

# **Presentation to the Portfolio Committee on Trade, Industry and Competition on NRCS' Annual Performance Plan 2023/24 Financial Year**

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Chief Executive Officer**

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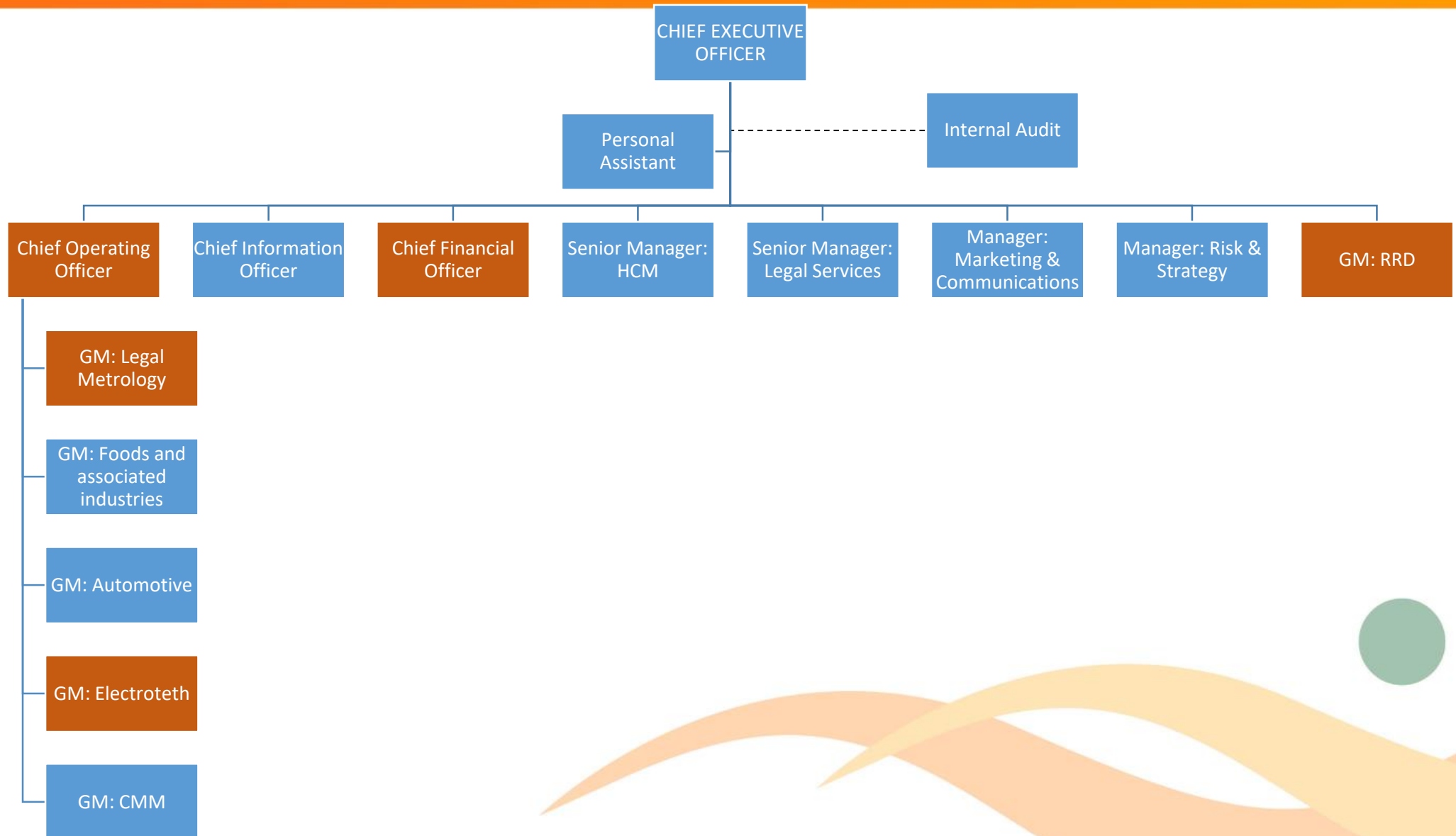
# NRCS Delegation

- ☐ Mr. Edward Mamadise
  - ☐ Chief Executive Office
- ☐ Mr. Duncan Mutengwe
  - ☐ Acting Chief Operations Officer
- ☐ Mr. Oupa Kgasago
  - ☐ Chief Information Officer
- ☐ Mr. Mandla Mokoena
  - ☐ Acting Chief Financial Officer
- ☐ Mr. Edward Matemba
  - ☐ Manager: Strategy and Risk

