

# 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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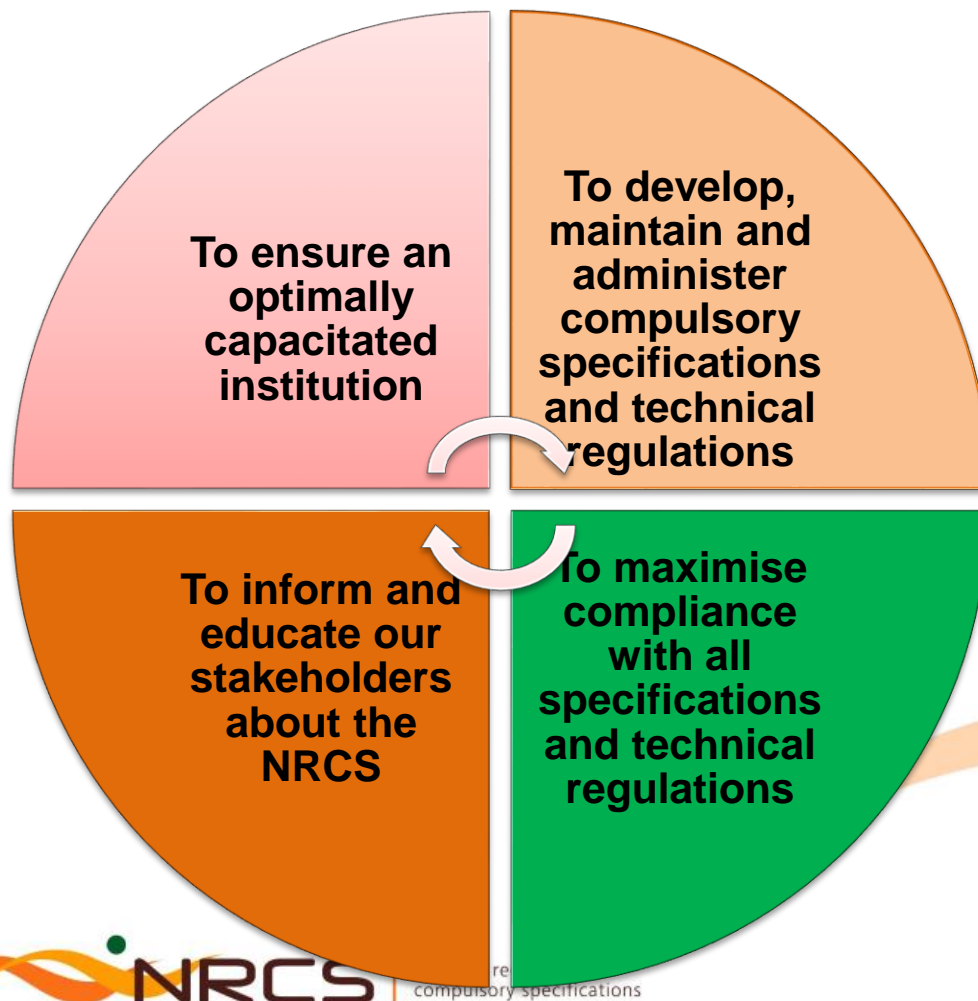
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# NRCS Delegation

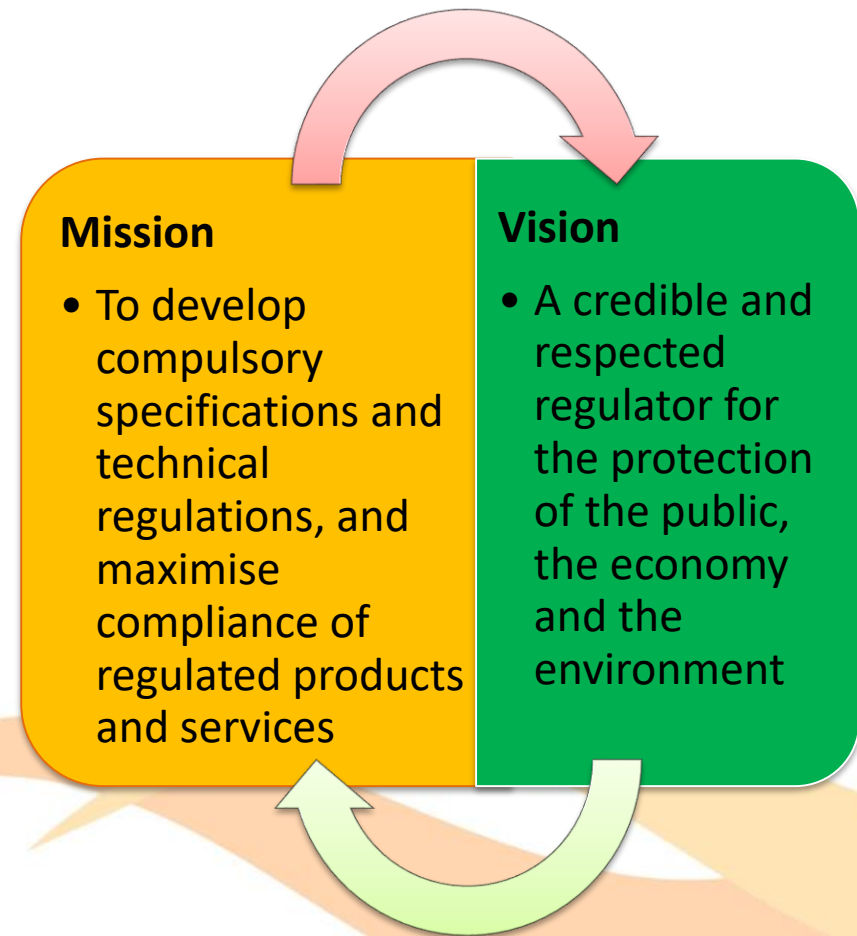
- ☐ Mr. Edward Mamadise
  - ☐ Chief Executive Officer
- ☐ Ms. Abigail Thulare
  - ☐ Chief Operations Officer
- ☐ Ms. Rebecca Ramcharran
  - ☐ Chief Financial Officer
- ☐ Mr. Bongani Khanyile
  - ☐ General Manager
- ☐ Mr. Edward Matemba
  - ☐ Manager Strategy and Risk
- ☐ Ms. Nomathemba Majola
  - ☐ Chief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

