

Portfolio Committee on Trade and Industry

Presentation on the NRCS' Annual Report for 2014/15 Financial Year

Asogan Moodley
Chief Executive Officer
13 October 2015

Purpose

**To present to the Portfolio Committee on Trade and Industry the NRCS' Annual Report for 2014/15
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
- Values

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

Performance Information



Highlights

- ❑ Over the past five years, the NRCS has uncovered non-compliant products valued at over R1 billion. During 2014/15 alone, non-compliant and unsafe products to the value of R548 million were removed from the market and approximately R20 million of such products were destroyed in Durban in December 2014.
- ❑ The NRCS confiscated more than 2 million non-compliant incandescent lamps.
- ❑ Issued 11 543 health guarantees which ensured that all exported fishery and associated products were accepted in foreign markets.
- ❑ South Africa resumed seafood exports to the Russian Federation. Inspections were conducted by the Russian Competent Authority and 12 South African seafood companies were officially approved to supply canned fish, frozen fish and fishery products to the Russian Federation. Initial trade amount is estimated at R60million per year

SG1: Develop, maintain and administer compulsory specifications

- ❑ Developed and/or amended seven (7) out of 12 compulsory specifications (VCs) and submitted for approval to the Minister. These VCs were for hydraulic brake fluid, passenger tyres, commercial tyres, earth leakage devices, circuit breakers, safety footwear and disinfectants and detergent disinfectants.
 - Variance was due to failure to agree with stakeholders on VCs (processed meats) and standards (electric adaptors, safety of toys, agricultural tractors, motor vehicle category N1 VC covering emissions and airbags amongst others and vehicle category M1 VC covering seats, seat belts and seat belt anchorages, mirrors, lights, rear fog lights and braking)
- ❑ Approved NRCS' research strategy
- ❑ Published two technical papers on safety footwear and the effects of brine composition and injection level on the chemical composition of frozen chicken meat
- ❑ Three (3) Review Board cases were finalised, however this took longer than expected due to the backlog created by suspension of services by the Review Board Chair, this matter was resolved

SG2: Maximise compliance with all compulsory specifications and technical regulations

Automotive Sector

- ❑ Processed 3 615 LOA applications during the financial year. Of these 3 602 applications out of 3 615 applications were processed within 120 working days representing 99.64% achievement.

- ❑ A total of 4 511 inspections were conducted during the year against a target of 4 000 (Variance to total target +12.78%)
 - 2 365 in-scope (variance to total target -40.88%)
 - 2 146 out of scope

- ❑ Spread of inspections (In-scope and out of scope)
 - 1 276 Source inspections (target 2 400)
 - 2 582 Port of Entry inspections (target 800)
 - 653 Retail inspections (target 800)

SG2: Maximise compliance with all compulsory specifications and technical regulations

Chemicals, Materials and Mechanicals (CMM)

- ❑ Processed 589 LOA applications during the financial year. Of these 389 applications out of 589 applications were processed within 120 days representing 64.04% achievement. Variance due to delays in the implementation of VC on safety footwear and treated timber.
- ❑ A total of 5 649 inspections were conducted during the year against a target of 5 600 (Variance to total target 0%)
 - 4 697 in-scope (variance to total target -16.13%)
 - 952 out of scope
- ❑ Spread of inspections (In-scope and out of scope)
 - 1 363 Source inspections (target 2 240)
 - 1 143 Port of Entry inspections (1 120)
 - 3 143 Retail inspections (2 240)

SG2: Maximise compliance with all compulsory specifications and technical regulations

Electro-technical

- ❑ Processed 7 705 LOA applications during the financial year. Of these 7 258 applications out of 7 705 applications were processed within 120 days representing 94.2% achievement. 6 647 LOA applications were approved and 1058 LOA applications were rejected. Variance due to incomplete documentation and unacceptable test reports.
- ❑ A total of 5 438 inspections were conducted during the year against a target of 4 400 (Variance to total target +23.6%)
 - 3 863 in-scope (variance to total target -12.20%)
 - 1 575 out of scope
- ❑ Spread of inspections (In-scope and out of scope)
 - 434 Source inspections (target 440)
 - 3 308 Port of Entry inspections (target 2 200)
 - 1 696 Retail inspections (target 1 760)

