CIPRO

COMPANIES AND INTELLECTUAL PROPERTY REGISTRATION OFFICE

a member of the dti group

Annual Report 2010/11

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Mandate

The mandate of CIPRO is to ensure the registration of companies, close corporations, co-operatives and intellectual property rights, as well as the disclosure of information and dispute-resolution arising from infringements of these rights.

Acronyms/Glossary of terms

Abbreviation	Description
AIDS	Acquired Immune Deficiency Syndrome
ARIPO	African Regional Industrial Property Organisation
AMDP	Advanced Management Development Programme
BRMC	Business Relations, Marketing and Communication
BUSA	Business Unity South Africa
CAN	Change Agent Network
CAR	Compliance, Audit and Risk
CC	Close Corporation
CCB	Change Control Board
CCRD	Consumer and Corporate Regulatory Division
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CET	CIPRO Executive Team
CHAMSA	Chambers of Commerce and Industry South Africa
CIPC	Companies and Intellectual Property Commission
CIPRO	Companies and Intellectual Property Registration Office
CIU	Customer Interface Unit
CL	Company Law
CMT	CIPRO Management Team
COTII	Council of Trade and Industry Institutions
COO	Chief Operating Officer
CPD	Continued Professional Development
CRF	Corporate Registers Forum
CRM	Customer Relationship Management
CTP	CIPRO Transition Programme
DDR	Deregistered Directors' Register
DED	Department of Economic Development
DHA	Department of Home Affairs
DPSA	Department of Public Service and Administration
DPW	Department of Public Works
EA	Enterprise Architecture
EAP	Employee Assistance Programmes
EBI	Ekurhuleni Business Initiative
ECDC	Eastern Cape Development Corporation
ECM	Enterprise Content Management
EMDP	Executive Management Development Programme
ENE	Estimates of National Expenditure
EPO	European Patent Office
HIV	Human Immunodeficiency Virus
ICT	Information and Communication Technology
ID	Identity document
IP	Intellectual Property
ITED	International Trade and Economic Development Division
ITIL	IT Infrastructure Library
JICA	Japan International Cooperation Agency
JSE	Johannesburg Stock Exchange
LED	Local Economic Development
LIBSA	Limpopo Business Support Agency
MISS	Minimum Information Security Standards
MoU	Memorandum of Understanding
MTREF	Medium-term Revenue and Expenditure Framework
NAFCOC	National African Federation Chamber of Commerce
NEDLAC	National Economic Development and Labour Council
NEPAD	New Partnership for Africa's Development
NT	National Treasury
NYDA	National Youth Development Agency
OHIM	Office for Harmonization of International Markets
OPBDC	Off-site Paper-based Disclosure Centre
PAIPO	Pan African IP Office
PCT	Patent Cooperation Treaty
PDA	Performance Development Assessment
PDE	Performance Development and Evaluation
PFMA	Public Finance Management Act
PILIR	Policy on Incapacity Leave and Ill-health Retirement
PKI	Public Key Infrastructure
PM	Project Management
PMO	Project Management Office
PRC	Project Review Committee
PSETA	Public Service SETA
PWC	Price Waterhouse Coopers
QMS	Quality Management System
R&D	Research and Development
RFQ	Request for Quotation
SABS	South African Bureau of Standards
SABRIC	South African Banking Risk Information Council
SAC	Standing Advisory Committee
SADC	Southern African Development Community
SAIPA	South African Institute of Professional Accountants
SAITEX	South African International Trade Exhibition
SAMPRA	South African Music Performance Rights Association
SAPO	South African Post Office
SAPS	South African Police Services
SARRAL	South African Recording Rights Association Limited
SARS	South African Revenue Services
SASQAF	South African Statistical Quality Assessment Framework
SCM	Supply Chain Management
SCOPA	Standing Committee on Public Accounts
SEDA	Small Enterprise Development Agency
SLA	Service Level Agreement
SM	Senior Manager
SP	Service Provider
SSD	Strategic Support Division
StatsSA	Statistics South Africa
the dti	The Department of Trade and Industry
TO	Temporary Officials
TQM	Total Quality Management
VCT	Voluntary Counselling and Testing
VRM	Vendor Registration Module
WIPO	World Intellectual Property Organisation
WSP	Workplace Skills Plan

Submission of the annual report by the accounting officer to the Executive Authority

It is with great pleasure that I, **Lionel October**, as the accounting officer of this entity submit the performance and progress of the entity for the financial year 2010/11 in terms of the Public Finance Management Act, 1999.

Overview by the accounting officer of the Companies and Intellectual Property Registration Office

The Companies and Intellectual Property Registration Office (CIPRO) ceased to exist on 30 April 2011 as the new Companies and Intellectual Property Commission (CIPC) was established with effect from 1 May 2011 when the Companies Act, 2008 (Act 71 of 2008) (the Companies Act) came into effect. The CIPC was established through the amalgamation of CIPRO and the Office of Companies and Intellectual Property Enforcement (OCIPE) which was a unit in the Department of Trade and Industry (**the dti**)'s Corporate and Consumer Regulation Division. This marks the end of the registration office era of CIPRO and ushers in the new era of regulation focused on registration, education and awareness, compliance and finally enforcement.

CIPRO, since its establishment in 2002 with the amalgamation of the then South African Companies Registration Office (SACRO) and the South African Patents and Trade Marks Office (SAPTO), has played a significant role in the economy of the country, having been responsible for the registration of companies, close corporations, co-operatives and intellectual property rights. Related services included the disclosure of information as well as dispute resolution as a result of infringement of these rights.

Over the past few years of its existence, including the 2010/11 reporting period, CIPRO made huge strides towards the achievement of its mandate as registration and disclosure office for companies, close corporations, co-operatives as well as intellectual property rights. It moved from a **dti**-funded agency to a self-funded trading entity of **the dti**. Despite the economic downturn and the various challenges it faced, CIPRO continued to be self-sufficient through prudent financial management and focused corporate governance particularly in the last three years of its existence.

Whilst the legacy systems were key in the conceptualisation of CIPRO and transformed the organisation from various manually-based systems to electronic systems and improved service offerings platforms, challenges still remain. Included in these is the need to transform the legacy systems into automated, integrated systems that will shift the turnaround times for company registrations and other related processes to world-class efficiencies that will facilitate investment. This is the task that the CIPC will have to take forward and adopt a system that fulfils this intention as envisaged in the Companies Act.

It is my belief that with the various achievements made in the year under review, including the ISO 9001 re-certification of CIPRO by the South African Bureau of Standards (SABS), gives a remarkable start to the new organisation. Success is on hand for the Commission.

I would like to take this opportunity to thank the management of CIPRO, Organised Labour and the Leadership of **the dti** for making every effort to ensure the smooth transition to CIPC and for the foundation laid to build a great future for the implementation of the Companies Act, 2008.

Mr L October
Director-General (Accounting officer: CIPRO)

Date: 8 August 2011

Executive summary by the Acting Chief Executive Officer

Mr Lungile Dukwana
Acting Chief Executive Officer

In accordance with the Companies Act, CIPRO and the Office of Company and Intellectual Property Enforcement (OCIPE) merged on 1 May 2011 to form the Companies and Intellectual Property Commission (CIPC). This report, therefore, contains the last performance information and financial information of CIPRO. As such, the 2010/11 financial year marked the end of CIPRO as a trading entity of **the dti**.

In the financial year under review, the focus of CIPRO was directed towards preparations for the establishment of the CIPC, the latter being originally scheduled for implementation in the 2010/11 financial year, whilst at the same time ensuring the implementation of its plan as accordingly approved. This meant that CIPRO found itself stretched to the limit whilst at the same time managing the transition to the new organisation.

Legislative review and preparations for the establishment of the commission

The corporate law reform process culminated into the new Companies Act, which ushers in the establishment of the new Companies and Intellectual Property Commission. During the year under review, CIPRO had to balance the transition to the establishment of the Commission with the implementation of its plans to ensure continued and sustainable service. CIPRO participated in **the dti** Steering Committee which ensured the smooth transition to the new organisation and the successful implementation of the new legislation. Some of the critical aspects of the preparation for the Commission included the review of the business processes and ICT systems, development and approval of the CIPC strategy, education and awareness, change management and interaction with organised labour. At the end of the financial year, CIPRO was ready for the implementation of the Companies Act.

CIPRO's Co-operatives Unit continued to play an active role in the amendment of the Co-operative Legislation; the process was led by **the dti**. At the end of the financial year, the Amendment Bill was ready for submission to National Economic Development and Labour Council (Nedlac) for final discussion and endorsement.

A drive towards integrated business registration through a Business Registration Reform Project (BRRP), a joint initiative by Statistics SA (StatsSA), the South African Revenue Service (SARS), National Treasury (NT) and **the dti**, gained momentum in the past financial year. A project plan was drafted, regular meetings were held and the draft Bill is in the process for submission to the relevant structures. CIPRO also contributed through the secondment of two full-time officials to the project.

ICT

Electronic Content Management (ECM)

The ECM was the thrust of CIPRO's strategic plan for the period under review and was aimed at ensuring that it sets a sound foundation for the Commission. The ECM solution was adopted in order to ensure:

- improved turnaround times;
- a wider audience based on online facilities;
- improved ICT security; and
- more cost-effectiveness.

This project continued for the first quarter of the financial year. It achieved a few of its milestones including finalising the development aspects of name reservation and co-operatives. However, following the forensic investigations by the Executive Authority of **the dti**, the contract with the service provider was cancelled and therefore ECM could not continue as the legal challenges ensued. As this impacted on the customers, the organisation focused on better maintenance of its legacy systems to ensure continued service. During the year under review the ECM was the biggest contributor to CIPRO's negative media attention.

Network and infrastructure

One of the challenges that CIPRO faced was its aged infrastructure that impacted on the ability to render a sustainable service to its customers. This also affected the ability of its applications to perform as expected. To this end, CIPRO worked tirelessly to replace its infrastructure which would serve as an investment that would see improved level of service. To date, about a third of the CIPRO server infrastructure has been replaced and the network is better managed jointly with **the dti**.

Fraud prevention

Fraud and corruption continued to be one of the major challenges that CIPRO faced in the year under review. It was initially anticipated that the ECM would make a positive contribution to the reduction of this deeply rooted problem. The company hijackings again highlighted the challenges associated with CIPRO's legacy systems. Following the review of the controls, CIPRO introduced additional controls to address loopholes in its legacy systems. Such controls include submitting certified copies of identity documents for all transactions, new password requirements, minutes of meetings and mandate letters for the change of directorships. Usage of electronic credit cards was stopped to reduce fraudulent activities. Although these were necessary to secure the database, it may have led to increased turnaround times for some of the transactions as some human intervention was required. By the end of the reporting period CIPRO had signed a Memorandum of Agreement with the Department of Home Affairs (DHA) to prevent the challenges associated with invalid identity documents.

Furthermore the Fraud Prevention Plan was developed and approved as per the requirement of the Public Finance Management Act, 1999. This plan was implemented through the fraud prevention operations matrix and various controls were accordingly reviewed. Better interaction was also ensured with other State Agencies, professional associations and the private sector. These include the Commercial Crimes Unit of the SAPS, South African Banking Risk Information Council (SABRIC), Banking Association, Johannesburg Stock Exchange (JSE), South African Institute of Chartered Accountants (SAICA) and the South African Institute of Professional Accountants (SAIPA), to mention but a few.

Registration services and delivery enhancement

The Intellectual Property (IP) Patent Database could be considered the flagship project of the organisation in the sense that approximately 90 000 patents were scanned and sent to the World Intellectual Property Organisation (WIPO) for online clients. WIPO, in the 2011/12 financial year, will upload these patents and potential clients will be able to search the Intellectual Property Patents database from anywhere in the world. Generally, all IP work streams performed well, with the volumes of applications generally meeting or exceeding set targets. This is indicative of the slow recovery being experienced world-wide by IP offices after the economic downturn. A further innovation to expand access to IP registers to the customers was the introduction of an E-Patent Journal in November 2010. This was an added service to the clients who previously had to rely on purchasing a Government Gazette to access the latest registrations.

Company registrations increased steadily compared to the previous reporting period, whilst close corporations also showed a marked increase from the established target of 80 000. The close corporations target was based on the original view that the Companies Act would come into force during the 2010/11 financial year. This target was exceeded by 125%, indicating that entrepreneurs optimised the last opportunity to register this form of business entity.

Co-operatives performed well with higher volumes exceeding targets as a result of the focus on co-operatives as a formal business vehicle.

A customer satisfaction survey in the first quarter revealed that over 60% of respondents were satisfied with CIPRO offerings.

Compliance matters

Annual returns are a big component of ensuring an up-to-date entities database and register. Over the previous few years CIPRO has seen a not so pleasant culture of compliance to national prescripts, particularly in relation to obligations related to annual returns. In the past year the organisation made great strides in educating clients about their responsibilities as business owners and these efforts paid off with an increase in the number of entities that complied with the submission of annual returns, compared to the previous year.

The deregistration of large numbers of inactive entities took place through two major exercises during the reporting period, allowing for the database to contain mainly economically active business entities. As a result, CIPRO has a database that is more reflective of the economic activity in the country.

The Copyright Act, 1978, the Performers Protection Act, 1967, and the Regulations on Collecting Societies mandate CIPRO to grant accreditation to the Collecting Societies who, in turn, must ensure a fair distribution of royalties collected. The Collecting Societies' business activities are conducted subject to compliance to mentioned legislation. During the year under review, the accreditation of South African Recording Rights Association Limited (SARRAL) was withdrawn due to non-compliance with the relevant copyright legislation.

Furthermore, South African Music Performance Rights Association (SAMPRA), which represents record companies that has the right to license and collect royalties, submitted its first distribution plan. This plan was duly considered and disapproved by CIPRO as a regulator; this plan did not comply with the Regulations on Collecting Societies. Subsequently SAMPRA filed an application to the High Court to review the decision.

Review of the CIPRO database

During the year under review CIPRO worked with StatsSA to review its database as a contribution to the Business Registration Reform Project (BRRP). This would serve at the same time as a tool for the cleansing of the database and contribute as a foundation for the new Commission. This has also led to the signing of a Memorandum of Agreement to ensure that in the future the Commission's data can be designated as official statistics as per the South African Statistical Quality Assessment Framework (SASQAF). This subsequently also led to the secondment of expertise to CIPRO who subsequently contributed to the preparation for the Commission.

ISO 9001 recertification

One major achievement for CIPRO in the last financial year of its existence was the fact that the South African Bureau of Standards (SABS), after an in-depth audit of all mapped processes, re-issued an ISO 9001 certificate during the third quarter of the year under review. This remarkable milestone is an indication of the organisation's commitment to rendering a quality service to all clients.

Geographical access to services

CIPRO advanced to a final stage of offering its services at three regional locations through its decentralisation partners. However, the roll-out of such services was placed on hold for consideration in the CIPC and the confirmation of the direction thereof. During this period, the existing partners played a crucial role in creating expanded service to the clients which demonstrates the maturity of the relationship. Whilst all the partners played a role in expanding the access to CIPRO services during the year under review, it is important to mention the Eastern Cape Development Corporation (ECDC), National Youth Development Agency (NYDA), the Small Enterprise Development Agency (SEDA) e-Thekwini, Limpopo Business Support Agency (LIBSA), the Departments of Economic Development Northwest and Mpumalanga, among others. A new partnership was also signed with Gauteng Department of Infrastructure.

Global economic participation

CIPRO had done the groundwork for access to international IP treaties such as the Madrid Protocol and Hague Agreement in previous years. However, the progress in terms of the policy formulation to support this work is lagging behind. Due to the slow progress, the management of CIPRO discontinued reporting against the international participation of IP after the second quarter.

In an attempt to make CIPRO facilities available to the broader continent, CIPRO hosted an Ethiopian delegation through an orientation exercise in the first quarter of the financial year. CIPRO continues to participate in global forums like the Corporate Register Forum (CRF), which was held in Mauritius in 2010. Similarly, CIPRO is continuing to facilitate the establishment of a CRF African Chapter, under the theme of CRF Africa Conversations.

CIPRO also solicited assistance from World Intellectual Property Office (WIPO) for training and capacitating of the IP office. This was important in harmonising standards and processes and is expected to continue.

Conclusion

CIPRO's gratitude is expressed to the Minister of Trade and Industry, Dr Rob Davies and the Deputy Ministers, Ms Elizabeth Thabethe and Ms Thandi Tobias Phokolo, the former Director-General of **the dti**, Mr Tshediso Matona, as well as the newly appointed Director-General of **the dti**, Mr Lionel October, for their guidance and support to the organisation. Much appreciation is expressed to CIPRO management, employees and organised labour for the dedication and commitment that they showed in both executing CIPRO's mandate as well as preparing for the transformation to a new organisation.

Lungile Dukwana
Acting Chief Executive Officer

Statement of responsibility

Vision

Our vision is to provide global leadership in the efficient registration of businesses and intellectual property rights.

Mission

CIPRO's mission is to register businesses and intellectual property rights, maintain related registers and develop information for disclosure to stakeholders.

CIPRO's Mission Statement supports **the dti**'s 2014 vision of "working towards an adaptive economy characterised by growth, employment and equity, and built on the full potential of all persons, communities and geographic areas".

Values

CIPRO identified the following values in support of the adopted vision and mission:

Value	Description
Fairness	Consistently treating people equitably, respectfully and with an open mind.
Accuracy	Doing things right the first time.
Honesty/Integrity	Building trust with clients and colleagues by consistently keeping promises and taking responsibility for tasks.
Customer-focus	All services meet customer needs, demands and expectations which lead to value-added, effective and efficient service delivery.
Accountability	Taking responsibility and ownership for performing assigned work, delivering excellent service and products to clients and achieving CIPRO objectives.
Trust	Interacting with others in a way that gives them confidence in one's intentions and those of the organisation.
Empowerment	Creating a sense of ownership of a job, project or task by providing clear expectations, access to resources and responsibility.
Transparency	Communication and decision-making is clear, open and feedback is elicited from relevant stakeholders.

Legislative mandate

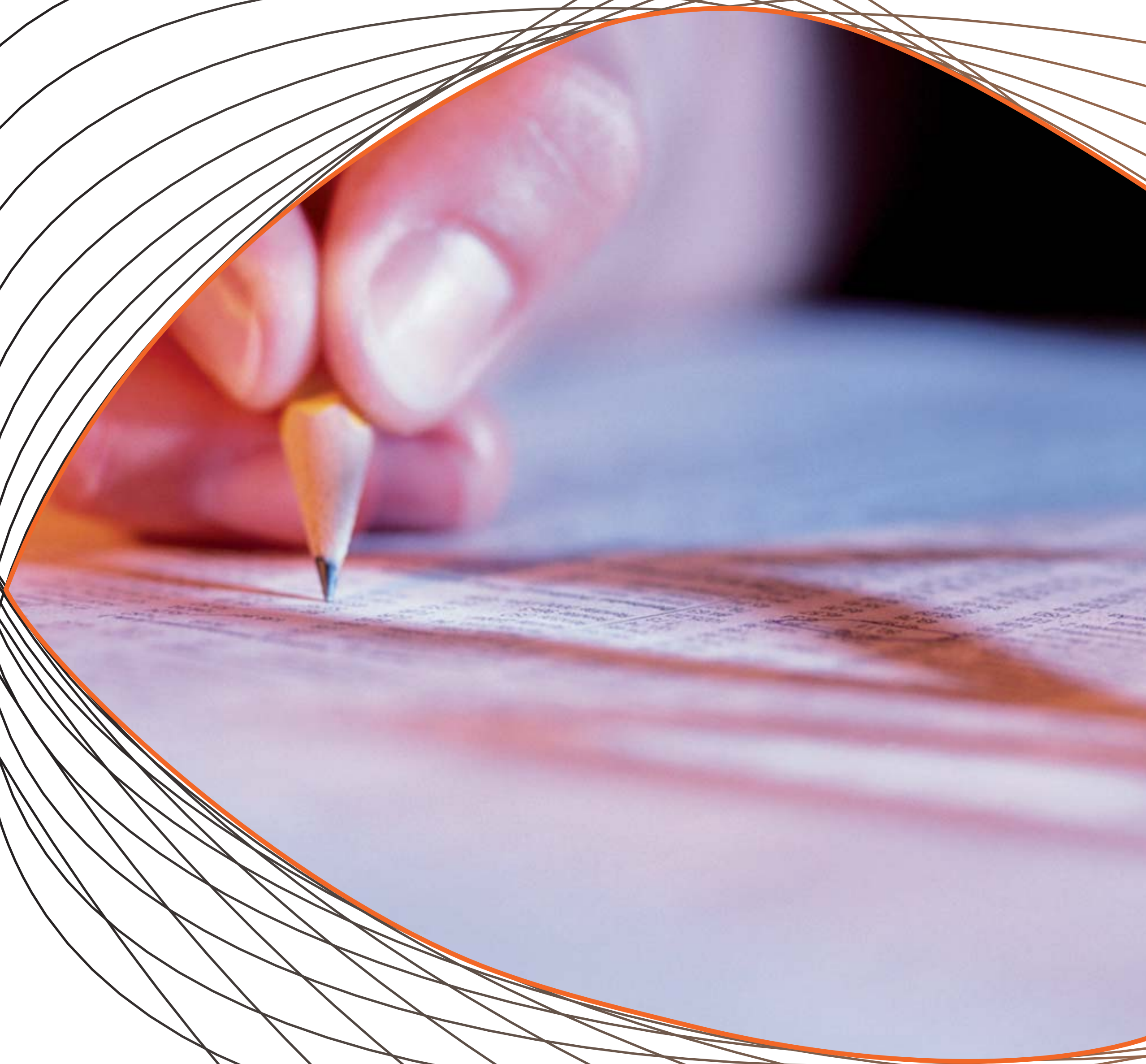
Type	Domain	Act	
Administer	Intellectual Property	1.	Patents Act (Act 57 of 1978)
		2.	Trade Marks Acts (Act 62 of 1963 and Act 194 of 1993)
		3.	Designs Acts (Act 57 of 1967 and Act 195 of 1993)
		4.	Copyright Act (Act 98 of 1978)
		5.	Registration of Copyright in Cinematography Films Act (Act 62 of 1977)
		6.	Merchandise Marks Act (Act 17 of 1941) (amended 2002)
		7.	Intellectual Property Laws Rationalisation Act (Act 107 of 1977)
		8.	Counterfeit Goods Act (Act 37 of 1997)
		9.	Performer's Protection Act (Act 11 of 1967)
		10.	Unauthorised Use of Emblems Act (Act 37 of 1961)
		11.	Stem van Suid-Afrika Act (Act 2 of 1959)
		12.	Vlaglied Act (Act 9 of 1974)
Administer	Companies	13.	Companies Act (Act 61 of 1973)
		14.	Close Corporations Act (Act 69 of 1984)
		15.	Share Blocks Control Act (Act 59 of 1980)
		16.	Business Names Act (Act 27 of 1960)
		17.	Rationalisation of Corporate Laws Act (Act 45 of 1996)
Administer	Co-operatives	18.	Co-operatives Act (Act 91 of 1981)
		19.	Co-operatives Act (Act 14 of 2005)

Legislative mandate (continued)

Type	Domain	Act	
Member Compliance	Treaty Operational	20.	Paris Convention
		21.	Patent Co-operation Treaty
		22.	Berne Convention
		23.	Budapest Treaty
		24.	TRIPs Agreement

Strategic objectives

1. Provision of value-added, effective and efficient service delivery.
2. Implementation of new relevant legislative changes.
3. Effective support services and entrenchment of enterprise governance.
4. Ensuring national and equitable access to CIPRO services.
5. Ensure participation in global economic agenda.



