

# Portfolio Committee on Trade and Industry Presentation on the NRCS's Annual Report for 2015/16 Financial Year

**14 September 2016**

**Asogan Moodley  
Chief Executive Officer**

# NRCS representation

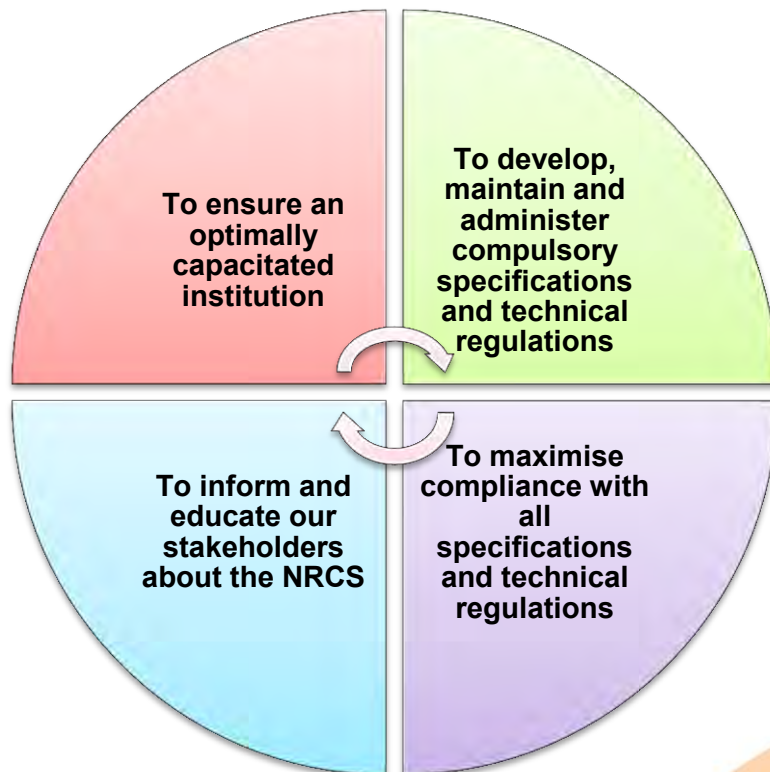
- ❑ Mr Asogan Moodley
  - ❑ Chief Executive Officer
- ❑ Ms Reshma Mathura
  - ❑ Chief Financial Officer
- ❑ Mr Edward Matemba
  - ❑ Manager: Strategy and Risk
- ❑ Ms Meisie Katz
  - ❑ General Manager Foods and Associated Industries

# Scope of Presentation

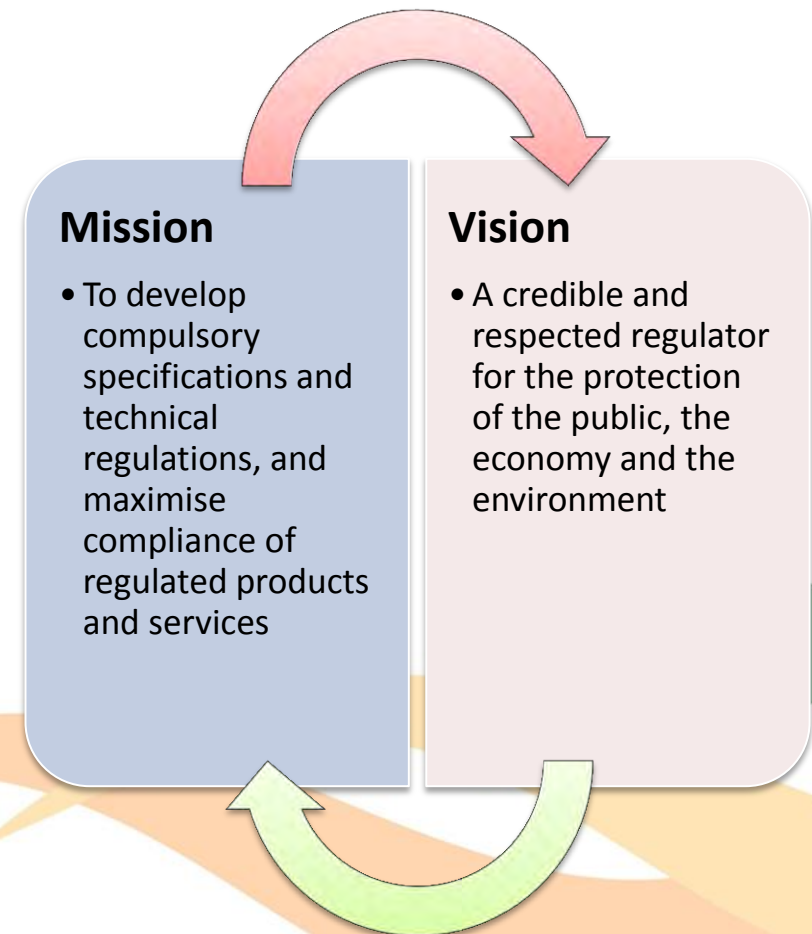
- ❑ Strategic Overview of the NRCS
  - ❑ Strategic Goals, Mission, Vision
  - ❑ Legislative mandate
  - ❑ Regulated industries
- ❑ Performance against Targets
  - ❑ Non-Financial Performance and highlights
  - ❑ Financial Performance
- ❑ Audit report

