

Presentation to the Portfolio Committee on Trade, Industry and Competition

NRCS Annual Report for 2021/22 Financial Year and Quarter 1 Report for 2022/23 Financial Year

Edward Mamadise
Chief Executive Officer

NRCS Delegation

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

Scope of Presentation

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

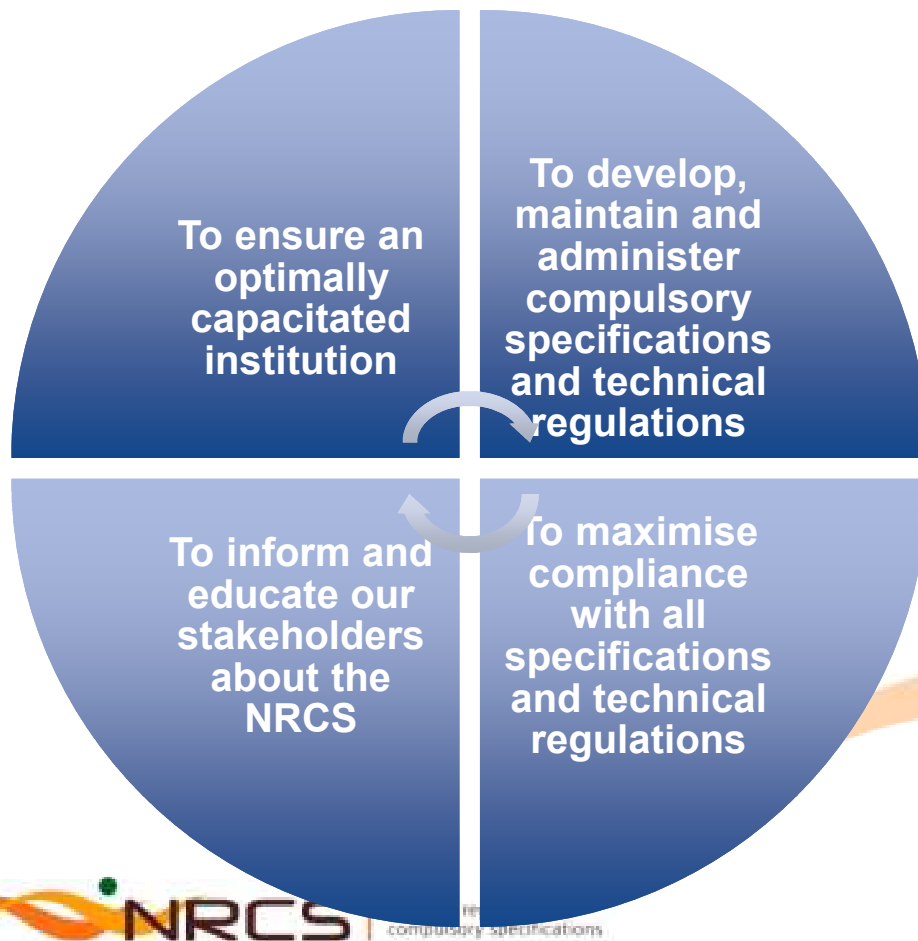
- ❑ 2021/22 Annual Report
 - ❑ Audit report – AGSA

- ❑ Quarter 1 2022/23 Financial and Non-Financial Performance
 - ❑ Non-Financial Performance and highlights
 - ❑ Financial Performance

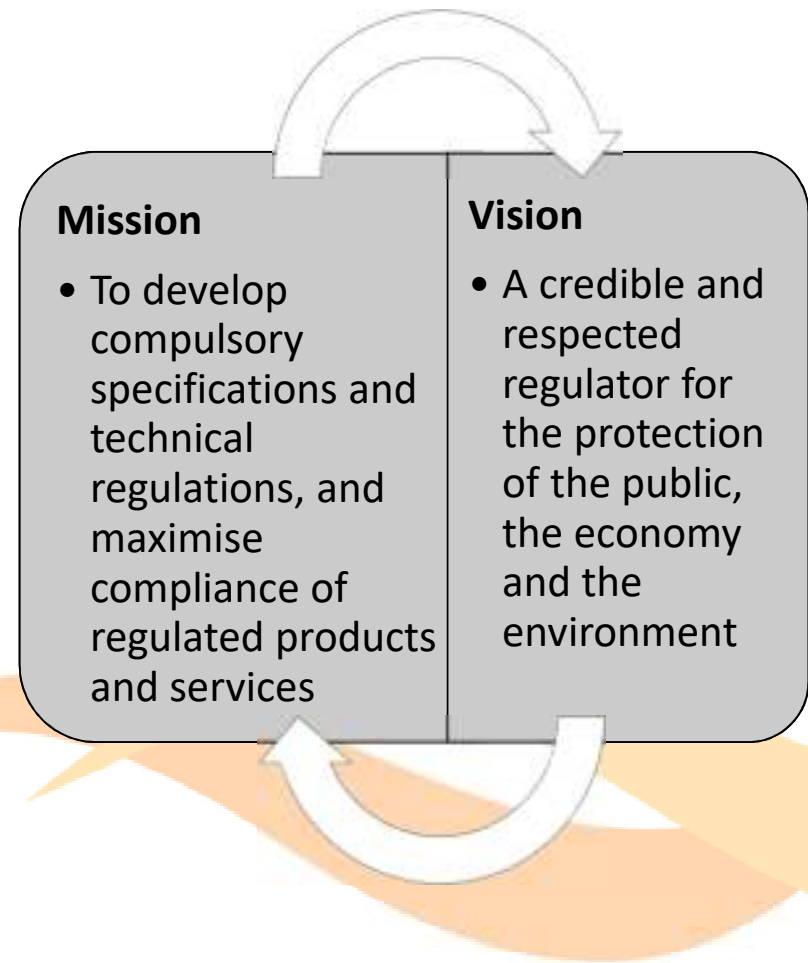
- ❑ ICT Modernisation
- ❑ Legacy Issues

NRCS Strategy, Mission and Vision

NRCS Strategic Goals



Mission & Vision



Industries regulated by NRCS

Industry Sector	Product regulated / Service rendered
Automotive	Vehicles, Replacements components, Manufactures 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



