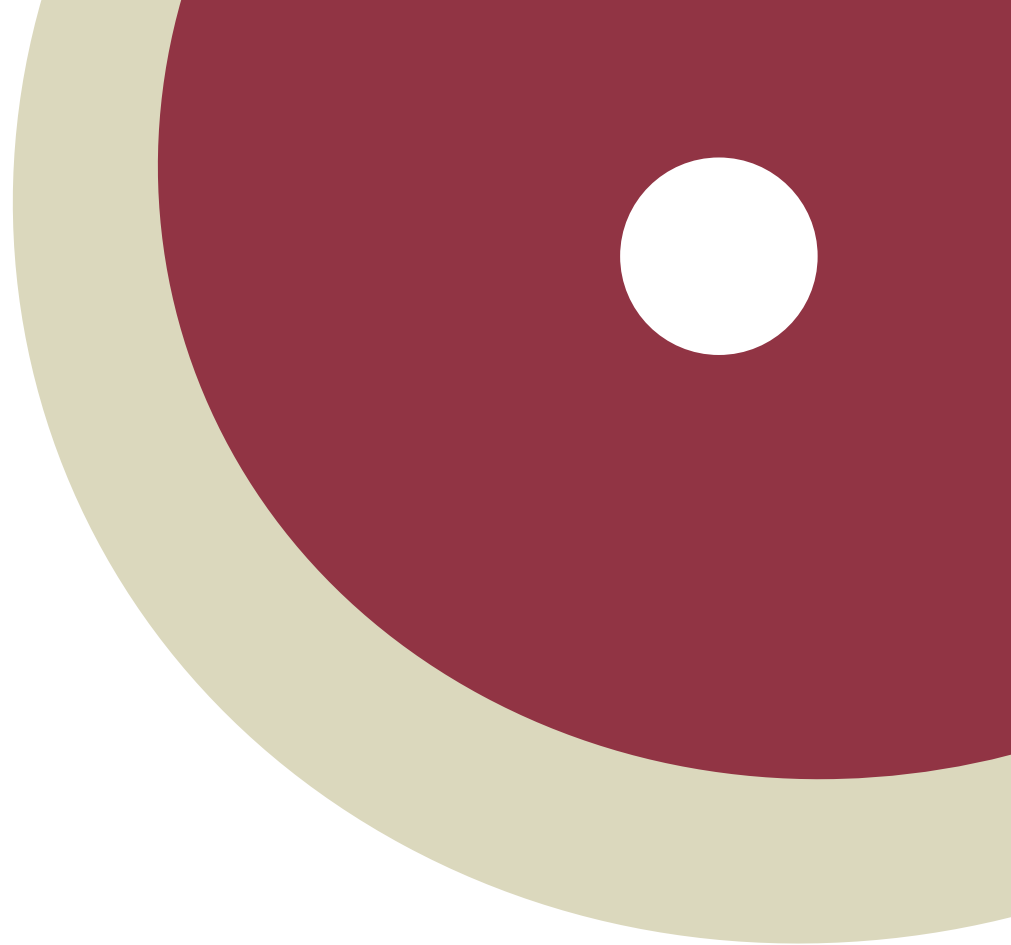


NATIONAL CONSUMER COMMISSION

a member of **the dti** group

ANNUAL REPORT

2018/2019



NATIONAL CONSUMER COMMISSION

a member of **the dti** group

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PART A

GENERAL INFORMATION

1.1 Foreword by Minister of Trade and Industry

Financial Year Ending 31 March 2019



It is my pleasure to present the annual report of the National Consumer Commission (NCC) for the 2018/19 financial year. The results contained in this report coincide with the beginning of the 6th administration of the democratic South Africa. The focus of the new administration is to boost economic growth and enable deeper levels of economic inclusion and transformation.

A new Department of Trade, Industry and Competition has been established, through a merger of the dti and Economic Development Department, which will drive the implementation of a more focused, high-impact industrial strategy.

Over the next five years, the focus will be on practical actions and improved governance, to pull our economy onto the higher growth levels we require to create decent work and entrepreneurial opportunities for many more South Africans, particularly young people. There are no quick fixes if we want to build this high-growth, high-employment, high-inclusion economy.

Using the resources and mandate of the trade, industry and competition portfolio, we will support efforts to unleash private investment and energise the state to boost economic growth and inclusion. This is an essential part of building confidence and the platform for job-creation.

The NCC in carrying out its mandate, will have a critical role to play in this new industrial strategy.

As priorities for the new Administration we have outlined six focus areas in the trade, industry and competition portfolio, within which the NCC falls:

First, to support improved industrial performance, dynamism and competitiveness of local companies.

These include developing Master Plans in priority sectors to help create conducive conditions for industries to grow, improve their industrial capacities and sophistication, focus more on export orientation and reclaim domestic market space lost to imports.

The Master Plans will be action-oriented, developed and carried out in partnership with business and labour and implemented in stages, so that we can move expeditiously.

Second, to improve the levels of fixed investment in the economy

Over the five year period from 2018/19, Government set a target of R1.4 trillion in new investment in the economy. The vast bulk of this must come from the private sector.

The state's role will be to enable higher levels of fixed investment (both domestic and foreign), through addressing infrastructure and skills gaps; and by partnering with the private sector through a range of incentives and financial packages.

Third, to expand markets for our products and facilitate entry to those markets.

The single biggest initiative is the African Continental Free Trade Area (AfCFTA) which will connect 1.2 billion people into a single bloc where local products will be traded between countries, with minimal tariffs. These agreements lay the basis for increased intra-African trade and can cement the continent's position as the next growth frontier.

The implementation phase was launched on 7 July 2019, at a Special African Union Summit meeting in Niger, with the intention to come into effect on 1 July 2020.

The Agreement will fundamentally change and reshape the South African economy. Already, exports to other African countries support about 250 000 South African jobs and it is the fastest-growing market for our manufactured exports.

Fourth, to promote economic inclusion.

This means opening up and changing our market structure, to bring more young people, women and Black Industrialists into the economy.

To enhance the growth of black industrialists, we will combine the efforts of the Department and its agencies into a seamless and coordinated programme. Over the next 5 years, we will support an additional 400 Black Industrialists' projects with financial support of R40 billion, through identifying sustainable businesses and promoting both industrialists, new enterprise formation and worker involvement in the enterprises, using a combination of private and public sector resources

Fifth, to promote more equitable spatial and industrial development.

A pillar of our industrial policy is to develop new investment clusters through special economic zones, revitalisation of industrial sites and support for business and digital hubs.

Sixth, to improve the capability of the state.

This means being more responsive to the needs of South Africa's entrepreneurs, moving faster in making decisions and carrying out functions, coordinating better between departments and agencies and creating a business-encouraging environment in which more investment and more job creation can take place.

Part of a smart state is partnering with domestic businesses to invest more in innovation and R&D, as new techniques, new products and new distribution platforms can move South Africa up the value-chain and enhance job creation.

All public entities will have to work with a greater sense of urgency to support government in achieving its ambitions for the new administration. This is what has been called the spirit of *khawuleza*, and it must define our approach both within Government and public entities to addressing the structures in the economy which impede growth, economic inclusion and job creation.

I wish to thank the former Commissioner, Mr Ebrahim Mohamed, the Acting Commissioner, Ms Thezi Mabuza and NCC's staff for their work in the past year and wish them success in the year ahead to help build an economy that creates more jobs and grows faster and more inclusively.



.....
Mr Ebrahim Patel
Minister of Trade and Industry

1.2 Submission of the Annual Report to the Executive Authority



1 Dr Lategan Road, SABS Precinct, Building C, Floor 4 & 5, Groenkloof Pretoria
Tel: 012 428 7750, Email: t.mabuza@thencc.org.za

The Honourable Minister

Mr Ebrahim Patel
Department of Trade and Industry
Pretoria

Dear Honourable Minister

SUBMISSION OF NATIONAL CONSUMER COMMISSION ANNUAL REPORT 2018/19

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 2018/2019 which has been drafted in accordance with National Treasury guidelines and templates.

Yours Faithfully

Ms Thezi Mabuza
Acting Commissioner
National Consumer Commission
31 July 2019

1.3 Overview by the Accounting Authority



Ordinarily, acknowledgements or matters of appreciation are left for the end. However, I feel it would be remiss of me, at the very outset, not to mention the former Commissioner of the NCC, Mr Ebrahim Mohamed. Mr Mohamed, retired as Commissioner at the end of May 2019. This report relates to the period when he was the Accounting Authority of the NCC. On behalf of the NCC, I thank him most sincerely for his

leadership and the immense role he has played in firstly stabilising and then developing the NCC since 2012. His genuine commitment to clean governance, his regard for public funds as sacrosanct, his work ethic, his conciliatory approach and open door policy are all part of his legacy. Personally, it has been an absolute pleasure to have served alongside him as then Deputy Commissioner. On behalf of the staff of the NCC, I wish him well and good health during his retirement.

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 fairly busy year for the NCC. It had finalised its enquiry into the vacation ownership/ timeshare industry and is currently implementing the recommendations contained in the said report. In due course, consumers, can expect major changes to the nature of transactions concluded within this sector. Issues of agreements in perpetuity, lack of transparency, unfair marketing tactics and the wholesale forfeiture of the purchase price upon cancellation will all be better regulated.

I am indeed proud to announce that the work that the NCC has put in, as part of the joint task team with ICASA, has proven to be most beneficial for the millions of consumers that purchase data. The NCC was the only entity that lobbied for and argued vehemently for the rollover of unused data and against past practices relating to 'out of bundle', bill shock and a number of other issues. The savings to consumers is immense and should be calculated after the first anniversary of the applicable regulations.

Motor vehicle related complaints continue to rise. The NCC spends a significant sum of its projects' budget in dealing with these complaints and the accredited Motor Industry Ombud of South Africa, spends its entire budget on dealing with such complaints. The NCC has had significant consent agreements and judgments confirmed or issued in its favour by the National Consumer Tribunal. The number of recalls relating to defective and or hazardous products that the NCC has been involved in, has been on a steady increase. Motor vehicles, in the main, are the subject of a number of recalls. I wish to take this opportunity to urge all suppliers to contact the NCC as soon as defective/ hazardous products are identified, particularly those that are life threatening. 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 has continued to play a significant role in the region as it chairs the Subcommittee of the Southern African Development Community (**SADC**) Competition and Consumer Laws and Policies Committee (**CCPOLC**) on Consumer Protection. It also actively participates in other regional and international consumer protection fora.

The NCC has secured an unqualified audit opinion from its external auditors. In the previous year, it obtained a clean audit. The regression is due to the new irregular expenditure rule being implemented by the Auditor General of South Africa. The NCC has attracted fewer findings this year than it did in the previous year. There has been no incidents of fraud or corruption reported against the NCC since 2012. Underspensing may, at face value, appear to be significant. This is attributed to the fact that the NCC received some funding in January 2019 for its Opt Out Register project. It received the funds too late to enable it to embark upon and complete an open, transparent and compliant tender process by the end of March 2019.

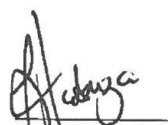
Employee related costs are increasing, whereas the NCC's baseline budget has not kept pace therewith. The cost of living adjustments agreed upon with staff is identical to that announced by the DPSA.

In conclusion, I extend my gratitude to former Minister Rob Davies for his excellent leadership and stewardship during my tenure as Deputy Commissioner. I also extend my gratitude to the Director-General, Mr Lionel October and to the Executive Committee of the Department of Trade and Industry for their unwavering support towards the NCC. I congratulate Minister Ebrahim Patel, Deputy Minister Fikile Slovo Majola and Deputy Minister Nomalungelo Gina on their appointments and I wish them well over their tenure.

I look forward to interacting with the Portfolio Committee on Trade and Industry and also wish them well over their tenure.

Over the year, the term of Mr Denis Braithwaite, chairperson of the Audit and Risk Committee, had come to an end. I acknowledge the hard work and good guidance he provided over six years to the NCC. Ms S Sekgobela now chairs the said Audit and Risk Committee. I thank her and the members of the committee for their 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, **SADC**, Consumers International, The Africa Dialogue, authorities in all tiers of government, accredited ombud schemes, as well as domestic law enforcement agencies. I therefore also extend my gratitude to them for their continued cooperation and support.



Ms Thezi Mabuza
Acting Commissioner
National Consumer Commission

1.4 Vision and Mission Statement

1.4.1 Vision

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

1.4.2 Mission

The mission of the NCC is: **“To promote compliance with the CPA through advocacy and enforcement, in order to ensure fair business practice and uphold social and economic welfare of consumers”.**

1.4.3 Value Statements

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

1.4.4 Strategic outcomes orientated goals

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

- 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.

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

1.5 Legislative and Other Mandates

1.5.1 Consumer Protection Act 68 of 2008

The NCC is established in terms of Section 85 of the Consumer Protection Act No. 68 of 2008 (CPA) with jurisdiction throughout the Republic of South Africa. The NCC reports to the Department of Trade and Industry (“**the dti**”), and particularly to the Minister, **the dti**’s Public Entity Oversight Unit and to its Consumer and Corporate Regulation Division (CCRD).

The CCRD has, as one of its key roles, the creation of “*credible institutions for enforcement and implementation of regulatory instruments*”. The NCC is charged with the responsibility to enforce and carry out the functions assigned to it in terms of the CPA. The CPA seeks to promote a fair, accessible and sustainable marketplace for consumer products and services and for that purpose, to establish national norms and standards relating to consumer protection. It further seeks to provide for improved standards of consumer information, to prohibit certain unfair marketing and business practices, to promote responsible consumer behaviour and to promote a consistent legislative and enforcement framework relating to consumer transactions and agreements.

The CPA makes it clear that the NCC must promote the resolution of consumer complaints but that it is not responsible for intervening directly therein. This means that the NCC is not expected to be involved in the conciliation or mediation of disputes between consumers and suppliers unless the parties consent to a settlement of the dispute during the course of an investigation. Ordinarily, disputes amongst consumers and suppliers, if not resolved amongst themselves, are dealt with by provincial consumer protection authorities and the ombud schemes accredited by Minister. Increased involvement of provincial consumer protection authorities in the conciliation and mediation of disputes between consumers and suppliers have 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 engaging in prohibited conduct;
- ii. Promote the resolution of disputes between consumers and suppliers; and to
- iii. Promote compliance with the CPA through advocacy, education and awareness.