# NRCS Strategy, Mission and Vision

## NRCS Strategic Goals



## Mission & Vision



# Legislative Mandate

**Mandate of the NRCS is derived from the following Acts.**

**National Regulator for Compulsory Specifications Act  
(Act No. 5 of 2008)**

**Legal Metrology Act  
(Act No. 9 of 2014)**

**National Building Regulations and Building Standards Act  
(Act No. 103 of 1977)**

**The Foodstuffs, Cosmetics and Disinfectants Act  
(Act 54 of 1972)**

# Industries regulated by NRCS

<b>Industry Sector</b>	<b>Product regulated / Service rendered</b>
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 National Building Regulations and Standards Act, administer review Board

# Actual Performance Against set targets (Non-Financial performance)

# Highlights

- ❑ Non-compliant products to the value of R204,85 million were removed from the market.
  - ❑ R106 million of the amount was due to non-compliance to the LMA Act
  
- ❑ The NRCS conducted 50 509 inspections
  
- ❑ The NRCS issued 20825 approval certificates for
  - ❑ Electro-technical, Automotive and Chemicals, Materials and Mechanicals products
  - ❑ health guarantees
  - ❑ Gaming Equipment LOA applications
  
- ❑ Vision 2020



# SG1: Develop, maintain and administer compulsory specifications

- ❑ Developed, withdrew and/or amended eight (8) out of 10 compulsory specifications (VCs) and submitted for approval to the Minister. These VCs were for Live Lobsters, Lamp Holders, Flexible Cords, Medium Voltage Electric Cables, Electric Cables with Extruded solid dielectric (300/500V to 1900/3300)
  - ❑ Variance was due to failure to agree with stakeholders on VCs and poor participation in the VC development process
- ❑ 2 Technical Papers developed and approved by the CEO for publication
- ❑ 100% of the Review Board decisions finalised within 30 Calendar days.

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

## Automotive Sector

- ❑ A total of 3 744 inspections were conducted during the year against a target of 4 000 (Variance to total target -6%)
  - ❑ 2 623 source inspections against a target of 3 200 (variance -18%)
  - ❑ 1 121 retail inspections against a target of 800 (variance +40%)
  
- ❑ Processed 3 581 LOA applications during the financial year. Of these 3497 applications out of 3 581 applications were processed within 120 working days representing 97.65% achievement.

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

## Chemicals, Materials and Mechanicals (CMM)

- ❑ A total of 4 866 inspections were conducted during the year against a target of 5 600 (Variance to total target -13%)
  - ❑ 1 993 source inspections (variance -41%)
  - ❑ 2 873 retail inspections (variance +28%)
  
- ❑ Processed 284 LOA applications during the financial year.
  - ❑ Of these 158 applications out of 284 applications were processed within 120 working days representing 34.4% negative achievement.
  - ❑ Variance due to delays in the implementation of VC on safety glazing and treated timber.

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

## Electro-technical

- ❑ A total of 4 890 inspections were conducted during the year against a target of 4 400 (Variance +11%)
  - ❑ 2 761 Source Inspections (variance +5%)
  - ❑ 2 129 Retail Inspections (variance +21%)
  
- ❑ Processed 5 592 LOA applications during the financial year. Of these 68% were processed within 120 working days.
  - ❑ - Variance due to increased port of entry market surveillance, backlog and new VC on standby power requirement for the energy efficiency of electrical and electronic apparatus.

