

Portfolio Committee on Trade and Industry
**Presentation on the NRCS's Annual Report for
2017/18 Financial Year**

Edward Mamadise
Chief Executive Officer

12 September 2018

NRCS representation

- ❑ Mr. Edward Mamadise
 - ❑ Chief Executive Officer
- ❑ Ms. Mimi Abdool
 - ❑ Chief Financial Officer
- ❑ Mr. Edward Matemba
 - ❑ Manager: Strategy and Risk
- ❑ Ms. Meisie Katz
 - ❑ General Manager Foods and Associated Industries
- ❑ Mr. Donovan Cicero
 - ❑ Manager: Chemicals, Materials and Mechanicals

Scope of Presentation

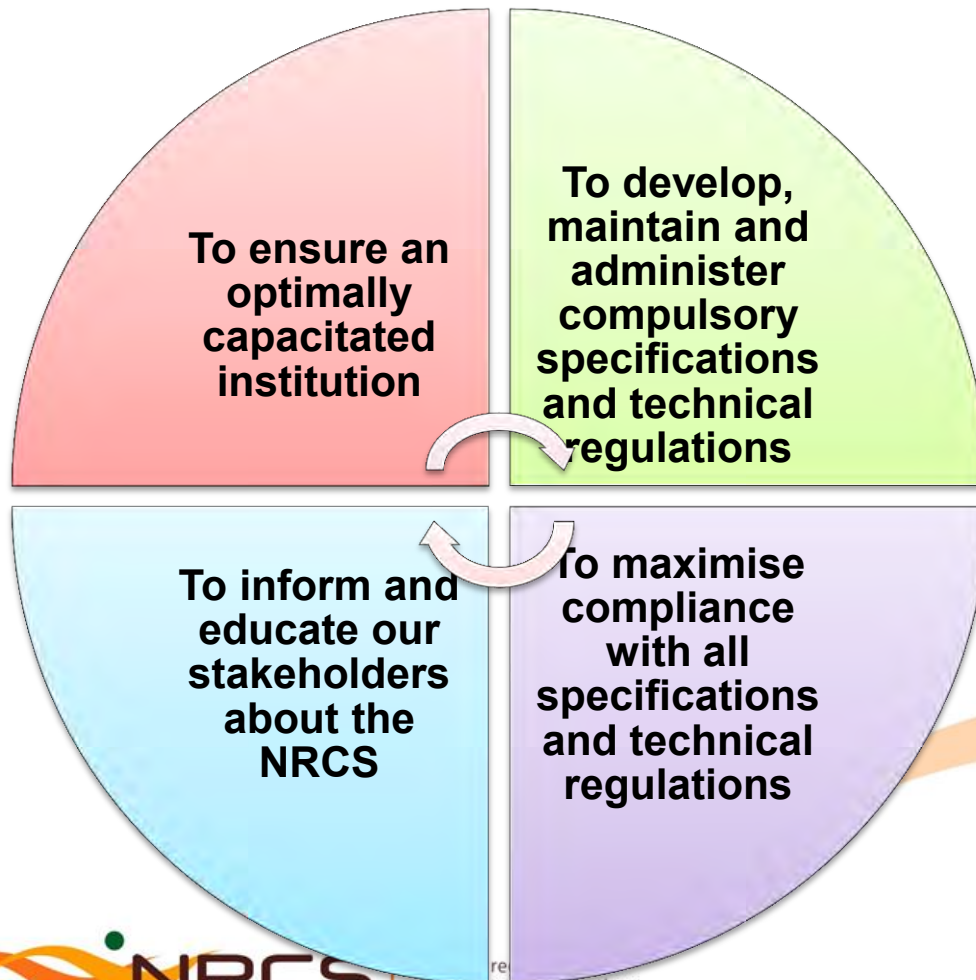
- ❑ Strategic Overview of the NRCS
 - ❑ Strategic Goals, Mission, Vision
 - ❑ Legislative mandate
 - ❑ Regulated industries

- ❑ Performance against Targets
 - ❑ Non-Financial Performance and highlights
 - ❑ Financial Performance

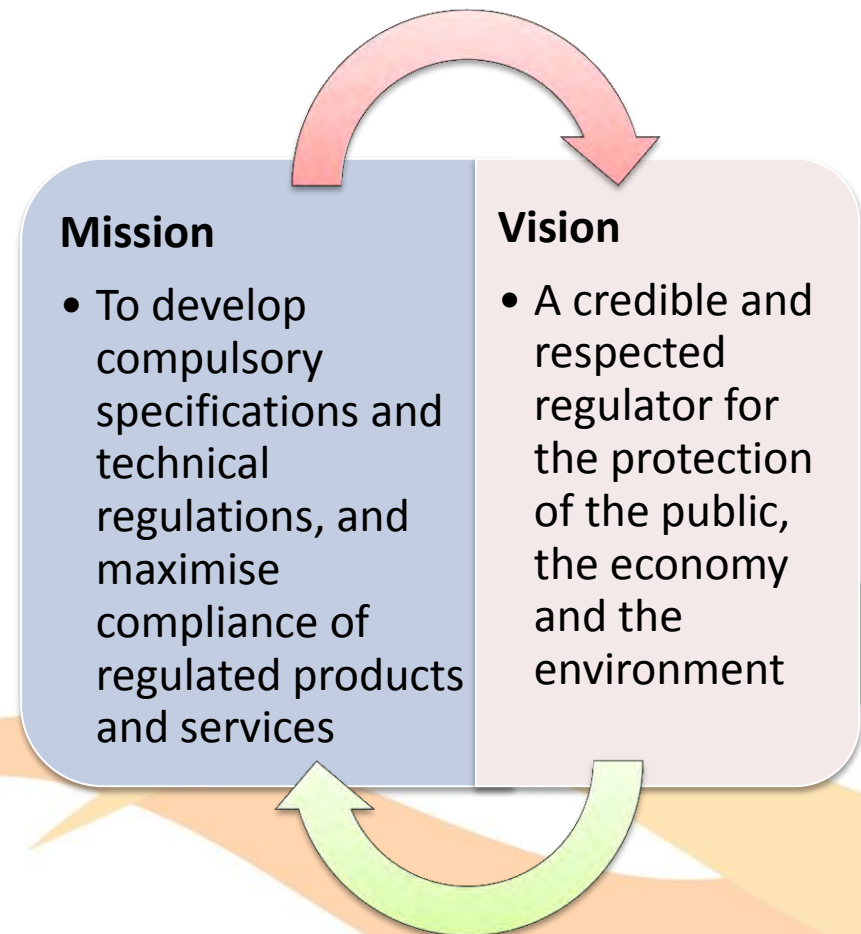
- ❑ Audit report - AGSA

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 as amended)**

**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)

Highlights

- ❑ Non-compliant products to the value of R302 million were removed from the market during the financial year. Since the establishment of NRCS products worth more than 2,1 billion have been removed from the market
- ❑ 12 530 Fishery Consignments were exported.
 - ❑ The consignments amounted to 72 500 tonnes of fish and fishery products
- ❑ Vacancy rate was reduced to 6% from 12%
- ❑ Although NRCS received a qualified Audit Opinion, there was significant progress in addressing the revenue qualification:
 - ❑ Set up a project team
 - ❑ Increased non-compliance from 52% to 81% (1 010 outstanding)
 - ❑ All known companies except 148 are now registered on NRCS financial system

