ANNUAL REPORT

2020/2021

NATIONAL CONSUMER COMMISSION

a member of the dti group

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PART A
GENERAL INFORMATION

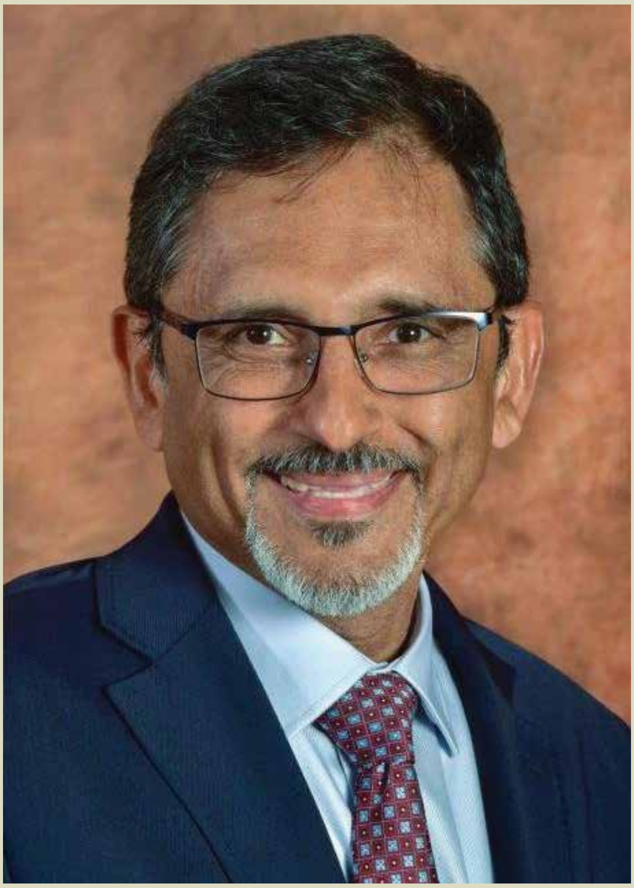
1. GENERAL INFORMATION

REGISTERED NAME:	NATIONAL CONSUMER COMMISSION
PHYSICAL ADDRESS:	1 Dr Lategan Road SABS Campus Floors 4 & 5 Groenkloof Pretoria
POSTAL ADDRESS:	P.O. Box 36628 Menlo Park 0102
TELEPHONE NUMBER/S:	012 428 7000
EMAIL ADDRESS:	Commissioner@thencc.org.za
WEBSITE ADDRESS:	http://www.thencc.gov.za/
EXTERNAL AUDITORS:	Rain Chartered Accountants Inc
BANKERS:	Nedbank Ltd
COMPANY SECRETARY:	Mr Joseph Selolo

2. LIST OF ABBREVIATIONS/ACRONYMS

APP	Annual Performance Plan
CCRB	Consumer and Corporate Regulation Branch
CGSO	Consumer Goods and Services Ombud
CIPC	Companies and Intellectual Property Commission
CPA/ Consumer Protection Act	Consumer Protection Act No. 68 of 2008
DPSA	Department of Public Service and Administration
Executive Authority /the dtic	Department of Trade, Industry and Competition
FSCA	Financial Sector Conduct Authority
FPP	Fraud Prevention Plan
GRAP	Generally Recognised Accounting Practices
IT	Information Technology
MIOSA	Motor Industry Ombud of South Africa
NCC	The National Consumer Commission
NCR	National Credit Regulator
NCT /Tribunal	National Consumer Tribunal
NRCS	National Regulator for Compulsory Specifications
PEO	Public Entity Oversight Unit (of **the dtic**)
PFMA	Public Finance Management Act, Act No. 1 of 1999
Portfolio Committee	Portfolio Committee on Trade, Industry and Competition

3. FOREWORD
BY THE MINISTER OF TRADE, INDUSTRY & COMPETITION



It is my pleasure to table the Annual Report of the National Consumer Commission (NCC) for the 2020/21 financial year. The Report sets out the performance information, governance report, human resources and financial information for the past financial year, a particularly challenging period for many public and private institutions due to the devastating effects of the Covid-19 pandemic.

As the society recovered from the first waves of Covid-19, the focus has shifted to economic recovery, in line with the Economic Reconstruction and Recovery Plan (ERRP). In the new financial year ending March 2022, every agency of **the dtic** has been requested to report on its contribution to South Africa's national development goals, with a focus on seven key areas, which are termed 'joint indicators'. In this way, the combined efforts of all public entities will begin to be aligned to the national priorities in a more explicit manner.

These cover the following areas:

- Joint Indicator 1: Integrated Support to Drive Industrialisation (which includes the work on localisation and sector master plans as well as efforts to support beneficiation)
- Joint Indicator 2: Contribution to the development of an AfCFTA Export Plan
- Joint Indicator 3: Investment Facilitation and Growth
- Joint Indicator 4: Development Model and Spatial Equity to enable the impact of all public sector work to be measured and integrated at district level
- Joint Indicator 5: Actions to Promote Transformation
- Joint Indicator 6: The Green Economy and Greening the Economy
- Joint Indicator 7: Strengthening and Building a Capable State

In respect of building a capable state, for example, all public entities will be required to review their procedures, timeframes for delivery, forms to be filled in and public communication of services to simplify these, make processes expeditious where possible, remove unnecessary red-tape where these exist and make it easier for users to access services. The NCC will need to identify key areas of its work where these reforms can be identified and applied.

I note that the NCC met its targets and achieved an unqualified audit opinion. I also note the challenges the NCC had to endure in relation to its ICT infrastructure and human resources; I am confident that the commissioning of their newly-acquired ICT infrastructure in this calendar year will alleviate some of the challenges.

Finally, I thank the NCC team for their efforts in the past year and extend my condolences to loved ones who passed away during the period.

Mr Ebrahim Patel
Minister of Trade, Industry and Competition

3.1 Submission of the Annual Report to the Executive Authority

NATIONAL CONSUMER COMMISSION

1 Dr Lategan Road, SABS Precinct, Building C, Floor 4 & 5, Groenkloof Pretoria

Tel: 012 428 7750, Email: T.Mabuza@thencc.org.za

The Honourable Minister
Mr Ebrahim Patel
Department of Trade, Industry and Competition
Pretoria, 0027

Dear Sir

SUBMISSION OF NATIONAL CONSUMER COMMISSION ANNUAL REPORT 2020/21

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 2020/21 financial year which has been drafted in accordance with National Treasury guidelines and templates.

Yours faithfully

Ms. Thezi Mabuza
Acting Commissioner
National Consumer Commission
30 July 2021

4. COMMISSIONER'S OVERVIEW
OVERVIEW BY THE ACCOUNTING AUTHORITY

It is a pleasure for me to present the Annual Report of the National Consumer Commission for the 2020/21 financial year.

The year under review was chaotic and emotionally taxing on staff following the declaration of a National State of Disaster. The NCC was declared an essential service and had to find new robust ways of rendering its services to consumers. The workload increased as we tried to enforce our mandate of protecting consumers against unfair and unjustified price increases in the sale of basic goods and services.

The NCC continued to receive complaints from consumers through its toll-free line and wishes to thank those consumers that lodged their complaints. The NCC took enforcement action against suppliers who contravened the Consumer Protection Act. The enforcement action consisted of Compliance Notices, referral to the National Consumer Tribunal (Tribunal) and negotiated settlement agreements. In respect of matters referred to the Tribunal, settlement agreements and administrative fines to the tune of R 36 262 796.00 were imposed against suppliers. A total of R 2 837 766.15 was refunded to Consumers in terms of both Tribunal orders and settlement agreements.

The NCC collaborated with the Asset Forfeiture Unit of the National Prosecuting Authority to obtain a preservation order in the sum of R15 556 358.96 against UP Money, an entity that was operating a pyramid scheme. The NCC went further to successfully apply for an order declaring UP Money to have been engaged in a pyramid scheme. The intervention of the NCC resulted in the total collapse of the scheme and saved consumers, specifically the most vulnerable, from further loss of large sums of money. Up Money was ordered to pay an administrative fine of one million Rands (R1 000 000.00)

One of the mandates of the NCC is to ensure that goods imported into the country and those offered for sale, comply with the labelling requirement as stipulated in the Consumer Protection Act. The NCC conducted investigations into importers and suppliers of clothing, textiles and leather goods; Compliance Notices to the value of R18 649 374,50 were issued in respect of consignments of non-compliant imported footwear, leather, clothing and textile goods to the effect that the goods be destroyed or returned to country of origin. The re-exportation back to country of origin or destruction prevents the proliferation of non-compliant goods into the South African market.

The NCC had seven (7) annual performance targets and achieved all of them. The NCC further obtained an unqualified audit but suffered serious setbacks in the process due to aging ICT infrastructure with insufficient server storage capacity and inadequate data backup that led to loss of critical documents. The resignation of critical staff members in Finance and Supply Chain Management between March and May 2021 also contributed to challenges in the retrieval of physical documents.

The allocated budget was reduced during the course of the financial year. The reduction had serious impact on staff morale as there was no provision for cost of living adjustment as the remuneration budget remained the same as the previous financial year. This also meant that there was an overall reduction of the general expenditure budget while the demand on the services of the NCC increased. The increase in numbers and complexity of the matters the NCC had to investigate and prosecute at the Tribunal, led to an increase in the cost of legal fees compared to the previous financial year.

The NCC is at an advanced stage of implementing the new ICT Backend Infrastructure Upgrade Project that will include offsite data replication. It is envisaged that the project will be completed by the end of Quarter 2 of 2021/22 and will replace the aging infrastructure.

As the NCC was declared an essential service, the Contact Centre remained operational to continue accepting complaints from consumers and officials had to travel throughout the country to conduct investigations during the different levels of lockdown. The NCC developed and implemented a COVID-19 mitigation plan to ensure safety of staff and consumers. While 50% of NCC staff reported at the office daily, the NCC reported only 3 cases of infections from its staff complement of 73. I thank the staff at the NCC for their dedication in performing their tasks and their adherence to the safety protocols.

I thank the NCC's Audit and Risk Committee for its continuous invaluable guidance and assistance. In executing its mandate, the NCC relies immensely on its stakeholders, including the United Nations Conference on Trade and Development, Africa Dialogue member states, International Consumer Protection Enforcement Network, provincial consumer protection authorities, accredited ombud-schemes, as well as domestic law enforcement agencies and regulators. I therefore extend my gratitude to them for their continued cooperation and support.

