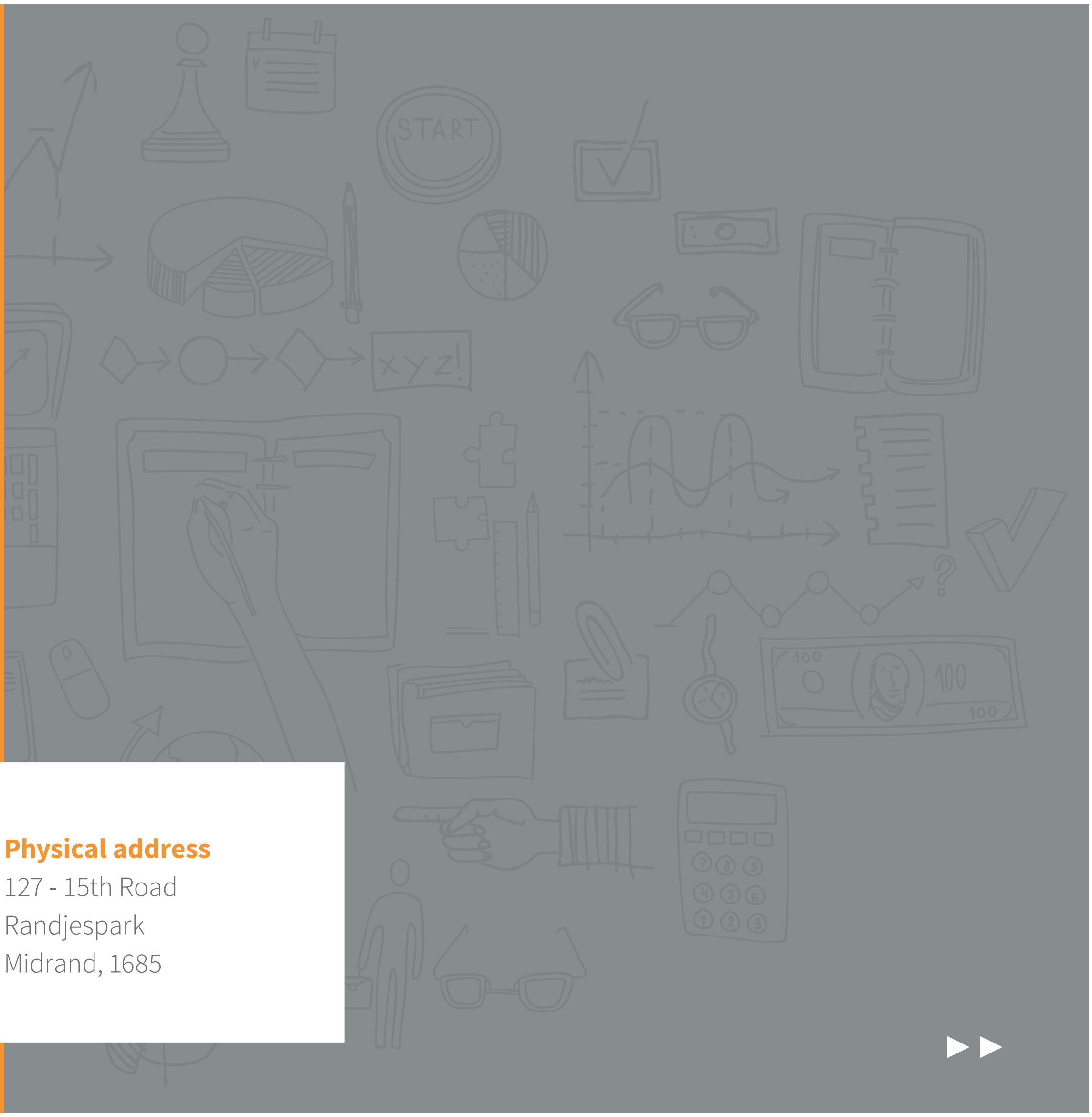
National Credit Regulator

National Credit Regulator
Annual Report 2017/18



Physical address
127 - 15th Road
Randjespark
Midrand, 1685

Welcome to
National Credit Regulator
Annual Report 2017/18

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PART B: PERFORMANCE INFORMATION

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Part A

General Information

1.1 National Credit Regulator General Information

Registered name
National Credit Regulator (NCR)
Registered office address
127-15th Road
Randjespark
Midrand
1685

Postal address
P.O. Box 209
Halfway House
1685

Contact telephone number
Switchboard: 011 554 2600/2700
Toll Share:
0860 627 627
0860 NCR NCR

Email addresses
Complaints: complaints@ncr.org.za
Debt counselling complaints: dccomplaints@ncr.org.za
Enquiries: info@ncr.org.za

Website address
www.ncr.org.za

External auditor's information
Auditor-General of South Africa
300 Middel Street
New Muckleneuk
Pretoria
0001

1.2 List of Acronyms

AA	Accounting Authority
ADRA	Alternative Dispute Resolution Agent
ACPD	African Consumer Protection Dialogue
AFS	Annual Financial Statements
AGSA	Auditor-General of South Africa
ARMC	Audit and Risk Management Committee
BANKSETA	Bank Sector Education and Training Authority
BASA	Banking Association of South Africa
BBBEE	Broad-Based Black Economic Empowerment
CBA	Credit Bureau Association
CBDA	Cooperative Banks Development Agency
CBM	Credit Bureau Monitor
CCMR	Consumer Credit Market Report
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CIF	Credit Industry Forum
COO	Chief Operations Officer
COTII	Council of Trade and Industry Institutions
DCEO	Deputy Chief Executive Officer
DDG	Deputy Director General
DG	Director General
DPSA	Department of Public Service and Administration
dti	Department of Trade and Industry
EE	Employment Equity
EXCO	Executive Committee
FTC	Federal Trade Commission (United States)
GRAP	Generally Recognised Accounting Practice
ICT	Information and Communication Technology
MFSA	Microfinance South Africa
MoA	Memorandum of Agreement
MoU	Memorandum of Understanding
NCA	National Credit Act
NCAA	National Credit Amendment Act
NCC	National Consumer Commission

NCR	National Credit Regulator
NCT	National Consumer Tribunal
NDP	National Development Plan
NGO	Non-Governmental Organisation
NJMPF	Natal Joint Municipal Pension Fund
OHASA	Occupational Health and Safety Act No. 181 of 1993
PDA	Payment Distribution Agent
PFMA	Public Finance Management Act
SACRRA	South African Credit and Risk Reporting Association
SAPS	South African Police Service
SARB	South African Reserve Bank
SASSA	South Africa Social Security Agency
SCM	Supply Chain Management
SMS	Short Message Service
WSP	Workplace Skills Plan

1.3. Minister's Foreword

Honourable Dr Rob Davies, MP
Minister of Trade and Industry

A decade of success

The National Credit Act ("the Act"), which was promulgated over a decade ago, is a landmark piece of legislation granting consumers fundamental rights as far as credit is concerned. It also established the National Credit Regulator ("the NCR") in order to ensure effective enforcement of the Act.

The sustained success of the NCR has directly and positively impacted millions of South Africans.

As I review this, its tenth annual report, I cannot help but reflect on the seismic economic changes that we have collectively witnessed as a country.

Incredibly, we weathered the international financial crisis and resultant local economic downturn without sustaining any irreparable systemic collapse. It could be argued that we were spared the financial mayhem playing out in the rest of the world largely thanks to our world-class financial polices within a robust framework of credit regulation.

The role of the NCR has proven indispensable in this regard. It is an example of a well-run state institution that delivers remarkable results in the execution of its critical mandate. Its role may still grow in importance in the long term through the Debt Intervention Bill which is introducing debt intervention. Debt intervention is aimed at bringing relief to over-indebted consumers who have no income or whose gross earnings do not exceed R7500.

The year under review

With legislative changes having taken effect the year before, the year under review was characterised by an emphasis on the implementation of amendments to the Act, consumer education, compliance monitoring and enforcement.

Rising living costs, unemployment and lack of economic growth in the South African economy has contributed to the drastic increase in total consumer debt, up by 3.77% year-on-year from the previous year to R1.75 trillion as at December 2017.

Violations of the Act have been kept in check by effective monitoring and enforcement on the part of the NCR.

It referred fifty-three (53) entities to the National Consumer Tribunal ("the NCT") and High Court for various contraventions.

Notable successes in this financial year include several high-profile cases on several fronts. The NCR investigated and referred the following entities to the NCT:

- Shoprite Checkers (Pty) Ltd (Shoprite) wherein the NCT found Shoprite guilty of reckless lending and imposed a fine of R1 million;
- Lewis Stores (Pty) Ltd (Lewis) for mis-selling of credit life insurance. Lewis was found guilty of prohibited conduct and is required to refund consumers once a full audit has been conducted. An administrative fine of R5 million was also imposed;

- Edcon Limited (Edcon) for the unlawful charging of club fees. The NCT ruled in favour of the NCR, however Edcon appealed the NCT decision. The High Court overturned the NCT judgement. The NCR is in the process of applying for leave to appeal the High Court judgement.

The NCR utilised extensive media outreach to maximise its opportunities for free coverage in the mass media. In educating consumers, the NCR achieved media coverage worth more than R297 million in calculated advertising value equivalent (AVE) rates, compared to R254 million in the previous financial year. Of this amount, only R2.9 million was paid-for advertising. The remainder was achieved at no direct cost to the NCR through media outreach and media partnerships. One of the success stories in terms of reaching out to consumers is the "Imbizos" outreach programme which the NCR introduced a few years ago. This involved visits to villages and townships in various provinces. In the villages, these are conducted jointly with Traditional Local Authorities, relevant Provincial Consumer Protection Offices and local community radio stations. The aim of these Imbizos is to educate the most vulnerable members of society (mainly pensioners and other grant beneficiaries) about their rights and responsibilities in terms of the Act. The education sessions are conducted in the communities' local languages. The following are examples of the areas that were visited during the period: Ba ga Phadima, Jantjie and Ba ga Motlhware Tribal Councils in the Northern Cape Province; Bakgaga Ba ga Mothapo in Limpopo Province, and Dukathole Township, Aliwal North in Eastern Cape Province.

The NCR successfully rolled out its automated SMS-notification project in the Registrations Department to keep applicants such as credit providers and debt counsellors informed of the status of their applications. A similar project in the Complaints department had already been introduced in order to keep complainants abreast of the developments throughout the process of resolving their complaints.

In this period, the NCR extensively participated in discussions with the Portfolio Committee on Trade and Industry, the dti and relevant key stakeholders and assisted with the drafting of the Debt Intervention Bill which I have alluded to in the preceding paragraphs.

Year ahead

Given the digitisation of credit lending by most credit providers, in the year ahead, the NCR must be proactive, smart and tough in its enforcement approach and increase its consumer education and awareness campaigns, especially to the vulnerable sectors of our country.

I would like to commend the NCR for achieving a clean audit opinion in the 2017/18 financial year.

In conclusion, I would like to express my gratitude to the CEO, Executive Committee, Management and Employees of the NCR for the excellent work done, as well as to the Audit and Risk Management Committee for providing the necessary oversight.

Honourable Dr Rob Davies, MP
Minister of Trade and Industry
31 July 2018

1.4 Foreword by the Accounting Authority

Ms Nomsa Motshegare
Chief Executive Officer and Accounting Authority

Introduction

NCR worked smart and achieved all of its targets for its strategic objectives during the 2017/18 financial year, a milestone year as the NCR celebrates 10 years of existence.

High-level overview of the NCR strategy and performance

The NCR's strategy is linked to the objectives of the Department of Trade and Industry (dti), National Development Plan (NDP) goals and the Government's Nine-Point Plan.

The NCR has developed a three-year Annual Performance Plan for the period 2016/17 to 2018/2019 and a five-year strategy for the period 2016/17 to 2020/21.

The NCR's strategy is aligned to the dti's achievement of Outcome 4, Decent Employment through inclusive growth. A stable and efficient financial sector, in which the credit market is a critical component, is vital for ensuring inclusive growth and employment creation.

The NCR's strategy focuses on:

- Increased access to consumer credit;
- Improved consumer rights awareness and education;
- Research and policy development; and
- Enforcement of the National Credit Act (NCA) and its amendments.

The NCR has aligned its key performance areas with the strategic objectives and core themes of the dti. During the year under review, the NCR had to deliver against six strategic objectives. It has set outputs and targets for each of its nineteen (19) performance targets. Forty two (42) percent of targets were exceeded and fifty eight (58) percent achieved. (More information is provided on pages 50 - 61).

Strategic relationships

Strategic relationships play a pivotal role in enabling the NCR to deliver on its mandate.

Throughout the year under review, the NCR continues to strengthen strategic relations with its main stakeholders through the Credit Industry Forum (CIF), which it chairs. The CIF met on a quarterly basis. Stakeholders represented on the CIF identify and address operational difficulties associated with the implementation of the NCA on a consensual basis. The Forum continues to find solutions to industry challenges within the credit industry.

The Banking Association of South Africa (BASA), MicroFinance South Africa (MFSA), debt counselling associations, Payment Distribution Agents (PDAs), the Credit Bureau Association (CBA) and consumer representatives are represented on the CIF.

The NCR held regular meetings with industry associations, registrants, magistrates and local regulators, including the South African Reserve Bank. It also met with local and foreign investors.

Collaboration with other regulators

South Africa leads the continent in terms of consumer protection regulations and the NCR is the only regulator of its kind in Africa.

> *To stay ahead of its game, the NCR keeps an eye on international trends and developments.*

It's important to understand such trends and challenges experienced in other countries so that we can be ready when those practices come to this country. The international trend of online lending, for instance, has already landed on our shores.

The NCR is a member of the African Consumer Protection Dialogue, facilitated by the Federal Trade Commission of the United States. The NCR attended the 9th Annual African Consumer Protection Dialogue Conference held in Gambia in March 2018. The theme of the conference was Protecting Every Consumer in a Digital Age.

The three-day event brought together African consumer protection and competition agencies, experts, civil society groups and other relevant stakeholders to discuss and evaluate the effectiveness of policies, existing laws, cross border cooperation and means of better protecting consumers in the digital world.

The NCR also participated in quarterly cluster meetings of the Council of Trade and Industry Institutions (COTII). These meetings facilitate information sharing and the pooling of resources to work together as Regulators.

NCR's Mr Lesiba Mashapa conducting a live interview with Radio Turf at the Ga-Mothapo Imbizo

Medium to long-term goals

The NCA's primary purpose is to create a consumer credit market that is fair, transparent, and accessible, and also, contribute to South Africa's socio-economic development.

The NCR has set itself six (6) medium-term goals:

- Reduce levels of over-indebtedness;
- Promote affordable levels of credit;
- Decrease levels of reckless lending practices;
- Improve consumer credit information;
- Implement efficient service delivery; and
- Improve compliance with the regulations (in respect of the amendments) and consumer protection.

Visibility

The NCR utilises extensive media outreach to maximise its opportunities for free coverage in the mass media. The 2017/18 financial year was no exception and the regulator achieved media coverage worth R297.1 million in calculated advertising value equivalent (AVE) rates. Whenever an investigation is conducted or there are important developments, the NCR issues media releases to alert consumers. The NCR makes sure that prosecutions are visible as these can serve as deterrent.

Community outreach programmes (Imbizos)

NCR continued to conduct imbizos in partnership with Local Tribal Authorities in various provinces. Imbizos are important vehicles through which the NCR educates consumers on their rights and responsibilities in terms of the NCA, and they mainly target pensioners and social grant recipients in rural areas.

Ga-Mothapo Imbizo gathering

Highlights

SUMMARY OF KEY HIGHLIGHTS DURING 2017/2018

APPROXIMATELY **R27 MILLION** REFUNDED TO CONSUMERS

SHOPRITE FINED **R1 MILLION** BY THE NCT

18 COMPLIANCE NOTICES ISSUED

REPORT RELEASED ON LEVEL OF CONSUMER INDEBTEDNESS

53 MATTERS REFERRED TO NCT & THE HIGH COURT

IMPROVED QUALITY OF CREDIT INFORMATION ON DATABASE

66 INVESTIGATIONS ON COST OF CREDIT & INTEREST RATES

RAIDS CONDUCTED IN **SEVEN(7) PROVINCES**

Challenges

Debt counsellors and small credit providers continue to exploit consumers despite the fact that the NCR has upped its game in bringing them to book. Banks and large retailers show willingness to comply and are proactive in approaching the NCR to clarify queries, rather than run the risk of contravening the act. However, contraventions still happen and the high profile cases are mentioned on page 36 of this report.

Acknowledgements

I would like to acknowledge the contribution of all NCR stakeholders in facilitating the implementation of the NCA. I would also like to express my sincere appreciation to the Honourable Minister, Dr Rob Davies, the dti, the Portfolio Committee on Trade and Industry and the Select Committee on Trade and International Relations for their guidance and support.

Lastly, I would also like to extend my sincere appreciation to NCR employees for their excellent work and to the members of the Audit and Risk Management Committee for their support and guidance.

Ms Nomsa Motshegare
Accounting Authority
31 July 2018

1.5. Chief Executive Officer's Overview

General financial review

For the 2017/18 financial year, the NCR had a final approved budget of R130 717 713 (2017: R127 183 606). The NCR received R73 056 000 (2017: R69 577 000) in funding from the *dti*; this constituted 56% (2017: 55%) of the NCR's funding. The balance of R61 532 620 (2017: R50 829 069) was from registrant's fees and other income.

Spending trends

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

- Programme expenditure of R22 049 008 compared to R20 117 568 for 2016/17;
- Personnel expenditure of R77 330 773 compared to R70 120 975 for 2016/17;
- Administrative and other expenditure is R21 934 337 compared to R28 660 444 for 2016/17; and
- Capital expenditure of R4 292 370 compared to the R6 328 596 for 2016/17.

Supply chain management

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

Challenges

The public sector continues to operate under tight budget constraints; this did not impact on the NCR's delivery, as it has found innovative ways to maximise delivery and cut costs.

Measures include insourcing work that was previously outsourced. During the period, NCR staff conducted most of the investigations and referred matters to the NCT.

Additional cost savings have also been achieved by working smarter, by, for example, conducting desktop monitoring and evaluation of compliance. Going forward, the NCR will continue to emphasise cost-containment, and also, improve efficiencies in its operations.

Events after the reporting date

The NCR is not aware of any events after the reporting date of 31 March 2018, which are likely to have a material impact on the NCR's financial results or operations.

New activities

In this period, the NCR extensively participated in discussions with the Portfolio Committee on Trade and Industry, the dti and relevant key stakeholders and assisted with the drafting of the Debt Intervention Bill.

Economic viability

The NCR derives its income from the transfers from the dti and registrants' fees. These sources of income ensure the entity's financial viability. The requirement that all credit providers, payment distribution agents and alternative dispute resolution agents register with the NCR has generated additional revenue.

Audit report matters in the previous year

Due to prudent financial management and good corporate governance practice, the NCR obtained a clean audit opinion during the year under review.

Acknowledgements

My sincere thanks and appreciation go to the Honourable Minister of Trade and Industry, Dr Rob Davies, the DG, Mr Lionel October, The Group Chief Operations Officer, Ms Jodi Scholtz, the Acting DDG, Mr MacDonald Netshitenzhe, the DDG, Dr Evelyn Masotja and other dti officials, the Portfolio Committee on Trade and Industry and the Select Committee on Trade and International Relations, for their continued guidance and support.

I would also like to thank my executive team, management and staff for their professionalism, commitment and hard work.

Ms Nomsa Motshegare
Chief Executive Officer
31 July 2018

National Credit Regulator Executive Committee
From left: Ms Fundisiwe Malaza (Interim Chief Financial Officer), Mr Lesiba Mashapa (Company Secretary), Ms Nomsa Motshegare (Chief Executive Officer and Accounting Authority)
Adv. Obed Tongoane (Deputy Chief Executive Officer)

1.6. Statement of Responsibility and Confirmation of the Accuracy of the Annual Report

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

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

In my opinion, the Annual Report fairly reflects the operations, the performance information, the human resources information and the financial affairs for the financial year ended 31 March 2018.

