard of GRAP on Financial Instruments or another Standard of GRAP. Any difference between the consideration received and the amounts derecognised and, those amounts recognised, are recognised in surplus or deficit in the period of the transfer.

1.9 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.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

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.

Minimum 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.

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

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.10 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

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.

Accounting Policies

Annual Financial Statements for the year ended 31 March 2024

1.10 Employee benefits (continued)

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 expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Long Service Awards

The NRCS provides long service awards to permanent employees with uninterrupted or unbroken services of five years and longer within NRCS.

The award to employees is in form of a monetary award and certificate that an employee will receive after being loyal to the NRCS for a predetermined period.

Where an employee has a broken service, only continuous service since the most recent date of engagement will be considered for a long service award, unless if the broken service was less than a year as stated in the Basic Conditions of Employment Act.

The long service monetary award and ceremony will be processed and implemented yearly at the end of the financial year (end March).

The value of long service awards may be revised from time to time at NRCS's discretion, taking into account factors such as cost of living and the financial position of NRCS.

The present value of the long service awards depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of long service awards.

The entity determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the long service award. In determining the appropriate discount rate, the entity considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related long service award.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The entity recognises the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
 - actuarial gains and losses, which shall all be recognised immediately
 - past service cost, which shall all be recognised immediately; and
 - the effect of any curtailments or settlements.

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Annual Financial Statements for the year ended 31 March 2024

1.10 Employee benefits (continued)

Post-retirement medical obligations

The NRCS provides post-retirement health care benefits to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations.

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

The entity determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the post- retirement medical obligations. In determining the appropriate discount rate, the entity considers the interest rates of high-quality government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related post-retirement medical liability.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The entity recognises the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
 - actuarial gains and losses, which shall all be recognised immediately;
 - past service cost, which shall all be recognised immediately; and
 - the effect of any curtailments or settlements.

1.11 Provisions and contingencies

Provisions are recognised when:

- the NRCS 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.

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

Accounting Policies

Annual Financial Statements for the year ended 31 March 2024

1.11 Provisions and contingencies (continued)

A provision is used only for expenditures for which the provision was originally recognised. Provisions are not recognised for future operating surplus.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
 - the activity/operating unit or part of an activity/operating unit concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for services being terminated;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

Leave day accruals were raised and management determined an estimate based on the information available. In each leave cycle, an employee shall take 50% of their uninterrupted annual leave, the remainder thereof shall be taken within the same leave cycle. Any annual leave not utilised from the previous cycle shall be given a grace period of 6 months to utilise, otherwise they will be forfeited. It is impractical to determine the exact number of days that will be forfeited upon calculation of leave pay accrual.

A contingent liability is defined as

- a. a possible obligation that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- b. a present obligation that arises from past events but is not recognised because:
 - (i) it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or
 - (ii) the amount of the obligation cannot be measured with sufficient reliability.

The amount of the contingent liability is measured at the best estimate required to settle the possible obligation at the reporting date.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 25.

Accounting Policies

Annual Financial Statements for the year ended 31 March 2024

1.12 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

1.13 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 NRCS 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.

The amount of revenue arising on a transaction which is statutory (non-contractual) in nature is usually measured by reference to the relevant legislation, regulation or similar means. The fee structure, tariffs or calculation basis specified in legislation, regulation or similar means is used to determine the amount of revenue that should be recognised. This amount represents the fair value, on initial measurement, of the consideration received or receivable for revenue that arises from a statutory (non-contractual) arrangement (see the accounting policy on Statutory Receivables).

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.

Accounting Policies

Annual Financial Statements for the year ended 31 March 2024

1.13 Revenue from exchange transactions (continued)

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

NRCS as a regulator render services for premarket approval of products in terms of the NRCS Act or the Legal Metrology Act

Non refundable application fees

The NRCS gazettes application fee for premarket approval of products. These service include approval applications in Electrotechnical, Automotive, Chemicals Materials and Mechanicals and Gaming approval applications in Legal Metrology

Application fees are measured at the fair value of the consideration received

Recognition

Revenue arising from non-exchange transactions is only recognised if:

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

Taxes requires that an entity recognises an asset in respect of taxes when the taxable events occur and the asset recognition criteria is met

Measurement

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

Interest Income

Interest is recognised using the effective interest rate method for financial instruments, and using the nominal interest rate method for statutory receivables. Interest levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction.

1.14 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an NRCS, which represents an increase in net assets, other than increases relating to contributions from owners.

Control of an asset arise when the NRCS can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

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

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Accounting Policies

Annual Financial Statements for the year ended 31 March 2024

1.14 Revenue from non-exchange transactions (continued)

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

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

Taxes

The NRCS recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the NRCS controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The NRCS analyses the taxation laws to determine what the taxable events are for the various taxes levied.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law

The income from levy is treated as taxes in terms of GRAP interpretation

Levies

Levies for compulsory specifications are based on declarations of volumes of regulated products manufactured or imported

The recognition of the levy debtor is initially measured at the transaction amount which is determined by reference to published tariff per unit on regulated products multiply by units declared. If it is deemed reliable levy debtors may be estimated with reference to historical declarations.

The NRCS does not have an obligation that arises in respect of levies for compulsory specifications and therefore the levy revenue is recognised at the amount of the levy debtor, or if earlier, the cash received with levy declaration. Levy revenue is then only recognised once it becomes due and payable.

Registration fees income

Transport annual registration fees are collected in terms of the National Road Traffic Act, No 93 of 1996 for all registered manufacturers, importers and builders (MIB) of motor vehicles.

Transport annual registration fees are levied annually on the date of first registration. An adjustment is made for annual registration fees that have not accrued to the NRCS yet.

Transport and registration fees are measured at the fair value of the consideration received or receivable

Accounting Policies

Annual Financial Statements for the year ended 31 March 2024

1.14 Revenue from non-exchange transactions (continued)

Government grants

Grants without any conditions attached are recognised as revenue in full when the asset is recognised, at an amount equalling the fair value of the asset received.

