

# Presentation to the Portfolio Committee on Trade and Industry on the NRCS First Quarter Performance Report for the 2017-2018 Financial Year

**Mr Edward Mamadise  
Acting Chief Executive Officer**

**12 September 2017**

# NRCS representation

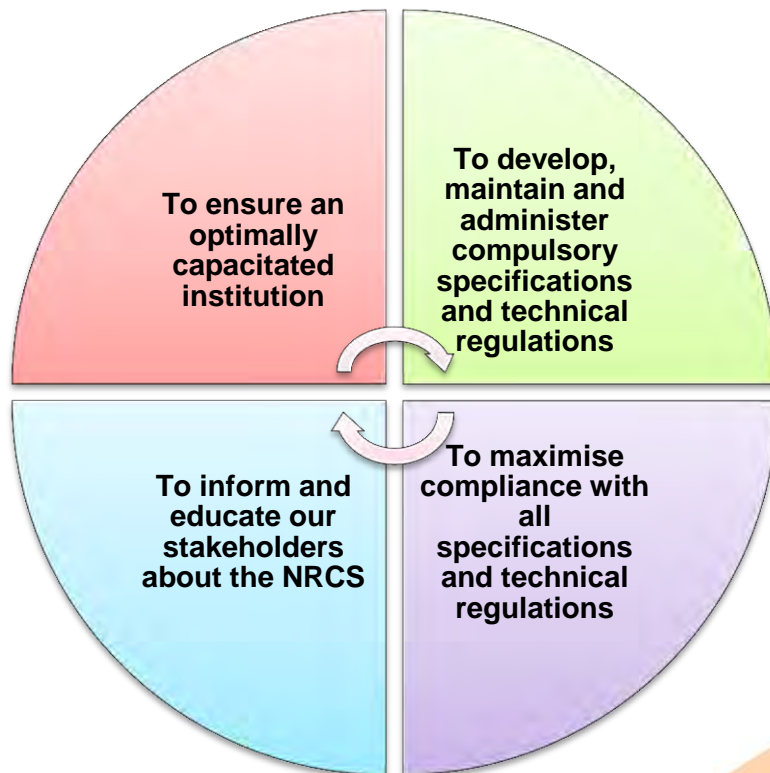
- Mr. Edward Mamadise
  - Acting Chief Executive Officer

# Scope of Presentation

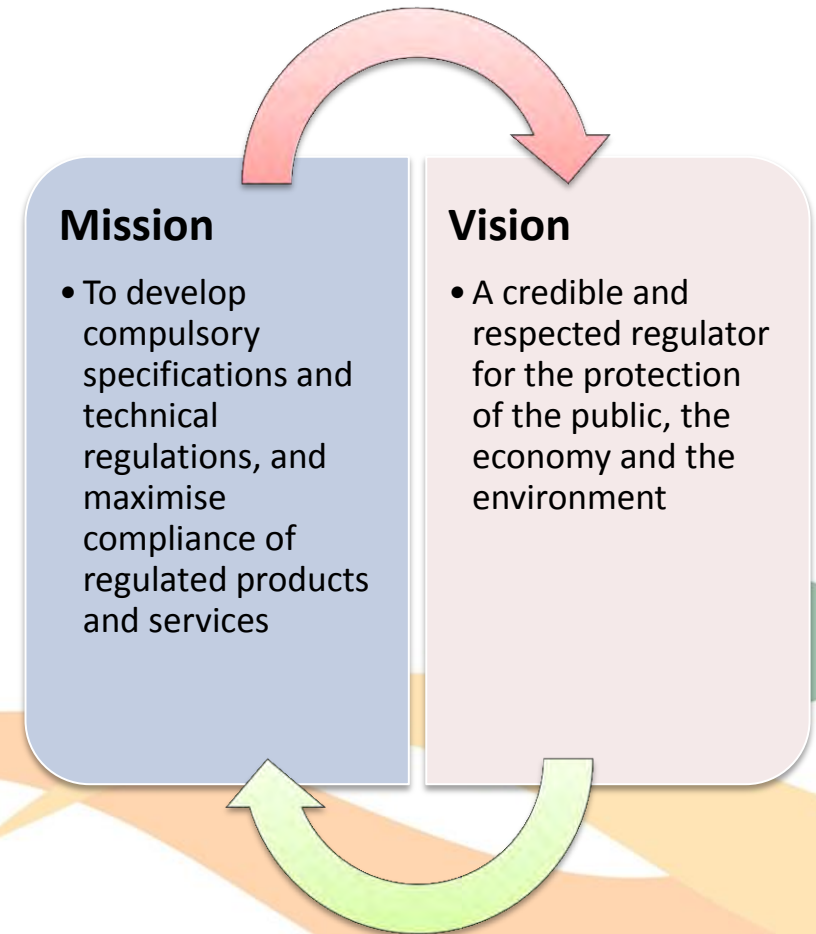
- ❑ Strategic Overview of the NRCS
  - ❑ Strategic Goals, Mission, Vision
  - ❑ Legislative mandate
  - ❑ Regulated industries
- ❑ Highlights
- ❑ Performance against Targets
  - ❑ Non-Financial Performance
  - ❑ Financial Performance
- ❑ ICT Progress and Challenges

