



ANNUAL REPORT 2019/2020

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PART A GENERAL INFORMATION

1.1 National Credit Regulator General Information

Registered name

National Credit Regulator (NCR)

Registered office address

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Postal address

P.O. Box 209 Halfway House 1685

Contact telephone number

Switchboard: 011 554 2600 / 2700 **Toll Share:** 0860 627 627 (0860 NCR NCR)

Email address

 $\textbf{Complaints:} \ complaints@ncr.org.za$

Debt counselling complaints: dccomplaints@ncr.org.za

Enquiries: info@ncr.org.za

Website address

www.ncr.org.za

External auditor's information

Auditor-General of South Africa 300 Middel Street New Muckleneuk Pretoria 0001

1.2 List of Acronyms

AA	Accounting Authority
ADRA	Alternative Dispute Resolution Agent
AGSA	Auditor-General of South Africa
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
CFO	Chief Financial Officer
CGCSA	Consumer Goods Council of South Africa
COO	Chief Operations Officer
COVID-19	Coronavirus Disease 2019
CIF	Credit Industry Forum
DCEO	Deputy Chief Executive Officer
dtic	Department of Trade, Industry and Competition
DPSA	Department of Public Service and Administration
EE	Employment Equity
EXCO	Executive Committee
FIC	Financial Intelligence Centre
FSCA	Financial Sector Conduct Authority
GRAP	Generally Recognised Accounting Practice
ICT	Information and Communication Technology
ICCR	International Committee on Credit Reporting
IFWG	Intergovernmental Fintech Working Group
MFSA	Microfinance South Africa
MoU	Memorandum of Understanding
NCA	National Credit Act
NCAA	National Credit Amendment Act
NCC	National Consumer Commission
NCR	National Credit Regulator
NCT	National Consumer Tribunal
NDP	National Development Plan
NMFA	National Motor Finance Association
PDA	Payment Distribution Agent
PA	Prudential Authority
PFMA	Public Finance Management Act
SACRRA	South African Credit and Risk Reporting Association
SAFT	South African Future Trust
SAPS	South African Police Service
SARB	South African Reserve Bank
SCM	Supply Chain Management
SMMEs	Small, Medium and Micro Enterprises
SMS	Short Message Service

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1.3 Minister's Foreword



"This year has brought unprecedented challenges with the impact of COVID-19 pandemic, which has impacted the economy."

Mr Ebrahim PatelMinister of Trade, Industry and Competition

This Annual Report provides an account of the National Credit Regulator (NCR) for the past financial year ending March 2020.

The sixth government administration took office following the national elections in May 2019, with a re-imagined industrial strategy for the country focused on localisation and a renewed promise, passion and urgency to address long standing socio-economic challenges.

The 2019 Presidential Investment Conference, held in November 2019 demonstrated sustained commitment and productive partnerships between the public and private sector in rebuilding the economy. Some R364 billion of further commitments were made (21% higher than at the inaugural Conference the previous year), with potential to create over 400 000 jobs over a five year period. This brings the total of investment commitments made at the two Conferences (2018 and 2019) to R664 billion, more than 50% of the five-year target set by the President in 2018.

The new dtic family accelerated the development and implementation of sector masterplans, completing these 'industry social pacts' in the automotive, poultry, sugar and clothing and textile sectors. These serve as a blueprint to harness energies amongst industry players for investment and increased output and jobs in sectors which together employ some 500 000 people. The Master Plans set out practical and reciprocal actions that each social partner at industry level would take to build more resilient businesses and industries. We are now working on sector masterplans in the steel and furniture sectors, which we expect to complete in the coming year.

Significant progress was made with the finalisation of the modalities of the new African Continental Free Trade Area (AfCFTA), and with a trade agreement to address access to the United Kingdom in the event of a no-deal Brexit.

Covid-19 interrupted the rollout of the new industrial strategy. The economic environment brought on by Covid-19 has dented growth both locally and globally. The pandemic and its economic fallout have been described by leading economists as unprecedented in our generation. Across the world, countries are reporting or forecasting their lowest growth in at least a generation.

For public entities, the pandemic principally impacted on their work beyond the financial year, placing pressure on delivery platforms and in a number of cases, on their finances.

To repair the damage of Covid-19 and reconstruct the economy to create more jobs, bring more young people into entrepreneurship and increase economic inclusion, we need to think boldly and implement smartly.

To address the immediate and urgent challenges of the economy, government and its social partners have agreed to an Economic Reconstruction and Recovery Plan. The Plan includes structural reforms and a commitment to greater levels of localisation and infrastructure investment. These measures will impact and shape the work of the dtic and its agencies.

Every agency of the dtic will be required to play its role in ensuring a steady recovery from the pandemic, and to continue execution of the re-imagined industrial strategy, outlined by President Ramaphosa at the start of this administration.

In order to enhance the regulatory framework, the NCR is collaborating with the South African Reserve Bank, Prudential Authority, Financial Sector Conduct Authority and the Financial Intelligence Centre to establish a national register of credit agreements, which can assist with the analysis and monitoring of credit trends and identification of vulnerabilities and risks in the South African financial system.

The advent of the COVID-19 pandemic has resulted in a deterioration of consumers' financial circumstances, which may result in a rise in consumer protection issues, including problems with existing and new consumer credit. Risks are likely to arise in the form of harsh collections practices, unexpected fees, lack of transparency, and reckless lending, to name a few.

In order to enhance consumer protection, the NCR will increase consumer education and awareness campaigns especially in the areas of credit life insurance, benefits of debt counselling and the rights and responsibilities of consumers under the NCA in general.

My thanks go to Ms Nomsa Motshegare, the Chief Executive Officer of the NCR and her Executive team; the Audit and Risk Management Committee – which provided oversight on the financial affairs of the NCR; and the staff for their contribution.

Mr Ebrahim Patel

Minister of Trade, Industry and Competition



1.4 Foreword by the Accounting Authority

"The NCR took the lead in advising consumers of their rights and options in the event of being financially stretched or over-indebted and cautioned them against panic buying sprees."

Ms Nomsa Motshegare Accounting Authority

INTRODUCTION

The National Credit Regulator (NCR) achieved most of its strategic objectives and targets during the 2019/20 financial year and no areas of under-performance were identified.

Throughout the reporting period, consumers were stretched and highly indebted. Price increases in petrol, food and the general high cost of living saw the average South African opt for credit to make ends meet.

According to Statistics South Africa, the economy contracted 3.2% in the first quarter of 2019, grew 3.1% in the second quarter, and shrunk by 0.8% in the third quarter and by 1.4% in the fourth quarter.

The unemployment rate reached an all-time high of 30.10% in the first quarter of 2020, increasing from 29.10% reported for the fourth quarter of 2019. During the previous year, unemployment averaged between 27 and 27.5% throughout the year.

Against this background, it is understandable that credit bureaus data showed that 10.47 million out of the total 27.99 million credit-active consumers in South Africa had impaired records by 31 March 2020 – "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 R12.7 billion during 2019/20. The role of PDAs is to collect repayments from consumers under debt counselling and distribute this to credit providers.

The latest NCR Consumer Credit Market Report (March 2020) shows that the total value of new credit granted decreased from R145.38 billion to R126.35 billion for the quarter ended March 2020, a decrease of 13.09% when compared to the previous quarter and 1.18% year on year.

As the financial year drew to a close, matters took a turn for the worst: the downgrading of South Africa by the international credit rating agencies saw the rand take a tumble and the country went into national lockdown on 27 March 2020 due to the COVID-19 pandemic. The disruption caused by the two occurrences is still being felt by everyone, every business and every sphere of government.

The NCR took the lead in advising consumers of their rights and options in the event of being financially stretched or over-indebted and cautioned them against panic buying sprees.

Furthermore, the NCR gave debt counsellors and payment distribution agents extensions in terms of business days to perform certain functions within the debt counselling processes. This was necessary as businesses and consumers were going to be unable to perform their functions or exercise their rights within the prescribed business days as contained in the NCA due to the national lockdown.

HIGH-LEVEL OVERVIEW OF THE NCR STRATEGY AND PERFORMANCE

Due to the emergence of the COVID-19 pandemic and the special adjustment budget, the NCR revised its five year (2020-2025) and three year (2020-2023) plans accordingly. The plans have been submitted to Parliament as required by the legislation.

The Strategic Plan and Annual Performance Plan have been aligned to Government's response to the COVID-19 pandemic.

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

The NCR's strategy focuses on:

- Increased access to consumer credit;
- · Improved consumer rights awareness and education;
- Research and policy development; and
- · Enforcement of the National Credit Act and its regulations

The NCR has aligned its key performance areas with the strategic objectives and core themes of the dtic. During the year under review, the NCR had to deliver against set outputs and targets for each of its 12 performance areas. A total 92% or 11 targets were either achieved or exceeded and 8% or 1 target was substantially achieved. (More information is provided on pages 56 to 63).

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: Dondotha Village, Ntumeni Village and Kwa-Khoza Village in the KwaZulu-Natal Province; Flagstaff, Lusikisiki and Port St Johns in Eastern Cape Province; and Rathoke in Limpopo Province.

The NCR participated in 28 industrial theatre roadshows done in collaboration with the Credit Bureau Association. The industrial theatre targeted high school learners in grade 11 and students at universities and colleges. Topics covered were different aspects of the NCA with the main themes being credit reports, the role of credit bureaus, cost of credit and over-indebtedness.

The NCR was also involved in the National Financial Literacy Speech Competition organised by the Financial Sector Conduct Authority (FSCA). The competition was developed for grade 11 learners across the country who attend quintile 3 schools (no fee schools).

During 2019/20, the NCR started making use of social media, reaching out to consumers via social media influencers. The NCR also initiated and hosted its own information workshops for members of the public. Both the social media and public workshops were well received.

1.4 Foreword by the Accounting Authority continued

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.

COLLABORATION AND COOPERATION

The Minister, in exercising his powers in terms of section 69 of the National Credit Act, directed the NCR to establish the National Register of Credit Agreements (the register). The register will contain a national public database of all credit agreements concluded in South Africa. With the establishment of the register, policy analysis, protecting and enhancing financial stability, will be facilitated. A more effective regulation of the credit industry will be realised.

In developing this register, the NCR has partnered with the SARB, PA, FIC and the FSCA. The National Treasury and the Department of Trade, Industry and Competition are providing support.

Thus far, a steering committee and work-streams in the areas of ICT, data, legislative and stakeholder management have been established and regular meetings are held to coordinate the project. The database will have a business data segment containing information on SMMEs valuable to credit providers. This information will enable SMME lending by banks and other developmental financial institutions.

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 about 25 African countries, to discuss their decade long success stories.

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.

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 2019/20 financial year we achieved media coverage worth about R202.9 million in calculated advertising value equivalence (AVE) rates. We publicised important developments, issued alerts and provided crucial advice to consumers. We ensured 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 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 team monitored compliance with the NCA. A total of 64 matters were referred to the National Consumer Tribunal (NCT).

The fines imposed by the NCT on all matters referred by the NCR for the 2019/20 financial year amount to R5.69 million in total.

There were notable judgements (two of which set precedents) that were handed down in favour of the NCR by either the NCT or the Courts:

- NCR vs Standard Bank: This matter was previously referred to the High Court by the NCR and it relates to the application of the common law set-off on credit agreements subject to the NCA. The Court handed down judgment in favour of the NCR, with costs in this period. The court found that, in the context of credit agreements, there can only be a set-off where a consumer has given written authorisation. The common law set-off is applied when two persons owe each other and the debts are extinguished by setting them off against each other. The banks apply this by transferring funds deposited into consumers' accounts to settle debts on credit agreements without the consumers' authorisation. Banks are now required to obtain permission from consumers before transferring funds from consumers' accounts to pay amounts due under credit agreements.
- Aristoscan (trading as JMK Cash Loans) vs NCR: The NCT found JMK Cash Loans guilty of various NCA contraventions. Amongst these contraventions was the use of child support and foster care social grants as consumer income in the calculation of affordability assessments. It further stated that child support and foster care social grants are to be used solely for the benefit of the child or dependants in question. Such grants may not be regarded as being a consumer's income. The case set an important precedence and impacts on the way affordability assessments must be conducted.
- NCR vs Shoprite Stores: The NCR further won a long pending appeal against Shoprite for reckless lending. In September 2017, the NCT ordered Shoprite to pay R1 million as a fine. Shoprite appealed the ruling in the Pretoria High Court. On 18 December 2019, the court dismissed the appeal with costs, and confirmed the NCT's ruling almost in its entirety.

The NCR together with the South African Police Service (SAPS) conducted raids on small credit providers that illegally retain consumers' identity documents and other cards. A total of 2 601 personal items of consumers were recovered and 10 criminal cases opened.

REDRESS FOR CONSUMERS

As a result of the NCR's complaints resolution and compliance monitoring, consumers received refunds and redress amounting to about R195 million during the past financial year. Read more under Part B of this annual report.

REGISTRATION

During the year under review, the NCR focused on registering small credit providers (microlenders). Registration campaigns in the Gauteng, the Eastern Cape and Mpumalanga provinces resulted in a substantial increase in registration, especially previously unregistered credit providers.

INNOVATION

The NCR is part of the inter-governmental Innovation Hub that was launched during 2019 to test new products that financial players want to introduce to market.

This is a hub that was created through the collaborative effort amongst several South African financial sector regulators, including the FIC, FSCA, NCR, SARB and SARS, working together under the Intergovernmental Fintech Working Group (IFWG). The purpose of the Innovation Hub is to demystify the regulatory landscape, by providing a space for safe testing of innovative ideas, and actively advance innovation in financial services.

The NCR's new call centre management system was revamped and went live during the year under review and has made the NCR more efficient and accessible. This conforms to the Batho Pele principles and should improve service delivery.

1.4 Foreword by the Accounting Authority continued

GOOD GOVERNANCE

The NCR is proud of its track record of never having obtained a qualified audit opinion since its establishment in 2007. We have had unqualified (clean) audit opinions in the financial years 2014/15, 2015/16, 2017/18, 2018/19 and now in 2019/20. We are determined to maintain our high levels of ethics and corporate governance going forward at the same time ensuring there is service delivery to consumers.

HIGHLIGHTS

Despite the advent of the COVID-19 pandemic the NCR had overall a good 2019/2020. Summary of key highlights during 2019/20:

Summary of Key Outcomes



>R200 million refunded to consumers / account adjustments / debt written off as a result of NCR intervention



64 matters
referred to
the National
Consumer
Tribunal and High
Court



clean audit opinion 2019/20



16 days the average number of days NCR takes to pay its creditors



Won appeal vs Shoprite - retailer fined **R1 million** for reckless lending



2 precedence setting cases (set-off principle and social grants)

Summary of Key Outcomes



Registered 1 416 new credit providers, renewed 6 421 existing registrations



Conducted raids in **7 provinces**



Total of 620 consumer education activities conducted on general application of NCA, misleading and deceptive practices



Achieved media coverage worth R202.9 million AVE



Cautioned consumers against panic buying during COVID-19 pandemic



9 webinars presented to debt counsellors



Adopted new tagline: **BE CREDIT**

SMART



Participated in 28 industrial theatre roadshows targeted at Grade 11 learners and tertiary students

1.4 Foreword by the Accounting Authority continued

CHALLENGES

The challenges during this period were related to the need to develop ICT systems to enhance operational efficiencies, insufficient funding and lack of national footprint.

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

The COVID-19 pandemic is a challenge in its own class as it impacts not only South Africa and the NCR but also the whole world.

LEGISLATION

The National Credit Amendment Act, Act 7 of 2019, was signed into law by the President on 16 August 2019. Its main objective is to introduce debt intervention as a mechanism to assist over-indebted consumers who, ordinarily cannot be assisted through existing debt relief measures such as debt counselling, debt administration and sequestration.