Where there are conditions attached to a grant, transfer or donation that gave rise to a liability at initial recognition, that liability is transferred to revenue as and when the conditions attached to the grant are met.

1.15 Comparative figures

When the presentation or classification of items in the annual financial statements is amended, prior period comparatives amounts are also reclassified and restated, unless such reclassification and/or restatement is not required by a standard of GRAP. The nature and reason of such reclassification and restatements are also disclosed. Where material accounting errors, which relate to prior periods, have been identified in the current year, the correction is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly.

Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly.

The presentation and classification of items in the current year is consistent with prior periods except where stated.

1.16 Fruitless and wasteful expenditure

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

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

Fruitless and wasteful expenditure when incurred and confirmed is recorded in the annual financial statements disclosure. This relates to fruitless and wasteful expenditure incurred in the current financial year, with a one previous financial year comparative analysis.

Fruitless and wasteful expenditure for previous financial year (comparative amounts) must be recognised in the period in which they occurred as follows:

- (a) fruitless and wasteful expenditure incurred and confirmed in the previous financial year;
- (b) fruitless and wasteful expenditure that was under assessment in the previous financial year and confirmed in the current financial year; and
- (c) fruitless and wasteful expenditure that was not discovered in the previous financial year and identified and confirmed in the current financial year.

Additional information relating to fruitless and wasteful expenditure under assessment, determination, investigations, narratives and a process of dealing with the concerned fruitless and wasteful expenditure must be recorded in the annual report of the entity.

Accounting Policies

Annual Financial Statements for the year ended 31 March 2024

1.17 Irregular expenditure

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

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury instruction note no. 4 of 2022/2023 which was issued in terms of sections 76(2)(e) to 76(4)(a) of the PFMA requires the following (effective from 3 January 2023):

Irregular expenditure when incurred and confirmed is recorded in the annual financial statements disclosure. This relates to irregular expenditure incurred in the current financial year, with a one financial year comparative analysis.

Additional information relating to irregular expenditure under assessment, determination, investigation, narratives, and the process of dealing with the irregular expenditure is recorded in the annual report of the entity.

1.18 Budget information

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

The approved budget covers the fiscal period from 01/04/2023 to 31/03/2024.

The budget for the NRCS includes all the entities approved budgets under its control.

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.

A difference of 10% or more between budget and actual amounts is regarded as material. All material differences are explained in the notes to the Annual Financial Statements.

1.19 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Accounting Policies

Annual Financial Statements for the year ended 31 March 2024

1.19 Related parties (continued)

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

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

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

The entity is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the entity to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the entity is exempt from the disclosures in accordance with the above, the entity discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.

1.20 Events after reporting date

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

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

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

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

Notes to the Annual Financial Statements

Annual Financial Statements for the year ended 31 March 2024

2. NEW STANDARDS AND INTERPRETATIONS

2.1 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 2024 or later periods:

Standard/Interpretation	Effective Date: Years beginning on or after	Expected impact:
Amendment to GRAP 1 on Presentation of Financial Statements	Not yet effective	Not expected to impact results but may result in additional disclosure
Amendment to GRAP 104 on Financial Instruments	01 April 2025	Not expected to impact results but may result in additional disclosure
Amendments to GRAP 105 on Transfer of functions between entities under common control	Not yet effective	Not expected to impact results but may result in additional disclosure
Amendment to GRAP 106 on Transfer of functions between entities under common control	Not yet effective	Not expected to impact results but may result in additional disclosure
Amendment to GRAP on mergers	Not yet effective	Not expected to impact results but may result in additional disclosure
Amendments to GRAP 103	Not yet effective	Not expected to impact results but may result in additional disclosure

Notes to the Annual Financial Statements

Annual Financial Statements for the year ended 31 March 2024

3. PROPERTY, PLANT AND EQUIPMENT

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	3,000,000	-	3,000,000	3,000,000	-	3,000,000
Buildings	5,000,000	(5,000,000)	-	5,000,000	(5,000,000)	-
Leasehold property	131,723	(131,718)	5	131,723	(126,877)	4,846
Plant and machinery	184,578	(184,577)	1	184,578	(175,992)	8,586
Motor vehicles	6,921,450	(6,069,143)	852,307	6,270,348	(5,924,148)	346,200
Office equipment	38,614,209	(32,455,334)	6,158,875	34,974,508	(28,742,334)	6,232,174
Laboratory equipment	18,980,646	(10,259,737)	8,720,909	14,867,901	(8,889,143)	5,978,758
Total	72,832,606	(54,100,509)	18,732,097	64,429,058	(48,858,494)	15,570,564

Impairment relates to the main building in Port Elizabeth which was destroyed by fire. The building which include work in progress was devalued to nil after the assessments by professional valuers.

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Minor assets write off	Adjustment	Depreciation	Total
Land	3,000,000	-	-	-	-	3,000,000
Leasehold property	4,846	-	-	-	(4,841)	5
Plant and machinery	8,586	-	-	-	(8,585)	1
Motor vehicles	346,200	651,102	-	-	(144,995)	852,307
Office equipment	6,232,174	3,631,231	(35,339)	34,591	(3,703,782)	6,158,875
Laboratory equipment	5,978,758	4,112,748	-	-	(1,370,597)	8,720,909
	15,570,564	8,395,081	(35,339)	34,591	(5,232,800)	18,732,097

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Disposals	Minor assets write off	Depreciation	Total
Land	3,000,000	-	-	-	-	3,000,000
Leasehold property	16,936	-	-	-	(12,090)	4,846
Plant and machinery	25,760	-	-	-	(17,174)	8,586
Motor vehicles	490,310	-	-	-	(144,110)	346,200
Office equipment	10,609,525	302,609	(6,589)	(38,318)	(4,635,053)	6,232,174
Laboratory equipment	7,213,797	-	(3)	-	(1,235,036)	5,978,758
	21,356,328	302,609	(6,592)	(38,318)	(6,043,463)	15,570,564

Pledged as security

No assets that were pledged as security

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance.

