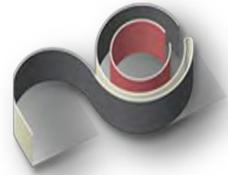




the dti

Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA



NATIONAL CONSUMER COMMISSION

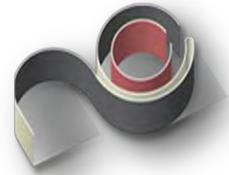
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BRIEFING TO THE PARLIAMENTARY PORTFOLIO COMMITTEE ON TRADE AND INDUSTRY

NATIONAL CONSUMER COMMISSION ANNUAL REPORT 2015-16

09 SEPTEMBER 2016

**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



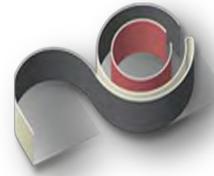
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KEY HIGHLIGHTS

FY 2015/16

KEY HIGHLIGHTS

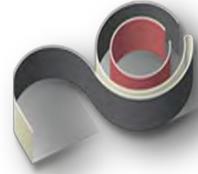


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- NCC received an unqualified opinion;
- Operation of ombud schemes;
- Product Recalls facilitated on a range of products including foodstuffs, vehicles and medical equipment;
- Inspections: 57 inspections conducted- Paraffin stoves; labelling of food products;
- Investigations: 25 investigations conducted
- Commenced work on 3 industry codes: advertising; franchise and funeral industries.
- NCC has been regularly featured on TV, Radio and print media;
- Hosting of Africa Dialogue Conference in SA.

KEY HIGHLIGHTS -STATISTICS



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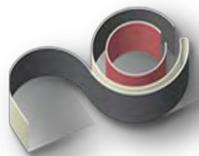
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- 6802 consumer files were assessed;
- 4 154 (61%) were received from males and 2 646 (39%) from females.;
- 2 374 (35%) were from complainants in age group 18-35 years, 2 003 (29%) were from the 34-44 years group, 1 882 (28%) were from the age group 45-59 years and 51 (8%) were from the age group >60 years;
- Africans lodged the highest number of complaints of 3111 (46%). Whites lodged 3111 complaints (41%). (Last year, it was the other way around- with Whites lodging the most number of complaints) The lowest number of complaints were lodged by Indians and Coloureds at (10%) and (3%) respectively;



KEY HIGHLIGHTS- STATISTICS

- Gauteng had the highest number of complaints, 53%, followed by Western Cape 17%. The third highest number of complaints came from KwaZulu Natal at 13%; Free State at 5%; Mpumalanga - 4%; Limpopo at 3%; The Eastern Cape - 2%; Northern Cape - 2% and North West - 1%;
- The highest number of complaints came from the retail sector at 41% followed by ICT at 36% and the third was Motor Vehicles at 23% . A similar trend also is evident when comparison is made with the financial year 2014/15 except that the percentages had increased slightly in all three categories.
- 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%).



KEY HIGHLIGHTS- STATISTICS

Consumer Goods and Services Ombud (CGSO) & Motor Industry Ombud (MIOSA)

- The ombuds are accredited by Minister in terms of the CPA and their function is to resolve disputes between consumers and suppliers.
- 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 these ombuds.

Consumer Goods and Services Ombud (CGSO)

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



KEY HIGHLIGHTS- STATISTICS

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		

KEY HIGHLIGHTS- STATISTICS



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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



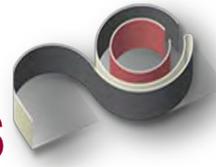
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KEY HIGHLIGHTS- STATISTICS

- Received calls in 2014 prior to accreditation- 41 894
- Received calls in 2015/16 following accreditation- 175 932
- 15 to 20 dealerships are visited by inspectors daily.

