

Presentation to the Portfolio Committee on Trade and Industry on the NRCS' Fourth Quarter Performance Report for the 2015-16 Financial Year

Mr Asogan Moodley
Chief Executive Officer
31 August 2016

NRCS representation

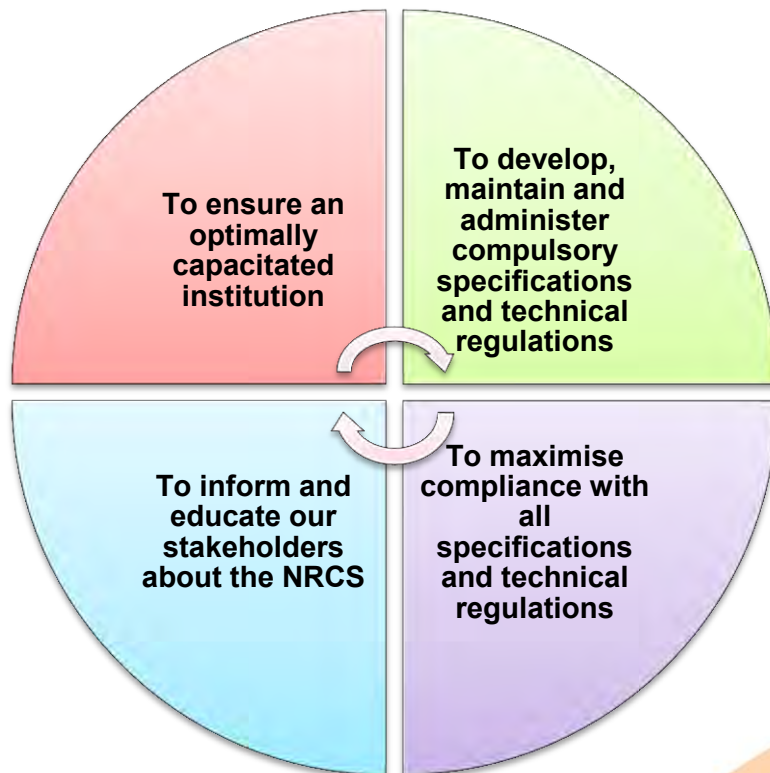
- ❑ Mr. Asogan Moodley
 - ❑ Chief Executive Officer
- ❑ Ms. Reshma Mathura
 - ❑ Chief Financial Officer
- ❑ Mr. Edward Matemba
 - ❑ Manager: Strategy and Risk
- ❑ Ms Meisie Katz
 - ❑ General Manager Foods and Associated Industries

Scope of Presentation

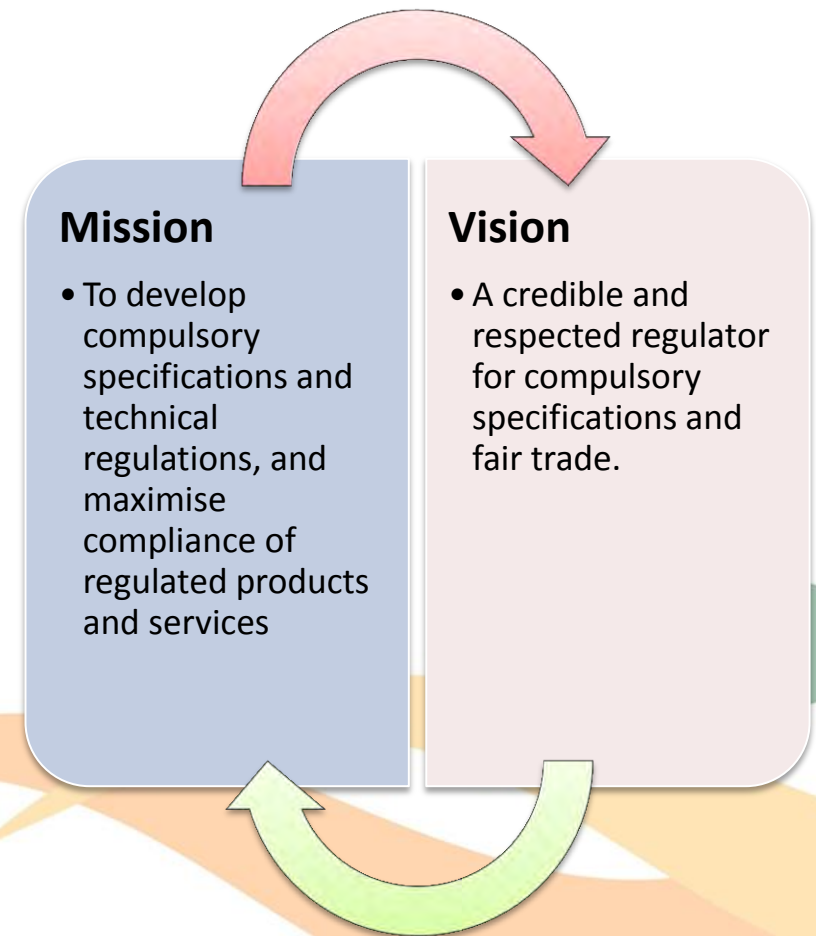
- ❑ Strategic Overview of the NRCS
 - ❑ Strategic Goals, Mission, Vision
 - ❑ Legislative mandate
 - ❑ Regulated industries
- ❑ Performance against Targets
 - ❑ Non-Financial Performance
 - ❑ Financial Performance
- ❑ Challenges and highlights

