

CIPC Strategic Plan 2015/16-2019/20 and APP 2015/16

Briefing of the Portfolio Committee on Trade and Industry
Tuesday, 14 April 2015

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Commissioner: CIPC



Companies and Intellectual
Property Commission

a member of **the dti** group

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1. Commission Progress— 2011 to March 2015

Organizational transformation and improvement

- In the first four years since the inception of CIPC (May 2011 – March 2015), the focus has been on:

Developing and implementing a new organisational design and strategically aligning policies;

Increasing the number of channels for service delivery;

Modernising the ICT infrastructure to create a stable processing and high availability environment;

Migrating the organisation and the clients to e-services

Improving turnaround times by automating high-volume, less complex processes;

Building regulatory capacity;

Customer and Stakeholder survey scores (2014)

Although Customers demonstrate more than average satisfaction with CIPC, Stakeholders are less satisfaction with the CIPC across all attribute dimensions.

Reason	Total	Customers	Stakeholders
n =	946	900	46
Overall Rating of CIPC	6.30	6.38	4.70
Image and Reputation	6.75	6.84	4.91
Leadership and Vision	6.67	6.76	5.00
Systems and Processes	6.67	6.74	5.17
Available Mediums of Communication	6.40	6.50	4.46
Communication	6.04	6.13	4.37
Service Excellence	5.92	6.03	3.93

Overall Customer and Stakeholder Satisfaction

- The CIPC received an overall satisfaction rating of 6.30 out of 10.
- Overall, stakeholders are less satisfied with the CIPC (4.70) compared to customers (6.38).
- Service Excellence and Communication received the lowest satisfaction ratings among both customers and stakeholders.
- The Survey concluded in 2014/15 now forms the baseline for the organization in terms of customer and stakeholder satisfaction.

Benchmarking of CIPC



- Overall, customers' *ideal* service score that they expect from the CIPC is **8.78**.
- Currently, the *actual* service score that CIPC received from customer ratings was **significantly lower** than the ideal level of service expected. The CIPC received a score of 6.38 from customers.
- Overall, the actual score given for the CIPC's service was significantly higher than the minimum accepted service score (6.11). This means that **there is marginal satisfaction of customers** over the minimum accepted service

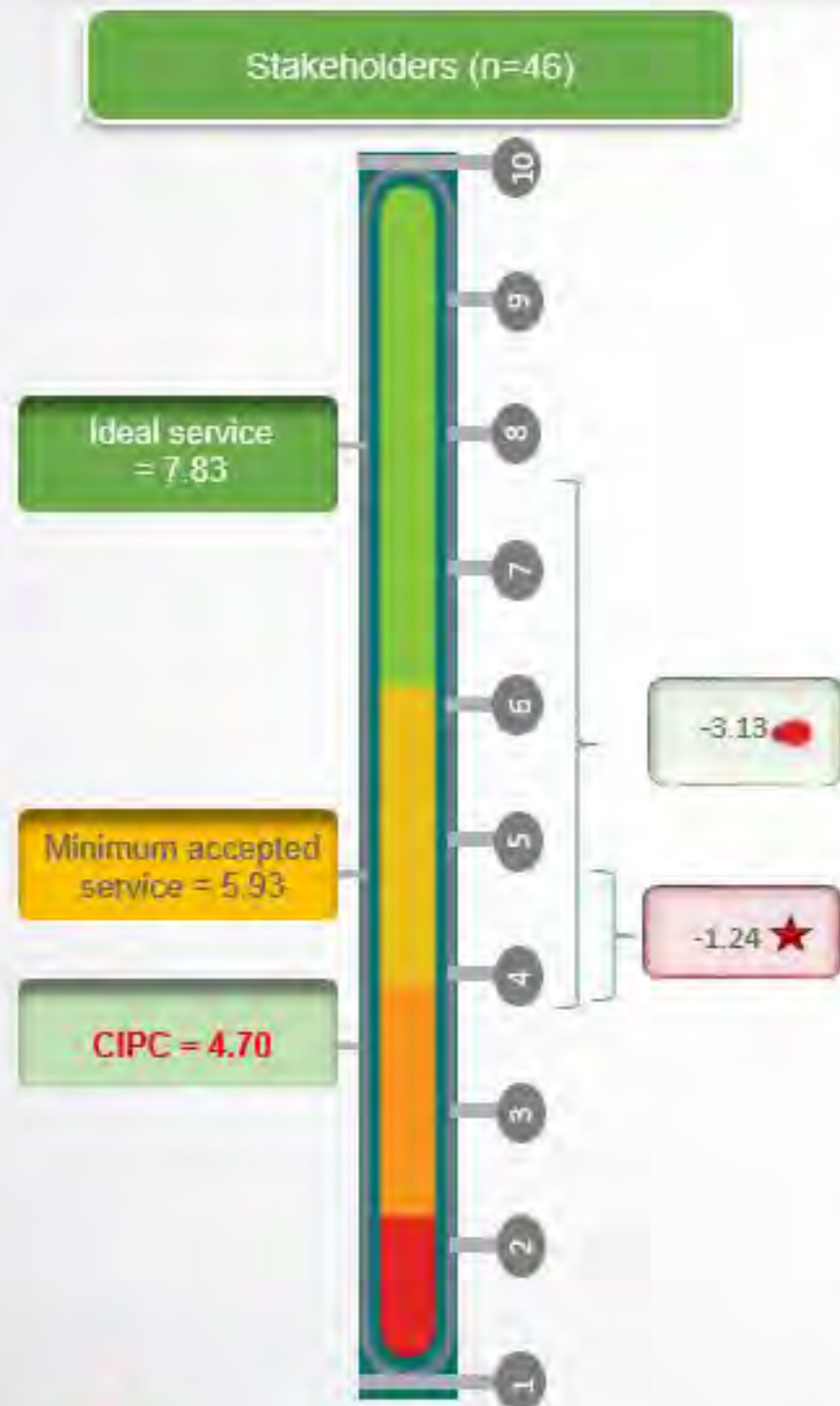
From the customers' perspective, the CIPC received a positive marginal satisfaction score of +0.27. The CIPC's **actual score was significantly higher than the minimum accepted score**. From customer ratings, the CIPC has a **negative marginal deficit score** of -2.40, meaning that the actual service received from the CIPC is not as good as customer and stakeholders' ideal service level.

★ Denotes that the value is significantly lower than minimum accepted level

● Denotes that the value is significantly higher than minimum accepted level

● Denotes that the value is significantly lower than the ideal level of service expected

Benchmarking of CIPC



- Overall, stakeholders' **ideal** service score that they expect from the CIPC is **7.83** (slightly lower than customers' ideal score).
- Currently, the **actual** service score that CIPC received from stakeholder ratings was **significantly lower** than the ideal level of service expected. The CIPC received a low score of 4.70 from stakeholders.
- Overall, the actual score given for the CIPC's service was significantly lower than the minimum accepted service score (5.93). This means that **from the stakeholders' perspective, the CIPC's service is worse than the most pessimistic expectation.**

From the stakeholders' perspective, the CIPC received a negative marginal satisfaction score of -1.24. The CIPC's **actual score was significantly lower than the minimum accepted score.**

Stakeholders therefore experience the service from the CIPC to be worse than their minimum accepted service. Stakeholders are less satisfied with the CIPC than customers are.

★ Denotes that the value is significantly lower than minimum accepted level.

