

Portfolio Committee on Trade and Industry

**Presentation on the NRCS's Annual Report for
2016/17 Financial Year**

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Acting Chief Executive Officer**

12 September 2017

Purpose

**To present to the Portfolio Committee on Trade and Industry the NRCS' Annual Report for 2016/17
Financial year**

Delegation from NRCS

Mr. Edward Mamadise: Acting Chief Executive Officer

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 the protection of the public, the economy and the environment

Mission

To develop compulsory specifications and technical regulations, and maximise 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

- ❑ Inspections Total: 48634
- ❑ Non-compliant products to the value of R239 were removed from the market.
 - R116 of the amount was due to non-compliance to the LMA Act
 - Foods R96million
- ❑ Total approval certificates (LOAs) issued during 2016/17 was 17484
 - CMM – 309
 - Automotive 3768
 - Electro-tech 12 122
 - Legal Metrology Gaming - 982
 - Legal Metrology Type approval (instruments) 78
 - Furthermore about 2000 applications were closed due to failure to meet the requirements or failure to respond to findings raised by the NRCS
- ❑ Health Guarantees for fisheries and associated products destined for the EU and the Far East 9 522

SG1: Develop, maintain and administer compulsory specifications

- ❑ Developed, withdrew and/or amended eight (5) out of 10 compulsory specifications (VCs) and submitted for approval to the Minister.
 - VC 9103 - new Compulsory Specification for Low Power Generating Sets.
 - VC 8055- the amendment of the Compulsory Specification for Electric and Electronic Apparatus.
 - Regulation on import conditions for fish and fishery products and canned meat products regulated under the NRCS Act, 2008 (Act No 5 of 2008).
 - VC 9107- new Compulsory Specification for Aquaculture live and chilled raw bivalve molluscs.
 - VC 8076- amendment of the Compulsory Specification for Safety of lighters

SG1: Develop, maintain and administer compulsory specifications

- ❑ Variance of -50% was due to:
 - ❑ Inadequate capacity within the Regulatory Research and Development business unit. The business unit is operating at 30% of the required capacity.
 - ❑ Failure to agree with stakeholders on VCs and poor participation in the VC development process

- ❑ 80% of the Review Board decisions finalised within 30 Calendar days.
 - ❑ Variance of -20% was due to the December holidays interruption, and the onsite visit that was necessary to further investigate the case. Closure letters were sent out to all parties on 08 March 2017.

SG2: Maximise compliance with all compulsory specifications and technical regulations

Inspections

- ❑ A total of 20 261 inspections were conducted within Automotive, Chemicals, Mechanicals and Materials, Electro-technical and Legal Metrology Sectors against a target of 18 900
 - ❑ Automotive 4 063
 - ❑ CMM 5 593
 - ❑ Electro-technical 4 479
 - ❑ Legal Metrology 6 126
- ❑ Variance of +7,2% was due to more retail inspections that were conducted due to the need to respond to non-compliant products in the marketplace.
- ❑ Inspectors were not fully utilized for Approvals in Electro-technical as envisaged

SG2: Maximise compliance with all compulsory specifications and technical regulations

Inspections

- ❑ Inspected 100% of all declared consignments and productions of canned fishery and meat products.
 - ❑ Total Inspections conducted : 26 384
- ❑ 1 989 inspections conducted on locally produced Frozen products and fishery and canned meat processing factories and vessels against a target of 2 135
 - ❑ The variance of -6,8% was due to: The number of requests received in this year were less than expected, land based facilities are inspected by the NRCS on request by the Industry.

SG2: Maximise compliance with all compulsory specifications and technical regulations

Approvals (LOAs, Type Approval & Gaming)

- ❑ 53,5% (9352 out of 17484) of all approval applications processed within 120 calendar days
 - ❑ Variance of -36,5% was due to
 - Backlog within the Electro-technical domain
 - Inadequate Capacity
 - Applications submitted without all required documents or unacceptable Test Reports
 - Delays in implementing dormant VCs within CMM

SG2: Maximise compliance with all compulsory specifications and technical regulations