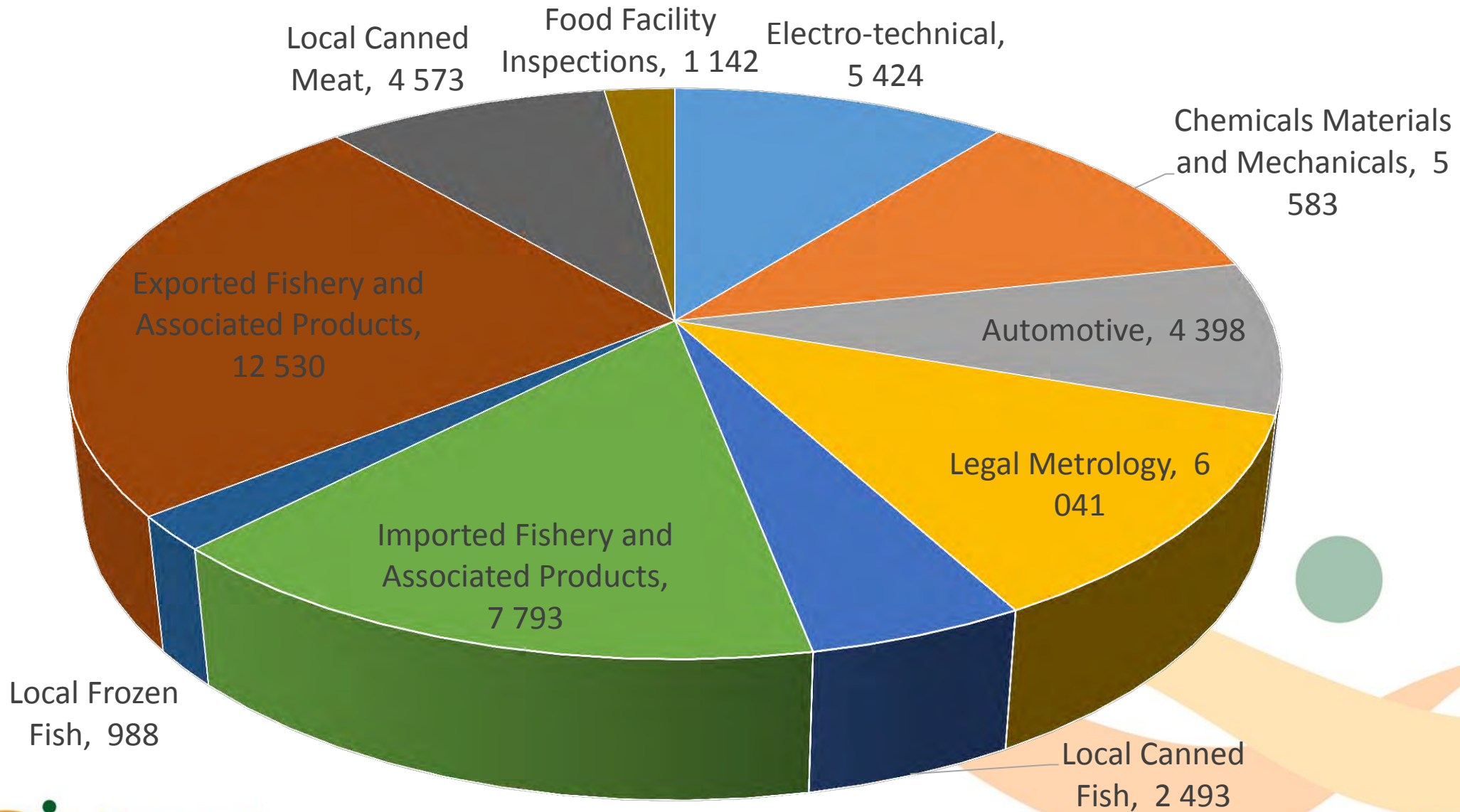
SG1: Develop, maintain and administer compulsory specifications

- ❑ Developed one regulation for import conditions for fish, fishery products and canned meat
- ❑ Amended four compulsory specifications (VCs)
 - ❑ Circuit Breakers
 - ❑ Canned Meat Products
 - ❑ Motorcycles
 - ❑ Polymer film for damp-proofing and waterproofing in buildings
- ❑ 37,5% Variance was due to failure to agree with stakeholders on VCs, poor participation in the VC development process
- ❑ No National Building Regulations and Building Standards Act Review Board cases were held during the financial year.

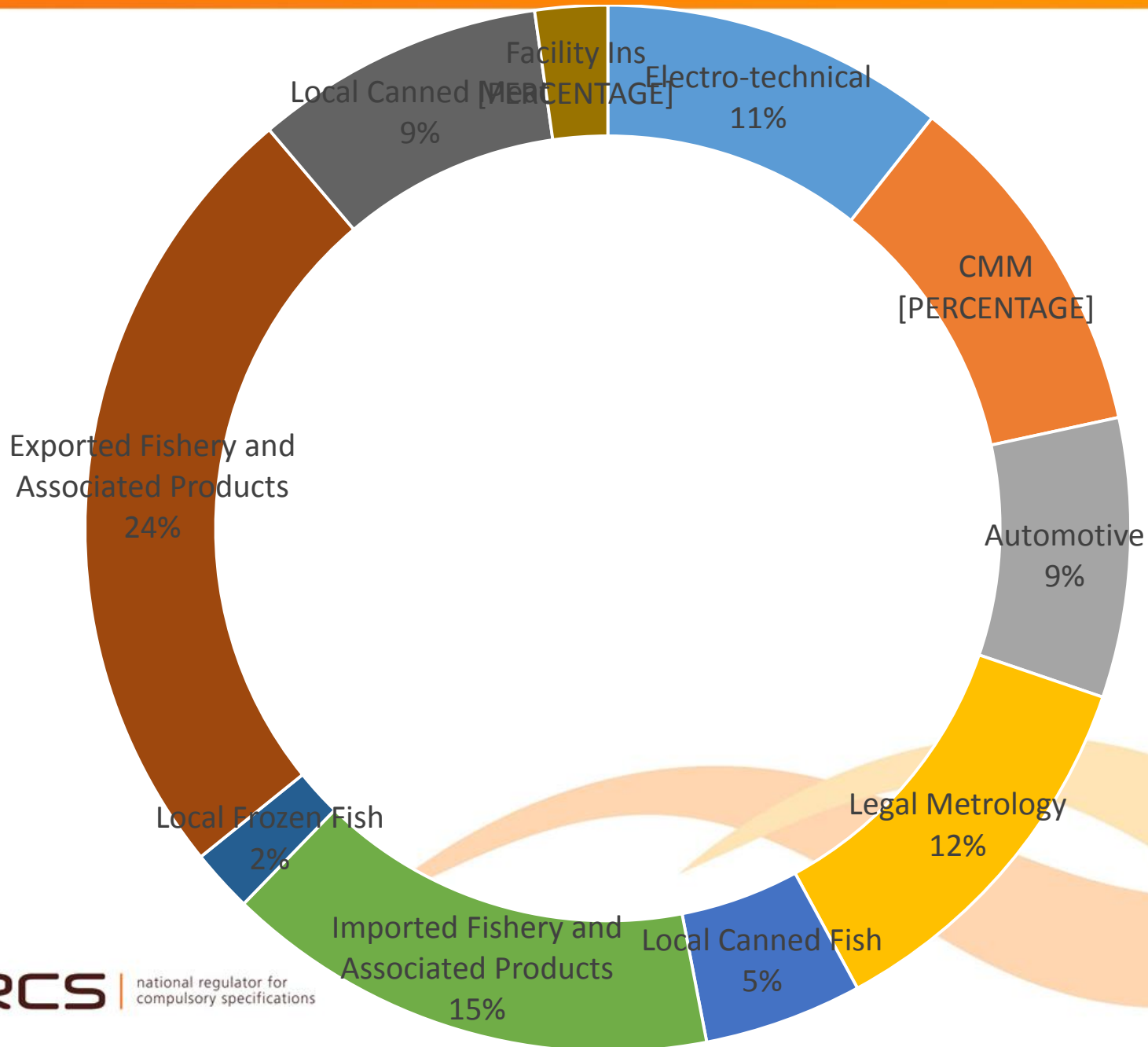
SG2: Maximise compliance with all compulsory specifications and technical regulations

- ❑ A total of 50 965 inspections were conducted during the financial year
 - ❑ 21 446 for Automotive, Electro-technical, Chemicals Materials and Mechanicals and Legal Metrology against a target of 18 989 which was 13% over achievement
 - ❑ 100% consignment and production inspections were conducted on all declared or known fisheries and canned meat regulated products. In total 29 519 inspections were conducted for fisheries and canned meat products
- ❑ 81% (11 411) of the 14 148 Approvals were processed within 120 calendar days. A significant increase from last financial year were 53,5% were processed within 120 days.
- ❑ 77% (735) of the 952 Gaming Approval applications were processed within 30 calendar days

