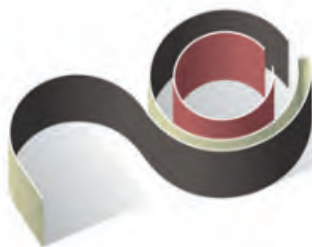
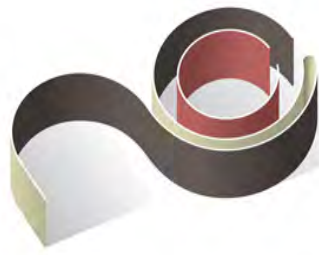


# ANNUAL REPORT 2013/14



NATIONAL CONSUMER COMMISSION



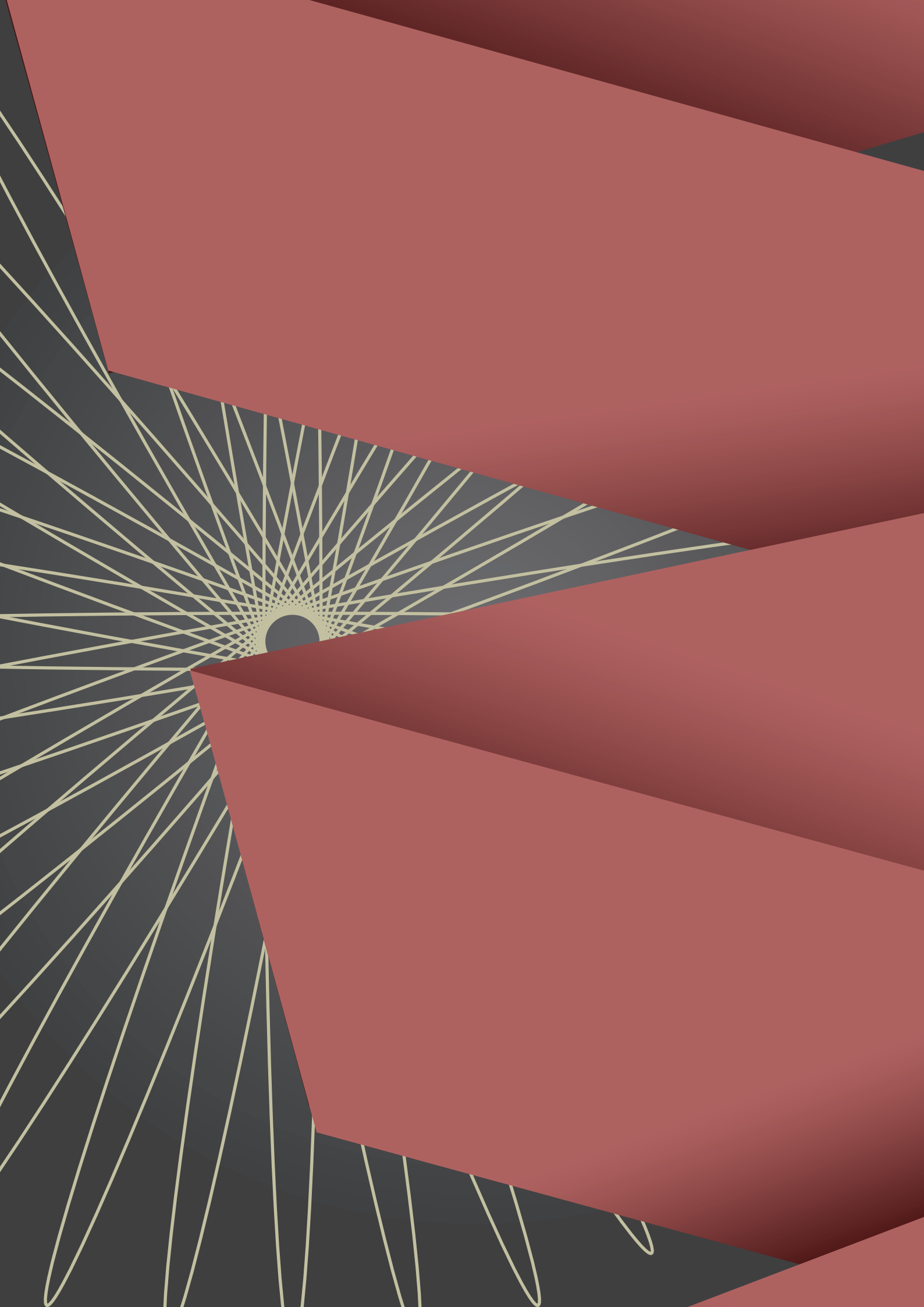
NATIONAL CONSUMER COMMISSION

# ANNUAL REPORT

## 2013-14

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## Foreword by Minister of Trade and Industry



The National Consumer Commission has been in operation for three years. In order to deal with its past challenges, the Commission's strategy was amended. This change has begun to bring about improved results and stability.

I am pleased to note that the Commission received an unqualified audit which is a major improvement on the qualified audit received in the previous year. It is apparent that its internal control measures and financial system are achieving its desired effect. The next challenge would be to aim for an unqualified audit with no findings by the Auditor General of South Africa.

It is important that the alternate dispute resolution mechanism which enables more consumers to seek quick and inexpensive redress continue to be extended, by the Commission together with the private sector, to all key sectors of our economy.

Now that the control measures and systems are in place, I look forward to the focus of the Commission shifting to ensuring visible change in the economic lives of especially vulnerable consumers.

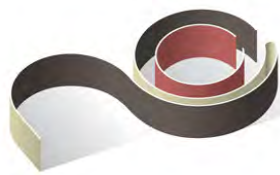
A handwritten signature in black ink, appearing to read 'R. Davies', written over a dotted line.

**Dr Rob Davies**

**Minister of Trade and Industry**

.....13/1/2014

## Submission of the Annual Report to the Executive Authority



NATIONAL CONSUMER COMMISSION

08 Bauhinia Road, Block 10, Berkley Office Park, Techno Park, Centurion,

Tel: 012 761 3400, 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 2013/14**

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 2013/2014 which has been drafted in line with the template issued by National Treasury.

Yours Faithfully

**Mr Ebrahim Mohamed**

**Commissioner**

**National Consumer Commission**

31/ 07/2014

## Introduction by the Accounting Authority



The National Consumer Commission (NCC) has received an unqualified audit for the financial period under review. This is most appropriate given the control measures that have been put in place over the year. The Auditor General of South Africa, raised ninety six findings last year. This year, it has raised considerably less findings. This, in my view, reflects a tremendous improvement. The challenge is to improve on the control measures in the years to follow. In order to entrench the control measures, standard operating procedures have been introduced and are constantly being improved upon.

The Honourable Minister, Dr Rob Davies, appointed Ms Thezi Mabuza as Deputy Commissioner. She assumed duties in February 2014. Ms Mabuza's work ethic, professionalism and experience provide a welcome addition to the NCC and I look forward to working closely and meaningfully with her in the future.

My performance has been closely monitored by Minister and I can confirm that I have met eighteen (18) out of twenty four (24) of the deliverables expected of me. This would not have been possible without the hard work and dedication of members of my staff. The Parliamentary Portfolio Committee on Trade and Industry, under the leadership of Ms Joan Fubbs, and in line with its oversight functions, has also kept the NCC on its toes. I am indebted to Minister, the Portfolio Committee and the Audit and Risk Committee for their constructive criticism and guidance throughout the year.



The new strategic direction of the NCC, duly approved by Minister and Parliament has been implemented. Conciliations between consumers and suppliers are no longer conducted by the NCC. Instead this role is now performed by respective industry bodies, Provincial Consumer Protection Authorities and other entities. A focus of the NCC has been on the formal accreditation of industry codes. This has been a challenge as it is a world first within the consumer protection sphere. The Code for the Motor Industry has been recommended to Minister for accreditation. Much work has gone into the preparing for the accreditation of the advertising code as well as a code to be applicable within the consumer goods sector. The latter two would be submitted to Minister in the next financial year. The crux of this approach is to create additional, speedy cost effective fora for consumers and suppliers to resolve disputes. In the past consumers would approach the NCC with an expectation of their disputes being resolved by the NCC. This approach has resulted in a reduction in the number of complaints received by the NCC.

The performance information contained in this report reflects an improvement from the previous year. The NCC has fully met eight (8) out of twelve (12) targets. Of the four (4) targets that have not been fully met, there has been significant progress on the delivery of all of these targets. Plans have been put in place to ensure that this is not repeated or is reduced to a bare minimum.

Several key investigations have been conducted by the NCC, one of which being the investigation into meat labelling. The country wide investigation was requested by Minister. This required the NCC delving into meat supply related business practices that begin with abattoirs until the products reach consumers. The recommendations made by the NCC, following the investigation, led to meat labelling regulations being promulgated by Minister. Other recommendations are being followed up internally and together with other National Departments.

The complaints backlog is no longer a challenge with the vast majority having been dealt with. This would not have been possible without the assistance rendered by Alternate Dispute Resolution Agents within key

industries who are committed to working closely with the NCC. In this regard the NCC is grateful to the Motor Industry Ombud; the Consumer Goods Council Ombud and my colleagues in the Provincial Consumer Protection Authorities.

The contact centre, email and telephone system, which, in the past, functioned erratically, has been functioning without much disruption, albeit minor sporadic hiccups.

Insofar as the financial information of the NCC is concerned, I have fully accounted for all monies received and spent by the NCC. Cost containment measures introduced by Treasury have been implemented in its entirety at the NCC. The finance division of the NCC has improved tremendously in appropriately managing the NCC's finances despite the suspension of the Chief Financial Officer.

It is well known that the NCC was underfunded. Although additional funds were not apportioned to the NCC in the year under review, additional funds have been secured over the next three years. This would not have been possible without the support received from the Executive Authority and the Portfolio Committee on Trade and Industry.

The vacancy rate that is reported upon, does appear to be fairly high. However, it must be understood, that whilst the vacant positions have been approved prior to and in the course of the NCC's existence, the vast majority of these positions are unfunded. It is for this reason that the NCC will in the next financial year embark on restructuring. It is anticipated that certain vacant positions will be abandoned. .

The NCC has commenced, in earnest, to implement its revised strategy in the year under review. Over and above that, given the findings in the previous financial year by the Auditor General of South Africa, much effort had gone into ensuring compliance by the NCC with the PFMA, Treasury Regulations and Directives. Internal Audit and the Audit and Risk Committee has been functional. The improvement in this regard is clearly reflected in the current report of the Auditor General of South Africa. Going forward, focus is beginning to shift to its core deliverables.



**PART 1:  
GENERAL INFORMATION**

## 1.1. Vision

In pursuance of its strategic mandate as enshrined in the Consumer Protection Act No. 68 of 2008 (CPA), the vision of the NCC is: *"to be the leading institution in consumer protection that is professional, responsive and effective."*

## 1.2. Mission

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

## 1.3. Value Statements

Values are common traits and attributes, which guide the manner in which the NCC operates with and relates to its stakeholders. They are intended to define and shape the culture of the NCC and guide the interaction with both internal and external stakeholders. The NCC's value statements are:

- a) Professionalism and Ethical conduct** - Promote and maintain a high standard of professional ethics;
- b) Efficiency and effectiveness** - Promote efficient, effective and economic use of resources;
- c) Non-discrimination and Fairness** - Provide service impartially, fairly, equitably and without bias;
- d) Responsiveness** - Being responsive to consumer needs in a timely manner;
- e) Accountability** - Accepting responsibility for its own actions;
- f) Transparency** – Fostering a culture wherein the basis upon which decisions are made, are consistent and transparent;
- g) People focused** - Maximise and cultivate human capital development and practices;
- h) Teamwork** - Promote coherent and effective teams within the NCC

## 1.4. Legislative Mandate

The NCC has considered the following sets of legislation and policy prescripts:

### 1.4.1. Constitutional Mandates

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

i) **Sub-section 9: Equality**

Through remaining accessible to diverse groupings of consumers, the NCC plays its role in ensuring that parties have the right to equal protection and benefit of the law. Additionally, the NCC strives, through its value system, to respect human diversity and ensure that no form of discrimination is tolerated.

ii) **Sub-section 10: Human dignity**

The NCC ensures that prohibited conduct on the part of providers of goods and services, as well as the relevant action thereto does not impair human dignity.

iii) **Sub-section 14: Privacy**

The NCC ensures that the privacy of persons is protected.

iv) **Sub-section 33: Just administrative action**

The NCC ensures it hears both sides to a dispute and that it issues reasons for its decisions.

#### **1.4.2. Consumer Protection Act Mandate**

The NCC is established in terms of Section 85 of the CPA with jurisdiction throughout the Republic of South Africa. The NCC reports to the Department of Trade and Industry's (the dti) Entity and Oversight Unit and to the Consumer and Corporate Regulation Division (CCRD) which has, as one of its key roles, the creation of "credible institutions for enforcement and implementation of regulatory instruments".

The NCC is charged with 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.

# GOVERNANCE STRUCTURE

**EXECUTIVE AUTHORITY:**

**Minister of Trade and Industry**



**ACCOUNTING AUTHORITY:**

**Commissioner**



**GOVERNANCE AUDIT COMMITTEE**

## **1.5. Overview of the National Consumer Commission's Performance**

### **1.5.1. Service delivery environment**

The NCC, despite its problematic beginning, has begun to stabilise. It will be recalled that the NCC received a qualified audit last year. It was clear then, that the entity was not operating as a public entity should. Over the year under review, the NCC has, from a compliance perspective, grown in leaps and bounds.

Internal Audit and Risk Management, that was previously non-existent, has been implemented. Written processes have been effected within the Finance Division and Supply Chain Management. Irregular expenditure has been managed effectively. Irregular Expenditure and Invoice registers have been implemented. The Asset Register and payments processes have been revised. Creditors have been paid within 30 days, except for one invoice. Each and every finding by the AGSA in the previous financial year has been dealt with and monitored regularly. Each Division, in order to improve service delivery has commenced with the introduction of standard operating procedures. The Audit and Risk Committee has met several times in the course of the year.

The NCC had changed its strategy in the previous financial year and it has openly commenced delivering on this revised strategy in the year under review. Essentially, the NCC has sought to encourage consumers and suppliers to attempt to resolve their disputes amongst themselves, prior to referring these complaints to the NCC. This obviously was in direct contrast to the previous strategy which invariably resulted in the NCC then being virtually swamped with vast numbers of complaints that it was unable to cope with, leading to backlogs stretching back to 2011.

This revised strategy necessitated constant communication thereof to all its stakeholders. It is for this reason that every opportunity, which included conferences, media engagements and stakeholder meetings were used to bring the new strategy to the attention of stakeholders.

In order to attempt to deal with the need for additional conciliation and mediation fora, the NCC commenced with approaching key industries to assist. Thus far, the Motor, Consumer Goods and Advertising industries have responded most positively. This, also marks the beginning of a public private partnership insofar as the joint implementation of the Consumer Protection Act is concerned. The industries are funding these alternate dispute resolution schemes. This in itself has resulted in millions of rands being invested in the protection of consumer rights. These schemes have led to a number of jobs being created. Teething problems are expected, given that this is a ground-breaking approach. The NCC intends approaching other industries and sectors in the next few years. It must be understood that this approach serves to benefit consumers. Firstly, consumers will be able to seek accessible, free and speedy conciliation and mediation services on their consumer related disputes. Secondly, these disputes will ordinarily be dealt with by persons who should be familiar with the nature of the transaction as it will fall within the industry or sector. This also assists the NCC in not having to employ persons with specific knowledge of that particular industry or sector. Thirdly, this enables the NCC to monitor consumer disputes per industry and sector. In monitoring the complaints dealt with by these alternate dispute resolution schemes, the NCC will be able to identify endemic harmful business practices as well as emerging harmful trends. Interventions by the NCC can therefore be meaningful. This is vital as resources are limited and must be put to effective use.