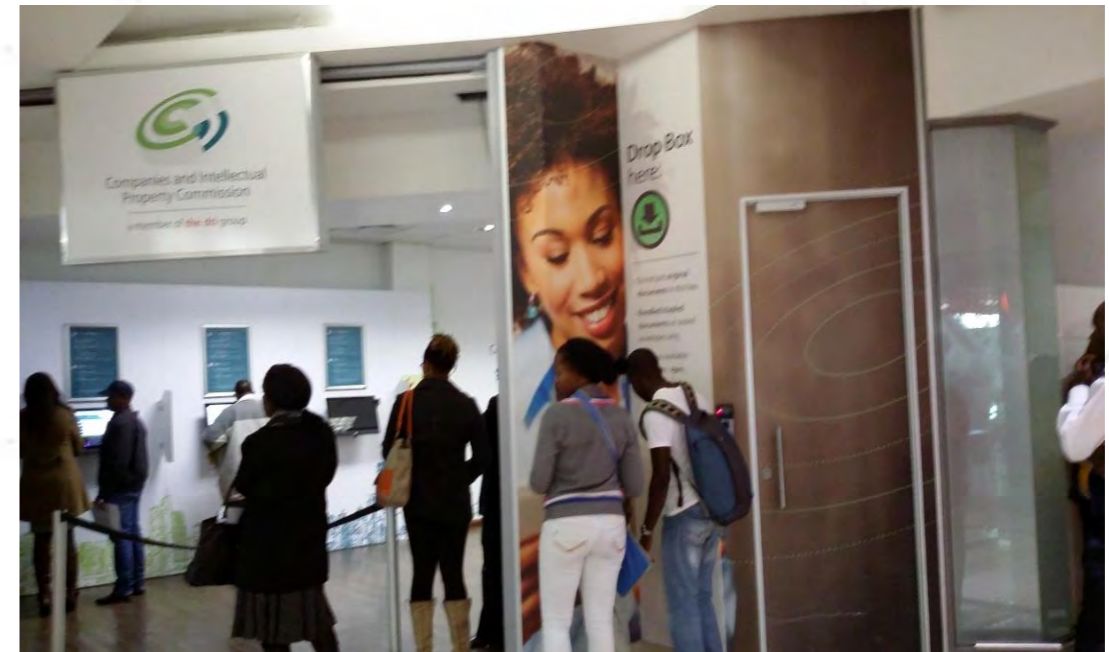
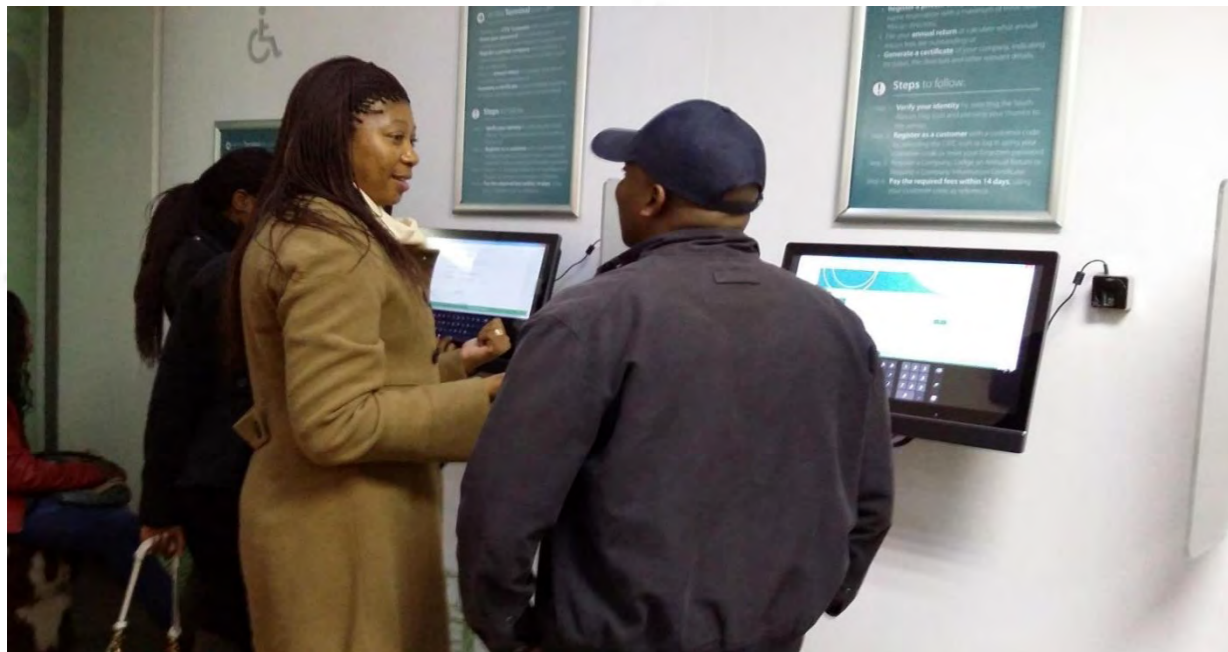
● Denotes that the value is significantly higher than minimum accepted level.

● Denotes that the value is significantly lower than the ideal level of service expected.

Roll-out of SSTs

The goal is to expand our services throughout the country.

We currently have 41 SSTs: 14 - Cape Town Service Centre; 12 - Sunnypark Service Centre; 13 - Johannesburg Service Centre; 1 - Johannesburg Stock Exchange; 1 - Carlton TED



Integrated services (collaboration partners)

Collaboration with banks (integrated company registration and bank account opening)

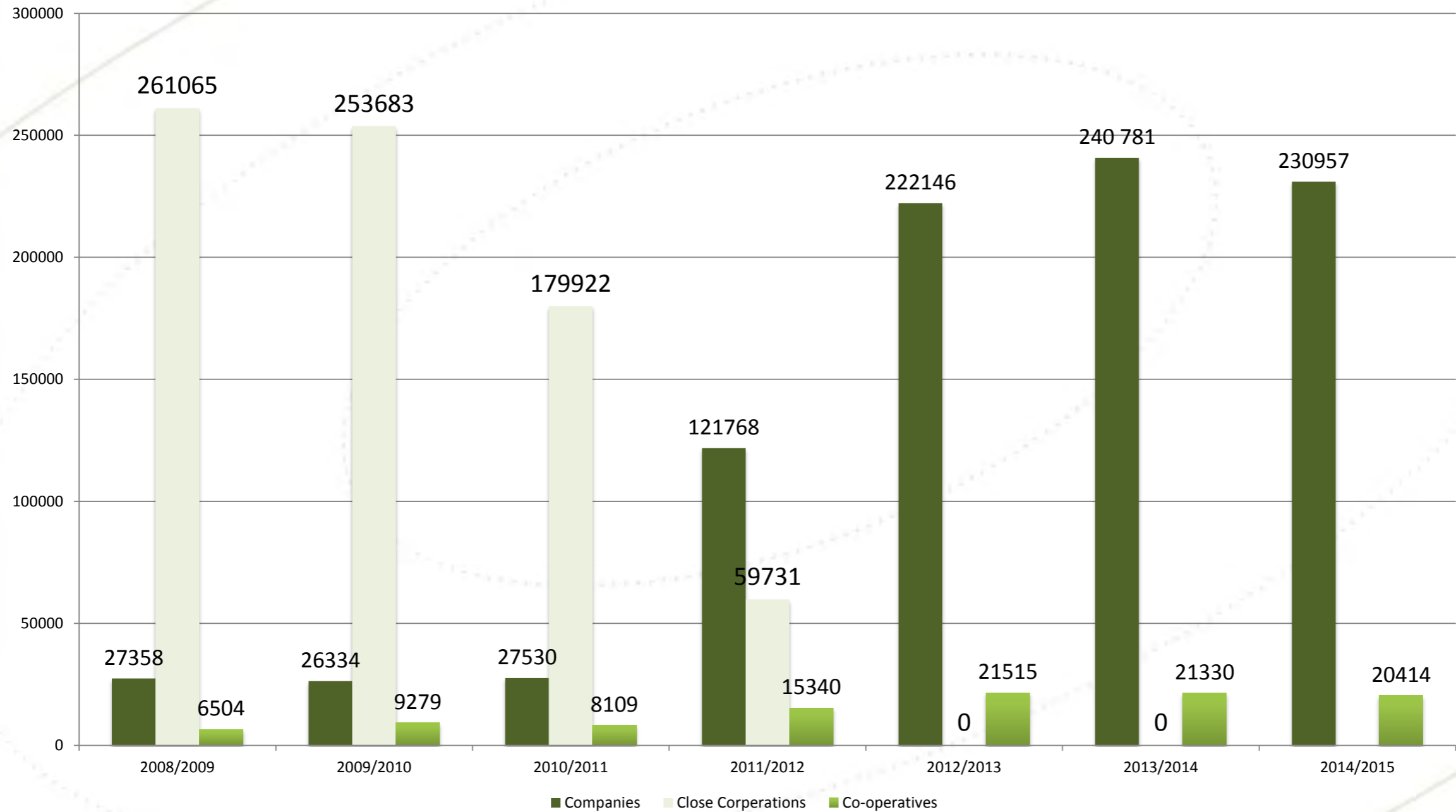
- FNB launched in 2013, Standard Bank is at an advanced development stage, ABSA and Nedbank is at an engagement stage.

