

Portfolio Committee on Trade and Industry

Briefing by the NRCS: Progress on Implementing the Turnaround Strategy

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Chief Executive Officer
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NRCS Delegation

- ❑ Mr. Edward Mamadise
 - ❑ Chief Executive Officer

- ❑ Ms P Magagula
 - ❑ Chief Financial Officer

- ❑ Ms A Thulare
 - ❑ Chief Operations Officer

- ❑ Mr Edward Matemba
 - ❑ Manager Strategy and Risk

- ❑ Ms Nomathemba Majola
 - ❑ Acting Chief Information Officer

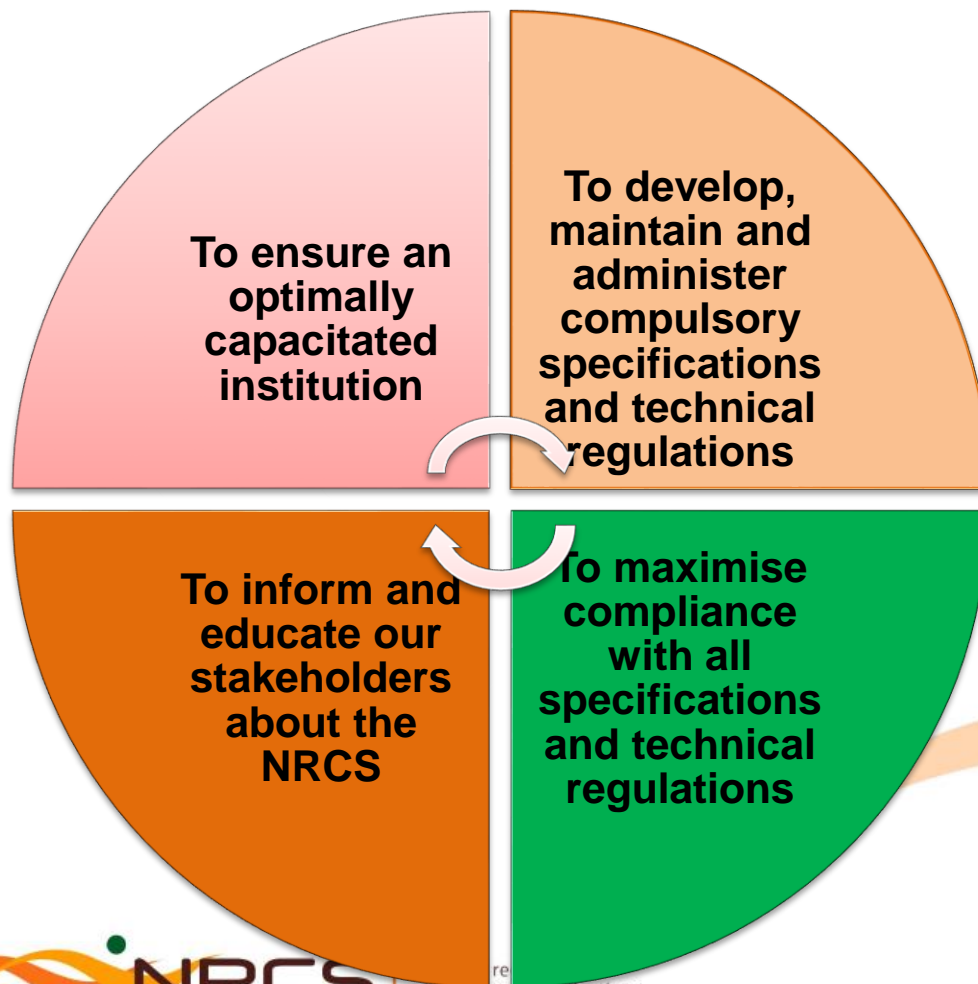
Scope of Presentation

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

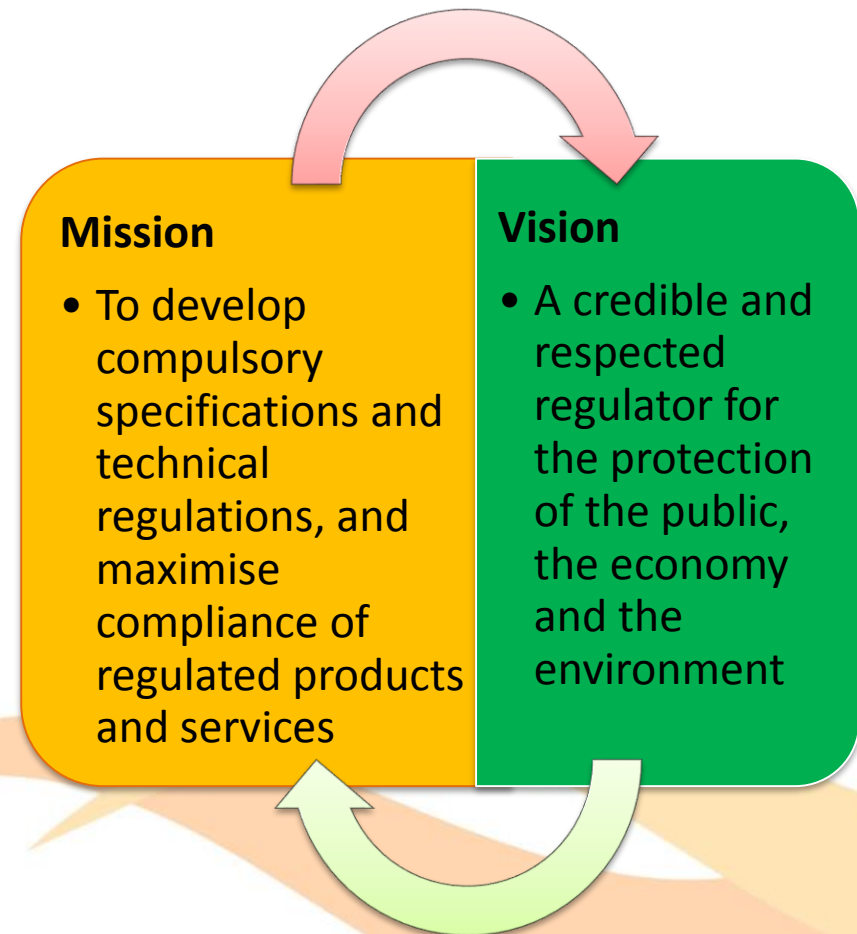
- ❑ Turnaround and Modernization Strategy
 - ❑ Introduction & Situational Synopsys
 - ❑ Action Plan
 - ❑ Progress thus far

NRCS Strategy, Mission and Vision

NRCS Strategic Goals



Mission & Vision



Legislative Mandate

Mandate of the NRCS is derived from the following Acts.

**National Regulator for Compulsory Specifications Act
(Act No. 5 of 2008 as amended)**

**Legal Metrology Act
(Act No. 9 of 2014)**

The National Road Traffic Act, Act No. 93 of 1996 as amended

**National Building Regulations and Building Standards Act
(Act No. 103 of 1977)**

**The Foodstuffs, Cosmetics and Disinfectants Act
(Act 54 of 1972)**

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

NRCS Turnaround Strategy



Problem Analysis

- The NRCS has received a qualified audit opinion from the Auditor-General for the past six years.
- The organisation is experiencing long-turnaround times for issuance of some pre-market approvals as noted by parliament.

Situational Analysis

- Senior Management Turn-over
- Qualified Opinion
- Fragile labour environment
- Inadequate ICT systems
- Service Delivery and poor performance culture
- Funding model
- Regulatory model –Legislation

Human Resources

Identified Challenges

Unpacking the challenges

Actions plan completed

Actions planned

Senior Management Turn-over rate

Fragile Labour Environment

- High CEO turnover rate – 4 CEOs since establishment
- Vacant Critical Positions
- Vacant Management positions

- Mistrust between Labour and management
- Failure to fully evaluate, assess the impact and suitability of the Competency Development Program (CDP)
- Partial Implementation of the CDP
- Failure to timeously review the organizational structure
- Shareholder Initiatives
- Salary disparities
- Leave management

