

Presentation to the Portfolio Committee on Trade and Industry on the NRCS' First Quarter Performance Report for the 2016-17 Financial Year

14 September 2016

**Mr Asogan Moodley
Chief Executive Officer**

NRCS representation

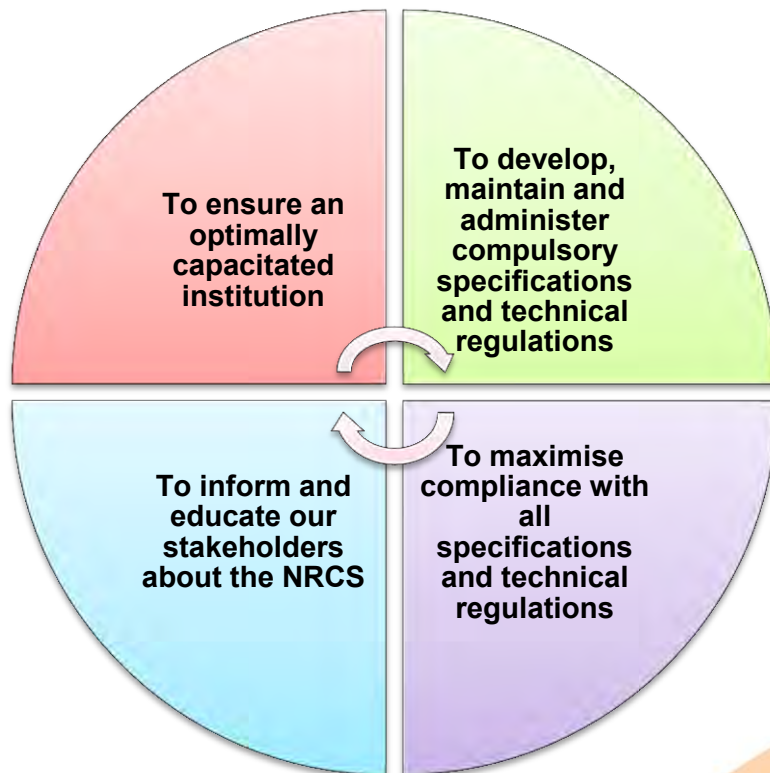
- ❑ Mr Asogan Moodley
 - ❑ Chief Executive Officer
- ❑ Ms Reshma Mathura
 - ❑ Chief Financial Officer
- ❑ Mr Edward Matemba
 - ❑ Manager: Strategy and Risk
- ❑ Ms Meisie Katz
 - ❑ General Manager Foods and Associated Industries

Scope of Presentation

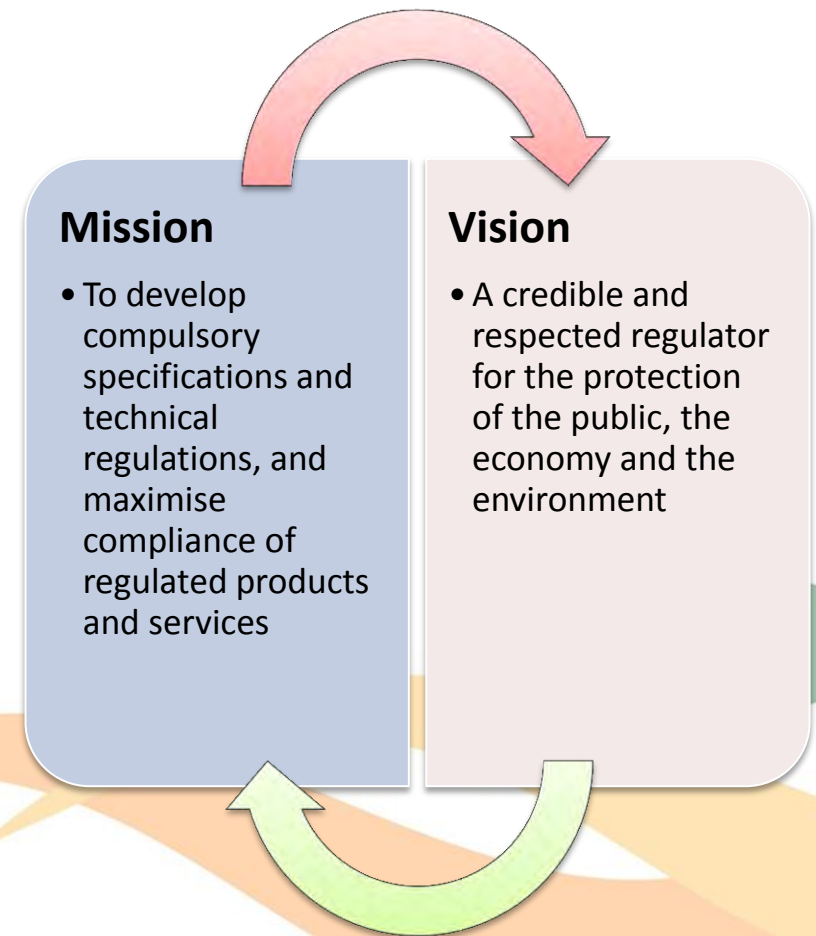
- ❑ Strategic Overview of the NRCS
 - ❑ Strategic Goals, Mission, Vision
 - ❑ Legislative mandate
 - ❑ Regulated industries
- ❑ Performance against Targets
 - ❑ Non-Financial Performance
 - ❑ Financial Performance
- ❑ Challenges and highlights

