

ANNUAL REPORT

2015/2016



NATIONAL CONSUMER COMMISSION



NATIONAL CONSUMER COMMISSION

ANNUAL REPORT 2015 - 2016



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PART 1:

GENERAL INFORMATION

1



NATIONAL CONSUMER COMMISSION

1.1 Foreword by Minister of Trade & Industry



With the promulgation of the Consumer Protection Act, Act 68 of 2008, the Department of Trade and Industry sought to primarily abolish the deeply embedded bias and prejudice of past trade laws and to create adequate standards of protection for every citizen who transacts within the boundaries of country. I am pleased to see that since giving effect to this legislation South Africans are now deservedly beginning to obtain redress in relation to their consumer disputes with suppliers, and that their consumer rights are being taken seriously by business.

I am encouraged by big business in particular who has given effect to revised refund, repair and replacement policies in order to ensure their compliance with the provisions of the Consumer Protection Act, as well as their inclination to ensure proper labelling of their products.

The National Consumer Commission will strive to ensure that this pragmatic approach is replicated throughout all industries.

Business must at all times operate ethically and should treat consumers fairly. That in my view should be a fundamental pillar of long term sustainability. Competitiveness across industries should not be underpinned by shortchanging consumers.

The work done by the National Consumer Commission, in collaboration with Provincial Consumer Protection Authorities, various government entities and departments, particularly, the Departments of Health, Agriculture and Tourism, must gain further impetus. Working together is vital to ensuring a coherent, adequately resourced and easily accessible consumer protection system with effective enforcement mechanisms that are fortified by a comprehensive legislative framework that affords more than just basic rights to consumers, and sets out guiding principles for general market conduct.

I am encouraged by the fact that the recently accredited ombud schemes and the respective prescribed industry codes of conduct for both the Motor and Consumer Goods and Services industries are functioning well and doing their part to resolve disputes between consumers and suppliers.

Notwithstanding that, alarm bells should sound when the National Consumer Commission reports an increase in recalls of defective or unsafe products in comparison to the previous year. The increase is however indicative of business compliance with the CPA and other relevant laws. It also demonstrates that regulatory compliance is beginning to take root in the interest of consumer protection and long term business sustainability.

The recent disturbing trend of “get rich quick schemes” that are mushrooming all over the country is concerning. These appear to be fanned by consumer greed, and in some instances, naivety. The National Consumer Commission with the assistance of the media and other relevant stakeholders have gone out on a concerted educational and awareness drive to warn consumers against participating in such schemes. In this regard I wish to advise and caution consumers that these schemes will inevitably collapse, and once this happens they will irrevocably lose their invested money. Moreover, because consumers themselves are engaging in prohibited conduct, the banks too will institute untoward actions that could result in the closing of their accounts.

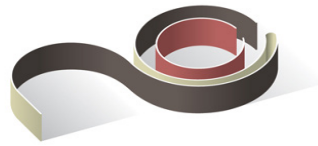
Finally, I am pleased that the NCC has once again received an unqualified audit from the Auditor-General of South Africa. The reports issued by the Auditor-General throughout the year have clearly indicated a steady and profound improvement in compliance over time.

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



Dr Rob Davies, MP
Minister of Trade and Industry

1.2. Submission of the Annual Report to the Executive Authority



NATIONAL CONSUMER COMMISSION

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

Dear Honourable Minister

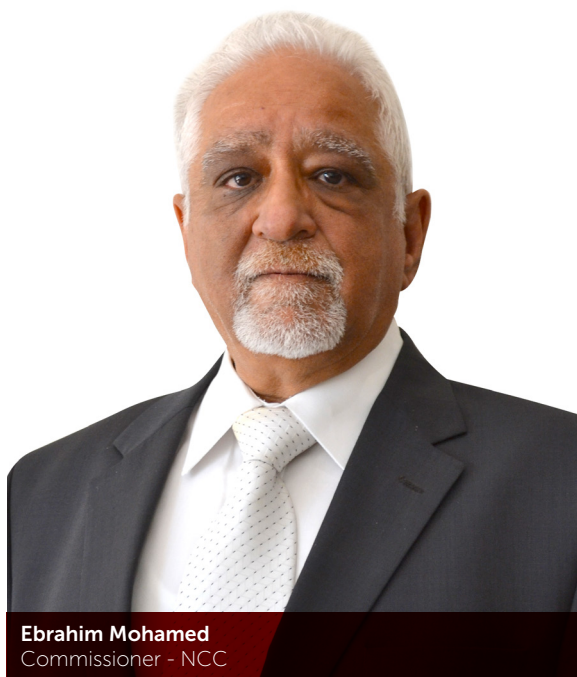
SUBMISSION OF NATIONAL CONSUMER COMMISSION ANNUAL REPORT 2015/16

I refer to the provisions of the Public Finance Management Act and to the Shareholder Compact entered into between the Executive Authority and the National Consumer Commission.

I attach hereto, the Annual Report of the National Consumer Commission for the financial year 2015/2016 which has been drafted in line with the template issued by National Treasury.

Mr Ebrahim Mohamed
Commissioner
National Consumer Commission
31 July 2016

1.3. Introduction by the Accounting Authority



This, in all likelihood is my penultimate introduction as accounting officer of the National Consumer Commission (NCC), as I will retire in two years' time. I am most pleased to report that the NCC has yet again received an unqualified audit, its third in straight succession. It is my ultimate goal to perpetually preserve this standard during my term of office. The NCC has altered its course from incipient missteps and is steadily en route to making its presence felt as the primary regulator of consumer protection in the country. We have indeed grown.

I am often reminded that when the economy of a country like ours takes a downturn, particularly where the socio economic divide is very prominent, deceitful operators masquerading as legitimate suppliers, emerge and exploit the vulnerability and sometimes naivety of consumers. One tends to see a proliferation of multiplication and pyramid schemes that create a frenzied, enthusiastic atmosphere where group pressure and promises of easy money play upon consumer's conscience.

Pyramid schemes now come in so many forms that they may be difficult to recognise immediately. However, they all share one

overriding characteristic, which is to promise consumers compensation derived primarily from their respective recruitment of other persons as participants, rather than from the sale of any goods or services. A multiplication scheme on the other hand exists when a person offers, promises or guarantees a consumer, investor or participant, an effective annual interest rate, as calculated in the prescribed manner that is at least 20 per cent above the REPO Rate as determined by the South African Reserve Bank.

The Consumer Protection Act regards any person who promotes such schemes or any participant therein as engaging in prohibited conduct. Regrettably, whilst these schemes are new and participants are earning an above average return, the NCC will not receive any complaints. The operators of these schemes will receive protection from the participants themselves. Sadly, because these schemes inevitably struggle to attract more participants, they collapse, and thousands of consumers lose their monies, easily running into millions of rand when compounded. Consumers by then would have invested their life savings, pensions, and many would have borrowed against their homes to invest in these schemes. Even when operators of these schemes are dealt with, consumers will have no recourse. The monies would have long vanished. Some consumers have publicly lambasted the NCC for attempting to close down these schemes. Those who eventually lose their monies will at some stage apportion blame to the NCC, in spite of us spending many hours on television, national, regional and community radio stations to warn consumers against participation of such schemes.

Notwithstanding the vast media reports about corruption, I am proud to announce that there has not been a single report of corrupt activity at the NCC under my watch. I thank my staff for their exemplary behaviour in this regard, and for regarding public funds as sacrosanct. I also wish to thank the Nehawu branch of the NCC whom has behaved most maturely by not making unreasonable demands on the NCC, which despite its vast mandate, has to make do with a small budget. Whilst there has been improved control measures in finance, human resource



Thezi Mabuza
Deputy Commissioner

management and supply chain management which can often be regarded as tedious, there has been an increase in adverse findings, raised by the Auditor General of South Africa. This points to additional work required in these areas. It is regrettable that the close monitoring of action plans in relation to the previous external and internal audit findings coupled with willingness from a vast majority of management and staff to comply, have not contributed to an improvement.

My performance as always is closely monitored by Minister. In this regard I wish to confirm that I have fully met 11 of the 18 deliverables expected of me, and have made substantial progress on the remaining others which were just slightly missed. A few challenges were experienced along the way, hence all targets were not fully met.

The Audit and Risk Committee and Internal Audit have played an immense role in assisting me with clean governance.

Despite its busy schedule, the members of the Parliamentary Portfolio Committee on Trade and Industry, comprising of various political parties, under the leadership of Ms Joan Fubbs, and in line with its oversight functions, has, once again, not missed an opportunity to hold the NCC to account. These diligent oversight functions, on behalf of our

people, are vital to ensuring that public funds are spent appropriately and not mismanaged.

The Deputy Commissioner of the NCC, Ms Thezi Mabuza, has willingly continued taking responsibility for amongst others, delivery on the core mandate of the NCC. She has been a tremendous pillar of strength, support and wisdom throughout the year, and I remain indebted to her for her unwavering support, dedication and hard work.

The provincial consumer protection authorities and the NCC have cemented their relationship in the year under review and have undertaken to continue working together in the interest of protecting consumers throughout the Republic. This would not have been possible without the dedication of the heads and core management staff of all these provincial consumer protection authorities that liaise and cooperate with the NCC on an almost daily basis.

It would be remiss of me not mention the two ombud schemes that were accredited by Minister, namely, the Motor Industry Ombud of South Africa (MIOSA) and the Consumer Goods and Services Ombud (CGSO). The ombuds themselves, Mr Johan Van Vreden and Adv Neville Melville, together with their staff, have done a sterling job in resolving thousands of disputes between consumers and suppliers without any cost to consumers. This would not have been possible without the unstinting support from their boards headed respectively by Dr. Matthews Phosa and Ms Magauta Mpahlele. Critical to the success of these ombud schemes are the respective businesses that fall within the relevant demarcations of, and which sustains these schemes. I am indebted to all these participants, particularly for taking the NCC and the Executive Authority into their confidence, and for promoting ethical business behaviour in the Republic.

1.4 Vision and Mission Statements

1.4.1 Vision

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

1.4.2 Mission

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

1.4.3 Value Statements

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

The NCC's value statements are:

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

1.5 Legislative Mandate

1.5.1 Consumer Protection Act 68 of 2008

The NCC is established in terms of Section 85 of the Consumer Protection Act No. 68 of 2008 with jurisdiction through the Republic of South Africa. The NCC reports to the Department of Trade and Industry ("the dti") Entity Oversight Unit and to the Consumer and Corporate Regulation Division ("CCRD") which has, as one of its key roles, the creation of "credible institutions for enforcement and implementation of regulatory instruments".

The NCC is charged with the responsibility to enforce and carry out the functions assigned to it in terms of the Act. The Act 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.

1.5.2 Constitutional Mandates

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

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

1.6 Overview of the National Consumer Commission's performance

1.6.1 Service delivery environment

The NCC has begun to stabilise. It received an unqualified audit over the past three years and from a governance perspective, it is operating as a public entity should. Its compliance with the regulatory framework has improved drastically over the years.

Internal Audit and Risk Management, is fully implemented. Processes within the Finance and Supply Chain directorates have been revised and implemented. Irregular expenditure and invoice registers are implemented. The asset register and payments processes have been improved. Each and every finding by the AGSA in the previous financial year and by internal audit has been dealt with and monitored regularly. In order to improve service delivery, each Division has reviewed and/ or implemented its standard operating procedures. The Audit and Risk Committee has met several times in the course of the year. Risk management has been taken more seriously.

The NCC continues to deliver on its strategy. The strategy of the NCC is simple with its core function being, to enforce the CPA. The investigation of consumer complaints is at the heart of the NCC's enforcement mandate.

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 during the course of an investigation. The NCC, given its limited resources, has accepted that it will be impossible for it to

investigate every complaint. Moreover, 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 to resolve their disputes amongst themselves, prior to referring these complaints to alternate dispute resolution agents, industry ombud schemes, provincial consumer protection courts, before these complaints are referred to the NCC. The NCC is not an alternate dispute resolution agent, as defined in the CPA. The NCC therefore 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. A number of industries responded positively.

As a result, the NCC recommended, and Minister, accredited the Motor Industry Code and ombud scheme as well the Consumer Goods and Services code and ombud scheme. Both these statutory schemes have commenced operation in the 2015/2016 financial year. A summary of the work done by these Ombuds will be dealt with later on in this report. The NCC, in the year under review has had advanced discussions with key stakeholders from the franchise and funeral services industries with intent to have industry ombuds established in these industries.

The accreditation of the aforementioned industry codes and ombud schemes are most significant, in that, it marks the beginning of a public private partnership insofar as the joint implementation of the Consumer Protection Act is concerned. The industries are funding these alternate dispute resolution schemes without any financial assistance from government. The services offered to consumers are free of any charges. In establishing these schemes, the respective industries have invested millions of rand in the protection of consumer rights. These

schemes have led to a number of jobs being created. Whilst teething problems are expected, this approach serves to benefit consumers immensely.

Firstly, consumers will be able to seek accessible, free and speedy conciliation and mediation services on their consumer related disputes when resolution through the internal structures of the supplier has failed. Secondly, these disputes will ordinarily be dealt with by persons who should be familiar with the nature of the transaction as it falls within the industry or sector. The role of the NCC in this regard is to monitor the work of these ADR agents. This approach is also significant to the NCC, in that, from a regulators perspective, the NCC can now monitor consumer disputes per industry and sector. In monitoring the complaints dealt with by these alternate dispute resolution schemes, the NCC will be able to identify endemic harmful business practices as well as emerging harmful trends. Interventions by the NCC can therefore be meaningful. This is vital given the limited resources which must be put to effective use.

The NCC experienced some challenges in attempting to ensure compliance by certain timeshare suppliers. Due to technical issues and on the advice of its counsel, the matter was withdrawn at the National Consumer Tribunal. The matter has not been shelved. To the contrary, it will be dealt with in line with a different strategy.

The other challenge experienced by the NCC revolved around the expiry of data that is sold by cellular network operators, their agents and the like.

Overall, 11 of the 18 targets were fully met.

1.6.2 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 Consumer Protection Act is a critical part of **the dti's** overall strategy to improve the competitiveness of business in South Africa.

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

The need to enforce the Consumer Protection Act is critical to:

- establishing a legal framework for the achievement of a fair, accessible, responsible and sustainable market;
- reducing any disadvantages experienced in accessing the supply of goods and services by low income, low literacy, rural and vulnerable consumers;
- Promoting fair business practices;
- Protecting consumers from unfair and

deceptive conduct;

- Improving consumer awareness; and
- Providing for an accessible, efficient and effective system of redress;

The Consumer protection Act applies to:

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

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

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:

- The national legislation deals with a matter that cannot be regulated effectively by legislation enacted by the respective provinces individually;
- The national legislation deals with a matter that, to be dealt with effectively, requires uniformity across the nation, and the national legislation provides that uniformity by establishing:
 - (i) norms and standards;
 - (ii) frameworks; or

(iii) national policies

- The national legislation is necessary for the-
- protection of the common market in respect of the mobility of goods, services, capital and labour;
- promotion of economic activities across provincial boundaries;
- promotion of equal opportunity or equal access to government services;

The Consumer Protection Act entrenches national consumer protection policy as well as norms and standards.