In conclusion, I extend my gratitude to Minister Patel and Deputy Minister Nomalungelo Gina for their excellent leadership and stewardship in the year under review. I also extend my gratitude to the then Director-General, Mr Lionel October and to the Executive Committee of the Department of Trade, Industry and Competition for their unwavering support towards the NCC.

Thezi Mabuza
31 July 2021

5. STATEMENT OF RESPONSIBILITY
AND CONFIRMATION OF ACCURACY FOR THE ANNUAL REPORT

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

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

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

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

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

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

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

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

In our opinion, the Annual Report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the public entity for the financial year ended 31 March 2021.

Yours faithfully

Mabuza

Acting Commissioner
Ms Thezi Mabuza
31 July 2021

6. STRATEGIC OVERVIEW

6.1. Vision

In pursuance of its strategic mandate as enshrined in the CPA, the vision of the NCC is: **"To be that national consumer protection regulatory authority that is proactive and responsive to ensuring effective Consumer Protection."**

6.2. Mission

The mission of the NCC is: **"To be that institution which tackles unfair business practice, promotes compliance and ensures redress by enforcing the law through Advocacy, Prosecutions, Investigations, co-ordinating efforts with other institutions and at all times continuously educate consumers, continuously educate ourselves through relevant research and being seen to be fair"**.

6.3. Values

Values are common traits and attributes, which guide the manner in which the organisation will relate with its stakeholders and operate. They are intended to define and shape the culture of the NCC and guide how staff members interact both internally and with all other stakeholders.
The NCC believes in and is committed to the following values:

i) Professionalism
ii) Integrity (Ethical, Moral Standards, Honesty and Truthfulness)
iii) Transparency
iv) Credibility (Trusted and Consistent
v) Accountability
vi) Teamwork

7. LEGISLATIVE AND OTHER MANDATES

7.1 Consumer Protection Act 68 of 2008

The NCC is established in terms of Section 85 of the Consumer Protection Act No. 68 of 2008 (CPA) with jurisdiction throughout the Republic of South Africa. The NCC reports to the Department of Trade, Industry and Competition ("**the dtic**"), and particularly to the Minister, the **dtic's** Public Entity Oversight Unit and to its Consumer and Corporate Regulation Branch (CCRB).

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

The CPA makes it clear that the NCC must promote the resolution of consumer complaints but that it is not responsible for intervening directly therein. This means that the NCC is not expected to be involved in the conciliation or mediation of disputes between consumers and suppliers unless the parties consent to a settlement of the dispute during the course of an investigation. Ordinarily, disputes amongst consumers and suppliers, if not resolved amongst themselves, are dealt with by Provincial Consumer Protection authorities and the Ombud schemes accredited by Minister. Increased involvement of Provincial Consumer Protection authorities in the conciliation and mediation of disputes between consumers and suppliers have been promoted and encouraged by the NCC and the **dtic**.

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

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

7.2 Constitutional Mandates

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

i. **Section 9: Equality** – Through remaining accessible to diverse groupings of consumers, the NCC plays its role in ensuring that parties have the right to equal protection and benefit of the law. Additionally, the NCC strives through its value system to respect human diversity and ensure that no form of discrimination, if any, is tolerated.
ii. **Section 10: Human dignity** – The NCC ensures that prohibited conduct on the part of suppliers of goods and services, as well as the relevant action thereto does not impair human dignity.
iii. **Section 14: Privacy** – The NCC ensures that the privacy of persons is protected.
iv. **Section 33: Just administrative action** – The NCC ensures it applies the rules of natural justice and issues reasons for its decisions.

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

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

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

8. ORGANISATIONAL STRUCTURE

The NCC is a public entity and is listed as a schedule 3A entity in terms of the Public Finance Management Act, No. 1 of 1999 (PFMA). The entity is a key national regulator that is wholly funded by the fiscus through its Executive Authority, namely, **the dtic**. The NCC's divisions and high level structure is depicted as follows:

Ms Thezi Mabuza
Acting Commissioner

Mr Anton Van Der Merwe
Divisional Head: Corporate Services & CFO

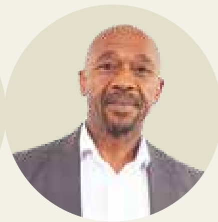
Ms Prudence Moilwa
Divisional Head: Enforcement and Investigation Division

Dr Nedson Pophiwa
Senior Researcher

Mr Joseph Selolo
Company Secretary

Ms Phumeza Mlungu
Divisional Head: Advocacy, Education and Awareness Division

Mr Jabulani Mbeje
Divisional Head: Legal Services



PART B
PERFORMANCE INFORMATION

1. AUDITOR'S REPORT:

PREDETERMINED OBJECTIVES

Programmes Pages in the annual	Performance report	Conclusion
Programme 1 – to promote consumer protection and consumer safety	20-21	Unqualified

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

2. SITUATIONAL ANALYSIS

2.1. Service Delivery and Organisational Environment

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

In implementing its revised consumer protection framework, **the dtic's** intention was to create an environment where a culture of consumer rights and responsibilities prevail. Such an environment is not only beneficial to consumers but to business as well. The enforcement of the CPA assists in regulating the conduct of suppliers of goods and or services to consumers. If left unchecked, unethical traders will merely serve to hinder the creation of a fair, competitive and equitable marketplace for all. Prior to the enactment of the CPA, South Africa lagged behind other international jurisdictions in protecting its consumers. The global and domestic trading environment has changed significantly over time.

The need to enforce the CPA is critical to:

i. Establishing a legal framework for the achievement of a fair, accessible, responsible and sustainable market;
ii. Reducing any disadvantages experienced in accessing the supply of goods and services by low income, low literacy, rural and vulnerable consumers;
iii. Promoting fair business practices;
iv. Protecting consumers from unfair and deceptive conduct;
v. Improving consumer awareness; and
vi. Providing for an accessible, efficient and effective system of redress;

The CPA applies to:

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

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

In order to improve service delivery, each division of the NCC continues to improve and implement its standard operating procedures.

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

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

As an entity of state, the remuneration scale adopted by the NCC has been mirrored to that of the Department of Public Service and Administration (DPSA) for national government departments. Similar benefits, terms and conditions as determined by the DPSA have also been adopted. **the dtic** has established a bargaining forum for its entities, the NCC included. A performance management system including performance agreements and regular performance reviews is embedded in the administration of the NCC. Performance agreements are primarily informed by job descriptions pertaining to each post. All such agreements and reviews are subject to scrutiny by respective internal moderating committees.

A project on the alignment of the NCC's structure to its strategy was undertaken and the Report with recommendations was produced. The need to revise the structure is indeed necessary. There has been a consistent increase in demand on the resources of the NCC particularly with regard to its efforts in administering the country of origin labelling requirements relating to imported textiles and leather goods as well as the recall of unsafe and or defective products. The number of product recalls that

NCC is dealing with on a daily basis continue to increase over time and as such, a need exists to restructure the existing resources to discharge these mandates. The demands placed on the NCC's Legal Services Division to file and prosecute matters at the National Consumer Tribunal also warrants additional resources.

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

Despite the challenges mentioned hereinbefore, the NCC continues to deliver on its strategy; to enforce the CPA. The investigation of consumer complaints and education and awareness, remain at the heart of the NCC's enforcement mandate. However, as stated hereinbefore and given the impact on consumers and on the economy, the recall of unsafe and or defective products also receives priority.

The NCC acknowledges that it will be impossible for it to investigate every complaint it receives. It does not have the resources to do so. Moreover, the NCC has come to learn that the vast majority of consumers, in lodging complaints, are seeking quick and cost effective redress of their disputes. The CPA encourages consumers and suppliers to firstly attempt resolution of their disputes amongst themselves, prior to referring these complaints to alternate dispute resolution agents, industry Ombud schemes, provincial consumer protection authorities, provincial consumer courts and finally to NCC.

The NCC is not an alternate dispute resolution agent, as defined in the CPA. To this end, the NCC resolved to promote the establishment of quick and cost effective redress mechanisms, by agreeing with certain industries and or sectors of industry to establish respective industry Ombud schemes to assist in the conciliation and mediation of disputes. Following accreditation by Minister, the Motor Industry Ombud of South Africa and the Consumer Goods and Services Ombud schemes have, since the 2015/16 financial year, continued to provide conciliation services to consumers and suppliers in line with the provisions of the CPA. The NCC has recommended that Minister accredits a franchise Ombud. These Ombud schemes are funded by the respective industries and services are provided at no cost to consumers.

2.2. Key policy developments and legislative changes

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

2.3. Strategic Outcome Oriented Goals

The following are three strategic objectives that were pursued by the NCC in the year under review.

- Accessible and coherent consumer protection;
- To promote a fair market place; and
- To promote the supply of safe goods to consumers.

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

3. PERFORMANCE INFORMATION BY PROGRAMME/ ACTIVITY/ OBJECTIVE

3.1 Strategic objective (Programme 1): To promote accessible consumer protection

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

The main functions are to:

(i) Regularly monitor accredited ombud schemes;
(ii) Conduct business compliance initiatives;
(iii) Conduct consumer awareness initiatives;
(iv) Issue explanatory notes and /or non-binding opinions on the interpretation of provisions of the CPA.