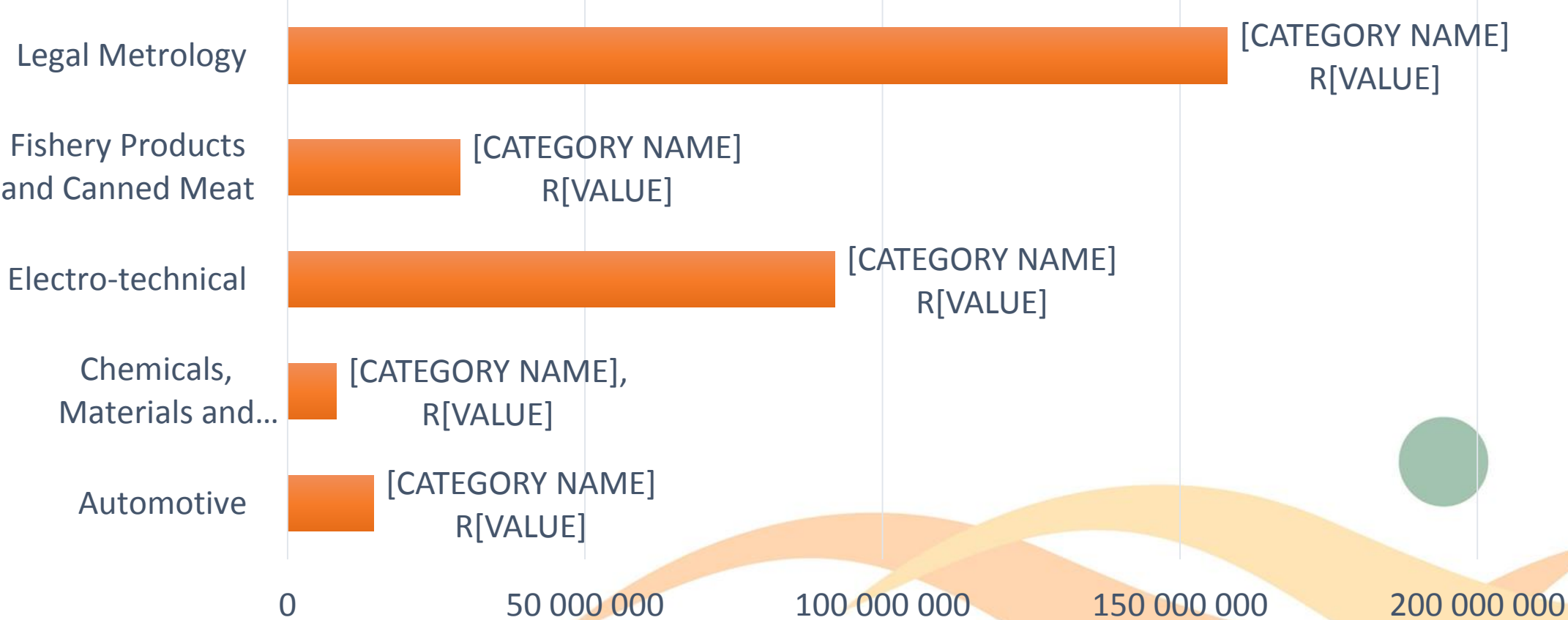
SG2: Inspections Breakdown



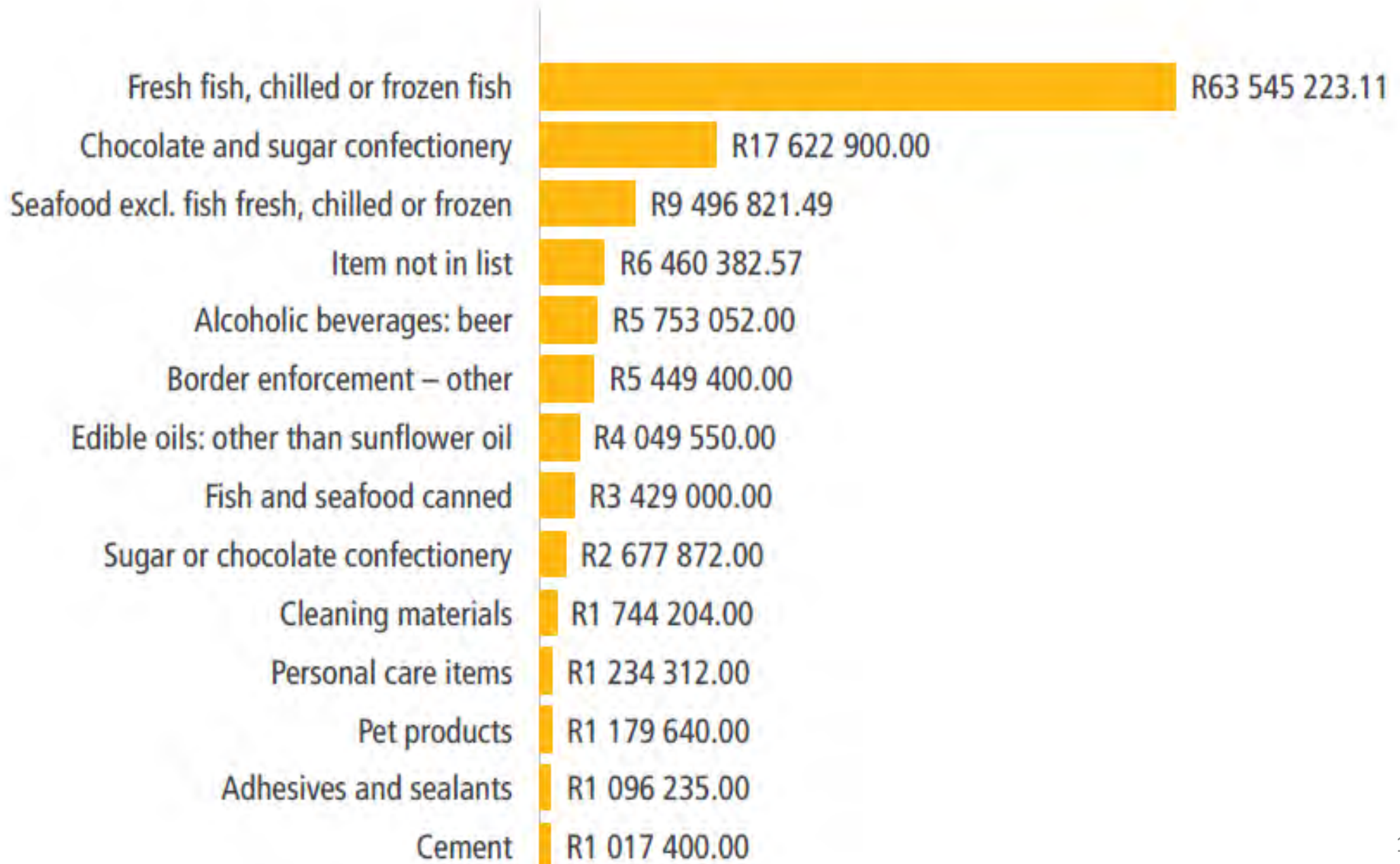
SG2: Inspections Breakdown - Percentage



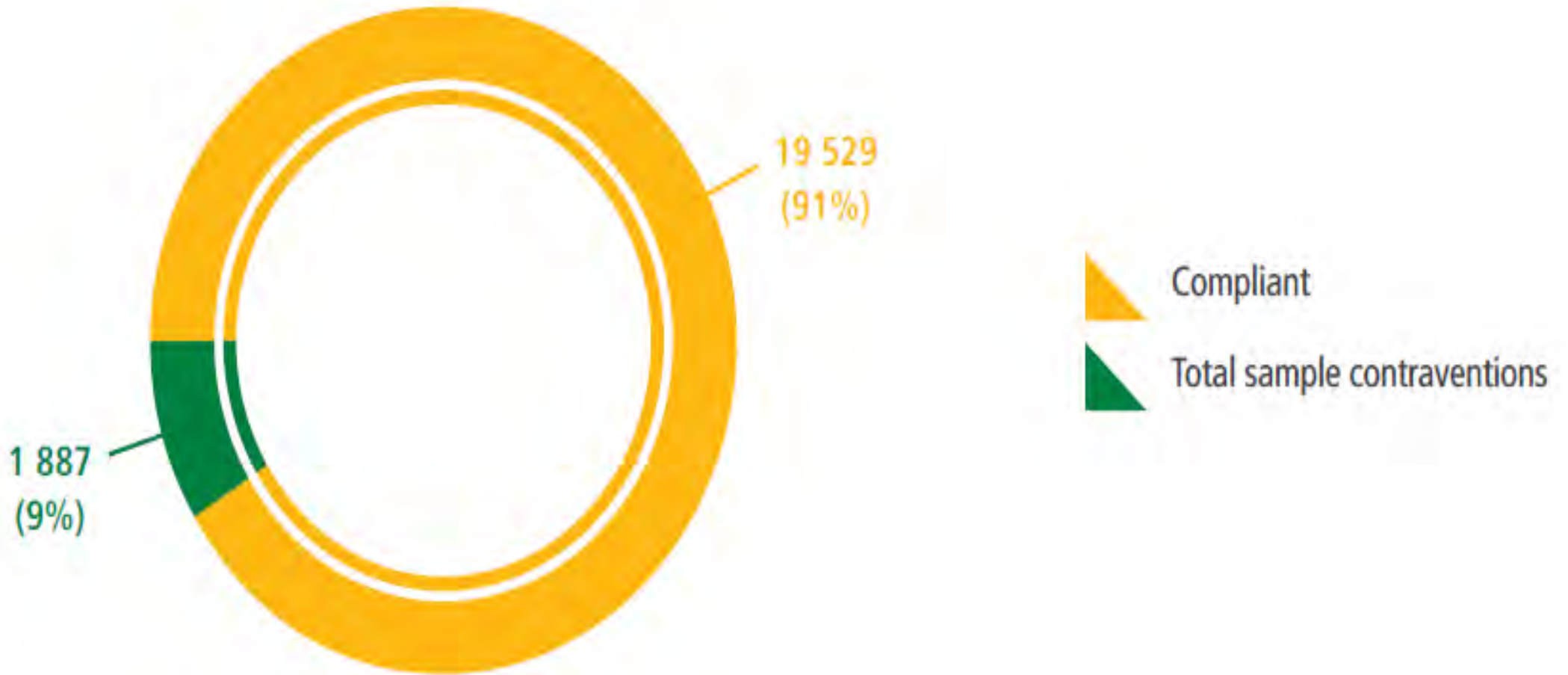
SG2: Non-compliances



