NCR

National Credit Regulator

Annual Report

2018 · 2019

Welcome to the
National Credit Regulator's

Annual Report
2018 • 2019

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

Email address
Complaints: complaints@ncr.org.za
General Enquiries: info@ncr.org.za

Website address
www.ncr.org.za

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

1.2. List of Acronyms

AA	Accounting Authority
ADRA	Alternative Dispute Resolution Agent
AGSA	Auditor-General of South Africa
AGRIBIZ	Agricultural Business Chamber
ARMC	Audit and Risk Management Committee
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
CFI	Co-operation Financial Institutions
CFO	Chief Financial Officer
CIF	Credit Industry Forum
COO	Chief Operations Officer
DCEO	Deputy Chief Executive Officer
dti	Department of Trade and Industry
DPSA	Department of Public Service and Administration
EE	Employment Equity
EXCO	Executive Committee
FSCA	Financial Sector Conduct Authority
GRAP	Generally Recognised Accounting Practice
ICT	Information and Communication Technology
MFSA	Microfinance South Africa
MoU	Memorandum of Understanding
NCA	National Credit Act
NCC	National Consumer Commission
NCR	National Credit Regulator
NCT	National Consumer Tribunal
NDP	National Development Plan
NSFAS	National Student Financial Aid Scheme
PA	Prudential Authority
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
SCM	Supply Chain Management
SMS	Short Message Service

Mr Ebrahim Patel
Minister of Trade and Industry

1.3 Minister's Foreword

It is my pleasure to present the annual report of the National Credit Regulator (NCR) for the 2018/19 financial year.

The results contained in this report coincide with the beginning of the 6th administration of the democratic South Africa.

The focus of the new administration is to boost economic growth and enable deeper levels of economic inclusion and transformation.

A new Department of Trade, Industry and Competition has been established, through a merger of the dti and Economic Development Department, which will drive the implementation of a more focused, high-impact industrial strategy.

Over the next five years, the focus will be on practical actions and improved governance, to pull our economy onto the higher growth levels we require to create decent work and entrepreneurial opportunities for many more South Africans, particularly young people. There are no quick fixes if we want to build this high-growth, high-employment, high-inclusion economy.

Using the resources and mandate of the trade, industry and competition portfolio, we will support efforts to unleash private investment and energise the state to boost economic growth and inclusion. This is an essential part of building confidence and the platform for job-creation.

The NCR in carrying out its mandate, will have a critical role to play in this new industrial strategy.

As priorities for the new Administration we have outlined six focus areas in the trade, industry and competition portfolio, within which the NCR falls:

First, to support improved industrial performance, dynamism and competitiveness of local companies.

These include developing Master Plans in priority sectors to help create conducive conditions for industries to grow, improve their industrial capacities and sophistication, focus more on export orientation and reclaim domestic market space lost to imports.

The Master Plans will be action-oriented, developed and carried out in partnership with business and labour and implemented in stages, so that we can move expeditiously.

Second, to improve the levels of fixed investment in the economy.

Over the five year period from 2018/19, Government set a target of R1.4 trillion in new investment in the economy. The vast bulk of this must come from the private sector.

The state's role will be to enable higher levels of fixed investment (both domestic and foreign), through addressing infrastructure and skills gaps; and by partnering with the private sector through a range of incentives and financial packages.

Third, to expand markets for our products and facilitate entry to those markets.

The single biggest initiative is the African Continental Free Trade Area (AfCFTA) which will connect 1.2 billion people into a single bloc where local products will be traded between countries, with minimal tariffs. These agreements lay the basis for increased intra-African trade and can cement the continent's position as the next growth frontier.

The implementation phase was launched on 7 July 2019, at a Special African Union Summit meeting in Niger, with the intention to come into effect on 1 July 2020.

The Agreement will fundamentally change and reshape the South African economy. Already, exports to other African countries support about 250 000 South African jobs and it is the fastest-growing market for our manufactured exports.

Fourth, to promote economic inclusion.

This means opening up and changing our market structure, to bring more young people, women and Black Industrialists into the economy.

To enhance the growth of black industrialists, we will combine the efforts of the Department and its agencies into a seamless and coordinated programme. Over the next 5 years, we will support an additional 400 Black Industrialists' projects with financial support of R40 billion, through identifying sustainable businesses and promoting both industrialists, new enterprise formation and worker involvement in the enterprises, using a combination of private and public sector resources.

Fifth, to promote more equitable spatial and industrial development.

A pillar of our industrial policy is to develop new investment clusters through special economic zones, revitalisation of industrial sites and support for business and digital hubs.

Sixth, to improve the capability of the state.

This means being more responsive to the needs of South Africa's entrepreneurs, moving faster in making decisions and carrying out functions, coordinating better between departments and agencies and creating a business-encouraging environment in which more investment and more job creation can take place.

Part of a smart state is partnering with domestic businesses to invest more in innovation and R&D, as new techniques, new products and new distribution platforms can move South Africa up the value-chain and enhance job creation.

All public entities will have to work with a greater sense of urgency to support government in achieving its ambitions for the new administration. This is what has been called the spirit of *khawuleza*, and it must define our approach both within Government and public entities to addressing the structures in the economy which impede growth, economic inclusion and job creation.

I would like to thank Ms Nomsa Motshegare, the Accounting Authority and Chief Executive Officer as well as the Executive Committee, the Audit and Risk Management Committee, the management team and the employees for their work in the past year and wish them success in the year ahead to help build an economy that creates more jobs and grows faster and more inclusively.

Mr Ebrahim Patel
Minister of Trade and Industry
26 August 2019

Ms Nomsa Motshegare
Accounting Authority and Chief Executive Officer

1.4 Foreword by the Accounting Authority

Introduction

The National Credit Regulator (NCR) achieved most of its strategic objectives and targets during the 2018/19 financial year notwithstanding the technical recession that gripped South Africa during the said period.

Throughout the reporting period, consumers were stretched and highly indebted. Given the high cost of living, the average South African relied on credit to make ends meet. The unemployment rate averaged 27 to 27.5% throughout the year while fuel prices were on a roller coaster, making it difficult to budget a definite amount for transport costs.

It is no wonder that credit bureaus data showed that 10.15 million out of the total 25.70 million (39.48%) credit-active consumers in South Africa had impaired records by 31 March 2019 – impaired does not necessarily indicate over-indebtedness, but indicates financial distress. A consumer is classified as impaired if at least one account is three or more months in arrears, or has adverse listings, or has a judgement or administration order.

Through debt counselling, many over-indebted consumers received – and are still receiving – assistance and relief. Payment Distribution Agents (PDAs) distributed on average R942 million per month – that is monies received from over-indebted consumers and carried over to creditors to pay outstanding accounts. In total, since inception (2008), R55.59 billion has been distributed to credit providers by PDAs from over-indebted consumers. Between 2007 and June 2019, a total of 1.29 million consumers applied for debt review, which is an average of 12 300 applications per month.

According to credit bureau TransUnion, data shows rising consumer stress. The TransUnion SA Consumer Credit Index (CCI) measures the ability of consumers to meet their monthly credit obligations. The Index is based on a 100-point scale. Numbers above 50 indicate consumer credit health has improved over a year; numbers below, show a deterioration. TransUnion SA Consumer Credit Index (CCI) remained below 50 throughout 2018/19. In addition, the economy contracted by 3.2% in the first quarter of 2019.

The SA Reserve Bank Monetary Policy Committee cut the repo rate by 25 basis points from 6.75% to 6.50% on 18th June 2019 as a result of the weak economy and the level of inflation. This should provide some relief to consumers.

High-level overview of the NCR strategy and performance

During the year under review, the NCR developed and submitted its first draft Three-Year Annual Performance Plan for the period 2019/20 to 2021/22 and the Five-Year Strategy for the period 2019/20 to 2023/24 to the Department of Trade and Industry (dti). To achieve the long-term goals, we have ensured that the Annual Performance Plan and the Strategic Plan are robust and that the NCR team is agile and ready to seize new opportunities and overcome obstacles when and as they arise.

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

The NCR focus areas support the NDP goals of eliminating poverty and reducing inequality by 2030. According to the NDP, South Africa will realise these goals by drawing on the energies of its people, growing an inclusive economy, building capabilities, enhancing the capacity of the state, and promoting leadership and partnerships throughout society. To ensure inclusive growth and job creation, it is crucial to have a stable and efficient financial sector in which the credit market is a critical component

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 NCA and its regulations.

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 set outputs and targets for each of its 16 performance areas. A total of 81% were either achieved or exceeded and 19% were substantially achieved. (More information is provided on pages 41- 53).

Consumer education and community outreach programmes (imbizos)

As in previous years, the NCR conducted imbizos in partnership with Local Tribal Authorities in various provinces. Imbizos are crucial in the drive to educate consumers – in particular the rural and the most vulnerable – on their rights and responsibilities in terms of the NCA. Areas visited include: Ba Ga Phadima, Jantjie Tribal Authority and Ba Ga Motlhware in the Northern Cape Province; Dukathole Township in Eastern Cape Province; and Ba Ga Mothapo in Limpopo Province. Villages in other provinces were visited in the previous year.

The NCR and Credit Bureau Association (CBA) Schools Financial Literacy programme ran between April and September 2018 in Gauteng, KwaZulu Natal and Western Cape Provinces. A total of 57 high schools benefitted from the project. The main topics discussed were credit bureaus and credit information; the role of the NCR; credit reports; over-indebtedness and debt counselling. The programme was delivered in an industrial theatre (drama) format. The target group was Grade 11 and 12 learners and teachers.

Strategic relationships

Maintaining good strategic relationships is one of our strengths and plays a pivotal role in enabling the NCR to deliver on its mandate. Throughout the year under review, the NCR continued to strengthen strategic relations with its main stakeholders through the Credit Industry Forum (CIF), which it chairs. The CIF met on a quarterly basis. On a consensual basis, stakeholders represented on the CIF identify and address operational difficulties associated with the implementation of the NCA. Importantly, the forum collaborates to find solutions to challenges not covered by the NCA. The forum includes the following: The Banking Association of South Africa (BASA), MicroFinance South Africa (MFSA), Debt counselling associations, Payment Distribution Agents (PDAs), the CBA, Consumer Goods Council of South Africa (CGCSA); National Motor Finance Association (NMFA); and consumer representatives.

The NCR held regular meetings with industry associations, registrants and local regulators. It also entered into memoranda of agreement with the South African Reserve Bank as well as with the recently established (1 April 2018) Financial Sector Conduct Authority (FSCA) and the Prudential Authority (PA).

Collaboration and cooperation

The NCR believes that effective collaboration leads to efficient regulation. We therefore 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.

In response to the Fourth Industrial Revolution, the national consumer protection agencies which include the National Consumer Commission (NCC), NCR and National Consumer Tribunal (NCT) established a joint forum which will oversee the design, development and deployment of Information and Communications Technology (ICT) solutions to effectively meet their goals and objectives in terms of their mandates. There were a number of strategic areas common to each consumer protection agency where a common digital platform would yield significant benefit from both a quantitative and qualitative perspective. Key areas identified included the following: filing and registrations system, electronic payments system, centralised reporting system, etc. A concept paper was developed for this purpose.

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 10th Annual African Consumer Protection Dialogue Conference held in Zambia in May 2019. The theme of the conference was Freedom for Consumers through Global Collaboration. The two-day conference brought together consumer protection agencies and advocates from 25 African countries, to discuss their decade long success stories. The NCR is the only regulator of its kind in Africa, leading the continent in terms of consumer protection regarding credit regulation.

The NCR is also a member of the International Committee on Credit Reporting (ICCR). This assists in ensuring that the NCR keeps up to date with international developments and best practices in terms of credit reporting issues.

Furthermore, we hosted delegations from Russia and China that expressed interest in emulating many of our best practices, systems and procedures. As a result of these visits, Eswatini (formerly known as Swaziland) has promulgated the Consumer Credit Act, No. 7 of 2016, which was modelled around the NCA. This Consumer Credit Act established the Financial Services Regulatory Authority which is responsible for consumer credit regulation in that country.

The NCR monitors trends and challenges experienced in other countries in order to be ready to deal with new practices that can be detrimental locally. In a digital world where physical limits do not apply, there is an astonishing number of lending possibilities.

Communication and media

The NCR disseminates important information through different types of media, working smartly to maximise opportunities for free coverage in the mass media. In the 2018/19 financial year we achieved media coverage worth about R174 million in calculated advertising value equivalence (AVE) rates. We publicised important developments, issued alerts and provided crucial advice to consumers. We ensure that enforcement is visible as this can serve as a deterrent and create consumer awareness. We have good relationships with main media houses and even have weekly radio slots with some community radio stations.

Consumers who seek redress and register complaints and queries with the NCR, are kept updated, via short message service (SMS), with the progress of cases. Similarly, all applicants are kept updated, via SMS, about the status of their registration applications.

Enforcement

Throughout the year under review, the NCR monitored compliance with the NCA and took enforcement action where necessary. A total of 61 matters were referred to the National Consumer Tribunal (NCT) while 44 compliance notices were issued.

An alleged contravention that caught public attention was the "on-the-road-fees" charged by many motor vehicle financiers. The NCR considers such fees to be unlawful and referred these cases to the NCT. The case against Volkswagen Financial Services South Africa (Pty) Ltd (Volkswagen) was one such case. Judgement was handed down in favour of the NCR. Volkswagen has appealed and we await the outcome. Another case involves "club fees", charged by retailers. We got leave to appeal the High Court judgement involving Lewis Stores regarding "club fees" and extended warranties.

The Supreme Court of Appeal found in favour of the NCR and dti in the case against MicroFinance South Africa regarding interest charged on short-term credit. The regulation provides that a maximum of 5% interest may be charged on the first short-term loan and 3% on subsequent loans within the same year. This should help consumers to avoid becoming stuck in a debt spiral.

We conducted raids on small credit providers, especially those that illegally retain consumers' identity documents and other cards. These raids are normally jointly conducted with the SAPS. Where contraventions are found, the outcome of these cases is that arrests are made, criminal cases opened and referrals made to the NCT. Through compliance monitoring and enforcement, amounts of R13,6 million and R75.2 million were paid as administrative penalties and refunds to consumers repectively.

Registration

During the year under review, the NCR focused on registering small credit providers (microlenders). Registration campaigns in the Mpumalanga, Free State, Gauteng and North West Provinces resulted in a substantial increase in registration, especially previously unregistered credit providers.

Innovation

In response to the Fourth Industrial Revolution, the NCR is in the process of concluding an agreement with the International Finance Corporation (IFC), part of the World Bank Group, to pilot aspects of the G20 Financial Inclusion Policy Guide on the collection, processing and use of alternative data sources, and the development of digital technologies to enable small and medium sized credit providers to collect and share data. This will enhance the affordability assessment regulations and the digitization of credit information sharing.

In addition, the Minister of the dti initiated a program for the dti agencies to look at the use of digital technologies to provide effective access of services to the South African people in accordance with their mandates.

In response to the above, the national consumer protection agencies which include the NCC, NCR and NCT established a joint forum which will oversee the design, development and deployment of Information and Communications Technology (ICT) solutions to meet these goals and objectives. There were a number of strategic areas common to each consumer protection agency where a common digital platform would yield significant benefit from both a quantitative and qualitative perspective. Key areas identified included the following: filing and registrations system, electronic payments system, centralised reporting system, etc. A concept paper was developed for this purpose.

We also started the process of upgrading the Call Centre and complaints management systems. This conforms with the *Batho Pele* principles and should improve service delivery.

Good governance

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

Challenges

The challenges during this period were characterised by recruitment and retention of critical skills, high levels of consumers that are debt stressed due to macro and micro economic factors, the need to develop ICT systems to enhance operational efficiencies, insufficient funding and lack of national footprint.

In addition, as the credit industry evolve, new innovative ideas are being introduced by various players and stakeholders in the industry. The challenge going forward is to keep abreast of these innovations by the digitization of the regulatory environment. It also becomes important to collaborate and cooperate with other regulators locally and internationally so that we continue to be effective in regulating this industry.

Our work going forward, will be guided by these goals.

Legislation

The NCR extensively participated in the Portfolio Committee of Trade and Industry sessions regarding the National Credit Amendment Bill on Debt Intervention that was introduced by the Committee. The purpose of the Bill is to provide debt relief to poor over-indebted consumers who cannot be assisted by debt counsellors because they cannot afford debt counselling fees. The Bill was passed by the National Assembly and the National Council of Provinces has since been signed into law by the Honourable President.

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 gratitude to the former Honourable Minister of Trade and Industry, Dr Rob Davies; the new Minister of Trade and Industry, Mr Ebrahim Patel; Director-General, Mr Lionel October; the Group Chief Operations Officer, Ms Jodi Scholtz; the Acting Group Chief Operations Officer, Ms Nontombi Matomela; the Deputy Director-General, Dr Evelyn Masotja; other dti officials; the Portfolio Committee on Trade and Industry and the Select Committee on Trade and International Relations for their guidance and support.

My sincere appreciation to the NCR executive team, management and staff for their excellent work and to the members of the Audit and Risk Management Committee for providing oversight.

Ms Nomsa Motshegare
Accounting Authority
26 August 2019

1.5. Chief Executive Officer's Overview

General financial review

For the 2018/19 financial year, the National Credit Regulator (NCR) had a final approved budget of R137 611 068 (2018: R130 717 713). The NCR received R75 361 000 (2018: R73 056 000) in funding from the dti; this constituted 55% (2018: 56%) of the NCR's funding. The balance of R62 250 068 (2018: R61 532 620) was from registrants' fees and other income.

Spending trends

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

- Programme expenditure of R29 220 234 compared to R22 049 008 for 2017/18;
- Personnel expenditure of R85 296 785 compared to R77 330 773 for 2017/18;
- Administrative and other expenditure was R18 892 125 compared to R21 934 337 for 2017/18; and
- Capital expenditure was R3 362 359 compared to R4 292 370 for 2017/18.

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.

The NCR incurred fruitless and wasteful expenditure amounting to R1 271 in the current financial year compared to Rnil (none) during the 2017/18 financial year. Consequence management occurred and the amount was recovered.

The NCR incurred irregular expenditure in the current financial year amounting to R502 790 compared to R2 719 103 in the 2017/18 financial year. This was due to the late implementation of the National Treasury Instruction Note 3 of 2016/17. Consequence management occurred and a request for condonation has been submitted to the National Treasury for consideration.

Challenges

Though the NCR has found innovative ways to maximise delivery and cut costs, it was a challenge to operate under tight budget constraints – more so in view of the fact that lengthy litigation (which is a norm rather than the exception in this sector) requires sizable funding.