Ms Nomsa Motshegare
Accounting Authority and Chief Executive Officer
31 July 2018

1.7 Strategic Overview

The National Credit Regulator has six (6) strategic objectives:

- To promote responsible credit granting;
- To protect consumers from abuse and unfair practices in the consumer credit market and address over-indebtedness;
- To enhance the quality and accuracy of consumer credit bureau information;
- To improve the NCR's operational effectiveness; and
- To ensure effective implementation of the National Credit Act as amended (NCA); and
- To facilitate efficient registration of persons and entities.

The National Credit Regulator delivers against these strategic objectives by:

- Registering credit providers, credit bureaus, debt counsellors, payment distribution agents (PDAs), and alternative dispute resolution agents (ADR agents) and monitoring their conduct;
- Educating and creating awareness around the protection that the NCA offers to consumers;
- Researching the credit market and its trends, monitoring access to credit and the cost of credit;
- Identifying factors that may undermine access to credit, competitiveness in the credit market and consumer protection;
- Advising government on policy and legislation;
- Receiving and investigating complaints and ensuring that consumer rights are protected; and
- Enforcing the NCA and taking action where contraventions are identified.

Vision

The vision of the National Credit Regulator is:
"To promote a South African consumer credit market that is fair, transparent, accessible and dynamic."

Mission

The mission of the National Credit Regulator is:
"To support the social and economic advancement of South Africa by:
- Regulating for a fair and non-discriminatory marketplace for access to consumer credit
- Promoting responsible credit-granting and credit use, and effective redress."

Values

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

Service excellence	We strive for service quality 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.

1.8 Legislative and Other Mandates

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

The purpose of the NCA, as amended, is to:

- Promote a fair and non-discriminatory marketplace for access to consumer credit and for that purpose to provide for the general regulation of consumer credit and improved standards of consumer information;
- Promote black economic empowerment and ownership within the consumer credit industry;
- Prohibit certain unfair credit and credit marketing practices;
- Promote responsible credit granting and use, and for that purpose prohibit reckless credit granting;
- Provide for debt reorganisation in cases of over-indebtedness;
- Provide for registration of credit bureaus, credit providers, debt counsellors, PDAs and ADRAs;
- Establish national norms and standards relating to consumer credit;
- Promote a consistent enforcement framework relating to consumer credit;
- Establish the NCR and the NCT; and
- Promote and advance the social- and economic welfare of South Africans, promote a fair, transparent, competitive, sustainable, responsible, efficient, effective and accessible credit market and industry.

The 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:

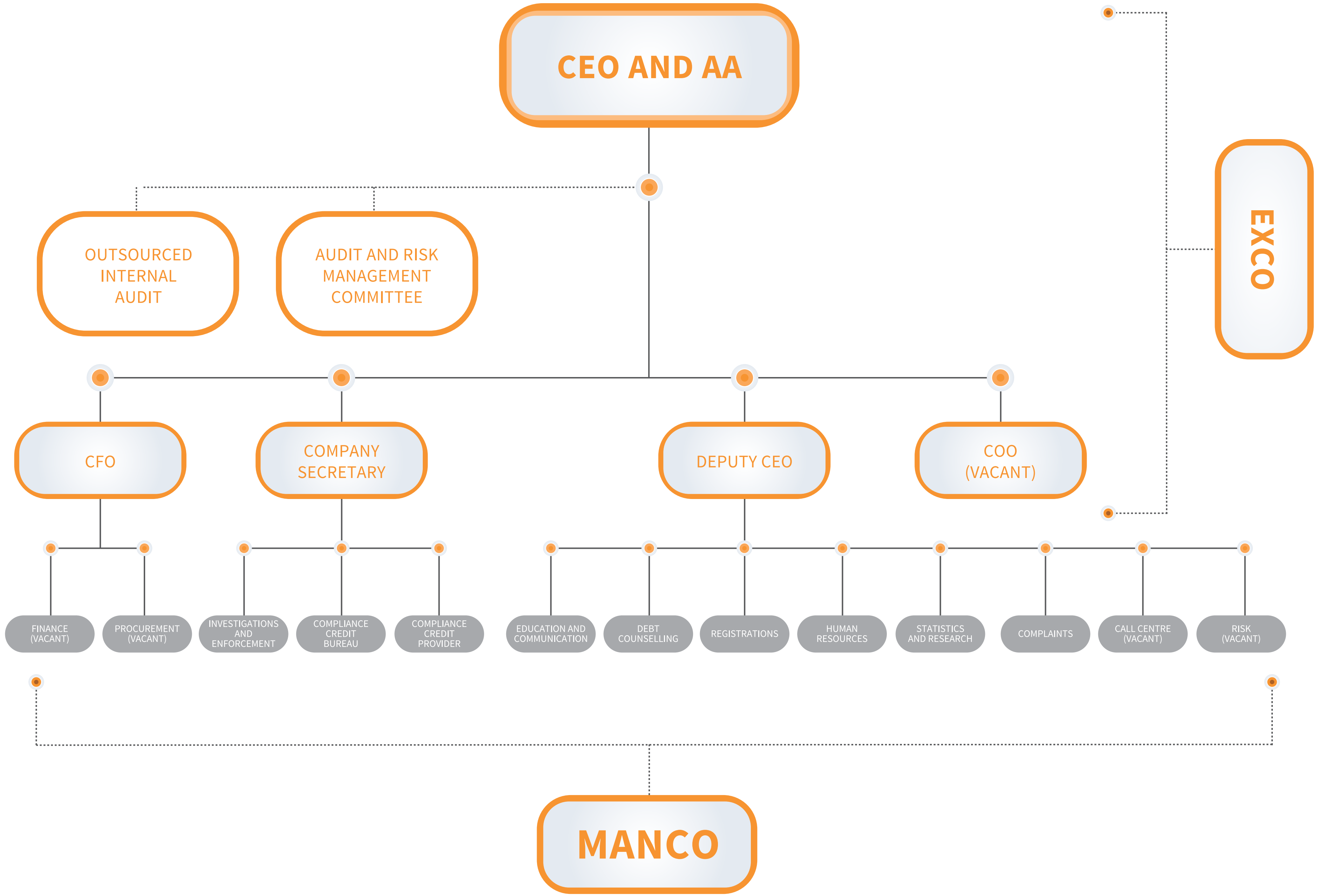
- Implementing education and information measures to develop public awareness of the provisions of the NCA;
- Providing guidance to the credit market and industry;
- Monitoring socio-economic patterns of consumer credit activity in the Republic of South Africa;
- Conducting reasonable periodic audits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

The NCR promotes public awareness around consumer credit matters by:

- Implementing education and information measures.

The NCR is also mandated to review legislation and report to the Minister of Trade and Industry on matters pertaining to consumer credit.
The organogram provides a high level overview of the organisational structure of the NCR.

1.9 Organisational Structure



Part

B

Performance Information

2.1 Auditor-General Report: Predetermined Objectives

The Auditor-General of South Africa (AGSA) 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 AGSA's report on page 84 of this report.

National Credit Regulator Management Team:
Front row (from left): Ms Nosipho Zikishe, Ms Maria Matlosa, Ms Mmabatho Senyarelo, Ms Jacqueline Peters, Mr Ngoako Mabeba
Back row (from left): Ms Anne- Carien Du Plooy, Ms Takalani Mudau, Ms Kedilatile Legodi, Mr Zolile Mngqundaniso, Ms Nobuntu Gwala, Mr Caiphus Mafoko **Absent:** Ms Nthupang Magolego

2.2. Situational Analysis

2.2.1. Service delivery environment

The regulatory environment within which the NCR operates is not immune to global economic climate which has a direct impact on service delivery. Global economic environment was characterised by slow growth, subdued investment and stagnant global trade. The economic climate in South Africa was very challenging; after growing by 3.1% in the fourth quarter of 2017, the economic outlook in the first quarter of 2018 remained unstable, shrinking by 2.2% quarter-on-quarter.

Persistent drought drove up food prices and inflation has been rising steadily. With the high levels of unemployment and rising fuel prices, growth prospects in the short-term are bleak. The SARB's forecast for GDP growth is at 1.7% for 2018, 1.7% for 2019, and 2.0% for 2020. The inflation forecasts for 2018 and 2019 are expected to be within the SARB target of between 3 to 6%. In the first week of April 2017, two international rating agencies downgraded South Africa to sub-investment grade.

The downgrade resulted in constrained ability for local financial institutions (banks) to acquire capital, thus making credit more expensive for the consumer.

The implementation of affordability assessment regulations together with the role played by SARB helped stabilise consumer credit environment and financial market stability.

The factors mentioned in the preceding paragraphs contributed to retrenchments especially in the mining sector. Approximately 36 companies retrenched employees in the region of 29,261 in the past year. One of the effects of retrenchment is increased consumer defaults on credit agreements which affect their credit health. The NCR continues to monitor the sector very closely.

Despite all these factors which impacted directly on service delivery, the NCR continued to fulfil its mandate of creating a consumer credit market that is fair, transparent and accessible and also contribute to South Africa's socio-economic development. As a regulator, it is important to act efficiently in ensuring compliance and expediting enforcement of the Act, to ensure consumer protection.

Notwithstanding the funding challenges as well as lack of national footprint, the NCR has in the past year demonstrated its ability to improve visibility through various methods of engagements in reaching out to consumers, such as partnerships with Consumer Protection Offices, relationships with regional and international regulators, collaboration with government departments, engagements with traditional authorities and community outreach programmes (Imbizos).

To this end the NCR has devised mitigation strategies to overcome threats that may impact on the achievement of its objectives. Threats amongst others include: budget constraints, uniformity in interpretation of the Act, backlogs in courts causing delays in finalisation of cases and consumer redress on alleged contraventions, inefficient ICT infrastructure and systems.

The NCR plans on focusing its energy and scarce resources on improving operational efficiencies by partnering with banks to speed up the registration process; entering into Memorandum of Understanding with relevant government departments and entities as well as improving on the Information and Communication Technology (ICT) infrastructure.

2.2.2. Organisational environment

The internal operating environment requires improvement from time to time. The formation of the Collective Bargaining Forum by the dti, will aggregate all the issues pertaining to conditions of service to ensure that issues are addressed at a central level. The NCR's Employer/Employee Forum has proven to be a positive platform for engagement.

Introduction of incentives such as medical aid subsidy and training were implemented. Furthermore, the NCR is looking at exploring other avenues of retention strategies. Amid the funding challenges, the NCR is also cognisant of the fact that staff should remain motivated.

With the Fourth Industrial Revolution upon us, we are looking at advancing our systems and technology to enable our deliverables.

2.2.3. Key policy development and legislative changes

During the financial year under review, the Honourable Minister of Trade and Industry Dr Rob Davies promulgated into law the Credit Life Insurance regulations, which have capped the amount of premiums that consumers can be charged for credit life insurance. These regulations became law on 9 August 2017.

The NCR conducted a study on measures that could be introduced to assist over-indebted consumers as previously tasked by the Portfolio Committee of Trade and Industry. Engagements were held with the Committee and a bill drafted. The draft National Credit Amendment Bill focusing on debt intervention was then published for public comments. This bill seeks to give redress to qualifying consumers by, amongst others and in certain circumstances, extinguishing these consumers' debts. The public comments were received and are still being considered.

The government introduced legislation to regulate the issuing of emolument attachment orders (EAOs) by creditors. The Courts of Law Amendment Act came into effect in August 2017.

This Act: -

- limits the number of EAOs that can be issued against a consumer;
- allows the EAOs to be issued only in the courts where the consumer lives or work;
- allows the consumer to dispute the amount and validity of the EAOs;
- allows the courts to investigate reckless lending when considering EAOs.



Executive support team

2.3 Strategic Outcome-Oriented Goals

The NCR's eight outcomes and nine outputs are aligned to six strategic objectives. The NCR exceeded or achieved all its targets, during the period under review. More information is available on pages 50 to 61 of this report.

Strategic objective	Outcome	Output
S01	Reduced level of over-indebtedness	Improve compliance with affordability assessment regulations.
	Affordable levels of credit promoted	Increase compliance with regulations pertaining to the total cost of credit.
SO2	Decreased levels of reckless lending practices	Conduct reckless lending investigations and enforcement action taken where necessary.
		Improve awareness on deceptive and unfair credit practices
SO3	Improved quality and accuracy of consumer credit information	Increase compliance by credit bureaus in respect of quality and accuracy of consumer credit information.
SO4	Efficient service delivery	Improve operational efficiency through automated processes.
SO5	Improved compliance with regulations and consumer protection	Improve awareness and compliance.
	Improved and effective regulation	Improve compliance by conduction special investigations/audits and taking enforcement action where necessary.
SO6	Increase efficiency in registration of persons and entities	Improve efficiency in the registration process of persons and entities.

2.4. Performance information by activity

2.4.1 Performance area: Registrations

Mr Zolile Mngqundaniso
Manager: Registrations

The National Credit Regulator registers credit providers, credit bureaus, debt counsellors, alternative dispute resolution agents and payment distribution agents. It is also responsible for lapsing of registrations, maintaining the register of registrants and managing the payment of annual registration renewal fees.

As at 31 March 2018, a total of 6 191 credit providers with 36 124 branches, 23 credit bureaus, three (3) payment distribution agents (PDAs), four (4) alternative dispute resolution (ADR) agents and 1 325 debt counsellors were registered with the NCR.

Registrations

During the year under review focus was on ensuring that all registrants' renewal dates were aligned to the 31 July annual deadline as determined by the Minister of Trade and Industry in the Regulations on the Determination of Application, Registration and Renewal Fees issued on 11 May 2016. More than 1 000 credit providers were registered during the previous financial year and these had to be brought into alignment with the new deadline. Prior to 2016, credit providers had individual renewal dates and there was no universal cut-off date.

Challenges

One of the challenges was to ensure credit providers paid their renewal registration fees on time. The non-payment of registration renewal fees results in the lapsing of registrants' registration.

Another challenge was locating registrants that failed to inform the NCR about changes in their contact details.

Highlights

The seamless aligning of all registrants to the 31 July renewal date was a definite highlight. The implementation of an SMS facility, through which applicants are updated on the progress of their application, led to better communication and efficiency during the year under review.

Other highlights included the successful registration of reseller credit bureaus and the fruitful registration campaign which was conducted for unregistered credit providers in two provinces, namely Mpumalanga and Gauteng. The campaign resulted in more registrations as credit providers were then informed about compulsory registration for all credit providers. Prior to the 2016 legislation amendment, only credit providers with at least 100 credit agreements or a principal debt of R500 000 were required to register.

Year ahead

To achieve its goals of eliminating unscrupulous credit providers, curbing reckless lending, promoting responsible credit lending and borrowing, and reducing over-indebtedness, the NCR needs to locate, regulate and monitor credit providers at all times. Therefore, going forward, focus will be on ensuring that the registration renewal fees are paid on time and that unregistered credit providers are duly registered.

Summary of key outcomes

REGISTRATION AT A GLANCE

6191
CREDIT PROVIDERS

1325
DEBT COUNSELLORS

23
CREDIT BUREAUS REGISTERED

3
PAYMENT DISTRIBUTION AGENTS

4
ALTERNATIVE DISPUTE RESOLUTION AGENTS

REGISTRATION DEADLINE 31 MARCH 2018

Registrations Team

Unregistered credit providers' workshop Hammanskraal

Unregistered credit providers' workshop Nelspruit

2.4.2 Performance area: Credit Provider Compliance

Ms Mmabatho Senyarelo
Manager: Credit Provider Compliance

The National Credit Regulator monitors credit providers' compliance with the National Credit Act.

In terms of Regulations 62 – 68 of the NCA, quarterly and annual submissions are received from credit providers. The Regulations specify the documentation that credit providers must submit as well as the due dates. There were 6191 credit providers registered with the NCR during the year under review.

Submissions

Statutory documents that are required to be submitted include: annual financial statements, compliance reports, assurance engagement reports and statistical returns. These documents are analysed to ensure compliance with the NCA. Where non-compliance is identified appropriate enforcement action is taken.

Compliance monitoring

Desktop compliance monitoring was undertaken throughout the year to monitor compliance with the NCA by credit providers.

Various aspects of the NCA are monitored, especially the new amendments. These include the cost of credit and affordability assessments.

Desktop compliance monitoring entails selecting credit providers in each of the nine provinces and then requesting them to submit the relevant documents required for the compliance evaluation.

Compliance monitoring is informed by a number of factors and selection is according to the following criteria:

- highest number of complaints received by the NCR;
- failure to submit statutory returns or payment of renewal fees; and
- negative media coverage.

Highlights

Compliance monitoring was conducted into the timeshare industry as well as the vehicle finance industry.

> *There was a special focus on the 'on-the-road' fee, a fee which dealerships across the country routinely add to car purchase deals, in contravention of the NCA.*

Credit providers can, and do, charge an initiation fee. They can add an extended warranty; the cost of delivery if the buyer doesn't collect the car themselves; a tank of fuel and licence or registration fees – but not 'on-the-road' fees. Some of these matters have been referred to the Investigation and Enforcement Department for further action.

Through its effective compliance monitoring, the NCR ensured that approximately R24 million was refunded to consumers.

Year ahead

Monitoring compliance with the amendments to the NCA such as credit life insurance and affordability assessments will remain the main focus areas for the year ahead.

Compliance Team

Summary of key outcomes

CREDIT PROVIDER COMPLIANCE AT A GLANCE

COMPLIANCE FACTS & FIGURES AS AT 31 MARCH 2018

6191 Credit providers monitored

'on-the-road fee' by car dealerships deemed illegal

Approximately **R24 million** refunded to consumers

'club fee' by retailers deemed illegal

CREDIT PROVIDERS ANNUAL FINANCIAL STATEMENTS, COMPLIANCE REPORTS, ASSURANCE ENGAGEMENT REPORTS AND STATISTICAL RETURNS ANALYSED

2.4.3. Performance area: Credit Bureau Compliance

Ms Nosipho Zikishe
Manager: Credit Bureau Compliance

The National Credit Regulator is responsible for managing the operations of credit bureaus to ensure that they comply with the provisions of the National Credit Act.

The promulgation of Regulation 19 (13) Guideline by the NCR on 23 June 2017 will ensure that logical, complete and accurate consumer credit information is loaded and correctly managed on credit bureaus. There are 23 credit bureaus registered with the NCR.

Ongoing compliance requirements

All registered credit bureaus that retain consumer credit data profiles are obliged to have a compliance function which ensures consistent compliance with the provisions of the NCA in accordance with the agreed Compliance Monitoring Framework. The Compliance Monitoring Framework sets to monitor compliance by credit bureaus.

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

In addition to the above, credit bureaus are obligated to comply with legislative reporting to the National Credit Regulator on a quarterly and bi-annual basis.

During the first six months of the year, credit bureaus have to submit statutory reports (Form 43) accompanied by an audit report. The NCR conducts a vigorous review of the auditor's report. The emphasis falls on compliance with the maintenance and retention of consumer credit information in accordance with the standards that are mandatory in terms of the NCA.

The credit bureaus are also obligated to submit a quarterly statutory report (Form 44) which is used for the NCR's statistical reporting.

Guideline in terms of Regulation 19(13)

On 23 June 2017, the NCR issued a Guideline prescribing that all credit and data providers (collectively called 'data contributors') are required to submit credit information to all duly registered credit bureaus.

Regulation 19 (13) of the NCA states that, "A data contributor must submit credit information to the credit bureaus in the manner and form prescribed by the National Credit Regulator through conditions of registration and any guidelines that may be issued by the National Credit Regulator from time to time."

The NCR entered into a tripartite memorandum of agreement with the South African Credit and Risk Reporting Association (SACRRA) and CBA. These institutions manage the supply of credit information via a secure data transfer portal known as the Data Transmission Hub.

The Guideline also outlines the method and manner in which data files should be submitted to the credit bureaus.

It therefore provides for the submission of data to a central hub as well as for the specification of parameters for data extract submission and updating.

