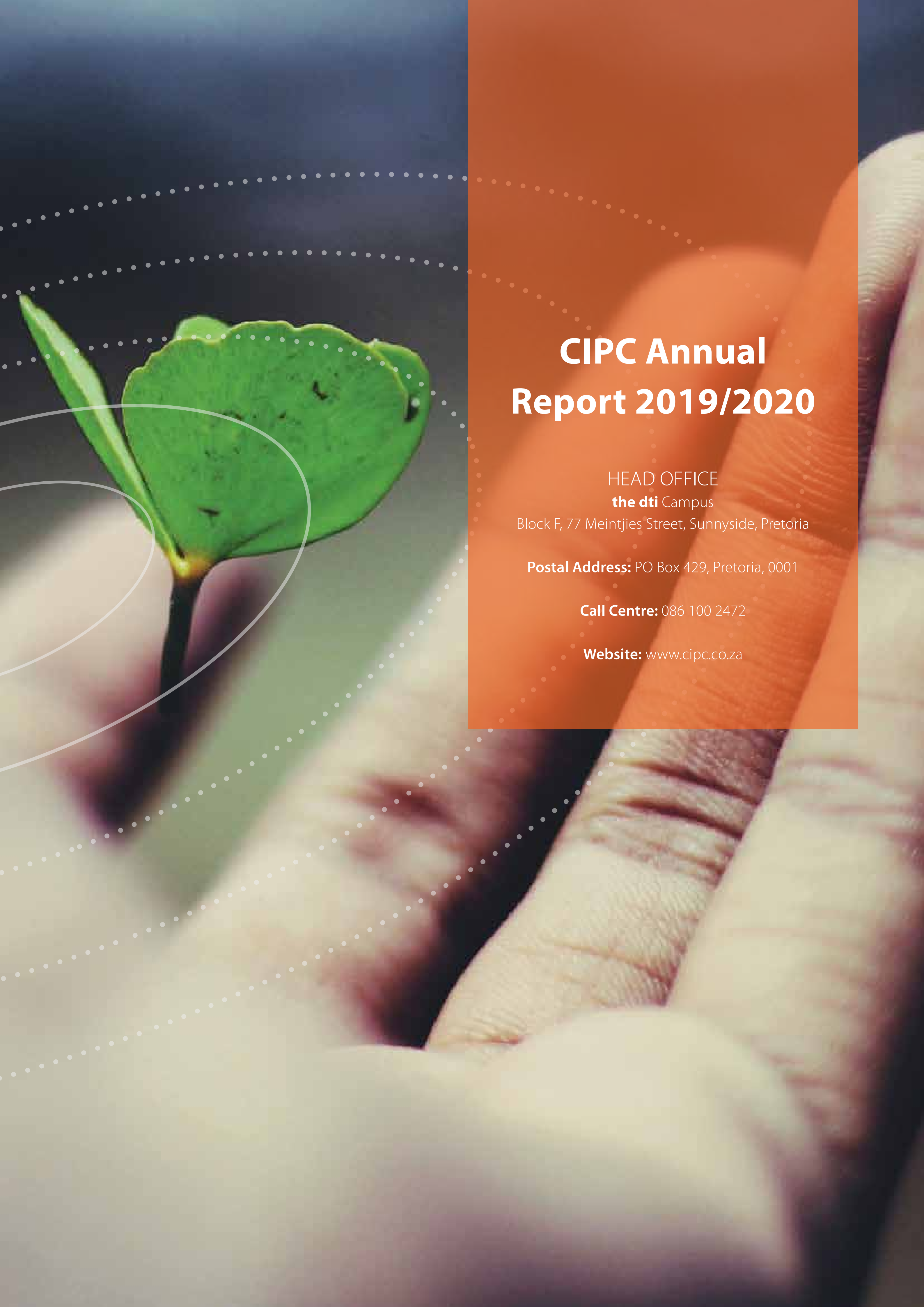
Companies and Intellectual Property Commission

a member of the dti group

COMPANIES AND INTELLECTUAL PROPERTY COMMISSION

Annual Report 2019/2020



CIPC Annual Report 2019/2020

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GLOSSARY OF TERMS

Annual Returns – Filed by every company in the prescribed form with the prescribed fee, and within the prescribed period after the end of the anniversary of the date of its incorporation, including in that return—(a) a copy of its annual financial statements, if it is required to have such statements audited in terms of the Companies Act, 2008 any other required information.

Director – A member of the board of a company, as contemplated in the Companies Act, 2008, or an alternate director of a company and includes any person occupying the position of a director or alternate director, by whatever name designated. Financial reporting standards - With respect to any particular company's financial statements, means the standards applicable to that company, as prescribed in the Companies Act, 2008.

Member - When used in reference to a non-profit company, means a person who holds membership in, and specified rights in respect of, that non-profit company, according to the Companies Act, 2008.

Memorandum of Incorporation - The document that sets out rights, duties and responsibilities of shareholders, directors and others within and in relation to a company, and other matters as contemplated in the Companies Act, 2008.

Non-profit company - A company— (a) incorporated for a public benefit or other object as required according to the Companies Act, 2008 and (b) the income and property of which are not distributable to its incorporators, members, directors, officers or persons related to any of them except to the extent permitted according to the Act.

Private company - A profit company tha (a) is not a company or a personal liability state-owned company; and (b) satisfies the criteria set out in section 8(2)(b) of the Companies Act, 2008.

Profit company - A company incorporated for the purpose of financial gain for its shareholders.

Public company - A profit company that is not a state-owned company, a private company or a personal liability company. Registration certificate - The certificate, or amended certificate, issued by the Commission as evidence of the incorporation and registration of that company.

Registry – A depository of documents required to be kept by the Commission in terms of the Companies Act, 2008.

State-owned company - Means an enterprise that is registered in terms of the Companies Act, 2008 as a company, and either— (a) falls within the meaning of "state-owned enterprise" in terms of the Public Finance Management Act, 1999 (Act No. 1 of 1999); or (b) is owned by a municipality, as contemplated in the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000), and is otherwise similar to an enterprise referred to in paragraph (a);

ABOUT THE ANNUAL REPORT

This document constitutes the Annual Report of the Companies and Intellectual Property Commission (CIPC) of South Africa for the 2019/20 financial year. It is premised on the Commission's Strategic Plan for 2017/18 – 2021/22. This Annual Report has been prepared in line with the Annual Report Guide for Schedule 3A and 3C Public Entities, which is published by the National Treasury. It captures the key performance outputs, outcomes and impact of the Commission during the reporting period. It also articulates how the Commission fared in the management of its resources, and in complying with corporate governance principles; as captured in parts C of this report.

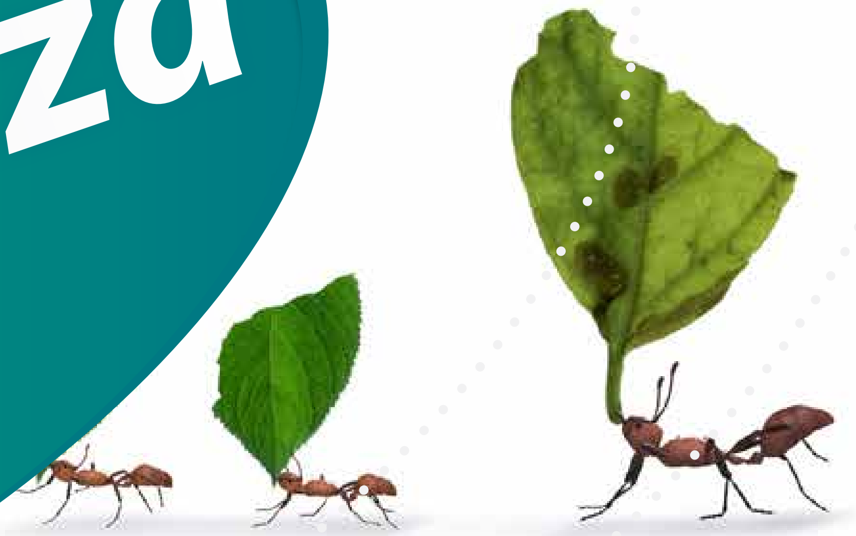
This report is organised as follows:

- **Part A: General information**
- **Part B: Performance Information**
- **Part C: Governance**
- **Part D: Human Resource Management**
- **Part E: Financial Information**

"In time, we shall be in a position to bestow on South Africa the greatest possible gift - a more human face."

Steve Biko

pc.co.za



PART A:

GENERAL INFORMATION

1. PUBLIC ENTITY'S GENERAL INFORMATION

Registered name of the Public Entity

Companies and Intellectual Property Commission (CIPC)

Registration Numbers and/or other relevant numbers

Not applicable

Registered Office address

the dti campus (Block F - Entfutfukweni)
77 Meintjies Street
Sunnyside,
Pretoria

Postal Address

P.O. Box 429
Pretoria
0001

Contact telephone numbers

+27 86 100 2472

Enquiries

http://enquiries.cipc.co.za

Website address

www.cipc.co.za

Social Media

CIPC   @theCIPC   CIPC Companies and intellectual Property Commission

External Auditors information

Auditor-General South Africa (AGSA)
PO Box 446
Pretoria
0001

Bankers information

ABSA
PO Box 4210
Pretoria
0001

Company Secretary

The CIPC does not have a Company Secretary

2. LIST OF ABBREVIATIONS/ACRONYMS

AFS	Annual Financial Statements
BISG	Business Information Systems Group
BRR	Business Regulation and Reputation
CBD	Corporation for Public Deposits
CIPC	Companies and Intellectual Property Commission
DSI	Department of Science and Innovation
The dtic	The Department of Trade, Industry and Competition
EPO	European Patent Office
FAS	Financial Accounting Supplements
GRAP	Generally Recognised Accounting Practice
I&C	Innovation and Creativity
IP	Intellectual Property
IT	Information Technology
iXBRL	Inline eXtensible Business Reporting Language
NT	National Treasury
PPDMISA	Protection, Promotion, Development, and Management of Indigenous Knowledge
SARB	South African Reserve Bank
SDLC	Software Development Life Cycle
SSE	Substantive Search Examination
WIPO	World IP Office
XBRL	eXtensible Business Reporting Language

3. FOREWORD BY THE MINISTER

Mr Ebrahim Patel
Minister of Trade and Industry

This Annual Report provides an account of the Companies and Intellectual Property Commission (CIPC) for the past financial year ending March 2020. In the last month of the financial year, the effects of the pandemic began to influence the work of agencies. The CIPC plays a key role in ensuring the integrity of the country's company registration system, which is part of the institutional underpinning of a growing economy.

The sixth government administration took office following the national elections in May 2019, with a re-imagined industrial strategy for the country focused on localisation and a renewed promise, passion and urgency to address long standing socio-economic challenges. The 2019 Presidential Investment Conference, held in November 2019 demonstrated sustained commitment and productive partnerships between the public and private sector in rebuilding the economy. Some R364 billion of further commitments were made (21% higher than at the inaugural Conference the previous year), with potential to create over 400 000 jobs over a five year period. This brings the total of investment commitments made at the two Conferences (2018 and 2019) to R664 billion, more than 50% of the five-year target set by the President in 2018.

The new **dtic** family accelerated the development and implementation of sector masterplans, completing these 'industry social pacts' in the automotive, poultry, sugar and clothing and textile sectors. These serve as a blueprint to harness energies amongst industry players for investment and increased output and jobs in sectors which together employ some 500 000 people. The Master Plans set out practical and reciprocal actions that each social partner at industry level would take to build more resilient businesses and industries. We are now working on sector masterplans in the steel and furniture sectors, which we expect to complete in the coming year.

Significant progress was made with the finalisation of the modalities of the new African Continental Free Trade Area (AfCFTA), and with a trade agreement to address access to the United Kingdom in the event of a no-deal Brexit.Covid-19 interrupted the rollout of the new industrial strategy. The economic environment brought on by Covid-19 has dented growth both locally and globally. The pandemic and its economic fallout have been described by leading economists as unprecedented in our generation. Across the world, countries are reporting or forecasting their lowest growth in at least a generation. China, for example, is experiencing its slowest annual growth since the death of Mao Zedong in 1976. In May this year, the Bank of England said the UK might experience its worst recession in 300 years and the US has recorded its highest level of unemployment since the Great Depression For public entities, the pandemic principally impacted on their work beyond the financial year, placing pressure on delivery platforms and in a number of cases, on their finances. To repair the damage of Covid-19 and reconstruct the economy to create more jobs, bring more young people into entrepreneurship and increase economic inclusion, we need to think boldly and implement smartly.

To address the immediate and urgent challenges of the economy, government and its social partners have agreed to an Economic Reconstruction and Recovery Plan. The Plan includes structural reforms and a commitment to greater levels of localisation and infrastructure investment. These measures will impact and shape the work of the dtic and its agencies. Every agency of the dtic will be required to play its role in ensuring a steady recovery from the pandemic, and to continue execution of the re-imagined industrial strategy, outlined by President Ramaphosa at the start of this administration.

The CIPC has used digital technologies and partnerships to build a reputable, modern, world-class regulator of businesses and intellectual property rights. These include a one-stop shop BizPortal also used by the Banks (FNB, Nedbank, Standard Bank, ABSA, Capitec, and SASFIN). BizPortal enables an entrepreneur to go to one website, register a company, register for tax, get a Broad Based Black Economic Empowerment certificate, register for the Unemployment Insurance Fund, get a domain name, and open a bank account. Automation of processes has reduced the time it takes to transact with the CIPC. The CIPC reports that the majority of company registrations are now done within the same day; and that annual returns and annual financial statements filings takes less than five (5) minutes. The CIPC is strengthening its capacity for IP protection through building substantive search and examination capability for patents.

The CIPC must continue building the required competencies and capabilities of a world-class modern regulator that is fit-for-purpose, agile, adaptive, relevant, and a high-performing organization making a strategic contribution towards SA's improved competitiveness and growth. This is in line with the national government's priority to improve the capacity of the state and do so through reducing administrative burdens whilst maintaining integrity in key systems. This will make it easier to do business in SA, contributing to enterprise efficiency, growth and sustainability.

I wish to thank the Commissioner, Adv. Rory Voller for leading the Commission together with the management and staff who have shown a passion for their work.

Mr Ebrahim Patel
Minister of Trade, Industry and Competition
Date:

4. COMMISSIONER'S OVERVIEW

I hereby present the CIPC 2019/20 Annual Report, which outlines the CIPC performance during this period.

Adv. Rory Voller
CIPC Commissioner

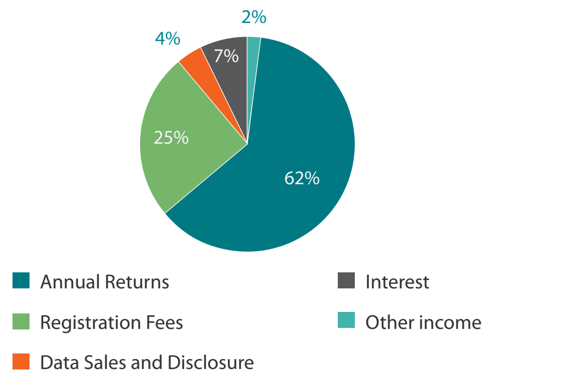
4.1 General financial review of the public entity

For the year under review, the CIPC received revenue totalling R602 million, of which R374 million was derived from Annual Returns paid.

For the period 01 April 2019 to 31 March 2020, a total revenue of R551 million was generated from business activities related to submissions of annual returns, fees received for the registration and maintenance of companies, intellectual property and cooperatives, and fees received from data sales and disclosure.

Revenue generated from other income amounted to R9.5 million. This is comprised mainly of recognition as revenue of customer deposit balances older than three years, amounting to R8.5 million, and other sundry income. Interest of R41.6 million was earned on the Corporation for Public Deposits (CPD) investment at the South African Reserve Bank (SARB) and other bank accounts.

Figure A. 1: CIPC 2019/20 Revenue

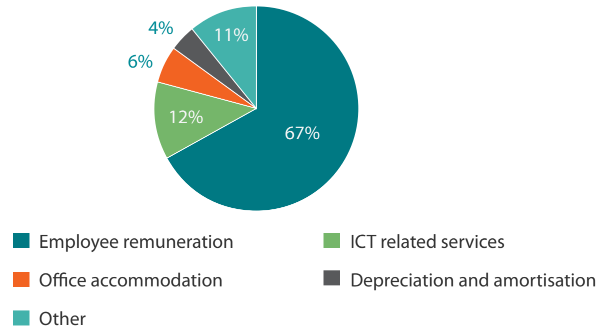


It is expected that the CIPC will generate sufficient revenue over the short to medium term to sustain its operational activities and invest in improvements in rendering and maintaining quality services as set out in the Companies Act, 2008 (Act No. 71 of 2008). The implementation of the annual adjustment of fees as approved by the NT will ensure that the CIPC cover inflation related cost increases and it remains financially sustainable long term.

4.2 Spending trends of the public entity

The CIPC continued with the stabilisation of its IT systems through investment in improved IT infrastructure, which led to improved functionality and greater security. As a service organisation, the main cost drivers for the CIPC relate to employee remuneration, information technology (IT) related services, office accommodation and depreciation and amortisation. As shown in Figure A.2 hereunder the remuneration of staff remains the most substantial expense, amounting to R348 million (67%) of total operating expenditure during the period under review.

Figure A. 2: CIPC 2019/20 Expenditure



4.3 Capacity constraints and challenges facing the public entity

During period under review, the CIPC commenced with a strategy review exercise called Vision 2030 to ensure relevance in an unknown future. One of the outflows of this longer-term strategy formulation process was an organisational design project of which a skills audit and matching the correct skills to the organisational need is one aspect. The current vacancy rate, which could be considered relatively high, therefore is irrelevant in light of this process, which is underway.

The CIPC is constantly innovating and as part of its Vision 2030 strategy, finding ways to automate services to ensure convenience for the end user. As a result, existing IT infrastructure and technology needs to be constantly updated. The result is continuous migration to better systems and enhancing the skills set within the organisation.

An effect of being an innovative organisation is that customers and stakeholders are expecting instant results putting the organisation under pressure. Despite this, the organisation managed to maintain and exceed its service delivery targets as seen in the performance information that was reviewed by the Auditor-General.

A challenge in terms of performance over the past year relates to external factors, namely companies that do not comply to the prescripts of the Companies Act, 2008 (as amended). A target was set for 75% of public companies to file its annual returns on time. However, at the end of the financial year only 66% of these companies fulfilled its compliance obligations. CIPC had extensive programmes aimed at creating awareness around regulatory requirements but unfortunately the desired result was not obtained.

4.4 Discontinued activities / activities to be discontinued

During the period under review, the CIPC made changes on its operational activities, its service delivery model, as well as on its ICT project management models.

The IKS registration programme and related activities were discontinued. These activities are now implemented by the Department of Science and Innovation (DSI), as provided in the Protection, Promotion, Development and Management of Indigenous Knowledge Act (PPDMISA), 2019 (Act No. 6 of 2019). As directed by **the dtic**, the physical enforcement of IP rights was also discontinued. These were replaced by inter-agency operations.

In June 2019, the third party model was discontinued as part of the CIPC service delivery model. The CIPC did not derive the value as envisaged. Very few transactions were concluded using this channel. When the Bizportal was rolled out, the third party model became obsolete as Bizportal is also a paperless channel with the added benefit of not requiring a third party. As from 1 October 2019, the e-mail filing of the following changes - company financial year-end changes, company name changes, and company address changes, was also discontinued.

The CIPC discontinued using the computer networks and firewall links to **the dtic**. Other than the State Information Technology Agency (SITA) link and telephony, the CIPC now have its own autonomous internal and external network and firewall environment. The CIPC will be less vulnerable to **the dtic** outages, as well as able to manage the CIPC's own access protocols such bandwidth allocation and priorities, and mail attachment sizes.

The waterfall based Software Development Life Cycle (SDLC) of implementing software was discontinued. This style caused unnecessary project delays because a lot of documentation had to be completed and approved before commencing with project implementation. This waterfall based style required that all project development permutations and iterations be addressed in the documentation before implementation, which has been found to be impractical. The newly adopted approach, i.e. Agile SDLC, acknowledges that it is not possible to know all requirements beforehand, but learning happens as the project progresses.

Offsite Disaster Recovery (DR), Security Information and Event Management (SIEM), as well as Digital Signature and Optical Character Recognition (OCR) were discontinued due to either unsuccessful bids, capacity constraints, or non-feasibility. For off-site DR, the only bidder who responded to the tender did not meet the functional requirements. For the SIEM, the bid was not approved by Bid Approval Committee (BAC). The tender was going to be re-advertised. For Digital Signature, the Request for Quote (RFQ) were advertised in two different occasions, both times the suppliers did not meet the functional requirements. For the OCR, the Request for Information was advertised to check the market, only one supplier responded. After the RFI was evaluated, a decision was taken not to proceed with the project, as it did not seem feasible.

Three webinars on the CIPC products and services were canceled at the expiry of the contract with the webinar service provider. The implementation of the director eLearning programme was also halted due to lack of capacity to set up an e-learning platform. Scheduled training of the National Prosecuting Authority (NPA) on the Companies Act, 2008 was canceled due to delay in NPA logistics.

4.5 New or proposed activities

The CIPC will roll out a Compliance App. The Compliance App identifies specific mandatory compliance provisions that companies need to comply with, a Compliance Checklist. The type of companies that need to comply with the Compliance Checklist are Incorporated (Inc.) Companies; Private Companies (Proprietary (Pty) Limited (Ltd)); Public Companies (Ltd); State Owned Companies (SOC) Ltd; and Non-Profit Companies (NPC) as per section 11(3) (c) of the Companies Act, 2008. The scope excludes Close Corporations (CCs). Compliance Checklist also serves as an educational and guidance tool for company secretaries' and directors of companies' duties and responsibilities in terms of the Companies Act, 2008.

Completion of the Compliance Checklist in the App was to be used voluntarily between 1 September 2019 and 31 December 2019. Form 1 January 2020, it became mandatory for companies to utilise and complete the information on the App via a hard stop on Annual Returns. Guidelines on the use of the App were placed on the CIPC website, and outlined in a media statement.

The Directors, Members and Practitioners (DMP) complaint process, was reviewed to include the Corporate Governance, Surveillance and Enforcement (CGSE) Unit as a first point of entry before recording them as formal complaints. This change will minimise the time it takes to resolve queries as well as ensure optimal resource use.

As indicated in section 4.4 of this report, the physical enforcement of IP rights was also discontinued and replaced by inter-agency anti-counterfeiting operations. Confiscation of counterfeit goods by law enforcement partners, primarily officials from the South African Police Service (SAPS), Border Control, Priority Crime and Detectives increased as fostering partnerships contributed to successes.

Non-binding legal opinions, which were previously dealt with by the Corporate Education and Voluntary Compliance Unit, was moved to the Corporate Legal Unit.

Collecting societies' processes including how monies were distributed, were audited. This is part of the CIPC regulatory responsibility. There were no substantial findings.

Proposed activities are a Chat Bot service channel (digital client interface channel), WhatsApp for business, digital signatures and workflows, Security Information and Event Management (SIEM), Database Security Solution (DSS), Directors e-Learning programme, and Cooperatives Annual Returns Model.

SIEM is a central and consolidated platform that gathers event and logs data created by host systems, applications and security devices, such as antivirus filters and firewalls, throughout a company's infrastructure. The SIEM tools identify and sort the data into such categories as successful and failed logins, malware activity and other likely malicious activity. The main benefit of SIEM is a centralised platform that monitors transactions on applications, network, computing devices etc. And provide a real-time analysis of security alerts generated by applications and network hardware. This will help the organisation move from a reactive to a more proactive response model in terms of dealing with information security threats and also shortens the time it takes to identify threats, and will minimize any potential damage from those threats.

DSS, which is currently being scoped for requirements gathering, focuses on the following streams - database replication or high availability, database activity monitoring, database encryption, data masking, privilege access management, and data disclosure. This will further enhance CIPC data and information integrity and security.

The telecommuting policy is another new activity to be implemented by the CIPC in the upcoming year.