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

## Legal Metrology

- ❑ A total of 6 440 inspections were conducted during the year against a target of 5 189 (Variance +24%)
  - ❑ 5 367 Source Inspections (variance +29%)
  - ❑ 1 073 Retail Inspections (variance +3%)
  
- ❑ Processed 1 135 Gaming Equipment LOA applications of which 936 were finalised within 21 working days, representing 82% achievement.
  - ❑ Significant increase in applications due to decision by Gauteng Gambling Board to introduce expiry dates on licences
  
- ❑ Processed 100% of all Type Approval applications, (170) within 120 working days.

# 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 – 3 193 Inspections
  - ❑ Canned Meat – 4 019 inspections
- ❑ Conducted 1016 frozen fish inspections against a target of 1 045 (variance -3%)
- ❑ Inspected 100% of all declared imported canned fish, meat and frozen fish products
  - ❑ 7 524 Inspections
- ❑ Inspected 100% of all declared exports fishery products inspections
  - ❑ 13 748 Inspections
- ❑ Conducted 1069 fishery and canned meat processing factory and vessel inspections against a target of 1 020 (variance +5%)

## SG3: Inform and Educate our Stakeholders about the NRCS

- ❑ Distributed 12 internal and 4 external electronic publications.
- ❑ 2 multi-media awareness campaigns conducted during the year.
- ❑ Conducted 10 consumer education events and campaigns (+11% variance).
- ❑ Survey not conducted due to decision to divert of effort to implement consumer awareness campaigns and other consumer driven activities.

# SG4: Ensure an optimally capacitated institution

## Human Resources

- ❑ Reduced vacancy rate to 6,8%.
- ❑ Trained 158 employees during the year.

## Information Communication Technology

- ❑ The NRCS ICT system was on average 98% available during the financial year.



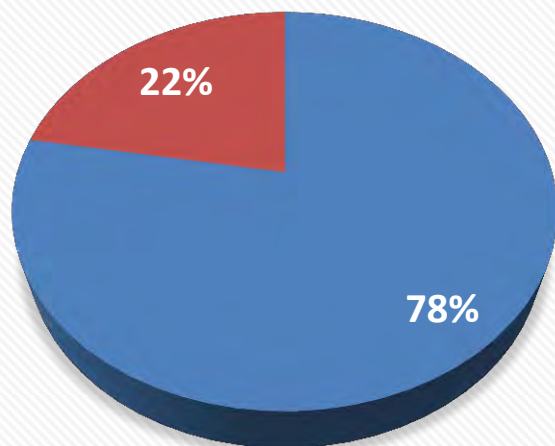
# Financial Performance



# Overview: Statement of financial performance

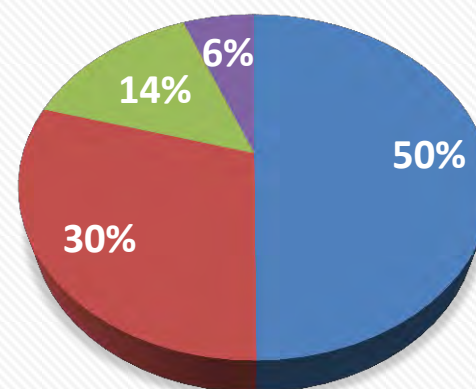
	2015	2016	Change
Levies	166 436 828	154 590 878	-7%
Core funding	109 734 000	91 732 000	-16%
Services	41 329 839	45 223 056	9%
Other Income	13 425 043	18 380 942	37%
<b>Total Income</b>	<b>330 925 710</b>	<b>309 926 876</b>	-6%
Employee cost	217 186 399	239 842 830	10%
Operational Cost	61 327 189	68 467 977	12%
<b>Total Expenditure</b>	<b>278 513 588</b>	<b>308 310 807</b>	11%
<b>Surplus</b>	<b>52 412 122</b>	<b>1 616 069</b>	-97%

