

# Portfolio Committee on Trade and Industry

## Briefing by the NRCS: Progress on Implementing the Turnaround Strategy

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**Edward Mamadise**  
**Chief Executive Officer**  
**24 June 2020**

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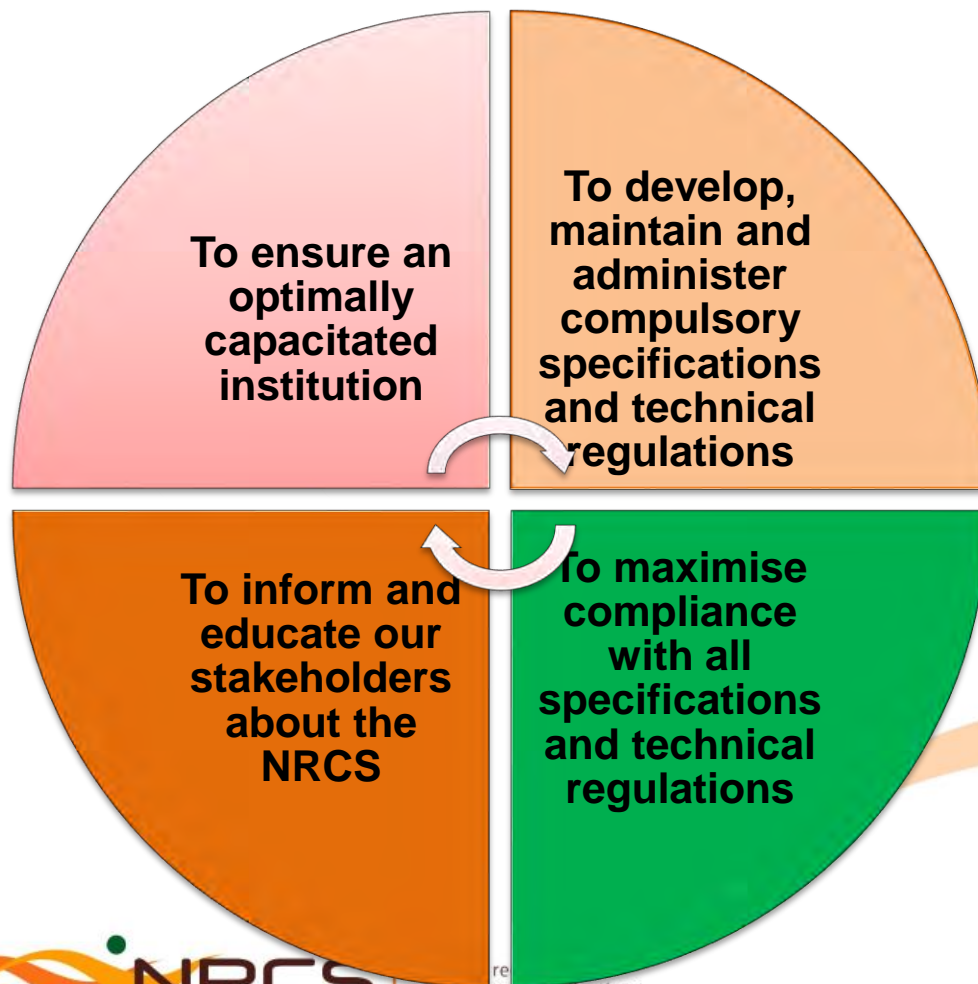
- Delegation
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# NRCS Delegation