Part one:
Strategic overview

Part one: Strategic overview

In terms of the Companies Act, 30 April 2010 marked the end of CIPRO as a trading entity of **the dti** when it, together with OCIPE, became CIPC.

In preparation for the Commission, a variety of work streams, through the Commission Task Team (CTT), were established to facilitate a smooth transition from CIPRO to CIPC. This led to the development of transformation initiatives ranging from change management to education and awareness campaigns to prepare both internal and external stakeholders for the implementation of the Companies Act.

Amid these transitional developments, CIPRO was also duty bound to implement its five strategic objectives, namely:

1. Provision of value-added, effective and efficient service delivery;
2. Implementation of new relevant legislative changes;
3. Effective support services and entrenchment of enterprise governance;
4. Ensuring national and equitable access to CIPRO services; and
5. Ensure participation in global economic agenda.

1.1 CIPRO aimed to ensure value-added, effective and efficient service delivery through the development and implementation of an Enterprise Content Management (ECM), which would have reduced the use of manual and paper forms.

Largely, this strategic objective's deliverables could not be realised due to the ECM being on hold since June 2010 when the Minister of **the dti** cancelled the contract with the service provider. The service provider since instituted legal action into this decision and these matters remained *sub judice* for the remainder of the financial year.

Despite such developments it is, however, notable that some of the other targets in the strategic plan relating to improved service delivery performed well. In relation to the IP Patent Database, over 90 000 scanned patents were made available to WIPO for on-line publishing and similarly over 100 000 bibliographical data of granted patents were quality checked.

Other IP offerings constantly performed well in terms of the number of applications received which either met or exceeded the set targets. Trade mark applications for the year exceeded the annual target by 30%. Patent applications exceeded the target by 4%, Copyright in films exceeded the target by 39% whilst 92% of design application targets were met.

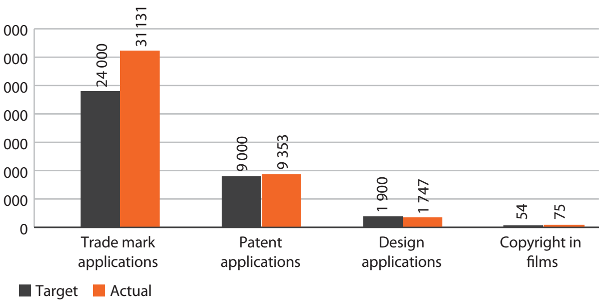
For more detailed information on other IP services refer to Table 1 and the graphical illustration in Figure 1 below:

TABLE 1: INTELLECTUAL PROPERTY (IP) SERVICES

Offerings	Target	Actual	Achievement
Trade mark applications	24 000	31 131	30% above the target
Patent applications	9 000	9 353	4% above the target
Design applications	1 900	1 747	92% of the target
Copyright in films	54	75	39% above the target

FIGURE 1:

Intellectual Property (IP) Services



The registration of co-operatives also performed above the set target. There was a realistic expectation about a slow uptake of Co-operatives in the second half of the financial year. By the end of the financial year, registration of co-operatives had exceeded the annual target by 11%. The constant rise in the registration of this type of entity could be attributed to the government drive to eradicate poverty through the establishment of co-operatives.

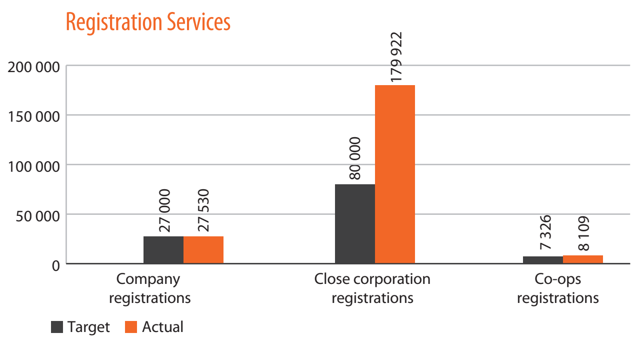
It is imperative to note that the halting of the ECM system impacted negatively on a variety of business activities. The envisaged completion of the ECM and the concomitant expectation of the implementation of the Companies Act, 2008 (Act 71 of 2008) in the 2010/11 financial year inadvertently swayed the organisational performance downward.

The advent of the Companies Act, led to the conservative targeting for the registration of close corporations at 80 000. This was due to the fact that the new legislation would not permit the registration of close corporations as a business entity. However, an exponential uptake of close corporation registration services was experienced. The target was exceeded by 129%. It is believed that entrepreneurs optimised the last opportunity to register this form of business entity prior to the implementation of the new legislation. Company registrations increased steadily with the set target being met. For more details on registration services refer to Table 2 and a graphical illustration thereof in Figure 2 below:

TABLE 2: REGISTRATION SERVICES

Offerings	YTD Target	YTD Actual	YTD Achievement
Company registrations	27 000	27 530	2% above the target
Close corporation registrations	80 000	183 406	129% above the target
Co-ops registrations	7 326	8 109	11% above the target

FIGURE 2:



As a customer-focused organisation, CIPRO conducted a customer satisfaction and a web-based survey with the aim of ensuring continuous improvement of services. The overall ratings for both surveys were positive and the action plans for improvements were implemented.

1.2 CIPRO made a commitment to contribute to the implementation of relevant new legislative changes

The involvement of CIPRO's co-operatives unit in the amendment of co-operatives legislation driven by **the dti** is noteworthy. The Co-operative Amendment Bill has been reviewed extensively and submitted to Nedlac for consideration.

In terms of the implementation of the Companies Act, CIPRO contributed in the establishment of the CIPC by providing inputs to the amendment of the legislation, participating in the interim governance structure, i.e. the Steering Committee (established by **the dti** to establish the CIPC), and established two internal committees consisting of senior managers in OCIPE and CIPRO to facilitate various facets of the transition.

One of the internal committees, the Commission Task Team (CTT), consisted of eight work streams to ensure the successful implementation of the Companies Act, and the smooth transition to the CIPC.

Human Resources Issues

Change management interventions were conducted on a formal basis throughout the year. These included an industrial theatre in the third quarter and dedicated workshops with all CIPRO and OCIPE staff in the fourth quarter.

Engagement with organised labour resulted in a transfer agreement adopted by all concerned parties in terms of which all staff were transferred to the CIPC as a going concern in terms of the Labour Relations Act, 1995 (Act No 66 of 1995).

The dti commissioned a service provider who developed an organisational structure for the CIPC.

Customer services

A customer contact centre was in place when the CIPC commenced its functions on 1 May 2011. Complaints and compliments registers were put in place to give a platform for customers and opportunities for the organisation to better understand its clients' needs. Queue marshals were introduced to give customers a better experience. During the course of February and March hours of business were extended to give an opportunity for submitting annual returns. The customer contact centre hours were also extended during this period.

Financial and auditing matters

The National Treasury categorised the CIPC as a schedule 3A entity. The CIPC will subsequently follow the prescripts relevant to this category of entities.

Strategy formulation

The CIPC strategy was developed and tabled in Parliament in the fourth quarter of the 2010/11 financial year. Furthermore, a business plan based on the strategy was developed and approved by the Director-General of **the dti**.

Education and awareness

Stakeholders were widely consulted on the implications of the Companies Act, through dedicated education and awareness sessions. These stakeholders ranged from existing decentralisation partners, business community organisations to internal staff.

Enforcement and investigations

Procedure manuals have been developed for pre-valuation of company complaints, close corporation complaints and investigations.

Core business issues

Key processes required for implementation of the CIPC were identified, prioritised and mapped.

Systems

Existing computer systems were upgraded and new static and transactional websites were developed to accommodate the new processes and requirements of the legislation.

Policies

The policies relevant to CIPRO were adopted for use whilst those pertaining to CIPC specific functions were developed and adopted by the Steering Committee set up by **the dti**.

The second internal committee, the Transitional Management Team (TMT), performed an oversight role in relation to the CTT. The commitment of the work stream members and all the staff of both CIPRO and OCIPE resulted in complete readiness on 1 May 2011 to commence as the CIPC.

1.3 In executing its mandate, CIPRO depended on effective support services and entrenched enterprise governance

Fraud and corruption continued to be one of the major challenges that CIPRO faced in the year under review. It was initially anticipated that the ECM would make a positive contribution to the reduction of this deeply rooted problem. The company hijackings again highlighted the challenges associated with the CIPRO's legacy systems. Following the review of the controls, CIPRO introduced additional controls to address loopholes in its legacy systems. Such controls include submitting certified copies of identity documents for all transactions, new password requirements, minutes of meetings and mandate letters for the change of directorships. Usage of electronic credit cards was stopped to reduce fraudulent activities. Although these measures were necessary to secure the database, they may have led to increased turnaround times for some of the transactions as some human intervention was required. By the end of the reporting period CIPRO can report that it signed a Memorandum of Agreement with the DHA to prevent the challenges associated with invalid identity documents.

In an attempt to close governance gaps based on audit findings and identified ineffective internal controls, eight scheduled audit reviews and 10 ad hoc reviews were conducted. These were done amid resource constraints and challenges around legacy systems.

Despite the apparent ineffective controls, one major achievement for CIPRO over the past financial year was the fact that SABS, after an in-depth audit of all mapped processes, reissued an ISO 9001 certificate for three years. This remarkable milestone is an indication of the organisation's commitment to render a quality service to all clients.

CIPRO complied with legislative prescripts such as the Public Finance Management Act, 1999, in the running of its operations. The strategic plan, business plan and quarterly reports were submitted according to set timeframes and the conditions of the shareholder compact between CIPRO and **the dti**.

Comprehensive human capital interventions were provided to the entire organisation to enhance the strategic value of the human resources. This included the provision of health and wellness services and internal and external training, which includes offering an Advanced Management and Development Programme (AMDP) and an Executive Management Development Programme (EMDP) to officials in the organisation.

The significant increased use of CIPRO's products and services for the year under review could be attributed to the successful implementation of a marketing and communication strategy. Similarly, an increased awareness about the Companies Act, and the CIPC, was due to a pervasive mass media campaign having been conducted.

In the previous financial year CIPRO had successfully enforced compliance to annual returns by issuing close to 1, 6 million final deregistration notices through two dedicated deregistration interventions. The impact of enforcement to annual returns manifested itself through greater compliance of different types of entities. The volume of public companies for 2010/11 that have complied with the lodgment of annual returns exceeded 2009/10 volumes by 43%. Private company compliance was 11% higher than in 2009/11 (volumes) whilst 137% more close corporations submitted annual returns than in 2009/10.

For more details about the annual returns performance refer to Table 3 below. These results are graphically illustrated in Figure 3 below.

TABLE 3: ANNUAL RETURNS

Offerings	Totals 2009/10	Totals 2010/11	Comparison 2010/11 with 2009/10
Public companies volume	3 839	5 498	43% higher
Private companies volume	270 170	299 169	11% higher
Close corporation volume	253 863	600 405	137% higher

FIGURE 3:

Comparison of Annual Returns year on year 2009 to 2010

1.4 In its existence, CIPRO endeavoured to ensure national and equitable access to its services

In an attempt to broaden its footprint, CIPRO's executive management made a decision to offer its services at three regional locations, namely KwaZulu-Natal, the Eastern Cape and Limpopo. However, a decision was made to postpone the implementation hereof until after the commencement of the CIPC.

1.5 Finally, CIPRO endeavoured to ensure participation in global economic agenda

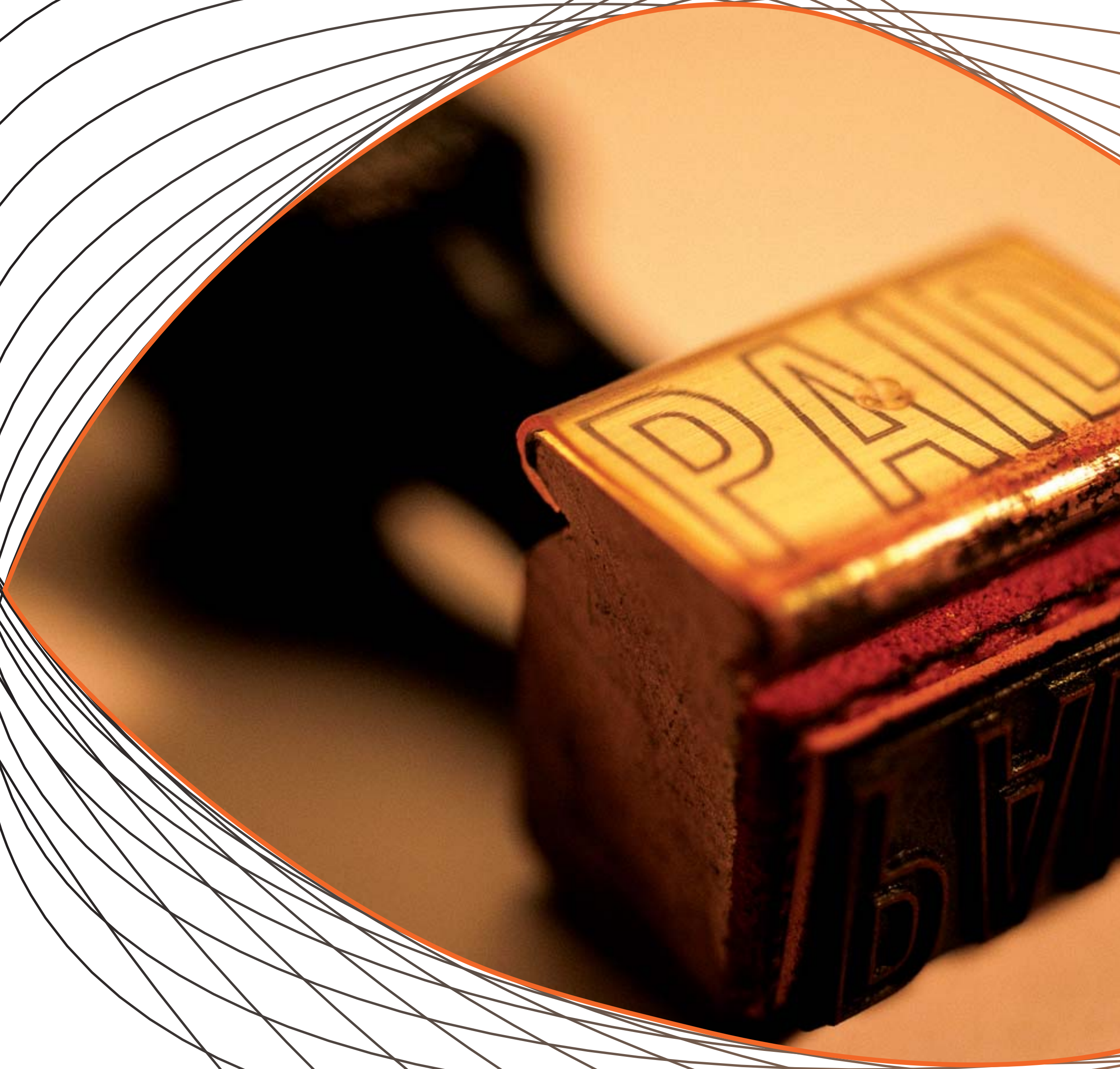
CIPRO had done the groundwork for access to international IP treaties such as the Madrid Protocol and Hague Agreement in previous years. However, the progress in terms of the policy formulation to support this work is lagging behind. Due to the slow progress, the management of CIPRO discontinued reporting against the international participation of IP after the second quarter.

In an attempt to make CIPRO facilities available to the broader continent, CIPRO hosted an Ethiopian delegation through an orientation exercise in the first quarter of the financial year. Similarly, CIPRO is continuing to facilitate the establishment of a Corporate Registrar's Forum (CRF) African Chapter, under the theme of CRF Africa Conversations.

Special projects

In order to accelerate the successful achievement of CIPRO's strategy, a number of strategic initiatives were identified to close existing operational challenges:

- **Preparatory projects:** A service provider was appointed to provide a warehousing and document management tracking solution for all professional records for a five year-period.
- **IP patent database:** Two phases of the project were successfully completed with a third commencing in the 2011/12 financial year.
- **Fraud prevention:** A Memorandum of Understanding was signed between CIPRO and DHA to form a partnership in the fight against fraud and corruption. The DHA had provided CIPRO with a database which is used as a mechanism to verify client identification.
- **Enterprise Content Management:** This project was put on hold and remained on hold after the Minister of **the dti** cancelled the contract with the service provider in June 2010.



Part two:
Performance against targets

Part two: Performance against targets (tables)

Strategic objective 1: Provision of value-added, effective and efficient service delivery

Priority	Performance indicator	Target to be delivered by 31 March 2011	Actual achievement	Challenges/Variances
1.1 Provide all CIPRO core services online by 2011/12 (i.e. global availability of services)	Fully implemented ECM solution Improved workflow and document management	100% implementation of ECM to all core businesses	The ECM was not implemented. However, some progress was made with developing some software namely, in the first quarter, Name Reservation, Co-operative Registration and applications, Ciptranet and CIPRO portal which were signed off; however not piloted and therefore co-operative pilot review could not take place This was 66% of deliverables planned for the 1st quarter	The project was halted in June 2010 after the Executive Authority cancelled the contract with the service provider
		Partners for client portals identified	Not achieved	The target was planned for the second quarter of the year; however, the project was halted in June 2010 after the Executive Authority cancelled the contract with the service provider
		Identity management and contact centre implemented	Not achieved	The target was planned for the second quarter of the year; however, the project was halted in June 2010 after the Executive Authority cancelled the contract with the service provider
		80% improvement of workflow and document management	Not achieved	The target was planned for the second quarter of the year; however, the project was halted in June 2010 after the Executive Authority cancelled the contract with the service provider
	Reduced use of paper forms and manual activities	Reduced use of paper forms and manual activities by 80%	Not achieved	The target was planned for the latter part of the year; however, the project was halted in June 2010 after the Executive Authority cancelled the contract with the service provider
	All companies and IP documents and bibliographic data digitised accessible in line with the Companies Act and Legislation and WIPO standards	A total of 80% of companies and IP documents scanned and electronically accessible	100% of patents (component of IP) documents scanned as part of IP database. No companies' files were scanned	Procurement of a service provider was at its final stages by the end of the reporting period

Priority	Performance indicator	Target to be delivered by 31 March 2011	Actual achievement	Challenges/Variances
1.2 Contribute to the establishment and implementation of Business Registration Reform	Reports and participation on JSC meetings with regard to Business Registration Reform Approved implementation plan for Business Registration Reform	Contribute to the Joint Steering Committee (SARS, StatsSA, National Treasury)	CIPRO contributed in the Steering Committee through the Senior Manager: Legal Services and the Acting CEO of CIPRO. The following activities were reported during the year: • Project team was established • Project concept document was developed • Two workshops on Business Registration Reform during the first and third quarter • Joint Steering Committee meetings were attended • Draft Bill on BRR was developed CIPRO contributed by seconding two officials on a full-time basis to BRR project as agreed in the project plan	None
1.3 Provide a customer satisfaction strategy	Approved customer satisfaction strategy aligned to the Batho Pele Principles	Full implementation of customer satisfaction strategy	In preparation for development of the customer satisfaction strategy, a survey was conducted and a report (Kapungu Report) with detailed recommendations compiled. This report forms the basis of the strategy. Implementation begun with the reviewing of the Customer Contact Centre	The mentioned report will inform the strategy
	Customer satisfaction surveys to measure, monitor and review client satisfaction of all CIPRO clients	60% improved ratings in customer surveys	The 2010/11 survey indicated 67% customer satisfaction In addition, a client web-based survey to test the effectiveness of e-lodgement was conducted and the results presented to the executives of the organisation	The results of the customer satisfaction survey could not be compared with the one conducted in 2009/10 because different criteria were used

Part two: Performance against targets (tables) *(continued)*

Priority	Performance indicator	Target to be delivered by 31 March 2011	Actual achievement	Challenges/Variances
1.3 Provide a customer satisfaction strategy (continued)	Develop and implement E-queue at head office	Reduced waiting times at head office by 70%	A pilot E-queuing system was implemented Five additional queue marshals were employed to assist in queue management. This proved to be beneficial in that customers have been able to be re-directed upfront to the correct sections avoiding unnecessary delays	The system is not yet fully established, hence the reduction of waiting times could not be calculated
1.4 Improved efficiency of all core business processes	All business processes reviewed for improvement of the QMS	80% business processes reviewed for improvement of the QMS	A total of 84% of support processes were reviewed	ECM being put on hold negatively impacted on the achievement of this milestone since core business processes were linked to the ECM
	All ECM core business processes engineered/ improved	80% existing and newly implemented ECM processes engineered/improved	A total of 32% of core business processes reviewed in preparation of the Commission	ECM being put on hold negatively impacted on the achievement of this milestone
1.5 Ensure that ICT is used as an enabler to the provision of effective, efficient and value-added service	A stable and modernised ICT infrastructure	Capabilities of DR and virtualised environment enhanced by 80%	DR has not been implemented in full. Back-up is done daily. New servers were procured resulting in more stability	The full DR site will be implemented in the 2011/12 financial year
	Systems downtime reduced	Systems downtime reduced by 80%	Systems availability was measured in the second and third quarters. The average availability was 94% for network availability; between 96% and 99% availability for applications and 99% for server availability	ECM has been put on hold which was to address system availability CIPRO ICT ought to monitor three aspects of the systems in order to get an average availability: Website availability, Application availability and Server availability, report can be generated for some aspects but not all of them, hence not giving the total picture of system availability
	E-admin implemented	Draft implementation plan	The project was not implemented	Due to the preparations for the Commission, the project was placed on hold