### Expenditure



■ Employee cost   ■ Operational Cost

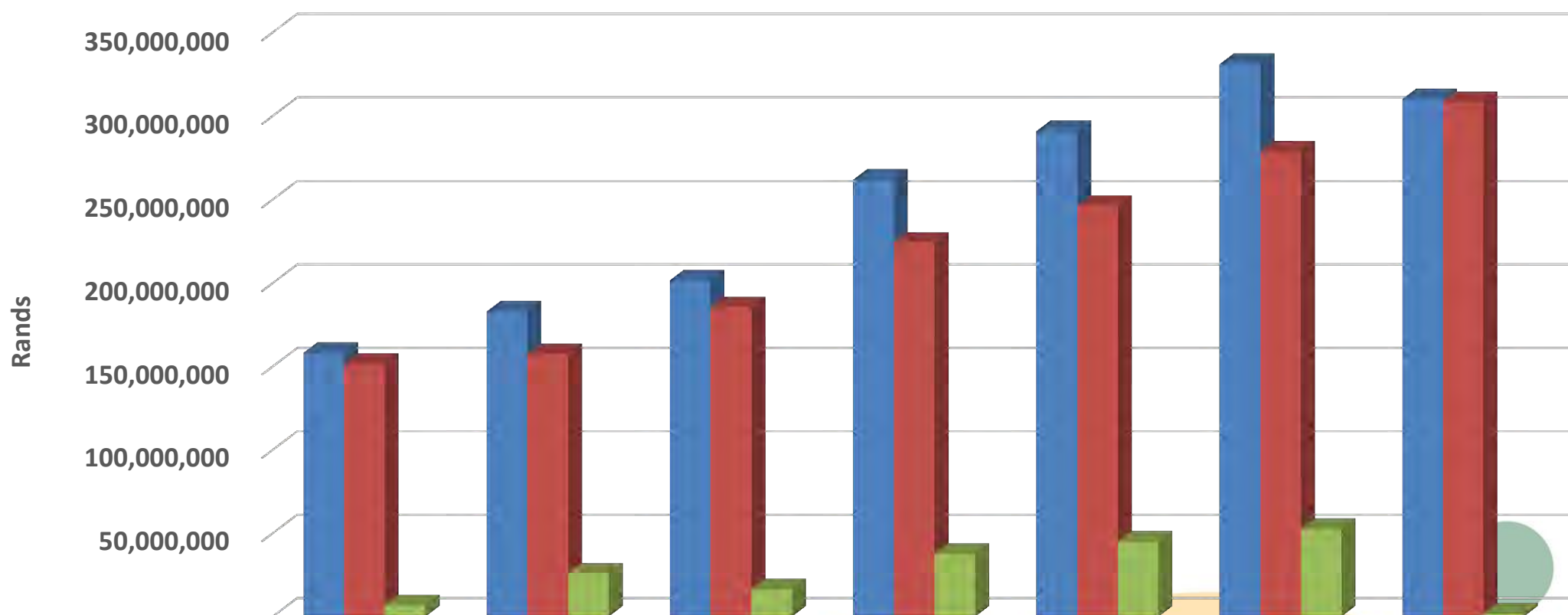
### 2016 Revenue



■ Levies   ■ Core funding  
■ Services   ■ Other Income

# Financial Overview: Income Statement

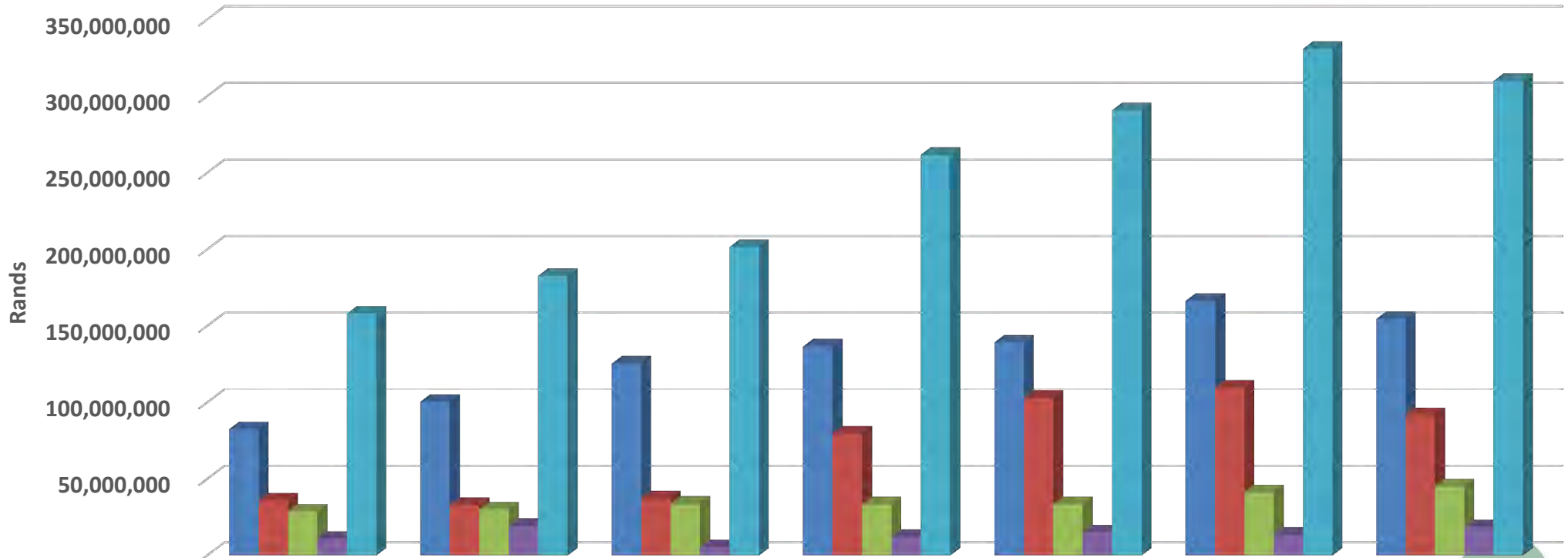
## Surplus



	2010	2011	2012	2013	2014	2015	2016
<span style="color: blue;">■</span> Total Income	158,051,199	182,861,789	201,570,554	261,738,942	290,842,252	330,925,710	309,926,876
<span style="color: red;">■</span> Total Expenditure	151,389,882	157,224,803	185,352,277	224,105,507	245,959,399	278,513,588	308,310,807
<span style="color: green;">■</span> Surplus	6,661,317	25,636,986	16,218,277	37,633,435	44,882,853	52,412,122	1,616,069

