



ANNUAL REPORT

2023|2024

30 YEARS OF DEMOCRACY



NCR premises at 232, 15th Road, Randjespark, Midrand



NCR premises at 127, 15th Road, Randjespark, Midrand

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PART

A

**GENERAL
INFORMATION**

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

Switchboard: 011 554 2600/2700

Toll Share: 0860 627 627
0860 NCR NCR

Email address

Complaints: complaints@ncr.org.za

Enquiries: info@ncr.org.za

Website address

www.ncr.org.za

External auditor's information

Auditor-General of South Africa

4 Daventry Street,
Lynnwood Bridge Office Park,
Lynnwood Manor,
Pretoria
Tel: 012 426 8000

Banker's information

Standard Bank of South Africa

Acting Company Secretary

Adv. Kedilatile Legodi

LIST OF ABBREVIATIONS/ACRONYMS

AA	Accounting Authority
ADRA	Alternative Dispute Resolution Agent
AGSA	Auditor-General of South Africa
APP	Annual Performance Plan
ARMC	Audit and Risk Management Committee
B-BBEE	Broad-Based Black Economic Empowerment
CB	Credit Bureau
CBA	Credit Bureau Association
CBI	Corporate Banking Institution
CBM	Credit Bureau Monitor
CCM	Consumer Credit Market
CCR	Central Credit Register
CEC	Consumer Education Committee
CEO	Chief Executive Officer
CIF	Credit Industry Forum
COVID-19	Novel Coronavirus Disease
CP	Credit Provider
CPF	Consumer Protection Forum
CPO	Consumer Protection Officer
CSD	Central Supplier Database
<i>dtic</i>	Department of Trade, Industry and Competition
DC	Debt Counsellor
DCRS	Debt Counselling Rules System
DHS	Debt Help System
DPME	Department of Planning, Monitoring and Evaluation
EAP	Employee Assistance Programme
EE	Employment Equity
ECDPW	Eastern Cape Department of Public Works
FBO	Faith-Based Organisations
FIC	Financial Intelligence Centre
FPISA	Financial Planning Institute of Southern Africa
FSCA	Financial Sector Conduct Authority
FSCEF	Financial Services Consumer Education Foundation
FSP	Financial Services Provider
4IR	Fourth Industrial Revolution
GBV	Gender-based Violence
GCIS	Government Communications and Information System
GRAP	Generally Recognised Accounting Practice
HR	Human Resources
ICCR	International Committee on Credit Reporting
ICT	Information and Communication Technology

List of abbreviations/acronyms (continued)

IFC	International Finance Corporation
IFWG	Intergovernmental Fintech Working Group
J-KPI	Joint Key Performance Indicator
MFSA	Microfinance South Africa
MSWSA	Money Smart Week South Africa
MoU	Memorandum of Understanding
NAMFISA	Namibian Financial Institutions Supervisory Authority
NCA	National Credit Act
NCC	National Consumer Commission
NCFEC	National Consumer Financial Education Committee
NCR	National Credit Regulator
NCT	National Consumer Tribunal
NGB	National Gambling Board
NGO	Non-governmental Organisation
NRCS	National Regulator for Compulsory Specification
NT	National Treasury
NYDA	National Youth Development Agency
OHS	Occupational Health and Safety
PDA	Payment Distribution Agent
PFMA	Public Finance Management Act
POPIA	Protection of Personal Information Act
PSC	Public Service Commission
QCTO	Quality Council for Trades and Occupations
SACRRA	South African Credit and Risk Reporting Association
SANCA	South African National Council on Alcoholism and Drug Dependence
SAPS	South African Police Service
SARB	South African Reserve Bank
SARS	South African Revenue Service
SASSA	South African Social Security Agency
SCA	Supreme Court of Appeal
SCM	Supply Chain Management
SCOPA	Standing Committee on Public Accounts
SLA	Senior Legal Advisor
TR	Treasury Regulations
WCF	Workman's Compensation Fund
	Definitions used to measure performance
Effective	Successful in producing a desired or intended result
Enhance	Improve the quality of performance
Facilitate	To make an action or process easier
Support	To give assistance



Foreword by the Minister of Trade, Industry and Competition

It is my pleasure to table the annual report of the National Credit Regulator (NCR) for the 2023/24 financial year.

The report is presented in the 30th year of our country's democracy, and it is gratifying to see in this report how much the regulator has accomplished in its 19 years of existence to facilitate the social and economic advancement of South Africa through responsible consumer-credit granting.

Having established a robust regulating capability that includes monitoring, enforcement and education strategies and tactics, the NCR is increasingly developing innovative approaches to enhance fairness and eliminate discriminatory practices in the consumer-credit market.

By making it possible for a broader dataset to be considered when determining a consumer's creditworthiness, the NCR is advancing financial inclusion. Furthermore, the imminent inclusion of maintenance payment behaviour in a consumer's credit record has the potential to materially improve the lives of children by ensuring consequences for parents who default on their obligations. The NCR is also doing ground-breaking work with the support of the IFC to create technology solutions that will improve the viability of SMMEs in the credit-extension value chain.

I look forward to seeing the impact of these and other initiatives in the years to come.

During the past year, the NCR again achieved a Clean Audit Report, and secured in excess of R98 million in redress to consumers by way of monetary refunds and/or adjustments to outstanding account balances because of complaint evaluations, compliance monitoring and investigations. Education of consumers and credit providers continued, while efforts to engage proactively around compliance were stepped up.

In all this, NCR implemented its core mandate, while contributing to the achievements of the dtic's three shared outcomes, namely, increased industrialisation, strengthened transformation in the economy and building a capable state. The purpose of these outcomes is to allow the entities in the dtic group – comprising regulators, financiers and technical institutions – to pool capacities and collaborate in the interest of making a tangible difference to the lives of South African people.

I extend a special word of thanks and appreciation to Ms Nomsa Motshegare who retired at the end of April 2024 after an exemplary and impactful tenure as Chief Executive Officer of the NCR. On behalf of the department, I wish her all of the very best for the future.

Thank you also to the management and the NCR staff for their efforts in the past year.

Mr Parks Tau, MP
Minister of Trade, Industry and Competition



Foreword by the Accounting Authority

PERFORMANCE OF THE NATIONAL CREDIT REGULATOR

The NCR is mandated to promote a fair and non-discriminatory consumer-credit marketplace and responsible credit granting, prohibit reckless lending and protect consumers through enforcement of the National Credit Act, No. 34 of 2005 (NCA).

Since its inception in 2005, the regulator has done much to create a consumer-credit environment that advances the social and economic welfare of South Africans. As our country celebrates 30 years of democracy in the current calendar year, we too are gratified by how far we have come in shaping a credit marketplace that facilitates job creation and promotes economic growth by demanding responsible and ethical behaviour from credit providers and informed decision-making from consumers.

Market conditions, consumer needs and technology keep changing and advancing, while new generations of consumers need education and support to become more active participants in and directors of their credit journeys. It is our task to keep adjusting and being prepared to meet these requirements.

Furthermore, we are becoming more attuned to situations that require collaboration to address non-compliance.

Negligence and flagrant disregard of the law are always met with stringent enforcement action, but where non-compliance is due to factors outside the control of our registrants, we explore collaborative solutions.

Visibility meetings with reseller credit bureaus and ever increasing collaboration with public and private sector entities to educate all stakeholders in the credit-extension value chain are key components of proactive regulation. Through these interventions we are able to act decisively and in the best interests of our stakeholders.

As part of our focus to achieve an improved regulatory environment that supports economic growth and a fair, transparent and competitive credit market, we will be exploring creative solutions that take a consumer's full financial reality into account during the credit-granting decision-making process. The sterling support we enjoy from the International Finance Corporation in this regard is discussed elsewhere in the report.

Overall focus during the period

Our strategic focus during the previous planning period was on improving the regulatory environment and ensuring the enforcement of the NCA. In achieving these objectives, the regulator focused on two programmes:

1. Improved regulatory environment
The programme promotes financial inclusion (access to credit) and economic growth through educational awareness and facilitating job creation.
2. Enforcement of the NCA
The programme promotes a fair, responsible and accessible consumer credit market through the enforcement of the NCA.

In recent years, **the dtic** introduced a shift from activities to impact targets. The objective is to create real impact for South Africans by combining all the efforts of the department and its entities. To this end, **the dtic** introduced 45 output targets and the NCR contributes to 7 of these.

These focus areas were aligned to the three shared outcomes introduced by **the dtic**, namely, industrialisation to promote jobs and rising incomes, transformation to build an inclusive economy and building a capable state to ensure improved impact of public policies.

Key accomplishments

Regulatory targets		Ministerial priority outputs	
Achieved	6	Achieved	2
Exceeded	6	Exceeded	4
		Substantially achieved	1
Total	12	Total	7
Total percentage			
Regulatory targets + Ministerial key priority outputs			= 19
18 (achieved/exceeded)/total targets (19)			= 95%

I am proud to highlight the following accomplishments achieved by the NCR team and various stakeholders during the 2023/24 financial year.

Good corporate governance

The NCR obtained a clean audit report for the 2023/24 financial year, extending its exemplary record of clean audit opinions throughout its history. We are rightfully proud of our commitment to prudent financial management and corporate governance.

Performance Information

Programme 1: Improved Regulatory Environment

Delivering on this programme included:

- Conducting consumer education and awareness campaigns and activities regarding deceptive and unfair practices and consumer rights in general,
- Improving the efficiency of the registration process of persons and entities.

Programme 2: Enforcement of the NCA

The enforcement of the Act entailed:

- Improving compliance with regulations pertaining to the total cost of credit (including credit life insurance);

- Investigating credit providers for reckless lending;
- Taking enforcement action where necessary by the end of the financial year; and
- Improving compliance by encouraging credit bureaus to remove paid-up judgements and adverse consumer credit information.

Collaborative projects

Update on projects with the IFC

During 2021, the NCR and the IFC of the World Bank Group concluded a memorandum of cooperation to partner on various projects:

Onboarding Project

As a member of the International Committee on Credit Reporting (ICCR), the NCR undertook to collaborate with the IFC on various projects to improve credit information reporting in South Africa. One of these is the Onboarding Project, which seeks to leverage technology to improve the resilience and compliance of small credit providers.



The IFC visited the NCR on 19 February 2024, the delegation was joined by the South African Credit & Risk Reporting Association (SACRRA), TechSprint Winners and Runner Up as part of its South African Reporting and Financial Inclusion Programme mission.

Foreword by the Accounting Authority (continued)

Under the auspices of the Onboarding Project, and in a first for a South African regulator, the NCR and the IFC, with the support of the Government of Japan, hosted a virtual techsprint and showcase event. The purpose was to identify service providers capable of developing an affordable application solution that will make it easier for small credit providers to submit data to credit bureaus while still complying with Regulation 19 (13) of the NCA.

Credit Reporting & Financial Inclusion Project

Understanding that a variety of data can be used when assessing a consumer's creditworthiness, the NCR entered into a memorandum of agreement with the IFC to carry out a diagnostic study during 2022 to determine the nature of so-called alternative data available in the country. Examples are tenants' rental history and the record a small retailer builds up through a trading account with a wholesaler. The study recommended setting up pilot projects with hosting bureaus to test the predictive value of the alternative data. The pilots ran until the end of 2023, at which point the initial MoA and first phase of the project were concluded.

The NCR and the IFC have since concluded a phase 2 MoA aimed at improving the quality and quantity of consumer credit information hosted by credit bureaus. Under this MoA, the IFC will provide advisory services and technical assistance to the NCR for the following activities:

- a) Promote the adoption and use of alternative data by completing the work initiated during phase 1 and fully integrating alternative data in the credit bureau space.
- b) Support the deployment of a credit registry as envisaged under Section 69 of the NCA. Intended as a tool to improve the regulatory monitoring of the credit market in South Africa, the registry will allow for granular data to inform policy and regulatory activities. The NCR and the IFC are currently assessing the scope and objectives of the register to identify technical and business requirements relevant to its establishment. The outcome will inform the way forward.
- c) Support commercial credit reporting for medium and small enterprises through the Business Credit & Risk Information (BusCRI) initiative. This has commenced in collaboration with SACCRA.
- d) Support the automation of the NCR's operational processes.
- e) Promote the use of cross-border credit information in the SADC region to give credit providers a holistic view of a consumer's financial status.
- f) Improve the transparency of credit underwriting models to demystify the variables that inform a person's credit score.

- g) Conduct a mutually agreed study to assist the NCR in fulfilling its mandate.
- h) Facilitate capacity building activities for the NCR, specifically regulatory study tours, peer-to-peer learning and knowledge exchanges.
- i) Support a project to review the NCR's data collection tools and enhance their relevance for current market conditions.
- j) Support an exercise to benchmark the NCR's operational and funding model against similar agencies.

MoU with the University of the Free State (UFS)

In recognition of the important role academia plays in the development of consumer protection laws, the NCR and the UFS agreed to forge a relationship that will see the NCR (and the National Consumer Commission) assisting in the development of content for the university's new master's degree module on consumer and credit law/consumer protection. The MoU that sets out the terms of the collaboration, was signed on 7 September 2023 and implementation will continue during 2024/25.

IRBA project

The project in conjunction with the Independent Regulatory Board for Auditors (IRBA) to review the Form 43 guideline is still underway. Our aim is to have a new guideline issued in time for the credit bureaus to use when preparing their reporting for 2025.

Maintenance defaulters

The project to include maintenance information on credit records progressed well in the past year. On 19 March 2024, at a meeting with the Department of Justice and Constitutional Development, the CPB credit bureau and Social Justice, the NCR was informed that the three institutions are finalising the MoU/A that will see the first batch of maintenance defaulters loaded at the credit bureaus. The MoA will be shared with the NCR for inputs and information sharing.

International collaboration

During the year, we hosted delegates from the central banks of Namibia and Uganda for discussions related to legislation that governs the sharing of credit information. In both countries the central banks, rather than a separate regulatory body, oversee the consumer credit market. The delegates therefore wanted to understand the NCA's data sharing provisions, the role of the NCR and how it monitors compliance in relation to data sharing.

Challenges

The NCR is working with the Department of Justice and Constitutional Development (DoJ) on the listing of maintenance orders and maintenance defaulters. DoJ indicated that there were some gaps and misalignment between the Maintenance Act and the NCA regulatory requirements that must be reconsidered.

In terms of human resources, we are still losing key personnel to the industry and find it difficult to attract and retain specialist skills, notably IT talent. One of our mitigating measures is to share resources with other entities to achieve mutually important outcomes. Consumer education, for instance, lends itself to such collaboration.

Another enduring challenge is the legacy ICT infrastructure and manual processes we still work with. It is imperative for

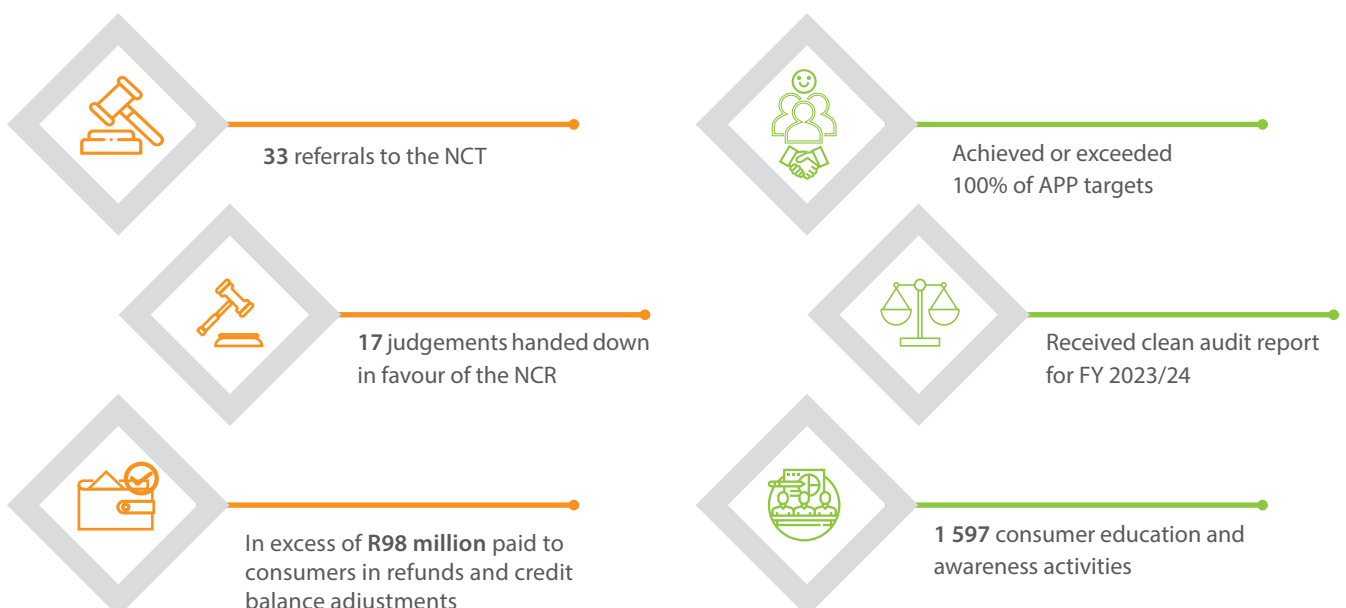
a regulator to keep up with the entities it oversees and given the highly digitised nature of modern banking, we cannot delay digitising our processes and improving efficiencies any further.

Our legislative framework poses a challenge in that the NCA was last amended in 2014, and as such does not provide for industry and technology advancements over the past decade. Implementing the Act in its current form sometimes impacts the NCR's regulatory, enforcement and consumer protection mandate. While guidelines have been developed in the absence of amendments, for instance to regulate debt counsellor fees, they cannot be effectively enforced unless included in the Act's regulations. The certainty required in implementing the legislation can only be achieved through well-considered amendments.



Highlights

Summary of key highlights during 2023/24:



OVERVIEW BY THE CHIEF EXECUTIVE OFFICER

General financial review

For the 2023/24 financial year, the NCR had a final approved budget of R141 652 032 (2022/23: R147 531 130). The NCR received R81 538 000 in funding from **the dtic** (2022/23: R83 241 000), which constituted 57% of the NCR's funding. The balance of R60 113 032 (2022/23: R64 290 130) was from registrant fees and other income.

Spending trends

The NCR used its budget as follows during the financial year under review:

Item	2023/24	2022/23
Programme expenditure	R13 238 292	R16 022 556
Personnel expenditure	R84 730 394	R79 570 097
Administrative and other expenditure	R29 186 557	R28 783 542
Capital expenditure	R7 969 604	R6 830 798

Challenges and capacity

Funding continued to be a challenge during the year under review. By implementing cost-cutting measures and improving efficiencies, the NCR was able to deliver against its strategic plan.

Reduced funding had a negative effect on the NCR's ability to attract and retain people with the right skills. Some positions had to be frozen, resulting in capacity constraints.

Discontinued activities

No activities were discontinued during the year under review.

New activities

No new activities were undertaken during the year under review.

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), 1999 (Act No. 1 of 1999) and Treasury Regulations (TR). These policies and procedures ensure that the NCR procures goods and services in a fair, competitive, transparent and equitable manner.

Concluded unsolicited bid proposals

No unsolicited bid proposals were concluded during the year under review.

Audit report matters in the previous year

The audit report for the 2023/24 financial year from the Auditor-General reflects the following:

NCR obtained a Clean Audit Opinion for the period under review.

Plans for the future to address unqualified financial challenges

The NCR team will continue finding innovative ways to augment the budget and new ways of working smarter in order to execute its legislative mandate. To increase capacity and boost staff complement, we will continue to recruit interns to assist with, in particular, information communication technology.

Events after the reporting date

The NCR is not aware of any events after the reporting date of 31 March 2024 that are likely to have a material impact on its financial results or operations.

Economic viability

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

Acknowledgments

I thank the NCR executive team, management and personnel for their hard work throughout the year. Their contributions make it possible for the NCR to achieve its mission and fulfil its mandate.

My sincere appreciation also goes to the members of the Audit and Risk Management Committee (ARMC) for providing oversight. I would also like to thank the previous Minister of Trade, Industry and Competition, Mr Ebrahim Patel, **the dtic** and the Portfolio Committee on Trade and Industry for their guidance and support.



Ms Lynette De Beer CA (SA)

Acting Chief Executive Officer

31 July 2024

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 (AFS) audited by the Auditor-General;
- The annual report is complete, accurate and is free from 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 F) have been prepared in accordance with the Generally Recognised Accounting Practice (GRAP) applicable to the public entity;
- The accounting authority (AA) 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, this annual report fairly reflects the operations, the performance information, the human resources information and the financial affairs for the financial year ended 31 March 2024.

Ms Lynette De Beer CA (SA)

Acting Chief Executive Officer

31 July 2024

Executive Committee



Ms Nomsa Motshegare
(Chief Executive Officer and Accounting Authority retired in April 2024)



Adv. Kedilatile Legodi
(Debt Counselling Manager and Acting Company Secretary)



Ms Lynette De Beer CA (SA)
(Chief Financial Officer, appointed as Acting Chief Executive Officer on 1 May 2024 following the retirement of Ms Nomsa Motshegare in April 2024)



Ms Nthupang Magolego
(Executive Senior Legal Advisor)

STRATEGIC OVERVIEW

Overall objectives

The National Credit Regulator aims to improve the regulatory environment and ensure the enforcement of the NCA as amended.

To achieve these objectives, the regulator focuses on:

- Programme: Improved regulatory environment.
- Programme: Enforcement of the National Credit Act.

The outcomes of these programmes are:

- Increased efficiency in registration of persons and entities to facilitate creation of job opportunities.
- Improved compliance through enforcement of the NCA.

Mission

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.*

Vision

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

Values

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.

LEGISLATIVE AND OTHER MANDATES

In terms of the PFMA, the NCR is a Schedule 3A public entity.

The purpose of the NCR 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 over-indebtedness;
- 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 NCR and the NCT;
- Promote and advance the social and economic welfare of South Africans; and
- Promote a fair, transparent, competitive, sustainable, responsible, efficient, effective and accessible credit market and industry.

The NCR enforces the provisions of the NCA by:

- Promoting informal resolution of disputes between consumers and credit providers, credit bureaus and/or debt counsellors;
- Receiving complaints regarding contraventions of the NCA;
- Monitoring the consumer credit market and industry to prevent, detect and/or prosecute contraventions;
- Investigating and evaluating alleged contraventions of the NCA;
- 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 NCT for adjudication.

The NCR 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 NCA;
- Providing guidance to the credit market and industry;
- Monitoring socioeconomic 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 NCR promotes public awareness around consumer credit matters by implementing education and information measures.

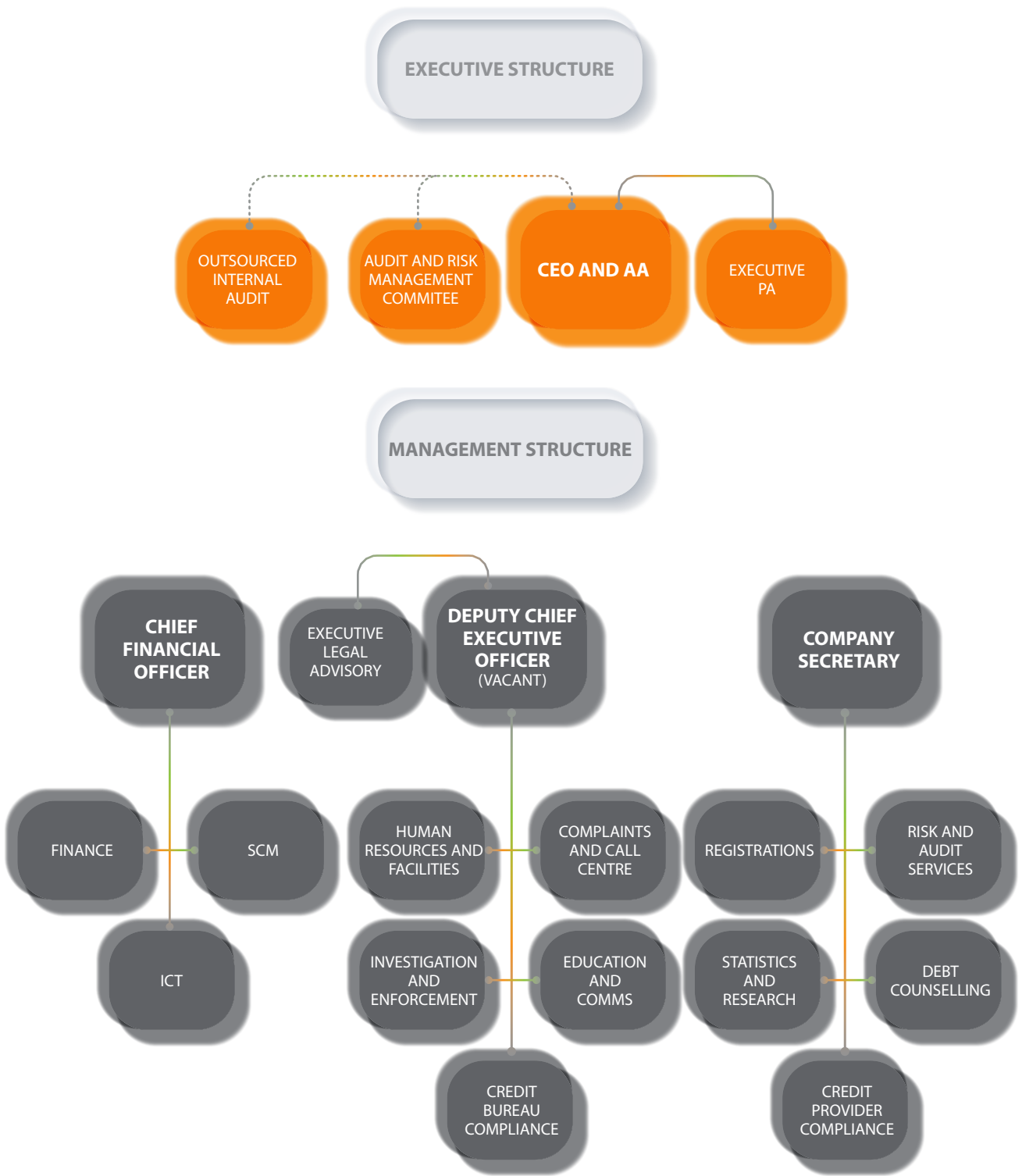
The NCR is also mandated to advise the minister of trade, industry and competition on matters of national policy relating to consumer credit and on the determination of national norms and standards regarding consumer protection.