4.6 Requests for roll over of funds

No rollover of funds was reported or requested during this period. The entity is self-funded and applies zero-based budgeting.

4.7 Supply Chain Management

The Supply Chain Management (SCM) Unit is located within the Office of the Chief Financial Officer (CFO), in line with Treasury Regulations and the Public Finance Management Act (PFMA). It is responsible for procurement of goods and services for the CIPC in a fair, equitable, transparent, cost-effective and competitive manner.

All bids are subject to evaluation and adjudication by the respective bid committees as appointed, and declarations of interest are duly signed during meetings. An approved SCM policy and Delegations of Authority are in place, and reviewed as necessary.

4.8 All concluded unsolicited bid proposals for the year under review

The CIPC had no unsolicited bid proposals for the year under review.

4.9 SCM processes and systems in place

The SCM processes and systems are in place. These are reviewed as and when necessary, as per the PFMA and Treasury Regulations.

4.10 Challenges experienced and how these are resolved

See section 4.3.

4.11 Audit report matters in the previous year and how would these be addressed

There are currently no audit report matters, as the CIPC achieved a clean audit in the 2018/2019 financial year.

4.12 Outlook/ Plans for the future to address financial challenges

There are currently no financial challenges facing the organisation in the short to medium-term. The implementation of the tariff fee adjustment, as approved by NT, will make a notable contribution towards future long-term sustainability of the organisation. The digitisation of the organisation will assist in improving efficiencies, while addressing equitable allocation of human resources.

4.13 Events after the reporting date

The CIPC added a functionality to register and issue certificates to companies that would provide essential services during lockdown on the Bizportal platform. A webinar was developed and radio interviews conducted on how to register for essential services certificate. The functionality of registering for essential services certificates was discontinued as at 1 June 2020. To raise awareness on Covid-19 to the public, the CIPC used its website as well as social media platforms, Facebook and Twitter.
The Co-operatives Amendments Act, 2013 came into effect on 1 April 2019. The CIPC conducted information sessions for relevant government departments on the requirements of this act.

To ensure system stability, the CIPC moved from **the dtic** network to the CIPC network during the weekend of 20-21 July 2019. Although this had an effect on the call centre system at the time, it is going to ensure that the CIPC is less vulnerable to **the dtic** outages. This will also allow the CIPC to manage our own access protocols such bandwidth allocation and priorities, mail attachment sizes.

The use of a biometric system for fingerprint customer identification at SSCs and SSTs was discontinued due to Covid-19 regulations.

A COVID-19 steering committee was set up to arrange personal protective equipment (PPE) for staff, screening, and to prepare and implement COVID-19 guidelines, including COVID-19 risk assessment. A telecommuting model was introduced. A telecommuting policy was drafted, and is currently being taken through the governance process for adoption. On-line platforms such as Office Teams and Zoom have replaced physical gatherings.

The use of on-line platforms extends to engagements with partners, stakeholders, and the public.
The CIPC and the Publishing Association of SA (PASA) collaborated to clamp down on online piracy of books by creating awareness and sharing information with the public.

Due to COVID-19 regulations prohibiting social gathering, the CIPC has stopped conducting education and awareness events that require physical gatherings. As the CIPC adapts its operational and service delivery models because of COVID-19 conditions, staff members have been seconded to other units such as Client Engagement for responding to social media (Facebook and Twitter) queries.

4.14 Economic Viability

The new CIPC fee structure, as approved by the National Treasury will make a significant contribution towards the long-term sustainability of the organisation. The CIPC is gearing for the implementation of the new fee structure.

4.15 Acknowledgement/s or Appreciation

I appreciate the commitment and dedication of the CIPC executive, senior management, and staff who perform their jobs admirably, thereby contributing to the realisation of our annual performance plan, and the delivery of services to CIPC clients. I would also like to thank organised labour for their contribution to the organisation's effectiveness. Appreciation also goes to the Audit and Risk and IT Committees for their value-add and commitment to governance within the organisation. I thank other committees like the Client Liaison Committee (CLC), IP Lawyers fraternity, Standing Advisory Committee in Company Law (SACCL), and all collaboration partners for their contribution to the CIPC. Finally, let me extend my appreciation to the Minister of Trade, Industry, and Competition, Ibrahim Patel; the Deputy Minister of Trade, Industry, and Competition, Nomalungelo Gina; and the Director General of **the dtic**, Mr Lionel October, together with all of **the dtic** for their support.

4.16 Other (information that needs to be communicated to users of AFS)

The annual financial statements for the year ending 31 March 2020 are prepared in accordance with South African Standards of Generally Recognised Accounting Practice (GRAP) and incorporate disclosures in line with the accounting policies of the entity and the requirements of the PFMA.

Rory Voller, Adv.
CIPC Commissioner
Date: 19 October 2020

5. STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY FOR THE ANNUAL REPORT

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

All information and amounts disclosed in the annual report is consistent with the annual financial statements audited by the Auditor General.

The annual report is complete, accurate and is free from any omissions.

The annual report has been prepared in accordance with the guidelines on the annual report as issued by National Treasury.

The Annual Financial Statements (Part E) have been prepared in accordance with the South African Statements of Generally Recognised Accounting Practice (GRAP) standards applicable to the public entity.

The accounting authority is responsible for the preparation of the annual financial statements and for the judgements made in this information.

The accounting authority is responsible for establishing, and implementing a system of internal control has been designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the annual financial statements.

The external auditors are engaged to express an independent opinion on the annual financial statements.

In our opinion, the annual report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the public entity for the financial year ended 31 March 2020.

Yours faithfully,

Rory Voller, Adv.
CIPC Commissioner
Date: 19 October 2020

6. STRATEGIC OVERVIEW

6.1. Vision

To be a reputable, world-class regulator of business entities and intellectual property.

6.2. Mission

In partnership with others, we make it easy and attractive to do business in South Africa.

6.3. Values

The following table lists and provides a description of each the CIPC values.

Table A. 1: CIPC Values

Value	What it means
Passion for service	We work as one to seamlessly, serve our Customers with passion, commitment and dedication.
Integrity	We live out fairness, impartiality and respect in all our actions as individuals and as an organisation.
Empowerment	We recognize the value of our employees and partners and provide them with the discretion and tools to effectively, deliver on their responsibilities.
Accountability	We hold one another accountable for our commitments. We are responsible and responsive in the execution of our duties.
Collaboration	We believe in the power of teams, teamwork and collaborative effort to deliver exceptional service and to execute our duties effectively.

7. LEGISLATIVE AND OTHER MANDATES

The CIPC is listed as a Schedule 3A entity in the Public Finance Management Act, 2001 (Act No. 1 of 2001) as amended (herein referred to as the PFMA).

As shown in Table A.2: PFMA Provisions for Public Entities, Chapter 1, 6, and Schedule 3A of the PFMA has provisions for public entities such as the CIPC.

Table A. 2: PFMA Provisions for Public Entities

Chapter and Section	Provision
Chapter 1	A national public entity is a board, commission, company, corporation, fund or other entity (other than a national government business enterprise) which is— (i) established in terms of national legislation; (ii) fully or substantially funded either from the National Revenue Fund, or by way of a tax, levy or other money imposed in terms of national legislation; and (iii) accountable to Parliament;
Chapter 6	Provides for classification; assignment of powers and responsibilities, corporate plans, annual budgets and performance ,revenue and expenditure management, information access, annual reports, and financial statements of public entities
Schedule 3A	List the CIPC as a Schedule 3A entity

The CIPC must abide by the Constitution of the Republic of South Africa Act, 1996 (Act No. 108 of 1996) as amended. ***Table 1: CIPC Constitutional Mandate*** highlight sections of more relevance to the CIPC.

Table A. 3: Constitutional Mandate

Chapter and Section	Provision
Chapter 2: Bill of Rights	
Rights: Section 7.	The state must respect, protect, promote and fulfil the rights in the Bill of Rights.
Equality: Section 9:	The state may not unfairly discriminate directly or indirectly against anyone on one or more grounds, including race, gender, sex, pregnancy, marital status, ethnic or social origin, colour, sexual orientation, age, disability, religion, conscience, belief, culture, language and birth.
Access to information: Section 32.	(1) Everyone has the right of access to— (a) any information held by the state; and (b) any information that is held by another person and that is required for the exercise or protection of any rights. (2) National legislation must be enacted to give effect to this right, and may provide for reasonable measures to alleviate the administrative and financial burden on the state.
Just administrative action: Section 33.	(1) Everyone has the right to administrative action that is lawful, reasonable and procedurally fair. (2) Everyone whose rights have been adversely affected by administrative action has the right to be given written reasons. (3) National legislation must be enacted to give effect to these rights, and must— Chapter 2: Bill of Rights 14 (a) provide for the review of administrative action by a court or, where appropriate, an independent and impartial tribunal; (b) impose a duty on the state to give effect to the rights in subsections (1) and (2); and (c) promote an efficient administration.

As a national public entity, the CIPC is established by a national legislation, the Companies Act, 2008 (Act No. 71 of 2008). As shown in ***Table A.4: Legislative Mandate***, the CIPC is legislated by a number of Acts of Parliament.

Table A. 4: CIPC Legislative Mandate

Legislation	Mandate
Companies Act, No 71 of 2008	Register companies, business rescue practitioners and corporate names; maintain data; regulate governance of and disclosure by companies; accredit dispute resolution agents; educate and inform about all laws; give non-binding opinions and circulars, policy and legislative advice. Enforce the Companies Act, 2008 to promote voluntary resolution of disputes arising this Act between companies and directors or shareholders as contemplated in Part C of Chapter 7, monitor proper compliance with the Act, receiving or initiating complaints concerning alleged contravention of this Act, evaluating such complaints, and initiating investigations into complaints.
Close Corporations Act, No 69 of 1984	Maintain data, regulate governance of and disclosure by close corporations
Co-operatives Act, No 14 of 2005	Register co-operatives, maintain data, regulate governance of and disclosure by co-operatives
Co-operatives Amendment Act, No 6 of 2013	Annual submission of information by co-operatives, audit and independent review of co-operatives, voluntary winding-up of co-operatives by special resolution, liquidation process of co-operatives
Share Block Control Act, No 59 of 1980	Regulate conduct and disclosure by share block schemes
Consumer Protection Act, No 68 of 2008	Register business names
Trade Marks Act, No 194 of 1993	Register trade marks, maintain data, resolve disputes
Merchandise Marks Act, No 17 of 1941 (Unauthorized Use of State Emblems Act, No 37 of 1961)	Prevent and enforce the unauthorized use of state emblems
Patents Act, No 57 of 1978	Register patents, maintain data, publish patent journal, administer Court of Commissioner of Patents
Designs Act, No 195 of 1993	Register designs, maintain data, resolve disputes
Copyright Act, No 98 of 1978	Provide non-binding advice to the public
Registration of Cinematography Films Act, No 62 of 1977	Register films, maintain data
Performers Protection Act, No 11 of 1967	Accredit Collecting Societies; regulate their governance, conduct and disclosure
Counterfeit Goods Act, No 37 of 1997	Conduct and co-ordinate search and seizure operations, oversee depots

8. ORGANISATIONAL STRUCTURE

Figure A. 3: CIPC Organisational Structure

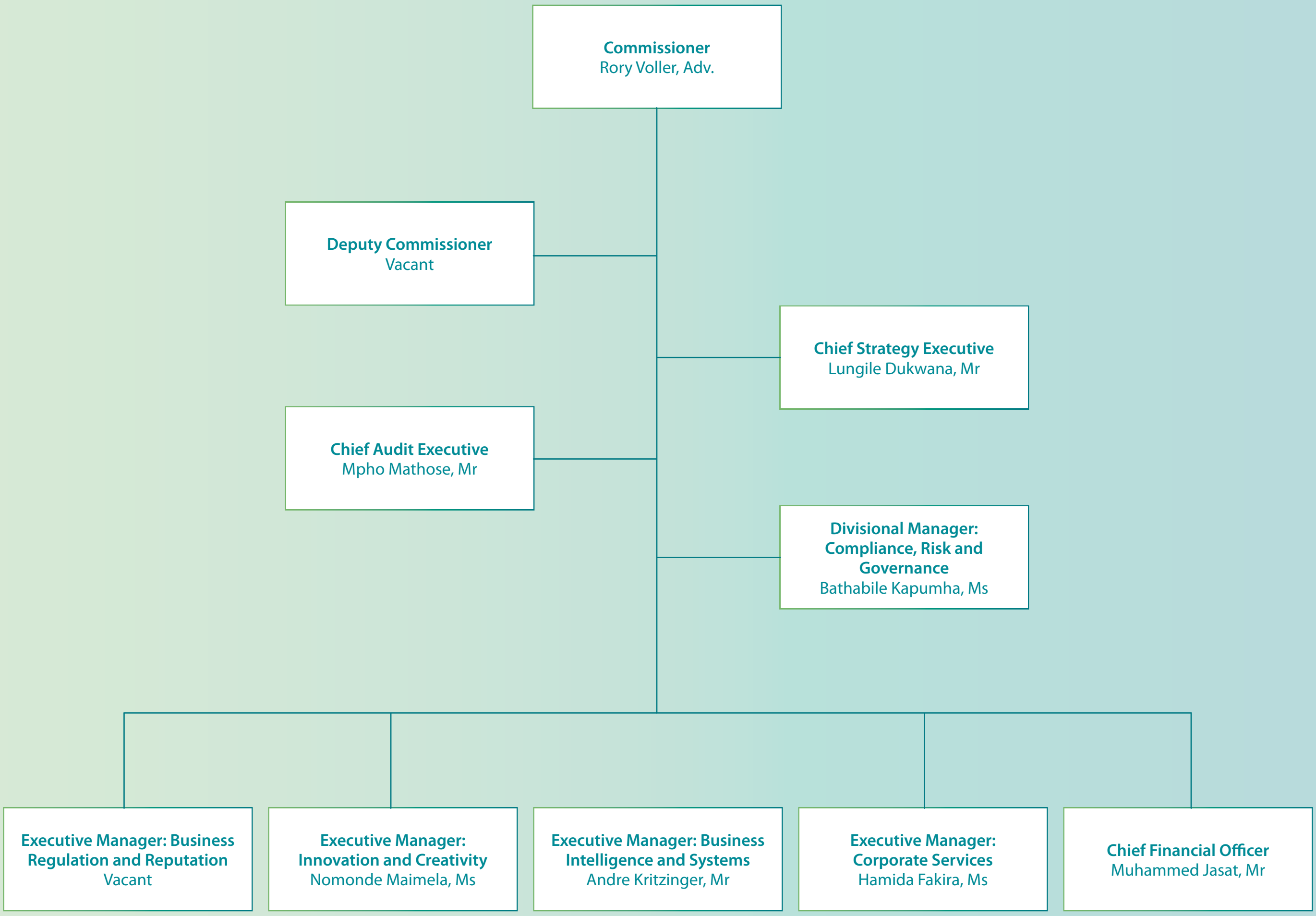


Figure A.3 hereunder depicts the CIPC organisational structure at the executive level.

From Top Left to Right: Mr Lungile Dukwana, Mr Andre Kritzinger, Ms Bathabile Kapumha, Mr Mpho Mathose and Mr Muhammed Jasat
From bottom Left to Right: Ms Nomonde Maimela, Adv. Rory Voller and Ms Hamida Fakira

"Sometimes, if you wear suits for too long, it changes your ideology.

Joe Slovo

pc.co.za

PART B:

PERFORMANCE INFORMATION

1. SITUATIONAL ANALYSIS

1.1 Service Delivery Environment

The CIPC's Overall Performance

The CIPC is making steady progress towards realising its vision of being *'a reputable, world-class regulator'.* Through collaboration with its partners in government as well as in the private sector, and through its innovation and modernisation strategies, the CIPC has realised important milestones towards achieving its mission to *'make it easy and attractive to do business in South Africa'.* The CIPC modernisation strategy, which includes automation, digitisation and the use of multiple platforms, has positioned the CIPC to improve customer experience and service delivery quality. The education and awareness targeted to particular groups such as SMMEs, institutes of higher learning, and schools, has expanded knowledge about the CIPC services, about available channels, as well as compliance requirements. IP enforcement involves strategic engagements and operations with multiple domestic and international law enforcement agencies, to clamp down on counterfeit trading. Further, the aim is to change consumer behaviour viz. counterfeit purchases. Corporate enforcement involves compliance surveillance and proactive investigations. The CIPC is also strengthening its capacity for IP protection through building substantive search examination for patents.

Offering services through multiple-channels

Technological advances over the past few years under the banner of the fourth industrial revolution (4IR) have had a major influence over the CIPC service innovations. In South Africa, the pervasive use of and access to technological devices, and more specifically mobile and portable devices, and increased internet, broadband, and Wi-Fi access has enabled ease of access allowing organisations such as the CIPC to improve customer experience by availing its services and information through multiple on-line channels. Increased usage of the CIPC's online platforms have also led to a reduction in paper, contributing to a more sustainable, green environment.

The CIPC has **developed** over eight (8) channels through which customers can access the services and information of the CIPC and its partners. These channels are Self-Service Centres (SSCs) using Self Service Terminals (SSTs), Partner Sites (using SSTs), E-services website, Mobile App, USSD, Social Media (Facebook and Twitter), Call centre, Banks, and Bizportal. Through these channels the CIPC also offer integrated services and its partners. For example, in addition to the CIPC services through Bizportal, the Banks offers opening of a business bank account, Black Economic Empowerment (BEE) Commission issue Broad-Based Black Economic Empowerment (BBBEE) certificates, the South African Revenue Services (SARS) offer business tax registration, applications for Unemployment Insurance Fund (UIF), and Compensation Fund are processed. ***Table B.1*** hereunder show services offered in each channel.

Table B. 1: CIPC Channels

Services/Channels	E-service Website	SSCs and Partner Sites (SSTs)	Banks (FNB, Nedbank, ABSA)	BIZPORTAL	Call Centre	QRS	Social Media (Facebook Twitter)
Integrated services (SARS, UIF, Compensation Fund, Banks Acc, BEE Cert)	No	Yes – BBBE certificate	Yes – company registration and business bank account	Yes	No	No	No
Patents applications	Yes	No	No	No	No	No	No
Designs applications	Yes	No	No	No	No	No	No
Copyright in film	Yes	No	No	No	No	No	No
Trade marks applications	Yes	No	No	No	No	No	No
Name reservations	Yes	Yes	No	No	No	No	No
Companies registration	Yes	Yes	Private company registration only	Yes	No	No	No

Services/Channels	E-service Website	SSCs and Partner Sites (SSTs)	Banks (FNB, Nedbank, ABSA)	BIZPORTAL	Call Centre	QRS	Social Media (Facebook Twitter)
Co-operatives Registrations	No	No	No	No	No	No	No
Domain Name Registrations	Yes	No	No	Yes	No	No	No
Director Amendments	Yes	Yes	No	No	No	No	No
Member Amendments	Yes	Yes	No	No	No	No	No
Auditor Changes	Yes	Yes	No	No	No	No	No
Name changes	Yes	Yes	No	No	No	No	No
Address changes	Yes	Yes	No	No	No	No	No
Financial Year End Changes	Yes	Yes	No	No	No	No	No
Enterprise enquiry	Yes	Yes	No	No	Yes	Yes	Yes
Disclosures	Yes	Yes	No	No	No	No	No
Disclosures -BBBEE Certificates	Yes	Yes	No	No	No	No	No
Disclosures- MOI Documents	Yes	Yes	No	No	No	No	No
Disclosures -Approved names	Yes	Yes	No	No	No	No	No
Queries	No	No	No	No	Yes	Yes	Yes
Information access	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Annual Returns filing	Yes	Yes	No	No	No	No	No
AFS filing	Yes – XBRL portal	No	No	No	No	No	No

As shown, in ***Table B. 2*** e-services website is the channel that offers all the CIPC services. The CIPC will add more services on its on-line channels such as the Bizportal and the Mobile App, going forward and in view of COVID-19 conditions. More resources and staff will focus mainly on responding social media queries. The call centre system will be cloud based to reduce system interruptions. The website is being upgraded to be more user friendly and to increase website security. Other on-line channels such as a chat bot will be added.

The following are the CIPC partners where self service centres are hosted and information accessed: Gauteng Department of Economic Development (GDED), North West Development Corporation (NWDC), Trade and Investment KwaZulu-Natal (TIKZN), West Coast Business Development Centre (WCBDC), InvestSA in the Western Cape, InvestSA -Gauteng Growth and Development Agency (GCDA), and Transnet Enterprise Development Hub in Johannesburg, Durban Chamber of Commerce and Industry (DCCI), Transnet Mega Hub in Richards Bay, Northern Cape Department of Economic Development and Tourism (NDEDT), Free State Development Corporation(FDC), Orbit TVET College in Rustenburg, North West, City of Johannesburg Metropolitan Municipality (Economic Development Department), KwaZulu-Natal Department of Economic Development, Tourism and Environmental Affairs (KZN DEDTE), Limpopo Economic Development Agency (LEDA), and Mpumalanga Department of Economic Development and Tourism (MDEDT), and Eastern Cape Department of Economic Development, Environmental Affairs and Tourism (DEDEAT).

Automation

Transacting times have been reduced drastically because of automation of processes. Company registration takes an average of two (2) business days. IP applications (Patents, Designs, Copyright in film, Trade marks) takes no more than three (3) business days. Compliance in respect to Annual Returns and Annual Financial Statements filings have also been simplified. The introduction of In line eXtensible Business Reporting Language (iXBRL) in July 2018 has simplified AFS filing to take not more than five (5) minutes. iXBRL is a digital reporting mechanism used for the generation and presentation of Company AFS to be submitted by qualifying entities to the CIPC. As at 31 March 2020, 21 258 AFS have been filed through XBRL. Filing of 21258 annual financial statements confirms that the update of use of the digital financial reporting mechanism is being embraced by the reporting entities. The business intelligence system of XBRL has been used to identify companies for targeted enforcement, by proactively taking action against public companies that filed Financial Accounting Supplements (FAS) instead of AFS as well as those companies that declared turnover of more than R350 million but did not file AFS.

Table B.2 hereunder shows processing times in the last five (5) years.

Table B. 2: CIPC Key Services – Transacting Times

CIPC Services	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020
Patent applications	3 days	3 days	3 days	3 days	3 days
Designs applications	3 days	3 days	3 days	3 days	3 days
Copyright in film applications	3 days	3 days	3 days	3 days	3 days
Trade marks applications	3 days	3 days	3 days	3 days	3 days
Companies Registrations	4 days	3 days	2 days	1 day	2 days
Co-operatives Registrations	2 days	2 days	2 days	2 days	2 days
Annual Returns Filings	-	-	-	5 minutes	5 minutes
AFS Filings	-	-	-	5 minutes	5 minutes

The upgrading of the CIPC ICT infrastructure, and further automation and digitisation of the CIPC core business application processes and customer service channels over the last few years has led to the CIPC's registration systems becoming faster and more cost-effective with a significant improvement in customer convenience and efficiencies. Systems display enhanced data integrity, information security, registration system transparency, and verification of business compliance.

There is still a lot of work that still needs to be done. As at 31 March 2020, only 28% of key processes had been automated. Co-operatives registration end to end processes are still manual, despite having reduced the transacting time to an average of three (3) business days. New processes introduced by the Cooperatives Amendment Act, 2013 also need to be automated. Except for the process of issuing an application number for patents, designs, copyright in film, and trade marks, the rest of the end to end IP registration processes are still manual. The IP Administration System (IPAS) is the platform that will be used to automate IP registration. Also through the newly developed K2 application programme, the CIPC will continue to automate more processes, and is internal ICT capability to continuously automate and digitise operations. The CIPC will migrate most of its processes and information onto these modernised platforms. This will not only increase transacting speed, but also mitigate data corruption, as well system instability and large capacity demands imposed by service maintenance of legacy systems.

Substantive Search and Examination

The approval of the National IP Policy in May 2018, paved the way for the CIPC to augment its readiness and enhance the capacity development programme for the implementation of substantive search and examination (SSE) of patent applications. In 2019, CIPC recruited thirty (30) graduates with technical backgrounds in sciences, ICT, and engineering fields. This group will undertake an extensive two (2) year internship programme on patent substantive search and examination. The CIPC is collaborating with the European Patent Office (EPO), as one of the top five (5) Patent offices in the world, to provide training and to share best practices in patent examination.

