

Portfolio Committee on Trade Industry and Competition

Briefing by the NRCS: Progress on Implementing the Turnaround Strategy

Edward Mamadise
Chief Executive Officer
25 August 2021

Contents

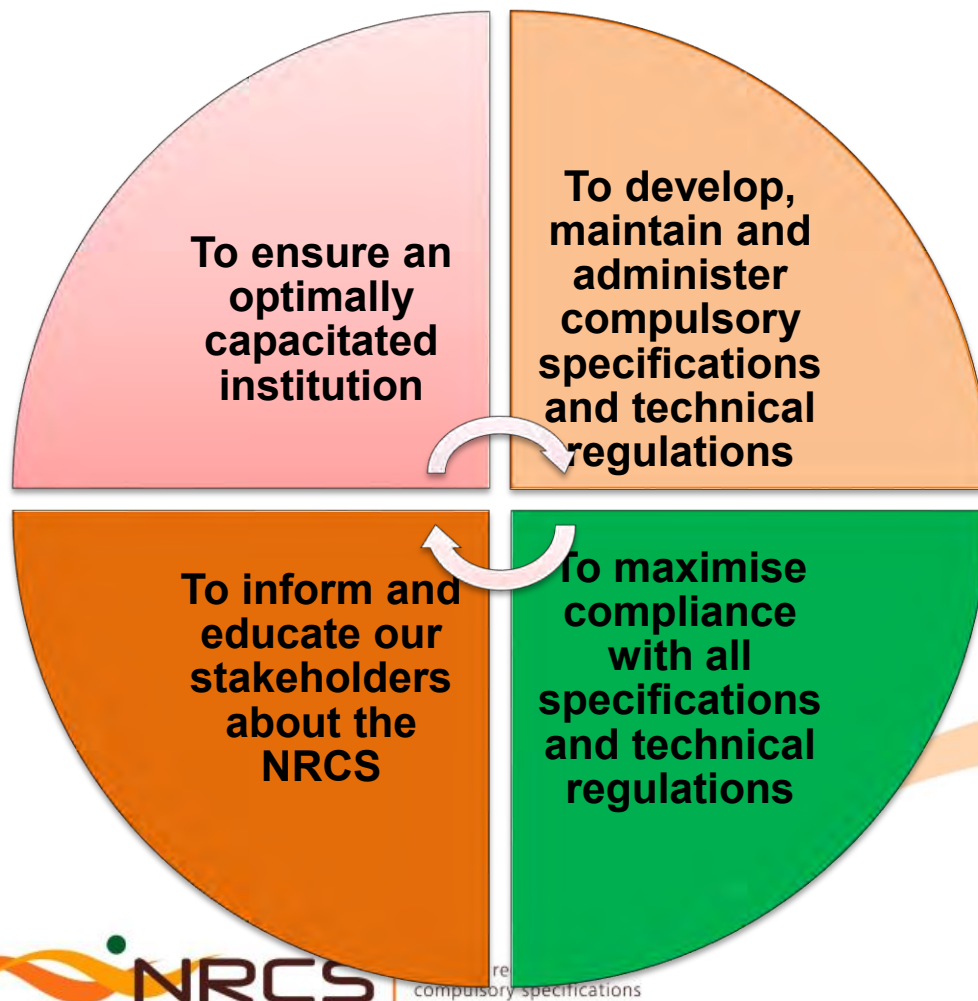
- ❑ Delegation
- ❑ Strategic Overview of the NRCS
- ❑ Turn Around Strategy
- ❑ Audit Qualification
- ❑ Approvals
- ❑ Human Resources
- ❑ Information Communication Technology (ICT)
- ❑ COVID-19