National regulator for
consumer products

Highlights for the 2021/22 Financial Year



2021/22 Highlights

- ❑ Received unqualified audit opinion
 - ❑ Resolved the revenue qualification
 - ❑ Utilizing the levy estimation methodology and will continue to improve on the current controls
- ❑ Facilitated the exportation of fish and fishery products particularly to the European and Asian markets. In this regard 7 823 health guarantee certificates were issued.
- ❑ The value of fish and fishery exports was approximately R15,678 billion
- ❑ NRCS removed approximately R438 million worth of non-compliant products across all regulated industries
- ❑ Embarking on effectiveness review project

2021/22 Highlights

- ❑ No LOA backlog
- ❑ LOAs now being finalized within 120 except where the client and the industry fail to resolve findings or NRCS concerns and the NRCS gives an extension over and above the usual 30 days to resolve the queries.
- ❑ NRCS reviewed some of the LOA business processes to bring in efficiency.
- ❑ 76% of the LOAs finalized within 60 days
- ❑ All container releases were effected within 10 days
- ❑ Offered Business Assistance by allowing industry whose SA manufacturing premises were destroyed due to July 2021 unrest, to source already approved products from other foreign manufacturing premises.

2021/22 Financial Year Annual Report

Strategic Goal 1: Compulsory Specifications

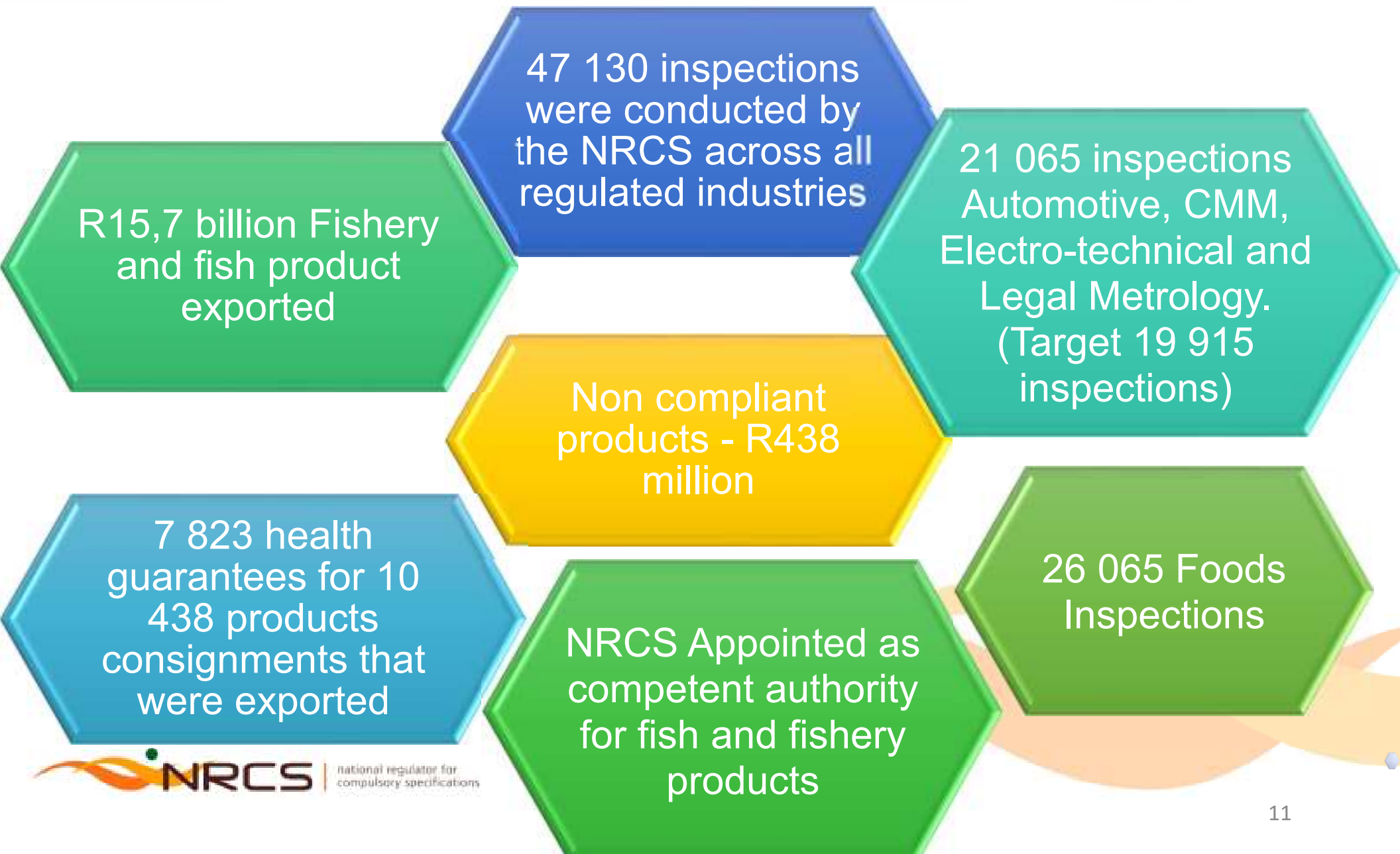
Compulsory Specifications and Technical Regulations

12 Compulsory Specifications/ Technical Regulations submitted to the **dtic** for 1st Gazetting – target achieved

Interim requirements for the following instruments/devices were developed and approved by the CEO of the NRCS:

- a) Average Speed over distance
- b) Fixed–Distance Speed Meters
- c) Multi-Dimensional Instruments

