



Annual Report **2014/15**

NCR
National Credit Regulator



NCR
National Credit Regulator

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PART A

General Information



Executive Committee

Front front left: Ms Nomsa Motshegare (CEO), Mr Mpfariseni Mudau (Manager: HR), Ms Ayanda Mafuleka (CFO)

Back from left: Adv Obed Tongoane (COO), Mr Lesiba Mashapa (Company Secretary)

1.1 NATIONAL CREDIT REGULATOR'S GENERAL INFORMATION

Registered name	National Credit Regulator (NCR)
Registered office address	127 -15 th Road Randjespark Midrand 1685
Postal address	P.O.Box 209 Halfway House 1685
Contact telephone number	
Switchboard:	011 554 2600
Toll Share:	0860 627 627 0860 NCR NCR
Email address	Complaints or enquiries: complaints@ncr.org.za Debt counselling complaints: dccomplaints@ncr.org.za Credit related matters: info@ncr.org.za
Website address	www.ncr.org.za
External Auditor's information	Auditor-General of South Africa 300 Middel Street New Muckleneuk Pretoria

1.2 LIST OF ACRONYMS

AA	Accounting Authority
ADR	Alternative Dispute Resolution
AGSA	Auditor-General of South Africa
BASA	Banking Association of South Africa
BBBEE	Broad Based Black Economic Empowerment
CBM	Credit Bureau Monitor
CCMR	Consumer Credit Market Report
CEO	Chief Executive Officer
CFO	Chief Financial Officer
COO	Chief Operations Officer
CIF	Credit Industry Forum
dti	Department of Trade and Industry
EE	Employment Equity
EXCO	Executive Committee
FTC	Federal Trade Commission
GRAP	Generally Recognised Accounting Practice
ICCR	International Committee on Credit Reporting
ICT	Information and Communication Technology
ICRS	International Credit Reporting Standards
MFSA	MicroFinance South Africa
NCA	National Credit Act
NCAA	National Credit Amendment Act
NCC	National Consumer Commission
NCR	National Credit Regulator
NCT	National Consumer Tribunal
NDP	National Development Plan
PDA	Payment Distribution Agent
PFMA	Public Finance Management Act



Honourable Dr Rob Davies, MP
Minister of Trade and Industry

1.3 Minister's Foreword

Visible enforcement of the National Credit Act (NCA) plays a very important role in ensuring that practices related to the extension of credit are fair and transparent. During the year under review, the National Credit Regulator (NCR) investigated registered and unregistered credit providers in North West, Gauteng, Eastern Cape and Free State provinces. Some non-compliant credit providers closed down as a result of enforcement action by the NCR.

Through investigations, enforcement and compliance monitoring the NCR has recovered more than R1 billion for consumers in the past two and half years from banks and other credit providers in contravention of the NCA. This attests to the very positive impact of visible enforcement of the NCA.

The NCR prides itself on continuously contributing to youth development and embarks on a graduate programme annually in partnership with BankSeta. There were ten graduates for the first two intakes and this was increased to twenty for the 2014/2015 intake. Currently the entity has embarked on a graduate programme of four graduates and four 4 learners who are part of the entities' internship programme.

The National Credit Amendment Act

It became apparent over the past few years that certain amendments to the NCA were required as participants in the credit market were taking advantage of gaps in the legislation.

During the year under review the implementation of the Removal of Adverse Consumer Credit Information and Paid-up Judgements Regulations in terms of Government Gazette No. 37386 under Notice No.144 were effected. The Regulations allowed for a number of problematic data fields to be removed by credit bureaus: adverse classifications of subjective consumer behaviour such as "slow payer", "absconded", "not contactable" and others. These also included adverse classifications of enforcement action. The effective date of the Regulations was 1 April 2014 and credit bureaus were given two months to comply. The Regulations also allowed for the removal of paid up judgements on an ongoing basis from credit records where consumers have paid up their judgements. It is no longer necessary for consumers to apply to the courts to rescind judgements. However the obligation to pay remains.

The National Credit Amendment Act was assented to by the President in May 2014. The Regulations became effective from March 2015 bringing with it far-reaching positive changes. All small credit providers, who previously fell outside the threshold are now required to register. Payment Distribution Agents and Alternative Dispute Resolution Agents are also required to register. These measures will strengthen the NCR's ability to enforce the NCA and its amendments.

Other key amendments are:

- ▶ The introduction of Affordability Assessment Regulations requires credit providers to obtain proof of income and documented proof of expenses. These measures should help reduce reckless lending;
- ▶ Improvements in the debt counselling processes and upskilling of debt counsellors;
- ▶ The capping of credit life insurance;
- ▶ The prohibition of sale and collection of prescribed debt;
- ▶ Automatic removal of paid-up adverse consumer credit information and judgement debt; and
- ▶ The ability of the National Consumer Tribunal to pronounce on reckless loans.

These amendments will provide the NCR with more effective enforcement powers and improve consumer protection.

The NCR will continue to enhance consumer education campaigns to reach consumers in rural and semi-urban areas.

I would like to thank the CEO, EXCO and NCR employees for their hard work. Their contribution is helping to create a credit market that is fair, transparent, accessible and dynamic.



Dr Rob Davies, MP
Minister of Trade and Industry



Ms Nomsa Motshegare
Accounting Authority and Chief Executive Officer

1.4 Statement by the Accounting Authority

Introduction

2014/2015 has been a very good year for the National Credit Regulator (NCR). The NCR has achieved and exceeded targets for most of its strategic objectives.

High-level overview of the NCR's strategy and performance

The NCR's strategy is linked to the Department of Trade and Industry's (the dti's) objectives and National Development Plan (NDP) goals. It has developed a three-year Annual Performance Plan for the period 2015/16 to 2017/18 and a five-year strategy for the period 2015/16 to 2019/20. Its strategy is aligned to the dti's achievement of Outcome 4, Decent Employment through inclusive growth. The strategy focuses on four areas:

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

The NCR had five strategic objectives to deliver against; outputs and targets were set for each performance target. Thirteen (13) targets were set in total; six (6) were exceeded, five (5) were achieved and two (2) were partially achieved. (More information is provided on page 29).

Strategic relationships

Strategic relationships play an important role in enabling the NCR to deliver on its mandate. During the past financial year, the NCR has established a collaborative relationship with the World Bank Group to facilitate areas of co-operation and mutual benefit for the two organisations. The relationship was established through the bank's International Committee on Credit Reporting (ICCR), which is responsible for setting international standards for credit reporting.

The NCR participated in the development of the General Principles for Credit Reporting by the ICCR and is also an active participant in other work streams of the ICCR. In June 2014 the NCR volunteered in a peer review of the credit reporting standards set out in the NCA in order to determine how these compare with ICCR standards. The NCR has since received a report on the review and is working closely with the World Bank Group to implement some of the key recommendations.

The NCR has also been strengthening strategic relations with its main stakeholders through the Credit Industry Forum (CIF). The NCR chairs the CIF. Member organisations include the Banking Association of South Africa, MicroFinance South Africa, associations of debt counsellors, payment distribution agents and consumer representatives.

The CIF operates on a consensual basis and has been established to:

- ▶ Identify and address operational difficulties that come with the implementation of the Act;
- ▶ Facilitate and negotiate industry agreements and cooperate on related credit industry aspects;
- ▶ Provide recommendations to the NCR, which upon acceptance, will be issued as guidelines to the industry; and
- ▶ Promote the spirit and purpose of the Act when carrying out the delegated mandate.

The NCR also partnered with the National Consumer Commission (NCC) and the National Consumer Tribunal on a number of education and consumer awareness initiatives.

Collaborating with other regulators

The NCR continues to collaborate with regulators on the African continent, the United Kingdom and the United States.

The NCR is a member of the African Consumer Protection Dialogue. During the period under review the NCR and the US Federal Trade Commission (FTC) hosted members in Johannesburg; members also met in Malawi and in Zambia. During the Lilongwe September 2014 conference in Malawi the African Dialogue members agreed on a proposed implementation framework that would be used to carry out its objectives. As a follow-up to the Lilongwe conference the NCR, in collaboration with the FTC, extended an invitation to the member countries and civil society groupings to a meeting in March 2015 in Pretoria. The purpose of the meeting was to discuss the practicalities in implementation of the Lilongwe 2014 recommendations to the extent that their respective laws allow. Member organisations are looking to collaborate in areas such as information sharing, consumer education and enforcement strategies.

The NCR, together with overseas regulators are considering establishing a forum to deal with credit matters, in other words, an "Interpol of Regulators" in the credit sector. Innovations in the area of credit provision continue to be imported and exported from South Africa. Sharing information around these issues, schemes and business models, would enable regulators to address challenges that emanate from these innovations a lot more quickly.