A new programme to build the capacity of the first batch of examiners as supervisors was also initiated, as part of the train-the-trainer programme on SSE. The supervisors are guiding and mentoring the newly recruited cohort of interns, as they embark on the two (2) year training on SSE.

Figure B. 1: Graduates recruited for the two year Programme on Patent Substantive Search and Examination

Education and awareness

To increase awareness of the CIPC and its partners' services, channels and compliance requirements, as well as improve compliance with corporate and IP laws, the CIPC conducts education and awareness. The CIPC education and awareness programme is targeted at SMMEs, institutes of higher learning, including Technical and Vocational Education and Training (TVET) colleges, and schools. In collaboration with its partners, the CIPC conducts not less than forty (40) education and awareness events per year. Annual events such as World IP Day and IP Summer School also contribute to the IP education and awareness programme. The public responds positively to these efforts.

Over the years, the CIPC has seen a huge need to support and therefore increase the protection of local innovation and creativity by providing more information on IP rights and by raising awareness of the opportunities that could arise from formalising IP rights through registrations. Hence, CIPC in collaboration with local and international partners, in this case WIPO, has introduced innovative programmes such as the IP for SMMEs in South Africa and the Inventor Assistance Programme.

The IP for SMME Capacity Development Programme is a national flagship programme spearheaded by the CIPC in partnership WIPO and the National Task Force Team comprised of **the dtic**, Department of Small Business Development (DSBD), Small Enterprise Development Agency (SEDA), NIPMO, and several research institutions. The programme aims to increase IP awareness, build capacity and make the patent system more accessible to financially under resourced inventors and small businesses, respectively, thus ensuring that there's more inclusivity in the use of the IP system. The project has two main objectives;-

- To enhance SMME competitiveness through effective use & management of intellectual property (IP) assets, and
- To strengthen the institutional capacity of SMME support institutions (also known as SMME Intermediaries) in delivering IP related services to their stakeholders.

All state institutions have been advised to apply stringent cost containment measures due to government budget constraints. Government coffers have been hit hard by the grim economic outlook, and public enterprises needing to be bailed out financially. Although the CIPC investments to improve service delivery have not affected due to it being able to sustain itself financially from fees collected, the education and awareness programme was negatively affected. The CIPC was not able to meet demand more communities for education and awareness events because of resource constraints as a result of cost containment measures. The CIPC is exploring the use of on-line platforms to conduct education and awareness. Means by which to reach those communities who do not have access to on-line platforms, due to poor access to channels and internet, will be explored.

IP Enforcement

Selling counterfeit goods online, specifically fast moving consumer goods and pharmaceuticals is a huge threat to consumers and IP rights owners. Combating counterfeit trade is a global priority as it is to the CIPC. One of the strategies is to change consumer behaviour not to purchase counterfeit goods. This strategy requires new skills that the CIPC do not have currently. Further, because the IP rights owners are experiencing financial distress because of the economic decline, their resources to enforce IPR are limited.

Corporate Compliance Surveillance and Enforcement

Automation and iXBRL has made AFS filing and Annual Returns filing easy. The CIPC conducts proactive investigations, as well as in response to complaints. During the year under review, the CIPC has dealt with high profile cases such as Eskom, Transnet and Tongatt-Hullett yielding positive results. The CIPC also proactively ascertained compliance with Social and Ethics Committee (SEC) requirements in respect to Companies Tribunal Decisions refusing applications for exemption to certain companies establish SECs.

Customer responsiveness

The CIPC use the call centre, a query resolution system, social media (Facebook and Twitter) to stay engaged with its customers.

Table B.3 hereunder shows performance of call centre in the past five (5) years.

Table B. 3: Call centre

	2015/16	2016/17	2017/18	2018/19	2019/20
Calls received	237 750	197 845	184 062	315 503	356 803
Calls answered (%)	91 505 (38%)	90 974 (45%)	130 991 (71%)	187 276 (87%)	199 932 (56%)

For the period under review, only 56% of calls were answered, compared to 87% in 2017/18. The number of calls received per day increased drastically compared to the previous year. The call centre staff compliment was not enough to meet the high call volume. The loss of two staff members in the last quarter of the 2019/2020 and the fact that vacant positions could not be filled due to a recruitment moratorium further contributed to the problem.

Top ten reasons why customers called were e-services company registration, name reservations, e-services director amendments, customer code and password reset, allocation of funds, requests for copies, company and close corporations (CC) de-registrations, changes in company and CC names, electronic disclosure, and lastly CC member changes.

Table B. 4 hereunder show the performance of the query resolution system (QRS) in the past five years.

Table B. 4: Query Resolution System

	2015/16	2016/17	2017/18	2018/19	2019/20
Queries received	44 047	106 326	85 362	86 179	95 105
Queries resolved (%)	100%	100%	100%	100%	99,8%

The use of the QRS commenced on 16 Sep 2015 therefore, 2015/16 volumes are not so high. The reason for a high resolution rate is that after a certain time, the year's outstanding tickets are closed. The CIPC is developing a proper measurement for the QRS performance, such as the turnaround time for resolving tickets.

The statistics do not include other tickets such as the Disclosure tickets where customers request copies of documents. The top ten reasons why customers used the query resolution system (QRS) are e-service company registration, allocation of funds, name reservations, e-service director amendment, company and CC de-registration, annual returns, other changes to memorandum of incorporation, CC member changes, manual company registration and refunds.

The CIPC social media followership continues to grow. The recorded growth for the year under review is 51% across all social media platforms. A noticeable trend is that the CIPC Twitter account followership growth has always been higher than that of the CIPC Facebook page, notwithstanding the high number of actual followers of Facebook page compared to Twitter account.

Table B.5 hereunder shows social media performance in resolving queries.

Table B. 5: Social Media Queries (Facebook and Twitter)

		2015/16	2016/17	2017/18	2018/19	2019/20
Facebook	Queries received	-	-	-	670	7090
	Queries resolved (%)	-	-	-	658 (98%)	1932 (27%)
Twitter	Queries received	-	-	1303	1939	7300
	Queries resolved (%)	-	-	571 (43%)	982(48%)	1249(17%)

System downtime has been the topical issue for social media customer queries in the 2018/19 financial year. The majority of queries were about clarity on company registration and annual return processes, status of customers' application for company registration and name reservation while a fraction of queries were complaints about delayed response to queries lodged through the query resolution system. There were also queries regarding lack of clarity in the reasons for rejection of customers' applications and non-response on applications for registration of cooperatives.

Website traffic

The CIPC website has recorded an increase in user activity which is marked by 101% increase of website visitors for the period under review, majority (98%) of which are new visitors. Most notable is that the average session time has increased by 6% compared to the previous financial year. The increase in the session time can be attributed to the number of new visitors who may not necessarily be familiar with the website. It is worth noting that the new website under development makes provision for different visitor profiles in which both new and frequent visitors were considered in the overall planning and development of the website.

Demand for the CIPC services

In 2019, the SA economy grew by only 0.2%, compared to 0.8% in 2019. The economy contracted by 2% between January and March 2020. Since the last quarter of 2019, SA economy was considered to be in a technical recession. Load shedding played a significant role in the contraction of the economy in the fourth quarter of 2019. The advent of Covid-19 emerged as likely to extend the economy's contraction into the new financial year.

Under the conditions of contracting economic growth and financial limitations, the demand for the CIPC services was as shown in ***Table B.3: CIPC Key Services – Volumes*** hereunder reflecting the volumes processed over the past five (5) years.

Table B. 4: CIPC Key Services – Volume

CIPC Services	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020
Patents applications	9 357	9027	8 545	8587	8 455
Designs applications	1866	2085	2018	2002	1 867
Copyright in film applications	77	57	61	99	55
Trade marks applications	37 129	38 169	38 283	39 136	38 148
Companies Registrations	317 498	378 435	386 373	395 320	385 181
Co-operatives Registrations	13 856	12 424	12 748	12 270	12 478
Business Rescue Proceedings Commenced (Active cases)	481	375	362	349	369
Annual Returns Filings	558 954 (50%)	626 721 (48%)	663 442 (47%)	669 170 (44%)	680 120 (42%)

The trends of some of the CIPC key services are discussed in the subsequent sections in detail.

Patent applications

The number of patents filed at the CIPC has remained steady over the last three years with an average of 8500 patent applications filed year on year as shown in ***Table B.5*** hereunder. The reporting template for patent filings has been amended to differentiate between provisional, complete, convention and Patent Cooperation Treaty (PCT) patent applications. This was done so that we can differentiate between local and foreign filings. Provisional patent applications and complete patent applications constitute local filings.

Table B. 5: Patents

Patent Applications Lodged	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020
Provisional patent applications	1 880	1 902	1803	1930	1793
Complete patent applications	519	529	503	463	412
Convention patent applications	610	695	615	666	648
Patent Cooperation Treaty (PCT) patent applications	6 367	5903	5624	5528	5602
Total	**9 357**	**9027**	**8 545**	**8587**	**8455**

We have noted a worrying trend in the decreasing number of local complete patent applications (provisional and complete patent applications) filed in the last three years. More outreach and awareness campaigns are needed to inform the general public on the importance and benefits of the patent system, and to encourage local innovators to protect their inventions. Furthermore, interventions such as the Inventor Assistance Program (IAP) need to be prioritised to ensure that the patent system is accessible to under-financed inventors and Small Medium and Micro Enterprises (SMMEs).

Design applications

The total number of design applications filed with the CIPC has declined compared to the last three years, and local applications increased compared to the last two years as shown in ***Table B.6*** hereunder.

Table B. 6: Designs

Designs Applications	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020
Local application	818	1040	974	914	982
International applications	1048	1045	1044	1088	885
Total	**1866**	**2085**	**2018**	**2002**	**1867**

The CIPC outreach and awareness campaigns on the importance of industrial designs, as an easy registerable right, particularly for aesthetic designs should contribute to the increase applications to register designs.

Trade marks

As shown in ***Table B.7*** hereunder, there was a less than 1% decline in the lodging of new applications year on year in 2019 as compared to 2018.

Table B. 7: Trade marks Applications

Trade marks Applications (Calendar year)	2015	2016	2017	2018	2019	2020 (Jan-March)
Residents	20 816	21 289	22 740	22 948	22 003	4 535
Non-residents	16 313	16 880	15 543	16 188	16 145	3 351
Total	**37 129**	**38 169**	**38 283**	**39 136**	**38 148**	**7 886**

As shown in ***Table B.8*** hereunder there was a decrease of less than 1% of Trade marks registrations certificates issued in 2019 compared to 2018.

Table B. 8: Trade marks Registration certificates

	2015	2016	2017	2018	2019
Trade marks Registrations (Calendar year)	26 121	10 802	19 256	32 174	32029

Business Rescue

There is stability in the business rescue in the relationship amongst stakeholders. There is still however, a need to establish the Specialist Committee, which will evaluate the content of courses, which will be considered for Continuous Professional Development.

Table B.9 hereunder show business rescue statistics over the past five (5) years.

Table B. 9: Business Rescue

Status of BR Proceedings	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020
Active	158	134	172	197	295
Liquidation	70	47	28	7	3
Nullity	24	17	22	32	15
Set aside	0	2	2	5	1
Substantial	79	67	45	35	14
Termination	150	108	93	73	41
Grand Total	**481**	**375**	**362**	**349**	**369**

More business rescue cases commenced in the year under review, compared to the last two years. 2015/16 had the highest number of business rescue cases that commenced, followed by 2016/17. Out of 369 business rescue cases that commenced during the year under review, 295 were active. Three (3) cases were liquidations, fifteen (15) nullified, one (1) set aside, fourteen (14) substantial cases, and 41 terminated.

Compliance

This section outline key compliance surveillance activities. ***Table B.10*** hereunder shows the statuses of cases of reported irregularities in the past (5) years.

Table B. 10: Reportable Irregularities

	2015/16	2016/17	2017/18	2018/19	2019/20
Opening Balance	185	189	180	123	229
Cases Received	364	293	258	394	274
Closed Cases	360	302	315	281	144
Closing Balance	189	180	123	229	409

Majority of the cases in 2019/20 involves failure to comply with Section 30 of the Companies Act, 2008 where entities are required to prepare annual financial statements within six (6) months of the end of the financial year. The process was also used as an opportunity to educate the target entities from becoming repeat offenders. A compliance notice only gets issued if entities fail to demonstrate change in their governance practices or fails to commit to changing behaviour to avoid future non compliance. Reportable Irregularities are reported to the CIPC by the Independent Regulatory Board for Auditors (IRBA) for investigation, where applicable. Auditors are mandated in terms of Section 45 of the Auditors Profession Act, 2005 (Act No. 26 of 2005) to report persistent non-compliance to the board, alerted them of continuing non-compliance.

Some High Impact Cases Under Investigation

Some of the high profile companies under investigation for contravening Section 22 (Reckless Trading) were Sanlam Group; the South African Red Cross Society; Kagiso Media; Unitrans Freight Services; Suzuki Montana; Alexander Forbes Investments. Tongatt-Hulett, Transnet and Eskom are high profile cases that had high public interest.

Tongaat Hulett

This matter was a proactive initiative due to the media reports on Tongaat Hulett. The matter was in relation to misstatements of the 2018 annual financial statements. The company board has resolved to restate their annual financial statements for the year ending 2018 and prior periods. Engagements were conducted with Tongaat Hulett and feedback received. The company has established forensic investigations and has changed management in this regard. Due to this, the company has further opened criminal cases against a former senior executive with regards to the misstatement. The CIPC has requested documentation that prove that cases have been opened against those former directors whom action is being taken against.

Transnet

Transnet, a state owned company (SOC) had been reported by IRBA for contravention of Section 76(3)(b) and c) of the Companies Act 71 of 2008 . A senior officer of Transnet had not exercised the powers and perform the functions of a prescribed officer in the best interest of the Company; and with the degree of care, skill and diligence that may reasonably be expected of a prescribed officer. A letter was sent to the relevant authority (within Transnet) on the 28th of November 2019 in this regard. The company was given thirty (30) working days to respond to the CIPC letter.

Eskom

Eskom, a SOE has been reported by IRBA for contravention of Section 76 of the Companies Act, 2008 whereby there was a suspected breach of fiduciary duty by the board of directors of the company in dealing with the BBBEE Act, 2003. A letter was sent to the relevant authority (within Eskom) on the 20th of August 2019 in this regard. In the letter the company was given 30 working days to respond to the CIPC letter. The Company responded to the letter issued by the CIPC on 03 December 2019. The contents are being thoroughly reviewed before a decision can be taken.

Table B.11 hereunder show the types and statuses of cases received from of independent reviewers (IR) in relation to regulation 29 (Company Act, 2008 Regulations).

Table B. 11: Independent Reviews - Regulation 29

	2015/16	2016/17	2017/18	2018/19	2019/20
Opening Balance	33	77	215	499	351
Allocated	39	88	108	171	198
Liability Exceeds Assets	12	25	37	87	40
Financial Assistance	3	25	9	42	36
VAT Tax Return Not Declared To SARS	4	4	4	27	5
Other	6	9	8	15	20
Total Closed	25	63	58	171	101
Closing Balance	8	14	157	328	250

The reason of entities reporting reportable irregularities RI's concerning technical insolvency is usually related to start-up capital provision by owners/shareholders, tough economic conditions (taking time for companies to break-even) and accounting principles applied upon valuation of assets. One of the challenges with the administration of the independent review reports includes difficulty in obtaining contact details for entity being complained of.

Table B.12 hereunder show the statuses of cold case matters, which have been referred to State Attorney by the CIPC for imposition of an administrative fine in terms of Section 175 of the Companies Act, 2008.

Table B. 12: Report on Cold Cases

Description	2015/16	2016/17	2017/18	2018/19	2019/20
Opening Balance	0	15	21	20	16
Order Granted	0	0	0	3	0
Settlement Order/Offer	0	0	0	3	2
Opposed	0	0	0	4	4
Removed From The List	0	0	1	0	0
Currently In Court/Set Down	0	0	0	10	10
Closing Balance	0	15	20	16	16

During the period under review, 21 matters were referred to the State Attorney. Out of the 21, three (3) orders were granted in favour of the CIPC, and with three (3) matters there are pending settlement offers, four (4) matters are being opposed in court and other two (2) currently in court. Outstanding matters are six (6). On the matters whereby an order has been granted, a forensic accountant has to be appointed in order to determine the exact administrative fine that the company has to pay.

Table B.13 hereunder show the number of types of prospectuses registered in the past five (5) years.

Table B. 13: Prospectuses Registered

	2015/16	2016/17	2017/18	2018/19	2019/20
Prospectus registered	11	13	33	42	41

The majority of the prospectuses registered in 2019/20 related to Section 12J of the Income Tax Act, 1952 (Act No. 58 of 1962). The Section 12J is an incentive that was introduced to enable small businesses to diminish the capital procurement deficiency they face.

The CIPC has a responsibility to ensure that companies apply acceptable the financial reporting standards. ***Table B. 14: Annual Financial Statements*** show AFS received, reviewed, and proactive investigations conducted.

Table B. 14: Annual Financial Statements

Description	2015/16	2016/17	2017/18	2018/19	2019/20
Annual Financial statements received	-	27022	29 899	7118 (iXBRL only)	13 940 (iXBRL only)
Annual financial statements reviewed	259	349	359	308	430
Proactive investigations	-	-	-	-	60

Global Ranking

The *Global Competitiveness Index (GCI) 4.0* and the *Doing Business Report* are benchmarks of how effective is South Africa in enabling the country's economy and its competitiveness. Both reports rank indicators that the CIPC has impact on. The reports can be used to assess the impact on business and intellectual property regulation. These rankings should not be used as the only measurements of the effectiveness of the policies and strategies of the CIPC and other SA government institutions whose function is to enable the economy..

In the 2019 GCI 4.0, SA is ranked 60th ahead of its BRICS counterparts, India (68th) and Russia (71th), as well as the most competitive in the sub-Saharan Africa. This is an improvement from 67th place in 2018. South Africa is ranked 82nd in both years in the 2018 and 2019 Doing Business (DB) report. ***Table B.4*** hereunder shows other indicators relevant for the CIPC.

Table B. 15: Global Competitiveness Index 4.0 and Doing Business Report

Global Competitiveness Index 4.0 South Africa Ranking		
Pillar/Component	**2018 Ranking --/140 (Progress score)**	**2019 Ranking --/141 (Progress score)**
Overall	67th (60.8)	60th (62.4)
• Burden of government regulation	84th (37.4)	101st (36.6)
• Efficiency of legal framework in settling disputes	40th (42.3)	31st (59.3)
• Intellectual property protection	60th (56.0)	46th (61.1)
• Strength of reporting and auditing standard	55th (64.6)	49th (67.5)
• Shareholder governance	56th (60.0)	37th (67.0)
• Cost of starting a business	2nd (99.9)	4th (99.9)
• Time to start a business	128th (55.3)	129th (60.3)
• Insolvency regulatory framework	24th (78.1)	38th (71.9)
• Insolvency recovery rate	77th (37.0)	78th (37.1)
Innovation capability	46th (43.3)	46th (45.2)
• Multi-stakeholder collaboration	-	39th (52.6)
• Patent applications	50th (26.6)	51st (25.6)
• Commercialisation	-	64th (57.1)
• Trademarks applications	58th (67.6)	73rd (67.0)
Doing Business Ranking		
Overall	82nd (64.89)	82nd (66.03)
Starting a business	136th (79.97)	134th (81.2)

1.2 Organisational environment

The CIPC successes during the year under review are a result of automation, and related systems system improvements and introduction of new service delivery platforms. Business units managed to keep to service delivery standards because of automation. The automated processes enable managers to monitor workflows, and therefore ensuring that service delivery standards are met. In particular, the IPAS allows for end-to-end automation of the IP registration processes. The K2 tool also allows for automation of corporate regulation processes, as well as all internal processes. The iXBRL platform Hard-stop of Annual Returns in e-Services, enable the CIPC to identify companies that have not filed annual returns.

The organisational weaknesses among others relate to the recruitment moratorium, labour issues, system challenges, and manual processes.

As discussed in section 4.3, the recruitment moratorium has resulted in key positions not being filled or delay in filling these positions such as appointments to fulfil the requirements of the upcoming Copyright Act when it becomes law. The Bill is in the Presidency for consideration. The challenge is exacerbated by the fact that there is no clear policy on which positions can be filled during the moratorium. There are also unresolved labour issues that leave staff anxious, therefore negatively affecting their morale. It is hoped that the organisation design project will address these problems.

System challenges negatively affect meeting of service delivery standards or release of new processes. It also contributes to high call and query volumes, as well as production delays. Because of this customers become be irate, and staff demotivated. The CIPC is working tirelessly to address these problems through moving CIPC ICT infrastructure to the cloud instead of relying on **the dtic** servers.

The fact that some processes such as those of cooperatives registration and business rescue registrations makes it difficult for managers to monitor work processes. The only reason the CIPC is able to process all registrations within three days, are low volumes. Through the K2 platform, the CIPC will be automating co-operatives end to end processes.

The paradox facing the CIPC is that while there is a shortage of staff and appropriate skills and expertise, a number of staff have been rendered redundant because of the automation of processes. This has been an unintended outcome of automation. The CIPC is exploring ways to address these problems. The organisation design project is intended to address some of these problems.

1.3 Key policy developments and legislative changes

The CIPC and International Trade and Economic Development (ITED) are in the process of drafting new Bills for Patents and Designs to repeal and replace the Patents Act, 1978 (Act No. 58 of 1978) and the Designs Act, 1993 (Act No. 195 of 1993). The CIPC and ***the dtic*** have engaged and received inputs from industry, civil society, other spheres of government, non-governmental organisations and International organizations on proposed amendments of the Patents Act, 1978 and the Designs Act, 1993. These inputs have been consolidated and now form the basis of the draft Patents and Designs Bills. The Bills will bring about structural and legislative reforms of the Patent and Design systems in South Africa.

The Patents Bill will introduce Substantive Search and Examination (SSE) of patent applications and utility models, the introduction of patent grant review mechanisms such as third party observations and oppositions systems and will provide a fee incentives for individual inventors and small entities.

The Designs Bill repeals and replaces functional designs and will only allow the registration of aesthetic designs. Similarly, the Designs Bill will provide fee incentives for individual designers and small entities It is also aligned with the Hague Agreement of the Geneva Act for registered designs, as it is envisaged that South Africa will accede to the Treaty subsequent the enactment of the Bill into law. Both Bills will be tabled with the Inter-Ministerial Committee on Intellectual Property (IMCIP) and the executive for approval before submission to Parliament.

The Copyright Bill is in the Presidency for consideration.

There are proposed amendments to the Companies Amendment Bill by the DTIC Policy Unit, in particular provisions regarding collection of "beneficial ownership" information. CIPC has to prepare its processes and systems to be able to be ready when the Bill is signed into law.

1.4 Strategic Outcome Oriented Goals

The CIPC's two (2) strategic outcome-oriented goals (SOOG) and five (5) strategic objectives for the strategic period 2019/20 – 2022/24 are:

1. Reduced administrative compliance burden for companies and IP owners
   1.1 24/7 access to all CIPC products and services
   1.2 Timely delivery of all CIPC products and services
   1.3 An intelligent, innovative, high performance organisational environment

2. A reputable Business Regulation and IP Protection environment in South Africa.
   2.1 Increased knowledge and awareness on Company and IP Laws
   2.2 Improved compliance with the Company and IP Laws

Progress made towards reduced administrative compliance burden

SOOG 1 is to create ease, simplicity and flexibility in forming and maintaining companies, as well as protecting intellectual property to reduce the administrative compliance burden for companies and IP owners. This is meant to encourage entrepreneurship, enterprise development, and enterprise efficiency, thereby contributing to investment, competitiveness and employment creation.

The five-year target for SOOG 1 is to develop key capabilities - ICT infrastructure, systems, and applications, capabilities and skills, and channels - for 24/7 access to the CIPC services, and speedily service.

