NATIONAL CONSUMER COMMISSION

a member of the dti group

Annual Report 2019/2020 FINANCIAL YEAR

PART A:
GENERAL INFORMATION

Contents:

No	Description	Page No
	PART A GENERAL INFORMATION	
1	General Information	3 - 4
2	List of Abbreviations	5
3	Foreword by the Minister of Trade and Industry	6
	3.1 Submission of the Annual Report to the Executive Authority	7
4	Commissioners Overview	8 - 10
5	Statement of Responsibility and Confirmation of Accuracy for the NCC Annual Report 2019/2020	11
6	Strategic Overview	12
7	Legislative and Other Mandates	13
	7.1 Consumer Protection Act 68 of 2008	13
	7.2 Constitutional Mandates	14
8	Organisational Structure	16
	PART B: PERFORMANCE INFORMATION	
1	Auditor's Report: Predetermined Objectives	18
2	Situational Analysis	19
3	Performance Information by Programme/Activity/Objective	22 - 36
4	Revenue Collection	37
	PART C: GOVERNANCE	
1	Introduction	39
2	Portfolio Committees	40
3	Executive Authority	40
4	Committees	41
5	Risk Management	42
6	Internal Control Unit	42 - 43
7	Compliance With Laws And Regulations	43
8	Fraud and Corruption	43
10	Health Safety And Environmental Issues	44
11	Audit & Risk Committee Report	45 - 49
12	B-BBEE Compliance Performance Information	50
	PART D: HUMAN RESOURCE MANAGEMENT	
	Human Resource Management	52 - 57
	PART E: FINANCIAL INFORMATION	
1	Report Of The External Auditor	59 - 64
	ANNUAL FINANCIAL STATEMENTS	

1. General Information

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BANKERS:	Nedbank Ltd
COMPANY SECRETARY:	Mr Narain Kuljeeth

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2. List of Abbreviations

APP	Annual Performance Plan
CCRD	Consumer and Corporate Regulation Division
CGSO	Consumer Goods and Services Ombud
CIPC	Companies and Intellectual Property Commission
CPA/ Consumer Protection Act	Consumer Protection Act No. 68 of 2008
Executive Authority /the dti	Department of Trade & Industry
FSLGAA	Amendment Act
GRAP	Generally Recognised Accounting Practices
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
IPSASB	International Public Sector Accounting Standards Board
IT	Information Technology
MIOSA	Motor Industry Ombud of South Africa
NCC	National Consumer Commission
NCR	National Credit Regulator
NCT	National Consumer Tribunal
NRCS	National Regulator for Compulsory Specifications
PEO	Public Entity Oversight Unit (of **the dti**)
PFMA	Public Finance Management Act No. 1 of 1999
Plan	Fraud Prevention Plan
Portfolio Committee	Portfolio Committee on Trade & Industry

3. Foreword

This Annual Report provides an account of the National Consumer Commission (NCC) for the past financial year ending March 2020.

The sixth government administration took office following the national elections in May 2019, with a re-imagined industrial strategy for the country focused on localisation and a renewed promise, passion and urgency to address long standing socio-economic challenges.

The 2019 Presidential Investment Conference, held in November 2019 demonstrated sustained commitment and productive partnerships between the public and private sector in rebuilding the economy. Some R364 billion of further commitments were made (21% higher than at the inaugural Conference the previous year), with potential to create over 400 000 jobs over a five year period. This brings the total of investment commitments made at the two Conferences (2018 and 2019) to R664 billion, more than 50% of the five-year target set by the President in 2018.

The new dtic family accelerated the development and implementation of sector masterplans, completing these 'industry social pacts' in the automotive, poultry, sugar and clothing and textile sectors. These serve as a blueprint to harness energies amongst industry players for investment and increased output and jobs in sectors which together employ some 500 000 people. The Master Plans set out practical and reciprocal actions that each social partner at industry level would take to build more resilient businesses and industries. We are now working on sector masterplans in the steel and furniture sectors, which we expect to complete in the coming year.

Significant progress was made with the finalisation of the modalities of the new African Continental Free Trade Area (AfCFTA), and with a trade agreement to address access to the United Kingdom in the event of a no-deal Brexit.

The work of the Commission complements these interventions and are intended to provide consumers with a floor of basic protection.

The economic environment brought on by Covid-19 has dented growth both locally and globally. The pandemic and its economic fallout have been described by leading economists as unprecedented in our generation. Across the world, countries are reporting or forecasting their lowest growth in at least a generation.

For public entities, the pandemic principally impacted on their work beyond the financial year, placing pressure on delivery platforms and in a number of cases, on their finances.

To repair the damage of Covid-19 and reconstruct the economy to create more jobs, bring more young people into entrepreneurship and increase economic inclusion, we need to think boldly and implement smartly.

To address the immediate and urgent challenges of the economy, government and its social partners have agreed to an Economic Reconstruction and Recovery Plan. The Plan includes structural reforms and a commitment to greater levels of localisation and infrastructure investment. These measures will impact and shape the work of the dtic and its agencies.

Every agency of the dtic will be required to play its role in ensuring a steady recovery from the pandemic, and to continue execution of the re-imagined industrial strategy, outlined by President Ramaphosa at the start of this administration.

The NCC is expected to enhance its strategy and cooperate with other regulators and public entities to support critical industries including around product labelling; and use technology in new ways to improve services and access by consumer, whilst reducing costs.

I wish to thank the Commissioner and her staff for the work done by the Commission in the past financial year.

Mr Ebrahim Patel
Minister of Trade, Industry and Competition

3.1 Submission of the Annual Report to the Executive Authority

The Honourable Minister
Mr Ebrahim Patel
Department of Trade, Industry and Competition
Pretoria

Dear Sir

SUBMISSION OF NATIONAL CONSUMER COMMISSION ANNUAL REPORT 2019/2020

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 2019/2020 which has been drafted in accordance with National Treasury guidelines and templates.

Yours faithfully,

Ms. Thezi Mabuza
Acting Commissioner
National Consumer
Commission
30 September 2020

4. Commissioner's Overview

Overview by the Accounting Authority

I have been appointed as Acting Commissioner of NCC since the beginning of June 2019. Following my appointment, I have had immense support and cooperation from the staff of the NCC and officials of **the dti** that the NCC interacts with on a regular basis.

The year under review has been a busy year for the NCC which ended in quite a flurry with our State President declaring on 15 March 2020 a National State of Disaster in respect of the Coronavirus outbreak and in the process, announced the continent's most drastic measures yet to curb its spread.

Spurred on by Minister Patel, the NCC swiftly proposed draft price gouging regulations for essential items, such as hygiene products, food and emergency supply items. The NCC also established a toll-free telephone line in order to enable consumers to report businesses that inflated prices without justification and essentially sought to exploit consumers during this time. The NCC has commenced working very closely with the Competition Commission on complaints arising from any breach of Regulation 350. The key staff of both these entities were deemed essential services.

In the 4th quarter of 2019/2020, the NCC in collaboration with SARS Customs prevented textile imports, valued at R9 282 178.00, that did not meet the labelling requirements from entering South African markets.

The NCC and the Ford Motor Company of Southern Africa (FMCSA) reached a settlement agreement in respect of the Ford Kugas that combusted; FMCSA acknowledged that it contravened the Consumer Protection Act (CPA). The settlement agreement, which included an administrative fine of R35M in terms of Section 112 of the CPA, was then made an order of the Tribunal. This remains the biggest fine ever issued against any business in relation to the CPA.

With regard to the Timeshare enquiry that was finalised in the previous financial year, I can confirm that **the dti** is in the process of reviewing and revising existing legislation. I am confident that once revised, our timeshare laws would be in line with similar laws applicable in the European Union.

The NCC has had significant motor vehicle related consent agreements and judgements confirmed or issued in its favour by the National Consumer Tribunal.

In creating awareness on consumer protection, the NCC has been involved in a number of events, including the activities to commemorate World Consumer Rights Day. The NCC established a formal relationship with the University of Fort Hare aimed at entrenching the role of academic participation in consumer protection. The University of Fort Hare will offer a module in Consumer Law as part of its curriculum.

The NCC has secured an unqualified audit opinion from its external auditors with improvement in the quality of performance information. The NCC has attracted fewer findings this year than it did in the previous year, though there has been overall stagnation caused by the concerns raised in internal controls. There has been no incidents of fraud or corruption reported against the NCC since 2012 except for an alleged fraudulent travel claim by an official of the NCC. A disciplinary hearing is underway in that matter.

Employee related costs increased whilst, the NCC's baseline budget has not kept pace therewith. Though the cost of living adjustments agreed upon with staff is identical to that announced by the DPSA; this increase has led to a decrease in the number of personnel the NCC could afford.

I thank the NCC's staff for their commitment in performing their tasks and urge them to be more mindful of compliance requirements. I also thank the Internal audit team and the NCC's Audit and Risk Committee for its continuous invaluable guidance and assistance. In performing its mandate, the NCC relies immensely on its stakeholders, including the United Nations Conference on Trade and Development, Africa Dialogue members, International Consumer Protection Enforcement Network, provincial consumer protection authorities, accredited ombud schemes, as well as domestic law enforcement agencies and regulators. I therefore extend my gratitude to them for their continued cooperation and support.

In conclusion, I extend my gratitude to Minister Patel for his excellent leadership and stewardship in the year under review. I also extend my gratitude to the Director-General, Mr Lionel October and to the Executive Committee of the Department of Trade, Industry and Competition for their unwavering support towards the NCC. I look forward to interacting with the Portfolio Committee on Trade, Industry & Competition and also wish them well over their tenure.

5. Statement of Responsibility and Confirmation of Accuracy for the NCC Annual Report 2019/2020

To the best of my knowledge and belief, I confirm the following:

All information and amounts disclosed in the annual report is consistent with the annual financial statements audited on behalf of the Auditor General.

The Annual Report is complete, accurate and is free from any omissions.

The Annual Report has been prepared in accordance with the guidelines on the annual report as issued by National Treasury.

The Annual Financial Statements (Part E) have been prepared in accordance with the Generally Recognized Accounting Practice (GRAP) standards applicable to the public entity.

The Accounting Authority is responsible for the preparation of the annual financial statements and for the judgements made in this information.

The Accounting Authority is responsible for establishing, and implementing a system of internal control that has been designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the annual financial statements.

The External Auditors are engaged to express an independent opinion on the Annual Financial Statements.

In our opinion, the annual report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the public entity for the financial year ended 31 March 2020.

Yours faithfully

Ms Thezi Mabuza
Acting Commissioner
30 September 2020

6. Strategic Overview

6.1. 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."**

6.2. 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".**

6.3. Values

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 all other stakeholders.

The NCC's value statements are:

i. **Professionalism and Ethical conduct** Promote and maintain a high standard of professional ethic;

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 its own actions;

v. **Teamwork** - Promote coherent and effective teams within the NCC.

"To be the leading institution in consumer protection that is professional, responsive and effective."

7. Legislative and Other Mandates

7.1 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 Department of Trade and Industry (**"the dti"**), and particularly to the Minister, **the dti's** Public Entity Oversight Unit (PEO) 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. Increased involvement of Provincial Consumer Protection authorities in the conciliation and mediation of disputes between consumers and suppliers has been promoted and encouraged by the NCC and **the dti**.

Thus the main functions of the NCC, insofar as consumer complaints are concerned, are to:

i. Conduct investigations against suppliers allegedly and;
ii. Promote the resolution of disputes between consumers and suppliers; and to
iii. Promote compliance with the CPA through advocacy, education and awareness.

7.2 Constitutional Mandates

Through its legislative mandate and its promotion of fair business practices, 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 Republic of South Africa, under the Bill of Rights section:

i. **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. **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. **Section 14: Privacy**
The NCC ensures that the privacy of persons is protected.

iv. **Section 33: Just administrative action**
The NCC ensures it applies the rules of natural justice 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 levels of government assume 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.

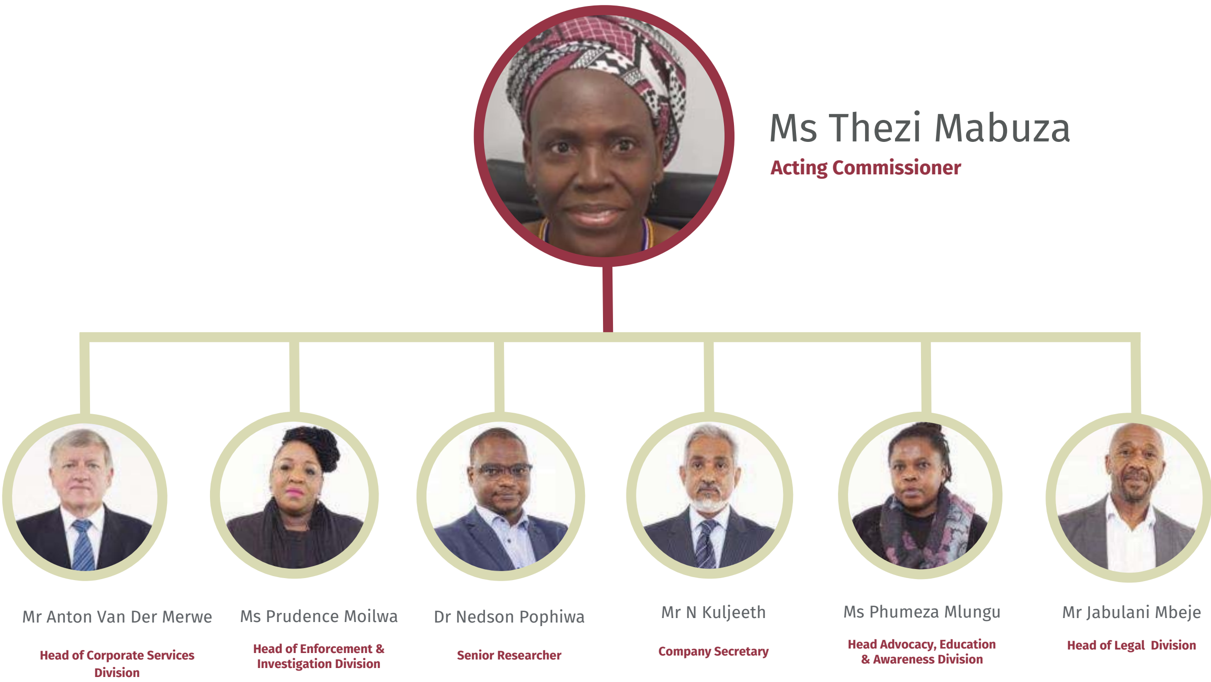
iii. The national legislation is necessary for the-

- **(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.

