

NATIONAL CONSUMER COMMISSION

a member of the dti group

ANNUAL REPORT 2017/2018



CONTENTS

NATIONAL CONSUMER COMMISSION 2017/2018 ANNUAL REPORT

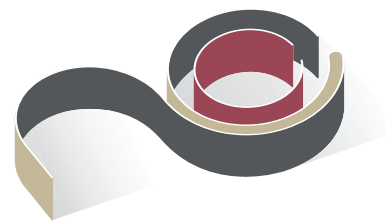


1.	GENERAL INFORMATION	
1.1	Foreword by the Minister of Trade and Industry	4
1.2	Submission of the Annual Report to the Executive Authority	5
1.3	Overview by the Accounting Authority	6
1.4	Vision and Mission Statements	8
1.5	Legislative Mandate	9
1.6	Organisational Structure	10
1.7	Overview of the National Consumer Commission's performance	11
2.	PERFORMANCE INFORMATION	
2.1	Programme Performance	16
2.2	Performance against the Annual Performance Plan	28
2.3	Strategy to overcome areas of underperformance	36
2.4	Changes to planned targets	38
2.5	Linking Performance with Budgets	43
3.	GOVERNANCE	
3.1	Overview of Governance Structures	46
3.2	Report of the Audit and Risk Committee	49
3.3	Report of the Auditor General	51
4.	HUMAN RESOURCE MANAGEMENT	
4.1	Human Resource oversight statistics	56
5.	FINANCIAL INFORMATION	62
	LIST OF ACRONYMS/ ABBREVIATIONS	99



Part 1

GENERAL INFORMATION



NATIONAL CONSUMER COMMISSION

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1.1 Foreword by Minister of Trade & Industry



Dr Rob Davies, MP
Minister of Trade and Industry

Once again, the role and importance of the National Consumer Commission (NCC) within the South African regulatory sphere was cast into the spotlight in the year under review when the NCC was required to act immediately in recalling foodstuffs throughout South Africa that were reported to be contaminated with the *Listeria* bacteria. By the end of the financial year under review, about 183 deaths have been recorded in South Africa from one of the largest listeriosis outbreaks. I note that our affected suppliers reacted responsibly by cooperating with the NCC and other departments and entities involved with this matter. The removal of unsafe products from our marketplace in order to protect our consumers is increasingly becoming a core function of the NCC. I am in full support of the NCC in its endeavours to increase its capacity in this area.

I also commend the NCC in its attempts to consult widely, through public hearings, on the problems faced by consumers of timeshare products. I will, fairly soon, release the results of the inquiry and provide guidance on improved regulation of the business conduct of holiday clubs and their agents that thousands of our consumers have complained about over the years.

The investigation by the NCC into the fires that have plagued particular models of Ford Kuga is almost complete. Understandably, these types of investigations are being embarked upon by a regulator for the first time in South Africa and I look forward to the report and recommendations thereon.

The NCC has been instrumental in making representations to ICASA, on behalf of consumers, on bringing the conduct of network operators, particularly with regard to data and airtime transactions involving millions of consumers, in line with the rights of consumers as contained in the Consumer Protection Act. I encourage the NCC to ensure that it persists in ensuring that the rights of consumers are never compromised.

I note that the NCC has fully met 78 per cent of its targets. I also note the reasons for the NCC failing to fully achieve 22% of its targets being largely beyond its control.

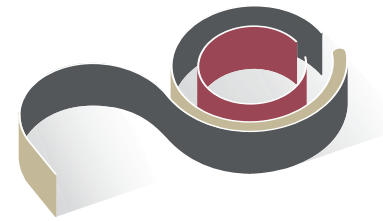
Finally, I thank the NCC for its efforts in improving on its governance and in particular for the drastic reduction in its irregular, fruitless and wasteful expenditure. It is evident that the internal control measures that it has put in place are clearly working.

A handwritten signature in blue ink, appearing to read 'Rob Davies', written over a dotted line.

Dr Rob Davies, MP

Minister of Trade and Industry

1.2 Submission of the Annual Report to the Executive Authority



NATIONAL CONSUMER COMMISSION

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Tel: 012 428 7749, Email: e.mohamed@thencc.org.za

The Honourable Minister

Dr Rob Davies, MP

Department of Trade and Industry

Pretoria

31 July 2018

Dear Honourable Minister

SUBMISSION OF NATIONAL CONSUMER COMMISSION ANNUAL REPORT 2017/2018

I refer to the provisions of the Public Finance Management Act and to the Shareholder Compact entered into between the Executive Authority and the National Consumer Commission.

I attach hereto, the Annual Report of the National Consumer Commission for the financial year 2017/2018 which has been drafted in accordance with National Treasury guidelines and templates.

Yours Faithfully

Mr Ebrahim Mohamed

Commissioner

National Consumer Commission

1.3. Overview by the Accounting Authority



It is with pride and gratitude that I present herewith the National Consumer Commission's (NCC's) annual report for the 2017/18 financial year. I am more than delighted to announce that the NCC, has, for the first time, since its establishment, achieved a clean audit opinion from the Auditor General of South Africa (AGSA). After six gruelling years at the helm of the NCC, in my battle and struggles to overcome so many obstacles, the NCC has finally managed to achieve this. This means a lot to me and to the staff of NCC. I have come to learn and appreciate the role of the AGSA and am indeed grateful for the work they do and for their guidance received from them over the years. My thanks for this achievement, go out to my team at the NCC. Here, I must mention my strongest support, the Deputy Commissioner, Ms Thezi Mabuza, for her sterling work during this difficult period. It is only fitting to mention and thank Mr Babs Kuljeeth, in his capacity as both the NCC Company Secretary and my advisor; Mr Anton Van Der Merwe, the Head of Corporate Services; Ms Prudence Moolwa, the Head of Enforcement and Investigations; Ms Phumeza Mlungu, the Head of Advocacy, Education and Awareness; and their respective teams. Our Minister, Dr Rob Davies and Director General, Mr Lionel October, deserves special mention and thanks for always insisting on clean audit plans and progress reports thereon and for motivating entities of **the dti** to achieve clean audits. I sincerely thank the Group COO of the **the dti**, Ms Jodi Scholtz and particularly, **the dti**'s CFO, Mr Shabeer Khan, who provided immense guidance and support to the NCC throughout the year. I am indebted to all of these true and dedicated public

officials and public servants. I do accept that the NCC is not perfect and that there is room for improvement. The AGSA has provided some guidance in this regard. Now that the benchmark is set, it is something that NCC is motivated to maintain, improve upon and eventually perfect.

The importance of the role played by the NCC in the country has been undeniably proven year after year, when serious, unexpected occurrences impacted on the market place and adversely affected the health and wellbeing of consumers. Most recently nearly two hundred innocent lives were lost to a deadly foodborne bacteria, to which the NCC, as part of a multidisciplinary task team, rapidly responded with a landmark product recall, to remove all affected products from domestic and export markets. Freshly etched in our memories also, is the widespread combusting of Ford Kuga utility vehicles which instilled a profound sense of fear among consumers and road users in general. Product recalls have grown exponentially over time, and can disturbingly be attributed to amongst others, the need by manufacturers to cut corners in production processes to remain profitable under gloomy global economic conditions.

The need for a well capacitated, efficient and effective national consumer protection authority can thus not be denied.

In delivering on its mandate the NCC has consistently investigated consumer complaints and have achieved various successes in prosecuting non-compliant suppliers. The NCC is in the process of concluding a few public

interest investigative processes which, if successful, could bring much anticipated relief and victory for consumers. Pursuant to this we remain focused and diligent in our processes, as a responsible and duty bound government agency.

During the year under review the NCC has amplified its monitoring practices to better detect unsafe and defective products that would likely enter the market place, and have decisively responded to sector related complaint trends and other matters that had the potential to harm consumers in one way or another.

We continued to conduct impactful inspections across the country and have in this regard partnered with various stakeholders including Provincial Consumer Protection Authorities, local and provincial government authorities, the South African Police Services, the South African Revenue Services, accredited Ombud Schemes and the Department of Home Affairs.

Governance within the NCC has continued to improve dramatically over time. There has been no reports of any fraud being committed at the NCC.

In conclusion, I extend my gratitude to Minister Rob Davies (MP) for his effervescent leadership and stewardship during my tenure as Commissioner. I also extend my gratitude to Director-General Mr Lionel October and the EXCO of the Department of Trade and Industry for the unwavering support towards the NCC.

I further extend my gratitude to the Portfolio Committee on Trade and Industry under the capable leadership of Ms Joan Fubbs (MP), for its continuous support, and cannot enough thank the NCC Audit Committee for their role, under the leadership of Mr Denis Braithwaite.

In order to achieve success in consumer protection, the NCC relies immensely on its community of consumer protection stakeholders, including United Nations Conference on Trade and Development, SADC, Consumers International, The Africa Dialogue and authorities in provincial and local tiers of government, accredited ombud schemes, as well as domestic law enforcement agencies. I therefore also extend my gratitude to them for their continued cooperation and support.



Commissioner
Ebrahim Mohamed



1.4 Vision and Mission Statements

1.4.1 Vision

In pursuance of its strategic mandate as enshrined in the CPA, the vision of the NCC is: "To be the leading institution in consumer protection that is professional, responsive and effective".

1.4.2 Mission

The mission of the NCC is: "To promote compliance with the Consumer Protection Act through advocacy and enforcement, in order to ensure fair business practice and uphold social and economic welfare of consumers".

1.4.3 Value statements

Values are common traits and attributes which guide the manner in which the organisation will relate with its stakeholders and operate. They are intended to define and shape the culture of the NCC and guide how staff members interact both internally and with stakeholders.

The NCC's value statements are:

- i. **Professionalism and Ethical conduct** - Promote and maintain a high standard of professional ethic and promote efficient, effective and economic use of resources.
- ii. **Efficiency & effectiveness** - Promote efficient, effective and economic use of resources.
- iii. **Transparency** – Fostering a culture wherein the bases upon which decisions are made are consistent and transparent
- iv. **Accountability** - Accepting responsibility for our own actions.
- v. **Teamwork** - Promote coherent and effective teams within the NCC.

1.4.4 Strategic outcomes orientated goals

The strategic objectives articulated below were arrived at through a careful assessment of the environment in which the NCC operates. In producing its annual performance plan, the NCC gathered up-to-date information about the organisation's internal strengths and weaknesses, and its external opportunities and threats (challenges). This analysis also considered political, economic, social, environmental and technological aspects applicable to the NCC. Through this exercise, the workshops were able to refine and reshape the list of critical questions facing the NCC, thus defining the critical strategic tasks facing the NCC over the strategic period.

The following are the strategic outcomes that will be pursued by the NCC over the next three years:

Administration;

- To promote Consumer Protection and Consumer Safety;
- To promote reform of consumer policy and consumer protection legislation; and
- To conduct research and to promote public awareness on consumer protection matters.

Each objective has been supported by specific key outputs, which were in turn supported by key performance indicator and targets. These were detailed in the performance and business plans of the NCC.

1.5 Legislative and Other Mandates

1.5.1 Consumer Protection Act 68 of 2008

The NCC is established in terms of Section 85 of the Consumer Protection Act No. 68 of 2008 (CPA) with jurisdiction throughout the Republic of South Africa. The NCC reports to **the dti**, and particularly to the Minister and to **the dti's** Public Entity Oversight Unit and to its Consumer and Corporate Regulation Division (CCRD). The CCRD has, as one of its key roles, the creation of "*credible institutions for enforcement and implementation of regulatory instruments*".

The NCC is charged with the responsibility to enforce and carry out the functions assigned to it in terms of the CPA. The CPA seeks to promote a fair, accessible and sustainable marketplace for consumer products and services and for that purpose, to establish national norms and standards relating to consumer protection. It further seeks to provide for improved standards of consumer information, to prohibit certain unfair marketing and business practices, to promote responsible consumer behaviour and to promote a consistent legislative and enforcement framework relating to consumer transactions and agreements.

The CPA makes it clear that the NCC must promote the resolution of consumer complaints but that it is not responsible for intervening directly therein. This means that the NCC is not expected to be involved in the conciliation or mediation of disputes between consumers and suppliers unless the parties consent to a settlement of the dispute during the course of an investigation.

Ordinarily, disputes amongst consumers and suppliers, if not resolved amongst themselves, are dealt with by provincial consumer protection authorities and the ombud schemes accredited by Minister.

Thus the main functions of the NCC, insofar as complaints are concerned, are to conduct investigations against suppliers allegedly engaging in prohibited conduct and to promote the resolution of disputes between consumers and suppliers.

1.5.2 Constitutional Mandates

Through its legislative mandate and its promotion of fair business practice, the NCC plays a significant role in upholding and preserving the principles enshrined in the Bill of Rights. Specifically, the NCC has a direct impact on the following areas within the Constitution of the country, under the Bill of Rights section:

- i. Sub-section 9: Equality – Through remaining accessible to diverse groupings of consumers, the NCC plays its role in ensuring that parties have the right to equal protection and benefit of the law. Additionally, the NCC strives through its value system to respect human diversity and ensure that no form of discrimination, if any, is tolerated.
- ii. Sub-section 10: Human dignity – The NCC ensures that prohibited conduct on the part of suppliers of goods and services, as well as the relevant action thereto does not impair human dignity.
- iii. Sub-section 14: Privacy – The NCC ensures that the privacy of persons is protected.

- iv. Sub-section 33: Just administrative action – The NCC ensures it hears both sides to a dispute and issues reasons for its decisions.

Schedule 4 of the Constitution provides that consumer protection is an area of concurrent jurisdiction between national and provincial governments. This means that both the national government and the provincial offices share responsibility in so far as consumer protection is concerned. Section 146 (2) (b) of the Constitution provides that national legislation applies uniformly with regard to the country as a whole and prevails over provincial legislation if, amongst other things, the following conditions are met:

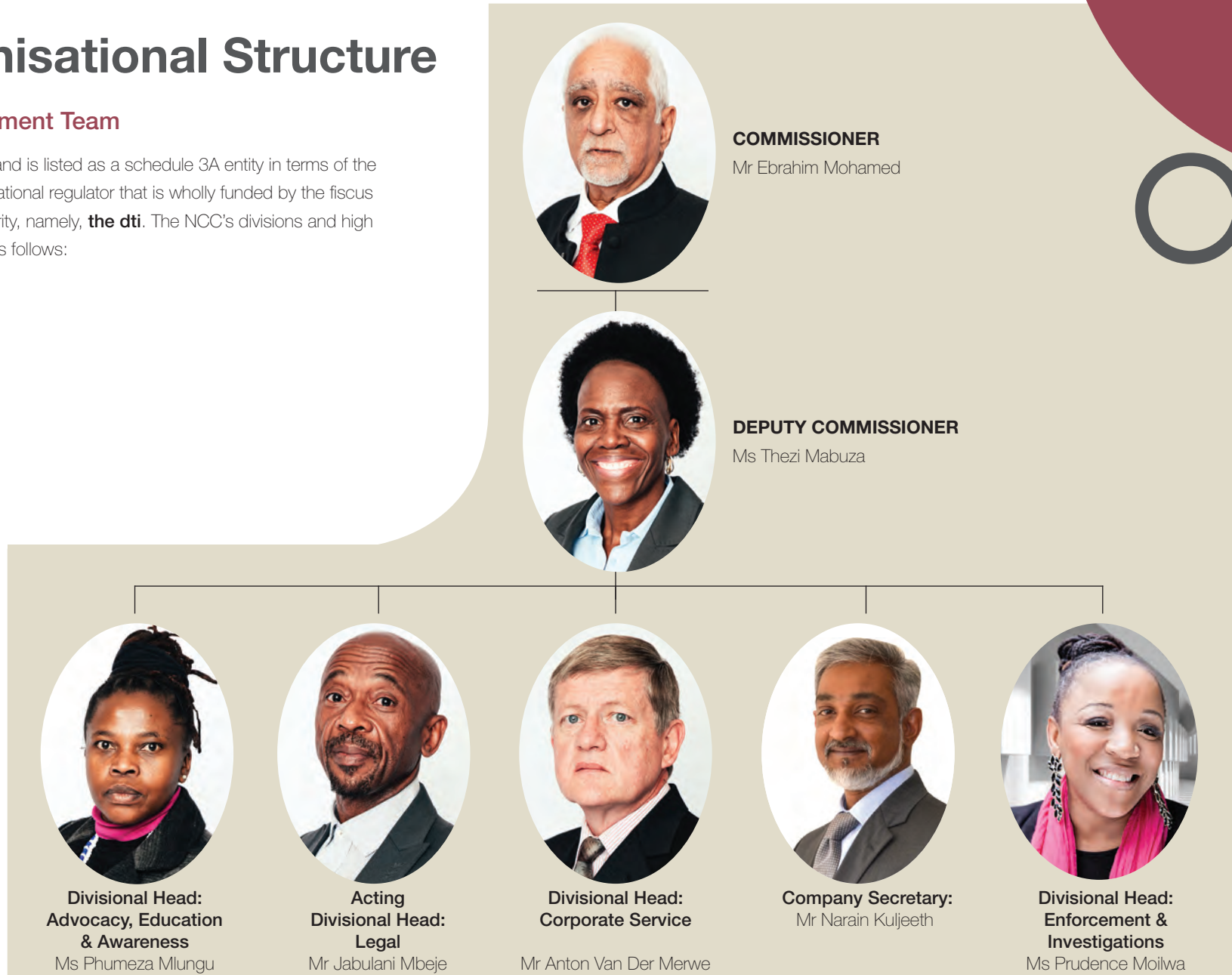
- i. The national legislation deals with a matter that cannot be regulated effectively by legislation enacted by the respective provinces individually;
- ii. The national legislation deals with a matter that, to be dealt with effectively, requires uniformity across the nation, and the national legislation provides that uniformity by establishing:
 - (a) norms and standards;
 - (b) frameworks; or
 - (c) national policies
- iii. The national legislation is necessary for the -
 - (a) protection of the common market in respect of the mobility of goods, services, capital and labour;
 - (b) promotion of economic activities across provincial boundaries;
 - (c) promotion of equal opportunity or equal access to government services;

The CPA entrenches national consumer protection policy as well as norms and standards.

1.6 Organisational Structure

Executive Management Team

The NCC is a public entity and is listed as a schedule 3A entity in terms of the PFMA. The entity is a key national regulator that is wholly funded by the fiscus through its Executive Authority, namely, **the dti**. The NCC's divisions and high level structure is depicted as follows:



1.7 Overview of the National Consumer Commission's performance

1.7.1 Service Delivery and Organisational Environment

Consumer protection is an integral part of a modern, efficient, effective and just market place. Confident consumers are one of the important drivers of competitiveness. By demanding competitive prices, improved product quality and better service, consumers provide an impetus for innovation and enhanced performance by business. The CPA is a critical part of **the dti's** overall strategy to improve the competitiveness of business in South Africa.

In revising the consumer protection framework, **the dti's** intention was to create an environment where a culture of consumer rights and responsibilities prevail. Such an environment is not only beneficial to consumers but to business as well. The enforcement of the CPA assists in regulating the conduct of suppliers of goods and services to consumers. If left unchecked, unethical traders will merely serve to hinder the creation of a fair, competitive and equitable environment for all. Prior to the enactment of the CPA, South Africa lagged behind other international jurisdictions in protecting its consumers. The global and domestic trading environment has changed significantly over time. Markets have opened up and there has been a significant increase in the movement of people, goods and services, across borders. The incidence of scams and other unfair practices has increased. Scams have become more sophisticated in a number of instances.

The need to enforce the CPA is critical to:

- i. Establishing a legal framework for the achievement of a fair, accessible, responsible and sustainable market;
- ii. Reducing any disadvantages experienced in accessing the supply of goods and services by low income, low literacy, rural and vulnerable consumers;
- iii. Promoting fair business practices;
- iv. Protecting consumers from unfair and deceptive conduct;

v. Improving consumer awareness; and

vi. Providing for an accessible, efficient and effective system of redress;

The CPA applies to:

- i. Suppliers (for profit or non-profit) that promote or supply goods or services to consumers across all sectors of the economy, unless exempted;
- ii. Government institutions or any entity contracted by the State to provide goods or services to consumers;
- iii. Franchise offers, solicitations and agreements; and to
- iv. Any business to business transaction subject to a stipulated R2m turnover per annum threshold.