1.5.2 Constitutional Mandates

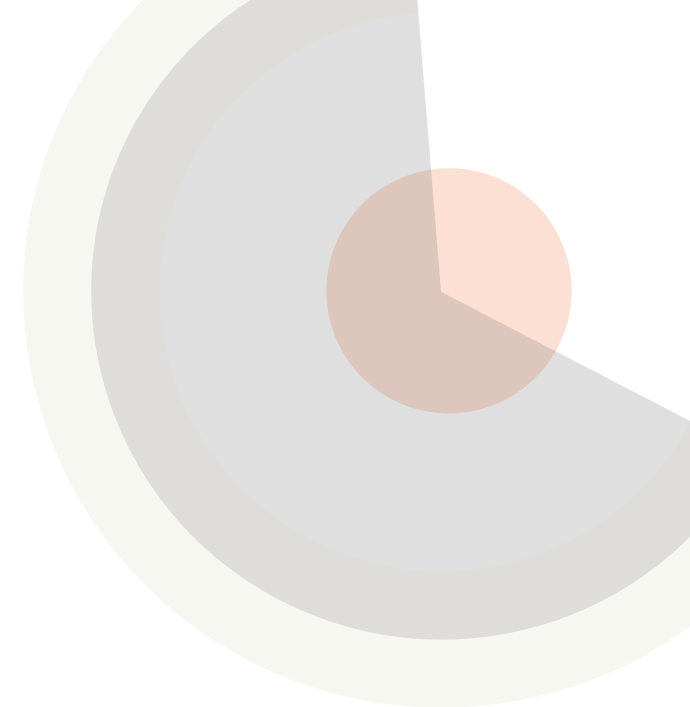
Through its legislative mandate and its promotion of fair business practices, the NCC plays a significant role in upholding and preserving the principles enshrined in the Bill of Rights. Specifically, the NCC has a direct impact on the following areas within the Constitution of the Republic of South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

- i. **Sub-section 9: Equality** – Through remaining accessible to diverse groupings of consumers, the NCC plays its role in ensuring that parties have the right to equal protection and benefit of the law. Additionally, the NCC strives through its value system to respect human diversity and ensure that no form of discrimination, if any, is tolerated.
- ii. **Sub-section 10: Human dignity** – The NCC ensures that prohibited conduct on the part of suppliers of goods and services, as well as the relevant action thereto does not impair human dignity.
- iii. **Sub-section 14: Privacy** – The NCC ensures that the privacy of persons is protected.
- iv. **Sub-section 33: Just administrative action** – The NCC ensures it 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:
 - Norms and standards;
 - Frameworks; or
 - National policies.
- iii. The national legislation is necessary for the-
 - Protection of the common market in respect of the mobility of goods, services, capital and labour;
 - Promotion of economic activities across provincial boundaries;
 - Promotion of equal opportunity or equal access to government services.

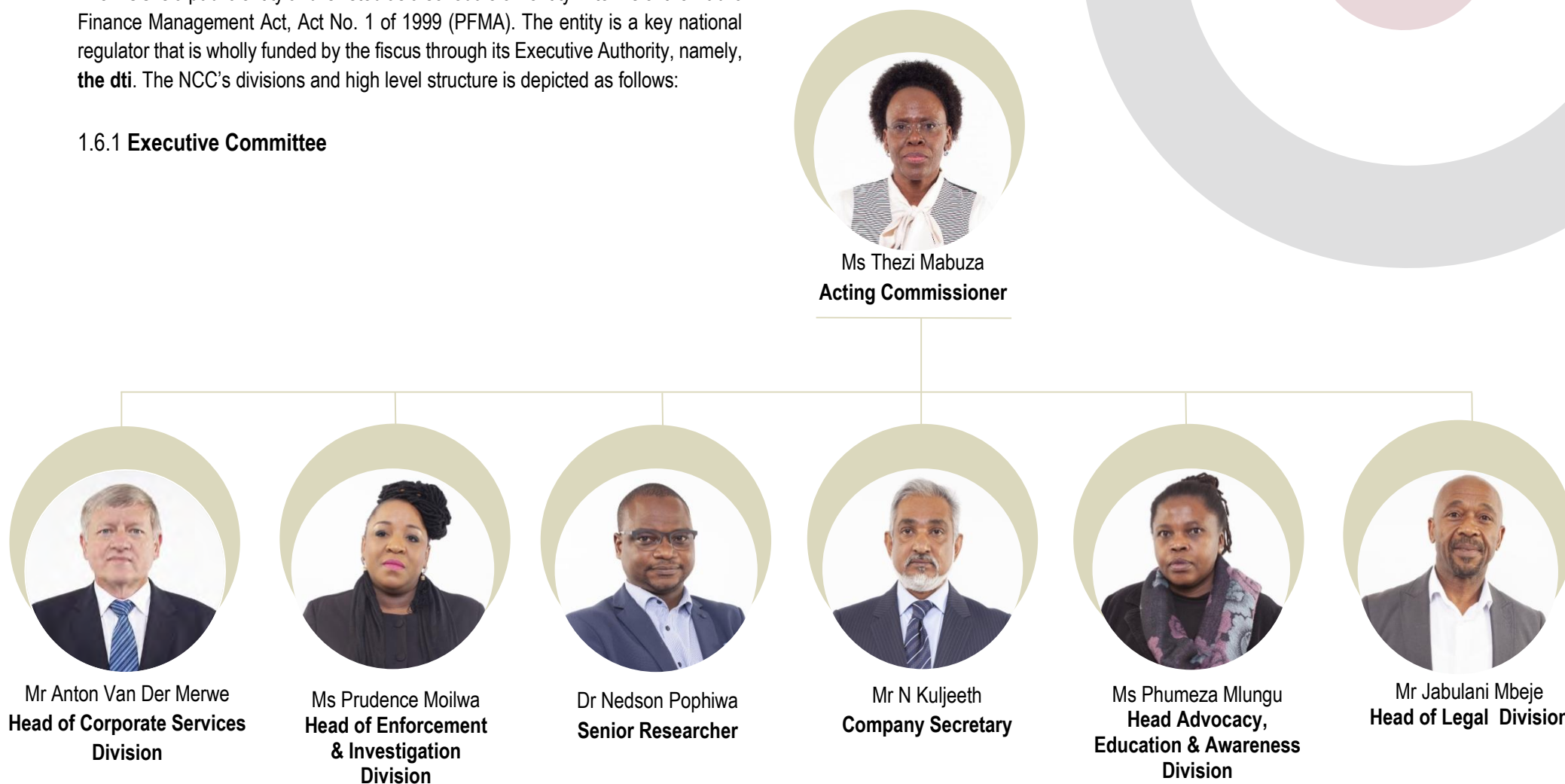
The CPA entrenches national consumer protection policy as well as norms and standards.



1.6 Organisational Structure

The NCC is a public entity and is listed as a schedule 3A entity in terms of the Public Finance Management Act, 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:

1.6.1 Executive Committee



1.6.2 Management Committee

The NCC's Management Committee (MANCO) consists of heads of business units and members of Exco.



1.7 Overview of the National Consumer Commission's performance

1.7.1 Service Delivery and Organisational Environment

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

In 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:

- Suppliers (for profit or non-profit) that promote or supply goods or services to consumers across all sectors of the economy, unless exempted;
- Government institutions or any entity contracted by the State to provide goods or services to consumers;
- Franchise offers, solicitations and agreements; and to 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. The improvement in the risk management process continued in the year under review. 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 85 positions. This number of positions is particularly small when compared with similar entities operating nationally and internationally. A significant portion of these employees are responsible for providing administrative support. The NCC, as with other public entities, 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. But for the funds received through **the dti** and investment income earned through interest received, the NCC receives no additional funding. Other than remuneration, a significant portion of the remaining budget is allocated to costs relating to administration.

In order to contain remuneration costs, the remuneration scale adopted by the NCC has been mirrored to that of the Department of Public Service and Administration (**DPSA**) for national government departments. Similar benefits, terms and conditions as determined by the DPSA have also been adopted. These include annual salary adjustments and performance bonuses. **the dti** has embarked upon the establishment of a bargaining forum for its entities, the NCC included. It is anticipated that from the 2019/20 financial year onwards, the NCC will enter into negotiations on remuneration, benefits and related matters. Performance agreements have been reviewed and revised in the year under review. Performance agreements have been 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. Thus far, the services of the DPSA and that of **the dti** have been engaged at no cost to the NCC to assist it with the restructuring. 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 the recall of unsafe and or defective products. The number of product recalls that NCC are dealing with on a daily basis has increased drastically over time and as such, a need exists to establish a dedicated unit to administer these recalls. The NCC has previously indicated its intention to establish an Opt Out Register. The Executive Authority provided funding in January 2019 to for the NCC to commence with the procurement of goods and services in relation to the Opt Out Register project. Time and resource constraints resulted in the NCC not being able to effect procurement processes timely, as a result, the project funds were not spent by March 2019. Going-forward, the NCC anticipates that a dedicated unit will be established to execute the annual deliverables / milestones and operate the register. It is envisaged that apart from injecting capital in relation to establishment costs, the register would be largely self-funded, once operational.

Despite the challenges mentioned hereinbefore, the NCC continues to deliver on its strategy. The strategy of the NCC is simple with its core function being, to enforce the CPA. The investigation of consumer complaints 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.

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

The NCC is not an alternate dispute resolution agent, as defined in the CPA. To this end, the NCC resolved to promote the establishment of quick and cost effective

redress mechanisms, by agreeing with certain industries and or sectors of industry to establish respective industry ombud schemes to assist in the conciliation and mediation of disputes. Following accreditation by Minister, the Motor Industry Ombud of South Africa and the Consumer Goods and Services ombud schemes have, since the 2015/2016 financial year, continued to provide conciliation services to consumers and suppliers in line with the provisions of the CPA. These schemes are funded by the respective industries and services are provided at no cost to consumers. A summary of the work done by these Ombuds will be dealt with in Part B of this report.

1.7.2 Key policy developments and legislative changes

In its 2017-2018 annual report, the NCC reported that in August 2017 the Independent Communications Authority of South Africa (ICASA) published for comment, its draft regulations on **End-User Subscriber Service Charter** (Charter) in terms of the Electronic Telecommunication Act 36 of 2005. The Charter was intended to amend licensing conditions of telecommunication companies which seek to regulate their terms and conditions regarding the supply of goods and services to consumers. The terms and conditions pertained to telecommunication services, the supply of data, sms and voice over airtime.

It was further reported that the final regulations were published at the end of April 2018. The NCC has engaged with ICASA on the draft regulation prior to the drafts being published and during the commentary phases of the draft versions of the regulations. The NCC indicated then that it had not determined the full impact of the regulations viz a viz the protection afforded to consumers by the CPA.

Having now considered the final regulations, the NCC, having argued vociferously for the rollover of unused data which had already been paid for by consumers, notes that Vodacom attempted to get around the new data regulations. Vodacom had announced that it will charge its consumers a fee to rollover data.

According to Moneyweb.co.za, consumers, on social media and other platforms **“accused Vodacom of finding loopholes to avoid complying with the spirit of the new regulations...Consumers also noted that in some instances, these rollover fees actually exceeded the cost of a bundle, therefore deterring consumers from benefiting from the regulations.”** A significant number of consumers threatened to vote with their feet. The NCC is pleased to note the actions taken by consumers and that neither the NCC nor ICASA had to intervene, as Vodacom backtracked the very next day.

The CPA is very clear on the issue of unsolicited goods and services. It is evident that the regulators may have their hands full in the 2019/20 financial year dealing with certain operators in the telecommunications sector. For that reason vigilance is key. Be that as it may, it is comforting that South African consumers are beginning to find their voice against unethical business practices.





PART B

PROGRAMME PERFORMANCE

2.1.1 Strategic objectives of the National Consumer Commission

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

The NCC undertook to pursue the following strategic outcomes:

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

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

2.1.2 Description of Programmes

2.1.2.1 Programme 1: To promote Consumer Protection and Consumer Safety

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

The functions in relation to this objective are 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

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

The purpose of programme 2 is to promote compliance with national consumer protection policy and legislation and influence 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

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

The purpose of programme 3 is 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:

- i. 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 to
- ii. Develop relevant consumer protection related education and awareness material.

2.1.3 Key achievements of Programmes

2.1.3.1 To promote Consumer Protection and Consumer Safety

a. Investigations

Investigations and product recalls remain key activities for the NCC in giving effect to its key mandate. An internal screening committee assisted the investigation team in identifying investigations as well as determining the scope of the investigations. All investigations are approved and certified by the Commissioner of the NCC.

In terms of Section 71 of the CPA, the NCC can investigate complaints: received from consumers; matters initiated on its own motion; as directed by the Minister of Trade and Industry; on the request of a provincial consumer protection authority, a

regulatory authority or accredited consumer protection group. In terms of the NCC's strategy, investigations are often identified from complaint trends and matters brought to the attention of the NCC that are deemed to impact significantly on consumers.

i) Timeshare Enquiry

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

Complaints mainly related to clubs involved with the sale and management of holiday points. It was evident from submissions made at the enquiry that there has been a major shift in the industry from conventional fixed timeshare products, where a consumer could buy accommodation access, at specific intervals and at a specific resort. Nowadays, consumers are mainly sold points in a holiday club. The industry has argued that the points system is more flexible, in that, the points are not linked to a specific location, holiday unit or time of year but can be redeemed for any vacation at a venue in the books of the club.

The enquiry panel finalised its engagements with relevant regulators, consumers, consumer bodies and with representatives of the relevant business sector. The hearings proved fairly beneficial, in that, the enquiry panel was able to interact with and interrogate the vast array of arguments, problems and proposals presented by

all parties. The report was released at a national press conference held on 06 December 2018. Prior to the release of the report, the NCC held discussions with critical shareholders. Discussions were held with **the dti**, the Companies and Intellectual Property Commission, the National Credit Regulator, Competition Commission and with the Consumer Goods and Services Ombud.

The majority of complaints raised during the Inquiry, related to:

- i. the inability of consumers to cancel contracts with the clubs;
- ii. forfeiture of points by holiday clubs
- iii. unavailability of accommodation;
- iv. unacceptable alternative accommodation offered;
- v. misrepresentations made during sales presentations;
- vi. the actual value of the points that the industry sells to consumers;
- vii. the membership fees linked to different membership levels; levies charged and the unpredictable annual increases to these;
- viii. inaccessibility of the vacation ownership clubs' annual general meetings; as well as,
- ix. the inadequate handling of complaints by these clubs.

A number of recommendations have been made by the enquiry panel. Some of these are:

- i. The Clubs should take responsibility to ensure that their members are able to attend meetings, including AGMs;
- ii. Given that the Clubs have a national footprint, members in all nine provinces should have equal representation in the management of the Club. Provincial structures representing members can promote member activism and alleviate possible abuse or excessive use of the proxy system;
- iii. A rotation system on provincial lines, in terms of hosting of AGMs, should be introduced to engender fairness to members in terms of logistics;
- iv. In all dealings between the Clubs and members, provision should be made for customer satisfaction surveys as a way of continuously measuring

satisfaction with the products/services they offer. The contents of the surveys should be fed to the proposed industry regulator;

- v. The Minister should designate a specific entity/regulator to enforce the Property Time Sharing Control Act (PTSCA)
- vi. Once designated, such an entity/regulator should, in consultation with other relevant regulators, investigate the Clubs practices in respect of the following:
 - Their quorum requirements; and
 - The use of proxies at general meetings, including special general meetings and annual general meetings, to ensure that members' rights and interests are protected and safeguarded in relation to the determination of all and any forms of financial contributions to be made by the members.
- vii. The NCC should consult with the relevant regulator/s to ensure that the members of the Clubs have access to and are placed in a position to influence decisions affecting their rights, responsibilities and the financial obligations imposed on them.
- viii. The NCC consults with the relevant industry regulator in order for the relevant Code to be updated: and to oblige providers of goods and services to set up appropriate internal complaints mechanisms or be penalised in the event where consumers are not able to access complaints mechanisms within the supplier at a set timeframe.
- ix. The practice of luring consumers through purported freebies e.g. holiday vouchers, motor vehicles, free flights and similar items should be discontinued.
- x. Where contracts were concluded as a sequel to unfair marketing practices, consumers should be released from their contracts.
- xi. The technique of hoodwinking consumers using scratch cards as a representation of whether or not they have won holidays or prizes should also be proscribed/outlawed;

- xii. All presentations made to consumers in the course of marketing should be recorded (visual/audio) and copies be kept and archived, in accordance with the Archives Act. In the event of a dispute, the club should be obliged to produce the record;
- xiii. The practice of requiring consumers to bring along credit cards to venues for marketing presentations should be outlawed and discontinued.
- xiv. The practice of inducing consumers into signing contracts under pressure, using the threat that “offers are valid for only today” or “bonus points are only available today” when in actual fact this is never the case, should be discontinued and outlawed/prohibited;
- xv. The NCC and the CGSO, in consultation with the industry should develop and produce a detailed statement of practice outlining the types of behaviour which should be regarded as pressure selling in timeshare;
- xvi. That the detailed conduct in such a Statement of Practice should be incorporated into the proposed PTSCA regulations as an interim solution and be outlawed. When the proposed industry focused legislation is ultimately passed, the contents of the Statement of Practice should likewise be incorporated therein;
- xvii. The industry, as an interim measure, should develop a Code of Conduct for regulating the conduct of Sales Consultants/Agents and the Clubs they represent;
- xviii. The projection or representation of holidays/incentives as investments should cease immediately.
- xix. All timeshare contracts be deemed as Fixed Term Contracts, subject to renewal by agreement between the club/developer and the member.
- xx. The rights accorded to consumers in terms of Section 14 of the CPA should apply automatically, in the event of a consumer cancelling;
- xxi. It be made obligatory that all consumers are provided with the concluded contract (signed by both parties) on the day of the sale;
- xxii. The cooling-off period commences only once the last party has appended his/her signature to the contract and the contract has been delivered to the

consumer and most importantly, once a consumer has received notification that their membership has been activated and membership number allocated;

- xxiii. Given the general complexity of the contract and due to the added complexity resulting from the incorporation by reference of the Clubs’ Constitution and Rules, and the multitude of prescribed disclosures, careful consideration should be given to the cooling-off period being extended for the consumer contracts.

