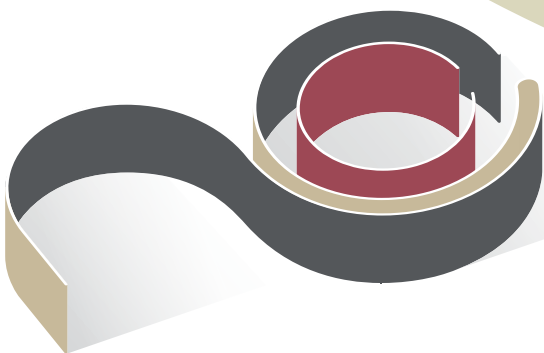


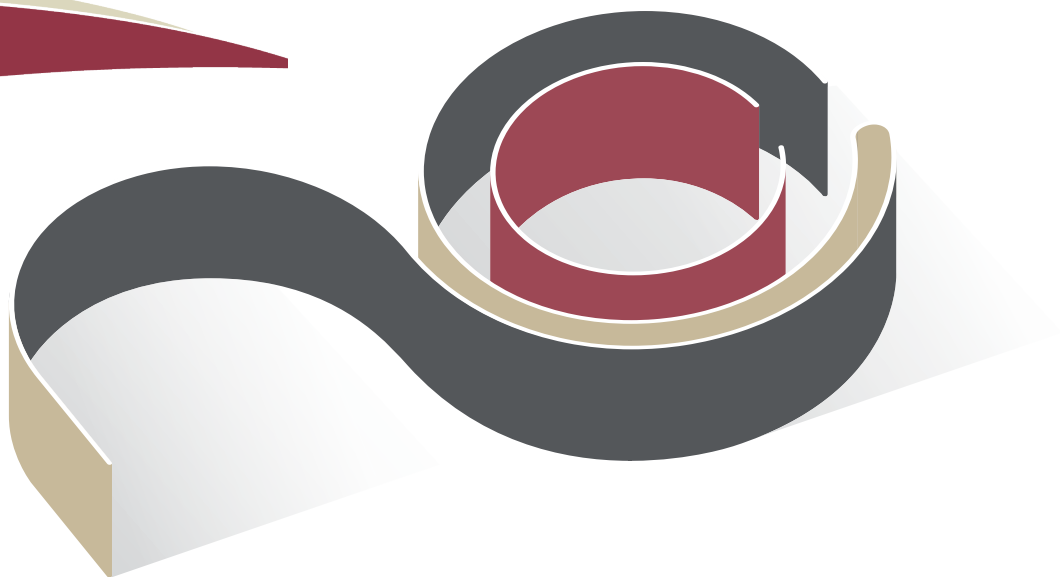


ANNUAL REPORT 2016/2017



NATIONAL CONSUMER COMMISSION

a member of **the dti** group



NATIONAL CONSUMER COMMISSION

a member of **the dti** group

ANNUAL REPORT 2016 - 2017

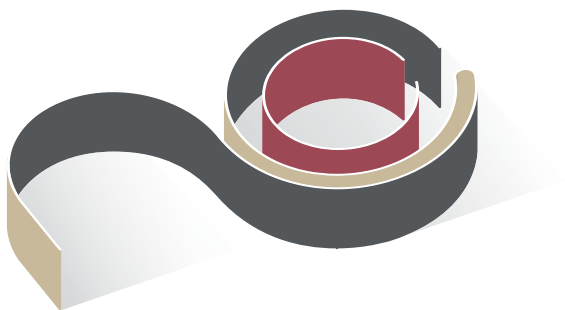


TABLE OF CONTENTS

CONTENTS	PAGE
1. GENERAL INFORMATION	4
1.1 Foreword by the Minister of Trade and Industry	5
1.2 Submission of the Annual Report to the Executive Authority	7
1.3 Overview by the Accounting Authority	8
1.4 Vision and Mission Statements	11
1.5 Legislative Mandate	12
1.6 Organisational Structure	13
1.7 Overview of the National Consumer Commission's performance	14
2. PERFORMANCE INFORMATION	17
2.1 Programme Performance	18
2.2 Performance against the Annual Performance Plan	42
2.3 Strategy to overcome areas of underperformance	53
2.4 Changes to planned targets	53
2.5 Linking Performance with Budgets	54
3. GOVERNANCE	55
3.1 Overview of Governance Structures	56
3.2 Report of the Audit and Risk Committee	59
3.3 Report of the Auditor General	62
4. HUMAN RESOURCE MANAGEMENT	68
4. 1 Human Resource oversight statistics	69
5. FINANCIAL INFORMATION	75
LIST OF ACRONYMS/ ABBREVIATIONS	111

PART 1: GENERAL INFORMATION

1



NATIONAL CONSUMER COMMISSION

a member of **the dti** group

1.1 Foreword by Minister of Trade & Industry



Dr Rob Davies, MP
Minister of Trade and Industry

I wish to express my profound delight with the implementation of the Consumer Protection Act 68 of 2008 (CPA) over the last few years. More and more consumers are beginning to benefit from the protection afforded to them by the CPA, and the results are evident in the marketplace where we now see meaningful change in the way business interacts with consumers.

I am told business, largely, have been cooperating, and that they are doing their utmost to comply with the provisions of the CPA. The NCC by consequence have recently become more visible, and with that, stakeholder expectations have increased quite a bit.

The role and importance of the NCC within the South African regulatory sphere was cast into the spotlight earlier this year when a particular range of Ford motor vehicles that posed a serious risk to consumer safety had to be recalled in the country.

The unfortunate events surrounding this recall demonstrated in all practicality, how relevant and necessary the NCC is for our people.

To this end I wish to note that the NCC has also been involved in other product recalls in order to ensure consumer safety.

Just by way of example, it was the NCC who ensured that thousands of defective and potentially hazardous airbags across various manufacturers, were replaced at no cost to consumers.

Despite the immense costs, complex logistics and reputational damage to their brands, business resolutely committed to do their part to prevent further exposure to risk of harm.

I wish to further note that various other products such as food commodities and medical equipment, have also been recalled under the watch of the NCC.

It is evident that among the fifteen SADC member states, only four countries have not yet enacted consumer protection legislation. Of these countries, three have draft legislation in place.

Several member states have resolved to enact legislation that mirror the contents of our CPA.

Member states are beginning to collaborate and share experiences among each other. The NCC has recently begun playing a more important role on the continent through its participation in the Africa Dialogue. I am pleased that the NCC has improved drastically on its deliverables as compared to the previous year.

A number of investigations and inspections were carried out across the country. Steady progress is being made towards the establishment of a national opt-out register, which I hope will be implemented in the 2017/18 financial year. Once established, it will enable millions of consumers to register a pre-emptive block that will bring an end to the relentless hassling of consumers, including vulnerable pensioners and children, with unsolicited direct marketing.

The NCC has in the year under review recommended that I accredit two additional ombud schemes, one to deal with advertising related complaints and the other, with franchise related complaints. Both these recommendations are under consideration.

If these alternate dispute resolution (ADR) schemes are accredited, it would bring the number of such schemes accredited to four.

The existing accredited schemes, being the Motor Industry Ombud of South Africa and the Consumer Goods and Services Ombud, have already been doing good work in attempting to resolve consumer disputes in terms of the CPA.

In conclusion I wish to commend the NCC for creating a signature newsletter called NCC News.

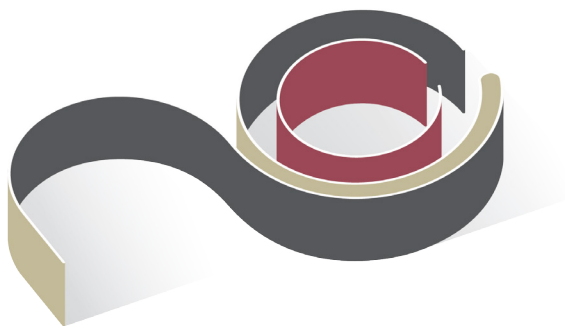
This quarterly publication disseminates useful educational and enforcement related information to both consumers and business, and affirms the NCC as a leader in the consumer protection community.

I thank the management and staff of NCC for delivering on its mandate.

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

Dr Rob Davies, MP
Minister of Trade and Industry

1.2 Submission of the Annual Report to the Executive Authority



NATIONAL CONSUMER COMMISSION

1 Dr Lategan Road, SABS Precinct, Building C, Floor 4 & 5, Groenkloof Pretoria
Tel: 012 428 7749, Email: e.mohamed@thencc.org.za

The Honourable Minister
Dr Rob Davies, MP
Department of Trade and Industry
Pretoria

Dear Honourable Minister

SUBMISSION OF NATIONAL CONSUMER COMMISSION ANNUAL REPORT 2016/17

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 2016/2017 which has been drafted in accordance with National Treasury guidelines and templates.

Yours Faithfully

Mr Ebrahim Mohamed
Commissioner
National Consumer Commission
31 July 2017

1.3. Overview by the Accounting Authority



Ebrahim Mohamed
Commissioner - NCC

I am immensely pleased to once more report that the NCC received an unqualified audit. This is our fourth in succession. It is regrettable though that the NCC could not achieve its aspired clean audit, but I am very hopeful that this would be achieved during my tenure.

Reports about corruption had dominated the South African media landscape throughout the year in review. The NCC however is exempt from these reports, and I am proud to announce that not a single corrupt activity had occurred under my watch.

The NCC had accounted accurately for every cent of the grant bequeathed to it out of the national fiscus.

I sincerely thank my staff for this exemplary behaviour, and for regarding public funds as sacrosanct.

Even though enhanced control measures are implemented throughout the NCC, we cannot be complacent, particularly because the Audit Committee, Auditor-General of South Africa and internal audit literally breathe down our necks.

Members of the Parliamentary Portfolio Committee on Trade and Industry, comprising of various political parties, under the leadership of Ms Joan Fubbs, had in line with their oversight functions, once again, not missed a single opportunity to hold the NCC to account.

Their oversight functions, which they exercise on behalf of our people, are vital to ensuring that public funds are spent appropriately, and not mismanaged. I wish to thank all these governance-critical committees for their counsel and assistance.

The media, being the fourth pillar that upholds our democracy, had been instrumental in highlighting the work activities of the NCC over the year.

The NCC recognises the media as a critical partner in the advancement of consumer awareness on issues that impact on the social and economic welfare of consumers. I believe the NCC has built a solid, open and transparent relationship with the media over time.

As the NCC we have every intention of keeping this relationship well maintained. I wish to sincerely thank all media, domestic and foreign, for their role in promoting consumer protection.

Working together with manufacturers of consumer products, the NCC had recalled various unsafe products from the market place, including the Ford Kuga utility vehicle, whose circumstances underscored the significance of the Consumer Protection Act (CPA) and the NCC.

The NCC, working together with **the dti**, has been at the forefront of highlighting the plight of consumers who are grossly unhappy with several activities and business practices of the vacation ownership “timeshare” industry.

Due to the varying nature and extent of incessant complaints over many years, we have instituted a public inquiry in terms of Section 88(3) of the Consumer Protection Act to unearth the root causes of the issues experienced by consumers, make findings on the facts and evidence presented to us, and make recommendations on how best to address the issues.

Consumers, by participating in the inquiry are making their voices heard. In the year under review, the NCC, together with ICASA, engaged in serious discussions with mobile network operators on issues of expiry of unused data, which has been paid for by consumers, and the high cost of out of bundle data.

The intention of the deliberations, at this stage, is to seek an amicable solution.

However, if this cannot be achieved then the regulators will have to resort to other means at their disposal.

I do foresee meaningful change in the interests of consumers in the short term arising out of these deliberations.

The NCC was recently appointed as the chair of the Consumer Policy and Law Committee of the SADC region. A vast majority of SADC member countries have consumer protection laws in place, and those who do not yet have such, are fairly close to promulgating their own.

Some members have adopted similar principles as the CPA, whereas others have benchmarked against legislation from other parts of the world.

Whilst competition law has developed well within the SADC region, consumer protection law is yet to establish a firm footing across the region. This has become a priority for the NCC and other member countries over the next year.

The NCC also chairs the Consumer Protection Forum. The members thereof are made up of provincial and several key national consumer protection authorities of South Africa.

The NCC and the members of this important forum continue to work together in the interest of protecting consumers throughout the country.

My performance, as always, is closely monitored by Minister. In this regard I confirm that I have fully met 17 of the 19 deliverables expected of me, and have made substantial progress on the remaining ones which were missed due to reasons largely beyond the control of the NCC.

The challenges relating to all targets which were not fully met, will be addressed in the coming year.

The Deputy Commissioner of the NCC, Ms Thezi Mabuza, has once again continued with her responsibility of, amongst other things, delivery on the core mandate of the NCC.

She continued to be a tremendous pillar of strength, support and wisdom throughout the year, and I remain indebted to her for her unwavering support, dedication and hard work.

The two ombud schemes that were accredited by Minister, namely, the Motor Industry Ombud of South Africa (MIOSA) and the Consumer Goods and Services Ombud (CGSO) have done sterling work in resolving disputes between consumers and suppliers at no cost to consumers.

This would not have been possible without the unstinting support from their boards headed respectively by Dr. Matthews Phosa and Ms Magauta Mpahlele.

Critical to the success of these ombud schemes are the respective businesses and key associations like the RMI that fall within the relevant demarcations of, and which sustains these schemes.

I am indebted to all these participants, particularly for taking the NCC and the Executive Authority into their confidence, and for promoting ethical business conduct in the Republic of South Africa.

1.4 Vision and Mission Statements

1.4.1 VISION

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

1.4.2 MISSION

The mission of the NCC is: **“To promote compliance with the Consumer Protection Act 68 of 2008 (CPA) through advocacy and enforcement, in order to ensure fair business practice and to uphold the 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. They are intended to define and shape the culture of the NCC and guide how staff members interact both internally and with stakeholders.

The NCC’s value statements are:

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

1.4.4 Strategic outcomes orientated goals

The strategic objectives of the NCC were arrived at through a careful assessment of the legislative mandate and the environment in which the NCC operates. Consideration was also given to political, economic, social, environmental and technological aspects applicable to the NCC. Through this exercise, the NCC was 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 strategic period. The key strategic outcomes for the year under review were:

- The promotion of Consumer Protection and Consumer Safety
- To promote the reform of consumer policy and consumer protection legislation
- To conduct research and develop public awareness on consumer protection matters

Each objective was supported by specific key outputs, which were in turn supported by key performance indicators and targets. These were detailed in the Annual Performance Plan (APP) 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 Entity Oversight Unit and to the Consumer and Corporate Regulation Division (CCRD) of **the dti**. 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. This policy is also recognised by the courts. In the case of *JOROY 4440 CC t/a UBUNTU PROCUREMENT vs PHILLIPUS CHRISTOFFEL JOHANNES POTGIETER N.O. and CHISTINA MARTHA POTGIETER N.O.*, the Free State high court stated that:

"The dispute resolution mechanisms available to an aggrieved consumer in terms of Section 69(a), (b) and (c) of the CPA include referring the matter directly to the Tribunal; to the applicable ombud with jurisdiction; to the applicable industry ombud, accredited in terms of Section 82(6); to the consumer court; alternative dispute resolution and filing a complaint with the Commission. In the case of the motor industry an ombud in terms of Section 82(6) has been accredited. The Motor Industry Ombudsman of South Africa (MIOSA) deals specifically with dispute resolutions between consumers and the motor industry."

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

1.5.2 Constitutional Mandates

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

- **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.
- **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.
- **Sub-section 14: Privacy** – The NCC ensures that the privacy of persons is protected.
- **Sub-section 33: Just administrative action** – The NCC ensures it hears both sides to a dispute and issues reasons for its decisions.

1.6 Organisational Structure

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

Executive Management Team



COMMISSIONER
Mr Ebrahim Mohamed



DEPUTY COMMISSIONER
Ms Thezi Mabuza



**DIVISIONAL HEAD
CORPORATE SERVICES**
Mr Anton van der Merwe



**DIVISIONAL HEAD
RESEARCH**
Mr David Railo



**DIVISIONAL HEAD
ADVOCACY, EDUCATION
& AWARENESS**
Ms Phumeza Mlungu



**DIVISIONAL HEAD
ENFORCEMENT &
INVESTIGATIONS**
Ms Prudence Moolwa



COMPANY SECRETARY
Mr Narain Kuljeeth

1.7 Overview of the National Consumer Commission's performance

1.7.1 Service Delivery and Organisational Environment

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

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

The need to enforce the CPA is critical to:

- Establishing a legal framework for the achievement of a fair, accessible, responsible and sustainable market;
- Reducing any disadvantages experienced in accessing the supply of goods and services by low income, low literacy, rural and vulnerable consumers;
- Promoting fair business practices;
- Protecting consumers from unfair and deceptive conduct;
- Improving consumer awareness; and
- 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 provincial legislation and order appropriate redress in favour of a consumer, all in terms of provincial legislation which created it.

Section 146 (2) (b) of the Constitution provides that national legislation applies uniformly, to the country as a whole and prevails over provincial legislation if, amongst other things, the following conditions are met:

- The national legislation deals with a matter that cannot be regulated effectively by legislation enacted by the respective provinces individually;
- 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:
 - (i) norms and standards;
 - (ii) frameworks; or
 - (iii) national policies

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 Consumer Protection Act entrenches national consumer protection policy as well as norms and standards in relation to transactions between consumers and suppliers. The NCC has received unqualified audit opinions over the past four years and its governance structures are performing satisfactorily. The NCC's compliance with the applicable laws and regulations has improved considerably over the years, but continuous improvement still remains a top priority. The Internal Audit and Risk Management functions operated effectively and efficiently in the period under review. Processes within the Finance and Supply Chain directorates have been revised and implemented. Irregular expenditure has been managed effectively. Irregular expenditure and invoice registers are in place. The asset register and payments processes have been improved in line with recommendations by Internal and External Audits. Progress has been recorded against findings made by the AGSA and by internal audits in the previous financial year.

