

National Credit Regulator

Company Contact:

127 - 15th Road Randjespark Midrand

NCR Reception: 011 554 2700 NCR Call Centre: 0860 627 627 / 0860 NCR NCR

If you wish to lodge a complaint or an enquiry, please send your email to complaints@ncr.org.za

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ANNUAL REPORT

2020|21



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1. National Credit Regulator general information

Registered name

National Credit Regulator (NCR)

Registered office address

127 -15th Road Randjespark Midrand 1685

Postal address

P.O. Box 209 Halfway House 1685

Contact telephone number

Reception: 011 554 2700 **Toll Share:** 0860 627 627 0860 NCR NCR

Email address

Complaints: complaints@ncr.org.za **General Enquiries:** info@ncr.org.za

Website address

www.ncr.org.za

External Auditor's information

Auditor-General of South Africa

4 Daventry Street §3Lynnwood Bridge Office Park Lynnwood Manor Pretoria 0081

Bankers Information

Standard Bank of South Africa

Company Secretary

Mr Lesiba Mashapa

2. List of abbreviations /acronyms





Foreword by the Minister

This annual report provides public disclosure of the National Credit Regulator (NCR) operational and financial activities over the 1 April 2020 - 31 March 2021 financial year.

It is my pleasure to table the Annual Report of the National Credit Regulator (NCR) for the 2020/21 financial year. The Report sets out the work of the Regulator during a challenging year for the economy and society.

The COVID-19 pandemic caused significant damage to the economy. This resulted in a deterioration of consumers' financial circumstances, as reflected in the research that the National Credit Regulator conducted into the impact of COVID-19.

As South Africa recovered from the first waves of Covid-19, the focus has shifted to economic recovery, in line with the Economic Reconstruction and Recovery Plan (ERRP).

In the new financial year ending March 2022, every agency of the dtic has been requested to report on its contribution to South Africa's national development goals, with a focus on seven key areas, which are termed 'joint indicators'. In this way, the combined efforts of all public entities will begin to be aligned to the national priorities in a more explicit manner.

These cover the following areas, which will be reported on in future Annual Reports:

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

"We are determined not merely to return our economy to where it was before the coronavirus, but to forge a new economy in a new global reality."

- Joint Indicator 6: The Green Economy and Greening the Economy
- Joint Indicator 7: Strengthening and Building a Capable State

In respect of building a capable state, for example, all public entities will be required to review their procedures, timeframes for delivery, forms to be filled in and public communication of services to simplify these, make processes expeditious where possible, remove unnecessary red-tape where these exist and make it easier for users to access services.

Going forward, the NCR will need to strengthen its role to support the social and economic advancement of South Africa, by regulating for a fair and non-discriminatory market for access to consumer credit; and by promoting responsible credit granting, use and effective redress.

My thanks go to Ms Nomsa Motshegare, the Chief Executive Officer of the NCR and her executive team; the Audit and Risk Management Committee which provided oversight on the financial affairs of the NCR; and the staff for their work during the period under review. I convey too my condolences to the family and friends of loved ones who passed away

Mr Ebrahim Patel

Minister of Trade, Industry and Competition



Foreword by the Accounting Authority

Introduction

COVID-19 has had a devastating impact on countries, economies and individual lives. It has had a negative impact on consumers' financial well-being especially in light of the fact that many have experienced a significant loss in income due to higher unemployment and business closures.

Credit providers introduced debt relief measures for consumers who were hard hit financially and small businesses in the main. Debt relief measures that were offered to consumers who were experiencing financial difficulties included claims from credit life insurance; restructuring of debt and reduction of instalments; emergency loans; and debt review consumers who were adversely impacted were given an opportunity to apply for change in circumstance.

Guarantee programmes to support SMMEs and payment deferrals to assist struggling borrowers were launched. Financial relief solutions were made available by government as well as by corporate and private individual funders.

The end of the payment holidays increases financial stress for households. This may result in poor performance of the gross debtors' book, thereby affecting credit providers throughout the financial system. It will be important for lenders to work flexibly with borrowers as they resume repayments.

The NCR, for its part, provided regulatory advice to the South African Future Trust (SAFT) to facilitate access to finance by small medium and micro enterprises (SMMEs): SAFT provided interest-free loans to qualifying SMMEs exclusively for the purposes of paying salaries to their employees who were at risk of losing their jobs or income due to the COVID-19 pandemic; R1 billion was set aside by the SAFT to fund this scheme. The scheme was administered by the banks and rolled out during the period of the pandemic. The regulatory advice was provided towards the end of the previous year and the SAFT facility was rolled out during the reporting period. In terms of the Loan Guarantee Scheme established by the Prudential Authority (PA) which falls under the South African Reserve Bank (SARB), about R500 billion was set aside to support and/or lend funds to small and medium

enterprises with an annual turnover of up to R300 million.

In response to the COVID-19 pandemic and the resultant lockdown, the NCR issued the following circulars to provide guidance:

- Circular issued to credit providers who wish to make emergency loans available to consumers during COVID-19;
- Circulars on Extension of Business Days for credit providers, debt counsellors, credit bureaus, and payment distribution agents with regards to submission of statutory reports and other functions to be performed by debt counsellors and payment distribution agents. The National Credit Regulator (NCR) was aware that registrants and consumers would not be able to perform their functions or exercise their rights within the prescribed business days as contained in the National Credit Act (the Act).

In order to closely monitor the trends and developments in the credit industry during the period of the pandemic, especially during alert levels 5 and 4 ("hard lockdown"), a communique was sent to banks, retailers and credit bureaus to submit statutory statistical reports on a monthly basis to the NCR.

The NCR took the initiative to advise consumers of their rights in terms of credit life insurance regulations and on debt relief options in cases of over-indebtedness and/or financial strain; and cautioned them against unnecessary spending and borrowing.

High level overview of the public entity's strategy and performance

The NCR submitted its draft five year strategic plan (2021-2026) and three year APP (2021-2024) accordingly. The plans were tabled in Parliament in March 2021 and were approved.

Due to the onset of the COVID-19 pandemic and the special budget adjustment, the NCR revised its 2020/21 annual performance plan (APP). As a result of constraints of the fiscus, the NCR's budget allocation was reduced by approximately R11 million.

The strategic plan and APP have been aligned to Government's response to the COVID-19 pandemic and the Risk Adjusted Strategy.

The NCR's strategy focused on the following programmes during the year under review (after the annual performance plan was revised and re-tabled, as outlined in Part B of this report):

- Programme 1: Improved regulatory environment. The
 purpose of this programme is to collaborate with other key
 entities and stakeholders in order to have greater impact,
 reduce costs and effectively and efficiently deliver on the
 NCR mandate. In addition, this programme aims to promote
 economic growth through job creation, integration and
 transformation.
- Programme 2: Enforcement of the Act. The purpose of the programme is to promote a fair, responsible and accessible consumer credit market through the enforcement of the Act. This is achieved by conducting investigations and taking enforcement action on non-compliant registrants; and improving education awareness regarding deceptive practices, unfair practices and consumer rights.

In terms of the targets set for the 2020/21 financial year, the NCR achieved 58% of its targets; 42% of the targets were not achieved due to budgetary constraints mentioned above and operational challenges mentioned below.

Challenges

The COVID-19 pandemic is a challenge in its own class as it impacts not only South Africa and the NCR, but also the whole world. The NCR's challenges during 2020/21 were related to the pandemic, the need to develop ICT systems to enhance operational efficiencies, limited remote working tools for employees, insufficient capacity, insufficient funding and lack of national footprint.

In addition, as the credit industry evolves, new innovative ideas are being introduced by various players and stakeholders in the industry. It continues to be a challenge to keep abreast of these innovations brought about by the digitisation of the regulatory environment.

The NCR's operations were further negatively affected by the intermittent office closures due to reported COVID-19 infections and quarantine requirements.

Where possible, the NCR made adjustments in a relatively short space of time, in order to continue to deliver on its mandate. Some employees were equipped with laptops and cell phones that enabled them to work from home and render services to the public and to stakeholders. Certain processes were digitised to enable employees to work remotely, and more will eventually be digitised going forward.

Educational workshops were offered in the format of online webinars and stakeholder engagements were held online using a secure business communication platform. Desktop compliance monitoring replaced on-site monitoring of registrants. These measures implemented in the 2020/21 financial year will stay in place until the pandemic situation improves.

Strategic relationships

Maintaining good strategic relationships is one of our strengths and plays a pivotal role in enabling the NCR to deliver on its mandate.

Credit Industry Forum: Throughout the year under review, the NCR continued to strengthen strategic relations with its main stakeholders

through the Credit Industry Forum (CIF). On a consensual basis, stakeholders represented on the CIF identify and address operational difficulties associated with the implementation of the Act.

Importantly, the forum collaborates to find solutions to challenges not covered by the Act. The forum includes the following: The Banking Association of South Africa (BASA), Micro Finance South Africa (MFSA), debt counselling associations, Payment Distribution Agents (PDAs), the CBA, Consumer Goods Council of South Africa (CGCSA); National Motor Finance Association (NMFA); and consumer representatives.

The establishment of the National Register of Credit Agreements (the Register): The Minister, in exercising his powers in terms of section 69 of the Act, directed the NCR to establish the National Register of Credit Agreements. The register will contain a national public database of all credit agreements concluded in South Africa, assist with efficient implementation of various pieces of legislation and facilitate access to funding for SMMEs.

To develop this register, the NCR has partnered with the South African Reserve Bank, Prudential Authority, Financial Intelligence Centre and the Financial Sector Conduct Authority, with National Treasury and the Department of Trade, Industry and Competition providing support.

The above mentioned parties established a Steering Committee which provides the strategic direction. Four work streams, namely, legislative, data, ICT and stakeholder management were established. Most of the participating regulators had signed an Memorandum of Understanding (MoU) by the financial year end.

Cooperation between the NCR and Credit Ombud: On 1 March 2021, the NCR concluded a MoU with the Credit Ombud. The purpose of the MoU is to provide consumers with alternative avenues for submitting credit related complaints, thus improving service delivery to consumers. The NCR and the Credit Ombud held their first meeting in March 2021 to discuss implementation.

The NCR also concluded an MoU with the Payment Association of South Africa (PASA) in order to strengthen cooperation between the NCR and PASA on issues of common interest.

International Committee on Credit Reporting (ICCR): The NCR is also a member of the International Committee on Credit Reporting (ICCR). This committee is responsible for the development and implementation of international principles and best practices on credit reporting. During the year under review, the committee developed the COVID-19 Credit Reporting Recommendations, and continued its work to finalise the Guidelines on Cyber Security in Credit Reporting.

The African Dialogue: The African Dialogue on Consumer Protection was established by regulators on the African continent and the Unites States Federal Trade Commission to facilitate cross-border dialogue and information sharing amongst African consumer protection regulators.

The African Dialogue held its 11th Annual Conference virtually from 13 to 14 October 2020. The NCR presented to the conference on consumer information privacy and protection in the South African credit legislation.

The Innovation Hub collaboration between Regulators and Intergovernmental Fintech Working Group (IFWG): This is a hub that was created through the collaborative effort amongst several South African financial sector regulators, including the

Financial Intelligence Centre (FIC), the Financial Sector Conduct Authority (FSCA), the National Credit Regulator (NCR), the South African Reserve Bank (SARB) and the South African Revenue Service (SARS).

The purpose of the Innovation Hub is to demystify the regulatory landscape, by providing a space for safe testing of innovative ideas, and actively advance innovation in financial services. The Innovation Hub consists of three components: Regulatory Guidance Unit, Innovation Accelerator and the Regulatory Sandbox. The Regulatory Sandbox provides market innovators with an opportunity to test the ideas of new products and services that push the boundaries of existing regulation, all under the responsible supervision of relevant regulators.

Of the two entities that applied to the Regulatory Sandbox in order to test ideas that fall within the mandate of the NCR, one applied for registration with the NCR to proceed with the testing exercise, and if the test is successful, will promote and advance the economic welfare of South Africans, through job creation.

The International Finance Corporation Project: The NCR will be signing a cooperation agreement with the International Finance Corporation (IFC) (a member of the World Bank Group) in the new year, to pilot a project for collecting and using alternative data for credit worthiness assessments for consumers in the informal sector of the economy and the SMME sector. The project aims to develop a new dataset consisting of alternative data to enable and facilitate access to credit by these consumers and SMMEs. The NCR continues to collaborate with the IFC on an on-boarding assignment to get the small credit providers to load credit information on the credit bureau records in a cost effective manner.

Consumer education and awareness campaigns

One of the key responsibilities of the NCR in terms of the Act is to inform consumers regarding their rights and responsibilities in credit related matters. This serves as a first line of defense against abuse by industry players.

The platforms relied upon by the NCR to educate and create awareness are varied and include, but not limited to: radio interviews, especially community radio stations, TV interviews, webinars, workshops, podcasts, exhibitions, media releases, and social media.

Consumer complaints inform the NCR's education work and enforcement activity. They continued to provide valuable insights into the challenges consumers experience with credit products. The majority of complaints received during the year included the following, among others: debt review without consent, reckless lending, balance disputes, collection cost disputes, prescribed debt, unfair and misleading advertising practices and set off.

Investigations & Enforcement

Effective enforcement of the Act reduces non-compliance by registrants and enhances consumer protection. The NCR referred 51 cases to the National Consumer Tribunal (NCT); successfully negotiated 46 consent orders and issued nine compliance notices. Alleged contraventions identified in these cases included the following, among others: failure to conduct proper affordability assessments, use of prohibited or unlawful provisions in credit agreements, use of child grants as proof of income and overcharging interest and service fees.

The value of administrative fines imposed by the NCT in cases referred by the NCR, including settlement orders being handed down, totals in excess of R7 million.

Redress for Consumers

Through its complaints resolution, compliance monitoring and investigation processes, the NCR ensured that approximately R30 million in the form of refunds and credit account balance adjustments was granted to consumers during 2020/21.

Legislation

The National Treasury is working on the Conduct of Financial Institutions (COFI) Bill which seeks to build on the regulatory framework and architecture introduced by the Financial Sector Regulation Act. The Bill seeks to regulate the conduct of financial institutions. The NCR engaged with the National Treasury and Financial Sector Conduct Authority to ensure the continued harmonisation and delineation of the regulatory mandates of the NCR and FSCA.

The NCR also had engagements with the Information Regulator on issues relating to the regulation of credit bureaus and the National Register of Credit Agreements (the Register). The engagements were meant to facilitate information sharing and co-operation between the two regulators.

With regards to the implementation of the National Credit Amendment Act relating to debt intervention, NCR has submitted a draft business plan to the dtic and awaits guidance from the department.

Prioritising women, youth and people with disabilities

The enforcement and listing of maintenance court orders is a key project that prioritises women, youth and persons with disabilities.

The NCR is collaborating with the Department of Women, Youth and Persons with Disabilities to find ways of enforcing and listing maintenance orders at the registered credit bureaus, made in favour of minor children.

To achieve this, the Department of Justice and Correctional Services under which the maintenance courts fall, will be roped in to ensure that maintenance judgments are reported by court officials to the credit bureau and defaulters are charged for contempt of court.

The NCR prioritises women, youth and people with disabilities in its procurement; its recruitment (workforce is youthful and predominantly {61%} female); and its education and awareness efforts.

"Let us not allow the COVID-19 pandemic to overshadow the fact that the NCR had, overall, a productive 2020/21."

Highlights

Some highlights during 2020/21 include:



NCR secured approximately **R30 million** redress for consumers (by way of monetary refund and/or adjustment on outstanding account balances) as a result of complaints resolution and compliance monitoring.



51 entities referred to National Consumer Tribunal and High Court



PDAs disbursed total **R11.81 billion** [2019/20: **R12.7 billion**]



9 media releases issued, **553** radio interviews and **24** television interviews conducted



Collaboration with stakeholders - the NCR collaborates with a range of industry stakeholders on a variety of forums and projects.

Debt counselling, as one of the debt relief mechanisms, assisted many over-indebted consumers who received, and are still receiving assistance and relief. Payment distribution agents (PDAs) distributed R11.81 billion during 2020/21. Regulated by the NCR, PDAs collect repayments from consumers under debt counselling and distribute this to credit providers.

Good governance

The NCR is proud of its track record, of never having a qualified audit opinion since being established in 2007. We had clean audits in the financial years 2014/15, 2015/16, 2017/18, 2018/19 and 2019/20 and are determined to maintain our high levels of ethics and corporate governance going forward.

The strategic focus over the medium to long term period

The NCR supports government's priorities and the National Development Plan (NDP) goals of eliminating poverty and reducing inequality by 2030. According to the NDP, South Africa will realise these goals by drawing on the energies of its people, growing an inclusive economy, building capabilities, enhancing the capacity of the state, and promoting leadership and partnerships throughout society.

To ensure inclusive growth and job creation, it is crucial to have a stable and efficient financial sector in which the credit market is a critical component.

Acknowledgements / Appreciation

I would like to acknowledge the contribution of all NCR stakeholders in facilitating the implementation of the Act.

I would also like to express my gratitude to the Minister of Trade, Industry and Competition, Honourable Mr Ebrahim Patel; dtic officials; the Portfolio Committee on Trade and Industry and the Select Committee on Trade and International Relations for their guidance and support.

My sincere appreciation to the NCR executive team, management and employees for their excellent work and to the members of the Audit and Risk Management Committee for providing oversight. Your efforts ensure that the NCR carries out its mandate of protecting the consumer in good times and in times of adversity.



Ms Nomsa Motshegare Accounting Authority

1 September 2021

5. Overview by the Chief Executive Officer

General financial review

For the 2020/21 financial year, the National Credit Regulator (NCR) had a final approved budget of R157 803 402 (2020: R167 732 957). The NCR initially received R82 278 000 of which R11 million had to be returned to the dtic through the National Treasury directive. This left NCR with the final transfer of R71 272 000 (2020: R79 580 000) in funding from the dtic, which constituted 45% (2020: 47%) of the NCR's funding. The balance of R86 531 402 (2020: R77 673 971) was from registrant's fees and other income.

Item	2020/21	2019/20
Programme expenditure	R19 962 555.00	R25 727 643.00
Personnel expenditure	R76 466 554.00	R89 612 380.00
Administrative and other expenditure	R23 426 574.00	R29 165 289.00
Capital expenditure	R9 890 257.00	R6 412 421.00

Supply chain management

The NCR's supply chain management (SCM) processes and systems comply with the SCM Regulations and Practices in the Public Finance Management Act (PFMA) and Treasury Regulations. These policies and procedures ensure that the NCR procures goods and services in a fair, competitive, transparent and equitable manner.

Fruitless and wasteful expenditure

The NCR incurred no fruitless and wasteful expenditure during the 2020/21 financial year. Instances of irregular expenditure were identified in the year under review and investigations are ongoing.

Irregular Expenditure

- An amount of R19 401.18 was incurred. Consequence management was taken.
- An amount of R1 270 985 was incurred and investigations are underway.

Challenges

The COVID-19 pandemic impacted on the operations and funding of the NCR. Although the NCR found innovative ways to maximise delivery and cut costs, the tight budget constraints made it very challenging to operate at optimal level – especially seeing that lengthy litigation is a norm in our sector and requires sizable funding. The funding challenge was further exacerbated by the need to equip personnel for remote working.

Cost savings have been achieved by working smarter, by for example (a) conducting desktop monitoring and evaluation of compliance (b) automating certain processes and (c) increasing the use of the internet and social media.

Talent management was a challenge but the NCR succeeded in acquiring and retaining some of the necessary skills during the year under review. The absence of satellite offices throughout the country, together with budget constraints, made it difficult for the NCR to increase its footprint nationally during 2020/21. Alternatively, the NCR made use of webinars and social media and will continue doing so in the foreseeable future.

Going forward, the NCR will continue to emphasise costcontainment, improve operational efficiencies through digitisation and look at ways of increasing income.

Events after the reporting date

The NCR is not aware of any events after the reporting date of 31 March 2021, which are likely to have a material impact on the NCR's financial results or operations.

However, the COVID-19 pandemic continues to plague South Africa and the world, and it is not possible to fully predict the impact of the pandemic on the operations of the NCR in the next few months.

New activities

- **Debt intervention:** With regards to the implementation of the National Credit Amendment Act relating to debt intervention, NCR awaits guidance from the dtic. The NCR plans to implement the debt intervention measure in a cost effective manner. The NCR acquired additional offices, some ICT infrastructure, and appointed a manager.
- The establishment of the National Register of Credit Agreements (the Register): The NCR will continue to participate in this initiative, in collaboration with other regulators, namely, the SARB, the PA, the FSCA, and the FIC.
- The NCR-IFC Project: There is a number of sub-projects in which the NCR will continue to work with the IFC, including the alternative data pilot project, the onboarding assignment to get small credit providers to load information on the credit bureau records, among others.
- Partnership with the Credit Ombud: This is aimed at improving service delivery to consumers through mutual cooperation in resolving complaints lodged.
- The Innovation Hub a collaboration between regulators and Intergovernmental Fintech Working Group: The NCR is processing an application for registration of one of the entities that wishes to operate as a credit bureau in the area of the rental market. We believe that this will advance the economic welfare of South Africans if successful.

Discontinued key activities / activities to be discontinued

The following activities were either replaced by other activities or discontinued.

APPROVED PLAN		REPLACED WITH	
OUTPUT	OUTPUT INDICATOR	OUTPUT	OUTPUT INDICATOR
Business Plan with recommendations (establishment of the	Business Plan with recommendations	Signed work streams charters	Signed work streams charters
National Register of Credit Agreements)		 Signed contract for the appointment of a project manager/coordinator 	 Signed contract for the appointment of a project manager/coordinator
Improve compliance by credit bureaus in respect	Number of credit bureaus monitored	Discontinued	
of quality, accuracy, the removal of paid up judgments and adverse consumer credit information.	Enforcement action taken on a percentage of monitored non-compliant credit bureaus.	Discontinued	

Economic viability

The NCR derives its income from the transfers from the dtic and registrants' fees. These sources of income ensure the entity's financial viability.

Audit report matters in the previous year

The NCR received an unqualified audit opinion from the Auditor-General for the year under review.

Acknowledgements

I sincerely thank the Honourable Minister of Trade, Industry and Competition, Mr Ebrahim Patel; Director-General, Mr Lionel October; the Acting Group Chief Operations Officer, Ms Nontombi Matomela; the Deputy Director-General, Dr Evelyn Masotja; Chief Director of Consumer and Corporate Regulation, Mr MacDonald Netshitenzhe, and other dtic officials, the Portfolio Committee on Trade and Industry and the Select Committee on Trade and International Relations. I would also like to express my heartfelt gratitude to the executive team, management and employees for their excellence, commitment, diligence and perseverance during this time of adversity.