8. Organisational Structure

The NCC is a public entity and is listed as a schedule 3A entity in terms of the Public Finance Management Act, No. 1 of 1999 (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.



PART B: PERFORMANCE INFORMATION

1. Auditor's Report: Predetermined Objectives

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, we have a responsibility to report material findings on the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. We performed procedures to identify findings but not to gather evidence to express assurance.

Our procedures address the reported performance information, which must be based on the approved performance planning documents of the public entity. We have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. Our 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, our findings do not extend to these matters.

We 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 2020:

Programmes Pages in the annual	performance report	Conclusion
Programme 1 – to promote consumer protection and consumer safety	37 – 38	Unqualified

We performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. We 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.

We did not raise any material findings on the usefulness and reliability of the reported performance information for this programme.

2. Situational Analysis

2.1. 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 implementing its revised 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 or services to consumers. If left unchecked, unethical traders will merely serve to hinder the creation of a fair, competitive and equitable marketplace 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 unfair practices, on the other hand, has become more sophisticated.

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;
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 NCC's External Audit and Risk Committee has met five times in the course of the year in accordance with its approved charter. Risk management is a core to the functioning of the NCC. The NCC's Internal Risk Management Committee operated effectively and matters relating to risk were also dealt with at management meetings.

The NCC's budget makes provision for the funding for 79 positions. This number of positions is particularly small when compared with similar entities operating nationally and internationally. The NCC, as with other public entities, continue to operate in a very constrained fiscal environment. Being a service oriented entity, the majority of the NCC's budget is apportioned to remuneration. Except for funds received through **the dti** and investment income earned through interest received, the NCC receives no additional funding.

As an entity of state, 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. **the dti** has established a bargaining forum for its entities, the NCC included. A performance management system including performance agreements and regular performance reviews is embedded in the administration of the NCC. Performance agreements are primarily informed by job descriptions pertaining to each post. All such agreements and reviews are subject to scrutiny by respective internal moderating committees.

A project on the alignment of the NCC's structure to its strategy, is underway. The need to revise the structure is indeed necessary. There has been a consistent increase in demand on the resources of the NCC particularly with regard to its efforts in administering the country of origin labelling requirements relating to imported textiles and leather goods as well as the recall of unsafe and or defective products. The number of product recalls that NCC is dealing with on a daily basis continue to increase over time and as such, a need exists to restructure the existing resources to discharge these mandates. The demands placed on the NCC's Legal Division to file and prosecute matters at the National Consumer Tribunal also warrants additional resources.

The NCC has commenced with the establishment of an Opt Out Register. The Executive Authority provided funding in January 2019 to the NCC to commence with the procurement of goods and services in relation to the Opt Out Register project. The NCC is compelled to realign its resources to also operate the Opt Out Registry and execute the annual deliverables/ milestones of the said Registry. It is envisaged that apart from injecting capital in relation to establishment costs, the register would be self-funded, once operational.

Despite the challenges mentioned hereinbefore, the NCC continues to deliver on its strategy; to enforce the CPA. The investigation of consumer complaints and education and awareness, remain 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 also receives priority.

The NCC acknowledges that it will be impossible for it to investigate every complaint it receives. It does not have the resources to do so. 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 (MIOSA) and the Consumer Goods and Services Ombud (CGSO) schemes have, since the 2015/16 financial year, continued to provide conciliation services to consumers and suppliers in line with the provisions of the CPA. The NCC has recommended that Minister accredits a franchise Ombud. These Ombud schemes are funded by the respective industries and services are provided at no cost to consumers.

2.2. Key policy developments and legislative changes

The only key development and legislative changes noted by the NCC, related to the price gouging regulation that was proposed by the NCC in terms of the Disaster Management Act. This regulation is limited to the period of disaster as determined by Government. The price gouging regulation enables the NCC, for the first time, to investigate inflated prices on essential goods and services that are not associated with legitimate input costs.

2.3. Strategic Outcome Oriented Goals

The three strategic outcomes persuaded by the NCC in the year under review were.

- To promote Consumer Protection and Consumer Safety;
- To promote reform of consumer policy and compliance with consumer protection legislation; and
- To promote public awareness on consumer protection.

The progress in relation to the three objectives is dealt with under item 3 herein below.

3. Performance Information

by Programme/ Activity/ Objective

3.1 Strategic objective (Programme 1): To promote Consumer Protection and Consumer Safety

Programme 1 contributes to the achievement of the NCC's strategic outcomes by ensuring consumer protection and consumer safety through the enforcement of the provisions of the CPA and facilitating an environment that enables resolution of disputes between consumers and suppliers in an expedient, cost effective, fair and transparent manner. The functions in relation to this objective were performed by the Legal Division and the Enforcement and Investigations Division.

The main functions are to:

(i) Facilitate an environment that enables resolution of disputes between consumers and suppliers that is expedient, cost effective, fair and transparent;
(ii) Conduct investigations so as to enforce the provisions of the CPA thereby ensuring compliance with the provisions of the CPA;
(iii) Make applications in terms of the CPA to the National Consumer Tribunal;
(iv) Facilitate, conduct and monitor product recalls.

Strategic Objective: To Promote Consumer Protection and Consumer Safety

STRATEGIC OBJECTIVE: TO PROMOTE CONSUMER PROTECTION AND CONSUMER SAFETY							
GOAL/ OUTCOME	**Output**	**Performance Indicator/ measure**	**Actual Achievement 2018/2019**	**Planned Target 2019/2020**	**Actual Achievement 2019/2020**	**Deviation from planned target to Actual Achievement for 2019/2020**	**Comment on deviations**
Facilitate an environment that enables resolution of disputes between consumers and suppliers that is expedient, cost effective, fair and transparent.	1. Complaints processed timeously	Percentage (%) of complaints referred or issued with non-referrals in a pre-defined time period	**Achieved** 94% of complaints referred or issued with non-referrals within the average of 40 days	80% complaints referred or issued with non-referrals on an average of 40 days	**Achieved** 92% (2583 of 2804) of complaints referred or issued with non-referrals on an average of 28 days of receipt	Target exceeded by 12%	The referrals to Provincial consumer protection authorities increased following revised arrangements with these authorities.
	2. Accredited Ombud Scheme/s monitored regularly	Report on accredited Ombuds (MIOSA and CGSO) in line with the published codes of conduct or as agreed with the Ombud Scheme.	**Not Achieved** Assessment reports, (one per quarter on each accredited Ombud Scheme) submitted to Executive Authority in relation to 3 quarters	Submit assessment reports (one per quarter on each accredited Ombud Scheme) and submit to Executive Authority	**Achieved** Submitted assessment reports (one per quarter on each accredited Ombud Scheme) to Executive Authority	None	None
Conduct investigations to enforce the provisions of the consumer protection act thereby ensuring compliance with the provisions of the consumer protection act	3. Investigations conducted and reports produced.	Percentage of investigations conducted and reports with recommendations produced	**Achieved** 34 Investigations conducted and reports with recommendations produced.	80% of approved investigations conducted. Reports with recommendations produced within 120 days of approval.	**Achieved** 90% (90 of 100) investigation reports were approved in an average of 93 days.	Target exceeded by 10%	Some investigation were on detained consignments and were dealt with in a batches as notified by Customs.
Make applications in terms of the CPA to the national consumer tribunal	4. Applications made to the National Consumer Tribunal for enforcement action	Percentage of matters approved for further enforcement in the National Consumer Tribunal within predetermined time period	**Not achieved.** 67% of matters approved for further enforcement action referred to the National Consumer Tribunal within 60 days of approval	90% of matters approved for further enforcement action referred to the National Consumer Tribunal within 60 days of approval	**Not Achieved** 72.2. % (13 out of 18**)** of matters approved for further enforcement were referred to National Consumer Tribunal within 60 days of approval.	Target under achieved by 17.8%	Some matters took longer to file at the Tribunal when suppliers request to negotiate settlements.
Facilitate, conduct and monitor product recalls	5. Administer and monitor product recalls	Report on all product recalls in the line with the published Product Recall guidelines or as agreed with the supplier.	**Achieved** Produced quarterly reports on the administration and monitoring of product recalls	Produce quarterly reports on the administration and monitoring of product recalls	**Achieved** Quarterly reports for the administration and monitoring of product recalls produced	None	None

3. Performance Information

by Programme/ Activity/ Objective

3.2 Programme 2: To promote reform of Consumer Policy and Compliance with Consumer Protection Legislation

Programme 2 contributes to the achievement of the NCC's strategic outcomes by promoting compliance with national consumer protection policy and legislation and influencing reform of business practices that are inconsistent therewith.

The functions in relation to this objective are performed by the Legal Division.
The main functions are to:

i) Identify legislation that affects the welfare of consumers which is inconsistent with the purposes of the CPA and develop proposals for the reform of such practices;
ii) Provide guidance to the public by issuing explanatory notes and/or non-binding opinions on the interpretation of provisions of the CPA;
iii) Make application for any declaratory order on the interpretation or application of any provision of the CPA.

Strategic objective: To promote reform of Consumer Policy and Compliance with Consumer Protection Legislation							
Goal/ Outcome	**Output**	**Performance Indicator/ measure**	**Actual Achievement 2018/2019**	**Planned Target 2019/2020**	**Actual Achievement 2019/2020**	**Deviation from planned target to Actual Achievement for 2019/2020**	**Comment on deviations**
	6. Develop and submit proposals for reform of practices inconsistent with the CPA	Number of legislation identified affecting the welfare of consumers which are inconsistent with the purposes of the CPA, develop proposals for reform of practices and reports produced.	**Achieved** 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 reports produced.	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 reports produced.	**Achieved** Two Acts affecting consumers' welfare and inconsistent with CPA'S purpose identified, proposals for reforms developed and reports produced.	None	None
Provide guidance to the public by issuing explanatory notes and/or non-binding opinions on the interpretation of provisions of the CPA	7. Issue explanatory notes and /or non-binding opinions on the interpretation of provisions of the CPA	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	**Achieved** 100 % of registered requests for explanatory notes and /or non-binding opinions provided within an average of 10 days	90 % of registered requests for explanatory notes and /or non-binding opinions provided within an average of 10 days	**Achieved** 100% (567 out of 567) off requests for explanatory notes and or non-binding opinions provided within an average of 2.9 days (rounded of to 3 days)	Target exceeded by 10%	Additional legal advisors employed this year contributed to reduced turnaround time.

3.3 Programme 3: Promote compliance with the CPA through advocacy, education and awareness

Programme 3 contributes to the achievement of the NCC's strategic outcomes by enabling the NCC to increase knowledge on the nature and dynamics of the consumer market and to promote public awareness on consumer protection matters by implementing education and information measures and thereby develop public awareness of the provisions of the CPA.

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

The main functions of this programme are to:

- Conduct targeted consumer education and awareness initiatives as well as business focused workshops and presentations aimed at facilitating a better understanding of the CPA; and
- Develop relevant consumer protection related education and awareness material.

Strategic objective: Promote compliance with the CPA through advocacy, Education and Awareness							
Goal/ Outcome	**Output**	**Performance Indicator/ measure**	**Actual Achievement 2018/2019**	**Planned Target 2019/2020**	**Actual Achievement 2019/2020**	**Deviation from planned target to Actual Achievement for 2019/2020**	**Comment on deviations**
Conduct targeted consumer awareness initiatives as well as business compliance initiatives aimed at facilitating a better understanding of the CPA	8. Consumer awareness initiatives conducted	Number of consumer awareness initiatives conducted	**Achieved** 29 Consumer initiatives conducted	24 consumer awareness initiatives conducted	**Achieved** 24 Consumer Awareness initiatives attended	None	None
	9. Business compliance initiatives conducted.	Number of business compliance initiatives conducted.	**Achieved** 18 Business Compliance initiatives conducted.	12 business compliance initiatives conducted.	**Achieved** 12 Business compliance initiatives conducted	None	None
	10. Publish and distribute educational material to consumers	Number of newsletters published and distributed to consumers in predetermined frequencies	**Achieved** 4 External Newsletters published and distributed to stakeholders.	4 External Newsletters published and distributed to stakeholders.	**Achieved** 4 External Newsletters published and distributed to stakeholders	None	None

3.4 Key Achievements of Programmes

3.4.1 To promote Consumer Safety and Protection

3.4.1.1 Investigations/ Inspections and Product Recalls

It is an underlying principle of the Consumer Protection Act (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 is empowered to recall those goods for either repair, replacement or refund.

In order to promote the supply of safe consumer goods and services, the NCC continues to work closely with other regulators, including its accredited ombuds. 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 year under review.