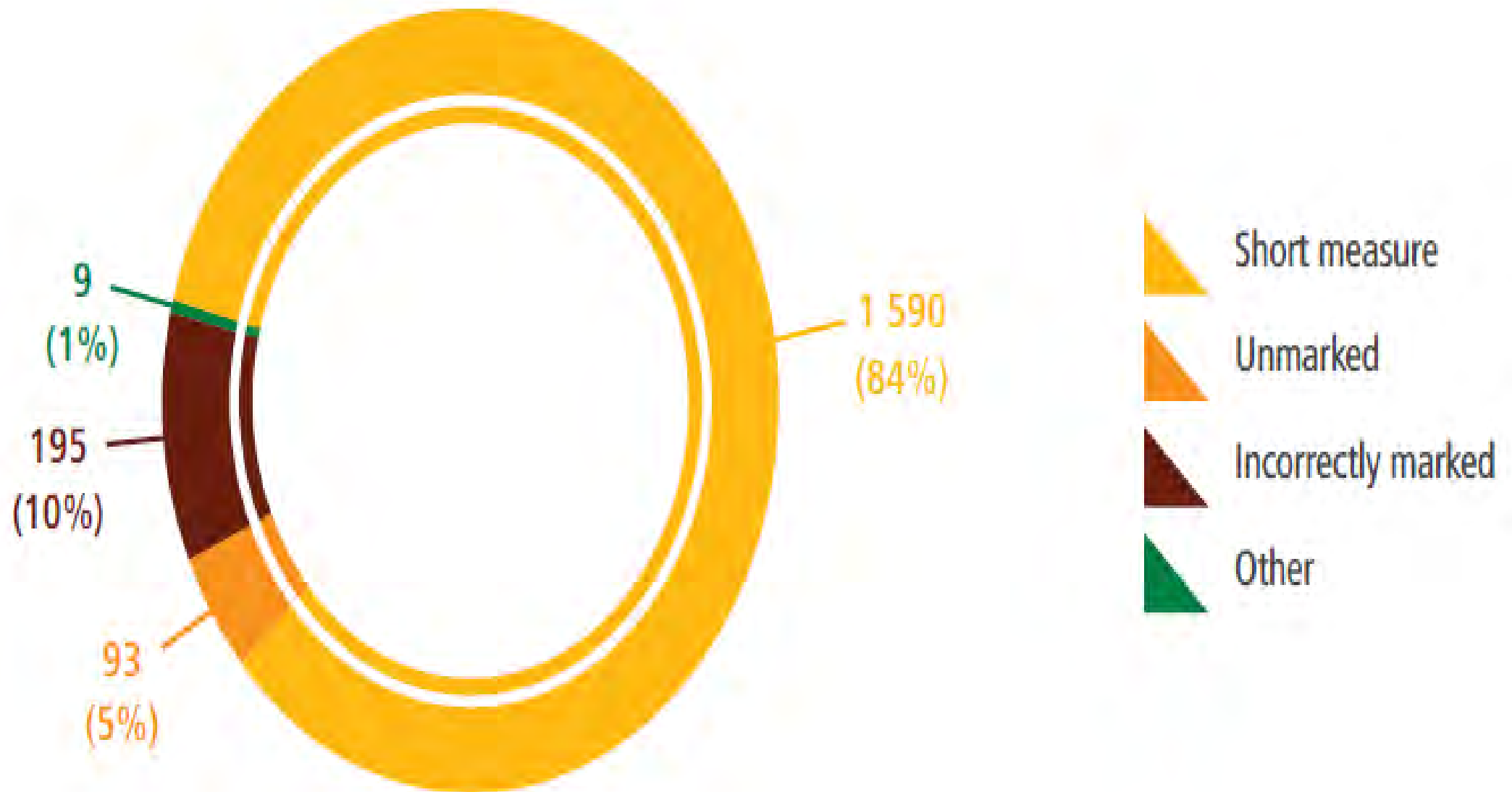
SG2: Non-compliances



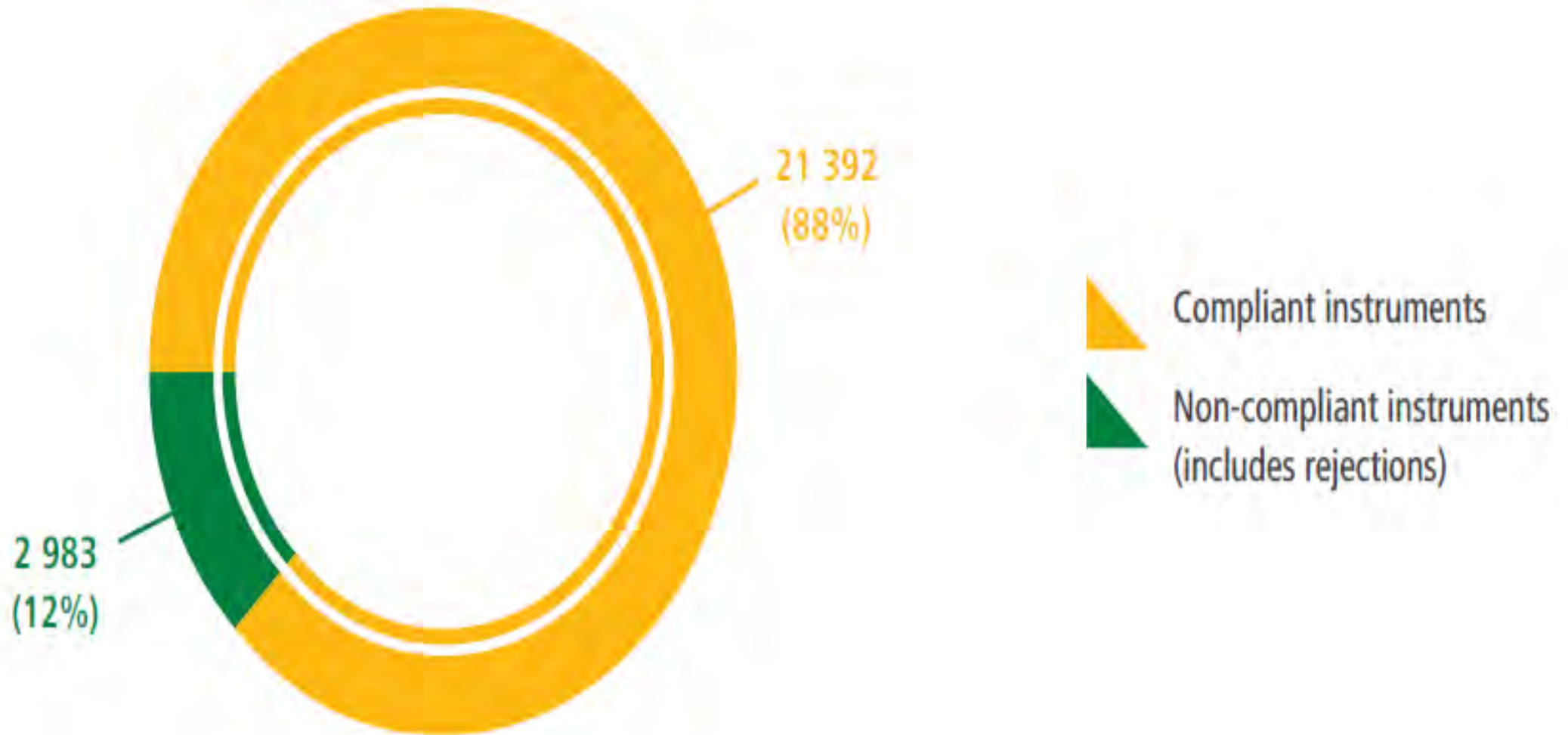
SG2: Metrology Product Samples



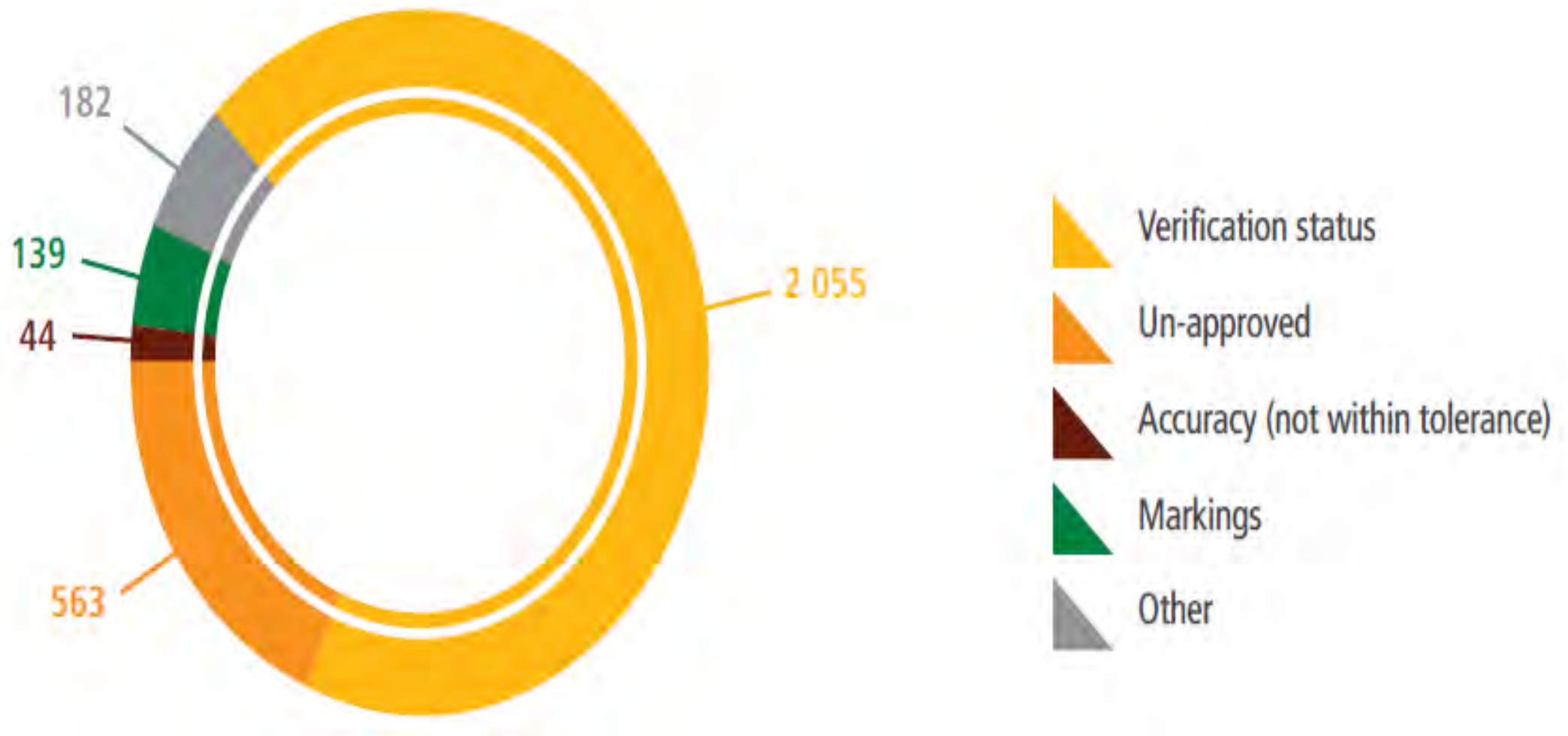
SG2: Legal Metrology Product Non-compliances