Priority	Performance indicator	Target to be delivered by 31 March 2011	Actual achievement	Challenges/Variances
1.6 Ensure institution-alisation of data/information management to improve decision-making	Established effective Statistics/Data Information Management Unit and approved strategy/policy	Develop Statistics/Data Management strategy and implement	There is a data manager in place. Data assessment was also conducted with StatsSA. Recommendations will inform the development of the strategy. Furthermore a task team was established to facilitate the implementation of the recommendations	The structure of the unit was placed on hold pending the approval of the Commission structure
	Capacitate Statistics/Data Information Management Unit	Statistics/Data Unit capacitated	The data manager is in place. Resources from StatsSA were seconded to CIPRO	None
	Data repository Availability of data in new unit	Data repository developed by 80%	A draft meta-data and knowledge management requirement submitted for comment which was 20% of the data repository	The signing of the MoU was delayed and the activities around the data management only commenced in the latter part of the year
		Memorandum of Understanding (MoU) with StatsSA implemented	MoU with StatsSA was concluded and five resources from StatsSA were seconded to CIPRO	None
		Approved CIPRO data norms and standards document	A draft meta-data and knowledge management requirement submitted for comment	None
1.7 Ensure efficient and effective provision of registration services for companies, CCs and co-operatives, intellectual property and trade marks[1]	Revenue collected from companies, CCs and co-operatives, intellectual property and trade marks	% revenue increase	Revenue for companies and CCs increased by 4,9% compared to last year	None
	Increased volumes of respective services on database	% increase in volumes of respective services on the database 27 000 new companies targeted based on 2008/09 annual report	A total 27 530 new companies registered 2% above the target	None
	Increased responses on queries		Various communication channels were introduced which improved responses to queries	A customer services system as envisaged in the ECM will be implemented
	Improved turnaround times	% improvement of turnaround times	There was no improvement in the turnaround time. The actual turnaround time was five working days at the end of the reporting period	See footnote[1]

[1] *ECM project was envisaged to develop a system that will automatically measure turnaround times and improvements thereof. When the project was cancelled this could not be realised.*

Part two: Performance against targets (tables) *(continued)*

Priority	Performance indicator	Target to be delivered by 31 March 2011	Actual achievement	Challenges/Variances
1.7 Ensure efficient and effective provision of registration services for companies, CCs and co-operatives, intellectual property and trade marks[1] (continued)		% increase in volumes of respective services on the database 20 000 (share capital) special resolutions per annum – based on average per month in previous year	A total of 8 808 special resolutions (share capital) were conducted during the year which is 44% of the target	This is a demand-driven function outside of CIPRO's area of influence. Although targets were revised for inclusion in revised business plan, it was not approved
		% Improvement of turnaround times	There was no improvement in the turnaround time. The actual turnaround time was 15 working days at the end of the reporting period	See footnote[1]
		% increase in volumes of respective services on the database 21 000 name changes per annum – based on average per month in previous year	A total of 7 657 name changes were processed during the year which is 36% of the target	This is a demand-driven function outside of CIPRO's area of influence. Although targets were revised for inclusion in revised business plan, it was not approved
		% improvement of turnaround times	There was no improvement in the turnaround time. The actual turnaround time was 10 working days at the end of the reporting period	See footnote[1]
		% increase in volumes of respective services on the database 24 000 liquidations per annum – based on average per month in previous year	A total 1 119[2] liquidations were recorded during the year	The lower number of liquidations is not necessarily an under-achievement; it is a sign of economic recovery
		% improvement of turnaround times	There was no improvement in the turnaround time. The actual turnaround time was one day at the end of the reporting period	Turnaround time on liquidations not measured since CIPRO does not manage the process. Targets were based on possible effects of economic downturn
Registration of new **close corporations** Including amendments, restorations, conversions	Revenue collected from companies, CCs and co-operatives, intellectual property and trade marks Increased volumes of respective services on database	% revenue increase	Revenue increased by 4,6% for companies and CCs compared to the previous financial year	None

[1] ECM project was envisaged to develop a system that will automatically measure turnaround times and improvements thereof. When the project was cancelled this could not be realised.
[2] This is based on notices received by CIPRO.

Priority	Performance indicator	Target to be delivered by 31 March 2011	Actual achievement	Challenges/Variances
Registration of new **close corporations** Including amendments, restorations, conversions (continued)		% increase in volumes of respective services on the database 80 000 applications processed – decline based on the Companies Act implications	A total of 183 406 registrations of new CCs done during the year which is 129% above the target	Target was exceeded as a result of business entities making use of the last opportunity to register this form of formal business prior to the implementation of the Companies Act
	Increased responses on queries		Increase in responses to queries was not formally measured	See footnote[1]
	Improved turnaround times	% improvement of turnaround times	There was no improvement in the turnaround time. The actual turnaround time was five working days at the end of the reporting period	See footnote[1]
		% increase in volumes of respective services on the database 7 200 conversions based on average per month of previous year	A total of 1 565 conversions done during the year which is 22% of the target	The target for the conversions of companies to CCs (7 200 compared to 2 592 in the previous year) was based on the envisaged influx before the introduction of the Companies Act since no companies will be converted to CCs under the Companies Act
		% improvement of turnaround times	There was no improvement in the turnaround time. The actual turnaround time was six days at the end of the reporting period	See footnote[1]
		% increase in volumes of respective services on the database 240 restorations - based on average per month of previous year	A total of 262 restorations (non-annual returns) were done during the year which exceeded the target by 1%	Restorations are based on demand, therefore the number of applications received is outside the control of the organisation No applications were processed during March due to the statutory timeframes of the publication of notices in the local newspaper by the applicants
		% improvement of turnaround times	There was no improvement in the turnaround time. The actual turnaround time was 30 working days at the end of the reporting period	The turnaround time of the process is prescribed by legislation but no turnaround time improvement due to ECM project on hold

[1] ECM project was envisaged to develop a system that will automatically measure turnaround times and improvements thereof. When the project was cancelled this could not be realised.

Part two: Performance against targets (tables) *(continued)*

Priority	Performance indicator	Target to be delivered by 31 March 2011	Actual achievement	Challenges/Variances
Registration of new **close corporations** Including amendments, restorations, conversions (continued)		% increase in volumes of respective services on the database 25 000 billable amendments – based on average per month of previous year	A total of 176 639 billable amendments were processed which is 63% of the target	None
		% improvement of turnaround times	There was no improvement in the turnaround time. The actual turnaround time was 15 working days at the end of the reporting period	See footnote[1]
Registration of new **co-operatives**	Revenue collected for **co-operatives**	% revenue increase	Revenue decreased by 10% from the previous year	None
		% increase in volumes of respective services on the database 7 326 new co-operatives based on previous year's figures	A total of 8 109 co-operatives were registered during the year which is 11% above the target	None
	Increased responses to queries (all registration services)	% improvement of responses to queries	Response times not measured	See footnote[1]
		% improvement of turnaround times	There was no improvement in turnaround time	See footnote[1]
Registration Services of IP	Revenue collected for all Intellectual Property	% revenue increase	Revenue increased by 21% compared to the same period last year	None
Registration of **trade marks**	Volume Turnaround time – five days	% increase in volumes of respective services on the database 24 000 applications processed	A total of 31 131 applications were processed during the year which is 30% above the target	None.
		% improvement of turnaround times	There was no improvement in the turnaround time. However all applications were billed within two days during this reporting period	See footnote[1]
Registration of **new patents**		% increase in volumes of respective services on the database 9 000 applications processed	A total of 9 353 applications were processed during the year which is 4% above the target	None
		% improvement of turnaround times	There was no improvement in the turnaround time. However, all applications were processed within two days during this reporting period	See footnote[1]

[1] *ECM project was envisaged to develop a system that will automatically measure turnaround times and improvements thereof. When the project was cancelled this could not be realised.*

Priority	Performance indicator	Target to be delivered by 31 March 2011	Actual achievement	Challenges/Variances
Registration of **new designs applications**		% increase in volumes of respective services on the database 1 900 applications processed	A total of 1 747 applications were processed during the year which is 92% of the target	A low number of applications received were due to economic downturn
		% improvement of turnaround times	There was no improvement in the turnaround time However, all applications were processed within two days during this reporting period	See footnote[1]
Registration of **films**	Registered films	% increase in volumes of respective services on the database Number of films registered[3]	A total of 75 films were registered during the year which is 39% above the target	None
		% improvement of turnaround times	There was no improvement in the turnaround time. The actual turnaround time was three months at the end of the reporting period	See footnote[1]
Accreditation and supervision of **Collecting Societies**	Regulated Collecting Societies in accordance with regulations on collective management of rights	Less than 0.1% deficiencies/ three months 100% compliance to the provisions of the regulations and corporate governance principles	With regard to compliance to the regulations governing copyright in South Africa: (i) Accreditation for the South African Recording Rights Association Limited (SARRAL) was revoked (ii) CIPRO also received SAMPRA's financial statements and annual activity report. Auditors will be appointed by CIPRO to verify all submitted financial statements to ensure compliance with the regulatory framework (iii) CIPRO also dealt with two Copyright Tribunal referrals in which CIPRO is responsible for case management	Outdated regulations
	Turnaround times improvement based on ECM	Improve turnaround times by %	There was no improvement of turnaround times	System challenges and the lack of resources resulted in turnaround time targets not being met See footnote[1]

[1] ECM project was envisaged to develop a system that will automatically measure turnaround times and improvements thereof. When the project was cancelled this could not be realised.

[3] Target provided in the operational plan.

Part two: Performance against targets (tables) *(continued)*

Priority	Performance indicator	Target to be delivered by 31 March 2011	Actual achievement	Challenges/Variances
	Increased volumes	Increase volumes with %	A total of 398 255 name searches were conducted which is 99,6% of the target of 400 000 A total of 360 187 names were approved during the year which is 90% of the target of 400 000	None
	Response time on queries	50% improvement of response time on queries	Response time to queries was not formally measured	See footnote[1]
Provide **name objections** services	Minimal number of duplications in approved name approvals (increased volumes)	Name objections (1 000)	A total of 674 cases of name objections were received during the year. It is 67% of the anticipated number of objections, but not an underachievement The decline in applications is an indication that there are fewer queries to be lodged with regard to names and therefore some improvement in the name searching function	CIPRO introduced certain controls in the name reservation process which resulted in less name objections
	Cases finalised for name objections	% cases finalised for name objections – cases completed for name objections	A total of 997 objections finalised during the year which is 25% above the target	None
		Objections finalised within 90 days	All name objections were finalised within 90 days which is prescribed by legislation	None

[1] *ECM project was envisaged to develop a system that will automatically measure turnaround times and improvements thereof. When the project was cancelled this could not be realised.*

Strategic Objective 2: Implementation of new relevant legislative changes

Priority	Performance indicator	Target to be delivered by 31 March 2011	Actual achievement	Challenges/Variances
2.1 Contribute to the implementation of the Companies Act (particularly CIPRO as a Commission)	The Companies Act and legislative changes effected	Participation in the Steering Committee	CIPRO representatives attended all the Steering Committee Meetings	The Commission was only implemented on 1 May 2011 due to delays on the approval of the Companies Act
	Compliance to the Companies Act	Development and approval of the structure for the Commission	Draft Commission structure was developed and endorsed by the Steering Committee. It was in the approval process at the end of the reporting period	
		Passing of the Regulations	CIPRO participated in the drafting of the Regulations which were subsequently passed on 26 April 2011	
	Approved Business Case	Approval of the Business Case	The Business Case was developed by **the dti** and approved by the National Treasury	
	Developed Strategic and Business Plan for Commission	Development and approval of a revised Strategic Plan	Strategic and Business Plans were submitted to **the dti** and Strategic Plan approved by the Minister and the Business Plan approved by the Director-General of **the dti**	
	Industry Readiness Plan	Roll-out of Industry Readiness Plan	Education and awareness workshops were held with industry organisations	
		Finalisation of the preparatory projects	Communication to all staff on the status on the preparatory projects was done and change management sessions conducted	
	Trained CIPRO staff	Trained CIPRO staff	18 external training sessions held to CIPRO decentralisation partners and accountancy professional bodies Core business was identified as the area in which training needs to be conducted. This was done through eight training sessions. Internal training conducted for 50 CIPRO officials on the Companies Act and cross-functional process training for 146 officials	
	Integration of CIPRO and OCIPE	Commission operational	The Commission was implemented on 1 May 2011	

Priority	Performance indicator	Target to be delivered by 31 March 2011	Actual achievement	Challenges/Variances
2.2 Ensure that the co-operatives legislation with its amendments is effectively implemented	Input captured in draft legislation Amended Co-operatives Act effected	Inputs to **dti** Co-operatives unit regarding amendment of legislation	CIPRO also participated through meetings with **the dti** and Nedlac and presented its inputs at these meetings The Co-operatives Amendment Bill was published in the Government Gazette on 21 January 2011 for public comment[4] All comments from interested parties have been evaluated and incorporated in the Bill	The Bill is ready to be submitted to Nedlac for final discussion and endorsement. After this process it will be introduced in Parliament for debate

Strategic objective 3: Effective support services and entrenchment of enterprise governance

Priority	Performance indicator	Target to be delivered by 31 March 2011	Actual achievement	Challenges/Variances
3.1 Eradicate fraud and ensure business continuity and disaster recovery	Approved Fraud Prevention Plan	Implementation of the Fraud Prevention Plan	The Fraud Prevention Plan was reviewed as part of organisation-wide policy review and approved accordingly The Fraud Prevention Plan was implemented with 17 of the 22 actions identified, having been implemented and the remaining five in the progress of implementation	None
	Number of reported incidents of fraud and corruption		A total 64 incidents of fraud were reported and investigated; nine matters are still outstanding	Ethics audit was not conducted due to risk assessments not being finalised in time There was insufficient evidence to identify agents who defrauded customers. Customers also defrauded do not have enough information to conduct investigation Drawn out legal process resulted in nine cases not concluded by year-end

[4] *The Bill is on CIPRO and **dti** websites.*

Priority	Performance indicator	Target to be delivered by 31 March 2011	Actual achievement	Challenges/Variances
3.1 Eradicate fraud and ensure business continuity and disaster recovery (continued)		Finalise the implementation of the Fraud Prevention Project	The Memorandum of Understanding (MoU) has been signed with the DHA and as a result a copy of the DHA database was submitted to CIPRO in the fourth quarter as a control mechanism in terms of identification verification. Information is also being shared with SABRIC on a regular basis	The project was not fully implemented. This was the first phase of the agreement. Phase II will include finger printing picture view
Implement **Identity Management**	Improved systems	Capabilities of Memex and Encase enhanced	Memex and Encase was implemented in 2009/10. No enhancements were done in 2010/11	Memex and Encase reviewed and a decision taken by CIPRO's Executive Management to discontinue their usage and investigate other best industry mechanisms
		Finalisation of biometric authentication and digital signature	Digital signatures to be implemented as Phase 2 of the Fraud Prevention Project. South African Post Office (SAPO) engaged to review feasibility of Public Key Infrastructure (PKI) as they are the regulated authority to be used for the public service A tender issued on the PKI needs to be finalised	None
Risk Management	Annual risk assessment conducted	Updated divisional and organisational risk profile	Risk assessment was done for the CIPC Strategic Plan Divisional risk plans were updated	Resource constraints delayed risk assessment
	Risk Management reports		Risk reports were updated at divisional level on a quarterly basis	None
	Risk registers updated		Divisional risk registers were revised with the aim of identifying fraud risks per division in order to compile a fraud risk register that will inform the Fraud Prevention Plan	None

Priority	Performance indicator	Target to be delivered by 31 March 2011	Actual achievement	Challenges/Variances
Ensure Business Continuity (BC) and Disaster Recovery (DR)	Approved Business Continuity and Disaster Recovery Plan	Implement BC and DR Plan (as outlined in Finance/Safety/ Security Plan)	Draft Disaster Recovery and Business Continuity Plan have been developed but were not implemented yet Business Impact Assessment was 99% completed Draft Disaster Recovery Business case was developed	Both plans are awaiting approval and are dependent on the move to a new building Training delayed due to a lack of resources and other areas of responsibility receiving preference The draft Business Case for disaster recovery is awaiting presentation to Project Review Committee
3.2 Ensure long-term financial sustainability of CIPRO	Financially self sustainable CIPRO	Develop a costing model to form the basis of the new fee structure	A costing model was developed Costing principles adopted and incorporated in the Strategic Plan and budget for Commission for the 2011/12 financial year	None
	Approved new fee structure Approved pricing policy	Develop a new fee structure	Fee structure was developed as an input to **the dti**. This is now part of the CIPC Regulations	None
3.3 Ensure effective Financial and Supply Chain Management and enforce PFMA compliance	Compliance with PFMA	Monthly reports submitted to relevant authorities	Monthly reports submitted to relevant authorities in compliance to PFMA	None
	Maintain expenditure within approved budget	Quarterly reports submitted to relevant authorities	Quarterly reconciliation report was submitted to relevant authorities as per prescripts Revenue reconciliations were submitted as required Expenditure was maintained within the approved budget	
	Prepare MTREF input in line with National Treasury Guidelines and timeframes	Annual financial statements as per National Treasury timeframe	MTREF inputs submitted to **the dti** for submission to NT ENE draft inputs submitted to **the dti** as required and final ENE inputs submitted to National Treasury as required Annual financial statements were prepared for previous financial year as required within the timeframe	

Priority	Performance indicator	Target to be delivered by 31 March 2011	Actual achievement	Challenges/Variances
3.3 Ensure effective Financial and Supply Chain Management and enforce PFMA compliance (continued)	Approved Supply Chain Management Framework and Plan	Implementation of Supply Chain Management Framework and Plan	In implementing the SCM Framework and Plan, CIPRO has policies in place that align with the Treasury Framework. The framework was implemented including stock-taking and asset verification Monthly reports on bids awarded were submitted	Verification to be finalised by end April 2011 Tender for the building not awarded due to unaffordability
	Approved Supply Chain Policies	SCM policies are in line with the Supply Chain Framework	All SCM-related policies have been revised	None
	Updated Supplier Database		Supplier database has been updated to remove non-existing and duplicate companies. Submission forwarded to the CFO of **the dti** to appoint software provider to implement Vendor Registration Module database[5] system to rotate vendors	None
3.4 Implement and monitor compliance to Corporate Governance	Extent of compliance based on audit findings Level of achievement of Governance Committees' objectives	Assess adequacy and effectiveness of internal controls, risk management and governance processes	Eight scheduled audit reviews and ten ad hoc reviews were conducted to assess the adequacy of internal controls, risks, and governance processes	Resource constraints, unavailability of information, legacy system challenges, and delays in implementing audit recommendations due to management vacancies
		Assessment of organisational compliance and improvement in internal controls	A compliance register was completed monthly, co-ordinated by Finance	None
3.5 Effective management of human capital to improve organisational capacity to deliver	An entrenched high performance culture	Implementation of talent and skills retention	As part of the Workplace Skills Plan (WSP): • Training was conducted with decentralised partners • Induction and contract management training was conducted • AMDP and EMDP training was completed	None

[5] *This is a database module which allows the rotation of suppliers without human interference which we are trying to implement urgently to avoid fraud and corruption.*

Priority	Performance indicator	Target to be delivered by 31 March 2011	Actual achievement	Challenges/Variances
3.5 Effective management of human capital to improve organisational capacity to deliver (continued)	Compliance to PMD Policy	Updated PMD Policy implemented	PMD Policy was updated and implemented: • 98% of staff submitted Performance and Development Agreements (PDAs) before the new financial year commenced • On average 94% of all staff completed Performance and Development Evaluations (PDEs) per quarter	None
	Approved talent and skills retention; succession planning framework	Succession planning framework	Succession planning and leadership development proposal developed Feasibility study on Executive Coaching for Deputy Directors (DDs) is underway after presentations were made to the Management Committee of CIPRO	None
	Approved Retention Strategy	Implementation of Retention Strategy	Retention policy presented and adopted by organised labour	The Retention Policy will be tabled in the CIPC for approval
	Approved Health and Wellness Strategy	Implementation of Health and Wellness Strategy	Employee Health and Wellness Strategy implemented[6] Occupational Health clinic Services provided	None
		HIV/AIDS voluntary counselling and testing	Two HIV/AIDS testing interventions were conducted during the year: one in the first and one in the second quarter HIV and AIDS counselling services provided through internal services, the outsourced EAP service provider, onsite occupational health clinic and male condom dissemination An HIV and AIDS-related community outreach initiative was successfully carried out	None

[6] Interventions including conducting cancer awareness campaign, outsourcing of EAP services, internal counselling and support services offered. Occupational Health Clinic available to all staff.

