

# Portfolio Committee on Trade and Industry

## Presentation on the NRCS' Second Quarter Report for 2015/16 Financial Year

**Mr Asogan Moodley**  
**Chief Executive Officer**  
**18 November 2015**

# Purpose

**To present to the Portfolio Committee on Trade and Industry the NRCS' Second Quarter Report for 2015/16 Financial Year**

# Delegation from NRCS

**Mr. Asogan Moodley:** Chief Executive Officer

**Mr. Marks Thibela:** Deputy Chief Executive Officer

**Ms. Reshma Mathura:** Chief Financial Officer

**Ms. Meisie Katz:** General Manager Foods and Associated Industries

**Ms. Portia Mazibuko:** Senior Manager Human Resources

**Mr. Edward Matemba:** Manager Strategy and Risk

# Scope

## □ Background

- Vision
- Mission
- Strategic Goals

## □ Quarterly 1 report

- Performance information
- Financial overview

## □ Highlights

## □ Challenges

# Mission and Vision

## Vision

**A credible and respected regulator for compulsory specifications and fair trade.**

## Mission

**Dedicated to protect South Africans by developing compulsory specifications and technical regulations, and maximizing compliance of regulated products and services**

# Industries regulated by NRCS

Industry Sector	Product regulated / Service rendered
<b>Automotive</b>	Vehicles, Replacements components, Manufactures Importers and Builders of Motor Vehicles
<b>Chemicals, Materials and Mechanicals</b>	Cement, chemicals, detergents, Personal protective equipment, safety shoes, building materials, treated timber, plastic bags, solar water heaters, plumbing equipment
<b>Electro-technical</b>	Electrical appliances and products, Electronic appliances and products
<b>Food and Associated</b>	Fishery products, canned meat and processed meat
<b>Legal Metrology</b>	Calibration of measuring instruments, weights, measures and gaming equipment
<b>Building Regulations</b>	Ensure uniform interpretation of NBR Act and administer review Board

# Performance Information



# Highlights

- During the quarter NRCS found non-compliant products worth more than R19,4 million. The non-compliant products included LED emergency lights, adaptors, cables, water heaters, cord extension sets and brake shoes, among others.
- The value of the pre-packed products found non-compliant was R44 million, this was removed or corrected. The products included pre-packed foods, baby wipes and toilet papers among others.
- Twenty three (23) non-compliance certificates were issued for fishery productions/consignments adjudged to be not for sale and three (3) non-compliance certificates were issued for fishery productions adjudged to be of substandard quality. These products do not comply with all the quality requirements of the relevant Compulsory Specification.



# SG1: Develop, maintain and administer compulsory specifications

- ❑ One compulsory specifications (VCs) sent for approval by the Executive Authority (target for the quarter 4 VC, additional resources allocated to ensure target is met).
  - One VC on olive oil - feasibility study completed and project closed. NRCS completed a feasibility study and based on the results closed the project.
    - The olive Oil problem is mostly a compositional issue and not a safety issue, the standard only have two general safety clauses that refers to DOH legislation
  - Five VC published by **the dti** during the quarter these related to disinfectants, switches and fixed installations, passenger and commercial vehicles and hydraulic brake fluid
  - Further two were awaiting publication – personal protective equipment and circuit breakers
- ❑ One Review Board case finalised during the quarter however the case was finalised outside of the 90 days turnaround times. Review Board Charter amended to ensure greater accountability

# SG2: Maximise compliance with all compulsory specifications and technical regulations

## Automotive Sector

- ❑ Processed 936 LOA applications during the quarter, 921 applications out of 936 applications were processed within 120 days representing 98.4% achievement. Variance was due to unacceptable test reports and insufficient documentation
- ❑ A total of 966 in-scope and out of scope inspections were conducted during the quarter against a target of 1 200 (Variance to total target -30.33%). Variance was due to group inspections that targeted identified non-compliant role players.
  - 662 in-scope
  - 304 out of scope
- ❑ Spread of inspections (In-scope and out of scope)
  - 769 Source inspections (target 960)
  - 197 Retail inspections (target 240)