Cost savings have been achieved by working smarter, by, for example, conducting desktop compliance monitoring. Increasingly, NCR utilises its own legal team to defend matters at the National Consumer Tribunal (NCT). Going forward, the NCR will continue to implement cost-containment measures, improve operational efficiencies and look at ways of increasing income, for instance the review of registration fees is underway.

Retention of critical and scarce skills proved difficult; valuable talent continues to be poached by the banks, big retailers, insurance companies and other regulators.

Events after the reporting date

Subsequent to the financial reporting date, the NCR's irregular expenditure of R1 561 700 was condoned by the National Treasury.

New activities

In response to the Fourth Industrial Revolution, the NCR is in the process of concluding an agreement with the International Finance Corporation (IFC), part of the World Bank Group, to pilot aspects of the G20 Financial Inclusion Policy Guide on the collection, processing and use of alternative data sources, and the development of digital technologies to enable small and medium sized credit providers to collect and share data. This will enhance the affordability assessment regulations and the digitisation of credit information sharing.

In response to the above, the national consumer protection agencies which include the National Consumer Commission (NCC), NCR and NCT have developed a concept paper to collaborate in Information and Communications Technology (ICT) solutions to deliver on their mandates more effectively.

The NCR is also in the process of introducing a mobile unit to be able to reach out to rural areas to provide its services to consumers in various parts of the country.

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

The audit report for the financial year 2018/19 from the Auditor General reflects the following: **A clean audit report.**

Acknowledgements

I sincerely thank the former Honourable Minister of Trade and Industry, Dr Rob Davies; Director-General, Mr Lionel October; the Group Chief Operations Officer, Ms Jodi Scholtz; the Acting Group Chief Operations Officer, Ms Nontombi Matomela; the Deputy Director General, Dr Evelyn Masotja; other dti officials; Honourable Members of the Portfolio Committee on Trade and Industry and Honourable Members of the Select Committee on Trade and International Relations for their continued guidance and support.

I thank in advance, the Minister of Trade and Industry, Mr Ebrahim Patel, for his support and guidance.

I would also like to express my heartfelt gratitude to the NCR Executive team, Management and Staff for their enduring excellence, commitment and diligence.

Ms Nomsa Motshegare
Chief Executive Officer
26 August 2019

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 2019.

Ms Nomsa Motshegare
Accounting Authority and Chief Executive Officer
26 August 2019

National Credit Regulator Executive Committee

Mr Lesiba Mashapa (Company Secretary),
Ms Nomsa Motshegare (Chief Executive Officer and Accounting Authority),
Adv. Obed Tongoane (Deputy Chief Executive Officer)
Ms Fundisiwe Malaza (Interim Chief Financial Officer)

1.7. Strategic Overview

The National Credit Regulator has five 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 information;
- To monitor and improve the NCR's operational effectiveness; and
- To facilitate effective registration of persons and entities.

The National Credit Regulator delivers against these strategic objectives by:

- Register credit providers, credit bureaus, debt counsellors, payment distribution agents (PDAs), and alternative dispute resolution agents (ADRAs) and monitoring their compliance with the NCA;
- Educate and create awareness of the protection that the NCA offers to consumers;
- Research the credit market and its trends, monitor access to credit and the cost of credit to identify factors that may undermine access to credit, competitiveness in the credit market and consumer protection;
- Advise government on policy and legislation;
- Receive and investigate complaints and ensure that consumer rights are protected; and
- Enforce the NCA and take action against contravening entities.

VISION

The vision of the National Credit Regulator is:

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

VALUES

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

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

Integrity: we are committed to honesty and integrity without compromise.

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

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

MISSION

The mission of the National Credit Regulator is:

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

Regulating for a fair and non-discriminatory market for access to consumer credit

Promoting responsible credit-granting use and effective redress."

1.8. Legislative and Other Mandates

In terms of the Public Finance Management Act, the National Credit Regulator (NCR) is a Schedule 3A public entity.

The purpose of the National Credit Act (No. 34 of 2005) is to:

- Promote a fair and non-discriminatory marketplace for access to consumer credit and for that purpose to provide for the general regulation of consumer credit and improved standards of consumer information;
- Promote black economic empowerment and ownership within the consumer credit industry;
- Prohibit certain unfair credit and credit-marketing practices;
- Promote responsible credit-granting and use and for that purpose prohibit reckless credit-granting;
- Provide for debt reorganisation in cases of over-indebtedness;
- Provide for registration of credit bureaus, credit providers, debt counsellors, payment distribution agents and alternative dispute resolution agents;
- Establish national norms and standards relating to consumer credit;
- Promote a consistent enforcement framework relating to consumer credit;
- Establish the NCR and the National Consumer Tribunal (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 National Credit Regulator enforces the provisions of the National Credit Act 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;
- Reviewing legislation and regulations, and reporting to the Minister concerning matters related to consumer credit.

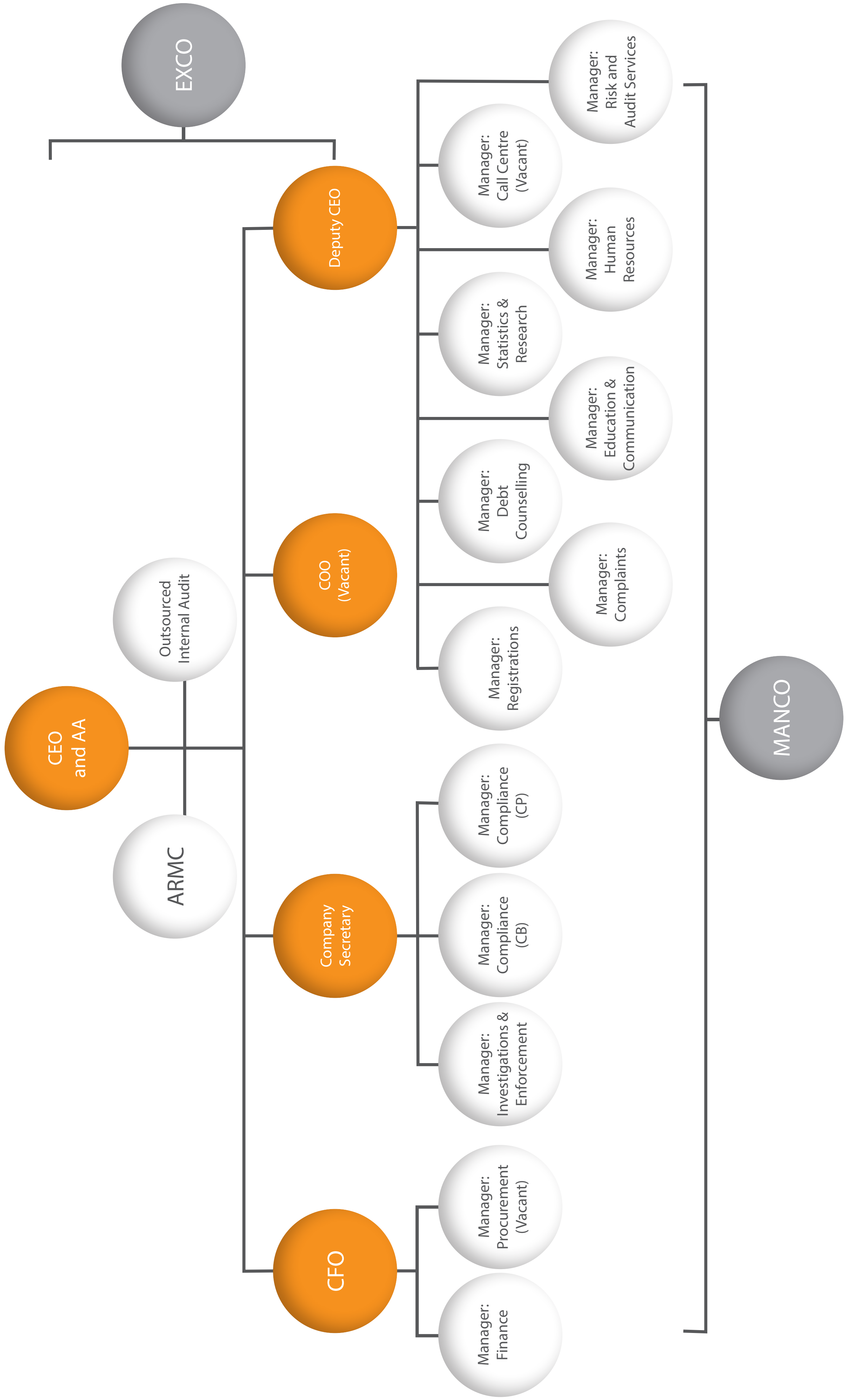
The NCR promotes public awareness around consumer credit matters by:

- Implementing education and information measures.

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

Ms Nthupang Magolego, Senior Legal Advisor and Mr Lesiba Mashapa, Company Secretary at the G20 meeting on financial inclusion in Saudi Arabia

1.9. Organisational Structure



PART B

PERFORMANCE INFORMATION

2.1. Auditor-General Report: Predetermined Objectives

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

2.2. Situational Analysis

2.2.1 Service delivery environment

The socio-economic climate in South Africa during 2018/19 was challenging due to tough economic conditions and corresponding high unemployment.

Whenever economic growth is sluggish, the number of over-indebted consumers increase. The NCR had to deal with the on-going challenges that emanate from the fact that the credit market is constantly evolving with alternative consumer lending options and new products on offer. These needed to be monitored carefully, and loopholes in legislation closed where necessary to protect consumers from debt traps.

2.2.2 Organisational environment

The organisational environment was positive and operations were stable throughout the year. Important factors included:

- Funding – notwithstanding cost-cutting measures, the NCR was able to deliver against its Strategic Plan.
- Systems – the NCR Service Delivery Improvement Plan (SDIP) led to improved efficiencies in service delivery such as a more accessible contact centre and an SMS system that keeps complainants abreast of progress on the resolution of their complaints and applicants up to date with their registration application.
- Human Capital – the NCR continues to face challenges regarding recruitment and retention of critical skills.
- Knowledge intensity – Opportunities for training and further studies were provided for staff. Participation in conferences and similar industry events also contribute to growing the collective as well as individual body of knowledge.

2.2.3 Key policy development and legislative changes

The National Credit Amendment Bill (B30 –2018) was passed by the National Assembly in September 2018. The Bill amends the National Credit Act of 2005 so as to provide debt intervention for over-indebted consumers who cannot afford or do not qualify for existing debt relief measures. The Bill has since been signed into law by the Honourable President. The NCR is to execute this additional mandate.

2.3. Strategic Outcome-oriented Goals

The NCR's eight outcomes and nine outputs are aligned to six strategic objectives. During the period under review, the NCR exceeded or achieved most of its targets. More information is available on pages 41 to 53 of this report.

Strategic objective	Outcome	Output
SO1	Reduced levels 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 (including credit life).
SO2	Decreased levels of reckless lending and unfair practices	Conduct investigations/ complaints evaluations/ compliance monitoring/ audits/raids/ relating to reckless lending and or collection of prescribed debt.
		Enforcement action taken where necessary for the whole year.
		Conduct consumer education and awareness campaigns regarding deceptive and unfair practices and consumer rights.
SO3	Improved quality and accuracy of consumer credit information.	Increase compliance by credit bureaus in respect of, quality, accuracy, the removal of paid up judgements and adverse consumer credit information (ACCI).
SO4	Efficient service delivery	Improve operational efficiency through automated processes
		Service Delivery Improvement Plan
SO5	Increased efficiency in registration of persons and entities.	Improve efficiency in the registration process of persons and entities.

National Credit Regulator Management Team:

Front row (from left): Ms Maria Matlosa, Ms Nosipho Zikishe, Ms Nthupang Magolego, Ms Mmabatho Senyarelo
Back row (from left): Ms Takalani Mudau, Mr Zolile Mngqundaniso, Ms Kedilatile Legodi, Ms Nobuntu Gwala, Mr Mandla Mokoena
Absent: Mr Caiphus Mafoko, Mr Ngoako Mabeba and Ms Jacqueline Peters

2.4 Performance Information by Activity

2.4.1 Performance area: Registrations

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

Mr Zolile Mngqundaniso
Manager: Registrations

As at 31 March 2019, a total of 6 895 credit providers with 39 280 branches, 33 credit bureaus, 4 payment distribution agents, 6 alternative dispute resolution agents and 1 495 debt counsellors were registered with the NCR.

Registrations

More than 1 500 credit providers were registered during the financial year. Some were first time registrations while others were re-registrations of credit providers that had let their licences lapse. The SMS facility through which applicants are updated on the progress of their registration, led to better communication and efficiency during the year under review.

Challenges

The main challenge was to ensure credit providers paid their renewal registration fees on time, namely 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). The non-payment of registration renewal fees results in the lapsing of registrants' registration and holds budgetary implications for the NCR.

The department also had to deal with the challenge of locating registrants that failed to inform the NCR about changes in their contact details.

Highlights

The successful registration campaign for unregistered credit providers was the main highlight of the year. Conducted in partnership with Provincial Consumer Protection Offices, the campaign entailed workshops in four provinces, namely Mpumalanga, Free State, Gauteng and North West. The campaign resulted in an increased number of registrations as credit providers were then informed about compulsory registration for all credit providers. We emphasised the benefits of being registered and found most credit providers became eager to cooperate.

The year ahead

The department will focus on ensuring that registration renewal fees are paid on time and on conducting more workshops for unregistered credit providers to encourage them to register. 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.

Workshop for unregistered credit providers in Klerksdorp, North West Province in March 2019

Workshop for unregistered credit providers in Bethlehem, Free State Province in November 2018

Summary of key outcomes

REGISTRATIONS AT A GLANCE

Facts & figures as at 31 March 2019

6 895
credit providers
[2018:6 191]

33
credit bureaus
[2018:23]

1 495
debt counsellors
[2018:1 325]

4
payment distribution agents [2018:3]

6
alternative dispute resolution agents
[2018:4]

Registrations Team

2.4.2 Performance area: Credit Provider Compliance

The Credit Provider Compliance Department monitors credit providers' compliance with the National Credit Act and with their conditions of registration.

Ms Mmabatho Senyarelo
Manager: Credit Provider Compliance

The deparment monitors credit providers' compliance with the NCA throught desktop and onsite monitoring excercises.

Compliance monitoring

In terms of Regulations 62 – 68 of the NCA, credit providers must submit specific documentation and data at specific due dates.

Documentation that needs to be submitted quarterly and annually include statistical reports (Form 39), annual financial statements (Form 40), compliance reports and assurance engagement reports. These documents are analysed to ensure compliance with the NCA. Where non-compliance is identified, relevant enforcement action is taken.

Various aspects of the NCA were monitored during the desktop exercise, especially the cost of credit and affordability assessments.

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. It is informed by a number of factors and selection is according to the following criteria but not limited to:

- complaints received by the NCR;
- failure to submit statutory returns;
- negative media coverage; and
- trends identified in the submitted statistical returns by credit providers.

Highlights

During 2018/19, in addition to compliance monitoring, the department also conducted credit provider workshops in 4 provinces. The topics included:

a) Affordability assessments - how to conduct these before granting credit.

b) Cost of credit - in respect of initiation fees, interest rates, service fees and credit life insurance.

c) Submission of Statutory Reports - the manner and form of submission of the reports as prescribed by the NCA.

As part of the educational workshops the department compiled a Compliance Manual for Credit Providers and made it available free of charge to all credit providers. The manual is user-friendly and simplifies compliance in layman's terms. The feedback received so far has been overwhelmingly positive.

Just over R4 million was refunded to consumers as a result of compliance monitoring.

The year ahead

Monitoring of compliance with credit life insurance and affordability assessments will remain the main focus areas of the Credit Provider Compliance Department for the year ahead.

Summary of key outcomes

CREDIT PROVIDER COMPLIANCE AT A GLANCE

Facts & figures as at 31 March 2019

Credit Provider Workshops
in 4 provinces

User-friendly
NCR Compliance Manual
for Credit Providers
compiled and distributed

>R4 million
refunds to
consumers

Credit Provider Compliance Team

2.4.3 Performance area: Credit Bureau Compliance

The Credit Bureau Compliance Department is responsible for regulation of credit bureaus and consumer credit information in terms of the National Credit Act. This is to ensure that consumer credit information held by the credit bureaus is complete, accurate and up to date.

Ms Nosipho Zikishe
Manager: Credit Bureau Compliance

There were 33 credit bureaus registered with the NCR as at 31 March 2019. The quality, accuracy and confidentiality of consumer credit information remains the fundamental concern of the Credit Bureau Compliance Department, as this credit information is used for credit lending and risk-based decisions.

Compliance monitoring

Credit bureaus are obligated to comply with legislative reporting to the NCR on a 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 credit bureaus are also obligated to submit a quarterly statutory report (Form 44). The reports are used to identify areas of non-compliance and to produce quarterly statistics by the NCR. Where non-compliance is identified, relevant enforcement action is taken.

Project on credit providers' submission to the data transmission hub

The NCR Guideline in terms of Regulation 19(13) of the NCA requires all credit and data providers to submit and update credit information with credit bureaus authorised to host data. The credit information is submitted and updated through the data transmission hub in accordance with the data submission layout approved by the NCR.

The process of on-boarding large and medium sized credit providers onto the data transmission hub commenced in late 2017. By end of March 2019, about 80% of the main credit providers were on-boarded, and are submitting data to the central hub. The second phase involves the on-boarding of smaller credit providers.

This project is administered by the South African Credit and Risk Reporting Association (SACRRA) and the Credit Bureau Association (CBA) on behalf of the NCR under a tripartite agreement.

The NCR has issued guidelines to ensure the effective implementation of this project.

Highlights

During 2018/19, the NCR continued to monitor credit bureaus compliance with the turn-around times for updating consumers' credit records in accordance with the 2015 amendments. There has also been a focus on monitoring system changes and upgrades by credit bureaus to safeguard the integrity of the data.

The NCR is expected to enter into an agreement with the International Finance Corporation regarding the development of digital technologies for smaller credit providers to submit and update consumer credit information to the central hub. Bringing them on board will enhance the quality, accuracy and real-time availability of consumer credit information – it will be a real breakthrough for the industry.

The department presented workshops to the Land Bank, NFSAS, AGRIBIZ and CFI to ensure that they understand the value, process and importance of reporting data to the credit bureaus. Though these entities do not report consumer credit information, they operate in the larger credit sector and need to be included.

The NCR is a member of the International Committee on Credit Reporting (ICCR). This helps the NCR to keep abreast of international developments and best practices around credit reporting issues such as cybersecurity and credit scoring.

Challenges

Bringing smaller players (credit providers in the fee categories 6 to 9) onboard to report in accordance with Regulation 19 of the NCA has been a slow process due to their general lack of resources. The World Bank project is expected to unlock opportunities to move forward with this project. Pro-active prevention of data breaches at credit bureaus remains a challenge. The NCR plans to develop cybersecurity guidelines for implementation by credit bureaus.

