NATIONAL CREDIT REGULATOR

Annual Report
2012/13

National Credit Regulator


NCR
National Credit Regulator
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Honourable Dr Rob Davies, MP
Minister of Trade and Industry

Foreword by the Minister of Trade and Industry

In the face of evidence that nearly half South Africa's credit-active population struggle to meet credit commitments, the role of the National Credit Regulator in monitoring the sustained growth of unsecured credit, is very important.

During the financial year under review, the total value of South Africa's gross debtors' book amounted to nearly R1.44 trillion. Regulating this massive industry to promote fairness, transparency, sustainability and access is a challenge that must be continually addressed –more so in light of the role that reckless lending played in the United States sub-prime credit market crisis that led to the worldwide economic recession.

Increasing the efficacy of compliance monitoring and enforcement goes to the heart of the NCR's role. The devil of regulation is in the detail - in the creation of effective systems for monitoring, establishing robust channels for resolution of problems, and ensuring that legislation stands the test of implementation. Finally would like to invite readers of this report to recall the climate in which the NCR was initiated – before the global recession and just 12 years into our democratic era. The emphasis was on access to credit and the fair granting of credit as a stepping stone to development and as a bridge across the wealth gap. Many previously disadvantaged individuals have made enormous advances and access to credit has surely played a part in this. But the unique data presented by the NCR indicate that low income earners still do not access certain forms of credit and that the poor in rural and semi-rural areas are virtually excluded from formal credit institutions.

The NCR and other key role-players have not lost sight of the goal of equity in credit access - and we need to focus more closely on this aspect of the National Credit Act in the years ahead.

Honourable Dr Rob Davies, MP

Minister of Trade and Industry

Statement by the Acting Chairperson

The legacy of the global economic crisis of 2008/09 continues to be felt in the credit industry. Against the unprecedented international financial turmoil, South Africa has continued to face the challenging economic conditions that have made things onerous for both businesses and consumers, with a resultant loss of nearly one million jobs in South Africa. A high number of responsible credit consumers found their financial circumstances so dramatically changed that they defaulted and were blacklisted. Despite these circumstances, the National Credit Regulator (NCR) has continued to promote a fair, accessible and sustainable consumer credit market.

Trends

Two national trends have been a cause for concern in the past few years – the rapid growth of unsecured credit on the one hand, and unrelentingly high levels of impaired consumer credit on the other.

The highly acclaimed quarterly publications of the NCR, namely the *Consumer Credit Market Report* and the *Credit Bureau Monitor*, continue to be authoritative sources of information on trends and developments in the market. Representatives of a wide range of influential bodies – domestic and international – consult the NCR on the basis of these reports.

An innovation in the December 2012 *Consumer Credit Market Report* was the inclusion of developmental credit as an additional category of lending. Developmental credit refers to loans extended for the purposes of education, small business development and low-income housing. The year-on-year picture sketched by the December 2012 report detailed the following:

- An 11.46% growth in the Rand value of credit granted between December 2011 and December 2012.

Ms Maleho Nkomo

Acting Chairperson:
National Credit Regulator

- An above-average growth rate of 13.77% in unsecured credit over the course of the year, while mortgages declined by 1.29% and secured credit grew by just 5.56%.
- A small decline in the share of the credit market attributable to unsecured credit in the last quarter of 2012. The Rand value of "current" share of the gross debtors' book for unsecured credit declined from 77.9% to 75.75%.
- In contrast to mortgages and secured credit, which are heavily skewed towards consumers earning more than R15 000 a month, unsecured credit is spread among those earning less than R10 000 (41.86%), those earning between R10 001 and R15 000 (19.67%) and those earning above R15 000 (41.21%).

The December 2012 the *Credit Bureau Monitor* showed that 9.34 million credit-active consumers had impaired credit records, 410 000 more than a year earlier. This translated to approximately 47% of the total credit-active population. The increased number of impaired credit records is a reflection of the negative macro-economic conditions South African consumers are facing.

In view of the unprecedented growth in unsecured credit, the NCR commissioned a qualitative research exercise to understand the reasons for, as well as the degree of the risk, attached to the increase. Notable findings from the research included:

- Credit providers had taken the strategic decision to grow the unsecured lending market as these products yielded higher interest rates and, to some extent, offset the recent declines in interest rates yielded by other credit products such as mortgages and vehicle finance.
- The unsecured credit market increased access to credit for consumers who did not qualify for other products.
- The consumers in the unsecured credit market included a substantial proportion of high risk consumers who were often required to pay the maximum permissible interest rates.
- The expansion of unsecured credit had positive and negative consequences,, not only for individual consumers but also for the nation's credit health. Although unsecured credit contributes to revenue streams for credit providers, it is one of the causes of over-indebtedness amongst vulnerable consumer groups.

Unsecured credit

At the NCR, we believe that unsecured credit has a legitimate place in the consumer credit market, albeit with some refinements to curtail several observed unlawful and unethical practices in this area. These practices include the refusal to offer secured credit to qualifying clients in order to drive the uptake of unsecured loans, and reckless granting of unsecured credit coupled with the flagrant abuse of the process of securing garnishee orders on the salaries of consumers. What is clear, however, is that the fairness and transparency of the credit market are being compromised by certain players in the unsecured market. We will continue to monitor this trend and its implications.

The consistency with which we have analysed and published the findings on the state of the industry and the status of credit consumers has contributed immensely to national dialogue on these issues. It is through such objective analysis that the issues of unsecured lending and possible amnesty for consumers with impaired credit records can be debated in an informed manner by all affected parties.

Debt counselling

When the NCR was established, more than six years ago, it undertook pioneering work in the establishment of debt counseling as a recognised service within the credit industry. The statutory provisions that underpin this service have been thoroughly tested over the years and their strengths and shortcomings have become apparent.

Applications for debt counselling in 2012/13 totalled approximately 83 000 – the second highest tally for any single year – and the overall amount distributed by payment distribution agencies grew to R2.96 billion.

Executive Summary

The National Credit Act has served South Africa well, as it provides for a basic framework for debt counselling, although gaps and shortcomings have become apparent over the years. In 2012/13, preparation began for the first amendments to the Act based on evaluations and research undertaken over a period of time. The year culminated in the process of evaluating the debt counselling field, reviewing the relevant sections of the Act and developing draft proposals for amending the Act. The NCR welcomes the public-participatory steps government has taken thus far to amend the Act, as this will bring strength to the industry.

Consumer awareness

To raise awareness and educate consumers, the NCR continues to rely on its consumer awareness programmes, such as high level mass media exposure, partnerships with consumer groups and other key structures, as well as face-to-face interactions consumers. Our message that 'consumers should request credit reports from credit bureaus and challenge incorrect information on their records' is having the desired effect and impact. The information received from the credit bureaus shows that the number of credit reports issued has more than trebled in the course of four years.

Appreciation

The Board takes great satisfaction and pride in the strategic role it plays as the regulator's accounting authority but is equally mindful of its role in terms of ensuring good governance of the NCR. For the year under review, the NCR has once again received an unqualified audit report from the Auditor-General.

I would like to thank the Chief Executive Officer and her management team for the energy and commitment they have shown in sustaining the NCR. The Board's appreciation is also extended to every member of staff who has played a role in upholding the reputation of NCR and helping it fulfil its duties to the public and the industry.

My deepest appreciation is also extended for the time, diligence and enthusiasm of my fellow board members, especially to Ms Mercy Mongalo and Mr Kariem Hoosain, both of whom resigned as Board members after year end. We extend to you our profound gratitude for all your contributions to the NCR.

In addition, I acknowledge the leadership provided to the NCR by Mr Trevor Bailey in his two years as Chairman of the Board. Mr Bailey resigned in May 2013 to pursue private interests. It was my privilege to be appointed Acting Chairman by the Minister of Trade and Industry. All the work covered in this year's annual report was conducted under Mr Bailey's guidance and leadership, which are highly appreciated.

The NCR is part of a broader group of regulators that are accountable to the Minister of Trade and Industry and receive support from the Department of Trade and Industry. On behalf of the Board, I assure the Minister and our colleagues in the regulatory field of our continued commitment to fulfilling the duties entrusted to us.

Maleho Nkomo

Acting Chairperson:
National Credit Regulator

Part 1: Overview and General Information

Overview of the Chief Executive Officer

The priorities of the National Credit Regulator (NCR) were set at the beginning of the financial year in line with the prevailing trends in the consumer credit market and the priorities of the Department of the Trade and Industry (dti). These are visible enforcement, debt counselling, understanding the structural shift in lending patterns, improvement of the regulatory framework, consumer education and building efficiencies in operational processes.

The enforcement of the National Credit Act (the Act) is one of the key functions of the NCR. In carrying out enforcement, the NCR conducts reactive and proactive investigations. Reactive investigations are informed by complaints from consumers, trends identified in the media, referrals from other institutions and on-site compliance visits while proactive investigations target specific areas following extensive information gathering. During the year, the NCR mandated 93 investigations. 18 cases from these investigations were referred to the National Consumer Tribunal (the Tribunal) for adjudication.

The NCR in collaboration with the South African Police Service, the South African Social Security Agency and the National Prosecution Authority of South Africa uncovered abusive practices during the Marikana mineworkers' strike in the North-West, the farm workers' strike in the Western Cape and extensive exploitation of pensioners in KwaZulu-Natal. These raids also uncovered, amongst others,

Nomsa Motshegare
Chief Executive Officer

reckless lending, illegal garnishee orders, pensioners' cards, bank cards, pin codes and identity documents retained by credit providers for debt collection purposes. Numerous arrests were made and criminal cases opened with the police. These credit providers were also referred to the Tribunal for various contraventions of the Act.

The court and Tribunal decisions have provided legal certainty and redress to consumers. In the case of NCR v Standard Bank, the Supreme Court of Appeal ruled that Standard Bank cannot increase administration fees on home loans concluded under the Usury Act. In Barko Financial Services v NCR, the Tribunal ruled that Barko cannot charge a fee for processing repayments in addition to a service fee where this fee would increase the service fee to an amount above R50. The Tribunal imposed its biggest administrative fine to date of R900 000 on Lebathu Finance t/a Werlan Cash Loans in a case referred to the Tribunal by the NCR for non-compliance with the Act.

One of the purposes of the Act is to address and prevent the over-indebtedness of consumers and to ensure that all debts of consumers are repaid. Debt counselling is a mechanism introduced to achieve this objective. During the year, 82 964 consumers applied for debt counselling. The overall amount of monies distributed through debt counselling by the payment distribution agencies to credit providers is R2.96 billion.

The NCR recognises that magistrates' courts play a crucial role in the success of debt counselling. Capacity building workshops and information sharing sessions were held with magistrates in Limpopo, Gauteng, KwaZulu-Natal and the Western Cape provinces. During these meetings, the NCR stressed the importance of having specialised debt counselling courts and circuit courts to expedite debt counselling cases. Capacity building workshops with debt counsellors, credit providers and payment distribution agencies were also held in various provinces.

The statistics of the NCR showed a rapid growth in unsecured lending and a constant increase in the number of consumers with impaired credit records. The NCR conducted a research study to understand the drivers of this rapid growth. The study showed that some of the drivers of this growth are the higher yield in interest rates on unsecured credit, the low interest rate environment and increased competition for market share by credit providers. Although the growth in unsecured lending has increased access to credit, the NCR is concerned that this is happening in an environment where credit impairments are rising.

Given the high levels of the indebtedness of consumers, the NCR was requested by the dti to investigate the merits for the introduction of a credit information amnesty. The research and consultations with the industry were completed and a final report submitted to the dti.

The regulatory framework needs constant improvement to ensure effective regulation of the consumer credit market and protection of consumers. The NCR has proposed amendments to the Act to address the identified shortcomings. These include the prohibition of termination of debt review cases pending in the courts and increased enforcement powers of the NCR such as the cancellation of registrations for breach of conditions of registration and the referral of reckless credit agreements to the Tribunal.

The industry codes of conduct were revised and amended to enable the NCR to exercise direct regulatory authority and oversight over the commitments made by credit providers to lend responsibly and to align the complaints resolution structure set out in the codes to the Act. The amendment of the codes also resulted in the withdrawal of the recognition by the NCR of the roles played by the National Debt Mediation Association, Debt Counsellors' Association of South Africa and the Credit Ombud in terms of the codes. The ombud schemes are recognised and their jurisdiction is defined in the Act.

The NCR participates in various consumer education initiatives and establishes partnerships with other organisations. Various channels are used to educate consumers such as workshops, seminars, radio, print media, television, billboards and public notices. The NCR also participates in the dti and Congress of Traditional Leaders of South Africa (CONTRALESA) consumer education initiatives for consumers in rural areas.

In order to improve its operational efficiency, the NCR is developing a new ICT operational system. This system will replace its current operational systems and introduce automated registration, compliance, reporting and complaints processes. The system is expected to go live in the latter part of the 2013/14 financial year.

The NCR will strive to improve its effectiveness in the implementation of the Act and protection of consumers. I am grateful to Minister of Trade and Industry, the Honourable Dr Rob Davies, Director General Mr Lionel October and Deputy Director General, Ms Zodwa Ntuli for their continued support of the work of the NCR. To the Board, management and staff of the NCR, thank you for your commitment and dedication to the NCR.

Last but not least, I would like to express my profound gratitude to the media which provided coverage to the NCR throughout the year.

Nomsa Motshegare

Chief Executive Officer

Vision, Mission and Values

Vision

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

Mission

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

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

Values

- **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 are committed to employee empowerment.
- **Good corporate governance:** We strive to be a model of good corporate governance.

Statutory Mandate

The NCR was established in terms of the Act and its mandate is to:

- Register credit providers, credit bureaus and debt counsellors.
- Enforce the provisions of the National Credit Act by:
  - Promoting informal resolution of disputes between consumers and credit providers and/or bureaus.
  - Receiving complaints regarding contraventions of the Act.
  - Monitoring the consumer credit market and industry to prevent, detect and/or prosecute contraventions.
  - Investigating and evaluating alleged contraventions of the Act.
  - Issuing and enforcing compliance notices in respect of contraventions.
  - Negotiating and concluding undertakings and consent orders as a means of resolving complaints by consumers.
  - Referring matters to the National Consumer Tribunal for hearing.
- Increase knowledge of the nature and dynamics of the consumer credit market through research and publication of statistics.
- Implement education and information measures to develop public awareness of the Act
- Establish relationships with other regulatory authorities
- Advise and make recommendations to the Minister on consumer credit policy.

Part 2: Performance against objectives

Current Management Team:

Standing from left: Mr Adrian Skuy, Mr Zolile Mngqundaniso, Mr Ngoako Mabeba, Mr Gideon Mashamaite

Seated from left: Ms Kedilatile Malakalaka, Ms Louisa Hetisani, Ms Gwen Moloi

Strategic objectives of the NCR

The strategic objectives of the NCR for the year which informed its activities were to:

- Promote increased access to credit through responsible credit granting;
- Protect consumers from abuse and unfair practices in the consumer credit market and address over-indebtedness;
- Continually enhance a consumer credit market regulatory framework; and
- Monitor and improve the NCR's effectiveness in fulfilling its mandate.

Alignment with government and *dti* priorities

The South African government committed itself to achieving 12 national outcomes during the period 2009-2014. The *dti,* which is the NCR's line ministry, makes a contribution particularly to national outcome 12: *the creation of decent employment through inclusive growth*. Table 1 indicates how the NCR's objectives align with those of the *dti*.

Table 1: Relationship between objectives of the dti and those of the NCR

Objectives of the *dti*	Objectives of the NCR
Facilitate broad-based economic participation through targeted interventions to achieve more inclusive growth.	Promote increased access to credit through responsible credit granting. Continually enhance a consumer credit market regulatory framework.
Create a fair regulatory environment that enables investment, trade and enterprise development in an equitable and socially responsible manner.	Protect consumers from abuse and unfair practices in the consumer credit market and address over-indebtedness.
Promote a professional, ethical, dynamic, competitive and customer-focused work environment that ensures effective and efficient service delivery.	Monitor and improve the NCR's effectiveness in fulfilling its mandate.

Performance area

Registrations

The NCR is responsible for the registration of credit providers, credit bureaux and debt counsellors (registrants) as well as their compliance with the Act.

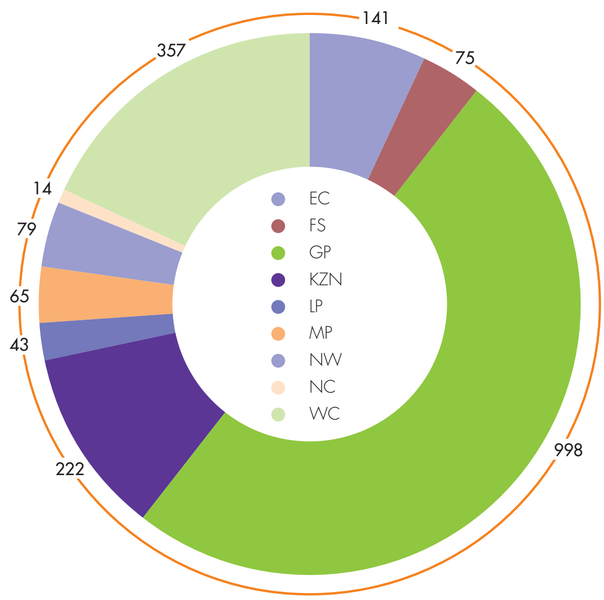
During the year, 686 credit providers were registered and 207 voluntarily cancelled their registration. The corresponding figures for debt counsellors were 101 and 91 respectively. One credit bureau was registered bringing the total number of registered credit bureaux to 12 .

The total number of entities registered with the NCR as at 31 March 2013 was:

- Credit providers: 5 450 with 41 642 branches.
- Credit bureaux: 12.
- Debt counsellors: 1 994.

The NCR has registered debt counsellors in all nine provinces of the country as indicated in Figure 1.

Figure 1: Distribution of debt counsellors by province



Compliance Monitoring

The NCR is responsible for monitoring compliance with the Act and conditions of registration by registrants. This function is performed through complaints, investigations, off-site reviews and on-site visits.

Complaints

The NCR receives and resolves complaints against registrants and unregistered entities and persons.

During the year under review, the NCR call centre received an overall of 56 631 calls. Written enquiries received totalled 4 874, of these 1 559 were registered as formal complaints. The balance of enquires were either requests for information or not credit-related and were referred to the appropriate organisations.

Of the resolved complaints 90,80 % were resolved within 90 days and the balance of 9,20% were resolved after 90 days.

The nature of complaints included:

Debt counselling complaints	Credit agreement complaints:
• Unprofessional conduct by Debt counsellors • Creditor providers claim to have not received proposals from Debt counsellors • Creditor providers are taking legal action while under debt review • Debt counsellors are overcharging • Creditor providers are refusing to accept debt counselling proposals • Credit providers terminating credit agreements while a consumer is still under debt review • Complainant is out of debt review but is still listed • Debt counsellor cannot be contacted/disappeared • Goods repossessed while consumer is under debt review.	• Excessive interest charged • Over-deductions • Settlement amounts are incorrect • Overcharging of initiation fee, credit insurance and/or service fee • Unlawful deductions • Refusal to issue statements on demand • Reckless lending (affordability assessment not done) • Credit provider refuses to cancel contract (cooling off period not observed) • Set-off e.g. credit providers deducting money from consumers credit cards to pay another account • Consolidations not done • Unfair listing.