In all these product recalls, the NCC has assessed the Product Safety Recall Notifications and reached agreements on reporting schedules with the respective suppliers. These recalled products include, amongst other goods, the following:

Strategic Objective: To Promote Consumer Protection and Consumer Safety

Item	Name of Supplier	Product	Defect	Hazards
1	Daimler Trucks & Buses Southern Africa (Pty) Ltd (8892063)	Daimler Trucks & Buses - Actros 963, Antos 963 and Arocs 964.	The outer section of the front-end flap air deflector could detach partially or entirely from the inner section or vehicle. It is possible that the clips could slowly detach, in part due to the wind loads that arise during operation.	Production faults at the supplier process fluctuations when extruding, insufficient clipping of the outer section to the inner section) and additional stresses arising during operation (vibrations, wind gusts, driving through tunnels) may additionally affect the component part unfavourably.
2	Mercedes-Benz South Africa Limited (4693002)	Mercedes-Benz Model 205 - C, 213 - E, 238 - E, and 253 – GLC.	In the C-/E-Class and GLC (model series 205, 213, 238, 253). It is possible that a sensor within the electronic steering was produced outside of specifications.	If the sensor were to fail while driving, the rotor position of the electric motor within the steering would no longer be detected and the steering power assistance would be deactivated. This could increase the risk of an accident.
3	Coca-Cola Africa (Proprietary) Limited ("CCA"), as the marketing services company of The Coca-Cola Company's ('TCCC') brands in South Africa.	Hollandia Powerstart Mageu ('Mageu')	Following a standard quality testing routine, it was identified that four specific batches of Mageu have quality issues. Immediate review and laboratory testing revealed that a contaminant (Bacillus Cereus sp.)	Bacillus cereus symptoms are watery diarrhoea, vomiting and nausea, and stomach cramps which may be experienced from 30 minutes to 15 hours after consumption of contaminated product.
4	Daimler Trucks & Buses Southern Africa (Pty) Ltd	UNIMOG-405.090/104/105/110/125/202/222	Damage may occur in the electrical frame wiring harness along the right longitudinal frame member in Mercedes-Benz UNIMOG vehicles.	As a result of the defect, a partial failure of the certain components cannot be ruled out during vehicle operation, namely, rear lamp unit (incl. trailer), electrical supply line of the cab and engine control unit.
5	Volkswagen of South Africa (Pty) Ltd ('VWSA')	Rear coil springs fitted to Tiguan Allspace vehicles of a specific production period.	The rear coil springs can break due to the use of a non-approved material.	The rear coil springs can break. A broken coil spring could damage the rear tyre and result in loss of control over the vehicle, which can in turn result in an accident.
6	Toyota SA Motors PTY (LTD)	Hino 300 Models	The light duty trucks equipped with passenger airbag inflators are possibly susceptible to moisture intrusion over time.	Depending on circumstances, this defect could create excessive internal pressure when airbag is deployed and cause the inflator to rupture. The customers will be contacted by the respective selling dealer to bring the vehicle to the dealer for the repair to be conducted.
7	Audi South Africa, a Division of Volkswagen of South Africa (Pty) Ltd ('Audi SA')	Brake master cylinder fitted to Audi Q5 vehicles of a limited production period.	Due to a process error by the component supplier, rejected parts were inadvertently mixed with correctly manufactured parts. On the affected parts, the wall thickness of the brake master cylinder may not meet the specifications.	The brake master cylinder may develop a leak and potentially fail. This could cause the hydraulic brake system to fail and increase the risk of an accident. The Electronic Parking Brake and its emergency braking function are, however, not affected and remain fully functional.
8	Schneider Electric South Africa	Altivar Variable Frequency AC Drives	A potential component issue that may affect the Altivar 32 Variable Frequency Drives manufactured during the period of March 2010 to April 2013.	This issue may cause an electrical overload. Should such a situation arise, serious personal injury, death or property damage may result.

3.4.1.2 Timeshare Enquiry

Flowing from a public commitment that the NCC made at the release of the Timeshare Inquiry Report, an internal Task Team engaged with the Vocational Ownership industry, to elicit release of consumers from the vice-grip of “contracts in perpetuity” that they had been tied to. This engagement occurred on a club-to-club basis, in recognition of the fact that the underlying transactions had occurred between individual clubs and consumers.

Over a four month period approximately 997 contracts have been cancelled as a result of the NCC’s intervention. Affected consumers have been released from the burden of the perpetual contracts. This intervention has resulted in significant savings for these consumers in terms of annual levies, the balance relating to membership fees etc. A saving of least R1.6m was realized for the first year of cancellation. These contracts usually endure for up to seven years. Certain conscientious clubs have undertaken to refund consumers that never benefitted from their timeshare schemes by granting consumers latitude to take holidays, commensurate with the payments that they have made to the said clubs over the years.

3.4.1.3 Ford Kuga Recall and Investigation

The NCC entered into a consent agreement with the Ford Motor Company of Southern Africa (FMCSA) in December 2019 in relation the Ford Kuga motor vehicles.

A number of complaints were received in relation to the Ford Kuga 1.6L Eco-boost that were combusting either whilst being driven or parked. An investigation into the conduct of FMCSA was conducted.

In terms of the consent agreement, FMCSA agreed:

- **a)** To pay an administrative fine of R35M in terms of Section 112 of the Consumer Protection Act.
- **b)** That it is liable for harm in terms of Section 61(1)(b) of the CPA.
- **c)** To compensate the owners of Kuga vehicles that burned.
- **d)** That the consent order will be made an order of the National Consumer Tribunal.

3.4.1.4 Textile inspections and investigations

The NCC, SARS, NRCS and various offices at the Department of Trade and Industry came together to deal with the importation of non-compliant textiles. A plan has been devised to combat this growing phenomenon. The NCC has focused on enforcing the "labelling and trade description" provisions of the Consumer Protection Act (Act 68 of 2008) relating to the Country of Origin, Fibre Content and Care Labelling.

The NCC is coordinating processes to develop capacity especially in areas that have ports of entry which are used to import textiles into the Republic of South Africa. Whilst the final permutations and modalities are being ironed out, the NCC conducted its first investigation into this phenomenon, which also looked into certain fraudulent activities pertaining to the unauthorized release of non-compliant textiles into the South African marketplace. In this matter, two Compliance Notices have been issued to the Importer and the Clearing Agent. Other investigations are underway.

The NCC has focused on enforcing the "labelling and trade description" provisions of the Consumer Protection Act (Act 68 of 2008) relating to the Country of Origin, Fibre Content and Care Labelling. Several investigations were conducted which mainly looked into non-compliant textiles imported through the Cape Town and Durban ports.

3.4.1.5 Participation in international consumer protection Fora

The NCC has continued its engagements with other consumer regulatory bodies in Africa and the rest of the world with a view to keeping abreast with cross border developments and to share information on consumer protection. In May 2019, the NCC attended the 10th annual African Dialogue conference in Zambia. Twenty other African countries attended. The conference theme was: "Celebrating a Decade of Growth for African Cross Border Consumer Protection Collaboration". The Dialogue promotes consumer protection, enforcement, cooperation, information sharing and capacity building amongst African consumer and competition authorities.

The conference was held back to back with the International Consumer Protection Enforcement Network (ICPEN) conference which the NCC also participated in. ICPEN is an organization composed of consumer protection regulatory authorities from over 60 countries which provide a platform for cooperation on a global scale. The NCC recently received acceptance as a partner member to ICPEN.

In the year under review, the NCC strengthened its relationship with the Zambia Consumer and Competition Commission. A Memorandum of Understanding was concluded between the two agencies. Both entities undertook to collaborate on specific projects and to share knowledge and expertise in the area of consumer protection.

3.4.1.6 Provincial Consumer Protection Authorities

The NCC has commenced with a capacity building programme targeted at officials of Provincial Consumer Affairs Offices. The aim of the initiative is to achieve standardization of messaging and information communicated to consumers with regard to consumer protection and to benchmark alignment of provincial consumer laws with the Consumer Protection Act. The NCC intends agreeing on common norms and standards for service delivery across all areas of consumer protection. Emphasis has been placed on consumer education, complaints handling and interpretation of the CPA. The programme has thus far proved be warranted and has received very positive feedback from the three provincial consumer protection authorities that the NCC has engaged with.

3.4.1.7 World Consumer Rights Day (WCRD)

WCRD 2020 was celebrated on Friday 13 March 2020 after a week-long campaign involving consumer education and awareness as well as compliance monitoring and enforcement activities around Buffalo City Municipality in the Eastern Cape (EC). The celebrations culminated to a formal programme hosted jointly by the NCC, the University of Fort Hare (UFH), the Eastern Cape Department of Economic Development together with the Consumer Protection Forum.

A key feature of the celebrations this year was the establishment of a formal relationship with the University of Fort Hare aimed at entrenching the role of academic participation in consumer protection. The university, under its Transformative Constitutionalism program seeks to produce well rounded graduates that have a balanced learning of theory, practice as well as dealing with community issues. The highlight in this regard was the rolling out of an undergraduate consumer protection module that will combine consumer rights and social security law as a compulsory course to be offered by the university. A Memorandum of Understanding was concluded to cement these relations. Some of the areas of cooperation encapsulated in the NCC-UFH MoU are that:

- In implementing its mandate, the NCC will collaborate with UFH in consumer protection activities by carrying out targeted and planned consumer protection awareness campaigns in the Eastern Cape in responding to the dictating complaints received from the public;
- That the UFH will create a research based world class approach that is responsive and effective in addressing consumer concerns within the EC region, based on the empirical data and survey in conjunction with the NCC;
- UFH will deliver a module in Consumer Law as part of it curriculum in ensuring that it contributes to the consumer protection activities within the EC province;
- The UFH law students will be encouraged to be consumer activists in collaboration with the activities of the NCC;
- Both parties will strive to promote Consumer Protection and Consumer Safety within the EC through collaboration efforts and programmes that will be engaged between the parties.

The celebrations further showcased the importance of community involvement and participation in consumer rights activism. Two schools in the Buffalo City Municipality namely Dalukukhanya Higher Primary in Mdantsane and Nontuthuzelo Public School in Gompo participated throughout the week long program. Both these schools opened their doors to have their learners introduced to consumer protection activism through the establishment of School Consumer Clubs for learners in grade 6 and 7.

The School Consumer Club program is an initiative of the NCC aimed at raising consumer activism at an early age to cultivate communities that are empowered not only to know their rights but to demand these rights in their communities. A beautiful rendition of consumer rights by grade six and seven learners from Nontuthuzelo Public School convinced the audience that the learners knew their rights and were ready to demand their rights and stand-up for someone whose rights are being violated. The leaners showed that they were indeed, deserving to be the consumer rights champions that they are.

3.4.1.8 Corona Virus (COVID - 19)

The year under review ended in quite a flurry for the NCC with our State President acting decisively by declaring on 15 March 2020 a national state of disaster over the coronavirus outbreak and in the process announced the continent's most drastic measures yet to curb its spread.

As highlighted under paragraph 2.2, the NCC, at the outset, expressed its concern to **the dti** that price gouging (abrupt spike in pricing) is likely during emergency/ disaster situations, that is, when a supplier/business attempts to raise prices to unfair levels as consumers are impacted by situations, like COVID 19. The NCC also indicated that since the onset of COVID 19 and more particularly the spread thereof to the Republic of South Africa, consumers have engaged in panic buying of essential goods, including soaps, sanitising products, foodstuffs and the like. The NCC was of the view that such panic buying results in:

- **i)** Suppliers abruptly increasing prices on essential goods and services;
- **ii)** Vulnerable consumers not having access to essential goods and services

As such, government had a duty to protect consumers from unconscionable, unfair, unreasonable, unjust or otherwise improper trade practices; Even though the pricing of consumer goods and services is generally best left to the marketplace under ordinary conditions, when a declared state of emergency or disaster results in abnormal disruptions of the market, the public interest requires that excessive and unjustified increases in the prices of essential consumer goods and services be prohibited.

The NCC is most pleased that Minister promulgated the regulations to deal with the concerns of the NCC. Is it stands, only a small number of businesses have seemingly not complied. This means that the impact of the regulations has been immediate.

The NCC established a COVID-19 toll free line to enable consumers to lodge complaints relating to excessive pricing on essential goods.

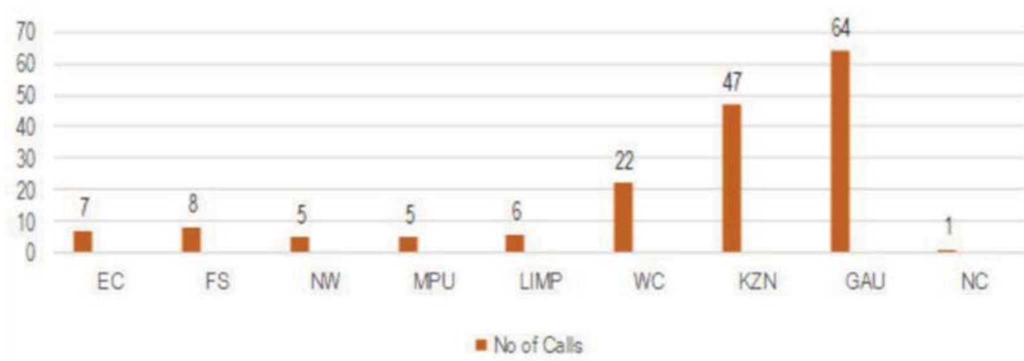
The NCC and the Competition Commission set up a joint task team to give effect to the regulations and directions announced by the Minister. The public was furnished with contact details of the two Commissions where they can lay complaints with regards to unreasonable escalation of prices.

By 31 March the following statistics in relation to excessive pricing has been recorded:

Summary of NCC's Statistics as of 31 March 2020

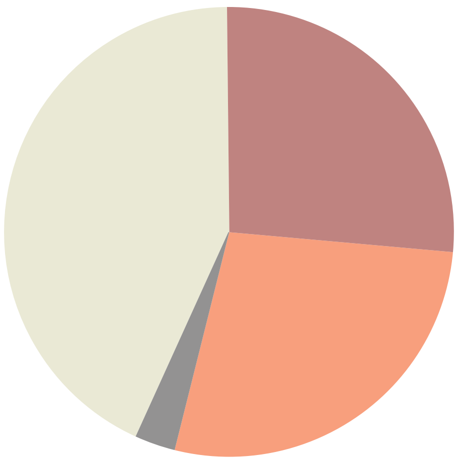
For the period 23-31 March 2020, the NCC received a total of **713** calls were received through its COVID-19 toll-free hotline. A total of **617 (87%)** calls were answered and **96 (13%)** were lost/ abandoned. The 617 calls answered translated into **238 complaints** on alleged price gouging which relates to essential products as per Reg. 350. The other 379 callers alleged price gouging on products not listed in the regulation. The total number of **suppliers implicated in the complaints is 210**. They range from the small corner shop to the large suppliers of goods and are spread across all Provinces.