The year ahead

In the coming year, the department intends to collaborate with the credit bureaus on developing standards and policies for cyber security. As each credit bureau uses a different set of assessment criteria, the department also plans to develop standards for credit scoring – this will help standardise criteria and achieve uniformity in the industry, thereby ensuring that consumers are treated fairly.

Summary of key outcomes

CREDIT BUREAU COMPLIANCE AT A GLANCE

Facts & figures as at 31 March 2019

29
credit bureaus monitored
[2018:23]

2
credit bureaus referred to Investigations and Enforcement Department

4
Workshops

Credit Bureau Compliance Team

2.4.4 Performance area: Education and Communication

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

Mr Caiphus Mafoko
Manager: Education and Communication

During the 2018/19 financial year, the Education and Communication Department ran a number of consumer educational and awareness initiatives aimed at empowering South African consumers with knowledge about their rights and responsibilities while transacting within the credit industry. We also featured in various television and radio interviews, the majority of which had a phone-in facility for the public to pose questions and get responses immediately.

Educational activities

To conduct consumer education activities, the NCR works closely with consumer bodies such as the Consumer Protection Forum, the consumer protection offices of the nine provincial governments and other relevant regulators. The NCR worked with the following partners during 2018/19:

- Department of Trade and Industry (dti)
- Department of Economic Development (DED)
- Department of Public Service and Administration (DPSA)
- Natal Joint Municipal Pension Fund (NJMPF)
- National Consumer Commission (NCC)
- Credit Bureau Association (CBA)
- Cooperative Banks Development Agency (CDBA)
- Provincial Consumer Protection Offices
- Offices of the Premiers
- National Empowerment Fund (NEF)
- Financial Sector Conduct Authority (FSCA)

Throughout the year, the NCR conducted 513 consumer education activities organised in partnership with non-governmental organisations, trade unions, employers, traditional authorities, government departments, consumer bodies and organisations in the credit industry. The activities comprised workshops, exhibitions, mall activations and community outreach programmes (imbizos) on general NCA related topics. Through well-established partnerships with various tribal authorities, other regulators and the initiative from the dti, the NCR participated in other community outreach programmes organised nationally.

The NCR conducted 87 multimedia awareness campaigns to protect consumers from abuse and unfair practices in the consumer credit market, address over-indebtedness and promote consumer rights. These campaigns were in the form of radio and TV interviews, newsprint and community outreach programmes, exhibitions, mall activations and road shows. Consumer education road shows and outside broadcasts were held at popular malls in various provinces to create consumer rights awareness.

The NCR participated in six provincial finals of the financial literacy speech competition organised by the FSCA. The competition targeted Grade 11 learners and took place in the Gauteng, Western Cape, KwaZulu-Natal, Mpumalanga, Eastern Cape and North West Provinces with the national finals taking place in Gauteng Province. The competition required learners to present a five minute speech in one of three financial literacy topics approved by the participating departments of education.

Education through mass media

A high proportion of the NCR's radio and TV coverage relates to educational interviews on credit matters, debt counselling and protection of the rights of consumers. Numerous radio stations and TV channels such as SABC 1, SABC 2, eNCA, UKhozi FM, Motsweding FM, Ligwalagwala FM, Energy FM, Mogale FM, Qwaqwa FM, Kopanong FM, Lekoa FM, Hlanganani FM, Greater Tzaneen FM, Unisa Radio, Naledi Community Radio, Radio Mafisa, Mascom and Giyani Community Radio and others afforded the NCR this kind of opportunity.

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. News coverage increases awareness of the NCR and serves as good brand building exercise. The NCR's reports on the state of the credit industry and credit-active consumers appeal to business media, while enforcement stories are of interest to the general news media. In 2018/19 the NCR enjoyed fairly good media coverage with 16 press releases published, 394 radio interviews and 29 television interviews.

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. 5 Imbizos were conducted in Northern Cape, Eastern Cape and Limpopo Provinces.

In order to reach more consumers, the NCR concluded Memoranda of Understanding with entities such as the CBA and others. This enabled it to hold 69 stakeholder engagements to educate consumers on their rights and responsibilities.

The NCR also ran 6 education campaigns through national, community and regional radio stations reaching an estimated 29.9 million listeners. **The campaigns were for:**

1. Consumer Rights Month
2. Youth Month
3. Misleading advertising (in partnership with the dti)
4. Spend wisely, Borrow wisely
5. Registration Drive (debt counsellors and credit providers)
6. Black Friday

Of the 6 campaigns, 5 were targeted at consumers while one was a registration drive targeted at debt counsellors and credit providers.

These campaigns were centred around the following main 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%;
- Register your loan business with the NCR and operate legally;
- Know the difference between debt consolidation and debt counselling; and
- Avoid overspending/ unnecessary spending and borrowing money.
- Don't let Black Friday lead to a black listing.

Highlights

The NCR utilised extensive media outreach to maximise its opportunities for free coverage in the mass media. Media coverage worth over R174 million in calculated advertising value equivalent (AVE) rates was achieved. Of this amount, the NCR only spent R3.18 million for advertising. The remainder was achieved at no direct cost to the NCR through media outreach and partnerships.

In an effort to reach young consumers, the NCR and CBA ran a Schools Financial Literacy programme between April and September 2018. A total of 57 high schools benefitted from the project. The main topics discussed were credit bureaus and credit information; the role of the NCR; credit reports; over-indebtedness and debt counselling. The programme was delivered in an industrial theatre (drama) format. The target group was Grade 11s and 12s.

The year ahead

For the year ahead, the department will focus on creating more awareness and educating consumers on deceptive and unfair practices, responsible borrowing and consumer rights in general.

Education & Communication at a glance

Facts & figures as at 31 March 2019

513 consumer education activities

87 multimedia activities

74 stakeholder engagements and community outreach

394 radio interviews and **29** TV interviews

6 radio campaigns through national regional and community radio stations

16 media releases for print/radio/tv/digital

Advertising Value Equivalence = R174.3 million

vs

Advertising spend = R3.18 million

Education and Communication Team

Workshop on the Debt Relief Bill with the Chairperson of the Portfolio Committee on Trade and Industry at Hillbrow Police Station Hall

Build-up to World Consumer Rights Day roadshow/exhibition with North West Consumer Protection Office at Rustenburg Taxi Rank

World Consumer Rights Day at Rustenburg with North West Consumer Protection Office

NCR and the dti in Hopetown in the Northern Cape

NCR/CBA Schools Roadshow on Financial Literacy for Grades 11 and 12 at BB Myataza Secondary School

2.4.5 Performance area: Complaints

The Complaints Department is responsible for receiving and resolving complaints concerning alleged contraventions of the National Credit Act. The department is divided into two units, namely Call Centre and Complaints Resolution.

Ms Takalani Mudau
Manager: Complaints Department

The Call Centre is responsible for receiving complaints and may, in terms of Section 139 of the NCA, refer the complaints to the ombud with jurisdiction, consumer court or an alternative dispute resolution agent for the purposes of assisting the parties to resolve the dispute accordingly. During the year under review, the Call Centre answered 51 524 calls and received 21 571 written enquiries.

For the period of 2018/19 the department received 1874 complaints, 92.74% of which were successfully resolved. The majority of the complaints related to removal of debt review status and end- balance disputes by consumers under debt review.

Receiving and resolving complaints

The department continued engaging with credit providers and other registrants in an attempt to have complaints resolved expediently. The engagement between the NCR and the provincial consumer protection offices included provision of training to ultimately provide support in the resolution of complaints.

Highlights

Approximately R7.6 million was refunded and/or written off for consumers, which is a significant increase in comparison with the previous financial year in which approximately R3 million was refunded and/or written off.

Challenges

The Call Centre telephone management system experienced problems and affected the accessibility of the Call Centre at times. However we are in the process of acquiring a new call centre system. The untraceability of entities and individuals relating to complaints lodged have a negative impact and leads to delays in resolving complaints.

The year ahead

Subsequent to the department having conducted an internal survey to obtain complainants' views on the level of service delivery during the complaints resolution process, we look forward to implementing a service delivery improvement plan in the coming year.

A new telephone management as well as a complaints management system will be implemented in the year ahead.

Summary of key outcomes

COMPLAINTS AT A GLANCE

Facts & figures as at 31 March 2019

1 874
complaints received
(92.74% were resolved)

21 571
written queries
handled

51 524
phone calls
answered

>R7 million
was refunded and/
or written off for
consumers

Complaints and Call Centre Teams

2.4.6 **Performance area:** Investigations and Enforcement

The Investigations and Enforcement Department investigates allegations of non-compliance with the provisions of the National Credit Act and takes enforcement action where necessary.

Ms Jacqueline Peters
Manager: Investigations and Enforcement

For the period under review, the investigations were focused on compliance by credit providers with provisions of reckless lending, collection of prescribed debt, regulations relating to the affordability assessment and total cost of credit. These investigations were conducted in 7 provinces and on both registered and unregistered credit providers.

In total, the number of investigations conducted was 139.

Enforcement

During the financial year, the department referred 61 entities to the NCT and the courts for various contraventions of the NCA. These referrals resulted in cancellation of registrations of 10 entities. There were administrative penalties totalling R13.6 million and refunds to consumers amounting to R75.2 million.

The investigations into the cost of credit, launched in the previous year, probed the charging of on-the-road fees and other ancillary charges by motor vehicle financiers. Compliance notices were issued to various motor vehicle financiers.

Raids

The department continued to conduct raids on micro lenders that illegally retain consumers' bank cards and identity documents. The NCR partnered with the South African Social Security Agency (SASSA), the South African Police Services (SAPS) and Provincial Consumer Protection offices to conduct these raids. Raids were conducted in the Eastern Cape, Western Cape, Mpumalanga, North West, Free State, Limpopo and KwaZulu-Natal Provinces. As a result of the raids 13 criminal cases were opened, 1963 bank cards and 972 consumer instruments (Identity Documents, Passports and Drivers' Licences) were seized.

The year ahead

In the year ahead, the department will continue to conduct investigations and raids with emphasis on reckless lending, unfair lending practices, compliance with the Regulations regarding the total cost of credit (including credit life), collection of prescribed debt and take enforcement action where necessary.

Investigations & Enforcement at a glance

Facts & figures as at 31 March 2019

139
investigations conducted with a special emphasis on reckless lending and cost of credit

7
provinces covered: special investigations into unregistered credit providers

7
provinces covered: raid on microlenders

61
entities referred to National Consumer Tribunal and the Courts

44
compliance notices issued

>R13 million
fines imposed as a result of investigations

>R75 million
refunds to consumers

2.4.7 **Performance area:** Debt Counselling

The Debt Counselling Department's primary function is to monitor the compliance of debt counsellors, credit providers and payment distribution agents with the National Credit Act and their adherence to their conditions of registration.

Ms Kedilatile Legodi
Manager: Debt Counselling

The department carries out this monitoring function and simultaneously supports debt counsellors and payment distribution agents to improve compliance and protect consumers. There were 1 495 debt counsellors registered with the NCR as at 31 March 2019.

Compliance monitoring

Debt counsellors

Debt counsellors are expected to comply with the NCA and the conditions of registration when carrying out the debt counselling process. To monitor, assess and determine the level of compliance, the department conducted both desktop and onsite compliance monitoring on 1 007 debt counsellors, this was an increase from the 730 debt counsellors monitored in the previous financial year. 705 were found to be non-compliant and relevant enforcement action was taken.

Payment distribution agents

Compliance monitoring of payment distribution agents (PDAs) is undertaken through monthly analysis of their reports, audits by an external service provider and compliance monitoring visits by NCR officials.

The PDAs are audited twice annually by an external service provider and compliance monitoring visits are conducted on a quarterly basis by the NCR officials. The compliance monitoring visits are usually conducted to monitor progress of implementation of corrective measures from the audit findings, if any, and to conduct general compliance checks. In total, 23 compliance monitoring activities (i.e. audits and compliance monitoring visits) were conducted on the four registered PDAs. Enforcement action was taken where non-compliance was identified.

Credit providers

Credit providers are expected to comply with the NCA and the conditions of registration when their customers have applied for debt counselling. During the year under review, the department monitored and assessed the level of compliance of credit providers' debt review departments. In total, 20 credit providers were monitored. Enforcement action was taken where non-compliance was identified.

Debt counselling workshops for consumers

The NCR observed that some consumers apply for debt counselling without having any information or understanding of the debt counselling process. Therefore, the department introduced debt counselling workshops intended to raise awareness among consumers and empower them on the debt counselling process in order to make informed decisions. The workshops were piloted in Soshanguve and Katlehong in Gauteng Province. Credit bureaus were invited and were on hand to offer free credit reports to consumers that attended the workshops and further advised consumers on how to build a good credit record.

Stakeholder engagements

The department engaged with various stakeholders such as credit providers, industry associations, credit bureaus and payment distribution agents. These engagements are aimed at building good working relations, raise and address issues of concern, achieve common understanding, clear any misinterpretations, create and promote uniformity and to create awareness of the latest industry developments. For the period under review, the department held 51 engagements with various stakeholders including the Credit Industry Forum (CIF) which is a platform comprising various industry representatives intended at improving, enhancing and providing clarity on different operational aspects within the credit industry.

Disbursements to credit providers

For the period under review, the payment distribution agents disbursed a total amount of R11.3 billion to credit providers, which is a noted increase from the previous financial year (2018: R10.16 billion). Cumulatively, the payment distribution agents have disbursed an amount of R55.59 billion since 2008. This continuous annual increase of disbursements reflects the positive impact that debt counselling has as a debt relief measure.

The year ahead

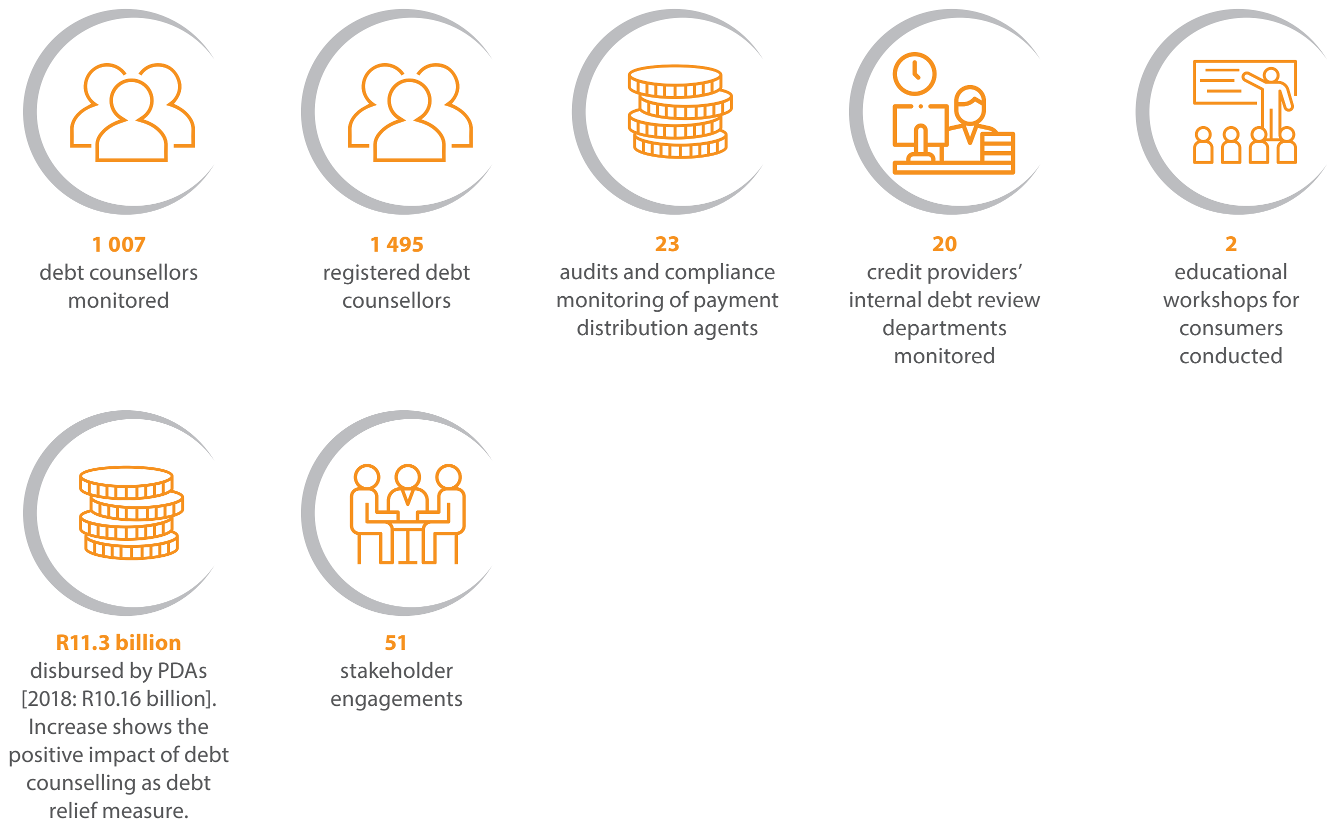
In the year ahead, the department will continue to focus on getting debt counsellors to improve their levels of compliance, strengthening its compliance monitoring and taking enforcement action where necessary.

In order to encourage more financially distressed consumers to consider debt counselling, the department will also focus on changing the perception of debt counselling caused by the conduct of unscrupulous players.

Summary of key outcomes

DEBT COUNSELLING AT A GLANCE

Facts & figures at 31 March 2019



Debt Counselling Team

Debt Counselling Workshop and outside broadcast at Soshanguve Community Hall

Credit checks and free credit reports for consumers

Outside broadcast interviews on Sosha FM

Educating consumers on Debt Counselling and consumer credit rights

NCR team setting up at the venue

2.4.8 **Performance area:** Statistics and Research Department

The Statistics and Research department collates, analyses and disseminates data about consumer credit from credit providers and credit bureaus. It aso conducts research as outlined in Sections 13 and 16 of the National Credit Act.