NRCS Delegation

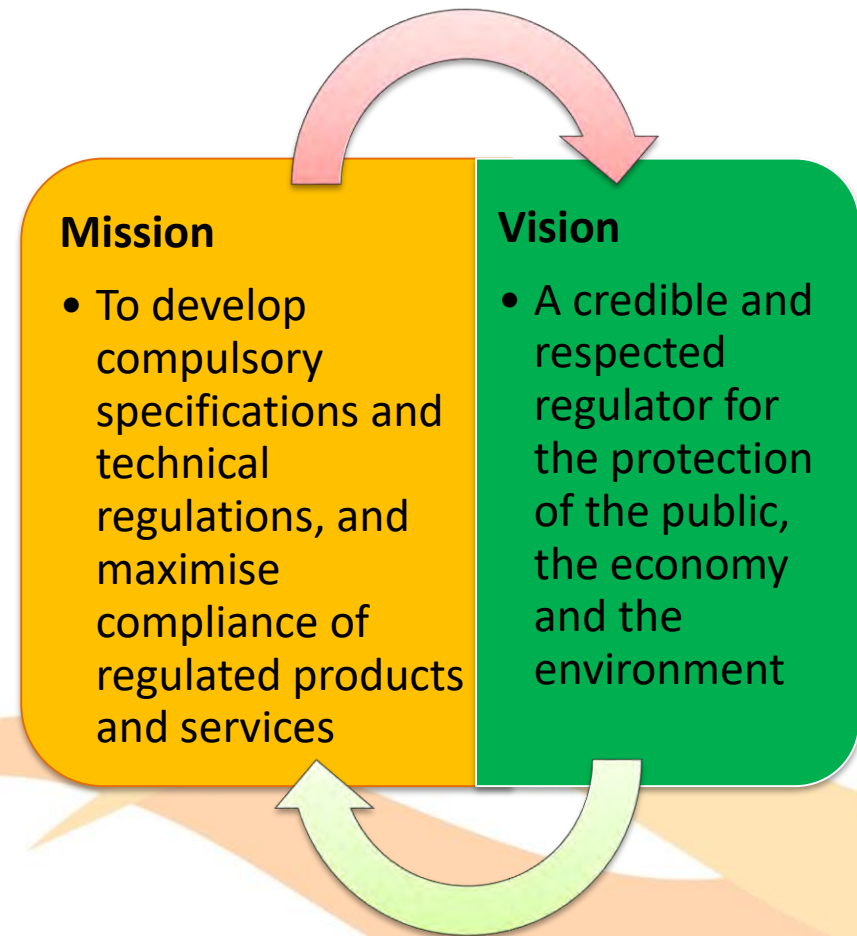
- ❑ Mr. Edward Mamadise -**Chief Executive Officer**
- ❑ Ms. Abigail Thulare -**Chief Operations Officer**
- ❑ Ms. Rebecca Ramcharran -**Chief Financial Office**
- ❑ Mr. Edward Matemba -**Manager Strategy and Risk**
- ❑ Mr. Oupa Kgasago -**Chief Information Officer**

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 revenue and employee post retirement benefit.
- Long-turnaround times for issuance of some pre-market approvals.
- The NRCS experienced delays in implementing the ICT modernisation project

NRCS Turnaround Strategy – status update

Human Resources

Critical Positions

- Filled Positions: CFO; Manager: Supply Chain Management, Financial Manager, Senior Manager Human Capital Management, Chief Information Officer
- Vacant Critical Positions: General Manager Legal Metrology

Critical positions filled in the Financial year 2020/21

- Chief Financial Officer: Appointed in February 2021 ;Senior Manager: Human Capital Management: Filled in February 2021: Chief Information Officer: Filled in March 2021

Organisational Review

- Macro and Micro structures finalized – recommendations approved by the CEO
- NRCS has appointed a service provider for job evaluation awaiting finalization of SLA
- Job Evaluation will commence before the end of August 2021 to ensure that the structure is costed before submission to the DTIC.

Policies

- NRCS approve policy development framework and established a Policy Review Committee (policies reviewed every 3 years)
- Appointed an HR Committee
- A desk top review have been done for 06 policies, pending consultation; 05 policies to be reviewed as 2nd batch

Human Resources Update

Actuarial Evaluation Post Retirement Benefit

- Actuarial Evaluation Audit Qualification was resolved in the 2019/20 financial year

Human Resources Management

- The NRCS as part of the ICT Modernization project has implemented a new HR system in-house terminating the agreement with the SABS

Payroll

- Payroll was successfully migrated to the new sage 300 with effect from June 2021.