Organisational review project completed now at project close off and approval stage - close-out report and structure costing to the NRCS finalised

Positions filled on Secondment bases – CIO

Critical positions – Filled Financial Manager, Head Supply Chain and CFO

16 Policies reviewed

Payroll and Leave Management - Electronic leave management as of 18 November 2019

- 8 HR policies outstanding under review
- Implementation of CDP awaiting direction from the Minister
- The Org review committee to review the recommend Micro structure to ensure that it is properly aligned to the mandate of the NRCS and submit for approval process

Audit Qualification

Identified Challenges

Revenue Qualification

Post Retirement benefit and Leave

Unpacking the challenges

- Completeness of revenue
 - Estimation methodology
- Cut-off revenue
- Financial Statements Compliance to Standards

- Inadequate capacity
- Lack of consequence management
- Poor performance management
- Lack of accountability

Actions plan completed

Revenue to be recognized at date of Declaration (however the Auditor General raised concerns)

Completed Estimation methodology to define inflationary percentages and period of last declared quantities.

Reviewed business processes – no LOA to be processed for companies that have failed to declare levies & Inspection process includes levy status verification

Post retirement benefit qualification resolved
Implemented consequence management

Actions planned

- Engaging with AGSA and Treasury as part of the 2019/20 Financial Year Audit in trying to resolve the revenue qualification
- Correct revenue recognition to align with declaration date (Current ongoing audit finding still under discussion with AG)
- Ensure all known companies are registered on the financial system 30 days after the inspection has been conducted
- Appointed CFO and Financial Manager

Audit Findings

- There were 84 External Audit Findings for the 2018/19 financial year. 2019/20 Audit is still ongoing and will be completed in October 2020. Detailed progress of 2018/19 Audit Findings:

Audit findings		Action plans	
Complete	74	Completed	88
WIP	10	WIP	12
Disagree	0	Not started	0
Can not be resolved	0	Changed	0
		No response	0
	84	TOTAL	100

Pre-market Approvals (LOAs)

- 100% of all Measuring Instruments - Type approvals being finalised within 120 calendar days
- 99% of all gaming approvals being finalized within 30 calendar days
- No back-log for Automotive Approvals. Applications above 120 days are awaiting applicants rectification of findings.