- ❑ Number of self-compliant companies – Target not achieved
 - ❑ -100% variance was due to: the framework of agreements was not completed prior to target being set.
 - Current Status: Pilot project is underway and the legal uncertainties are being resolved
- ❑ 72% (36 out of 50) VCs require LOAs against a target of 75%
 - ❑ Variance of -3% was due to:
 - 1 Electro-technical VC and 2 CMM VCs were amended however they were still at gazetting/ comments stage. The three VCs accounts for 6% of the total
- ❑ Under 1% of cases referred for prosecution for repeat offenders.
 - ❑ Variance was due to: Lack of clearly defined processes and
 - ❑ Inadequate investigation capacity within NRCS

SG3: Inform and Educate our Stakeholders about the NRCS

- ❑ Conducted 12 NRCS consumer education events or campaigns representing 100% achievement
- ❑ NRCS over the past three years identified a number of noncompliant non-pressure paraffin stoves that are available on the market, especially in informal settlements. In response to this challenge, the NRCS, distributed compliant paraffin stoves in exchange for non-compliant stoves.
 - ❑ Almost 3 000 stoves were distributed nation-wide:
 - Masiphumele, Western Cape - 900 stoves;
 - Madiba park, Northern Cape - 650 stoves;
 - Theunisess, Free State - 790 stoves;
 - Ntshune/Klerksdorp, North West - 480 stoves
 - Kempton park, Gauteng - 150 stoves.

SG4: Ensure an optimally capacitated institution

Human Resources

- ❑ 12% vacancy rate as at 31 March 2017 against a 6% target.
 - ❑ Variance -100% was due to:
 - Resignations and retirements coupled with a moratorium on filling of vacancies as a measure to manage Human Resources costs
 - Creation of four new positions within Electro-technical that were filled in April 2017- This accounts for 1,2% of the positions

Information Communication Technology

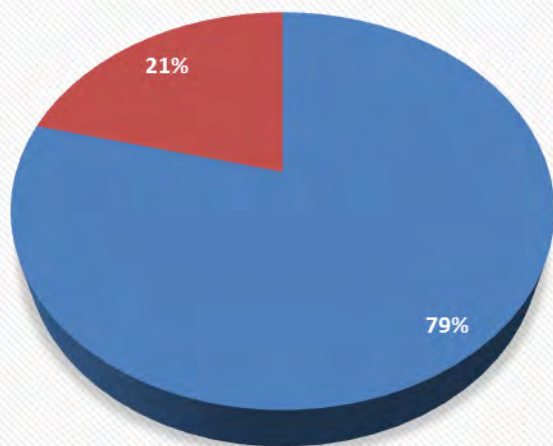
- ❑ Draft Master Systems Plan (MSP) developed however not finalised
 - MSP was referred back to take into consideration the need to modernize the NRCS

Financial Performance Overview

Overview: Statement of financial performance

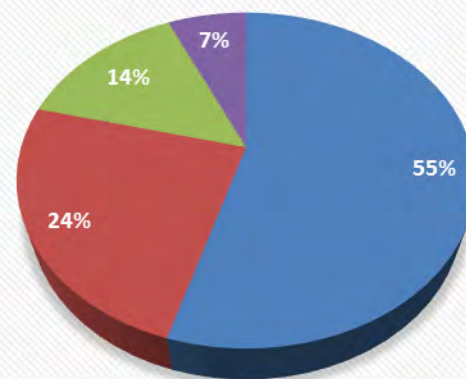
	2010	2011	2012	2013	2014	2015	2016	2017
Levies	82 531 041	100 490 917	125 384 427	136 576 092	139 236 692	166 436 828	154 590 878	193 451 259
Core funding	35 933 000	33 042 000	37 173 000	79 684 000	103 000 000	109 734 000	91 732 000	86 418 000
Services	28 752 685	30 073 187	33 731 205	33 380 667	33 511 745	41 329 839	45 223 056	50 790 456
Other Income	10 834 473	19 255 685	5 281 922	12 098 183	15 093 815	13 425 043	18 380 942	23 658 357
Total Income	158 051 199	182 861 789	201 570 554	261 738 942	290 842 252	330 925 710	309 926 876	354 318 072
Employee cost	100 252 112	106 825 672	128 165 906	148 485 506	178 278 802	217 186 399	237 057 787	258 177 099
Operational Cost	51 137 770	50 399 131	57 186 371	75 620 001	67 680 597	61 327 189	71 253 020	68 443 235
Total Expenditure	151 389 882	157 224 803	185 352 277	224 105 507	245 959 399	278 513 588	308 310 807	326 620 334
Surplus	6 661 317	25 636 986	16 218 277	37 633 435	44 882 853	52 412 122	1 616 069	27 697 738