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

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

In order to contain remuneration costs, the remuneration scale adopted by the NCC has been mirrored to that of the Department of Public Service and Administration (DPSA) for national government departments. Similar benefits, terms and conditions as determined by the DPSA have also been adopted. These include annual salary adjustments and performance management. Employees have recently raised concerns on the lack of parity with regard to remuneration and benefits when comparing to other entities within **the dti** group. This has indeed impacted on staff morale. In the course of the year, the NCC commenced, in earnest, with the alignment of its structure to its strategy. To this end, the services of the DPSA and that of **the dti** have been engaged at no cost to the NCC. This process of streamlining the NCC's structure in line with its available financial resources, will be finalised in the next financial year. Invariably, any such exercise involves change and therefore must invoke some consternation which must be carefully managed.

The NCC previously occupied office premises at Berkley Office Park in Centurion in terms of a lease agreement between the NCC and The Success Academy. This lease expired on 30 September 2016. Since 26 September 2016, the NCC has relocated to the SABS Campus situated in Pretoria. The NCC occupies floors 4 and 5 in Building C at the SABS Campus. The Minister and certain officials of **the dti** facilitated the initial arrangement for the NCC to relocate to the SABS Campus. Thereafter NCC officials, working closely with SABS personnel, finalised the relocation. The disruption during the move was carefully managed so as to minimize negative impact on its key deliverables and on its stakeholders. The NCC was fully operational within a week of its relocation.

Despite the challenges mentioned herein 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 remain at the heart of the NCC's enforcement mandate. However, given the impact on consumers and on the economy when consumers are supplied with unsafe and or defective goods, the recall of such products are also receiving priority. In line with its existing strategy, the NCC, given its limited resources, has accepted that it will be impossible for it to investigate every complaint. Moreover, the NCC has come to learn that the vast majority of consumers, in lodging complaints, are seeking quick and cost effective redress of their disputes.



Thezi Mabuza
Deputy Commissioner

The CPA encourages consumers and suppliers to firstly attempt to resolve their disputes amongst themselves, prior to referring these complaints to alternate dispute resolution agents, industry ombud schemes, provincial consumer protection courts, before these complaints are referred to the 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 and mediation services to consumers and suppliers in line with the provisions of the CPA. These schemes are funded by the respective industries and services are provided at no cost to consumers.

A summary of the work done by these Ombuds will be dealt with in the latter part of this report. The NCC, in the year under review has held advanced discussions with key stakeholders from the advertising, franchise and funeral services industries, with intent to have industry ombuds established in these industries. The deliberations with the funeral industry had stalled due to the lack of substantial support of the applicant that applied for accreditation.

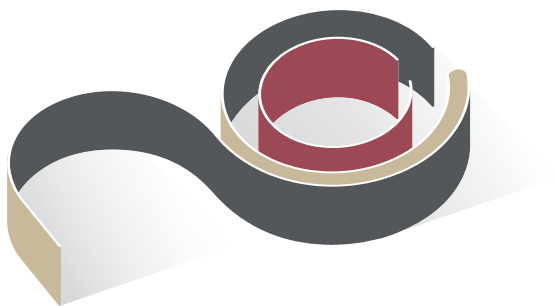
Overall, 17 of the 19 targets were achieved by the NCC.

1.7.2 Key policy developments and legislative changes

The impact of the Financial Services Laws General Amendment Act (FSLGAA), 45 of 2013 has been canvassed in the previous annual report. Apart from the enactment of the FSLGAA there has been no other key policy developments and legislative changes that have impacted significantly on the mandate of the NCC.

PART 2: **PROGRAMME PERFORMANCE**

2



NATIONAL CONSUMER COMMISSION

a member of **the dti** group

2.1. 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 workshops that resulted in the production of the strategic plan gathered up-to-date information about the organisation's internal strengths and weaknesses, and its external opportunities and threats (challenges). The 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 following are the strategic objectives that the NCC undertook to pursue over its strategic period.

1. Administration: (This has been included essentially to improve on the governance, compliance and resource requirements of the entity).
2. To promote compliance with the Consumer Protection Act.
3. To conduct research and promote advocacy and consumer empowerment.

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

2.1.2. Description of Programmes

2.1.2.1 Programme 1: Administration – To improve on the governance, compliance and resource requirements of the entity.

Purpose of the Programme

Administration comprises leadership and corporate services functions. The Commissioner, assisted by the Deputy Commissioner, is responsible for leadership, corporate governance and direction in respect of the strategic objectives and operation of the NCC as a whole. The Corporate Services division is critical to supporting the operations of the NCC, in that, it is responsible for support services, including finance, supply chain, human resources, information and communication technology and records management.

2.1.2.2 Programme 2: To promote Consumer Safety and Protection

Purpose of the Programme

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

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

The purpose is to:

- (i) Conduct targeted consumer workshops as well as business focused workshops and presentations aimed at facilitating a better understanding of the CPA.
- (ii) Analyse complaints and market conduct and develop trend analysis reports which would serve to assist the NCC in determining its intervention strategies.
- (iii) Facilitate a consumer protection environment that is well coordinated and responsive to consumer needs.
- (iv) Conduct research and propose policy changes to Minister in relation to any matter affecting the supply of goods and services, that would improve the realization and full enjoyment of consumer rights.

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

Purpose of the Programme

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

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

The purpose is to:

- (i) Advise Minister on matters relating to consumer protection and on the determination of national norms and standards regarding consumer protection in terms of the CPA that should apply generally throughout the Republic.
- (ii) Identify legislation that affects the welfare of consumers which is inconsistent with the purposes of the CPA. Develop proposals and recommendations to Minister for reform of practices that are inconsistent with the CPA.
- (iii) Provide guidance to the public by issuing explanatory notes and/or non-binding opinions on the interpretation of provisions of the CPA.
- (iv) Apply to a court for a declaratory order on the interpretation or application of any provision of the CPA.

2.1.2.4 Programme 4: To conduct research and develop public awareness on consumer protection matters

Purpose of the Programme

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

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

The purpose is to:

- (i) Conduct targeted consumer workshops as well as business focused workshops and presentations aimed at facilitating a better understanding of the Act.
- (ii) Analyse complaints and market conduct and develop trend analysis reports which would serve to assist the NCC in determining its intervention strategies.
- (iii) Facilitate a consumer protection environment that is well coordinated and responsive to consumer needs.
- (iv) Conduct research and propose policy changes to the Minister in relation to any matter affecting the supply of goods and services, that would improve the realization and full enjoyment of consumer rights.

2.1.3 Key achievements of Programmes

2.1.3.1 To promote Consumer Safety and Protection

a) **Investigations and matters referred to the National Consumer Tribunal**

During the year under review, the NCC continued with improving its investigations processes. A screening committee assisted the investigation team in identifying investigations as well as determining the scope of the investigations. All investigations are approved and certified by the Commissioner of the NCC. In terms of the CPA, the NCC can investigate matters initiated by it, as directed by Minister or investigate complaints received from consumers. Section 71 of the CPA, states that the NCC may initiate complaints. It can do so if directed by the Minister of Trade and Industry, on its own motion, on the request of a provincial consumer protection authority, a regulatory authority or accredited consumer protection group.

In terms of the NCC's strategy, sector related investigations are identified from complaint trends and matters brought to the attention of the NCC that are deemed to impact significantly on consumers. One particular investigation was conducted against a public property syndication scheme, namely DMC Holdings. In conducting its business, the Respondent in this matter had contravened various provisions of the CPA.

Following the investigation, a consent order was entered into between the NCC and the Respondent. This consent order was made by order of the National Consumer Tribunal in terms of which, certain conduct of the Respondent was declared prohibited conduct. The Respondent was interdicted from further contravening the CPA and ordered to take specified remedial action to bring its affairs in compliance with the CPA. Moreover, the Respondent was ordered to pay an administrative fine of R 200 000. This was the first fine that was imposed in favour of the NCC since the NCC's inception.

Two other investigations conducted by the NCC that eventually served before the National Consumer Tribunal related to forfeiture of deposits by two holiday accommodation establishments operating within the hospitality industry. In these matters, the Respondents refused to consider the factors established by the CPA by imposing penalties for early cancellation of advance bookings.

In both these matters it was evident that the Respondents relied on refund policies that were contrary to the provisions of the CPA and despite reasonable notices of cancellation having been provided by consumers. The Tribunal ruled in favour of the NCC and ordered that full refunds be made by the Respondents. These are two significant judgments, in that, these affect millions of consumers that make advance bookings and pay deposits.

b) **Inspections and Product recalls**

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

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

In the course of one inspection it was discovered that one establishment actually specialises in disposing, for consideration, foodstuffs which have passed their 'sell by' or 'best before' dates. The said establishment, however, does disclose that the items have passed their 'sell by' date. Surprisingly, it has become evident that certain manufacturers or their representatives have permitted the establishment to dispose of foodstuffs that are commonly referred to as 'expired' foodstuffs by removing their brand names from these products. Fortunately, the NCC has established ways of tracing these products back to relevant manufacturers.

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

With regard to the Ford Kuga matter, early in the second week of December 2016, the NCC became aware of Ford Kuga vehicles catching alight in various parts of South Africa. The NCC requested an urgent meeting with the Ford representatives. The representatives of the Motor Industry Ombud of South Africa and the National Regulator for Compulsory Specifications were also invited to this meeting. This meeting was convened on 14 December 2016 at the offices of the NCC. At the meeting, the issue of a recall was canvassed. However, Ford indicated that it was unable to consider a recall as the cause of the fire was not established at that stage. This meant that any recall then would not be helpful given the logistics associated therewith.

The NCC then agreed that the cause of the fire would be investigated and that the finalization of the investigation would be brought forward to the end of February 2017. Further, that a recall would then be considered at the end of February 2017. As an interim measure, pending the finalization of the investigation, the NCC requested that Ford conduct a free maintenance check on the affected vehicles in order to protect consumers that would be using the vehicles during the vacation. Ford agreed that it would encourage consumers to ensure that the maintenance check was done and that it would establish a contact centre to specifically promote the said maintenance check. This arrangement was duly communicated to consumers.

Regrettably, during the course of the festive period, it was widely reported in the media that more Ford Kuga vehicles caught alight. On the morning of 13 January 2017, the NCC convened an internal meeting and in consultation with MIOSA and the NRCS, resolved, that even though the investigation was not finalised, Ford will be issued with an official notice to recall the affected vehicles with immediate effect. The NCC met with Ford's representatives on the afternoon of 13 January 2017. Ford advised that following the December 2016 meeting, it had conducted maintenance checks on 624 vehicles. As a result of these checks, it was able to identify the cause of the fire.

The cause was reported to be a fault in the cooling system which in turn resulted in engines overheating and leaking oil from the engine, causing the fires. Ford's representatives advised that it was ready to recall the affected vehicles and it was agreed by the parties that an announcement to the public be made on 16 January 2017. Ford had also agreed to providing courtesy vehicles to affected consumers and the recall would be a two phased recall. Ford also undertook to recompense relevant consumers whose vehicles had caught alight if they were not insured. Ordinarily, where consumers vehicles are insured, a claim will be made by the consumer against the insurer and the insurer would then reclaim from Ford. Finally it was agreed that the recall strategy will be settled and approved by NCC as soon as possible.

Ford indicated that even though it may experience some difficulty along the way, it would do its utmost to minimize hardship to consumers. From the very outset, Ford has been most cooperative with the NCC and this cooperation continued throughout the recall process.

Apart from the Ford Kuga recall, the NCC has been responsible for having thousands of vehicles recalled for the replacement of defective airbags manufactured by Takata which was supplied to various manufacturers. The NCC has only recently been engaging with Mercedes Benz on the recall of a number of its vehicles.

According to NCC's records, General Motors (GM), which has recently announced its withdrawal from the South African market, has the most number of vehicle ranges that are subject to recalls. These GM related recalls are ongoing.

c) Opt Out (Do Not Call) Register

The NCC, as part of its efforts to control conduct related to direct marketing, is in the process of establishing an opt out register. The purpose of such a register will be to assist consumers to opt out of receiving direct marketing communication. As the NCC does not have the funds and capacity to establish the register, it hopes to enter into a public-private partnership, with the assistance of National Treasury. The project has been registered with the National Treasury which is providing ongoing guidance and some grant funding to the NCC in this regard.

The NCC has made major strides in the period under review towards establishing the opt out register. A transactional adviser has been appointed and the feasibility study has been finalised. The procurement of the register should commence thereafter, subject to the necessary approvals being sought. Once established, consumers will be able to register their phone numbers, email addresses, postal addresses etc in order to restrict the approach of direct marketers.

d) Accreditation of Industry Codes

The NCC has recommended two industry codes to Minister in the year under review for accreditation. These relate to ombud schemes for the advertising and franchise industries. If accredited, these ombuds will be primarily responsible for resolving disputes within their relevant sectors in line with the prescripts of the CPA and the relevant industry codes.

The NCC has also worked tirelessly to ensure that an industry code and ombud is recommended for the funeral industry. However, after much effort and following public consultations, it was established that the funeral industry was not willing to support the applicant that made the application for the establishment of an ombud scheme. Since these schemes are funded by industry stakeholders, the NCC was concerned that a scheme that lacks industry support will eventually not be sustainable. Hence the project had to be abandoned. Hopefully, this will be resuscitated in the near future and with the support of all relevant stakeholders.

e) Complaints Handling/ Processing

The NCC received 7070 complaints in the course of the 2016/17 financial year. The CPA precludes the NCC from resolving the disputes between consumers and suppliers. Instead the CPA requires that the NCC promote the resolution of disputes. The CPA makes it clear that consumers should first attempt to resolve these disputes with suppliers before these can be escalated to the provincial consumer protection courts, industry ombuds and eventually to the NCC.

In order to promote the resolution of complaints, the NCC has embarked upon a process of recommending the accreditation by Minister of ombuds schemes in industries where a significant number of disputes arise. The NCC would ordinarily refer the complaints to relevant accredited ombud schemes for resolution between the parties. Where an ombud scheme does not exist or is not accredited, the NCC would enter into memoranda of agreements with relevant sector regulators or associations and then refer these disputes to them.

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

i) Consumer Goods and Services Ombud (CGSO)

The CGSO is accredited by Minister in terms of the CPA and it has the function of resolving or adjudicating disputes when resolution through the internal structures of the supplier has failed. Disputes are resolved through mediation or conciliation and its key objective is to provide an accessible, free and speedy service.

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

aa) Number of calls and matters

During April 2016 to March 2017 CGSO received a total of 5999 complaints. The majority of the complaints were received from CGSO's website. The matters referred by the NCC amount to 40% of the CGSO's workload. The source of complaints are depicted in the following table.

How Received	Total
Website	2579
NCC	2417
E-mail	851
Fax	79
Telephone	18
OCP Eastern Cape	18
Walk-In	16
OCP Gauteng	7
Letter	4
OCP Kwazulu-Natal	3
OCP Northern Cape	3
OCP Free State	3
OCP North West	1
Grand Total	5999



bb) Resolution of CGSO Matters

The matters received by the CGSO were dealt with as follows:

Ombudsman Outcome	Total
Resolved complaint upheld fully	2247
Referred outside jurisdiction	1308
Dismissed no co-operation supplier	858
Resolved matter not upheld	708
Dismissed no co-operation –complainant	320
Resolved assistance provided	287
Resolved complaint upheld partially	254
Complainant withdrawn complaint	171
Resolved mediation held	24
Matter not yet referred to supplier	4
Grand Total	6181

During April 2016 to March 2017 CGSO closed 6181 cases. These included 2473 NCC files in this period. The average age to close a file was reported as 58 days. It must be noted that except for 708 matters, the vast majority of the matters were dealt with in favour of consumers. The concern is that 858 matters were dismissed due to non-cooperation by the supplier. The NCC, Executive Authority and the Ombud will have to find ways of dealing with non-cooperative suppliers.

cc) Types of Complaints Received

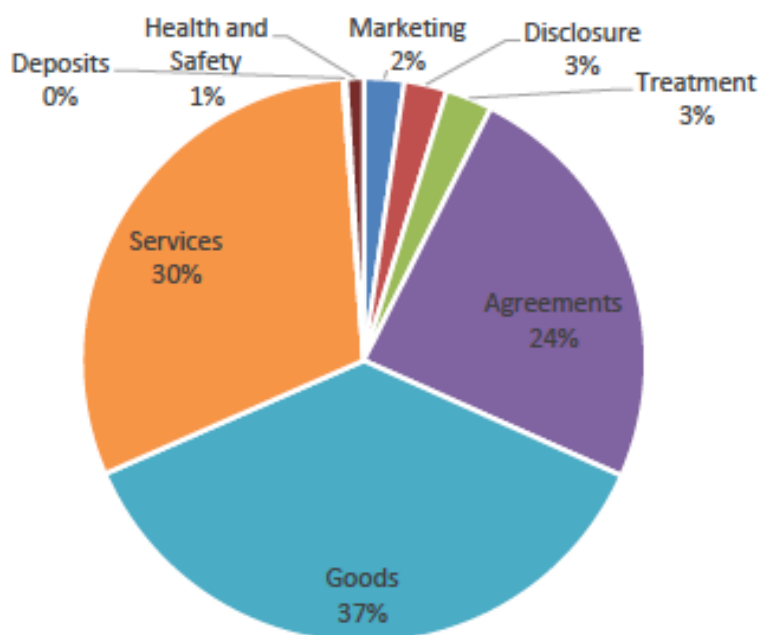
The complaints received in relation to types of products and services are depicted in the table herein below.