The NCR also established a credit industry forum to unify its registrants and industry players especially on debt review matters. The forum comprises credit providers, credit bureaus, payment distribution agents and consumers. The purpose of the forum is to identify and address operational difficulties that come with the implementation of the Act on a consensual basis.

Collaborations and coordination continue to take place with various associations representing registrants, the South African Reserve Bank, Financial Services Board, National Consumer Commission, and registrants themselves on an individual basis.

Challenges in consumer protection regulation have necessitated that regulators work together to achieve effective and efficient regulation. NCR actively participates in the dti's Cluster of the Council of Trade and Industry Institutions (COTII), where regulatory agencies that report to the dti meet regularly to share information and find ways to work together.

Medium to long-term goals

The NCA's main purpose is to create a consumer credit market that is fair, transparent and accessible and able to contribute to South Africa's socio-economic development. The NCR has set itself six (6) medium-term goals:

- ▶ Reduce levels of over-indebtedness;
- ▶ Promote affordable levels of credit;
- ▶ Decrease levels of reckless lending practices;
- ▶ Improve consumer credit information;
- ▶ Efficient service delivery; and
- ▶ Improve compliance with regulations and consumer protection.

The NCR has set medium-term targets for 2015/16 to 2017/18. Specific outputs and performance indicators have been developed for each of these goals. In addition, the NCR has set its 5-year strategy plan for 2015/16 to 2019/20.

Acknowledgments

I would like to thank our strategic partners and industry stakeholders for their input and support throughout the past year. I would also like to acknowledge the critical role that the Honourable Minister, Dr Rob Davies, the dti, the Portfolio Committee on Trade and Industry and the Select Committee on Trade and International Relations play in enabling the NCR to realise its full potential.

Conclusion

By uniting and working together, we can do so much more. I look forward to strengthening and deepening strategic partnerships in the year ahead.



Ms Nomsa Motshegare
Accounting Authority

1.5 Chief Executive Officer's Overview

General Financial Review

During the current financial year, the NCR had a final approved budget of R117 632 691 (2014: R137 397 881). The funding from the dti of R 68 845 000 (2014: R60 691 000) constitutes 68% (2014: 64%) of the total income of the NCR and the balance of R 33 946 821 (2014: R34 286 538: 36%) which is 32% (2014: 36%) is from the NCR from fees paid by registrants.

Spending Trends

The NCR's budget was utilised as follows during the current financial year:

- ▶ Programme expenditure of R22 246 012 (19%) compared to R30 032 805 (24%) for 2014
- ▶ Administrative and personnel expenditure of R 95 175 467 (78%) compared to R90 987 240 (71%) for 2014.
- ▶ Capital expenditure of R 4 317 778 (4%) compared to R5 949 118 (5%) for 2014.

Supply Chain Management

The NCR has Supply Chain Management (SCM) processes and systems in place to ensure compliance with the SCM Regulations and Practices issued in terms of the Public Finance Management Act and Treasury Regulations. These are designed and executed in a manner that ensures that the procurement of goods and services is done in a competitive, fair, transparent and equitable manner. The NCR did not incur any irregular, fruitless or wasteful expenditure during the current (2014/15) and prior (2013/14) financial years and there were no audit findings reported in any area of SCM for the same periods. The NCR did not conclude unsolicited bid proposals for the year under review.

Challenges

The general budget constraints experienced in the public sector did have an impact on the NCR's ability to implement some of its targets for the year. The NCR, with the support of the dti, has implemented tight budgetary measures to ensure that it responds to government's call to maximise available financial resources without compromising service delivery. Organisational challenges during the period were primarily around funding. The NCR requires additional funding to fund new premises to accommodate its growing staff complement and to increase staff capacity.

In response to these challenges, the NCR is considering other options to carry out some of its functions. These include, but are not limited to partnering with other regulators and organisations in the areas of education and communication, enforcement and research. In addition, the NCR is in the process of looking at other possible income streams.

Events after reporting date

The NCR is not aware of any events which occurred after the 31 March 2015, which are likely to have a material impact on the financial results and operations of the entity.

New Activities

The NCAA was assented to by the President in May 2014 and its amendments became effective in March 2015. New activities in terms of the NCAA includes the registration of new entities, consumer and stakeholder awareness campaigns, workshops on affordability assessments and the removal of adverse consumer credit information and paid-up judgments, compliance monitoring and enforcement action.

Economic Viability

The economic viability of the NCR is derived from income from the dti as well as fees from the registrants. The Regulations pertaining to the NCAA became effective in March 2015 and will require credit providers previously excluded because of the threshold; Payment Distribution Agents and Alternative Dispute Resolution Agents to register with the NCR. This is expected to result in additional revenue generation.

Audit report matters in the previous year

The NCR obtained an unqualified audit report in the previous year. However, the Auditor-General identified the need to implement adequate record keeping over asset management. The entity has addressed this issue through the introduction of an electronic scanning system.

Acknowledgements

I would like to thank the Honourable Minister of Trade and Industry, Dr Rob Davies, the dti, the DG - Mr Lionel October, the DDG - Ms Zodwa Ntuli and dti officials, the Portfolio Committee on Trade and Industry and the Select Committee on Trade and International Relations for their continued guidance and support. I would also like to express my appreciation to the previous Board and its committees, the executive team, management and employees for their dedication and hard work.



Ms Nomsa Motshegare

Chief Executive Officer

1.6 Statement of responsibility and confirmation of the accuracy of the Annual Report

Statement of responsibility for performance information for the year ended 31 March 2015

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

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

In my opinion, the Annual Report fairly reflects the operations, the performance information, the human resources information and the financial affairs for the financial year ended 31 March 2015.



Ms Nomsa Motshegare
Chief Executive Officer

1.7 Strategic overview

The NCR has five strategic objectives:

- ▶ To promote increased access through responsible credit granting;
- ▶ To protect consumers from abuse and unfair practices in the consumer credit market and address over-indebtedness;
- ▶ To enhance a consumer credit market regulatory framework;
- ▶ To monitor and improve the NCR's operational effectiveness; and
- ▶ To ensure effective implementation of the National Credit Amendment Act.

The NCR delivers against these strategic objectives by:

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

NCR's Mission, Vision and Values



1.8 Legislative and Other Mandates

The National Credit Regulator (NCR) is a schedule 3A public entity in terms of the Public Finance Management Act.

The NCR was established in terms of the National Credit Act, Act 34 of 2005 (NCA). The purpose of the NCA is to:

- ▶ Promote a fair and non-discriminatory market place for access to consumer credit and for that purpose to provide for the general regulation of consumer credit and improved standards of consumer information;
- ▶ Promote black economic empowerment and ownership within the consumer credit industry;
- ▶ Prohibit certain unfair credit and credit-marketing practices;
- ▶ Promote responsible credit-granting and use and for that purpose, prohibit reckless credit-granting;
- ▶ Provide for debt reorganisation in cases of over-indebtedness;
- ▶ Provide for registration of credit bureaus, credit providers and debt counselors;
- ▶ Establish national norms and standards relating to consumer credit;
- ▶ Promote a consistent enforcement framework relating to consumer credit;
- ▶ Establish the NCR and the National Consumer Tribunal (the Tribunal); and
- ▶ Promote and support the development of a fair, transparent, competitive, sustainable, responsible, efficient and effective consumer credit market and to increase participation of historically disadvantaged persons, low-income persons and communities and remote, isolated or low-density populations and communities in the consumer credit market.

The NCR enforces the provisions of the NCA as amended by:

- ▶ Promoting informal resolution of disputes between consumers and credit providers, credit bureaus and/or debt counsellors;
- ▶ Receiving complaints regarding contraventions of the NCA;
- ▶ Monitoring the consumer credit market and industry to prevent, detect and/or prosecute contraventions;
- ▶ Investigating and evaluating alleged contraventions of the NCA;
- ▶ Issuing and enforcing compliance notices in respect of contraventions;
- ▶ Negotiating and concluding undertakings and consent orders as a means of resolving consumer complaints; and
- ▶ Referring matters to the Tribunal for adjudication.

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

- ▶ Monitoring socio-economic patterns of consumer credit activity, particularly in relation to over-indebtedness;
- ▶ Conducting reasonable periodic audits of registered credit providers;
- ▶ Monitoring trends in the consumer credit market and industry with respect to the needs of previously disadvantaged and low-income individuals and the promotion of Broad Based Black Economic Empowerment (BBBEE);
- ▶ Monitoring trends in the market in relation to credit insurance and alternative dispute resolution agents; and
- ▶ Providing guidance to the credit market and industry by issuing explanatory notices and applying to the courts for interpretations and declaratory orders on any provision of the NCA.