Mr Ngoako Mabeba
Statistics Department

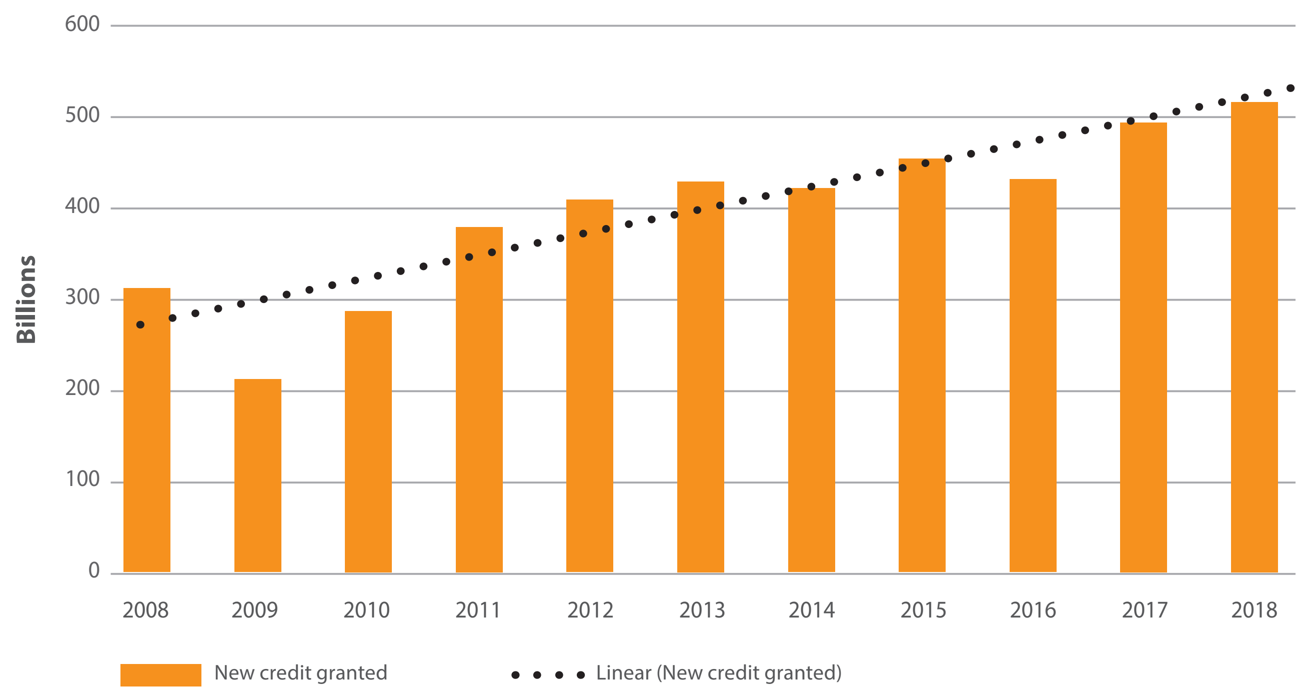
Data is collected in a prescribed format from registrants which include credit providers and credit bureaus. Our flagship reports emanating from the data analysis are the Consumer Credit Market Report (CCMR) and Credit Bureau Monitor (CBM). These reports are produced on a quarterly basis. The reports are used and quoted extensively by a variety of stakeholders, including media, government, credit providers, industry analysts, investors, researchers and other decision makers.

The department is also responsible for conducting research in line with Sections 13 and 16 of the NCA. The research requirements also take into account the prevailing trends and market conditions.

Statistical overview

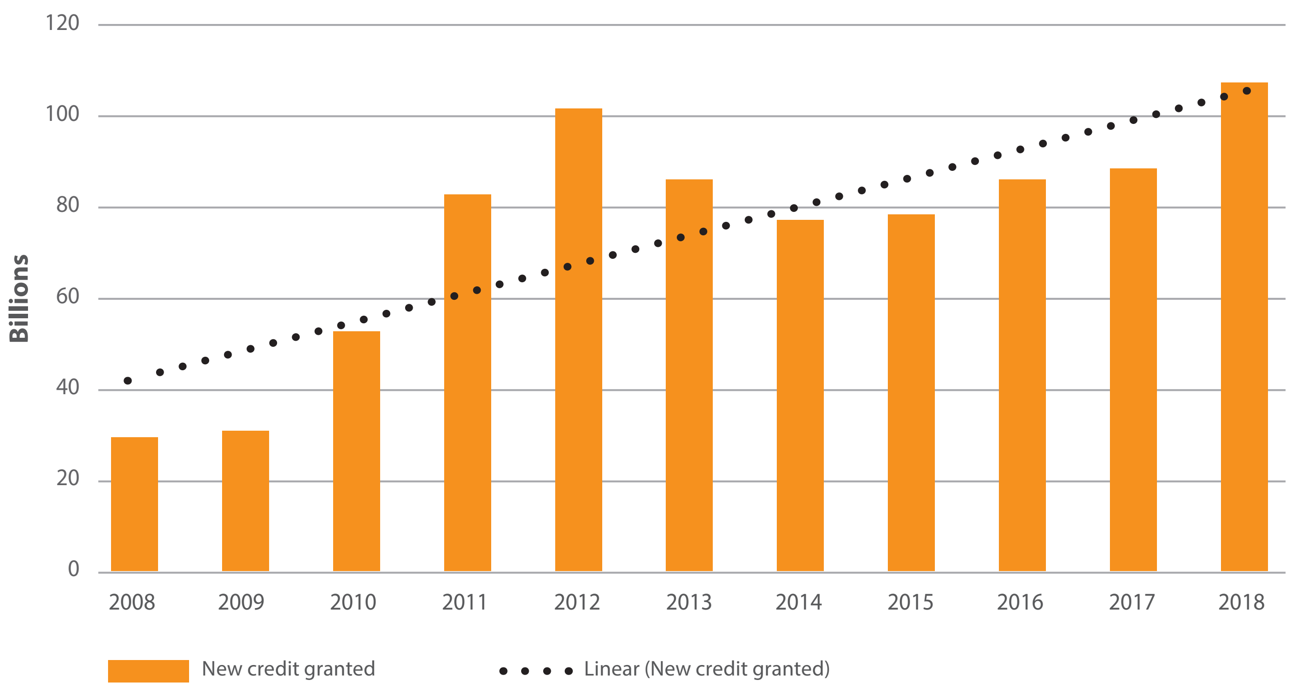
Figure 1.1: Annual credit granted (R billion)

New credit granted to consumers shows positive year-on-year growth



Overall credit extention to consumers has generally been on an upwards trajectory with an annual growth averaging about 4.89% (R22.73 billion) in the last four years. Figure 1.1 depicts the year-on-year credit extention dipping in 2009, 2014 and again in 2016, the rest of the years have a positive growth. Developmental credit has drastically slowed down owing to the change in student financing model by government through National Student Financial Aid Scheme (NSFAS).

Figure 1.2: Annual un-secured credit granted (R billion)



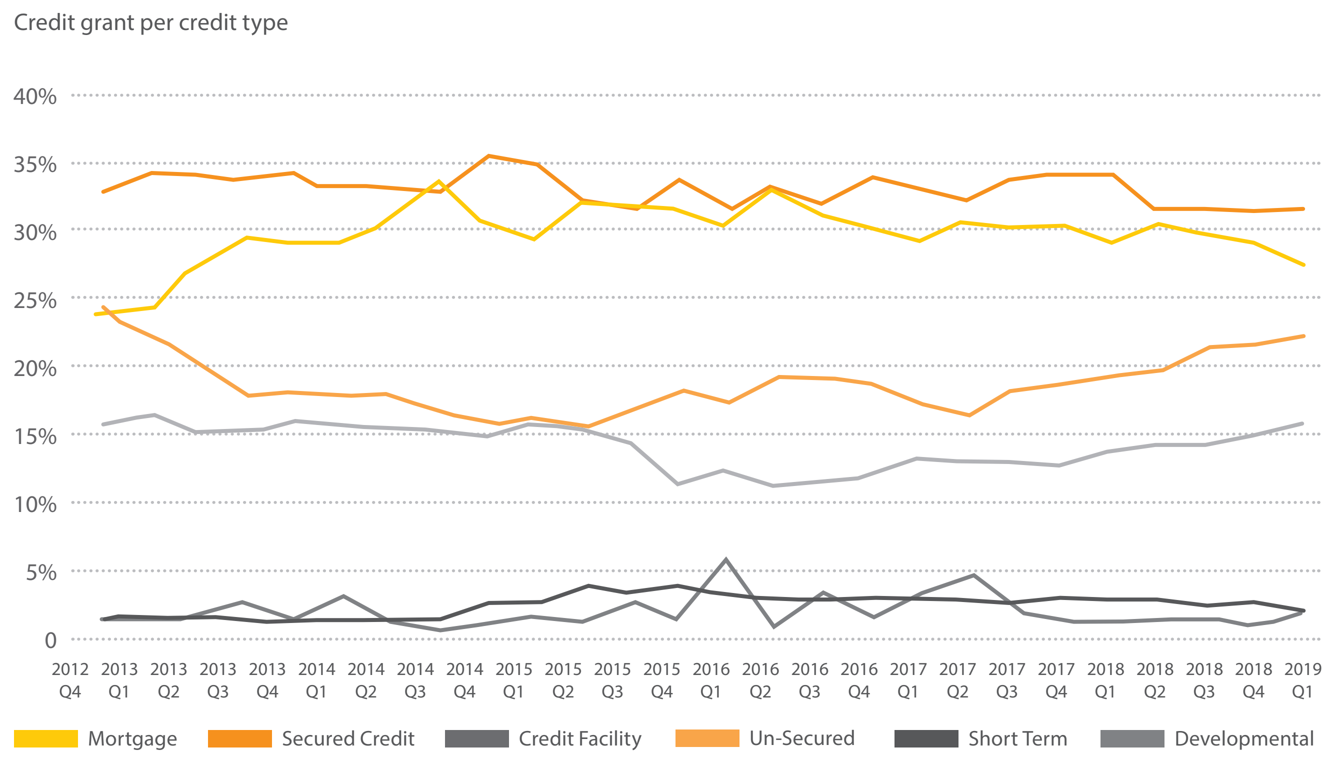
Unsecured credit as depicted in Figure 1.2 has increased sharply in the last year after gradual increases in the last three years. This is in contrast to the slowdown that has been happening from 2013 to 2014 where un-secured credit has been slowing down gradually from the peak of 2012. The average annual increase in unsecured credit extention in the last four years was 10.07% (R8.45 billion).

Table 1: Credit granted (R million)

Agreements	2018 - Q1	2018 - Q2	2018 - Q3	2018 - Q4	2019 - Q1	2019 - Q1 % Distribution	% Change (Q1/Q4)	% Change (Y/Y)
Mortgage	35 395 124	40 174 780	39 792 621	41 987 504	35 239 545	27.56%	-16.07%	-0.44%
Secured Credit	41 479 880	41 541 094	41 989 883	45 412 106	39 850 388	31.17%	-12.25%	-3.93%
Credit Facility	16 721 039	18 618 394	18 844 672	21 670 829	20 263 914	15.85%	-6.49%	21.19%
Un-Secured	23 225 946	26 000 787	28 524 241	31 131 005	28 245 060	22.09%	-9.27%	21.61%
Short Term	3 219 184	3 579 352	3 060 046	3 211 484	2 447 528	1.91%	-23.79%	-23.79%
Developmental Credit	1 579 083	1 733 479	1 425 040	1 244 072	1 809 717	1.42%	45.47%	14.61%
Total	**121 620 256**	**131 647 885**	**133 636 503**	**144 657 000**	**127 856 152**	**100.00%**	**-11.61%**	**5.13%**

The total value of new credit extended to South African consumers as at the end of March 2019 was R127.86 billion. This represented an increase of R6.24 billion (5.13%) when compared to the R121.62 billion extended a year ago. All credit types with the exception of developmental credit have declined for the first quarter of 2019, this is a seasonal trend.

Figure 1.3: Credit granted per credit type



Mortgages share of new credit granted fell from 29.10% in March 2018 to 27.56% in March 2019. Secured credit, which is dominated by vehicle finance, decreased by R1.63 billion (3.93%) year-on-year and by R5.56 billion (12.25%) quarter-on-quarter. Secured credit is currently the largest credit extended per quarter since 2009 quarter two (2009Q2) with a 31.17% share of the total credit granted.

Table 2: Gross outstanding debtors book (R million)

Agreement	2018 - Q1	2018 - Q2	2018 - Q3	2018 - Q4	2019 - Q1	2019 - Q1 % Distribution	% Change (Q1/Q4)	% Change (Y/Y)
Mortgage	913 782 081	922 220 713	928 586 679	939 076 667	948 419 453	50.44%	0.99%	3.79%
Secured Credit	412 560 709	416 055 008	421 520 090	427 233 151	432 411 529	23.00%	1.21%	4.81%
Credit Facility	229 734 628	231 272 171	232 477 342	238 310 963	243 671 808	12.96%	2.25%	6.07%
Un-Secured	172 564 730	178 577 268	184 435 277	194 823 887	200 869 566	10.68%	3.10%	16.40%
Short Term	2 589 924	2 605 598	2 508 472	2 904 830	2 594 098	0.14%	-10.70%	0.16%
Developmental Credit	46 320 923	47 034 518	48 657 437	51 455 925	52 350 433	2.78%	1.74%	13.02%
Total	**1 777 552 995**	**1 797 765 277**	**1 818 185 296**	**1 853 805 424**	**1 880 316 887**	**100.00%**	**1.43%**	**5.78%**

The total gross outstanding debtors book of consumer credit for the quarter ended March 2019 amounted to R1.88 trillion, representing an increase of R102.76 billion (5.78%) year-on-year and an increase of R26.51 billion (1.43%) on a quarter-on-quarter basis.

Mortgages increased by R34.64 billion (3.79%) year-on-year and by R9.34 billion (0.99%) on a quarter-on-quarter basis. Secured credit debtors book increased by R19.85 billion (4.81%) year-on-year and by R5.18 billion (1.21%) on a quarter-on-quarter basis.Unsecured credit debtors book increased by R28.30 billion (16.40%) on a year-on-year and R6.05 billion (3.10%) on a quarter-on-quarter.

Short-term credit debtors book increased by R4.17 million (0.16%) on a year-on-year but decreased by R310.73 million (10.70%) on a quarter-on-quarter. Credit facilities debtors book which comprised credit cards, overdraft and store cards increased by R13.94 billion (6.07%) year-on-year and by R5.36 billion (2.25%) quarter-on-quarter.

CBM overview

The National Credit Regulatior has to date registered thirty-three (33) credit bureaus that deal with consumer data. Consumers classified as credit active have increased year-on-year while the number of consumers classified as impaired have marginally declined on average as a percentage of credit active consumers.

Figure 1.4: Credit active consumers and impaired consumers

Credit active consumers have been steadily increasing while the proportion of impaired consumers was generally declining.

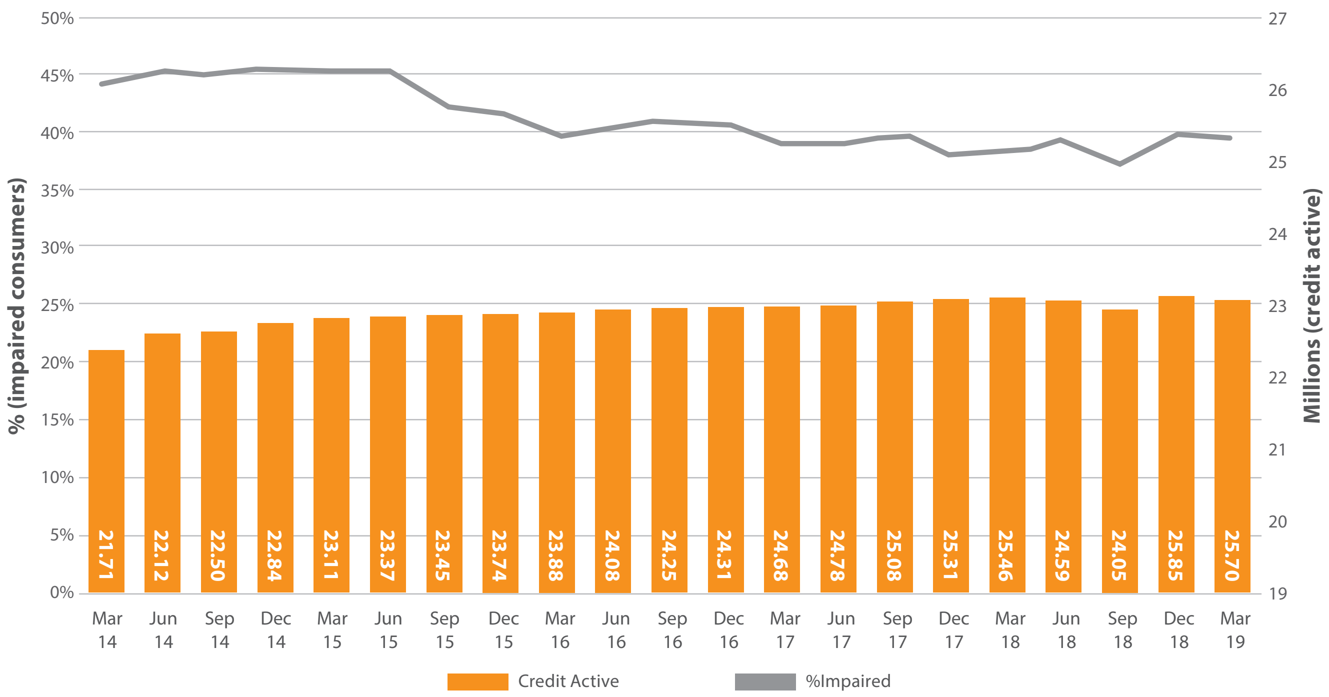


Table 3: Credit standing of consumers

	Jun 16	Sep 16	Dec 16	Mar 17	Jun 17	Sep 17	Dec 17	Mar 18	Jun 18	Sep 18	Dec 18	Mar 19
Good Standing (#)	14.41m	14.40m	14.55m	14.99m	15.10m	15.21m	15.62m	15.77m	15.02m	15.07m	15.69m	15.55m
Good Standing (%)	59.8%	59.4%	59.9%	60.7%	60.9%	60.6%	61.7%	61.9%	61.1%	62.7%	60.7%	60.5%
Current (%)	48.3%	47.6%	47.6%	48.2%	49.2%	49.2%	49.9%	49.6%	49.4%	50.9%	48.1%	48.1%
1-2 months in arrears (%)	11.6%	11.8%	12.3%	12.5%	11.7%	11.4%	11.8%	12.4%	11.7%	11.8%	12.6%	12.4%
Impaired records (#)	9.67m	9.85m	9.76m	9.69m	9.69m	9.87m	9.70m	9.69m	9.57m	8.98m	10.16m	10.15m
Impaired records (%)	40.2%	40.6%	40.2%	39.3%	39.1%	39.4%	38.3%	38.1%	38.9%	37.4%	39.3%	39.5%
3+ months in arrears (%)	22.1%	22.3%	21.8%	21.7%	22.0%	22.1%	21.7%	21.9%	22.7%	22.3%	24.1%	23.5%
Adverse listings (%)	10.7%	11.3%	11.8%	11.4%	11.2%	11.4%	11.1%	10.7%	10.6%	9.5%	10.1%	10.9%
Judgements and administration orders (%)	7.3%	6.9%	6.6%	6.2%	5.9%	5.8%	5.5%	5.5%	5.5%	5.6%	5.1%	5.1%
Consumer accounts (#)	24.08m	24.25m	24.31m	24.68m	24.78m	25.08m	25.31m	25.46m	24.59m	24.05m	25.85m	25.70m

As at March 2019, the bureaus held records for 25.70 million credit-active consumers, an increase of 233 100. (0.92%) consumers when compared to March 2018. The number of consumers classified to be in good standing was 15.55 million (60.52%) while the balance of 10.15 million (39.48%) had impaired records.