Product	Total
Cell Phones	1518
Services	1402
Electrical Appliances	622
Other	578
Furniture	497
Computer and Accessories	263
Building Material	205

Clothing	163
Timeshare	101
Footwear Apparel	91
Food and Beverage	90
Hardware Supplies	62
Home Decor	59
Linen and Bedding	48
Cosmetics	45
Home-care products	43
Jewellery	40
Sport Goods	33
Stationery	30
Tools	29
Medical Equipment	27
Toys	18
Textiles or Fabrics	10
Chemicals	8
Pet Food and Products	8
Tobacco Products	8
Power Tools	1
Grand Total	5999

dd) Overall breakdown on the nature of complaints

The overall breakdown of complaints are as follows.



The vast majority of complaints relate to goods at 37%; services at 30% and agreements at 24%.

ee) Top 10 nature of complaints

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

Nature	Total
Goods, Defective within 6 months	895
Agreements, Cancellation	770
Service, Overcharged	708
Service, Not of Expected Quality	501
Delivery, Not on Time or Reasonable	302
Defective after 6 months	255
Not as per Order or Requirements	248
Not Provided in Time	246
Not as per Contract Terms	237

ii) **Motor Industry Ombud of South Africa**

The Chairperson of the Motor Industry Ombudsman of South Africa (MIOSA), Dr Mathews Phosa, as part of assessing the economy of South Africa, stated the following:

“The impact of the weak economy could be clearly seen in the performance of the motor industry. Generally a good barometer to judge the performance of our economy, the drop in sales of new vehicles to below the 600 000 level for the first time since 2011, was indeed an indication that the economy was taking strain.”

The ombud, Mr Johan Van Vreden stated that “Indeed, with the economic downturn came numerous challenges that the management and staff of the MIOSA had to face on a daily basis. One of the most notable trends that occurred is that the tighter the economic situation became, the more complaints were received and dealt with by the MIOSA.

The nature of complaints also changed as, more often than not, consumers saw the complaint as a way of getting out of the deal that they entered into when times were good. It is in this area where the newly established advisory office of the MIOSA proved its mettle.

Those involved had to determine the legitimacy of a complaint before it was given through to a case manager for processing. Without a doubt, the establishing of this department has greatly reduced the work load of case managers.”

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 MIOSA and pay a monthly levy. MIOSA has provided the following information on the complaints it dealt with in the year under review.



aa) Types of Complaints

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

	Problem Group	2015	2016	2017
1	ENGINE	421	272	652
2	POOR SERVICE	941	1318	487
3	LEGAL	68	52	190
4	AGREEMENT	114	110	166
5	GEARBOX	149	101	112
6	WHEELS	153	73	105
7	BODY	136	41	104
8	INTERIOR	86	49	58
9	ELECTRICAL	94	18	51
10	SERVICE	106	51	45
	OUT OF MANDATE	12	5	39
	IGNITION SYSTEM	63	29	36
	UNDER CARRIAGE	100	31	28
	WINDOWS	28	23	28
	STEERING	41	16	26
	MORE INFO	1	0	16
	FUEL SYSTEM	39	12	14
	TOTAL	2552	2201	2157

Motor vehicle engine related complaints appear to attract a significant number of complaints, that is, 652. This indicates a significant increase from the previous period and is usually the most expensive component of the motor vehicle.

The second highest number of complaints relate to poor service at 487. The number of complaints in relation to the servicing of motor vehicles, the vehicle interior and body, has dwindled significantly over the last three years.

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

	2015	2016	2017
January	7924	6751	13823
February	6270	16782	10645
March	9652	18934	20029
TOTAL	23846	42467	44497

cc) Complaints per Brand

DESCRIPTION	2015			2016			2017		
	NEW	USED	NOT SUPPLIED	NEW	USED	NOT SUPPLIED	NEW	USED	NOT SUPPLIED
ALFA ROMEO	0	0	2	0	0	0	0	2	10
AUDI	6	29	35	16	49	46	6	26	109
BMW	11	41	46	8	81	67	1	40	116
CHERY	3	3	4	4	6	10	1	3	13
CHEVROLET	9	18	17	4	29	13	6	5	53
CHRYSLER	0	0	0	5	25	17	0	1	5
CITROEN	1	4	8	2	2	3	0	1	16
DAEWOO	0	1	1	0	0	0	0	1	0
DAIHATSU	2	3	4	0	0	6	0	2	5
DATSUN	1	0	1	0	0	1	0	0	2
DODGE	1	3	4	1	2	4	1	1	5
FAW	0	1	2	1	0	2	0	1	5
FIAT	0	5	9	1	5	3	0	2	9
FORD	12	30	35	16	50	56	10	30	141

FOTON	1	0	1	1	1	1	1	1	3
GEELY	0	2	3	0	0	0	0	0	1
GWM	1	0	0	1	0	3	0	2	9
HONDA	3	5	7	4	6	11	1	4	20
HYUNDAI	14	16	27	11	30	11	5	12	91
ISUZU	4	5	7	2	8	9	2	4	21
JAGUAR	0	1	0	0	3	4	0	0	7
JEEP	2	10	9	0	0	0	0	7	26
KIA	5	13	20	9	15	18	3	10	59
LAND ROVER	0	11	15	1	19	15	1	6	23
LEXUS	0	0	2	1	2	1	0	1	5
MAHINDRA	1	2	4	3	7	7	1	1	8
MAZDA	1	2	9	2	7	6	1	4	32
MERCEDES-BENZ	3	29	47	14	50	14	4	20	88
MINI	3	7	7	0	0	0	0	5	23
MITSUBISHI	1	4	10	1	8	8	1	5	21
NISSAN	8	23	27	16	33	41	9	14	75
OPEL	1	18	18	6	26	17	2	6	49
PEUGEOT	4	15	8	3	9	11	2	5	23
RENAULT	4	18	28	16	19	29	6	11	68
SSANG YONG	1	2	3	0	5	2	0	0	5
SUBARU	1	0	0	1	3	3	0	3	5
SUZUKI	0	5	1	2	1	4	1	1	10
TATA	9	7	14	12	7	10	3	4	19
TOYOTA	9	30	57	16	54	64	6	20	101
VOLVO	1	10	6	1	9	10	0	2	12
VOLKSWAGEN	29	59	77	24	89	87	14	43	207
YAMAHA	0	0	1	2	1	1	0	1	2

dd) Resolution of Complaints

The number of cases dealt with by MIOSA is reflected as follows:

DESCRIPTION	2015	2016	2017
BANK	1	0	0
DEALER	756	1289	1548
INSURER	0	0	0
MANUFACTURER	216	105	54
REFERRED TO NCC	1	0	0
REFERRED TO NCC FOR NON-COMPLIANCE	0	0	0
OTHER	6	264	10

ee) Case Report

CASES	2015	2016	2017
New cases	1690	1684	2077
Current open	934	1479	1391
Closed cases	756	955	2041
Referred cases	654	1272	1640
Reminders sent	12	1	746
Responses received	352	454	1165
Incomplete ARF's	21	26	134
Cases to be referred	280	207	223
Complaints submitted online	0	0	931

ff) Complaints Per Province

PROVINCE	2015	2016	2017
UNKNOWN	237	159	326
EASTERN CAPE	50	69	79
FREE STATE	26	54	59
GAUTENG	730	776	991
PROVINCE	2015	2016	2017
KWAZULU-NATAL	121	151	220
LIMPOPO	24	24	26
MPUMALANGA	57	64	68
NORTH WEST	54	52	64
NORTHERN CAPE	10	9	10
WESTERN CAPE	164	212	234
TOTAL	1473	1570	2077

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

2.1.2.4.2 To conduct research and promote advocacy and consumer empowerment

a) Complaints Analysis

The complaints received by the NCC have been analysed in the course of the year. The database of complaints relate to those received by the NCC alone and does not include those received by the accredited Ombud schemes and by the provincial consumer protection authorities. The complaints database that is being maintained by NCC, albeit small, is most significant for the NCC, in that, it will be consulted by the NCC in order to determine trends.

Trends could relate to particular industries, sectors, suppliers, localities, products or services etc. The data could also indicate other areas of concern. Once trends are established, the NCC will then be able to determine whether interventions are necessary and the nature of interventions. This invariably will assist in the optimum usage of resources at the NCC's disposal.

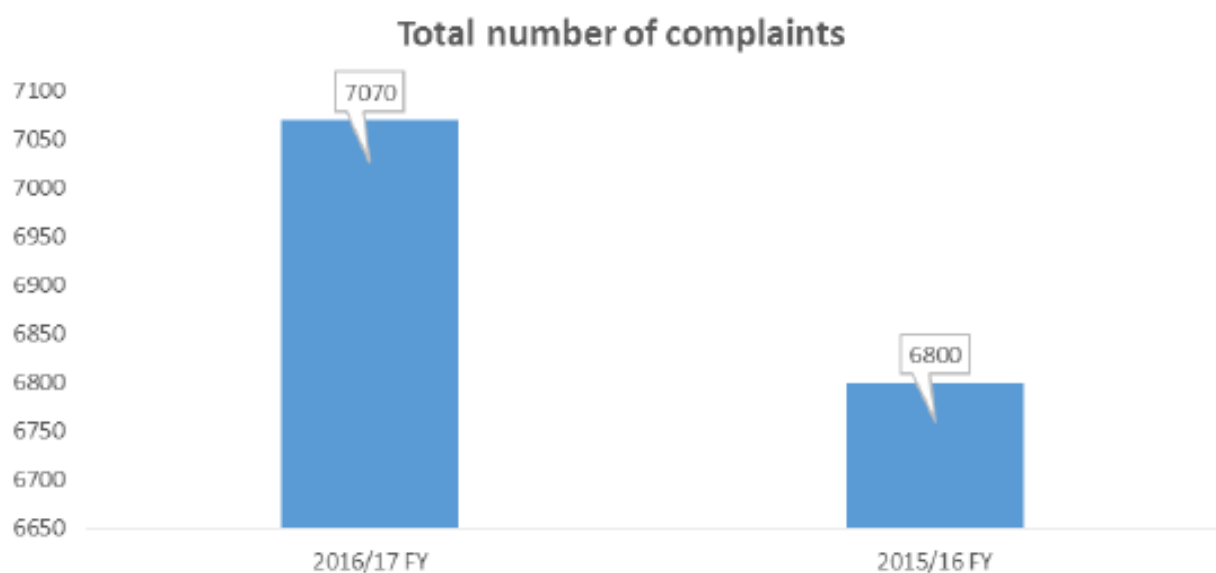
i) **Analysis**
aa) **Number of complaints**

The NCC analysed a total of 7070 complaints during the 2016/17 financial year. The 7070 complaints include 6 matters that were duplications. This number is higher than the number of complaints received in the financial year 2015/16. Figure 1 below depicts the total number of complaints lodged in 2015/16 financial year, 6800 in comparison to the 7070 complaints lodged in the financial year 2016/17.

This shows a 4% increase in the number of complaints lodged with the NCC in 2016/17 as compared to 2015/16. With the accreditation of the ombud schemes, the number of complaints should have reduced as it was expected that consumers would lodge their complaints directly with these schemes. This means that there has to be better communication by the NCC and ombud schemes with consumers in this regard.



Figure 1: Total number of complaints for the FY per annum

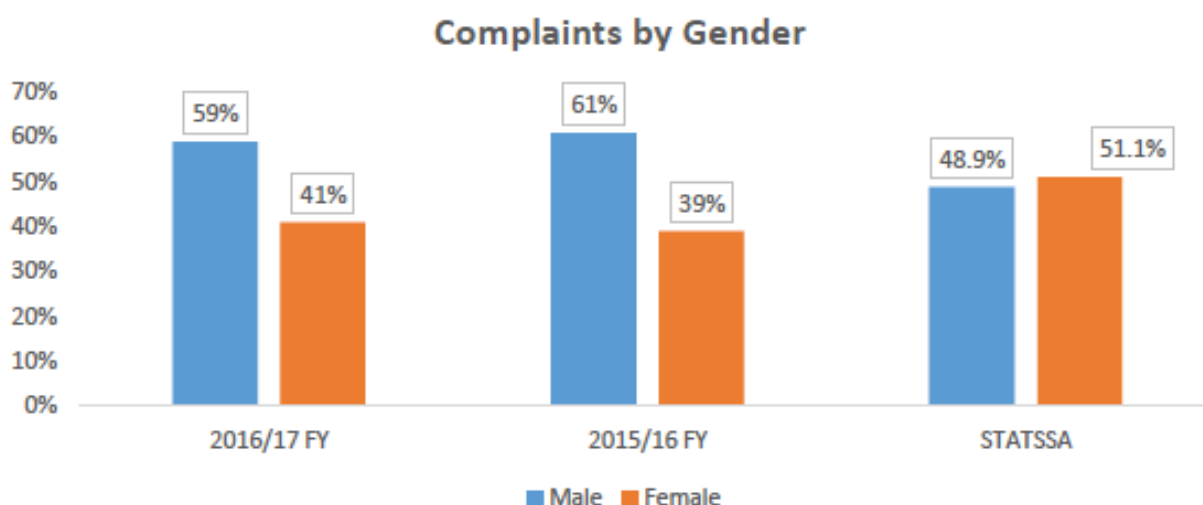


bb) Complaints categorised by Gender of complainants

For the financial year 2016/17, the NCC received 7070 complaints, of which 4 148 (59%) were lodged by male consumers and 2 922 (41%) by female consumers. Figure 2 below represents the number as well as the percentages of complaints filed with the NCC during the financial year 2016/2017.

There is a need for the NCC to understand the gender of the complainants and the goods and services they are complaining about. These particular figures assists the NCC in determining interventions and coin messages that are relevant to the different target groups.

Figure 2: Complaints categorised by Gender of complainants



In both financial years under consideration, male consumers lodged more complaints than female consumers. However, it is important to note how the percentages are not following the trends as per Statistics South Africa (STATSSA) 2016 mid-year estimates with a population of 54.9 million.

During the financial year 2015/16, 4 154 (61%) males lodged complaints with the NCC versus the mid-year male population estimate of 48.9%. In the same financial year 2 646 (39%) females lodged complaints with NCC as compared to the mid-year female population estimate of 51.1%.

The trend did not change during the financial year 2016/17, whereby 4 148 (59%) male consumers lodged complaints with the NCC versus the mid-year male population estimate of 48.9%. In the same financial year, 2 922 (41%) were female consumers in comparison with the 51.1% of females as per the mid-year population estimate. In both financial years portrayed in figure 2 above, the percentage of complaints filed by females (39% and 41%) are lower than the mid-year female population estimate of 51.1%. This means that the NCC should focus its education and awareness initiatives on female consumers.

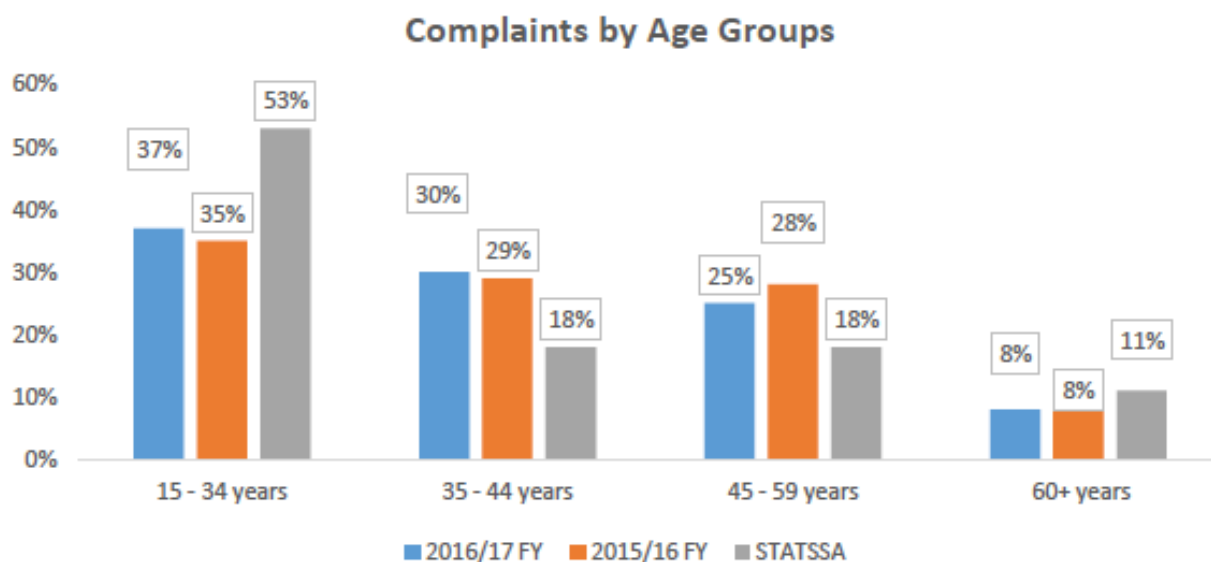
cc) Complainants by Age Group

Age group comparison is of paramount importance to the NCC as it indicates the level of awareness of certain vulnerable groups (youth and elderly). The trends during both financial years were compared against the norm as per STATSSA 2016 mid-term estimates¹.

For the current financial year 2016/17, the different age groups lodged their complaints with the NCC as follows:

37% (2 582) were for the age group (15-34) years; 30% (2 146) were for the age group (34-44) years; 25% (1 783) were for the age group (45-59) years and; 8% (559) were for the age group (60+) years. This is indicated in Figure 3 below.