Consumer Protection is a concurrent functional area of national and provincial legislative competence. Provincial consumer protection authorities exist in all provinces of South Africa. Provincial consumer courts have jurisdiction over complaints of unfair business practices in terms of their respective legislation. A consumer court can declare a business practice unfair and in contravention of a provincial legislation and order appropriate redress in favour of a consumer, all in terms of the provincial legislation which created it.

In order to improve service delivery, each Division of the NCC continues to improve and implement its standard operating procedures. The Audit and Risk Committee has met several times in the course of the year in accordance with its approved charter. The year under review, was marked by an improvement in the risk management process, with the management risk committee operating effectively and matters relating to risk being dealt at management meetings.

The NCC's budget makes provision for the funding of 85 positions. This number of positions is particularly small when compared with similar entities operating nationally and internationally. A significant portion of these employees are responsible for providing administrative support. The NCC, as with other public entities, continues to operate in a very constrained fiscal environment. Being a service oriented entity, the majority of the NCC's budget is apportioned to remuneration. But for the funds received through **the dti** and some investment income earned through interest received, the NCC receives no additional funding. Other than remuneration, a significant portion of the remaining budget is allocated to costs relating to administration.

In order to contain remuneration costs, the remuneration scale adopted by the NCC has been mirrored to that of the Department of Public Service and Administration (DPSA) for national government departments. Similar benefits, terms and conditions as determined by the DPSA have also been adopted. These include annual salary adjustments and performance management. Employees have, over time, raised concerns on the lack of parity with regard to remuneration and benefits when compared to other entities within **the dti** group. This has indeed impacted on staff morale. Recently, **the dti** has embarked upon the establishment of a bargaining forum for its entities, the NCC included. Once established, this will result in the NCC entering into negotiations on remuneration and related issues.

The NCC's project on the alignment of its structure to its strategy which had commenced in the previous year will, due to its limited financial resources, only be completed in the next financial year. Thus far, the services of the DPSA and that of **the dti** have been engaged at no cost to the NCC. Invariably, any such exercise involves change and therefore must invoke some consternation which must be carefully managed. The need to revise the structure is indeed necessary. There has been a consistently increasing demand on the resources of the NCC particularly with regard to the recall of unsafe and or defective products. This has been highlighted by the recent Listeriosis outbreak and Ford Kuga vehicles that have been catching on fire. The number of product recalls that NCC are dealing with on a daily basis has increased drastically over time and as such, a need exists to establish a dedicated unit to administer these recalls. The NCC will also be establishing an Opt Out Register in the next financial year. A dedicated unit will be required to establish and operate the register. Apart from injecting capital in relation to establishment costs, the register would be largely self-funded.

Despite the challenges mentioned hereinbefore the NCC continues to deliver on its strategy. The strategy of the NCC is simple with its core function being, to enforce the CPA. The investigation of consumer complaints remains at the heart of the NCC's enforcement mandate. However, as stated hereinbefore and given the impact on consumers and on the economy, the recall of unsafe and or defective products is also receiving priority.

In line with its existing strategy, the NCC, given its limited resources, has accepted that it will be impossible for it to investigate every complaint. Moreover, the NCC has come to learn that the vast majority of consumers, in lodging complaints, are seeking quick and cost effective redress of their disputes. The CPA encourages consumers and suppliers to firstly attempt resolution of their disputes amongst themselves, prior to referring these complaints to alternate dispute resolution agents, industry ombud schemes, provincial consumer protection authorities, provincial consumer courts and finally to NCC.

The NCC is not an alternate dispute resolution agent, as defined in the CPA. To this end, the NCC resolved to promote the establishment of quick and cost effective redress mechanisms, by agreeing with certain industries and or sectors of industry to establish respective industry ombud schemes to assist in the conciliation and mediation of disputes. Following accreditation by Minister, the Motor Industry Ombud of South Africa and the Consumer Goods and Services ombud schemes have, since the 2015/2016 financial year, continued to provide conciliation services to consumers and suppliers in line with the provisions of the CPA. These schemes are funded by the respective industries and services are provided at no cost to consumers.

A summary of the work done by these Ombuds will be dealt with in the latter part of this report. The NCC, in the year under review, has held advanced discussions with key government stakeholders in the tourism sector with intent to have an industry ombud established that would deal with only tourism related complaints.

1.7.2 Key policy developments and legislative changes

In August 2017 the Independent Communications Authority of South Africa (ICASA) published for comment, its draft regulations on End-User Subscriber Service Charter (Charter) in terms of the Electronic Telecommunication Act 36 of 2005. The Charter is intended to amend licensing conditions of telecommunication companies which seeks to regulate their terms and conditions regarding supply of goods/services to consumers. The terms and conditions pertain to telecommunication devices, the supply of data, sms and voice over airtime.

The final regulations were published at the end of April 2018. The NCC has engaged with ICASA on the draft regulation prior to the drafts being published and during the commentary phases of the draft versions of the regulations. The full impact of the regulations viz a viz the protection afforded to consumers by the CPA have not yet been determined. The NCC will consider a way forward once it has fully considered the final regulations.

Even though ICASA did not favourably consider every comment or objection of the NCC, much progress has been made through this collaborative efforts amongst fellow regulators. Several commentators, during draft stage, on behalf of suppliers, have indicated that they are preparing for legal challenges.

The deadly effect of the Listeriosis outbreak has also had the effect of highlighting the need for Government to seriously consider the establishment of a food safety regulator.

In the year under review the NCC was a party to a very important court case, namely, ***The National Consumer Commission v Univision Services Association NPC (618/2017) [2018] ZASCA 44 (28 March 2018)***

The facts of this case is summarized as follows:

The NCC withdrew a complaint referred to the National Consumer Tribunal (Tribunal) before the hearing had started. The Respondent brought an application to the Tribunal for an award of costs. The Tribunal ruled that in terms of its empowering statute, section 147 of the National Credit Act 34 of 2005 (the NCR Act) precluded it from granting a costs order against the NCC on it withdrawing the referral. The Respondent successfully reviewed the Tribunal's ruling at the Gauteng North High where the court set aside the Tribunal's ruling, the matter was remitted to the Tribunal for a cost order determination. The NCC took the ruling of the Gauteng North High court on appeal to the full bench of the Supreme Court of Appeal (SCA).

The legal issues were as follows:

- 1) Whether the Tribunal had the power to make a costs award in the circumstances of this case.
- 2) Whether an organ of state litigating in discharging its statutory mandate, should in principle, be borne with cost orders of parties against whom it brings to justice in the interest of the general public.
- 3) Whether subordinate legislation in a form of Tribunal rules of regulations can trump a primary statute.

The SCA Reasons for Judgment:

The SCA's reasons for judgment as follows:

- 1) The court a quo overlooked the essential difference between a referral to the Tribunal under section 73 of the CPA, on the one hand, and civil litigation in which costs, as a general rule, follow the event, on the other.
- 2) The NCC is not an ordinary civil litigant. It is an organ of state. It serves to protect the economic welfare of consumers, who play a vital role in the economy and thereby contribute to the fiscus and development of the country.
- 3) The NCC functions, inter alia, to prohibit unfair marketing and business practices and to promote a consistent legislative and enforcement framework for consumer transactions.
- 4) In referring a matter to the Tribunal under s 73(2), of the CPA. The NCC does not merely seek redress for a personal infringement of a civil right, but acts in the public interest in pursuance of its statutory obligation to do so in order to enforce consumer rights, not only on behalf of those who have complained to it, but also of the public at large.
- 5) Consequently, there is no reason for the general rule in regard to costs in civil litigation to

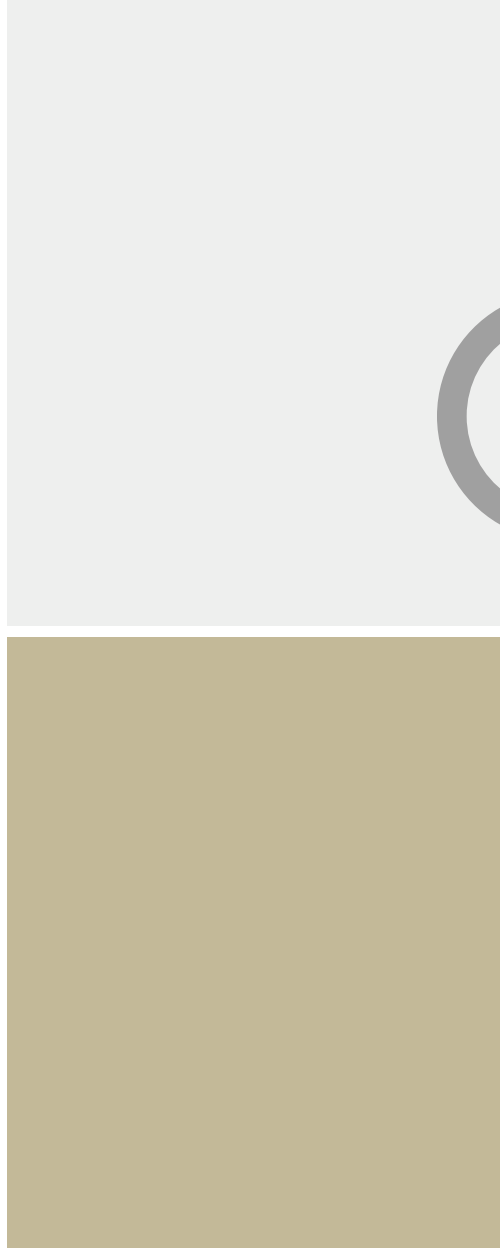
apply to referrals made by the NCC to the Tribunal.

- 6) On the other hand, the same cannot be said in regard to complainants who refer matters to the Tribunal under s 73(5). Such a referral would have been made in the face of the NCC, the regulatory body with the necessary expertise, having decided that the complaint lacks merit – either on receiving the complaint for the reasons set out in s 72(1)(a), or after investigating the matter. In these circumstances, where a complainant persists in advancing its complaint without the NCC's support, a referral is far more akin to a civil trial.
- 7) There is thus every reason for the legislature to have limited the Tribunal's power to award costs as it did in section 147 of the National Credit Act. But more importantly, there is another fundamental flaw in the reasoning of the court a quo. It appears to have lost sight of the regulations being subordinate to the empowering statute under which they were promulgated, and that it is impermissible to treat them as a single piece of legislation. It is trite that regulations can neither be used as an aid to interpret the statute under which they were made nor be read so as to broaden the scope of the power extended by the statute.
- 8) Consequently, a regulation which does not give effect to a provision in the NCR Act, or seeks to provide powers beyond those envisaged by the NCR Act, would be ultra vires and unenforceable.
- 9) The court a quo therefore made the basic error in regarding the regulations not as ancillary to s 147(2), but to operate separately and in addition to that section to broaden the powers extended thereunder. This was impermissible.

SCA Ruling:

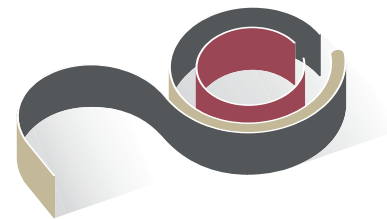
The appeal by the NCC succeeded, with costs.

If the SCA had not ruled in NCC's favour, it would have meant that the NCC would be able to take matters to the Tribunal only if it was assured of success, which is impossible. It would also have meant that in every matter, the NCC did not succeed, then it would have to pay costs, despite its intent to protect consumers. This would have had the effect of literally requiring the NCC to have a huge cash reserve for cost orders, invariably rendering the NCC a toothless body.



Part 2

PROGRAMME PERFORMANCE



NATIONAL CONSUMER COMMISSION

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2.1.1 Strategic objectives of the National Consumer Commission

The strategic objectives articulated below were arrived at through a careful assessment of the environment in which the NCC operates.

The following are the strategic outcomes that the NCC undertook to pursue over the strategic period:

1. Administration;
2. To promote Consumer Protection and Consumer Safety;
3. To promote reform of consumer policy and consumer protection legislation; and
4. To conduct research and to promote public awareness on consumer protection matters.

Each objective is supported by specific key outputs, which are in turn supported by key performance indicators and targets and detailed in the annual performance plan and business plan of the NCC.

2.1.2. Description of Programmes

2.1.2.1 Programme 1:

Administration - To improve on the governance, compliance and resource requirements of the entity.

Purpose of the Programme

Administration comprises the leadership and Corporate services functions. The Commissioner and Deputy Commissioner are responsible for leadership and direction in respect of the strategic objectives and operation of the NCC as a whole. Corporate Services, on the other hand, is critical to the operation of the NCC, in that, it is responsible for Finance, Supply Chain, Human Resources, Information and Communication Technology, and Records Management.

2.1.2.2 Programme 2:

To promote Consumer Safety and Protection

Purpose of the Programme

The goal of the Consumer Safety and Protection programme is to ensure consumer protection and consumer safety through the enforcement of the provisions of the CPA and to facilitate an environment that enables resolution of disputes between consumers and suppliers that is expedient, cost effective, fair and transparent.

The functions in relation to this objective are performed by the Research Division and the Advocacy, Education and Awareness Division.

The purpose is to:

- (i) Conduct targeted consumer workshops as well as business focused workshops and presentations aimed at facilitating a better understanding of the CPA;
- (ii) Analyse complaints and market conduct and develop trend analysis reports which would serve to assist the NCC in determining its intervention strategies.
- (iii) Facilitate a consumer protection environment that is well coordinated and responsive to consumer needs.

- (iv) Conduct research and propose policy changes to Minister in relation to any matter affecting the supply of goods and services, that would improve the realization and full enjoyment of consumer rights;

2.1.2.3 Programme 3:

To promote reform of consumer policy and consumer protection legislation

Purpose of the programme:

Reform consumer legislation in order to achieve the progressive transformation and improvement of practices that are inconsistent with the CPA

The functions in relation to this objective are performed by the Legal Division and the Enforcement and Investigations Division

The purpose is to:

- i) Conduct research on matters relating to consumer protection and with regard to the supply of goods and services in terms of the CPA;
- ii) Identify legislation that affects the welfare of consumers which is inconsistent with the purposes of the CPA and develop proposals for reform of practices.
- iii) Provide guidance to the public by issuing explanatory notes and/or non-binding opinions on the interpretation of provisions of the CPA;
- iv) Make application for declaratory order on the interpretation or application of any provision of the CPA.

2.1.2.4 Programme 4:

To conduct research and to promote public awareness on consumer protection matters

Purpose of the programme:

To increase knowledge on the nature and dynamics of the consumer market and promote public awareness on consumer protection matters by implementing education and information measures to promote public awareness of the provisions

of the CPA. The functions in relation to this objective are performed by the Research and Advocacy, Education and Awareness Divisions.

The purpose is to

- i) Conduct targeted consumer workshops as well as business focused workshops and presentations aimed at facilitating a better understanding of the CPA;
- ii) Analyse complaints and market conduct and develop trends analysis reports which would serve to assist the NCC in determining its intervention strategies.

2.1.3 Key achievements of Programmes

2.1.3.1 To promote Consumer Safety and Protection

a) Investigations/ Inspections and Product Recalls.

During the year under review, the NCC continued with improving its investigations processes. A screening committee assisted the investigation team in identifying investigations as well as determining the scope of the investigations. All investigations are approved and certified by the Commissioner of the NCC. In terms of the CPA, the NCC can investigate matters initiated by it, as directed by Minister or investigate complaints received from consumers.

Section 71 of the CPA, states that the NCC may initiate complaints. It can do so if directed by the Minister of Trade and Industry, on its own motion, on the request of a provincial consumer protection authority, a regulatory authority or accredited consumer protection group.

In terms of the NCC's strategy, sector related investigations are identified from

complaint trends and matters brought to the attention of the NCC that are deemed to impact significantly on consumers.

The NCC has conducted a number of inspections over the course of the year. It is an underlying principle of the CPA that consumers must be protected from hazards to their safety and well-being. Consumers do have the right to return unsafe or defective goods. Goods are deemed hazardous or unsafe when those goods present a significant risk of personal injury to any person, or damage to property, when the goods are utilised. If the goods are unsafe, the NCC can recall those goods for repair, replacement or refund.

The safety of South African consumers falls squarely within the mandate of the NCC. A key deliverable for the NCC is the promotion of consumer safety so as to ensure that consumers are supplied with reliable goods and services which are safe for consumer health and life as well as for the environment. In order to promote the supply of safe consumer goods and services, the NCC continues to work closely with other regulators, including its accredited Motor Industry Ombud of South Africa. The facilitation and monitoring of the recall of unsafe products are critical functions of the NCC. The NCC has been responsible for a number of products that were recalled in the past year. These recalled products include, amongst other goods, medical instruments, canned food, safes and numerous brands and makes of motor vehicles. The Ford Kuga recall attracted widespread publicity.

i) Timeshare Enquiry

The NCC, together with the **the dti** has been at the forefront of highlighting the plight of thousands of consumers that have purchased holiday products that they can no longer afford to maintain or from which they derive very little, or no benefit. An enquiry panel appointed by the NCC has conducted public hearings throughout South Africa and has completed its interaction with consumers. This was the first enquiry of its kind to have been approved by the NCC. The appointment of the panel was motivated by thousands of complaints received from consumers by the NCC over the years against the business practices particularly applicable in the holiday points sector. Hardly any

complaints have been received in relation to the conventional timeshare sector. The enquiry panel has finalised its engagements with relevant regulators, consumers, consumer bodies and with representatives of the relevant business sector. The hearings proved fairly beneficial in that the enquiry panel was able to interact and interrogate the vast array of arguments, problems and proposals presented by all parties. A report has been drafted and is in the process of being finalised. Once finalised, the NCC will share the report with:

- The Department of Trade and Industry and other Departments affected by the report,
- The Portfolio Committee on Trade and Industry,
- Timeshare industry, and
- The general public





ii) Ford Kuga Recall and Investigation

The burning of several Ford Kuga vehicles, following ordinary use thereof, has been widely reported in the media. The NCC, after receiving notifications for recalls in terms of section 60 of the CPA, commenced monitoring the recall of the Ford Kuga by Ford Motor Company of South Africa (FMCSA) in addition to the recall, the NCC instituted an investigation into possible prohibited conduct by FMCSA. The investigation was instituted to, amongst other things, look into the risk of future fires and whether this was adequately addressed.

With regard to the recall itself, FMCSA embarked upon a phased approach. A phased approach to recalls is at times necessitated by the fact that new improved safety features often take time to manufacture. Hence, the first phase of the recall attempted to conduct initial repairs were designed to mitigate the immediate risk, whereas, subsequent phases are intended to eliminate the risk of fires altogether.

The vast majority of consumers affected by the recall, took responsibility to adhere to the recall programme. Certain consumers, however, failed to respond. In order to

ensure that all consumers were contacted, the NCC had elaborate engagements with the Road Traffic Management Corporation (RTMC) who are the custodians of the eNatis database. The purpose of these engagements were to reach non-responsive consumers, as a last resort. Given the fact that the mechanisms mooted at such engagements are drastic, they will be used as a last resort.

In monitoring the recall: the NCC held regular meetings with FMCSA in order to interrogate received reports during the first few months after the recall was instituted; the Inspectors of the NCC followed up with FMCSA on progress reports; queries by consumers were forwarded to MFCSA in order to assess and determine whether the recall plan was followed. In total, the NCC received 131 complaints with regard to the Ford Kuga, which is depicted as follows:

ITEM	TYPE OF COMPLAINT	NUMBER
1	Reported burnt vehicles	31
2	Complaints alleging defects	22
3	Complainants raising safety concerns	11
4	Resale / Trade in Value	25
5	Generic & additional complaints	47
TOTAL		136

The investigation, itself, relating to the conduct of FMCSA, is ongoing and will be finalised in the next financial year. The investigation necessitated consultations with various stakeholders, including affected consumers, insurance companies, experts, Ford Dealerships and other representatives of FMCSA.



iii) Listeria

By the end of the financial year under review, approximately 183 deaths had been recorded in South Africa from one of the largest listeriosis outbreaks. Listeriosis is regarded as a foodborne illness. The illness is caused by eating food that is contaminated with Listeria bacteria. The said bacteria is often found in processed foods which would include deli meats that have become contaminated. Listeria may also be found in raw milk, soft cheeses or other products made from unpasteurized milk. It has been reported that refrigeration does not stop the Listeria bacteria from growing. It has been found that it can survive freezing temperatures. It is evident that, cooking and pasteurization do destroy Listeria.