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	Annual Target	Q4 Target	Q4 Actual	Variance	Reason for Variance
Number of new, amended and withdrawn VC's/Tech Regs submitted to the dti for approval.	10 Compulsory Specifications/ Technical Regulations	3 Compulsory Specifications/ Technical Regulations	3 compulsory Specifications/ technical regulations submitted to the dti for approval/1 st gazetting	No variance	
Number of technical papers approved by the NRCS CEO for publication	2 technical papers approved by the NRCS CEO for publication	1 technical papers approved by the NRCS CEO for publication	0 technical papers approved by the NRCS CEO for publication	N/A	Achieved annual target during quarter 3
Administer Review Board: Number of days from the date NRCS receives a review board appeal to the date the Board issues a review board report	100% of all Review Board Appeal decisions finalized within 30 calendar days from the date of the Review Board	100% of all Review Board Appeal decisions finalized within 30 calendar days from the date of the Review Board	100% Review Board decision finalised within 30 calendar days – One case was concluded	No Variance	

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

Performance Indicator	Annual Target	Q4 Target	Q4 Actual	Variance	Reason for Variance
Number of Source Inspections (including border inspections) conducted within the automotive industry	3200	640	501 inspections	-22%	More focus on targeted source and retail inspection due to need to eradicate non-compliances
Number of retail inspections conducted within the automotive industry	800	160	518 in-scope retail inspections	+223%	
	Total: 4000	800	1 019 inspections	+27%	
Percentage of approval applications processed within 120 working days. Number of working days to process approvals for the automotive industry, being from the date received by the NRCS to the date approved or rejected.	120 working days	120 working days	96% (1 155 out of 1 204) of the approvals, processed within 120 working days	-0.87%	Insufficient documentation submitted for approval process.

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

Performance Indicator	Annual Target	Q4 Target	Q4 Actual	Variance	Reason for Variance
Number of Source Inspections (including border inspections) conducted within the chemicals, materials and mechanicals sectors (CMM)	3360	700	490 source inspections	-30%	Targeted group inspections require extensive planning and considerable man-hours to execute.
Number of retail inspections conducted within CMM sectors	2240	448	731 retail inspections	+63%	
	Total: 5600	1148	1 221 Total inspections	+6%	
Percentage of LOAs processed within 120 calendar days. Number of working days to process approvals for the chemicals, materials and mechanicals sectors, being from the date received by the NRCS to the date approved or rejected.	120 working days	120 working days	53% of the LOA applications processed within 120 working days (49 out 93)	-47%	Delays in the implementation of the treated timber VC and safety footwear Insufficient documentation submitted by applicants.

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

Performance Indicator	Annual Target	Q4 Target	Q4 Actual	Variance	Reason for Variance
Number of Source Inspections (including border inspections) conducted within the electro-technical industries	2640	528	723 inspections	+36.6%	Targeted group inspections require extensive planning and considerable man-hours to execute. Negative variance on retail inspection is partly due to the concerted effort to eradicate non-compliances source especially ports of entries.
Number of retail inspections conducted within the electro-technical industries	1760	528	424 inspections	-20%	
	Total: 4400	1 056	1 147 Total inspections	+8%	
Percentage of LOAs processed within 120 calendar days. Number of working days to process approvals for the electro-technical industry, being from the date received by the NRCS to the date approved or rejected.	120 working days	120 working days	71% of the 2 385 LOAs processed were processed within 120 working days	-29%	Insufficient documentation submitted by the applicant.