SG2: Maximise compliance with all compulsory specifications and technical regulations

Legal Metrology

- ❑ Processed 766 Gaming Equipment LOA applications of which 732 were finalised within 21 working days, representing 95.56% achievement. Variance due to unacceptable test reports
- ❑ Processed 100% of all Type Approval applications, (166) within 120 working days.
- ❑ A total of 7 366 in-scope and out of scope inspections were conducted during the year against a target of 5 189 (Variance to total target +41.9%)
 - 5 262 in-scope (variance to total target +1.4%)
 - 2 104 out of scope
- ❑ Spread of inspections (In-scope and out of scope)
 - 6 154 Source and Port of Entry inspections (target 4 151)
 - 1 212 Retail inspections (target 1 038)

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 – 2 842 Inspections
 - Canned Meat – 4 436 inspections
- ❑ Conducted 1 034 frozen fish inspections against a target of 1 045 (variance - 1.05%)
- ❑ Inspected 100% of all declared imported canned fish, meat and frozen fish products
 - 8 569 Inspections
- ❑ Inspected 100% of all declared exports fishery products inspections
 - 13 668 Inspections
- ❑ Conducted 1 074 fishery and canned meat processing factory and vessel inspections against a target of 1 020 (variance +5.29%)

SG3: Inform and Educate our Stakeholders about the NRCS

- ❑ Distributed 10 internal electronic publications.
- ❑ No multi-media awareness campaigns conducted during the year due to the delay in appointing the service provider.
- ❑ Conducted 13 consumer education events and campaigns (+44.44% variance).
- ❑ Participated in about 145 international, regional and local forums and technical meetings.
- ❑ Conducted more than 125 stakeholder engagements and Industry meetings.