Figure 3: Percentage of complainants by age groups



The trend indicates that the highest population in the five categories that are being tracked in terms of STATSSA are those from the age group (15-34) years, making up 53% of the total and the smallest population by age group is the (60+) with 11%. The two economically active age groups are (34-44) years, and (45-59) years, each has 18%. When comparing the complaints by age groups filed with the NCC with those of STATSSA, age groups (35-44) years and (45-59) years have surpassed their norms in all the two financial years when lodging complaints.

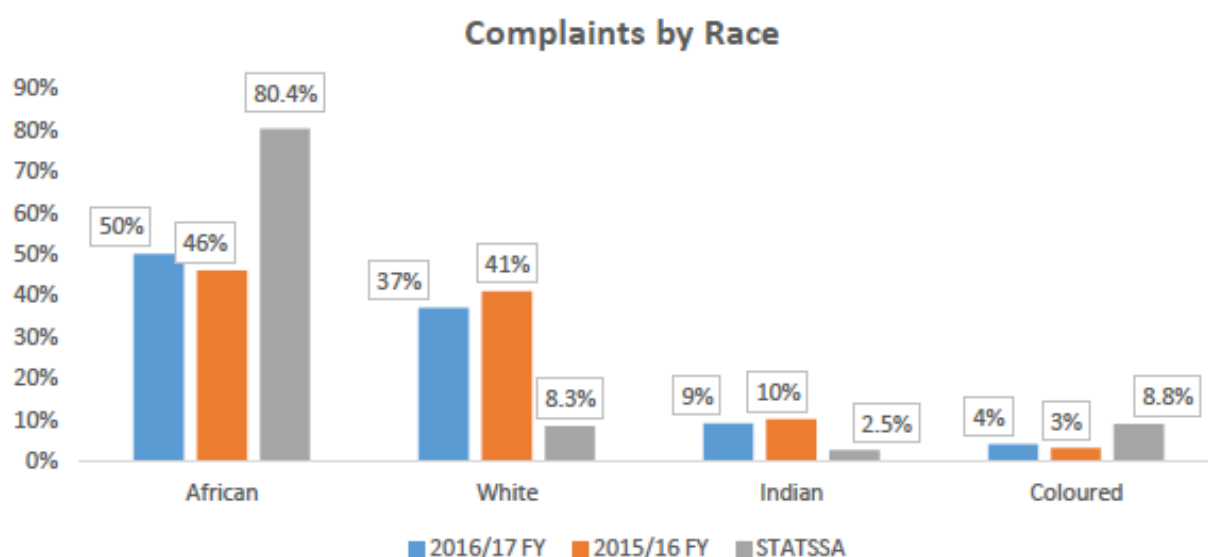
These trends seem credible when analysed against the employment and economic activities of all different age groups. South Africa's economic data indicates that about over 50% of people between the age group (15-34) years, are unemployed. The NCC education and awareness must be targeted at these age groups, (15-34) and (60+) years.

dd) Complaints by Race

The analysis conducted according to race was to determine the effects of the past legacy on the consumer complaints and also define the population of focus in terms of education and awareness initiatives. The trends during both financial years were compared against the norm as per STATSSA 2016 mid-term estimates.

For the financial year 2016/17, Africans lodged the highest number of complaints with 50% (3 548). Whites were second with 37% (2 594), Indians third with 9% (606) and lastly Coloureds, with 4% (322).

Figure 4: Total of complainants by race for the financial year

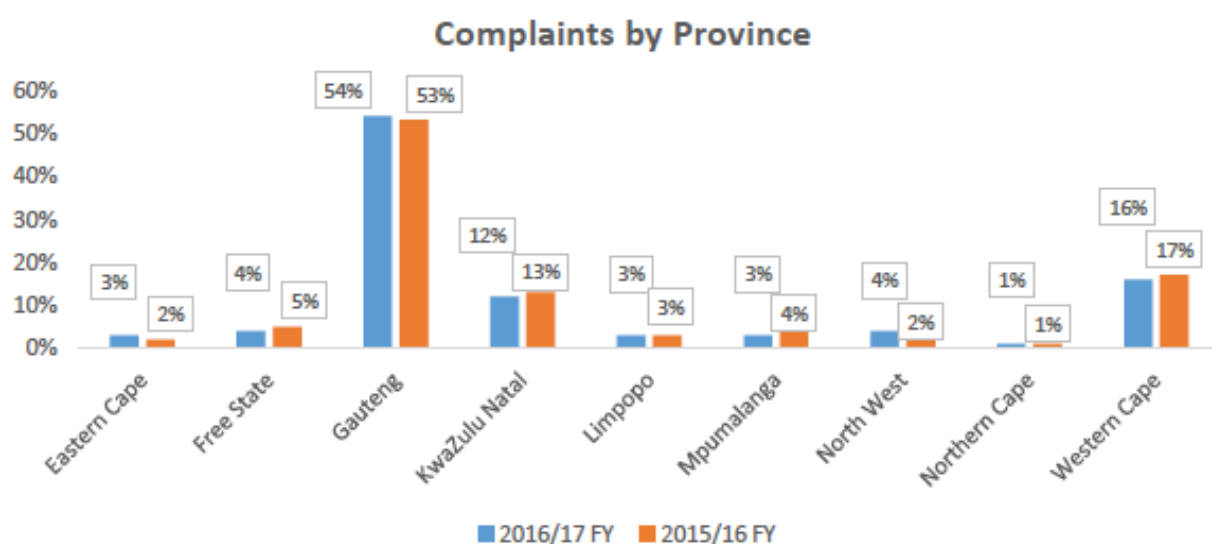


A further analysis and comparison was done with STATSSA population data as shown in Figure 4 above. The trend in percentages of Africans and Coloured races who lodged complaints with the NCC is far below the national population data. On average, Africans are just above the half-mark while Coloureds are just below the halfway mark of their population data. The depiction of the trends by race could also be showing an opportunity for the NCC to have focused interventions in terms of languages and geographic locations.

ee) Complaints per Province

In terms of the South African Constitution, consumer protection is a shared competency between the National and Provincial sphere of government. The CPA has defined the roles of the NCC in facilitating and creating platforms for consumer complaints resolution, in relation to the Provincial Consumer Protection Authorities that have the mandate of also being ADR agents within the respective provinces. The NCC would receive all consumer related complaints and would mostly refer them to the relevant ADR agents. Hence, the NCC has vested interest in understanding the provinces from which the complainants resides for designing relevant intervention strategies related resolution platforms.

Figure 5: Complaints categorised by the province of residence of complainants.

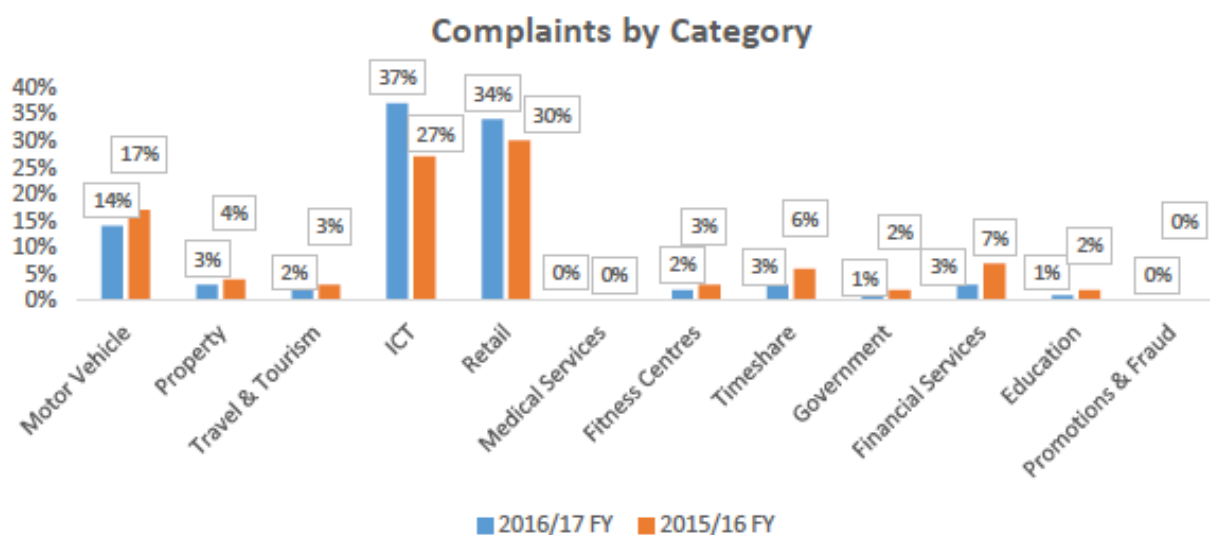


The trends in filing of complaints for both financial years have been fairly the same as shown in figure 5 above. Gauteng has been the leading province with the highest number of complaints 54% and 53% respectively, during 2015/16 and 2016/17 financial years. The Western Cape second at 16% and 17% respectively. KwaZulu Natal has been the third highest, with 12% and 13% respectively for both financial 2015/16 and 2016/17.

ff) Complaints by Categories

A comparison according to categories was conducted to determine which sectors are problematic in as far as consumer protection is concerned. From the total number of 7070 complaints lodged with the NCC during the financial year 2016/17, the highest number were from the ICT sector, with 37% (2 618), followed by the Retail sector with 34% (2 415) and thirdly, the Motor Vehicle sector, with 14% (944). The percentages for all the sectors are as shown in Figure 6 below.

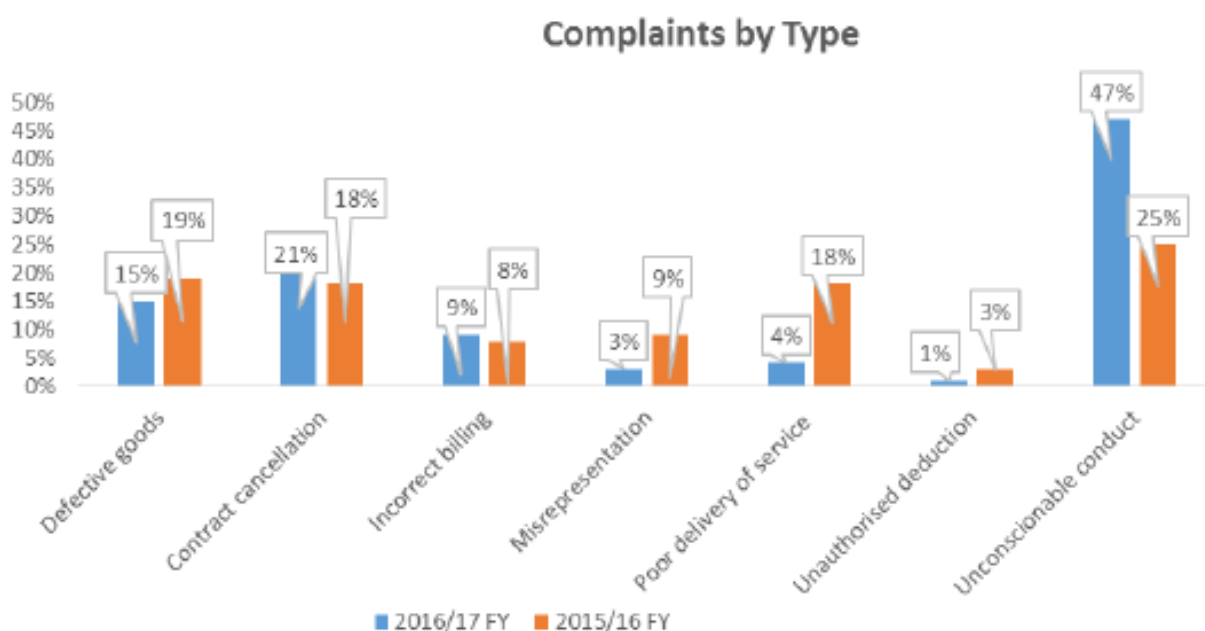
Figure 6: Percentage of complaints filed per categories for the financial year



gg) The Nature of Complaints

The type of the complaints is relevant to understanding the nature and the context of the complaints. The analysis is shown in figure 7 below.

Figure 7: Complaints by type

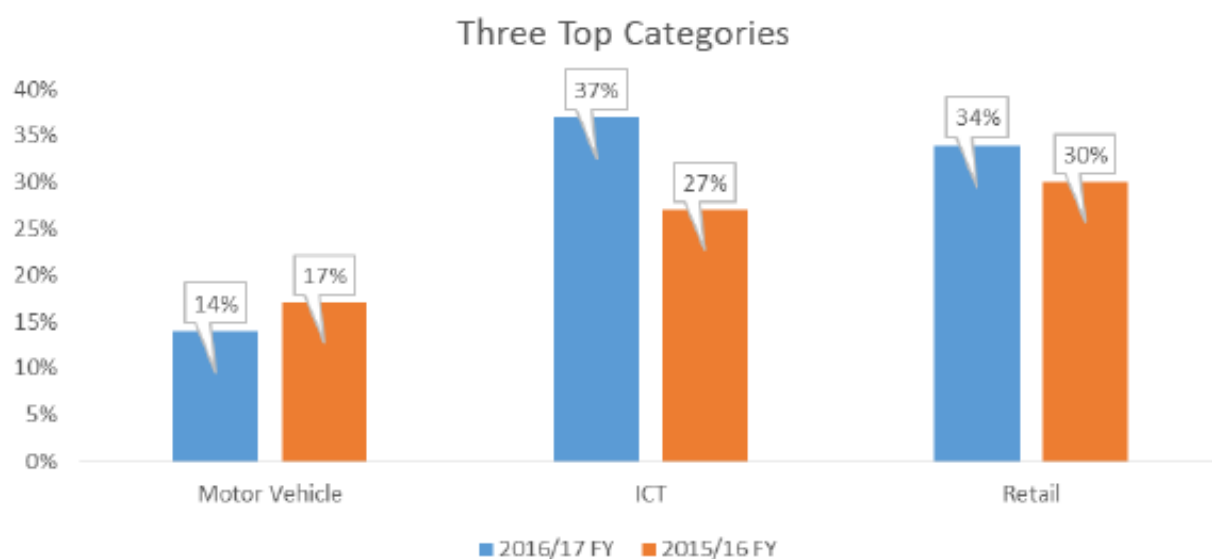


In the financial year 2016/17, the majority of complaints lodged were about unconscionable conduct at 3 344 (47%). Contract cancellations had the second largest number at 1 443 (21%) and defective goods had the third highest number of complaints at 1 050 (15%). Such comparisons assist the NCC on areas of focus when hosting information sessions.

hh) **Three Top Categories of Complaints**

The final analysis was conducted in accordance with the three top categories of the complaints lodged with the NCC. These analyses assist the NCC to take into consideration the different sectors and develop intervention strategies that will assist in ensuring that these sectors have ADR platforms for consumers. Figure 8 below, depicts the percentage of the three top categories for the financial years 2015/16 and 2016/17 respectively.

Figure 8: 3 Top categories for the financial year



During the financial year 2016/17, the ICT sector had the highest number of complaints, with 2 618 (37%). The higher percentage is justifiable given the number of transactions that take place on a day-to-day basis. The area of concern is around the Motor Vehicles given that the transactions in buying vehicles are high in relation to the consumers' income. The fact that the complaints accounted for 944 (14%) of complaints for the financial year, is an indication that a lot has to be done to ensure that the ADRs put in place are functioning efficiently, to afford consumers expedient resolution of their complaints. This analysis also assists the NCC to focus its education and awareness intervention, to both the consumers and business to ensure that they understand their rights and obligations in their everyday transactions.

b) **Consumer Awareness**

With regard to consumer awareness, the NCC sought to align itself with the Ministerial directive of ensuring that the topic of product labelling takes centre stage during the period under review. Thus the NCC undertook two campaigns. One campaign focussed on price display requirements and the other dealt with the new regulation administered by the Department of Forestry and Fisheries (DAFF) that related to the brining of chicken.

The NCC continues to forge closer relations with its strategic partners namely, the Department of Health and DAFF who are custodians of important consumer protection legislation specifically dealing with the issue of product labelling. To this end, a forum has been established to ensure compliance with related consumer protection legislation in order to achieve better protection of consumers.

Apart from conducting a number of workshops with both consumers and business. The NCC has created its very own newsletter called "NCC News". The Newsletter followed a request from Minister as part of the NCC's need to increase its visibility. Thus far, the NCC has published five editions of its newsletter.

Three of these were released during the 2016/17 financial year. Judging from the response received from recipients of the newsletter, it is meeting the desired outcomes. The newsletter is aimed at profiling the NCC as the protector of consumer rights, raising awareness for consumer rights and mostly to educate consumers and suppliers and other relevant stakeholders on the provisions of the CPA.

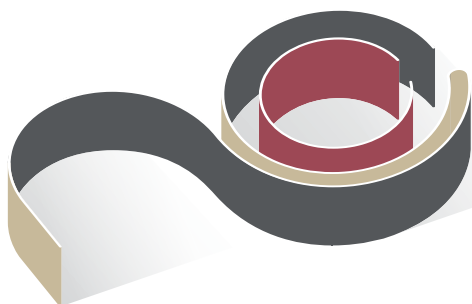


World Consumer Rights Day was celebrated under the theme: "Consumers in the Digital Age". Collaborations between the NCC, the National Credit Regulator, ICASA and the National Consumer Tribunal helped to highlight the rights of consumers transacting within the digital space. The second phase of this campaign centred on clarifying the roles of the NCC vs NCR to assist the consumer to navigate the consumer protection terrain.

Consumer education at primary schools continues to take shape and grow. Yet another school consumer club was launched at Rethakgetse Primary School in Mamelodi. This project seeks to expose learners to consumer rights early on in life with a view to cultivate not only wise consumers but future advocates for consumer rights within communities.