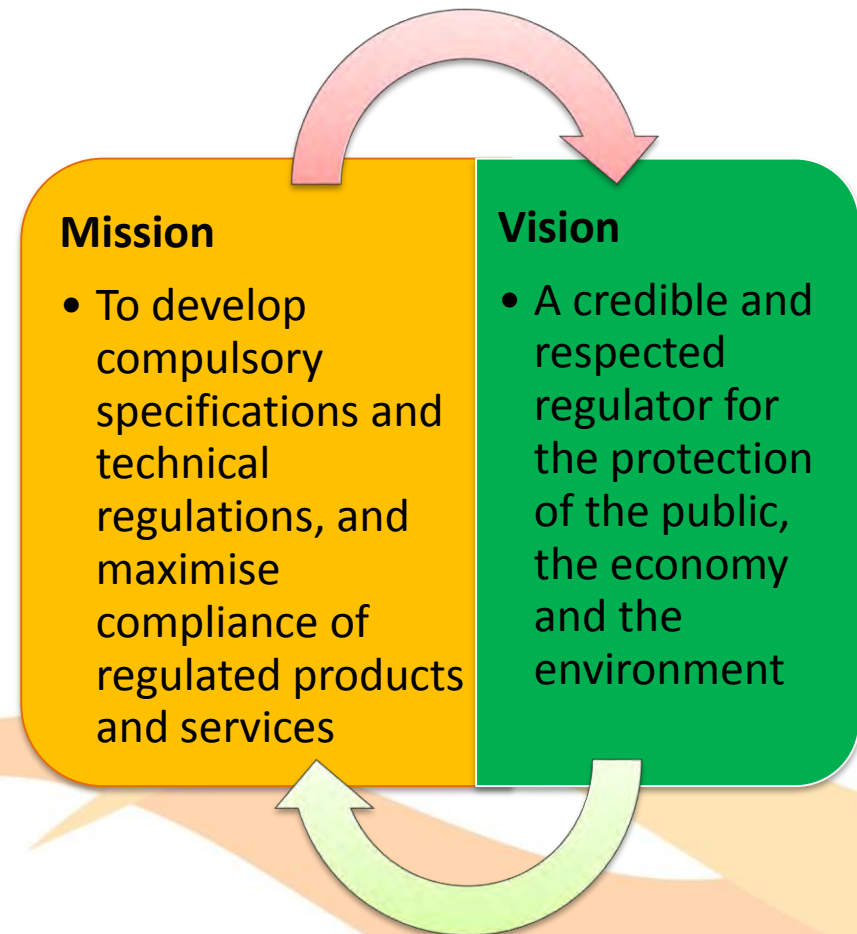
- ❑ Mr. Edward Mamadise
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- ❑ Mr. Edward Matemba
  - ❑ Manager Strategy and Risk
- ❑ Ms. Nomathemba Majola
  - ❑ Acting Chief Information Officer

# 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
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 additional mandate - new VC effective from 8 October 2019
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

# Problem Analysis

- There were vacant key positions and Human resources challenges within the NRCS
- The NRCS received qualified audit opinion from the Auditor-General for the past six years.
- Long-turnaround times for issuance of some pre-market approvals.
- The NRCS experienced delays in implementing the ICT modernisation project.

# Audit Findings

- There were thirteen ICT related findings during 2018/19 Financial Year Audit. Seven findings have been resolved and five remain as work in progress.
- There were a further seventy one audit findings within finance, human resources and organisational performance management. Of these fifty three findings have been resolved as of 17 June 2020.
  - Twenty-one findings had a direct impact on the audit outcome and the other fifty were house keeping related findings.
  - Of the twenty-one findings that had a direct impact on the audit outcome, nineteen have been resolved and two remain as work in progress. The two will be resolved before submission of the Annual Financial Statements.

# NRCS Turnaround Strategy – status update



# Human Resources

## Critical Positions

- Filled Positions: Head Supply Chain Management, Finance Manager, Head Human Resources, Chief Information Officer filled on secondment from SITA
- Vacant Critical Positions: General Manager Legal Metrology: Short 10 June 2020, expected to be filled by 30 August 2020. General Manager Research and Development awaiting finalisation of Organisational Review

## Critical positions which became vacant during the past 6 months

- Chief Financial Officer: Appointed a CFO on short-term contract. Permanent CFO recruitment in progress - position Advertised process to be completed by 30 August 2020
- Head Human Resources: Position to be filled by August 2020

## Organisational Review

- Macro and Micro structures finalised - recommended for approval by CEO on 12 June and further consultation with the Minister
- Job profiles drafted
- Preliminary costing of the structure and all the draft job profiles should be finalised by end of June 2020

## Policies

- All six policies are at consultation phase with Organised Labour

## Actuarial Evaluation Post Retirement Benefit

- Actuarial Evaluation completed for 2019/20 financial year.

## Leave Management

- Implemented an online system.
- Leave audited for 2018/19 Financial Year (integrity, accuracy of opening balance providing for forfeiture of leave not taken during the allowed period).
- Leave now managed electronically starting from 2019/20.

## Payroll

- Payroll managed system implemented working to clear all change over issues from previous service provider before submission of financial statements.
- Overtime accruals finalised for Annual Financial Statements.