Table 4: Credit standing of accounts

	Jun 16	Sep 16	Dec 16	Mar 17	Jun 17	Sep 17	Dec 17	Mar 18	Jun 18	Sep 18	Dec 18	Mar 19
Good Standing (#)	64.32m	63.44m	62.41m	62.73m	60.04m	58.25m	59.64m	59.66m	56.95m	57.51m	59.54m	58.95m
Good Standing (%)	76.1%	75.7%	75.7%	76.1%	75.0%	74.3%	75.0%	75.4%	74.9%	75.5%	74.1%	73.2%
Current (%)	69.1%	68.5%	68.4%	68.8%	68.1%	67.2%	67.8%	67.8%	67.6%	68.0%	64.3%	62.8%
1-2 months in arrears (%)	7.0%	7.2%	7.3%	7.3%	7.0%	7.1%	7.3%	7.6%	7.3%	7.5%	9.8%	10.5%
Impaired records (#)	20.24m	20.37m	20.01m	19.70m	19.97m	20.19m	19.84m	19.42m	19.07m	18.66m	20.77m	21.53m
Impaired records (%)	23.9%	24.3%	24.3%	23.9%	25.0%	25.7%	25.0%	24.6%	25.1%	24.5%	25.9%	26.8%
3+ months in arrears (%)	17.8%	18.1%	17.9%	17.8%	18.3%	18.9%	18.4%	18.4%	18.8%	18.4%	19.6%	19.6%
Adverse listings (%)	4.5%	4.6%	4.9%	4.6%	5.1%	5.2%	5.1%	4.7%	4.8%	4.7%	5.0%	6.0%
Judgements and administration orders (%)	1.6%	1.6%	1.6%	1.5%	1.6%	1.6%	1.5%	1.5%	1.5%	1.4%	1.2%	1.2%
Consumer accounts (#)	84.56m	83.81m	82.42m	82.43m	80.02m	78.43m	79.49m	79.08m	76.02m	76.17m	80.31m	80.49m

The total number of consumer accounts increased from 79.08 million in March 2018 to 80.49 million in March 2019, this represented an increase of 1 403 681 (1.77%) on a year on year basis. Accounts in good standing declined from 75.45% to 73.25% over the same period.

Trends in 2018/19

- Unsecured credit is resurging with sharp increases in the last three years.
- Developmental credit has declined owing to NSFAS.
- Credit extension for vehicle finance continues to exceed morgages granted.

Challenges

Because of the evolving nature of the credit industry, more complex products are being introduced and therefore there is a need to keep abreast with the new developments to inform the public.

STATISTICS AND RESEARCH AT A GLANCE

Facts & figures at 31 March 2019

Consumer Credit Market Report

- Published 4 x per year
- Measures levels of credit extension + consumer indebtedness
- Data collected from credit providers with >R15 million disbursements per year

Quick fact

Total extended credit to consumers at 31 March 2019 >R1.8 trillion

Credit Bureau Monitor

- Published 4 x per year
- Measures standing of credit active consumers
- Data collected from credit bureaus with records from >25 million credit active consumers and >80 million accounts

Quick fact

Consumers in 'good standing' at 31 March 2019 = 15.55 million
Consumers with impaired records at 31 March 2019 = 10.15 million

Statistics and Research Team

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) Understanding the impact of the regulations on consumers and credit providers;
(b) Monitoring credit provider compliance with the regulations;
(c) Enforcing compliance with the regulations; and
(d) Improving the regulations.

Description of the programme

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

Strategic objective 1: To promote responsible credit granting

Output	Performance measure or indicator	Actual achievement 2017/2018	Planned target 2018/2019	Actual achievement	Deviation from planned target to actual achievement for 2018/2019	Comment on deviations
Improve compliance with affordability assessment regulations.	A report on the study of the impact of affordability assessment regulations on consumers.	Service provider appointed.	Conduct an impact study of the affordability assessment regulations on consumers and produce a report.	**Substantially Achieved** The impact study was completed within the period, however the report was not submitted to the dti by the due date.	The report was not submitted to the dti by the due date due to delays in the review process (review of the draft report).	The report will be submitted to the dti in the first quarter of the 2019/20 financial year.

Executive Support Team

A performance review of the first half of 2018/19 financial year was conducted and resulted in the revision of performance targets relating to strategic objectives one (1) and two (2) i.e. cost of credit and reckless lending investigations. The targets were changed from the number of investigations conducted to the number of credit providers investigated. These amendments were subsequently approved by the Minister.

It is for the above reason that the reporting of the two targets is split into two sections as follows:

- First half (quarter 1 and 2) relates to the number of investigations conducted; and
- Second half (quarter 3 and 4) relates to the number of credit providers investigated.

The table below illustrates the split in reporting of the two performance indicators:

First half of the 2018/19 financial year

Output	Performance measure or indicator	Actual achievement 2017/2018	Planned target 2018/2019	Planned targets (Q1 & Q2)	Actual achievement	Deviation from planned target to actual achievement for 2018/2019	Comment on deviations
Increase compliance with regulations pertaining to the total cost of credit (including credit life).	Number of investigations/ compliance monitoring/ audits/raids/ complaints evaluations conducted to enforce regulations.	66 investigations were conducted.	Conduct 280 of any or a combination of the following: Investigations/ compliance monitoring/ audits/raids/ complaints evaluations to enforce evaluations.	Conduct 150 of any or a combination of the following: Investigations/ compliance monitoring/ audits/raids/ complaints evaluations to enforce evaluations.	**Q1 and Q2** **Exceeded** 163 of any or a combination of the following were conducted (36 Investigations, 103 compliance monitoring, 24 complaints evaluations, 0 audits, 0 raids).	Improved turnaround times in required information and increase in complaints received which facilitated and necessitated speedy investigations and resolution of matters.	-
	Enforcement action taken on a percentage (%) of investigations/ compliance monitoring/ audits/raids/ complaints evaluations conducted, where necessary for the whole year	Enforcement action was taken on 57 non-compliant credit providers.	70% enforcement action taken on investigations/ compliance monitoring/ audits/raids/ complaints evaluations conducted where necessary for the whole year.	[1] 70% enforcement action taken on investigations/ compliance monitoring/ audits/raids/ complaints evaluations conducted where necessary for the whole year.	**Q1 and Q2** 84% (137÷163) enforcement action taken on 137 of any or a combination of the following (26 Investigations, 103 compliance monitoring, 8 complaints evaluations, 0 audits, 0 raids).	-	The 84% enforcement action taken relates to investigations/ compliance monitoring / complaints evaluations conducted in the first half of the year.

1 *For presentation purposes, enforcement action for Q1 and Q2 is included as planned target, even though it was not a requirement. Enforcement action taken throughout the year is reported in Q4 of the financial year.*

Second half of the 2018/19 financial year

Output	Performance measure or indicator	Actual achievement 2017/2018	Planned target 2018/2019	Planned targets (Q3 & Q4)	Actual achievement	Deviation from planned target to actual achievement for 2018/2019	Comment on deviations
Increase compliance with regulations pertaining to the total cost of credit (including credit life).	Number of credit providers investigated/ complaints evaluated/ Compliance monitored/ audited/ raided on total cost of credit (including credit life) to enforce regulations.	-	Investigate/ evaluate complaints/ monitor compliance/ Audit/conduct raids on *290 credit providers regarding total cost of credit (including credit life) to enforce regulations.	Investigate/ evaluate complaints/ monitor compliance/ Audit/ conduct raids on 140 credit providers regarding total cost of credit (including credit life) to enforce regulations.	**Q3 and Q4** **Exceeded** 143 credit providers were investigated/ compliance monitored/ complaints evaluated.	Improved turnaround times in required information and increase in complaints received which facilitated and necessitated speedy investigations and resolution of matters.	-
Enforcement action taken where necessary for the whole year.	Enforcement action taken on a percentage (%) of credit providers investigated/ complaints evaluated/ Compliance monitored/ audited/ raided/on total cost of credit (including credit life) where necessary for the whole year.	-	Take enforcement action on 70% of credit providers investigated/ Complaints evaluated/ Compliance monitored/ Audited/ raided on total cost of credit (including credit life) where necessary for the whole year.	Take enforcement action on 70% of credit providers investigated/ Complaints evaluated/ Compliance monitored/ Audited/ raided on total cost of credit (including credit life) where necessary for the whole year	**Q3 and Q4** 71% (101÷143) enforcement action taken on 101 credit providers investigated / monitored/ evaluated.	-	The 71% enforcement action taken relates to credit providers investigated/ complaints evaluated/ compliance monitored during the second half of the financial year.

Actual achievement on enforcement action taken for 2018/19 (Q1 – Q4)

Planned targets (Q1 - Q4)	Actual achievement Q1 – Q4	Deviation from planned target to actual achievement for 2018/19
Take enforcement action on 70% of credit providers investigated/Complaints evaluated/Compliance monitored/Audited/raided on total cost of credit (including credit life) where necessary for the whole year.	**Exceeded** 78% (84% + 71% ÷ 2) enforcement action taken.	Efficiency in enforcement tools used.

Output	Performance measure or indicator	Actual achievement 2017/2018	Planned target 2018/2019	Actual achievement	Deviation from planned target to actual achievement for 2018/2019	Comment on deviations
Increase compliance with regulations pertaining to the total cost of credit (including credit life).	A report on the impact study of the effect of total cost of credit and credit life insurance regulations on consumers.	-	Conduct an impact study of the effect of total cost of credit and credit life insurance regulations on consumers.	**Substantially Achieved** The impact study was completed within the period, however the report was not submitted to the dti by the due date.	The report was not submitted to the dti by the due date due to delays in the review process between the NCR and the service provider.	The report will be submitted to the dti in the first quarter of the 2019/20 financial year.

Strategy to overcome areas of under performance

The impact study reports of the affordability assessment regulations and of the effect of total cost of credit on consumers will be submitted to the dti in the first quarter of 2019/20 financial year.

Changes to planned targets

Original performance target:

- Conduct 280 of any or a combination of the following: investigations/ compliance monitoring/ audits/ raids/ complaints evaluations.

Revised performance target:

- Investigate/ evaluate complaints/ monitor compliance/ audit/ conduct raids on *290 credit providers regarding total cost of credit (including credit life) to enforce regulations".

  The target was revised up by 10 as it was exceeded during the first half of the financial year and it was aligned to the number of credit providers investigated instead of the number of investigations conducted. There was no budget implication for the additional investigations.

Original performance target:

- 70% enforcement action taken on investigations/compliance monitoring/ audits/ raids/ complaints evaluations conducted, where necessary for the whole year.

Revised performance target:

- Take enforcement action on 70% of credit providers investigated/ complaints evaluated/ compliance monitored/ audited/ raided on total cost of credit (including credit life) where necessary for the whole year".

  The target was aligned to the number of credit providers enforced instead of the number of investigations.

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 and improving education awareness regarding deceptive and unfair practices and consumer rights.

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.

A performance review of the first half of 2018/19 financial year was conducted and resulted in the revision of performance targets relating to strategic objectives one (1) and two (2) i.e. cost of credit and reckless lending investigations. The targets were changed from the number of investigations conducted to the number of credit providers investigated. These amendments were subsequently approved by the Minister.

It is for the above reason that the reporting of the two targets is split into two sections as follows:

- First half (quarter 1 and 2) relates to the number of investigations conducted; and
- Second half (quarter 3 and 4) relates to the number of credit providers investigated.

The table below illustrates the split in reporting of the two performance indicators:

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

First half of the 2018/19 financial year							
Output	**Performance measure or indicator**	**Actual achievement 2017/2018**	**Planned target 2018/2019**	**Planned targets (Q1 & Q2)**	**Actual achievement**	**Deviation from planned target to actual achievement for 2018/2019**	**Comment on deviations**
Conduct investigations/ complaints evaluations/ compliance monitoring/ audits/raids relating to reckless lending and or collection of prescribed debt.	Number of credit provider investigations/ compliance monitoring/ audits/ raids/ complaints evaluations relating to reckless lending and/ or collection of prescribed debt conducted to enforce regulations.	70 investigations were conducted.	Conduct 280 of any or a combination of the following: credit provider Investigations/ compliance monitoring/ audits/raids/ complaints evaluations relating to reckless lending and or collection of prescribed debt	Conduct 150 of any or a combination of the following: Investigations/ compliance monitoring/ audits/raids/ complaints evaluations relating to reckless lending and or collection prescribed debt.	**Q1 and Q2** **Exceeded** 188 of any or a combination of the following were conducted (38 Investigations, 104 compliance monitoring, 46 complaints evaluations, 0 audits, 0 raids)	Improved turnaround times in required information and increase in complaints received which facilitated and necessitated speedy investigations and resolution of matters.	-
Enforcement action taken where necessary for the whole year	Enforcement action taken on a percentage (%) of investigations/ compliance monitoring/ audits/ complaints evaluations relating to reckless lending and or collection of prescribed debt where necessary for the whole year.	Enforcement action was taken on non-compliant credit providers.	70% enforcement action taken on investigations/ compliance monitoring/ audits/raids/ complaints evaluations conducted where necessary for the whole year.	[2] 70% enforcement action taken on investigations/ compliance monitoring/ audits/raids/ complaints evaluations conducted where necessary for the whole year.	**Q1 and Q2** 71% (133÷188) enforcement action taken on 133 of any or a combination of the following (26 Investigations, 101 compliance monitoring, 6 complaints evaluations, 0 audits, 0 raids).	-	The 71% enforcement action taken relates to investigations/ compliance monitoring/ complaints evaluations conducted in the first half of the year.

2 *For presentation purposes, enforcement action for **Q1 and Q2** is included as planned target, even though it was not a requirement. Enforcement action taken throughout the year is reported in **Q4** of the financial year.*

Second half of the 2018/19 financial year							
Output	**Performance measure or indicator**	**Actual achievement 2017/2018**	**Planned target 2018/2019**	**Planned targets (Q3 & Q4)**	**Actual achievement**	**Deviation from planned target to actual achievement for 2018/2019**	**Comment on deviations**
Conduct investigations/ complaints evaluations/ compliance monitoring/ audits/raids relating to reckless lending and or collection of prescribed debt.	Number of credit providers investigated/ complaints evaluated/ compliance monitored/ audited/ raided on reckless lending and/ or collection of prescribed debt to enforce regulations.	-	Investigate/ evaluate complaints/ monitor compliance/ audit/ conduct raids on **290 credit providers regarding reckless lending and/ or collection of prescribed debt to enforce regulations	Investigate/ evaluate complaints/ monitor compliance/ audit/ conduct raids on 140 credit providers regarding reckless lending and/ or collection of prescribed debt to enforce regulations.	**Q3 and Q4** **Substantially achieved** 133 credit providers were investigated/ compliance monitored/ complaints evaluated.	Notwithstanding receipt of increased number of complaints, they related to a few credit providers.	Compliance monitoring exercises will be conducted on more and different credit providers.
Enforcement action taken where necessary for the whole year.	Enforcement action taken on a percentage (%) of credit providers investigated/ complaints evaluated/ compliance monitored/ audited/ raided on reckless lending and/ or collection of prescribed debt where necessary for the whole year.	-	Take enforcement action on 70% of credit providers investigated/ complaints evaluated/ compliance monitored/ audited/ raided on reckless lending and/ or collection of prescribed debt where necessary for the whole year.	Take enforcement action on 70% of credit providers investigated/ complaints monitored/ audited/ raided on reckless lending and/ or collection of prescribed debt where necessary for the whole year.	**Q3 and Q4** 74% (99÷133) enforcement action taken on 99 credit providers investigated/ evaluated/ monitored.	-	The 74% enforcement action taken relates to credit providers investigated/ complaints evaluated/ compliance monitored in the second half of the financial year.

Actual achievement on enforcement action taken for 2018/19 (Q1 – Q4)		
Planned targets (Q1 - Q4)	**Actual achievement Q1 – Q4**	**Deviation from planned target to actual achievement for 2018/19**
Take enforcement action on 70% of credit providers investigated/ complaints monitored/ audited/ raided on reckless lending and/or collection of prescribed debt where necessary for the whole year.	**Exceeded** 73% (71%+74%÷2) enforcement action taken.	Efficiency in enforcement tools used.

Output	Performance measure or indicator	Actual achievement 2017/2018	Planned target 2018/2019	Actual achievement	Deviation from planned target to actual achievement for 2018/2019	Comment on deviations
Conduct consumer education and awareness campaigns regarding deceptive and unfair practices and consumer rights.	Number of multimedia awareness campaigns (radio/TV interviews/news print/Community outreach programmes/ social media) conducted on deceptive and unfair practices and consumer rights.	37 multimedia awareness campaigns were conducted.	Conduct 80 of any or a combination of the following: - Radio interviews - TV interviews - News print - Community outreach programmes - Social media on deceptive and unfair practices and consumer rights.	**Exceeded** 87 multimedia awareness campaigns were conducted.	Initiated community outreach programs (Imbizos); received increased media requests for interviews and stakeholder events.	-

Strategy to overcome areas of under performance

Compliance monitoring exercises will be conducted on more and different credit providers to address the underperformance in the second half of the financial year.

Changes to planned targets

Original performance target:

- Conduct 280 of any or a combination of the following: investigations/ compliance monitoring/ audits/ raids/ complaints evaluations relating to reckless lending and or collection of prescribed debt.

Revised performance target:

- Investigate/ evaluate complaints/ monitor compliance/ audit/ conduct raids on **290 credit providers regarding reckless lending and or collection of prescribed debt to enforce regulations.

  The target was revised up by 10 as it was exceeded during the first half of the financial year and it was aligned to the number of credit providers investigated instead of the number of investigations conducted. There was no budget implication for the additional investigations.

Original performance target:

- The performance target of 70% enforcement action taken on investigations/ compliance monitoring/ audits/ raids/ complaints evaluations relating to reckless lending and or collection of prescribed debt.

Revised performance target:

- Take enforcement action on 70% of credit providers investigated/ complaints evaluated/ compliance monitored/ audited/ raided on reckless lending and or collection of prescribed debt where necessary for the whole year.