Collaboration with other government agencies

- SARS – Issuing a tax number simultaneously with company registration; BEE functionality has also been released.

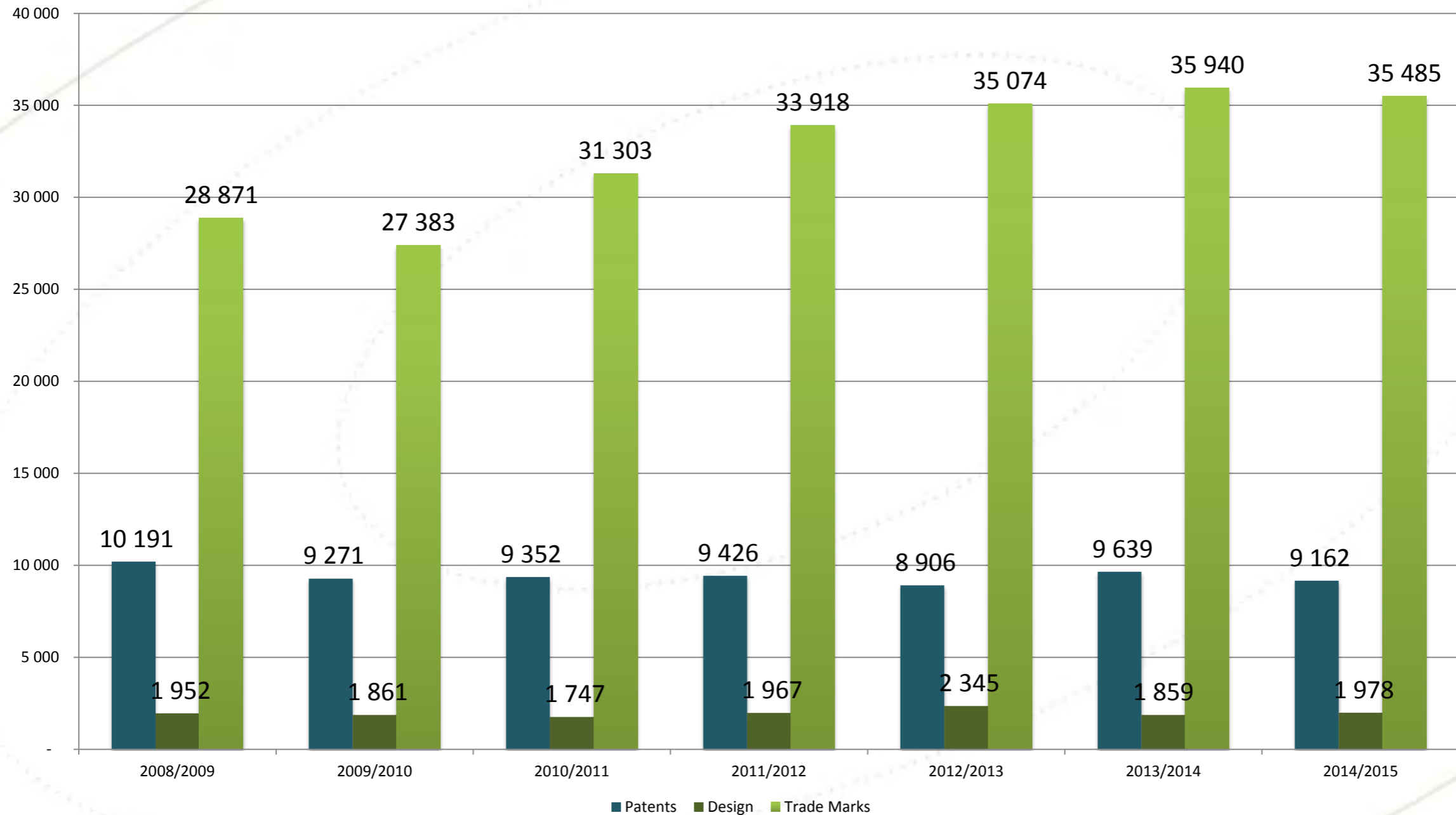
Companies, CCs, Co-ops Registrations

(include estimated/unaudited figures for Q4 of 2014/15)