Various other recommendations that are competition, contractual and credit related, have been made. The full report can be downloaded from the NCC’s website. <http://www.thencc.gov.za/investigation-reports>

A legislative review is underway by **the dti**. The Competition Commission and the National Credit Regulator have agreed to look into the applicable recommendations contained in the report in relation to their mandate. In the interim, the NCC has agreed with the CGSO that it would assist in resolving complaints lodged by timeshare consumers. The CGSO has reported that the majority of clubs are willing to cancel timeshare contracts but that they are still charging excessive cancellation fees, this makes it impossible for consumers to cancel. The NCC will deal with this conduct in the next financial year.

ii) Investigation of Motor Vehicle Complaints

The large majority of complaints that the NCC continues to receive, relate to defective motor vehicles, particularly second hand motor vehicles. The NCC has continuously encouraged motor vehicle suppliers to fulfil their warranty obligations as contained in the CPA. Consumers and suppliers are also encouraged to resolve their disputes amongst themselves. When the parties are unable to resolve their disputes, they are encouraged to approach the Motor Industry Ombud, an alternate dispute resolution agent, duly accredited by the Minister of Trade and Industry. Very often, suppliers are not willing to resolve these disputes. When these matters reach

the NCC, these are investigated and if not settled in the course of the investigation, are referred to the NCC's Legal Division for the matter to be enrolled with and argued at the National Consumer Tribunal.

The NCC has noticed a trend where certain motor vehicle sellers are not willing to comply with the six-months warranty rights as stipulated in the CPA. Instead, some suppliers are providing a one-month warranty and insist that consumers purchase mechanical breakdown insurance. When claims for repairs are made within the six-month statutory warranty period by consumers, offending motor vehicle dealers often insist on these claims being dealt with in terms of the mechanical breakdown insurance.

In the **NCC vs CITTON CARS (PTY) LTD** matter, the NCC conducted an investigation and brought an application against CITTON CARS (PTY) LTD (Respondent) in the National Consumer Tribunal. The Respondent initially opposed the application. However, the matter was subsequently settled and the settlement agreement entered into between the NCC and the Respondent was made an order of the Tribunal.

The Respondent agreed that it had contravened section 56 of the CPA and as such, it had engaged in prohibited conduct.

In summary the Respondent agreed that it shall:

- Refrain from causing consumers to sign the specific terms and warranties which provides that the Respondent's obligation relating to the failed, unsafe or defective goods is limited only to 30 days after date of purchase. (in terms of the CPA, consumers have a six-month warranty)
- Revise the offending document to ensure compliance with the CPA, and to
- Furnish a copy of the revised CPA compliant document to the NCC.

The Respondent further agreed that it shall refund:

- The amount of R1 500.00 (One Thousand Five Hundred Rand) that was paid by the complainant to the Respondent for repairs to the complainant's motor vehicle.
- The amount of R20 000.00 (Twenty Thousand Rand) being the deposit paid the complainant to the Respondent
- The sum of R140 578.04 (One Hundred and Forty Thousand, Five Hundred and Seventy-Eight Rand and Four Cents) being instalments paid by the consumer to the consumer's credit grantor;
- The amount of R32 374.04 (Thirty-Two Thousand, Three Hundred and Seventy Four Rand and Four Cents) being the insurance premiums paid to the consumer's insurer.
- To Motorite (insurer) the amount of R35 000.00 (Thirty-Five Thousand Rand)

In addition, it was agreed that the Respondent shall:

- settle the outstanding balance on the consumer's motor vehicle loan account with the credit grantor;
- Upon the Respondent furnishing written proof of settlement, the complainant shall pass ownership in the motor vehicle to the Respondent;

This matter highlights the fact that the deliberate avoidance of one's obligations as contained in the CPA, can be costly and that consumers' statutory warranties should not be trifled with.

In the **NCC V ALIBIBI PROP t/a Midcity** matter, the consumer's motor vehicle had broken down within three months of it being purchased. In terms of the CPA, a consumer has the right to a repair, refund or replacement, whichever the consumer elects, in the event the consumer is supplied with defective goods and such defect manifests within 6 months from date of purchase.

In this matter, the supplier was given the opportunity to accept return of the motor vehicle and refund the purchase price paid by the consumer. The supplier refused to accede to the request. The NCC filed the matter with the National Consumer Tribunal and judgment was granted in favour of the NCC.

The supplier was ordered to:

- Settle the outstanding amount owing to the consumer's credit grantor which amounted to R60 000.00;
- Refund the vehicle finance instalments paid by consumer during the time when vehicle had broken down amounting to R50 000.00;
- Collect the vehicle from the consumer at the supplier's cost.

The cost of financing the purchase price of a motor vehicle invariably exceeds the purchase price. The interest rate applicable to such finance is generally high. Refunds can often result in suppliers incurring significant losses. It is in the interest of suppliers to thoroughly examine goods that they purchase for purposes of resale.

In the matter between **NCC V WIMPIES CAR SALES**, it was established that the consumer's motor vehicle broke down within the CPA warranty period. The supplier refused to accept return of the vehicle and refund the purchase price to the consumer. Eventually a settlement agreement was entered into between the NCC and the supplier in the following terms:

- The supplier to settle the outstanding amount on the motor vehicle finance agreement which was R104 537.41;
- The supplier to refund the consumer the sum of the motor vehicle finance instalments paid by consumer during the time when vehicle was broken down. This was estimated at R53 000.00;

- The supplier to refund the motor vehicle insurance premiums paid by consumer during the time when vehicle was broken down amounting to R12 708.43;
- The supplier to collect the motor vehicle at its own cost.

iii) Harmful or Defective Products- Product Recalls

It is an underlying principle of the CPA that consumers must be protected from hazards to their safety and well-being. Consumers do have the right to return unsafe or defective goods. Goods are deemed hazardous or unsafe when those goods present a significant risk of personal injury to any person, or damage to property, when the goods are utilised. If the goods are unsafe, the NCC 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 past year. These recalled products include, amongst other goods, numerous brands and makes of motor vehicles, foodstuffs and cosmetics.

Consumers rely on a vast number of products daily. These products would include, amongst others, appliances, IT equipment, motor vehicles, food and clothing. Defects found in such goods could result in serious harm to consumers and may in certain instances result in fatalities. In order to protect consumers, the NCC, in line with the CPA, has published guidelines to assist suppliers for the recall of harmful or defective products. Over and above that, the National Regulator for Compulsory Specifications has, over time, prescribed a number of standards to ensure the safety of South African consumers. The Department of Agriculture, Forestry and Fisheries (DAFF) and the Department of Health, have published various laws and regulations relating to food safety, including safety measures related to food that is imported

into South Africa. Much of the product safety legislation establishes guidelines for products before these become available to consumers. This has the effect of largely preventing harm. Where it is discovered that certain harmful and or defective goods have entered the marketplace, the NCC may order a recall. On most occasions, suppliers themselves have correctly and without any pressure from the NCC, voluntarily recalled harmful and or defective goods. The CPA makes provision for a supplier to be held liable for any damages suffered by a consumer arising from the consumption and or use of the harmful and or defective product. However, the amount of damages that a consumer may be awarded, has to be determined by a court of law.

In order to highlight the importance of the recall provisions that the NCC is responsible for as well as the importance of other stakeholders implementing legislation to protect consumers is demonstrated in the following example.

In the year under review, the NCC has initiated an urgent product safety recall, relating to Frozen Chicken Cuts (leg quarters), imported from Brazil through the Coega Port of entry. One of the distribution centres operated by SPAR that has a cold, bonded storage facility, duly approved by DAFF, was issued with a Veterinary Import Permit (VIP) to import frozen poultry meat from Brazil. Officials of DAFF based in the Nelson Mandela Metro drew samples from the consignment and tests were performed on these samples. The samples tested positive for Salmonella Serovar Enteritidis and DAFF therefore issued a Certificate of Rejection of Order on or about 13 December 2017.

The importer, Merlog Foods, appealed the DAFF decision to reject the consignment on the basis the production facility in Brazil advised that it had not detected Salmonella Enteritidis in its production processes and especially not during the period of production of this consignment. DAFF granted permission for re-sampling of 10 samples (5 original and 5 new cartons) which were sent to two independent laboratories namely Food Chain Laboratories (FCL) and the Agricultural Research

Council Onderstepoort Veterinary Institute (ARC-OVI). The two laboratories used validated and/or accredited testing methods to analyse the food samples.

Following the results of the retest, a decision was made to uphold the initial rejection as the product in the container was found to be contaminated with even more foodborne pathogens.

The NCC was informed by the relevant authorities that as at September 2018 the consignment could not be located. After numerous attempts and liaison with the Spar Cold Store Management, it transpired that the goods had already been removed and the consignment was illegally distributed.

DAFF notified the NCC of the incident and a team consisting of 2 investigators from the NCC and 2 inspectors from DAFF visited the storage facilities for verification of the incident on 01 October 2018.

The investigation is ongoing. Thus far, it has been established that some of the meat that was sold was used by the buyers to manufacture raw and cooked products for sale directly to consumers or to other smaller businesses.

Amongst a number of product recalls, the NCC is monitoring a voluntary recall initiated by Claire's Stores, Inc., of three cosmetic products: Claire's Eye Shadow, Claire's Compact Powder and Claire's Contour Palette. This recall was initiated after testing by the U.S. Food and Drug Administration indicated the possible presence of asbestos fibres in product samples from one lot of each product.

Inhalation of asbestos, over time, has been linked to serious adverse health consequences.

The products have been removed from stores, but may still be in the homes of consumers. The SKUs/Lots being recalled are:

- i. Claire's Eyeshadow, UPC #888711847165, SKU #84716, Lot No. 08/17
- ii. Claire's Compact Powder, UPC #888711839153, SKU #83915, Lot No. 07/15

- iii. Claire's Contour Palette, UPC #888711401947, SKU #40194, Lot No. 04/17

All three products were offered for sale between October 2016 and March 2019 and have been removed from the marketplace. They were sold in Claire's stores nationwide and on www.claire.com. Consumers who have purchased these products were advised to discontinue the use thereof and to return them to a Claire's store for a full refund. No evidence of any adverse reactions, injuries or illness caused by the possible presence of asbestos in the recalled products is available.

iv) Ford Kuga Recall and Investigation

Following intervention by the NCC, the Ford Motor Company had to recall more than 4500 sports utility vehicles. The NCC has finalised its investigation into the conduct of Ford Motor Company. The NCC has appointed lawyers to assist in filing the matter with the National Consumer Tribunal, unless a settlement agreement is reached between the parties. The NCC anticipates that it will enroll the matter in the next financial year.

v) Monitoring of Accredited Ombud Schemes

The CPA requires that the NCC promote the resolution of disputes. The CPA makes it clear that consumers should first attempt to resolve these disputes with suppliers before these can be escalated to the provincial consumer protection courts, industry ombuds and eventually to the NCC. In order to promote the resolution of complaints, the NCC has in the past recommended accreditation and the Minister of Trade and Industry has accredited ombuds schemes in industries where a significant number of disputes arise. The two accredited ombud schemes are the Motor Industry Ombud of South Africa (MIOSA) and the Consumer Goods and Services Ombud (CGSO). When the NCC receives complaints, it would ordinarily refer these to relevant accredited ombud schemes for resolution between the parties. Where an ombud

scheme does not exist or is not accredited, the NCC would enter into memoranda of agreements with relevant sector regulators or associations and then refer these disputes to them.

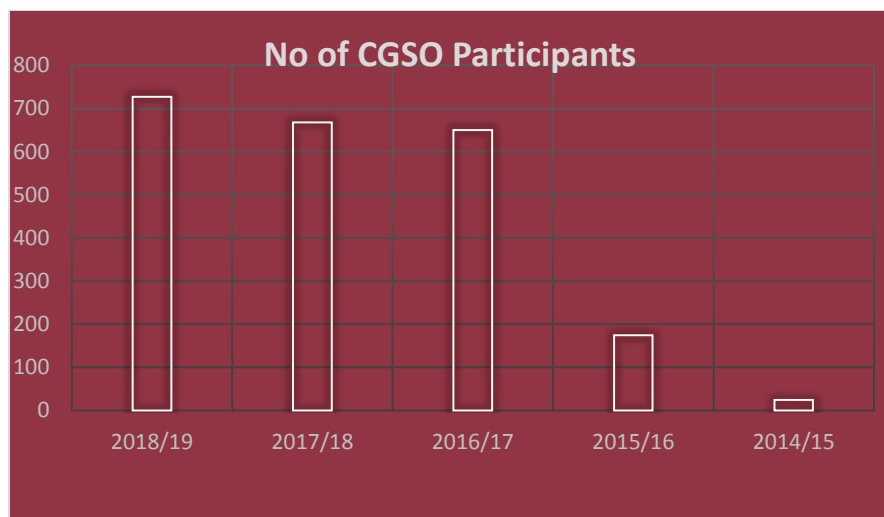
Both accredited ombud schemes have been fully functional and effective in providing alternate dispute resolution services in line with the CPA for consumers and suppliers. These ombuds schemes report to the NCC on the operation of the scheme which is summarized herein below.

None of the accredited ombuds are funded by the State or by the NCC. Each scheme is self-funded by businesses that fall within its jurisdiction or demarcation, as stipulated in the respective codes that have been promulgated by the Minister of Trade and Industry. Regrettably, not all demarcated businesses contribute towards the funding of these schemes. It would follow that the more the businesses contribute, the lower the contributions will be. This has clearly been the case at MIOSA.

vi) Consumer Goods and Services Ombud (CGSO)

The CGSO is accredited by Minister in terms of the CPA and it has the function of resolving disputes when resolution through the internal structures of the supplier has failed. Disputes are resolved through conciliation and its key objective is to provide an accessible, free and speedy service. The NCC retains the regulatory role of monitoring consumer disputes per industry and sector dealt with by alternate dispute resolution (ADR) schemes such as CGSO to identify endemic, harmful business practices as well as emerging harmful trends for further investigation and prosecution, where warranted.