# SG2: Maximise compliance with all compulsory specifications and technical regulations

## Chemicals, Materials and Mechanicals (CMM)

- ❑ Processed 100 LOA applications during the second quarter, 70 applications out of 100 applications were processed within 120 days representing 70% achievement. The variance was due to delays in the implementation of treated timber and safety footwear VCs
- ❑ A total of 1 676 inspections were conducted during the second quarter against a target of 1 662 inspections (variance to target + 0.8%)
  - 1 363 in-scope
  - 313 out of scope
- ❑ Spread of inspections (In-scope and out of scope)
  - 680 Source inspections (target 990)
  - 996 Retail inspections (target 672)

# SG2: Maximise compliance with all compulsory specifications and technical regulations

## Electro-technical

- ❑ Processed 3 613 LOA applications during the second quarter, 87.1% of applications were processed within 120 working days. Variance was due to backlog from last financial year. Measures has been put in place to process the backlog. These include development and implementation of Risk Based Approach to LOA's and allocation of additional resources
- ❑ A total of 1 519 inspections were conducted during the second quarter against a target of 1 320 inspections (Variance to total target +33%)
  - 1 174 in-scope
  - 345 out of scope
- ❑ Spread of inspections (In-scope and out of scope)
  - 869 Source inspections (target 792)
  - 650 Retail inspections (target 528)

# SG2: Maximise compliance with all compulsory specifications and technical regulations

## Legal Metrology

- ❑ Processed 274 Gaming Equipment LOA applications during the second quarter, 273 out of 274 applications were processed within 21 days.
- ❑ Processed 100% of all Type Approval applications during the second quarter. 45 out of 45 applications were processed within 120 days.
- ❑ A total of 2 021 in-scope and out of scope inspections were conducted during the year against a target of 1 426 inspections (Variance to total target +27%)
  - 1 562 in-scope
  - 459 out of scope
- ❑ Spread of inspections (In-scope and out of scope)
  - 1 652 Source inspections (target 1 041)
  - 369 Retail inspections (target 285)

# SG2: YEAR TO DATE INSPECTIONS

<b>Industry</b>	<b>Target YTD</b>	<b>YTD In-Scope Inspections</b>	<b>YTD Out of Scope Inspections</b>	<b>YTD Total Inspections</b>
<b>Automotive</b>	2 400	963	839	<b>1 802</b>
<b>CMM</b>	3 304	2 308	358	<b>2 666</b>
<b>Electro-technical</b>	2 200	2 104	588	<b>2 692</b>
<b>Legal Metrology</b>	2 732	2 658	568	<b>3 226</b>
<b>Total</b>	<b>10 636</b>	<b>8 033</b>	<b>2 353</b>	<b>10 386</b>

# SG2: Maximise compliance with all compulsory specifications and technical regulations

## Foods and associated Industries

- ❑ Inspected 100% of all declared locally produced canned fish and meat products
  - Canned Fish – 562 Inspections
  - Canned Meat – 1 002 inspections
- ❑ Conducted 268 frozen fish inspections (Target: 262)
- ❑ Inspected 100% of all declared imported canned fish, meat and frozen fish products
  - 1 519 Inspections
- ❑ Inspected 100% of all declared exports fishery products inspections
  - 3 115 Inspections
- ❑ Conducted 242 fishery and canned meat processing factory and vessel inspections (Target: 255)



# SG3: Inform and Educate our Stakeholders about the NRCS

- ❑ Distributed 3 internal electronic publications ( Target: 3)
- ❑ Conducted 3 consumer education events and campaigns (Target: 3)
- ❑ One Multimedia campaign conducted during the quarter (Target: 1)
- ❑ Participated in 42 international, regional and local forums and technical meetings
- ❑ Held 23 Industry meetings



# SG4: Ensure an optimally capacitated institution

## Human Resources

- ❑ Current vacancy rate to 6.6%
- ❑ Trained 115 employees during the quarter
- ❑ 6 positions were filled during the quarter

## Information Communication Technology

- ❑ The NRCS ICT system was on average 98% available during the financial year.
- ❑ CRM was available on average 98% however there are utilisation challenges being experienced.