Strategic Goal 2: 2021/22 Inspections

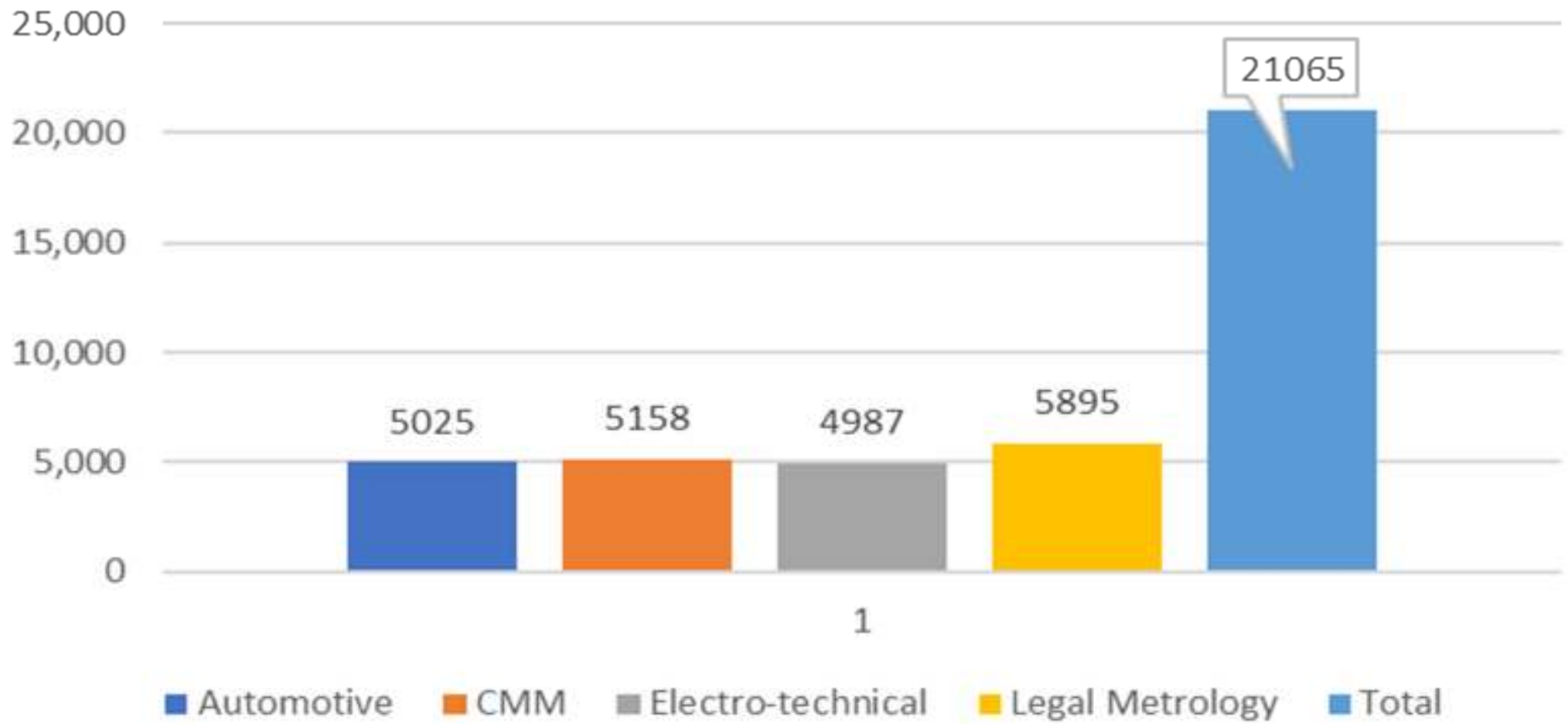


Strategic Goal 2: Inspections

- ❑ The NRCS has implemented the compulsory specification on processed meats that was introduced after the listeriosis outbreak. Regulatory activities will be increased as the funding is received.
- ❑ Inspected 100% of all declared consignments and productions of foods and associated products.
- ❑ Due to NRCS' work with exportation and the risk associated with foods and associated products, NRCS inspects **100% of all declared consignments and production.**
- ❑ In respect of all other industries, inspections are as per the NRCS risk based approach.