Legal costs, due to unlawful decisions taken by the NCC previously, have been drastically reduced.

Overall, sixteen (16) of the twenty (20) targets were met. One deliverable fell short of the target by eight percent. Only one target reflected a delivery of less than fifty percent. The lack of internal capacity and certain factors beyond the control of the NCC are reasons for it not achieving all its targets.

## **1.5.2 Organisational environment**

The lack of skills within the NCC is being addressed. Internal training by highly skilled employees had begun in earnest on the Consumer Protection Act. Two mornings per week have been set aside for this purpose. Thirty three employees who had been employed outside the structure of the NCC in prior years, have been incorporated into the structure. The contact centre staff complement was increased by eighteen (18) to twenty five (25) posts. These positions were filled internally from the thirty three employees mentioned earlier. In order to assist in giving effect to its strategy, certain key vacant senior positions were filled. As the budget increases, other vital positions will be filled.

The Deputy Commissioner, Ms Thezi Mabuza was appointed in the course of the year and assumed duties in February 2014. This has assisted the Commissioner tremendously, as the Deputy Commissioner will be largely focusing on key deliverables as per the Annual Performance Plans. Her vast experience in the consumer protection environment as well as her experience within government can only benefit the NCC.

The Chief Financial Officer who also served as the head of corporate services was suspended in the course of the year under review. He faces a litany of charges arising from the forensic investigation conducted in the previous financial year. The disciplinary hearing is in the process of being set down.

A significant number of employees have sought membership with NEHAWU. An agreement is in process for the recognition of NEHAWU.

Discussions spearheaded by the Executive Authority are underway for the creation of a bargaining chamber for particular groups of entities. These discussions are ongoing. In the meantime, the NCC has adopted the salary scales and increments as determined by the Minister of the Department of Public Service and Administration.

## **1.5.3 Key policy developments and legislative changes**

The National Treasury has announced the Implementation of the Twin Peaks model of financial regulation.

It has been further announced that the twin peaks regulatory framework will provide a comprehensive framework for regulating the financial sector. This is a multi-year and two phased project. The intention is to establish two regulatory bodies, namely a Prudential Authority within the Reserve Bank and a Market Conduct Authority. The former Authority will be responsible for the oversight of the safety and soundness of banks, insurers and financial conglomerates. The latter Authority seeks to protect customers of financial services firms and to improve the way financial service providers conduct their business.

This then means that the business practices of banks, long term and short term insurers will no longer be regulated by the Consumer Protection Act. The policy is in line with international agreements that bind the Republic of South Africa. The NCC can only encourage the establishment of sector specific regulators that would serve the interest of consumers. However, it must be understood that the Consumer Protection Act is the current yardstick for the protection afforded to consumers in general, whichever sector consumers transact in. The NCC will always be supportive of regulators seeking to protect consumers provided that these regulators are enabled to provide an equivalent or better protection to consumers than that which is contained in the Consumer Protection Act. This is intrinsic to the Consumer Protection Act. Very importantly, the Twin Peaks model

makes provision for cooperation amongst regulators, the NCC, included. Provision for such cooperation will have to be considered going forward.

The Protection of Personal Information Act (POPI) was enacted in November 2013. This impacted on the recognition of the Opt Out Register that the NCC was in the process of recognizing in terms of the Consumer Protection Act. POPI had introduced a new approach, that is, an Opt-In register. This pre-supposes that all consumers have opted out of direct marketing. It thus requires a consumer to opt in with a specific supplier to receive marketing material. The onus to verify and ensure that marketing is sent only to those consumers that are in the register (Opt-In) is on the direct marketer. Having consulted on the introduction of the Opt Out Register in terms of the Consumer Protection Act, the NCC will resume with the introduction thereof in the next financial year.

The NCC was able to achieve its performance with the assistance of the Executive Committee and its entire staff.

## THE NCC EXECUTIVE COMMITTEE



Top Row - Left to Right : (Narain Kuljeeth; Oathotse Thupayatlase; Prudence Moilwa; Phumeza Mlungu; Zwide Nxumalo)

Bottom Row- Left to Right: (Gilbert Makaba; Ebrahim Mohamed; Thezi Mabuza)



**PART 2:  
PERFORMANCE INFORMATION**

## **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 Commission operates. The planning workshops that resulted in the production of this strategic plan gathered up-to-date information about the organisation's internal strengths and weaknesses, and its external opportunities and threats (challenges). This analysis also considered political, economic, social, environmental and technological aspects applicable to the Commission. Through this exercise, the workshops were able to refine and reshape the list of critical questions facing the Commission, and thus defining the critical strategic tasks facing the Commission over the next five years.

The following are the strategic objectives that will be pursued by the Commission over the next five years.

1. To promote compliance with the Consumer Protection Act
2. To be a well governed and capacitated organisation

Each objective is supported by specific key outputs, which are in turn supported by key performance indicator and targets, which will be detailed in the annual performance plan and business plan of the organisation.

### **2.1.2. Description of Programmes**

#### **2.1.2.1 Programme: Advocacy; Education and Awareness**

##### **Purpose of the Programme**

The Advocacy, Education and Awareness Division is tasked with ensuring that consumers are protected from hazards through advocacy, education and awareness, stakeholder relationship management as well as profiling the NCC as a brand for consumer protection in South Africa.

This is done through the use of various education mechanisms targeted at the vulnerable consumer. Section 3 (1) b of the Consumer Protection Act emphasizes the protection of consumers:

- in remote and isolated areas;
- in low income communities;
- that are seniors, minors and persons with disabilities; and
- with limited literacy.

Mechanisms used include consumer targeted workshops as well as business focused workshops and presentations aimed at facilitating a better understanding of the CPA. Media engagements in the form of responses and interviews are undertaken as well as general communication both internally in the form of newsletters, and external communication in the form of articles/ media releases for placement with magazines and newspapers. Brochures, booklets and pamphlets are also developed. NCC participation at different fora is further facilitated by this division.

### **2.1.2.2 Programme 2: Enforcement and Investigations**

#### **Purpose of the Programme**

The Enforcement and Investigations Division (EID) of the NCC is mandated to ensure enforcement of the Act. The Divisional strategy in ensuring compliance is twofold, namely, through the facilitation of complaints handling and conducting investigations.

Complaints handling is meant to give effect to one of the key purposes of the CPA which is to promote and advance the social and economic welfare of consumers in South Africa by, amongst others: providing for a consistent, accessible and efficient system of consensual resolution of disputes arising from consumer transactions; as well as providing for an accessible, consistent, harmonized, effective and efficient system of redress for consumers.

### **2.1.2.3 Programme 3: Legal Services**

#### **Purpose of the Programme**

The Legal Division has focused on applications for accreditation of Industry Codes in line with the new strategic direction.

The Legal Division is mandated to ensure enforcement of the Act. Its tasks are the following:

- to bring applications to the National Consumer Tribunal for declaration of various conduct as prohibited conduct.
- to provide legal opinions and advice to consumers, suppliers; other divisions within the NCC, especially the Enforcement and Investigations Division;
- to conduct various projects related to the Opt -Out Register; establishment of the Codes of Good Practice; Accreditation of Industry Codes and to enforce the product labeling requirements of the CPA.

### **2.1.2.4 Programme 4: Corporate Services**

#### **Purpose of the Programme**

The Corporate Services division is critical to the operation of the NCC, in that, it is responsible for Finance, Supply Chain, Human Resources, Information Technology and Records Management.



## 2.1.3 Key achievements of Programmes

### 2.1.3.1 Advocacy; Education and Awareness

The Advocacy, Education and Awareness Division has managed to deliver on its mandate through maximizing on existing partnerships with government departments, municipalities, NGO's and other regulators.

#### a) World Consumer Rights Day 2014

World Consumer Rights Day is celebrated internationally in recognition of and with the intent of raising awareness on consumer rights. This year's celebrations were unique, as South Africa also celebrated its 20 years of democracy. The NCC partnered with the dti and rolled out a multi-media campaign to raise awareness on consumer rights. A radio script as well as an article were prepared and flighted during this time. The campaign took the form of radio advertisements, television and radio interviews and newspaper/ magazine articles were published to raise awareness on consumer rights and to celebrate World Consumer Rights Day.

#### b) National Consumer Tribunal /NCC Conference

The NCC and the National Consumer Tribunal, in a joint collaboration, hosted its first consumer protection summit. The theme of the summit was "*Towards a collaborative an effective consumer protection regime for SA*". The aim of the summit was to assess progress on consumer protection since the inception of the CPA. The conference was used as a platform to reflect on challenges and assisted in plotting a clear way forward.

#### c) School Consumer Club

The first school club project was piloted at the Sunnyside Primary School in Pretoria. Learners between grades 4 to 7 were targeted for the project. Workshops were held with the learners to enhance their understanding of consumer related matters. Their understanding was tested through a quiz programme. The enthusiasm and understanding of the learners have been overwhelming. The club was launched and is currently operational.

#### d) Consumer Education

During the year under review consumer education and awareness workshops and exhibitions were held on consumer rights. People living with disabilities including the deaf and the blind were beneficiaries of these initiatives, recognizing that they too are economically active. Workshops were also held in partnership with **the dti** and the Department of Tourism. Community members also benefited during awareness collaborations with community structures and municipal bodies. Seventeen workshops targeting women, people living with disabilities, SMMEs and community members in Gauteng, Kwa Zulu Natal, Free State and the Western Cape Provinces were conducted. The NCC was also invited to present during the taking **the dti** to the people campaigns as well as during the Induction of the Rural Community Field Workers Project. Nine exhibitions were held. The NCC was invited by different stakeholders, amongst others, the City of Tshwane, **the dti**, Gauteng Office of the Premier, Gauteng Consumer Protection Office etc. to exhibit its offerings.

### **e) Nelson Mandela Day**

In line with the spirit of giving and in celebration of Nelson Mandela Day, the NCC spent its 67 minutes with the Johannesburg Society for the Blind, a non- governmental organisation that caters for people living with blindness. The NCC donated cleaning material to the organisation, encouraged and motivated residents and cleaned their school and rooms for the day.

### **f) Media Coverage**

With the inception of the e-tolling system and the meat labelling and vacation club investigations, the NCC experienced a high demand for media responses. The NCC has participated in radio and television broadcasts in relation therewith. At least fifteen (15) media responses to The New Age, The Times, The Witness, Independent Newspapers, Sunday Times, Business Day, City Press and Rapport were issued by the NCC.

Interviews were held with Speak Out and six (6) media releases were issued. Apart from an interview on the E-Toll billing system, five of these were on product recalls relating to:

- i) Chevrolet Spark 1.2 (M300) by General Motors;
- ii) Toyota Prius by Toyota SA Motors;
- iii) Lenovo think-pad computer battery by Lenovo SA;
- iv) Arrows -Easton Technical Products;
- v) Massmart recalls on Hydraulic Jacks, and

### **g) Stakeholder relations**

Thirteen (13) engagements were held with the following key stakeholders:

- i) Consumer Goods Council of South Africa;
- ii) Motor Industry;
- iii) Representatives of suppliers engaging in promotional competitions;
- iv) Consumer Protection Summit held- jointly with National Consumer Tribunal. Summit attended by Provincial Consumer Protection Authorities, Ombuds, Associations and other stakeholders;
- v) Credit Ombud;
- vi) Competition Commission;
- vii) National Credit Regulator;
- viii) National Regulator for Compulsory Standards
- ix) Consumer Goods and Services Ombud;
- x) Advertising Standards Authority;

- xi) Companies and Intellectual Property Commission
- xii) Council for the Built Environment; and
- xiii) Tshwane Municipality to explore possibilities of cooperation;

The NCC participated in and addressed a number of conferences, which included the:

- i) World Retail Conference;
- ii) Complaints Management Conferences held countrywide and in Namibia;
- iii) Africa Dialogue conference in Zambia; and
- iv) Global Food Safety Initiative

## **h) International Consumer Interaction**

To ensure that the NCC has an international presence, the NCC interacted with Consumers International (CI) in a bid to resuscitate relations between the two institutions with a view to NCC becoming an official member of CI. Participation in Consumers International- Africa office, is ongoing. The NCC joined with CI and other stakeholders with the intent of revising the United Nations Guidelines on Consumer Protection.

The NCC also participated in the Consumer Africa Dialogue conference in Zambia where a paper on Cyber Crime in South Africa was presented.

### **2.1.3.2 Enforcement and Investigations Highlights**

#### **a) Complaints Handling**



In line with its intention to provide a consistent, accessible and efficient system of consensual resolution of disputes arising from consumer transactions; as well as providing for an accessible, consistent, harmonized, effective and efficient system of redress for consumers, the Enforcement and Investigation Division concluded referral protocols with the Motor Industry Ombudsman and the Consumer Goods Council. This resulted in motor industry related complaints and fast moving consumer goods related complaints being efficiently referred to these respective entities.

Where protocols have not been concluded, the NCC has facilitated conciliations between suppliers and consumers in order to encourage amicable resolution of disputes. This resulted in refunds, replacements of goods and negotiated settlements. Some examples of the settlements are:

- A consumer that had bought a bottled purified water franchise from an entity called H2O for R210 900, received a full refund of the purchase price.
- A residential property deposit paid to Misty Blue Investments in the sum of R63 000 was refunded in full following intervention by the NCC.

- The franchise, Old Fashioned Fish and Chips, refunded R100 000 to a consumer following intervention by the NCC. Other similar complaints are being considered.
- MTN agreed to reconcile a consumer's statement and pass a credit in the amount of R123 190.43.

## **b) Complaints Backlog**

In September 2013, the NCC identified complaints carried over from the previous financial year as a backlog that required urgent attention. The backlog at the time was standing at 6045. By the end of the financial year ninety two percent (92%) of the complaints were resolved. With regard to the pending eight percent (8%) of the complaints, the correspondence related thereto, was undergoing quality control.

## **c) Investigations**

During the year under review the NCC focused on improving its investigations processes. A screening committee was established to assist the investigation team in identifying investigations as well as determining the scope of the investigations. A process for approval of investigations was developed to ensure that all investigations are approved and certified by the Commissioner of the NCC. In terms of the CPA, the Commission can investigate matters initiated by the NCC or complaints received from Consumers.

### **i) Investigations initiated by the NCC:**

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 investigations are identified from complaint trends and matters brought to the attention of the Commission that are deemed to impact significantly on consumers

### **ii) Timeshare Investigation**

The NCC approved forty two (42) investigations against various timeshare entities. The investigations arose out of five hundred and forty (545) complaints. Of these, three hundred and fifty five (355) complaints have been resolved. One outstanding timeshare investigation has been lodged in terms of section 4(1)(d) of the CPA, in the public interest with leave of the National Consumer Tribunal. This investigation will be finalised in the next financial year.