# Quarter 2 Report: Financial overview

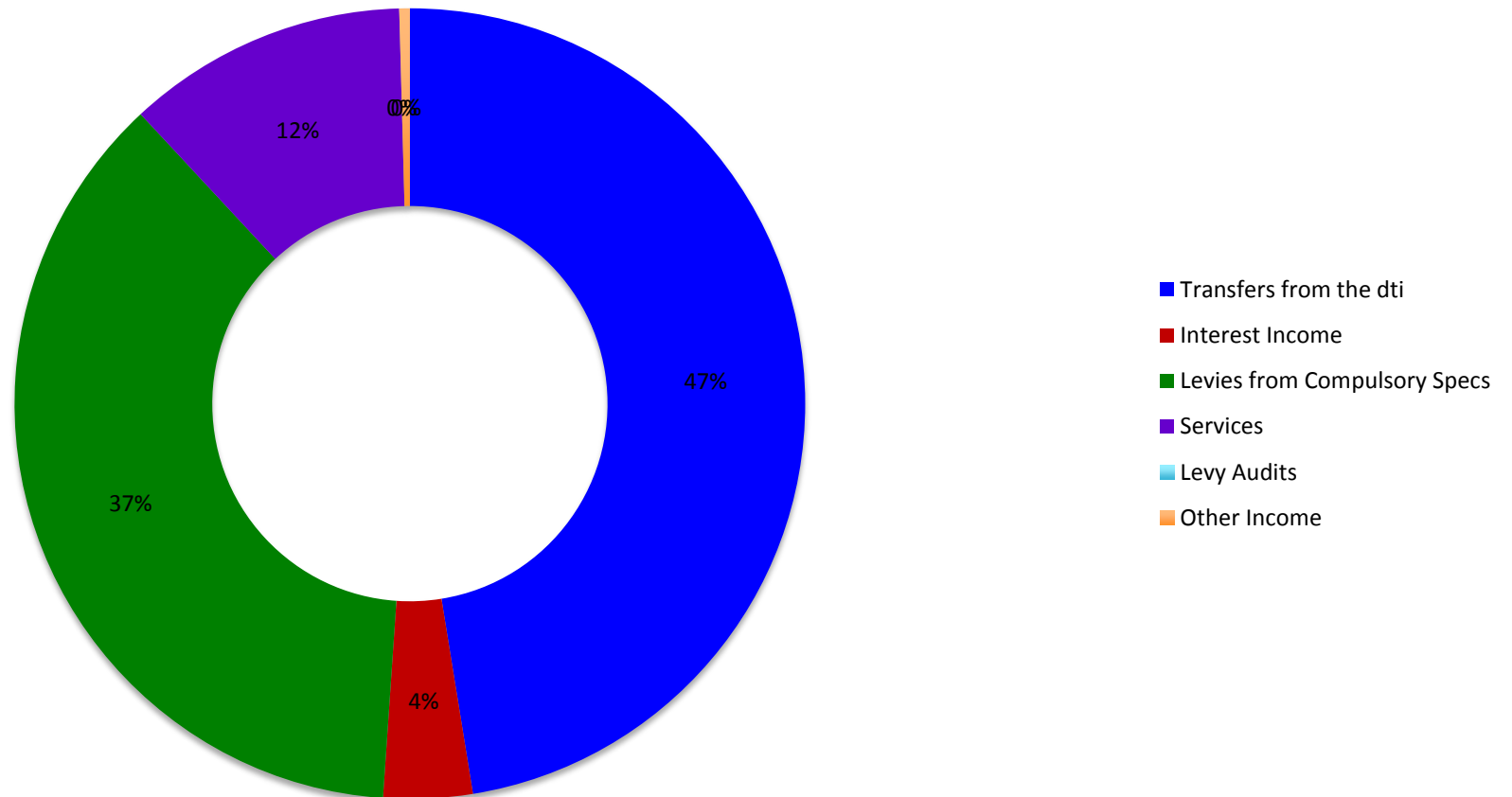


# Financial Overview: Income Statement

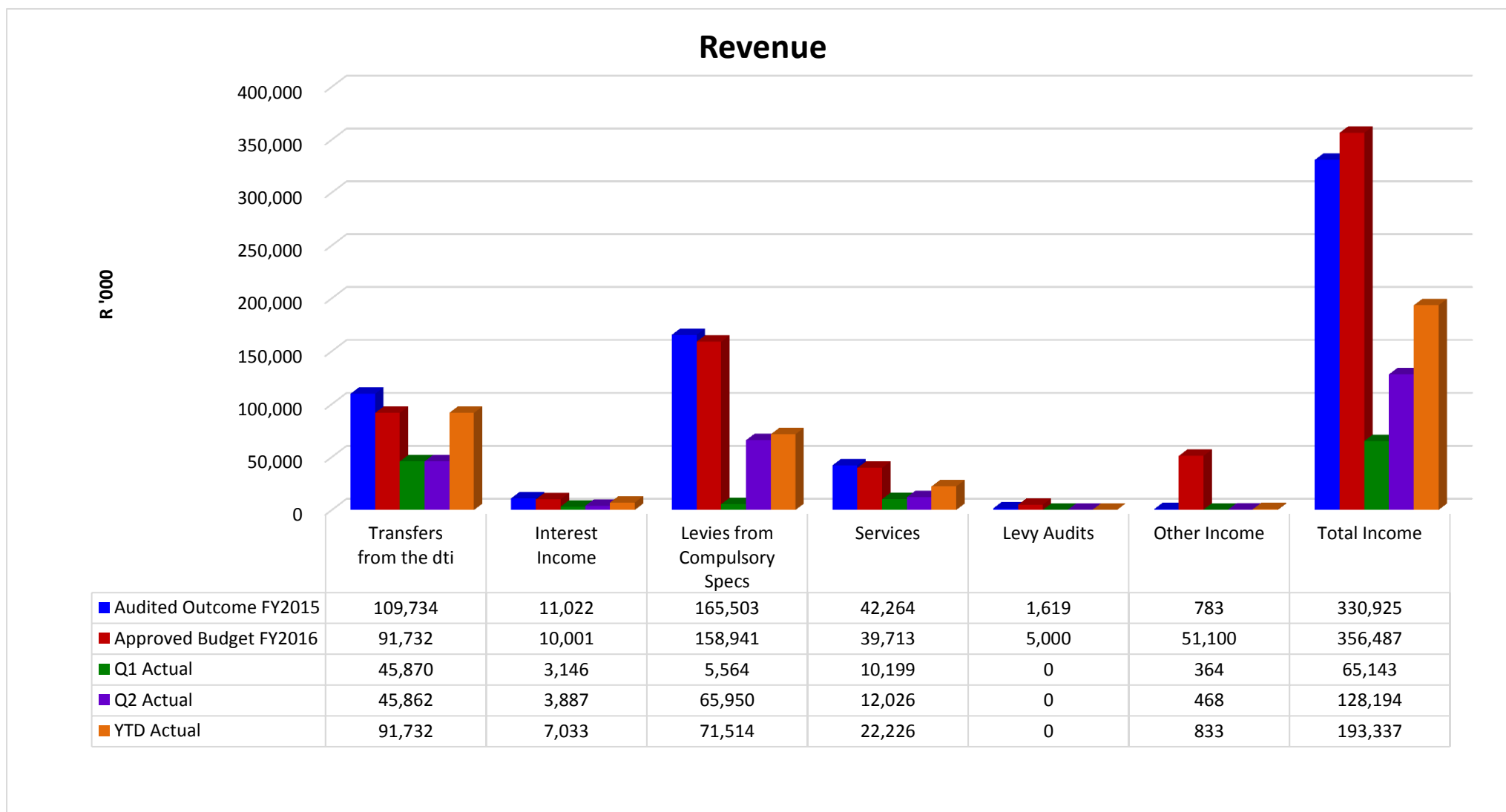
Income and expenditure overview	Audited Outcome		Approved Budget		
	FY2015	FY2016	Q1 Actual	Q2 Actual	YTD Actual
Transfers from the dti	109,734	91,732	45,870	45,862	91,732
Interest Income	11,022	10,001	3,146	3,887	7,033
Levies from Compulsory Specs	165,503	158,941	5,564	65,950	71,514
Services	42,264	39,713	10,199	12,026	22,226
Lewy Audits	1,619	5,000	0	0	0
Other Income	783	51,100	364	468	833
<b>Total Income</b>	<b>330,925</b>	<b>356,487</b>	<b>65,143</b>	<b>128,194</b>	<b>193,337</b>
Compensation of Employees	217,186	249,512	49,812	58,581	108,393
Goods and Services	61,327	106,892	16,472	17,159	33,631
<b>Total Expenditure</b>	<b>278,513</b>	<b>356,403</b>	<b>66,284</b>	<b>75,740</b>	<b>142,024</b>
<b>Surplus/(Deficit)</b>	<b>52,412</b>	<b>83</b>	<b>(1,141)</b>	<b>52,454</b>	<b>51,313</b>

