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01

**PART A -
General Information**

Registered name of the public entity	National Regulator of Compulsory Specifications (NRCS)
RP number	RP:105/2014
ISBN number	ISBN:978-0-621-42627-4
Controlling entity:	The executive authority for the NRCS is the Minister of Trade and Industry
Business address of head office	SABS Campus No.1 Dr Lategan Road Groenkloof Pretoria
Postal address of head office	Private Bag X25 Brooklyn Pretoria 0075
Email address	NRCS@nrcs.org.za
Website	www.nrcs.org.za
Auditors	Auditor-General South Africa (AGSA)
Physical address	300 Middel Street New Muckleneuk Pretoria
Postal address	PO Box 446 Pretoria 0001
Acting Company Secretary	Teboho Aphané

02

List of Abbreviations/Acronyms

AFRIMETS	Intra-Africa Metrology System
AGSA	Auditor-General South Africa
BESA	Bond Exchange of South Africa
BCO	Building Control Officers
BCOCC	Border Control Operations Coordinating Committee
CAE	Chief Audit Executive
CCMA	Commission for Conciliation, Mediation and Arbitration
CEO	Chief Executive Officer
CFL	Compact Fluorescent Lamps
CFO	Chief Financial Officer
CIML	International Committee of Legal Metrology
CMM	Chemical, Mechanical and Materials
CPI	Consumer Price Index
COGTA	Department of Cooperative Governance and Traditional Affairs
CRM	Customers Relations Management
DAFF	Department of Agriculture, Forestry and Fisheries
DEA	Department of Environmental Affairs
DOE	Department of Energy
DOH	Department of Health
DOT	Department of Transport
DPSA	Department of Public Service and Administration
DR	Disaster Recovery
dti	Department of Trade and Industry
EE	Employment Equity
ERP	Enterprise Resource Planning
EU	European Union
Exco	Executive Committee
FAI	Food and Associated Industries
FAO	Food and Agriculture Organization of the United Nations
FLAG	Food and Legislation Advisory Group
FOREX	Foreign Exchange
GRAP	Generally Recognised Accounting Practice
HR	Human Resources
ICASA	Independent Communications Authority of South Africa
ICT	Information and Communication Technology
IEC	International Electrotechnical Commission
IECEE	International Commission on the Rules for the Approval of Electrical Equipment
IPAP	Industrial Policy Action Plan
IR	Industrial Relations

IT	Information Technology
ISO	International Standards Organisation
JASIC	Japan Automobile Standards Internationalization Centre
KPA	Key Performance Area
KPI	Key Performance Indicator
LOA	Letter of Authority
LOC	Letter of Certification
LSM	Lower Living Standards Measure
MIB	Manufacturers, Importers and Builders
MISA	Municipal Infrastructure Support Agency
MoU	Memorandum of Understanding
MTBPS	Medium Term Budget Policy Statement
NAAMSA	National Association of Automobile Manufacturers of South Africa
NCOP	National Council of Provinces
NDT	National Department of Transport
NDP	National Development Plan
NBR	National Building Regulations
NRCS	National Regulator for Compulsory Specifications
OIML	International Organisation for Legal Metrology
PAA	Public Audit Act
PAC	Project Approvals Committee
PFMA	Public Finance Management Act
QMS	Quality Management System
RASFF	Rapid Alert System for Food and Feed
RMI	Retail Motor Industry
SABOA	South African Bus Operators Association
SABS	South African Bureau of Standards
SADC	South African Development Community
SADCMEL	SADC Cooperation in Legal Metrology
SAMSA	South African Maritime Safety Authority
SANAS	South African National Accreditation System
SANS	South African National Standards
SAPA	South African Press Association
SAPS	South African Police Service
SARS	South African Revenue Services
SETA	Sector Education and Training Authority
SI	International System of Units
SLA	Service Level Agreement
SPS	Sanitary and Phytosanitary
SQAMEG	The SADC Standardisation, Quality Assurance, Accreditation and Metrology Expert Group
TBT	Technical Barriers to Trade
TC	Technical Committee
TR	Technical Regulations
UNECE	United Nations Economic Commission for Europe
VC	Verpligte/Compulsory
VCs/CS	Compulsory Specifications
VIN	Vehicle Identification Number
VoIP	Voice over Internet Protocol
WP	Working Party
WHO	World Health Organisation
WTO	World Trade Organisation

Background

The National Regulator for Compulsory Specifications (NRCS) was established on 1 September 2008 in accordance with the National Regulator for Compulsory Specifications Act (NRCS Act), No.5 of 2008. It emerged as an independent organisation from the original Regulatory Division of the South African Bureau of Standards (SABS) and is defined as a schedule 3(a) entity under the Public Finance Management Act (PFMA), 1999 (Act No. 1 of 1999).

The NRCS is an agency of **the dti**, established to administer compulsory specifications and other technical regulations with the view to protect human health and safety, the environment and to ensure fair trade, in accordance with Government policies and guidelines.

NRCS vision

The vision of the NRCS is a safe, competitive and prosperous South Africa in which we collaborate with our partners to promote environmental sustainability and contribute to a world-class technical infrastructure.

NRCS mission

The mission of the NRCS is to protect the interests of South Africans by developing and ensuring compliance with a system of compulsory specifications and technical regulations. The specifications and technical regulations cover a range of products that may impact on the safety of consumers.

Strategic outcome-orientated goals

The mandate of the NRCS will be executed by pursuing the following **four key strategic goals**

- **Strategic Goal One:** To develop, maintain and administer compulsory specifications and technical regulations
- **Strategic Goal Two:** To maximise compliance with all specifications and technical regulations
- **Strategic Goal Three:** To inform and educate our stakeholders about the NRCS
- **Strategic Goal Four:** To ensure an optimally capacitated institution

Each of these goals is described by a **key metric** in the Annual Performance Plan that will track progress made towards achieving these goals over time. Each goal will also have **strategic projects or initiatives** that will create focused actions with clear accountabilities.

LEGISLATIVE AND OTHER MANDATES

Legal form of entity

Schedule 3A Public Entity, in terms of the PFMA

Legislative frameworks

The legislative frameworks under which the NRCS performs its tasks (on behalf of **the dti**) are:

- The National Regulator for Compulsory Specifications Act, No.5 of 2008
- Trade Metrology Act, No.77 of 1973
- National Building Regulations and Building Standards Act, No.103 of 1977
- Public Finance Management Act (PFMA), 1999 (Act No. 1 of 1999)
- Other applicable legislation

04

Foreword by the Minister



Dr Rob Davies
Trade and Industry Minister

The year 2014 marks the 20th anniversary of our democracy. Given this historic occasion, the Presidency has commissioned a range of papers to review 21 thematic areas related to South Africa's development. These include topics such as democracy and citizenship, non-racialism and social cohesion, spatial development, the judiciary, the economy, the environment and employment.

Government encourages departments, agencies and society to reflect on the progress made and the challenges that the nation has faced over the past 20 years.

Government has tabled the National Development Plan and New Growth Path as the job driver within which the Industrial Policy Action Plan (IPAP) was

identified. IPAP has become the centrepiece of the Department of Trade and Industry's (**the dti's**) work and that of its agencies, with all our actions being co-ordinated around and aligned to it.

Each year, **the dti** launches a revised three-year rolling IPAP with a ten-year outlook in a context of rapid economic change and significant global uncertainty. The latest version of IPAP demonstrates **the dti's** commitment to constantly refine and improve on the design and implementation of its industrial policy.

"Compulsory Specifications/ Technical Regulations specify technical requirements that are made mandatory by legislation in terms of any Act of Parliament or the Regulations to any Act. Such Technical Regulations may refer to requirements in an international or national standard, thereby making those mandatory."

The technical infrastructure institutional framework supports industrial development through maintenance and improvement of compulsory specifications as well as regulations that require accredited testing, calibrations, inspections, certification and verification services in order to provide evidence of compliance. Accurate and internationally recognised standards of measurement performed in industry are an important

factor for competitiveness in international trade. Compliance with regulations, standards, labelling requirements and other specifications has to be demonstrated for every batch of goods that the NRCS monitors. The development of world-class testing, calibration and certification capabilities is of great value in scaling up and resuscitating manufacturing industries, while simultaneously contributing to broader social benefits. Great strides have already been made with focused enforcement programmes, targeting the main South African border posts, coupled with a visible media campaign to broadcast the seizure and destruction of non-compliant products by the NRCS. The cooperation and partnerships between the South African Revenue Services (SARS), the South African Police Service (SAPS), other parties and the NRCS have contributed to this success. The NRCS plays a critical role in curbing various forms of fraudulent and illegal imports as well as harmful sub-standard products imported into the country – all of which undermine productive capacity and employment growth across a wide range of sectors in South Africa. A range of compliance assessment tools including sampling, inspections and sanctioning of products, as well as examination of documentary evidence are undertaken to realise this mandate with the objective of locking out sub-standard, unsafe, non-compliant and harmful products from our market and to lock-in foreign markets for South African manufactured goods.

“Sampling is a sub process carried out during market surveillance inspection. Sampling is done at two levels; sampling of products from a batch for inspection and sampling of products from a batch for testing and/or for keeping a “reference sample” for future use.”

To date, approximately R438 million worth of non-compliant and unsafe products have been seized and removed from the market. In addition to the negative impact on the health and safety of South African consumers and the environment, non-compliant products have a significant impact on the South African economy. It is important for industry and

in particular, importers, to adhere to the prescribed rules and regulations and not supply the market with unsafe, non-complaint goods.

the dti has supported the NRCS and will continue to do so in its endeavour to realise its full mandate. In order to position the national technical infrastructure appropriately by ensuring that it continues to meet the changing needs of industry, **the dti** adopted a policy to modernise the Trade Metrology legislation by expanding its scope to Legal Metrology. The Legal Metrology Bill has now been passed by Parliament. It is aimed at promoting fair trade, industrialisation and enhanced protection for both the environment and public health and safety. Its main measures are to expand and strengthen the scope of Trade Metrology and enforce Legal Metrology, protect consumers against inaccurate measures and support local industrial competitiveness.

The strengthening of the enforcement of Legal Metrology within an appropriate legislative framework supports industrial development by “locking out” inferior goods. It will furthermore protect consumers against short measure and inaccurate measurement and also level the playing field for industry, as measures should be equivalent across the country. By harmonising South African Legal Metrology regulations with international requirements, the competitiveness of South African exporters will be enhanced.

The Bill also addresses corporate governance as contained in Clause 42, as well as Schedule 2 to the Bill. The signing of the Bill will introduce a new governance structure where the Agency's Chief Executive Officer will report directly to the Minister of Trade and Industry.

Legal Metrology impacts on our everyday lives in that it refers to measurements in trade such as the weight of consumer goods, be it meat purchased from a butchery or a pre-packed staple such as mealie meal or the volume of fuel that we purchase daily. If these products are not accurately measured, consumers may not get what they are paying for.

It will in future also include measurements related to health, safety and the environment such as measurements related to blood pressure instruments and baby scales, where incorrect diagnosis could be

fatal, as well as breath analysers and exhaust gas analysers. This legislation relates to the technical infrastructure – the Standards, Quality Assurance, Accreditation and Metrology-system that provides an objective basis for competitiveness in the economy. The legislation improves the responsiveness of this system to the needs of the South African economy.

the dti is also in the process of reviewing the National Building Regulations and Building Standards Act (NBR & BS Act), No. 103 of 1977 to make it more effective. The legislation was promulgated several years ago and has not kept pace with the developments in the building industry.

On behalf of **the dti**, I wish to thank the NRCS for the sterling work done but more importantly its commitment to assist **the dti** in realising its objectives and supporting government priorities. Through our collective efforts, much has been achieved; however, we are mindful of the challenges that lie ahead of us.



Dr Rob Davies
Trade and Industry Minister

05 Report of the Chairperson



Mr Jeff Molobela
Chairperson of the NRCS Board

The National Industrial Policy Framework and successive iterations of IPAP provide a policy and programme fulcrum for the work of **the dti** and its affiliated agencies, enabling alignment and integration of its work within the strategic vision of a more equitable society, provided by the National Development Plan and the programmatic perspectives set out in the New Growth Plan.

The work of the NRCS, as an entity of **the dti**, is informed by action plans and programmes set out in the IPAP goals in keeping with the Department's constitutional mandate and mission statement. Equally, the successful implementation of the IPAP programmes and actions plans requires coordination and partnerships with other government institutions.

There are no quick fix solutions for industrial development, especially in the face of extremely strong headwinds such as the economic meltdown and its aftermath on the global economy; the deep structural problems which characterise the domestic economy; and the constraints and tactical challenges that have to be overcome. Though much has been achieved and learned, more still needs to be done.

The Board and management of the NRCS are committed to doing everything to contribute towards securing a collective social agenda that will allow the NRCS to address South Africa's most pressing developmental challenges with renewed urgency and decisiveness. Our approach to industrial development means never losing sight of our constitutional mandate as the organisation to contribute towards building an inclusive values- and rights-based economy and society. As such, the Board and management continuously consider and review the need for new or amended technical regulations and compulsory specifications to improve delivery on our mandate.

In addition to the IPAP deliverables, the Board and management have developed a three-year (2013–2016) annual performance plan, as well as a five-year (2013–2017) strategic plan. Both these documents are aligned to a number of strategic documents of government which include the National Development Plan (NDP), as well as various policies and action planning frameworks of **the dti**, such as the South African Trade Policy and Strategy Framework, and the Industrial Policy Action Plan (IPAP).

The NRCS's Strategic Plan gives direction to the activities of the organisation to ensure that its

specific deliverables are achieved in a manner that is consistent with its mandate, which involves undertaking surveillance inspections and approvals, and – where necessary – implementing sanctions.

The NRCS's Strategic Plan intends to achieve the following:

- Enhance the quality of life of all South African citizens by ensuring their health and safety, as well as protecting the environment and maintaining fair trade
- Support the economy by strengthening existing markets and opening up new markets through exports
- "Lock-out" the import of products that do not comply with compulsory specifications

The NRCS will continue to build the capacity required to analyse, co-ordinate and implement effective programmes underpinned by sound research; forging strong partnerships and stakeholder engagement; rigorous programme oversight; and open-minded 'discovery' with respect to what works and what does not.

The Board has also resuscitated the NBR Review Board and through its recommendation, the Chairperson of the Review Board was officially appointed by the Trade and Industry Minister, Dr Rob Davies on 1 June 2013. Fourteen cases were subsequently registered for consideration by the Review Board out of which three were concluded, eight are ready for tribunal, three were withdrawn and one is proceeding through the appeal process.

Through its committees, the NRCS Board has also made some significant strides in addressing governance-related issues. Furthermore, uncertain as the global economic recovery may be, technological change continues at breakneck speed. It is already common cause that we have entered a new wave or 'second machine age' driven by additive manufacturing; exponential progress in computing, telecommunications and digital access to knowledge; composite and new materials; and the drive for energy efficiency and climate change mitigation. In keeping afloat in a high-tech digitised world, the Board has established the ICT Steering Committee to deal with all IT governance and related procedures and practices.