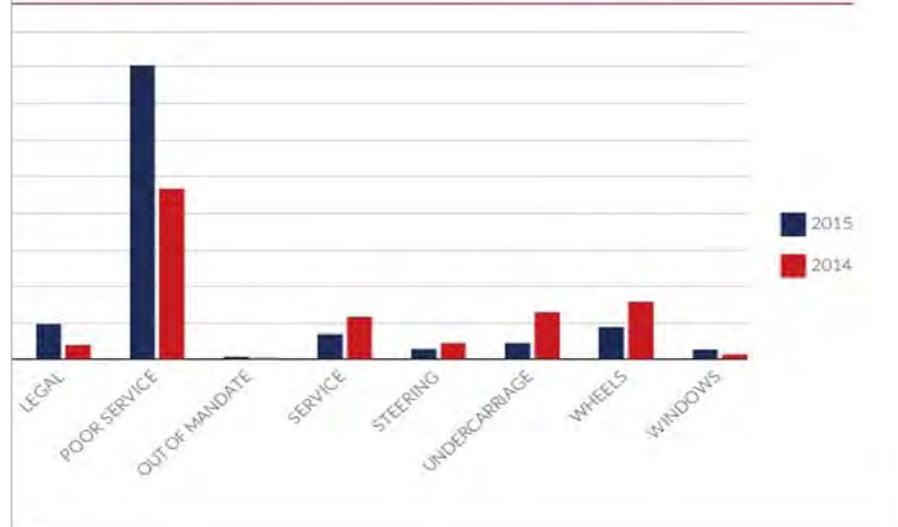
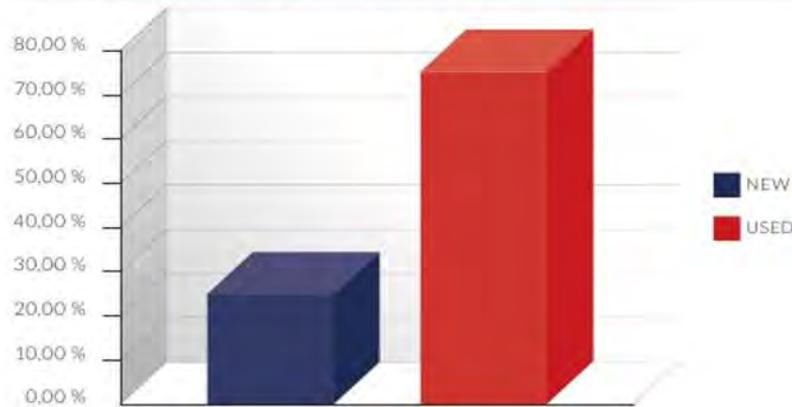
KEY HIGHLIGHTS- STATISTICS



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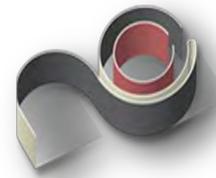
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NEW VERSUS USED VEHICLE COMPLAINTS 2015





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 strategic objectives of the NCC :

Strategic Objective 1

- **Admin related- To improve on the governance, compliance and resource requirements of the entity.**

Strategic Objective 2

- **To promote Consumer Safety and Protection**
- 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 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 labelling requirements of the Act

STRATEGIC OBJECTIVES



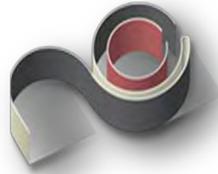
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- (vii) Regulate the marketing of goods and services; and
- (viii) Facilitate the accreditation of Industry Codes and development of Codes of good practice.

Strategic Objective 3

- **To conduct research and promote advocacy and consumer empowerment**
- 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.



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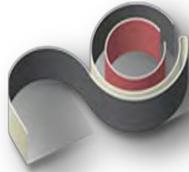
Achievement against Targets

Achievement against Targets introduction



- 47 out of 73 officials, including managers, are involved in operations;
- 11 of the 18 deliverables have been fully met;
- 7 targets were not fully achieved;
- Better planning and management of capacity and skills have been introduced to address unachieved areas;
- The performance information also attracted an unqualified opinion.
- There has been a regression on internal controls since last year.
- More effective internal control measures have to be effected within the Finance; Supply Chain Management and ICT units;
- Despite problematic beginning, NCC has stabilised;

Achievement against Targets- introduction



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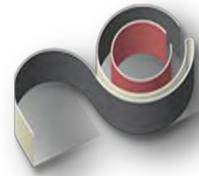
- An improvement in the management of irregular expenditure is necessary;
- Currently, irregular, fruitless and wasteful expenditure, deviations and invoice registers have been implemented;
- The asset register has been updated and the payment processes are once again being revised;
- All findings made by AGSA and Internal Audit are 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;

Achievement against Targets



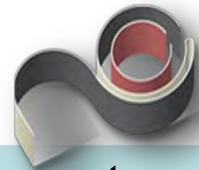
Performance indicator & target	Achievement	Reasons for variance
95% of funded, vacant positions filled	86% of the funded positions were filled	Target not met as 12 of the vacant these posts became vacant late in the year. Recruitment actions are underway in respect of all the vacant posts.
80% of complaints referred or issued with non-referrals on an average of 60 days	96% (6567 out of 6794) complaints received referred or issued with nonreferrals in 13 days	The Commission established referral protocols with CGSO and MIOSA, which assisted in improved efficiencies
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.

Achievement against Targets



Performance indicator & target	Achievement	Reasons for variance
<p>Assess and report on the performance of accredited Ombud Scheme(s) in line with MOU entered into between NCC and Scheme/s</p>	<p>The Motor Industry Ombud (MIOSA) has reported quarterly to the NCC since quarter 2. The reporting is in line with the approved Code. The reports have been assessed and queries have been raised. The reports were included in the quarterly reports to the Executive Authority.</p> <p>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.</p>	<p>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.</p>

Achievement against Targets



Performance indicator & target	Achievement	Reasons for variance
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.
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.