General expenses	580,076	612,615
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4. CHANGE IN ESTIMATE

NRCS performed annual useful lives assessments and there were no material adjustments noted except the intangible asset that was capitalised previously under work in progress. The effects on future depreciation is R555 900.42 per annum for the remaining three years resulting in the increase in the carrying amount of the asset.

Notes to the Annual Financial Statements

Annual Financial Statements for the year ended 31 March 2024

5. INTANGIBLE ASSETS

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Computer software	8,767,479	(6,933,269)	1,834,210	8,767,479	(6,306,010)	2,461,469
Intangible assets under development	12,643,048	-	12,643,048	11,612,832	-	11,612,832
Total	21,410,527	(6,933,269)	14,477,258	20,380,311	(6,306,010)	14,074,301

Reconciliation of intangible assets - 2024

	Opening balance	Additions	Amortisation	Total
Computer software	2,461,469	-	(627,258)	1,834,211
Intangible assets under development*	11,612,832	1,030,216	-	12,643,048
Total	14,074,301	1,030,216	(627,258)	14,477,259

*NRCS is in the process of developing an Enterprise Resource Planning(ERP) system.

Reconciliation of intangible assets - 2023

	Opening	Additions	Disposals balance	WIP Transfers to intangibles	Amortisation	Total
Computer software	472,743	-	(125,782)	3,335,403	(1,220,895)	2,461,469
Intangible assets under development	13,154,794	1,793,441	-	(3,335,403)	-	11,612,832
	13,627,537	1,793,441	(125,782)	-	(1,220,895)	14,074,301

Pledged as security

There were no intangible assets that were pledged for security.

Intangibles under development

Accumulated expenditure as at 01 April 2022	13,154,794
Additional expenditure for 2022/2023	1,793,441
Transferred to intangibles (Intangibles brought into use)	(3,335,403)
Carrying value of accumulated expenditure as at 31 March 2023	11,612,832
Additional expenditure for 2023/2024	1,030,216
Carrying value of accumulated expenditure as at 31 March 2024	12,643,048

Notes to the Annual Financial Statements

Annual Financial Statements for the year ended 31 March 2024

6. EMPLOYEE BENEFIT OBLIGATIONS

The amounts recognised in the statement of financial position are as follows:

Carrying value

Present value of the defined benefit obligation-wholly unfunded	(7,767,000)	(7,614,000)
Present value of the defined benefit obligation-partly or wholly funded	(671,000)	(562,000)
	(8,438,000)	(8,176,000)
Opening balance	8,176,000	8,949,000
Current service cost	71,000	101,000
Interest	877,000	892,000
Actuaries (gains)/loss	(89,926)	(1,252,672)
Benefits paid	(596,074)	(513,328)
	8,438,000	8,176,000

The NRCS contributes towards medical aid contributions after retirement of employees, subject to the following conditions:

- The employee was employed before 1 September 1998 (within the SABS);
- The employee participated in the Bestmed medical aid scheme for at least ten years and
- The employee retired after the age of 64.

Valuations of these obligations are carried out annually by independent qualified actuaries. The most recent valuation was done as at 31 March 2024.

Key assumptions used (expressed as weighted averages) are as follows:

Discounted rate per annum	12.34 %	11.10 %
Medical aid inflation	6.43 %	5.69 %
Average retirement age	64	64
Other assets [state assets]	100.00 %	100.00 %

Notes to the Annual Financial Statements

Annual Financial Statements for the year ended 31 March 2024

7. EMPLOYEE BENEFIT OBLIGATIONS (CONTINUED)

Sensitivity analysis

Opening balance	(2,001,262)	(1,228,262)
Net expense recognised in the statement of financial performance	262,000	(773,000)
	(1,739,262)	(2,001,262)

The effects on the central basis liability results for 2024 when the medical aid inflation rate is increased or decreased by 1%.

	Liability	Change in liability	Liability	Change in liability
+1%	9,265,000	827,000	9,025,000	849,000
Central	8,438,000	-	8,176,000	-
-1%	7,721,000	(1,544,000)	7,446,000	(1,579,000)

The effects on the central basis liability results for 2024 when the medical aid discount rate is increased or decreased by 1%.

	Liability	Change in liability	Liability	Change in liability
+1%	7,745,000	(693,000)	7,468,000	(708,000)
Central	8,438,000	-	8,176,000	-
-1%	9,246,000	1,501,000	9,009,000	830,000

Net expense recognised in the statement of financial performance: Post-retirement medical aid

Current service cost	71,000	101,000
Interest cost	877,000	892,000
Actuarial (gains) losses	(89,926)	(1,252,672)
Benefits vesting	(596,074)	(513,328)
	262,000	(773,000)

7. DEPOSITS

Deposits are for property held under an operating lease, fleet card services and for municipality services. These are accounted for at cost.

Operating Leases	704,372	704,372
Fleet cards	10,000	10,000
Municipality	6,266	6,266
	720,638	720,638

Notes to the Annual Financial Statements

Annual Financial Statements for the year ended 31 March 2024

8. RECEIVABLES FROM EXCHANGE TRANSACTIONS

Trade debtors	62,668,224	31,834,101
Impairment related to receivables	(52,792,780)	(21,514,516)
Employee advances- subsistence and travel allowances	5,092,386	3,831,629
Sundry debtors Prepaid expenses	127,782	- 1,031,461
	15,095,612	15,182,675

Statutory receivables included in receivables from exchange transactions:

Statutory receivables as at 31 March 2024, R62 668 224; (2023: R 31 834 101).

Receivables from exchange transactions past due but not impaired

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 31 March 2024, R9 875 444 (2023: R 10 319 585) were past due but not impaired.