It amends the NCA to allow for the NCR, the NCT and the courts to provide free debt intervention services to qualifying over-indebted consumers (i.e those earning not more than R7 500 per month with unsecured debt of not more R50 000).

The NCR, in preparation for the implementation of the Act, has appointed a manager to head the Debt Intervention Department and is procuring additional office space and servers. Additional resources are still required to effectively implement this piece of legislation.

ACKNOWLEDGEMENTS

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

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

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

Ms Nomsa Motshegare

Accounting Authority

1.5 Chief Executive Officer's Overview

GENERAL FINANCIAL REVIEW

For the 2019/20 financial year, the National Credit Regulator (NCR) had a final approved budget of R167 732 957 (2019: R137 611 068). The NCR received R79 580 000 (2019:R75 361 000) in funding from the dtic, this constituted 47% (2019:55%) of the NCR's funding. Furthermore, The NCR received additional funding of R7 000 000 for a Debt Intervention project. The balance of R77 673 971 (2019:R62 250 068) was from registrant's fees and other income.

SPENDING TRENDS

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

- Programme expenditure of R25 727 643 compared to R26 719 025 for 2018/19;
- Personnel expenditure of R89 216 380 compared to R85 296 785 for 2018/19;
- Administrative and other expenditure was R29 165 289 compared to R23 329 586 for 2018/19; and
- Capital expenditure of R6 412 421 compared to R3 362 359 for 2018/19.

SUPPLY CHAIN MANAGEMENT

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

FRUITLESS AND WASTEFUL EXPENDITURE

The NCR incurred fruitless and wasteful expenditure during the 2019/20 financial year amounting to R3 615 and the irregular expenditure amounting to R2 703. Consequence management was taken, and the expenditure was recovered.

CHALLENGES

Though the NCR has found innovative ways to maximise service delivery and cut costs, it continued to be a challenge to operate under tight budget constraints – especially due to the fact that lengthy litigation is a norm in this sector and requires sizable funding.

Cost savings have been achieved by working smarter, by for example (a) conducting desktop monitoring and evaluation of compliance, and (b) implementing a call centre management system that automates certain processes. Going forward, the NCR will continue to emphasise cost-containment, improve operational efficiencies and look at ways of increasing income.

It was challenging to acquire and retain talent, but the NCR managed to keep its retention level high and to acquire critical skills during the year under review.

The absence of satellite offices throughout the country, together with budget constraints, made it difficult for the NCR to increase its footprint nationally during 2019/20. Alternatively, the NCR piloted a series of webinars and given the success and reach of these, plans are underway to increase its use of the internet and social media in the near future. The effects of COVID-19 will require businesses and entities to operate differently.

EVENTS AFTER THE REPORTING DATE

The NCR is not aware of any events after the reporting date of 31 March 2020, which are likely to have a material impact on the NCR's financial results or operations.

However, on 15 March 2020, President Ramaphosa declared the COVID-19 pandemic as a state of national disaster. Since then, many measures have been announced – and revised – relating to restrictions on movement, business activity, travel and other matters.

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1.5 Chief Executive Officer's Overview continued

NEW ACTIVITIES

Debt intervention: The NCR, in preparation for the implementation of debt intervention, has appointed a manager to head the Debt Intervention Department and is procuring additional office space and servers. Once additional funding is available, the recruitment for additional personnel will commence and other resources will be acquired.

Response to COVID-19 Pandemic: On 15 March 2020, President Ramaphosa declared a national state of disaster due to COVID-19 pandemic. He further declared a nationwide lockdown effective 26 March 2020.

i. The South African Future Trust: The Oppenheimer Generations established the South African Future Trust (SAFT) with the objective of assisting small, medium and micro enterprises (SMMEs) during the COVID-19 pandemic through the granting of relief loans.

NCR was approached by the SAFT to provide advice on the registration requirements of the trust with the NCR as a credit provider. A total of R1 billion, administered by the commercial banks, was to be used to fund relief loans to SMMEs, with payments made directly to employees. These loans are expected to be paid in 2025 without interest. As a result, the SAFT was advised that it does not require to be registered with the NCR as a credit provider.

ii. Extension of Business Days: Due to the national lockdown, the NCR became aware that registrants and consumers would be unable to perform their functions or exercise their rights within the prescribed business days as required by the NCA. These business days refer to all sections of the NCA and its regulations in which business days are prescribed. Regulation 3 of the NCA permits the NCR, on good cause shown, to extend the business days.

In light of the above, debt counsellors and payment distribution agents were given extensions in terms of business days to perform certain functions within the debt counselling processes. A circular was issued to that effect.

iii. Consumer caution in various media: The NCR witnessed many consumers resorting to panic buying of essential items as the fear of the coronavirus spread and national lockdown was announced. The NCR encouraged consumers to exercise caution and restraint during this difficult period.

Consumers were warned that resorting to using credit to acquire items could be detrimental to their overall financial health. Credit comes at a cost and credit has to be repaid.

In light of the decrease in the interest rate, consumers were urged not to increase their spending, but rather use this opportunity to decrease their current debts and save for emergencies.

ECONOMIC VIABILITY

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

AUDIT REPORT MATTERS IN THE PREVIOUS YEAR

The audit report for the financial year 2019/20 from the Auditor-General reflects the following: A clean audit report. The NCR also obtained a clean audit for the previous reporting period, 2018/19.

1.5 Chief Executive Officer's Overview continued

ACKNOWLEDGEMENTS

I sincerely thank the Honourable Minister of Trade, Industry and Competition Mr Ebrahim Patel; Director-General, Mr Lionel October; the Group Chief Operations Officer, Ms Jodi Scholtz; the Deputy Director-General, Dr Evelyn Masotja; Chief Director of Consumer and Corporate Regulation, Mr MacDonald Netshitenzhe; other dtic officials; the Portfolio Committee on Trade and Industry; and the Select Committee on Trade and International Relations, for their continued guidance and support.

I further express my heartfelt gratitude to the executive committee, management and employees for their enduring excellence, commitment and diligence.



Ms Nomsa Motshegare Chief Executive Officer

National Credit Regulator Executive Committee:

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



PART A: GENERAL INFORMATION 18

Summary of Key Outcomes



7 837 total number of registered credit providers



1 528 total number of registered debt counsellors



44 total number of registered credit bureaus



4 total number of payment distribution agents



Clean audit opinions 2014/15, 2015/16, 2016/17, 2018/19 and 2019/20



85.99 millionconsumer
accounts on
record at credit
bureaus as at
31 Mar 2020



66.12 million of the 85.99 million consumer accounts (76.88%) were classified as 'in good standing'

Summary of Key Outcomes



R126.35 billion total new credit granted 1 Jan to 31 Mar 2020



27.99
million
total number
of consumers that
are credit active as
at 31 Mar 2020



10.47 million total number of consumers with impaired records



17.52 milliontotal number of consumers in good standing



>R200 million refunded to consumers / account adjustments / debt written off as a result of NCR intervention



R12,7 billion
was disbursed
by PDAs to credit
providers on behalf
of consumers
under debt
counselling

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 accounting authorty 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 2020.



Ms Nomsa MotshegareAccounting Authority and Chief Executive Officer



Executive Support Team

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 improve the NCR's operational effectiveness; and
- · To facilitate efficient registration of persons and entities.

The National Credit Regulator delivers against these strategic objectives by:

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

1.7.1 Vision

The vision of the National Credit Regulator is:

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

1.7.2 Mission

The mission of the National Credit Regulator is:

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

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

1.7.3 Values

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

Service excellence	We strive for service quality that exceeds the expectations of all stakeholders.	
Integrity	We are committed to honesty and integrity without compromise.	
Empowerment	We strive for empowerment in the consumer credit market, and we are also committed to employee empowerment.	
Good corporate governance	We strive to be a model of good corporate governance.	

PART A: GENERAL INFORMATION 22

1.8 Legislative and Other Mandates

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

The purpose of the National Credit Act, Act 34 of 2005, as amended is to:

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

The National Credit Regulator enforces the provisions of the 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 National Consumer Tribunal for adjudication.

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

- Implementing education and information measures to develop public awareness of the provisions of the 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.

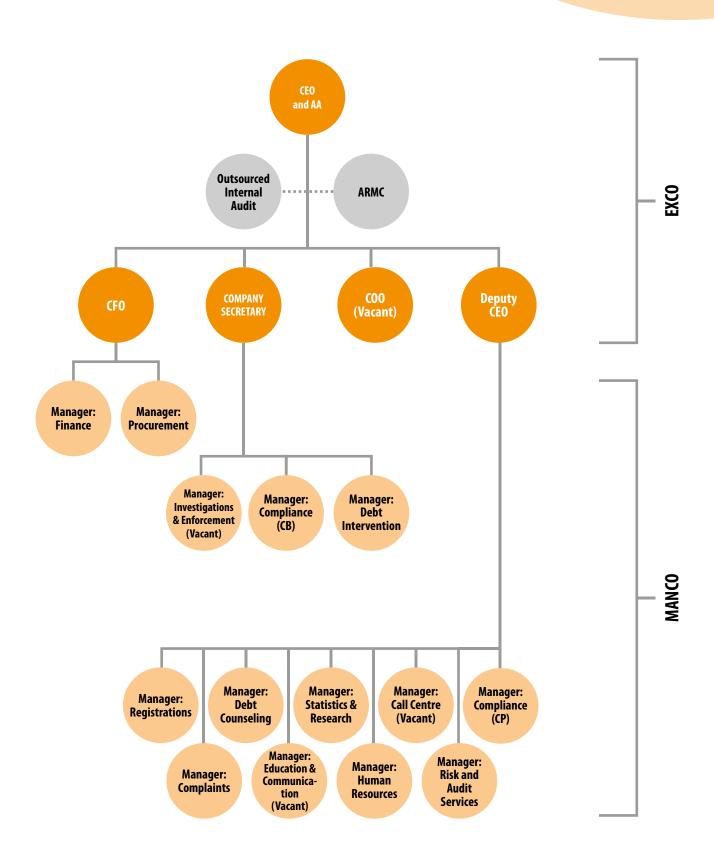
The National Credit Regulator promotes public awareness around consumer credit matters by:

• Implementing education and information measures.

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

1.9 Organisational Structure

The organogram provides a high-level overview of the organisation structure of the NCR.



PART A: GENERAL INFORMATION 24





PART B PERFORMANCE INFORMATION

2.1Auditor-General Report: Predetermined Objectives

2.1Auditor-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 2019/20 continued to be as challenging as the previous year. Tough economic conditions and social unrest prevailed. According to Statistics SA, the economy contracted 3.2% in the first quarter of 2019, grew 3.1% in the second quarter, and shrunk by 0.8% in the third quarter and by 1.4% in the fourth quarter.

Eskom's inability to provide reliable electricity, price increases in petrol, food, and in the repo rate exacerbated the situation. The unemployment rate reached an all-time high of 30.10% in March 2020, increasing from 29.10% reported in December 2019.

Against this background, the pressure on the average consumer increased. The downgrading of South Africa by the international credit rating agencies did not affect consumers immediately, but started gaining momentum gradually especially when President Ramaphosa declared a national state of disaster in March 2020 and the country went into lockdown.

The NCR cautioned consumers to avoid panic buying and incurring more debt. It also had to deal with the on-going challenges emanating from the credit market which is constantly evolving with alternative consumer lending options on offer.

2.2.2 Organisational environment

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

- **Improved efficiencies** due to cost-cutting measures and improved efficiencies, the NCR was able to deliver against its Strategic Plan.
- **Systems** the NCR Service Delivery Improvement Plan (SDIP) has 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 had the necessary staff complement during the period. Learners doing their experiential training at the NCR helped to increase capacity in the organisation.
- Knowledge intensity Opportunities for training and further study 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 Act, 7 of 2019 was signed into law by the President on 16 August 2019. Its main objective is to introduce debt intervention as a mechanism to assist over-indebted consumers who, ordinarily cannot

2.3 Strategic Outcome-oriented Goals

be assisted through existing debt relief measures such as debt counselling, debt administration and sequestration.

It amends the NCA to allow for the NCR, the NCT and the courts to provide free debt intervention services to qualifying over-indebted consumers (i.e those earning not more than R7 500 per month with unsecured debt of not more R50 000).

The NCR's five (5) outcomes and eight (8) outputs are aligned to five (5) strategic objectives. During the period under review, the NCR exceeded or achieved most of its targets. More information is available on pages 56 to 63 of this report.

STRATEGIC OBJECTIVE	OUTCOME	ОИТРИТ
SO1	Affordable levels of credit promoted	Improve compliance with regulations pertaining to the total cost of credit (including credit life).
		Enforcement action taken where necessary by end of the financial year.
	Decreased levels of reckless lending and unfair practices	Conduct investigations/ compliance monitoring/ audits/ raids/ complaints evaluations relating to reckless lending and/or collection of prescribed debt.
SO2		Enforcement action taken where necessary by end of the financial year
		Conduct consumer education and awareness campaigns regarding deceptive and unfair practices and consumer rights.
SO3	Improved quality and accuracy of consumer credit information	Improve compliance by credit bureaus in respect of quality, accuracy, the removal of paid up judgements and adverse consumer credit information.
SO4	Efficient service delivery.	Improve operational efficiency through automated processes.
S 05	Increased efficiency in registration of persons and entities.	Improve efficiency in the registration process of persons and entities.



NCR Management Team:

Front row (from left): 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 Ngoako Mabeba, Ms Anne-Carien Du Plooy and Ms Phillipine Mweli. Ms Boitumelo

Geldenhuis (resigned).



2.4 Performance Information by Activity2.4.1 Performance area:Registrations

The NCR 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 2020, a total of 7 837 credit providers with 40 632 branches, 44 credit bureaus, 4 payment distribution agents, 6 alternative dispute resolution agents and 1 528 debt counsellors were registered with the NCR.

REGISTRATIONS

A total of 1 416 credit providers were registered during the financial year. Most were first time registrations while a small number was re-registration of credit providers whose registration certificates had lapsed. The SMS facility through which applicants are updated on the progress of their registration enabled good communication and efficiency during the year under review. The increase in the number of credit providers registered may lead to job creation and economic growth.

CHALLENGES

The main challenge was to ensure registrants paid their renewal registration fees on time, i.e. 31 July (annual deadline as determined by the Regulations on the Determination of Application, Registration and Renewal Fees issued on 11 May 2016).

A number of registrants failed to pay their renewal timeously which resulted in the lapsing of their registration. The lapse of registration prohibits a registrant to offer or engage in activities that required registration in terms of the NCA.

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

HIGHLIGHTS

The successful registration campaign for unregistered credit providers (micro lenders) was the main highlight of the year. The campaign entailed conducting workshops in three provinces, namely Gauteng, the Eastern Cape and Mpumalanga (2019: Mpumalanga, Free State and North West). The workshops were encouraging unregistered credit providers to legitimise their operations through registration. These workshops were conducted in partnership with Provincial Consumer Protection Offices and were well attended.

THE YEAR AHEAD

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



Workshop for unregistered credit providers in Daveyton, Gauteng Province



Workshop for unregistered credit providers in Thembisa, Gauteng Province

Summary of Key Outcomes

REGISTRATIONS AT A GLANCE

REGISTRATIONS WITH THE NCR AS AT 31 MARCH 2020:



7 837 credit providers



44 credit bureaus



1 528 debt counsellors



4 payment distribution agents



6 alternative dispute resolution agents



Registration Team



2.4.2 Performance area: Credit Provider Compliance

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

Ms Mmabatho Senyarelo Manager: Credit Provider Compliance

Compliance monitoring is conducted pro-actively and re-actively through desktop compliance exercises and analysis of documents. Credit providers are required by the Regulations 62-68 of the NCA to submit the following documentation to the NCR at specific due dates: compliance reports; quarterly statistical returns; annual statistical returns; annual financials; operational returns and assurance reviews.