NCC Executive Committee



NATIONAL CONSUMER COMMISSION

a member of **the dti** group

2.2 PERFORMANCE AGAINST THE ANNUAL PERFORMANCE PLAN

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

Strategic Objective: 1. Administration –						
Programme 1: To improve on the governance, compliance and resource requirements of the entity						
Goal/Outcome	Output	Measure/ Indicator	Actual Achievement 2015/16	Planned Target: 2016/17	Actual Achievement 2016/2017	Reason for Variance
To improve on the governance, compliance and resource requirements of the entity.	1. Effective ICT Services.	Percentage (%) of ICT strategy implemented.	New Target	80% of ICT strategy implemented.	Achieved 80% of ICT strategy implemented. An ICT governance framework and new ICT strategy was approved in August 2016. 16 new ICT policies were approved by 31 July 2016.	

Strategic Objective 2: To promote Consumer Protection and Consumer Safety						
Programme 2: Consumer Safety and Protection						
Goal/Outcome	Output	Measure/ Indicator	Actual Achievement 2015/16	Planned Target: 2016/17	Actual Achievement 2016/2017	Reason for Variance
Facilitate a consumer protection environment that is well coordinated and enables resolution of disputes between consumers and suppliers that is expedient, cost effective, fair and transparent.	2. Complaints processed timeously.	Percentage (%) of complaints referred or issued with non-referrals in a pre-defined time period.	96% (6567 out of 6794) complaints received referred or issued with non-referrals in 13 days.	90% complaints referred or issued with non-referrals on an average of 40 days.	Achieved 99% % of complaints were referred or issued with non-referrals on an average of seventeen (17) days of receipt. (7259 out of 7297	A decreased number of officials were used to refer matters and as a result efficiencies were improved.

Strategic Objective 2: To promote Consumer Protection and Consumer Safety							
Programme 2: Consumer Safety and Protection							
Goal/Outcome	Output	Measure/ Indicator	Actual Achievement 2015/16	Planned Target: 2016/17	Actual Achievement 2016/2017	Reason for Variance	
Facilitate a consumer protection environment that is well coordinated and enables resolution of disputes between consumers and suppliers that is expedient, cost effective, fair and transparent.	3. Accredited Ombud Scheme/s monitored regularly.	Report on accredited ombuds in line with the published codes of conduct or as agreed with the supplier.	The Motor Industry Ombud (MIOSA) has reported quarterly to the NCC since quarter 2. The reporting is in line with the approved Code. The reports have been assessed and queries have been raised. The reports were included in the quarterly reports to the Executive Authority. The Consumer Goods and Services Ombud (CGSO) has commenced reporting to the NCC during the second half of the year. The reports have been assessed and queries have been raised. The reports were included in the quarterly reports to the Executive Authority.	Receive and assess reports from accredited ombuds in line with published codes of conduct or as agreed with the Ombud. Compile quarterly assessment report and submit to Executive Authority.	Achieved Received and assessed quarterly reports from accredited ombuds in line with published codes of conduct or as agreed with the Ombud. Compiled quarterly assessment reports and submitted to Executive Authority as part of quarterly reports.		

Strategic Objective 2: To promote Consumer Protection and Consumer Safety						
Programme 2: Consumer Safety and Protection						
Goal/Outcome	Output	Measure/ Indicator	Actual Achievement 2015/16	Planned Target: 2016/17	Actual Achievement 2016/2017	Reason for Variance
	4. Industry Codes recommended to Minister for approval.	Recommend compliant Industry Code for accreditation to Minister.	Draft codes were received and assessed: 1. Advertising Standards Authority of South Africa (ASASA) 2. Franchise Association of South Africa (FASA) 3. COFFMISA code (funeral services). The following code was amended: COFFMISA code in consultation with COFFMISA.	Submit Industry Code to Minister for accreditation within 6 months of receipt of compliant code.	Achieved Submitted Two (2) compliant industry codes to Minister for accreditation. Codes which were received from: i) the Franchise Association of South Africa; and ii) the Advertising Standards Authority. The advertising code was submitted within 6 months of receipt whilst the franchise code was submitted later.	The Franchise Association code was submitted after the six months deadline had lapsed. The delay was due to the Franchise Association submitting their response late.
	5. Codes of good practice developed and approved by Commissioner.	Codes of good practice developed.	The code of practice on towing services was not developed.	One code of good practice on Alternative Dispute Resolution norms and standards developed in terms of section 93 (1) (d) of the CPA.	Achieved Code of good practice on Alternative Dispute Resolution norms and standards developed in terms of section 93 (1) (d) of the CPA.	

Strategic Objective 2: To promote Consumer Protection and Consumer Safety							
Programme 2: Consumer Safety and Protection							
Goal/Outcome	Output	Measure/ Indicator	Actual Achievement 2015/16	Planned Target: 2016/17	Actual Achievement 2016/2017	Reason for Variance	
Conduct inspections and investigations so as to enforce the provisions of the Consumer Protection Act thereby ensuring compliance with the provisions of the Consumer protection Act.	6. Investigations conducted and reports produced.	Number of investigations conducted and reports with recommendations produced.	25 investigations were concluded and reports were produced.	12 investigations conducted, reports with recommendations produced and approved by Commissioner.	Achieved Thirty three (33) investigations conducted. Reports with recommendations produced and approved by Commissioner	Increased number of complaints not resolved at ADR that needed to be investigated to determine the best course of action.	
	7. Inspections conducted and reports produced.	Number of Inspections conducted and reports with recommendations produced.	Fifty seven (57) inspections conducted, approved and finalised during the year. Reports produced thereon.	22 inspections conducted, reports with recommendations produced and approved by Commissioner.	Achieved 36 Inspections conducted, reports with recommendations produced and approved by Commissioner.	The Ministerial campaign on Paraffin Stoves as well as the NCC Price Display campaign resulted in the increase in the number of municipalities planned for inspections.	

Strategic Objective 2: To promote Consumer Protection and Consumer Safety							
Programme 2: Consumer Safety and Protection							
Goal/Outcome	Output	Measure/ Indicator	Actual Achievement 2015/16	Planned Target: 2016/17	Actual Achievement 2016/2017	Reason for Variance	
Make applications to the National Consumer Tribunal for declaration of various conduct as prohibited conduct.	8. Applications made to the National Consumer Tribunal to declare certain investigated conduct as prohibited conduct.	Number of Applications made to the National Consumer Tribunal to declare certain investigated conduct as prohibited conduct.	New Indicator.	Two applications made to the National Consumer Tribunal to declare certain investigated conduct as prohibited conduct.	Achieved Three applications made to the National Consumer Tribunal to declare certain investigated conduct as prohibited conduct. One of which was a consent order that resulted in a fine being imposed on the Respondent.	The third application followed the successful negotiation of a consent order in time for an application to the effect that it be made an order of the Tribunal in the year under review.	
Facilitate, conduct and monitor product recalls.	9. 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.	43 product recalls were received, registered and monitored in line with the published guidelines.	Produce a report on the administration and monitoring of the product recalls in line with published Product Recall guidelines or as agreed with the supplier.	Achieved Produced 4 product recall reports on the administration and monitoring of the product recalls in line with published Product Recall guidelines or as agreed with the supplier.		

Strategic Objective 2: To promote Consumer Protection and Consumer Safety							
Programme 2: Consumer Safety and Protection							
Goal/Outcome	Output	Measure/ Indicator	Actual Achievement 2015/16	Planned Target: 2016/17	Actual Achievement 2016/2017	Reason for Variance	
Establish or recognize as authoritative, a registry in which any person may register a pre-emptive block against any communication that is primarily for the purpose of direct marketing.	10. Opt Out Register established, implemented and maintained.	Opt Out Register established, implemented, maintained and monitored in line with the SLA.	Opt out Register benchmarked; Project Registered as Public Private Partnership project with National Treasury; Secured budget of R2m from Treasury; Appointed external project manager.	Finalise appointment of Transactional adviser. Finalise feasibility study; Commence with procurement of register.	Not achieved Finalised appointment of Transactional adviser. Finalised feasibility study; Procurement of register. Procurement of register has not commenced.	Procurement of register has not commenced due to delay in procurement as the tender for the Transactional Adviser had to be re-advertised after no bids were received in the first instance.	

Strategic Objective 3 To promote reform of consumer policy and consumer protection legislation						
Programme 3: To promote reform of consumer policy and consumer protection legislation						
Goal/Outcome	Output	Measure/ Indicator	Actual Achievement 2015/16	Planned Target: 2016/17	Actual Achievement 2016/2017	Reason for Variance
Advise Minister on matters relating to consumer protection and on the determination of national norms and standards regarding consumer protection in terms of the CPA that should apply generally throughout the Republic.	11. Conduct research on matters relating to consumer protection and on the determination of national norms and standards regarding consumer protection in terms of the CPA that should apply generally and advise Minister.	Number of research projects conducted on matters relating to consumer protection and on the determination of national norms and standards in terms of the CPA that should apply generally and advice provided to Minister.	Three (3) research reports on: 1.State of Consumer Protection in South Africa; 1. Sales in Execution; and 3. Private Sales produced and signed off by the Commissioner.	Survey Consumer Protection Awareness amongst consumers residing in tribal/ traditional areas.	Achieved Survey of Consumer Protection Awareness amongst consumers residing in tribal/ traditional areas conducted, report produced and approved by the Commissioner.	
Identify legislation that affects the welfare of consumers which is inconsistent with the purposes of the CPA and develop proposals for reform of practices.	12. Develop and submit proposals for reform of practices inconsistent with the CPA.	Identify number of legislation that affects the welfare of consumers which is inconsistent with the purposes of the CPA and develop proposals for reform of practices.	New indicator	Identify one Act that affects the welfare of consumers which is inconsistent with the purposes of the CPA and develop proposals for reform of practices, Report submitted to Minister.	Achieved Acts/ Practices that affects the welfare of consumers identified which are inconsistent with the purposes of the CPA and proposals developed for reform of practices. Report submitted to Minister.	

Strategic Objective 3 To promote reform of consumer policy and consumer protection legislation						
Programme 3: To promote reform of consumer policy and consumer protection legislation						
Goal/Outcome	Output	Measure/ Indicator	Actual Achievement 2015/16	Planned Target: 2016/17	Actual Achievement 2016/2017	Reason for Variance
Provide guidance to the public by issuing explanatory notes and/or non-binding opinions on the interpretation of provisions of the CPA.	13. 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.	100% requests for advice responded to on an average of 10 days.	80 % of registered requests for explanatory notes and/or non-binding opinions provided within an average of 20 days.	Achieved 100 % of registered requests for explanatory notes and/or non-binding opinions provided well within an average of 20 days.	The vast majority of requests for explanatory notes and/or non-binding opinions received were not complex.
Apply to a court for a declaratory order on the interpretation or application of any provision of the CPA.	14. Apply for declaratory orders on the interpretation or application of any provision of the CPA.	Number of applications for declaratory orders on the interpretation or application of any provision of the CPA.	New indicator	Make one application for a declaratory order on the interpretation or application of a provision of the CPA.	Achieved Made two applications for declaratory orders: I) on the interpretation or application of a provision of the CPA relating to pyramid scheme operated by MMM. Pleadings exchanged and finalised. Matter set down for hearing on the 26th of May 2017. II) On the use of section 138 forms for section 74 applications in the National Consumer Tribunal in terms of the National Credit Act.	

Strategic Objective 4 To conduct research and to develop public awareness on consumer protection matters						
Programme 4 To conduct research and to develop public awareness on consumer protection matters						
Goal/Outcome	Output	Measure/ Indicator	Actual Achievement 2015/16	Planned Target: 2016/17	Actual Achievement 2016/2017	Reason for Variance
Conduct targeted consumer workshops as well as business focused workshops and presentations aimed at facilitating a better understanding of the Act.	15. Consumer awareness initiatives conducted in the different provinces.	Number of consumer awareness initiatives conducted.	Altogether 25 Consumer Workshops were held in the year.	24 consumer awareness workshops conducted.	Not Achieved 10 Consumer awareness workshops were conducted.	Altogether 27 workshops were conducted, however, less than 50 persons attended 17 out of the 27 workshops. These 17 workshops are deemed unsuccessful workshops.
	16. Business compliance initiatives conducted in different provinces.	Number of business compliance initiatives conducted in different provinces.	Altogether 15 Business Workshops were held in the year.	12 business compliance workshops conducted.	Achieved 15 Business compliance workshops were conducted.	Increased interest from stakeholders has necessitated acceptance of more invitations for workshops.
	17. Publish and distribute educational material to consumers.	Number of newsletters developed and approved by Commissioner for publication.	1 external newsletter was approved published and distributed in time. The other was approved but printing thereof was delayed.	3 External Newsletters developed and approved by Commissioner for publication.	Achieved 3 External Newsletters were developed and approved by Commissioner for publication.	

Strategic Objective 4 To conduct research and to develop public awareness on consumer protection matters						
Programme 4 To conduct research and to develop public awareness on consumer protection matters						
Goal/Outcome	Output	Measure/ Indicator	Actual Achievement 2015/16	Planned Target: 2016/17	Actual Achievement 2016/2017	Reason for Variance
Analyse complaints and market conduct and develop trends analysis reports which would serve to assist the NCC in determining its intervention strategies.	18. Complaints analysed, trends established and reports produced.	100% of complaints registered analysed, trends established and report produced.	100% of registered complaints analysed, trends established and annual report produced and approved by Commissioner.	100% of registered complaints analysed, trends established and annual report produced.	Achieved 100% of registered complaints analysed, trends established and annual report produced and approved by the Commissioner.	
Conduct research and propose policy changes to the Minister in relation to any matter affecting the supply of goods and services, that would improve the realization and full enjoyment of consumer rights.	19. Research conducted, trends analysed and information and knowledge managed.	Number of research reports completed and approved by Commissioner for submission to Minister.	Not applicable.	Compilation of an Affordability Index to measure the level of affordability of particular goods and services in the Republic.	Achieved Affordability Index to measure the level of affordability of particular goods and services in the Republic compiled and approved by the Commissioner.	

2.3 Strategy to overcome areas of under performance

The NCC fully met 17 out of 19 targets. With regard to the two targets that were not fully met, the NCC is of the view that it met approximately 90% of these two targets. The overall performance over the period under review reflects an improvement on the previous year's performance, where only 11 out of 18 targets were met then. The slight underperformance that has been reported under paragraph 2.2 under the heading **PERFORMANCE AGAINST THE ANNUAL PERFORMANCE PLAN** is not as a result of any key challenges faced by the NCC. To the contrary, the underperformance areas were beyond its control.

In the one instance, the industry code for the franchise industry took longer than expected before a recommendation could be made to Minister. In this matter, the applicant industry took much longer than anticipated, to respond to queries raised by the NCC. With regard to the other deliverable that was not fully achieved, the NCC was only unable to commence with the procurement of the Opt Out Register. The transactional adviser was appointed and the feasibility study was complete. Since no bids were received after advertising the Transactional adviser tender, the process of re-advertising the bid led to delays.

Changes to planned targets

The following outputs have been removed from the approved APP:

- 1) Stakeholder relations promoted.
- 2) Participation in key conferences.

These outputs were numbered 19 and 20 in the approved APP. The reason for the deletion is that the said outputs were no longer regarded as core deliverables. However, these outputs have not been abandoned altogether and will remain on the NCC's operational plan instead. Moreover, relations with key stakeholders have been re-established by the NCC over the last four years. These relationships will have to be maintained throughout.

The following outputs have been amended:

- 1) Publish and distribute educational material to consumers.
- 2) Conduct research on matters relating to consumer protection and on the determination of national norms and standards.
- 3) External newsletters.

These were numbered 17 and 11 in the approved APP. The output relating to publication and distribution of educational material to consumers initially consisted of two deliverables. One related to external newsletters and the other, to internal newsletters. The internal newsletter deliverable has been deleted as this was primarily aimed at staff and was meant to improve communication between management and staff. This was incorporated at a time when the NCC had experienced some instability. The NCC has since stabilised. Whilst the internal newsletters will continue being published on a quarterly basis, it is unrelated to the NCC's core mandate. Insofar as the research output is concerned, the topic relating to the research changed slightly. Originally, it made reference to a survey amongst "rural consumers". This has changed to "consumers residing in tribal/ traditional areas" as there appears to be no clear definition of "rural consumers". It was initially intended that this research will be conducted by a service provider, however, following a revision of the NCC's budget, it was decided that this research will be conducted "In House".

This necessitated a change in the quarterly milestones with regard thereto. The deliverable with regard to external newsletters have been amended. The existing deliverable required that external newsletters be published and distributed to stakeholders in the same quarter that it is developed. This has been amended to read "External Newsletters developed and approved by Commissioner for publication". The number of newsletters remain the same. The NCC invariably provides the content and drafts the newsletters. However it is extremely difficult for the NCC to ensure that the service provider is also able to design, print and distribute in the same quarter that it is developed. Finally, the NCC, revised a few of its indicator profiles. The revisions were duly considered and approved by the Executive Authority.