# Scope of Presentation

- ❑ High level Organisational Structure
- ❑ Context
- ❑ Strategic Focus
- ❑ Strategic Overview of the NRCS
  - ❑ Strategic Goals, Mission, Vision
  - ❑ Regulated industries
- ❑ 2023/24 Key Performance Areas
  - ❑ 2023/24 Targets
- ❑ 2023/24 Financial Overview
- ❑ Strategic Risks
- ❑ ICT Modernisation

# High level Organisational Structure



# Strategic Context

Changes in trade trends have led to an increase in imports and consequently an increase in commodities coming through South African ports of entry

This calls for enhancements in the regulatory framework;

Improved market intelligence;

More sophisticated techniques to analyse risks related to the regulated product, company and country of origin.

# Strategic Focus

## Financial Sustainability

- Ensure that the NRCS is financially self-sufficient through the efficient and effective collection of levies

## Dedicate resources towards the non-complaint companies

- Improvements in the sanctioning of non-compliant products in the trade through the development of an enhanced enforcement capability

## Stakeholder Engagement

- Collaboration with industry and other stakeholders
- Improvements in Consumer and stakeholder recognition, awareness and understanding of compulsory specifications / technical regulations, as well as of the NRCS and its mandate

# Strategic Focus

## Effective utilisation of an innovated regulatory framework

- Achieve high impact for Market Surveillance
- Risk Based Approach to approvals and inspections, to optimise the usage of our resources in ensuring compliance

## Transitioning the NRCS to be an efficient and effectively functioning organisation

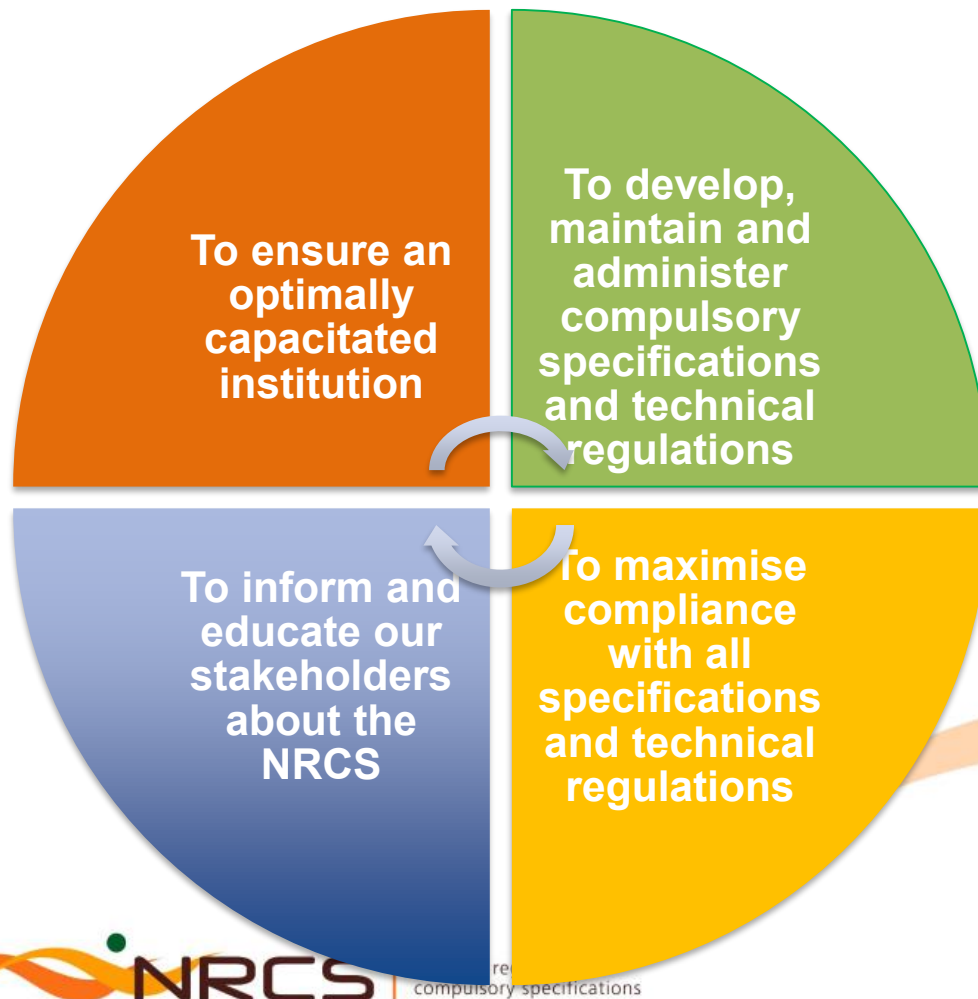
- Involves the implementation of the innovated NRCS organisation design and the filling of permanent positions in which competent, professional employees have the confidence and ability to deliver
- Ensuring sound and effective organisational governance