The promulgation of Regulation 19 (13) Guideline is a solution to issues concerning the non-submission of accurate and up-to-date data by certain data contributors, as well as poor quality data or erroneous submissions. The Guideline will fundamentally alter the manner in which consumer credit information is submitted to the credit bureaus by all industry players.

Failure to comply with the NCR's Guideline in terms of Regulation 19 (13) of the Act will result in appropriate enforcement action being taken by the NCR.

The NCR conducted workshops with credit providers to make sure that they understand the importance of reporting data through the credit bureaus. The on-boarding process commenced in late 2017.

Highlights

> *One of the highlights of the year was to register 12 re-sellers of consumer information to regulate the re-selling of consumer credit information in accordance with Regulation 18(4).*

This is to ensure that the selling of consumer credit information is done within the intended parameters of the NCA.

The NCR also successfully regulated the reporting of on-sold debt by the credit bureaus, making sure that the retention periods in respect of on-sold debt is in accordance with Regulation 17.

Year ahead

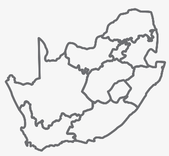
Going forward, the focus will be on monitoring the reporting of consumer credit information in accordance with Regulation 19(13) Guideline.

Summary of key outcomes

CREDIT BUREAU COMPLIANCE AT A GLANCE

23
Credit bureaus registered

3
Credit bureaus referred for further investigation



9
Provinces each hosted a seminar on Regulation 19 (13)

REGULATIONS 19(13) GUIDELINE ISSUED

BETTER DATA & BETTER DATA MANAGEMENT

2.4.4. Performance area: Education and Communication

Mr Caiphus Mafoko
Manager: Education and Communication

The National Credit Regulator is responsible for educating consumers about their rights and responsibilities in terms of the National Credit Act and for raising public awareness about the NCR's role and activities.

The NCR ran a number of educational and awareness initiatives during the course of 2017/2018. The regulator also featured in various news print, television and radio interviews, the majority of which had a phone-in facility for the public to pose questions.

Highlights

> *The NCR continuously leverages its extensive media outreach and spend to negotiate opportunities for free additional exposure.*

The 2017/2018 financial year was no exception as a total media coverage worth R297.1 million in calculated advertising value equivalent (AVE) rates, versus an actual spend of only R2.9 million was achieved.

Educational workshops

For its public education initiative, the NCR works closely with consumer bodies such as the Consumer Protection Forum, the Consumer Protection Offices of provincial governments and other regulators. The other partners include, but are not limited to:

- The dti;
- The Department of Public Service and Administration (DPSA);
- The Natal Joint Municipal Pension Fund (NJMPF);
- The National Consumer Commission (NCC);
- The CBA; and
- The Cooperative Banks Development Agency (CBDA).

Throughout the year, the NCR conducted numerous workshops organised in partnership with non-governmental organisations (NGOs), trade unions, employers, traditional authorities, government departments and organisations in the credit industry.

In addition, the NCR participated in exhibitions, activations and road shows and imbizo outreach programmes. Consumer educational road shows and outside broadcasts were held at popular malls in various provinces, to create consumer rights awareness.

Education through mass media

A high proportion of the NCR's radio and TV coverage relates to educational interviews on credit and consumer protection. Numerous radio stations and TV channels afford the NCR this kind of opportunity. The following radio stations: Sefako Makgatho University FM (SMU – former Medunsa), Energy FM, Mogale FM, Qwaqwa FM, Radio Zeerust, Lekoa Community Radio, Hlanganani FM, Greater Tzaneen FM, Unisa FM and Naledi Community Radio, Mafisa, Mascom, Moutse and Radio Turf, however, rendered exceptional support by providing the NCR with weekly talk-show slots.

News coverage of the NCR

> *The activities of the NCR – especially the court cases it instituted, and the enforcement measures it took – provided newsworthy stories to the media.*

The activities of the NCR – especially the court cases it instituted, and the enforcement measures it took – provided newsworthy stories to the media. News coverage increases awareness of the NCR and builds its profile. The NCR's reports on the state of the credit industry and credit-active consumers appeal to business media, while enforcement stories are of interest to the general news media. The NCR enjoyed good media coverage through press releases published and interviews conducted on radio and television.

Stakeholder engagement and community outreach

The NCR continued to conduct imbizos in partnership with local tribal authorities in various provinces. The aim of these imbizos is to educate consumers on their rights and responsibilities in terms of the NCA, and were mainly targeted at pensioners and other social grant recipients in rural areas, such as Baga Phadima, Jantjie Tribal Authority and Baga Motlhware Tribal Council (Northern Cape Province); Dukathole Township (Eastern Cape Province) and at Baga Mothapo (Limpopo Province).

Enabled by its Memoranda of Understanding (MoUs) with various entities and its relationship with the CBA, the NCR hosted workshops to educate consumers on their credit rights and responsibilities in terms of the NCA with specific focus on "know your credit status".

Summary of key outcomes

The NCR also conducted education campaigns via national, regional and community radio stations reaching an estimated 29.9 million listeners, the campaigns were:

1. Consumer Rights Month;
2. Youth Month;
3. Misleading advertising (in partnership with the dti); and
4. Spend wisely, Borrow wisely.

The campaigns were centred on the following key messages:

- Never pay upfront fees when applying for a loan/credit;
- Debt counselling is not a savings plan;
- Beware of adverts promising savings of up to 60%;
- Know the difference between credit complaints vs product complaints;
- Be future focused and avoid unnecessary debt;
- Know the difference between debt consolidation and debt counselling; and
- Avoid overspending/unnecessary spending and borrowing money.

Year ahead

In the year ahead, the NCR will continue working on reaching an even bigger number of consumers and creating greater public awareness of the NCA.

EDUCATION & COMMUNICATION AT A GLANCE

EDUCATION & COMMUNICATION FACTS & FIGURES AS AT 31 MARCH 2018

433 Workshops

626 Radio &tv interviews

Education campaigns through national, regional and community radio stations

138 Exhibitions, imbizos, roadshows

105 Stakeholder Meetings

Media releases for print/Radio/tv/digital

ADVERTISING VALUE EQUIVALENCE = R297.1 MILLION VS ADVERTISING SPEND = R2.9 MILLION

Education and Communication Team

Various NCR Education and Communication initiatives

2.4.5. Performance area: Complaints

MsTakalani Mudau
Manager: Complaints Department

The National Credit Regulator receives and resolves complaints concerning alleged contraventions of the National Credit Act.

For the year under review 2 986 complaints were formally evaluated with 90% thereof resolved. The majority of these complaints were related to reckless lending and end-balance disputes by consumers under debt review. The promulgation of the Affordability Assessment Regulations, assisted in resolving these complaints as it provided criteria against which compliance of the NCA could be measured.

Receiving and resolving complaints

Where valid contraventions are identified, the complaint is resolved in line with the prescripts of the law.

The NCR may also refer the complaints to the Ombud with the relevant jurisdiction, the Consumer Court or an ADRA, for the purpose of assisting the parties to resolve the dispute in terms of section 134 of the NCA.

"In the process of resolving complaints, approximately R3 million was refunded to consumers during the 2017/2018 financial year as compared to approximately R2 million in the previous financial year.

The NCR Call Centre answered an average of 86% of all calls received during the year under review. Furthermore approximately 14 000 written enquiries were attended to within an average of eight business days from receipt.

The NCR continued to engage with credit providers and other stakeholders in an attempt to have disputes informally resolved. It also engaged with the provincial consumer protection offices to strengthen collaboration and support between the NCR and these offices. These efforts resulted in consumers being assisted more efficiently and effectively.

Highlights

The NCR successfully rolled out its automated SMS-communication project which uses SMS notifications to keep complainants abreast of developments regarding their complaints.

Challenges

The absence of satellite offices throughout the country, together with budget constraints, makes it difficult for the NCR to conduct and/or facilitate visits at premises of registrants who:

- Fail to respond to complaints; and/or
- Participate in the resolution of a dispute and/or;
- Are untraceable.

This results in delays in resolving complaints.

Year ahead

In the year ahead, the NCR intends to improve efficiency in resolving complaints by introducing a new case management system.

COMPLAINTS AT A GLANCE

COMPLAINTS FACTS & FIGURES AS AT 31 MARCH 2018

2 986
complaints formally evaluated

14 947
written queries handled

2 710
(complaints resolved 90%)

approx. **R3 million**
refunds to consumers

NOTICE

compliance notices/instructional letters issued

Automated SMS system provides quicker feedback for complainants

Complaints Team

Call Centre Team

2.4.6. Performance area: Investigations and Enforcement

Ms Jacqueline Peters
Manager: Investigations and Enforcement

The National Credit Regulator investigates allegations of non-compliance with the provisions of the National Credit Act and takes action to correct or punish non-compliance.

Investigations during 2017/2018 were focused on unregistered credit providers who extend credit unlawfully. These investigations were conducted in six provinces. The threshold for non-registration is zero and accordingly, the NCR will continue to clamp down on all entities who fail to comply with the registration requirements.

Further focus was on prohibited charges and excessive costs of credit charged on credit agreements.

This resulted in investigations into, among others, the so called 'on-the-road' fees, the conduct of pawnbrokers and the charges levied on pawn agreements.

Enforcement

The NCR referred 53 entities to the NCT and High Court for various contraventions of the NCA, during the year under review.

The NCR previously investigated and referred Shoprite Holdings Ltd (Shoprite) to the NCT. In 2017, the NCT handed down judgement, agreeing with the NCR and finding Shoprite guilty of reckless lending. Over and above finding Shoprite guilty of prohibited conduct under the NCA, the NCT:

- Imposed a fine of R1 000 000 against Shoprite; and
- Ordered the entity to appoint a debt counsellor at its own cost, to assess whether the consumers in question are indeed over-indebted.

The NCR furthermore referred both Mr Price and The Foschini Group to the NCT for charging consumers club fees, which are unlawful, as part of their credit agreements. Ackermans was also investigated for the same type of misconduct.

In addition, several vehicle finance providers, namely BMW, Volkswagen and Mercedes Benz Financial Services, were investigated and issued with compliance notices for charging "on-the-road-fees" are also unlawful charges in terms of the NCA.

Raids

The NCR continued to raid microlenders that retain consumers' bank cards and identity documents in Gauteng, North Cape, KwaZulu-Natal, Mpumalanga, Limpopo and North West provinces. As a result of the raids, several criminal cases were opened. The NCR partnered with the South Africa Social Security Agency (SASSA), the South African Police Service (SAPS) and the Consumer Protection Offices to conduct these raids. These partnerships resulted in a multitude of successful exercises.

The year ahead

In the year ahead, the NCR will continue to conduct raids, focusing on credit providers who are not registered with the NCR and investigate certain industry sectors identified as 'problematic'.

Investigations and enforcement at a glance
Investigations and enforcement facts & figures as at 31 March 2018

66 investigations into cost of credit

50 into reckless lending (some overlap)

6 provinces covered: special investigations into unregistered entities

6 provinces covered: raids on microlenders

53 entities referred to National Consumer Tribunal and High Court

compliance notices issued

National Consumer Tribunal finds Shoprite guilty of reckless lending, fines

R1 million

High profile retailers investigated & referred to tribunal for illegal club fees

High profile vehicle financing companies investigated and issued compliance notices for charging illegal 'on-the-road' fees

Focus on unregistered credit providers extending credit UNLAWFULLY

Evidence collected at NCR credit provider raid in eMalahleni, Mpumalanga Province

2.4.7. Performance area: Debt Counselling

Ms Kedilatile Legodi
Manager: Debt Counselling

The National Credit Regulator monitors compliance of debt counsellors and payment distribution agents with the National Credit Act.

There were 1 325 debt counsellors registered with the NCR as at 31 March 2018.

Compliance monitoring

For debt counsellors

Debt counsellors are expected to comply with the NCA and the conditions of registration when executing the debt counselling process. To monitor, assess and determine the level of compliance, compliance monitoring on 730 debt counsellor was conducted.

For payment distribution agents

Compliance monitoring of PDAs was undertaken through the monthly analysis of reports, audits by an external service provider and onsite compliance monitoring visits.

In the 2017/2018 financial year, the three registered PDAs were audited twice by an external service provider and four compliance monitoring visits were conducted per registered PDA. The compliance monitoring visits are usually conducted to monitor progress of the implementation of corrective measures from the audit findings (if any) and to conduct general compliance checks.

Debt counselling workshops

Three provincial debt counselling workshops were conducted for debt counsellors. The structure adopted for these workshops was more engaging and interactive, with various subject matter experts sharing valuable insights on the debt counselling process.

Stakeholder engagements

A stakeholder engagement function is maintained by engaging with various stakeholders such as credit providers, industry associations, credit bureaus and PDAs. The engagements aim to:

- Build good working relations through robust discussions;
- Raise and address issues of concern;
- Achieve common understanding;
- Clear any misinterpretations;
- Create and promote uniformity; and
- Create awareness of the latest industry developments.

"A total of 86 engagements were held during the period under review.

The CIF is another platform that consists of various industry representatives and aims to improve, enhance and provide clarity on different operational aspects in the credit industry.

As magistrates play an important role in enforcing the NCA, the NCR continuously engages with various magistrate clusters in the country. These engagements are intended to keep magistrates as key stakeholders of this process, abreast of any developments within the debt counselling space.

Engagements also included various provincial law societies. In the 2017/2018 financial year, discussions on the following issues were undertaken:

- The court process used by attorneys dealing with debt counselling matters; and
- Conduct of some attorneys.

Attorneys were made aware of the fact that the NCR and law societies must collaborate to improve the understanding of the debt counselling process, to protect the interest of consumers and to monitor compliance and conduct.

Disbursements to credit providers

The PDAs disbursed a total amount of R10.16 billion to credit providers for the period under review, and a cumulative amount of R44.28 billion since inception.

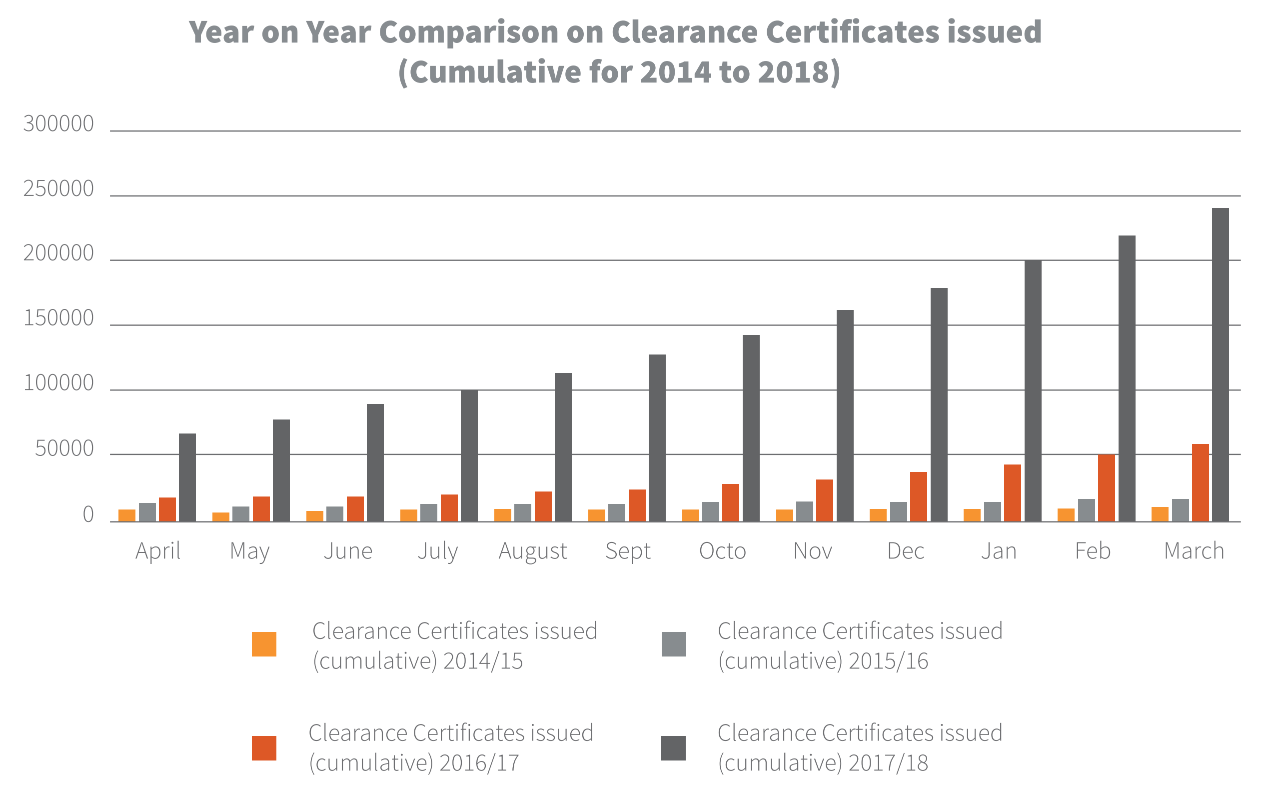
This noted annual increase of disbursements shows a positive impact of debt counselling as a debt relief measure.

Debt counselling fee guidelines

In a bid to curb consumers paying exorbitant fees, the NCR reviews the debt counselling fee guidelines regularly. In 2017 such a review was conducted. The revised fee guidelines will be effective in the forthcoming year.

Rehabilitated consumers

Debt counselling as a debt relief measure, is intended to rehabilitate over-indebted consumers and make it possible for them to access the credit market. The positive impact of this was noted through the increased number of clearance certificates issued during the period under review.



The year ahead

In the year ahead, the focus will be on improving debt counsellors' and PDAs' levels of compliance with the NCA and conditions of registration, through regular compliance monitoring and taking enforcement action where necessary.

Numerous initiatives to increase consumers' knowledge of the debt counselling process, as well as their rights and obligations will be undertaken.

Summary of key outcomes

DEBT COUNSELLING AT A GLANCE
DEBT COUNSELLING FACTS & FIGURES AS AT 31 MARCH 2018

730
Debt counsellors monitored

NCR
Debt counselling fee guideline reviewed

PDA's disbursed total
R10.16 billion
to credit providers (2016/17: R8.5 billion) increase in disbursements shows the positive impact of debt counselling as a debt relief measure

3
Provincial workshops for debt counsellors

86
Stakeholders engagements

FOCUS ON IMPROVING DEBT COUNSELLORS' AND PDAS' LEVELS OF COMPLIANCE

Debt Counselling Team

Debt Counselling Team

2.4.8. Performance area: Statistics and Research

Mr Ngoako Mabeba
Manager: Statistics and Research

The National Credit Regulator collates, analyses and disseminates data about credit providers, debt counsellors, credit life insurers and credit bureaus. It also conducts research as outlined in sections 13 and 16 of the National Credit Act.

The NCR produces two quarterly publications, namely the Consumer Credit Market Report (CCMR) and the Credit Bureau Monitor (CBM), that respectively disseminate the data collected from registered credit providers and credit bureaus.

"The data contained in the reports is quoted extensively by various stakeholders, including government, credit providers, industry analysts, investors, researchers and other key decision makers in various industries.

Overview: the CCMR

All credit providers whose annual disbursements exceed R15 million are required to complete and submit the statutory statistical return (Form 39) on a quarterly basis. Credit providers whose annual disbursement falls below the R15 million annual threshold, submit their statistical returns once a year on 15 February. The report details the data emanating from the credit providers about credit granted (flow) and outstanding loans (stock). The CCMR is one of the tools that enables the NCR to measure levels of credit extension and consumer indebtedness.

The total value of new credit extended to South African consumers as at the end of December 2017 was R135.71 billion. This represents an increase of R12.31 billion (9.97%), when compared to the R123.40 extended a year ago. Credit extension increased by R33.28 billion (32.49%), when compared to December 2007.

