

Briefing by the NRCS on Implementation of the Turnaround Strategy to the Portfolio Committee on Trade and Industry

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Chief Executive Officer
16 February 2021

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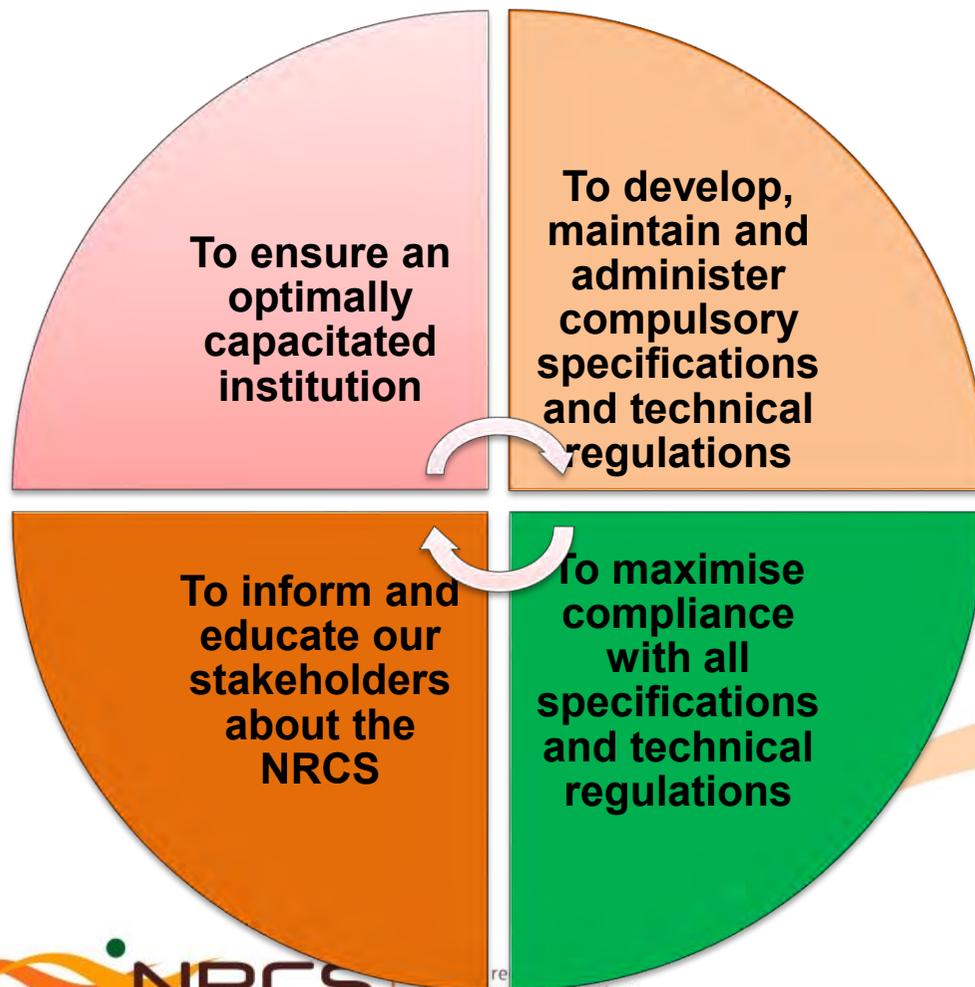
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NRCS Delegation