The practices that the NCC focused on were:

- Marketing of timeshare products
- Overbooking/oversubscription
- Unfair contract terms- including contracts in perpetuity versus fixed term agreements.

### **iii) Meat Labelling Investigation**

The meat labelling investigation commenced in February 2013 in terms of Section 71 of the CPA. The investigation was initiated following a directive issued by the Minister of Trade and Industry.

The investigation by a team of NCC investigators entailed:

- Analysis of published research reports in order to determine whether the NCC can rely on the reports for purposes of enforcement.
- Engagements with the authors of the research reports from the University of the Western Cape and Stellenbosch to understand the protocols used (collection, transportation, storage and testing) and to further determine if the samples used were preserved for evidence and further verification.
- Engagements with various entities, by invitation, to appear before the NCC as well as site visits to their premises. These entities were offered the opportunity to present an overview of their operations and their response to the meat reports. (Although DNA testing is a fairly new technology, most established companies tested their products to determine possible traces of undeclared meat).
- Meetings with, and requesting and receiving information from the Departments of Health and Agriculture, Forestry and Fisheries, the purpose of which was to obtain more information on the regulatory and enforcement environment relative to meat sold for human consumption.
- Interviewing various entities in the industry to determine compliance with labelling requirements.
- Interviewing certain entities named in reports to understand the acts of adulteration and/or contamination of meat products. The interviews also sought to determine if steps were taken following the publication of the labelling requirements, to address the mislabelling and changes required to ensure compliance.
- Engaging the standards-setting and implementing bodies –South African Bureau of Standards (SABS), National Regulator for Compulsory Standards (NRCS), and South African National Accreditation System (SANAS) on the efficacy of DNA testing in identifying ingredients in meat products, testing protocols, as well as the accreditation of laboratories. (This was necessary following concerns raised during the investigation on the reliance that may be placed on DNA testing for enforcement purposes and to distinguish between deliberate substitution/adulteration and unintended cross contamination of meat products).

The report with recommendations was forwarded to the Department of Trade and Industry. This was used as a basis for recent labelling regulations promulgated by the Minister of Trade and Industry. The labelling regulation is the first step in addressing the findings.

#### **iv) Gymnasium contracts– Body Lab**

An investigation into Body Lab, a gymnasium service entity, was approved by the Commissioner on 17 April 2013 following fifty (50) complaints lodged with the NCC.

The complaints were predominantly about a fixed 30% pre-determined cancellation fee that complainants had to abide by.

The NCC will be approaching the National Consumer Tribunal in this matter for the fixed fee to be determined a prohibited conduct.

## **v) Meat Labelling (Horse Meat) Findus Foods**

The horse meat scandal in Europe called for a proactive response by the authorities in South Africa. The NCC initiated its investigation and its focus was to determine whether the entities involved in Europe are conducting business in South Africa and if so, whether they are involved in similar conduct in South Africa.

It was established that Findus Foods does have a footprint in the South African market place by way of Sea Harvest being its local agent.

It was found that of the seventeen products imported by Findus South Africa (Sea Harvest), only one contained beef as an ingredient. The company, as a precaution, withdrew the product from the market and conducted DNA analysis to determine any possible trace of horse meat. The results indicated that there were no traces of horse meat and an undertaking was provided to share the results of the second sample. The second sample results detected no presence of the horse meat in the product imported. The company provided a reliable paper trail relative to its supply chain process relative to the products marketed in South Africa. There was no evidence of horse meat adulteration as reported in Europe having made its way into South Africa in this instance. The matter is closed.

## **d) Product Recalls**

Section 60(1) of the CPA provides that the NCC must promote the development, adoption and application of an industry-wide Code of Practice providing for effective and efficient systems to receive notice of consumer complaints or reports of product failures, defects or hazards and the return of any goods because of a failure, defect or hazard.

In line with the Product Safety Recall Guidelines of the NCC, the following recall notifications were received by the NCC.

### **i) Product recalls April 2013 to March 2014**

Twenty (20) product safety recall Notifications were issued in 2013/14

- UD Trucks (E06, E11 and E12 Models) by UD Trucks Southern Africa.
- Mastercraft Bottle Jacks by Massmart.
- Mastercraft 2 ton trolley jack by Massmart.
- Mastercraft 3 ton garage jack by Massmart.
- Honda Jazz- Master Switch by Honda Motors Southern Africa.
- Honda FR-V and S2000- Brake Booster by Honda Motors Southern Africa.
- Garmin quatix watch by Garmin International.
- Dettol disinfectant liquid as per the National Regulator for Compulsory Specifications (NRCS).
- Easton Axis arrows by Easton Technical Products.

- Spray paint (Homestead and Spectra spray brands) by Spectra Spray.
- Spray paint (Primaries) by Spectra Spray.
- Bosch and Siemens Dishwashers by BSH Home Appliances.
- Women's sandals with metal trim by Woolworths.
- Samaritan PDU 400 home semi-automatic defibrillator by HeartSine Technologies.
- Navigator HD Ureteral access sheath set by Boston Scientific.
- Diesel return line manufactured for the Volkswagen Amarok 2.0l CR TDI models by Volkswagen South Africa.
- Chevrolet Trailblazer tow bar by General Motors South Africa.
- Chevrolet Spark 1.2 (M300) by General Motors South Africa.
- Toyota Prius (ECU Recalibration) by Toyota SA Motors.
- Lenovo Thinkpad computers battery by Lenovo S.A.

The NCC continue to monitor these recalls.

## ii) Final reports

There were two (2) final reports during the reporting period:

- Bose Cinemate GS Series II and Bose Cinemate Series II (speakers) by Bose Corporation.
- Easton axis arrows by Easton Technical Products.

### 2.1.3.3 Legal Services

One of the areas that the division has placed emphasis on is the accreditation of industry codes. The Division worked with the Motor Industry and has already submitted a Code to Minister for purposes of accreditation. The Division also published an expression of interest calling all interested parties to indicate their interest in their register being recognised as an Opt Out Register as stipulated in section 11 of the CPA. The Opt Out Register is vital to regulating the conduct of suppliers insofar as direct marketing aimed at consumers, is concerned. Once the said register is in place, suppliers will be obliged to consult the register in order to determine whether a particular consumer has opted out of direct marketing, before the consumer may be contacted by a direct marketing company. The recognition of an existing register by the NCC is at an advanced stage. This is to be finalised in the next financial year.



There has been over the years, a disjuncture between the NCC and the Provincial Consumer Protection Authorities and the Legal Division has worked tirelessly to ensure that sound working relations between the NCC and the provinces is reinforced. Much progress has been made in this regard and the parties are working well together.

#### 2.1.3.4 Corporate Services

The Corporate Services division has had an extremely difficult but rewarding year. The qualified audit report received by the NCC in the previous financial year, only served to motivate the division to strive for an



unqualified audit. Various policies and business processes were successfully introduced and implemented in the course of the year so as to improve on internal controls. This has resulted in a huge improvement in the internal control environment. An acting chief financial officer took office after the suspension of the chief financial officer and she has worked tirelessly to bring the financial management up to par.

## 1.2 PERFORMANCE AGAINST THE ANNUAL PERFORMANCE PLAN

### 1.2.1 Strategic objectives, outputs, performance indicators planned targets and actual achievements

Strategic Objective: 1. To promote compliance with the Consumer Protection Act					
Name of Programme/Sub-programme: Enforcement and Investigations					
Output	Measure/ Indicator	Baseline	Target	Actual Achievement	Reason for Variance
Complaints registered	Percentage (%) of complaints received registered	2012/13 baseline	95% of complaints received registered on an average of three days	100% of complaints received registered on an average of three days	Target exceeded due to improved efficiencies in the registration of complaints.
Analysis of Complaints	Percentage (%) of registered complaints analyzed in a pre-defined time period	2012/13 baseline	95% of registered complaints analysed on an average of eight days	98% of registered complaints analysed on an average of six days	Target exceeded due to improved efficiencies in the analysis of complaints. Analysis procedures have been revised and implemented.
Complaints resolved time-ously	Percentage (%) of complaints resolved in a pre-defined time period	2012/13 baseline	60% of complaints resolved on an average of 80 days	86% of complaints resolved on an average of 297 days	The Percentage of complaints target was exceeded due to an increase in the referrals to Consumer Goods and Services Ombud and Motor Industry Ombud.  The average number of days targeted to resolve the complaints was not met. This is due to the fact that the quarter one and quarter two resolution statistics included carried over and backlog complaints. The resolution of the backlog was only ring-fenced from September 2013 after the revision of the Annual Performance Plan.
Investigations and Inspections completed and reports issued	Number of investigations and Inspections finalised and Approved by the Commissioner	2012/13 baseline	30 investigations and Inspections finalised and approved by the Commissioner	In total, 41 Investigations and Inspections have been finalised and reports drafted and approved by the Commissioner	The NCC had to approve more investigations than envisaged due to a high number of timeshare entities involved in the investigated business practices indicated in complaints trends
Finalization of Backlog	Percentage (%) of complaints backlog finalized in a defined turn-around time	2012/13 baseline	100% of complaints Backlog resolved by end February 2014	Backlog of 6045 complaints reduced by 5533. Pending 512. Percentage reduced: 92%	Target not met. The 08% of pending complaints comprise non-referrals. The non-referral letters had been drafted by the end of the financial year but were undergoing quality control.

**Strategic Objective: 1. To promote compliance with the Consumer Protection Act**

**Name of Programme/Sub-programme: Legal Services**

<b>Output</b>	<b>Measure/ Indicator</b>	<b>Baseline</b>	<b>Target</b>	<b>Actual Achievement</b>	<b>Reason for Variance</b>
Industry codes recommended for accreditation in a timeous manner	Recommendation of codes to the Minister	New KPI	Recommendation of 2 codes to Minister	One Industry Code recommended to Minister	The receipt of codes is dependent on industries or sectors applying for accreditation. However, the NCC has embarked on a process of pro-actively identifying sectors where codes are necessary. Consultations with these sectors have commenced.
Codes of codes of good practice developed	Number of codes of good practice developed	2012/13 baseline	One code of good practice developed	Draft section 93 code of good practice for the return of vehicles within the motor industry is still under development	The code for good practice could not be finalised as it is dependent on the accreditation of the Motor Industry Code which has not yet been accredited by the Executive Authority. The accreditation took longer than initially anticipated.

**Strategic Objective: 1. To promote compliance with the Consumer Protection Act**

**Name of Programme/Sub-programme: Advocacy; Education and Awareness**

Output	Measure/ Indicator	Baseline	Target	Actual Achievement	Reason for Variance
Consumer awareness initiatives conducted	Number of consumer awareness initiatives conducted	2012/13 baseline	12 Workshops	17 Workshops conducted.	Target exceeded due to high demand from stakeholders
			08 Mall/Train/Exhibitions	09 Exhibitions held	
			1 school Consumer Club Established	1 School Consumer Club at the Sunnyside Primary School was established	
Stakeholder relations promoted	Number of meetings with key stakeholders	2012/13 baseline	5 Meetings held with critical stakeholders	13 Meetings held with various key stakeholders	Target exceeded due to high demand from stakeholders
	Media Releases	2012/13 baseline	2 media releases	The NCC issued a total of 6 media releases	Target exceeded due to high levels of product recalls
	Participation in Conferences	2012/13 baseline	Participation in Conferences.	The NCC addressed the following 6 conferences:  The Africa Dialogue Conference held in Zambia;  Four conferences held in Durban, Gauteng, Cape Town and Namibia on Complaints Management; and the World Retail Conference  The NCC also participated in the seminar hosted by Consumers International on the amendment of UN Guidelines on Consumer Protection.	Target met
	Media Responses	2012/13 baseline	12 Media Responses	15 Media responses were issued	Target Exceeded due to high demand from the media houses
	Meetings with provincial consumer protection authorities	2012/13 baseline	Quarterly meetings with provincial consumer protection authorities	4 Meetings held with the Consumer Protection Forum involving all Provincial Consumer Protection Authorities	Target met
	Annual Report	2012/13 baseline	1 Annual Report	Annual Report prepared, approved and tabled in Parliament	Target met
	Newsletters	2012/13 baseline	4 internal Newsletters	4 internal newsletters prepared and distributed internally, 1 per quarter	Target met

<b>Strategic Objective: 2. To be a well governed and capacitated organisation</b>					
<b>Name of Programme/Sub-programme: Corporate Services</b>					
<b>Output</b>	<b>Measure/ Indicator</b>	<b>Baseline</b>	<b>Target</b>	<b>Actual Achievement</b>	<b>Reason for Variance</b>
Implementation of approved organisation structure	Percentage (%) of positions filled	2012/13 baseline	39% of Vacant positions filled	40% of positions filled in the new approved structure	
Effective ICT Services	Develop and Implement ICT strategy	2012/13 baseline	Develop high level ICT strategy.	Strategy not yet developed. Process underway	Insufficient internal capacity. Will be completed in 2014/15 financial year
Organisational risks effectively managed	Up to date risk register and risk strategy	2012/13 baseline	Revised risk register and strategy in place	Risk Register and strategy Revised.	

### 2.3 Strategy to overcome areas of under performance

The underperformance that has been reported under paragraph 2.2 under the heading **PERFORMANCE AGAINST THE ANNUAL PERFORMANCE PLAN** are not as a result of key challenges faced by the NCC except for the Development and Implementation of an ICT strategy and the lack of capacity.

<b>Key challenge</b>	<b>Proposed action</b>
Non- Development and Implementation of an ICT strategy	To reassess capacity within the NCC to develop the ICT strategy in house. In the event internal capacity is lacking, then a specialist service provider will be secured to assist.
Other deliverables not met	Better planning and monitoring of performance will be put in place including the introduction of project planning principles.

### 2.3.1 Changes to planned targets

The planned targets as contained in the Annual Performance Plan which was tabled in Parliament were amended and approved by Minister in the course of the year under review. All changes were canvassed at length prior to amendment and agreed upon with the Executive Authority.

The in- year changes and the reasons for the changes are reported as follows:

CHANGES TO PLANNED TARGETS		REASONS FOR CHANGES TO PERFORMANCE INDICATORS
Initial target	Amended target	
Complaints registered and analysed – 50% of received complaints analysed within 8 business days of receipt.	95% of complaints received registered on an average of three days  95% of registered complaints analysed on an average of eight days	The two targets were split. The revised targets reflect a vast improvement in the percentage of matters dealt with. The revision was occasioned by the reduction in the number of complaints being received (due to the new strategy being implemented). In addition, auditing was simplified through the split.
50% of complaints resolved within 80 days	60% of complaints resolved on an average of 80 days	The intention was to deliver more than what was initially anticipated.
50% of complaints referred within 20 business days	deleted	Since a referral to an alternative dispute resolution scheme equated to resolution, the indicator was combined with the above target.
Reactive Investigations: 90 matters escalated for investigation that are finalised	Revised to: 30 investigations and Inspections finalised and approved by the Commissioner	The numbers were revised down to a more manageable number taking into account capacity and financial constraints. Emphasis was placed on investigation of particular trends as opposed to investigating singular complaints.
9 pro-active investigations conducted	Deleted and combined with above.	The numbers were revised down to a more manageable number taking into account capacity and financial constraints. Emphasis was placed on investigation of particular trends as opposed to investigating singular complaints
Policy on accreditation of consumer protection groups developed and implemented	Deleted	A specialist service provider was required to assist in drafting the policy. Funds were not available for this purpose. Preliminary research indicated that consumer protection groups were largely seeking funding from NCC, which NCC was not in a position to provide.
3 Research Reports completed	Deleted	In order to conduct research as stipulated in the Consumer Protection Act, experts were required to conduct the research. Funds were not available for this purpose.