The Board also remains committed to maintaining good industrial and labour relations in the workplace and thus engages proactively with all stakeholders in a manner that is beneficial to the long-term sustainability of the entity. Finally, it is our resolve to do more in the years to come, but our success will be underpinned by the support of all our stakeholders, including **the dti** and other government departments and agencies. Our efforts are strengthened immeasurably if we work together to move the country forward.

My heartfelt thank you goes to the Minister of Trade and Industry for his continued guidance and insight. Also, the support that the NRCS continues to receive from **the dti** is much valued. To my fellow Board members, thank you for your dedication and unwavering support during the period under review. To the Executive Officer and all staff members - thank you for your professionalism and commitment.

This report provides a detailed overview of the activities and overall performance of the NRCS for the year ended 31 March 2014.



Mr Jeff Molobela
Chairperson of the NRCS Board

06 Report of the Chief Executive Officer



Mr Asogan Moodley
NRCS Chief Executive Officer

Government's industrial policy interventions without the actions of all the stakeholders, can never be enough to confront the many challenges that undermine our economy. These require disciplined and principled joint efforts on the part of all the state agencies, industry players and social partners. Global experience has shown that yesterday's commanding economic orthodoxies can become today's failed projects, especially where country-specific context and dynamics are not properly factored in.

The NRCS's role as a regulator is to ensure that businesses produce, import or sell products or services that are not harmful to consumers and the environment, or that do not fall short of the declared quantity of measurement. The NRCS is also tasked to provide a regulatory function for the building industry

to ensure building safety, health, structural stability, and the uniform interpretation and implementation of the Act and Building Regulations.

Economic overview

Economic growth is the key component in the alleviation of poverty and unemployment. Economic studies have proven that productivity is the determinant of long-term health and prosperity of an economy. Institutions like the NRCS provide a level playing field for industry participants to adhere to set rules for entrance into the South African and world market. As an open economy South Africa plays a significant role in the world market, which provides a platform for a significant role within the SADC Technical Infrastructure through spill overs and knowledge transfer.

South Africa's economic growth rate for the year under review was 2%. Notably the agriculture, forestry and fishing industry experienced a decrease of 1,9% year on year, and this statistic is reflected by low local fishery productions and consignments for the year under review as compared to imported products. The NRCS inspected 13 124 imported frozen fishery products and canned fish and meat consignments as compared to 6 159 local consignments and productions. In the year under review, the growth in the number of imported automotive and electrotechnical products, paraffin stoves and plastics tapered off, as reflected by the number of applications for Letters of Authority received during the year.

It is extremely difficult to separate the role that the NRCS plays in the South African economy from the role government plays in economic development and

economic benefits of standards, because the regulator plays an integral part in many micro-economic and social activities. The NRCS technical regulations' impact cannot reasonably be aggregated into a single measure, because of the diversity and impact of the NRCS on the entire manufacturing and retail sectors. Albeit at a micro level the NRCS ensures that non-complaint, unsafe products and products that did not adhere to the declared quantities, were removed from the South African market through the leveling of the playing field, thereby "locking in" compliant products and 'locking out" non-compliant products.

Planned policy initiatives driven by the dti in support of the NRCS's work

The Legal Metrology Bill

The NRCS welcomes the policy initiatives by the dti such as the movement from Trade Metrology to Legal Metrology. The Legal Metrology Bill replaced the Trade Metrology Act, No.77 of 1973, which was outdated and did not provide for the regulation of Legal Metrology measurements but was limited to weights and measures. Legal metrology will afford the same kind of assurance to additional measurements such as those with respect to water consumption, speeding on the roads or blood pressure determinations.

In addition, the Bill mandates the NRCS to participate in the International Organisation of Legal Metrology (OIML). The OIML is a treaty organisation that was established in 1955. Currently it has 59 member states and 67 corresponding members. South Africa acceded to the OIML in 1998. The OIML was established to disseminate information on legal metrology laws and regulations, the development and promotion of international best practice, elimination of barriers to trade caused by legal metrology and to develop and promote mutual acceptance agreements in legal metrology. Where OIML regulations are available, the NRCS will use those as a basis for its regulations. It is important to note that this Bill forms part of our ongoing effort to provide a strong basis for industrial development.

It was agreed that the NRCS could not implement the new Legal Metrology Act without the industry's support. This is also reflected in the continued provision for the use of accredited verification bodies and the provision for cooperation with other organs of state to avoid duplication in terms of market surveillance

inspections. The NRCS is currently training candidate legal metrology officers in order to provide a more effective service to the economy.

“Market surveillance inspection means any activity of the National Regulator, other than testing, concerned with determining, either directly or indirectly, whether any or all of the requirements of a compulsory specification are met.”

This Bill provides for a new financing model for legal metrology, similar to the structure that the NRCS uses for funding of compulsory specifications. Fees will be determined per legal metrology technical regulation, based on the cost that the regulator incurs to effectively and efficiently regulate. Regulatory costs that need to be covered include: type approvals, verifications, inspections, consultations, awareness campaigns, impact assessments and risk assessments. The funds of the NRCS will consist of money that is appropriated by Parliament and fees collected for services provided. These fees are consulted with industry annually and have to be approved by both the Ministers of Trade and Industry and Finance. Fees are published in the Government Gazette.

NRCS Flagship Projects

Market surveillance and regulatory supervision

In response to the regulatory landscape of today, the NRCS adopted the border or port of entry (source) inspections as well as a risk-based approach to its enforcement surveillance activities. These two initiatives have yielded positive results for the organisation which saw approximately R153 million worth of products being destroyed during the period under review.

The success of the border enforcement project was augmented by the support and enhanced collaboration from stakeholders such as the South African Revenue Services (SARS), South African Police Service (SAPS), Department of Health and Department of Agriculture, Forestry and Fisheries to maximise compliance with technical regulations.

Border enforcement

The NRCS, in giving effect to IPAP Phase 3, conducted studies at the ten targeted ports of entry, namely the airports of OR Tambo and Cape Town; and the inland ports of Beitbridge, Oshoek, Ficksburg, Maseru Bridge, Ramatlabama, Kopfontein, Skilpadshek and Golela.

The border enforcement project has yielded positive results for the organisation in curbing non-compliant products in the market. A six week peak season blitz at three major ports of entry; the harbours of Cape Town and Durban, and the dry port of City Deep in Gauteng, resulted in R11.4 million worth of non-compliant products being detected and confiscated, with a non-compliance rate of 7.9% for NRCS-regulated products. The presence of the NRCS at the ports of entry has also resulted in an increase in LOA applications for pre-market approval of products. The NRCS actively participated in various Border Control Operations Coordinating Committee (BCOCC) meetings across the country. The organisation built strong relations with SARS and SAPS, other port of entry regulators, as well as stakeholder groupings representing freight forwarders and shipping lines.

Energy efficiency

The NRCS has been part of a national steering committee on the DOE-led initiative on the Energy Efficiency Standards and Labelling Project. The regulator has been mandated to play a major role in energy efficiency to contribute in meeting the national target of reducing the energy intensity by 12% by 2015. The NRCS is required to adequately prepare to enforce energy efficiency requirements in compulsory specifications which are currently under development, including incandescent lamps and household appliances.

Operational Performance Information

Approvals

The NRCS processed 8 620 applications for letters of authority, of which 73.5% were for electrotechnical products destined for the local market, 22% for automotive products and 4.5% for applications received from the chemical, mechanical and materials industries.

Market surveillance

The organisation inspected all declared locally produced and imported fishery and associated products for compliance. The total number of inspections for local consignments and productions amounted to 6 159 and 13 124 consignments for imported fishery and associated products. In promoting South African products and facilitating trade, the NRCS issued health guarantees for 18 780 fisheries and associated product consignments destined for the European Union and the Far East.

The NRCS undertook 5 192 inspections against a target of 4 960 for chemical, mechanical and materials products and industries, which represents an achievement of 4,68% over the planned target. In respect of electrotechnical products and industry, the NRCS conducted 4 338 inspections, representing an achievement of 8.45% over the planned target, while the Automotive Business Unit undertook 4 054 inspections, which represented an achievement of 1.35% over the planned target. Furthermore the Legal Metrology Business Unit conducted 4 287 market surveillance inspections, 8.5% more than the inspection target for the year.

The Legal Metrology Business Unit received 153 applications for type approval from instrument manufacturers and suppliers and issued 94 certificates of approval for instruments that passed all requirements and tests. The approval of certificates allows submitters to manufacture or import any number of replicas of the approved instrument for use in terms of the Act. The Business Unit received applications from the gaming and gambling industry for the evaluation of gaming hardware and software and 890 letters of certification (LOC) were issued.

Information Technology

The NRCS ICT has been tasked with implementing an IT infrastructure capable of meeting the NRCS IT needs and assisting in enabling the achievement of strategic goals. Since inception, the NRCS utilised the SABS IT infrastructure. In February 2013, the NRCS started implementing services on a new platform. This move was finalised on 2 September 2013. The IT infrastructure experienced problems with servers on the virtualised platform, dropping connection to the shared storage which led to downtime being

experienced. The NRCS and the service provider have resolved the problem by utilising hard drives for the operating system.

The NRCS is in the process of finalising the development and implementation of a Customer Relationship Management (CRM) system which is key in aiding the NRCS's operational needs. The system will aid in the inspection process, management of clients, and allow for the inspectors' results to be recorded electronically. The system is in its final stages of development and the service provider and business are currently busy reviewing and streamlining processes to ensure that the system meets organisational needs. The CRM project was initiated in 2010 and the project was estimated to be completed in 12 months, ending 28 February 2011. The delays are due to challenges associated with the project, including the suspension of the project to allow for investigations, no documented business process being available and non-availability of key stakeholders.

IT and business are in the process of procuring an Enterprise Resource Planning (ERP) system which will include human resources needs, payroll needs and financial management requirements. This process is in the planning phase with the "requirements gathering" process finalised.

NRCS facilities

To cover the regulated market efficiently, the NRCS's head office is located in Pretoria and has four regional offices with satellite offices in Hermanus, Mossel Bay and the West Coast. The NRCS's regional offices are in Cape Town, Durban, Port Elizabeth and Bloemfontein. All facilities are leased and the NRCS will in the 2014/15 financial year conduct a feasibility study on future office options such as ownership.

The NRCS owns property in Port Elizabeth which is currently not occupied. The NRCS Board resolved to refurbish the building with the view to relocate the staff in the Port Elizabeth office to the NRCS building. The National Treasury gave approval to retain surpluses for the purposes of refurbishing this property. In March 2014 the NRCS contracted a service provider to provide architectural services.

The Board and management of the NRCS attach great value to the organisation's principal asset – its staff, through which the organisation renders its service to the nation. Management is thus working with organised labour and is continuously seeking staff views to create the best working environment. During the 2012/2013 financial year, the NRCS experienced considerable instability in the work environment. Concerted effort was accorded to negotiate with organised labour and two wage settlement agreements, signed in July 2013 and May 2014, have resulted in relative stability. The training and development function is also receiving attention to reduce capacity constraints.

The operating Business Units are undertaking business improvement and capacitation processes to identify medium- to long-term needs. This initiative will strengthen the regulator's footprint and coverage in areas of strategic importance. The organisation is determined to continue to further enhance its services in ensuring compliance at all levels. It will continue to identify gaps in regulation to ensure consumer protection in an ever-changing global market.

Human Resources

During the last two financial years, the NRCS experienced labour instability as a result of wage demands from organised labour, as well as remunerative entitlements that arose from the separation of the NRCS from the SABs. Whilst the CCMA ruled on the matter relating to the "tool of trade" allowance, a mediator was appointed by **the dti** to resolve the impasse between the NRCS and organised labour. The mediation effort resulted in the NRCS accepting an assessment from Deloitte and Touche with regard to the grading of NRCS posts as well as other outstanding matters.

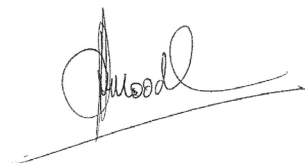
The settlement agreements resulted in a significant increase in employment costs as reported in the Annual Financial Statements. The settlement agreement impact in the 2014 financial year includes a basic increase in salaries of R4.5 million, the introduction of employers' contribution to the pension fund of R1.1 million and other adjustments as a result of late settlement of the agreement of R0.56 million.

A wage settlement agreement that resulted in a general increase in salaries for bargaining level staff members was signed for both the 2011/12 and 2012/13 financial years. Furthermore, a similar settlement was also reached with management staff that also resulted in increased salaries.

Governance

During the year under review, the Finance Unit reviewed its operating processes, implemented stronger internal controls and enhanced operating procedures. The Unit was assisted in this task by the numerous internal audit reports issued. Our Audit and Risk Committee continues to play a significant role in the governance architecture of the NRCS while the Board and its committees continue to provide the leadership and direction necessary to move the organisation forward. Management is deeply indebted to the Board and its committees for the dedicated leadership.

The NRCS received unconditional support from the Minister and management of **the dti** which enables it to overcome some significant challenges. The NRCS is looking forward to such continued support.



Mr Asogan Moodley
Chief Executive Officer

07 NRCS Board Members



Mr Jeff Molobela
Chairperson of the NRCS Board



Ms Elizabeth (Lilibeth) Moolman
Board Member



Mr Sipho Zikode
Board Member (**the dti**)