# Financial Overview: Revenue

Y-T-D composition of revenue

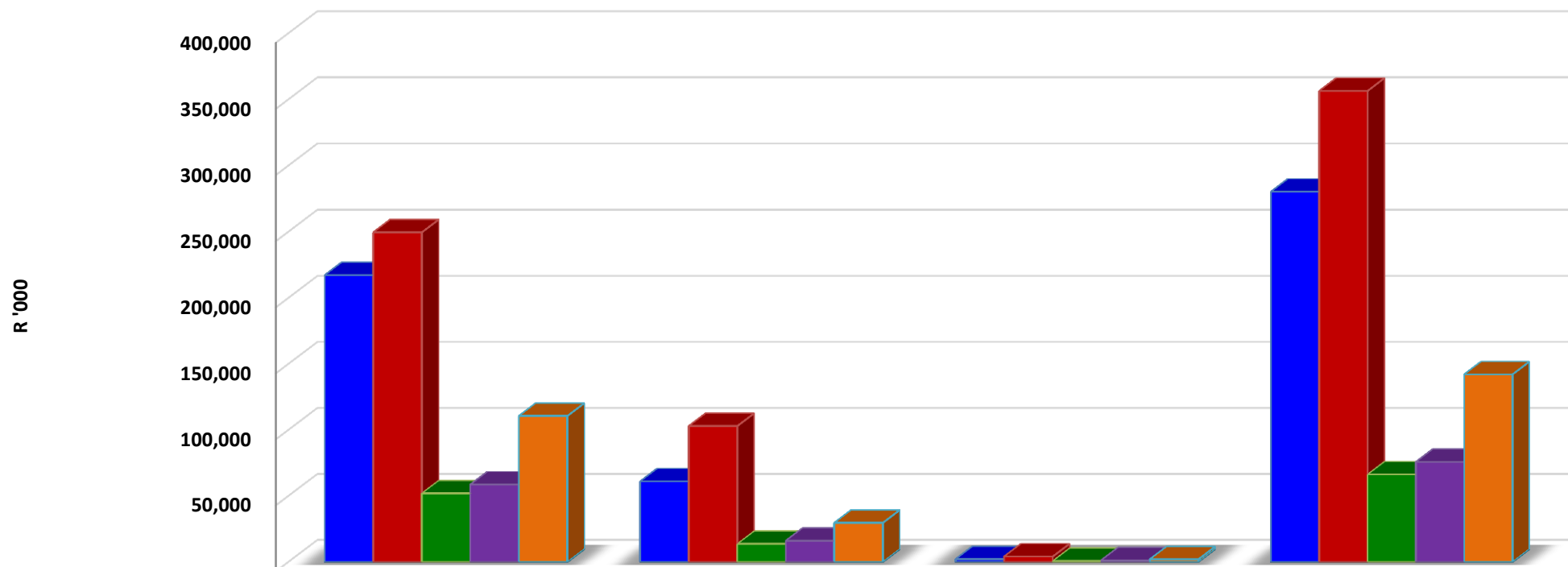


# Financial Overview: Revenue



# Financial Overview: Expenditure

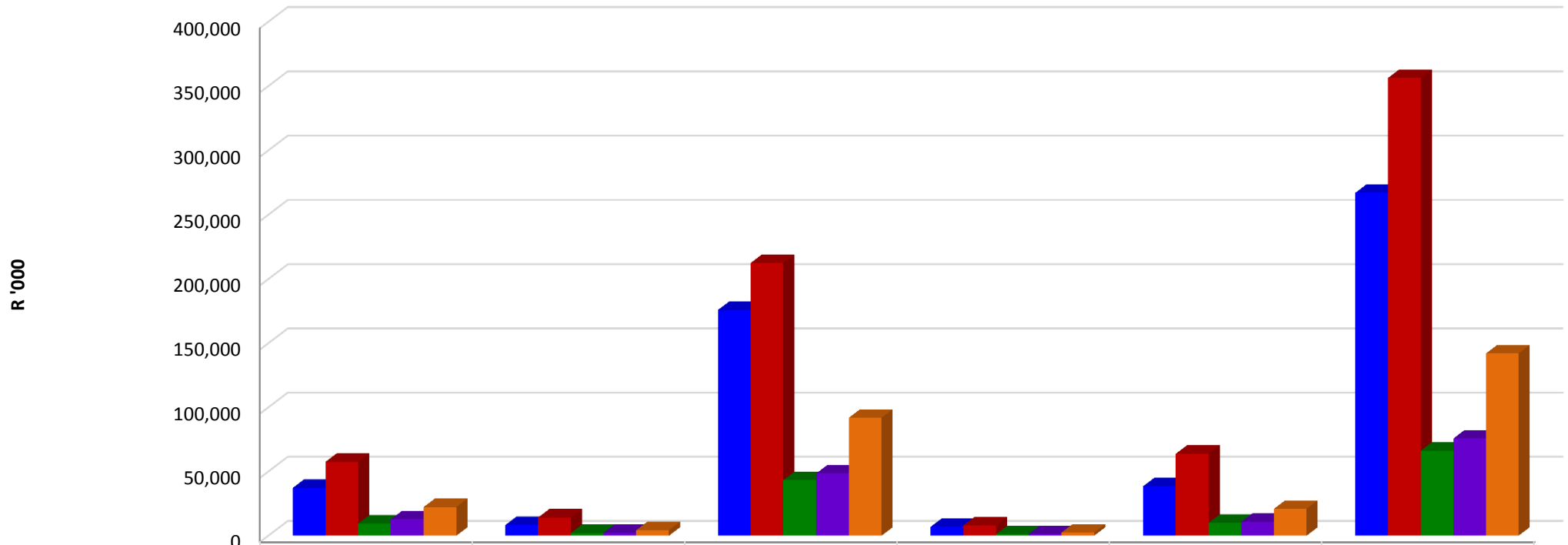
## Expenditure per category



	Compensation of employees	Goods and services	Other	Total expenses
<span style="color: blue;">■</span> Audited Outcome FY2015	217,186	61,000	2,069	280,255
<span style="color: red;">■</span> Approved Budget FY2016	249,512	102,867	4,025	356,403
<span style="color: green;">■</span> Q1 Actual	51,960	13,634	690	66,284
<span style="color: purple;">■</span> Q2 Actual	58,581	15,960	1,199	75,740
<span style="color: orange;">■</span> YTD Actual	110,541	29,594	1,889	142,024