  The target was aligned to the “number of credit providers” enforced instead of the “number of investigations”.

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

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, complaints evaluation 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, complaints evaluation, 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 2017/2018	Planned target 2018/2019	Actual achievement	Deviation from planned target to actual achievement for 2018/2019	Comment on deviations
Increase compliance by credit bureaus in respect of quality, accuracy, the removal of paid up judgements and adverse consumer credit information (ACCI).	Number of credit bureaus monitored.	Fourteen (14) credit bureaus were monitored.	Monitor eight (8) credit bureaus.	**Exceeded** Fourteen (14) Credit Bureaus were monitored.	Various compliance monitoring tools (desktop and on-site visits) were used. In addition, requests for onsite visits were sent to different credit bureaus and some were available.	-
	Enforcement action taken on a percentage (%) of monitored non-compliant credit bureaus where necessary.	Enforcement action was taken on one (1) non-compliant credit bureau.	Enforcement action taken on 100% non-compliant credit bureaus.	**Achieved** Four (4) Credit Bureaus were found to be non-compliant and enforcement action was taken on 100% of the credit bureaus which were found to be non-compliant.	-	-
	Number of audited reports for 2018/19 financial year submitted by registered credit bureaus and enforcement action taken where necessary on credit bureaus that did not submit.	-	All registered credit bureaus to submit 2018/19 financial year audited reports by 15 March 2019 and enforcement action taken where necessary on credit bureaus that did not submit.	**Achieved** Twenty-three (23) of the thirty (30) registered Credit Bureaus submitted. Enforcement action was taken on six (6) Credit Bureaus that failed to submit by due date. One (1) Credit Bureau was not operational.	-	-
	% of received credit bureau audited reports for 2018/19 financial year evaluated and enforcement action taken where necessary.	Auditors' reports from credit bureaus were reviewed. Enforcement action was taken on two (2) non-compliant credit bureaus.	Evaluate 100% of credit bureau audited reports received from credit bureaus and enforcement action taken where necessary.	**Achieved** 100% (13) credit bureaus' audited reports were received and evaluated. Two (2) Credit bureaus were found to be non-compliant and enforcement action was taken on both.	-	-

Strategy to overcome areas of under performance

There were no areas of under-performance.

Changes to planned targets

Original performance target:

- The performance target of "All registered credit bureaus to submit audited reports by 15 March 2019 and enforcement action taken where necessary."

Revised performance target:

- All registered credit bureaus to submit "2018/19 financial year" audited reports by 15 March 2019 and enforcement action taken where necessary on "credit bureaus that did not submit".

  The change was to specify the relevant financial year of the audited reports and that enforcement action will be taken on credit bureaus that did not submit by the due date.

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

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 2017/2018	Planned target 2018/2019	Actual achievement	Deviation from planned target to actual achievement for 2018/2019	Comment on deviations
Improve operational efficiency through automated processes.	% of uptime availability of the legacy ICT (Registrations and Complaints) systems.	99.97% uptime of the ICT system.	98% uptime of the ICT system.	**Exceeded** On average, 99% 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.	
Service delivery improvement plan.	Approved SDIP.	Call Centre SDIP implemented for 6) months	Approval of 2018-2021 SDIP by AA.	**Exceeded** The SDIP was approved by the AA in the 3rd quarter of this financial year.	The SDIP was given priority.	

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.

2.5.5 Programme 5: 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 5: To facilitate efficient registration of persons and entities

Output	Performance measure or indicator	Actual achievement 2017/2018	Planned target 2018/2019	Actual achievement	Deviation from planned target to actual achievement for 2018/2019	Comment on deviations
Improve efficiency in the registration process of persons and entities.	% of applications registered within 10 business days of receipt of signed proposed conditions and payment of registration fees.	99% of applications were registered within 10 business days of receipt of signed proposed conditions and payment of registration fees.	Register 90% of applications within 10 business days of receipt of signed proposed conditions and payment of registration fees.	**Exceeded** 99% applications were registered within 10 business days of receipt of signed proposed conditions and payment of registration fees.	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.

Legends:

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

2.5.6 Linking performance with budgets

The budgeted expenses per activity compared to the actual expenses for the 2018/19 financial year are set out in the table below:

	2018/19			2017/18		
Performance activity/objective	**Budget**	**Actual expenditure**	**(Over)/under expenditure**	**Budget**	**Actual expenditure**	**(Over)/under expenditure**
Programme 1	32 664	30 112	2 552	17 800	16 329	1 471
Programme 2	35 284	39 947	4 663	30 400	28 889	1 511
Programme 3	9 436	7 748	1 688	19 400	18 841	559
Programme 4	50 685	50 327	358	36 657	35 170	1 487
Programme 5	9 541	8 635	906	15 410	15 073	337
Programme 6	-	-	-	11 050	11 304	254
	137 611	**136 771**	**840**	**130 717**	**125 606**	**5 111**

PART C

GOVERNANCE

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 contributor as per the certificate below. Even though the NCR scored high (94%) in management and control, enterprise and supplier development, it was found wanting on skills development due to funding challenges.

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

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
Non-Compliant
(Generic - Specialised Scorecard)

BEE PROCUREMENT RECOGNITION LEVEL
0%

Element	Score	Analysis	Results
Management Control	18.75	Designated Group Supplier	No
Skills Development	0.00	Empowering Supplier	Yes
Enterprise & Supplier Development	30.00	Discounted Principle Applied	No
Socio-Economic Development and Consumer Education	1.26	Modified Flow Through Principle Applied	No
Economic Development	0.00	Date Issued	26 August 2019
Y.E.S Initiative Implemented	No	Revision Date	N/A
Financial Period Reviewed	1 April 2018 – 31 March 2019	Expiry Date	25 August 2020
Total	**50.01**	Certificate Number	HR/GEN/1887/19
Verification Analyst	M. van der Walt	Certificate Version Number	1.0

Verification Manager
Zunaid Vallee
Honeycomb BEE Ratings

Date: ***26 August 2019***

sanas

BEE RATING BY HONEYCOMB

Honeycomb BEE Ratings (Pty) Ltd Reg No: 2005/0177/27/07 • 27 14th Avenue • Northmead • Benoni • 1501
Tel: 0861 Honeycomb or (011) 880 1630 • e-mail: info@honeycomb-bee.co.za • www.honeycomb-bee.co.za

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.

Throughout the year under review, the NCR also met with the Portfolio Committee on Trade and Industry to discuss various issues:

April 2018

Date	Institution	Topics
26	Dti	Telecon: MFSA Matter: Credit Life Insurance

May 2018

Date	Institution	Topics
08	Portfolio Committee on Trade and Industry	Consideration of the National Credit Amendment Bill (Submit Bill for legal opinion to SC)
09	Portfolio Committee on Trade and Industry	Consideration of the National Credit Amendment Bill
10	Portfolio Committee on Trade and Industry	Consideration of the National Credit Amendment Bill
16	Portfolio Committee on Trade and Industry	Consideration of the National Credit Amendment Bill
18	Portfolio Committee on Trade and Industry	Formal consideration of the National Credit Amendment Bill
23	Portfolio Committee on Trade and Industry	Consideration of the National Credit Amendment Bill
24	Portfolio Committee on Trade and Industry	Consideration of the National Credit Amendment Bill
29	Portfolio Committee on Trade and Industry	Formal consideration of the National Credit Amendment Bill
30	Standing Committee on Finance	Allegations about Capitec: Summit Finance Partners

June 2018

Date	Institution	Topics
07	Dti	Annual review and Performance agreement discussion
11	Dti	MFSA Matter: Credit Life Insurance
22	Dti	COTII Meeting

July 2018

Date	Institution	Topics
10	Dti	Meeting with NCR: Credit Exemption Process
31	Portfolio Committee on Trade and Industry	Consideration of the National Credit Amendment Bill

August 2018

Date	Institution	Topics
01	Portfolio Committee on Trade and Industry	Consideration of the National Credit Amendment Bill
07	Portfolio Committee on Trade and Industry	Formal consideration of the National Credit Amendment Bill
14	Portfolio Committee on Trade and Industry	Consideration of the National Credit Amendment Bill
16	Portfolio Committee on Trade and Industry	Formal consideration of the National Credit Amendment Bill
20	Portfolio Committee on Trade and Industry	Consideration of the National Credit Amendment Bill
21	Portfolio Committee on Trade and Industry	Consideration of the National Credit Amendment Bill
28	Portfolio Committee on Trade and Industry	Consideration/deliberations on the National Credit Amendment Bill (Clause by Clause)

September 2018

Date	Institution	Topics
04	Portfolio Committee on Trade and Industry	Formal Consideration of the National Credit Amendment Bill (Report)
12	National Assembly	Debate on the National Credit Amendment Bill

October 2018

Date	Institution	Topics
10	Select Committee on Trade and International Relations	Briefing on the National Credit Amendment Bill
15	Dti	Preparatory Workshop for the Provincial Consultations: Credit Amendment Bill [B30-2018] (s76)

November 2018

Date	Institution	Topics
12	Dti	CCRD Shortlisting of Financial Reporting Standard Council (FRSC) Members
21	Dti, NCR, NCC, NCT	Consumer Protection Agencies Cluster – ICT Collaboration Presentation
23	Dti	Review of Payment Distribution Agents (PDAs) Fees and distribution timelines
23	Dti	Bi-Annual Review with the Minister
28	Select Committee on Trade and International Relations	Consideration of the written submission on the National Credit Amendment Bill [B30-2018] (s76)

December 2018

Date	Institution	Topics
7	Dti	COTII Meeting

January 2019

Date	Institution	Topics
16	Dti	January Engagement with the Minister – Presentation
22	Dti	Meeting with DDG to discuss Credit Regulations

February 2019

Date	Institution	Topics
8	Dti	BID Me Project Meeting with DDG
13	Select Committee on Trade & International Relations	Negotiating meeting on the National Credit Amendment Bill
27	Select Committee on Trade & International Relations	Final mandates meeting on the National Credit Amendment Bill

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 2017/18 year – 1 January to 31 March 2018)	26 April 2018	100% of quarterly milestones achieved.
Report on financial and non-financial performance (Quarter 1 of 2018/19 year – 1 April to 30 June 2018)	30 July 2018	90% achieved. No issues raised.
Report on financial and non-financial performance (Quarter 2 of 2018/19 year – 1 July to 30 September 2018)	31 October 2018	80% achieved. No issues raised.
Report on financial and non-financial performance (Quarter 3 of 2018/19 year – 1 October to 30 December 2018)	31 January 2019	80%. No issues raised.

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. The other members are Mrs J Bokwa, Mrs P Mvulane and Ms P Tshabalala.

The Committee's mandate is to ensure financial and legal compliance and exercise oversight over internal and external audit and risk management. Details of meetings and responsibilities of the Audit and Risk Management Committee are presented on page 62 of this report.

3.2 Internal Audit and Risk Management Committee

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

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

Key internal audit functions include:

- Assessing the adequacy and effectiveness of the internal control environment, and recommending potential improvements;
- Developing a rolling three-year strategic 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 2018/19 Audit and Risk Management Committee comprised of four (4) members. The Committee held four (4) meetings, which were all ordinary meetings. There was no special meeting. The frequency of the meetings is as per the approved Audit and Risk Management Committee Charter.

The Audit and Risk Management 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 62.

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

Name	Qualifications	Internal or external	Date appointed	No of meetings attended
* Mr W. Ndlovu CA(SA)	B Com B.Compt Honours Global Executive MBA	External	18 June 2015	4
* Mrs J. Bokwa	B Juris, LLB	External	November 2014	4
* Mrs P. Mvulane CA(SA)	Registered Auditor Specialist Diploma in Auditing B Com in Accounting (Honours)	External	18 June 2015	1
Ms P. Tshabalala	Bachelors degree in Computer Science MSc Engineering Business Management	External	01 January 2018	2

* Serving second term

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 2018/19 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. Supply Chain Management practitioners and management submit their financial disclosure forms annually, as required by the Public Service Commission.

3.6 Code of Conduct

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, 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.

Recycling

The NCR supports recycling initiatives through the recycling waste paper and cardboard. The main reason for recycling is to conserve energy, help the environment, reduce pollution, slow global warming and lower waste products in landfills.

The NCR regularly communicates with its appointed service provider for the collection of paper and cardboard to be taken off site for recycling purposes.

Saving electricity

Energy saving lighting project

The NCR implemented an energy saving project with the aim of reducing energy consumption through the installation of LED energy saving globes, occupancy sensors and timers.

The project focussed on the following:

- Provided lighting dimensioning for the improvement of the general health and safety compliance of the building; and
- Improved energy saving over time in which unnecessary office lighting and external lighting wastages were addressed.

Decreasing its carbon footprint on the environment

The NCR is striving in decreasing its carbon footprint in the following ways:

- Use of LED lighting, occupancy sensors and timers;
- Switching off some electrical appliances (e.g. air conditioning units) at the end of each day; and
- Replacing of non-inverter air conditioning units with inverter air conditioning units.

Security and Facilities Team

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 2019.

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 members and attendance

Attendance at Audit and Risk Management Committee Meetings (April 2018– March 2019)

Committee Member	25 May 2018	19 July 2018	18 October 2018	29 January 2019
W Ndlovu (Chair)	✔	✔	✔	✔
J Bokwa	✔	✔	✔	✔
P Mvulane				✔
P Tshabalala	✔		✔	

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

Internal Audit function

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

The 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. The Committee is satisfied that Internal Audit has addressed these risks satisfactorily.

Risk Management

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.

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

The 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 Code of Governace and Principles on 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.

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

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

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

Evaluation of Annual Financial Statements

We have reviewed the annual financial statements prepared by the NCR. The Audit and Risk Management Committee is satisfied that the financial statements of the NCR for the year ended 31 March 2019 comply with the requirements of the PFMA, and the basis of preparation is in accordance with standards of 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 2019. We wish to express our appreciation to the Accounting Authority, internal and external auditors, executive team, management and NCR employees for their contribution throughout the period.

I also wish to acknowledge the valuable contribution of 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
26 August 2019

Audit and Risk Management Committee

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

Absent: Ms Poppy Tshabalala

PART D

HUMAN RESOURCE MANAGEMENT

Ms Maria Matlosa
Manager: Human Resources

4.1 Introduction

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

As at March 2019, the NCR had a staff complement of 159 employees. The workforce is relatively young and predominantly female. The objectives are clear in terms of the Annual Performance Plan (APP) and Operational Plan. The work environment is ethical, positive and provides opportunities for personal growth as well as corporate innovation.

The NCR has strategies in place to attract, retain and develop employees. Career development and succession policies are also in place.

The recruitment and selection target for 2018/19 was exceeded and the NCR's Workplace Skills Plan (WSP) was submitted to the BANKSETA.

HR priorities during the period

Informed by organisational priorities, the department recruited and appointed 41 new employees, and arranged training sessions for them.

Strategies to attract and retain employees

The medical aid subsidy was increased in April 2018 in line with medical aid premium increases. The number of study leave days available to employees was reviewed from 10 days and is now 16 days.

Employer and Employee Consultative Forum

The NCR is a member of the Department of Trade and Industry Collective Bargaining Forum. This ensures sound labour relations across all entities.

Learnership programmes

A total of 10 learners were recruited and placed in different functional areas of the NCR in order to acquire the necessary experience and get exposure in different fields. This goes a long way in assisting young people with work skills while simultaneously increasing NCR capacity.

Social activities

The NCR Social Committee organised a sports day event for staff.

In celebration of Mandela Day, NCR spent their 67 minutes at the Dimphonyana tsa Lapeng home for children in Olievenhoutbosch, Midrand, Gauteng Province.

Challenges

Retention and attraction of critical and scarce skills proved challenging as valuable talent continues being recruited by industry players and other regulators.

The year ahead

As a support department there is a need to improve customer service to employees and provide support to the different functional areas to deliver on their mandates.

Human Resources Team

4.2 Human Resource Oversight Statistics

Personnel Expenditure per Programme

Programme	Total expenditure for the entity	Personnel expenditure	Personnel expenditure as a % of total expenditure	No. of employees	Average personnel cost per employee
	R'000	R'000	%		R'000
Programme 1	30,091	17,392	12%	34	511
Programme 2	40,792	26,126	19%	62	421
Programme 3	7,336	6,290	4%	9	698
Programme 4	53,144	29,235	21%	38	769
Programme 5	9,051	6,254	4%	16	390
	140 414	85 297	61%	159	536

Personnel Cost by Salary band

Top Management	Personnel Expenditure	% of Personnel expenditure to total personnel cost	No. of employees	Average personnel cost per employee
	R'000			R'000
Top Management	9,383	11%	4	2345
Senior Management	10,236	12%	9	1137
Professional Qualified	20,471	24%	21	974
Skilled	34,119	40%	72	473
Semi-skilled	11,089	13%	53	209
Total	**85 297**	**100%**	**159**	**536**

Performance rewards

Level	Performance rewards	Personnel cost	% of Personnel rewards to total personnel cost
	R'000	R'000	
Top Management	573	9,383	6.10%
Senior Management	918	10,236	8.96%
Professional Qualified	1,773	20,471	8.66%
Skilled	3,012	34,119	8.82%
Semi-skilled	593	11,089	5.34%
Total	**6 869**	**85 297**	**8.05%**

Training cost

Programme	Personnel expenditure	Training expenditure	Training expenditure as a % of total personnel cost	No.of employees trained	Average Training cost per employee
	R'000	R'000	%		R'000
Programme 1	17 392	27	0.15%	50	540
Programme 2	26 126	28	0.10%	55	509
Programme 3	6 290	25	0.39%	10	2500
Programme 4	29 235	19	0.06%	7	2714
Programme 5	6 254	25	0.39%	10	2500
Total	**85 297**	**124**	**0.14%**	**159**	**779**

Employment and vacancies per programme

Activity	2017/18 No. of employees	2017/18 approved posts	2018/19 No. of employees	Vacancies	% of vacancies
Programme 1	36	41	34	6	17.64%
Programme 2	8	11	62	10	16.12%
Programme 3	10	11	9	8	88.8%
Programme 4	40	45	38	12	31.57%
Programme 5	51	58	16	4	25%
Programme 6	14	17	-	-	0%
Total	**159**	**183**	**159**	**40**	**25.15%**

Employment and vacancies by Salary Band

	2017/18 No. of employees	2017/18 approved posts	2018/19 No. of employees	Vacancies	% of vacancies
Top Management	4	5	4	1	25%
Senior Management	9	11	9	3	33.33%
Professional Qualified	27	36	26	12	46.15%
Skilled	69	73	69	20	28.98%
Semi-Skilled	50	58	51	4	7.84%
Total	**149**	**183**	**159**	**40**	**25.15%**

* There were positions that were approved in 2018/2019 that do not reflect on the table above.

