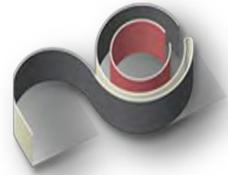




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Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA



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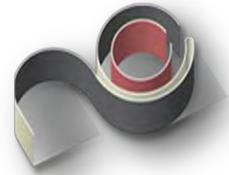
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BRIEFING TO THE PARLIAMENTARY PORTFOLIO COMMITTEE ON TRADE AND INDUSTRY

NATIONAL CONSUMER COMMISSION ANNUAL REPORT 2014-15

13 OCTOBER 2015

**Mr EBRAHIM MOHAMED
COMMISSIONER**



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OUTLINE OF PRESENTATION

- Overview of annual report
- Strategic objectives
- Achievements against planned targets
- Financial management
- Key challenges and financial projection



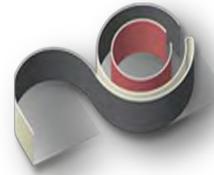
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KEY HIGHLIGHTS

FY 2014/15

KEY HIGHLIGHTS



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- NCC received an unqualified opinion;
- Accreditation of Motor Industry Code and ombud scheme;
- Accreditation of Consumer Goods and Services code and ombud scheme;
- Product Recalls facilitated on a range of products including tyres, vehicles and medical equipment;
- Inspections: Paraffin stoves; labelling of food products;
- Investigations: Unfair contract terms, oversubscription etc in relation to Timeshare;
- NCC has been regularly featured on TV, Radio and print media;
- Hosting of Mozambican and Zimbabwean consumer protection delegations

KEY HIGHLIGHTS -STATISTICS



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- 5242 consumer files were assessed;
- 2007 (38%) were received from females and 3235 (62%) from males;
- 1826 (35%) were from complainants in age group 18-35 years, 1519 (29%) were from the 36-45 years group, 1499 (29%) were from the age group 46-60 years and 398 (8%) were from the age group >60 years;
- Whites lodged the highest number of complaints of 2406 (45.9%). Africans lodged 2107 complaints (40.2%). The lowest number of complaints were lodged by Indians and Coloureds at 475 (9.1%) and 254 (4.8%) respectively;
- Gauteng had the highest number of complaints, 2935 (56%), followed by Western Cape 843 (16%). The third highest number of complaints came from KwaZulu Natal at 616 (12%). The Eastern Cape- 204 (4%); Free State- 220 (4%); Limpopo- 109 (2%); Mpumalanga- 177 (3%); Northern Cape- 47 (1%) and North West- 91, (2%);
- Out of 5242 complaints 586 (15%) were on contract cancellation; 422 (11%) on incorrect billing, 763 (19%) on misrepresentation; 798 (20%) on defective goods; 260 (6%) were about unconscionable conduct; 1065 (27%) related to poor service; and 88 (2%) were on unauthorised deductions.



KEY HIGHLIGHTS- STATISTICS

- 1177 (23%) were about Motor Vehicles. Another 1177 (23%) were about Retail. The third highest category relates to Cellular telephones at 946 (19%).
- With regard to motor vehicle related complaints, the highest number of complaints related to defective goods, at 37% this was followed by poor service delivery at 24%, misrepresentation at 24%, contract cancellation at 11%, unconscionable conduct at 4%.
- In the Retail sphere the highest type of complaints were about Poor service delivery at 38%, followed by Defective goods at 25%, followed by Misrepresentation at 20%, followed by Contract cancellation at 8%, followed by Unconscionable conduct at 6%, followed by Incorrect billing at 2% and finally by Unauthorised deduction at 1%.
- With regard to cellular telephones, the highest number of complaints were on contract cancellation, at 25%. This is followed by poor service delivery at 24%. In descending order, the types of complaints about cellular telephones are: 21% for defective goods; 17% for misrepresentation, 8% for unconscionable conduct, 3% for incorrect billing and 2% for unauthorised deduction.