Executive Support Team



ORGANISATIONAL STRUCTURE

The organogram provides a high-level overview of the organisational structure of the National Credit Regulator as at 31 March 2024.



STATISTICAL OVERVIEW OF THE CONSUMER-CREDIT MARKET

Credit bureaus

As at the end of March 2024, there were 55 registered credit bureaus that deal with consumer data. The number of consumers that are classified as impaired increased from 9.90 million in December 2023 to 10.09 million in March 2024. The deterioration was mainly due to the increase in the interest rates and tough economic times.

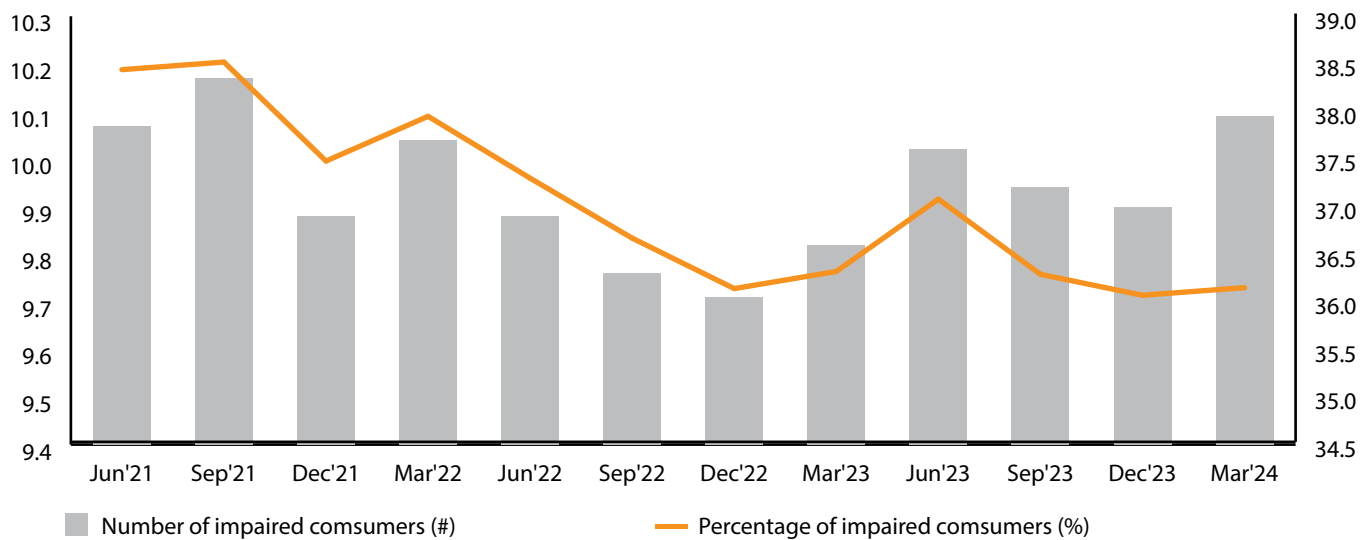
Credit standing of consumers

There were 27.92 million credit-active consumers as at the end of March 2024, an increase of 464 009 quarter on quarter and 854 191 year on year. Of these credit-active consumers, 63.88% were in good standing.

The number of consumers with impaired records (the inverse of those in good standing) increased by 190 428 to 10.09 million. Percentage wise this translates to 36.12% of credit-active consumers. Of these, 22.43% are three months or more in arrears, 11.06% have adverse listings and 2.64% have judgments and administration orders.

	21-Jun	21-Sep	21-Dec	22-Mar	22-Jun	22-Sep	22-Dec	23-Mar	23-Jun	23-Sep	23-Dec	24-Mar
Good standing (#)	16.14m	16.25m	16.50m	16.44m	16.63m	16.88m	17.19m	17.25m	17.03m	17.47m	17.56m	17.83m
Good standing (%)	61.59	61.51	62.55	62.08	62.73	63.36	63.89	63.71	62.95	63.74	63.96	63.88
Current (%)	53.6	53.79	54.64	53.93	54.8	55.6	55.81	55.47	55.49	55.65	56.08	56.04
1-2 months in arrears (%)	7.99	7.72	7.91	8.15	7.94	7.75	8.08	8.24	7.46	8.09	7.88	7.84
Impaired records (#)	10.07m	10.17m	9.88m	10.04m	9.88m	9.76m	9.71m	9.82m	10.02m	9.94m	9.90m	10.09m
Impaired records (%)	38.41	38.49	37.45	37.92	37.27	36.64	36.11	36.29	37.05	36.26	36.04	36.12
3+ months in arrears (%)	23.34	24.27	24.07	24.31	24.67	24.16	23.72	23.78	24.01	23.46	22.8	22.43
Adverse listings (%)	12.04	11.26	10.46	10.73	9.7	9.59	9.55	9.69	10.24	10.04	10.55	11.06
Judgments and administration orders (%)	3.03	2.96	2.92	2.88	2.9	2.89	2.84	2.81	2.81	2.76	2.69	2.64
Credit-active consumers (#)	26.22m	26.46m	26.38m	26.48m	26.52m	26.65m	26.90m	27.07m	27.05m	27.41m	27.46m	27.92m

Credit standing of consumers



Statistical overview of the consumer credit market (continued)

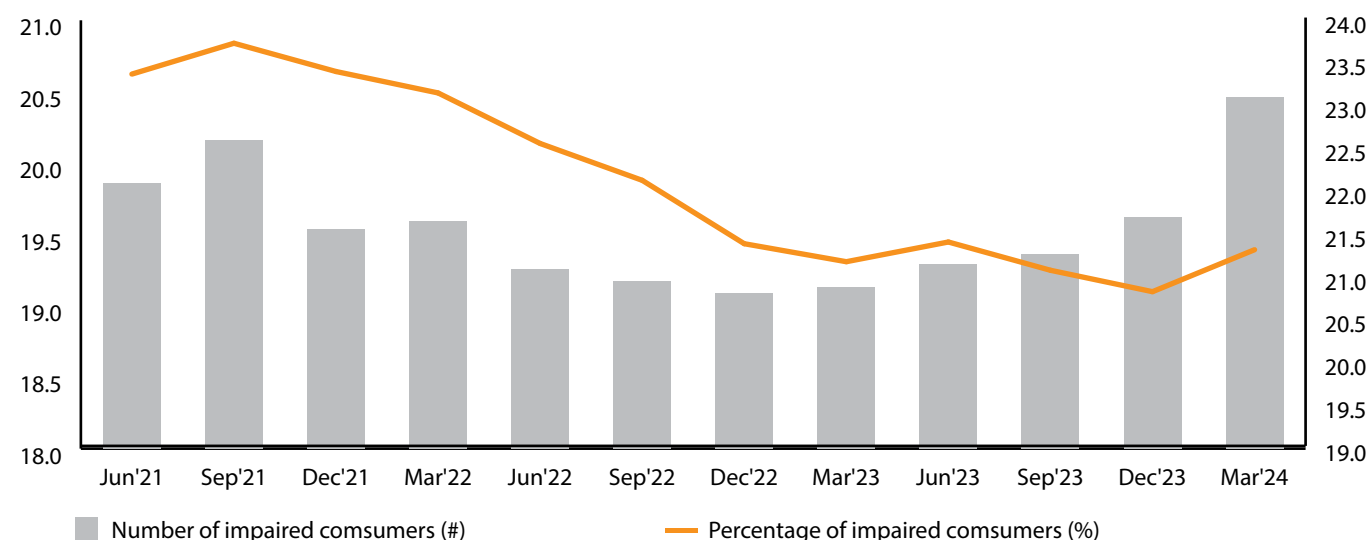
Credit standing of accounts

The number of credit-active accounts increased from 94.33 million to 96.10 million in the quarter ended March 2024. The number of impaired accounts has increased from 19.62 million (20.80%) to 20.46 million (21.29%) in March 2024, an increase of 832 858 quarter-on-quarter and 1.33 million year-on-year.

Credit standing of accounts

	21-Jun	21-Sep	21-Dec	22-Mar	22-Jun	22-Sep	22-Dec	23-Mar	23-Jun	23-Sep	23-Dec	24-Mar
Good standing (#)	65.22m	64.91m	64.08m	65.14m	66.23m	67.60m	70.28m	71.31m	70.92m	73.32m	74.71m	75.64m
Good standing (%)	76.66	76.3	76.63	76.88	77.47	77.9	78.64	78.85	78.62	78.95	79.2	78.71
Current (%)	70.47	70.25	70.59	70.53	71.44	71.97	72.62	72.57	72.86	73.32	73.42	72.75
1–2 months in arrears (%)	6.19	6.05	6.04	6.35	6.03	5.93	6.02	6.28	5.75	5.63	5.77	5.96
Impaired records (#)	19.86m	20.16m	19.54m	19.59m	19.26m	19.17m	19.09m	19.13m	19.29m	19.36m	19.62m	20.46m
Impaired records (%)	23.34	23.7	23.37	23.12	22.53	22.1	21.36	21.15	21.38	21.05	20.8	21.29
3+ months in arrears (%)	16.98	17.78	17.64	17.5	17.21	16.78	16.24	16.05	16.03	15.82	15.43	15.62
Adverse listings (%)	5.38	4.96	4.77	4.69	4.39	4.40	4.24	4.25	4.52	4.42	4.59	4.90
Judgments and administration orders (%)	0.98	0.96	0.96	0.93	0.93	0.92	0.88	0.86	0.83	0.81	0.79	0.77
Consumer accounts (#)	85.08m	85.07m	83.62m	84.73m	85.49m	86.77m	89.37m	90.44m	90.21m	91.94m	94.33m	96.10m

Accounts with impaired records



Credit granted

New credit granted decreased from R148.10 billion in the quarter ended December 2023 to R132.53 billion (10.51%) in the quarter ended March 2024.

Credit type granted

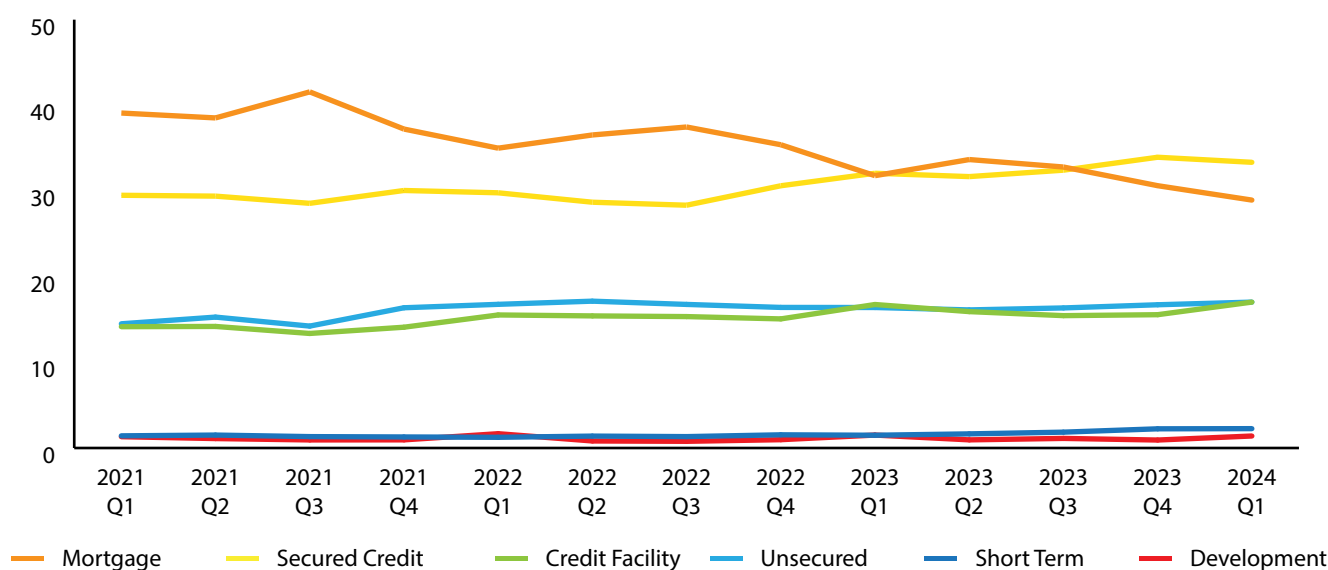
Agreement	2023-Q1 R	2023-Q2 R	2023-Q3 R	2023-Q4 R	2024-Q1 R	2024-Q1 % Distribution	% Change (Q1/Q4)	% Change (Y/Y)
Mortgage	45 067 547	47 814 194	46 660 544	45 346 127	38 355 779	28.94	(15.42)	(14.89)
Secured credit	45 467 184	44 987 158	46 142 737	50 261 692	44 193 545	33.35	(12.07)	(2.80)
Credit facility	23 746 234	22 607 132	21 980 288	23 046 537	22 563 600	17.03	(2.10)	(4.98)
Unsecured	23 251 160	22 896 289	23 254 987	24 761 188	22 572 708	17.03	(8.84)	(2.92)
Short term	2 109 825	2 344 914	2 633 749	3 312 586	2 990 633	2.26	(9.72)	41.75
Developmental credit	2 142 997	1 344 696	1 589 973	1 373 647	1 853 006	1.40	34.90	(13.53)
Total	141 784 947	141 994 383	142 262 278	148 101 777	132 529 271	100.00	(10.51)	(6.53)

New credit granted

The unsecured credit share of total credit granted decreased from R24.76 billion for the quarter ended December 2023 to R22.57 billion for the quarter ended March 2024.

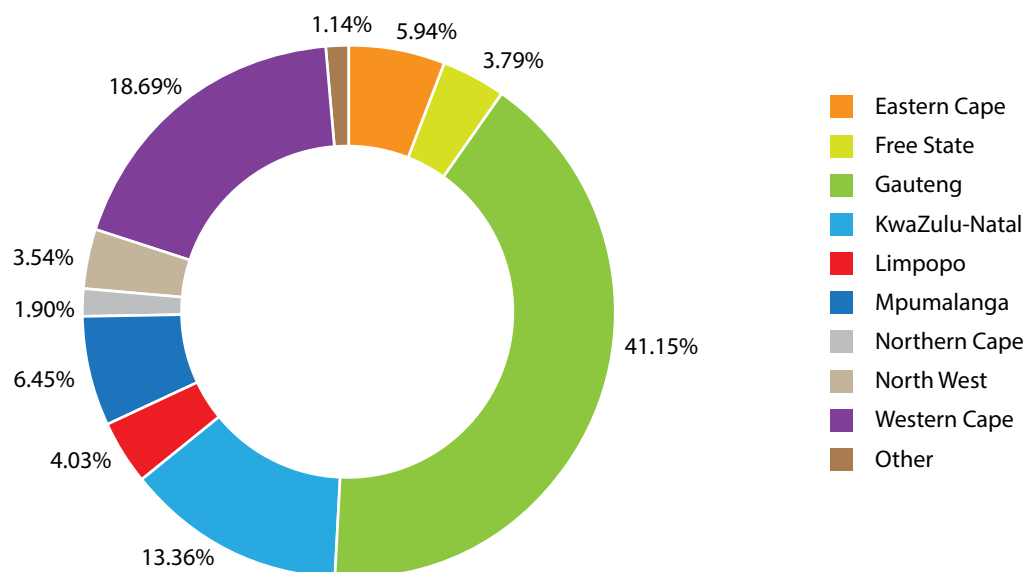
Mortgages' share of total credit granted decreased from R45.35 billion for the quarter ended December 2023 to R38.36 billion for the quarter ended March 2024.

Credit granted: percentage distribution



Statistical overview of the consumer credit market (continued)

Credit granted % distribution



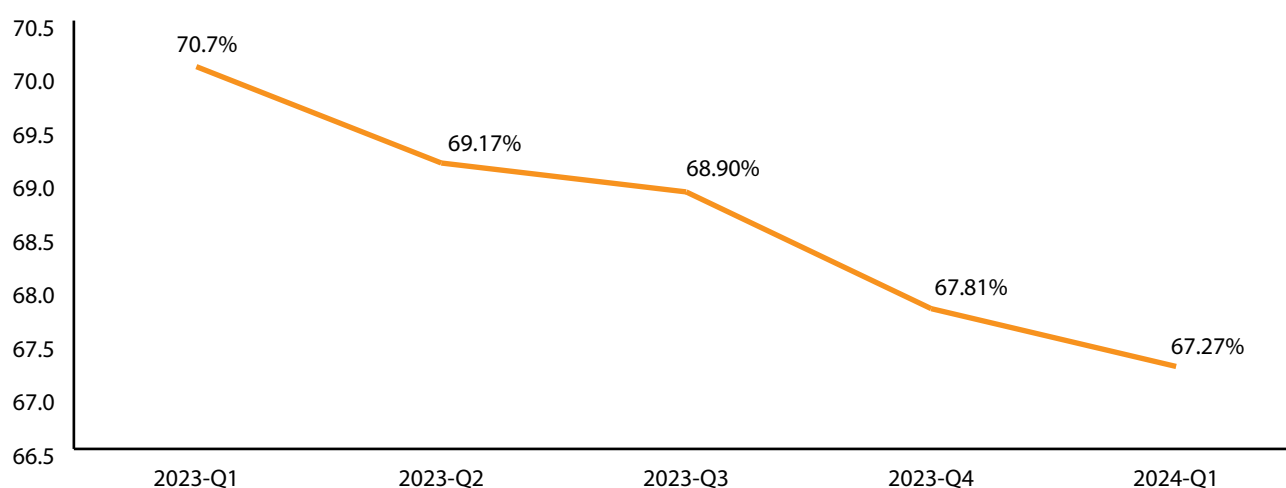
Rejection rate

The rejection rate decreased from 67.81% for the quarter ended December 2023 to 67.27% for the quarter ended March 2024. The number of applications received decreased by 2.39% and number of applications rejected decreased by 3.17% for the quarter ended March 2024.

Number of applications received and rejected

Agreement	2023-Q1	2023-Q2	2023-Q3	2023-Q4	2024-Q1	% Change (Q1/Q4)	% Change (Y/Y)
Number of applications received	15 025	15 122	15 507	16 952	16 546	(2.39%)	10.13%
Number of applications rejected	10 528	10 460	10 684	11 495	11 131	(3.17%)	5.73%
% Rejection	70.07%	69.17%	68.90%	67.81%	67.27%		

% Rejection



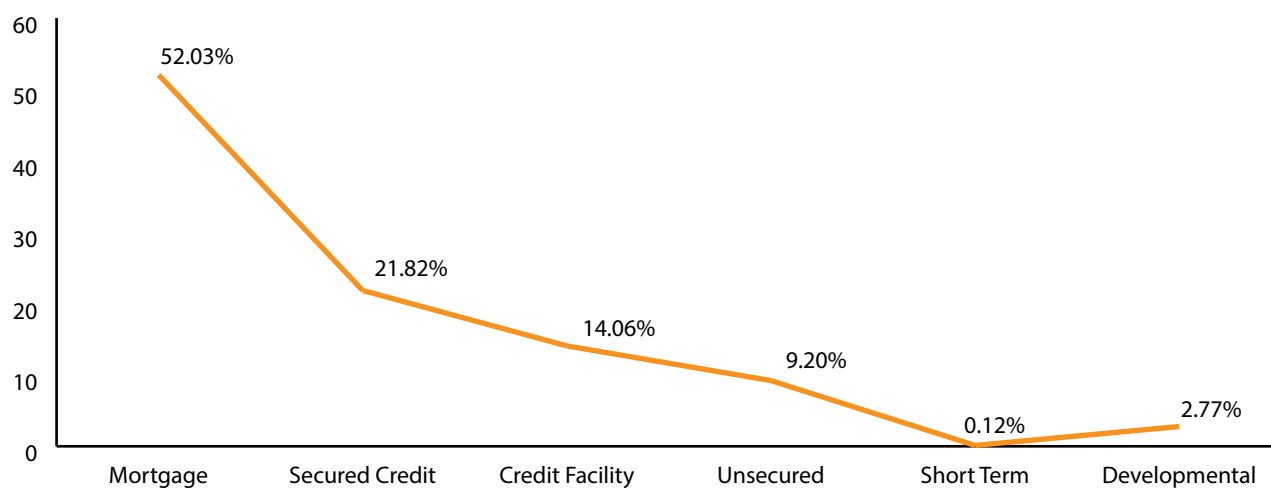
Gross debtors book

There was a quarter-on-quarter increase of R16.92 billion (0.72%) in the value of the gross debtors' book for the period ended March 2024. The corresponding year-on-year growth was R75.91 billion (3.31%). The mortgage credit book increased by R7.34 billion (0.60%) quarter on quarter and by R34.63 billion (2.89%) on a year-on-year basis. The secured book increased by R2.38 billion (0.46%) quarter on quarter and by R18.43 billion (3.69%) on a year-on-year basis.

Gross debtors book: credit type

Agreement	2023-Q1 R	2023-Q2 R	2023-Q3 R	2023-Q4 R	2024-Q1 R	% Distribution	% Change (Q4/Q1)	% Change (Y/Y)
Mortgage	1 199 004 490	1 207 628 598	1 219 653 494	1 226 296 090	1 233 636 135	52.03	0.60	2.89
Secured Credit	498 876 742	501 898 407	503 141 112	514 928 869	517 306 871	21.82	0.46	3.69
Credit Facility	312 224 548	317 621 119	318 754 407	326 038 621	333 392 659	14.06	2.26	6.78
Unsecured	222 481 450	221 571 275	219 367 495	219 280 211	218 226 200	9.20	(0.48)	(1.91)
Short Term	2 093 108	2 199 191	2 424 365	2 828 214	2 768 964	0.12	(2.09)	32.29
Developmental	60 318 110	61 117 022	62 536 376	64 616 493	65 580 761	2.77	1.49	8.72
Total	2 294 998 447	2 312 035 612	2 325 877 249	2 353 988 498	2 370 911 590	100.00	0.72	3.31

Gross debtors book % Distribution 2024 Q1



PART

A large, stylized letter 'B' in a dark grey font is centered within a diamond shape. The diamond has an orange outer border and a dark grey inner border. The background of the page is white with abstract geometric patterns of orange and grey lines and shapes, including a smaller diamond in the top right and a series of parallel orange lines on the left.

B

PERFORMANCE INFORMATION

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 on pages 83 to 88 of this report.

2. SITUATIONAL ANALYSIS

Notwithstanding several internal and external challenging factors elaborated in detail under the Accounting Authority's statement, the NCR was able to implement its priorities, objectives and targets as set out in its strategic and annual performance plans. Furthermore, the NCR was successful in aligning its strategic focus to the three (3) shared outcomes introduced by **the dtic**, namely, industrialisation to promote jobs, transformation to build an inclusive economy and building a capable state to ensure improved impact of public policies.

The strategic focus aligned to **the dtic's** shared outcomes and output targets were categorised into two (2) programmes with relevant activities as follows:

- (1) Improved regulatory environment to promote economic growth through job creation, integration, and transformation.
- (2) Enforcement of the NCA to promote a fair, responsible and accessible consumer credit market. This was implemented by conducting investigations and taking enforcement action on non-compliant registrants.

To this end, the NCR achieved and/or exceeded 18 of its 19 set targets under these programmes, with one being substantially achieved.

a) State of the credit market

The total value of new credit granted decreased marginally from R148.10 billion to R132.53 billion for the quarter ended March 2024, a decrease of 10.51% when compared to the previous quarter and a decrease of 6.53% year-on-year. The number of applications for credit decreased from 16.95 million to 16.55 million in March 2024, representing a decrease of 2.39% for the quarter.

The banks' share of total credit granted was R105.33 billion (79.48%), retailers R8.63 billion (6.51%), non-bank financiers R9.08 billion (6.85%) and "other credit providers" R9.49 billion (7.16%). The latter consists primarily of pension backed lenders, developmental lenders, micro-loan lenders, agricultural lenders, insurers, non-bank mortgage lenders and securitised debt.

The total outstanding gross debtors book of consumer credit for the quarter ended March 2024 was R2.37 trillion, representing a quarter-on-quarter increase of 0.72%. The number of accounts increased by 0.63% for the quarter ended March 2024.

The following were some of the most significant trends observed for the quarter ended March 2024:

- The value of mortgages granted decreased by 15.42% quarter-on-quarter from R45.35 billion to R38.36 billion.
- Secured credit granted decreased from R50.26 billion for December 2023 to R44.19 billion for March 2024 (a quarter-on-quarter decrease of 12.07%).
- Unsecured credit agreements decreased from R24.76 billion to R22.57 billion for March 2024 (a quarter-on-quarter decrease of 8.84%).
- Credit facilities which consist mainly of credit cards, store cards and bank overdrafts decreased from R23.05 billion to R22.56 billion for March 2024 (a quarter-on-quarter decrease of 2.10%).
- Short-term credit decreased quarter-on-quarter by 9.72% from R3.31 billion to R2.99 billion.
- Developmental credit increased quarter-on-quarter by 34.90% from R1.37 billion to R1.85 billion.

Credit bureaus held records for 27.92 million credit-active consumers, an increase of 1.69% (464 009) when compared to the 27.46 million in the previous quarter ended December 2023 and an increase of 3.16% (854 191) year-on-year.

Consumers classified in good standing increased by 273 581 to 17.83 million consumers. The number of consumers with impaired records increased by 190 428 to 10.09 million, this was an increase of 1.92% quarter-on-quarter and of 2.70% year-on-year.