Employment Changes

Salary band	Employment at beginning of period	Appointments	Terminations*	Employment at end of the period
Top Management	4	0	0	4
Senior Management	9	3	2	10
Professional Qualified	27	12	10	26
Skilled	69	19	16	68
Semi-skilled	50	7	2	51
Total	**159**	**41**	**30**	**159**

Reasons for staff leaving

Reason	Number	% of total staff leaving
Death	0	0%
Resignations	28	13.79%
Retirement	0	0
Ill health	0	0
Expiry of contract	1	0.49%
Other	1	0.49%
Total	**30**	**14.77%**

Labour relations: misconduct and disciplinary action

Nature of disciplinary action	Number
Verbal warning	2
Written warning	5
Final Written warning	2
Dismissal	1
Total	**10**

Equity and Employment Equity Status

Levels	Male				Female			
	African	Coloured	Indian	White	African	Coloured	Indian	White
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	2	0	0	0	2	0	0	0
Senior Management	4	0	0	0	6	0	0	0
Professional Qualified	9	1	1	1	5	2	1	5
Skilled	23		2	2	41	0	0	0
Semi-skilled	22	0	0		26	2	0	2
Total	**60**	**1**	**3**	**3**	**80**	**4**	**1**	**7**

Equity and Employment Equity Status (disability)

Levels	Disabled staff			
	Male		Feale	
	Current	Target	Current	Target
Top Management	0	0	0	0
Senior Management	0	0	0	0
Professional Qualified	0	0	0	0
Skilled	0	0	1	2
Semi-skilled	0	0	1	2
Unskilled	0	0	0	0

PART E

FINANCIAL INFORMATION

General Information

Country of incorporation and domicile	South Africa
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
Secretary	L. Mashapa

Ms Fundisiwe Malaza CA(SA)

Interim Chief Financial Officer

6. Report of the Chief Financial Officer

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

During the 2018/19 financial year, the office of the CFO has ensured that:

- The NCR continues to maintain a clean audit opinion for the year under review.
- All statutory submissions are submitted on time in compliance with the PFMA and Treasury Regulations.
- Financial management reports are submitted to the dti as per the signed Shareholder Compact.

The NCR spent 99% (2018:96%) of its approved annual budget in the year under review, which is a 3% improvement compared to the previous financial year. This is due to continuous and stringent monitoring of expenditure to ensure compliance with the National Treasury instruction notes on cost containment measures.

The NCR's net asset position increased to R14,8 mil in the current year (2018: R11,0 mil). This indicates that the financial health of the Regulator is stable.

The NCR remains committed towards maintaining clean financial management and compliance with the code of good corporate governance, the PFMA and the Treasury Regulations.

Figure 1.1: Performance against budget

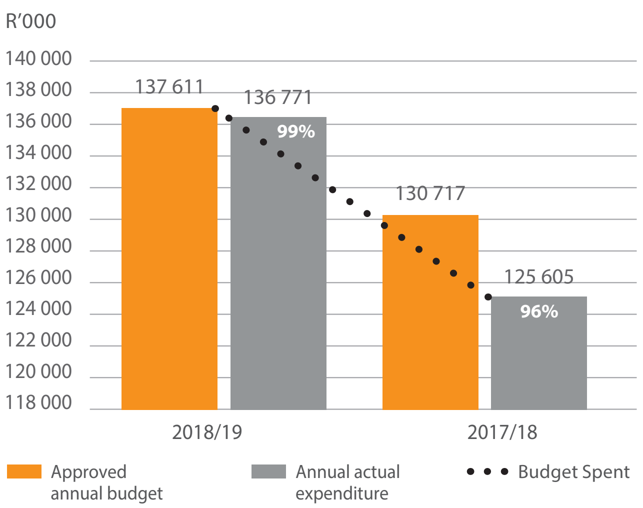
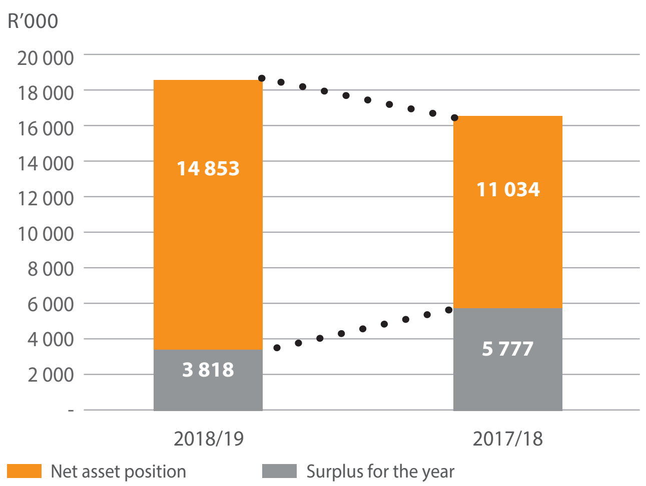


Figure 1.2: Financial health



F Malaza CA(SA)
Interim Chief Financial Officer
26 August 2019

7. Report of the auditor-general to Parliament on 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 77 to 115, which comprise the statement of financial position as at 31 March 2019, 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 2019, and its financial performance and cash flows for the year then ended in accordance with South African Standards of Generally Recogniseds Accounting Practice(SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of this auditor's report.

4. I am independent of the public entity in accordance with sections 290 and 291 of the International Ethics Standards Board for Accountants' Code of ethics for professional accountants (IESBA code), parts 1 and 3 of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) and the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA codes.

5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of accounting authority for the financial statements

6. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with SA Standards of GRAP and the requirements of the PFMA, and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

7. 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 appropriate governance structure either intends to liquidate the public entity or to cease operations, or has no realistic alternative but to do so.

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

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

9. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Report on the audit of the annual performance report

Introduction and scope

10. 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.

11. 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.

12. 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 2019:

Programmes	Pages in the annual performance report
Programme 1 – To promote responsible credit granting	41 - 44
Programme 2– To protect consumers from abuse and unfair practices in the consumer credit market and address over-indebtedness	45 - 48
Programme 3 - To enhance the quality and accuracy of credit bureau information	49 - 50
Programme 5 – To facilitate efficient registration of person and entities	51 - 53

13. 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.

14. I did not raise any material findings on the usefulness and reliability of the reported performance information for these programmes:

- 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 facilitate efficient registration of person and entities

Other matters

15. I draw attention to the matters below.

Achievement of planned targets

16. Refer to the annual performance report on pages 41 to 53 for information on the achievement of planned targets for the year and explanations provided for the under/ over achievement of a number of targets.

Adjustment of material misstatements

17. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of programme 1 and programme 2. As management subsequently corrected the misstatements, I did not raise any material findings on the usefulness and reliability of the reported performance information.

Report on the audit of compliance with legislation

Introduction and scope

18. 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.

19. I did not identify any instances of material non-compliance with selected specific requirements of applicable legislation, as set out in the general notice issued in terms of the PAA.

Other information

20. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report which includes the accounting authority's report and the report of the audit committee.

21. 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.

22. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected programmes presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

23. If based on the work I have performed, I conclude that there is a material misstatement in this other information, I am required to report that fact.

24. I have nothing to report in this regard.

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 internal control deficiencies.

Auditor- General

Pretoria
23 August 2019

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 programmes and on the public entity's compliance with respect to the selected subject matters.

Financial statements

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

    - identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
    - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the public entity's internal control
    - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting authority
    - conclude on the appropriateness of the accounting authority's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the National Credit Regulator 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

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.

8. Annual Financial Statements

Index

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

The annual financial statements set out on pages 78 to 115, which have been prepared on the going concern basis, were approved and signed by the Accounting Authority on 31 July 2019.

Ms Nomsa Motshegare
Accounting Authority
31 July 2019

Statement of Financial Position

as at 31 March 2019

	Note(s)	2019 R	2018 R
Assets			
Current Assets			
Receivables from exchange transactions	3	537 710	356 704
Receivables from non-exchange transactions	4	2 403 648	2 574 223
Cash and cash equivalents	5	62 869 749	64 009 092
		65 811 107	**66 940 019**
Non-Current Assets			
Property, plant and equipment	6	10 319 202	9 701 394
Intangible assets	7	5 572 201	8 114 291
		15 891 403	**17 815 685**
Total Assets		**81 702 510**	**84 755 704**
Liabilities			
Current Liabilities			
Income received in advance	8	3 571 622	3 947 057
Payables from exchange transactions	9	7 925 567	10 319 901
Payables from non-exchange transactions	10	45 980 373	51 096 873
Provisions	11	8 476 361	7 855 145
Operating lease liability	13	895 940	502 563
Total Liabilities		**66 849 863**	**73 721 539**
Net Assets		**14 852 647**	**11 034 165**

Statement of Financial Performance

for the year ended 31 March 2019

	Note(s)	2019 R	2018 R
Revenue			
Revenue from exchange transactions			
Other revenue	14	310 488	217 930
Interest received - investment	15	2 479 643	2 327 999
Total revenue from exchange transactions		**2 790 131**	**2 545 929**
Revenue from non-exchange transactions			
Transfer revenue			
Fee revenue	16	46 584 115	46 057 548
Transfer payment	17	75 361 000	73 056 000
Other revenue	18	19 496 974	12 929 143
Total revenue from non-exchange transactions		**141 442 089**	**132 042 691**
Total revenue		**144 232 220**	**134 588 620**
Expenditure			
Personnel expenditure	19 & 33	(85 296 785)	(78 036 986)
Operating expenses	20	(26 719 025)	(22 049 007)
Administrative expenses	21 & 33	(23 329 586)	(23 452 475)
Depreciation and amortisation	6 & 7	(5 068 342)	(5 273 392)
Total expenditure		**(140 413 738)**	**(128 811 860)**
Operating surplus	22	**3 818 482**	**5 776 760**
Surplus for the year		**3 818 482**	**5 776 760**

Statement of Changes in Net Assets

	Accumulated surplus	Total net assets
	R	R
Balance at 01 April 2017	**5 257 045**	**5 257 045**
Surplus for the year	5 776 760	5 776 760
Total changes	5 776 760	5 776 760
Balance at 01 April 2018	**11 034 165**	**11 034 165**
Surplus for the year	3 818 482	3 818 482
Total changes	3 818 482	3 818 482
Balance at 31 March 2019	**14 852 647**	**14 852 647**

Finance, SCM and ICT Team

Cash Flow Statement

	Note(s)	2019	2018
		R	R
Cash flows from operating activities			
Receipts			
Cash receipts from applicants and registrants		47 373 062	43 885 413
Transfers received		75 361 000	73 056 000
Interest income		2 357 340	2 327 999
Payment Distribution Agency - Interest		18 819 898	12 589 719
Other receipts		273 706	217 930
Total Receipts		**144 185 006**	**132 077 061**
Payments			
Cash paid to employees		(85 296 785)	(78 036 986)
Cash paid to suppliers		(56 664 706)	(47 028 071)
Total payments		**(141 961 491)**	**(125 065 057)**
Net cash flows from operating activities	23	**2 223 515**	**7 012 004**
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(1 887 137)	(1 410 723)
Purchase of other intangible assets	7	(1 475 721)	(2 881 647)
Net cash flows from investing activities		**(3 362 858)**	**(4 292 370)**
Net (decrease)/increase in cash and cash equivalents		**(1 139 343)**	**2 719 634**
Cash and cash equivalents at the beginning of the year		64 009 092	61 289 458
Cash and cash equivalents at the end of the year	5	**62 869 749**	**64 009 092**

Statement of Comparison of Budget and Actual Amounts

Budget on cash basis

Figures in Rands	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Fee revenue	41 572 843	-	**41 572 843**	46 584 115	**5 011 272**	N1
Transfer payment	75 361 000	-	**75 361 000**	75 361 000	-	
Interest	1 000 000	-	**1 000 000**	2 479 643	**1 479 643**	N2
Other income	19 677 225	-	**19 677 225**	19 789 071	**111 846**	
Total income	**137 611 068**	-	**137 611 068**	**144 213 829**	**6 602 761**	
Expenditure						
Personnel expenditure	(84 613 200)	(618 440)	**(85 231 640)**	(85 296 785)	**(65 145)**	
Communication costs	(3 364 130)	559 925	**(2 804 205)**	(2 501 209)	**302 996**	
Consumer education and communication	(5 959 000)	17 849	**(5 941 151)**	(6 091 449)	**(150 298)**	
Professional fees	(18 564 298)	715 202	**(17 849 096)**	(19 155 625)	**(1 306 529)**	N3
General expenses*	(7 936 756)	(2 259 686)	**(10 196 442)**	(10 360 134)	**(163 692)**	
Information technology	(2 659 514)	400 010	**(2 259 504)**	(1 803 657)	**455 847**	
Premises and equipment costs**	(6 831 346)	139	**(6 831 207)**	(6 728 334)	**102 873**	
Stakeholder communication	(1 107 467)	245 001	**(862 466)**	(638 193)	**224 273**	
Debt counselling initiatives	(934 000)	(60 000)	**(994 000)**	(833 758)	**160 242**	
Total expenditure	**(131 969 711)**	**(1 000 000)**	**(132 969 711)**	**(133 409 144)**	**(439 433)**	
Surplus for the year	**5 641 357**	**1 000 000**	**4 641 357**	**10 804 685**	**6 163 328**	

* The general expenses actual expenditure amount excludes non-cash items comprising of loss on disposal of assets R,237m and bad debts written off of R1.699m in order to ensure comparability between budget and actual amounts.

** The premises and equipment actual expenditure excludes depreciation expenditure of R5,068m as it is a non-cash item in order to ensure comparability between budget and actual amounts.

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rands	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Capital expenditure						
Assets						
Non-Current Assets						
Property, plant and equipment	(1 096 950)	(880 000)	**(1 976 950)**	(1 887 137)	**89 813**	
Intangible assets	(2 529 064)	1 000 000	**(1 529 064)**	(1 475 222)	**53 842**	
ICT System	(2 015 343)	880 000	**(1 135 343)**	-	**1 135 343**	N4
Total Assets	**(5 641 357)**	**1 000 000**	**(4 641 357)**	**(3 362 359)**	**1 278 998**	
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Cash receipts from applicants and registrants	61 250 068	-	**61 250 068**	66 466 666	**5 216 598**	
Transfer payment	75 361 000	-	**75 361 000**	75 361 000	-	
Interest income	1 000 000	-	**1 000 000**	2 357 340	**1 357 340**	
Total Receipts	**137 611 068**	-	**137 611 068**	**144 185 006**	**6 573 938**	
Payments						
Cash paid to employees	(84 613 200)	(618 440)	**(85 231 640)**	(85 296 785)	**(65 145)**	
Cash paid to suppliers	(47 356 511)	(381 560)	**(47 738 071)**	(56 664 706)	**(8 926 635)**	
Total Payments	**(131 969 711)**	**(1 000 000)**	**(131 969 711)**	**(141 961 491)**	**(8 991 780)**	
Net cash flows from operating activities	**5 641 357**	**(1 000 000)**	**4 641 357**	**2 223 515**	**(2 417 842)**	
Cash flows from investing activities						
Additions to property, plant and equipment	(1 096 950)	(880 000)	**(1 976 950)**	(1 887 137)	**89 813**	
Intangible Assets	(2 529 064)	1 000 000	**(1 529 064)**	(1 475 222)	**53 842**	
ICT System	(2 015 343)	880 000	**(1 135 343)**	-	**1 135 343**	
Net cash flows from investing activities	**(5 641 357)**	**1 000 000**	**(4 641 357)**	**(3 362 359)**	**1 278 998**	
Net increase/(decrease) in cash and cash equivalents	-	-	-	1 139 343	**(1 138 844)**	
Cash and cash equivalents at the beginning of the year	-	-	-	64 009 092	**64 009 092**	
Cash and cash equivalents at the end of the year	-	**1 000 000**	**1 000 000**	**62 869 749**	**62 870 248**	

Statement of Comparison of Budget and Actual Amounts

Budget on cash basis

R	Actual amounts on comparable bases
Reconciliation	
Net cash from (used) operating	
Basis difference	
	(59 051 267)
Timing difference	
	(6 882 108)
Non-cash items	
	5 287 141
Net cash from (used) financing	
Basis difference	
	3 362 858)
Actual Amount in the Cash flow statement	**(1 139 343)**

Narrations have been provided for variances above R1 million

N1: The favourable variance of R5.011mil (12%) is due to the implementation of the NCA amendments regarding the uncapping of branch fees and the removal of the registration threshold for registrants. This resulted in an increase in renewal and application fees.

N2: The favourable variance of R1.479mil (148%) is due to the continuous monitoring of liquidity and working capital requirements of the NCR in order to obtain maximum returns on cash held with banks.

N3: The unfavourable variance of R1.306mil (7%) is due to various legal matters relating to the NCA which were taken on appeal.

N4: The favourable variance of R 1.135mil (100%) is due to savings on the ICT infrastructure development cost.

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 anexpense in the period in which they are incurred.

1.4 Revenue from Exchange Transactions

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

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.

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

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

1.8 Property, Plant and Equipment (continued)

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

Item	Depreciation method	Average useful life
Machinery	Straight line	7 years
Furniture and fittings	Straight line	10 years
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 asset is identifiable if it either:

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

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

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

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

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

1.9 Intangible Assets (continued)

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

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

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

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

Intangible assets are derecognised:

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

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

1.10 Impairment of 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 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 s classified as non-cash generating asset, or

c. the group of assets does not generate cash flows independently from other assets, ten 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.

1.10 Impairment of Non-cash Generating Assets (continued)

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.

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 current 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.

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-orientated 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).

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 used 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.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.Useful life is either:

- the period of time over which an asset is expected to be used by the entity; or
- 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.

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.

1.11 Impairment of Cash-generating Assets (continued)

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.

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 11 of the annual financial statement.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

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

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 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 interate 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.

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 assets and financial liabilities

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

1.14 Financial Instruments (continued)

Cash and cash equivalents

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

Financial Liabilities

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

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

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

Offsetting of financial assets and liabilities

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

Receivables from exchange transactions

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.

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 to be related parties.

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

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

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed. Refer 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 29.

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 28.

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 2018/04/01 to 2019/03/31.

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

Comparative information is not required.

1.19 Significant judgements and sources of estimation uncertainty

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

Trade receivables and other receivables

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

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

Impairment testing

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

Provisions

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

Useful lives of assets

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

1.20 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.

1.21 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 12 for further information.