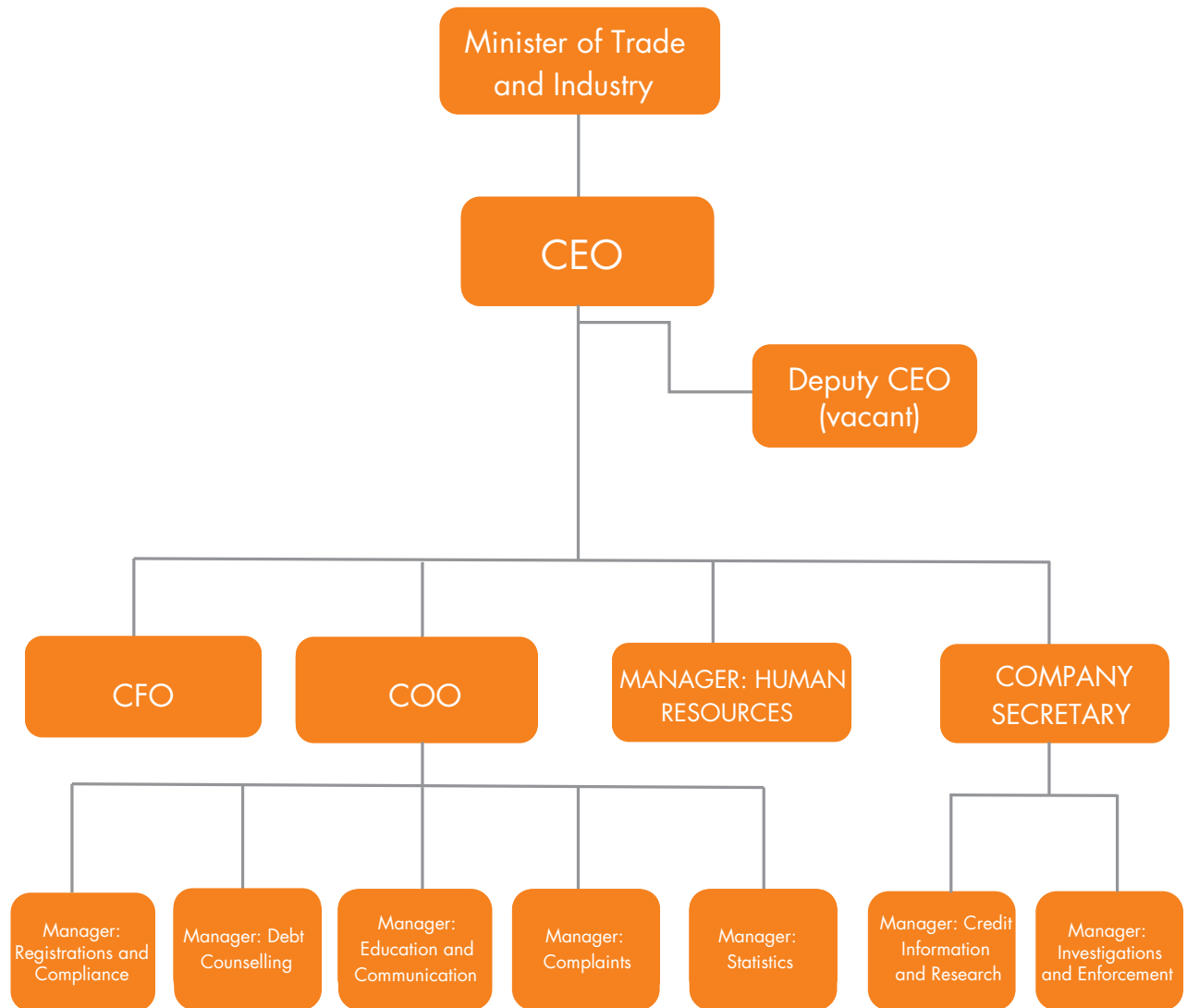
The NCR promotes public awareness around consumer credit matters by:

- ▶ Implementing education and information measures.

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

1.9 Organisational Structure

The organogram provides high-level information about the NCR's organisational structure.



PART B:

Performance Information



Management Team

Front from left: Ms Takalani Mudau (Acting Manager: Complaints), Ms Mpho Ramapala (Acting Manager: Education and Communication), Ms Louisa Hetisani (Manager: Credit Information and Research)
Back from left: Mr Ngoako Mabeba (Acting Manager: Statistics) Ms Kedilatile Legodi (Manager: Debt Counselling)
Mr Zolile Mngqundaniso (Manager: Registrations and Compliance)

Absent: Ms Nthupang Magolego (Manager: Investigations and Enforcement)

2.1 Auditor-General's Report: pre-determined objectives



Adv Obed Tongoane
Chief Operations Officer

The Auditor-General of South Africa currently performs the necessary audit procedures on performance information to provide reasonable assurance in the form of an audit conclusion. The Report on other legal and regulatory requirements is provided in the Auditor-General's Report on page 58 of this report.

2.2 Situational Analysis

Service delivery environment

The NCR operates within a service delivery environment, which is constantly changing. Some challenges emanate from the fact that the credit market is innovating constantly; it is also, becoming increasingly complex and sophisticated.

Challenges also emanate from uncertainty within the regulatory framework due to different interpretations of the NCA. The situation is exacerbated by the fact that some of the decisions taken by the courts and the NCT are not necessarily in the 'spirit of the legislation' and do not favour consumers.

The NCAA, which became effective on 13 March 2015 will hopefully 'plug the loopholes' and also, create far greater certainty within the regulatory framework.

An additional challenge arises from the fact that there is a very high number of consumers, who require support. As at December 2014, there were 22 million credit-active consumers in South Africa; 10 million had impaired records. High levels of unemployment coupled with slow economic growth could see the number of indebted consumers rise. This could increase demand for the NCR's services.

Despite these challenges the NCR has continued to deliver against its mandate. During the period under review the NCR achieved considerable success in terms of conducting reckless lending investigations. It also conducted a number of raids to ensure that small credit providers are complying with the NCA. The NCR was also successful in raising consumer awareness around the NCA and the NCAA. More information is provided in the tables on page 33 of this report under the heading: outputs, performance indicators, planned targets and actual achievements.

Organisational environment

Organisational challenges during the period under review were primarily around funding. The NCR requires additional funding to fund new premises to accommodate its growing staff complement and to increase staff capacity.

The NCR's internal operating environment was stable during the period. The NCR did not lose any key staff, experience any industrial action, systems failure, corruption or restructuring during the period. The NCR was able to deliver against its Strategic Plan.

Key policy development and legislative changes

There were two legislative changes during the period under review. The Honourable Minister of Trade and Industry, Dr Rob Davies issued regulations on the Removal of Adverse Consumer Credit Information and Paid-up Judgements, which came into effect on 1 April 2014. In terms of these Regulations, credit bureaus were required to remove adverse consumer credit information as well as information relating to paid up judgements. The NCR provided oversight for this process.

The amendments to the NCA came into effect in March 2015. The NCR conducted campaigns to raise awareness about the amendments.

2.3 Strategic outcome-orientated goals

The NCR has ten strategic outcome orientated goals. These are aligned to its five strategic objectives. During the period under review the NCR mostly achieved and exceeded its targets. More information is provided on pages 29-35 of this report.

2.4 Performance information by activity

Performance Area: Registrations and Compliance



Mr Zolile Mngqundaniso

Manager: Registrations and Compliance

The Registrations and Compliance Department registers credit providers, credit bureaus and debt counsellors. It is also responsible for monitoring credit providers' compliance with the NCA and conditions of registration.

For operational purposes, the department is divided into two sections: Registrations and Compliance.

Registrations

As at 31 March 2015, 4577 credit providers with 47 372 branches, 14 credit bureaus and 2224 debt counsellors were registered with the NCR.

In preparation for the introduction of the NCA, the department ran a project, where credit providers who had not paid their registration renewal fees, were informed that credit agreements they had entered into would be invalid, if their registration lapsed. Going forward, the NCR plans to amend its registration certificates to include expiry dates.

The number of registrations is expected to increase in the year ahead as a result of the implementation of the NCA, as ADRs and PDAs will now be required to register with the NCR.

Compliance

The Compliance Section monitors credit providers compliance with the NCA and the conditions of registration. In addition, the section also conducts onsite visits to credit providers to enhance compliance monitoring. If non-compliance is identified relevant corrective measures are taken.

Through effective compliance monitoring, R173 million was refunded to consumers.



Registrations and Compliance Department

Performance Area: Education and Communication



Ms Mpho Ramapala
Acting Manager: Education and Communication

The Education and Communication Department is responsible for educating consumers about their rights in terms of the NCA; it is also responsible for raising public awareness around the NCR's role and activities.

During the past financial year, the NCR had direct engagements with more than 31 132 consumers and featured in 391 radio interviews and 60 television interviews.