2017 Expenditure



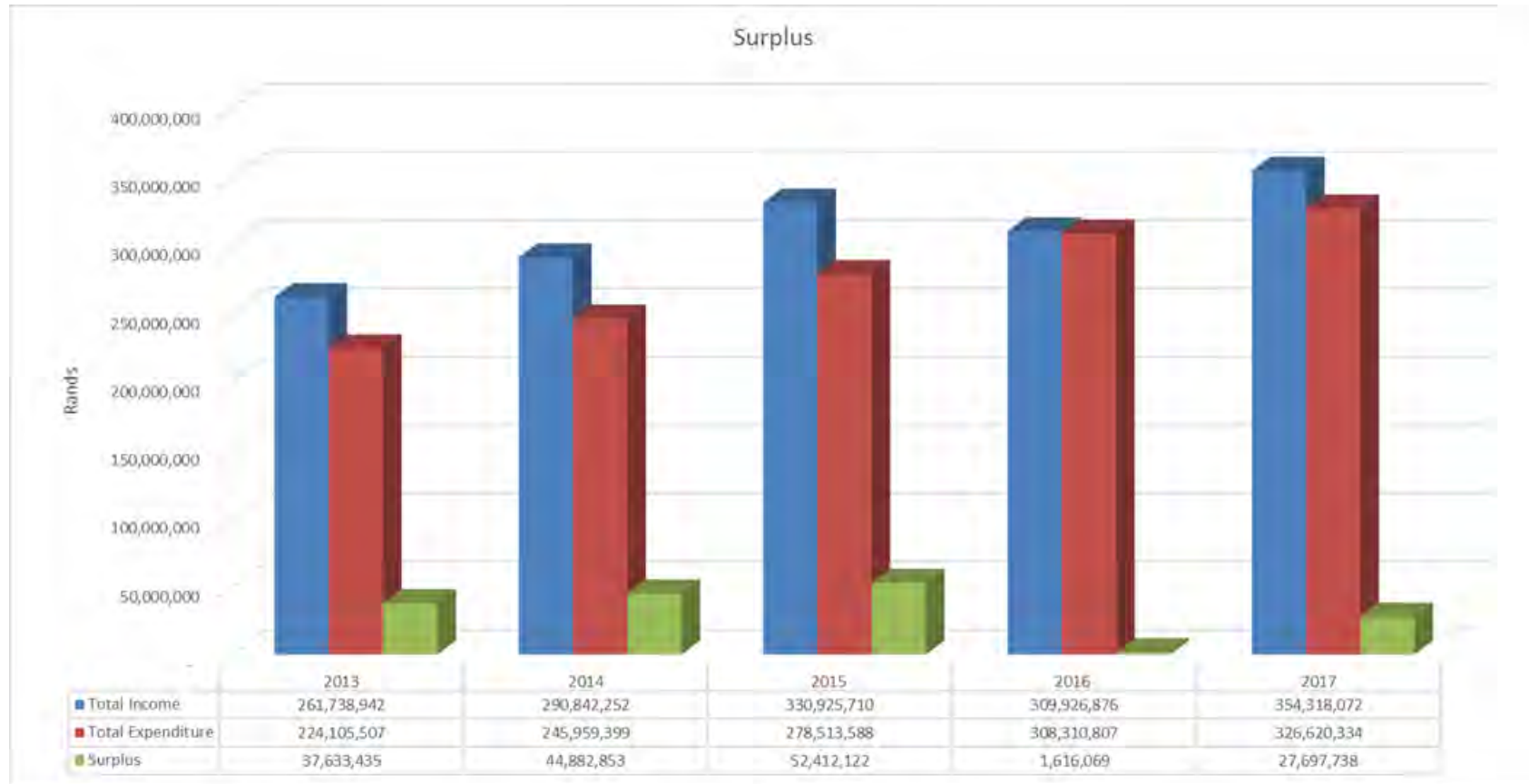
■ Employee cost ■ Operational Cost