The monetary value of refunds and adjustments to consumer accounts amounted to R1 261 131 for the year, as a result of the NCR's intervention in resolving complaints.

Investigations

Credit regulator probes illegal microlending practices at Marikana

Ann Crotty

MANY of the garnishee orders against the wages of heavily indebted miners in Marikana might have been secured illegally, the National Credit Regulator (NCR) told Business Report yesterday.

Zweli Zakwe, the head of investigations at the NCR, said that the regulator was investigating documents that had been collected in raids of several microlender premises in Marikana earlier this week.

"One microlender was charging clients 30 percent a month (equivalent to over 2 000 percent a year) compared with the legal limit of 5 percent a month, another was forcing its customers to sign blank forms that would enable the lender to get a garnishee order without going through the formal process," Zakwe said.

He added that the regulator was "going through" the documents to establish whether the microlenders had adhered to the requirements of the National Credit Act.

The investigation is focusing on the cost of credit being charged, whether or not affordability assessments were undertaken and the unlawful retention of bank cards and identity documents.

Zakwe said that if the investigation revealed that microlenders had failed to adhere to the requirements of the act in the granting of loans, then those transactions could be rendered null and void.

A garnishee order allows a creditor to secure repayment of a debt directly from the wages of an individual who has borrowed money.

Before a garnishee order can be granted, the borrower has to have defaulted on the repayments and must have appeared in court to admit liability for the debt.

The court will then agree a repayment schedule with the borrower and the lender and will grant a garnishee order on this basis.

However, by forcing borrowers to sign blank forms, the microlender is able to secure a garnishee order while sidestepping the legal process.

Zakwe said the NCR was in the first phase of its investigation, which was focusing on microlenders in the region.

The second phase would involve an investigation of the "established banks", including Capitec and African Bank.

Community organisations in the Rustenburg area have argued that the activities of microlenders had aggravated the tense labour environment that spilled out into violent protests in August.

The NCR raid follows an ongoing investigation by MoneyWeb, which has revealed that as much as 40 percent of the income earned by South Africa's workers is being directed towards the repayment of debt.

CITIZEN (Second Edition), Citi Business
10 Oct 2012, p 14

NCR swoops on Marikana micro-lenders

MALCOLM REES

THIRTEEN unsecured lenders operating from the Marikana township just outside of Lonmin's Rustenburg operations have been targeted by the National Credit Regulator (NCR) as its on-going swoop seeks to root out irregular lending practices in the area.

The operation had been initiated following "media reports" which pointed towards severe indebtedness among miners exacerbated by an alleged mal-practice on behalf of lenders and debt collection agents according to Advocate Zweli Zakwe, head of the investigations unit at the NCR.

CitiBusiness was at the scene on Monday by invitation.

Evidence gathered on the first day of the four-day operation suggested that lenders where operating in breach of a host of National Credit Act (NCA) and criminal laws.

This is despite the fact that the majority of lenders are registered with the NCR.

Of the six lenders that had been subjected to searches by Tuesday morning, five appeared to be in breach of the law according to Zakwe.

One lender was found in possession of borrowers' ID books and at least 23 credit cards used "as a collection method", criminal offences for which charges were filed at the Marikana police station.

Another lender appeared to be erroneously inflating the loan size of defaulting borrowers by 99% when it applied for garnishee orders.

Garnishee orders need to be applied for through the courts and under oath and compel employers to deduct amounts directly from their workers' salaries until the amounts outstanding on a default loan, plus collection charges are fully recovered.

It was also apparent that at least one lender was making use of blank-signed procers documents, including a consent to judgment, used to secure garnishee orders.

By forcing borrowers to sign the blank document the lender appeared to be by-passing the legal process required to secure a garnishee.

At least three of the six appeared not to be conducting affordability tests.

Affordability tests are the key requirement imposed on the lenders by the NCA in its attempt to curb reckless lending which it is feared may destabilise the unsecured lending market and exacerbate chronic indebtedness amongst SA's workforce.

Zakwe agreed that the practices uncovered at Marikana are endemic in the unsecured market. The Marikana township is heavily saturated with lenders.

On the 500m strip of road that makesup the town centre, at least 16 lenders can be identified.

Capitec, African Bank, U Bank and Nedbank all have micro-finance or personal loans offices on the strip although none of them had been targeted under this operation.

The NCR is responsible for investigating alleged contraventions of the Act and conditions of registration. Ninety three (93) investigations were completed during the year. The priority issues for investigations were reckless lending, unlawful retention of bank cards, identity documents and pin codes, excessive fees and interest, conduct of debt counsellors and credit bureau compliance.

The tragic events that occurred in Marikana in the North-West province drew the attention of the NCR to the credit providers operating in the area. Raids were conducted on 16 credit providers and uncovered reckless lending, bank cards, pin codes, identity documents, blank debt collection documents signed simultaneously with credit agreements, illegal fees, and excessive interest and fees. Arrests were made and criminal cases opened with the police. The referral of 10 credit providers from these investigations to the Tribunal was initiated.

BUSINESS DAY
14 Aug 2012, p 2

Credit regulator eyes unsecured loans

PHAKAMISA NDZAMELA
Financial Services Correspondent

THE National Credit Regulator (NCR) has called for the implementation of stricter regulations and tighter monitoring of unsecured lending practices, saying it is concerned about low levels of disclosure of the full cost of unsecured credit.

The NCR's much-awaited report into unsecured lending, which has been seen by Business Day, is an investigation of the increase in the number of people who take out unsecured personal loans and the soaring value of the loans.

The data shows that the rand value of unsecured credit granted in the first quarter of this year rose to R21.9bn, up from R16.7bn in the first quarter of last year.

In the final quarter of last year the figure rose to R26.5bn.

The research was carried out among 10 of the main credit providers, including Absa, African Bank (Abil), Capitec, Nedbank, Standard Bank and FirstRand. The NCR asked the banks to submit information on unsecured loans.

The report raises concerns about the cost of insurance policies aimed at covering for a possible default on the debt.

The report says more regulations would enhance disclosure and give consumers a clearer understanding of the overall cost of their loans. "It is suggested that regulatory requirements relating to the disclosure of the cost of credit should be considered with a view towards including the cost of credit life insurance," the report reads.

It notes that credit life premiums were the second-largest contributor to the revenue of unsecured loans, after interest. Credit life insurance contributed about 11% to the revenue of unsecured loans, the report shows.

"Further, it is suggested that disclosure of a 'repayment multiple' (the number of times the total instalments in respect of a loan exceeds the capital amount advanced) that includes all costs will assist consumers in understanding the cost implications of credit taken up," the NCR said.

The report was presented to the parliamentary portfolio committee on trade and industry on August 3 and is to be debated in the National Assembly soon.

"We are thinking of consumers who are becoming impoverished by the weight of these loans ... all these admin costs should be disclosed. They are very opaque at the moment," Joanmariae Fubbs, the chairwoman of the committee, said.

The MD of the Banking Association of South Africa, Cas Coovadia, was not convinced that additional regulation was needed, as the banking industry abided by the law and disclosed credit costs.

Abil said it had tried to get full disclosure included in the total cost of credit after the National Credit Act was introduced.

"We believe it will be a very healthy thing. It is very difficult for the customer to make a proper comparison of different credit offers," Markus Borner of Abil said. Capitec added: "We agree with the NCR that some role players have not been fully transparent with their offering."

Pieter du Toit, the CEO of FNB Loans, said the bank fully disclosed the effects of credit life and premiums on monthly instalments.

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GEORGE HERALD
24 May 2012, p.63

National Credit Regular and SAPS clamp down on credit providers' illegal collection tactics

A joint two day operation in the Northern Cape by the National Credit Regulator (NCR) and South African Police Services (SAPS) to clamp down on credit providers employing illegal bullying and collection tactics against vulnerable consumers has resulted in numerous arrests.

"The operation dubbed "Project Blitzkrieg" primarily focused on credit providers (both registered and unregistered) who are unlawfully retaining pension cards, bank cards, identity documents and personal identity numbers (PIN) of their clients as surety", says Advocate Zweli Zakwe, Acting Manager for Investigations & Enforcement at the NCR. "This is a contravention of the National Credit Act (NCA)".

The operation took place in De Aar, Petrusville, Noupoort and Colesberg in the Northern Cape where searches were conducted on premises belonging to both registered credit providers and so called "skoppers".

Zakwe says this is part of the NCR's ongoing strategy to ensure that all credit providers, no matter where they conduct business, still comply with the provisions of the National Credit Act. "The exploitation of vulnerable and unsuspecting consumers by credit providers will not be tolerated", he adds.

A total of 15 people were arrested, of which eight were "skoppers" and seven were people working for credit providers. Police also found the suspects in possession of an accumulative number of over 577 pension cards, 114 ID books and 620 bank cards.

Zakwe said the SAPS in the Northern Cape must be complimented for their excellent assistance they provided to the National Credit Regulator during this operation and their willingness to assist consumers.

"This was definitely not the first of its kind". "The NCR conducted a Blitzkrieg in Port Elizabeth in October last year where three skoppers were prosecuted in March 2012. Such operations will be extended to other parts of the country and credit providers are warned that the National Credit Regulator will not condone these practices by credit providers", concludes Zakwe.

The NCR also conducted raids in Nquthu in northern Kwazulu-Natal province in collaboration with the South African Police and the South African Social Security Agency. These raids were targeting pension pay-out points. The raids uncovered 595 pension cards, 108 bank cards and 240 identity documents. Arrests were made and criminal cases opened with the police. One of the credit providers from the Nquthu operation was referred to the Tribunal and the credit providers registration has already been cancelled

In December 2012, the NCR also conducted raids in the Western Cape towns of Ceres, De Doorns, Robertson, Worcester and in Cape Town during the farm workers' strike. The raids uncovered 766 bank cards, pension cards and identity documents. Arrests were made and criminal cases opened with the police. The referral of credit providers to the Tribunal was initiated.

CITIZEN (Second Edition), Citi Business
12 Oct 2012, p.15

Loan sharks arrested

MINISTER: *'We will act without fear or favour'*

SASHA PLANTING

TEN of the 13 micro-lenders operating in Marikana are operating illegally and are contravening provisions of the National Credit Act. This follows an investigation into their business practices by the National Credit Regulator.

They are guilty of charging excessive interest; charging illegal fees; retaining bank cards, pin numbers and ID documents; not doing adequate affordability tests; not disclosing the cost of credit, getting consumers to sign blank process documents and reckless lending.

In addition, investigations into the reckless lending practices of two banks have been concluded. They were found to have loaned money recklessly and enforcement action will be taken.

This is according to Nomsa Motshegare, CEO of the National Credit Regulator (NCR), who along with Trade and Industry Minister Rob Davies, was briefing journalists in Parliament yesterday.

Motshegare would not disclose the names of the micro-lenders or banks involved until "due processes" have been completed. But she said a number of arrests had already been made. Overcharged consumers would be refunded, she said. This followed a swoop on the lenders on Monday. *CitiBusiness* was on the scene and witnessed the confiscation of ID documents and bank cards.

The investigative work of the NCR has the full backing of the Department of Trade and Industry which is concerned by what Minister Davies refers to as "unwarranted preying on the vulnerable". He noted that these practices were not confined to Marikana. Investigations will be extended to other small towns in other provinces in the coming months.

"We believe that the pressure on (Lonmin) wage demands was influenced by high levels of unsecured credit," Davies said. "The very high levels of interest eat into salaries and have a negative impact on our working people, our low income consumers and our society."

Davies noted that indebtedness was not the sole reason underpinning the Marikana strikes. "There were many causal factors including working conditions and housing that were part of the problem. But in our neck of the woods we have found a problem. It is important that the NCR acts, and it will do so without fear or favour."

The spirit of the National Credit Act is about responsible lending which takes into account the ability of the borrower to repay the loan, added advocate Zweli Zakwe, head of the NCR's investigations unit. "We are seeing practices that verge on reckless."

At this stage the NCR cannot be specific about the level of indebtedness in Marikana. SA's gross debtors book is worth R1.3 trillion, which includes car and house finance. About 9% of this relates to unsecured finance. And roughly 49% of borrowers in this category are impaired, said Motshegare.

"What we can tell you is that when you have 13 micro-lenders in a small town like this, the overall level of borrowing and resultant indebtedness is much too high," said Davies.

The NCR also referred African Bank Limited to the Tribunal for reckless lending.

The courts and the Tribunal delivered the following landmark judgments which reinforced consumer rights:-

The National Consumer Tribunal imposed the first administrative fine in its six-year history – an amount of R900 000 – in the case brought by the NCR against Lebathu Finance, trading as Werlan Cash Loans. Lebathu Finance had failed to register with the NCR as a credit provider as required by the Act and ignored a compliance notice issued to it by the NCR directing it to register and rectify certain illegal practices. The Tribunal found that Lebathu Finance's repeated contraventions of the Act constituted prohibited conduct. In addition to imposing a fine, the Tribunal also declared all the credit agreements entered into by Lebathu Finance unlawful and void.

The North Gauteng High Court upheld a compliance notice issued by the NCR to Barko Finance and ordered Barko Finance to stop passing on the costs of payment processing through NUPAY to the consumers, where the addition of this amount to the service fee increases the service fee to an amount above R50. The court also ordered Barko to refund consumers all the fees charged in excess of the prescribed maximum service fee of R50.

In December 2012, the Supreme Court of Appeal upheld the NCR's case against the Standard Bank of South Africa Limited (Standard Bank) which centred on the bank's right to increase administration fees on home loans that were granted under the Usury Act of 1968. The NCR contended that the original fee of R5 applied and would continue to apply until the Minister of Trade and Industry exercised powers conferred on him by the National Credit Act to increase administration fees on home loans. The court ruled that Standard Bank should not increase the administration fee. This means that homeowners who had entered into home loan agreements with Standard Bank prior to 1 June 2007 and charged more than R5 in administration fees by Standard Bank were therefore being overcharged.

NEW AGE, THE, Inside 1
06 Dec 2012, p.15

PAYING COMPENSATION: Standard Bank CEO Jacko Maree. PICTURE: GALLO IMAGES

Standard Bank to refund clients overcharged fees

BERNARD SATHEKGE

STANDARD Bank will refund any money due to its customers, home loan holders, who were overcharged by the bank in contravention of the limit which was set under the Usury Act.

This follows a court ruling after the National Credit regulator acting on behalf of clients took Standard Bank to court and won its case in the Supreme Court of Appeal.

Standard Bank spokesperson Ross Linstrom said the bank would respect the court's ruling.

The NCR said the SCA ruling was a victory for consumers.

"The SCA has ruled in favour of the NCR that all loans that were granted under the Usury Act 73 of 1968, charging above R5, before the National Credit Act (NCA) came into operation must be refunded to consumers," Annemarie Friedman, a senior legal advisor at the NCR, said.

"We started investigating the bank after we received complaints from home loan clients about the exorbitant administration fees that they introduced to existing home loan agreements following the introduction of the NCA.

"Consumers who entered into home loan agreements prior to June 1, 2007, where mortgage amounts were less than R500 000 should check their bank statements to establish whether they have been overcharged on administration fees and should approach the NCR or Standard bank for a refund."

bernards@thenewage.co.za

Credit providers and credit bureaux

The NCR has initiated a process of on-site visits to credit providers and credit bureaux. The purpose of the visits is to assess their compliance with the Act, conditions of registration and NCR guidelines. This is meant to also provide support and guidance to the credit providers and credit bureaux to improve their compliance.

Debt Counselling

The NCR is continuing to implement debt counselling as a mechanism to address consumer over-indebtedness, ensure that consumers ultimately repay their debts and are rehabilitated. The total number of consumers who applied for debt counselling during the year was 82 964.

The NCR accredited payment distribution agencies to collect monies from consumers under debt review and to distribute it to credit providers. During the year, R2.96 billion was paid to credit providers through payment distribution agencies accredited by the NCR.

The NCR continues to undertake initiatives to improve public awareness of debt counselling. In this regard, two initiatives were embarked upon:-

- Three workshops were held with provincial government departments in order to build their capacity to educate public servants about available debt relief measures and their rights and responsibilities under debt counselling. The departments involved were the Mpumalanga Department of Education, the Kwazulu-Natal Department of Finance and the North-West Department of Economic and Development Affairs.
- A mini media campaign focused on newspapers and billboards, aimed at increasing awareness of debt counselling as a solution to over-indebtedness was conducted.

On-site visits

Debt Counsellors

During the year, the NCR conducted 446 monitoring visits on debt counsellors. The purpose of these visits was to assess compliance with the Act, conditions of registration and NCR guidelines. In addition, the NCR provided support and guidance to the debt counsellors to enable them to improve their compliance.

Instances of non-compliance were discussed with the relevant debt counsellors and corrective measures were taken by the debt counsellors to address these. Serious cases of non-compliance were referred for formal investigation.

Special attention was given to newly registered debt counsellors during the monitoring visits to ensure that processes are clarified and to assist them to comply.

Additional measures that were undertaken to promote compliance by debt counsellors included:-

- The organisation of 4 provincial debt counselling workshops in Limpopo, Free State, Eastern Cape and North-West Provinces. These workshops created a platform to discuss and address challenges in debt counselling. They also exposed attendees to various activities of the NCR and other industry role-players, such as payment distribution agencies, magistrates and the Tribunal.
- The issuance of 12 circulars that covered a wide range of regulatory topics to debt counsellors and other stakeholders.

Stakeholder Engagement

The implementation of debt counselling depends on the co-operation of a range of role-players and stakeholders such as industry associations, credit providers, debt counsellors, payment distribution agencies, credit bureaux and other organisations. The NCR strives to build good relationships with these stakeholders and ensure that there are effective channels of communication with them. During the year, the NCR held 26 meetings with stakeholders.

Magistrates across the country constitute a particularly important group of stakeholders, as the repayment arrangements reached for consumers under debt review are done through the courts. To this end, capacity building workshops and information sharing sessions were held with the magistrates in Limpopo, Gauteng, KwaZulu-Natal and the Western Cape provinces.

The NCR prioritised discussions with provincial civil court forums in order to understand challenges faced by magistrates, facilitate speedy resolution of debt counselling matters and develop solutions in collaborations with them. Workshops were conducted with the Limpopo Civil Court Forum and meetings took place with the civil court forums for Gauteng, KwaZulu-Natal and Western Cape provinces.

The Tribunal has jurisdiction to endorse debt re-arrangement consent orders. Regular engagements were held with the Tribunal. The Tribunal was also invited to participate in the debt counselling and magistrates' capacity building workshops and information sharing sessions arranged by the NCR. Matters that require investigation on issues identified by the Tribunal were referred to the NCR by the Tribunal.

The scrapping of the Voluntary Debt Mediation Solution mechanism

The credit providers, through the National Debt Mediation Association (NDMA), wanted to pilot a non-statutory debt re-arrangement mechanism styled the Voluntary Debt Mediation Solution (VDMS). The pilot was to make use of registered debt counsellors and NCR accredited payment distribution agencies. The consumers selected for participation in the pilot were to be listed at the credit bureaux as being under debt mediation. The participating debt counsellors were to be paid fees by credit providers through the NDMA.