Education

The NCR conducted 313 workshops, 85 exhibitions, activations and roadshows and 43 stakeholder meetings of which 82 workshops and 18 exhibitions and road shows were aimed at educating consumers on the NCA. Of these, 13 workshops were conducted with FET colleges and universities in partnership with the South African Savings Institute.

These were organised in partnership with trade unions, employers, traditional authorities, government departments, dti agencies and various other organisations within the credit industry. More workshops will be conducted in the 2015/2016 financial year.

The NCR's removal of adverse consumer credit information and paid up judgements project was one of the highlights during the period under review. The NCR worked very closely with credit bureaus and credit providers to remove adverse information from consumers' credit records as a 'once-off.' The dti provided funding for the educational campaign which included television, radio, print advertisements and workshops.

EASTERN FREE STATE ISSUE
19 Mar 2015, p.4

NCR holds awareness campaign

The National Credit Regulator (NCR) held a Consumer Rights Awareness Campaign at Crescent Shopping Centre in Qwaqwa last Saturday. Stakeholder Relations Officer Didi Sebothoma said the purpose of the awareness was to educate the community about their rights as consumers. He added that the month of March is known as 'Consumer Month' internationally and is set aside to inform consumers about their rights.

Sebothoma said consumers have the right to buy on credit and have a right to access their credit bureau record information. He indicated that, there is also a so-called cooling off period of five business days if a consumer feels that he/she made a mistake in taking/ getting credit. "We advise people to take a pre-quotation that has a life span of five days, in order to go through it before they commit themselves."



In photo: Didi Sebothoma, Stakeholder Relations Officer (NCR) in black and orange T-shirt with other NCR officials helping a community member to understand their Consumer Rights. By Letetelo Mosisa



Education and Communication Department

The NCR ran a number of other highly successful campaigns and projects in partnership with the dti and the National Consumer Commission (NCC). The NCR partnered with the dti for its annual 'Spend Wisely, Borrow Wisely Campaign' and with the NCC for two successful projects: the 'Misleading advertising and over-indebtedness campaign' and the Honourable Deputy Minister Mzwandile Masina's Imbizo in KwaThema, Springs.

Communication

The NCR obtained media coverage worth over R238 million, of which only R2.7 million was paid advertising. Educational interviews on credit and consumer protection garnered the 'lion's-share' of radio and TV coverage. The balance was achieved through partnerships and through 'reaching out' to the media. The NCR is very grateful to the SABC and its radio stations such as Thobela FM and Motswedding FM and community radio stations such as Mogale FM for providing it with weekly radio slots. In addition, Unisa Radio, a community based radio station also provided the NCR with monthly slots.

Make the right choices.

- Read fine print
- Don't sign if you don't understand

Less debt. Less stress!



Beware of deals that sound too good to be true.

- Buy now pay later
- Balloon payments

You always pay more in the end!

Less debt. Less stress!



Performance Area: Complaints



Ms Takalani Mudau
Acting Manager: Complaints

The Complaints Department receives complaints relating to alleged contraventions of the NCA, resolves such complaints in an informal manner and promotes informal resolution of disputes.

The Complaints Department is divided into two operational areas: the Call Centre and the Complaints Resolution Office. The Call Centre receives complaints from consumers and other stakeholders, advises consumers, captures complaints and routes queries to the relevant departments.

The Call Centre received 8 220 written enquiries and 128 340 telephone calls. The Complaints Resolution Office received 3 336 complaints and resolved 3 006 complaints; with R3.3 million refunded to consumers.

One of the NCR's priorities is to ensure that consumers do not lose their assets. A highlight during the period was the fact that the NCR managed to successfully stop several house auctions.

The department engaged with various stakeholders including the Credit Ombud, the MFSA, the NCC and the Ombudsman for Banking Services.

The department plans to hold training sessions with four banks as well as the Ombudsman for Banking Services.

EVETHU ZULUKANI
26 Feb 2015, p.8

Qaphela omashonisa abangamahlathi

LARRY BENTLEY

SESINYUKILE isibalo somashonisa ababolekisa abantu ngezimali ngamanani aphansi, ukunamanani ajoyalekile.

Ngebhadi, labomashonisa bangamahlathi, kanti nabakwa-National Credit Regulator sebexwayise abasebenzi ukuba baxwaye uma befaka izicelo zokuboleka izimali.

Labomashonisa abangamahlathi baxhumana nabantu ngohlelo lwama e-mail noma ngemiqhafazo (sms), kanti uma lowomsebenzi eke walwemukela lolusizo, labomashonisa bafuna inkokhelo ngaphambili.

Indlela yokusebenza

Indlela abasebenza ngayo labomashonisa abangombombayi ihlanganisa ukuziveza njengomashonisa abasemthethweni, baghubeka nokuthumela abasebenzi imiyalezo ngama e-mails nangemiqhafazo (sms), bebolekisa ngamanani aphansi emali.

Indlela yokufaka izicelo yenziwa ngohlelo lwe -email noma ngefeksi, futhi nabasebenzi banikwa amafomu okuboleka izimali ukuba bawagcwalise.

Lamafomu ezicelo abukeka esemthethweni, njengoba enenombolo yokubhalisa ye-NCR ukuzenza sengathi basemthethweni.

Uma nje sebezifakile izicelo zabo, abasebenzi bathola izincwadi ezibatshelayo ukuthi izicelo zabo zamukelwe ngama email, bese becelwa ukuba bakhokhe imali ngaphambili.

Lezimali zichazwa njengezimali ezizondene nezokuphathwa. Abanye babasebenzi, ngebhadi, bayagaxeka kulonoxhaka, bese bekhokha lezimali ukuze bezothola leyo

abasuke beyiboleka.

Uma sezikhokhiwe izimali abazifuna kugala labombombayi bomashonisa, bafuna enye futhi inkokhelo.

Bagcina bengatholanga malimbaleko

Ekugcineni abasebenzi abayitholi nale mali abasuke beyibolekile kulabomashonisa, nabo labomashonisa abangamahlathi bese beyacasha, futhi bangabe besatholakala.

Abe-NCR bathi iningi lalabomashonisa abangamahlathi bazinze e-Port Elizabeth, Cape Town, eThekweni nase East London. Ama emails abo aqikekele izinto ezifana no yahoo.com, webmail.co.za, co.uk, @admin.in.th, @manager.in.th.

Babuye bathathe nenzalo engaphezu kwamaphefenti amahlanu ngonyaka.

UTakalani Mudau, Oyibamba leMenenja eMnyangweni Wezikhala kwa-NCR uthe, "Ngaphezu komashonisa abangombombayi abathatha izimali kubantu, INCR isithole ukuthi abasebenzi bayangena kuma internet ukuthola omashonisa ababoleka abantu izimali abasuke benamagama amabi kanye nalabo abasebenzisa amazwi afana no 'no credit checks required, free credit, cheap credit namanye.

"Akukho emthethweni ngokomthetho we-National Credit Act ukusebenzisa lamazwi ekukhangiseni ngezikweletu," kusho uMudau.

Abasebenzi abayizisulu zalomkhonyovu bayacelwa ukubika ngalabantu eziteshini eziseduzane zamaphoyisa.

Uma ungenasiqiniseko noma ungabaza ngobuqotho bukamashonisa, abasebenzi bayaxuswa ukuba baxhumane ne-National Credit Regulator kwa 0860 627 627 noma www.ncr.org.za

Watch out for fake credit providers



Complaints Department

Performance Area: Investigations and Enforcement



Ms Nthupang Magolego
Manager: Investigations and Enforcement

The Investigations and Enforcement Department investigates alleged contraventions of the NCA and takes enforcement action where appropriate.

One of the NCR's key responsibilities is to ensure enforcement of the NCA. During the past financial year the NCR referred 48 cases to the National Consumer Tribunal (the Tribunal) and issued 25 compliance notices.

One of the highlights was a campaign to investigate and curb illegal advertisements. These advertisements primarily targeted blacklisted consumers and offered credit without conducting credit checks. The department investigated a number of entities, which carried these types of advertisements. Following these investigations, Junkmail, Autotrader and OLX and a number of other entities were issued with compliance notices. Most of these have since removed the illegal adverts.

The Cash Converters case was another highlight. It was found their contracts had provisions contravening the NCA. The NCR referred the matter to the Tribunal. Cash Converters paid a R400 000 fine and agreed to revise its contracts to be in line with the NCA.

Numerous reports in the media about the so-called 'R699 vehicle scheme,' implicated banks in credit practices which contravened the NCA. The NCR investigated and found evidence of reckless lending. The NCR plans to refer the cases to the Tribunal.

In a special operation conducted at the premises of a credit provider in Mpumalanga province, the NCR seized over R1.4 million as well as 2068 South African Social Security Agency (SASSA) cards, 93 Identity documents and 48 bank cards. A case of money laundering was opened with the South African Police Service.