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

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 National Building Regulations and Standards Act, administer review Board

Actual Performance Against set targets (Non-Financial performance)

Strategic Goal 1: To develop, maintain and administer compulsory specifications and technical regulations

Performance Indicator / Measure	Annual Target	QUARTER 1 Target	QUARTER 1 Actual Performance	Variance	Reason for Variance
Number of new VC's/Tech Regulations submitted to the dti for approval.	2 Compulsory Specifications/ Technical Regulations	0 Compulsory Specifications/ Technical Regulations	3 compulsory Specifications/ technical regulations	+300	Technical Specialists assigned with VC development duties to assist in meeting target and the projects spilled over from 2015/16 financial year
Number of VC's/Tech Regulations reviewed and Review Reports produced	6 VCs/TRs reviewed and Review Reports produced	1	One Compulsory Specification for Frozen Lobsters reviewed	None	
Number of Feasibility Studies conducted	2 Feasibility Studies conducted	0	Two feasibility studies conducted on Smoked fish and Live bivalves	200% positive variance	Technical Specialists assigned with VC development duties to assist in meeting target and the projects spilled over from 2015/16 financial year
Administer Review Board: % of Review Board decisions finalised within 30 calendar days from the date of the Review Board hearing/s.	100% of all Review Board decisions finalised and communicated to the parties within 30 calendar days from the date of the Review Board hearing/s.	100% of all Review Board decisions finalised and communicated	100% Review Board decision finalised within 30 calendar days – One case was concluded	None	

SG 2: To maximise compliance with all specifications and technical regulations: Automotive

Performance Indicator / Measure	Annual Target	QUARTER 1 Target	QUARTER 1 Actual Performance	Variance	Reason for Variance	Corrective Action
Number of Source Inspections (including border inspections) conducted by the NRCS automotive business unit	3200	960	771 inspections	-19,7%	Inspectors on study and annual leave during	1) Review Inspection Plans by 30 September 2016 2) A team approach will be implemented from 1 August 2016 which will focus on manufactures of caravan, motor-home and camping trailers manufacturers. 3) Implement weekly monitoring
Number of retail inspections conducted by the NRCS automotive business unit	800	240	291 retail inspections	+21,3%		
	Total: 4000	1200	1 062 inspections	-11,5%		
Percentage of automotive approval applications processed within the set timeframes.	100% of all automotive applications processed within 120 calendar days	100% of all automotive applications processed within 120 calendar days	98,54% (1 013 out of 1 028) of the approvals, processed within 120 working days	-1,46%	Insufficient documentation submitted for approval process by the applicants. Increase in the number of Tyre Homologation applications	NRCS to implement a revised procedure to cancel applications with outstanding information and the adoption of the Risk Based Approach to Tyre Homologations

SG 2: To maximise compliance with all specifications and technical regulations: Chemicals, materials and mechanicals