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

1 months past due	4,572,907	3,934,669
2 months past due	1,190,786	4,400,675
3 months past due	2,272,224	1,512,170
4 months past due	1,839,527	472,071
	9,875,444	10,319,585

Receivables from exchange transactions impaired

The amount of the impairment was R52 792 781 as of 31 March 2024 (2023: R 21 514 516) -

The ageing of these receivables is as follows:

Over 6 months	52,792,781	21,514,516
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Reconciliation of provision for impairment of trade and other receivables

Opening balance	21,514,516	19,318,856
Provision for impairment	31,278,234	2,195,660
	52,792,750	21,514,516

Receivables are impaired on an individual basis. The impairment of trade receivables has been determined with reference to past default experience and the current economic environment in which these entities trade.

Notes to the Annual Financial Statements

Annual Financial Statements for the year ended 31 March 2024

9. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Levies	103,689,801	150,291,425
Impairment	(76,412,102)	(57,396,571)
Other debtors: non-exchange revenue	4,498,364	4,498,364
	31,776,063	97,393,218

Statutory receivables included in receivables from non-exchange transactions: Statutory receivables as at 31 March 2024, R103 689 801; (2023: R 150 291 425). Other debtors have been impaired. (R4 498 364)

Trade receivables from non-exchange transactions past due but not impaired

Other receivables from non-exchange transactions which are less than 4 months past due are not considered to be impaired. At 31 March 2024, R31 776 068 (2023: R 92 894 854) were past due but not impaired.

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

1 month past due	15,167,652	76,341,311
2 months past due	4,802,571	9,774,816
3 month past due	6,689,407	6,105,635
4 month past due	5,116,438	673,092
	31,776,068	92,894,854

Trade receivables from non-exchange transactions impaired

The amount of the impairment is 76,412,102 as of 31 March 2024 (2023: R 57 396 571).

The ageing of these trade receivables from all non-exchange transactions including statutory receivables are as follows:

Over 6 months	76,412,102	7,396,571
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Reconciliation of provision for impairment of receivables from non-exchange transactions

Opening balance	57,396,571	42,262,276
Provision for impairment	19,015,531	15,134,295
	76,412,102	57,396,571

Trade receivables are impaired on an individual basis. The impairment of trade receivables has been determined with reference to past default experience and the current economic environment in which these entities trade.

Notes to the Annual Financial Statements

Annual Financial Statements for the year ended 31 March 2024

10. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

Figures in Rand	2024	2023
Cash on hand	11,050	15,233
Bank balances	35,883,538	34,967,028
Short-term deposits	798,995	59,402,950
	36,693,583	94,385,211

None of the cash and cash equivalents are considered to be impaired and consequently no provision was raised for the irrecoverability of these financial assets. No restrictions have been placed on the use of cash and cash equivalents for the operations of the entity.

11. PROVISIONS

Reconciliation of provisions - 2024

	Opening Balance	Additions	Utilised during the year	Total
Leave pay	16,068,963	3,934,861	(2,416,837)	17,586,987
Provision for performance bonus	16,800,000	-	(16,800,000)	-
Provision for backpay salary	8,422,833	-	(8,422,833)	-
	41,291,796	3,934,861	(27,639,670)	17,586,987

Reconciliation of provisions - 2023

	Opening Balance	Additions	Utilised during the year	Total
Leave pay	14,616,348	2,040,590	(587,975)	16,068,963
Provision for performance bonus	16,500,000	19,321,785	(19,321,785)	16,800,000
Provision for backpay salary	-	8,422,833	-	8,422,833
	31,116,348	30,085,208	(19,909,760)	41,291,796

The performance bonus is estimated on the results of staff's performance evaluations. The payout is limited to the available budget and has been provided for on that basis.

The leave provision is provided for in terms of NRCS leave policy which allows for forfeiture of leave balances that are not utilised within 6 months after a leave cycle.

Provision for backpay salary is provided for in terms of NRCS policy which allows for the entity to have annual salary increase.

Notes to the Annual Financial Statements

Annual Financial Statements for the year ended 31 March 2024

12. LONG SERVICE AWARDS

The NRCS implemented long service award policy in the current financial year. This relates to awarding employees a monetary amount for each 5 years of service worked.

Figures in Rand	2024	2023
Amount recognised in the statement of financial position		
Non-current liability	2,542,000	3,354,000
Current liability	1,480,000	1,016,000
	4,022,000	4,370,000
Opening balance*	4,370,000	4,681,000
Current service cost	339,000	369,000
Interest cost	374,000	399,000
Benefits vesting	(1,220,000)	(950,000)
Actuaries loss/(gains) on assumptions	159,000	(129,000)
	4,022,000	4,370,000

Key assumptions used

Discount rates used	10.88%	9.66%
Average Retirement Age: Males (years)	64	64
Average Retirement Age: Females (years)	64	64

The assumptions used are based on statistics and market data as at 31 March 2024.

Discount rate

GRAP 25 stipulates that the choice of this rate should be derived from government bond yields consistent with the estimated term of the employee benefit liabilities. However, where there is no deep market in government bonds with a sufficiently long maturity to match the estimated term of all the benefit payments, current market rates of the appropriate term should be used to discount shorter term payments, and the discount rate for longer maturities should be estimated by extrapolating current market rates along the yield curve.

Consequently, a discount rate of 10.88% per annum has been used. This yield was obtained by calculating the duration of the liability and then taking the yield from the yield curve at that duration using an iterative process (because the yield depends on the duration, which in turn depends on the liability). This rate does not reflect any adjustment for taxation, and was deduced from the interest rate data obtained from the JSE after the market close on 31 March 2024. The duration of the total liability was estimated to be 7.00 years.

Withdrawal rates

The table below used reflect a sample of the rates of withdrawal used to value the liabilities for males and females. We have used the same withdrawal rate with that used in the entity's post-employment medical aid GRAP 25 valuation.