Pre-market Approvals (LOAs) - CMM

- 90,38 % of all Chemicals Materials and Mechanicals (CMM) LOA applications processed within 120 days
- 15 (not processed) outstanding LOAs over the 120 days within the Chemicals, Materials and Mechanicals section were above 120 days. These have now been allocated
- 566 application received for new version of Chemical Disinfectants (VC8054:2017) + 114 Sales permit applications. 20 are over 120 days. 269 are still to be allocated.
- Action for CMM – Implemented the 30 day cancellation as of November 2019

Pre-market Approvals (LOAs) Electro-technical

PERIOD	APPROVED	RECEIVED	APPROVED WITHIN 120 DAYS
2020/21	4253	5097	~ 90%
2019/20	4006	5897	~ 93%

- In the first two months of Quarter 2 2020/21, there was an increase in the number of received applications, to levels comparable to the pre-COVID-19 period. The total number of applications received by the end of August 2020/21 reached ~ 84% of the applications received in the same period in 2019/20 (At the end of Quarter 1 2020/21, the received applications were 26% less than the previous financial period).
- 90% of the applications were approved within 120 days, compared to 93% achieved in 2019/20. However the total number of approvals were marginally higher than the same period in the previous financial year.

Pre-market Approvals (LOAs) Electro-technical

- During the 2nd Quarter of 2020/21 financial year, the NRCS Electro-technical Business Unit experienced a 50% increase in the number of LOA applications received.
- 2020/21 LOA Performance Status (end August 2020):
 - YTD LOA Workload - 6 669
 - YTD LOA Approved - 4 253
 - YTD LOA Closed - 456
 - YTD LOA Carried over - 1 960
- 1960 is distributed as follows: 286 received unassigned, 863 approved awaiting capturing, 811 assigned at different stages of the process).

Pre-market Approvals (LOAs) Electro-technical

- Other planned interventions:
 - Review of Risk Category underway for implementation in Q3.
 - Profiling of findings into Low and High Risk is at an advanced stage and due for implementation in Q3.
 - Energy Efficiency Database implementation underway due for pilot run in Q3.
 - Recognition of Local Laboratories and Test Reports as Low Risk under investigation. Implementation targeted for beginning 2021/22.
 - Pooling capacity from market surveillance inspectors as and when required

ICT Modernisation



Progress thus far (NRCS Modernisation Holistic View)

Programme

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 Modernisation project to ensure a fit for purpose digital environment

Projects/ Initiatives

Add network switches (to ensure smooth network and less glitches)

Progress

- ICT is now working on a consolidated Local Area Network refresh with the following initiatives aimed to be completed by December 2020:
- Network Switches
- Internal Firewalls
- Enterprise Wi-Fi
- Security monitoring tool.
- Recently completed a feasibility study and now planning to kick start the SCM process to appoint a Service provider to assist with the implementation on the above initiatives.

Programme

**Application
Systems
Stabilisation
and
Modernisation
Programme**

Justification

Implement and ERP system to resolve audit findings within Finance and HR

Projects/ Initiatives

**Enterprise Resource
Planning System**

Progress

- The Service Provider was appointed in July 2020 to assist with the Enterprise Resource Planning (ERP) implementation.
- We have recently finalized the contract with the Service Provider.
- Formal kick off project to take place on the 1st October 2020.
- The NRCS according to the project plan will start with the implementation of Payroll, Leave Management and Finance modules by March 2021 allowing for user testing thereafter.
- The implementation of the ERP dates were amended due to COVID-19 lock down delays.
- Change Management will continue throughout the project

ICT Continued

Programme

IT skills,
capacity and
competency
procurement,
development
and
deployment
Programme)

Justification

Implement a fit for purpose Business Support System that integrates all administration modules with seamless workflow for online approvals
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

Projects/ Initiatives

ICT Resource Company/
Panel of
resources
procurement

Progress

- The ICT Resource Company/ Panel of resources was published and closed on the 22nd of June 2020.
- We received just over 50 Bids on this tender.
- ICT is currently in the Evaluation process and aim to appoint a panel of Service Providers by 3rd Quarter of this Financial Year.
- The collaboration with CIPC is still in progress, 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. In progress

ICT Continued

Programme

Data Integrity, back-up, archiving and security programme

Justification

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

Projects/ Initiatives

IT Security Architecture implementation (Implement a demilitarised zone DMZ for NRCS data center) and explore opportunities with strategic partners to triangulate and authenticate data

Progress

With the recent upgrade on the Wide Area Network, NRCS will proceed with full ICT security initiatives aimed to be completed by June 2021. Completed.

Programme

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 Modernisation Opportunities

Progress

- 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 – July 2020 – In progress
- Linkage to and re-use developed CIPC applications e.g. Website, re-structure and customer registration - dependent on appointment of Resourcing Company.

Thank You