Regulatory Context



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Regulatory Context

- **the dti** is the custodian of Consumer Protection policy;
- NCC is established in terms of Section 85 of the Consumer Protection Act (CPA) and has jurisdiction throughout the Republic of South Africa.
- The core responsibility is to enforce and carry out the functions assigned to it in terms of the CPA.
- The CPA seeks to promote a fair, accessible and sustainable marketplace for consumer products and services and for that purpose to establish national norms and standards relating to consumer protection.



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Regulatory Context

- 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;
- NCC has concurrent jurisdiction on Consumer Protection in RSA- jurisdiction is shared with Provincial Consumer Protection Authorities.
- The NCC oversees functioning of alternate dispute resolution agents accredited by Minister in terms of section 82 of CPA.

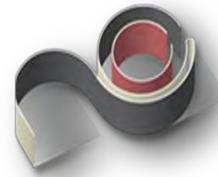


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Strategic Objectives

STRATEGIC OBJECTIVES



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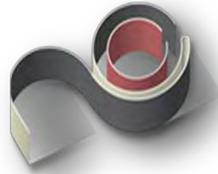
The following are the revised strategic objectives :

Strategic Objective 1

- **To promote compliance with the Consumer Protection Act**

Strategic Objective 2

- **To be a well governed and capacitated organization**
- NCC has the following divisions in order to give effect to the strategic objectives
 - Enforcement and Investigations;
 - Advocacy, Education and Awareness;
 - Research and Knowledge Management
 - Legal Services; and
 - Corporate Services

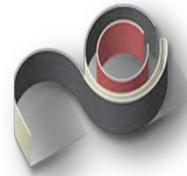


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Achievement against Targets

Achievement against Targets introduction

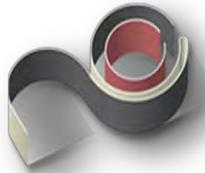


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- 53 out of 82 officials, including managers, are involved in operations;
- 14 measures/ indicators- 18 targets;
- Fully achieved on 16 targets, 2 targets were not fully achieved;
- Project planning principles and reassessment of management capacity and skills will be introduced to address unachieved areas;
- NCC received a qualified audit in 2012/13 (prior year);
- From a compliance perspective, NCC has made tremendous progress;
- 27 (mainly minor) findings by AGSA in 2014.15 as opposed to 96 in 2012/13;
- Strict internal control measures effected within the Finance and Supply Chain Management units;
- Major improvement is required in the implementation of the ICT strategy, which is being hampered by capacity constraints;
- Despite problematic beginning, NCC has stabilised;

Achievement against Targets- introduction



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- Irregular expenditure is being managed effectively;
- Irregular, fruitless and wasteful expenditure, deviations and invoice registers have been implemented as additional internal control measures;
- The asset register has been updated and the payment processes have been revised;
- All findings made by AGSA and Internal Audit were monitored and reported on at Audit and Risk Committee meetings.
- To improve on service delivery, each Division has introduced standard operating procedures;
- The Audit and Risk Committee has met several times in the course of the year and engaged in meaningful deliberations with NCC;
- Irregular expenditure which stems from transactions entered into during 2011/12 and which were only discovered in 2012/13 continue to plague NCC- will be dealt with in financial report.

Achievement against Targets



Performance indicator & target	Achievement	Reasons for variance
95% of complaints received registered on an average of three days	100% of complaints received registered on an average of 2 working days	Target exceeded due to improved efficiencies in the registration of complaints.
95% of registered complaints analysed on an average of eight days	100% of registered complaints analysed on an average of 2 days	Target exceeded due to improved efficiencies in the analysis of complaints.
70% of complaints resolved on an average of 80 days	80% of complaints resolved on an average of 14 days	The Percentage of complaints target was exceeded due to an increase in the referrals to Consumer Goods and Services Ombud and Motor Industry Ombud.