Age

20 - 24	9%
25 - 29	8%
30 - 34	6%
35 - 39	5%
40 - 44	5%
45 - 49	4%
50 - 54	3%
55+	0%

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Annual Financial Statements for the year ended 31 March 2024

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12. LONG SERVICE AWARDS (CONTINUED)

Average Retirement Age

The normal retirement age of employees is 64. It has been assumed that employees will retire at age 64 on average, which thus assumes that expected rates of ill-health and early retirement are nil. Employees who have passed the assumed average retirement age, have been assumed to retire at their next birthday.

Sensitivity analysis

The effects on the liability results for 2024 when the discount rate is increased or decreased by 1%.

	Liability	Change in liability	Liability	Change in liability
1%	3,835,000	(187,000)	4,164,000	(206,000)
Central	4,022,000	-	4,370,000	-
-1%	4,226,000	204,000	4,595,000	(950,000)

The effects on the liability results for 2024 when the retirement age is increased or decreased by 1 year.

	Liability	Change in liability	Liability	Change in liability
65 years	4,426,000	404,000	4,588,500	218,500
64 years	4,022,000	-	4,370,000	-
63 years	3,652,000	(370,000)	4,195,200	(174,800)

Amount recognised in the statement of financial performance

Net expense recognised in the statement of financial performance	872,000	639,000
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13. PAYABLES FROM EXCHANGE TRANSACTIONS

Trade payables	12,637,558	9,840,873
Trade debtors with credit balances	21,599,569	27,113,255
Unallocated Deposits	8,125,163	7,802,560
Other payables	(1)	243,638
Salary related accruals	8,197,294	7,081,821
Operating lease payables	3,568,914	3,330,566
Medical control	-	(8)
	54,128,497	55,412,705

14. PAYABLE FROM NON-EXCHANGE TRANSACTIONS

Grant payable	15,401,000	-
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The **dtic** had reduced the original allocation of the NRCS by 10%. This amounted to R15 401 000. This amount is still due and payable to the DTIC.

Notes to the Annual Financial Statements

Annual Financial Statements for the year ended 31 March 2024

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15. REVENUE

The amount included in revenue arising from exchanges of goods or services are as follows:

Rendering of services	25,369,670	19,245,137
Approval application fee income	57,306,888	44,061,868
Recovery of bad debts	850,195	-
Sundry income	1,033,903	1,590,558
*Interest income	11,385,212	14,213,551
	95,945,868	79,111,114

*Interest Income includes interest from investment and interest from debtors.

Interest from investment	5,439,239	12,663,208
Interest from exchange debtors	5,945,973	1,550,343
	11,385,212	14,213,551

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue

Interest income from non-exchange	8,771,782	4,412,510
Levies for compulsory specifications	211,736,161	214,814,039
Registration fee	2,327,200	1,416,800
Government grants and core funding	138,611,000	147,560,000

Transfer revenue

361,446,143	368,203,349
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16. RENDERING OF SERVICES (EXCHANGE)

Test and services	11,457,153	5,623,269
Export certification	4,354,545	4,640,992
Vehicle homologation	6,977,183	6,862,043
Electrical compliance certificate	1,415,305	1,151,212
Gaming: Letter of compliance	1,165,484	967,621
	25,369,670	19,245,137

17. EMPLOYEE RELATED COSTS

Basic salary and performance bonus	330,038,851	338,887,896
13th Cheques	18,525,280	17,653,062
Medical aid	18,487,644	16,354,622
Long-service awards	367,000	371,000
Training and SDL	5,549,222	5,694,421
Pension costs	28,212,966	27,037,706
Post-employment medical benefits	71,000	101,000
	401,251,963	406,099,707

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Annual Financial Statements for the year ended 31 March 2024

Figures in Rand	2024	2023
18. DEPRECIATION AND AMORTISATION		
Property, plant and equipment	5,232,803	6,043,444
Intangible assets	627,260	1,220,895
	5,860,063	7,264,339
19. FINANCE COSTS		
Finance cost	1,010,579	1,851,471
Finance cost includes interest cost relating to actuary's valuations for long service awards and post- retirement benefits.		
20. DEBT IMPAIRMENT		
Debt impairment	50,293,795	17,329,956
21. GENERAL EXPENSES		
Office and administration expenses	3,675,550	5,400,984
Bank charges	168,474	144,009
Consulting services	7,434,008	1,886,537
IT Services	3,053,442	3,417,275
Legal fees	2,716,307	3,793,294
Consumables	56,285	88,586
Entertainment	-	300
Insurance	762,105	1,461,527
Loss on asset disposals and other writes offs	222,575	165,797
Motor vehicle expenses	840,983	757,502
Repairs and maintenance	580,076	610,023
Software expenses	4,488,695	4,590,711
Staff welfare	1,866,853	1,354,157
Accreditation services	672,099	693,811
Municipal services	2,589,738	2,647,680
Casual labour	130,795	89,550
Storage of seized goods	348,748	731,524
Staff recruitment costs	85,804	231,226
Foreign exchange loss	15,046	424
Non- executive committee fees	882,576	926,913
	30,590,159	28,991,830
22. AUDITORS' REMUNERATION		
Fees	5,164,452	5,008,315

Notes to the Annual Financial Statements

Annual Financial Statements for the year ended 31 March 2024

Figures in Rand	2024	2023
23. CASH USED IN OPERATIONS		
Deficit	(110,157,339)	(82,071,546)
Adjustments for:		
Depreciation and amortisation	5,860,063	7,264,339
Carrying amount of disposed assets	-	132,374
Debt impairment	50,293,795	17,329,956
Non cash - provision for doubtful debts	-	976,672
Assets adjustment/Loss on assets written off	744	38,318
Movements in employee benefit-Post-retirement medical	262,000	(773,000)
Movements in provisions-Leave and performance bonus	(23,704,809)	10,175,448
Movement in employee benefit-Long service awards	(348,000)	(311,000)
Changes in working capital:		
Receivables from exchange transactions	(31,191,201)	(4,669,279)
Receivables from non-exchange	46,601,624	6,153,172
Payables from exchange transactions	(1,284,208)	(3,057,530)
Payable from non-exchange transactions	15,401,000	-
	(48,266,331)	(48,812,076)
24. COMMITMENTS		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	-	5,416,879
• Intangible assets	6,548,142	12,581,008
	6,548,142	17,997,887
Total capital commitments		
Already contracted for but not provided for	6,548,142	17,997,887
Approved capital expenditure relates to the implementation of the ERP project.		
Operating leases - as lessee (expense)		
Minimum lease payments due		
- within one year	16,115,045	16,716,807
- in second to fifth year inclusive	25,891,523	41,902,799
	42,006,568	58,619,606

Operating lease payments represent rentals payable by the entity for certain of its office properties. The operating lease is straight-lined in terms of the lease agreement.