Strategic objective: Accessible and coherent consumer protection							
Goal/ Outcome	Output	Output Indicator	Actual Achievement 2019/2020	Planned Target 2020/2021	Actual Achievement 2020/2021	Deviation from planned target to Actual Achievement for 2020/2021	Comment on deviations
To promote accessible Consumer Protection	1. Accredited Ombud Scheme/s monitored regularly	Assessment reports on accredited Ombuds approved by the Commissioner	Achieved Submitted assessment reports (one per quarter on each accredited Ombud Scheme) to Executive Authority	Submit assessment reports (one per quarter on each accredited Ombud Scheme) to the Commissioner for approval	**Achieved.** Assessment reports (One per quarter on each accredited Ombuds) on CGSO and MIOSA, being accredited Ombuds were drafted and approved by the Commissioner.	None	None
	2. Business compliance initiatives conducted regularly	Number of business compliance initiatives conducted	Achieved 12 Business compliance initiatives conducted	13 Business compliance initiatives conducted	**Achieved** 15 Business Compliance initiatives conducted	2 extra Business Compliance initiatives were conducted.	A compliance driven approach was adopted due to high levels of non-compliant suppliers during the lockdown period.
	3. Consumer Awareness initiatives conducted	Number of consumer awareness initiatives conducted	Achieved 24 Consumer Awareness initiatives attended	26 consumer awareness initiatives conducted	**Achieved** 27 consumer awareness initiatives conducted	1 extra consumer awareness activity conducted.	1 consumer initiative was conducted in Free Sate in Celebration of World Consumer Rights Day.
	4. Issue explanatory notes and /or non-binding opinions on the interpretation of provisions of the CPA	Percentage (%) of requests for explanatory notes and /or non-binding opinions on the interpretation of provisions of the CPA provided within a pre-defined time period	Achieved 100% (567 out of 567) off requests for explanatory notes and or non-binding opinions provided within an average of 2.9 days (rounded of to 3 days)	95 % of registered requests for explanatory notes and /or non-binding opinions provided within an average of 8 days	**Achieved** 100% (i.e. 487 out of 487) of registered requests for explanatory notes and /or non- binding opinions were provided within an average of 5,42 days	Two additional legal staff members were appointed towards the end of 2019/20 financial year assisted in speedy response to requests.	None

3.2 Programme 2: To promote a Fair Marketplace

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

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

The main functions are to:
i) Conduct investigations and produce reports
ii) Take further enforcement action against non-compliant suppliers

Strategic objective: To promote a Fair Marketplace							
Goal/ Outcome	Output	Output Indicator	Actual Achievement 2019/2020	Planned Target 2020/2021	Actual Achievement 2020/2021	Deviation from planned target to Actual Achievement for 2020/2021	Comment on deviations
To promote a fair marketplace	5. Investigations conducted and reports produced.	Percentage of finalized investigation within a predetermined time period	Achieved 90% (90 of 100) investigation reports were approved in an average of 93 days	80% of approved investigations conducted. Reports with recommendations produced in 114 days.	**Achieved** 86 % (289 of 337) of approved investigations conducted and reports produced in 50 days	Over achievement is due to the increase in textile imports and the urgency the investigations require	None
	6. Further enforcement action taken against non-compliant suppliers	Percentage of further enforcement action taken within a predetermined time period.	Not Achieved 72.2. % (13 out of 18) of matters approved for further enforcement were referred to National Consumer Tribunal within 60 days of approval.	Further enforcement action taken against non-compliant suppliers in 90 % of approved matters within 50 days of approval	**Achieved** 100 % (130 out of 130) of further enforcement actions were taken against non- compliant suppliers, within 50 days of approval.	Two additional legal staff members who are qualified attorneys were appointed towards the end of 2019/20 financial year contributed to exceeding the target	None

3.3 Programme 3: To Promote the supply of Safe Goods to Consumers

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

The functions in relation to this objective are performed by the Enforcement and Investigation Division.

The main function of this programme is to: Administer and monitor product recalls.

Strategic objective: To Promote the supply of Safe Goods to Consumers							
Goal/ Outcome	Output	Output Indicator	Actual Achievement 2019/2020	Planned Target 2020/2021	Actual Achievement 2020/2021	Deviation from planned target to Actual Achievement for 2020/2021	Comment on deviations
Promote the supply of Safe Goods to consumers	7. Administer and monitor product recalls	Report on all product recalls and monitoring thereof.	Achieved Quarterly reports for the administration and monitoring of product recalls produced	Produce quarterly reports on the administration and monitoring of product recalls	**Achieved** 4 quarterly reports on the administration and monitoring of product recalls produced	None	None

3.4 Key Achievements of Programmes

3.4.1 Excessive Pricing Referrals

The NCC participated in the process of formulating Regulation 350 which was promulgated by the Minister of Trade, Industry and Competition to mitigate the impact of price gouging on consumers. Several measures were implemented to respond to consumer complaints about unjust price increases on essential goods and services. Among these were the operation of a toll-free number, a twitter account to engage consumers through social media, radio awareness adverts and interviews. The NCC also filed matters with the National Consumer Tribunal in cases where suppliers were found to be in contravention of Regulation 350 and the Consumer Protection Act of 2008 with relative success.

Eight (8) Covid-19 related matters were taken for further enforcement at the National Consumer Tribunal (NCT) during the first quarter. Three of the matters were settled prior to being heard at the NCT. These matters were settled as follows:

i) **NCC vs Kit Kat Group**
Kit-Kat group agreed to contravention of Regulation 5.2.1 of Regulation 350, payment of an administrative fine in the sum of R50 000, 00 and a refund to the complainant in the sum of R3 760, 00.

ii) **NCC vs Peoples' Pharmacy**
Peoples Pharmacy agreed to pay an administrative fine of R20 000.00, without admission of guilt and donated PPE's to the value of R20 000.00 to an NGO.

iii) **Health and Home Protea Pharmacy**
Health and Home Protea Pharmacy agreed to contravention of Regulation 5.2.1 of Regulation 350, payment of an administrative fine of R10 000.00 and donation of 20 face masks to a child welfare organisation.

1V) **NCC vs Springbok Pharmacy**
Settlement agreement reached in the following terms:
a) To pay an administrative fine of R10 000.00; and
b) Interdicted from contravening any provisions of the CPA.

V) **NCC vs OK MiniMark: Albertinia**

Settlement Agreement in the following terms:
a) Respondent to pay administrative fine of R20 000,00;
b) Respondent declared to have contravened section 48(1) (a) (i) of the CPA read with Regulation 5.2.1 and 5.2.2; and
c) Was made a consent order of the Tribunal

In addition to these settled matters, the NCC successfully argued a matter against **Belegi Workwear and Industrial Supply (Pty) (Ltd)** and obtained judgement in favour of the NCC which is as follows; Belegi Workwear and Industrial Supply (Pty) (Ltd) was found to have committed a prohibited conduct and ordered to pay an administrative fine of R100 000, 00 within 30 days of receipt of judgement.

3.4.2 Investigations and prosecutions

i. In the second quarter, R2 132 424.14 worth of non-compliant imported footwear, leather, clothing and textile goods were inspected and compliance notices (to the effect that the goods be destroyed or returned to country of origin) were issued.

   The re-exportation back to country of origin or destruction, prevents the proliferation of non-compliant goods into the South African market. Furthermore, the detention and subsequent re-exportation back to country of origin or destruction of non-compliant goods, indirectly contributes to the preservation of South African companies and thus the preservation of jobs in the South African footwear, leather, clothing and textiles manufacturing and processing sector.

ii. The NCC also conducted an investigation into Up Money pyramid scheme, in collaboration with the FIC and the NPA, which led to:
   a) The seizure and preservation of R17 million being proceeds of illegal activities;
   b) The seizure and preservation of three luxury vehicles being proceeds of illegal activities; and
   c) Criminal charges being laid against the directors of the scheme.

iii. The NCC successfully applied at the NCT for a scheme run by Up-Money Pty (Ltd) to be declared a pyramid scheme and an administrative fine to the sum of R1 000 000.00 was imposed on Up- Money (Pty) (Ltd).

iv. The NCC reached a settlement agreement in the matter NCC vs Gerlou Motors Pty (Ltd) where the suppliers refunded the complainant a sum of R48 435.02 and paid an administrative fine of R20 000.00. The sum of R48 435.02 is made up as follows:

   a) R36 000.00 being the purchase price paid by consumer;
   b) R10 000.00 being interest on the purchase price paid; and
   c) R2435.02 being tyre replacement costs.

v. In another matter, NCC vs CC Business Trust t/a Algoa Bay Auto, an out of court settlement was reached, with the consent of the complainant; where the supplier refunded the complaint, the sum of R229 592.15 made up as follows:

   a) R209 990.00 being the purchase price paid by consumer;
   b) R18 767.85 being interest on the purchase price paid; and
   c) R834.30 being renewal of license costs.

vi. During the financial year 2020/2021, the NCC for the first time in its history, took further enforcement action, (issued Compliance Notices, referred matters to the Tribunal and negotiated settlement agreements some of which were made consent orders) on 130 matters. Out of those matters taken for further enforcement.
   a) 19 were referred to the Tribunal
   b) 110 compliance Notices were issued
   c) 1 matter was settled out of Court before referral to the Tribunal.

vii. Five importers applied to have the Compliance Notices issued reviewed at the NCT. Two Review applications were successfully defended and the importers were ordered to comply, one withdrew the review application and undertook to comply with the Compliance Notice and has since complied, and two applications are still pending.

In respect of matters referred to tribunal and settlement agreements reached, a total sum of R 1 262 796, 00 was imposed by the Tribunal as an administrative fine against suppliers who were found guilty of various prohibited conducts.

viii. A total sum of R 2 837 766, 15 was refunded to 50 Consumers (including 47 in the Ford matter in terms of both Tribunal orders and settlement agreements. The NCC successfully prevented non-compliant goods from being sold in South African markets by issuing various Compliant Notices with a customs value of at least R18 649 374.60.

ix. The NCC, acting with the assistance of the National Prosecuting Authority, was able to successfully apply for an order declaring that UP Money had been engaged in a pyramid scheme. This resulted in the total collapse of the said scheme which absolved consumers, mostly from low income groups, from losing large sums of money that they would have invested. The NCC was also able to assist in obtaining a preservative order against UP Money to the sum of R15 556 358.96.

The NCC also successfully defended a High Court claim of R 1 000 000, 00 against the NCC which resulted in the plaintiff withdrawing the action (IMM Mokgabe vs NCC).

3.4.3 World Consumer Rights Day

Celebrating consumer rights under the theme, "Protecting Consumers during the Covid-19 Pandemic", the Deputy Minister of Trade Industry and Competition, Ms Nomalungelo Gina (MP), launched the campaign on the 3rd of March 2021, via a radio education campaign through Umhlobo Wenene FM. This year, the Free State province hosted the world consumer rights celebrations. The activities included a walk-about in the form of a march in the Bloemfontein CBD.

The march was a build-up to the main virtual event held on the 15th of March 2021 with the participation of Dr. Mbulelo Nokwequ, Head of Department who provided welcoming remarks in a webinar on behalf of Mr. Mohale (MPL), MEC Free State Department: Economic, Small Business Development, Tourism, and Environmental Affairs. The webinar was also addressed by Dr. Evelyn Masotja – DDG: CCRB on behalf of Ms. Nomalungelo Gina (MP)

The education campaign was delivered through consumer education webinars amid the coronavirus pandemic which necessitated a need to limit physical contact sessions to curb the spread of the virus. Also forming part of these celebrations were the Consumer Protection Forum members, namely, the National Regulator for Compulsory Specifications (NRCS), National Credit Regulator (NCR), Financial Sector Conduct Authority (FSCA) as well as the Consumer Goods and Services Ombud scheme (CGSO), Motor Industry Ombud scheme of South Africa (MIOSA) which delivered regulator specific education messages to the consumers and other stakeholders. Overall the campaign was a resounding success.