Performance Indicator / Measure	Annual Target	QUARTER 1 Target	QUARTER 1 Actual Performance	Variance	Reason for Variance	Corrective Action
Number of Source Inspections	2860	800	566 source inspections	-29,3%	Annual leave and surveillance inspectors assisting with approval applications CMM started with group inspections and the second phase in the implementation of the dormant VCs.	Q2 will see a decrease in the amount of group inspections. Detailed Inspection Plans to be developed
Number of retail inspections conducted by CMM	3200	900	746 retail inspections	-17,1%		
	Total: 6060	1700	1 312 Total inspections	-22,8%		
Percentage of CMM approval applications processed within 120 calendar days.	90%	90%	55,2% (48 out 87)	-44,8%	Failure to meet target is due to failure to timeously implement the Treated Timber and Safety Footwear which created a backlog. The NRCS started processing these applications during the 2015/16 financial year	Surveillance inspectors being utilized to assist with the processing of applications

SG 2: To maximise compliance with all specifications and technical regulations: Electro-technical

Performance Indicator / Measure	Annual Target	QUARTER 1 Target	QUARTER 1 Actual Performance	Variance	Reason for Variance	Corrective Action
Number of Source Inspections	2640	528	836	+58,3%	Implemented the recovery strategy to meet target.	
Number of retail inspections	1760	352	461	+31%	Implementation of Risk based Approach to Inspections during the quarter	
	Total: 4400	880	1297 Total inspections	+47,4%	Influx of identified non-compliant imported goods led to more container stoppages	
Percentage of Electro-technical approval applications processed within 120 calendar days	80%	80%	48,3% (1 043 out of 2 159)	-29%	Time allocated to the implementation of the Risk Based Approach	<p>1) NRCS to implement Risk Based Approach (RBA) on Approval Applications.</p> <p>2) NRCS to implement Self Compliance Strategy to Major Supply Chain Stores by end of 2016</p> <p>3) NRCS to utilize field inspectors to process applications</p>

SG 2: To maximise compliance with all specifications and technical regulations: Legal metrology

Performance Indicator / Measure	Annual Target	QUARTER 1 Target	QUARTER 1 Actual Performance	Variance	Reason for Variance
Number of Source Inspections conducted by the NRCS legal metrology business unit	4151	1045	1 438 source inspections	+37,6%	Dedicated resources to non-compliant manufacturers and Ports of Entries
Number of retail Inspections	1250	300	236 retail inspections	-21,3%	
	Total: 5401	1 345	1 674 total inspections	+24,5%	
Percentage of type approval applications processed within 120 calendar days	100%	100%	100% (55 out of 55)	No Variance	No variance
Percentage of gaming approval applications processed within 30 calendar days	100%	100%	100% (276 out of 276)	No Variance	No Variance

SG 2: To maximise compliance with all specifications and technical regulations: Foods and associated industries

Performance Indicator / Measure	Annual Target	QUARTER 1 Target	QUARTER 1 Actual Performance	Variance	Reason for Variance
Percentage of Inspections conducted on all declared locally produced canned fishery and meat products in accordance with the compulsory specification and procedures	100%	100%	Inspected 100% Inspections conducted Canned Fish: 902 Canned Meat: 987	None	N/A
Number of inspections conducted on locally produced Frozen products in accordance with the compulsory specification and procedures	1045 frozen fish inspections	261	272	+4,2%	Increase in the number of frozen fishery consignments received during the quarter
Percentage of inspections conducted on all declared Imported canned fish, meat and frozen fishery product consignments imported	100%	100%	Inspected 100% Inspection Conducted Canned and Frozen Fish: 2 053	None	N/A
Percentage of inspections conducted on requests received for fish & fishery and canned meat export products consignments	100%	100%	100% Exported Inspections product: 3 655	None	N/A
Number of Inspections conducted on fishery and canned meat processing factories and vessels	1090	270	229	-15,2	Land based facilities are inspected by the NRCS as scheduled. The number of requests received in the quarter was less than the planned target.