Priority	Performance indicator	Target to be delivered by 31 March 2011	Actual achievement	Challenges/Variances
3.6 Effective Communi-cation and Marketing strategy for CIPRO's offerings	Approved Communication and Marketing Strategy	Implementation of Communication and Marketing Strategy	Communication and marketing strategy was developed and approved in the year under review Successfully implemented 75% of Marketing and Communications Strategy	None
3.7 Effective Strategic Support Services in terms of the PFMA	Compliance to amended Treasury Regulations PFMA Compliance	Develop Strategic and Business Plan	Strategic plan for the CIPC approved and tabled by the Minister of **the dti**	Revised Strategic Plan and Business Plan for CIPRO (with the aim of implementing in Q3 and Q4) not approved by **the dti**
		Annual Performance Report aligned with the Strategic and Business Plans and submitted as per prescripts	Annual Report submitted to Auditor General and tabled in Parliament in September 2010	None
		Quarterly Performance Reports aligned with the Strategic and Business Plans and submitted as per prescripts	All four quarterly reports submitted to **the dti** as per shareholder's compact	None
	Compliance audits conducted as per ISO specifications (every unit/quarter) Management reviews conducted (monthly) Improvement actions implemented	Enhancement of Quality Management System (QMS) based on ISO 9001	SABS re-certification audit completed. ISO certification retained for a further three years Monthly and quarterly management reviews were done both at the CMT and CET 100% of Internal Audits conducted Improvements to processes resulting from audit non-conformances completed	None

Part two: Performance against targets (tables) *(continued)*

Priority	Performance indicator	Target to be delivered by 31 March 2011	Actual achievement	Challenges/Variances
3.7 Effective Strategic Support Services in terms of the PFMA (continued)	% strategically aligned and balanced portfolio	Approved project programme	Programme for the 2010/11 financial year was approved by the CET for implementation	None
	Cost-effective delivery of project in the portfolio % reduction of projects scoring red/amber lights per quarter % improvement in products/services delivered to targeted time, cost and quality % increase in customer/client satisfaction scores	Project Register updated 100% aligned Portfolio Register	Project register updated and is 100% aligned Portfolio Register for the 2010/11 financial year	None
		5% cost savings on overall project budget per annum	There was more than 5% saving on the budget	None
		10% reduction of projects in trouble per quarter	There was a movement in projects that were in CIPRO's control and were previously in trouble, e.g. document warehouse	ECM was put on hold. Minor progress for the building recorded in the third quarter. None of the deliverables were met
		70% achievement of targeted deliverables	Of the three active projects, 65% achievement of deliverables was recorded	From the five strategic projects that were registered, the ECM was put on hold and the New Building showed little progress. The remainder of the projects (i.e. Fraud Prevention, Preparatory Projects, and IP Patent Database) continued. Significant changes were made to the scope thus influencing the nature of the deliverables. The achievement reported here pertains only to the three projects and to the deliverables that are still relevant to date
		20% increase in customer satisfaction	A survey was conducted at the operational level but was not interpreted at the time of the report	None
3.8 Provide legal and regulatory services and ensure compliance with regard to applicable legislation	Quality assured signed off legal documentation such as SLAs, MoUs and contracts	70% quality compliance legal documents	186 contracts were signed. The fact that both parties signed the documents indicates that both are satisfied with the quality thereof (100% quality compliance)	None
	Updated Directors' Register	Maintain and update Directors' Register	296 court orders received to update the Directors' Register and were all processed	The maintenance of the register by the Registrar depends on the courts sending copies of the relevant orders to the Registrar of Companies

Priority	Performance indicator	Target to be delivered by 31 March 2011	Actual achievement	Challenges/Variances
3.8 Provide legal and regulatory services and ensure compliance with regard to applicable legislation (continued)	Timeous issue of notifications for compliance to annual returns and deregistration	70% of notifications issued	1 597 348 final deregistration notices were issued for the financial year – i.e. 100% of notices issued	Lack of up to date addresses of the clients
		Improve turnaround times by %	Increased compliance indicates there was an improvement in turnaround times	None
	Improved turnaround times of notifications and annual returns		See above	See footnote[1]
	Volumes of notifications and annual returns	Increase volumes by %	There was 100% improvement as deregistration only started in 2011 The following volumes of annual returns were processed during the year: 5 498 public companies 299 169 private companies 600 405 close corporations	None

[1] *ECM project was envisaged to develop a system that will automatically measure turnaround times and improvements thereof. When the project was cancelled this could not be realised.*

Strategic Objective 4: Ensure national and equitable access to CIPRO services

Priority	Performance indicator	Target to be delivered by 31 March 2011	Actual achievement	Challenges/Variances
4.1 Ensure CIPRO services country-wide	Approved revised decentralised Business Model Establish CIPRO access points	Develop Decentralised Business Model Draft and implement decentralisation plan	Following a gap analysis, a decentralisation model (blueprint) was approved by CIPRO executive team. Approval was granted for offering services at three regional locations (KwaZulu-Natal, Eastern Cape and Limpopo). More agreements were signed with government departments and agencies to increase access to the database. The partners this year included: Department of Economic Development (North West), Department of Infrastructure (Gauteng), amongst others	Implementation of the roll-out of services to three provinces on hold pending the establishment of the CIPC
	CIPRO brand visible at partner offices	CIPRO brand visible at 60% of partner offices	Focus shifted from CIPRO branding to Commission	No further focus was put on the display of CIPRO brand in view of the fact that CIPRO was to become the CIPC

Part two: Performance against targets (tables) *(continued)*

Priority	Performance indicator	Target to be delivered by 31 March 2011	Actual achievement	Challenges/Variances
4.1 Ensure CIPRO services country-wide (continued)	COTII partnership agreements	Draft SLAs	Communication exchange between CIPRO and COTII leadership. SEDA is one of the main partners in the COTII. Informal agreements with other COTII institutions relate to the distribution of information to customers	The issue of partnerships with other organisations will be pursued in the Commission
	Awareness of CIPRO services tested through random surveys	Draft and implement marketing plan	Engagement with internal Stakeholders (HR, Finance, ICT and Business) was done. The customer satisfaction survey conducted covered the issue of awareness of CIPRO services. A marketing plan was developed and approved by the CET	Efforts were directed towards Commission readiness

Strategic Objective 5: Ensure participation in global economic agenda

Activities	Performance indicator	Target to be delivered by 31 March 2011	Actual achievement	Challenges/Variances
5.1 Ensure participation in the creation of Pan African IP Office (PAIPO) and the establishment of the Central IP Register for Africa	Pan African IP Office and Central Register for Africa implemented	Pan African IP Office and Central Register for Africa TOR agreed	CIPRO provided nominations for SA representation in PAIPO; no further communication received from PAIPO or **the dti**	The revised Business Plan was not approved
5.2 Ensure consolidation of intellectual property Initiatives through accession to international treaties particularly WIPO, Hague and the Madrid Protocol	Madrid Accession item on COTII Leadership Agenda	Preparation completed for the accession to the Hague and Madrid Protocols	Accession to both Madrid Protocol and Hague Agreement has been tabled at Standing Advisory Committee (SAC) IP since June 2009	This matter rests with **the dti** (CCRD) as it is a policy matter The revised Business Plan was not approved

Activities	Performance indicator	Target to be delivered by 31 March 2011	Actual achievement	Challenges/Variances
5.3 Ensure availability of CIPRO facilities and expertise to SADC in respect of company registrations	MoU with ITED Approved SADC implementation plan for company registrations Approved and established specialist committees	Established partnerships with **the dti** to promote SADC integration Draft Implementation Plan	CIPRO and ITED are currently co-operating outside a MoU. The recent Ethiopian Delegation was orientated by CIPRO due to this partnership with **the dti** during the first quarter. No implementation plan is in place CIPRO is facilitating the establishment of a Corporate Registration Forum (CRF) African Chapter (under the theme CRF Africa Conversations 2010) The SAC on Company Law (CL) is pursuing this project at Government Ministerial level with the blessing of **the dti** Minister	This matter is being dealt with at regional (SAC on CL) level The revised Business Plan was not approved

Projects

Category	Project name	Strategic alignment		Actual achievement	Challenges/Variances
		Strategic objective	Supporting priority		
CIPRO strategic projects portfolio (CSPP)	**Bokamoso/ ECM**	Strategic objective 1: Provision of value-added, effective and efficient service delivery	1.1 Provide all CIPRO core services online by 2011/12	In the first quarter, Name Reservation, Co-operative Registration and Applications, Ciptranet and CIPRO portal were signed off; however not piloted and therefore co-operative pilot review could not take place This was 66% of deliverables planned for the first quarter	The project was put on hold in the first quarter after the contract with the service provider was cancelled

Part two: Performance against targets (tables) *(continued)*

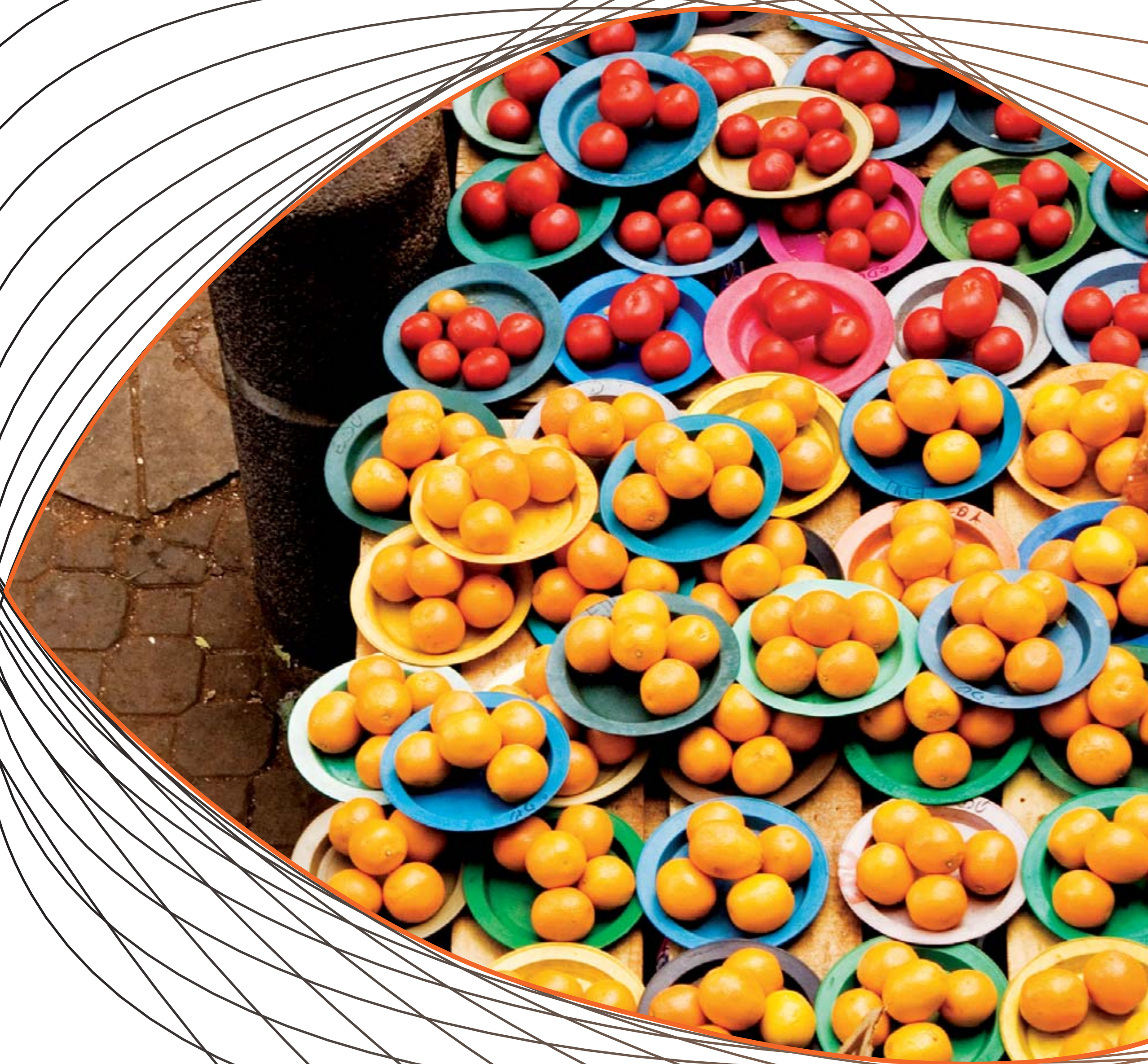
Category	Project name	Strategic alignment		Actual achievement	Challenges/Variances
		Strategic objective	Supporting priority		
CIPRO strategic projects portfolio (CSPP)	**Fraud prevention**	Strategic objective 3: effective support services and entrenchment of enterprise governance	3.1 Eradicate fraud and ensure business continuity	A Service Level Agreement (SLA) was signed with the DHA to establish a link between the two organisations CIPRO received a first copy of the DHA population database to verify customers' identification. This is the first phase of the SLA implementation CIPRO commenced a procurement process for a Public Key Infrastructure Solution. The solution was found to be too expensive and the decision was that CIPRO should reinvestigate the South African Post Office (SAPO) option. New controls were Introduced to fraudulent activities, e.g. ID required for all transactions, CM29 pin code, locking of company profiles	Live link with the DHA to be addressed as part of Phase II
	E-Administration	Strategic objective 1: Provision of value-added, effective and efficient service delivery	1.5 Ensure that ICT is used as an enabler to the provision of effective, efficient and value-added service	The project went through the procurement process	Towards the end of the 2009/10 financial year, the executive of the organisation took a decision to put the implementation on hold until such time that all other major projects such as the ECM were implemented. However, the ECM was placed on hold too and it negatively impacted on the E-admin project
	In-house Registry	Strategic objective 1: Provision of value-added, effective and efficient service delivery	1.1 Provide all CIPRO core services online by 2011/12	This project has been renamed to "Preparatory Projects" of which a warehousing solution is one work stream. A warehouse was acquired for a five-year period through a tender process A SLA is in place with the service provider. The storage facility will be fully operational in September 2011 when the service provider completed construction of additional warehousing space	Changing organisational requirements resulted in a delay in the implementation of this project

Category	Project name	Strategic alignment: Strategic objective	Strategic alignment: Supporting priority	Actual achievement	Challenges/Variances
CIPRO strategic projects portfolio (CSPP)	**New Building**	Strategic objective 3: Effective support services and entrenchment of enterprise governance	3.11 Manage CIPRO's facilities	Following the intervention of the accounting officer the project went through the procurement processes	Due to the unaffordability of the solution; the tender was cancelled

	CIPRO as Commission	Strategic objective 2: Implementation of new relevant legislative changes	Contribute to the implementation of the Companies Act (particularly CIPRO as a Commission)	On 1 May 2011 CIPRO experienced a smooth transition to CIPC. Some of the preparatory work included:
				• HR matters:
				  • labour relations issues which included the signing of a transfer agreement in terms of which all staff from CIPRO and OCIPE will be transferred to the Commission
				  • change management which included dedicated workshops with all CIPRO and OCIPE staff on the Commission
				  • organisational structure – the Steering Committee endorsed a structure that was developed by a service provider appointed by **the dti**
				• Strategy – the strategy of CIPC was developed, approved by the Executive Authority and tabled in Parliament
				• Systems – CIPRO systems were upgraded to ensure key functions in terms of the Companies Act, 2008 (Act 71 of 2008) could be performed
				• Policies – relevant policies were amended for use in the CIPC
					The commencement of the Commission was postponed twice, was implemented on 1 May 2011

Category	Project name	Strategic alignment		Actual achievement	Challenges/Variances
		Strategic objective	Supporting priority		
CIPRO strategic projects portfolio (CSPP)	**CIPRO as Commission** (continued)			• Processes – new processes and amended processes were defined and mapped to accommodate the new legislation • Finance: • the CIPC was listed as a schedule 3A entity • Education and awareness – internal staff, partners and other stakeholders received training on the implications of the Companies Act • Legal Services – contracts were converted to CIPC contracts and agreed upon by both parties	
	IP Patent Database	Strategic objective 1: Provision of value-added, effective and efficient service delivery	1.1 Provide all CIPRO core services online by 2011/12	Biographical data for patents from 1917 – 2010 were proofread, updated, quality checked, scanned and uploaded on the CIPRO/CIPC and WIPO websites during this reporting period. All bibliographical information for patents from 1917 – 2010 is available online on the CIPRO/CIPC website; and full text of granted patents from 1988 to August 2008 are available online on both WIPO and CIPRO/CIPC websites In the first quarter 79 000 patent files were scanned. During the third quarter, scanned patents for the period 1960 to 1985 were quality checked and submitted to WIPO for uploading. In the fourth quarter 107 640 records of bibliographical data of granted South African patents were proofread, updated and quality checked; and 117 567 scanned patents sent to WIPO for uploading	None

Category	Project name	Strategic alignment		Actual achievement	Challenges/Variances
		Strategic objective	Supporting priority		
CIPRO strategic projects portfolio (CSPP)	**Annual Returns**	Strategic objective 3: Effective support services and entrenchment of enterprise governance	3.10 Provide legal and regulatory services and ensure compliance with regard to applicable legislation	The annual returns project was implemented as part of operations Nonetheless, 1 597 348 final deregistration notices were issued for the financial year The following volumes of annual returns were processed for deregistration during the year: 5 498 public companies 299 169 private companies 600 405 close corporations	None
	Automated Queuing System	Strategic objective 1: Provision of value-added, effective and efficient service delivery	1.1 Provide all CIPRO core services online by 2011/12	The pilot E-queuing system was implemented. It resulted in improved customer services as customers could speedily be directed to the appropriate desk. An additional five queue marshals were employed to assist in queue management. This proved to be beneficial in that customers have been able to be re-directed upfront to the correct sections avoiding unnecessary delays	The system is not yet fully established, hence the reduction of waiting times could not be calculated
	Commemo-rative Certificates	Strategic objective 1: Provision of value-added, effective and efficient service delivery Strategic objective 3: Effective support services and entrenchment of enterprise governance	1.3 Customer satisfaction 3.1 Eradicate fraud and ensure business continuity	This project was not implemented	The organisation focused its attention on the implementation of projects of a more strategic nature
	Architecture, Governance and Optimisation	Strategic objective 1: Provision of value-added, effective and efficient service delivery	1.1 Provide all CIPRO core services online by 2011/12	This project was not implemented	This project was dependent on the ECM project which was cancelled



Part three:
Report of the Auditor-General

Part three: Report of the Auditor-General – to Parliament on the Companies and Intellectual Property Registration Office

Report on the financial statements

Introduction

1. I have audited the accompanying financial statements of the Companies and Intellectual Property Registration Office (CIPRO), which comprise the statement of financial position as at 31 March 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory information, and the accounting officer's report, as set out on pages 49 to 53 of the Annual Financial Statements.

Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with South African Statements of Generally Accepted Accounting Practice (SA GAAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA), and for such internal control as management determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-General's responsibility

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996) and section 4 of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), my responsibility is to express an opinion on these financial statements based on my audit.

4. I conducted my audit in accordance with International Standards on Auditing and *General Notice 1111 of 2010* issued in *Government Gazette 33872 of 15 December 2010*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for qualified opinion

Revenue and interest income

7. SA GAAP, IAS 18 (AC 111), *Revenue* requires that revenue be recognised in the period in which it was earned. CIPRO did not have adequate systems for the identification, measurement and recording of revenue from annual returns. During my audit, significant deficiencies were identified in the processes used by management for the recording of revenue from annual returns. Included in revenue from annual returns of R284 772 639 is an approximate amount of R32 557 616 relating to revenue that pertains to the prior year. This resulted in the material understatement of the comparative amount (2010) for revenue. Furthermore, included in interest income of R16 246 656 is an approximate amount of R7 021 283 relating to interest income incorrectly raised in the current year.

8. I could not quantify the full extent of the error due to there being inadequate systems in place. There were no satisfactory alternative procedures that I could perform to obtain reasonable assurance that revenue and interest income were correctly recorded. Consequently, I did not obtain sufficient appropriate audit evidence to satisfy myself as to the occurrence, accuracy, cut-off and completeness of revenue of R284 772 639 and its corresponding figure of R734 899 521 as stated in note 11 to the financial statements as well as interest income of R16 246 656 as stated in note 18 to the financial statements.

Trade receivables and impairments

9. As per paragraphs 7 and 8, there were significant shortcomings in the systems used by management for the recording of revenue from annual returns. This has also impacted on the recording of trade receivables from annual returns. Included in impairment of R50 177 727 is an approximate amount of R47 154 450 relating to trade receivables that had already been impaired in the prior year. This was due to CIPRO not having adequate systems to correctly account for impairments against individual debtors. There were no satisfactory alternative procedures that I could perform to obtain reasonable assurance that trade receivables and impairments were correctly recorded. Consequently, I did not obtain sufficient appropriate audit evidence to satisfy myself as to the completeness and valuation pertaining to trade receivable of R105 638 202 and its corresponding figure of R1 291 200 439 as well as impairments of R50 177 727 as stated in note 7 to the financial statements.

Qualified opinion

10. In my opinion, except for the possible effects of the matters described in the basis for qualified opinion paragraphs, the financial statements present fairly, in all material respects, the financial position of CIPRO as at 31 March 2011, and its financial performance and cash flows for the year then ended in accordance with SA GAAP and the requirements of the PFMA.

Emphasis of matters

11. I draw attention to the matters below. My opinion is not modified in respect of these matters:

Significant uncertainties

12. With reference to note 22 to the financial statements, the entity is a respondent in a lawsuit against a service provider that is challenging the legal validity of the termination of a contract. The ultimate outcome of the matter cannot presently be determined, and no provision for any liability that may result has been made in the financial statements.

Restatement of corresponding figures

13. As disclosed in note 3 to the financial statements, the corresponding figures for 31 March 2010 have been restated as a result of an error discovered during 2011 in the financial statements of CIPRO at, and for the year ended, 31 March 2010.

Irregular expenditure

14. As disclosed in note 2.1.2 to the financial statements, irregular expenditure of R3 545 726 was incurred, as the correct procurement process had not been followed.

Material impairments

15. As disclosed in note 5 to the financial statements, material impairments of R101 800 000 were incurred, as a result of the impairment of intangible assets to its recoverable amount.

Additional matter

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

Comparative financial statements

17. My opinion in respect of the financial statements for the period ended 31 March 2010 has changed from an unqualified opinion to a qualified opinion, because of the possible effect of the matters described in paragraph 7 on the corresponding figures for revenue and trade receivables.

Report on other legal and regulatory requirements

18. In accordance with the PAA and in terms of *General Notice 1111 of 2010* issued in *Government Gazette 33872 of 15 December 2010*, I include below my findings on the annual performance report as set out on pages 14 to 33 and material non-compliance with laws and regulations applicable to CIPRO.

Usefulness of information

19. The reported performance information was deficient in respect of the following criteria:
    - Consistency: The reported objectives, indicators and targets are not consistent with the approved strategic plan.
    - Measurability: Indicators are not well defined and verifiable, and targets are not specific, measurable and time bound.

20. The following audit findings relate to the above criteria:
    - Reported performance against predetermined indicators and targets was not consistent with the approved strategic plan.
    - For the selected objective, 47% of the planned and reported targets were not specific in clearly identifying the nature and the required level of performance, or measurable in identifying the required performance.
    - For the selected objective, 47% of the planned and reported indicators were not clear, as unambiguous data definitions were not available to allow for data to be collected consistently.
    - For the selected objective, valid performance management processes and systems that produce actual performance against the planned indicators did not exist for 30% of the indicators.

Reliability of information

21. The reported performance information was deficient in respect of the following criterion:
    - Accuracy: The amounts, numbers and other data relating to reported actual performance have not been recorded and reported appropriately.

22. The following audit finding relates to the above criterion:
    - For the selected objective, the accuracy of 30% of the reported targets could not be established, as supporting documents did not adequately support the targets reported on.

Compliance with laws and regulations

Revenue management

23. The accounting officer did not develop and implement appropriate processes that provided for the identification, collection, recording, reconciliation and safeguarding of information about revenue to ensure that all money due to the trading entity was collected, as per the requirements of section 38(1)(c)(ii) of the PFMA and Treasury Regulation 7.2.1.

Annual financial statements

24. The accounting officer submitted financial statements for auditing that had not been prepared in all material aspects in accordance with generally recognised accounting practice (SA GAAP for trading entities) and were supported by full and proper records, as required by section 40(1)(a) and (b) of the PFMA. Certain material misstatements identified by the AGSA with regard to debtors, revenue, interest income and impairments were subsequently corrected, but the uncorrected material misstatements resulted in the financial statements receiving a qualified audit opinion in contravention of section 40(3)(a) of the PFMA.

Procurement and contract management

25. Awards were made to suppliers who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state as per the requirements of Treasury regulation 16A8.3 and Practice Note 7 of 2009/10.

Internal control

26. In accordance with the PAA and in terms of *General Notice 1111 of 2010* issued in *Government Gazette 33872 of 15 December 2010*, I considered internal control relevant to my audit, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters reported below are limited to the significant deficiencies that resulted in the basis for the qualified opinion, the findings on the annual performance report and the findings on compliance with laws and regulations included in this report.