SUBMISSIONS

These documents are analysed to ensure compliance with the NCA. Where non-compliance is identified, relevant enforcement action is taken.

DESKTOP MONITORING

This entails a pro-active selection of credit providers in each of the nine provinces and requesting them to submit certain relevant documents required to assess compliance. Compliance monitoring is informed by a number of factors and selection in accordance to the following criteria:

- i. highest number of complaints received by the NCR;
- ii. failure to submit statutory returns; and
- iii. negative media coverage.

During 2019/20, a number of credit providers were selected for desktop monitoring and evaluation. Enforcement action was taken where non-compliance was established. Areas of non-compliance identified included total cost of credit, reckless lending and/or collection of prescribed debt.

HIGHLIGHTS

The monitoring exercises secured over R14 million as redress for consumers. This redress was either by way of monetary refunds or adjustments on outstanding account balances.

Besides conducting compliance monitoring, ten (10) interactive workshops were held for credit providers on the following topics:

- 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.

2.4.2 Performance area: Credit Provider Compliance Continued

The workshops were held in North West (Mafikeng and Rustenburg), KwaZulu-Natal (Pietermaritzburg and Durban), Free State (Welkom and Bloemfontein), and Gauteng (Kempton Park, Pretoria, Ormonde and Midrand). They were attended by over 500 representatives.

Four market conduct research studies were completed during the year under review:

- 1. Pawn Agreements research focused on operation and level of compliance within the industry;
- 2. Emergency loans research focused on operation and level of compliance within the industry;
- 3. Sharp increase in unsecured and credit facilities research into the contributing factors for the increases and the effects on responsible lending.
- 4. Removal of adverse listings on consumer credit profiles establishing level of compliance by credit providers.

THE YEAR AHEAD

Monitoring of compliance with the amendments to the NCA such as credit life insurance and affordability assessments will remain the main focus for the year ahead. Given the challenges imposed by the COVID-19 pandemic, the department will have to explore new ways of compliance monitoring.



Credit Provider Compliance Team

Summary of Key Outcomes

CREDIT PROVIDER COMPLIANCE AT A GLANCE

FACTS & FIGURES AS AT 31 MARCH 2020:



NCR secured **over R14 million** in redress to consumers (monetary refunds or account balances)



10workshopspresented to credit providers in 4provinces







Credit Provider Compliance workshops conducted in Gauteng and KwaZulu-Natal provinces



2.4.3 Performance area: Credit Bureau Compliance

The NCR Credit Bureau Compliance Department is responsible for ensuring that credit bureaus maintain accurate consumer credit information in accordance with the standards prescribed in terms of the National Credit Act. This entails compliance in respect of quarterly synoptic reports and annual compliance submissions. The department is responsible for taking the necessary enforcement action for non-compliance.

Ms Nosipho Zikishe

Manager: Credit Bureau Compliance

There were 44 credit bureaus registered with the National Credit Regulator (NCR) as at 31 March 2020. 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.

ONGOING COMPLIANCE REQUIREMENTS

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 are required to submit statutory reports (Form 43) accompanied by audit reports. They are also required to submit quarterly statutory reports (Form 44) – which the NCR uses for its statistical reporting on the state of the industry.

PROGRESS REGARDING DATA TRANSMISSION HUB

The NCR Guideline in terms of Regulation 19(13) of the NCA requires all credit and data providers to submit credit information to the registered credit bureaus.

A Data Transmission Hub (the Hub) has been established to enable credit providers to seamlessly submit consumer credit information to the credit bureaus.

The South African Credit and Risk Reporting Association (SACRRA), in conjunction with the Credit Bureau Association (CBA), manages the Hub. Failure to comply with the NCR's Guideline in terms of Regulation 19 (13) of the NCA may result in enforcement action being taken.

HIGHLIGHTS

During 2019/20, there was improvement in the turnaround times for updating consumers' records. There have been concerns about the time credit bureaus take to update credit records with information relating to paid-up status, judgements and adverse information. The turnaround time is now 48 hours or less, on average.

In the previous year, two credit bureaus were non-compliant with the removal of paid up judgements and adverse consumer credit information. During 2019/20 financial year, these credit bureaus were found to have automated their processes to achieve 99% on removal of paid up judgements and removal of adverse consumer credit information.

During the year under review desktop and onsite monitoring were conducted on 14 credit bureaus and 7 were found to be non-compliant. Enforcement action was taken on 6 while 1 will be dealt with in the new financial year.

Five workshops were conducted in Cape Town, Richards Bay, Vereeniging, Bloemfontein and Kimberly. The purpose of the workshops was to educate the credit providers on the submission of consumer credit information to the credit bureaus via the Hub.

CHALLENGES

Bringing small credit providers (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.

Cyber security and in particular safeguarding the integrity and safety of consumer credit information, and preventing data breaches continued to be an issue of concern that we pay attention to.

THE YEAR AHEAD

The focus for the year ahead is as follows:

- Encourage credit providers to comply with Regulation 19 (13) by working closely with the World Bank to develop a platform affordable to small credit providers to submit data to the credit bureaus via the Data Transmission Hub.
- To finalise the fees structure payable by credit providers for the use of the data transmission hub to submit data to the credit bureaus.
- To review the annual compliance return (Form 43) to enable it to cater for different credit bureau business models.
- To issue guidelines on credit scoring principles and data security.



Credit Bureau Compliance Team

Summary of Key Outcomes

CREDIT BUREAU COMPLIANCE AT A GLANCE

FACTS & FIGURES AS AT 31 MARCH 2020:



14 credit bureaus monitored



6 non-compliance notices issued



workshops presented nationwide



2.4.4 Performance area: Education and Communication

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

Ms Kedilatile LegodiActing Manager: Education and Communication

Various educational and awareness activities were conducted during the 2019/20 financial year which reached a lot of consumers in different parts of the country including rural and peri-urban areas. These activities were undertaken with the aim of educating consumers on their rights and responsibilities as entrenched in the NCA and were delivered and communicated in the form of interactive and awareness programmes such as workshops, exhibitions, industrial theatre, media campaigns and others.

HIGHLIGHTS

Extensive media outreach was utilized to maximise opportunities for free coverage in the mass media. Media coverage worth R202.9 million in calculated advertising value equivalence (AVE) rates was achieved. Of this amount, the NCR only paid R8.2 million for advertising.

In commemoration of the World Consumer Rights Day, the NCR participated in the annual National Consumer Rights celebration which was hosted by the National Consumer Commission (NCC), the Eastern Cape Consumer Protection Office and the University of Fort Hare. The celebrations were held in East London, Eastern Cape.

In collaboration with the Credit Bureau Association (CBA), the NCR participated in 28 industrial theatre roadshows conducted in four (4) provinces. These roadshows were targeted at high school learners in grade 11 and tertiary institution students.

The NCR participated in the National Financial Literacy Speech competition organised by the Financial Sector Conduct Authority (FSCA) in all nine (9) provinces. The competition was developed for grade 11 learners aimed at promoting financial literacy in schools and required the learners to, amongst others, present a five-minute speech on one of the financial literacy related topics.

In addition, the NCR collaborated with the National Empowerment Fund in rolling out the investor education campaign in eight (8) provinces aimed at capacitating the aspirant entrepreneurs on how to manage credit.

EDUCATIONAL WORKSHOPS

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 (9) provincial governments and other relevant regulators. A co-ordinated approach is convenient for the consumer and for partner organisations in the community, offering participants a comprehensive overview of consumer protection. During 2019/20, the NCR partnered with:

- Department of Trade, Industry and Competition (dtic)
- Department of Economic Development and Tourism
- National Consumer Commission (NCC)
- Credit Bureau Association (CBA)
- Nine Provincial Consumer Protection Offices
- Offices of the Premiers
- National Empowerment Fund (NEF)
- Financial Sector Conduct Authority (FSCA)
- Government departments (national and provincial)
- Universities
- Traditional Authorities

2.4.4 Performance area: Education and Communication continued

During the period under review, the NCR conducted a total of 620 educational activities. These activities comprised workshops, exhibitions/outside broadcasts (OBs), industrial theatre, mall activations, meetings, media interviews, imbizos (community outreach programmes) and were either self-initiated or conducted in partnership with various stakeholders. Although the NCR has previously relied on invitations to participate in workshops, it succeeded to initiate and host some events.

From the 620 educational activities, 120 activities were focussed on creating awareness on misleading and deceptive practices in the credit industry to protect consumers from abuse and unfair practices, address over-indebtedness and promote consumer rights.

The NCR participated in 28 industrial theatre roadshows in collaboration with the CBA. The industrial theatre roadshows targeted high school learners in grade 11 and tertiary institution students at both universities and colleges with an aim of educating them whilst they are still young and in school. The topics covered different aspects of the NCA with the main themes being credit reports, the role of credit bureaus, cost of credit and over-indebtedness. These roadshows were conducted in Gauteng, KZN, North West and the Western Cape provinces.

The NCR participated in the National Financial Literacy Speech Competition organised by the FSCA in all nine (9) provinces as well as at the national final competition, which took place in the Gauteng Province. The competition was developed for grade 11 learners across the country who attend quintile 3 schools (no fee schools) aimed at promoting financial literacy in schools and required learners to present a five-minute speech in one of the financial literacy related topics.

EDUCATION THROUGH MASS MEDIA

The use of mass media enabled the NCR to reach as many consumers as possible within a short space of time in different parts of the country.

Different topics of the NCA were covered throughout the year such as debt counselling, over-indebtedness, budgeting, credit information and credit bureaus, prescription of debt, repossession amongst many others.

Various channels of television and radio were used to educate consumers, for example: SABC 1, SABC 2, eNCA, DSTV Moja Love, UKhozi FM, Lesedi FM, Motsweding FM, Ligwalagwala FM, Ikwekwezi FM, Munghana Lonene, Phalaphala FM, Energy FM, Qwaqwa FM, Kopanong FM, Sedibeng FM, Ratlou FM, Moutse community radio, Mala FM, Vaaltar community radio, Radio Mafisa, Mascom Community Radio, Giyani Community Radio.

NEWS COVERAGE OF THE NCR

The activities of the NCR, especially the court cases it instituted and the enforcement actions taken were newsworthy stories in the media. News coverage increases awareness of the NCR and the NCA. In addition, the NCR's statistical reports on the state of the credit industry and credit-active consumers were also covered extensively in the business media.

During the year under review, the NCR issued 14 media releases, conducted 428 radio interviews and 47 television interviews on the general topics in the NCA. These increased the NCR's brand visibility across the country. The NCR was mentioned over 2 500 times in print and electronic media throughout the year.

STAKEHOLDER ENGAGEMENT AND COMMUNITY OUTREACH

The NCR conducted imbizos in partnership with local tribal authorities in various provinces. The aim of the Imbizos was to educate consumers in the rural and peri-urban areas about their rights and responsibilities, credit insurance and other aspects of the NCA. A total of 7 imbizos were conducted in the Eastern Cape, Limpopo and KwaZulu-Natal.

ADVERTISING CAMPAIGNS

The objective of the NCRs advertising campaigns was to increase awareness and education in respect of consumer rights, debt counselling, misleading and deceptive practices, credit bureau information, spending, borrowing and budgeting wisely.

Seven (7) campaigns were rolled out during the year under review and although each campaign had its specific goal they all shared the same vision which is to "Be Credit Smart":

- Consumer Rights (2019) "Protecting Consumers against abuse"
- Consumer Rights (2020) "Know your consumer rights to be protected"
- Debt Counselling "Financial freedom is within your reach!"
- Black Friday "Don't let Black Friday lead to a black listing"
- Spend Wisely
- Borrow Wisely
- COVID-19 "Avoid Panic Buying": "Don't let panic buying lead to over indebtedness"

In order to reach more consumers, the NCR developed an advertising strategy to incorporate more media channels and platforms.

High impact advertisements were rolled out for television, radio, digital platforms and social media using social media influencers and this strategy ensured high impact to the correct target audience and proved cost effective.

Leveraging new media proved to be an effective tool for the NCR's advertising campaigns during the year.

TV channels like Moja Love and social media platforms like Facebook and Instagram were new channels explored and proved to be valuable resources to communicate and position the NCR's messages to consumers in a medium they were comfortable with.

THE YEAR AHEAD

The NCR will increase its efforts to create awareness and consumer education on deceptive and unfair practices, responsible borrowing and consumer rights in general. Due to the COVID-19 pandemic, the NCR will roll out its education programmes using mainly the media, online, digital platforms and social media to avoid personal contact.



Outreach in the North-West Province



Imbizo at Mhlana Traditional Council, Umfolozi, KwaZulu-Natal Province



Imbizo at Khoza Traditional Council in Eshowe, KwaZulu-Natal Province

Summary of Key Outcomes

EDUCATION AND COMMUNICATION AT A GLANCE

FACTS & FIGURES AS AT 31 MARCH 2020:



Total Advertising Value Equivalency (AVE): **R202.9 million**



Total advertising spend: **R8.2 million**



Reached out to more consumers via social media **influencers**



Total of 620 consumer education activities conducted on general application of NCA, misleading and deceptive practices

2.4.4 Performance area: **Education and Communication continued**





Nkosi Dube addressing the Kholweni community an imbizo with the Ntumeni Traditional Council in Eshowe, KwaZulu-Natal Province



Workshop for pensioners at Cosmo City, Gauteng Province



Workshop at eDambeni Village, Ntabankulu in the Eastern Cape Province, with the Eastern **Cape Consumer Protection Office**



Workshop at Sephaku Village, Limpopo Province



2.4.5 Performance area: Complaints

The NCR Complaints Department is responsible for consumer rights -protection through receiving and resolving complaints concerning alleged contraventions of the National Credit Act and to ensure that consumers' rights are protected during the complaints resolution process. The department consists of two divisions, namely the Call Centre and Complaints Resolution.

Ms Takalani Mudau Manager: Complaints Department

For the year under review, 2 306 complaints were received and processed and resulted in, amongst others, approximately R195 million refunded to and/or adjustments in favour of consumers. This is the highest redress to consumers recorded in the last five years

RECEIVING AND RESOLVING COMPLAINTS

Upon receiving complaints, the Call Centre may refer the complaints to the ombudsman with the relevant jurisdiction, consumer court or an alternative dispute resolution agent for the purposes of assisting the parties to resolve the dispute in terms of section 139 of the NCA.

In the event of there being grounds for evaluation of a complaint, the alleged contraventions of the NCA are assessed by the Complaints Resolution Team. Such assessment may result in either a Notice of Non-Referral being issued, or a formal settlement being concluded in which a complainant is provided with redress.

Where there exist reasonable grounds to do so, an inspector is appointed to formally investigate the complaint, where after the necessary action is taken as allowed for in the NCA.

Thirty three (33) settlement agreements were concluded, filed and/or confirmed in consent orders by the National Consumer Tribunal. These consent orders enable complainants to apply for a certificate of damages and institute claims for damages in courts. In addition, 58 compliance notices and instructional letters were issued.

In the year under review, the Call Centre received 77 850 calls and 20 859 written enquiries. These enquiries were attended to within an average of 5 business days after receipt thereof.

Engagements were held with registrants and other stakeholders, such as the Provincial Consumer Protection Offices, to have complaints resolved expeditiously and effectively.

HIGHLIGHTS

A trend by credit providers to unilaterally charge legal fees against the consumers' accounts without such fees having been agreed upon and/or taxed by virtue of a cost order, was identified and lead to redress amounting to over R190 million for approximately 84 000 consumer accounts.

The new call centre management system went live during 2019/20 and improved not only the efficiency of the call centre, but also service delivery to consumers

CHALLENGES

Budget constraints and lack of national footprint hamper access to the NCR by consumers, especially the ones in rural areas.