It has been reported by the National Institute for Communicable Diseases (NICD) that at least 78 infants have died as a result of this outbreak. A high number of fatalities included newborns only 28 days old or younger. Clearly, the identified pathogen is especially dangerous to pregnant women. It has been reported that pregnant women are about 10 times more likely to contract listeriosis because of hormonal changes that affect the immune system during pregnancy. A pregnant mother can pass Listeria to her unborn baby without even knowing it, because she doesn't feel sick at all. The disease can lead to miscarriage, stillbirth, premature labour, the delivery of a low birthweight infant, a wide range of health problems for a newborn, or infant death.

With the increasing number of reported cases since January 2018, a national response team was brought together to determine the source of the bacteria. It was only on the 4th of March 2018 that the Department of Health had a breakthrough in connecting the strain to particular products and manufacturers. It was then that the NCC had reliable information regarding the description of the unsafe and contaminated products. On the same day of the public announcement of the contaminated products, that is, on the 4th March 2018, the NCC issued notices to Tiger Brands and RCL Foods for the recall of foodstuffs that have been reported by the NICD to be responsible for spreading this deadly disease.

Having issued the recall notices, the NCC met with representatives of the affected firms. The recall strategies and communication plans of these firms were assessed to ensure a successful product safety recall. The recalls largely related to the removal of unsafe goods from markets and the destruction of the affected goods.

As part of its recall monitoring function, the NCC inspectors, in conjunction with officials of Environmental Health Practitioners and the Department of Agriculture, Forestry & Fisheries (DAFF) conducted inspections and followed up on reported cases of possible non-compliance.

However, it must be understood that in the absence of a standard in the handling of meat, it is almost impossible to hold the suppliers to a standard. In the meantime, the affected suppliers undertook to ensure continuous testing to check for cross contamination, also, there is an undertaking to uphold the best practice in order to ensure sanitation of the areas where the recalled products were kept/stored.

The NCC will continue to receive updates on the recall and disposal until the recall is concluded and the final closure report is received.

Some concern has been raised around possible job losses resulting from the halting of production of the affected processed meat. Early in March 2018, it was reported that Tiger Brands had recalled 3 500 tons of its Enterprise ready-to-eat, chilled meat products. Mozambique and Namibia announced they were suspending imports of the affected products. Botswana stated that it was recalling the products and Zambia called on South African retail chains in its country to remove the products from local shelves. The NCC's mandate, however, is to ensure product safety and implementation of the CPA in a responsible way in order to ensure that unsafe products are removed from the markets. While the NCC notes that the halting of production may affect jobs, it is in no position to assess the effect of this on jobs.

b) Inspections

The labelling of products has been the focus of numerous inspections conducted by the NCC over the last two years, particularly with regard to foodstuffs. In this regard, it has worked closely with health inspectors. These inspections resulted in a number of foodstuffs, which have passed its 'sell by' or 'best before' dates, being removed from shelves in order to protect consumers.

The NCC together with the SAPS and with certain consumer protection bodies in the Free State province conducted a raid on a warehouse of South Bakels (Bakels) situated at Bloemfontein. This raid was conducted after a tip off received from ETV that Bakels was allegedly defacing labelling of food products, in that, it extended the expiry dates of baking products/ ingredients/ mixes that are ordinarily sold to major retailers. These products/ ingredients/mixes are used by a number of instore bakeries operated by several major supermarket groups to bake confectionery products. Following the raid, the warehouse was temporarily shut down by Bakels and certain senior staff thereof resigned. The SAPS is investigating criminal conduct on the part of Bakels.

c) Opt Out (Do Not Call) Register

One of the NCC's mandates is to ensure that the consumers' right to privacy is protected. Section 11 (1) (c) of the CPA stipulates that "every person's right to privacy includes the right to pre-emptively block any communication in the case of an approach other than in person, if the approach or communication is primarily for the purpose of direct marketing". In terms of section (11) (3) of the CPA, the NCC "may establish, or recognise as authoritative, a Registry in which any person may register a pre-emptive block, either generally or for specific purposes, against any communication that is primarily for the purpose of direct marketing."

Consumers are constantly exposed to intrusive marketing by direct marketers and this has significantly increased over the years and are directed through multiple channels via email, mobile phones, landlines, mail shots etc. As per a consumer survey conducted, 67% of consumers that receive marketing found direct marketers intrusive and time consuming. The majority of consumers that had participated in the

survey had responded positively with regard to limiting/stopping the amount of direct marketing they receive. In order to exercise the "right to privacy" the CPA proposes an Opt-Out Registry (the Registry) which is to be created/established/ recognised, in order to prevent direct marketers from engaging in intrusive marketing to those consumers that have registered a pre-emptive block. Such a pre-emptive block is not possible without the Registry being in place.

The NCC established a project team to spearhead the establishment of the Registry. The NCC studied similar database models which are operated by other local and international regulators.

In the previous year, the NCC conducted a feasibility study with the assistance of the Government Technical Advisory Centre (GTAC), an agency of the National Treasury. A Public Private Partnership (PPP) project was registered for purposes of establishing the Registry. However, following the assessment of the results of the Feasibility Study, NCC was duly advised not to proceed with a PPP, as it would only need a once off capital injection which could be secured via **the dti**.

Towards the latter part of the year under review, **the dti** confirmed that NCC should establish the Registry on its own and that **the dti** would provide relevant support with regard thereto. It is therefore anticipated that procurement of the Registry will commence in the next financial year, depending on when funds can be secured.

d) Accreditation of Industry Codes

In the year under review the NCC made no recommendation for the accreditation of an Ombud Scheme since no industry code has been received. However, the NCC did identify the tourism industry for the establishment of a dedicated ombud scheme to deal with tourism related consumer complaints. This is in line with government's prioritization of tourism. The NCC felt that a tourism specific ombud scheme for speedy and cost effective resolution of tourism related consumer complaints can only serve to lend credibility to the industry. Throughout the year under review, discussions were held with key government stakeholders on the establishment, functioning and funding of such a scheme. The Department of Tourism has been very keen thus far and has dedicated officials to pursue the project with the NCC.

e) Complaints Handling/ Processing

The NCC received 7142 complaints in the course of the 2017/18 financial year. The CPA precludes the NCC from resolving the disputes between consumers and suppliers. Instead the CPA requires that the NCC promote the resolution of disputes. The CPA makes it clear that consumers should first attempt to resolve these disputes with suppliers before these can be escalated to the provincial consumer protection courts, industry ombuds and eventually to the NCC. In order to promote the resolution of complaints, the NCC has embarked upon a process of recommending the accreditation by Minister of ombuds schemes in industries where a significant number of disputes arise. The NCC would ordinarily refer the complaints to relevant accredited ombud schemes for resolution between the parties. Where an ombud scheme does not exist or is not accredited, the NCC would enter into memoranda of agreements with relevant sector regulators or associations and then refer these disputes to them.

The NCC's key referral partners are the Consumer Goods and Services Ombud, the Motor Industry Ombud of South Africa and the provincial consumer protection authorities established in each province. Both accredited ombud schemes have been fully functional and effective in providing alternate dispute resolution services in line with the CPA for consumers and suppliers. These ombuds schemes report to the NCC on the operation of the scheme which is summarized herein below.

i) Consumer Goods and Services Ombud (CGSO)

The CGSO is accredited by Minister in terms of the CPA and it has the function of resolving disputes when resolution through the internal structures of the supplier has failed. Disputes are resolved through conciliation and its key objective is to

provide an accessible, free and speedy service. The NCC retains the regulatory role of monitoring consumer disputes per industry and sector dealt with by alternate dispute resolution (ADR) schemes such as CGSO to identify endemic, harmful business practices as well as emerging harmful trends for further investigation and prosecution, where warranted.

aa) Number of calls and matters

During March 2017 to February 2018 CGSO received a total of 5593 complaints. The majority of the complaints were received via the CGSO's website (45%). The matters referred by the NCC amount to 32% of the CGSO's workload. The source of complaints are depicted in the following table.

How Received	Total
Website	2504
NCC	1765
Email	1073
Fax	183
Walk-In	34
Letter	14
OCP Eastern Cape	11
OCP Gauteng	3
OCP Western Cape	2
Telephone	2
OCP Mpumalanga	1
OCP Free State	1
Grand Total	5593

bb) Resolution of CGSO Matters

During March 2017 to February 2018 CGSO closed 5553 cases. These included 2473 matters referred by the NCC to the CGSO in this period. The average age to close a file was reported as 46.9 days. The matters resolved by the CGSO were dealt with as follows:

Ombudsman Outcome	Total
Resolved complaint upheld fully	2110
Referred outside jurisdiction	1144
Resolved matter not upheld	774
Dismissed no co-operation supplier	679
Resolved complaint upheld partially	265
Dismissed no co-operation –complainant	224
Complainant withdrawn complaint	169
Resolve assistance provided	169
Resolved mediation held	8
Matter not yet referred to supplier	6
Duplication	5
Total	5553

It must be noted that 2110 matters, were dealt with in favour of consumers and 774 were not in favour of consumers. The concern is that 679 matters were dismissed due to non- cooperation by the supplier. Even though this represents an improvement from the previous year when 858 matters were dismissed due to non-cooperation by the supplier, the NCC, Executive Authority and the Ombud will have to continue finding ways of dealing with non-cooperative suppliers.

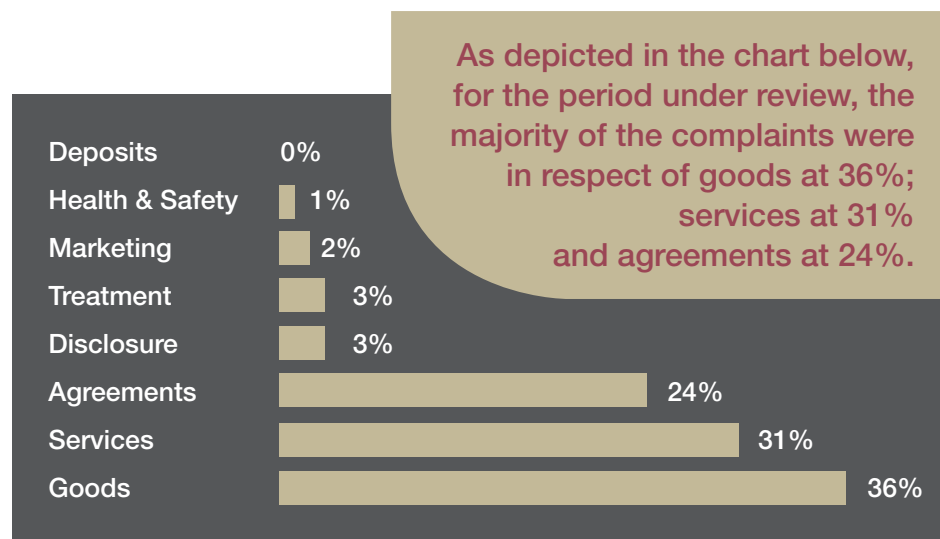
cc) Types of Complaints Received

The complaints received in relation to types of products and services are depicted in the table herewith.

Product	Total
Services	1478
Cell Phones	1068
Electrical Appliances	560
Furniture	527
Other	468
Timeshare	250
Computer and Accessories	232
Building Material	180
Clothing	148
Footwear Apparel	103
Food and Beverage	88
Home Decor	63
Hardware Supplies	60
Cosmetics	47
Jewellery	45
Sport Goods	39
Linen and Bedding	38
Home-care products	34
Medical Equipment	33
Tools	28
Toys	26
Stationery	22
Textiles or Fabrics	16
Pet Food and Products	11
Luggage and Bags	9
Power Tools	8
Chemicals	6
Tobacco Products	6
Total	5593

dd) Overall breakdown on the nature of complaints

The overall breakdown of complaints are as follows.



ee) Top 10 nature of complaints

The top ten number of complaints received by the CGSO in the year under review are depicted in the following table.

Nature	Total
Service, Not of Expected Quality	877
Goods, Defective within 6 months	831
Agreements, Cancellation	820
Services, Overcharged	399
Delivery, Not on Time or Reasonable	311
Service, Not Provided in Time	259
Delivery, Not as per Order or Requirements	257
Goods, Defective after 6 months	219
Agreements, Unfair Terms	210
Agreements, Not as per Contract Terms	191

ff) Complaints per Sector

The complaints per sector are depicted as follows:

Sector	Total
Satellite & Telecommunications	744
Furniture Retail	385
Clothing Retail	223
Other	208
Appliance Manufacturers and Retailers	171
Wholesalers	141
Fitness	126
Security and Tracking	86
Catalogue	76
Groceries	52
Online Discounters	46
Loyalty Programmes	39



ii) Motor Industry Ombud of South Africa

The Motor Industry Ombudsman of South Africa (MIOSA) was accredited by Minister on 15 January 2015 from which date MIOSA acquired its status as an accredited dispute resolution agency and is now "the custodian of the South African Automotive Code of Conduct – a regulation that forms an integral part of the Consumer Protection Act of 2008". The Code states that all participants in the motor industry must register with the MIOSA and pay a monthly levy.

MIOSA has provided the following information relevant to the period March 2017 to February 2018.

aa) Types of Complaints

MIOSA has analysed its complaints which falls into various categories. In the last quarter the top ten problem areas were reported as follows:

Problem Group		2017
1	Poor service	3118
2	Engine	1539
3	Legal	619
4	Agreement	545
5	Gearbox	347
6	Body	320
7	Wheels	218
8	Interior	202
9	Service	144
10	Electrical	110

Poor Service related complaints appear to attract a significant number of complaints, that is, 3118 followed by engine related complaints. The top two categories reflect a significant increase from the previous period.

bb) Incoming Calls Summary Report for the last quarter of the year

For the period March 2017 to February 2018, the MIOSA received 194 845 incoming calls from consumers.

cc) Complaints per Brand

It is evident from the table below that Ford, BMW, Volkswagen, Audi, Toyota, Mercedes Benz and Hyundai have all attracted complaints numbering above 400.

March 2017- February 2018				
Description	New	Used	Not supplied	Total
ALFA ROMEO	0	2	19	21
AUDI	36	61	402	499
BMW	44	85	483	612
CHERY	5	5	41	51
CHEVROLET	22	34	211	267
CHRYSLER	2	7	17	26
CITROEN	4	9	45	58
DAIHATSU	2	3	14	19
DODGE	2	10	27	39
FAW	3	1	2	6
FIAT	5	4	34	43
FORD	65	71	532	668
FOTON	0	0	2	2
GEELY	1	0	2	3
GWM	0	2	8	10
HONDA	7	7	69	83
HYUNDAI	58	40	335	433
ISUZU	8	12	58	78
JAGUAR	1	2	13	16
JEEP	16	16	101	133
KIA	36	18	185	239
LAND ROVER	6	12	104	122
LEXUS	0	2	10	12
MAHINDRA	10	6	31	47
MAZDA	8	13	98	119

cc) Complaints per Brand continued

March 2017- February 2018				
Description	New	Used	Not supplied	Total
MERCEDES-BENZ	37	61	348	446
MINI	2	10	70	82
MITSUBISHI	5	8	65	78
NISSAN	42	44	296	382
OPEL	19	28	148	195
PEUGEOT	15	9	109	133
RENAULT	33	18	261	312
SSANG YONG	1	2	11	14
SUBARU	2	4	19	25
SUZUKI	10	5	42	57
TATA	19	3	75	97
TOYOTA	48	57	365	470
VOLVO	5	3	47	55
VOLKSWAGEN	99	114	387	600
YAMAHA	0	0	3	3

dd) Case Report

The table below summarises the status of complaints.

Cases	March 2017-February 2018
New cases	7774
Current open	3263
Closed cases	15117
Referred cases	5767
Reminders sent	976
Responses received	3377
Incomplete ARF's	174
Cases to be referred	389
Complaints submitted online	4558

ee) Closing Rate Report

MIOSA reported that the pre-accreditation backlog in its Case Management Department was 7800 cases on the 1st of March 2017, backdating between the years 2014 to 2016. The MIOSA closure rate at the time was +/- 150 days from submission to closure. Within 11 months, through careful planning and restructuring of the Case Management Department, the case backlog was remedied. This was done by assigning the backlog to senior case managers, resulting in a major reduction in the turnaround time for closure of complaints to 62 days.

	2015	2016	March 2017 – February 2018
Average Closing Rate per complaint	297 days	203 Days	62 Days

ff) Complaints Per Province

Complaints received from the different provinces, where known, is depicted as follows:

Province	March 2017- February 2018
Unknown	1125
Eastern cape	355
Free state	177
Gauteng	3756
Kwazulu-Natal	805
Limpopo	117
Mpumalanga	232
North West	256
Northern Cape	40
Western Cape	911
Total	7774

The majority of complaints are received from Gauteng consumers than from consumers of any other province. The second and third highest number of complaints come from the Western Cape and KwaZulu Natal provinces respectively.

gg) Complaints per Age Group

It is evident from the table below that the vast majority of complaints are filed by complainants from the most economically active age groups.

Age Group	March 2017- February 2018
Unknown	1151
18-34	2389
35-44	2072
45-59	1646
60+	516
Total	7774

Both the CGSO and the MIOSA has indeed dealt with a number of complaints in the past year and has played a critical role assisting consumers and suppliers, through its conciliatory work in upholding the principles of consumer rights as contained in the CPA. There clearly exists a genuine need for its services. The improved reduction in turnaround times in resolving complaints over the year by both Ombuds is encouraging. The MIOSA has recently undertaken a restructure of its governance structure in line with the King IV Report. The Ombud for the CGSO, Adv N Melville had resigned and Ms Magaute Mpahlele has been acting as Ombud.

iii) Revision of Codes of good practice

In the year under review, the NCC assessed its two existing non-binding codes which sets out industry best practices. These Codes sets out a series of industry “best-practices” for consumers and suppliers. The NCC saw the need to only revise the Codes of Good Practices within the Automotive Industry Sector (Automotive Code).

The Automotive Code is simply a set of voluntary best practices for adoption and usage within the Automotive Industry. The purpose of the Automotive Code is to benefit both consumers and participants in the Automotive Industry from by applying a series of “best practices” that will give greater effect to certain provisions of the CPA. The said Code, seeks to deal with amongst other things the following:

- i. General Complaint Resolution Procedure in terms of section 70 of the CPA
- ii. Repairs in terms of Section 15 of the CPA
- iii. Work to be carried out on the motor vehicle in terms of Section 15 of the CPA
- iv. Grey and or Reconditioned Parts in terms of Section 15 of the CPA
- v. Sub-contracting in terms of Section 15 of the CPA
- vi. Examination of Goods in terms of Section 19 of the CPA
- vii. Relationship between the Consumer and Supplier in terms of Section 56 of the CPA
- viii. Relationship between OEM and Supplier in terms of Section 61 of the CPA
- ix. Acceptance of the return by supplier in terms of section 20 of the CPA
- x. Allowable deductions in terms of section 20 of the CPA
- xi. Returns procedures in terms of Section 20 of the CPA

After extensive liaison and consultation with representatives of the motor industry, the revised code was adopted and published.

2.1.3.2 Identification of legislation that affects the welfare of consumers which is inconsistent with the purposes of the CPA

The NCC made proposals to the Minister on the inconsistencies of the Postal Service Act and ICASA's End-User Subscriber Service Charter with the purposes of the CPA and recommended reforms for alignment.