1.22 Events after Reporting Date

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

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

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

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

Accounting Policies

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 2019 or later periods:

	Effective date	Expected impact
GRAP 34: Separate Financial Statements	Not yet effective	No impact
GRAP 104 (revised): Financial Instruments	Not yet effective	Minimal impact
GRAP 35: Consolidated Financial Statements	Not yet effective	No impact
GRAP 36: Investments 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 110 (as amended 2016): Living and Non-living Resources	Not yet effective	No impact
GRAP 20: Related parties	01 April 2019	Minimal impact
GRAP 32: Service Concession Arrangements: Grantor	01 April 2019	No impact
GRAP 108: Statutory Receivables	01 April 2019	Minimal impact
GRAP 109: Accounting by Principals and Agents	01 April 2019	No impact
IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	01 April 2019	No impact
IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land	01 April 2019	No impact

Notes to the Annual Financial Statements

3. Receivables from exchange transactions

	2019	2018
	R	R
Deposits	270 000	270 000
Prepaid expenses	102 875	86 704
Staff related debt	42 532	-
Accrued Revenue	122 303	-
	537 710	**356 704**

4. Receivables from non-exchange transactions

	2019	2018
	R	R
Other receivables from non-exchange revenue	147 744	223 914
PDA interest receivable	2 255 904	2 350 309
	2 403 648	**2 574 223**

Receivables from non-exchange transactions impaired

As at 31 March 2019, included in the receivables from non-exchange transactions are trade account receivable balances of R5 181 354 (2018: 6 509 623) which are impaired and provided for. Trade account receivables are impaired when more than 1 month overdue in line with section 51 of NCA.

	2019	2018
	R	R
Gross	5 181 354	6 509 623
Provision for bad debts	(5 181 354)	(6 509 623)
	-	-

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

	2019	2018
	R	R
Opening balance	6 509 623	8 440 054
Provision for impairment	1 697 810	2 091 023
Amounts utilised	(3 026 079)	(4 021 454)
	5 181 354	**6 509 623**

5. Cash and cash equivalents

	2019	2018
	R	R
Cash on hand	1 644	763
Bank balances	31 300	2 117 689
Call account	14 681 467	8 723 209
PDA account	48 155 338	53 167 431
	62 869 749	**64 009 092**

Cash and cash equivalents balances include an amount of R48 155 338 (2018: R53 167 431) held in the PDA account. This relates to the interest earned on monies held by the Payment Distribution Agents on behalf of consumers. The Minister of Trade and Industry has approved a policy on the utilisation of these funds for investigation, enforcement and consumer education activities effective from the 15th October 2015.

6. Property, plant and equipment

	2019			2018		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
	R	R	R	R	R	R
Computer equipment	7 408 004	(4 012 633)	3 395 371	6 763 348	(4 420 822)	2 342 526
Furniture and fittings	3 276 606	(1 828 223)	1 448 383	3 251 822	(2 126 395)	1 125 427
Machinery	257 113	(173 307)	83 806	257 113	(244 258)	12 855
Office equipment	2 098 111	(1 199 786)	898 325	1 981 185	(1 285 639)	695 546
Leasehold improvements	2 389 961	(1 213 270)	1 176 691	2 285 744	(1 019 378)	1 266 366
Security equipment	1 321 352	(705 202)	616 150	1 269 280	(773 666)	495 614
ICT operational system	8 519 902	(5 819 426)	2 700 476	8 519 902	(4 756 842)	3 763 060
Total	**25 271 049**	**(14 951 847)**	**10 319 202**	**24 328 394**	**(14 627 000)**	**9 701 394**

6. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Other Additions**	Disposals	Adjustments*	Depreciation	Total
	R	R	R	R	R	R	R
Computer equipment	2 342 526	1 244 384	-	(121 023)	1 153	(71 669)	3 395 371
Furniture and fittings	1 125 427	194 744	8 295	(37 029)	(11)	156 957	1 448 383
Machinery	12 855	-	-	-	-	70 951	83 806
Office equipment	695 546	177 556	1 596	(15 361)	1 433	37 555	898 325
Leasehold improvements	1 266 366	131 730	8 500	(19 421)	48	(210 532)	1 176 691
Security equipment	495 614	138 723	-	(28 191)	(2 148)	12 152	616 150
ICT operational system	3 763 060	-	-	-	-	(1 062 584)	2 700 476
	9 701 394	**1 887 137**	**18 391**	**(221 025)**	**475**	**(1 067 170)**	**10 319 202**

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Disposals	Depreciation	Total
	R	R	R	R	R
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**

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

** Other additions comprises of non current assets identified during the physical verification process and brought to the fixed assets register for the first time in the current year.

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

	2019	2018
	R	R
Furniture and fittings	38 294	6 424
Leasehold improvements	252 884	218 542
Security equipment	27 218	185 705
Office equipment	2 970	-
	321 366	**410 671**

7. Intangible assets

	2019			2018		
	Cost	Accumulated amortisation and accumulated impairment	Carrying value	Cost	Accumulated amortisation and accumulated impairment	Carrying value
	R	R	R	R	R	R
Computer software	14 543 965	(9 275 615)	5 268 350	14 776 331	(7 165 056)	7 611 275
Human resource system	1 429 908	(1 126 057)	303 851	1 429 908	(926 892)	503 016
Total	**15 973 873**	**(10 401 672)**	**5 572 201**	**16 206 239**	**(8 091 948)**	**8 114 291**

Reconciliation of intangible assets - 2019

	Opening balance	Additions	Disposals	Adjustments*	Amortisation	Total
	R	R	R	R	R	R
Computer software	7 611 275	1 475 722	(16 165)	(475)	(3 802 007)	5 268 350
Human Resource system	503 016	-	-	-	(199 165)	303 851
	8 114 291	**1 475 722**	**(16 165)**	**(475)**	**(4 001 172)**	**5 572 201**

Reconciliation of intangible assets - 2018

	Opening balance	Additions	Disposals	Amortisation	Total
	R	R	R	R	R
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**

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

8. Income received in advance

	2019	2018
	R	R
Income received in advance	3 571 622	3 947 057

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.

Notes to the Annual Financial Statements

9. Payables from exchange transactions

	2019	2018
	R	R
Trade payables	4 652 963	5 418 052
Accruals	3 272 604	4 901 849
	7 925 567	**10 319 901**

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

10. Payables from non-exchange transactions

10.1 Payment Distribution Agents (PDA) interest

	2019	2018
	R	R
Balance unspent at the beginning of year	50 341 295	45 320 817
Current receipts	14 458 976	17 610 197
	64 800 271	62 931 014
Conditions met - transfer to revenue (refer to note 18)	(18 819 898)	(12 589 719)
Balance unspent at the end of year	**45 980 373**	**50 341 295**

The PDA interest transaction is accounted for in terms of GRAP 23: Revenue from non-exchange transactions. Once all the conditions are met, payables from non-exchange transactions are reduced and revenue is recognised. The balance unspent at 31 March 2019 includes unidentified funds of R21 460 237 (2018: R18 570 115).

10.2 Tenant installation allowance

	2019	2018
	R	R
Balance unspent at the beginning of year	755 578	-
Current receipts	-	858 150
	755 578	858 150
Conditions met	(717 660)	(102 572)
Conditions not met	(37 918)	-
Balance unspent at the end of year	**-**	**755 578**

The Tenant Installation allowance is the amount received by NCR for improvements on the leased building. The expenditure which meets the Tenant installation conditions as per the lease contract is offset against the liability account. Where the conditions had not been met, the allowance was re-paid to the landlord.

Notes to the Annual Financial Statements

11. Provisions

Reconciliation of provisions - 2019

	Opening balance	Additions	Utilised during the year	Reversed during the year	Total
	R	R	R	R	R
Provision for bonuses	6 584 941	6 800 004	(6 450 148)	-	6 934 797
Other provisions	1 270 204	356 176	-	(84 816)	1 541 564
	7 855 145	**7 156 180**	**(6 450 148)**	**(84 816)**	**8 476 361**

Reconciliation of provisions - 2018

	Opening balance	Additions	Utilised during the year	Reversed during the year	Total
	R	R	R	R	R
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**

Performance bonuses are payable by the NCR annually in July based on performance evaluations for the period 01 April 2018 to 31 March 2019.

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

Notes to the Annual Financial Statements

12. Commitments

Authorised expenditure	2019	2018
	R	R
Already contracted but not provided for		
Information Communication and Technology (ICT) System	3 381 668	3 453 428
Insurance	484 630	638 039
Cleaning services	2 799 247	605 001
Rental of copiers and printers	-	163 244
Hosting of website	392 572	3 691
Telephone management system	49 525	100 417
Ethics hotline	37 375	80 275
Security services	4 504 998	907 717
Staff wellness	8 186	-
Advertising	2 103 230	-
Mail archiving	2 121 774	-
Debt counselling examinations	229 632	-
Mineral water supply	14 663	-
Fax to e-mail	132 611	-
Network infrastructure	1 236 642	-
Media monitoring	154 215	-
Call centre maintenance and support	1 226 085	-
Total commitments	**18 877 053**	**5 951 812**
Already contracted for but not provided for		
Captial expenditure	3 381 668	3 453 428
Operational expenditure	15 495 385	2 498 384
	18 877 053	**5 951 812**

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

13. Operating lease

	2019	2018
Minimum lease payments due		
Within one year	2 600 622	2 598 947
In second to fifth year inclusive	10 402 488	10 402 488
Later than five years	216 719	2 817 341
	13 219 829	**15 818 776**

Operating lease liability

	2019	2018
Building	895 940	502 563

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

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

Notes to the Annual Financial Statements

14. Other exchange revenue

	2019	2018
	R	R
Skills development levies recovered	161 606	108 325
Reimbursements	560	46 269
Proceeds from insurance claim	129 931	54 336
Proceeds from sale of tender documents	-	9 000
Adjustments on non current assets	18 391	-
	310 488	**217 930**

15. Investment revenue

	2019	2018
	R	R
Interest revenue		
Bank	2 479 643	2 327 999

16. Fee Revenue

	2019	2018
	R	R
Application fees	935 000	1 027 884
Registration fees	32 723 862	32 959 200
Branch fees	10 784 628	10 143 185
National loans register fees	2 058 285	1 875 209
Replacement certificate fees	82 340	52 070
	46 584 115	**46 057 548**

17. Transfers

	2019	2018
	R	R
Operating grants		
Transfer from the Department of Trade and Industry	75 361 000	73 056 000

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

Notes to the Annual Financial Statements

18. Other non-exchange revenue

	2019	2018
	R	R
Prescribed income	677 076	339 424
Payment Distribution Agency - Interest	18 819 898	12 589 719
	19 496 974	**12 929 143**

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

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

19. Personnel expenditure

	2019	2018
	R	R
Salaries	67 347 117	61 694 388
Contributions to retirement fund	7 031 335	6 669 520
Medical aid - company contributions	3 350 424	2 480 252
Temporary staff	9 901	4 333
Training Levies - SDL (refer to note 33)	758 004	706 213
Bonuses	6 800 004	6 482 280
	85 296 785	**78 036 986**

20. Operating expenses

	2019	2018
	R	R
Professional fees	19 155 625	13 777 388
Consumer education	6 091 449	6 276 748
Stakeholder communication	638 193	483 967
Debt counselling initiatives	833 758	1 510 904
	26 719 025	**22 049 007**

21. Administrative expenses

	2019 R	2018 R
Premises and equipment*	6 728 334	6 338 481
Communication costs	2 501 209	2 753 398
Information technology	1 803 657	2 553 327
General expenses	11 961 557	11 027 681
Other staff costs** (refer to note 33)	334 829	779 588
	23 329 586	**23 452 475**

* Included in premises and equipment is repairs and maintenance of fixed assets
** Included in other staff costs is refreshments and training

General expenses comprise of:		
Audit Fees	3 454 690	3 712 671
Bank charges	181 358	187 835
Audit and Risk Management Committee fees	176 874	176 874
Insurance	153 409	163 725
Bad debts	1 699 060	2 110 008
Subscriptions	29 514	38 546
Travel and accommodation	5 967 981	4 514 034
Consumables	61 481	9 647
Loss on disposal of assets	237 190	114 342
	11 961 557	**11 027 681**

22. Operating surplus

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

	2019 R	2018 R
Audit fees	3 454 689	3 712 671
Audit and Risk Management Committee fees	176 874	176 874
Operating lease payments - Building	2 604 012	2 568 463
Provision for bad debts	1 699 060	2 091 023
Loss on disposal of assets	237 190	114 342
	8 171 825	**8 663 373**

Amortisation on intangible assets	4 001 172	4 083 976
Depreciation on property, plant and equipment	1 067 170	1 189 416
Personnel expenditure	85 296 785	78 036 986
	90 365 127	**83 310 378**

23. Cash generated from operations

	2019 R	2018 R
Surplus for the year	3 818 482	5 776 760
Adjustments for:		
Depreciation and amortisation	5 068 342	5 273 392
Movements in operating lease	393 377	496 856
Movements in provisions	621 216	(618 270)
Loss on disposal of assets	237 190	114 342
Adjustments on non-current assets	(18 391)	20 887
Changes in working capital:		
Receivables from exchange transactions	(181 006)	(154 996)
Receivables from non-exchange transactions	170 575	(2 356 563)
Payables from exchange transactions	(2 394 335)	(2 653 828)
Income received in advance	(375 435)	(4 662 631)
Payables from non-exchange transactions	(5 116 500)	5 776 055
	2 223 515	**7 012 004**

24. Executive managements' emoluments

2019

	Salary	Provident fund contributions	Travel allowance	Performance Bonus	Medical aid contributions	Medical aid subsidy	Total
	R	R	R	R	R	R	R
N Motshegare	2 567 483	291 690	108 000	143 623	95 577	19 650	3 226 023
O Tongoane	2 033 021	222 844	84 000	110 479	-	19 650	2 469 994
F Malaza	1 876 875	-	-	-	-	-	1 876 875
L Mashapa	1 426 363	150 144	-	110 479	-	19 650	1 706 636
	7 903 742	**664 678**	**192 000**	**364 581**	**95 577**	**58 950**	**9 279 528**

2018

	Salary	Provident fund contributions	Travel allowance	Performance Bonus	Medical aid contributions	Medical aid subsidy	Leave payment	Total
	R	R	R	R	R	R	R	R
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

25. Related parties

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

Related party transactions	2019	2018
	R	R
Department of Trade and Industry		
Transfers of payments received	75 361 000	73 056 000
Remuneration of management (refer to note 24)	9 279 528	8 272 800

26. Risk management

Financial risk management

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

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

Liquidity risk

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

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

At 31 March 2019	Payable in less than 3 months	Total
	R	R
Trade Payables	7 925 567	7 925 567

At 31 March 2018	Payable in less than 3 months	Total
	R	R
Trade payables	10 319 901	10 319 901

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 R14,714,411 (2018: R10,841,661) to the carrying amount of these instruments. The institution in which funds have been placed is monitored on a quarterly basis to assess any potential risks. Cash and cash equivalents are only placed with banking institutions with a good credit rating.

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

Financial instruments	2019	2018
	R	R
Receivables from exchange transactions	270 000	270 000
Bank and call accounts	14 714 411	10 841 661
Staff related receivables	42 532	-

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 (2018:50) 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	2019	2018
	R	R
Cash and cash equivalents	62 869 749	64 009 092
Less: amounts held in PDA Account	(48 155 338)	(53 167 431)
	14 714 411	10 841 661

27. Change in accounting estimate

During the period under review, management re-assessed the remaining useful lives of non current in line with standards of GRAP. 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 597 238 (2018: R1 116 471).

The impact of the change in estimate is as follows:

	2019	2018
	R	R
Effect on the statement of financial performance		
Depreciation	(1 597 238)	(1 116 471)
Effect on the statement of financial position		
Accumulated depreciation	1 597 238	1 116 471
Total	-	-

Notes to the Annual Financial Statements

28. Irregular expenditure

	2019	2018
	R	R
Opening balance	3 948 130	-
Add: Irregular Expenditure - current year	502 790	2 719 103
Add: Irregular expenditure - prior year	-	505 108
Add: Irregular expenditure identified in the current year relating to prior years	3 956 613	723 919
Less: Amounts condoned subsequent to year-end (refer to note 31)	(1 561 700)	-
	6 845 833	**3 948 130**

Analysis of expenditure awaiting condonation per age classification

Current year	502 790	2 719 103
Prior years	6 343 043	1 229 027
	6 845 833	**3 948 130**

Details of irregular expenditure

	2019	2018
	R	R
Legal fees for investigation matters	6 845 833	2 648 000
Professional fees - IT Assurance	-	293 709
Advertising services	-	1 006 421
	6 845 833	**3 948 130**

All irregular expenditure relates to the misinterpretation and late implementation of the National Treasury Instruction Note No.3 of 2016/2017

29. Fruitless and wasteful expenditure

	2019	2018
	R	R
Penalties incurred	1 271	-
Less: monies recovered	(1 271)	-
	-	-

Fruitless and wasteful expenditure of R1 271 was incurred due to the late submission of the EMP501 return to SARS. Consequence management took place and the responsible official was held accountable and an amount of R1 271 was recovered.

Notes to the Annual Financial Statements

30. Contingent assets

The NCR received favourable rulings on three separate legal matters which were taken on appeal. The matters were related to the NCA and the other parties involved comprised of a debt counsellor and credit providers.

The High Court ruling included the award of legal costs to the NCR by the parties involved. The NCR is in the process of submitting the costs for confirmation by the High Court. These are estimated at R 2.2 million in total.

31. Events after the reporting date

Subsequent to the financial year, the NCR received a condonation from the National Treasury relating to irregular expenditure amounting to R1 561 700. Refer to note 28.

32. Going concern

The NCR's annual financial statements as at the 31 March 2019 have been prepared on a going concern basis even though the current liabilities exceed the current assets. The economic viability and going concern of NCR's is supported by the Department of Trade and Industry (dti), therefore the NCR's 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 the going concern ability of NCR. Some of these measures comprise, the review of registrant's fees and uncapping of credit provider branch fees.

33. Reclasssification of Comparatives

	Comparative figures previously reported	Reclassification	After reclassification
Personnel expenditure	(77 330 773)	(706 213)	(78 036 986)
Administration expenses	(24 158 688)	706 213	(23 452 475)

Certain comparative figures have been reclassified for the purpose of achieving fair presentation. Personnel expenditure includes training levies (SDL) that were previously disclosed under administrative expenditure.

34. Prior period error

During the presentation of the financial statements for the 2017/18 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 2016/17 year were restated. Refer to note 5. There was no impact in the statement of financial position, performance and changes in equity.

The impact on the disclosure in note 12 to the financial statements was as follows:

	Note(s)	Restated
		R
2018	12	2 498 398
2019		-
		-

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Acknowledgements

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National Credit Regulator

Company Contact:
127 - 15th Road Randjespark Midrand

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

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