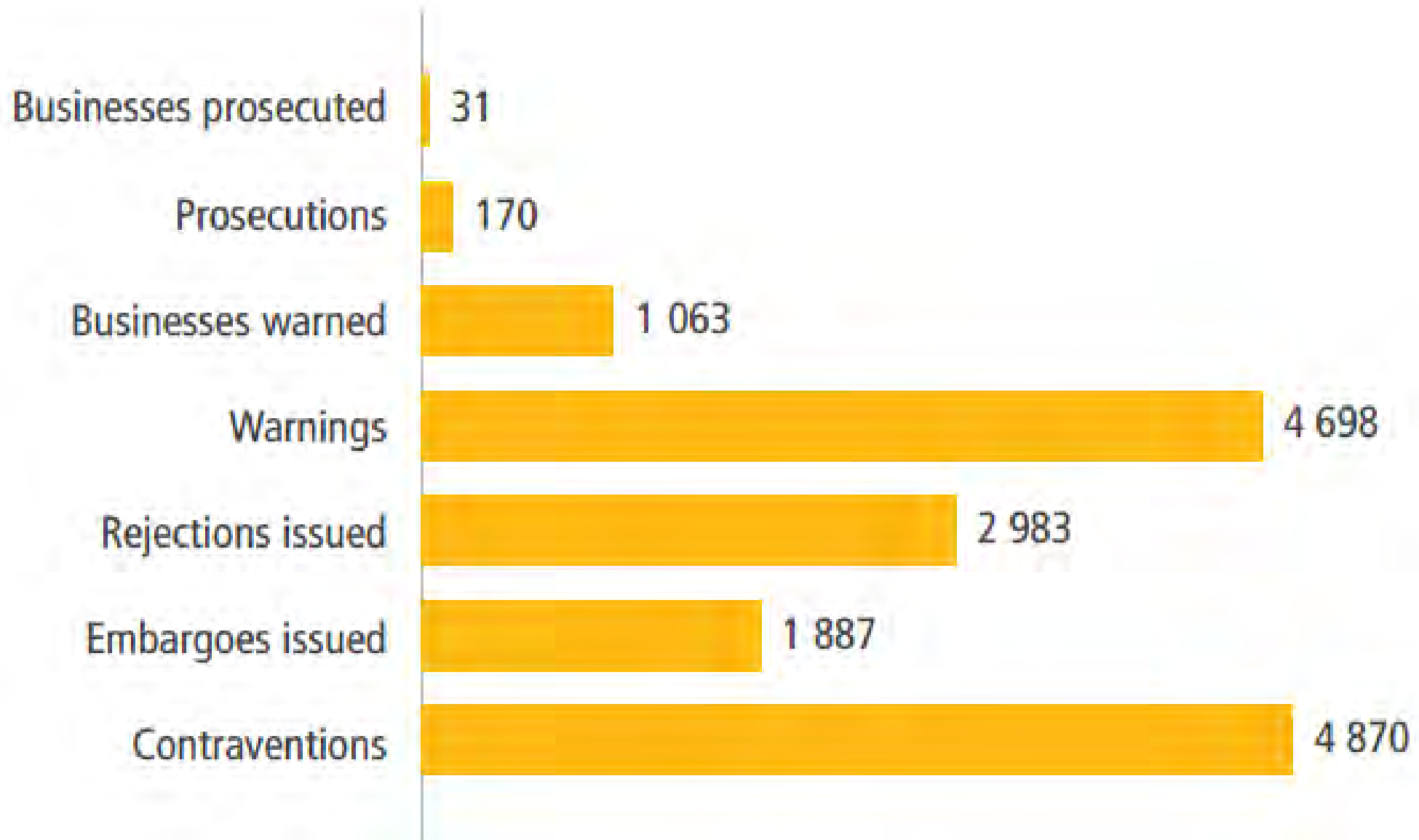
SG2: Legal Metrology Instruments



SG2: Legal Metrology Non-Compliant Instruments



SG2: Legal Metrology Non-Compliances



Inform and Educate our Stakeholders and Ensure Optimally Capacitated Organisation