# 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



## Highlights



# Key highlights

- ❑ NRCS inspected 6 985 fishery and associated product consignments
- ❑ The NRCS conducted a further 5 120 inspections for automotive, electro-technical, chemicals, materials and legal metrology related products.
- ❑ Non- Compliant Products worth R68million were found on the market
  - ❑ Electro-technical - non-compliant products included CFL's, luminaires, cord extension sets, incandescent lamps, adaptors, power supplies, cell phone chargers, and power banks.
  - ❑ Foods and Associated Products - Micro-biological shortcomings, off odours and chemicals. These products were imported from Vietnam, Malaysia and Indonesia
  - ❑ CMM -Safety Footwear, Non Pressure Paraffin stoves, Plastic Carrier and Flat bags and Swimming Aids
  - ❑ Legal Metrology The non-compliant products included chocolates and confectionary and 45280 x 500 g of pasta packets
  - ❑ Automotive - motorcycles, incandescent lamps, child restraints, headlights and brake fluid



# 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, amended or withdrawn VC's/Tech Regulations submitted to the dti.	8 Compulsory Specifications/ Technical Regulations	0 Compulsory Specifications/ Technical Regulations	None	None	
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 within 30 calendar days from the date of the Review Board hearing/s.	100%	None	N/A	There were no cases that were heard during the period under review

## Strategic Goal 2: To maximise compliance with all specifications and technical regulations: Automotive

<b>Performance Indicator / Measure</b>	<b>Annual Target</b>	<b>QUARTER 1 Target</b>	<b>QUARTER1 Actual Performance</b>	<b>Variance</b>	<b>Reason for Variance</b>
Number of Inspections conducted within Automotive, Chemicals Materials and Mechanicals (CMM), Electro-technical and legal Metrology	18 989	5 362	5 120	-4,5%	Surveillance Inspectors were utilized for Approvals  2 Inspectors on maternity leave
% of Inspections conducted on locally produced, imported and exported canned fishery and meat product consignments	100%	100%	Inspected 100% Total Inspections conducted 6463	No Variance	N/A
Number of inspections conducted on locally produced Frozen products and fishery and canned meat processing factories and vessels	2 130	532	522	-1,88%	Most vessels were at sea and inspections could not be conducted.

# Strategic Goal 2: To maximise compliance with all specifications and technical regulations: Automotive

Performance Indicator / Measure	Annual Target	QUARTER 1 Target	QUARTER1 Actual Performance	Variance	Reason for Variance
% of gaming approval applications processed within 30 Calendar days	100% of all applications	100% of all applications	77% (254 out of 329)	-23%	Backlog carried over from 2016/17 FY (96 applications)
% of approval applications (LOA & Type approval) processed within 120 Calendar days	100% of all approval applications	100% of all approval applications	75% (2 363 out of 3150)	-25%	1) Backlog within the Electro-technical domain 2) Inadequate Capacity 3) Applications submitted without all required documents or unacceptable Test Reports 4) Dormant VCs within CMM

# 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 stakeholder consumer education events or campaigns	12 NRCS consumer education events or campaigns	3 NRCS consumer education events or campaigns	8 awareness sessions in three provinces namely Mpumalanga, KZN, North-west, Free state and Gauteng were conducted	+167%	Collaborated with Gauteng Provincial Government and COGTA

# Strategic Goal 4: To ensure an optimally capacitated institution

Performance Indicator / Measure	Annual Target	QUARTER 1 Target	QUARTER 1 Actual Performance	Variance	Reason for Variance
Percentage (%) of vacancy rate	6%	-	10,6% vacancy rate as of 31 March 2017.		Resignations and retirements coupled with the need to manage organizational wage bill

(Q3)