Calls received per Promise



Products complained about

The vast majority of complaints came from Gauteng, Kwa-Zulu Natal and the Western Cape, in that order.



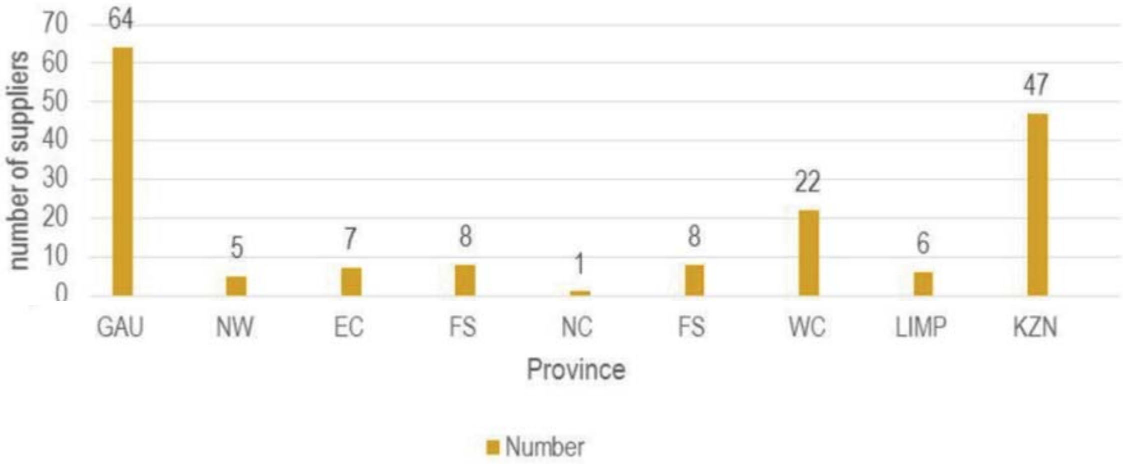
Face Masks

Hand Sanitizers

Gloves

Other

Number of Suppliers per Province



The bulk of the suppliers complained off, are based in Kwa-Zulu Natal. Anecdotal evidence indicates that the relevant MEC in this province actively engaged with consumers and suppliers during this period.

Summary of Price Gouging Regulation Statistics as of 31 March 2020

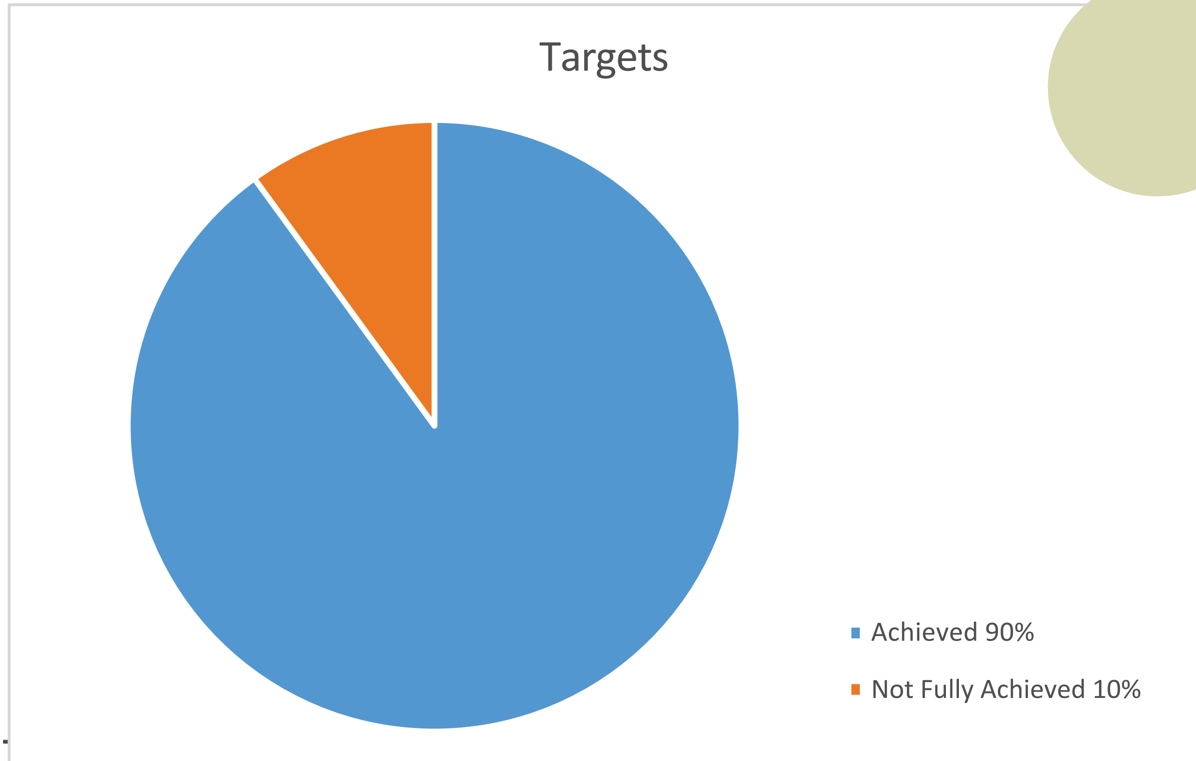
SUPPLIER	PROV	PRODUCT	STATUS
1. *Mopani Pharmacy (Mbombela)*	MP	Hand Sanitiser, Dust mask	Settlement agreement (awaiting confirmation at Tribunal): Admin fine of R52 796; donation of 2500 reusable masks to non-profit organization serving vulnerable groups and not to sell masks with a mark-up of more than 50%. Supplier has complied with settlement agreement.
2. *Kit Kat Cash & Carry (Pretoria)*	GAU	Hand Sanitiser	Settlement agreement signed Supplier agreed to contravention of Regulation5.2.1, payment of an administrative fine of R50 000refund of the complaint of the sum of R3 760 to be interdicted from contravening the provisions of the CPA read together with Regulation 350.
3. *Belegi Workwear (Pretoria)*	GAU	Mask	Judgement was granted against Belegi and was ordered to pay an administrative fine of R100 000 within 30 days, and found to have contravened Regulation 5.2.1.
4. *Peoples Pharmacy*	KZN	Mask	Settlement agreement reached. Respondent is to pay R10 000 adminpenalty, and donate PPEs worth R20 000 to schools. The Supplier has complied with the settlement agreement.
5. *Health and Home Protea Pharmacy*	GAU	Mask	Settlement Agreement has been reached. Respondent has paid R 10 000,00 Admin Penalty, and will donate 40 Masks to Kempton Park Child Welfare

3.5 Changes to Planned Targets

No changes to targets were made in the year under review

3.6 Strategy to overcome areas of Under Performance

The NCC fully met 9 out of 10 targets. This is equivalent to a 90% achievement.



The table below depicts the targets that have not been achieved.

GOAL/ OUTCOME	OUTPUT	MEASURE/ INDICATOR	PLANNED TARGET-2019/2020	ACTUAL ACHIEVEMENT 2019/2020	REASON FOR VARIANCE
MAKE APPLICATIONS IN TERMS OF THE CPA TO THE NATIONAL CONSUMER TRIBUNAL	4. Applications made to the National Consumer Tribunal for enforcement action	Percentage of matters approved for further enforcement in the National Consumer Tribunal within predetermined time period	90% of matters approved for further enforcement action referred to the National Consumer Tribunal within 60 days of approval	**Not Achieved** 72.2. % (13 out of 18**)** of matters approved for further enforcement were referred to National Consumer Tribunal within 60 days of approval. (Eight out of 13 matters taken for further enforcement were Compliance notice and 5 were applications)	In Q2 the Prosecution Committee recommended 4 matters for further enforcement subject to corrections. These matters were erroneously reported as approved for further enforcement. When they were approved in Q3, pursuant to the amendments, They were again reported as approved which amounted to duplication

The one area of under performance that has been reported under paragraph 3.1 to 3.3 under the heading Performance Information by Programme/ Activity/ Objective is not as a result of any key challenges faced by the NCC.

With regard to target 4 relating to “90% of matters approved for further enforcement action referred to the National Consumer Tribunal within 60 days of approval”- During the second Quarter the Prosecution Committee recommended 4 matters for further enforcement subject to corrections. These matters were erroneously reported as approved for further enforcement. When they were approved in Quarter 3, pursuant to the amendments, they were again reported as approved which amounted to a duplication.

3.7 Linking performance with budgets

	2018/2019			2019/2020		
Programme	**Budget**	**Actual Expenditure**	**(Over)/Under Expenditure**	**Budget**	**Actual Expenditure**	**(Over)/Under Expenditure**
	R0,00	R0,00	R0,00	R0,00	R0,00	R0,00
Programme 1	23 076	21 100	1 975	24 528	21 181	3 347
Programme 2	7 561	7 695	135	7 766	7 787	(21)
Programme 3	-	-	-	565	-	565
Administration	35 598	25 049	10 548	36 324	36 238	86
Total	**66 235**	**53 844**	**12 568**	**69 183**	**65 206**	**3 977**

4. Revenue Collection

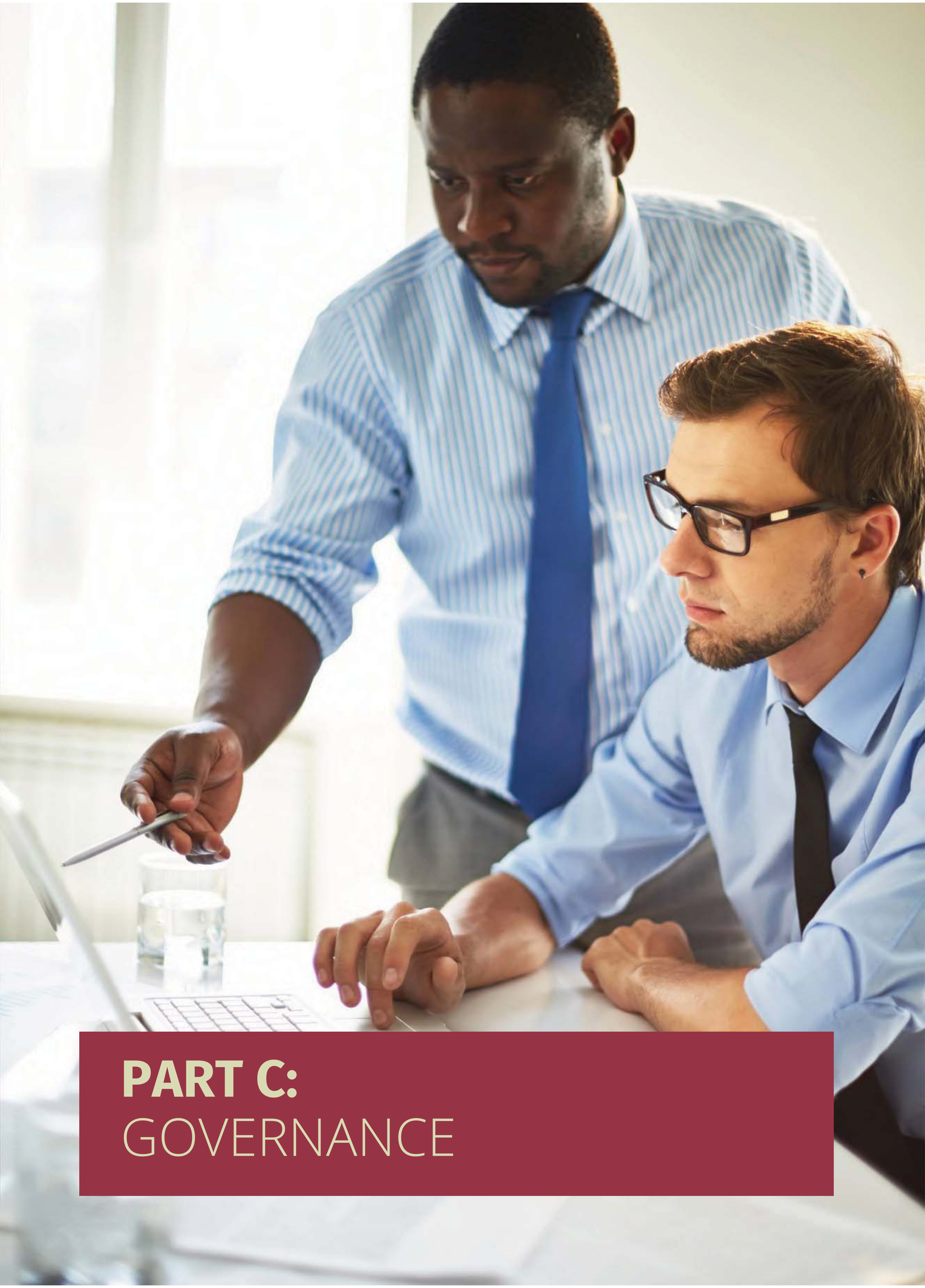
	2018/2019			2019/2020		
Sources of revenue	**Estimate**	**Actual Amount Collected**	**(Over)/ Under Collection**	**Estimate**	**Actual Amount Collected**	**(Over)/Under Collection**
Interest received - staff debtors	-	5	(5)	-	2	(2)
Other income	-	72	(72)	-	14	(14)
Interest received - investment	1 788	1 777	11	1 888	3 667	(1 779)
Government grants	69 674	69 674	-	58 304	58 304	0
Services in Kind	8 830	8 830	-	8 991	8 991	0
Total	**80 292**	**80 358**	**(66)**	**69 183**	**70 978**	**(1 795)**

Reasons for over-collection in relation to the interest on in investment:

The Department of Trade and Industry released the full annual allocation as opposed to quarterly tranches. As a result, there was an overall larger bank balance throughout the financial year, and consequently the interest earned was higher when compared to the budgeted interest amount.