## The modernisation of ICT and other systems, including data management

- This will inform innovative ways of working that enable the NRCS to be agile, effective, efficient, accessible and intelligent in the way it delivers on its mandate

# NRCS Strategy, Mission and Vision

## NRCS Strategic Goals



## Mission & Vision





# NRCS Core Process



# Achieving NRCS Mandate and Supporting the dtic Key Performance Areas

- ❑ The APP is designed to:
  - ❑ Facilitate transformation of the economy to promote industrial development, investment, competitiveness and employment creation
  - ❑ Enable trade
  - ❑ Enable and promote exports especially within the fisheries sector
  - ❑ Build mutually beneficial regional and global relations to advance South Africa's trade, industrial policy and economic development objectives
  - ❑ Create a fair regulatory environment that enables investment, trade and enterprise development, in an equitable and socially responsible manner

# Industries regulated by NRCS

Industry Sector	Product regulated / Service rendered
Automotive	Vehicles, Replacements components, Manufacturers, Importers and Builders of Motor Vehicles
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

## Key Performance Areas

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

- Ensuring Compulsory Specifications are responsive to public and environmental requirements
- Accelerating the harmonisation and adoption of international regulations
- Working closer with the dtic to ensure clear alignment of interests and to reduce any potential delays in gazetting

Output Measure	Indicator	/	2019/20	2020/21	2021/22	2022/23	Target 2023/24	Target 2024/25	Target 2025/26
Number of Compulsory Specifications (new, amended or withdrawn) submitted to the dtic			10	8	12	5	10	11	12

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

- ❑ Ensure well-focused inspections that contribute to improved compliance
- ❑ Develop an effective, efficient and responsive process to enable timeous testing, as may be required
- ❑ Develop an efficient, consistent approach to Risk Based Regulation, executed in a disciplined way
- ❑ On an ongoing basis, evaluate and assess levels of compliance in the market through sampling, testing, and trend analysis.
- ❑ Implement compliance activities that enables positive economic contribution whilst contributing to greater inclusivity of economic participation on the part of entrepreneurs, SMMEs and compliant businesses

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

Output Indicator / Measure	2019/20	2020/21	2021/22	2022/23	Target 2023/24	Target 2024/25	Target 2025/26
Inspections -Automotive, Chemicals Materials and Mechanicals (CMM), Electro-technical and Legal Metrology	21 552	10 560	21 065	21 254	20 433	21 485	21 552
Percentage of Inspections conducted fish and fishery &canned fishery and meat products	100%	100%	100%	100% (26 553)	100%	100%	100%
Number of inspections conducted on live, chilled and frozen fishery, processed meat products, retail, fishery and meat processing factories and vessels	2150	1942	2247	2 701	2458	2443	2443

- ❑ Conduct 100% inspections on all declared regulated foods and associated products, this translates to between 26 000 and 28 000 inspections per year
- ❑ Non-complaint products are either corrected if possible, sent back to the country of origin, destroyed or recycled



Strategic Goal 2: To maximise compliance with all specifications and technical regulations							
Output Indicator / Measure	2019/20	2020/21	2021/22	2022/23	Target 2023/24	Target 2024/25	Target 2025/26
Trade Facilitation: Facilitate exportation of canned meat, fish and fishery products					R8 billion worth of products exported	R8,5 billion worth of products exported	R9 billion worth of products exported
Percentage of gaming approval applications finalised (approved or rejected or closed) within 30 days	96%	99,89%	100%	100%	99%	99%	99%
Percentage of approval applications finalised within the set timeframes in Automotive, Electro-technical, Chemical Materials and Mechanicals.	91,8% within 120 calendar days	92% within 120 days	95% within 120 days	95% within 120 days	95% within 90 days	95% within 90 days	95% within 90 days
Identify and sanction non-compliant products and services enable complaint business to trade fairly	-	-	-	-	R350 million	R370 million	R390 million