The CGSO currently has 727 participants at group level. This number includes a majority of the large manufacturers, wholesalers, retailers and distributors. A list of these participants can be found on their website. The growth in the number of participants over the years are depicted in the table below.



aa) Number of calls and matters

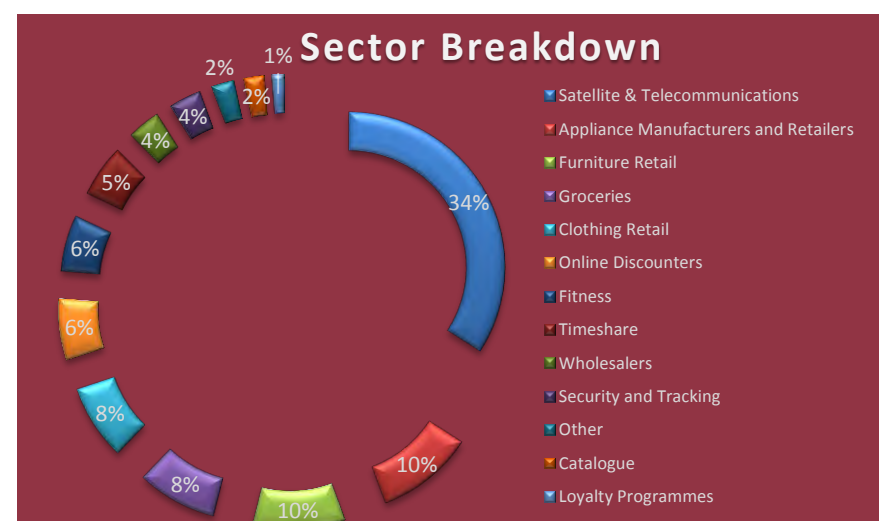
The CGSO received a total of 25 744 calls. This represents 2 855 more calls received than the previous year. The increase can be attributed to the continued coverage that it receives on various media platforms as well as the recent launch of its social media campaign on Facebook and Twitter.

In so far as complaints are concerned, the CGSO has received 8 261 complaints in the year under review. This reflects a 47% increase from the previous year. The Ombud attributes this to the result of NCC referring consumers directly to its offices, as opposed to the NCC receiving a complaint then referring this to the Ombud. This approach saves time.

The number of complaints closed by CGSO amounts to 7 717 as compared to 5553 that were closed in the previous financial year. This reflects a 39% increase in the number of matters closed.

bb) Complaints by Sector

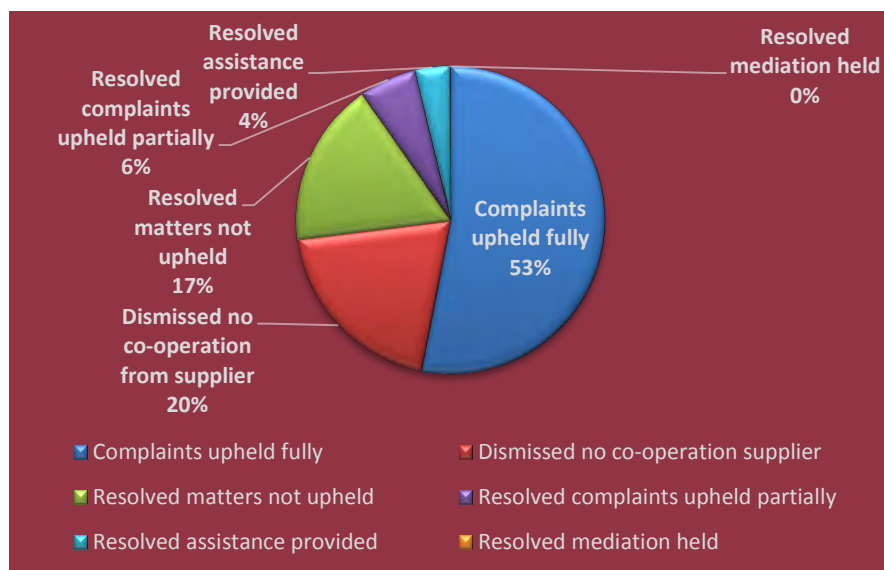
The table below depicts the percentage of complaints received per sector. The CGSO has seen an increase in online shopping complaints. In the year under review the online shopping complaints constituted 2% of all complaints received but in the year under review it has increased to 8%. It is anticipated that this will be a growing trend as consumers increasingly resort to online shopping.



The majority of complaints received (34%) related to the telecommunications sector; 10% related to electrical appliances and a further 10% of complaints related to furniture. These 3 types of complaints constituted 54% of the complaints received.

cc) Outcome of Complaints

In 63% of cases there were positive outcomes for the consumer, with 53% being fully in favour of the consumer, 6% partially in favour and 4% assistance provided. This is more fully depicted as follows:



dd) Time Taken to deal with Complaints

The CGSO was able to reduce the average number of days taken to resolve complaints. It managed to finalise matters on an average of 45 days whereas in the previous financial year it took 47 days on average. The Code requires it to finalise matters within 60 days.

ee) Media, Training and Outreach

The CGSO collaborated with the Provincial Consumer Affairs Offices, Ombuds, Regulators and other Stakeholders to reach communities in outlying areas. During the reporting period it took part in 6 collaborative workshops reaching 3 151 consumers. It also participated in 74 interviews on most of the major and community radio stations. Moreover it appeared 27 times on 6 television programmes reaching more than 7 Million viewers.

DATE	CHANNEL	PROGRAMME
29.01.2018	SABC 2	Speak Out
6.02.2018	SABC 2	Speak Out
20.02.2018	SABC 2	Speak Out
6.03.2018	SABC 2	Speak Out
8.03.2018	SABC 2	Leihlo la Sechaba
26.03.2018	SABC 2	SpeakOut
29.03.2018	SABC 2	SpeakOut
10.04.2018	SABC 2	SpeakOut
18.04.2018	DSTV	Market Place
20.06.2018	SABC 1	Morning Live
25.06.2018	SABC 1	Yilungelo Lakho
16.07.2018	SABC 2	Speak Out
8.08.2018	SABC 2	Speak Out
12.10.2018	SABC 2	Speak Out
30.10.2018	SABC 2	Speak Out
1.11.2018	SABC 2	Speak Out
1.11.2018	SABC2	When duty calls
19.11.2018	SABC1	Yilungelo Lakho
22.11.2018	SABC2	Morning Live
10.12.2018	SABC1	Yilungelo Lakho
20.12.2018	SABC1	SpeakOut
03.01.2019	SABC2	Speakout
17.01.2019	SABC2	Speakout
24.01.2019	SABC2	Speakout
25.01.2019	SABC2	SpeakOut
28.02.2019	SABC2	Speakout

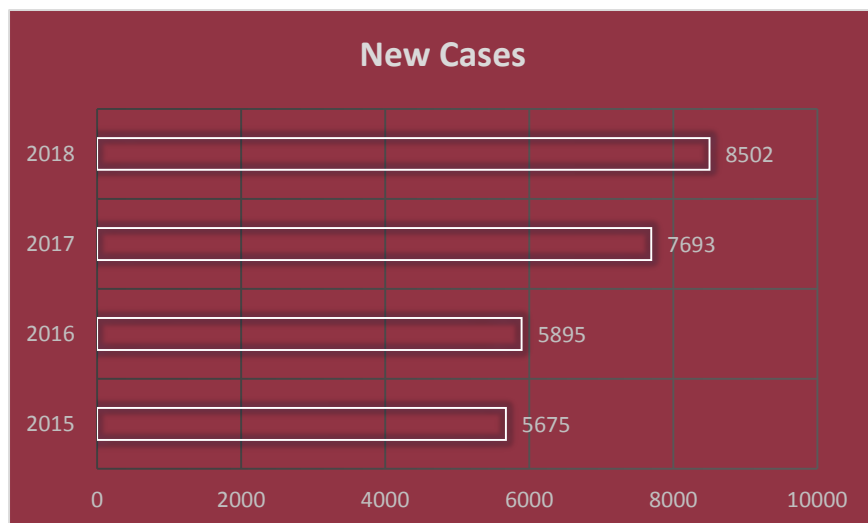
ii) Motor Industry Ombud of South Africa

The Motor Industry Ombudsman of South Africa (MIOSA) was accredited by Minister on 15 January 2015 from which date MIOSA acquired its status as an accredited dispute resolution agency and is now ***“the custodian of the South African Automotive Code of Conduct – a regulation that forms an integral part of the Consumer Protection Act of 2008”***. The Code states that all participants in the motor industry must register with the MIOSA and pay a monthly levy. MIOSA has provided the following information relevant to the period March 2018 to February 2019.

aa) Number of Complaints

MIOSA, in its last financial year, received 8502 complaints. More than 50% of these complaints were received from consumers in Gauteng. The complaints received per province is broken down as follows:

Province	Complaints filed	Percentage
Gauteng	4464	53%
Western Cape	1021	12%
KwaZulu-Natal	861	10%
Not provided	851	10%
Eastern Cape	346	4%
Mpumalanga	275	3%
North West	271	3%
Free State	213	2,5%
Limpopo	134	1,6%
Northern Cape	66	0,78%
Total	8502	



The number of complaints received each year, has increased steadily since 2015, when it received 5675 complaints then. The graph below depicts the increase over time.

	Problem Group	Number of Complaints	Percentage of Complaints
1	POOR SERVICE	2462	29.76%
2	ENGINE	2020	24.42%
3	LEGAL	1088	13.16%
4	AGREEMENT	995	12.02%
5	GEARBOX	440	5.31%
6	BODY	421	5.08%
7	WHEELS	253	3.05%
8	INTERIOR	217	2.62%
9	VEHICLE SERVICE	202	2.44%
10	ELECTRICAL	177	2.14%
TOTAL		8275	100%

bb) Nature of Complaints

Approximately 28% of the complaints received by MIOSA relate to poor service. The nature of complaints received have been analysed as follows

cc) Closure of matters

During the year under review the MIOSA has assisted consumers and suppliers alike, bringing about clarity in terms of their rights and obligations, and finality to their complaints regarding transactions entered into in the automotive and related industries in South Africa. It closed 8 403 complaints. The average closure rate of cases was 54 days from submission to conclusion.

Both the CGSO and the MIOSA have dealt with a number of complaints in the past year and both have played a critical role assisting consumers and suppliers, through its conciliatory work in upholding the principles of consumer rights as contained in the CPA. Meetings and workshops were held amongst the ombuds and the NCC during the year. These have proved useful. It is evident that there clearly exists a genuine need for their services. MIOSA has restructured its governance structure in line with the King IV Report.

The Ombud for the CGSO, Adv N Melville had resigned, Ms Magauta Mpahlele has subsequently been appointed as Ombud and Ms Queen Munyai has been appointed as CEO.

iii) Consumer Rights Day

A joint campaign aligned to the World Consumer Rights Day under the theme: Fighting Consumer Exploitation, was undertaken by the NCC. The campaign was held from 11-15 March 2019. The predominant message communicated was: ***An empowered consumer can influence the nature of goods supplied in the market: #Do not buy illicit, non-compliant and poor quality goods.***

This multi-stakeholder initiative brought together expertise from regulators serving on the Consumer Protection Forum, a forum duly chaired by the NCC. The main event of the campaign was held in the Province of KwaZulu Natal. The key objectives were to empower consumers to make wise purchasing decisions; whilst also encouraging business compliance with regulations related to consumer

protection especially with regard to the supply of unsafe, poor quality and illicit goods.

As part of the campaign, the NCC embarked upon sporadic inspections of goods sold in various establishments. The focus was on expired and counterfeit goods. The campaign was able to unearth multiple transgressions in the marketplace. It also came to light that there is a dire need for increased consumer and supplier education with regard to consumer protection as well as joint enforcement strategies to address problem areas.

iv) Swift Response by Government Entities to Sweep “Fake Goods” off the Market

The Department of Trade and Industry, its related entities, the Department of Health, Department of Agriculture, Forestry and Fisheries, and the South African Local Government Association joined forces to develop a response strategy to the illicit goods problem that was highlighted in the middle of 2018. Each of these role-players is vested with the responsibility of administering different pieces of legislation, all of which are designed to ensure that foodstuffs available for sale to the public, meets certain health and quality standards, are safe for consumption and comply with the relevant prescripts of the law. An operation was coined, encompassing provincial compliance inspections on food outlets as well as the education of consumers on their rights to safe and good quality goods. Awareness was created amongst business on its responsibilities on the supply of safe foodstuffs are concerned. A number of stakeholders, at both municipal and provincial spheres of government, made available resources to support this joint campaign. The then Deputy Commissioner of the National Consumer Commission, Ms Thezi Mabuza formed part of the task team.

2.2 PERFORMANCE AGAINST THE ANNUAL PERFORMANCE PLAN

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

Strategic Objective 1: To promote Consumer Protection and Consumer Safety						
Programme 1: Consumer Safety and Protection						
Goal/ Outcome	Output	Measure/ Indicator	Actual Achievement 2017/18	Planned Target- 2018/19	Actual Achievement 2018/19	Reason for Variance
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 98% of complaints referred or issued with non-referrals on an average of (19) days of receipt. (6967 out of 7142)	80% complaints referred or issued with non-referrals on an average of 40 days	Achieved 94% of complaints referred or issued with non-referrals within the average of 40 days	Target exceeded as the number of complaints received were reduced as it was mostly those that had failed at conciliation level and the form was refined to ensure that sufficient information is provided to conclude matters quicker
	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.	Achieved. Submitted assessment reports to Executive Authority (one per quarter on each accredited Ombud Scheme).	Submit assessment reports (one per quarter on each accredited Ombud Scheme) and submit to Executive Authority	Not Achieved Assessment reports, (one per quarter on each accredited Ombud Scheme) submitted to Executive Authority in relation to 3 quarters.	Assessment reports, (one per quarter on each accredited Ombud Scheme) were prepared. However, for quarter 3, the incorrect reports were inadvertently submitted to the Executive Authority.

Strategic Objective 1: To promote Consumer Protection and Consumer Safety						
Programme 1: Consumer Safety and Protection						
Goal/ Outcome	Output	Measure/ Indicator	Actual Achievement 2017/18	Planned Target- 2018/19	Actual Achievement 2018/19	Reason for Variance
Conduct investigations so as 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.	Number of investigations conducted and reports with recommendations produced	Achieved Thirty-four (34) Investigations conducted. Reports with recommendations produced.	12 investigations conducted, reports with recommendations produced	Achieved 34 Investigations conducted and reports with recommendations produced.	Target exceeded because of the high number of motor vehicle complaints that remained unresolved on the shop floor or at the conciliation level.
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	Achieved Took enforcement action on 100% of matters approved for further enforcement within 60 days of approval (09 out of 09 matters –filed with NCT)	90% of matters approved for further enforcement action referred to the National Consumer Tribunal within 60 days of approval	Not achieved. 67% of matters approved for further enforcement action referred to the National Consumer Tribunal within 60 days of approval	One matter was delayed due to the outsourcing process undertaken to appoint a firm of attorneys and counsel.