SG 3: To inform and educate our stakeholders about the NRCS

Performance Indicator / Measure	Annual Target	QUARTER 1 Target	QUARTER 1 Actual Performance	Variance	Reason for Variance
Number of multimedia awareness campaigns	12 Internal and 4 external electronic publications	3 Internal and 1 external electronic publications	3 internal and 1 external newsletters published	No Variance	No Variance
Number of stakeholder consumer education events and campaigns	2 multimedia awareness campaign	–	Quarter 2 Target	No Variance	No Variance
Number of stakeholder consumer education events or campaigns	12 NRCS consumer education events or campaigns	3 NRCS consumer education events or campaigns	5 Consumer education events hosted	+66,7%	NRCS participated in the dti arranged initiatives/ consumer campaigns

Strategic Goal 4: To ensure an optimally capacitated institution

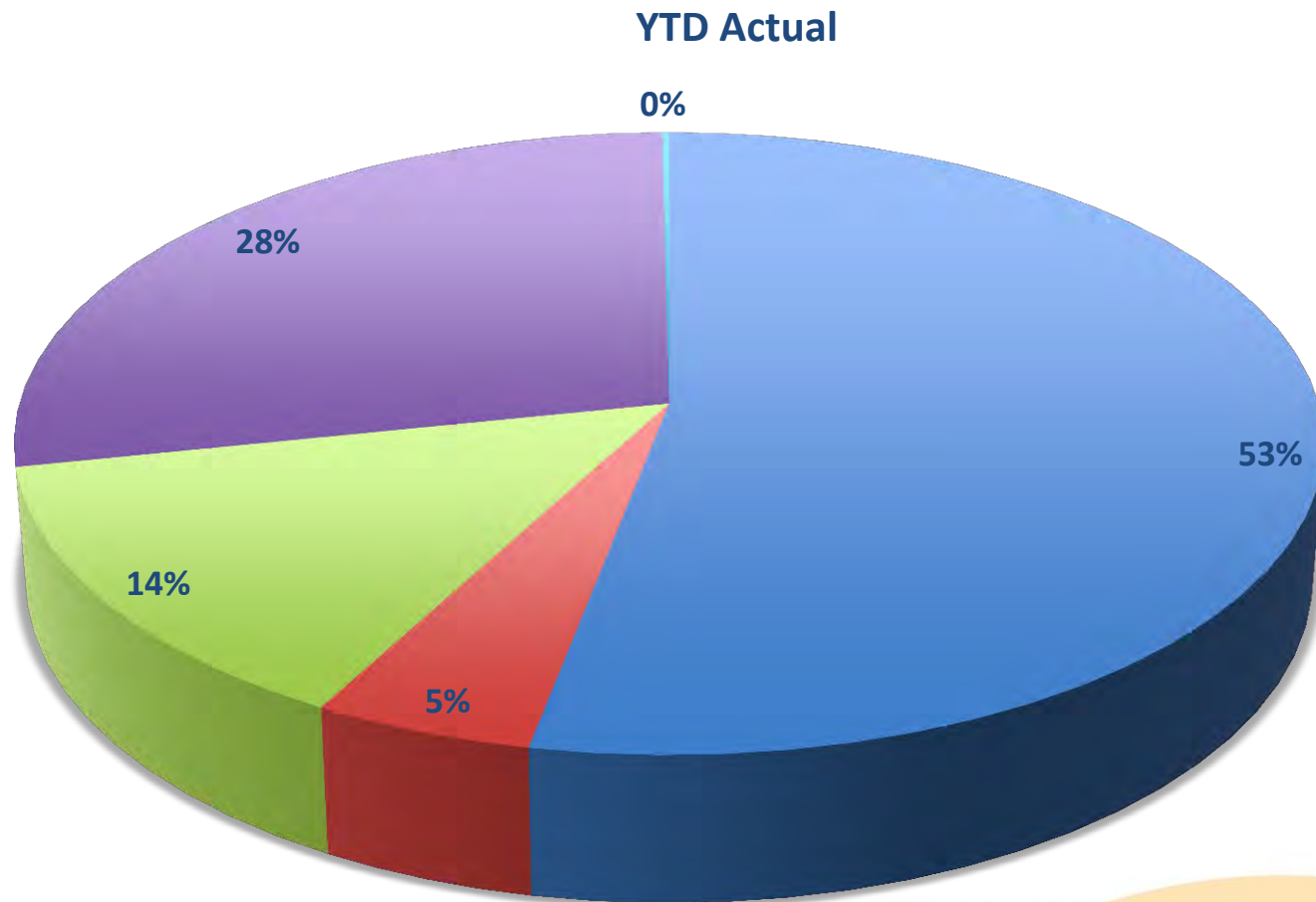
Performance Indicator / Measure	Annual Target	QUARTER 1 Target	QUARTER 1 Actual Performance	Variance
Percentage (% of vacancy rate of approved and funded posts)	6%	-	Average annual vacancy rate 6,8%	Annual Target, Expected to meet the target
Developed, approved and implemented ICT Master System Plan	Develop and approve ICT Master System Plan	Needs analysis conducted on the Master System Plan	Needs analysis conducted and NRCS in the process of finalising the modernisation project	No Variance