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

Products	Sample frequency
Local produced Fisheries	
Canned Fish	Each production run manufactured
Canned Meat	Each production run manufactured
Frozen Fishery products	Monitoring process
Imported Fisheries	
Canned products	Each consignment imported
Frozen products	Each consignment imported
Exports Fisheries	
Frozen Products	Each consignment on request of exporter
Chilled Fish	Each consignment exported to the EU
Live Export consignments	Each consignment on request
Fisheries Facility inspections	
Factory inspections	Bi-annually
Vessel inspections	Annually
All other regulated Industries	
Automotive Products	Monitoring Process – Risk Determined
Electro-technical Products	Monitoring Process – Risk Determined
Chemicals	Monitoring Process – Risk Determined
Fire producing devices	Monitoring Process – Risk Determined
Legal Metrology processes	Monitoring Process – Risk Determined

### Inspections

Scheduling and frequency is per the risk classification of the product.

In addition the NRCS is implementing the risk based approach – product, company and country of origin risks are taken in to consideration

# Strategic Goal 3: To inform and educate our stakeholders about the NRCS

- ❑ Aim to increase awareness of the role and mandate of the regulator, as well as of technical regulations and compliance
- ❑ Build on high levels of compliance by the industry
- ❑ This goal will be achieved through effective communication initiatives, through the media, stakeholder engagements (implementation of the NRCS Stakeholder Engagement Plan) and targeted awareness campaigns.

Output Indicator / Measure	2019/20	2020/21	2021/22	2022/23	Target 2023/24	Target 2024/25	Target 2025/26
Number of stakeholder and consumer education events or campaigns	10	10	21	26	12	14	15
Approved Stakeholder Engagement Strategy and % Implementation of the Stakeholder Engagement Strategy (number of engagements completd/total planned)	88%	60%	98%	95%	96%	97%	98%

# Strategic Goal 4: To ensure an optimally capacitated institution

- ❑ This goal will be achieved when the NRCS effectively and efficiently utilises all available resources in the most optimal manner.
  - ❑ Human Resource capacity that is highly engaged, skilled and competent.
  - ❑ Effort will be focused on filling vacant positions in the approved structure
  - ❑ An ICT Platform that fully supports the business with dedicated resources allocated to the modernisation review project
  - ❑ A reviewed and innovated NRCS funding model
  - ❑ Sound financial management and supply chain management systems