Leadership

27. The leadership did not implement an adequate system to ensure that revenue and trade receivables were recorded accurately. There were also inadequate reviews over the preparation of the financial statements prior to their submission for auditing, resulting in material adjustments being made to the financial statements.

28. The leadership did not exercise appropriate oversight in ensuring that the planned and reported indicators and targets were in accordance with the National Treasury's Framework for Managing Programme Performance. Furthermore, CIPRO did not have sufficient monitoring controls to ensure compliance with applicable laws and regulations.

Financial and performance management

29. CIPRO did not have reliable information systems for recording and reporting on revenue and trade receivables.

30. Sufficient appropriate audit evidence with regard to the reported performance information could not be obtained, as the system used for generating performance information was not appropriate to facilitate the preparation of accurate and complete actual performance information.

Auditor-General

Pretoria

31 July 2011

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Part four:
Audit Committee

Part four: Report of the Audit Committee

We present our report for the year ended 31 March 2011.

Audit Committee members and attendance

The Audit Committee, consisting of the members listed below, convened four times during the year under review in accordance with its approved terms of reference.

Name of member	Number of meetings attended
Independent non-executive members	
1. Mr AC Coombe (Chairperson to end of term 29 October 2010)	3
2. Mr DA Braithwaite (Chairperson from 30 March 2011)	4
3. Mr AC Bischof (from 9 March 2011)	1
4. Mr Y Gordhan (from 9 March 2011)	1
5. Ms R Kenosi (from 9 March 2011)	–
6. Mr N Mhlongo (from 9 March 2011)	1
Executive members – ex officio	
1. Mr T Matona (Director-General: dti, until 31 December 2010)	1
2. Mr L October (Acting Director-General: **the dti** from January 2011)	1
3. Mr L Dukwana (Acting Chief Executive Officer, 1 March 2010 to 30 April 2011)	4

The Director-General ensured adequate representation on his behalf for meetings that he could not attend due to urgent requests from the Minister.

Audit Committee responsibility

The Audit Committee reports that it has complied with its responsibilities arising from section 38(1)(a) of the PFMA and Treasury Regulations 3.1.13. The Audit Committee also reports that it has appropriate terms of reference in the form of its Audit Committee Charter, has regulated its affairs in compliance with this charter and, other than set out below, has discharged all its responsibilities as contained therein.

Effectiveness of internal control

The systems of internal control are designed to provide cost effective assurance that assets are safeguarded and that liabilities and working capital are efficiently managed.

From the various reports of the inhouse and co-sourced internal auditors and the Auditor-General, the Audit Committee noted the continued existence of significant weaknesses in the internal control environment, as well as instances of non-compliance with laid down procedures.

Arising from concerns regarding weaknesses in key information technology controls, a high level controls review by Gobodo Forensic Investigative Accounting (Pty) Limited (GFIA) was undertaken subsequent to the year end. This review confirmed the existence of serious weaknesses and control failures in key areas, some of which were related to the ECM contract termination referred to below which seriously interrupted the implementation of the entity's information technology strategies.

Key weaknesses and control failures identified by GFIA were:

1. Lack of strategic information technology (IT) planning and direction
2. Disparate application development
3. Inadequate technological infrastructure
4. Outdated IT policies and non-adherence thereto
5. Inadequate IT human resources
6. IT governance failures
7. Application systems not meeting business and internal control requirements
8. No disaster recovery plan and inadequate backup solution
9. Inadequate change management and testing
10. Inadequate systems security

Certain of the foregoing matters were also referred to in the report of the Auditor-General.

In addition, the entity operated without a full time chief information officer (CIO) for the year under review. A full time CIO was appointed in July 2011 and has been tasked with implementing an action plan to address the matters above.

In accordance with the PFMA, Internal Audit plans to provide the Audit Committee and management with assurance that internal controls are appropriate and effective. This is achieved by means of an appropriate quarterly reporting process, as well as the identification of corrective actions and suggested enhancements to the controls and processes.

A separate Risk Management Committee manages and monitors the assessment and control of risk on a prioritised basis throughout the organisation. The Internal Auditors use this risk framework to prepare their audit coverage plans and to undertake audit work in the higher risk areas identified.

Quality of management reports

Subject to shortcomings reported by the Auditor-General, the Audit Committee is satisfied with the content and quality of the quarterly reports as prepared and issued by management during the year under review in terms of the PFMA.

Forensic investigations

A number of forensic investigations were carried out and reports issued during the previous financial year, following the award of an electronic content management (ECM) tender in March 2009. Findings emanating from these reports led to termination of the contract with the service provider, the suspension of two senior employees and considerable adverse publicity. The outcome of legal proceedings in connection with the termination of this contract, at this stage is uncertain.

Evaluation of the financial statements

The Audit Committee has:

- reviewed and discussed with management the audited annual financial statements as conveyed to the Auditor-General for annual audit purposes;
- reviewed the Auditor-General's management letter and management's responses thereto;
- reviewed the appropriateness of accounting policies and practices; and
- reviewed significant adjustments resulting from the annual audit.

The Audit Committee has discussed and concurs with and accepts the conclusions of the Auditor-General on the annual financial statements, read together with the report of the Auditor-General and recommends these to the Accounting Officer for acceptance.

DA Braithwaite
Chairperson of the Audit Committee

4 August 2011

Part five:
Annual financial statements

Annual financial statements

for the year ended 31 March 2011

Contents	**Page**

Business address
77 Meintjies Street
Sunnyside
Pretoria
0002

Postal address
PO Box 429
Pretoria
0001

Accounting officer's responsibility for the annual financial statements

for the year ended 31 March 2011

The financial statements for the period ended 31 March 2011 are prepared in accordance with South African Statements of Generally Accepted Accounting Practice (SA GAAP) and incorporate disclosure in line with the accounting philosophy of the entity and the requirements of the Public Finance Management Act, 1999 (Act 1 of 1999). The financial statements are based on appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Accounting Officer is responsible for the preparation and integrity of the financial statements and related information included in the Annual Report. In order for the Accounting Officer to discharge these responsibilities, as well as those imposed on him in terms of the Public Finance Management Act and other applicable legislation, he has developed, and maintains, a system of internal controls.

The internal controls include a risk-based system approach of internal accounting 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 includes a regular review of their operations by the Accounting Officer and independent oversight by an audit committee.

The Auditor-General, as external auditor, is responsible for reporting on the financial statements.

The Accounting Officer approved and signed the annual financial statements for the year ended 31 March 2011, as set out on pages 55 to 83.

Mr L October
Director-General (Accounting officer: CIPRO)

Date: 8 August 2011

Report of the accounting officer

for the year ended 31 March 2011

Overview

The financial year ended 31 March 2011 was an extraordinary period for CIPRO in many ways. The financial statements for the 2010/11 financial year will be the last set of financial statements for the Companies and Intellectual Property Registration Office (CIPRO). In terms of the Companies Act a new juristic entity will be established that combines the current functions of CIPRO and OCIPE (Office of Companies and Intellectual Property Enforcement) and added several new functions mainly in the compliance and reporting areas.

CIPRO faced the on-going challenge of change management in preparation for the establishment of the Companies and Intellectual Property Commission (CIPC). Part of the preparation included the development of IT systems to manage new business processes in line with the requirements of the Companies Act, the training of staff, the re-alignment of processes and procedures, policies and a new service delivery model.

On the economic front, South Africa was in the midst of its first recession in 17 years as part of the most severe global economic recession in over 70 years. Over the past year, the South African economy went from bumping against growth constraints to being in outright recession.

Some of the critical issues that affected the current planning period were:

- a global recession with the effects having a direct impact on CIPRO's revenue and therefore impacting on sustainability;
- the Corporate Law Reform being finalised requires CIPRO and the OCIPE to merge and to move from a trading entity to a Commission;
- delay in the implementation of the new information technology Enterprise Content Management system (ECM).

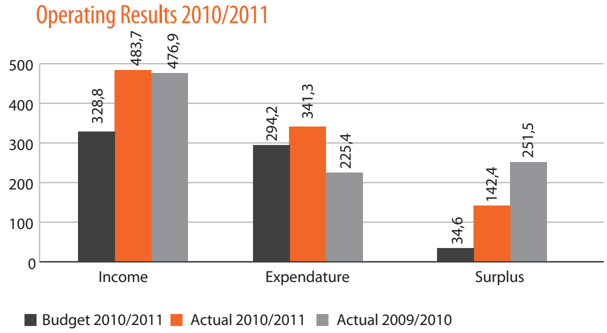
Review of financial results

Despite difficult and recessionary economic conditions, CIPRO continued to perform relatively well financially in the 2010/11 financial year. Given the current economic realities, it is gratifying to report that the budgeted revenue levels were achieved. CIPRO's general financial health is supported by:

- sustained operational cost control;
- improvement in Annual Return compliance;
- improvement in the net asset value.

A graphical presentation of the total financial results is shown below:

Operating Results 2010/2011



The overall operating result for the year ended 31 March 2011 was as follows:

Description	Budget 2010/11 R'million	Actual 2010/11 R'million	Variance Actual/ Budget R'million
Income			
Operating income	316,8	**414,5**	97,7
Other	2,0	**4,5**	2,5
Interest income	10,0	**64,7**	54,7
Total	328,8	**483,7**	154,9
Expenditure			
Operating expenditure	294,2	**341,3**	47,1
Closing surplus	34,6	**142,4**	107,8
Total	328,8	**483,7**	154,9

Revenue

CIPRO is entirely self-funded from levies and fees charged for the services it renders to its clients. For the year under review the actual operating income for CIPRO exceeded the annual budget by 30,8%. Revenue relates to income generated from the core business activities such as annual returns, registration of companies and CCs, patent administration, share capital, etc. For the period 1 April 2010 to 31 March 2011 total revenue of R414,5 million was generated from the core business activities. Other income includes revenue generated from the recovery of expenditure (private telephone calls from staff), sale of tender documents, etc. Of the total interest earned of R64,7 million an amount of R47,9 million relates to interest earned on the CPD investment at the Reserve Bank.

Expenditure

Analysis of operating expenditure (excluding special initiatives)

The overall expenditure as at 31 March 2011 shows under spending of 16% against the initial projected expenditure. The under spending of 19% on employee costs for the period under review was due to a moratorium implemented on the filling of vacancies pending the finalisation of a new organisational structure of the Commission. The highest under expenditure has been realised in Computer Services, Inventory, Maintenance, Operating Leases and Travel and Subsistence.

Annual return debtors

Over the past two financial years, CIPRO deregistered corporate entities that did not pay their annual returns when they became due, as per the requirements of the Companies Act. Annual return fees were recognised as revenue in the year that they became due. In the 2010/11 financial year, income was only recognised from debtors where it is probable that the economic benefits associated with the relevant transaction will flow to CIPRO.

Information regarding companies deregistered:

	Total	Public companies	Private companies	External companies	Close corporations
Companies on database – 1 April 2010	2 787 540	3 604	488 515	1 487	2 293 934
Companies deregistered in 2010/11	1 607 964	477	248 826	222	1 358 439
Companies referred for deregistration	138 155	155	14 074	100	123 826
Active companies – 31 March 2011	1 041 421	2 972	225 615	1 165	811 669

Preparations for the Companies and Intellectual Property Commission (CIPC)

The Companies Act established a new juristic entity (Company and Intellectual Property Commission (CIPC)) with effect from 1 May 2011 that combined the current functions of CIPRO and OCIPE (Office of Companies and Intellectual Property Enforcement) and added several new functions mainly in the compliance and reporting areas.

Based on the requirements of the Companies Act, CIPRO embarked on a process of organisational restructuring, change management, training of both staff and external partners, upgrading of current systems and implementing of the GRAP financial accounting framework. In this effort staff and management invested considerable time and effort. Most of the planned deliverables were achieved at the target date, but due to the final approval of the amendment bill and the regulations, more work is required especially in finalising the upgrade of the systems to support the new functionality prescribed in the Companies Act and amendment bill. The establishment of most of the various Governance Forums prescribed by the Companies Act (ex. the Companies Tribunal) is planned to be finalised once the new Commission has been established.

Conclusion

The 2010/11 financial statements is the final set of financial statements of the Companies and Intellectual Property Registration Office (CIPRO) and the Companies and Intellectual Properties Commission (CIPC) is wished all the best in fulfilling its legislative mandate in terms of the Companies Act.

Mr L October
Director-General (Accounting officer: CIPRO)

Date: 8 August 2011

Corporate governance report
for the year ended 31 March 2011

The underlying principles of corporate governance followed by CIPRO include the values, ethics and commitment of best business practices. CIPRO as a trading entity within **the dti**, reports directly to the Director-General as the accounting officer for the organisation.

Committees of CIPRO

CIPRO has established the following governance committees:

Audit Committee

The Audit Committee, established on 29 October 2002, is constituted in terms of the PFMA, Treasury Regulations and sound corporate governance practices. The main responsibilities of the Audit Committee are set out in its Audit Committee Charter, which is in line with those prescribed in the Treasury Regulations to the PFMA. It plays a key and pro-active role in overseeing, monitoring and advising management and Internal Audit in conducting audits. It further ensures accountability on the part of management as well as internal and external auditors. Additional functions of the Audit Committee are to monitor risks identified in the risk register, including the evaluation of internal controls, and monitor the implementation of corrective measures by management.

For the 2010/2011 financial year, the Audit Committee met on the following dates:

- 21 May 2010
- 23 July 2010
- 29 October 2010
- 30 March 2011

The composition of the Audit Committee for the period ended 31 March 2011 was as follows:

Member	Role	Number of meetings	Meetings attended
Mr AC Coombe	Independent Chairperson (Term ended 30 October 2010)	4	3
Mr DA Braithwaite	Independent Member	4	4
Mr T Matona	Director General: **the dti** (Term ended 31 December 2010)	4	3
Mr L October	Acting Director-General: **the dti**	1	1
Mr L Dukwana	Acting Chief Executive Officer: CIPRO	4	4
Mr YN Gordhan	Independent Member *	1	1
Mr AN Mhlongo	Independent Member *	1	1
Mr AC Bischof	Independent Member *	1	1
Ms R Kenosi	Independent Member *	1	0

** New members were appointed with effect from 23 March 2011.*

Risk Management Committee

The purpose of the Risk Management Committee is to review corporate risk management and control processes as well as to monitor key strategic risks identified in the organisation. The primary role of the Risk Management Committee is to assess and monitor risk management within the organisation. The committee also monitors the implementation of audit recommendations regarding management action to mitigate identified risks.

During the period under review, CIPRO revised and amended its strategic risk register of 2009/10, aligning it to the strategic objectives of the organisation. The results were documented in a strategic risk assessment report and risk register with control actions implemented and monitored by CIPRO's Risk Management and Audit Committee structures throughout the year.

For the 2010/11 financial year the Risk Management Committee met on the following dates:

- 4 May 2010
- 13 July 2010
- 13 October 2010

The composition of the Risk Management Committee for the year ended 31 March 2011 was as follows:

Members	Role	Number of meetings	Meetings attended
Mr L Dukwana	Acting Chief Executive Officer: CIPRO (Chairperson)	3	2
Mr DA Braithwaite	Independent Chairperson with effect from 1 July 2010	2*	1
Ms T Nkuna	Chief Audit Executive	3	3
Mr ER du Toit	Chief Financial Officer	3	3
Mr J Mathekga	Acting Customer Chief Executive	3	3
Ms N Matyana	Acting Executive Manager: SSD	3	3
Mr A Mazomba	Manager: Office of the CIO	2**	1

** Mr DA Braithwaite was appointed as independent chairperson with effect from 1 July 2010.*
*** Acting CIO appointed in July 2010. Manager in the Office of the CIO attended meeting on behalf of the Acting CIO.*

Internal audit

CIPRO has a functional internal audit unit which is responsible for:

- assisting the Accounting Officer and management in monitoring the adequacy and effectiveness of the risk management process of the organisation; and
- assisting the Accounting Officer and management in maintaining an effective internal control environment by evaluating those controls continuously to determine whether they are adequately designed, operating efficiently and effectively and to recommend improvements.

Internal controls reviewed consist of strategic, operating, financial reporting and compliance controls and encompass controls relating to:

- the information management environment;
- the reliability and integrity of financial and operating information;
- the safeguarding of assets; and
- the effective and efficient use of the organisation's resources.

The annual Audit Plan is based on an assessment of risk areas identified by Management, as well as focus areas highlighted by the Audit Committee, the Risk Management Committee and management. The annual Audit Plan is updated, as appropriate, to ensure that the Audit Committee, the Risk Management Committee and management are responsive to changes in the business. A comprehensive report on internal audit findings is presented to management and the Audit Committee at the scheduled meetings. Follow-up audits are conducted in areas where significant internal control weaknesses are found.

Statement of financial position

as at 31 March 2011

	Note	2011 R	2010 R
ASSETS			
Non-current assets		**21 592 749**	**122 049 391**
Property, plant and equipment	4	12 470 742	13 208 158
Intangible assets	5	9 122 007	108 841 233
Current assets		**1 016 014 830**	**766 152 966**
Inventories	6	833 813	620 129
Trade and other receivables	7	58 691 756	121 032 194
Cash and cash equivalents	8	956 489 261	644 500 643
Total assets		**1 037 607 579**	**888 202 357**
EQUITY AND LIABILITIES			
Equity		**946 300 971**	**803 877 921**
Retained earnings		946 300 971	803 877 921
Non-current liabilities		**–**	**148 324**
Finance lease liability	4.2	–	148 324
Current liabilities		**91 306 608**	**84 176 112**
Current portion of finance lease liability	4.2	–	551 332
Provisions	9	12 848 449	11 747 531
Trade and other payables	10	78 458 159	71 877 249
Total equity and liabilities		**1 037 607 579**	**888 202 357**

Statement of comprehensive income

for the year ended 31 March 2011

	Note	2011 R	2010 R
Revenue	11	**414 491 162**	**851 189 185**
Other operating income	12	4 524 117	1 272 891
Total income from operations		**419 015 279**	**852 462 076**
Total operating expenditure		**(341 283 087)**	**(706 544 667)**
Advertising		(7 354 786)	(7 978 856)
Audit fees	16	(5 828 372)	(3 934 724)
Bank charges		(2 820 411)	(3 000 528)
Communication and postage		(6 823 029)	(5 659 024)
Consulting and professional fees	13	(19 703 040)	(25 648 702)
Depreciation and amortisation	14	(9 541 775)	(4 942 952)
Employee costs	15	(132 768 142)	(115 402 060)
Finance costs		(64 360)	(121 240)
Internet and network costs		(3 824 550)	(3 995 650)
Maintenance and repairs		(1 227 945)	(1 181 521)
Operating leases	16	(18 157 136)	(16 709 416)
Publications, printing and stationery	16	(9 525 837)	(11 528 997)
Temporary administrative support staff		(8 428 246)	(7 278 063)
Impairment loss – intangible asset	5	(101 884 429)	–
Doubtful debts and impairment		5 300 557	(481 174 535)
Travelling and subsistence		(3 120 194)	(3 564 180)
Other operating expenses		(15 511 392)	(14 424 219)
Surplus from operations	20	**77 732 192**	**145 917 409**
Interest income	18	64 690 858	105 612 587
Net surplus	22.2	**142 423 050**	**251 529 996**

Statement of changes in equity

for the year ended 31 March 2011

	Retained earnings R	Total R
Balance at 1 April 2009	**552 347 925**	**552 347 925**
Net surplus for the year	251 529 996	251 529 996
Balance at 1 April 2010	**803 877 921**	**803 877 921**
Net surplus for the year	142 423 050	142 423 050
Balance at 31 March 2011	**946 300 971**	**946 300 971**

Statement of cash flows

for the year ended 31 March 2011

	Note	2011 R	2010 R
Cash inflows from operating activities		**323 729 153**	**175 895 122**
Cash generated from operations	20	259 102 655	70 403 775
Interest income	18	64 690 858	105 612 587
Finance cost		(64 360)	(121 240)
Cash outflows from investing activities		**(11 040 879)**	**(50 422 296)**
Acquisition of property, plant and equipment	4	(4 605 059)	(6 677 780)
Proceeds on disposal of property, plant and equipment		94 100	–
Acquisition of intangible assets	5	(6 529 920)	(43 744 516)
Cash outflows from financing activities		**(699 656)**	**(551 332)**
Decrease in finance lease liability	4.2	(699 656)	(551 332)
Net increase in cash and cash equivalents		**311 988 618**	**124 921 494**
Cash and cash equivalents at beginning of year		644 500 643	519 579 149
Cash and cash equivalents at end of year	8	**956 489 261**	**644 500 643**

1. Accounting policies

1.1 Reporting entity

CIPRO is primarily involved with the registration of companies, close corporations, co-operatives and intellectual property as prescribed by the related legislative framework. The principal accounting policies are set out below. These accounting policies are consistent with those of the prior year.

1.2 Basis of preparation

Statement of compliance

The annual financial statements are prepared in accordance with South African Statements of Generally Accepted Accounting Practice (SA GAAP).

Basis of measurement

The annual financial statements are prepared on the historical cost basis.

Functional and presentation currency

The annual financial statements are presented in Rand, which is also the functional currency of the entity.

1.3 Property, plant and equipment

Recognition and measurement

Items are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

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

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

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within other income in profit or loss.

Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Capitalised leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the entity will obtain ownership by the end of the lease term. Leasehold improvements held under operating leases are depreciated on a straight-line basis over the shorter of the estimated useful life of the asset or the lease term.

The estimated useful lives for the current and comparative periods are as follows:

	Average useful life
Computer equipment	5 years
Office furniture and other equipment	10 years
Leasehold improvements	Lease period

1. Accounting policies (continued)

1.3 Property, plant and equipment (continued)

Depreciation (continued)

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

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

Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the entity, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

1.4 Intangible assets

Recognition and measurement

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

Costs associated with maintaining computer software programs are recognised as an expense as incurred. Expenditure on research is recognised as an expense when it is incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software controlled by the entity are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use;
- there is an ability to use the software;
- it can be demonstrated how the software will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use the software are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Capitalised computer software, licences and development expenditure are measured at cost less accumulated amortisation and accumulated impairment losses.

An intangible asset is regarded as having an indefinite useful life, when based on all relevant factors, there is no foreseeable limit over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment on an annual basis where there is an indication of impairment.

Amortisation

Amortisation is calculated over the cost of the asset, or other amount substituted for cost, less its residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives for the current and comparative periods are as follows:

	Useful life
Computer software	5 years

Amortisation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

1. Accounting policies (continued)

1.4 Intangible assets (continued)

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

1.5 Impairment

Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor or other indications that a debtor will enter bankruptcy.