Financial Performance

Financial Overview: Income Statement

Cumulative Income and expenditure overview	Audited	Approved		
	Outcome	Budget	Q1 Actual	Q1 Budget
	FY2015/2016	FY2016/2017		
Transfers from the dti	91 732	86 418	25 926	42 959
Interest Income	14 394	48 201	2 368	3 125
Levies from Compulsory Specs	154 591	186 179	6 791	14 024
Services	47 022	50 205	13 711	13 165
Other Income	2 188	3 600	(96.00)	0
Total Income	309 927	374 603	48 700	73 274
Expenditure				
Compensation of Employees	239 843	270 778	57 233	64 708
Goods and Services	68 468	103 669	13 877	27 862
				0
Total Expenditure	308 311	374 447	71 110	92 571
Surplus/(Deficit)	1 616	156	(22 410)	(19 297)

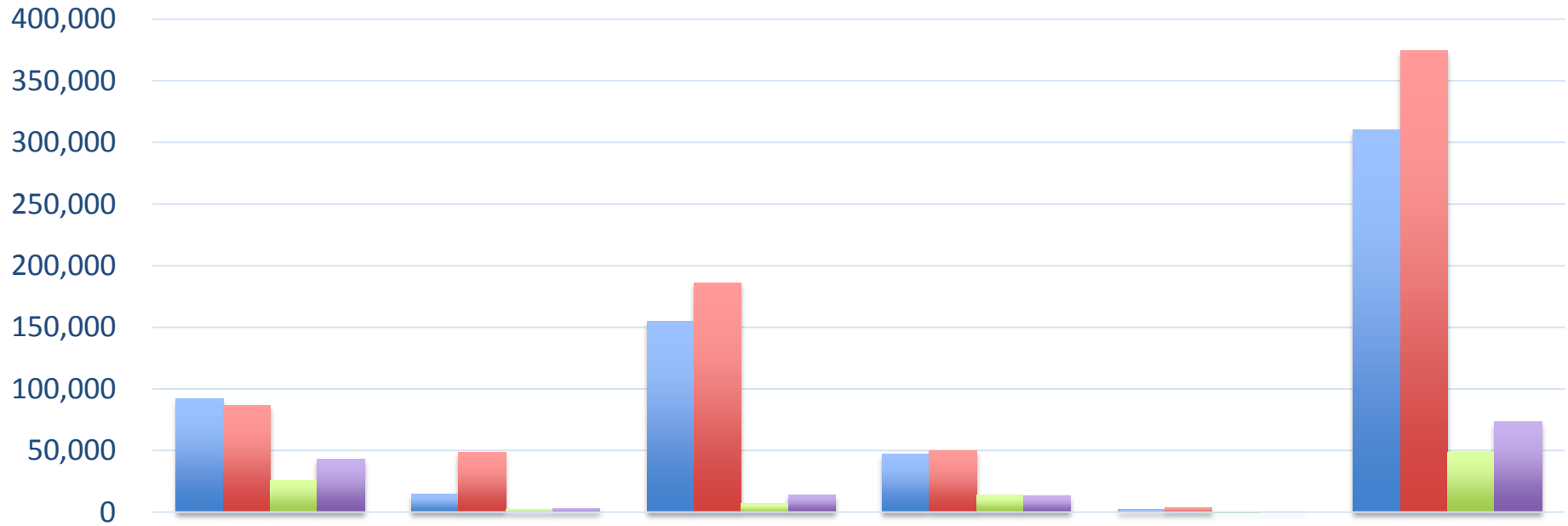
Financial Overview: Revenue



■ Transfers from the dti ■ Interest Income ■ Levies from Compulsory Specs ■ Services ■ Other Income