In essence, the NCC was of the view that there was a need to amend Section 86 in the Postal Service Act of 1958 which permits indemnity based on fault or negligence of postal and telecommunication companies. With regard to the End-User Subscriber Service Charter published for comment in November 2017 by ICASA, the NCC's view was that prepaid data, in terms of the CPA should not expire until it is fully used or until three years has lapsed, whichever comes first. The NCC was also of the view that insofar as the End-User Subscriber Service Charter was concerned, that consumers should be refunded the value of all unused post-paid data at the end of a contract.

2.2 Performance against the Annual Performance Plan

2.2.1 Strategic objectives, outputs, performance indicators planned targets and actual achievements

Strategic Objective 1: Administration -						
Programme 1: To improve on the governance, compliance and resource requirements of the entity						
Goal/ Outcome	Output	Measure/ Indicator	Actual Achievement 2016/17	Planned Target 2017/18	Actual Achievement 2017/18	Reason for Variance
To improve on the governance, compliance and resource requirements of the entity.	1. Effective ICT Services	<i>Percentage (%) of ICT strategy implemented</i>	Achieved <i>80% of King iii strategy implemented. An ICT governance framework and new ICT strategy was approved in August 2016.</i> <i>16 new ICT policies were approved by 31 July 2016.</i>	<i>ICT strategy 100% implemented.</i>	Not Achieved <i>95% of the ICT Strategy implemented.</i>	<i>The remaining 5% required the appointment of certain personnel which was not feasible in the period under review</i>

Strategic Objective 2: To promote Consumer Protection and Consumer Safety						
Programme 2: Consumer Safety and Protection						
Goal/ Outcome	Output	Measure/ Indicator	Actual Achievement 2016/17	Planned Target- 2017/18	Actual Achievement 2017/18	Reason for Variance
Facilitate an environment that enables resolution of disputes between consumers and suppliers that is expedient, cost effective, fair and transparent.	2. <i>Complaints processed timeously</i>	<i>Percentage (%) of complaints referred or issued with non-referrals in a pre-defined time period.</i>	Achieved. <i>99% % of complaints were referred or issued with non-referrals on an average of seventeen (17) days of receipt.</i> <i>(7259 out of 7297)</i>	<i>95% complaints referred or issued with non-referrals on an average of 20 days</i>	Achieved. <i>98% of complaints referred or issued with non-referrals on an average of (19) days of receipt.</i> <i>(6967 out of 7142)</i>	<i>Complaints were referred by the senior complaints coordinators in terms of categories of complaints and referral protocols that are established with referral partners in bulk. The spreadsheet on processed complaints reflect the four (4) complaints coordinators who referred complaints in the year under review. This resulted in the target being exceeded.</i>
	3. <i>Accredited Ombud Scheme/s monitored regularly</i>	<i>Report on accredited ombuds in line with the published codes of conduct or as agreed with the Ombud Scheme.</i>	Achieved. <i>Received and assessed quarterly reports from accredited ombuds in line with published codes of conduct or as agreed with the Ombud. Compiled quarterly assessment reports and submitted to Executive Authority as part of quarterly reports.</i>	<i>Submit assessment reports (one per quarter on each accredited Ombud Scheme) and submit to Executive Authority.</i>	Achieved. <i>Submitted assessment reports to Executive Authority (one per quarter on each accredited Ombud Scheme).</i>	
	4. <i>Industry Codes recommended to Minister for approval</i>	<i>Recommend compliant Industry Code for accreditation to Minister</i>	Achieved. <i>Submitted Two (2) compliant industry codes to Minister for accreditation. Codes which were received from: i) the Franchise Association of South Africa; and ii) the Advertising Standards Authority. The advertising code was submitted within 6 months of receipt whilst the franchise code was submitted later.</i>	<i>Recommend a compliant Industry Code to Minister for accreditation within 6 months of receipt of compliant code.</i>	Not Achieved. <i>One industry code identified, namely, Tourism industry code. Consultations have taken place with Department of Tourism. Presentation made to Tourism Business Council of SA. Guidelines being revised.</i>	<i>A compliant code has not yet been received from tourism industry/ department</i>

Strategic Objective 2: To promote Consumer Protection and Consumer Safety						
Programme 2: Consumer Safety and Protection						
Goal/ Outcome	Output	Measure/ Indicator	Actual Achievement 2016/17	Planned Target- 2017/18	Actual Achievement 2017/18	Reason for Variance
Facilitate an environment that enables resolution of disputes between consumers and suppliers that is expedient, cost effective, fair and transparent.	5. <i>Codes of good practice developed/ reviewed and approved by Commissioner</i>	<i>Approval of developed or reviewed Codes of good practice.</i>	Achieved. <i>Code of good practice on Alternative Dispute Resolution norms and standards developed in terms of section 93 (1) (d) of the CPA.</i>	<i>Reviewed/ developed Code of Good practice approved</i>	Achieved. <i>Reviewed Code of good practice approved by Commissioner.</i>	
Conduct inspections and investigations so as to enforce the provisions of the Consumer Protection Act thereby ensuring compliance with the provisions of the Consumer Protection Act	6. <i>Investigations conducted and reports produced.</i>	<i>Number of investigations conducted and reports with recommendations produced</i>	Achieved. <i>Thirty three (33) investigations conducted. Reports with recommendations produced and approved by Commissioner</i>	<i>12 investigations conducted, reports with recommendations produced</i>	Achieved. <i>Thirty four (34) investigations conducted. Reports with recommendations produced.</i>	<i>Increased number of complaints not resolved at ADR which necessitated the NCC to conduct more investigations, particularly with regard to motor vehicle complaints.</i>

Strategic Objective 2: To promote Consumer Protection and Consumer Safety

Programme 2: Consumer Safety and Protection

Goal/ Outcome	Output	Measure/ Indicator	Actual Achievement 2016/17	Planned Target- 2017/18	Actual Achievement 2017/18	Reason for Variance
Conduct inspections and investigations so as to enforce the provisions of the Consumer Protection Act thereby ensuring compliance with the provisions of the Consumer Protection Act	7. Inspections conducted and reports produced.	Number of Inspections conducted and reports with recommendations produced	Achieved. 36 Inspections conducted, reports with recommendations produced and approved by Commissioner.	22 inspections conducted, reports with recommendations produced	Achieved. Thirty four (34) Inspections conducted, reports with recommendations produced	The good relations established with the second hand goods unit of the SAPS and the relations with the provincial consumer protection authorities led to an increase in the number of impromptu inspections.
Make applications to the National Consumer Tribunal	8. Applications made to the National Consumer Tribunal for enforcement action	Percentage of matters approved for further enforcement within pre-determined time period	Achieved. Three applications made to the National Consumer Tribunal to declare certain investigated conduct as prohibited conduct. One of which was a consent order that resulted in a fine being imposed on the Respondent.	90% of matters approved for further enforcement action referred to the National Consumer Tribunal within 60 days of approval	Achieved. Took enforcement action on 100% of matters approved for further enforcement within 60 days of approval (09 out of 09 matters –filed with NCT)	The total number of matters approved for further enforcement action was manageable.
Facilitate, conduct and monitor product recalls	9. Administer and monitor product recalls	Report on all product recalls in line with the published Product Recall guidelines or as agreed with the supplier.	Achieved. Produced 4 product recall reports on the administration and monitoring of the product recalls in line with published Product Recall guidelines or as agreed with the supplier.	Produce quarterly reports on the administration and monitoring of product recalls	Achieved. Produced 4 product recall reports on the administration and monitoring of the product recalls	

Strategic Objective 3: To promote reform of consumer policy and consumer protection legislation

Programme 3: To promote reform of consumer policy and consumer protection legislation

Goal/ Outcome	Output	Measure/ Indicator	Actual Achievement 2016/17	Planned Target- 2017/18	Actual Achievement 2017/18	Reason for Variance
Establish or recognize as authoritative, a registry in which any person may register a pre-emptive block against any communication that is primarily for the purpose of direct marketing	10. <i>Opt Out Registry established, implemented and maintained</i>	<i>Report on Procurement choice</i>	Not achieved. <i>Finalised appointment of Transactional adviser. Finalised feasibility study; Procurement of register. Procurement of register has not commenced.</i>	<i>Assess and Evaluate procurement options</i>	Achieved. <i>Assessed and Evaluated procurement options following discussions with the Executive Authority it was agreed that a unit within NCC be established as opposed to a Trading entity and that once off establishment costs will be provided by Executive Authority</i>	
Conduct research on matters relating to consumer protection and with regard to the supply of goods and services in terms of the CPA.	11. <i>Conduct research on matters relating to consumer protection and on the determination of national norms and standards regarding consumer protection in terms of the CPA that should apply generally and advise Minister</i>	<i>Number of research projects conducted on matters relating to consumer protection</i>	Achieved. <i>Survey of Consumer Protection Awareness amongst consumers residing in tribal/ traditional areas conducted, report produced and approved by the Commissioner.</i>	<i>Conduct one research project relating to consumer protection and on the determination of national norms and standards regarding consumer protection in terms of the CPA</i>	Achieved. <i>Conducted one research project relating to consumer protection and on the determination of national norms and standards regarding consumer protection in terms of the CPA</i>	

Strategic Objective 3: To promote reform of consumer policy and consumer protection legislation

Programme 3: To promote reform of consumer policy and consumer protection legislation

Goal/ Outcome	Output	Measure/ Indicator	Actual Achievement 2016/17	Planned Target- 2017/18	Actual Achievement 2017/18	Reason for Variance
Identify legislation that affects the welfare of consumers which is inconsistent with the purposes of the CPA and develop proposals for reform of practices	12. <i>Develop and submit proposals for reform of practices inconsistent with the CPA</i>	<i>Number of proposals developed on legislation affecting the welfare of consumers which are inconsistent with the purposes of the CPA</i>	Achieved. <i>Acts/ Practices that affects the welfare of consumers identified which are inconsistent with the purposes of the CPA and proposals developed for reform of practices. Report submitted to Minister.</i>	<i>Identify two Acts that affect the welfare of consumers which are inconsistent with the purposes of the CPA and develop proposals for reform of practices and report produced.</i>	Achieved. <i>Identified two Acts that affect the welfare of consumers which are inconsistent with the purposes of the CPA and developed proposals for reform of practices and report produced</i>	
Provide guidance to the public by issuing explanatory notes and/or non-binding opinions on the interpretation of provisions of the CPA	13. <i>Issue explanatory notes and /or non-binding opinions on the interpretation of provisions of the CPA</i>	<i>Percentage (%) of requests for explanatory notes and /or non-binding opinions on the interpretation of provisions of the CPA provided within a pre-defined time period</i>	Achieved. <i>100 % of registered requests for explanatory notes and /or non-binding opinions provided well within an average of 20 days..</i>	<i>90 % of registered requests for explanatory notes and /or non-binding opinions provided within an average of 10 days</i>	Not achieved. <i>100 % (186 out of 186) registered requests for explanatory notes and / or non-binding opinions provided within an average of 27 days</i>	<i>The NCC generally receives requests for advisory opinions through various sources which proved difficult to verify during the previous audit. There was also a lapse in monitoring of the designated email address in the year under review. This necessitated a revision of internal processes including the improvement of and shifting of responsibility for monitoring of the designated advisory opinion email address.</i>

Strategic Objective 4: To conduct research and to promote public awareness on consumer protection matters						
Programme 4: To conduct research and to promote public awareness on consumer protection matters						
Goal/ Outcome	Output	Measure/ Indicator	Actual Achievement 2016/17	Planned Target- 2017/18	Actual Achievement 2017/18	Reason for Variance
Make application for declaratory order on the interpretation or application of any provision of the CPA	14. Apply for declaratory orders on the interpretation or application of any provision of the CPA.	Apply for declaratory orders on the interpretation or application of any provision of the CPA.	Achieved. Made two applications for declaratory orders: I) on the interpretation or application of a provision of the CPA relating to pyramid scheme operated by MMM. Pleadings exchanged and finalised. Matter set down for hearing on the 26th of May 2017. II) On the use of section 138 forms for section 74 applications in the National Consumer Tribunal in terms of the National Credit Act.	Make one application for a declaratory order on the interpretation or application of a provision of the CPA.	Achieved. Made one application for a declaratory order on the interpretation or application of a provision of the CPA.	
Conduct targeted consumer workshops as well as business focused workshops and presentations aimed at facilitating a better understanding of the Act;	15. Consumer awareness workshops conducted	Number of consumer awareness workshops conducted	Not achieved. 10 Consumer awareness workshops were conducted.	24 consumer awareness workshops conducted	Achieved. 24 Consumer awareness workshops conducted	

Strategic Objective 4: To conduct research and to promote public awareness on consumer protection matters						
Programme 4: To conduct research and to promote public awareness on consumer protection matters						
Goal/ Outcome	Output	Measure/ Indicator	Actual Achievement 2016/17	Planned Target- 2017/18	Actual Achievement 2017/18	Reason for Variance
Conduct targeted consumer workshops as well as business focused workshops and presentations aimed at facilitating a better understanding of the Act;	16. Business compliance workshops conducted.	Number of business compliance workshops conducted.	Achieved. 15 Business compliance workshops were conducted.	12 business compliance workshops conducted.	Achieved. 18 Business compliance workshops conducted.	Apart from the NCC's pre-planned workshops, additional workshops were held as part of the second hand motor vehicle compliance campaign.
	17. Publish and distribute educational material to consumers	Number of newsletters published and distributed to consumers in predetermined frequencies	Achieved. 3 External Newsletters were developed and approved by Commissioner for publication.	4 External Newsletters published and distributed to stakeholders.	Not achieved. 3 External Newsletters were published and distributed to stakeholders.	Distribution of the 4 th Quarter newsletter was only done in the first quarter of the 2018/19 financial year.
Analyse complaints and market conduct and develop trends analysis reports which would serve to assist the NCC in determining its intervention strategies.	18. Complaints analysed, trends established and reports produced	Percentage of complaints registered analysed, trends established and report produced.	Achieved. 100% of registered complaints analysed, trends established and annual report produced and approved by the Commissioner.	100% of registered consumer complaints analysed, trends established and an annual and quarterly reports produced.	Achieved. 100% (7273 out of 7273) of registered complaints analysed, trends established and an annual and quarterly reports produced.	

2.3 Strategy to overcome areas of under performance



The targets in the following table have not been achieved.

Programme 1: To improve on the governance, compliance and resource requirements of the entity					
Goal/ Outcome	Output	Measure/ Indicator	Planned Target 2017/18	Actual Achievement 2017/18	Reason for Variance
To improve on the governance, compliance and resource requirements of the entity.	1. Effective ICT Services	Percentage (%) of ICT strategy implemented	ICT strategy 100% implemented.	Not Achieved 95% of the ICT Strategy implemented.	The remaining 5% required the appointment of certain personnel which was not feasible in the period under review
Programme 2: Consumer Safety and Protection					
Facilitate an environment that enables resolution of disputes between consumers and suppliers that is expedient, cost effective, fair and transparent.	4. Industry Codes recommended to Minister for approval	Recommend compliant Industry Code for accreditation to Minister	Recommend a compliant Industry Code to Minister for accreditation within 6 months of receipt of compliant code.	Not Achieved One industry code identified, namely, Tourism industry code. Consultations have taken place with Department of Tourism. Presentation made to Tourism Business Council of SA. Guidelines being revised.	A compliant code has not yet been received from tourism industry/ department

Programme 3: To promote reform of consumer policy and consumer protection legislation					
Goal/ Outcome	Output	Measure/ Indicator	Planned Target 2017/18	Actual Achievement 2017/18	Reason for Variance
Provide guidance to the public by issuing explanatory notes and/or non-binding opinions on the interpretation of provisions of the CPA	13. <i>Issue explanatory notes and /or non-binding opinions on the interpretation of provisions of the CPA</i>	<i>Percentage (%) of requests for explanatory notes and /or non-binding opinions on the interpretation of provisions of the CPA provided within a pre-defined time period</i>	<i>90 % of registered requests for explanatory notes and /or non-binding opinions provided within an average of 10 days</i>	Not Achieved <i>100 % (186 out of 186) registered requests for explanatory notes and /or non-binding opinions provided within an average of 27 days</i>	<i>The NCC generally receives requests for advisory opinions through various sources which proved difficult to verify during the previous audit. There was also a lapse in monitoring of the designated email address in the year under review. This necessitated a revision of internal processes including the improvement of and shifting of responsibility for monitoring of the designated advisory opinion email address</i>
Programme 4: To conduct research and to promote public awareness on consumer protection matters					
Conduct targeted consumer workshops as well as business focused workshops and presentations aimed at facilitating a better understanding of the Act;	17. <i>Publish and distribute educational material to consumers</i>	<i>Number of newsletters published and distributed to consumers in predetermined frequencies</i>	<i>4 External Newsletters published and distributed to stakeholders.</i>	Not Achieved <i>3 External Newsletters published and distributed to stakeholders.</i>	<i>Publication and Distribution of the 4th Quarter newsletter was only done in the first quarter of the 2018/19 financial year.</i>

Two out of the four areas of underperformance that has been reported under paragraph 2.2 under the heading **PERFORMANCE AGAINST THE ANNUAL PERFORMANCE PLAN** is not as a result of any key challenges faced by the NCC. To the contrary, the underperformance areas were beyond its control. With regard to the target relating to implementation of the ICT strategy, the extent of achievement was recorded as being 95% complete. The remaining 5% required the appointment of certain personnel which was not feasible in the period under review. The deliverable relating to recommending an industry code to Minister within 6 months from receiving a compliant code was marked "Not Applicable" because a compliant code was not received. Since the NCC is dependent on industry stakeholders to submit a compliant industry code for consideration, it is not possible to define a date on which this will be received by the NCC. This is further complicated by the nature and level of organization that exists within an industry that is targeted for a code. Going forward, it has been agreed with the Executive Authority that this target will be removed from the Annual Performance Plan.

Insofar as the other two targets that were not met but was within the control of the NCC: the related to the external newsletters and the second related to requests for explanatory notes and /or non-binding opinions. With regard to the newsletters, the NCC drafted 4 newsletters in

the year under review but only published and distributed 3. The fourth newsletter could only be published and distributed in the new financial year (2018/19). In terms of NCC processes, drafting is finalised by the end of each quarter but publication and distribution only takes place in the next quarter. The AGSA correctly rejected the notion that 4 newsletters were published and distributed in the year. The Annual performance plan should have stipulated the publication and distribution of 3 newsletters instead of 4 or the NCC's internal processes should have been amended to accommodate 4 newsletters. No strategic intervention is however required since the 2017/18 fourth quarter newsletter will now be added to the three 2018/19 newsletters. With regard to the final target that was not met, this related to the provision of registered requests for explanatory notes and /or non-binding opinions within an average of 10 days, the NCC strategically intervened towards the latter part of the second quarter. The AGSA reported at the end of July 2017 that since the requests for such opinions were received via various sources, it was unable to verify information provided. As part of its remedial strategy, the NCC revised the internal processes to ensure that all requests will be submitted to one dedicated email address. Moreover, in order to improve monitoring of the requests for advisory opinions, the NCC shifted the responsibility for the monitoring of the email address from its Registry Unit to the Legal Division.

2.4 Changes to planned targets

The performance indicators/ or targets have been changed in-year. It is a requirement that the NCC must provide reasons per performance indicator if the indicators or targets have been changed in-year. The changes were duly approved by the Executive Authority. The changes arose following consultations within the NCC and with the Public Entity Oversight Unit (PEO) of **the dti**. The AGSA was most helpful and provided guidance by making a presentation on key and relevant elements of the framework on performance information and their audit focus with regard to annual performance plans.

In summary, the actual deliverables did not change except for the Opt Out Register project. In this regard, Treasury, through its agency, GTAC, advised the NCC that the Public Private Partnership route is no longer feasible. Instead, it should consider

establishing a trading entity. The NCC's initial plans were developed to cater only for the PPP process. It was recommended by Treasury that the NCC would need once off capital for the Opt Out Register. Hence the need to amend the deliverable on this aspect. Most of the amendments to performance indicators and or targets were largely motivated by the outcome of previous year's audit.