Evidence of impairment for receivables is considered at both a specific and collective asset level. All individually significant receivables are assessed for specific impairment. All individually significant receivables not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the entity's non-financial assets, other than inventories 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.

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 pre-tax discount rate that reflects current market assessments of the time value of 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 profit or loss.

Impairment losses recognised in prior periods 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 asset's 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.

1.6 Leases

Finance leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee.

1. Accounting policies (continued)

1.6 Leases (continued)

Finance leases (continued)

Assets held under finance leases are initially recognised as property, plant and equipment at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating leases

Leases where the lessor retains the risks and rewards of ownership of the underlying asset are classified as operating leases.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

1.7 Inventories

Inventories comprise stationery and consumables and are stated at the lower of cost and net realisable value. Cost is based on the weighted average principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Obsolete, redundant, damaged and slow-moving inventory and any write-down of inventory to net realisable value are provided for in the statement of comprehensive income.

1.8 Financial instruments

Financial assets

The entity initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets, including assets designated at fair value through profit or loss, are recognised initially on the trade date at which the entity becomes a party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the entity or a third party has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Financial assets relevant to the entity comprise trade and other receivables and cash and cash equivalents. Classification depends on the purpose for which the financial instruments were obtained and takes place at initial recognition. Management determines the classification of its financial assets at initial recognition.

The entity classifies financial assets into the following categories:

- Financial assets at fair value through profit and loss; and
- Loans and receivables.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call 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. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Loans and receivables comprise trade and other receivables.

1. Accounting policies (continued)

1.8 Financial instruments (continued)

Trade receivables

Annual return fees become liable on the anniversary month of the company registration date. Trade receivables relating to annual return fees are assessed for recoverability at initial recognition and where at initial recognition the debtor is deemed irrecoverable based on historical information, the debt is not recognised and as a consequence neither is the revenue.

Financial liabilities

The entity initially recognises debt securities issued and subordinated liabilities on the date that they originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date at which the entity becomes a party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the entity or a third party has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The entity has the following non-derivative financial liabilities: loans and borrowings and trade and other payables. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

Derecognition of financial assets and liabilities

Financial assets

The entity derecognises a financial asset when the contractual rights to the cash flows from the asset have expired, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

1.9 Revenue

Definition of revenue

Revenue represents fees for registrations, trade marks, patents, searches, data sales and other services. Revenue also includes fees from annual returns, penalties and increase in share capital. Revenue comprises services to external customers. Consideration received from customers is only recorded as revenue to the extent that the entity has performed its contractual obligations in respect of that consideration.

Recognition of revenue

Revenue is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates.

When the outcome of the rendering of a service can be measured reliably, revenue associated with the transaction is recognised by the completion of the transaction. The outcome of the transaction can be estimated reliably when all the following conditions are satisfied:

- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the entity;
- The stage of completion of the transaction can be measured reliably; and
- The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of a transaction involving the rendering of a service cannot be measured reliably, revenue shall be recognised only to the extent of the expenses recoverable.

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

1. Accounting policies (continued)

1.9 Revenue (continued)

Annual returns

The revenue on annual returns is recognised on an accrual basis. Revenue from annual returns is only recognised to the extent that it is probable that the economic benefits associated with the transaction will flow to the entity. Annual return fees due by companies and close corporations that are still within the compliance period, entities that have not complied and entities in the process of deregistration but not finally deregistered are raised as debtors. Penalties charged for non-compliance are recognised as revenue on an accrual basis. Companies and close corporations that default on the payment of annual returns are deregistered and are not considered as trade receivables.

Revenue due is estimated based on lowest expected fee per specific entity type. A provision for the impairment of irrecoverable debts is raised based on various performance factors of the debtors.

Unallocated revenue

Unidentified deposits, which are not allocated to a customer code within 36 months of receipt, are recognised as revenue. If subsequent evidence is obtained, the revenue is derecognised.

Deferred income

Deferred income represents advance payments received from customers for future transactions. Advance payments that have not been utilised for a period of 36 months from receipt are recognised as revenue.

Government grants

Government grants are recognised when there is reasonable assurance that:

- the entity will comply with the conditions attached to them; and
- the grants will be received.

Government grants received as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support with no future related costs are recognised as income in the period in which they become receivable.

1.10 Investment income

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

1.11 Finance cost

Finance expenses comprise interest expense on borrowings. Borrowing costs are recognised using the effective interest method.

1.12 Provisions and contingencies

Provisions are recognised when the entity has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount 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.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Contingent assets and liabilities are not recognised but are disclosed unless the possibility of flow of resources is remote. If the disclosures of contingencies may seriously prejudice the entity then the general nature of the contingency is disclosed together with the reason further information is not disclosed.

1. Accounting policies (continued)

1.13 Employee benefits

Post-employment benefits

Retirement

The entity provides a defined benefit plan for the retirement benefits of its employees. The contribution from employees and the entity are paid into the Government Employees' Pension Fund. The entity's contributions to the Fund are charged to the statement of comprehensive income in the year in which the related service is rendered.

The entity is not liable for any deficits due to the difference between the present value of the benefit obligations and the fair value of related assets managed by the Government Employees' Pension Fund. Any potential liabilities are disclosed in the financial statements of the National Revenue Fund and not in the financial statements of the entity.

Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined benefit plan that is due more than 12 months after the end of the period in which the employees render the service are discounted to their present value.

Medical

No contributions are made by the entity to the medical aid of retired employees.

Short- and long-term benefits

The cost of all short-term employee benefits, such as salaries, bonuses, housing allowances, medical and other contributions is recognised during the period in which the employee renders the related service and is not discounted.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans 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. The vesting portion of long-term benefits is recognised and provided for at financial year-end, based on current salary rates.

Termination benefits

Termination benefits are payable whenever employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The entity recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without the possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. If the benefit falls due more than 12 months after balance sheet date, it is discounted to present value.

1.14 Critical accounting estimates and judgements

The preparation of the annual financial statements in conformity with SA GAAP requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are detailed in the notes to the financial statements where applicable. Management continuously evaluates estimates and judgements based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Except for those mentioned below details of management accounting estimates and judgements are disclosed under the relevant notes.

Annual return revenue

The recognition of annual return revenue on the accrual basis has been introduced from the 2009/2010 financial year. Previously this source of revenue was accounted for on a cash basis due to the nature of the revenue source as well as the fact that the company register was never developed as a debtor system. In the 2010/2011 financial year a new debtor's management system was developed. The following judgements and estimates are applicable:

1. Accounting policies (continued)

1.14 Critical accounting estimates and judgements (continued)

Annual return revenue (continued)

(i) Recognition of annual return revenue and trade receivables

All fees owed to the entity including penalties for late submission are recognised as revenue. Revenue is allocated between sales and financing costs as required in terms of IAS 18 (AC 111). All annual return fees due, including those in the normal payment period, are raised as debtors. The original effective interest rate used will be the rate levied on debts owed to the state as published in the Government Gazette. For fees raised as debtors, the difference in days between the beginning of the date owed and the expected date of payment was used as the period "n" in calculating the financing costs and revenue portions.

(ii) Impairment of trade receivables

The impairment of trade receivables is based on the entity's assessment of the recoverability of customer accounts. The entity on an annual basis reviews the impairment of trade receivables by considering factors such as ageing of debt, number of outstanding payments, status of company (i.e. active or in the process of deregistration), type of debtor (e.g. public company, private company) and historical payment information. Scores will be allocated to the various factors listed. Once the debtor has been categorised based on the scores, the impairment will be calculated.

Where the final outcome of annual return revenue is different from the amounts that were initially recorded, such differences will impact the revenue and trade receivable provisions in the period in which such determination is made.

Intangible assets – development costs

Some uncertainty exists with regard to the technical resources available to continue development of the ECM system due to the suspension of the contract with the system development service provider. All costs capitalised to date are based on the expectation that technical resources will be available in the near future. Refer to note 5.

Intangible assets – impairment

IAS 36 (AC 128) requires intangible assets to be tested for impairment at each reporting date where there is an impairment indicator. An impairment was recorded in the reporting period. Refer to note 5.

2. Other information

2.1 Public sector practices and policies

2.1.1 Related party transactions

The entity operates as a trading entity of **the dti** within the South African Government environment. In line with prevailing government practices, the entity is not entitled to charge for certain of its services. Similarly, it is not obligated to pay for certain services. The income and expenditure not recorded in the entity's statement of comprehensive income is, for disclosure purposes only, as follows:

Income

CIPRO services are rendered free of charge to other government entities. The total amount for such services cannot be quantified as no process has been introduced to record such transactions.

Expenditure

Costs related to the utilisation of the call centre facility of **the dti** are included in the total rental cost for Block F at **the dti** Campus. The total value of such services cannot be quantified as no process has been introduced to record such transactions.

Summary of related party transactions

Name	Relationship	Nature of transaction	Transactions 2011 R	Balance due at 31 March 2011 R	Transactions 2010 R	Balance due at 31 March 2010 R
Department of Communications and Information Systems	Service provider	Communication service	–	–	4 705 061	–
Department of Justice and Constitutional Development	Service provider	Legal services	48 344	12 600	38 247	–
Department of Rural Development and Land Reform	Service provider	Salary claim	–	–	28 007	–
Department of Public Service and Administration	Service provider	Salary claim	51 644	–	426 630	–
Department of Trade and Industry	Parent department	Lease of building and other operating expenditure	10 201 847	136 700	9 551 639	128 446
Government Employee Medical Scheme	Medical fund	Medical fund contribution	5 721 003	–	4 953 713	–
Government Employees' Pension Fund	Pension fund	Pension fund contribution	11 587 352	–	10 084 508	–
Government Printing Works	Service provider	Printing fees	3 347 991	50 673	6 226 953	394 301
National Youth Development Agency	Service provider	Conference and exhibition fees	50 000	–	–	–
PALAMA Training	Service provider	Training fees	–	–	671 201	19 621
South African Broadcasting Corporation	Service provider	Advertising cost	1 704 437	758 100	847 567	–
SITA	Service provider	IT services	8 123 039	510 689	9 838 031	–
SA Reserve Bank	Service provider	Conference facility	6 684	–	–	–
South African Post Office	Service provider	Postal fees	247 604	–	437 022	–
South African Revenue Services	Receiver of Revenue	Employment tax payments	20 279 494	–	15 748 773	–

2. Other information (continued)

2.1 Public sector practices and policies (continued)

2.1.2 Public Finance Management Act reporting requirements as required in terms of section 40(3)(b) of the Act

No material losses have occurred during the current financial year due to criminal conduct or any unauthorised expenditure, irregular expenditure, fruitless or wasteful expenditure, except as indicated below:

	2011 R	2010 R
Loss of property, plant and equipment	2 252	3 223
Inventory adjustment (refer to note 6)	2 210	4
During the physical verification of inventory, a difference was identified between the physical inventory and the theoretical inventory. The difference was the result of additional stock counted		
Fruitless and wasteful expenditure	–	7 903
• Cancellation of travel arrangements where the flight ticket was already issued. The cost incurred is in the process of being recovered	–	7 903
Irregular expenditure	3 545 726	95 830 616
Expenditure where the prescribed approval process for the procurement process was not followed. Confirmation that value for money was received was performed through an internal audit investigation		
Payment was only effected after the irregular expenditure was regularised.		
• Design and printing of marketing material	–	169 400
• Design and layout of various corporate identity items	–	108 845
• Unauthorised travel	–	20 395
• Labour relations operational services	–	470 592
• Unauthorised extension of public relations services	–	230 080
• Extension of advertising services	–	136 486
• Procurement of Enterprise Content Management system through SITA contract 398 – Irregularity in SITA procurement process	3 253 816	94 694 818
• Printing of business cards	3 765	–
Payment will only be effected after the irregular expenditure is regularised		
• Extension of backup facility services	29 364	–
• Extension of appointment period of consulting services	258 781	–
Reconciliation of irregular expenditure		
Opening balance	94 694 818	-
Irregular expenditure – current year	3 545 726	95 830 616
Less: amount approved by the Accounting Officer with funding	(3 765)	(1 135 798)
Irregular expenditure awaiting condonement	98 236 779	94 694 818

2. Other information (continued)

2.1 Public sector practices and policies (continued)

2.1.2 Public Finance Management Act reporting requirements as required in terms of section 40(3)(b) of the Act (continued)

	2011 R	2010 R
Gifts and donations	8 061	6 622
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 1 of 1999), and Treasury Regulation 21. Gifts and donations received by employees during the year under review were:		
• Sponsored tickets – Mr L Muller (Manager: Revenue)	–	500
• Jewellery gift – Ms L Roelofse (Operations Support)	–	400
• Gift basket – Ms T Nkuna (Head: Compliance, Audit and Risk)	–	1 110
• Smaller gifts (less than R300) to various staff members	2 861	4 612
• FIFA tickets – Ms E Zdravkova	500	–
• Rugby tickets: Dr E Conradie	600	–
• Gift basket – Mr S Makhubu	550	–
• Note book and FIFA gifts – Ms T Maluleke	800	
• Pen and pencil set – Mr L Dukwana	500	
• Training voucher – Ms N Maynhard	1 450	
• Match tickets – Mr L Dukwana	800	

3. Correction of prior year error

The organisation in 2009/2010 implemented IAS 39 (AC 133) dealing with the recognition and measurement of financial instruments. The effect of discounting of debtors of R3 194 410 was reflected in the statement of comprehensive income for the 2009/2010 financial year as impairment. This amount should have been accounted for against revenue.

The effect of this re-classification change for the 2009/2010 financial year is as follows:

	Note	2010 R
Statement of financial position		
• Decrease in revenue	11	3 194 410
• Decrease in impairment	7	3 194 410
• Impact on net surplus		–

4. Property, plant and equipment

Total assets	Cost R	Accumulated depreciation R	Carrying value R
2011 – March			
Computer equipment	26 287 177	(15 811 987)	10 475 190
Office furniture and other equipment	6 839 946	(4 844 394)	1 995 552
	33 127 123	(20 656 381)	12 470 742
2010			
Computer equipment	24 169 700	(13 647 207)	10 522 493
Office furniture and other equipment	6 754 681	(4 069 016)	2 685 665
	30 924 381	(17 716 223)	13 208 158

Reconciliation of carrying amounts

	Computer equipment R	Office furniture and other equipment R	2011 R	2010 R
Opening balance	10 522 493	2 685 665	13 208 158	9 771 552
Acquisitions during the year	4 333 954	271 105	4 605 059	6 677 780
Disposals during the year	(143 765)	(21 653)	(165 418)	(71 647)
Depreciation for the year	(4 237 492)	(939 565)	(5 177 057)	(3 169 527)
Carrying amount at end of year	**10 475 190**	**1 995 552**	**12 470 742**	**13 208 158**

4.1 Changes in accounting estimates

Management reviewed the estimated useful lives of property, plant and equipment at the end of each annual reporting period as required per IAS 16 (AC 123). 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 as follows:

	2011 R	2010 R
Reassessment of property, plant and equipment of useful lives	1 359 763	4 530 754

4.2 Finance lease liability

Finance lease liability	–	148 324
Total finance lease liability	–	699 656
Short-term portion included in current liabilities	–	(551 332)

The finance lease liability is secured by the related leased assets. The liability is repayable in quarterly instalments totalling R152 773 payable in advance, commencing on 1 July 2008. The finance lease term is three years and has a renewal option. Interest is calculated at 12%. The lease was fully settled on 28 March 2011.

Total future minimum finance lease payments under non-cancellable finance leases

	Total R	Interest R	Principal R
2011			
Less than one year	–	–	–
Between two to five years	–	–	–
	–	–	–
2010			
Less than one year	611 092	59 760	551 332
Between two to five years	152 774	4 450	148 324
	763 866	64 210	699 656

5. Intangible assets

	Cost R	Accumulated amortisation and impairment R	Carrying amount R
2011			
Capitalised computer software and licences	126 632 030	(117 510 023)	9 122 007
2010			
Capitalised computer software and licences	120 115 760	(11 274 527)	108 841 233

Reconciliation of carrying amounts	**2011 R**	**2010 R**
Opening balance	108 841 233	66 870 142
Acquisitions during the year	6 529 920	43 744 516
Amortisation	(4 364 717)	(1 773 425)
Impairment for the year	(101 884 429)	–
Carrying amount at end of year	**9 122 007**	**108 841 233**

Impairment

At the end of the financial year intangible assets were reviewed in terms of IAS 36 (AC 128) to assess if significant changes resulted in assets becoming idle or to be discontinued. An assessment of the Enterprise Content Management (ECM) system was done. As the asset is temporarily idle pending a comprehensive technical assessment the total asset value of R101 884 429 is impaired. The impairment loss will be re-assessed to a determined value once the outcome of the technical assessment is known.

5.1 Changes in accounting estimates

Management reviews the estimated useful lives of intangible assets at the end of each annual reporting period as required per IAS 38 (AC 129). 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, decreased the depreciation expense as follows:

	2011 R	**2010 R**
Reassessment of intangible assets' useful lives	529 739	3 274 242

During the year under review redundant, unserviceable and damaged assets as well as assets where the useful life expired were replaced as set out below:

	Cost R	**Accumulated depreciation R**	**Net book value R**
2011			
Software	13 650	(13 650)	–
Computer equipment	2 217 839	(2 074 074)	143 765
Furniture and equipment	184 478	(162 825)	21 653
Total	**2 415 967**	**(2 250 549)**	**165 418**
Sale of assets			(94 100)
Loss on disposal			71 318

5. Intangible assets (continued)

	Cost R	Accumulated depreciation R	Net book value R
2010			
Software	–	–	–
Computer equipment	2 050 509	(1 987 844)	62 665
Furniture and equipment	305 910	(296 928)	8 982
Total	**2 356 419**	**(2 284 772)**	**71 647**
Sale of assets			–
Loss on disposal			71 647

6. Inventories

	2011 R	2010 R
Stationery and consumable stores	831 603	620 125
Stock adjustment	2 210	4
	833 813	620 129

7. Trade and other receivables

	2011 R	2010 R
Trade receivables	55 460 475	112 959 104
PCT receivables	7 405	–
	55 467 880	112 959 104
Deposits	–	1 386 830
Staff debtors	380 910	606 066
Other receivables	198 667	–
Prepaid expenses **	2 644 299	6 080 194
Total trade and other receivables	58 691 756	121 032 194

Reconciliation of trade receivables

	Total R	Longer than one year R	Less than one year R
2011			
Debtors recognised*	105 638 202	–	105 638 202
Impairment of trade receivables	(50 177 727)	–	(50 177 727)
	55 460 475	–	55 460 475
2010			
Debtors recognised	1 291 200 439	736 482 443	554 717 996
Impairment of trade receivables	(1 178 241 335)	(698 840 869)	(479 400 466)
	112 959 104	37 641 574	75 317 530

2010 – Re-classification of impairment to discounting of debtors which amounted to R3 194 410. Refer note 10.

** Debtors exclude trade receivables relating to annual return revenue where the assessment for recoverability at initial recognition is deemed irrecoverable. Refer note 10.*

7. Trade and other receivables (continued)

Reconciliation of impairment provision

	2011 R	2010 R
Opening balance	1 178 241 335	692 987 417
Debtors written off *	(1 135 092 600)	–
Reversal of impairment	(43 148 735)	–
Impairment of non-recoverable debtors	50 177 727	485 253 918
Closing balance	**50 177 727**	**1 178 241 335**

** The entity during 2009/2010 changed its accounting estimate with respect to the treatment of the recognition of annual return fee revenue. In this regard a provision of R1 178 241 335 was raised. During the 2010/2011 financial year non-compliant companies were deregistered resulting in the write off of R1 135 092 600.*

*** Pre-paid expenses.*	*2011 R*	*2010 R*
– Travel and accommodation	*75 510*	*–*
– Rental: ICT equipment	*–*	*152 773*
– Rental: Office accommodation	*71 358*	*–*
– Rental: Conference facility	*22 635*	*–*
– Software maintenance agreement	*–*	*1 148 683*
– Computer warranty	*305 882*	*133 697*
– Renewal of software licence	*2 163 099*	*2 976 102*
– Software development	*–*	*1 663 574*
– Health risk fee	*5 815*	*5 365*
	2 644 299	*6 080 194*

Reconciliation of prepayments

	Total R	Longer than one year R	Less than one year R
2011			
Prepayments	2 644 299	808 731	1 835 568
	2 644 299	808 731	1 835 568
2010			
Prepayments	6 080 194	248 076	5 832 118
	6 080 194	248 076	5 832 118

7.1 Change in accounting estimate

The entity in 2009/2010 recognised the gross trade debtors and included impairment for all debtors where it is possible that the economic benefits will not be realised. In the 2010/2011 financial year debtors were only recognised if the economic benefits are expected to realise. For the 2010/2011 financial year this amounts to R74 million.

The annual return trade receivables for the 2009/2010 financial year included debtors raised for all companies on the entity's registration database that were liable for the payment of annual return fees. In the 2010/2011 financial year a substantial number of non-compliant companies were finally deregistered and impaired. This resulted in a substantial reduction in trade receivable and impairment in the 2010/2011 financial year compared to the 2009/2010 financial year. Refer to note 11.

8. Cash and cash equivalents

	2011 R	2010 R
Bank balance	7 726 764	5 645 574
Cash on hand	207	9 723
Call account– Corporation for Public Deposits (CPD)	948 762 290	638 845 346
	956 489 261	644 500 643

9. Provisions

	Opening balance R	Provision raised R	Provision utilised R	Closing balance R	Current portion R
2011					
Leave pay benefits	6 485 087	8 849 211	(8 124 652)	7 209 646	7 209 646
Service bonus	3 354 806	6 853 284	(6 559 287)	3 648 803	3 648 803
Legal provision	257 638	–	(147 638)	110 000	110 000
Merit awards	1 650 000	2 123 054	(1 893 054)	1 880 000	1 880 000
	11 747 531	17 825 549	(16 724 631)	12 848 449	12 848 449
2010					
Leave pay benefits	5 734 771	5 854 440	(5 104 124)	6 485 087	6 485 087
Service bonus	2 537 288	6 228 868	(5 411 350)	3 354 806	3 354 806
Legal provision	184 000	73 638	–	257 638	257 638
Merit awards	1 480 000	1 621 800	(1 451 800)	1 650 000	1 650 000
	9 936 059	13 778 746	(11 967 274)	11 747 531	11 747 531

- Leave pay benefits and service bonuses are in terms of the conditions of service;
- Provision has been made for settlement costs in respect of legal cases against CIPRO, which existed at year-end but were not yet settled; and
- Merit awards are based on 1,5% of the total budgeted salary expenditure as per policy.