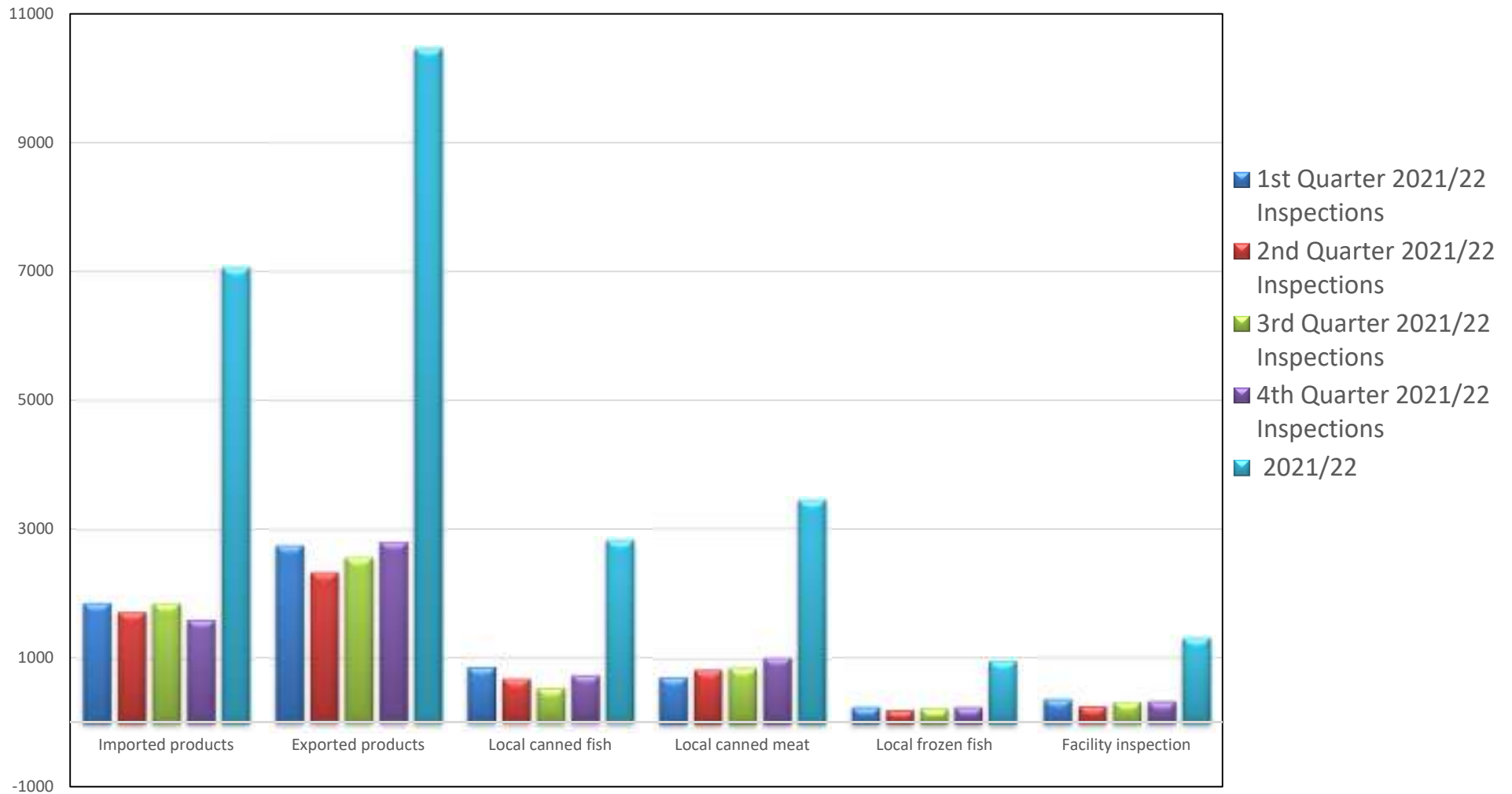
Strategic Goal 2: Inspections

Market Surveillance Inspections



Strategic Goal 2: 2021/22 Inspections

Foods and Associated Industries Inspections per category per quarter



Strategic Goal 2: Pre-market Approvals

Gaming Approvals

- 100% issued within 30 days

Approvals: Automotive, CMM, Legal Metrology and Electro-technical

- 20 872 applications processed
- 18 358 LOAs granted
- 93% issued within 120 days
- -2% variance due to failure by industry to comply with the set requirements

No LOA backlog experienced during the year

Medium and low risk approvals applications

- Applications on average finalised within 30 days

Legal Metrology Designation and Verification

- ❑ Legal Metrology designated 104 verification and 93 repair bodies during the year.
- ❑ A total number of 270 persons wrote 428 theoretical examination papers of which 222 (51, 9 %) examination papers were passed.

	MALE	FEMALE
AFRICAN	119 (48.1 %)	22 (95.6 %)
COLOURED	17 (6.9 %)	0 (0 %)
INDIAN	2 (0.9 %)	0 (0 %)
WHITE	109 (44.1 %)	1 (4.4 %)
TOTAL	247	23

Targeted Interventions and Stakeholder Engagements

- ❑ Surprise raid on suspected illegal treated timber products in Limpopo and NRCS is targeting identified high risk areas
- ❑ Johannesburg, Cape Town and Durban raids for Automotive, Electro-technical and Chemical, Mechanical and Materials
- ❑ Gauteng and Cape Town destruction of non-compliant products across all regulated industries
- ❑ Eleven Rural Community Engagement Programmes were initiated to target non-compliant businesses in these communities and NRCS is donating some products to the communities
- ❑ Annual Building Control Officers Convention
- ❑ Annual Commemoration of the Legal Metrology Day

Stakeholder Engagements

- ❑ Harmonization of technical regulations – The NRCS is participating in various forums at SADC, Continental and international forums with regards to harmonization of technical regulations.
 - ❑ SADC MEL, SADC TRLC, SADC SPS, SADC TBTSC
 - ❑ Africa Region Standard Organisation
 - ❑ AFRIMETS
 - ❑ OIML
 - ❑ WP. 29 – Automotive
 - ❑ International Consumer Product Health and Safety Organisation
- ❑ The NRCS also have agreements with a number of countries enabling mutual recognition of approval certificates and foods health guarantees.
 - ❑ Botswana, Mauritius, Mozambique, Namibia and Zambia
 - ❑ Thailand

Strategic Goal 3: Stakeholder Engagement

98% Stakeholder Engagement Strategy implementation

- -2% variance which was mainly due to COVID-19 restrictions
- Rural Community Engagement events held in Limpopo and North West to educate the community on the mandate of the NRCS

Stakeholder and consumer education events or campaigns conducted

- 21 Stakeholder awareness campaigns: +17% variance
- TV advert was aired on commercial TV stations as well as community TV stations
- Media statements were issued among others on various platforms covering non-compliances and other NRCS activities

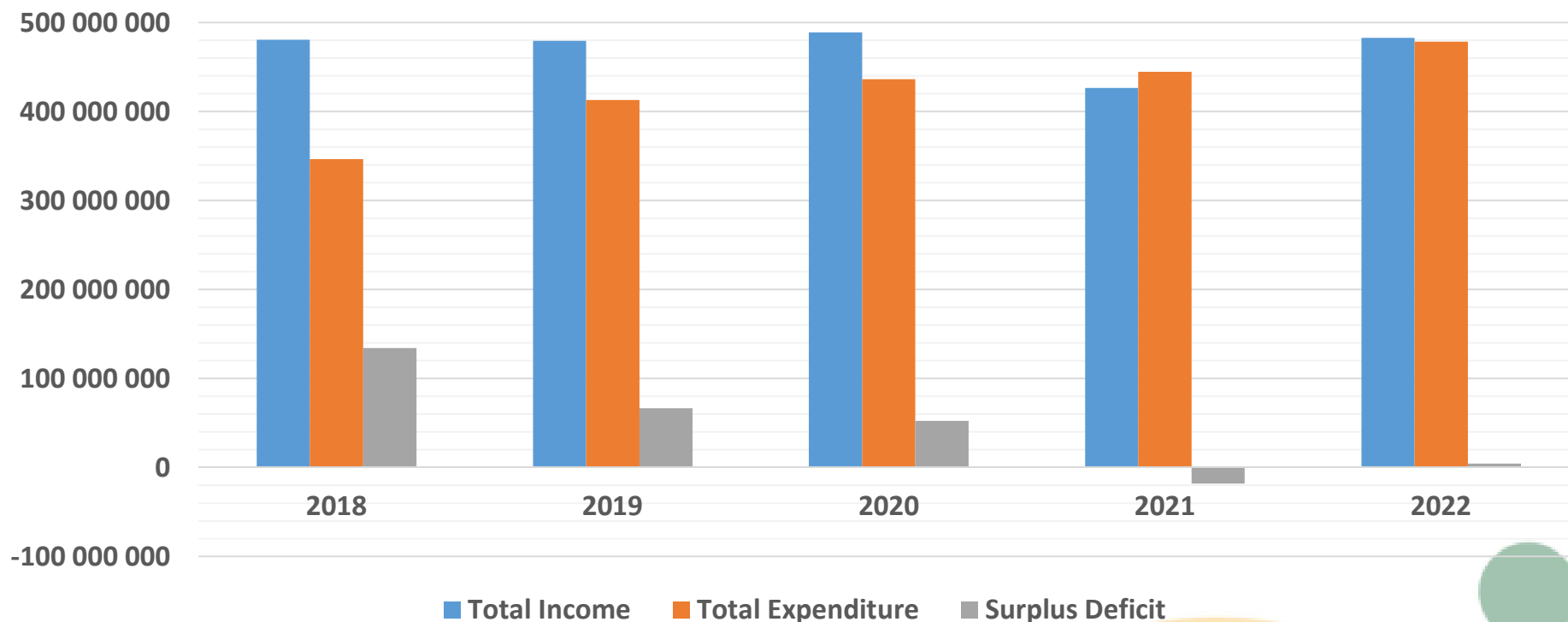
NRCS is also accessible and utilizing the Facebook, Twitter, Instagram, YouTube and Google Account to create easy access and market the organization

Strategic Goal 4: Human Resources and ICT

- ❑ The organization has a 12% vacancy rate against a target of 6%
- ❑ 80% implementation of Enterprise Resource Planning System.
- ❑ Assisting Youth – The NRCS has an internship programs with 21 candidates. 25 new interns will start in January 2023 and will receive R8300 stipend.