Financial Overview: Revenue

Revenue

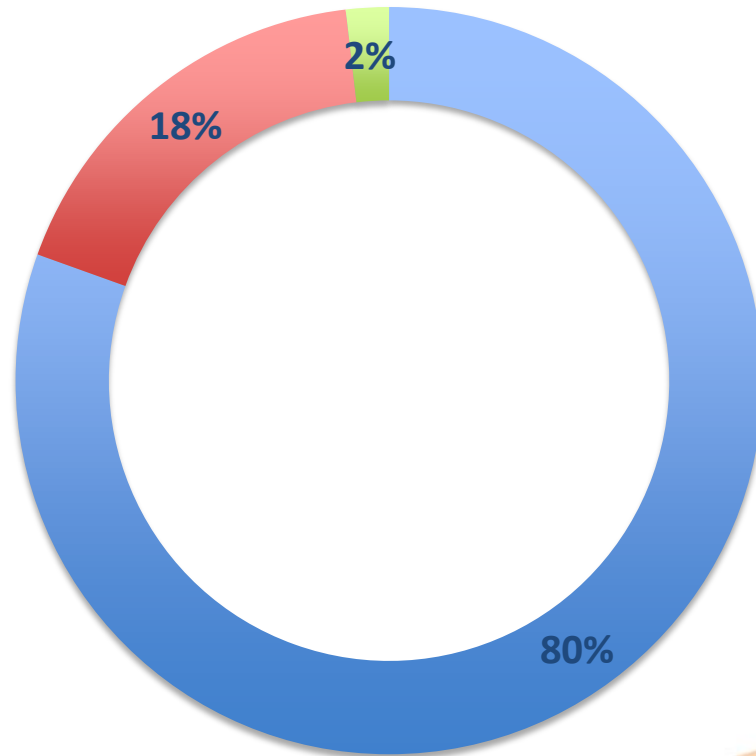


(50,000)

	Transfers from the dti	Interest Income	Levies from Compulsory Specs	Services	Other Income	Total Income
■ Audited Outcome FY2015/2016	91,732	14,394	154,591	47,022	2,188	309,927
■ Approved Budget FY2016/2017	86,418	48,201	186,179	50,205	3,600	374,603
■ Q1 Actual	25,926	2,368	6,791	13,711	(96.00)	48,700
■ Q1 Budget	42,959	3,125	14,024	13,165	0	73,274