4.1. Capital investment

	2018/2019			2019/2020		
Infrastructure projects	**Budget**	**Actual Expenditure**	**(Over)/Under Expenditure**	**Budget**	**Actual Expenditure**	**(Over)/Under Expenditure**
	R0,00	R0,00	R0,00	R0,00	R0,00	R0,00
Total						



PART C: GOVERNANCE

1. 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. The former Commissioner's term ended on 31 May 2019. The process of appointing a Commissioner is underway and managed by **the dti**. The Deputy Commissioner is appointed to act as Commissioner until the new Commissioner is appointed.

The NCC does not have a Board. The Commissioner is the Accounting Authority of 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. Any such delegation however, does not divest the Commissioner of responsibility for the exercise of any power or performance of any duty.

The Minister has designated the 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 when the office of the Commissioner is vacant. The Minister of Trade & Industry and 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.

2. Portfolio Committees

Parliament, through the Portfolio Committee on Trade, 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 2018/19 annual report as well as on its first quarter report (2019/2020) on 30 October 2019. On 25 February 2019, the NCC presented its product recall report to the Portfolio Committee. Moreover, it provided information for the induction of new and returning members of parliament.

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.

3. 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 the requirements thereof 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 and risk management plans. The NCC has also reported on its risks, the findings of the Auditor General of South Africa and those made by Internal Audit as well as on progress in addressing these findings.

4. Committees

In line with the requirements of the PFMA, the NCC has an Audit and Risk Committee, comprised of independent persons and one ex-officio member who serves thereon at the behest of the Executive Authority.

The said Committee is constituted as follows:

- Chairperson: Ms S Sekgobela;
- Ms René Kenosi;
- Adv Shami Kholong; and
- Ms Nontombi Matomela (Ex Officio).

The following table reflects the number of meetings and dates thereof attended by the members of the Committee.

Name	Internal or external	Qualifications	If internal, position in the public entity	Date appointed	Date Resigned	No. of Meetings attended
Ms S Sekgobela (Chairperson)	External	*Honours B Com, MSc (Econ), Certificate in Corporate Governance*	N/A	7 October 2015 Reappointed – 7 October 2018 Appointed Chairperson - 1 April 2019	N/A	5
Ms R Kenosi	External	*CA (SA)*	N/A	20 January 2016 Reappointed – 20 January 2019	N/A	5
Adv. S Kholong	External	*BA Law (Wits) LLB (Wits) BA Honours (UFS) MBL (Unisa)*	N/A	7 October 2015 Reappointed – 7 October 2018	N/A	5
Ms Nontombi Matomela	Ex Officio	*BA (Hons) Development Studies*	N/A	17 December 2016	N/A	5

5. Risk Management

The NCC has a Risk Management Policy and Strategy. In developing its Risk Strategy, the NCC identified Strategic and operational risks and developed and implemented management action plans to mitigate the Risks to an acceptable level. The Strategy and action plans were approved by the Accounting Authority. All risks were entered into a Risk Register and were monitored regularly and reported on at the Internal Risk Committee and External Audit and Risk Committee meetings as well as at management meetings. Significant progress has been made in addressing identified risks.

6. Internal Control Unit

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 controls that were subject to evaluation by Internal Audit encompassed, amongst others, the following activities

Activity
• Human Resource Management
• Information Communication Technology
• The Audit of Pre-Determined Objectives.
• Legal Services
• Enforcement and Investigations
• Advocacy, Education and Awareness
• Supply Chain Management and Contract Management
• Financial Management (Annual Division of Revenue Audit)

Internal Audit also audited (where feasible) previous External Audit findings that were reported by Management as resolved.

Internal Audit steering committee meetings were held regularly, throughout the year.

7. Compliance With Laws And Regulations

The NCC reports quarterly to the Executive Authority on its compliance with the PFMA, Treasury Regulations and various Treasury directives. Moreover, The NCC complies with amongst other legislation, all the labour laws. Whilst a high level regulatory compliance universe has been drafted, it is not yet finalised. Finalisation is anticipated in the next Financial Year.

8. Fraud and Corruption

The NCC has approved a Fraud Prevention Plan (Plan) which has been workshopped with staff. Except for an alleged travel claim fraud by an official of the NCC, no other matters of fraud and/or corruption were reported in the year under review. A disciplinary enquiry is underway in relation to that matter. No acts of fraud were reported on the fraud hotlines monitored by the NCC. 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.

9. Minimising Conflict of Interest

All officials of the NCC are obliged to disclose, under oath, their financial interests annually. Officials are not permitted to engage in any remunerative work outside the NCC unless duly authorised to do so. In addition, all officials are obliged to disclose any conflict of interest prior to any management, recruitment related and bid committee meeting.

10. Health Safety And Environmental Issues

All health and safety legislation is complied with by the NCC. Much of the compliance is done in conjunction the owner of the premises that is occupied by the NCC, namely, the South African Bureau of Standards.

11. Audit & Risk Committee Report

In line with its strategic commitment to be a well-governed entity, the NCC strives for effective oversight and monitoring of its governance regime. Vital to the achievement of this aim, is a competent and independent Audit and Risk Committee ("ARC"). We present the ARC report for the financial year ended 31 March 2020.

The ARC complied with its responsibilities arising from:

- Section 38 (1) (a) (ii) of the Public Finance Management Act and Treasury Regulation 3.1.8 and 3.1.13. The ARC also reports that it has adopted its ARC Charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

- Its Terms of Reference, including relevant legislative requirements, whereby it developed a draft formalised annual work plan that assists in carrying out its responsibilities and monitoring progress thereto.

For the financial year ended 31 March 2020, the ARC conducted and / or reviewed the following:

- Separate meetings with the assurance providers;
- Quarterly Financial Statements and Performance Reports;
- Enquired about the capacity of the Finance function;
- Unaudited Annual Financial Statements before submission to the External Auditors ("EA");
- The Annual Report and report on predetermined objectives prior to submission to the EA;
- The appropriateness of Accounting Policies and Procedures;
- The effectiveness of the system of Risk Management including Fraud Prevention;
- Compliance with relevant laws and regulations;
- The system of IT Governance;
- The plans, work and reports of the outsourced Internal Audit function ("IA") and EA;
- The IA audit three-year plan and operational plan;
- The IA reports and outcomes; and
- The EA report and audit opinion.

The ARC held five (5) meetings. The table below discloses relevant information on the ARC members:

Name	Internal or external	Position	No. of Meetings attended
Ms Simangele Sekgobela	External	Chairperson	5
Ms René Kenosi	External	Member	5
Mr Shami Kholong	External	Member	5
Ms Nontombi Matomela	External	the dtic representative	5

Effectiveness of Internal Control

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

There has been a regression in the internal control environment over the past two financial periods despite the best efforts of the ARC and independent assurance providers at the NCC. Management must exercise stricter management and control over all functions and heed the advice provided.

The ARC has reviewed the NCC's implementation plan for IA and EA audit findings raised in the previous financial year and consistently raised concerns regarding the delays in implementing corrective action.

Below are areas of concern in respect of internal controls and/or processes that requires immediate improvement:

- Control weaknesses in the Finance function with particular reference to the failure to perform creditors reconciliations and payments of creditors within 30 days;
- Supply Chain Management, with emphasis on the cancellation and re-advertisement of tenders, effective recording and maintenance of contract registers and development of adequate specifications, etc.;
- Administration processes including but not limited to document management,
- Monitoring of certain projects;
- Lack of consequence management;
- In-Year Management and Monthly/Quarterly Reports;
- Management oversight;
- Performing reconciliations processes (Finance, HR and SCM);
- Monitoring, evaluation and enforcement of Standard Operating Procedures (SOPs); and
- The capacitation of the IT function.

Internal Control Weaknesses

The follow-up by IA of internal control processes indicated that management was not duly instituting corrective action to address control weaknesses identified, hence the repeat findings raised by the EA. It must be noted that the ICT findings were delayed due to numerous factors.

Overall the ARC is of the view that the quality and timing of implementation of management responses needs improvement.

Evaluation of Financial Statements

The ARC reviewed the Annual Financial Statements (AFS) pre and post the external audit and discussed same with management and wish to report the following:

- Assurance provided by management in terms financial status, fair representation, state of the control environment and quality assurance processes needs improvement;
- The accounting policies and practices applied are appropriate;

The ARC:

- Reviewed the EA management report and management's responses thereto;
- Reviewed changes in the Accounting Policies and practices; and
- Reviewed the NCC's compliance with legal and regulatory provisions.

Integrated Assurance

The ARC reviewed the plans and reports of the EA, IA, and Management and concluded that these were adequate to address significant strategic risks facing the business.

For the period under review, the ARC noted no material non-compliance with prescribed policies and procedures. From observations, analyses and reports presented to the ARC by management, IA and the EA, the ARC concludes that the systems of internal control tested and reported on were found to be adequate but partially effective and requires immediate improvement.

Internal Audit Effectiveness

IA forms part of the third line of defence and engages with the first and second lines of defence to facilitate the escalation of key control breakdowns.

The IA has a functional reporting line to the ARC (via the Chairperson) and an administrative reporting line to the Commissioner. The IA reports quarterly on the adequacy and effectiveness of Internal Controls, Governance and Risk management.

The ARC is satisfied with the independence of the IA.

The IA function is currently outsourced due to the size of the NCC.

The ARC considered and approved the IA three year strategic rolling plan as well as the annual operational plan which were based on the NCC's strategic risk assessment.

IA provides the ARC and management with assurance that the internal controls are adequate in design and functioning as intended through its quarterly progress reports. In this regard, IA recommended corrective action and/or suggested improvements to the controls and processes that was accepted by management and required implementation within specific timeframes.

At its quarterly meetings, the ARC considered the work performed by the IA and the tracking of progress on implementation of corrective action of previously reported Audit Findings.

Depicted below is a summary of the nine (9) audits completed and the number of related findings reported by IA in the year under review:

Type of Audit	Number
Compliance Audits	4
Performance Audits	0
IT Audits	1
Performance Information Audits (3 divisions)	4
Follow-ups: Compliance Audits Performance Information Audits IT Audits	N/A
Total	9

Performance Information

The performance information fairly reflects the operations and actual output against planned targets for performance indicators as per the Annual Performance Plan. The performance information has been reported on in accordance with the requirements of the guidelines issued by National Treasury.

Risk Management

An internal Risk Management Committee ("RMC") monitors and oversees the strategic and operational risks throughout the NCC and reports quarterly results at the ARC meetings.

Risks preventing the NCC from achieving its objectives were identified and prioritised based on its likelihood and impact, both on an inherent and residual basis. Accordingly, mitigation strategies were developed to reduce such risks to acceptable levels. New and emerging risks were also identified during the quarterly review processes.

Specifically, emerging risks in respect of COVID-19 were identified and strategies implemented to mitigate the risks from occurring.

Governance and Ethics
The NCC has adopted the corporate governance principles applicable to the Public Sector.

Finance
An enquiry on the state of the Finance function indicated that the function needs some improvement through capacity building and / or upskilling.

Conclusion
The ARC concurs with the opinion of the EA and notes the regression of the internal control environment at the NCC with concern.

The ARC wishes to express its appreciation to the management of the NCC, the EA and IA who assisted the ARC in performing its functions.

Ms Simangele Sekgobela
Chairperson of the ARC
30 September 2020

12. B-BBEE Compliance Performance Information

The following table has been completed in accordance with the compliance to the BBBEE requirements of the BBBEE Act of 2013 and as determined by the Department of Trade and Industry

Has the Public Entity applied any relevant Code of Good Practice (B-BBEE Certificate Levels 1 – 8) with regards to the following:

Criteria	**Response Yes / No**	**Discussion** ***(include a discussion on your response and indicate what measures have been taken to comply)***
Determining qualification criteria for the issuing of licences, concessions or other authorisations in respect of economic activity in terms of any law?	No	
Developing and implementing a preferential procurement policy?	No	
Determining qualification criteria for the sale of state-owned enterprises?	No	
Developing criteria for entering into partnerships with the private sector?	No	
Determining criteria for the awarding of incentives, grants and investment schemes in support of Broad Based Black Economic Empowerment?	No	

PART D:
HUMAN RESOURCE MANAGEMENT

HUMAN RESOURCE MANAGEMENT

Human Resources Oversight Statistics

Personnel Cost 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	18 404 000	18 718 395	42%	32	584 950
Programme 2	22 179 000	19 715 774	45%	40	492 894
Programme 3	6 226 000	5 768 813	13%	8	721 102
TOTAL	**46 809 000**	**44 202 982**	**100%**	**80**	**552 537**

Programme 1: Corporate Services and Office of the Commissioner (Administration)
Programme 2: Consumer Safety and Protection
Programme 3: Research, advocacy and empowerment of participants in the consumer market

Personnel cost by salary band Level

Level	Total Personnel budget	Personnel Expenditure	% of personnel exp. to total personnel cost	No. of employees	Average personnel cost per employee
Top Management	3 987 890	2 503 007	6%	2	1 251 503
Senior Management	17 762 349	15 849 724	36%	14	1 132 123
Professionally qualified	11 924 547	14 654 663	33%	23	637 159
Skilled	3 610 239	3 514 211	8%	10	351 421
Semi-skilled	9 523 975	7 681 377	17%	31	247 786
TOTAL	**46 809 000**	**44 202 982**	**100%**	**80**	**552 537**

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

Performance Rewards

Programme	Total personnel Expenditure	Performance rewards	Personnel expenditure	% of performance rewards to total personnel cost
Programme 1	18 718 395	0	0	0%
Programme 2	19 715 774	0	0	0%
Programme 3	5 768 813	0	0	0%
TOTAL	**44 202 982**	0	0	0%

Training Costs

Directorate/ Business Unit	Total personnel expenditure (R000)	Training expenditure (R000)	Training expenditure as a % of personnel Cost.	No. of employees trained	Avg training cost per employee
All Directorates	44 202 970	180 917	0.41%	46	3 933
TOTAL	**44 202 970**	180 917	0.41%	**46**	**3 933**

Employment and vacancies

Programme	2018/2019 No. of Employees	2019/2020 Approved / Funded Posts	2019/2020 No. of Employees	2019/2020 Vacancies	% of Vacancies
Top Management	2	2	1	1	50%
Senior Management	10	13	13	0	0%
Professional qualified	22	25	19	6	24%
Skilled	8	9	8	1	11%
Semi-skilled	32	30	30	0	0%
TOTAL	**74**	**79**	**71**	**8**	**10%**

NB. The Commission reported the approved funded posts as being 85 during 2018/19. However, after careful consideration of the available budget and "cost of living adjustment", certain vacant positions had to be merged to fund positions which were previously not funded. The current funded positions for the period under review are therefore 79 instead of 85.