Statement of Financial Performance as at 31 March 2022

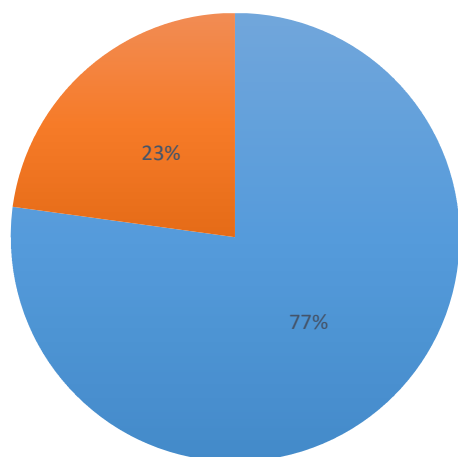
Income Statement Summary



	2018	2019	2020	2021	2022
Total Income	480,688,210	479,571,576	488,836,932	426,568,562	482,826,932
Total Expenditure	346,405,618	413,122,400	436,476,079	444,564,342	478,456,833
Surplus Deficit	134,282,592	66,449,176	52,360,853	-17,995,780	4,370,099

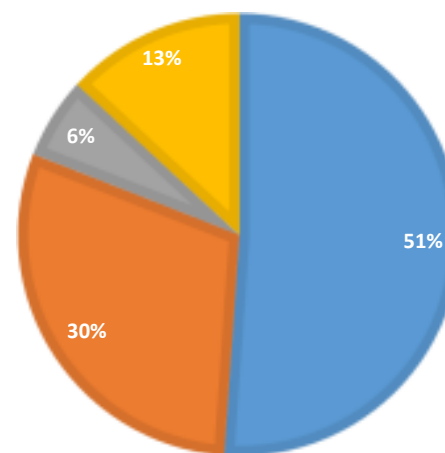
Statement of Financial Performance Breakdown as at 31 March 2022

2022 EXPENDITURE



■ Employee Costs ■ Operational Costs

2022 REVENUE



■ Levies ■ Core Funding ■ Services ■ Other Income

	2018	2019	2020	2021	2022
Levies	264,334,268	252,951,351	251,290,607	213,124,934	246,727,867
Core Funding	128,754,000	146,104,000	139,501,000	126,126,000	144,099,000
Services	65,114,734	26,548,481	28,873,168	23,188,192	28,771,832
Other Income	22,494,208	53,967,744	69,172,157	64,129,436	63,228,233
Total Income	480,697,210	479,571,576	488,836,932	426,568,562	482,826,932
Employee Costs	280,262,027	303,113,620	334,045,127	359,814,823	369,194,934
Operational Costs	66,143,591	110,008,780	102,430,952	84,749,519	109,261,899
Total Expenditure	346,405,618	413,122,400	436,476,079	444,757,720	478,456,833
Surplus/Deficit	134,291,592	66,449,176	52,360,853	-18,189,158	4,370,099

Irregular, Fruitless and Wasteful expenditure and Fraud

Irregular Expenditure

- ❑ Irregular expenditure incurred in the 21/22 financial year amounted to R6 431 168 (2021: R9 368 765).
 - ❑ R 3 million is for expired leases/contracts
 - ❑ All expired lease contracts have been regularized and in the process of regularizing the remaining lease agreement.
 - ❑ R3.2 million is for non-compliance to SCM policy wherein tender was advertised for less than 21 days without approval of the Accounting Authority.
 - ❑ This has since been condoned by the Accounting Authority after National Treasury referred it back to the NRCS

Fruitless and Wasteful Expenditure and Fraud

- ❑ Fruitless and Wasteful expenditure incurred in the 21/22 financial year amounted to R2 785 895
 - ❑ This related to a water leak in the Port Elizabeth Building. This matter is under investigation and will be dealt with in accordance with the Framework for Fruitless and Wasteful Expenditure.
- ❑ Fraud:
 - ❑ There was fraud amounting to R4,5 million in the last 2020/21 Financial wherein an employee facilitated fictitious refunds.
 - ❑ Case opened with the SAPS and the employee is on suspension
 - ❑ Disciplinary process finalized, NRCS awaiting final report

2022/23 Quarter 1 Report Presentation

Quarter 1 Performance

Facilitated trade - R5,3 billion fishery exports

5 484 inspections for automotive, electro-technical, chemicals, materials and legal metrology related products

Conducted 100% of inspections on all declared fisheries and processed meats locally produced, imported and exported

Found non-compliant products estimated at R76 million

1830 compliance certificates and factory/vessel approval certificates

7053 Foods and associated products inspections

2180 health guarantees



Quarter 1 Performance

- ❑ One Compulsory Specification submitted
- ❑ 100% of all gaming approval applications processed within 30 calendar days
- ❑ 93% of all approval applications processed within 120 calendar days
- ❑ 4 consumer awareness sessions
 - ❑ Conducted a raid on Treated Timber in Limpopo covering areas such as Polokwane, Mokopane, Mahwelereng, Tzaneen Modjadji and surrounding. During the operation, non-compliant timber was identified and confiscated. 3 735 non-compliant poles were confiscated and transported to our storages.
 - ❑ Conducted rural community engagement event in North West (Mafikeng) to educate the community about NRCS mandate