Leave Management

- Leave is now being managed through the new Sage 300 system.
- Leave audit was conducted during data migration process in May and June 2021.

2020/21 Audit

- The 2020/21 Financial Year Audit is still in progress due to COVID-19 impact on the external auditors.
- The impact of the Audit on the audit opinion is still being evaluated. The audit is planned to be completed by 25 August 2021
- However as of 2019/20 Financial year the NRCS had resolved all other audit qualifications except on non-exchange revenue completeness and cut-off

Revenue Qualification Update

Failure to consider all actual declarations

- Invoicing being done utilizing all actual declarations received up until 20 May
- Those that did not declare NRCS estimated the revenue

Levy Estimates

- Estimation methodology completed, NRCS had engagements with the Auditor General and National Treasury.
- The final NRCS estimation methodology is currently being used by the AG to audit the NRCS
- 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

- Database clean up is ongoing to remove all identified inactive companies
- Cut-off addressed in the Estimation methodology

Status update on approvals

Pre-market Approvals (LOAs)

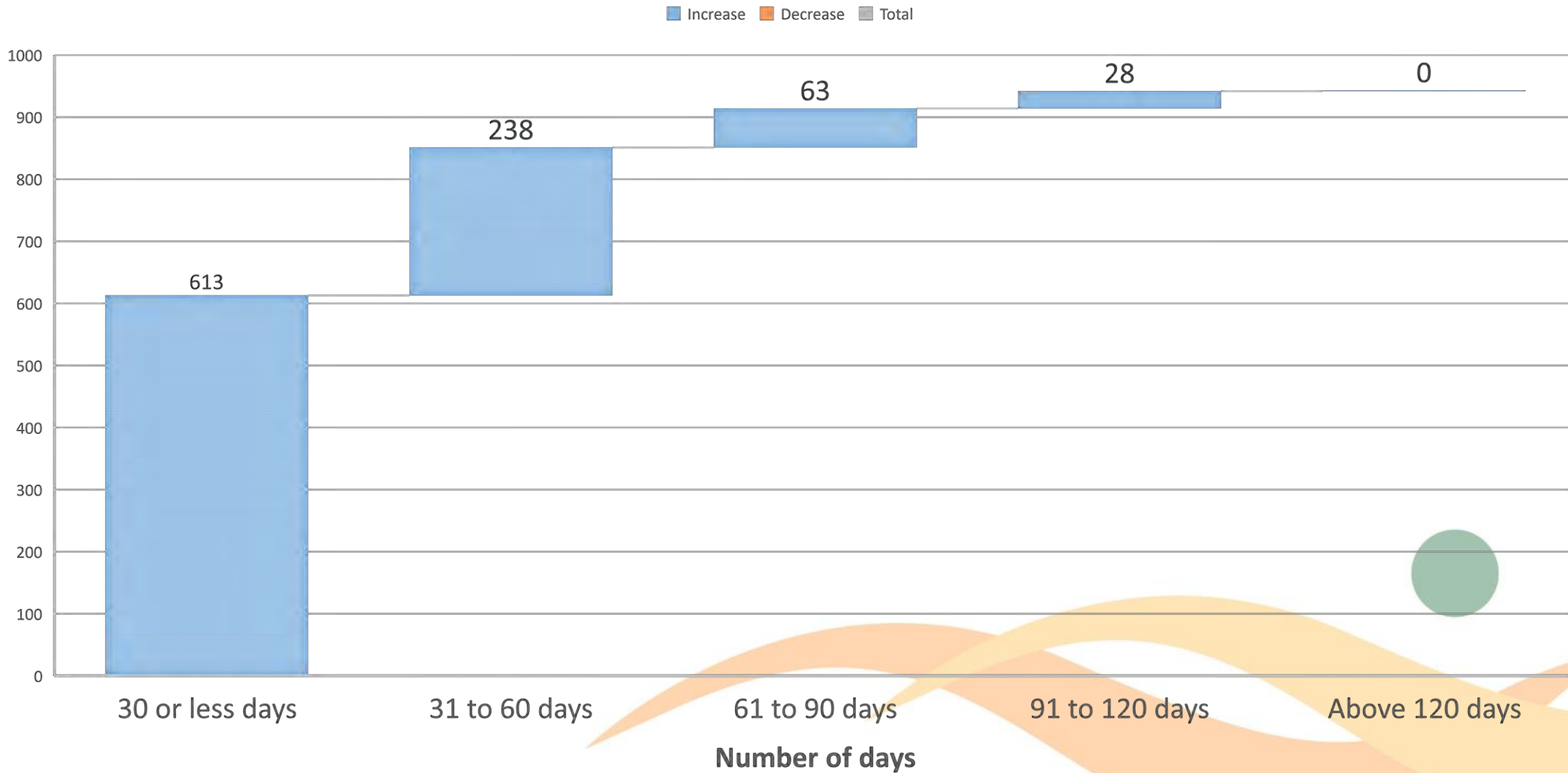
- The NRCS has resolved the backlog challenge. There are no applications that are above 120 days that have not been evaluated. Any applications above 120days are awaiting applicant's resolution of findings raised by the NRCS.
- Over the past 18 months 92% all approval applications were processed within 120 calendar days. The variance is due to applicants failure to timeously address NRCS findings and applications submitted without all required documents or unacceptable Test Reports
- Electro-technical and Automotive account for between 92% and 94% of the pre-market approvals processed or received by the NRCS