Ms Nomsa Motshegare Chief Executive Officer

1 September 2021



Doing business differently: NCR CEO, Ms Nomsa Motshegare (bottom left) participates in a Consumer Protection webinar in collaboration with the dtic, Competition Commission and the National Consumer Commission

6. Statement of responsibility and confirmation of the accuracy of the annual report

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

- All information and amounts disclosed in the annual report are consistent with the annual financial statements audited by the Auditor-General;
- The annual report is complete, accurate and is free from any omissions;
- The annual report has been prepared in accordance with the guidelines on the annual report as issued by National Treasury;
- The Annual Financial Statements (Part E) have been prepared in accordance with the Generally Recognised Accounting Practice (GRAP) applicable to the public entity;
- The Accounting Authority is responsible for the preparation of the annual financial statements and the judgements made in this information;
- The Accounting Authority is responsible for establishing, and implementing a system of internal control designed to provide reasonable assurance as to the integrity and reliability of the human resources information and the annual financial statements; and
- The external auditors are engaged to express an independent opinion on the annual financial statements.

In my opinion, the annual report fairly reflects the operations, the performance information, the human resources information and the financial affairs for the financial year ended 31 March 2021.



Ms Nomsa Motshegare

Accounting Authority and Chief Executive Officer





National Credit Regulator Executive Committee

Mr Lesiba Mashapa (Company Secretary), Ms Nomsa Motshegare (Chief Executive Officer and Accounting Authority), Adv. Obed Tongoane (Deputy Chief Executive Officer) Ms Josephine Meyer (Chief Financial Officer) inset

7. Strategic overview

Overall objectives

The National Credit Regulator aims to improve the regulatory environment and ensure the enforcement of the Act as amended. To achieve these objectives, the regulator focuses on:

- Collaborating with statutory entities and other key stakeholders;
- · Registering persons and entities to facilitate job creation;
- · Promoting responsible credit granting;
- Protecting consumers from abuse and unfair practices in the consumer credit market and on addressing over-indebtedness;
- Enhancing the quality and use of credit bureau information;
- · Improving the NCR's operational effectiveness; and
- Monitoring and improving compliance to the Act.

Vision

The vision of the National Credit Regulator is:

"To promote a South African consumer credit market that is fair, transparent, accessible and dynamic."

Mission

The mission of the National Credit Regulator is:

"To support the social and economic advancement of South Africa by:

- Regulating for a fair and non-discriminatory market for access to consumer credit
- Promoting responsible credit-granting use and effective redress."

Values

The following four values inform everything that the National Credit Regulator does:

Service excellence:

we strive for service excellence that exceeds the expectations of all stakeholders.

Integrity:

we are committed to honesty and integrity without compromise.

Empowerment:

we strive for empowerment in the consumer credit market, and we are also committed to employee empowerment.

Good corporate governance:

we strive to be a model of good corporate governance at all times.

8. Legislative and other mandates

In terms of the Public Finance Management Act, the National Credit Regulator is a Schedule 3A public entity established by the Act. The purpose of the Act, as amended is to:

- Promote a fair and non-discriminatory marketplace for access to consumer credit and for that purpose to provide for the general regulation of consumer credit and improved standards of consumer information;
- Promote black economic empowerment and ownership within the consumer credit industry;
- Prohibit certain unfair credit and credit-marketing practices;
- Promote responsible credit-granting and use and for that purpose prohibit reckless credit-granting;
- Provide for debt reorganisation in cases of overindebtedness;
- Provide for registration of credit bureaus, credit providers, debt counsellors, payment distribution agents and alternative dispute resolution agents;
- Establish national norms and standards relating to consumer credit;
- Promote a consistent enforcement framework relating to consumer credit;
- Establish the National Credit Regulator and the National Consumer Tribunal; and
- Promote and advance the social and economic welfare of South Africans, promote a fair, transparent, competitive, sustainable, responsible, efficient, effective and accessible credit market and industry.

The National Credit Regulator enforces the provisions of the Act by:

 Promoting informal resolution of disputes between consumers and credit providers, credit bureaus and/or debt counsellors;

- Receiving complaints regarding contraventions of the Act;
- Monitoring the consumer credit market and industry to prevent, detect and/or prosecute contraventions;
- Investigating and evaluating alleged contraventions of the Act:
- Issuing and enforcing compliance notices in respect of contraventions:
- Negotiating and concluding undertakings and consent orders as a means of resolving consumer complaints; and
- Referring matters to the National Consumer Tribunal for adjudication.

The National Credit Regulator is also mandated to undertake research on the nature and dynamics of the consumer credit market by:

- Implementing education and information measures to develop public awareness of the provisions of the Act;
- · Providing guidance to the credit market and industry;
- Monitoring socio-economic patterns of consumer credit activity in the Republic of South Africa;
- Conducting reasonable periodic audits of registered credit providers in respect of historical data relative to credit applications and credit agreements;
- Monitoring trends in the consumer credit market and industry; and
- Reviewing legislation and regulations, and reporting to the Minister concerning matters related to consumer credit.

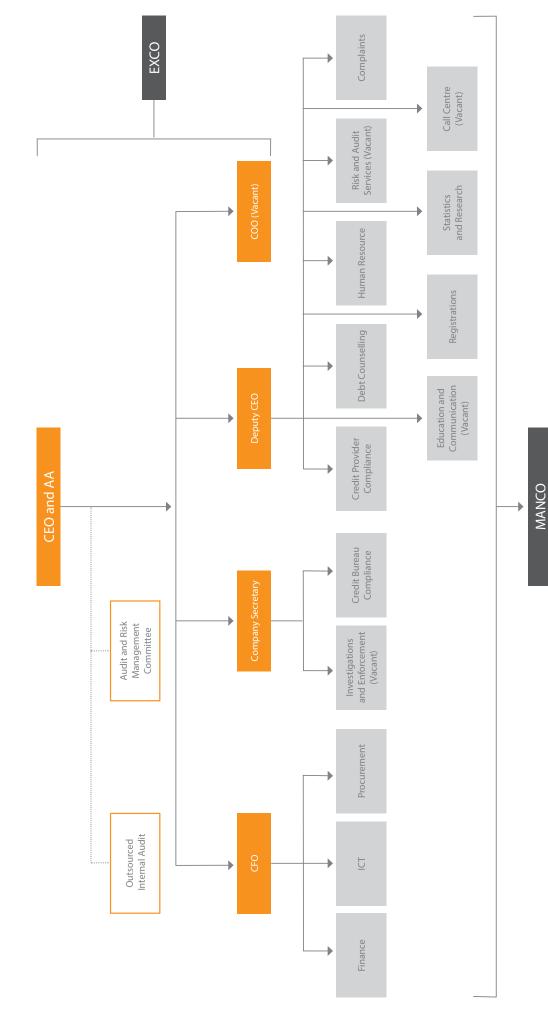
The National Credit Regulator promotes public awareness around consumer credit matters by:

- · Implementing education and information measures; and
- · Making use of traditional, digital and social media.

The NCR is also mandated to review legislation and report to the Minister of Trade and Industry on matters pertaining to consumer credit.

9. Organisational Structure

The organogram provides a high-level overview of the organisation structure of the National Credit Regulator as at 31 March 2021.



10. Statistical overview of the consumer credit market

The NCR's statistics and research department compiled the following statistical overview of the South African consumer credit market, during the course of the 2020/21 financial year. Through its statistics and research, the NCR contributes to the development of knowledge in the field of consumer credit in South Africa.

Credit granted

Overall credit extension to consumers was affected by the national lockdown that was implemented from 25 March 2020 to curb the spread of the pandemic. New credit granted declined from R126.35 billion in the quarter ended March 2020 to R54.68 billion in the quarter ended June 2020.

The rejection rate was high which shows that many consumers who applied for credit did not meet the requirements, and yet applied out of desperate need for money for survival.

As lockdown restrictions started to ease and economic activity started to pick up, the amount of new credit granted slowly started returning to pre-pandemic levels, namely R129.44 billion by the end of the September 2020 and R154.41 billion by the end of December 2020.

The first three months of 2021 saw a decline in credit extension. Credit granted decreased from R154. 42 billion to R138. 81 billion for the quarter ended March 2021.

Credit providers assisted consumers in good standing with payment relief mechanisms, commonly termed "payment holidays", a period of time during which consumers did not have to pay their debts if they were unable to earn an income or were receiving a reduced income due to the COVID-19 pandemic.

Credit grant	ted							
Agreement R'000	2020-Q1	2020-Q2	2020-Q3	2020-Q4	2021-Q1	2021-Q1% Distribution	% Change (Q1/Q4)	% Change (Y/Y)
Mortgage	38 932 900	12 985 206	49 251 586	62 662 868	54 267 609	39,10%	-13,40%	39,39%
Secured Credit	39 080 872	20 512 091	43 250 064	47 512 500	40 946 326	29,50%	-13,82%	4,77%
Credit Facility	19 215 217	9 505 285	13 998 170	17 743 638	19 655 584	14,16%	10,78%	2,29%
Un-Secured	25 314 143	10 217 700	20 292 392	22 819 475	20 132 666	14,50%	-11,77%	-20,47%
Short Term	2 122 244	1 037 012	1 581 829	2 107 326	1 971 947	1,42%	-6,42%	-7,08%
Developmental credit	1 685 692	425 833	1 071 926	1 573 236	1 834 610	1,32%	16,61%	8,83%
Total	126 351 067	54 683 126	129 445 966	154 419 042	138 808 743	100,00%	-10,11%	9,86%

Mortgages share of new credit granted increased drastically from 30.81% March 2020 to 39.10% in March 2021. The deeds office was closed during the strict lockdown period causing delays in registrations and this may have affected the dates of when mortgages were granted. The lower interest rate (3.5% in Q2 of 2020) possibly encouraged buyers to commit.

Secured credit, which is dominated by vehicle finance increased by R1.87 billion (4.77%) year-on-year but decreased by R6.57 billion (13.82%) quarter-on-quarter. Both credit facility and developmental credit increased quarter on quarter and year on year when compared to other products.

Gross debto	rs book							
Agreement R'000	2020-Q1	2020-Q2	2020-Q3	2020-Q4	2021-Q1	2021-Q1% Distribution	% Change (Q1/Q4)	% Change (Y/Y)
Mortgage	988 636 098	984 375 509	993 194 573	1 015 592 456	1 042 689 576	51,23%	2,67%	5,47%
Secured Credit	448 012 944	443 503 348	449 548 418	454 888 182	456 438 623	22,43%	0,34%	1,88%
Credit Facility	264 244 477	257 281 372	260 907 673	264 909 975	264 411 968	12,99%	-0,19%	0,06%
Un-Secured	223 869 956	220 899 741	218 565 228	216 411 669	212 946 855	10,46%	-1,60%	-4,88%
Short Term	2 163 595	1 794 348	1 889 860	1 924 700	1 897 346	0,09%	-1,42%	-12,31%
Developmental	55 353 387	55 765 369	55 750 871	56 133 758	56 943 017	2,80%	1,44%	2,87%
Total	1 982 280 456	1 963 619 687	1 979 856 623	2 009 860 739	2 035 327 384	100,00%	1,27%	2,68%

The total gross debtors book of consumer credit for the quarter ended March 2021 was R2.04 trillion, representing an increase of R53.05 billion (2.68%) year-on-year and an increase of R25.47 billion (1.27%) on a quarter-on-quarter basis. Mortgages increased by R54.05 billion (5.47%) year-on-year and by R27.10 billion (2.67%) on a quarter-on-quarter basis. Mortgages 'share of the total gross debtors book was 51.23%, followed by secured credit at 22.43%.

Secured credit debtors book increased by R8.43 billion (1.88%) year-on-year and by R1.55 billion (0.34%) on a quarter-on-quarter basis. Unsecured credit debtors book decreased by R10.92 billion (4.88%) year-on-year and by R3.46 billion (1.60%) on a quarter-on-quarter basis.

Credit bureaus

As at the end of March 2021, there were 43 registered credit bureaus that deal with consumer data. The number of consumers that are classified as impaired have decreased slightly due to the opening of the economy after the national lockdown and as well as the payment holidays provided to distressed consumers which might have offered some relief during the same period.

Credit standing of consumers

As at March 2021, credit bureaus held records for 27.53 million credit-active consumers, an increase of 119 979 (0.44%) consumers when compared to December 2020. The number of consumers classified to be in good standing was 17.01 million (61.80%) while the balance of 10.52 million (38.20%) had impaired records for the quarter ended March 2021.

Credit standi	ing of Cons	umers										
Consumers	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21
Good Standing (#)	15 018 817	15 068 560	15 692 383	15 550 958	14 873 932	14 346 743	14 489 432	17 519 268	16 959 951	17 017 687	16 797 555	17 013 562
Good Standing (%)	61,08%	62,65%	60,71%	60,52%	59,25%	57,06%	57,50%	62,58%	62,90%	61,52%	61,28%	61,80%
Current %	49,41%	50,87%	48,09%	48,11%	47,89%	45,92%	45,72%	53,44%	53,33%	52,41%	52,12%	53,08%
1-2 months in arrears (%)	11,67%	11,78%	12,62%	12,41%	11,36%	11,14%	11,78%	9,15%	9,57%	9,11%	9,17%	8,72%
Impaired records (#)	9 568 974	8 984 494	10 156 280	10 145 852	10 229 003	10 796 942	10 711 004	10 475 358	10 002 214	10 643 587	10 611 586	10 515 558
Impaired records (%)	38,92%	37,35%	39,29%	39,48%	40,75%	42,94%	42,50%	37,42%	37,10%	38,48%	38,72%	38,20%
3+ months in arrears (%)	22,75%	22,34%	24,15%	23,55%	22,99%	23,75%	24,77%	23,23%	22,90%	23,75%	23,41%	22,84%
Adverse listings (%)	10,64%	9,46%	10,06%	10,87%	12,68%	14,20%	12,88%	10,92%	10,89%	11,47%	12,07%	12,17%
Judgements and administration orders (%)	5,52%	5,56%	5,08%	5,07%	5,08%	4,99%	4,85%	3,27%	3,31%	3,26%	3,24%	3,19%
Credit Active Consumers (#)	24 587 791	24 053 054	25 848 663	25 696 810	25 102 935	25 143 685	25 200 436	27 994 627	26 962 165	27 661 274	27 409 141	27 529 120

Credit standing of accounts

The total number of consumer accounts decreased from 85.99 million in March 2020 to 85.09 million in March 2021, this represented a decrease of 904 350 (1.05%) on a year on year basis. Accounts in good standing decreased slightly from 76.88% to 76.29% over the same period.

Credit standir	ng of accou	nts										
Accounts	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21
Good Standing (#)	56 952 936	57 511 947	59 539 113	58 953 959	58 951 878	59 673 285	60 094 252	66 116 186	64 573 469	63 677 242	66 639 780	64 914 925
Good Standing (%)	74,92%	75,50%	74,14%	73,25%	73,58%	73,19%	73,25%	76,88%	75,76%	73,09%	75,45%	76,29%
Current (%)	74,92%	75,50%	74,14%	73,25%	73,58%	73,19%	73,25%	68,73%	67,77%	65,96%	68,32%	69,65%
1-2 months in arrears (%)	7,30%	7,46%	9,80%	10,46%	9,13%	9,25%	9,62%	8,16%	7,99%	7,13%	7,13%	6,64%
Impaired records (#)	19 069 052	18 659 785	20 767 792	21 531 696	21 164 893	21 861 373	21 949 747	19 878 351	20 658 058	23 439 769	23 825 686	20 175 262
Impaired records (%)	25,08%	24,50%	25,86%	26,75%	26,42%	26,81%	26,75%	23,12%	24,24%	25,39%	26,34%	23,71%
3+ months in arrears (%)	18,85%	18,37%	19,58%	19,57%	19,19%	19,76%	19,71%	15,91%	17,07%	17,05%	16,47%	17,16%
Adverse listings (%)	4,78%	4,75%	5,05%	6,00%	6,10%	5,98%	6,03%	6,50%	6,28%	7,50%	9,06%	5,55%
Judgements and administration orders (%)	1,46%	1,38%	1,23%	1,18%	1,13%	1,07%	1,01%	0,70%	0,88%	0,84%	0,80%	1,00%
Consumer accounts (#)	76 021 988	76 171 732	80 306 906	80 485 655	80 116 772	81 534 658	82 044 000	85 994 536	85 231 526	87 117 011	90 465 466	85 090 186

Fast facts

South African consumer credit industry fast facts 2020/21



27.53 million consumer accounts on record at credit bureaus as at 31 March 2021



17.01 million of the 27.53 million consumer accounts (61.80%) were classified as 'in good standing'



R2.04 trillion gross debtors' book as at the end of 31 March 2021



10.52 million total number of consumers with impaired records

Managing debt during COVID-19 times

Press release issued by the NCR in July 2020

As South Africa is battling with the rapid spread of COVID-19 and how to stimulate economic activities, many consumers are in financial distress and struggling to repay debts as a result of reduced or loss of income.

The National Credit Act (NCA) offers various debt relief measures for financially embattled consumers struggling to repay debts and consumers are encouraged to consider these measures where applicable, advises Adv. Kedilatile Legodi, Acting Manager: Education and Communication at the National Credit Regulator (NCR).

Below are the various NCA debt relief measures to consider:

Credit Life Insurance: Credit life insurance is an insurance that a consumer purchases when applying for credit or loan. It covers the outstanding debt in the event of unforeseen circumstances such as death, retrenchment, unemployment, inability to earn an income, disability and others.

When the consumer becomes unemployed or unable to earn income, the credit life insurance cover provides that credit providers must pay the consumer's debt for a period of 12 months or for the remaining repayment period or until the consumer finds employment or is able to earn an income, whichever period is shorter.

Consumers who would like to use this relief measure but are battling to get assistance from credit providers, can send a complaint to the National Credit Regulator. However, it is important to remember that in order to benefit from credit life insurance, all payments regarding the credit life insurance policy must be up to date.

Debt Counselling / Review: Debt counselling is a debt relief measure intended to assist over-indebted consumers struggling with debt, through budget advice, negotiation with credit providers for reduced payments, extension of repayment term and restructuring of debt. Debt counselling also offers consumers protection against repossession or legal action by credit providers.

Consumers who have been negatively impacted by the effects of the COVID-19 pandemic resulting in reduced income are encouraged to consider this debt relief measure since an income is required to apply for debt counselling. However, before signing up for debt counselling, consumers must ensure that the process is understood in detail and the implications thereof.

Debt counselling is offered by the NCR registered debt counsellors who operate nationwide. A list of registered debt counsellors can be found on the NCR website www.ncr.org.za or by contacting the NCR on 0860 627 627.

Surrender of goods: The NCA allows consumers to voluntarily surrender / return goods to credit providers when they can no longer afford to maintain the repayments or can foresee that they will not be able to maintain future payments. In terms of section 127 of the NCA, credit agreements under which goods can be surrendered are instalment agreements, secured loans or leases.

Legodi says that there is a process to be followed, which consumers are encouraged to understand before they give notice to a credit provider to return the goods. The credit provider is required to provide the consumer with a letter stating the estimated value of the goods, 10 business days after the consumer gave notice to surrender the goods, whichever is the latest. The consumer may withdraw the notice to surrender within 10 business days after receiving the estimated value letter, if the account is not in arrears.

The credit provider will sell the returned goods in an attempt to settle the debt. However, there is no guarantee that the credit provider will sell the goods for what the consumer still owes. If the proceeds from the sale are insufficient to settle the outstanding debt, the consumer will be liable to pay the shortfall. Consumers are encouraged to privately sell goods in an attempt to obtain the best possible price.

Consumers that need to borrow money, should consider their ability to repay the debt and only use NCR registered credit providers. Consumers should never enter into any agreement with unregistered credit providers who usually retain bank cards, SASSA cards, identity documents etc. as security and a collection method. The retention of these documents is prohibited and consumers are urged to report such matters to the South African Police Service and the NCR, concludes Legodi.

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1. Auditor-General's Report: Predetermined Objectives

The Auditor-General of South Africa performs the necessary audit procedures on performance information to provide reasonable assurance in the form of an audit conclusion. The report on other legal and regulatory requirements is provided in the Auditor-General's Report in Part E of this report.

2. Situational analysis

The outbreak of the COVID-19 pandemic and the declaration of the National State of Disaster in March 2020 impacted the NCR and the implementation of its mandate, and its service delivery environment.

Service delivery environment

Most significant external development: The outbreak of the COVID-19 pandemic and subsequent declaration of the National State of Disaster by President Ramaphosa in March 2020 was the most significant development, external to the NCR, which impacted the environment in which the NCR operates.

The pandemic exacerbated the country's challenges of low economic performance, low growth, high unemployment, failing state-owned enterprises and downgrades by credit rating agencies.

According to Statistics South Africa, economic activity decreased by 7% in 2020 compared with 2019. This is the biggest annual fall in economic activity in South Africa since 1946. The country's unemployment rate hit its highest point in 12 years at 32.5% in Q4 of 2020 and 32.6% in Q1 2021.

Against this difficult socio-economic background, the pressure on the average consumer increased. The NCR's statistical overview of the South African consumer credit market in the 2020/21 financial year, shows that many consumers – out of desperation to put food on the table – applied for credit despite knowing they did not meet credit providers' requirements. [See the statistical overview in Part A of this report].

Challenges encountered: During the period when the country was under alert levels 5 and 4, most of the NCR's registrants were not classified as providing essential services in terms of the National Lockdown Regulations and therefore their offices remained closed for business. This meant that the NCR could not conduct on-site compliance monitoring and inspections on its registrants (mainly non-bank credit providers and debt counsellors). The NCR could also not conduct raids on microlenders that retain consumer's bank cards and identity documents.

The NCR was not able to resolve some of the queries and complaints received from consumers who continued to phone the NCR Call Centre, often unaware that credit providers, bureaus and debt counsellors were not fully operational. Some registrants went out of business – a total of 136 registrants

(98 credit providers, 35 debt counsellors and 3 credit bureaus) closed down and voluntarily cancelled their registration with the NCR. Consumer education campaigns and workshops which were previously conducted face-to-face, were hindered.

Steps taken in dealing with challenges: Where possible, the NCR made adjustments, in a relatively short space of time, in order to continue to deliver on our mandate. Some employees were equipped with laptops and cell phones that enabled them to work from home and render services to the public and to stakeholders.