The department also investigated online credit providers such as Wonga, Boodle and Spotcash. Investigations revealed that approvals for loans were granted without documentation being provided to confirm affordability. Enforcement action was taken against these entities.

The department also investigated Moneyline Financial Services. Investigations revealed that this credit provider was granting loans to social grant recipients. Since this constitutes reckless lending, the NCR referred the case to the Tribunal. The NCR also referred Ubank Ltd to the Tribunal for reckless lending.

The NCR received a number of complaints about Bridge Finance. These related to reckless lending practices and charging of excessive interest rates. The matter has been referred to the Tribunal.

NCR raids continue to play an important role in enforcing compliance with the NCA. Investigators raided microlenders, who retain consumers' bank cards and identity documents, in Gauteng, Free State, Eastern Cape and North West provinces. A total of 92 credit providers were raided and 1 772 bank cards, SASSA cards and identity books retrieved in these raids. Seventeen individuals were arrested and criminal cases opened.

THE TIMES (Durban)
14 Oct 2014, p.4

Investigation commissioned by NCR

The National Credit Regulator (NCR) has announced that it is commissioning an investigation into various credit providers regarding shortfalls arising from sales of consumers' repossessed motor vehicles and houses by credit providers.



The investigation is part of the effort by the NCR to ensure that credit providers sell consumers' repossessed motor vehicles and houses as soon as reasonably practicable or for the best price reasonably obtainable.

"Credit providers should ensure that they sell consumers' repossessed motor vehicles and houses as soon as reasonably practicable or for the best price reasonably obtainable so that consumers are not liable to pay shortfalls that are substantially high. This is an issue of serious concern to the NCR," Nomse Motshegare, Chief Executive Officer of the NCR said.

Performance Area: Debt Counselling



Ms Kedilatile Legodi
Manager: Debt Counselling

The Debt Counselling Department's primary function is to monitor compliance of debt counsellors with the NCA and conditions of registration. It also monitors Payment Distribution Agents' (PDAs) compliance with the Service Level Agreements.

Debt counselling had a huge impact on the amount of debt that has been repaid in South Africa. Since inception, more than R18.6 billion has been distributed to credit providers by PDAs through the debt counselling process. During the period under review, a monthly average of R419 million was distributed to credit providers and a total of R3.6 billion distributed for the year.

At the end of March 2015, more than 663 000 consumers applied for debt counseling and more than 348 000 were recorded as active consumers under debt review.

During the year under review, the department undertook 462 compliance visits. These visits provide debt counsellors with support and enable the NCR to assess compliance with the Act and conditions of registration.

Fulfilling its educational role in the period under review, the department conducted regular capacity building workshops, issued 11 circulars and public notices on topical issues, including the NCAA. While public notices kept the public informed about issues which impacted on the general public, circulars provided information about trends within the industry and industry practices.



Debt Counselling Department

Debt counselling workshops play a critical role in enabling the NCR to monitor and improve the implementation of the NCA. The department conducted provincial debt counselling workshops for debt counsellors in Gauteng, Eastern Cape, Mpumalanga and the Western Cape.


Workshops provide stakeholders with the platform to raise and address issues of concern. Participants include the dti, credit providers, PDAs, magistrates, the Tribunal, subject matter experts and representatives from the NCR.

The department held 17 debt counselling educational workshops in the Mpumalanga, North West, Eastern Cape and Gauteng provinces. The workshops educated consumers and raised awareness around the debt counselling process and consumers' rights and responsibilities.

Debt counselling matters are either referred to the NCT for a consent order or to a magistrate's court for an order. The department engaged with magistrates through provincial civil court forums in KwaZulu-Natal and the Eastern Cape to address challenges around the judicial processes.

The department also worked very closely with debt counselling divisions at banks, microlenders, retailers, furniture stores and PDAs to improve debt counselling processes. Fifty-three (53) engagements took place during the period under review.

In further fulfilling its educational role, the department conducted a two phased debt counselling campaign. The first phase of the campaign raised awareness around misleading debt counselling advertisements and the unlawful practice of deploying call centre agents to provide debt counselling services telephonically. The second phase of the campaign raised awareness around the provisions of the NCA.



Indagile/ner/04/15

The National Credit Amendment Act empowers your Debt Counsellor to issue a clearance certificate when you have paid up all your short term debts and are only left with a home loan account which is up to date as per the re-arrangement order.

- All information relating to paid-up short term debts on the clearance certificate will be removed from your credit record.
- Take charge of your finances. Financial independence is within your reach.**

For more information call 0860 627 627 | www.ncr.org.za



Performance Area: Credit Information and Research



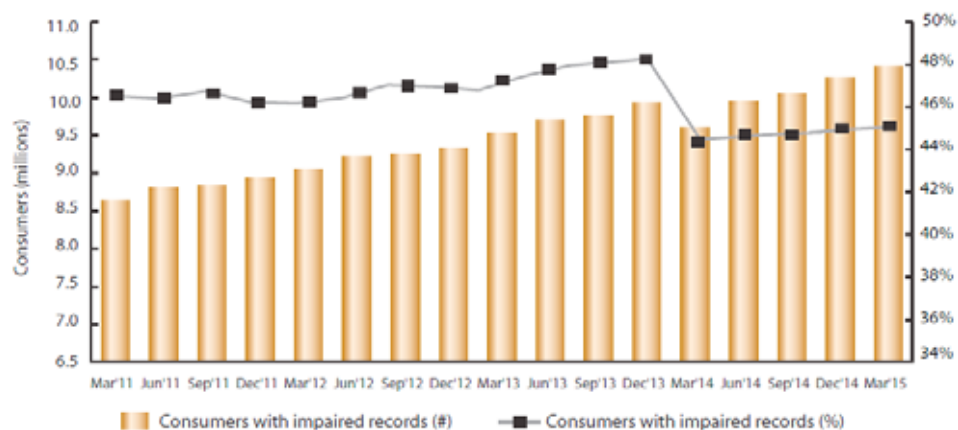
Ms Louisa Hetisani
Manager: Credit Information and Research

The Credit Information and Research Department is responsible for monitoring credit bureaus' compliance with the NCA and conditions of registration. It is also responsible for ensuring that credit bureaus maintain, update and safeguard consumer credit information as prescribed by the Act. The department also conducts research in line with the NCA.

Credit information

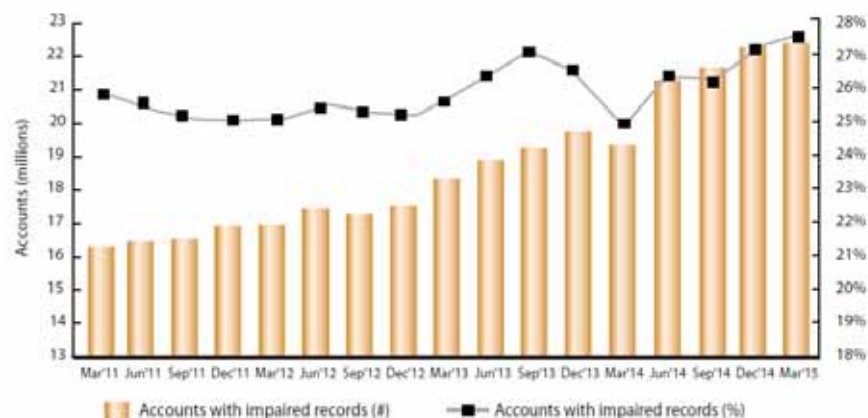
There are 14 credit bureaus registered with the NCR. As at March 2015, credit bureaus held records for 23.11 million credit-active consumers; 10.4 million consumers had impaired records. This translated into 55% of consumers classified in "good standing" and the balance of 45% having impaired records.

Consumers with impaired records



For the quarter ended March 2015 the credit bureaus reported 82.04 million accounts, of these accounts 59.66 million were classified in "good standing", the balance of 22.38 million had impaired records.

Accounts with impaired records



Credit decisions are based on credit bureaus' information. In order to ensure that consumers are not prejudiced, it is imperative that credit bureau information is accurate and up to date. A total of 336.08 million enquiries were recorded by the credit bureaus for the first quarter of 2015 with 12.76 million of the total enquiries made in instances where the consumer was seeking credit. Consumers are entitled to receive one (1) free credit report on an annual basis from the registered credit bureaus. For the quarter ended March 2015 149,222 reports were issued to consumers. This is still not enough when compared to the total number of 23.11 million credit-active consumers, more consumers need to access their free credit reports.

The department produced four editions of the Credit Bureau Monitor (CBM) during the financial year.

To ensure compliance with the NCA and Regulations by the credit bureaus, the department conducted eight (8) three-day on-site visits for the year. It also analysed the annual compliance reports from the 14 registered credit bureaus. Two (2) credit bureaus were referred for further investigation.