3.4.4 University of Fort Hare launched a new Consumer Law Module in collaboration with the NCC

The relationship between the Commission and the University of Fort Hare has yielded a positive result for the consumer protection fraternity in South Africa. The University of Fort Hare will, as of the second semester of 2021, offer a new consumer module for final year LLB students. This module will focus on various pieces of legislation like the Consumer Protection Act, the National Credit Act, and Community Schemes Ombud Services Act. The module will serve as an introduction to these legislations and will offer the learner a broad understanding of the protection of consumers in South Africa.

The module will be useful to those who want to gain knowledge, skill and applied competence in the principles relating to consumer law, consumer protection, insurance and debt collection including consumer practice. Further, the module is intended to be an introductory course covering the fundamental principles regulating the broad and diverse aspects of consumer law. We look forward to more positive developments arising from the relationship established by the Commission with the University of Fort Hare.

3.4.5 Donation of PPE by non-compliant suppliers

i. NCC vs Mabopane Pharmacy
Settlement agreement reached in the following terms:
a) To pay an admin fine of R52 796.00;
b) Donation of 2500 reusable masks to non-profit organization serving vulnerable groups; and
c) not to sell masks with a mark-up of more than 50%.

ii. People's Pharmacy

The NCC received a complaint against a Pharmacy operating in Pinetown. After investigations, it concluded an agreement with the Pharmacy in terms of which, amongst others , the Pharmacy agreed to make a donation of PPE to the value of R 10 000.00 to an NPO around Pinetown. After due consideration, the NCC elected Khethiwe Rehabilitation Centre for Children with Disabilities, to receive the donation of 170 units of 200ml Micro Safe Hand Sanitizers at a cost of R59 each which brought the total to R10, 030.00.

3.5 Changes to Planned Targets

The following tables illustrate the changes made to targets in the year under review:

Initially submitted Targets

Outcome	Outputs	Output Indicators	Annual Targets						
			Audited/Actual Performance			Estimated Performance	MTEF Period		
			2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Programme 2: To promote a Fair Marketplace									
To promote a fair marketplace	6. Further enforcement action taken against non-compliant suppliers	Percentage of further enforcement action taken within a predetermined time period.	Achieved. Three applications made to the National Consumer Tribunal to declare certain investigated conduct as prohibited conduct. One of which was a consent order that resulted in a fine being imposed on the Respondent	Achieved. Took enforcement action on 100% of matters approved for further enforcement within 60 days of approval (09 out of 09 matters –filed with NCT)	Not achieved. 67% of matters approved for further enforcement action referred to the National Consumer Tribunal within 60 days of approval	Further enforcement action taken against non-compliant suppliers in 90 % of approved matters within 60 days of approval	Further enforcement action taken against non-compliant suppliers in 80 % of approved matters	Further enforcement action taken against non-compliant suppliers in 80 % of approved matters	Further enforcement action taken against non-compliant suppliers in 80 % of approved matters

Revised Targets (see Bold and Italicized text)

Outcome	Outputs	Output Indicators	Annual Targets						
			Audited/Actual Performance			Estimated Performance	MTEF Period		
			2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Programme 2: To promote a Fair Marketplace									
To promote a fair marketplace	6. Further enforcement action taken against non-compliant suppliers	Percentage of further enforcement action taken within a predetermined time period.	Achieved. Three applications made to the National Consumer Tribunal to declare certain investigated conduct as prohibited conduct. One of which was a consent order that resulted in a fine being imposed on the Respondent	Achieved Took enforcement action on 100% of matters approved for further enforcement within 60 days of approval (09 out of 09 matters –filed with NCT)	Not achieved. 67% of matters approved for further enforcement action referred to the National Consumer Tribunal within 60 days of approval	Further enforcement action taken against non-compliant suppliers in 90 % of approved matters within 60 days of approval	***Further enforcement action taken against non-compliant suppliers in 90 % of approved matters within 50 days of approval***	***Further enforcement action taken against non-compliant suppliers in 90 % of approved matters within 45 days of approval***	***Further enforcement action taken against non-compliant suppliers in 90 % of approved matters within 40 days of approval***

3.6 STRATEGY TO OVERCOME AREAS OF UNDER PERFORMANCE

The NCC achieved 100% of its all targets for the year under review, i.e. 7 out of 7 targets.

3.7 Linking performance with budgets

Programme/ activity/objective	2019/2020			2020/2021		
	Budget	Actual Expenditure	Programme/ activity/ objective	Budget	Actual Expenditure	Programme/ activity/ objective
	R'000	R'000		R'000	R'000	
Programme 1	24 528	21 181	Programme 1	24 528	21 181	Programme 1
Programme 2	7 766	7 787	Programme 2	7 766	7 787	Programme 2
Programme 3	565	-	Programme 3	565	-	Programme 3
Administration	36 324	36 238	Administration	36 324	36 238	Administration
Total	**69 183**	**65 206**	**Total**	**69 183**	**65 206**	**Total**

4 Revenue collection

	2019/2020			2020/2021		
Sources of revenue	Estimate	Actual Amount Collected	Sources of revenue	Estimate	Actual Amount Collected	Sources of revenue
	R'000	R'000		R'000	R'000	
Interest received - staff debtors	-	2	Interest received - staff debtors	-	2	Interest received - staff debtors
Other income	-	14	Other income	-	14	Other income
Interest received - investment	1 888	3 667	Interest received - investment	1 888	3 667	Interest received - investment
Government grants	58 304	58 304	Government grants	58 304	58 304	Government grants
Services in Kind	8 991	8 991	Services in Kind	8 991	8 991	Services in Kind
Total	69 183	70 978	Total	69 183	70 978	Total

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

The Department of Trade, Industry and Competition reduced the allocation to the NCC by R9, 740,000. As a result, there was a reduced bank balance during the financial year, and consequently the interest earned was less than when compared with the budget.

4.1. Capital investment

	2019/2020			2020/2021		
Infrastructure projects	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
	0	0	0	0	0	0
Total	0	0	0	0	0	0

PART C
GOVERNANCE

1. INTRODUCTION

The NCC is an organ of state and is a schedule 3A entity in terms of the Public Finance Management Act No. 1 of 1999 (PFMA). The entity is established by section 85 of the CPA. In terms of section 87 of the CPA, the Commissioner of the NCC is responsible for all matters pertaining to the functions of the NCC and is required to hold office for an agreed term, not exceeding five years. The former Commissioner's term ended on 31 May 2019. The process of appointing a Commissioner is underway and managed by **the dtic**. The Deputy Commissioner is appointed to act as Commissioner until the new Commissioner is appointed.

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

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

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

2. PORTFOLIO COMMITTEES

Parliament, through the Portfolio Committee on Trade, Industry and Competition (Portfolio Committee) exercises its oversight role through evaluating the performance of the NCC by interrogating its Strategic and Annual Performance Plans, Quarterly Reports and Annual Financial Statements and other relevant documents which have to be tabled, as well as any other documents tabled from time to time.

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

The NCC appeared before the Parliamentary Portfolio Committee on Trade, Industry and Competition and made presentations on its enforcement of Regulation 350 in May 2020. On 25 February 2019, the NCC presented its product recall report to the Portfolio Committee.

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

3. EXECUTIVE AUTHORITY

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

The Executive Authority has entered into a Shareholders Compact with the NCC and a performance agreement with the Commissioner. A Compliance Schedule is a critical part of the Shareholders

Compact indicating the deliverables and due dates of all documents as stipulated in the PFMA, Treasury Regulations and the Shareholders Compact.

The NCC has, in line with the Compliance Schedule, duly complied with the requirements thereof timeously. These would include, amongst others, the submission of Quarterly Reports, Annual Financial Statements, budget of estimated revenue and expenditure, Strategic and Annual Performance Plans, Fraud Prevention and Risk Management Plans. The NCC has also reported on its risks, the findings of the External Auditor and those made by Internal Audit as well as on progress in addressing such findings.

4. COMMITTEES

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

The said Committee is constituted as follows:
Ms Simangele Sekgobela (Chairperson);
Ms René Simangele Kenosi;
Adv Shami Kholong; and
Ms Nontombi Matomela (Ex Officio)
The following table reflects the number of meetings attended by the members of the Committee.

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

5. RISK MANAGEMENT

i) Risk Management

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

6. INTERNAL CONTROL UNIT

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

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

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

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

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

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

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

7. COMPLIANCE WITH LAWS AND REGULATIONS

The NCC reports quarterly to the Executive Authority on its compliance with the PFMA, Treasury Regulations and various Treasury directives. Moreover, the NCC complies with amongst other legislation, all the labour laws. Whilst a high level regulatory compliance universe has been drafted, it is not yet finalised. Finalisation is anticipated in the 2021/22 Financial Year.

8. FRAUD AND CORRUPTION

The NCC has approved a Fraud Prevention Plan (Plan) which has been workshopped with staff. Except for an alleged travel claim fraud by an official of the NCC, no other matters of fraud and/or corruption were reported in the year under review. A disciplinary enquiry was undertaken in relation to that matter, the incumbent was dismissed and he has since referred the matter to the CCMA for review. No acts of fraud were reported on the fraud hotlines monitored by the NCC. As a part of the Plan, mechanisms are in place to report fraud and corruption. In order to promote fraud prevention, a whistleblowing policy is in place which makes provision for employees to make confidential disclosures about suspected fraud and corruption.

9. MINIMISING CONFLICT OF INTEREST

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

10. HEALTH SAFETY AND ENVIRONMENTAL ISSUES

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

11. AUDIT & RISK COMMITTEE REPORT

In line with its strategic commitment to be a well-governed entity, the NCC strives for effective oversight and monitoring of its governance regime. Vital to the achievement of this aim, is a competent and independent Audit and Risk Committee ("ARC"). We present the ARC report for the financial year ended 31 March 2021.

The ARC complied with its responsibilities arising from:

- Section 38 (1) (a) (ii) of the Public Finance Management Act and Treasury Regulation 3.1.4 to 3.18 The ARC also reports that it has adopted its ARC Charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.
- Based on its responsibilities defined in its approved Charter, the ARC developed and implemented a formal annual work plan to assist in the execution of its responsibilities and monitor compliance.

For the financial year ended 31 March 2021, the ARC conducted and / or reviewed the following:

- Held separate meetings with the assurance providers;
- Quarterly Financial Statements and Performance Reports;
- Enquired about the capacity of the Finance function;
- Unaudited Annual Financial Statements before submission to the External Auditors ("EA");
- The Annual Report and report on predetermined objectives prior to submission to the EA;

- The appropriateness of Accounting Policies and Procedures;
- The effectiveness of the system of Risk Management including Fraud Prevention;
- Compliance with relevant laws and regulations;
- The system of IT Governance;
- The plans, work and reports of the outsourced Internal Audit function ("IA") and EA;
- The IA audit three-year plan and operational plan;
- The IA reports and outcomes; and
- The EA report and audit opinion.