Employment and vacancies by programme

Programme	2018/19 No. of Employees	2019/20 Approved / Funded posts	2019/20 No. of Employees	2019/20 Vacancies	% of vacancies
Programme 1	26	29	24	5	17%
Programme 2	38	41	40	1	2%
Programme 3	10	9	7	2	22%
Total	**74**	**79**	**71**	**8**	**10%**

Employment changes

Salary Band	Employment at beginning of period	Appointments	Terminations	Employment at end of the period
Top Management	2	0	1	1
Senior Management	10	3	0	13
Professional qualified	22	3	5	19
Skilled	8	1	2	8
Semi-skilled	32	3	5	30
TOTAL	**74**	**10**	**13**	**71**

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 4-6)

Reasons for staff leaving

Number	% of total no. of staff leaving	Number
Death	0%	0
Resignation	69%	9
Dismissal	0%	0
Retirement	8%	1
Ill health	0%	0
Expiry of contract	23%	3
Other	0%	0
Total	100%	**13**

Labour Relations: Misconduct and disciplinary action

Nature of disciplinary Action	Number
Verbal Warning	**2**
Written Warning	**0**
Final Written warning	**5**
Dismissal	**0**
Ongoing disciplinary process	**1**
Total	**8**

Equity Target and Employment Equity Status

Levels	MALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	-	-	-	-	-	-	-	-
Senior Management	7	-	-		1	-	1	-
Professional qualified	11	-	1	1	-	1	-	1
Skilled	4	-	-	-	-	-	-	-
Semi-skilled	14	-	-	-	-	-	-	-
TOTAL	**36**	**0**	**1**	**1**	**1**	**1**	**1**	**1**

Levels	FEMALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	1	1	-	-	-	-	-	-
Senior Management	4	-	-	-	-	-	-	-
Professional qualified	7	1	-	1	-	-	-	1
Skilled	3	-	-	-	-	1	1	-
Semi-skilled	16	-	-	-	-	-	-	-
TOTAL	31	2	0	1	0	1	1	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	0	0	0	0	0	0	0

PART E:
FINANCIAL INFORMATION

1. Report of the External Auditor

Report on the audit of the financial statements

Opinion

1. We have audited the financial statements of the National Consumer Commission set out on pages 4 to 37, which comprise the statement of financial position as at 31 March 2020, the statement of financial performance, statement of changes in net assets and cash flow statement and statement of comparison of budget and actual for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

2. In our opinion, the financial statements present fairly, in all material respects, the financial position of the National Consumer Commission as at 31 March 2020 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).

Basis for opinion

3. We conducted our audit in accordance with the International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of this auditor's report.

4. We are independent of the public entity in accordance with sections 290 and 291 of the International Ethics Standards Board for Accountants' Code of ethics for professional accountants (IESBA code), parts 1 and 3 of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) and the ethical requirements that are relevant to our audit in South Africa. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA codes.

5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our unqualified opinion.

Responsibilities of the accounting authority for the financial statements

6. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with the Standards of GRAP and 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.

7. 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 appropriate governance structure either intends to liquidate the public entity or to cease operations, or has no realistic alternative but to do so.

Auditor responsibilities for the audit of the financial statements

8. Our 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 our 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.

9. A further description of our 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

10. 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, we have a responsibility to report material findings on the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. We performed procedures to identify findings but not to gather evidence to express assurance.

Responsibilities of the accounting authority for the financial statements

11. Our procedures address the reported performance information, which must be based on the approved performance planning documents of the public entity. We have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. Our 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, our findings do not extend to these matters.

12. We 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 2020:

Programmes	Pages in the annual performance report	Conclusion
Programme 1 – to promote consumer protection and consumer safety	37 – 38	Unqualified

13. We performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. We 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.

14. We did not raise any material findings on the usefulness and reliability of the reported performance information for this programme.

Report on the audit of compliance with legislation

Introduction and scope

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

16. We have a responsibility to report material findings on the compliance of the National Consumer Commission with specific matters in key legislation.

17. We did not raise material findings on compliance with the specific matters in key legislation.

Other information

18. 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 and 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.

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

20. In connection with our audit, our 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 our knowledge obtained in the audit, or otherwise appears to be materially misstated.

21. The other information we 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 30 September 2020.

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

23. After we receive and read the commissioner's report and the audit committee's and if we conclude that there is a material misstatement, we are 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, we 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

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

RAiN Chartered Accountants Incorporated

Per: I:E Pierce

Director

Johannesburg

29 September 2020

Annexure A– Auditor's responsibility for the audit

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

Financial statements

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

   - Identified and assessed 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 our 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.

   - Obtained 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.

- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting authority.

- Concluded on the appropriateness of accounting authority's use of the going concern basis of accounting in the preparation of the financial statements. We also concluded, 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 ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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. Our conclusions are based on the information available to us 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

- Evaluated the overall presentation, structure and content of the financial statements, including thedisclosures, 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. We communicated 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 we identify during our audit.

4. We also confirmed to the accounting authority that we 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 our independence and, where applicable, related safeguards.

NATIONAL CONSUMER COMMISSION

a member of the dti group

The National Consumer Commission
Annual Financial Statements
for the Year Ended 31 March 2020

Address: 1 Dr Lategan Rd, Groenkloof,
Pretoria, 0027
Phone: 012 428 7000
www.thencc.gov.za

General Information

Contact Details

REGISTERED NAME:	**NATIONAL CONSUMER COMMISSION**
PHYSICAL ADDRESS:	1 Dr Lategan Road SABS Campus Block C - Floors 4 & 5 Groenkloof Pretoria
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TELEPHONE NUMBER/S:	012 428 7000
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EXTERNAL AUDITORS:	**Rain Chartered Accountants Inc**
BANKERS:	Nedbank Ltd
COMPANY SECRETARY:	Mr Narain Kuljeeth

NATIONAL CONSUMER COMMISSION
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Index

	Page
Accounting Authority's Responsibilities and Approval	4 - 5
Statement of Financial Position	6
Statement of Financial Performance	7
Statement of Changes in Net Assets	8
Cash Flow Statement	9
Statement of Comparison of Budget and Actual Amounts	10 - 11
Accounting Policies	12 - 36
Notes to the Annual Financial Statements	37 - 56

ASB	Accounting Standards Board
GRAP	Generally Recognized Accounting Practice
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
IPSAS	International Public Sector Accounting Standards
IPSASB	International Public Sector Accounting Standards
PFMA	Public Finance Management Act

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. 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 Accounting Authority acknowledges that she is ultimately responsible for the system of internal financial controsl established by the entity and places considerable importance on maintaining a strong control environment. To enable the Accounting Authority to meet these responsibilities, the Accounting Authority sets standards for internal controls aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures, and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the entity and all employees are required to maintain the highest ethical standards in ensuring the entity’s business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the entity is on identifying, assessing, managing and monitoring all known forms of risk across the entity. While operating risk cannot be fully eliminated, the entity endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Accounting Authority is of the opinion, based on the information and explanations given by management, that the system of internal controls provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The Accounting Authority has reviewed the entity's cash flow forecast for the year to 31 March 2021 and, in the light of this review and the current financial position, she is satisfied that the entity has access to adequate resources to continue in operational existence for the foreseeable future.

The Annual financial statements set out on pages 6 to 56, which have been prepared on the going concern basis, were approved by the Accounting Authority on 31 July 2020 and were signed on its behalf by:

Ms T. Mabuza
Acting Commissioner

Pretoria
30 September 2020

Statement of Financial Position as at 31 March 2020

Statement of Financial Position as at 31 March 2020

Figures in Rand	Note(s)	2020	2019
Assets			
Current Assets			
Receivables from exchange transactions	3	98 647	9 879
Receivables from non-exchange transactions	4	467 819	408 331
Prepayments	5	179 600	326 478
Cash and cash equivalents	6	32 600 267	23 951 077
		33 346 333	**24 695 765**
Non-Current Assets			
Property, plant and equipment	7	2 326 213	3 077 455
Intangible assets	8	68 483	228 714
		2 394 696	**3 306 169**
Total Assets		**35 741 029**	**28 001 934**
Liabilities			
Current Liabilities			
Payables from exchange transactions	9	2 746 818	750 079
Provisions	10	1 550 771	1 579 939
		4 297 589	**2 330 018**
Total Liabilities		**4 297 589**	**2 330 018**
Net Assets		**31 443 440**	**25 671 916**
Accumulated surplus		**31 443 440**	**25 671 916**

Statement of Financial Performance

Statement of Financial Performance			
Figures in Rand	Note(s)	2020	2019
Revenue			
Revenue from exchange transactions			
Interest received - staff debtors		1 964	4 671
Other income		13 879	71 503
Interest received - investment		3 667 427	1 776 956
Total revenue from exchange transactions		**3 683 270**	**1 853 130**
Revenue from non-exchange transactions			
Transfer revenue			
Government grants and subsidies		58 304 000	69 674 000
Services in kind		8 990 508	8 829 759
Total revenue from non-exchange transactions		**67 294 508**	**78 503 759**
Total revenue	11	**70 977 778**	**80 356 889**
Expenditure			
Employee related costs	12	(44 320 161)	(42 975 058)
Depreciation and amortisation		(1 123 589)	(927 595)
Debt Impairment		(71 193)	-
Loss on disposal of assets and liabilities	13	-	(96 398)
General expenses		(19 579 092)	(18 360 973)
Repairs and maintenance		(112 219)	(157 597)
Total expenditure		**(65 206 254)**	**(62 517 621)**
Surplus for the year		**5 771 524**	**17 839 268**

Statement of Changes in Net Assets

Statement of Changes in Net Assets		
Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 April 2018	**7 832 648**	**7 832 648**
Changes in net assets		
Surplus for the year	17 839 268	17 839 268
Total changes	17 839 268	17 839 268
Balance at 01 April 2019	**25 671 916**	**25 671 916**
Changes in net assets		
Surplus for the year	5 771 524	5 771 524
Total changes	5 771 524	5 771 524
Balance at 31 March 2020	**31 443 440**	**31 443 440**

Cash Flow Statement

Cash Flow Statement

Figures in Rand	Note(s)	2020	2019
Cash flows from operating activities			
Receipts			
Grants		58 304 000	69 674 000
Interest income		3 667 427	1 776 956
		61 971 427	71 450 956
Payments			
Employee costs		(44 202 982)	(42 900 905)
Suppliers		(8 907 138)	(10 490 177)
		(53 110 120)	(53 391 082)
Net cash flows from operating activities	17	**8 861 307**	**18 059 874**
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(212 119)	(1 589 588)
Purchase of intangible assets	8	-	(321 079)
Net cash flows from investing activities		**(212 119)**	**(1 910 667)**
Cash flows from financing activities			
Net increase/(decrease) in cash and cash equivalents		**8 649 188**	**16 149 207**
Cash and cash equivalents at the beginning of the year		23 951 077	7 801 870
Cash and cash equivalents at the end of the year	6	**32 600 265**	**23 951 077**

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis						
Figures in Rand	Approved Budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Interest received - trading	-	-	**-**	1 964	**1 964**	28
Other income	-	-	**-**	13 879	**13 879**	
Interest received investments	1 888 000	-	**1 888 000**	3 667 427	**1 779 427**	28
Total revenue from exchange transactions	**1 888 000**	**-**	**1 888 000**	**3 683 270**	**1 795 270**	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants and subsidies	58 304 000	-	**58 304 000**	58 304 000	**-**	
Other transfer revenue	9 238 071	(247 563)	**8 990 508**	8 990 508	**-**	28
Total revenue from non-exchange transactions	**67 542 071**	**(247 563)**	**67 294 508**	**67 294 508**	**-**	
Total revenue	**69 430 071**	**(247 563)**	**69 182 508**	**70 977 778**	**1 795 270**	
Expenditure						
Personnel	(46 809 000)	-	(46 809 000)	(44 320 161)	2 488 839	28
Depreciation and amortisation	(1 413 000)	-	(1 413 000)	(1 123 589)	289 411	28
Debt impairment		-	-	(71 193)	(71 193)	
General expenses	(21 000 035)	-	(21 000 035)	(19 579 092)	1 420 943	28
Repairs and maintenance	(208 000)	-	(208 000)	(112 219)	95 781	28

Total expenditure	**(69 430 035)**	**-**	**(69 430 035)**	**(65 206 254)**	**4 223 781**
Surplus before taxation	**36**	**(247 563)**	**(247 527)**	**5 771 524**	**6 019 051**
Actual amount on comparable basis as presented in the budget and actual comparative statement	**36**	**(247 563)**	**(247 527)**	**5 771 524**	**6 019 051**

Accounting Policies

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. All figures are rounded to the nearest rand.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

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

These 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 Materiality

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

1.3 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. Significant judgements include:

- **Trade receivables**

  The entity assesses its trade receivables, held to maturity investments and loans and 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 loans and receivables.