In revising the performance indicators and or targets, the NCC decided to also review, where necessary its goals/ outcomes and or outputs as well.

For purposes of full disclosure the actual changes to either the **goal/ outcome, output, performance indicators** or the **targets** are reflected in the lower part of each table herein below.

Amendments to Programme 2: Consumer Safety and Protection				
APP Deliverable No.	Original Goal/ Outcome	Original Output	Original Performance Indicator/ measure	Original Medium Term Target 2017/18
2.	No Change	Complaints processed timeously	Percentage (%) of complaints referred or issued with non-referrals in a pre-defined time period	95% complaints referred or issued with non-referrals on an average of 25 days
	Revised Goal/ Outcome	Revised Output	Revised Performance Indicator/ measure	Revised Medium Term Target
2.	No Change	No Change	No Change	95% complaints referred or issued with non-referrals on an average of 20 days
APP Deliverable No.	Original Goal/ Outcome	Original Output	Original Performance Indicator/ measure	Original Medium Term Target 2017/18
3.	No Change	Accredited Ombud Scheme/s monitored regularly	Report on accredited ombuds in line with the published codes of conduct or as agreed with the supplier	Compile quarterly assessment report and submit to Executive Authority
	Revised Goal/ Outcome	Revised Output	Revised Performance Indicator/ measure	Revised Medium Term Target
3.	No Change	No Change	Report on accredited ombuds in line with the published codes of conduct or as agreed with the Ombud Scheme	No Change

Amendments to Programme 2: Consumer Safety and Protection				
APP Deliverable No.	Original Goal/ Outcome	Original Output	Original Performance Indicator/ measure	Original Medium Term Target 2017/18
5.	No Change	Codes of good practice developed and approved by Commissioner	Codes of good practice developed	Review Codes of good practice developed and revise where necessary
	Revised Goal/ Outcome	Revised Output	Revised Performance Indicator/ measure	Revised Medium Term Target
5.	No Change	Codes of good practice developed/ reviewed and approved by Commissioner	Approval of developed or reviewed Codes of good practice	Reviewed/ developed Code of Good practice approved
APP Deliverable No.	Original Goal/ Outcome	Original Output	Original Performance Indicator/ measure	Original Medium Term Target 2017/18
6.	No Change	Investigations conducted and reports produced.	Number of investigations conducted and reports with recommendations produced and approved by Commissioner.	12 investigations conducted, reports with recommendations produced and approved by Commissioner
	Revised Goal/ Outcome	Revised Output	Revised Performance Indicator/ measure	Revised Medium Term Target
6.	No Change	No Change	Number of investigations conducted and reports with recommendations produced	12 investigations conducted, reports with recommendations produced
APP Deliverable No.	Original Goal/ Outcome	Original Output	Original Performance Indicator/ measure	Original Medium Term Target 2017/18
7.	No Change	Inspections conducted and reports produced	Number of Inspections conducted and reports with recommendations produced and approved by Commissioner	22 inspections conducted, reports with recommendations produced and approved by Commissioner
	Revised Goal/ Outcome	Revised Output	Revised Performance Indicator/ measure	Revised Medium Term Target
7.	No Change	No Change	Number of Inspections conducted and reports with recommendations produced	22 inspections conducted, reports with recommendations produced

Amendments to Programme 2: Consumer Safety and Protection				
APP Deliverable No.	Original Goal/ Outcome	Original Output	Original Performance Indicator/ measure	Original Medium Term Target 2017/18
8.	<i>Make applications to the National Consumer Tribunal for declaration of various conduct as prohibited conduct</i>	<i>Applications made to the National Consumer Tribunal to declare certain investigated conduct as prohibited conduct</i>	<i>Percentage of Applications made to the National Consumer Tribunal to declare certain investigated conduct as prohibited conduct</i>	<i>File 90% of approved investigated matters in the National Consumer Tribunal to declare conduct as prohibited within 60 days of approval.</i>
	Revised Goal/ Outcome	Revised Output	Revised Performance Indicator/ measure	Revised Medium Term Target
8.	<i>Make applications to the National Consumer Tribunal</i>	<i>Applications made to the National Consumer Tribunal for enforcement action</i>	<i>Take enforcement action on percentage of matters approved for further enforcement within predetermined time period</i>	<i>90% of matters approved for further enforcement action referred to the National Consumer Tribunal within 60 days of approval</i>
APP Deliverable No.	Original Goal/ Outcome	Original Output	Original Performance Indicator/ measure	Original Medium Term Target 2017/18
9.	<i>No Change</i>	<i>Administer and monitor product recalls</i>	<i>Report on all product recalls in the line with the published Product Recall guidelines or as agreed with the supplier.</i>	<i>Produce a report on the administration and monitoring of the product recalls in line with published Product Recall guidelines or as agreed with the supplier.</i>
	Revised Goal/ Outcome	Revised Output	Revised Performance Indicator/ measure	Revised Medium Term Target
9.	<i>No Change</i>	<i>No Change</i>	<i>No Change</i>	<i>Produce quarterly reports on the administration and monitoring of product recalls</i>
APP Deliverable No.	Original Goal/ Outcome	Original Output	Original Performance Indicator/ measure	Original Medium Term Target 2017/18
10.	<i>No Change</i>	<i>Opt Out Registry established, implemented and maintained</i>	<i>Plan establishment of Trading Entity that would establish and operate the Opt Out Register.</i>	<i>Finalise plans on establishment of a Trading Entity that would establish and operate the Opt Out Register</i>
	Revised Goal/ Outcome	Revised Output	Revised Performance Indicator/ measure	Revised Medium Term Target
10.	<i>No Change</i>	<i>No Change</i>	<i>Report on Procurement choice.</i>	<i>Assess and Evaluate procurement options</i>

Amendments to Programme 2: Consumer Safety and Protection				
APP Deliverable No.	Original Goal/ Outcome	Original Output	Original Performance Indicator/ measure	Original Medium Term Target 2017/18
11.	<i>Advise Minister on matters relating to consumer protection and on the determination of national norms and standards regarding consumer protection in terms of the CPA that should apply generally throughout the Republic</i>	<i>Conduct research on matters relating to consumer protection and on the determination of national norms and standards regarding consumer protection in terms of the CPA that should apply generally and advise Minister</i>	<i>Number of research projects conducted on matters relating to consumer protection and on the determination of national norms and standards in terms of the CPA that should apply generally and advice provided to Minister</i>	<i>Conduct one research project relating to consumer protection and on the determination of national norms and standards regarding consumer protection in terms of the CPA that should apply generally and make recommendations to Minister</i>
	Revised Goal/ Outcome	Revised Output	Revised Performance Indicator/ measure	Revised Medium Term Target
11.	<i>Conduct research on matters relating to consumer protection and with regard to the supply of goods and services in terms of the CPA.</i>	<i>No Change</i>	<i>Number of research projects conducted on matters relating to consumer protection</i>	<i>Conduct one research project relating to consumer protection and on the determination of national norms and standards regarding consumer protection in terms of the CPA</i>

Amendments to Programme 3: To promote reform of consumer policy and consumer protection legislation				
APP Deliverable No.	Original Goal/ Outcome	Original Output	Original Performance Indicator/ measure	Original Medium Term Target 2017/18
12.	<i>No Change</i>	<i>Develop and submit proposals for reform of practices inconsistent with the CPA</i>	<i>Number of proposals developed on legislation affecting the welfare of consumers which is inconsistent with the purposes of the CPA</i>	<i>Identify two Acts that affect the welfare of consumers which are inconsistent with the purposes of the CPA and develop proposals for reform of practices, report approved by Commissioner for submission to Minister.</i>
	Revised Goal/ Outcome	Revised Output	Revised Performance Indicator/ measure	Revised Medium Term Target
12.	<i>No Change</i>	<i>No Change</i>	<i>No Change</i>	<i>Identify two Acts that affect the welfare of consumers which are inconsistent with the purposes of the CPA and develop proposals for reform of practices and report produced.</i>

Amendments to Programme 3: To promote reform of consumer policy and consumer protection legislation				
APP Deliverable No.	Original Goal/ Outcome	Original Output	Original Performance Indicator/ measure	Original Medium Term Target 2017/18
14.	<i>Apply to a court for a declaratory order on the interpretation or application of any provision of the CPA</i>	<i>Apply for declaratory orders on the interpretation or application of any provision of the CPA.</i>	<i>Apply for declaratory orders on the interpretation or application of any provision of the CPA.</i>	<i>File one application for a declaratory order on the interpretation or application of a provision of the CPA</i>
	Revised Goal/ Outcome	Revised Output	Revised Performance Indicator/ measure	Revised Medium Term Target
14.	<i>Make application for declaratory order on the interpretation or application of any provision of the CPA</i>	<i>No Change</i>	<i>No Change</i>	<i>Make one application for a declaratory order on the interpretation or application of a provision of the CPA.</i>
Amendments to Programme 4: To conduct research and to promote public awareness on consumer protection matters				
APP Deliverable No.	Original Output	Original Performance Indicator/ measure	Original Medium Term Target 2017/18	
16.	<i>Business compliance workshops conducted in different provinces</i>	<i>Number of business compliance workshops conducted in different provinces</i>	<i>12 business compliance workshops conducted</i>	
	Revised Output	Revised Performance Indicator/ measure	Revised Medium Term Target	
16.	<i>Business compliance workshops conducted.</i>	<i>Number of business compliance workshops conducted.</i>	<i>No Change</i>	
APP Deliverable No.	Original Output	Original Performance Indicator/ measure	Original Medium Term Target 2017/18	
18.	<i>Complaints analysed, trends established and reports produced</i>	<i>100% of complaints registered analysed, trends established and report produced.</i>	<i>100% of registered consumer complaints analysed, trends established and an annual and quarterly reports produced and approved by Commissioner.</i>	
	Revised Output	Revised Performance Indicator/ measure	Revised Medium Term Target	
18.	<i>No Change</i>	<i>Percentage of complaints registered analysed, trends established and report produced</i>	<i>100% of registered consumer complaints analysed, trends established and an annual and quarterly reports produced</i>	

2.5 Linking performance with budgets

Objective 1: Administration				
Name of sub-programme	Item	Final Appropriation	Actual Expenditure	Under/(Over) Expenditure
	Compensation of employees	R17 132 000	R17 767 600	(R635 600)
	Goods and services	R5 750 000	R6 289 110	(R539 110)
	Depreciation	R1 955 000	R1 116 975	R838 025
Total		R24 837 000	R25 173 685	(R336 685)

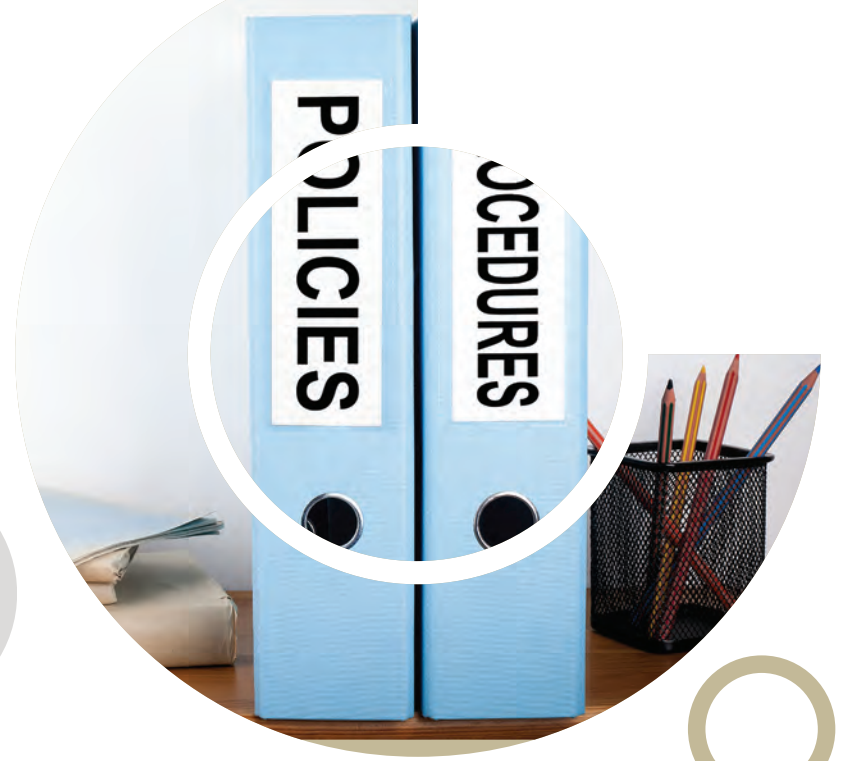
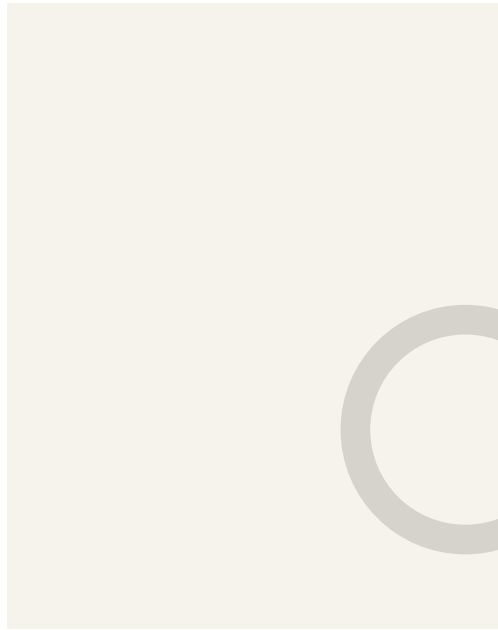
Objective 2: To ensure enforcement of and compliance with the Act				
Name of sub-programme	Item	Final Appropriation	Actual Expenditure	Under/ (Over) Expenditure
	Compensation of employees	R18 887 000	R18 506 048	R380 952
	Goods and services	R1 423 000	R 3 832 246	(R2 409 246)
Total		R20 310 000	R22 338 294	(R2 028 294)

2.5 Linking performance with budgets

Continued...

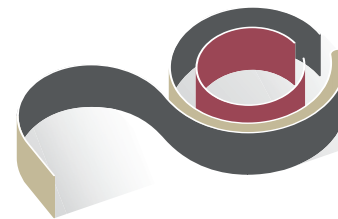
Objective 3: To promote reform of consumer policy and consumer protection legislation				
Name of sub-programme	Item	Final Appropriation	Actual Expenditure	Under / (Over) Expenditure
	Compensation of employees	R6 598 000	R6 800 147	(R202 147)
	Goods and services	R1 219 000	R1 044 740	R174 260
Total		R7 817 000	R7 844 887	(R27 887)

Objective 4: To conduct research and to promote public awareness on consumer protection matters				
Name of sub-programme	Item	Final Appropriation	Actual Expenditure	Under / (Over) Expenditure
	Compensation of employees	R0	R0	R0
	Goods and services	R1 345 000	R147 313	R1 197 687
Total		R1 345 000	R147 313	R1 197 687



Part 3

GOVERNANCE



NATIONAL CONSUMER COMMISSION

a member of the dti group

3.1 Overview of governance structures

i) Introduction

The NCC is an organ of state and is a schedule 3A entity in terms of the Public Finance Management Act, 1999, Act No. 1 of 1999 (PFMA). The entity is established by section 85 of the CPA. In terms of section 87 of the CPA, the Commissioner of the NCC is responsible for all matters pertaining to the functions of the NCC and is required to hold office for an agreed term, not exceeding five years. Provision is however made for reappointment on expiry of an agreed term of office. The Commissioner's term expires at the end of March 2018, however, an application for a nine month extension has been made to the Executive Authority.

The NCC does not have a Board. The Commissioner is the Accounting Authority for the NCC, and as such, is responsible for all income and expenditure, revenue collected, assets and the discharge of all liabilities of the NCC; as well as the proper and diligent implementation of the PFMA, in relation to the NCC. Invariably, Parliament, the Executive Authority (**the dti**) and the Commissioner are responsible for corporate governance.

The Commissioner may assign management or other duties to employees with appropriate skills to assist the NCC in the management, or control over the functioning, of the entity and delegate, with or without conditions, any of the powers or functions of the Commissioner to any suitably qualified employee of the NCC, but any such delegation does not divest the Commissioner of responsibility for the exercise of any power or performance of any duty.

The Minister has designated a Deputy Commissioner to perform the functions of the NCC whenever the Commissioner is unable for any reason to perform the functions of the Commissioner; or the office of the Commissioner is vacant. The Minister of Trade and Industry, in consultation with the Minister of Finance, determines the Commissioner's and Deputy Commissioner's remuneration, allowances, benefits and other terms and conditions of employment.

Corporate governance at the NCC embodies processes and systems by which

public entities are directed, controlled and held to account. In addition to legislative requirements based on the CPA, corporate governance is applied through the precepts of the PFMA and run in tandem with the principles contained in the King Reports on Corporate Governance.

ii) Portfolio Committee

Parliament, through the Portfolio Committee on Trade and Industry (Portfolio Committee) exercises its oversight role through evaluating the performance of the NCC by interrogating its strategic and annual performance plans, quarterly reports and annual financial statements and other relevant documents which have to be tabled, as well as any other documents tabled from time to time.

The Portfolio Committee also exercises oversight over the service delivery performance of the NCC and, in doing so, reviews the non-financial information contained in the annual and quarterly reports of the NCC. In exercising its oversight function, the Portfolio Committee generally concerns itself with service delivery and enhancing economic growth.

The NCC appeared before the Parliamentary Portfolio Committee on Trade and Industry and before the Select Committee on Trade and International Relations during the year under review. The NCC made presentations on its 2017 Strategic and Annual Performance Plans on 14 June 2017; its first quarter report (2017/18) and on its annual report (2016/17) on 03 October 2017 and on its second quarter report (2017/18) on 31 October 2017. Moreover, on 09 March 2018 the NCC presented on ICASA's Draft Amendment of the End-User and Subscriber Service Charter Regulations; the NCC's investigation into fires in respect of the Ford Kuga 1.6 Ecoboost; the NCC's ongoing Timeshare Inquiry; and on its progress on the product recall in respect of the Listeriosis outbreak.

In all its deliberations with the Parliamentary Committees, the NCC has been open and transparent. In return, the NCC has received substantial guidance and has attended to all concerns raised.

iii) Executive Authority

Oversight by the Department of Trade and Industry (Executive Authority) rests by and large on the prescripts of the PFMA. The PFMA grants authority to the Executive Authority for the exercise of its oversight powers.

The Executive Authority has entered into a Shareholders Compact with the NCC and a performance agreement with the Commissioner. A Compliance Schedule is a critical part of the Shareholders Compact indicating the deliverables and due dates of all documents as stipulated in the PFMA, Treasury Regulations and the Shareholders Compact.

The NCC has, in line with the Compliance Schedule, duly complied with almost all requirements timeously. These would include, amongst others, the submission of quarterly reports, annual financial statements, budget of estimated revenue and expenditure, strategic and annual performance plans, fraud prevention plan and risk management plan. The NCC has also reported on its risks, the findings of the Auditor General of South Africa and internal audit as well as on progress in addressing these findings.

iv) Committees

In line with the requirements of the PFMA, the NCC has an Audit and Risk Committee. The membership thereof is made up of independent persons. The said Committee also has one ex-officio member that serves thereon at the behest of the Executive Authority.

The Audit and Risk Committee Report is included herein.

v) Risk Management

The NCC revised its risk management strategy and following approval thereof, implemented it in the course of the year. The NCC identifies strategic and operational risks and develops and implement management action plans that are approved by the Accounting Authority on a quarterly basis. The risks as contained in the risk register have been monitored regularly and reported on at the NCC's Risk Management Committee, management meetings and at meetings of its external Audit and Risk Committee. Significant progress has been made in addressing identified risks.

vi) Key strategic risks

The Audit and Risk Committee reviews the entity's overall risk appetite and its strategic risks to ensure that opportunities for business improvement and its positive outputs and outcomes are met with greater certainty and not lost as a result of excessive risk aversion. All risks identified are linked to the NCC's strategic objectives.

vii) Internal Audit

The purpose of NCC's internal audit function is to assist the Accounting Authority in maintaining efficient and effective controls by evaluating those controls to determine their effectiveness and efficiency, and by developing recommendations for enhancement or improvement.