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

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

Effectiveness of Internal Control

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

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

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

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

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

Internal Control Weaknesses

The follow-up by IA of internal control processes indicated that management was not duly instituting corrective action to address control weaknesses identified, hence the repeat findings raised by the EA.

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

Evaluation of Financial Statements

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

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

The ARC:

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

Integrated Assurance

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

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

Internal Audit Effectiveness

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

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

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

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

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

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

Depicted below is a summary of the ten (10) audits completed and the number of related findings reported by IA in the year under review:

Control Environment Audited	Number of audit conducted	Period
Governance and Ethics	1	Quarter 3
Enforcement and Investigations (*including follow up audit*)	1	Quarter 3
Human Resources Management (*including follow up audit*)	1	Quarter 3
SCM	1	Quarter 3
Asset Management	1	Quarter 3
IT Audits (including follow up audit)	1	Quarter 3
Performance Information Audits (3 divisions) (AOPO) (*including follow up audit*)	4	Quarter 1,2,3 and 4
Total	**10**	

No audits were deferred or cancelled.

Performance Information

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

Risk Management

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

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

Strategies were implemented to mitigate the risk of COVID-19. There were no casualties reported to date.

Governance and Ethics

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

Finance

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

Substantive issues

- The Finance and Supply Chain unit faced challenges during the audit due to the resignation of Managers within a short space of time;
- The EA reported that documents that were missing were reconstructed during the audit thus raising the question of integrity of Management;
- It must be noted that the term of the IA and EA auditors has expired; and
- The term of two ARC members is coming to an end in October 2021.

Conclusion

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

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

Ms Simangele Sekgobela
Chairperson of the Audit & Risk Committee
National Consumer Commission
Date: 30 July 2021

12. B-BBEE COMPLIANCE PERFORMANCE INFORMATION

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

Has the Public Entity applied any relevant Code of Good Practice (B-BBEE Certificate Levels 1 – 8) with regards to the following:		
Criteria	**Response Yes / No**	**Discussion** (include a discussion on your response and indicate what measures have been taken to comply)
Determining qualification criteria for the issuing of licences, concessions or other authorisations in respect of economic activity in terms of any law?	No	Not applicable
Developing and implementing a preferential procurement policy?	Yes	The NCC implement Preferential Procurement Regulations and its implementation guidelines to ensure compliance to the PPPFA.
Determining qualification criteria for the sale of state-owned enterprises?	No	Not applicable
Developing criteria for entering into partner-ships with the private sector?	No	Not applicable
Determining criteria for the awarding of incentives, grants and investment schemes in support of Broad Based Black Economic Empowerment?	No	Not applicable

PART D
HUMAN RESOURCE MANAGEMENT

HUMAN RESOURCE MANAGEMENT

Human Resources Oversight Statistics

Personnel cost by programme

Programme	Total Personnel budget	Personnel Expenditure	Personnel exp. as a % of total exp.	No. of employees	Average personnel cost per employee
Programme 1	17,189,948	18,256,883	42%	30	608,563
Programme 2	20,813,659	19,488,484	45%	40	487,212
Programme 3	5,955,412	5,582,054	13%	9	620,228
TOTAL	43,959,019	43,327,421	100%	79	548,448

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

Personnel cost by salary band level

Level	Total Personnel budget	Personnel Expenditure	% of personnel exp. to total personnel cost	No. of employees	Average personnel cost per employee
Top Management	2,184,158	2,150,292	5%	1	2,150,292
Senior Management	16,082,561	15,833,196	37%	13	1,217,938
Professionally qualified	13,902,245	13,686,686	32%	23	595,073
Skilled	3,597,867	3,542,081	8%	9	393,565
Semi-skilled	8,192,188	8,065,166	18%	29	278,109
TOTAL	43,959,019	43,327, 421	100%	75	577,699

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

Performance rewards

Programme	Total personnel Expenditure	Performance rewards	Personnel expenditure	% of performance rewards to total personnel cost
Programme 1	17,189,948	0	0	0%
Programme 2	20,813,659	0	0	0%
Programme 3	5,955,412	0	0	0%
TOTAL	43,959,019	0	0	0%

Training costs

Directorate/ Business Unit	Total personnel expenditure	Training expenditure	Training expenditure as a % of personnel Cost.	No. of employees trained	Avg training cost per employee
All Directorates	43,959,019	10,549	0.02%	2	5,275
TOTAL	43,959,019	10,549	0.02%	2	5,275

NB: Training budget for the 2020/21 financial year was reallocated to high priority areas given budget reductions.

Employment and vacancies

Programme	2019/2020 No. of Employees	2020/2021 Approved / Funded Posts	2020/2021 No. of Employees	2020/2021 Vacancies	% of Vacancies
Top Management	1	2	1	1	50%
Senior Management	13	13	13	0	0%
Professional qualified	19	25	23	2	9%
Skilled	8	9	9	0	0%
Semi-skilled	30	30	29	1	3%
TOTAL	71	79	75	4	5%

Employment and vacancies by programme

Programme	2019/20 No. of Employees	2020/21 Approved / Funded posts	2020/21 No. of Employees	2020/21 Vacancies	% of vacancies
Programme 1	24	29	28	1	3%
Programme 2	40	41	38	3	7%
Programme 3	7	9	9	0	0%
Total	71	79	75	4	5%

Employment changes

Salary Band	Employment at beginning of period	Appointments	Terminations	Employment at end of the period
Top Management	1	0	0	1
Senior Management	13	0	1	12
Professional qualified	19	6	1	24
Skilled	8	1	0	9
Semi-skilled	30	0	1	29
TOTAL	71	7	3	75

Top Management (Salary level 15-16), Senior Management (Salary level 13-14)
Professionals (Salary level 9-12),Skilled (Salary level 7-8),Semi –skilled (Salary level 4-6)

Reasons for staff leaving

Number	% of total no. of staff leaving	Number
Death	0%	0
Resignation	33%	1
Dismissal	33%	1
Retirement	34%	1
Ill health	0%	0
Expiry of contract	0%	0
Other	0%	0
Total	100%	3

Labour Relations: Misconduct and disciplinary action

Nature of disciplinary Action	Number
Verbal Warning	1
Written Warning	0
Final Written warning	3
Dismissal	1
Ongoing disciplinary process	1
Total	6

Equity targets and Employment equity status

Levels	MALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	-	-	-	-	-	-	-	-
Senior Management	8	-	-	-	-	-	1	-
Professional qualified	12	-	1	1	-	1	-	1
Skilled	4	-	-	-	-	-	-	-
Semi-skilled	14	-	-	-	-	-	-	-
TOTAL	38	0	1	1	-	1	1	1

Levels	FEMALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	1	1	-	-	-	-	-	-
Senior Management	4	-	-	-	-	-	-	-
Professional qualified	10	1	-	1	-	1	-	1
Skilled	4	-	-	-	-	1	1	-
Semi-skilled	15	-	-	-	-	-	-	-
TOTAL	34	2	-	1	-	1	1	1

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

PART E
FINANCIAL INFORMATION

1. REPORT OF THE EXTERNAL AUDITOR

Report to Parliament on the National Consumer Commission for the year ended 31 March 2021

Report on the audit of the financial statements

Opinion

1. We have audited the financial statements of the National Consumer Commission set out on pages 49-82, which comprise the Statement of Financial Position as at 31 March 2021, the Statement of Financial Performance, Statement of Changes in Net Assets, and Cash Flow Statement, and Statement of Comparison of Budget and Actual for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

2. In our opinion, the financial statements present fairly, in all material respects, the financial position of the National Consumer Commission as at 31 March 2021 and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999).

Basis for opinion

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

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

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

Responsibilities of the accounting authority for the financial statements

6. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with the SA Standards of GRAP and the requirements of the PFMA, and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
7. In preparing the financial statements, the accounting authority is responsible for assessing the National Consumer Commission's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the public entity or to cease operations or has no realistic alternative but to do so.

Auditor responsibilities for the audit of the financial statements

8. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an

audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

9. A further description of our responsibilities for the audit of the financial statements is included in the annexure (Annexure A) to this auditor's report.

Report on the audit of the annual performance report

Introduction and scope

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

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

12. We evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programme presented in the annual performance report of the public entity for the year ended 31 March 2021:

Programmes	Pages in the annual performance report	Conclusion
Programme 1 – To promote accessible consumer protection.	20-21	Unqualified

13. We performed procedures to determine whether the reported performance information was properly presented and whether the performance was consistent with the approved performance planning documents. We performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate, and complete.

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

Report on the audit of compliance with legislation

Introduction and scope

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

Other information

18. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report, and those selected programmes presented in the annual performance report that have been specifically reported in this auditor's report.
19. Our opinion on the financial statements and findings on the reported performance information and compliance with legislation does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.
20. In connection with our audit, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected programmes presented in the annual performance report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.
21. The other information we obtained prior to the date of this auditor's report is the draft annual report and the commissioner's report and the audit committee's report are expected to be made available to us before 30 September 2021.
22. If based on the work we have performed on the other information that we obtained prior to the date of the auditor's report, we conclude that there is a material misstatement in this other information, we are required to report that fact.

Internal control deficiencies

22. We considered internal control relevant to our audit of the financial statements, reported performance information, and compliance with applicable legislation; however, our objective was not to express any form of assurance on it. We did identify significant deficiencies in internal controls which relate to:
    - Control over the Fixed Assets Register
    - Control over the Supply Chain Management processes
    - Controls over the handover process when employees leave the National Consumer Commission

Rain

RAiN Chartered Accountants Incorporated
Per: I.E. Pierce
Director
Johannesburg
30 July 2021

Annexure A– Auditor's responsibility for the audit

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

Financial statements

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

Communication with those charged with governance

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

2. ANNUAL FINANCIAL STATEMENTS

GENERAL INFORMATION

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

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The reports and statements set out below comprise the annual financial statements presented to the parliament:

Abbreviations

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

ACCOUNTING AUTHORITY'S RESPONSIBILITIES AND APPROVAL

The Accounting Authority is required by the Public Finance Management Act (Act 1 of 1999), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the Accounting Authority to ensure that the annual financial statements fairly present the state of affairs of the entity as at the end of the financial year, and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements, and was given unrestricted access to all financial records and related data.