  The impairment for trade receivables, held to maturity investments and loans and receivables is considered first for individually significant loans and receivables and then calculated on a portfolio basis for the remaining balance, including those individually significant loans and receivables for which no indicators of impairment were found. For amounts due to the entity, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and default of payments are all considered indicators of impairment.

  On loans and receivables, an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the loan's or receivable's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition (if practically determinable). Where the effective interest rate at initial recognition is not practically determinable, the government bond rate is used as the risk-free rate and adjusted for any risks specific to the loans and receivables.

- **Impairment testing**

  The recoverable amounts of potentially impaired cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of the assets.

- **Value in use of non-cash-generating assets**

  The entity reviews and tests the carrying value of non-cash generating assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occurred, the remaining service potential of the asset is determined. The most appropriate approach selected to determine the remaining service potential is dependent on the availability of data and the nature of the impairment.

- **Provisions**

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

- **Useful lives of property, plant and equipment and other assets**

  The entity's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment and other assets. This estimate involves a matter of judgement based on the experience of the entity with similar assets.

  The entity considers all facts and circumstances in estimating the useful lives of assets, which includes the consideration of financial, technical and other factors. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives and decrease the depreciation charge where useful lives are more than previously estimated useful lives.

1.4 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

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 or fair value of the item can be measured reliably.
- Property, plant and equipment are initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, and other costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

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

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

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

Item	Depreciation method	Average useful life
Computer equipment	Straight line	3 - 9 years
Furniture and fixtures	Straight line	3-10 years
Office equipment	Straight line	3-10 years

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the entity. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The entity assesses at each reporting date whether there is any indication that the entity's 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/or residual value accordingly. The change is accounted for as a change in an accounting estimate in terms of the Standard of GRAP on Accounting Policies, Changes in Estimates and Errors.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

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.

The gain or loss arising from the 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.

1.5 Intangible assets

An intangible asset is an identifiable, non-monetary asset without physical substance. The entity has classified computer software as intangible assets.

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable 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.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

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.

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.

Amortisation is provided on a straight line basis over the expected useful lives of the intangible assets.

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.

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 to their residual values. The amortisation charge for each period is
recognised in surplus or deficit.

The useful lives of intangible assets have been assessed as follows:

Item	Depreciation method	Average useful life
Computer Software	Straight line	3 - 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 the derecognition of an intangible assets is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on Leases requires otherwise on a sale and leaseback). The gain or loss arising from the derecognition of an intangible asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset.

1.6 Impairment of non-cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the entity; or
- the number of production or similar units expected to be obtained from the asset by the entity.

Judgements made by management in applying the criteria to designate assets as non-cash-generating assets or cash-generating assets, are as follows:

Designation

At initial recognition, the entity designates an asset as non-cash-generating, or an asset or cash-generating unit as cash-generating. The designation is made on the basis of the entity's objective of using the asset.

The entity designates an asset or a cash-generating unit as cash-generating when:

- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that
- the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

The entity designates an asset as non-cash-generating when its objective is not to use the asset to generate a commercial return but to deliver services.

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash-generating asset or non-cash-generating asset based on whether the entity expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate a commercial return, the entity designates the asset as a non-cash-generating asset and applies this accounting policy.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The entity assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the entity estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating asset is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the current reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the entity will not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the entity recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.7 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.

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	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost

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	Category
Payables from exchange transactions	Financial asset measured at amortised cos

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.

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, except for financial instruments subsequently measured at fair value, which are measured at its fair value.

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- **Financial instruments at amortised cost.**

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

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 (if practically determinable). Where the effective interest rate at initial recognition is not practically determinable, the government bond rate is used as the risk-free rate and adjusted for any risks specific to the financial assets. The carrying amount of the asset is reduced 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 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 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.

The carrying amounts of the transferred assets are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

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.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

1.8 Statutory receivables

Identification

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset.

Carrying amount is the amount at which an asset is recognised in the statement of financial position.

The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable), and less any accumulated impairment losses and any amounts derecognised.

The transaction amount (for purposes of this Standard) for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with legislation, supporting regulations, or similar means.

Recognition

The entity recognises statutory receivables as follows:

- if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions;
- if the transaction is a non-exchange transaction, using the policy on Revenue from non-exchange transactions; or
- if the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

Initial measurement

The entity initially measures statutory receivables at their transaction amount.

Subsequent measurement

The entity measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial

measurement of the receivable is changed subsequent to initial recognition to reflect any:

- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.
- Derecognition
- The entity derecognises a statutory receivable, or a part thereof, when:
- the rights to the cash flows from the receivable are settled, expire or are waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- the entity, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party, and the other party has the practical ability to sell the receivable 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 receivable; and
- recognises separately any rights and obligations created or retained in the transfer.

The carrying amounts of any statutory receivables transferred are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. The entity considers whether any newly created rights and obligations are within the scope of the Standard of GRAP on Financial instruments or another Standard of GRAP. Any difference between the consideration received and the amounts derecognised and, those amounts recognised, are recognised in surplus or deficit in the period of the transfer.

1.9 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.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

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 is recognised as an operating lease asset or liability.

The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis over the lease term.

Any contingent rents are expensed in the period in which they are incurred.

1.10 Provisions and contingencies

A provision is a liability of uncertain timing or amount.

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.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

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.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 20.

1.11 Commitments

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

Disclosures are made in respect of unrecognised contractual commitments which include future capital commitments relating to property, plant and equipment, investment property, intangible assets and heritage assets, as applicable, operational commitments, as well as future commitments relating to operating leases. Refer to note 19 - Commitment
Commitments for which disclosure is necessary to achieve a fair presentation are 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.

1.12 Revenue from exchange transactions

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 goods, 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, royalties and dividends or similar distributions 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 rate method.

1.13 Revenue from non-exchange transactions

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, the 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.

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the entity has complied with the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met, a liability is recognised.

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 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

Apart from Services in kind, which are not recognised, the entity recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The entity recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Services in-kind

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

Where services in-kind are not significant to the entity's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the entity discloses the nature and type of services in-kind received during the reporting period.

1.14 Employee benefits

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

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within 12 months after the end of the period in which the employees render the related service.

When an employee has rendered service to the entity during a reporting period, the entity recognises 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 recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- 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 recognises 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.

1.15 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 and classified in accordance with the nature of the expense. Upon investigation, if a person was found to be liable in law for the fruitless and wasteful expenditure that occurred, a receivable is recognised for the recovery of the monies, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

For details on fruitless and wasteful expenditure, refer to note 26 - Fruitless and wasteful expenditure.

1.16 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA 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

(c) any provincial legislation providing for procurement procedures in that provincial government.

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 and which was condoned before year-end and/or before finalisation of the financial statements, is recorded in the register and disclosed in the notes 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, is recorded in the register and disclosed in the notes 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 are 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 is recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account is created if such a person is liable in law. Immediate steps are thereafter 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 register is also updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto remains against the relevant programme/expenditure item, disclosed as such in the notes to the financial statements and updated accordingly in the register.

For details on irregular expenditure, refer to note 27 - Irregular expenditure.

1.17 Budget information

The approved budget is prepared on an accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2019/04/01 to 2020/03/31.

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.

1.18 Related parties

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.

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.

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, that management in their dealings with the entity.

The entity is exempt from disclosure requirements in relation to related party transactions if the transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the entity to have adopted if dealing with an individual entity or person in the same circumstances; and terms and conditions within the normal operating parameters established by the entity's legal mandate.

1.19 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The entity adjusts the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The entity discloses the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

Notes to the Annual Financial Statements

New standards and Interpretations

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the entity has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

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) 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 entityand 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 entity is a post-employment benefit plan for the benefit of employees of either the entity or
  - an entity related tothe 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 thatentity (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 has adopted the standard for the first time in the 2019/2020 annual financial statements. The impact of the standard is not material.

GRAP 108: Statutory Receivables

The objective of this Standard is: to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

It furthermore covers: Definitions, Recognition, Derecognition, Measurement, Presentation and disclosure, Transitional provisions and Effective date.

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

The entity has adopted the standard for the first time in the 2019/2020 annual financial statements. The impact of the standard is not material.

2.2 Standards and interpretations issued, but not yet effective

The entity has not 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 2020 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
GRAP 34: Separate Financial Statements	01 April 2020	Unlikely there will be a material impact

3. Receivables from Exchange Transactions

Figures in Rand	2020	2019
Accrued interest income	11 079	9 879
Other receivables	87 568	-
	98 647	**9 879**

Other receivables relate to monies to be recovered from one of National Consumer Commission former suppliers Polprem Trading Enterprise CC.

4. Receivables from Non-Exchange Transactions

Other receivables	13 016	71 443
Services in kind	414 000	247 563
Staff debtors	40 803	89 325
	467 819	**408 331**

Staff debtors relate to monies paid as advances to employees that are due to the National Consumer Commission of R40 803 (2019: R89 325).

Other receivables relate to monies to be recovered from employees relating to fruitless and wasteful expenditure due to the National Consumer Commission of R13 016 (2019: R71 443).

Services in kind relate to the South African Bureau of Standards that owed the National Consumer Commission a net amount of R414 000 (2019: R247 563) at year-end made up of ICT services not rendered (Disaster recovery services).

5. Prepayments

Prepayments	179 600	326 478

Prepaid expenses relate to software licenses and insurance paid in advance.

6. Cash and Cash Equivalents

Cash on hand	10 000	6 308
Bank balances	6 841 112	2 923 280
Short-term deposits	25 749 155	21 021 489
	32 600 267	**23 951 077**

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 20.

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.

7. Property, Plant and Equipment

7. PROPERTY, PLANT AND EQUIPMENT

		2020			2019	
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Computer equipment	3 529 749	(2 456 965)	1 072 784	3 368 470	(1 780 601)	1 587 869
Furniture and fixtures	2 711 486	(1 473 302)	1 238 184	2 758 664	(1 288 519)	1 470 145
Office equipment	51 595	(36 350)	15 245	51 595	(32 154)	19 441
Total	**6 292 830**	**(3 966 617)**	**2 326 213**	**6 178 729**	**(3 101 274)**	**3 077 455**

Reconciliation of property, plant and equipment - 2020

	Opening balance	**Additions**	**Depreciation**	**Total**
Computer equipment	1 587 869	166 114	(681 199)	1 072 784
Furniture and fixtures	1 470 145	46 005	(277 966)	1 238 184
Office equipment	19 441	-	(4 196)	15 245
	3 077 455	**212 119**	**(963 361)**	**2 326 213**

Reconciliation of property, plant and equipment - 2019

	Opening balance	**Additions**	**Disposals**	**Other changes, movements**	**Depreciation**	**Total**
Computer equipment	1 177 443	995 708	(425 492)	375 890	(535 680)	1 587 869
Furniture and fixtures	1 220 093	592 202	(120 056)	73 260	(295 354)	1 470 145
Office equipment	21 958	1 679	-	-	(4 196)	19 441
	2 419 494	**1 589 589**	**(545 548)**	**449 150**	**(835 230)**	**3 077 455**

Pledged as security

There are no assets pledged as security

There are also no capital commitments towards purchasing any assets

A register containing the information required by the Public Finance Management Act is available for inspection at the registered office of the entity.

8. Intangible Assets

Figures in Rand	2020			2019		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer software	321 079	(252 596)	68 483	321 080	(92 366)	228 714

Reconciliation of intangible assets - 2020	**Opening balance**	**Amortisation**	**Total**
Computer software	228 714	(160 231)	68 483

Reconciliation of intangible assets - 2019	**Opening balance**	**Additions**	**Amortisation**	**Total**
Computer software	-	321 079	(92 365)	228 714

9. Payables from Exchange Transactions

Figures in Rand	2020	2019
Trade payables	2 388 478	165 677
Salary control	59 049	-
Third party payment	71 493	20 489
Accrued expenses	227 798	563 913
	2 746 818	**750 079**

Payables are due and payable within 30 days of receipt of invoice

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						2020
	Opening Balance	Additions	Utilised during the year	Reversed during the year	Deductions	Total
Provision for leave pay	1 557 196	428 505	(395 782)	(45 982)	-	1 543 937
Provision for performance bonus	(15 152)	-	-	15 152	-	-
Provision for Workmen's Compensation	37 895	46 833	-	-	(77 894)	6 834
	1 579 939	**475 338**	**(395 782)**	**(30 830)**	**(77 894)**	**1 550 771**

Reconciliation of provisions					2019
	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Provision for leave pay	1 652 567	967 121	(1 062 492)	-	1 557 196
Provision for performance bonus	(15 152)	-	-	-	(15 152)
Provision for Workmen's Compensation	60 121	23 705	(41 912)	(4 019)	37 895
	1 697 536	**990 826**	**(1 104 404)**	**(4 019)**	**1 579 939**

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 provision for Workmen's Compensation is based on the assessment rate of the annual salary of the employees employed at year end.

11. Revenue

Figures in Rand	2020	2019
Interest received - staff debtors	1 964	4 671
Other income	13 879	71 503
Interest received - investment	3 667 427	1 776 956
Government grants	58 304 000	69 674 000
Services in kind	8 990 508	8 829 759
	70 977 778	**80 356 889**

The amounts included in revenue arising from exchanges of goods or services are as follows:

Interest received on debtors	1 964	4 671
Other income	13 879	71 503
Interest received on deposits	3 667 427	1 776 956
	3 683 270	**1 853 130**

The amounts included in revenue arising from non-exchange transactions are as follows:
Taxation revenue
Transfer revenue

Government grants	58 304 000	69 674 000
Services in kind	8 990 508	8 829 759
	67 294 508	**78 503 759**

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 R9 238 071 (2019: R8 829 759).