Achievement against Targets



Performance indicator & target	Achievement	Reasons for variance
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.	
Assess code/s received, consult stakeholders, amend code and recommend for Minister's Accreditation within 12 months	<p>Draft codes were received and assessed:</p> <ol style="list-style-type: none"> 1. Advertising Standards Authority of South Africa (ASASA) 2. Franchise Association of South Africa (FASA) 3. COFFIMSA code (funeral services). <p>The following code was amended: COFFIMSA code in consultation with COFFIMSA</p>	<p>Finalisation of ASASA code exceeded 12 months due to protracted discussions. FASA AND COFFIMSA Codes did not exceed 12 months.</p>

Achievement against Targets



Performance indicator & target	Achievement	Reasons for variance
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.
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.

Achievement against Targets



Performance indicator & target	Achievement	Reasons for variance
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
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	
18 consumer awareness Workshops conducted	Altogether 25 Consumer Workshops were held in the year.	- 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.

Achievement against Targets



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Performance indicator & target	Achievement	Reasons for variance
12 business compliance Workshops conducted.	Altogether 15 Business Workshops were held in the year.	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.
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 Newsletters published and distributed internally	

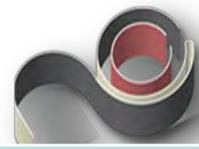
Achievement against Targets



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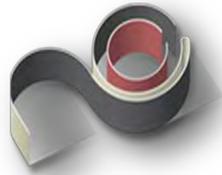
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Performance indicator & target	Achievement	Reasons for variance
8 Meetings held with critical stakeholders including quarterly meetings with provincial Consumer protection authorities	16 meetings were held with critical stakeholders- including 4 quarterly 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.



Achievement against Targets

Performance indicator & target	Achievement	Reasons for variance
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> <ol style="list-style-type: none">1) The World Consumer Rights Day Conference and reports compiled.2) National Water and Sanitation conference during quarter 13) Ombud Conference was attended. <p>The NCC participated in and made presentations at the following international conferences:</p> <ol style="list-style-type: none">1) LAP 10 (Spam Conference) held in Dublin, Ireland from 08 to 12 June 2015. A conference report was compiled.2) Africa Dialogue webinar where a presentation on NCC's complaints trend analysis was made.3) Africa Dialogue conference in Egypt, a paper was presented and a conference report was compiled.4) Attended the Consumers International conference in Brazil during Quarter 3.	The ICPEN conference was not attended due to the timing thereof.



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FINANCIAL MANAGEMENT

Statement of Financial Position



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STATEMENT OF FINANCIAL POSITION

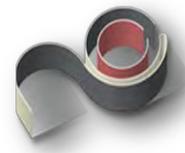
as at 31 March 2016

	2016	2015 - Restated
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	10,304,500	9 271 806
Trade and other receivables from exchange transactions	18,257	49,296
Trade and other receivables from non-exchange transactions	61,050	22,943
Prepayments	449,694	1 137 415
CURRENT ASSETS	10,833,501	10,481,460
NON-CURRENT ASSETS		
Property Plant and Equipment	2,493,510	2,551,440
Intangible Assets	318,916	662,648
NON-CURRENT ASSETS	2,812,426	3,214,088
TOTAL ASSETS	<u>13,645,927</u>	<u>13,695,548</u>
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables from exchange transactions	2,801,431	1,745,340
Provisions	1,615,905	1,441,308
Operating lease liability	168,066	-
Operating lease liability (Non current liability)	-	377,364
TOTAL LIABILITIES	<u>4,585,402</u>	<u>3,564,012</u>
ACCUMULATED SURPLUS (Net surplus)	9,060,525	10,131,536



Statement of Financial Performance

STATEMENT OF FINANCIAL PERFORMANCE		
as at 31 March 2016		
	2016	2015- Restated
	R	R
REVENUE		
Government grants	54,596,000	53,376,000
Interest received on investment	1,507,285	1,522,431
Other income	-	8 080
TOTAL REVENUE	56,103,285	54 906 511
EXPENDITURE		
Employee related costs	(36,579,754)	(32,842,699)
General expenses	(18,893,526)	(17,178,636)
Repairs and maintenance	(99,216)	(92,962)
Debt impairment	(21,446)	(10 942)
Depreciation and amortisation	(1,486,745)	(1,736,656)
Loss on disposal of assets	(181,176)	(62,859)
TOTAL EXPENDITURE	(57,261,863)	(51,924,754)
SURPLUS FOR THE YEAR	(1,158,578)	2,981,757