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

Performance Indicator	Annual Target	Q4 Target	Q4 Actual	Variance	Reason for Variance
Number of Source Inspections conducted in the legal metrology domain	4151	970	1 140 source inspections	+15%	Dedicated resources to non-compliant industries
Number of retail Inspections conducted in the legal metrology domain	1038	242	205 retail inspections	-15%	
	Total: 5189	1 212	1 345 total insp.	+11%	
% of applications processed within 120 calendar days. Number of working days to process type approvals for measuring instruments	120 working days	120 working days	100% of all applications were processed within 120 working days (45 out of 45)	0%	No variance
% of applications processed within 120 calendar days. Number of working days to process approvals for the gaming equipment,	21 working days	21 working days	44% of all gaming approvals were processed within 21 working days (139 out of 316)	-46%	About 200% increase in the applications received in November and December as a result of the deadlines set by the Gauteng Gambling Board

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

Performance Indicator / Measure	Annual Target	Q4 Target	Q4 Actual	Variance
% of Inspections conducted on locally produced canned fishery and meat products	100% of all declared locally produced canned fishery and meat products produced.	100% of all declared Locally produced canned fishery and meat products produced.	Inspected 100% of all declared canned fishery and meat products produce. Inspections conducted Canned Fish: 896 Canned Meat: 849	None
Number of inspections conducted on locally produced Frozen products	1045 frozen fish inspections	261 frozen fish inspection	272 inspections conducted	-4%
Percentage of inspections conducted on all declared Imported canned fish, meat and frozen fishery product consignments imported	100% of all declared Imported canned fish, meat and frozen fishery product consignments imported	100% of all declared Imported canned fish, meat and frozen fishery product consignments imported	Inspected 100% of all Imported canned fish, meat and frozen fishery product consignments Inspection Conducted Canned and Frozen Fish: 2 013	None
Percentage of inspections conducted on requests received for fish & fishery and canned meat export products consignments	100% of all requests received for export inspections and certificates for fish & fishery products and canned meat consignments	100% of all requests received for export inspections and certificates for fish & fishery products and canned meat consignments	All requests received for export inspections and certificates for fish & fishery products and canned meat consignments Exported Inspections product: 3 739	No variance
Number of Inspections conducted on fishery and canned meat processing factories and vessels	1020 Facilities inspections	255 Facilities inspections	258 Facilities inspections	No variance

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

Measurable Objective	Performance Indicator	Annual Target	Q4 Target	Q4 Actual	Variance	Reason for Variance
Increased awareness of the NRCS brand and functions	% increase in awareness of the NRCS Brand	5% Increase in brand awareness as compared to previous financial year	5% Increase in brand awareness as compared to previous financial year	None	-100%	Service provider not appointed timeously. Budget reallocated for programs to give effect to NRCS awareness programs
Public awareness platforms and events	Number of Program focused publications	12 Internal and 4 external electronic publications	3 Internal and 1 external electronic publications (Q3)	3 internal and 1 external newsletters published	No Variance	No Variance
	Number of multimedia awareness campaigns	2 multimedia awareness campaign	1 multimedia awareness campaign	1 multimedia awareness campaign conducted	No Variance	No Variance
	Number of stakeholder consumer education events or campaigns	9 NRCS consumer education events or campaigns	2 NRCS consumer education events or campaigns	1 Consumer education events hosted	-50%	Effort redirected to the destruction event that was held in Cape Town during the quarter

Strategic Goal 4: To ensure an optimally capacitated institution

Measurable Objective	Performance Indicator	Annual Target	Q4 Target	Q4 Actual	Variance	Reason for Variance
A capacitated organisation with relevant systems to support business	Percentage (%) of vacancy rate	6%	6%	Average annual vacancy rate 6,8%		
	Number of employees trained during the financial year	120 Employees	30	71	+136%	Group training arranged for ISO programs
Build IT platform that supports and improve business	% NRCS IT System availability	96% system availability	96% system availability	98% system availability	+2%	