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

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

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

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

The Accounting Authority has reviewed the entity's cash flow forecast for the year to 31 March 2022 and, in the light of this review and the current financial position, she is satisfied that the entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements set out on pages 51 to 84, which have been prepared on the going concern basis, were approved by the Accounting Authority on 31 July 2021 and were signed on its behalf by:

Ms T. Mabuza
Acting Commissioner
31 July 2021

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2021

Figures in Rand	Note(s)	2021	2020 Restated*
Assets			
Current Assets			
Receivables from exchange transactions	3	61 742	98 647
Receivables from non-exchange transactions	4	924 193	489 336
Prepayments	5	539 450	179 600
Cash and cash equivalents	6	27 475 399	32 600 267
		29 000 784	**33 367 850**
Non-Current Assets			
Property, plant and equipment	7	14 658 957	2 326 213
Intangible assets	8	3 810 959	68 483
		18 469 916	**2 394 696**
Total Assets		**47 470 700**	**35 762 546**
Liabilities			
Current Liabilities			
Payables from exchange transactions	**9**	**15 319 847**	**2 781 812**
Provisions	**10**	**1 728 684**	**1 550 771**
		17 048 531	**4 332 583**
Total Liabilities		17 048 531	4 332 583
Net Assets		30 422 169	31 429 963
Accumulated surplus		30 422 169	31 429 963
Total Net Assets		**30 422 169**	**31 429 963**

*See Note 23

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31 MARCH 2021

Figures in Rand	Note(s)	2021	2020 Restated*
Revenue			
Revenue from exchange transactions			
Interest received (staff debtors)		2 125	1 964
Other income		2 392	13 879
Interest received - investment		2 004 565	3 667 427
Total revenue from exchange transactions		**2 009 082**	**3 683 270**
Revenue from non-exchange transactions			
Taxation revenue			
Reversal of impairment of assets		184 339	-
Transfer revenue			
Government grants		51 530 000	58 304 000
Services in kind		9 709 211	8 990 508
Total revenue from non-exchange transactions		**61 423 550**	**67 294 508**
Total revenue	11	**63 432 632**	**70 977 778**
Expenditure			
Employee related costs	12	(44 151 732)	(44 455 861)
Depreciation and amortisation		(747 107)	(1 123 589)
Impairment of assets		(64 956)	-
Debt Impairment		(106 692)	(71 193)
General expenses	13	(19 344 484)	(19 529 134)
Repairs and maintenance	13	(25 455)	(112 219)
Total expenditure		**(64 440 426)**	**(65 291 996)**
(Deficit) surplus for the year		**(1 007 794)**	**5 685 782**

STATEMENT OF CHANGES IN NET ASSETS AS AT 31 MARCH 2021

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	25 671 916	25 671 916
Adjustments		
Correction of errors	72 265	72 265
Restated * Balance at 01 April 2019	**25 744 181**	**25 744 181**
Changes in net assets		
Surplus for the year	5 685 782	5 685 782
Total changes	5 685 782	5 685 782
Restated* Balance at 01 April 2020	**31 429 963**	**31 429 963**
Changes in net assets		
Deficit for the year	(1 007 794)	(1 007 794)
Total changes	(1 007 794)	(1 007 794)
Balance at 31 March 2021	**30 422 169**	**30 422 169**

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2021

Figures in Rand	Note(s)	2021	2020 Restated*
Cash flows from operating activities			
Receipts			
Grants		51 530 000	58 304 000
Interest income		2 004 565	3 667 427
		53 534 565	61 971 427
Payments			
Employee costs		(44 024 126)	(44 202 982)
Suppliers		2 067 635	(8 907 136)
		(41 956 491)	(53 110 118)
Net cash flows from operating activities	17	**11 578 074**	**8 861 309**
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(12 882 942)	(212 119)
Purchase of other intangible assets	8	(3 820 000)	-
Net cash flows from investing activities		**(16 702 942)**	**(212 119)**
Net increase/(decrease) in cash and cash equivalents		**(5 124 868)**	**8 649 190**
Cash and cash equivalents at the beginning of the year		32 600 267	23 951 077
Cash and cash equivalents at the end of the year	6	**27 475 399**	**32 600 267**

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Figures in Rand	Note(s)	2021	2020 Restated

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Interest received (staff debtors)	-	-	-	2 125	**2 125**	-
Other income	-	-	-	2393	**2 392**	-
Interest received - investment	1 991 000	1 121 000	**3 112 000**	2 004 565	**(1 107 435)**	27.1
Total revenue from exchange transactions	**1 991 000**	**1 121 000**	**3 112 000**	**2 009 082**	**(1 102 918)**	
Revenue from non-exchange transactions						
Taxation revenue						
Surcharges and Taxes	-	-	-	184 339	**184 339**	
Transfer revenue						
Government grants & subsidies	61 270 000	(9 740 000)	**51 530 000**	51 530 000	-	
Other transfer revenue	9 709 211	-	**9 709 211**	9 709 211	-	
Total revenue from non- exchange transactions	**70 979 211**	**(9 740 000)**	**61 239 211**	**61 423 550**	**184 339**	
Total revenue	**72 970 211**	**(8 619 000)**	**64 351 211**	**63 432 632**	**(918 579)**	
Expenditure						
Employee related costs	(49 618 000)	2 816 000	**(46 802 000)**	(44 151 732)	**2 650 268**	**27.2**
Depreciation and amortisation	(1 491 000)	585 000	**(906 000)**	(747 107)	**158 893**	
Impairment of assets	-	-	-	(64 956)	(64 956)	
Debt Impairment	-	-	-	(106 692)	(106 692)	
General Expenses	(21 536 211)	4 989 000	**(16 547 211)**	(19 344 484)	**(2 797 273)**	27.3
Repairs and Maintenance	(325 000)	229 000	**(96 000)**	(25 455)	**70 545**	
Total expenditure	**(72 970 211)**	**8 619 000**	**(64 351 211)**	**(64 440 426)**	**(89 215)**	
Deficit before taxation	**-**	**-**	**-**	**(1 007 794)**	**(1 007 794)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**-**	**-**	**-**	**(1 007 794)**	**(1 007 794)**	

ACCOUNTING POLICIES

1. Presentation of Annual Financial Statements

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

These annual financial statements have been prepared on an accrual basis of accounting, and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand. All figures are rounded to the nearest Rand.

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

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

These accounting policies are consistent with the previous period.

1.1 Going concern assumption

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

1.2 Materiality

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

Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users. The materiality assessment for financial and non-financial omissions or misstatements are determined in according with the NCC's materiality and significance framework.

The Framework for the Preparation and Presentation of Financial Statements states that users are assumed to have a reasonable knowledge of the NCC, its activities, accounting and a willingness to study the information with reasonable diligence. Therefore, the assessment takes into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions.

1.3 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade receivables / Held to maturity investments, and/or loans and receivables

The NCC assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the NCC makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from loans and receivables.

ACCOUNTING POLICIES

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

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

Impairment testing

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

Value in use of non-cash-generating assets

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

Provisions

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

Useful lives of property, plant and equipment

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

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

1.4 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

ACCOUNTING POLICIES

1.4 Property, plant and equipment (continued)

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

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

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

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

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

Property, plant and equipment are depreciated over their expected useful lives to their estimated residual value. The depreciation charge for each period is recognised in surplus or deficit.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses. The useful lives of items of property, plant and equipment have been assessed as follows:

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

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

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

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

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

Items of property, plant and equipment are derecognised when the asset is disposed of, or when there are no further economic benefits or service potential expected from the use of the asset.

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

The NCC separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 14).

1.5 Intangible assets

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

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses. Amortisation is provided on a straight line basis over the expected useful lives of the intangible assets.

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

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

Amortisation is provided to write down the intangible assets to their residual values. The amortisation charge for each period is recognised in surplus or deficit.

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

Item	Depreciation method	Average useful life
Computer software	Straight-line	3 - 5 years

The gain or loss arising from the derecognition of an intangible asset is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on Leases requires otherwise on a sale and leaseback). The gain or loss arising from the derecognition of an intangible asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset.

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1.6 Impairment of cash-generating assets

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

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

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

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

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

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

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

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use. Useful life is either:
- the period of time over which an asset is expected to be used by the NCC; or
- the number of production or similar units expected to be obtained from the asset by the NCC.

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

Designation

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

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

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

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

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1.6 Impairment of cash-generating assets (continued)

Identification

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

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

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

Value in use

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

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

Depreciated replacement cost approach

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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1.6 Impairment of cash-generating assets (continued)

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

Reversal of an impairment loss

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

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

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

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

1.7 Financial instruments

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

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

Classification

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

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

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

Initial recognition

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

The NCC recognises financial assets using trade date accounting.

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1.7 Financial instruments (continued)

Initial measurement of financial assets and financial liabilities

The NCC measures a financial asset and financial liability initially at its fair value, plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability, except for financial instruments subsequently measured at fair value, which are measured at its fair value.

The NCC measures a financial asset and financial liability initially at its fair value, if subsequently measured at fair value.

Subsequent measurement of financial assets and financial liabilities

The NCC measures all financial assets and financial liabilities after initial recognition using the following category:
- Financial instruments at amortised cost.

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

Gains and losses

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

Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount, and the present value of estimated future cash flows, excluding future credit losses that have not been incurred, discounted at the financial asset's original effective interest rate, if practically determinable. Where the effective interest rate at initial recognition is not practically determinable, the government bond rate is used as the risk-free rate and adjusted for any risks specific to the financial assets. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

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

Derecognition

Financial assets

The NCC derecognises financial assets using trade date accounting. The NCC derecognises a financial asset only when:
- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the NCC transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or

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1.7 Financial instruments (continued) Classification

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

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

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

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

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

Financial liabilities

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

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

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

1.8 Statutory receivables

Identification

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

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1.8 Statutory receivables (continued)

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

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

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

The transaction amount for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

Recognition

The NCC recognises statutory receivables as follows:
- if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions;
- if the transaction is a non-exchange transaction, using the policy on Revenue from non-exchange transactions
- (Taxes and transfers); or
- if the transaction is not within the scope of the policies listed in the above or another

Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the NCC and the transaction amount can be measured reliably.

Initial measurement

The NCC initially measures statutory receivables at their transaction amount.

Subsequent measurement

The NCC measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:
- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

Derecognition

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

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1.8 Statutory receivables (continued)

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

1.9 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership.

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

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

Operating leases - lessee

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

The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis over the lease term. Any contingent rents are expensed in the period in which they are incurred.

1.10 Provisions and contingencies

A provision is a liability of uncertain timing or amount. Provisions are recognised when:

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

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

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

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

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

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

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1.10 Provisions and contingencies (continued)

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.
A provision is used only for expenditures for which the provision was originally recognised.
Provisions are not recognised for future operating surplus (deficit).