As at the end of March 2016, the NCC had an approved structure, consisting of 182 officials. However, it only has sufficient funding for 85 officials. It has been accepted that as a result of constraints on the fiscus, the NCC will not be seeking additional funding to enable it to fill all 182 posts. In this regard, the NCC has commenced with a restructuring process in the current financial year. The vast majority of unfunded posts will be abandoned. The restructuring will not result in any jobs being lost.

A recognition agreement is in place with NEHAWU. NEHAWU is the majority trade union at the NCC. In order to avoid protracted negotiations on cost of living adjustments on an annual basis, it was agreed by both the NEHAWU and the NCC that it would be in the interest of all parties to accept the cost of living adjustments settled upon at the Public Service Co-ordinating Bargaining Council (PSCBC). It was also accepted that NEHAWU is the majority union at the PSCBC and as such, acceptance of the cost of living adjustments settled upon by NEHAWU –NCC cannot be at odds with what is agreed upon for public servants within the national sphere of government. NEHAWU is fully cognisant of the budgetary constraints of the NCC and that this is no different from the general budgetary constraints of other national public entities that are wholly funded by national government. Moreover, the salary scales of the NCC officials are identical to the salary scales

and levels as determined by the Department of Public Service and Administration.

The Executive Authority is still in the process of assisting its agencies, the NCC included, in establishing bargaining chambers. This will certainly assist in creating and sustaining necessary bargaining forums. In the meantime, regular meetings are being held between the NCC and NEHAWU. Thus far the relationship between the parties is sound.



1.6.3 Key policy developments and legislative changes

Parliament recently enacted the Financial Services Laws General Amendment Act [FSLGAA], 45 of 2013. In terms of the Memorandum on Objects of the Financial Services Laws General Amendment Bill, 2012; *“The primary objective of the Bill is to ensure a sound and well regulated financial services industry and to promote financial market stability by strengthening the financial sector regulatory framework and enhancing the supervisory powers of the regulators, as well as the powers of the Minister of Finance in dealing with potential risks to the financial system.”*

In terms of the FSLGAA, the CPA does not apply to any function, act, transaction, goods or services that is or are subject to Financial Services Board legislation.

On the other hand, in terms of the CPA:

““service” includes, but is not limited to—

- (a) *any work or undertaking performed by one person for the direct or indirect benefit of another;*

(b) *the provision of any education, information, advice or consultation, except advice that is subject to regulation in terms of the Financial Advisory and Intermediary Services Act, 2002 (Act No. 37 of 2002);*

(c) *any banking services, or related or similar financial services, or the undertaking, underwriting or assumption of any risk by one person on behalf of another, except to the extent that any such service—*

- *constitutes advice or intermediary services that is subject to regulation in terms of the Financial Advisory and Intermediary Services Act, 2002 (Act No. 37 of 2002); or*
- *is regulated in terms of the Long-term Insurance Act, 1998 (Act No. 52 of 1998), or the Short-term Insurance Act, 1998 (Act No. 53 of 1998);”*

Confusion is bound to arise, particularly when consumers may want to exercise their rights in terms of legislation that affords them better protection. This has to be resolved by the relevant regulators in due course.



PART 2:

PERFORMANCE INFORMATION

2



NATIONAL CONSUMER COMMISSION

2.1. PROGRAMME PERFORMANCE

2.1.1 Strategic objectives of the National Consumer Commission

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

The following are the strategic objectives that the NCC undertook to pursue over its strategic period.

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

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

2.1.2. Description of Programmes

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

Purpose of the Programme

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



2.1.2.2 Programme 2: To promote Consumer Safety and Protection

The goal is to ensure consumer safety and protection through the enforcement of and promoting compliance with the provisions of the Consumer Protection Act and the facilitation of an environment that ensures resolution of consumer complaints that is expedient, cost effective, fair and transparent.

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

The purpose is to:

- (i) Facilitate the resolution of complaints through a system that is consistent, accessible and efficient for consensual resolution of disputes arising from consumer transactions;
- (ii) Conduct inspections and investigations so as to enforce the provisions of the Consumer Protection Act;
- (iii) Bring applications to the National Consumer Tribunal for declaration of various conduct as prohibited conduct;
- (iv) Provide legal opinions and advice to consumers, suppliers; other divisions within the NCC, especially the Enforcement and Investigations Division;
- (v) Facilitate and conduct product recalls;
- (vi) Conduct various projects related to the Opt -Out Register; establishment of the Codes of Good Practice; Accreditation of Industry Codes and to enforce the product labeling requirements of the Consumer Protection Act (CPA);
- (vii) Regulate the marketing of goods and services; and
- (viii) Facilitate the accreditation of Industry Codes and development of Codes of good practice.

2.1.2.3 Programme 3: To conduct research and promote advocacy and consumer empowerment

Purpose of the Programme

To ensure empowerment of consumers and civil society through the promotion of a consumer protection environment that is well coordinated and responsive to consumer needs.

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

The purpose is to:

- (i) Conduct targeted consumer workshops as well as business focused workshops and presentations aimed at facilitating a better understanding of the Act;
- (ii) Engage the media through media responses, interviews as well as general internal and external communication;
- (iii) Conduct research and propose policy changes to the Minister in relation to any matter affecting the supply of goods and services, including proposals for legislative, regulatory or policy initiatives that would improve the realization and full enjoyment of their consumer rights; and
- (iv) Analyse complaints and market conduct and develop trends analysis reports which assists the Commission in determining its interventions.

2.1.2.4 Key achievements of Programmes

2.1.2.4.1 To promote Consumer Safety and Protection

a) **Facilitation of resolution of complaints**

The NCC received 6794 complaints in the course of the 2015/16 financial year. The CPA precludes the NCC from resolving the disputes between consumers and suppliers. Instead the CPA requires that the NCC promote the resolution of disputes. The CPA makes it clear that consumers should first attempt to resolve these disputes with suppliers before these can be escalated to the provincial consumer protection courts, industry ombuds and eventually to the NCC. In order to promote the resolution of complaints, the NCC has embarked upon a process of recommending the accreditation by Minister of ombuds schemes in industries where a significant number of disputes arise. The NCC would ordinarily refer the complaints to relevant accredited ombud schemes for resolution. Where an ombud scheme does not exist or is not accredited, the NCC would enter into memoranda of agreements with relevant sector regulators or associations and then refer these disputes to them.

The NCC's key referral partners are the Consumer Goods and Services Ombud and the Motor Industry Ombud of South Africa.

i) **Consumer Goods and Services Ombud (CGSO)**

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



aa) Number of call and matters

(While the call centre was the main point of contact, cases also came via email and the CGSO website)

Calls received by outsourced call centre March 2015	698
Calls received by internal call centre April 2015 – February 2016	13 901
Total call centre calls received	14 599
Total cases opened for the financial year March 2015 – February 2016	2 495

bb) Type and frequency of complaint

Cellphones	951	General merchandise	27
Services	795	Virtual goods	22
Furniture	523	Footwear apparel	21
Electrical appliances	343	Medical equipment	21
Computer and accessories	140	Cosmetics	15
Clothing	123	Linen and bedding	12
Other	113	Homecare products	9
Building material	110	Toys	8
Hardware supplies	54	Stationery	7
Food and beverage	39	Tools	6
Jewellery	38	Sports goods	5
Home decor	34	Chemicals	3
Petfood and pet products	2		

cc) Nature of Complaint

Goods	43%
Services	29%
Agreements	21%
Marketing	2%
Disclosure	2%
Health and safety	1%
Deposit	1%
Treatment of what?	1%
Total	100%

dd) Suppliers who received more than 10 complaints

1	MTN#	613
2	JD Group	172
3	Vodacom	110
4	Shoprite	109
5	Lewis	106
6	Massmart	63
7	Cell-C	62
8	Edcon	57
9	Altech Autopage	40
10	Foschini	30
11	Home Choice	25
12	Mr Price	19
13	Truworths	18
14	Rochester	18
15	Pick n Pay	14
16	Samsung	12
17	UFO	11
18	Multichoice	11
19	Gym company	11



The high number of complaints against MTN was a result of the strike and the fact that MTN displayed CGSO's number on its webpage. This resulted in many complainants calling CGSO thinking that they were calling the MTN complaint line.

It needs also to be pointed out that the number of complaints received against the other network providers reflects only the portion of the year to July 2015, when CGSO stopped dealing with their complaints because of their continual refusal to join CGSO. The matter has been referred to the NCC for its decision as to whether network providers fall within CGSO's jurisdiction. CGSO continues, however, to deal with complaints arising from the marketing of cellular equipment by participating retailers.

ee) Cases

Closed	2 192
Open	1 303
Total	3 495

ff) How matters were Resolved

Resolved – complaint upheld fully	869
Referred – outside jurisdiction	464
Resolved – assistance provided	273
Resolved –matter not upheld	258
Dismissed –no cooperation from supplier	130
Resolved – mediation held	1
Dismissed –no cooperation from complainant	74
Complainant withdrew complaint	58
Resolved –complaint upheld partially	52
Duplicate	8
Matter not yet referred to supplier	5

ii) Motor Industry Ombud of South Africa



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

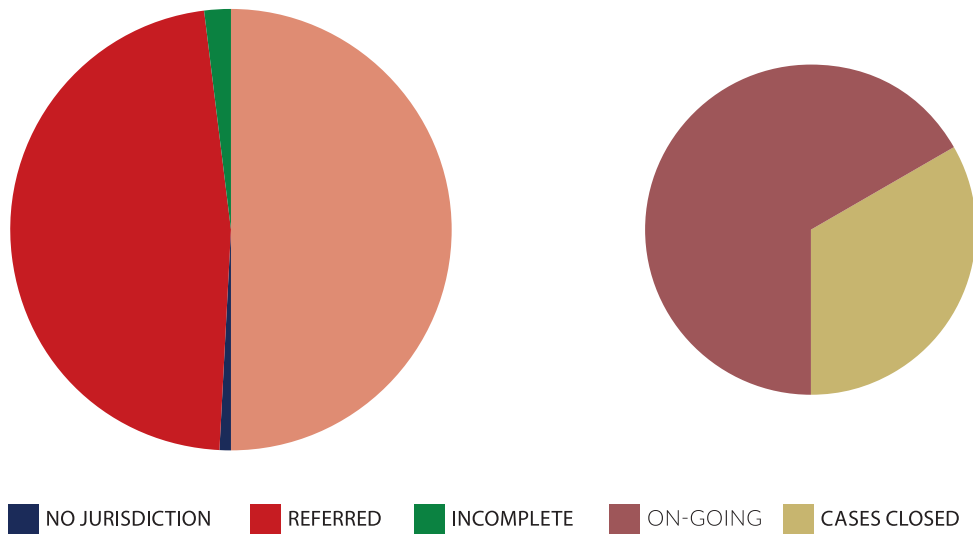
Emails were sent out to participants, informing them of their statutory obligation to register with the MIOSA and to pay the levy. Major manufacturers, importers of vehicles and major vehicle retailers were the first to commit to the new registration and levy process. Thereafter, registration of the retail market such as workshops and fitment centres, gained

momentum. The strong upward curve in the number of new registrations experienced during August 2015 to October 2015 continued in the last months of 2015 with the workshop and fitment-centre sector, used vehicle dealers and parts retailers coming on board in ever increasing numbers. Some motorcycle dealers and towing operators have also registered, while registration by some fuel retailers was recorded. During the first two months of 2016, registrations were at an acceptable level compared to the same period in 2015.

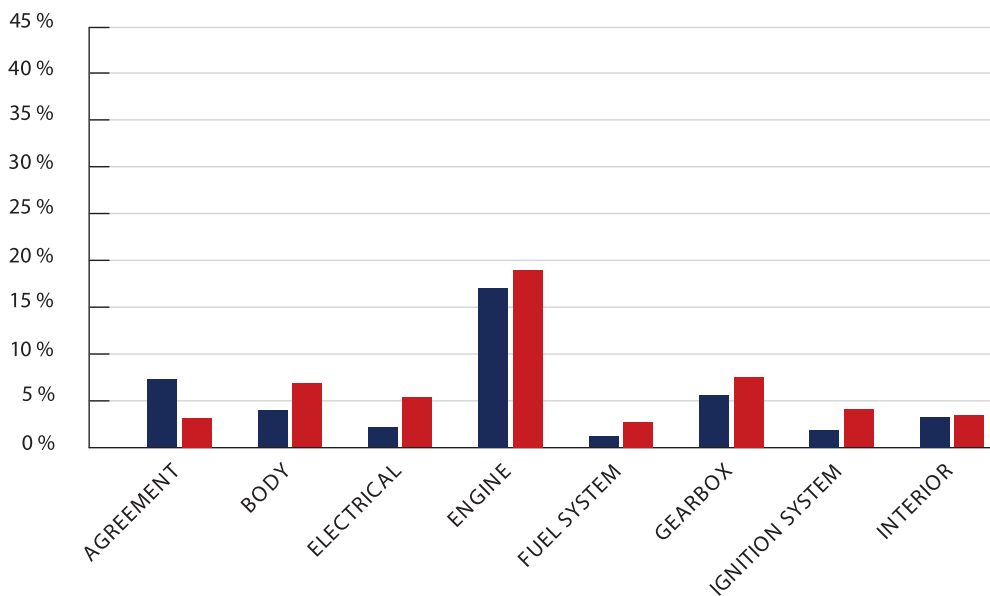
The MIOSA is therefore confident that, with the continuous growing understanding within the industry of the importance of registering, targets set for March 2016 to February 2017 should be met.

The MIOSA, since accreditation by the Minister of Trade and Industry, appointed inspectors in all the provinces with the highest activity in the motor industry. The following graphs explain the activity of the said Ombud during its 2015 financial year.