### 2.3.2 Linking performance with budgets

Strategic Objective: 1				
Name of sub-programme	Item	Final Appropriation	Actual Expenditure	Under Expenditure
<b>Legal Division</b>	In the matter between NCC vs NCT	R 250 000	R 184 288.31	R 52 135.30
	Nehawu vs M Mohlala and NCC		13 576.39	
	Publication costs	400 000	256 371.13	143 628.87
	Travel and Subsistence	100 000	43 648.84	56 351.16
<b>Education and Awareness</b>	Printing and Publication	430 000	302 207.21	127 792.24
	Consultant Cost: Meat Investigation	100 000	62 051	37 949
<b>Enforcement &amp; Investigations</b>				
<b>TOTAL</b>		<b>R 1 780 000</b>	<b>R 1 237 038</b>	<b>R 556 358</b>

### 2.3.2 Linking performance with budgets

Strategic Objective: 2				
Name of sub-programme	Item	Final Appropriation	Actual Expenditure	Under Expenditure
<b>Legal Division</b>	Consultant Cost	1 000 000	868 500	131 500
	Travel and subsistence	200 000	40 000	160 000
	Computer Services	400 000	256 371.13	143 628.87
		1 768 624	1 366 529	402 095



**PART 3:  
GOVERNANCE**

## **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 of the NCC; revenue collected by the NCC; 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. Thus, Parliament, the Executive Authority 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, namely Ms Thezi Mabuza, 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 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 Portfolio Committee on three (3) occasions during the year under review. The NCC made presentations on: its strategic and annual performance plans for the 2013/14 year; the annual report for 2012/13 year and on its third quarter report for the 2013/14 year. Over and above this, the NCC appeared before other Portfolio Committees in relation to the meat investigation.

### **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 the findings of the Auditor General of South Africa and on progress in addressing these findings.

### **iv) Committees**

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

### **v) Risk Management**

In the course of the financial year under review, the NCC has recruited a Risk Manager in order to oversee the risk management function which was previously non-existent in the NCC. Following this appointment, a risk management strategy has been approved and implemented. Risks have been identified. A risk register is now in place which is 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 internal audit 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, however, limited due to budgetary constraints.

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

- a) the information systems environment;
- b) the reliability and integrity of financial and operational information;
- c) the effectiveness of operations;
- d) safeguarding of assets; and
- e) compliance with laws, regulations and controls.

#### **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. 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.



## **ANNUAL FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 31 MARCH 2014**

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**ADMINISTRATIVE INFORMATION**  
for the year ended 31 March 2014

**Domicile** Republic of South Africa

**Legal Form** National entity-Schedule 3A

**Nature of Principal Activities** The National Consumer Commission was established in April 2011 in terms of the Consumer Protection Act, 68 of 2008, 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.

**Executive Authority** Dr. Rob Davies - Minister of Trade and Industry

**Postal Address** Physical Address  
**the dti Campus** 8 Bauhinia Street  
 77 Mentjies Street Berkley Office Park  
 Sunnyside Highveld Techno Park  
 0002 Centurion  
 0157

**Accounting Authority** Mr. Ebrahim Mohamed

**Commissioner** Mr. Ebrahim Mohamed

**Deputy Commissioner** Ms. Thezi Mabuza

**Acting Head of Finance** Ms Florah Raphahlela

**Bankers** Nedbank Limited

**Auditor** Telephone No. 012 761 3200  
**Contact Information** E-mail: [complaints@thencc.org.za](mailto:complaints@thencc.org.za)  
 Website: [www.nccsa.org.za](http://www.nccsa.org.za)

# STATEMENT OF RESPONSIBILITY BY THE ACCOUNTING AUTHORITY

For the year ended 31 March 2014

The Accounting Authority is responsible for the preparation of the annual financial statements. The annual financial statements conform to Generally Recognised Accounting Practices (GRAP) and the reporting requirements of the Public Finance Management Act and fairly present the state of affairs of the National Consumer Commission as at the end of the financial year, and the results of its operations and cash flows for that period.

It is the responsibility of the independent auditors to report on the fair presentation of the financial statements.

## Internal And Accounting Controls

The Accounting Authority is ultimately responsible for the internal controls of the NCC.

The system of internal control is designed to provide reasonable assurance of the integrity and reliability of the financial statements of the NCC and to adequately safeguard, verify and maintain accountability for funds and assets. Management and the Audit and Risk Committee have implemented a risk management policy and regularly review the risk register and the system of internal control

The NCC has implemented monitoring controls through comprehensive budgeting and submission of operating reports as per the deadline agreed upon in the shareholder agreement signed with the Department of Trade and Industry.

To enhance the internal controls, the NCC has appointed a firm of chartered accountants to conduct a review and assessment of the effectiveness of the internal controls that management have implemented.

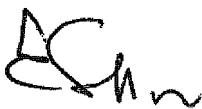
## Audit And Risk Committee

The NCC has established an Audit and Risk Committee which consists of three non-executive committee members and an executive member who serves as a representative of the Executive Authority. The committee meets at least two times per annum. The Audit and Risk Committee is governed and operates within the framework of the terms of the Audit and Risk Committee Charter. The Committee ensures effective communication between the Accounting Authority, internal audit and the Auditor-General.

## Annual Financial Statements

The annual financial statements have been prepared on a going concern basis, as management have a reasonable expectation that the NCC will have adequate resources to continue in operational existence and as a going concern for the foreseeable future.

The annual financial statements are prepared in accordance with accounting policies as set out in the Notes to the Annual Financial Statements and are supported by judgements, estimates and assumptions in compliance with GRAP.



.....  
Mr Ebrahim Mohamed  
Commissioner  
National Consumer Commission

**NATIONAL CONSUMER COMMISSION**  
**REPORT OF THE AUDIT AND RISK COMMITTEE**

**For the year end 31 march 2014**

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

**Audit Committee Members And Attendance**

The Audit Committee consisting of the members listed herein met five times during the year

<b>Independent Non Executive Members</b>	<b>Number of meetings attended</b>
Mr D A Braithwaite (Chaiperson)	5
Mrs M Maisela	5
Mr P Semanya	3
Mr F Dikgale (Resigned)	Nil
<b>Ex Officio Member</b>	
Mr K Naidoo (Representing the dti)	4

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

- The Commissioner
- The Deputy Commissioner
- The Chief Financial Officer
- 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 Committee Responsibilities**

The Audit and Risk Committee reports that it has complied with its responsibilities arising from the Public Finance Management Act (PFMA) and Treasury Regulations. A more appropriate Audit and Risk Committee Charter was finalised only subsequent to the financial year end.

**THE EFFECTIVENESS OF INTERNAL CONTROLS**

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

In line with the PFMA and King III Report requirements relating to public sector, Internal Audit provides the Audit and Risk Committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of an appropriate quarterly reporting process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. In the absence of a separate Risk Committee, the Audit and Risk Committee has assumed certain responsibilities in relation to risk.

The Commission is in a period of transition and a new Commissioner (the former acting Commissioner) was appointed on 1 June 2013. The Chief Financial Officer was suspended in September 2013 and resigned subsequent to the year end. An acting Chief Financial Officer was appointed from September 2013.

An outsourced Internal Audit function (IA) was in place for only part of the previous (2012/13) financial year. Subsequently an outsourced IA service provider was appointed in May 2013, following which IA conducted audit work in the following prioritised areas:

- Contact Centre (including case management and IT)
- Human Resources
- Supply Chain Management
- Asset Management
- Performance Information

IA concluded that controls surrounding the Contact Centre were unsatisfactory. In the other areas audited, IA concluded that some improvement was needed

Based on the audit work conducted and presented at Audit and Risk Committee meetings for the 2013/14 year, the Committee concludes that, with the exception of the Contact Centre, overall controls evaluated during those audits were adequate and materially effective for most of the areas tested. We do, however, emphasise that in certain instances controls were found to be only partially effective and needed further improvement.

### **Quality Of Management Reports**

The Audit and Risk Committee was not in all respects satisfied with the content and quality of Quarterly Reports.

### **Evaluation Of The Financial Statements**

The Audit 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;
- Reviewed adjustments resulting from the annual audit.

The Audit and Risk Committee concurs with and accepts the conclusions of the Auditor-General on the Annual Financial Statements, read together with the report of the Auditor-General.

### **Forensic Investigation**

The interventions resulting from a major forensic investigation in the prior year in the areas of Supply Chain Management and certain aspects of Human Resources continued during the current year with the assistance of the Department of Trade and Industry.

### **External Audit Unresolved Issues**

The resolution of External and Internal Audit issues is monitored via a tracking register which is reviewed by the Audit and Risk Committee. In the opinion of the Audit and Risk Committee, External and Internal Audit issues

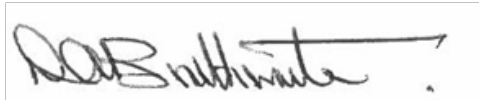
need to be addressed and resolved with greater urgency.

### **Other Matters Pertaining Specifically To The Entity**

Commencing in the prior year and continuing in the current year, the Commission has been emerging from a period of dysfunction whilst at the same time dealing with urgent matters arising from the forensic investigation referred to earlier. Whilst there is much still to be done, the Audit and Risk Committee recognizes the skills shortages and legal assistance delays that have had an impact in certain areas. The recent appointment of a Deputy Commissioner is expected to impact favourably on the rate of progress

### **Conclusion**

Notwithstanding skills shortages and the large amount of time that it was necessary to devote to what could be termed the “legacy of the past” considerable progress has been made during the year under review. The timely production of draft Annual Financial Statements of a much improved standard is particularly pleasing.



DA BRAITHWAITE

**Chairperson of the Audit Committee**

**31 July 2014**

# REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE NATIONAL CONSUMER COMMISSION REPORT ON THE FINANCIAL STATEMENTS

## Introduction

1. I have audited the financial statements of the National Consumer Commission set out on pages 47 to 81, which comprise the statement of financial position as at 31 March 2014, the statement of financial performance, statement of changes in net assets, cash flow statement and the statements of comparison of budget information with actual information for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

## Accounting Authority's Responsibility For The Financial Statements

2. The accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA), 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.

## Auditor-General's Responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the *general notice* issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my unqualified audit opinion.
6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the National Consumer Commission as at 31 March 2014 and its financial performance and cash flows for the year then ended, in accordance with the SA Standards of GRAP and the requirements of the PFMA.

## Emphasis Of Matters

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

## Significant Uncertainties

8. With reference to note 23 of the financial statements, the entity is a defendant to various lawsuits amounting to R2 310 875. The ultimate outcome of these matters cannot presently be determined and no provision for any liability that may result has been made in the annual financial statements.
9. With reference to Note 23 of the financial statements, the entity has disclosed a contingent liability of R5 224 237. This related to the surplus amount which was retained by the entity without approval from National Treasury. The ultimate outcome of this matter cannot presently be determined and no provision for any liability that may result has been made in the annual financial statements.

## Restatement Of Corresponding Figures

10. As disclosed in note 28 to the financial statements, the corresponding figures for 31 March 2013 have been restated as a result of an error discovered during 2014 in the annual financial statements of the National Consumer Commission at, and for the year ended, 31 March 2013.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

11. In accordance with the PAA and the general notice issued in terms thereof, I report the following findings on the reported performance information against predetermined objectives for selected objectives presented in the annual performance report, non-compliance with legislation as well as internal control. The objective of my tests was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

### Predetermined Objectives

12. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected objective presented in the annual performance report of the public entity for the year ended 31 March 2014:

- Objective 1: To promote compliance with the Consumer Protection Act

13. I evaluated the reported performance information against the overall criteria of usefulness and reliability.

14. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned objectives. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's *Framework for managing programme performance information* (FMPPI).

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

16. I did not raise any material findings on the usefulness and reliability of the reported performance information for the selected objective.

### **Additional Matters**

17. Although I raised no material findings on the usefulness and reliability of the reported performance information for the selected objective, I draw attention to the following matters:

### **Achievement of Planned Targets**

18. Refer to the annual performance report on pages 16 to 25 and 26 to 29 for information on the achievement of the planned targets for the year.

### **Adjustment of Material Misstatements**

19. I identified material misstatements in the annual performance report submitted for auditing on the reported performance information of Objective 1: To promote compliance with the Consumer Protection Act. As management subsequently corrected the misstatements, I did not raise any material findings on the usefulness and reliability of the reported performance information.

### **Compliance with Legislation**

20. I performed procedures to obtain evidence that the public entity had complied with applicable legislation regarding financial matters, financial management and other related matters. My findings on material non-compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA, are as follows:

### **Budgets**

21. The public entity accumulated surpluses without the approval of National Treasury, in contravention of section 53(3) of the Public Finance Management Act.

### **Annual Financial Statements, Performance and Annual Reports**

22. 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.

23. Material misstatements of property, plant and equipment and the provision for leave pay identified by the auditors in the submitted financial statement were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

### **Procurement and Contract Management**

24. The preference point system was not applied in all procurement of goods and services above R30 000 as required by section 2(a) of the Preferential Procurement Policy Framework Act and Treasury Regulations 16A6.3(b).

### **Expenditure Management**

25. The accounting authority did not take effective steps to prevent irregular and fruitless and wasteful expenditure as required by section 51(1)(b)(ii) of the Public Finance Management Act.

### **Internal Control**

26. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with legislation. The matters reported below are limited to the significant internal control deficiencies that resulted in the unqualified opinion, the findings on the annual performance report and the findings on non-compliance with legislation included in this report.

### **Leadership**

27. The accounting authority did not exercise adequate oversight responsibility regarding financial reporting and compliance with laws and regulations and related controls.

### **Financial and Performance Management**

28. Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support the procurement of all goods and services.