The NCR conducted a legal review of the VDMS mechanism and found that it contravened the Act and undermined statutory debt counselling. It was in essence a masked form of debt counselling as it was similar in form and substance to debt counselling. The participating debt counsellors would have been placed in a situation of conflict of interest and thus not be in a position to expose reckless lending. There was no judicial oversight over the debt re-arrangements concluded through this mechanism. The listing of consumers under debt mediation at the credit bureaux was illegal. The mechanism also deprived consumers of their statutory protection and exposed them to legal action by credit providers.

Following the review, the NCR instructed the NDMA to stop the implementation of the VDMS mechanism. The participating credit providers, debt counsellors and payment distribution agencies were also instructed to withdraw their participation. All the parties adhered to the instruction of the NCR.

SUNDAY TIMES, Business Times Money & Careers
26 Aug 2012, p.3

Regulator bans mediation project

BRENDAN PEACOCK

Conflict of interest cited in NDMA's debt scheme

THE National Credit Regulator has ordered the National Debt Mediation Association to cease its voluntary debt mediation service (VDMS) pilot project with immediate effect.

The project became the object of controversy when the regulator received complaints from Cosatu and debt counsellors, notably the debt counselling industry collective headed by Deborah Solomon.

In a letter to the regulator, the Department of Trade and Industry and the National Consumer Commission, Solomon pressed the regulator for a definitive response on suspected conflicts of interest in the VDMS process and conflicts with the National Credit Act.

The mediation project was promoted as an alternative to statutory debt counselling, but in its investigation the regulator concluded that the new process was in essence no different to statutory debt counselling and as such must comply with the act.

Solomon had complained that VDMS was entirely created and managed by the debt mediation association, which is funded and mandated by credit providers.

The regulator agreed, with its legal adviser Lesiba Mashapa saying it was problematic that the association's board was nominated by credit providers and included representatives from the industry.

"There is a conflict of interest when registered debt counsellors act as agents of the association," Mashapa said.

"The selection of over-indebted customers, the use of registered debt counsellors, the assessment of over-indebtedness, the development of debt realignment proposals by the debt counsellors and the listing of participating customers with the credit bureaus all mirrored statutory debt counselling exactly," said Mashapa.

"It was disturbing that the pilot even used forms which were similar in many respects to those prescribed for statutory debt counselling," he added.

According to Mashapa, the pilot project would also use the same four payment distribution agencies which make payments to creditors under the existing debt counselling system.

"The agencies were a National Credit Regulator initiative and the association was encroaching onto those agencies," he said.

The mediation service would be serving a statutory debt-counselling function, but being paid by the credit industry.

"One of the important functions of a debt counsellor is to assess whether reckless lending has taken place, and this requires independence and objectivity, which would be compromised if their revenue stream came from credit providers," said Mashapa.

"Debt rearrangement plans under the mediation service would also not have to be confirmed by a magistrate or tribunal, so important judicial oversight would be lost. In our view, the mediation service process is designed to avoid exposing the problem of reckless lending through the courts," he added.

Mashapa said aside from the existing statutory debt-counselling process, the law already provides for voluntary restructuring for customers who are not yet over-indebted.

The regulator has told the debt mediation association to cease implementation of its project and all associated activities. It has until Tuesday to respond in writing to confirm that it has complied. Mashapa said the regulator had sent similar letters to all debt counsellors who had signed up to participate, as well as the payment distribution agencies.

"This is not an invitation to the association to redesign the process — we are putting an end to it and we will be following up to make sure it has stopped," Mashapa said.

"It weakens the National Credit Act's protection of consumers and if they don't comply, that will constitute an offence and we will deal with it. We would like credit providers to support the existing regulated debt-counselling process," he said.

Anyone who has already submitted to the association's process should approach a registered debt counsellor to take them through the statutory process. See www.thedci.co.za for a list of counsellors.

Review of the industry codes of conduct

The levels of consumer over-indebtedness and number of consumers with impaired credit records have been rising over the past few years. In addition to these, unsecured lending continued to grow in this environment and the investigations of the NCR uncovered evidence of reckless lending. These issues were and remain of serious concern to the NCR and prompted a review of the codes. The industry was invited to make submissions and after considering these, the NCR decided to amend the codes.

The codes were amended to enable the NCR to exercise direct regulatory authority and oversight over the commitments made by credit providers to lend responsibly and to align the complaints resolution structure set out in the codes to the Act. The amendment of the codes also resulted in the withdrawal of the recognition by the NCR of the roles played by the National Debt Mediation Association, Debt Counsellors' Association of South Africa and Credit Ombud in terms of the codes. The ombud schemes are recognised and their jurisdiction is defined in the Act.

PERSONAL FINANCE (Independent On Saturday)
25 Aug 2012, p 17

INVESTIGATION FINDS THAT PROCESS UNDERMINES YOUR RIGHTS UNDER THE LAW

Regulator halts credit industry's voluntary debt review plan

Credit providers, including the banks, who have been seeking to establish a voluntary debt mediation process – as an alternative to statutory debt counselling – have been stopped in their tracks, writes **Angelique Ardé**.

A pilot project to test the much-vaunted voluntary debt mediation service (VDMS) being developed by credit providers has been declared unlawful by the National Credit Regulator (NCR).

Lesiba Mashapa, company secretary at the NCR, says following an investigation into the legality of the VDMS pilot, the regulator has found that it will undermine the statutory debt counselling process and contravene the National Credit Act (NCA).

The NCR's investigation was prompted by complaints lodged by debt counsellors, including Cape Town-based debt counsellor Deborah Solomon, and labour federation Cosatu.

VDMS is being driven by the National Debt Mediation Association (NDMA), a body formed and funded by credit providers. The NDMA says statutory debt counselling isn't working for you, the consumer, or for credit providers and that a voluntary industry-led process is needed.

In terms of the terminated VDMS pilot, debt counsellors would have been appointed by the NDMA and consumers handpicked by credit providers. Chosen consumers would receive a free service and the debt counsellors' fees would be paid by credit providers.

CONFLICTED POSITION

Mashapa says the regulator's investigation revealed that the VDMS pilot is "basically debt counselling" and creates a conflict of interest for debt counsellors.

"Although debt counsellors are regarded as debt mediators in VDMS, the function they are performing is debt counselling," Mashapa says. "And the use of debt counsellors in the VDMS pilot contravenes the Act and the conditions of debt counsellors' registration, which prohibits them from working for credit providers."

In order to assess over-indebtedness and to identify reckless lending objectively, a debt counsellor needs to be independent and impartial. Debt counsellors participating in the VDMS pilot are conflicted because they are guaranteed work and income from credit providers.

"The Act, together with the conditions of registration of a debt counsellor, doesn't allow for debt counsellors to receive a fee or commission from a credit provider. This is to safeguard their independence," Mashapa says.

Another problem the regulator has with VDMS is that the debt rearrangement proposals would not be presented to the National Consumer Tribunal (NCT) or a magistrate's court for consent orders – in other words, there is no confirmation of the rearrangement proposal by the NCT or a court, he says.

Mashapa says judicial oversight of debt restructuring is essential because the judicial officer must be satisfied that the proposal is affordable and the interest rates are calculated properly.

Also, if a debt counsellor identifies reckless lending, he or she must make a recommendation to the magistrate to declare a credit agreement reckless.

"If you have a consumer who is over indebted with 10 credit agreements, surely somewhere there was reckless lending. But if your debt counsellor is being paid by the NDMA or a credit provider – as is the case with the VDMS pilot – you are expecting the debt counsellor to bite the hand that feeds. This will result in the concealment of reckless lending, as there is no incentive to expose it."

Mashapa also says the NCA only allows consumers in debt counselling, but not those in mediation, to be listed with credit bureaus. The VDMS pilot included the listing of consumers in mediation.

The VDMS pilot envisages the use of payment distribution agencies (PDAs) to collect and distribute the payments of consumers under debt mediation, but PDAs have signed service level agreements with the NCR that preclude them from doing business with any other entity.

In terms of the VDMS pilot, debt counsellors and PDAs would be paid "after-care" fees identical to those charged for debt counselling.

Mashapa says the regulator has instructed the NDMA not to implement the pilot and to cease all VDMS-related work by Tuesday.

"We have also issued instruction letters to the debt counsellors and PDAs involved to withdraw their participation.

"It is important that the credit provider industry supports debt counselling and should not be seeking to establish a parallel process that undermines it," he says.

HOODWINKING YOU

Solomon says VDMS is an attempt to hoodwink consumers into giving up the rights afforded to them by the NCA, and that the NDMA is "nothing more than an organisation formed by credit providers for credit providers".

Solomon says allowing credit providers to do debt counselling creates an obvious conflict of interest and is like putting Dracula in charge of the blood bank.

"The Act is very clear that a debt counsellor cannot work for a credit provider and a credit provider cannot perform the role of a debt counsellor. A debt counsellor has a fiduciary responsibility to protect the interests of the consumer," Solomon says.

A key safeguard open to consumers who are in statutory debt counselling is the "in duplum" rule, which states that at the time of default, a creditor may not claim from you costs – including unpaid interest – in excess of the outstanding capital owed. Solomon says this effectively puts a cap on costs that would otherwise mount up.

Credit providers are eager to sidestep this limit, Solomon says.

"The in duplum provision in the NCA is a major source of relief for indebted consumers that despair of ever getting out the debt trap and it is only available under statutory debt counselling," she says.

Some debt counsellors have said that if credit providers can work with them within VDMS, there is no reason the same co-operation cannot occur in the statutory process, too.

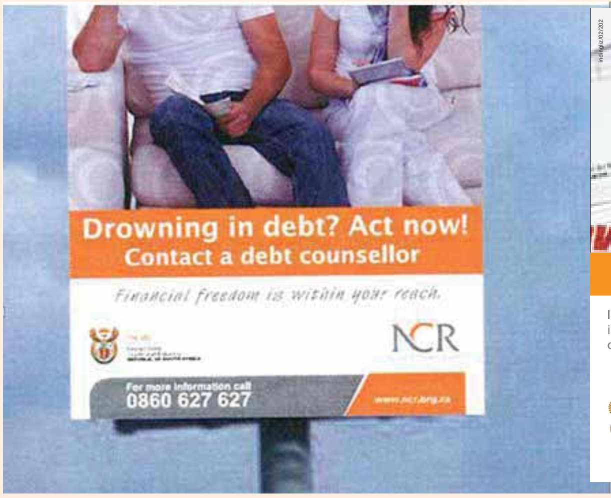
But Solomon says some credit providers can't be trusted. "Unfortunately, the banks don't always operate in the spirit of the Act," she says.

Highlight 2012/13

Throwing a lifeline to 'drowning' consumers

Debt carries a huge stigma. People usually suffer it in secret. But in February 2013 the NCR brought the reality of heavy personal debt out into the open. Large billboards in bright orange confronted commuters along selected routes. "Drowning in debt? Act now!" they urged. "Contact a debt counsellor."

The billboards were part of a "mini-campaign" to build public awareness of debt counselling as a possible solution to individual debt problems. Five billboards were placed – one each in Gauteng, Limpopo, Mpumalanga, Northern Cape and North West – along with print adverts in various newspapers. The latter were supported by in-depth advertorial on the system of debt counselling.



Because the mass media intervention was funded by savings achieved in the Debt Counselling Department, the budget and extent of the campaign were strictly limited. The initiative was a test-run and a bonus, rather than a planned core activity. But the clear message of hope seems to have got through to many people with debt problems.

NCR call centre agents noted an increase in debt counselling inquiries, up from 6 899 in January to 8 960 in March. Debt counsellors also experienced increased inquiries during this period. Some of these were surely inspired by the billboards and adverts and their promise that "financial freedom is within your reach".

Statistics, credit information and research

The NCR publishes statistics and conducts research to increase knowledge of the nature and dynamics of the consumer credit market and industry. During the year, the NCR published four Consumer Credit Market Reports (CCMR), four Credit Bureau Monitors (CBM) and conducted four research projects.

Consumer Credit Market Report

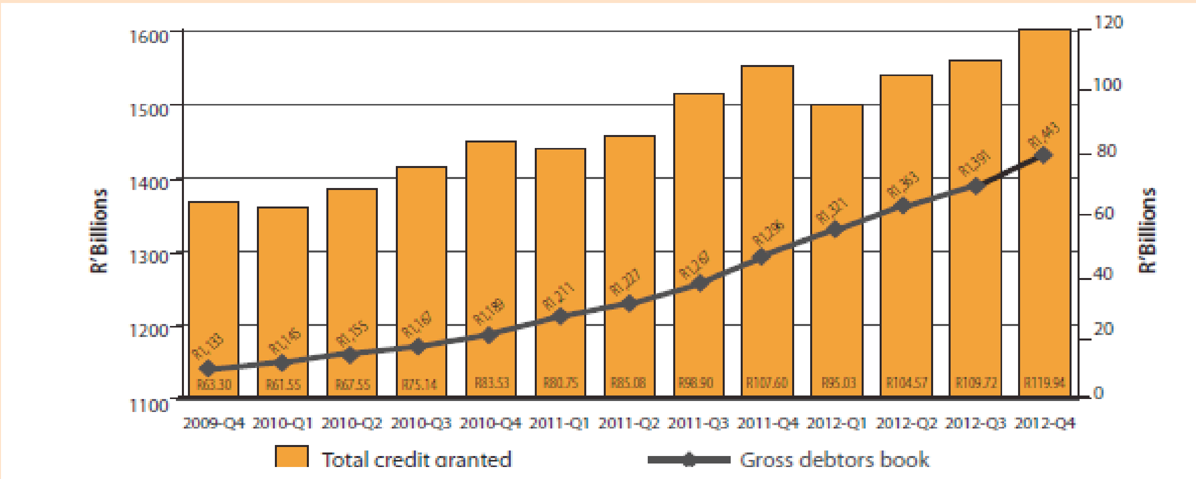
The CCMR is compiled from the quarterly returns submitted by registered credit providers to the NCR. Credit providers, based on the value of their annual disbursements, are required to complete and submit statistical returns on a quarterly or annual basis.

Highlight 2012/13

Trends from Consumer Credit Market Report

South African consumer credit has continued to show some growth in terms of the disbursement of new credit and outstanding balances in the December 2012 quarter, per the *CCMR*.

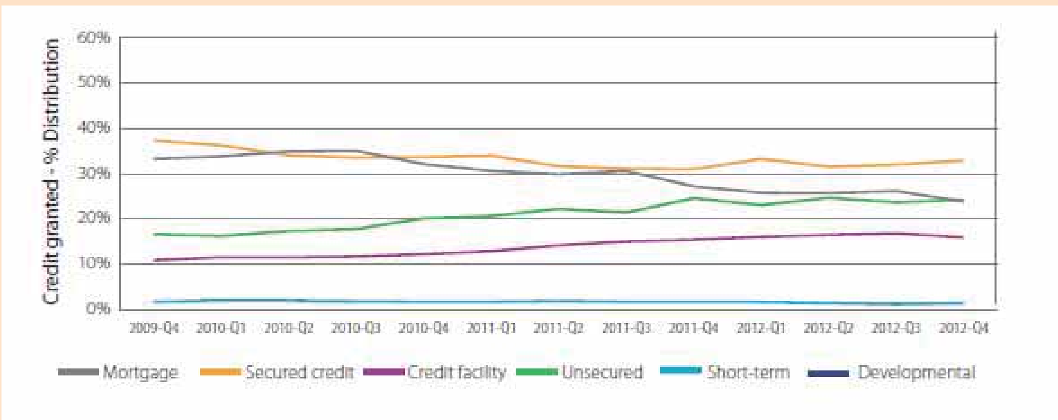
Figure 2: Total credit granted and gross debtors book at December 2012



The Rand value of credit granted grew by 11.46% between December 2011 and December 2012, from R109.72 billion to R119.94 billion, while the gross debtors book increased by 11.33% over the same period.

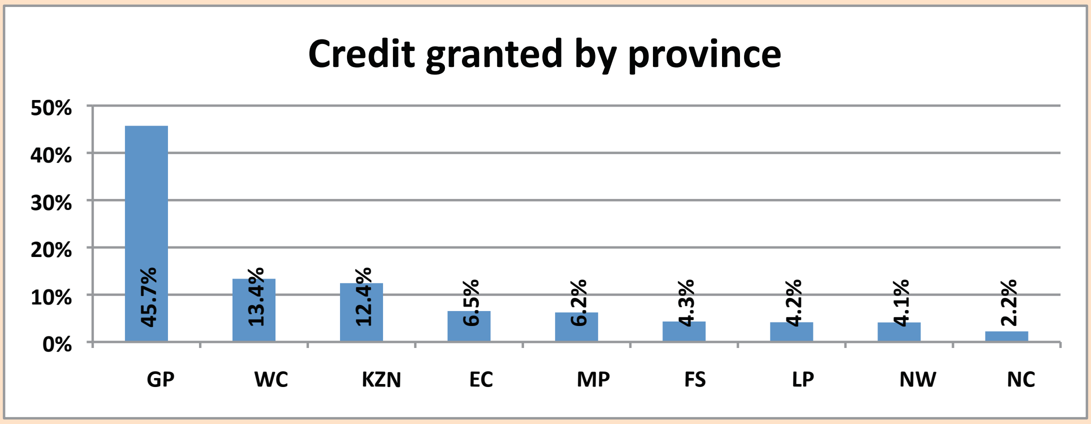
Unsecured credit granted and the unsecured debtors' book increased by 9.91% and 40.95% respectively on a year-on-year basis. Mortgages granted, traditionally the leading lending category, declined by 2.42% compared to December 2011, while the debtors' book grew by a marginal year-on-year 2.28%.

Figure 3: Trends in distribution of credit granted Dec 2009 to Dec 2012



Gauteng, Western Cape and Kwazulu-Natal continue to dominate the country's share of credit granted, with the three provinces accounting for almost 72% of the total. Gauteng's share was 45.73%, while the Western Cape and Kwazulu-Natal accounted for 13.36% and 12.44% respectively.