# Strategic Goal 4: To ensure an optimally capacitated institution

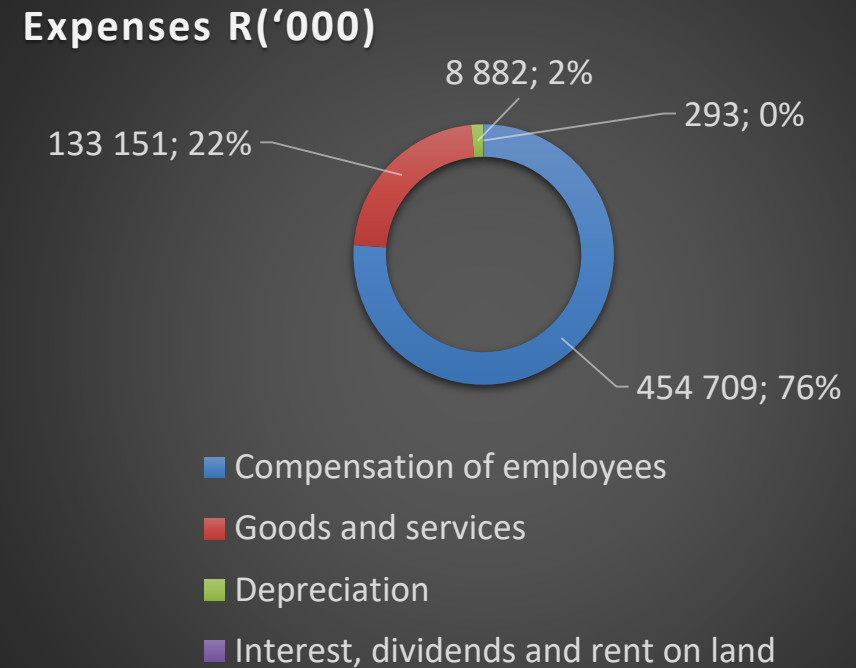
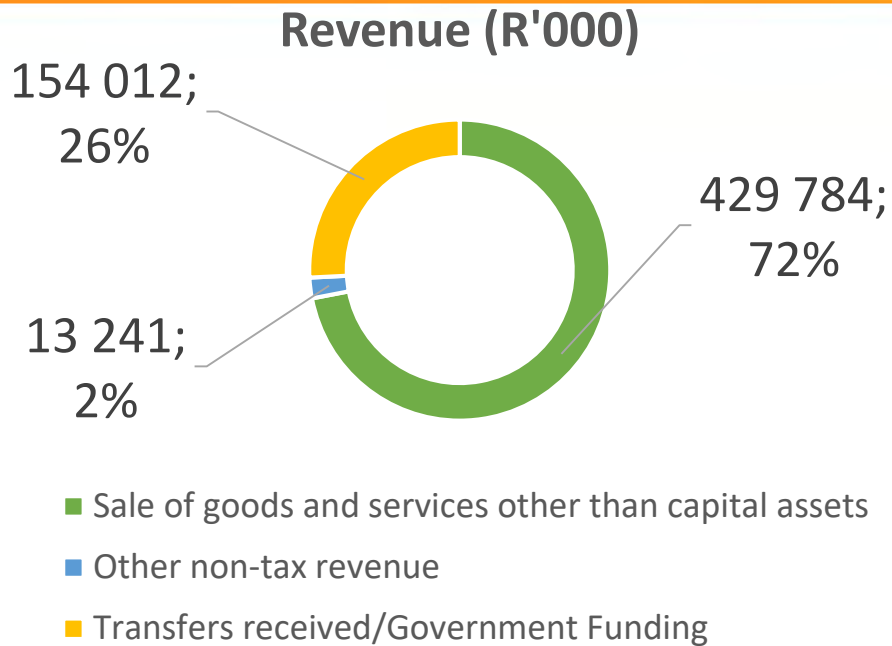
Output Measure	Indicator /	2019/20	2020/21	2021/22	2022/23	Target 2023/24	Target 2024/25	Target 2025/26
Percentage (%) of vacancies. Vacancy rate of approved and funded posts		6%	5%	5%	14%	8%	8%	7%
Number of employees employed through the internship programs				21	21	30	33	35
Percentage revenue generated against the revenue budget for levies and service revenue		-	-	-	-	95% revenue budget achieved	95% revenue budget achieved	95% revenue budget achieved
Percentage (%) implementation of Modernization related projects		50% implementation of ICT Master	45% Modernization related projects achieved	95% Enterprise Resource Planning	Not achieved	50% implementation of Operations System	100% implementation of Operations System	97% implementation of the NRCS ICT Strategy

# Alignment to dtic 45 Outcome Indicators

Output No.	Outputs	Outcomes
Output 3	R8billion exports canned meat and fisheries	Industrialisation
Output 13	30 Internship positions to be filled	Transformation
Output 18	Conduct four Energy Efficiency Blitz targeting non-compliant products on the market	Industrialisation & Transformation
Output 22	Reduce turn-around times for LOAS from 120 days to 90 days	Industrialisation, Transformation And Capable State
Output 27	Participate in Harmonisation of regulations within SADC and Africa	Industrialisation
Output 32	<b>20 Case studies</b> of firms, workers, entrepreneurs, professionals or communities' individuals impacted by <b>the NRCS</b> measures	Capable State
Output 33	<b>6 Community outreach</b> programmes by <b>the NRCS</b> as part of the rural engagement initiatives	Industrialisation, Transformation & Capable State
Output 35	Ensure that at least 90% of planned KPIs are achieved	Industrialisation, Transformation & Capable State
Output 40	Reduce turn-around times for LOAS from 120 days to 90 days	Industrialisation, Transformation & Capable State

## Financial Overview

# Financial Performance (Revenue and Expenses) 2023/24



- Total Revenue R597,037 million
- Total Expenses R597,036 million
- NRCS expecting to break even during the medium term
- 72% of the revenue is from levies and service fees
- 26% of revenue is government funding
- 77% of Average increase in costs over the medium term which is less than the inflation estimate
- Revenue will increase on average by 5% over the medium term
- Government grant will increase by 4% over the medium term
- Expenses will increase by 5% over the medium term
- 77% of the budget will go towards employee related expenses – NRCS market surveillance activities are labour intensive
- 23% of the budget will go towards all other business expenses except capital expenditure