*Auditor-General*  
Auditor-General ✓

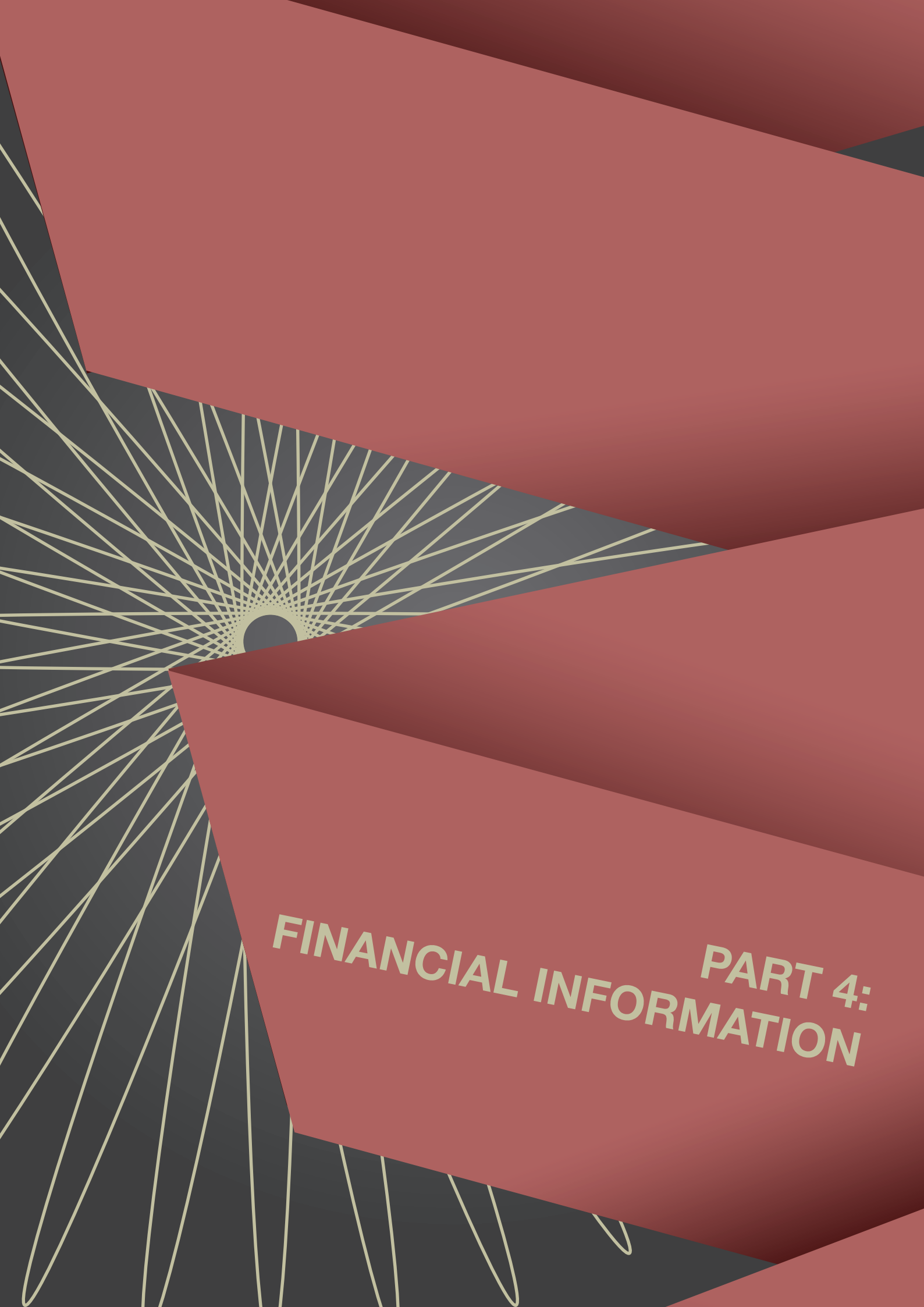
Pretoria

31 July 2014



AUDITOR - GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*



**PART 4:**  
**FINANCIAL INFORMATION**

# STATEMENT OF FINANCIAL POSITION

at 31 March 2014

	NOTES	2014 R	2013-Restated R
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	4	6 931 849	4 262 552
Trade and other receivables from exchange transactions	5	32 341	1 085 212
Trade and other receivables from non-exchange transactions	6	34 410	55 699
<b>CURRENT ASSETS</b>		<b>6 998 600</b>	<b>5 403 463</b>
<b>NON-CURRENT ASSETS</b>			
Property plant and equipment	2	2 578 779	2 672 166
Intangible assets	3	774 354	541 127
<b>NON-CURRENT ASSETS</b>		<b>3 353 133</b>	<b>3 213 293</b>
<b>TOTAL ASSETS</b>		<b>10 351 733</b>	<b>8 616 756</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables from exchange transactions	7	1 707 612	1 504 364
Provisions	22	945 612	815 075
Operating lease liability	8	581 171	134 076
<b>TOTAL LIABILITIES</b>		<b>3 234 395</b>	<b>2 453 515</b>
Assets		10 351 733	8 616 756
Liabilities		(3 234 395)	(2 453 515)
<b>NET ASSETS</b>		<b>7 117 338</b>	<b>6 163 241</b>
<b>ACCUMULATED SURPLUS</b>		<b>7 117 338</b>	<b>6 163 241</b>

## STATEMENT OF FINANCIAL PERFORMANCE

31 March 2014

	NOTES	2014 R	2013-Restated R
<b>REVENUE</b>			
Revenue	9.1	45 498 094	48 296 490
Other income	9.2	372 293	101 667
<b>TOTAL REVENUE</b>		<b>45 870 387</b>	<b>48 398 157</b>
<b>EXPENDITURE</b>			
Employee related costs	10	28 045 226	22 991 100
Amortisation and depreciation	12	1 822 520	1 070 544
Operating expenditure	18	15 048 544	20 361 889
<b>TOTAL EXPENDITURE</b>		<b>44 916 290</b>	<b>44 423 533</b>
<b>SURPLUS FOR THE YEAR</b>		<b>954 097</b>	<b>3 974 624</b>

## STATEMENT OF CHANGES IN NET ASSETS

For the year ended 31 March 2014

	NOTES	Accumulated Surplus/ (Deficit) R
<b>Balance as at 1 April 2012 previously reported</b>		<b>2 297 844</b>
Prior period error	28	(109 227)
Net surplus for the year		3 974 624
<b>Balance as at 31 March 2013</b>		<b>6 163 241</b>
<b>Balance as at 1 April 2013 - restated</b>		<b>6 163 241</b>
Net surplus for the year		954 097
<b>Balance as at 31 March 2014</b>		<b>7 117 338</b>

## CASH FLOW STATEMENT

for the year ended 31 March 2014

### CASH FLOWS FROM OPERATING ACTIVITIES

	NOTES	2014 R	2013 R
<b>RECEIPTS</b>		<b>45 803 902</b>	<b>48 378 741</b>
Transfers		45 477 824	48 296 490
Other receipts		376	-
Interest received		325 702	82 251
<b>PAYMENTS</b>		<b>41 316 805</b>	<b>42 870 308</b>
Employee cost		27 954 894	22 991 100
Operating expenditure		13 361 911	19 879 208
Cash generated by operations	17	4 487 097	5 508 433
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>		<b>4 487 097</b>	<b>5 508 433</b>

### CASH FLOW FROM INVESTING ACTIVITIES

Purchase of property, plant and equipment		(1 223 779)	(373 479)
Movement in receivables		337 044	(455 853)
Movement in payables		(334 634)	-
Purchase of intangible assets		(596 091)	(487 950)
<b>NET CASHFLOW FROM INVESTING ACTIVITIES</b>		<b>(1 817 800)</b>	<b>(1 317 282)</b>
Total cash and cash equivalents movement for the year		2 669 297	4 191 151
Cash and cash equivalents at the beginning of the year		4 262 552	71 401
<b>TOTAL CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<b>6 931 849</b>	<b>4 262 552</b>

## STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

for the year ended 31 March 2014

	Approved Budget R	Adjustments R	Final Budget R	Actual amounts on comparable basis R	Difference between final budget and actual R
<b>REVENUE</b>					
Revenue from non-exchange transactions	44 516 000	-	44 516 000	45 477 824	961 824
Revenue from exchange transactions	-	-	-	326 078	326 078
<b>TOTAL REVENUE</b>	<b>44 516 000</b>	<b>-</b>	<b>44 516 000</b>	<b>45 803 902</b>	<b>1 287 902</b>
<b>EXPENDITURE</b>					
Employee related costs	27 931 198	-	27 931 198	27 954 894	(23 696)
Amortisation and depreciation	647 000	-	647 000	-	647 000
Operating expenditure	15 937 802	-	1 937 802	13 361 911	2 575 891
<b>TOTAL EXPENDITURE</b>	<b>44 516 000</b>	<b>-</b>	<b>44 516 000</b>	<b>41 316 805</b>	<b>3 199 195</b>
Surplus before taxation	1 820 210	-	1 820 210	4 487 097	(2 666 887)
Capital budget	(1 820 210)	-	(1 820 210)	-	(1 820 210)
Movement in payables		(334 634)	-		
Purchase of intangible assets		(596 091)	(487 950)		
<b>ACTUAL AMOUNT ON COMPARABLE BASIS AS PRESENTED IN THE BUDGET AND ACTUAL COMPARATIVE STATEMENT</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4 487 097</b>	<b>(4 487 097)</b>

# SUMMARY OF ACCOUNTING POLICIES

31 MARCH 2014

## PRESENTATION OF THE ANNUAL FINANCIAL STATEMENTS

### 1.1 BASIS OF PREPARATION

The 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 (ASB) in accordance with Section 91(1) of the Public Finance Management Act (Act 1 of 1999). These financial statements have been prepared on an accrual basis of accounting, and are in accordance with historical cost convention unless specified otherwise.

The principal accounting policies adopted in the preparation of these annual financial statements are set out below. Assets, liabilities, revenues and expenses have not been offset except where offsetting is required or permitted by a Standard of GRAP. The accounting policies have been applied consistently in all material aspects, unless otherwise indicated. The details of any changes are explained in the relevant policy notes.

### 1.2 GOING CONCERN

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

### 1.3 USE OF ESTIMATES AND JUDGEMENTS

The preparation of the annual financial statements in conformity with GRAP requires the use of certain critical accounting estimates. It also requires management to exercise judgements, estimates and assumptions in the process of applying the accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future financial periods affected.

In particular, information about significant areas of estimation and uncertainty and critical judgements in applying accounting policies that have material effect on the amounts recognised in the financial statements is included in the notes to the financial statements.

### 1.4. PRESENTATION CURRENCY

The annual financial statements are presented in South African Rand (ZAR), which is the currency in which the entity's transactions are denominated. All financial information has been expressed in rand.

### **1.4.1 COMPARATIVE FIGURES**

Prior year comparatives have been provided in the annual financial statements. When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are also reclassified and restated, unless such comparative reclassification and / or restatement is not required by a Standard of GRAP. The nature and reason for such reclassifications and restatements are also disclosed in note 28.

Where material accounting errors, which relate to prior periods, have been identified in the current year, the correction is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly.

## **1.5 REVENUE (Non-Exchange Transactions)**

### **1.5.1 GOVERNMENT GRANTS**

Government grants comprise gross inflows of economic benefits, and are recognised as revenue when it is probable that future economic benefits will flow to the entity and the fair value of those benefits can be reliably measured. Grants are recognised when there is reasonable assurance that they will be received or when there is legal obligation for the grant to be paid, and only if the entity has complied with the stipulations or conditions (if any) attached to the grant.

## **1.6 REVENUE (Exchange Transactions)**

### **1.6.1 INTEREST, ROYALTIES AND DIVIDENDS**

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

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

Revenue is recognised as interest accrues using the effective interest rate.

### **1.6.2 OTHER INCOME**

Other Income is recognised on accrual basis.

## **1.7 FINANCE EXPENSES**

All finance costs are recognised in the Statement of Financial Performance using the effective interest rate method.

## 1.8 CASH AND CASH EQUIVALENTS

For the purposes of the cash flow statement, cash and cash equivalents comprise cash at the bank including cash on hand. These are initially and subsequently recorded at fair value.

## 1.9 OTHER RECEIVABLES

Other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less any provision for impairment.

A provision for impairment of other receivables is established when there is objective evidence that the entity will not be able to collect all amounts due according to the original terms of the receivables.

Significant financial difficulties of any debtor, probability that the debtor will be bankrupt or under financial reorganisation, and default or delinquency in payments (more than 30 days overdue), are considered indicators that the receivable is impaired.

The provision is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted using the effective interest rate and is recognised in the Statement of Financial Performance. Subsequent recoveries of amounts previously written off are then recognised in the Statement of Financial Performance.

## 1.10 PROPERTY, PLANT AND EQUIPMENT

### INITIAL RECOGNITION

Property, plant and equipment are resources controlled by the entity as a result of past events and are recognized in the Statement of Financial Position only when:

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

All items of property, plant and equipment that qualify for recognition as an asset are measured at cost, or if acquired at no cost or at a nominal cost are measured at fair value at the date of acquisition.

### Useful lives of Property, Plant and Equipment and Intangible Assets

The entity's management determines the estimated useful lives and related depreciation charges for property, plant and equipment and intangible assets. This estimates is based on the condition and use of the individual assets, in order to determine the remaining period over which the assets can and will be used.

Assets transferred to the entity are recognized at the book value on the date the assets received and are assessed for any evidence of impairment.

## MEASUREMENT AT RECOGNITION

Costs for acquired assets include:-

- the items purchase price, including import duties, non-refundable taxes, after deducting any trade discounts and rebates;
- any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner as intended by management;
- the initial estimates of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which the Entity incurs either when the item is acquired or as a consequence of having used the item during a particular period.

The cost of self-constructed assets is determined using the same principles as for an acquired asset and includes the cost of materials, direct labour and other resources incurred in constructing the asset, any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, and an initial estimate where relevant of the costs of dismantling and removing the items and restoring the site on which they are located.

Subsequent costs, such as replacement costs, are included in the asset's carrying amount or recognised as a separate asset, only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be reliably measured. The carrying amount of parts of items that are replaced is derecognised in accordance with derecognition provisions.

All other costs such as day-to-day servicing and small parts are treated as 'repairs and maintenance' and are charged to the Statement of Financial Performance during the financial period in which they are incurred.

After recognition as an asset, the entity applies the cost model as its accounting policy. An item of property, plant and equipment is carried at its cost less any accumulated depreciation and any accumulated impairment losses.

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

## DEPRECIATION

Depreciation is recognized in the Statement of Financial Performance and is calculated on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. 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. Depreciation is calculated on the cost less the expected residual value of an item of property, plant and equipment, and begins when an asset is available for use.

Item	Average useful life
Computer Equipment	3 years
Furniture and fittings	10 years
Leasehold improvements	5 years

Depreciation methods, useful lives and residual values are re-assessed annually and adjusted if necessary at the end of each reporting period.

The entity assesses at each reporting date whether there is indication that any item of property, plant and equipment may be impaired. If such an indication exists the entity estimates the recoverable service amount of the asset. In assessing whether there is any indication that an asset may be impaired, the entity considers both external and internal sources of information.

Recoverable amount is the higher of the asset's fair value less costs to sell, and its value in use. Value in use is the present value of the asset's remaining service potential. If either of these amounts exceeds the asset's carrying value, the asset is not impaired, and it is not necessary to determine the other amount.

If the asset's carrying value exceeds its recoverable service amount, the asset is impaired. The carrying amount of the asset is then reduced to its recoverable service amount, and this reduction is the impairment loss which is charged as an expense to the Statement of Financial Performance.

### **REVERSAL OF IMPAIRMENT**

The entity shall assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the entity shall estimate the recoverable service amount of that asset.

The increased carrying amount of an asset attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for an asset shall be recognised immediately in the Statement of Financial Performance.

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

### **DERECOGNITION**

The carrying amount of an item of property, plant and equipment shall be 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 item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment, and is recognized in the Statement of Financial Performance when the item is derecognized.

## 1.11 INTANGIBLE ASSETS

### INITIAL RECOGNITION

Intangible Assets are classified as non-monetary assets without physical substance and are only recognized when:

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

For those intangible assets with a definite useful life:

- Amortisation is recognized in the Statement of Financial Performance and is calculated on a straight line basis over the estimated useful life of each part of the intangible asset;
- Amortisation is determined from the date the intangible asset is available for use in the location and condition as intended by management.