SG4: Ensure an optimally capacitated institution

Human Resources

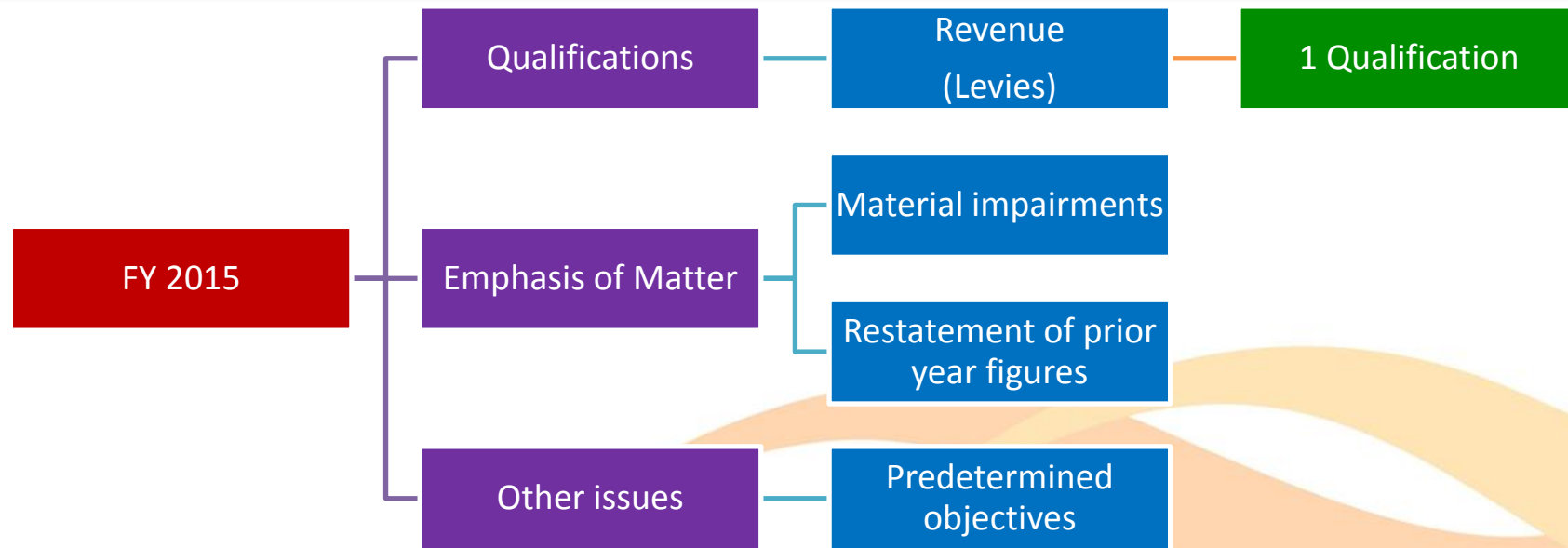
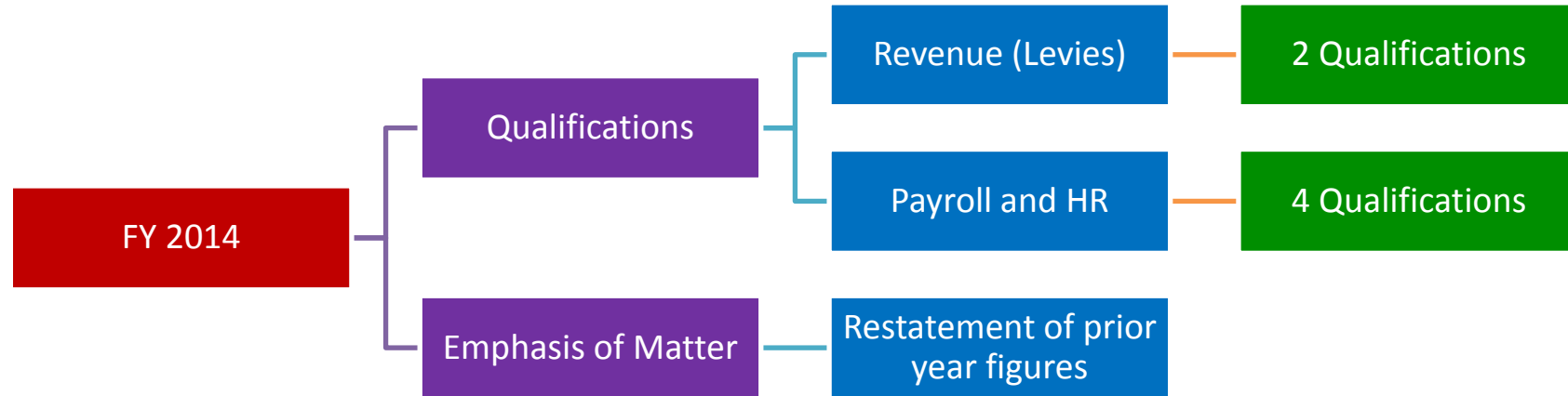
- ❑ Reduced vacancy rate to 7.10%.
- ❑ Trained 301 employees during the year.
- ❑ Experienced challenges in timeously filling vacancies. 15 positions filled during the financial year. This has now been resolved by the appointment of Senior Manager HR and Manager HR

Information Communication Technology

- ❑ The NRCS ICT system was on average 98% available during the financial year.
- ❑ CRM was implemented however there are utilisation challenges being experienced.
- ❑ ERP project was delayed due to the need to engage SITA and the need to clearly document needs. The project will be implemented in the 2016/17 financial year.