## Financial Performance

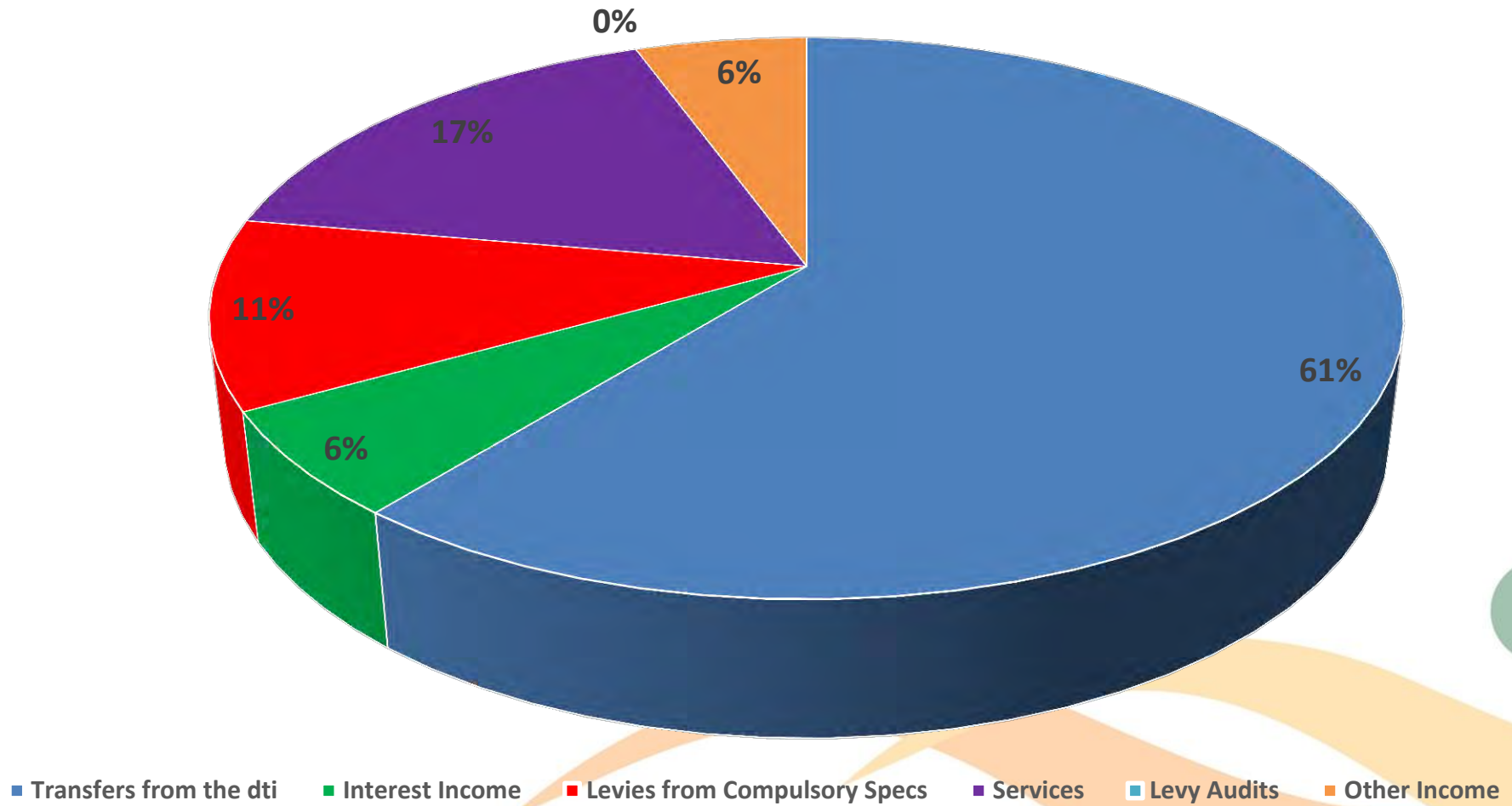
# Financial Overview: Income Statement

Income statement	Q1		YTD		Full year Budget
	Budget	Actual	Budget	Actual	
Transfers from the dti	43,452	43,452	43,452	43,452	128,245
Interest Income	3,625	4,333	3,625	4,333	14,500
Levies from Compulsory Specs	37,794	7,786	37,794	7,786	173,436
Services	14,479	11,918	14,479	11,918	54,596
Lewy Audits	2,500	-	2,500	-	12,500
Other Income	95	3,967	95	3,967	22,628
<b>Total Income</b>	<b>101,945</b>	<b>71,457</b>	<b>101,945</b>	<b>71,457</b>	<b>405,905</b>
Compensation of Employees	73,187	67,945	73,187	67,945	298,643
Goods and Services	24,294	9,228	24,294	9,228	104,583
<b>Total Expenditure</b>	<b>97,480</b>	<b>77,173</b>	<b>97,480</b>	<b>77,173</b>	<b>403,226</b>
<b>Surplus / (Deficit)</b>	<b>4,464</b>	<b>(5,716)</b>	<b>4,464</b>	<b>(5,716)</b>	<b>2,679</b>