Educational workshops were offered in the format of online webinars and stakeholder engagements were held online using a secure business communication platform. Desktop compliance monitoring replaced on-site monitoring of registrants.

Overall performance: The COVID-19 pandemic impacted on the operations and funding of the NCR. The funding challenge was further exacerbated by the need to procure remote working tools for employees, procure PPE's and preparation of the working environment to be compliant with COVID-19 protocols. In terms of the performance targets set for the 2020-21 financial year, the NCR achieved 58% of its targets.

Organisational environment

Most significant internal developments: As a result of constraints of the fiscus, the NCR's budget allocation was reduced by approximately R11 million during 2020/21.

The NCR's operations were affected by the intermittent office closures due to reported COVID-19 infections and quarantine requirements. Cohesive, coordinated team work was a challenge. Working patterns had to be adjusted, putting the test to our ICT systems and agility. Certain processes were digitised. Employees in some departments had to work on a rotational basis to observe health protocols around social distancing. Remote working became the norm for most of the year under review.

Corrective measures that were adopted: The NCR revised its 2020/21 annual performance plan (APP) and put in place cost-cutting measures and improved efficiencies. Some employees were equipped with the tools needed for remote work. More information on the organisational challenges and successes experienced by the NCR during the year under review can be found under the institutional programme performance information.

Key policy developments and legislative changes

Changes and developments that affected and are expected to continue affecting the NCR, include the following:

Regulatory framework: The NCR continued to monitor compliance with legislative amendments relating to the ongoing removal of paid up judgments and adverse listings, formal registration of payment distribution agents and alternative dispute resolution agents as well as regulations pertaining to the capping of credit life insurance, removal of registration thresholds for credit providers and the creation of a credit information reporting framework.

National Register of Credit Agreements: The Minister, in exercising his powers in terms of section 69 of the Act, directed the NCR to establish the National Register of Credit Agreements.

The NCR is in collaboration with other financial sector regulators, i.e. The South African Reserve Bank, Prudential Authority, Financial Sector Conduct Authority and Financial Intelligence Centre in establishing the National Register of

Credit Agreements. The purpose of the register is to monitor trends and developments in the credit market and financial stability. The register will contain a national public database of all credit agreements concluded in South Africa, assist with efficient implementation of various pieces of legislation and facilitate access to funding for SMMEs. The NCR is in the process of entering into an MOU with the above regulators.

Debt intervention: The National Credit Amendment Act No. 7 of 2019 was passed by the National Assembly and signed into law by the President in August 2019. It provides debt intervention for over-indebted consumers who cannot afford or do not qualify for existing debt relief measures. The NCR awaits further guidance from the dtic in terms of implementation of the NCAA

Digitisation and increasing complexity: Online lending, including debt relief loans and the impact of the COVID-19 pandemic has brought new regulatory challenges. Close monitoring or scrutiny on compliance with the law will have to be undertaken.

3. Progress towards achievement of institutional impacts and outcomes

As per the five-year strategic plan, the NCR has two impact statements, three outcomes and six outcome indicators. These are aligned to two programmes and eleven outputs. The targets were revised down, due to the reduction of budget allocation, capacity challenges and the onset of the COVID-19 pandemic, wherein a State of National Disaster was declared in March 2020 culminating in the country going into Alert level 5 lockdown. These challenges impacted on the operations of the NCR.

The below tables depicts progress made towards the achievement of the 5-year targets in relation to the outcome indicators:

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Improved regulatory environment, which promotes economic growth through job creation, integration and transformation.

Measuring Outcomes

3			
Outcome	Outcome Indicator	Five year target from 2020/21	1-year achievement
Improved consumer protection through education and awareness of the NCA.	Number of consumer education and awareness campaigns and activities conducted on consumer rights.	3 400 consumer education and awareness campaigns and activities.	New target from 2020/21 financial year.
	Number of consumer education and awareness campaigns and activities conducted on deceptive and unfair practices.	650 consumer education and awareness campaigns and activities	240
Increased efficiency in registration of persons and entities to facilitate creation of job opportunities.	% of new entrants (persons and entities) registered within a number of days of receipt of signed proposed conditions and payment of registration fees.	99% of applications registered within 2 business days of receipt of signed proposed conditions and payment of registration fees.	95% of applications registered within 9 business days of receipt of signed proposed conditions and payment of registration fees.

Measuring Impact

Impact statement

A fair, responsible and accessible consumer credit market promoted.

Measuring Outcomes

Outcome	Outcome Indicator	Five year target	1-year achievement
Improved compliance through enforcement of the NCA.	Number of investigations on credit providers for compliance with regulations pertaining to the total cost of credit.	2 000 Investigations.	655
	Number of investigations on credit providers for compliance with regulations pertaining to reckless lending.	1 500 Investigations	717
	Number of investigations on credit bureaus for compliance with the Act.	70 Investigations	14

Significant achievements with regard to the contribution toward the 2019-24 Medium Term Strategic Framework and Provincial Growth and Development Strategy:

MTSF PRIORITY 2: Economic transformation and job creation:

NCR's contribution to MTSF Priority 2: Efficient registration of new entrants in the consumer credit market to increase the participation of SMMEs which facilitate the creation of job opportunities and ultimately contributes towards economic growth.

Amendments to the Strategic Plan:

There were no significant amendments to the 5-year Strategic Plan, other than alignment to the Revised Framework for Strategic Plans and Annual Performance Plan.

4. Institutional programme performance information

4.1. Report against the originally tabled Annual Performance Plan

Programme 1: Improved regulatory environment

Purpose of programme 1

To collaborate with other key entities and stakeholders in order to have greater impact, reduce costs and effectively and efficiently deliver on the NCR mandate. In addition, to promote economic growth through job creation, integration and transformation.

Programme/Su	Programme/Sub-programme: Improved regulatory environment	tory environment							
Outcome	Output	Output indicator	Audited Actual achievement 2018/19	Audited Actual Performance 2018/19	Planned target 2020/21	Actual achievement 2020/21 until date of re-tabling	Deviation from planned target to actual achievement for 2020/21	Reasons for deviations	Reasons for revisions to the Outputs/ output indication/ Annual targets
Improved collaboration with	Signed Memorandum of Understanding (MOU) with relevant stakeholders	Signed MOU by relevant stakeholders for the establishment of the register.	ı	T	Sign MOU with SARB, FIC & FSCA regarding the establishment of the register	Not applicable			
entities and other key stakeholders.	Business plan with recommendations	Business Plan with recommendations	ſ	1	Finalise business plan with recommendations	*Not achieved	The target was not met due to delays in the appointment of a project manager/coordinator who was going to draft the business plan.	The target was revised and submitted to the dtic.	This target was not within the total control of NCR and the revised APP was submitted to dtic.
Increased efficiency in registration of persons and entities to facilitate creation of job opportunities.	Improve efficiency in the registration process of persons and entities.	% of new applications registered in the consumer credit market within a number of business days of receipt of signed proposed conditions and payment of registration fees.	Exceeded 99% applications were registered within 10 business days of receipt of signed proposed conditions and payment of registration fees.	Exceeded 99.7% applications were registered within 9 business days of receipt of signed proposed conditions and payment of registration fees.	Register 96% of applications within 8 business days of receipt of signed proposed conditions and payment of registration fees.	*Partially achieved 82,72% applications were registered within 8 business days of receipt of signed proposed conditions and payment of registration fees.	Due to the Alert level 5 hard lockdown regulations in the first quarter the NIR was unable to process applications in April and May 2020. In July 2020 the NIR office was dosed twice due to COVID-19 cases resulting in the inability to register applicants.	The NCR is in the process of acquiring additional resources to enable remote working.	

Strategy to overcome areas of under performance

The NCR revised the planned targets and submitted the revised APP to the dtic.

Programme 2: Enforcement of the Act.

Purpose of programme 2

To promote a fair, responsible and accessible consumer credit market through the enforcement of the Act. This will be implemented by conducting investigations and taking enforcement action on non-compliant registrants and improving education awareness regarding deceptive and unfair practices and consumer rights.

	Reasons for revisions to the Outputs/ output indication/ Annual targets	Due to the reduction of budget allocation, capacity challenges and the onset of the COVID-19 pandemic, wherein a State of National Disaster was declared in March 2020 culminating in the country going into Alert level 5 lockdown. These challenges impacted on the operations of the NCR.	This is an annual target
	Reasons for deviations	The target was only revised in the fourth quarter.	
	Deviation from planned target to actual achievement for 2020/21	Due to COVID-19 lockdown regulations in the first two months of the finandial year, most credit providers (micro lenders) were not operating and therefore hampered monitoring.	
	Actual achievement 2020/21 until date of re-tabling	*Not achieved 197 investigations were conducted by way of complaints evaluations, compliance monitoring and investigation.	Not applicable
	Planned Annual target 2020/21 until date of re-tabling	Conduct 400 investigations on credit providers relating to total cost of credit (including credit life insurance) to ensure compliance with regulations.	Take enforcement action on 80% of 400 investigations conducted on credit providers relating to total cost of credit (including credit life insurance) where necessary by 31 March 2021.
	Audited Actual performance 2019/20	Exceeded 329 credit providers were investigated by way of compliance monitoring, audit, investigations and complaints evaluation	Exceeded Enforcement action was taken on 88% (274) of 310 credit providers as a set target.
	Audited Actual performance 2018/19	Q1 and Q2 Exceeded 163 of any or a combination of the following were conducted (36 Investigations, 103 complaints evaluations, 0 audits, 0 raids). Q3 and Q4 Exceeded 143 credit providers were investigated/ complaints evaluated.	Q1 and Q2 84% (137÷163) enforcement action taken on 137 of any or a combination of the following (26 investigations, 103 compliance monitoring, 8 complaints evaluations, 0 audits, 0 raids). Q3 and Q4 71% (101÷143) enforcement action taken on 101 credit providers investigated / monitored/ evaluated.
he Act	Output indicator	Number of investigations conducted on credit providers relating to total cost of credit (including credit life insuance) to ensure compliance with the regulations.	Enforcement action taken on a percentage (%) of investigations conducted on credit providers relating to total cost of credit (including credit life insurance) where necessary by the end of the financial year.
Programme/Sub-programme: Enforcement of the Act	Output	Improve compliance with regulations pertaining to the total cost of credit (including credit life insurance)	Enforcement action taken where necessary by the end of the financial year.
Programme/Su	Outcome	Improved complaince through enforcement of the Act	

	Reasons for revisions to the Outputs, output indication/ Annual targets	Due to the reduction of budget allocation, capacity challenges and the onset of the COVID-19 pandemic, wherein a State of National Disaster was declared in March 2020 cuminating in the country going into Alert level 5 lockdown. These challenges impacted on the operations of the NCR.	This is an annual target
	Reasons for deviations	The target was only revised in the fourth quarter.	
	Deviation from planned target to actual achievement for 2020/21	Due to COVID-19 lockdown regulations in the first two months of the financial year, most credit providers (micro lenders) were not operating and therefore hampered monitoring.	
	Actual achievement 2020/21 until date of re-tabling	*Notachieved 214 investigations were conducted by way of complaints evaluations, compliance monitoring and investigations.	Not applicable
	Planned Annual target 2020/21 until date of re-tabling	Conduct 430 investigations on credit providers relating to reckless lending and/or collection of prescribed debt.	Take enforcement action on 80% of 430 investigations conducted on credit providers relating to reckless lending and/or collection of prescribed debt where necessary by 31 March 2021.
	Audited Actual performance 2019/20	Exceeded 339 credit providers were investigated by way of compliance monitoring, audit, investigations and complaints evaluations.	Exceeded 94% (280/299) Enforcement action was taken on credit providers where contraventions of the Act were found.
	Audited Actual performance 2018/19	Q1 and Q2 Exceeded 188 of any or a combination of the following were conducted (38 Investigations, 104 compliants evaluations, 46 compliants evaluations, Q3 and Q4 Substantially achieved 133 credit providers were investigated/ compliants evaluated.	Q1 and Q2 71% (133 ÷ 188) Enforcement action taken on 133 of any or a combination of the following (26 investigations, 101 compliance monitoring, 6 complaints evaluations, 0 audits, 0 raids) Q3 and Q4 74% (99 ÷ 133) enforcement action taken on 99 credit providers investigated/ evaluated/ monitored.
e Act	Output Indicator	Number of investigations conducted on credit providers relating to reckless lending and/or collection of prescribed debt.	Enforcement action taken on a percentage (%) of investigations conducted on credit providers relating to reckless lending and/or collection of prescribed debt where necessary by end of the financial year.
Programme/Sub-programme: Enforcement of the Act		Conduct investigations on credit providers relating to reckless lending and/or collection of prescribed debt.	Enforcement action taken whole year. whole year.
Programme/Sub	Outcome	Improved compliance through enforcement of the Act	

Programme/Su	Programme/Sub-programme: Enforcement of the Act	the Act							
Outcome	Output	Output indicator	Audited Actual performance 2018/19	Audited Actual performance 201920	Planned Annual target 2020/21 until date of re-tabling	Actual achievement 2020/21 until date of re-tabling	Deviation from planned target to actual achievement for 2020/21	Reasons for deviations	Reasons for revisions to the Outputs/ output indication/ Annual targets
Improved compliance through enforcement of the Act	Conduct consumer education and awareness campaigns and activities regarding deceptive and unfair practices and consumer rights.	Number of consumer education and awareness campaigns and activities conducted on deceptive and unfair practices and consumer rights.	Exceeded 87 multimedia awareness campaigns were conducted.	Exceeded 120 multimedia awareness campaigns were conducted (71 radio interviews, 41 workshops, 8 community outreach, 0 TV, 0 social media, 0 newsprint)	Conduct 120 consumer education and awareness campaigns and activities on deceptive and unfair practices and consumer rights.	*Not achieved 90 consumer education and awareness campaigns and activities were conducted in a form of radio interviews.	The COVID-19 lockdown regulations and travel ban in the first 2 months of the financial year hampered educational activities such as workshops.	The NCR will focus more on digital media interventions and solicit digital presentations.	
	Improve compliance by credit bureaus in respect of quality, accuracy, the removal of paid up judgement and adverse consumer credit information.	Number of credit bureaus monitored	Exceeded 14 credit bureaus were monitored	Exceeded 14 credit bureaus were monitored	Monitor 14 credit bureaus	*Notachieved	Six (6) credit bureaus were monitored. Monitoring of planned target could not be conducted due to limited capacity.	The NCR is in the process of increasing capacity in the department.	Due to limited resources (the reduction of budget allocation and capacity).
		Enforcement action taken on a percentage of monitored non-compliant credit bureaus.	Achieved 4 credit bureaus were found to be non-compliant and enforcement action was taken on 100% on the credit bureaus which were found to be non- compliant.	Exceeded Enforcement action was taken on 86% of credit bureaus which were found to be nonroompliant (6 of 7 non-compliant credit bureaus). Enforcement action on the one (1) credit bureau will be taken in the new financial year.	Enforcement action taken on 85% of non-compliant credit bureaus where necessary by 31 March 2021	Not applicable			This is an annual target.
		Number of annual compliance reports certified by an independent auditor submitted by registered credit bureaus and enforcement action taken where necessary on credit bureaus that failed to submit by the due date (15 March).	Achieved 23 of 30 registered credit bureaus submitted. Enforcement action was taken on six (6) credit bureaus that falled to submit by due date. One (1) credit bureau was operational.	Achieved 38 of the 42 registered credit bureaus submitted 2019/20 annual compliance reports by 15 March 2020. Enforcement action was taken on 4 credit bureaus that failed to submit by due date, by way of instructional letters	All registered credit bureaus to submit 2020/21 annual compliance reports certified by an independent auditor by 15 March 2021 and enforcement action taken where necessary on credit bureaus thatfailed to submit by the due date.	Not applicable			This target is due in the fourth quarter.

Programme/su	Programme/sub-programme: Enforcement of the Act	ne Act							
Outcome	Output	Output indicator	Audited Actual performance 2018/19	Audited Actual performance 2019/20	Planned Annual target 2020/21 until date of re-tabling	Actual achievement 2020/21 until date of re-tabling	Deviation from planned target to actual achievement for 2020/21	Reasons for deviations	Reasons for revisions to the Outputs/ output indication/ Annual targets
Improved compliance through enforcement of the Act.	Improve compliance by credit bureaus in respect of quality, accuracy, the removal of paid up judgement and adverse consumer credit information.	% of received registered credit bureau amual compliance reports certified by an independent auditor for the previous financial year evaluated.	Achieved 100% (13) credit bureaus' audited reports were received and evaluated.	Achieved Evaluated 100% (29) of registered credit bureau annual compliance reports certified by an independent auditor received from credit bureaus.	Evaluate 100% annual compilance reports certified by an independent auditor received from registered credit bureaus for their 2019 financial year.	*Achieved Evaluated 100% (38) of registered credit bureau annual compiliance reports certified by an independent auditor received from registered credit bureaus.			
		Enforcement action taken where necessary by the end of the financial year.	Achieved Two (2) Credit bureaus were found to be non-compliant and enforcement action was taken on both.	Substantially achieved During the financial year, 11 credit bureaus were found to be non-compliant, 9 were issued with instructional letters and a settlement agreement was reached with one credit bureau. The investigation of one credit bureau is still underway.	Enforcement action taken where necessary by 31 March 2021.	*Not achieved	Enforcement action could not be taken due to limited capacity.	The NCR is in the process of increasing capacity in the department.	Due to limited resources (the reduction of budget allocation and capacity).

^{*}The actual achievement is for the first three quarters (April - December 2020) of the financial year.

Strategy to overcome areas of under performance

Enforcement action relating to the credit bureaus which were found to be non-compliant after evaluations of annual compliance reports, will be taken in the first quarter of the 2021/22 financial year.

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Achieved	Target met on time
Not achieved	Deadline date lapsed before target achieved
Work in progress	Deadline not yet due
Exceeded	Target exceeded
Not applicable	Deadline not applicable in the quarter
Substantially achieved From 85% to 99%	From 85% to 99%
Partially achieved	From 75% to 84%

Report against the re-tabled Annual Performance Plan 4.2.

Programme 1: Improved regulatory environment

Purpose of programme 1

To collaborate with other key entities and stakeholders in order to have greater impact, reduce costs and effectively and efficiently deliver on the NCR mandate. In addition, to promote economic growth through job creation, integration and transformation.

Programme/Sul	Programme/Sub-programme: Improved regulatory environment	environment						
Outcome	Output	Output indicator	Audited Actual performance 2018/19	Audited Actual performance 2019/20	Planned Annual Target 2020/21	Actual achievement 2020/21	Deviation from planned target to actual achievement for 2020/21	Reasons for deviations
Improved collaboration with statutory entities and key stakeholders	Signed Memorandum of Understanding (MOUs) with relevant stakeholders	Signed MOU by relevant stakeholders for the establishment of the register.	T.	ſ	Sign MOU with SARB, FIC & FSCA regarding the establishment of the register	Partially achieved	3 of the 4 (75%) relevant stakeholders signed the MOU.	The MOU will be signed by the last remaining stakeholder in the first quarter of the 2021/22 financial year.
	Signed works streams charters	Signed works streams charters	I	1	Establish different work streams (data, ICT, stakeholder management and legislative)	Notachieved	The target was not met due to delays by regulators.	The work streams charters will be signed-off in the next financial year.
	Signed contract for the appointment of a project manager/coordinator	Signed contract for the appointment of a project manager/coordinator	I	ı	Appoint a project manager/ coordinator	Notachieved	The target was not met due to delays in the appointment process.	This target was not within the total control of NCR and the revised APP was submitted to dtic.
Increased efficiency in the registration of persons and entities to facilitate creation of job opportunities.	Improve efficiency in the registration process of persons and entities.	% of new applications registered in the consumer credit market within a number of business days of receipt of signed proposed conditions and payment of registration fees	Exceeded 99% applications were registered within 10 business days of receipt of signed proposed conditions and payment of registration fees.	Exceeded 99.7% applications were registered within 9 business days of receipt of signed proposed conditions and payment of registration fees.	Register 96% of applications within 9 business days of receipt of signed proposed conditions and payment of registration fees.	Substantially achieved 90.19% applications were registered within business days of receipt of signed proposed conditions and payment of registration fees.	Due to the Alert level 5 hard lockdown regulations in the first quarter the NCR was unable to process applications in April and May 2020. In July 2020 the NCR office was dosed twice due to COVID-19 cases resulting in the inability to register applicants. Most registrants were not operating due to the lockdown.	The NCR is in the process of acquiring additional resources to enable remote working.

Strategy to overcome areas of under performance

Changes to Planned Targets

Original performance target:	Revised performance target:
Register 96% of applications within 8 business days of receipt of signed proposed conditions and payment of registration fees	Register 96% of applications within 9 business days of receipt of signed proposed conditions and payment of registration fees.
The above tarnet was revised due to the reduction of burder allocation and the onser of the COVID-19 nandemic wherein a State of National Disaster was declared in Marr	h 2020 culminating in the country again into Alart Javal 5 lockdown. Thace challanges imnacted on the onerations of the MCR

Finalise business plan with recommendations

Establish different work streams (data, ICT, stakeholder management and legislative): and Appoint a project manager/coordinator. The drafting of the business plan was dependent on the appointment of a Project Manager/Coordinator. The appointment of the Project Manager/Coordinator can only be confirmed once the certainty of the future of the project is established.

Programme 2: Enforcement of the Act

Purpose of programme 2

To promote a fair, responsible and accessible consumer credit market through the enforcement of the Act. This will be implemented by conducting investigations and taking enforcement action on non-compliant registrants and improving education awareness regarding deceptive and unfair practices and consumer rights.