Pre-market Approvals (LOAs)

- 100% of all gaming approvals being finalized within 30 calendar days as at end of Quarter 1 2021/22 Financial year
- 100% of all Legal Metrology Type Approvals being finalized within 120 calendar days
- 100% of all Automotive LOA applications are now being processed within 120 calendar days

Pre-market Approvals (LOAs) – Automotive Q1 Performance

AUTOMOTIVE APPROVALS

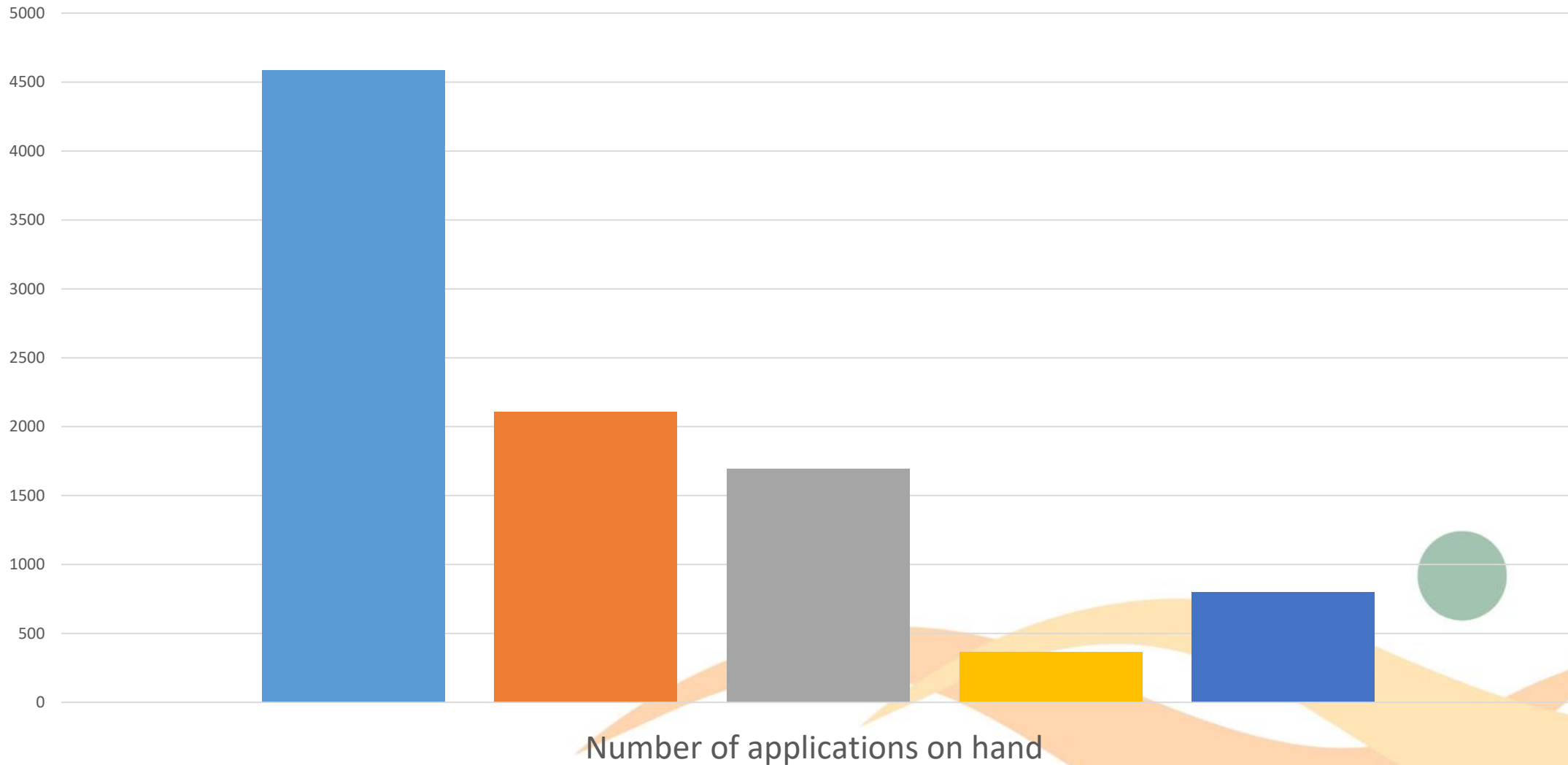


Pre-market Approvals (LOAs) Electro-technical

- Approximately 69% of LOA applications processed by the NRCS are from the Electro-technical sector
- During the backlog era at the end of 2017/18 financial year NRCS had 4586 applications on hand. This has been reduced to 799 as of 30 June 2021
- 799 Applications on hand is significant as it is about 50% of the number of applications received and processed monthly.
- Distribution of the 799 is as follows: 0 unassigned + 490 awaiting corrective action/pending + 309 awaiting captured and issuance of LOAs+ 0 assigned for technical evaluation.

Pre-market Approvals (LOAs) Electro-technical

Electro-technical applications on hand



Pre-market Approvals (LOAs) - CMM

- Chemicals Materials and Mechanicals (CMM) processes LOA applications for PPE and Chemicals among others, some of which are essential in the fight against the COVID-19 pandemic.
- CMM Approvals constitute about 2% of approvals received or finalized by the NRCS
- The NRCS has implemented measures to assist business to bring products quicker to the market. Some applications were handled through the sales permit route and others through LOAs, reducing turnaround times to under 30 days for the majority of PPE and Chemicals applications