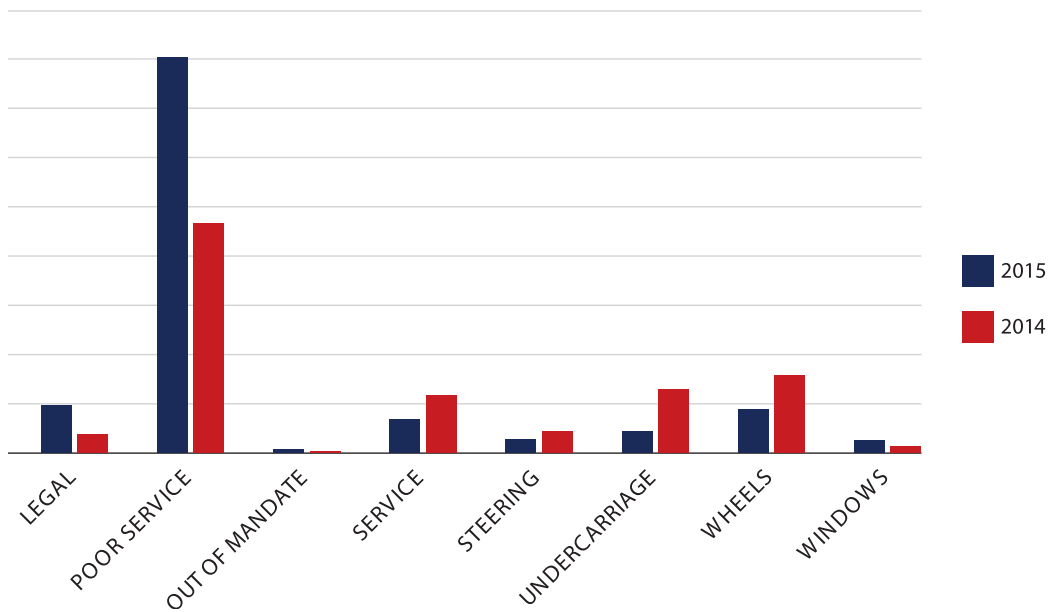
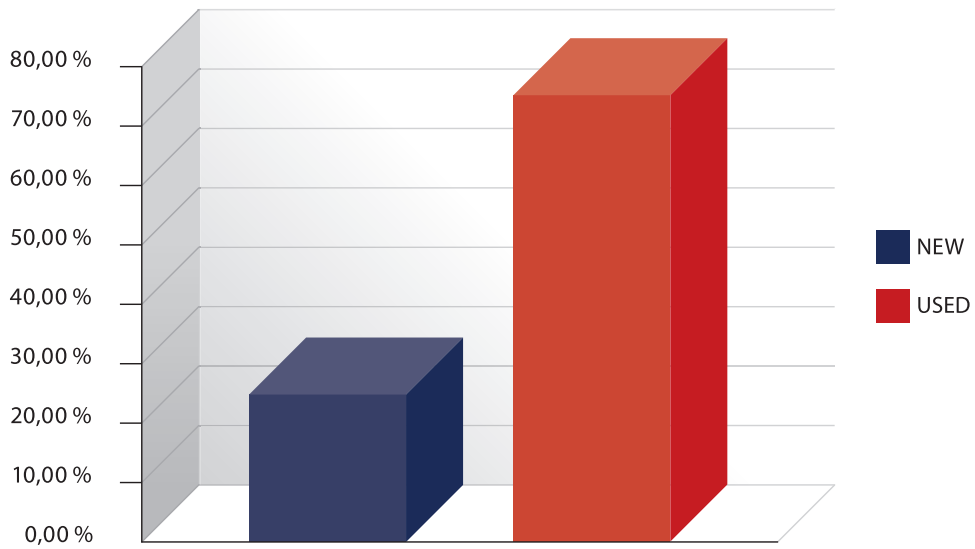
COMPLAINTS RECEIVED



MAIN CAUSES OF COMPLAINTS 2015



NEW VERSUS USED VEHICLE COMPLAINTS 2015



b) Inspections and Investigations

During the year under review, the NCC continued with improving its investigations processes. A screening committee assisted the investigation team in identifying investigations as well as determining the scope of the investigations. A process for approval of investigations was implemented to ensure that all investigations are approved and certified by the Commissioner of the NCC. In terms of the CPA, the NCC can investigate matters initiated by it, as directed by Minister or investigate complaints received from Consumers.

i) Inspections and Investigations initiated by the NCC:

Section 71 of the CPA, states that the NCC may initiate complaints. It can do so if directed by the Minister of Trade and Industry, on its own motion, on the request of a provincial consumer protection authority, a regulatory authority or accredited consumer protection group.

In terms of the NCC's strategy, sector investigations are identified from complaint trends and matters brought to the attention of the NCC that are deemed to impact significantly on consumers.

ii) Inspections & Product recalls

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

A total of 57 inspections were conducted during the year as part of industry wide retail investigations. The inspections were targeted at food retailers in Gauteng, including, Mamelodi, Laudium, Pretoria CBD, Arcadia, Sunnyside, Silverton, Krugersdorp, Muldersdrift and East Lynne.



The inspections revealed the following misdemeanours:

- The cold chain was broken in relation to certain poultry products;
- Products displayed for sale with improper labelling and trade description, in that certain meat products could not be identified by its species name as there were no ingredient lists affixed to the products;
- Several in-house bakeries and butcheries marketed products to consumers without the required ingredients lists;
- There were products marketed that have reached its "best before" dates;
- Products were displayed for sale without prices being disclosed;
- Products were displayed for sale with misleading labels, for example, one product was labeled "BBQ Beef Griller" but listed the presence of pork among its ingredients ;
- Return and refund policies were not displayed;
- The country of origin labeling was not affixed as required;

In the first quarter of the financial year under review, a key focus of the NCC was related to consumer safety. The NCC together with the NRCS, in consultation with Minister, launched a joint winter safety campaign. The campaign itself focused on unsafe and illegal paraffin stoves.

The Minister, over time, had raised concerns about the proliferation of illegal and unsafe paraffin stoves in the South African marketplace. From recent and previous inspections conducted jointly by the NCC and NRCS it was evident that illegal and unsafe paraffin stoves were being sold to unsuspecting consumers. These stoves are not SABS approved. The stoves which are approved by the SABS consist of a safety device which enables the stove to automatically stop burning if they were to tip over. This safety measure prevents the spread of fire.

It has been reported fairly widely that paraffin stoves were the cause of a number of fires in informal settlements. The Khaya Sands informal settlement experienced a major fire last year. These fires, given the nature of the settlements, are difficult to control and result in further hardship for residents. It is for this reason that Khaya Sands was chosen to launch the campaign. The launch also included the residents of Msawawa which is situated close to Khaya Sands



The campaign entailed conducting inspections within the settlement and neighbouring businesses. This culminated in illegal stoves being swapped with legal ones coupled with the raising of awareness on safety and the protection of consumers from hazardous products. Following the initial launch, Minister directed that the campaign be extended to all provinces and to at least 27 localities throughout the Republic.

The campaign does fall squarely within the mandate of the NCC, in that it relates to the protection of vulnerable consumers from harm caused by the supply of unsafe products. In terms of the CPA: consumers have the right to receive goods that are reasonably suitable for the purposes for which they are generally intended; the goods must be of good quality, in good working order and free of any defects; it must be useable and durable for a reasonable period of time; and must comply with any standards set under the Standards Act, 1993.

Throughout the year under review, the NCC has actively collaborated with various suppliers in pursuing a number of product recalls. Altogether, the NCC was involved in the recall of 43 products. Since products are mass produced, the recalls affected thousands of products. Product recalls are mainly done to withdraw products that are deemed unsafe or defective. In the course of the year, the NCC received amongst others, several crucial recall notifications, a number of these related to motor vehicles often linked to safety critical issues, medical equipment and foodstuffs. One particular recall related to bottled wine products produced by Distell Limited. In this case, small glass particles were detected in some bottled wines. This necessitated the recall and destruction of the affected batches. Suppliers have been most helpful and cooperative with recalls. A number of them were proactive. The NCC, following the recalls on defective airbags found on vehicles in the USA, triggered a major recall by a number of manufacturers in South Africa. Motor manufacturers, together with the Takata airbag manufacturer in South Africa, have responded positively to the NCC's request.

iii) Investigations

The NCC conducted 25 investigations against various suppliers and in various sectors. The NCC was unable to pursue its investigations into the Timeshare industry at the National Consumer Tribunal (NCT) due to technical reasons largely linked to the amendment of the NCT's rules.

c) Opt Out Register

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

d) Accreditation of Industry Codes

Even though the NCC has not recommended any industry codes to Minister in the year under review, the NCC has worked on three possible codes. These related to the advertising, franchise and funeral industries. The code on advertising had stalled as the said code was far from being compliant with the NCC's guidelines. The codes in relation to the other two industries are progressing smoothly. The existing accredited codes being monitored by the NCC and this was reported on earlier, herein.

2.1.2.4.2 To conduct research and promote advocacy and consumer empowerment

a) Complaints

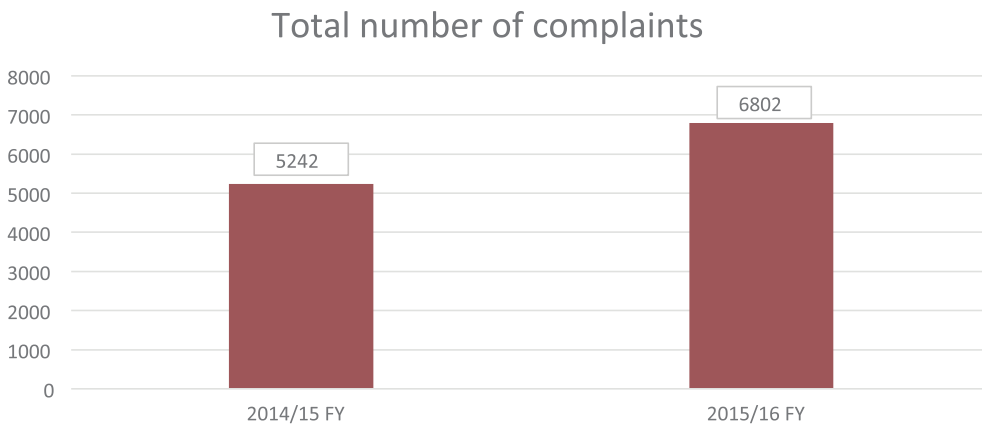
The complaints received by the NCC have been analysed in the course of the year. The database of complaints relate to those received by the NCC alone and does not include those received by the accredited Ombud schemes and by the provincial consumer protection authorities. The complaints database that is being maintained by NCC, albeit small, is most significant for the NCC, in that, it will be consulted by the NCC in order to determine trends. Trends could relate to particular industries, sectors, suppliers, localities, products or services etc. The data could also indicate other areas of concern. Once trends are established, the NCC will then be able to determine whether interventions are necessary and the nature of interventions. This invariably will assist in the optimum usage of resources at the NCC's disposal.

i) Analysis

aa) Number of complaints

The NCC analysed a total of 6802 complaints during the 2015/16 financial year. The 6800 complaints include 6 matters that were duplications. This is more than the complaints received in the financial year 2014/15. As shown in figure 1 below. With the accreditation of the ombud schemes the number of complaints should have reduced as it was expected that consumers would lodge their complaints directly with these schemes. This means that there has to be better communication by the NCC and ombud schemes with consumers in this regard.

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

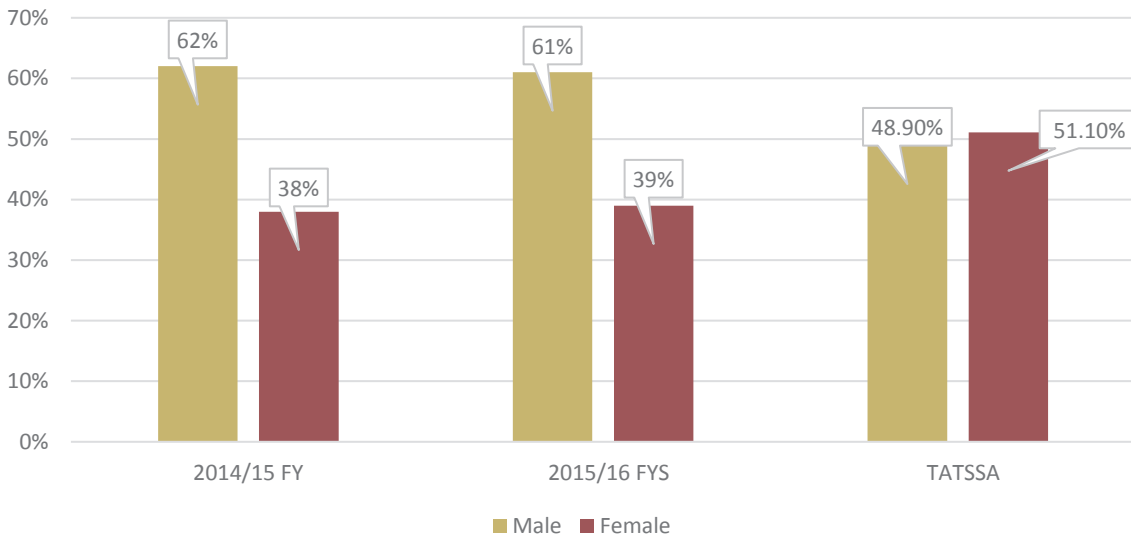


bb) Complaints categorised by Gender of complainants

Figure 2 below shows the number of complaints categorised according to gender. Out of a total of 6802 complaints, 4 154 (61%) were received from males and 2 646 (39%) from females. Males clearly lodged more complaints than females.

There is a need for the NCC to understand the gender of the complainants and the goods and services they are complaining about. In understanding the gender of complainants this assists the NCC to determine interventions and coin messages that are relevant to the different target groups.

Figure 2: Complaints categorised by Gender of complainants



For the two financial years under consideration, the number of complaints filed by males were higher compared to the number of complaints filed by the females. Statistics South Africa (STATSSA) 2015 mid-year estimates the South African population at 54.9 million. The trend was almost similar to the financial year 2014/15 where 62% (3 235) males filed complaints with the NCC versus the 38% (2 007) of females that filed complaints with NCC.

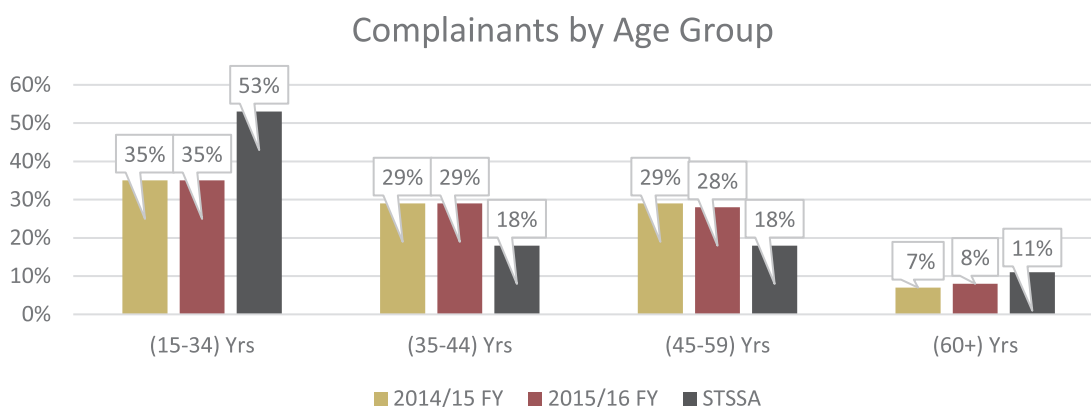
For the NCC, this means that more education and awareness initiatives should be targeted to females.

cc) Complaints per Age Groups

Age is of paramount importance to the NCC as it indicates the level of awareness of the vulnerable groups (the youth and the elderly). During the financial year, out of 6800 complainants who filed with the NCC, 35% (2 374) were from complainants in age group 18-34 years; 29% (2 003) were from the age group 34-44 years; 28% (1 882) were from the age group (45-59) and lastly 8% (541) of the complainants came from the age group 60 + years.