Achievement against Targets

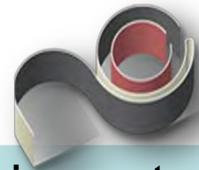


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Performance indicator & target	Achievement	Reasons for variance
30 investigations and Inspections finalised and approved by the Commissioner	52 Investigations and Inspections finalised and approved by the Commissioner	The NCC had to approve more investigations than envisaged due to a high number of timeshare related matters and Entities.
Recommendation of codes to Minister within 6 months from date of receipt of compliant codes	One Industry Code recommended to Minister (Consumer Goods and Services)	
2 research reports submitted to Minister on: 1) Funeral Services; and 2) Tow Truck Services	Two research reports on: Funeral Services: and Tow Truck Services produced but not submitted to Minister	Insufficient time was set aside for editing of the reports

Achievement against Targets

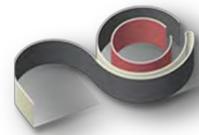


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Performance indicator & target	Achievement	Reasons for variance
One code of good practice developed	The code relating to interpretation of rights as contained in section 23 to 28 has been developed and approved for publication	
12 Workshops	13 Workshops conducted.	Target exceeded due to high demand from stakeholders
08 Mall/Train/Exhibitions	17 Exhibitions held	
1 school Consumer Club Established	1 School Consumer Club at the Sunnyside Primary School was established	Due to demand from stakeholders emphasis was placed on exhibitions
4 meetings held with critical stakeholders	9 meetings arranged and held with stakeholders. 2 other meeting attended on invitation.	Target exceeded due to high demand from stakeholders
Quarterly meetings with provincial consumer protection authorities	4 meetings held with provincial consumer protection authorities. One per quarter.	

Achievement against Targets



Performance indicator & target	Achievement	Reasons for variance
<p>Participation in key international and national conferences.</p>	<p>NCC participated in the following:</p> <ol style="list-style-type: none"> 1) Africa Dialogue Conference – Malawi 2) The LAP 10, spam conference – Japan 3) OECD Conference – France 4) Preparation for next Africa Dialogue Conference – Egypt 5) Zimbabwean draft consumer protection legislation – Zimbabwe 6) Hosted Consumer Rights Day – Ekurhuleni 7) World Retail Conference – Johannesburg 8) Complaints Resolution Conference – Cape Town 9) Compliance Conference – Rustenburg (hosted by Department of Health) 	

Achievement against Targets



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Performance indicator & target	Achievement	Reasons for variance
Attend to all media enquiries within 48 hours from time these are received	All media enquiries attended to within 48 hours from the time these were received	
4 internal newsletters developed and distributed	4 internal newsletters prepared and distributed internally; One per quarter	
20% of vacant positions filled	76 (92%) of the 83 funded posts were filled as at 31 March 2015 8% of posts are vacant	Target exceeded
ICT Strategy developed	The ICT Strategy was developed and approved, and is in the process of being implemented.	



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FINANCIAL MANAGEMENT

Statement of Financial Position



STATEMENT OF FINANCIAL POSITION

as at 31 March 2015

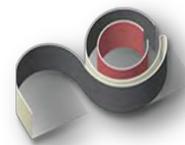
	Mar-15	Mar-14
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	9 271 806	6 931 849
Trade and other receivables from exchange transactions	31 132	32 341
Trade and other receivables from non-exchange transactions	22 943	34 410
Prepayments	1 137 415	0
CURRENT ASSETS	10 463 296	6 998 600
NON-CURRENT ASSETS		
Property Plant and Equipment	2 551 440	2 578 779
Intangible Assets	662 648	774 354
NON-CURRENT ASSETS	3 214 088	3 353 133
TOTAL ASSETS	<u>13 677 384</u>	<u>10 351 733</u>
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables from exchange transactions	1 745 341	1 707 612
Provision for Leave Pay	958 358	945 612
NON-CURRENT LIABILITY: Operating lease liability	377 364	581 171
TOTAL LIABILITIES	<u>3 081 063</u>	<u>3 234 395</u>
ACCUMULATED SURPLUS (Net surplus)	10 596 321	7 117 338