The NCC has outsourced the internal audit function. Internal audit, in consultation with and the approval of the Audit and Risk Committee, has prepared and submitted:

- a) a rolling three-year strategic internal audit plan based on its assessment of key areas of risk for the institution, having regard to its current operations, those proposed in its strategic plan and its risk management strategy;
- b) an annual internal audit plan for the first year of the rolling three year strategic internal audit plan;
- c) plans indicating the proposed scope of each audit in the annual internal audit plan; and
- d) reports to the Audit and Risk Committee detailing its performance against the annual internal audit plan, to allow effective monitoring and possible intervention.

Internal Audit reports administratively to the Accounting Authority and functionally to the Audit and Risk Committee. The function is independent of activities that are audited, with no limitation on its access to information. The coverage by internal audit in the year under review was an improvement from the previous year.

The controls subject to evaluation by internal audit encompassed the following-

Activity	High Level Scope
<i>Audit of Performance Information (Q1&Q2)</i>	<p>Review the adequacy:</p> <ul style="list-style-type: none"> • of policies and procedures in place for Predetermined Objectives. • and effectiveness of controls in place to ensure that the required documents are submitted to relevant authority timely. • of controls in place governing the strategic and operational planning processes. • and effectiveness of the system established and implemented for collecting, processing and collating performance information. • of systems in place for dealing with non-performance.
<i>Enterprise Risk Management</i>	<ul style="list-style-type: none"> • Review of the organisational objectives alignment to the organisations mission. • Review the identification and assessment of significant risks. • Review the that appropriate risk responses are selected that align risks with the organisation's risk appetite; • Review that relevant risk information is captured and communicated in a timely manner across the organisation, enabling staff, management, and the board to carry out their responsibilities. • Review adequacy of the ERM Framework, policies, implementation plan, including Fraud Prevention Strategy, Fraud Prevention Plan and Fraud Prevention Policy. • Whether risk management is an integral part of NCC's business planning process.
<i>Review of the Payroll Review process</i>	<ul style="list-style-type: none"> • The objective of this internal audit review is to assess the adequacy and effectiveness of internal controls within the Payroll process
<i>Review of the Supply Chain Management process</i>	<ul style="list-style-type: none"> • The objective of this internal audit review is to assess the adequacy and effectiveness of internal controls within the Supply Chain Management process.
<i>Network Vulnerability</i>	<ul style="list-style-type: none"> • Assess the effectiveness of the patch management processes, through the identification (vulnerability assessment) of vulnerabilities that exists on the selected IP addresses (critical systems) that could be exploited on the internal network, systems and/or resources at the NCC. • Assess whether the network is actively being monitored to ensure administrator is notified in timely manner of any security violations.

viii) Fraud and Corruption

The NCC has approved a Fraud Prevention Plan (Plan) which has been workshopped with staff. No acts of fraud are known to have occurred in the year under review. No acts of fraud were reported on the fraud hotlines. As a part of the Plan,

mechanisms are in place to report fraud and corruption. In order to promote fraud prevention, a whistleblowing policy is in place which makes provision for employees to make confidential disclosure about suspected fraud and corruption.

3.2 Report of the Audit and Risk Committee for the year end 31 March 2018

We are pleased to present our report for the year ended 31 March 2018.

Audit and Risk Committee Members and Attendance

The Audit and Risk Committee (Committee) consisting of the members listed herein met four times during the year:

Non-Executive Members	Number of meetings attended
Mr DA Braithwaite (Chairperson)	4
Ms R Kenosi	4
Adv S Kholong	3
Ms S Sekgobela	4
Ms N Matomela (Ex Officio member)	4

The following are standing invitees at each meeting of the Audit and Risk Committee:

- Commissioner
- Deputy Commissioner
- Company Secretary
- Head: Corporate Services
- Head: Finance
- Risk Manager
- Internal Audit Representatives
- Representatives of the Auditor General of South Africa

The Committee has direct access to the standing invitees in fulfilment of its duties.

Audit and Risk Committee Responsibilities

The Committee has complied with its responsibilities arising from the Public Finance Management Act (PFMA) and Treasury Regulations. The Committee has also adopted agreed terms of reference in the form of its Audit and Risk Committee Charter and has discharged its responsibilities as contained therein.

Effectiveness of Internal Controls

Findings of the outsourced Internal Audit service provider indicated various weaknesses in internal controls with three audit areas categorized overall, as "Some improvement needed"; one as "Satisfactory" and one as "Unsatisfactory" for the year ended 31 March 2018.

The following internal audit work was completed for the year under review (with overall conclusions indicated):

Actual work	Report date	Overall conclusions
Network vulnerability assessment	September 2017	Unsatisfactory
AOPO	April 2018	Some improvement needed
Enterprise Risk Management	January 2018	Satisfactory
Payroll Management	February 2018	Some improvement needed
Supply Chain Management	March 2018	Some improvement needed

As indicated above, the majority of Internal Audit work was performed in the latter half of the financial year. Actions have been taken, or are in the process of being taken, to address matters reported above.

The External Auditor (The Auditor-General of South Africa) reported that there was an improvement in supply chain management controls and in the preparation of the annual financial statements including compilation of annual performance information.

Continued...

3.2 Report of the Audit and Risk Committee for the year end 31 March 2018

Quality of Management Reports

Quarterly Reports presented to the Committee in some cases, were adjusted as recommended by the Committee prior to submission to the Executive Authority. Overall, the quality of the reporting has improved progressively during the year.

Evaluation of the Financial Statements

The Committee has reviewed and discussed with management:

- the Annual Financial Statements as submitted to the Auditor-General for annual audit purposes;
- the final audited Annual Financial Statements, the Auditor-General's report thereon, the Auditor-General's Final Management Report and management's responses thereto;
- the appropriateness of accounting policies and practices; and
- adjustments resulting from the annual audit.

The Committee, in all material respects, concurs with and accepts the conclusions of the Auditor-General on the Annual Financial Statements, read together with the report of the Auditor-General. The Committee is pleased to note an improvement in audit outcomes from unqualified with findings in the prior year to clean audit in the year under review. Improvements in the supply chain management controls and in the preparation of the annual financial statements process and the compilation of annual performance information are recorded earlier.

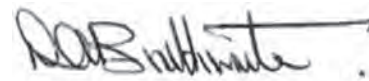
External Audit Unresolved Issues

Resolution of all audit issues (external and internal) is monitored via tracking registers which are reviewed by the Committee. The Committee notes an improvement in internal controls compared to the deficiencies reported in the prior year. All prior year external audit recommendations have been implemented except for one that is in the process of being implemented.

For the period under review the Committee, in accordance with its Charter, also considered Risk Management, Information and Communications Technology and Compliance to laws and regulations at the NCC. Whilst these areas require additional attention, the Committee was satisfied the progress was reasonable.

Conclusion

The Committee notes the reduction in the number and significance of matters reported by Internal Audit and the Auditor-General and commends NCC for submitting financial statements that were free from material misstatements and on attaining a clean audit opinion.



Mr Denis Braithwaite

Chairperson of the Audit and Risk Committee

National Consumer Commission

31 July 2018

3.3 Report of the Auditor General

31 July 2018

Report of the auditor-general to Parliament on the National Consumer Commission

Report on the audit of the financial statements

Opinion

I have audited the financial statements of the National Consumer Commission set out on pages 2 – 98 which comprise the statement of financial position as at 31 March 2018, the statement of financial performance, statement of changes in net asset, cash flow statement and the statement of comparison of budget and actual amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the National Consumer Commission as at 31 March 2018, and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA).

Basis for opinion

I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of this auditor's report.

I am independent of the public entity in accordance with the International Ethics Standards Board for Accountants' Code of ethics for professional accountants (IESBA code) and the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of matter

I draw attention to the matter below. My opinion is not modified in respect of this matter.

Irregular expenditure

As disclosed in note 25 to the financial statements, the entity incurred irregular expenditure of R1 360 567, as it did not follow a proper tender process.

Responsibilities of the accounting authority for the financial statements

The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with the SA Standards of GRAP and the requirements of the requirements of the PFMA, and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the accounting authority is responsible for assessing the National Consumer Commission's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the accounting authority either intends to liquidate the public entity or to cease operations, or has no realistic alternative but to do so.

Auditor-general's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Report on the audit of the annual performance report

Introduction and scope

In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.

My procedures address the reported performance information, which must be based on the approved performance planning documents of the public entity. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programmes presented in the annual performance report of the public entity for the year ended 31 March 2018:

Programmes	Pages in the annual performance report
Programme 2 – to promote consumer protection and consumer safety	P29 to P31
Programme 3 – to promote reform of consumer policy and consumer protection legislation	P32 to P33
Programme 4 – to conduct research and to promote public awareness on consumer protection matters	P34 to P35

I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved

performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

I did not raise any material findings on the usefulness and reliability of the reported performance information for the following programmes:

Programme 2 – to promote consumer protection and consumer safety

Programme 3 – to promote reform of consumer policy and consumer protection legislation

Programme 4 – to conduct research and to promote public awareness on consumer protection matters.

Other matter

I draw attention to the matter below.

Achievement of planned targets

Refer to the annual performance report on pages 28 – 35 for information on the achievement of planned targets for the year and explanations provided for the overachievement of a number of targets.

Adjustment of material misstatements

I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of programme 2 – to promote consumer protection and consumer safety, programme 3 – to promote reform of consumer policy and consumer protection legislation and programme 4 – to conduct research and to promote public awareness on consumer protection matters. As management subsequently corrected the misstatements, we did not raise any material findings on the usefulness and reliability of the reported performance information.

Report on the audit of compliance with legislation

Introduction and scope

In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the compliance of the public entity with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

I did not raise material findings on compliance with the specific matters in key legislation set out in the general notice issued in terms of the PAA.

Other information

The accounting authority is responsible for the other information. The other information comprises the information included in the annual report which includes the commissioner's report, the audit committee's report. The other information does not include the financial statements, the auditor's report and those selected programmes presented in the annual performance report that have been specifically reported in this auditor's report.

My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.

In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected programmes presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

The other information I obtained prior to the date of this auditor's report is the draft annual report and the commissioner's report and the audit committee's report are expected to be made available to me after 31 July 2018.

If, based on the work I have performed on the other information that I obtained prior to the date of this auditor's report, I conclude that there is a material misstatement in this other information, I am required to report that fact.

After I receive and read the commissioner's report and the audit committee's and if I conclude that there is a material misstatement, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. I did not identify any significant deficiencies in internal control.

Auditor General

Auditor General
Pretoria
31 July 2018



Annexure – Auditor-general's responsibility for the audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements, and the procedures performed on reported performance information for selected programme and on the public entity's compliance with respect to the selected subject matters.

Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:

identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control

obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the public entity's internal control

evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting authority

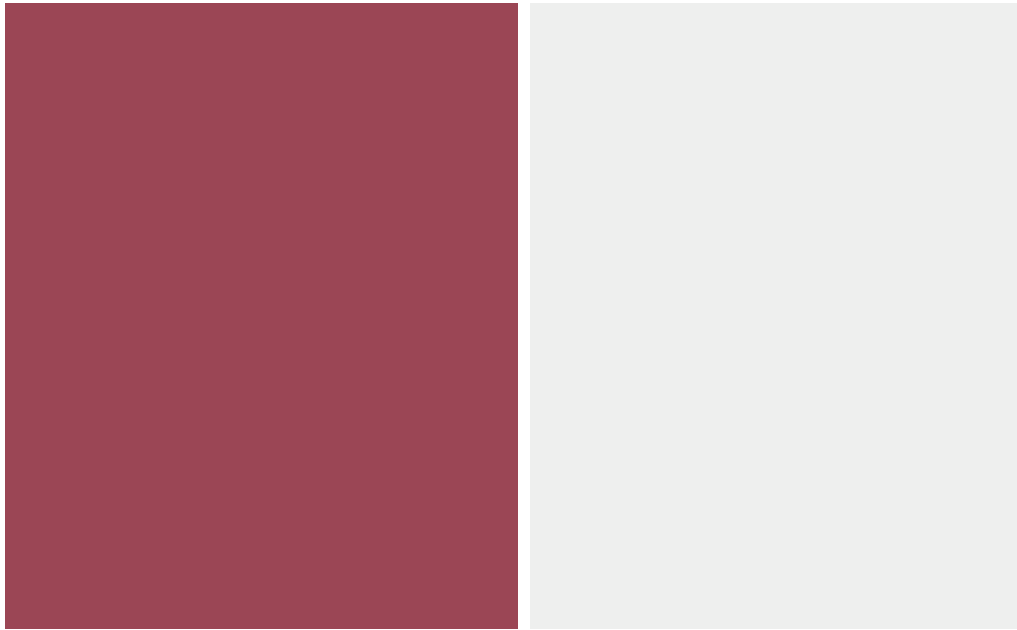
conclude on the appropriateness of the accounting authority's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the National Consumer Commission's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements

about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a public entity to cease continuing as a going concern

evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

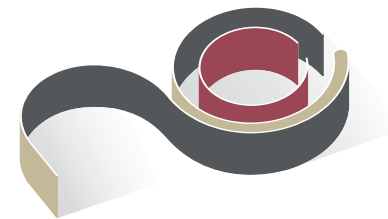
Communication with those charged with governance

3. I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also confirm to the accounting authority that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, related safeguards.



Part 4

HUMAN RESOURCE MANAGEMENT



NATIONAL CONSUMER COMMISSION

a member of the dti group

4.1 Human Resources Oversight statistics

Personnel costs by programme					
Programme	Total Personnel budget	Personnel Expenditure	Personnel exp. as a % of total exp.	No. of employees	Average personnel cost per employee
Programme 1	17 132 000	17 767 600	41%	30	592 253
Programme 2	18 887 000	18 506 048	43%	41	451 367
Programme 3	6 598 000	6 800 147	16%	10	680 015
TOTAL	42 617 000	43 073 795	100%	81	531 775

Number of employees includes all appointments and service termination during the financial year

- Programme 1: Administration
- Programme 2: To ensure enforcement of, and compliance with the Act
- Programme 3: To promote reform of consumer policy and consumer protection legislation
- Programme 4: To conduct research, and to develop awareness on consumer protection matters

Personnel costs by salary band					
Level	Total Personnel budget	Personnel Expenditure	% of personnel exp. to total personnel cost	No. of employees	Average personnel cost per employee
Top Management	3 580 515	3 712 900	9%	2	1 856 450
Senior Management	15 260 460	15 882 353	37%	15	1 058 823
Professionally qualified	12 370 836	12 326 031	28%	22	560 274
Skilled	3 132 969	3 109 692	7%	9	345 521
Semi-skilled	8 272 220	8 042 819	19%	33	243 721
TOTAL	42 617 000	43 073 795	100%	81	531 775

Number of employees includes all appointments and service termination during the financial year

- Top management (Salary levels 15-16)
- Senior Management (Salary levels 13-14)
- Professionally Qualified (Salary levels 9-12)
- Skilled (Salary levels 7-8)
- Semi-skilled (Salary levels 5-6)

Performance rewards				
Programme	Total personnel expenditure	Performance rewards	Personnel expenditure	% of performance rewards to total personnel cost
Programme 1	17 767 600	15	281 277	1.6%
Programme 2	18 506 048	28	302 288	1.6%
Programme 3	6 800 147	4	37 302	0.5%
TOTAL	43 073 795	47	620 867	1.4%

Training costs					
Directorate/ Business Unit	Total personnel expenditure (R'000)	Training expenditure (R'000)	Training expenditure as a % of personnel Cost.	No. of employees trained	Avg training cost per employee
All Directorates	43 073 795	256 489	0.6%	41	6 387
TOTAL	43 073 795	256 489	0.6%	41	6 387

Employment and vacancies by salary band					
Programme	2016/2017 No. of Employees	2016/2017 Approved Posts	2017/2018 No. of Employees	2017/2018 Vacancies	% of Vacan- cies
Top Management	2	2	2	0	0%
Senior Management	14	15	13	2	13%
Professional qualified	21	23	22	1	4%
Skilled	7	8	7	1	13%
Semi-skilled	33	37	31	6	16%
TOTAL	77	85	75	10	12%

Employment and vacancies by programme					
Programme	2016/2017 No. of Employees	2017/2018 Approved posts	2017/2018 No. of Employees	2017/2018 Vacancies	% of vacancies
Programme 1	27	30	27	3	10%
Programme 2	40	45	38	7	16%
Programme 3	10	10	10	0	0%
Total	77	85	75	10	12%

2017/18 Number of employees refers to the number of employees on 31 March 2018

- Top management (Salary levels 15-16)
- Senior Management (Salary levels 13-14)
- Professionally Qualified (Salary levels 9-12)
- Skilled (Salary levels 7-8)
- Semi-skilled (Salary levels 5-6)

Reasons for staff leaving

FEMALE		
Reason	% of total no. of staff leaving	Number
Death	0%	0
Resignation	86%	6
Dismissal	14%	1
Retirement	0%	0
Ill health	0%	0
Expiry of contract	0%	0
Other	0%	0
Total	100%	7

Labour relations: Misconduct and disciplinary actions

Nature of disciplinary action	Number
Verbal Warning	0
Written Warning	0
Final Written warning	1
Dismissal	1
Ongoing disciplinary process	1
Total	3

Employment changes

- Top Management (Salary level 15-16)
- Senior Management (Salary level 13-14)
- Professionals (Salary level 9-12)
- Skilled (Salary level 7-8)
- Semi –skilled (Salary level 5-6)

Salary Band	Employment at beginning of period	Appointments	Terminations	Employment at end of the period
Top Management	2	0	0	2
Senior Management	14	1	2	13
Professional qualified	21	2	1	22
Skilled	7	1	1	7
Semi-skilled	33	1	3	31
Total	77	5	7	75

Equity targets and Employment equity status

Levels	MALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	-	-	-	-	1	-	-	-
Senior Management	7	-	-	-	1	-	1	-
Professional qualified	11	-	2	-	-	-	-	-
Skilled	3	-	-	-	-	-	-	-
Semi-skilled	14	-	-	-	-	-	-	-
Total	35	-	2	-	2	-	1	-

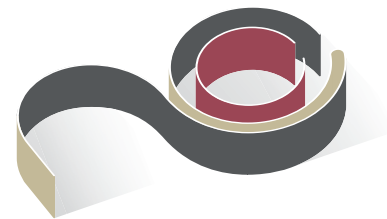
Levels	FEMALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	1	-	-	-	-	-	-	-
Senior Management	4	-	-	-	-	-	-	-
Professional qualified	7	-	-	-	-	-	-	-
Skilled	4	-	-	-	-	-	1	-
Semi-skilled	18	-	-	-	-	-	-	-
Total	34	-	0	0	0	0	1	-

Levels	DISABLED STAFF							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	-	-	-	-	-	-	-	-
Senior Management	-	-	-	-	-	-	-	-
Professional qualified	-	-	-	-	-	-	-	-
Skilled	-	-	-	-	-	-	-	-
Semi-skilled	1	-	-	-	-	-	-	-
Total	1	-	-	-	-	-	-	-



Part 5

FINANCIAL INFORMATION



NATIONAL CONSUMER COMMISSION
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THE NATIONAL CONSUMER COMMISSION

Annual Financial Statements for the year ended 31 March 2018

General Information

Country of incorporation and domicile

South Africa

Nature of business and principal activities

The National Consumer Commission is established in terms of section 85 of the Consumer Protection Act No.68 of 2008 with jurisdiction throughout the Republic of South Africa, to promote and advance the social and economic welfare of consumers in South Africa by establishing a legal framework for the achievement and maintenance of a consumer market that is fair, accessible, efficient, sustainable and responsible for the benefit of consumers generally.