- ❑ Concluded an MOU with Shoprite checkers – This is a pilot project aimed at working with retailers to ensure they only sell compliant products
- ❑ Conducted 20 consumer awareness campaigns through out the country
- ❑ Vacancy rate was reduced to 6% from 12%

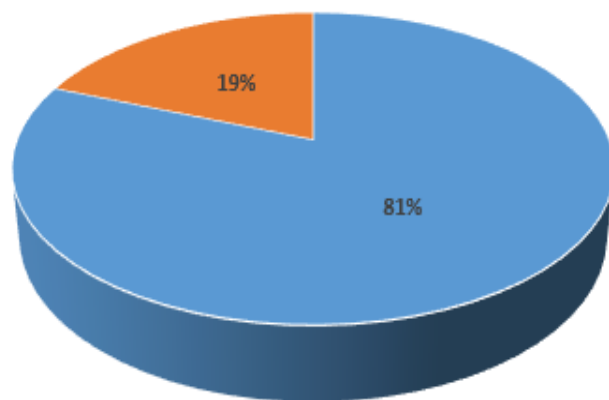
Financial Performance



Overview: Statement of Financial Performance

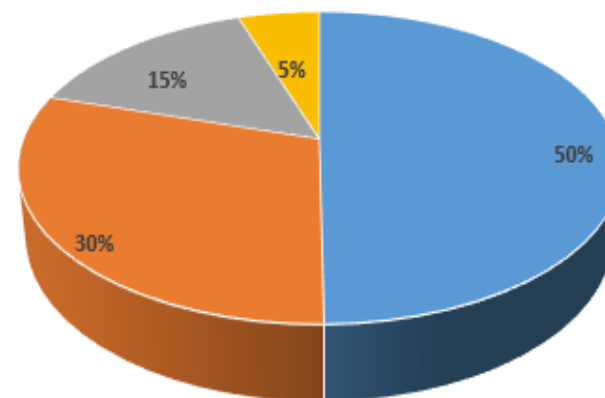
	2011	2012	2013	2014	2015	2016	2017	2018
Levies	100 490 917	125 384 427	136 576 092	139 236 692	166 436 828	154 590 878	198 283 726	214 553 121
Core Funding	33 042 000	37 173 000	79 684 000	103 000 000	109 734 000	91 732 000	86 418 000	128 745 000
Services	30 073 187	33 731 205	33 380 667	33 511 745	41 329 839	45 223 056	50 790 456	65 114 734
Other Income	19 255 685	5 281 922	12 098 183	15 093 815	13 425 043	18 380 942	23 658 357	22 494 208
Total Income	182 861 789	201 570 554	261 738 942	290 842 252	330 925 710	309 926 876	359 150 539	430 907 063
Employee cost	106 825 672	128 165 906	148 485 506	178 278 802	217 186 399	237 057 787	258 177 098	280 262 025
Operational Cost	50 399 131	57 186 371	75 620 001	67 680 597	61 327 189	71 253 020	68 443 236	66 135 263
Total Expenditure	157 224 803	185 352 277	224 105 507	245 959 399	278 513 588	308 310 807	326 620 334	346 397 288
Surplus	25 636 986	16 218 277	37 633 435	44 882 853	52 412 122	1 616 069	32 530 205	84 509 775