When the number of complaints by age groups filed with the NCC are compared to the STATSSA data, the age groups (35-44) years and (45-59) years have surpassed their norms in the last two financial years in filing complaints. These trends seem plausible when analysed against the employment and economic activities of all different age groups. The country's economic data trends indicate that about 50% of people in the age group (15-34) years are unemployed. The NCC's education and awareness should be targeted at the more vulnerable age groups (15-34) and (60+) years\

Figure 3: Percentage of complainants per age groups

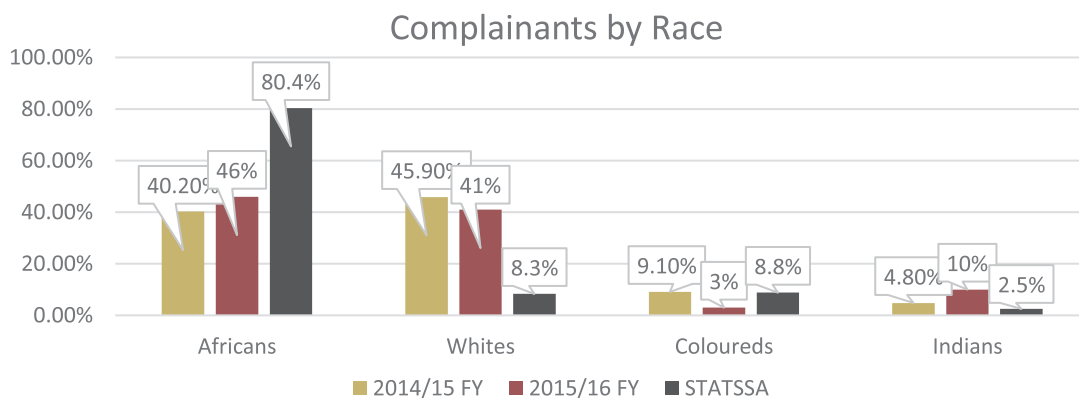


dd) Complaints per Race

Analysis was also done by race of complainants in order to see the effects of the past legacy on the consumer complaints and also to determine the population groups that should be focussed on in terms of education and awareness initiatives. The trends for the two financial years are compared against the norm as per STATSSA 2015 mid-term estimates. Analysis was done by race in order to evaluate the effects of the past legacy on the complaints as shown in figure 4 below.

In the financial year 2015/16, the African population filed the highest number of complaints at 46% (3 111). The second highest race was the Whites at 41% (2 781) followed by Indians and Coloured at 10% (691) and 3% (217) respectively.

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



Further analysis and comparison with STATSSA population data as shown in Figure 4 above, reveal that the trend in percentages of African and Coloured population groups who filed complaints with the NCC is far below the national population norm. Africans on average, are just above the half-mark while the Coloured group is just below the halfway mark of their population data.

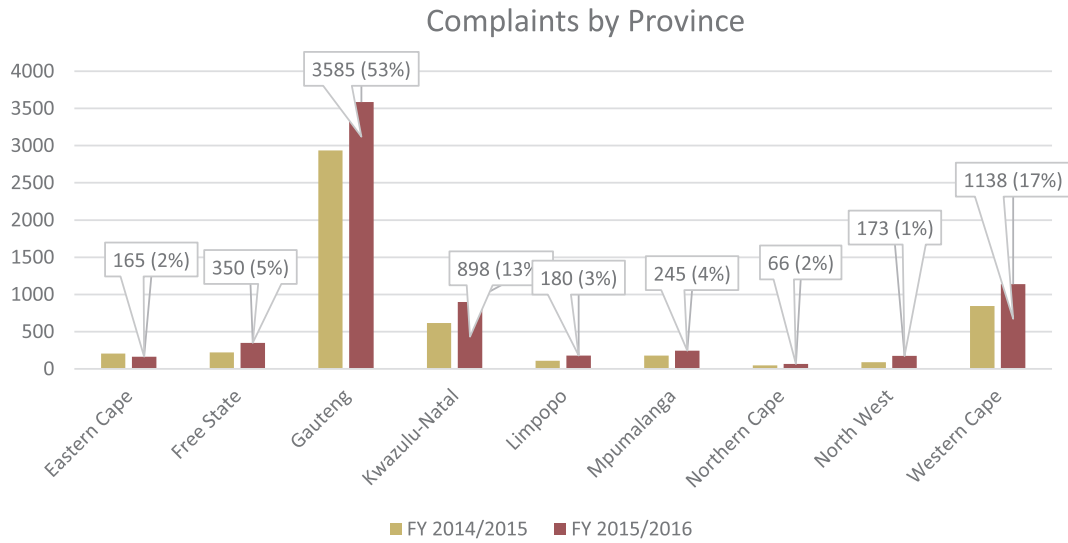
The depiction of the trends by race could also indicate an opportunity for the NCC to focus or where not to focus its interventions in terms of languages and geographic locations.

ee) COMPLAINANTS PER PROVINCE

In terms of the South African Constitution, consumer protection is a shared competency between the National and Provincial spheres of government. The CPA has defined the roles of the NCC in facilitating and creating platforms for consumer complaints resolution. Provincial Consumer Protection Authorities have the mandate of also being alternative dispute resolution agents within their respective provinces.

Even though the NCC would receive consumer complaints, based on its mandate and strategic direction, the NCC would refer those complaints that fall within the jurisdiction of the provincial consumer protection bodies to the respective provinces. The complaints that were received for the five quarters are depicted as follows:

Figure 5: Complaints categorised per province of residence of complainants.



The trend in filing of complaints for the two financial years has been more or less the same. Gauteng has been the leading province with the highest number of complaints at 56% and 53% respectively for the financial year 2014/15 and 2015/16 followed by the Western Cape at 16% and 17% respectively over the two financial years. The third highest in both financial years is KwaZulu Natal at 12% in 2014/15 and 13% in 2015/16.

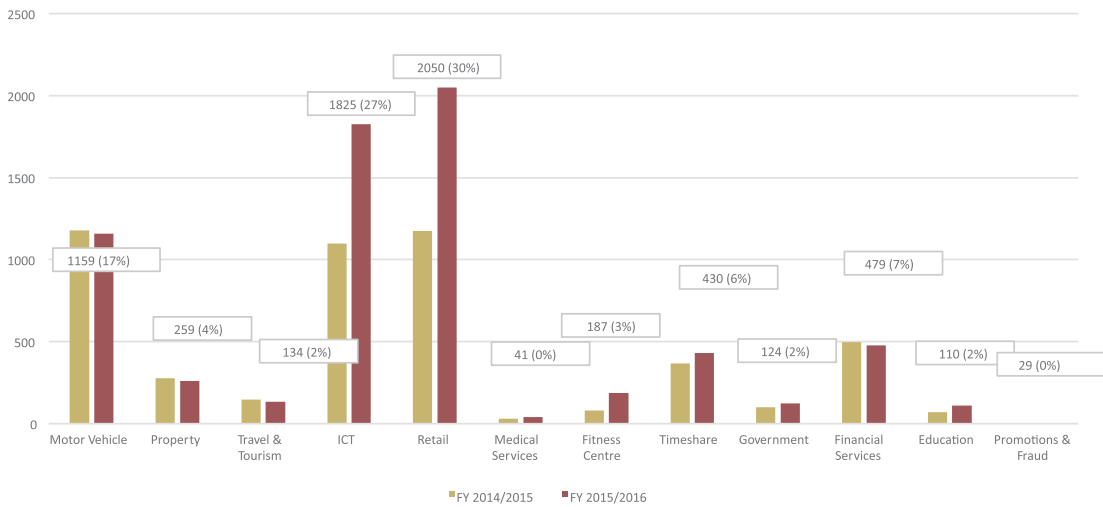
ff) Complaints by Categories

Analysis on the complaints was also done by categories in order to determine sectors that generate the most amount of complaints as shown in figure 7 below.

Analysis on the consumer complaints is also done per business categories in order to determine which sectors require more attention insofar as consumer protection is concerned. Out of the 6 800 complaints filed with the NCC in the financial year 2015/16, the highest number related to the retail sector at 30% (2 050), followed by ICT at 27% (1 825) and the third was Motor Vehicles at 17% (1 159). A similar trend also is evident when comparison is made with the financial year 2014/15

The percentages for all the sectors are as shown in Figure 6 on the following page.

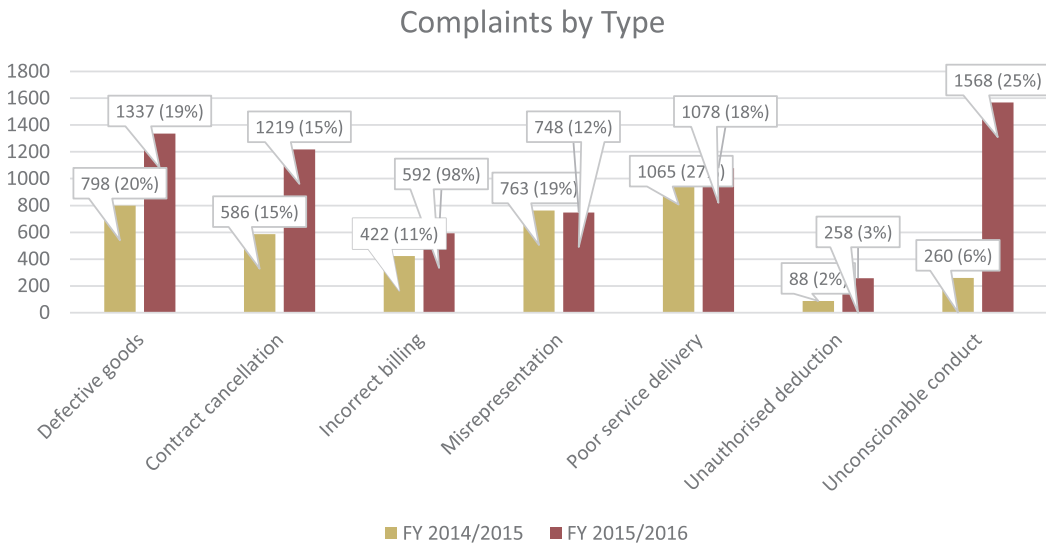
Figure 6: Complaints by categories for the FY
Complaints by Category



gg) THE NATURE OF COMPLAINTS

The complaints that were received were further analysed to determine the nature and the context of the complaints. The analysis is as follows:

Figure 7: Complaints by type

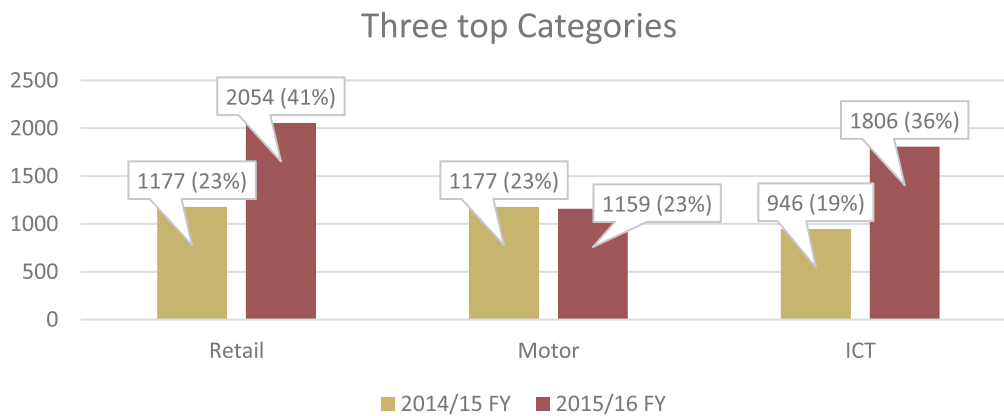


During the financial year 2015/16, the majority of complaints at 1 568 (25%) related to unconscionable conduct, the second highest was on defective goods at 1 337 (19%) and the third highest was on contract cancellation at 1 219 (18%). The analysis assists the NCC to tweak its information sessions for business and to request them to align their practices to the provisions of the CPA.

hh) TOP THREE CATEGORIES OF COMPLAINTS

Analysis on the three top categories of the complaints filed during the financial year 2015/16 helps the NCC to look into the different sectors and develop intervention strategies that will assist in ensuring that the sectors have alternative dispute resolution platforms for consumers. Figure 8 below, depicts the percentage of the three top categories for the financial years 2014/15 and 2015/16.

Figure 8: Top three categories for the financial year



In the financial year 2015/16, the leading sector for complaints has been the retail sector at 2 054 (41%). The higher percentage is justifiable given the number of transactions that take place daily. The area of concern is around complaints in relation to motor vehicles given that these relate to high value transactions. The fact that the complaints accounted for 1 159 (23%) of complaints for the financial year is an indication that a lot has to be done to ensure that the ADRs that are in place are functioning efficiently to afford consumers expedient resolution of the complaints.

The analysis also assists the NCC to focus its education and awareness intervention to both the consumers and business to ensure that they understand their rights and obligations when transacting.

b) Consumer Awareness

In promoting advocacy, education and awareness, the NCC has managed to once again deliver on its mandate through maximizing on existing partnerships with government departments, municipalities, NGO's and other regulators. In this regard the NCC has worked more closely with **the dti**, and its various agencies.

In the course of the year, a number of workshops were held with both consumers and business.

The NCC conducted twenty (25) consumer awareness workshops during the year under review. The target audience included elderly women and the youth around Gauteng, Eastern Cape and KZN. The NCC also participated in the activities and the launch of the safer paraffin stoves campaign that was held jointly with **the dti**, COGTA and NRCS in Kya Sands and later rolled out to Vusumuzi Informal Settlement in Tembisa. In creating awareness amongst business, fifteen (15) workshops were conducted. Six business compliance workshops were conducted in partnership with the Tsakane Men Economic Indaba, Tshwane Business Information Road Show- Mamelodi and nine with SEDA. In addition to the workshops, the NCC participated in eight (8) exhibitions. Five of these exhibitions were held in Daveyton in support of Small Business Week. One exhibition was held at Parliament. The Commission's also published two external newsletters aimed at consumers and business.

The Commission joined Limpopo to celebrate World Consumer Rights Day, 15 March. "When consumers have confidence in the market and are well protected then the economy will grow and investors will also have confidence in investing in the country". These were the words shared by the HoD of during the event reminding everyone of the important role that consumer protection can play in contributing towards economic growth for our country. The NCC took to raise awareness about the importance of food labelling, a theme adopted for the coming financial year.

WORLD CONSUMER



The official launch of the Consumer Goods and Services Ombud was arranged and held jointly by the Ombud and the NCC.

The NCC has attempted to increase awareness on the rights of consumers and the obligations of business by participating in numerous programmes on national and international television programmes as well as on numerous national, regional and community radio stations.

"Towards a cohesive and comprehensive consumer protection in the consumer and credit market" was a theme that was adopted for the conference that was held on 23 and 24 March 2016 in Johannesburg. The three agencies i.e. National Consumer Commission (NCC), The National Credit Regulator (NCR) and the National Consumer Tribunal (NCT) brought together consumer protection stakeholders under one roof to level the playing field and ensure that the protection of consumers is not stifled by unclear roles and protocols. Participating at the conference were other role players in the consumer protection framework like Provincial Consumer Protections Authorities, the judiciary and the alternative dispute resolution agencies (ADR) e.g. Ombudsmen, among others. People from academia and media houses who specialise in both CPA and NCA also participated. All in all a well-conceived idea that led to serious introspection and an action plan adopted for improved consumer protection in general.