Accounting Authority

Mr. Ebrahim Mohamed

Business address

SABS Campus Building C
1 Dr Lategan Road Groenkloof
Pretoria 0027

Postal address

P.O. Box 36628
Menlo Park 0102

Bankers

Nedbank Limited

Auditors

Auditor General of South Africa

Index

	Page
Accounting Authority's Responsibilities and Approval	63
Statement of Financial Position	64
Statement of Financial Performance	65
Statement of Changes in Net Assets	66
Cash Flow Statement	67
Statement of Comparison of Budget and Actual Amounts	68
Accounting Policies	69 – 77
Notes to the Annual Financial Statements	78 – 98

THE NATIONAL CONSUMER COMMISSION

Annual Financial Statements for the year ended 31 March 2018

Accounting Authority's Responsibilities and Approval

The Accounting Authority is required by the Public Finance Management Act (Act 1 of 1999), to maintain adequate accounting records and is responsible for the content and integrity of the Annual Financial Statements and related financial information included in this report. It is the responsibility of the Accounting Authority to ensure that the Annual Financial Statements fairly present the state of affairs of the entity as at the end of the financial year and the results of its operations and cash flows for the period then ended. In order for the Accounting Authority to discharge these responsibilities, a system of internal controls was developed and maintained.

The external auditors are engaged to express an independent opinion on the Annual Financial Statements and were given unrestricted access to all financial records and related data.

The Annual Financial Statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The Annual Financial Statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The internal controls include a risk-based approach of internal auditing and administrative controls designed to provide reasonable, but not absolute assurance and that assets are safeguarded and transactions are executed and recorded in accordance with generally accepted business practices, as well as the entity's policies and procedures. Management have implemented these controls and the monitoring of these controls includes a regular review of the operations by the Accounting

Authority, submission of operating reports to the Department of Trade and Industry as per the shareholder's agreement, and independent oversight by the Audit and Risk Committee.

The Accounting Authority has reviewed the entity's cash flow forecast for the year to 31 March 2019 and, in the light of this review and the current financial position, he is satisfied that the entity has, or has access to adequate resources to continue in operational existence for the foreseeable future.

The Auditor General of South Africa, as the external auditor, is responsible for independently reviewing and reporting on the entity's Annual Financial Statements. The Annual Financial Statements have been examined by the entity's external auditors and their report is presented on page 4.

The Annual Financial Statements set out on pages 63 to 98, which have been prepared on the going concern basis, were approved by the Accounting Authority on 31 July 2018.



Mr. Ebrahim Mohamed
Commissioner

Pretoria

31 July 2018

THE NATIONAL CONSUMER COMMISSION

Annual Financial Statements for the year ended 31 March 2018

Statement of Financial Position as at 31 March 2018

Figures in Rand	Notes	2018	2017 Restated*
Assets			
Current Assets			
Receivables from exchange transactions	5	15 271	11 026
Receivables from non-exchange transactions	6	190 539	37 607
Prepayments	7	475 350	281 285
Cash and cash equivalents	8	7 801 870	10 882 748
		8 483 030	11 212 666
Non-Current Assets			
Property, plant and equipment	3	2 466 338	2 987 196
Intangible assets	4	423 631	803 954
		2 889 969	3 791 150
Total Assets		11 372 999	15 003 816
Liabilities			
Current Liabilities			
Payables from exchange transactions	9	895 304	3 303 546
Provisions	10	1 712 688	2 329 817
		2 607 992	5 633 363
Total Liabilities		2 607 992	5 633 363
Net Assets		8 765 007	9 370 453
Accumulated surplus		8 765 007	9 370 453

*See Note 22

THE NATIONAL CONSUMER COMMISSION

Annual Financial Statements for the year ended 31 March 2018

Statement of Financial Performance

Figures in Rand	Notes	2018	2017 Restated*
Revenue			
Revenue from exchange transactions			
Interest received - staff debtors		204	-
Interest received - deposit	11	1 497 212	1 638 697
Total revenue from deposit exchange transactions		1 497 416	1 638 697
Revenue from non-exchange transactions			
Transfer revenue			
Government grants	11	52 614 000	56 643 000
Services in kind	11	8 299 996	3 888 758
Total revenue from non-exchange transactions		60 913 996	60 531 758
Total revenue	11	62 411 412	62 170 455
Expenditure			
Employee related costs	12	(42 286 476)	(40 815 836)
Depreciation and amortisation		(1 116 975)	(1 379 251)
Loss on disposal of assets		(253 642)	(241 916)
General expenses	13	(19 082 487)	(21 175 158)
Repairs and maintenance	14	(277 280)	(179 477)
Total expenditure		(63 016 860)	(63 791 638)
Deficit for the year		(605 448)	(1 621 183)

*See Note 22

THE NATIONAL CONSUMER COMMISSION

Annual Financial Statements for the year ended 31 March 2018

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Restated* Balance at 01 April 2016	10 991 636	10 991 636
Changes in net assets		
Deficit for the year as restated*	(1 621 183)	(1 621 183)
Total changes	(1 621 183)	(1 621 183)
Restated* Balance at 01 April 2017	9 370 455	9 370 455
Changes in net assets		
Deficit for the year	(605 448)	(605 448)
Total changes	(605 448)	(605 448)
Balance at 31 March 2018	8 765 007	8 765 007

*See Note 22

THE NATIONAL CONSUMER COMMISSION

Annual Financial Statements for the year ended 31 March 2018

Cash Flow Statement

Figures in Rand	Notes	2018	2017 Restated*
Cash flows from operating activities			
Receipts			
Grants		52 614 000	56 643 000
Interest income - deposit		1 492 966	1 642 567
Other receipts		204	30 810
		54 107 170	58 316 377
Payments			
Employee costs		(43 056 796)	(41 056 879)
Suppliers		(13 661 816)	(15 900 748)
		(56 718 612)	(56 957 627)
Cash (used in) generated from operating activities	17	(2 611 442)	1 358 750
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(469 435)	(780 502)
Net (decrease) increase in cash and cash equivalents		(3 080 877)	578 248
Cash and cash equivalents at the beginning of the year		10 882 748	10 304 500
Cash and cash equivalents at the end of the year	8	7 801 871	10 882 748

*See Note 22

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Interest received (trading)	-	-	-	204	204	27
Interest received – investment	1 695 000		1 695 000	1 497 212	(197 788)	27
Total revenue from exchange transactions	1 695 000	-	1 695 000	1 497 416	(197 584)	27
Revenue from non-exchange transactions						
Transfer revenue						
Government grants	60 914 000	(8 300 000)	52 614 000	52 614 000	-	27
Services in kind	-	-	-	8 299 996	8 299 996	27
Total revenue from non-exchange transactions	60 914 000	(8 300 000)	52 614 000	60 913 996	8 299 996	
Total revenue	62 609 000	(8 300 000)	54 309 000	62 411 412	8 102 412	
Expenditure						
Personnel	(42 617 000)	-	(42 617 000)	(42 286 476)	330 524	27
Depreciation and amortisation	(1 955 000)	-	(1 955 000)	(1 116 975)	838 025	27
General expenses	(17 933 000)	8 300 000	(9 633 000)	(19 082 487)	(9 449 487)	27
Repairs and maintenance	(104 000)	-	(104 000)	(277 280)	(173 280)	27
Total expenditure	(62 609 000)	8 300 000	(54 309 000)	(62 763 218)	(8 454 218)	
Operating deficit	-	-	-	(351 806)	(351 806)	
Loss on disposal of assets and liabilities	-	-	-	(253 642)	(253 642)	
Deficit before taxation	-	-	-	(605 448)	(605 448)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	-	-	-	(605 448)	(605 448)	

THE NATIONAL CONSUMER COMMISSION

Annual Financial Statements for the year ended 31 March 2018

Accounting Policies

1.1 Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 91(1) of the Public Finance Management Act (Act 1 of 1999).

These annual financial statements have been prepared on an accrual basis of accounting, and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand, which is also the functional currency of the entity. Unless otherwise stated, financial figures have been rounded to the nearest R1.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Going concern assumption

The annual financial statements have been prepared based on the expectation that the entity will continue to operate as a going concern for at least the next 12 months.

1.2 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement are inherent in the formation of estimates. Actual results in the future could differ from these estimates, which may be material to the annual financial statements. Details of any significant judgements and estimates are explained in the relevant policy where the impact on the financial statements may be material.

Trade receivables

The entity assesses its trade receivables for impairment at the end of each

reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the entity makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

An entity first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the entity determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets, with similar credit risk characteristics and collectively assesses them for impairment.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 10 - Provisions.

1.3 Property, plant and equipment

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- the cost of the item can be measured reliably. Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

THE NATIONAL CONSUMER COMMISSION

Annual Financial Statements for the year ended 31 March 2018

Accounting Policies

1.3 Property, plant and equipment (continued)

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or a monetary asset, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value. If the entity is able to determine reliably the fair value of either the asset received or the asset given up, then the fair value of the asset given up is used to measure the cost of the asset received unless the fair value of the asset received is more clearly evident.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Leasehold property	Straight line	over the lease period
Furniture and fixtures	Straight line	10 years
Computer equipment	Straight line	3 - 9 years

The entity assesses at each reporting date whether there is any indication that the entity expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the entity revises the expected useful life and residual value accordingly. The change is accounted for as a change in an accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Items of property, plant and equipment are derecognised when the asset is disposed of, or when there are no further economic benefits or service potential expected from the use of the asset. It is the entity's practice to donate assets which have been disposed from the asset register.

The gain or loss arising from derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Impairment losses are determined as the excess of the carrying amount over the recoverable service amount and are charged to surplus or deficit. An impairment is reversed only to the extent that an asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of the impairment is charged to surplus or deficit.

1.4 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements, including rights from contracts, regardless of whether those rights are transferable or separable from the entity, or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the entity; and
- the cost or fair value of the asset can be measured reliably.

THE NATIONAL CONSUMER COMMISSION

Annual Financial Statements for the year ended 31 March 2018

Accounting Policies

1.4 Intangible assets (continued)

The entity assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Depreciation method	Average useful life
Computer software	Straight line	2 - 5 years

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from derecognition of intangible assets is included in surplus or deficit when the asset is derecognised.

1.5 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity, and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which

the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

The entity's principal financial assets are trade receivables, and cash and cash equivalents. Financial liabilities include trade and other payables.

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position, or in the notes thereto:

Class

Receivables from exchange transactions

Receivables from non-exchange transactions

Cash and cash equivalents

Category

Financial asset measured at amortised cost

Financial asset measured at amortised cost

Financial asset measured at fair value

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class

Payables from exchange transactions

Category

Financial liability measured at amortised cost

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

THE NATIONAL CONSUMER COMMISSION

Annual Financial Statements for the year ended 31 March 2018

Accounting Policies

1.5 Financial instruments (continued)

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets at amortised cost. Financial assets measured at amortised cost are subject to impairment review.

The entity measures all financial liabilities at amortised cost using the effective interest method. Trade and other payables are only discounted when the effect of discounting is material.

Gains and losses

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss

is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced directly or through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly or by adjusting an allowance account.

The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting. The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of

THE NATIONAL CONSUMER COMMISSION

Annual Financial Statements for the year ended 31 March 2018

Accounting Policies

ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :

- derecognises the asset; and
- recognises separately any rights and obligations created or retained in the transfer.

On derecognition of a financial asset in its entirety, the difference between the carrying amount, and the sum of the consideration received, is recognised in surplus or deficit.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished, i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

Presentation of interest relating to a financial instrument or a component that is a financial liability, is recognised as revenue or expense in surplus or deficit. Losses and gains relating to a financial instrument or a component that is a financial liability, is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset, and the net amount presented in the statement of financial position, when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.6 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.7 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for services rendered by employees.

Short-term employee benefits

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments; and

THE NATIONAL CONSUMER COMMISSION

Annual Financial Statements for the year ended 31 March 2018

Accounting Policies

1.7 Employee benefits (continued)

- as an expense, unless another standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

The NCC provides a defined benefit scheme for its employees, which is the Government Employees Pension Fund (GEPF). Contributions to the pension plan in respect of service in a particular year are included in the employee's total cost of employment. The NCC has no legal or constructive obligation in respect of normal retirements to pay further contributions if the GEPF does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior years. Any potential liabilities are disclosed in the financial statements of the National Revenue Fund, and not in the annual financial statements of the NCC.

1.8 Provisions and contingencies

Provisions are recognised when:

- the entity has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation.

A provision is used only for expenditures for which the provision was originally recognised. Provisions are not recognised for future operating surplus or deficit.

Contingent assets and contingent liabilities are not recognised.

1.9 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

THE NATIONAL CONSUMER COMMISSION

Annual Financial Statements for the year ended 31 March 2018

Accounting Policies

1.9 Commitments (continued)

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity. Therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.10 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period, when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value, primarily in the form of services or use of assets, to the other party in exchange.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Interest - short-term deposits

Revenue arising from the use by others of entity assets yielding interest is recognised when:

- It is probable that the economic benefits or service potential associated

with the transaction will flow to the entity, and

- The amount of the revenue can be measured reliably.

Interest is recognised in surplus or deficit, using the effective interest method.

1.11 Revenue from non-exchange transactions

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the entity.

When, as a result of a non-exchange transaction, the entity recognises an asset, it also recognises revenue equivalent to the amount of the asset

THE NATIONAL CONSUMER COMMISSION

Annual Financial Statements for the year ended 31 March 2018

Accounting Policies

1.11 Revenue from non-exchange transactions (continued)

measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Government grants

Government grants are recognised when it is probable that the grant will be received, once reasonable assurance has been obtained that all conditions of the grant have been complied with and the grants have been received.

Services in-kind

The entity recognises services in-kind that are significant to its operations, or service delivery objectives, as assets and recognises the related revenue when it is probable that the future economic benefits or service potential will flow to the entity, and if the fair value of the assets can be measured reliably.

1.12 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain, and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.13 Irregular expenditure

As per the PFMA, irregular expenditure is expenditure other than unauthorised expenditure, incurred in contravention of, or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or

National Treasury Practice note no. 4 of 2008/2009, which was issued in terms of sections 76(1) to 76(4) of the PFMA, requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial year and which was condoned before year-end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year, and which was not condoned by the National Treasury or the relevant authority, must be recorded appropriately in the irregular

THE NATIONAL CONSUMER COMMISSION

Annual Financial Statements for the year ended 31 March 2018

Accounting Policies

1.13 Irregular expenditure (continued)

expenditure register. If liability for any losses incurred by the entity can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write-off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, and has to be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.14 Budget information

The approved budget is prepared on the accrual basis and presented by programmes linked to performance outcome objectives.

The approved budget covers the fiscal period from 01 April 2017 to 31 March 2018.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period has been included in the Statement of Comparison of budget and actual amounts.

1.15 Related parties

The entity operates in an economic sector currently dominated by entities directly or indirectly owned by South African Government. As a consequence

of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by management in their dealings with the entity.

THE NATIONAL CONSUMER COMMISSION

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The entity has not yet applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 April 2018:

GRAP 20: Related parties

The objective of this standard is to ensure that a reporting entity's Annual Financial Statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties, and by transactions and outstanding balances with such parties.

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) of GRAP 20 is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual annual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

- A person or a close member of that person's family is related to the reporting entity if that person:
 - has control or joint control over the reporting entity;
 - has significant influence over the reporting entity;
 - is a member of the management of the entity or its controlling entity.
- An entity is related to the reporting entity if any of the following conditions apply:
 - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
 - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
 - both entities are joint ventures of the same third party;
 - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

THE NATIONAL CONSUMER COMMISSION

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

- the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
- the entity is controlled or jointly controlled by a person identified in (a); and
- a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:

- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

The standard sets out the requirements, inter alia, for the disclosure of:

- Control;
- Related party transactions; and
- Remuneration of management

The effective date of the standard is for years beginning on or after 01 April 2019.

The entity expects to adopt the standard for the first time in the 2019 annual financial statements.

The adoption of this standard is not expected to impact on the results of the entity, but may result in more disclosure than is currently provided in the annual financial statements.

GRAP 31 (as amended 2016): Intangible Assets

Amendments to the Standard of GRAP on Intangible Assets resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 31 on Intangible Assets (IPSAS 31) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015.

The most significant changes to the Standard are:

- General improvements: To add the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions, to be in line with the principle in GRAP 23 (paragraph 12); and to clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets
- IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when an item of intangible assets is revalued; and to clarify acceptable methods of depreciating assets

The effective date of the amendment is for years beginning on or after 01 April 2018.

The entity expects to adopt the amendment for the first time in the 2019 annual financial statements.

It is unlikely that the amendment will have a material impact on the entity's annual financial statements.

THE NATIONAL CONSUMER COMMISSION

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

3. Property, plant and equipment

	2018			2017		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Leasehold property	-	-	-	48 949	(48 949)	-
Furniture and fixtures	2 238 316	(1 087 986)	1 150 330	2 318 148	(894 234)	1 423 914
Computer equipment	3 025 873	(1 709 865)	1 316 008	3 853 041	(2 289 759)	1 563 282
Total	5 264 189	(2 797 851)	2 466 338	6 220 138	(3 232 942)	2 987 196

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Disposals cost	Disposals accumulated depreciation	Depreciation	Total
Leasehold property	-	-	(48 950)	48 950	-	-
Furniture and fixtures	1 423 914	450	(80 281)	30 362	(224 115)	1 150 330
Computer equipment	1 563 282	468 985	(1 296 154)	1 105 544	(525 649)	1 316 008
	2 987 196	469 435	(1 425 385)	1 184 856	(749 764)	2 466 338

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Disposals cost	Disposals accumulated depreciation	Depreciation	Total
Leasehold property	7 632	-	-	-	(7 632)	-
Furniture and fixtures	1 579 475	279 710	(236 221)	31 129	(230 179)	1 423 914
Computer equipment	1 837 197	500 792	(44 319)	22 180	(752 568)	1 563 282
	3 424 304	780 502	(280 540)	53 309	(990 379)	2 987 196

Pledged as security

There are no assets pledged as security.

There are also no capital commitments toward purchasing any assets.

THE NATIONAL CONSUMER COMMISSION

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

Figures in Rand	2018	2017
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4. Intangible assets

	2018			2017		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Computer software	1 565 832	(1 142 201)	423 631	1 838 265	(1 034 311)	803 954

Reconciliation of intangible assets - 2018

	Opening balancet	Disposals cost	Disposals accumulated amortisation	Amortisation	Total
Computer software	803 954	(272 433)	258 870	(366 760)	423 631

Reconciliation of intangible assets - 2017

	Opening balancet	Disposals cost	Disposals accumulated amortisation	Amortisation	Total
Computer software	1 207 510	(733 084)	718 400	(388 872)	803 954

5. Receivables from exchange transactions

Accrued interest income	15 271	11 026
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6. Receivables from non-exchange transactions

Staff debtors	190 539	37 607
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Staff debtors relate to overpayments on salaries and negative leave days that will be repaid should the employees leave the employ of the National Consumer Commission.

THE NATIONAL CONSUMER COMMISSION

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

Figures in Rand	2018	2017
7. Prepayments		
Prepayments	475 350	281 285
Prepaid expenses relate to software licenses and insurance paid in advance.		
8. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	8 955	5 519
Bank balances	846 471	594 997
Short-term deposits	6 946 444	10 282 232
	7 801 870	10 882 748

Cash and cash equivalents comprise cash, a current account and a short-term, highly liquid investment held with the Corporation for Public Deposits (CPD), with maturities of one month or less subject to insignificant interest rate risk. Cash and cash equivalents are measured at fair value.

The balance of cash and cash equivalents include the cash retained during the year and prior periods. Retention of cash is further disclosed in Contingencies note 19.

Credit quality of cash at bank and short term deposits, excluding cash on hand

Management considers that all the above cash and cash equivalent categories are of good credit quality. The maximum exposure to credit risk at the reporting date is the fair value of each class of cash and cash equivalent mentioned above. During the year cash and cash equivalents were kept in an investment and current account. The cash and cash equivalents were not pledged as security for any financial liabilities.