The CIPC continues to invest in ICT infrastructure, systems and applications. This type of investment has resulted in multiple channels being availed to customers. ***Table B.1*** list channels and services offered in each. The e-services website is continuously being upgraded to be user friendly. Self-service centres and Partner sites throughout the country are installed and operate self-service terminals. FNB, Standard Bank, ABSA, and SASFIN offer some of the CIPC services. Bizportal offer integrated business services by the CIPC and its partners. The Call centre, QRS, and Social Media are platforms used for customer responsiveness. The CIPC will continue strengthening and developing on-line channels and platforms for transacting and engage with customers.

ICT investment have also made it possible for the CIPC to automate processes and therefore reduce transacting times as shown in ***Table B.2.*** Through the K2 platform, the CIPC has automated 28% of process as at 31 March 2020.

Through ICT investments, innovations, and continuous strategic engagements by the CIPC management and labour representatives, the CIPC continues to modernise the organisation internally, in order to build an intelligent organisation, and drive performance to achieve its strategic objectives. During the period under review, the CIPC achieved 78% of its targets.

SOOG 2 is to ensure implementation and compliance with Corporate and IP Laws to create a reputable Business Regulation and IP Protection environment in South Africa. This is also meant to contribute to in investment, and improved competitiveness, leading to industrial development and employment creation.

The SOOG 2 five (5) year target is to develop key compliance monitoring and enforcement capabilities - ICT infrastructure, systems, and applications, capabilities and skills, and channels and platforms.

Key positions in the area of compliance, surveillance and enforcement are filled. Training and development to ensure skill levels remain appropriate, is continuous. The ongoing education and awareness drive to inform and educate the public on the CIPC and its partners' services, channels and information platforms, on compliance requirements of Companies and IP Laws contribute to building customer compliance capabilities. The CIPC also conducts training for its partners such as law enforcement bodies on IP enforcement.

The CIPC also participate in international bodies such as World Intellectual Property Organisation (WIPO), FAFT and Corporate Registrars Forums. This ensures that CIPC capabilities meet international standards. Other Registrars such as New Zealand and Abhu Dhabi, benchmark with the CIPC on XBRL.

In addition to a successful education and awareness programme targeting SMMEs, tertiary institutions, and schools, an important milestone in the compliance area had been the introduction of XBRL platform for filing of AFS. This has simplified filing of AFS, as well as monitoring compliance with AFS and annual returns filing requirements.

2. PERFORMANCE INFORMATION BY PROGRAMME

The CIPC is divided into three programmes responsible to carry out its mandate (as outlined in Section 7) and realisation of strategic outcome oriented goals, strategic objectives and targets:

- Programme 1: Service Delivery and Access
- Programme 2: Innovation and Creativity
- Programme 3: Business Regulation and Reputation

The CIPC achieved 78%, seven (7) out of nine (9) targets.

2.1 Programme 1: Service Delivery and Access

The purpose of the programme is to promote service delivery, quality and access to CIPC products and services via operational excellence, multiple channels, collaboration with partners and innovation, and providing financial, human, information and physical resources in a responsible manner. Proper compliance, governance, and risk processes will be adhered to. Executive and strategic direction will be provided to the organisation, and a conducive, secure environment created to ensure the CIPC delivers on strategic objectives.

The following is a list of sub-programmes

1. Broader Office of the Commissioner
    - a) Advisor to the Commissioner
    - b) Innovation and Collaboration
    - c) Strategy
        - (i) Strategy, Planning and Monitoring
        - (ii) Operational Excellence
        - (iii) Strategic Communications
    - d) Compliance, Governance and Risk
        - e) Internal Audit

2. Corporate Services
    a) Human capital
        (i) Human capital
        (ii) Knowledge Centre
        (iii) Labour Relations and Employee Engagement
    b) Facilities and Security
        (i) Facilities
        (ii) Security
        (iii) Disclosure
    c) Service Centres
    d) Client Engagement and E-communications

3. Finance
    a) Financial Management
    b) Treasury
    c) Supply Chain Management

4. Business Information and Systems
    a) Chief Technology Officer
    b) Enterprise Information Management
        (i) Enterprise information management
        (ii) Information assurance
    c) Enterprise Programme Management Office
    d) ICT Service Delivery
        (i) Application management
        (ii) Infrastructure management
        (iii) Process Engineering

Strategic objectives relative to the Service and Access programme are:

1.1 24/7 access to all CIPC products and services
1.2 Timely delivery of all CIPC products and services
1.3 An intelligent, innovative, high performance organisational environment

Progress made towards strategic objectives

24/7 access to all CIPC products and services

- Setup and installed a modernisation database together with a web modernisation technology, and also developed a general payment solution for use by all CIPC applications.

Timely delivery of all CIPC products and services

- Migrated four automated services, customer registration, name reservation, name searching and co-operatives from the old infrastructure to the new technology framework that is based on the Oracle database and K2 web end.
- Created two new services, ceding of rights and transaction on-Behalf, which are required to enable the CIPC clients to delegate performance of services to third parties.

An intelligent, innovative, high performance organisational environment

- Strategic planning sessions held.
- Organisation design project initiated.
- Training and development continued, including a bursary programme.
- A health and wellness programme continued to be implemented
- Migrated to the CIPC intranet (SharePoint)

Other Programme achievements

Business Information Services Group (BISG)

- Successfully completed the revised Business Impact Assessment as per the requirements of the Business Continuity Policy and the Disaster Management Act, Successfully implemented Fortiweb and Fortimail solutions.
- Continued with ongoing infrastructure refresh and migrations initiatives as required to ensure stabilization of infrastructure and operations.
- Developed the Information Classification Policy
- Developed the Acceptable Usage policy
- Developed the Business Continuity Policy
- Developed the Information Security Encryption Standard
- Developed the Backup and Recovery Standard (ICT Continuity and Recovery Standard)

Human Capital

- Key Human Capital Policies approved
- 29 Interns for Patent Division appointed
- Employment Equity Report submitted to the Department of Labour
- 25 Employees were awarded bursaries
- 58 Employees were trained externally in line with their Performance Development Plans
- Six (6) Arbitration awards in favour of the employer
- School Holiday programme implemented.

Table B. 16: Programme 1- Key performance indicators, planned targets and actual achievements

Output	Performance Measure or Indicator	2019/20 Annual Target	Actual Achievement	Deviation from planned targets to actual achievement	Comments on deviations
GOAL 1: Reduced administrative compliance burden for companies and IP owners.					
Strategic Objective 1.1 24/7 access to all CIPC products and services.					
Increased of % in the website performance for e-services 24/7	% website performance for e-services 24/7	93%	93%	0	N/A
Increase in the % of CIPC services with an option to file electronically compared to manually filed services	% of CIPC services with an option to file electronically compared to manually filed services	27% (1% increase)	28%	1%	More systems were released to production and monitored, replacing the legacy system that was being used.
Strategic Objective 1.3 Intelligent, innovative, high performance organisational environment.					
Increase the score of the customer and stakeholder value index	A score between 1 - 10 of the customer and stakeholder value index, a higher score indicating satisfaction with the CIPC	Not measured	Measured every second year	N/A	N/A

Contribution to the strategic outcome oriented goals

Website performance shows that all the CIPC services are accessible 24%. Automation of processes ensure easy and quick service to customers. Increased in the score of the customer and stakeholder value index indicate the improvement in CIPC customer and stakeholder experience and therefore organisational effectiveness.

Strategy to overcome areas of under performance

All targets were achieved.

Changes to planned targets

There were no changes to targets during the year under review.

Linking performance with budgets

Programme/activity/objective	2019/2020			2018/2019		
	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Compensation of employees	367 858	348 130	19 728	319 898	325 425	-5 527
Goods and services	228 615	171 999	56 616	233 876	159 884	73 992
Audit Fees	7 800	4 441	3 359	2 500	6 186	-3 686
Bank Charges	4 500	4 529	-29	6 500	4 574	1 926
Advertisements	10 095	3 855	6 240	9 255	8 520	735
Communications	17 052	14 760	2 292	15 752	5 130	10 622
External Service Providers: ICT Related Services (licenses & maintenance)	69 120	58 140	10 980	52 939	43 011	9 928
Consultants and special services	16 100	10 497	5 603	39 950	8 656	31 294
Depreciation and Amortisation	21 623	23 191	-1 568	20 066	20 301	-235
Internet and Network Costs - ICT related services	9 210	3 426	5 784	7 010	4 083	2 927
Stationery, Printing and Publications	3 360	3 086	274	2 905	2 383	522
Maintenance, repair and running cost	1 100	408	692	1 550	693	857
Operating Lease	37 335	29 206	8 129	29 954	30 177	-223
Travel and Subsistence	6 940	4 755	2 185	5 550	6 212	-662
Other	24 380	11 618	12 762	39 945	19 958	19 987
Impairment loss: Property, plant and equipment	0	87	-87	0	0	0
Total Expenditure	**596 473**	**520 129**	**76 344**	**553 774**	**485 309**	**68 465**

2.2 Programme 2: Innovation & Creativity Promotion

The purpose of the programme is to support and promote local innovation and creativity by maintaining accurate and secure registries of patents, designs, film productions. Under this programme, the CIPC also supervises and regulates distribution of collected royalty by accredited collecting agencies. In addition, the programme is responsible for providing policy inputs and legal advisory opinion on the coordination, implementation and impact of respective IP laws. Furthermore, the group ensures that implementation of the national IP regime is aligned with the international IP system.

The primary function of the Innovation and Creativity Promotion Programme is to promote and support registration of patents, designs, film productions. The group also registers patent attorneys who have passed the Patent Board Examination (PEB). Other functions of the programme includes, coordination of appropriate enforcement actions; education and creating awareness of the requirements and benefits of registration of IP rights, available remedies and opportunities for commercialisation and industrial development through the efficient management of IP assets.

The CIPC sees a close relationship between the registration of rights, technology transfer and their commercialisation, as envisaged in the recently published National Intellectual Property Policy-Phase I (2018). Understandably, in South Africa, universities and research institutions are the main drivers of innovations, helping create solutions to address the social, environmental and economic challenges facing the country. Hence, the Innovation and Creativity group has over the years, pursued targeted and focused education and awareness initiatives to the academic community and institutions of higher learning and research. To maximize the outreach and impact, the group works in partnership with a number of government departments and agencies. Some of the key stakeholders that CIPC has partnered with to ensure effective protection and efficient management of IP assets includes the Department of Trade, Industry and Competition (The dtic), Department of Science and Innovation (DSI), Department of Small Business Development (DSBD), Small Enterprise Development Agency (SEDA), the National Intellectual Property Management Office (NIPMO), Technology Innovation Agency (TIA) etc. In collaboration with the other government enforcement agencies, the group also act against counterfeiters and those that do not respect IP rights.

List of sub-programmes

1. Innovation support and creativity
    a) Patents and Designs Register
    b) Innovation Policy and Outreach

2. Creative Industries
    c) Copyright and IP Enforcement
    d) Indigenous Cultural Expressions and Knowledge

The strategic objectives relating to the Innovation and Creativity Programme are:

2.1 Increased knowledge and awareness on Company and IP Laws
2.2 Improved compliance with the Company and IP Laws

Progress towards strategic objectives

Increased knowledge and awareness on Company and IP Laws

The CIPC conducted over 30 education and awareness events during the year under review, focusing on SMMEs, tertiary institutions and schools.

In response to Ministerial priorities to promote intellectual property laws, CIPC has thus far collaborated with other government departments, agencies and municipalities to deliver the intellectual property education and awareness.

To maintain its international relevance in the intellectual property system, CIPC continued to join other jurisdictions in celebrating the value and the importance of intellectual property through the annual World Intellectual Property Day, 26 April 2019. The celebration made much needed awareness intervention as the celebration was covered in both the radio and television for the benefit of all South Africans. The school learners in the surrounding area were part of the celebration.

Figure B. 2: World IP Day, 26 April 2019, Bloem Plaza Mall, Bloemfontein

CIPC talks to the community at a shopping mall on IP during World IP Day Celebrations

Figure B. 3: World IP Day, 26 April 2019, CUT, Bloemfontein, Free State Province

Let's Talk IP Discussion Panel during World IP Day 2019 in Bloemfontein, Free State Province

The CIPC, in collaboration with local and international partners, in this case WIPO, has introduced innovative programmes such as the IP for SMMEs in South Africa and the Inventor Assistance Programme, to increase IP awareness, build capacity and make the patent system more accessible to financially under resourced inventors and small businesses, respectively. Thus, ensuring that there is more inclusivity in the use of the IP system.

The IP for SMME Capacity Development Programme is a national flagship programme spearheaded by CIPC in partnership WIPO and the National Task Force Team comprised of **the dtic**, Department of Small Business Development (DSBD), Small Enterprise Development Agency (SEDA), NIPMO, and several Research institutions. The project aims to enhance SMME competitiveness through effective use & management of intellectual property (IP) assets, and to strengthen the institutional capacity of SMME support institutions (also known as SMME Intermediaries) in delivering IP related services to their stakeholders.

During the year under review, an annual project review and planning (APRP) workshop for the IP for SMME programme, organised by the CIPC, took place in Pretoria on 10 - 11 July 2019. During the workshop, the project implementation framework for 2019 was developed. The Train-the-Trainers programme to build the capacity of the SEDA officials and of other government departments (Business Development Officers, Information Officers etc.) was prioritised and initiated.

Figure B. 4: IP for SMME Workshop, 10-11 July 2019, Pretoria

Stakeholders who attended the CIPC-WIPO organised IP for SMME Programme Workshop held on 10-11 July 2019, in Pretoria.

Improved compliance with the Company and IP Laws

The IP education and awareness events increase knowledge on IP protection and respect for IP rights. The CIPC further conducted nine (9) education, awareness, and training events on IP enforcements, training over 300 people.

In collaboration with key stakeholders, strategic focus was training and capacity building of law enforcement partners, the online selling of counterfeit goods, and awareness campaigns on the harms of counterfeiting to the general public and learners. Collaboration opportunities that extended across national borders were fostered. With digital video conferencing (DVC), officials shared expertise and made training opportunities possible. The United States Patent and Trademarks Office (USPTO) trained Patents Copyright and Trade mark officials in their respective fields. It had been envisaged that collaborative partnerships will deliver simplified processes, integrated services, increased efficiencies, and sharing of innovative ideas.

Local public private partnerships with the South African Health Products Regulatory Agency (SAHPRA) and the Self-Medication Manufacturers' Association of South Africa (SMASA) led to workshops with law enforcement and industry stakeholders to eradicate threats of falsified medicines and illegal selling of medicine on-line. During these workshops, the CIPC officials shared experiences on the work done to strengthen South Africa's efforts to protect consumers against the harms of counterfeit goods on various National and International platforms. Some of the topics were *Utilization of block chain technology to reach consumers at the point of sale, Effective Enforcement Strategies, Online Piracy A hard Pill to Swallow and 4IR, The Role of and Contribution to Balance IP Enforcement*. Participation included panel discussions and presentations at the 13th International IP Crime Conference, the World Intellectual Property Organization (WIPO)'s Advisory Committee on Enforcement (ACE), the International Trade Mark Association (INTA) Annual General Meeting, the University of Johannesburg on the 4th Industrial Revolution and the IP Global Health Chain Summit.

Figure B. 5: The International Trade Mark Association (INTA) held an Anti-Counterfeiting workshop, 18 May 2020, Boston, USA

Training and capacity building events also had an operational focus to iron-out challenges that prevent successful prosecution of suspects. Key players included the Asset Forfeiture Unit (AFU), Provincial and Regional Prosecutors and Commercial Crime Inspectors. These stakeholders are key to the Landlord Liability discussion which when implemented could be a big win in the battle against fake goods and a success in this area is a priority.

Outcomes included networking opportunities to ensure a well-embedded network dedicated to fighting fake medicine and counterfeiting in South Africa. Innovative experiences and techniques in the fight to prevent, detect and investigate pharmaceutical related IP crime in South Africa were shared. The workshop created opportunities, remove obstacles and came up with solutions.

In a *Media Week for Kids*, 180 learners from four high schools in Soweto were taught about the value of IP and citizen journalism. The CIPC facilitated one day workshops in each of the four schools in collaboration effort with WIPO and private sector players. A video clip that advocates the work of CIPC with the youth is available online.

Figure B. 6: Media Week for Kids, 14-17 August 2019, Soweto

An Inter-Agency working group was formed in November and CIPC took responsibility for the work stream on counterfeit goods. Partnerships forged at these collaborative workshops is delivering results.

Throughout the year, the CIPC formed part of multi-agency operations. The CIPC dedication and strategic vision have culminated in many operational successes and better collaboration between all law enforcement agencies. This collaboration project between IP rights owners, local Police, customs and health officials continues to deliver exceptional results in dealing with counterfeit goods. During the period of under review, the CIPC facilitated the confiscation of various health related pills skin lighteners, clothing items and consumer goods.

Figure B. 7: Multi-agency enforcement operations and capacity building

Other programme achievements

The Annual IP and Technology Commercialisation (TC) Colloquium is an annual event that brings together various players within the National System of Innovation (NSI) ecosystem to discuss issues of IP development and commercialisation of new technologies. The colloquium is hosted by the Department of Trade, Industry and Competition (**the dtic**) in partnership with the Companies for Intellectual Property Commission (CIPC). The 2019 colloquium was held on 8th and 9th April 2019 under the theme: *Propelling innovation towards full-scale industrialisation and inclusive growth*. The colloquium attracted over 500 delegates from the public and private sector. In partnership with the NRF-SAASTA programme, high school learners from Tshwane and Ekhurhuleni were also invited to cultivate a general interest on IP, innovation and creativity.

Local and international experts in the field of IP and TC enriched the discourse, sharing global insights and guidance on policy and programme development based on international trends. The topics which were explored during the breakaway sessions included i) Challenges of IP Protection: From the viewpoint of the IP Developers & Users. ii) Market Validation: Exploring the Practical and Successful Implementation of Internet of Things, AI & Big Data, iii) IP Substantive Search and Examination of Patent Applications: What does it entail?; iv) Protection and Commercialisation of Public Research Results; v) Capturing the pulse of automation and intelligent manufacturing solutions; vi) What are the inventor's options? Is it starting a new venture or Licensing/Assignment of IP Rights.

Figure B. 8: Minister Rob Davies and other speakers, and high school leaners, Annual IP and TC Colloquium, 08-09 April 2019, Bloemfontein, Free State Province

The Inventor Assistance Programme (IAP) is an innovative program, open to individual inventors and/or SMMEs, who have novel inventions that have market applications, who are not able to bear the costs of consulting a patent attorney to obtain patent protection for their invention. The inventor and/or SMMEs must apply to participate in the Program and must meet the eligibility criteria.

The patent attorneys who participate in the IAP volunteer their time and expertise on a pro bono basis, and are registered with WIPO as pro bono attorneys for the Programme. The IAP patent attorneys provide patent consultancy related services to individuals or SMMEs to protect their inventions five (5) applications for support. Coincidentally, the first South African inventors to receive support under the program, the co-founders of "Waste Buddies", Mr Boitumelo Thlapi and Mr Edward Mfasha, were also the 50th inventors to receive support under the program, globally. South Africans also account for more than half of the applicants who completed the WIPO IAP introductory course. Thus out of the hundred and eighty seven (187) global applicants who completed the course in 2019, ninety five (95) applicants were from South Africa.

Figure B. 9 Members of the IAP Steering Committee

Back row: *Mungelwa Kula – NIPMO; Thamaray Govender – TIA; Bongani Ntombela – SEDA; Trod Lehong – CIPC.* **Front row:** *Charles Mukwevho SEFA; Boitumelo Tlhapi (Co-inventor) Thato Mfatshe (Co-inventor); Nontombi Marule –* **the dtic**.

The 11th meeting of BRICS Heads of the IP Offices (HIPO) was held in Stellenbosch, Cape Town, South Africa from 15 - 16 April 2019. The meeting was hosted and chaired by the CIPC Commissioner in his capacity as the chairperson of the IP BRICS group during that period (28 March 2018 to 16 April 2019).

During the two day meeting, the BRICS IP delegates held in-depth discussions on various IP issues including strategies to assist SMMEs, enhancement of education and public awareness, personnel training, data exchange and information services, managing workload of Patent examiners, IP and development in the digital environment and strengthening of cooperation at international forums. Consensus were reached on issues such as sharing of dates for various IP BRICS events, participation of IP BRICS representatives in SA's SMME's clinics; sharing SMME support strategies and research information of BRICS through publication on the IP BRICS website.

The meeting resolved to enhance the IP BRICS Intellectual Property Examiner Training Seminars to cover all IP domains and promote the BRICS countries to cooperate on exchanges of patent information and data. Further to the main HIPO meeting, several bilateral meetings were also held over the period by the respective members in pursuit of further collaborations and strengthening of partnerships in specific areas. In handing over the chair to the President of INPI, Mr Claudio Vilar Furtado, Adv Voller, the CIPC Commissioner congratulated INPI-Brazil on assuming the responsibility and wished them continued success in their period of chairship.

Figure B. 10: 11th Meeting of BRICS HIPOs

Heads of the IP BRICS Offices, represented by President Cláudio Vilar Furtado of the National Institute of Industrial Property of Brazil (INPI), Director General Grigory Ivliev of the Federal Service for Intellectual Property of Russia Federation (ROSPATENT), Commissioner Rory Voller from the CIPC – South Africa, Commissioner Shen Changyu of the China National Intellectual Property Administration (CNIPA and Controller General Shri O.P. Gupta of the Office of the Controller-General of Patents, Designs and Trademarks of India (CGPDTM).

Figure B. 11: Delegates of 11th Meeting of HIPOs

During the period under review, the CIPC has approved SAMPRA's distribution plan to allow the collecting agency to discharge its obligations of distributing the collected music royalty.

For the first time in the history of collective management of rights in sound recordings, the CIPC proposed and approved SAMPRA's Social Security Scheme for the performing artists in music. The Social Security Scheme will include the funeral cover for all SAMPRA members who are performing artists. This initiative is a response to a concern by the Portfolio Committee on Trade and Industry as it criticized the conditions in which artists died.

The CIPC continued its legislative and policy inputs in the Copyright Amendment Bill, which is currently with the Presidency for consideration. This includes participation in various industry sector debates on the Copyright Amendment Bill.

The CIPC continued to participate in international forums to advocate its national position on various topics of intellectual property. The participation further avails opportunities to learn best practices from other jurisdictions especially that our copyright law is under some overhauling.

Table B. 17: Programme 2 - Key performance indicators, planned targets and actual achievements

Output	Performance Measure or Indicator	2019/20 Annual Target	Actual Achievement	Deviation from planned targets to actual achievement	Comments on deviations
Strategic outcome oriented goal 2: A reputable Business Regulation and IP Protection environment in South Africa.					
Strategic Objective 2.1: Increased knowledge and awareness on Company and IP Laws.					
Increased knowledge and awareness on IP	Number of education and awareness events on IP conducted by CIPC	30	38	8	The over-achievement is due to positive responses from our partners and an appetite from the public, institutions to receive IP information.
Strategic objective 2.2: Improved compliance with the Company and IP Laws					
Increased knowledge and awareness on IP enforcement	Number of education and awareness events on IP enforcement conducted by CIPC	6	9	3	The over-achievement is due to increased collaboration with WIPO and private sector partners. It is also due to an increase in demand for the workshops done by the CIPC.

Contribution to the strategic outcome oriented goals

Increasing knowledge and awareness ensures that innovators and the public are well informed of the CIPC services and IP law and compliance requirements, and as a result comply thereby contributing to a reliable and predictable environment, resulting in a reputable environment.

Strategy to overcome areas of under performance

All targets were met.

Changes to planned targets

There were no changes to targets during the year under review.