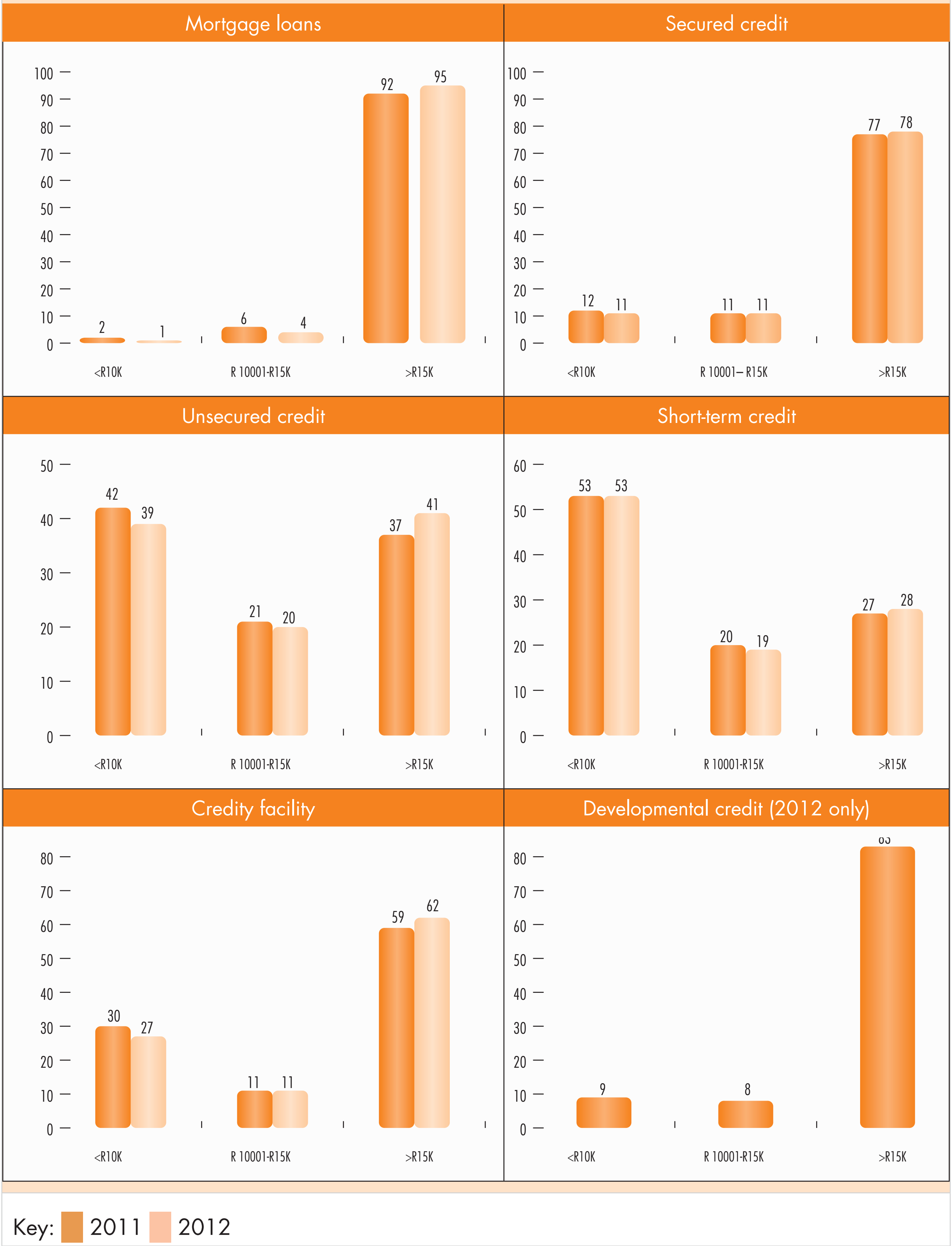
Figure 4: Distribution of credit granted by province



Banks continue to be the leading credit provider, with a dominant 84.81% of the total – a share that declined marginally in the December 2012 quarter owing to the expansion of the *CCMR's* sample size, which grew to include entities classified as "other credit providers". The classification encompasses micro-lenders, cooperatives and insurers.

Individuals with income exceeding R15 000 a month dominated the consumer credit market for most products. The dominance of this income category is reflected in the figures for mortgages, secured credit and developmental credit. Individuals with incomes of less than R10 000 a month dominated short-term credit transactions. Unsecured credit take-up is spread fairly evenly over all income categories.

Figure 5: Percentage share of credit market by income and type of credit



Credit Bureau Monitor

The Credit Bureau Monitor (CBM) is compiled from the reports submitted by registered credit bureaux and it is published on a quarterly basis.

Over the course of the year, there was increase in the number of credit active consumers and those with impaired credit records. In March 2013, credit bureaux had a total number of 20.08 million credit active consumers on their books, of whom 52.5% were in good standing – that is, their payments were up to date or no more than two months in arrears.

The number of consumers with impaired credit records increased year on year from 9.05 million to 9.53 million. The percentage of credit active consumers with impaired credit records stood 47.5% in March 2013.

Figure 6: Credit standing of Consumers

Figure 7: Consumers with impaired credit records

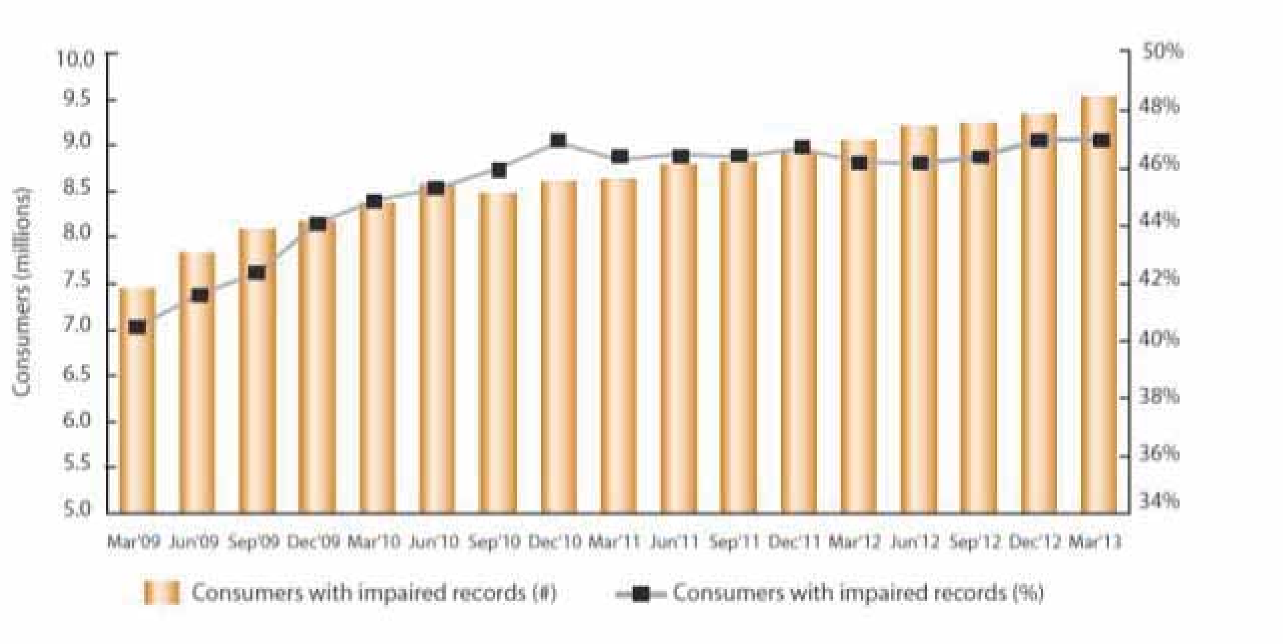


Figure 8: Enquiries due to consumers seeking credit and enquiries for tracing/debt collection purposes

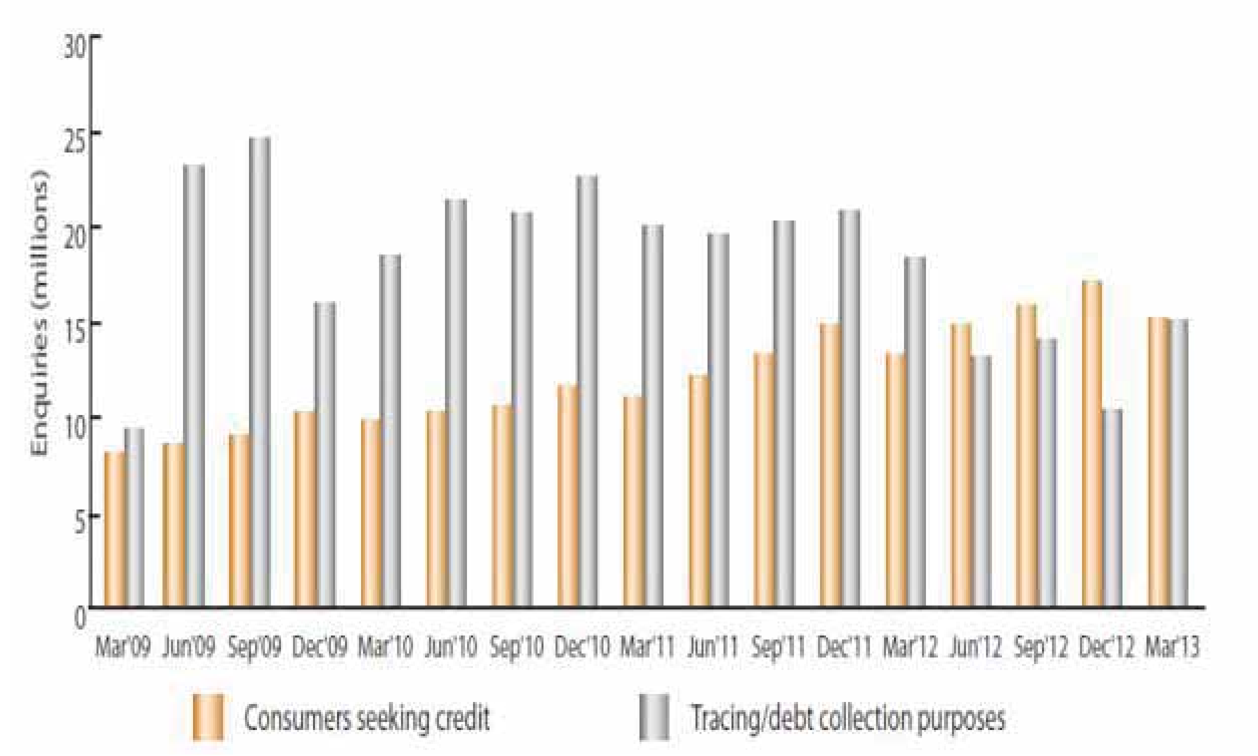
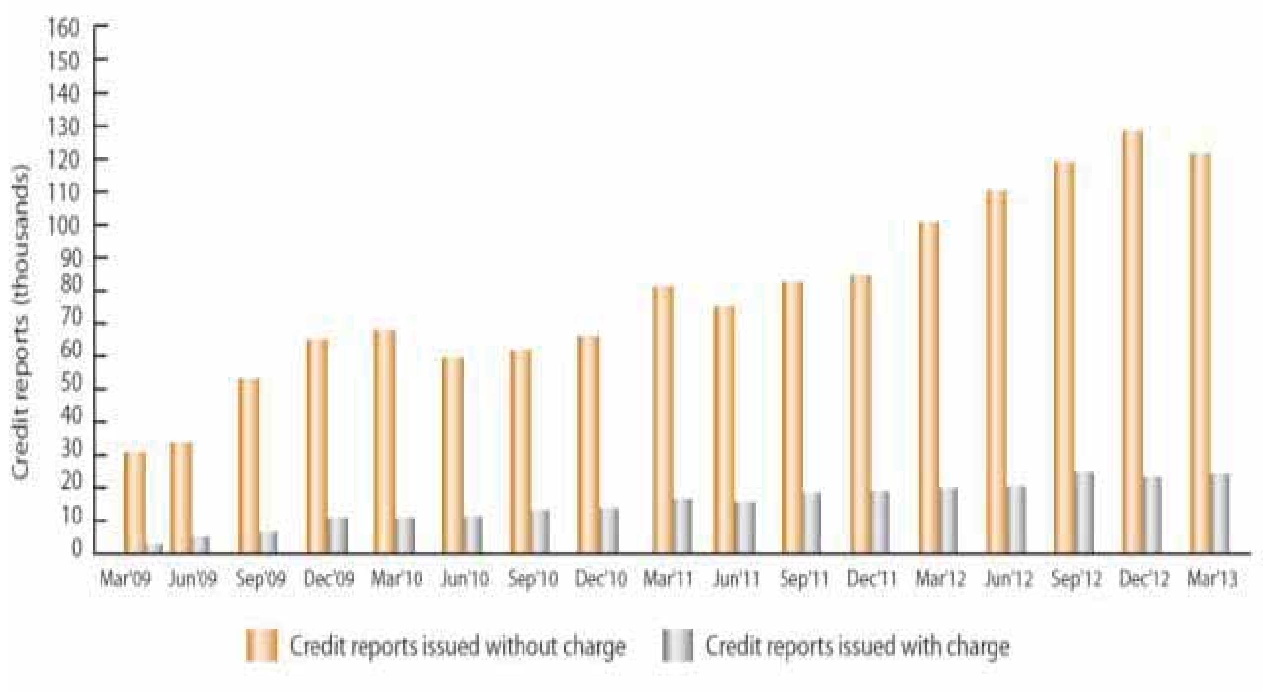


Figure 9: Number of Credit reports issued



Research projects

The NCR conducted the following research projects during the year

Access to credit by historically disadvantaged persons

The objective of this research was to investigate the challenges faced by lower income groups in peri-urban and rural areas in accessing formal credit and to establish what policy and regulatory measures are needed to achieve universal access. The research revealed that some 79% of historically disadvantaged people reported that they had not borrowed money. The study further showed that those in the LSM categories 1-5 living outside metropolitan areas were likely to face financial hardship due to inability to save and increased borrowing. Only 1% of those interviewed had used credit from commercial banks and 10% from formal non-bank institutions. A small proportion (7%) borrowed from family, friends and colleagues. The report concludes that:

- Historically disadvantaged individuals (HDIs) in South Africa remain impoverished with lower levels of access to formal financial services, including access to credit and loans.
- Those in LSM 1-5 living in non-metro areas are most deprived, facing infrastructure challenges, financial hardships and low levels of financial inclusion.
- Access to formal financial services and products including credit is affected by physical proximity to financial institutions, as 40% of HDIs take longer than an hour to reach a bank branch. Access is further affected by the cost of financial products and services, as some of these are not affordable to low income consumers. A total of 69% of HDIs earn less than R2 000 a month, including 14% who do not earn income at all. Lastly, access is affected by the fact that many HDIs do not have the required collateral for credit or loans.

Impact of the National Credit Act on the SA economy and credit industry

The key objective of this study was to assess the macro-economic impact of the National Credit Act on the broad economy and on the credit industry in particular. The research report concluded that the Act has had a positive impact on the credit industry and the economy in terms of:

- Promoting the productive use of consumer credit to fund education and income-generating activities.
- Increasing the efficiency of capital as a result of money being channelled in a way that maximises returns and therefore benefits savers and intermediaries.
- Development of a credit market that is accessible to a wide range of South Africans.
- Balancing the rights of credit providers and consumers.
- Providing direct opportunities for business formation and employment in the area of credit extension and related activities.

Literature review of the impact of National Credit Act on the credit industry and the economy of South Africa

The aim of this project was to survey the landscape of the credit industry and the economy of South Africa in terms of what has been reported and written up on the impact of the NCA with insightful analysis and interpretation of the relevant literature. Key highlights and themes to have emerged from this study include the limited application of the powerful reckless lending concept that has hitherto driven the tension between maximising access to credit and high levels of indebtedness of the South African consumers, and the complexities of the credit system and its opaqueness to consumers. The review of the literature concludes that the NCA has helped stabilise the South African economy in the context of the 2008/09 economic crisis. It further concluded that the NCA needed to be further defined in the courts. Accordingly, simplification and ease of interpretation is required.

A survey on the consumer market with specific reference to over-indebtedness

The objective of this survey was to evaluate the level of consumer over-indebtedness utilising the available data sets. The survey referenced mainly NCR and Reserve Bank data sets, including approaches of other countries, in measuring and defining over-indebtedness. The report concluded that:

- Although at a macro-economic level the country is not over-indebted, the data sets suggested that at a consumer level, over-indebtedness looms large.
- There is an increasing number of consumers who are struggling to make ends meet, thus leading to default payments and over-indebted accounts.
- Consumers would rather default on non-credit accounts before falling in arrears with credit accounts.

Consumer education

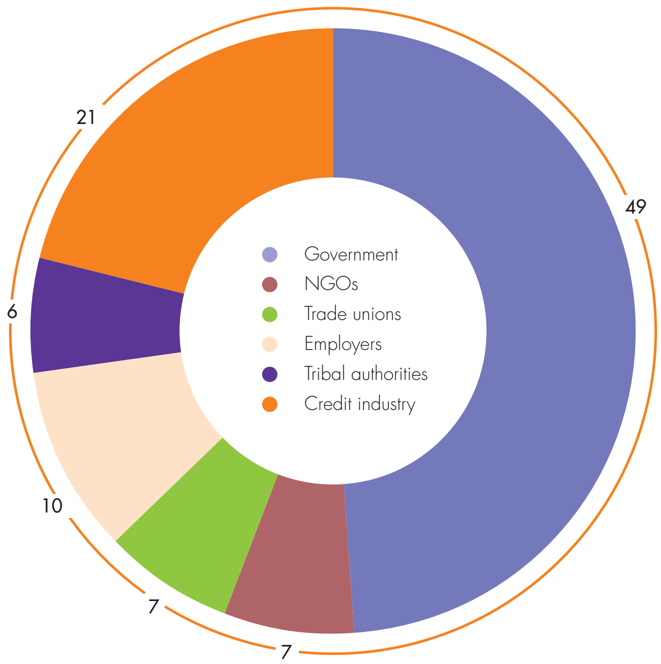
The NCR is responsible for educating consumers about their rights and obligations in terms of the Act and raising public awareness of the role and activities of the NCR.

During the year, the NCR utilised workshops, radio, television, print media, billboards and public notices to educate consumers.

Educational workshops

The NCR participated in 298 workshops in partnership with non-governmental organisations, government departments, trade unions, employers, traditional authorities and industry organisations. This co-ordinated and collaborative approach was beneficial to consumers in that they were offered a comprehensive overview of consumer protection, industry trends and challenges.

Figure 10: Percentage breakdown of workshops by partner organisation



Exhibitions

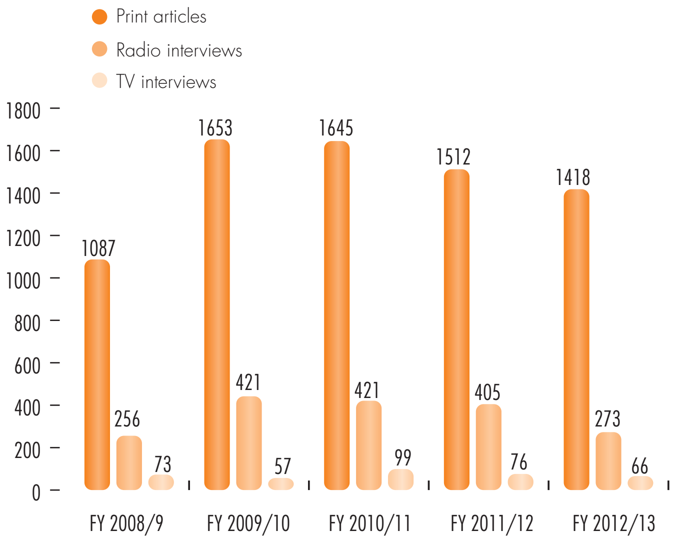
The NCR also participated in exhibitions, activations and road shows across the country. The exhibitions were set up at 11 tertiary education institutions in a drive to educate students about credit matters.

Outreach initiatives

During the year, the NCR utilised extensive media outreach to maximise its opportunities for free coverage in the mass media. It achieved media coverage worth R163 million, calculated at advertising value equivalent (AVE) rates. Of this amount, only R1.5 million was paid advertising and the remainder was achieved at no direct cost to the NCR through media outreach and partnerships.

A high proportion of the NCR's radio and TV coverage related to educational interviews on credit and consumer protection. Numerous radio stations and TV channels made this coverage available to the NCR at no cost.

Figure 11: Number of print articles and broadcast interviews generated by NCR



Specific education campaigns

Each year the NCR conducts targeted media campaigns such as the "Spend wisely, borrow wisely" campaign which takes place annually from November to February and Consumer Rights Campaign in March every year.