THE NATIONAL CONSUMER COMMISSION

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

Figures in Rand	2018	2017
9. Payables from exchange transactions		
Trade payables	417 844	680 396
Third party payments	17 400	124 487
Accrued expenses	273 047	2 498 663
Fixed assets payables	187 013	-
	895 304	3 303 546

Payables are due and payable within 30 days of receipt of invoice. The fair values of trade and other payables approximate the above values.

Fixed assets payables relate to assets already received, but not yet paid for.

Fair value of trade and other payables

The carrying value of trade and other payables reflect the approximate fair value at year end.

10. Provisions

Reconciliation of provisions - 2018

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Provision for leave pay	1 544 195	1 760 939	(1 652 567)	-	1 652 567
Provision for performance bonus	605 715	15 152	(620 867)	-	-
Provision for Workmen's Compensation	179 907	60 121	(106 829)	(73 078)	60 121
	2 329 817	1 836 212	(2 380 263)	(73 078)	1 712 688

Reconciliation of provisions - 2017

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Provision for leave pay	1 041 780	1 544 195	(1 041 780)	-	1 544 195
Provision for performance bonus	574 125	605 715	(510 296)	(63 829)	605 715
Provision for Workmen's Compensation	85 892	94 015	-	-	179 907
	1 701 797	2 243 925	(1 552 076)	(63 829)	2 329 817

THE NATIONAL CONSUMER COMMISSION

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

Figures in Rand	2018	2017
-----------------	------	------

10. Provisions (continued)

The provision for leave pay represents management's best estimate of the entity's liability for accrued leave pay based on the termination rate and outstanding leave days of the employees employed at year-end. The entity's leave policy states that all employees are required to take accumulated annual leave days within the first 6 month period of the next leave cycle, failing which those leave days will be forfeited.

The entity had a change in internal policies and no performance bonuses are paid going forward.

The provision for Workmens Compensation is based on the assessment rate of the annual salary of the employees employed at year end.

11. Revenue

Interest received - debtors	204	-
Interest received - deposit at CPD	1 497 212	1 638 697
Government grants	52 614 000	56 643 000
Services in kind	8 299 996	3 888 758
	62 411 412	62 170 455

The amount included in revenue arising from exchanges of goods or services is as follows:

Interest received - debtors	204	-
Interest received - deposit at CPD	1 497 212	1 638 697
	1 497 416	1 638 697

The amount included in revenue arising from non-exchange transactions is as follows:

Transfer revenue

Government grants	52 614 000	56 643 000
Services in kind	8 299 996	3 888 758
	60 913 996	60 531 758

THE NATIONAL CONSUMER COMMISSION

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

Figures in Rand	2018	2017
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11. Revenue (continued)

Nature and type of services in kind are as follows:

With effect from 01 October 2016, the South African Bureau of Standards (SABS) has provided the NCC with office accommodation and related services at no cost. Related services include security, cleaning and information technology services. The market value of the accommodation and related costs amount to R8 299 996 (2017: R3 888 758).

12. Employee related costs

Salaries	35 626 265	33 705 554
Performance bonuses	15 152	541 888
Medical aid contributions	355 093	310 652
UIF contributions	116 141	-
Workmens Compensation provision	(12 958)	94 015
Leave pay provision	199 977	656 041
Employer's pension contributions	3 775 174	3 470 678
Service bonuses	2 211 632	2 037 008
	42 286 476	40 815 836

THE NATIONAL CONSUMER COMMISSION

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

Figures in Rand	2018	2017
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12. Employee related costs (continued)

Remuneration of executive management 2018

	Basic salary	Pension contributions	Other payments received	Performance bonus paid	Total
E Mohamed - Commissioner	1 529 458	178 777	358 315	57 105	2 123 655
T Mabuza - Deputy Commissioner	1 176 229	137 488	323 265	40 163	1 677 145
N Kuljeeth - Company Secretary	834 731	104 186	283 505	33 026	1 255 448
A van der Merwe - Head Corporate Services	983 086	113 923	212 084	36 113	1 345 206
D Railo - Head Research	817 403	95 473	357 797	-	1 270 673
P Moliwa - Head Enforcement and Investigations	783 156	90 642	346 628	33 521	1 253 947
P Mlungu - Head Advocacy, Education and Awareness	783 156	90 642	351 186	-	1 224 984
N Nkoana - Head Finance - Resigned 31 January 2018	572 636	60 395	225 360	-	858 391
	7 479 855	871 526	2 458 140	199 928	11 009 449

2017

	Basic salary	Pension contribution	Other payments received	Performance bonus paid	Total
E Mohamed - Commissioner	1 461 599	171 518	289 775	84 073	2 006 965
T Mabuza - Deputy Commissioner	1 030 346	122 561	227 896	64 341	1 445 144
N Kuljeeth - Company Secretary	784 908	100 781	243 733	52 907	1 182 329
A van der Merwe - Head Corporate Services	925 175	110 200	196 795	-	1 232 170
D Railo - Head Research	782 301	93 069	337 958	-	1 213 328
P Moliwa - Head Enforcement and Investigations	739 838	87 679	317 623	-	1 145 140
P Mlungu - Head Advocacy, Education and Awareness	739 838	87 679	317 623	-	1 145 140
N Nkoana - Head Finance	598 792	70 775	253 324	-	922 891
	7 062 797	844 262	2 184 727	201 321	10 293 107

THE NATIONAL CONSUMER COMMISSION

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

Figures in Rand	2018	2017
13. General expenses		
Advertising	549 477	861 940
Audit committee fees	382 015	398 829
Auditors remuneration	2 183 204	1 836 519
Bank charges	30 857	28 026
Cleaning services	296 856	557 815
Communication costs	622 325	721 450
Computer expenses	1 087 531	1 678 938
Consulting and professional fees	491 087	2 519 760
Consumables	241 436	271 856
Insurance	98 446	8 204
Inquiry expenses (Timeshare)	2 834 425	-
Furniture removal services	5 040	519 800
Lease payments: printers and copiers	268 313	198 888
Office rental / services in kind	4 419 436	4 959 076
Postage and courier services	56 091	26 631
Printing and stationery	394 405	444 104
Publications	262 615	207 698
Research expenses	147 313	892 231
Security services	564 300	1 065 282
Software expenses	491 692	641 901
Subscriptions and membership fees	61 715	20 376
Training	261 879	476 433
Transport cost	-	7 364
Travel - local	1 543 890	1 469 477
Travel - overseas	171 879	88 830
Venues and facilities	38 956	125 978
Water and electricity	1 577 304	1 147 752
	19 082 487	21 175 158

THE NATIONAL CONSUMER COMMISSION

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

Figures in Rand	2018	2017
14. Repairs and maintenance		
Repairs and maintenance	277 280	179 477
Repairs and maintenance relate to the maintenance of the contact centre system. There were no repairs and maintenance relating to property, plant and equipment.		
15. Auditors' remuneration		
External audit fees	2 043 731	1 259 598
Internal audit fees	139 473	576 921
	2 183 204	1 836 519
16. Taxation		
The NCC is exempt from paying tax in terms of section 10(1) (CA) (1) of the Income Tax Act No. 58 of 1962.		
17. Cash (used in) generated from operations		
Deficit	(605 448)	(1 621 183)
Adjustments for:		
Depreciation and amortisation	1 116 975	1 379 251
Loss on sale of assets	253 642	241 916
Movements in operating lease liabilities	-	(168 066)
Movements in provisions	(617 129)	628 020
Changes in working capital:		
Receivables from exchange transactions	(4 245)	7 231
Other receivables from non-exchange transactions	(152 932)	221 056
Prepayments	(194 065)	168 409
Payables from exchange transactions	(2 408 240)	502 116
	(2 611 442)	1 358 750

THE NATIONAL CONSUMER COMMISSION

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

Figures in Rand	2018	2017
18. Commitments		
Authorised operational expenditure		
Already contracted for but not provided for		
- Internal audit fees	101 868	326 342
- Leasing of photocopiers	68 410	125 691
- Technical support for contact centre system	43 883	131 702
- Technical support for AccPac system	-	138 664
- Technical support for VIP system	13 009	53 952
- Transactional advisor services	-	2 489 788
- Health risk manager services	10 347	18 643
- Insurance services	98 351	287 133
- Website redesign	100 000	86 133
- Legal fees	468 010	527 674
- Mobile communication devices	265 068	24 808
- Installation and maintenance of office equipment	378 127	-
- Newsletter - 10 issues	46 376	-
- Employee credentials verification services	239	-
- Presiding officer in disciplinary matters	61 060	-
- Compilation of annual financial statements	181 727	-
- Asset audit services	260 850	-
- NCC performance management system review	481 536	-
	2 578 861	4 210 530
Operating leases - as lessee (expense)		
Minimum lease payments due		
- within one year	236 580	109 364
- in second to fifth year inclusive	209 958	16 327
	446 538	125 691

Operating lease payments represent rentals payable for office equipment. Total commitment is included in the commitments list as leasing of photocopiers and installation and maintenance of office equipment.

THE NATIONAL CONSUMER COMMISSION

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

Figures in Rand	2018	2017
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19. Contingencies

At inception, the NCC was not registered for contributions to the Unemployment Insurance Fund. During the financial year, the NCC registered for UIF. The NCC enquired from the Department of Labour whether contributions in arrears will be levied. The Department of Labour responded that they will not open contributions in arrears. However, the matter has to be taken up with the South African Revenue Service to ensure EMP201 and EMP501 returns were submitted correctly. The amount of possible fines and penalties are not yet determined.

The NCC applied for the retention of a cash surplus amounting to R2 820 827 as at 31 March 2018.

There is a contingent liability that comprises the accumulated surpluses as at 31 March 2018. A request for the retention of the previous year's accumulated surplus of R5 391 230 has been approved by National Treasury and will be utilised as follows:

Utilisation of surplus

Conducting inquiry into timeshare industry	880 700
Legal cost	300 000
Outstanding commitments not yet provided for (2016/2017)	4 210 530
	5 391 230

THE NATIONAL CONSUMER COMMISSION

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

Figures in Rand	2018	2017
20. Related parties		
Relationships		
Department of Trade and Industry (the dti)		
Companies Tribunal		
Companies and Intellectual Property Commission		
National Consumer Tribunal		
National Credit Regulator		
National Gambling Board		
National Lotteries Commission		
National Metrology Institute of South Africa		
National Regulator for Compulsory Specifications		
South African Bureau of Standards		
National Empowerment Fund		
South African National Accreditation System		
Export Credit Insurance Corporation of South Africa		
Broad-Based Black Economic Empowerment Commission		
Members of key management		
Parent department		
Member of the dti group		
Member of the dti group		
Member of the dti group		
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Member of the dti group		
Member of the dti group		
Member of the dti group		
Member of the dti group		
Member of the dti group		
Members of executive management		
Related party transactions		
Transfer payments received		
Department of Trade and Industry	52 614 000	56 643 000
Services in kind		
South African Bureau of Standards	8 299 996	3 888 758
Venues and facilities		
National Consumer Tribunal	-	100 000

The NCC is funded by government grants received through the Department of Trade and Industry. The transfer payments are received within normal operating terms. The amount is included in revenue on the statement of financial performance.

With effect from 01 October 2016, the South African Bureau of Standards (SABS) has provided the NCC with office accommodation at no cost. The market related value of the accommodation and related cost amounts to R8 299 996 (2017: R3 888 758). The SABS and the NCC are entities within **the dti** group.

THE NATIONAL CONSUMER COMMISSION

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

Figures in Rand	2018	2017
-----------------	------	------

20. Related parties (continued)

In 2017, the NCC co-hosted the Africa Dialogue workshop with the National Consumer Tribunal (NCT) and contributed R100 000 towards the venue and facilities for the workshop. The transaction was concluded on normal operating terms. The amount is included in the general expenses in the statement of financial performance. The NCC and the NCT are entities within **the dti** group.

Total remuneration of key management is included in employee related cost (refer to note 12 for the remuneration of executive management).

21. Change in estimate

Property, plant and equipment

The useful life of certain computer equipment was estimated to be 4 years. In the current period, management have revised their estimate to be up to 9 years. The effect of these revisions have decreased the depreciation charge by R157 631 for the 2018, 2019 and 2020 financial periods. The impact of the change in estimate is as follows:

Statement of Financial Position

Accumulated depreciation	157 631	-
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Statement of Financial Performance

Depreciation	(157 631)	-
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22. Prior period errors

Property, plant and equipment were depreciated at estimates made by management at inception of the assets' useful lives. The estimates of useful lives in property, plant and equipment have been reassessed during the financial year. In addition, it was identified that assets purchased in the past were not properly recorded in the fixed asset register. The error related to 2016 financial year end and the effects thereof are disclosed below.

Staff debtors relate to salary overpayments that should be recovered from the employees. During the financial year, it was identified that the amount due by one of the employees was over calculated.

THE NATIONAL CONSUMER COMMISSION

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

Figures in Rand	2018	2017
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22. Prior period errors (continued)

Fruitless and wasteful, and irregular expenditure are disclosed based on the registers where instances of fruitless and wasteful and irregular expenditure are recorded. During the financial year, it was identified that not all instances relating to the prior year were included in the registers.

The correction of the errors results in adjustments as follows:

Statement of Financial Position

	2018	2017	2016
Property plant and equipment	-	719 868	1 819 388
Intangible assets	-	548 083	-
Staff debtors	-	(93 208)	-
Opening Accumulated Surplus	-	(1 819 388)	-
	-	(644 645)	1 819 388

Statement of Financial Performance

	2018	2017	2016
Depreciation and amortisation	-	551 437	(1 819 388)
Employee related cost	-	93 208	-
	-	644 645	(1 819 388)

Other disclosure

	2018	2017	2016
Fruitless and wasteful expenditure	-	2 944	-
Irregular expenditure	-	1 642 650	-
	-	1 645 594	-

THE NATIONAL CONSUMER COMMISSION

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

Figures in Rand	2018	2017
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23. Risk management

Financial risk management

The entity's main risks from financial instruments are liquidity risk, market risk, and credit risk. The entity's policies and procedures are used to manage its risks and the approach is consistent with prior years.

Liquidity risk

The entity's risk in respect of liquidity is a result of the funds being available to cover future commitments. The entity assesses liquidity risk as low, taking into consideration the current funding structures and availability of cash resources. The entity manages liquidity risk through an ongoing review of future commitments and monitoring of sufficient cash resources.

The table below reflects the entity's exposure to liquidity risk from financial liabilities:

At 31 March 2018	Less than 1 year	Between 1 and 5 years	Total
Trade and other payables	(895 305)	-	(895 305)
At 31 March 2017	Less than 1 year	Between 1 and 5 years	Total
Trade and other payables	(3 303 546)	-	(3 303 546)

Credit risk

Receivables are monitored on an ongoing basis, resulting in exposure to bad debts being insignificant. A provision is made for doubtful debts. The maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2018	2017
Trade and other receivables	76 473	116 448
Cash and cash equivalents	7 801 870	10 882 748

THE NATIONAL CONSUMER COMMISSION

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

Figures in Rand	2018	2017
23. Risk management (continued)		
Market risk		
Interest rate risk		
The exposure to interest risk is managed by investing on a short term basis, in a current account and the Corporation for Public Deposits (CPD), to ensure maximum interest on surplus funds. The risk arises when there are downward interest rate changes, as this will reduce the interest income on invested funds.		
Financial assets exposed to interest risk at year end were as follows:		
Cash and cash equivalents	7 792 915	10 882 748
24. Fruitless and wasteful expenditure		
Opening balance		
Fines and penalties (SARS)	7 362	4 418
Fruitless and wasteful expenditure incurred during the reporting period		
Fines and penalties (SARS)	42 278	2 944
Administration fee to re-advertise travel agency bid	750	-
Cancelled ticket due to cancellation of official event	4 602	-
Late return of rental vehicle	455	-
New airline ticket for missed flight	2 528	-
Supplier not registered for VAT	4 976	-
	55 589	2 944
Closing balance	62 951	7 362

THE NATIONAL CONSUMER COMMISSION

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

Figures in Rand	2018	2017
25. Irregular expenditure		
Opening balance	7 137 368	3 686 314
Add: Irregular expenditure - current year	1 360 567	7 137 368
Less: Amounts condoned by Accounting Authority for the current year	(638 980)	-
Less: Amounts condoned by the Accounting Authority for prior periods	(6 462 608)	-
Less: Amounts not recoverable (not condoned)	-	(3 686 314)
	1 396 347	7 137 368

Details of irregular expenditure – current year

Incident

Invitation of bids not advertised for 21 days	63 572	3 044 198
Procurement process not followed - three quotations not obtained	137 575	894 221
Functionality thresholds applied incorrectly	224 473	1 366 161
Bid processes not followed	707 370	464 257
Applicable minimum values not indicated in the terms of reference	147 313	1 330 231
Tax clearance certificate not obtained	-	38 300
Payments exceeded contract amount	80 264	-
	1 360 567	7 137 368

THE NATIONAL CONSUMER COMMISSION

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

Figures in Rand	2018	2017
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25. Irregular expenditure (continued)

Details of irregular expenditure condoned

Invitation of bids not advertised for 21 days
Time allowed to submit quotations was too short
Procurement process not followed - three quotations not obtained
Functionality thresholds applied incorrectly
Applicable minimum values not indicated in the terms of reference
Tax clearance certificate not obtained
Payments exceeded contract amount

Condoned by (condoning authority)

Accounting Authority 3 080 769
Accounting Authority 27 000
Accounting Authority 683 719
Accounting Authority 1 755 034
Accounting Authority 1 477 544
Accounting Authority 38 300
Accounting Authority 39 222

7 101 588

26. Events after the reporting period

The Accounting Authority is not aware of any material event that have bearing on the financial statements, which occurred after the reporting date and up to the date of this report.

THE NATIONAL CONSUMER COMMISSION

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

Figures in Rand	2018	2017
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27. Budget differences

Material differences between budget and actual amounts

Services in kind relates to the market value of accommodation and related services supplied at no charge by the SABS to the NCC.

Personnel costs were underspent due to the utilisation of the provision for performance bonuses during the year, whereas no provision was made for performance bonuses to be paid out during 2018.

General expenses exceeded the budget by 6% (excluding services in kind in operating expenses). The NCC obtained approval for retention of surplus funds to utilise towards commitments.

During the year, the NCC conducted an inquiry into timeshare schemes. The inquiry took longer than anticipated and more costs were incurred in this regard.

The services received from the SABS for water and electricity, cleaning, office rental and security services were not included in the budget as expenses.

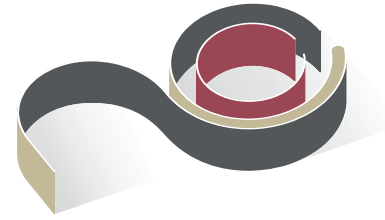
Due to the acquisition of assets and a change in the estimates of property, plant and equipment and intangible assets, the depreciation and amortisation were overspent.

The adjustment in the final budget was as a result of the baseline reduction during the adjustment of estimates of national expenditure process.



LIST OF ACRONYMS/ ABBREVIATIONS

APP	Annual Performance Agreement
CCRD	Consumer and Corporate Regulation Division
CGSO	Consumer Goods and Services Ombud
CPA/ Consumer Protection Act	Consumer Protection Act No. 68 of 2008
Executive Authority /the dti	Department of Trade and Industry
FSLGAA	Financial Services Laws General Amendment Act
GRAP	Generally Recognised Accounting Practices
GTAC	Government Technical Advisory Centre (an agency of National Treasury)
ICASA	Independent Communications Authority of South Africa
IT	Information Technology
MIOSA	Motor industry Ombud of South Africa
PEO	Public Entity Oversight Unit (of the dti)
PFMA	Public Finance Management Act, 1999, Act No. 1 of 1999
Plan	Fraud Prevention Plan
NCC	The National Consumer Commission
NRCS	National Regulator for Compulsory Standards
NCR	National Credit Regulator
Portfolio Committee	Portfolio Committee on Trade and Industry
SCA	Supreme Court of Appeal



NATIONAL CONSUMER COMMISSION

a member of the dti group

National Consumer Commission (NCC)

South African Bureau of Standards Campus

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RP293/2018