The number of impaired accounts increased from 19.62 million to 20.46 million when compared to the previous quarter, an increase of 832 858 or 4.24% quarter-on-quarter and of 1.33 million or 6.93% year-on-year.

b) Internal factors

1. Organisational structure of the NCR and how this affected service delivery

For the period under review, the NCR experienced significant changes on its executive and management structures, however this did not deter the ability for the NCR to implement its strategies and achieve desired outcomes.

The CEO as the Accounting Authority (AA) provided strategic leadership, oversight to the efficient and effective use of NCR's resources, compliance with all legal requirements, implementation of adequate risk management, reporting and financial accountability obligations and principles.

The Audit and Risk Management Committee provided independent support to the Accounting Authority uphold sound corporate governance principles, and this has positively contributed to the achievement of the NCR priorities and clean audit opinion outcome.

2. Organisational financial, human, information and communication technology resources and capabilities

2.1 Financial Resources

The NCR continued to operate under severe financial constraints. Due to this lack of adequate funding, the organisation struggled to retain talent, lost key personnel to the industry and in some instances was unable to attract personnel with suitable skills to achieve its targets.

Notwithstanding this challenge, to implement and achieve its strategic focus and create real impact for South Africans, the NCR implemented continuous cost cutting measures and improved efficiencies where feasible. To explore further funding initiatives, the NCR will undertake a process to review the current funding model with specific emphasis on the registration fees imposed to all categories of NCR registrants. To ensure a balanced approach, all contributing factors will be considered including the impact of increased fees on registrants. However, for implementation, this will require the support from **the dtic** to amend relevant regulations.

2.2 Human Resources

Given the legislative mandate of the NCR and the specialised nature of the NCR's operations, it is crucial for the NCR to attract and retain personnel particularly with the right set of skills, knowledge, experience, and qualifications.

The financial constraints experienced during the period under review resulted in the NCR freezing some key positions, remaining uncompetitive and losing key personnel to the industry and not being

able to attract suitable skills. To increase capacity and boost staff complement, the NCR recruited interns to assist within the various operational areas and the process to conduct salary benchmarking to ensure alignment within the market is underway.

2.3 Information and Communications Technology capabilities

For the NCR as a regulatory authority within the credit market in South Africa, it is imperative to keep up with the technological advancements within the credit market and continuously enhance its operational capabilities, improve working environment, and advance the employees' skills. Due to the financial constraints experienced within the period under review, the NCR experienced a delay in implementing digitisation within its operations, however some ICT related projects to improve the infrastructure and security of the existing systems were implemented.

In partnership with the IFC, the NCR was successful in rolling out a groundbreaking resilient technological solution to support small credit providers to improve their compliance with the NCA. This partnership will be taken forward to support the NCR in automation of its operational processes.

3. Occupational health and safety

The NCR is committed to keeping its working environment safe for its internal and external stakeholders. For the period under review, an OHS committee was maintained with the responsibility for implementing the requirements of the OHS Act and ensuring that occupational health and safety training is conducted as and when required. To provide technical and expert support to the OHS committee, the NCR has in place OHS consultant responsible for legal compliance, creation and maintenance of a working environment that is safe and meets basic health standards.

c) External factors

The significant external events that directly and/or indirectly affected the service delivery environment within which the NCR operates where as follows:

1. Recessionary Economic Conditions

Like many other nations worldwide, South Africa struggles with the issue of youth unemployment. The official unemployment rate increased by 0.2 of a percentage point from 31.9% in the third quarter of 2023 to 32.1% in the fourth quarter of 2023. The unemployment rate according to the expanded definition decreased by 0.1 of a percentage point to 41.1% in Q4: 2023 compared to Q3: 2023 (StatsSA,

2024). According to Kingdon and Knight (2004), high unemployment leads to poverty, social isolation, financial exclusion, credit exclusion, inequality, criminality, and societal instability.

2. Interest rates

The Monetary Policy Committee (MPC) decided to maintain the prime rate at 11.75% and the repo rate at 8.25% during its meeting in March 2024 (SARB, 2024). If the inflation rate stays below 6%, it is expected that the repo rate may begin to decline around the end of the year. Annual consumer price inflation was 5,3% in March 2024, down from 5,6% in February 2024. The consumer price index increased by 0,8% month-on-month in March 2024 (StatsSA, 2024). Many analysts have predicted that an interest rate decrease may take place by year end because this is within the South African Reserve Bank's (SARB) target range of 3% to 6%. This will be marking first interest rate reduction in recent months. The reduction in interest rate will provide relief to consumers who are already stretched, and overtime improve the level of access to credit.

3. Legislative and regulatory environment

The current legislative framework posed a challenge in relation to discharging an effective regulatory and enforcement action mandate of the NCR. The NCA was last amended in 2014, and as a result, this makes achievement of effective regulation challenging. In its current form, the NCA needs legislative amendment to strengthen the NCR's regulatory and enforcement action mandates.

In the absence of legislative amendments, to close the gaps relating to implementation of some of the NCA provisions, the NCR develops and issues guidelines to the credit industry. Due to the non-binding nature of these guidelines, it becomes challenging for the NCR to enforce to realise the full benefit of the intervention. This makes the need for consideration by **the dtic** to amend the NCA critical.

4. Ukraine-Russia War: its impact on households in South Africa

Since the genesis of the war between Ukraine and Russia, the South Africa economy has seen an inflationary impact which has heightened the upside risk to economic growth, poverty, unemployment, food security, social stability and interest rates. Amongst others, this has put a strain on the disposable income of South African Households. Within the context of the credit market, this has affected the consumers ability to qualify for credit and credit providers appetite to grant credit to consumers.

5. Load Shedding

In the year 2023, South Africa experienced over 6,950 hours of load shedding. In comparison, there were 2,400 hours of power outages nationwide in the prior year, which was a much lower number (Statista, 2024). Economic growth was hampered by the unstable electrical supply since many small and medium-sized businesses had to reduce their hours of operation, and some were even forced to close because of the higher expenses associated with supplementing electricity, e.g., diesel for generators. This consequently led to a rise in unemployment and increased the cost of credit for already financially stressed individuals.

The average consumer was predicted to face greater pressure considering the challenging socioeconomic environment. The NCR anticipated that customers would borrow more, make more purchases on credit, and seek debt counselling services as a debt relief measure.

6. Fourth Industrial Revolution (4IR)

Given the financial constraints that the NCR operated under for the period under review, the NCR could not make use of the opportunities that digitisation present. Digitisation and 4IR bring opportunities (faster processing of information and levelling of the playing field), but also many challenges and risks (cybercrime and protection of personal information) that can affect the work of the NCR. As technology advances, the pace of the resultant change is faster and becomes imperative for all organisations to upgrade knowledge, skills, attitudes, efficiencies, systems, processes, and budget.

The credit market conditions, and consumer needs keep changing and advancing through technological advancements and digitisation. The NCR will continue to monitor new credit products and their marketing by its registrants to protect consumers against exploitation, particularly the most vulnerable groups.

7. Strategic relationships with external stakeholders

During the period under review, the NCR maximised use of its strategic collaborations with various industry participants. The collaborative efforts proved effective in influencing stakeholder attitudes and decisions for mutual benefits which strengthen the consumer protection mandate and some regulatory activities of the NCR. From some collaborative initiatives, there were increased productivity, negotiation and agreement reached in areas where the NCA does not provide direct guidance, thereby promoting uniformity, consistency and harmony within the market.

NCR Management Team



From top left: Ms Phillipine Mweli, Adv. Kedilatile Legodi, Mr Ngoako Mabeba, Ms Maphuti Ramuhala, Ms Takalani Mudau, Mr Zolile Mngqundaniso, Ms Faith Kotsedi, Ms Boitumelo Geldenhuis, Ms Kgadi Sepuru, Ms Leanne Schwartz, Ms Poppy Kweyama and Dr Talifhani Khubana.

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 below tables depict progress made towards the achievement of the 5-year targets in relation to the outcome indicators.

Impact statement 1:	Improved regulatory environment, which promotes economic growth through job creation, integration and transformation.
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Measuring outcomes

Outcome	Outcome indicator	Baseline	Five-year target from 2020/21	One-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.	500 consumer education and awareness campaigns and activities.	3 400 consumer education and awareness campaigns and activities.	1 597
	Number of consumer education and awareness campaigns and activities conducted on deceptive and unfair practices.	120 consumer education and awareness campaigns and activities	650 consumer education and awareness campaigns and activities	
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.	97% of applications registered within 9 business 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.	98.64%

Impact statement 2:	A fair, responsible and accessible consumer credit market promoted.
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Measuring outcomes

Outcome	Outcome indicator	Baseline	Five-year target from 2020/21	One-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.	420 credit providers	2 000 investigations	Discontinued in 2022/23 financial year.
	Number of investigations on credit providers for compliance with regulations pertaining to reckless lending.	380 credit providers	1 500 investigations	
	Number of investigations on hosting credit bureaus for compliance with the NCA.	3 credit bureaus	70 investigations	

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 facilitates the creation of job opportunities and ultimately contributes towards economic growth.

Amendments to the Strategic Plan

There were no significant amendments to the NCR Five-Year Strategic Plan.

PERFORMANCE INFORMATION BY PROGRAMME

Programme: Improved regulatory environment

Purpose of the programme

To promote financial inclusion (access to credit), economic growth through educational awareness and facilitation of job creation. The impact that the NCR seeks to achieve is an improved regulatory environment, promotes economic growth by ensuring accessible, fair, transparent, and competitive credit market.

Programme/Sub-programme: Improved regulatory environment								
Outcome	Output	Output indicator	Audited actual performance 2021/2022	Audited actual performance 2022/2023	Planned annual target 2023/2024	Actual achievement 2023/24	Deviation from planned target to actual achievement for 2023/24	Comment on deviations
Improved consumer protection through education and awareness of the NCA.	Conduct consumer education and awareness on consumer rights.	Number of consumer education and awareness campaigns and activities conducted on the NCA.	Conducted 1 382 consumer education and awareness campaigns and activities on consumer rights	Conducted 1 469 consumer education and awareness campaigns and activities on consumer rights.	Conduct 1 500 consumer education and awareness campaigns and activities on the NCA	Conducted 1597 consumer education and awareness campaigns and activities on the NCA	+97	Target exceeded. Received an increased number of invitations from stakeholders and interest from media release topics and campaigns.
	Impact assessment evaluation on activities relating to educational awareness, investigations, complaints evaluations, compliance monitoring, debt counselling and enforcement.	Reports on impact assessment evaluations for activities conducted relating to educational awareness, investigations, complaints evaluations, compliance monitoring, debt counselling and enforcement.	New indicator	New indicator	Four evaluation reports on activities relating to educational awareness, investigations, complaints evaluations, compliance monitoring, debt counselling and enforcement.	Four evaluation reports on activities relating to educational awareness, investigations, complaints evaluations, compliance monitoring, debt counselling and enforcement, produced.	No variance	Target achieved.

Programme/Sub-programme: Improved regulatory environment							
Outcome	Output	Output indicator	Audited actual performance 2021/2022	Audited actual performance 2022/2023	Planned annual target 2023/2024	Actual achievement 2023/24	Deviation from planned target to actual achievement for 2023/24
Increased efficiency in registration of persons and entities to facilitate creation of job opportunities (jobs supported by interventions).	Improve efficiency in the registration process of persons and entities.	% of persons and entities registered in the consumer credit market within a number of business days of receipt of signed proposed conditions and payment of registration fees.	98.12% applications were registered within 9 business days of receipt of signed proposed conditions and payment of registration fees.	99.06% of applications were registered within 8 business days of receipt of signed proposed conditions and payment of registration fees.	Register 98% of persons and entities in the consumer credit market within 7 business days of receipt of signed proposed conditions and payment of registration fees.	98.64% of applications were registered within 7 business days of receipt of signed proposed conditions and payment of registration fees.	+0.64
							Target exceeded. Improved turnaround times as a result of building improved efficiencies in the processing of applications.

Strategy to overcome areas of under-performance

There were no areas of under-performance.

Changes to planned targets

There were no material changes to planned targets.

Programme: Enforcement of the National Credit Act

Purpose of the programme

To promote a fair, responsible and accessible consumer credit market through the enforcement of the NCA. This will be implemented by conducting investigations and taking enforcement action on non-compliant registrants.

Programme/Sub-programme: Enforcement of the National Credit Act								
Outcome	Outputs	Output indicators	Audited actual performance 2021/2022	Audited actual performance 2022/2023	Planned annual target 2023/2024	Actual achievement 2023/24	Deviation from planned target to actual achievement for 2023/24	Comment on deviations
Improved compliance through enforcement of the NCA	Improve compliance with regulations pertaining to the total cost of credit (including credit life insurance)	Impact study report on the effect of total cost of credit and credit life insurance regulations on consumers and submit a final report to the dtic .	An impact study of limitations on fees and interest rates and credit life regulations and submit a final report to the dtic .	–	No planned target for the year	Not applicable	Not applicable	There was no planned target for the 2023/24 FY.
Improved compliance through enforcement of the NCA.	Improve compliance with regulations pertaining to reckless lending.	Number of investigations conducted on credit providers relating to reckless lending	490 investigations on credit providers were conducted by way of complaints evaluations, compliance monitoring and investigations.	442 investigations on credit providers were conducted by way of complaints evaluations, compliance monitoring and investigations	Conduct 410 investigations on credit providers relating to reckless lending.	575 investigations on credit providers were conducted by way of complaints evaluations, compliance monitoring and investigations.	+165	Target exceeded. Proactive monitoring, staff's improvement on product knowledge and the redirecting of resources to assist with investigations.
	Improve compliance with regulations pertaining to reckless lending.	Enforcement action taken by the end of the financial year on a percentage (%) of investigations which identified non-compliance relating to reckless lending credit providers.	Enforcement action was taken on 96% of credit provider investigations on credit providers where contraventions relating to reckless lending were identified.	Enforcement action was taken on 96% of investigations on credit providers where contraventions relating to reckless lending were identified.	Take enforcement action on 78% of investigations which identified non-compliance with regulations relating to reckless lending by credit providers by the end of the financial year.	Enforcement action was taken on 93% of investigations on credit providers where contraventions relating to reckless lending were identified.	+15%	Target exceeded. Redirecting resources to assist in taking enforcement action.

Programme/Sub-programme: Enforcement of the National Credit Act

Outcome	Outputs	Output indicators	Audited actual performance 2021/2022	Audited actual performance 2022/2023	Planned annual target 2023/2024	Actual achievement 2023/24	Deviation from planned target to actual achievement for 2023/24	Comment on deviations
Improved compliance through enforcement of the NCA.	Improve compliance of the NCA by debt counsellors	Number of investigations conducted on debt counsellors relating to compliance with the NCA.	New indicator	New indicator	Conduct 200 investigations on debt counsellors relating to compliance with the NCA.	610 investigations on debt counsellors were conducted by way of compliance monitoring, complaints evaluations and investigations.	+410	Target exceeded. Improved staff capacity and focusing on debt counsellors that charge excessive NCT fees due to emerging trends.
		Enforcement action taken by the end of the financial year on a percentage (%) of investigations which identified non-compliance with the debt counsellors.	New indicator	New Indicator	Take enforcement action on 75% of investigations which identified non-compliance with the NCA by debt counsellors by the end of the financial year.	Enforcement action was taken on 92% of investigations on debt counsellors where contraventions relating to the NCA identified.	+17%	Target exceeded. Strengthened the review and monitoring control measures to ensure that all activities for the year are finalised by the end of the year.

Programme/Sub-programme: Enforcement of the National Credit Act							
Outcome	Outputs	Output indicators	Audited actual performance 2021/2022	Audited actual performance 2022/2023	Planned annual target 2023/2024	Actual achievement 2023/24	Deviation from planned target to actual achievement for 2023/24
Improved compliance through enforcement of the NCA	Improve compliance by hosting credit bureaus in respect of credit reports for employment purposes in terms of the NCA, removal of adverse consumer credit information and paid-up judgements	Number of investigations conducted on hosting credit bureaus in respect of credit reports for employment purposes in terms of the NCA, removal of adverse consumer credit information and paid-up judgements	3 investigations on hosting credit bureau investigations were conducted by way of compliance monitoring.	5 hosting credit bureau investigations on hosting credit bureaus were conducted by way of compliance monitoring	Conduct 5 investigations on hosting credit bureaus in respect of credit reports for employment purposes in terms of the NCA, removal of adverse consumer credit information and paid-up judgements	5 hosting credit bureau investigations were conducted by way of compliance monitoring	No variance
		Enforcement action taken by the end of the financial year on a percentage (%) of investigations which identified non-compliance by credit bureaus.	100% enforcement action was taken. Three credit bureaus were found to be non-compliant and enforcement action was taken on two. The other credit bureau corrected the non-compliances before the enforcement action could be taken.	All credit bureaus were found to be compliant after monitoring was conducted.	Take enforcement action on 80% of investigations, which identified non-compliance by credit bureaus by end of the financial year.	*No opportunity to demonstrate. All credit bureaus were found to be compliant after investigations were conducted.	Zero (0)
							No enforcement action was required.

Programme/Sub-programme: Enforcement of the National Credit Act							
Outcome	Outputs	Output indicators	Audited actual performance 2021/2022	Audited actual performance 2022/2023	Planned annual target 2023/2024	Actual achievement 2023/24	Deviation from planned target to actual achievement for 2023/24
Improved compliance through enforcement of the NCA.	Improve compliance by credit bureaus in respect of the NCA	% of evaluated credit bureau annual compliance reports certified by an independent auditor for their previous financial year.	Evaluated 100% annual compliance reports certified by an independent auditor submitted by registered credit bureaus for their 2020 financial year.	Evaluated 100% annual compliance reports certified by independent auditors, submitted by registered credit bureaus for their 2021 financial year	Evaluate 100% annual compliance reports certified by an independent auditor submitted by credit bureaus for the 2022 financial year.	100%	No variance
		Enforcement action on a percentage (%) of credit bureaus which were found to be non-compliant after the evaluation of annual compliance reports certified by an independent auditor for their previous year.	All credit bureaus were found to be compliant after the evaluation of annual compliance reports certified by an independent auditor for their previous financial year by 31 March 2022.	Enforcement action was taken on 100% of investigations on credit bureaus which were found to be non-compliant.	Take enforcement action on 83% of credit bureaus which were found to be non-compliant after the evaluation of annual compliance reports certified by an independent auditor for their previous financial year by 31 March 2024.	*No opportunity to demonstrate. All credit bureaus were found to be compliant after the evaluation of annual compliance reports certified by an independent auditor for their previous financial year.	Zero (0)
							No enforcement action was required.

Programme/Sub-programme: Enforcement of the National Credit Act							
Outcome	Outputs	Output indicators	Audited actual performance 2021/2022	Audited actual performance 2022/2023	Planned annual target 2023/2024	Actual achievement 2023/24	Deviation from planned target to actual achievement for 2023/24
Improved compliance of the NCA.	Reports on the impact of enforcement action taken on entities and persons that were found to be non-compliant in the previous financial year.	Number of reports produced on the impact of enforcement action taken on entities and persons that were found to be non-compliant in the previous financial year.	New indicator	New indicator	Three progress reports and one final report on the impact of enforcement action taken on entities and persons that were found to be non-compliant in the previous financial year.	Three progress reports and one final report on the impact of enforcement action taken on entities and persons that were found to be non-compliant in the previous financial year, produced.	No variance
							Target Achieved.

* These indicators will not count as an achievement or non-achievement as there was no opportunity to demonstrate.

Strategy to overcome areas of under-performance

There were no areas of under-performance.

Changes to planned targets

There were no material changes to planned targets.

Legends:

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 period
Substantially achieved	85% to 99%
Partially achieved	75% to 84%

PERFORMANCE INFORMATION BY ACTIVITY

Activity 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 also processes cancellation and lapsing of registrations, maintains the register of registrants, and administers the process of annual renewal of registration.

The department advanced its mandate to facilitate the efficient registration of persons and entities by making the registration process more efficient. As of 31 March 2024, a total of 7 321 credit providers with 42 916 branches, 55 credit bureaus, four payment distribution agents, seven alternative dispute resolution agents and 1 556 debt counsellors were registered with the NCR.

Registrations Department



Highlights

The department registered 1 904 credit providers and 192 debt counsellors during the year under review, which is a 26.85% increase on the 1 501 registrations in 2022/23. We are proud of the improvements that were made to the application processing turnaround times, and the opportunities for job creation and economic growth that these registration activities could facilitate.

There was an increase in the number of new applicants who wanted to be registered with the NCR: we received 2 266 applications, which was 32.90% more than the applications submitted in the previous year.

To ensure the effective implementation of the NCA, the department conducted stakeholder engagements and roadshows to explain the registration criteria and process for credit providers. For the period under review, the department hosted six such workshops for unregistered credit providers.

This approach is corrective in nature and intended to increase compliance by those operating outside the ambit of the NCA by registering their credit provision business.

We believe the increase reflects a growing number of unregistered businesses wanting to enter the compliance fold, especially as there is no longer a threshold regarding the type of credit providers to be registered. The increase is also encouraging from an income generation point of view. However, it is important to note that the increase does not only reflect a net number of new applicants; it includes registrants who have reapplied after failing to renew their registration on time.

The year ahead

The department will continue conducting workshops for unregistered credit providers and reminding registrants to renew their registration on time to prevent any lapses. Furthermore, the department will consider the feasibility of digitising the registration certificates in order to improve efficiency of the process.

Highlights

1 904 credit providers were registered, which is a **26.85%** increase compared to **1 501** registrations in 2022/23.

Performance information by activity (continued)

Activity area: Credit Provider Compliance



Ms Takalani Mudau

Manager: Credit Provider Compliance

The mandate of the Credit Provider Compliance Department is to monitor credit providers' compliance with the National Credit Act and their conditions of registration.

Section 15 of the NCA states that the NCR must monitor the consumer credit market and industry to ensure that prohibited conduct is prevented or detected and prosecuted.

The department ensures credit provider compliance on a continuous basis through:

- Desktop monitoring
- Onsite visits
- Analysis of quarterly and annual statutory reports that must be submitted in terms of regulations 62-68 of the NCA
- Monitoring of conditions of registration
- Industry workshops
- Market conduct studies

Registrants to be monitored are selected based on, among other factors:

- Failure to submit statutory returns
- Complaints received by the NCR
- Trends identified in the credit providers' statistical returns
- Negative media coverage

Processes to monitor one element of the NCA frequently uncover other contraventions, such as failure to provide consumers with credit agreements or pre-agreement statements, and inclusion of prohibited or unlawful provisions in credit agreements.

During the year under review, the department conducted 430 desktop and on-site monitoring exercises in respect of reckless lending. This is a slight increase on the performance in 2022/23 and was due to an increase in on-site visits.

To protect consumers from over-indebtedness, credit providers must comply with affordability assessment requirements. In the period under review, some credit providers were found to be non-compliant; as a result, 318 instructional letters were issued to address the non-compliance.

Highlights

In addition to desktop monitoring, in 2023/24 the department conducted on-site visits to monitor credit providers through observation and to enhance compliance with the NCA through knowledge sharing. The visits also proved useful in resolving the challenge that unresponsive credit providers pose to effective desktop monitoring. This exercise provided an opportunity to identify and resolve challenges at operational level.

The department worked with the NCR's Education Department to compile information for credit provider workshops and continued to issue the compliance manual, which sets out compliance requirements in layman's terms, to credit providers at no charge.

The positive impact of these initiatives has been evident in the significant increase in the number of quarterly statistical reports submitted by credit providers. A similar increase was seen in the submission of compliance and assurance engagement reports.

Together with the Co-operative Banks Development Agency, the department conducted training for corporate banking institutions (CBIs) during the Indaba workshops. The training covered cost of credit, statutory reporting, affordability assessments and developmental credit.

The department furthermore conducted workshops with MFSA members on the submission of statutory forms and reports in the interest of compliance and, in partnership with SACCRA, trained credit providers on Regulation 19 (13) of the NCA.

Challenges

Non-responsive credit providers, credit providers who do not notify the NCR of changes to their contact details and credit providers either not submitting compliance and/or assurance engagement reports or providing incomplete information when they do remain challenges for the department.

Technological advancements in the credit industry mean that the NCR's lack of automated systems continue to adversely impact the efficacy of compliance monitoring and related processes.

Performance information by activity (continued)

Achievements/successes

As a result of compliance monitoring:

- There has been an increase in submissions of statutory reports.
- A total of 127 816 affected consumers were reimbursed by way of refunds and/or account balance adjustments for fees overcharged. This is a significant increase on the 15 000 consumers who were impacted in the previous financial year.
- More than R94 million was refunded to consumers – a dramatic increase on the previous year's R29.5 million. The increase was a result of credit providers issuing adjustments and refunds to affected consumers and self-reporting these to the NCR. The fact that approximately 75% of refunds were reported by the banks, is an indication of the impact the Regulator has on the industry in the execution of its mandate to improve the regulatory environment and enforce the Act.

The year ahead

The department noted an increase in non-compliance with affordability assessments. Our focus will thus be on the remedial actions credit providers take after receiving instructional letters, to determine the impact of this enforcement action.

The department will continue its monitoring of compliance with cost-of-credit regulations, including interest, initiation fees and service fee charges. As credit providers often pin non-compliance on system errors, the department will pay return visits to some of the serious offenders to determine the impact of our enforcement actions. In addition to improving compliance, the exercise will assist the department to identify credit providers' training needs as far as compliance with the provisions of the NCA is concerned.

Having noted the challenges they have with completing some of the statutory forms and/or reports, the department intends to provide extensive training to newly registered credit providers.

Submission of B-BBEE scorecards will also be monitored in line with the National Credit Act.

The department plans to step up on-site visits, leveraging the opportunity such engagements present to closely monitor credit providers, enhance the NCR's visibility and address non-compliance and identified contraventions.

Credit Provider Compliance Team



Performance information by activity (continued)

Activity area: Credit Bureau Compliance



Ms Nthupang Magolego
Executive Senior Legal Advisor

The Credit Bureau Compliance Department is responsible for the regulation of registered credit bureaus. Its objective is to intensify compliance with the provisions of the NCA, bureaus' conditions of registration and the guidelines the NCR issues from time to time in respect of the quality, accuracy and standard of consumer credit information held by the bureaus.