Statement of Financial Performance

STATEMENT OF FINANCIAL PERFORMANCE		
as at 31 March 2015		
	2015	2014- Restated
	R	R
REVENUE		
Government grant & subsidies	53 376 000	45 498 094
Interest received on investment	1 522 431	358 043
Other income	8 080	14 250
TOTAL REVENUE	54 906 511	45 870 387
EXPENDITURE		
Employee related costs	32 605 458	28 045 226
General expenses	16 995 786	14 950 959
Finance costs	-	26 418
Repairs and maintenance	92 962	105 823
Bad debts	10 942	(34 656)
Depreciation and amortisation	1 736 656	1 822 520
TOTAL EXPENDITURE	51 441 804	44 916 290
SURPLUS FOR THE YEAR	3 464 707	954 097

Comparison of Budget with Actual amounts



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STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

as at 31 March 2015

	Approved final budget	Actual amounts on comparable basis	Difference between final budget and actual
REVENUE			
Revenue from non-exchange transactions	53 376 000	53 376 000	0
Revenue from exchange transactions (<i>interest, discount</i>)	0	1 530 511	1 530 511
TOTAL REVENUE	53 376 000	54 906 511	1 530 511
EXPENDITURE			
Employee related costs	32 800 000	32 605 458	194 542
Depreciation and amortization	745 000	1 736 656	(991 656)
Repairs and maintenance	93 000	92 962	38
General expenses	19 738 000	17 006 728	2 731 272
TOTAL EXPENDITURE	53 376 000	<u>51 441 804</u>	<u>1 934 196</u>
SURPLUS		3 464 707	3 464 707

Note: The annual financial statements for the National Consumer Commission are prepared on the accrual basis using a classification based on the nature of expenses in the statement of financial performance. The annual financial statements therefore differ from the budget, which is approved on a cash basis.

Reasons for variances in spending

Summary:

- The total expenditure of R51,442,000, when compared to the approved budget of R53,376,000, reflects an underspending of R1,934,000 (3.6%).
- The underspending of R194,542 (0.6%) on the compensation of employees is due to the time required to fill vacant positions.
- The underspending of R1,740,000 (8.45%) on goods and services is mainly the result of the following:
 - Legal fees: R683 000: Less legal cases handled at the NCT;
 - Leases: R647 000: Below- Market related costs for accommodation
 - Other expenses: R410 000: Decrease in general expenses as a result of the Cost containment measures

Linking performance with budgets



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Name of programme	Item	Final Appropriation (R)	Actual Expenditure (R)	Under Expenditure (R)
Objective 1: Administration	Compensation of employees	12 706 400	12 530 790	175 610
	Goods and services	12 728 000	12 293 962	434 038
	Depreciation	745 000	1 736 656	(991 656)
Total		26 179 400	26 561 408	(382 008)
Objective 2: Promote compliance to CPA	Compensation of employees	14 950 000	14 949 414	586
	Goods and services	5 073 000	2 647 839	2 425 161
Total		20 023 000	17 597 253	2 425 747
Objective 3: Be a well governed and capacitated organization	Compensation of employees	5 143 600	5 125 254	18 346
	Goods and services	2 030 000	2 157 889	(127 889)
Total		7 173 600	7 283 143	(109 543)

Irregular expenditure



Summary:

- Only R7.329 million of the accumulated irregular expenditure of R37,658 million related to irregular expenditure incurred during the 2014/15 financial year.
- 74% of the amount is attributed to the improper lease agreement.
- R30,329 million of the R37,658 million that related to previous years was condoned given value that was received from the services rendered and the goods received.
- The balance of R7.329 million in respect of 2014/15 will also be considered for condonement once value for money has been confirmed.
- Increased controls over SCM and Finance processes, such as SCM and payment checklists, and PFMA training were implemented to prevent future irregular expenditure.



AGSA's Report

Irregular expenditure:

1. Irregular expenditure

Opening balance	30,329,402	23,410,046
Add: Irregular expenditure incurred		6,919,356
	7,329,293	
Less: Amounts condoned	(30,329,402)	
Closing balance	7,329,293	30,329,402

Details of irregular expenditure (not condoned)

Invitation for competitive bids not advertised within 21 days as per Treasury Regulations.	5,418,771	5,167,996
Procurement process not followed as per Treasury Regulations.	1,539,166	834,414
Irregular in terms of the preferential Scoring system not applied	77,132	255,471
Documentation/contracts stolen	294,224	655,023
Goods and services with a transaction value between R10 000 and R500 000 were procured without obtaining written quotations from three different prospective suppliers	-	6,452
	7,329,293	6,919,356

*The 2014/15 irregular expenditure of R7,329,293 resulted from continuing with contracts which were identified as irregular by the Auditor-General in the 2011/12 financial year. The related expenditure was deemed irregular given the non-compliance to procurement policies and directives, whereas certain financial and procurement records were also stolen.