Table 1 Credit Granted (R' billion)

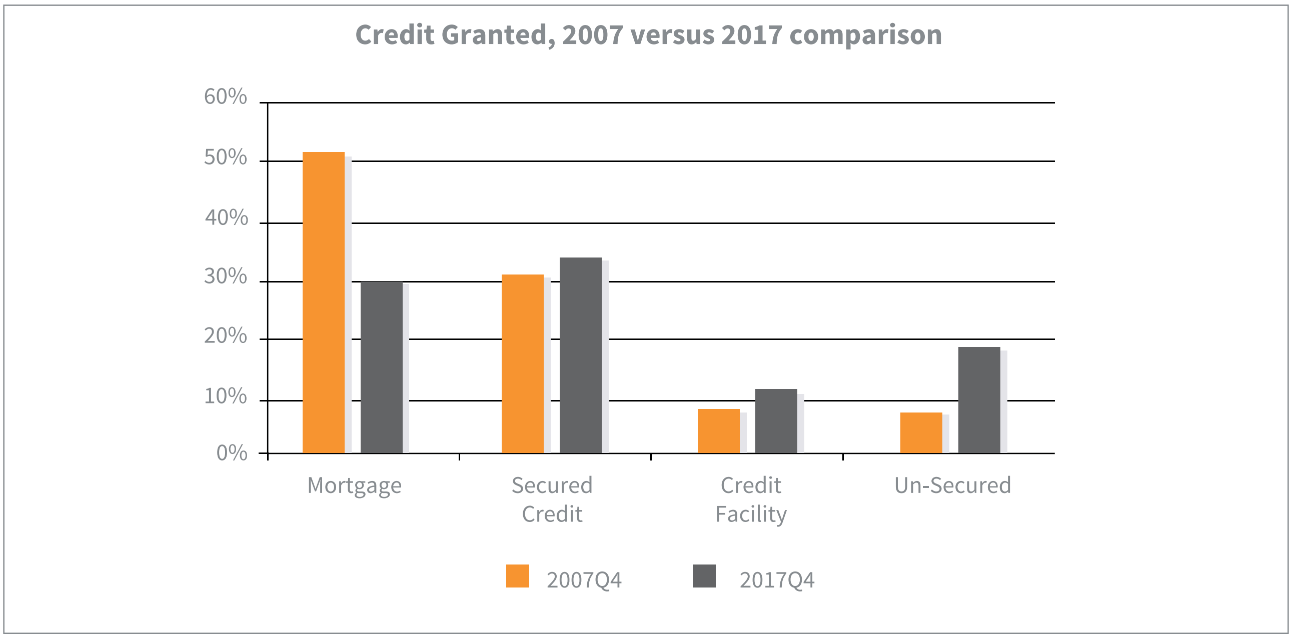
Agreement	2016-Q4	2017-Q1	2017-Q2	2017-Q3	2017-Q4	2017-Q4% Distribution	% Change (Q4/Q3)	% Change (Y/Y)
Mortgage	37.34	34.27	36.83	37.54	41.33	30.45%	10.10%	10.68%
Secured Credit	42.19	38.82	39.16	42.25	46.37	34.17%	9.74%	9.91%
Credit Facility	14.93	15.32	15.32	16.13	17.51	12.90%	8.54%	17.25%
Un-Secured	23.05	20.07	20.07	22.29	25.07	18.47%	12.44%	8.73%
Short Term	3.40	3.01	3.09	3.07	3.73	2.75%	21.44%	9.70%
Developmental	2.49	4.97	5.61	2.36	1.71	1.26%	-27.33%	-31.18%
Total	**123.40**	**116.46**	**120.08**	**123.64**	**135.71**	**100.00%**	**9.76%**	**9.97%**

Mortgages increased by R3.99 billion (10.68%) year-on-year, and by R3.79 billion (10.10%) on a quarter-on-quarter basis. Mortgages credit extension declined very sharply, at R11.81 billion (22.22%) when compared to December 2007. It was the only credit type to decline over the 10-year period. Mortgages distribution fell from 51.88% to 30.45% over the same period.

Secured credit, which is dominated by vehicle finance, increased by R4.18 billion (9.91%) year-on-year and by R4.12 billion (9.74%) quarter-on-quarter.

Secured credit increased by R14.35 billion (44.83%) over the 10-year period, and it is currently the largest credit extended with a 34.17% market share.

Figure 1: Credit granted 2007 vs 2017



Unsecured credit increased by R2.01 billion (8.73%), year-on-year, and by R2.77 billion (12.44%) on a quarter-on-quarter basis. Unsecured increased sharply by R17.07 (213.41%) billion over the 10-year period from R8.00 billion in 2007, to R25.07 in 2017. The unsecured market share increased from 7.81% to 18.47% over the same period.

Credit facilities (which comprises credit cards, overdraft and store cards) increased by R2.58 billion (17.25%) year-on-year and by R1.38 billion (8.54%) quarter-on-quarter. The increase over the 10-year period was R9.11 billion (108.54%). The market share for credit facilities increased from R8.40 billion (8.20%) to 17.51 billion (12.90%) over the same period. All credit types with the exception of mortgages have grown significantly since 2007.

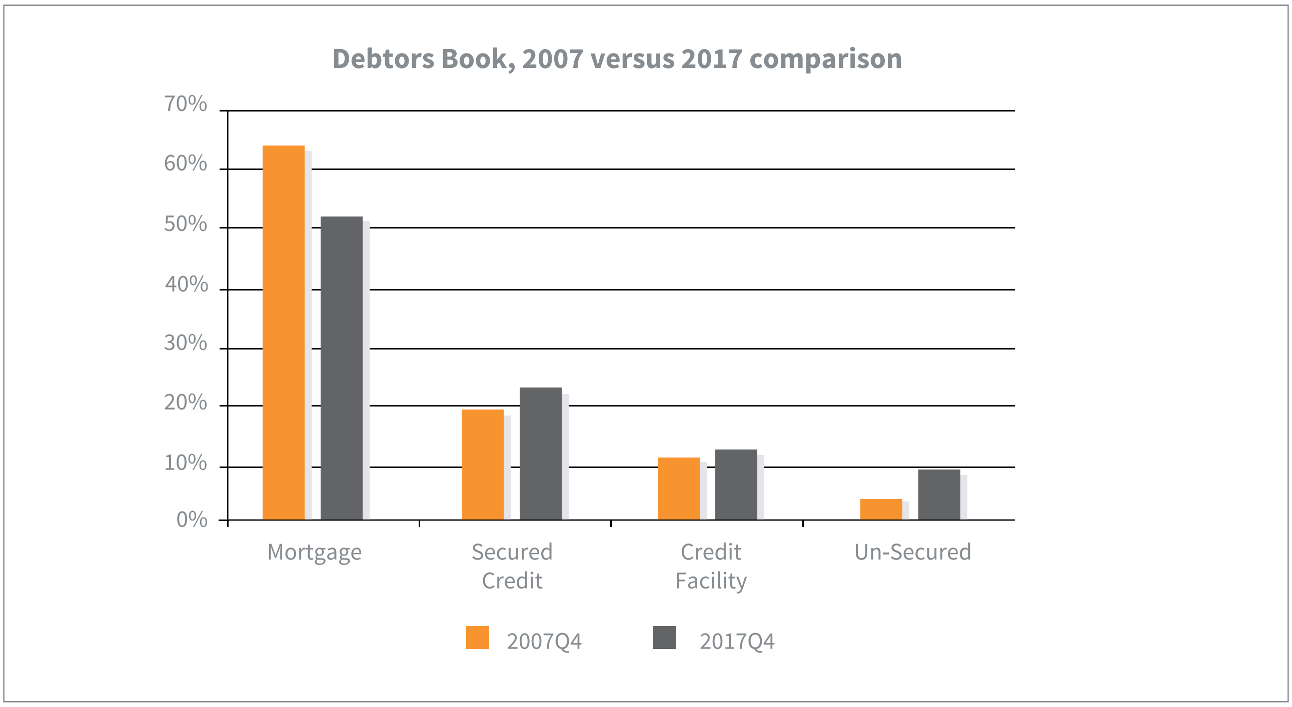
Statistics and Research Team

Table 2: Gross Debtors Book (R' billion)

Agreement	2016-Q4	2017-Q1	2017-Q2	2017-Q3	2017-Q4	2017-Q4% Distribution	% Change (Q4/Q3)	% Change (Y/Y)
Mortgage	875.29	884.06	889.11	895.40	904.12	51.50%	0.97%	3.29%
Secured Credit	384.92	389.39	392.97	398.63	406.52	23.16%	1.98%	5.61%
Credit Facility	221.47	223.58	225.00	224.19	227.15	12.94%	1.32%	2.56%
Un-Secured	164.64	165.74	165.41	165.82	169.80	9.67%	2.40%	3.13%
Short Term	2.94	2.67	2.56	2.54	2.68	0.15%	5.72%	-8.63%
Developmental	42.49	43.16	41.08	42.42	45.23	2.58%	6.63%	6.44%
Total	**1,691.77**	**1,708.60**	**1,716.12**	**1,728.99**	**1,755.50**	**100.00%**	**1.53%**	**3.77%**

As at December 2017, the total outstanding debtors book amounted to R1.76 trillion, representing an increase of R63.73 billion (3.77%) year-on-year and a marginal increase of R26.51 billion (1.53%) on a quarter-on-quarter basis. The debtors book grew significantly by R734.26 billion (71.90%) from R1.02 trillion in 2007, to R1.76 trillion in 2017. Mortgages increased by R28.82 billion (3.29%) year-on-year, and by R8.72 billion (0.97%) on a quarter-on-quarter basis. The mortgages book's share remains the largest, but has been declining steadily from at 64.39% at December 2007, to 51.50% at December 2017.

Figure 2: Debtors book 2007 vs 2017



The secured credit debtors book increased by R21.60 billion (5.61%) year-on-year and by R7.89 billion (1.98%) on a quarter-on-quarter basis. The debtors book for secured credit has increased by R205.82 billion (102.55%) since December 2007. It was the second largest growth after mortgages over the same period in absolute Rand value terms.

The unsecured credit debtors book increased by R5.16 billion (3.13%) year-on-year and by R3.98 billion (2.40%) on a quarter-on-quarter basis. Unsecured credit has grown by a staggering R133.49 billion (367.71%) since December 2007. This constitutes the largest growth of all credit types in percentage terms.

Overview: the Credit Bureau Monitor

As at December 2017 credit bureaus registered with the NCR held records for 25.31 million credit active consumers.This represents an increase of 8.19 million (32.35%) consumers, when compared to the 17.12 million at December 2007. The number of consumers classified to be in good standing as at December 2017 was 15.62 million (61.70%), while the balance of 9.70 million (38.30%) had impaired records.

Table 3: Credit standing of consumers

	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17
Good standing (#) (millions)	12.70m	12,84	13,53	13,87	14,33	14,41	14,40	14,55	14,99	15,10	15,21	15,62
Good standing (%)	55,0%	54,9%	57,7%	58,4%	60,0%	59,8%	59,4%	59,9%	60,7%	60,9%	60,6%	61,7%
Current (%)	42,2%	42,8%	46,1%	46,1%	47,6%	48,3%	47,6%	47,6%	48,2%	49,2%	49,2%	49,9%
1-2 months in arrears (%)	12,7%	12,1%	11,6%	12,4%	12,4%	11,6%	11,8%	12,3%	12,5%	11,7%	11,4%	11,8%
Impared records (#) (millions)	10.41m	10,53	9,91	9,87	9,55	9,67	9,85	9,76	9,69	9,69	9,87	9,70
Impared records (%)	45,0%	45,1%	42,3%	41,6%	40,0%	40,2%	40,6%	40,2%	39,3%	39,1%	39,4%	38,3%
3 + months in arrears (%)	22,4%	21,5%	21,6%	22,1%	22,3%	22,1%	22,3%	21,8%	21,7%	22,0%	22,1%	21,7%
Adverse listings (%)	12,2%	13,5%	11,8%	11,0%	10,1%	10,7%	11,3%	11,8%	11,4%	11,2%	11,4%	11,1%
Judgments and administration orders (%)	10,4%	10,1%	8,8%	8,5%	7,6%	7,3%	6,9%	6,6%	6,2%	5,9%	5,8%	5,5%
Credit-active consumers (#) (million)	**23.11m**	**23,37**	**23,45**	**23,74**	**23,88**	**24,08**	**24,25**	**24,31**	**24,68**	**24,78**	**25,08**	**25,31**

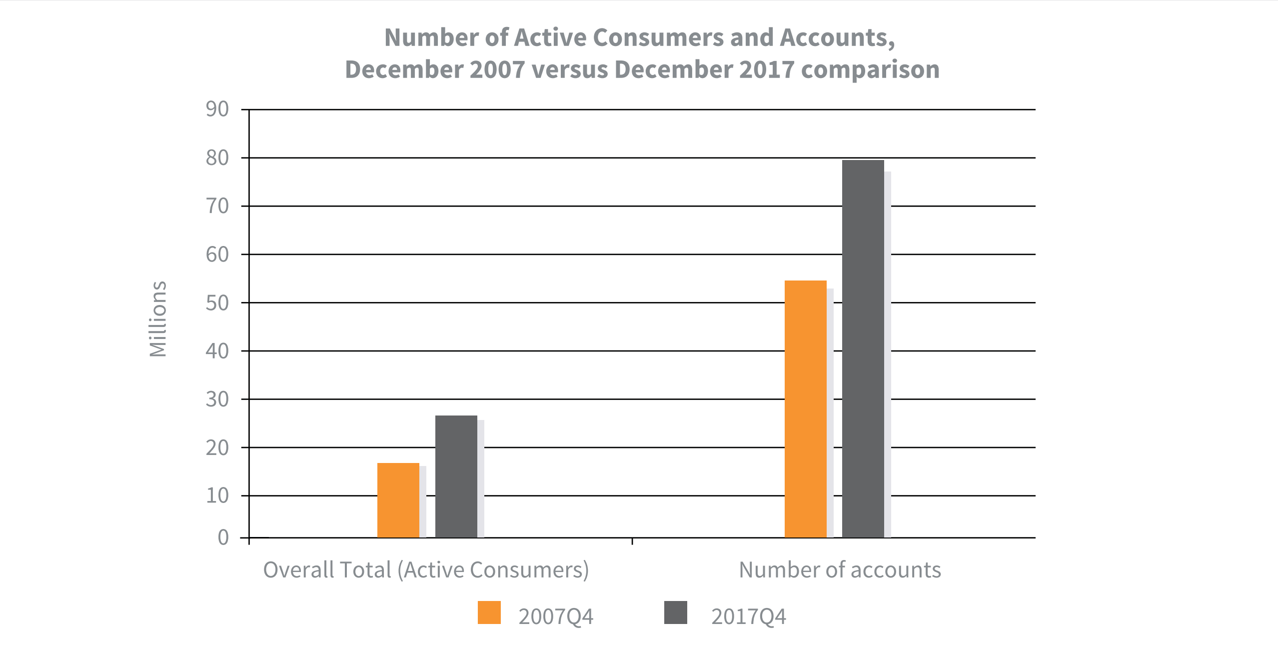
Consumers with impaired records have increased by 3.25 million (50.37%) from December 2007 to December 2017. The net effect is that the level of consumer impairment has deteriorated marginally from 37.65% in December 2007 to 38.30% in December 2017. Consumer impairment levels have, however, been improving significantly since March 2015.

The total number of consumer accounts as at December 2017 was 79.49 million. This represents an increase of 23.93 million (43.08%) when compared to December 2007. Accounts in good standing declined marginally from 77.48% to 75.04% over the same period.

Table 4: Credit standing of accounts

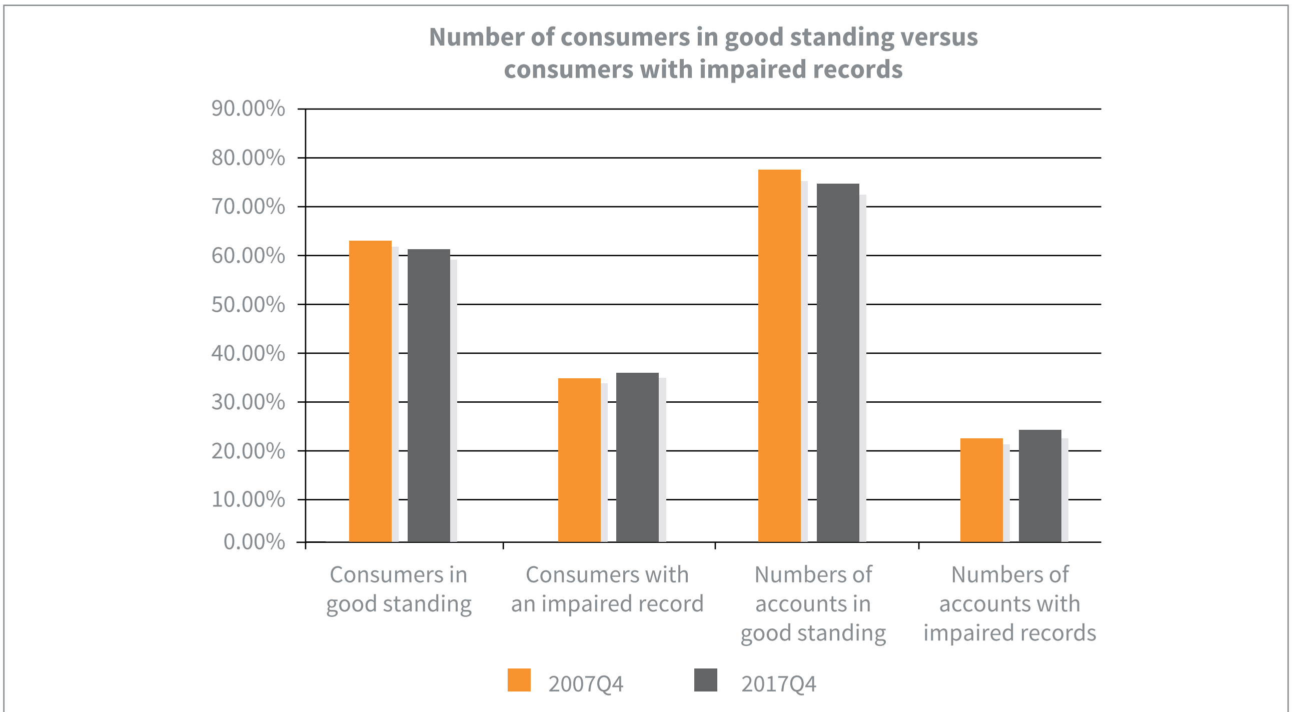
	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17
Good standing (#)	59.66m	60,47	60,37	63,56	64,32	63,44	62,41	62,41	62,73	60,04	58,25	59,64
Good standing (%)	72,7%	73,6%	74,9%	76,1%	76,1%	75,7%	75,7%	75,7%	76,1%	75,0%	74,3%	75,0%
Current (%)	64,7%	66,1%	67,6%	68,4%	96,0%	68,5%	68,4%	68,8%	68,1%	67,2%	67,8%	67,8%
1-2 months in arrears (%)	8,0%	7,5%	7,3%	7,7%	7,5%	7,0%	7,2%	7,3%	7,3%	7,0%	7,1%	7,3%
Impared records (#)	22.38m	21,71	20,24	19,99	19,92	20,24	20,37	20,01	19,70	19,97	20,19	19,84
Impared records (%)	27,3%	26,4%	25,1%	23,9%	23,5%	23,9%	24,3%	24,3%	23,9%	25,0%	25,7%	25,0%
3 + months in arrears (%)	19,8%	18,9%	18,4%	17,8%	17,7%	17,8%	17,9%	17,8%	17,8%	18,3%	18,9%	18,4%
Adverse listings (%)	5,1%	5,2%	4,8%	4,4%	4,1%	4,5%	4,9%	4,6%	4,6%	5,1%	5,2%	5,1%
Judgments and administration orders (%)	2,3%	2,2%	1,9%	1,8%	1,7%	1,6%	1,6%	1,5%	1,5%	1,6%	1,6%	1,5%
Credit-active consumers (#)	**82.04m**	**82,17**	**80,6**	**83,55**	**84,96**	**84,56**	**83,81**	**82,42**	**82,43**	**80,02**	**78,43**	**79,49**

Figure 3: Number of active consumers and accounts as at December 2007, vs December 2017



Accounts with impaired records increased by 7.33 million (58.61%) while the number of accounts increased by 43.08% over the same period. Comparatively, accounts impairment has deteriorated marginally from 22.52% in December 2007, to 24.96% in December 2017.