To achieve this, the department uses a variety of compliance mechanisms. These include the review of submitted annual and quarterly reports, desktop and on-site credit bureau monitoring, and proactive engagements and visibility meetings. The purpose of the latter is to establish relationships and open communication channels between credit bureaus and the NCR to bolster a collaborative approach to compliance.

Non-compliance

Two main areas of non-compliance were uncovered, namely, failure to submit regulatory reports and conducting business as a credit bureau as defined in the NCA without being registered with the NCR as required.

The year ahead

The department will continue to oversee the activities of credit bureaus through enhanced compliance monitoring tools in line with the provisions of the NCA.

Highlights

During the 2023/24 fiscal year, the department conducted 11 on-site compliance monitoring visits, one desktop compliance monitoring exercise and 16 compliance visibility meetings. This was in addition to reviewing the credit bureaus' periodic regulatory submissions.

Credit Bureau Compliance Team



Performance information by activity (continued)

Activity area: Education and Communications



Ms Poppy Kweyama

Manager: Education and Communication Services

The Education and Communication Department educates consumers about their rights and obligations in terms of the National Credit Act, and raises public awareness about the NCR's role, activities and service offerings.

Education is a core component of the consumer protection environment in South Africa. Consumers of credit and financial products and services remain vulnerable to unscrupulous credit and financial services providers, and often fall victim to predatory lending and unfair and deceptive marketing practices.

In terms of the NCR's 2023-2026 APP, the department had to conduct 1 400 consumer-rights activities to educate consumers on consumer credit rights and responsibilities and deceptive and unfair practices in the year under review. We exceeded this target by conducting a total of 1 597 activities through partnering with various stakeholders. The activities included interviews on multimedia platforms and in newsprint, publications, workshops, exhibitions, mall activations and imbizos.

Education activities

In the 502 education-focused workshops we conducted during 2023/24, the NCR collaborated with:

- Department of Trade, Industry and Competition (**the dtic**)
- National Consumer Commission (NCC)
- Consumer Education Committee (CEC)
- National Consumer Financial Education Committee (NCFEC)
- Money Smart Week South Africa (MSWSA)

- Financial Sector Conduct Authority (FSCA)
- Proudly South Africa (PSA)
- National Regulator for Compulsory Specifications (NRCS)
- National Gambling Board (NGB)
- National Youth Development Agency (NYDA)
- Credit Bureau Association (CBA)
- Government Communications and Information System (GCIS)
- Eastern Cape Department of Public Works (ECDPW)
- South African Social Services Agency (SASSA)
- City of Johannesburg
- Office of the Premier of Gauteng
- Greater Giyani Municipality
- Universities of Stellenbosch and Johannesburg
- Orbit TVET College
- Non-governmental organisations (NGOs) such as WDB Trust, Sibahle Disability Group, Cyril Ramaphosa Foundation, Cosmo City Multi-sectoral Forum, Murathi Sports and Literature, Vaal Tourism Association, Avovision and Black Sash
- Faith-based organisations (FBOs) such as the African Catholic Church in Mmametlhake in Mpumalanga and the Tshwane International Church of Christ in Gauteng
- University of the Free State (UFS)

We hosted four debt counselling consumer education webinars over the year, one per quarter, with a total of 808 attendees. Topics included debt counselling without consent, unpacking the process of debt counselling and exiting debt counselling.

Education through mass media

Much of the NCR's radio and TV coverage is generated through public relations initiatives and takes the form of educational interviews on credit matters, debt counselling and the protection of consumers' rights. Numerous national and community radio stations and TV channels, including SABC 1, SABC 2 and ENCA, afforded the NCR such opportunities in the year under review. Lesedi FM, a national radio station, afforded the NCR a number of free interview slots.

The NCR's PR and media relations teams leverage its extensive media outreach to negotiate free additional multimedia exposure. Particularly noteworthy was the continued support from 27 community radio stations in the form of free weekly interviews slots, which enabled the NCR to broaden and deepen its rural footprint. The participating stations were Sedibeng FM, Lifetime online radio, Ratlou FM, Garankuwa FM, Eldos FM, Rise FM, Namakwa FM, Mahikeng FM, Energy FM, EK FM, Forte FM, Mmabatho FM, Sedibeng FM, Radio Turf, Itheke FM, Zebediela FM, Kopanong FM, Radio Mafisa, Inanda FM, Qwaqwa Radio, Kumkani FM,

Performance information by activity (continued)

Nqubeko FM, Vaaltar FM, Emalahleni FM, Tshepo FM, Highway FM, Jozi FM, Ekhephini FM and Moutse FM.

The NCR also ran education and awareness campaigns, including outside broadcasts in partnership with SABC Radio and various community radio stations to reach the widest audience possible. Built around the main theme of consumer rights, the campaigns' main messages were:

- STAY#SCAMALERT
- Ignore the hype. Don't let Black Friday and Cyber Monday lead to a blacklisting. Be credit savvy
- Protect your ID and personal details to avoid being the victim of a scam!
- #JanuaryMatters! Spend wisely and be credit smart

Mass media education and news coverage

News coverage increases awareness of the NCR and builds its brand. The NCR's reports on the state of the credit industry and credit-active consumers appeal to business media, while enforcement stories, such as court cases and raids on errant credit providers, are of interest to the general news media.

In 2023/24, the department carried out 1 095 media activities. The bulk, 1 039, was radio interviews. Twenty-one television interviews were done, we issued 10 media releases and contributed to 24 articles.

Radio interview topics included debt counselling, budget and saving, scam alerts, over-indebtedness, interest-rate hikes, cost of credit, credit bureaus, prescribed debt and surrendering of goods.

The NCA issued the following media releases:

- "Credit extension slows down in the fourth quarter". Released on 20 April 2023, the article intended to inform and update consumers and credit industry participants about trends in the consumption of credit in the fourth quarter of 2022 (October to December 2022).
- "The National Credit Regulator (NCR) and the International Finance Corporation (IFC) launch the Onboarding TechSprint to support small credit providers". The media release invited participants to register for the NCR onboarding TechSprint briefing session that took place on 22 August 2023.
- "National Credit Regulator and IFC announce tech competition to empower small credit providers in South Africa". The media release announced the TechSprint and showcase events dates, registration processes, prices and closing dates for participants.
- "NCR investigations in Cape Town". The release alerted registrants and consumers about the role of investigators and investigations conducted by the NCR during August 2023.
- "Credit extensions slows down while impairments worsen". The article highlighted credit consumption trends during the third quarter of 2023 (August to September 2023).

- "NCR and IFC tech competition fosters financial inclusion and empowers small credit providers in South Africa". With this release we announced the TechSprint opening, demo and showcase events.
- "Ignore the hype. Don't let Black Friday and Cyber Monday lead to a blacklisting. Be credit savvy". The release cautioned consumers to spend responsibly and refrain from impulsive buying on Black Friday and Cyber Monday.
- "#JanuaryMatters! Spend wisely and be credit smart". The article encouraged consumers to avoid the need for borrowing in January by spending wisely in December.
- "Borrow wisely". Released in January 2024, the article urged over-indebted consumers to borrow only from registered credit providers and only as much as they need.
- "Protect your ID and personal details to avoid being the victim of a scam! STAY#SCAMALERT". With this release we educated consumers about their rights and created awareness about identity scams.

Advertising campaigns

In December 2023, the NCR rolled out the spend wisely campaign which flighted adverts on community radio stations and featured two outside broadcasts, one with Worcester FM (community radio station) and the other with SABC's Umhlobo Wenene FM.

In January and February 2024, we rolled out the borrow wisely campaign with adverts flighted on community radio stations.

In March 2024, our consumer rights campaign was rolled out with adverts flighted on community radio stations and three outside broadcasts, one each with SABC's Lesedi FM, TUT FM (campus radio station) and EK FM (community radio station).

Stakeholder engagement and community outreach

The NCR conducted community outreach programmes in partnership with tribal authorities and consumer affairs offices across various provinces to educate consumers on their rights and responsibilities in terms of the NCA. These were mainly attended by pensioners, young people and other social grant recipients. The NCR reached economically active consumers who might not have been able to attend these events, through multimedia tools.

The NCR held 123 stakeholder engagements to educate consumers on their rights and responsibilities in terms of the NCA, with specific focus on consumer credit rights and debt counselling.

Including both digital and face-to-face interactions, we reached the following stakeholders:

- CPF
- CEC

- NCFEC
- MSWSA
- GCIS
- Office of the Premier of KZN
- Cosmo City Multi-sectoral Forum
- Greater Giyani Municipality
- Northern Cape Department of Education
- UFS
- Pikitup
- COTII
- Sol Plaatjie Local Municipality
- Gauteng Office of Consumer Affairs
- NYDA
- SANParks
- UJ
- University of the Witwatersrand
- WSOCP
- Transnet
- OR Tambo District Communicators Forum
- SASSA Bethlehem
- FSCA
- SAPS Midrand

Fraud awareness activities

Seven workshops were held for new and existing NCR employees to raise awareness of anti-corruption measures and the anonymous ethics tip-off line.

Highlights

In June 2023, the NCR participated in various Youth Month commemorative events in Gauteng and Mpumalanga and in the National Youth Day Celebration in Bloemfontein.

Education and Communication Team



The NCR also participated in several presidential and ministerial events, including the Deputy Ministerial Business Seminars and Presidential Imbizos in various municipalities.

In July 2023, the NCR piloted its schools financial literacy programme with Delta Park School in Johannesburg, targeting grade-10 to grade-12 business studies and economics learners. The event was successful and will be continued in the coming financial year.

The NCR also participated in the Money Smart Week 2023 campaigns from 28 August to 03 September 2023, as well as the provincial adjudication of the financial literacy speech competition hosted by the FSCA and involving grade-11 learners in all nine provinces.

During Consumer Rights Month in March 2024, the NCR participated in activities in the Free State and Gauteng provinces. It also participated in a financial literacy campaign at the universities of Limpopo, North-West and UFS Qwa-Qwa campus.

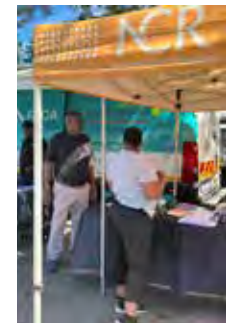
Challenges

Notwithstanding budgetary and human resources capacity constraints exacerbated by environmental and social factors, the Education and Communication Department not only met, but exceeded its targets during the year under review.

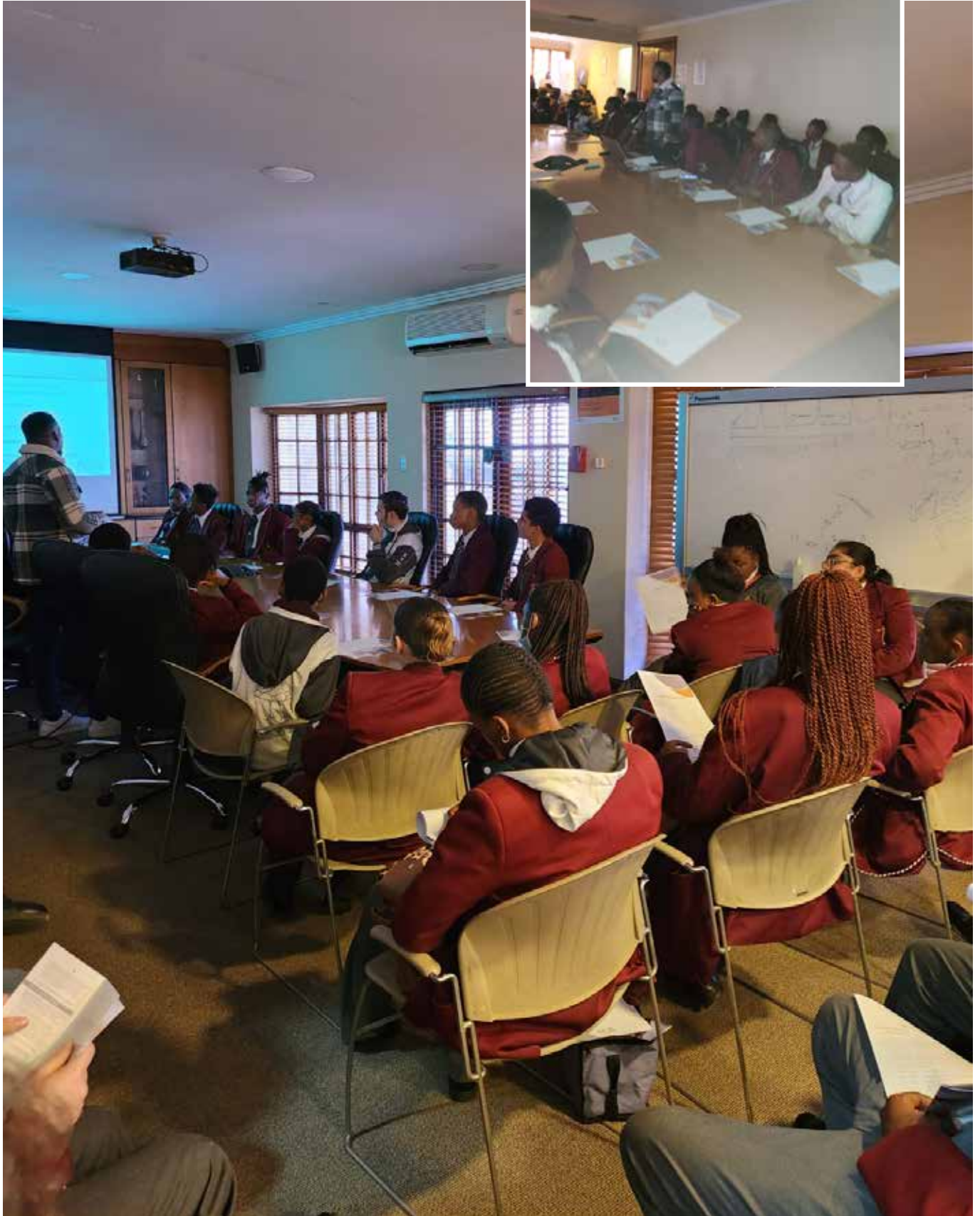
The year ahead

During 2024/25, the department will maintain existing partnerships while investing in new ones, all with the sole intention of protecting the rights of consumers by advancing their awareness and understanding of the National Credit Act and the services of the NCR.

The **NCR Education and Communication Department** conducted consumer education initiatives such as workshops, exhibitions, outside broadcasts and road shows, nationally.



NCR's Schools Financial Literacy Pilot Programme with Delta Park School in Johannesburg, targeting Grade 10 to Grade 12 business studies and economics learners hosted at the NCR offices.



Performance information by activity (continued)

Activity area: Complaints



Ms Kgadi Sepuru
Acting Manager: Complaints

The NCR Complaints Department is responsible for receiving, processing and resolving enquiries and complaints relating to alleged contraventions of the National Credit Act. It also promotes the informal resolution of disputes arising in terms of the NCA between consumers on the one hand and credit providers or credit bureaus on the other, without intervening in or adjudicating any such disputes.

The department receives complaints through its call centre, assesses and evaluates the complaints and takes applicable enforcement measures where contraventions of the NCA are identified. It also negotiates and concludes undertakings and consent orders contemplated in section 138 (1) (b) of the NCA, and refers matters to the National Credit Tribunal and, where required, appears before the NCT.

Complaints received and resolved

During the year under review, 1 950 complaints were received. Most of these related to debt review without consent, non-distribution of funds, disputes around outstanding balances, reckless lending, termination of accounts while under debt review and collection of debts that had prescribed.

Of the total number of complaints received, 47.69% were resolved. This is a notable improvement on the 33.60% resolution rate achieved in the previous financial year when several challenges hampered the department's effectiveness.

Through the NCR's complaints resolution mechanism, the department secured refunds and/or balance adjustments in favour of consumers in excess of R2.4 million.

Enquiries handled

- The call centre received a total of 95 002 calls and achieved a call handling rate of 89%.
- The call centre also received and attended to 19 290 written enquiries. Of these, 58% were handled within an average of nine days and 277 were referred to different ombudsman offices.

Enforcement action

Stemming from the necessary enforcement action, five consent orders and seven instructional letters were issued. Seven applications against debt counsellors and credit providers were referred to the NCT. As a result of the enforcement action taken, the department was able to secure refunds from enforcement actions taken to the value of R100 000 in the form of an administrative fine.

Challenges

ICT shortcomings were a significant stumbling block during this period. System downtime affected operational efficiency and limited consumers' access to the NCR, while the lack of systems integration made complaints resolution processes unnecessarily cumbersome.

The situation was aggravated by budget constraints that prevented the filling of vacant positions. The combination of the existing backlog, the high volume of new complaints and non-responsive registrants made it difficult to finalise complaints within the prescribed timeframe of 90 days.

The year ahead

The department has identified three focus areas for the new financial year:

1. Improve the complaints resolution rate.
2. Strengthen relationships with stakeholders.
3. Address the root causes of the influx of complaints relating to debt review without consent, which has emerged as a worrying trend in the year under review.

Highlights



R100 000 in admin fines secured.



Improved staff complement.



Over **R2.4 million** in refunds and balance adjustments secured for consumers.

Complaints Department



Performance information by activity (continued)

Complaints Department





Performance information by activity (continued)

Activity area: Statistics and Research



Mr Ngoako Mabeba
Manager: Statistics and Research

The Statistics and Research Department collates, produces and publishes statistical data. The data is collected in a prescribed format from credit providers, credit bureaus, debt counsellors and credit life insurers.

The department publishes two main reports 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 the media, government officials, credit providers, industry analysts, investors, researchers and other decision makers.

The reporting requirements of the NCA differentiate between small credit providers, whose annual disbursements are less than R15 million, and larger credit providers, with annual disbursements of more than R15 million.

The reporting quarters for the CCMR and CBM are as follows:

Quarter	Reporting period	Due date
1	1 January – 31 March	15 May
2	1 April – 30 June	15 August
3	1 July – 30 September	15 November
4	1 October – 31 December	15 February

The department also conducts research into prevailing market conditions and emerging trends in line with sections 13 and 16 of the NCA.

Highlights

The department led and completed two research projects, namely a vehicle finance review and a study into the impact that an extended power-supply failure (loadshedding) could have on the consumer credit market.

The vehicle finance study investigated the prevalence of, and practices applied to the refinancing of balloon payments and the methodology banks follow in their affordability assessments for vehicle financing.

The loadshedding study was sparked by a bigger investigation currently being done by the Reserve Bank and National Treasury. The NCR’s desktop study examined scenarios related to different levels of power interruptions.

Challenges

The department is understaffed because of the budget cuts that have affected the NCR.

The review of Form 45, as recommended by the credit life insurance study that was conducted in 2022, could not be completed in the year under review due to the nonavailability of a suitable service provider. The project was thus postponed for the 2024/25 financial year.

The year ahead

Over the next three years, the department will review and update all the NCR’s statutory statistical forms.

Highlights

Consumer Credit Market Report

- Published quarterly
- Highlights credit extension and gross debtors’ performance

Credit Bureau Monitor

- Published quarterly
- Highlights credit activity participation and consumer credit behaviour in South Africa

Activity area: Debt Counselling



Adv. Kedilatile Legodi
Manager: Debt Counselling

The Debt Counselling Department monitors the compliance of debt counsellors and payment distribution agents with the provisions of the National Credit Act and their conditions of registration. In addition, the department offers support and guidance and collaborates with the debt counselling industry to identify and find solutions for challenges, and to facilitate industry agreement.

Debt Counselling Team



These efforts all intend to enhance consumer protection, improve the reputation of debt counselling as a debt relief measure and strike a balance between the rights of consumers, credit providers and debt counsellors.

Compliance monitoring

During the period under review, debt counsellor compliance was monitored through a combination of remote/desktop assessments, investigations and onsite assessments. It involved the evaluation and analysis of information and documentation submitted by debt counsellors and payment distribution agents, as well as NCR reports. Where non-compliance was identified, enforcement action was taken.

The department hosted webinar sessions to ensure that debt counsellors understand the NCR's expectation during the compliance monitoring process, and to address contentious topics affecting the debt counselling industry such as misleading advertising.

Debt counsellors

A total of 455 debt counsellors were monitored during 2023/24 compared to 660 in 2022/23. The decrease was due to the introduction of a more intensive and comprehensive compliance monitoring process, covering a variety of areas that have emerged as particularly concerning over the last few years.

Performance information by activity (continued)

Examples are failure to timeously refer matters to court, non-compliance with the debt counselling fee guidelines and increasing incidences of applications for debt review without consent (DRWO). It appears that, having obtained leads from unknown sources, unscrupulous debt counsellors contact consumers with offers of debt counselling without fully disclosing what it entails. Consumers only discover their plight when they cannot get further credit. A related transgression is the use of electronic signatures submitted as consent for credit bureau information to be accessed. Unethical debt counsellors use the same signature to sign debt counselling related documents without the consumer's knowledge.

In a notable enforcement action, three non-compliant debt counsellors were referred to the NCT where judgement was granted in favour of the NCR. The NCT cancelled the registration of two debt counsellors and imposed an admin fee of R25 000 on one, and suspended the third debt counsellor's registration for two years.

Payment distribution agents

Payment distribution agents' compliance is monitored through a monthly analysis of their reports, bi-annual audits by an external service provider and quarterly remote/desktop and/or on-site assessments.

In addition to the monthly analysis, 15 compliance monitoring activities (i.e., bi-annual audits and quarterly monitoring) were conducted on the four registered PDAs. Enforcement action was taken against those found to be non-compliant.

Stakeholder engagements

During 2023/24, the department held 60 engagements with various industry stakeholders to identify and find solutions to common concerns and industry trends. One example is the need to revise the structure of the debt counselling fee guidelines, which was identified as a contributor to some of the enduring compliance challenges. Another is the need for a guideline that operationalises the process debt counsellors and credit providers must follow when dealing with reckless lending identified during the debt counselling process. Since the NCA is silent on the 'how', extensive engagement with the industry is needed to facilitate agreement on a resolution which if adopted by the NCR gets issued as a guideline.

Of these engagements, two involved the Credit Industry Forum and one the Gauteng Civil Court Forum.

Providing support and improving compliance

During the year, we hosted 30 webinars for debt counsellors. Two of these were to capacitate newly registered debt counsellors, covering topics such as the debt counselling

process, how to appoint a PDA, guide on completing forms 41s and 42 and the importance and role of the Debt Help System (DHS).

Debt counselling training

The debt counselling training course currently available for prospective debt counsellors is approximately 10 days. The content and material were updated during the year and now include a compulsory assignment that contributes to the students' final mark.

We regard training of prospective debt counsellors as pivotal to the success of the debt counselling industry and are convinced that an occupational qualification that includes compulsory practical training is required. To this end, the department has engaged the relevant authority to develop the current training course into an occupational qualification. This project has been formalised between the NCR and BankSeta and the project will commence in due course.

This initiative will benefit registered and prospective debt counsellors alike and ultimately improve the quality of debt counselling services.

Disbursement to credit providers

Over the last year, PDAs disbursed R15.87 billion to credit providers, which is a solid increase on the R13.82 billion recorded during 2022/23. Cumulatively, the PDAs have disbursed R121 billion to credit providers since 2008.

Administration of the PDA interest account

The minister of trade, industry and competition, in accordance with Regulation 10A (9) (h) (iii) of the NCA, approved a policy developed by the NCR on the use of the interest earned by PDAs. The policy stipulates that the NCR must use the funds for consumer awareness, education campaigns and the investigation of prohibited conduct.

As the custodian of the policy, the Debt Counselling Department must ensure that funds are correctly used, submit quarterly utilisation reports to **the dtic** and conduct an independent annual audit of the PDA interest account.

During the period under review, the department submitted four quarterly reports and an independent audit report to **the dtic**.

Challenges

Technological advancements in the debt counselling industry mean that the NCR's lack of automated systems continue to adversely impact the efficacy of compliance monitoring and related processes.

Highlights

Three debt counsellors were found to be in contravention of the NCA and their conditions of registration were referred to the NCT. The Tribunal found in favour of the NCR in all three matters.

One PDA addressed all the contraventions noted on the compliance notice that was issued against it previously. As a result, the NCR could issue a compliance certificate.

Funds amounting to R1 541 446 were recovered and refunded to consumers either through distribution to their credit providers or as direct deposits to the individuals.

The department interviewed three consumers who were successfully rehabilitated through debt counselling and obtained their consent to share their success stories (see pages 52 to 53).

One additional training service provider was appointed to allow more prospective debt counsellors access to the debt counselling course. The NCR now has four training service providers that operate nationwide.

The existing debt counselling training course material was reviewed and updated with the latest developments in the debt counselling industry (last update was in 2019).

A total of 47 757 clearance certificates were issued to rehabilitated consumers, up from 41 654 in 2022/23.

The year ahead

As compliance monitoring is its primary function, the department will enhance and strengthen its effort and capabilities in this regard, with specific emphasis on technology improvements where feasible.