Ms Dora Ndaba
Board Member



Mr Nico MW Vermeulen
Board Member



Ms Funzani Asnath Melato
Board Member



Mr Paul Serote
Board Member



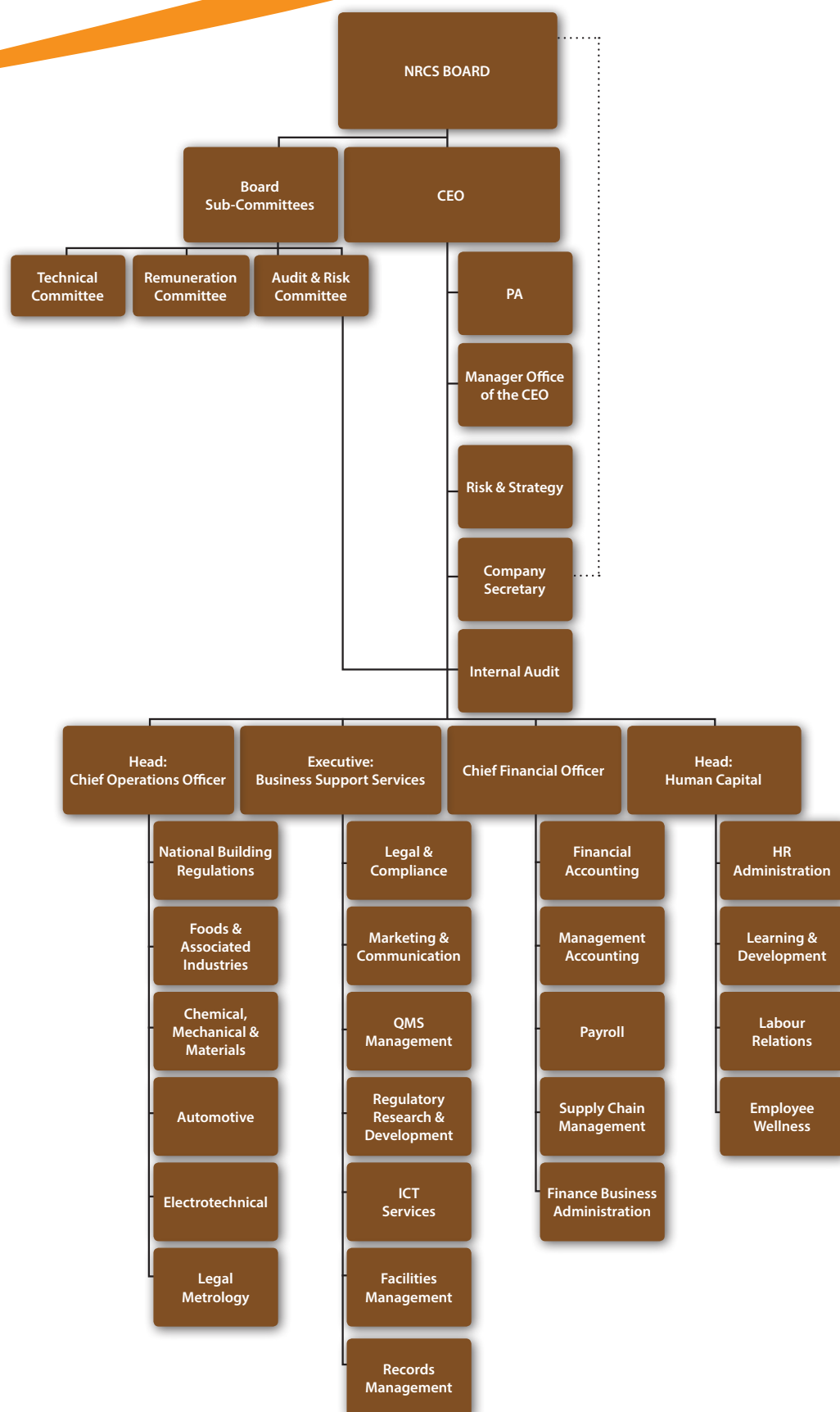
Prof Sadhasivan Perumal
Board Member



Mr Asogan Moodley
CEO of NRCS

08

Organisational Structure



09 PART B - Performance Information

STATEMENT OF RESPONSIBILITY FOR PERFORMANCE INFORMATION

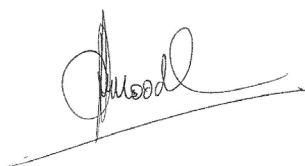
The Chief Executive Officer is responsible for the preparation of the public entity's performance information and for the judgements made in this information.

He is responsible for establishing and implementing a system of internal controls, designed to provide reasonable assurance as to the integrity and reliability of performance information.

In my opinion, the performance information fairly reflects the actual achievements against planned objectives, indicators and targets as per the strategic and annual performance plan of the NRCS for the financial year ended 31 March 2014.

The NRCS's performance information for the year ended 31 March 2014 has been examined by the external auditors. This report is presented on page 62 to 65.

The performance information of the entity set out on page 43 to page 47 was approved by the Board.



Mr Asogan Moodley
Chief Executive Officer
31 July 2014

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Automotive Business Unit

Overview

The Automotive Business Unit administers compulsory specifications for motor vehicles and certain identified motor vehicle replacement components in accordance with the NRCS Act. Additional powers to the Automotive Business Unit are granted by the Department of Transport in accordance with the National Road Traffic Act, No. 93 of 1996, wherein the NRCS is appointed as the Inspectorate of Manufacturers, Importers and Builders of Motor Vehicles. The Business Unit's strategic partners include government organisations such as **the dti**, National and Provincial Departments of Transport, consumers, automotive industry as well as other parties affected by regulatory activities. Our strategic partners also include foreign governments and regional groupings such as the Southern African Development Community (SADC) and national and international organisations of which we are members, such as the World Forum for the harmonization of Motor Vehicle Regulations.

Our strategic stakeholders, with whom we share a common purpose, assist us in executing our mandates effectively. These stakeholders include but not limited to:

- SARS/Customs Unit in providing effective import control at all ports of entry
- SAPS, where there is evidence/suspicion of illegal vehicles in the market, or where illegal conversion

of motor vehicles or use of Manufacturers, Importers and Builders (MIB) status takes place

- UNECE (United Nations Economic Commission for Europe), in the harmonization of technical regulations with international regulations as required in terms of the WTO (World Trade Organisation) Technical Barriers to Trade Agreement
- SADC (Southern African Development Community), to further the harmonization of technical regulations in the region in support of the SADC Trade Protocol and wherever possible, provide assistance to SADC member countries with the establishment of an infrastructure to implement and administer technical regulations
- SABS

Overall performance

Market surveillance

The Automotive Business Unit conducts market surveillance inspections and is also mandated by the National Road Traffic Act (NRTA Act), No. 93 of 1996, to conduct inspections of all Manufacturers, Importers and Builders MIBs of motor vehicles within South Africa. As the inspectorate of MIBs, automotive inspectors conduct inspections at the physical location of the MIBs to evaluate the suitability for registration as an MIB and recommend to the Department of Transport. Inspections are also conducted at manufactures

and importers premises as well as market place after homologations/approvals are granted. For the period under review, the Business Unit conducted 4 054 inspections, including 163 border inspections in line with the risk-based approach to NRCS work.

“Homologation is a confirmation by the NRCS that the model of the motor vehicle or replacement component which has been submitted by the applicant, an importer or manufacturer of a regulated product, meets the requirements of the relevant compulsory specification or technical regulation.”

Approvals

The Business Unit conducts homologations (pre-market approvals). During the period under review, the Automotive Business Unit issued 5 800 approvals. These approvals were related to vehicles, as well as certain vehicle components, spanning the entire scope of the Business Unit including the following: light passenger vehicles (M1), buses (M2 and M3), light commercial vehicles (N1), heavy commercial vehicles (N2, N3), trailers (O1, O2, O3, O4), agricultural tractors (U), motorcycles (L), child restraints, lights, tyres, safety helmets for motor cyclists, replacement brake linings assemblies, replacement safety glass, towing devices (tow bars), elastomeric cups and seals and replacement incandescent lamps, as well as hydraulic brake and clutch fluid.

“A Pre-market approval is a confirmation by the NRCS that the model which has been submitted by the applicant, an importer or manufacturer of a regulated product, meets the requirements of the relevant compulsory specification or technical regulation before being introduced to the market.”

Sanctions

The Automotive Business Unit contributes to the eradication of non-compliant products from the

South African market by imposing sanctions on companies that do not comply with the requirements of the compulsory specifications. Seventeen directives were issued for non-compliant products such as tyres, brake material, motorcycle helmets and towbars during the period under review. Other non-compliant products including child restraints, tyres, seals and motorcycle helmets to the value of R231 490 were destroyed during the last quarter of the financial year.


Stakeholder engagement

During the period under review, representatives of the Automotive Business Unit actively participated in the following stakeholder interactions:

- Working Party 29 (WP29 and working groups) Harmonisation of Motor Vehicle Regulations
- Department of Transport (DoT) Automotive Forum
- DoT Vehicle Technical Committee
- DoT Interprovincial Policies and Procedures Meeting
- DoT Abnormal Loads Committee
- South African Police Service (SAPS) Vehicle Crime Forum
- National Association of Automobile Manufacturers of South Africa (NAAMSA)/NRCS Automotive Forum
- Retail Motor Industry (RMI)
- South African Bus Operators Association (SABOA) Technical Committee
- SABS T.C's

Challenges

Despite the overall good performance by the Business Unit, there remain challenges that need to be resolved for the Business Unit to completely realise its objectives. Some of the challenges include evasive behaviour by MIBs in terms of continuous compliance after initial approvals. This is more prominent where certain grey areas exist within the Road Traffic Act and NRCS Act, hindering effective regulation. Other challenges include, the control mechanisms within the vehicle licensing authorities nationally in terms vehicle registrations and limited availability of accredited local testing facilities for certain products such as tyres, safety helmets for motorcyclists, brake fluid and category L vehicles. The turnaround times for the test results and the rising costs of testing have also been a concern over the years.



The challenge remains where incomplete applications are received, resulting in unnecessary delays.

The implementation of the border inspections for the Business Unit was challenging, even though the overall target of 4 000 inspections was exceeded by 1.35%. These challenges will be resolved through efforts to focus on the accurate profiling of containers at the various ports in the next year.

Conclusion

The Automotive Business Unit continues to work closely with industry to ensure that all approvals are processed within the turnaround times.

In order to address the above challenges, it will be essential to work closely with our external stakeholders, including the DoT, SABS and industry representative organisations.

The Automotive as well as the Regulatory, Research and Development Business Units will consider all current compulsory specifications that need revision, paying special attention to testing requirements in the new year.

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Chemical, Mechanical and Materials Business Unit

Overview

The Chemical, Mechanical and Materials (CMM) Business Unit is responsible for the administering of compulsory specifications that cover the following industry sectors:

- Personal protective equipment (safety footwear and respiratory protective devices)
- Flotation devices and swimming aids, firearms and associated products (firearms and shooting ranges)
- Flame-producing devices (paraffin stoves, heaters and cigarette lighters)
- Health-related products (microbiological safety cabinets and disinfectants)
- Construction materials (cement and treated timber)
- Products that affect the environment (plastic carrier bags and coal-burning stoves)

In addition the CMM Business Unit performs a regulatory function on behalf of the following government departments:

- The Department of Health on the regulation of microbiological safety cabinets, disinfectants and detergent disinfectants
- The Department of Labour and the Department of Mineral Resources on the regulation of various

types of personal protective equipment, such as respirators and breathing apparatus

- The Department of Energy on the regulation of paraffin stoves and heaters
- The South African Police Service on the regulation of shooting ranges and firearms
- The Department of Environmental Affairs on the regulation of plastic bags and plastic carrier bags

The activities of the Business Unit, in the administration and maintenance of compulsory specifications, involve the processes of pre-approval, market surveillance inspection, sampling and sanctioning.

Overall performance

Market surveillance

The CMM Business Unit conducted **5 192** market surveillance inspections, exceeding its target of **4 960** for the period under review.

Approvals

The CMM Business Unit issues pre-market approvals for regulated products. These pre-approvals are issued after evaluating submitted evidence of compliance against the relevant compulsory specifications. During the period under review, the Business Unit achieved its set target of carrying out pre-market approvals within the turnaround time. A total of 389 approval certificates were issued to various commodities

regulated by the Business Unit. Thirty-nine out of 460 applications were rejected during the period under review.

Sanctions

During the 2013/2014 financial year, a total of 120 CEO directives and 50 Board directives were served on manufacturers and importers of non-compliant goods for failure to comply with the health and safety requirements as detailed in the various compulsory specifications.

Stakeholder engagement

As part of its stakeholder engagement strategy, CMM Business Unit held a meeting with representatives from the Personal Protective Equipment industry to discuss the implementation of the Safety Shoes Compulsory Specification. The Business Unit also met with the South African Maritime Safety Authority (SAMSA) to discuss common challenges faced by both organisations on the regulation of personal flotation devices. An agreement was reached on the process to be followed to ensure both NRCS and SAMSA requirements are met by industry in the future. During 7 to 18 October 2013, the CMM Business Unit conducted focused plastic bags and disinfectants inspections as part of its compliance intervention in KwaZulu-Natal, covering areas such as Springfield, Inanda Road, the Workshop, Phoenix Industrial Plaza, Briardene and Overport. Nine CEO directives were served and 329 bales of plastic bags were confiscated.

The CMM Business Unit also participated in a joint operation with the South African Police Services' Border Police and Counterfeit Business Unit, Department of Agriculture, Forestry and Fisheries, South African Revenue Services' Customs Unit and brand holders.

During this operation commodities such as plastic carrier bags, flame producing devices and swimming aids were seized, valued at R5 million.

The Business Unit also held industry-specific meetings in Pretoria, Durban and Port Elizabeth to discuss the implementation of the new Compulsory Specification for Plastic Bags (VC8087:2013) that came into effect on 6 March 2014.

As part of the NRCS outreach programme, the Business Unit distributed 120 compliant paraffin stoves in exchange for non-compliant stoves to the community of Emfuleni in the Western Cape on 20 June 2013.

Highlights

The Business Unit acted on a tip-off from industry regarding non-compliant disinfectants products and confiscated 9 491 bottles (500ml) of non-compliant imported Dettol and 735 bottles (750ml) of Domestos Extended Germ Kill which did not comply with disinfecting efficacy tests as specified in VC8054. A nation-wide recall of the products was initiated.

Challenges

A major challenge is to find suppliers that can destroy non-compliant goods such as disinfectants and cigarette lighters in an environmentally-friendly manner. The Business Unit is also affected by delays in testing due to the long turn-around times at testing facilities. The CMM Business Unit is affected by wilful evasion by industry, shunting their non-compliant products from province to province, in order to avoid detection. There has also been a trend in certain sectors to try and delay the implementation of new compulsory specifications, claiming that industry is not yet fully prepared for such compliance.

CMM Business Unit products that were confiscated were destroyed in Port Elizabeth, Durban, Cape Town and Pretoria. These included:

- Non-pressurised paraffin stoves and heaters
- Cigarette lighters
- Plastic carrier bags
- Disinfectant and detergent-disinfectants
- Swimming aids that assist users with movement through water while learning to swim
- Respirators (dust masks)

Products such as disinfectants were imported. As these products had not been registered with the NRCS as required by law, their compliance with safety requirements could not be ascertained.

Conclusion

The CMM Business Unit exceeded the inspection targets by conducting **5 192** inspections against a target of **4 960**. An estimated total of R2 018 977 worth of non-compliant products were destroyed during the period under review. The Business Unit has, through applying the risk-based approach strategy, identified paraffin stoves as high risk items which require close monitoring and high visibility of inspectors to protect consumers. Non-compliant paraffin stoves have dire consequences leading to death, resulting from fires. The shift to locking out non-compliant products before they enter the market will play a major role in addressing this problem, as paraffin stoves and heaters are mainly imported.

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Electrotechnical Business Unit

Overview

The Electrotechnical Business Unit regulates various categories of electrical and electronic products, covered by 17 compulsory specifications, ranging from household appliances, power tools, ICT equipment, audio visual equipment and lighting components to other electrical components such as plugs, adaptors and switches. In addition, the Business Unit operates under the mandate of other government departments such as the Department of Labour regarding the approval of components of fixed electrical installations and the Independent Communications Authority of South Africa (ICASA) regarding electromagnetic compatibility and interference of certain electrical and electronic apparatus.

The Electrotechnical Business Unit processes include the approval of products before they enter the market, conducting market surveillance inspections, sampling of products from the market for testing at third party accredited laboratories, and the administering of sanctions on non-compliant products in terms of section 15 of the NRCS Act.

The focus of market surveillance has shifted towards locking out non-compliant products at the ports of entry, due to the large quantities of regulated products being imported into South Africa. During the period under review, 37% of inspections were conducted at the various ports of entry, compared to 27.3% during the previous financial year.

A recent focus has been on the energy efficiency of products as mandated under the National Energy Efficiency Strategy of 2012 and IPAP initiatives. This has included preparations for the enforcement of minimum energy efficiency standards for incandescent lamps and household appliances.