# Revenue Qualification Update

## Failure to consider all actual declarations

- Invoicing being done utilising all actual declarations
- Blanket estimates no longer being utilised for companies that declare levies

## Levy Estimates

- Estimation methodology completed, NRCS had engagements with the Auditor General, the final document has been sent to the AG.
- Economic Growth rate to be used to correct prior year 10% incorrect rate
- Measures implemented to reverse estimates for all companies that have subsequently declared levies

## New Customers not taken in to account

- NRCS performing Quarterly Data Analysis and registering all new companies as they are identified

## Revenue Completeness and cutoff

- R500 Administrative/penalty fee - resolved.
- Database clean up to remove all identified inactive companies
- Levy follow ups conducted. Period ending June 2019 declarations and inactive companies are at 96%
- Cut-off addressed in the Estimation methodology

## Status update on approvals



# Pre-market Approvals (LOAs)

- 91,81% achieved against the target of 95% (15 187 out of 16 542) of all approval applications processed within 120 calendar days for 2019/20 financial year.
- 100% of all Measuring Instruments Type approvals being done within 120 calendar days.
- 99,9% of all gaming approvals being finalised within 30 calendar days with only one application processed over 30 days.
- 99% of all Automotive approvals that were finalised were within 120 days.
- **Note:** No backlog experienced in Automotive and Legal Metrology.

# Pre-market Approvals (LOAs) - CMM

- 65% of all Chemicals Materials and Mechanicals (CMM) LOA applications processed within 120 days.
- There were five outstanding LOAs over the 120 days within the Chemicals, Materials and Mechanicals section. These were processed awaiting resolution of findings by the applicants.
- All backlog applications were processed. Applications cancelled were the applicant failed to resolve the findings. This mostly affected safety footwear test reports.

# Pre-market Approvals (LOAs) Electro-technical

- As at the end of the financial year there were 1390 applications on hand: 320 awaiting corrective action/pending + 887 approved awaiting capturing + 183 assigned for technical evaluation.
- The 30 days cancellation period was not implemented timeously.
- Successfully closed all pending applications for 2019/20 period where the applicant failed to resolve the findings. Closed pending applications for 2019/20 were 2400. Monthly monitoring progress.

# Electro-technical Approvals(LOA

## Reduction of LOAs on hand to 1600 by May 2020

- Achieved. No. of applications carried over to 2020/21 were 1390. However, 9.5% (132) of the applications were above 120 days, which is expected to be cleared by end of July 2020.

## Adherence to the Risk Based Approach (RBA)

- Various RBA measures have been implemented.
- As a result in 2019/20, ~91% of the applications were processed within 120 calendar days, compared to ~74% in the previous financial period, 2018/19.

## Additional Resources

- Pooled in additional capacity from market surveillance inspectors to deal with low risk applications
- Appointed 6 Inspectors as previously reported
- No overtime was utilised

## Additional administration capacity to deal with bottlenecks in registration, assigning and capturing

- One Administrator was transferred from within NRCS.
- The appointment of 4 Temporary Administrators/Interns was hindered by the uncertainty of Covid-19. Expect commencement date is 1 August 2020, subject to Covid-19 pandemic.



## ICT Modernisation



# Progress thus far (NRCS Modernisation Holistic View)

Programme Name	Justification	Projects/ Initiatives	Progress
IT Infrastructure Review and Upgrade Programme	The IT Infrastructure that is recent, will ensure best Business Applications that are effective and efficient to run NRCS business. This is the foundational basic/ core of the Modernisation project to ensure a fit for purpose digital environment	<ol style="list-style-type: none"> <li>1. IT Infrastructure refresh</li> <li>2. Voice over IP Telephones (VoIP)</li> <li>3. Bandwidth Upgrade (to avoid calls dropping and prepare enough space on the network Applications to be added on the Infrastructure)</li> <li>4. Add network switches (to ensure smooth network and less glitches)</li> </ol>	<ol style="list-style-type: none"> <li>1. Network bandwidth/ Data speed <b>implemented</b> prioritising online access speed as currently in demand due to COVID-19. This is to ensure employees productivity while working from (home/ office).</li> <li>2. The network switches upgrade quote received on the <b>19<sup>th</sup> of March</b> was R1,7m which is costly when implemented in isolation. ICT is now working on a consolidated Local Area Network refresh with the following initiatives aimed to be completed by <b>December 2020</b>: <ul style="list-style-type: none"> <li>• Network Switches</li> <li>• Internal Firewalls</li> <li>• Enterprise Wi-Fi</li> <li>• Security monitoring tool.</li> </ul> </li> </ol>

# ICT Continued

Programme Name	Justification	Projects/ Initiatives	Progress
IT skills, capacity and competency procurement, development and deployment Programme	The Modernisation Project requires fit for purpose IT structure and highly skilled IT resources to ensure successful implementation for both Regulatory systems and Administration/ Support systems	ICT Resource Company/ Panel of resources procurement	1. The ICT Resource Company/ Panel of resources has been <b>published</b> and closing Date is on the 22 <sup>nd</sup> June 2020.