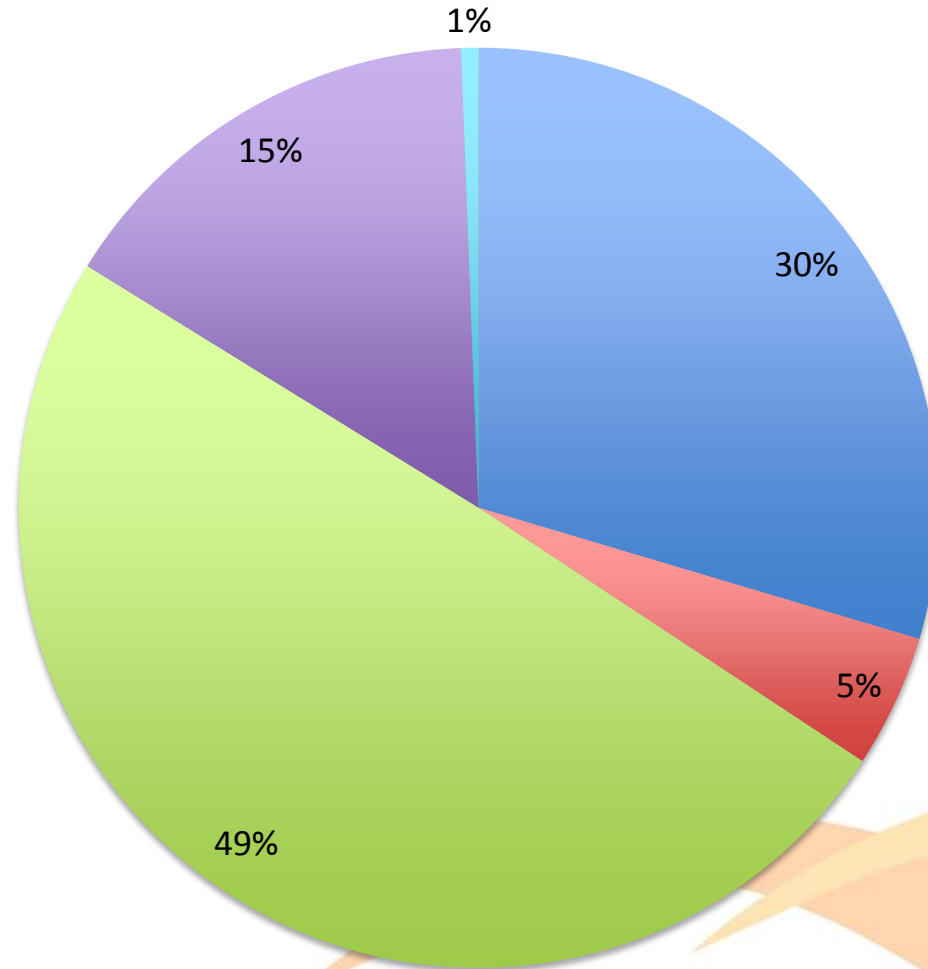
Financial Performance

Financial Performance: Overview

Cumulative Income and expenditure overview	Approved		Q1 Actual	Q2 Actual	Q3 Actual	Q4 Actual	YTD Actual
	Audited Outcome FY2015	Budget FY2016					
Transfers from the dti	109 734	91 732	45 870	91 732	91 732	91 732	91 732
Interest Income	11 022	10 001	3 141	7 033	10 758	14 498	14 498
Levies from Compulsory Specs	167 122	163 941	5 936	71 514	78 947	153 430	153 430
Services	42 264	39 713	10 084	22 226	34 943	48 272	48 272
Other Income	783	5 000	364	833	1 645	1 906	1 906
Total Income	330 925	310 387	65 395	193 337	218 026	309 837	309 837
Expenditure							
Compensation of Employees	217 186	249 512	50 865	108 393	172 808	234 392	234 392
Goods and Services	61 327	106 892	14 037	33 631	47 820	72 835	72 835
Total Expenditure	278 513	356 403	64 901	142 024	220 628	307 227	307 227
Surplus/(Deficit)	52 412	(46 017)	494	51 313	(2 603)	2 610	2 610