2.3.1 Linking performance with budgets

Objective 1: Administration				
Name of sub-programme	Item	Final Appropriation	Actual Expenditure	Under/(Over) Expenditure
	Compensation of employees	R16 234 000	R16 452 643	(R 218 643)
	Goods and services	R10 712 000	R16 608 135	(R5 896 135)
	Depreciation	R1 261 000	R827 814	R433 186
Total		R28 207 000	R33 888 592	(R5 681 592)

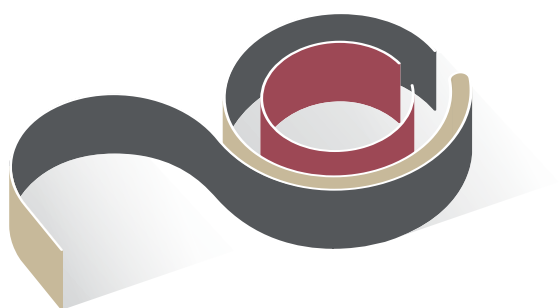
Objective 2: To ensure enforcement of and compliance with the Act				
Name of sub-programme	Item	Final Appropriation	Actual Expenditure	Under/(Over) Expenditure
	Compensation of employees	R17 895 000	R17 775 933	R119 067
	Goods and services	R3 447 000	R1 785 736	R1 661 264
Total		R21 342 000	R19 561 669	R1 780 331

Objective 3: To promote reform of consumer policy and consumer protection legislation				
Name of sub-programme	Item	Final Appropriation	Actual Expenditure	Under/(Over) Expenditure
	Compensation of employees	R6 252 000	R 6 494 050	(R242 050)
	Goods and services	R1 048 000	R1 506 198	(R458 198)
Total		R7 300 000	R8 000 248	(R 700 248)

Objective 4: To conduct research and to develop public awareness on consumer protection matters				
Name of sub-programme	Item	Final Appropriation	Actual Expenditure	Under/(Over) Expenditure
	Compensation of employees	R0	R0	R0
	Goods and services	R1 400 000	R1 454 566	(R54 566)
Total		R1 400 000	R1 454 566	(R54 566)

PART 3: GOVERNANCE

3



NATIONAL CONSUMER COMMISSION

a member of **the dti** group

3.1 Overview of governance structures

i) Introduction

The NCC is an organ of state and is a schedule 3 entity in terms of the Public Finance Management Act, 1999, Act No. 1 of 1999 (PFMA). The entity is established by section 85 of the CPA. In terms of section 87 of the CPA, the Commissioner of the NCC is responsible for all matters pertaining to the functions of the NCC and is required to hold office for an agreed term, not exceeding five years. Provision is however made for reappointment on expiry of an agreed term of office.

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

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

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

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

ii) Portfolio Committee

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

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

The NCC appeared before the Parliamentary Portfolio Committee on Trade and Industry during the year under review. The NCC made presentations on the Ford Kuga Recall in March 2017, its second quarter report (2016/17) in December 2016. Its first quarter report (2016/17) in September 2016 and on its annual report (2015/16) in August 2016.

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

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

iv) Committees

In line with the requirements of the PFMA, the NCC has an Audit and Risk Committee. The membership thereof is made up of independent persons. The said Committee also has one ex-officio member that served thereon at the behest of the Executive Authority. Minister had appointed Mr Kumaran Naidoo as the ex-official member, who unexpectedly passed away during April 2016. Mr Naidoo has been a very dedicated and upstanding member of the committee and has, over the years, provided invaluable assistance and guidance to the NCC. His committed tenacity towards the NCC is sorely missed.

The Audit and Risk Committee Report is included herein.

v) Risk Management

The NCC revised its management strategy and following approval thereof, implemented it in the course of the year. The NCC also evaluated its risks which led to its risk register being revised, approved and implemented. Risks have been identified. The risks as contained in the risk register have been monitored regularly and reported on at Audit and Risk Committee meetings. Significant progress has been made in addressing identified risks.

vi) Internal Audit

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

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

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

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

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

Activity	High Level Scope
Internal audit of Predetermined Objectives at the National Consumer Commission QUARTER 1 & 2	<p>The primary objective of this engagement is to provide reasonable assurance to Management and the Audit Committee about the adequacy and effectiveness of the internal control system.</p> <p>The specific audit objectives designed for this assignment are to review and provide reasonable assurance on the following:</p> <ul style="list-style-type: none"> • Review the adequacy of policies and procedures in place for Predetermined Objectives. • Review the adequacy and effectiveness of controls in place to ensure that the required documents are submitted to relevant authority timely. • Review the adequacy of controls in place governing the strategic and operational planning processes. • Review the adequacy and effectiveness of the system established and implemented for collecting, processing and collating performance information. • Review the adequacy of systems in place for dealing with non-performance. • Verify accuracy, validity and completeness of reported quarterly performance information.
Follow up review on Governance at NCC	<p>The primary objective of this engagement was to:</p> <ul style="list-style-type: none"> • Provide reasonable assurance to management and the Audit Committee that corrective action plans as previously indicated by Management have been implemented and are adequate, effective and functioning efficiently.
Review of the Human Resources Management at NCC	<p>The specific audit objectives designed for this assignment are to review and provide reasonable assurance on the following:</p> <ul style="list-style-type: none"> • Re-engineering of the organisational structure • Review the effectiveness of the NCC approved and funded organisational structure: • Levels of reporting lines • Review the impact of vacant posts to NCC achieving its objectives • Are the resources sufficient to assist the Unit to achieve its operational objectives • Follow up on previous Internal Audit Findings.
Review of all expenditure transactions for the period 01 April 2016 to date.	<p>The objective of this review was to:</p> <ul style="list-style-type: none"> • Assess the completeness of information of all expenditure transactions and the compliance thereof to the relevant legislative requirements and regulations.

vii) Fraud and Corruption

The NCC has approved a Fraud Prevention Plan (Plan) which has been work shopped with staff. No acts of fraud occurred in the year under review. No acts of fraud were reported on the fraud hotlines. As a part of the Plan, mechanisms are in place to report fraud and corruption. In order to promote fraud prevention, a whistleblowing policy is in place which makes provision for officials to make confidential disclosure about suspected fraud and corruption.

3.2 REPORT OF THE AUDIT AND RISK COMMITTEE

for the year ended 31 March 2017

We are pleased to present our report for the year ended 31 March 2017.

Audit and Risk Committee Members and Attendance

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

Independent Non–Executive Members	Number of meetings attended
Mr DA Braithwaite (Chairperson)	4
Adv S Kholong	4
Ms S Sekgobela	4
Ms R Kenosi	4

Subsequent to the year end, Ms N Matomela was appointed to represent **the dti**.

In addition, the following are standing invitees at each meeting of the Audit and Risk Committee:

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

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

Audit and Risk Committee Responsibilities

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

Effectiveness of Internal Controls

Our review of the findings made by the outsourced Internal Audit service provider indicated various weaknesses in internal control with two audit areas categorized overall, as "Some improvement needed" and one as "Major improvement needed".

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

- Human Resources Management (some improvement needed)
- Predetermined objectives (satisfactory)
- Supply Chain Management Review (major improvement needed)
- Enforcement and Investigations (some improvement needed)
- Governance follow up (two of five previous significant risks not yet followed up)

The 2016/17 Supply Chain Management Review was commissioned by management following unsatisfactory audit findings in the prior year. The results of the review were sufficiently serious to warrant the calling of a special meeting (by Internal Audit) to discuss findings with management and the Audit and Risk Committee. The pervasive weaknesses in this area are being addressed by management.

Based on the audit work conducted and presented at Audit and Risk Committee meetings for the 2016/17 year, the Committee concludes that overall controls evaluated during those audits needed some improvement and, in the case of Supply Chain Management, major improvement.

The External Auditor (The Auditor-General of South Africa) also reported serious findings and recommendations in areas reported on by Internal Audit.

Quality of Management Reports

Quarterly Reports presented to the Audit and Risk Committee, in some cases, were adjusted prior to submission to the Executive Authority.

Evaluation of the Financial Statements

The Audit and Risk Committee has:

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

The Audit and Risk Committee, in all material respects, concurs with and accepts the conclusions of the Auditor-General on the Annual Financial Statements, read together with the report of the Auditor-General. However, the Committee notes that there was not in all cases full agreement between management and the Auditor General on the matters reported in the Management Report. Various changes were made to the Annual Financial Statements during the course of the audit.

Forensic Investigation

The interventions resulting from a major forensic investigation in 2012/13 in the areas of Supply Chain Management and certain aspects of Human Resources continued during the current year.

External Audit Unresolved Issues

The resolution of External and Internal Audit issues is monitored via tracking registers which are reviewed by the Audit and Risk Committee. The Committee continues to be of the opinion that of the External and Internal Audit issues need to be addressed and resolved with greater urgency with specified and enforced consequences where resolution dates are not met. Management has introduced procedures in this regard and actions taken for non-performance have increased over the year.

The following significant external audit matters raised in prior years remained unresolved at the current year end:

2015/16

- A total of 13 out of 69 findings remain unresolved of which 6 relate to Supply Chain Management.
- Certain of the outstanding are repeat findings from earlier years.

2014/15

- Supply Chain Management generally
- Inadequate identification and disclosure of irregular expenditure
- Performance targets not in all cases specific and/ or measurable

2013/14

- Ineffective Information, Communication and Technology systems. (certain findings unresolved)
- Failure to recover funds owing to the entity.

Conclusion

The continued volume and seriousness of the matters reported by Internal Audit and the Auditor-General are regarded as disappointing with regression reported by the Auditor-General in the financial and performance management areas in particular.



DA BRAITHWAITE

Chairperson of the Audit Committee

31 July 2017

3.3 Report of the auditor—general to Parliament on The National Consumer Commission (NCC)

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 75 to 110 , which comprise the statement of financial position as at 31 March 2017, and the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
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 2017, and its financial performance and cash flows for the year then ended in accordance with Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA).

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-general's responsibilities for the audit of the financial statements section of my report.
4. I am independent of the public entity in accordance with the International Ethics Standards Board for Accountants' Code of ethics for professional accountants (IESBA code) together with the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of matters

6. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Irregular expenditure

7. As disclosed in note 27 to the financial statements, irregular expenditure to the amount of R7 072 813 that was incurred, as proper supply chain prescripts had not been followed.

Responsibilities of the accounting authority—for the financial statements

8. 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.
9. In preparing the financial statements, the accounting authority is responsible for assessing the entity'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 there is an intention either to liquidate the public entity or to cease operations, or there is no realistic alternative but to do so.

Auditor—general’s responsibilities for the audit of the financial statements

10. 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 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
11. A further description of my responsibilities for the audit of the financial statements is included in the annexure to the auditor’s report.

Report on the audit of the annual performance report

Introduction and scope

12. 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.
13. 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.
14. 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 2017:

Programmes	Pages in the annual performance report
Programme 2 - To promote consumer protection and consumer safety	43 - 48
Programme 3- To promote reform of consumer policy and consumer protection legislation	49 - 50
Programme 4 - To conduct research and to develop public awareness on consumer protection matters	51 - 52

15. 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.
16. The material findings in respect of the usefulness and reliability of the selected programmes are as follows:

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

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.

17. I was unable to obtain sufficient appropriate audit evidence for the reported achievement of target; 80% of registered requests for explanatory notes and /or non-binding opinions provided within an average of 20 days. This was due to limitations placed on the scope of my work. I was unable to confirm the reported achievement by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievement of 100% of registered requests for explanatory notes and /or nonbinding opinions provided well within an average of 20 days.

Programme 4 – To conduct research and to develop public awareness on consumer protection matters

Complaints analysed, trends established and reports produced.

18. The public entity did not have an adequate performance management system to maintain records to enable reliable reporting on achievement of targets. Sufficient appropriate audit evidence could not be provided in some instances while in other cases the evidence provided did not agree to the recorded achievements. This resulted in a misstatement of the target achievement reported as the evidence provided indicated that it was 55% and not 100%. I was also unable to confirm the reported achievement by alternative means. Consequently, I was unable to determine whether any further adjustments were required to the reported achievements.
19. I did not identify any material findings on the usefulness and reliability of the reported performance information for the following programme:
 - Programme 2 - To promote consumer protection and consumer safety

Other matters

20. I draw attention to the matters below.

Achievement of planned targets

21. Refer to the annual performance report on page(s) 42 to 52 for information on the achievement of planned targets for the year and explanations provided for the under/overachievement of a number of targets. This information should be considered in the context of the material findings reported on the usefulness and reliability of the reported performance information in paragraphs 17 and 18 of this report.

Adjustment of material misstatements

22. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of Programme 2 - To promote consumer protection and consumer safety and Programme 3 - To promote reform of consumer policy and consumer protection legislation. As management subsequently corrected only some of the misstatements, I raised material findings on the usefulness and reliability of the reported performance information. Those that were not corrected are included in the paragraph 17 and 18 of this report.

Report on audit of compliance with legislation

Introduction and scope

23. 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.
24. The material findings in respect of the compliance criteria for the applicable subject matters are as follows:

Annual Financial Statements

25. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework, as required by section 55(1)(b) of the PFMA. Material misstatements of non-current assets, cash flow statement, statement of comparison of budget and actual amounts, prior period error, revenue from non-exchange, related party and contingent liability disclosures identified by the auditors in the submitted financial statements were corrected, resulting in the financial statements receiving an unqualified audit opinion.

Procurement

26. Contracts and quotations were awarded to bidders based on preference points that were not allocated in accordance with the requirements of the Preferential Procurement Policy Framework Act and its regulations.
27. Contracts and quotations were awarded to bidders based on functionality criteria that were not stipulated in the original invitation for quotations, in contravention of Preferential Procurement Regulation 4.

Other information

28. The National Consumer Commission's accounting authority is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report thereon and those selected programmes presented in the annual performance report that have been specifically reported on in the auditor's report.
29. 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.
30. 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. If, based on the work I have performed on the other information obtained prior to the date of this auditor's report, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Internal control deficiencies

31. 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 thereon. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on the annual performance report and on compliance with legislation included in this report.

Financial and performance management

32. Management did not adequately review the non-current assets, cash flow statement, statement of comparison of budget and actual amount, related party, prior period and contingent liabilities disclosures, which resulted in material adjustments to the annual financial statements.
33. Management did not adequately review the annual performance report which resulted in material findings being reported.
34. Management did not have adequate preventative and detective controls in place to ensure compliance with laws and regulations relating to supply chain management.

Auditor - General

Pretoria
31 July 2017



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

ANNEXURE – AUDITOR – GENERAL’S RESPONSIBILITY FOR THE AUDIT

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

Financial Statements

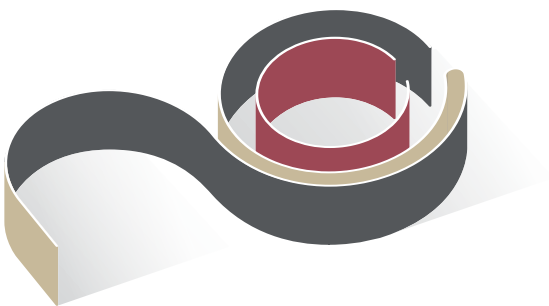
2. In addition to my responsibility for the audit of the financial statements as described in the auditor’s report, I also:
 - identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
 - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the public entity’s internal control.
 - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting authority.
 - conclude on the appropriateness of the accounting authority’s use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the National Consumer Commissioner’s ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor’s report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of the auditor’s report. However, future events or conditions may cause a public entity to cease to continue as a going concern.
 - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

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

PART 4: HUMAN RESOURCE MANAGEMENT

4



NATIONAL CONSUMER COMMISSION

a member of **the dti** group

4.1 Human Resources Oversight statistics

i) Personnel costs by programme

Programme	Total personnel budget	Personnel Expenditure	Personnel expenditure as a % of total expenditure	No. of employees	Average personnel cost per employee
Programme 1	16 234 000	16 452 643	40%	27	609 357
Programme 2	17 895 000	17 775 933	44%	40	444 398
Programme 3	6 252 000	6 494 050	16%	10	649 405
Programme 4	-	-	-	-	-
TOTAL	40 381 000	40 722 626	100%	77	528 865

- Programme 1: Administration (Corporate Services and Office of the Commissioner)
- Programme 2: Consumer Safety and Protection
- Programme 3: Research, Advocacy and empowerment of participants in the consumer market
- Programme 4: Research and develop public awareness on consumer protection matters

ii) Personnel costs by salary band

Level	Total personnel budget	Personnel Expenditure	% of personnel expenditure to total personnel costs	No. of employees	Average personnel cost per employee
Top Management	3 422 000	3 583 591	8.8%	2	1 791 796
Senior Management	16 391 000	15 270 985	37.5%	14	1 090 785
Professionally qualified	10 518 000	12 094 620	29.7%	20	604 731
Skilled	1 800 000	2 361 912	5.8%	8	295 239
Semi-skilled	8 250 000	7 411 518	18.2%	33	224 591
TOTAL	40 381 000	40 722 626	100%	77	528 865

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

iii) Performance rewards

Programme	Total personnel expenditure	Performance rewards	Personnel expenditure	% of performance rewards to total personnel cost
Programme 1	16 452 643	14	351 736	2.1%
Programme 2	17 775 933	16	182 599	1%
Programme 3	6 494 050	1	7 551	0.1%
Programme 4	-	-	-	-
TOTAL	40 722 626	31	541 886	1.3%

iv) Training costs

Directorate	Total personnel expenditure	Training expenditure	Training expenditure as a % of personnel costs	No. of employees trained	Average training costs per employee
All Directorates	40 722 626	476 433	1,2%	77	6 187
TOTAL	40 722 626	476 433	1,2%	77	6 187

v) Employment and vacancies by salary band

Programme	2015/16 No. of employees	2016/17 Approved posts	2016/2017 No. of employees	2016/2017 Vacancies	% of Vacancies
Top Management	2	2	2	0	0%
Senior Management	14	15	14	1	6.7%
Professional qualified	19	22	20	2	9.1%
Skilled	5	8	8	0	0%
Semi-skilled	33	38	33	5	13.2%
TOTAL	73	85	77	8	9.4%

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

vi) Employment and vacancies by programme

Programme	2015/2016 No. of employees	2016/2017 Approved posts	2016/2017 No. of employees	2016/2017 Vacancies	% of vacancies
Programme 1	26	30	27	3	10%
Programme 2	37	45	40	5	11.1%
Programme 3	10	10	10	0	0%
Programme 4	-	-	-	-	-
TOTAL	73	85	77	8	9.4%

- Programme 1: Administration (Corporate Services and Office of the Commissioner)
- Programme 2: Consumer Safety and Protection
- Programme 3: Research, Advocacy and empowerment of participants in the consumer market
- Programme 4: Research and develop public awareness on consumer protection matters

vii) 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	14	1	1	14
Professional qualified	19	4	3	20
Skilled	5	2	0	7
Semi-skilled	33	5	4	34
TOTAL	73	12	8	77

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

viii) Reasons for staff leaving

Number	% of total number of staff leaving	Number
Death	0%	0
Resignation	62.5%	5
Dismissal	0%	0
Retirement	12.5%	1
Ill health	0%	0
Expiry of contract	25%	2
Other	0%	0
TOTAL	100%	8

xi) Labour relations: Misconduct and disciplinary actions

Nature of disciplinary action	Number
Verbal warning	0
Written warning	6
Final written warning	10
Dismissal	0
Ongoing disciplinary process	0
TOTAL	16

x) **Equity targets and Employment equity status**

Levels	MALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	0	1	0	0	1	0	0	0
Senior Management	7	6	0	1	1	0	1	1
Professional qualified	10	9	2	1	0	0	0	1
Skilled	4	3	0	0	0	0	0	0
Semi-skilled	15	16	0	2	0	1	0	2
TOTAL	36	35	2	4	2	1	1	4

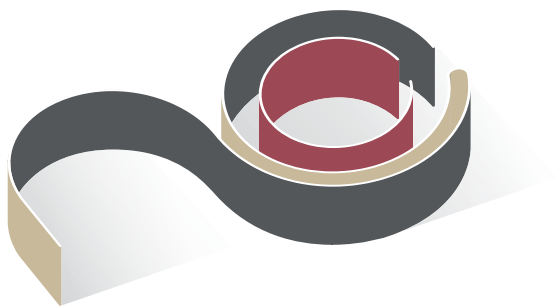
Levels	FEMALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	1	1	0	0	0	0	0	0
Senior Management	5	5	0	1	0	0	0	1
Professional qualified	8	8	0	1	0	0	0	1
Skilled	4	3	0	0	0	0	0	0
Semi-skilled	18	13	0	2	0	0	0	2
TOTAL	36	30	0	4	0	0	0	4

Levels	DISABLED STAFF							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	0	0	0	0	0	0	0	0
Senior Management	0	0	0	0	0	0	1	0
Professional qualified	0	0	0	0	0	0	0	0
Skilled	0	0	0	0	0	0	0	1
Semi-skilled	1	0	0	0	0	0	0	0
TOTAL	1	0	0	0	0	0	1	1

The disability information is derived from, and included in the Equity tables for Male and Female staff.