THE YEAR AHEAD

Focus will be on improving stakeholder collaboration.



Complaints and Call Centre Teams



Summary of Key Outcomes

COMPLAINTS AT A GLANCE

FACTS & FIGURES AS AT 31 MARCH 2019:



77 850 phone calls answered



20 859 written queries handled



Approximately **84 000**consumers were offered redress in the form of refunds/debts written off



58 compliance notices/instructional letters issued



Approx R195 million refunded to consumers/debt written off [2019: R6 million]



new call centre management system implemented



2.4.6 Performance area: Investigations and Enforcement

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

Ms Anne-Carien Du Plooy Acting Manager: Investigations and Enforcement

During 2019/20, the Investigations and Enforcement Department continued to focus on unregistered credit providers that extended credit unlawfully without being registered. Investigations were conducted in seven provinces. The department also partnered with the Consumer Protection Office of the province of KwaZulu-Natal and assisted with investigations in the province. Investigations were also conducted on registered entities across the country.

ENFORCEMENT

Sixty four (64) entities were referred to the NCT and High Court for alleged contraventions of the NCA.

The NCR won a high court application for a declaratory order relating to the application of set-off principle under the NCA. The High Court ruled against Standard Bank that the common law set-off does not apply to credit agreements subject to the NCA. This case set precedence and clarified how the set-off principle must be applied.

The NCR further won a long pending appeal against Shoprite for reckless lending. The case against Shoprite commenced at the NCT. In September 2017, NCT found that Shoprite had on a number of occasions failed to conduct proper affordability assessments prior to granting credit to consumers and thus had granted credit recklessly. The NCT ordered Shoprite to pay R1 million as a fine. Shoprite appealed the NCT ruling in the High Court and on 18 December 2019, a full bench of the High Court unanimously dismissed the appeal with costs, and confirmed the NCT's ruling almost in its entirety.

The case of Aristoscan (trading as JMK Cash Loans CC) vs NCR was referred to the NCT which found JMK Cash Loans guilty of various NCA contraventions, including reckless lending. The NCT further clarified the uncertainty that existed in relation to child support grants. It stated that child support and foster care social grants are to be used solely for the benefit of the child or dependants in question. Such grants may not be regarded as being a consumer's income. The case set an important precedence and impacts on the way that affordability assessments are done, going forward.

RAIDS

Raids were conducted on microlenders that retain consumers' bank cards and identity documents. The raids were conducted in KwaZulu-Natal, Gauteng, Free State, Limpopo, Western Cape, Eastern Cape and the Northern Cape provinces. The NCR partnered with the Office of the Member of the Executive Committee (MEC) in KwaZulu-Natal, South Africa Social Security Agency (SASSA), the South African Police Services (SAPS), Black Sash and the Consumer Protection Office to conduct the raids which yielded good results. During the raids, a total of 2 601 personal items of consumers, consisting of identity documents, bank cards, SASSA cards, birth certificates and post bank cards were recovered.

The raids also focused on other contraventions such as reckless lending, unlawful lending and the charging of excessive interest and fees. A total of 10 criminal cases were opened.

Summary of Key Outcomes

THE YEAR AHEAD

Raids focusing on unregistered credit providers will remain the main focus area.

INVESTIGATIONS AND ENFORCEMENTS AT A GLANCE

FACTS & FIGURES AS AT 31 MARCH 2020:



precedence setting court cases (set-off principle and social grants)



7 provinces covered: raid on microlenders



10 criminal cases opened: raid on microlenders



entities referred to National Consumer Tribunal and High Court



R5.69 million total fines imposed by National Consumer Tribunal on matters referred by NCR



Shoprite lost appeal, fined **R1 million** for reckless lending



Over **R6.9 million** in refunds to consumers as a result of investigations and enforcement



2.4.7 Performance area: Debt Counselling

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

Ms Kedilatile Legodi Manager: Debt Counselling

The compliance monitoring function is coupled with support for these registrants in order to enhance consumer protection. Compared to 1 474 debt counsellors registered in 2019, as at 31 March 2020 there were 1 528 registered with the NCR.

COMPLIANCE MONITORING

Debt counsellors

The compliance monitoring of debt counsellors was conducted through on-site visits and desk top. The latter, involves the requesting and evaluation of relevant information received from the debt counsellors. Where non-compliance is identified, relevant enforcement action was taken. For the period under review, 1 079 debt counsellors were monitored compared to 1 007 in the previous financial year.

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.

The PDAs are audited twice annually by an external service provider and compliance monitoring visits are conducted on a quarterly basis.

The compliance monitoring visits are in the main conducted to monitor progress of implementation of corrective measures from the audit findings, if any, and to conduct general compliance checks.

In total, 21 compliance monitoring activities (i.e. audits and compliance monitoring visits) were conducted on the four (4) registered PDAs.

Credit providers

Credit providers are expected to comply with the NCA and the conditions of registration when processing debt counselling matters. During the year under review, 22 credit providers were monitored and one instructional letter was issued.

STAKEHOLDER ENGAGEMENTS

The Debt Counselling 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 75 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.

Nine (9) webinars (seminars that are held over the internet) were held for debt counsellors. Various debt counselling related topics were discussed. Given the success and support that the webinars received, the NCR intends to continue

2.4.7 Performance area: Debt Counselling continued

using webinars as a mechanism to support and capacitate debt counsellors. The nine webinars were recorded and are available on the NCR website.

DISBURSEMENTS TO CREDIT PROVIDERS

For the period under review, the payment distribution agents disbursed R12.7 billion to credit providers, which is an increase from the previous financial year (2019: R11.31 billion).

Cumulatively, the payment distribution agents have disbursed R68.29 billion since 2008. This continuous annual increase of disbursements reflects the positive impact that debt counselling has as a debt relief measure.

Highlights

The department reviewed the debt counselling training course material to reflect the latest case law, industry agreements and developments as well as introduce a practical training aspect.

This review culminated in a brand new course that is practical in nature and capable of being hosted online. The NCR is confident that this new course will produce better trained and informed debt counsellors capable of providing superior service to consumers.

In addition, it was recognised that there is a need to extend the debt counselling training course to aspiring registrants in the peri-urban and rural areas and the NCR embarked on a process of acquiring multiple service providers to assist with the roll-out.

It is envisaged that this will expand the footprint of debt counselling in South Africa and will have a profound effect on the accessibility of debt counselling to the public at large.

THE YEAR AHEAD

In the year ahead, the department will intensify its compliance monitoring and taking enforcement action where necessary.

Due to the COVID-19 pandemic, the department will increase its use of the internet platforms to monitor compliance, support and improve communication with debt counsellors, credit providers and PDAs.



Debt Counselling Team

Summary of Key Outcomes

DEBT COUNSELLING AT A GLANCE

FACTS & FIGURES AS AT 31 MARCH 2020:



1 079 debt counsellors assessed for compliance



1 528 registered debt counsellors



22 credit providers' internal debt review departments monitored



9 educational webinars for debt counsellors



PDAs disbursed total **R12.7 billion** [2019: R11.3 billion].*



75 stakeholder engagements

^{*} Increase shows the positive impact of debt counselling as debt relief measure.

2.4.8 Statistics and Research

The Statistics and Research Department is responsible for producing quarterly reports on the state of the consumer credit market.

Mr Ngoako Mabeba Statistics and Research Department

The Statistics and Research Department is responsible for producing quarterly reports on the state of the consumer credit market. The reports are produced with data collated from registered credit providers and credit bureaus. The statistical information assists the NCR in monitoring trends and developments in the consumer credit industry.

As prescribed in the NCA, the Department is also responsible for conducting research in terms of Sections 13 and 16 of the NCA.

CONSUMER CREDIT MARKET OVERVIEW

The total value of new credit extended to South African consumers for the quarter ended March 2020 was R126.35 billion. This represents a decrease of R19.03 billion (13.09%) quarter on quarter and R1.51 billion (1.18%) year on year.

Table 1: Credit granted - credit type

						% Change	% Change
Agreement	2019-Q1	2019-Q2	2019-Q3	2019-Q4	2020-Q1	(Q1/Q4)	(Y/Y)
Mortgage	35 239 545	40 184 436	43 160 531	43 733 484	38 932 900	-10,98%	10,48%
Secured Credit	39 850 388	41 203 406	43 333 966	46 191 486	39 080 872	-15,39%	-1,93%
Credit Facility	20 263 914	21 108 047	22 572 414	21 306 448	19 215 217	-9,82%	-5,18%
Un-Secured	28 245 060	28 637 233	30 067 134	30 224 428	25 314 143	-16,25%	-10,38%
Short Term	2 447 528	2 366 709	2 342 794	2 466 306	2 122 244	-13,95%	-13,29%
Developmental	1 809 717	1 210 990	1 526 675	1 460 091	1 685 692	15,45%	-6,85%
Grand Total	127 856 152	134 710 821	143 003 514	145 382 243	126 351 067	-13,09%	-1,18%

Secured credit, which is dominated by vehicle finance decreased by R769.52 million (1.93%) year-on-year and by R7.11 billion (15.39%) quarter-on-quarter. Secured credit is currently the largest credit extended per quarter with a 30.93% share of the total credit granted. Mortgages share of new credit granted increased from 27.56% in March 2019 to 30.81% in March 2020.

Table 2: Gross debtors' book - credit type

Agreement	2019-Q1	2019-Q2	2019-Q3	2019-Q4	2020-Q1	2020- Q1% Distribu- tion	% Change (Q1/ Q4)	% Change (Y/Y)
Mortgage	948 419 453	958 478 749	969 987 324	978 624 379	988 636 098	49,87%	1,02%	4,24%
Secured Credit	432 411 529	435 878 137	439 388 718	446 276 382	448 012 944	22,60%	0,39%	3,61%
Credit Facility	243 671 808	249 858 533	254 990 274	261 260 573	264 244 477	13,33%	1,14%	8,44%
Un-Secured	200 869 566	205 662 189	212 644 958	220 311 786	223 869 956	11,29%	1,62%	11,45%
Short Term	2 594 098	2 265 673	2 272 335	2 386 144	2 163 595	0,11%	-9,33%	-16,60%
Developmental	52 350 433	52 577 196	53 721 975	55 752 199	55 353 387	2,79%	-0,72%	5,74%
Total	1 880 316 887	1 904 720 477	1 933 005 585	1 964 611 462	1 982 280 456	100,00%	0,90%	5,42%

As at March 2020, the total outstanding consumer credit balances (or gross debtors' book) was R1.98 trillion, representing a quarter-on-quarter increase of 0.90% and a year-on-year growth of 5.42%. The following were some of the trends that were observed in the first quarter of 2020:

- Unsecured credit debtors book increased by R3.56 billion (1.62%) quarter-on-quarter and by R23.00 billion (11.45%) on a year -on-year basis. Unsecured credit debtors book grew by highest percentage on year on year basis when compared to all other credit types.
- Credit facilities debtors book increased by R2.98 billion (1.14%) quarter-on-quarter and by R20.57 billion (8.44%) on a year-on-year basis
- Mortgages increased by R10.01 billion (1.02%) for the quarter ended March 2020 and by R40.22 billion (4.24%) on a year on year.
- Secured credit debtors book increased by R1.74 billion (0.39%) quarter-on-quarter year-on-year and by R15.60 billion (3.61%) on a year-on-year basis.

CREDIT BUREAU STATISTICS OVERVIEW

Credit bureaus held records for 27.99 million credit-active consumers, which showed an increase of 8.49% when compared to the 25.70 million in the previous year. Consumers classified in good standing increased by 1,968,311 to 17.52 million consumers compared to the previous year. This amounts to 62.58% of the total number of credit-active consumers, an increase of 2.06% year-on-year. The number of credit active accounts increased from 80.49 million in March 2019 to 85.99 million in the quarter ended March 2020. The number of impaired accounts has decreased from 21.53 million (26.75%) in March 2019 to 19.88 million (23.12%) in March 2020, a decrease of 1,653,345 year-on-year.

Table 3: Credit Standing of consumers

(#) Millions	Sep'17	Dec'17	Mar'18	Jun'18	Sep'18	Dec'18	Mar'19	Jun'19	Sep'19	Dec'19	Mar'20
Good standing (#)	15,21	15,62	15,77	15,02	15,07	15,69	15,55	14,87	14,35	14,49	17,52
Current (#)	12,35	12,63	12,62	12,15	12,24	12,43	12,36	12,02	11,55	11,52	14,96
1-2 months in arrears (#)	2,86	2,99	3,15	2,87	2,83	3,26	3,19	2,85	2,80	2,97	2,56
Impaired records (#)	9,87m	9,70m	9,69m	9,57m	8,98m	10,16m	10,15m	10,23m	10,80m	10,71m	10,47m
3+ months in arrears (#)	5,55	5,5	5,58	5,59	5,37	6,24	6,10	5,77	5,97	6,24	6,50
Adverse listings (#)	2,87	2,82	2,72	2,62	2,27	2,60	2,79	3,18	3,57	3,25	3,06
Judgments and administration orders (#)	1,45	1,38	1,39	1,36	1,34	1,31	1,30	1,28	1,25	1,22	0,91
Credit-active consumers (#)	25,08m	25,31m	25,46m	24,59m	24,05m	25,85m	25,70m	25,10m	25,14m	25,20m	27,99m

2.4.8 Statistics and Research continued continued

The number of consumers in good standing was 17.52 million (62.58%) while the balance of 10.47 million (37.42%) had impaired records for the quarter ended March 2020. Consumers in good standing increased from 60.52% to 62.58% on a year on year basis.

Table 4: Credit standing of accounts

(#) Millions	Sep'17	Dec'17	Mar'18	Jun'18	Sep'18	Dec'18	Mar'19	Jun'19	Sep'19	Dec'19	Mar'20
Good standing (#)	58,25	59,64	59,66	56,95	57,51	59,54	58,95	58,95	59,67	60,09	66,12
Current (#)	52,67	53,86	53,64	51,40	51,83	51,67	50,53	51,64	52,14	52,20	59,10
1-2 months in arrears (#)	5,56	5,79	6,03	5,55	5,68	7,87	8,42	7,31	7,53	7,89	7,02
Impaired records (#)	20,19	19,84	19,42	19,07	18,66	20,77	21,53	21,16	21,86	21,95	19,88
3+ months in arrears (#)	14,85	14,63	14,54	14,33	13,99	15,72	15,75	15,37	16,11	16,17	13,68
Adverse listings (#)	4,10	4,02	3,73	3,63	3,62	4,05	4,83	4,88	4,87	4,95	5,59
Judgments and administration orders (#)	1,24	1,19	1,15	1,11	1,05	0,99	0,95	0,91	0,88	0,83	0,61
Consumer accounts (#)	78,43	79,49	79,08	76,02	76,17	80,31	80,49	80,12	81,53	82,04	85,99

The total number of accounts was 85.99 million for the quarter ended March 2020. Accounts in good standing increased from 58.95 million for the quarter ended March 2019 to 66.12 million for the quarter ended March 2020. Impaired accounts decreased from 21.53 million to 19.88 million over the same period.

TRENDS IN 2019/20

- Credit facilities and unsecured credit are increasing at a higher pace when compared to other credit products.
- Some credit providers have ceased offering short-term credit.
- Vehicle finance has the biggest share of new credit, seen quarter-on-quarter basis.

CHALLENGES

- Due to the sudden and unprecedented nature of the economic impact of the COVID-19 crisis, the credit industry and consumers will be substantially affected.
- Receiving statutory returns on time from small credit providers that submit annually.
- · Revamping of the data collections tools to meet constant changes in the credit industry.

THE YEAR AHEAD

Comprehensive research has been commissioned to (1) determine the reason for the increase in unsecured credit and credit facilities and to (2) measure the impact of COVID-19 on consumer spending and credit trends. Further research will be undertaken to establish the sudden increase in car sales, balloon payments, residual values and other special products offered by credit providers.