Strategic Objective 1: To promote Consumer Protection and Consumer Safety						
Programme 1: Consumer Safety and Protection						
Goal/ Outcome	Output	Measure/ Indicator	Actual Achievement 2017/18	Planned Target- 2018/19	Actual Achievement 2018/19	Reason for Variance
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 4 product recall reports on the administration and monitoring of the product recalls	Produce quarterly reports on the administration and monitoring of product recalls	Achieved Produced quarterly reports on the administration and monitoring of product recalls	None

Strategic Objective 2: To promote reform of consumer policy and compliance with consumer protection legislation						
Programme 2: To promote reform of consumer policy and consumer protection legislation						
Goal/ Outcome	Output	Measure/ Indicator	Actual Achievement 2017/18	Planned Target- 2018/19	Actual Achievement 2018/19	Reason for Variance
Identify legislation that affects the welfare of consumers which is inconsistent with the purposes of the CPA and develop proposals for reform of practices	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 report 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 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.	None

Strategic Objective 2: To promote reform of consumer policy and compliance with consumer protection legislation						
Programme 2: To promote reform of consumer policy and consumer protection legislation						
Goal/ Outcome	Output	Measure/ Indicator	Actual Achievement 2017/18	Planned Target- 2018/19	Actual Achievement 2018/19	Reason for Variance
Provide guidance to the public by issuing explanatory notes and/or non-binding opinions on the interpretation of provisions of the CPA	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	Not achieved 100 % (186 out of 186) registered requests for explanatory notes and / or non-binding opinions provided within an average of 27 days	90 % of registered requests for explanatory notes and /or non-binding opinions provided within an average of 10 days	Achieved 100 % of registered requests for explanatory notes and /or non-binding opinions provided within an average of 10 days	The requests received were not complex. Numerous requests fell outside the ambit of the NCC.
Make application for declaratory order on the interpretation or application of any provision of the CPA	8. Apply for declaratory orders on the interpretation or application of any provision of the CPA.	Apply for declaratory orders on the interpretation or application of any provision of the CPA.	Achieved Made one application for a declaratory order on the interpretation or application of a provision of the CPA. set down for hearing on the 26th of May 2017. II) On the use of section 138 forms for section 74 applications in the National Consumer Tribunal in terms of the National Credit Act.	Make one application for a declaratory order on the interpretation or application of a provision of the CPA.	Not achieved A timeshare company brought an action against a consumer. The NCC issued a notice of intention to join the proceedings. The timeshare company then withdrew the action against the consumer.	The Plaintiff is entitled to withdraw an action brought by it. The NCC had no control over the withdrawal.

Strategic Objective 3: To promote public awareness on consumer protection.						
Programme 3: To conduct research and to develop public awareness on consumer protection matters						
Goal/ Outcome	Output	Measure/ Indicator	Actual Achievement 2017/18	Planned Target- 2018/19	Actual Achievement 2018/19	Reason for Variance
Conduct targeted consumer awareness initiatives as well as business compliance initiatives aimed at facilitating a	9. Consumer awareness initiatives conducted	Number of consumer awareness initiatives conducted	Achieved 24 Consumer awareness workshops conducted	24 consumer initiatives conducted	Achieved 29 Consumer initiatives conducted	5 additional consumer initiatives were conducted in response to the food-related videos circulating on social media relating to the alleged 'unsafe' manufacturing of certain "fake foods" in South Africa.
	10. Business compliance initiatives conducted.	Number of business compliance initiatives conducted.	Achieved 18 Business compliance workshops conducted.	12 business compliance initiatives conducted.	Achieved 18 Business Compliance initiatives conducted.	6 additional business initiatives were conducted in response to the food-related videos circulating on social media relating to the alleged 'unsafe' manufacturing of certain "fake foods" in South Africa.
	11. Publish and distribute educational material to consumers	Number of newsletters published and distributed to consumers in predetermined frequencies	Not Achieved 3 External Newsletters were published and distributed to stakeholders.by Commissioner for publication..	4 External Newsletters published and distributed to stakeholders.	Achieved 4 External Newsletters published and distributed to stakeholders.	None

2.3 STRATEGY TO OVERCOME AREAS OF UNDER PERFORMANCE

The NCC fully met 8 out of 11 targets. This is equivalent to a 73% achievement.



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

Goal/ Outcome	Output	Measure/ Indicator	Planned Target- 2018/19	Actual Achievement 2018/19	Reason for Variance
Programme 1: Consumer Safety and Protection					
Facilitate an environment that enables resolution of disputes between consumers and suppliers that is expedient, cost effective, fair and transparent	2. Accredited Ombud Scheme/s monitored regularly	Report on accredited ombuds (MIOA and CGSO) in line with the published codes of conduct or as agreed with the Ombud Scheme.	Submit assessment reports (one per quarter on each accredited Ombud Scheme) and submit to Executive Authority	Not Achieved Assessment reports, (one per quarter on each accredited Ombud Scheme) submitted to Executive Authority in relation to 3 quarters.	Assessment reports, (one per quarter on each accredited Ombud Scheme) were prepared. However, for quarter 3, the incorrect reports were inadvertently submitted to the Executive Authority.

Goal/ Outcome	Output	Measure/ Indicator	Planned Target- 2018/19	Actual Achievement 2018/19	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. 67% of matters approved for further enforcement action referred to the National Consumer Tribunal within 60 days of approval	One matter was delayed due to the outsourcing process undertaken to appoint a firm of attorneys and counsel.
Programme 2: To promote reform of consumer policy and consumer protection legislation					
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	Make one application for a declaratory order on the interpretation or application of a provision of the CPA.	Not achieved A timeshare company brought an action against a consumer. The NCC issued a notice of intention to join the proceedings. The timeshare company then withdrew the action against the consumer.	The Plaintiff is entitled to withdraw an action brought by it. The NCC had no control over the withdrawal.

The three areas of underperformance that has been reported under paragraph 2.2 under the heading **PERFORMANCE AGAINST THE ANNUAL PERFORMANCE PLAN** is not as a result of any key challenges faced by the NCC. In relation to deliverable 2, all assessment reports were prepared. This was verified by the Auditor. However, in the third quarter, the incorrect reports were inadvertently sent to the Executive Authority. In order to avoid such errors, internal control measures, requiring careful checks prior to submission if the reports are necessary.

With regard to the non-achievement of targets 4 and 7, the underperformance areas were beyond the control of the NCC.

With regard to the target 4 relating to “90% of matters approved for further enforcement action referred to the National Consumer Tribunal within 60 days of approval”- one matter was not filed timeously with the NCT. This related to the investigation conducted against the Ford Motor Company. The NCC resolved to appoint attorneys and counsel to assist with the matter. The appointment of the

service providers took some time to finalise. Ordinarily, internal staff draft and file papers at the NCT.

With regard to the target 7, “Make one application for a declaratory order on the interpretation or application of a provision of the CPA”, the NCC identified a matter wherein a consumer was issued with summons by a timeshare company. The NCC, having studied the papers and the law, it decided that it would be able to convince the court to declare that certain critical aspects of the transaction in issue falls within the ambit of the CPA. The NCC then filed its Notice of Intention to Join, a process that is required by law. On receipt of the Notice in issue, the Timeshare company withdrew the action against the consumer. Once the matter was withdrawn, any argument that NCC intended raising, fell by the wayside. In such a case, there is nothing more that the NCC could do. The NCC, revisited this target and has come to the conclusion that it would not have sufficient control thereon to be able to commit thereto. Hence, it has decided to remove this target from its future annual performance plans.

2.4 CHANGES TO PLANNED TARGETS

One target has been changed in-year. It is a requirement that the NCC must provide reasons per performance indicator if any indicator or target has been changed in-year. The change was duly approved by the Executive Authority. The change arose following consultations within the NCC and with the Public Entity Oversight Unit (PEO) of the dti.

In summary, the actual deliverables did not change.

For purposes of full disclosure the actual changes to the target are reflected in the lower part of the table:

Amendments to Programme 1: Consumer Safety and Protection				
APP Deliverable No.	Original Goal/ Outcome	Original Output	Original Performance Indicator/ measure	Original Medium Term Target 2018/19
1.	No Change	No Change	No Change	95% complaints referred or issued with non-referrals on an average of 20 days
	Revised Goal/ Outcome	Revised Output	Revised Performance Indicator/ measure	Revised Medium Term Target 2018/19
1.	No Change	No Change	No Change	80 % complaints referred or issued with non-referrals on an average of 40 days

2.5 LINKING PERFORMANCE WITH BUDGETS

Objective 1: To promote Consumer Protection and Consumer Safety				
Name of sub-programme	Item	Final Appropriation	Actual Expenditure	Under/ (Over) Expenditure
	Compensation of employees	R21 062 000	R19 616 661	R1 445 339
	Goods and services	R2 014 000	R1 483 573	R530 427
Total		R23 076 000	R21 100 234	R1 975 766

Objective 2: To promote compliance with consumer policy and reform of legislation/ business practices that are inconsistent with CPA				
Name of sub-programme	Item	Final Appropriation	Actual Expenditure	Under / (Over) Expenditure
	Compensation of employees	R5 836 000	R5 932 689	(R96 689)
	Goods and services	R1 725 000	R1 763 017	(R38 017)
Total		R7 561 000	R7 695 706	(R134 706)

Objective 3: To promote public awareness and consumer protection

Name of sub-programme	Item	Final Appropriation	Actual Expenditure	Under / (Over) Expenditure
	Goods and services	-	-	-
Total		-	-	-

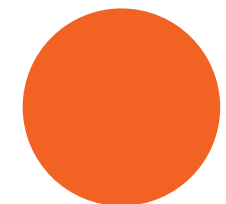
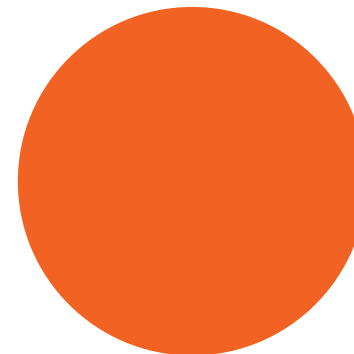
Objective 4: Administration

Name of sub-programme	Item	Final Appropriation	Actual Expenditure	Under/(Over) Expenditure
	Compensation of employees	R18 081 000	R17 431 709	R649 291
	Goods and services	R16 306 000	R6 689 785	R9 616 215
	Depreciation	R1 211 000	R927 595	R283 405
Total		R35 598 000	R25 049 089	R10 548 911



PART C

GOVERNANCE



3.1 Overview of Governance Structures

i) Introduction

The NCC is an organ of state and is a schedule 3A entity in terms of the Public Finance Management Act, 1999, Act No. 1 of 1999 (PFMA). The entity is established by section 85 of the CPA. In terms of section 87 of the CPA, the Commissioner of the NCC is responsible for all matters pertaining to the functions of the NCC and is required to hold office for an agreed term, not exceeding five years. 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, but any such delegation does not divest the Commissioner of responsibility for the exercise of any power or performance of any duty.

The Minister has designated a Deputy Commissioner to perform the functions of the NCC whenever the Commissioner is unable for any reason to perform the functions of the Commissioner; or when the office of the Commissioner is vacant. The Minister

of Trade and Industry, in consultation with the Minister of Finance, determines the Commissioner's and Deputy Commissioner's remuneration, allowances, benefits and other terms and conditions of employment.

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

ii) Portfolio Committee

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

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

The NCC appeared before the Parliamentary Portfolio Committee on Trade and Industry and before the Select Committee on Trade and International Relations during the year under review. The NCC made presentations on its 2018/19 Strategic and Annual Performance Plans on 06 June 2018. On 13 February 2019, the NCC

briefed the Parliamentary Portfolio Committee on Trade and Industry on its progress made with audit findings and on the NCC's 2017/2018 Annual Report. In all its deliberations with the Parliamentary Committees, the NCC has been open and transparent. In return, the NCC has received substantial guidance and has attended to all concerns raised.

iii) Executive Authority

Oversight by the Department of Trade and Industry (Executive Authority) rests, by and large, on the prescripts of the PFMA. The PFMA grants authority to the Executive Authority for the exercise of its oversight powers. The Executive Authority has entered into a Shareholders Compact with the NCC and a performance agreement with the Commissioner. A Compliance Schedule is a critical part of the Shareholders Compact indicating the deliverables and due dates of all documents as stipulated in the PFMA, Treasury Regulations and the Shareholders Compact.

The NCC has, in line with the Compliance Schedule, duly complied with almost all requirements timeously. These would include, amongst others, the submission of quarterly reports, annual financial statements, budget of estimated revenue and expenditure, strategic and annual performance plans, fraud prevention 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.

iv) 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 that serves thereon at the behest of the Executive Authority.

The term of the Chairperson, Mr Denis Braithwaite, expired at the end of March 2019. The NCC sincerely thanks Mr Braithwaite for the positive and invaluable

contribution he made over his tenure as Chairperson. The NCC has benefitted immensely from his guidance.

Ms S Sekgobela has been appointed as the new Chairperson of the Audit and Risk Committee. In light of her qualifications, vast experience in public entities and her knowledge and expertise on governance related matters, the NCC is confident that it will benefit immensely from this appointment.

The Audit and Risk Committee Report is included herein.

v) Risk Management

The NCC revised its risk management strategy which it implemented during the period under review. 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.

vi) Key strategic risks

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

vii) Internal Audit

The purpose of NCC's internal audit function is to assist the Accounting Authority in maintaining efficient and effective controls by evaluating those controls to determine

their effectiveness and efficiency, and by developing recommendations for enhancement or improvement.

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

- a 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;
- an annual internal audit plan for the first year of the rolling three year strategic internal audit plan;

- plans indicating the proposed scope of each audit in the annual internal audit plan; and
- reports to the Audit and Risk Committee detailing its performance against the annual internal audit plan, to allow effective monitoring and possible intervention.