# ICT Continued

Programme Name	Justification	Projects/ Initiatives	Progress
Application Systems Stabilisation and Modernisation Programme	<ol style="list-style-type: none"> <li>1. The current Financial System (JDE) needs to be immediately upgraded and stabilised to resolve all audit findings</li> <li>2. Implement a fit for purpose Business Support System that integrates all administration modules with seamless workflow for online approvals</li> </ol>	<ol style="list-style-type: none"> <li>1. JDE upgrade and stabilisation</li> <li>2. Enterprise Resource Planning System</li> <li>3. Change Management Programme</li> </ol>	<ol style="list-style-type: none"> <li>1. The engagement to fix JDE with OEM were concluded. NRCS decided not to proceed with this approach as it was leading to a costly and fruitless expenditure, as the quote provided to fix the Finance module was just over R35m.</li> <li>2. The decision was to proceed with the Enterprise Resource Planning (ERP). This process is now at the appointment stage.</li> <li>3. Change Management Programme commenced on 1 November 2019, this will continue and link with the ERP award project, estimated date to complete the ERP project <b>January 2021</b>. The implementation of the ERP dates were amended due to COVID-19 lock down delays.</li> </ol>

# ICT Continued

Programme Name	Justification	Projects/ Initiatives	Progress
Data Integrity, back-up, archiving and security programme	To ensure NRCS systems are well secured, avoid vulnerabilities and eliminate unauthorised access on NRCS systems	IT Security Architecture implementation (Implement a demilitarised zone DMZ for NRCS data center) and explore opportunities with strategic partners to triangulate and authenticate data	<ol style="list-style-type: none"> <li>1. With the recent upgrade on the Wide Area Network, NRCS will proceed with full ICT security initiatives aimed to be completed by <b>June 2021</b>.</li> <li>2. The collaboration with CIPC has started, the first integration for Electronic Customer Registration and Confirmation is now at implementation phase. The next step is to proceed with other related parties to integrate with NRCS systems i.e. SARS, SABS etc. .</li> </ol>

# ICT Continued

Programme Name	Justification	Projects/ Initiatives	Progress
Review Update and Implementation of a coherent and pragmatic ICT Governance Programme	To ensure a well managed IT environment, that is flexible and a quick response to business solutions requirements	ICT policies update and Governance review	IT policies update prioritised as per Audit Findings. <b>Completed.</b>
An internal and external Customer Service delivery excellence Programme to inform Regulatory Systems modernisation opportunities	To ensure that the outcomes of strategic initiatives are aligned with internal and external stakeholder expectations and the changing NRCS Business Model	1. Further Modernisation Opportunities	1. Modernisation of existing Regulatory Systems has commenced: <ul style="list-style-type: none"> <li>• Online registration of all other regulated Entities not yet registered with the NRCS – <b>June 2020</b></li> <li>• Online declaration of levies – <b>July 2020</b></li> <li>• Linkage to and re-use developed CIPC applications e.g. Website, re-structure and customer registration - dependent on appointment of Resourcing Company.</li> </ul>



# COVID-19



# IMPACT OF COVID-19 ON NRCS

- Reduction in number of approval application.
- Failure to timeously conduct physical product approvals and verifications.
- Failure to adequately conduct market surveillance activities.
- Loss of service revenue and levy revenue.
- Low productivity as some employees can not adequately perform respective functions at home.
- Failure to timeously finalise product approval applications.



# COVID-19 Plan

## COVID-19 Employee, Health and Wellness protocol

- Conducted risk assessment for the organisation, Business Unit Level and each job family
- Identified and implemented control measures
- Appointment of Compliance Officer
- Psychosocial support for NRCS employees through the wellness program
- Employee training, awareness and communication

## COVID-19 readiness plan

- Limiting number of employees at the offices
- Re-organising teams
- Established of committees which also include organised labour
- Personal Protective Equipment provided
- Detection and Isolation of staff
- Screening at access points
- Management of suspected and confirmed cases

## Re-prioritising & refocusing

- Following the value chain process in terms of upstream and downstream operations certain activities will be prioritised e.g. approvals as certain industries may be perceived as high risk to do inspections.
- Tracking of the new players via internet and social media

## Sustainability

- Systems –leveraging on ICT systems
- Re-prioritisation of the budget
- Analysing the sectors to determine actual impact and possible revenue collection opportunities e.g. CMM due to increased demand of products, new entrants into the sector
- Review the revenue collection strategy and methods

# Thank You