Linking performance with budgets

Programme/activity/ objective	2019/2020			2018/2019		
	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Compensation of employees	367 858	348 130	19 728	319 898	325 425	-5 527
Goods and services	228 615	171 999	56 616	233 876	159 884	73 992
Audit Fees	7 800	4 441	3 359	2 500	6 186	-3 686
Bank Charges	4 500	4 529	-29	6 500	4 574	1 926
Advertisements	10 095	3 855	6 240	9 255	8 520	735
Communications	17 052	14 760	2 292	15 752	5 130	10 622
External Service Providers: ICT Related Services (licenses & maintenance)	69 120	58 140	10 980	52 939	43 011	9 928
Consultants and special services	16 100	10 497	5 603	39 950	8 656	31 294
Depreciation and Amortisation	21 623	23 191	-1 568	20 066	20 301	-235
Internet and Network Costs - ICT related services	9 210	3 426	5 784	7 010	4 083	2 927
Stationery, Printing and Publications	3 360	3 086	274	2 905	2 383	522
Maintenance, repair and running cost	1 100	408	692	1 550	693	857
Operating Lease	37 335	29 206	8 129	29 954	30 177	-223
Travel and Subsistence	6 940	4 755	2 185	5 550	6 212	-662
Other	24 380	11 618	12 762	39 945	19 958	19 987
Impairment loss: Property, plant and equipment	0	87	-87	0	0	0
Total Expenditure	**596 473**	**520 129**	**76 344**	**553 774**	**485 309**	**68 465**

2.3 Programme 3: Business Regulation and Reputation

The purpose of the Programme is to enhance the reputation of South African businesses and the South African business environment by ensuring registers of corporate entities, their managers and identity have integrity, and that a culture of corporate compliance and high governance, disclosure and corporate reputation standards are established. The programme also aims to provide policy and legal insight and advice on the co-ordination, implementation and impact of the respective laws.

The following functions fall within this programme Maintenance of company and close corporation registers, co-operatives, directors, delinquent persons, and trade marks, as well as company names and business names; Accreditation of practitioners and intermediaries; Educating business owners and practitioners on legislative compliance; and Promotion and enforcement of legislative compliance.

The CIPC, under this programme, monitors compliance with certain legislative requirements such as submission of annual returns, rotation of auditors and disclosures in terms of the financial reporting standards, and the requirements for prospectuses. The CIPC investigates complaints and enforces provision of the Companies Act, the Close Corporations Act, the Share Block Companies Act and the Co-operatives Act relating to governance and disclosure.

The Business Regulation and Reputation Programme also incorporates a focus on corporate policy and legal matters, including support for offence prosecution, law interpretation, and proposals for amendments to legislation and regulations. The function also entails continual tracking of international developments in corporate governance, disclosure, corporate registration and enforcement, and trade marks.

List of sub-programmes

1. Corporate Compliance and Enforcement
    a) Corporate Disclosure and Compliance
    b) Corporate Governance, Surveillance and Enforcement

2. Corporate Registers
    a) Companies and Close Corporations (CCs)
    b) Co-operatives
    c) Directors, Members and Practitioners
    d) Trade marks

3. Legal Policy and Outreach
    a) Corporate Education and Voluntary Compliance
    b) Corporate Legal and Policy Support

Strategic objectives, performance indicators planned targets and actual achievements

The strategic objectives relating to the Innovation and Creativity Programme are:

1.1 24/7 access to CIPC services
1.2 Timely delivery of the CIPC services
2.1 Increased knowledge and awareness on Company and IP Laws
2.2 Improved compliance with the Company and IP Laws

Progress towards achievement of strategic objectives.

24/7 access to CIPC services

- Rolled out Phase 2 of the XBRL Project where 2017, 2018 and 2019 IFRS Standards were incorporated as part of the CIPC Taxonomy, implemented on 01 October 2019
- Filing of 21258 annual financial statements confirms that the update of use of the digital financial reporting mechanism is being embraced by the reporting entities.

Timely delivery of the CIPC services

- Company registration processed at average of two business days.
- Co-operatives registration processed at an average of two working days.
- Development of "databank" with regards to expert witness testimony in Court continued.

Increased knowledge and awareness on Company and IP Laws

- Participated in 85 education and awareness events in both rural and urban areas in order to inform businesses and the public about the Companies Act and related legislation as well as how to transact with CIPC. These include four (4) ministerial events.
- Implementation of the new Co-operatives Amendments Act, 2013, lead to awareness workshops to inform the co-operatives and government departments regarding the changes in terms of this Act

Improved compliance with the Company and IP Laws

In order to increase compliance with filing of AFS, proactive investigations of 60 companies with turnover of R350 Million and more were initiated. As a result of this initiative, by the 31 March 2020, 29 of the 60 companies investigated had filed their AFSs, while 31 were still pending. Media Release 2 of 2020 was subsequently published with the tittle 'Obligation to file Annual Financial Statements' wherein companies with a turnover of R350 Million and more were encouraged to comply with AFS filing requirements and were informed that enforcement measures were being taken against those who were in contravention.

Data Sharing and Consumption

With the ingesting of the data onto the CIPC platform, the data is only useful so far as it provides the kind of capability for the public or interested entities etc. that is envisioned. To glean from it requires that the data is made available publicly via a regulated process. Sharing of the data among regulators will only improve governance. The CIPC therefore is establishing processes for data sharing and consumption among regulators.

Understanding the iXBRL Technology

With so many technological advances, various capabilities have been created for faster consumption of data. A number of change management initiatives were embarked upon by the CIPC to enlighten the market about iXBRL and to create a positive sentiment about the technology. A new approach to change management is being taken, that speaks to the positive impacts iXBRL will have and how it links with regulation. It is important to highlight how the introduction of the new technology impacts the individual entities. Some of the change management interventions included presentations by the Commissioner at a XBRL Conference on 14 August 2019; and a forum for CFO's called CFO Indaba 2019 on 17 October 2019.

The CIPC Commissioner, Adv. Rory Voller formed part of an advocacy event at CFO Indaba 2019 to educate the attendees on the XBRL Project introduced by CIPC on 01 July 2018 for all entities whose annual financial statements are audited. He was also nominated in 2019 to serve on the XBRL International Board of Directors. The Commissioner was also re-elected to an international body called the Corporate Registers Forum (CRF) for another two year second term. Serving on the ExCo to advance the interests of Corporate Registries in the continent, advocating for more collaboration and co-operation amongst registries.

Figure B. 12: Adv. Rory Voller, the CIPC Commissioner and other delegates at the XBRL Conference on 14 August 2019

Figure B. 13: Adv. Rory Voller, the CIPC Commissioner CFO Indaba, 17 October 2019

The potential for improved data analytics and financial analysis within the CIPC to enable it to play its regulatory role more effectively will be realised as the CIPC addresses data quality issues and actively engages the market and other regulatory bodies to work together; and iXBRL brings about this capability.

A number of African Jurisdictions inclusive of Ethiopia, Sierra Leone, Kenya and Uganda and some International Jurisdictions inclusive of Abu Dhabi, New Zealand and Canada have expressed interest learning from the CIPC as they themselves chart into new territory in terms of them implementing the iXBRL standard. Such collaborations ensure that regulators across Jurisdictions benefit from each other by sharing experiences and learnings and perhaps exposing new methods as the Regulators understanding and use of various complementary technology and frameworks matures.

Other programme achievements

The CIPC ascertained compliance with Social and Ethics Committee (SEC) requirements in respect to Companies Tribunal Decisions refusing applications for exemption to certain companies establish SECs.

The CIPC in collaboration with DPSA (Ethics and Integrity Management Branch and - Interest Disclosure Management Directorate United Nations Office on Drugs and Crime (UNODC)) coordinated the Country Review Report of South Africa. The process included completing a comprehensive self-assessment checklist, engaging in a constructive dialogue between the governmental experts from Niger, the Cook Islands and South Africa, by means of telephone conferences, e-mail exchanges and other means of direct dialogue.

Interdepartmental Working Group (IDWG) Mutual Evaluation process was held from 22 October to 12 November 2019, part of onsite assessments by the Interdepartmental Committee on Anti-Money Laundering and the Combating of the Financing of Terrorism (AML/CFT). The last mutual evaluation was conducted in 2009, by the Financial Action Task Force (FATF) and Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), focusing on Technical Compliance and Immediate Outcome Effectiveness.

The CIPC shared best practices on 12 July 2019 in an hour-long interview with the Senior Technical Services Advisor for the New Zealand Business Registration Office. They intend introducing XBRL in their jurisdiction and were interested in our journey from business case to implementation. The CIPC shared best practices, in an hour-long interview on 09 December 2019 with the Executive Director - Monitoring and Enforcement for the Abu Dhabi Global Market (a fellow Business Registrar) who showed interest in our journey on the implementation of XBRL, lessons learnt and benefits for the market.

Mr Cuma Allan Zwane, a CIPC employee, was recommended to serve on the IFRS Taxonomy Consultative Group (ITCG), representing CIPC, South Africa for a three (3) year Term. ITCG is an expert consultative group established to assist the International Accounting Standards Board in IFRS Taxonomy and related activities.

Table B. 18: Programme 3 - Key performance indicators, planned targets and actual achievements

Output	Performance Measure or Indicator	2019/20 Annual Target	Actual Achievement	Deviation from planned targets to actual achievement	Comments on deviations
GOAL 1: Reduced administrative compliance burden for companies and IP owners.					
Strategic Objective 1.2 Timely delivery of all CIPC products and services.					
Reduction in the average number of days to register a company from the date of receipt of a complete application	The average number of days to register a company from the date of receipt of a complete application.	2	2	0	N/A
Reduction in the average number of days to register a co-operative from the date of receipt of a complete application.	The average of the number of days to register a co-operative from the date of receipt of a complete application.	3	2	1	Attributed to low volumes received and no system challenges.
GOAL 2: A reputable Business Regulation and IP Protection environment in South Africa.					
Strategic Objective 2.1: Increased knowledge and awareness on Company and IP Laws.					
Increased level of awareness of Company Act and other related legislation.	Number of education and awareness events conducted by the CIPC on the Companies Act and related legislation.	3	11	8	The over-achievement is due to events conducted in partnership with the Provincials Departments in Gauteng and the Eastern Cape.
Strategic objective 2.2: Improved compliance with the Company and IP Laws.					
Increased % of Public Companies (entities with an "active business" status) that have filed annual returns by the reporting period.	% of Public Companies (entities with an active business status) that have filed annual returns by the end reporting period.	75%	70%	5% less than the target	Albeit efforts to individually contact public companies to file annual returns, such efforts did not deliver results.
Increased % of Public Companies (entities with an "active business" status) that have filed audited financial statements on time by the end of the reporting period	% of Public Companies (entities with an active business status) that have filed audited financial statements on time by the end reporting period.	60%	42%	18% less than the target	Albeit efforts to individually contact public companies to file AFS, such efforts did not deliver results

Contribution to the strategic outcome oriented goals

Education and awareness events contribute to increased education and awareness levels on corporate law, and a reliable and predicted business environment where business owners are well informed about their responsibilities.

Strategy to overcome areas of under performance

Albeit efforts to individually contact public companies to file annual returns and AFSs, such efforts did not deliver results. There is a misunderstanding that annual returns should be filed together with the current year financial statements, as a result, a lot of public companies file outside of the Annual Return filing period in order to allow for the finalisation of current year's financial statement instead of using their previous approved financial statements. Deregistration referrals were delayed due to the National Lock-down.

It has been clarified to companies to use the previous year's AFS to file Annual Returns.

Changes to planned targets

There were no changes to targets during the year under review.

Linking performance with budgets

Programme/activity/ objective	2019/2020			2018/2019		
	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Compensation of employees	367 858	348 130	19 728	319 898	325 425	-5 527
Goods and services	228 615	171 999	56 616	233 876	159 884	73 992
Audit Fees	7 800	4 441	3 359	2 500	6 186	-3 686
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Communications	17 052	14 760	2 292	15 752	5 130	10 622
External Service Providers: ICT Related Services (licenses & maintenance)	69 120	58 140	10 980	52 939	43 011	9 928
Consultants and special services	16 100	10 497	5 603	39 950	8 656	31 294
Depreciation and Amortisation	21 623	23 191	-1 568	20 066	20 301	-235
Internet and Network Costs - ICT related services	9 210	3 426	5 784	7 010	4 083	2 927
Stationery, Printing and Publications	3 360	3 086	274	2 905	2 383	522
Maintenance, repair and running cost	1 100	408	692	1 550	693	857
Operating Lease	37 335	29 206	8 129	29 954	30 177	-223
Travel and Subsistence	6 940	4 755	2 185	5 550	6 212	-662
Other	24 380	11 618	12 762	39 945	19 958	19 987
Impairment loss: Property, plant and equipment	0	87	-87	0	0	0
Total Expenditure	**596 473**	**520 129**	**76 344**	**553 774**	**485 309**	**68 465**

3 REVENUE COLLECTION

Programme/activity/ objective	2019/2020			2018/2019		
	Budget	Actual Amount Collected	(Over)/Under Collection	Budget	Actual Amount Collected	(Over)/Under Collection
	R'000	R'000	R'000	R'000	R'000	R'000
Annual Returns: Com	267 925	291 430	-23 505	217 014	252 067	-35 053
Annual Returns: CC	86 430	82 455	3 975	114 138	80 730	33 408
Companies	96 700	94 756	1 944	92 797	92 922	-125
Cooperatives	2 247	1 656	591	3 173	2 717	456
Data Sales/Disclosure	24 322	23 567	755	18 221	23 246	-5 025
Trade marks	39 829	31 263	8 566	31 800	31 204	596
Patents and designs	31 038	25 734	5 304	25 794	25 492	302
Copyright in film	55	49	6	22	3	19
Total Revenue	**548 546**	**550 910**	**-2 364**	**502 959**	**508 381**	**-5 422**

4 CAPITAL INVESTMENT

Programme/activity/ objective	2019/2020			2018/2019		
	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Computer hardware	25 200	4 743	20 457	25 000	17 450	7 550
Computer software	40 300	439	39 861	45 800	12 283	33 517
Furniture and equipment	15 150	240	14910	500	39	461
Leasehold improvements	59 100	48	59 052	8 000	660	7340
Total Expenditure	**139 750**	**5 470**	**134 280**	**79 300**	**30 432**	**48 868**

"As Africans, we need to share common recognition that all of us stand to lose if we fail to transform our continent."

Thabo Mbeki

PART C:
GOVERNANCE

1. INTRODUCTION

Corporate governance embodies processes and systems by which public entities are directed, controlled and held to account. In addition to legislative requirements based on a public entity's enabling legislation, and the Companies Act, 2008, corporate governance with regard to public entities is applied through the precepts of the Public Finance Management Act (PFMA) and run in tandem with the principles contained in the King's Report on Corporate Governance.

Parliament, the Executive and the Accounting Authority of the public entity are responsible for corporate governance.

2. PORTFOLIO COMMITTEES

Table C. 1: Portfolio Committee Meetings

Date	Details	Attending officials	Agenda/areas of risk identified and CIPC implementation plans/ actions	Required action
04 September 2019	Update on Steinhoff matter – Joint Portfolio Committees on Trade and Industry, Finance, Home affairs, and Select Committee on Public Accounts (SCOPA)	Adv. Rory Voller, CIPC Commissioner	None	None
27 November 2019	Annual Report and 1st and 2nd quarter performance - Portfolio Committee (PC) on Trade and Industry	Adv. Rory Voller, CIPC Commissioner	None	None
04 March 2020	Update on Protection, development of Indigenous Knowledge Systems (IKS) -(PC) on Trade and Industry	Adv. Rory Voller, CIPC Commissioner	None	None

3. EXECUTIVE AUTHORITY

Four quarterly reports were submitted. We are awaiting approval from the Minister.

Table C. 2: Reports submitted to the executive authority

Quarter Report submission	Approval by the Minister	Comments & Required action	Progress
Quarter 1 submitted	Awaiting approval	N/A	N/A
Quarter 2 submitted	Awaiting approval	N/A	N/A
Quarter 3 submitted	Awaiting approval	N/A	N/A
Quarter 4 submitted	Awaiting approval	N/A	N/A

4. THE ACCOUNTING AUTHORITY

The CIPC accounting authority is the Commissioner, Adv. Rory Voller. The Audit, and Risk and IT Committees have oversight roles on audit, risk and IT matters. ***Table C.1*** hereunder show remuneration, allowances and reimbursements received by committee members.

Table C. 3: AUDIT Committee and RISK and ICT Committees

Committee	Ordinary meetings held	Special Meetings held	No. of members	Name of members
Audit Committee	3	2	6	*Mr M Sass – Chairperson Ms A Badimo – Independent Member Mr M Shabalala – Independent Member Mr S Maharaj – Independent Member Ms Z Monnakgotla – Independent Member Adv R Voller – Commissioner Ms K Singh – the dtic (shareholder) representative
Risk and IT Committee	2	0	3	**Ms A Badimo – Chairperson Mr P Phili – Independent Member Adv R Voller - Commissioner

**Resigned on 13 May 2019*
***Resigned on 13 September 2019*

Table C. 4: Remuneration of committee members

Name	Remuneration	Other allowance	Other re-imbursements	Total
Adv R Voller	N/A	N/A	N/A	N/A
*Ms A Badimo	R 131,718		R 2,166	R 133,884
*Mr M Sass	R 47,536		R 0,271	R 47,807
*Ms Z Monnakgotla	R 140,233		R 3,791	R 144,024
*Mr M Shabalala	R 140,233		R 2,555	R 142,788
*Mr S Maharaj	R 163,927		R 4,043	R 167,971
*Mr P Phili	R 69,055		R 1,835	R 70,890
**Ms K Sing	N/A	N/A	N/A	N/A

5. RISK MANAGEMENT

The CIPC has and maintains an approved risk management policy and strategy which are regularly reviewed. These documents provide a standard guide on how enterprise-wide risk management is rolled out. Risk assessments are conducted annually and reviewed as and when required. As part of the review process emerging risk are identified and included in the relevant risk registers.

A Committee which focuses on Risk Management and ICT matters is in place and meets quarterly. This committee is chaired by an independent non-executive member and includes other independent members.

An Audit Committee with independent non-executive members is in place. The Committee provides oversight on matters relating but not limited to controls, financial, risk and performance management.

Progress on the implementation of Risk Management is monitored. A risk maturity assessment was conducted to determine the level of risk management maturity of the organisation. This exercise identified gaps and provided recommended relevant remedial actions. Management has implemented these recommendations. An assessment will be conducted in the 2020/21 financial to determine progress made.

Table C.3: Committee Member Details discloses relevant information on the Risk and ICT committee members.

Table C. 5: Committee Member Details

Name	Qualifications	Internal or external	If internal, position in the public entity	Date appointed	Date Resigned	No. of Meetings attended
Ms A Badimo	B.Sc.Hon (Computer Science); MSc; MBA, CGEIT; CISM, CRISC Certificate in IT Auditing, F Instit D (I0DSA); COBUITS	External	N/A	01 Oct 2016	13 Sept 2019	2
Mr P Phili	BCom (Accounting); CTA; MCom(Tax); CA(SA)	External	N/A	01 Jan 2017	31 Dec 2019	2
Adv R Voller	LLM	Internal	Commissioner	01 Sep 2016	N/A	2

6. INTERNAL CONTROL UNIT

The Internal Audit three-year rolling strategic plan for 2019/2020 to 2021/2022 and one-year operational plan for 2019/2020 were approved by the CIPC Audit Committee in April 2019. The operational plan contained twenty (20) internal audits that needed to be executed during the 2019/2020 financial year. Three (3) of the twenty planned audits were removed from the plan following engagements with management as it was determined, after assessment, that risks had changed and continuing with the audits would not add value.

At the start of the 2019/2020 financial year there were still carryover audits from the 2018/2019 financial year which were being performed by the Internal Audit Division. These carryover projects consumed the first quarter of the financial year resulting in the execution of the 2019/2020 audit plan being compromised. Consequently, at the end of the 2019/2020 financial year, the operational plan had not been fully executed. The cause of the Internal Audit division not being able to fully execute the plan was as a result of a combination of certain challenges, including vacant positions which could not be filled due to the organisational design that is currently underway, poor performance by some staff members as well as the amount of time that Internal Audit has to wait for information requested from auditees or non-availability of auditees.

As at 31 March 2020, 53% of the plan had been fully achieved. This percentages achievement includes special management requests for the year. 35% of the audits had been partially completed. Partially completed includes draft reports being issued and awaiting management comments or reports awaiting to be tabled at Exco and the Audit Committee. 12% of the plan had not yet been started.

7. INTERNAL AUDIT AND AUDIT COMMITTEES

Internal Auditing is an independent and objective assurance and consulting activity that is designed to add value and improve the operations of Companies and Intellectual Property Commission (CIPC). It assists CIPC in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the CIPC's governance, risk and control activities. The Internal Audit function performed audits into key processes within CIPC including internal financial controls which provided the Audit Committee with assurance as to the effectiveness of controls in these processes.

The audits performed by Internal Audit include Self-Service Centre audits; Information Security audit; Mobile Applications audit; Leave Management audit; South African Music Producers Rights Association (SAMPRA) audit amongst others. Of note is the fact that the SAMPRA audits were being done by an external service provider in the past. However, a decision was taken to conduct the audits in-house.

The tabled below discloses relevant information on the audit committee members.

Table C. 6: Disclosure of Information on Audit Committee Members

Name	Qualifications	Internal or external	If internal, position in the public entity	Date appointed	Date Resigned	No. of Meetings attended
Adv R Voller	LLM	Internal	Commissioner	01 Sep 2016	N/A	4
Mr M Sass	CA (SA);CIA; M Com	External	N/A	01 Oct 2016	13 May 2019	1
Ms Z Monnakgotla	Dip in Corporate Law; LLB; LLM; Masters in Finance	External	N/A	01 Jan 2017	31 Dec 2019	5
Mr M Shabalala	BSoc. Sc; MBL	External	N/A	01 Jan 2017	31 Dec 2019	5
*Mr S Maharaj	BCom; CA (SA)	External	N/A	01 Jan 2017	30 Sept 2019	5
Ms A Badimo	B.Sc.Hon (Computer Science); MSc; MBA, CGEIT; CISM, CRISC Certificate in IT Auditing, F Instit D (I0DSA); COBUITS	External	N/A	01 Oct 2016	13 Sept 2019	3
Ms K Singh	BCom; B Compt; BCompt Honours; Executive Development Programme, CIA, Associate Member of IIA	**the dtic** representative	Dtic rep	Dtic rep	Dtic rep	4

**Mr S Maharaj – Appointed as interim AC Chairperson in May 2019 – Sept 2019*

The tabled below discloses relevant information on the newly appointed Audit Committee and Risk and ICT Committee members

Table C. 7: Newly appointed Audit Committee and Risk and ICT Committee members

Name	Qualifications	Internal or external	If internal, position in the public entity	Date appointed	Date Resigned	No. of Meetings attended
Mr. Suren Maharaj	BCom: Natal; CA (SA)	External	N/A	01 Feb 2020	N/A	0
Ms Leanda Vilakazi	Bachelor of Law; UKZN: Diploma in Corporate Law: UJ	External	N/A	01 Feb 2020	N/A	0
Mr. Bhekumuzi Zulu	BCom Hons UKZN: CA	External	N/A	01 Feb 2020	N/A	0
Ms. Sphiwe Mayinga	LLM; Unisa	External	N/A	01 Feb 2020	N/A	0
Mr. Joshua Motjuwadi	BSC; Fort Hare	External	N/A	01 Feb 2020	N/A	0
Mr. Azania Matiwane	Short courses in Executive Development, Property Development, Compliance Management	External	N/A	01 Feb 2020	N/A	0
Ms. Ulandi Exner	BCom: Informatics, UNISA	External	N/A	01 Feb 2020	N/A	0

8. COMPLIANCE WITH LAWS AND REGULATIONS

The organisation has established processes to ensure compliance with relevant and applicable legislation, regulations and prescripts and polices. A compliance policy, framework, universe and plan were developed and approved. Regular monitoring is conducted on a regular basis.

9. FRAUD AND CORRUPTION

A fraud prevention plan is compiled and approved by the relevant oversight structures annually. Quarterly reports on progress on implementation of the plan are provided and discussed by these oversight structures.

The organisation has various channels for reporting fraud and corruption, among these is a dedicated independently managed 24/7 hot-line which is preferred by most whistle-blowers as it provides anonymity. Whistle-blowing reports are received by the CIPC as soon as they are logged.