Highlight 2012/13

Many languages, one credit-wise message

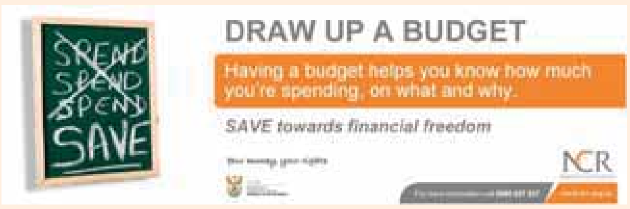
Each year, the NCR's "Spend Wisely, Borrow Wisely" initiative creates awareness and educates the public by using a phased multi-media marketing strategy, which is complemented by public relations interventions.

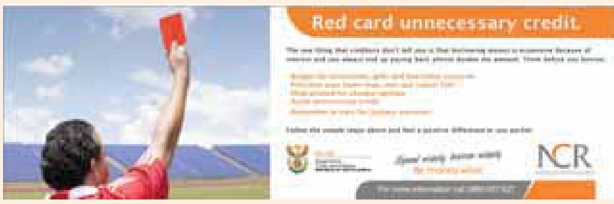
The "spend wisely" messages are disseminated in December before the festive season in a bid to warn consumers about over-spending. The "borrow wisely" theme kicks in during January and February, as families consider how to plan their finances for the year and educate their children.

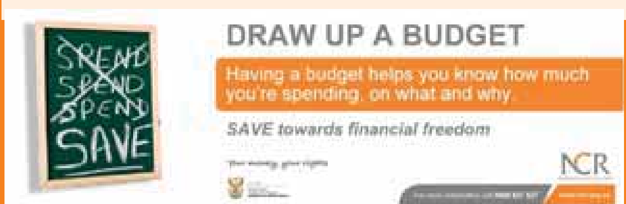
In 2012/13 the NCR and the dti entered into a partnership for the campaign, boosting the media spend and reaching consumers in the languages they choose when listening to the radio.

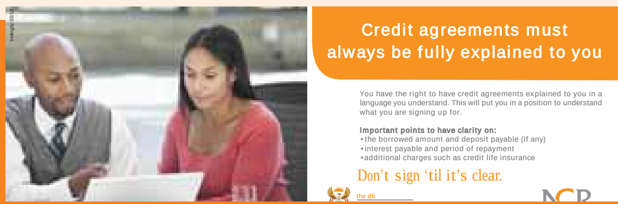
Media delivery channels targeted were:

- Print media including national and regional newspapers.
- National and regional radio stations.
- Consumer magazines.
- Billboards.









Part 3: Corporate Governance

NCR EXCO Team:

Standing from left: Mr Mpfariseni Mudau (HR Manager), Mr Obed Tongoane (Chief Operations Officer), Mr Lesiba Mashapa (Company Secretary)

Seated: Ms Nomsa Motshegare (Chief Executive) Officer and Ms Fundisiwe Malaza (Acting Chief Financial Officer)

Overview of corporate governance

The Board of the NCR is the Accounting Authority of the NCR in terms of the Public Finance Management Act and is also responsible in terms of the National Credit Act, for:

- Guiding the strategic development of the NCR.
- Overseeing and ensuring the efficient and effective use of the resources of the NCR.
- Ensuring that the NCR complies with all legal requirements and obligations in terms of reporting and financial accountability.
- Providing advice to the CEO on the exercise of the powers and functions of the NCR.

Composition of the Board

Current Board Members:

Standing from left: Mr Dube Tshidi, Mr MacDonald Netshitenzhe and Mr Kariem Hoosain

Seated: Mr Barnie Ntlou, Mr Jay Pema and Ms Mercy Mongalo

Absent: Mr Trevor Bailey (Chairperson), Ms Constance Nxumalo and Ms Maleho Nkomo

The composition of the Board of the NCR is set out in section 19 of the National Credit Act which provides that:

- The Chairperson and Deputy Chairperson are directly appointed by the Minister of Trade and Industry.
- The Ministers of Finance, Human Settlements and Social Development each nominate a member.
- Up to six additional members may be appointed by the Minister of Trade and Industry. At least two of these members must be knowledgeable about consumer matters.

In the period 2012/13, the Board comprised the following:

Chairperson:	Mr Trevor Bailey
Deputy Chairperson:	Ms Maleho Nkomo
Designated members:	Mr Dube Tshidi (Department of Finance)
	Mr MacDonald Netshitenzhe (Department of Trade and Industry)
	Mr Barnie Ntlou (Department of Human Settlements)
	Ms Constance Nxumalo (Department of Social Development)
Other members:	Ms Mercy Mongalo
	Mr Jay Pema
	Mr Kariem Hoosain

Board meetings

The Board met on six occasions during the year as indicated in Table 2.

Table 2: Attendance at NCR Board meetings: April 2012 – March 2013

Board member	29 May 12	5 June 12	12 June 12	8 Aug 12	20 Nov 12	25 March 13
T Bailey	√	√	√	Apology	√	Apology
M Netshitenzhe	√	√	Apology	√	√	√
B Ntlou	√	√	Apology	√	√	Resigned
M Mongalo	Apology	√	√	√	√	√
C Nxumalo	Apology	Apology	√	Apology	Apology	Apology
J Pema	√	√	√	√	Apology	√
D Tshidi	√	√	√	√	Apology	√
K Hoosain	Apology	Apology	Apology	√	√	√
M Nkomo	Apology	√	√	√	√	√

Committees of the Board

The Board has established three Board committees, namely the Audit and Risk Management Committee, the Remuneration Committee, and the Policy and Strategy Committee.

Audit and Risk Management Committee

The Audit and Risk Managed Committee is responsible for:

- The effectiveness of internal control systems.
- The effectiveness of the internal audit.
- The activities of the internal audit function, including its annual work programme, coordination with external auditors, reports on significant investigations and management responses to specific recommendations.
- Identification of areas of operational risk to be covered by the scope of internal and external audits.

- The adequacy, reliability and accuracy of financial information produced.
- Ensuring any accounting and auditing concerns identified during audits are addressed.

This committee is chaired by Ms Tryphosa Ramano, who is not a member of the Board of the NCR and is an independent person. All other members of the committee are non-executive members of the Board. The NCR's CEO, CFO and COO are permanent invitees to committee meetings.

The committee met five times during the year and attendance of members at these meetings is indicated in Table 3. The formal report of this committee appears on page 41.

Table 3: Attendance at Audit and Risk Management Committee meetings: April 2012 – March 2013

Committee member	14 May 12	21 May 12	24 July 12	05 Nov 12	28 Feb 13
Tryphosa Ramano	Apology	Apology	√	Apology	Apology
Cornie Nxumalo	√	Apology	Apology	√	√
Jay Pema	√	√	√	√	√
Kariem Hoosain	Apology	Apology	Apology	Apology	Apology

Remuneration Committee

The Remuneration Committee was chaired by Ms Mercy Mongalo and comprised two other members of the Board.

The committee is responsible for the determination of the remuneration and benefits of employees of the NCR, including the CEO.

The Remuneration Committee met twice during the year.

Policy and Strategy Committee

The Policy and Strategy Committee assists the Board to fulfil its mandate of guiding the strategic development of the NCR. This committee is chaired by Mr MacDonald Netshitenzhe and comprised two other members of the Board.

The committee met six times during the year as indicated in Table 4.

Table 4: Attendance at Strategy and Policy Committee meetings: April 2012 – March 2013

Committee member	16 May 12	17 July 12	31 July 12	12 Sept 12	30 Oct 12	21 Feb 13
M Netshitenzhe	√	Apology	√	√	√	√
T Bailey	√	√	Apology	Apology	Apology	Apology
B Ntlou	√	√	√	√	√	√

Report of the Audit and Risk Management Committee for the year ended 31 March 2013

We are pleased to present our report for the financial year ended 31 March 2013.

Risk and Audit Committee responsibilities

The Audit and Risk Management Committee has performed its responsibilities in accordance with section 51(1)(a)(ii) and 76 (4)(d) of the Public Finance Management Act (Act No.1 of 1999) (PFMA) and Treasury Regulations 27.1.7 and 27.1.10(b) and (c) for public entities.

The Audit and Risk Management Committee is a subcommittee of the Accounting Authority which is the Board of the NCR. The Committee operates in accordance with the terms of its charter which has been approved by the Accounting Authority. The overall objective of the Committee is to assist the NCR's Accounting Authority to discharge its duties relating to the safeguarding of assets; the development and maintenance of adequate systems and controls; assessing the going concern status; the review of auditing and accounting processes; the review of financial information and preparation of annual financial statements. The Committee has fulfilled its responsibilities in compliance with its terms of reference.

Risk and Audit Committee members and attendance

The Audit and Risk Management Committee has met 5 times during the year under review. The composition of the Committee and attendance at meetings is set out below:

Name	14 May 12	21 May 12	24 Jul 12	05 Nov 13	28 Feb 13
Ms. T. Ramano (Chairperson)	Apology	Apology	√	Apology	Apology
Ms. C. Nxumalo	√	Apology	Apology	√	√
Mr J. Pema	√	√	√	√	√
Kariem Hoosain	Apology	Apology	Apology	Apology	Apology

Other persons who attended the Audit and Risk Management Committee meetings regularly include the internal auditors, representatives from the Auditor-General, executive management and the risk officer.

Risk Management

Effective risk management is fundamental to the activities of the NCR. The Committee seeks to achieve an appropriate balance between conformance and performance in our activities, and continue to build and enhance the risk management capabilities that assist in delivering on our mandate.

The responsibility and accountability for risk management resides at all levels within the NCR, from the Board down through the organisation to each manager.

The assessment, evaluation and measurement of risk is an ongoing process that is integrated into the activities of the NCR. This process includes identifying risks and taking corrective action where required.

In accordance with the PFMA, and the King III and Corporate Governance requirements, the internal audit provides an independent assessment of the adequacy and effectiveness of the overall risk management and reports to the Board through the Audit and Risk Management Committee.

The essence of the NCR's risk management is the protection of its reputation.

The primary risk to which the NCR is exposed and which it manages is operational risk which is the risk of loss of reputation resulting from inadequate or failed internal processes, people and systems or from external events. This includes legal risk.

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

Internal Audit Function

The Audit and Risk Management Committee is charged with overseeing the internal audit function. The role of the internal auditors is to provide support to management and the Audit and Risk Management Committee in fulfilling their responsibilities. The Committee reports that the system of internal controls for the period under review was in general effective and efficient.

The internal audit function provides an independent and objective evaluation of the NCR's system of internal control and any significant risks brought to the attention of management and the Committee have been resolved. The internal audit function is outsourced to SizweNtsalubaGobodo.

We are satisfied that the internal audit function is operating effectively. The strategic internal audit plan is based on key risk areas identified and that internal audit has satisfactorily addressed these risks in audits.

Financial Statements

The Committee has reviewed and discussed, the audited annual financial statements to be included on the annual report, the Auditor-General's management report and management's response thereto, changes in accounting policies, NCR's compliance with legal and regulatory provisions and significant adjustments resulting from the audit including those resulting from differences in interpretation and application of new accounting standards relating to revenue from non-exchange transactions with the Auditor General and the Accounting Officer.

The Audit and Risk Management Committee is satisfied that the financial statements of the NCR for the year ended 31 March 2013 comply with the requirements of the PFMA, and that the basis of preparation is in accordance with Generally Recognised Accounting Practice (GRAP). The going concern principle was adopted in the preparing the financial statements.

The Committee concurs and accepts the Auditor General's report on the annual financial statements and is of the opinion that the audited financial statements should be read together with the report of the Auditor-General.

Auditor-General of South Africa

The Committee has met with the Auditor-General to ensure that there are no unresolved issues.

Conclusion

The Committee congratulates the NCR on the achievement of an unqualified opinion for the year ended 31 March 2013. We extend our appreciation to the Board, internal and external auditors, Executive Management Committee and staff for their tireless efforts, dedication and support throughout the year.

I also wish to acknowledge with gratitude the dedicated contribution made by my colleagues in the Audit and Risk Management Committee throughout the year.

T Ramano
Chairperson

N Motshegare
Chief Executive officer

Part 4: Financial report

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE NATIONAL CREDIT REGULATOR

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the financial statements of the National Credit Regulator set out on pages 54 to 82, which comprise the statement of financial position as at 31 March 2013, the statement of financial performance, statement of changes in net assets and the cash flow statement for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting Authority's responsibility for the financial statements

2. The accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with 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), 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.

Auditor-General's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the *General Notice* issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the National Credit Regular as at 31 March 2013, and financial performance and cash flows for the year then ended in accordance with 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).

Emphasis of matter

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

Restatement of corresponding figures

8. As disclosed in note 26 to the financial statements, the corresponding figures for 31 March 2012 have been restated as a result of an error discovered during 31 March 2013 in the financial statements of the National Credit Regulator at, and for the year ended, 31 March 2013.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

9. In accordance with the PAA and the *General Notice* issued in terms thereof, I report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

Predetermined objectives

10. I performed procedures to obtain evidence about the usefulness and reliability of the information in the annual performance report as set out on pages 100 to 102 of the annual report.

11. The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of information in the annual performance report relates to whether it is presented in accordance with the National Treasury's annual reporting principles and whether the reported performance is consistent with the planned objectives. The usefulness of information further relates to whether indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the *National Treasury Framework for managing programme performance information.*

    The reliability of the information in respect of the selected objectives is assessed to determine whether it adequately reflects the facts (i.e. whether it is valid, accurate and complete).

12. There were no material findings on the annual performance report concerning the usefulness and reliability of the information.

Compliance with laws and regulations

13. I performed procedures to obtain evidence that the entity has complied with applicable laws and regulations regarding financial matters, financial management and other related matters. My findings on material non-compliance with specific matters in key applicable laws and regulations as set out in the *General Notice* issued in terms of the PAA are as follows:

Annual financial statements, performance and annual reports

14. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework as required by section 55(1) (b) of the PFMA. Material misstatements of revenue from non-exchange transactions, receivables from non-exchange transactions, and disclosure of commitments identified by the auditors in the submitted financial statement were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

Revenue management

15. The accounting authority did not take effective and appropriate steps to collect all money due, as required by section 51(1)(b)(i) of the Public Finance Management Act and Treasury Regulations 31.1.2(a) and 31.1.2(e).

Internal control

16. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with laws and regulations. The matters reported below under the fundamentals of internal control are limited to the significant deficiencies that resulted in the findings on compliance with laws and regulations included in this report.

Leadership

17. The leadership did not exercise sufficient oversight to ensure that an appropriate debtor's management system was developed; consequently, all revenue due to the public entity was not collected.

Financial and performance management

18. Management have not established sufficient controls to ensure complete and accurate financial statements, consequently the financial statements were subject to material adjustments.

Auditor-General

Pretoria

31 July 2013.

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Accounting Authority's Report
for the year ended 31 March 2013

This report is presented in terms of Treasury Regulation 28.1.1 of the Public Finance Management Act (Act No. 1 of 1999). The Accounting Authority for the National Credit Regulator is the Board, as appointed in terms of section 19 of the National Credit Act and section 49(1) and (2)(a) of the PFMA.

1. Nature of Business

The National Credit Regulator (NCR) derives its mandate from the National Credit Act, Act No. 34 of 2005 (the Act). The mandate of the NCR is to effectively implement and enforce the Act as stipulated including the following:-

- Registration of credit providers, credit bureaux and debt counsellors;
- Educating and creating awareness on consumer protection;
- Receipt and investigation of complaints and ensuring that consumer rights are protected;
- Enforcement of the Act and
- Research and dissemination of information relevant to the credit industry.

2. Financial Overview

a. Financial Results

	31 March 2013	31 March 2012 (restated)
	R	R
Total Income	93,504,673	91,507,673
Expenditure	(109,276,474)	(91,403,161)
(Deficit)/surplus for the year	**(15,771,801)**	**104,512**
Total Assets	70,452,225	86,038,681
Total Liabilities	19,738,499	19,553,152

b. Financial Performance

The prior years' figures were restated due to an error relating to the recognition of revenue which was discovered by management in the current year. The revenue recognition procedures were reviewed from the recognition of revenue on payment date to invoice date. The impact on the financial results has been disclosed in notes 26 and 30 of the annual financial statements.

Funding received from the Department of Trade and Industry constituted 59% (2012: 58%) of income for the NCR. Fee income of R30,520,124 (2012: R33,729,745) is the next largest component representing 33% (2012: 37%) of income.

Personnel costs, being the largest expenditure item represents 50% (2012: 49%) of expenditure with professional fees of R16,056,422 (2012: R19,990,085) being equal to 15% (2012: 22%).

During the period under review the NCR acquired assets to the value of R14,735,307 (2012: R2,325,644), consisting primarily of the ICT infrastructure system.

3. Fees paid for the year ended 31 March 2013

Name	Board	Audit and Risk Management Committee	Policy and Strategy Committee	Remuneration Committee	Total (Gross)
	R	R	R	R	R
T Bailey (Chairperson)	41,704	-	4,375	3,904	49,983
M Mongalo	18,544	-	-	8,822	27,366
J Pema†	23,406	19,079	-	-	42,486
M Nkomo	17,080	-	-	-	17,080
K Hoosain†	13,176	-	-	-	13,176
C Nxumalo*	-	-	-	-	-
B Ntlou*	-	-	-	-	-
D Tshidi*	-	-	-	-	-
M Netshitenze*	-	-	-	-	-
Ramano T(Audit Chair)	-	14,487	-	-	14,487
TOTAL	113,910	33,566	4,375	12,726	164,578
* : These members are public servants and do not qualify for members fees					
† : This member has elected to have his fees paid to his employer					

Fees paid for the year ended 31 March 2012

a. Former Members' Fees from April 2011 until September 2011

Name	Board	Audit and Risk Management Committee	Policy and Strategy Committee	Remuneration Committee	Total (Gross)
	R	R	R	R	R
Adv P Tlakula (Chairperson)	14,190	-	-	-	14,190
M Maleka	5,800	-	1,254	1,254	8,308
M van Schalkwyk †	7,732	-	3,344	1,672	12,748
T Store	5,434	-	3,344	1,672	10,450
A Osman * S Mngxongo*					
N Mashiya *					
Z Ntuli*					
C Pakade*					
TOTAL	33,156		7,942	4,598	45,696
* : These members are public servants and do not qualify for members fees					
† : This member has elected to have his fees paid to his employer					

b. New Members' Fees from October 2011 to March 2012

Fees paid for the year ended 31 March 2012

Name	Board	Audit and Risk Management Committee	Policy and Strategy Committee	Remuneration Committee	Total (Gross)
	R	R	R	R	R
T Bailey (Chairperson)	16,044	-	1,392	-	17,436
M Mongalo	4,350	-	-	3,152	7,502
J Pema†	7,656	1,856	-	-	9,512
C Nxumalo*	-	-	-	-	-
B Ntlou*	-	-	-	-	-
D Tshidi*	-	-	-	-	-
M Netshitenze*	-				-
TOTAL	28,050	1,856	1,392	3,152	34,450
* : These members are public servants and do not qualify for members fees					
† : This member has elected to have his fees paid to his employer					

4. Executive Management

The following staff members comprised the Executive Committee during the period under review, N Motshegare (Chief Executive Officer), O Tongoane (Chief Operations Officer), M Mudau (Human Resource Manager), L Mashapa (Company secretary) and F Malaza (Acting Chief Financial Officer). The prescribed disclosure of emoluments is reflected in note 24 of the financial statements.