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25. CONTINGENCIES

List of cases against NRCS	Amount (R)	Amount (R)
1. An employee was charged and subsequently dismissed. The employee is challenging the dismissal, citing unfair dismissal.	758,770	-
2. An employee was charged with allegations of misconduct pertaining to the audit findings. The matter is with Labour Court.	572,064	572,064
3. The applicant essentially wants an order from the court requiring that the NRCS refund it all the levies paid by the company. NRCS has received judgement in this matter in favour of NRCS. The cost is currently difficult to determine since the taxing master of the court still need to determine amount to be paid.	-	-
4. Matter between the applicant and NRCS relating to the building that NRCS used to occupy in Durban in which the applicant intends on referring the dispute relating to alleged outstanding rentals/damages and costs relating to the air-conditioning system to Arbitration	250,000	1,139,229
	1,580,834	1,711,293

5. Accumulated Surplus

In terms of the section 53(3) of the PFMA the entity at the end of financial year needs to declare surplus to the National Treasury. The National Treasury may apply such surplus to reduce any proposed allocation to the entity or require that all or part of it be surrendered to National Treasury.

For the 2023/24 financial year, the NRCS had reported an accumulated deficit of R5,702,226 after applying the formula to calculate surpluses in National Treasury Instruction No. 12 of 2021.

The NRCS is, however, still in discussions with the National Treasury regarding the retention of the surplus for the 2022/23 financial year. The amount of the calculated surplus as per National Treasury Instruction No 12 of 2020/21 was R109,785,836.

6. A possible contingent liability may exist where a customer is claiming a refund for prior year levy declarations. The matter is still being investigated.

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26. RELATED PARTIES

Relationships

Controlling entity

Entities controlled by **the dtic**

Department of Trade, Industry and Competition

South African Bureau of Standards (SABS)

South African National Accreditation System (SANAS)

Companies and Intellectual Property Commission (CIPC)

Companies Tribunal (CT)

National Empowerment Fund (NEF)

Export Credit Insurance Corporation of South Africa SOC Limited (ECIC)

National Credit Regulator (NCR)

National Gambling Board (NGB)

National Consumer Tribunal (NCT)

National Metrology Institute of South Africa (NMISA)

International Trade Administration Commission (ITAC)

Competition Commission (CT)

Industrial Development Corporation (IDT)

National Consumer Commission (NCC)

National Lotteries Commission (NLC)

Competition Tribunal (CT)

Takeover Regulation Panel (TRP)

Related party transactions

Payables from exchange transactions: related parties

South African Bureau of Standards (SABS)

2,534,686

2,878,316

South African National Accreditation System (SANAS)

82,431

211,344

Payables from non-exchange transactions: related parties

Department of Trade, Industry and Competition (**the dtic**)

15,401,000

-

Administration fees paid to (received from) related parties

Government grants and core funding

138,611,000

147,560,000

Surplus retention

Surplus refunded to the National Revenue Fund via **the dtic**

-

54,488,000

The NRCS is leasing offices from SABS. This is a 5-year lease agreement subject to 5,3% increase annually.

SABS also performs various testing for the NRCS. The amount above is testing services.

As per the GRAP 20, if the transactions occur within a normal supplier and /or client relationships only outstanding balances need to be disclosed as per the above.

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26. RELATED PARTIES (CONTINUED)

Remuneration of Committee members Non-executive: Audit and Risk Committee 2024

Name

	Fees for services	Total
S Badat (Chairperson) Appointed 31 January 2019	222,581	222,581
JC Weapond (Appointed 31 January 2019)	189,791	189,791
SP Mzizi (Appointed 31 January 2019)	358,061	358,061
M Ramatla*	-	-
	770,433	770,433

2023

Name

	Fees for services	Total
S Badat (Chairperson) Appointed 31 January 2019	290,389	290,389
JC Weapond (Appointed 31 January 2019)	195,960	195,960
SP Mzizi (Appointed 31 January 2019) M Ramatla*	290,389	290,389
	-	-
	776,738	776,738

*DTIC representatives are not remunerated by NRCS.

2023

Human Resource Committee

	8,640	8,640
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26. RELATED PARTIES (CONTINUED)

Non - Executive ICT Steering Committee

2024

Name

Norman Baloyi*

CG de Kock

A Latchu**

Fees for
services as a
member of
management

Total

23,847

23,847

57,361

57,361

30,936

30,936

112,144

112,144

2023

Name

Norman Baloyi*

CG de Kock

A Latchu**

Fees for
services as a
member of
management

Total

80,563

80,563

31,581

31,581

29,392

29,392

141,536

141,536

*Normal Baloyi was appointed as ICT member on 1 November 2021.