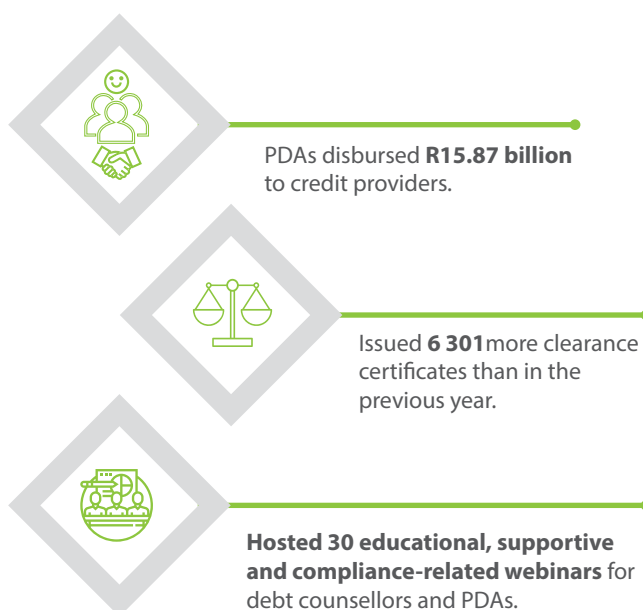
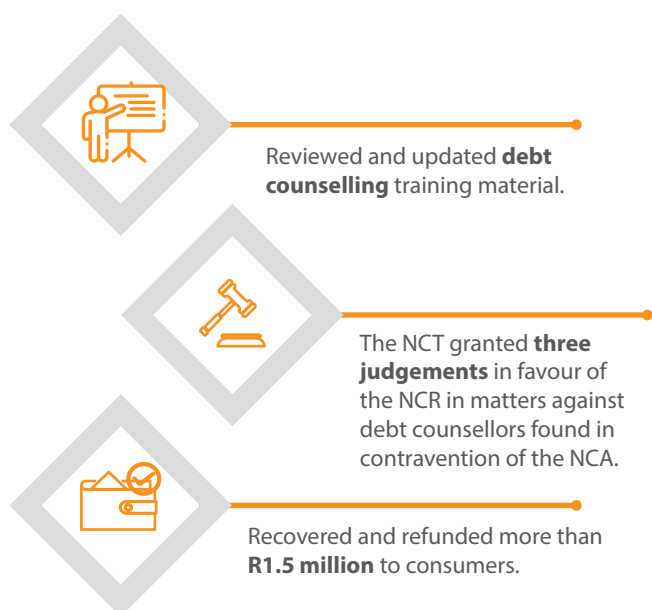
By implementing the revised conditions of registration for debt counsellors and payment distribution agents, the department aims to close compliance loopholes and provide clarity on some provisions. This will undoubtedly improve the compliance levels of registrants.

Our efforts to develop the current debt counselling training course as an occupational qualification will continue with much focus and energy.

We will devote more time and effort to the activities of the Credit Industry Forum, specifically in terms of finalising the work of active sub-committees and engaging more with the industry on issues of common interest to find operational solutions.

The Debt Help System will be developed further and enhanced with functionalities to strengthen and improve the debt counselling process and the NCR's compliance monitoring processes.

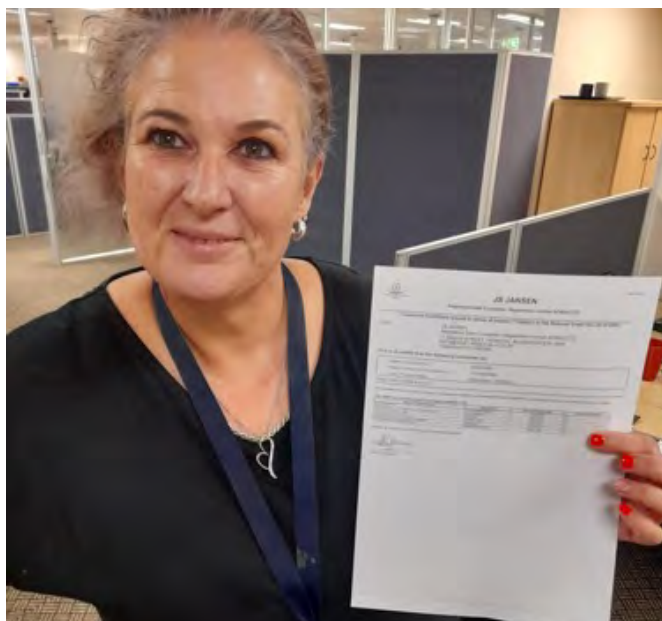
Highlights



Performance information by activity (continued)

Consumers that finalised the debt review process and received their clearance certification

These consumers are debt free, and want to stay that way. All of them have learned much during their time under debt review, among others discipline, and the difference between “want” and “need”. The choice of debt counsellor was very important to their success.

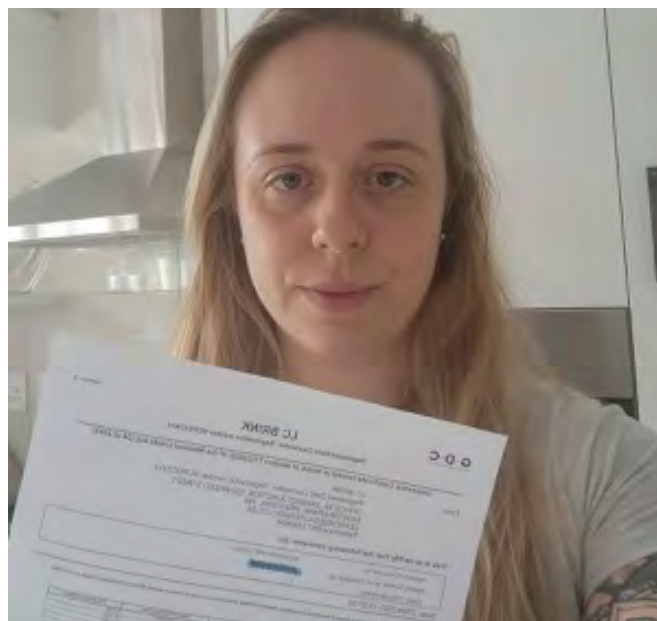


Mrs Jean Linde

Jean went under debt review in 2014, after a divorce left her in serious financial trouble. After considering the debt review process for a short while, she found the perfect debt counsellor, that explained the process in detail to her, and answered all questions that she had. During her nine (9) years being under debt review, she could always get into contact with her debt counsellor, who helped with any unexpected problem or query, one may encounter whilst under debt review. Her debt counsellor truly counselled her through the process.

After nine (9) years being under debt review, Jean is extremely grateful to be on the other side of debt. She had learned a lot about saying “no” to certain things. She learned to distinguish between what you “want” and what you actually “need”, and to be strong. Jean brought up children as a single mother during her debt review journey, which unavoidably became their journey as well. Jean’s kids learned from her how to save and be smart with money.

From Jean’s treasure chest of knowledge: *“You need to make a decision to get out of debt, and understand that it will take some time. Keep to the process. Learn to say no for a lot of things, such as new cars, holidays, outings, etc... it is not easy, but it can be done. Learn to save, and to live well with less. I am thankful to be out of debt, it is a blessing.”*



Mrs Roxanne Haupt

Roxanne had always been fortunate to have a great income, and thus debt was never really “a problem” for her. But when she wanted to move into her dream job, which came with a lower salary, she found that she could not afford it due to her credit commitments. Regardless, Roxanne heard from a colleague of debt review and after some consideration, she signed up for debt review two weeks later.

Roxanne expresses the importance of selecting the right debt counsellor, as that decision can make or break your debt review process.

Roxanne signed up for debt review in March 2019, and describes her debt review journey as smooth and amazing. As she stuck to the process, making payments when she had to, she learned to be disciplined and how to save. She not only survived the COVID pandemic whilst being under debt review, but she also got married. Her husband has since experiencing her financial success, also made the decision to undergo debt review, for the many valuable benefits there is to it.

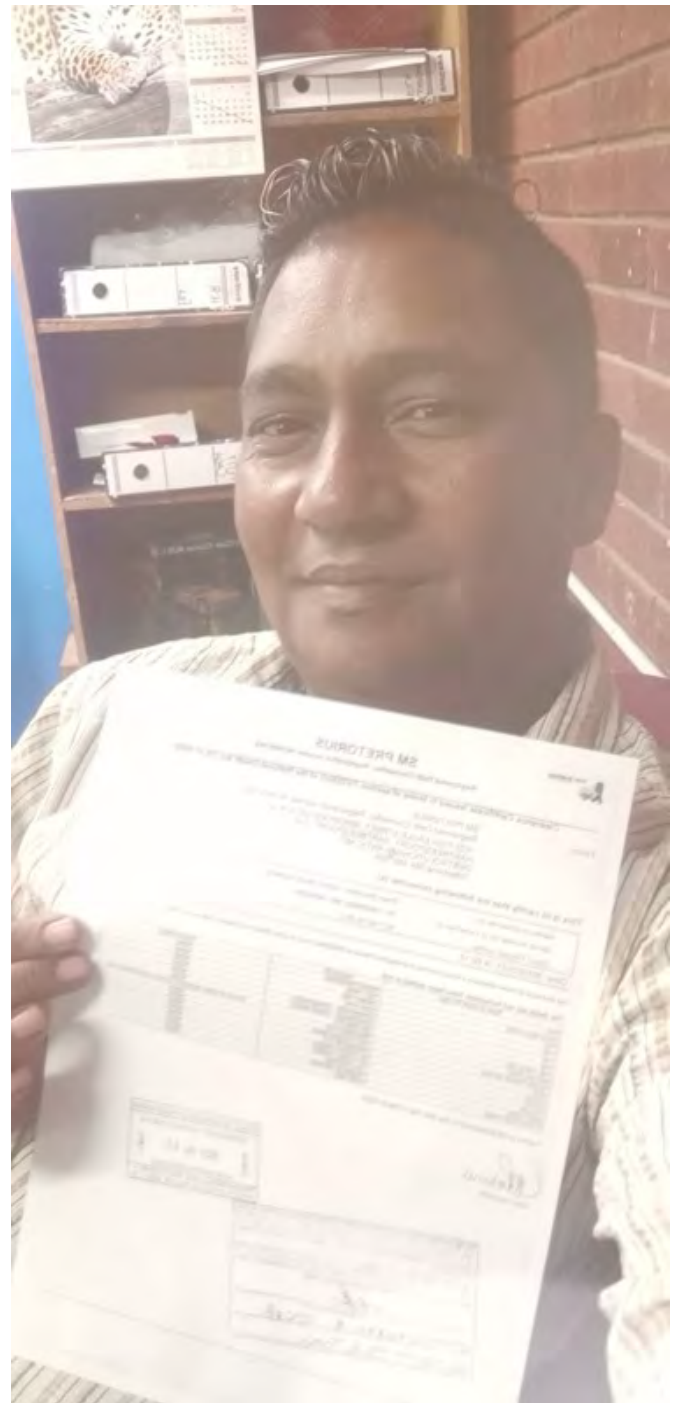
From Roxanne’s treasure chest of knowledge: *The only debt I will ever make again would be for a bond or car, never again for any other debt. Since debt review, I have opened saving accounts and investments. Be wiser with money and respect your money more. Debt Review changed my life for the better.*

Mr Shaun Goorahoo

When Shaun first went under debt review, he found his debt counsellor to be lacking. Thankfully after some searching, found the perfect debt counsellor for him. His new debt counsellor assisted him with the entire process, and rose to the occasion to help when the bank attempted to repossess his home. His new debt counsellor went above and beyond and even assisted in the High Court proceedings to defend his assets. His debt counsellor is wonderful, and Shaun would recommend her to anyone in need of debt counselling.

Shaun signed up for debt review eight (8) years ago, and has never looked back. He initially had to undergo debt review as his financial circumstance deteriorated drastically purely to cope with the ever increasing living expenses. Shaun indicated that the process of debt review had first and foremost taught him to be humble, and only to buy things he could afford. He finally paid up all his debts in early 2023, and has to date not made one cent of debt. He has learned to be disciplined and not to resort to debt so easily as he did before. He says, now he does not simply spend because he can, he considers and assesses things properly, before just buying.

From Shaun's treasure chest of knowledge: "Please don't be afraid to seek help. Many people think being under debt review is totally a negative thing, and there exists a stigma around it. If you are in financial trouble, rather than to lose your assets, seek the right debt counsellor. Debt counselling will teach you how to grow and to get back on your feet, although it may take a long time, it does work. A lot of good things come of it, because it teaches you a lot."



Performance information by activity (continued)

Activity area: Risk and Audit Services



Ms Maphuti Ramuhala

Manager: Risk and Audit Services

The Risk and Audit Services Department coordinates and supports the NCR's overall enterprise risk management process in line with its approved risk management policy framework. It facilitates the development and review of the NCR strategy together with the annual performance plan, as well as performance monitoring and evaluation. Furthermore, the department directs the outsourced Internal Audit function and monitors the NCR policy register to ensure compliance with legislative requirements.

During the year under review, the department coordinated reviews of the NCR's five-year strategic plan and three-year annual performance plan and monitored the organisation's performance against these plans. It also tracked departmental performance against operational plans.

Risks that have a material impact on the strategic objectives of the organisation were identified, monitored and reported to the oversight structures. The department also facilitated the NCR's adoption of an integrated risk management model and process that will embed sound risk management practices in all its strategic and operational activities by linking risks to objectives.

Highlights

The appointment of Maphuti Ramuhala as the Risk and Audit Services Manager in October 2023 stabilised the department in terms of governance and leadership. Similarly, the appointment of an additional Audit & Risk Management Committee member in December 2023 has enhanced the committee's ability to guide the NCR's approach to risk management.

Achievements

During the period under review, the Audit & Risk Management Committee approved the risk management and combined assurance policy frameworks, as well as the three-year risk management implementation plan. No material audit findings were reported on the quarterly performance reports.

The year ahead

During the upcoming financial year, the department will execute its approved three-year risk management implementation plan to enhance internal processes and improve the risk maturity of the organisation. The combined assurance model will be implemented, and we will develop a risk appetite and tolerance framework.

The team will also review the NCR's fraud policy and plan, as well as its business continuity management programme.

A main output will be developing the five-year strategy for the period 2025/2026 – 2029/2030 as the existing strategic performance plan (SPP) is currently in its final year.

Risk and Audit Services Team



Performance information by activity (continued)

Activity area: Investigations and Enforcement



Ms Leanne Schwartz

Manager: Investigations and Enforcement

The Investigations and Enforcement Department investigates all allegations of non-compliance with the provisions of the NCA and takes action to correct or punish confirmed instances.

Investigations

The department investigated 68 allegations regarding excessive cost of credit and reckless lending. Of these, 31 were referred to the National Consumer Tribunal.

A further 27 investigations related to debt counsellors and 12 special investigations were carried out. Three of these involved alternative dispute resolution agencies (ADRAs) that were accused of charging consumers upfront fees or for colluding with debt counsellors to put consumers into debt review unnecessarily. A PDA was the subject of a fourth special investigation.

Eight special investigations involved credit providers that employ payroll deduction as method of collecting loan repayments directly from consumers' salaries. The investigated providers failed to conduct affordability assessments.

In cooperation with the SA Police Services, the department conducted 18 raid investigations in seven provinces on credit providers that illegally retain consumers' identity documents, bank cards and other instruments. Numerous arrests were made, and criminal cases opened.

Enforcement action

The department effected 54 enforcement actions during the financial year against credit providers who have contravened the NCA.

Notable judgements

The NCT issued fourteen judgments in favour of the NCR in relation to previously referred cases. In all instances, the NCT confirmed that prohibited conduct had been committed. The providers were ordered to refund all loan repayments and interest charges and all received a fine. In one case, the Tribunal ordered the immediate cancellation of the entity's registration as a credit provider.

Challenges

ICT shortcomings and budgetary constraints were significant stumbling blocks for the department during this period.

The year ahead

The department will continue with its objective of investigating any allegations of predatory lending practices, and taking enforcement actions where such practices are uncovered.

Highlights

The raid investigations conducted were a major highlight for the department, as they uncovered the illegal practice of consumer instruments being retained as a means to enforce loan repayments.

The NCT handed down 14 judgements in favour of the NCR and imposed administrative fines totalling R1.765 million.

Linking performance with budgets

The budgeted expenses per activity compared to the actual expenses for the 2023/24 financial year are set out in the table below:

	2023/2024			2022/2023		
Performance activity/ objective	Budget R'000	Actual expenditure R'000	(Over)/under expenditure R'000	Budget R'000	Actual expenditure R'000	(Over)/under expenditure R'000
Programme 1	23 115	26 836	(3 721)	20 482	20 940	(458)
Programme 2	118 536	108 289	10 247	127 049	110 267	16 782
Total	141 651	135 125	6 526	147 531	131 206	16 324

Revenue collection

	2023/2024			2022/2023		
Sources of revenue	Estimate (R'000)	Actual amount collected (R'000)	(Under)/over collection (R'000)	Estimate (R'000)	Actual amount collected (R'000)	(Under)/over collection (R'000)
Fees paid by registrants	51 545	45 152	(6 393)	58 500	44 796	(13 704)
Transfer payment	84 060	81 538	(2 522)	83 241	83 241	–
Interest	2 780	7 061	4 281	2 663	3 735	1 073
Other income	3 266	6 645	3 380	3 127	3 218	90
Total	141 651	140 396	(1 255)	147 531	134 990	(12 540)

Own revenue – fee revenue

The under-collection relating to fee revenue is a result of a decrease in the number of registrants and of credit providers closing many of their branches to cut costs. 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 other ways of increasing revenue sources.

Transfer payment

The NCR was originally allocated funding of R83, 241m, an amount of R49 945m was received in April 2022 and R33 296 was received in October 2022.

Interest received

The increase in interest earned for the financial year under review has been caused by the increase in interest rates not budgeted for.

Other income

The revenue generated under other income is only realised when the expenditure related to the Education and Communication Department as well as the Investigations and Enforcement Department is incurred. The under-collection of other income is due to depletion of PDA interest earmarked to be utilised for PDA related activities.

Capital investment

During the financial year under review there were no major infrastructure projects and major maintenance projects. Measures taken to ensure that the public entity's asset register remained up-to-date during the period under review include the following: monthly updating of Fixed Asset Register (FAR) with additions, retirement of assets in bad conditions; monthly reconciliation of FAR and General Ledger. NCR procured new assets to a tune of R6 million (R6 229 640) in order to improve efficiencies. The additions represent a decrease of 35% compared to the spend of 2021/22 financial year (R9.6 million). Overall, an amount of R6.2 million included R1.4m spent on procurement of computer equipment, R0.157million spent on procurement of office equipment, R3.9 million spent on software R3.9 million and intangible asset under development for about R0.687 million. The current state of the public entity's capital assets, for example what percentage is in good, fair or bad condition.

PART



GOVERNANCE

Introduction

The National Credit Regulator complies with the Public Finance Management Act (PFMA) and the 2016 King IV Code of Governance Principles for South Africa (King IV Code) in as far as the Code can be applied to the NCR. The Accounting Authority, the Minister of Trade, Industry and Competition and Parliament ensure that the NCR embraces good corporate governance practices.

Portfolio Committee

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

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

The Portfolio Committee on Trade, Industry and Competition exercises oversight over the NCR's service delivery and reviews its performance in terms of the financial and non-financial 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 6 March 2024 to brief committee members on its Financial and Non-Financial Performance for 2023/24 financial year.

On 14 March 2023, the NCR presented the debt counselling process and implementation challenges to the portfolio committee.

Executive Authority

The Minister of Trade, Industry and Competition is the Executive Authority. The table below provides details on the executive reports submitted to the Minister.

Report submitted	Date submitted	Issues raised by the Minister
Report on financial and non-financial performance (Quarter 4 of 2022/23: 1 January to 31 March 2023)	28 April 2023	There were no issues raised by the Minister
Report on financial and non-financial performance (Quarter 1 of 2023/24: 1 April to 30 June 2023)	31 July 2023	There were no issues raised by the Minister
Report on financial and non-financial performance (Quarter 2 of 2023/24: 1 July to 30 September 2023)	31 October 2023	NCR to indicate measures to be implemented in ensuring achievement of target not achieved.
Report on financial and non-financial performance (Quarter 3 of 2023/24: 1 October to 30 December 2023)	30 January 2024	Overall targeted performance was 95% and NCR's actual performance was 92%.

Report submitted	Date submitted	Issues raised by the Minister
Executive Summary Report (Quarter 4 of 2022/23: 1 January to 31 March 2023)	28 April 2023	There were no issues raised by the Minister
Executive Summary Report (Quarter 1 of 2023/24: 1 April to 30 June 2023)	31 July 2023	There were no issues raised by the Minister
Executive Summary Report (Quarter 2 of 2023/24: 1 July to 30 September 2024)	27 October 2023	There were no issues raised by the Minister
Executive Summary Report (Quarter 3 of 2023/24: 1 October to 30 December 2023)	30 January 2024	There were no issues raised by the Minister

Report submitted	Date submitted
Quarterly Report on PDA Interest Utilisation	08 August 2023 (Q1) 07 November 2023 (Q2) 09 February 2024 (Q3) 21 May 2024 (Q4)*
Annual PDA Audit	30 May 2024**

* In accordance to the PDA Policy the Q4 utilisation report is submitted 40 days after the end of the quarterly Executive Summary reports.

** In accordance to the PDA Policy the Annual PDA Audit Report is submitted 60 days after the end of the quarter.

Governance (continued)

Accounting Authority

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

Risk management

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

The NCR is in the process of implementing a Combined Assurance Model to ensure that all assurance activities provided by assurance providers adequately address key risks facing the organisation and that suitable controls exist to mitigate the risks. The Combined Assurance Policy Framework was reviewed to ensure that good governance principles are applied throughout the organisation. Upon approval of the Framework, a comprehensive combined assurance plan will be developed and presented to the committee for consideration and recommendation. Implementation is committed for the new financial year.

The NCR Audit and Risk Management Committee (ARMC) 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 ARMC is constituted in terms of the PFMA and Treasury Regulations. The NCR Executive Management members are permanent invitees to committee meetings. 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 ARMC are presented on page 63 of this report.

Internal control unit

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 Internal Audit Plan in line with the 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 Audit and Risk Management Committee for approval; and
- Executing the approved Annual Internal Audit Plan, and any special projects/tasks requested by the management and/or ARMC. Internal audit reports were tabled to the Audit and Risk Management Committee on a quarterly basis.

Internal audit and audit committees

The key activities and objectives of the internal audit function, and the ARMC are 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 2023/24 ARMC consisted of four (4) members. The committee held six (6) meetings, two (2) of which were special meetings held on 30 May 2023 and 13 December 2023.

The frequency of the meetings is as per the approved Audit and Risk Management Committee Charter.

The ARMC is an independent and objective body that assists the AA to discharge her duties relating to:

- Safeguarding assets;
- Assessing the going concern status;
- Reviewing financial information, including quarterly management accounts and annual financial statements; and
- External audit process and oversight of the risk management environment.

The ARMC has fulfilled its responsibilities in compliance with its charter. More information is provided in the report of the ARMC on pages 63 to 65.

Audit and Risk Management Committee members

Name	Qualifications	Internal or external	Date appointed	Date terminated/ resigned	No of meetings attended
Zamachonco Chonco (Chair)	CA (SA), BCom Accounting (Hons), BCom Accounting	External	11 August 2021	–	6
Portia Chilwane	BProc, Admitted Attorney, Postgraduate Diploma (Advanced Management Programme)	External	11 August 2021	–	6
Nkosenhle Nongoma	Postgraduate Diploma in Management, B-Tech in IT Knowledge Management, National Diploma in IT Software Development, CIO Professional Practice for IT Operations and Management, Executive Development Programme	External	15 July 2022	–	6
Noziphiwo Lubanga	Masters in Business Administration, BCom Internal Auditing (Hons), Executive Development Programme	External	16 October 2023	–	2

Compliance with laws and regulations

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

Fraud and corruption

A Fraud Prevention Plan has been developed within the context of the Risk Management Framework with the aim to reduce fraud to an absolute minimum and effect policies and procedures to maintain the risk of fraud within tolerable levels, and preferably zero, at all times.

Various measures have been implemented to prevent fraud. These include authorisation, custody of assets, detection controls, physical supervision, management information, segregation of duties, physical security and information security.

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

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

Governance (continued)

Minimising conflict of interest

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

Bidders and services providers registered with the NCR are required to complete declaration of interest forms. Supply chain management practitioners and management submit their financial disclosure forms annually, as required by the Public Service Commission (PSC).

Code of conduct

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

The 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 the NCR's 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;
- Uphold ethical standards at all times;
- 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.

Health, safety and environmental issues

The NCR has a legal responsibility to ensure a safe and healthy workplace. The organisation has appointed an occupational health and safety (OHS) consultant to execute its annual OHS plan. Tasks include managing regular fire drills, training health and safety officials across the organisation and the review of the OHS Policy.

Safety is a core value of the NCR and the organisation is committed to continued advancement of an institutional safety culture with strong programmes of personal safety, accident and injury prevention, wellness promotion, and compliance with applicable environmental and health and safety laws and regulations (OHS Act). To ensure that the organisation continues to provide a healthy and safe workplace, a process is underway to appoint service provider for cleaning and hygiene services and security provision.

Company Secretary

The Company Secretary's role is to ensure implementation of sound corporate governance within the NCR's operations. In addition, the incumbent ensures that the NCR complies with all legal compliance requirements.

The Company Secretary serves as a link between the NCR and the Audit and Risk Management Committee by coordinating the activities of the committee, providing support and guidance in relation to its fiduciary duties and corporate governance procedures and relevant legislation. Adv. Kedilatile Legodi serves as the acting NCR Company Secretary.

Social responsibility

The NCR is a non-profit public entity and is, therefore, precluded from disbursing funds to good causes. No donations were made to any charitable organisation in the 2023/24 financial year.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

Audit and Risk Management Committee



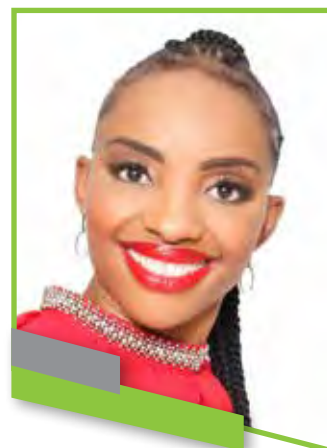
Zamachonco Chonco
Chairperson



Portia Chilwane
ARMC member



Nkosenhle Ngongoma
ARMC member



Noziphiwo Lubanga
ARMC member

We are pleased to present our report for the financial year ended 31 March 2024.

Audit Committee Responsibility

The Audit and Risk Management Committee reports that it has complied with its responsibilities arising from Section 51 (a) of the Public Finance Management Act and Treasury Regulation 27.1.10. The Audit and Risk Management Committee further 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. The committee has complied with all the respective requirements.

Audit and Risk Management Committee members and attendance

The Audit and Risk Management Committee consisted of the members listed hereunder and met at least four (4) times per annum as per its approved terms of reference. During the 2023/24 period, the following noticeable movement was recorded within ARMC, Ms N Lubanga joined the committee on 16 October 2023.