Overall performance

Market surveillance

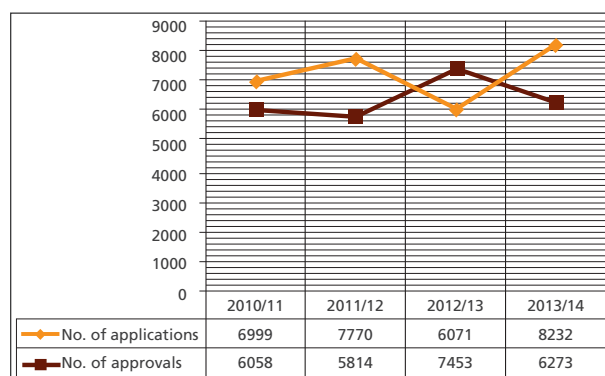
A total of **4 338** market surveillance inspections were conducted against a planned target of **4 000**, representing a positive variance of 8.5%. The biggest proportion of inspections were carried out in Gauteng (40.4%), while, KwaZulu-Natal had the highest share of border inspections (47.4%). During market surveillance, a total of **312** samples were taken from the market for testing at accredited laboratories, while approximately **2 400** samples were kept for reference purposes and some **212 000** were submitted for voluntary destruction. The cost for testing for the period was R2.6 million.

Approvals

Challenges were experienced in that the targeted turnaround times for pre-market approvals were not met, with only 23% of the approvals granted within the target. The problem of approval capacity persisted as the number of applications for the financial year under review reached 8 234, compared to 6 071 for the previous period. A total of 2 190 applications were rejected for reasons which included

the failure of clients to respond to the findings raised by evaluators, invalid test reports and the failure of products to meet critical technical requirements.

The approval trends are shown in the following graph:



Electrotechnical approvals for 2010/11 to 2013/14

Sanctions

A total of 730 CEO directives were served for non-compliant products with 78% of them being served within the target turnaround time of 72 hours. The value of non-compliant products for the financial year was estimated at approximately R42 million with 70% of the non-compliant products, by value, found in KwaZulu-Natal, mainly at the port of entry.

Stakeholder engagement

The Business Unit and its representatives participated in various international visits and stakeholder meetings, including the International Commission on the Rules for the Approval of Electrical Equipment (IECEE) meeting in Canada to discuss the mutual agreements on test reports and approval of products. It also undertook a study tour to South Korea on an energy efficiency mission aimed at eliminating inefficient appliances from the market to assist the South African government with implementing the National Energy Efficiency Programme, spearheaded by the Department of Energy.

Highlights

Non-compliant product destructions

The destruction of non-compliant electrotechnical products valued at approximately R12 million was overseen by the Minister of Trade and Industry at the destruction function held in Durban, Cape Town and Pretoria. Products destroyed included more than 232 000 compact fluorescent lamps and approximately 5 000 television sets.

The non-compliances included clients' failure to produce the required proof of compliance to the requirements of the compulsory specifications, failure on dimensional specifications and failure to meet the marking requirements.

Inspections at retailers

Inspections were conducted at large retailers and small malls where products to the value of R1.2 million were impounded for non-compliance in Gauteng, Polokwane, Durban and Port Elizabeth.

Challenges

The Business Unit experienced challenges stemming from the confusion around the SABS mark as evidence of conformity for the application of Letters of Authority (LOAs). The compulsory specifications require test reports from accredited laboratories, while industry is of the view that the Mark Scheme satisfies such requirements. The long turnaround times and capacity constraints at various test laboratories compromised the effectiveness of the Business Unit and that of the regulator. Laboratories are unable to test large batches of Compact Fluorescent Lamps (CFLs) and in some cases, performance testing takes close to eight months to complete. Furthermore, the Business Unit also incurred the costs of storing and destroying non-compliant products confiscated from the market.

Conclusion

The Business Unit exceeded the inspection targets by conducting 4 338 inspections against a planned target of 4 000.

An estimated total of R42 million worth of non-compliant products were embargoed and approximately R12 million worth of non-compliant electrotechnical products were destroyed for failing to meet the safety and administrative requirements of compulsory specifications during the period under review.

Up to 37% of the total inspections were conducted at the ports of entry against a target of 20%, showing an increased shift to locking out non-compliant products before they enter the market. All the targeted IPAP Phase 3 ports of entry were covered, thus meeting the IPAP target for the period.

Challenges in meeting the approvals' turnaround times persisted, with only 23% of the applications having been processed within the targeted turnaround time.

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Foods and Associated Industries Business Unit

Overview

The Foods and Associated Industries (FAI) Business Unit is responsible for the protection of the health and safety of consumers by administering compulsory specifications for canned meat and fishery products, frozen fishery products, smoked snoek and aqua-cultured live abalone, traded nationally and internationally. The FAI Business Unit acts as the competent authority for the issuing of health guarantees to various countries and trade groupings.

At national level, the Business Unit works in close cooperation with several other legislators in the food environment, including the Department of Health and with various sections of the Department of Agriculture, Forestry and Fisheries (DAFF) that control aspects of food safety. FAI Business Unit actively participates in the South African Standards setting processes (SANS and DAFF) as well as internationally with those of the Codex Alimentarius.

During the year under review, the Business Unit participated and cooperated with various competent authorities at an international level to facilitate trade of safe food. The Business Unit also constantly strives to keep abreast of technology and to benchmark itself with other regulators, nationally and internationally.

The Business Unit has entered into various technical cooperation agreements with countries that trade

fishery products with South Africa. These agreements act as preventative measures to ensure that only safe products are obtained from these countries.

Overall performance

Goals, targets and tasks are set by the Business Unit in terms of measureable objectives and have been successfully implemented. Internal audits took place during the year to measure the performance of the Business Unit in terms of its documented quality management plan, based on ISO/IEC 17020. The Business Unit successfully maintained its SANAS accreditation and the quality management system was entrenched and in compliance with international requirements.

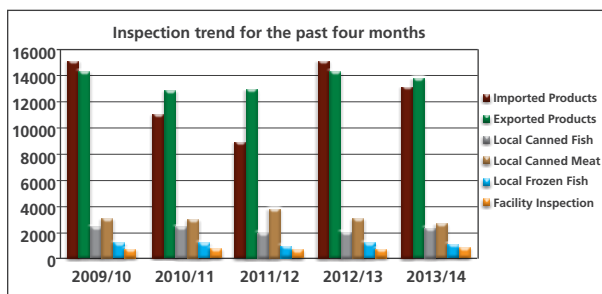
Inspections

The Business Unit's regulatory and inspection methodologies rest firmly on the assessed risk profiles of the various food commodities it regulates. Inspections are conducted on all high risk products such as canned and imported products from countries where there is no official inspection agreement, while low risk products are monitored with a predetermined surveillance programme at factory level.

South Africa experienced an increase in the import volumes of canned fish products as the inspection trends for the past four years have indicated. During the period under review, there has been an increase

in the number of inspections for export and local productions of fishery products, while there was a slight decrease in the number of imported product inspections. Adverse weather patterns and the ever volatile and fluctuating exchange rate, play a major role in the production and trade of fishery products.

Canned meat products are mainly produced according to sales orders and volumes fluctuate from month to month, depending on consumer spending.



During the period under review 867 facility compliance inspections were conducted at processing establishments. A total of 6 159 product inspections, including frozen fishery products, as well as canned meat and fishery products were conducted from these processing establishments before release to trade or exported to various countries.

All imported products covered by compulsory specifications administered by this Business Unit are sampled at the port of entry and inspected at various national inspection facilities.

During the period under review, 13 124 product inspections were conducted for frozen and canned fishery products imported into the country.

Health guarantees

Health guarantees are certificates that are issued by competent authorities for food products which comply with the international food law (Codex) or law of the country of destination. The FAI Business Unit is recognised and appointed as the competent authority for fish and fishery products for South Africa by various countries, including the European Union and People's Republic of China.

A total number of **13 793** inspections were conducted for products exported to various countries and 18 780 health guarantees were issued for these products.

Sanctions

Non-compliance

Non-compliance certificates are issued for productions or consignments that were found to be sub-standard or non-compliant with certain non-food safety related quality requirements in terms of compulsory specifications. A total number of **173** non-compliance certificates were issued during this period. Sales permits, which stipulate prescribed or compulsory sales conditions, are issued for these products on request.

A total number of **203** non-compliance certificates were issued for products adjudged to be not for sale. Directives were issued as appropriate. These products did not comply with food safety and/or labelling requirements of the relevant Compulsory Specifications. Sales permits could not be issued for these products. Such products were required to be re-labelled, destroyed or returned to the country of origin. The final outcomes are strictly monitored by inspectors through a documented system and industry must adhere to the stipulated requirements and time frames.

Voluntary and national recalls for locally produced and imported canned fishery products which pose a risk to human health, were successfully conducted.

Directives issued

The products for which directives were issued were destroyed by industry at their own cost, under the supervision of the NRCS, or returned to the country of origin. A total number of 37 directives were issued during this period on imported products, exported products and locally produced products.

Stakeholder engagement

The FAI Business Unit collaborated with various local industry bodies and international trading partner nations to clarify and harmonise standards for fishery products. The Business Unit participates in the international standards setting process, organised by Codex. The Business Unit supported and made interventions at the various meetings held under leadership of the DAFF to assist the process of improved collaboration between the three food regulators, namely the Department of Health, the Department of Agriculture, Forestry and Fisheries and

the NRCS. Locally, the FAI Business Unit participated in and contributed to the following legislation and standards setting forums:

- SANS Technical Committees for Various Food Standards
- Food Legislation Advisory Group (FLAG) meeting, hosted by the Department of Health where proposed food regulations were discussed and the processes leading to the implementation of these regulations in the interest of protecting consumers
- Aqua-culture Advisory Group Committee, hosted by the DAFF in Cape Town
- SPS/TBT Committee meetings, hosted by the Department of Agriculture
- Inter-governmental Aqua-culture Forums
- Interdepartmental Food Safety Coordinating Committee meeting - established to coordinate all food safety issues between the food regulatory authorities in South Africa

Joint management meetings were held with Namibia, Mozambique, Mauritius and Thailand in terms of the technical cooperation agreements. These agreements are designed to ensure that food traded between the countries is safe for human consumption and complies with specifications and regulations.

The Business Unit held 163 meetings during the year under review with representatives from various companies in the fish and meat industry (local manufacturers and importers) to discuss various operational and technical issues and matters of mutual interest.

Highlights

All health guarantees issued for fishery products exported to the European Union were successfully accepted without any notification in the rapid alert system for food and feed (RASFF) for South Africa.

Products estimated at R31 million were made not for sale and these products were either destroyed or returned to the country of origin.

Challenges

The extent and timing of local production and importation of goods remain unpredictable and make operational planning difficult. Operational activities and available resources need to be re-organised and adjusted at short notice to accommodate for sudden increases in imports or exports and to service the local production. During the first quarter as well as in November 2013, the importation of canned fishery products peaked, putting strain on NRCS staff, particularly in Durban. The quality of some of the products was and remains a challenge for the Business Unit, especially as a result of excessive fish fat oxidation of frozen sardines (pilchards).

The catches of squid were very poor during the period under review and most freezer vessels were not operational. During the winter period the catches of white fish were also poor and had an adverse effect on the levy income. There was also a downward trend in the volumes of canned meat products produced and these trends affected the performance of the Business Unit negatively.

Conclusion

The Business Unit achieved its targets and objectives of protecting consumers by effectively administering the relevant compulsory specifications. It has also managed to enhance the trade of good quality food products nationally and internationally. The total number of inspections increased from **32 408** in the previous financial year to **33 905** for the period under review. The trade relations with various countries and the demand for good quality and safe fishery products have resulted in an increase in the number of health guarantees issued by the FAI Business Unit from **11 919** in 2012/13 to **13 793** in 2013/14, which translates to a **15,7%** increase. The Business Unit has also participated successfully in the national and international standards setting processes. In its effort to drive basic performance efficiencies, the Business Unit constantly strives to keep abreast with the technology and to benchmark itself with other regulators, nationally and internationally. The Business Unit also places emphasis in ensuring the technical competence of its inspectors and thus facilitates ongoing training.

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Legal Metrology Business Unit

Overview

The Legal Metrology Business Unit is mandated to ensure that consumers receive the actual measure of goods declared by an importer, manufacturer or retailer on a pre-package, or where a measuring instrument is used to conclude a transaction, that it remains accurate within prescribed limits of error. In short, both industry and consumers are protected, which ensures fair trade.

Fair trade is achieved by:

- Ensuring that prescribed measuring instruments used for trade are “type evaluated” for proper design, construction and accuracy, taking into consideration the South African climate and environment. Type approval is a pre-market approval mechanism designed to ascertain whether measuring instruments are compliant with applicable standards and technical regulations;
- Conducting inspections to ensure that importers, manufacturers and retailers of products use accurate instruments for trade and that, where manufacturers or retailers prepare pre-packages, there is no short measure;
- Taking action against those importers, manufacturers and retailers that supply short measure products or use inaccurate measuring instruments;
- Approving and designating private verification laboratories to verify measuring instruments, used in terms of the Trade Metrology Act, on behalf of the regulator;
- Evaluating the competence of verification officers working for private verification laboratories, performing verification on behalf of the regulator;
- Providing traceability to national standards for verification and inspection standards used to type approve, verify and inspect measuring instruments. Traceability is the compliance of standard masspieces and/or measuring instruments to the International System of Measurement (SI) by means of an unbroken chain of comparisons, linking them to the relevant primary standards of the SI units of measurements;
- Providing training to inspectors, and where requested, to provide training to regional legal metrology bodies (e.g. SADC member states);
- Evaluating performance test reports of gaming/gambling hardware and software with the view of issuing a letter of certification (LOC) to the gaming and gambling industry, as mandated by Section 25 of the National Gambling Act, No. 33 of 1996. This is a pre-market approval mechanism to evaluate whether gaming hardware and/or software are compliant with applicable standards and technical regulations;
- Providing input into national, regional and

international standards as required by the SADC Legal Metrology Cooperation (SADCMEL), Pan African Metrology (AFRIMETS) and International Organisation of Legal Metrology (OIML).

Overall performance

Market surveillance

To ensure that non-compliant goods were not sold to the consumer and that non-compliant instruments were not used in trade transactions, Legal Metrology inspectors conducted 4 287 inspections, 8.5 % more than the inspection target of 3 951 set for the year. In line with the risk-based approach to NRCS work, the focus of surveillance inspections remained on importers and the manufacturers of pre-packed goods and measuring instruments. Furthermore, 75 % of the market surveillance inspections were carried out on importers and manufacturers, while 25 % of inspections were carried out at the retail level.

During these market surveillance inspections, 24 540 samples of products were assessed and the following non-compliances were uncovered:

- Short measure – 3 374 instances (13,7 %)
- Incorrect pack size – 628 instances (2,5 %)
- Unmarked goods – 516 instances (2,1 %)
- Other than mentioned – 154 instances (0,6 %)

With regard to measuring instruments, a total number of 10 744 instruments were inspected and the following non-compliances were identified:

- Verification status lapsed – 2 456 instances (22,9 %)
- Unapproved instruments used in trade – 629 instances (5,8 %)
- Inaccuracy – 79 instances (0,7 %)
- Technical/markings – 62 instances (0,6 %)
- Other than mentioned – 101 instances (0,9 %).