Programme/Su	Programme/Sub-programme: Enforcement of the Act	¹ त						
Outcome	Output	Output indicator	Audited Actual performance 2018/2019	Audited Actual Performance 2019/20	Planned Annual Target 2020/21	Actual achievement 2020/21	Deviation from planned target to actual achievement for 2020/21	Reasons for deviations
Improved compliance through enforcement of	Improve compliance with regulations pertaining to the total cost of credit (including credit life insurance).	Number of investigations conducted on credit providers relating to total cost of credit (including credit life insurance) to ensure compliance with the regulations.	Q1 and Q2 Exceeded 163 of any or a combination of the following were conducted (36 Investigations, 103 compliance monitoring, 24 complaints evaluations, 0 audits, 0 raids). Q3 and Q4 Exceeded 143 credit providers were investigated/ compliance monitored/ compliance	Exceeded 329 credit providers were investigated by way of compliance monitoring, audit, investigations and complaints evaluations.	Conduct 300 investigations on credit providers relating to total cost of credit (including credit life insurance) to ensure compliance with regulations.	Exceeded 326 investigations were conducted by way of complaints evaluations, compliance monitoring and investigations	After the revision of the target from 400 to 300, the alert levels were eased therefore allowing for NCR and its registrants operations to continue unhindered. The NCR reassigned functions to staff in the relevant departments.	
	Enforcement action taken where necessary by the end of the financial year.	Enforcement action taken on a percentage (%) of investigations conducted on credit providers relating to total cost of credit (including credit life insurance) where necessary by the end of the financial year.	Q1 and Q2 84% (137÷163) enforcement action taken on 137 of any or a combination of the following (26 Investigations, 103 compliance monitoring, 8 complaints evaluations, 0 audits, 0 raids). Q3 and Q4 71% (101÷143) enforcement action taken on 101 credit providers investigated / monitored/ evaluated.	Exceeded Enforcement action was taken on 87% (274) of 310 credit providers as a set target	Take enforcement action on 70% of 300 investigations conducted on credit providers relating to total cost of credit (including credit life insurance) where necessary by 31 March 2021.	***Exceeded Enforcement action was taken on 87% of investigations on credit providers where contraventions relating to total cost of credit (including credit life insurance) were identified.	Similarities in the nature of contraventions committed by credit providers enabled NCR to adopt an efficient enforcement approach that fast tracked the taking of enforcement action.	
Improved compliance through enforcement of	Conduct investigations on credit providers relating to reckless lending and/or collection of prescribed debt.	Number of investigations conducted on credit providers relating to reckless lending and/or collection of prescribed debt.	Ot and Q2 Exceeded 188 of any or a combination of the following were conducted (38 Investigations, 104 compliance monitoring, 46 complaints evaluations, 0 audits, 0 raids). Q3 and Q4 Substantially achieved 133 credit providers were investigated/ compliance monitored/ compliants evaluated.	Exceeded 339 credit providers were investigated by way of compliance monitoring, audit, investigations and complaints evaluations.	Conduct 300 investigations on credit providers relating to reckless lending and/or collection of prescribed debt.	Exceeded 378 investigations were conducted by way of complaints evaluations, complance monitoring and investigations.	After the revision of the target from 400 to 300, the alert levels were eased therefore allowing for NCR and its registrants operations to continue unhindered. The NCR reassigned functions to staff in the relevant departments.	

Programme/Su	Programme/Sub-programme: Enforcement of the Act	¥						
Outcome	Output	Output indicator	Audited Actual performance 2018/2019	Actual performance 2019/2020	Planned Annual Target 2020/21	Actual achievement 2020/21	Deviation from planned target to actual achievement for 2020/21	Reasons for deviations
Improved compliance through enforcement of	Enforcement action taken where necessary for the whole year.	Enforcement action taken on a percentage (%) of investigations conducted on credit providers relating to reckless lending and/ or collection of prescribed debt where necessary by end of the financial year.	Q1 and Q2 Exceeded 71% (133 ÷188) enforcement action taken on 133 of any or a combination of the following (26 Investigations, 101 compliance monitoring, 6 complaints evaluations, 0 audits, 0 raids). Q3 and Q4 Exceeded 74% (99÷133) enforcement action taken on 99 credit providers investigated/ evaluated/ monitored.	Exceeded 94% (280/299) Enforcement action was taken on credit providers where contraventions of the Act were found.	Take enforcement action on 60% of 300 investigations conducted on credit providers relating to reckless lending and/or collection of prescribed debt where necessary by 31 March 2021.	***Exceeded Enforement action was taken on 88% of investigations on credit providers where contraventions relating to reckless lending and/or collection of prescribed debt were identified.	Similarities in the nature of contraventions committed by credit providers enabled NCR to adopt an efficient enforcement approach that fast tracked the taking of enforcement action.	
	Conduct consumer education and awareness campaigns and activities regarding deceptive and unfair practices and consumer rights.	Number of consumer education and awareness campaigns and activities conducted on deceptive and unfair practices and consumer rights.	Exceeded 87 multimedia awareness campaigns were conducted.	Exceeded 120 multimedia awareness campaigns were conducted (71 radio interviews, 41 workshops, 8 community outreach, 0 TV, 0 social media, 0 newsprint)	Conduct 120 consumer education and awareness campaigns and activities on deceptive and unfair practices and consumer rights.	Achieved 120 consumer education and awareness campaigns and activities were conducted in a form of radio interviews.		
	Improve compliance by credit bureaus in respect of quality, accuracy, the removal of paid up judgements and adverse consumer credit information.	Enforcement action taken on a percentage (%) of credit bureaus that failed to submit annual compliance reports certified by an independent auditor, by the due date (15 March of the following year).	Achieved Four (4) Credit Bureaus were found to be non-compliant and enforcement action was taken on 100% of the credit bureaus which were found to be non-compliant.	Enforement action was taken on 4 credit bureaus that failed to submit by due date, by way of instructional letters.	Take enforcement action on 100% credit bureaus that failed to submit annual compliance reports certified by an independent auditor, by the due date (15 March 2021).	Not achieved	Forty-two (42) credit bureaus were registered, 36 submitted annual compliance reports certified by an independent auditor. Six (6) credit bureaus did not submit by due date (15 March 2021). Enforcement action could not be taken due to limited resources (the reduction of budget allocation and capacity).	Enforcement action will be taken in the new financial year
		% of received registered credit bureau annual compliance reports certified by an independent auditor for the previous financial year evaluated.	Achieved 100% (13) credit bureaus' audited reports were received and evaluated.	Achieved Evaluated 100% (29) of registered credit bureau annual compliance reports certified by an independent auditor received from credit bureaus.	Evaluate 100% annual compliance reports certified by an independent auditor received from registered credit bureaus for their 2019 financial year.	Achieved Evaluated 100% (38) of registered credit burnul compliance reports certified by an independent auditor received from registered credit bureaus.		

Programme/Su	Programme/Sub-programme: Enforcement of the Act	t						
Outcome	Output	Output indicator	Audited Actual performance 2018/19	Actual performance 2019/20	Planned Annual Target 2020/21 Actual achievement 2020/21	Actual achievement 2020/21	Deviation from planned target to actual achievement for 2020/21	Reasons for deviations
Improved compliance through enforcement of the Act	Improve compliance by credit bureaus in respect of quality, accuracy, the removal of paid up judgements and adverse consumer credit information	Enforcement action taken where necessary by the end of the financial year.	Achieved Two (2) Credit bureaus were found to be non-compliant and enforcement action was taken on both.	Substantially achieved During the financial year, 11 credit bureaus were found to be non-compliant, 9 were issued with instructional letters and a settlement agreement was reached with one credit bureau. The investigation of one credit bureau is still underway.	Enforcement action taken where necessary by 31 March 2021.	Achieved Enforcement action was taken on 2 non-compliant credit bureaus by way of instructional letters (38 reports were evaluated and 36 were found to be compliant).		

^{**} Calculation of the enforcement action taken, is as per recommendation by AGSA. The performance indicator was corrected and submitted to the dtic.

Strategy to overcome areas of under performance

Enforcement action relating to the credit bureaus that failed to submit annual compliance reports certified by an independent auditor, will be taken in the first quarter of the 2021/22 financial year.

Changes to Planned Targets

Original performance target Revised performance target	Take enforcement action on 80% of 300 investigations conducted on credit providers relating to reckless lending and/or collection of prescribed debt where necessary by 31 March 2021.
Revised performance target Origin	Conduct 300 investigations on credit providers relating to reckless lending and/or collection of prescribed debt.
Original performance target	Conduct 430 investigations on credit providers relating to reckless lending and/or collection of prescribed debt.
Revised performance target	Take enforcement action on 70% of 300 investigations conducted on credit providiers relating to total cost of credit (including credit life insurance) where necessary by 31 March 2021.
Original performance target	Take enforcement action on 80% of 400 investigations conducted on credit providers relating to total cost of credit (including credit life insurance) where necessary by 31 March 2021.
Revised performance target	Conduct 300 investigations on credit providers relating to total cost of credit (including credit life insurance) to ensure compliance with regulations.
Original performance target	Conduct 400 investigations on credit providers relating to total cost of credit (including credit life insurance) to ensure compliance with regulations.

The above targets were revised down, due to the reduction of budget allocation, capacity challenges and the onset of the COVID-19 pandemic, wherein a State of National Disaster was declared in March 2020 culminating in the country going into Alert level 5 lockdown. These challenges impacted on the operations of the NCR.

Legends:

Achieved	Target met on time
Notachieved	Deadline date lapsed before target achieved
Work in progress	Deadline not yet due
Exceeded	Target exceeded
Notapplicable	Deadline not applicable in the quarter
Substantially achieved	From 85% to 99%
Partially achieved	From 75% to 84%

4.3. Performance information by activity

4.3.1 Performance area: Registrations





Mr Zolile Mngqundaniso

Manager: Registrations

The Registrations department registers credit providers, credit bureaus, debt counsellors, alternative dispute resolution agents and payment distribution agents.

It is also responsible for the lapsing of registrations, maintaining the register of registrants and managing the payment of annual registration renewal fees. **Registrations:** A total of 1 076 credit providers were registered during the financial year. Most were first time registrations while a small number was re-registrations. The increase in the number of credit providers registered may lead to job creation and economic growth. The number of debt counsellors increased slightly as 194 new debt counsellors registered with the NCR.

Challenges: Due to the COVID-19 pandemic, a total of 136 registrants (98 credit providers, 35 debt counsellors and three (3) credit bureaus) closed down and voluntarily cancelled their registrations.

A total of 562 registrants failed to pay their registration renewal fees on time, which is 31July each year, and this resulted in the lapsing of their registration. The lapse of registration means that the registrant is prohibited to offer or engage in activities that require registration in terms of the Act.

The year ahead: We will explore alternative ways of encouraging industry players to register with the NCR and reminding registrants to renew their registrations on time.

Highlights

As at 31 March 2021, officially on the NCR register



8 237 credit providers with 37 313 branches



43 credit bureaus



4 payment distribution agents



alternative dispute resolution agents



1 607 debt counsellors

4.3.2 Performance area: Credit Provider Compliance





Ms Mmabatho Senyarelo

Manager: Credit Provider Compliance

The Credit Provider Compliance department is responsible for monitoring the consumer credit industry to ensure that prohibited conduct is prevented or detected, and appropriate enforcement action taken. **Compliance monitoring:** Compliance monitoring is conducted through desktop and on-site monitoring. Compliance monitoring entails submission and analysis of statutory reports, monitoring conditions of registration, market conduct studies, analysis of complaints received, addressing failures to submit statutory returns, and negative media coverage. Where contraventions are identified, appropriate enforcement action is taken.

Challenges: During alert level 5 ("hard lockdown"), on-site monitoring could not be conducted. Desktop monitoring was also a challenge due to the limited resources.

The year ahead: We will explore more innovative ways of compliance monitoring in order to engage more credit providers during the coming financial year.

Highlights



Conducted compliance monitoring of **246** credit providers in respect of cost of credit.



Conducted compliance monitoring of **221** credit providers in respect of reckless lending.



97 instructional letters were issued against credit providers in respect of cost of credit findings to take remedial action in order to comply with regulations



144 instructional letters were issued against credit providers in respect of reckless lending findings, to take remedial action in order to comply with regulations.



As a result of these monitoring efforts, NCR secured approximately **R11.6 million** redress for consumers. This redress was by way of monetary refund and/or adjustment on outstanding account balances.

4.3.3 Performance area: Credit Bureau Compliance





Credit Bureau

Compliance

The Credit Bureau Compliance department monitors credit bureaus to ensure they maintain consumer credit information in accordance with the standards prescribed in terms of the Act.

The quality, accuracy and confidentiality of consumer credit information remains a fundamental concern as this credit information is used for credit lending and risk-based decisions.

Compliance monitoring: The department conducted desktop compliance monitoring throughout the year. This entailed reviewing the quarterly statistical returns and annual compliance statutory returns (these have to be certified by independent

auditors) submitted by the 21 Credit bureau compliance with turn-around times for updating consumers' records (paid-up status, judgements and adverse information), remained at an average of 48 hours or less.

The NCR Guideline in terms of Regulation 19(13) of the Act determines that all credit and data providers submit consumer credit information to the registered credit bureaus via the data transmission hub.

During the year under review, the department conducted two online workshops (webinars) to assist credit providers with the implementation of Regulation 19(13).

The decommissioning of the old National Loan Register (NLR) was completed in August 2020. The NCR disbanded the management committee who had the responsibility to manage the NLR.

Challenges: Due to the COVID-19 pandemic, the department did not conduct on-site monitoring of credit bureaus. Bringing smaller players onboard to report in accordance with Regulation 19(13) has been a slow process due to their general lack of resources, which was exacerbated by the economic impact of the pandemic. Cyber security and in particular safeguarding the integrity and safety of consumer information, and preventing data breaches continued to be an industry-wide concern.

The year ahead: The focus for the year ahead is to build an affordable platform to enable small credit providers to submit data to the credit bureaus, thereby increasing compliance with Regulation 19(13).

Highlights



43 credit bureaus monitored [2020:44]



Desktop evaluation of 14 credit bureaus



37 credit bureaus submitted annual compliance returns



6 enforcement actions taken against non-compliant credit bureaus for non submission of quarterly synoptic reports and duplicate judgments



2 online workshops conducted

4.3.4 Performance area: Education and Communication





Ms Anne-Carien Du Plooy

Acting Manager: Education and Communication

The NCR's Education and Communication department is responsible for educating consumers about their rights in terms of the Act and for raising public awareness about the role of the NCR and its activities.

Advertising: The NCRs advertising campaigns sought to boost awareness and bolster education in respect of consumers' rights and understanding of real life issues affecting them especially in response to COVID-19. Two major campaigns focusing on debt relief and financial sustainability were rolled out during the year under review, each campaign had its specific goal:

- Debt relief campaign focused on exploring debt relief measures available rather than take on more debt.
- Don't let bad credit pollute your life (Consumer Rights Month)

 campaign focused on financial sustainability: Budget, Save,
 PAY ON TIME.

The year under review saw the NCR continue to incorporate more media channels to reach a greater number of consumers effectively. Shows like Moja Love and social media platforms like Facebook and Instagram were used and proved to be valuable resources by communicating and positioning the NCRs messages to consumers in a medium which they are comfortable. The attention created by these channels ensured that NCRs brand awareness remained stable. About R7.9 million was paid for advertising.

Educational activities: The NCR, in partnership with various stakeholders, conducted 199 educational activities during 2020/21. These activities included workshops, exhibitions, mall activations (community outreach programmes) and meetings. During 2020/21, the NCR partnered with:

- Department of Trade, Industry and Competition (dtic)
- National Consumer Commission (NCC)
- Credit Bureau Association (CBA)
- National Energy Regulator of South Africa (NERSA)
- Council for Medical Schemes (CMS)
- Council for Debt Collectors (CDC)
- FAIS Ombud
- Provincial Consumer Protection Offices
- · Offices of the Premiers
- National Empowerment Fund (NEF)
- Financial Sector Conduct Authority (FSCA)
- · Government departments (national and provincial)
- Stellenbosch University
- Trade Unions
- Non-governmental organisations and community-based organisations
- Municipalities

A co-ordinated approach is convenient for the consumer and for partner organisations in the community, offering participants a comprehensive overview of consumer protection.

Due to restrictions related to the COVID-19 pandemic, face-to-face traditional activities, were replaced by virtual presentations and similar online engagements.

The NCR collaborated with the National Consumer Financial Education Committee (NCFEC) and participated in an initiative titled Money Smart Week South Africa (MSWSA). The initiative promoted general financial awareness, provided a national collaborative platform to enable financial education by participants and promoted a common value of nation-building.



Money Smart Week South Africa activities were streamed online and included keynote presentations, panel discussions, interviews, webinars, seminars and training sessions. The NCR recorded nine podcasts, five of which were for MSWSA and were aired on both the MSWSA and NCR websites. The remaining four podcasts dealing with general NCA topics were aired on various media platforms.

Education through mass media: The department maximised opportunities for free coverage in the mass media during the year under review. Mass media makes it possible to educate many consumers within a short space of time throughout different parts of the country. Different topics of the Act were covered throughout the year such as debt counselling, consumer rights, credit life insurance, over-indebtedness, budgeting, credit information and credit bureaus.

Different channels on both television and radio were used to educate consumers, channels such as SABC 1, eNCA, UKhozi FM, Lesedi FM, Motsweding FM, Ligwalagwala FM, Ikwekwezi FM, Munghana Lonene, Phalaphala FM, Energy FM, Qwaqwa FM, Kopanong FM, Sedibeng FM, Ratlou FM, Moutse Community Radio, Mala FM, Vaaltar Community Radio, Radio Mafisa, Ekhephini Community Radio, Forte Community Radio, Inanda FM, among others.

News coverage of the NCR: The activities of the NCR provided newsworthy stories to the media. News coverage increases awareness of the NCR and serves as good brand building exercise. The NCR's reports on the state of the credit industry and credit-active consumers appeal to business media, while enforcement stories are of interest to the general news media.

During 2020/21, the NCR issued nine media releases, conducted 553 radio interviews and 24 television interviews. These positively added to the NCR's brand and increased its brand visibility across the country. Media releases provided advice to consumers on relevant topics including card retention by unscrupulous credit providers and to avoid panic buying in response to the COVID-19 pandemic.

Challenges: Operations were impacted due to the national lockdown implemented to curb the COVID-19 pandemic and the restrictions imposed by COVID-19 protocols. The NCR offices including its Call Centre were shut down intermittently in compliance with COVID-19 protocols when positive cases were identified in the workplace. This affected not only employees, but also access to the NCR by consumers in general. Reduced staff capacity, lack of tools of trade for remote working and the implementation of rotational work schedules were also contributing factors. In addition, most registrants businesses were closed during alert level 5 and were therefore unable to assist with complaints resolution.

Going forward, the department is looking at safe yet innovative ways to engage with these designated groups especially in light of the on-going pandemic and the fact that the designated groups lack access to infrastructure.

The year ahead: The department will focus on educating consumers on deceptive and unfair practices, responsible borrowing and consumer rights in general. The plan is to roll out more of our education programmes using the media, online and digital platforms as well as social media to avoid personal contact during the pandemic and adapt to the new normal.

Highlights



Total advertising spend: **R7.9 million**



2 131 radio adverts



289 TV adverts



9 Podcasts



Continued reaching out to consumers via **social media** influencers



199 educational activities including workshops, exhibitions and meetings



586 media activities comprising 553 radio interviews,

24 TV interviews and 9 media releases

4.3.5 Performance area: Complaints and Call Centre





Ms Takalani Mudau

Manager: Complaints

The Complaints and Call Centre is responsible for receiving, processing and resolving enquiries and complaints relating to alleged contraventions of the Act.

Receiving and resolving complaints: Through the complaints resolution mechanism, the NCR secured credit account balance adjustments and/or refunds in favour of consumers to the amount of approximately R17.88 million. A total amount of R87 500.00 was paid in the form of an administrative fine.

Of the total number of complaints received, the complaint resolution rate was 53.70% for the year under review which is lower in comparison to the rate of 79% achieved in the previous financial year. This decrease can be ascribed to a number of challenges caused by the COVID-19 pandemic. The majority of the complaints received related to debt review without consent, reckless lending, balance disputes, prescribed debt, cost of credit disputes and non-distribution of funds and unfair and

misleading advertising practices.

NCR Call Centre: The team responded to queries within an average of eight days. A total number of 63 834 calls were received, with an abandon call rate of 12%.

Despite restrictions due to COVID-19 pandemic and reduced staff capacity, the number of settlement agreements increased and provided affected consumers with immediate redress.

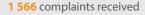
Challenges: Operations were impacted due to the national lockdown implemented to curb the COVID-19 pandemic and the restrictions imposed by COVID-19 protocols. The NCR offices including its Call Centre were shut down intermittently in compliance with COVID-19 protocols when positive cases were identified in the workplace. This affected not only employees, but also access to the NCR by consumers in general. Reduced staff capacity, lack of tools of trade for remote working and the implementation of rotational work schedules were also contributing factors. In addition, most registrants businesses were closed during alert level 5 and were therefore unable to assist with complaints resolution.

The NCR relied on the various provincial consumer protection offices to assist consumers who do not have access to the necessary infrastructure to electronically transmit complaints forms and supporting documentation to the NCR. Budget constraints and travel restrictions during alert level 5 hampered the NCR from visiting registrants who failed to respond to complaints and/or co-operate in the evaluation process. This resulted in delays.

The year ahead: Focus will be on improving stakeholder collaboration.

Highlights







841 complaints resolved



46 settlement agreements (consent orders) concluded with registrants



6 applications filed at the National Consumer Tribunal



15 048 enquiries handled



74 enquiries referred to relevant ombudsman



63 834 phone calls received



Secured approximately R18 million in redress to consumers (monetary refund or adjustment on outstanding balances)

4.3.6 Performance area: Investigations and Enforcement





Ms Anne-Carien
Du Plooy

Acting Manager: Investigations and Enforcement

The Investigations and Enforcement department investigates allegations of non-compliance with the provisions of the Act and takes enforcement action where necessary to correct or punish non-compliance.

Investigations: During the year under review, the department focused on investigating reckless lending and excessive costs of credit charged on credit agreements. Investigations were conducted on registered and unregistered entities across the country.

Enforcement: The department referred 51 entities to the National Consumer Tribunal (NCT) for various contraventions of the Act.

In total over R7 million in fines and penalities were imposed on entities who were found to be contravening the Act. Settlement fines amounted to R1.58 million and R5.47million was imposed by the NCT on entities referred to it by the NCR.

Of the total of R5.47 million in administrative fines imposed, the NCR managed to satisfy the NCT to impose higher administrative penalties in the following cases: Cocos Cash Loans R1 million; Zenzile Cash Loans R1 million and Jason Cash Loans, R500 000. These relate to reckless lending, high cost of credit and inadequate affordability assessments.

Notable Judgments: The NCT found that the Intercon Allps fees are prohibited regardless of whether it was set out in a supplementary agreement or not, entities were ordered to conduct audits and refund consumers.

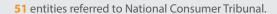
The NCT further handed down a judgment in which clarity was provided in respect of the aspect of joining a liquidator to its proceedings. Written notice was deemed sufficient notice by the NCT and the judgment paved the way for pursuing matters against liquidating companies. The matter was taken on appeal to the High Court by the liquidators, the appeal failed due to their non-appearance during the NCT proceedings.