5. Materiality Framework

A materiality framework has been approved.

6. Going Concern

The NCR is mainly dependent on funding from the Department of Trade and Industry. At this stage there is no indication that in the next 12 months funding from the DTI would cease.

7. Events Subsequent to the Financial Position Date

The Accounting Authority (Board) is not aware of any matter or circumstance occurring between the balance sheet and the date of this report that materially affects the performance of the NCR for the year ended 31 March 2013 or the financial position at that date.

8. Address

The National Credit Regulator's offices are situated at:-

127 – 15th Road

Randjespark

Midrand

M. Nkomo

Acting Chairperson of the Board

31 July 2013

Statement of Responsibility for the year ended 31 March 2013

The Accounting Authority acknowledges that it is responsible for the preparation, integrity and fair presentation of the financial statements of the National Credit Regulator. In order for the Accounting Authority to discharge these responsibilities, as well as those bestowed on it in terms of the Public Finance Management Act (Act No. 1 of 1999) and other applicable legislation, it has developed and maintains a system of internal controls.

The Accounting Authority's responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The internal controls include a risk-based system of internal accounting and administrative controls designed to provide reasonable, but not absolute, assurance that assets are safeguarded and that transactions are executed and recorded in accordance with generally accepted business practices. These controls are implemented by trained personnel and are monitored by management with an independent oversight by the Audit and Risk Management Committee and the Policy and Strategy Committee.

The financial statements are prepared in accordance with Generally Recognised Accounting Practice (GRAP). They are based on appropriate accounting policies consistently applied and supported by reasonable assumptions and estimates.

The Accounting Authority believes that the National Credit Regulator will be a going concern in the year ahead. The going concern basis has thus been adopted in preparing the financial statements.

The financial statements have been audited by the Auditor-General, who was given unrestricted access to all financial records and related data including minutes of meetings.

The financial statements for the year ended 31 March 2013 were approved by the Accounting Authority on 28 May 2013 and are signed on its behalf by:

M Nkomo	**N Motshegare**
Acting Chairperson	Chief Executive Officer

National Credit Regulator
Annual Financial Statements
for the year ended 31 March 2013

National Credit Regulator

Annual Financial Statements for the year ended 31 March 2013

General Information

Country of incorporation and domicile	South Africa
Legal form of entity	National Public Entity in terms of schedule 3A of the PFMA
Nature of business and principal activities	Credit Industry Regulator
Members	T. Bailey M. Nkomo B. Tlou C. Nxumalo D. Tshidi J. Pema K. Hoosain M. Mongalo M. Netshitenzhe
Registered office	127 - 15th Road Randjespark Midrand 1685
Auditors	Auditor General of South Africa
Secretary	L. Mashapa

National Credit Regulator

Annual Financial Statements for the year ended 31 March 2013

Index

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

The annual financial statements set out on pages 57 to 82, which have been prepared on the going concern basis, were approved by the accounting authority on 31 July 2013 and were signed on its behalf by:

M. Nkomo
Acting chairperson of the Board

Midrand

31 August 2013

National Credit Regulator

Annual Financial Statements for the year ended 31 March 2013

Statement of Financial Position as at 31 March 2013

Figures in Rand	Note(s)	2013	Restated 2012
Assets			
Current Assets			
Receivables from exchange transactions	3	1,842,854	302,607
Receivables from non-exchange transactions	30	6,218,713	6,440,975
Cash and cash equivalents	4	42,629,360	70,324,945
		50,690,927	**77,068,527**
Non-Current Assets			
Property, plant and equipment	5	14,476,867	8,334,207
Intangible assets	6	5,284,431	635,947
		19,761,298	**8,970,154**
Total Assets		**70,452,225**	**86,038,681**
Liabilities			
Current Liabilities			
Amounts prepaid	7	5,547,305	5,631,414
Deferred government grants	8	190,280	163,513
Payables from exchange transactions	9	9,509,829	6,866,066
Provisions	10	4,285,963	6,320,055
Lease obligation	11	55,304	98,683
Operating lease liability	12	149,818	473,421
		19,738,499	**19,553,152**
Total Liabilities		**19,738,499**	**19,553,152**
Net Assets		**50,713,726**	**66,485,529**
Accumulated surplus		50,713,726	66,485,529

National Credit Regulator

Annual Financial Statements for the year ended 31 March 2013

Statement of Financial Performance

Figures in Rand	Note(s)	2013	Restated 2012
Revenue			
Revenue from exchange transactions			
Other revenue	13	167,240	448,546
Interest received - investment	14	3,209,790	3,914,136
Total revenue from exchange transactions		**3,377,030**	**4,362,682**
Revenue from non-exchange transactions			
Transfer revenue			
Fee revenue	15	30,520,124	33,729,745
Transfer payment	16	55,431,000	53,042,000
Government grants	17	-	373,246
Other revenue	17	4,176,519	-
Total revenue from non-exchange transactions		**90,127,643**	**87,144,991**
Total revenue		**93,504,673**	**91,507,673**
Expenditure			
Personnel expenditure	18	54,338,842	44,360,921
Operating expenses	19	25,060,508	27,920,260
Depreciation and amortisation		2,805,186	2,393,007
Impairment loss	25	752,282	-
Finance costs	20	6,989	8,898
Administrative expenses	21	26,312,667	16,720,075
Total expenditure		**109,276,474**	**91,403,161**
Operating (deficit)/surplus for the year	22	**(15,771,801)**	**104,512**
(Deficit)/Surplus for the year		**(15,771,801)**	**104,512**

National Credit Regulator

Annual Financial Statements for the year ended 31 March 2013

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	51,840,633	51,840,633
Adjustments		
Correction of prior period errors	5,863,994	5,863,994
Change in accounting policy	8,676,390	8,676,390
Balance at 01 April 2011 as restated	**66,381,017**	**66,381,017**
Changes in net assets		
Surplus for the year	104,512	104,512
Total changes	104,512	104,512
Opening balance as previously reported	45,940,053	45,940,053
Adjustments		
Correction of prior period errors	11,631,502	11,631,502
Change in accounting policy	8,913,972	8,913,972
Balance at 01 April 2012 as restated	**66,485,527**	**66,485,527**
Changes in net assets		
Surplus for the year	(15,771,801)	(15,771,801)
Total changes	(15,771,801)	(15,771,801)
Balance at 31 March 2013	**50,713,726**	**50,713,726**

National Credit Regulator

Annual Financial Statements for the year ended 31 March 2013

Cash Flow Statement

Figures in Rand	Note(s)	2013	Restated 2012
Cash flows from operating activities			
Receipts			
Cash receipts from applicants and registrants		30,305,659	28,373,498
Transfers received		55,431,000	53,042,000
Interest income		3,209,790	3,914,136
		88,946,449	85,329,634
Payments			
Cash paid to suppliers and employees		(101,856,359)	(86,989,665)
Finance costs		(6,989)	(8,898)
		(101,863,348)	(86,998,563)
Net cash flows from operating activities	23	**(12,916,899)**	**(1,668,929)**
Cash flows from investing activities			
Additions to property, plant and equipment	5	(9,889,109)	(2,325,644)
Additions to intangible assets	6	(4,846,198)	-
Net cash flows from investing activities		**(14,735,307)**	**(2,325,644)**
Cash flows from financing activities			
Lease liability		(43,379)	72,588
Net increase/(decrease) in cash and cash equivalents		**(27,695,585)**	**(3,921,985)**
Cash and cash equivalents at the beginning of the year		70,324,945	74,246,930
Cash and cash equivalents at the end of the year	4	**42,629,360**	**70,324,945**

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Statement of Comparison of Budget and Actual Amounts

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference to the note
Statement of Financial Performance						
Revenue						
Income						
Fee revenue	31,960,264	-	**31,960,264**	33,038,584	**1,078,320**	N1
Transfer payment	54,690,000	-	**54,690,000**	55,431,000	**741,000**	Additional transfer
Other income	-	-	**-**	1,825,299	**1,825,299**	N2
Interest income	4,000,000	-	**4,000,000**	3,209,790	**(790,210)**	
Total income	**90,650,264**	**-**	**90,650,264**	**93,504,673**	**2,854,409**	
Expenditure						
Personnel	(57,043,711)	-	**(57,043,711)**	(57,766,346)	**(722,635)**	
Communication costs	(2,713,207)	-	**(2,713,207)**	(1,969,608)	**743,599**	
General expenses	(3,987,831)	-	**(3,987,831)**	(13,193,103)	**(9,205,272)**	N3
Depreciation and amortisation	(2,146,417)	-	**(2,146,417)**	(2,805,186)	**(658,769)**	
Consumer education	(2,700,045)	-	**(2,700,045)**	(2,550,608)	**149,437**	
Professional fees	(15,914,879)	-	**(15,914,879)**	(16,056,422)	**(141,543)**	
Information technology	(3,436,395)	-	**(3,436,395)**	(2,935,196)	**501,199**	
Premises costs	(3,490,700)	-	**(3,490,700)**	(4,023,605)	**(532,905)**	
Stakeholder communication	(1,800,000)	-	**(1,800,000)**	(1,568,325)	**231,675**	
Equipment costs	(1,394,100)	-	**(1,394,100)**	(1,522,921)	**(128,821)**	
Debt Counselling Initiatives	(4,827,372)	-	**(4,827,372)**	(4,885,153)	**(57,781)**	
Total expenditure	**(99,454,657)**	**-**	**(99,454,657)**	**(109,276,473)**	**(9,821,816)**	
Deficit for the year	**(8,804,394)**	**-**	**(8,804,394)**	**(15,771,801)**	**(6,967,407)**	

Narrations to material variances

N1 Fee revenue

The variance is due to prepaid income written off during the current year. This was not included in the budget for the year.

N2 Other income

The variance in other income is due to the fact that the income from the National Loans Register was not budgeted for as this was going to be replaced by the National Credit Register.

N 3 General expenses

The variance is due to the provision for bad debts amounting to R7,296,723 as a result of revenue for prior years which was invoiced in the current year and the impairment loss on IT equipment due to technological changes amounting R752,282.

National Credit Regulator

Annual Financial Statements for the year ended 31 March 2013

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 to the note
Statement of Financial Position						
Assets						
Non-Current Assets						
Property, plant and equipment	14,979,408	-	**14,979,408**	14,735,307	**(244,101)**	
Total Assets	**14,979,408**	**-**	**14,979,408**	**14,735,307**	**(244,101)**	
Net Assets	**14,979,408**	**-**	**14,979,408**	**14,735,307**	**(244,101)**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Reserves	14,979,408	-	**14,979,408**	14,735,307	**(244,101)**	

Reconciliation of actual amounts to statement of cash flows

	Operating	Financing	Investing	Total
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(15,771,800)**		**(14,735,307)**	**(30,507,107)**
Classification differences	2,854,901.00	(43,379)		2,811,522.00
Actual Amount in the Statement of Cash Flows	**(12,916,899)**	**(43,379)**	**(14,735,307)**	**(27,695,585)**

National Credit Regulator

Annual Financial Statements for the year ended 31 March 2013

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 ammended by Act 29 of 1999). The principle accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to the years presented, unless otherwise stated.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention 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 of 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 estimations, which may affect the amounts 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

Functional and presentation currency

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 in the nearest rand (R).

A foreign currency transaction is recorded, on initial recognition in Rands, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

1.3 Borrowing costs

Section 66 of the 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 allows the NCR to enter into certain finance leases.

1.4 Revenue from exchange transactions

An exchange transaction is 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.

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.

National Credit Regulator

Annual Financial Statements for the year ended 31 March 2013

Accounting Policies

1.5 Revenue from non-exchange transactions (continued)

Fee revenue

Fee revenue comprises application fees, registration fees, branch fees and national loans register fees.

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

Application fees	Date of registrationor withdrawal or rejection
Registration fee	Recognised in full at renewal date
Branch fees	Date of registration
National loans register fees	Date of service delivery
Replacement certificate fees	Date of invoice

Government grants

Government grants received for project purposes are recognised in the Statement of Financial Position as deferred revenue upon receipt when there is 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 NCR,
- 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.

Transfers

Transfers for operational activities are recognised as revenue on receipt.

Where appropriate, the NCR will recognise an asset arising from a 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 income

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

1.7 Leases

Operating leases

The leases that the NCR enters into as a lessee, and where the lessor retains substantially all the 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

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.

National Credit Regulator

Annual Financial Statements for the year ended 31 March 2013

Accounting Policies

1.8 Property, plant and equipment

Property, plant and equipment is initially measured at cost.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

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

The asset's residual values, depreciation method and useful lives are reviewed and adjusted if appropriate, at each financial year end.

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. The useful lives of items of property, plant and equipment have been assessed as follows:

Fixed asset class	Average useful life
Machinery	7 years
Furniture and fittings	10 years
Office equipment	3-7 years
Computer equipment	3-7 years
Leasehold improvements	Remaining period of the lease
Security equipment	3-7 years
Leasehold equipment	Remaining period of the lease

1.9 Intangible assets

Intangible assets are initially recognised at cost which includes all expenditure incurred to bring the asset into use.

Costs associated with maintaining acquired software programmes are recognised as an expense when incurred. Costs that are directly associated with the development of identifiable and unique software and that will probaly generate economic benefits or service potential beyond one year, are recognised as an intangible asset.

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 it
- there is an ability to use 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 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.

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

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

The annual ammortisation rate is based on the following estimated useful lives:

Intangible asset	Useful life
Computer software	5-7 years
ICT operational system	5-7years
Human resource system	5-7years

National Credit Regulator

Annual Financial Statements for the year ended 31 March 2013

Accounting Policies

1.9 Intangible assets (continued)

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 non-cash-generating assets

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

Identification

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

Reversal of an impairment loss

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

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

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

1.11 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 the time value of money is material, the provision is discounted to the present value of the expected cash flows required to settle the obligation.

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Annual Financial Statements for the year ended 31 March 2013

Accounting Policies

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 ammortised cost

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

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

Financial assets consisting of trade receivables 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.

National Credit Regulator

Annual Financial Statements for the year ended 31 March 2013

Accounting Policies

1.13 Financial instruments (continued)

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 of one or more event that occurred after the initial recognition of the financial asset the estimated future cash flows of the asset have been negatively impacted.

For financial assets, significant evidence include:

- significant financial difficulty of the issuer or obligator, or

- default or delinquency in interest or principal payments, or

- the probability that the issurer will enter bankruptcy or financial re-organisation.

For other financial assets, such as trade 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 assets carrying amount and the present value of the estimated future cash flows, discounted at the financial assets'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 an allowance account.

When trade receivables are considered to be uncollectable, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance 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.

Initial recognition and measurement

Financial instruments are recognised initially when the NCR becomes a party to the contractual provisions of the instruments.

The NCR classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Subsequent measurement

Financial instruments at fair value through surplus or deficit are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in surplus or deficit for the period or at ammortised cost.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits held on call with banks all of which are available for use by the NCR unless otherwise stated. These are initially and subsequently recorded at fair value.

National Credit Regulator

Annual Financial Statements for the year ended 31 March 2013

Accounting Policies

1.13 Financial instruments (continued)

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.

Offseting 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.

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 be related parties.

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

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

1.15 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.16 Fruitless and wasteful expenditure

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

1.17 Budget information

The approved budget covers the fiscal period from 2012/04/01 to 2013/03/31.

The annual financial statements and the budget are both prepared on the accrual basis accounting. A reconciliation between the statement of financial performance and the budget have been included in the annual financial statements.

National Credit Regulator

Annual Financial Statements for the year ended 31 March 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the NCR has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard:	Effective date: Years beginning on or after	Current impact:
• GRAP 23: Revenue from Non-exchange Transactions	01 April 2012	The impact on financial results and disclosure is significant.
• GRAP 24: Presentation of Budget Information in the Financial Statements	01 April 2012	The impact on financial results is minimal and additional disclosure is required.
• GRAP 21: Impairment of non-cash-generating assets	01 April 2012	The impact on financial results is minimal and disclosure is considered to be minimal.
• GRAP 26: Impairment of cash-generating assets	01 April 2012	The impact on financial results is minimal and disclosure is considered to be minimal.
• GRAP 104: Financial Instruments	01 April 2012	The impact on financial results is minimal and disclosure is considered to be minimal.

2.2 Standards and interpretations issued, but not yet effective

The NCR has not applied the following standards and interpretations, which have been published and are mandatory for the NCR's accounting periods beginning on or after 01 April 2013 or later periods:

Standard:	Effective date: Years beginning on or after	Expected impact:
• GRAP 25: Employee benefits	01 April 2013	The impact on financial results and disclosure is considered to be minimal.
• GRAP 105: Transfers of functions between entities under common control	01 April 2014	The impact on financial results and disclosure is considered to be minimal.
• GRAP 106: Transfers of functions between entities not under common control	01 April 2014	The impact on financial results and disclosure is considered to be minimal.
• GRAP 107: Mergers	01 April 2014	No impact on financial results and disclosure.
• GRAP 20: Related parties	01 April 2013	The impact on financial results and disclosure is considered to be minimal.
• IGRAP 11: Consolidation – Special purpose entities	01 April 2014	No impact on financial results and disclosure.
• IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures	01 April 2014	No impact on financial results and disclosure.
• GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements	01 April 2014	The impact on financial results is minimal and disclosure is considered to be minimal.

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Annual Financial Statements for the year ended 31 March 2013

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

• GRAP 7 (as revised 2010): Investments in Associates	01 April 2014	No impact on financial results and disclosure.
• GRAP 8 (as revised 2010): Interests in Joint Ventures	01 April 2014	No impact on financial results and disclosure.
• GRAP 1 (as revised 2012): Presentation of Financial Statements	01 April 2013	The impact on financial results and disclosure is considered to be minimal.
• GRAP 3 (as revised 2012): Accounting Policies, Change in Accounting Estimates and Errors	01 April 2013	The impact on financial results is minimal and disclosure is considered to be minimal.
• GRAP 7 (as revised 2012): Investments in Associates	01 April 2013	No impact on financial results and disclosure.
• GRAP 9 (as revised 2012): Revenue from Exchange Transactions	01 April 2013	The impact on financial results and disclosure is considered to be minimal.
• GRAP 13 (as revised 2012): Leases	01 April 2013	The impact on financial results and disclosure is considered to be minimal.
• GRAP 17 (as revised 2012): Property, Plant and Equipment	01 April 2013	The impact on financial results is minimal and disclosure is considered to be minimal.
• GRAP 31 (as revised 2012): Intangible Assets (Replaces GRAP 102)	01 April 2013	The impact on financial results and disclosure is considered to be minimal.