# Financial Overview: Revenue

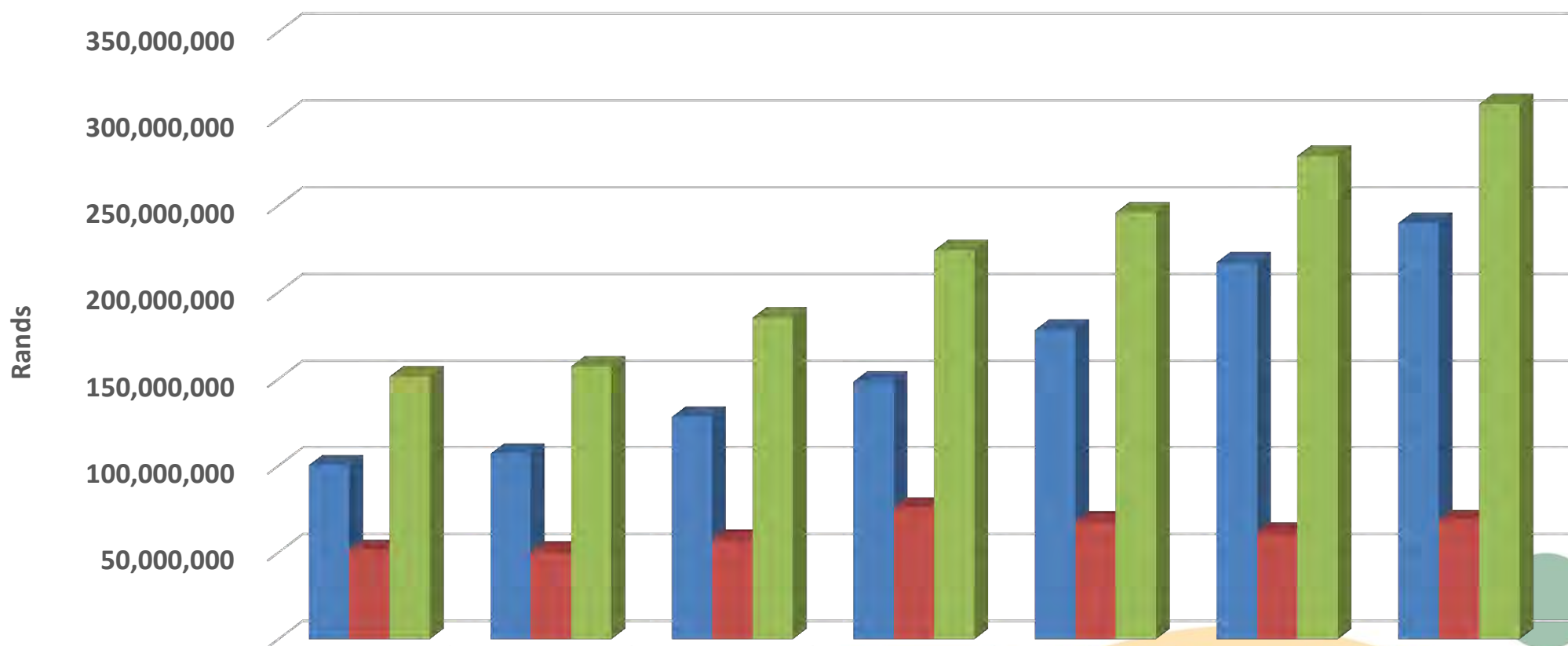
Revenue



	2010	2011	2012	2013	2014	2015	2016
■ Levies	82,531,041	100,490,917	125,384,427	136,576,092	139,236,692	166,436,828	154,590,878
■ Core funding	35,933,000	33,042,000	37,173,000	79,684,000	103,000,000	109,734,000	91,732,000
■ Services	28,752,685	30,073,187	33,731,205	33,380,667	33,511,745	41,329,839	45,223,056
■ Other Income	10,834,473	19,255,685	5,281,922	12,098,183	15,093,815	13,425,043	18,380,942
■ Total Income	158,051,199	182,861,789	201,570,554	261,738,942	290,842,252	330,925,710	309,926,876