- Applications processed above 120 days are mainly due to the admissibility of safety footwear test reports and implementation challenges on chemical disinfectants.

Measures implemented to eliminate backlog

- NRCS implemented the 30 days cancellation period, wherein if the applicant fails to rectify findings within 30 days the application will be cancelled or rejected rather than allowing applications to be open for undefined periods
- Increased capacity where capacity challenges was identified. This was through additional staff or movement of staff from another section within the NRCS
- Various RBA measures have been implemented.
- The new Energy Efficiency Database – Database fully in use from 1st

March 2021.

ICT Modernisation



Programme Name

- Application Systems Stabilization and Modernisation Programme

Justification

- The current Financial System (JDE) needs to be immediately upgraded and stabilized to resolve all audit findings
- Implement a fit for purpose Business Support System that integrates all administration modules with seamless workflow for online approvals

Projects/ Initiatives

- Enterprise Resource Planning System for functions
- Central Regulatory Solution and Change Management Programme

Progress

- Appointed a Service Provider in October 2020 to implement SAGE 300 to optimize Finance, Supply Chain Management (SCM), Human Capital Management (HCM) and Facilities Management business process.
- Went live with the Pay-Roll module of (HCM) in June 2021, and the balance of the functional modules are expected to go live in the September 2021.
- Change Management Programme is driven as part of the ERP Solution implementation