10. Trade and other payables

	2011 R	2010 R
Trade creditors and accruals	15 634 204	12 021 319
Retention: Enterprise Content Management system	3 935 795	3 410 784
Deferred income **	58 888 160	56 445 146
	78 458 159	71 877 249

*** Deposits received in advance from customers for future transactions.*

The carrying amount approximates fair value because of the short period to settlement of these obligations. Trade payables are non-interest bearing and are normally settled on 30 day terms. Other payables (deferred income) are non-interest bearing and are recognised as revenue on the date of registration of a transaction.

11. Revenue

	2011 R	2010 R
Annual return revenue*	284 772 639	734 899 521
• Annual return revenue	223 258 006	420 796 973
• Annual return penalties	61 514 633	314 102 548
Corporate information	16 326 085	16 436 587
Companies and close corporations	57 134 556	54 454 213
Data sales	2 148 389	1 475 457
Increase in company share capital	8 591 144	7 804 860
Intellectual property	43 808 299	34 181 449
Co-operatives	1 760 050	1 937 098
	414 491 162	851 189 185

** Annual revenue excludes revenue where the assessment for recoverability at initial recognition is deemed irrecoverable. Refer note 7.*

The entity in 2009/2010 recognised the gross sales and included impairment for all annual return debtors where it is possible that the economic benefit will not realise. In the 2010/2011 financial year revenue was only recognised if the economic benefits are expected to realise.

The annual return revenue for the 2009/2010 financial year included revenue recognised for all annual return debtors on the entity's registration database. In the 2010/2011 financial year a substantial number of non-compliant companies were finally deregistered and impaired. This resulted in a substantial reduction in annual return revenue in the 2010/2011 financial year compared to the 2009/2010 financial year. Refer to note 7.

	2010 R
Annual return revenue*	738 093 931
Prior year adjustment	(3 194 410)
Adjusted total	734 899 521

12. Other operating income

	2011 R	2010 R
Other income	73 435	304 830
Patent Corporation Treaty (PCT) income	47 700	67 200
Recognition of unallocated deposits as revenue	3 975 921	432 289
Recovery of expense *(in respect of staff telephone accounts)*	427 061	468 572
	4 524 117	1 272 891

13. Consulting and professional fees

Specialist information technology consultants	9 410 464	13 715 190
Management consultants	5 367 683	5 152 143
Short-term professional staffing requirements	4 924 893	6 781 369
	19 703 040	25 648 702

14. Depreciation and amortisation

	2011 R	2010 R
Depreciation		
• Computer equipment	4 237 492	2 771 096
• Office furniture and other equipment	939 565	398 431
Amortisation of intangible assets	4 364 718	1 773 425
	9 541 775	4 942 952

15. Employee costs

Total per the statement of comprehensive income	132 768 142	115 402 060

Employee costs include the gross remuneration of the following senior staff:

	Remuneration R	Travel allowance and other R	Performance bonus R	Total R
2011				
Chief Executive Officer (Passed away – September 2010)	564 198	–	–	564 198
Chief Executive Officer*	959 523	38 013	73 436	1 070 972
Chief Operating Officer (Vacant)	–	–	–	–
Chief Financial Officer	1 090 059	8 477	–	1 098 536
Chief Information Officer (January 2011)	798 360	–	–	798 360
Executive manager: Compliance Audit and Risk	825 114	11 395	–	836 509
Executive manager: Customer Interface*	773 082	15 144	52 988	841 214
Executive manager: Strategic Support*	706 540	19 970	–	726 510
2010				
Chief Executive Officer	1 296 570	5 410	–	1 301 980
Chief Operating Officer (Resigned)	782 285	9 267	–	791 552
Chief Financial Officer	965 628	9 542	–	975 170
Chief Information Officer (Contract ended – January 2011)	992 261	13 660	117 309	1 123 230
Executive manager: Compliance Audit and Risk	768 764	9 263	–	778 027
Executive manager: Customer Interface*	760 680	34 847	45 739	841 266
Executive manager: Strategic Support	863 880	19 478	–	883 358

** Acting.*

	2011 R	2010 R
Total approved establishment	554	552
Actual headcount	497	500
Vacant	57	52
% vacant	10,28	9,42

16. Surplus from operations

	2011 R	2010 R
Surplus from operations is stated after taking into consideration the following expenditure:		
Audit and Risk Committees	316 390	140 254
Total audit fees	5 828 372	3 934 724
External audit fees	3 736 624	2 598 814
• Regularity audit	2 681 045	2 174 823
• Computer audits	1 055 579	423 991
Forensic investigations (Outsourced)	660 999	636 762
Internal audit fees (Co-sourced portion)	1 430 749	699 148
Legal fees	178 716	42 776
Operating lease charges	18 157 136	16 709 416
• Vehicles	215 056	248 792
• Furniture and other equipment	5 310	84 108
• Property	9 387 503	8 688 410
• Off-site storage facility	8 549 267	7 688 106
Publication, printing and stationery	9 525 837	11 528 997
• Government printers	2 799 342	5 389 447
• Stationery	4 166 224	3 284 880
• Other	2 560 271	2 854 670

17. Defined benefit plan

The entity provides retirement benefits to all employees. The Government Employees' Pension Fund (GEPF) exists for this purpose. The entity is under no obligation to cover any unfunded benefits.

	2011 R	2010 R
Total employer contributions to the scheme	11 587 352	10 084 508

18. Interest income

Interest received – Cash and cash equivalents	48 444 202	37 895 799
Interest received – Trade receivables	16 246 656	67 716 788
	64 690 858	105 612 587

19. Operating lease commitments

Total future minimum lease payments under non-cancellable operating leases:

	0 –1 year R	2 – 5 years R	Total R
2011			
the dti Campus lease	9 234 413	–	9 234 413
202 Esselen Street	405 450	0	405 450
Motor vehicles	141 915	–	141 915
Storage facility	–	–	–
Off-site storage facility	10 805 789	29 646 621	40 452 410
	20 587 567	29 646 621	50 234 188
2010			
the dti Campus lease	8 671 145	–	8 671 145
202 Esselen Street	163 200	–	163 200
Motor vehicles	214 460	230 564	445 024
Storage facility	18 822	–	18 822
Off-site storage facility	5 648 732	–	5 648 732
	14 716 359	230 564	14 946 923

The dti Campus lease

A formal agreement in respect of the premises at **the dti** Campus has not been finalised, therefore only the known lease commitment for the following year is reflected above. Although the lease cost after year one is not known, it is expected that the cost will increase by the average CPI. Based on the aforesaid assumption it is estimated that the lease payments for year 2 to 5 will amount to R40 697 672.

Off-site file storage

A contract was entered into for off-site file storage over a five-year period (2011 – 2016).

Office: 202 Esselen Street

The lease is for the renting of office space in 202 Esselen Street.

20. Notes to the cash flow statement

	2011 R	2010 R
Surplus from operations	77 732 192	145 917 409
Adjusted for non-cash flow items:		
Depreciation of property, plant and equipment	5 177 057	3 169 527
Amortisation of intangible assets	4 364 718	1 773 425
Loss in disposal of property, plant and equipment	71 318	71 647
Movement in provision for leave pay	724 559	750 316
Movement in provision for service bonus	293 996	817 518
Movement in provision for legal cases	(147 638)	73 638
Movement in provision for merit awards	230 000	170 000
Impairment loss	101 884 429	–
Finance cost	64 360	121 240
Cash flows before changes in working capital	**190 394 991**	**152 864 720**
Increase in inventories	(213 684)	(41 542)
(Increase)/Decrease in trade and other receivables	62 340 438	(39 983 170)
Increase/(Decrease) in trade and other payables	6 580 910	(42 436 233)
Cash generated from operations	**259 102 655**	**70 403 775**

21. Taxation

21.1 Income tax

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

21.2 Value-added tax

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

22. Contingent liabilities

	2011 R	2010 R
22.1 Housing guarantees	254 303	266 803
There are contingent liabilities in respect of guarantees given in terms of public service assistance for staff housing loans. Housing guarantees are secured by the pension fund of the relevant employee and the current value of the individual's pension fund is sufficient to cover the guarantee amount. History indicates that no expenditure has been realised in this regard. The likelihood of a possible outflow of resources is remote and no liability is recognised in the financial statements.		
At the financial year end, management re-assessed the fair value of the contingent liability of housing guarantees as required per IAS 37 (AC 130). No fair value adjustment was deemed necessary.		
22.2 Surplus for the year	142 423 050	251 529 996
The surplus for the year under review has been classified as a contingent liability at 31 March 2011. In terms of Treasury Regulation 19.7.1 the entity at the end of the financial year needs to declare any surplus to National Treasury. National Treasury may apply such surplus to reduce any proposed allocation to the trading entity; or require that all or part of it be deposited in the Exchequer bank account. The retention of the surplus declared for the 2009/2010 financial year has been approved by National Treasury to fund special initiatives. A request will be submitted to National Treasury to retain the surplus for the 2010/2011 financial year in order to fund the 2011/2012 budget as approved by the Accounting Authority.		
22.3 Claim for damages	1 581 660	1 581 660
The entity is currently contesting a claim by a service provider for damages. The claim is made based on the service provider's understanding of the incorrect technical information in the tender which reflected a contract period of two years and 45 000 files instead of one year and 4 500 files. The correct tender specification was communicated to all bidders before the tender was awarded. A Service Level Agreement was signed by the service provider based on the correct tender specifications and the likely possibility of an award against the entity is remote.		
22.4 Enterprise Content Management system (ECM)	50 827 196	–
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. These proceedings are currently *sub judice* and the outcome is uncertain.		

23. Contingent assets

	2011 R	2010 R
Contingent assets	**1 600 000**	**1 600 000**
The cashier function was outsourced to a service provider for the period May 2004 to July 2008. In terms of the contractual arrangements the service provider recovered the transaction fees from the cash collections and only transferred the net collections to the entity. Based on an investigation, it was found that the service provider overcharged on the transaction fees and litigation is in process and the outcome is uncertain.		

24. Planned expenditure

New building:

- Lease of building
  The entity is in the process of securing a new building for rental purposes. The lease is not yet concluded but the move is probable. The estimated annual commitment in this regard amounts to:
  - Not contracted — R26 000 000
- Furniture
  The entity is in the process of procuring furniture for the move to the new building and the estimated cost amounts to:
  - Not contracted — R18 000 000
- ICT infrastructure
  The entity is in the process of procuring ICT infrastructure for the new building and the estimated cost amounts to:
  - Not contracted — R15 000 000

25. Patent Corporation Treaty (PCT) trust account

	2011 R	2010 R
Funds held in trust and deposited to which the entity is not entitled, are accounted for separately and deposited into a separate bank account.		
PCT creditors	1 096 986	919 961
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	1 096 986	919 961

Any cost associated with the maintaining of the separate trust bank account, or any interest received on such trust funds, is for the account of the entity.

26. Risk management

Financial risk management

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

Financial assets which potentially subject the entity 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 SA 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 prepaid 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.

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 entity'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. The risk arises when there are interest rate changes downward as this will not reduce the interest income on invested funds. The entity's risk on the finance leases arises when interest rates increase, thereby increasing the liability on the leased assets. 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, all surplus funds are deposited in the call account – Corporation for Public Deposits (CPD).

The entity is exposed to interest rate changes in respect of returns on its investments with financial institutions and interest payable on finance leases contracted with outside parties.

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

		Increase/(decrease) in the surplus for the year	
	Change in interest rate %	**Upward change R**	**Downward change R**
2011			
Cash and cash equivalents	1	130 072	130 072
Finance lease	1	–	–
2010			
Cash and cash equivalents	1	51 987	(51 987)
Finance lease	1	10 103	(10 103)

Credit risk

Reputable financial institutions are used for investing and cash handling purposes. At balance sheet 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 balance sheet after taking into account that all debtor services are now paid for in advance.

Exposure to credit risk

The maximum exposure to credit risk at the reporting date from financial assets was:

	2011 R	**2010 R**
Cash and cash equivalents	956 489 261	644 500 643
Other receivables	55 460 475	121 032 194
Total	**1 011 949 736**	**765 532 837**

26. Risk management (continued)

Concentration of credit risk

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

	AAA and Government R	Unrated R
2011		
Cash and cash equivalent	956 489 261	
Other receivables		55 460 475
2010		
Cash and cash equivalent	644 500 643	–
Other receivables		121 032 194

Ageing of financial assets

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

	Neither past due nor impaired R	Past due but not impaired less than 12 months R	Past due but not impaired more than 12 months R	Carrying value R
2011				
Cash and cash equivalents	956 489 261	–	–	956 489 261
Other receivables	3 223 876	52 236 599	–	55 460 475
2010				
Cash and cash equivalents	644 500 644	–	–	644 500 644
Other receivables	8 073 090	75 317 530	37 641 574	121 032 194

Liquidity risk

The entity's risk to liquidity is a result of the funds available to cover future commitments. Taking into consideration CIPRO's current funding structures and availability of cash resources, CIPRO regards this risk to be low, provided National Treasury approves the retention of surplus.

The following table reflects the exposure to liquidity risk from financial liabilities:

	Carrying amount R	Total cash flow R	Contracted cash flow within 1 year R	Contractual cash flow 2 – 5 years R
2011				
Financial liabilities	–	–	–	–
Trade payables	78 458 159	78 458 159	78 458 159	–
Provisions	12 848 449	12 848 449	12 848 449	–
Total	**91 306 608**	**91 306 608**	**91 306 608**	**–**
2010				
Financial liabilities	77 850 422	77 850 422	77 467 084	383 338
Trade payables	71 877 249	71 877 249	71 877 249	–
Provisions	11 747 531	11 747 531	11 747 531	–
Total	161 475 202	161 475 202	161 091 864	383 338

Fair value

At 31 March 2011 and 31 March 2010 the carrying amounts of cash and cash equivalents, trade and other receivables, trade and other payables and short–term loans approximate their fair values.

27. Events after the end of the reporting period

The new Companies Act (Act 71 of 2008) established a new juristic entity (Company and Intellectual Property Commission (CIPC)) with effect from 1 May 2011 that combined the current functions of CIPRO and OCIPE (Office of Companies and Intellectual Property Enforcement) and added several new functions mainly in the compliance and reporting areas. In this regard CIPRO as a legal entity will cease to exist on 30 April 2011. All staff, assets and liabilities for CIPRO will be transferred to the new Commission.

The new entity will move to a new accounting framework and will prepare its financial statements according to General Recognised Accounting Practice (GRAP). The implications of the change in the accounting framework will only be determined when the new entity is established.

The additional financial implications related to the new functions to be performed by the new Commission will be funded by revenue generated by the entity. The additional operating cost is estimated at R30 million per annum.

28. Standards and interpretations issued but not yet effective or not applicable

At the date of finalisation of these financial statements, the following International Financial Reporting Standards (IFRS) were issued, but not yet effective:

IFRS	Effective date	Impact
IFRS 1 First Time Adoption of International Financial Reporting Standards • Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters	Annual periods beginning on or after 1 July 2010	This statement will not impact on the results but will likely result in certain additional disclosures in future
IFRS 9 Financial Instruments: Classification and Measurement	Annual periods beginning on or after 1 January 2013	This statement will not impact on the results
IAS 17 Leases Amendments resulting from April 2009 Annual Improvements to IFRS	Annual periods beginning on or after 1 January 2011	This statement will not impact on the results but will likely result in a different classification of leases of land and building
IAS 24 Related Party Disclosures Revised definition or related parties	Annual periods beginning on or after 1 January 2011	This statement will not impact on the result but will likely result in additional disclosure of related parties and related party transactions
IFRIC 14 IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	November 2009 amendment with respect to voluntary prepaid contribution is effective for annual periods beginning on or after 1 January 2011	Not applicable

Management is of the view that the adoption of these standards in future will have no material impact of the financial statements of CIPRO as most of these are not applicable to the business of CIPRO.

29. Other material matters – Soccer World Cup clothing and tickets

CIPRO did not incur any expenditure relating to the procurement of clothing and tickets for staff or other stakeholders.

Part six:
HR oversight report

HR oversight report

for the year ended 31 March 2011

Table 1.1 – Personnel costs by programme

Programme	Total voted expenditure R'000	Compensation of employees expenditure R'000	Training expenditure R'000	Compensation of employees as % of total expenditure	Average compensation of employees cost per employee R'000	Employment
CIPRO	234 347	138 758	1 134	59	273	509

Table 1.2 – Personnel costs by salary band

Salary bands	Compensation of employees cost R'000	Percentage of total personnel cost for department	Average compensation cost per employee R'000	Number of employees
Skilled (Levels 3-5)	1 796	1	138	13
Highly skilled production (Levels 6-8)	61 789	45	208	297
Highly skilled supervision (Levels 9-12)	39 505	28	434	91
Senior management (Levels 13-16)	17 117	12	713	24
Contract (Levels 6-8)	14 054	10	213	66
Contract (Levels 9-12)	1 889	1	378	5
Contract (Levels 13-16)	685	0	685	1
Abnormal appointment	1 923	1	160	12
Total	**138 758**	**100**	**272 608**	**509**

Table 1.3 – Salaries, overtime, home owners allowance and medical aid by programme

Programme	Salaries R'000	Salaries as % of personnel cost	Overtime R'000	Overtime as % of personnel cost	HOA R'000	HOA as % of personnel cost	Medical Ass. R'000	Medical Ass. as % of personnel cost	Total personnel cost per programme R'000
CIPRO	98 564	71	1 554	1,1	2 642	1,9	5 721	4,1	138 758
Total	**98 564**	**71**	**1 554**	**1,1**	**2 642**	**1,9**	**5 721**	**4,1**	**138 758**

Table 1.4 – Salaries, overtime, home owners allowance and medical aid by salary band

Salary bands	Salaries R'000	Salaries as % of personnel cost	Overtime R'000	Overtime as % of personnel cost	HOA R'000	HOA as % of personnel cost	Medical Ass. R'000	Medical Ass. as % of personnel cost	Total personnel cost per salary band R'000
Skilled (Levels 3-5)	5 246	3	61	0,03	201	0,11	564	0,31	1 796
Highly skilled production (Levels 6-8)	38 793	22	1 177	0,66	1 668	2,70	3 459	1,93	61 789
Highly skilled supervision (Levels 9-12)	29 656	17	166	0,09	362	0,90	988	0,55	39 505
Senior management (Levels 13-16)	14 313	8	0	0,00	161	0,90	314	0,17	17 117
Contract (Levels 6-8)	5 554	3	131	0,07	203	1,40	220	0,12	14 054
Contract (Levels 9-12)	1 613	1	0	0,00	0	0,00	45	0,02	1 889
Contract (Levels 13-16)	3 388	2	0	0,00	0	0,00	42	0,02	685
Abnormal appointment	0	0	0	0,00	0	0,00	0	0,00	1 923
Total	**98 564**	**1**	**1 535**	**1,1**	**2 594**	**1,9**	**5 631**	**4,1**	**138 758**

Table 2.1 – Employment and vacancies by programme at end of period

Programme	Number of posts	Number of posts filled	Vacancy rate	Number of posts filled additional to the establishment
CIPRO	554	497	10,3	12
Total	**554**	**497**	**10,3**	**12**

HR oversight report

for the year ended 31 March 2011 (continued)

Table 2.2 – Employment and vacancies by salary band at end of period

Salary band	Number of posts	Number of posts filled	Vacancy rate	Number of posts filled additional to the establishment
Skilled (Levels 3-5), Permanent	11	10	9,1	0
Highly skilled production (Levels 6-8), Permanent	332	309	6,9	0
Highly skilled supervision (Levels 9-12), Permanent	117	90	23,1	0
Senior management (Levels 13-16), Permanent	30	24	20	0
Contract (Levels 6-8)	58	58	0	12
Contract (Levels 9-12),	3	3	0	0
Contract (Levels 13-16),	3	3	0	0
Total	**554**	**497**	**10,3**	**12**

Table 2.3 – Employment and vacancies by critical occupation at end of period

Critical occupations	Number of posts	Number of posts filled	Vacancy rate	Number of posts filled additional to the establishment
Administrative related, Permanent	45	37	17,8	0
Communication and information related, Permanent	7	7	0	0
Economists, Permanent	5	5	0	0
Finance and economics related, Permanent	9	8	11,1	0
Financial clerks and credit controllers, Permanent	8	8	0	0
Food services aids and waiters, Permanent	1	0	100	0
Human resources clerks, Permanent	5	4	20	0
Human resources related, Permanent	19	12	36,8	0
Information technology related, Permanent	25	17	32	0
Legal related, Permanent	27	27	0	0
Library, mail and related clerks, Permanent	1	1	0	0
Logistical support personnel, Permanent	8	6	25	0
Other administrative and related clerks and organisers, Permanent	341	322	5,6	12
Other information technology personnel., Permanent	2	1	50	0
Safety, health and quality inspectors, Permanent	1	1	0	0
Secretaries and other keyboard operating clerks, Permanent	12	11	8,3	0
Security officers, Permanent	4	3	25	0
Senior managers, Permanent	33	26	21,2	0
Social work and related professionals, Permanent	1	1	0	0
Total	**554**	**497**	**10,3**	**12**

** The current employment (509) consists of 497 employees appointed and 12 temporary employees.*
** During the 2010/2011 financial year only critical posts were filled due to the transition to the Commission.*

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for the year ended 31 March 2011 (continued)

Table 3.1 – Job evaluation

Salary band	Number of posts	Number of jobs evaluated	% of posts evaluated	Number of posts upgraded	% of upgraded posts evaluated	Number of posts downgraded	% of downgraded posts evaluated
Skilled (Levels 3-5)	13	0	0	0	0	0	0
Highly skilled production (Levels 6-8)	387	0	0	0	0	0	0
Highly skilled supervision (Levels 9-12)	122	0	0	0	0	0	0
Senior Management service band A	25	0	0	0	0	0	0
Senior Management service band B	6	0	0	0	0	0	0
Senior Management service band C	1	0	0	0	0	0	0
Total	**554**	**0**	**0**	**0**	**0**	**0**	**0**

Table 3.2 – Profile of employees whose positions were upgraded due to their posts being upgraded

Beneficiaries	African	Asian	Coloured	White	Total
Female	0	0	0	0	0
Male	0	0	0	0	0
Total	**0**	**0**	**0**	**0**	**0**
Employees with a disability	0	0	0	0	0

Table 3.3 –Employees whose salary level exceeds the grade determined by job evaluation [i.t.o. P.S.R. 1.V.C.3]

Occupation	Number of employees	Job evaluation level	Remuneration level	Reason for deviation
CFO	1	14	15	Retention
Call centre agents	5	7	8	Job weight
Administrative Officer: Facilities & Security	1	6	7	Job weight
Manager Communications	1	11	12	Job weight
Total	**8**			
Percentage of total employment	1,4			

Table 3.4 – Profile of employees whose salary level exceeded the grade determined by job evaluation [i.t.o. PSR 1.V.C.3]