# Financial Overview: Expenditure

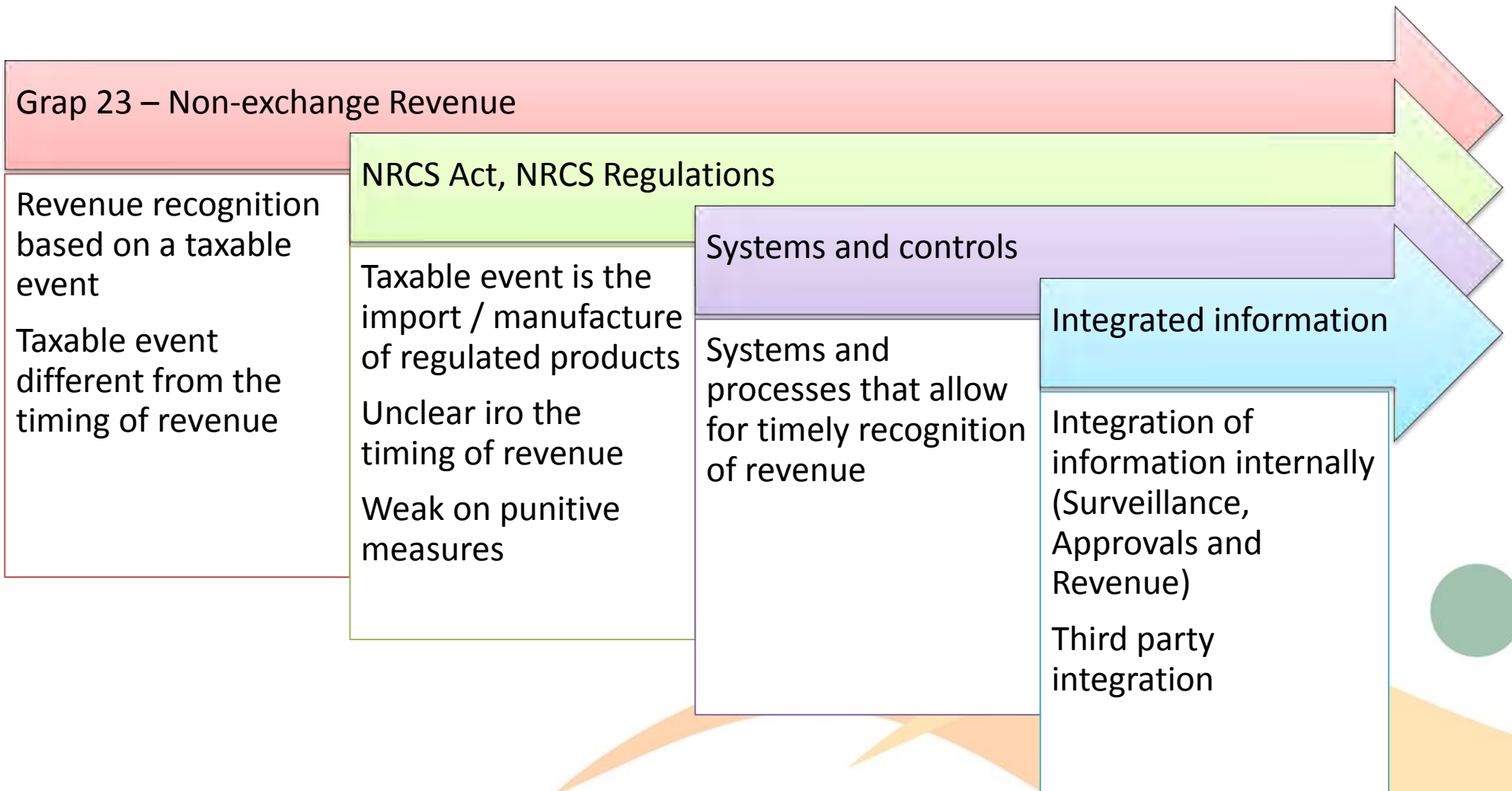
Expenditure



	2010	2011	2012	2013	2014	2015	2016
■ Employee cost	100,252,112	106,825,672	128,165,906	148,485,506	178,278,802	217,186,399	239,842,830
■ Operational Cost	51,137,770	50,399,131	57,186,371	75,620,001	67,680,597	61,327,189	68,467,977
■ Total Expenditure	151,389,882	157,224,803	185,352,277	224,105,507	245,959,399	278,513,588	308,310,807

## Progress on the implementation of Actions to address Auditor-General's Findings

# Revenue Qualification



# Revenue Qualification Plan

## Legislative options

### Legal opinion re: NRCS Act

- Amendment to the Act, or
- Engage the dti on the NRCS Act

### LOA Conditionality

- Quarterly volumes forecast
- Introduce LOA validity period

## Internal control improvements

### NRCS Modernisation

- ERP system implement-ation
- Business process re-design

### SARS Collaboration

- Information sharing and system integration



# Revenue Qualification Plan: Progress

Plan	Progress to date
<p>Legal opinion re: NRCS Act</p> <ul style="list-style-type: none"><li>• To determine if the NRCS Act needs to be amended</li></ul>	<ul style="list-style-type: none"><li>• Legal opinion obtained</li><li>• Discussion pending with the dti</li></ul>