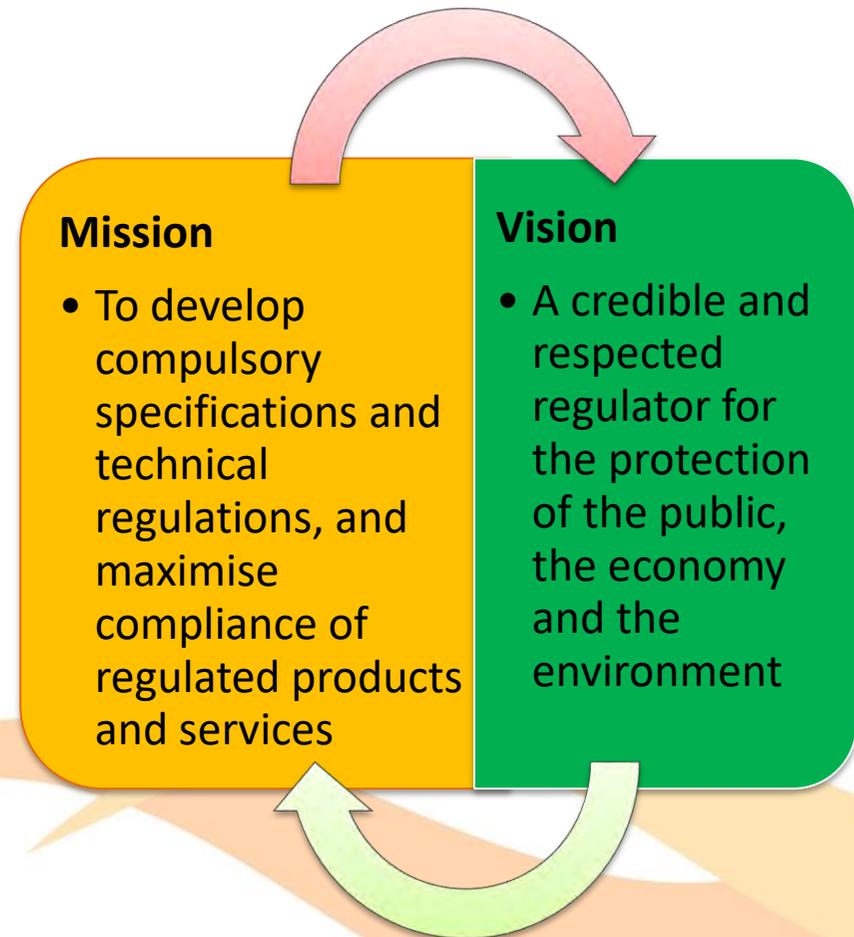
- ☐ Mr. Edward Mamadise
 - ☐ Chief Executive Officer
- ☐ Ms. Abigail Thulare
 - ☐ Chief Operations Officer
- ☐ Ms. Rebecca Ramcharran
 - ☐ Chief Financial Officer
- ☐ Mr. Bongani Khanyile
 - ☐ General Manager
- ☐ Mr. Edward Matemba
 - ☐ Manager Strategy and Risk
- ☐ Ms. Nomathemba Majola
 - ☐ Chief Information Officer