Financial Performance Overview

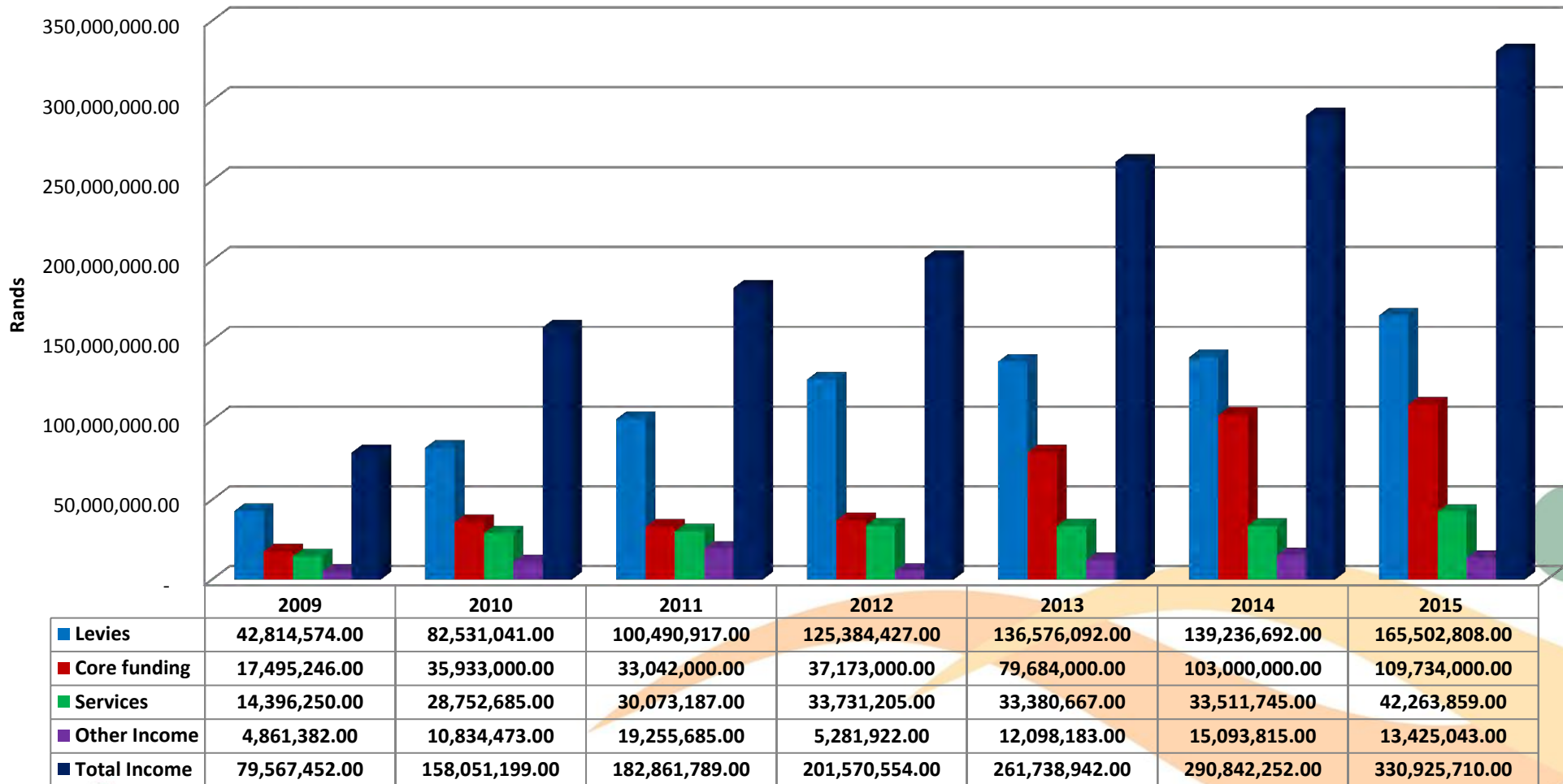
SUMMARY



Financial Overview: Revenue

7 Year review of revenue growth

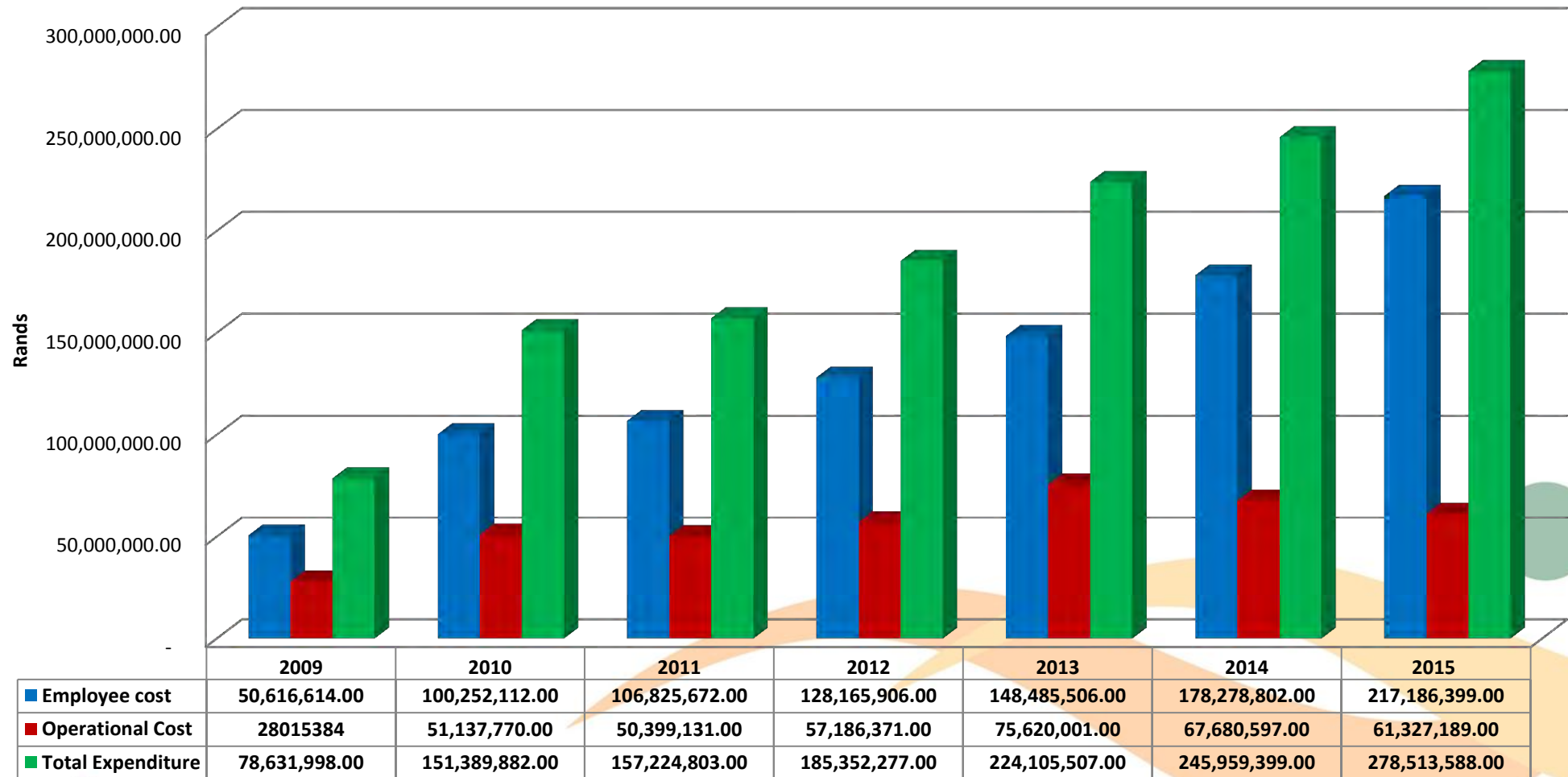
Revenue



Financial Overview: Expenditure

Expenditure trends over 7 years

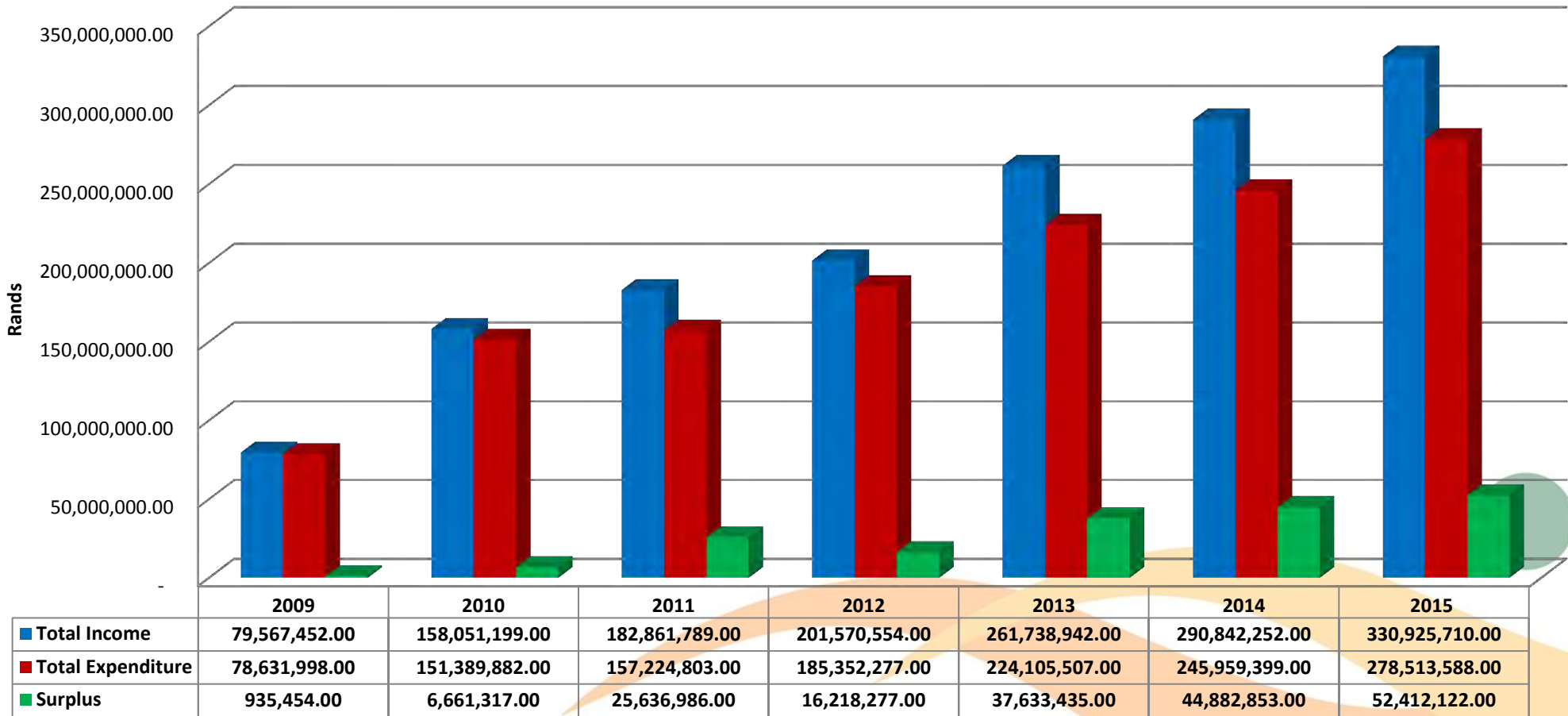
Expenditure



Financial Overview: Income vs. Expenditure

Income versus Expenditure trends over 7 years