There were a number of highlights during the period. Highlights include the removal of adverse consumer credit information and paid-up judgments from the databases of the credit bureaus. The department monitored credit bureaus to ensure that they complied with the requirements of the Regulations. The department produced and submitted a report to the dti on the effectiveness and compliance with the Regulations as required.

The department continues to represent the NCR on a number of forums including industry working committees. The department also represents the NCR on the World Bank International Committee on Credit Reporting. During the year under review the World Bank conducted a peer review of the South African Credit Reporting System using the established General Principles for Credit Reporting. The NCR is studying the outcome of the review in order to implement some of the recommendations to improve the consumer credit reporting system.

Research

The department has a responsibility to carry out the research mandate of the NCR as outlined in the NCA. This includes increasing knowledge on the nature and dynamics of the consumer credit market.

During the period under review, the department compiled analytical reports for internal stakeholders on the following topics:

- ▶ Consumer credit regulation – an international perspective;
- ▶ Media developments and trends with regards to consumer credit;
- ▶ Macroeconomics and households;
- ▶ Analytics of consumer and credit markets; and
- ▶ Petroleum economics and the Consumer Price Index.



Credit Information and Research Department

Performance Area: Statistics



Mr Ngoako Mabeba
Acting Manager: Statistics

The Statistics Department is responsible for collating statistics relating to credit providers, debt counsellors and credit insurance.

Consumer Credit

The Consumer Credit Market Report (CCMR) is the NCR's statistical report which is based on returns submitted by registered credit providers. The current sample size covers almost 95% of the total credit market. Credit providers whose annual disbursements exceed R15 million are

required to complete and submit their returns on a quarterly basis, the balance below the threshold submit annually.

Interested stakeholders for the report include, among others, boards of various entities, the dti and other government departments, the South African Reserve Bank, portfolio managers, investors, industry analysts, credit providers and a variety of opinion and decision makers.

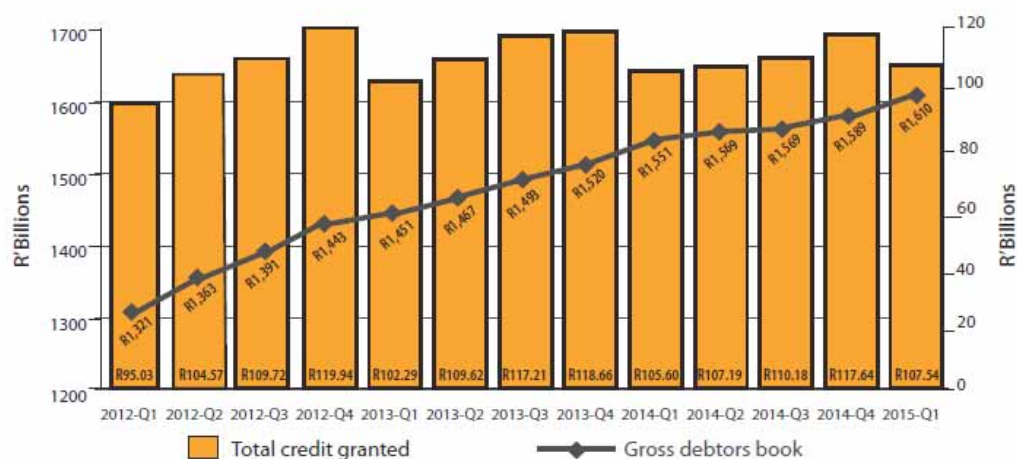
The CCMR enables the NCR to report on the level of credit extension, the appetite for credit and consumers over-indebtedness. As depicted in Figure 1.1 the total consumer credit in South Africa amounted to R1.61 trillion as at March 2015. This was an increase of 3.86% year-on-year and of 1.41% on a quarter-on-quarter basis. The value of new credit extended to consumers amounted to R107.54 billion for the quarter ended March 2015, an increase of 1.83% year-on-year and decrease of 8.59% on a quarter-on-quarter basis.

Secured credit, which is dominated mainly by vehicle finance continued to be the leading type of credit with a distribution share of 34.85 % (R37.48 billion) as depicted in Figure 1.2. It has increased 6.01% year-on-year and declined 9.93 % on a quarter-on-quarter basis. Mortgages have increased by 2.92 % year-on-year but decreased by 12.52% on a quarter-on-quarter basis. Unsecured credit declined by 7.55% (R1.42 billion) and 2.57% (R1.30 billion) on a year-on-year and quarter-on-quarter basis respectively.



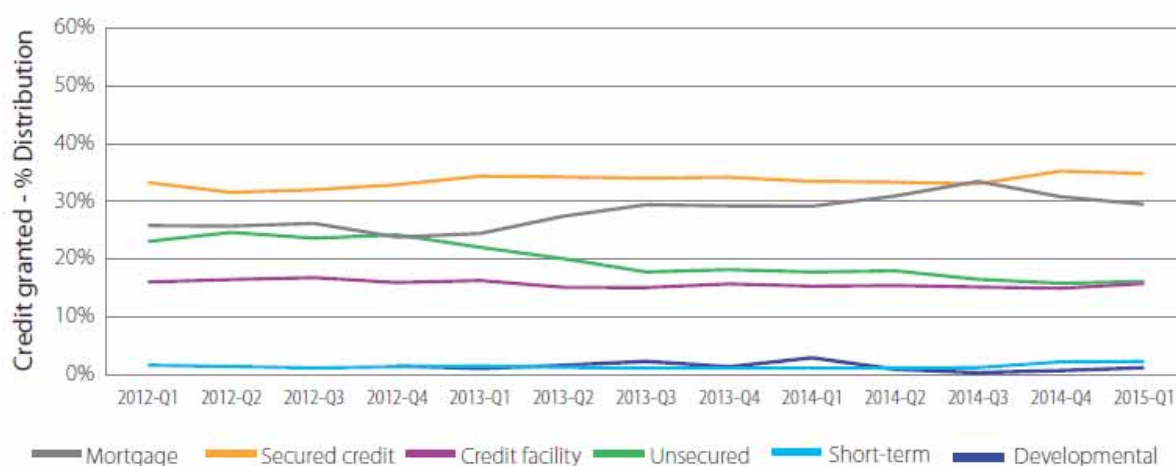
Statistics Department

Figure 1.1 Total credit granted and gross debtors book at March 2015



Mortgages debtors book has continued to be the dominant credit type with a share of 52.68% (R848.56 billion) followed by Secured credit at 21.96% (R353.71 billion). The balance went to Credit Facilities at 12.88% (R207.48 billion), Unsecured Credit at 10.34% (R166.64 billion), Developmental Credit at 2.02% (R32.47 billion) and Short Term Credit at 0.13% (R2.03 billion).

Figure 1.2: Credit granted – percentage distribution



2.5 Performance information by programme

Programme 1: To promote increased access to credit through responsible credit granting

Purpose

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

- (a) Educating credit providers and monitoring their compliance with the regulations; and
- (b) Enforcing compliance with the regulations.

Description

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

Strategic objective 1: To promote increased access to credit through responsible credit granting.

Output	Performance measure or indicator	Actual achievement 2013/2014	Planned target 2014/2015	Actual achievement	Deviation from planned target to actual achievement for 2014/2015	Comment on deviations
Increase awareness of affordability assessment regulations.	Number of workshops conducted on affordability assessment regulations and enforcement action taken where necessary.	Proposal on affordability assessment guidelines developed.	Conduct 3 workshops on affordability assessment regulations.	Partially achieved. One workshop was conducted.	The regulations pertaining to the National Credit Amendment Act were published on 13 March 2015. There was insufficient time to conduct all the workshops.	Workshops will now be conducted in the current financial year 2015/2016.
Reduce cost of credit for consumers.	Study conducted on levels of the cost of credit and regulation enforced where necessary.	None (new target for 2014/2015).	Conduct a study to review the current levels of the cost of credit.	Partially achieved. This review is underway and the report with recommendations will be submitted to the dti in April 2015.	There was a delay in obtaining a legal opinion from the Competition Commission with regards to the approach that the NCR wanted to utilise in reviewing the cost of credit. This led to the late appointment of a service provider to conduct a sensitivity analysis on the work that had to be done internally.	The report will be submitted to the dti in April 2015.

Strategy to overcome areas of under performance

- i. The Regulations pertaining to the National Credit Amendment Act (NCAA) were published in March 2015. The affordability assessment workshops will be conducted in the next financial year.
- ii. The study on the levels of the cost of credit was finalised in April 2015 and the report with recommendations was submitted to the dti.

Changes to planned targets

The target relating to the affordability assessment workshops under the *output* (Increase awareness of affordability assessment regulations) was reviewed during the mid-year period as it was dependent on the publication of the regulations pertaining to the NCAA.

The review resulted in the reduction of affordability assessment workshops from 9 to 3. These changes were approved by the dti.