NRCS Strategy, Mission and Vision

NRCS Strategic Goals



Mission & Vision

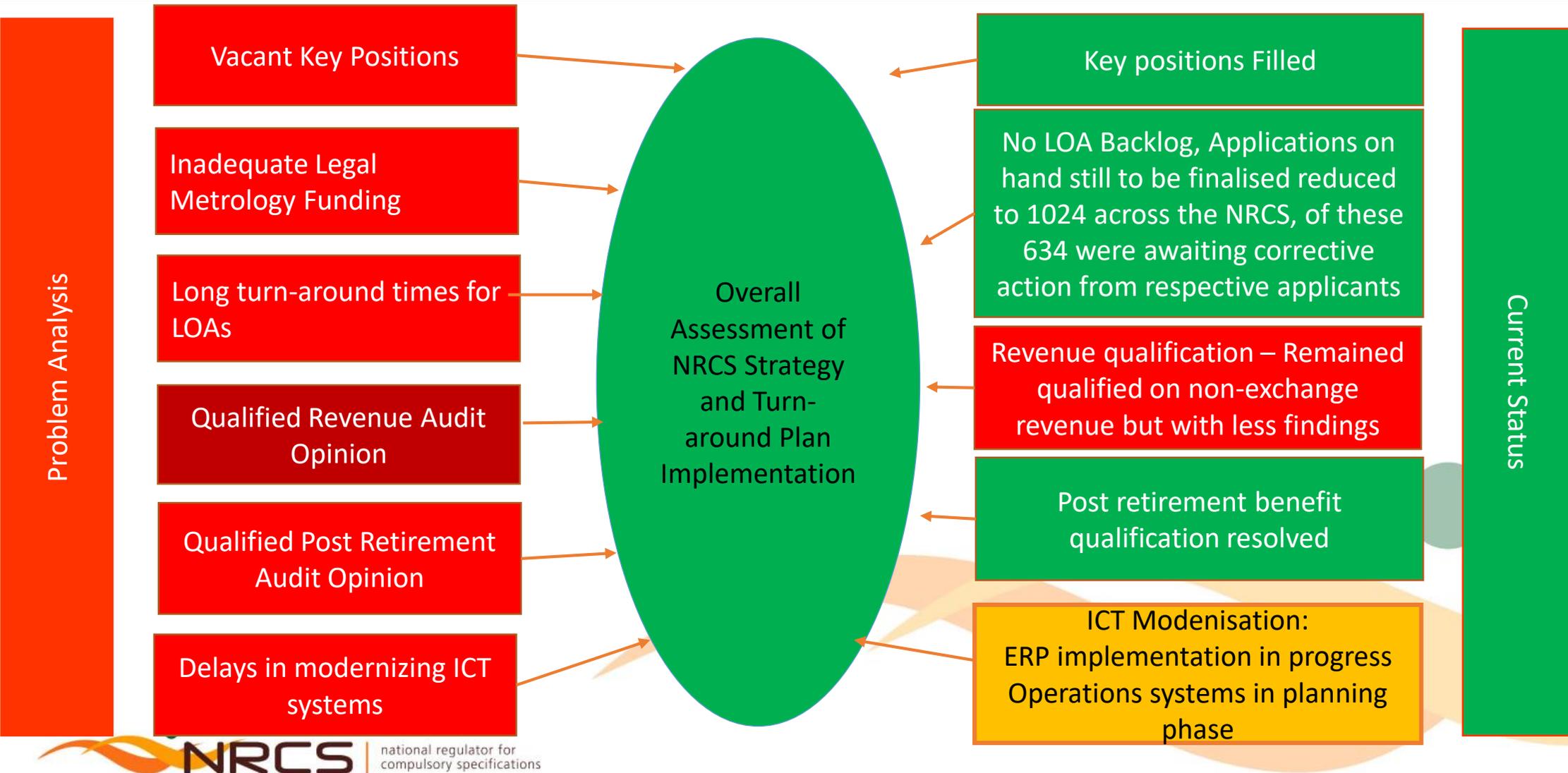


Industries regulated by NRCS

| Industry Sector | Product regulated / Service rendered |
|--------------------------------------|--|
| Automotive | Vehicles, Replacements components, Manufactures Importers and Builders |
| Chemicals, Materials and Mechanicals | Cement, chemicals, Personal protective equipment, safety shoes, building materials, treated timber, plastic bags |
| Electro-technical | Electrical appliances and products, Electronic appliances and products and Solar Water Geysers |
| 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 |

Turn-around Strategy Implementation Summary

Problem Analysis and Current Status



Audit Findings

There were 84 audit findings during the 2018/19 financial year audit

Four audit findings lead to qualified audit opinion

External audit findings were reduced to 26 during the 2019/20 Financial Year

Only one of which led to Qualified Audit Opinion (Non-exchange revenue)

8 - Financial Audit Findings

16 - ICT Audit Findings

1 - Governance
1 - Performance
Management

6 Audit Findings Resolved

7 ICT Findings are Financial System Audit Findings and will be resolved with the implementation of the ERP

13 Findings remain as work in progress

Human Resources Update

Actuarial Evaluation Post Retirement Benefit

- Audit Qualification on Post Retirement Benefit resolved
- Actuarial Evaluation completed for 2019/20 financial year

Leave Management

- Implemented an online system
- Leave now being managed electronically starting from 2019/20

Payroll

- Payroll – Electronic system implemented and managed on a co-sourced basis with the SABS
- Overtime accruals resolved during the 2019/20 Financial Year

Internship

The NRCS appointed 19 new Interns who started work on 2 January 2021

NRCS Turnaround Strategy – status update

Human Resources

Critical Positions

- Filled Positions: Finance Manager, of Head Human Resources, Chief Information Officer filled starting 08 /03 /2021. Project Manager ICT modernization starting 01/03/2021
- Vacant Critical Positions: General Manager Legal Metrology recruitment process is at shortlisting and Interview process
- General Manager RR&D position under review and
- General Manager NBR no longer required.