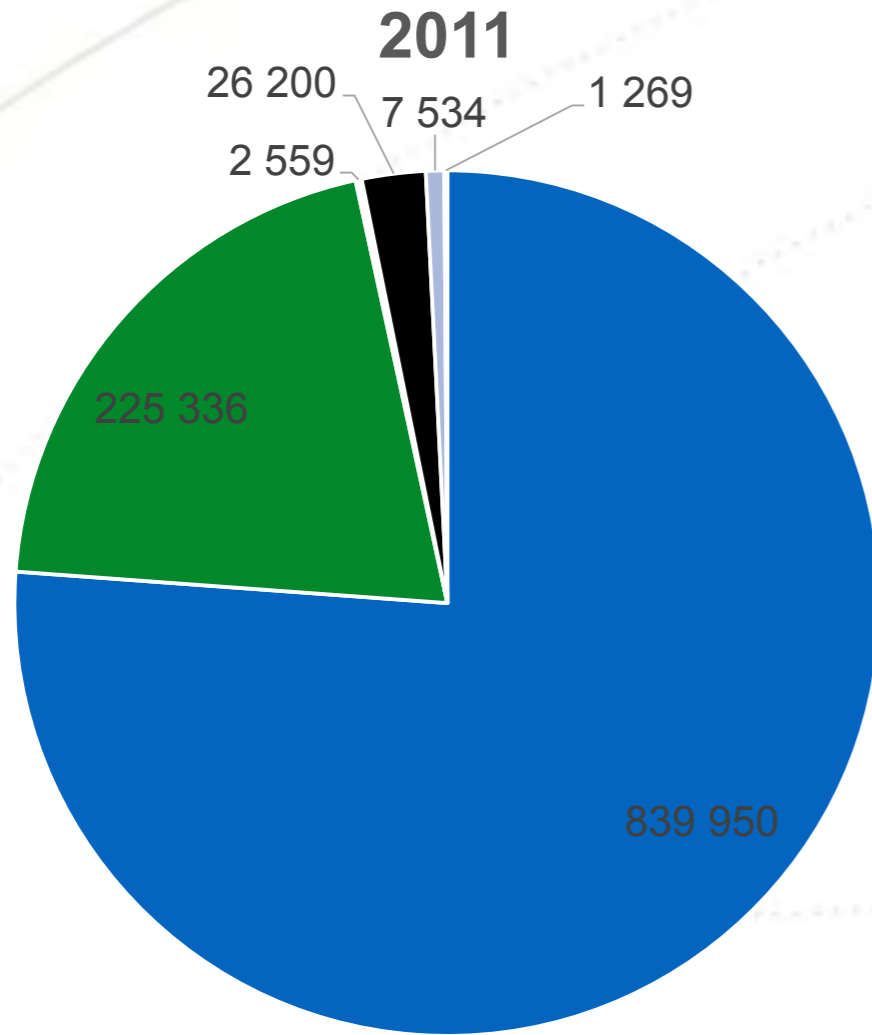


Patent, Designs and Trade marks applications

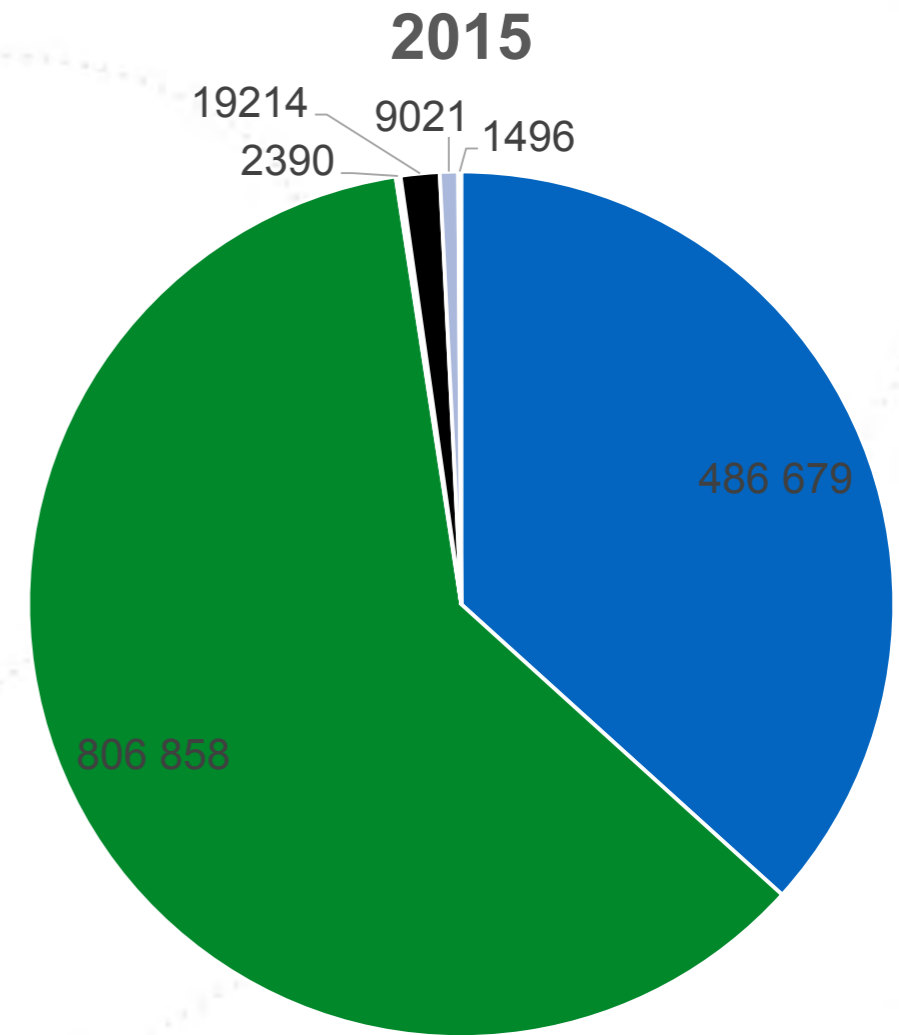
(include estimated/unaudited figures for Q4 of 2014/15)



Companies Register (2011-2015)

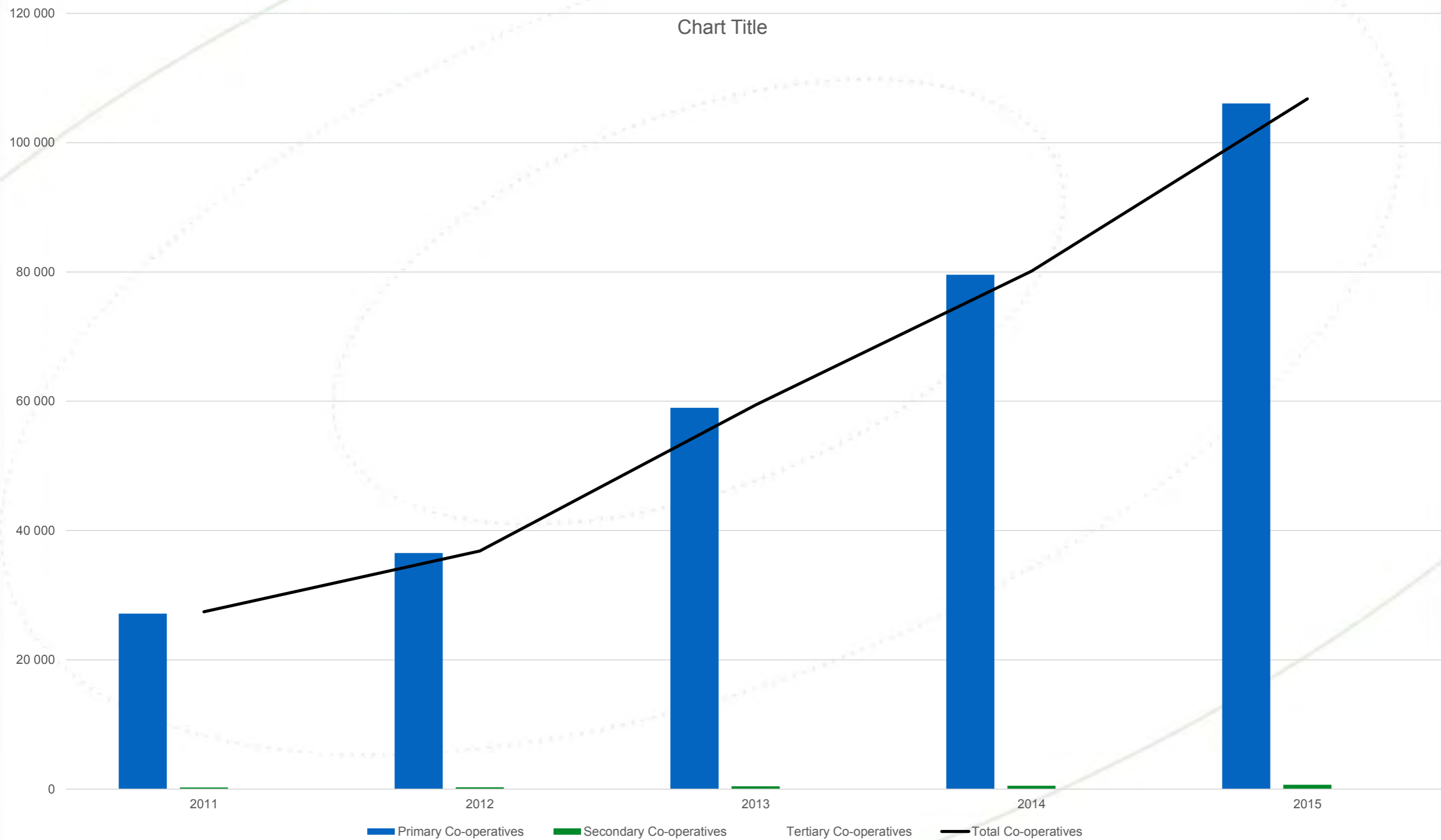


- Close Corporations
- Private Companies
- Public Companies
- Non-Profit Companies
- Personal Liability Companies
- External Profit Companies