3. Receivables from exchange transactions

Other receivables	1,313,191	106,733
Deposits	118,330	118,330
Expenses prepaid	411,333	77,544
	1,842,854	**302,607**

4. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	6,000	6,000
Bank balances	30,625	29,862
Call account	42,592,735	70,289,083
	42,629,360	**70,324,945**

National Credit Regulator

Annual Financial Statements for the year ended 31 March 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

5. Property, plant and equipment

	2013			2012		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Computer equipment	6,930,728	(2,889,729)	4,040,999	5,226,074	(2,476,273)	2,749,801
Furniture and fittings	3,042,398	(1,253,335)	1,789,063	2,912,342	(963,888)	1,948,454
Leasehold equipment	318,140	(265,462)	52,678	276,617	(181,088)	95,529
Machinery	257,113	(223,903)	33,210	257,113	(189,009)	68,104
Office equipment	1,548,609	(643,306)	905,303	2,905,542	(1,041,176)	1,864,366
Leasehold improvements	3,239,418	(2,678,990)	560,428	2,902,983	(1,622,081)	1,280,902
Security equipment	986,173	(455,337)	530,836	671,154	(344,103)	327,051
ICT operational system	6,564,350	-	6,564,350	-	-	-
Total	**22,886,929**	**(8,410,062)**	**14,476,867**	**15,151,825**	**(6,817,618)**	**8,334,207**

Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Transfers	Depreciation	Impairment loss	Total
Computer equipment	2,749,801	2,026,503	-	(735,305)	-	4,040,999
Furniture and fittings	1,948,454	124,368	-	(283,759)	-	1,789,063
Leasehold equipment	95,529	41,523	-	(84,374)	-	52,678
Machinery	68,104	-	-	(34,894)	-	33,210
Office equipment	1,864,366	480,911	(386,696)	(300,996)	(752,282)	905,303
Leasehold improvements	1,280,902	336,435	-	(1,056,909)	-	560,428
Security equipment	327,051	315,019	-	(111,234)	-	530,836
ICT Operational System	-	6,564,350	-	-	-	6,564,350
	8,334,207	**9,889,109**	**(386,696)**	**(2,607,471)**	**(752,282)**	**14,476,867**

Reconciliation of property, plant and equipment - 2012

	Opening balance	Additions	Depreciation	Total
Computer equipment	2,908,447	507,482	(666,128)	2,749,801
Furniture and fittings	1,766,907	432,056	(250,509)	1,948,454
Lease equipment	22,891	143,294	(70,656)	95,529
Machinery	102,998	-	(34,894)	68,104
Office equipment	1,691,884	534,173	(361,691)	1,864,366
Leasehold improvements	1,474,665	543,447	(737,210)	1,280,902
Security equipment	234,998	165,192	(73,139)	327,051
	8,202,790	**2,325,644**	**(2,194,227)**	**8,334,207**

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6. Intangible assets

	2013			2012		
	Cost	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer software	5,606,233	(1,203,479)	4,402,754	1,641,713	(1,005,766)	635,947
Human Resource System	881,677	-	881,677	-	-	-
Total	**6,487,910**	**(1,203,479)**	**5,284,431**	**1,641,713**	**(1,005,766)**	**635,947**

Reconciliation of intangible assets - 2013

	Opening balance	**Additions**	**Amortisation**	**Total**
Computer software	635,947	3,964,521	(197,714)	4,402,754
Human Resource System	-	881,677	-	881,677
	635,947	**4,846,198**	**(197,714)**	**5,284,431**

Reconciliation of intangible assets - 2012

	Opening balance	**Amortisation**	**Total**
Computer software	834,727	(198,780)	635,947

7. Amounts prepaid and deferred annual fees

Prepaid amounts comprise application fees and fees received in advance from registrants. These are reflected as non-exchange revenue when recognised in the statement of financial performance.

Amounts prepaid	5,547,305	5,631,414

8. Deferred government grants

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Debt counseling support	-	57,388
Learnership grant	190,280	106,125
	190,280	**163,513**

9. Payables from exchange transactions

Trade payables	6,860,786	4,703,244
Accruals	2,649,043	2,055,085
Refunds due to lenders	-	107,737
	9,509,829	**6,866,066**

The majority of payables are due and payable within 30 days from the reporting date. The fair values of trade and other payables approximate the above values.

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10. Provisions

Reconciliation of provisions - 2013

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Provision for legal fees	5,449,043	2,874,372	(3,762,400)	(1,533,021)	3,027,994
Provision for bonuses	871,012	5,165,748	(4,711,855)	(66,936)	1,257,969
	6,320,055	**8,040,120**	**(8,474,255)**	**(1,599,957)**	**4,285,963**

Reconciliation of provisions - 2012

	Opening Balance	Provision for the year	Utilised during the year	Reversed during the year	Total
Provision for legal fees	3,297,055	4,469,949	(2,277,263)	(40,698)	5,449,043
Provision for bonuses	1,161,440	4,613,500	(4,560,157)	(343,771)	871,012
	4,458,495	**9,083,449**	**(6,837,420)**	**(384,469)**	**6,320,055**

Provision for legal fees comprise legal fees payable due to ongoing litigation which the NCR is involved in. It is uncertain when the matters will be finalised. The value of the provision is reviewed on annual basis in line with progress on such legal matters.

Provision for perfomance bonuses is payable within the next twelve months and is based on perfomance as at 31 October each year.

11. Finance lease obligation

	2013	2012
Minimum lease payments due		
- within one year	46,716	79,401
- in second to fifth year inclusive	9,138	26,471
	55,854	105,872
less: future finance charges	(550)	(7,189)
Present value of minimum lease payments	**55,304**	**98,683**

The finance lease relates to the leasing of telephone equipment under the finance lease.

The average lease term is 2 years and the average effective borrowing rate is 8% (2012: 8%). Ownership of the equipment is automatically transferred at the end of the lease term.

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12. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Information Communications and Technology (ICT) system	17,500,000	-
• Human Resource system	1,821,095	-
	19,321,095	**-**

The committed expenditure will be financed by through the annual transfer from the Department of Trade and Industry (DTI).

The above amounts relate to the value of the commitment over the remaining period of the commitment. The remaining period of the commitment for the new ICT and Human Resource systems is 6 years.

Operating leases

Minimum lease payments		
Building	93,652	342,409
Equipment	14,883	44,502
Billboard	41,283	86,510
	149,818	**473,421**

Operating lease commitments consist of leases for the office building, billboard and various items of office equipment. The building and billboard rental contracts escalate at 6.5% and 7% per annum respectively on the lease anniversary and both expire on the 31 August 2013. The equipment leases have a duration of 3 to 5 years with no option of renewal. One item of equipment containes an escalation clause of 15% per annum.

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 contigent rental is payable.

Minimum lease payments due	Building	Equipment	Billboard	Total
- Payable within one year	713,737	340,068	199,865	1,253,670
- Payable within two to five years	-	425,085	-	425,085
	713,737	**765,153**	**199,865**	**1,678,755**

13. Other exchange revenue

Skills development levies recovered	112,895	237,143
Reimbursements	49,662	28,545
Proceeds from insurance claim	3,563	172,948
Proceeds from purchase of register of registrants	1,120	910
Procceds from purchase of tender documents	-	9,000
	167,240	**448,546**

14. Investment revenue

Interest revenue		
Bank	3,209,790	3,914,136

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15. Fee revenue

Application fees	503,050	380,500
Registration fees	22,932,691	20,094,967
Branch fees	5,277,024	11,685,060
National loans register fees	1,658,059	1,407,448
Replacement certificates	149,300	161,770
	30,520,124	**33,729,745**

16. Transfers

Transfer from DTI	55,431,000	53,042,000

Operational activities

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

17. Other non-exchange revenue

Prepaid amounts written off relates to the recognition as income, of unidentified and unclaimed receipts in line with the Prescription Act. These were previously reflected under current liabilities in the statement of financial position.

Government grants		
Debt counselling programme	-	264,371
Learneship grant	-	108,975
	-	**373,346**
Other income		
Prepaid amounts written off	4,176,519	-

18. Personnel expenditure

Salaries	47,656,489	38,442,648
Contributions to retirement fund	4,330,191	3,388,341
Medical aid contributions	1,417,728	1,287,220
Temporary staff	934,434	1,242,712
	54,338,842	**44,360,921**

19. Operating expenses

Professional fees	16,056,422	19,990,085
Consumer education	2,449,047	2,550,896
Stakeholder communication	1,669,886	1,794,399
Debt relief programme	4,885,153	3,584,880
	25,060,508	**27,920,260**

20. Finance costs

Interest paid - Finance lease	6,989	8,898

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21. Administrative expenses

Premises and equipment	5,546,526	4,529,997
Comminucation costs	1,969,608	2,014,539
Information technology	2,935,196	2,892,132
General expenses	12,433,833	3,408,744
Recruitment	782,685	1,145,920
Training	1,688,726	2,075,289
Other staff costs	956,093	653,454
	26,312,667	**16,720,075**

General expenses comprise:		
Audit fees	2,689,857	1,488,251
Bank charges	105,722	86,073
Board and Committee remuneration	164,578	80,146
Insurance	298,081	274,449
Office costs	15,373	16,332
Penalties	65,204	-
Provision for bad debts	7,296,723	-
Subsciption	124,532	208,080
Travel and accommodation	1,673,763	1,255,413
	12,433,833	**3,408,744**

22. Operating deficit

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

External audit fees (included in administrative expenses)	1,511,318	1,488,252
Board members fees - non executive (included in general expenses)	164,578	80,146
Operating lease payments - Building (included in premises and equipment)	1,429,352	1,429,352
Operating lease payments - Equipment (included in premises and equipment)	1,136,225	813,265
Provision for bad debts (included in administrative expenses)	7,296,723	-
	11,538,196	**3,811,015**

Impairment on property, plant and equipment	752,282	-
Amortisation on intangible assets	197,714	198,779
Depreciation on property, plant and equipment	2,607,472	2,194,228
Personnel expenditure	54,338,842	44,360,921

23. Cash used in operations

(Deficit) /surplus	(15,771,801)	104,512
Adjustments for:		
Depreciation and amortisation	2,805,186	2,393,007
Impairment deficit	752,282	-
Movements in operating lease assets and accruals	(323,603)	(183,064)
Movements in provisions	(2,034,092)	1,861,559
Non-current assets written off	386,692	191,698
Changes in working capital:		
Receivables from exchange transactions	(1,540,247)	257,309
Other receivables from non-exchange transactions	222,262	(5,767,509)
Payables from exchange transactions	2,643,764	658,178
Deferred government grants	26,767	(373,246)
Amounts prepaid	(84,109)	(811,373)
Cash used in operations	**(12,916,899)**	**(1,668,929)**

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24. Managements' emoluments

Executive management

2013

	Salary	Provident fund contributions	Travel allowance	Performance bonus	Leave acting allowance	Commutation	Total
N Motshegare	1,674,710	198,079	108,000	284,173	30,322	-	2,295,284
O Tongoane	1,217,158	139,240	36,000	197,983	-	-	1,590,381
TS Pather	846,441	102,049	72,000	-	-	1,534,881	2,555,371
F Malaza	709,962	-	-	-	-	-	709,962
L Mashapa	928,562	103,174	-	96,314	-	-	1,128,050
M Mudau	770,989	93,665	72,000	164,642	-	-	1,101,296
	6,147,822	**636,207**	**288,000**	**743,112**	**30,322**	**1,534,881**	**9,380,344**

2012

	Salary	Provident fund contributions	Travel allowance	Performance bonus	Leave acting allowance	Commutation	Total
N Motshegare	947,725	59,560	108,000	153,850	363,864	-	1,632,999
O Tongoane	845,795	46,753	36,000	170,183	-	-	1,098,731
TS Pather	1,244,020	71,159	108,000	239,828	-	-	1,663,007
P Setou	941,088	53,084	60,000	116,025	-	-	1,170,197
J Augustyn	805,200	42,800	-	186,960	-	91,573	1,126,533
	4,783,828	**273,356**	**312,000**	**866,846**	**363,864**	**91,573**	**6,691,467**

National Credit Regulator

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25. Impairment of assets

Impairments		
Property, plant and equipment	752,282	-

The impairment loss relates to the impairment of the telephone system due to technological changes. The current telephone system is not compatable with the IT infrastrucure which is currently being developed by the NCR. The recoverable amount has been estimated as Nil.

26. Prior period errors

During the current reporting period, it was discovered that income from registrants for prior periods was incorrectly classified as amounts prepaid in the statement of financial position and that revenue for the financial years 2008 to 2012 was incorrectly recognised.

The correct treatment should have been the recognition of such fees as revenue in the statement of financial performance. The financial impact amounts to R11,631,502.

The financial statements have been restated retrospectivley to reflect the impact of the error in the previous financial years.

The correction of the error(s) results in adjustments as follows:

Financial impact	2012	2011
Increase/(decrease) in revenue	(5,767,508)	(5,863,994)
Increase in receivables	5,767,508	5,863,994
	-	-

27. Related parties

Relationships	
Board members	Contractual relationship
Members of key management	Contractual relationship
Department of trade and industry	National department in national sphere of government
Transunion, Compuscan and Experian	Credit Bureaus
Telkom Limited	Public entity in national sphere
Unemployment insurance fund	Public entity in national sphere
Bankseta	Public entity in national sphere
Financial Services Board	Public entity in national sphere

Related party transactions

Department of Trade and Industry		
Receivables - Credit Amnesty Research	1,396,480	-
Transfer payment received	55,431,000	53,042,000

28. Fruitless and wasteful expenditure

Penalties - South African Revenue Services	65,204	-

Disciplinary steps were taken against the responsible official. No criminal charges were laid.

National Credit Regulator

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29. Risk management

Financial risk management objectives

The NCR's Finance function provides services to the organisation, and 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 to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Contractual undiscounted liabilities	Payable in less than 3 months	Payable in 3 to 12 months	Payable after one year	Total
Trade payables	6,860,786	-	-	6,860,786
Finance lease liabilities	19,851	35,453	-	55,304
	6,880,637	**35,453**	**-**	**6,916,090**

31 March 2012	Payable in less than 3 months	Payable in 3 to 12 months	Payable after one year	Total
Trade payables	4,703,244	-	-	4,703,244
Finance lease liabilities	17,513	55,251	25,919	98,683
	4,720,757	**55,251**	**25,919**	**4,801,927**

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. This risk has been assessed as high in the current year due to due to the discovery of prior period errors with regards to the understatement of revenue with regards to renewal fees in prior years. 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 (R42,629,360) 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 an AA. credit rating.

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

Financial instrument	**2013**	**2012**
Other receivables - past due but not impaired	1,842,854	302,607
Trade receivables	6,218,713	6,440,795

MARKET RISK

National Credit Regulator

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29. Risk management (continued)

Interest rate risk

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

The sensitivity analyses below have been determined based on the exposure to cash held with the bank on call and in the current account at the reporting date. A 50 (2011: 50) basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the potential impact of the change in interest rates.

The NCR's sensitivity to interest rates has increased primarily as a result of a decreasing interest rate environment.

Exposure to interest rate risk is set out below:

Class of financial instrument		
Cash and cash equivalents	42,629,360	70,324,945

Fair values

The carrying amounts of financial assets and financial liabilities recorded at cost in the financial statements approximate their fair values.

30. Receivables from non-exchange transactions

Trade debtors	6,218,713	6,440,975

Receivables from non-exchange transactions impaired

As of 31 March 2013, receivables from non-exchange transactions of R7,296,723 were impaired and provided for. The impairment is based on a prior period error as a result of incorrect recognition of revenue. The impaired receivables relate to prior period fees from 2008 to 2012 which were invoiced in the current financial year. The recoverability of these amounts is uncertain.

The ageing of these receivables is as follows:

Less than 3 months but relating to the years 2008-2012	5,922,848	6,440,975
Less than 3 months relating to the current year	2,961,951	-
More than 3 months relating to the current year	4,630,637	-

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

Provision for impairment	7,296,723	-

Reconciliation of trade debtors		
Gross	13,515,436	6,440,975
Provision for bad debts	(7,296,723)	-
	6,218,713	**6,440,975**

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31. Change in accounting policy

First time adoption of GRAP 23

The first time adoption of GRAP 23, revenue from non-exchange transactions resulted into the change in the accounting policy relating to the recognition of revenue generated from registrant fees.

Revenue generated from renewal fees was previosuly recognised on an accrual basis and apportioned over a period of 12 months from the annivesary date of the registrants. This revenue is now recognised in full on the due date.

The above change has been applied retrospectivley. The comparative figures have been reclasified and restated to comply with the above. The effect of the restatement is as follows:

Financial impact	**2012**	**2011**
Increase/(decrease) in revenue	237,582	(79,122)
Decrease in deferred income	(8,913,972)	(8,676,390)
Retained surplus	8,676,390	8,755,512
	-	-

Part 5: Human resources oversight report

Human Resources Management

The success of regulatory work rests squarely on the quality of the regulator's human resources. The challenge of securing and retaining staff of the necessary calibre is intensified by the fact that core functions of the NCR – compliance, complaints, investigation and enforcement – require a unique mix of knowledge, cutting across the legal and financial fields, and well developed human relations skills. Appropriate staff recruitment, development and retention initiatives are therefore critical to the life of the NCR.

Overview of staff establishment

At the end of the financial year, the staff establishment of the NCR (including fixed contract employees) stood at 129, representing a slight increase on the number at the end of the previous year. There was a degree of staff mobility during the year: 24 new appointments together with 10 internal promotions served to fill vacancies that existed or occurred.

Table 5: Total NCR staff complement as at 31 March

Year	Full-time	Fixed contract	Temporary	Total
2011	104	7	1	112
2012	124	3	6	133
2013	122	7	4	133

The NCR strives to comply with national empowerment and equity policies, and the composition of our total staff complement and the management echelon are reflected in Figures A and B below.

Figure 12: NCR employment equity profile: all employees

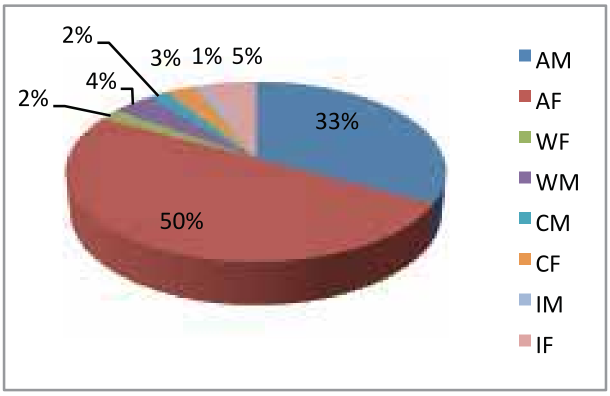
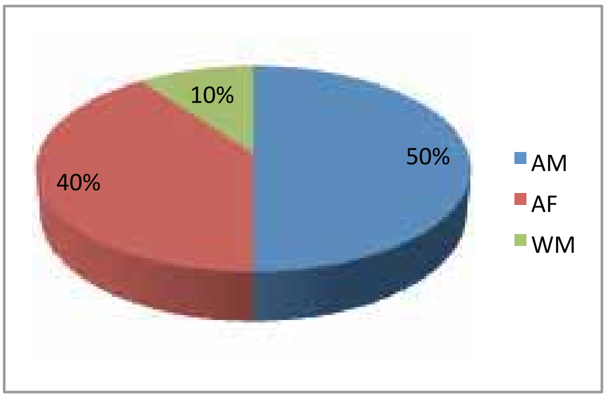


Figure 13: NCR employment equity profile: management



Retention strategies

Review of HR policies

The NCR began a process of reviewing and, where necessary, amending a range of HR policies in order to ensure that the organisation was viewed as an attractive employer. One of the first changes to result from this review was salary benchmarking and adjustment. A substantial number of employees who were being paid below the salary applicable to their position and experience received upward salary adjustments.