Critical positions which became vacant during the past 6 months

- CFO appointed filled started 1 February 2021
- Senior Manager HCM : Positon filled started 1 February 2021.
- None in the past six months

Organizational Review

- Macro structures finalized and approved
- Amendments on Micro structure finalized awaiting approval
- Job profiles drafted
- Costing conducted of the structure
- Closing out the project on the 10/02/2021

Policies

- 3 Policies were approved and being implemented
 - Long service award, tool of trade and migration and placement policy.
- 3 remaining policies are at consultation phase

Revenue Qualification

- The NRCS was qualified on non-exchange revenue:
 - Technical issue on the taxable event as per GRAP 23 and
 - Internal control deficiencies that were identified on the recording of non exchange revenue

Progress on Revenue qualification

- The NRCS is engaging National Treasury and AGSA in a bid to agree on interpretation and defining the taxable event in terms of both the NRCS Act and GRAP 23

Revenue Qualification Continued

- Simultaneously the NRCS is also in the processes of engaging their legal team with the amendment of the regulations and legislation in a manner that will assist the NRCS to comply with the relevant accounting standards.
- The NRCS is also reviewing its processes and procedures to rectify some of the internal control deficiencies identified.
- Other control measures that have been implemented thus far are as follows:

Revenue Qualification Update

Failure to consider all actual declarations

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

Levy Estimates

- Estimation methodology completed
- Economic Growth rate used for prior year levy estimates and it's the principle that will be used moving forward
- Measures being implemented to comply with requirement from the Auditors to recognize the taxable event as the date of manufacture and or importation not date of declaration

New Customers not taken in to account

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

Revenue Completeness and cut-off

- R500 Administrative/penalty fee - resolved.
- Database clean up to remove all identified inactive companies
- Levy follow ups conducted periodically
- Cut-off addressed in the Estimation methodology

Status update on approvals – Performance information covering period 1 April 2020 to 31 December 2020

Pre-market Approvals (LOAs)

- All applications above 60 days have been reviewed, and all applications above 120 days are awaiting applicant's response to findings raised
- 92,81% Year to date achievement for 2020/21 Financial Year (10 735 out of 11 567) against the target of 95% of all approval applications processed within 120 calendar days. Although comparable to 91,8% for 2019/20 Financial Year, this year has been challenging due to the COVID-19 pandemic and associated restrictions.
- 100% of all Measuring Instruments Type approvals were finalised within 120 calendar days

Pre-market Approvals (LOAs)

- 99,77% of all gaming approvals were (being) finalized within 30 calendar days with only one application processed over 30 days
- 99% of all Automotive approvals that were finalized were within 120 days.
- 88% of all Chemicals Materials and Mechanicals (CMM) LOA applications processed within 120 days

LOAs – Progress

30 Day cancellation

- Implemented the 30 day cancellation across business
- Improvement noted in the implementation of the 30 days cancellation policy, and mechanisms have been implemented to address the fewer cases that have gone beyond 30 days

Implementation of Risk Based Approach

- Risk Based Approach being implemented
- Approvals categorized according to risk rating and LOA
Application turn-around times per risk based approach:
 - Low risk applications - 60 days
 - Medium risk applications - 90 Days
 - High risk applications - 120 days

120 Days processing period

- The target turn-around time remains as 120 days
- For the 2021 FY 61% of the applications finalized within 60 days
- Noted significant improvement from Q1 to Q3 where in 39,2% and 71,7% of applications were finalized within 60 days respectively

Electro-technical Approvals (LOAs)

Reduction of Electro-technical LOAs on hand to 1600 by May 2020

- Achieved: Gradually managed to reduce applications on hand to 1 006 as at 31 December 2020. 620 of these were awaiting corrective action by the applicants

Adherence to the Risk Based Approach (RBA)

- Various RBA measures have been implemented.
- As a result 92,81% of all approval applications finalised were processed within 120 calendar days, compared to ~74% in the 2018/19 financial year.

Additional Resources

- Pooled in additional capacity from market surveillance inspectors to deal with approval applications due to COVID-19 restrictions and challenges on market surveillance inspections
- Appointed 6 Inspectors within Electro-technical as previously reported

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

- One Administrator was transferred from within NRCS on a permanent basis.
- One temporary administrators was appointed begin July 2020.
- Two interns started beginning of January 2021.