The Commission also took to Brazil to attend a conference as organised by Consumers International, a consumer advocacy group operating worldwide. The event was attended by regulators and non-government organisations from around the globe. The lack of consumer vigilance and advocacy was highlighted and recommendations for successful advocacy shared. Amongst was the recognition that groups need to forecast on positive outcomes for their campaigns and not be antagonistic towards regulators. There needs to be a healthy tension of trust that will be able to keep regulators on their toes at the same time. The use of online campaigning platforms was also encouraged, given the digitalised world consumers exist in.

The NCC has continued working closely with its stakeholders. This includes certain regulators, like the National Credit Regulator, the National Regulator for Compulsory Specifications, Independent Communications Authority of South Africa (ICASA), the Estate Agency Affairs Board and very importantly, Provincial Consumer Authorities.



NCC Executive Committee

2.2 PERFORMANCE AGAINST THE ANNUAL PERFORMANCE PLAN

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

Strategic Objective: 1. Administration-						
Programme 1: To improve on the governance, compliance and resource requirements of the entity						
Goal/ Outcome	Output	Measure/ Indicator	Baseline	Target	Actual Achievement	Reason for Variance
To be a well governed and capacitated organisation	Implementation of approved organisation structure	Percentage (%) of funded positions filled	New Target	95% of funded, vacant positions filled	86% of the funded positions were filled	Target not met as 12 of the vacant these posts became vacant late in the year. Recruitment actions are underway in respect of all the vacant posts.

Strategic Objective 2: To promote Consumer Safety and Protection

Programme 2: Consumer Safety and Protection

Goal/ Outcome	Output	Measure/ Indicator	Baseline	Target	Actual Achievement	Reason for Variance
Facilitate resolution of consumer complaints	Complaints processed timeously	Percentage (%) of complaints referred or issued with non-referrals in a pre-defined time period	80% of complaints resolved on an average fourteen (14) days.	80% of complaints referred or issued with non-referrals on an average of 60 days	96% (6567 out of 6794) complaints received referred or issued with non-referrals in 13 days	The Commission established referral protocols with CGSO and MIOISA, which assisted in improved efficiencies
	Legal advice responded to timeously	Percentage (%) of request for advice responded to in a pre-defined time period	New Target	95 % of registered requests for advice are responded to on an average of 10 days	100% requests for advice responded to on an average of 10 days.	A number of requests were not complex.
	Accredited Ombud Scheme/s monitored regularly	Report on the performance of accredited Ombud Scheme(s) in line with MOU entered into between NCC and Scheme/s	New Target	Assess and report on the performance of accredited Ombud Scheme(s) in line with MOU entered into between NCC and Scheme/s	The Motor Industry Ombud (MIOISA) has reported quarterly to the NCC since quarter 2. The reporting is in line with the approved Code. The reports have been assessed and queries have been raised. The reports were included in the quarterly reports to the Executive Authority. The Consumer Goods and Services Ombud (CGSO) has commenced reporting to the NCC during the second half of the year. The reports have been assessed and queries have been raised. The reports were included in the quarterly reports to the Executive Authority.	The MOU's were not concluded between the parties as the Ombuds felt that this was not necessary as adequate provision for monitoring and compliance was already provided for in the codes accredited by Minister. Any MOU in this regard would amount to a duplication.

Strategic Objective 2: To promote Consumer Safety and Protection

Programme 2: Consumer Safety and Protection

Goal/ Outcome	Output	Measure/ Indicator	Baseline	Target	Actual Achievement	Reason for Variance
Ensure consumer safety through enforcement and facilitating a coordinated consumer protection environment	Investigations conducted and reports produced.	Number of investigations conducted and reports with recommendations produced.	52 investigations and Inspections finalised and approved by the Commissioner	12 investigations conducted, reports with recommendations produced and approved by Commissioner	25 investigations were concluded and reports were produced	The Commission appointed 2 investigators during the financial year which resulted in more investigations being conducted.
	Inspections conducted and reports produced.	Number of Inspections conducted and reports with recommendations produced.		20 inspections conducted, reports with recommendations produced and approved by Commissioner	Fifty seven (57) inspections conducted, approved and finalised during the year. Reports produced thereon	Additional inspections arose from: 1) The Winter Campaign relating to Paraffin Stoves Safety Campaign with the dti ; and 2) Unplanned inspections of retailers, in that, particular businesses within selected localities were originally targeted. However, whilst conducting inspections within a selected locality other retailers were inspected arising from tip offs etc.

Strategic Objective 2: To promote Consumer Safety and Protection

Programme 2: Consumer Safety and Protection

Goal/ Outcome	Output	Measure/ Indicator	Baseline	Target	Actual Achievement	Reason for Variance
Ensure consumer safety through enforcement and facilitating a coordinated consumer protection environment	Administer and monitor product recalls	Report on the administration and monitoring of product recalls in line with published Product Recall guidelines or as agreed with the supplier	New Target	Administer and monitor all product recalls in line with published Product Recall guidelines or as agreed with the supplier. Reports produced	43 product recalls were received, registered and monitored in line with the published guidelines.	
	Industry Codes recommended to Minister for approval	Recommend industry code for Minister's accreditation within 12 months.	Compliant Consumer Goods and Services Code recommended to Minister within six (6) months. Code accredited by Minister	Assess code/s received, consult stakeholders, amend code and recommend for Minister's accreditation within 12 months	Draft codes were received and assessed: 1. Advertising Standards Authority of South Africa (ASASA) 2. Franchise Association of South Africa (FASA) 3. COFFIMSA code (funeral services). The following code was amended: COFFIMSA code in consultation with COFFIMSA	Finalisation of ASASA code exceeded 12 months due to protracted discussions. FASA AND COFFIMSA Codes did not exceed 12 months.
	Codes of good practice developed and approved by Commissioner	Codes of good practice developed	The code relating to interpretation of rights as contained in section 23 to 28 developed and approved for publication.	One code of good practice developed on towing services	The code of practice on towing services was not developed.	Poor planning, in that the NCC had to conduct further research on towing services before it could develop the Code as the additional research had to inform the Code.

Strategic Objective 2: To promote Consumer Safety and Protection						
Programme 2: Consumer Safety and Protection						
Goal/ Outcome	Output	Measure/ Indicator	Baseline	Target	Actual Achievement	Reason for Variance
Regulate marketing of goods and services	Opt Out Register established, implemented and maintained	Opt Out Register established, implemented, maintained and monitored in line with the SLA	New Target	Opt out Register benchmarked; Register project as Public Private Partnership project; Appoint external project manager; Secure budget; Compile terms of reference for the appointment of a transactional adviser. Commence with feasibility study.	Opt out Register benchmarked; Project Registered as Public Private Partnership project with National Treasury; Secured budget of R2m from Treasury; Appointed external project manager;	Target not fully met, in that, terms of reference for the appointment of a transactional adviser were not compiled and the feasibility study not commenced with

Strategic Objective 3 To conduct research and promote advocacy and consumer empowerment							
Programme 3: Research, advocacy and empowerment of participants in the consumer market							
Goal/ Outcome	Output	Measure/ Indicator	Baseline	Target	Actual Achievement	Reason for Variance	
Facilitate a consumer protection environment	Research conducted, trends analysed and information and knowledge managed.	Number of research reports completed and issued to Minister	Two (2) research reports produced but not submitted to Minister	3 research reports submitted to Minister.	Three (3) research reports on: 1.State of Consumer Protection in South Africa; 1. Sales in Execution; and 3. Private Sales produced and signed off by the Commissioner.	The reports were not submitted to Minister	
	Complaints analysed, trends established and reports produced	100% of complaints registered analysed, trends established and report produced.	100% of registered complaints analysed	100% of registered complaints analysed, trends established and annual report produced and approved by Commissioner.	100% of registered consumer complaints analysed, trends established and an annual and quarterly reports produced and approved by Commissioner		

Strategic Objective 3 To conduct research and promote advocacy and consumer empowerment

Programme 3: Research, advocacy and empowerment of participants in the consumer market

Goal/ Outcome	Output	Measure/ Indicator	Baseline	Target	Actual Achievement	Reason for Variance
Ensure Empowerment of consumers and civil society through advocacy, education and awareness	Consumer awareness initiatives conducted in the different provinces	Number of consumer awareness initiatives conducted	Thirteen (13) workshops held in the year	18 consumer awareness workshops conducted	Altogether 25 Consumer Workshops were held in the year.	<ul style="list-style-type: none"> - 5 workshop were incorporated into the paraffin stoves campaign during quarter 3. - Other additional unplanned workshops were held as a result of invitations from community members and other stakeholders.
	Business compliance initiatives conducted in different provinces	Number of business compliance initiatives conducted in different provinces		12 business compliance workshops conducted.	Altogether 15 Business Workshops were held in the year.	<p>Relations were established with SEDA which resulted in more workshops being held for SMME's.</p> <p>There has also been a slight shift in focus in empowering small business to better understand their rights as consumers as well as their responsibilities to the CPA.</p>

Strategic Objective 3 To conduct research and promote advocacy and consumer empowerment						
Programme 3: Research, advocacy and empowerment of participants in the consumer market						
Goal/ Outcome	Output	Measure/ Indicator	Baseline	Target	Actual Achievement	Reason for Variance
Ensure Empowerment of consumers and civil society through advocacy, education and awareness	Publish and distribute educational material to stakeholders	Number of newsletters published and distributed to stakeholders in predetermined frequencies	4 Internal Newsletters developed and distributed External newsletters- a New Target	2 External Newsletters published and distributed to stakeholders.	1 external newsletter was approved published and distributed in time. The other was approved but printing thereof was delayed.	Only the printing of the second newsletter was slightly delayed. The final design was approved on 21 April 2016.
				4 Internal Newsletters published and distributed internally.	4 Internal Newsletter published and distributed internally	

Strategic Objective 3 To conduct research and promote advocacy and consumer empowerment
Programme 3: Research, advocacy and empowerment of participants in the consumer market

Goal/ Outcome	Output	Measure/ Indicator	Baseline	Target	Actual Achievement	Reason for Variance
Facilitate a consumer protection environment that is well coordinated and responsive to consumer needs.	Stakeholder relations promoted	Number of meetings with key stakeholders held.	Nine (9) meetings arranged and held with stakeholders. Attended two (2) other meetings on invitation by stakeholders. 4 meetings held with provincial consumer protection authorities. One per quarter.	8 Meetings held with critical stakeholders including quarterly meetings with provincial consumer protection authorities	16 meetings were held with critical stakeholders- including 4 quarterly meetings held with Provincial Consumer Protection Authorities.	Additional unplanned meetings were held relating to amongst other things, the paraffin stoves campaign and the hosting of the Zimbabwean delegation. More meetings had to be held with stakeholders in order build relations for purposes of consolidating efforts in the area consumer protection.

Strategic Objective 3 To conduct research and promote advocacy and consumer empowerment

Programme 3: Research, advocacy and empowerment of participants in the consumer market

Goal/ Outcome	Output	Measure/ Indicator	Baseline	Target	Actual Achievement	Reason for Variance
Facilitate a consumer protection environment that is well coordinated and responsive to consumer needs.	Participation in key national and or international Conferences	Number of conferences attended and papers presented	Participated in 3 international conferences and in 3 National Conferences	Participate in and or present papers in 3 national and 4 international Conferences	<p>The NCC participated in and made a presentation at 3 national conferences:</p> <p>1) 1) The World Consumer Rights Day Conference and reports compiled.</p> <p>2) National Water and Sanitation conference during quarter 1</p> <p>3) Ombud Conference was attended</p> <p>The NCC participated in and made presentations at the following international conferences:</p> <p>1) LAP 10 (Spam Conference) held in Dublin, Ireland from 08 to 12 June 2015. A conference report was compiled.</p> <p>2) Africa Dialogue webinar where a presentation on NCC's complaints trend analysis was made.</p> <p>3) Africa Dialogue conference in Egypt, a paper was presented and a conference report was compiled.</p> <p>4) Attended the Consumers International conference in Brazil during Quarter 3.</p>	The ICPEN conference was not attended due to the timing thereof.

2.3 Strategy to overcome areas of under performance

The NCC met 11 out of 18 targets. This does not reflect an improvement on the previous year’s performance, where sixteen out of eighteen were met then. The underperformance that has been reported under paragraph 2.2 under the heading **PERFORMANCE AGAINST THE ANNUAL PERFORMANCE PLAN** are not as a result of key challenges faced by the NCC except for the possible lack of appropriate management and relevant skills within the Research Division and the fact that there is no experienced staff to deal with the Opt Out register project which is being dealt with as a Public Private Partnership project in consultation with National Treasury.

Key challenge	Proposed action
3 research reports submitted to Minister.	To formally consider issues relating incapacity within the Research Division and take the necessary action with regard thereto.
Opt Out Register	Appoint expert on Opt Out Register to manage project on behalf of NCC for duration of the project.

2.3.1 Changes to planned targets

One planned target as contained in the Annual Performance Plan was amended. The amendment was approved by Minister in the course of the year under review. The amendment was canvassed to amendment and agreed upon with the Executive Authority.

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

CHANGES TO PLANNED TARGETS		REASONS FOR CHANGES TO PERFORMANCE INDICATORS
Initial target	Amended target	
An Operator appointed, Opt Out Register established and processes implemented.	Opt out Register benchmarked; Register project as Public Private Partnership project; Appoint external project manager; Secure budget; Compile terms of reference for the appointment of a transactional adviser. Commence with feasibility study	<ul style="list-style-type: none"> a. Given the huge costs of establishing the register coupled with the lack of financial resources to fund the project, the NCC is obliged to consider registering the project with the National Treasury as a Public Private Partnership project (PPP); ii. The PPP process is determined by the National Treasury policy; iii. The process and system required is much more complex than initially envisaged (this was confirmed by the benchmark study that the NCC conducted); iv. The NCC does not have the expertise to deal with this project on its own..

2.3.2 Linking performance with budgets

Objective 1: Administration				
Name of sub-programme	Item	Final Appropriation	Actual Expenditure	Under/(Over) Expenditure
	Compensation of employees	15,213,000	14,129,118	1,083,882
	Goods and services	12,506,000	13,479,144	(973,144)
	Depreciation	455,000	1,486,745	(1,031,745)
Total		28,174,000	29,095,007	(921,007)

Objective 2: To promote Consumer Safety and Protection				
Name of sub-programme	Item	Final Appropriation	Actual Expenditure	Under/ (Over) Expenditure
	Compensation of employees	17,226,000	16,674,737	551,263
	Goods and services	1,490,000	887,445	602,555
Total		18,716,000	17,562,182	1,153,818

Objective 3: To conduct research and promote advocacy and consumer empowerment				
Name of sub-programme	Item	Final Appropriation	Actual Expenditure	Under / (Over) Expenditure
	Compensation of employees	5,836,000	5,775,899	60,101
	Goods and services	1,870,000	4,828,775	(2,958,775)
Total		7,706,000	10,604,674	(2,898,674)

PART 3:

GOVERNANCE

3



NATIONAL CONSUMER COMMISSION

PART 3: GOVERNANCE

3.1 Overview of governance structures

i) Introduction

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

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

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

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

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

ii) Portfolio Committee

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

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

The NCC appeared before the Parliamentary Portfolio Committee on Trade and Industry during the year under review. The NCC made presentations on its: first quarter report 2015/16; 2014/15 annual report and second quarter reports. In addition it participated in committee meetings relating to product labeling.