# Financial Performance

Statement of financial performance	Audited outcome	Audited outcome	Audited outcome	Budget estimate	Approved budget	Medium-term estimate		
R thousand	2019/20	2020/21	2021/22	2022/23	2022/23	2023/24	2024/25	2025/26
<b>Revenue</b>								
<b>Sale of goods and services other than capital assets</b>	325,645	285,621	323,301	411,364	409,267	429,784	449,305	469,657
<b>Other non-tax revenue</b>	27,382	15,353	15,427	14,264	14,271	13,241	15,568	16,265
<b>Transfers received/Government Funding</b>	139,501	126,126	144,099	147,560	147,560	154,012	160,704	167,680
<b>Total revenue</b>	492,528	427,100	482,827	573,188	571,098	597,037	625,576	653,603
<b>Expenses</b>								
<b>Compensation of employees</b>	335,470	357,263	373,075	442,140	439,538	454,709	482,227	503,831
<b>Goods and services</b>	92,616	75,723	102,888	122,259	124,769	133,151	133,344	139,318
<b>Depreciation</b>	7,013	9,588	6,408	8,508	6,493	8,882	9,279	9,694
<b>Interest, dividends and rent on land</b>	67	259	1,193	281	288	293	306	320
<b>Transfers and subsidies</b>	—	—	—	—	—	—	—	—
<b>Total expenses</b>	<u>435,166</u>	<u>442,833</u>	<u>483,564</u>	<u>573,188</u>	<u>571,087</u>	<u>597,036</u>	<u>625,157</u>	<u>653,164</u>
<b>Surplus/(Deficit)</b>	<b>57,362</b>	<b>(15,733)</b>	<b>(737)</b>	<b>—</b>	<b>11</b>	<b>1</b>	<b>420</b>	<b>439</b>



# Financial Performance per Strategic Goal

	Audited outcome	Audited outcome	Audited outcome	Approved budget	Medium-term estimate (R'000)		
R thousand	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Administration	49,443	49,316	58,676	77,810	86,261	81,632	85,289
Maximise compliance with all specifications and technical regulations	290,663	291,071	307,306	374,104	383,899	411,930	430,384
Develop, maintain and administer compulsory specifications and technical regulations	8,962	9,423	9,102	12,630	11,156	13,811	14,430
Inform and educate stakeholders on the regulator's mandate	6,970	12,114	12,440	16,030	16,673	17,570	18,357
Ensure an optimally capacitated institution	79,128	80,909	96,040	90,513	99,048	100,214	104,703
<b>Total expense</b>	<b>435,166</b>	<b>442,833</b>	<b>483,564</b>	<b>571,087</b>	<b>597,037</b>	<b>625,156</b>	<b>653,163</b>

- 5% Average increase in costs over the medium term which is less than the inflation estimate
- Admiralty costs increasing due to centralization of costs for transportation, storage and destruction of non-compliant goods
- On average 65% of the budget is allocated to direct enforcement costs (Market Surveillance Inspections and Pre-market Approvals)

# Capex

Category	Total	2023/2024	2024/2025	2025/2026
Building structure	47,505,000	35,000,000	12,500,000	5,000
furniture	13,480,000	6,680,000	6,200,000	600,000
hardware	23,700,000	13,500,000	5,200,000	5,000,000
Lab Equipment	7,193,295	4,193,295	1,600,000	1,400,000
Office equipment	394,500	134,500	130,000	130,000
OTHER	2,850,000	2,700,000		150,000
software	44,000,000	29,000,000	10,000,000	5,000,000
Total	139,122,795	91,207,795	35,630,000	12,285,000

- Building – Port Elizabeth Building under refurbishment.
- Hardware is for new servers and ICT equipment to replace old equipment
- Laboratory equipment is to modernize NRCS Laboratories – NRCS has laboratories for Foods and Legal Metrology as part of its mandate as an Inspection Body