ICT Continued

Programme Name

- IT Infrastructure Review and Upgrade Programme

Justification

- 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 Modernization project to ensure a fit for purpose digital environment

Projects/ Initiatives

- IT Infrastructure refresh
- Voice over IP Telephones (VoIP)
- Bandwidth Upgrade (to avoid calls dropping and prepare enough space on the network Applications to be added on the Infrastructure)
- Add network switches (to ensure smooth network and less glitches)

Progress

- Widened the broadband access to enable all users to have adequate online access to the NRCS Network as currently in demand due to COVID-19. This is to ensure employees productivity regardless of location.
- Reviewed the NRCS Network to consider all the Regional Offices that form part of the Organisational Wide Area Network.
- Developed Scope of Work for refreshing the Wide Area Network. The Project initiative aimed to be completed by January of 2022

Programme Name

- Data Integrity, back-up, archiving and security programme

Justification

- To ensure NRCS systems are well secured, avoid vulnerabilities and eliminate unauthorized access on NRCS systems

Projects/ Initiatives

- Define and implement a fit for purpose Security Strategy in line with business requirements.
- Enhance end points security with consideration to remote working conditions

Progress

- Conducted a comprehensive review of the NRCS Security posture through the assistance of Gartner.
- Defined high-level scope of work to adopt a fit for purpose Security as a Service model (SaaS) considering Granter report's recommendations.
- Real-Time security monitoring and Endpoints Security
- Vulnerability Management and remediation and Incidence Response

Programme Name

- An internal and external Customer Service delivery excellence Programme to inform Regulatory Systems modernisation opportunities

Justification

- To ensure that the outcomes of strategic initiatives are aligned with internal and external stakeholder expectations and the changing NRCS Business Model

Projects/ Initiatives

- Further Modernization Opportunities

Progress

- Modernisation of existing Regulatory Systems is in progress:
- Defined the Organisational “As-Is” Business Processes through which NRCS serve its customers.
- Defining end to end functional requirements for NRCS Business Operations to inform operational holistic requirements for Central Regulatory Solution.
- Exploring applications synergies with other relevant state entities to enhance data provision and have a common source.

Programme Name

- Review Update and Implementation of a coherent and pragmatic ICT Governance Programme

Justification

- To ensure a well managed IT environment, that is flexible and a quick response to business solutions requirements

Projects/ Initiatives

- ICT policies update and Governance review

Progress

- Reviewing and updating some of our ICT policies, processes and procedure to enhance the ICT governance and controls. About 40% of the policies have been reviewed. The target is 100% by November 2021.

Programme Name

- IT Skills, capacity and competency procurement, development and deployment Programme

Justification

- The Modernization Project requires fit for purpose IT structure and highly skilled IT resources to ensure successful implementation for both Regulatory systems and Administration/ Support systems

Projects/ Initiatives

- ICT Resource Company / Panel of resources procurement

Progress

- Appointed ICT Resources Companies / Panel of resources companies in March 2021 to assist with technical capacity to drive modernization while we are working on capacitating internal ICT Team through the NRCS Human Resources Processes

COVID-19



IMPACT OF COVID-19 ON NRCS

- Negative impact on service revenue and levy revenue
- Reduction in number of approval application
- Failure to timeously conduct physical product approvals and verifications
- Failure to adequately conduct market surveillance activities
- Low productivity as some employees can not adequately perform respective functions at remotely

Measures implement for COVID-19 and to assit business affected by the recent unrest

- Systems –leveraging on ICT systems and utilizing virtual platforms to render services
- Re-prioritisation of the budget to achieve maximum impact given limited resources
- In an attempt to assist in the production of food, regulated Foods and Associated Industries container releases to be effected within 10 days.
- Automotive, Electro-technical, Legal Metrology and Chemicals Materials and Mechanicals container releases to be effected within 10 days from the date of receipt of all required documentation.
- In supporting businesses affected by the recent unrest: All Certificate/ LOAs that are expiring between 1 July 2021 and 31 August 2021 will be extended by 3 months to enable business to continue production or importation whilst the NRCS consider the renewal

Thank You