Financial Performance: Year-to-date Revenue

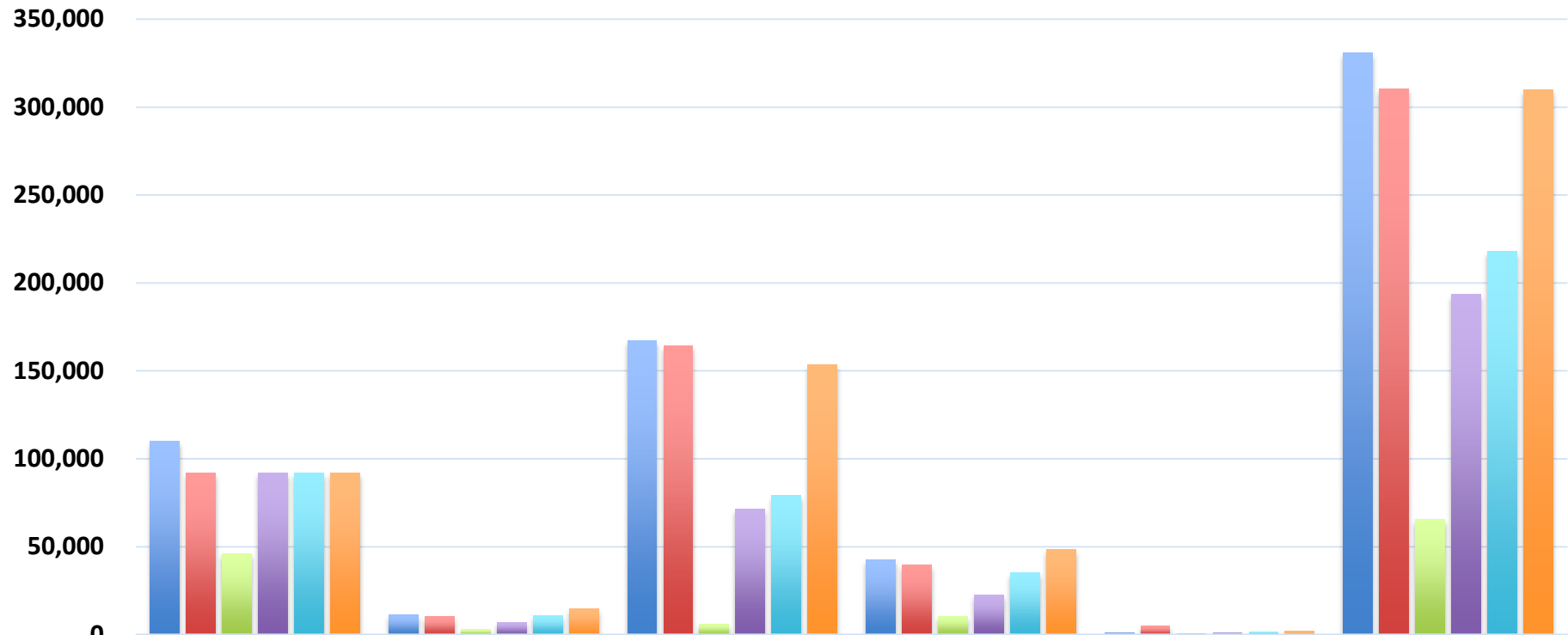
YTD Actual



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

Financial Overview: Revenue per Quarter

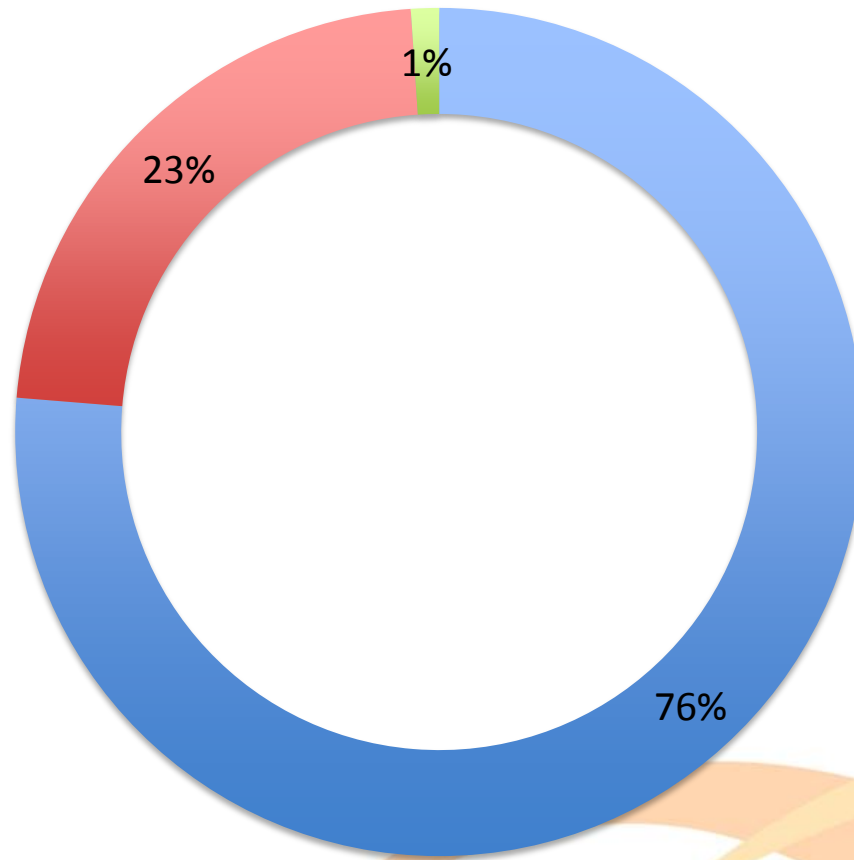
Y-t-d Revenue



	Transfers from the dti	Interest Income	Levies from Compulsory Specs	Services	Other Income	Total Income
Audited Outcome FY2015	109,734	11,022	167,122	42,264	783	330,925
Approved Budget FY2016	91,732	10,001	163,941	39,713	5,000	310,387
Q1 Actual	45,870	3,141	5,936	10,084	364	65,395
Q2 Actual	91,732	7,033	71,514	22,226	833	193,337
Q3 Actual	91,732	10,758	78,947	34,943	1,645	218,026
Q4 Actual	91,732	14,498	153,430	48,272	1,906	309,837