### MEASUREMENT AT RECOGNITION

Initial expenditure incurred is recognized and capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

All other expenditure is recognized in the Statement of Financial Performance as an expense when it is incurred.

All intangible assets of the entity have been capitalised on the basis of the costs incurred in order to acquire and bring the assets into use.

### SUBSEQUENT MEASUREMENT

Subsequent expenditure on capitalised intangible assets is recognized and capitalised only when the costs incurred increases the future economic benefits embodied in the specific asset to which it relates.

All other subsequent expenditure is recognized in the Statement of Financial Performance as an expense when it is incurred.

Amortisation:

All items of intangible assets are measured at historic cost less accumulated amortisation and accumulated impairment losses.

The estimated useful lives are as follows:

Item	Average useful life
Computer software	2 years

Amortisation methods and useful lives are reassessed annually and adjusted if necessary at the end of each reporting period.

Amortisation is recognized in the Statement of Financial Performance on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life are systematically tested for impairment at each reporting date. Other intangible assets are amortised from the date they are available for use.

Impairment:

Intangible assets with an indefinite useful life or an intangible asset not yet available for use are tested annually for impairment by comparing the carrying amount with the recoverable amount of the intangible asset. Different intangible assets may be tested for impairment at different times.

If the intangible asset's carrying value exceeds its recoverable service amount, the intangible asset is impaired. The carrying amount of the asset is then reduced to its recoverable service amount, and this reduction is the impairment loss which is charged as an expense to the Statement of Financial Performance.

## **REVERSAL OF IMPAIRMENT**

The entity shall assess at each reporting date whether there is any indication that an impairment loss recognized in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the entity shall estimate the recoverable service amount of that asset.

The increased carrying amount of an asset attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined (net of amortisation) had no impairment loss been recognized for the asset in prior periods.

A reversal of an impairment loss for an asset shall be recognized immediately in the Statement of Financial Performance.

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

## **DERECOGNITION**

The carrying amount of an intangible asset shall be derecognised on disposal or when no future economic benefits are expected from its use or disposal.

The gain or loss arising from the derecognition of an intangible asset is determined by comparing the proceeds from disposal with the carrying amount of the intangible asset, and is recognised in the Statement of Financial Performance when the item is derecognised.

## **1.12 LEASES**

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

### **FINANCE LEASES**

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as the finance lease obligation.

Leases of assets are classified as finance lease whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lease.

Assets held under finance leases are recognised as assets at their fair value at the inception of the lease or, if lower at the present value of the minimum lease payment. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between the finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

The finance leases are measured at fair value in subsequent period.

## **OPERATING LEASES**

Leases under which the lessors effectively retain the risks and benefits of ownership are classified as operating leases. Obligations incurred under operating leases are charged to the statement of financial performance in equal instalments over the lease period.

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. This liability is not discounted.

## **1.13 PROVISIONS AND OTHER LIABILITIES**

A provision is a liability of uncertain timing or amount. Provisions are recognised as liabilities when the entity has a present legal or constructive obligation as a result of a past event, for which 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 amount of the obligation.

The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the reporting date. The best estimate is determined by management judgment, supplemented by experience of similar transactions, and in certain cases reports from independent experts.

## **1.14 CONTINGENCIES AND COMMITMENTS**

### **CONTINGENT LIABILITY**

The entity does not recognise a contingent liability but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

A contingent liability is:

- a possible obligation that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability.

## **COMMITMENTS**

Commitments represent goods/services that have been ordered but no delivery has taken place at the reporting date. These amounts are not recognised in the statement of financial position as a liability or as expenditure in the statement of financial performance. However, the amount is disclosed as part of disclosure notes in the financial statements.

### **1.15 COMPARATIVE FIGURES**

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

### **1.16 IRREGULAR EXPENDITURE**

Irregular expenditure means expenditure incurred in contravention of, or not in accordance with a requirement of any applicable legislation including the PFMA.

On discovery of alleged irregular expenditure, such expenditure will be left in the expenses account and Accounting Authority will record the details of the expenditure in the irregular expenditure register. The Accounting Authority must investigate the alleged irregular expenditure to determine whether the expenditure meets the definition of irregular expenditure.

### **1.17 FRUITLESS AND WASTEFUL EXPENDITURE**

Fruitless and wasteful expenditure is defined as expenditure that was made in vain and would have been avoided had reasonable care been exercised. Such expenditure is treated as a current asset in the Statement of Financial Position until such expenditure is recovered from the responsible official or written off as irrecoverable.

### **1.18 UNAUTHORISED EXPENDITURE**

Unauthorised expenditure means

- overspending on the budget
- expenditure not in accordance with the purpose of the budget

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 if recovered, it is subsequently accounted for as revenue in the statement of financial performance.

## **1.19 BUDGET INFORMATION**

The budget is prepared on a cash basis. The National Consumer Commission's budget for revenue including the transfer payment received through the dti. Expenditure incurred exceeding the transfer payments and other revenue is defrayed from accumulated surplus. The NCC budget is part of the overall DTI vote.

## **1.20 EMPLOYEE BENEFIT**

### **SHORT-TERM EMPLOYEE BENEFIT**

The cost of short-term employee benefits (those benefits payable within twelve months after the service has been rendered) is recognised in the period in which the service is rendered and not discounted. Short-term benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

### **Provident, Pension and Post-Retirement Benefits**

Payments to defined contribution plans are charged as an expense as the fall due.

Payments made to industry managed (or state plans) retirement benefit schemes are recognised as defined contribution plans where the entity's obligation under the scheme is equivalent to those arising in a defined contribution retirement benefit plan.

Contributions to the defined contribution fund are charged to the statement of financial performance in the year to which they relate.

## **1.21 TAXATION**

The entity's income received is exempt from taxation in terms of Section 10 (1) (CA) of the Income Tax Act.

## **1.22 FINANCIAL INSTRUMENTS**

### **RECOGNITION**

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, other liabilities (accruals) and other payables. All non-derivative financial instruments, other than financial instruments at fair value through profit and loss, are initially recognised at fair value plus any directly attributable transaction costs. All non-derivative financial instruments at fair value through profit and loss are initially recognised at fair value excluding any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are classified and measured as described in the individual notes below.

### **(A) FINANCIAL ASSETS**

#### **Classification and Subsequent Measurement**

The entity classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, available-for-sale and held to maturity. The classification depends on the purpose for which the financial assets were acquired. Management initially recognises and determines the classification of its financial assets at acquisition date.

### **(i) Financial assets at fair value through profit or loss**

Financial assets at fair value through the Statement of Financial Performance (profit or loss) are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

Financial assets at fair value through profit or loss are subsequently measured at fair value with changes in fair value being recognised directly in Statement of Financial Performance.

### **(i) Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except if they have maturities greater than twelve months after the end of the reporting period. These are classified as non-current assets.

Loans and receivables are subsequently measured at amortised cost using the effective interest rate method less any impairment loss. Interest income is recognised in the Statement of Financial Performance by applying the effective interest rate.

### **(i) Available-for-sale financial assets**

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within twelve months of the end of the reporting period.

Available for sale financial assets are subsequently measured at fair value with changes in fair value being recognised directly in net assets (equity).

### **(i) Held-to-maturity financial assets**

Held-to-maturity assets are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity other than:

- (a) Those that the entity upon initial recognition designates as at fair value through profit or loss;
- (b) Those that the entity designates as available for sale; and
- (c) Those that meet the definition of loans and receivables.

They are included in non-current assets unless the investment matures or management intends to dispose of it within twelve months of the end of the reporting period.

Held-to-maturity assets are subsequently measured at amortised cost using the effective interest rate method less any impairment loss. Interest income is recognised in the Statement of Financial Performance by applying the effective interest rate.

## **DERECOGNITION**

The entity derecognises a financial asset only when:

- (a) The contractual rights to the cash flows from the financial asset expire, are settled or waived;
- (b) It transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- (c) 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 who has the practical ability to sell the asset in its entirety, and to exercise that ability unilaterally.

Any difference between the consideration received and the amounts recognised and derecognised is recognised in the Statement of Financial Performance in the period of the transfer.

The entity transfers a financial asset if, and only if, it either:

- (a) Transfers the contractual rights to receive the cash flows of the financial asset; or
- (b) Transfers control of the asset to another party.

## **(B) FINANCIAL LIABILITIES**

### **CLASSIFICATION**

The entity classifies its financial liabilities in the following categories: at fair value through profit or loss and held at amortised cost. The classification depends on the purpose for which the financial liabilities were acquired. Management determines the classification of its financial liabilities at initial recognition (trade date).

#### **(i) Financial liabilities at fair value through profit or loss**

Financial liabilities at fair value through the Statement of Financial Performance (profit or loss) are financial liabilities held for trading. A financial liability is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. Liabilities in this category are classified as current liabilities.

Financial liabilities at fair value through profit or loss are subsequently measured at fair value with changes in fair value being recognised directly in Statement of Financial Performance.

#### **(i) Financial liabilities held at amortised cost**

On initial recognition financial liabilities held at amortised cost are measured at their fair value plus transaction costs that are directly attributable to the issue of the financial liability.

The financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Interest expense is recognised in the Statement of Financial Performance by applying the effective interest rate.

### **DERECOGNITION**

The entity removes a financial liability, or a part of a financial liability, from its Statement of Financial Position when, and only when, it is extinguished i.e. when the obligation specified in the contract is discharged or cancelled or expires.

The entity recognises the difference between the carrying amount of the financial liability, or part of a financial liability, extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in the Statement of Financial Performance.

## 1.23 IMPAIRMENT OF ASSETS

### (A) Non-Financial Assets

The carrying amounts of non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any indication of impairment exists, then the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

The recoverable amount of an asset is the greater of its fair value less costs to sell, and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to that asset. Impairment losses are recognised in the Statement of Financial Performance.

An impairment loss recognised in prior periods for an asset is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset shall be increased to its recoverable service amount. This increase is a reversal of an impairment loss.

The increased carrying amount of an asset attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

### (B) Financial Assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events that have had a negative effect on the estimated cash flows of that asset can be reliably estimated. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. All impairment losses are recognised in the Statement of Financial Performance.

## 1.24 OFFSETTING FINANCIAL INSTRUMENTS

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

## 1.25 RELATED PARTIES

A Related party transaction is a transfer of resources or obligations between related parties, regardless of whether a price is charged. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party entity and another entity are subject to common control.

However related party transactions exclude transactions with any other entity that is a related party solely because of its economic dependence on the reporting entity or the sphere of Government of which it forms part of.

Key management is defined as being individuals with the authority and responsibility for planning, directing and controlling the day-to-day activities of the entity. All those officials who report directly to the Commissioner are considered to be a related party of the entity, thus forming part of the entity's key management personnel.

## 1.26 EVENTS AFTER REPORTING PERIOD

Events after the reporting date, are those events both favourable and unfavourable that occur between the reporting date and the date when the Financial Statements are authorised for issue, and are treated as follows:

- (a) The entity shall adjust the amounts recognised in its annual financial statements to reflect adjusting events after the reporting date for those events that provide evidence of conditions that existed at the reporting date , and
- (b) The entity shall not adjust the amounts recognised in its annual financial statements to reflect non-adjusting events after the reporting date for those events that are indicative of conditions that arose after the reporting date.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014

### 2. PROPERTY, PLANT AND EQUIPMENT

Amount R SUMMARY	2014			2013		
	Cost	Accumulated Depreciation	Carrying Value	Cost	Accumulated Depreciation	Carrying Value
Furniture and fittings	1 780 404	416 774	1 363 631	1 932 360	238 233	1 694 127
Computer Equipment	2 584 633	1 396 723	1 187 909	1 899 787	958 797	940 990
Leasehold improvement	48 949	21 710	27 239	48 949	11 900	37 049
<b>TOTAL</b>	<b>4 413 986</b>	<b>1 835 207</b>	<b>2 578 779</b>	<b>3 881 096</b>	<b>1 208 930</b>	<b>2 672 166</b>

Reconciliation - 2014	Opening Balance	Additions	Disposals	Transfers	Depreciation	Closing Balance
Furniture and fittings	1 694 127	44 561	194 476	-	180 581	1 363 631
Computer Equipment	940 990	1 257 998	104 170	20 270	927 179	1 187 909
Leasehold improvement	37 049	-	-	-	9 790	27 239
<b>Carrying Value - 2014</b>	<b>4 413 986</b>	<b>1 302 559</b>	<b>298 646</b>	<b>20 270</b>	<b>1 117 550</b>	<b>2 578 779</b>

Reconciliation - 2014	Opening Balance	Additions	Disposals	Transfers	Depreciation	Closing Balance
Furniture and fittings	1 511 377	375 894	21 806	-	171 339	1 694 127
Computer Equipment	1 640 726	-	30 882	-	668 851	940 990
Leasehold improvement	30 841	16 000	-	-	9 790	37 049
<b>Carrying Value - 2014</b>	<b>3 182 944</b>	<b>391 894</b>	<b>52 688</b>	<b>-</b>	<b>849 980</b>	<b>2 672 166</b>

### 3. INTANGIBLE ASSETS

Amount R SUMMARY	2014			2013		
	Cost	Accumulated Amortisation	Carrying Value	Cost	Accumulated Amortisation	Carrying Value
Computer Software	1 754 978	980 624	774 354	816 781	275 654	541 127
<b>TOTAL</b>	<b>1 754 978</b>	<b>980 624</b>	<b>774 354</b>	<b>816 781</b>	<b>275 654</b>	<b>541 127</b>

Reconciliation 2014	Opening Balance	Additions	Disposals	Cost	Amortisation	Closing Balance
Computer Software	541 127	938 197	-	-	704 970	774 354
<b>Carrying Value - 2014</b>	<b>541 127</b>	<b>938 197</b>	<b>-</b>	<b>-</b>	<b>704 970</b>	<b>774 354</b>

Reconciliation 2014	Opening Balance	Additions	Disposals	Cost	Amortisation	Closing Balance
Computer Software	541 127	938 197	-	-	704 970	774 354
<b>Carrying Value - 2014</b>	<b>541 127</b>	<b>938 197</b>	<b>-</b>	<b>-</b>	<b>704 970</b>	<b>774 354</b>

### 4. Cash and cash equivalents

Bank Balance – current account	6 929 849	4 260 403
Petty Cash	2 000	2 149
<b>TOTAL</b>	<b>6 931 849</b>	<b>4 262 552</b>

Cash and cash equivalents consist of all cash balance of the current account held with Nedbank Limited and the balance of petty cash at year end.

### 5. Trade and receivables from exchange transactions

Accrued interest income	32 341	19 416
Other prepayments	-	432 514
Other receivables	3 340 336	4 008 274
Provision for doubtful debts	(3 340 336)	(3 374 992)
<b>TOTAL</b>	<b>32 341</b>	<b>1 085 212</b>

Cash and cash equivalents consist of all cash balance of the current account held with Nedbank Limited and the balance of petty cash at year end.