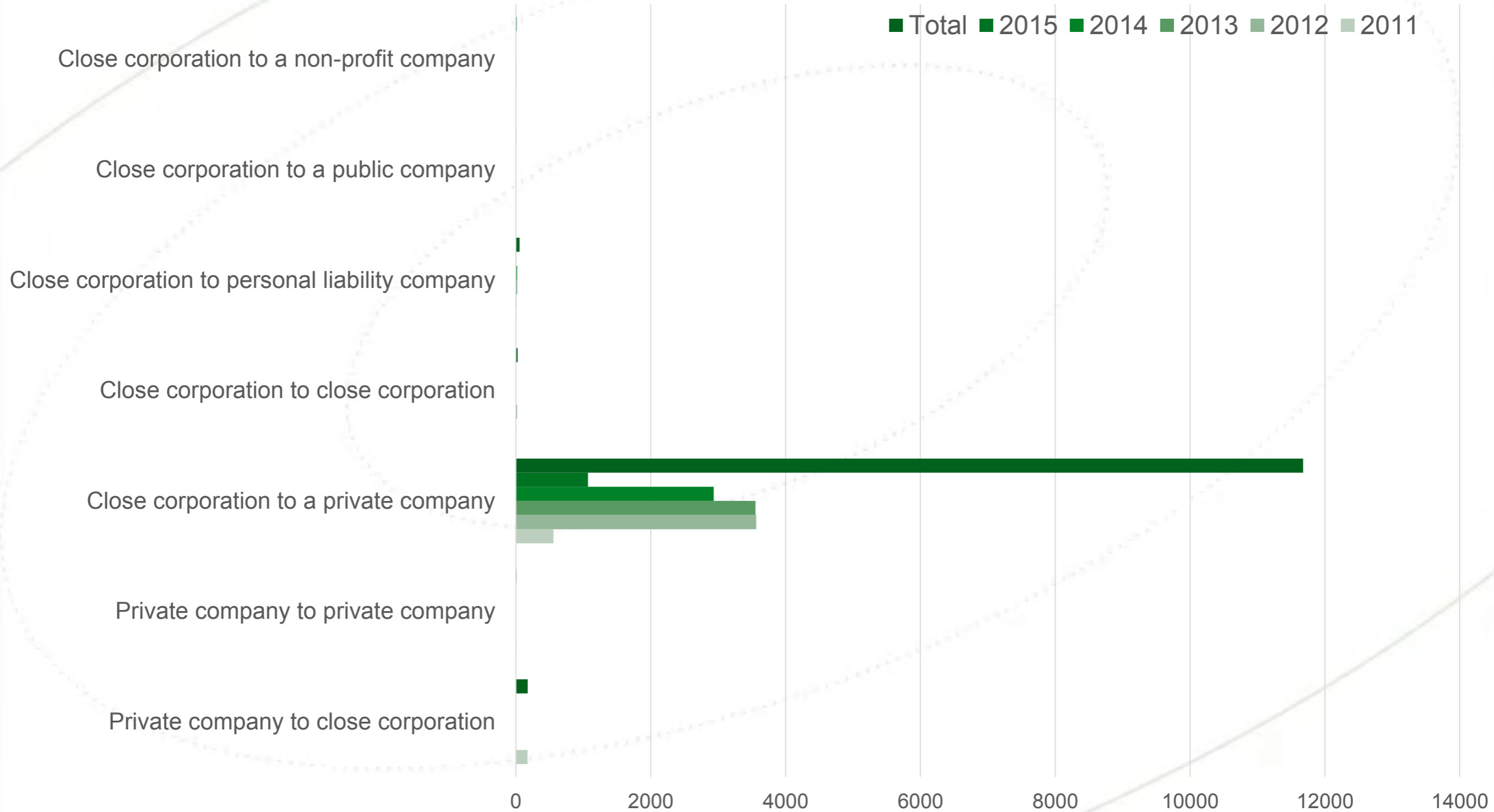


- Close Corporations
- Private Companies
- Public Companies
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- Personal Liability Companies
- External Profit Companies

Cooperatives Register (2011-2015)



Conversions (2011-2015)



Business Rescue (31 December 2014)

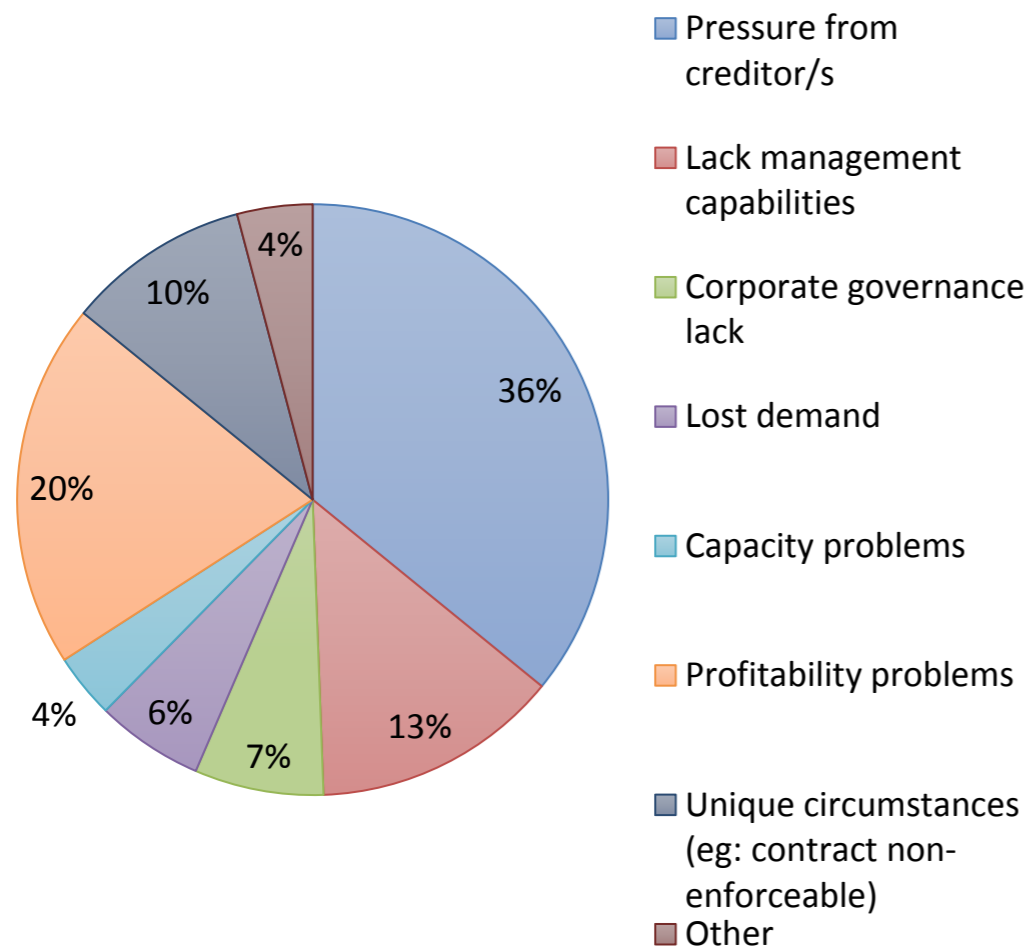
Operational BR Proceeding Applications	2011 - 2012	2012 - 2013	2013 -2014	2014 - 2015	total
Business Rescue Proceedings Started	390	446	410	317	1563
Nullities (Proceedings started but was declared a nullity)	105	23	18	10	156
Invalid filings	53	22	21	36	132
Business Rescue Proceedings Ended	165	211	149	22	547
Terminations of Business Rescue (CoR125.2)	59	80	55	7	201
Substantial Implementation of Business Rescue (CoR125.3)	58	81	52	3	194
Liquidation	46	42	41	12	141
CO_Set Aside BR	2	8	1	0	11
Active	225	235	261	295	1016