Type approval

A total of 53 applications were carried over from the 2012/13 financial year and during the year under review, the Legal Metrology Business Unit received an additional 158 new applications from instrument manufacturers and suppliers for type evaluation. The Business Unit issued 94 approval certificates for instruments that passed all requirements and

tests. The approval certificate allows submitters to manufacture or import any number of replicas of the instrument approved. A total number of 74 projects were closed due to failure to submit the required information timely. Forty-three applications were carried over to the 2014/15 financial year.

“Type Approval is a pre-market approval mechanism designed to ascertain whether measuring instruments are compliant with applicable standards and technical regulations.”

Gaming and Gambling

Eight applications were carried over from the 2012/13 financial year. The Business Unit received an additional 893 new applications from the gaming and gambling industry for the evaluation of test reports of gaming/gambling hardware and software. Eight-hundred-and-ninety letters of certification (LOC) were issued to the gaming and gambling industry. Eleven applications are still in process of evaluation and will be carried over to the 2014/15 financial year.

Sanctions

Legal Metrology inspectors sanctioned importers, manufacturers, suppliers and users of non-compliant goods and instruments. A total number of 22 654 embargoes were issued for pre-packed goods, while 652 instruments were rejected. Legal Metrology inspectors also issued warnings to 1 323 businesses for supplying non-compliant, pre-packed goods or instruments and instituted legal proceedings against 117 repeat offenders on 496 counts.

The cost saving to the consumer, by removing non-compliant pre-packed goods from the market or by ensuring the correction of non-compliances, is estimated at R50,05 million for the 2013/14 year. This is a substantial figure if one considers that the NRCS's estimated market coverage is below 20%. Assuming the same behaviour for the entire market, the extrapolated cost saving to consumers would have exceeded R250,25 million.

Calibration

Calibration ensures that verification standards used by verification officers as well as equipment used by inspectors of the regulator are accurate and traceable to national standards. The Business Unit inspected and calibrated 9 740 verification standards in four SANAS accredited calibration laboratories in Cape Town, Durban, Port Elizabeth and Pretoria. This number includes the calibration of 7 869 mass verification standards, 1 019 volumetric verification standards and 852 balances.

The Legal Metrology Bill

The Business Unit also assisted **the dti** to present the draft Legal Metrology Bill to the National Assembly's Portfolio Committee on Trade and Industry, the National Council of Provinces (NCOP) as well as to all provincial government departments. Members from the Legal Metrology Business Unit reviewed comments on the draft Legal Metrology Bill and gave input into the various stakeholder meetings from the perspective of a regulator. The Legal Metrology Bill was signed by the President on 16 May 2014.

Funding

The Legal Metrology Business Unit receives its principal source of funding through a government grant. Additional funding is generated from its calibration, verification, type approval and assessment activities. The new Legal Metrology Act will provide for a new financing model for legal metrology, similar to the structure that the NRCS uses for funding of compulsory specifications. Fees will be determined per legal metrology technical regulation, based on the cost that the regulator incurs to regulate.

Stakeholder engagements


During the past year, the Business Unit continued to work closely with other national, regional and international regulators as well as standard bodies in the field of legal metrology, engaging in the following activities:

- The Business Unit represented South Africa on 28 technical committees of the International Organisation of Legal Metrology (OIML), responsible for drafting model regulations (recommendations) to be used in legal metrology and made input into several of these recommendations.

- The Business Unit hosts the secretariat of the OIML Technical Committee 6 (OIML TC 6) which deals with requirements for pre-packaged goods. The secretariat gave input into the draft international recommendations currently being developed and revised by the OIML TC 6. An international meeting of the OIML TC 6 was arranged and attended by the secretariat in Bern, Switzerland.
- The head of Legal Metrology, as representative of South Africa, attended the CIML meeting (steering committee for the OIML) in Ho Chi Minh City, Vietnam to review the organisation's technical progress and administrative operations. During this period the head also participated in numerous other technical committee meetings.
- The Business Unit provides the secretariat for the SADC Cooperation in Legal Metrology (SADCMEL) and a staff member of the Legal Metrology Business Unit is also the regional coordinator. The secretariat was responsible for arranging the 28th SADCMEL meeting in March 2013 in Gaborone, Botswana. The regional coordinator attended the SADCMEL TC, SQAMEG and SADCMEL Project Management Committee meetings. The involvement of the Business Unit and the attendance of the above meetings furthered the commitment of the NRCS to play a leading role in regional matters of interest. It also ensured that the NRCS received exposure as a leading regulator in the field of legal metrology and associated fields.
- Legal Metrology management chaired four SABS committees dealing with legal metrology standards. These are SABS TC 70, SABS SC 70 A, SABS 70 B and SABS 70 D. Legal Metrology specialists and inspectors also participated in various work groups dealing with new standards and amendments to existing standards, covering legal metrology technical requirements.

The involvement of the Business Unit in these activities ensured that the regulator's requirements were adequately addressed in national standards which will become future technical regulations.

The Business Unit held meetings with stakeholders in various market segments to inform and educate them on legal metrology requirements. A formal sector committee meeting, namely the Accredited Verification Laboratory Sector, was held and various stakeholders in the retail, alcoholic beverages, cosmetics and aerosol sectors were consulted to



inform them of the draft Legal Metrology Bill as well as the registration of importers of products bearing the e-mark. The e-mark provides an indication to the NRCS that pre-packed goods meet with requirements on an ongoing basis. Currently 123 local manufacturers and four importers are registered as e-mark holders, with 64 additional applications from importers being processed.

Highlights

Designation of verification laboratories

Six new accredited verification laboratories have been designated to verify measuring instruments on behalf of the Business Unit during the reporting period. To ensure that verification officers working for designated verification laboratories are competent, they have to pass the required theoretical and practical examinations. A total number of 303 theoretical verification officer examination papers were written and 85 practical evaluations were conducted on candidate verification officers. The Business Unit further provided support to SANAS as lead or technical assessors, to conduct assessments on verification laboratories. Legal Metrology assessors took 119 days ,on average, to assess various verification laboratories. The assessment of verification laboratories remains strategic to the regulator because it underpins confidence in the designation of the laboratories to operate under the Act.

Challenges

Inspectorate capacity

The promulgation of the Legal Metrology Act will result in an increase of scope of the Legal Metrology Business Unit. To enable the Business Unit to execute its new mandate effectively, challenges of capacity and training will have to be addressed to cover other areas of the scope which include health, safety and environment measurements.

Conclusion

Through the work of the Legal Metrology Business Unit, the NRCS remains committed to protect the right of consumers to receive the correct quantity of goods and services for which they pay, as well as ensuring confidence in the measurements made by the South African industry that will ultimately lead to increased market access of local manufacturers.

15

National Building Regulations Business Unit

Overview

The National Building Regulations Business Unit is responsible for ensuring uniform understanding and implementation of the Building Regulations and Building Standards in accordance with the National Building Regulations and Building Standards Act (NBR and BS Act), No. 103 of 1977.

The National Building Regulations Business Unit also protects the interests of citizens through:

- Pro-actively engaging with built environment practitioners and the relevant building industries for regulatory awareness, and developing and enhancing a culture of voluntary compliance
- Identifying gaps in the enforcement and compliance to the building legislation
- Adopting a risk-based approach that informs all of the NBR's Business Unit regulatory activities
- Collaborating with our strategic partners and building control officers as implementers of the building legislation
- Building a competent team that oversees the implementation of the NBR and BS Act

The strategic objectives of the NBR Business Unit are:

- Administering the NBR Business Unit Review Board, an appeal mechanism provided to allow aggrieved parties to challenge local authorities'

decisions and interpretations of the National Building Regulations

- Providing technical advice and interpretation of the NBR and BS Act to the built environment practitioners and other interested parties, such as home owners, local authorities, government departments and the public
- Performing building defects investigations that can be described as forensic architectural investigations. These investigations are performed to determine why and how building failures occurred
- Evaluation of the qualifications of building control officers who do not satisfy the required minimum qualifications as prescribed by legislation
- Providing technical support and guidance to the SABS technical committees responsible for providing solutions to satisfy the legislative requirements in terms of developing the SANS 10400 range of documents
- To inform the building industry's stakeholders of the role and function of the NBR Business Unit

Overall performance

Review Board administration

The NBR Business Unit receives applications to review decisions made by local authorities when they decline building applications. These decisions are heard by the Review Board to provide clarification and interpretation of the building legislation, and to give a decision on the application.

During the 2013/2014 financial year, the Minister of Trade and Industry appointed the Chairperson of the Review Board with effect from 1 June 2013 for a period of three years. The NRCS CEO appointed four additional members to the Review Board. During the year under review, 14 reviews were received, lodged and referred to the Review Board.

Forensic investigations

The Business Unit formed part of the team that investigated the building under construction that collapsed in Tongaat, KwaZulu-Natal in November 2013. The investigation revealed that the developer was prohibited to commence with construction as the local authority had not approved the building application as prescribed by clause 4 of the NBR and BS Act, but continued against the law. The investigation reports compiled by NBR Business Unit were submitted to the Department of Labour which is currently conducting its own investigation on the matter.

The NBR Business Unit also conducted the investigation on allegations of non-compliance to the NBR and BS Act by the Local Authority of Marble Hall. The allegations were made by the Marble Hall Business Chamber to **the dti** Minister. The NBR Business Unit, in conjunction with the Department of Co-operative Government and Traditional Affairs (COGTA), Municipal Infrastructure Support Agency (MISA) and **the dti** investigated the allegations. The investigation revealed that contraventions were due to failure to adhere to the local authority's own town planning scheme, as well as the NBR and BS Act.

The investigation further identified widespread shortcomings as failures in the implementation of the two Acts that govern the development of towns and cities across many local authorities. **the dti** is currently looking at finding solutions to these challenges.

Stakeholder engagement

The Building Control Officers (BCO) Steering Committee held four meetings during the reporting period. In addition, the NRCS through the NBR Business Unit, hosted the Annual Building Regulators Convention together with the City of Johannesburg and **the dti** on 3 and 4 October 2013 at the Gallagher Convention Centre in Midrand, Johannesburg. This conference reflected on efforts to create a uniform understanding and implementation of the NBR and BS Act.

Challenges

A lack of understanding of the NBR and BS Act and its technical requirements by the building industry remains a challenge to the Business Unit, tasked with ensuring its uniform understanding and implementation. The local authorities are also experiencing challenges regarding skills shortages and financial support to effectively administer the Act.

Conclusion

the dti is in the process of reviewing the NBR and BS Act. The review will assist in ironing-out challenges experienced with the administration and the enforcement of the Act. The review of the Act forms part of the IPAP requirements for the organisation. The NRCS, through the NBR Business Unit, has been asked to expand on its mandate to include informal buildings and innovative building technologies within the NBR regulations. The Business Unit, working in collaboration with other Business Units within the organisation, will also identify building industry materials to be regulated. The above interventions will have a positive effect on the citizens of the country and on building stakeholders.

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Regulatory Research and Development Business Unit

Overview

The Regulatory Research and Development (RRD) Business Unit supports the NRCS's first strategic goal to identify the need for new compulsory specifications (VCs) or technical regulations (TRs) and to develop these, or in the case of existing VC/TRs, maintain their relevance by amending or revising documents according to the latest international and national requirements. In this process, the RRD Business Unit takes into consideration the cost benefit of new or in some cases amended VC/TRs as these may have unintended consequences such as the exclusion of small enterprises from the mainstream economy. Special attention is given to other legislation that may overlap with the intended actions of the RRD Business Unit.

The RRD Business Unit gives effect to this strategic objective through two overarching operational activities:

- The principles alluded to the development of new and maintenance of existing VC/TRs. The VC/TR requirements will be enforced by the NRCS's Operational Units. The NRCS mandate provides for a wide spectrum of products to be regulated by the NRCS;
- The facilitation and execution of research relating to the development and implementation of

VC/TRs and to support business improvement strategies.

To ensure maximum efficiency, the development and revision of VC/TRs are conducted through a process that allows for public and stakeholder participation according to set principles.

The above principles include *inter alia*:

- Developing VC/TRs within acceptable time periods, as set in a formal project management plan and according to acceptable standards of quality/international best practice;
- Conducting a periodic review of VCs, ensuring that legislation remains current and relevant, and that the NRCS is able to effectively apply the regulations within the constraints of a changing environment;
- Engaging with stakeholders to ensure transparency and accountability of regulatory processes;
- Participating in inter-governmental, national, regional and international forums supporting the achievement of the mandate and the strategic goals of the NRCS.

The NRCS's approach to develop VC/TRs adheres to the World Trade Organisation's (WTO) principles and procedures for the development of technical regulations as far as practically possible. These

practices include interventions such as conducting feasibility studies, risk and impact assessment studies as well as extensive stakeholder engagements and consultations with affected and interested parties to ensure transparency of the proposed regulatory intervention.

The development process spans a period of approximately 18 months, although the process can be shorter if an existing regulation needs to be reviewed or amended.

Overall performance

During the period under review, the RRD Business Unit managed 33 active projects that were at various stages of completion. Eight projects were completed against an adjusted target of nine projects for new and amended compulsory specifications and technical regulations. The initial target of 11 projects was reduced mainly because of lack of the required human resources capacity to execute the planned projects, as well as delays in the completion of related National Standards required for referencing in the compulsory specifications. The eight projects completed consisted of seven amendments to compulsory specifications and the introduction of one new compulsory specification under the NRCS Act.

The following compulsory specifications were completed:

- VC 8023: The amendment of the Compulsory Specification for M2/3 Vehicles - Inclusion of ABS braking
- VC 8025: The amendment of the Compulsory Specification for N2/3 Vehicles - Inclusion of ABS braking
- VC 8053: The amendment of the Compulsory Specification for Replacement Brake Lining Assemblies
- VC 9008: The proposed Compulsory Specification for Energy Efficiency and Labelling of Electrical and Electronic Apparatus
- VC 9012: The amendment of the Compulsory Specification for Electric Luminaires
- VC 9088: The amendment of Compulsory Specification for Small Arms Shooting Ranges
- VC 8016: The amendment of the Compulsory Specification for Safety Helmets for Motor Cyclists
- VC 8031: The amendment of the Compulsory Specification for Frozen Shrimps (prawns), Langoustines and Crabs

During the 2013/2014 reporting period, **the dti** published the following notices in the government gazette:

- **New VC/TRs**

- The regulation of Automatic Rail Weighbridges under the Trade Metrology Act (GG R828, 1 Nov 2013)

- **Amended VC/TRs**

- VC 9089: The Compulsory Specification for Non-pressure Paraffin Stoves and Heaters (GG R552, 8 Aug 2013)
- VC 8087: The Compulsory Specification for Plastic Carrier Bags and Flat Bags (GG R651, 6 Sep 2013)
- VC 8043: The Compulsory Specification for Incandescent Lamps (GG R74, 7 Feb 2014)

- **Final withdrawal notices:**

- VC 8062: The withdrawal of the Compulsory Specification for Number Plates (GG R517, 26 Jul 2013)
- VC 8078: The withdrawal of the Compulsory Specification for Contour Marking Material (GG R518, 26 Jul 2013)

- **Notices for public comments:**

- VC 8034: The proposed withdrawal of the Compulsory Specification for Coal Burning Stoves and Heaters for use in a dwelling
- VC 8028: The proposed withdrawal of the Compulsory Specification for Firearm Proofing for civilian use
- VC 9003: The proposed Compulsory Specification for Safety Glass and other Safety Glazing Materials
- VC 9008: The proposed Compulsory Specification for Energy Efficiency and Labelling of Electrical and Electronic Apparatus
- VC 9091: The Compulsory Specification for Compact Fluorescent Lamps

The reports produced through these processes are approved by the Project Approvals Committee (PAC) of the RRD Business Unit. The PAC is responsible for the appraisal of the feasibility, risk and impact assessments of all technical regulation projects before submission to the NRCS Exco. Once approved by the NRCS Exco, the process feeds into the NRCS Board and thereafter to **the dti** for promulgation. During the 2013/14 financial year the PAC reviewed and approved 28 documents.