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

Purpose

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

Description

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

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

Output	Performance measure or indicator	Actual achievement 2013/2014	Planned target 2014/2015	Actual achievement	Deviation from planned target to actual achievement for 2014/2015	Comment on deviations
Conduct reckless lending investigations and issue compliance notices/compliance certificates where applicable.	Number of compliance certificates issued/compliance notices.	None for compliance certificates. 3 for compliance notices.	15 compliance notices.	Exceeded: 23 compliance notices were issued.	The target was exceeded due to the number of transgressions of the NCA revealed through compliance monitoring, or investigations.	N/A
Conduct special investigations and take enforcement action where applicable.	Number of raids conducted on credit providers and enforcement action taken where necessary.	None.	Conduct 2 raids in one province and take enforcement action where necessary.	Exceeded: conducted 4 raids in 4 provinces and took enforcement action in 3 raids.	Received complaints about credit providers retaining bank cards and ID books. Investigations in the form of a raid needed to be conducted.	N/A

Strategy to overcome areas of under performance

There were no areas of under performance.

Changes to planned targets

The NCR had set out conduct two raids on unregistered credit providers in terms of the National Credit Amendment Act No. 19 of 2014 and take enforcement action where necessary. The performance indicator was revised to "Number of raids conducted on credit providers and enforcement action taken where necessary".

The review was done as the target/performance indicator was dependent on the signed proclamation for the implementation of the National Credit Amendment Act. These changes were approved by the dti.

Programme 3: To enhance a consumer credit market regulatory framework.

Purpose

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

Description

Investigations and compliance monitoring will be conducted proactively by the NCR. Complaints that are lodged by the consumers will be investigated through reactive mechanisms. Based on the outcome of the investigations, appropriate enforcement action will be taken where necessary.

Strategic objective 3: To enhance a consumer credit market regulatory framework.

Output	Performance measure or indicator	Actual achievement 2013/2014	Planned target 2014/2015	Actual achievement	Deviation from planned target to actual achievement for 2014/2015	Comment on deviations
Conduct investigations and take enforcement action on credit bureaus.	Number of investigations and enforcement action taken where necessary.	2 credit bureau investigations conducted and enforcement action taken.	2 credit bureaus investigated and enforcement action taken where necessary.	Achieved: 2 credit bureau investigations conducted and enforcement action taken.	N/A	N/A
Conduct Compliance on site visits.	Number of compliance on site visits conducted.	12 credit providers on site visits conducted.	18 on site visits to be conducted.	Exceeded: 19 on site visits were conducted during the financial year.	All credit providers were able to confirm availability for the visits.	N/A

Strategy to overcome areas of under performance

There were no areas of under performance.

Changes to planned targets

There were no changes to planned targets.

Programme 4: To monitor and improve NCR's operational effectiveness.

Purpose

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

Description

This will be done through continuous improvement of the Information Communication Technology (ICT) systems.

Strategic objective 4: To monitor and improve NCR's operational effectiveness.

Output	Performance measure or indicator	Actual achievement 2013/2014	Planned target 2014/2015	Actual achievement	Deviation from planned target to actual achievement for 2014/2015	Comment on deviations
Improve operational efficiency through automated processes.	ICT recommendations implemented.	Functional complaints sub system.	Report produced on implementation of recommendations of the ICT assessment.	Achieved: Report on implementation of recommendations produced.	N/A	N/A
Increase the number of learners recruited and trained.	Number of learners recruited and trained.	10 learners.	20 learners.	Achieved: 20 learners recruited and trained.	N/A	N/A

Strategy to overcome areas of under performance

There were no areas of under performance.

Changes to planned targets

There were no changes to planned targets.



Executive Support Team

Programme 5: To ensure effective implementation of the National Credit Amendment Act (NCAA).

Purpose

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

Description

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

Strategic objective 5: To ensure effective implementation of the NCAA.

Output	Performance measure or indicator	Actual achievement 2013/2014	Planned target 2014/2015	Actual achievement	Deviation from planned target to actual achievement for 2014/2015	Comment on deviations
Create awareness of the NCAA and produce compliance report on the workshops, multimedia awareness campaigns and outreach programmes.	Number of workshops conducted with relevant stakeholders.	National Credit Amendment Bill.	30 workshops with relevant stakeholders and monitor compliance with the NCAA.	Exceeded: 82 workshops were conducted during the financial year.	Received numerous invites and also conducted workshops for Trade Union Federation.	N/A
	Number of multimedia awareness campaigns (radio, TV/interviews/newsprint) conducted.		18 Radio/TV interviews/newsprint and monitor compliance with the NCAA.	Exceeded: 77 Radio/TV interviews/Newsprint conducted.	Received requests and secured weekly interviews with some stations.	N/A
	Number of Outreach Programmes and exhibitions (mall activations/outside broadcasts/road shows/imbizos) conducted.		5 of the following activities: exhibitions; mall activations; outside broadcasts; roadshows and monitor compliance with the NCAA.	Exceeded: 18 outreach programmes conducted during the financial year.	Received numerous invites.	N/A
Conduct special investigations and take enforcement action where applicable.	Number of investigations conducted on removal of adverse consumer credit information regulations and enforcement action where necessary.	None.	3 investigations on large credit providers.	Achieved: 3 investigations were conducted.	N/A	N/A
	Number of investigations conducted on unsolicited credit provision and enforcement action taken where necessary.	None.	15 investigations.	Achieved: 15 investigations.	N/A	N/A

Strategy to overcome areas of under performance

There were no areas of under performance.

Changes to planned targets

The target relating to investigations on large credit providers on the removal of adverse consumer credit information under the output "Conduct special investigations and take enforcement action where necessary" was reviewed during the mid-year period as it was dependent on the signed proclamation for the implementation of the NCAA.

The review resulted in the reduction of credit provider investigations from 10 to 3. These changes were approved by the dti.

Linking performance with budgets

The budgeted expenses per activity compared to the actual expenses for the 2014/15 financial year are set out in the table below:

Performance /activity /objective	2014/15			2013/14		
	Budget	Actual Expenditure	(Over)/under expenditure	Budget	Actual Expenditure	(Over)/under expenditure
Programme 1	6,293	4,575	1,718	4,088	5,656	(1,568)
Programme 2	30,878	30,124	754	30,715	25,705	5,010
Programme 3	14,151	15,209	(1,058)	14,101	13,688	413
Programme 4	44,183	48,666	(4,483)	63,422	56,607	6,815
Programme 5	22,127	23,165	(1,038)	25,071	25,313	(242)
Total	117,632	121,739	(4,107)	137,398	126,969	10,429

As can be seen from the table above, the NCR spent its budget in line with its five strategic objectives to execute its mandate. Due to budgetary constraints the NCR had to re-prioritise funds from other programmes to ensure that available financial resources are utilised efficiently to meet the planned targets.

Revenue collection

Sources of revenue	2014/15 Estimate	Annual amount collected	(Over)/Under collection	2013/14 Estimate	Annual amount collected	(Over)/Under collection
	R'000	R'000	R'000	R'000	R'000	R'000
Fees from registrants	44,041	31,202	12,839	33,878	30,465	3,413
dti Transfer	68,845	68,845	-	60,691	60,691	-
Other Income	3,000	3,252	(252)	3,200	3,821	(621)
Total	115,886	103,299	12,587	97,769	94,977	2,792

The fees from the registrants were under collected by R 12 839 000 compared to the budget of R44 041 000. This is attributable to delays in the implementation of the NCAA, which only became effective in March 2015.

Capital investment

Capital expenditure	2014/15			2013/14		
	Budget	Actual Expenditure	(Over)/Under Expenditure R'000	Budget	Actual Expenditure	(Over)/Under Expenditure R'000
	R'000	R'000	R'000	R'000	R'000	R'000
Furniture & Fittings	250	222	28	500	180	320
Machinery & Equipment	754	1,591	(837)	2,500	895	1,605
Software & Intangibles	3,061	1,982	1,079	-	-	-
Security & Leasehold improvements	250	523	(273)	1,218	476	742
Infrastructure-Software	-	-	-	9,200	3,736	5,463
HR System	-	-	-	1,500	662	838
Premises	-	-	-	5,000	-	5,000
Total	4,315	4,318	(3)	19,918	5,949	13,969

The NCR does not have infrastructure projects and therefore does not have a Capital Investment Plan. The NCR does however, have property, plant and equipment that are accounted for in a detailed asset register. The general condition of the NCR assets is fairly good and hence the cost of maintaining these assets is very minimal. Information regarding the capital assets acquired during the period is provided in the table above.



PART C: Governance

PART C: Governance

3.1 Introduction

The NCR is committed to good governance practices. It complies with the precepts of the Public Finance Management Act (PFMA) and with the 2009 King III on Code of Governance Principles for South Africa (King III Code) in so far as the requirements of the Code can be applied to the NCR.