## 6. Trade and receivables from non-exchange transaction

Staff debtor	34 410	55 699
<b>TOTAL</b>	<b>34 410</b>	<b>55 699</b>

## 7. Trade and other payables from exchange transactions

Accounts Payable	900 999	55 699
Accrued expenses	806 613	886 797
<b>TOTAL</b>	<b>1 707 612</b>	<b>1 504 364</b>

## 8. Operating Lease Liability

Operating lease liability	581 171	134 076
<b>TOTAL</b>	<b>581 171</b>	<b>134 076</b>

Rental increase is 10% per annum. For the year commencing 01 October 2013 to 30 September 2014, a 5% escalation applied.

## 9. Revenue

Revenue from non- exchange transactions	45 498 094	134 076
Revenue from exchange transactions	372 293	-
<b>TOTAL</b>	<b>45 870 387</b>	<b>48 398 157</b>

### 9.1 Revenue from non-exchange transactions

Transfers received-budget	44 516 000	48 296 490
Transfers received- other	961 824	-
Transfer of assets ( the dti)	20 270	-
<b>TOTAL</b>	<b>45 498 094</b>	<b>48 296 490</b>

### 9.2 Revenue from exchange transactions

Interest Income	358 043	101 667
Other Income	14 250	-
<b>TOTAL</b>	<b>372 293</b>	<b>101 667</b>

The other transfer received is from the SWEEEP fund, allocated to the NCC, which includes the purchase of software and IT equipment.

## 10. Employee related costs

Salaries, bonuses and allowances	23 564 243	19 209 393
Increase/(Decrease) in Leave Provision	130 537	575 805
Employee Contributions	1 937 005	1 395 488
Employer Contributions	2 413 442	1 810 414
<b>TOTAL</b>	<b>28 045 226</b>	<b>22 991 100</b>

## 11. Pension: Defined Contribution Plan

NCC contributes to the Government Employees Pension Fund (GEPF) for all employees. Contributions to the pension plan in respect of service in a particular period are included in the employees' total cost of employment, and are charged to Statement of Financial Performance in the year to which they relate as part of the 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 periods.

## 12. Depreciation and Amortisation Costs

Property, plant and equipment	1 117 550	849 981
Intangible assets	704 970	220 563
<b>TOTAL</b>	<b>1 822 520</b>	<b>1 070 544</b>

## 13. Taxation

The NCC is exempt from Income Tax in terms of section 10(1) (CA) of the Income Tax Act.

## 14. Commitments

### Operating lease commitments

At the statement of financial position date the NCC had outstanding commitments which relate to office building and photocopiers, and which fall due as follows:

	2014		Total
	Office Building	Photo Copying Machines	
Due within one year	5 073 350	109 979	5 183 329
Due between one and three years	8 503 902	-	8 503 902
<b>Total minimum future operating lease payments</b>	<b>13 577 252</b>	<b>109 979</b>	<b>13 687 231</b>

The NCC re-negotiated the building operating lease during the year. The new lease is effective over the same remaining period as the old lease, and will expire on 30 September 2016. The new lease allows for an escalation of 10% per annum. In October 2013 the NCC received an escalation of 5% instead of 10% from the landlord. Increases are effective as at 01 October of each remaining year of the lease.

### Other Commitments

Approved and contracted for	2 316 264
<b>TOTAL</b>	<b>2 316 264</b>

	2013		
	Office Building	Photo Copying Machines	Total
Due within one year	4 831 763	188 535	5 020 298
Due between one and three years	14 223 788	125 690	14 349 478
<b>Total minimum future operating lease payments</b>	<b>19 055 551</b>	<b>314 225</b>	<b>19 369 776</b>

The NCC rents the building under an operating lease for a period of five years with a renewal option. The lease agreement for the building was entered into on 1 October 2011 for a period of five years, expiring on 30 September 2016. The Lessor allows for annual escalation of 10% per annum.

NCC rents photocopying machines under an operating lease for a period of three years effective from 01 December 2012, expiring on 30 November 2014.

Internal Audit		Total
<b>Other Commitments</b>		
Approved and contracted for	324 216	324 216
<b>TOTAL</b>	<b>324 216</b>	<b>324 216</b>

## 15. Audit and Risk Committee Remuneration

Name of Committee Members	Committee Fees	2014	
		Travel Expenses	Total Remuneration
Denis Braithwaite - Chairperson	152 372	2 435	154 807
Phuti Semanya	102 416	1 432	103 848
Dikgale Franklin	19 478	72	19 550
Mantuka Maisela	190 045	3 485	193 530
Kumaran Naidoo – (Representative of the dti)	-	-	-
<b>TOTAL</b>	<b>464 311</b>	<b>7 424</b>	<b>471 735</b>

Name of Committee Members	Committee Fees	2013	
		Travel Expenses	Total Remuneration
Denis Braithwaite - Chairperson	3 207	-	3 207
Phuti Semanya	1 947	-	1 947
Dikgale Franklin	1 947	-	1 947
Mantuka Maisela	3 894	-	3 894
<b>TOTAL</b>	<b>10 995</b>	<b>-</b>	<b>10 995</b>

## 16. Executive Management Remuneration

Name of Committee Members	2014			Total Remuneration
	Basic Salary	Pension Fund	Other	
Ebrahim Mohamed - Commissioner	1 005 688	130 740	219 121	1 355 549
Thezi Mabuza - Deputy Commissioner	132 640	17 243	28 549	178 432
Kgabo Mantsho - Chief Financial Officer	557 787	72 512	299 346	929 645
David Ngoako Railo - Head Of Research	619 792	80 573	323 851	1 024 215
Prudence Moilwa - Head of Investigations	557 787	72 512	299 607	929 906
Thupayahlase Oatlotse - Head of Legal	557 787	72 512	299 607	929 906
Phumeza Mlungu - Head of Education and Awareness	557 787	72 512	298 461	928 760
<b>TOTAL</b>	<b>3 989 268</b>	<b>518 604</b>	<b>1 768 542</b>	<b>6 276 414</b>

Name of Committee Members	2013			Total Remuneration
	Basic Salary	Pension Fund	Other	
Mamodupi Mohlala - Commissioner	396 189	51 505	212 621	660 315
Ebrahim Mohammed - Deputy/Acting Commissioner	811 881	105 545	242 404	1 159 830
Kgabo Mantsho - Chief Financial Officer	523 328	68 033	280 853	872 214
David Ngoako Railo - Head Of Research	589 525	76 638	316 379	982 542
Prudence Moilwa - Head of Investigations	523 328	68 033	280 853	872 214
Thupayahlase Oatlotse - Head of Legal	392 496	51 025	221 542	665 063
Phumeza Mlungu - Head of Education and Awareness	392 496	51 025	214 274	657 795
<b>TOTAL</b>	<b>3 629 245</b>	<b>471 804</b>	<b>1 768 542</b>	<b>5 869 975</b>

## 17. Reconciliation of Net Cash Flows from Operating Activities to Surplus

	2014 R	2013 - Restated R
Surplus/Deficit per Statement of financial Performance	954 097	3 974 624
<b>Non-cash adjustments for:</b>		
Depreciation and amortisation	1 822 520	1 070 544
Assets transferred from <b>the dti</b>	(20 270)	-
Accrued Interest	(32 341)	(19 416)
Finance costs		26 872
Loss on disposal of assets	185 419	52 691
Operating Lease Liability	447 095	134 076
Leave Payout provision expense	130 537	575 805
Shortfall - SARS	19 996	
Bad Debts	(34 656)	3 374 992
Prior year assets	(113 228)	
Prior year Staff Debtor	(32 360)	
Discount Received	(14 250)	
Operating Expenditure-prior year misstatement		(254 815)
<b>Changes in working capital:</b>		
Decrease in Trade and other receivables	971 290	(1 524 265)
Increase in Trade and other payables	203 248	(1 902 675)
Net cash inflows from operating activities	<b>4 487 097</b>	<b>5 508 433</b>

## 18. Operating Expenditure

	<b>2014 R</b>	<b>2013 R</b>
Bank Charges	103 126	115 184
Bad Debts	(34 656)	3 374 992
Assets<R5000	-	3 607
Software License Fees	370 338	26 730
Temporary Employees	24 638	62 143
Advertising	216 007	154 748
Audit Fees - External	1 759 836	1 800 413
Catering	61 145	33 336
Entertainment	-	1 947
Telephone and Faxes	1 165 967	1 145 944
Computer Services	87 691	280 942
Consultant Costs	1 108 098	1 132 073
Legal Costs	149 597	3 927 904
Internal Audit Fees	371 943	127 004
Consumables / Groceries	6 860	700
Printing and Stationery	235 732	109 081
Lease Payments - Printers & Copiers	280 386	-
Water and Electricity	451 440	297 373
Printing and Publications	598 410	247 684
Travel & Subsistence	757 782	683 578
IT88S- Penalties and Fines (SARS)	26 418	339 295
	-	-
Insurance Cost	62 338	-
Venues and Facilities	70 645	60 290
Security Services	1 162 670	605 478
Cleaning Expenses	493 250	649 486
Repairs and Maintenance	105 824	762
Postage and Courier	4 105	9 048
Office Rental	5 163 651	4 957 786
Profit/loss of Assets	185 419	52 691
Strategic Planning Costs	59 884	134 798
	<b>15 048 544</b>	<b>20 361 889</b>

## 19. Related Party Relationships – Nature

### (a). Non-Executive : Audit and Risk Committee Members:

The names of the Audit and Risk Committee Member have been disclosed in Note No. 15 above.

### (b). Executive Management:

The names of all Executive Manager have been disclosed in Note No. 16 above.

### (c). Executive Authority: Department of Trade and Industry

The NCC is a National Public Entity reporting to the Minister of Trade and Industry. The Department of Trade and Industry, including their trading entities are related parties of the NCC. These include the following entities: National Consumer Tribunal, Companies and Intellectual Property Commission, Companies Tribunal, South African Bureau of Standards, National Regulator for Compulsory Standards, National Credit Regulator, National Gambling Board, National Lotteries Board, Small Enterprise Development Agency, National Empowerment Fund, South African National Accreditation System, National Metrology Institute of South Africa and Export Credit Insurance Corporation of South Africa.

## 20. Related Party Transactions – Amount

### (a). Non-Executive Board Members and the Audit and Risk Committee Members:

The total value of all transactions in respect of the Audit and Risk Committee Members are disclosed in Note No. 15 above.

### (b). Executive Management:

The total value of all transactions in respect of Executive Management is disclosed in Note No. 16.

### (c). Executive Authority: Minister of Trade and Industry

The following amounts were received from the Department of Trade and Industry:

	<b>2014</b>	<b>2013</b>
	<b>R</b>	<b>R</b>
	<b>45 498 094</b>	<b>48 296 490</b>
Grant Received	44 516 000	41 577 000
Assets transferred from the dti	20 270	
Other Transfers Received	961 824	6 719 490

## 21. Financial Instruments and Risk Management

The Agency's financial instruments consist mainly of cash at bank and cash equivalents, other receivables and other payables. All financial instruments are measured and recognised at fair value. The bank deposits and bank balances, receivables and payables approximate their fair value due to the short term nature of these instruments.

No financial instrument is carried at an amount in excess of its fair value.

The fair values together with the carrying amounts have been determined by using available market information and are shown in the Statement of Financial Position as detailed below.

### Financial Assets - at carrying value

Cash and cash equivalents	6 931 849	4 262 552
Accrued income	32 341	19 416
<b>TOTAL</b>	<b>6 964 190</b>	<b>4 281 968</b>

### Financial Liabilities - at carrying value

Accrued expenses	806 613	886 797
Other liabilities	900 999	886 797
<b>TOTAL</b>	<b>1 707 612</b>	<b>1 504 364</b>

### Fair Value of Financial Instruments: Financial Assets by Category - at Fair Value:

Cash and cash equivalents	6 931 849	4 262 552
Accrued income	32 341	19 416
<b>TOTAL</b>	<b>6 964 190</b>	<b>4 281 968</b>

### Financial liabilities held at amortised cost:

Other Liabilities	900 999	617 567
Accrued expenses	806 613	886 797
<b>TOTAL</b>	<b>1 707 612</b>	<b>1 504 364</b>

The revenue and expenses that are included the Statement of Financial Performance are detailed below per category of financial instrument.

### Income from Cash and cash equivalents:

Finance Income	358 043	101 667
<b>TOTAL</b>	<b>358 043</b>	<b>101667</b>

## Financial Instruments

Potential concentrations of credit risk consist mainly of cash and cash equivalents, trade receivables and other receivables. Other receivables consist of accrued interest and prepayments, of which the credit risk is limited, as interest receivable from banks and prepayments, is minimal.

At 31 March 2014, NCC did not consider there to be any significant concentration of credit risk which had not been insured or adequately provided for.

## Risk Management

### Credit Risk

Credit risk consists mainly of cash deposits, cash equivalents and trade receivables. The entity only deposits cash with major banks with high quality credit standings and limits exposure to anyone counter-party.

### Interest rate risk management

As the entity has no significant interest-bearing assets, the entity's income and operating cash flows are substantially independent of changes in market interest rates.

### Foreign exchange risk management

The Agency is not exposed to any foreign exchange risk.

### Liquidity risk management

The entity manages liquidity risk through the compilation and monitoring of cash flow forecasts as well as ensuring that there are adequate banking facilities.

The maturity profiles of the financial instruments are summarised as follows:

Maturity Period	0 - 12 Months	1 - 5 Years	> 5 Years
<b>Financial Liabilities</b>			
Other Liabilities	900 999	-	-
Accrued expenses	806 613	-	-
<b>TOTAL</b>	<b>1 707 612</b>	-	-

### Trade and Other Receivable past due but not impaired

	Neither past due nor impaired	< 60 days	60 - 90 days	90 - 120 days	120+ days	TOTAL
2013	-	-	-	-	-	-
2014	-	-	-	-	27 000	27 000

## Trade and Other Receivables Impaired

### The ageing of these receivables is as follows

	2014 R	2013 R
1 to 3 months	-	-
3 to 6 months	-	-
6 to 9 months	-	-
Over 9 months	3 340 336	3 374 992

### Reconciliation of Doubtful Debt Provision

Opening Balance	3 374 992	-
Contributions to provision	(34 656)	3 374 992
Doubtful debts written off against provision	-	-
Reversal of prior year provision	-	-
Amounts used	-	-
Increase / Decrease due to change in estimate	-	-
Change due to correction of errors	-	-

<b>Closing balance</b>	<b>3 340 336</b>	<b>3 374 992</b>
------------------------	------------------	------------------

## 22. Reconciliation of provision for Leave Pay

	2014 R	2013 R
Opening balance	815 075	239 270
Leave provision expense for the year	130 537	575 805
Restatement of prior year balance	-	-

<b>Closing balance</b>	<b>945 612</b>	<b>815 075</b>
------------------------	----------------	----------------

The NCC Human Resources Policy stipulates that all officials are required to take accumulated annual leave days within the first six month period of the next annual leave cycle, failing which those leave days accrued to the official are forfeited.

## 23. Contingent Liabilities

Details of Contingent Liabilities are as follows:

### CCMA Arbitration Matter

Alleged unfair termination of two fixed term contracts. The amount being claimed is R630 000. The matter is yet to be finalised.

### RAM 77 AT-R Construction CC

RAM 77 AT-R Construction CC (RAM) was contracted to provide a Call Centre Management System (CCMS) to the NCC. The contract was further awarded to a subcontractor. The CCMS was never provided to the NCC. The NCC was informed that legal action would be taken against the NCC for breach in terms of the agreement. The amount being claimed is R1 305 875. No further proceedings in this matter. However the matter has not prescribed.