Research projects

The research capability of the RRD Business Unit has not been embedded as resource requirements compromised this activity. However, the RRD Business Unit progressed by the following actions:

- Developed a strategy for conducting research that will be explored further during 2014;
- The RRD Business Unit administered and appointed the third NRCS project team (SIDA III) that visited Sweden for a training period of a month. The SIDA III team completed their project on the "Feasibility on the Introduction of an NRCS Regulatory Mark" and presented their findings to a full meeting consisting of SIDA senior officials and representatives of the SADC countries. The RRD Business Unit provided supervisory support for the SIDA III Project;
- Tabled a review document for future publication on "The relationship between standards and regulations, a close liaison – M Marneweck & Z Fourie." This is part of the research drive to inform stakeholders on the intimate relationship between the national standard and the regulations, but also emphasises the roles of the specific agencies in this endeavour to meet with the World Trade Organisation's requirements to prevent technical barriers to trade;
- A research project proposal for a project entitled "Establishing the Regulatory Compliance gap in South Africa" was developed and approved by the NRCS Bid Committee. The research report will inform the NRCS risk-based strategy, aimed at improving the NRCS coverage of the higher risk industries. This project is targeted for completion in 2015.

Stakeholder engagement

The RRD Business Unit places a strong emphasis on stakeholder relationship management as the regulatory decision making processes are based on the principles of transparency and accountability. The Business Unit convened and facilitated 27 stakeholder consultation meetings on proposed regulatory interventions. These meetings are open to any affected or interested party and are widely attended by industry including their representative bodies, consumer bodies, conformity assessment bodies and others. In addition, the RRD Business Unit hosted and participated in 145 general liaison meetings to support the internal functions of the NRCS, such as discussions on Audit reports, support to the CEO when meeting with industry, discussions

on proposed regulatory amendments with internal parties, and preparations for meetings with various stakeholders such as the National Manufacturers of Automobiles of South Africa and the Parallel Importer of Motorcycles Traders Association.

National, regional and international involvement

The RRD Business Unit participated in a more than 35 of regional and international engagements in an effort to foster strategic partnerships with other regulators, policy makers and industries and also enhanced regional and international harmonisation of regulatory practices.

Participation in national forums

The RRD Business Unit participated in 66 inter-governmental meetings with other government departments such as **the dti**, Department of Transport, Department of Environmental Affairs (DEA), Department of Health (DOH) and Department of Agriculture, Forestry and Fisheries (DAFF). RRD Business Unit staff members serve in 10 national co-ordinating structures such as the Interdepartmental Task Team on Food Control and the Appliance Standards and Labelling Group of the Department of Energy. The RRD Business Unit also participated in 59 meetings of Technical Committees of the South African Bureau of Standards (SABS) dealing with various South African National Standards (SANS) applicable to commodities that are regulated by the NRCS.

Southern African Development Community (SADC)

During the period under review, the RRD Business Unit attended the 4th SADC Sanitary and Phytosanitary (SPS) Coordinating Committee meeting of the regional coordinating committee, led by the DAFF.

In the area of trade metrology, a representative of the RRD Business Unit participated in the SADC Workshop on amendments to the TBT Annex to the SADC Trade Protocol as part of the South African delegation to provide input and assist with motivation of amendments proposed by South Africa.

In SADC MEL, a representative of the Business Unit was tasked to prepare and submit a request to the SADC Secretariat to budget for funds to translate SADC MEL harmonised technical documents and rules of procedure into French and Portuguese. The RRD Business Unit is involved with capacity building on behalf of trade metrology in neighbouring countries.

As part of these initiatives, the RRD Business Unit assisted with the evaluation of quotations for equipment to be supplied to Lesotho by the PTB under the SADC funding programme. The Business Unit also developed a course on the verification of water meters according to the requirements of OIML R 49. This course was presented to SADCMEI members between 13 and 17 January 2013 in Pretoria under the PTB funding programme.

International liaison

The Business Unit participated in and contributed to 31 international initiatives, by either providing technical expertise assistance in discussion/technical documents or attendance of meetings as national representation. These include:

- OIML TC 8 SC 3:
 - o Working on test procedures for liquid fuel dispensers, milk meters and other matters relating to the development of OIML R 117-2, which deals with conformity assessment test procedures for type approval of meters for liquids other than water;
 - o Evaluating international type approval and verifying test procedures for liquid fuel dispensers and making extensive comments and inputs for improvement. This procedure will be incorporated in OIML R 117-2 which deals with conformity assessment test procedures for type approval of meters for liquids other than water;
 - o Meeting in London from 1 to 3 October 2013, representing South Africa as a technical expert member of OIML TC 8/ SC 3, dealing with the measurement of liquids other than water. Amendments to various annexures of OIML R 117-2 were proposed.
- OIML TC 6:
 - o Collation and evaluation of international comments on OIML R79 and R87. A member of the RRD Business Unit, who is part of the OIML TC 6 Secretariat assisted with preparation of collated international comments on OIML R 79 and OIML R87 and amended these documents accordingly.
- In the area of automotives, the RRD Business Unit provided technical expert representation for South Africa in four meetings of the WP.29 (World Forum for the Harmonization of Vehicle Regulations) working on UN Regulations that affect the compulsory specifications.

International training

One of the RRD Business Unit technical specialists went on a study visit to Korea Testing Laboratory on Technical Regulation for Energy Efficiency and Labelling of Electrical Appliances and this study tour served to benchmark regulatory procedures.

Challenges

The performance of RRD Business Unit has been constrained by capacity problems and the performance target for 2013/14 was reduced because of loss of staff members (Specialists in Foods and National Building Regulations). The Business Unit currently has five vacant positions that have been approved and the recruitment process will commence during 2014/15. Another contributing factor affecting the performance of the RRD Business Unit stems from the delay in completion of certain standards developed by the SABS Technical Committees.

Several projects needed extensions of time lines because of unexpected complexity and policy issues raised during stakeholder engagements. These mainly relate to inability of the industry to agree on regulatory aspects, and the overlapping regulatory mandates with other government departments have been identified as matters to be resolved. Specialists in the Business Unit with extensive experience are nearing retirement age, and the loss of their skills is a major concern. Succession planning is under development to reduce this risk to the NRCS.

Conclusion

The strategic target of the RRD Business Unit in the coming financial year (2014/15) is to finalise 11 VC/TRs. In light of human resources capacity shortages, the RRD Business Unit will prioritise, acquiring and developing the necessary skills needed to perform optimally. Special focus will also be given to expanding research capability and capacity to enable the NRCS to intelligently deliver on its mandate and to inform effective decision making at a strategic and operational level.

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Communications and Marketing

Overview

The role of the Communications and Marketing Department is to facilitate and co-ordinate an array of integrated communication solutions in line with the business strategy and objectives of the organisation through internal and external communications, thereby promoting and enhancing the organisation's image. The Department's other responsibilities are to inform and educate stakeholders, industry and consumers regarding obligations of the NRCS with respect to specifications and technical regulations.

Overall performance

Consumer education programmes

The Department develops, as part of its Stakeholder Engagement Plan, consumer education programmes aimed at facilitating face to face engagement with consumers, educating them about their rights and outlining the role of the NRCS to the public. The NRCS visited 20 areas across the country to facilitate dialogue and promote face to face interactions with stakeholders. Areas covered include: Ixopo, Upington, Alexandra, Idutywa, Stutterheim, Mandeni, Kwazakhele, Shatale, Lenasia, Botlokwa, Matsana, Newtown, Eldorado Park, Carletonville, Mafikeng, Queenstown, Matatiele and Pretoria.

Media liaison activities

The Department also implements media liaison activities aimed at working with the media for the purpose of disseminating information about the NRCS policies and regulatory functions in a positive, consistent and credible manner. During the period under review, the Department issued six media statements which were covered by various main stream media in South Africa and the UK. These statements were covered in the following media: The New Age, The Daily Telegraph, Sowetan, Business Day, SABC Radio and TV News, Daily Sun, The Herald, The Star, Beeld, City Press, Sunday Times, News 24 and the South African Press Agency (Sapa). The coverage assisted in enhancing the image of the NRCS and raised its brand awareness, reaching approximately 1 062 222 readers and viewers.

The most prominent focus of media coverage in relation to the NRCS was the recalling of two products, namely Dettol Disinfectant Liquid, Lime and Lemon Grass as well as Domestos Extended Germ Kill. The recalling of these products generated more than 50 articles. The publicity garnered also assisted in building the reputation of the NRCS among its stakeholders and the media. It also saw the NRCS receiving lots of media queries which increased

the coverage of the organisation. About ten media queries were received and responded to including, among others, the unsafe electrical products found in the market, incorrect and illegal declaration of measurements on products, the prevalence of grey or parallel imports and the regulation of shooting ranges.

Publications

The Department is responsible for the compilation of the NRCS Annual Report, submitted to Parliament in accordance with the Moneys Bills Amendment Procedure and Related Matters Act, No. 9 of 2009 that gives Parliament an opportunity to make recommendations with respect to individual budgets. The Annual Report enables Parliamentary committees to properly review the budget and performance of the departments and its entities, and submit their recommendations during the Medium Term Budget Policy Statement (MTBPS) process. The NRCS submitted 80 copies and 20 CDs of the Annual Report to Parliament.

Marketing, branding and advertising

As part of the NRCS marketing, branding and advertising activities, the Communications Department participated in three major exhibitions during the period under review, including the Totally Concrete Expo at the Sandton Convention Centre, the Annual Easter Randshow at Nasrec and the Annual Boat Show, held in Cape Town. The Department has also

revamped the NRCS website by making it more user-friendly and informative.

Conclusion

The NRCS received favourable media coverage from South African media regarding the announcement of a nationwide recall of Dettol Disinfectant Liquid and Domestos Extended Germ Kill, but received negative coverage from the British Media on the same matter. A media analysis was conducted on the overall coverage for the months of June to August 2013. The report concluded that the NRCS received approximately 87 media items, a significant increase in media coverage when compared to other state institutions of similar size.

The NRCS also conducted a baseline survey focusing on the awareness and reputation of the NRCS. The survey found that the awareness of the NRCS is very low among respondents interviewed in Gauteng, especially young, African and Lower Living Standards Measure (LSM) respondents. According to the survey's results, the NRCS has to intensify its marketing activities by using conventional media such as television, radio and newspapers as the preferred channels of communications.





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Programme Performance



PERFORMANCE AGAINST THE ANNUAL PERFORMANCE PLAN

Strategic Goal 1: To utilise a risk-based approach to maximise the potential compliance with all specifications and technical regulations falling under the mandate of the NRCS.

NRCS Annual Report 2013/2014

Expected outcomes	Measurable objective/ output	Performance indicator/ measure	Baseline	2013 / 2014 Target	Actual performance 2013/14	Reason for variance
Increase compliance to compulsory specifications and technical regulations	Inspections conducted to eradicate non-compliances within the automotive, electrotechnical and chemical industries/sectors	Number of inspections conducted in accordance with the compulsory specification, divisional procedures and applicable legislation	Inspection target: Chemical, mechanical and materials products and industry: 4 000 inspections Automotive products and industry: 4 000 inspections Electrotechnical products and industry: 4 000 inspections	Target for chemical, mechanical and materials industry and products: 4 960 inspections Target for automotive industry and products: 4 000 inspections Target for electrotechnical industry and products: 4 000 inspections	The NRCS inspected 5 192 chemical, mechanical and materials products The NRCS inspected 4 054 automotive products, manufacturers, builders and importers The NRCS inspected 4 338 electrotechnical products	The NRCS integrated border enforcement into normal operations after successfully conducting pilot studies at different border posts. Through partnerships with the SARS and SAPS, the NRCS is able to utilise the available resources more efficiently
Increase compliance to compulsory specifications and technical regulations	Pre-market approvals to lock-out non-compliant products	Number of working days to issue an approval or to evaluate an application for approval	Number of working days to issue an approval or to evaluate an application for approval: 21 working days	Number of working days to issue an approval or to evaluate an application for approval: 21 working days	3 617 out of 8 620 (41.96%) applications were approved within 21 working days	The NRCS experienced an increase in applications approved over the last five years. The increase in applications is attributed to the increase in imported products and the success of the NRCS Border Enforcement approach. Due to the presence of the NRCS at the ports of entry, the importers are forced to apply to the NRCS for the products to be allowed into the South African market which resulted in a large processing turn-around time.
Increase compliance to compulsory specifications and technical regulations	Inspections conducted to eradicate non-compliances within the trade metrology domain	Number of inspections conducted within the trade metrology domain, in accordance with the technical regulations, procedures and applicable legislation	Trade metrology: 4 369 inspections conducted within the domain and as per the NRCS inspection procedure	3 951 inspections	The NRCS conducted 4 287 inspections within the trade metrology domain and as per the NRCS inspection procedure	The positive variance is due to candidate inspectors that qualified as inspectors within the trade metrology domain, adding to the available productive resources

Strategic Goal 2: To optimise the scope of NRCS regulatory activity to protect people in South Africa and the environment

Expected outcomes	Measurable objective/ output	Performance indicator /measure	Baseline	2013 / 2014 Target	Actual performance 2013/14	Reason for variance
Build a regulatory framework that is sustainable and protects South African citizens	Finalise new compulsory specifications/ technical regulations and amend (or withdraw) compulsory specifications as per IPAP and other market requirements (as well as reviews)	Number of compulsory specifications and/ or technical regulations projects finalised and approved by the NRCS Exco for Board approval	Eleven compulsory specifications/ technical regulations approved by the NRCS Exco for Board approval	Nine compulsory specifications/ technical regulations	<p>Eight compulsory specifications (VC) or technical regulations were amended or proposed for regulation. These were:</p> <ul style="list-style-type: none"> i) The amendment of VC 9088: The Compulsory Specification for Small Arms Shooting Ranges ii) The amendment of VC 8031: The Compulsory Specification for Frozen Shrimps, Langoustines and Crabs iii) The amendment of VC 8053: The Compulsory Specification for Replacement Brake Lining Assemblies iv) The amendment of VC 8023: The Compulsory Specification for M2/3 Vehicles - Inclusion of ABS Braking v) The amendment of VC 8025: The Compulsory Specification for M2/3 Vehicles - Inclusion of ABS Braking vi) The proposed VC 9012: The Compulsory Specification for Electrical Luminaires vii) One proposed new Compulsory Specification: VC 9008 Appliance Energy Efficiency and Labelling viii) Amendment to VC 8016 for Safety Helmets for Motor Cyclists 	<p>The Compulsory Specifications process can only be finalised where there are South African National Standards in existence. In some instances there were delays in finalisation of the South African National Standards and lack of agreement with the industry on finalisation of the projects that led to the NRCS not being able to finalise the compulsory specifications</p>

