

SCOPE OF WORK TO BE PERFORMED BY AN INDEPENDENT AUDITOR APPOINTED BY THE APPLICANT

A. SCOPE OF WORK TO BE PERFORMED BY AN INDEPENDENT AUDITOR APPOINTED BY THE APPLICANT

The appointed auditor must conduct an audit on the applicant and provide an independent assurance report to the NCR on whether or not the applicant meets the following summarised minimum set criteria:

- PDA Management Framework requirements;
- payment system technical functionality requirements;
- transaction control processes requirements;
- the system functionality requirements of the management of received consumer funds;
- system requirements for the generation of consumer statements;
- system functionality requirements for payments or distribution management;
- relevant compliance requirements;
- governance, financial and risk management requirements;
- relevant industry experience;
- training programme requirements;
- resources and operational standards requirements;
- relevant policies and procedures.

B. DETAILED SCOPE OF WORK OR TERMS OF REFERENCE

The table below shows the detailed scope of work to be covered by the report.

AREA TO BE AUDITED	SCOPE OF WORK OR TERMS OF REFERENCE
Compliance with Companies Act 71 of 2008 and CIPC Incorporation	<ul style="list-style-type: none">• Examine the applicant's certificate of incorporation;• Examine the Memorandum of Incorporation and Articles of Association;• Determine the shareholders of the applicant.
Compliance with SARS, PASA and other relevant regulations	<ul style="list-style-type: none">• Examine the Tax Clearance Certificate, PASA certificate of registration;• Examine relevant documents for compliance with National Payment Systems (NPS) and other relevant regulations.

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Applicant Management Framework	Review the applicant's management framework(s) to determine whether: <ul style="list-style-type: none"> • basic elements for developing payment management system are well described; • performance goals, outcomes and desired system functional capabilities are clearly set and defined; • system functionality and information flow support to the NCR in carrying out its mandate as outlined in the Act and Section 44A (1) and (2) of the Act.
Technical System Functionality	Perform walk-through tests to determine whether the applicant's system is capable of: <ul style="list-style-type: none"> • capturing, recording, processing and reporting on high-volume financial transactions; • providing integrity and reliable financial and non-financial information; • using standard procedures for installation, configuration and operations; • querying, accessing and providing audit trails for performed transactions; • providing timely, reliable; accurate and complete financial and non-financial information for decision making at all management levels and to the NCR; • a detailed overview of the operational resources such as IT systems. <p>The applicant must have adequate mechanisms in place to keep all payment records for at least five (5) years after the payment event.</p>
Management of received consumer funds	Review and evaluate the system's capability to: <ul style="list-style-type: none"> • record, process, classify, and report on received consumer funds; • record process, and maintain consumer information such as name, identity number, contact, and address details; • recognise the method of payment (debit orders or direct deposits).
Consumer Statements	Review and evaluate the system's capability to timely process and produce accurate consumer statements showing the following: <ul style="list-style-type: none"> • debt counsellor name and NCR registration number; • consumer name and identity number; • statement date and reporting period; • consumer debt rearrangement plan date; • consumer street address and contact details; • expected and actual consumer funds received; • list of credit providers and amounts distributed to each creditor; • amount of interest and outstanding balances per creditor.
Management of distributions	Review and evaluate the system's capability to: <ul style="list-style-type: none"> • process, allocate and distribute consumer funds to creditors as per the debt rearrangement and within applicable timelines; • provide reliable and accurate distribution reports to creditors; • classify, report and age analysis of undistributed consumer funds; • provide creditors' name, reference number, address, banking details and contact details; • process, allocate and distribute the PDA distribution fee, debt counsellor's and attorney's fees charged.
Governance, Financial and Risk Management	Review and evaluate the applicant's: <ul style="list-style-type: none"> • governance, financial and risk management processes, policies and procedures; • board of directors and committees' composition; • system for appointing and evaluating board members' performance; • organisational structure; • financial position of the organisation to determine whether it has the minimum required cash resources; • operational organogram including CEO and the 1st level of senior management; <ul style="list-style-type: none"> - name of employee; - position in organisation; - qualifications; - experience (number of years, months in current role and similar role);

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Governance, Financial and Risk Management (continued)	<ul style="list-style-type: none"> • shareholding information of the organisation; • declaration of interest from shareholders, directors and senior management; • perform director searches in order to establish any conflict of interest; • latest management accounts (if applicable); • latest annual audited financial statements (if applicable). • The applicant must have a minimum capital amount of R5 million for investment in the establishment and operation of a PDA and proof of this amount must be provided in the form of a bank guaranteed cheque to the National Credit Regulator at the time of the application. • The applicant must have sufficient insurance cover in place, which is equivalent to the aggregate amount collected for distribution and adequate indemnity cover to compensate consumers and credit providers for any loss or damage occasioned by the conduct of the PDA. • The applicant who conducts a debt counselling business must demonstrate that the business of debt counselling and payment distribution will be operationally independent of each other and managed independently by different persons and that the payment distribution is not made in respect of consumers under debt review in their debt counselling business.
Industry experience	<ul style="list-style-type: none"> • Review and evaluate the applicant's experience in the financial services or consumer credit market. <p>1. Education</p> <ul style="list-style-type: none"> (i) The PDA must maintain and impose appropriate qualification requirements for its employees or contractors who will have authority to represent it in any function of its business of collection and payment distribution; (ii) Applicant's commitment in respect of completion of a payment distribution training programme approved by the NCR and provided by an accredited training institution. The training programme must be completed within six (6) months after the PDA has been registered by the National Credit Regulator. <p>2. Experience</p> <ul style="list-style-type: none"> (i) The PDA must have an executive director: <ul style="list-style-type: none"> (aa) responsible for the day-to-day operations, with five (5) years' experience in dealing with the business of collecting, distributing payments, accounting or financial services; (bb) who is a person with a good record of managing the finances of the company. <p>3. Competence</p> <ul style="list-style-type: none"> (i) A person applying to be registered as a PDA must: <ul style="list-style-type: none"> (aa) have sufficient human, financial and operational resources to carry out the functions of a PDA efficiently and effectively; (bb) put in place adequate resources, systems and procedures to carry out the function of payment distribution efficiently and effectively; (cc) comply with the Broad-Based Black Economic Empowerment Act, 2003 (Act 53 of 2003) as amended; (dd) be registered with the South African Revenue Services and have a valid tax clearance certificate; (ee) be a company incorporated in terms of the Companies Act, 2008 (Act 71 of 2008) or Close Corporations Act, 1984 (Act 69 of 1984) and Cooperatives Act, 2005 (Act 14 of 2005);

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Industry experience (continued)	(ff) have a board of directors/members consisting of not fewer than three (3) non-executive directors, one of whom must be independent, with qualifications and experience of not less than two (2) years in the accounting, auditing, or legal profession.
Other Policies and Procedures	<p>Review and evaluate the following policies and procedures to ensure that they are adequate:</p> <ul style="list-style-type: none"> • Information security policy; • business continuity management plan; • disaster recovery plan; • policy and procedures for handling questions, concerns and complaints of consumers, alternative dispute resolution agents, debt counsellors or credit providers; • fraud prevention policy; • human resource policies; • risk management plan.

NB: Copies of all documents reviewed must be provided.