Pre-market Approvals (LOAs) Electro-technical

- 91% year to date achievement for 2020/21 financial year achieved against the target of 95% for Electro-technical.
- A total of 1006 applications were carried over to the next quarter 4 as compared to 2271 and 1804 applications in Q1 and Q2 respectively
- The analysis of LOA applications carried over to the next period was:
 - 0 unassigned
 - 379 approved awaiting capturing +
 - 627 awaiting corrective action/pending/assigned

Market Surveillance Inspections – Performance information for period 1 April 2020 to 31 December 2020

Market Surveillance Inspections 2020/21 FY

- Inspections are risk based.
 - High risk products – High frequency of inspections
 - Low risk are periodically inspected as per the annual plan
- Due to the impact of COVID and need to minimise exposure to COVID of employees, inspections were focused on high risk (category of products, areas and companies)
- 18 348 Foods and associated product inspections Quarter 1-3
- 7475 Inspections within Electro-technical, Legal Metrology, Automotive, Chemicals, Materials and Mechanical sectors Quarter 1 - 3.
 - Note: inspections are risk dependent
- Identified non-compliant products worth R149 million during the first 3 quarters of the financial year.

ICT Modernisation



ICT Systems - Modernisation

Implement an ERP system to automate administrative processes and resolve audit findings within Finance and HR

- Service Provider was appointed in July 2020 to assist with the Enterprise Resource Planning (ERP) implementation.
- Formal kick off of the project took place on the 5th of October 2020.
- The NRCS prioritisation of ERP Go-Live will start by March 2021: starting with Payroll, Leave Management and Finance modules allowing for user testing thereafter.
- The overall completion date of ERP system implementation is planned May 2021

SharePoint e-Forms implementation

- Modernisation of existing Regulatory Systems has commenced:
- Online registration of all other regulated Entities not yet registered with the NRCS – June 2020 – Completed
- Online declaration of levies – March 2021 – In progress
- Linkage of the above forms with the new ERP system is in progress
- Official registration with CIPC on the e-Forms integration in progress

Modernisation- Business Operations System

Implement a fit for purpose Business Support System that integrates all administration modules with seamless workflow for online approvals – Project to commence 1 October 2021

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

Appointment of ICT Resource Company/
Panel of resources procurement

- The NRCS received over 50 Bids on this tender.
- The evaluation process took longer than expected and concluded in December 2020
- SCM is now finalizing the report and aim to appoint a panel of Service Providers by the end of March 2021



COVID-19



IMPACT OF COVID-19 ON NRCS

- Reduction in levy revenue
- Loss of service revenue as a result of the reduction in service requests
- Failure to adequately conduct market surveillance activities, due to some inspections posing a high risk of exposure to COVID-19
- Low productivity as some employees can not adequately perform respective functions at home
- Failure to meet the original targets as set for the financial year as a result of the COVID-19 Pandemic

NRCS in Support of Essential Services

- Proposed New Compulsory Specification on Sanitisers submitted to **the dtic**
- Processed 307 PPE (Masks) Applications for Approval & 1003 Disinfectants and other essential products applications for Approval
- NRCS assisted more than 500 companies wrt importation and manufacturing of COVID related products.
- As the Competent Authority for fish and fishery product, during lockdown the NRCS facilitated the exportation and importation of fish and fishery products.
 - Issued a total of 11 181 health guarantees and compliance certificates
 - Ensuring food security - inspect factory for production – a total of 721 factories/ vessel were inspected.

Business Improvement



Strategic Focus

- NRCS will dedicate resources towards:
 - ICT Modernisation Project
 - Resolving the Revenue Qualification.
- Business Improvement
 - The NRCS is working on mechanisms to improve efficiency in processing LOAs and reducing turn-around times
 - Improve efficiency in managing applications where applicants fail to address findings timeously
 - Dedicate resources on E-commerce - surveillance
 - Improvements in sanctioning – ensuring that non-complaint businesses are identified and sanctioned timeously. Thereby improving on the impact of surveillance inspections
- Engage **the dtic** on Legal Metrology funding

Thank You