Summary of Key Outcomes

STATISTICS AND RESEARCH AT A GLANCE

FACTS & FIGURES AS AT 31 MARCH 2020:



Consumer Credit Market Report

- Published 4 x per yearMeasured levels of credit extension + consumer indebtedness
- Data collected from credit providers



Credit Bureau Monitor

- Published 4 x per year
- · Measured standing of credit active consumers and 'rehabilitation' trends
- Data collected from credit bureaus



2.4.9 Risk and Audit Services



Ms Nobuntu Gwala Manager: Risk and Audit Services Department

The Risk and Audit Services department is responsible amongst others for the following:

- Monitoring the implementation of risk management policies throughout the organisation;
- Providing support to all NCR departments on risk management activities and development of operational plans;
- Coordinating the development of strategic plans (5 year strategic and 3 year annual performance plan);
- Monitoring performance NCR against the approved strategic plans as well as the departmental performance against the operational plans;
- Coordinating the outsourced internal audit function; and
- Ensuring NCR's adherence to and compliance with the shareholder's compact.

During the 2019/20 financial year, the Risk and Audit Services department ensured that:

- There were no material audit findings on the annual performance information reported;
- Statutory reports were submitted timeously to the dtic and National Treasury;
- Risk registers were developed, reviewed and mitigation strategies identified;
- Internal audits were performed as per the approved internal audit plan; and
- The external quality assurance review of the internal audit function was conducted.

2.5 Performance Information by Programme

During 2019/20, the National Credit Regulator achieved and exceeded 92% of its performance targets while 8% of the targets were substantially achieved. There were no areas of under-performance and there were no changes to planned targets in the NCR's five programmes.

2.5.1 Programme 1: To promote responsible credit granting

PURPOSE:

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

- a. Monitoring credit provider compliance with the regulations;
- b. Enforcing compliance with the regulations; and
- c. Improving the regulations

DESCRIPTION:

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

Strategic objective 1: To promote responsible credit granting

Output	Performance measure or indicator	Actual achievement 2018/19	Planned target 2019/20	Actual achievement 2019/20	Deviation from planned target to actual achievement for 2019/20	Comment on deviation
with regulations pertaining to the total cost of credit (including credit life). In the second of the total cost of credit (including credit life). In the second of the total cost of credit (including credit life) to ensure compliance the regulation taken percentage credit provide	credit providers investigated/ complaints	Q1 and Q2 163 investigations were conducted.	Investigate/ evaluate complaints/ monitor compliance/	Exceeded 329 credit providers were investigated by way of	The target was exceeded due to proactive monitoring of credit providers	
	monitored/	providers were investigated/ dit compliance monitored/ complaints	audit/ conduct raids on 310 credit providers regarding total cost of credit (including credit life) to ensure compliance with the regulations.	compliance monitoring, audit, investigations and complaints evaluations.	and an increase in information received which prompted investigations and speedy resolution of matters.	
	evaluated/	Q1 and Q2 84% (137÷163) enforcement action taken.	Take enforcement action on 75% of 310 credit providers investigated/ complaints evaluated/	Exceeded Enforcement action was taken on 88% (274) of 310 credit providers as a set target.	Similarities in the nature of contraventions committed by credit providers enabled NCR to adopt an efficient	
	compliance monitored/ audited/ raided on total cost of credit (including credit life) where necessary by the end of the financial year.	Q3 and Q4 71% (101÷143) enforcement action taken.	compliance monitored/ audited/ raided on total cost of credit (including credit life) where necessary by 31 March 2020.		enforcement approach that fast tracked the taking of enforcement action.	

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.

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

PURPOSE:

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:

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

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

Output	Performance measure or indicator	Actual achievement 2018/19	Planned target 2019/20	Actual achievement 2019/20	Deviation from planned target to actual achievement for 2019/20	Comment on deviation
Conduct investigations/ compliance monitoring/ audits/raids/ complaints evaluations 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.	Q1 and Q2 188 investigations were conducted. Q3 and Q4 133 credit providers were investigated/ compliance monitored/ complaints evaluated.	Investigate/ evaluate complaints/ monitor compliance/ audit/ conduct raids on 320 credit providers regarding reckless lending and/ or collection of prescribed debt.	Exceeded 339 credit providers were investigated by way of compliance monitoring, audit, investigations and complaints evaluations.	The target was exceeded due to proactive monitoring of credit providers and an increase in information received which prompted investigations and speedy resolution of matters.	
Enforcement action taken where necessary by the end of the financial 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 by the end of the financial year.	Q1 and Q2 71% (133÷188) enforcement action taken. Q3 and Q4 74% (99÷133) enforcement action taken.	Take enforcement action on 75% of 320 credit providers investigated/complaints evaluated/compliance monitored/audited/raided on reckless lending and/or collection of prescribed debt where necessary by 31 March 2020.	Exceeded 94% (280/299) Enforcement action was taken on credit providers where contraventions of the Act were found.	Similarities in the nature of contraventions committed by credit providers enabled NCR to adopt an efficient enforcement approach that fast tracked the taking of enforcement action.	
Conduct consumer education and awareness campaigns regarding deceptive and unfair practices and consumer rights.	Number of multimedia awareness campaigns (radio/ TV interviews/ news print/ workshops/ community outreach programmes/ social media) conducted on deceptive and unfair practices and consumer rights.	87 multimedia awareness campaigns were conducted.	Conduct 100 of any or a combination of the following: - Radio interviews - TV interviews - News print - Workshops - Community outreach programmes - Social media on deceptive and unfair practices and consumer rights.	Exceeded 120 multimedia awareness campaigns were conducted (71 radio interviews, 41 workshops, 8 community outreach, 0 TV, 0 social media,0 news print).	In addition to invites received, the NCR conducted a substantial number of own initiated workshops on unfair and deceptive practices in various provinces.	

STRATEGY TO OVERCOME AREAS OF UNDER-PERFORMANCE

There were no areas of under-performance.

CHANGES TO PLANNED TARGETS

There were no changes to planned targets.

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

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

PURPOSE:

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:

Compliance monitoring will be conducted by the NCR. Based on the outcome of the compliance monitoring, complaints evaluation and investigations, 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 2018/19	Planned target 2019/20	Actual achievement 2019/20	Deviation from planned target to actual achievement for 2019/20	Comment on deviation
Improve compliance by credit bureaus in respect of quality, accuracy, the removal of paid up judgements and adverse consumer credit information.	Number of credit bureaus monitored.	14 credit bureaus were monitored.	Monitor 10 credit bureaus.	Exceeded 14 credit bureaus were monitored.	Increase in information and complaints received prompted further monitoring of credit bureaus over and above the planned target.	
	Enforcement action taken on a percentage (%) of monitored non- compliant credit bureaus where necessary by the end of the financial year.	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.	Enforcement action taken on 80 % non- compliant credit bureaus where necessary by 31 March 2020.	Exceeded Enforcement action was taken on 86% of credit bureaus which were found to be non- compliant (6 of 7 non-compliant credit bureaus). Enforcement action on the one (1) credit bureau will be taken in the new financial year.	Similarities in the nature of contraventions committed by credit bureaus enabled NCR to adopt an efficient enforcement approach that fast tracked the taking of enforcement action.	

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

Output	Performance measure or indicator	Actual achievement 2018/19	Planned target 2019/20	Actual achievement 2019/20	Deviation from planned target to actual achievement for 2019/20	Comment on deviation
Improve compliance by credit bureaus in respect of quality, accuracy, the removal of paid up judgements and adverse consumer credit information.	Number of annual compliance reports certified by an independent auditor submitted by registered credit bureaus and enforcement action taken where necessary on credit bureaus that failed to submit by the due date (15 March).	23 of the 30 registered credit bureaus submitted. Enforcement action was taken on 6 credit bureaus that failed to submit by due date. One (1) credit bureau was not operational.	All registered credit bureaus to submit 2019/20 annual compliance reports certified by an independent auditor by 15 March 2020 and enforcement action taken where necessary on credit bureaus that failed to submit by the due date.	Achieved 38 of the 42 registered credit bureaus submitted 2019/20 annual compliance reports by 15 March 2020. Enforcement action was taken on 4 credit bureaus that failed to submit by due date, by way of instructional letters.		
	% of received registered credit bureau annual compliance reports certified by an independent auditor for 2018/19 financial year evaluated.	100% (13) credit bureaus' audited reports were received and evaluated	Evaluate 100% annual compliance reports certified by an independent auditor received from registered credit bureaus.	Achieved Evaluated 100% (29) of registered credit bureau annual compliance reports certified by an independent auditor received from credit bureaus.		
	Enforcement action taken where necessary by end of the financial year.	2 credit bureaus were found to be non-compliant and enforcement action was taken on both.	Enforcement action taken where necessary by 31 March 2020.	Substantially achieved During the financial year, 11 credit bureaus were found to be non-compliant, 9 were issued with instructional letters and a settlement agreement was reached with one credit bureau. The investigation of one credit bureau is still underway.	The investigation was more complex and took longer than anticipated.	The investigation will be completed in the new financial year and enforcement action will be taken where necessary.

STRATEGY TO OVERCOME AREAS OF UNDER-PERFORMANCE

The investigation will be completed in the new financial year and enforcement action will be taken where necessary.

CHANGES TO PLANNED TARGETS

There were no changes to planned targets.

2.5.4 To improve NCR's operational effectiveness

PURPOSE:

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

DESCRIPTION:

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 2018/19	Planned target 2019/20	Actual achievement 2019/20	Deviation from planned target to actual achievement for 2019/20	Comment on deviation
Improve operational efficiency through automated processes.	% of uptime availability of the legacy ICT (Registrations and Complaints) systems.	On average, 99% uptime of the ICT system.	98% uptime of the ICT system.	Exceeded On average, 99% uptime of the ICT system.	The target was exceeded due to the network monitoring tool that enables ICT department to predict network failures in order to avoid downtime.	

STRATEGY TO OVERCOME AREAS OF UNDER-PERFORMANCE

There were no areas of under-performance.

CHANGES TO PLANNED TARGETS

There were no changes to planned targets.

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

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

PURPOSE:

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

DESCRIPTION:

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 2018/19	Planned target 2019/20	Actual achievement 2019/20	Deviation from planned target to actual achievement for 2019/20	Comment on deviation
Improve efficiency in the registration process of persons and entities.	% of applications registered within 9 business days of receipt of signed proposed conditions and payment of registration fees.	99% applications were registered within 10 business days of receipt of signed proposed conditions and payment of registration fees.	Register 95% of applications within 9 business days of receipt of signed proposed conditions and payment of registration fees.	Exceeded 99.7% applications were registered within 9 business days of receipt of signed proposed conditions and payment of registration fees.	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

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:

		2019/2020		2018/2019			
Performance activity/objective	Budget	Actual expen- diture	(Over)/under expenditure	Budget	Actual expen- diture	(Over)/under expenditure	
Programme 1	25 812	26 158	-345	32 664	30 112	2 552	
Programme 2	44 702	43 132	1 570	35 284	39 947	-4 663	
Programme 3	8 439	8 103	335	9 436	7 748	1 688	
Programme 4	80 540	57 040	23 500	50 685	50 327	358	
Programme 5	8 240	8 967	-727	9 541	8 635	906	
Total	167 733	143 400	24 333	137 611	136 771	840	

2.5.7 Revenue collection

		2019/2020		2018/2019			
Sources of revenue	Estimate	Actual amount collected	(Over)/under collection	Estimate	Actual amount collected	(Over)/under collection	
	R′000	R′000	R′000	R′000	R′000	R′000	
Own revenue - Fee Revenue	51 626	49 609	(2 017)	41 573	46 584	5 011	
Transfer payment	79 580	86 580	7 000	75 361	75 361	-	
Interest	2 300	3 555	1 255	1 000	2 480	1 480	
Other income	34 227	24 510	(9 717)	19 677	19 807	130	
Total	167 733	164 254	(3 479)	137 611	144 232	6 621	

OWN REVENUE - FEE REVENUE

The under collection relating to fee revenue is as a result of closure of branches for credit providers. In terms of the National Credit Amended Act, the NCR charges a credit provider for each physical branch that it opens. We have noticed in the last months that credit providers, especially banking institutions, moved away from physical branches and making more use of digital channels.

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

2.5.7 Revenue collection continued

TRANSFER PAYMENT

During the adjustment budget process, the dti allocated an additional R7-million to the NCR to implement a portion of the debt intervention mandate as contained in the National Credit Amended Act.

INTEREST

The interest earned exceeded the budget due to better cashflow management, e.g. making payments to service providers at given intervals, keeping excess funds in a call account and then only transferring what is needed to make payments.

OTHER INCOME

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

2.5.8 Capital investment

For the year under review, the NCR allocated a significant portion of its capital budget to information communication and technology (ICT) refresh. The refresh project carries over to the next financial year (2020/2021).

Other than that, the NCR does not have any infrastructure projects.















PART CGOVERNANCE

3.1 Introduction

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.

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



3.2 Portfolio Committees

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

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

3.3 Executive Authority

The Portfolio Committee on Trade and Industry is responsible for excercising oversight over the NCR's service delivery and reviewing its financial and performance information contained in the NCR's Annual Report. During the year under review, the NCR met with the Portfolio Committee on Trade and Industry to present its implementation plan and budget on the National Credit Amendment Act 7 of 2019 and on COVID-19 related issues.

September 2019

Date	Institution	Topics
11 September 2019	Portfolio Committee on Trade and Industry	Briefing by dtic and NCR on National Credit Amendment Act

3.3 Executive Authority

The Minister of Trade, Industry and Competition 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 2018/19 year - 1 January to 31 March 2019)	30 Apr 2019	There were no issues raised by the Minister.	
Report on financial and non-financial performance (Quarter 1 of 2019/20 year - 1 April to 30 June 2019)	31 July 2019	There were no issues raised by the Minister.	
Report on financial and non-financial performance (Quarter 2 of 2019/20 year - 1 July to 30 September 2019)	31 Oct 2019	There were no issues raised by the Minister.	
Report on financial and non-financial performance (Quarter 3 of 2019/20 year - 1 October to 30 December 2019)	31 Jan 2020	There were no issues raised by the Minister.	

3.4 Accounting Authority

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.

3.5 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 70 of this report.

PART C: GOVERNANCE 68

3.6 Internal Control Unit

3.6 Internal Control Unit

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.

3.7 Internal 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 2019/20 Audit and Risk Management Committee consisted of four (4) members. The committee held four (4) meetings, which were all ordinary meetings. There was no special meeting. The frequency of the meetings is as per the approved Audit and Risk Management Committee Charter.

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

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

The Audit and Risk Management Committee has fulfilled its responsibilities in compliance with its Charter. More information is provided in the Report of the Audit Management Committee on page 73.

3.7 Internal Audit and Risk Management Committee Continued

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

Name	Qualifications	Internal or external	Date first appointed	No of meetings attended
Mr W. Ndlovu	B Com B.Compt Honours CA (SA) Global Executive MBA	External	18 June 2015	4
Mrs J. Bokwa	LLB, B Juris	External	November 2014	4
Mrs P. Mvulane	CA(SA) Registered auditor Specialist Diploma in Auditing B Com Accounting Honours B Com	External	18 June 2015	4
Ms P. Tshabalala	BSc in Computer Science MSc Engineering Business Management	External	01 January 2018	3

3.8 Compliance with Laws and Regulations

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

3.9 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 2019/20 financial year, the NCR did not receive any reports of internal or external corruption or fraud.

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3.10 Minimising Conflict of Interest

3.10 Minimising Conflict of Interest

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

Bidders and 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.

3.11 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.

3.12 Health, Safety and Environmental Issues

3.12 Health, Safety and Environmental Issues

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

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

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



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

The NCR consumes less energy for lighting as it uses LED energy saving globes, occupancy sensors and timers.