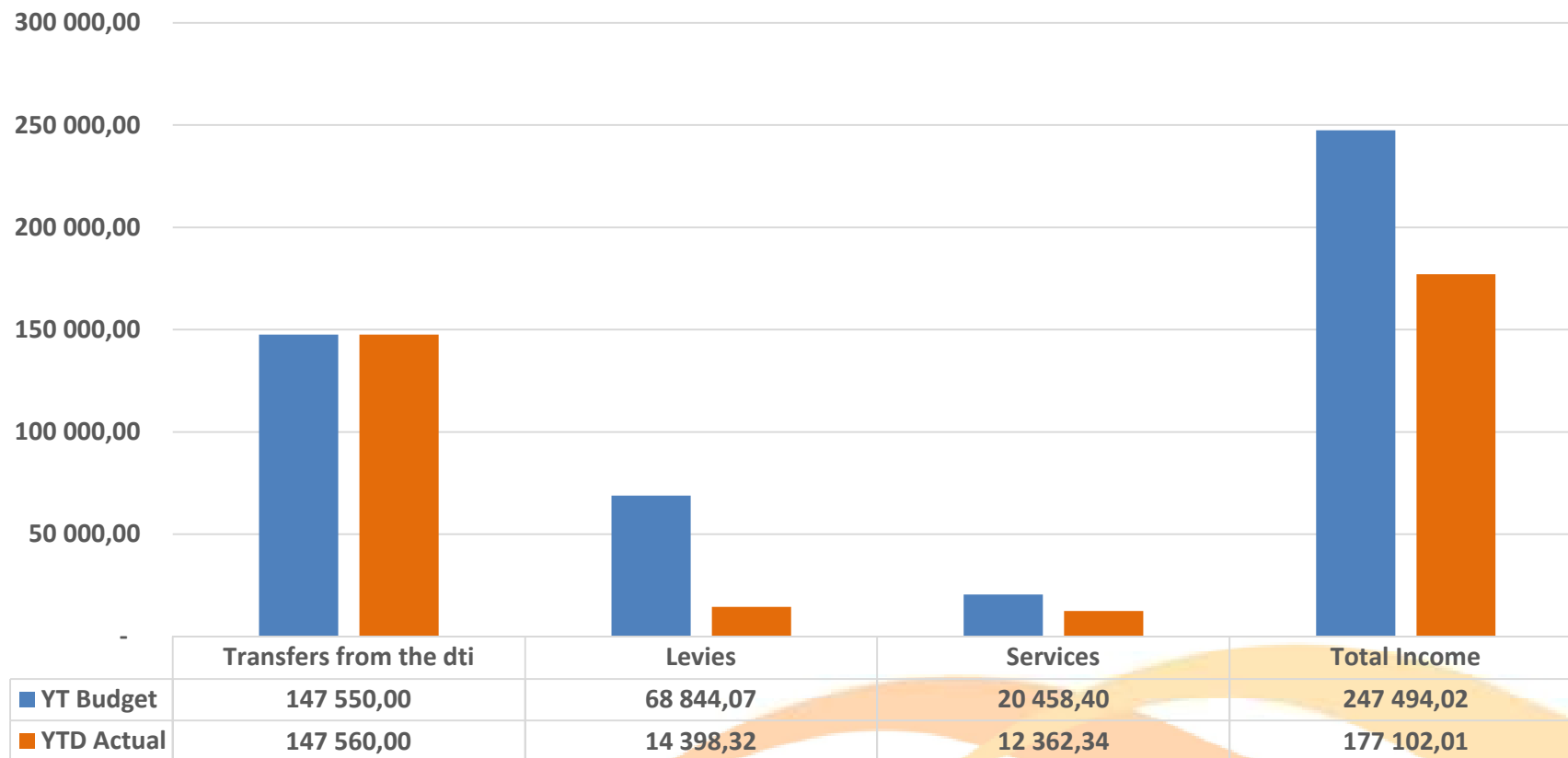
Quarter 1: Human Resources performance

- ❑ The organization has a 12% vacancy rate against a target of 6%
- ❑ Assisting Youth – The NRCS has an internship programs with 20 candidates. This is aimed for youth aged between 18 and 35 years. EE Mandate (12 African Females and 9 African Males)(Three people with disabilities). Stipend to be increased from R8000 to R8300 with effect from 01 January 2023.
- ❑ 44 vacant positions are in process of being filled

Financial Performance Quarter 1 Report

Quarter 1 Revenue Financial Performance as at 30 June 2022

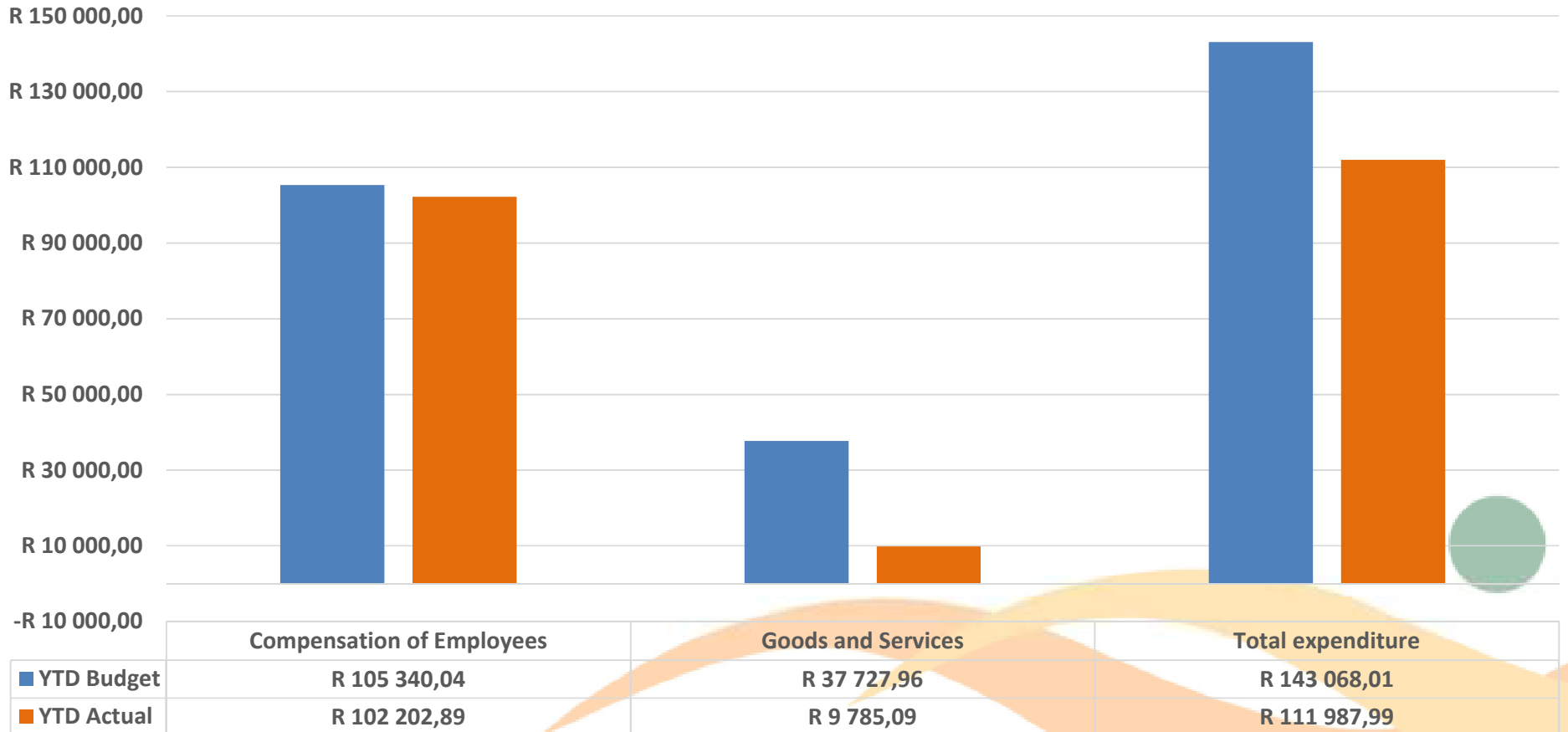
ACTUAL REVENUE VS BUDGETED REVENUE
QUARTER 1