Figure 4: Number of consumers in good standing versus consumers with impaired records.



Summary of key outcomes

STATISTICS AND RESEARCH AT A GLANCE

STATISTICS AND RESEARCH PUBLICATIONS DURING 2017/18

Consumer Credit Market Report

x4 Published 4 x per year

Measured levels of credit extension + consumer indebtedness

Credit Bureau Monitor

x4 Published 4 x per year

25.31 million credit active consumers

Quick fact:

Consumers in 'good standing' at 31 Dec 2017 = **15.62 million**

Consumers with impaired records at 31 Dec 2017 = **9.70 million**

2.5. Performance Information by Programme

2.5.1 Programme 1: To promote responsible credit granting.

Purpose of the programme

The purpose of this programme is to reduce levels of consumer over-indebtedness by:

(a) Monitoring credit provider compliance with the regulations; and
(b) Enforcing compliance with the regulations

Description of the programme

Credit provider compliance monitoring will be conducted in order to assist credit providers to comply with affordability assessment regulations and cost of credit.

Strategic objective1: to promote responsible credit granting.

Output	Performance measure or indicator	Actual achievement 2016/2017	Planned target 2017/2018	Actual achievement	Deviation from planned target to actual achievement for 2017/2018	Comment on deviations
Improve compliance with affordability assessment regulations.	Number of provinces in which credit providers' compliance was monitored in respect of affordability assessment regulations and enforcement action taken on all non-compliant credit providers where necessary.	Compliance monitoring was conducted in 9 provinces. Gauteng, North West and Eastern Cape provinces were monitored more than once. Enforcement: Letters of instructions were sent to various credit providers covering the 9 provinces.	Credit provider compliance monitored in 9 provinces and enforcement action taken on non-compliant credit providers where necessary.	Compliance Monitoring: Achieved Credit provider compliance monitoring was conducted in 9 different provinces. Enforcement: Achieved Enforcement action was taken on non-compliant credit providers.		

Output	Performance measure or indicator	Actual achievement 2016/2017	Planned target 2017/2018	Actual achievement	Deviation from planned target to actual achievement for 2017/2018	Comment on deviations
Increase compliance with regulations pertaining to the total cost of credit.	Number of investigations conducted to enforce regulations and enforcement action taken where necessary.	52 investigations were concluded. Enforcement: 6 matters were referred to the NCT and courts, 1 matter was closed as no contraventions were found. The rest of the matters are work in progress and will be dealt with in the next financial year.	50 investigations conducted and enforcement action taken where necessary on investigations conducted for the whole year.	Investigations: Exceeded 66 investigations were conducted.	More investigations on contraventions relating to the total cost of credit were conducted as a result of information received from different sources.	
				Enforcement: Exceeded Enforcement action was taken on 57 non-compliant credit providers.	A new enforcement approach to fast track enforcement action has been adopted.	
Improve compliance with affordability assessment regulations.	A signed contract with the appointed service provider.	None (new target for 2017/18).	Appoint a service provider to conduct an impact study of the affordability assessment regulations on consumers.	Achieved Service provider appointed.		

Strategy to overcome areas of under performance

There were no areas of under performance.

Changes to planned targets

- Q3 milestone of "15 investigations'' was moved to Quarter 4 and the "10 investigations'' planned for Q4 was moved to Q3 due the festive season break. This relates to the performance target *"50 investigations conducted and enforcement action taken where necessary on investigations conducted for the whole year''*
- Performance target *"Appoint a service provider to conduct an impact study of the affordability assessment regulations on consumers"* was added during the mid-year period.

These changes were approved by the Honourable Minister of Trade and Industry, Dr Rob Davies, MP.

2.5.2 Programme 2: To protect consumers from abuse and unfair practices in the consumer credit market and address over-indebtedness.

Purpose of the programme

The purpose of this programme is to decrease the practice of reckless lending by credit providers. This will be implemented by conducting investigations and taking enforcement action on non-compliant credit providers.

Description of the programme

Complaints reports that are lodged by consumers and reports of non-compliance reported by Accounting Officers and auditors will be investigated through reactive mechanisms. Appropriate enforcement action will be taken where necessary.

Strategic objective 2: to protect consumers from abuse and unfair practices in the consumer credit market and address over-indebtedness.

Output	Performance measure or indicator	Actual achievement 2016/2017	Planned target 2017/2018	Actual achievement	Deviation from planned target to actual achievement for 2017/2018	Comment on deviations
Conduct reckless lending investigations and enforcement action taken where necessary.	Number of credit providers investigated and enforcement action taken where necessary.	61 investigations on reckless lending were completed. Enforcement: 10 matters were referred to the NCT, 4 matters were closed as no contraventions were found. The rest of the matters are still work in progress and will be dealt with in the next financial year	70 credit provider investigations conducted and enforcement action taken where necessary on investigations conducted for the whole year.	Achieved 70 investigations were conducted.		
				Enforcement: Achieved Enforcement action was taken on non-compliant credit providers.		
Improve awareness on deceptive and unfair credit practices.	Number of multimedia awareness campaigns (radio/TV interviews/ news print/ community outreach programmes) conducted on deceptive and unfair credit practices.	42 multimedia awareness campaigns were conducted.	35 of any of the following: -Radio interviews -TV interviews -News print -Community outreach programmes on deceptive and unfair credit practices.	Exceeded 37 multimedia awareness campaigns were conducted.	Education & awareness campaign on deceptive & unfair credit practices on debt counselling was rolled out during the financial year generating more interview requests.	

Strategy to overcome areas of under performance

There were no areas of under performance.

Changes to planned targets

There were no changes to planned targets.

2.5.3 Programme 3: To enhance the quality and accuracy of consumer credit information.

Purpose of the programme

The purpose of this programme is to increase compliance by credit bureaus through compliance monitoring and investigations and by taking appropriate enforcement action where necessary.

Description of the programme

Compliance monitoring will be conducted by the NCR. Based on the outcome of the compliance monitoring, enforcement action will be taken where necessary.

Strategic objective 3: to enhance the quality and accuracy of consumer credit information.

Output	Performance measure or indicator	Actual achievement 2016/2017	Planned target 2017/2018	Actual achievement	Deviation from planned target to actual achievement for 2017/2018	Comment on deviations
Increase compliance by credit bureaus in respect of quality and accuracy of consumer credit information.	Number of credit bureaus monitored and enforcement action taken where necessary.	15 credit bureaus monitored and or investigated. Enforcement: Out of 15 credit bureaus monitored/ investigated, 4 were operating as unregistered entities and subsequently registered. 11 credit bureaus were found to be compliant.	8 credit bureaus monitored and enforcement action taken where necessary on credit bureaus monitored for the whole year.	Exceeded 14 credit bureaus were monitored.	NCR managed to monitor more credit bureaus due to policy change from on-site visits to desktop monitoring.	
				Enforcement: Achieved Enforcement action was taken on 1 non-compliant credit bureau.		

Output	Performance measure or indicator	Actual achievement 2016/2017	Planned target 2017/2018	Actual achievement	Deviation from planned target to actual achievement for 2017/2018	Comment on deviations
	% of credit bureau audited reports reviewed and enforcement action taken where necessary.	Auditors' reports from credit bureaus were reviewed. Enforcement/ Corrective action: Letters of instructions were issued to credit bureaus for risk mitigation plans to be put in place and credit bureaus complied. There was no need for enforcement action to be taken.	Review 100% audited reports from credit bureaus and enforcement action taken where necessary.	Achieved Auditors' reports from credit bureaus were reviewed.		
				Enforcement: Achieved: Enforcement action was taken on 2 non-compliant credit bureaus.		

Strategy to overcome areas of under performance

There were no areas of under performance.

Changes to planned targets

There were no changes to planned targets.

2.5.4.Programme 4: To improve NCR's operational effectiveness

Purpose of the programme

The purpose of this programme is to improve the NCR's operational efficiency and service delivery.

Description of the programme

This will be done through continuous improvement of the ICT systems.

Strategic objective 4: to improve NCR's operational effectiveness.

Output	Performance measure or indicator	Actual achievement 2016/2017	Planned target 2017/2018	Actual achievement	Deviation from planned target to actual achievement for 2017/2018	Comment on deviations
Improve operational efficiency through automated processes.	% of uptime availability of the legacy ICT (Registrations and Complaints) systems.	100% of uptime availability of the ICT system.	97% uptime of the ICT system.	Exceeded 99.97% uptime of the ICT system.	The target was exceeded because of the network monitoring tool that enables ICT department to predict network failures in order to avoid downtime.	

Strategy to overcome areas of under performance

There were no areas of under performance.

Changes to planned targets

A target relating to *"All written enquiries received and processed within an average of 10 business days by 31 March 2018"* was removed from the 2017/18 business plan due to lack of an efficient and reliable ICT infrastructure.

These changes were approved by the Honourable Minister of Trade and Industry, Dr Rob Davies, MP.

2.5.5.Programme 5: To ensure effective implementation of the National Credit Act as amended (NCA)

Purpose of the programme

The purpose of this programme is to ensure improved compliance with the regulations and increased consumer protection.

Description of the programme

Implementation will be done through awareness campaigns, compliance monitoring, investigations and enforcement action will be taken where necessary.

Strategic objective 5: to ensure effective implementation of the National Credit Act as amendment (NCA).

Output	Performance measure or indicator	Actual achievement 2016/2017	Planned target 2017/2018	Actual achievement	Deviation from planned target to actual achievement for 2017/2018	Comment on deviations
Improve awareness and compliance.	Number of workshops conducted with relevant stakeholders on NCAA.	46 workshops were conducted with relevant stakeholders.	50 workshops with relevant stakeholders.	Achieved 50 workshops were conducted with relevant stakeholders.		
	Number of multimedia awareness campaigns (radio/TV interviews/news print) conducted on NCAA.	58 multimedia awareness campaigns were conducted.	55 of any of the following: -Radio interviews -TV interviews -News print	Achieved 55 multimedia awareness campaigns were conducted.		
	Number of outreach programmes and exhibitions (mall activations/ Outside broadcast/Road shows/Imbizos) conducted on NCAA.	15 outreach programmes were conducted.	15 of any of the following: -mall activations/ exhibitions/OB/ road shows/ imbizos in peri urban and rural areas	Exceeded 16 outreach programmes were conducted in peri urban and rural areas.	Received more invites and initiated more outreach programmes for the year.	

Output	Performance measure or indicator	Actual achievement 2016/2017	Planned target 2017/2018	Actual achievement	Deviation from planned target to actual achievement for 2017/2018	Comment on deviations
Improve compliance by conducting special investigations/ audits and taking enforcement action where necessary.	Number of special investigations/ audits conducted in four (4) provinces and enforcement action taken where necessary.	The following special investigations were conducted: -Raids were conducted in four (4) provinces (Northern Cape, Gauteng, Limpopo & Free State provinces) Enforcement (Raids): Criminal cases were opened with the police in respect of all 4 provinces. 8 compliance notices were issued to unregistered new entrants and 16 matters were closed as no contraventions were found. 4 prescribed debt investigations were conducted. Enforcement: 2 matters were closed as no contraventions were found. The other 2 are still work in progress and will be dealt with in the next financial year.	Conduct special investigations/ audits in four (4) provinces in any of the following: -Garnishee orders - Unregistered new entrants (credit providers, ADRs and PDAs)	Investigations: Exceeded Special investigations were conducted in 6 provinces on unregistered credit providers and ADRs.	Increase in information received which required urgent investigation of the matters.	
			Enforcement action taken where necessary on investigations conducted for the whole year.	Enforcement: Achieved Enforcement action was taken on non-compliant entities.	-	-

Output	Performance measure or indicator	Actual achievement 2016/2017	Planned target 2017/2018	Actual achievement	Deviation from planned target to actual achievement for 2017/2018	Comment on deviations
Improve compliance by conducting special investigations/ audits and taking enforcement action where necessary	Number of special investigations/ audits conducted in four (4) provinces and enforcement action taken where necessary.	11 garnishee order investigations were conducted. Enforcement: 2 matters were referred to the NCT. The rest of the matters are still work in progress and will be dealt with next financial year.	-	-	-	-
		Unregistered new entrants investigations were conducted in 2 cities/towns in the first half of the financial year. The balance was conducted in the 2nd half of the financial year, in KZN and Gauteng provinces. Enforcement: 8 compliance notices were issued to unregistered new entrants in KZN, Gauteng and Northern cape provinces. 1 matter relating to Gauteng province was closed as no contraventions were found.	-	-	-	-

Strategy to overcome areas of under performance

There were no areas of under performance.

Changes to planned targets

Due to a court decision in the matter between PANTELIS KAKNIS, ABSA and others, the NCR was unable to deliver on the special investigations relating to ''prescribed debt'' as set out in the 2017/18 business plan. As a result, the target was removed from the 2017/18 business plan.

These changes were approved by the Honourable Minister of Trade and Industry, Dr Rob Davies, MP.

2.5.6. Programme 6: To facilitate efficient registration of persons and entities.

Purpose of the programme

The purpose of this programme is to increase the participation of SMMEs which would facilitate the creation of job opportunities.

Description of the programme

Registering new entrants in the consumer credit market, i.e. Credit providers, Credit Bureaus, Payment Distribution Agents, Alternative Dispute Resolution Agents and Debt Counsellors.

Strategic objective 6: to facilitate efficient registration of persons and entities.

Output	Performance measure or indicator	Actual achievement 2016/2017	Planned target 2017/2018	Actual achievement	Deviation from planned target to actual achievement for 2017/2018	Comment on deviations
Improve efficiency in the registration process of persons and entities.	% of new applications registered in the consumer credit market within 10 business days of receipt of signed proposed conditions and payment of registration fees.	None (new target for 2017/18).	85% of applications registered within 10 business days of receipt of signed proposed conditions and payment of registration fees.	Exceeded 99% of applications were registered within 10 business days of receipt of signed proposed conditions and payment of registration fees.	Improved turnaround times as a result of building efficiencies in processing applications.	

Strategy to overcome areas of under performance

There were no areas of under performance.

Changes to planned targets

There were no changes to planned targets.

2.5.7. Linking performance with budgets

The budgeted expenses per activity compared to the actual expenses for the 2017/18 financial year are set out in the table below:

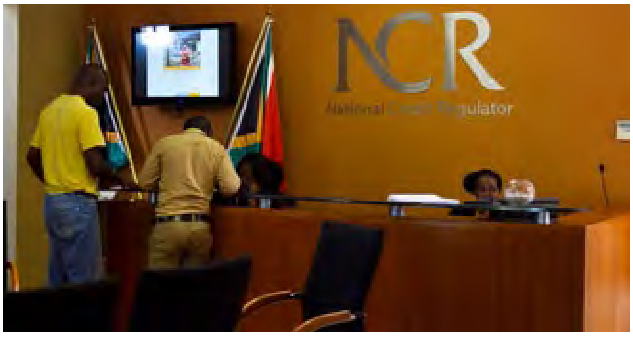
	2017/18			2016/17		
Performance /activity /objective	**Budget**	**Actual Expenditure**	**(Over)/under expenditure**	**Budget**	**Actual Expenditure**	**(Over)/under expenditure**
Programme 1	17,800	16,329	1,471	17,700	17,427	273
Programme 2	30,400	28,889	1,511	29,600	29,133	467
Programme 3	19,400	18,841	559	24,150	23,772	378
Programme 4	36,657	35,170	1,487	40,800	40,198	602
Programme 5	15,410	15,073	337	14,933	14,698	235
Programme 6	11,050	11,304	(254)	-	-	-
Total	**130,717**	**125,606**	**5,111**	**127,183**	**125, 228**	**1,955**

As reflected on the above table the NCR spent its budget in line with its six strategic objectives to execute its mandate. The NCR's budget for the funding of its programmes was derived mainly from the annual transfer from the dti and the utilisation of the PDA interest for consumer related activities. The NCR continues to implement and strengthen its financial management to enable it to achieve its planned outputs.


NCR
Welcome to the NCR
STOP


Never pay upfront fees when applying for a loan.
NCR
ad outpost


NCR


NCR

Part

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Governance Information

Honeycomb
BEE Ratings
0861 HONEYCOMB

BROAD–BASED BEE VERIFICATION CERTIFICATE

We Certify that

National Credit Regulator

Company Address: *127-15th Road, Randjespark, Midrand, 1685*
Registration Number: *N/A,* ***VAT Number:*** *N/A*

Has been audited for compliance with the B-BBEE Act No. 53 of 2003 and the Financial Sector Code No.41287 of December 2017 and has achieved the following:

BEE RATING

Level Eight (8) Contributor

(Generic Scorecard)

BEE PROCUREMENT RECOGNITION LEVEL

10.00%

Element	Score	Analysis	Results
Management Control	18.58	Black Ownership	N/A
Skills Development	0.65	Black Woman Ownership	N/A
Procurement, Enterprise & Supplier Development	32.00	Designated Group Supplier	No
Socio-Economic Development	6.55	Empowering Supplier	Yes
Total Points Scored	**57.78**	Discounting Principal Applied	Yes
		Modified Flow Through Principle Applied	No
Effective Date	30 July 2018	Expiry Date	29 July 2019
Verification Analyst	**B. Mathebula**	Certificate Number	HR/GEN/1373/17

Verification Manager
Kyle Mitchell
Honeycomb BEE Ratings

Date: ***30 July 2018***

sanas
BBBEE Verification Agency
BVA 046

BEE RATING BY HONEYCOMB

3.1. Introduction

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

In terms of the Department of Trade and Industry's Code of Good Practice on Broad Based Black Economic Empowerment (as gazetted in October 2013), the NCR is rated as a B-BBEE Level 8 contributer.

The Executive Authority, the Minister of Trade and Industry and Parliament ensure that the NCR embraces good corporate governance practices.

3.1.1. Portfolio Committee on Trade and Industry

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

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

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

The NCR also met with the Portfolio Committee on Trade and Industry to provide information on various issues.