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.

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3.13 Company Secretary

3.13 Company Secretary

The NCR's company secretary assists the Accounting Authority and CEO to ensure sound corporate governance. Mr L Mashapa serves as the NCR's company secretary.

3.14 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.

3.15 Audit and Risk Management Committee Report

We are pleased to present our report for the financial year ended 31 March 2020.

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)(iii) and 76 (4)(d) of the Public Finance Management Act and Treasury Regulation 27.1.7 and 27.1.10(b) and (c). The Audit and Risk Management Committee also reports that it has adopted appropriate formal terms of reference as its Audit and Risk Management Committee Charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein, except that we have not reviewed changes in accounting policies and practices.

AUDIT AND RISK MANAGEMENT COMMITTEE MEMBERS AND ATTENDANCE

Attendance at Audit and Risk Committee Meetings (April 2019 to March 2020)

Committee member	22 May 2019	24 July 2019	28 October 2019	28 January 2020
Mr W. Ndlovu (Chair)	✓	✓	✓	✓
Mrs J. Bokwa	✓	✓	✓	✓
Mrs P. Mvulane	✓	✓	✓	✓
Ms P. Tshabalala	✓	✓	_	✓

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

THE EFFECTIVENESS OF INTERNAL CONTROL

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

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

- Review of the Annual Financial Statements for the 2018/19 financial year; and
- Review of the Quarterly Performance information: Quarter 1 of the 2018/19 financial year.

The following were areas of concern:

Information Technology

3.15 Audit and Risk Management Committee Report

The NCR has an outsourced internal audit function. The contract for the outsourced audit function (E&Y) ended in October 2019 and a new firm was appointed in November 2019 (Ubuntu Business Advisory Services-UBAC). The ARMC approved the internal audit three-year rolling plan and annual report on the 28th of January 2020.

IN-YEAR MANAGEMENT AND QUARTERLY REPORT

The NCR has submitted quarterly reports to the Executive Authority.

RISK MANAGEMENT

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

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

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

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

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

The 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 the risk. The Committee continues to support management in managing and mitigating this risk.

EVALUATION OF FINANCIAL STATEMENTS

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

AUDITOR'S REPORT

We have reviewed the public entity's implementation plan for audit issues raised in the prior year and we are satisfied that the matters have been adequately resolved.

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

William Ndlovu

Chairperson of the Audit and Risk Management Committee National Credit Regulator

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Audit and Risk Management Committee:

Precious Mvulane, Mr William Ndlovu (Chairperson) and Ms Jennifer Bokwa Absent: Ms Poppy Tshabalala

3.16 B-BBEE Compliance Performance Information

3.16 B-BBEE Compliance Performance Information

New table as per The Annual Report Guide Schedule 3A and 3C Public Entities, page 28.

Has the public entity applied any relevant code of Good Practice (B-BBEE Certificate Levels 1-8) with regards to the following:

Criteria	Response Yes /No	Discussion (measures taken/ not taken to comply)
1. Determining qualification criteria for the issuing of licences, concessions or other authorisations in respect of economic activity in terms of any law?	Yes	NCR issues registration certificates to credit providers, debt counsellors, payment distribution agents, credit bureaus and alternative dispute resolution agents in accordance with the National Credit Act.
2. Developing and implementing a preferential procurement policy?	Yes	NCR issued tender based on the preferential procurement framework and are advertised on the e-tender portal and the website and only suppliers who are registered on CSD are utilised. For the year 2019/20, NCR did not have dedicated targets for the historically disadvantaged individual however our BBBEE strategy which is under review will cater for these targets in the coming financial year.
3. Determining qualification criteria for the sale of state-owned enterprises?	Yes	Currently NCR does not have any qualifying criteria for the sale of state-owned enterprise.
4. Developing criteria for entering into partnerships with the private sector?	Yes	NCR does not have partnership with private sector.
5. Determining criteria for the awarding of incentives, grants and investment schemes in support of Broad Based Black Economic Empowerment?	Yes	With the reduction in budget , NCR is not able to implement this criteria in the foreseeable future.

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PART D HUMAN RESOURCE MANAGEMENT

4.1 Introduction



Ms Boitumelo Geldenhuis Manager: Human Resources

The NCR Human Resources Department's main focus areas are recruitment, performance management, payroll, training and skills development, employee relations, wellness and facilities management.

The NCR is reasonably staffed with 176 full time employees as at 31 March 2020. The employees are relatively young and predominantly female (60%).

Strategies are in place to attract, retain and develop employees. These include career development and succession policies that are in place.

The recruitment and selection target for 2019/20 was exceeded and the NCR's Workplace Skills Plan (WSP) was submitted to the BANKSETA.

Twenty (20) employees attended training which included media training for critical positions, Caseware Financial System and Careways referrals.

Furthermore, Old Mutual provided financial management training for our employees to learn about retirement and financial planning.

4.1.2 HR priorities during the period

The NCR managed to keep its retention level high and managed to fill in critical positions such as the Chief Financial Officer and Supply Chain Manager.

On 1 November 2019, a human resources business partnering (HRBP) model was introduced. The HRBP model ensures that HR services are immediate, consistent and relevant to employees and management.

4.1.3 Strategies to attract and retain employees

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

4.1.4 Employer and employee consultative forum

4.1.4 Employer and employee consultative forum

The establishment of the Employer and Employee Consultative Forum has ensured that management and employees are able to discuss issues of mutual interest and agree on common strategies to achieve the strategic objectives of the NCR.

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

4.1.5 Learnership programmes

A total of 10 learners (five graduates, five matriculants) were recruited and placed in different functional areas of the NCR in order to acquire the necessary experience and exposure in different fields. This goes a long way in equipping young people with work skills while simultaneously increasing NCR capacity. Two of the learners were offered permanent positions in the NCR.

4.1.6 Social activities

A Wellness Day was held on 6 December 2019. The event included financial wellness presentations and participants included the NCR, Gauteng Consumer Protection Office, the FSCA and the Council for Debt Collectors.

Health screenings for HIV, diabetes and hypertension were conducted onsite. Credit health of employees was also on the agenda, with free credit reports made available to all employees by the various credit bureaus on site.

The Wellness Day also served as an end-of-the-year function with a delicious lunch and, on a lighter note, the NCR Employee Forum acted out a humorous sketch entitled 'Zazi – Know yourself, know your status' in support of HIV awareness.

4.1.7 Challenges

While the NCR is reasonably staffed, retention of skills remains a challenge and a priority. During the year under review, employees had to contend with the pressures caused by the recessionary conditions in the country, which made it imperative to keep morale positive at all times. Furthermore, the NCR had limited funds for employee training and development.



4.1.8 The year ahead

The main focus will be on partnering with the SETAs to ensure that there is training and development for employees. These partnerships will be utilised as vehicles to transfer skills to young graduates through internship programmes



Human Resources and Security and Facilities Teams



4.2 Human Resource Oversight Statistics

4.2.1 Personnel cost by programme

Table 1: Personnel Expenditure per Programme

Programme	Total expenditure for the entity R'000	Personnel expenditure R'000	Personnel expenditure as a % of total expenditure R'000	No. of employees	Average personnel cost per employee R'000
Programme 1	26,977	17,564	12%	68	258
Programme 2	45,032	26,496	17%	72	368
Programme 3	8,434	7,423	5%	10	742
Programme 4	60,724	30,898	20%	10	3089
Programme 5	10,322	7,231	5%	16	452
	151 488	89 612	59%	176	509

^{*}Number of employees as on 31 March 2020

4.2.2 Personnel cost by salary band

Table 2: Personnel Cost by Salary Band

Table 2.1 cisoffici cost by Salary Buria						
Top Management	Personnel Expenditure (R'000)	% of Personnel expenditure to total personnel cost (R'000)	No. of employees	Average personnel cost per employee (R'000)		
Top Management	10,263	12%	5	2053		
Senior Management	13,809	15%	16	863		
Professional Qualified	21,017	23%	32	657		
Skilled	33,224	37%	85	391		
Semi-skilled	11,299	13%	54	209		
Total	89 612	100%	192	467		

^{*}Includes all employees and terminations for the 2019/2020 financial year

4.2.3 Performance rewards

Table 3: Performance rewards

rable 511 criormance remaras			
Level	Performance rewards R'000	Personnel cost R'000	% of Personnel rewards to total personnel cost
Top management	419	10,263	4.08%
Senior management	1,072	13,809	7.76%
Professional qualified	1,361	21,017	6.48%
Skilled	3,150	33,224	9.48%
Semi-skilled	749	11,299	6.63%
Total	6 751	89 612	7.53%

4.2 Human Resource Oversight Statistics continued

4.2.4 Training costs

Table 4: Training costs

Programme	Personnel expen- diture R'000	Training expenditure R'000	Training expen- diture as a % of total personnel cost	No. of employees trained	Average Training cost per employee R'000
Programme 1	17,564	20	0.02%	6	3.33
Programme 2	26,496	25	0.03%	7	3.57
Programme 3	7,423	0	0.00%	0	0.00
Programme 4	30,898	13	0.01%	4	3.25
Programme 5	7,231	3	0.00%	1	3.00
Total	89 612	61	0.07%	18	3.39

4.2.5 Employment and vacancies

Table 5: Employment and vacancies

Activity	2018/19 No. of employees	2018/19 approved posts	2019/20 no. of employees		% of vacancies
Programme 1	34	40	68	7	10.3%
Programme 2	62	72	72	9	12.5%
Programme 3	9	17	10	3	30%
Programme 4	38	50	10	1	10%
Programme 5	16	20	16	0	0
Total	159	199	176	20	11.36%

4.2.6 Employment changes

Table 6: Employment Changes

Salary band	Employment at beginning of period		Terminations*	Employment at the end of the period
Top management	4	1	1	4
Senior Management	14	1	2	13
Professional Qualified	25	5	2	28
Skilled	68	20	10	78
Semi-skilled	48	10	5	53
Total	159	37	20	176

4.2 Human Resource Oversight Statistics continued

4.2.7 Reasons for staff leaving

Table 7: Reasons for Staff Leaving

Reason	Number	% of total staff leaving
Death	0	0%
Resignations	18	90%
Retirement	0	0%
III health	0	0%
Expiry of contract	1	5%
Other	1	5%
TOTAL	20	17.56%

4.2.8 Labour relations: misconduct and disciplinary action

Table 8: Labour relations: misconduct and disciplinary action

Nature of disciplinary action	Number
Verbal warning	1
Written warning	8
Final Written warning	2
Dismissal	1
Total	12

4.2.9 Equity and Employment Equity Status

Table 9: Equity and Employment Equity Status

Levels	Male					Fen	nale	
	African Current	Coloured- Current	Indian Current	White Current	African Current	Coloured Current	Indian Current	White Current
Top management	2	0	0	0	2	1	0	0
Senior Management	4	0	0	0	8	0	0	1
Professional Qualified	7	1	1	4	9	0	2	6
Skilled	33	0	0	0	49	2	3	0
Semi-skilled	24	1	0	0	30	2	0	0
Total	70	2	1	4	98	5	5	7





PART E FINANCIAL INFORMATION

5. General Information

Country of incorporation and domicile South Africa

Legal form of entityNational Public entity in terms of schedule 3A of the PFMA

Registered Office 127 - 15th Road, Randjespark, Midrand, 1685

Bankers Standard Bank of South Africa

Auditors Auditor-General of South Africa

Company Secretary L. Mashapa



6. Report of the Chief Financial Officer

Ms Josephine Meyer CA (SA) Chief Financial Officer

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

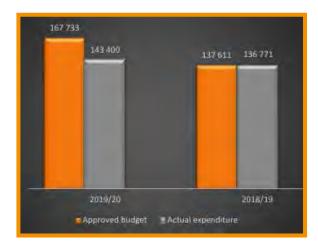
During the 2019/20 financial year, the office of the CFO has ensured that:

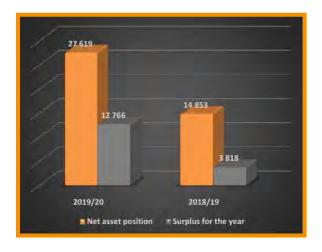
- The NCR continued to maintain a clean audit opinion for the year under review.
- All statutory submissions were submitted on time in compliance with the PFMA and Treasury Regulations;
- All management accounts, with variance explanations, were submitted on time to the dti as per signed Shareholder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

The NCR spent 85% (2019:99%) of its approved annual budget in the year under review, which is a 14% regression compared to the previous financial year. This is due to late approval of the annual performance plan which led to late commencement of activities planned, cancellation of travel activities and delay in the procurement as a result of lockdown.

The NCR's net asset position increased to R27, 619 mil in the current year (2019: R14,8 mil). This indicated 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, GRAP standards, the PFMA and the Treasury Regulations.





7. Auditor-General Report

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

Report on the audit of the financial statements

Opinion

- 1. I have audited the financial statements of the National Credit Regulator, set out on pages 95 to 138, which comprise the statement of financial position as at 31 March 2020, statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget information with actual information for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
- 2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the National Credit Regulator as at 31 March 2020, and its financial performance and cash flows for the year then ended, in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of Grap) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No.1 of 1999) (PFMA).

Basis for opinion

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

Responsibilities of the Accounting Authority for the financial statements

- 6. The Accounting Authority is responsible for the preparation and fair presentation of the financial statements in accordance with the SA Standards of Grap and the requirements of the PFMA, and for such internal control as the Accounting Authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
- 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.
- 8. My objectives are to obtain reasonable assurance about whether the financial statements as awhole 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 on the usefulness and reliability of the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.

7. Auditor-General Report (continued)

- 11. My procedures address the usefulness and reliability of 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 do not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
- 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 for the year ended 31 March 2020.

Objectives	Pages in the annual performance report
Programme 2: To protect consumers from abuse and unfair practices in the consumer credit market and address over-indebtedness	57 - 58

- 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 identify any material findings on the usefulness and reliability of the reported performance information for this programme:
 - Programme 2: To protect consumers from abuse and unfair practices in the consumer credit market and address over-indebtedness.

Other matter

- 15. I draw attention to the matter below.
- 16. Refer to the annual performance report on pages 56 to 63 for information on the achievement of planned targets for the year and explanations provided for the over/under-achievement of a number of targets.

Report on the audit of compliance with legislation

Introduction and scope

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

Other information

- 19. The Accounting authority is responsible for the other information. The other information comprises the information included in the annual report, which includes the Audit Committee's report. The other information does not include the financial statements, the auditor's report and those selected programmes presented in the annual performance report that have been specifically reported in this auditor's report.
- 20. 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.
- 21. 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.
- 22. 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. I have nothing to report in this regard.

7. Auditor-General Report Continued

Internal control deficiencies

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



Pretoria 30 September 2020



Auditing to build public confidence

7. Auditor-General Report: Annexures

Annexure – Auditor-General's responsibility for the audit

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

Financial statements

- 2. In addition auditor's to my responsibility for the audit of the financial statements as described in this 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 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 board of directors, which constitutes the Accounting Authority
 - conclude on the appropriateness of the Accounting Authority's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events conditions that may cast significant doubt on the ability of the National Credit Regulator continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a public entity to cease operating as a going concern
 - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

- 3. I communicate with the Accounting Authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
- 4. I also 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, actions taken to eliminate threats or safeguards applied.