Challenges: The department's main challenge was inadequate resources.

The year ahead: In the year ahead, the department will increase its focus on raids and unregistered entities as well as investigating cost of credit and reckless lending.

Highlights







Over **R7 million** in fines imposed by National Consumer Tribunal on matters referred by NCR

Notable Judgments:



The NCT found that the Intercon Allps fees are prohibited. Entities were ordered to conduct audits and refund consumers.

4.3.7 Performance area: Debt Counselling





Adv. Kedilatile Legodi

Manager: Debt Counselling

The primary function of the Debt Counselling department is to monitor the compliance of debt counsellors, debt review departments of credit providers and payment distribution agents (PDAs) with the Act and their conditions of registration.

The compliance monitoring function is coupled with support for these registrants in order to enhance consumer protection and ensure effective implementation of debt counselling as a debt relief measure.

Debt counsellors: Due to the COVID-19 pandemic, fewer debt counsellors were monitored [2020/21: 698 compared to 2019/20: 1079].

Prior to compliance monitoring, webinar sessions were conducted to ensure that debt counsellors understood the NCR's expectation from the compliance monitoring process. This resulted in improved response rates and compliance levels.

Payment distribution agents (PDAs): A total of 18 compliance monitoring activities (i.e. audits by external service provider and internal compliance monitoring activities) were conducted on the four (4) registered PDAs.

Credit providers: Credit providers are expected to comply with the Act and the conditions of registration when responding to debt counselling applications by their customers. During the year under review, information webinar sessions were conducted prior to the commencement of the compliance monitoring.

Stakeholder engagements: For the period under review, the department held 38 engagements with various stakeholders including the the Information Regulator, the Legal Practice Council and the Credit Industry Forum (CIF) which is a platform comprising various industry representatives intended at improving, enhancing and providing clarity on different operational aspects within the credit industry.

A total of five (5) circulars were issued to the industry as a mechanism to communicate industry related updates and two (2) debt counselling related guidelines were issued to address the operational difficulties that came with implementation of the Act.

Implementation of debt counselling during the COVID-19 pandemic: As a response to the impact of COVID-19 pandemic and having regard to the fact that registrants and consumers will be unable to perform the functions or exercise their rights within the prescribed business days contained in the Act, the NCR as empowered by Regulation 3 of the Act, issued a circular extending and/or suspending the business days during the period of the national lockdown which was lifted in June 2020.

Furthermore, the NCR extended the debit order distribution timelines to offer relief to the PDAs on the anticipated high number of debit order reversals occasioned by the lockdown disruption from five (5) to 20 business days. This extension was only applicable to debit order payments and was lifted in July 2020.

A Change in Circumstance (Form 17.3) guideline was issued to the debt counselling industry to standardise the process to be undertaken when the financial position of a consumer under debt review changes. This guideline provided much relief for all stakeholders as many consumers' financial circumstances had changed as a result of the COVID-19 pandemic.

Disbursements to credit providers: For the period under review, the payment distribution agents disbursed R11.81 billion to credit providers, which represents a slight decrease from the previous financial year (2019/20: R12.7 billion).

Cumulatively, the payment distribution agents have disbursed R79.36 billion since 2008. This continuous annual increase of disbursements even with the impact of COVID-19 pandemic reflects the positive impact that debt counselling has as a debt relief measure for consumers in financial hardships.

Administration of the PDA Interest Utilisation Policy: The Minister of Trade, Industry and Competition (dtic) empowered by Regulation 10A (9) (h) (iii) of the Act approved a policy developed by the NCR on the usage of the interest earned by PDAs. This policy stipulates that the PDA interest earned must be used by the NCR for consumer awareness, education campaigns and the investigation of prohibited conduct. The debt counselling department is the custodian of the policy to ensure that the funds are utilised in compliance with the policy.

PDA interest account audit: For the period under review, the debt counselling department submitted four (4) quarterly reports to the dtic on the utilisation of the funds and through an independent service provider undertook an audit of the PDA interest account and submitted the audit report report to the dtic.

Outcome of the PDA interest account audit: Activities reported were in line with the policy. Internal control relating to monitoring of transactions, utilisation of funds and safe custody of funds are effective and adequate and transactions reported were valid, accurate and complete.

The year ahead: The department will increase its use of internet platforms to monitor compliance, support and improve communication with debt counsellors, credit providers and PDAs. Given the success of the webinars, the NCR intends to continue using webinars to support and capacitate debt counsellors.

Highlights



698 debt counsellors assessed for compliance



229 debt counsellors were found to be compliant



Enforcement action was taken on 41% of non compliant debt counsellors



36 credit providers' internal debt review departments monitored



33 compliance related webinars for debt counsellors and credit providers (webinars recorded and available on the NCR website)



PDAs disbursed total R11.81 billion [2019/20: R12.7 billion]

4.3.8 Performance area: Statistics and Research





Mr Ngoako Mabeba

Manager: Statistics and Research

The Statistics and Research department is responsible for the collation, production and publication of statistical data. The data is collected in a prescribed format from credit providers, credit bureaus, debt counsellors and credit life insurers.

Two main reports are published by the department on a quarterly basis, namely the Consumer Credit Market Report (CCMR) and the Credit Bureau Monitor (CBM). These reports are used and cited extensively by a variety of stakeholders, including media, government, credit providers, industry

analysts, investors, researchers and other decision makers.

The department also undertakes research in line with requirements of the Act.

Producing statistics: The department was able to continue its work of collating and analysing data. Employees worked remotely and were provided with the necessary equipment. Monthly reports were received from companies that were operational during the various lockdown alert levels. This resulted in one less issue of the CCMR and of the CBM being published during the period under review; normally four (4) issues of each is published annually.

Challenges: Due to the COVID-19 pandemic and consequent lockdown, some registrants were unable to submit statutory returns and this delayed the collation of quarter one 2020 data. For that reason, the Q1 & Q2 statistics were combined in one publication of the CCMR and one publication of the CBM report respectively.

The year ahead: The focus will be on automating data collection tools and strengthening internal statistics systems.

Highlights





Collated and analysed data from credit providers, and credit bureaus with records from 27.41 million [as at December 2020] credit active consumers

Produced statistics and published **3** x NCR Credit Market Reports





Published 3 x NCR Credit Bureau Monitor reports

Reviewed **expense norms** tables

4.3.9 Performance area: Risk and Audit Services



Ms Nol

Ms Nobuntu Gwala

*Manager: Risk and Audit Services

The Risk and Audit Services is responsible for monitoring the implementation of risk management policies throughout the organisation. It provides support to all NCR departments on risk management activities and development of operational plans.

It furthermore coordinates the development and review of strategic plans (5-year strategic plan and 3-year annual performance plan) and monitors performance against approved strategic plans as well as departmental performance against operational plans.

The department coordinates the outsourced internal audit function and ensures NCR's adherence to, and compliance with, the shareholder's compact.

Challenges: Automated reporting and limited resource capacity in the department.

The year ahead: The department will continue to serve the organisation and aims to strengthen its capacity.

Highlights







Statutory **reports** were **submitted** timeously to the dtic and National Treasury



Risk registers were developed, reviewed and mitigation strategies identified

reported

^{*} Position became vacant in January 2021.

Reporting on the institutional response to the COVID-19 pandemic 2

Progress on institutional response to the COVID-19 pandemic

Programme: To facilitate and ensur	Programme: To facilitate and ensure compliance with the Occupational Health and Safety (OHS) Act.	y (OHS) Act.						
Intervention	Action	Location	No. of beneficiaries	Disaggregation of beneficiaries	Total budget allocation per intervention	Budget spent per intervention	Contribution to the outputs in the APP	Immediate outcomes
Procurement of Personal Protection Equipment. (PPE)	Procurement medical hygiene products: fabric masks surgical non-sterile gloves hand sanitisers foot operated hand sanitizer units, PVC screen for reception desk COVID-19 PVC screens for NCRs mobile unit reusable face shields. face shields orange traffic cones barrier tape non-contact infrared thermometer	**New premises	N/A	***Stakeholders	R245 000.00	R195 609.30	Increase compliance with OHS Act.	 To protect/min imise employees risk of exposure to COVID-19. Encourage frequent hand sanitation by employees and stakeholders to prevent/minimise the risk of contamination from COVID-19. Protection screens provided for the receptionist to prevent/minimise risk of exposure to COVID-19. Protection provided for staff interacting with consumers/stakeholders at the NCR premises or during workshops or while conducting investigations activities to prevent/minimise risk of exposure to COVID-19.
Procurement of non-contact temperature assessment devices	Non-contact forehead/body thermometer to be used by security guards	Current premises	N/A	NCR employees and stakeholders	R6 900.00	R6 300.00		 Assist the COVID-19 Team in managing access to the premises.
Decontamination/sanitisation	Disinfection and of the NCR building and deep cleaning of the ablution facilities	Current premises	N/A	NCR employees	R170 690.30	R40 132.83		Ensuring a safe and sterile work environment
Setting up a sick bay	Procurement of sick beds and equipment/contents for sick bay	Current premises	N/A	NCR employees	R100 000.00	R14 170.00	,	 Provision of isolation facilities to accommodate sick employees in transit awaiting transport to medical care facilities.
Procurement of COVID-19 access control protocol signage.	Essential COVID-19 safety and protocol signage	Current premises	N/A	NCR staff and stakeholders	R10 000.00	R9 890.00		Provides essential COVID-19 safety and protocol information to any person entering the NCR premises
OHS Compliance	COVID 19 Risk Assessment	Current premises	N/A	NCR staff	R1 900.00	R1 500.00		 REK assessment conducted to ensure compliance with COVID-19 regulations Drafting COVID-19 Policy and Health and Safety Plan.
	COVID-19 Induction	Current premises	N/A	NCR staff	R47 000.00	R44 806.19		Training provided to NCR employees.

^{*} Current premises - 127-15th Road, Randjespark, Midrand ** New premises - 232-15th Road, Randjespark, Midrand *** Stakeholders – includes, amongst others suppliers, consumers, registrants and visitors to the NCR premises

6. Linking performance with budgets

The budgeted expenses per activity compared to the actual expenses for the 2019/20 financial year are set out in the table below:

	202	20/21			201	9/20	
Performance activity/objective	Budget	Actual expenditure	(Over)/under expenditure	Performance activity/objective	Budget	Actual expenditure	(Over)/under expenditure
Programme 1	9 111	7 457	1 654	Programme 1	25 812	26 158	-345
Programme 2	148 692	117 058	31 634	Programme 2	44 702	43 132	1 570
				Programme 3	8 439	8 103	335
				Programme 4	80 540	57 040	23 500
				Programme 5	8 240	8 967	-727
	157 803	R124 515.00	33 288		167 733	143 400	24 333

7. Revenue collection

Own revenue – fee revenue

The under collection relating to fee revenue is as a result of closure of branches for credit providers and decrease in registrants in the number of registrants

Furthermore, there was a decommissioning of the National Loans Register (NLR) which resulted in the under-collection of NLR fees from credit bureaus.

The NCR will explore more ways in identifying other sources of revenue.

Transfer payment

The original budget was R82 million during the adjustment budget process, the dtic reduced NCR's budget by R11 million.

Interest

The interest earned was less than estimated mainly as a result of budget cuts.

Other income

The revenue generated under other income is only realised when the expenditure related to the Education & Communication and Investigations and Enforcement departments is incurred. Less activities took place because of COVID-19 restrictions which led to less income being realised.

	202	0/21		2019/20			
Sources of revenue	Estimate (R'000)	Actual amount collected (R'000)	(Over)/under collection (R'000)	Estimate (R'000)	Actual amount collected (R'000)	(Over)/under collection (R'000)	
Own revenue-Fee revenue	52 002	47 384	4618	51 626	49 609	2 017	
Transfer payment	71 272	71 272		79 580	86 580	-7 000	
Interest	2 415	2 340	75	2 300	3 555	-1 255	
Other income	32 114	16 802	15 312	34 227	24 510	9 717	
Total	157 803	137 798	20 006	167 733	164 254	3 479	



1. Introduction

The National Credit Regulator complies with the Public Finance Management Act (PFMA) and the 2009 King IV Code of Governance Principles for South Africa (King IV Code) in as far as the code is applicable to the NCR.

The Executive Authority, the Minister of Trade, Industry and Competition, and Parliament are responsible to provide oversight.

Portfolio committees

The NCR tables financial statements in Parliament. Parliament evaluates the NCR's performance by interrogating financial statements and performance information.

The Standing Committee on Public Accounts reviews the NCR's Annual Financial Statements and the Audit Report, compiled by the Auditor-General of South Africa.

The Portfolio Committee on Trade and Industry exercises oversight over the NCR's service delivery; it reviews financial and performance information contained in the NCR's Annual Report.

During the year under review, the NCR met with the Portfolio Committee on Trade, Industry and Competition on 12 May 2020 to discuss NCR's initiatives in response to the COVID-19 pandemic.

3. Executive authority

The Minister of Trade, Industry and Competition is the executive authority. The NCR submitted reports to the minister, as outlined in the table.

Reports submitted to the Minister of Trade, Industry and Competition		
Report submitted	Date submitted	Issues raised by the Minister
Report on financial and non-financial performance (Quarter 4 of 2019/20 year — 1 January to 31 March 2020)	27 May 2020	No issues were raised by the Minister.
Report on financial and non-financial performance (Quarter 1 of 2020/21 year — 1 April to 30 June 2020)	31 August 2020	No issues were raised by the Minister.
Report on financial and non-financial performance (Quarter 2 of 2020/21 year — 1 July to 30 September 2020)	29 October 2020	No issues were raised by the Minister.
Report on financial and non-financial performance (Quarter 3 of 2020/21 year — 1 October to 30 December 2020)	29 January 2021	No issues were raised by the Minister.

The following reports were also submitted

Report submitted	Date submitted
Quarterly Report on PDA Interest Utilisation	7 August 2020, 29 October 2020 03 February 2021
Annual PDA Audit	28 May 2021
Assessment of industry submissions on the implementation of the National Credit Amendment Act 7 of 2019	29 October 2020
NCR's Input: Consultation on the Discussion Paper from the South African Law Reform Commission — Review of Administration Orders	15 March 2021

4. Accounting Authority

The CEO is the Accounting Authority. The CEO provides strategic leadership, oversees and ensures the efficient and effective use of NCR's resources and ensures compliance with all of its legal requirements and reporting and financial accountability obligations.

5. Risk Management

The NCR has a Risk Management Policy and Strategy, and conducts regular risk assessments to determine the effectiveness of this risk management strategy as well as to identify new and emerging risks.

The NCR Audit and Risk Management Committee advises management on the overall system of risk management, especially the mitigation of unacceptable levels of risk. The committee provides oversight with regards to financial management, internal controls, risk management and the accuracy of financial reporting.

The NCR Audit and Risk Management Committee is constituted in terms of the PFMA and Treasury Regulations. The NCR Executive Management members are permanent invitees to committee meetings. The committee is chaired by Mr William Ndlovu. The other members, are Mrs J. Bokwa, Mrs P. Mvulane and Ms P. Tshabalala.

The Committee's mandate is to ensure financial and legal compliance and exercise oversight over internal and external audit and risk management. Details of meetings and responsibilities of the Audit and Risk Management Committee is presented on page 55 of this report.

Internal control unit

Internal audit reports were tabled to the NCR Audit and Risk Management Committee on a quarterly basis.

The internal audit function provides an independent and objective evaluation of the systems of control and any significant risks brought to management's attention.

Key internal audit functions include:

- · Assessing the adequacy and effectiveness of the internal control environment, and recommending potential improvements;
- Developing a rolling three-year strategic NCR Internal Audit Plan in line with strategic risk assessments;
- Preparing annual internal audit plans using risk-based methodology, incorporating any risks or control concerns identified by management, and submitting the plan to the NCR Audit and Risk Management Committee for approval; and
- Executing the approved NCR Annual Internal Audit Plan, and any special projects/tasks requested by the management and/or Audit and Risk Management Committee.

7. Internal audit and audit committees

The key activities and objectives of the internal audit function, and the audit and risk management committee is to review and ensure:

- The effectiveness of the risk management process;
- · The effectiveness of the internal control systems;
- · The risk areas of the entity's operations covered in the risk registers;
- The adequacy, reliability and accuracy of financial and non-financial information provided to management and users of such information; and
- Compliance with legal and regulatory provisions.

The 2020/21 Audit and Risk Management Committee consisted of four (4) members. The committee held four (4) meetings, which were all ordinary meetings. There was no special meeting. The frequency of the meetings is determined by the approved NCR Audit and Risk Management Committee Charter.

The NCR Audit and Risk Committee is an independent and objective body that assists the NCR Accounting Authority to discharge her duties relating to:

- safeguarding assets;
- · assessing the going concern status;
- · reviewing financial information including review of quarterly management accounts and annual financial statements; and
- external audit process and oversight of the risk management environment.

The Audit and Risk Management Committee has fulfilled its responsibilities in compliance with its charter. More information is provided in the Audit committee report on page 55.

The table provides more information about the NCR Audit and Risk Management Committee members:

Name	Qualifications	Internal or external	Date appointed	No of meetings attended
Mr W. Ndlovu	CA(SA), Global Executive MBA, BCompt Honours	External	3 September 2018	4
Mrs J. Bokwa	LLB, B Juris	External	25 November 2017	3
Mrs P. Mvulane	CA(SA), Registered auditor, Specialist Diploma in Auditing, BCom Accounting Honours	External	18 June 2018	3
Ms P. Tshabalala	MSc Engineering, BSc in Computer Science, Business Management	External	1 January 2018 , Resigned 1 January 2021	4

8. Compliance with laws and regulations

The NCR is committed to complying with all applicable laws and regulations and takes reasonable measures to ensure compliance.

9. Fraud and corruption

The NCR has a Fraud Prevention Plan in place. The plan was developed within the context of the NCR Risk Management Framework. The NCR has a Fraud Prevention Plan (FPP) in place. The plan was developed within the context of the NCR Risk Management Framework. The NCR fosters a culture of zero tolerance to fraud and corruption in all its activities. The fraud prevention policy outlines the NCR's focus and commitment to the reduction and possible eradication of incidences of fraud and misconduct. It also confirms the NCR's commitment to legal and regulatory compliance.

Measures to prevent fraud include authorisation, custody of assets, detection controls, physical supervision, management information, segregation of duties, physical security and information security.

The NCR Fraud Prevention Policy includes the response mechanisms in place to report, investigate and resolve incidents of fraud impacting on the NCR.

An outsourced service provider maintains a fraud reporting hotline, where employees report incidents of corruption, fraud and unethical practices within the workplace. Monthly reports from the hotline service provider are dealt with confidentially in line with the approved internal policy for handling fraud allegations.

During the 2020/21 financial year, the NCR did not receive any reports of internal or external corruption or fraud.

10. Minimising conflict of interest

NCR employees are required to disclose any conflict of interest. In the event of a conflict of interest, the conflicting party is recused from the process.

Bidders and service providers registered with the NCR are required to complete declaration of interest forms.

During the course of employment at the NCR, all NCR employees must disclose any family and/or business and/or financial relationships of any nature with any supplier and/or provider of goods and/or services to the NCR that exist or may come to exist. Supply chain management practitioners and management submit their financial disclosure forms annually, as required by the Public Service Commission.

11. Code of conduct

The NCR Code of Conduct prescribes the minimum standards of conduct. It reflects the basic requirements of professionalism, integrity and courtesy required to provide a quality service and a pleasant and safe working environment. The code forms part of conditions of employment and applies to casual, temporary and permanent employees.

The NCR expects its employees to:

- · work within the law with honesty and integrity;
- · comply with all lawful and reasonable instructions;
- comply with the NCR's policies;
- work diligently and meet the requirements of their employment agreement; and
- · respect the rights of colleagues and clients.

The NCR recognises the importance of treating staff fairly in all aspects of employment. The NCR expects staff to identify and comply with its philosophy and values.

12. Health, safety and environmental issues

During the year under review, the NCR continued to adhere to the provisions of the Occupational Health and Safety Act 85 of 1993 (OHS Act) general safety regulations and the Compensation for Occupational Injuries and Diseases Act 61 of 1997 (COID Act) to provide and maintain, as far as is reasonably practicable, a workplace that is safe and without risk to the health of its employees, contractors, the public and the environment.

The NCR's commitment extends to ensuring that its operations, activities, products and services do not damage or place the local community or environment at risk of injury or illness.

Employees must comply with the internal safety, health and environment policy and procedures. It is their responsibility to recognise hazards, which may affect their health and safety and the environment.

In the wake of the COVID-19 pandemic, the NCR was required to comply with the provisions of the Disaster Management Act 57 of 2002 (DMA). There are compliance requirements as and when they are published in managing or containing the spread of COVID-19 in the workplace.

The NCR has implemented the following measures in order to prevent the spread of COVID-19 within the organisation:

- A COVID-19 risk assessment was conducted to identify controls for implementation.
- A COVID-19 committee was established.
- Provision of a sick bay.
- A COVID-19 Policy and Safety Health and Environment (SHE) Plan was developed and implemented. The aim of this policy is to ensure a safe working environment for all employees and to prevent/stop the spread of the coronavirus. The SHE Plan addresses the risk mitigation of COVID-19 in the workplace, as required by Government Gazette Notice 479 in Government Gazette 43257 of 29 April 2020 Directive by the Minister of Employment and Labour in terms of Regulation 10 (8) of the regulations issued by the Minister of Cooperative Governance and Traditional Affairs in terms of Section 27 (2) of the Disaster Management Act no. 57 of 2002) COVID-19 Occupational Health and Safety Measures in Workplaces COVID-19 (C19 OHS), 2020; and the Risk Adjustment Strategy Regulations of 29 April 2020.
- NCR employees attended COVID-19 safety and health training.
- A COVID-19 self-declaration is completed daily.
- Temperature checks are taken daily.
- The wearing of masks, social distancing and regular hand sanitising are compulsory to employees and visitors while on the NCR premises.
- Notices of COVID-19 are distributed throughout the building to remind employees of health and safety protocols.
- The NCR premises is disinfected as and when required.
- Employees on a daily basis use personal protective equipment (PPE).
- NCR has implemented a Remote Working Policy, which further enhances the management of COVID-19 at the workplace.

Going forward, the NCR will continue to adhere to the OHS Act and any applicable COVID-19 directives.