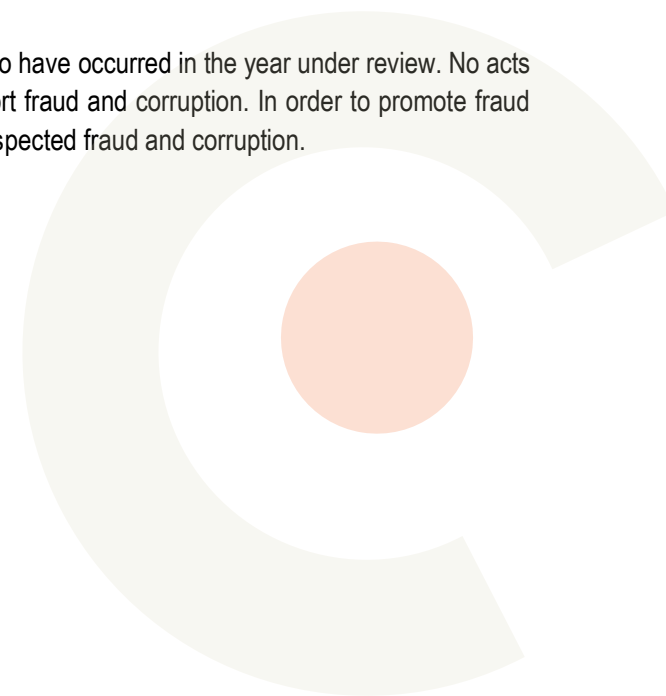
Internal Audit reports administratively to the Accounting Authority and functionally to the Audit and Risk Committee. The function is independent of activities that are audited, with no limitation on its access to information. The controls that were subject to evaluation by internal audit encompassed, amongst others, the following-

Activity	High Level Scope
<i>Human Resource Management</i>	<ul style="list-style-type: none"> • Determine the existence and implementation of the talent management/ retention Strategy. • Adequacy and effectiveness of leave management • Adequacy and effectiveness of the Performance Management System • Compliance with the Performance Management Policy • Follow up on previous findings • Compliance with HR Related policies • Analysis of staff vacancies
<i>Information Communication Technology</i>	<ul style="list-style-type: none"> • Adequacy of the ICT strategy and all related policies • Review of system security and logical access controls • Review of processes and controls implemented pertaining to disruptions • Review of the processes and controls relating to day-to-day operations • Follow up on previous findings • Implementation process of the new systems within the Finance and Supply chain division.
<i>The Audit of Pre-determined Objectives.</i>	<ul style="list-style-type: none"> • Quarterly reviews of performance information • Assessment of the alignment of the Strategic plan with the Annual Performance Plan • Assessment of the alignment of the Annual Performance Plan with the Quarterly Performance Report

Activity	High Level Scope
	<ul style="list-style-type: none"> • SMART assessment of performance indicators and targets • Accurate reporting and validation of certain performance information
<i>Supply Chain Management and Contract Management</i>	<ul style="list-style-type: none"> • Review of controls in relation to procurement of goods/services • Review of controls in relation to avoid irregular, fruitless and wasteful expenditure • Review the adequacy and effectiveness of the Contract Management Framework • Review the adequacy, accuracy and completeness of the contract register
<i>Financial Management (Annual Division of Revenue Audit)</i>	<ul style="list-style-type: none"> • Review the adequacy and effectiveness of controls that ensure mitigation of risk pertaining to the finance management processes • Follow-up on all other reported audit findings

viii) **Fraud and Corruption**

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



3.2 AUDIT AND RISK COMMITTEE REPORT

REPORT OF THE AUDIT AND RISK COMMITTEE

for the year end 31 March 2019

We are pleased to present our report for the year ended 31 March 2019.

Audit and Risk Committee Members and Attendance

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

Non-Executive Members	Number of meetings attended
Ms S Sekgobela (Chairperson)	5
Ms R Kenosi	4
Adv S Kholong	5
Ms N Matomela (Ex Officio member)	3
Mr D Braithwaite (Former Chairperson)	5

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

- Commissioner
- Deputy Commissioner
- Company Secretary
- Head: Corporate Services
- Head: Legal
- Head: Finance
- Risk Manager
- Internal Audit Representatives
- Representatives of the Auditor General of South Africa/ duly appointed external auditor

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

Audit and Risk Committee Responsibilities

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

Effectiveness of Internal Controls

The Audit and Risk Committee acknowledges management's efforts to strengthen internal controls at the NCC. There is however a need for increased technical support, monitoring and evaluation to unlock the full potential of these efforts. The Audit & Risk Committee is concerned that in certain instances the matters reported by the internal audit function in prior years, have not been fully and satisfactorily addressed. Management has provided assurance that effective corrective action will be implemented in respect of all internal control weaknesses, and the Audit and Risk Committee will monitor these, going forward.

The External Auditor reported that it considered internal controls relevant to its audit of the financial statements, reported performance information and compliance with applicable legislation and that it did not identify any significant deficiencies in internal control.

Quality of Management Reports

Whilst there has been an improvement in the quality of the quarterly performance information reports presented to the Committee, this remains an area of concern where greater efforts are required by management. In instances where the Audit &

Risk Committee recommended adjustments these were effected prior to submission to the Executive Authority.

Internal Audit function

The Accounting Authority is obliged, in terms of the PFMA, to ensure that the entity has a system of internal audit under the control and direction of an audit committee. The Audit and Risk Committee is satisfied that Rakoma & Associates Inc, to which the internal audit function was outsourced, has properly discharged its functions and responsibilities during the year under review. The Committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the entity.

Evaluation of the Finance function

As the Head: Finance and SCM was only appointed on 01 May 2019, the finance function could not perform at its optimal capacity and resulted in added pressure on the leadership and huge strain on the finance function to deliver quality information on a timely basis.

Evaluation of the Financial Statements

The Committee has reviewed and discussed with management:

- the annual financial statements as submitted to the external auditor for annual audit purposes;
- the final audited annual financial statements, the external auditor's report thereon, the external auditor's final management report and management's responses thereto;
- the appropriateness of accounting policies and practices; and
- adjustments resulting from the annual audit.

Except for the matters identified by the external auditors in the audit report, the Committee is satisfied that the annual financial statements have been prepared in terms of GRAP and the PFMA. The Committee notes a regression in audit outcomes

from the prior year clean audit opinion to an unqualified opinion with findings in the current year.

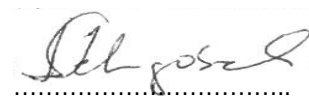
Audit Unresolved Issues

Resolution of all audit issues (external and internal) is monitored via tracking registers which are reviewed by the Committee. The Committee notes an improvement in internal controls compared to the deficiencies reported in the prior year. For the period under review, the Committee in accordance with its Charter, also considered Risk Management, Information and Communication Technology and Compliance to laws and regulations at the NCC and found this to be reasonable.

Conclusion

The Audit & Risk Committee concurs with and accepts the conclusion and audit opinion of the external auditors on the annual financial statements. The Committee is of the view that the audited financial statements be accepted and read together with the report of the external auditors. The Committee confirms that it has been actively involved throughout the audit process and has been thoroughly appraised of the issues giving rise to the audit opinion. The Audit & Risk Committee concurs with the findings on the reported performance information and compliance with legislation. The external audit function, performed by the RAIⁿ Chartered Accountants, is independent of the entity.

On behalf of the Audit and Risk Committee:



Ms S Sekgobela
Chairperson of the Audit and Risk Committee
National Consumer Commission
31 July 2019

3.3 REPORT OF THE EXTERNAL AUDITOR

FINAL AUDITOR'S REPORT

Report to Parliament on the National Consumer Commission for the year ended 31 March 2019

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the National Consumer Commission set out on pages 4 to 38, which comprise the statement of financial position as at 31 March 2019, 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 my opinion, the financial statements present fairly, in all material respects, the financial position of the National Consumer Commission as at 31 March 2019 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. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My 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. I am 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 my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA codes.

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

Emphasis of matter

6. I draw attention to the matter below. My opinion is not modified in respect of this matter which is reported on to draw attention of the users' to matters which have resulted in material adjustment to the annual financial statements.

Due to material nature of the matter (both quantitatively and qualitatively), the financials have been subjected to a material adjustment relating to computer expense recognised in the wrong accounting period.

6.1 Other Expenses

As disclosed in note 13 to the financial statements, the entity incurred computer expenses amounting to R465 575. The services from the supplier were rendered to the entity in the prior year but the expense was recognised in the current year, thereby contradicting the requirements of GRAP on accrual basis of accounting.

Responsibilities of the accounting authority for the financial statements

7. 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.

8. 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

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

Report on the audit of the annual performance report

Introduction and scope

11. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected programmes

presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.

12. My procedures address the reported performance information, which must be based on the approved performance planning documents of the public entity. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
13. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programmes presented in the annual performance report of the public entity for the year ended 31 March 2019:

Programmes	Pages in the annual performance report	Conclusion
Programme 1 – to promote consumer protection and consumer safety	28 – 30	Unqualified
Programme 2 – to promote reform of consumer protection legislation	30 – 31	Unqualified
Programme 3 – to conduct research and to develop public awareness on consumer protection	32	Unqualified

14. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were

measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

15. Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the reported performance information for the programmes above is not useful and reliable in accordance with the applicable criteria as developed from the performance management and reporting framework.

Report on the audit of compliance with legislation

Introduction and scope

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

I draw attention to the matter below. My opinion is not modified in respect of this matter which is reported on to inform users of this report of material non-compliance with laws and regulations.

16.1 Irregular expenditure

As disclosed in note 27 to the financial statements, the entity incurred irregular expenditure of R836 163. The irregular expenditures were due to non-compliance with Treasury regulations, which included procurement processes not being followed, unauthorised deviations and payments which exceeded contract amounts.

Other information

17. 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.
18. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.
19. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected programmes presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
20. The other information I obtained prior to the date of this auditor's report is the draft annual report and the commissioner's report and the audit committee's report are expected to be made available to me after 31 July 2019.
21. If, based on the work I have performed on the other information that I obtained prior to the date of the auditor's report, I conclude that there is a material misstatement in this other information, I am required to report that fact.
22. After I receive and read the commissioner's report and the audit committee's and if I conclude that there is a material misstatement, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

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



RAiN Chartered Accountants Incorporated
Per: I.E. Pierce
Director
Johannesburg
29 July 2019



Annexure A– Auditor's responsibility for the audit

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

Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:
 - 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 my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
 - 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. I 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 I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a public entity to cease continuing as a going concern

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

Communication with those charged with governance

3. I 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 I identify during my audit.
4. I also confirmed to the accounting authority that I have complied with relevant ethical requirements regarding independence and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, related safeguards.



PART D

HUMAN RESOURCE MANAGEMENT

4.1 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	18 081 000	17 431 709	40%	29	601 093
Programme 2	21 062 000	19 616 661	46%	41	478 455
Programme 3	5 836 000	5 932 689	14%	10	593 269
TOTAL	44 979 000	42 981 059	100%	80	537 263

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	3 831 986	3 830 555	9%	2	1 915 278
Senior Management	17 067 930	14 042 366	33%	13	1 080 182
Professionally qualified	11 458 353	13 853 396	32%	21	659 685
Skilled	3 469 095	3 189 156	7%	10	318 916
Semi-skilled	9 151 636	8 065 586	19%	34	237 223
TOTAL	44 979 000	42 981 059	100%	80	537 263

- *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	17 431 709	27	247 484	1.4%
Programme 2	19 616 661	37	351 253	1.8%
Programme 3	5 932 689	8	75 947	1.3%
TOTAL	42 981 059	72	674 684	1.6%

Training Costs					
Directorate/ Business Unit	Total personnel expenditure (R'000)	Training expenditure (R'000)	Training expenditure as a % of personnel Cost.	No. of employees trained	Avg training cost per employee
All Directorates	42 981 059	556 631	1.3%	58	9 597
TOTAL	42 981 059	556 631	1.3%	58	9 597

Employment and vacancies					
Programme	2017/2018 No. of Employees	2017/2018 Approved Posts	2018/2019 No. of Employees	2018/2019 Vacancies	% of Vacancies
Top Management	2	2	2	0	0%
Senior Management	13	15	10	5	33%
Professional qualified	22	23	22	1	4%
Skilled	7	8	8	0	0%
Semi-skilled	31	37	32	5	14%
TOTAL	75	85	74	11	13%

Employment and vacancies by programme					
Programme	2017/2018 No. of Employees	2017/2018 Approved posts	2018/2019 No. of Employees	2018/2019 Vacancies	% of vacancies
Programme 1	27	30	26	4	13%
Programme 2	38	45	40	5	11%
Programme 3	10	10	8	2	20%
Total	75	85	74	11	13%

Employment changes:				
Salary Band	Employment at beginning of period	Appointments	Terminations	Employment at end of the period
Top Management	2	0	0	2
Senior Management	13	0	3	10
Professional qualified	22	0	0	22
Skilled	7	2	1	8
Semi-skilled	31	3	2	32
Total	75	5	6	74

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)

<i>Reasons for staff leaving</i>		
Number	% of total no. of staff leaving	Number
Death	17%	1
Resignation	66%	4
Dismissal	0%	0
Retirement	0%	0
Ill health	0%	0
Expiry of contract	0%	0
Other	17%	1
Total	100%	6

Labour Relations: Misconduct and disciplinary action

Nature of disciplinary Action	Number
Verbal Warning	0
Written Warning	0
Final Written warning	0
Dismissal	0
Ongoing disciplinary process	6
Total	6



Equity Target and Employment Equity Status

Levels	MALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	-	-	-	-	1	-	-	-
Senior Management	4	1	-	-	1	1	1	1
Professional qualified	11	-	2	-	-	-	-	-
Skilled	4	-	-	-	-	-	-	-
Semi-skilled	16	-	-	-	-	-	-	1
TOTAL	35	1	2	0	2	1	1	2

Levels	FEMALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	1	-	-	-	-	-	-	-
Senior Management	4	-	-	1	-	-	-	-
Professional qualified	8	-	-	-	-	-	-	1
Skilled	4	-	-	-	-	-	1	-
Semi-skilled	16	-	-	2	-	-	-	3
TOTAL	33	0	0	3	0	0	1	4

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

The National Consumer Commission

Annual Financial Statements for the year ended 31 March 2019

General Information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	The National Consumer Commission is established in terms of section 85 of the Consumer Protection Act No.68 of 2008 with jurisdiction throughout the Republic of South Africa, to promote and advance the social and economic welfare of consumers in South Africa by establishing a legal framework for the achievement and maintenance of a consumer market that is fair, accessible, efficient, sustainable and responsible for the benefit of consumers generally.
Member	Ms T. Mabuza
Registered office	SABS Campus Building C, 1 Dr Lategan Road, Groenkloof Pretoria 0027
Business address	SABS Campus Building C, 1 Dr Lategan Road, Groenkloof Pretoria 0027
Postal address	P.O. Box 36628 Menlo Park 0102
Bankers	Nedbank Limited
Auditors	Rain Chartered Accountants Inc

The National Consumer Commission

Annual Financial Statements for the year ended 31 March 2019

Index

The reports and statements set out below comprise the annual financial statements presented to the Parliament of South Africa:

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

The National Consumer Commission

Annual Financial Statements for the year ended 31 March 2019

Accounting Authority's Responsibilities and Approval

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

The external auditors were 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 judgments and estimates.

The Accounting Authority acknowledges that it is ultimately responsible for the system of internal financial control established by the entity, and place considerable importance on maintaining a strong control environment. To enable the Accounting Authority to meet these responsibilities, the Accounting Authority sets standards for internal control aimed at reducing the risk of error or deficit 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 control 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 2020 and, in the light of this review and the current financial position, they are satisfied that the entity has, or has access to adequate resources to continue in operational existence for the foreseeable future. Although the Accounting Authority is primarily responsible for the financial affairs of the entity, they are supported by the entity's external auditors.

The Annual Financial Statements set out on page 61, which have been prepared on the going concern basis, were approved by the Accounting Authority on 31 May 2019.