2018 Expenditure



■ Employee cost ■ Operational Cost

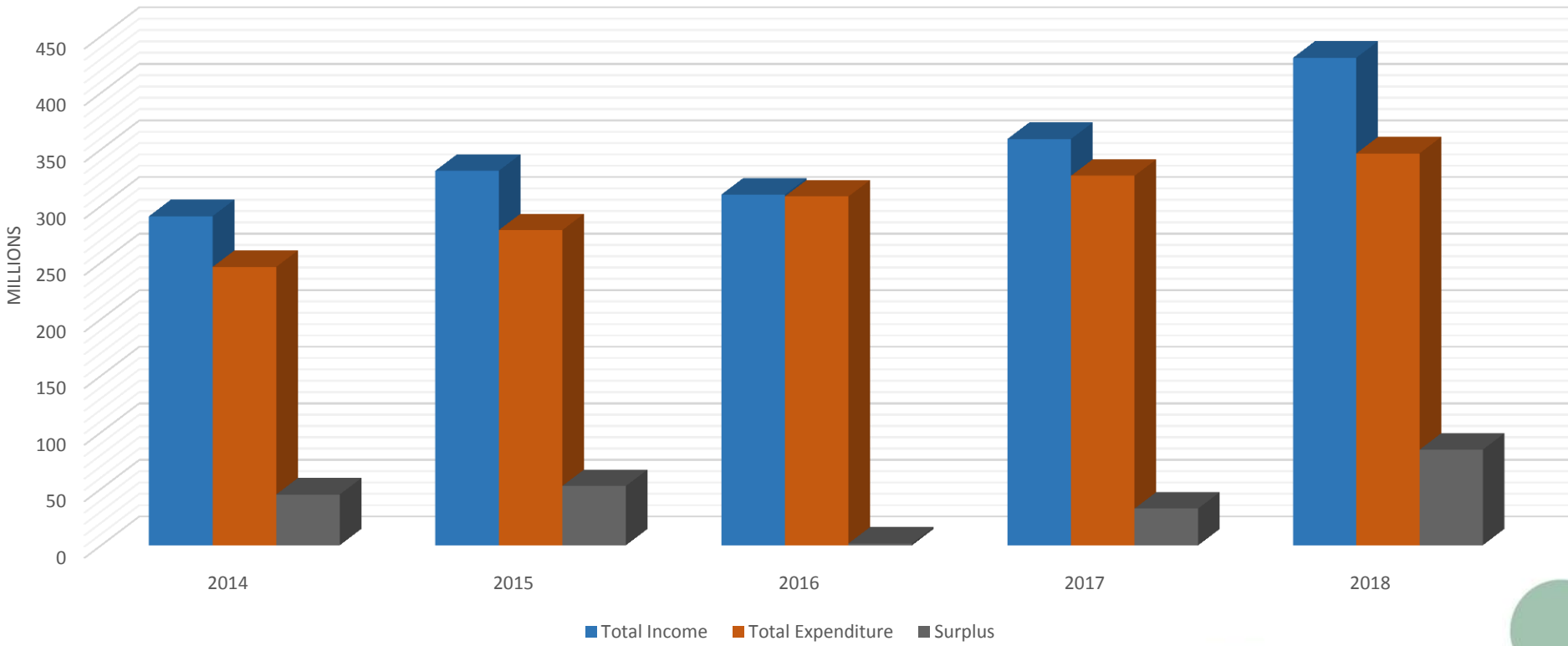
2018 Revenue



■ Levies ■ Core Funding ■ Services ■ Other Income

Financial Overview: Income Statement

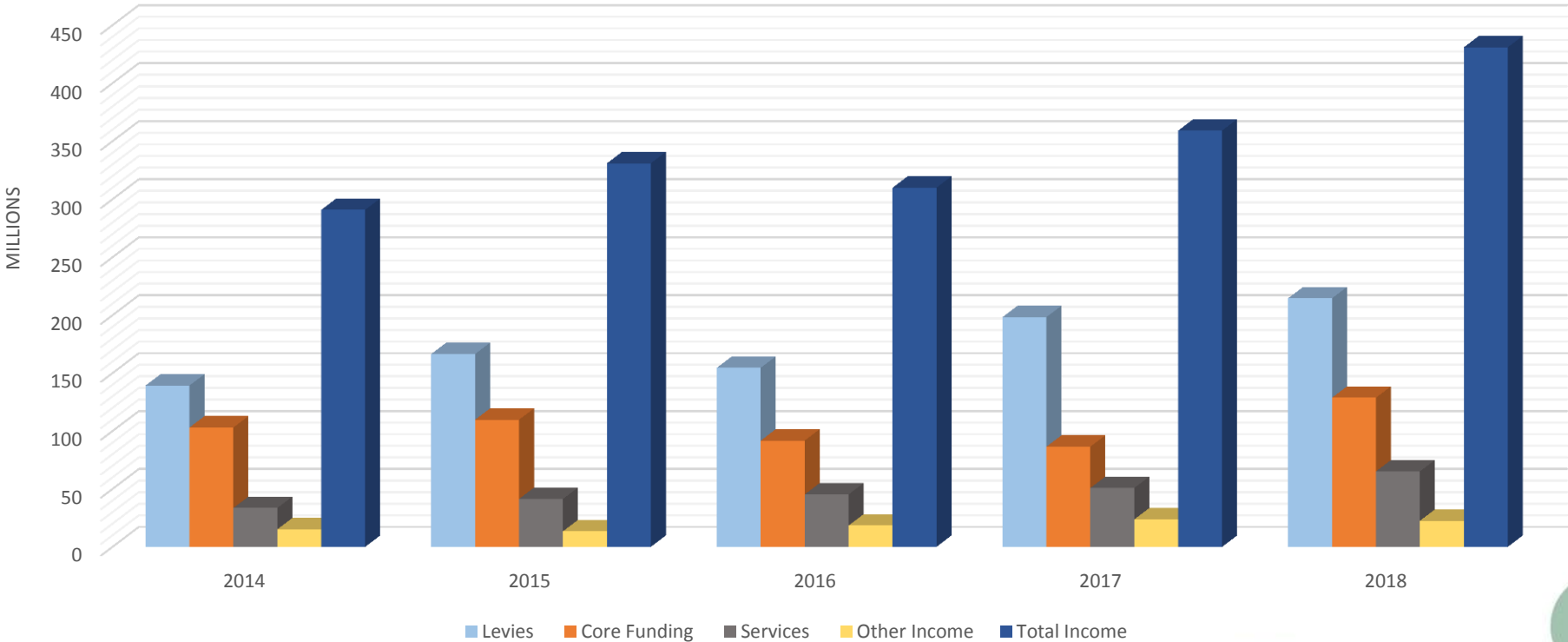
Financial Status: Income Statement



	2014	2015	2016	2017	2018
Total Income	290 842 252	330 925 710	309 926 876	359 150 539	430 907 063
Total Expenditure	245 959 399	278 513 588	308 310 807	326 620 334	346 397 288
Surplus	44 882 853	52 412 122	1 616 069	32 530 205	84 509 775

Financial Overview: Revenue

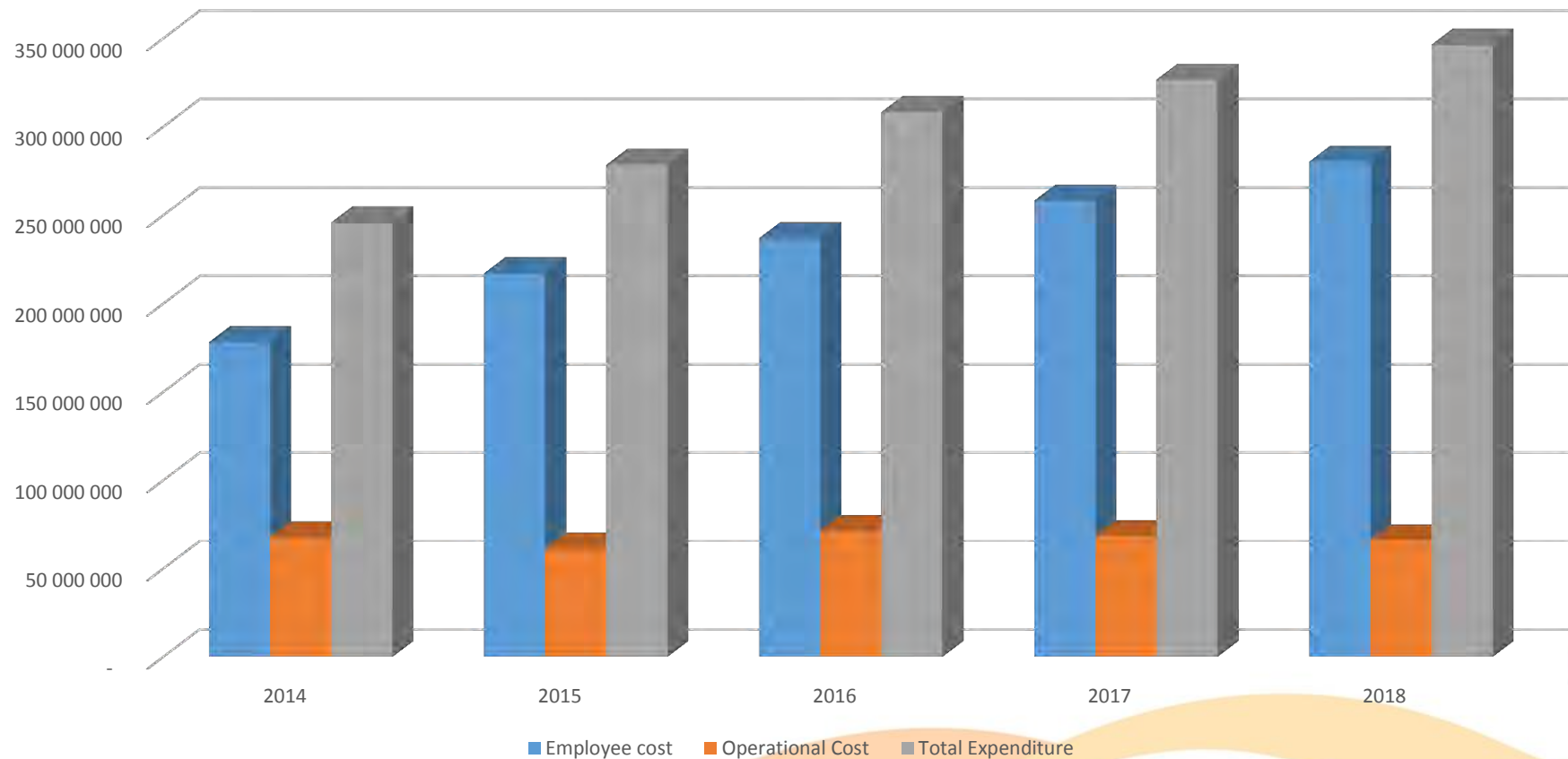
Financial Status: Revenue



	2014	2015	2016	2017	2018
Levies	139 236 692	166 436 828	154 590 878	198 283 726	214 553 121
Core Funding	103 000 000	109 734 000	91 732 000	86 418 000	128 745 000
Services	33 511 745	41 329 839	45 223 056	50 790 456	65 114 734
Other Income	15 093 815	13 425 043	18 380 942	23 658 357	22 494 208
Total Income	290 844 266	330 927 725	309 928 892	359 150 539	430 907 063