■ YT Budget ■ YTD Actual

Quarter 1 Expenditure Financial Performance as at 30 June 2022

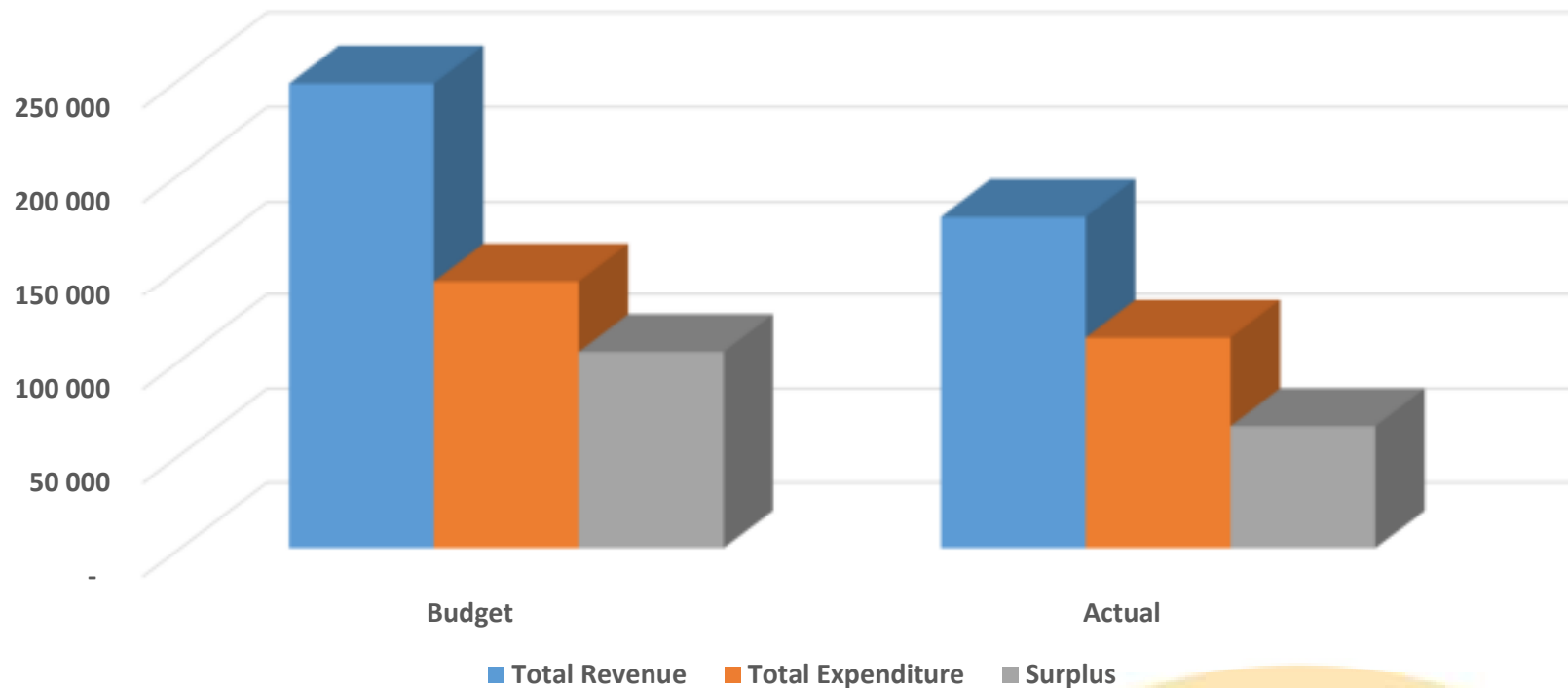
BUDGETED EXPENDITURE VS ACTUAL EXPENDITURE
QUARTER 1



■ YTD Budget ■ YTD Actual

Quarter 1 Budget verse Actual Profit as at 30 June 2022

BUDGET VS ACTUAL PROFIT
QUARTER 1



	Budget	Actual
Total Revenue	247,494	177,102
Total Expenditure	143,068	111,988
Surplus	104,426	65,114

Information Communication Technology

Modernisation Progress

Enterprise Resource Planning (ERP)

Business Process Automation:

- A consortium of two Service Providers was appointed in Oct '20 to implement SAGE 300 and other solutions.
- The HCM Payroll and Leave modules went live in Jun 21
- Finance, Supply Chain and Facilities went live in Nov 21
- Performance Management module of Human Capital Management went live in April 2022
- The go live for other HCM modules for HCM and Revenue Management has been moved to the end of Nov 2022

Central Regulatory System

Regulatory Business Processes Mapping:

- The tender was advertised at the beginning of Jul 2022 and closed by the end of Jul 2022.
- Only two bids were received, however they both failed to pass the Bid Evaluation Committee's evaluation stage.
- The Bid Adjudication Committee noted the outcome and referred the matter to BSC for review of Terms of Reference and evaluation criteria.
- The tender is expected to be advertised again in Nov 2022.