Comparison of Budget with Actual amounts

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

as at 31 March 2016

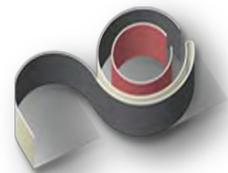
	Approved final budget	Actual amounts on comparable basis	Difference between final budget and actual
REVENUE			
Revenue from non-exchange transactions	54,596,000	54,596,000	0
Revenue from exchange transactions (<i>interest, discount</i>)	1,000,000	1,507,285	507,285
TOTAL REVENUE	55,596,000	56,103,285	507,285
EXPENDITURE			
Employee related costs	(38,275,000)	(36,579,754)	1,695,246
Depreciation and amortization	(455,000)	(1,486,745)	(1,031,745)
Repairs and maintenance	(90,000)	(99,216)	(9,216)
General expenses	(16,776,000)	(18,893,526)	(2,117,526)
TOTAL EXPENDITURE	(55,596,000)	(57,080,687)	(1,484,687)
Bad debts written off	0	(21,446)	(21,446)
Loss on disposal of assets	0	(181,176)	(181,176)
Deficit for the year			(1,158,578)

Reasons for variances in spending

Summary:

- The total expenditure of R57,080,687 when compared to the approved budget of R55,596,000, reflects an overspending of (R1,484,687) (2.7%).
- The underspending of R1,695,246 (4.4%) on the compensation of employees is due to the time required to fill vacant positions.
- Goods and services exceeded the budget by 12% as a portion of the the budget for advertising, legal costs, training and research expenditure totalling 75% of the approved prior years surplus, was used to increase these expenses.

Linking performance with budgets



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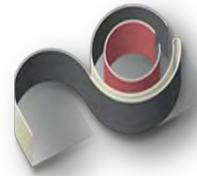
Name of programme	Item	Final Appropriation (R)	Actual Expenditure (R)	Under Expenditure (R)
Objective 1: Administration	Compensation of employees	12 706 400	12 530 790	175 610
	Goods and services	12 728 000	12 293 962	434 038
	Depreciation	745 000	1 736 656	(991 656)
Total		26 179 400	26 561 408	(382 008)
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:

- R7.2 million of the irregular expenditure of R9.5 million related to irregular expenditure incurred in the prior financial years.
- 60% of the amount is attributed to the improper lease agreement.
- R13,1 million relating to prior years was written off given that value for money was received from the services rendered and the goods received.
- The balance of R3.7 million in respect of 2015/16 will also be investigated and appropriate action taken..
- Increased controls over SCM and Finance processes, such as SCM and payment checklists, and training will be 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.

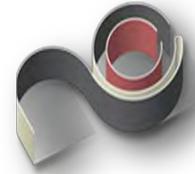
Regarding the previous financial years, irregular expenditure of R30,329,402 was condoned by the Accounting Authority.

Fruitless and wasteful expenditure



Summary:

- The fruitless expenditure R3.6 million from prior financial years was written off after an investigation was conducted and attorneys recommended that it will be uneconomical to recover the amounts.
- Fruitless expenditure written off 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
- Increased controls will be implemented to ensure that payables are paid timeously.



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AGSA's Report

Fruitless and Wasteful Expenditure

Figures in Rand	2016	2015
23. Fruitless and wasteful expenditure		
Opening balance	3,613,157	3,601,857
Additions	4,418	11,300
Condoned	(3,613,157)	-
	4,418	3,613,157

AGSA's Report



Additional matters:

Adjustment of material misstatements

- Material misstatements identified in the annual performance report submitted for auditing on the consumer safety and protection and research, advocacy and empowerment of participants in the consumer market programmes.

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 adequately review the current assets, expenditure, cash flow statement and irregular expenditure and commitment disclosures, which resulted in material corrections to the financial statements.



Key Challenges

Skills

A skills audit has been conducted at the NCC. A major skills shortage does exist within the entity;

The only option for NCC is to upgrade skills of employees. A skills upgrade programme is in place. Training has commenced. It was agreed with Nehawu that the costs relative to non- matriculants obtaining a matric certificate will be borne by the NCC.

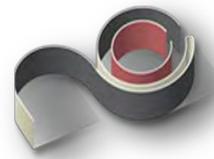
Irregular Expenditure

The bulk of irregular expenditure arises from the lease for accommodation. The current lease agreement will expire in September 2016;

ITC

Major challenges exist insofar as capacity is concerned. Currently, service providers have been engaged to implement the ICT strategy.

Delegation Details



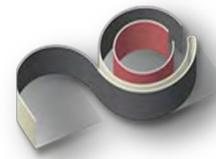
NATIONAL CONSUMER COMMISSION

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Thank You