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

iii) Executive Authority

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

The Executive Authority has entered into a Shareholders Compact with the NCC and a performance agreement with the Commissioner. A Compliance Schedule is a critical part of the Shareholders Compact indicating the deliverables and due dates of all documents as stipulated in the PFMA, Treasury Regulations and the Shareholders Compact.

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

iv) Committees

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

v) Risk Management

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

vi) Internal Audit

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

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

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

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

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

Activity	High Level Scope
Audit of Performance Information (Q1&Q2)	<ul style="list-style-type: none"> • Review the adequacy of policies and procedures in place for Predetermined Objectives. • Review the adequacy and effectiveness of controls in place to ensure that the required documents are submitted to relevant authority timely. • Review the adequacy of controls in place governing the strategic and operational planning processes. • Review the adequacy and effectiveness of the system established and implemented for collecting, processing and collating performance information. • Review the adequacy of systems in place for dealing with non-performance.
Corporate Services	<ul style="list-style-type: none"> • Review the adequacy and effectiveness of the project plan for acquiring office accommodation, project risk management and the implementation thereof.
Human Resource Management	<ul style="list-style-type: none"> • Determine the existence and implementation of the Talent Management/ Retention Strategy. • Review the adequacy and effectiveness of Leave management including leave provisions. • Determine the adequacy and effectiveness of the Performance Management System. • Determine compliance to the Performance Management Policy. • Follow up on previous Internal Audit and Auditor General Findings. • Determine compliance to HR Related policies.

Activity	High Level Scope
Financial Management (Annual Division of Revenue Audit)	<ul style="list-style-type: none"> • Review the adequacy and effectiveness of controls that ensure mitigation of risk pertaining to the finance management processes for the following: <ul style="list-style-type: none"> ○ Financial Policies and Procedures. ○ Financial Reporting Process (Monthly, Quarterly and Annually). ○ Budgeting and Monitoring Process. ○ Expenditure Management Process. ○ Journal Entry Management Process; and ○ Monthly Reconciliations Process. • System of internal controls within the process is adequate specifically addressing the following: <ul style="list-style-type: none"> ○ Control and suspense accounts are cleared on a monthly basis. ○ Transactions are complete and timeously captured. ○ Accounting entries are properly classified; and ○ Payments are processed within 30 days. • Follow-up on all other reported audit findings to verify that the root cause has been addressed.
Supply Chain Management	<ul style="list-style-type: none"> • Adequacy of SCM policies and procedure manuals. • Adequacy and effectiveness of training provided to all relevant SCM personnel, including members of the Bid Committees. • Adequacy and effectiveness of procurement planning. • Adequacy and effectiveness of delegation of authority. • Adequacy and effectiveness of controls to prevent identify record and report irregular, fruitless and wasteful expenditure. • Adequacy and effectiveness of controls surrounding the maintenance of supplier database.
ICT	<ul style="list-style-type: none"> • Follow up on previous Internal Audit and Auditor General Findings
Legal Services	<ul style="list-style-type: none"> • Review the adequacy and effectiveness of the planning process relating to objectives included in the Legal Operational Plan. • Confirm the involvement of Risk Management during the planning phase of the Project Plan. • Review the adequacy of the Standard Operating Procedures for the Country of Origin labelling. • Determine the adequacy and effectiveness of the process to monitor the industry code of conduct. • Review the adequacy and effectiveness of the process related to the litigations matters; • Determine adequacy and efficiency in providing legal opinions to all stakeholders

vii) Fraud and Corruption

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

ADMINISTRATIVE INFORMATION

for the year ended 31 March 2016

Domicile	Republic of South Africa
Legal Form	National entity-Schedule 3A
Nature of Principal Activities	The National Consumer Commission was established in April 2011 in terms of the Consumer Protection Act, 68 of 2008, to promote and advance the social and economic welfare of consumers in South Africa by establishing a legal framework for the achievement and maintenance of a consumer market that is fair, accessible, efficient, sustainable and responsible for the benefit of consumers generally.
Executive Authority	Dr. Rob Davies Minister of Trade and Industry
Postal Address	Physical Address
Private bag X 43	8 Bauhinia Street
Technopark	Berkley Office Park,
Highveld	Highveld Techno Park
0169	Centurion
	0157
Accounting Authority	Mr. Ebrahim Mohamed
Commissioner	Mr. Ebrahim Mohamed
Deputy Commissioner	Ms. Thezi Mabuza
Head of Finance	Ms Ntsobe Nkoana
Bankers	Nedbank Limited
Auditor	Auditor General South Africa
Contact Information	Telephone No. E-mail: complaints@thncc.org.za Website: www.nccsa.org.za

REPORT OF THE AUDIT AND RISK COMMITTEE

for the year ended 31 March 2016

We are pleased to present our report for the year ended 31 March 2016.

Audit and Risk Committee Members and Attendance

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

Independent Non-Executive Members	Number of meetings attended
Mr DA Braithwaite (chairperson)	4 (of 4)
Mrs M Maisela (membership terminated August 2015)	2 (of 2)
Mr P Semanya (membership terminated August 2015)	2 (of 2)
Adv S Kholong (appointed October 2015)	2 (of 2)
Ms S Sekgobela (appointed October 2015)	2 (of 2)
Ms R Kenosi appointed January 2016)	1 (of 1)
Mr D Fourie (representing the dti)	1 (of 4)

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

- Commissioner
- Deputy Commissioner
- Chief Financial Officer
- Risk Manager
- Internal Audit Representatives
- Representatives of the Auditor General of South Africa

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

Audit and Risk Committee Responsibilities

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

Effectiveness of Internal Controls

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

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

- Human Resources Management (major improvement needed)
- Predetermined Objectives (some improvement needed)
- Supply Chain Management (major improvement needed)
- Financial Management (some improvement needed)
- Project Management (Corporate Services) (some improvement needed)

The individual significant findings were reported as follows

- Ineffective leave management (reported previously)
- Performance information not collated and submitted on a weekly basis (previously reported)
- No Performance Agreement signed by SCM Director
- Gaps or weaknesses in SCM Policy and Procedure Manual
- Lack of formal approved Service Level Agreement with contractor

Based on the audit work conducted and presented at Audit and Risk Committee meetings for the 2015/16 year, the Committee concludes that overall controls evaluated during those audits needed some improvement and, in two cases, major improvement.

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

Quality of Management Reports

The Audit and Risk Committee was not in all respects satisfied with the content and quality of Quarterly Reports submitted for review. Although the reports were adjusted where necessary prior to submission to the Executive Authority. In the opinion of the committee there is a general need for improved quality control in this area.

Evaluation of the Financial Statements

The Audit and Risk Committee has:

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

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

Forensic Investigation

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

External Audit Unresolved Issues

The resolution of External and Internal Audit issues is monitored via tracking registers which are reviewed by the Audit and Risk Committee. As reported in the previous year, in the opinion of the Committee, External and Internal Audit issues need to be addressed and resolved with greater urgency. In addition, there needs to be specified and enforced consequences where resolution dates are not met. Management is in the process of introducing the necessary procedures in this regard.

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

2014/15

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

2013/14

- Leave management processes not effectively implemented and monitored.
- Inadequate segregation of duties in relation to ACCPAC (general ledger) and VIP (payroll).
- Incorrect bar codes / descriptions in fixed asset register


2012/13

- Ineffective Information, Communication and Technology systems.
- Failure to recover funds owing to the entity.

Conclusion

Both the volume and seriousness of the matters reported by Internal Audit and the Auditor-General are regarded as a disappointing regression following the progress of earlier years.

The urgent need to deal with these matters will need to be carefully co-ordinated with the equally critical planning and execution of the entity's relocation project taking place later in 2016.



DA BRAITHWAITE

Chairperson of the Audit Committee

31 July 2016

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

Report on the financial statements

Introduction

1. I have audited the financial statements of the National Consumer Commission (NCC) set out on pages 65 to 103, which comprise the statement of financial position as at 31 March 2016, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting authority's responsibility for the financial statements

2. The accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA), and for such internal control as the accounting authority determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-general's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with International Standards on Auditing. Those standards require that I comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the NCC as at 31 March 2016 and its financial performance and cash flows for the year then ended, in accordance with SA Standards of GRAP and the requirements of the PFMAFE9.

Report on other legal and regulatory requirements

7. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) and the general notice issued in terms thereof, I have a responsibility to report findings on the reported performance information against predetermined objectives for selected objectives presented in the annual performance report, non-compliance with legislation and internal control. The objective of my tests was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

Predetermined objectives

8. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following programmes presented in the annual performance report of the public entity for the year ended 31 March 2016
 - Programme 2: Consumer safety and protection on pages 36 to 39
 - Programme 3: Research, advocacy and empowerment of participants in consumer market on pages 40 to 44
9. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned programmes. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's *Framework for managing programme performance information (FMPP)*.
10. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
12. I did not identify any material findings on the usefulness and reliability of the reported performance information for the following programmes:
 - Programme 2: Consumer safety and protection on pages 36 to 39
 - Programme 3: Research, advocacy and empowerment of participants in consumer market on pages 40 to 44

Additional matters

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

Achievement of planned targets

14. Refer to the annual performance report on pages 35 to 44 for information on the achievement of the planned targets for the year.

Adjustment of material misstatements

15. We identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of Programme 2: Consumer safety and protection and Programme 3: Research, advocacy and empowerment of participants in consumer market. As management subsequently corrected the misstatements, we did not raise any material findings on the usefulness and reliability of the reported performance information.

Unaudited supplementary schedules and information

16. The supplementary information set out on pages 45 to 46 does not form part of the annual performance report and is presented as additional information. We have not audited these schedules and, accordingly, we do not express a conclusion on them.

Compliance with legislation

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

Expenditure management

18. The accounting authority did not take effective steps to prevent irregular expenditure, as required by section 51(1)(b)(ii) of the PFMA.

Financial Statements

19. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework as required by section 55(1)(b) of the Public Finance Management Act.
20. Material misstatements of current assets, expenditure, cash flow statement, irregular expenditure and commitments disclosures identified by the auditors in the submitted financial statement were subsequently corrected and resulting in the financial statements receiving an unqualified audit opinion.

Internal control

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

Financial and Performance Management

22. Management did not adequately review the current assets, expenditure, cash flow statement and irregular expenditure and commitment disclosures, which resulted in material corrections to the financial statements.
23. Management did not have adequate preventative and detective controls in place to ensure compliance with laws and regulations relating to supply chain management.

Auditor - General

Pretoria
30 July 2016



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

STATEMENT OF RESPONSIBILITY BY THE ACCOUNTING AUTHORITY

for the year ended 31 March 2016

The Accounting Authority is responsible for the preparation of the annual financial statements. The annual financial statements conform to Generally Recognised Accounting Practices (GRAP) and the reporting requirements of the Public Finance Management Act. The statements fairly present the state of affairs of the National Consumer Commission (NCC) as at the end of the financial year, and the results of its operations and cash flows for the period then ended. It is the responsibility of external auditors, being the Auditor-General, to report on the fair presentation of the financial statements.

INTERNAL AND ACCOUNTING CONTROLS

The Accounting Authority is ultimately responsible for the internal controls of the NCC. The system of internal control is designed to provide reasonable assurance of the integrity and reliability of the financial statements of the NCC and to adequately safeguard, verify and maintain accountability for funds and assets. Management and the Audit and Risk Committee have implemented a risk management policy and regularly review the risk register and the system of internal control. The NCC has implemented monitoring controls through comprehensive budgeting and the submission of operating reports according to the timeframes agreed upon in the shareholders' agreement signed with the Department of Trade and Industry (**the dti**).

AUDIT AND RISK COMMITTEE

The NCC has established an Audit and Risk Committee which consists of four non-executive committee members and a representative of the Department of Trade and Industry. All 4 quarterly meetings took place during the reporting period. The Audit and Risk Committee is governed and operates within the framework of the terms of the Audit Committee Charter. The said committee ensures effective communication between the Accounting Authority, Internal Audit and the Auditor-General.

ANNUAL FINANCIAL STATEMENTS

The annual financial statements have been prepared on a going concern basis, as management has a reasonable expectation that the NCC will have adequate resources to continue its operational existence. The annual financial statements are prepared in accordance with accounting policies as set out in the Annual Financial Statements which are supported by judgements, estimates and assumptions in compliance with GRAP.



Mr Ebrahim Mohamed
Commissioner
National Consumer Commission

PART 4:

FINANCIAL INFORMATION

4



NATIONAL CONSUMER COMMISSION

Financial Information

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Accounting Authority's Responsibilities and Approval

The Accounting Authority is required to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in these reports. In order for the Accounting Authority to discharge these responsibilities, as well as those imposed in terms of the PFMA and other applicable legislation, a system of internal controls was developed and maintained.

The annual financial statements have been prepared in accordance with GRAP including any interpretations, guidelines and directives issued by the Accounting Standards Board and the requirements of the PFMA.

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

The Auditor General South Africa, as external auditor, is responsible for expressing an opinion on the annual financial statements.