BUSINESS RESCUE REPORT

- The Report identifies the main reasons for financial Distress and therefore Business Rescue as follows: creditor pressure (36%), profitability problems (20%), Management capabilities (13%) and unique circumstance (10%).
- The report further suggests make the following findings in relation to the use of Business Rescue based on CIPC Data:
 - BR is mostly used by private companies followed by close corporations
 - Public companies use the process to a lesser extent
 - Over the first three years the filings per category were similar.
 - Mathematical projection suggests that this reporting year (2014-2015) the 500 filing per year mark might be reached

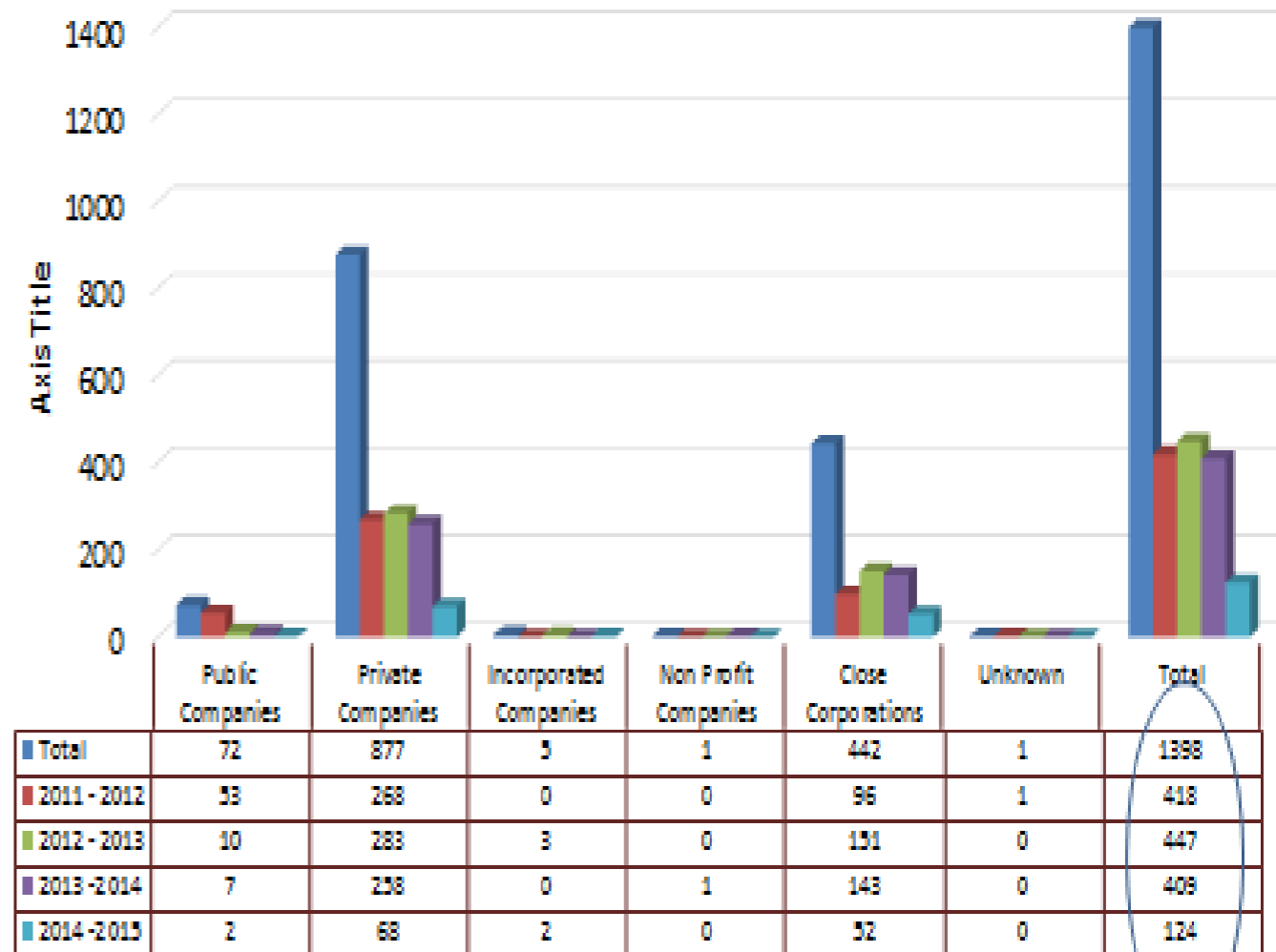
BUSINESS RESCUE REPORT

Main reason/s for entering business rescue

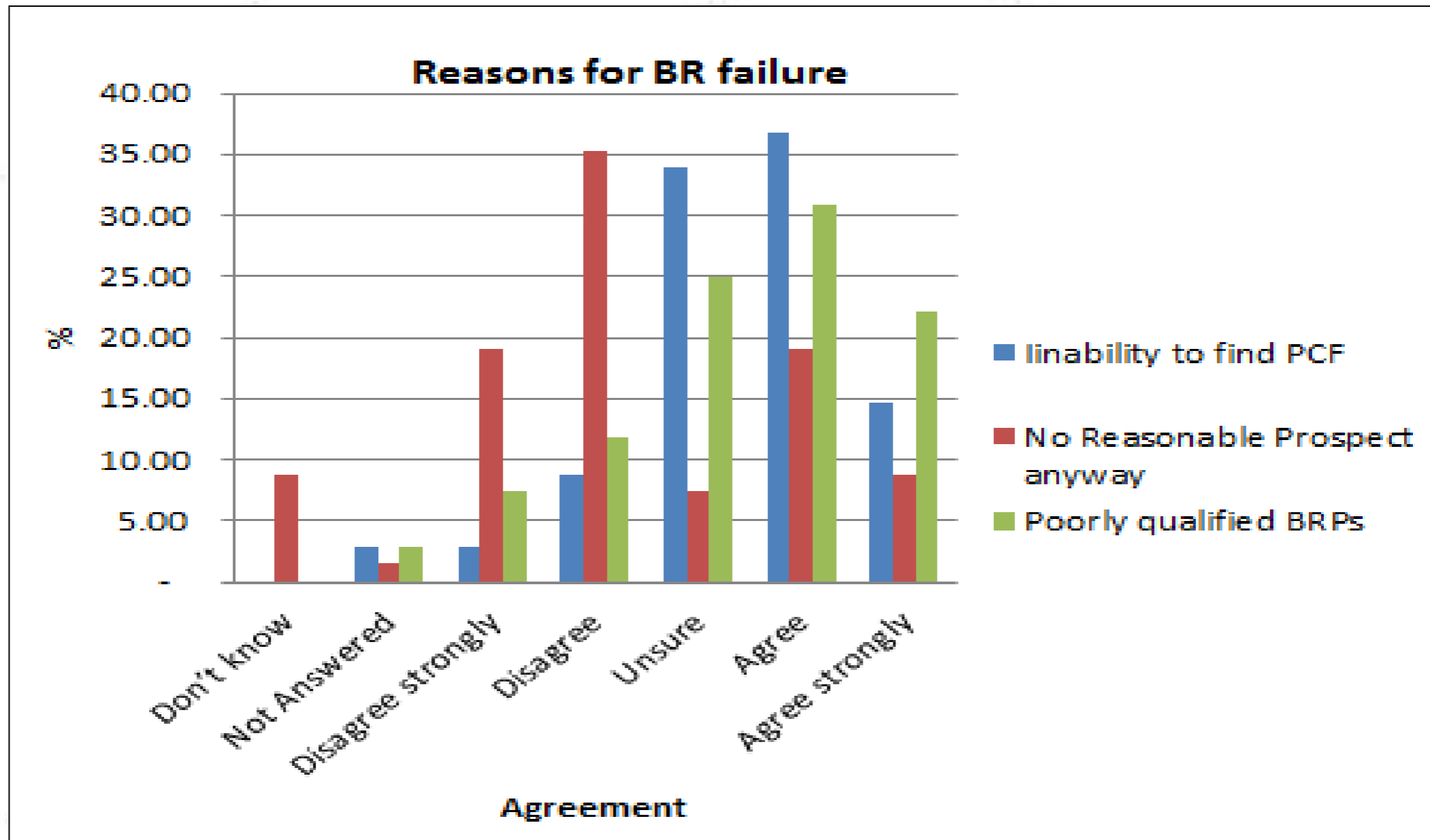


Category of Entities Starting BR Proceedings as at 31 July 2014
(expressed in volume)

CIPC data



BUSINESS RESCUE REPORT



Annual Return Compliance (31 March 2015)

- The total compliance rate is 50% compared with last year's 52%.
- There is growth of 6% in the total gross number of filings compared with the previous financial year.
- Revenue for 2014/15 Annual Returns
 - Receipts from Prescribed fee: R205 612 900.00
 - Receipts from Penalty fee: R71 431 100.00
 - Total: R277 044 000.00
 - Penalty %: 26%

Complaints received (1 April – 31 Dec 2014)

Types of complaints received	Co. Act contravened	Apr - June	Jul - Sept	Oct - Dec
Failure to give access to company records	Sec 26	3	1	5
Failure to prepare Annual Financial Statements	Sec 30	56	70	68
Failure to convene Annual General Meeting	Sec 61	0	0	0
Loans or financial assistance to directors	Sec 45	2	10	3
Misstatement of Annual financial statements	Sec 29(6)	0	0	0
Non Compliance with IFRS	Sec 29 (4)	0	0	0
Trading recklessly - liabilities exceed assets	Sec 22	6	2	0
Failure to keep Accounting records	Sec 28	0	1	2
Trading Recklessly and Financial Assistance	Sec 22, Sec 45 & Sec 46	7	3	4
	Other	3	9	6
Total		77	96	88

Migration to electronic services (31 Dec 2014)

Service	% of on-line transactions in 2013/14	% of on-line transactions in 2014/15 Q1/Q2/Q3
Company Registration	81%	89%/93%/89%
Director changes	Not measured	82%/77/74%
Trade marks applications	49%	91%/94%/94%
Patent applications	9%	42%/46%/52%
Designs applications	8%	28%/28%/29%
Copyright in film applications	14%	100%/100% /67%

2. Strategic Plan 2015/16 – 2019/20 (Including APP)

Vision and Mission

Vision

The vision of CIPC is to be the gateway to sustainable formal economic participation and investment for all in South Africa.

Mission

The mission of CIPC is to unlock value in businesses and intellectual property by:

- Providing easy, accessible and value-adding **registration services** for business entities, intellectual property rights holders and regulated practitioners;
- Maintaining and **disclosing secure, accurate, credible and relevant information** regarding business entities, business rescue practitioners, corporate conduct and reputation, intellectual property rights and indigenous cultural expression;
- Increasing **awareness and knowledge of company and intellectual property laws**, inclusive of the compliance obligations and opportunities for business entities and intellectual property rights holders to drive growth and sustainability, as well as the knowledge of the actual and potential impact of these laws in promoting the broader policy objectives of government;
- Taking the necessary steps to visibly, effectively and efficiently **monitor and enforce compliance with the laws** that CIPC administers.

Strategic Goals and Objectives

Programme	Strategic Outcome Oriented Goal	Strategic objectives