During the year under review the committee held six (6) meetings as listed below and was considered effective for the whole year ending March 2024.

Audit and Risk Management Committee:

Members	Ms Z Chonco Chairperson	Ms P Chilwane Member	Mr N Nongoma Member	Ms N Lubanga Member
26 May 2023	Present	Present	Present	Not appointed
30 May 2023 (Special)	Present	Present	Present	Not appointed
26 July 2023	Present	Present	Present	Not appointed
26 October 2023	Present	Present	Present	Not appointed
13 December 2023 (Special)	Present	Present	Present	Present
26 January 2024	Present	Present	Present	Present

Audit and Risk Management Committee report (continued)

The Effectiveness of Internal Control

The system of controls within the National Credit Regulator (NCR) is designed to provide reasonable assurance that assets are safeguarded and that liabilities and working capital are properly managed in line with the PFMA and the protocol on corporate governance. This is achieved by means of a risk-based internal audit plan, to assess the adequacy and effectiveness of controls mitigating the risks, as well as the Audit and Risk Management Committee monitoring of the implementation of corrective actions.

RAiN Chartered Accountants Inc. was the appointed Internal Auditor to the National Credit Regulator (NCR) during the financial year under review.

In the financial year under review, internal audit continued to provide assurance in terms of control, governance, and risk management as per the approved risk-based audit plan. From the Committee's review of the Internal Audit reports presented during the 2023/24 financial year, the 2023/24 Audit Report on the review of the Annual Financial Statements and the Management Report from the Auditor-General of South Africa (AGSA) it can be concluded that the system of internal control as applied to financial and non-financial matters, enterprise risk management and governance systems are adequate and effective. However, the Committee has identified the following key areas of concern that should be addressed to further improve the overall adequacy and effectiveness of the control environment:

- Information Communication and Technology (ICT) governance
- Updated policies and procedures

The Committee welcomes management's commitment to address the identified control weaknesses specifically within the ICT environment and review of policies and standard procedures timeously. The Committee will be monitoring management's progress in resolving these issues on a regular basis.

The effectiveness of the Internal Audit Function

The Committee evaluated the independence, effectiveness and performance of the internal audit function and compliance with its mandate. Given the quality of in-year management quarterly reports submitted in terms of the PFMA, the committee is satisfied that the internal audit has established appropriate reporting procedures for quarterly reporting to the committee. Consequently, the committee is satisfied with the quality of the quarterly reports, level of independence and effectiveness of internal audit function.

In-year Management and Quarterly Reports

The NCR has reported quarterly to National Treasury and the Executive Authority as required by the PFMA. The Committee reviewed the quarterly submissions and was satisfied with the content and quality of the reports formulated during the year under review.

Evaluation of Financial Statements

- Performed a high-level review of the 2023/24 unaudited financial statements with due consideration of the independent assurance provided by IA as well as the assurance provided by Management in accordance with the combined assurance matrix;
- Reviewed the unaudited information on predetermined objectives with due consideration of the independent assurance provided by IA as well as the assurance provided by management in accordance with the combined assurance matrix;
- Reviewed changes in accounting policies and practices;
- Reviewed compliance with legal and regulatory provisions;
- Reviewed the basis for the going concern assumption, including any financial sustainability risk and issues;
- Reviewed significant adjustments resulting from the audit;
- Reviewed the Auditor-General South Africa (AGSA) audit and management reports, with due consideration of the responses provided by management; and
- Reviewed the audited financial statements as well as the information on predetermined objectives to be included in the annual report.

External Auditor's Report

The Committee has reviewed the progress made by Management in the implementation plan of the external audit issues raised in the prior year.

The Committee has on a quarterly basis reviewed the NCR's implementation plan of audit issues raised in the prior year and it is satisfied that the matters have been satisfactorily resolved.

The Committee further met with the AGSA to ensure that there are no unresolved issues that emanated from the regulatory audit. Corrective actions on the detailed findings raised by the AGSA will continue to be monitored by the committee on a quarterly basis. The committee concurs with and accepts the conclusions of the AGSA on the annual financial statements and believes that the audited annual financial statements must be accepted and read together with the report of the AGSA.

The Committee wishes to commend management for the unqualified audit opinion with no findings as expressed by the AGSA in its audit report. The results are a testimony to the diligent and hard work put in by the entity.

Appreciation

The Committee wishes to extend its sincere appreciation and commend the NCR management for their exceptional efforts in achieving the unqualified audit opinion with no finding ("Clean audit outcome") for FY2024. We relay our sincere appreciation to the Chief Executive Officer and management of NCR for the dedication and support provided to the committee. We thank the AGSA and the Internal Auditors for the co-operation and information they have provided to enable the committee to discharge its responsibilities.

As the committee we remain committed to working collaboratively with management and other assurance providers in ensuring that the appropriate control measures are effective, efficient, transparent and strengthened. The committee will endeavour to use combined assurance principles to follow up on all assurance providers findings in order to maintain the clean governance as we build upon the foundation of good audit results and continuously strive for excellence.



Zamachonco Chonco CA (SA)

Chairperson of the Audit and Risk Management Committee

B-BBEE COMPLIANCE PERFORMANCE INFORMATION

The following table was completed in accordance with the B-BBEE requirements of the B-BBEE Act of 2013 and as determined by **the dtic**.

Criteria	Yes/No	Discussion (measures taken/not taken to comply)
1. Determining qualification criteria for the issuing of licences, concessions or other authorisations in respect of economic activity in terms of any law?	Yes	The NCR issues licences to credit providers, debt counsellors, payment distribution agents and credit bureaus in accordance with the National Credit Act.
2. Developing and implementing a preferential procurement policy?	Yes	NCR tenders were issued based on the revised PPR 2022, were advertised on the NCR website and e-tender portal. Only suppliers registered on CSD are awarded business. NCR had a target through special goals of 25% spend (awards issued) to SMMEs owned by black people/women/youth and people with disabilities.
3. Determining qualification criteria for the sale of state-owned enterprises?	No	Currently the NCR does not have any qualifying criteria for the sale of state-owned enterprises.
4. Developing criteria for entering into partnerships with the private sector?	No	The NCR does not have partnerships with the private sector.
5. Determining criteria for the awarding of incentives, grants and investment schemes in support of B-BBEE?	Yes	With the reduction in budget, NCR will not be able to implement these criteria in the foreseeable future.

Supply Chain Management Team





PART

D

**HUMAN RESOURCE
MANAGEMENT**

HUMAN RESOURCES MANAGEMENT



Ms Boitumelo Geldenhuis
Manager: Human Resources

Introduction

Overview of HR matters

The Human Resource (HR) Division has primary responsibility for effective and efficient human resources management. The division is tasked with managing the acquisition of staff, the employee lifecycle and the NCR's employee wellness programme.

The NCR, like many organisations in South Africa and indeed around the world, is operating in an economically challenging climate. Although budget cuts have impacted programmes in the human resources space, good governance practices have enabled us to execute on our mandate and retain the skills needed to serve the public.

As at 31 March 2024, the NCR staff complement stood at 158 employees. At 65.18% women, our workforce is predominantly female (103 women versus 55 men). The percentage of employees under the age of 35 stands at 31.3% (31 March 2023: 39.63%).

Employer-employee consultative forum

The NCR has a recognised consultative forum that enables the employer and employees to collaborate on matters of mutual interest. In addition to negotiating employee benefits and conditions of service, the forum has played a valuable role in the review of policies that have an impact on employees, such as travel and subsistence, and the administration of the organisation, including the ICT and supply chain management policies, as well as the standard operating procedure that governs payroll. The work of the consultative forum has greatly assisted management to ensure labour peace and stability in the organisation.

HR priorities for the year under review

- To enhance the skills sets and competencies of NCR staff, the division implemented a strategy to develop and present training courses internally, in view of the reduced budget allocation for staff training and development. The initiative allowed us to train employees on labour relations and discipline management, cybersecurity and the debt counselling process. The budget we did receive was allocated to conduct training on combined assurance, given that the NCR is in the process of setting up a combined assurance committee that will assist the organisation to adopt a combined assurance model.
- To ensure statutory compliance with applicable legislation, the division submitted EMP 501 and EMP 201 returns, as well as our COIDA returns and our employment equity report as required by the Department of Labour. We understand and support the fact that as a government institution, we are required by law to submit these compliance documents and make the required payments to statutory bodies.

Employee performance management framework

The division is currently in the process of reviewing the NCR's performance policy to better guide and support management in managing the performance of staff across the organisation. While employees continue to sign their performance agreements and evaluations, the organisation has not been able to acknowledge high performers with monetary incentives or other rewards. However, during the cost-of-living negotiations the organisation agreed to a once-off gratuity payment for qualifying staff. This has greatly improved morale and contributed to staff retention.

Internship programmes

The NCR fully funded and administered four internships during 2023/24, one each in the ICT, Complaints, Risk Management and Supply Chain Management departments. Evidence that we succeeded in our intention to prepare the four interns for the world of work was borne out by the fact that more than one of them have since received job offers externally. We are proud of this success story that indicates the quality of training and skills transfer that our mentors and hosting departments are able to offer.

Employee wellness

The ICAS-managed employee assistance programme (EAP) remains effective in assisting our employees and their immediate families to navigate hardships and personal challenges. The constructive relationship between management and staff at the NCR is at least in part due to the good use of the resources available to them. Support with personal struggles helps to avoid performance issues at work.

When possible and appropriate, the NCR hosted and/or participated in employee engagement events. For Women's

Day, for instance, speakers on gender-based violence addressed our staff, and our Facilities and Security team supported the JMPD and SAPS with the logistics around a big wellness day event in Midrand.

Challenges

Retention of skills remains a challenge for the NCR. As high interest rates and rising inflation put personal finances under pressure, staff are always looking for better opportunities outside the NCR.

The year ahead

The division remains busy with reviewing human resources policies but a major focus for the year ahead is staff morale. We have appointed a service provider to conduct a climate survey to help pinpoint strategies and initiatives to improve the organisation's culture and morale. The service provider will further assist with job evaluations and salary benchmarking to align the NCR with competitors and support our efforts to retain talent.

On 23 February 2024, the National Credit Regulator (NCR) hosted its **Annual Wellness Day** for employees, highlighting Gender Based Violence (GBV). The aim of the event was to raise awareness about one of the biggest issues in our country GBV and to also improve the employees mental, physical, social health and wellbeing, which in turn creates a positive and productive workplace. Each NCR department were requested to choose a theme and dressed up according to the chosen theme. The event was covered by the Midrand Reporter.



On 31 July 2023, the NCR Team visited **Tembisa Kopanong Children's Home** in observance of Mandela Day held annually on July 18 to commemorate the birthday of Nelson Mandela. The NCR staff donated food parcels and provided lunch packs for the home and staff.



HUMAN RESOURCES OVERSIGHT STATISTICS

Table 1: Personnel cost by programme/activity/objective

Programme	Total expenditure for the entity R'000	Personnel expenditure R'000	Personnel expenditure as % of total expenditure R'000	Number of employees	Average personnel cost per employee R'000
Improved regulatory environment	38 520	23 847	62%	25	954
Enforcement of the National Credit Act	96 605	60 883	63%	133	458
Total	135 125	84 730		158	

Table 2: Personnel cost per salary band

Level	Personnel expenditure R'000	% of personnel expenditure to total personnel cost	Number of employees	Average personnel cost per employee R'000
Top management	8 548	10	5	1 709
Senior management	14 487	17	9	1 609
Professional qualified	22 142	26	28	790
Skilled	31 042	37	70	443
Semi-skilled	8 511	10	46	185
Total	84 730	100	158	4 736

Table 3: Performance rewards

Level	Performance rewards R'000	Personnel cost R'000	% of performance rewards to total personnel cost
Top management	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

Table 4: Training costs

Programme	Personnel expenditure R'000	Training expenditure R'000	Training expenditure as a % of total personnel cost	Number of employees trained	Average training cost per employee
Improved regulatory environment	23 847	5	0%	25	
Enforcement of the National Credit Act	60 883	12	0%	133	
Total	84 730	17		158	

Table 5: Employment and vacancies

Programme/activity/objective	2022/23 Number of employees	2023/24 Approved posts	2023/24 Number of employees	2023/24 Vacancies	% of Vacancies
Top management	3	4	3	1	3
Senior management	11	15	11	5	15
Professional qualified	24	35	28	8	24
Skilled	65	87	70	13	40
Semi-skilled	42	50	46	6	18
Unskilled	0	0	0	0	0
Total	145	191	158	33	100

When a critical role goes unfilled, it can have a huge impact on the organisation. The HR Division and other relevant units explore various recruitment avenues to address the challenge of unfilled positions.

Table 6: Employment changes

Level	Employment at beginning of period	Appointments	Terminations	Employment at the end of the period
Top management	3	0	0	3
Senior management	11	3	3	11
Professional qualified	24	9	5	28
Skilled	65	14	9	70
Semi-skilled	42	13	9	46
Total	145	39	26	158

Table 7: Reasons for staff leaving

Reason	Number	% of total staff leaving
Death	1	4
Resignations	25	96
Retirement	0	0
Ill health	0	0
Expiry of contract	0	0
Dismissal	0	0
Total	26	100

The biggest reason for staff leaving is better opportunities. Due to budget constraints not all vacancies could be filled. However, most of the positions regarded as critical in terms of the NCR's mandate were filled through the normal recruitment process.

Human Resources oversight statistics (continued)

Table 8: Labour relations: misconduct and disciplinary action

Nature of disciplinary action	Number
Verbal warning	2
Written warning	6
Final written warning	None
Dismissal	None
Total	8

In addition, one (1) corrective counselling session was conducted for the period 2023/24.

One (1) disciplinary enquiry was still ongoing in the period 2023/24.

Table 9: Equity target and employment equity status (men)

Levels	MALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top management	1	2	0	0	0	0	0	0
Senior management	2	3	0	0	0	1	0	0
Professional qualified	9	7	1	3	1	4	0	4
Skilled	24	29	1	2	1	1	1	1
Semi-skilled	13	21	1	1	0	1	0	1
Unskilled	0	0	0	0	0	0	0	0
Total	49	62	3	6	2	7	1	6

Table 10: Equity target and employment equity status (women)

Levels	FEMALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top management	1	1	0	1	0	0	1	0
Senior management	8	8	0	1	0	0	0	0
Professional qualified	12	9	0	3	1	3	4	8
Skilled	43	45	2	2	1	3	0	1
Semi-skilled	28	25	2	2	0	1	0	0
Unskilled	0	0	0	0	0	0	0	0
Total	92	88	4	9	2	7	5	9

Table 11: Equity target and employment equity status (people living with disabilities)

Levels	PEOPLE LIVING WITH DISABILITIES			
	Male		Female	
	Current	Target	Current	Target
Top management	0	0	0	0
Senior management	0	0	0	0
Professional qualified	0	0	0	0
Skilled	0	1	0	1
Semi-skilled	0	0	1	1
Unskilled	0	0	0	0
Total	0	1	1	2

Human Resources and Security and Facilities Teams





PART

E

PFMA COMPLIANCE REPORT



Ms Phillipine Mweli
Acting Chief Financial Officer

Report of the Chief Financial Officer

The office of the CFO is the custodian of 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 2023/24 financial year, the office of the CFO has ensured that:

- A clean 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 dtic**;
- The NCR continued to comply with relevant National Treasury instructions on cost containment.

Information on irregular, fruitless and wasteful expenditure and material losses

Irregular expenditure

Reconciliation of irregular expenditure

Description	2023/24	2022/23
Opening balance	7 984 642	7 997 506
Add: Irregular expenditure confirmed	–	5 693
Less: Irregular expenditure condoned	–	–
Less: Irregular expenditure not condoned and removed	–	–
Less: Irregular expenditure recovered	–	(18 557)
Less: Irregular expenditure not recovered and written off	–	–
Less: Irregular expenditure reclassified to fruitless and wasteful expenditure	(7 943 542)	–
Closing balance	41 100	7 984 642

Report of the Chief Financial Officer (continued)

Reconciling notes to the annual financial statement disclosure

Description	2023/24	2022/23
Irregular expenditure that was under assessment in 2022/23	–	–
Irregular expenditure that relates to 2022/23 and identified in 2023/24 (see note below)	–	–
Irregular expenditure for the current year	–	5 693
Less: Irregular expenditure reclassified to fruitless and wasteful expenditure	–	(2 378)
Total	–	3 315

Note:

No irregular expenditure was identified during the year.

Details of current and previous year irregular expenditure

Description	2023/24	2022/23
Irregular expenditure under assessment*	608 198	–
Irregular expenditure under determination	–	–
Irregular expenditure under investigation	–	–
Total	608 198	–

* Pending matters

During the year one investigation was pending in respect of a non-compliance with the NCR code of conduct and conflict of interest policy.

Details of current and previous year irregular expenditure condoned

Description	2023/24	2022/23
Irregular expenditure condoned	–	–
Total	–	–

Details of current and previous year irregular expenditure removed

Description	2023/24	2022/23
Irregular expenditure not condoned, and removed	–	–
Total	–	–

Details of current and previous year irregular expenditure recovered

Description	2023/24	2022/23
Irregular expenditure recovered	–	3 315
Total	–	3 315

Details of current and previous year irregular expenditure written off

Description	2023/24	2022/23
Irregular expenditure written off	–	–
Total	–	–

Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure

Description	2023/24	2022/23
Opening balance	2 902 604	2 908 207
Add: Fruitless and wasteful expenditure confirmed	42 166	46 213
Add: Fruitless and wasteful expenditure reclassified from irregular expenditure	1 574 694	–
Add: Fruitless and wasteful expenditure incurred in prior and confirmed in current year	18 697 392	–
Less: Fruitless and wasteful expenditure recovered	(8 156)	(7 535)
Less: Fruitless and wasteful expenditure corrections	–	(615)
Less: Fruitless and Wasteful expenditure not recovered and written off	–	(44 281)
Closing balance	23 208 085	2 902 604

Note:

During the year under review, an amount of R1 574 694 was reclassified from irregular expenditure to fruitless and wasteful expenditure. R2 378 incurred for the prior year pertaining to non-compliances to the internal travel and subsistence policy, R1 563 246 in earlier years pertaining to an overpaid supplier, and R9 070 in earlier years pertaining to an overpaid termination leave.

Fruitless and wasteful expenditure amounting to R18 697 392 incurred in prior years and were confirmed during this year. R18 691 856 pertained to an operational system software not used as intended, and R5 535 pertained to non-compliances to the internal travel and subsistence policy.

An amount of R42 166 was incurred in the current year as fruitless and wasteful expenditure due to employee resignations without notice.

Reconciling notes to the annual financial statement disclosure

Description	2023/24	2022/23
Fruitless and wasteful expenditure that was under assessment in 2022/23	–	–
Add: Irregular expenditure reclassified to fruitless and wasteful expenditure	–	2 378
Fruitless and wasteful expenditure that relates to 2022/23 and identified in 2023/24 (see note below)	–	5 535
Less: Fruitless and Wasteful corrections	–	(615)
Fruitless and wasteful expenditure for the current year	42 166	46 213
Total	42 166	53 511

Note:

During the year under review, an amount of R5 535 was identified as fruitless and wasteful expenditure incurred in 2022/23 due to non-compliances to the internal travel and subsistence policy.

Details of current and previous year fruitless and wasteful expenditure

Description	2023/24	2022/23
Fruitless and wasteful expenditure under assessment	–	–
Fruitless and wasteful expenditure under determination (see note below)	–	–
Fruitless and wasteful expenditure under investigation (see note below)	–	–
Total	–	–

Note:

During the year under review no pending matters remained.

Details of current and previous year fruitless and wasteful expenditure recovered

Description	2023/24	2022/23
Fruitless and wasteful expenditure recovered	2 448	5 709
Total	2 448	5 709

Details of current and previous year fruitless and wasteful expenditure written off

Description	2023/24	2022/23
Fruitless and wasteful expenditure written off (see note below)	–	44 281
Total	–	44 281

Note:

During the year under review no fruitless and wasteful expenditure were written off.

Report of the Chief Financial Officer (continued)

Details of current and previous year disciplinary or criminal steps taken as a result of losses, irregular and fruitless and wasteful expenditure.

Incident description	Criminal or disciplinary	Loss incurred R value
Non-compliance to NCR code of conduct and conflict of interest policy	Matter under assessment	608 198
Non-compliance to NCR internal policies: Resignation of employee without notice	No disciplinary action could be executed and letter of demand issued	14 768
Non-compliance to NCR internal policies: Resignation of employee without notice	No disciplinary action could be executed	27 399
Accidental damage to rental car.	Disciplinary steps were taken against the employee and loss recovery process initiated	3 794
Scheduled flight missed	Disciplinary steps were taken against the employee and loss recovery process initiated	1 741
Total		655 900

Finance and Information Communication and Technology Teams



Information on supplier payments

Unless there is dispute, the NCR pays its suppliers within 30 days. Below is a schedule of compliance on supplier payments:

Description	Number of invoices	Value R'000
Valid invoices captured	1 421	54 017
Invoices paid within 30 days or agreed period	1 374	50 775
Invoices paid after 30 days or agreed period	55	3 242
Invoices older than 30 days or agreed period (unpaid and without dispute)	–	–
Invoices older than 30 days or agreed period (unpaid and in dispute)	55	3 242

Procurement by other means: Format of Disclosure

Project description	Name of supplier	Type of procurement by other means	Contract number	Value of contract R'000
Advertising and Media Buying for Education and awareness campaigns for 12 months	Government Communication and Information Systems (GCIS)	Single source	PO325	R250
Govtech 2023 conference	SITA	Single source	PO505	R16
Replace 6 lead curtains of the X-ray machine	Xscann Technologies (Pty) Ltd	Single source	PO520	R4
Advertising and Media Buying for Education and awareness campaigns for 12 months	Government Communication and Information Systems (GCIS)	Single source	PO568	R1 000
Renewal of the AMS software licenses	iPin (PTY) LTD	Sole source	PO565	R19
Procuring advertising and media buying for education and awareness campaigns for a period of 12 months	SABC	Single source	PO600	R3 000
Office lease	Master Tyre	Single source	PO485	R 4 666
Rental of a billboard	Adoutpost	Single source	PO712	R1 701
Statistical form review	Insight Solutions	Single source	PO722	R821
Renewal of the caseware license	Caseware License	Sole source	PO756	R105

Contract variations and expansions: Format of Disclosure

Project Description	Name of supplier	Contract modification type (expansion or variation)	Contract number	Original contract value R'000	Value of previous contract expansion/s or variation/s (if applicable) R'000	Value of current contract expansion or variation R'000
Security Services 127 Building	Phuthadichaba Trading Enterprise cc	The tender process not yet finalised to award new tender	NCR/10/388	R 4 689	R277	R120
Security Services 235 Building	SSG SECURITY SOLUTIONS	The tender process not yet finalised to award new tender	NCR/99/450	R3 222	R451	R188
Website Hosting	BLUE COMPUTER	The tender process not yet finalised to award new tender	NCR/11/368	R480	R0.00	R16
Cell Phones/3G	VODACOM	The tender process not yet finalised to award new tender	NCR/99/343	R2 000	R2 800	R1 300
Dhs Hosting SGT Solutions Pty Ltd	The tender process not yet finalised to award new tender	NCR/99/447	R408	R0.00	R34	
Website Hosting Blue Computer	The tender process not yet finalised to award new tender	NCR/11/368	R480 R16	R48		
DHS Hosting SGT Solutions Pty Ltd	The tender process not yet finalised to award new tender	NCR/99/447	R408 R34 R 85			
Network Infrastructure	MTN	EXPANSION	NCR11/382	R1 419	R2 600	R718

Project Description	Name of supplier	Contract modification type (expansion or variation)	Contract number	Original contract value R'000	Value of previous contract expansion/s or variation/s (if applicable) R'000	Value of current contract expansion or variation R'000
DHS Hosting	SGT Solutions Pty Ltd	RFQ to be re-issued to accommodate the increase in capacity storage	NCR/99/447	R408	R119	R115
Cell Phones /3G	Vodacom	The tender process not yet finalised to award new tender	NCR/99/343	R2 000	R4 100	R1 800

PART

F

**FINANCIAL
INFORMATION**

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 91 to 126, which comprise the statement of financial position as at 31 March 2024, statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget information and actual amounts for the year then ended, as well as 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 2024 and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Public Finance Management Act 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 responsibilities of the auditor-general for the audit of the financial statements section of my report.
4. I am independent of the entity in accordance with the International Ethics Standards Board for Accountants' *International code of ethics for professional accountants (including International Independence Standards)* (IESBA code) as well as other 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 code.
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. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with the GRAP and the requirements of the PFMA; and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
7. In preparing the financial statements, the accounting authority is responsible for assessing the 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.

Responsibilities of the auditor-general for the audit of the financial statements

8. 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 is a high level of assurance but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
9. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report. This description, which is located at page 86 forms part of our auditor's report.

Report on the annual performance report

10. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I must audit and report on the usefulness and reliability of the reported performance information against predetermined objectives for the selected material performance indicators presented in the annual performance report. The accounting authority is responsible for the preparation of the annual performance report.