Financial Performance: Expenditure

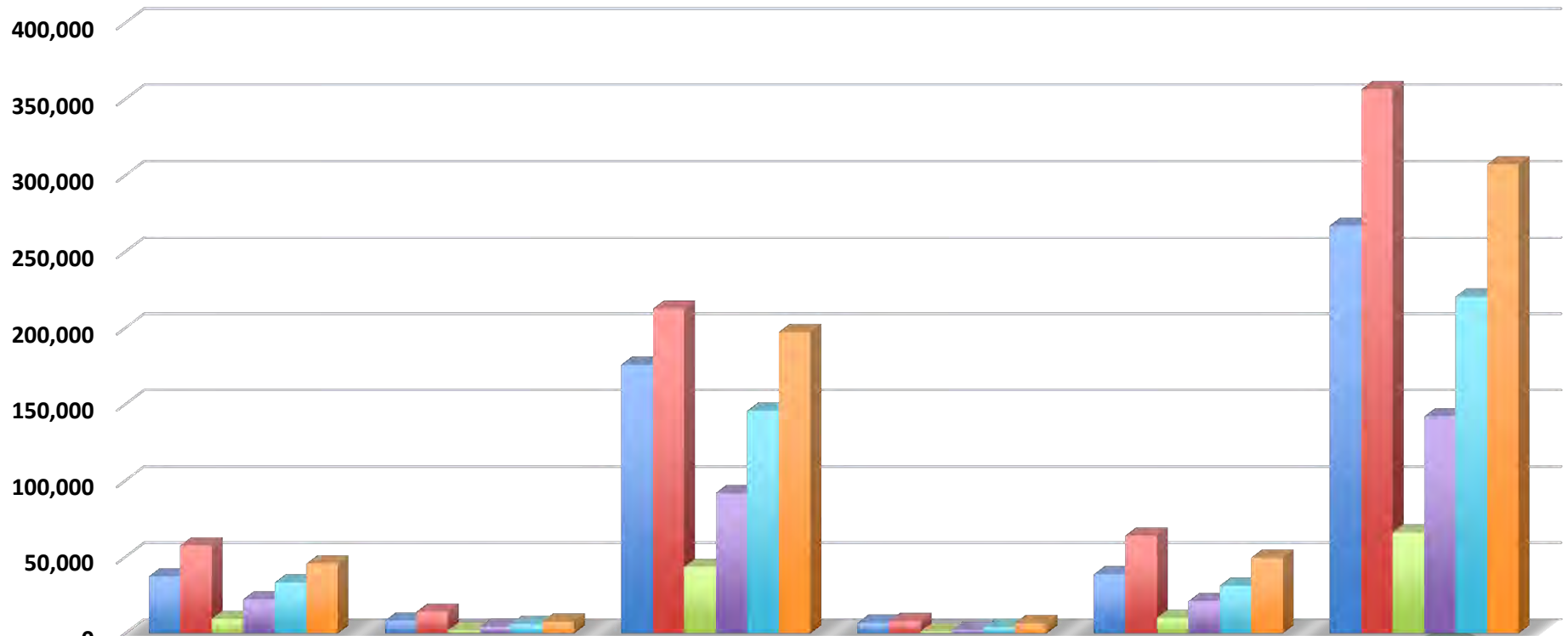
Make-up of y-t-d expenditure



■ Compensation of employees ■ Goods and Services ■ Non financial

Financial Performance: Expenditure per Strategic Goal

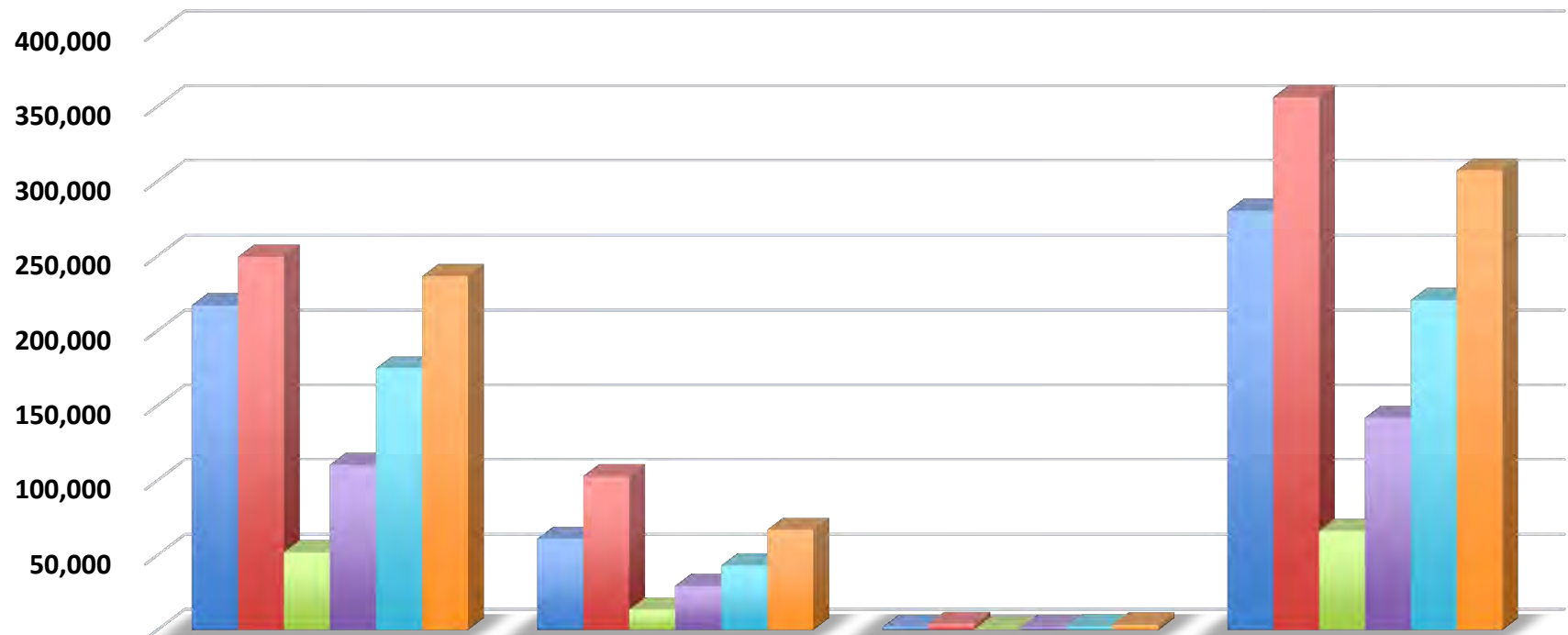
Y-t-d Expenditure per goal



	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)	22,343	4,328	91,941	2,444	20,967	142,024
Qtr 3 (Actual)	33,392	6,310	145,835	3,834	31,257	220,629
Qtr 4 (Actual)	45,654	7,882	197,347	6,760	49,583	307,227