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

1.11 Commitments

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

Disclosures are made in respect of unrecognised contractual commitments which include future capital commitments relating to property, plant and equipment, investment property, intangible assets and heritage assets, as applicable, operational commitments, as well as future commitments relating to operating leases. Refer to note 19: Commitments

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

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and

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

1.12 Revenue from exchange transactions

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

Measurement

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

Interest - short term deposits

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

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

Interest is recognised using the effective interest rate method for financial instruments, and using the nominal interest rate method for statutory receivables. Interest levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction.

1.13 Revenue from non-exchange transactions

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an NCC either receives value from another entity without directly giving approximately

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

Recognition

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

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

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

Measurement

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

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

Government grants

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

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

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

Services in kind

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

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

1.14 Employee benefits

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

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1.14 Employee benefits (continued)

Short-term employee benefits

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

Short-term employee benefits include items such as:
- wages, salaries and social security contributions;
- short-term compensated absences, such as paid annual leave and paid sick leave, where the compensation for the
- absences is due to be settled within twelve months after the end of the reporting period in which the employees
- render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting
- period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the NCC during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the
- undiscounted amount of the benefits, the NCC recognises that excess as an asset (prepaid expense) to the extent
- that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

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

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

Post-employment benefits

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

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1.15 Fruitless and wasteful expenditure

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

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

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

1.16 Irregular expenditure

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

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

National Treasury practice note no.2 of 2019/20 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 17 May 2019):

Irregular expenditure is incurred when the resulting transaction is recognized in the financial records of a department, constitutional institution or public entity in accordance with the relevant Accounting Framework.

When an Irregular Expenditure is being suspected, it is reported to the NCC and then recorded in the Irregular Expenditure Register. The alleged Irregular Expenditure is then investigated for confirmation.

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

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

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

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the Accounting Authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly.

If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

For details on irregular expenditure, refer to note 27.

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1.17 Budget information

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

The approved budget covers the fiscal period from 1 April 2020 to 31 March 2021.

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

1.18 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

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

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

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

1.19 Events after reporting date

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

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

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

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2021	2020

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 April 2021 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 104 (amended): Financial Instruments	To be determined by the Minister of Finance	Unlikely that there will be a material impact
• Guideline: Guideline on Accounting for Landfill Sites	To be determined by the Minister of Finance	Unlikely there will be a material impact
• GRAP 25 (amended): Employee Benefits	To be determined by the Minister of Finance	Unlikely that there will be a material impact

3. Receivables from exchange transactions

Accrued interest income	7 820	11 079
Other receivables	-	87 568
Third party receivables	53 922	-
	61 742	**98 647**

Third party receivables relate to the overpayment made to the medical aid scheme.

Other receivables relate to monies to be recovered from one of the National Consumer Commission's former suppliers Polprem Trading Enterprises CC.

4. Receivables from non-exchange transactions

Other receivables	910	13 016
Services in kind	878 095	414 000
Staff debtors	45 188	62 320
	924 193	**489 336**

Other receivables relate to monies to be recovered from employees related to fruitless and wasteful expenditure due to the National Consumer Commission amounting to R910 (2020: R13 016).

Services in kind related to the South African Bureau of Standards that owed the National Consumer Commission a net amount of R878 095 (2020: R414 000) at year end made up of ICT services not rendered (Disaster recovery services).

Staff debtors relate to monies paid as advance to employees that are due to the National Consumer Commission amounting to R45 188 (2020: R62 320).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2021	2020

5. Prepayments

Prepayments	539 450	179 600

Prepaid expenses relate to software licenses.

6. Cash and cash equivalents

Cash and cash equivalents consist of:		
Cash on hand	6 655	10 000
Bank balances	19 937 946	6 841 112
Short-term deposits	7 530 798	25 749 155
	27 475 399	**32 600 267**

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

The balance of cash and cash equivalents include the cash retained during the year and prior periods. Retention of cash is further disclosed in Contingencies note 20.

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

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

7. Property, plant and equipment

	2021			2020		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Furniture and fixtures	2 646 390	(1 608 433)	1 037 957	2 711 486	(1 473 302)	1 238 184
Office equipment	103 821	(38 061)	65 760	51 595	(36 350)	15 245
Computer equipment	3 641 535	(2 603 810)	1 037 725	3 529 749	(2 456 965)	1 072 784
Work in progress	12 517 515	-	12 517 515	-	-	-
Total	**18 909 261**	**(4 250 304)**	**14 658 957**	**6 292 830**	**(3 966 617)**	**2 326 213**

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Asset impaired incorrectly	Depreciation	Impairment loss	Total
Furniture and fixtures	1 238 184	8 111	-	(188 187)	(20 151)	1 037 957
Office equipment	15 245	66 476	-	(15 514)	(447)	65 760
Computer equipment	1 072 784	290 840	184 340	(465 882)	(44 357)	1 037 725
Work in progress	-	12 517 515	-	-	-	12 517 515
	2 326 213	**12 882 942**	**184 340**	**(669 583)**	**(64 955)**	**14 658 957**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2021	2020

Reconciliation of property, plant and equipment - 2020

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

7. Property, plant and equipment (continued)

Pledged as security

There are no assets pledged as security.

An asset register containing the information required by the Public Finance Management Act is available for inspection at the registered office of the NCC.

8. Intangible assets

	2021			2020		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Computer software	421 079	(330 120)	90 959	321 079	(252 596)	68 483
Intangible assets under development	3 720 000	-	3 720 000	-	-	-
Total	**4 141 079**	**(330 120)**	**3 810 959**	**321 079**	**(252 596)**	**68 483**

Reconciliation of intangible assets - 2021

	Opening balance	Additions	Amortisation	Total
Computer software	68 483	100 000	(77 524)	90 959
Intangible assets under development	-	3 720 000	-	3 720 000
	68 483	**3 820 000**	**(77 524)**	**3 810 959**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2021	2020

Reconciliation of intangible assets - 2020

	Opening balance	Amortisation	Total
Computer software	228 714	(160 231)	68 483

9. Payables from exchange transactions

	2021	2020
Trade payables	14 666 356	2 287 772
Accrued expenses	556 009	227 798
Third party payments	33 726	71 493
Salary control	63 756	194 749
	15 319 847	**2 781 812**

Payables are due and payable within 30 days of receipt of invoices.

Fair value of trade and other payables

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

10. Provisions

Reconciliation of provisions - 2021

	Opening balance	Additions	Utilised during the year	Total
Provision for leave pay	1 543 937	372 319	(245 141)	1 671 115
Provision for Workmen's Compensation	6 834	50 735	-	57 569
	1 550 771	**423 054**	**(245 141)**	**1 728 684**

Reconciliation of provisions - 2020

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

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

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2021	2020

11. Revenue

Interest received (staff debtors)	2 125	1 964
Other income	2 392	13 879
Interest received - investment	2 004 565	3 667 427
Reversal of impairment of assets	184 339	-
Government grant	51 530 000	58 304 000
Services in kind	9 709 211	8 990 508
	63 432 632	**70 977 778**

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

Interest received (staff debtors)	2 125	1 964
Other income	2 392	13 879
Interest received - deposit	2 004 565	3 667 427
	2 009 082	**3 683 270**

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

Reversal of impairment of assets	184 339	-
Transfer revenue		
Government grant	51 530 000	58 304 000
Services in kind	9 709 211	8 990 508
	61 423 550	**67 294 508**

Nature and type of services in-kind are as follows:

With effect from 1 October 2016 the South African Bureau of Standards (SABS) has provided the NCC with office accommodation and related services at no cost. Related services include security, cleaning and information technology services. The market value of the accommodation and related costs amounts to R9 709 211 (2020: R9 238 071).

12. Employee related costs

Salaries	35 893 670	37 337 165
Service bonuses	2 035 881	2 039 064
Employer's pension contributions	4 720 824	3 943 922
Leave pay provision	127 178	396 605
Leave payout	291 734	-
Medical aid contributions	421 551	467 243
Special incentives	-	15 152
Special allowance *	481 071	80 179
UIF contributions	129 089	129 698
Workmen's compensation	50 734	46 833
	44 151 732	**44 455 861**

* Thirty-nine (39) employees received allowances during the first three weeks of the COVID-19 hard lockdown, as compensation for incidental costs.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2021	2020
13. General expenses		
Advertising	1 272 073	1 299 131
Assets below R5 000	12 867	-
Audit committee fees	447 015	381 781
Auditors remuneration (refer to note 15)	1 515 358	1 701 115
Bank charges	33 417	31 947
Cleaning services	347 258	330 408
Communication costs	694 995	637 020
Computer expenses	952 322	1 093 360
Consulting and professional fees	3 419 761	1 683 343
Consumables	64 419	615 682
Damages and theft	-	32 950
Fines and penalties	-	24 621
Insurance	-	98 446
Lease payments: printers and copiers	87 493	157 305
Office rental/services in kind	5 169 790	4 918 925
Postage and courier services	3 444	90 564
Printing and stationery	80 974	212 531
Publications	84 488	303 940
Registration fees	-	30 000
Research costs	569 970	-
Security services	660 110	628 078
Software expenses	771 516	808 222
Subscriptions and membership fees	26 272	16 173
Training	10 549	180 917
Travel - local	1 267 359	1 979 190
Travel - overseas	-	159 990
Venue and facilities	7 927	357 922
Water and electricity	1 845 107	1 755 573
	19 344 484	**19 529 134**

14. Repairs and maintenance

Repairs and maintenance	25 455	112 219

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

15. Auditors' remuneration

External audit fees	1 202 472	1 164 848
Internal audit fees	312 886	536 267
	1 515 358	1 701 115

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2021	2020

16. Taxation

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

17. Cash generated from operations

(Deficit) surplus	(1 007 794)	5 685 782
Adjustments for:		
Depreciation and amortisation	747 107	1 123 589
Impairment of assets	64 956	-
Debt impairment	106 692	71 193
Movements in provisions	177 913	(29 168)
Other non-cash items	(184 340)	72 265
Changes in working capital:		
Receivables from exchange transactions	36 905	(88 768)
Consumer debtors	(106 692)	(71 193)
Other receivables from non-exchange transactions	(434 857)	(81 005)
Prepayments	(359 850)	146 878
Payables from exchange transactions	12 538 034	2 031 736
	11 578 074	**8 861 309**

18. Financial instruments disclosure

Categories of financial instruments

2021

Financial assets

	At amortised cost	Total
Cash and cash equivalents	27 475 399	27 475 399
Other financial assets	7 820	7 820
	27 483 219	**27 483 219**