# NRCS Strategy, Mission and Vision

## NRCS Strategic Goals



## Mission & Vision

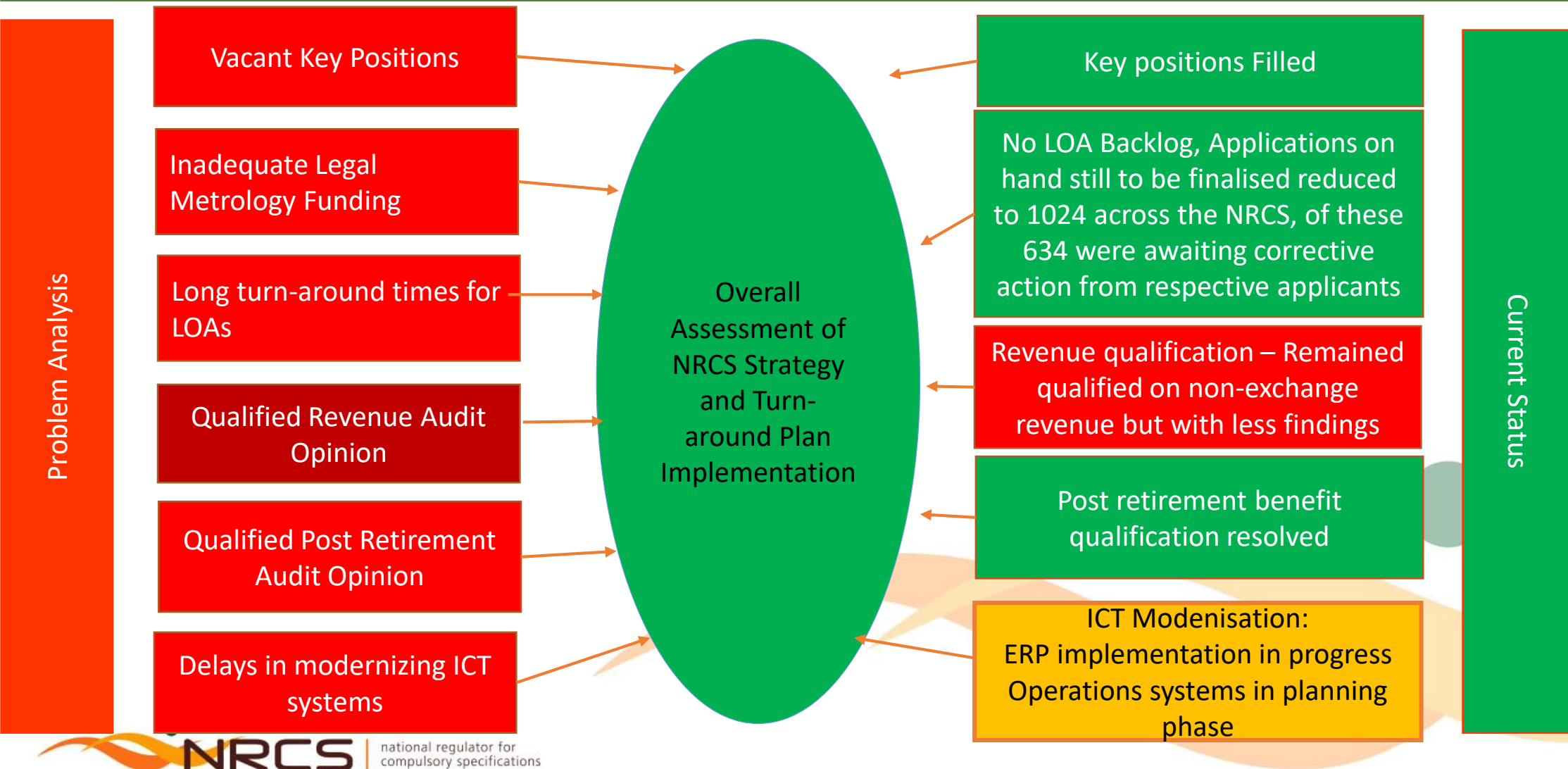


# Industries regulated by NRCS

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