Reason for meeting	Date of meeting
Transformation of the Financial Sector	3 May 2017
Engagement on the Debt Intervention Bill	23 May 2017
Public Hearings on the Transformation of the Financial Sector	24 May 2017
Engagement on the Debt Intervention Bill	31 May 2017
Engagement on the Debt Intervention Bill	6 June 2017
Engagement on the Debt Intervention Bill	13 June 2017
Engagement on the Debt Intervention Bill	14 June 2017
Engagement on the Debt Intervention Bill	20 June 2017
Engagement on the Debt Intervention Bill	2 August 2017
Engagement on the Debt Intervention Bill	11 August 2017
Engagement on the Debt Intervention Bill	15 August 2017
Engagement on the Debt Intervention Bill	16 August 2017
Engagement on the Debt Intervention Bill	18 August 2017
Engagement on the Debt Intervention Bill	23 August 2017
Engagement on the Debt Intervention Bill	29 August 2017
Engagement on the Debt Intervention Bill	30 August 2017
Engagement on the Debt Intervention Bill	13 September 2017
Engagement on the Debt Intervention Bill	14 September 2017
Engagement on the Debt Intervention Bill	3 October 2017
Briefing of NCR on its 2017/18 first quarter financial and non-financial performance	3 October 2017
Engagement on the Debt Intervention Bill	4 October 2017
Engagement on the Debt Intervention Bill	5 October 2017

Engagement on the Debt Intervention Bill	10 October 2017
Engagement on the Debt Intervention Bill	12 October 2017
Engagement on the Debt Intervention Bill	17 October 2017
Engagement on the Debt Intervention Bill	18 October 2017
Engagement on the Debt Intervention Bill	19 October 2017
Engagement on the Debt Intervention Bill	20 October 2017
Engagement on the Debt Intervention Bill	25 October 2017
Engagement on the Debt Intervention Bill	26 October 2017
Engagement on the Debt Intervention Bill	31 October 2017
Engagement on the Debt Intervention Bill	1 November 2017
Engagement on the Debt Intervention Bill	15 November 2017
Engagement on the Debt Intervention Bill	17 November 2017
Public hearings on the Debt Intervention Bill	30 January 2018
Public hearings on the Debt Intervention Bill	31 January 2018
Public hearings on the Debt Intervention Bill	2 February 2018
Public hearings on the Debt Intervention Bill	13 February 2018
Engagement on the Debt Intervention Bill	14 February 2018
Engagement on the Debt Intervention Bill	16 February 2018
Public hearings on the Debt Intervention Bill	20 February 2018
Engagement on the Debt Intervention Bill	6 March 2018
Engagement on the Debt Intervention Bill	7 March 2018
Engagement on the Debt Intervention Bill	13 March 2018
Engagement on the Debt Intervention Bill	14 March 2018
Engagement on the Debt Intervention Bill	15 March 2018
Engagement on the Debt Intervention Bill	16 March 2018

3.1.2. Executive Authority

The Minister of Trade and Industry is the Executive Authority. The NCR submitted the following reports to the Minister:

Report submitted	Date submitted	Issues raised by the Minister
Report on financial and non-financial performance (Quarter 4 of 2016/2017)	26 April 2017	82% of the quarterly milestones was achieved. This is a decline from the 100% achieved in the third quarter.
Report on financial and non-financial performance (Quarter 3 of 2017/2018)	31 January 2018	None
Report on financial and non-financial performance (Quarter 2 of 2017/18)	31 October 2017	None
Report on financial and non-financial performance (Quarter 1 of 2017/2018)	31 July 2017	None

3.1.3. Accounting Authority

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

3.1.4. Audit and Risk Management Committee

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

The Committee's mandate is to ensure financial and legal compliance and exercise oversight over internal and external audit and risk management. Details of meetings and responsibilities of the Audit and Risk Management Committee are presented on page 70 of this report.

3.2. Internal Audit and Risk Management Committee

Internal audit is outsourced. Internal audit reports were tabled to the ARMC on a quarterly basis.

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

Key internal audit functions include:

- Assessing the adequacy and effectiveness of the internal control environment, and recommending potential improvements;
- Developing a rolling three-year strategic 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 Audit and Risk Management Committee.

Internal audit reviewed and conducted the following:

- 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.

Key activities and objectives of the Audit and Risk Management Committee

The 2017/18 Audit and Risk Management Committee comprised four (4) members. The Committee held four (4) meetings, which were all ordinary meetings. There was no special meeting. The frequency of the meetings is as per the approved Audit and Risk Management Committee Charter.

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

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

The Audit and Risk Management Committee has fulfilled its responsibilities in compliance with its Charter. More information is provided in the Report of the Audit Management Committee on page 70.

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

Name	Qualifications	Internal or external	Date appointed	No of meetings attended
W Ndlovu	B Com B.Compt Honours CA (SA) Global Executive MBA	External	18 June 2015	4
J Bokwa	LLB, B Juris	External	November 2014	4
P Mvulane	CA (SA) Registered auditor Specialist Diploma in Auditing B Com Accounting Honours B Com	External	18 June 2015	3
P. Tshabalala	B Sc Masters	External	01 January 2018	1

3.3. Compliance with Laws and Regulations

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

3.4. Fraud and Corruption

The 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 procedure 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, and 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 on the NCR.

An outsourced service provider maintains a fraud reporting hotline, where employees report incidents of corruption, fraud and unethical practices within the workplace. Monthly reports from the hotline service provider are dealt with confidentially in line with the approved internal policy for handling fraud allegations. During the 2017/18 financial year, the NCR did not receive any reports of internal or external corruption or fraud.

3.5. Minimising Conflict of Interest

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

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

3.6. Code of Conduct

NCR did not receive any reports of internal or external corruption or fraud.

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

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 conditions of employment and applies to casual, temporary and permanent employees.
The NCR expects its employees to:

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

3.7. Health, Safety and Environmental Issues

The NCR is subject to the provisions of the Occupational Health and Safety Act No. 181 of 1993 (the Act), which requires employers to provide and maintain, as far as is reasonably practicable, a workplace that is safe and without risk to the health of its employees.

The NCR has the responsibility to provide a safe and healthy work environment for employees, contractors and visitors. This commitment extends to ensuring that its operations, activities, products and services do not damage or place the local community or environment at risk of injury or illness.

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

3.8. Social Responsibility

The NCR is a non-profit public entity and is, therefore, precluded from disbursing funds to good causes. It is very mindful of its social responsibility and continues to support the '67 minutes for Mandela Campaign. Employees donate food and clothing to disadvantaged communities.

3.9. Audit and Risk Management Committee Report

We are pleased to present our report for the financial year ended 31 March 2018.

Audit and Risk Management Committee Responsibility

The Audit and Risk Management Committee reports that it has complied with its responsibilities arising from Section 51 (1)(a)(ii) and 76(4)(d) of the Public Finance Management Act No. 1 of 1999 and Treasury Regulations 27.1.7 and 27.1.10(b) and (c) for public entities.

The Audit and Risk Management Committee is an independent sub-committee of the NCR's Accounting Authority. The committee has adopted appropriate formal terms of reference as its Audit and Risk Management Committee Charter, which has been approved by the Accounting Authority.

The Committee's overall objective is to assist the Accounting Authority to discharge its duties relating to the safeguarding of assets; the development and maintenance of adequate systems and controls; assessing the going concern status; the review of auditing and accounting processes; the review of financial information and preparation of annual financial statements. The Committee has fulfilled its responsibilities in compliance with its approved Charter.

Audit and Risk Management Committee:
From left:Ms P Tshabalala, Mr W Ndlovu (Chairperson), Mrs J Bokwa, Mrs P Mvulane

Audit and Risk Management Committee members and attendance

Committee member	30 May 2017	25 July 2017	26 October 2017	20 March 2018
W Ndlovu (Chair)	√	√	√	√
J Bokwa	√	√	√	√
P Mvulane		√	√	√
P Tshabalala*				√

**appointed 01 January 2018.*

The internal auditors, representatives from the AGSA, and the risk officer, attended the ARMC meetings on a regular basis.

Internal audit function

The Audit and Risk Management Committee oversees the internal audit function. Internal Audit provides management and the Audit and Risk Management Committee with support in fulfilling their responsibilities.

Internal Audit provides an independent and objective evaluation of the NCR's internal controls and any significant risks brought to management's attention are resolved.

The Committee is satisfied that the Internal Audit function is operating effectively and efficiently.

The strategic internal audit plan is based on key risk areas identified. Internal Audit has addressed these risks satisfactorily.

Risk management

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

Responsibility and accountability for risk management reside at all levels within the NCR, from the Accounting Authority to individual managers.

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

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

The Committee views the funding insufficiency as one of the organisation's key risks. The committee continues to support management in managing and mitigating this risk.

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

Evaluation of the Annual Financial Statements

We have reviewed the annual financial statements prepared by the public entity. The Audit and Risk Management Committee is satisfied that the financial statements of the NCR for the year ended 31 March 2018 comply with the requirements of the PFMA, and the basis of preparation is in accordance with Generally Recognised Accounting Practice. The going concern principle was adopted in the preparation of annual the financial statements.

Conclusion

The Committee congratulates the NCR for achieving a clean audit opinion for the year ended 31 March 2018.

We wish to express our appreciation to the Accounting Authority, internal and external auditors, Executive Committee and NCR employees for their contribution throughout the period.

I also wish to acknowledge my colleagues in the Audit and Risk Management Committee throughout the period.

William Ndlovu
Chairperson of the Audit and Risk Management Committee
National Credit Regulator
31 July 2018

Part D

Human Resource Management

4.1. INTRODUCTION

Ms Maria Matlosa
Manager: Human Resources

The National Credit Regulator employs 164 people fulltime and recognises that its employees are its greatest asset.

The National Credit Regulator employs 164 people fulltime and recognises that its employees are its greatest asset. There are strategies in place to attract, retain and develop employees. Career development and succession policies are also in place.

The work environment is ethical and positive. Having a young workforce means there are new ideas and opportunities for innovation that enhance operations.

The NCR duly submitted its workplace skills plan (WSP) to the Bank Sector Education and Training Authority (BANKSETA) and received approximately R76 000.

While it is important to recruit and appoint new employees, the NCR must also be able to retain and grow employees within the organisation.

Retention of skills is a major priority and therefore the retention strategy was enhanced during 2017/18.

Strategic partnerships that augur well for the organisation and its employees, were concluded with the likes of the dti and the BANKSETA.

The agreement with BANKSETA entails a strategic partnership to ensure that credit providers are duly trained. It is expected to yield a positive impact in terms of how credit providers deal with consumers.

Strategies to attract and retain employees

A medical aid subsidy was introduced for the first time, on 1 August 2017 and increased in April 2018 in line with medical aid premium increases.

A total of R450 000 was allocated to training for the year under review. Employees received training through programmes such as:

1. Presentation Skills
2. Business & Report Writing Skills
3. Advanced Excel
4. Managing Misconduct
5. Information Technology Infrastructure Library Training
6. Great Plains
7. Management & Supervisory
8. Media Training
9. Writing documents for litigation
10. Planning & Organising Skills
11. Risk Management
12. HR Business Partnering

HR priorities during the period

The Collective Bargaining Forum

In November 2017 the NCR signed a Memorandum of Understanding with the dti Collective Bargaining Forum [for entities that report to the Minister of Trade and Industry and which forms part of the wider Public Service Co-ordinating Bargaining Council (PSBC)]. This is expected to ensure sound labour relations across all entities, including the NCR.

Learnership programmes

The BANKSETA assigned two LLB students from its Letsema Learnership programme to the NCR. This has assisted with capacity increase and empowerment of the learners.

Employee Wellness programme

The NCR has a dedicated service provider for its employee wellness programmes. This entails a caring, confidential service that helps employees and their families to deal with difficult personal and work related issues. A special HIV Aids awareness event was held on 1 December 2017. It was well received and appreciated by all employees. Industrial theatre was used to convey important information on the disease and this was followed by talks by various experts.

A sports day event which included soccer, volleyball, and board games was organised. Feedback from employees was very positive.

In the spirit of ubuntu, NCR members of staff spent Mandela Day at the Tumelo Home for Children with Autism, situated in Tembisa. NCR employees played with the children, prepared meals, painted walls and carried out minor repairs around the home. Money and food parcels were contributed towards the event.

Challenges

Funding for office space and recruitment remains a challenge.

The year ahead

The NCR will continue looking after its valued employees and endeavour to keep employee morale at optimal levels.

Personnel cost by programme

NCR employees celebrating Mandela Day at the Tumelo Home for Children with Autism (Tembisa)

HUMAN RESOURCES AT A GLANCE

HR OVERVIEW & HIGHLIGHTS AS AT 31 MARCH 2018

164
Fulltime employees

Retention strategy enhanced

R450 000
allocated to training

WSP submitted to BANKSETA

HIV/AIDS awareness event conducted

Sound labour relations

R76 000
rebate from BANKSETA

Assisted Tumelo Home for Autistic Children for Mandela Day

Hosted **2** learners from Letsema Learnership

Medical Aid subsidy introduced

Work environment is ethical and positive

Human Resources Team

4.2. HUMAN RESOURCE OVERSIGHT STATISTICS

Programme	Total expenditure for the entity R'000	Personnel expenditure R'000	Personnel expenditure as a % of total expenditure R'000	No. of employees	Average personnel cost per employee R'000
Programme 1	37 074	16 631	13%	36	461
Programme 2	15 874	5 399	4%	8	674
Programme 3	72 864	5 716	4%	10	571
Programme 4	38 732	26 074	20%	40	651
Programme 5	22 199	18 092	14%	51	354
Programme 6	7 643	5 416	4%	14	386
	128 811	**77 330**	**60%**	**159**	**486**

Percentage of personnel cost by salary band to total personnel expenditure

Top Management	Personnel Expenditure (R'000)	% of Personnel expenditure to total personnel cost (R'000)	No. of employees	Average personnel cost per employee (R0'000)
Top management	8 272	11%	4	2 068
Senior Management	9 462	12%	9	1 051
Professional Qualified	18 910	24%	27	700
Skilled	30 983	40%	69	449
Semi-skilled	9 701	13%	50	194
Total	**77 330**	**100%**	**159**	**486**

Percentage of performance rewards to total personnel expenditure

Level	Performance rewards (R'000)	Personnel cost R'000	% of Personnel rewards to total personnel cost R'000
Top management	573	8.308	6.8%
Senior management	918	10,490	8.75%
Professional qualified	1,773	20,474	8.6%
Skilled	3,012	32,753	9.1%
Semi-skilled	593	8,544	6.9%
Total	**6,870**	**80,571**	**8.52%**

Training cost

Programme	Personnel expenditure R'000	Training expenditure R'000	Training expenditure as a % of total personnel cost	No. of employees trained	Average Training cost per employee R'000
Programme 1	16 631	108	0.65%	36	3026
Programme 2	5 399	36	0.69%	8	4624
Programme 3	5 716	43	0.77%	10	4377
Programme 4	26 074	127	0.49%	40	3179
Programme 5	18 092	119	0.66%	51	2351
Programme 6	5 416	44	0.82%	14	3187
Total	**77 330**	**481**	**4.08%**	**159**	**20744**

Employment and vacancies

Activity	2016/2017 No. of employees	2016/2017 approved posts	2017/2018 no. of employees	Vacancies	% of vacancies
Programme 1	18	23	36	5	15
Programme 2	46	65	8	3	9
Programme 3	14	15	10	1	13
Programme 4	41	55	40	5	15
Programme 5	29	31	51	7	22
Programme 6	0	0	14	3	9
	148	**189**	**159**	**24**	**15%**

	2016/17 No. of employees	2016/2017 approved posts	2017/2018 no. of employees	no. of vacancies	% of vacancies
Top management	4	5	4	1	25%
Senior Management	7	13	9	4	40%
Professional Qualified	29	40	27	11	40.74%
Skilled	69	83	69	14	20.2%
Semi-skilled	39	48	50	9	18%
Unskilled	0	0	0	0	0
Total	**148**	**189**	**159**	**39**	**24.5%**

Employment changes

Salary band	Employment at beginning of period	Appointments	Terminations*	Employment at the end of the period
Top management	5	0	1	4
Senior Management	8	1	2	7
Professional Qualified	34	4	5	29
Skilled	69	8	7	69
Semi-skilled	43	7	6	39
Unskilled	0	0	0	0
Total	**159**	**20**	**21**	**148**

Reasons for employees leaving

Reason	Number	% of total staff leaving
Death	0	0%
Resignation	13	8.78%
Dismissal	3	2.02%
Retirement	0	0
Ill health	0	0
Expiry of contract	0	0
Other (Internal Promotions)	5	3.378%
Total	**21**	**14.1%**

Labour relations: misconduct and disciplinary action

Nature of disciplinary action	Number
Verbal warning	2
Written warning	5
Final Written warning	0
Dismissal	3
Total	**10**

Equity and Employment Equity Status

Levels	Male							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top management	2	0	0	0	0	0	0	0
Senior Management	2	1	0	0	0	0	0	0
Professional Qualified	7	10	1	3	0	1	2	1
Skilled	20	24	0	1	0	1	0	0
Semi-skilled	20	22	1	1	0	1	0	1
Unskilled	0	0	0		0	0	0	0
Total	**51**	**57**	**2**	**5**	**0**	**3**	**2**	**2**

Equity and Employment Equity Status

Levels	Female							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top management	2	0	0	0	0	0	0	0
Senior Management	5	7	0	2	0	0	1	0
Professional Qualified	7	10	0	1	2	2	9	10
Skilled	44	50	2	2	2	0	0	1
Semi-skilled	27	30	1	3	0	1	0	2
Unskilled	0	0	0	0	0	0	0	0
Total	**85**	**97**	**3**	**8**	**4**	**3**	**10**	**13**

Equity and Employment Equity Status

Levels	Disabled staff			
	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	1	2
Semi-skilled	0	1	1	1
Unskilled	0	0	0	0
Total	**0**	**2**	**2**	**3**

Working as an intern for the NCR

Graduates-in-Training: Investigations and Enforcement Department

Intern: Linda Mhlongo

“Working for the NCR has proven to be one of the finest opportunities I had as an undergraduate law student.

When I started the Graduate-in-Training Programme I had limited knowledge of the National Credit Act and no experience of the operations of the NCR. With the guidance of my manager and colleagues, I significantly improved my understanding of the Act.

What impressed me the most in the NCR is the working culture. The employer supports and encourages employees to progress through furthering their studies and improving their skills. I appreciate the opportunity to participate in the NCR graduate training programme, it has expanded my understanding of the credit market extensively and I am certain that if given the opportunity to remain, I will take it.”

Intern: Nhlanhla Matthew Mthombeni

“My time spent at the NCR thus far has been well spent. I have been very fortunate to learn about credit law, the credit industry and the workings and role of the NCR within the credit industry.

The learnership programme, I believe, has opened doors for me to expand my career options and future prospects. The organisation as a whole has been an exceptional place to work at. From the friendly, welcoming and professional staff right up to the members of the Executive Committee who always ensure that they greet when you cross paths with them in the corridors.”

Part

E

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Financial Information

5. General Information

Country of incorporation and domicile	South Africa
Legal form of entity	National Public entity in terms of schedule 3A of the PFMA
Nature of business and principal activities	Credit Industry Regulator
Registered Office	127 – 15th Road Randjespark Midrand 1685
Bankers	Standard Bank of South Africa
Auditors	Auditor-General of South Africa
Company Secretary	L Mashapa

6. Report of the Chief Financial Officer

The Office of the Chief Financial Officer (CFO) is the custodian of policies, legislation and prescripts governing finance, supply chain management and information and communication technology (ICT). The office is responsible for the implementation of such policies and legislation, and for the overall financial health of the NCR.

Ms Fundisiwe Malaza CA (SA)
Interim Chief Financial Officer

Furthermore, the Office of the CFO provides support on budget and financial management, supply chain management, external audit coordination, assets management and ICT to all NCR departments.

During the 2017/18 financial year, it ensured that:

- All statutory submissions were submitted on time, in compliance with the PFMA and Treasury Regulations
- All quarterly management accounts were submitted on time to the dti in accordance with the agreed Shareholder Compact;
- The NCR continued to comply with relevant National Treasury Instruction Notes on cost containment.
- A clean audit opinion from the Auditor-General was obtained for the year under review. This is an improvement from the previous financial year.
- The NCR's finances and corporate governance are in good health.

A clean audit opinion from the Auditor-General was obtained for the year under review. This is an improvement of the opinion from the previous year.

Finance, Procurement and ICT Team

7. 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 90 - 136, which comprise the statement of financial position as at 31 March 2018, the statement of financial performance, statement of changes in net assets and cash flow statement and the statement of comparison of budget information with actual information for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the National Credit Regulator as at 31 March 2018, and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practise (SA Standards of GRAP) and the requirements of the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of this auditor's report.
4. I am independent of the public entity in accordance with the International Ethics Standards Board for Accountants' Code of ethics for professional accountants (IESBA code) and the ethical requirements that are relevant to my audit in South Africa. I have fulfiled 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.

Emphasis of matter

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

Restatement of corresponding figures

7. As disclosed in Note 34 to the financial statements, the corresponding figures for 31 March 2017 were restated as a result of an error in the financial statements of the entity at, and for the year ended, 31 March 2018.

Responsibilities of accounting authority for the financial statements

8. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with Standards of Generally Recognised Accounting Practices (GRAP), the requirements of the PFMA and the requirements of the National Credit Act as amended, and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

9. In preparing the financial statements, the accounting authority is responsible for assessing the National Credit Regulator'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 accounting authority either intends to liquidate the public entity or to cease operations, or has no realistic alternative but to do so.