Financial Overview: Expenditure

Make-up of expenditure



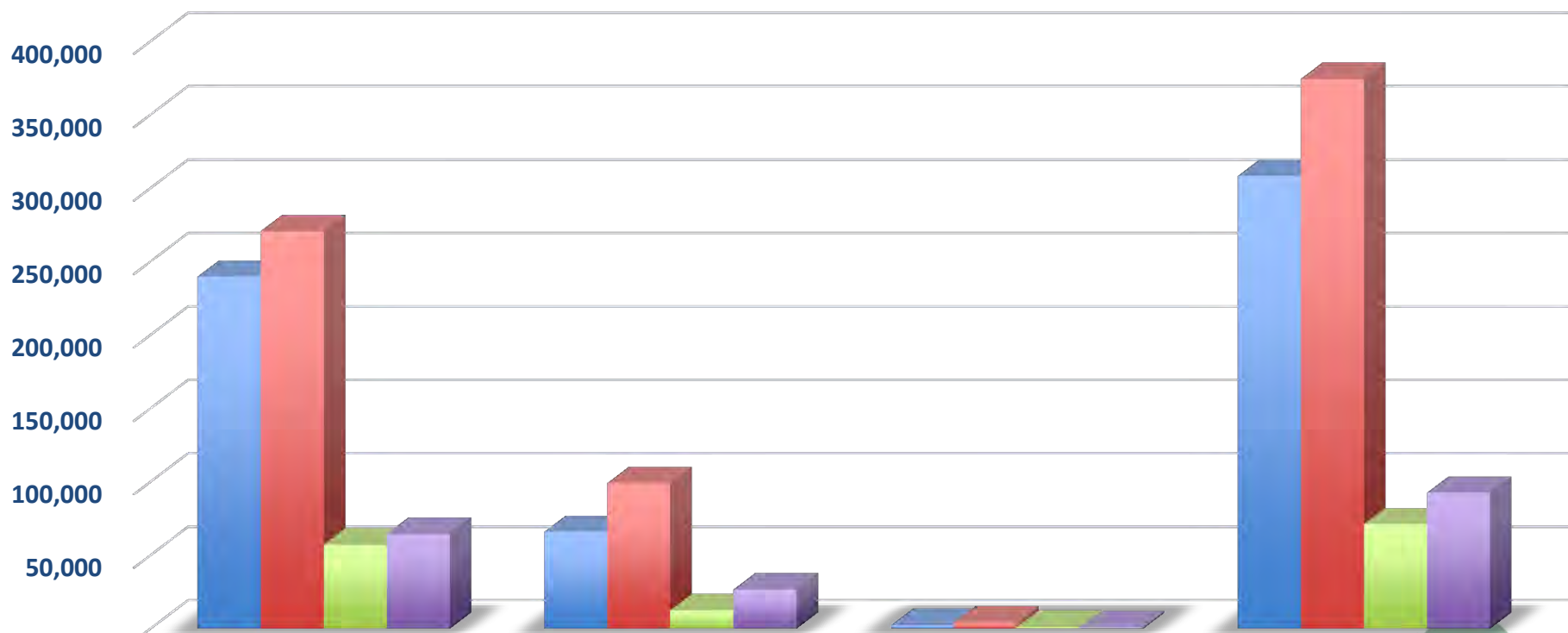
■ Compensation of employees

■ Goods and Services

■ Non financial

Financial Overview: Expenditure

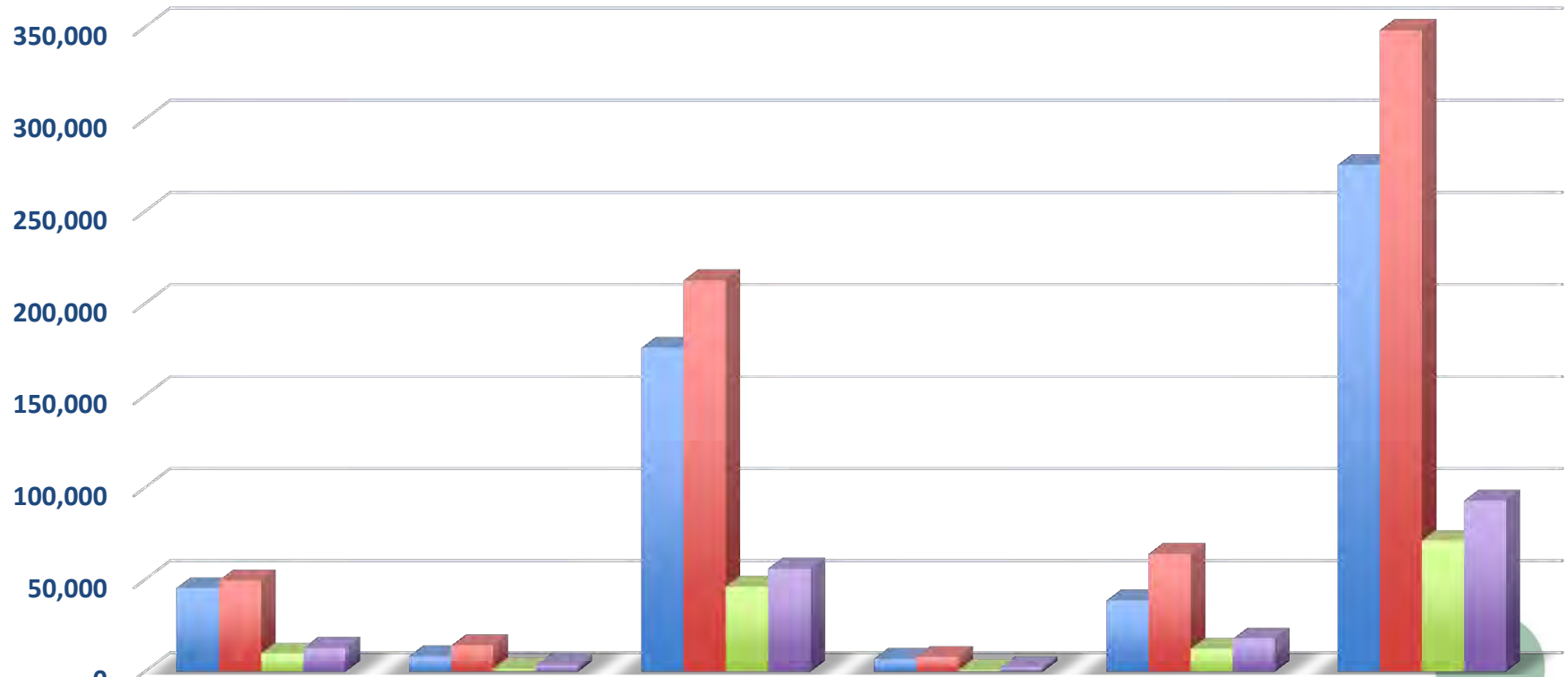
Expenditure per category



	Compensation of employees	Goods and services	Other	Total expenses
■ Audited Outcome FY2015/ 2016	239,843	66,021	2,447	308,311
■ Approved Budget FY2016/ 2017	270,778	99,241	4,428	374,447
■ Q1 Actual	57,233	12,558	1,320	71,111
■ Q1 Budget	64,708	26,755	1,107	92,571

Financial Overview: Expenditure

Expenditure per goal



	Administration	Goal 1	Goal 2	Goal 3	Goal 4	Total expenditure
Audited outcome FY 2015/ 2016	45,443	8,366	175,957	6,927	38,611	275,305
Approved Budget FY2016/ 2017	49,532	14,213	212,599	8,028	63,991	348,364
Qtr 1 (Actual)	9,837	1,784	46,213	960	12,316	71,110
Qtr 1 (Budget)	12,878	3,610	56,059	2,415	17,859	92,821

Challenges and highlights

Key highlights

- ❑ NRCS inspected 8 098 fishery and associated products
- ❑ The NRCS conducted a further 5345 inspections for automotive, electro-technical, chemicals, materials and legal metrology related products.
- ❑ Non- Compliant Products
 - ❑ NRCS found non-compliant products estimated at R47 million. The non-compliant products included CFL's, power supplies, pumps and filters, battery chargers, adaptors, lamp holders and paraffin stoves.