PART 5: FINANCIAL INFORMATION

5



NATIONAL CONSUMER COMMISSION

a member of **the dti** group

NATIONAL CONSUMER COMMISSION

Annual Financial Statements for the year ended 31 March 2017

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 through the Republic of South Africa, to promote and advance the social and economic welfare of consumers in South Africa by establishing a legal framework for the achievement and maintenance of a consumer market that is fair, accessible, efficient, sustainable and responsible for the benefit of consumers generally.

Accounting Authority

Mr Ebrahim Mohamed

Business address

SABS Campus Building C
1 Dr Lategan Road
Groenkloof
Pretoria
0027

Postal address

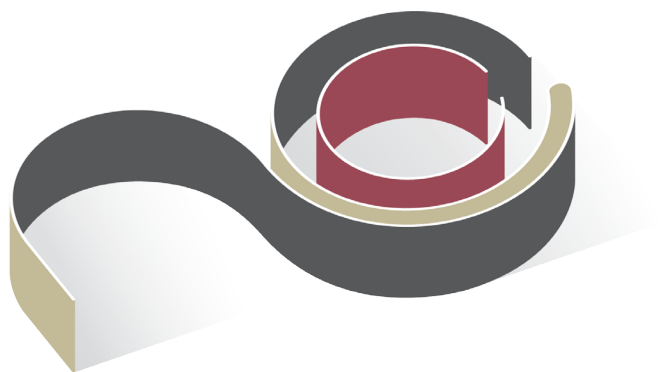
P O Box 36628
Menlo park
0102

Bankers

Nedbank Limited

Auditors

Auditor General South Africa



NATIONAL CONSUMER COMMISSION

a member of the dti group

FINANCIAL INFORMATION

Table of Contents

Index	Page
Accounting Authority's Responsibilities and Approval	78
Statement of Financial Position	79
Statement of Financial Performance	80
Statement of Changes in Net Assets	81
Cash Flow Statement	82
Statement of Comparison of Budget and Actual Amounts	83
Accounting Policies	84
Notes to the Annual Financial Statements	95

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. In order for the Accounting Authority to discharge these responsibilities, a system of internal controls was developed and maintained.

The external auditors have been 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 on appropriate accounting policies which are consistently applied and supported by reasonable and prudent judgements and estimates.

The internal controls include a risk-based approach of internal auditing and administrative controls designed to provide reasonable, but not absolute assurance and that assets are safeguarded and transactions are executed and recorded in accordance with generally accepted business practices, as well as the entity's policies and procedures. Management have implemented these controls and the monitoring of these controls includes a regular review of the operations by the Accounting Authority, submission of operating reports to the Department of Trade and Industry as per the shareholder's agreement, and independent oversight by the Audit and Risk Committee.

The Accounting Authority has reviewed the entity's cash flow forecast for the year to 31 March 2018 and, in the light of this review and the current financial position, he is satisfied that the entity has adequate resources to continue its operational existence for the foreseeable future.

The Auditor General South Africa, as an external auditor, is responsible for independently reviewing and reporting on the entity's annual financial statements. The annual financial statements set out on pages 79 to 110, which have been prepared on a going concern basis, were approved by the Accounting Authority on 31 July 2017.



Mr Ebrahim Mohamed
Commissioner

Pretoria
Monday, 31 July 2017

National Consumer Commission

Annual Financial Statements for the year ended 31 March 2017

Statement of Financial Position as at 31 March 2017

Figures in Rand	Note(s)	2017	2016 Restated*
Assets			
Current Assets			
Receivables from exchange transactions	7	11 026	18 257
Receivables from non-exchange transactions	8	130 816	258 663
Prepayments	6	281 285	449 694
Cash and cash equivalents	9	10 882 748	10 304 500
		11 305 875	11 031 114
Non-Current Assets			
Property, plant and equipment	3	2 267 327	2 493 510
Intangible assets	4	255 872	318 916
		2 523 199	2 812 426
Total Assets		13 829 074	13 843 540
Liabilities			
Current Liabilities			
Payables from exchange transactions	11	3 303 546	2 801 431
Provisions	10	2 329 817	1 701 797
Operating lease liability	5	-	168 066
		5 633 363	4 671 294
Total Liabilities		5 633 363	4 671 294
Net Assets		8 195 711	9 172 246
Accumulated surplus		8 195 711	9 172 246

National Consumer Commission

Annual Financial Statements for the year ended 31 March 2017

Statement of Financial Performance

Figures in Rand	Note(s)	2017	2016 Restated*
Revenue			
Revenue from exchange transactions			
Interest received - investment	12	1 638 697	1 507 285
Revenue from non-exchange transactions			
Transfer revenue			
Government grants	12	56 643 000	1 507 285
Services in kind	12	3 888 758	-
Total revenue from non-exchange transactions		60 531 758	54 596 000
Total revenue		62 170 455	56 103 285
Expenditure			
Employee related costs	13	(40 722 626)	(36 468 032)
Depreciation and amortisation	15	3 (827 814)	(1 486 745)
Debt Impairment		-	(21 446)
Repairs and maintenance	14	(179 477)	(99 216)
General Expenses	16	(21 175 158)	(18 893 526)
Total expenditure		(62 905 075)	(56 968 965)
Loss on disposal of assets		(241 916)	(181 176)
Total revenue		(976 536)	(1 046 856)

National Consumer Commission

Annual Financial Statements for the year ended 31 March 2017

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 April 2015 as restated	10 219 102	10 219 102
Changes in net assets		
Deficit for the year as restated *	(1 046 856)	(1 046 856)
Total changes	(1 046 856)	(1 046 856)
Balance at 01 April 2016 as restated	9 172 246	9 172 246
Changes in net assets		
Deficit for the year	(976 535)	(976 535)
Total changes	(976 535)	(976 535)
Balance at 31 March 2017	8 195 711	8 195 711

* Refer to note 24

National Consumer Commission

Annual Financial Statements for the year ended 31 March 2017

Cash Flow Statement

Figures in Rand	Note(s)	2017	2016 Restated*
Cash flows from operating activities			
Receipts			
Government grants		56 643 000	54 596 000
Interest income		1 642 567	1 513 392
Other receipts		30 810	6 768
		58 316 377	56 116 160
Payments			
Employee costs		(41 056 879)	(35 384 487)
Suppliers		(15 900 748)	(18 432 749)
		(56 957 627)	(53 817 236)
Net cash flows from operating activities	19	1 358 750	2 298 924
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(780 502)	(1 139 235)
Purchase of other intangible assets	4	-	(126 995)
Net cash flows from investing activities		(780 502)	(1 266 230)
Net increase in cash and cash equivalents		578 248	1 032 694
Cash and cash equivalents at the beginning of the year		10 304 500	9 271 806
Cash and cash equivalents at the end of the year	9	10 882 748	10 304 500

National Consumer Commission

Annual Financial Statements for the year ended 31 March 2017

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 - investment	1 606 000	-	1 606 000	1 638 697	32 697	28
Revenue from non-exchange transactions						
Transfer revenue						
Government grants	58 013 000	(1 370 000)	56 643 000	56 643 000	-	
Services in kind	-	-	-	3 888 758	3 888 758	28
Total revenue from non-exchange transactions	58 013 000	(1 370 000)	56 643 000	60 531 758	3 888 758	
Total revenue	59 619 000	(1 370 000)	58 249 000	62 170 455	3 921 455	
Expenditure						
Personnel	(40 381 000)	-	(40 381 000)	(40 722 626)	(341 626)	28
Depreciation and amortisation	(1 848 000)	587 000	(1 261 000)	(827 814)	433 186	
Repairs and maintenance	(99 000)	(97 000)	(196 000)	(179 477)	16 523	
General expenses	(17 291 000)	880 000	(16 411 000)	(21 175 158)	(4 764 158)	28
Total expenditure	(59 619 000)	1 370 000	(58 249 000)	(62 905 075)	(4 656 075)	
Operating deficit	-	-	-	(734 620)	(734 620)	
Loss on disposal of assets	-	-	-	(241 916)	(241 916)	
Deficit before taxation	-	-	-	(976 536)	(976 536)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	-	-	-	(976 536)	(976 536)	

National Consumer Commission

Annual Financial Statements for the year ended 31 March 2017

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, which is also the functional currency of the entity. Unless otherwise stated, financial figures have been rounded off to the nearest R1.

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

These accounting policies are consistent with the previous period.

1.1 Going concern assumption

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 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. Details of any significant judgements and estimates are explained in the relevant policy where the impact on the financial statements may be material.

Trade receivables

The entity assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the 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 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.

1.3 Property, plant and equipment

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

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

National Consumer Commission

Annual Financial Statements for the year ended 31 March 2017

Accounting Policies

Property, plant and equipment is initially measured at 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. If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset given up. When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

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

Property, plant and equipment is 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:

1.3 Property, plant and equipment (continued)

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

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. The entity assesses at each reporting date whether there is any indication that the entity expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the entity revises the expected useful life and residual value accordingly. The change is accounted for as a change in an accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate. The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

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

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

National Consumer Commission

Annual Financial Statements for the year ended 31 March 2017

Accounting Policies

1.4 Intangible assets

An asset is identifiable if it either:

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

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

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

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses. The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Item	Depreciation method	Average useful life
Computer software	Straight line	2

Intangible assets are derecognised:

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

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

National Consumer Commission

Annual Financial Statements for the year ended 31 March 2017

Accounting Policies

1.5 Financial instruments

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

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

The entity's principal financial assets are trade receivables and cash and cash equivalents.

Financial liabilities include trade and other payables.

Classification

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

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

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

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost

Initial recognition

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

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.

National Consumer Commission

Annual Financial Statements for the year ended 31 March 2017

Accounting Policies

1.5 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

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

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

Gains and losses

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

Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate.

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

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

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

National Consumer Commission

Annual Financial Statements for the year ended 31 March 2017

Accounting Policies

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
 - derecognises the asset; and
 - recognises separately any rights and obligations created or retained in the transfer.

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

Financial liabilities

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

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

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

1.6 Leases

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis. The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis. Income for leases is disclosed under revenue in statement of financial performance.

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.

National Consumer Commission

Annual Financial Statements for the year ended 31 March 2017

Accounting Policies

1.7 Impairment of cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

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 amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

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

Criteria developed by the entity to distinguish cash-generating assets from non-cash-generating assets are as follow:

1.8 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

1.9 Employee benefits

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 recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another standard requires or permits the inclusion of the benefits in the cost of an asset.

National Consumer Commission

Annual Financial Statements for the year ended 31 March 2017

Accounting Policies

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

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

Post-employment benefits: Pension

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 employees' 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 financial statements of the NCC.

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 the time value of money is material, the amount of a provision is the present value of the expenditure expected to settle the obligation.

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 will 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.

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 21.

National Consumer Commission

Annual Financial Statements for the year ended 31 March 2017

Accounting Policies

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 and
- Contracts should relate to something other than the routine, steady, state business of the entity. Therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.12 Revenue from exchange transactions

Measurement

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

Interest received – short-term deposits

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

- It is probable that the economic benefits or service potential associated with the transaction will flow to the entity, and
- The amount of the revenue can be measured reliably.

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

1.13 Revenue from non-exchange transactions

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 of the increase in net assets, if any, is 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.

National Consumer Commission

Annual Financial Statements for the year ended 31 March 2017

Accounting Policies

1.13 Revenue from non-exchange transactions (continued)

Government grants

Government grants are recognised in the year to which they relate, once reasonable assurance has been obtained that all conditions of the grant has been complied with and the grants have been received.

Services in-kind

The entity recognises services in-kind that are significant to its operations or service delivery objectives as assets and 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.

1.14 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds. Borrowing costs are recognised as an expense in the period in which they are incurred.

1.15 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote, or in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised 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.

1.16 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.

1.17 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Consumer Commission

Annual Financial Statements for the year ended 31 March 2017

Accounting Policies

1.17 Irregular expenditure (continued)

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 authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, and be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.18 Budget information

The approved budget is prepared on a accrual basis and presented by programmes linked to performance outcome objectives. The approved budget covers the fiscal period from 2016/04/01 to 2017/03/31. The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period has been included in the Statement of Comparison of budget and actual amounts.

1.19 Related parties

The entity operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties. Management are those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by that management in their dealings with the entity. Only transactions with related parties that are not at arm's length, or not in the ordinary course of business, are disclosed.

National Consumer Commission

Annual Financial Statements for the year ended 31 March 2017

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:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
GRAP 108: Statutory Receivables	01 April 2016	The impact of the is not material.
GRAP 17 (as amended 2015): Property, Plant and Equipment	01 April 2016	The impact of the 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 2017 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
Directive 12: The Selection of Appropriate Reporting	01 April 2018	Not expected to impact results, but may result in additional disclosure.
GRAP 20: Related parties	01 April 2017	Not expected to impact results, but may result in additional disclosure.

3. Property, plant and equipment

	2017			2016		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Leasehold property	48 949	(48 949)	-	48 949	(41 317)	7 632
Furniture and fixtures	2 250 926	(869 537)	1 381 389	2 207 437	(679 314)	1 528 123
Computer equipment	3 611 474	(2 725 536)	885 938	3 155 002	(2 197 247)	957 755
Total	5 911 349	(3 644 022)	2 267 327	5 411 388	(2 917 878)	2 493 510

National Consumer Commission

Annual Financial Statements for the year ended 31 March 2017

Notes to the Annual Financial Statements

Reconciliation of property, plant and equipment – 2017

	Opening balance	Additions	Disposals cost	Disposals accumulated depreciation	Depreciation	Total
Leasehold property	7 632	-	-	-	(7 632)	-
Furniture and fixtures	1 528 123	279 710	(236 221)	31 129	(221 352)	1 381 389
Computer equipment	957 755	500 792	(44 319)	22 180	(550 470)	885 938
	2 493 510	780 502	(280 540)	53 309	(779 454)	2 267 327

Reconciliation of property, plant and equipment – 2016

	Opening balance	Additions	Disposals cost	Disposals accumulated depreciation	Depreciation	Total
Leasehold property	17 449	-	-	-	(9 817)	7 632
Furniture and fixtures	1 382 113	534 226	(298 095)	121 885	(212 006)	1 528 123
Computer equipment	1 151 878	605 009	(714 120)	709 183	(794 195)	957 755
	2 551 440	1 139 235	(1 012 215)	831 068	(1 016 018)	2 493 510

4. Intangible assets

	2017			2016		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Computer software	1 838 265	(1 582 393)	255 872	2 571 349	(2 252 433)	318 916

Reconciliation of intangible assets – 2017

	Opening balance	Disposals cost	Disposals accumulated amortisation	Amortisation	Total
Computer software	318 916	(733 084)	718 401	(48 361)	255 872

Reconciliation of intangible assets – 2016

	Opening balance	Additions	Amortisation	Total
Computer software	662 648	126 995	(470 727)	318 916

National Consumer Commission

Annual Financial Statements for the year ended 31 March 2017

Notes to the Annual Financial Statements

	2017	2016
5. Operating lease liability		
Operating lease liability	-	(168 066)

6. Prepayments		
Prepaid expenses	281 285	449 694
Prepaid expenses relate to software licences paid in advance.		

7. Receivables from exchange transactions		
Accrued interest income	11 026	14 896
Other debtors	-	3 361
	11 026	18 257

Trade and other receivables past due but not impaired

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 31 March 2017, R 0 (2016: R3,361) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

3 months past due	-	3 361
-------------------	---	-------

Reconciliation of provision for impairment of trade and other receivables

Opening balance	-	3 351 278
Amounts written off as non-recoverable	-	(3 351 278)
	-	-

National Consumer Commission

Annual Financial Statements for the year ended 31 March 2017

Notes to the Annual Financial Statements

8. Receivables from non-exchange transactions

Staff debtors	130 816	280 109
Provision for bad debts	-	(21 446)
	130 816	258 663

Reconciliation of provision for impairment of receivables from non-exchange transactions

Provision for impairment	-	21 446
--------------------------	---	--------

9. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	5 519	10 000
Bank balances	594 997	3 479 040
Short-term deposits	10 282 232	6 815 460
	10 882 748	10 304 500

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

Management considers that all the above cash and cash equivalents categories are of good 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.