Ms Thezi Mabuza
Acting Commissioner
National Consumer Commission
31 July 2019

The National Consumer Commission

Annual Financial Statements for the year ended 31 March 2019

Statement of Financial Position as at 31 March 2019

Figures in Rand	Note(s)	2019	2018 Restated*
Assets			
Current Assets			
Receivables from exchange transactions	3	9 879	15 271
Receivables from non-exchange transactions	4	408 331	190 539
Prepayments	5	326 478	475 350
Cash and cash equivalents	6	23 951 077	7 801 870
		24 695 765	8 483 030
Non-Current Assets			
Property, plant and equipment	7	3 077 455	2 419 494
Intangible assets	8	228 714	-
		3 306 169	2 419 494
Total Assets		28 001 934	10 902 524
Liabilities			
Current Liabilities			
Payables from exchange transactions	9	750 079	1 372 343
Provisions	10	1 579 939	1 697 536
		2 330 018	3 069 879
Total Liabilities		2 330 018	3 069 879
Net Assets		25 671 916	7 832 645
Accumulated surplus		25 671 916	7 832 645

* See Note 22

The National Consumer Commission

Annual Financial Statements for the year ended 31 March 2019

Statement of Financial Performance for the year ended 31 March 2019

Figures in Rand	Note(s)	2019	2018 Restated*
Revenue			
Revenue from exchange transactions			
Interest received - staff debtors		4 671	204
Other income		71 503	96 644
Interest received (investment)		1 776 956	1 497 212
Total revenue from exchange transactions		1 853 130	1 594 060
Revenue from non-exchange transactions			
Transfer revenue			
Government grants and subsidies		69 674 000	52 614 000
Services in kind		8 829 759	8 299 996
Total revenue from non-exchange transactions		78 503 759	60 913 996
Total revenue	11	80 356 889	62 508 056
Expenditure			
Employee related costs	12	(42 975 058)	(42 271 324)
Depreciation and amortisation		(927 595)	(1 116 975)
Loss on disposal of assets and liabilities		(96 398)	(253 642)
General expenses	13	(18 360 973)	(19 548 062)
Repairs and maintenance	14	(157 597)	(277 280)
Total expenditure		(62 517 621)	(63 467 283)
Surplus (deficit) for the year		17 839 268	(959 227)

* See Note 22

The National Consumer Commission

Annual Financial Statements for the year ended 31 March 2019

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	9 370 453	9 370 453
Adjustments		
Prior year adjustments	(578 581)	(578 581)
Balance at 01 April 2017 as restated*	8 791 872	8 791 872
Changes in net assets		
Deficit for the year	(959 227)	(959 227)
Total changes	(959 227)	(959 227)
Opening balance as previously reported	8 299 435	8 299 435
Adjustments		
Prior year adjustments	(466 787)	(466 787)
Restated* Balance at 01 April 2018 as restated*	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 31 March 2019	25 671 916	25 671 916

* See Note 22

The National Consumer Commission

Annual Financial Statements for the year ended 31 March 2019

Cash Flow Statement

Figures in Rand	Note(s)	2019	2018 Restated*
Receipts			
Grants		69 674 000	52 614 000
Interest income		1 776 956	1 492 966
Other receipts		-	204
		71 450 956	54 107 170
Payments			
Employee costs		(42 900 905)	(43 056 796)
Suppliers		(10 490 177)	(13 661 817)
		(53 391 082)	(56 718 613)
Net cash flows from operating activities	17	18 059 874	(2 611 443)
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(1 589 588)	(469 435)
Purchase of intangible assets	8	(321 079)	-
Net cash flows from investing activities		(1 910 667)	(469 435)
Net increase/(decrease) in cash and cash equivalents		16 149 207	(3 080 878)
Cash and cash equivalents at the beginning of the year		7 801 870	10 882 748
Cash and cash equivalents at the end of the year	6	23 951 077	7 801 870

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 - staff debtors	-	-	-	4 671	4 671	29
Other income	-	-	-	71 503	71 503	
Interest received (investment)	1 788 000	-	1 788 000	1 776 956	(11 044)	29
Total revenue from exchange transactions	1 788 000	-	1 788 000	1 853 130	65 130	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants and subsidies	55 865 000	13 809 000	69 674 000	69 674 000	-	29
Services in kind	-	-	-	- 8 829 759	8 829 759	29
Total revenue from non-exchange transactions	55 865 000	13 809 000	69 674 000	78 503 759	8 829 759	
Total revenue	57 653 000	13 809 000	71 462 000	80 356 889	8 894 889	
Expenditure						
Personnel	(44 979 000)	-	(44 979 000)	(42 975 058)	2 003 942	29
Depreciation and amortisation	(1 211 000)	-	(1 211 000)	(927 595)	283 405	29
General expenses	(11 290 000)	(13 809 000)	(25 099 000)	(18 360 973)	6 738 027	29
Repairs and Maintenance	(173 000)	-	(173 000)	(157 597)	15 403	29
Total expenditure	(57 653 000)	(13 809 000)	(71 462 000)	(62 421 223)	9 040 777	
Operating Surplus				17 935 666	17 935 666	

Statement of Comparison of Budget and Actual Amounts (Continued)

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Loss on disposal of assets and liabilities	-	-	-	(96 398)	(96 398)	29
Surplus before taxation	-	-	-	17 839 268	17 839 268	
Actual amount on comparable basis as presented in the budget and actual comparative statement		-	-	17 839 268	17 839 268	

* See Note 22

The National Consumer Commission

Annual Financial Statements for the year ended 31 March 2019

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

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.

Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users. The Framework for the Preparation and Presentation of Financial Statements states that users are assumed to have a reasonable knowledge of government, its activities, accounting and a willingness to study the information with reasonable diligence. Therefore, the assessment takes into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions.

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 is 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:

The National Consumer Commission

Annual Financial Statements for the year ended 31 March 2019

Accounting Policies

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 surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

The recoverable amounts of 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 assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The entity reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have

occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors.

Provisions

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

Useful lives of property, plant and equipment

The entity's management determines the estimated useful lives and related depreciation charges for the property, plant and equipment. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less 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 National Consumer Commission

Annual Financial Statements for the year ended 31 March 2019

Accounting Policies

1.4 Property, plant and equipment (Continued)

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

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

Property, plant and equipment is initially measured at cost.

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

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

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, it's deemed cost is the carrying amount of the asset(s) given up.

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.

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

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

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

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

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

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

The National Consumer Commission

Annual Financial Statements for the year ended 31 March 2019

Accounting Policies

1.4 Property, plant and equipment (Continued)

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.

The entity separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements .

1.5 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, 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 subsequently carried at cost less any accumulated amortisation and any impairment losses.

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

The National Consumer Commission

Annual Financial Statements for the year ended 31 March 2019

Accounting Policies

1.5 Intangible assets (Continued)

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

Item	Depreciation method	Average useful life
Computer software	Straight line	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 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).

1.6 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

Receivables from exchange transactions

Category

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

Payables from exchange transactions
amortised cost

Category

Financial liability measured at initial recognition

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.

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Accounting Policies

1.6 Financial instruments (Continued)

Initial measurement of financial assets and financial liabilities

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

The entity measures a financial asset and financial liability initially at its 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, 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. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

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Accounting Policies

1.6 Financial instruments (Continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly, or by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

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

- derecognise the asset; and
- recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset 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 recognises 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 recognises 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.

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Accounting Policies

1.6 Financial instruments (Continued)

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).

1.7 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 are recognised as an operating lease asset or liability.

1.8 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.

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Accounting Policies

1.8 Impairment of non-cash-generating assets (Continued)

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.

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 an 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

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Accounting Policies

1.8 Impairment of non-cash-generating assets (Continued)

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, rather than the accounting policy on Impairment of Non-cash-generating assets.

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 assets 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.

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Accounting Policies

1.8 Impairment of non-cash-generating assets (Continued)

The replacement cost and reproduction cost of an asset is determined on an “optimised” basis. The rationale is that the entity would 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.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

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. Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

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Accounting Policies

1.8 Impairment of non-cash-generating assets (Continued)

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.

1.9 Employee benefits

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

Short-term employee benefits

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

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

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

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

Post-employment benefits

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

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Accounting Policies

1.10 Provisions and contingencies

Provisions are recognised when:

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

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

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. 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 an entity has committed itself to future transactions that will normally result in the outflow of cash. Disclosures are required in respect of unrecognised contractual commitments.

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

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

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Accounting Policies

1.12 Revenue from exchange transactions

An exchange transaction is one in which the municipality 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, an entity either receives value from another entity

without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Recognition

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

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

Measurement

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

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

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Accounting Policies

1.13 Revenue from non-exchange transactions (Continued)

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, 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 recognise 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 disclose the nature and type of services in-kind received during the reporting period.

1.14 Fruitless and wasteful expenditure

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

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

1.15 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

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Accounting Policies

1.15 Irregular expenditure (Continued)

- 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 must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

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

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

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

1.16 Budget information

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

The approved budget covers the fiscal period from 2018/04/01 to 2019/03/31.

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 have been included in the Statement of comparison of budget and actual amounts.

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1.17 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.

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 that 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 that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

1.18 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 will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The entity will disclose 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.

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Notes to the Annual Financial Statements

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 17 (as amended 2016): Property, Plant and Equipment

Amendments to the Standard of GRAP on Property, Plant and Equipment resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 17 on Property, Plant and Equipment (IPSAS 17) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015 and Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12) and to clarify the measurement principle when assets may be acquired in exchange for a

non-monetary asset or assets, or a combination of monetary and non-monetary assets.

- IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when an item of property, plant, and equipment is revalued and to clarify acceptable methods of depreciating assets. To align terminology in GRAP 17 with that in IPSAS 17. The term "specialist military equipment" in IPSAS 17 was replaced with the term "weapon systems" and provides a description of what it comprises in accordance with Government Finance Statistics terminology. To define a bearer plant and include bearer plants within the scope of GRAP 17, while the produce growing on bearer plants will remain within the scope of GRAP 27.

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

The entity has adopted the amendment for the first time in the 2018/2019 annual financial statements.

GRAP 31 (as amended 2016): Intangible Assets

Amendments to the Standard of GRAP on Intangible Assets resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes

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Notes to the Annual Financial Statements

2. New standards and interpretations (Continued)

resulted from changes made to IPSAS 31 on Intangible Assets (IPSAS 31) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015.

The most significant changes to the Standard are:

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

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

The entity has adopted the amendment for the first time in the 2018/2019 annual financial statements. The impact of the amendment 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 2019 or later periods:

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.

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Notes to the Annual Financial Statements

2. New standards and interpretations (Continued)

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 Accounting Authority 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 Accounting Authority 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 Accounting Authority of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
 - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a Accounting Authority 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 to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
 - the entity is controlled or jointly controlled by a person identified in (a); and
 - a person identified in (a)(i) has significant influence over that entity or is a Accounting Authority of the management of that entity (or its controlling entity).

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2. New standards and interpretations (Continued)

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 Accounting Authority of the family of a person;
- management;
- related parties;
- remuneration; and
- significant influence.

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

- control;
- related party transactions; and
- remuneration of management.

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

The entity expects to adopt the standard for the first time in the 2019/2020 annual financial statements.

The expected impact of the standard is not material.

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Figures in Rand	2019	2018
3. Receivables from exchange transactions		
Accrued interest income	<u>9 879</u>	<u>15 271</u>
4. Receivables from non-exchange transactions		
Services in kind	247 563	
Staff debtors	<u>160 768</u>	<u>190 539</u>
	<u>408 331</u>	<u>190 539</u>
Staff debtors relate to monies to be recovered from employees relating to fruitless and wasteful expenditure, advances and negative leave days that will be repaid should the employees leave the employment of the National Consumer Commission.		
Services in kind relates to the South African Bureau of Standards that owed the National Consumer Commission a net amount of R247 563 at year-end made up of accommodation and operating costs.		
5. Prepayments		
Prepayments	<u>326 478</u>	<u>475 350</u>
Prepaid expenses relate to software licenses and insurance paid in advance.		
6. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	6 308	8 955
Bank balances	2 923 280	846 471
Short-term deposits	<u>21 021 489</u>	<u>6 946 444</u>
	<u>23 951 077</u>	<u>7 801 870</u>

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6. Cash and cash equivalents (Continued)

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

Figures in Rand

	2019			2018		
	Cost / Valuation	Accumulated Depreciation and accumulated impairment	Carrying Value	Cost/ Valuation	Accumulated Depreciation and accumulated impairment	Carrying Value
Furniture and fixtures	2 758 664	(1 288 519)	1 470 145	2 286 518	(1 066 425)	1 220 093
Computer equipment	3 368 470	(1 780 601)	1 587 869	2 798 254	(1 620 811)	1 177 443
Office equipment	51 595	(32 154)	19 441	49 915	(27 957)	21 958
Total	6 178 729	(3 101 274)	3 077 455	5 134 687	(2 715 193)	2 419 494

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7. Property, Plant and equipment (Continued)

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Disposals	Disposals accumulated depreciation	Depreciation	Total
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
Computer equipment	1 177 443	995 708	(425 492)	375 890	(535 680)	1 587 869
	2 419 494	1 589 589	(545 548)	449 150	(835 230)	3 077 455

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Disposals	Additions through non- exchange transactions	Disposals accumulated depreciation	Depreciation	Total
Furniture and fixtures	1 392 188	450	(80 281)	96 644	30 362	(219 270)	1 220 093
Computer equipment	1 450 745	468 985	(1 296 154)	-	1 105 544	(551 677)	1 177 443
Office equipment	26 949	-	-	-	-	(4 991)	21 958
	2 869 882	469 435	(1 376 435)	96 644	1 135 906	(775 938)	2 419 494

Pledged as security

There are no assets pledged as security.

There are also no capital commitments towards purchasing any assets.

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8. Intangible assets

	2019			2018		
	Cost / Valuation	Accumulated Depreciation and accumulated impairment	Carrying Value	Cost/ Valuation	Accumulated Depreciation and accumulated impairment	Carrying Value
Computer software	321 080	(92 366)	228 714	-	-	-

Reconciliation of intangible assets - 2019

	Opening balance	Additions	Disposals	Disposals Accumulated amortisation	Amortisation	Total
Computer software	-	321 079	-	-	(92 365)	228 714

Reconciliation of intangible assets - 2018

	Opening balance	Total
Computer software	-	-

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Figures in Rand	2019	2018
9. Payables from exchange transactions		
Trade payables	165 677	429 307
Third party payments	20 489	17 400
Accrued expenses	563 913	738 623
Fixed assets payables	-	187 013
	750 079	1 372 343

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.

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10. Provisions

Reconciliation of provisions - 2019

	Opening Balance	Additions	Utilised during the year	Deduction	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

Reconciliation of provisions - As at 31 March 2018

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Provision for leave pay	1 544 195	1 760 939	(1 652 567)	-	1 652 567
Provision for performance bonus	605 715	15 152	(620 867)	(15 152)	(15 152)
Provision for Workmen's Compensation	179 907	60 121	(106 829)	(73 078)	60 121
	2 329 817	1 836 212	(2 380 263)	(88 230)	1 697 536

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.

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Figures in Rand	2019	2018
11. Revenue		
Interest received - debtors	4 671	204
Other income	71 503	96 644
Interest received - deposit at CPD	1 776 956	1 497 212
Government grants	69 674 000	52 614 000
Services in kind	8 829 759	8 299 996
	80 356 889	62 508 056

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

Interest received - debtors	4 671	204
Other income	71 503	96 644
Interest received - deposit at CPD	1 776 956	1 497 212
	1 853 130	1 594 060

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

Transfer revenue

Government grants	69 674 000	52 614 000
Services in kind	8 829 759	8 299 996
	78 503 759	60 913 996

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Figures in Rand	2019	2018
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11. Revenue (Continued)

Nature and type of services in kind are as follows:

With effect from 01 October 2016, the South African Bureau of Standards (SABS) has provided the NCC with office accommodation and related services at no cost. Related services include security, cleaning and information technology services. The market value of the accommodation and related costs amount to R8 829 759 (2018: R8 299 996).