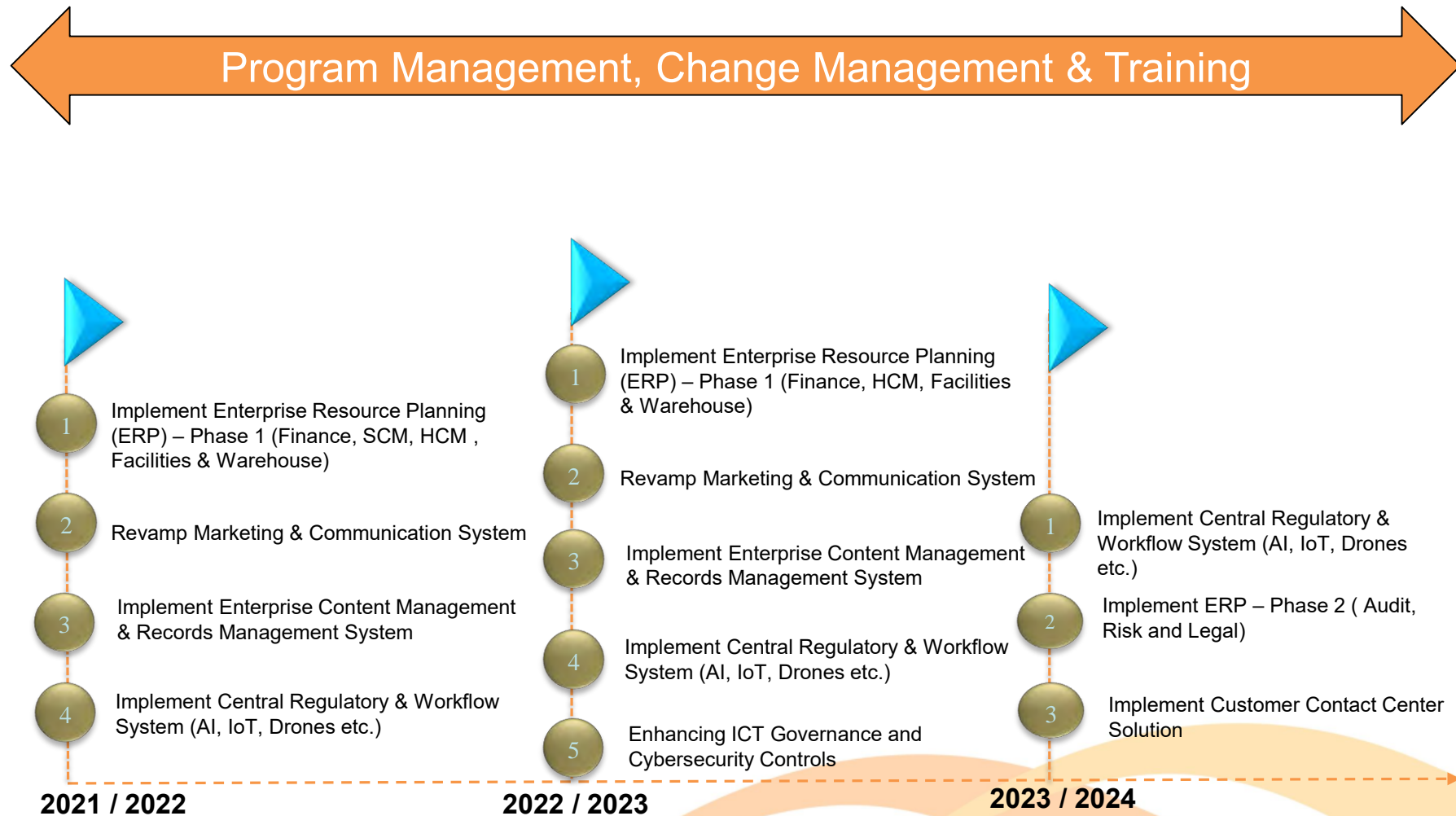
## Strategic Risks

# Strategic Risks

- ❑ Ineffective Regulation of the market/Unregulated products/services
- ❑ Non-compliant regulated products in the market
  - ❖ High number of non-complaint imports and abandoned consignments
- ❑ Inadequate sanctioning of non-compliances
- ❑ Financial Sustainability of the NRCS
  - ❖ Stagnant tariffs and resolution of underfunded mandates
- ❑ Inadequate IT Systems
- ❑ Fraud and Corruption
- ❑ Inadequate compliance with legislation (NRCS Act, PFMA, POPIA, NRCS Act and other related legislation)
- ❑ Inadequate Human Capital Management
  - ❖ Volatile labour environment

## ICT Modernisation Project

# REVISED MODERNISATION ROADMAP



❑ Enterprise Resource Planning Implemented–The target is to resolve all issues from the project, transition to full Support and Maintenance and start process optimization in July 2023.

# Thank You