The annual financial statements set out on pages 65 to 97, which have been prepared on the going concern basis, were approved by the Accounting Authority on 31 May 2016 and were signed on its behalf by:



Mr. Ebrahim Mohamed
Commissioner
National Consumer Commission

National Consumer Commission

Annual Financial Statements for the year ended 31 March 2016

Statement of Financial Position as at 31 March 2016

Figures in Rand	Note(s)	2016	2015 Restated*
Assets			
Current Assets			
Receivables from exchange transactions	6	18,257	49,296
Receivables from nonexchange transactions	7	61,050	22,943
Prepayments		449,694	1,137,415
Cash and cash equivalents	8	10,304,500	9,271,806
		10,833,501	10,481,460
Non-Current Assets			
Property, plant and equipment	3	2,493,510	2,551,440
Intangible assets	4	318,916	662,648
		2,812,426	3,214,088
Total Assets		13,645,927	13,695,548
Liabilities			
Current Liabilities			
Payables from exchange transactions	11	2,801,431	1,745,340
Operating lease liability	10	168,066	-
Provisions	9	1,615,905	1,441,308
		4,585,402	3,186,648
NonCurrent Liabilities			
Operating lease liability	10	-	377,364
Total Liabilities		4,585,402	3,564,012
Net Assets		9,060,525	10,131,536
Accumulated surplus		9,060,525	10,131,536

National Consumer Commission

Annual Financial Statements for the year ended 31 March 2016

Statement of Financial Performance

Figures in Rand	Note(s)	2016	2015 Restated*
Revenue			
Revenue from exchange transactions			
Other income		-	8,080
Interest received investment		1,507,285	1,522,431
Total revenue from exchange transactions		1,507,285	1,530,511
Revenue from nonexchange transactions			
Transfer revenue			
Government grants		54,596,000	53,376,000
Total revenue	12	56,103,285	54,906,511
Expenditure			
Employee related costs	13	(36,579,754)	(32,842,699)
Depreciation and amortisation	14	(1,486,745)	(1,736,656)
Debt impairment		(21,446)	(10,942)
Repairs and maintenance		(99,216)	(92,962)
General expenses	15	(18,893,526)	(17,178,636)
Total expenditure		(57,080,687)	(51,861,895)
Loss on disposal of assets		(181,176)	(62,859)
(Deficit) surplus for the year		(1,158,578)	2,981,757

National Consumer Commission

Annual Financial Statements for the year ended 31 March 2016

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 April 2014	7,117,339	7,117,339
Correction of prior year errors	32,440	32,440
Balance at 01 April 2014 as restated*	7,149,779	7,149,779
Surplus for the year	2,981,757	2,981,757
Total changes	2,981,757	2,981,757
Opening balance as previously reported	10,113,372	10,113,372
Adjustments	87,566	87,566
Balance at 01 April 2015 as restated*	10,219,102	10,219,102
Changes in net assets		
Deficit for the year	(1,158,577)	(1,158,577)
Total changes	(1,158,577)	(1,158,577)
Balance at 31 March 2016	9,060,525	9,060,525

National Consumer Commission

Annual Financial Statements for the year ended 31 March 2016

Cash Flow Statement

Figures in Rand	Note(s)	2016	2015 Restated*
Cash flows from operating activities			
Receipts			
Government grants		54,596,000	53,376,000
Interest income		1,513,392	1,501,428
Other receipts		6,768	-
		56,116,160	54,877,428
Payments			
Employee costs		(35,384,487)	(32,605,458)
Suppliers		(18,432,749)	(18,271,543)
		(53,817,236)	(50,877,001)
Net cash flows from operating activities	18	2,298,924	4,000,427
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(1,139,235)	(971,094)
Purchase of intangible assets	4	(126,995)	(689,376)
Net cash flows from investing activities		(1,266,230)	(1,660,470)
Net increase in cash and cash equivalents			
Cash and cash equivalents at the beginning of the year		9,271,806	6,931,849
Cash and cash equivalents at the end of the year	8	10,304,500	9,271,806

National Consumer Commission

Annual Financial Statements for the year ended 31 March 2016

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Note
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Interest received investment	-	1,000,000	1,000,000	1,507,285	507,285	28
Revenue from nonexchange transactions						
Transfer revenue						
Government grants	54,596,000	-	54,596,000	54,596,000	-	
Total revenue	54,596,000	1,000,000	55,596,000	56,103,285	507,285	
Expenditure						
Personnel	(38,275,000)	-	(38,275,000)	(36,579,754)	1,695,246	28
Depreciation and amortisation	(455,000)	-	(455,000)	(1,486,745)	(1,031,745)	28
Bad debts written off	-	-	-	(21,446)	(21,446)	
Repairs and maintenance	(90,000)	-	(90,000)	(99,216)	(9,216)	28
General Expenses	(15,776,000)	(1,000,000)	(16,776,000)	(18,893,526)	(2,117,526)	28
Total expenditure	(54,596,000)	(1,000,000)	(55,596,000)	(57,080,687)	(1,484,687)	
Operating deficit	-	-	-	(977,402)	(1,977,402)	
Loss on disposal of assets	-	-	-	(181,176)	(181,176)	
Deficit before taxation	-	-	-	(1,158,578)	(1,158,578)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	-	-	-	(1,158,578)	(1,158,578)	

National Consumer Commission

Notes to the Annual Financial Statements for the year ended 31 March 2016

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), including any interpretations, guidelines and directives issued by the Accounting Standards Board.

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. They are presented in South African Rand, which is also the functional currency of the entity. Unless otherwise stated, financial figures are presented to the nearest R1.

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

1.1 Going concern assumption

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

1.2 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Details of any significant judgements and estimates are explained in the relevant policy where the impact on the financial statements may be material.

1.3 Property, plant and equipment

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

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

Property, plant and equipment are initially measured at cost.

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

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

National Consumer Commission

Notes to the Annual Financial Statements for the year ended 31 March 2016

Accounting Policies

Property, plant and equipment are subsequently 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	10
Computer equipment	Straight line	3
Leasehold improvements	Straight line	5

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate. It is the entity's practice to donate assets which have been disposed from the assets register.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

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

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

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

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

National Consumer Commission

Notes to the Annual Financial Statements for the year ended 31 March 2016

Accounting Policies

1.4 Intangible assets

An intangible asset is identifiable if it either:

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

An intangible asset is recognised when:

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

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

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

Intangible assets are initially recognised at cost.

Intangible assets are subsequently carried at cost less any accumulated amortisation and any impairment losses.

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

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

Item	Useful life
Computer software	2 years

Intangible assets are derecognised:

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

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

National Consumer Commission

Notes to the Annual Financial Statements for the year ended 31 March 2016

Accounting Policies

1.5 Financial instruments

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

Financial assets

The entity measures a financial asset initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. The entity's principal financial assets are trade and other receivables and cash and cash equivalents.

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

Financial liabilities

Financial liabilities which includes trade and other payables, are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition and subsequently measured at amortised cost using the effective interest rate method. Trade and other payables are only discounted when the effects of discounting are material.

Gains and losses

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

Impairment and nonrecoverability of financial assets

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

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

National Consumer Commission

Notes to the Annual Financial Statements for the year ended 31 March 2016

Accounting Policies

1.5 Financial instruments (continued)

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

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

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

In this case, the entity:

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

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

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 noncash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a nonexchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Nonexchange Transactions.

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

National Consumer Commission

Notes to the Annual Financial Statements for the year ended 31 March 2016

Accounting Policies

1.6 Leases

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

Finance leases lessee

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

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate on the remaining balance of the liability.

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

Operating leases lessee

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

1.7 Employee benefits

Shortterm employee benefits

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

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

National Consumer Commission

Notes to the Annual Financial Statements for the year ended 31 March 2016

Accounting Policies

1.7 Employee benefits (continued)

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 nonaccumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

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

Postemployment benefits: Pension

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

1.8 Provisions and contingencies

Provisions are recognised when:

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

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

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

National Consumer Commission

Notes to the Annual Financial Statements for the year ended 31 March 2016

Accounting Policies

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

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

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

1.9 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

- Contracts should be noncancellable or only cancellable at significant cost; and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts are excluded.

1.10 Revenue from exchange transactions

Measurement

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

Interest received short term deposits

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

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

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

National Consumer Commission

Notes to the Annual Financial Statements for the year ended 31 March 2016

Accounting Policies

1.11 Revenue from nonexchange transactions

Recognition

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

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

Measurement

Revenue from a nonexchange transaction is measured at the amount of the increase in net assets recognised by the entity. When, as a result of a nonexchange transaction, the entity recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue.

Government grants

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

1.12 Comparative figures

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

1.13 Unauthorised expenditure

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

1.14 Fruitless and wasteful expenditure

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

National Consumer Commission

Notes to the Annual Financial Statements for the year ended 31 March 2016

Accounting Policies

1.15 Irregular expenditure

The Accounting Authority must investigate the alleged irregular expenditure to determine whether the expenditure meets the definition of irregular expenditure.

If the investigation reveals that the expenditure does not constitute irregular expenditure, the amount will be retained in the irregular expenditure register for completeness. Should the investigation reveal that the amount is in fact irregular expenditure, the Accounting Authority will report in writing the details of the expenditure to National Treasury. Where irregular expenditure was incurred in the previous financial year and is only condoned or written off in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned or written off.

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

1.16 Budget information

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

The approved budget covers the fiscal period from 01/04/2015 to 31/03/2016.

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.

National Consumer Commission

Notes to the Annual Financial Statements for the year ended 31 March 2016

Accounting Policies

1.17 Related parties

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

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

1.18 Events after reporting date

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

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

National Consumer Commission

Notes to the Annual Financial Statements for the year ended 31 March 2016

Figures in Rand

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 2016 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
GRAP 108: Statutory Receivables	01 April 2016	No impact on the financial results and disclosure.
GRAP 17 (as amended 2015): Property, Plant and Equipment	01 April 2016	No impact on the financial results and disclosure.
GRAP 21 (as amended 2015): Impairment of noncashgenerating assets	01 April 2017	No impact on the financial results and disclosure.

3. Property, plant and equipment

	2016			2015		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Furniture and fixtures	2,207,437	(679,314)	1,528,123	1,971,276	(589,163)	1,382,113
Computer equipment	3,155,002	(2,197,247)	957,755	3,264,113	(2,112,235)	1,151,878
Leasehold improvements	48,949	(41,317)	7,632	48,949	(31,500)	17,449
Total	5,411,388	(2,917,878)	2,493,510	5,284,338	(2,732,898)	2,551,440

National Consumer Commission

Notes to the Annual Financial Statements for the year ended 31 March 2016

Figures in Rand

Reconciliation of property, plant and equipment 2016

	2016			2015		Total
	Opening balance	Additions	Disposals cost	Disposals accumulated depreciation	Depreciation	
Furniture and fixtures	1,382,113	534,226	(298,095)	121,885	(212,006)	1,528,123
Computer equipment	1,151,878	605,009	(714,120)	709,183	(794,195)	957,755
Leasehold improvements	17,449	-	-	-	(9,817)	7,632
	2,551,440	1,139,235	(1,012,215)	831,068	(1,016,018)	2,493,510

Reconciliation of property, plant and equipment 2015

	Opening balance	Additions	Disposals cost	Disposal accumulated depreciation	Depreciation	Total
	Furniture and fixtures	1,363,631	275,040	(84,169)	28,586	(200,975)
Computer equipment	1,187,909	696,054	(18,878)	11,602	(724,809)	1,151,878
Leasehold improvements	27,239	-	-	-	(9,790)	17,449
	2,578,779	971,094	(103,047)	40,188	(935,574)	2,551,440

4. Intangible assets

	2016			2015		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Computer software	2,571,349	(2,252,433)	318,916	2,444,354	(1,781,706)	662,648

Reconciliation of intangible assets 2016

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

Reconciliation of intangible assets 2015

	Opening balance	Additions	Amortisation	Total
	Computer software	774,354	689,376	(801,082)

National Consumer Commission

Notes to the Annual Financial Statements for the year ended 31 March 2016

Figures in Rand

	2016	2015
5. Prepayments		
Prepaid expenses	449,694	1,137,415
Prepaid expenses for the current year relate to software licenses paid in advance. In the prior year television advertising campaigns were paid in advance.		
6. Receivables from exchange transactions		
Trade debtors	-	3,379,571
Provision for bad debts	-	(3,351,278)
Accrued interest income	14,896	21,003
Other debtors	3,361	-
	18,257	49,296

Trade and other receivables past due but not impaired

Trade and other receivables which are less than 3 months past due are not considered to be impaired.

At 31 March 2016, R 3,361 (2015: R10,129) was past due but not impaired.

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

3 months past due	3,361	10,129
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Reconciliation of provision for impairment of trade and other receivables

Opening balance	3,351,278	3,340,336
Provision for impairment	-	10,942
Amounts written off as nonrecoverable	(3,351,278)	-
	-	3,351,278

7. Receivables from nonexchange transactions

Staff debtors	82,496	22,943
Provision for bad debts	(21,446)	-
	61,050	22,943

Reconciliation of provision for impairment of receivables from nonexchange transactions

Provision for impairment	21,446	-
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National Consumer Commission

Notes to the Annual Financial Statements for the year ended 31 March 2016

Figures in Rand

8. Cash and cash equivalents

	2016	2015
Cash on hand	10,000	10,000
Bank balances	3,479,040	5,435,919
Shortterm deposits	6,815,460	3,825,887
	10,304,500	9,271,806

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

Management considers that all the above cash and cash equivalents categories are of good quality. The maximum exposure to credit risk at the reporting date is the fair value of each class of cash and cash equivalent mentioned above. During the year cash and cash equivalents were kept in an investment and current accounts and the annual interest earned ranged between 5.66% and 7.14%. The cash and cash equivalents were not pledged as security for any financial liabilities.

9. Provisions

Reconciliation of provisions 2016

	Opening Balance	Additions	Utilised during the year	Total
Leave provision	958,358	83,422	-	1,041,780
Performance bonuses provision	482,950	574,125	(482,950)	574,125
	1,441,308	657,547	(482,950)	1,615,905

Reconciliation of provisions 2015

	Opening Balance	Additions	Utilised during the year	Total
Leave provision	945,611	12,747	-	958,358
Performance bonuses provision	44,604	482,950	(44,604)	482,950
	990,215	495,697	(44,604)	1,441,308

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

National Consumer Commission

Notes to the Annual Financial Statements for the year ended 31 March 2016

Figures in Rand

	2016	2015
10. Operating lease liability		
Operating lease liability	168,066	377,364

11. Payables from exchange transactions

Trade payables	660,353	141,627
Third party payments	1,187,501	-
Accrued expenses	953,577	1,603,713
	2,801,431	1,745,340

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

12. Revenue

Interest received investment	1,507,285	1,522,431
Government grants	54,596,000	53,376,000
Other income	-	8,080
	56,103,285	54,906,511

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

Interest received investment	1,507,285	1,522,431
Other income	-	8,080
	1,507,285	1,530,511

National Consumer Commission

Notes to the Annual Financial Statements for the year ended 31 March 2016

Figures in Rand

12. Revenue (continued)

The amount included in revenue arising from nonexchange transactions is as follows:

	2016	2015
Transfer revenue		
Government grants	54,596,000	53,376,000

13. Employee related costs

Salaries	29,889,489	27,205,589
Performance bonuses	574,125	482,950
Medical aid contributions	252,364	162,234
Leave pay provision charge	81,370	12,746
Employer's pension contributions	3,119,549	2,766,911
Service bonuses	1,720,625	1,540,407
Other allowances	942,232	671,862
	36,579,754	32,842,699

Remuneration of executive management

2016	Basic salary	Pension contributions	Other payments received	Total
E Mohamed Commissioner	1,192,168	150,309	372,261	1,714,738
T Mabuza Deputy Commissioner	912,366	115,031	408,696	1,436,093
N Kuljeeth Company Secretary	750,233	94,559	310,202	1,154,994
A van der Merwe Head Corporate Services	817,462	104,322	234,971	1,156,755
D Railo Head Research	704,272	89,419	380,762	1,174,453
P Moiloa Head Enforcement and Investigations	667,587	83,456	351,152	1,102,195
P Mlungu Head Education and Awareness	659,431	81,880	350,073	1,091,384
A Thupayatlase Head Legal Resigned 31 January 2016	532,903	67,152	313,449	913,504
F Raphahlela Acting Head Finance April to May 2015	63,030	8,194	54,200	125,424
N Nkoana Head Finance Appointed 01 June 2015	436,594	56,138	231,520	724,252
	6,736,046	850,460	3,007,286	10,593,792