1. Business Regulation and Reputation	1. To improve the competitiveness of the South African economy by enhancing the reputation of South African businesses and the South African business environment	1.1 To encourage the formalisation of South African businesses and their identity 1.2 Encourage the maintenance of high standards of corporate governance, transparency and brand protection
2. Innovation and Creativity Promotion	2. To contribute to a knowledge-based economy and competitive local industries by promoting innovation, creativity and indigenous cultural expression and knowledge	2.1 To promote the protection and commercial exploitation of innovations in key sectors 2.2 To protect our cultural heritage and support a strong competitive South African creative industry that provides benefit to local artists
3. Service Delivery and Access	3. To promote broader formal economic participation by enhancing service delivery and extending the reach of CIPC	3.1 To provide easy access to credible, reliable and relevant information and advice and secure, value-added services 3.2 Build an enabling and intelligent work environment anchored in a governed and sustainable organisation 3.3 To improve the reputation and organisational performance of CIPC

Performance indicators and performance targets: Programme 1: Business Regulation and Reputation

Goal 1: To improve the competitiveness of the South African economy by enhancing the reputation of South African businesses and the South African business environment

Output	Performance Indicator/Measure	Audited outcomes			Estimated performance 2014/2015	Medium Term Targets		
		2011/2012	2012/2013	2013/2014		2015/2016	2016/2017	2017/2018
Strategic Objective 1.1 Encourage the formalization of South African businesses and their identity								
Reduction in the average number of days to register a company from the date of receipt of a complete application	The average number of days to register a company from the date of receipt of a complete application.	Not measured/ reported	Not measured/ reported	6 –Not audited	15	6	4	2
Reduction in the average number of days to register a co-operative from the date of receipt of a complete application.	The average of the number of days to register a co-operative from the date of receipt of a complete application.	Not measured/ reported	Not measured/ reported	16 - Not audited	18	15	10	5
Strategic Objective 1.2 Encourage the maintenance of high standards of corporate governance, transparency and brand protection								
Improved annual compliance	% of companies with an active business status that have filed annual returns by the end reporting period (year to date)	Not measured/ reported	Not measured/ reported	52%	52%	55%	60%	65%
Reduction in the average number of days to issue an application number for a trade mark from the date of application	The average number of days to issue an application number for a trade mark number from the date of application	5 (Not audited)	5 (Not audited)	3	3	3	3	3

Financial Plan (Expenditure estimates for programme 1)

Programme 1: Business regulations and reputation

Economic classification	Expenditure outcome			Adjusted Appropriation	Medium-Term Expenditure Estimate		
	2011/2012	2012/2013	2013/2014	2014/15	2015/2016	2016/2017	2017/2018
	R '000	R '000	R '000	R '000	R '000	R '000	R '000
Current payment of employees							
Goods & services, etc	85 603	85 603	86 831	121 563	139 682	152 863	162 475
Payments of capital assets							
Building and other fixed structure	0	0	0	0	0	0	0
Machinery & equipment							
Other classifications	0	0	0	0	0	0	0

Performance indicators and performance targets: Programme 2: Innovation and Creativity Promotion