2017 Revenue



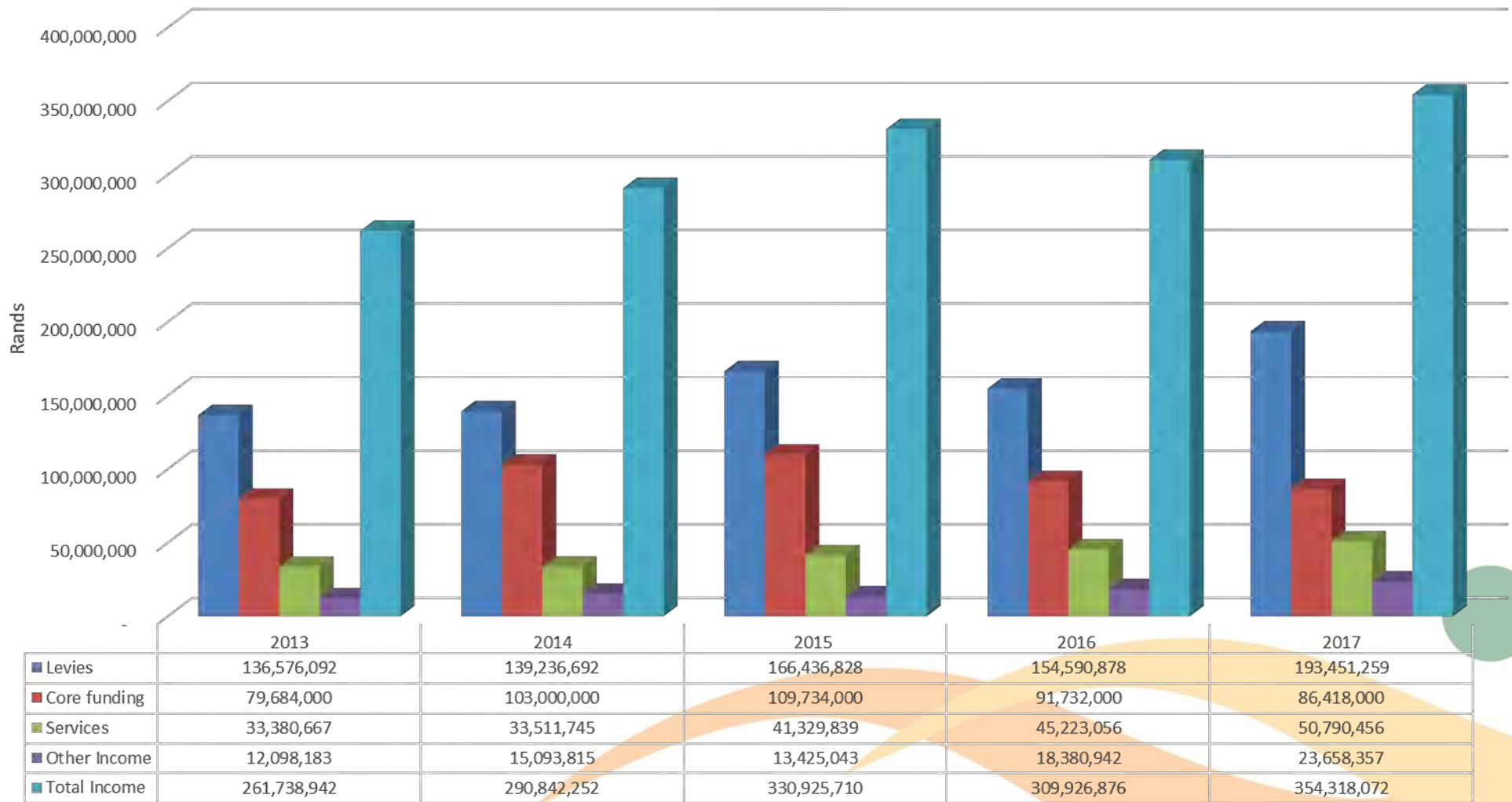
■ Levies ■ Core funding ■ Services ■ Other Income