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

11. I selected the following material performance indicators related to the programme on the Enforcement of the National Credit Act presented in the annual performance report for the year ended 31 March 2024. I selected those indicators that measure the entity's performance on its primary mandated functions and that are of significant national, community or public interest.
 - Number of investigations conducted on credit providers relating to reckless lending.
 - Enforcement action taken by the end of the financial year on a percentage (%) of investigations that identified non-compliance relating to reckless lending credit providers.
 - Number of investigations conducted on debt counsellors relating to compliance with the **NCA**.
 - Enforcement action taken by the end of the financial year on a percentage (%) of investigations that identified non-compliance with the by debt counsellors.
 - Number of investigations conducted on hosting credit bureaus' respect of credit reports for employment purposes in terms of the NCA, removal of adverse consumer credit information and paid-up judgements.
 - Enforcement action taken by the end of the financial year on a percentage (%) of investigations that identified non-compliance by credit bureaus.
 - Percentage of evaluated credit bureau annual compliance reports certified by an independent auditor for their previous financial year.
 - Enforcement action on a percentage (%) of credit bureaus that were found to be non compliant after the evaluation of annual compliance reports certified by an independent auditor for their previous year.
 - Number of reports produced on the impact of enforcement action taken on entities and persons who were found to be non-compliant in the previous financial year.
12. I evaluated the reported performance information for the selected material performance indicators against the criteria developed from the performance management and reporting framework, as defined in the general notice. When an annual performance report is prepared using these criteria, it provides useful and reliable information and insights to users on the entity's planning and delivery on its mandate and objectives.
13. I performed procedures to test whether:
 - the indicators used for planning and reporting on performance can be linked directly to the entity's mandate and the achievement of its planned objectives
 - all the indicators relevant for measuring the entity's performance against its primary mandated and prioritised functions and planned objectives are included
 - the indicators are well defined to ensure that they are easy to understand and can be applied consistently, as well as verifiable so that I can confirm the methods and processes to be used for measuring achievements
 - the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated
 - the indicators and targets reported on in the annual performance report are the same as those committed to in the approved initial or revised planning documents
 - the reported performance information presented in the annual performance report in the prescribed manner
 - there is adequate supporting evidence for the achievements reported and for the reasons provided for any over- or underachievement of targets.
14. I performed the procedures to report material findings only; and not to express an assurance opinion or conclusion.
15. I did not identify any material findings on the reported performance information for the selected indicators.

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

Report on compliance with legislation

16. In accordance with the PAA and the general notice issued in terms thereof, I must audit and report on compliance with applicable legislation relating to financial matters, financial management and other related matters. The accounting authority is responsible for the entity's compliance with legislation.
17. I performed procedures to test compliance with selected requirements in key legislation in accordance with the findings engagement methodology of the Auditor-General of South Africa (AGSA). This engagement is not an assurance engagement. Accordingly, I do not express an assurance opinion or conclusion.
18. Through an established AGSA process, I selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the entity, clear to allow consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.
19. I did not identify any material non-compliance with the selected legislative requirements.

Other information in the annual report

20. The accounting authority is responsible for the other information included in the annual report. The other information referred to does not include the financial statements, the auditor's report and those selected material indicators in the scoped-in programme presented in the annual performance report that have been specifically reported on in this auditor's report.
21. My opinion on the financial statements, the report on the audit of the annual performance report and the report on compliance with legislation do not cover the other information included in the annual report and I do not express an audit opinion or any form of assurance conclusion on it.
22. My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with the financial statements and the selected material indicators in the scoped-in programme presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
23. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, 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

24. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.
25. I did not identify any significant deficiencies in internal control.

Auditor General

Pretoria

31 July 2024



ANNEXURE TO THE AUDITOR'S REPORT

The annexure includes the following:

- The Auditor-General's responsibility for the audit
- The selected legislative requirements for compliance testing

Auditor-General's responsibility for the audit

Professional judgement and professional scepticism

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 material performance indicators and on the entity's compliance with selected requirements in key legislation.

Financial statements

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 entity's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made
- conclude on the appropriateness of the 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 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 an 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

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.

I also provide the accounting authority with a statement that I have complied with relevant ethical requirements regarding independence and 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.

Annexure to the Auditor's Report (continued)

Compliance with legislation – selected legislative requirements

The selected legislative requirements are as follows:

Legislation	Sections or regulations
Public Finance Management Act 1 of 1999	Section 51(1)(b)(i); 51(1)(b)(ii); 51(1)(e)(iii); 53(4); Section 54(2)(c); 54(2)(d); 55(1)(a); 55(1)(b); Section 55(1)(c)(i); 56(1); 57(b);
Treasury Regulations, 2005	Regulation 8.2.1; 8.2.2; 16A3.2; 16A3.2(a); Regulation 16A6.1; 16A6.2(a); 16A6.2(b); Regulation 16A6.3(a); 16A6.3(a); 16A6.3(b); Regulation 16A6.3(c); 16A6.3(e); 16A6.4; 16A6.5; Regulation 16A6.6; 16A.7.1; 16A.7.3; 16A.7.6; Regulation 16A.7.7; 16A8.3; 16A8.4; 16A9.1(b)(ii); Regulation 16A 9.1(d); 16A9.1(e); 16A9.1(f); Regulation 16A9.2; 16A9.2(a)(ii); 30.1.1; 30.1.3(a); Regulation 30.1.3(b); 30.1.3(d); 30.2.1; 31.2.1; Regulation 33.1.1; 33.1.3
Construction Industry Development Board Act 38 of 2000	Section 18(1)
Construction Industry Development Board Regulations, 2004	Regulation 17; 25(7A)
Second amendment National Treasury Instruction No. 5 of 202/21	Paragraph 1
Erratum National Treasury Instruction No. 5 of 202/21	Paragraph 2
National Treasury instruction No 5 of 2020/21	Paragraph 4.8; 4.9; 5.3
National Instruction No. 1 of 2021/22	Paragraph 4.1
National Instruction No. 4 of 2015/16	Paragraph 3.4
National Treasury SCM Instruction No. 4A of 2016/17	Paragraph 6
National Treasury SCM Instruction No. 03 of 2021/22	Paragraph 4.1; 4.2(b); 4.3; 4.4; 4.4(a); 4.17; 7.2; Paragraph 7.6
National Treasury SCM Instruction No. 11 of 2020/21	Paragraph 3.4(a); 3.4(b); 3.9
National Treasury SCM Instruction No. 2 of 2021/22	Paragraph 3.2.1; 3.2.4; 3.2.4(a); 3.3.1
Practice Note 11 of 2008/9	Paragraph 2.1; 3.1 (b)

Annexure to the Auditor's Report (continued)

Legislation	Sections or regulations
Practice Note 5 of 2009/10	Paragraph 3.3
Practice Note 7 of 2009/10	Paragraph 4.1.2
Preferential Procurement Policy Framework Act 5 of 2000	Section 1; 2.1(a); 2.1(f)
Preferential Procurement Regulations, 2022	Regulation 4.1; 4.2; 4.3; 4.4; 5.1; 5.2; 5.3; 5.4
Preferential Procurement Regulations, 2017	Regulation 4.1; 4.2; 5.1; 5.3; 5.6; 5.7; 6.1; 6.2; 6.3; Regulation 6.5; 6.6; 6.8; 7.1; 7.2; 7.3; 7.5; 7.6; 7.8; Regulation 8.2; 8.5; 9.1; 9.2; 10.1; 10.2; 11.1; 11.2
Prevention and Combating of Corrupt Activities Act 12 of 2004	Section 34(1)

GENERAL INFORMATION

Country of incorporation and domicile	South Africa
Nature of business	<p>Credit Industry Regulator</p> <p>The National Credit Regulator enforces the provisions of the National Credit Act.</p> <p>It is also tasked with the registrations of credit providers, credit bureaus, debt counsellors, payment distribution agents and alternative resolution agents.</p> <p>It is mandated to undertake research on the nature and dynamics of the consumer credit market.</p> <p>It promotes public awareness around consumer credit matters</p>
Legal form of entity	Public Entity listed under Schedule 3A of the Public Finance Management Act
Registered office	<p>127 – 15th Road</p> <p>Randjespark Midrand 1685</p>
Controlling Entity	Department of Trade, Industry and Competition
Legislative Framework	Public Finance Management Act
Bankers	Standard Bank of South Africa
Auditors	Auditor General of South Africa
Secretary	Adv. Kedilatile Legodi

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

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Statement of Comparison of Budget and Actual Amounts	95
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The annual financial statements set out on pages 91 to 126, which have been prepared on the going concern basis, were approved by the Accounting Authority on 31 July 2024 and were signed on its behalf by:



Ms Lynette De Beer CA(SA)
Acting Chief Executive Officer

STATEMENT OF FINANCIAL POSITION

as at 31 March 2024

Figures in Rand	Note(s)	2024	2023
Assets			
Current assets			
Receivables from exchange transactions	3	2 619 711	900 568
Receivables from non-exchange transactions	4	3 687 902	2 809 636
Cash and cash equivalents	5	106 352 838	90 475 540
		112 660 451	94 185 744
Non-current assets			
Property, plant and equipment	6	9 213 733	11 899 805
Intangible assets	7	6 434 093	5 869 797
		15 647 826	17 769 602
Total assets		128 308 277	111 955 346
Liabilities			
Current liabilities			
Payables from non-exchange transactions	10	60 403 043	45 369 201
Income received in advance	8	6 364 677	4 163 565
Payables from exchange transactions	9	6 735 439	11 344 693
Provisions	11	1 542 688	2 390 061
Operating lease liability	13	379 706	1 076 420
		75 425 553	64 343 940
Total liabilities		75 425 553	64 343 940
Net assets		52 882 724	47 611 406

STATEMENT OF FINANCIAL PERFORMANCE

for the year ended 31 March 2024

Figures in Rand	Note(s)	2024	2023
Revenue			
Revenue from exchange transactions			
Other revenue	14	928 062	359 827
Interest received – investment	15	7 060 929	3 735 696
Total revenue from exchange transactions		7 988 991	4 095 523
Revenue from non-exchange transactions			
Fee revenue	16	45 151 853	44 796 023
Transfer payment	17	81 538 000	83 241 000
Other non-exchange revenue	18	5 717 322	2 857 969
Total revenue from non-exchange transactions		132 407 175	130 894 992
Total revenue		140 396 166	134 990 515
Expenditure			
Personnel expenditure	19	84 730 394	79 570 097
Depreciation and amortisation	6 and 7	7 969 604	6 830 798
Operating expenses	20	13 238 292	16 022 556
Administrative expenses	21	29 186 557	28 783 542
Total expenditure		135 124 847	131 206 993
Surplus for the year		5 271 319	3 783 522

STATEMENT OF CHANGES IN NET ASSETS

for the year ended 31 March 2024

Figures in Rand	Accumulated surplus/deficit	Total net assets
Balance at 01 April 2022	43 827 884	43 827 884
Surplus for the year	3 783 522	3 783 522
Balance at 01 April 2023	47 611 405	47 611 405
Surplus for the year	5 271 319	5 271 319
Balance at 31 March 2024	52 882 724	52 882 724

CASH FLOW STATEMENT

for the year ended 31 March 2024

Figures in Rand	Note(s)	2024	2023
Cash flows from operating activities			
Receipts			
Cash receipts from applicants and registrants		44 786 720	43 295 817
Transfer received		81 538 000	83 241 000
Interest income		6 712 165	3 735 696
Other non-exchange revenue		4 839 056	2 360 134
Other receipts		893 135	359 827
		138 769 076	132 992 474
Payments			
Employee costs		(85 043 127)	(78 979 758)
Suppliers		(32 007 886)	(31 244 727)
		(117 051 013)	(110 224 485)
Net cash flows from operating activities	24	21 718 063	22 767 989
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(199 036)	(1 650 440)
Purchase of other intangible assets	7	(5 641 728)	(4 579 201)
Net cash flows from investing activities		(5 840 764)	(6 229 641)
Net increase in cash and cash equivalents		15 877 299	16 538 348
Cash and cash equivalents at the beginning of the year		90 475 540	73 937 192
Cash and cash equivalents at the end of the year	5	106 352 839	90 475 540

Included in cash and cash equivalents at the end of the year is amount of R59 410 799 (2023: R42 559 566) held by the PDA account. These funds are ring-fenced and not available for utilisation by the NCR until such time that the funds are prescribed.

The accounting policies on pages 98 to 108 and the notes on pages 109 to 126 form an integral part of the annual financial statements.

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

for the year ended 31 March 2024

Budget on cash basis

Figures in Rand	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Revenue						
Fee revenue	51 544 980	(6 395 000)	45 149 980	44 786 720	(363 260)	
Transfer payment	84 060 000	27 132 472	111 192 472	111 192 472	–	
Interest received – investment	2 780 220	5 093 000	7 873 220	6 712 165	(1 161 055)	N1
Other income	3 265 832	3 824 000	7 089 832	5 732 191	(1 357 641)	N2
Total revenue	141 651 032	29 654 472	171 305 504	168 423 548	(2 881 956)	
Expenditure						
Personnel expenditure	(84 370 832)	(76 100)	(84 446 932)	(85 043 140)	(596 208)	
Communication costs	(1 515 910)	80 628	(1 435 282)	(1 356 818)	78 464	
Consumer education and communication	(5 900 000)	(2 051 176)	(7 951 176)	(6 797 851)	1 153 325	N3
Professional fees	(11 128 101)	(23 799 137)	(34 927 238)	(9 412 545)	25 514 693	N4
Information technology	(6 435 787)	(3 546 922)	(9 982 709)	(6 704 309)	3 278 400	N5
Premises and equipment costs	(13 499 801)	1 116 900	(12 382 901)	(10 433 941)	1 948 960	N6
General expenses	(9 156 000)	(2 055 052)	(11 211 052)	(10 469 866)	741 186	
Stakeholder communication	(1 076 000)	86 200	(989 800)	(668 893)	320 907	
Debt counselling initiatives	(966 100)	(43 518)	(1 009 618)	(1 136 833)	(127 215)	
Capital expenditure	(7 602 501)	633 705	(6 968 796)	(7 763 890)	(795 094)	
Total expenditure	(141 651 032)	(29 654 472)	(171 305 504)	(139 788 086)	31 517 418	
Surplus for the period				28 635 462		

Reconciliation of surplus for period with surplus in the Statement of Financial Performance

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS (continued)

for the year ended 31 March 2024

Budget on cash basis

Figures in Rand	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Surplus per the Statement of Financial Performance				5 271 319	5 271 319	
<i>Adjusted for:</i>						
Basis differences:						
Other income (Operating activities)				(1 627 090)	(1 627 090)	
Personnel expenditure (Operating activities)				(312 746)	(312 746)	
Communication costs (Operating activities)				(10 013)	(10 013)	
Consumer education (Operating activities)				(2 096 416)	(2 096 416)	
Professional fees (Operating activities)				(2 530 074)	(2 530 074)	
General expenses (Operating activities)				(586 832)	(586 832)	
Information Technology (Operating activities)				18 882	18 882	
Premises and equipment (Operating activities)				8 769 190	8 769 190	
Stakeholder engagement (Operating activities)				(46 507)	(46 507)	
Debt Counselling (Operating activities)				(104 833)	(104 833)	
Additions to PPE (Operating activities – additions)				(5 840 764)	(5 840 764)	
Capital expenditure (Operating activities)				(1 923 125)	(1 923 125)	
				(6 290 328)	(6 290 328)	
	–	–	–	(1 019 009)	(1 019 009)	
Roll over funds from prior year				29 654 472	29 654 472	
Difference between final budget and actual amounts				28 635 463	28 635 463	

All the adjustments relate to a difference in the basis of preparation. The budget for these items is prepared on the cash basis while the Statement of Financial Performance is prepared on the accrual basis.

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS (continued)

for the year ended 31 March 2024

The NCR was originally allocated funding of R84,1m which was received in April 2023, and in October 2023 and amount of R2.5m was returned. National Treasury approved the retaining of prior year budget amounting to R29.7m for prior year commitments. During the mid-term budget review, management reduced the budget by R1.3m due to cost containment measure requests by National Treasury and subsequently restated it on account of a higher interest earnings achieved. Management had to revise the approved budget and adjust within the various line items to accommodate the change in approved budget during the financial year.

Narrations have been provided for the variances above R1 million:

N1. Interest received

The negative variance of R1.2m (15%) was due to expected interest increases which did not realise over the period and rendered the budgeted interest received unachievable. An amount of R348 764 was still due to be received from the bank at year end.

N2. Other income

The negative variance of R1.4m (19%) is due to a reduced claim against the PDA liability than what was budgeted for. Interest receivable amounting to R878 266 was provided for at year end.

N3. Consumer education and communication

The positive variance of R1.2m (15%) is due to delay in implementation of advertising campaign for quarter four for committed funds.

N4. Professional fees

The positive variance of R25.5m (73%) is due to legal matters carried from prior years – matters taking longer than a year.

N5. Information technology

The positive variance of R3.3m (33%) is due to delayed procurement (R1.3m) for GP system review, GP migration, and Mobile services, as well as commitments (R2m) at year end.

N6. Premises and equipment costs

The positive variance of R2.0m (16%) is due to delayed procurement (R0.1m) for maintenance, as well as commitments (R0.6m) at year end. Some savings existed on maintenance not conducted (R0.9m). Rental of building was overbudgeted (R0.4m).

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 in the preparation of these annual financial statements, are disclosed below.

1.1 Basis of preparation

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

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

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 the 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 lease. 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	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 discount and volume rebates. Refer to note 14.

Accounting Policies (continued)

1.5 Revenue from non-exchange transactions

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
Replacement certificates fees	Date of invoice
Payment Distribution Agency fees	Date of service delivery
Penalty fees	30 days from the date on which prescribed registration renewal fees were payable
Bad debts recovered	Recognised as income when a debt which has been written off previously are recovered. Bad debts recovered is recognised and recorded at the date that these debts are recovered at the value of the payment received.

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. Refer to note 18.

Government grants

Government grants received for projects 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 (PDA) income

The NCR treats the revenue from PDA Interest similarly to government grants. Once the 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 the policy) with a corresponding reduction in liability in the Statement of Financial Position. Refer to note 18.

The interest received from PDAs; interest earned in the NCR FNB account held on behalf of PDAs; unidentified and undistributed consumer funds creates a payable from non-exchange. Refer to note 10.

Transfers

Transfers for operational activities are recognised as revenue on receipts. Where appropriate, the NCR will recognise the asset arising from the 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.

Accounting Policies (continued)

1.7 Leases

Operating leases – lessee

The leases that the NCR enters into as a lessee, and where the lessor retains substantially all risks and rewards of ownership of the underlying assets, are classified as operating lease. 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. Refer to note 13.

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 minimum lease payments. The corresponding liability to the lessor is included in the Statement of Financial Position as 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.

Operating leases – lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis. The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis. Income for leases is disclosed under revenue in the Statement of Financial Performance.

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. Management re-assessed the useful lives of all assets that were fully depreciated.

If any item of property, plant and equipment is derecognised upon disposal or when no future economic benefits or service potential 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.

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

Accounting Policies (continued)

Item	Depreciation method	Average useful life
Computer equipment	Straight-line	3 – 7 years
Furniture and fittings	Straight-line	10 years
Machinery	Straight-line	7 years
Office and 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
Motor vehicles	Straight-line	7 years

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the entity. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate. Refer to note 29 – Change in estimate.

The NCR assesses at each reporting date whether there is any indication that the entity expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the entity revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit in the Statement of Financial Performance.

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

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

The entity separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 6).

Minor assets which are defined as assets having a cost of less than R2000, are fully expensed in the year of acquisition. All minor assets are classified and recorded in a minor asset register. Refer to note 6 – Property, Plant and Equipment.

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.

Accounting Policies (continued)

1.9 Intangible assets (continued)

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

The entity discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 7).

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.

Accounting Policies (continued)

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 NCR has a present legal or constructive obligation as a result of past events, from 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 statements.

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 possible obligation depending on whether some uncertain future event occurs or a present obligation however the 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 31.

1.12 Employee benefits

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within 12 months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as wages, salaries and social security contributions; short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within 12 months after the end of the reporting period in which the employees render the related employee service; bonus, incentive and performance related payments payable within 12 months after the end of the reporting period in which the employees render the related service; and non-monetary benefits (for example, medical care, and free or subsidised goods or services such cell phones) for current employees.

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

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

Accounting Policies (continued)

1.12 Employee benefits (continued)

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 and reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Retirement benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

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.

Defined contribution plans are post-employment benefit plans under which the entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognises the contribution payable to a defined contribution plan in exchange for that service as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

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. Refer to note 19 – Personnel expenditure.

1.13 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 cost and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowance 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 receivables 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 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 statement of financial performance as bad debt expenses. When accounts receivables is uncollectible, it is written off against the provision of bad debts account. Refer to note 4.1: Statutory receivables from non-exchange transactions.

Accounting Policies (continued)

1.14 Financial instruments

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

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

A financial asset is cash; a residual interest of another entity; or a contractual right to receive cash or another financial asset from another entity; or exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another entity; or exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Classification

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

Class	Category
Cash and cash equivalents	Financial asset measured at fair value
Receivable from exchange transactions	Financial asset measured at fair value

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

Class	Category
Payables from exchange transactions	Financial liability measured at fair value

Initial recognition

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

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

Subsequent measurement of financial assets and financial liabilities

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

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

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

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

Impairment and uncollectibility of financial assets

Accounting Policies (continued)

1.14 Financial instruments (continued)

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

Financial assets measured at amortised cost:

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

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

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

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

Financial liabilities

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

Cash and cash equivalents

Cash and cash equivalents comprise 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 assets or financial liability and subsequently recorded at amortised cost.

Receivables from exchange transactions

Other receivables are classified as financial assets at amortised cost. An entity shall remove a financial liability (or 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 its risks and rewards of ownership of the financial assets.

Payables from exchange transactions

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

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), unidentified and undistributed 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.

Payables from non-exchange further relates to Consumer Refunds held by the NCR. It is initially and subsequently measured at fair value plus transaction costs. It consists of undistributed consumer funds.

Refer to note 28 – Risk Management.

Accounting Policies (continued)

1.15 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 be related parties.

Key management are 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 those family members who may be expected to influence, or be influenced by that person 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 27 – Related parties.

1.16 Fruitless and wasteful expenditure

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

If any expenditure meets the definition of fruitless and wasteful expenditure (after an investigation) and it is recoverable from a responsible official, a current asset is created on the statement of financial position, and posted to the relevant expenditure account. If any fruitless and wasteful expenditure is from a previous financial year, a current asset is created on the statement of financial position, and posted to the revenue recoverable account. Refer to note 30 – Fruitless and wasteful expenditure.

1.17 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including this Act; or the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or any provincial legislation providing for procurement procedures in that provincial government.

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year-end and/or before finalisation of the financial statements, is recorded in the register and disclosed in the notes to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year-end, is recorded in the register and disclosed in the notes to the financial statements.

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

If liability for the irregular expenditure can be attributed to a person, a debt account is created if such a person is liable in law. Immediate steps are thereafter taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The register is also updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto remains against the relevant programme/expenditure item, disclosed as such in the notes to the financial statements and updated accordingly in the register.

For details on irregular expenditure, refer to note 30 – Irregular expenditure.

1.18 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 2023/04/01 to 2024/03/31.

The annual financial statements and the budget are not on the 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 draft annual financial statements.

Comparative information is not required.

Accounting Policies (continued)

1.19 Significant judgement and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts presented in the annual financial statements and related disclosures. Use of the 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:

Statutory receivables and other receivables

NCR assesses its statutory receivables and receivables for impairment at the end of each reporting period. In determining whether the impairment loss should be recorded in surplus or deficit, the NCR management 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 of statutory 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.

Effective interest rate

NCR used the prime interest rate to discount future cash flows.

Impairment testing

The entity reviews and tests the carrying value of assets when the events or changes in circumstances suggests 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, the 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

The 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.

Refer to note 29 – Change in estimate.

1.20 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 computers); 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. (Refer to note 12 – Commitments.)

1.21 Events after reporting date

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

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

The entity will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting period.

The 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

for the year ended 31 March 2024

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 2024 or later periods:

Standard/Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 1 (amended): Presentation of Financial Statements	Not yet set	Unlikely there will be a material impact
• GRAP 103 (as revised): Heritage Assets	Not yet set	Unlikely there will be a material impact
• GRAP 104 (as revised): Financial Instruments	Not yet set	Unlikely there will be a material impact
• GRAP 105 (amended) Transfer of Functions Between Entities Under Common Control	Not yet set	Unlikely there will be a material impact
• GRAP 106 (amended) Transfer of Functions Between Entities Not Under Common Control	Not yet set	Unlikely there will be a material impact
• GRAP 107 (amended) Mergers	Not yet set	Unlikely there will be a material impact
• Amendments: Improvements to Standards of GRAP	1 April 2025	Unlikely there will be a material impact
• IGRAP 22 Foreign Currency Transactions and Advance Consideration	1 April 2025	Unlikely there will be a material impact

Notes to the annual financial statements (continued)

Figures in Rand	2024	2023
3. Receivables from exchange transactions		
Sundry debtors	–	57 946
Staff debts	11 216	7 306
Deposits	658 125	658 125
Prepaid expenses	1 601 606	177 191
Accrued revenue	348 764	–
	2 619 711	900 568

4. Receivables from non-exchange transactions

4.1 Statutory receivables from non-exchange transactions

As at 31 March 2024, included in the receivables from non-exchange transactions are statutory receivables of R714 097 (2023: R773 065). In line with section 51 of NCA, renewal fees from registrants are due on 31 July annually. All statutory receivables past due at the end of the financial year 31 March are impaired and provided for.

Current	8 583	190 897
1 – 60 days	160 625	–
61 – 90 days	(32 504)	(7 200)
91 and over	577 393	606 524
Balance	714 097	773 065
Statutory receivables as at 31 March 2023 and 31 March 2024		
Gross	714 097	773 065
Provision for impairment	(714 097)	(773 065)
	0	0
Reconciliation of provision for impairment of receivables from non-exchange transactions		
Opening balance	773 065	884 491
Provision for impairment	356 429	192 916
Amounts written off as uncollectible	(415 397)	(304 342)
	714 097	773 065
4.2 Receivables from non-exchange transactions		
PDA interest receivables	3 687 902	2 809 636
	3 687 902	2 809 636

The PDA interest receivables is the interest payable to the NCR by the PDAs which comprises of interest generated from consumer unidentified and undistributed funds.

5. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	2 478 712	4 563 813
Call accounts	44 463 327	43 352 161
PDA account	59 410 799	42 559 566
	106 352 838	90 475 540

Cash and cash equivalents balances includes an amount of **R59 410 799** (2023: R42 559 566) held by PDA account. The Minister of Trade and Industry has approved a policy on the utilisation of these funds for investigations, enforcement and consumer education activities effective from the 15th October 2015. The utilisation of the interest earned is limited to the actual costs incurred on the approved activities.