Financial Overview: Expenditure

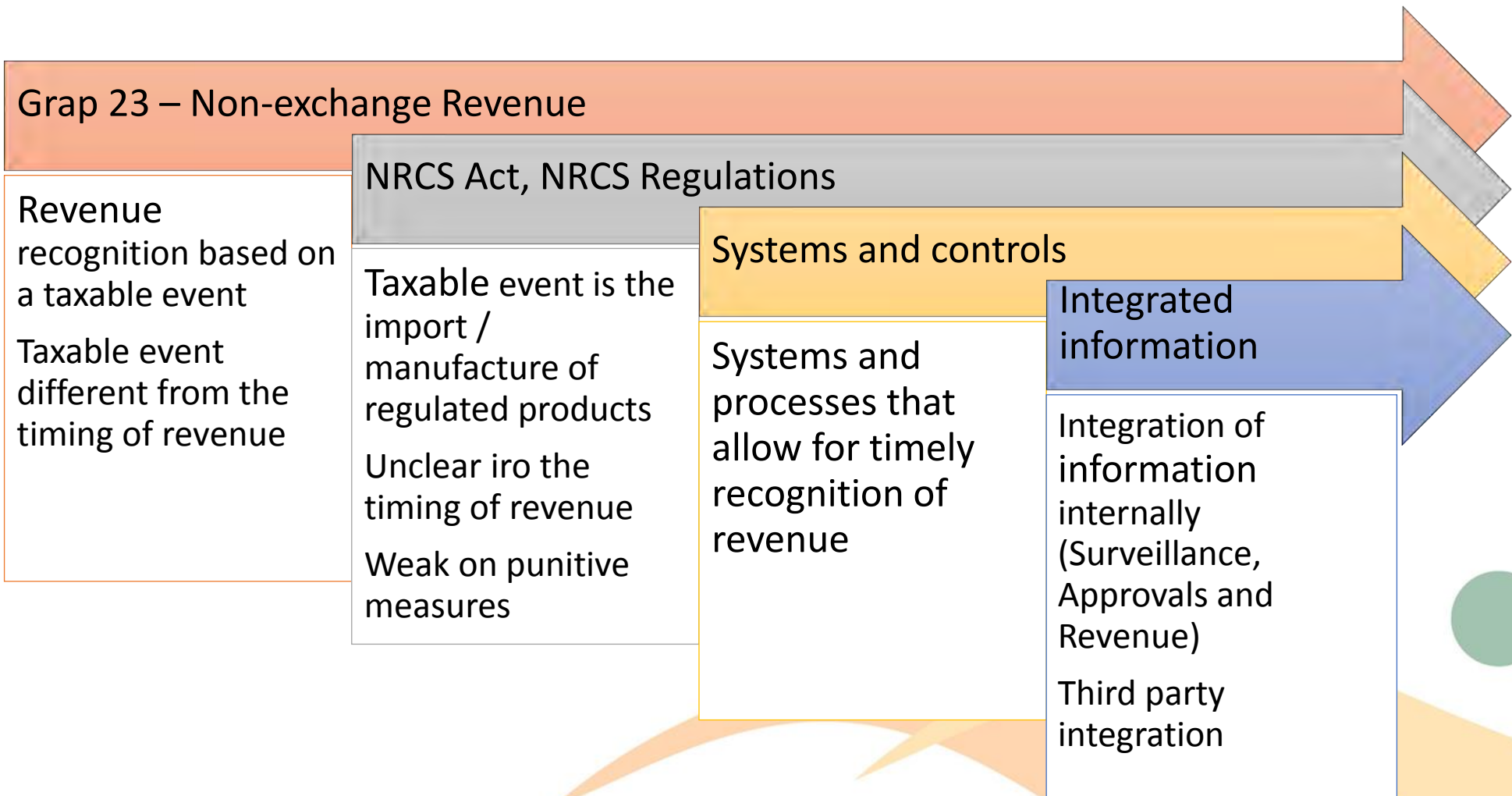
Expenditure



	2014	2015	2016	2017	2018
Employee cost	178 278 802	217 186 399	237 057 787	258 177 098	280 262 025
Operational Cost	67 680 597	61 327 189	71 253 020	68 443 236	66 135 263
Total Expenditure	245 959 399	278 513 588	308 310 807	326 620 334	346 397 288

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

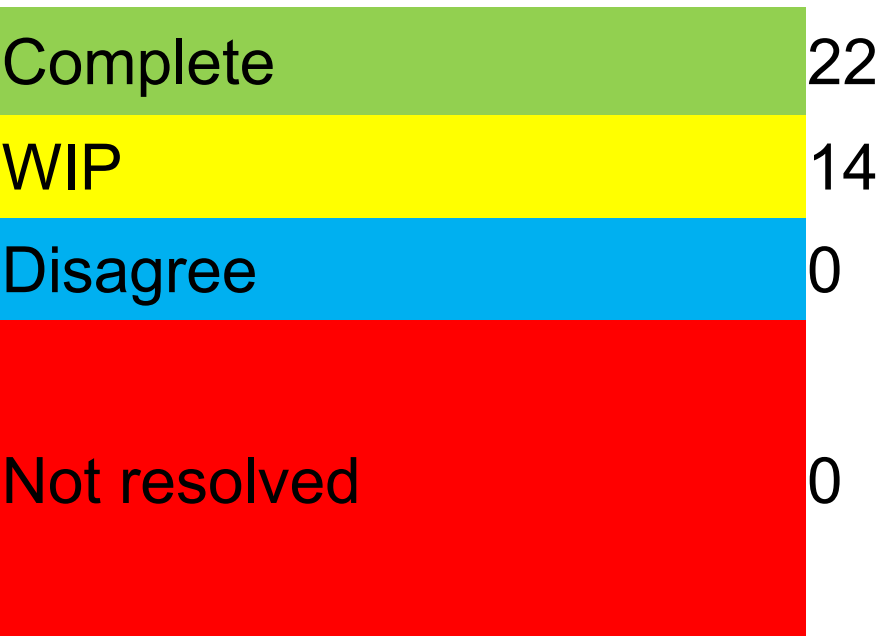
- Information sharing and system integration

Revenue Qualification Plan: Progress

Plan	Progress to date
<ul style="list-style-type: none"> Data Analysis to ensure all known companies are registered on Financial System Estimation of Revenue Introduce LOA validity period 	<ul style="list-style-type: none"> All companies issued with LOAs registered on the NRCS financial System 148 Companies of the inspected companies that were found to be potential Levy payers are in the process of being registered. End date 30 September 2018 Business processes amended to incorporate registration of companies as and when they are inspected or when they apply for an approval certificate Engaging with Treasury – Office of Accountant General on mechanisms to estimate revenue In progress as and when the VCs get amended
<p>NRCS Modernisation</p> <ul style="list-style-type: none"> ERP system implementation Business process re-design 	<ul style="list-style-type: none"> Delays in appointment of Service Provider – Responses were inadequate, no suitable service provider was identified. Tender to be re-advertised by 28 September 2018 Modernisation concept has been developed. 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.

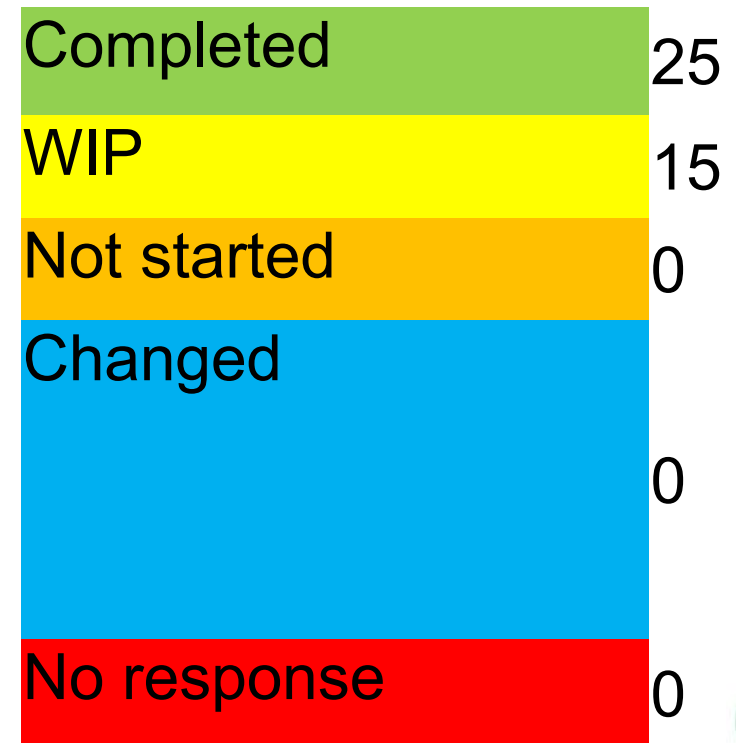
2016/17 Qualification Findings Matrix

Audit findings



36

Action plans



Total

40

2017/18 Qualification Findings Matrix

Audit findings

Complete	9
WIP	35
Disagree	0
Not resolved	0

Action plans

Completed	9
WIP	35
Not started	0
Changed	0
No response	0

44

TOTAL

44

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