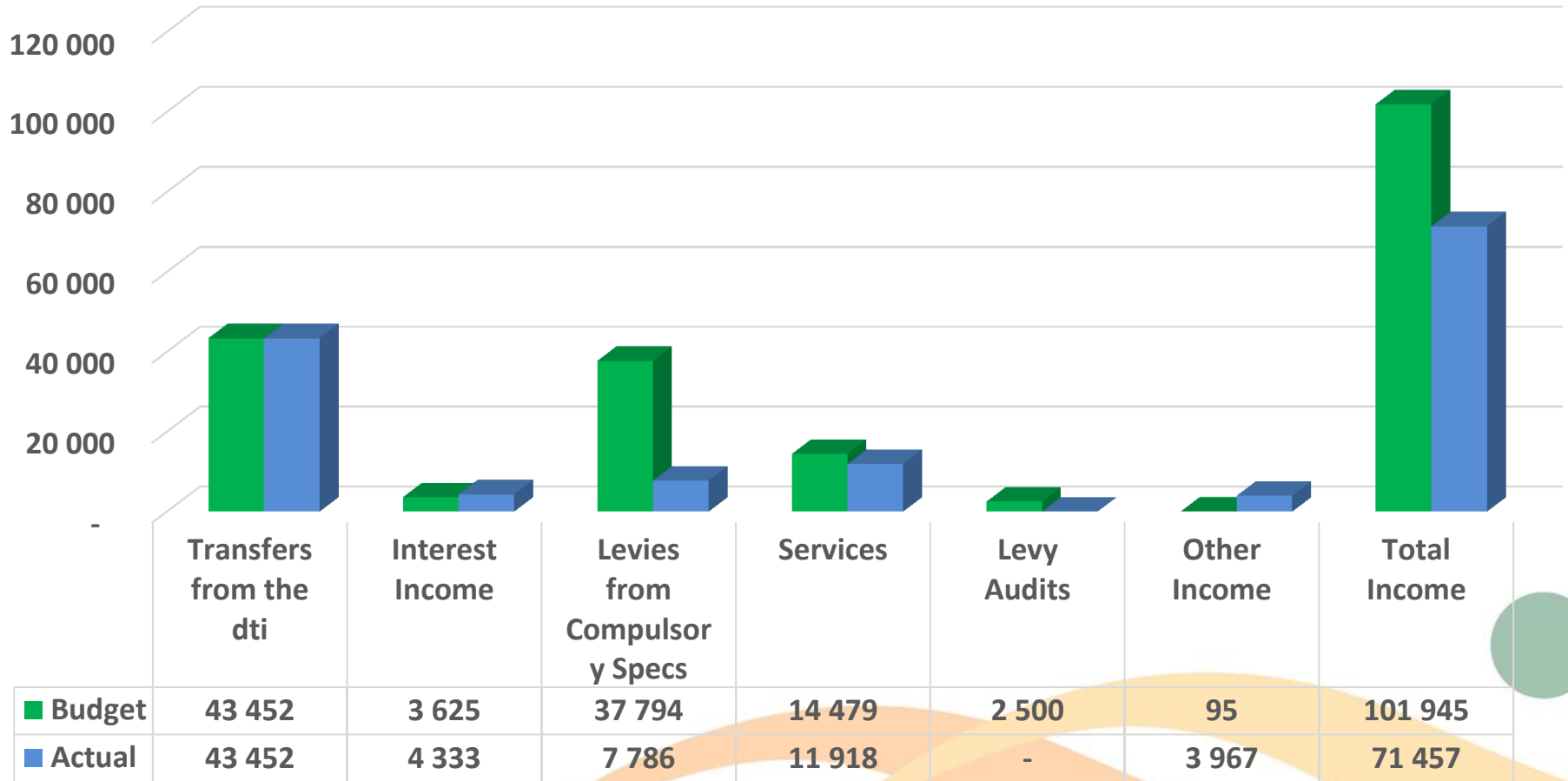
# Financial Overview: Revenue

Actual Revenue: YTD- Q1



# Financial Overview: Revenue

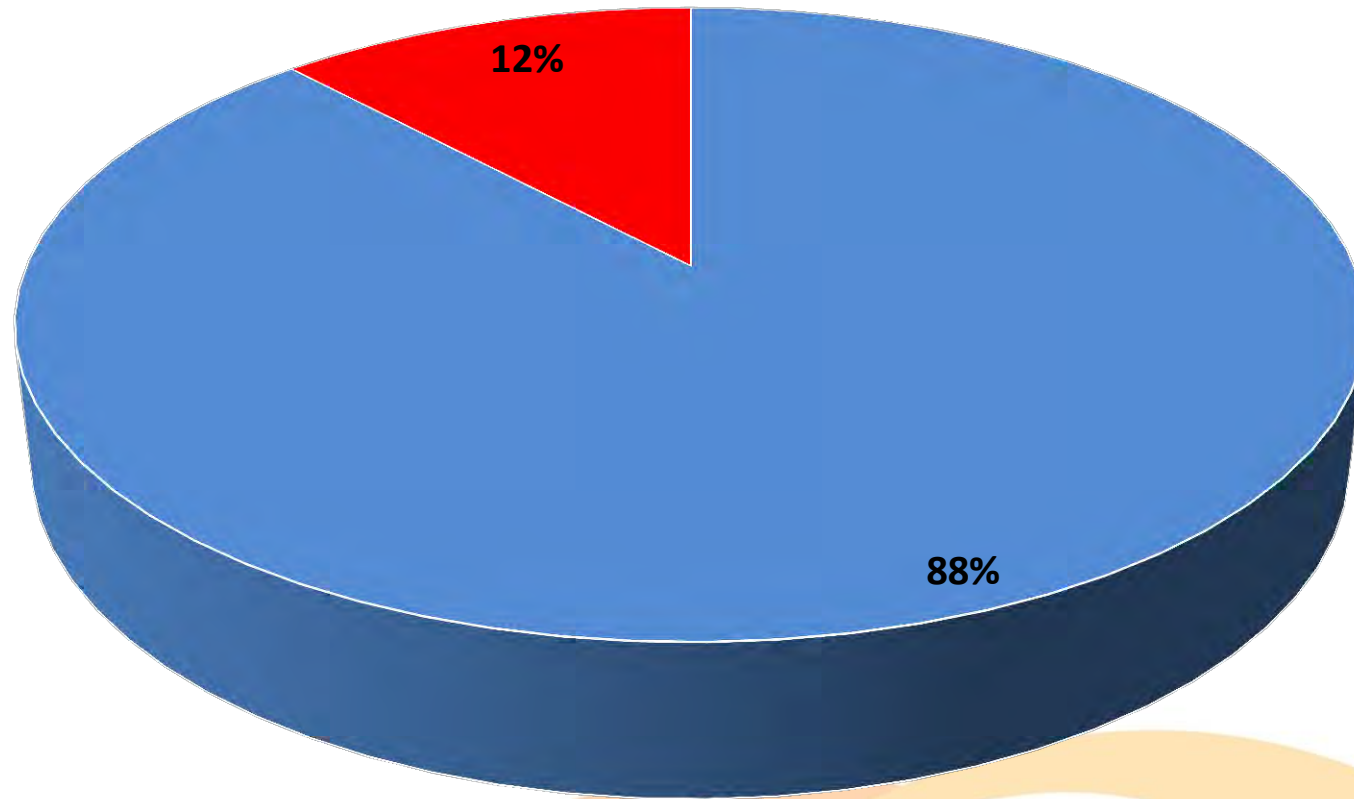
Revenue: Quarter 1



■ Budget ■ Actual

# Financial Overview: Expenditure

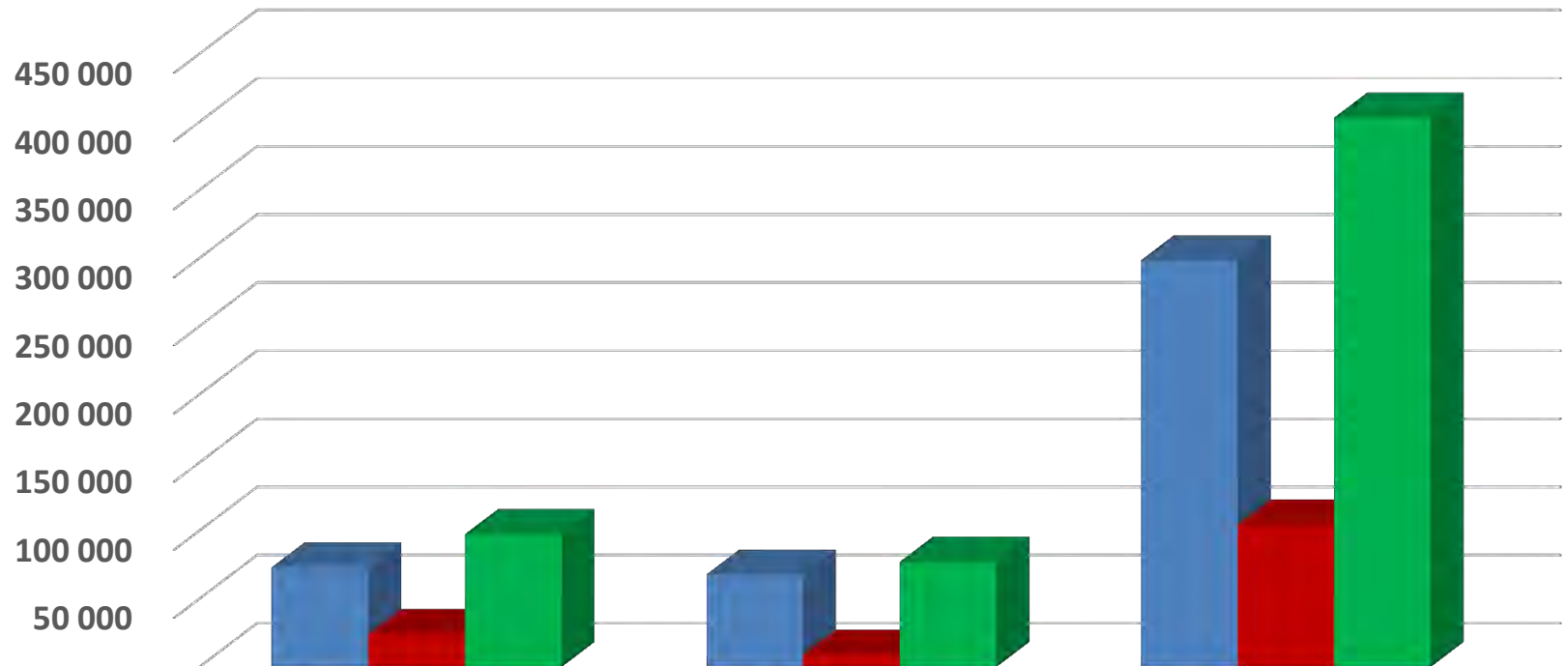
Actual Expenditure composition



■ Compensation of Employees ■ Goods and Services

# Financial Overview: Expenditure

Actual Expenditure: Q1

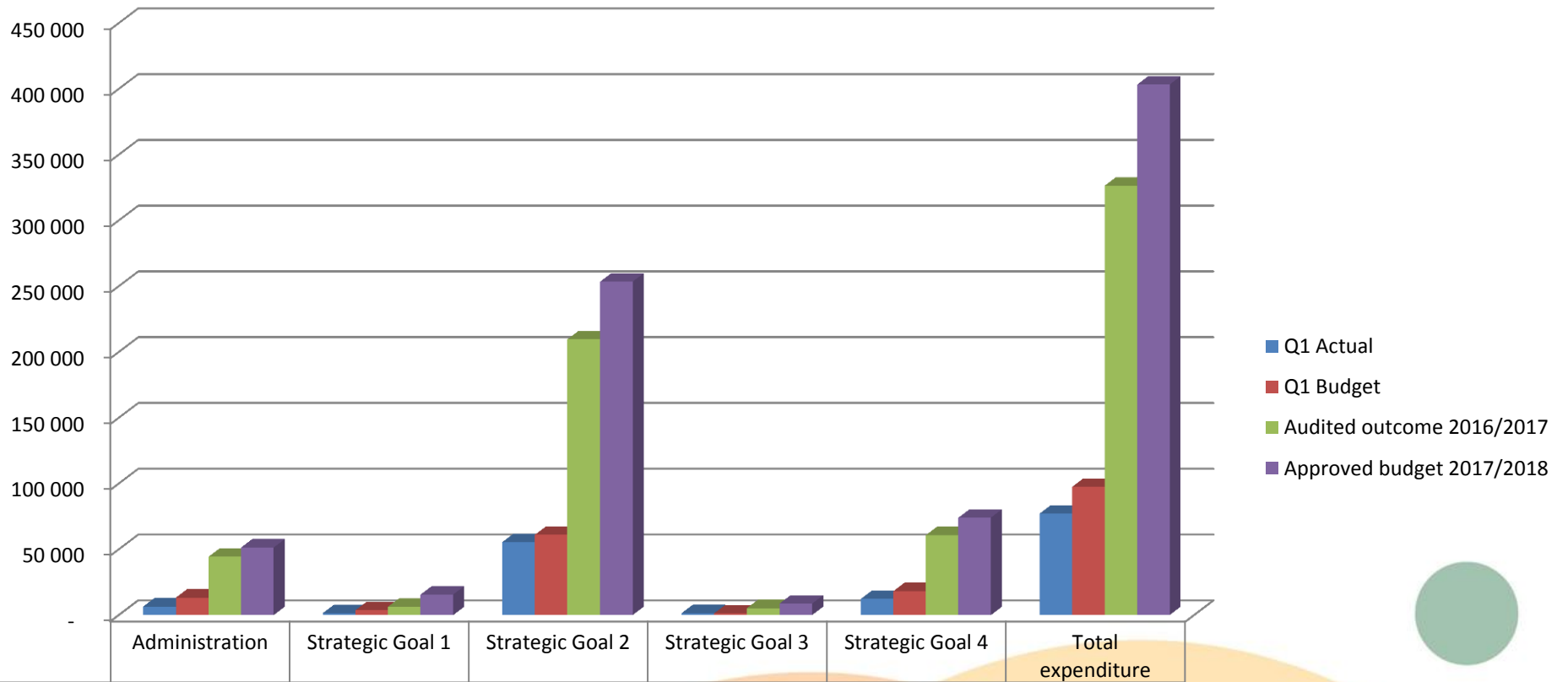


	Budget	Actual	Full year Budget
■ Compensation of Employees	73 187	67 945	298 643
■ Goods and Services	24 294	9 228	104 583
■ Total Expenditure	97 480	77 173	403 226

■ Compensation of Employees    ■ Goods and Services    ■ Total Expenditure