Izwelethu had been awarded a contract to provide security services to the NCC. Due to non-performance on their part, being that thefts still occurred during their time at the NCC, their services were terminated. Izwelethu are claiming damages for the remaining period of the contract. The amount being claimed is R375 000. No further proceedings in this matter. However the matter has not prescribed.

## National Treasury

Surplus retained by the National Consumer Commission, without the approval from Treasury. The ultimate outcome of this matter has not yet been determined, but could potentially be demanded by Treasury. The amount, net of Accounts Payable, is R5 224 237.00. This amount includes the surplus for the year ended 31 March 2013 which the entity is awaiting approval from National Treasury.

## 24. Budget differences

Differences between budget and actual amounts basis of preparation and presentation

The budget and the accounting bases differ. The annual financial statements of the National Consumer Commission are required on the accrual basis using a classification based on the nature of expenses in the statement of financial performance. The annual financial statements differ from the budget which is approved on the cash basis.

The amounts in the annual financial statements were adjusted from the accrual basis to the cash basis and classified by functional Classification to be on the same basis as the final approved budget.

### Reconciliation of surplus per Statement of Comparison of Budget and Actual Amounts

	<b>2014</b>
	<b>R</b>
Actual amounts of Comparable Basis as Presented in the Budget and Actual Comparative Statement	4 487 097
Basis differences	3 533 000
<b>Actual amount in the Statement of financial performance</b>	<b>954 097</b>
<b>The basis difference consist of:</b>	
Depreciation	1 822 520
Assets transferred from <b>the dti</b>	(20 270)
Accrued Interest	(32 341)
Loss on disposal of assets	185 419
SARS Shortfall	19 996
Operating lease liability	447 095
Leave pay-out provision expense	130 537
Bad Debts	(34 656)
Prior year assets	(113 228)
Prior year staff debtor	(32 360)
Discount received	(14 250)
Movement in receivables	971 290
Movement in payables	203 248
<b>TOTAL</b>	<b>3 533 000</b>

## **Explanation of material difference between the final budget and actual**

### **Revenue**

The National Consumer Commission received an additional fund from the dti from SWEEEP account to purchase IT equipment.

### **Compensation of employees**

Challenges in filling of posts. The higher costs follow the salary increase and the incorporation of additional staff into the organizational structure.

### **Audit cost**

Cost increased due to the additional time that auditors spent, and also to correct errors that relate to the prior year and the misstatement of the financials.

### **Communication**

A new contact centre which is a core function of the NCC, was established in the course of the financial year, which also requires monthly maintenance.

### **Travel and subsistence**

In terms of the Consumer Protection Act the Executive Authority may direct that the NCC conducts certain investigation during the course of the financial year. This result in additional work performed and incidental travel costs.

### **Security services**

The expenditure relates to security at vacant property. The entity appointed a reputable security company due to the historical theft record of the organization.

### **Office rental**

Since October 2012 the NCC has dealt directly with the owner of the building as opposed to an intermediary. The operating lease amounts are affected by the arrangement.

## 25. Fruitless and Wasteful Expenditure

	<b>2014 R</b>	<b>2013 R</b>
Opening Balance	3 575 439	135
Finance expense		26 872
Unnecessary printing expense		52 020
Legal fees of a personal nature - Former Commissioner		27 622
Call Centre management system - RAM 77 At-R's Construction CC		717 105
Assets paid for and never received		306 195
VAT incorrectly claimed		764 536
Assets no longer in use		125 867
Legal fees of a personal nature - Former Commissioner		45 600
Assets paid for and never received		1 031 770
VAT incorrectly claimed		477 717
<b>Identified in current year, relating to prior year</b>		
SARS - Interest and Penalty	26 418	-
<b>TOTAL</b>	<b>3 601 857</b>	<b>3 575 439</b>

The Legal Division of the National Consumer Commission has been instructed to recover fruitless and wasteful expenditure. Attorneys have been engaged for this purpose.

## Irregular Expenditure

	<b>2014 R</b>	<b>2013 Restated R</b>
<b>Details of Irregular Expenditure (not condoned)</b>	6 919 356	14 876 455
Goods and service with a transaction value between R10 000 and R500 000 were procured without obtaining written quotations from three different prospective suppliers.	6 452	235 593
Invitations for competitive bids not advertised within 21 days as per Treasury Regulation	5 167 996	7 508 344
Procurement process not followed as per Treasury Regulation and PFMA	834 414	2 871 871
Irregular in terms of the PFMA – Preferential scoring system not applied	255 471	839 303
Documentation/contracts stolen	361 861	3 421 344
Prior year - documentation stolen	293 162	-
Confirmed amount	6 264 333	11 455 111
Unconfirmed amount	655 023	3 421 344

## Confirmed Irregular Expenditure

Condonement (approval) from National Treasury was required for expenses totaling R5 873 130.00 where the required procurement processes were not followed.

## The Irregular Expenditure Comprises of the Following Transactions:

Lease Building	5 167 996
Filling services	3 403
Telephone services	701 731
Accounting and VIP system support	255 471
Internet services	132 683
Information technology services	3 050

National Treasury did not condone the irregular expenditure of R5 873 130 due to the nature of the transgressions, which did not warrant a condonation of the irregular expenditure in question.

The irregular expenditure of R255 471 relates to preferential scoring system not being applied, and will be submitted to National Treasury for condonement.

The irregular expenditure of R135 733 relate to the transaction that were not procured without obtaining written quotations from three different prospective suppliers.

### Unconfirmed Irregular Expenditure

Given the theft of documentation from the offices of the NCC, expected irregular expenditure of R3 421 344 for the year 2012/13 financial year, and R655 023 for the 2013/14 financial year could not be confirmed.

It was impracticable to determine whether due process as required in terms of PFMA and Treasury Regulations was followed.

### The irregular expenditure for which supporting documents were stolen, comprise the following transactions:

	2014	2013
Support services	655 023	3 421 344

A forensic investigation was undertaken, and disciplinary actions are being taken against the transgressors. In addition to the disciplinary actions, criminal actions are also being contemplated.

## 28. Prior Period Errors

### The following prior period errors were identified and adjustments passed.

**Property, Plant and Equipment:** During physical verification of assets count, the entity had identified that they were assets on the floor not on the assets register.

**Staff Debtor:** Error in closing entry that relate to prior year.

**Trade and Other Payables:** Prior year restated accruals.

**Operating Expenditure:** Transaction that were incurred in prior year and reported and paid in the current financial year.

**Irregular Expenditure** – It was discovered in the current year that prior irregular expenditure were overstated.

The impact of these errors are summarised below and the details are shown below:

**Statement of Financial Position**

	<b>2014</b> <b>R</b>
Property, plant and equipment	113 228
Staff debtor	32 360
Trade and other payables	(254 815)
Retained earnings	109 227
<b>TOTAL</b>	<b>-</b>

**Statement of Financial Performance**

Operating expenditure	254 815
<b>TOTAL</b>	<b>254 815</b>



**PART 5:  
HUMAN RESOURCE  
MANAGEMENT**

## 5.1 Human Resources Oversight Statistics

### Personnel Cost by programme

Programme	Total Expenditure for the entity	Personnel Expenditure	Personnel exp. as a % of total exp.	No. of employees	Average personnel cost per employee
Office of the Commissioner	2 707 759	676 940	25%	4	169 235
Corporate Services	4 909 693	490 969	10%	10	49 097
Enforcement and Investigation	8 584 073	238 446	3%	36	6 624
Legal Services	2 466 505	616 626	25%	4	154 157
Awareness, Education and Compliance	3 186 005	245 077	8%	13	18 852
Research Analysis and Knowledge Management	2 192 088	438 418	20%	5	87 684
<b>TOTAL</b>	<b>24 046 123</b>	<b>2 706 476</b>	<b>-</b>	<b>72</b>	<b>-</b>

### Personnel cost by salary band Level

Level	Personnel Expenditure	Personnel exp. as a % of total exp.	No. of employees	Average personnel cost per employee
Top Management	1 675 061	7%	2	837 531
Senior Management	11 493 539	45%	14	820 967
Professional qualified	7 313 268	28%	18	406 293
Skilled	5 205 336	20%	41	126 959
Semi-skilled	N/A	N/A	N/A	N/A
Unskilled	N/A	N/A	N/A	N/A
<b>TOTAL</b>	<b>25 687 204</b>	<b>-</b>	<b>75</b> <b>(Including three employees that resigned)</b>	<b>2 191 750</b>

## Performance Rewards

Programme	Performance rewards	Personnel Expenditure (R'000)	% of performance rewards to total personnel cost (R'000)
Top Management	0	0	0
Senior Management	0	0	0
Professional qualified	0	0	0
Skilled	0	0	0
Semi-skilled	0	0	0
Unskilled	0	0	0
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>

The performance management system implemented by the NCC was effective from 01 April 2013. Thus, performance rewards, where applicable, will be finalised in the next financial year.

## Training Costs

Directorate/ Business Unit	Personnel Expenditure (R'000)	Training Expenditure (R'000)	Training Expenditure as a % of Personnel Cost.	No. of employees trained	Avg training cost per employee
ALL Directorates/ Units	0	0	0	0	0

No formal training conducted in the year under review. There was no training budget allocated for 2013/14 financial year.

## Employment and vacancies

Programme	2012/2013 No. of Employees	2013/2014 Approved Posts	2013/2014 No. of Employees	2013/2014 Vacancies	% of vacancies
Top Management	2	2	2	0	0%
Senior Management	12	22	14	8	64%
Professional qualified	13 (includes two contractors)	65	16	49	25%
Skilled	41	93	40	53	43%
Semi-skilled	0	0	0	0	0
Unskilled	0	0	0	0	0
<b>TOTAL</b>	<b>68</b>	<b>182</b>	<b>72</b>	<b>110</b>	

Top Management (Salary level 15-16)

Senior Management (Salary level 13-14)

Professionals (Salary level 8-12)

Skilled (Salary level 5-7)

The NCC approved structure is not fully supported financially. The vast majority of vacant positions are unfunded. The budget allocated is insufficient to fill all vacant positions. The positions have been largely vacant since the inception of the NCC. The increase in the budget allocation over the next three years does not allow all vacant positions to be filled. Thus, the structure will be revisited in the next financial year.

### Employment changes:

The following tables provide information on changes in employment over the financial year. The turnover rate at the NCC was very low in the year, in that only one person had resigned

Programme	2012/2013 No. of Employees	2013/2014 Approved Posts	2013/2014 No. of Employees	2013/2014 Vacancies	% of vacancies
Office of the Commissioner	2	10	4	6	40%
Corporate Services	10	32	10	22	31%
Enforcement and Investigation	35	58	36	22	62%
Legal Services	4	13	4	9	30%
Education, Compliance and Advocacy	5	56	13	43	23%
Research Analysis and Knowledge Management	5	13	5	8	38%
<b>TOTAL</b>	<b>61</b>	<b>182</b>	<b>72</b>	<b>110</b>	

Salary Band	Employment at beginning of period	Appointments	Terminations	Employment at end of the period	Salary Band
Top Management	1	1	0	2	SR15-16
Senior Management	14	0	0	14	SR13-14
Professional qualified	18	0	2	16	SR10-11
Skilled	41	0	1	40	SR5-6
Semi-skilled	0	0	0	0	0
Unskilled	0	0	0	0	0
<b>TOTAL</b>	<b>74</b>	<b>1</b>	<b>3</b>	<b>72</b>	<b>SR5-16</b>

Top Management (Salary level 15-16)

Senior Management (Salary level 13-14)

Professionals (Salary level 8-12)

Skilled (Salary level 5-7)

Reasons for staff leaving

	NUMBER	NUMBER
Death		N/A
Resignation		1
Dismissal		N/A
Retirement		N/A
Ill health		N/A
Expiry of contract		2
Other		N/A
<b>Total</b>		N/A

There is minimal turnover rate in the organisation with only 1 resignation. The employee resigned voluntarily. Two fixed terms contracts had expired. These were not renewed.

### Labour Relations: Misconduct and disciplinary action

NATURE OF DISCIPLINARY ACTION	NUMBER
Verbal Warning	2
Written Warning	1
Final Written warning	0
Dismissal	0
	0

The Chief Financial officer has been suspended. The disciplinary hearing is set down for April 2014. The disciplinary hearing of one other senior employee is set down for May 2014.

### Equity Target and Employment Equity Status

LEVELS	Male							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	1	-	0	-	1	-	0	-
Senior Management	8	-	0	-	1	-	0	-
Professional qualified	7	-	0	-	0	-	0	-
Skilled	20	-	0	-	0	-	0	-
Semi-skilled	0	0	0	0	0	0	0	0
Unskilled	0	0	0	0	0	0	0	0
<b>TOTAL</b>	<b>36</b>	<b>0</b>	<b>-</b>	<b>-</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>-</b>

LEVELS	FEMALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	1	-	0	-	0	-	0	-
Senior Management	4	-	0	-	0	-	0	-
Professional qualified	9	-	0	-	0	-	0	-
Skilled	19	-	0	-	0	-	0	-
Semi-skilled	0	-	0	-	0	-	0	-
Unskilled	0	0	0	0	0	0	0	0
<b>TOTAL</b>	<b>33</b>	-	-	-	-	-	-	-

LEVELS	DISABLED STAFF							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	0	-	0	-	0	-	0	-
Senior Management	1	-	0	-	0	-	0	-
Professional qualified	0	-	0	-	0	-	0	-
Skilled	1	-	0	-	0	-	0	-
Semi-skilled	0	-	0	-	0	-	0	-
Unskilled	0	-	0	-	0	-	0	-
<b>TOTAL</b>	<b>2</b>	-	<b>0</b>	-	<b>0</b>	-	<b>0</b>	-

NCC had defined equity targets per gender and disability groupings without narrowing it down to salary levels.

With regard to the overall gender target of 50 percent of women, the NCC has 47 per cent of female employees. Male employees make up 53 per cent of the total employees. People with disability constitute 3 per cent of total employees.

## LIST OF ACRONYMS/ ABBREVIATIONS

<b>CI</b>	Consumers International
<b>CCRD</b>	Consumer and Corporate Regulation Division
<b>CPA/ Consumer Protection Act</b>	Consumer Protection Act No. 68 of 2008
<b>Executive Authority /the dti</b>	Department of Trade and Industry
<b>GRAP</b>	Generally Recognised Accounting Practices
<b>IT</b>	Information Technology
<b>PFMA</b>	Public Finance Management Act, 1999, Act No. 1 of 1999
<b>Plan</b>	Fraud Prevention Plan
<b>NCC</b>	The National Consumer Commission
<b>NRCS</b>	National Regulator for Compulsory Standards
<b>POPI</b>	Protection of Personal Information Act
<b>Portfolio Committee</b>	Portfolio Committee on Trade and Industry
<b>SABS</b>	South African Bureau of Standards
<b>SANAS</b>	South African National Accreditation System

**National Consumer Commission (NCC)**

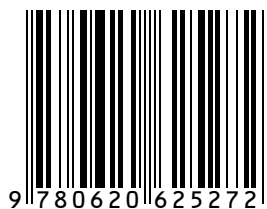
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