The CIPC has a cases register in place where all cases are logged. The cases register is updated regularly with regards to the status or progress of the reported matters. After analysis, the matters are investigated using internal and external resources depending on the nature and complexity of the case. Based on the investigation reports, action is taken against those found in the wrong and where internal employees are involved, matters are dealt with in line with approved disciplinary policies and procedures.

10. MINIMISING CONFLICT OF INTEREST

11. CODE OF CONDUCT

12. HEALTH SAFETY AND ENVIRONMENTAL ISSUES

The CIPC business operations conducted within an office environment has been maintained to be a safe and conducive working environment as inspections were conducted and minor safety risks and hazards identified addressed to mitigate any such risks/hazards timeously. No loss of live and/or injuries occurred during the reporting period.

13. COMPANY /BOARD SECRETARY

Not applicable

14. SOCIAL RESPONSIBILITY

The CIPC participated in the following social responsibility initiatives:

- As part of Mandela Day Initiative, in July 2019, the CIPC donated food, clothes, and blankets to the Leamogetswe Home in Atteridgeville.
- Casual Day, which is a cause that raises funds for people with disabilities. Money was raised from the CIPC employees and sent to the Casual Day office. As a result, CIPC was this year invited to attend a Casual Day Awards event given its participation in Casual Day over past years. However, this event did not take place because of the COVID-19 pandemic.

15. AUDIT COMMITTEE REPORT

We are pleased to present our report for the financial year ended 31 March 2020.

Audit Committee Responsibility

The Audit Committee reports that it has complied with its responsibilities arising from Section of the Public Finance Management Act and Treasury Regulation 3.1.13. The Audit Committee also reports that it has adopted appropriate formal terms of reference as its Audit Committee Charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein, except that we have not reviewed changes in accounting policies and practices.

The Effectiveness of Internal Control

Our review of the findings of the Internal Audit work, which was based on the risk assessments conducted in the CIPC, revealed certain weaknesses, which were then raised with the CIPC.

Management has undertaken to address these weaknesses and a plan with timelines have been drawn up. None of the weaknesses identified is in our opinion significant enough to impact on the current and immediate operations of the CIPC, although labour issues should be prioritised.

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

- Information Security follow-up
- Eastern Cape OR Tambo SST
- Limpopo Lebowakgomo SST
- Cape Town SST
- Accounts Payable
- Security of Mobility Apps
- Payroll Audit
- General controls(focus on change management)
- Leave Management Audit
- SAMPRA Collecting society
- Ad-hoc Audits (x2)

In addition to be above audits, two ad-hoc request were completed.

The following were areas continue to be of concern to Internal Audit:

- Lack of compliance with internal policies and procedures
- No consequence management

In-Year Management and Monthly/Quarterly Report

The public entity has submitted monthly and quarterly reports to the Executive Authority.

Evaluation of the Annual Financial Statements

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

Accounting and Auditing Concerns Identified by Internal Audit

There were no accounting concerns that have been noted and brought to our attention; and all the auditing concerns which were brought to our attention were discussed with management and the Accounting Officer.

Auditor's Report

We have reviewed the public CIPCs implementation plan for audit issues raised in the prior year and we are satisfied that the matters have been adequately resolved.

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

Chairperson of the Audit Committee
CIPC
30 September 2020

AUDIT COMMITTEE

From Left to Right: Back Row - Mr Bheki Zulu, Ms Khameeta Singh (**the dti** representative)
Middle Row - Ms Ulandi Exner, Ms Sphiwe Mayinga, Mr Azania Matiwane (Risk & IP Committee Member)
Front Row - Ms Leanda-Marsha Vilakazi, Mr Suren Maharaj (Chairperson), Mr Joshua Motjuwadi and Adv. Rory Roller (Commissioner)

"To those who oppose us, we say, 'Strike the woman, and you strike the rock.' "

Winnie Madikizela-Mandela

PART D:

HUMAN RESOURCE MANAGEMENT

1. INTRODUCTION

1.1 Overview of HR matters at the public entity

Terms of reference to appoint a service provider to conduct an organisational design project in CIPC was agreed upon by management and organised labour. Subsequent to that a service provider was duly appointed through the supply chain management process. A steering committee where the service provider will report progress has been established.

Automation of certain functions within the CIPC brought a number of challenges to the extent that some employees are temporarily seconded to other divisions to ensure that they are gainfully employed. At the end of the financial year 2019/20 CIPC's vacancy rate is at 25.0%.

Key human capital policies has been consulted with organised labour and signed-off for implementation.

1.2 Set HR priorities for the year under review and the impact of these priorities

The following are HR priorities:

- Organisational design project that will deliver new operating model, Job descriptions and job evaluations.

- **Recruitment and Selection** – the recruitment unit has been capacitated to efficiently recruit the identified critical vacant positions within the set time frames by the organisation. Strategic ICT positions have been filled in order to deal with technological challenges that CIPC is faced with. 29 Interns for Patent Division have been appointed.

  Workforce planning framework and key strategies to attract and recruit a skilled and capable workforce.

- Targeted recruitment to fill strategic positions that will not be affected by the Organisational Design process.

- **Organisational culture, values and ethics** - the organisation still strives to establish a culture that encompasses the CIPC values and encourages teamwork and collaboration. Management remain committed to the management of the change and create a new culture that enables efficient service for excellent customer experience.

- **Training and Development** - The CIPC Work Skills plan addresses all the needs for development of CIPC staff. This is supplemented by the newly developed Personal Development Plans for employees.

1.3 Employee performance management framework

- 95% of the performance reviews have been completed and we take pride that the approved CIPC Employee Performance Management Policy is in full swing.

1.4 Employee Wellness

Employee wellness is intrinsic to the employee value proposition in terms of optimising wellness within the CIPC. In line with the global trends, the CIPC is shifting towards a holistic preventative approach to wellness. This encompasses the provision of support and guidance to healthy employees, as well as the traditional health and wellness provided by organisations.

This comprehensive wellness programme is an integral part of the overall strategy and will incorporate multiple new capabilities, such as:

- Confidential Counselling Services provided to staff;
- Health and Wellness interventions provided;
  - Financial Lifeskills intervention are hosted quarterly.
  - Wellness Days are implemented quarterly.
- Occupational Health Clinic and advisory services provided ***through the dtic*** (incl. HIV programmes, disease prevention, chronic disease management, etc);
- Work – Life Balance programmes implemented, eg. School Holiday Programme;
- Support for employees under medical treatment, eg. recommendations for alternative placements (based on doctor's reports); support of hospitalised staff, etc.;
- Facilitation of Sports and Recreation activities.

1.5 Policy Development

Consultation with organised labour on other human capital policies is going well and there is a commitment that these policies will be signed-off as soon as possible.

1.6 Highlight achievements

The achievements for the year under review were:

- Key Human Capital Policies approved
- 29 Intern for Patent Division appointed
- Employment Equity Report submitted to the Department of Labour
- 25 Employees were awarded bursaries
- 58 Employees were trained externally in line with their Performance Development Plans
- Six (6) Arbitration awards in favour of the employer
- School Holiday programme implemented.

1.7 Challenges faced by the public entity

Challenges that faced the CIPC during the year under review

- Lengthy consultation on HR policies.
- Automation impact on effective utilization of staff in affected business units – under-utilization of staff results in low morale.
- High vacancy rate due to moratorium on filling vacant positions.
- High rate of vexatious dispute referrals to CCMA.

1.8 Future HR plans /goals

The HR Plan seek to achieve the following goals for the 2020/21 financial year:

- Organisational Design exercise
- Approval of all HR policies.
- Development of staff in accordance with their Performance Development Plans.

3. HUMAN RESOURCE OVERSIGHT STATISTICS

Table D. 1: Personnel Cost by programme/ activity/ objective

Programme/activity/objective	Total Expenditure	Personnel Expenditure	Personnel exp. as a % of total exp.	No. of employees	Average personnel cost per employee
	R'000	R'000	R'000	R'000	R'000
Commissioner's Office	71 701	36 944	52%	52	710
Corporate Services	144 780	74 599	52%	105	710
Business Intelligence and systems	49 639	25 577	52%	36	710
Innovation and Creativity Promotion	64 801	47 601	73%	67	710
Business Regulation and Reputation	189 208	163 408	86%	230	710
TOTAL	**520 129**	**348 130**	**67%**	**490**	

Table D. 2: Personnel cost by salary band

Programme/activity/objective	Personnel Expenditure	% of personnel exp. To total personnel cost	No. of Employees	Average personnel cost per employee
	R'000	R'000	R'000	R'000
Top Management	9 126	3%	4	2 281.55
Senior Management	18 544	5%	10	1 854
Professional Qualified	87 632	25%	68	1 289
Skilled	106 505	31%	171	623
Semi Skilled	126 322	36%	237	533
TOTAL	**348 130**		**490**	

Table D. 3: Performance Rewards

Programme/activity/objective	Performance Rewards	Personnel Expenditure	% of performance rewards to total personnel cost	No. of employees
	R'000	R'000	R'000	R'000
Top Management	481	9 126	5%	4
Senior Management	976	18 544	5%	9
Professional Qualified	4 614	87 632	5%	63
Skilled	5 608	106 505	5%	168
Semi Skilled	6 652	126 322	5%	233
TOTAL	**18 331**	**348 130**		**477**

Table D. 4: Training Costs

Programme/activity/objective	Personnel Expenditure	Training Expenditure	Training Expenditure as a % of Personnel Cost.	No. of employees trained	Avg training cost per employee
	R'000	R'000	R'000	R'000	R'000
Business Regulation and Reputation	52 220	163	0.31%	98	2
Innovation and Creativity Promotion	34 813	109	0.31%	52	2
Service Delivery and Access	261 098	816	0.31%	115	7

Table D. 5: Employment and vacancies

Programme/activity/objective	1 April 2019 No. of Employees	1 April 2019 Approved Posts	31 March 2020 No. of Employees	31 March 2020 Vacancies	% of vacancies
Commissioner's Office	52	71	53	18	25.4%
Corporate Service	105	131	99	32	24.4%
Business Intellig & Systems	36	57	35	22	38.6%
Innovation and Creativity Promotion	67	99	67	32	32.3%
Business Reg & Reputation	230	282	226	56	19.9%
TOTAL	**490**	**640**	**480**	**160**	**25.0%**

Table D. 6: Occupational Bands

Occupational Bands	1 April 2019 No. of Employees	1 April 2019 Approved Posts	31 March 2020 No. of Employees	31 March 2020 Vacancies	% of vacancies
Top Management	4	6	4	2	40.0%
Senior Management	10	14	10	4	28.6%
Professional qualified	68	96	64	32	92.1%
Skilled	171	261	169	92	104.2%
Semi-skilled	237	263	233	30	42.2%
Unskilled					
TOTAL	**490**	**640**	**480**	**160**	**25.0%**

Senior management posts are being filled as an when are vacated or required. Positions are advertised internal and external and the best suitable candidate is appointed. CIPC pride itself by paying its employees market related salaries and offering service benefits like; 13th cheque, performance bonus, reward for years of service, UIF and group life policy.

Table D. 7: Employment changes

Occupational Bands	Employment at beginning of period	Appointments	Terminations	Employment at end of the period
Top Management	4	0	0	4
Senior Management	10	0	0	10
Professional qualified	68	1	5	64
Skilled	171	0	2	169
Semi-skilled	237	0	4	233
Unskilled				
Total	**490**	**1**	**11**	**480**

Table D. 8: Reasons for staff leaving

Reason	Number	% of total no. of staff leaving
Death	2	18.2%
Resignation	2	18.2%
Dismissal	1	9.1%
Retirement	6	54.5%
Ill health	0	0.0%
Expiry of contract	0	0.0%
Other	0	0.0%
Total	**11**	**100%**

Senior management posts are being filled as and when are vacated or required. Positions are advertised internal and external and the best suitable candidate is appointed. CIPC pride itself by paying its employees market related salaries and offering service benefits like; 13th cheque, performance bonus, reward for years of service, UIF and group life policy.

Table D. 9: Labour Relations: Misconduct and disciplinary action

Nature of disciplinary Action	Number
Verbal Warning	0
Written Warning	7
Final Written warning	6
Dismissal	1

Table D. 10: Equity Target and Employment Equity Status – Male

Levels	MALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	0	1	1	1	0	0	1	1
Senior Management	5	5	0	0	1	1	0	0
Professional qualified	27	34	3	3	4	4	4	4
Skilled	71	79	3	17	1	1	9	14
Semi-skilled	65	75	1	1	1	1	2	2
Unskilled								
TOTAL	**168**	**194**	**8**	**22**	**7**	**7**	**16**	**21**

Table D. 11: Equity Target and Employment Equity Status – Female

Levels	FEMALE							
	AFRICAN		COLOURED		INDIAN		WHITE	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	1	1	0	0	1	1	0	0
Senior Management	4	4	0	0	0	0	0	0
Professional qualified	17	15	3	6	2	2	11	8
Skilled	70	65	5	9	5	2	10	5
Semi-skilled	141	120	8	8	1	1	23	10
Unskilled								
TOTAL	**233**	**205**	**16**	**23**	**9**	**6**	**44**	**23**

Table D. 12: Equity Target and Employment Equity Status – Disabled staff

Levels	Disabled Staff			
	Male		Female	
	Current	Target	Current	Target
Top Management	0	0	0	0
Senior Management	0	0	0	0
Professional qualified	0	1	0	2
Skilled	5	5	0	7
Semi-skilled	2	2	2	3
Unskilled				
TOTAL	**7**	**8**	**2**	**12**

"Hatred, revenge, bitterness: these are negative emotions. The person harboring those emotions suffers more".

Ahmed Kathrada

PART E:

FINANCIAL INFORMATION

1. Report of the auditor-general to Parliament on Companies and Intellectual Property Commission

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the Companies and Intellectual Property Commission set out on pages 88 to 130, which comprise the statement of financial position as at 31 March 2020, 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 the 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 Companies and Intellectual Property Commission as at 31 march 2020, and its financial performance and cash flows for the year then ended in accordance with Generally Recognised Accounting Practise (GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No.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 auditor-general's responsibilities for the audit of the financial statements section of this auditor's report.

4. I am independent of the public entity in accordance with sections 290 and 291 of the Code of ethics for professional accountants and parts 1 and 3 of the International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants (IESBA codes) as well as the 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 codes.

5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of accounting authority for the financial statements

6. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with 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.

7. 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.

Auditor-general's responsibilities for the audit of the financial statements

8. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes 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.

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

Report on the audit of the annual performance report

Introduction and scope

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

11. My procedures address the usefulness and reliability of the reported performance information, which must be based on the approved performance planning documents of the public entity. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures do not examine whether the actions taken by the public entity enabled service delivery. My procedures also do not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

12. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programme presented in the annual performance report of the public entity for the year ended 31 March 2020:

Programmes	Pages in the annual performance report
Programme 3 – Business regulation and reputation	69-70

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

14. I did not identify any material findings on the usefulness and reliability of the reported performance information for this programme:
    - Business regulation and reputation

Other matter

15. I draw attention to the matter below.

Achievement of planned targets

16. Refer to the annual performance report on pages 50 to 70 for information on the achievement of planned targets for the year and explanations provided for the under and overachievement of a number of targets.

Adjustment of material misstatements

17. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information of Programme 3 -Business regulation and reputation. As management subsequently corrected the misstatements, I did not raise any material findings on the usefulness and reliability of the reported performance information.

Report on the audit of compliance with legislation

Introduction and scope

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

19. I did not identify any material findings on compliance with the specific matters in key legislation set out in the general notice issued in terms of the PAA.

Other information

20. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report which includes the audit committee's report. The other information does not include the financial statements, the auditor's report and those selected programmes presented in the annual performance report that have been specifically reported in this auditor's report.

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

22. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected programme presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

23. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this 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

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

Auditor - General

Pretoria

30 September 2020

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure – Auditor-general's responsibility for the audit

1. 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 programme and on the public entity's compliance with respect to the selected subject matters.

Financial statements

2. 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 by the accounting authority.

   - Conclude on the appropriateness of the accounting authority's use of the going concern basis of accounting in the preparation of the financial statements. 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 Companies and Intellectual Property Commission 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.

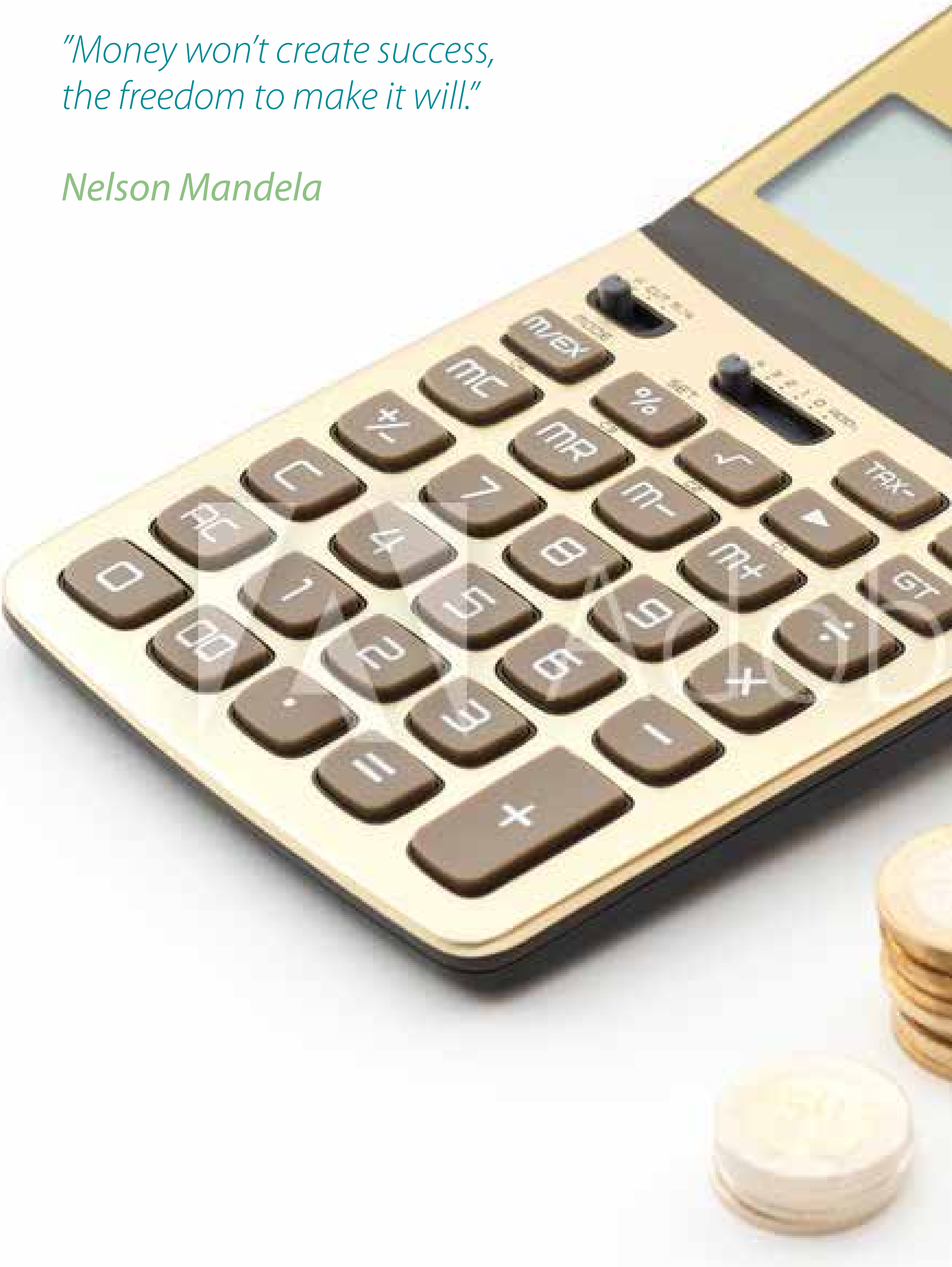
Communication with those charged with governance

3. 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.

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

"Money won't create success, the freedom to make it will."

Nelson Mandela



ANNUAL FINANCIAL STATEMENTS

General Information

Country of incorporation and domicile	South Africa
Legal form of entity	National Public Entity in terms of Schedule 3A of the PFMA
Nature of business and principal activities	Regulator of Companies and Intellectual Property in South Africa
Registered office	**the DTIC** Campus (Block F - Entfutfukweni) 77 Mentjies Street Sunnyside Pretoria 0001
Postal address	PO Box 429 Pretoria 0001
Bankers	ABSA
Auditors	Auditor-General of South Africa

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The reports and statements set out below comprise the annual financial statements presented to the parliament:

Accounting Authority's Responsibilities and Approval

The annual financial statements for the year ended 31 March 2020, are prepared in accordance with South African Statements of Generally Recognised Accounting Practice (GRAP) and incorporate disclosure in line with the accounting policies of the entity and the requirements of the Public Finance Management Act 1999 (Act No. 1 of 1999) (PFMA).

The Accounting Authority is responsible for the preparation and integrity of the annual financial statements and related information included in the annual report. In order for the Accounting Authority to discharge these responsibilities, as well as those imposed in terms of the PFMA and other applicable legislation, a system of internal controls has been developed, and maintained.

The internal controls include a risk-based system approach of internal auditing and administrative controls designed to provide reasonable, but not absolute, assurance that assets are safeguarded, and transactions executed and recorded in accordance with generally accepted business practices, as well as the entity's policies and procedures. Trained and skilled personnel, with an appropriate segregation of duties, implement these controls. Monitoring of these controls include a regular review of their operations by the Accounting Authority and independent oversight by the Audit Committee.

The Auditor-General South Africa, as an external auditor, is responsible for expressing an opinion on the annual financial statements.