Review of HR administration systems

Renewal of the HR administration system also commenced in 2012/13 and will be completed in the 2013/14 financial year. The NCR decided to introduce the SAP system because it offers a seamless or integrated platform for a range of HR and accounting functions. Because the NCR staff travel extensively, the new system will simplify and expedite travel and subsistence claims.

Sound labour and employee relations

During the course of the year, the NCR signed a recognition agreement with the National Education, Health and Allied Workers Union (Nehawu) which has recruited a majority of staff members. The NCR welcomes this development and looks forward to a constructive relationship with the union.

A dedicated team-building exercise was undertaken during the year. It involved a range of physical and intellectual team challenges and all employees were given NCR-branded T-shirts and caps.

National Credit Regulator Staff Team Building exercise 2012

Employee wellness initiatives

ICAS Southern Africa was appointed during the course of the year as the NCR's new employee wellness programme provider. ICAS provides individual services to NCR staff members and their immediate family members. These include psychological counselling, life management services and an on-line eCare service. All employees were offered an induction session on the ICAS system. The NCR receives quarterly reports on trends in the utilisation of ICAS's services by our staff.

Periodic employee wellness activities

The NCR also organises or hosts periodic wellness events for employees. While the focus is on health, these events often provide added benefits in terms of team building or social responsibility. The 2012/13 programme included a winter wellness day, when sanitisers were given to staff to encourage hygiene and prevent the spread of colds and flu; an NCR wellness day which featured health tests and pamper sessions; the Discovery 702 *Walk the Talk* event which promotes physical fitness and raises funds for welfare organisations; and a financial wellness presentation by a leading asset management company.

Development initiatives

Management course

A group of 15 supervisors and acting managers completed a management course at the University of Pretoria. The NCR strives to provide opportunities for continuous education to its senior staff.

Second learnership programme

In 2011/12 the NCR offered a highly successful one-year learnership for young graduates. Seven out of the 10 participants took up permanent employment at the NCR. In 2012/13, preparations were made for a second learnership programme to kick off early in 2013.

Second intake of learners for NCR Learnership Programme

Change management process

Over a period of time, most of the core functions of the NCR – registration, complaints management and compliance monitoring – will be conducted on an electronic platform that will automate many activities that are currently done manually. This system will be phased in from the third quarter of calendar 2013. While there will be no loss of jobs as a result of this transformation of business processes, many employees' functions will change and new skills will have to be acquired. A change management process has been developed to support employees in this venture.

Funding assistance for studies

The NCR has an established practice of assisting staff members to further their studies in relevant fields. In 2012/13, a bursary contract was introduced which requires students to undertake a year of service for every year of study funded by the NCR.

Other developments

Financial disclosure

To strengthen commitment to ethical conduct and transparency, the NCR introduced the practice of all employees completing financial disclosure forms.

Corporate responsibility

As a non-profit public entity, the NCR cannot disburse funds to good causes, but it seeks to contribute in other ways. For example, the regulator continues to support the annual Cell C *Take a girl child to work* campaign by hosting 10 learners from relatively disadvantaged schools.

National Creditor Regulator staff 2012-13

Annexures


NCR
National Credit Regulator
Reception
www.ncr.org.za
0860 627 627

Annexure A: Summary CVs of NCR Board members

These members have been appointed from November 2011 to October 2016 (a five-year term appointment).

Name	Race & Gender	Profile	Contact Details	Current board appointment
1. Mr Trevor Albert Bailey CHAIRPERSON	White, Male	**Education** B.A (1980) KZN University Master of Laws (1996) University of Notre Dame USA Admitted as an attorney of the High Court of SA (1986) **Current Employment** Trevor Bailey Attorney, Mediator & Arbitrator since 1998 Practising as an attorney/mediator/ conciliator/ facilitator/ adjudicator/arbitrator/ trainer & relationship facilitator **Experience** Practised human right law and advocacy as an attorney Legal Resource Centre Johannesburg 1987-1998 Practised commercial litigation & criminal law as an attorney Miles & Moorhead Durban 1986-87 Candidate attorney Garlicke & Bousfield Durban 1984-86 **Membership** Member Council for Medical Schemes Executive Committee since 2010 Legal Advisor NCT since 2008 Member Council for Medical Schemes Appeals Committee since 2008 Chairperson Gauteng Rental Housing Tribunal since 2007 Trainer Gauteng & Limpopo Consumer Affairs Courts since 1999	Telefax: 011 646 97879 (h) Fax: 086 600 9789 (w) Cell: 082 902 2284 E-mail: tabailey@global.co.za Postal address: 82 Kilkenny Road Parkview 2193	**Membership** Member Council for Medical Schemes Executive Committee since 2010 Legal Advisor NCT since 2008 Member Council for Medical Schemes Appeals Committee since 2008 Chairperson Gauteng Rental Housing Tribunal since 2007 Trainer Gauteng & Limpopo Consumer Affairs Courts since 1999

Name	Race & Gender	Profile	Contact Details	Current board appointment
2. Mr Jayant Daji Pema	Indian, Male	**Education** B.Com (Accounting) (1975) University of Durban-Wesville B.Compt (Hons) (1978) UNISA CA (SA) (1979) H Dip Tax Laws (1986) WITS Diploma in Insolvency Law & Practice (2001) SAICA membership No: 00210638 IRBA membership No 602018 **Current Employment** Director Matasis Consulting (Pty) Ltd specializing in business turnarounds & appointed as Curator, Trustee & Liquidator respectively since 1998 **Experience** Consultant for own account through JPA Financial (Pty) Ltd 1998 Assisted small & medium sized businesses with business development, policies & procedures etc from 1988-1995 Partner Ernst & Young 1995 Founding member Pema Lakha & Associates 1988-1995 Specialist: Auditing & Taxation Arthur Andersen 1982-88 Internal auditor Sigma Motor Corporation Article clerk Gaddie Brothers & Partners 1976 Held other professional appointments in the past	Tel: 011 482 8198 Fax: 011 482 9624 Cell: 082 606 0223 E-mail: Jaypema1@global.co.za or Jay@matasis.co.za Postal address: P O Box 1198 Crown Mines 2025 Matasis Consulting 11 Eton Road Parktown	**Current Membership** Member of Appeal Board of FSB & Centre for education in Economics & Finance Africa

3. Ms Mercy Kenosi Mongalo	Black, Female	**Education** Matric (1987) B.Iuris (1993) UWC Labour Law Certificate (1999) TUKS Certificate in Project Management (2006) & Diploma in Project Management (2007) UJ Other courses attended **Current Employment** Sales Manager: Commercial Cards: Public Sector Absa Bank Credit Card Division since April 2011 **Experience** Business Project Manager: Credit card Division Absa Bank June 2008-March 2011 At Standard Bank of SA: IT Project Manager: Group IT–ICT April 2006-June 2008 Change analyst: IT projects J une 2004-March 2006 Temporary Recruitment Consultant: HR Oct 2003-May 2004 Recruitment Consultant Papo Recruitment & Staffing (Pty) Ltd March 2000-Sept 2003 Legal Researcher Fedsure Life June 1994-Feb 2000	Tel: 012 317 3858 (w) 012 991 2210 (h) Fax: Cell: 076 313 7181 E-mail: Mercy.Mongalo@absa.co.za Postal address: P O Box 99138 Garsfontein 0062 980 Kromdraai Street Ext 38 Faerie Glen 0043	**Current Membership** Member of Appeal Board of FSB/North West Gambling Board & Centre for education in Economics & Finance Africa

Name	Race & Gender	Profile	Contact Details	Current board appointment
4. Mr MacDonald Mafhanza Netshitenzhe (Designated member for the *dti*)	Black, Male	**Education** B IURIS (1988) & LLB (1994) UNIVENDA LLM (Public (International) Law) (1997) University of Pretoria **Current Employment** CD: Policy & Legislation at CCRD the dti since May 2011 **Experience** Director: Commercial Law & Policy CCRD the dti from 2003 April 2011 Registrar (IP): CIPRO 1998-2001 Deputy Director: Secretariat of the Bargaining Chamber of Public service and Administration 1996-98 Part-time Coordinator NGO Mulweli Counseling Centre dealing with labour & political matters 1996-98 Article Clerk Mulovhedzi attorneys and Legal School of the Law Society 1996-98	Tel: 012 394 1510 Fax: 012 394 2510 Cell: 072 311 3394 E-mail: MNetshitenzhe@thedti.gov.za Postal address: c/o the dti Campus Block B 1 st floor 77 Meintjies Street Sunnyside 0002 Residential Address: 121 Hoyt Street Morelelta Park Pretoria 0044	

5. Ms Constance Glerah Nxumalo (Designated member for Department of Social Development)	Black, Female	**Education** Matric BA (SW) University of the North BA (SW) (Hons) UNISA Masters degree- MM (P&DM) WITS Other courses attended **Current Employment** CD National Dept of Social Development since Jan 2008 **Experience** CD Mpumalanga Dept of Social Development April 2007-Dec 2007 Director National Dept of Social Development Dec 2003-March 2007 DD Mpumalanga Department of Social Development May 1999-Dec 2003 ASD Mpumalanga Department of Health & Welfare: July 1997-April 1999 Social Worker Northern Province Dept of Health & Welfare Jan 1990-June 1997	Tel: 012 312 7386/7686 (w) Fax: 012 312 7541 Cell: 084 875 1099 E-mail: Connyn@dsd.gov.za Postal address: P O Box 3440 The Reeds 0158 Physical address: 4056 Thatchfield Crescent Brakfontein Road The Reeds Centurion	

Name	Race & Gender	Profile	Contact Details	Current board appointment
6. Mr Mmatli Barnabas Ntlou (Designated member for Department of Human Settlements)	Black, Male	**Education** Matric (1983) B.Proc (1991) Transkei University Corporate Law Certificate (2005) TUT Admitted as an attorney of the High Court of SA Other courses attended **Current Employment** Legal Advisor to Minister Ministry of Human Settlements since April 2011 **Experience** Director: Litigation Management & Legal Advisory Services Dept of Human Settlements Aug 2009-April 2011 DD: Special Investigations Dept of Housing Aug 2006-July 2009 Legal Advisor CIPRO Sept 2003-Aug 2006 Office Administrator Keightly Inc Attorneys Aug 2002-Aug 2003 Practising Attorney & Office Administrator BG Sandlana & CO Attorneys 2000-2002 Director & Sole Proprietor M B Ntlou & Associates Attorneys 1998-1999 Director & Practising Attorney Madolo Maya Mensah & Ntlou Inc 1995-1998 At Hughes Chisholm & Airey Inc Attorneys: Professional Assistant 1994 Candidate Attorney 1993 At Kwezi Nodada & Co Attorneys: Candidate attorney 1991-92 Legal Admin Clerk 1987-1990 Slots Machine Attendant Wild Coast Sun 1984-86	Tel: 012 421 1391/1645 Fax: 086 516 7951 Cell: 083 286 1110 E-mail: barnie.ntlou@dhs.gov.za Postal address: Private Bag X644 Pretoria 0001 Physical address: Ministry of Human Settlements 240 Walker Street Sunnyside Pretoria	

7. Mr Abdul Kariem Hoosain	Black, Male	Kariem is currently a Partner at Mazars, a global Audit, Tax and Advisory services firm. He re-joined the firm, previously known as Moores Rowland, as from January 2009. At Mazars he is currently the Chief Operations Officer and is a member of the national Board of Partners as well as the Executive Committee of the Firm. Kariem's academic track record includes: MBA from the University of Stellenbosch (2004): His Masters dissertation dealt with an analysis of knowledge management models in professional service institutions in South Africa; Chartered Accountant (SA) (1992); Certificate in Forensic Accounting from the University of Pretoria (1998); B Com Honors from UWC (1990). After qualifying as a CA (SA) and serving as a Senior Manager with Moores Rowland up to February 1996, he joined the Truth and Reconciliation Commission (TRC) where he served as the Director for Support services until March 1998. There after he joined the Office of the Auditor General in Pretoria as a Senior Manager and progressed to being a Corporate Executive in 2003 and was also part of the Exco of the OAG where he was responsible for the Executive leadership for four of the provincial and national business units of the OAG. He left the OAG to join the PAAB / IRBA as Chief Executive Officer (CEO) in September 2005. On the international front Kariem served on the following international bodies: - International Ethics Standards Board for Accountants (IESBA) - International Accounting Education Standards Board – Advisory Group - International Forum for Independent Audit Regulators (IFIAR) Locally, Kariem has and continues to serve on a number of Boards and Audit committees, mainly in Public Entities.	Direct: 021 818 5146 Fax: 086 746 9009	

Name	Race & Gender	Profile	Contact Details	Current board appointment
8. Mr Dube Tshidi (Designated member for the Department of Finance)	Black, Male	**Education** LLB: Vista University LLM: Frankfurt, Germany **Career** Joined the Financial Services Board in 1994 and worked in the Pensions Department. On 1 January 2002 he was appointed Deputy Executive Officer responsible for the retirement industry. On 1 May 2006 he was appointed the Deputy Executive Officer responsible for Investment Institutions. He was appointed Executive Officer on 1 July 2008.	Telephone: (012) 428-8068 Cell numbers: 082 852 2086 Postal address: PO Box 35655, Menlopark, 0102 Physical address: Financial Service Board Riverwalk Office Park, Block B 41 Matroosberg Road (Corner Garsfontein and Matroosberg Roads) Ashlea Gardens, Extension 6 Menlo Park Pretoria South Africa 0081	

Name	Race & Gender	Profile	Contact Details	Current board appointment
9. Mrs Maleho Margaret Daisy Nkomo	Black, Female	**Education** • B Com - University of South Africa • B Com Honours - University of South Africa • M Comm - University of Kwa Zulu Natal • Certificate Senior Executive program - Harvard University & Wits Business School **Current Employment** Independent consultant **Experience** 2005 - Acting Deputy Commissioner: Competition Commission of South Africa 2001 - Divisional Manager for Corporate Services : Competition Commission 1998 - General Manager for Finance and Administration : SA Tourism 1996 - Director Financial Management : Limpopo Department of Public Works 1990 - Various positions : Eskom. Last position - Treasury Compliance Officer, Treasury Department 1986 - Various positions : Johannesburg Investments Ltd. Last Position - Property Accountant, Accounts Department	Postal Address: P O Box 3873 The Reeds 0158 Centurion Physical Address: 14 Helena Avenue, The Reeds 0158 Centurion Email Address: mmdnkomo@webmail.co.za; mnkomo03@ovi.com Fax Number: 086 600 1788 Telefax Number: 012 657 1788	Board member - National Urban Reconstruction and Housing Agency (from 2006) Member - Gauteng Rental Housing Tribunal (from 2006) Board Member - Tshwane South College (from 2010) Member - Institute of Directors (from 2012) Independent and Non-executive Audit Committee Member: * Education Labour Relations Council (from 2008) * National Library of South Africa (from 2009) * Free State Department of Co-operative Governance, Traditional Affairs and Human Settlements (from 2011) * Media Information Communications and Technology (MICT) Seta (from 2011)

Annexure B: Acronyms and abbreviations

Acronym or abbreviation	Full title or term
ADR	Alternative Dispute Resolution
AG	Auditor General
BMR	Bureau of Market Research
Cat.	Category
CB	Credit Bureau
CCMR	Consumer Credit Market Report
CP	Credit Provider
DC	Debt Counsellor
DTI	Department of Trade and Industry
EXCO	Executive Committee of the NCR
ICT	Information Communications Technology
IT	Information Technology
NCA	National Credit Act
NRCA	National Register of Credit Agreements
PFMA	Public Finance Management Act
REMCO	Remuneration Committee

Abbreviation for Province	Full name of province
EC	Eastern Cape
FS	Free State
GP	Gauteng
KZN	KwaZulu-Natal
LP	Limpopo
MP	Mpumalanga
NW	North West
NC	Northern Cape
WC	Western Cape

Annexure C: Performance against the business plan

LEGEND:

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

PERFORMANCE AGAINST THE BUSINESS PLAN

S01- STRATEGIC OBJECTIVE: To promote increased access to credit through responsible credit granting.					
Output	Performance measure or indicator	Targets/ Outputs to be delivered by 31 March 2013	Actual achievement	Reason for variance	Allocated Budget
Research on access to credit for historically disadvantaged persons.	- Approved research report on access to credit for historically disadvantaged persons. - Implementation report. Report on evaluation	Approved research report by Board.	Achieved	Not applicable	R18,426,245
Establishment of National Register of Credit Agreements (NRCA).	Draft business plan by approved by Board.	Draft business plan approved by Board	Achieved	Not applicable	R2,000,000

S02 - STRATEGIC OBJECTIVE: To protect consumers from abuse and unfair practices in the consumer credit market and address over-indebtedness.					
Output	Performance measure or indicator	Targets/ Outputs to be delivered by 31 March 2013	Actual achievement	Reason for variance	Allocated Budget
Consumer rights Awareness strategy.	Approved consumer rights awareness strategy implemented and reviewed	Consumer rights awareness strategy approved by the Board.	Achieved	Not applicable	R39,946,448
Enforcement strategy	Approved enforcement Strategy	Enforcement strategy approved by the Board.	Achieved	Not applicable	
Stakeholder strategy	Approved stakeholder Strategy.	Stakeholder strategy approved by the Board.	Achieved	Not applicable	

S03 -STRATEGIC OBJECTIVE: To continually enhance a consumer credit market regulatory framework.					
Output	Performance measure or indicator	Targets/ Outputs to be delivered by 31 March 2013	Actual achievement	Reason for variance	Allocated budget
Credit bureau compliance assessment reports.	Number of Credit bureau investigations conducted in terms of sections 43, 70,71 , 72 and regulations 17 to 20 of the NCA and report produced.	2 credit bureau Investigations conducted & enforcement action taken in terms of section 43, 70, 71 , 72 and regulations 17 to 20 of the NCA.	Achieved	Not applicable	R14,300,318
Compliance with regulatory framework enforced.	Percentage of statutory reports received within deadlines; reviewed and published within 45 calendar days from due date in terms of Regulation 64 of the Act.	Form 39 Cat 1 & 2 = 100 % Cat 3 & 4 = 80% Cat 5 to 7 =10%	Achieved Cat 1 & 2 Cat 3 & 4 Not achieved Cat 5 to 7	Target not met due to capacity constraints. In the process of recruiting new staff members.	
	Reduction in the number of non-compliance issues raised relating to Cat 1-4 credit providers.	50%	Achieved	Not applicable	

Note:

Category 1 to 2:submit statistical returns quarterly

Category 3 to 4:submit statistical returns quarterly

Category 5 to 7:submit statistical annual returns by 15 February each year

SO4 STRATEGIC OBJECTIVE: To monitor and improve NCR's effectiveness in fulfilling its mandate.					
Output	Performance measure or indicator	Targets/ Outputs to be delivered by 31 March 2013	Actual achievement	Reason for variance	Allocated budget
Stakeholder assessment surveys conducted to improve service delivery.	Report on stakeholder perception.	Report produced with findings indicating improved service delivery and perception.	Achieved	Not applicable	R30,761,054
New operational ICT system.	Phased implementation of the new IT system.	Implementation of phases 1-3	Achieved	Not applicable	R9000,000

Notes

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