Strategic Goal 3: To inform and educate industry and consumers regarding their rights and obligations with respect to specifications and technical regulations

Expected outcomes	Measurable objective output	Performance indicator / measure	Baseline	2013/2014 Target	Actual performance 2013/14	Reason for variance
Increase consumer awareness of non-compliant products, sub-standard products and services	Increase consumer awareness of the NRCS regulatory mandate and NRCS-regulated industries and regulated commodities	% increase in the awareness score as per the benchmark survey	Conduct consumer survey	Conduct consumer survey	The NRCS conducted a consumer baseline survey. The survey found that awareness of the NRCS is at 23%. The recommendation is for the NRCS to embark on a strong education drive and to conduct surveys in future to measure the impact of these interventions	
Increase consumer awareness of non-compliant products, sub-standard products and services	Inform consumers of non-compliances and product confiscations by the NRCS	% of alerts issued for non-compliant products and product confiscations by the NRCS	Issue (100%) alerts for all product recalls and all relevant confiscations conducted by the NRCS	Issue (100%) alerts for all product recalls and all relevant confiscations conducted as per notification from NRCS operational divisions	The NRCS issued 100% of all relevant recalls. Six media alerts were issued on products recalled and confiscated products that did not meet the minimum safety requirements	No variance
Increase geographical scope of the NRCS	To conduct awareness road shows in geographic areas currently not served by the NRCS	Number of road shows successfully conducted incorporating awareness, communication initiatives and targeted inspections	Six engagements conducted in conjunction with regulatory interventions	Nine engagements conducted in conjunction with regulatory interventions	Twelve awareness campaigns were held in various parts of the country, working together with different stakeholders	The NRCS attended three additional engagements as part of the dti's Take Parliament to the People campaign

Strategic Goal 4: To ensure that highly engaged, competent people are in the right place at the right time to enable effective execution of the NRCS strategy

Expected outcomes	Measurable objective/output	Performance indicator /measure	Baseline	2013 / 2014 Target	Actual performance 2013/14	Reason for variance
Increase effectiveness of human resources (NRCS employees)	Increase in NRCS organisational performance	% implementation of HR strategy	100% implementation of HR strategy	100% implementation of HR strategy	50% implementation of HR strategy	Inadequate Human Resources capacity. The position of Head: Human Resources and three human resources officers' positions were vacant during the period under review

Strategic Goal 5: To ensure that the NRCS is a capacitated organisation with 'fit for purpose' resources available to support decision-making and action

Expected outcomes	Measurable objective/output	Performance indicator / measure	Baseline	2013 / 2014 Target	Actual performance 2013/14	Reason for variance
An enabling enterprise information architecture	Correct and relevant information available at the right time to inform intelligent decision-making and action	% implementation of IT Plan – IT readiness (as per K & N)	100% implementation of IT Plan	100% implementation of IT Plan	Implemented 91.25% of the NRCS IT Plan	The NRCS experienced delays in finalising the contract for the Information Technology infrastructure, which had a negative impact on the migration of the NRCS IT infrastructure, and the development and migration of the Customer Relationship Management System

CHANGES TO PLANNED TARGETS

Strategic Goal 1: To utilise a risk-based approach to maximise the potential compliance with all specifications and technical regulations falling under the mandate of the NRCS

Expected outcomes	Measurable objective/output	Performance indicator / measure	Target before amendment	Revised 2013/2014 Target	Reasons for amendment
Increase compliance to compulsory specifications and technical regulations	Inspections conducted to eradicate non-compliances within the automotive, electrotechnical and chemical industries/sectors	Number of inspections conducted in accordance with the compulsory specification, divisional procedures and applicable legislation	Number of inspections within the chemical, mechanical and materials sector: 4 000 inspections	Number of inspections within the chemical, mechanical and materials sector: 4 960 inspections	The NRCS increased the target because of additional resources allocated to this sector during the financial year
Increase compliance to compulsory specifications and technical regulations	Inspections conducted to eradicate non-compliances within the trade metrology domain	Number of inspections conducted within the trade metrology domain, in accordance with the technical regulations, procedures and applicable legislation	4 254 inspections conducted within the trade metrology domain and as per the NRCS inspection procedure	3 951 inspections conducted within the trade metrology domain and as per the NRCS inspection procedure	The reduction was due to the resignations experienced by the NRCS within the Trade Metrology Business Unit and the time delays experienced in appointing and training new staff members

Strategic Goal 2: To optimise the scope of NRCS regulatory activity to protect people in South Africa and the environment

Expected outcomes	Measurable objective/output	Performance indicator /measure	Target before amendment	Revised 2013/2014 Target	Reasons for amendment
Build a regulatory framework that is sustainable and that protects South African citizens	Finalise new compulsory specifications/technical regulations and amend (or withdraw) compulsory specifications as per IPAP and other market requirements (as well as reviews)	Number of compulsory specifications and/or technical regulations projects finalised and approved by Exco for Board approval	Twelve compulsory specifications/technical regulations approved by the NRCS Exco for Board approval	Nine compulsory specifications/technical regulations	The compulsory specifications process can only be finalised where there are South African National Standards. In some instances there were delays in finalisation of the South African National Standards and lack of agreement with the industry on finalisation of the projects which impacted on the NRCS in developing the compulsory specifications

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PART C GOVERNANCE

GOVERNANCE REPORT

Introduction

The National Regulator for Compulsory Specifications was established on 1 September 2008 with the promulgation of the National Regulator for Compulsory Specifications Act (NRCS Act), No. 5 of 2008 and is mainly responsible for the administration of three Acts that reside under its jurisdiction. These are the NRCS Act, the Trade Metrology Act, No.77 of 1973 and the National Building Regulations and Building Standards Act, No.103 of 1977. Furthermore, the organisation administers regulations that fall under the jurisdiction of other government departments, as per agreement with the respective departments.

As a public entity, the NRCS is guided by the Protocol on Good Corporate Governance, as defined in the Public Finance Management Act (PFMA), No. 1 of 1999. In managing its activities, the organisation strives to achieve transparency, accountability, efficiency and the effective use of resources.

The Board as accounting authority

The NRCS's Board of Directors is appointed by the Minister of Trade and Industry in terms of the NRCS Act. The Board is required to provide vision and leadership to the NRCS in a way that will enhance shareholder value and ensure long-term sustainable growth of the NRCS. With effect from 1 June 2013, the Minister of Trade and Industry appointed Mr Jeff Molobela as Chairperson of the Board and Mr Paul Serote as an additional member of the Board. The

CEO of the NRCS is also a member of the Board. Before June 2013, the NRCS had an acting CEO. The Minister appointed the CEO with effect from 13 June 2013.

The Board, during its meetings, noted the following, among others:

- Information and Communication Technology (ICT) is a major challenge within the NRCS. As a result the Board is in the process of appointing independent members to the ICT Steering Committee to provide guidance and to ensure that the ICT infrastructure is able to provide the best support to the core mandate of the NRCS;
- Border Enforcement – The Board approved that the Border Enforcement project move to the “roll-out” phase as it has proven to be successful. Its full implementation will result in a considerably more efficient and effective NRCS;
- Inspection strategies – After considering international developments, the NRCS is continuing to consider different strategies to obtain assurance that sub-standard products will be kept out of the South African economy. The Board continues to deliberate on various strategies which can lead to an increase in the compliance of products with compulsory specifications;
- Human Resources – The Board has noted that to enable the NRCS to deliver on its core mandate, an efficient and effective HR component is required. Capacitation of the HR function and the filling of identified vacancies is therefore a priority.

The Board met eight times during the year under review, with attendance as follows:

Board meetings

Board members	Number of meetings attended	Number of meetings expected to attend
Jeff Molobela	5	8
Nico Vermeulen	6	8
Funzani Melato	8	8
Dora Ndaba	6	8
Suzanna E Moolman	6	8
Sipho Zikode	4	8
Sadhasivan Perumal	7	8
Paul Serote	6	8
Asogan Moodley (CEO)	5	8

Committees

Audit and Risk Committee

The role of the Audit and Risk Committee (ARC) is to support the NRCS Board in fulfilling its oversight responsibilities towards the NRCS in terms of the following:

- Financial management and other reporting practices
- The internal control structure and management of risks
- Compliance with laws, regulations and ethics

The Committee meets at least once quarterly, before Board meetings.

The Audit and Risk Committee consists of four Board members, three independent members and one **the dti** representative. The members serving on the ARC are Ms Dora Ndaba, Mr Nico Vermeulen, Mr Paul Serote and Prof Sadhasivan Perumal. The two independent members are Mr Tshepo Mofokeng and Mr Adam Cowell. Mr Sikkie Kajee is an independent appointee and serves as the Chairperson.

The Audit and Risk Committee held six meetings during the year, with attendance as follows:

Board members	Number of meetings attended	Number of meetings expected to attend
Tshepo Mofokeng	6	6
Dora Ndaba	6	6
Sikkie Kajee	6	6
Sadhasivan Perumal	5	6
Nico Vermeulen	5	6
Kumaran Naidoo (the dti representative)*	1	6
Adam Cowell	6	6
Paul Serote	1	6

*Mr Naidoo was seconded to the Economic Development Department on a full-time basis for six months during the reporting period.

Technical Committee

The Technical Committee is a sub-committee of the Board. The purpose of the Committee is to assist the NRCS Board in fulfilling its corporate governance responsibilities in respect of NRCS technical and related matters.

In brief, the Committee is responsible for the following:

- Considering and advising the Board on proposed compulsory specifications or proposed amendments to compulsory specifications in terms of section 13 of the NRCS Act;
- Recommending to the Board what action should be taken on non-compliant commodities or products in terms of section 15(3) of the NRCS Act;
- Considering and advising the Board on the Regulations published in terms of section 36 of the NRCS Act in Government Notice R924, published on 15 October 2010;
- Considering and advising the Board on technical and related matters as outlined in the Trade Metrology Act;
- Addressing any further issues as requested by the Minister and that is in the public interest.

Four Board members serve on the Technical Committee. These are Mr Nico Vermeulen, Ms Fonzani Melato, Ms Suzanna E Moolman and Prof Sadhasivan Perumal.

The Technical Committee met its obligations and played a major role in the administration of non-compliant products, as well as the destruction of products during the period under review.

The Technical Committee held four meetings during the year, with attendance as follows:

Board members	Number of meetings attended	Number of meetings held
Nico Vermeulen	4	4
Fonzani Melato	4	4
Suzanna E Moolman	3	4
Sadhasivan Perumal	3	4

Remuneration Committee

The primary role of the Remuneration Committee is to assist the Board with regard to remuneration and human resources matters. Among other things, it recommends remuneration and human resources-related policies for approval of the Board. The Committee met five times during the year under review, with attendance as follows:

Board members	Number of meetings attended	Number of meetings held
Fonzani Melato	5	5
Dora Ndaba: Chairperson	5	5
Suzanna E Moolman	5	5
Sadhasivan Perumal	5	5
Jeff Molobela	4	5

The Committee played a significant role in the salary wage negotiations with organised labour and the settlement agreement reached. The settlement agreement went a long way to address the stability challenges that the NRCS had been experiencing.

Financial performance

Revenue, excluding government grants, interest and other income from non-exchange transactions, amounted to R174.3 million (2013: R171.6 million). Of this, R139.2 million (2013: R136.6 million) was received from industry through levy payments and R35.1 million (2013: R35 million) through other services. Grants received from **the dti** amounted to R103 million, compared to R79.7 million in the previous year. An amount of R6.3 million related to other income is disclosed, predominantly from the settlement agreement with the SABS, compared to the R5.7 million in 2013. A surplus of R42.6 million (2013: R37.6 million) was realised during the

12 months ended 31 March 2014. Cash on hand at the end of the year amounted to R150.9 million in comparison to R119.4 million in the previous year.

The NRCS received qualified audit opinion on revenue and personnel costs for the 2013/14 financial year.

REVENUE

Whilst considerable effort was awarded towards correcting the completion and timing of the revenue recognised through levies, further work still needs to be done in order to provide the assurance that the levy revenue that is reflected on the financial statements is correct. In this regard we have implemented the following:

- A customer relations management (CRM) system is in the final stages of being deployed and will enable data to be captured real time electronically. This will also enable levy payers to register with the NRCS electronically. This data will enable the organisation to ensure that all known levy payers are recognised on the financial systems
- A thorough analysis of existing financial systems is underway, in order to enhance capabilities and functionality
- An application has been made to the Minister of Trade and Industry to gazette that levy payers declare their volumes to the NRCS on a quarterly basis, as opposed to the bi-annual declarations being made currently. Quarterly declarations will enable the NRCS to record accrued revenue in the correct accounting period
- Applicable legislation is being reviewed to encourage levy payers to timeously and accurately disclose production volumes and make levy payments to the NRCS. Penalties for non-compliance are also being investigated

PAYROLL

The qualifications relating to payroll arose as a result of incomplete documentation being available on the employee files. The large majority of files were obtained from the SABS when the Regulatory Division of SABS became a separate entity, called the NRCS. The non-availability of documentation to substantiate payments made to employees' pursuant to a wage settlement agreement with organised labour, resulted

in remuneration as well as all balance sheet related employee costs being called into question.

The organisation has already implemented a comprehensive project to locate and correctly file all necessary documentation and conduct a complete evaluation of the 2013/14 payroll.

Events subsequent to the statement of financial position

The bargaining unit salary negotiations effective from 1 July 2013 were concluded on 6 May 2014. The Legal Metrology Bill was signed by the President on 16 May 2014, as detailed earlier on in the report.

Materiality framework

The NRCS, in accordance with the PFMA, has adopted and implemented a materiality framework. The materiality framework is updated annually as part of the strategic planning process and is included in the strategic plan. The NRCS determined its materiality quantum as 0.85% of total revenue.

Property, plant and equipment

The assessment of useful life and residual value of property, plant and equipment was evaluated by management and adjustments made, which are reflected in the financial statements. This will be assessed annually.

Risk management

Risk management is a tool that enables management to identify threats and activities that, should they arise, may negatively impact on the ability of the NRCS to accomplish its objectives. It also creates an environment where management is able to prioritise risks and develop a risk response strategy in accordance with the NRCS materiality framework. The Accounting Authority is responsible for ensuring that the NRCS has and maintains effective, efficient and transparent systems of financial and risk management, as well as internal control.

In managing risks, the NRCS instituted a system of internal controls, including policies and procedures, to assist in the orderly conduct of business. The organisation conducted a risk assessment exercise at

a corporate level to identify risks that may impact on accomplishing its key objectives, as outlined in the NRCS's Strategic Plan. Risk assessments were also conducted at departmental level to identify, rate and prioritise operational risks. Operational risks are managed by management at Business Unit level.

Beyond the management of strategic risks, the Audit and Risk Committee played a significant role in identifying strategic areas of concern for the organisation. This culminated in the formulation of the Audit and Risk Workshop Matrix that was used to track achievement against set targets. Management used the matrix and the risk registers to conduct quarterly performance assessments and review internal controls.