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

10. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance 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.
11. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Report on the audit of the annual performance report

Introduction and scope

12. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
13. My procedures address the reported performance information, which must be based on the approved performance planning documents of the public entity. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
14. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programmes presented in the annual performance report of the public entity for the year ended 31 March 2018:

Programmes Pages in the annual performance report

Programmes	Pages in the Annual Report
Programme 1 - To promote responsible credit granting	50 - 52
Programme 2 - To protect consumers from abuse and unfair practices in the consumer credit market and address over- indebtedness	52 - 54
Programme 3 - To enhance the quality and accuracy of credit bureau information	54 - 55
Programme 5 - To ensure effective implementation of the National Credit Amendment Act	56 - 60
Programme 6 - To facilitate effective registration of persons and entities.	60 - 61

15. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

16. I did not raise any material findings on the usefulness and reliability of the reported performance information for the following objectives:

- Programme 1 — To promote responsible credit granting.
- Programme 2 — To protect consumers from abuse and unfair practices in the consumer credit market and address over-indebtedness.
- Programme 3 — To enhance the quality and accuracy of credit bureau information.
- Programme 5 — To ensure effective implementation of the National Credit Amendment Act.
- Programme 6 — To facilitate effective registration of persons and entities.

Other matter

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

Achievement of planned targets

18. Refer to the annual performance report on page(s) 50 - 61 for information on the achievement of planned targets for the year and explanations provided for the under/overachievement of a significant number of targets.

Report on the audit of compliance with legislation

Introduction and scope

19. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the compliance of the public entity with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
20. I did not raise material findings on compliance with the specific matters in key legislation set out in the general notice issued in terms of the PAA.

Other information

21. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report which includes and the accounting authority's report. The other information does not include the financial statements, the auditor's report and those selected objectives presented in the annual performance report that have been specifically reported in this auditor's report.
22. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.
23. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with financial statements and the selected objectives presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
24. No material inconsistencies were identified.

Internal control deficiencies

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

Auditor-General.

Pretoria
10 August 2018

AUDITOR-GENERAL
SOUTH AFRICA
Auditing to build public confidence

Annexure — Auditor-general’s responsibility for the audit

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

Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in this auditor’s report, I also:

- identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the public entity’s internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting authority
- conclude on the appropriateness of the accounting authority’s use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the National Credit Regulator’s ability 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 the opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor’s report. However, future events or conditions may cause a public entity to cease continuing as a going concern
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. I am responsibie for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion

Communication with those charged with governance

3. I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also confirm to the accounting authority that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, related safeguards.

Index

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

The annual financial statements set out on pages 89 - 131, which have been prepared on the going concern basis, were approved by the Accounting Authority on 31 July 2018 and were signed by:

Ms N Motshegare, Accounting Authority
31 July 2018

Statement of Financial Position as at 31 March 2018

Figures in Rand	Note(s)	2018	2017
Assets			
Current Assets			
Receivables from exchange transactions	3	356 704	201 708
Receivables from non-exchange transactions	4	2 574 223	217 660
Operating lease asset	5	-	5 707
Cash and cash equivalents	6	64 009 092	61 289 458
		66 940 019	**61 714 533**
Non-Current Assets			
Property, plant and equipment	7	9 701 394	9 586 102
Intangible assets	8	8 114 291	9 334 420
		17 815 685	**18 920 522**
Total Assets		**84 755 704**	**80 635 055**
Liabilities			
Current Liabilities			
Income received in advance	9	3 947 057	8 609 688
Payables from exchange transactions	10	10 319 901	12 973 730
Payables from non-exchange transactions	11	51 096 873	45 320 817
Provisions	12	7 855 145	8 473 415
Operating lease liability	5	502 563	-
		73 721 539	**75 377 650**
Non-Current Liabilities		-	-
Total Liabilities		**73 721 539**	**75 377 650**
Net Assets		**11 034 165**	**5 257 405**

Statement of Financial Performance

Figures in Rand	Note(s)	2018	2017
Revenue			
Revenue from exchange transactions			
Other revenue	13	217 930	99 777
Interest received - investment	14	2 327 999	1 700 270
Total revenue from exchange transactions		2 545 929	1 800 047
Revenue from non-exchange transactions			
Transfer revenue			
Fee revenue	15	46 057 548	34 028 665
Transfer payment	16	73 056 000	69 577 000
Other revenue	17	12 929 143	15 000 357
Total revenue from non-exchange transactions		132 042 691	118 606 022
Total revenue		134 588 620	120 406 069
Expenditure			
Personnel expenditure	18	(77 330 773)	(70 120 975)
Operating expenses	19	(22 049 007)	(20 117 568)
Administrative expenses	20	(24 158 688)	(23 290 333)
Finance costs	21	-	(199)
Depreciation and amortisation	7&8	(5 273 392)	(5 369 912)
Total expenditure		**(128 811 860)**	**(118 898 987)**
Operating surplus	22	**5 776 760**	**1 507 082**
Surplus for the year		**5 776 760**	**1 507 082**

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 April 2016	**3 750 323**	**3 750 323**
Surplus for the year	1 507 082	1 507 082
Total changes	1 507 082	1 507 082
Balance at 01 April 2017	**5 257 405**	**5 257 405**
Surplus for the year	5 776 760	5 776 760
Total changes	5 776 760	5 776 760
Balance at 31 March 2018	**11 034 165**	**11 034 165**

Cash Flow Statement

Figures in Rand	Note(s)	2018	2017
Cash flows from operating activities			
Receipts			
Cash receipts from applicants and registrants		43 885 413	34 574 738
Transfers received		73 056 000	69 577 000
Interest income		2 327 999	1 700 270
Payment Distribution Agency - Interest *		12 589 719	14 590 921
Other receipts		217 930	99 777
Total Receipts		132 077 061	120 542 706
Payments			
Cash paid to employees		(77 949 043)	(69 320 951)
Cash paid to suppliers		(47 116 014)	(28 566 355)
Total payments		(125 065 057)	(97 887 306)
Net cash flows from operating activities	23	**7 012 004**	**22 655 400**
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(1 410 723)	(244 703)
Purchase of other intangible assets	8	(2 881 647)	(6 083 892)
Net cash flows from investing activities		**(4 292 370)**	**(6 328 596)**
Cash flows from financing activities			
Repayment of lease liability		-	(7 845)
Finance cost - finance lease		-	(199)
Net cash flows from financing activities		**-**	**(8 044)**
Net increase/(decrease) in cash and cash equivalents		**2 719 634**	**16 318 759**
Cash and cash equivalents at the beginning of the year		61 289 458	44 970 699
Cash and cash equivalents at the end of the year	6	**64 009 092**	**61 289 458**

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Fee Revenue	40 654 284	-	**40 654 284**	46 054 548	**5 403 264**	N1
Transfer payment	73 056 000	-	**73 056 000**	73 056 000	**-**	
Interest	1 000 000	-	**1 000 000**	2 327 999	**1 327 999**	N2
Other income	16 007 429	-	**16 007 429**	13 147 073	**(2 860 356)**	N3
Total income	**130 717 713**	**-**	**130 717 713**	**134 588 620**	**3 870 907**	
Expenditure						
Personnel expenditure	(82 424 000)	684 440	**(81 739 560)**	(77 330 773)	**4 408 787**	N4
Communication costs	(2 969 092)	122 499	**(2 846 593)**	(2 753 398)	**93 195**	
Consumer education and communication	(7 013 206)	844 062	**(6 169 144)**	(6 276 748)	**(107 604)**	
Professional fees	(12 046 454)	(1 550 466)	**(13 596 920)**	(13 777 388)	**(180 468)**	
General fees**	(8 513 943)	10 970	**(8 502 973)**	(10 289 131)	**(1 786 158)**	N5
information Technology	(4 415 179)	682 279	**(3 732 900)**	(2 553 327)	**1 179 573**	N6
Premises and equipment cost***	(5 273 287)	(1 437 695)	**(6 710 982)**	(6 338 481)	**372 501**	
Stakeholder communication	(925 690)	133 730	**(791 960)**	(483 967)	**307 993**	
Debt Counselling initiatives	(1 616 460)	62 460	**(1 554 000)**	(1 510 905)	**43 095**	
Total expenditure	**(125 197 311)**	**(447 721)**	**(125 645 032)**	**(121 314 118)**	**4 330 914**	
Surplus for the year	**5 520 402**	**(447 721)**	**5 072 681**	**13 274 502**	**8 201 821**	

Statement of Comparison of Budget and Actual Amounts

***Narrations have been provided for variances above R1 million.**

**General expenses actual amount excludes non cash items such as loss on disposal of R,114m and bad debts written off of R2,1m to ensure comparability between budget and actual.

***Premises and equipment costs exclude the depreciation expenditure of R5,273m as it is a non-cash item to ensure comparability between budget and actual.

N1: The favourable variance of R5.4mil (13%) is due to the implementation of the NCA amendments regarding the uncapping of branch fees for credit providers and the increase in registration fees introduced through the recent regulations on 'zero threshold registration' which became effective in November 2016.

N2: The favourable variance of R1.3mil (132%) is related to the increase in cash collections from registrants' renewal fees.

N3: The unfavourable variance of R2.8mil (18%) is due to the implementation of cost saving measures in the Debt Counselling department. The department conducted desktop exercises for monitoring and evaluation of Payment Distribution Agents and Debt Counsellors instead of site visits. This decreased the expenditure recognised as revenue from the PDA Interest Account.

N4: The unfavourable variance of R4.4m (5.3%) is due to vacancies in the structure which had not been filled at the end of the financial year due to lack of adequate office space. The NCR is experiencing funding challenges and cannot procure larger office premises.

N5: The unfavourable variance of R1,7m (21%) is due to actual audit fees paid being more than budgeted.

N6: The favourable variance of R1.1m (32%), is due to savings in the ICT quality assurance services.

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts comparable basis	Difference between final budget and actual	Reference
Capital expenditure						
Assets						
Non-Current Assets						
Property, plant and equipment	(1 065 000)	(1 175 000)	**(2 240 000)**	(1 410 723)	**829 277**	
Intangible assets	(2 455 402)	1 022 723	**(1 432 681)**	(1 536 664)	**(103 983)**	
Other income	(2 000 000)	600 000	**(1 400 000)**	(1 344 983)	**55 017**	
Total income	**(5 520 402)**	**447 723**	**(5 072 681)**	**(4 292 370)**	**780 311**	
Cash Flow Statement						
Cash Flow from operating activities						
Receipts						
Cash receipts from applicants and registered entities	56 661 713	-	**55 661 713**	56 693 062	**31 349**	
Transfer payment	73 056 000	-	**73 056 000**	73 056 000	**-**	
Interest income	1 000 000	-	**1 000 000**	2 327 999	**1 327 999**	
Total Receipts	**130 717 713**	**-**	**130 717 713**	**132 077 061**	**1 359 348**	
Payments						
Cash paid to employees	(82 424 000)	-	**(82 424 000)**	(77 634 656)	**4 789 344**	
Cash paid to suppliers	(42 773 311)	-	**(42 773 311)**	(47 430 401)	**(4 657 090)**	
Total payments	**(125 197 311)**	**-**	**(125 197 311)**	**(125 065 057)**	**132 254**	

Statement of Comparison of Budget and Actual Amounts

Net cash flows from operating activities	**5 520 402**	**-**	**5 520 402**	**7 012 004**	**1 491 602**	
Cash flow investing activities						
Additions to property, plan and equipment	(3 520 402)	1 280 401	**(2 240 001)**	(1 410 723)	**829 278**	
New ICT system developments	(2 000 000)	(832 679)	**(2 832 679)**	(2 881 647)	**(48 968)**	
Net cash flows from investing activities	**(5 520 402)**	**447 722**	**(5 072 680)**	**(4 292 370)**	**780 310**	
Net increase/(decrease) in cash and cash equivalents	-	447 722	**447 722**	2 719 634	**2 271 912**	
Cash and cash equivalents at the begining of the year	-	-	**-**	61 289 458	**61 289 458**	
Cash and cash equivalents at the begining of the year	**-**	**447 722**	**447 722**	**64 009 092**	**63 561 370**	

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 principle accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to the years presented, unless otherwise stated.

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

1.1 BASIS OF PREPARATION

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

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

Details of any significant judgements and estimates are explained in the relevant policy where the impact on the financial statements may be material.

1.2 FOREIGN CURRENCY TRANSLATION

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

1.3 BORROWING COSTS

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

Accounting Policies

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 comprises of:

Skills development levies recovered
Reimbursements
Proceeds from insurance claim
Proceeds from sale of tender documents

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

1.5 REVENUE 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.

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

Application fees	Date of registration or withdrawal or rejection
Registration fees	Recognised in full at renewal date
Branch fees	Date of registration
National loans register fees	Date of service delivery
Replacement certificates fees	Date of invoice
Payment Distribution Agency interest	Date of service delivery

Accounting Policies

1.5 REVENUE FROM NON-EXCHANGE TRANSACTIONS (continued)

Government grants

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

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

Transfers

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

1.6 INVESTMENT REVENUE

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

1.7 LEASES

Operating leases - lessee

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

Accounting Policies

1.7 LEASES (continued)

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

1.8 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is initially measured at cost.

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

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

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

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses. Subsequent costs are included in the asset's carrying amount only when it is probable that the future economic benefits or service potential associated with the item will flow to the NCR and the cost of item can be measured reliably. Maintenance and repairs which neither materiall 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 asset's residual values, depreciation method and useful lives are reviewed and adjusted if appropriate, at each financial year end. Management re-assessed the useful lives of leasehold improvements that had been fully depreciated. The revised useful lives were revised to be in line with the current lease term.

Accounting Policies

1.8 PROPERTY, PLANT AND EQUIPMENT (continued)

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.

Item	Depreciation method	Average useful life
Machinery	Straight line	7 years
Furniture and fittings	Straight line	10 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
Leased equipment	Straight line	Remaining period of lease
ICT operational system	Straight line	5-7 years

1.9 INTANGIBLE ASSETS

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

Accounting Policies

1.9 INTANGIBLE ASSETS (continued)

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

Intangible assets are derecognised:

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

Accounting Policies

1.9 INTANGIBLE ASSETS (continued)

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

1.10 IMPAIRMENT OF NON-CASH GENERATING 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).

The criteria developed by the NCR to distinguish non-cash-generating assets from cash-generating assets is as follows:

a. if the asset is not acquired to generate a commercial return, then it is classified as non-cash generating asset or,
b. if the asset does not operate independently and also does not form part of a group of assets, then it is classified as non-cash generating asset, or
c. The group of assets does not generate cash flows independently from other assets, then it is classified as non-generating asset.

The NCR distinguishes non-cash generating assets from cash generating assets at an asset level rather than at their overall entity level.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The entity assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the entity estimates the recoverable service amount of the asset.

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential. The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Accounting Policies

1.10 IMPAIRMENT OF NON-CASH GENERATING ASSETS (continued)

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the entity would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit. After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The entity assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods. A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Accounting Policies

1.11 IMPAIRMENT OF CASH-GENERATING ASSETS

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

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).

The carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.
A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.
The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. The useful life is either:

a. the period of time over which an asset is expected to be used by the entity; or
b. the number of production or similar units expected to be obtained from the asset by the entity.

Criteria developed by entity to distinguish cash-generating assets from non-cash-generating assets are as follows:

a. The redesignation of assets from a cash-generating assets to a non-cash-generating assets or from non cash-generating assets to cash-generating assets only occur when there is a clear evidence that such a redesignation is appropriate.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Accounting Policies

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the entity recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of impairment loss

The entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Accounting Policies

1.12 PROVISIONS

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the Statement of Financial Position date, taking into account the risks and uncertainties surrounding the obligation. Where the effect of time value of money is material, the provision is discounted to the present value of the expected cash flows required to settle the obligation. The nature of the provision applicable to the entity are fully explained in note 12 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 a possible obligation depending on whether some uncertain future event occurs or a present obligation however payment is not probable or amount cannot be measured reliably.

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

1.13 EMPLOYEE BENEFITS

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

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

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

Accounting Policies

1.14 FINANCIAL INSTRUMENTS

Financial assets at amortised cost
NCR classifies financial assets as financial assets held at amortised cost.

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

Financial assets consisting of accounts receivables are only discounted when the effects of discounting are material and if the credit period granted exceeds the normal credit terms.

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

For financial assets, significant evidence include:
- significant financial difficulty of the issuer or obligator, or
- default or deliquency in interest or principal payments, or
- the probability that the issuer will enter bankruptcy or financial re-organisation.

For other financial assets, such as accounts receivables, assets assessed not to be impaired on an individual basis are also assessed for impairment on a collective basis.

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

The carrying amount of the financial asset is reduced by the impairment loss directly, except for trade receivables, where the carrying amount is reduced through the use of allowance account.

When trade receivables are considered to be uncollectable, it is written off against the provision for bad debts account. Subsequent recoveries of amounts previously written off are recognised as revenue. Changes in the carrying amount of the provision for bad debts account are recognised in the Statement of Financial Performance.

Accounting Policies

1.14 FINANCIAL INSTRUMENTS (continued)

Impairment losses are recognised in surplus or deficit. Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in surplus or deficit.

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

Subsequent measurement of financial instruments at amortised cost
Financial instruments at amortised cost are subsequently measured at amortised cost, using the effective interest method.

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

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

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

Accounting Policies

1.14 FINANCIAL INSTRUMENTS (continued)

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

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

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

The carrying amount of the asset is reduced through the use of a provision for bad debts account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When accounts receivable is uncollectible, it is written off against the provision for bad debts account for trade receivables. Subsequent recoveries of amounts previously written off are recognised as fee revenue.

Trade and other receivables are classified as financial assets at amortised cost An entity shall remove a financial liability (or a part of a financial liability) from its statement of financial position when, and only when, it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived. An entity shall derecognise a financial asset only when: (a) the contractual rights to the cash flows from the financial asset expire, are settled or waived; (b) the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset.

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

Accounting Policies

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 is defined as those individuals with the authority and responsibility for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions.

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

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

1.16 FRUITLESS AND WASTEFUL EXPENDITURE

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance. Refer to note 26

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 -

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

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

Irregular expenditure receivables are measured at the amount that is expected to be recovered and de-recognised when settled or written-off as irrecoverable. Refer to note 29.

Accounting Policies

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 2017/04/01 to 2018/03/31.

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

Comparative information is not required.

1.19 MATERIALITY FRAMEWORK

In terms of the NCR's approved Materiality and Significant Framework, material facts of a quantitative nature that exceed the materiality framework are disclosed if discovered. The NCR's materiality level for the annual financial statements is set at 2% of the total assets as at end of the financial year under review. Balances above 2% must be separately disclosed.

1.20 COMMITMENTS

Commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash. Disclosures of commitments, entered into before the reporting date are required to the extent that it has not already been recognised elsewhere in the financial statements. Refer to the note 5 for further information.

1.21 EVENTS AFTER REPORTING DATE

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

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

Accounting Policies

1.2.1 EVENTS AFTER REPORTING DATE (continued)

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

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

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The NCR 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 2018 or later periods:

	Effective date	Expected impact
GRAP 20: Related Party Disclosure	01 April 2019	Minimal impact
GRAP 32: Service Concession Arrangements: Grantor	01 April 2019	No impact
GRAP 34: Separate Financial Statements	Not yet effective	No impact
GRAP 35: Consolidated Financial Statements	Not yet effective	No impact
GRAP 36: Investment in Associates and Joint Ventures	Not yet effective	No impact
GRAP 37: Joint Arrangements	Not yet effective	No impact
GRAP 38: Disclosure of Interests in Other entities	Not yet effective	No impact
GRAP 108: Statutory Receivables	01 April 2019	No impact
GRAP 109: Accounting by Principals and Agents	01 April 2019	No impact

Notes to the Annual Financial Statements

Figures in Rand	2018	2017
GRAP 110: Living and Non-living Resources	01 April 2020	No impact

3. Receivables from exchange transactions

Deposits	270 000	117 830
Prepaid expenses	86 704	83 878
	356 704	**201 708**

4. Receivables from non-exchange transactions

Accounts receivable	-	31 425
Other receivables from non-exchange revenue	223 914	186 235
PDA interest receivable	2 350 309	-
	2 574 223	**217 660**

Receivables from non-exchange transactions impaired

As at 31 March 2018, included in the receivables from non-exchange transactions are trade account receivable balances of R6 509 623 (2017: R8 471 479) which are impaired and provided for. Trade account receivables are impaired when more than 1 month overdue in line with section 51 of the NCA.