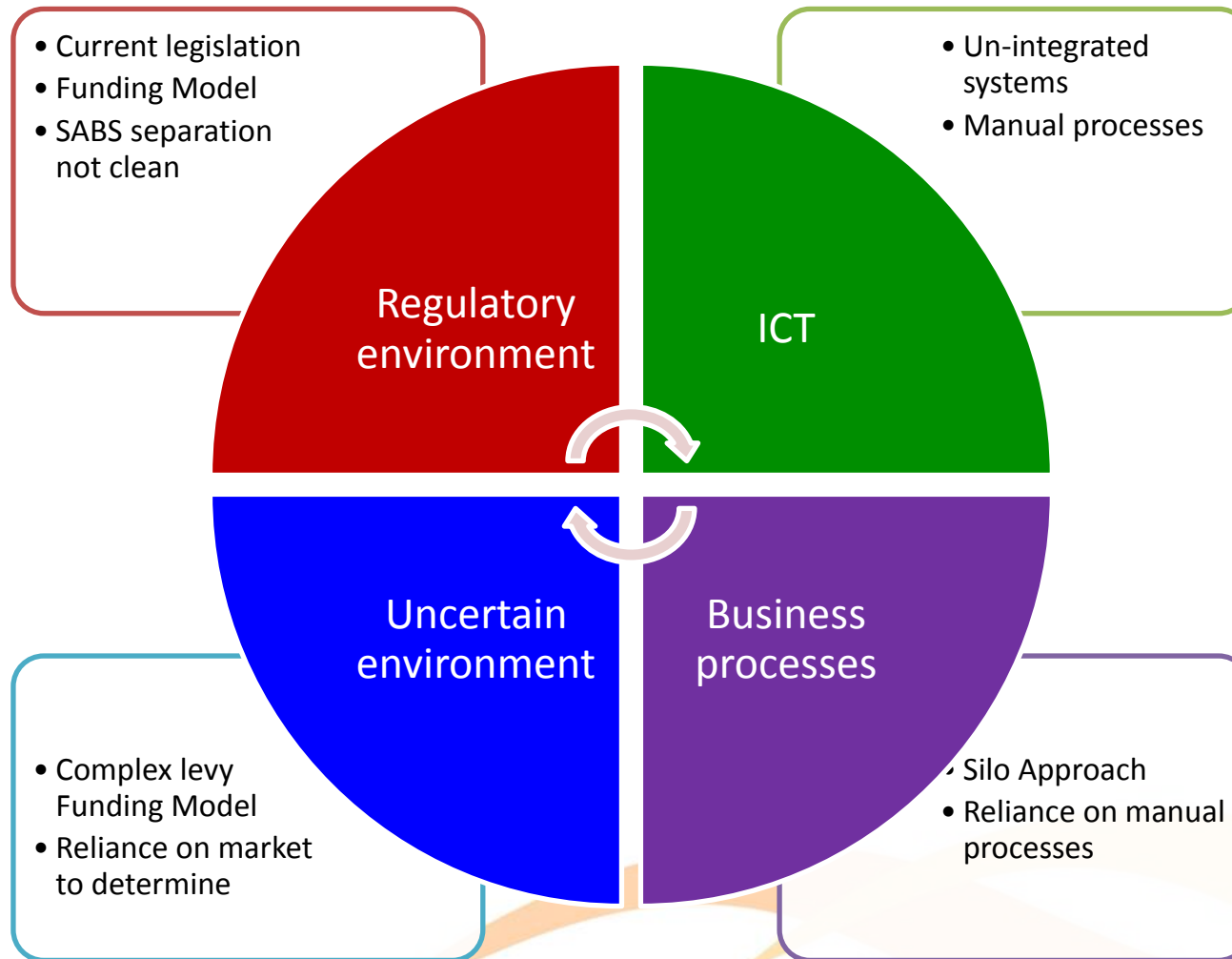
Surplus



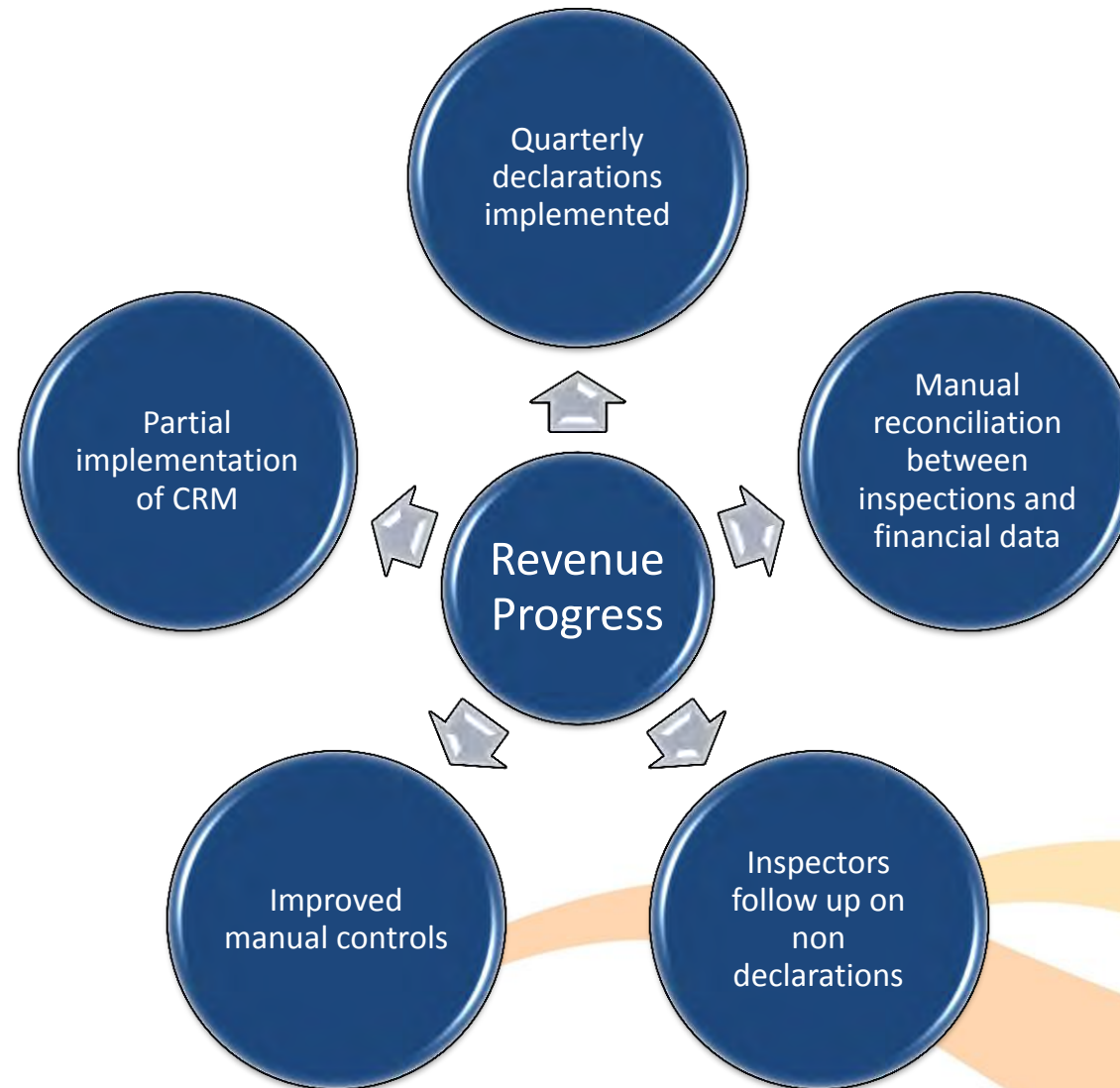
Auditor-General's Report



NRCS Audit report: Revenue Qualification



NRCS Audit report: Progress made on Revenue



Action plans to address audit findings

Audit Issue	Actions
Revenue Qualification - Completeness of revenue	<ul style="list-style-type: none">• Prepare a revenue strategy for NRCS• Implement E-form and E-Billing• Apply to NT for GRAP 23 exemption, with support from the dti• Implement punitive measures for non-declaration of levies• Implement a legislative review process with the dti to compel declaration of levies• Implement an integrated ERP• Automate the recon between inspection, LOA and Financial data• Align inspection planning to outstanding levy returns• Investigate alternative revenue models for NRCS

Action plans to address audit findings

Audit Issue	Actions
Material impairments	<ul style="list-style-type: none">• Rectified.• In respect of provision for bad debts
Restatement of prior year figures	<ul style="list-style-type: none">• In respect of the 4 payroll qualifications from FY 2014
Predetermined objectives	<ul style="list-style-type: none">• Review targets to address the In-scope out of scope inspections classification• Define in-scope and out of scope inspections• Introduce control mechanisms to ensure correct approval dates for LOAs• Review recording of Port of Entry inspection to avoid duplication• Review and implement NRCS Performance Monitoring and Evaluation Framework

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