Beneficiaries	African	Asian	Coloured	White	Total
Female	4	0	0	0	4
Male	1	1	0	2	4
Total	**5**	**1**	**0**	**2**	**8**
Employees with a disability	0	0	0	0	0

** No job evaluations were done during the 2010/2011 financial year due to the transition to the Commission.*

Table 4.1 – Annual turnover rates by salary band

Salary band	Employment at beginning of period (April 2010)	Appointments	Terminations	Turnover rate
Skilled (Levels 3-5), Permanent	13	0	1	7,7
Highly skilled production (Levels 6-8), Temporary	43	0	39	90,7
Highly skilled production (Levels 6-8), Permanent	362	22	6	1,7
Highly skilled supervision (Levels 9-12), Permanent	101	4	17	16,8
Senior Management service, Permanent	20	3	0	0
Senior Management service band B, Permanent	2	0	0	0
Senior Management service , Temporary	4	0	2	50
Total	**545**	**29**	**65**	**11,9**

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for the year ended 31 March 2011 (continued)

Table 4.2 – Annual turnover rates by critical occupation

Occupation	Employment at beginning of period (April 2010)	Appointments	Terminations	Turnover rate
Administrative related, Permanent	37	0	3	8,1
Communication and information related, Permanent	5	1	0	0
Computer programmers., Permanent	2	0	0	0
Economists, Permanent	2	0	0	0
Finance and economics related, Permanent	9	0	1	11,1
Financial clerks and credit controllers, Permanent	8	0	0	0
Food services aids and waiters, Permanent	1	0	0	0
Human resources related, Permanent	18	2	4	22,2
Information technology related, Permanent	22	1	4	18,2
Legal related, Permanent	17	0	0	0
Library, mail and related clerks, Permanent	2	0	0	0
Logistical support personnel, Permanent	6	0	1	16,7
Other administrative and related clerks and organisers, Permanent	372	22	49	13,2
Other administrative policy and related officers, Permanent	2	0	0	0
Other information technology personnel., Permanent	1	0	0	0
Secretaries and other keyboard operating clerks, Permanent	13	0	0	0
Security officers, Permanent	3	0	0	0
Senior managers, Permanent	25	3	2	8
Senior managers, Temporary	0	0	1	0
Total	**545**	**29**	**65**	**11,9**

Table 4.3 – Reasons why staff are leaving the department

Termination type	Number	Percentage of total resignations	Percentage of total employment	Total	Total employment
Death, Permanent	5	7,7	1	65	509
Resignation, Permanent	13	20	2,6	65	509
Expiry of contract, Temporary	39	60	7,7	65	509
Discharged due to ill health, Permanent	1	1,5	0,2	65	509
Dismissal – misconduct, Permanent	6	9,2	1,2	65	509
Retirement, Permanent	1	1,5	0,2	65	509
Total	**65**	**100**	**12,8**	**65**	**509**
Resignations as % of employment	6,4				

HR oversight report

for the year ended 31 March 2011 (continued)

Table 4.4 – Promotions by critical occupation

Occupation	Employment at beginning of period (April 2010)	Promotions to another salary level	Salary level promotions as a % of employment	Progressions to another notch within salary level	Notch progressions as a % of employment
Administrative related, Permanent	37	1	2,7	21	56,8
Communication and information related, Permanent	5	0	0	0	0
Computer programmers., Permanent	2	0	0	0	0
Economists, Permanent	2	0	0	3	150
Finance and economics related, Permanent	9	0	0	8	88,9
Financial clerks and credit controllers, Permanent	8	0	0	4	50
Food services aids and waiters, Permanent	1	0	0	0	0
Human resources related, Permanent	18	0	0	2	11,1
Information technology related, Permanent	22	1	4,5	7	31,8
Legal related, Permanent	17	0	0	4	23,5
Library, mail and related clerks, Permanent	2	0	0	20	1000
Logistical support personnel, Permanent	6	0	0	1	16,7
Other administrative and related clerks and organisers, Permanent	372	1	0,3	6	1,6
Other administrative policy and related officers, Permanent	2	0	0	224	11 200
Other information technology personnel., Permanent	1	0	0	1	100
Secretaries and other keyboard operating clerks, Permanent	13	0	0	1	7,7
Security officers, Permanent	3	0	0	8	266,7
Senior managers, Permanent	25	0	0	1	4
Senior managers, Temporary	0	0	0	10	0
Total	**545**	**3**	**0,6**	**321**	**58,9**

Table 4.5 – Promotions by salary band

Salary band	Employment at beginning of period (April 2010)	Promotions to another salary level	Salary level promotions as a % of employment	Progressions to another notch within salary level	Notch progressions as a % of employment
Skilled (Levels 3-5), Permanent	13	0	0	105	807,7
Highly skilled production (Levels 6-8), Temporary	43	1	2,3	161	374,4
Highly skilled production (Levels 6-8), Permanent	362	1	0,3	46	12,7
Highly skilled supervision (Levels 9-12), Permanent	101	0	0	0	0
Senior Management service, Permanent	20	1	5	9	45
Senior Management service band B, Permanent	2	0	0	0	0
Senior Management service , Temporary	4	0	0	0	0
Total	**545**	**3**	**0,6**	**321**	**58,9**

Table 5.1 – Total number of employees (including employees with disabilities) per occupational category (SASCO)

Occupational categories	Male African	Male Coloured	Male Indian	Male Total Blacks	Male White	Female African	Female Coloured	Female Indian	Female Total Blacks	Female White	Total
Legislators, senior officials and managers, Permanent	3	1	1	5	2	9	3	0	12	3	22
Professionals, Permanent	38	4	1	43	3	21	2	2	25	5	76
Technicians and associate professionals, Permanent	17	0	2	19	2	16	0	2	18	7	46
Highly skilled production (Levels 6-8), Temporary	7	0	0	7	0	5	0	0	5	0	12
Clerks, Permanent	106	4	2	112	5	169	12	2	181	48	348
Service and sales workers, Permanent	0	0	0	0	3	1	0	0	1	0	4
Elementary occupations, Permanent	0	0	0	0	0	1	0	0	1	0	1
Total	**171**	**9**	**6**	**186**	**15**	**222**	**17**	**6**	**243**	**63**	**509**

Occupational categories	Male African	Male Coloured	Male Indian	Male Total Blacks	Male White	Female African	Female, Coloured	Female Indian	Female Total Blacks	Female White	Total
Employees with disabilities	3	2	1	6	1	0	0	0	0	3	10

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for the year ended 31 March 2011 (continued)

Table 5.2 – Total number of employees (including employees with disabilities) per occupational bands

Occupational bands	Male African	Male Coloured	Male Indian	Male Total Blacks	Male White	Female African	Female Coloured	Female Indian	Female Total Blacks	Female White	Total
Top management, Permanent	0	0	0	0	1	0	0	0	0	0	1
Senior Management, Permanent	10	2	1	13	1	4	2	0	6	3	23
Professionally qualified and experienced specialists and mid-management, Permanent	40	2	2	44	4	26	3	3	32	10	90
Skilled technical and academically qualified workers, junior management, supervisors, foremen, Permanent	83	3	2	88	7	155	11	1	167	45	307
Semi-skilled and discretionary decision making, Permanent	6	0	0	6	0	3	1	0	4	0	10
Senior management, Permanent	1	1	0	2	1	0	0	0	0	0	3
Professionally qualified, Permanent	0	0	0	0	1	1	0	0	1	1	3
Skilled technical, Permanent	31	1	1	33	0	33	0	2	35	4	72
Total	**171**	**9**	**6**	**186**	**15**	**222**	**17**	**6**	**245**	**63**	**509**

Table 5.3 – Recruitment

Occupational bands	Male African	Male Coloured	Male Indian	Male Total Blacks	Male White	Female African	Female Coloured	Female Indian	Female Total Blacks	Female White	Total
Professionally qualified and experienced specialists and mid-management, Permanent	0	0	0	0	0	1	0	0	1	0	1
Skilled technical and academically qualified workers, junior management, supervisors, foremen, Permanent	1	1	0	2	0	0	0	0	0	0	2
Highly skilled production Levels 6-8, Temporary	7	0	0	7	0	5	0	0	5	0	12
Senior Management, Permanent	1	0	0	1	0	0	0	0	0	0	1
Professionally qualified, Permanent	1	0	0	1	0	0	0	0	0	1	2
Skilled technical, Permanent	3	0	0	3	0	2	0	0	2	2	7
Semi-skilled, Permanent	0	0	0	0	0	3	0	0	3	1	4
Total	**13**	**1**	**0**	**14**	**0**	**11**	**0**	**0**	**11**	**4**	**29**

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for the year ended 31 March 2011 (continued)

Table 5.4 – Promotions including notch progressions

Occupational bands	Male African	Male Coloured	Male Indian	Male Total Blacks	Male White	Female African	Female Coloured	Female Indian	Female Total Blacks	Female White	Total
Senior management, Permanent	3	0	1	4	0	3	1	0	4	2	10
Professionally qualified and experienced specialists and mid-management, Permanent	22	1	2	25	2	12	1	1	14	6	47
Skilled technical and academically qualified workers, junior management, supervisors, foremen, Permanent	42	2	0	44	1	81	6	2	89	28	162
Semi-skilled and discretionary decision making, Permanent	35	0	0	35	2	57	7	0	64	4	105
Total	**102**	**3**	**3**	**108**	**5**	**153**	**15**	**3**	**171**	**40**	**324**

	Male African	Male Coloured	Male Indian	Male Total Blacks	Male White	Female African	Female Coloured	Female Indian	Female Total Blacks	Female White	Total
Employees with disabilities	4	2	0	6	0	0	0	0	0	2	8

Table 5.5 – Terminations

Occupational bands	Male African	Male Coloured	Male Indian	Male Total Blacks	Male White	Female African	Female Coloured	Female Indian	Female Total Blacks	Female White	Total
Senior management, Temporary	0	0	0	0	0	0	0	1	1	0	1
Professionally qualified and experienced specialists and mid-management, Permanent	4	0	0	4	0	0	0	2	2	4	10
Highly skilled production (Levels 6-8), Temporary	18	0	0	18	0	0	0	0	14	15	33
Skilled technical and academically qualified workers, junior management, supervisors, foremen, Permanent	4	0	0	4	0	6	0	0	6	2	12
Semi-skilled and discretionary decision making, Permanent	1	0	0	1	0	0	0	0	0	0	1
Top Management, Permanent	1	1	0	2	0	0	0	0	0	0	2
Professionally qualified, Permanent	2	0	0	2	1	0	0	0	0	0	3
Skilled technical, Permanent	0	0	0	0	0	3	0	0	3	0	3
Total	**30**	**1**	**0**	**31**	**1**	**9**	**0**	**3**	**26**	**21**	**65**

	Male, African	Male Coloured	Male Indian	Male Total Blacks	Male White	Female African	Female Coloured	Female Indian	Female Total Blacks	Female White	Total
Employees with disabilities	1	0	0	1	0	0	0	0	0	0	1

Table 6.1: Performance rewards by race, gender and disability

Demographics	Number of beneficiaries	Total employment	Percentage of total employment	Cost R'000	Average cost per beneficiary R
African, Female	52	220	23,64	809 635,52	15 569,91
African, Male	26	164	15,85	597 651,42	22 986,59
Asian, Female	0	6	0,00	0,00	0,00
Asian, Male	2	6	33,33	48 791,97	24 395,99
Coloured, Female	3	16	18,75	36 242,10	12 080,70
Coloured, Male	4	9	44,44	97 405,56	24 351,39
Total Blacks, Female	55	242	22,73	845 877,62	15 379,59
Total Blacks, Male	32	179	17,88	743 848,95	23 245,28
White, Female	14	63	22,22	243 960,24	17 425,73
White, Male	0	14	0,00	0,00	0,00
Employees with a disability	3	10	30,00	43 569,90	14 523,30
Total	**101**	**498**	**20,28**	**1 833 686,81**	**18 155,31**

Table 6.2: Performance rewards by salary band for personnel below senior management service

Salary band	Number of beneficiaries	Total employment	Percentage of total employment	Cost R'000	Average cost per beneficiary R
Lower skilled (Levels 1 – 2)	0	0	0	0,00	0,00
Skilled (Levels 3 – 5)	3	10	30,00	24 623,43	8 207,81
Highly skilled production (Levels 6 – 8)	81	370	21,89	1 203 156,58	14 853,78
Highly skilled supervision (Levels 9 – 12)	13	92	14,13	401 852,53	30 911,73
Contract (Levels 9 – 12)	0		0	0,00	0,00
Periodical remuneration	0		0	0,00	0,00
Total	**97**	**472**	**20,55**	**1 629 632,54**	**16 800,34**

Table 6.3: Performance related rewards (cash bonus) by salary band for senior management service

SMS band	Number of beneficiaries	Total employment	Percentage of total employment	Cost (R)	Average cost per beneficiary (R)	% of SMS wage bill	Personnel cost SMS (R)
Band A	4	23	17,39	204 054,27	51 013,57	0,31	16 641 238,00
Band B	0	2	0	0	0,00	0,00	1 686 105,00
Band C	0	1	0	0	0,00	0,00	1 104 366,00
Band D	0	0	0	0	0,00	0,00	0,00
Total	**4**	**26**	**15,38**	**204 054,27**	**51 013,57**	**0,26**	**19 431 709,00**

Note: Level 14+ assessments for the 2010 financial year needs to be finalised.

Table 7.1 – Foreign workers by salary band

Salary band	Employment at beginning of period	Employment at end of period	Percentage of total	Change in employment	Percentage of total	Total employment at end of period	Total change in employment
Contract (Levels 9-12)	1	1	100	0	0	1	0
Contract (Levels 13-16)	1	0	0	(1)	0	0	0
Total	**2**	**1**	**0**	**(1)**	**0**	**0**	**0**

Table 7.2 – Foreign workers by major occupation

Major occupation	Employment at beginning of period	Employment at end of period	Percentage of total	Change in employment	Percentage of total	Total employment at end of period	Total change in employment
Other occupations	1	1	100	1	0	1	0
Professionals and managers	1	0	0	(1)	100	1	(1)
Total	**2**	**1**	**50**	**0**	**0**	**2**	**(1)**

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Table 8.1 – Sick leave for January 2010 to December 2010

Salary band	Total days	% days with medical certification	Number of employees using sick leave	% of total employees using sick leave	Average days per employee	Estimated cost R'000	Total number of employees using sick leave	Total number of days with medical certification
Skilled (Levels 3-5)	42	81	9	2	5	14	460	34
Highly skilled production (Levels 6-8)	3 246	83,7	292	63,5	11	1 588	460	2 716
Highly skilled supervision (Levels 9-12)	906	81,2	88	19,1	10	1 181	460	736
Senior management (Levels 13-16)	130	72,3	19	4,1	7	367	460	94
Contract (Levels 3-5)	6	100	2	0,4	3	2	460	6
Contract (Levels 6-8)	292,5	79,7	39	8,5	8	125	460	233
Contract (Levels 9-12)	67	82,1	7	1,5	10	94	460	55
Contract (Levels 13-16)	24	70,8	4	0,9	6	72	460	17
Total	**4 713,5**	**82,6**	**460**	**100**	**10**	**3 443**	**460**	**3 891**

Table 8.2 – Disability leave (temporary and permanent) for January 2010 to December 2010

Salary band	Total days	% days with medical certification	Number of employees using disability leave	% of total employees using disability leave	Average days per employee	Estimated cost R'000	Total number of days with medical certification	Total number of employees using disability leave
Highly skilled production (Levels 6-8)	45	100	1	50	45	19	45	2
Highly skilled supervision (Levels 9-12)	89	100	1	50	89	66	89	2
Total	**134**	**100**	**2**	**100**	**67**	**85**	**134**	**2**

Table 8.3 – Annual leave for January 2010 to December 2010

Salary band	Total days taken	Average days per employee	Number of employees who took leave
Skilled (Levels 3 – 5)	174	16	11
Highly skilled production (Levels 6 – 8)	7 029	22	318
Highly skilled supervision (Levels 9 – 12)	2 120	21	100
Senior management (Levels 13 – 16)	517	22	24
Contract (Levels 3 – 5)	13	4	3
Contract (Levels 6 – 8)	743,92	15	50
Contract (Levels 9 – 12)	75	13	6
Contract (Levels 13 – 16)	66	13	5
Total	**10 737,92**	**21**	**517**

Table 8.4 – Capped leave for January 2010 to December 2010

Salary band	Total days of capped leave taken	Average number of days taken per employee	Average capped leave per employee as at 31 December 2010	Number of employees who took capped leave	Total number of capped leave available at 31 December 2010	Number of employees as at 31 December 2010
Highly skilled production (Levels 6 – 8)	33	3	25	11	3 224	127
Highly skilled supervision (Levels 9 – 12)	31	4	36	7	900	25
Total	**64**	**4**	**27**	**18**	**4124**	**152**

Table 8.5 – Leave payouts

Reason	Total amount (R'000)	Number of employees	Average payment per employee (R)
Capped leave payouts on termination of service for 2010/11	251	18	13 944
Current leave payout on termination of service for 2010/11	200	13	15 385
Total	**451**	**31**	**14 548**

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Table 9.1 – Details of health promotion and HIV/AIDS programmes [tick Yes/No and provide required information]

Question		Yes	No	Details, if yes
1.	Has the department designated a member of the SMS to implement the provisions contained in Part VI E of Chapter 1 of the Public Service Regulations, 2001? If so, provide her/his name and position.	Yes		Acting Head: Human Capital
2.	Does the department have a dedicated unit or have you designated specific staff members to promote health and well being of your employees? If so, indicate the number of employees who are involved in this task and the annual budget that is available for this purpose.	Yes		1 EHW Manager; R40 000 annual budget for HIV&AIDS Programmes Implementation
3.	Has the department introduced an Employee Assistance or Health Promotion Programme for your employees? If so, indicate the key elements/services of the programme.	Yes		Health and Productivity Management; Wellness Management; HIV&AIDS Management
4.	Has the department established (a) committee(s) as contemplated in Part VI E.5 (e) of Chapter 1 of the Public Service Regulations, 2001? If so, please provide the names of the members of the committee and the stakeholder(s) that they represent.	Yes		Peer Care Counsellors representative of different business units within the organisation
5.	Has the department reviewed the employment policies and practices of your department to ensure that these do not unfairly discriminate against employees on the basis of their HIV status? If so, list the employment policies/practices so reviewed.	Yes		HIV&AIDS Policy; Employee Health and Wellness Policy; Recruitment Policy; Retention Policy
6.	Has the department introduced measures to protect HIV-positive employees or those perceived to be HIV-positive from discrimination? If so, list the key elements of these measures.	Yes		HIV&AIDS Policy; Education and Counselling services for employees and their direct dependants
7.	Does the department encourage its employees to undergo Voluntary Counselling and Testing? If so, list the results that you have achieved.	Yes		HIV Counselling and Testing conducted at least twice annually
8.	Has the department developed measures/indicators to monitor and evaluate the impact of your health promotion programme? If so, list these measures/indicators.	Yes		EAP utilisation/engagement reports; Referrals to GEMS and AfA programme; VCT Attendance Rate

Table 10.1 – Misconduct and disciplinary hearings finalised

Outcomes of disciplinary hearings	Number	Percentage of total	Total
Total	**2**	**100**	**2**

Table 10.2 – Types of misconduct addressed and disciplinary hearings

Type of misconduct	Number	Percentage of total	Total
Total	**4**	**100**	**4**

Table 10.3 – Grievances lodged

Number of grievances addressed	Number	Percentage of total	Total
Total	**14**	**100**	**14**

Table 10.4 – Disputes lodged

Number of disputes addressed	Number	% of total
Upheld	0	0
Dismissed	2	100
Total	**2**	

Table 10.5 – Strike actions

Strike actions	
Total number of person working days lost	124
Total cost of working days lost (R'000)	64
Amount recovered as a result of no work no pay (R'000)	64

Table 10.6 – Suspensions

Precautionary suspensions	
Number of people suspended	2
Number of people whose suspension exceeded 30 days	2
Average number of days suspended	218
Cost of suspensions (R '000)	521

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Table 11.1 – Training needs identified

Occupational categories	Gender	Employment	Learnerships	Skills programmes & other short courses	Other forms of training	Total
Legislators, senior officials and managers	Female	0	0	9	1	**10**
	Male	0	0	18	0	**18**
Professionals	Female	10	0	41	5	**46**
	Male	9	0	47	5	**52**
Technicians and associate professionals	Female	0	0	49	6	**55**
	Male	0	0	33	2	**35**
Clerks	Female	0	0	155	9	**164**
	Male	0	0	80	6	**86**
Service and sales workers	Female	0	0	50	0	**50**
	Male	0	0	21	0	**21**
Skilled agriculture and fishery workers	Female	0	0	0	0	**0**
	Male	0	0	0	0	**0**
Craft and related trades workers	Female	0	0	0	0	**0**
	Male	0	0	0	0	**0**
Plant and machine operators and assemblers	Female	0	0	0	0	**0**
	Male	0	0	0	0	**0**
Elementary occupations	Female	0	0	0	0	**0**
	Male	0	0	0	0	**0**
Gender sub totals	Female	10	0	304	21	**325**
	Male	9	0	199	13	**212**
Total		**19**	**0**	**503**	**34**	**537**

Table 11.2 – Training provided

Occupational categories	Gender	Employment	Learnerships	Skills programmes and other short courses	Other forms of training	Total
Legislators, senior officials and managers	Female	0	0	105	1	**106**
	Male	0	0	53	0	**53**
Professionals	Female	0	1	63	5	**69**
	Male	0	8	45	5	**58**
Technicians and associate professionals	Female	0	0	34	6	**40**
	Male	0	0	18	2	**20**
Clerks	Female	0	0	22	6	**28**
	Male	0	0	17	5	**22**
Service and sales workers	Female	0	0	9	0	**9**
	Male	0	0	23	0	**23**
Skilled agriculture and fishery workers	Female	0	0	0	0	**0**
	Male	0	0	0	0	**0**
Craft and related trades workers	Female	0	0	0	0	**0**
	Male	0	0	0	0	**0**
Plant and machine operators and assemblers	Female	0	0	0	0	**0**
	Male	0	0	0	0	**0**
Elementary occupations	Female	0	0	0	0	**0**
	Male	0	0	0	0	**0**
Gender sub totals	Female	0	1	233	18	**252**
	Male	0	8	156	12	**176**
Total		**0**	**9**	**389**	**30**	**428**

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Table 12.1 – Injury on duty

Nature of injury on duty	Number	% of total
Required basic medical attention only	0	0
Temporary total disablement	0	0
Permanent disablement	0	0
Fatal	0	0
Total	**0**	0

** No injuries on duty were reported during the 2010/2011 financial year.*

Notes

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RP105/2011
ISBN: 978-0-621-40145-5

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