Document Management System

Enterprise Content Management Repository

- The project has successfully gone live with the NRCS website and the internal Intranet..
- Currently the focus is to onboard all the Business Units and support functions on the use of the system as an organisational content repository.
- Users' Acceptance Testing and training are the key deliverables that should culminate to go live.
- The project's go live has been shifted from to Nov 2022.

Modernisation Progress

ICT Security as a Service

Cybersecurity Enhancement:

- This project is currently on the SCM process.
- The project's terms of reference (ToRs) for the tenders has been finalised.
- The (ToRs) document will be submitted to the Bid Adjudication Committee in Nov 2022.
- The tender is expected to be advertised in Nov 2022.
- It is estimated that this project will start its implementation by the beginning of Jan 2023.

ICT Security Penetration Testing

Testing of ICT Security

Controls:

- This project is current in execution stage after the SCM process has successfully managed to appoint a preferred bidder.
- The project governance structure and the relevant governance artifacts were developed and approved.
- The project has already issues a first preliminary report on the outcome of its initial penetration testing work
- The project is expected to be concluded by the end of Nov 2022 and thereafter the NRCS will embark on the remediation of identified vulnerabilities.

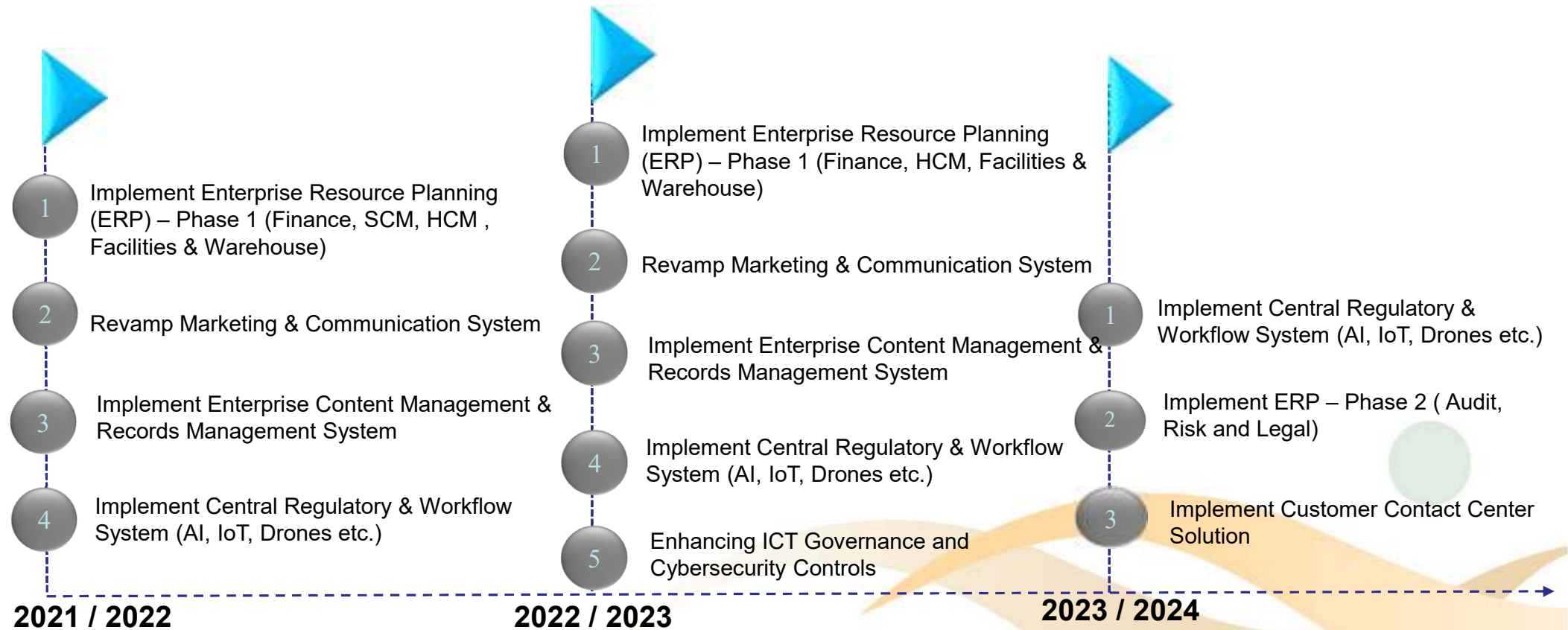
NRCS Network Upgrade

NRCS Network Upgrade

- This project is also on the SCM process
- The project's terms of reference have been finalised in line with the organisational requirements.
- The document will be submitted to the next BAC for adjudication.
- The tender is expected to be advertised in Nov 2022.
- A project manager has been appointed to assist to ensure adequate management of the project's work.

Revised Modernization Roadmap

Program Management, Change Management & Training





Legacy Issues



PC Oversight Report/Legacy Issues

- ❑ LOA backlog resolved
- ❑ Revenue Estimation methodology reviewed and implemented for 2021/22 Financial Year Annual Financial Statements
- ❑ Effectiveness review project commenced – to address efficiency, effectiveness of the regulator and the funding model
- ❑ Continuous review of LOA business processes
- ❑ Implemented the LOA cancellation policy
- ❑ The Compulsory Specification for Processed Meats has been implemented.
- ❑ NRCS is still engaging **the dtic** on ongoing funding beyond the current financial year for Legal Metrology, processed meats and National Building Regulations.



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
- ❑ SG – Strategic Goal
- ❑ TR – Technical Regulation
- ❑ VC – Compulsory Specification
- ❑ YTD – Year to Date

Abbreviations and Acronyms

- ❑ SADC MEL - Southern African Development Community Cooperation in Legal Metrology
- ❑ SADCTRLC - Southern African Development Community Technical Regulation Liaison Committee
- ❑ SADC SPS - Southern African Development Community Sanitary and phytosanitary
- ❑ SADC TBTSC - Southern African Development Community Technical Barrier to Trade Stakeholder Committee
- ❑ AFRIMETS - Intra-Africa Metrology System
- ❑ OIML - International Organization of Legal Metrology
- ❑ WP.29 - World Forum for Harmonization of Vehicle Regulations (Working party No. 29).