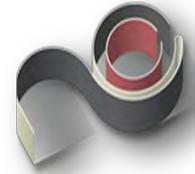
Regarding the previous financial years, irregular expenditure of R30,329,402 was condoned by the Accounting Authority.

Fruitless and wasteful expenditure



Summary:

- The accumulated fruitless expenditure of R3.602 million for previous financial years increased with R11 000 to R3,613 million in 2014/15 given a new case of a fruitless travel expense.
- Fruitless expenditure incurred related mainly to the following:
 - R1.338 million: Assets ordered and paid, but not received
 - R1.242 million: Incorrectly calculated VAT
 - R717 000: Wasteful costs i.r.o. the NCC Contact centre
- All fruitless and wasteful expenditure have been investigated and legal opinions were obtained.
- Any irrecoverable amounts will be considered for condonement.



AGSA's Report

Fruitless and Wasteful Expenditure

1. Fruitless and wasteful expenditure

	March 2015 R	March 2014 R
Opening balance	3,601,857	3,575,439
Add: Fruitless and wasteful expenditure incurred 2014/15	11,300	26,418
Closing balance	3,613,157	3,601,857

The 2014/15 fruitless and wasteful expenditure of R11,300 relates to the catering for an education and awareness event that did not materialise as NCC officials were unable to travel to the event owing to the late delivery of the vehicle hired to transport them there.

AGSA Report

Performance Information:

- One target relating to registration of complaints could not found to be reliable when compared to the source information.

Financial statements opinion

- Financial statements, financial performance and cash flows in accordance with SA Standards of GRAP and PFMA requirements

Annual Financial Statements, Performance and Annual Reports

- Unqualified Audit

Matters successfully dealt with from previous audit – 2013/14

Number of action plans	Status	Percentage
73	Fully Implemented	80%
19	In progress	20%
92	Total	100%

AGSA's Report



Emphasis of Matters

Significant Uncertainties

- With reference to Note 20 of the financial statements, the NCC disclosed an accumulated surplus of R 3 464 707, in respect of which the outcome of an application for rollover is awaited.

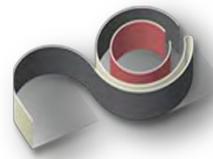
Additional matters:

Expenditure Management

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

Financial and performance management

- Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support performance reporting



Key Challenges

Vacancies

- As at 31 March 2015 the NCC had 83 funded posts. Of these, 8 were vacant;
- Based on the post establishment approved in 2010, 99 posts are unfunded;
- Formal restructuring will be undertaken- it is envisaged that most of the vacant/ unfunded posts will be abandoned

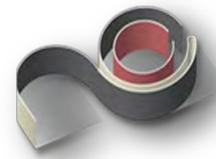
Skills

- A skills audit has been conducted at the NCC, and it is apparent that a major skills shortage does exist within the entity;
- A skills upgrade programme is however in place. Training has commenced but will be limited due to lack of funds.

Irregular Expenditure

- The bulk of irregular expenditure arises from the lease for accommodation.
- The current lease agreement will expire in September 2016;
- The cost of cancellation and possible relocation is not feasible in the short term.
- Irregular expenditure amounting to R30, 329 million was condoned in 2014/15

Delegation Details



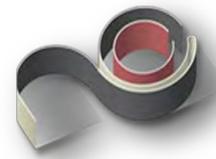
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Ms Thezi Mabuza- Deputy Commissioner- T.Mabuza@thencc.org.za – 0836532391

Mr Anton Van Der Merwe- Head of Corporate Services- A.Vandermerwe@thencc.org.za –
0834131707



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Thank You