12. Employee related costs

Salaries	35 646 284	35 626 265
Special incentives	674 685	-
Medical aid contributions	417 607	355 093
UIF contributions	131 048	116 141
Workmen's Compensation provision	37 894	(12 958)
Leave pay provision	36 259	199 977
Employer's pension contributions	3 771 543	3 775 174
Service bonuses	2 259 738	2 211 632
	42 975 058	42 271 324

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12. Employee related costs (Continue)

Remuneration of executive management

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

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Figures in Rand

2019

2018

2018

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

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Figures in Rand	2019	2018
13. General expenses		
Advertising	624 094	549 478
Audit committee fees	466 259	382 015
Auditors remuneration (Refer to Note 15)	1 305 709	2 183 204
Bank charges	29 658	30 855
Cleaning services	234 806	296 856
Communication costs	649 614	622 325
Computer services	1 066 939	1 553 106
Consulting and professional fees	1 780 933	491 087
Consumables	228 338	241 437
Insurance	98 446	98 446
Inquiry expenses (Timeshare)	461 789	2 834 425
Furniture removal services	-	5 040
Lease payments: printers and copiers	155 766	268 313
Office rental / services in kind	4 641 838	4 419 436
Postage and courier services	85 779	56 091
Printing and stationery	278 055	394 405
Publications	595 354	262 615
Research expenses	-	147 313
Security services	583 487	564 300
Software expenses	541 195	491 692
Subscriptions and membership fees	31 648	61 716
Training	556 631	261 879
Transport cost	12 953	-
Travel - local	1 846 490	1 543 889
Travel - overseas	444 409	171 879
Venues and facilities	9 850	38 956
Water and electricity	1 630 933	1 577 304
	18 360 973	19 548 062

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Figures in Rand	2019	2018
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14. Repairs and maintenance

Repairs and maintenance	157 597	277 280
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Repairs and maintenance relate to the maintenance of the contact centre system. There were no repairs and maintenance relating to property, plant and equipment.

15. Auditors' remuneration

External audit fees	764 719	2 043 731
Internal audit fees	540 990	139 473
	1 305 709	2 183 204

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.



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Figures in Rand	2019	2018
17. Cash generated from (used in) operations		
Surplus (deficit)	17 839 268	(959 227)
Adjustments for:		
Depreciation and amortisation	927 595	1 116 975
Loss on sale of assets and liabilities	96 398	253 642
Movements in provisions	(117 597)	(632 281)
Fair value adjustments - PPE	-	(96 644)
Changes in working capital:		
Receivables from exchange transactions	5 392	(4 245)
Other receivables from non-exchange transactions	(217 792)	(152 932)
Prepayments	148 872	(194 065)
Payables from exchange transactions	(622 262)	(1 942 666)
	18 059 874	(2 611 443)

18. Financial instruments disclosure

Categories of financial instruments

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

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Figures in Rand	2019	2018
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18. Financial instruments disclosure (Continued)

Financial liabilities

	At fair value	Total
Payables from exchange transactions	750 079	750 079

As at 31 March 2018

Financial assets

	At fair value	Total
Cash and cash equivalents	750 079	750 079

Financial liabilities

	At fair value	Total
Payables from exchange transactions	1 372 343	1 372 343

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Figures in Rand	2019	2018
19. Commitments		
Authorised operational expenditure		
Already contracted for but not provided for:		
• Internal audit fees	849 673	101 868
• External audit fees	3 744 870	-
• Leasing of photocopiers	235 931	68 410
• Technical support for contact centre system	-	43 883
• Technical support for AccPac system	424 340	-
• Technical support for VIP system	319 753	13 009
• Health risk manager services	7 892	10 347
• Insurance services	-	98 351
• Website redesign	190 158	100 000
• Legal fees	472 762	468 010
• Mobile communication devices	150 499	265 068
• Travelling	331 413	-
• Installation and maintenance of office equipment	-	378 127
• Newsletter - 10 issues	-	46 376
• Employee credentials verification services	-	239
• Presiding officer in disciplinary matters	-	61 060
• Compilation of annual financial statements	-	181 727
• Asset audit services	-	260 850
• NCC performance management system review	-	481 536
	6 727 291	2 578 861

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19. Commitments (Continued)

Operating leases - as lessee (expense)

Minimum lease payments due

- within one year	164 313	458 026
- in second to fifth year inclusive	71 618	558 276
	235 931	1 016 302

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

The NCC applied for the retention of a cash surplus amounting to R15 638 456 as at 31 March 2019.

There is a contingent liability that comprises the accumulated surpluses as at 31 March 2018. A request for the retention of the previous year's accumulated surplus of R2 820 000 has been approved by National Treasury and will be utilised as follows:

Utilisation of surplus

Upgrade of ICT Infrastructure	1 000 000
Desktop computers and noted books	500 000
Replacement of outdated furniture	600 000
Protective clothing and equipment	300 000
Promotional material for awareness campaign at consumer protection matters	420 800
	2 820 800

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20. Contingencies (Continued)

The following **litigation** cases are ongoing:

Barnardo vs NCC - Applicant seeks to compel NCC to enforce the Miosa ruling.	84 000	-
NCC vs Ford SA - Case regarding provision of unsafe vehicles and entering into prohibited agreement.	186 812	-
IMM Mokgabe vs NCC - Applicant claiming damages for failure to enforce CPA.	1 142 100	-
	-	-
	1 412 912	-

21. Related parties

Relationships

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

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21. Related parties (Continued)

Related party balances

Services in kind (included in receivables from non-exchange transactions)

South African Bureau of Standards

247 563 -

The amount is recoverable and not secured for any borrowings.

Related party transactions

Transfer payments received

Department of Trade and Industry

69 674 000 52 614 000

Services in kind

South African Bureau of Standards

8 829 759 8 299 996

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

With effect from 01 October 2016, the South African Bureau of Standards (SABS) has provided the NCC with office accommodation at no cost. The market related value of the accommodation and related cost amounts to R8 829 759 (2018: R8 299 996). The SABS and the NCC are entities within **the dti** group.

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

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22. Prior-year adjustments

Presented below are those items contained in the Statement of financial position and Statement of financial performance that have been affected by prior-year adjustments:

Statement of financial position

As at 31 March 2018

	As previously Reported	Correction of error	Restated
Receivables from exchange transactions	15 271	-	15 271
Receivables from non-exchange transactions	190 539	-	190 539
Prepayments	475 350	-	475 350
Cash and cash equivalents	7 801 870	-	7 801 870
Property, plant and equipment	2 466 338	(46 844)	2 419 494
Intangible assets	423 631	(423 631)	-
Payables from exchange transactions	(895 304)	(477 039)	(1 372 343)
Provisions	(1 712 688)	15 152	(1 697 536)
Accumulated surplus	(8 765 007)	932 362	(7 832 645)
	-	-	-

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Figures in Rand

2019

2018

22. Prior-year adjustments (Continued)

Statement of financial performance

As at 31 March 2018

	As previously Reported	Correction of error	Restated
Other income	-	96 644	96 644
Interest received - staff debtors	204	-	204
Interest received - deposit	1 497 212	-	1 497 212
Government grants	52 614 000	-	52 614 000
Services in kind	8 299 996	-	8 299 996
Employee related cost	(42 286 476)	15 152	(42 271 324)
Depreciation and amortisation	(1 116 975)	-	(1 116 975)
Repairs and maintenance	(277 280)	-	(277 280)
General expenses	(19 082 487)	(465 575)	(19 548 062)
Loss on disposal of assets	(253 642)	-	(253 642)
Surplus for the year	(605 448)	(353 779)	(959 227)

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22. Prior-year adjustments (Continued)

Errors

The following prior period errors adjustments occurred:

Error 1

Reclassified property, plant and equipment

Property, plant and equipment is classified in accounts which reflect the correct description of an asset. It was identified that office equipment with a cost price of R15 384 (2018: R15 384) and a net book value of R7 107.93 (2018: R8 645.71) was classified as computer equipment. In addition, it was also identified that office equipment with a cost price of R3 453.04 (2018: R34 531.04) and a net book value of R17 480.00 (2018: R20 933.10) was classified as furniture and fittings. The overall financial impact of this on property, plant and equipment in the annual financial statements is nil.

It was identified that assets with zero remaining useful lives at the beginning of the financial year still had net book value greater than zero. Accumulated depreciation has been reversed in the preceding financial year.

Effect on line items

	2018	2 017
Office equipment - statement of financial position	24 588	.
Computer equipment - statement of financial position	(7 108)	.
Furniture and fittings - statement of financial position	(17 480)	.
	-	.

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22. Prior-year adjustments (Continued)

Error 2

Double bar coded assets

Some assets had more than one bar code. Both bar codes identified existed in the fixed asset register. Therefore, assets were overstated in the annual financial statements.

Effect on line items

	2018	2017
Property, plant and equipment - statement of financial position	-	54 617
Depreciation and amortisation - statement of financial performance	-	(54 617)
	-	-

Error 3

Intangible assets

Intangible assets were initially recognised incorrectly in the prior years. These have been corrected in the current year.

Effect on line items

	2018	2017	Total
Computer software - statement of financial position	-	423 631	423 631
Software expenses - statement of financial performance	-	(423 631)	(423 631)
	-	-	-

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22. Prior-year adjustments (Continued)

Error 4

Telephone and fax expense

The expense relates to Liquid Telecom SA/Neotel for the period October 2016. The contract for this supplier was terminated on 16 September 2016 and there was a 30 day notice period, resulting in the contract ending on 17 October 2016. The expense was raised in the 2018/19 year and the supplier was paid during the 2018/19 year, after the supplier sent a final letters of demand to recover payment.

Effect on line items

	2018	2017
Communication cost - statement of financial performance	-	11 461
Trade payables - statement of financial position	-	(11 461)
	-	-

Error 5

Incorrect provision for performance bonus

The Commission erroneously provided for a performance bonus in the 2017/18 financial year.

Effect on line items

	2018	2017
Employee related costs - statement of financial performance	(15 152)	.
Provision for bonus - statement of financial position	15 152	.
	-	.

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22. Prior-year adjustments (Continued)

Error 6

Take on balances of assets

Assets identified during the asset verification which were not part of the fixed asset register.

Effect on line items

Employee related costs – statement of financial performance

Office furniture - statement of financial position

2018	2017
96 644	-
96 644	-
-	-

Error 7

Web hosting service fees expense that was relating to services received in the prior year 2017/18 recognised as a current year expense. This expense relates to the State of Information Technology Agency Communication Service (SITA), where services for web hosting were received but no invoices were received from SITA.

Effect on line items

Computer services - statement of financial performance

Accruals - statement of financial position

2018	2017
465 575	-
(465 575)	-
-	-

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23. Risk management

Financial risk management

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

Liquidity risk

The entity's risk in respect of liquidity is a result of the funds being available to cover future commitments. The entity 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 2019	Less than 1 year	Between 1 and 5 years	Total
Payables from exchange transactions	(750 079)	-	(750 079)
At 31 March 2018	Less than 1 year	Between 1 and 5 years	Total
Payables from exchange transactions	(1 372 343)	-	(1 372 343)

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23. Risk management (Continued)

Financial risk management

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	2019	2018
Receivables from exchange transactions	9 879	15 271
Cash and cash equivalents	23 951 077	7 801 960

Market risk

Interest rate risk

The exposure to interest risk is managed by investing on a short term basis, in a current account and the Corporation for Public Deposits (CPD), to ensure maximum interest on surplus funds. The risk arises when there are downward interest rate changes, as this will reduce the interest income on invested funds.

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

Cash and cash equivalents	<u>23 951 077</u>	<u>7 801 870</u>
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The National Consumer Commission

Annual Financial Statements for the year ended 31 March 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
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24. Going concern

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

26. Fruitless and wasteful expenditure

Opening balance

Fines and penalties (SARS)	62 951	7 362
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Fruitless and wasteful expenditure incurred during the reporting period

Fines and penalties (SARS)	18 058	42 278
Administration fee to re-advertise travel agency bid	-	750
Cancelled ticket due to cancellation of official event	-	4 602
Late return of rental vehicle	-	455
New airline ticket for missed flight	-	2 528
Supplier not registered for VAT	21 630	4 976
Duplicated travel costs	51 699	-

Closing balance	154 338	62 951
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The National Consumer Commission

Annual Financial Statements for the year ended 31 March 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
27. Irregular expenditure		
Opening balance	1 396 347	7 137 368
Add: Irregular expenditure - current year	836 163	1 360 567
Less: Amounts condoned by Accounting Authority for the current year	-	(638 980)
Less: Amounts condoned (removed) by the Accounting Authority for prior periods	(680 545)	(6 462 608)
Closing balance	1 551 965	1 396 347

Details of irregular expenditure – current year

Incident

	-	63 572
Invitation of bids – not advertised for 21 days		
Procurement process not followed - three quotations not obtained	54 097	137 575
Functionality thresholds applied incorrectly	-	224 473
No evaluation criteria indicated	368 632	-
Bid processes not followed	-	707 370
Applicable minimum values not indicated in the terms of reference	-	147 313
No delegated powers	495	-
Payments exceeded contract amount	102 436	80 264
Unauthorised deviation	310 503	-
	836 163	1 360 567

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

The National Consumer Commission

Annual Financial Statements for the year ended 31 March 2019

Notes to the Annual Financial Statements

Figures in Rand

2019

2018

28. Budget differences

Material differences between budget and actual amounts

Other income related to fruitless and wasteful expenditure from the initial recognition of the debt and the acknowledgement thereof by the employees.

Increase in interest received was due to a higher bank balance in the financial year, and an additional adjustment to the annual budget allocation.

Transfer revenue from government grants and subsidies increased due to an additional allocation (budget adjustment) for the Opt-out register project.

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

Expenditure on employee costs increased due to an annual increase. The year on year increase was lower due to a number of senior management positions which were vacant, or which were not filled in the 2018/19 financial year. The expenditure did not exceed the budgeted amount.

A new contract for repairs and maintenance was entered into and the monthly maintenance costs decreased.

Expenditure for audit fees from 2018/19 was lower than the budget, given less time spend on the audit process. In this regard the NCC responded faster to requests for information and to audit findings, thus saving on audit time. All invoices of the Auditor-General were paid

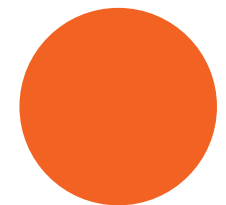
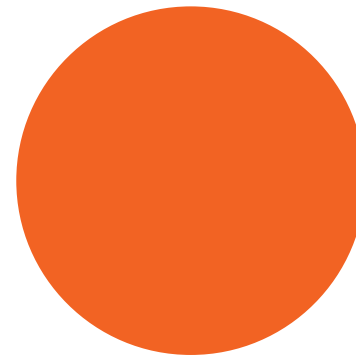
29. Change in estimate

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 3 more years at most. The effect of these revisions have decreased the depreciation charge by R122 935,77 in the current year. The effect of future periods (2020, 2021 and 2022) is an increase in the total depreciation expense on computer equipment by R122 935,77.



PART F

LIST OF ACRONYMS/ ABBREVIATIONS



LIST OF ACRONYMS/ 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 and Industry
FSLGAA	Financial Services Laws General Amendment Act
GRAP	Generally Recognised Accounting Practices
ICASA	Independent Communications Authority of South Africa
IT	Information Technology
MIOSA	Motor industry Ombud of South Africa
NCC	The National Consumer Commission
NCR	National Credit Regulator
NCT	National Consumer Tribunal
NRCS	National Regulator for Compulsory Standards
PEO	Public Entity Oversight Unit (of the dti)
PFMA	Public Finance Management Act, Act No. 1 of 1999
Plan	Fraud Prevention Plan
Portfolio Committee	Portfolio Committee on Trade and Industry
SCA	Supreme Court of Appeal