# Financial Overview: Expenditure

**Total expenditure per goal**



	Administration	Goal 1	Goal 2	Goal 3	Goal 4	Total expenditure
Audited outcome FY 2015	37,280	8,366	175,957	6,927	38,611	267,142
Approved Budget FY2016	57,571	14,213	212,599	8,028	63,991	356,403
Qtr 1 (Actual)	9,498	2,082	43,413	1,187	10,104	66,283
Qtr 2 (Actual)	12,845	2,246	48,528	1,258	10,864	75,741
Total Expenditure	22,343	4,328	91,941	2,444	20,967	142,024



# Annual Report: Audit Report





# NRCS Audit Report: Revenue Qualification

Actions	Progress
Prepare a revenue strategy for NRCS	Strategy prepared, Plan drafted. Implementation in progress
Implement E-form and E-Billing	In the process of finalising the necessary approvals in order to commence procurement
Engage National Treasury and the dti	Engagement commenced and meetings held to discuss way forward and options for NRCS
Implement punitive measures for non-declaration of levies	Engaged with the dti on the need to amend the NRCS Act and Regulations
Implement a legislative review process	Per above
Implement an integrated ERP	In the process of finalising the necessary approvals in order to commence procurement
Automate the recon between inspection, LOA and Financial data	In Planning Phase
Align inspection planning to outstanding levy returns	Implemented
Investigate alternative revenue models for NRCS	Started. Engagements with the dti have commenced. Benchmarking is in the process of being finalised.

# NRCS Audit Report: Predetermined Objectives

<b>Actions</b>	<b>Progress</b>
<b>Review targets to address the In-scope out of scope inspections classification</b>	<b>Completed for FY 2016</b>
<b>Define in-scope and out of scope inspections</b>	<b>Completed</b>
<b>Introduce control mechanisms to ensure correct approval dates for LOAs</b>	<b>Started</b>
<b>Review recording of Port of Entry inspection to avoid duplication</b>	<b>Impemented and ongoing</b>
<b>Review and implement NRCS Performance Monitoring and Evaluation Framework</b>	<b>In progress</b>

# Organisational Challenges

## External challenges faced by NRCS include:

- Inadequate testing facilities in South Africa for some regulated products e.g Motor cycle helmets.
- The application and regulation of products covered under VCs that are outdated.
- High number of abandoned goods at Ports of Entry.
- High transportation and storage costs for confiscated goods.

## Internal challenges faced by NRCS include:

- Generation of revenue reliant on trends and markets.
- Revenue collection dependent on the industry co-operation.
- Interpretation of performance information with regards to in-scope and out of scope inspections.
- Reliance on manual systems for financial and performance management monitoring and reporting.

# Acronyms

**LOA** – Letter of Authority

**DAFF** – Department of Agriculture fisheries and Forestry

**DOH** – Department of Health

**DOT** – Department of Transport

**E- Billing** – Electronic Billing

**E- Form** – Electronic Form

**FAI** – Foods and Associated industries

**HR** – Human Resources

**ICT** – Information Communications Technology

**IPAP** – Industrial Policy Action Plan

**NBR** – National Building Regulations

**NCC** – National Consumer Commission

**NT** – National Treasury

**SABS** – South African Bureau of Standards

**SAPS** – South African Police Service

**SARS** – South African Revenue Service

**VC** – Compulsory Specification

**Thank You**