# Financial Overview: Expenditure

## Expenditure per goal



	Administration	Strategic Goal 1	Strategic Goal 2	Strategic Goal 3	Strategic Goal 4	Total expenditure
Q1 Actual	6 513	1 434	55 385	1 450	12 391	77 173
Q1 Budget	13 267	3 614	60 998	1 328	18 273	97 480
Audited outcome 2016/2017	44 335	6 341	209 606	5 261	60 818	326 361
Approved budget 2017/2018	51 395	15 627	253 423	8 710	74 071	403 226

## ICT Progress and Challenges

# Project Overview

- The Modernization Project is a suite of interdependent strategies that the NRCS plans to deploy to deal with organisational challenges
- **Challenges**
  - Revenue qualification AG Audit opinion.
  - Automation of NRCS operational processes which include collaboration with other key Stakeholders i.e SARS and Customs
  - Automation of the NRCS approval system - LOA issuance
  - Implementation of Internal support systems - ERP

# Challenges...

- ❑ Delays of the project was caused by ...
- ❑ **The resignations of key drivers**
  - Senior Manager ICT,
  - CFO (nominated project leader),
  - CEO
- Lack of buy in from stakeholders
  - NEHAWU/staff, and
- Lack of internal expertise (ICT and SCM)



# Modernisation in Nutshell.

- Modernization program covers the upgrade, integration or replacement of legacy applications, digitising way of doing things, driven by factors such as rising costs and a need for organizational agility.



# Project Current Status

- ❑ Specification for modernization project for the purpose of RFI (request for information) was finalized and advertised in March And closed on 18 April 2017 and 9 responses were received.
- ❑ Task team has analyzed the RFI responses and concluded that ERP (Payroll, HR, Finance) system will be procured off the shelve; evaluation and inspection will be developed in-house.
- ❑ CIPC CIO- was recommended by **the dti** to assist the task team based on CIPC modernization experience.
- ❑ Modernization Task team was formed to monitor the progress and provide guidance (chair ACIO, CFO, and two members from NEHAWU).
- ❑ NRCS is in the process of appointing a CIO and a dedicated project Manager to drive the modernization project.