The annual financial statements which have been prepared on the going concern basis, were approved by the Accounting Authority on 30 September 2020 and were signed on its behalf by:

Adv. Rory Voller
Commissioner (Accounting Authority)

Pretoria

30 September 2020

Statement of Financial Position as at 31 March 2020

	Notes	2020 R '000	2019 R '000
Assets			
Current Assets			
Consumables on hand		86	96
Operating lease asset	9	285	309
Receivables from exchange transactions	3	1 756	1 645
Prepayments	4	13 208	6 216
Cash and cash equivalents	5	595 496	761 239
		610 831	**769 505**
Non-Current Assets			
Property, plant and equipment	6	28 739	36 454
Intangible assets	7	26 725	37 029
Operating lease asset	9	-	285
Prepayments	4	9 250	847
		64 714	**74 615**
Total Assets		**675 545**	**844 120**
Liabilities			
Current Liabilities			
Operating lease liability	9	8	3 008
Payables from exchange transactions	10	15 549	27 345
Payables from customer deposits received	11	115 650	108 110
Provisions	12	41 143	39 045
Distribution payable	22	-	245 400
		172 350	**422 908**
Non-Current Liabilities			
Operating lease liability	9	66	5
Total Liabilities		**172 416**	**422 913**
Net Assets		**503 129**	**421 207**
Accumulated surplus		503 129	421 207

Statement of Financial Performance

	Notes	2020 R '000	2019 R '000
Revenue			
Revenue from exchange transactions			
Fees	13.1	177 025	175 583
Interest income	13.2	41 633	50 686
Other income	13.3	9 474	7 834
Gain on disposal of assets		34	-
Total revenue from exchange transactions		**228 166**	**234 103**
Revenue from non-exchange transactions			
Annual return fees	13.4	373 885	332 788
Total revenue	13	**602 051**	**566 891**
Expenditure			
Advertising		(3 855)	(8 520)
Audit fees	14	(4 441)	(6 186)
Bad debts		(44)	(5)
Bank charges		(4 529)	(4 574)
Consulting and professional fees	15	(68 637)	(51 667)
Depreciation and amortisation	16	(23 191)	(20 301)
Employee related costs	17	(348 130)	(325 425)
Impairment loss		(87)	-
Internet and network costs		(3 426)	(4 083)
Maintenance and repairs		(408)	(693)
Operating lease charges	18	(29 206)	(30 177)
Other operating expenses	20	(26 334)	(25 079)
Publications, printing and stationery	19	(3 086)	(2 383)
Traveling and subsistence		(4 755)	(6 212)
Total expenditure		**(520 129)**	**(485 305)**
Surplus for the year		**81 922**	**81 586**

Statement of Changes in Net Assets

	Accumulated surplus R '000	Total net assets R '000
Balance at 01 April 2018	**585 021**	**585 021**
Changes in net assets		
Surplus for the year	81 586	81 586
Transfer to National Revenue Fund	(245 400)	(245 400)
Total changes	(163 814)	(163 814)
Balance at 01 April 2019	**421 207**	**421 207**
Changes in net assets		
Surplus for the year	81 922	81 922
Total changes	81 922	81 922
Balance at 31 March 2020	**503 129**	**503 129**
Note	22	

Cash Flow Statement

	Notes	2020 R '000	2019 R '000
Cash flows from operating activities			
Receipts			
Fees: Exchange transactions		177 025	175 583
Annual return fees		381 425	341 562
Other income		9 474	7 834
Interest income		41 633	50 686
		609 557	575 665
Payments			
Employee costs		(345 808)	(318 623)
Suppliers		(178 716)	(131 940)
		(524 524)	(450 563)
Net cash flows from operating activities	23	**85 033**	**125 102**
Cash flows from investing activities			
Acquisition of property, plant and equipment	6	(5 031)	(18 149)
Proceeds on disposal of property, plant and equipment	6	94	38
Acquisition of intangible assets	7	(439)	(12 283)
Net cash flows from investing activities		**(5 376)**	**(30 394)**
Cash flows from financing activities			
Transfer to National revenue fund	22	(245 400)	-
Net (decrease)/increase in cash and cash equivalents		**(165 743)**	**94 708**
Cash and cash equivalents at the beginning of the year		761 239	666 531
Cash and cash equivalents at the end of the year	5	**595 496**	**761 239**

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R '000	R '000	R '000	R '000	R '000	
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions	194 191	-	**194 191**	177 025	**(17 166)**	
Revenue from non-exchange transactions	354 355	-	**354 355**	373 885	**19 530**	
Other income	685	-	**685**	9 474	**8 789**	N1
Interest received from exchange transactions	47 242	-	**47 242**	41 633	**(5 609)**	N2
Gains on disposal of assets	-	-	**-**	34	**34**	
Total revenue	**596 473**	**-**	**596 473**	**602 051**	**5 578**	
Expenses						
Employee cost	(367 858)	-	**(367 858)**	(348 130)	**19 728**	
Operational expenditure	(159 537)	(813)	**(160 350)**	(124 733)	**35 617**	N3
Other administrative expenditure	(47 455)	813	**(46 642)**	(23 793)	**22 849**	N4
Depreciation and amortisation	(21 623)	-	**(21 623)**	(23 191)	**(1 568)**	
Impairment loss	-	-	**-**	(87)	**(87)**	
Assets derecognised	-	-	**-**	(151)	**(151)**	
Bad debts	-	-	**-**	(44)	**(44)**	
Total expenditure	**(596 473)**	**-**	**(596 473)**	**(520 129)**	**76 344**	
Surplus for the year	**-**	**-**	**-**	**81 922**	**81 922**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement - Refer note 36		**-**	**-**	**81 922**	**81 922**	

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R '000	R '000	R '000	R '000	R '000	
Statement of Financial Position						
Assets						
Non-Current Assets						
Property, plant and equipment	99 450	-	**99 450**	5 031	**(94 419)**	N5
Intangible assets	40 300	-	**40 300**	439	**(39 861)**	N5
Total Assets	**139 750**	**-**	**139 750**	**5 470**	**(134 280)**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	139 750	-	**139 750**	5 470	**(134 280)**	

Budget narrations are provided for variances above 10% and R 1 million

N1 - Other income
The variance of R8,8 million, translated to 1283% over the budgeted income relates mainly to the prescription of customer deposits balances for which no transactions have been processed against, and are older than three years. The CIPC does not budget for such income due to the uncertainty of the amount which will be unutilised by customers during each financial year.

N2 - Interest income
The variance of R5,6 million, translated to 11.9% below budget, is due to the CIPC having less funds invested in the CPD, due to the surrender of accumulated surpluses to National Treasury, which resulted in lower than budgeted interest earned.

N3 - Operational expenditure
The variance of R35,6 million, translated to 22% savings in the budgeted expenditure relates mainly to the following:

*Savings of approximately R5,7 million compared to budgeted internet costs as the cost of internet connectivity decreased.
*Savings of approximately R8,1 million compared to budgeted lease expenditure due to new leases at lower rates as well as the effect of lease liabilities unwinding.
*Under spending of approximately R16,5 million in the budgeted consulting and professional fees as many planned projects were not initiated due to capacity constraints. The entity has also implemented cost containment measures regarding the utilisation of consultants, where possible.

N4 - Other administrative expenditure
The variance of R22,8 million, translated to 49% savings in the budgeted expenditure, relates mainly to the following:

*Savings of approximately R3 million in the budgeted conferences, venues facilities expense due to effective cost containment initiatives.
*Savings of approximately R2,2 million in the budgeted subsistence and travel expenditure due to effective cost containment initiatives.
*Savings of approximately R3,4 million in budgeted audit fees due to internal audit not outsourcing any audits during the year. All internal audits were performed by CIPC internal audit staff.
*Savings of approximately R3,8 million in budgeted legal fees.

N5 - Capital expenditure
The variance of R134,3 million translated to 96% below budgeted capital expenditure is attributed to planned expenditure relating to CIPC moving to a new premises not materialising, and resource constraints resulting in planned capital projects not commencing.

Accounting Policies

1. Basis of preparation

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 91(1) of the Public Finance Management Act (Act 1 of 1999).

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. All figures are rounded to the nearest thousand 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 (R), which is the functional currency of the entity.

1.2 Going concern assumption

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

1.3 Property, plant and equipment

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

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

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

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.

Subsequent expenditure incurred on items of property,plant and equipment is only capitalised to the extent that such expenditure enhances the value or previous capacity of those assets. Repairs and maintenance not deemed to enhance the economic benefits, or the service potential of items of property, plant and equipment are expensed as incurred.

Depreciation commences when the assets are available for use. Management expects to dispose assets at the end of their useful lives and therefore the residual values are estimated to be negligable. The useful lives and residual values are assessed on an annual basis. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

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

Accounting Policies

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

Item	Depreciation method	Average useful life
Computer equipment	Straight line	3 - 10 years
Office furniture and equipment	Straight line	5 - 15 years
Leasehold improvements	Straight line	Lease period

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.

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

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

1.4 Intangible assets

Intangible assets represent directly attributable costs associated with the acquisition, development and installation of computer software. Software which is not an intergral part of related computer hardware, is classified as intangible assets.

An intangible asset is recognised when:

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

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

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

The CIPC 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.

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
Capitalised Computer software (Intangible assets)	Straight line	5 - 12 years

Impairment losses are determined as the excess of the carrying amount of intangible assets over the recoverable service amount and are charged to surplus or deficit.

Accounting Policies

Intangible assets are derecognised:

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

The gain or loss arising from the derecognition of an intangible assets is included in surplus or deficit when the asset is derecognised.

1.5 Financial instruments Classification

The classification of financial instruments depends on the purpose for which the financial instruments were obtained and is determined by management at initial recognition.

Financial assets

Cash and cash equivalents
Cash and cash equivalents comprise cash balances and deposits with original maturities of three months or less.

Loans and receivables
Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. They comprise prepayments and receivables from exchange transactions. Subsequent to initial recognition, these are measured at amortised cost using the effective interest rate method, less any impairment loss. The entity classifies its financial assets as reflected on the face of the statement of financial position as follows:

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

Financial liabilities

Payables: Customer deposits

Deferred income represents advance payments received from customers for future transactions. Deferred income that has not been utilised for a period of 36 months from receipt date, is recognised as revenue.

Trade and other payables
Trade and other payables are non-derivative financial liabilities. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest rate method.

Accounting Policies

Financial instruments (continued)

The entity classifies its financial liabilities as reflected on the face of the statement of financial position as follows:

Class	Category
Trade and other payables	Financial liability measured at amortised cost
Payables from customer deposits	Financial liability measured at amortised cost

Initial measurement of financial assets and financial liabilities

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

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

Fair value measurement considerations

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

- Financial instruments at amortised cost.

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

Impairment of financial assets

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

Financial assets measured at amortised cost:

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

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

Accounting Policies

Derecognition

Financial assets

The entity derecognises a financial asset only when:

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

Financial liabilities

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

1.6 Leases

Operating leases

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.

1.7 Consumables on hand

Consumables on hand are recognised as an asset if,

(a) it is probable that future economic benefits or service potential associated with the item will flow to the entity, and
(b) the cost of the items can be measured reliably.

Consumables on hand that qualify for recognition as assets are initially measured at cost. Consumables on hand comprise stationery and consumables and are stated at the lower of cost and net realisable value. Cost is determined using the first in, first out method.

Obsolete, redundant, damaged and slow-moving consumables and any write-down of consumables to net realisable value are charged to surplus or deficit.

1.8 Impairment of cash-generating assets

The carrying amounts of the entity's non-financial (cash generating) assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

Accounting Policies

The recoverable amount of an asset or cash-generating unit is the greater of its value in use, and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time, value for money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit", or "CGU").

An impairment loss is recognised if the carrying amount of an asset or its CGU, exceeds its estimated recoverable amount. Impairment losses are recognised in surplus and deficit.

Impairment losses recognised in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the assets carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.9 Impairment of non-cash-generating assets

The carrying amounts of the entity's non-financial (non-cash generating) assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the entity will estimate the recoverable service amount of the asset. The recoverable service amount of an asset is the greater of its value in use, and its fair value less costs to sell. In assessing value in use, the present value of the asset's remaining service potential must be determined. The present value of the remaining service potential of the asset is determined by using the depreciated replacement cost approach. Under this approach, the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition.

When the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss and is recognised in surplus and deficit. An impairment loss recognised in prior years for an asset is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. That increase is a reversal of an impairment loss.

1.10 Provisions and contingencies

Provisions are recognised when:

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

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

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

Accounting Policies

The discount rate used reflects current market assessments of the time value of money and the risks specific to the liability. Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 28.

1.11 Revenue from exchange transactions

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

Interest income
Interest income comprises interest income on funds invested. Interest income is recognised on a time proportion basis using the effective interest rate method.

Revenue from fees
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:

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

Revenue from fees is measured at the fair value of the consideration received or receivable.

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.

Advance payments on customer accounts are only recognised as revenue on the rendering of services. Customer accounts that have insufficient funds are raised as receivables.

Measurement

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

Trade receivables from exchange transactions

Exchange revenue is measured at the fair value of the consideration received or receivable. Exchange revenue comprises finance income and other operating income and is recognised when it is probable that future economic benefits will flow to the CIPC, and these benefits can be measured reliably. Accounts receivable arising from these transactions are categorised as financial instruments at amortised cost.

Accounting Policies

1.12 Revenue from non-exchange transactions

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

Non-exchange revenue comprises annual return revenue.

Revenue from annual return fees
Non-exchange revenue comprises annual return revenue. Revenue from annual return fees is measured at fair value. Fair value is deemed to be the transaction cost and is based on the annual return fee as prescribed in the annual return table as set out in annexure 2 of the Companies Regulations, 2011.

Trade receivables from non-exchange transactions
Annual return fees are recognised only when an entity has filed an annual return, since this is when the initial recognition criteria are met. The filing and payment of the annual return constitutes a single transaction, as these transactions must happen simultaneously to file a successful annual return and is measured at fair value.

1.13 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 salaries, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

A liability is recognised for the amount expected to be paid under performance bonus, if the entity has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Post-employment benefit: Defined contribution plan

The entity makes contributions to the Government Employees' Pension Fund along with its employees to provide for retirement benefits. The obligation of the entity for any shortfall in the fund is limited to the contributions already made. Contributions are charged to surplus or deficit when made.

1.14 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.

Accounting Policies

1.15 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.

Irregular expenditure is accounted for as expenditure in the statement of financial performance and where relevant a receivable is raised in the statement of financial position.

1.16 Budget information

The approved and final budget amounts and variances between the actual and budget amounts are presented and explained. The approved budget is prepared on a cash basis and is presented by functional classification.

1.17 Related parties

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

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

Notes to the Annual Financial Statements

	2020 R '000	2019 R '000

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

Standard/ Interpretation:

	Effective date: Years beginning on or after	Expected impact:
• GRAP 20: Related parties	01 April 2019	Early adopted therefore no impact
• GRAP 108: Statutory Receivables	01 April 2019	Not applicable
• GRAP 109: Accounting by Principals and Agents	01 April 2019	Not applicable

2.2 Standards and interpretations issued, but not yet effective

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 April 2020 or later periods:

Standard/ Interpretation:

	Effective date: Years beginning on or after	Expected impact:
• GRAP 104 (amended): Financial Instruments	01 April 2020	Unlikely there will be a material impact
• IGRAP 20: Accounting for Adjustments to Revenue	01 April 2020	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements	01 April 2020	Unlikely there will be a material impact
• IGRAP 1 (revised): Applying the Probability Test on Initial Recognition of Revenue	01 April 2020	Unlikely there will be a material impact

Notes to the Annual Financial Statements

	2020 R '000	2019 R '000

3. Receivables from exchange transactions

	2020 R '000	2019 R '000
Trade receivables	433	218
Staff receivables	846	909
Patent Corporation Treaty (PCT) receivables	32	28
Other receivables	486	507
Provision for doubtful debts	(41)	(17)
	1 756	**1 645**

4. Prepayments

Prepaid expenses:

	2020 R '000	2019 R '000
Insurance	5	7
Renewal of software licence	21 676	3 455
Subscriptions	261	-
Rental expense	-	148
Software maintenance agreement	516	3 453
	22 458	**7 063**

Reconciliation of prepayments

March 2020	Less than one year	Longer than one year	Total
Prepayments	13 208	9 250	22 458
March 2019	Less than one year	Longer than one year	Total
Prepayments	6 216	847	7 063

5. Cash and cash equivalents

Cash and cash equivalents consist of:

	2020 R '000	2019 R '000
Bank balances	33 752	17 727
Collection accounts	916	2 981
Call account-Corporation for Public Deposits (CPD)	560 828	740 531
	595 496	**761 239**

Call account: Interest was earned at an average rate of 6.8% (2019: 7.2%) during the financial year.

Notes to the Annual Financial Statements

	2020	2019
	R '000	R '000

6. Property, plant and equipment

	2020			2019		
	Cost	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Computer equipment	78 278	(53 480)	24 798	74 908	(43 679)	31 229
Office furniture and equipment	10 269	(6 490)	3 779	10 029	(5 466)	4 563
Leasehold improvements	570	(408)	162	1 150	(488)	662
Total	**89 117**	**(60 378)**	**28 739**	**86 087**	**(49 633)**	**36 454**

Reconciliation of property, plant and equipment - 2020

	Opening balance	**Additions**	**Disposals**	**Derecognition**	**Depreciation**	**Impairment loss**	**Total**
Computer equipment	31 229	4 708	(60)	-	(11 011)	(68)	24 798
Office furniture and equipment	4 563	240	-	-	(1 005)	(19)	3 779
Leasehold improvements	662	83	-	(152)	(431)	-	162
	36 454	**5 031**	**(60)**	**(152)**	**(12 447)**	**(87)**	**28 739**

Reconciliation of property, plant and equipment - 2019

	Opening balance	**Additions**	**Disposals**	**Derecognition**	**Depreciation**	**Total**
Computer equipment	23 026	17 450	-	(34)	(9 213)	31 229
Office furniture and equipment	5 533	39	(38)	(2)	(969)	4 563
Leasehold improvements	1 243	660	-	(408)	(833)	662
	29 802	**18 149**	**(38)**	**(444)**	**(11 015)**	**36 454**

Notes to the Annual Financial Statements

	2020 R'000	2019 R'000

7. Intangible assets

	2020			2019		
	Cost	Accumulated amortisation and accumulated impairment	Carrying value	Cost	Accumulated amortisation and accumulated impairment	Carrying value
Leasehold improvements	55 045	(28 320)	26 725	60 140	(23 111)	37 029

Reconciliation of intangible assets - 2020

	Opening balance	Additions	Amortisation	Total
Capitalised computer software	37 029	439	(10 743)	26 725

Reconciliation of intangible assets - 2019

	Opening balance	Additions	Amortisation	Total
Capitalised computer software	34 032	12 283	(9 286)	37 029

8. Changes in accounting estimates

Property, plant and equipment

Management reviewed the estimated useful lives of property, plant and equipment at the end of the annual reporting year as required by GRAP 17. The useful lives of certain assets were deemed to be longer and the effect of the reassessment, assuming the assets are held until the end of their useful lives, was to decrease the depreciation expense by:

	2020	2019
Reassessment of property plant and equipment useful lives	460	1 232

Intangible assets

Management reviewed the estimated useful lives of intangible assets at the end of the annual reporting year as required per GRAP 31. The useful lives of certain assets were deemed to be longer and the effect of the reassessment, assuming the assets are held until the end of their useful lives is a decrease in the amortisation expense by:

	2020	2019
Reassessment of intangible assets useful lives	4	72

Notes to the Annual Financial Statements

	2020 R '000	2019 R '000
9. Operating lease asset (accrual)		
Non-current assets	-	285
Current assets	285	309
Current liability	(8)	(3 008)
Non-current liability	(66)	(5)
	211	**(2 419)**

Lease assets and accruals arise due to the straight lining of operating lease expenditure over the term of the lease.

Refer to note 18 for details of operating lease expenditure and note 26 for operating lease commitments.

	2020 R '000	2019 R '000
10. Payables from exchange transactions		
Trade payables	4 813	13 486
Accruals: Remuneration related	6 080	5 856
Accruals: Trade payables	4 656	8 003
	15 549	27 345
11. Payables from customer deposits received		
Customer balances*	115 650	108 110

*Deposits are received from customers for future transactions. These are non-interest bearing and are recognised as revenue when the customer transacts with the CIPC.

Deposits received that have not been utilised for a period of 3 years from receipt date, are recognised as other income.

Notes to the Annual Financial Statements

	2020	2019
	R '000	R '000

12. Provisions

Reconciliation of provisions - 2020

	Opening Balance	Additions	Utilised during the year	Utilised or forfeited during the year	Total
Leave pay benefits	21 980	13 456	-	(12 980)	22 456
Performance bonuses	17 065	18 330	(16 708)	-	18 687
	39 045	**31 786**	**(16 708)**	**(12 980)**	**41 143**

Reconciliation of provisions - 2019

	Opening Balance	Additions	Utilised during the year	Utilised or forfeited during the year	Total
Leave pay benefits	19 940	13 680	-	(11 640)	21 980
Performance bonuses	12 592	17 065	(12 592)	-	17 065
	32 532	30 745	(12 592)	(11 640)	39 045

Leave pay benefits:

In terms of the CIPC leave pay policy, employees are entitled to accumulated leave pay benefits not taken within a leave cycle, provided that any leave benefits, excluding capped leave amounting to R9,5 million (2019: R9 million) which accrued before 01 July 2000, not taken within a period of six months after the end of the leave cycle are forfeited.

Performance bonuses:

Merit awards are based on the results of staff performance evaluations and may be adjusted based on the actual audited percentage of organisational performance against key performance indicators.

The actual expense paid during the 2019/2020 financial year relating to the 2019 provision amounted to R16,7 million. The difference was accepted as immaterial and therefore the comparatives were not restated.

Notes to the Annual Financial Statements

	2020 R '000	2019 R '000
13. Revenue		
Fees	177 025	175 583
Other income	9 474	7 834
Interest income	41 633	50 686
Annual return fees	373 885	332 788
Gain on disposal of assets	34	-
	602 051	**566 891**
The amount included in revenue arising from exchanges of goods or services are as follows:		
Fees	177 025	175 583
Other income	9 474	7 834
Interest income	41 633	50 686
Gain on disposal of assets	34	-
	228 166	**234 103**
13.1 Fees		
Corporate information	21 593	20 953
Company registration and maintenance	94 756	92 922
Data sales	1 974	2 293
Intellectual property registration and maintenance	57 046	56 698
Cooperatives registration and maintenance	1 656	2 717
	177 025	**175 583**
13.2 Interest income		
Interest received	41 633	50 686
13.3 Other income		
Other exchange transactions	965	1 169
Patent Corporation Treaty (PCT) income	55	46
Recognition of customer balances	8 454	6 619
	9 474	**7 834**
The amount included in revenue arising from non-exchange transactions is as follows:		
13.4 Annual return fees		
Annual return fees*	373 885	332 788

*Included in annual return fees are penalties levied for returns submitted more than 30 days after the due date.

Notes to the Annual Financial Statements

	2020 R '000	2019 R '000
14. Audit fees		
External audit fees - Regulatory audit	4 441	5 970
Internal audit fees (Co-sourced portion)	-	216
	4 441	**6 186**
15. Consulting and professional fees		
Specialist information technology consultants, licences and services	58 140	43 011
Management consultants	10 497	8 656
	68 637	**51 667**
16. Depreciation and amortisation		
Computer equipment	11 011	9 213
Office furniture and equipment	1 005	969
Leasehold Improvements	432	833
Amortisation of intangible assets	10 743	9 286
	23 191	**20 301**
17. Employee costs		
Salary	258 209	241 481
Pension contributions	25 323	23 557
Medical contributions	12 093	12 251
Service bonus	12 027	11 533
Performance bonus	18 331	19 493
Other benefits	10 451	10 589
SDL	2 990	2 773
Group life cover	734	-
Overtime and production allowances	2 830	2 533
Long-service bonus	1 409	1 215
Lumpsum settlement	173	-
Internships	3 560	-
	348 130	**325 425**
18. Operating lease charges		
Motor vehicles	289	314
Offsite storage facility	10 504	10 445
Premises	17 448	18 649
Equipment	965	769
	29 206	**30 177**

Notes to the Annual Financial Statements

	2020 R '000	2019 R '000
19. Publications, printing and stationery		
Publications and printing	928	210
Stationery	2 158	2 173
	3 086	**2 383**
20. Other operating expenses		
Audit and risk committee fees	640	1 128
Bursaries	1 105	1 715
Communication and postage	14 760	5 126
Conferences and venues	2 887	3 840
Derecognition of assets - Refer note 21	151	444
Entertainment and refreshments	182	355
Flowers	6	9
Insurance and courier services	12	53
Legal fees	2 685	5 586
Membership fees	289	2 534
Resettlement costs	99	209
Security and cleaning	2 227	2 230
Agency support staff	66	14
Training	1 088	1 836
Uniforms	137	-
	26 334	**25 079**
21. Derecognition of assets		
Office equipment	-	2
Computer equipment: Laptops	-	34
Leasehold improvements	151	408
	151	**444**

Leasehold improvements

Relates to derecognition of leasehold improvements due to expiry of the lease.

Computer software

At year end fully amortised Computer software with an original cost of R5,534 million was derecognised.

Notes to the Annual Financial Statements

	2020 R '000	2019 R '000
22. Transfer to National Revenue Fund		
Balance at beginning of the year	(245 400)	-
Transfers to the National Revenue Fund declared	-	(245 400)
Balance at end of the year	-	245 400
	(245 400)	**-**

March 2020

2019/20 surplus
The CIPC submitted an application to the National Treasury to retain its surplus for the 2019/2020 financial year in terms of section 53(3) of the PFMA and section 6 of the National Treasury Instruction No. 6 of 2017/2018.

March 2019

2018/19 surplus
The CIPC submitted an application to the National Treasury to retain its surplus for the 2018/2019 financial year in terms of section 53(3) of the PFMA and section 6 of the National Treasury Instruction No. 6 of 2017/2018.

Instruction by National Treasury to surrender funds
The CIPC declared R245,4 million of its accumulated surplus to the National Treasury as per instruction received from it. Payment was effected after year end.