Financial Overview: Income Statement



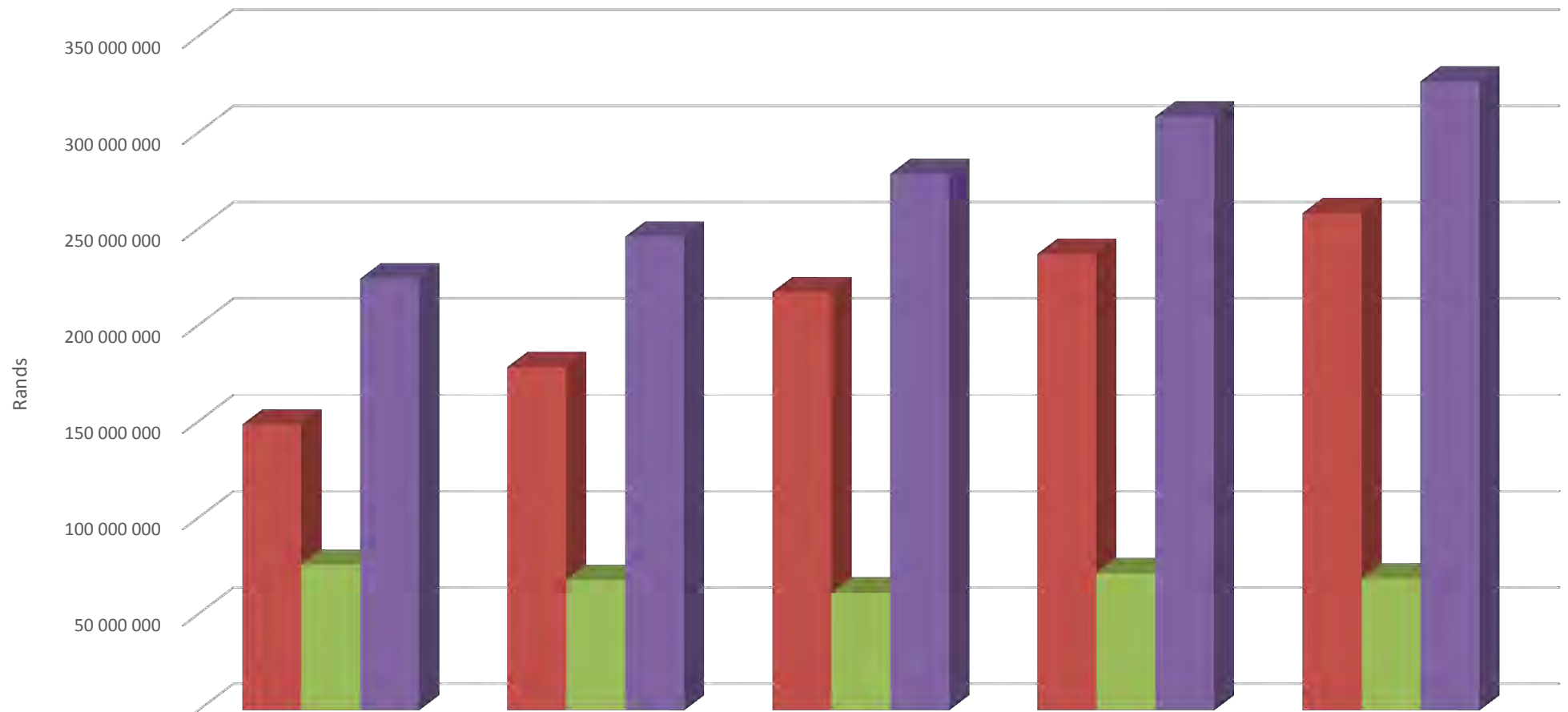
Financial Overview: Revenue

Revenue



Financial Overview: Expenditure

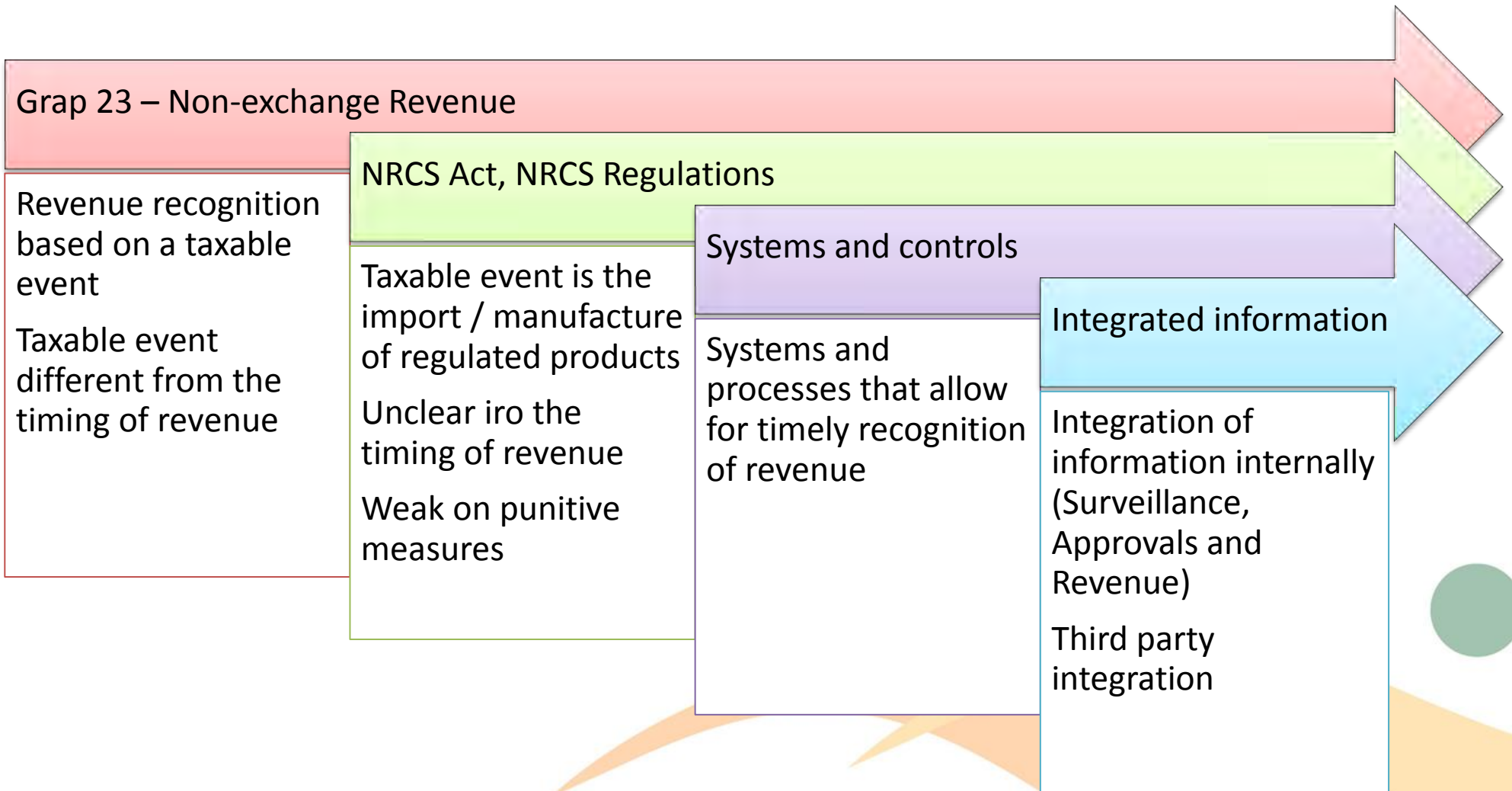
Expenditure



	2013	2014	2015	2016	2017
Employee cost	148 485 506	178 278 802	217 186 399	237 057 787	258 177 099
Operational Cost	75 620 001	67 680 597	61 327 189	71 253 020	68 443 235
Total Expenditure	224 105 507	245 959 399	278 513 588	308 310 807	326 620 334

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">• To determine if the NRCS Act needs to be amended	<ul style="list-style-type: none">• Legal opinion obtained• Discussion pending with the dti
<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">• Code alignment project with SARS is in implementation phase.

Thank You