PART E: FINANCIAL INFORMATION 92

8. Annual Financial Statements

GENERAL INFORMATION

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

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

Statement of Financial Position	95
Statement of Financial Performance	96
Statement of Changes in Net Assets	97
Cash Flow Statement	98
Statement of Comparison of Budget and Actual Amounts	99
Accounting Policies	103

The annual financial statements set out on pages 95 to 138, which have been prepared on the going concern basis, were approved by the aAcounting Authority on 31 July 2020 and were signed by:



N. Motshegare Accounting Authority

Statement of Financial Position as at 31 March 2020

	2020	2019
Note(s)		R

Assets			
Current Assets			
Receivables from exchange transactions	3	592 416	537 710
Receivables from non-exchange transactions	4	2 234 798	2 403 648
Cash and cash equivalents	5	65 720 804	62 869 749
		68 548 018	65 811 107
Non-Current Assets			
Property, plant and equipment	6	9 352 879	10 319 202
Intangible assets	7	2 931 077	5 572 201
		12 283 956	15 891 403
Total Assets		80 831 974	81 702 510

Liabilities			
Current Liabilities			
Income received in advance	8	3 133 357	3 571 622
Payables from exchange transactions	9	6 113 015	7 925 567
Payables from non-exchange transactions	10	34 331 664	45 980 373
Provisions	11	8 520 529	8 476 361
Operating lease liability 13		1 114 544	895 940
Total Liabilities		53 213 109	66 849 863
Net Assets		27 618 865	14 852 647

Statement of Financial Performance

	2020	2019
Note(s)		R

Revenue			
Revenue from exchange transactions			
Other revenue	14	364 429	310 488
Interest received investment 15		3 555 070	2 479 643
Total revenue from exchange transactions		3 919 499	2 790 131

Revenue from non-exchange transactions			
Transfer revenue			
Fee revenue	16	49 416 539	46 584 115
Transfer payment	17	86 580 000	75 361 000
Other revenue	18	24 337 933	19 496 974
Total revenue from non-exchange transactions		160 334 472	141 442 089
Total revenue		164 253 971	144 232 220

Expenditure			
Personnel expenditure	19	(89 612 380)	(85 296 785)
Operating expenses	20	(25 727 643)	(26 719 025)
Administrative expenses	21	(29 165 289)	(23 329 586)
Depreciation and amortisation	7&6	(6 982 441)	(5 068 342)
Total expenditure		(151 487 753)	(140 413 738)
Operating surplus	22	12 766 218	3 818 482
Surplus for the year		12 766 218	3 818 482

Statement of Changes in Net Assets

Total net assets	Accumulated surplus
R	R

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 01 April 2019	14 852 647	14 852 647
Surplus for the year	12 766 218	12 766 218
Total changes	12 766 218	12 766 218
Balance at 31 M arch 2020	27 618 865	27 618 865



Finance, SCM and ICT Team

Cash Flow Statement

	2020	2019
Note(s)	R	R

Cash flows from operating activities			
Receipts			
Cash receipts from applicants and registrants		49 910 611	47 373 062
Transfers received		86 580 000	75 361 000
Interest income		3 555 070	2 357 340
Payment Distribution Agents-Interest		24 145 288	18 819 898
Other receipts		177 146	273 706
Total Receipts		164 368 115	144 185 006
Payments			
Cash paid to employees		(89 265 494)	(85 296 785)
Cash paid to suppliers		(65 839 145)	(56 664 706)
Total payments		(155 104 639)	(141 961 491)
Net cash flows from operating activities	23	9 263 476	2 223 515

		(00.265.404)	(05 206 705)
Cash paid to employees		(89 265 494)	(85 296 785)
Cash paid to suppliers		(65 839 145)	(56 664 706)
Total payments		(155 104 639)	(141 961 491)
Net cash flows from operating activities	23	9 263 476	2 223 515

Cash flows from investing activities			
Purchase of property, plant and equipment	6	(1 702 821)	(1 887 137)
Purchase of other intangible assets	7	(4 709 600)	(1 475 722)
Net cash flows from investing activities		(6 412 421)	(3 362 858)

Net (decrease)/increase in cash and cash equivalents			(1 139 343)
Cash and cash equivalents at tthe beginning of the year		62 869 749	64 009 092
Cash and cash equivalents at the end of the year	5	65 720 804	62 869 749

Statement of Comparison of Budget and Actual Amounts

Budget on cash basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performa	nce					
Revenue						
Fee revenue	51 625 974	-	51 625 974	49 609 184	(2 016 790)	N1
Transfer payment	79 580 000	-	79 580 000	86 580 000	7 000 000	N2
Interest	2 300 000	-	2 300 000	3 555 070	1 255 070	N3
Other income	34 226 983	-	34 226 983	24 509 717	(9 717 266)	N4
Total income	167 732 957	-	167 732 957	164 253 971	(3 478 986)	
		·	·			
Expenditure						
Personnel expenditure	(103 459 140)	10 211 323	(93 247 817)	(89 612 380)	3 635 437	N5
Communication costs	(3 323 104)	32	(3 323 072)	(3 088 229)	234 843	
Consumer education and communication	(8 331 680)	(2 362 000)	(10 693 680)	(11 964 911)	(1 271 231)	N6
Professional fees	(13 970 612)	(2 481 850)	(16 452 462)	(12 093 644)	4 358 818	N7
General expenses*	(11 342 571)	(792 825)	(12 135 396)	(8 857 337)	3 278 059	N8
Information technology	(4 834 474)	-	(4 834 474)	(2 606 203)	2 228 271	N9
Premises and equipment costs**	(9 831 713)	(400 000)	(10 231 713)	(7 095 967)	3 135 746	N10
Stakeholder communication	(895 770)	(44 680)	(940 450)	(873 596)	66 854	
Debt counselling initiatives	(896 000)	-	(896 000)	(795 492)	100 508	
Total expenditure	(156 885 064)	4 130 000	(152 755 064)	(136 987 759)	15 767 305	
Capital expenditure						
Assets						
Non-Current Assets						
Property, plant and equipment	(4 053 981)	(4 544 716)	(8 598 697)	(1 702 821)	6 895 876	N11
Intangible assets	(5 593 912)	(785 284)	(6 379 196)	(4 709 600)	1 669 596	N12
ICT System	(1 200 000)	1 200 000	-	-	-	
Total Assets	(10 847 893)	(4 130 000)	(14 977 893)	(6 412 421)	8 565 472	

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activiti	ies					
Receipts						
Cash receipts from applicants and registraints	85 852 957	-	85 852 957	74 233 045	(11 619 912)	
Transfer payment	79 580 000	-	79 580 000	86 580 000	7 000 000	
Interest income	2 300 000	-	2 300 000	3 555 070	1 255 070	
Total Receipts	167 732 957	-	167 732 957	164 368 115	(3 364 842)	
Payments						
Cash paid to employees	(103 459 140)	10 211 323	(93 247 817)	(89 612 380)	3 635 437	
Cash paid to suppliers	(53 425 924)	(6 081 323)	(59 507 247)	(65 492 259)	(5 985 012)	
Total Payments	(156 885 064)	4 130 000	(152 755 064)	(155 104 639)	(2 349 575)	
Net cash flows from operating activities	10 847 893	4 130 000	14 977 893	9 263 476	(5 714 417)	
Cash flows from investing activition	es					
Additions to property, plant and equipment	(4 053 981)	(4 544 716)	(8 598 697)	(1 702 821)	6 895 876	
Intangible Assets	(5 593 912)	(785 284)	(6 379 196)	(4 709 600)	1 669 596	
ICT System	(1 200 000)	1 200 000	-	-	-	
Net cash flows from investing activities	(10 847 893)	(4 130 000)	(14 977 893)	(6 412 421)	8 565 472	
Net increase/(decrease) in cash and cash equivalents	_	-	-	2 851 055	2 851 055	
Cash and cash equivalents at the beginning of the year	_	-	-	62 869 749	62 869 749	
Cash and cash equivalents at the end of the year	-	-	-	65 720 804	65 720 804	

Statement of Comparison of Budget and Actual Amounts continued

Narrations have been provided for variances above R1 million.

- * The general expenses actual expenditure amount excludes non-cash items comprising of loss on disposal of assets R3,037m, bad debts written off of R4,473m and forex loss of R7 122 in order to ensure comparability between budget and actual amounts.
- ** The premises and equipment actual expenditure excludes depreciation expenditure of R6,982m as it is a n on-cash item in order to ensure comparability between budget and actual amounts.
- N1: The negative variance of R2,017m (4%) in revenue from credit providers is due to the closure of branches and credit providers increasing their digital channels.
- N2: The positive variance of R7,000m (9%) is for the initial setup of debt intervention project which will be finalised in 2020/21 financial year.
- N3: The positive variance of R1,255m (55%) is due to higher interest generated in the call deposit account due to the receipt of the 100% transfer from the DTI in April 2019 instead of the normal 60% as had been anticipated as well as the receipt of additional DTI grant of R7,m in January 2020. Better cashflow management with payments being staggered and funds only transferred from the call account as and when led to better interest earned and lesser bank charges.
- N4: The negative variance of R9,717m (28%) is due to the late approval of the annual performance plan. It was approved in June 2019 rather than February 2019, which led to late commencement of activities planned, as a result the NCR could not claim from the PDA interest as per relevant policy. The other contributing factor was the cancellation of regional office and acquisition of consumer education mobile office put on hold due to lockdown.
- N5: The positive variance of R3,635m (4%) is due to the inability for the NCR to attract the right skills with regards to Legal Advisors and ICT personnel. A number of posts were advertised more than once with limited or no suitable responses.
- N6: The negative variance of R1,271m (12%) is due to the unplanned Covid 19 educational campaign.
- N7: The positive variance of R4,358m (26%) is due to a delay in the procurement and work of other professional services namely research study on unsecured loans and review of ICT and Finance policies was interrupted due to lockdown. Further, there was savings in the appointment of OHS service provider at a contract value less than budgeted.
- N8: The positive variance of R3,278m (27%) is due to travelling that was cancelled due to lockdown and interruption of the new appointed internal audit service provider.

N9: The positive variance of R2,228m (46%) is due to the ending of SAP maintenance contract. The NCR went out on a tender to purchase a new payroll system as the support and maintenance on the current system was becoming expensive. Support and Maintenance was sourced on as and when basis whilst the procurement for the new system was underway. The internet fees, support and maintenance budgeted for regional offices resulted in the savings. A new service provider for the rental of photocopiers and printers was appointed which led to cost savings as the tendered amount was less than the budget.

N10: The positive variance of R3,136m (31%) is due to cancellation of the opening of regional offices as per original plan as well as savings in rental of mobile toilets which is dependent on the water cuts by the municipality.

N11: The positive variance of R6,896m (80%) is due to a delay in the awarding of tender for servers and computer equipment.

N12: The positive variance of R1,670m (26%) is due to the delay in finalisation of Great Plains project abruptly interrupted by Covid 19.



Accounting Policies

1. SIGNIFICANT ACCOUNTING POLICIES

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

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

1.1 BASIS OF PREPARATION

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

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

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

1.2 FOREIGN CURRENCY TRANSLATION

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

1.3 BORROWING COSTS

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

1.4 REVENUE FROM EXCHANGE TRANSACTIONS

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

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

Skills development levies recoveredDate of receiptReimbursementsDate of receiptProceeds from insurance claimDate of receiptProceeds from sale of tender documentsDate of receipt

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 feesDate of registration
National loans register fees
Date of service delivery

Replacement certificates feesDate of invoice

Payment Distribution Agents-interest Date of service delivery

Prescribed income

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

Government grants

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

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

Government grants are recognised as revenue when:

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

Accounting Policies continued

Payment distribution agent income

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

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

Transfers

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

1.6 INVESTMENT REVENUE

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

1.7 LEASES

Operating leases - lessee

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

Finance leases – lessee

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

1.8 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

Item	Depreciation method	Average useful life
Machinery	Straight line	7 years
Furniture and fittings	Straight line	10 years
Office equipment	Straight line	3-7 years
Computer equipment	Straight line	3-7 years
Leasehold improvements	Straight line	Remaining period of lease
Security equipment	Straight line	3-7 years
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.

Accounting Policies continued

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

An intangible asset is recognised when:

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

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

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

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

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

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

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

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

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

Intangible assets are derecognised: on disposal; or when no future economic benefits or service potential are expected from its use or disposal.

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

1.10 IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS

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

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

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

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

1.11 PROVISIONS

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

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

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

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

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

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

Accounting Policies continued

1.12 EMPLOYEE BENEFITS

Short term employee benefits

The cost of short term employee benefits 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.

1.13 FINANCIAL INSTRUMENTS

Financial assets at amortised cost

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

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

Impairment of financial assets

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

For financial assets, significant evidence include:

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

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

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

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

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

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 rate method.

Cash and cash equivalents

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

Financial Liabilities

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

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

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

Accounting Policies continued

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 non-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.

Receivables from exchange transactions

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

Payables from non-exchange transactions

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

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

1.14 RELATED PARTIES

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

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

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

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

1.15 FRUITLESS AND WASTEFUL EXPENDITURE

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance. Refer to note 29.

1.16 IRREGULAR EXPENDITURE

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

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

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

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

1.17 BUDGET INFORMATION

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

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

The approved budget covers the fiscal period from 2019/04/01 to 2020/03/31.

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

Comparative information is not required.

1.18 SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION 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:

Accounting Policies continued

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

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

1.19 COMMITMENTS

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

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

1.20 EVENTS AFTER REPORTING DATE

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

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

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

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

2. NEW STANDARDS AND INTERPRETATIONS

2.1 STANDARDS AND INTERPRETATIONS ISSUED, BUT NOT YET EFFECTIVE

The entity's 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 2020 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
IGRAP 20: Accounting for Adjustments to Revenue	01 April 2020	Minimal impact
GRAP 34: Separate Financial Statements	01 April 2020	No impact
GRAP 35: Consolidated Financial Statements	01 April 2020	No impact
GRAP 36: Investments in Associates and Joint Ventures	01 April 2020	No impact
GRAP 37: Joint Arrangements	01 April 2020	No impact
GRAP 38: Disclosure of Interests in Other Entities	01 April 2020	No impact
GRAP 110 (as amended 2016): Living and Non living Resources	01 April 2020	No impact

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3. RECEIVABLES FROM EXCHANGE TRANSACTIONS

	2020	2019
	R	R
Deposits	270 000	270 000
Prepaid expenses	135 133	102 875
Staff related debt	-	42 532
Accrued Revenue	187 283	122 303
	592 416	537 710

4. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	2020	2019
	R	R
Other receivables from non-exchange revenue	295 832	147 744
PDA interest receivable	1 938 966	2 255 904
	2 234 798	2 403 648
PDA interest receivable		

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

Receivables from non-exchange transactions impaired

As at 31 March 2020, included in the receivables from non-exchange transactions are trade account receivable balances of R8 515 940 (2019:R 5 181 354) which are impaired and provided for. Trade account receivables are impaired when more than 1 month overdue in line with section 51 of NCA.