**A Latchu was appointed as ICT member on 1 November 2021.

Notes to the Annual Financial Statements

Annual Financial Statements for the year ended 31 March 2024

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26. RELATED PARTIES (CONTINUED)

Management class: Executive management 2024

	Basic salary	Bonuses and performance related payments	Retirement and medical aid	Other benefits (Cellphone allowances /Travel	Total
Name					
E Mamadise - CEO*	859,981	222,730	88,184	12,887	1,183,782
MD Mutengwe - ACEO**	1,531,765	90,527	212,367	151,886	1,986,545
MT Madzivhe - COO***	1,890,640	99,089	219,901	81,083	2,290,713
Mandla Mokoena -ACFO****	496,523	52,078	45,335	73,026	666,962
N Thomas -CFO*****	1,031,277	-	83,332	6,136	1,120,745
KJO Kgasago -CIO	1,683,115	97,662	245,729	10,516	2,037,022
MN Katz - GM Foods	1,639,493	96,235	223,134	15,242	1,974,104
J Marneweck - AGM Legal Metrology*****	112,221	85,085	19,021	13,455	229,782
T Modiba - Acting GM Legal Metrology*****	1,073,991	74,044	229,963	152,518	1,530,516
A. Mkondo - Acting GM Automotive*****	1,251,362	74,044	177,982	101,021	1,604,409
T. Ntlhane - GM Electrotech*****	516,009	-	37,406	3,506	556,921
T. Mabena - Acting GM Electrotech*****	822,049	74,044	119,575	110,744	1,126,412
D Cicero - Acting GM CMM*****	592,405	86,131	93,540	90,826	862,902
	13,500,831	1,051,669	1,795,469	822,846	17,170,815

2023

	Basic salary	Bonuses and performance related payments	Retirement and medical aid	Other benefits (Cellphone allowances /Travel	Total
Name					
E Mamadise CEO	2,136,633	296,548	196,971	42,170	2,672,322
J Marneweck-AGM Legal Metrology	1,431,147	112,371	209,325	157,867	1,910,710
M Mokoena - ACFO	893,362	-	83,044	71,004	1,047,410
BA Khanyile-GM Electro tech	1,533,973	120,137	213,746	26,659	1,894,515
MN Katz-GM Foods	1,634,341	102,470	211,756	30,805	1,979,372
MT Madzivhe-GM CMM	1,706,501	90,103	194,062	29,110	2,019,776
MD Mutengwe-GM Automotive	1,552,457	102,203	192,043	182,169	2,028,872
R Ramcharan -CFO**	905,881	94,952	79,733	75,739	1,156,305
KJO Kgasago - CIO	1,648,984	60,069	222,937	8,770	1,940,760
	13,443,279	978,853	1,603,617	624,293	16,650,042

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26. RELATED PARTIES (CONTINUED)

* Mr E Mamadise's contract as the CEO ended on the 31 August 2023.

**Mr D Mutengwe commenced acting in the CEO position as at 01 September 2023.

***Mr T Madzivhe was appointed as the COO from the 01 October 2023.

****Mr M Mokoena's acting role as the CFO ended on the 31 August 2023.

*****Mrs N Thomas was appointed as the CFO on the 01 September 2023.

*****Mr J Marneweck acted as the GM: Legal Metrology (LM) for the month of 01 April 2023.

*****Mr T Modiba commenced acting as the GM: LM on the 01 May 2023

*****Mr A Mkondo commenced acting as the GM: Automotive on the 01 September 2023.

*****Mrs T Ntlhane was appointed as the GM: Electrotech on the 01 December 2023

*****Mr T Mabena commenced acting as the GM: Electro tech on the 01 April 2023-30 November 2023.

*****Mr D Cicero commenced acting as the GM: CMM on the 01 October 2023-31 March 2024.

27. PRIOR-YEAR ADJUSTMENTS

The NRCS's annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP). The basis is consistent with the prior year except for restatements reflected below.

Payables from exchange transactions

The NRCS identified that salary accruals paid in the 2022/23 were still recognised as payables in 2023 financial period. These have been corrected and the adjusted retrospectively as required by GRAP 3.

Receivables from exchange transactions/Travel expenditure/Payable from exchange transactions

The NRCS identified subsistence and travel transactions which were not correctly accounted for in 2022 financial period. These have been corrected and the adjusted retrospectively as required by GRAP 3.

Intangible Assets

Intangible assets under development had been brought into use in 2022/23. The software that had gone live had not been capitalized, therefore the intangible assets had been overstated by R3.3m. The correction was effected retrospectively and the intangibles capitalized and amortised. Amortisation costs for 2022/23 were therefore understated and the deficit understated.

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27. PRIOR-YEAR ADJUSTMENTS (CONTINUED)

The effect of the prior period errors was as follows:

Statement of financial position

2023

Payables from exchange transactions

Accumulated surplus

Intangible assets

As previously reported	Correction of error	Restated
(54,305,472)	(1,107,233)	(55,412,705)
(130,295,142)	2,219,034	(128,076,108)
15,186,102	(1,111,801)	14,074,301
(169,414,512)	-	(169,414,512)

Statement of financial performance

2023

Finance costs

Pension costs

Basic salaries (accruals and paye)

Depreciation and Amortisation

Surplus for the year

As previously reported	Correction of error	Restated
1,611,050	240,421	1,851,471
26,180,732	856,974	27,037,706
338,878,068	9,828	338,887,896
6,152,538	1,111,801	7,264,339
372,822,388	2,219,024	375,041,412

The errors relate to transactions that were not recorded in the correct accounting period and adjustments of balances based on errors happened in the past.

Prior year adjustments on surplus/deficit

Correction of finance cost (Interest paid)

Correction of basic salaries (salary accruals reversal)

Correction of pension costs

Correction of basic salaries (PAYE)

Correction of amortisation-Intangible asset

2023 (Increase)/ Decrease	Accumulated Surplus (increase)/ Decrease	Total
(240,421)	-	(240,421)
1,633,537	-	1,633,537
(856,974)	-	(856,974)
(1,643,365)	-	(1,643,365)
(1,111,801)	-	(1,111,801)
(2,219,024)	-	(2,219,024)

The amounts recorded in brackets above () were previously understated.

28. COMPARATIVE FIGURES

The effects of the reclassification and adjustments to comparative figures are shown in note 27 above.

Notes to the Annual Financial Statements

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29. RISK MANAGEMENT

Financial risk management

Liquidity risk

The entity manages liquidity risk through the compilation and monitoring of cash flow forecasts as well as ensuring that there are adequate banking facilities.