Financial liabilities

	At fair value	Total
Trade and other payables from exchange transactions	15 319 847	15 319 847

2020

Financial assets

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

Financial liabilities

	At fair value	Total
Trade and other payables from exchange transactions	2 781 812	2 781 812

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2021	2020

19. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• ICT Software development	1 925 899	5 645 899
• ICT Infrastructure	9 448 807	-
	11 374 706	**5 645 899**

Total capital commitments

Already contracted for but not provided for	**11 374 706**	**5 645 899**

Authorised operational expenditure

Already contracted for but not provided for		
Internal audit fees	4 852	313 406
External audit fees	1 127 584	2 580 022
Leasing photocopiers	27 063	69 868
Technical support for SAGE system	245 456	312 899
Technical support for VIP system	260 076	264 661
Health risk manager services	10 243	25 899
Prosecute suppliers in contravention with COVID-19 regulations	-	470 000
Website design	-	140 647
Legal fees	1 019 085	801 874
Mobile communication devices	64 165	106 255
Travelling	159 724	250 825
Newsletter - 12 issues	34 803	72 600
Website maintenance	132 943	110 431
Toll free services	135 000	185 000
Licenses	-	1 461 809
Organisational work study	434 700	837 200
Conduct a survey on awareness	-	566 054
Verification of qualifications	24 600	34 724
Maintenance and user support services for NCC contact centre	261 913	-
Conduct investigation into franchise, fraudulent loan schemes	879 950	-
	4 822 157	**8 604 174**

19. Commitments (continued) Total commitments

Authorised operational expenditure	4 822 157	8 604 174
Authorised capital expenditure	11 374 706	5 645 899
	16 196 863	**14 250 073**

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	13 514	66 065
- in second to fifth year inclusive	-	5 553
	13 514	**71 618**

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2021	2020

20. Contingencies

The following **litigation** cases are ongoing:

Barnardo vs NCC - Applicant seeks to compel the NCC to enforce the MIOSA ruling	120 000	38 591
IMM Mokgabe vs NCC - Applicant claiming damages for failure to enforce CPA	-	1 142 100
Gugwini C vs NCC - Unfair dismissal	988 924	893 182
Netshitomboni vs NCC - Unfair dismissal	-	300 000
Disciplinary hearing - Mr A Mudau	-	300 000
	1 108 924	**2 673 873**

There are a contingent liabilities that comprise of accumulated surpluses as at 31 March 2020. A request for the retention of the previous year's accumulated surplus of R25 447 635 has been approved by National Treasury.

21. Related parties

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

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

Related party balances

Amounts included in Trade receivable (Trade Payable) regarding related parties

South African Bureau of Standards	879 005	414 000
National Consumer Tribunal	-	(93 177)

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

Related party transactions

Transfer payments received

Department of Trade, Industry and Competition	51 530 000	58 304 000

Services in kind

South African Bureau of Standards	9 709 211	8 990 508

Consulting fees

National Consumer Tribunal	(126 033)	(93 177)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2021	2020

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

With effect from 1 October 2016, the South African Bureau of Standards (SABS) has provided the NCC with office accommodation at no cost. The market related value of the accommodation and related cost amounts to R9 709 211 (2020: R8 990 508). The SABS and the NCC are entities within **the dtic** group.

21 Related parties (continued)

Remuneration of key personnel

Audit and Risk committee members 2021

Name

	Number of meetings attended	Committee fees
Ms S Sekgobela (Chairperson)	5	165 716
Ms R Kenosi	5	143 859
Adv S Kholong	5	137 440
Ms N Matomela (Ex officio member)	5	-

2020

Name

	Number of meetings attended	Committee fees
Ms S Sekgobela (Chairperson)	5	140 627
Ms R Kenosi	5	138 911
Adv S Kholong	5	112 243
Ms N Matomela (Ex officio member)	5	-

Executive management

2021

Name	Basic salary	Pension Contribution	Other payment received	Total
T Mabuza - Acting Commissioner	1 523 358	155 981	471 589	2 150 928
N Kuljeeth - Company Secretary *	232 396	30 211	242 537	505 144
J Selolo-Company Secretary **	545 014	66 417	160 981	772 412
A Van der Merwe - Chief Financial Officer and Head Corporate Services	1 016 451	132 139	334 517	1 483 107
P Moilwa - Head Enforcement and Investigations	808 739	105 135	467 557	1 381 431
P Mlungu - Head Advocacy, Education and Awareness	808 739	105 135	470 235	1 384 109
J Mbeje - Head of Legal Division	875 828	113 858	278 843	1 268 529
	5 810 525	**708 876**	**2 426 259**	**8 945 660**

* N Kuljeeth retired on 30 June 2020

** J Selolo was acting Company Secretary from 1 July 2020 to 31 August 2020, and was appointed as Company Secretary on 1 September 2020.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2021	2020

21. Related parties (continued)

2020

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

22. Change in estimate

Property, plant and equipment

Furniture and fixtures

The useful life of furniture and fixtures was estimated to be between 3 to 10 years. In the current period, management have revised their estimate on useful lives of some of furniture and fixtures and have extended them by a maximum of two years. The effect of these revisions have decreased the depreciation charge by R44 164.81 (2020: R0) in the current year. The effect of future periods (2022 and 2023) is an increase in the total depreciation expense on furniture and fixtures by R44 164.81.

Office equipment

The useful life of computer equipment was estimated to be between 3 to 10 years. In the current period, management have revised their estimate on useful lives of some of office equipment and have extended them by a maximum of two years. The effect of these revisions have decreased the depreciation charge by R487.59 (2020: R0) in the current year. The effect of future periods (2022 and 2023) is an increase in the total depreciation expense on Office equipment by R487.59.

Computer equipment

The useful life of computer equipment was estimated to be between 3 to 9 years. In the current period, management have revised their estimate on useful lives of some of computer equipment and have extended them by a maximum of two years. The effect of these revisions have decreased the depreciation charge by R266 985.20 (2020: R8 272.45) in the current year. The effect of future periods (2022 and 2023) is an increase in the total depreciation expense on computer equipment by R266 985.20

23. Prior period errors

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

1. Employee related costs

The NCC discovered that there was an error in prior year employee related as the financial statements were understated by R135 700, as transactions that occurred to prior 31 March 2020 were not accounted in the correct financial year.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2021	2020

23. Prior period errors (continued)

2. Advances

The NCC discovered that there was an error in prior year advances as the financial statements were understated by R21 517, as compared to the advances schedule.

3. Travel - local

The NCC discovered that there was an error in prior year local travel as the financial statements were understated by R1 560, as transactions that occurred to prior 31 March 2020 were not accounted in the correct financial year.

4. Advertising

The NCC discovered that there was an error in prior year advertising cost as the financial statements were overstated by R30 000, as compared to the supplier statement.

5. Payables from exchange transactions

The NCC discovered that payables from exchange transactions was overstated due to the impact of local travel, employee related cost and adverising which had misstatements amounting to (R107 259). Furthermore, the 2019 Payables were misstated, and were adjusted in the 2020 financial statements under the opening balance retained earnings amounting R72 265.

The correction of the errors results in adjustments as follows:

Statement of financial position	Notes	As previously reported	Correction of an error	Total
Receivables from non-exchange transactions	3	467 819	21 517	489 336
Payables from exchange transactions	9	2 746 818	34 994	2 781 812
Accumulated surplus		31 443 440	(13 447)	31 429 963
		34 658 077	**43 064**	**34 701 111**

Statement of financial performance	Notes	As previously reported	Correction of an error	Restated
Employee related costs	12	44 320 161	135 700	44 455 861
General expenses	13	19 579 092	(49 958)	19 529 135
		63 899 253	**85 742**	**63 984 996**

24. Risk management

Financial risk management

The NCC's activities expose it to a variety of financial risks: market risk and credit risk. The NCC's policies and procedures are used to manage its risk and the approach is consistent with prior years.

Liquidity risk

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2021	2020

24. Risk management (continued)

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

At 31 March 2021	Less than 1 year	Between 1 and Between 2 years	Between 2 and Between 5 years	Over 5 years
Payables from exchange transactions	15 319 846	-	-	-
At 31 March 2020	**Less than 1 year**	**Between 1 and Between 2 years**	**Between 2 and Between 5 years**	**Over 5 years**
Payables from exchange transactions	2 781 812	-	-	-

Credit risk

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

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

Financial instrument	2021	2020
Receivables from exchange transactions	7 820	11 079
Cash and cash equivalents	27 475 399	32 600 267

Market risk

Interest rate risk

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

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

Cash and cash equivalents	27 475 399	32 600 267

25. Events after the reporting date

The accounting authority has assessed the potential impact of COVID-19 pandemic on the NCC and has concluded that the pandemic would not have a significant impact on the planned expenditure for the 2021/2022 financial year. COVID-19 related expenses will be provided for, from the available budget allocation.

The budget allocation for R61,270 million for 2020/2021 financial year was reduced by R9,740 million, implying a net budget allocation of R51,530 million. The reduction will not adversely affect the achievement of strategic objectives.

The entity will request approval from National Treasury to retain R13,141 million of its cash surplus for the acquisition of the ICT hardware.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

26. Fruitless and wasteful expenditure

Figures in Rand	2021	2020
Opening balance	4 138	154 338
Add: Fruitless expenditure - current year	12 583	13 879
Less: Amounts reversed	-	(21 630)
Less: Amounts written-off	-	(141 661)
Less: Amounts recovered	-	(788)
Closing balance	**16 721**	**4 138**

Details of fruitless expenditure		
Administration cost for change of accommodation	-	3 613
Traffic fine and handling charges	-	525
PAYE and UIF penalty	10 334	-
PAYE and UIF interest	2 249	-
	12 583	**4 138**

All incidental fruitless and wasteful expenditure were investigated or are under investigation, and consequent management (disciplinary actions) are taken where so recommended as per the investigation reports.

27. Irregular expenditure

Opening balance	-	1 551 965
Less: Amounts condoned (removed) by the Accounting Authority for prior periods	-	(1 551 965)
Closing balance	**-**	**-**

28. Budget differences

Budget narrations are included for variations which are deemed to be material in terms of the Materiality and Significance Framework of the NCC.

27.1 Interest received - investment

The decrease in interest income is due to the NCC having lower cash balance / less cash in bank, as a result of the dtic's reduction in the annual budget by R9,7m.

27.2 Employee related costs

The under spending is due to vacant positions.

27.3 General expenses

National Treasury approved retained earnings of R25,477m in December 2020, which led to additional budget being available for spending on general expenses.