Financial Performance : Expenditure per Category

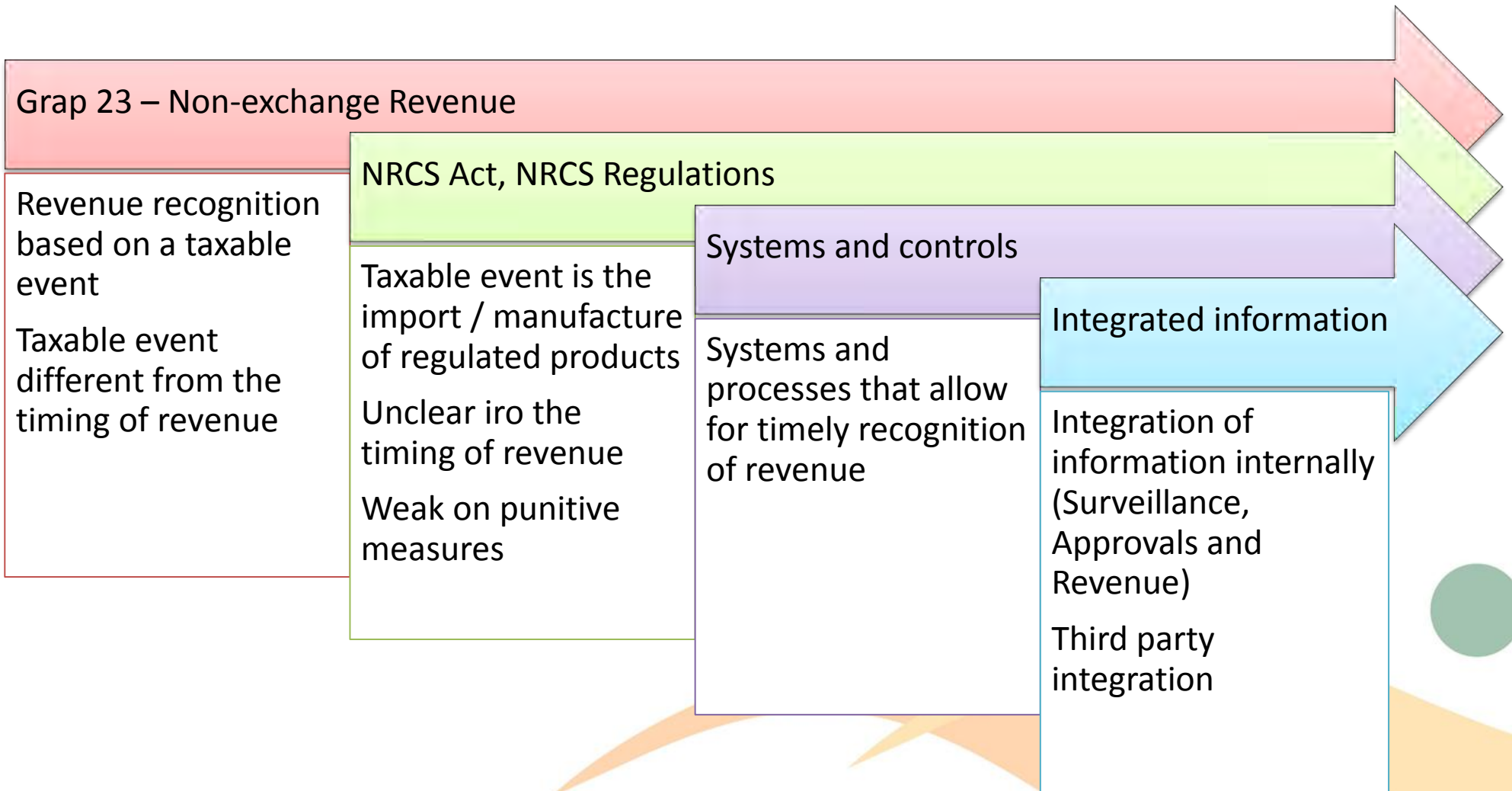
Y-t-d Expenditure per category



	Compensation of employees	Goods and services	Other	Total expenses
■ Audited Outcome FY2015	217,186	61,000	2,069	280,255
■ Approved Budget FY2016	249,512	102,867	4,025	356,403
■ Q1 Actual	51,960	13,634	690	66,284
■ Q2 Actual	110,541	29,594	1,889	142,024
■ Q3 Actual	174,956	43,147	2,526	220,628
■ Q4 Actual	236,540	67,070	3,617	307,227

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 AG on the NRCS Act

LOA Conditionality

- Quarterly volumes forecast
- Introduce LOA validity period

Internal control improvements

NRCS Modernisation

- ERP system implementation
- 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">• Amendment to the Act, or• Engage AG on the NRCS Act	<ul style="list-style-type: none">• Legal opinion obtained• Discussions held with the AG regarding the opinion• Discussion pending with the dti and further engagement with the AG is also planned
<p>LOA Conditionality</p> <ul style="list-style-type: none">• Quarterly volumes forecast• Introduce LOA validity period	<ul style="list-style-type: none">• In the process of investigating mechanisms to operationalise
<p>NRCS Modernisation</p> <ul style="list-style-type: none">• ERP system implementation• Business process re-design	<ul style="list-style-type: none">• Modernisation concept has been developed.• To be tabled to ICT Steering Committee for guidance on implementation strategy• Business process redesign is dependent on the modernisation approval
<p>SARS Collaboration</p> <ul style="list-style-type: none">• Information sharing and system integration	<ul style="list-style-type: none">• HSS codes project with SARS is in implementation phase.

Challenges and highlights

Key highlights

- ❑ 8 compulsory Specifications/ technical regulations submitted to the dti for approval/1st gazetting
- ❑ Corporate social responsibility
 - ❑ Paraffin stove events
 - ❑ Joint Project by Electrotech
- ❑ Annual report achievements
 - ❑ R 98.85 million non compliant products confiscated
 - ❑ Development of vision 2020 to support the Strategic plan of the NRCS
 - ❑ Implementation of risk based approach for enforcement
 - ❑ Development of the draft proposal for risk based approach for LOA's
 - ❑ Strategic collaboration with SARS for border enforcement

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