	2020	2019
23. Cash generated from operations		
Surplus	81 922	81 586
Adjustments for:		
Depreciation and amortisation	23 191	20 301
Loss on sale of assets	(34)	-
Impairment loss on property, plant and equipment	87	-
Bad debt written off	44	5
Movements in operating lease assets and accruals	(2 630)	(1 570)
Movements in provisions - Employee costs	2 098	6 513
Derecognition of assets	151	444
Changes in working capital:		
Consumables on hand	10	(26)
Receivables from exchange transactions	(154)	895
Prepayments	(15 395)	3 311
Payables from exchange transactions	(11 797)	4 869
Payables from customer deposits - Annual returns	7 540	8 774
	85 033	**125 102**

Notes to the Annual Financial Statements

	2020	2019
	R '000	R '000

24. Key Management emoluments

Executive

2020

Name	Designation	Emoluments	Long service award	Travel and subsistence allowance	Performance bonus	Total
Adv Rory Voller	Commissioner	2 339	-	60	-	2 399
Ms Hamida Fakira-du Toit	Executive Manager: Corporate Services	1 846	-	-	85	1 931
Mr Lungile Dukwana	Chief Strategy Executive	1 808	-	5	104	1 917
Mr Muhammed Jasat	Chief Financial Officer	1 530	-	1	88	1 619
Mr Andre Kritzinger	Executive Manager: Business Intelligence	2 107	-	-	122	2 229
Mr Mpho Mathose	Chief Audit Executive	1 407	-	3	81	1 491
Ms Nomonde Maimela	Executive Manager: Innovation and creativity	2 063	5	28	121	2 217
Ms Bathabile Kapumha	Divisional Manager: Risk, Governance and Compliance	1 599	-	1	92	1 692
		14 699	**5**	**98**	**693**	**15 495**

Notes to the Annual Financial Statements

	2020	2019
	R '000	R '000

24. Key Management emoluments (continued) 2019

Executive

2020

Name	Designation	Emoluments	Long service award	Travel and subsistence allowance	Performance bonus	Total
Adv Rory Voller	Commissioner	2 182	-	98	129	2 409
Ms Hamida Fakira-du Toit	Executive Manager: Corporate Services	1 731	-	-	80	1 811
Mr Lungile Dukwana	Chief Strategy Executive	1 657	10	2	97	1 766
Mr Muhammed Jasat	Chief Financial Officer	1 428	-	-	82	1 510
Ms Bathabile Kapumha	Divisional Manager: Risk, Governance and Compliance	1 499	-	-	67	1 566
Mr Andre Kritzinger	Executive Manager: Business Intelligence	1 974	-	-	89	2 063
Mr Mpho Mathose	Chief Audit Executive	1 318	-	2	75	1 395
Ms Nomonde Maimela	Executive Manager: Innovation and creativity	1 924	-	106	113	2 143
		13 713	**10**	**208**	**732**	**14 663**

25. Pension

The CIPC provides a defined benefit scheme for its employees which is the Government Employees Pension Fund (GEPF). Contributions to the pension plan in respect of service in a particular year are included in the employees' total cost of employment and are charged to the statement of financial performance in the year to which they relate, as part of the cost of employment.

The CIPC has no legal or constructive obligation in respect of normal retirements to pay further contributions if the GEPF does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior years. Any potential liabilities are disclosed in the financial statements of the National Revenue Fund and not the financial statements of CIPC.

	2020	2019
The total economic entity contribution to such schemes	25 323	23 557

Notes to the Annual Financial Statements

	2020	2019
	R '000	R '000

26. Operating lease commitments

March 2020	0-1 Years	2-5 Years	Total
The dti Campus - Office	20 266	-	20 266
Johannesburg Stock Exchange	66	-	66
Katanga parking	111	-	111
Norton Rose House: Cape Town	24	-	24
Iron mountain - Backup storage facility	60	128	188
Iron Mountain - Off-site file storage	9 931	-	9 931
Bytes - Printers	746	-	746
Hollard street: Johannesburg	520	223	743
Suncardia Mall	333	1 093	1 426
Pakhisa Fleet	440	-	440
	32 497	**1 444**	**33 941**

March 2019	0-1 Years	2-5 Years	Total
The dti Campus - Office	18 424	-	18 424
Johannesburg Stock Exchange	107	66	173
Sunny Park Mall	550	-	550
Katanga parking	74	-	74
Norton Rose House: Cape town	24	-	24
Hollard street: Johannesburg	480	743	1 224
Iron Mountain - Backup storage facility	90	-	90
Iron Mountain - Off-site file storage	9 828	10 464	20 292
Suncardia Mall	299	-	299
Bytes - Printers	475	475	950
Pakhisa Fleet	301	-	301
	30 652	**11 748**	**42 401**

The dtic Campus - Office
The offices are based at 77 Mentjies street, in Sunnyside, Pretoria. The lease commitment relates to an extension period of one year, from 01 April 2020 to 31 March 2021. The original lease term was five years, from 01 April 2015 to 31 March 2020.

Johannesburg Stock Exchange (JSE) - Office
The offices are based in Sandton at the Johannesburg Stock Exchange. The lease term is three years, from 01 November 2017 to 31 October 2020. The lease rental escalates at 8.25% per annum.

Notes to the Annual Financial Statements

	2020	2019
	R '000	R '000

26. Operating lease commitments (continued)

Katanga Parking
Relates to the lease of parking bays at the dti campus. The lease term is 14 months from 01 August 2019 to 30 September 2020. There is no annual escalation applicable.

Norton Rose House: Cape Town - Offices
The office is based at Norton Rose House, Cape Town and is currently on a month to month contract.

Iron Mountain - Backup storage facility
The lease is for a backup storage facility. The lease period is three years, from 01 March 2020 to 28 February 2023. The lease rental escalates at 7.4% per annum.

Iron Mountain - Off-site file storage
The lease is for an off-site file storage facility. The lease term 4,5 years, from 01 September 2016 to 28 February 2021. The commitment is based on the maximum estimated storage space which may be utilised by the CIPC. However, the expense is based on the actual storage space utilised and results in differing monthly costs.

Bytes - Printers
Relates to a lease for printers at the CIPC offices in Pretoria. The lease term is five years from 01 April 2016 to 31 March 2021. There is no escalation clause applicable. The lease was amended to include four extra printers from 01 August 2109 to 31 March 2021.

Hollard Street: Johannesburg - Offices

The offices are based in Hollard street, Johannesburg. The lease term is three years from, 01 September 2018 to 31 August 2021. The lease rental escalates at 8% per annum.

Suncardia Mall: Pretoria - Offices
The offices are based at Suncardia Mall, Pretoria. The lease term is five years from 01 February 2019 to 31 January 2024. The lease rental escalates at 8% per annum.

Pakhisa Fleet - Vehicles
Relates to the lease of three fleet vehicles. The lease commitment relates to an extension period of one year, from 01 March 2020 to 28 February 2021. The commitment represents the maximum amount payable for the remaining period of the contract.

27. Taxation Income tax
The entity is not liable for income tax in terms of section 10(1)(a) of the Income Tax Act, as amended.

Value-added tax

The entity is exempt from value-added taxation in terms of a Tax Authorities' directive.

Notes to the Annual Financial Statements

	2020 R '000	2019 R '000

28. Contingencies

Contingent liabilities

Accumulated surplus

	2020 R '000	2019 R '000
	118 334	242 279

In terms of section 53(3) of the PFMA the entity at the end of the financial year needs to declare any 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 deposited in the Exchequer bank account.

Surplus for 2019/20

A declaration of the cash surplus as at 31 March 2020 was submitted to the National Treasury on 31 July 2020. An application to retain such surplus was also submitted in terms of section 53(3) of the PFMA and National Treasury instruction No 6 of 2017/2018.

Surplus for 2018/19

A declaration of the cash surplus as at 31 March 2019 was submitted to the National Treasury on 31 May 2019. An application to retain such surplus was also submitted in terms of section 53(3) of the PFMA and National Treasury instruction No 6 of 2017/2018.

Enterprise Content Management System (ECM)

	2020 R '000	2019 R '000
	10 090	10 090

Legal proceedings have been instituted by the service provider challenging the legal validity of the termination of the contract and seeking payment of certain fees rendered in terms of the contract prior to its termination. The litigation is in process and the outcome is uncertain. The value of the contingent liability was assessed based on the latest correspondence in the matter.

Notes to the Annual Financial Statements

	2020 R '000	2019 R '000

29. Planned capital programmes

The following capital programmes were approved and contracted:

Head Office		
Software investment in ICT system: K2	-	5 113
Computer equipment: PC's	7 653	-
	7 653	**5 113**

The following capital programmes were approved but not yet contracted:

Head Office and Self service centres		
Furniture and equipment	1 320	15 150
Leasehold improvements - Head office and Self service centres	105 400	59 100
Investment in ICT systems for improved service delivery: Hardware and Software	162 547	60 387
	269 267	**134 637**

30. Patent Corporation Treaty (PCT) Trust Account

Funds held in trust to which the entity is not entitled, are accounted for separately and deposited into a separate bank account.

PCT creditors	176	518

Funds received from South African clients to be paid to the World Intellectual Property Organisation (WIPO) and the International Searching Authority (ISA).

Balance in the PCT bank account	176	518

	2020	2019
	R '000	R '000

31. Risk management

Financial risk management

The main risks arising from the CIPC's financial instruments are credit risk, market risk and liquidity risk.

Financial assets which potentially subject the CIPC to concentrations of credit risk consist mainly of cash and cash equivalents. The entity's cash and short-term deposits are placed with high quality financial institutions as well as the South African Reserve Bank. Credit risk with respect to trade receivables is limited, due to the fact that most of the entity's revenue transactions are carried out on a pre-paid basis. The entity's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of the receivables. Accordingly, the entity has no significant concentration of credit risk.

Liquidity risk

The CIPC's risk to liquidity is a result of the funds available to cover future commitments. Taking into consideration the CIPC's current funding structures and availability of cash resources, the CIPC regards this risk to be low.

March 2020	Carrying amount	Total cash flow	Contracted cash flow within 1 year	Contractual cash flow 2-5 years
Payables from exchange transactions	15 549	15 549	15 549	-
Payables from customer deposits received	115 650	115 650	115 650	-
	131 199	**131 199**	**131 199**	**-**

March 2019	Carrying amount	Total cash flow	Contracted cash flow within 1 year	Contractual cash flow 2-5 years
Payables from exchange transactions	27 346	27 346	27 346	-
Payables from customer deposits received	108 110	108 110	108 110	-
Distribution payable	245 400	245 400	245 400	-
	380 856	**380 856**	**380 856**	**-**

Notes to the Annual Financial Statements

	2020 R '000	2019 R '000

31. Risk management (continued)

Credit risk

Reputable financial institutions are used for investing and cash handling purposes. At reporting date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position after taking into account that receivable services payable advance.

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

Exposure to credit risk		
Cash and cash equivalents*	595 496	761 239
Receivables from exchange transactions	24 214	8 825
	619 710	**770 064**

* Included is an amount of R561 million (2019: R741 million) invested in a call account at the South African Reserve Bank.

Concentration of credit risk
The maximum exposure to credit risk for financial assets at the reporting date by credit rating category was as follows:

March 2020	*Ba1 and Government	Unrated
Cash and cash equivalents	595 496	-
Prepayments	-	22 458
Receivables from exchange transactions	-	1 756
	595 496	**24 214**

March 2019	*Baa3 and Government	Unrated
Cash and cash equivalents	761 239	-
Prepayments	-	7 063
Receivables from exchange transactions	-	1 645
	761 239	**8 708**

Notes to the Annual Financial Statements

	2020 R '000	2019 R '000

31. Risk management (continued)

Ageing of financial assets

The following table provides information regarding the credit quality of assets, which may expose the CIPC to credit risk:

March 2020	Neither past due nor impaired	Past due but not impaired less than 12 months	Past due but not impaired more than 12 months	Carrying value
Cash and cash equivalents	595 496	-	-	595 496
Prepayments	22 458	-	-	22 458
Receivables from exchange transactions	-	1 756	-	1 756
	617 954	**1 756**	**-**	**619 710**

March 2019	Neither past due nor impaired	Past due but not impaired less than 12 months	Past due but not impaired more than 12 months	Carrying value
			-	
Cash and cash equivalents	761 239	-		761 239
Prepayments	7 063	-	-	7 063
Receivables from exchange transactions	-	1 645	-	1 645
	768 302	**1 645**	**-**	**769 947**

Notes to the Annual Financial Statements

	2020 R '000	2019 R '000

31. Risk management (continued)

Market risk

Market risk is the risk that changes in market prices, such as the interest rate, will affect the value of the financial assets of the entity.

Interest rate risk

The CIPC's exposure to interest risk is managed by investing, on a short-term basis, in current accounts and the Corporation for Public Deposits (CPD), to ensure maximum interest on surplus funds within the prescribed legislation. The risk arises when there are interest rate changes downward, as this will reduce the interest income on invested funds. The entity manages its interest rate risk by only investing its funds in accounts at financial institutions wherein the accounts accrue interest at market related interest rates. In terms of National Treasury Regulation (section 31.3.3), all surplus funds are deposited in the call account – Corporation for Public Deposits (CPD).

The CIPC is exposed to interest rate changes in respect of returns on its investments with financial institutions.

A change in the market interest rate would have increased / (decreased) the surplus for the year by the amounts below:

March 2020	Change in interest rate	Increase in the surplus for the year upward change	Decrease in the surplus for the year downward change
Cash and cash equivalents	1 %	6 075	(6 017)

March 2019	Change in interest rate	Increase in the surplus for the year upward change	Decrease in the surplus for the year downward change
Cash and cash equivalents	1%	7 150	(7 086)

Notes to the Annual Financial Statements

	2020 R '000	2019 R '000

32. Related party transactions

Related parties are identified as being those parties that control or have significant influence over the CIPC and those parties that are controlled or significantly influenced by the CIPC.

Department of Trade and Industry (the dti)	Transactions 31 March 2020	Balance due as at 31 March 2020	Transactions 31 March 2019	Balance due as at 31 March 2019
Expenses				
Lease of building	18 424	-	16 749	-
Telephone costs	860	64	1 016	80
Internet costs	30	-	229	-
Subtotal	19 314	64	17 994	80
	19 314	**64**	**17 994**	**80**

The dtic group

The CIPC forms part of **the dtic** portfolio and the related entities are included in the table below. The CIPC did not transact with any of **the dtic** group entities during the current year.

Income (Disclosure of information)

The CIPC registry services are rendered free of charge to other National and Provincial government departments and entities. The total amount for such services cannot be quantified.

Name	**Relationship**
Department of Trade and Industry	Member of **the dtic** group
BBBEE Commission	Member of **the dtic** group
Companies Tribunal	Member of **the dtic** group
National Consumer Commission (NCC)	Member of **the dtic** group
National Consumer Tribunal (NCT)	Member of **the dtic** group
National Credit Regulator (NCR)	Member of **the dtic** group
National Gambling Board (NGB)	Member of **the dtic** group
National Lotteries Commission (NLC)	Member of **the dtic** group
National Regulator for Compulsory Specifications (NRCS)	Member of **the dtic** group
South African Bureau of Standards (SABS)	Member of **the dtic** group
Export Credit Insurance Corporation of South Africa	Member of **the dtic** group
National Empowerment Fund (NEF)	Member of **the dtic** group
National Metrology Institute of South Africa	Member of **the dtic** group
South African National Accreditation System (SANAS)	Member of **the dtic** group

Notes to the Annual Financial Statements

	2020 R '000	2019 R '000

32. Related party transactions (continued)

Department of Agriculture, Forestry and Fisheries	National sphere of government
Department of Arts and Culture	National sphere of government
Department of Communications	National sphere of government
Department of Infrastructure Development	National sphere of government
Department of Co-operative Governance	National sphere of government
Department of Economic Development	National sphere of government
Department of Environmental Affairs	National sphere of government
Department of Home Affairs	National sphere of government
Department of Human Settlements	National sphere of government
Department of Labour	National sphere of government
Department of Public Service and Administration	National sphere of government
Department of Rural Development and Land Reform	National sphere of government
Department of Public Works	National sphere of government
Department of Tourism	National sphere of government
Department of Traditional Affairs	National sphere of government
Department of Transport	National sphere of government
Department of Social Development	National sphere of government
National Treasury	National sphere of government
Compensation Fund	National sphere of government
Co-operative Bank Development Agency (CBDA)	National sphere of government
E-Government	National sphere of government
Film & Publication Board	National sphere of government
Gauteng Provincial Legislature	National sphere of government
Limpopo Provincial Legislature	National sphere of government
National Prosecuting Authority (NPA)	National sphere of government
Office of the President	National sphere of government
Parliament	National sphere of government
Road Accident Fund (RAF)	National sphere of government
SA National Accreditation System (SANAS)	National sphere of government
SA Revenue Services (SARS)	National sphere of government
SA Social Security Agency (SASSA)	National sphere of government
SITA	National sphere of government
South African Police Service (SAPS)	National sphere of government
South African Post Office (SAPO)	National sphere of government
State Security Agency (SSA) Statistics SA	National sphere of government
Transnet Enterprise Development Hub	National sphere of government
Unemployment Insurance Fund	National sphere of government

Transactions with key management
The total remuneration of key management is included in employees' remuneration (refer to note 24 for Executive Management's remuneration).

Notes to the Annual Financial Statements

	2020 R '000	2019 R '000

33. Fruitless and wasteful expenditure

Opening balance	51	51

No losses have occurred during the current and previous financial year due to criminal conduct, irregular expenditure and fruitless or wasteful expenditure, except as indicated above.

34. Irregular expenditure

Expenditure where the prescribed procurement process was not fully adhered to. Confirmation that value for money was received, was performed.

In both instances, the minimum qualifying score for functionality was incorrectly omitted in the Terms of Reference document advertised, However, the procurement was awarded to the service provider who submitted the cheapest quotation resulting in no financial loss to the CIPC.

Security services	220	-
Dismantling and removal services	120	-
	340	**-**

Opening balance	98 516	98 516
Add: Irregular Expenditure - current year	340	-
Less: Amounts written off	(30)	-
Less: Amounts reversed	(245)	-
	98 581	**98 516**

Analysis of expenditure awaiting condonation per age classification

Current year	340	-
Prior years	98 241	98 516
	98 581	**98 516**

Details of irregular expenditure written off

Catering	Written off by Accounting Authority	30

Details of irregular expenditure reversed

Recruitment adverts	245

The reason for disclosing the above as irregular was due to it appearing as unbundled procurement.

Upon investigation during the financial year, it was discovered that the procurement occurred due to additional need which was unforeseen previously and the procurement process was correctly followed.

The irregular expenditure was reversed as it was incorrectly disclosed as such.

Notes to the Annual Financial Statements

	2020 R '000	2019 R '000

34. Irregular expenditure (continued)

Details of irregular expenditure not yet condoned		
Incurred in current year Security services	220	
Dismantling and removal services	120	
Incurred in prior years Accounting services	5	
Enterprise Content Management System	98 236	
	98 581	

Enterprise Content Management System (ECM)

The Enterprise Content Management System (ECM) cannot be condoned as litigation is still in process. Refer to note 28 for details on the contingent liability disclosure.

Notes to the Annual Financial Statements

	2020 R'000	2019 R'000

35. Gifts and donations

The acceptance or granting of a gift, donation or sponsorship is managed in terms of Section 76 of the Public Finance Management Act, 1999 (Act 1of 1999). Gifts and donations received by employees during the year under review were:

	2020 R'000	2019 R'000
Smaller gifts received by various staff members	7	1
Granting of sponsorships and gifts by the CIPC:		
Smaller gifts	16	4

36. Reconciliation between budget and cash flow statement

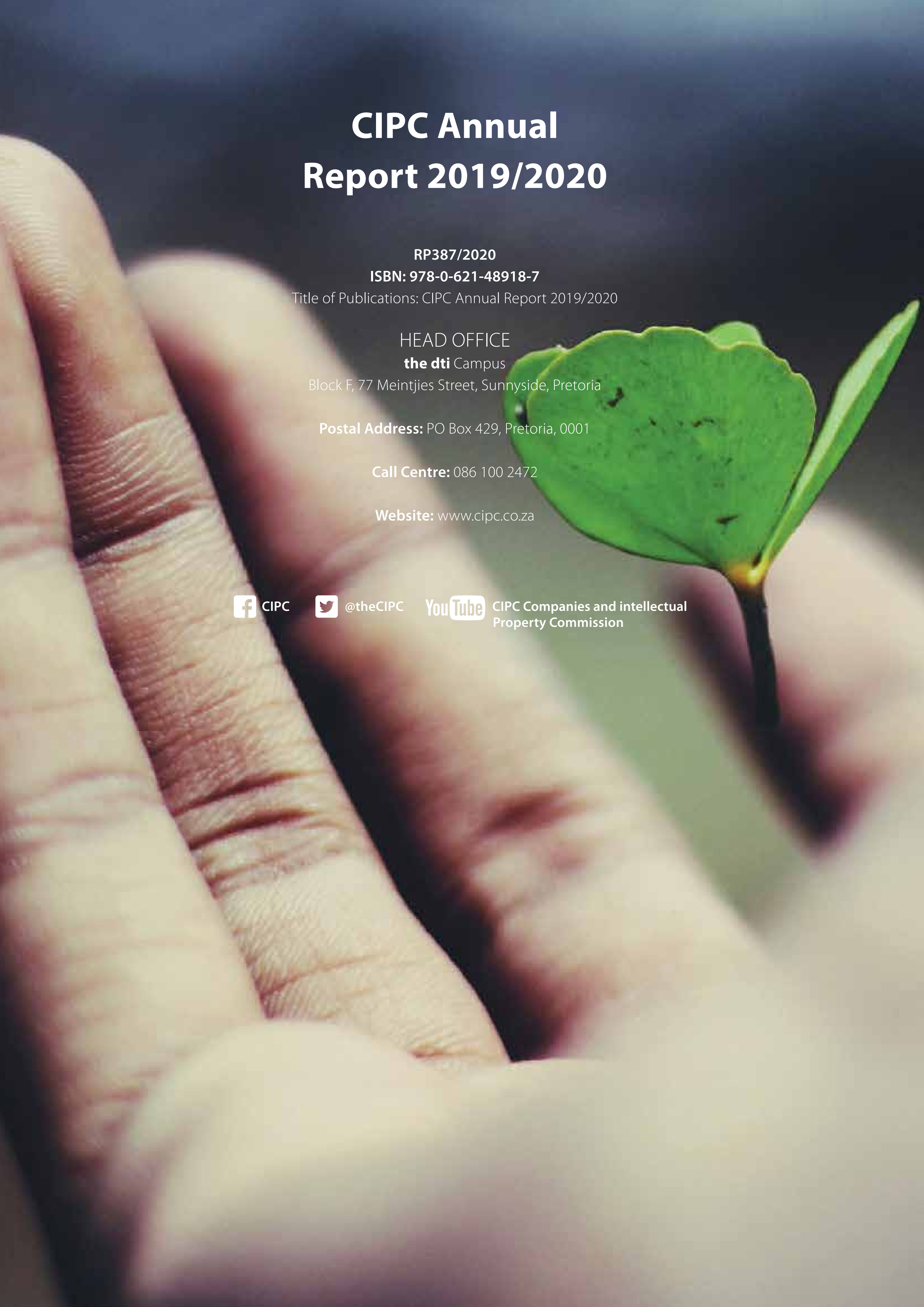
Reconciliation of budget surplus with the net cash generated from operating, investing and financing activities:

	2020 R'000	2019 R'000
Operating activities		
Actual amount as presented in the budget statement	81 922	82 280
Basis differences	3 111	42 822
Net cash flows from operating activities	**85 033**	**125 102**
Investing activities		
Actual amount as presented in the budget statement	(5 470)	(30 432)
Basis differences	94	38
Net cash flows from investing activities	**(5 376)**	**(30 394)**
Financing activities		
Timing differences	(245 400)	-
Net cash generated from operating, investing and financing activities	**(165 743)**	**94 708**

37. Going concern

The CIPC's results have not been negatively affected since the COVID-19 outspread in December 2019, and neither has the outspread materially and adversely affected the operations of the CIPC.

As such, 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.



CIPC Annual Report 2019/2020

RP387/2020
ISBN: 978-0-621-48918-7
Title of Publications: CIPC Annual Report 2019/2020

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