# Current ICT Systems

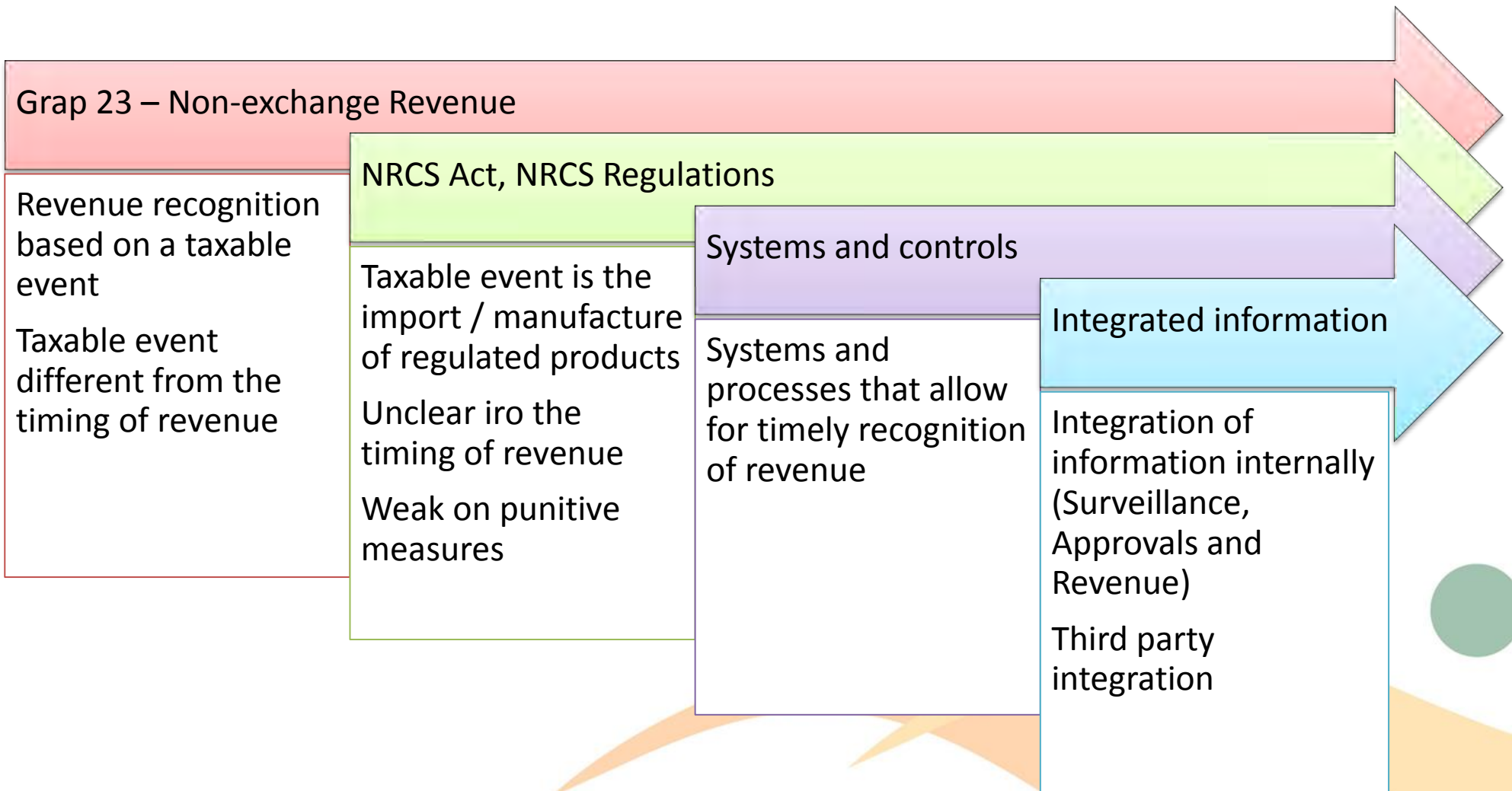
- **JDE Edwards** – ERP systems with only financial and SCM module working. This system is currently out of support from Oracle (the owners of the systems)- it needs to be changed to new systems.
- **Siebel CRM** – the system was procured to automate the approval and inspection processes, to this stage only Electro technical clients use the system for LOA application but internally the application is processed outside the system because the CRM is not user friendly and not all required capabilities are configured on CRM.
- CRM improvements on customer portal were done.
- Risk based Approach (RBA) can be applied

# Solutions to Challenges...

- ❑ **Appointment of the key personnel to drive project**
  - ACEO
  - Acting Senior Manager ICT
  - CFO
- **Formation of task team**
  - CFO; ACIO, (CIPC -CIO)
  - 2 NEHAWU members
  - Dedicated project manager
- ❑ Fast track the appointment of the CIO and a Project Manager
- ❑ Finalizing the specification to appoint a company that will assist NRCS with resources (i.e Change management champion, Business analyst etc.) by September 2017.

# Revenue Qualification

# 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>



## Challenges

# Key challenges

## Operational challenges

- Inadequate capacity – Resignation of key personnel.
- 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
- Audit Qualification

# 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