The Audit and Risk Committee played a significant role in ensuring compliance with good corporate governance principles, aiding the Board in the management of the NRCS's risks.

Internal audit

Internal audit is an independent objective assurance and consulting activity designed to add value and improve the organisation's operations. It helps the organisation accomplish its objectives by bringing a systematic disciplined approach to evaluate and improve the adequacy of risk management, control and governance processes.

The NRCS considers compliance with applicable laws, regulations, codes and its own ethical standards and internal policies to be an integral part of its business culture. Internal audit is designed to add value and improve the NRCS's operation. Internal audit also provides a systematic disciplined approach to evaluate and improve the effectiveness of risk management, control and governance process. It follows the business approach, which is risk-based and primarily responsible for the execution of operational and compliance audits, performance audits, financial audits, IT audits, forensic audits as well as *ad hoc* assignments.

The internal audit function has, in consultation with the Audit and Risk Committee, prepared the following:

- A three-year rolling strategic Internal Audit Plan based on its assessment of key areas of risk for the

NRCS, having regard for its current operations, the operations proposed in its Corporate or Strategic Plan and its Risk Management Strategy

- An annual Internal Audit Plan
- Plans indicating the scope, cost and time lines of each audit in the annual internal audit plan
- Audit reports were directed to the Audit and Risk Committee detailing its performance against the plan, to allow for effective monitoring and intervention when necessary

The Internal Audit function is a co-sourced function with the full-time employees being assisted by an outside service provider. The function works in co-ordination with the Auditor-General of South Africa, in order to ensure proper coverage and minimise duplication of effort. Internal audit assisted the Accounting Authority in maintaining controls by evaluating those controls and by developing recommendations for enhancement or improvement. It also assisted the Accounting Authority in achieving the objectives of the NRCS by evaluating and developing recommendations for the enhancement or improvement of the processes through which the following can be done:

- Objectives and values are established and communicated;
- The accomplishment of objectives is monitored;
- Accountability is ensured;
- Corporate values are preserved;
- The adequacy and effectiveness of the system of internal controls are reviewed and appraised;
- The relevance, reliability and integrity of management, financial and operating data, and reports are appraised;
- Systems established to ensure compliance with policies, plans, procedures, statutory requirements and regulations, which could have a significant impact on operations, are reviewed;
- The means of safeguarding assets are reviewed and, as appropriate, the existence of such assets is verified;
- The economy, efficiency and effectiveness with which resources are employed are appraised;
- The results of operations or programmes are reviewed to ascertain whether results are consistent with the NRCS's established objectives and goals, and whether the operations or programmes are being carried out as planned;
- The adequacy of established systems and procedures is assessed.

Information and Communication Technology

The Information and Communication Technology (ICT) Department is responsible for the provision of information technology systems and support for the NRCS. The NRCS's primary consideration in managing its ICT is its sustainability, its performance assurance and the ability of the Information and Systems Management Section to execute the identified NRCS priorities. The NRCS has embarked on the implementation of a customer relations management system and IT infrastructure for the organisation.

Development of a customer relations management system

The NRCS awarded a project for the implementation of a customer relations management (CRM) system, which is envisaged to enhance services to customers. The system will also add mobility to inspectors, who will be able to access and conduct their duties remotely, and will improve the dissemination of information. The new system will transform NRCS processes from manual systems to digital processing and storage environments, making services accessible using web-based and mobile technology.

This project will see increased collaboration with other relevant organisations and government departments in realising an integrated system for sharing information, especially the SARS risk engine. This is in line with the strategic plan for locking out non-compliant commodities from the South African economy. The use of information technology to link data sources for business intelligence through collaboration with the SARS will improve the inspections at points of entry. This project is now at a pilot stage and implementation will be finalised during the 2014/15 financial year.

Implementation of an ICT Infrastructure


During the 2013/14 financial year the NRCS implemented an ICT infrastructure to provide an efficient, stable and accessible ICT environment. The ICT infrastructure was designed to achieve interoperability and scalability to ensure easy provisioning of new services and communication with other external systems. The new IT platform is geared to achieve performance, security, availability and safety of NRCS systems. A dual firewall is implemented and managed separately to improve security. The IT platform was designed to cater for disaster recovery (DR) by implementation of two mirror sites to ensure business continuity and data recovery in case of a disaster. Improvement of the IT platform for the 2014/15 financial year will focus on bandwidth increase to improve accessibility and migrate its telephony services at regional sites from analogue to Voice over Internet Protocol (VoIP). The NRCS will also focus on implementing an ERP system that will seek to automate processes in support services, especially in the Finance, Human Resources and Supply Chain Management departments.

Board approval

The NRCS Board approved the Annual Financial Statements and the Annual Performance Plan for the 2014 financial year.



Mr Jeff Molobela
Chairperson of the NRCS Board



Mr Asogan Moodley
CEO of the NRCS

AUDIT AND RISK COMMITTEE REPORT

We are pleased to present our report for the financial year ended 31 March 2014.

The Audit and Risk Committee for the year ended 31 March 2014 comprised of eight members - four non-executive Board members, two independent external members, **the dti** representative and the independent Chairperson. The Committee convened six times during the period.

The Chief Executive Officer (CEO), Chief Financial Officer (CFO), Chief Audit Executive (CAE), Chief Risk Officer and representatives of the Auditor-General are standing invitees at each meeting of the Audit and Risk Committee, which also enjoys direct access to these attendees in the fulfilment of its duties. Other executives and managers are invited to attend for agenda items covering audit findings or business matters which relate to their areas of responsibility.

Audit and Risk Committee responsibility

During the financial year under review, the Audit and Risk Committee complied with its responsibilities arising from section 38 (1) (a) of the PFMA and Treasury Regulations 3.1.13.

The Audit and Risk Committee operates in terms of approved terms of reference in the form of the Audit and Risk Committee Charter and has conducted its affairs in compliance with this charter. The Audit and Risk Committee has furthermore discharged its responsibilities as contained therein.

Effectiveness of internal control

The systems of internal control are designed to provide cost-effective assurance that assets are safeguarded and that liabilities and working capital are efficiently managed.

From the various reports of the internal auditors and the Auditor-General, the Audit and Risk Committee has noted some significant improvement on internal financial control systems, including supply chain management, general internal control environment, as well acceptable compliance with laid down procedures. Together with the CEO, appropriate action is taken to deal with other deficiencies and to prevent the recurrence of certain control failures.

The business environment of the organisation was severely disrupted by wage settlement agreements and the grading process for a large part of the reporting year. Critical positions in Human Resources Management were vacant during the reporting year which resulted in certain officials acting in these positions. This disrupted the operations of the organisation, resulting in certain control deficiencies being experienced during the financial year.

An Internal Audit function has been established internally and is supported by resources from a specialist firm until such time as the Business Unit is able to perform all of the work required in terms of the approved audit plan.

Concerns regarding weaknesses in human resources management, supply chain and asset management have been identified. Management has developed and is implementing a plan to address these control weaknesses and regular progress reports will be submitted to the Audit and Risk Committee.

In line with the PFMA, internal audit plans and reports are provided to the Audit and Risk Committee and management with the intention of providing assurance that key internal controls are appropriate and effective. This is achieved by means of an appropriate quarterly reporting process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. The internal auditors use the organisation's risk framework to prepare their audit coverage plan and to prioritise audit work in the high risk areas.

Based on the audits conducted and presented to the Audit and Risk Committee for the 2013/14 financial year, the Committee concludes overall that the internal controls evaluated during those audits were partially adequate and therefore not entirely effective to provide reasonable assurance that the objectives will be achieved, with particular attention being required in the areas referred to above. The internal auditors however noted significant improvements in the system of internal controls as compared to the prior financial years and therefore these improvements provide reasonable assurance that going forward, the control objectives will be fully achieved.

Quality of management reports

The Audit and Risk Committee is generally satisfied with the content and quality of the quarterly reports as prepared and issued by management during the year under review in terms of the PFMA for both finance and performance information.

Evaluation of the financial statements

The Audit and Risk Committee has:

- Reviewed and discussed with management and the Auditor-General the audited Annual Financial Statements and the Auditor-General's qualified audit report included in the Annual Report
- Reviewed the appropriateness of accounting policies and practices
- Reviewed significant adjustments, resulting from the annual audit

The Audit and Risk Committee has discussed, concurs with and accepts the conclusions of the Auditor-General on the Annual Financial Statements read together with the Report of the Auditor-General, and recommends these to the Accounting Authority for acceptance and inclusion in the annual report.



SAH Kajee
Chairperson of the Audit and Risk Committee

HR MANAGEMENT OVERSIGHT REPORT**Introduction**

The HR Department's main role is to make sure that the NRCS is provided with a competent, effective and adequate workforce that will enable the NRCS to carry out its mandate seamlessly and effectively. This can only be achieved by implementing relevant control measures and most importantly, making sure that the Department itself is geared up and sufficiently resourced to live up to its mandate.

While HR is clear on what it is that it needs to do in order to have a competent, effective and adequate workforce, there are challenges that need to be dealt with and eliminated such as the review and revision of all HR policies.

Objectives of the Human Resources Department are as follows:

- Ensure that the workforce has the necessary skills and competencies
- Ensure that the organisation has the necessary capacity to deliver on its mandate
- Ensure the promotion of sound employee/labour relations
- Ensure optimal use of resources
- Ensure integrated occupational health, safety and wellness for all employees

Human resources oversight statistics**Overall performance****Personnel cost by programme**

Programme	Expenditure	Number of employees	Average per employee
Salaries	176 499 978	294	600 340.06
Training	3 710 288	294	12 620.03
Recruitment	518 744	13	39 903.38

Personnel cost by salary band

Level	Personnel expenditure	Number of employees	Average per employee
Top management	2 961 811	2	1 480 905.50
Senior management	46 023 533	57	807 430.40
Professionally qualified	101 813 392	154	661 125.92
Skilled	22 912 612	70	327 323.03
Semi-skilled	2 390 515	10	239 051.50
Sub-total	176 101 863	293	601 030.25
Contract	398 115	1	398 115.00
Total	176 499 978	294	600 340.06

Training costs

Directorate/ Business Unit	Personnel expenditure	Training expenditure	Training expenditure as a % of personnel cost	Number of employees trained	Average training cost per employee
Automotive	26 562 335	264 194	1.0%	20	13 209.70
Chemical mechanical and materials	10 406 792	77 760	0.7%	6	12 960.00
Communications	4 425 767	148 273	3.4%	11	13 479.36
Electrotechnical	22 910 663	272 399	1.2%	26	10 476.88
Environmental protection	6 062 343	11 969	0.2%	1	11 969.00
Finance	12 092 063	299 064	2.5%	22	13 593.82
Foods and associated industries	30 130 052	101 767	0.3%	7	14 538.14
Human resources	4 053 137	101 012	2.5%	5	20 202.40
Internal Audit	1 765 376	33 031	1.9%	4	8 257.75
Legal Metrology	35 799 020	170 469	0.5%	47	3 627.00
National Building Regulations	2 245 674	39 612	1.8%	2	19 806.00
Regulatory management	9 352 408	67 356	0.7%	7	9 622.29
IT services	4 297 511	75 147	1.7%	6	12 524.50
Legal services	1 561 731	7 239	0.5%	2	3 619.50
Strategic support	4 835 106	59 229	1.2%	5	11 845.80
Training	176 499 978	1 728 521	0.98%	171	10 108.31
Skills Development levies	176 499 978	1 586 014	0.90%	294	5 394.61
Bursaries	176 499 978	395 753	0.22%	20	19 787.65
Total cost of training	176 499 978	3 710 288	2.10%	294	12 620.03

Employment and vacancies

Programme	2012/2013 No. of employees	2013/2014 Approved posts	2013/2014 No. of employees	2013/2014 Vacancies	% of vacancies
Top management	1	4	2	2	50.00%
Senior management	59	63	57	6	10.53%
Professionally qualified	157	164	154	10	6.49%
Skilled	65	84	70	14	20.00%
Semi-skilled	10	10	10	0	0.00%
Unskilled	0	0	0	0	0%
Total	292	325	293	32	10.92%

Employment changes

Salary Band	Employment at beginning of period	Appointments	Terminations	Employment at end of period
Top management	1	1	0	2
Senior management	59	2	4	57
Professionally qualified	157	3	6	154
Skilled	65	7	2	70
Semi-skilled	10	0	0	10
Unskilled	0	0	0	0
Total	292	13	12	293

Reasons for staff leaving

Reason	Number	% of total no. of staff leaving
Death	0	0%
Resignation	6	50%
Dismissal	0	0%
Retirement	3	25%
Ill health	0	0%
Expiry of contract	3	25%
Other		
Total	12	100%

Labour Relations: Misconduct and disciplinary action

Nature of disciplinary action	Number
Verbal warning	0
Written warning	0
Final written warning	0
Cases pending	2
Dismissal	0

Equity target and employment equity status

50:50 Based on Demographics and DPSA Guide or EE Compliance in the Public Service

Levels	Male							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	0	1	0	0	1	0	0	0
Management	21	22	3	2	0	0	19	2
Professionally qualified	65	62	19	7	7	2	20	7
Skilled	10	27	4	3	1	1	1	3
Semi-skilled	7	4	2	1	0	0	0	0
Unskilled	0	0	0	0	0	0	0	0
Total	103	116	28	13	9	3	40	12

Levels	Female							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	0	1	0	0	1	0	0	0
Senior Management	9	23	1	3	1	1	3	3
Professional qualified	36	63	5	7	2	2	3	7
Skilled	32	26	6	3	2	1	11	3
Semi-skilled	1	4	0	0	0	0	0	1
Unskilled	0	0	0	0	0	0	0	0
Total	78	117	12	13	6	4	17	14

Levels	Disabled staff			
	Male		Female	
	Current	Target	Current	Target
Top Management	0	0	0	0
Senior Management	0	3	0	1
Professionally qualified	0	7	0	3
Skilled	0	1	1	3
Semi-skilled	0	1	0	0
Unskilled	0	0	0	0
Total	0	12	1	7

The EE information target is based on the government policy on EE and done in accordance with the latest National Demographics from Census 2011.

Conclusion

The NRCS recognises that for the Human Resources Department to make a significant impact, it will have to transform its traditional, transactional role to a strategic, value-added one. This will require a transition of the HR Department from the conventional delivery of transactional HR services, to the adoption of those practices and roles through which Human Resources adds competitive value to the operations of the NRCS. As a key function concerned with the management of people, Human Resources has the potential to act as the catalyst for maximising the value that employees can contribute. However, at the moment there is a general recognition within the NRCS that one of the key focus areas of the HR Department must be to stabilise the core transactional human resource services. An important factor in improving the Department's capabilities is ensuring that the core human resource services are administered in a timely and accurate manner. This includes payroll, leave and benefits administration, as well as the technical aspects of recruitment. As part of overall HR transformation efforts, Human Resources has focused on increasing its capacity both in terms of the requisite skills and numbers of employees within the Department, as well as making some changes in the HR organisational structure and internal HR processes and systems.



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PART E
FINANCIALS

Annual Financial Statements
for the year ended 31 March 2014