12. Employee Related Costs

Salaries	37 281 644	35 646 284
Special incentives	15 152	674 685
Medical aid contributions	467 243	417 607
UIF contributions	129 698	131 048
Workmen's Compensation provision	46 833	37 894
Leave pay provision	396 605	36 259
Employer's pension contributions	3 943 922	3 771 543
Service bonuses	2 039 064	2 259 738
	44 320 161	**42 975 058**

13. General Expenses

Figures in Rand	2020	2019
Advertising	1 329 131	624 094
Audit committee fees	381 781	466 259
Auditors remuneration (Refer to Note 15)	1 701 115	1 305 709
Bank charges	31 947	29 658
Cleaning services	330 408	234 806
Communication costs	637 020	649 614
Computer services	1 093 360	1 066 939
Consulting and professional fees	1 683 343	1 780 933
Consumables	615 682	228 338
Fines and penalties	24 621	-
Damages and theft	32 950	-
Inquiry expenses (Timeshare)	-	461 789
Insurance	98 446	98 446
Lease payments: printers and copiers	157 305	155 766
Office rental / services in kind	4 918 925	4 641 838
Postage and courier services	90 564	85 779
Printing and stationery	212 531	278 055
Publications	303 940	595 354
Registration fees	30 000	-
Security services	628 078	583 487
Software expenses	808 222	541 195
Subscriptions and membership fees	16 173	31 648
Training	180 917	556 631
Transport cost	-	12 953
Travel - local	1 999 148	1 846 490
Travel - overseas	159 990	444 409
Venues and facilities	357 922	9 850
Water and electricity	1 755 573	1 630 933
	19 579 092	**18 360 973**

14. Employee Related Costs

Figures in Rand	2020	2019
Repairs and maintenance	112 219	157 597

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

Figures in Rand	2020	2019
External audit fees	1 164 848	764 719
Internal audit fees	536 267	540 990
	1 701 115	**1 305 709**

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 Generated from Operations

Figures in Rand	2020	2019
Surplus	5 771 524	17 839 268
Adjustments for:		
Depreciation and amortisation	1 123 589	927 595
Loss on sale of assets and liabilities	-	96 398
Debt Impairment	71 193	-
Movements in provisions	(29 168)	(117 597)
Changes in working capital:		
Receivables from exchange transactions	(88 768)	5 392
Consumer debtors	(71 193)	-
Other receivables from non-exchange transactions	(59 488)	(217 792)
Prepayments	146 878	148 872
Payables from exchange transactions	1 996 740	(622 262)
	8 861 307	**18 059 874**

The NCC is exempt from paying tax in terms of section 10(1)(CA)(1) of the Income Tax Act No. 58 of 1962.

18. Financial Instruments Disclosure

Categories of Financial Instruments 2020

Financial assets

	At amortised cost	Total
Cash and cash equivalents	32 600 267	32 600 267
Other financial assets	11 079	11 079
	32 611 346	**32 611 346**

Figures in Rand	2020	2019
Financial liabilities	**At fair value**	**Total**
Trade and other payables from exchange transactions	2 746 818	2 746 818

2019

Financial assets	**At amortised cost**	**Total**
Cash and cash equivalents	23 951 077	23 951 077
Other financial assets	9 879	9 879
	23 960 956	**23 960 956**

Figures in Rand	2020	2019
Financial liabilities	**At fair value**	**Total**
Trade and other payables from exchange transactions	750 079	750 079

19. Commitments

Figures in Rand	2020	2019
Authorised capital expenditure		
Already contracted for but not provided for		
• ICT Software Development	5 645 899	-

Figures in Rand	2020	2019
Authorised operational expenditure		
Approved and contracted for but not provided for		
• Internal audit fees	313 406	849 673
• External audit fees	2 580 022	3 744 870
• Leasing of photocopiers	69 868	235 931
• Technical support for SAGE system	312 899	424 340
• Technical support for VIP system	264 661	319 753
• Health risk manager services	25 899	7 892
• Prosecute suppliers in contravention with COVID-19 regulations	470 000	-
• Website redesign	140 647	190 158
• Legal fees	801 874	472 762
• Mobile communication devices	106 255	150 499
• Travelling	250 825	331 413
• Newsletter - 12 issues	72 600	-
• Website maintenance	110 431	-
• Toll free services	185 000	-
• Licences	1 461 809	-
• Organisational work-study	837 200	-
• Conduct a survey on awareness	566 054	-
• Verification of qualifications	34 724	-
	8 604 174	**6 727 291**
Total commitments		
• Authorised capital expenditure	16 051 962	-
• Authorised operational expenditure	8 604 174	6 727 291
	24 656 136	**6 727 291**

Figures in Rand	2020	2019
Operating leases - as lessee (expense)		
Minimum lease payments due		
- within one year	66 065	164 313
- in second to fifth year inclusive	5 553	71 618
	71 618	**235 931**

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.

20. Contingencies

There is a contingent liability that comprises the accumulated surpluses as at 31 March 2019. A request for the retention of the previous year's accumulated surplus of R15 312 000 has been approved by National Treasury and was utilised as follows:

Figures in Rand	2020	2019
Utilisation of surplus		
Establishment of the Opt-Out Registry	-	13 809 000
Acquisition of IT Hardware	-	1 503 000
	-	**15 312 000**
The following **litigation** cases are ongoing		
Barnardo vs NCC - Applicant seeks to compel the NCC to enforce the MIOSA ruling	38 591	84 000
NCC vs Ford SA - Case regarding provision of unsafe vehicles and entering into prohibited agreements	-	186 812
IMM Mokgabe vs NCC - Applicant claiming damages for failure to enforce CPA	1 142 100	1 142 100
Gugwini C vs NCC - Unfair dissmisal	893 182	-
Netshitomboni vs NCC - Unfair dissmisal	300 000	-
Disciplinary Hearing :Mr A Mudau	300 000	-
	2 673 873	**1 412 912**

21. Related Parties

Relationships	
Department of Trade, Industry and Competition (dtic)	Parent department
Companies Tribunal	Member of the dtic group
Companies and Intellectual Property Commission	Member of the dtic group
National Consumer Tribunal	Member of the dtic group
National Credit Regulator	Member of the dtic group
National Gambling Board	Member of the dtic group
National Lotteries Commission	Member of the dtic group
National Metrology Institute of South Africa	Member of the dtic group
National Regulator for Compulsory Specifications	Member of the dtic group
South African Bureau of Standards	Member of the dtic group
National Empowerment Fund	Member of the dtic group
South African National Accreditation System	Member of the dtic group
Export Credit Insurance Corporation of South Africa	Member of the dtic group
Broad-Based Black Economic Empowerment Commission	Member of the dtic group
Members of key management	Members of executive management

The National Consumer Commission is presumed to be related to all other government entities within the national sphere, by virtue of its classification as a national public entity. However, only relationships, balances and transactions carried out within the ambit of the dtic group entities are disclosed.

Figures in Rand	2020	2019
Related party balances		
Amounts included in Trade receivable (Trade Payable) regarding related parties		
South African Bureau of Standards	414 000	247 563
National Consumer Tribunal	(93 177)	-

The amount is recoverable and is not secured for any borrowings.

	2020	2019
Related party transactions		
Transfer payments received		
Department of Trade, Industry and Competition	58 304 000	69 674 000
Services in kind	8 990 508	8 829 759
South African Bureau of Standards		
Consulting fees		
National Consumer Tribunal	(93 177)	-

The NCC is funded by government grants received through the Department of Trade, Industry and Competition. 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 990 508 (2019: R8 829 759). The SABS and the NCC are entities within the dtic group.

Remuneration of key personnel
Audit and Risk committee members

The following emoluments were paid to the audit and risk committee members for attendance of meetings:

2020	Number of meetings attended	Committee fees
Ms S Sekgobela (Chairperson)	5	140 563
Ms R Kenosi	5	128 968
Adv S Kholong	5	112 250
Ms N Matomela (Ex Officio member)	5	-

2019	Number of meetings attended	Committee fees
Ms S Sekgobela (Chairperson)	5	112 794
Ms R Kenosi	4	99 202
Adv S Kholong	5	116 634
Ms N Matomela (Ex Officio member)	3	-
Mr D Braithwaite (Former Chairperson)	5	137 628

Executive Management

The following total remuneration was paid to key management and is included in employee related cost note 12:

2020	Basic salary	Pension contribution	Other payments received	Total
E Mohamed - Commissioner	262 796	32 133	322 743	617 672
T Mabuza - Acting Commissioner	1 402 632	155 981	385 770	1 944 383
N Kuljeeth - Company Secretary	934 155	120 846	292 758	1 347 759
A van der Merwe - Head Corporate Services	1 020 055	132 138	319 663	1 471 856
P Moilwa - Head Enforcement and Investigations	814 779	105 136	447 765	1 367 680
P Mlungu - Head Advocacy, Education and Awareness	815 890	105 136	446 656	1 367 682
Mr Jabulani Mbeje - Head of Legal Division	868 187	112 460	257 862	1 238 509
	6 118 494	**763 830**	**2 473 217**	**9 355 541**

2019 Name	Basic salary	Pension contribution	Performance bonus	Other payments received	Total
E Mohamed - Commissioner	1 613 578	192 797	9 493	344 060	2 159 928
T Mabuza - Acting Commissioner	1 240 922	148 271	9 493	271 940	1 670 626
N Kuljeeth - Company Secretary	892 546	114 872	9 493	275 691	1 292 602
A van der Merwe - Head Corporate Services	1 053 556	125 607	9 493	221 506	1 410 162
P Moilwa - Head Enforcement and Investigations	843 755	99 939	9 493	357 827	1 311 014
P Mlungu - Head Advocacy, Education and Awareness	880 826	99 939	9 493	363 166	1 353 424
D Railo - Head of Research	197 318	16 265	-	278 873	492 456
	6 722 501	**797 690**	**56 958**	**2 113 063**	**9 690 212**

22. Change in Estimate

Property, plant and equipment

The useful life of computer equipment was estimated to be between 3 to 9 years. In the current period, management have revised their estimate on useful lives of some of computer equipment and have extended them by 2 more years at most. The effect of these revisions have decreased the depreciation charge by R8 272.45 in the current year. The effect of future periods (2021 and 2022) is an increase in the total depreciation expense on computer equipment by R8 272.457.

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 assessed 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 2020	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 Years
Payables from exchange transactions	2 746 818	-	-	-
At 31 March 2019	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 Years**
Payables from exchange transactions	750 079	-	-	-

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	2020	2019
Receivables from exchange transactions	11 079	9 879
Cash and cash equivalents	32 600 267	23 951 077

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:

Figures in Rand	2020	2019
Cash and cash equivalents	32 600 267	23 951 077

24. Going Concerns

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

25. Events after the Reporting Date

The accounting authority has assessed the potential impact of COVID-19 pandemic on the National Consumer Commission and have concluded that the pandemic would not have significant impact on the planned expenditure for the 2020/2021 financial year. The COVID related expenses will be provided for from the available budget allocation.

The budget allocation of R61.270 million for 2020/2021 financial year was reduced with R6.924 million, implying a net budget allocation of R54.346 million. The reducution will not adversely affect the achievement of strategic objectives.

The NCC will request approval from National Treasury to retain R10,406 million of its cash surplus for the acquisition of ICT hardware.

26. Fruitless and Wasteful Expenditure

Figures in Rand	2020	2019
Opening balance	154 338	62 951
Add: Fruitless expenditure - current year	13 879	91 387
Less: Amounts reversed	(21 630)	
Less: Amounts written-off	(141 661)	
Less: Amounts recovered	(788)	-
Closing balance	**4 138**	**154 338**
Details of fruitless expenditure - current year		
Opening balance	-	62 951
Investigated		
Fines and penalties (SARS)	-	18 058
Supplier not registered for VAT	-	21 630
Duplicated travel costs	-	51 699
Administration cost for change of accommodation	3 613	-
Traffic fine and handing charges	525	-
	4 138	**154 338**

All fruitless and wasteful expenditure were investigated or are under investigation and consequence management (disciplinary actions) are taken where so recommended per investigation report.

27. Irregular Expenditure

Opening balance	1 551 965	1 396 347
Add: Irregular Expenditure - current year	-	836 163
Less: Amounts condoned (removed) by the Accounting Authority for prior periods	(715 802)	(680 545)
Less: Amounts condoned by National Treasury	(836 163)	-
Closing balance	-	**1 551 965**

Figures in Rand	2020	2019

Details of irregular expenditure – current year

Incident		
Procurement process not followed - three quotations not obtained	-	54 097
No evaluation criteria indicated	-	368 632
No delegated powers to approve expense	-	495
Payments exceeded contract amount	-	102 436
Unauthorised deviation	-	310 503
	-	**836 163**

All irregular expenditure were investigated and consequence management (disciplinary actions) are taken where so recommended per investigation report.

28. Budget Differences

Material differences between budget and actual amounts

The Department of Trade, Industry and Competition released the full annual allocation as opposed to quarterly tranches. As a result there was an overall larger bank balance throughout the financial year, and consequently the interest earned was higher when compared to the budgeted interest amount.

Expenditure on employee costs increased due to an annual increase. The year on year increase was lower due to vacant positions that were not filled in the 2019/2020 financial year. The compensation expenditure was 5% below the budgeted amount.

Depreciation is based on the value of existing assets. The underspending is as a result of PPE assets and intangible assets that were written off at the end of the previous financial year. These assets were removed from the asset register, and hence decreases the basis for depreciation.

The underspending of goods and services actual expenditure against the final budget of 8% was due to a reduction of expenditures below the level approved. There were no other material differences between the final budget and the actual amounts.

A new contract for monthly repairs and maintenance was entered into. The costs are fixed and paid monthly over the contract period. The actual contract rates are lower than the budgeted amount, and hence underspending on the budgeted amount

NATIONAL CONSUMER COMMISSION

a member of the dti group

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