The NCR will also contribute to a greener economy by implementing recycling, saving electricity and decreasing our overall carbon footprint.



Security and Facilities Team

13. Company Secretary

The NCR's Company Secretary assists the accounting authority and CEO to ensure sound corporate governance. The Company Secretary provides governance knowledge and guidance, and ensures organisational integrity.

The Company Secretary furthermore confirms the organisation's annual financial statements, whether the NCR has filed required returns and notices and whether all appear to be true, correct and up to date. Mr L Mashapa serves as the NCR's Company Secretary.

14. Social responsibility

The NCR is a non-profit public entity and is, therefore, precluded from disbursing funds to good causes.

During October 2020, the NCR, however, donated groceries to the Badirammogo Old Age Foundation, in Centurion.



15. Audit committee report

We are pleased to present our report for the financial year ended 31 March 2021.

The NCR Audit and Risk Management Committee reports that it has complied with its responsibilities arising from Section 51 (1)(a)(iii) and 76 (4)(d) of the Public Finance Management Act and Treasury Regulation 27.1.7 and 27.1.10(b) and (c).

The Audit and Risk Management Committee also reports that it has adopted appropriate formal terms of reference as its Audit and Risk Management Committee Charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein, except that we have not reviewed changes in accounting policies and practices.

Attendance at Audit and Risk Committee Meetings 1 April 2020 to 31 March 2021.

Committee member	28 July 2020	28 September 2020	26 October 2020	26 January 2021
Mr W. Ndlovu (Chair)	√	√	√	\checkmark
Mrs J. Bokwa	√	√	√	Appointment terminated
Mrs P. Mvulane	Absent	√	√	√
Ms P. Tshabalala	√	√	√	√

The internal auditors, representatives from the Auditor-General, executive management and the risk officer, attended the NCR Audit and Risk Management Committee meetings on a regular basis.

The effectiveness of internal control

Our review of the findings of the Internal Audit work, which was based on the risk assessments conducted in the NCR revealed certain weaknesses, which were then raised with the public entity.

The following internal audit work was completed during the year under review:

- Review of the Annual Financial Statements for the 2020/21 financial year
- Review of the Quarterly Performance information: Quarter 1 of the 2020/21 financial year

The following was an area of concern:

Information Technology

The NCR has an outsourced internal audit function. The internal audit is in the second year of the three-year rolling plan approved in November 2019 by the Audit and Risk Management Committee.

In-Year Management and Quarterly Report

The NCR has submitted quarterly reports to the executive authority.

Risk Management

Risk assessments are an integral part of the overall risk management process and cover the key components of identification, assessments and management of risk. The NCR uses key indicators to monitor exposures to key risks identified in the risk assessment process.

The responsibility and accountability of risk management resides at all levels within the NCR, from the Accounting Authority to individual managers.

The risk assessment evaluation and measurement process is on-going and integrated into all activities. Where risks are identified, corrective action is taken in line with the PFMA and the King IV Code on Corporate Governance requirements. The Internal Audit provides an independent assessment on the adequacy and effectiveness of the overall risk management and reports to the Accounting Authority through the Audit and Risk Management Committee.

Effective risk management is fundamental to the NCR's activities. The Audit and Risk Management Committee seeks to achieve an appropriate balance between conformance and performance. It continues to build and enhance the risk management capabilities that assist in delivering on its mandate.

The essence of risk management at the NCR is the protection of its reputation and ability to meet its mandate.

The NCR Audit and Risk Management Committee views funding insufficiency as one of the organisation's key risks. The Committee commends the Minister and the dtic for the measures put in place to partially mitigate the risk. The Committee continues to support management in managing and mitigating this risk.

Evaluation of Financial Statements

We have reviewed the annual financial statements prepared by the NCR.

Auditor's Report

We have reviewed the public entity's implementation plan for audit issues raised in the prior year and we are satisfied that the matters have been adequately resolved. An ICT implementation plan is in progress and significant progress has been made in the prior year.

The Audit Committee concurs and accepts the conclusions of the external auditor on the annual financial statements and is of the opinion that the audited annual financial statements be accepted and read together with the report of the auditor.

William Ndlovu

Chairperson of the Audit and Risk Management Committee

National Credit Regulator

1 September 2021



Audit and Risk Management Committee

Precious Mvulane, Mr William Ndlovu (Chairperson) and Ms Jennifer Bokwa.

Absent: Ms Poppy Tshabalala

16. B-BBEE compliance performance information

NCR Compliance to requirements of the Broad-Based Black Economic Empowerment Act

Has the public entity applied any relevant code of Good Practice (B-BBEE Certificate Levels 1-	8) with rega	rds to the following:
Criteria	Yes / No	Discussion (measures taken/not taken to comply)
Determining qualification criteria for the issuing of licences, concessions or other authorisations in respect of economic activity in terms of any law?	yes	NCR issues licences to credit providers, debt counsellors, payment distribution agents and credit bureaus in accordance with the National Credit Act.
Developing and implementing a preferential procurement policy?	yes	NCR issued tenders based on the preferential procurement framework and are advertised on the e-tender portal and the website and only suppliers who are registered on CSD are utilised.
3. Determining qualification criteria for the sale of state-owned enterprises?	no	Currently NCR does not have any qualifying criteria for the sale of state-owned enterprise
4. Developing criteria for entering into partnerships with the private sector?	no	NCR does not have partnership with private sector.
Determining criteria for the awarding of incentives, grants and investment schemes in support of Broad Based Black Economic Empowerment?	yes	With the reduction in budget, NCR is not able to implement this criteria in the foreseeable future.





1. Introduction





Ms Mari-lize NelManager:
Human Resources

The NCR Human Resources Department has a value chain that covers a number of functions namely recruitment, performance management, payroll, training and skills development, employee relations, wellness and facilities management.

As at 31 March 2021, the NCR staff complement stood at 181 employees. The workforce is youthful and predominantly female (61%).

As with all workplaces, the NCR has been substantially affected by the COVID-19 pandemic.

The NCR had to implement changes to workplaces to ensure that social distancing is maintained, including implementing a Remote Working Policy and a rotation roster.

The recruitment and selection target for 2020/21 was reached and the NCR's Workplace Skills Plan (WSP) was submitted to the BANKSETA. The organisational objectives were communicated in terms of the Annual Performance Plan (APP) and Strategic Plan.

Although 2020/21 proved to be an extremely challenging year, training continued to take place, mostly directed at ICT personnel.

1.1. HR priorities during the period

The Human Resources department reviewed a number of HR policies and procedures during the 2020/21 and started consultations with the internal staff forum. A BBBEE strategy was drafted and put in place to cover the employment equity needs of the organisation.

1.2. Strategies to attract and retain employees

The NCR has strategies in place to attract and retain employees. These include, but are not limited to, medical aid subsidy, study leave and training opportunities.

1.3. Employer and Employee Consultative Forum

Throughout the reporting period, the NCR enjoyed and maintained labour stability. Through its internal employer and employee consultative forum, the NCR is able to address matters of mutual interest with employees.

The NCR also continued to be a member of the Department of Trade, Industry and Competition Collective Bargaining Forum which deals with labour relations matters across all entities.

1.4. Learnership programmes

Two learners were recruited and placed with the ICT team. A structured programme was and continues to be followed to ensure that the learners gain the necessary skills to successfully contribute to any working environment in future. This goes a long way in equipping young people with work skills while simultaneously increasing NCR capacity.

1.5. Employee Wellness programme

The NCR Employee Wellness Programme is handled by an external service provider and entails a caring, confidential service that helps employees and their families to deal with difficult personal and work related issues.

Health evaluations, such as blood pressure and diabetes screening, chronic illness awareness and management were offered to employees. Confidential counselling and referral services are also offered for amongst others: bereavement and loss, domestic violence, and depression and anxiety.

Utilisation information:

- The annual utilisation rate (calculated against the 159 employees) for the year was 16.98%;
- Self-referrals constituted 91.84% of all cases and
- Face-to-face counselling was the service that was used the most during the year, accounting for 77.78% of all cases.

1.6. Social activities

There were no social activities and wellness days, nor an endof-the-year function, due to the coronavirus pandemic.

1.8. Challenges

Retention of skills remains a challenge and a priority. The NCR is faced with the on-going risk of having its most skilled employees poached by the private sector. Budget constraints impeded the appointment of key positions.

During the year under review, employees had to contend with the pressures caused by the COVID-19 pandemic and the recessionary conditions in the country, which made it difficult to keep staff morale positive and productivity at optimal level.

1.8 The year ahead

The NCR will continue to adhere to COVID-19 legislation and directives to ensure that staff members are kept safe. All HR policies and procedures will be finalised and induction will be rolled out virtually. A new HR and payroll system will also be implemented to increase efficiency within the HR Department.

2. Human resources oversight statistics

2.1. Personnel Expenditure per Programme

Programme	Total expenditure for the entity R′000		Total expenditure as a % of total expenditure R'000	No. of employees	Average personnel cost per employee R'000
Programme 1	8 556	6 143	5	17	361
Programme 2	116 616	70 323	56	164	428
Total	125 172	76 466	61%	181	422

2.2. Personnel Cost by Salary Band

Top Management	Personnel Expenditure R'000	% of Personnel expenditure to total personnel cost	No. of employees	Average personnel cost per employee R′000
Top Management	8 692	11%	4	2 173
Senior Management	12 054	16%	14	861
Professional Qualified	19 172	25%	32	599
Skilled	27 514	36%	78	352
Semi-skilled	9 034	12%	53	170
Total	76 466	100%	181	422

2.3. Performance rewards

Level	Performance rewards R'000	Personnel cost R'000	% of Personnel rewards to total personnel cost
	0	0	0
Senior Management	0	0	0
Professional Qualified	0	0	0
Skilled	0	0	0
Semi-skilled	0	0	0
Total	0	0	0

2.4. Training costs

Programme	Total expenditure R'000		Training expenditure as a % of total personnel cost	No. of employees trained	Average training cost per employee R′000
Programme 1	6 143	0	0	0	0
Programme 2	70 323	60	0.08%	4	15
Total	76 466	60	0.08%	4	15

2.5. Employment and vacancies

Activity	2019/20 No. of employees	2020/21 approved posts	2020/21 No. of employees	Vacancies	% of vacancies
Programme 1	68	17	17	0	0%
Programme 2	72	182	164	18	11%
Programme 3	10				
Programme 4	10				
Programme 5	16				
Total	176	199	181	18	11%

2.6. Employment Changes

Salary band	Employment at beginning of period	Appointments	Terminations*	Employment at the end of the period
Top management	4	0	0	4
Senior managment	15	2	2	15
Professional Qualified	33	2	4	31
Skilled	78	2	9	71
Semi-skilled	53	2	4	51
Total	183	8	19	172

2.7. Reasons for Staff Leaving

Reason		% of total staff leaving
Death	1	5%
Resignations	15	80%
Retirement	0	0%
III health	1	5%
Expiry of contract	1	5%
Other	1 (Dismissal)	5%
Total	19	100%

2.8. Labour relations: misconduct and disciplinary action

Nature of disciplinary action	Number
Verbal warning	1
Written warning	8
Final Written warning	6
Dismissal	1
Total	16

2.9. Equity and Employment Equity Status

Levels	Male				Female			
	African	Coloured	Indian	White	African	Coloured	Indian	White
		Current	Current	Current	Current	Current	Current	Current
Top management	2	0	0	0	1	1	0	0
Senior managment	3	0	0	0	8	0	0	2
Professional Qualified	7	1	1	4	10	0	2	7
Skilled	30	0	0	0	46	2	3	0
Semi-skilled	21	1	0	0	27	2	0	0
Total	63	2	1	4	92	5	5	9





1. General Information

Country of incorporation and domicile	South Africa
	Credit Industry Regulator
	The National Credit Regulator enforces the provisions of the National Credit Act.
Nature of business and principal activities	The National Credit Regulator is also tasked with the registration of credit providers, credit bureaux and debt counsellors.
	The National Credit Regulator is mandated to undertake research on the nature and dynamics of the consumer credit market.
	The National Credit Regulator promotes public awareness around consumer credit matters.
	127 – 15th Road
Devises and office	Randjespark
Registered office	Midrand
	1685
Bankers	Standard Bank of South Africa
Auditors	Auditor-General of South Africa
Secretary	L. Mashapa



Ms Josephine Meyer Chief Financial Officer



The office of the Chief Financial Officer (CFO) is custodian and responsible for the implementation of policies, legislation and prescripts governing finance, supply chain management and information and communication technology (ICT). The office is responsible for the overall financial health of the NCR and provides support to all NCR departments on budgets, accounting function, supply chain management, external audit coordination, assets management and ICT.

During the 2020/21 financial year, the office of the CFO has ensured that:

- An unqualified audit opinion from the Auditor-General was achieved for the year under review;
- · All statutory submissions were submitted on time in compliance with the PFMA and Treasury Regulations;
- All management accounts, with variance explanations, were submitted on time to the dti as per signed Shareholder Compact;
- The NCR continued to comply with relevant National Treasury Instructions on cost containments.

Report of the Auditor-General to Parliament on the National Credit Regulator

Report on the audit of the financial statements

Opinion

- 1. I have audited the financial statements of the National Credit Regulator, set out on pages 72 to 105, which comprise the statement of financial position as at 31 March 2021, statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget information with actual information for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
- 2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the National Credit Regulator as at 31 March 2021, and its financial performance and cash flows for the year then ended, in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of Grap) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No.1 of 1999) (PFMA).

Basis for opinion

- 3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the Auditor-General's responsibilities for the audit of the financial statements section of this auditor's report.
- 4. I am independent of the public entity in accordance with sections 290 and 291 of the Code of Ethics for Professional Accountants and parts 1 and 3 of the International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants (IESBA codes), as well as the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA codes.
- 5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the Accounting Authority for the financial statements

6. I draw attention to the matter below. My opinion is not modified In respect of this matter.

Restatement of corresponding figures

- 7. As disclosed in note 32 to the to the financial statements, the corresponding figures for 31 March 2020 were restated as a result of an error in the financial statements of the public entity and for the year ended, 31 March 2021.
- 8. The Accounting Authority is responsible for the preparation and fair presentation of the financial statements in accordance with the SA Standards of GRAP and the requirements of the PFMA, and for such internal control as the Accounting Authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
- 9. In preparing the financial statements, the Accounting Authority is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the public entity or to cease operations, or has no realistic alternative but to do so.

Auditor-General's responsibilities for the audit of the financial statements

- 10. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decision of users taken on the basis of these financial statements.
- 11. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Report on the audit of the annual performance report

Introduction and scope

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

- 13. My procedures address the usefulness and reliability of the reported performance information, which must be based on the public entity's approved performance planning documents. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also do not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
- 14. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programme presented in the public entity's annual performance report for the year ended 31 March 2021:

Objectives	Pages in the annual performance report
Programme 2: Enforcement of the National Credit Act	28 - 31
	33 - 35

- 15. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indications and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
- 16. I did not identify any material findings on the usefulness and reliability of the reported performance information for this programme:
 - Programme 2 enforcement of the National Credit Act

Other matters

17. I draw attention to the matters below

Achievement of planned targets

18. Refer to the annual performance report on pages 27 to 35 for information on the achievement of planned targets for the year and management's explanations provided for the under/over-achievement of targets

Adjustment of material misstatements

19. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information of programme 2 – enforcement of the National Credit Act. As management subsequently corrected the misstatements, I did not raise any material findings on the usefulness and reliability of the reported performance information. Report on the audit of compliance with legislation.

Report on the audit of compliance with legislation

Introduction and scope

- 20. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the public entity's compliance with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
- 21. The material findings on compliance with specific matters in key legislation are as follows:

Annual financial statements and performance report

- 22. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework, as required by section 55(1)(b) of the PFMA.
- 23. Material misstatements of disclosure items in financial instruments, operating lease commitments, commitments, receivables from non-exchange transactions and the statement of comparison of budget and actual amounts identified by the auditors in the submitted financial statements were corrected, resulting in the financial statements receiving an unqualified opinion.

Other information

- 24. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report, which includes the audit committee's report. The other information does not include the financial statements, the auditor's report and those selected programmes presented in the annual performance report that have been specifically reported in this auditor's report.
- 25. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion on it.
- 26. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected programmes presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

27. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, and if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected, this will not be necessary.

Internal control deficiencies

- 28. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. 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.
- 29. Management did not implement adequate internal controls to ensure the preparation of accurate annual financial statements and an annual performance report. The material misstatements in the financial statements resulted in instances of material non-compliance.

Auditor-General

Pretoria 1 September 2021



Auditing to build public confidence

Annexure - Auditor-General's responsibility for the audit

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

Financial statements

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

Communication with those charged with governance

- 3. I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
- 4. I also provide the accounting authority with a statement that I have compiled with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

4. Annual Financial Statements

INDEX

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

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The annual financial statements set out on pages 72 to 105, which have been prepared on the going concern basis, were approved by the accounting authority on 01 September 2021 and were signed by:



N. Motshegare
Accounting Authority

Statement of Financial Position as at 31 March 2021

	2021	2020
Note(s)	R	R

Assets		
Current Assets		
Receivables from exchange transactions 3	1 047 796	592 416
Receivables from non-exchange transactions 4	435 211	2 234 798
Cash and cash equivalents 5	68 014 206	65 720 804
	69 497 213	68 548 018
Non-Current Assets		
Property, plant and equipment 6	11 208 617	9 352 879
Intangible assets 7	4 235 752	2 931 077
	15 444 369	12 283 956
Total Assets	84 941 582	80 831 974

Liabilities		
Current Liabilities		
Income received in advance 8	3 412 092	3 133 357
Payables from exchange transactions 9	14 560 854	6 113 015
Payables from non-exchange transactions 10	25 146 775	34 331 664
Provisions 11	267 883	8 520 529
Operating lease liability 13	1 299 549	1 114 544
Total Liabilities	44 687 153	53 213 109
Net Assets	40 254 429	27 618 865

Statement of Financial Performance

	2021	2020
Note(s)	R	R

Revenue		
Revenue from exchange transactions		
Other revenue 14	128 289	364 429
Interest received – investment 15	2 340 066	3 555 070
Total revenue from exchange transactions	2 468 355	3 919 499

Revenue from non-exchange transactions		
Transfer revenue		
Fee revenue 16	47 383 882	49 416 539
Transfer payment 17	71 272 000	86 580 000
Other revenue 18	16 683 317	24 337 933
Total revenue from non-exchange transactions	135 339 199	160 334 472
Total revenue	137 807 554	164 253 971

Expenditure		
Personnel expenditure 1	(76 466 554)	(89 612 380)
Operating expenses 2	(19 962 555)	(25 727 643)
Administrative expenses 2	(23 426 574)	(29 165 289)
Depreciation and amortisation 7&	(5 316 307)	(6 982 441)
Total expenditure	(125 171 990)	(151 487 753)
Operating Surplus 2	12 635 564	12 766 218
Surplus for the year	12 635 564	12 766 218

Statement of Changes in Net Assets

	Accumulated surplus R	Total net assets R
Balance at 01 April 2019	14 852 647	14 852 647
Surplus for the year	12 766 218	12 766 218
Balance at 01 April 2020	27 618 865	27 618 865
Surplus for the year	12 635 564	12 635 564
Balance at 31 March 2021	40 254 429	40 254 429

Cash Flow Statement

	2021	2020
Note(s)	R	R

65 720 804

68 014 206

62 869 749

65 720 804

Cash flows from operating activities			
Receipts			
Cash receipts from applicants and registrants		48 018 379	49 910 611
Transfers received		71 272 000	86 580 000
Interest income		2 340 066	3 555 070
Payment Distribution Agency – Interest		16 344 652	24 145 288
Other receipts		1 166 822	177 146
Total Receipts		139 141 919	164 368 115
Payments			
Cash paid to employees		(83 748 236)	(89 265 494)
Cash paid to suppliers		(43 210 024)	(65 839 145)
Total payments		(126 958 260)	(155 104 639)
Net cash flows from operating activities	23	12 183 659	9 263 476
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(5 232 793)	(1 702 821)
Purchase of other intangible assets	7	(4 657 464)	(4 709 600)
Net cash flows from investing activities		(9 890 257)	(6 412 421
Net increase in cash and cash equivalents		2 293 402	2 851 055

Cash and cash equivalents at the beginning of the year

Cash and cash equivalents at the end of the year

Statement of Comparison of Budget and Actual Amounts

Budget on cash basis

Approved budget R	Adjustments R	Final Budget R	Actual amounts on comparable cash basis R	Difference between final budget and actual R	Reference
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Statement of Financial Performance							
Revenue							
Fee revenue	52 002 273	_	52 002 273	47 383 882	(4 618 391)	N1	
Transfer payment	72 981 000	(1 709 000)	71 272 000	71 272 000	-		
Interest	2 415 000	_	2 415 000	2 340 066	(74 934)		
Other income	32 114 129	_	32 114 129	16 801 763	(15 312 366)	N2	
Total income	159 512 402	(1 709 000)	157 803 402	137 797 711	(20 005 691)		

Expenditure						
Personnel expenditure	(109 157 097)	18 825 941	90 331 156	76 466 554	(13 864 602)	N3
Communication costs	(2 944 439)	(918 003)	3 862 442	4 005 256	142 814	
Consumer education and communication	(9 602 442)	(1 004 000)	10 606 442	10 391 364	(215 078)	
Professional fees	(12 066 849)	(3 676 858)	15 743 707	8 630 905	(7 112 802)	N4
General expenses*	(6 749 838)	230 823	6 519 015	4 110 405	(2 408 610)	N5
Information technology	(3 164 816)	(134 297)	3 299 113	2 357 712	(941 401)	
Premises and equipment costs**	(7 883 337)	(2 388 799)	10 272 136	7 721 924	(2 550 212)	N6
Stakeholder communication	(599 500)	35 806	563 694	263 107	(300 587)	
Debt counselling initiatives	(1 585 000)	827 537	757 463	677 179	(80 284)	
Total expenditure	(153 753 318)	11 798 150	141 955 168	114 624 406	(27 330 762)	

Capital expenditure						
Assets						
Non-Current Assets						
Property, plant and equipment	(4 523 084)	(6 114 323)	(10 637 407)	(5 232 793)	5 404 614	N7
Intangible assets	(1 236 000)	(3 974 827)	(5 210 827)	(4 657 464)	553 363	
Total Assets	(5 759 084)	(10 089 150)	(15 848 234)	(9 890 257)	5 957 977	

Approved budget R	Adjustments R	Final Budget R	Actual amounts on comparable cash basis R	Difference between final budget and actual R	Reference
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Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Cash receipts from applicants and registrants	84 116 402	-	84 116 402	65 529 853	(18 586 549)	
Transfer payment	72 981 000	(1 709 000)	71 272 000	71 272 000	-	
Interest income	2 415 000	-	2 415 000	2 340 066	(74 934)	
Total Receipts	159 512 402	(1 709 000)	157 803 402	139 141 919	(18 661 483)	

Payments						
Cash paid to employees	(109 157 097)	18 825 941	(90 331 156)	(83 748 236)	6 582 920	
Cash paid to suppliers	(44 596 221)	(7 027 791)	(51 624 012)	(43 210 024)	8 413 988	
Total Payments	(153 753 318)	11 798150	(141 955 168)	(126 958 260)	14 996 908	
Net cash flows from operating activities	5 759 084	10 089150	15 848 234	12 183 659	(3 664 575)	

Cash flows from investing activities						
Additions to property, plant and equipment	(4 523 084)	(6 114 323)	(10 637 407)	(5 232 793)	5 404 614	
Intangible Assets	(1 236 000)	(3 974 827)	(5 210 827)	(4 657 464)	553 363	
Net cash flows from investing activities	(5 759 084)	(10 089 150)	(15 848 234)	(9 890 257)	5 957 977	
Net increase/(decrease) in cash and cash equivalents	_	-	_	2 293 402	2 293 402	
Cash and cash equivalents at the beginning of the year	_	-	-	65 720 804	65 720 804	
Cash and cash equivalents at the end of the year	_	_	_	68 014 206	68 014 206	

Statement of Comparison of Budget and Actual Amounts (continued)

The NCR was originally allocated funding of R82.278m which was received in April 2020, however, due to the Covid-19 pandemic, the NCR was instructed by the dtic during the financial year to return funds amounting to R9,297m in July 2020 and a further R1.709m in December 2020. Management had to revise the approved budget and make adjustments within the various line items to accommodate this reduction in the budget.