The data for this analysis is determined from internal reports presented to key management personnel. It is based on information that is managed internally on the entity's financial management system. NRCS has adequate resources to meet obligations as they become due.

The following are the contractual maturities of the financial liabilities including interest payments and excluding the impact of netting agreements:

At 31 March 2024

	Carrying amount	Contractual cashflows	1 year or less	> 1 year	
Payables from exchange transaction	69,529,497	69,529,497	37,157,324	-	-
	69,529,497	69,529,497	37,157,324	-	-

At 31 March 2023

	Carrying amount	Contractual cashflows	1 year or less	> 1 year	
Payables from exchange transaction	55,412,705	55,412,705	55,412,705	-	-
	55,412,705	55,412,705	55,412,705	-	-

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.

Surplus funds are invested with the Reserve Bank of South Africa in compliance with the Treasury Regulations.

Trade receivables comprise a large number of customers, dispersed across different industries and geographical areas. All new customers must pay in advance for tests and services rendered. Trade and other receivables are shown net of impairment.

The NRCS did not consider there to be any significant concentration of credit risk which had not been insured or adequately provided for at the reporting date. The amount in the Statement of Financial Position is the maximum exposure to credit risk.

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

Receivables from exchange transactions	15,095,611	15,182,675
Cash and bank	36,693,583	94,385,211

Market risk

Interest rate risk

The entity is exposed to interest rate risk as it places funds in the current and investment account at floating interest rates. Interest rate risk is managed through effective cash management.

The interest rate re-pricing profile at 31 March 2024 is summarised as follows:

	2024	2023
Cash and cash equivalents	36,693,583	94,385,211

Notes to the Annual Financial Statements

Annual Financial Statements for the year ended 31 March 2024

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30. GOING CONCERN

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The entity has noted the following factors which are indicative of an uncertainty in respect to the assessment of going concern: Cash decreased from the previous financial year as the result of revenue not being realized as initially estimated which had resulted in negative cash flows from operating activities.

An increase in deficit was reported in the 2023/2024 financial year. A total deficit amount of R110 million as incurred at 31 March 2024. This was largely due to an increase in the provision for doubtful debts of R50 million (2023: R17 million) and a realisation of income below what had been estimated.

The entity is in a net current liability position of R5 million as current assets were less than current liabilities resulting in a marginally unfavorable ratio of 0.94:1. However, the entity's solvency ratio indicates that the entity is solvent which indicates that NRCS has sufficient assets to cover its obligations. Therefore, despite the current ratio being unfavourable, the solvency ratio still remains positive.

In addition to the above, the entity is a schedule 3A public entity and is required to receive funding from funds appropriated by Parliament, through the dtic, in terms of Section 26 of the NRCS Act. This funding must be transferred to the entity in order for it to fulfill its mandate. Therefore, despite the revenue estimates from customers not being fully realized, the grant funding from government is a legislated mandate where funds will be transferred to the NRCS. This assists in funding the operations of the entity and ensures that the entity remains a going concern.

Management has assessed the NRCS's ability to continue as going concern and has taken the initiative to put mitigating factors in place to improve the cash flow situation of the entity. Management therefore concluded that based on the assessments performed above, as well as the measures put in place to assist the entity in overcoming its financial challenges, the entity is a going concern.

31. EVENTS AFTER THE REPORTING DATE

NRCS is not aware of any material matters or significant circumstances arising after the reporting date that were not adjusted or disclosed in the Annual financial statements.

32. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure	-	319,721
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Fruitless and wasteful expenditure is disclosed in terms of Treasury Note 04 of 2022/2023. The only disclosure required for Annual financial statement relates to expenditure incurred only in current financial year.

Management assessed and identified amount incurred in the current year but still under investigation. The amount of R218 491 was incorrectly accounted for, it is restated.

Notes to the Annual Financial Statements

Annual Financial Statements for the year ended 31 March 2024

Figures in Rand	2024	2023
33. IRREGULAR EXPENDITURE		
Irregular Expenditure	645,793	5,199,136

Irregular Expenditure is disclosed in terms of Treasury Note 04 of 2022/2023. The only disclosure required for

Annual financial statement relates to expenditure incurred only in current financial year.

The irregular expenditure in the current year relates to an irregular contract that was entered into in a prior year. Two months of the contract was paid in 2023/24.

As mentioned in the contingency note above, the entity is still discussing the retention of the 2022/23 surplus with the National Treasury. All projects where expenditure has been incurred will still be assessed to determine if it may be considered irregular after the discussions end.

34. BUDGET DIFFERENCES

Material differences between budget and actual amounts

- A. ctual rendering of services revenue is lower than budget due to economic challenges such as unprecedented energy crisis that caused more entities to close or reduce production levels.
- B. NRCS received more pre-market approval applications as compared to the prior year.
- C. Sundry income less than budgeted is attributable to fewer reimbursements received from SETA.
- D. Interest received is less than budget amounts due to customers taking long to settle their accounts as the South African economic shrinks.
- E. The entity received lower than expected levies declarations.
- F. The registration fees for automotive (MIB) were less than budgeted, is as the result of less registrations and closure of companies in this industry.
- G. The lower spending is attributable to cost containment measures put in place resulting in the freezing of posts and only focus on critical ones.
- H. The finance cost variance was due to actuarial valuation element of finance cost.
- I. The variance was acceptable.
- J. Debt impairment is not budgeted for.
- K. The lower spending is attributable to cost containment measures put in place resulting in the reduction in marketing events.
- L. There are limited testing houses in South Africa which has led to some test requests not being attended to timeously and conversely leading to a cost saving for NRCS.
- M. The savings were associated with a number of ICT and Facilities contracts that are pending.
- N. The application of the cost containment lead to the savings on stationery, consultants and other general expenses.
- O. The lower spending in general expenses is attributable to cost containment measure put in place.
- P. The savings in audit fees is attributable to the efficiencies in conducting audits in the entity.

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