Gross	6 509 623	8 471 479
Provision for bad debts	(6 509 623)	(8 440 054)
	-	31 425

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

Opening balance	8 440 054	5 665 717
Provision for impairment	2 091 023	3 217 745
Amount utilised	(4 021 454)	(443 408)
	6 509 623	**8 440 054**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

5. Operating lease (asset)/liability

Authorised expenditure

Already contracted for but not provided for

• Information Communication and Technology (ICT) system	3 453 428	7 373 201
• Insurance	638 039	801 764
• Cleaning services	605 001	1 428 297
• Rental of copiers and printers	163 244	816 222
• Hosting of website	3 691	47 980
• Telephone management system	100 417	155 190
• Ethics Hotline	80 275	-
• Security services	907 717	1 897 954
	5 951 812	**12 520 609**

Total Commitments

Already contracted for but not provided for

Capital expenditure	3 453 428	7 373 201
Operational expenditure	2 498 384	5 147 408
	5 951 812	**12 520 609**

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

Operating lease - Building

Minimum lease payments due:

- within one year	2 598 947	2 598 947
- in second to fifth year inclusive	10 402 488	10 402 488
- later than five years	2 817 341	2 817 341
	15 818 776	**15 818 776**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

5. Operating lease (asset)/liability (continue)

Operating lease liability/(asset)

Building	502 563	(5 707)

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

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

6. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	763	3 000
Bank balances	2 117 689	(167 262)
Call account	8 723 209	11 899 089
Trust account	53 167 431	49 554 631
	64 009 092	**61 289 458**

Cash and cash equivalents balances include an amount of R 53 167 431 (2017: R49 554 631) held in the Trust account. This relates to the Payment Distibution Agency (PDA) interest earned from monies held by the PDA's for distribution on behalf of consumers. The Minister has approved a policy on the utilisation of these funds for investigations and consumer education activities effective from 15th October 2015.

7. Property, plant and equipment

	2018			2017		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Computer equipment	6 763 348	(4 420 822)	2 342 526	6 227 186	(3 902 450)	2 324 736
Furniture and fittings	3 251 822	(2 126 395)	1 125 427	3 179 016	(2 063 865)	1 115 151
Machinery	257 113	(244 258)	12 855	257 113	(244 258)	12 855
Office equipment	1 981 185	(1 285 639)	695 546	1 757 660	(1 093 660)	664 000
Leasehold improvements	2 285 744	(1 019 378)	1 266 366	2 166 712	(2 114 541)	52 171
Security equipment	1 269 280	(773 666)	495 614	1 257 331	(665 787)	591 544
ICT operational system	8 519 902	(4 756 842)	3 763 060	8 519 902	(3 694 257)	4 825 645
Total	**24 328 394**	**(14 627 000)**	**9 701 394**	**23 364 920**	**(13 778 818)**	**9 586 102**

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Disposals	Depreciation	Total
Computer equipment	2 324 736	700 459	(14 238)	(668 431)	2 342 526
Furniture and fittings	1 115 151	286 809	(75 602)	(200 931)	1 125 427
Machinery	12 855	-	-	-	12 855
Office equipment	664 000	257 543	(13 625)	(212 372)	695 546
Leasehold improvements	52 171	150 761	-	1 063 433	1 266 365
Security equipment	591 544	15 151	(2 550)	(108 531)	495 614
ICT operational system	4 825 645	-	-	(1 062 584)	3 763 061
	9 586 102	**1 410 723**	**(106 015)**	**(1 189 416)**	**9 701 394**

7. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	*Other additions	Disposals	**Adjustments	Depreciation	Total
Computer equipment	2 984 878	97 847	-	(109 236)	81 502	(730 255)	2 324 736
Furniture and fittings	1 405 176	-	-	(18 921)	88	(271 192)	1 115 151
Leasehold equipment	16 828	-	-	(15 700)	-	(1 128)	-
Machinery	12 855	-	-	-	-	-	12 855
Office equipment	827 546	31 500	2 052	(4 636)	24 791	(217 253)	664 000
Leasehold improvements	518 790	13 640	3 611	-	282	(484 152)	52 171
Security equipment	646 159	101 716	-	(16 389)	(31 731)	(108 211)	591 544
ICT operational system	5 995 803	-	-	(83 668)	-	(1 086 490)	4 825 645
	12 408 035	**244 703**	**5 663**	**(248 550)**	**74 932**	**(2 898 681)**	**9 586 102**

**Adjustments comprises reclassifications and/or corrections within asset classes during the prior year.

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance		
Repairs and maintenance: Furniture and fittings	6 424	1 250
Repairs and maintenance: Leasehold improvements	218 542	9 750
Repairs and maintenance: Security equipment	185 705	4 850
Repairs and maintenance: Office equipment	-	2 850
	410 671	**18 700**

8. Intangible assets

	2018			2017		
	Cost	Accumulated amortisation and accumulated impairment	Carrying value	Cost	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	14 776 331	(7 165 056)	7 611 275	13 586 401	(4 957 001)	8 629 400
Human resource system	1 429 908	(926 892)	503 016	1 543 424	(838 404)	705 020
Total	**16 206 239**	**(8 091 948)**	**8 114 291**	**15 129 825**	**(5 795 405)**	**9 334 420**

Reconciliation of intangible assets - 2018

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software	8 629 400	2 881 647	(14 962)	(3 884 810)	7 611 275
Human resource system	705 020	-	(2 838)	(199 166)	503 016
	9 334 420	**2 881 647**	**(17 800)**	**(4 083 976)**	**8 114 291**

Reconciliation of intangible assets - 2017

	Opening balance	Additions	*Adjustments	Amortisation	Total
Computer software	4 830 564	6 083 892	(12 991)	(2 272 065)	8 629 400
Human resource system	904 185	-	-	(199 165)	705 020
	5 734 749	**6 083 892**	**(12 991)**	**(2 471 230)**	**9 334 420**

9. Income received in advance

Notes to the Annual Financial Statements

Figures in Rand	2018	2017
Income received in advance	3 947 057	8 609 688

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

10. Payables from exchange transactions

Trade payables	5 418 052	7 011 336
Accruals	4 901 849	5 962 394
	10 319 901	**12 973 730**

The trade payables are due and payable within 30 days from the reporting date.

11. Payables from non-exchange transactions

11.1 Payment Distribution Agency (PDA) interest

Balance unspent at the beginning of year	45 320 817	39 485 817
Current receipts	17 610 197	20 425 921
	62 931 014	59 911 738
Conditions met - transfer to revenue	(12 589 719)	(14 590 921)
Balance unspent at the end of year	**50 341 295**	**45 320 817**

The PDA interest transactions are accounted for in terms of GRAP 23: Revenue from non-exchange transactions. Once all the conditions are met, payables from non-exchange are reduced and revenue is recognised.

11.2 Tenant installation allowance

Current receipts	858 150	-
	858 150	-
Movement for the year	(102 572)	-
Balance unspent at the end of year	**755 578**	**-**

The Tenant Installation allowance is the amount received by the NCR for improvements on the leased building. The expenditure which meets the Tenant installation conditions as per the lease contract is recognised as revenue when incurred.

12. Provisions

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

Reconciliation of provisions - 2018

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Provision for bonuses	6 973 640	6 482 280	(6 870 979)	-	6 584 941
Other provisions	1 499 775	84 816	-	(314 387)	1 270 204
	8 473 415	**6 567 096**	**(6 870 979)**	**(314 387)**	**7 855 145**

Reconciliation of provisions - 2017

	Opening Balance	Additions	Utilised during the year	Total
Provision for bonuses	6 173 616	6 973 640	(6 173 616)	6 973 640
Other provisions	1 499 775	-	-	1 499 775
	7 673 391	**6 973 640**	**(6 173 616)**	**8 473 415**

Performance bonuses are payable by the NCR annually in July based on performance evaluations conducted for the period 01 April 2017 to 31 March 2018.

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

13. Other exchange revenue

Skills development levies recovered	108 325	44 541
Reimbursements	46 269	30 844
Proceeds from insurance claim	54 336	24 392
Proceeds from sale of tender documents	9 000	-
	217 930	**99 777**

14. Investment revenue

Notes to the Annual Financial Statements

Figures in Rand	2018	2017
Interest revenue - Bank	2 327 999	1 700 270

15. Fee Revenue

Application fees	1 027 884	944 250
Registration fees	32 959 200	24 974 209
Branch fees	10 143 185	6 623 569
National loans register fees	1 875 209	1 342 217
Replacement fees	52 070	144 420
	46 057 548	**34 028 665**

16. Transfers

Operating grants		
Transfer from the Department of Trade and Industry	73 056 000	69 577 000

The Department of Trade and Industry (dti) contributes to the operational activities of the NCR while also providing funding for specific projects.

17. Other non-exchange revenue

Prescribed income	339 424	403 773
Payment Distribution Agency - Interest	12 589 719	14 590 921
Adjustment to non current assets	-	5 663
	12 929 143	**15 000 357**

Prescribed income relates to the recognition as income of unidentified and unclaimed receipts in line with Prescription Act. The prescribed income was previously reflected under current liabilities in the statement of financial position.

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

18. Personnel expenditure

Notes to the Annual Financial Statements

Figures in Rand	2018	2017
Salaries	68 176 668	62 231 244
Contributions to retirement fund	6 669 520	6 059 457
Medical aid - company contributions	2 480 252	1 830 274
Temporary staff	4 333	-
	77 330 773	**70 120 975**

19. Operating expenses

Professional fees	13 777 388	11 401 229
Consumer education	6 276 748	6 736 260
Stakeholder communication	483 967	432 837
Debt relief programme	1 510 904	1 547 242
	22 049 007	**20 117 568**

20. Administrative expenses

Premises and equipment*	6 338 481	6 158 631
Communication costs	2 753 398	2 254 218
Information technology	2 553 327	2 572 310
General expenses	11 027 681	10 894 315
Recruitment	-	356 145
Training	481 413	78 068
Other staff costs	1 004 388	976 646
	24 158 688	**23 290 333**

* Included in Premises and equipment is repairs and maintenance of fixed assets.

20. Administrative expenses (continued)

Notes to the Annual Financial Statements

Figures in Rand	2018	2017
General expenses comprise of:		
Audit fees	3 712 671	2 997 691
Bank charges	187 835	152 131
Audit and Risk Management Committee fees	176 874	45 448
Insurance	163 725	321 069
Bad debts	2 110 008	3 225 956
Subscriptions	38 546	63 716
Travel and accommodation	4 514 034	3 856 010
Consumables	9 647	46 220
Loss on disposal of assets	114 342	186 074
	11 027 681	**10 894 315**

21. Finance costs

Finance leases	-	199

22. Operating surplus

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

Audit fees	3 712 671	2 997 691
Audit and Risk Management Committee fees	176 874	45 448
Operating lease payments - Building	2 568 463	2 044 489
Provision for bad debts	2 091 023	3 217 754
Loss on disposal of assets	114 342	186 074
	8 663 373	**8 491 456**
Amortisation on intangible assets	4 083 976	2 471 231
Depreciation on property, plant and equipment	1 189 416	2 898 681
Personnel expenditure	77 330 773	70 120 975
	82 604 165	**75 490 887**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

23. Cash generated from operations

Surplus for the year	5 776 760	1 507 082
Adjustments for:		
Depreciation and amortisation	5 273 392	5 369 912
Finance costs - Finance leases	-	199
Movements in operating lease assets and accruals	496 856	(68 484)
Movements in provisions	(618 270)	800 024
Loss on disposal of assets	114 342	186 074
Adjustments on non-current assets	20 887	(5 663)
Changes in working capital:		
Receivables from exchange transactions	(154 996)	(48 962)
Other receivables from non-exchange transactions	(2 356 563)	191 262
Payables from exchange transactions	(2 653 828)	4 296 530
Income received in advance	(4 662 631)	4 592 426
Payables from non-exchange transactions	5 776 055	5 835 000
	7 012 004	**22 655 400**

24. Management's emoluments

Executive
2018

	Salary	Provident fund contributions	Travel allowance	Performance bonus	Medical aid contributions	Medical aid subsidy	Leave payment	Total
N Motshegare	2 214 602	266 686	108 000	166 479	94 465	12 000	-	2 862 233
O Tongoane	1 794 916	203 742	84 000	147 982	-	12 000	-	2 242 639
A Mafuleka*	1 055 551	120 371	60 000	129 484	-	9 000	37 078	1 411 484
F Malaza**	211 750	-	-	-	-	-	-	211 750
L Mashapa	1 265 937	137 273	-	129 484	-	12 000	-	1 544 694
	6 542 756	728 072	252 000	573 429	94 465	45 000	37 078	8 272 800

* Resigned in January 2018
**Appointed in February 2018

2017

	Salary	Provident fund contributions	Travel allowance	Performance bonus	Medical aid contributions	Leave payment	Total
N Motshegare	2 137 096	255 607	108 000	131 273	83 259	-	2 715 235
O Tongoane	1 709 965	196 118	84 000	116 126	-	-	2 106 209
A Mafuleka	1 194 352	139 436	72 000	106 028	-	-	1 511 816
L Mashapa	1 198 132	131 924	-	106 028	-	-	1 436 084
M Mudau***	436 135	50 072	24 000	95 930	-	56 569	662 706
	6 675 680	**773 157**	**288 000**	**555 385**	**83 259**	**56 569**	**8 432 051**

***Resigned in July 2016

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

25. Related parties

Relationships	Contractual relationship 24	
Members of key management	Controlling entity	
Department of Trade and Industry	Entity under common control	
Companies Tribunal	Entity under common control	
Export Credit Insurance Corporation of South Africa National	Entity under common control	
Consumer Commission	Entity under common control	
National Consumer Tribunal	Entity under common control	
National Gambling Board National Lottery Commission	Entity under common control	
National Regulatory for Compulsory Specifications	Entity under common control	
National Empowerment Fund	Entity under common control	
National Metrology Institute of South Africa	Entity under common control	
South African Bureau of Standards	Entity under common control	
South African National Accreditation System	Entity under common control	
Related party balances	-	-
Related party transactions		
Department of Trade and Industry		
Transfer payments received	73 056 000	69 577 000
Remuneration of management		
Executive management		
Refer to note 24 for executive management remuneration		

26. Fruitless and wasteful expenditure

Penalties incurred - Compensation for Injuries and Diseases	-	7 137
Less: monies recovered	-	(7 137)
	-	**-**

Fruitless and wasteful expenditure of R7 137 was incurred due to late submissions in terms of Compensation for Injuries and Diseases Act. Consequence management took place and the responsible official was held accountable and an amount of R7 137 was recovered.

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

27. Risk management Financial risk management

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

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

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

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

At 31 March 2018	Payable in less than 3 months	Total
• Trade Payables	10 759 701	10 759 701

At 31 March 2017	Payable in less than 3 months	Total
• Trade payables	12 918 436	12 918 436
• Finance lease liabilities	8 381	8 381
	12 926 817	12 926 817

Credit risk

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

With regard to credit risk arising from the other financial assets, which comprise cash and cash equivalents, the NCR's exposure arises from a potential default of the counterparty where credit rating is constantly monitored, with a maximum exposure of R10,841,661 (2017: R11,734,827) to the carrying amount of these instruments. The institution in which funds have been placed is monitored on a quarterly basis to assess any potential risks. Cash and cash equivalents are only placed with banking institutions with a good credit rating.

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

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

Financial instruments

Receivable from exchange transactions	270 000	117 830
Accounts receivables	-	31 425
Bank and call accounts	10 841 661	11 734 827

Interest rate risk

This is mainly attributable to the NCR's exposure to interest rates on its cash and cash equivalents.

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. A 50 (2017:50) basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the potential impact of the change in interest rates.

The NCR's sensitivity to interest rates has increased primarily as a result of a increase/decrease in interest rate environment. Exposure to interest rate risk is set out below:

Class of financial instrument

Cash and cash equivalents	64 009 092	61 289 458
Less: amounts held in Trust account	(53 167 431)	(49 554 631)
	10 841 661	**11 734 827**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

28. Change in accounting estimate

During the period under review, management re-assessed the remaining useful lives of leasehold improvements under property, plant and equipment that had been fully depreciated (nil net book value). The revised remaining useful lives is seven (7) years for the leasehold improvements which is in line with current lease term. The effect of this revision has resulted in a decreased depreciation charge for the period under review and increased depreciation charge for the future periods by R1 116 471 (2017: R33 583).

The impact of the change in estimate is as follows:		
Effect on the statement of financial performance		
Depreciation	(1 116 471)	(33 583)
Effect on the statement of financial position		
Accumulated depreciation	1 116 471	33 583
	-	-

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

29. Irregular expenditure

Opening balance	-	-
Add: Irregular expenditure - current year	2 719 103	-
Add: Irregular expenditure - prior year	505 108	-
Add: Irregular expenditure identified in the current year relating to prior year	723 919	-
Less: Amounts not recoverable (not condoned)	-	-
Analysis of expenditure awaiting condonation per age classification		
Current year	2 719 103	-
Prior year	1 229 027	-
	3 948 130	-

Details of irregular expenditure

Disciplinary steps taken Legal fees for investigation matters	Internal discipline processes was undertaken	2 648 004
Professional fees - IT Assurance	Internal discipline processes was undertaken	293 709
Advertising services	Internal discipline processes was undertaken	1 006 417
		3 948 130
All irregular expenditure relates to the misinterpretation and late implementation of National Treasury Instruction Note No.3 of 2016/2017.		-

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

30. Contingent liabilities

A service provider is suing the National Credit (NCR) for alleged outstanding rental fees as well as a return of leased equipment. The NCR has opposed the matters in court and was served with a notice of set down for the dates 13 and 14 June 2018. The opposing side attorney then informed the NCR attorney's that the Randburg Magistrate court will not be available on the proposed dates. Two new dates were proposed as the 21June 2018 or 5 and 6 July 2018. The NCR is still awaiting feedback from the Randburg Magistrate Court. Should the court rule in favour of service provider, the NCR's financial exposure including costs and disbursements amounts to R120 000.

31. Events after the reporting date

The NCR is not aware of any events which occurred after 31 March 2018, which are likely to have a material impact on the financial results and operations of the entity.

32. Going concern

The NCR's annual financial statements as at 31 March 2018 has been prepared on a going concern basis even though the current liabilities exceeds current assets. The economic viability and going concern of NCR is supported by Department of Trade and Industry (dti) therefore NCR management is certain that the organisation will be able to continue as the going concern in the forseeable future.

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

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

33. RECLASSIFICATION OF COMPARATIVES

Certain comparative figures have been reclassified for the purpose of achieving fair presentation. The effects of the reclassification are as follows:

Cash Flow Statement:
Other receipts is further broken down to Payment Distribution Agency Interest.

34. PRIOR PERIOD ERROR

During the preparation of the financial statements for the current financial year, a different interpretation of certain aspects of GRAP 1, GRAP 19 and GRAP 104 relating to the definition and disclosure of commitments in the financial statements was obtained. As a result, the relevant notes to the financial statements for prior year were restated. Refer to note 5. There was no impact in the statements of financial positon, performance and changes in equity.

The impact on the disclosure in note 5 to the financial statements is as follows

-	2017		5 147 408
-	2018		2 498 398

9. Acknowledgements

Our Annual Report is a collaborative effort. The NCR would like to acknowledge the Education and Communication Department for project management, Ms Eulalia Snyman for writing and proofreading the content and Lebone Litho Printers for designing and printing our report. We would also like to thank Nhlanhla Mthombeni and Linda Mhlongo for participating in our case studies.

Notes

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Annual Report 2017/18

National Credit Regulator
A Year full of Success

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*** and
for complaints regarding debt counselling to ***dccomplaints@ncr.org.za***.

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