Notes to the annual financial statements (continued)

Figures in Rand	2024	2023
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6. Property, plant and equipment

	Cost/ valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost/ valuation	Accumulated depreciation and accumulated impairment	Carrying value
Computer equipment	12 170 269	(6 221 561)	5 948 708	12 237 136	(4 911 166)	7 325 970
Furniture and fittings	3 102 894	(2 360 568)	742 326	3 118 194	(2 176 540)	941 654
Machinery	94 331	(20 496)	73 835	35 250	(11 960)	23 290
Office equipment	2 413 405	(1 644 614)	768 791	2 515 662	(1 478 516)	1 037 146
Leasehold improvements	3 333 908	(3 035 617)	298 291	3 333 908	(2 511 146)	822 762
Security equipment	2 084 914	(1 261 495)	823 419	2 048 999	(1 095 809)	953 190
ICT Operational System	1 006 994	(999 043)	7 951	1 006 994	(903 896)	103 098
Motor vehicles	1 048 404	(497 992)	550 412	1 048 404	(355 709)	692 695
Total	25 255 119	(16 041 386)	9 213 733	25 344 547	(13 444 742)	11 899 805

Reconciliation of property, plant and equipment – 2024

	Opening balance	Additions	Disposals	Adjustments*	Depreciation	Total
Computer equipment	7 325 970	199 036	(85 136)	–	(1 491 162)	5 948 708
Furniture and fixtures	941 654	–	(4 079)	–	(195 249)	742 326
Machinery	23 290	–	–	59 081	(8 536)	73 835
Office equipment	1 037 146	–	(9 849)	–	(258 506)	768 791
Leasehold improvements	822 762	–	–	–	(524 471)	298 291
Security equipment	953 190	–	(3 234)	50 281	(176 818)	823 419
ICT Operational system	103 098	–	–	–	(95 147)	7 951
Motor vehicles	692 695	–	–	–	(142 283)	550 412
	11 899 805	199 036	(102 298)	109 362	(2 892 172)	9 213 733

Reconciliation of property, plant and equipment – 2023

	Opening balance	Additions	Additions through transfer of functions/ mergers	Disposals	Minor assets at net book value	Depreciation	Total
Computer equipment	7 807 527	1 442 003	–	(290 086)	(18 436)	(1 615 038)	7 325 970
Furniture and fixtures	1 426 171	–	–	(11 969)	(187 163)	(285 385)	941 654
Machinery	70 008	–	–	(30 303)	–	(16 415)	23 290
Office equipment	1 242 152	157 434	–	(18 756)	(68 473)	(275 211)	1 037 146
Leasehold improvements	1 392 059	51 002	(8 245)	(62 987)	–	(549 067)	822 762
Security equipment	1 209 704	–	–	(9 422)	(9 794)	(237 298)	953 190
ICT Operational system	198 245	–	–	–	–	(95 147)	103 098
Motor vehicles	834 979	–	–	–	–	(142 284)	692 695
Security equipment	–	–	–	–	–	–	–
	14 180 845	1 650 439	(8 245)	(423 523)	(283 866)	(3 215 845)	11 899 805

Notes to the annual financial statements (continued)

6. Property, plant and equipment (continued)

Pledged as security

No property, plant and equipment were pledged as security for any financial liability in the reporting period.

Assets were inspected and found to be useful for longer than their estimated useful life. This resulted in a change in accounting estimate of which such impact is disclosed in note 29 – Change in estimate.

* Adjustments relate to assets which were previously written off due to impairment, but were subsequently brought back into use.

Depreciation rates

The depreciation methods and average useful lives of property, plant and equipment have been assessed as follows:

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

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

Figures in Rand	2024	2023
Leasehold improvements	80 905	52 840
Machinery	3 400	–
Computer equipment	4 725	–
Office equipment	977	–
Security	4 536	–
	94 543	52 840

Capital commitments

Capital commitments are disclosed in a separate note to the annual financial statements. Refer to note 12.

Minor assets

During the year under review management reviewed assets with cost values below R2 000 and found the total thereof to be immaterial when measured against the NCR Materiality Framework which set materiality at R1 289 453. These assets individually are trivial. Management expense these assets instead of capitalising it and has amended the NCR Asset Management Policy to allow a threshold for expensing assets. This will provide a more relevant fixed asset register and asset management practice.

The application of a new accounting policy for transactions that are immaterial are not considered a change in accounting policy in accordance with GRAP3.

Notes to the annual financial statements (continued)

Figures in Rand	2024	2023
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6. Property, plant and equipment (continued)

Net book value of minor assets was expensed during the year under review as follows:

Class of assets		
Computer equipment	–	18 436
Furniture and equipment	–	187 163
Lease improvements	–	62 987
Office equipment	–	68 473
Security equipment	–	9 794
Total	–	346 853

The accumulated cost of minor assets held by the National Credit Regulator is as follows:

Computer equipment	136 702	136 702
Furniture and equipment	541 608	541 608
Lease improvements	288 606	288 606
Office equipment	139 444	139 444
Security equipment	24 024	24 024
Total	1 130 384	1 130 384

7. Intangible assets

	2024			2023		
	Cost/ valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost/ valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	9 122 433	(4 477 729)	4 644 704	7 728 692	(3 761 653)	3 967 039
Intangible assets under development	1 335 909	–	1 335 909	1 335 909	–	1 335 909
Human resource system	793 589	(340 109)	453 480	793 589	(226 740)	566 849
Total	11 251 931	(4 817 838)	6 434 093	9 858 190	(3 988 393)	5 869 797

Reconciliation of intangible assets – 2024	Opening balance	Additions	Amortisation	Total
Computer software	3 967 038	5 641 728	(4 964 062)	4 644 704
Intangible assets under development	1 335 909	–	–	1 335 909
Human resource system	566 849	–	(113 369)	453 480
	5 869 796	5 641 728	(5 077 431)	6 434 093

Reconciliation of intangible assets – 2023	Opening balance	Additions	Amortisation	Total
Computer software	3 369 214	3 892 582	(3 294 757)	3 967 039
Intangible assets under development	649 290	686 619	–	1 335 909
Human resource system	887 044	–	(320 195)	566 849
	4 905 548	4 579 201	(3 614 952)	5 869 797

Some intangible assets were inspected and found to be useful for longer than their estimated useful life. This resulted in change in accounting estimate of which such impact is disclosed in note 29 of the annual financial statements.

Notes to the annual financial statements (continued)

Figures in Rand	2024	2023
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7. Intangible assets (continued)

Intangible assets in the process of being constructed or developed

Cumulative expenditure recognised in the carrying value of Intangible assets

Patents, trademarks and other rights	1 335 909	1 335 909
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The intangible assets recorded as work in progress refers to enhancement of the MS GP Dynamics system. The diagnostic, analysis, design and development stages have been completed. The automated purchase requisition and purchase orders module on MS GP Dynamics system was launched during the 2022/2023 financial year and the enhancement thereto is not yet completed and carried in the work in progress.

Capital commitments

Capital commitments are disclosed in a separate note to the annual financial statements. Refer to note 12.

8. Income received in advance

Income received in advance	6 364 677	4 163 565
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Income received in advance comprise of application fees and renewal fees received in advance from registrants as well as registrants' account with credit balances. Income received in advance is reflected as non-exchange revenue when recognised in Statement of Financial Performance.

9. Payables from exchange transactions

Trade payables	1 798 697	6 113 047
Accruals	4 936 742	5 231 646
	6 735 439	11 344 693

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

10. Payables from non-exchange transactions

Payment Distribution Agents (PDAs)	58 067 903	45 369 201
Consumer refunds	2 335 140	–
	60 403 043	45 369 201
Payment distribution agents		
Balance unspent at the beginning of the year	45 369 201	37 187 685
Current receipts	17 729 500	10 541 650
Conditions met transferred to revenue (refer to note 18)	(5 030 798)	(2 360 134)
Balance unspent at the end of the year	58 067 903	45 369 201
Consumer refunds		
Balance unspent at the beginning of the year	–	–
Current receipts	2 335 140	–
Conditions met transferred to consumers	–	–
Balance unspent at the end of the year	2 335 140	–
Total payables from non-exchange transactions	60 403 043	45 369 201

Notes to the annual financial statements (continued)

10. Payables from non-exchange transactions (continued)

Payment Distribution Agents (PDAs):

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 current receipts is an amount of R3 687 902 (2023: R2 809 636) for PDA interest not yet received at year end. The revenue of R5 030 798 is pending transfer to the NCR operational bank account.

Included in the balance at year-end are unidentified consumer funds amounting to R27 446 226 (2023: R25 488 757) and undistributed consumer funds amounting to R10 955 493 (2023: R10 955 493)

Current receipts includes all cash flows and accruals from the year.

Consumer refunds:

Included in the balance at year-end are undistributed consumer funds amounting to R2 246 853 (2023: R0).

11. Provisions

	Opening balance	Additions	Reversed during the year	Total
Reconciliation of provisions – 2024				
Other provisions	2 390 061	3 113 809	(3 961 182)	1 542 688
Reconciliation of provisions – 2023				
Other provisions	470 410	2 596 834	(677 183)	2 390 061

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

Figures in Rand	2024	2023
Capital expenditure		
Already contracted for but not provided for		
UPS battery (Computer equipment)	483 089	–
Security system (Leasehold improvements)	281 105	–
Laptops (Computer equipment)	115 107	–
Trend Micro Cyber Solution (Software licences)	2 536 958	–
Disaster recovery implementation (Software and licences)	–	1 365 047
Great Plains enhancements (Software and licences)	–	244 450
HR system – SAGE (Software and licences)	–	243 057
Cisco server and other equipment (Computer equipment)	–	270 675
Servers (Computer equipment)	–	404 190
Digital signature solution (Software and licences)	–	452 805
	3 416 259	2 980 224
Capital expenditure classification		
• Property, plant and equipment	879 301	674 865
• Intangible assets	2 536 958	2 305 359
	3 416 259	2 980 224
Total commitments		
Authorised capital expenditure	3 416 259	2 980 224

The capital expenditure will be financed through the annual transfer from **the dtic** and the annual fees from registrants. The above amounts relate to the value of commitments over the remaining period of commitments.

Notes to the annual financial statements (continued)

Figures in Rand	2024	2023
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13. Operating lease liability

Operating lease liability		
Building	379 706	1 073 551
Billboards	–	2 870
	379 706	1 076 421
Minimum lease payments due – Building		
Within one year	2 038 299	4 422 202
In second to fifth year inclusive	758 992	2 797 290
	2 797 291	7 219 492

The operating lease is for NCR office premises which are located at 127-15th Road, Randjespark, Midrand, the lease expired on 30 April 2024 and was extended to 30 Aug 2025. The extended period of the lease is at 0% escalation.

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 1 September 2020 and expires on 30 August 2025. The lease rentals escalates at 8% per annum on the lease anniversary date.

The operating lease costs have been straight-lined over the lease term and 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.

Minimum lease payments due – Franking machine		
Within one year	3 414	40 967
In second to fifth year inclusive	–	3 414
	3 414	44 381

The franking machine lease term was five (05) years which commenced on 1 May 2019 and expired on 30 April 2024. The lease rentals escalation was 0% per annum

Minimum lease payments due – Billboard		
Within one year	–	96 611

The billboard lease term was three (03) years which commenced on 1 May 2020 and expired on 30 April 2023. The lease rental escalated at 3% per annum on the lease anniversary date. The lease agreement was extended for 12 months in May 2023 for an amount of R1 229 580.

Minimum lease payment due – Printers and copiers		
Within one year	412 771	–
In second to fifth year inclusive	687 952	–
	1 100 723	–

The printers and copiers lease term is three (03) years which commenced on 1 December 2023 and expires on 30 November 2026. The rental is fixed for 36 months at R34 398 per month.

14. Other exchange revenue

Skills development levies recovered	143 291	132 268
Legal Reimbursements	755 446	185 201
Proceeds from insurance claims	27 345	41 729
Other income	1 980	630
	928 062	359 828

Notes to the annual financial statements (continued)

Figures in Rand	2024	2023
15. Investment revenue		
Interest revenue		
Bank	7 060 929	3 735 696
16. Fee Revenue		
Application fees	1 185 000	1 087 050
Registration fees	32 096 816	32 186 303
Registration fees – bad debts recovered	52 014	78 725
Branch fees	11 269 303	10 949 800
Penalty fees	430 600	318 385
Replacement certificate fees	118 120	175 760
	45 151 853	44 796 023
Fee revenue comprises of application, annual renewal fees and branch fees		
17. Transfers		
Operating grants		
Transfer from the DTIC	81 538 000	83 241 000
The DTIC contributes to the operational activities of the NCR while also providing funding for specific projects.		
18. Other non-exchange revenue		
Prescribed income	605 940	497 835
PDA – Interest	5 030 798	2 360 134
Fair value adjustment on assets	80 584	–
	5 717 322	2 857 969
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 held for three (03) years under current liabilities in the statement of financial position.		
PDA Interest relates to the amount recovered by the NCR as per approved PDA interest utilisation policy with effect from 15 October 2015.		
19. Personnel expenditure		
Salaries	72 413 107	67 838 038
Medical aid – company contributions	3 997 059	3 827 872
Training levies – SDL	764 192	715 352
Contributions to retirement	7 556 036	7 188 835
	84 730 394	79 570 097
20. Operating expenses		
Professional fees	6 882 471	12 290 564
Consumer education	4 701 435	2 585 634
Stakeholder communication	622 386	553 423
Debt counselling initiatives	1 032 000	592 935
	13 238 292	16 022 556

Notes to the annual financial statements (continued)

Figures in Rand	2024	2023
21. Administrative expenses		
Premises and equipment*	11 233 527	11 700 105
Communication costs	1 346 805	1 246 115
Information technology	6 723 191	5 635 055
General expenses (see note 22)	9 866 234	9 637 168
Other staff costs**	16 800	565 099
	29 186 557	28 783 542

* Included in premises and equipment is repairs and maintenance of fixed assets and minor assets. Refer to note 6 for detailed disclosure.

** Included in other staff costs is refreshment, training and recruitment fees.

22. General expenses

General expenses comprises of:

Audit and risk committee fees	213 442	245 263
Auditors remuneration	4 810 904	5 255 878
Bank charges	71 190	71 624
Cleaning	–	–
Bad debts	365 133	192 917
Computer expenses	8 012	–
Consumables	16 727	37 719
Insurance	765 900	707 534
Subscriptions and membership fees	41 124	32 873
Travel – local	3 146 780	2 589 201
Travel – overseas	179 731	–
Forex loss	55 715	83 580
Losses written off	–	44 281
Loss on disposal of assets	102 297	366 578
Mobile unit – Fuel	42 916	11 432
Mobile unit – vehicle maintenance	11 941	10 773
Outsourced services – facilities	34 422	(12 485)
	9 866 234	9 637 168

Audit and risk management committee fees at gross.

23. Operating surplus

Operating surplus for the year is stated after accounting for the following:

Income from controlled entities

Audit fees (internal and external)	4 810 904	5 255 878
Audit and risk management committee fees	213 442	245 263
Operating lease payments – building	4 442 206	4 440 725
Bad debts	365 133	192 917
Loss on disposal of assets	102 297	366 578
Losses written off	–	44 281

Notes to the annual financial statements (continued)

	9 933 982	10 545 642
Figures in Rand	2024	2023

23. Operating surplus (continued)

Amortisation on intangible assets	5 077 432	3 614 953
Depreciation on property, plant and equipment	2 892 172	3 215 845
Employee costs	84 730 394	79 570 097
	92 699 998	86 400 895

24. Cash generated from operations

Surplus for the year	5 271 319	3 783 522
Adjustments for:		
Depreciation and amortisation	7 969 604	6 830 798
Movements in operating lease	(696 714)	(346 413)
Movements in provisions	(847 373)	1 919 651
Loss on disposal of assets	102 298	366 578
Bad debts written off	365 133	192 917
Adjustments to property, plant and equipment	(109 362)	–
Other non-cash items	–	28 279
Forex loss	–	83 580
Losses written off	–	44 281
Changes in working capital:		
Receivables from exchange transactions	(1 719 143)	41 300
Receivables from non-exchange transactions	(1 243 399)	(2 232 257)
Payables from exchange transactions	(4 609 254)	3 254 260
Income received in advance	2 201 112	619 977
Payables from non-exchange	15 033 842	8 181 516
	21 718 063	22 767 989

Notes to the annual financial statements (continued)

25. Managements' emoluments

Figures in Rand				2024	2023	
Executive						
	Salary (including back-pay)	Provident fund contributions	Travel allowance	Medical aid subsidy	Reimbursive claims	Total
2024						
N Motshegare	3 282 217	173 056	108 000	26 400	660	3 590 333
PK Legodi***	1 461 091	67 327	–	26 400	986	1 555 804
L Mashapa**	82 665	72 622	–	26 400	–	181 687
L De Beer	1 525 252	76 926	–	26 400	–	1 628 578
NS Ngobeni***	1 498 729	63 660	–	26 400	2 856	1 591 645
	7 849 954	453 591	108 000	132 000	4 502	8 548 047
2023						
N Motshegare	3 004 018	158 326	108 000	25 500	–	3 295 844
O Tongoane*	1 721 119	89 726	63 000	18 900	144 120	2 036 865
L Mashapa**	1 097 407	64 475	–	25 500	–	1 187 382
L De Beer	1 383 334	70 378	–	25 500	–	1 479 212
PK Legodi***	224 104	10 602	–	4 400	–	239 106
NS Ngobeni***	231 159	10 025	–	4 400	–	245 584
	7 661 141	403 532	171 000	104 200	144 120	8 483 993

* Fixed term contract ended 31 December 2022

** On medical leave of absence from 1 February 2023

*** Appointed 1 February 2023

26. Audit and Risk Management Committee fees

Z Chonco	15 018	–
P Chilwane	75 959	86 913
N Lubanga	33 289	–
P Sibiya	–	65 113
N Ngongoma	89 176	93 237
	213 442	245 263

ARMC member	Start	End
Z Chonco	11 August 2021	Active
P Chilwane	11 August 2021	Active
P Sibiya	3 September 2021	15 February 2023
N Lubanga	23 October 2023	Active
N Ngongoma	19 July 2022	Active

Notes to the annual financial statements (continued)

27. Related parties

Relationships	
Members of key management	Contractual relationships, see note 25
Members of Audit and Risk Management Committee	Contractual relationships, see note 26
Department of Trade, Industry and Competition	Controlling entity
National Companies Tribunal	Entity under common control
Export Credit Insurance Corporate of South Africa	Entity under common control
National Consumer Commission	Entity under common control
National Consumer Tribunal	Entity under common control
National Lotteries Commission	Entity under common control
National Gambling Board	Entity under common control
National Regulator of Compulsory Specifications	Entity under common control
National Competition Tribunal	Entity under common control
National Empowerment Fund	Entity under common control
National Metrology Institute of South Africa	Entity under common control
South Africa 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

Figures in Rand	2024	2023
Department of Trade, Industry and Competition		
Transfer of payments received	81 538 000	83 241 000
Members of key management		
Remuneration of key management	8 548 047	8 483 993
Refer to note 25 – Managements' emoluments		
Members of Audit and Risk Management Committee		
Fees paid to members of Audit and Risk Management Committee	213 442	245 263
Refer to note 26 – Audit and Risk Management Committee fees		

Notes to the annual financial statements (continued)

Figures in Rand	2024	2023
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28. Risk management

Financial risk management

The NCR Finance function provides services to the organisation, monitors and manages financial risks relating to operations of 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.

	Payable within 30 days	Total
At 31 March 2024		
Trade payables	6 735 439	6 735 439
At 31 March 2023		
Trade payables	11 344 693	11 344 693

Credit risk

Credit risk represents the potential risk 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 other receivables from exchange represents the NCR's maximum exposure to credit risk.

With regard to credit risk arising from the other financial assets, which comprises of cash and cash equivalents, the NCR's exposure arises from a potential counterparty where a credit rating is constantly monitored, with a maximum exposure of **R106 352 838 (2023: R90 475 540)** to the carrying amount of these instruments. The institution in which funds are being placed is monitored on an annual basis to assess any potential risks. Cash and cash equivalents are only placed with banking institutions with a good credit ratings.

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

Financial assets		
Receivables from exchange transactions	658 125	658 125
Bank and call deposits	106 352 838	90 475 540

There is no security pledged on receivables, cash and cash equivalents.

As at the end of financial year, no financial assets are either past due date or impaired.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate owing the 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.

Exposure to interest rate risk is set out below:

Non-current assets

Cash and cash equivalents	106 352 838	90 475 540
	106 352 838	90 475 540

Notes to the annual financial statements (continued)

Figures in Rand	2024	2023
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28. Risk management (continued)

Interest rate risk (continued)

Interest rate risk sensitivity analysis

The susceptibility of the NCR's financial performance to changes in interest rates can be illustrated as follows:

Interest rate risk sensitivity analysis		
Interest rate increase of 25 basis points	265 883	226 189
Interest rate decrease of 25 basis points	(265 883)	(226 189)

29. Change in estimate

Review of useful lives of assets

During the period under review, the management re-assessed the remaining useful lives of non-current assets that had been fully depreciated (nil net book value). The useful lives of other property, plant and equipment assets (furniture and fittings; office, computer and security equipment) and intangible assets was revised to two years. 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 R251 532 (2023: R63 501).

The impact of the change in estimate is as follows:

Classes of assets:		
Computer equipment	111 072	26 642
Furniture and fittings	45 314	7 730
Office equipment	32 639	11 140
Security equipment	54 664	3 533
Intangible assets	7 843	14 456
	251 532	63 501
Effects on Statement of financial performance		
Depreciation	(243 689)	(49 045)
Amortisation	(7 843)	(14 456)
Effects on Statement of financial position		
Accumulated depreciation	243 689	49 045
Accumulated amortisation	7 843	14 456
	–	–

Notes to the annual financial statements (continued)

Figures in Rand	2024	2023
30. Irregular, fruitless and wasteful expenditure		
Irregular expenditure	–	3 315
Fruitless and wasteful expenditure	42 166	53 511
Closing balance	42 166	56 826

During the year under review, five matters were completed with one matter pending. Criminal or disciplinary steps were taken as a result of losses, irregular and fruitless and wasteful expenditure:

Incident description	Disciplinary steps taken/criminal proceedings	
Irregular expenditure		
2024 Matter under assessment		
Non-compliance with the NCR code of conduct and conflict of interest policy	Matter under assessment	608 198
Fruitless and wasteful expenditure		–
2024 Matters incurred and confirmed in the current year		
Resignation without notice	No disciplinary action could be executed and letter of demand to be issued.	14 768
Resignation without notice	No disciplinary action could be executed.	27 398
2023 Matters incurred in previous years and confirmed in current year		
Accidental damage to rental car	Disciplinary steps were taken against one employee and loss recovery process initiated	3 794
Scheduled flight missed	Disciplinary steps were taken against one employee and loss recovery process initiated	1 741
		655 900

Restatement of prior year expenditure:

Irregular expenditure

During the year under review, the comparative information on Irregular Expenditure was restated in the current year as follows:

Incident description	2022/23
Reclassification to fruitless and wasteful expenditure identified in the prior year	
Non-compliance to NCR internal policies: Travel changes	(905)
Non-compliance to NCR internal policies: Travel changes	(1 473)
	(2 378)

Notes to the annual financial statements (continued)

30. Irregular, fruitless and wasteful expenditure (continued)

Incident description	2022/23
Fruitless and wasteful expenditure	
During the year under review, the comparative information on Fruitless and wasteful Expenditure was restated in the current year as follows:	
Incident description	
Reclassification of irregular expenditure to fruitless and wasteful identified in the prior year	
Travel changes not in agreement with NCR Travel Policy	905
Travel changes not in agreement with NCR Travel Policy	1 473
Fruitless and wasteful expenditure identified in the current year relating to prior year	
Accidental damage to rental car	3 794
Flight missed rescheduled	1 741
Restatement of prior year amounts	
Corrections to amounts of losses	(615)
	7 298

31. Contingencies

The NCR is intending to institute legal action for financial loss suffered during the provision of advertising services by Roadshow Marketing. The financial loss is estimated to be R1 563 245,73 as a result of overcharging of agency fees and excess in mark up agreed rates as per the service level agreement. The actual costs will be wholly dependent on the outcome of the matter.

The NCR is intending to institute legal action for financial loss suffered during the provision of an operating system by Bytes Technology. The financial loss is determined at R21 591 856 as a result of the system not developed in accordance with the agreed functional requirement.

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.

Surplus for the year

The NCR must annually declare all surpluses or deficits for the year to the National Treasury in terms of the National Treasury Instruction No. 12 2020/21. A contingent liability is not raised for the reported surplus as the NCR has received favorable responses from the National Treasury in the previous years to retain some of the surpluses based on commitments and obligations of the organisation. Management therefore does not disclose a contingent liability based on the positive assumption that the trend will continue in this financial year.

32. Going concern

The NCR's annual financial statements as at 31 March 2024 have been prepared on a going concern basis. The economic viability and going concern of NCR is supported by the DTIC, therefore 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 the measures comprise of review of registrant's fees and uncapping the credit providers branch fees.

Notes to the annual financial statements (continued)

33. Restatement of comparative disclosures

During the preparation of the current year annual financial statement disclosures, it was noted that the comparative disclosure for management emoluments omitted two members who were appointed on 1 February 2023. There was no impact on the Financial Statements, except for the disclosure in the Management Emoluments and Related parties notes.

The impact of the restatement is as follows:

Figures in Rand	2023
Related parties	
Remuneration of key management	484 690
Management emoluments	
Executive management	484 690

34. Events after the reporting date

The NCR had reported a matter as fruitless and wasteful expenditure in the unaudited financial statements. The matter was relating to a payment dispute emanating from the terms in a transversal contract entered between the NCR and a supplier. The matter was referred to the National Treasury for review and consideration. The National Treasury resolved that the supplier should be paid and the matter is not a fruitless and wasteful expenditure. An amount of R10 994 was provided for in the current financial year.





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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