Narrations have been provided for variances above R1 million.

- N1: The negative variance of R4.618m (9%) is due to the decommissioning of the National Loans Register, which resulted in under collection of NLR fees from credit bureaus. There has also been a decrease in the number of registrants and an increase branches that operating by registrants that have closed.
- **N2:** The negative variance of R15.312m (44%) is due to less PDA related activities undertaken such as travelling, workshops in quarter three being put on hold due to COVID-19 restrictions.
- N3: The positive variance of R13.864m (15%) is due to delays in filling of posts and the reversal of bonuses in line with government directives.
- **N4:** The positive variance of R7.112m (45%) is due to postponement of the re-engineering of the Debt Help system (DHS), services for co-sourcing of PDA compliance, impact assessment projects to the new financial year and decommissioning of National Loans Register (NLR) system which resulted in NLR MANCO professional services being suspended.
- **N5:** The positive variance of R2.408m (37%) is due to savings in internal audit commencing later than planned, additional insurance for the furniture for the new building and travelling halted due to COVID-19 pandemic restrictions.
- **N6:** The positive variance of R2.550m (25%) is due to delay in procurement the additional building cleaning and security services provider.
- N7: The positive variance of R5.404m (50%) is due to the delay in delivery of laptops ordered and the procurement of security equipment.
- * The general expenses actual expenditure amount excludes non-cash items comprising of loss on disposal of assets of R341 568, bad debts written off of R4.858m and forex loss of R30 882 in order to ensure comparability between budget and actual amounts.
- ** The premises and equipment actual expenditure excludes depreciation expenditure of R5.316m as it is a non-cash item in order to ensure comparability between budget and actual amounts.

Other non-cash items

Accruals	
Professional fees	(2 218 899)
General expenses	(138 110)
Information technology	(2 210)
Stakeholder communication	(6)
Premises and equipment costs	(112 818)
Personnel costs	(4 432 441)
	(6 904 484)
Other provisions	
Professional fees	(89 850)
General expenses	(177 096)
Information technology	(327)
Premises and equipment costs	(609)
	(267 882)
Operating lease	
Building	(185 005)

Accounting Policies

1. SIGNIFICANT ACCOUNTING POLICIES

The National Credit Regulator (NCR) is a National Public Entity as specified in schedule 3A of the Public Finance Management Act (PFMA), Act No. 1 of 1999 (as amended by Act 29 of 1999). The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to the years presented, unless otherwise stated.

These audited annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand. A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

1.1 BASIS OF PREPARATION

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

In applying accounting policies management is required to make various judgements, apart from those involving estimation, which may affect the amount of items recognised in the financial statements. Management is also required to make estimates of the effects of uncertain future events which could affect the carrying amounts of certain assets and liabilities at the reporting date. Actual results in the future could differ from estimates which may be material to the 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.

1.2 FOREIGN CURRENCY TRANSLATION

Items included in the financial statements are presented using the currency of the primary economic environment in which the NCR operates (functional currency). The functional currency of the NCR and the presentation currency is the South African Rand (ZAR) and all amounts are stated to the nearest rand (R).

1.3 BORROWING COSTS

Section 66 of PFMA prohibits the NCR from borrowing unless such borrowing has been effected through the Minister of Finance. Partial exemption to this prohibition has been granted through Practice Note 5 of 2006 which allow the NCR to enter into finance leases. Refer to the accounting policy 1.7: Finance leases. All other borrowing costs are recognised as an expense in the period in which they are incurred.

1.4 REVENUE FROM EXCHANGE TRANSACTIONS

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

Revenue from exchange transactions is recognised when the right to the revenue has been established and is recorded at the following dates:

 Skills development levies recovered
 Date of receipt

 Reimbursements
 Date of receipt

 Proceeds from insurance claim
 Date of receipt

 Proceeds from sale of tender documents
 Date of receipt

Measurement

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

Accounting Policies (continued)

1.5 STATUTORY RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Non-exchange transactions are defined as transactions where the NCR receives value from another entity without directly giving approximately equal value in exchange.

Statutory receivables are receivables that arise from legislation, supporting regulations or similar means, and require settlement by another entity in cash or another financial asset. The transaction amount for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means. The NCR initially measures statutory receivables at their transaction amount. The NCR measures statutory receivables after initial recognition using the cost method. The carrying amount is the amount at which an asset is recognised in the statement of financial position. The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

Accounts receivables are measured at initial recognition at fair value plus transaction costs and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The provision for bad debts recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. The carrying amount of the asset is reduced through the use of a provision for bad debts account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When accounts receivable is uncollectible, it is written off against the provision for bad debts account.

Fee revenue

Fee revenue is recognised when the right to the revenue has been established and is recorded at the following dates:

Application fees Date of registration or withdrawal or rejection

Registration fees Recognised in full at renewal date

Branch fees Date of registration
National loans register fees Date of service delivery

Replacement certificates fees Date of invoice
Payment Distribution Agency interest Date of service delivery

Prescribed income

Prescribed income relates to the recognition as income of unidentified and unclaimed receipts from applicants and registrants in line with the Prescription Act No. 68 of 1969. Prescribed income is recognised and recorded at the date of prescription.

Government grants

Government grants received for project purposes are recognised in the Statement of Financial Position as deferred revenue upon receipts when there is a reasonable assurance that the NCR will be able to comply with the conditions attached to the grant. Such grants are recognised as revenue when the conditions of the grant have been met.

The portion of the grant relating to projects that compensates the NCR for expenses incurred is recognised as revenue in the Statement of Financial Performance on a systematic basis over the same period in which the expenses are incurred.

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

Payment distribution agency income

The NCR treats the revenue from Payment Distribution Agency Interest similarly to government grants. Once conditions are met as prescribed by the PDA policy, revenue is recognised in the Statement of Financial Performance at the date of service delivery (i.e. when investigations and consumer education expenditure has been incurred as prescribed by policy) with a corresponding reduction in liability in the Statement of Financial Position.

The interest received from Payment Distribution Agencies, interest earned in the PDA account (FNB bank account) and unidentified consumer funds creates a payable from non exchange.

Transfers

Transfers for operational activities are recognised as revenue on receipts. Where appropriate, the NCR will recognise an asset arising from portion of the transfer when it gains control of resources that meet the definition of an asset and satisfy the recognition criteria.

1.6 INVESTMENT REVENUE

Investment revenue is recognised on a time-proportion basis using the effective interest rate method.

1.7 LEASES

Operating leases – lessee

The leases that the NCR enters into as lessee, and where the lessor retains substantially all risks and rewards of ownership of the underlying asset, are classified as operating leases. Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

Finance leases - lessee

The leases where substantially all the risks and rewards of ownership of the underlying asset are transferred to the NCR, are classified as finance leases. Assets held under finance leases are initially recognised as assets at their fair value at the inception of the lease or, if lower, at 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. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the Statement of Financial Performance. Contingent rentals are recognised as expenses in the years in which they are incurred.

1.8 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

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

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

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses. Subsequent costs are included in the asset's carrying amount only when it is probable that the future economic benefits or service potential associated with the item will flow to the NCR and the cost of item can be measured reliably. Maintenance and repairs which neither materially add to the value of the assets nor appreciably prolong their useful lives, are expensed during the financial year in which they are incurred .

The assets residual values, depreciation method and useful lives are reviewed and adjusted if appropriate, at each financial year end. Management re-assessed the useful lives of leasehold improvements that had been fully depreciated. The revised useful lives were revised to be in line with the current lease terms.

If any item of property, plant and equipment is derecognised upon disposal or when no future economic benefits or servicepotential are expected from its use or disposal, the gain or loss if any (calculated as the difference between the net disposal proceeds, if any, and the carrying amount of the asset) is included in the Statement of Financial Performance in the year the asset is derecognised.

Accounting Policies (continued)

1.8 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Depreciation on property, plant and equipment is calculated using the straight line method to allocate their cost over their useful lives.

Item	Depreciation method	Average useful life
Machinery	Straight line	7 years
Furniture and fittings	Straight line	10 years
Motor vehicles	Straight line	7 years
Office equipment	Straight line	3 – 7 years
Computer equipment	Straight line	3 – 7 years
Leasehold improvements	Straight line	Remaining period of lease
Security equipment	Straight line	3 – 7 years
ICT operational system	Straight line	5 – 7 years

1.9 INTANGIBLE ASSETS

An 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 assets 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.

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

An intangible asset is recognised when:

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

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

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

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred. An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- · there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- · there are available technical, financial and other resources to complete the development and to use or sell the asset.
- · the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses. An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

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

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Item	Depreciation method Average useful life	
Computer software	Straight line	1 – 7 years
Human resource system	Straight line	5 – 7 years
Software Licenses	Straight line	License period

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 is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

1.10 IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS

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

At each reporting date, the NCR reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets may be impaired.

An asset is impaired when its recoverable amount is less than its carrying value. In this instance, the carrying value of the asset is reduced to its recoverable amount. This reduction is an impairment loss, which is recognised immediately in the Statement of Financial Performance.

The reversal of an impairment loss of assets other than goodwill is recognised immediately in the Statement of Financial Performance.

1.11 PROVISIONS

Provisions are recognised when the NCR has a present legal or constructive obligation as a result of past events, for which it is probable that the NCR will be required to settle the obligation, and where a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the Statement of Financial Position date, taking into account the risks and uncertainties surrounding the obligation. Where the effect of time value of money is material, the provision is discounted to the present value of the expected cash flows required to settle the obligation. The nature of the provision applicable to the entity are fully explained in note 11 of the annual financial statement.

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 contingent liability is defined as a possible obligation depending on whether some uncertain future event occurs or a present obligation however payment is not probable or amount cannot be measured reliably.

A contingent asset is defined as a possible asset that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 30 of the annual financial statement.

Accounting Policies (continued)

1.12 EMPLOYEE BENEFITS

Short-term employee benefits

The cost of short-term employee benefits is recognised in the period in which the service is rendered and are not discounted. The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Retirement benefits

The NCR provides retirement benefits for all its permanent employees through a defined contribution provident fund scheme which is subject to the Pension Funds Act, no. 24 of 1956 as amended. All the NCR's permanent employees are covered by the provident fund. The contributions to the fund are charged as an expense as and when they accrue.

1.13 FINANCIAL INSTRUMENTS

Financial assets at amortised cost.

NCR classifies financial assets held at amortised cost. Financial assets at amortised costs have fixed or determinable payments and are initially recognised at fair value plus transaction costs using the trade date accounting and subsequently measured at amortised cost using the effective interest rate method, less any impairment.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each end of the reporting period to determine whether there is objective evidence that as a result of one of more event that occurred after the initial recognition of financial assets the estimated future cash flows of the assets have been negatively impacted.

For financial assets, significant evidence include:

- · significant financial difficulty of the issuer or obligator, or
- · default or delinquency in interest or principal payments, or
- the probability that the issuer will enter bankruptcy or financial re-organisation.

For assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

Reversals of impairment losses are recognised in surplus or deficit.

Initial recognition and measurement

Financial instruments are recognised initially when the NCR becomes party to the contractual provisions of the instruments. The NCR classifies financial instruments, or their component parts, on initial recognition as financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual agreement. For financial instruments which are not of fair value, transaction costs are included in the initial measurement of the instrument.

Subsequent measurement of financial assets and financial liabilities

 $Financial\ instruments\ at\ amortised\ cost\ are\ subsequently\ measured\ at\ amortised\ cost,\ using\ the\ effective\ interest\ rate\ method.$

Cash and cash equivalents

Cash and cash equivalents comprises of cash on hand, deposits held on call with banks all of which are available for use by the NCR unless otherwise stated. These are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability and subsequently recorded at amortised cost.

Financial Liabilities

Financial liabilities which include accounts payable and other payables are initially recognised at fair value and subsequently measured at amortised costs using the effective interest rate method. Accounts payables and other payables are only discounted when the effects of discounting are material and once the initial credit period granted consistent with the terms used in the public sector either through established practices or legislation have elapsed.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same customer on substantially different terms to the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position only when the NCR has a legally enforceable right to set off amounts and intends to either to settle on a net basis or realise the asset and liability simultaneously.

Receivables from exchange transactions

Other receivables are classified as financial assets at amortised cost. An entity shall remove a financial liability (or a part of a financial liability) from its statement of financial position when, and only when, it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived. An entity shall derecognise 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

Payables from exchange transactions

Trade payables are initially measured at fair value plus transaction costs and are subsequently measured at amortised cost, using the effective interest rate method.

Payables from non exchange transactions

Payables from non exchange relates to Payment Distribution Agency (PDA) interest. It is initially and subsequently measured at fair value plus transaction costs. It consists of interest received from PDAs, interest earned in the PDA account (FNB bank account) and unidentified consumer funds.

Once conditions (i.e. when investigations and consumer education expenditure has been incurred) are met as prescribed by the PDA policy, the reduction in liability is recognised in the Statement of Financial Position.

1.14 RELATED PARTIES

As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to to be related parties.

Key management is defined as those individuals with authority and responsibility 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.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed. Refer to note 25.

1.15 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. Refer to note 29.

Accounting Policies (continued)

1.16 IRREGULAR EXPENDITURE

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

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

Irregular expenditure is to be recorded in the notes to the financial statements when confirmed. The amount recorded must be equal to the value of the irregular expenditure incurred, unless it is impractical to determine, in which case reasons therefore must be provided in the notes.

Irregular expenditure receivables are measured at the amount that is expected to be recovered and de-recognised when settled or written-off as irrecoverable. Refer to note 28.

1.17 BUDGET INFORMATION

NCR is subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by NCR shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget covers the fiscal period from 2020/04/01 to 2021/03/31.

The annual financial statements and the budget are not on same basis of accounting. The budget is prepared on the cash basis. A reconciliation between the Statement of Financial Performance and the budget have been included in the audited annual financial statements.

Comparative information is not required.

1.18 SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINITY

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

Trade receivables and other receivables

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

The impairment for trade receivables and receivables is calculated on an individual basis, based on historical performance, adjusted for specific current economic conditions and other indicators present at the reporting date that correlates with the defaults on the debtor.

Impairment testing

NCR reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets.

Provisions

In all the provisions that are raised, management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 11 – Provisions.

Useful lives of assets

NCR's management determines the estimated useful lives and related depreciation charges for the tangible and intangible assets. Management adjusts the depreciation charge where useful lives are different than previously estimated useful lives.

1.19 COMMITMENTS

Items are classified as commitments when an 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 should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.20 EVENTS AFTER REPORTING DATE

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

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

An entity shall adjust the amounts recognised in its financial statements to reflect adjusting events after the reporting period.

An entity shall not adjust the amounts recognised in its financial statements to reflect non-adjusting events after the reporting period.

Notes to the Annual Financial Statements

2. NEW STANDARDS AND INTERPRETATIONS

2.1 STANDARDS AND INTERPRETATIONS ISSUED, BUT NOT YET EFFECTIVE

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

Standard/Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 25 – Employee benefits	01 April 2021	Minimal Impact
GRAP 104 (amended): Financial Instruments	01 April 2021	Minimal Impact

3. RECEIVABLES FROM EXCHANGE TRANSACTIONS

	2021 R	2020 R
Deposits	658 125	270 000
Prepaid expenses	389 671	135 133
Accrued Revenue	-	187 283
	1 047 796	592 416

4. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

4.1 OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTION

	2021 R	2020 R
Other receivables from non-exchange revenue	-	295 832
PDA interest receivable	435 211	1 938 966
	435 211	2 234 798

The PDA interest receivable is the interest payable to the NCR by the Payment Distribution Agencies which comprises of the interest generated from the consumer unidentified funds.

Other receivables have no balance due to the decommissioning of the National Loans Register at the end of August 2020.

4.2. STATUTORY RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS IMPAIRED

As at 31 March 2021, included in the receivables from non-exchange transactions are trade account receivable balances of R10 190 804 (2020:R8 515 940). In line with section 51 of NCA, renewal fees from registrants are due on the 31 July annually. All trade account receivables past due at the end of the financial year 31 March are impaired and provided for.

Statutory receivables past due and impaired	Current	31 - 60 Days	61 - 90 Days	91 a	and over	Balance
2020/2021	(6 888)	748 459	(34 063)		9 483 296	10 190 804
					202 ⁻	1 2020 R R
Gross					10 190 80	8 515 940
Provision for bad debts					(10 190 80	4) (8 515 940)

Reconciliation of provision for impairment of receivables from non-exchange transactions

	2021 R	2020 R
Opening balance	8 515 940	5 181 354
Provision for impairment	4 858 826	4 472 754
Amount Utilised	(3 183 962)	(1 138 168)
	10 190 804	8 515 940

5. CASH AND CASH EQUIVALENTS

	2021 R	2020 R
Cash on hand	1 764	566
Bank balances	202 019	217 615
Call accounts	34 099 597	24 072 330
PDA account	33 710 826	41 430 293
	68 014 206	65 720 804

Cash and cash equivalents balances include an amount of R33 710 826 (2020:R41 430 293) held in the PDA account. This relates to the interest earned on monies held by the Payment Distribution Agents on behalf of consumers. The Minister of Trade and Industry has approved a policy on the utilisation of these funds for investigation, enforcement and consumer education activities effective from the 15th October 2015.

6. PROPERTY, PLANT AND EQUIPMENT

	2021				2020	
	Cost/ Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost/ Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Computer equipment	9 304 425	(4 051 738)	5 252 687	7 678 890	(3 995 718)	3 683 172
Furniture and fittings	3 785 693	(2 134 495)	1 651 198	3 219 579	(1 922 722)	1 296 857
Machinery	292 363	(203 613)	88 750	257 113	(187 265)	69 848
Office equipment	2 496 971	(1 096 100)	1 400 871	2 082 917	(957 799)	1 125 118
Leasehold improvements	2 758 840	(1 700 514)	1 058 326	2 454 951	(1 438 228)	1 016 723
Security equipment	1 408 426	(934 213)	474 213	1 327 437	(804 168)	523 269
ICT operational system	1 047 900	(742 590)	305 310	8 519 902	(6 882 010)	1 637 892
Motor vehicles	1 048 404	(71 142)	977 262	-	-	-
Total	22 143 022	(10 934 405)	11 208 617	25 540 789	(16 187 910)	9 352 879

Notes to the Annual Financial Statements (continued)

PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Other additions**	Disposals	Adjustments*	Depreciation	Total
Computer equipment	3 683 172	2 617 099	1 098	(278 877)	8 237	(778 042)	5 252 687
Furniture and fittings	1 296 857	561 147	7 095	(106)	(17)	(213 778)	1 651 198
Machinery	69 848	35 250	-	-	-	(16 348)	88 750
Office equipment	1 125 118	548 726	550	(32 459)	9 716	(250 780)	1 400 871
Leasehold improvements	1 016 723	337 673	1 100	(10 020)	318	(287 468)	1 058 326
Security equipment	523 269	84 494	-	(572)	(14 931)	(118 047)	474 213
ICT operational system	1 637 892	_	-	(1 081 812)	-	(250 770)	305 310
Motor vehicles	-	1 048 404	-	-	-	(71 142)	977 262
	9 352 879	5 232 793	9 843	(1 403 846)	3 323	(1 986 375)	11 208 617

Reconciliation of property, plant and equipment – 2020

	Opening balance	Additions	Disposals	Adjustments	Depreciation	Total
Computer equipment	3 395 371	917 577	(186 707)	1 189	(444 258)	3 683 172
Furniture and fittings	1 448 383	122 993	(53 906)	(11)	(220 602)	1 296 857
Machinery	83 806	-	-	_	(13 958)	69 848
Office equipment	898 325	507 593	(91 812)	(168)	(188 820)	1 125 118
Leasehold improvements	1 176 691	99 848	(15 335)	48	(244 529)	1 016 723
Security equipment	616 150	54 810	(24 012)	(584)	(123 095)	523 269
ICT operational system	2 700 476	-	-	-	(1 062 584)	1 637 892
	10 319 202	1 702 821	(371 772)	474	(2 297 846)	9 352 879

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of **Financial Performance**

	2021 R	2020 R
Furniture and fittings	-	2 893
Leasehold improvements	95 278	118 102
Security equipment	21 388	17 819
Office equipment	-	_
Machinery	6 650	53 726
Computer equipment	-	29 618
	123 316	222 158

^{*} Adjustments comprises of reclassification and/or corrections within asset classes during the year.

** Other additions comprises of non current assets identified during the physical vertication process and brought to the fixed asset register.