 - ❑ Electro-technical - non-compliant products was approximately R6,2 million, with Durban Port of Entry accounting for approximately 99%.
 - ❑ Foods and Associated Products - The estimated monetary value of these non-compliant products was R4 800 738.63.
 - ❑ Legal Metrology - The total monetary value of products tested R 384.159 million. The value of products found non-compliant R 32.696 million

Key challenges

❑ Operational challenges

- ❑ The application and regulation of products covered under Compulsory Specifications that are outdated.
- ❑ High transportation and storage costs for confiscated goods.
- ❑ Long turnaround times and capacity constraints at the test houses compromises the effectiveness of the Regulator

❑ Border enforcement challenges:

- ❑ Inadequate information supplied on the bill of entry and shipping manifests
- ❑ High number of abandoned goods at Ports of Entry which results in high transportation and storage costs after confiscation.

❑ Revenue challenges

- ❑ Collection dependent on the industry co-operation
- ❑ Declining economic activity impacting revenue collection
- ❑ Reduction in government funding allocation in current and prior year

Abbreviations and Acronyms

- ❑ AG – Auditor General
- ❑ CMM – Chemicals, Materials and Mechanical
- ❑ DAFF – Department of Agriculture, Forestry and fisheries
- ❑ FY – Financial year
- ❑ 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

Thank You