Goal 2: To contribute to a knowledge- based economy and competitive local industries by promoting innovation, creativity and indigenous cultural expression and knowledge

Output	Performance Indicator/Measure	Audited outcomes			Estimated performance 2014/2015	Medium Term Targets		
		2011/2012	2012/2013	2013/2014		2015/2016	2016/2017	2017/2018
Strategic Objective 2.1: Promote the protection and commercial exploitation of innovations in key sectors								
Increased knowledge and awareness of patent and design registration and the commercialisation of IP assets innovation	Number education and awareness events on patent and design registration and the commercialisation of IP conducted by CIPC	Not reported/Not audited	Not reported/Not audited	Not reported/Not audited	2	4	6	8
Reduction in the average number of days to issue an application number for a patent from the complete application date	The average number of days to issue an application number for a patent from the date of receipt of a complete application	5 (Not audited)	5 (Not audited)	4 (Not audited)	3	3	3	2
Reduction in the average number of days to issue an application number for a design from the complete application date	The average number of days to issue an application number for a design from the date of receipt of a complete application	5 (Not audited)	5 (Not audited)	4 (Not audited)	3	3	3	2
Strategic objective 2.2: To promote our cultural heritage and support a strong competitive South African creative industry that provides benefit of local artists								
Increased knowledge and awareness on creativity and IP enforcement	Number education and awareness events on creativity and visible IP enforcement initiatives conducted by CIPC	Not reported/Not audited	Not reported/Not audited	Not reported/Not audited	2	4	6	8
Reduction in the average number of days to issue an application number for a copyright in film from the complete application date	The average number of days to issue an application number for a copyright in film from the date of receipts of a complete application	5 (Not audited)	5 (Not audited)	4 (Not audited)	2	2	2	2

Financial Plan (Expenditure estimates for programme 2)

Programme 2: Innovation and creativity promotion							
Economic classification	Expenditure outcome			Adjusted Appropriation	Medium-Term Expenditure Estimate		
	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
	R '000	R '000	R '000	R '000	R '000	R '000	R '000
Current payment of employees							
Compensation of employees	41 217	28 694	31 132	45 661	50 608	58 080	61 845
Goods & services, etc							
Payments of capital assets							
Building and other fixed structure	0	0	0	0	0	0	0
Machinery & equipment							
Other classifications	0	0	0	0	0	0	0

Performance indicators and performance targets: Programme 3: Service Delivery and Access

Goal Statement		To promote broader formal economic participation by enhancing service delivery and extending the reach of CIPC.						
Outputs	Performance Indicator/Measure	Audited outcomes			Estimated performance 2014/2015	Medium Term Targets		
		2011/2012	2012/2013	2013/2014		2015/2016	2016/2017	2017/2018
Strategic Objective 3.1 Provide easy access to credible, reliable and relevant information and advice and secure, value- added services.								
Increase in the % of CIPC services with an option to file electronically compared to services which may only be filed manually	% of CIPC services with an option to file electronically compared to services which may only be filed manually (See Annexure D)	Not measured	Not measured	Not measured	18%	20%	40%	50%
Website performance for on -line fillings	% website performance for on- line fillings 24/7	Not reported	Not reported	92%	95%	95%	95%	95%
Increase in the number of provinces where SSTs have been installed and are operational	The number of provinces where SSTs have been installed and are operational	Not reported	Not reported	1 – Not audited	2	5	7	9
Increase in the number of banks that offer CIPC services	The number of banks that offer CIPC services	0	0	1 (FNB)	2 (FNB, Standard Bank)	3	3	4
Strategic Objective 3.2. Build an enabling and intelligent work environment anchored in a governed and sustainable organisation.								
Increase the % of positions of the approved structure filled	% of positions of the approved structure filled	Not reported	Not reported	70%	72%	75%	85%	90%
Strategic objective 3.3: To improve the reputation and organizational performance of the CIPC								
Increase or maintain the score of the stakeholder value index	A score between 1 – 100 of the stakeholder value index, a higher score indicating satisfaction with CIPC	Not measured	Not measured	Not measured	Results to be ready during the 4th quarter	50	60	70
A high % of currently measured service delivery standards that have met the targets	% of currently measured service delivery standards that have met the targets	Not measured	Not measured	Not measured	Not measured	70%	80%	90%

Financial Plan (Expenditure estimates for programme 3)

Programme 3: Service Delivery and Access							
Economic classification	Expenditure outcome			Adjusted Appropriation	Medium-Term Expenditure Estimate		
	2011/12 R '000	2012/13 R '000	2013/14 R '000	2014/15 R '000	2015/16 R '000	2016/17 R '000	2017/18 R '000
	Current payment of employees	142 745	163 057	164 646	248 171	249 976	260 870
Goods & services, etc							
Payments of capital assets							
Building and other fixed structure	3 236	11 025	27 259	9 255	9 074	8 883	742 8
Machinery & equipment							
Other classifications	0	0	0	0	0	0	0

3. Implementation Plan

- In the coming financial year (April 2015 – March 2016), the particular focus will be on:
 - Concluding the first phase of the organisational transformation and repositioning the organisation as a regulator;
 - Refining the self-help channels and improving awareness of services;
 - Improving business continuity and security;
- In the next five years (April 2015- March 2020) the focus will be:
 - Enhancing the integrity of registries;
 - Improving compliance with laws administered by CIPC;
 - Migrating all transactional processes to e-services.

4. Key risks/ challenges and mitigating/remedial actions...continued

Strategic Focus	Risk Description	Controls and Mitigating Action
1. Enhancing the integrity of registries.	<ul style="list-style-type: none"> • Lack of accuracy and completeness of data resulting in limited reliability of data for internal and external purposes • Lack of adequate verification of information submitted • Lack of integrity in the corporate names registered due to criteria adopted for approval • Lack of integrity in patent and design registers as filings are not examined substantively 	<ul style="list-style-type: none"> • Development of the Plan to address all weaknesses and audit issues (Correct/rectify date formatting issues between Computron/ERMS and Informix) • Development of the Plan to address all weaknesses and audit issues (Correct/rectify date formatting issues between Computron/ERMS etc and Informix) • Internal Solution and Data Architecture review, analysis and planning • Development of the Plan to address all weaknesses and audit issues (Correct/rectify date formatting issues between Computron/ERMS etc and Informix) • Introduction of electronic filing and electronic workflows • Procedure for effecting data changes and corrections • Improved upfront identity verification • Consistent approach and guidelines on the evaluation of business names, corporate names and trade marks • Benchmarking to establish the best mechanisms for implementing substantive examination of patents
2. Improving compliance with laws administered by CIPC	<ul style="list-style-type: none"> • Lack of compliance with the Laws administered by the CIPC 	<ul style="list-style-type: none"> • Targeted Education and Awareness, • Targeted investigations, • XBRL tool • Create Data analysis Capacity • Case Management Capability
3. Migrating to e-services	<ul style="list-style-type: none"> • Lack of adequate access to e-services • Lack of reliability of e-services 	<ul style="list-style-type: none"> • Offering a more compelling value proposition to our Customers (value adding services, extending the reach to our customers, collaboration in Companies and IP areas) • ICT Business continuity

4. Key risks/ challenges and mitigating/remedial actions...2

Strategic Focus	Risk Description	Controls and Mitigating Action
4. Business continuity	<ul style="list-style-type: none">• Labour unrest	<ul style="list-style-type: none">• Compensating controls in sensitive areas to avoid compromise of internal control/ Consideration of the Strike Contingency Plan and Business Contingency Plan• HR capacity and capability to deal with labour issues – appointment of Executive Manager : Corporate Service and Divisional Manager

5. Questions/Discussion