	2020	2019
	R	R
	8 515 940	5 181 354
debts	(8 515 940)	(5 181 354)
	-	-

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

	2020	2019
	R	R
Opening balance	5 181 354	6 509 623
Provision for impairment	4 472 754	1 697 810
Amounts utilised	(1 138 168)	(3 026 079)
	8 515 940	5 181 354

5. CASH AND CASH EQUIVALENTS

	2020	2019
	R	R
Cash on hand	566	1 644
Bank balances	217 615	31 300
Call accounts	24 072 330	14 681 467
PDA account	41 430 293	48 155 338
	65 720 804	62 869 749

Cash and cash equivalents balances include an amount of R41 430 293 (2019:R48 155 338) 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

		2020			2019	
	Cost	Accumulated depreciation and accumulated Carrying Cost impairment value		Cost	Accumulated depreciation and accumulated impairment	Carrying value
	R	R	R	R	R	R
Computer equipment	7 678 890	(3 995 718)	3 683 172	7 408 004	(4 012 633)	3 395 371
Furniture and fittings	3 219 579	(1 922 722)	1 296 857	3 276 606	(1 828 223)	1 448 383
Machinery	257 113	(187 265)	69 848	257 113	(173 307)	83 806
Office equipment	2 082 917	(957 799)	1 125 118	2 098 111	(1 199 786)	898 325
Leasehold improvement	2 454 951	(1 438 228)	1 016 723	2 389 961	(1 213 270)	1 176 691
Security equipment	1 327 437	(804 168)	523 269	1 321 352	(705 202)	616 150
ICT operational system	8 519 902	(6 882 010)	1 637 892	8 519 902	(5 819 426)	2 700 476
Total	25 540 789	(16 187 910)	9 352 879	25 271 049	(14 951 847)	10 319 202

Reconciliation of property, plant and equipment – 2020

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

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
Office equipment	695 546	177 556	1 596	(15 361)	1 433	37 555	898 325
Machinery	12 855	-	-	-	-	70 951	83 806
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

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

	2020	2019
	R	R
Furniture and fittings	2 893	38 294
Leasehold improvements	118 102	252 884
Security equipment	17 819	27 218
Office equipment	-	2 970
Machinery	53 726	-
Computer equipment	29 618	-
	222 158	321 366

7. INTANGIBLE ASSETS

	2020			2019		
	Cost	Accumulated amortisation and accumulated impairment	Carrying value	Cost	Accumulated amortisation and accumulated impairment	Carrying value
			R			R
Computer software	7 045 282	(4 577 081)	2 468 201	14 543 965	(9 275 615)	5 268 350
Intangible assets-WIP	358 191	-	358 191	-	-	_
Human resource system	1 429 908	(1 325 223)	104 685	1 429 908	(1 126 057)	303 851
Total	8 833 381	(5 902 304)	2 931 077	15 973 873	(10 401 672)	5 572 201

Reconciliation of intangible assets - 2020

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

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

7. INTANGIBLE ASSETS CONTINUED

Intangible assets in the process of being constructed or developed Intangible assets

	2020	2019
	R	R
on	358 191	-

The intangible assets recorded as work in progress refers to the automation of the MS GP Dynamics system that was implemented during the year under review. The diagnostic, analysis, design and development stages have been completed. The automated Ms GP Dynamics system is expected to be launched during the 2020/21 financial year.

The amount R2 665 655 written off against the computer software relates to the ICT operating system that is not functional.

8. INCOME RECEIVED IN ADVANCE

2020 2019	2020
R R	R
133 357 3 571 622	3 133 357

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

9. PAYABLES FROM EXCHANGE TRANSACTIONS

	2020	2019
	R	R
Trade payables	1 946 487	4 652 963
Accruals	4 166 528	3 272 604
	6 113 015	7 925 567

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

	2020	2019
	R	R
Balance unspent at the beginning of year	45 980 373	50 341 295
Current Receipts	12 496 579	14 458 976
	58 476 952	64 800 271
Conditions met transfer to revenue (refer to note 18)	(24 145 288)	(18 819 898)
Balance unspent at the end of year	34 331 664	45 980 373

The PDA interest transaction is accounted for in terms of GRAP 23: Revenue from non-exchange transactions. Once all the conditions are met, payables from non-exchange transactions are reduced and revenue is recognised. Included in the balance at year end are unidentified consumer funds amounting to R22 605 088 (2019: R21 460 237).

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

11. PROVISIONS

Reconciliation of provisions – 2020

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

Reconciliation of provisions – 2019

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

Performance bonuses are payable by the NCR annually in July based on performance evaluations for the period 01 April 2019 to 31 March 2020.

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

12. **COMMITMENTS**

Authorised expenditure

2019	2020
R	R

Already contracted for but not provided for Information Communication and Technology ICT System* .	_	
	_	
		3 453 428
Insurance	327 984	484 630
Cleaning services	1 908 368	2 799 247
Rental of copiers and printers	3 112 248	-
Hosting of website	296 432	392 572
Telephone Management system	-	49 525
Ethics hotline	2 875	37 375
Security services	3 038 057	4 504 998
Staff wellness	200 564	8 186
Advertising	771 436	2 103 230
Mail Archiving	1 664 137	2 121 774
Debt counselling examinations	162 655	229 632
Mineral water supply	8 866	14 663
Fax to e-mail	105 597	132 611
Network infrastructure	962 105	1 236 642
Media monitoring	51 405	154 215
Call centre maintenance and support	944 128	1 226 085
Postal Services	385 000	-
Registrations Franking Machine maintenance	167 282	-
Annual report and Annual Performance Plan	1 110 932	-
Internal audit	4 000 000	-
Registration certificates	544 810	-
Cellphones and 3G cards	1 034 063	-

	2020	2019
	R	R
Disaster recovery implentation	614 137	-
Building maintenance	216 480	-
Offsite storage services	737 851	-
Asset disposal	123 351	-
Microsoft software licences	2 812 331	-
Bulk sms	315 359	-
PDA interest utilisation audit	302 558	-
PDA audit reviews	1 054 264	-
Pre-paid stamps	1 227 698	-
Great plains enhancement	1 333 690	-
DHS hosting	162 481	-
Photocopier paper	19 892	-
Cisco equipment and licences	534 049	_
Window decals	1 794 794	_
Occupational health and safety	323 970	-
Groceries	282 525	-
Total commitments	32 654 374	18 948 813
Already contracted for but not provided for		
Capital expenditure	4 900 906	3 453 428
Operational expenditure	27 753 468	15 495 385
	32 654 374	18 948 813

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

^{*} The contract for the ICT operating system ended in June 2019.

13. OPERATING LEASE

	2020	2019
	R	R
Minimum lease payments due		
Within one year	2 600 622	2 600 622
In second to fifth year inclusive	8 018 585	10 402 488
Later than five years	-	216 719
	10 619 207	13 219 829
Operating lease liability		
Building	1 114 544	895 940

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.

14. OTHER EXCHANGE REVENUE

	2020	2019
	R	R
Skills development levies recovered	156 226	161 606
Reimbursements	490	560
Proceeds from insurance claim	20 430	129 931
Other income	187 283	-
Adjustment on non-current assets	-	18 931
	364 429	310 488

15. INVESTMENT REVENUE

Interest revenue		
Bank	3 555 070	2 479 643

16. FEE REVENUE

	2020	2019
	R	R
Application fees	909 350	935 000
Registration fees	35 956 484	32 723 862
Branch fees	10 571 675	10 784 628

Application rees	909 350	935 000
Registration fees	35 956 484	32 723 862
Branch fees	10 571 675	10 784 628
National loans register fees	1 808 180	2 058 285
Replacement certificate fees	170 850	82 340
	49 416 539	46 584 115

17. TRANSFERS

R

Operating grants		
Transfer from the Department of Trade, Industry and Competition	86 580 000	75 361 000

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

18. OTHER NON-EXCHANGE REVENUE

	2020	2019
	R	R
Prescribed income	192 645	677 076
Payment Distribution Agent -Interest	24 145 288	18 819 898
	24 337 933	19 496 974

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 Agents-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

	2020	2019
	R	R
Salaries	70 215 014	67 347 117
Contributions to retirement fund	7 526 548	7 031 335
Medical aid company contributions	3 950 303	3 350 424
Temporary staff	12 251	9 901
Training Levies-SDL	808 250	758 004
Bonuses	7 100 014	6 800 004
	89 612 380	85 296 785

20. OPERATING EXPENSES

	2020	2019
	R	R
Professional fees	12 093 644	19 155 625
Consumer education	11 964 911	6 091 449
Stakeholder communication	873 596	638 193
Debt counselling initiatives	795 492	833 578
	25 727 643	26 719 025



21. ADMINISTRATIVE EXPENSES

	2020	2019
	R	R
remises and equipment*	7 095 967	6 728 334
ommunication costs	3 088 229	2 501 209
nformation technology	2 606 203	1 803 657
eneral expenses	15 568 616	11 961 557
Other staff costs**	806 274	334 829
	29 165 289	23 329 586

^{*} Included in premises and equipment is repairs and maintenance of fixed assets.

^{**}Included in other staff costs is refreshments, training and recruitment fees.

	R	R
General expenses comprise of:		
Audit fees	3 219 106	3 454 690
Bank charges	157 819	181 358
Audit and Risk Committe fees	260 997	176 874
Insurance	156 646	153 409
Bad debts	4 473 004	1 699 060
Subscriptions	36 905	29 514
Travel and accomodation	4 150 640	5 967 981
Consumables	68 950	61 481
Loss on disposal of assets	3 037 427	237 190
Forex Loss	7 122	-

22. **OPERATING PROFIT**

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

	2020	2019
	R	R
ees	3 219 106	3 454 689
Risk Management Committee fees	260 997	176 874
ing lease payments Building	2 606 487	2 604 012
	4 473 004	1 699 060
al of assets	3 037 427	237 190
	13 597 021	8 171 825
on, other than to employees, for:		
on on intangible assets	4 684 595	4 001 172
ion on property, plant and equipment	2 297 846	1 067 170
expenditure	89 612 380	85 296 785
	96 594 821	90 365 127

Accounting Policies Notes to the Annual Financial Statements continued

23. CASH GENERATED FROM OPERATIONS

	2020	2019
	R	R
Surplus for the year	12 766 218	3 818 482
Adjustments for:		
Depreciation and amortisation	6 982 441	5 068 342
Movements in operating lease	218 604	393 377
Movements in provisions	44 168	621 216
Loss on disposal of assets	3 037 427	237 190
Adjustments on non-current assets	-	(18 391)
Changes in working capital:		
Receivables from exchange transactions	(54 706)	(181 006)
Receivables from non-exchange transactions	168 850	170 575
Payables from exchange transactions	(1 812 552)	(2 394 335)
Income received in advance	(438 265)	(375 435)
Payables from non-exchange transactions	(11 648 709)	(5 116 500)
	9 263 476	2 223 515

EXECUTIVE MANAGEMENTS' EMOLUMENTS 24.

Executive 2020

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

2019

2019							
	Salary	Provident fund contributions	Travel allowance	Performance bonus	Medical aid contributions	Medical aid subsidy	Total
	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

Appointed in September 2019. Contract ended in August 2019.

Accounting Policies Notes to the Annual Financial Statements continued

25. RELATED PARTIES

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

Related party transactions

2020	2019
R	R

Department of Trade, Industry and Competition		
Transfer of payments received	86 580 000	75 361 000
Remuneration of management (refer to note 24)	10 262 609	9 279 528

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.

	Payable in less than 3 months	Total
	R	R
At 31 March 2020		
Trade Payables	6 113 015	6 113 015
	Payable in less than 3 months	Total
	R	R
At 31 March 2019		
Trade Payables	7 925 567	7 925 567

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 R24 290 511 (2019: R14 714 411) 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.

26. RISK MANAGEMENT CONTINUED

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

2020	2019
R	R

Financial instruments		
Receivables from exchange transactions	270 000	270 000
Bank and call accounts	24 290 511	14 714 411
Staff related receivables	-	42 532

Interest rate risk

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

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

Exposure to interest rate risk is set out below:

2020	2019
R	R

Class of financial instrument		
Cash and cash equivalents	65 720 804	62 869 749
Less: amounts held in PDA Account	(41 430 293)	(48 155 338)
	24 290 511	14 714 411

27. CHANGE IN ACCOUNTING ESTIMATE

During the period under review, management re-assessed the remaining useful lives of non-current assets that had been fully depreciated (nil net book value). The revised remaining useful lives is four (4) years and (30) thirty days which is in line with current lease term. The effect of this revision has resulted in a decreased depreciation charge for the period under review and increased depreciation charge for the future periods by R659 622 (2019: R1 597 238).

The impact of the change in estimate is as follows:

	2020	2019
	R	R
Effect on the statement of financial performance		
Depreciation	(659 622)	(1 597 238)
Effects on the statement of financial position		
Accumulated Depreciation	659 622	1 597 238

28. IRREGULAR EXPENDITURE

	2020	2019
	R	R
Opening balance	6 845 833	3 948 130
Add: Irregular expenditure-current year	2 703	502 790
Add:Irregular expenditure-prior year		
Add: Irregular expenditure identified in the current year relating to prior years		3 956 613
Less: Amounts condoned subsequent to year-end		(1 561 700)
	6 848 536	6 845 833

28. IRREGULAR EXPENDITURE CONTINUED

Analysis of expenditure awaiting condonation per age classification

2020	2019
R	R
2 703	502 790
6 845 833	6 343 043
6 848 536	6 845 833

Details of irregular expenditure

	2020	2019
	R	R
Legal fees for investigation matters	6 845 833	6 845 833
Professional fees	2 703	_
	6 848 536	6 845 833

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

The irregular expenditure of R2 703 occurred because the supplier was appointed based on the quotation with no hourly rate and the amount invoiced is above the approved purchase order amount.

29. FRUITLESS AND WASTEFUL EXPENDITURE

	2020	2019
	R	R
Penalties incurred	3 615	1 271
Less: Monies recovered	(3 615)	(1 271)
	-	-

Fruitless and wasteful expenditure of R3 615 was incurred due to the late submission of the EMP201 return to SARS. Consequence management took place and the responsible official was held accountable and an amount of R3 615 was recovered.

30. CONTINGENCIES

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

31. GOING CONCERN

The NCR's annual financial statements as at the 31 March 2020 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 is supported by the Department of Trade, Industry and Competition (dtic), therefore the NCR's management is certain that the organisation will be able to continue as the going concern in the foreseeable future.

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

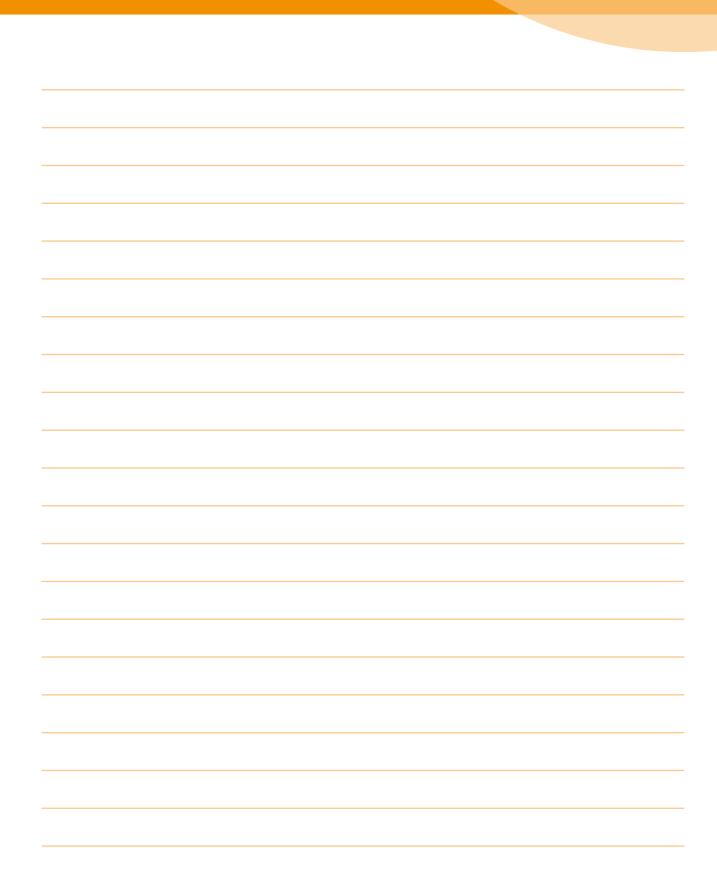
32. PRIOR PERIOD ERROR

During the presentation of the financial statements for the previous financial year, the expenditure of R71 660 was incorrectly recognised as project cost while it was for the expenditure unrelated to the ICT system.

The impact on the disclosure note number 12 was as follows:

	Note(s)	Restated
	Note(s)	R
2019	12	3 453 428
2020		-
		3 453 428

Notes







NCR outdoor advertising



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