<p>LOA Conditionality</p> <ul style="list-style-type: none"><li>• Quarterly volumes forecast</li><li>• Introduce LOA validity period</li></ul>	<ul style="list-style-type: none"><li>• In the process of investigating mechanisms to operationalise</li></ul>
<p>NRCS Modernisation</p> <ul style="list-style-type: none"><li>• ERP system implementation</li><li>• Business process re-design</li></ul>	<ul style="list-style-type: none"><li>• Modernisation concept has been developed.</li><li>• To be tabled to ICT Steering Committee for guidance on implementation strategy</li><li>• Business process redesign is dependent on the modernisation approval</li></ul>
<p>SARS Collaboration</p> <ul style="list-style-type: none"><li>• Information sharing and system integration</li></ul>	<ul style="list-style-type: none"><li>• Code alignment project with SARS is in implementation phase.</li></ul>

**Thank You**

# Abbreviations and Acronyms

- ❑ AG – Auditor General
- ❑ CMM – Chemicals, Materials and Mechanical
- ❑ DAFF – Department of Agriculture, Forestry and fisheries
- ❑ FY – Financial year
- ❑ GRAP – Generally Recognised Accounting Practice
- ❑ LOA – Letter of Authority
- ❑ NBR – National Building Regulations
- ❑ NCC – National Consumer Commission
- ❑ SABS – South African Bureau of Standards
- ❑ SAPS – South African Police Services
- ❑ SARS – South African Revenue Services
- ❑ TR – Technical Regulation
- ❑ VC – Compulsory Specification
- ❑ YTD – Year to Date