National Consumer Commission

Notes to the Annual Financial Statements for the year ended 31 March 2016

Figures in Rand

2015	Basic salary	Pension contributions	Other payments received	Total
E Mohamed Commissioner	1,099,178	142,896	328,183	1,570,257
T Mabuza Deputy Commissioner	841,199	109,356	245,316	1,195,871
N Kuljeeth Company Secretary	691,706	89,922	206,524	988,152
A van der Merwe Head Corporate Services	319,875	41,584	51,349	412,808
D Railo Head Research	658,028	85,544	353,252	1,096,824
P Moiloa Head Enforcement and Investigations	594,374	77,269	318,857	990,500
P Mlungu Head Education and Awareness	594,374	77,269	318,857	990,500
A Thupayatlase Head Legal	594,374	77,269	318,857	990,500
F Raphahlela Acting Head Finance	350,294	45,206	277,825	673,325
	5,743,402	746,315	2,419,020	8,908,737

14. Depreciation and amortisation

Property, plant and equipment	1,016,018	935,574
Intangible assets	470,727	801,082
	1,486,745	1,736,656

National Consumer Commission

Notes to the Annual Financial Statements for the year ended 31 March 2016

Figures in Rand

15. General expenses	2016	2015
Advertising	3,874,945	2,210,321
Auditors remuneration	1,351,800	2,332,843
Bank charges	26,835	26,626
Cleaning services	557,044	495,500
Computer expenses	676,954	348,162
Consulting and professional fees	1,370,206	974,870
Consumables	138,730	267,662
Furniture removal services	39,846	11,400
Fines and penalties	4,418	-
Insurance	22,271	71,235
Lease payments printers and copiers	114,015	272,644
Postage and courier services	6,188	7,598
Printing and stationery	288,400	633,477
Publications	227,263	728,282
Research expenses	408,200	-
Security services	1,375,477	1,268,572
Software license expenses	128,294	547,186
Subscriptions and membership fees	15,511	5,180
Communication costs	803,587	377,928
Transport costs	14,818	8,900
Training	521,778	151,962
Travel local	705,657	927,048
Travel overseas	349,120	81,768
Water and electricity	538,650	466,830
Audit committee fees	299,398	181,916
Venues and facilities	44,561	32,591
Office rental	4,989,560	4,748,134
	18,893,526	17,178,635
16. Auditors' remuneration		
External audit fees	1,020,767	1,857,303
Internal audit fees	331,033	475,540
	1,351,800	2,332,843

National Consumer Commission

Notes to the Annual Financial Statements for the year ended 31 March 2016

Figures in Rand

17. Taxation

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

18. Cash generated from operations

	2016	2015
(Deficit) surplus	(1,158,578)	2,981,759
Adjustments for:		
Depreciation and amortisation	1,486,745	1,736,655
Loss on disposal of assets	181,176	62,859
Debt impairment	21,446	10,942
Movements in operating lease liability	(209,326)	(203,807)
Movements in provisions	174,597	495,694
Discount received	-	(8,080)
Other non cash items	105,732	32,418
Changes in working capital:		
Receivables from exchange transactions	12,875	(19,794)
Other receivables from nonexchange transactions	(59,553)	11,467
Prepayments	687,721	(1,137,415)
Payables from exchange transactions	1,056,089	37,729
	2,298,924	4,000,427

National Consumer Commission

Notes to the Annual Financial Statements for the year ended 31 March 2016

Figures in Rand

19. Commitments	2016	2015
Authorised operational expenditure		
Already contracted for but not provided for		
• Printing and publications	-	156,248
• Relocation costs	-	18,600
• Stationery	-	27,750
• Subscriptions	-	15,103
• Biometric access control	-	142,950
• Security cameras	-	38,877
• Tablets	-	121,072
• Advertising SABC tv and radio adverts	-	899,751
• Advertising SABC TV slots	-	1,000,402
• Intranet development	478,800	-
• Fumigation and pest control	3,600	-
• Training	348,402	-
• Placement agency fees	34,656	-
• Optout register project management	495,900	-
• Advertising Government gazette	15,134	-
• ICT backup equipment	208,974	-
• Internal audit services	818,263	-
• Security services	1,186,979	-
• Cleaning services	558,041	-
• ICT consulting	352,468	-
• Leasing of photocopiers	148,226	-
• Leasing of office buildings	2,662,634	7,863,693
	7,312,077	10,284,446

Operating leases as lessee (expense)

Minimum lease payments due

within one year	2,799,458	5,200,184
in second year	11,402	2,663,509
	2,810,860	7,863,693

Operating lease payments represent rentals payable by the entity for office properties and photo copying machines. The leases for office properties and photo copiers expire on 30 September 2016 and 30 April 2017 respectively.

National Consumer Commission

Notes to the Annual Financial Statements for the year ended 31 March 2016

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20. Contingencies

In the matter relating to the holiday clubs, the service provider had approached the high court to seek an order reversing the National Consumer Tribunal (NCT) ruling that the NCT does not have a mandate to impose a cost order against the NCC for withdrawal of an application to declare their business practice prohibited in terms of the Consumer Protection Act.

21. Related parties

Relationships

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

Related party transactions

Department of Trade and Industry	2016	2015
Transfer payments received	54,596,000	53,376,000

Total remuneration of key management is included in employee related costs (refer to note 12 for the Executive Managements' remuneration).

National Consumer Commission

Notes to the Annual Financial Statements for the year ended 31 March 2016

Figures in Rand

22. Prior period errors

Prior year errors identified during the current year relate to incorrect disclosure note of the audit committee fees, performance bonus provision, and disclosure note on employer contributions and a debt relating to pension contributions overpayment not raised.

The audit committee fees were incorrectly disclosed in the note as R275,760, the correct figure was R181 916.

Employer contributions were incorrectly disclosed in the note as R2 756 804, the correct figure was R2 929 145.

Pension contributions overpayment amounting to R18 164 was not raised as a debt in the prior year, the opening balance of retained earnings was therefore adjusted.

The correction of the performance bonus error results in an adjustment as follows:

Statement of Financial Position	2016	2015
Increase in provisions	-	(482,950)
Increase in accumulated surplus	-	18,164

Statement of Financial Performance		
Performance bonuses	-	482,950
Decrease in employer pension contributions	-	18,164

23. Comparative figures

Certain comparative figures have been reclassified. The reclassification was between employee costs and goods and services, as well as between the expense items within the same economic classification.

The reclassification was done to correct the economic classification of expenditure items and for easy understanding of the annual financial reports by users.

The amounts reclassified are as follows:

Employee costs

Travel advances	-	(69,692)
Audit committee fees	-	(181,916)
Temporary employees	-	5,900

National Consumer Commission

Notes to the Annual Financial Statements for the year ended 31 March 2016

Figures in Rand

General expenses	2016	2015
Travel advances	-	69,692
Audit committee fees	-	181,916
Temporary employees	-	(5,900)
Contractors	-	(1,764,072)
Cleaning services	-	495,500
Security services	-	1,268,572
Furniture removal services	-	8,900
Travel and subsistence	-	(8,900)
Transport costs	-	11,400
Travel and subsistence	-	(11,400)

National Consumer Commission

Notes to the Annual Financial Statements for the year ended 31 March 2016

Figures in Rand

24. Financial instruments

Financial risk management

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

Liquidity risk

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

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

31 March 2016	Total cashflow within 1 year	Total cashflow between 1 and 5 years	Total
Trade and other payables	(2,801,429)	-	(2,801,429)
Operating lease liability	(168,066)	-	(168,066)
	(2,969,495)	-	(2,969,495)

31 March 2015	Total cashflow within 1 year	Total cashflow between 1 to 5 years	Total
Trade and other payables	1,745,339	-	1,745,339
Operating lease liability	(209,298)	168,066	(37,232)
	1,536,041	168,066	1,704,107

Interest rate risk

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

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Notes to the Annual Financial Statements for the year ended 31 March 2016

Figures in Rand

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

	2016	2015
Cash and cash equivalents	10,304,500	9,271,806

Credit risk

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

Trade and other receivables	79,307	54,075
Cash and cash equivalents	10,304,500	9,271,806
	10,383,807	9,325,881

25. Fruitless and wasteful expenditure

Opening balance	3,613,157	3,601,857
Additions	4,418	11,300
Written off	(3,613,157)	-
	4,418	3,613,157

The current year's fruitless expenditure relates to Paye As You Earn interest and penalties. The amount of R3,613,157 was written off by the Accounting Authority after an investigation was conducted and attorneys recommended that it will be uneconomical to recover the amounts.

National Consumer Commission

Notes to the Annual Financial Statements for the year ended 31 March 2016

Figures in Rand

26.Irregular expenditure	2016	2015
Opening balance	7,329,293	30,329,402
Add: Irregular expenditure current year	9,490,153	7,329,293
Less: Amounts not condoned not recoverable	(13,133,132)	(30,329,402)
	3,686,314	7,329,293

Details of irregular expenditure

Invitation of bids not advertised within 21 days	5,737,508	5,418,771
Procurement process not followed Three quotations not obtained	1,487,210	1,539,166
Preferential points not applied	-	77,132
Documentation/ contracts stolen	-	294,224
Functionality thresholds applied incorrectly	1,270,134	-
Local content requirements not applied	296,205	-
*Bid processes not followed	699,096	-
	9,490,153	7,329,293

The irregular expenditure of R7,224,718 (76%) result from continuing with contracts identified as irregular by the auditors in prior financial years. The contract for the office building and related services will come to an end on 30 September 2016.

*Some of the travel management fees could not be confirmed as the service providers did not include the fees separately on the quotations and invoices.

National Consumer Commission

Notes to the Annual Financial Statements for the year ended 31 March 2016

Figures in Rand

27. Reconciliation between budget and statement of financial performance

Reconciliation of budget surplus/deficit with the surplus/deficit in the Statement of Financial Performance:

	2016	2015
Net (deficit) surplus per the statement of financial performance	(1,158,578)	2,972,494
Adjusted for:		
Interest income	(507,285)	(1,522,431)
Other income	-	(8,080)
Payroll expenditure lower than budget	(1,695,246)	297,671
Operational expenditure higher than budget	3,361,109	(1,739,654)
Net surplus per approved budget	-	-

28. Budget differences

Material differences between budget and actual amounts

Interest received The interest received exceeded the budget as a result of the timeous transfers of excess funds to the investment account, and also because a large part of the expenditure incurred in quarter 4.

Personnel costs was under spent with 4% as a result of vacancies. The average vacancy rate for the year was 12% (10/85).

Depreciation and amortisation were overspent as additional assets were purchased from the approved prior year surplus.

General expenses exceeded the budget by 12% as a portion of the budget for advertising, legal costs, training and research expenditure totaling 75% of the approved prior year's surplus, was used to increase these expenses.

PART 5:

HUMAN RESOURCE MANAGEMENT

5



NATIONAL CONSUMER COMMISSION

5.1 Human Resources Oversight Statistics

Personnel Cost by programme

Programme	Total expenditure of the entity	Personnel Expenditure	Personnel exp. as a % of total exp.	No. of employees	Average personnel cost per employee
Programme 1	15 213 000	14 129 118	38.63%	26	543 428
Programme 2	17 226 000	16 674 737	45.58%	37	450 669
Programme 3	5 836 000	5 775 899	15.79%	10	577 590
TOTAL	38 275 000	36 579 754	100%	73	501 093

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 expenditure for the Entity	Personnel Expenditure	% of personnel exp. to total personnel cost	No. of employees	Average personnel cost per employee
Top Management	3 223 095	3 166 316	8.66%	2	1 583 158
Senior Management	16 670 072	15 576 910	42.58%	14	1 112 636
Professionally qualified	9 784 970	9 296 576	25.41%	19	489 293
Skilled	1 410 584	1 358 386	3.71%	5	271 677
Semi-skilled	7 186 279	7 181 566	19.64%	33	217 623
TOTAL	38 275 000	36 579 754	100%	73	501 593

- 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	14 129 118	3	197 400	1.40%
Programme 2	16 674 737	18	275 352	1.65%
Programme 3	5 775 899	1	10 199	0.18%
TOTAL	36 579 754	22	482 951	1.32%

22 employees qualified for performance rewards for the 2014/15 performance cycle, which was paid in the 2015/16 financial year.

Training Costs

Directorate/ Business Unit	Total personnel expenditure (R'000)	Training expenditure (R'000)	Training expenditure as a % of personnel Cost.	No. of employees trained	Avg training cost per employee
All Directorates	36 579 754	521 778	1.43%	78	6 689
TOTAL	36 579 754	521 778	1.43%	78	6 689

At the beginning of the 2015/2016 financial year, the NCC had 76 employees, 7 more employees were appointed, and 10 employees resigned. The number of employees trained include those employees who resigned and who were appointed during the course of 2015/2016 financial year. The initial training budget was R420 000 and towards the end of the financial year an additional budget of R1 000 000 was allocated.

Employment and vacancies

Programme	2013/2014 No. of Employees	2014/2015 Approved Posts	2015/2016 No. of Employees	2015/2016 Vacancies	% of Vacancies
Top Management	2	2	2	0	0%
Senior Management	14	15	14	1	7%
Professional qualified	16	22	19	3	14%
Skilled	1	8	5	3	38%
Semi-skilled	40	38	33	5	13%
TOTAL	73	85	73	12	14%

There are 85 funded posts on the approved structure. Out of 85 funded posts, 73 were filled on 31 March 2016, implying a 14% vacancy rate.

Programme	2014/2015 No. of Employees	2015/2016 No. of Employees	2015/2016 Vacancies	% of vacancies
Programme 1	15	26	6	19%
Programme 2	40	37	6	14%
Programme 3	18	10	0	0%
Total	73	73	12	14%

Employment changes:

Salary Band	Employment at beginning of period	Appointments	Terminations	Employment at end of the period
Top Management	2	0	0	2
Senior Management	15	1	2	14
Professional qualified	16	5	2	19
Skilled	4	1	0	5
Semi-skilled	39	0	6	33
	76	7	10	73

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 5-6)

Reasons for staff leaving

Number	% of total no. of staff leaving	Number
Death	0%	0
Resignation	13%	10
Dismissal	0%	0
Retirement	0%	0
Ill health	0%	0
Expiry of contract	0%	0
Other	0%	0
Total	13%	10

Labour Relations: Misconduct and disciplinary action

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

Equity Target and Employment Equity Status

Levels	MALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	0		0		1		0	
Senior Management	7		0		1		1	
Professional qualified	9		2		0		0	
Skilled	1		0		0		0	
Semi-skilled	15		0		0		0	
TOTAL	32		2		2		1	

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

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

The employment equity plan was approved during March 2016 and its effective date is 01 April 2016, The aforementioned employment equity targets are therefore not applicable to the 2015/2016 financial year.

LIST OF ACRONYMS/ ABBREVIATIONS

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



NATIONAL CONSUMER COMMISSION

National Consumer Commission (NCC)

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