7. INTANGIBLE ASSETS

	2021			2020			
	Cost/ Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost/ Valuation	Accumulated amortisation and accumulated impairment	Carrying value	
Computer software	5 905 956	(2 966 326)	2 939 630	7 045 282	(4 577 081)	2 468 201	
Intangible assets – WIP	649 290	-	649 290	358 191	-	358 191	
Human resource system	654 625	(7 793)	646 832	1 429 908	(1 325 223)	104 685	
Total	7 209 871	(2 974 119)	4 235 752	8 833 381	(5 902 304)	2 931 077	

Reconciliation of intangible assets - 2021

	Opening balance	Additions	Disposals	Adjustments*	Amortisation	Total
Computer software	2 468 201	3 711 740	(19 534)	(3 323)	(3 217 454)	2 939 630
Intangible assets – WIP	358 191	291 099	-	-	-	649 290
Human resource system	104 685	654 625	-	-	(112 478)	646 832
	2 931 077	4 657 464	(19 534)	(3 323)	(3 329 932)	4 235 752

Reconciliation of intangible assets - 2020

	Opening balance	Additions	Disposals	Revaluations	Amortisation	Total
Computer software	5 268 350	4 351 409	(2 665 655)	(475)	(4 485 429)	2 468 201
Intangible assets – WIP	-	358 191	-	_	_	358 191
Human resource system	303 851	_	_	_	(199 166)	104 685
	5 572 201	4 709 600	(2 665 655)	(475)	(4 684 595)	2 931 077

Intangible assets in the process of being constructed or developed Cumulative expenditure recognised in the carrying value of Intangible assets

	2021 R	2020 R
Intangible assets under development	649 290	358 191

The intangible assets recorded as work in progress refers to the automation of the MS GP Dynamics system that was implemented during the year under review. The diagnostic, analysis, design and development stages have been completed. The automated MS GP Dynamics system is expected to be launched during the 2021/22 financial year.

^{*} Adjustments comprises of reclassification and/or corrections within asset classes during the year.

Notes to the Annual Financial Statements (continued)

8. INCOME RECEIVED IN ADVANCE

	2021 R	2020 R
Income received in advance	3 412 092	3 133 357

Income received in advance comprise of application fees and renewal fees received in advance from registrants as well as registrants' accounts with credit balances. Income received in advance is reflected as non-exchange revenue when recognised in the statement of financial performance.

9. PAYABLES FROM EXCHANGE TRANSACTIONS

	2021 R	2020 R
Trade payables	7 656 370	1 946 487
Accruals	6 904 484	4 166 528
	14 560 854	6 113 015

The trade payables are due and payable within 30 days from the date of receipt of invoice.

10. PAYABLES FROM NON-EXCHANGE TRANSACTIONS

10.1 PAYMENT DISTRIBUTION AGENTS (PDA) INTEREST

	2021 R	2020 R
Balance unspent at the beginning of year	34 331 664	45 980 373
Current Receipts	7 159 763	12 496 579
	41 491 427	58 476 952
Conditions met to transfer revenue (refer to note 18)	(16 344 652)	(24 145 288)
Balance unspent at the end of year	25 146 775	34 331 664

The PDA interest transaction is accounted for in terms of GRAP 23: Revenue from non-exchange transactions. Once all the conditions are met, payables from non-exchange transactions are reduced and revenue is recognised. Included in the balance at year end are unidentified consumer funds amounting to R23 568 145 (2020:R22 605 088).

Current receipts include all cash flows and accruals for the year.

11. PROVISIONS

Reconciliation of provisions - 2021

	Opening Balance	Additions	Reversed during the year	Total
Provision for bonuses	7 281 683	7 100 015	(14 381 698)	-
Other provisions	1 238 846	256 173	(1 227 136)	267 883
	8 520 529	7 356 188	(15 608 834)	267 883

Reconciliation of provisions - 2020

	Opening Balance	Additions	Utilised during the year	Total
Provision for bonuses	6 934 797	7 100 014	(6 753 128)	7 281 683
Other provisions	1 541 564	53 459	(356 177)	1 238 846
	8 476 361	7 153 473	(7 109 305)	8 520 529

Performance bonuses were not paid by the NCR for the period relating to 01 April 2019 to 31 March 2020 and 01 April 2020 to 31 March 2021 due budget cuts relating to the COVID-19 pandemic.

Other provisions are due to present obligations for which it is probable that the NCR will be required to settle them but it is uncertain as to the timing of the settlement. These relate to invoices from service providers which are in dispute, hence uncertainty as to the timing of the settlement of these invoices.

12. COMMITMENTS

Authorised expenditure

2021	2020
R	R

Already contracted for but not provided for		
Insurance	86 792	327 984
Cleaning services	1 450 672	1 908 368
Removal and usage of copiers and printers	2 100 386	1 876 846
Hosting of website	200 292	296 432
Ethics hotline	96 867	2 875
Security services	1 709 661	3 038 057
Staff wellness	119 167	200 564
Advertising	3 516 593	771 436
Mail archiving	1 164 896	1 664 137
Debt counselling examinations	86 030	162 655
Mineral water supply	5 203	8 866
Fax to e-mail	76 128	105 597
Network infrastructure	687 899	962 105
Media monitoring	-	51 405
Call centre maintenance and support	420 578	944 128
Postal services	315 000	385 000
Annual report and annual performance plan	779 859	1 110 932
Internal audit	3 094 290	4 000 000
Registrations certificates	161 254	544 810
Cell phones and 3G cards	285 823	1 034 063
Disaster recovery implementation	582 773	614 137
Building maintenance	556 313	216 480
Offsite storage services	180 000	737 851
Asset disposal	102 196	123 351
Microsoft software licenses	868 231	2 105 493
Bulk sms	443 851	315 359

Notes to the Annual Financial Statements (continued)

12. COMMITMENTS (CONTINUED)

Authorised expenditure (continued)

	2021 R	2020 R
PDA interest utilisation audit	146 873	302 558
PDA audit reviews	351 421	1 054 264
Pre-paid stamps	933 991	1 227 698
Great plains enhancement	1 114 235	1 333 690
DHS hosting	27 080	162 481
Photocopier paper	377 100	19 892
Cisco equipment and licenses	38 640	534 049
Window decals	1 263 664	1 794 794
Occupational health and safety	462 043	323 970
Groceries	-	282 525
BEE verification	37 260	-
HR system – SAGE	1 520 966	-
HR system – Hosting	63 825	-
GP licences	3 026 998	-
Firewall and VPN	69 911	-
Cisco server and other equipment (Computer equipment)	323 713	-
Microfile licences	145 536	-
Background screening	147 427	-
Diesel	386 342	-
HR Assessments	79 567	-
Servers (Computer equipment)	4 516 998	-
Research	265 238	-
EMP501 submission-SAP	147 066	-
Policies review	34 270	-
Additional office branding	261 000	-
Tracing agency	73 735	-
Laptops (Computer equipment)	753 905	-
Data backup solution	135 322	-
Network cables and server rack (Computer equipment)	210 075	-
Relocation of furniture	49 940	-
Job grading	137 470	
Audit panel	1 500 000	
Legal panel	34 899 257	
Labour matters	1 737 369	
Sanitisation	57 239	
Wooden door (Leasehold improvement)	39 055	
Total commitments	74 425 285	30 544 852

Capital expenditure commitments

2021	2020
R	R

Class of assets		
Computer equipment	5 804 691	_
Leasehold improvement	39 055	_
Intangible assets	6 176 312	4 387 369
Total capital expenditure commitments	12 020 058	4 587 369

2021	2020
R	R

Already contracted but not provided for		
Capital expenditure	12 020 058	4 587 369
Operational expenditure	62 405 227	25 957 483
	74 425 285	30 544 852

The expenditure will be financed through the annual transfer from the Department of Trade, Industry and Competition (dtic) and the annual fees from registrants. The above amounts relate to the value of the commitment over the remaining period of the commitments.

13. OPERATING LEASE

2021	2020
R	R

Minimum lease payments due – Building		
Within one year	4 422 202	2 600 622
In second to fifth year inclusive	11 641 693	8 018 585
	16 063 895	10 619 207

Operating lease liability		
Building	1 299 549	1 114 544

The operating lease is for the NCR office premises which are located at 127 – 15th Road, Randjespark, Midrand. The lease term is seven (07) years which commenced on 1st May 2017 and expires on the 30th April 2024. The lease rentals escalate at 8% per annum on the lease anniversary date.

The NCR has an additional office which is located on 232 – 15th Road, Randjespark, Midrand. The lease term is five (05) years which commenced on 1st September 2020 and expires on the 30th August 2025. The lease rentals escalate at 8% per annum on the lease anniversary date.

The operating lease costs have been straight-lined over the lease term and a deferred operating lease expense has been raised. The deferral will amount to nil at the end of the lease term. No contingent rental is payable.

2021	2020
R	R

Minimum lease payments due – Franking machine		
Within one year	40 967	40 967
In second to fifth year inclusive	85 348	126 315
	126 315	167 282

The franking machine lease term is five (05) years which commenced on 1st May 2019 and expires on the 30th April 2024. The lease rentals escalation is 0% per annum.

Notes to the Annual Financial Statements (continued)

13. OPERATING LEASE (CONTINUED)

2021	2020
R	R

Minimum lease payments due – Billboard		
Within one year	1 159 337	-
In second to fifth year inclusive	1 255 948	-
	2 415 285	-

The billboard lease term is three (03) years which commenced on 1st May 2020 and expires on the 30th April 2023. The lease rentals escalate at 3% per annum on the lease anniversary date.

2021	2020
R	R

Minimum lease payments due – Printers and copiers		
Within one year	481 065	426 616
In second to fifth year inclusive	409 963	782 129
	891 028	1 208 745

The printer and copiers lease term is three (03) years which commenced on 1st February 2020 and expires on the 31st January 2023. The lease rentals escalation is 0% per annum.

14. OTHER EXCHANGE REVENUE

	2021 R	2020 R
Skills development levies recovered	118 026	156 226
Reimbursements	420	490
Proceeds from insurance claim	-	20 430
Other income	-	187 283
Adjustment on non current assets	9 843	_
	128 289	364 429

15. INVESTMENT REVENUE

2021	2020
R	R

Interest revenue		
Bank	2 340 066	3 555 070

16. FEE REVENUE

	2021 R	2020 R
Application fees	814 000	909 350
Registration fees	35 685 615	35 956 484
Branch fees	10 284 970	10 571 675
National loans register fees	541 597	1 808 180
Replacement certificate fees	57 700	170 850
	47 383 882	49 416 539

National loans register fees has reduced due to the decommissioning of the National Loans Register at the end of August 2020 thus resulting in the under collection of NLR fees from credit bureaus.

17. TRANSFERS

2021	2020
R	R

Operating grants		
Transfer from the dtic	71 272 000	86 580 000

The dtic contributes to the operational activities of the NCR while also providing funding for specific projects.

18. OTHER NON-EXCHANGE REVENUE

	2021 R	2020 R
Prescribed income	338 665	192 645
Payment Distribution Agency – Interest	16 344 652	24 145 288
	16 683 317	24 337 933

Prescribed income relates to the recognition as income of unidentified and unclaimed receipts in line with the Prescription Act No 68 of 1969. The prescribed income was previously reflected under current liabilities in the statement of financial position.

Payment Distribution Agency interest relates to the amount recovered by the NCR as per approved PDA interest utilisation policy with effect from 15th of October 2015.

19. PERSONNEL EXPENDITURE

	2021 R	2020 R
Salaries	71 114 186	70 215 014
Contributions to retirement fund	7 544 882	7 526 548
Medical aid – company contributions	4 348 823	3 950 303
Temporary staff	-	12 251
Training Levies – SDL	740 346	808 250
Bonuses	(7 281 683)	7 100 014
	76 466 554	89 612 380

Bonuses were not paid for the prior years and subsequently reversed.

Notes to the Annual Financial Statements (continued)

20. OPERATING EXPENSES

	2021 R	2020 R
Professional fees	8 630 905	12 093 644
Consumer education	10 391 364	11 964 911
Stakeholder communication	263 107	873 596
Debt counselling initiatives	677 179	795 492
	19 962 555	25 727 643

21. ADMINISTRATIVE EXPENSES

	2021 R	2020 R
Premises and equipment*	7 721 925	7 095 967
Communication costs	4 005 256	3 088 229
Information technology	2 357 712	2 606 203
General expenses	9 120 184	15 568 616
Other staff costs**	221 497	806 274
	23 426 574	29 165 289

2021	2020
R	R

General expenses comprise of:		
Audit fees	3 057 495	3 219 106
Bank charges	98 639	157 819
Audit and risk committee fees	244 820	260 997
Insurance	228 491	156 646
Bad debts	4 858 826	4 473 004
Subscriptions	14 674	36 905
Travel and accommodation	71 888	4 150 640
Consumables	172 901	68 950
Loss on disposal of assets	341 568	3 037 427
Forex Loss	30 882	7 122
	9 120 184	15 568 616

Included in premises and equipment is repairs and maintenance of fixed assets.
 Included in other staff costs is refreshments, training and recruitment fees.

22. OPERATING SURPLUS

2021	2020
R	R

Operating surplus for the year is stated after accounting for the following:		
Audit fees	3 057 495	3 219 106
Audit and Risk Management Committee fees	244 820	260 997
Operating lease payments building	3 666 510	2 606 487
Bad debts	4 858 826	4 473 004
Loss on disposal of assets	341 568	3 037 427
	12 169 219	13 597 021
Amortisation on intangible assets	3 329 932	4 684 595
Depreciation on property, plant and equipment	1 986 375	2 297 846
Personnel expenditure	76 466 554	89 612 380

23. CASH GENERATED FROM OPERATIONS

	2021 R	2020 R
Surplus for the year	12 635 564	12 766 218

Adjustments for:		
Depreciation and amortisation	5 316 307	6 982 441
Movements in operating lease	185 005	218 604
Movements in provisions	(8 252 641)	44 168
Loss on disposal of assets	341 567	3 037 427
Retirement of non current asset	1 081 812	_
Other non-cash items	(9 843)	-

Changes in working capital:		
Receivables from exchange transactions	(455 380)	(54 706)
Receivables from non-exchange transactions	1 799 587	168 850
Payables from exchange transactions	8 447 835	(1 812 552)
Income received in advance	278 735	(438 265)
Payables from non-exchange transactions	(9 184 889)	(11 648 709)
	12 183 659	9 263 476

Notes to the Annual Financial Statements (continued)

24. EXECUTIVE MANAGEMENTS' EMOLUMENTS

Executive

2021

	Salary R	Provident fund contributions R	Travel allowance R	Performance Bonus R	Medical aid contributions R	Medical aid subsidy R	Total R
N. Motshegare	2 696 098	306 858	108 000	-	111 057	24 300	3 246 313
O Tongoane	2 143 106	234 432	84 000	_	_	24 300	2 485 838
J Meyer	1 522 375	169 999	_	-	92 625	24 300	1 809 299
L Mashapa	1 500 534	157 951	-	-	-	24 300	1 682 785
	7 862 113	869 240	192 000	-	203 682	97 200	9 224 235

2020

	Salary R	Provident fund contributions R	Travel allowance R	Performance Bonus R	Medical aid contributions R	Medical aid subsidy R	Total R
N Motshegare	3 068 585	306 858	108 000	157 885	104 154	22 830	3 768 312
O Tongoane	2 344 322	234 432	84 000	139 668	_	22 830	2 825 252
J Meyer*	991 667	99 167	_	_	51 461	13 260	1 155 555
F Malaza**	631 750	_	_	_	_	_	631 750
L Mashapa	1 579 509	157 951	_	121 450	_	22 830	1 881 740
	8 615 833	798 408	192 000	419 003	155 615	81 750	10 262 609

^{*} Appointed in September 2019 ** Contract ended in August 2019

25. RELATED PARTIES

Relationships	Nature of relationship
Members of key management	Contractual relationship refer to note 24
Department of Trade, Industry and Competition	Controlling entity
National Companies Tribunal	Entity under common control
Export Credit Insurance Corporation of South Africa	Entity under common control
National Consumer Commission	Entity under common control
National Consumer Tribunal	Entity under common control
National Gambling Board	Entity under common control
National Lotteries Commission	Entity under common control
National Regulator for Compulsory Specifications	Entity under common control
National Empowerment Fund	Entity under common control
National Metrology Institute of South Africa	Entity under common control
South African Bureau of Standards	Entity under common control
South African Accreditation System	Entity under common control
Companies and Intellectual Properties Commission	Entity under common control
International Trade Administration Commission	Entity under common control
Competition Commission	Entity under common control
Industrial Development Corporation	Entity under common control

Related party transactions

Department of Trade, Industry and Competition		
Transfer of payments received	71 272 000	86 580 000
Remuneration of management (refer to note 24)	9 224 235	10 262 609

26. RISK MANAGEMENT

Financial risk management

The NCR's Finance function provides services to the organisation, monitors and manages the financial risks relating to the operations of the NCR, through analysing the organisation's degree and magnitude of risks.

In the ordinary course of business, the NCR is exposed to a number of risks as described below:

Liquidity risk

Management monitors rolling forecasts of the NCR's cash and cash equivalents on the basis of expected cash flow.

The table below analyses the NCR's financial liabilities into relevant maturity groupings based on the remaining period at the Statement of Financial Position date to the contractual maturity date.

Financial liabilities at fair value	Payable in less than 3 months R	Total R
At 31 March 2021	_	
Trade Payables	14 560 854	14 560 854
	Payable in less than 3 months R	Total R
At 31 March 2020		
Trade Payables	6 113 015	6 113 015

Credit risk

Credit risk represents the potential loss to the NCR as a result of unexpected defaults or unexpected deterioration in the credit worthiness of counterparties. The NCR's credit risk is primarily attributable to its receivables. Revenue is accrued as described in the applicable accounting policy. The carrying amount of trade receivables represents the NCR's maximum exposure to credit risk.

With regard to credit risk arising from the other financial assets, which comprise cash and cash equivalents, the NCR's exposure arises from a potential default of the counterparty where credit rating is constantly monitored, with a maximum exposure of R34 303 380 (2020: R24 290 511) to the carrying amount of these instruments. The institution in which funds have been placed is monitored on a quarterly basis to assess any potential risks. Cash and cash equivalents are only placed with banking institutions with a good credit rating.

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

	R	R
Financial instruments		
Receivables from exchange transactions	658 125	270 000
Bank and call accounts	34 303 380	24 290 511

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate owing to changes in market interest rate.

The interest rate exposure analysis below have been determined based on the NCR's exposure to cash held with the bank on call and in the current account at the reporting date.

2021	2020
R	R

Exposure to interest rate risk is set out below:		
Cash and cash equivalents	68 014 206	65 720 804
Less: amount held in PDA account	(33 710 826)	(41 430 293)
	34 303 380	24 290 511

27. CHANGE IN ACCOUNTING ESTIMATE

During the period under review, management re-assessed the remaining useful lives of non current assets that had been fully depreciated (nil net book value). The revised remaining useful lives is three (3) years and (30) thirty days which is in line with current lease term for property, plant and equipment. The revised intangible useful life for Caseware software was revised in line with the computer equipment useful life. The effect of this revision has resulted in a decreased depreciation/amortisation charge for the period under review and increased depreciation/amortisation charge for the future periods by R627 637 (2020:R659 622).

2021	2020
R	R

The impact of the change in estimate is as follows:		
Effect on the statement of financial performance		
Depreciation	(598 965)	(659 622)
Amortisation	(28 672)	-
Effect on the statement of financial position		
Accumulated depreciation	598 965	659 622
Accumulated amortisation	28 672	-
	-	-

28. IRREGULAR EXPENDITURE

	2021 R	2020 R
Opening balance	6 848 536	6 845 833
Irregular Expenditure – current	1 290 386	2 703
Less: Amounts condoned	(19 401)	_
Less: Monies recovered	(2 703)	_
	8 116 818	6 848 536

Analysis of expenditure awaiting condonation per age classification

	2021 R	2020 R
Current year	1 270 985	2 703
Prior years	6 845 833	6 845 833
	8 116 818	6 848 536

Details of irregular expenditure

	2021 R	2020 R
Legal fees for investigation matters	6 845 833	6 845 833
Professional fees	1 270 985	2 703
	8 116 818	6 848 536

The irregular expenditure of R6 845 833 relates to the misinterpretation and late implementation of the National Treasury Instruction Note 3 of 2016/2017.

The irregular expenditure of R19 401 occurred because two (2) candidates was sent for psychometric assessment despite budget being depleted. The irregular expenditure was condoned and necessary action was taken against the employee.

The irregular expenditure of R1 240 802 was identified due to approval not obtained for exceeding/varying a contract greater than 15%. The matter is still under investigation.

The irregular expenditure of R9 750 occurred because the service provider was not requested to submit the local production and content SBD form.

The irregular expenditure of R20 433 occurred due to preference points that was incorrectly calculated..

29. FRUITLESS AND WASTEFUL EXPENDITURE

	2021 R	2020 R
Penalties incurred		3 615
Less: Monies received		(3 615)

30. CONTINGENCIES

The NCR received favourable and unfavourable court rulings on several legal matters which were taken on appeal and in some matters application for leave to appeal is currently pending. The High Court rulings included the awarding of legal costs to the NCR and against the NCR. The actual costs are not yet known and could not be reliably estimated which are wholly dependent on the outcome of the appeals.

31. GOING CONCERN

The NCR's annual financial statements as at the 31 March 2021 have been prepared on a going concern basis. The economic viability and going concern of NCR is supported by the dtic, therefore the NCR's management is certain that the organisation will be able to continue as the going concern in the foreseeable future.

Management has put measures in place to increase revenue and ensure the going concern ability of NCR. Some of these measures comprise, the review of registrant's fees and uncapping of credit provider branch fees.

32. PRIOR PERIOD ERROR

During the presentation of the financial statements for the current financial year, commitments relating to Microsoft licenses disclosed, was amended for the financial year 2019/2020. Commitments relating to the franking machine and printers and copiers disclosure was moved to the operating lease note. As a result, all relevant notes related to prior year financial statements has been restated.

There was no impact on the statement of financial position, performance and changes in equity.

The impact on the disclosure in commitments (refer to note 12) and operating lease (refer to note 13) to the financial statements were as follows:

Commitments

	Previously Disclosed	Restated
Franking machine	167 282	-
Printers and copiers	3 112 248	1 876 847
Microsoft licenses	2 812 331	2 105 493
	6 091 861	3 982 340

Operating lease

	Previ Disc	ously losed Restate	ed
Franking machine		- 167 2	282
Printers and copiers		- 1 208 7	'45
		1 376 0)27