10. Provisions

Reconciliation of provisions – 2017

	Opening balance	Additions	Utilised during the year	Reversed during the year	Total
Leave provision	1 041 780	1 544 195	(1 041 780)	-	1 544 195
Performance bonuses provision	574 125	605 715	(510 296)	(63 829)	605 715
Workmen's compensation provision	85 892	94 015	-	-	179 907
	1 701 797	2 243 925	(1 552 076)	(63 829)	2 329 817

National Consumer Commission

Annual Financial Statements for the year ended 31 March 2017

Notes to the Annual Financial Statements

10. Provisions (continued)

Reconciliation of provisions – 2016

	Opening balance	Additions	Utilised during the year	Total
Leave provision	958 358	83 422	-	1 041 780
Performance bonuses provision	482 950	574 125	(482 950)	574 125
Workmen's compensation provision	-	85 892	-	85 892
	1 441 308	743 439	(482 950)	1 701 797

Leave provision represents the liability in respect of leave outstanding at year end. The entity's leave policy states that all employees are required to take accumulated annual leave days within the first six months period of the next leave cycle, failing which those leave days will be forfeited.

11. Payables from exchange transactions

Trade payables	680 396	660 353
Third party payments	124 487	1 187 501
Accrued expenses	2 498 663	953 577
	3 303 546	2 801 431

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

12. Revenue

Interest received - investment	1 638 697	1 507 285
Government grants	56 643 000	54 596 000
Services in kind	3 888 758	-
	62 170 455	56 103 285

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

Interest received - investment	1 638 697	1 507 285
--------------------------------	-----------	-----------

National Consumer Commission

Annual Financial Statements for the year ended 31 March 2017

Notes to the Annual Financial Statements

12. Revenue (continued)

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

Transfer revenue		
Government grants	56 643 000	54 596 000
Services in kind	3 888 758	-
	60 531 758	54 596 000

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 related value of the accommodation and related costs amount to R3 888 758.

13. Employee related costs

Salaries	32 583 419	29 691 876
Performance bonuses	541 886	574 125
Medical aid contributions	310 652	252 364
Leave pay provision	656 041	81 370
Workmans compensation provision	94 015	85 891
Employer's pension contributions	3 470 678	3 119 549
Other allowances	1 028 927	942 232
Service bonuses	2 037 008	1 720 625
	40 722 626	36 468 032

National Consumer Commission

Annual Financial Statements for the year ended 31 March 2017

Notes to the Annual Financial Statements

Remuneration of executive management

2017	Basic salary	Pension contributions	Other payments received	Performance bonus	Total
E Mohamed - Commissioner	1 461 599	171 518	289 775	84 073	2 006 965
T Mabuza - Deputy Commissioner	1 030 346	122 561	227 896	64 341	1 445 144
N Kuljeeth - Company Secretary	784 908	100 781	243 733	52 907	1 182 329
A van der Merwe - Head Corporate Services	925 175	110 200	196 795	-	1 232 170
D Railo - Head Research	782 301	93 069	337 958	-	1 213 328
P Moilwa - Head Enforcement and Investigations	739 838	87 679	317 623	-	1 145 140
P Mlungu - Head Education and Awareness	739 838	87 679	317 623	-	1 145 140
N Nkoana - Head Finance	598 792	70 775	253 324	-	922 891
	7 062 797	844 262	2 184 727	201 321	10 293 107

2016	Basic salary	Pension contributions	Other payments received	Performance bonus	Total
E Mohamed - Commissioner	1 192 168	150 309	372 261	-	1 714 738
T Mabuza - Deputy Commissioner	912 366	115 031	312 559	96 137	1 436 093
N Kuljeeth - Company Secretary	750 233	94 559	231 150	79 052	1 154 994
A van der Merwe - Head Corporate Services	817 462	104 322	234 971	-	1 156 755
D Railo - Head Research	704 272	89 419	380 762	-	1 174 453
P Moilwa - Head Enforcement and Investigations	667 587	83 456	351 152	-	1 102 195
P Mlungu - Head Education and Awareness	659 431	81 880	350 073	-	1 091 384
A Thupayatlase - Head Legal - Resigned 31 January 2016	532 903	67 152	313 449	-	913 504
F Raphahlela - Acting Head Finance April to May 2015	63 030	8 194	54 200	-	125 424
N Nkoana - Head Finance	436 594	56 138	231 520	-	724 252
	6 736 046	850 460	2 832 097	175 189	10 593 792

National Consumer Commission

Annual Financial Statements for the year ended 31 March 2017

Notes to the Annual Financial Statements

14. Repairs and maintenance

Repairs and maintenance	179 477	99 216
-------------------------	---------	--------

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. Depreciation and amortisation

Property, plant and equipment	779 453	1 016 018
Intangible assets	48 361	470 727
	827 814	1 486 745

16. General expenses

• Advertising	861 940	3 874 945
• Auditors remuneration	1 836 519	1 351 800
• Bank charges	28 026	26 835
• Cleaning	557 815	557 044
• Computer expenses	1 678 938	676 954
• Consulting and professional fees	2 519 760	1 370 206
• Consumables	271 856	138 730
• Fines and penalties	-	4 418
• Insurance	8 204	22 271
• Venues and facilities	125 978	44 561
• Postage and courier	26 631	6 188
• Printing and stationery	444 104	288 400
• Publications	207 698	227 263
• Research expenses	892 231	408 200
• Security services	1 065 282	1 375 477
• Software expenses	641 901	128 294
• Subscriptions and membership fees	20 376	15 511
• Communication costs	721 450	803 587
• Training	476 433	521 778
• Travel - local	1 469 477	705 657
• Travel - overseas	88 830	349 120
• Water and electricity	1 147 752	538 650
• Audit committee fees	398 829	299 398
• Furniture removal services	519 800	39 846
• Office rental / services in kind	4 959 076	4 989 560
• Lease payments printers and copiers	198 888	114 015
• Transport costs	7 364	14 818
	21 175 158	18 893 526

National Consumer Commission

Annual Financial Statements for the year ended 31 March 2017

Notes to the Annual Financial Statements

17. Auditors' remuneration

External audit fees	1 259 598	1 020 767
Internal audit fees	576 921	331 033
	1 836 519	1 351 800

18. Taxation

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

19. Cash generated from operations

	2017	2016
Deficit	(976 535)	(1 046 856)
Adjustments for:		
Depreciation and amortisation	827 814	1 486 745
Loss on disposal of assets	241 916	181 176
Debt impairment	-	21 446
Movements in operating liability	(168 066)	(209 326)
Movements in provisions	628 020	260 488
Other non-cash items	-	105 732
Changes in working capital:		
Receivables from exchange transactions	7 231	12 875
Other receivables from non-exchange transactions	127 847	(257 166)
Prepayments	168 409	687 721
Payables from exchange transactions	502 114	1 056 089
	1 358 750	2 298 924

National Consumer Commission

Annual Financial Statements for the year ended 31 March 2017

Notes to the Annual Financial Statements

20. Commitments

2017

2016

Authorised operational expenditure, already contracted but not provided for

• Intranet development	-	478 800
• Fumigation and pest control	-	3 600
• Training	-	348 402
• Placement agency fees	-	34 656
• Opt-out registry project management	-	495 900
• ICT backup equipment	-	208 974
• Advertising Government gazette	-	15 134
• Internal audit fees	326 342	818 263
• Security services	-	1 186 979
• Cleaning services	-	558 041
• ICT consulting	-	352 468
• Leasing of photocopiers	125 691	148 226
• Leasing of office building	-	2 662 634
• Technical support for call center system	131 702	-
• Technical support for AccPac system	138 664	-
• Technical support for VIP system	53 952	-
• Transactional advisor services	2 489 788	-
• Health risk manager	18 643	-
• Insurance services	287 133	-
• Website redesign	86 133	-
• Legal fees	527 674	-
• Ipads	18 281	-
• 3G cards	6 527	-

4 210 530

7 312 077

Total operational commitments

Already contracted for but not provided for	4 210 530	7 312 077
---	-----------	-----------

National Consumer Commission

Annual Financial Statements for the year ended 31 March 2017

Notes to the Annual Financial Statements

Operating leases – as lessee (expense)

Minimum lease payments due

- within one year	109 364	2 799 458
- in second to fifth year inclusive	16 327	11 402
	125 691	2 810 860

Operating lease payments represent rentals payable by the entity for office accommodation and office equipment. The lease for office accommodation expired on 30 September 2016.

21. Contingencies

The NCC applied for the retention of a cash surplus amounting to R1 180 697 at the National Treasury, the outcome of the application is unknown.

Whilst it is apparent that the NCC is liable for arrear UIF contributions, the exact amount owing is unknown, and as such no estimate can be provided at this point in time until SARS determines the exact amounts, if any, which are owing. SARS and UIF also accept that the NCC has not withheld any UIF deductions. However, it has been agreed with SARS and UIF that in the meantime, that NCC should declare and pay over the prescribed UIF deductions from June 2017 onwards and that the arrears will be dealt at a later stage following further discussions with SARS on this matter.

Operating leases – as lessee (expense)

Minimum lease payments due

- within one year	109 364	2 799 458
- in second to fifth year inclusive	16 327	11 402
	125 691	2 810 860

National Consumer Commission

Annual Financial Statements for the year ended 31 March 2017

Notes to the Annual Financial Statements

22. Related parties

Relationships

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

Related party transactions

Department of Trade and Industry	2017	2016
Transfer payments received	56 643 000	54 596 000
South African Bureau of Standards		
Services in kind	3 888 758	-
National Consumer Tribunal		
Venues and facilities	100 000	-

National Consumer Commission

Annual Financial Statements for the year ended 31 March 2017

Notes to the Annual Financial Statements

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 costs amount to R3 888 758. The SABS and NCC are entities within **the dti** group.

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

Total remuneration of key management is included in employee related costs (refer to note for the Executive Managements' remuneration)

23. Change in estimate

Property, plant and equipment

The useful life of certain computer equipment was estimated to be three years. In the current period management have revised their estimate to four years. The effect of this revision has decreased the depreciation charges for the current and future periods by R 167 372. The impact of the change in estimate is as follows:

Statement of Financial Performance

Depreciation	(167 372)	-
--------------	-----------	---

Statement of Financial Position

Accumulated depreciation	167 372	-
--------------------------	---------	---

Intangible assets

The useful life of certain computer software was estimated to be two years. In the current period management have revised their estimate to four years. The effect of this revision has decreased the amortisation for the current and future periods by R 214 725.

Statement of Financial Performance

Amortisation	(214 725)	-
--------------	-----------	---

Statement of Financial Position

Accumulated amortisation	214 725	-
--------------------------	---------	---

National Consumer Commission

Annual Financial Statements for the year ended 31 March 2017

Notes to the Annual Financial Statements

24. Prior period error

Provision for workmen's compensation was not raised in the prior year.

Staff debtors relate to salary overpayments that were not raised in the prior year.

The correction of the error results in adjustments as follows:

Statement of Financial Position	2017	2016
Provisions	-	(85 892)
Staff debtors	-	197 613
Statement of financial performance		
Workmen's compensation	-	85 892
Basic salaries	-	(197 613)

25. 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 available to cover future commitments. The entity manages 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 maintaining of sufficient cash resources.

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

31 March 2017	Total cashflow within 1 year	Total cashflow between 1 and 5 years	Total
Trade and other payables	(3 303 546)	-	(3 303 546)
31 March 2016	Total cashflow within 1 year	Total cashflow between 1 and 5 years	Total
Trade and other payables	(2 801 431)	-	(2 801 431)
Operating lease liability	(168 066)	-	(168 066)
	(2 969 497)	-	(2 969 497)

National Consumer Commission

Annual Financial Statements for the year ended 31 March 2017

Notes to the Annual Financial Statements

25. Risk management (continued)

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	2017	2016
Trade and other receivables	141 842	276 920
Cash and cash equivalents	10 882 748	10 304 500

Market risk

Interest rate risk

The exposure to interest risk is managed by investing on a short term basis, in current accounts and the Corporation for Public Deposits (CPD), to ensure maximum interest on surplus funds. The risk arises when there are interest rate changes downward, 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	10 882 748	10 304 500
---------------------------	------------	------------

26. Fruitless and wasteful expenditure

Opening balance	4 418	3 613 157
Additions	-	4 418
Written off	-	(3 613 157)
	4 418	4 418

The R 4,418 fruitless and wasteful expenditure related to PAYE interest and penalties.

National Consumer Commission

Annual Financial Statements for the year ended 31 March 2017

Notes to the Annual Financial Statements

27. Irregular expenditure

	2017	2016
Opening balance	3 686 314	7 329 293
Add: Irregular expenditure - current year	7 072 813	9 490 153
Less: Amounts not recoverable (not condoned)	(5 263 409)	(13 133 132)
	5 495 718	3 686 314

Details of irregular expenditure not recoverable (not condoned)

Invitation of bids not advertised within 21 days	3 021 734	5 737 508
Procurement process not followed - Three quotations not obtained	1 088 550	1 487 210
Functionality thresholds applied incorrectly	1 429 672	1 270 134
Local content requirements not applied	-	296 205
Bid processes not followed	17 012	699 096
Applicable minimum values not in terms of reference	1 477 545	-
Tax clearance	38 300	-
	7 072 813	9 490 153

28. Budget differences

Material differences between budget and actual amounts

The interest received exceeded the budget as a result of the early transfers of excess funds to the investment account, where funds are only withdrawn closer to the payment periods.

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

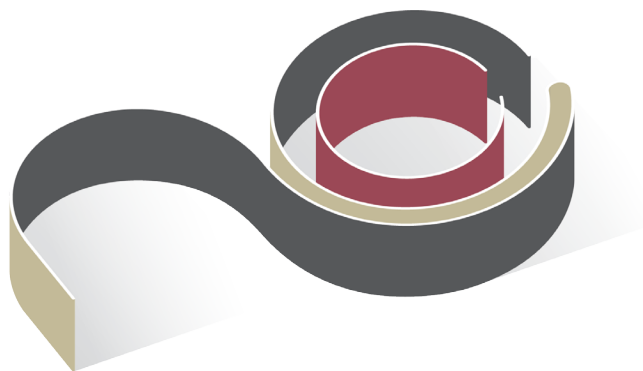
Personnel costs were slightly overspent as a result of general salary increases.

General expenses exceeded the budget by 3%. The NCC participated in several joint campaigns with other **dti** entities and incurred additional costs relating to travel and subsistence, and venues and facilities. Additional costs relating to two research projects, transactional advisor services and office relocation were also incurred.

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

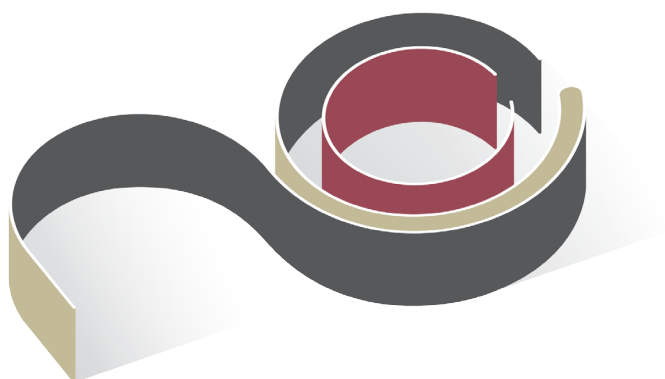
LIST OF ACRONYMS/ ABBREVIATIONS

ASA	Advertising Standards Authority
CCRD	Consumer and Corporate Regulation Division
CGSO	Consumer Goods and Services Ombud
CPA/ Consumer Protection Act	Consumer Protection Act No. 68 of 2008
Executive Authority / the dti	Department of Trade and Industry
FASA	Franchise Association of South Africa
FSLGAA	Financial Services Laws General Amendment Act
GRAP	Generally Recognised Accounting Practices
IT	Information Technology
MIOSA	Motor industry Ombud of South Africa
PFMA	Public Finance Management Act No. 1 of 1999
Plan	Fraud Prevention Plan
NCC	The National Consumer Commission
NRCS	National Regulator for Compulsory Standards
NCR	National Credit Regulator
Portfolio Committee	Portfolio Committee on Trade and Industry



NATIONAL CONSUMER COMMISSION

a member of **the dti** group



NATIONAL CONSUMER COMMISSION

National Consumer Commission (NCC)

South African Bureau of Standards Campus
1 Dr. Lategan Road
Groenkloof
Pretoria

Contact Information:
Tel: 012 428 7000
E-mail: complaints@thencc.org.za

RP146/2017

ISBN 978-0-621-45493-2



9 780621 454932 >