Responsibility for ensuring good corporate governance lies with Parliament, the Minister of Trade and Industry and the Accounting Authority.

Portfolio Committee

Parliament exercises its role in evaluating the NCR's performance by interrogating financial statements and performance information, which are tabled in Parliament from time-to-time.

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

The Portfolio Committee on Trade and Industry exercises oversight over the NCR's service delivery and as such, reviews the non-financial information contained in the NCR's Annual Report. The focus is specifically on service delivery and enhancing economic growth.

The NCR's executive management met with the Portfolio Committee on Trade and Industry three times during the period under review. The key issue raised by the Committee relates to additional funding required by the NCR in order to have a national footprint, increase internal capacity and fund new premises.



Portfolio Committee on Trade and Industry

The Portfolio Committee on Trade and Industry visited the NCR on the 29th January 2015 with the purpose of gaining a clearer understanding of the NCR's core functions and processes and an opportunity to engage with NCR employees performing these functions. Presentations of the following processes were made to Committee members: complaints resolution, registration, debt counseling, credit bureau monitoring and enforcement.

Executive Authority

The Minister of Trade and Industry is the Executive Authority of the NCR. His responsibilities, include amongst others, the power to appoint or terminate the Board and to ensure that it possesses the necessary expertise to guide the strategic development of the NCR.

During the period under review, the term of the Board of the NCR ended on 31 July 2014 and the Executive Authority appointed the Chief Executive Officer as the Accounting Authority of the NCR.

During the past financial year, the following reports were submitted to the Minister:

Report submitted	Date submitted	Issues raised by the Minister
Report on financial and non-financial performance (Quarter 1 of 2014/15)	31 July 2014	The entity should submit a plan indicating how it will operate with the funds that have been made available. The entity to furnish a report in terms of the circular on 'Enhancing Compliance Monitoring and Improving Transparency and Accountability in SCM' issued in 2012.
Annual report on financial and non-financial performance - 2013/14	31 August 2014	No issues raised.
Report on financial and non-financial performance (Quarter 2 of 2014/15)	31 October 2014	The entity to focus and put corrective action on the audit findings: <ul style="list-style-type: none"> ▶ Assets management ▶ Payment within 30 days ▶ Information and Communion Technology (ICT)
Report on financial and non-financial performance (Quarter 3 of 2014/15)	30 January 2015	The entity achieved 73% of the planned quarterly milestones.
Report on financial and non-financial performance (Quarter 4 of 2014/15)	30 April 2015	The entity achieved 75% of the planned quarterly milestones.

The Accounting Authority

The NCR's Board was its Accounting Authority for the period 1 April 2014 until end of July 2014 after which the responsibilities of the Accounting Authority vested in the Chief Executive Officer.

The term of the Board was terminated in accordance with the NCAA by repealing sections 19, 20, 21 and 22 of the principal Act (the National Credit Act 34 of 2005).

During its tenure, the Board was responsible and accountable for amongst others, the NCR's performance and strategic development.

Board Charter

As recommended by King III, the Board had a Charter setting out its responsibilities. These included providing guidance on the strategic development, ensuring compliance with legal and financial reporting requirements, advising the CEO on strategic matters and ensuring the effective and efficient use of the resources by the NCR. It also provided oversight over risk management and internal controls through the Audit and Risk Management Committee. The Board executed its responsibilities in line with its Charter.

Board's Composition

- ▶ The Board's composition was set out in section 19 of the NCA;
- ▶ The Chairperson and Deputy Chairperson were appointed by the Minister of Trade and Industry;
- ▶ The Ministers of Finance, Human Settlements and Social Development each designated a member;
- ▶ The Minister of Trade and Industry appointed up to six additional members, of whom at least two were knowledgeable about consumer matters.

During the period 1 April 2014 until 31 July 2014 the Board comprised the following:

Acting Chairperson: Ms Maleho Nkomo

Designated members:

Mr Dube Tshidi (Finance)

Mr MacDonald Netshitenzhe (Trade and Industry)

Ms Constance Nxumalo (Social Development)

Mr Khwezi Ngwenya (Human Settlements)

Other members:

Ms Ina Opperman

Mr Richard Mutshekwané

Ms Josephine Mabotja

Ms Lahlang Somo

Mr Jay Pema

Board members

Name	Designation in terms of the NCR Board structure	Date appointed	Qualifications	Area of expertise	Board directorships	Other Committees or Task Teams	No. of meetings attended
Ms Maleho Nkomo	Board Acting Chairperson Policy and Strategy Committee and Remuneration Committee	May 2013	Masters: Commerce	Regulatory	Board: National Urban Reconstruction and Housing Agency	Board, Policy and Strategy Committee	2
Mr Dube Tshidi	Board member and Remuneration Committee Chairperson	January 2012	LLM	Regulatory	-	Board and Remuneration Committee	0
Mr MacDonald Netshitenzhe	Board member and Policy and Strategy Committee Chairperson	January 2012	BLuris and LLB LLM (Public International Law)	Government	-	Board member and Policy and Strategy Committee	1
Ms Constance Nxumalo	Board member	October 2011	BA Social Work (Hons) P&DM MM	Government	-	Board and Audit and Risk Management Committee member	0
Mr Khwezi Ngwenya	Board member Policy and Strategy Committee	May 2013	Bachelor of Laws Postgraduate Diploma in Drafting of Contracts	Government	-	Board, Policy and Strategy Committee and Remuneration Committee member	0
Ms Ina Opperman	Board member Audit and Risk Management Committee, Policy and Strategy Committee and Remuneration Committee	May 2013	Masters Consumer Science Honours Consumer Science BA Languages	Media	-	Board, Audit and Risk Management and Remuneration Committee member	3
Mr Richard Mutshekwané	Board member Remuneration Committee	May 2013	Matric	Debt Counselling	-	Board, Audit and Risk Management and Remuneration Committee member	0
Mr Jay Pema	Board member and Audit and Risk Management Committee Acting Chairperson	October 2011	CA(SA) HDip Tax Law Diploma Insolvency Law and Practice	Audit and Accounting	Matasis Trustee (Pty) Ltd; Matasis Consulting (Pty) Ltd; Jacobs Matasis SA.	Board, Audit and Risk Management Committee member	5
Ms Lahlang Somo	Board member	January 2014	Diploma in Negotiation Skills LLB B Proc	Legal Regulatory Strategy	Board Member National Electronics Media Institution SA	Board	1
Ms Josephine Mabotja	Board member	January 2014	MA Economics B Com Hons (Economics) B Com Diploma in General Nursing and Midwifery	Specialist Regulatory and Corporate Affairs Support	-	Board	1

Remuneration of the Board and Committees

Name	Board	Audit and Risk Management Committee	Remuneration Committee	Policy And Strategy Committee	Total Paid
Ms Maleho Nkomo	13,104.00	-	-	-	13,104.00
Mr Dube Tshidi*	-	-	-	-	-
Mr MacDonald Netshitenzhe*	-	-	-	-	-
Ms Constance Nxumalo*	-	-	-	-	-
Mr Kwezi Ngwenya*	-	-	-	-	-
Ms Ina Opperman	4,170.00	4,806.00	-	-	8,976.00
Mr Richard Mutshekwanane	1,156.50	-	-	-	1,156.50
Ms Josephine Mabolja	4,080.00	-	-	-	4,080.00
Ms Lahlang Somo	4,080.00	-	-	-	4,080.00
Mr Trevor Bailey†	38,834.25	-	-	-	38,834.25
Mr Mnwana Kambule #	-	4,352.00	-	-	4,352.00
Ms Jennifer Bokwa	-	4,352.00	-	-	4,352.00
Mr Jay Pema**	25,200.48	13,248.77	-	-	38,449.25
					<u>117,384.00</u>

*These members are government officials and do not qualify for remuneration

#Member resigned

** This member has elected to have his fees paid to his employer

† The payment was for the late submission of the claim

Board Committees

The following committees were established by the Board and were active during the period 1 April 2014 until 31 July 2014 in order to assist the Board to effectively execute its responsibilities.

- ▶ Audit and Risk Management Committee;
- ▶ Remuneration Committee; and
- ▶ Strategy and Policy Committee.

During the period 1 August 2014 to 31 March 2015, only the ARCM was active. The other sub-committees were terminated simultaneously with the Board term.

Audit and Risk Management Committee

The Audit and Risk Management Committee is constituted in terms of the Public Finance Management Act and Treasury Regulations. The NCR's EXCO members are permanent invitees to committee meetings. The Committee is chaired by Mr J Pema and comprised three other members, namely Ms I Opperman, Mr M Kambule and Ms J Bokwa.

The Committee assists the Board mainly to fulfil its mandate in terms of financial and legal compliance, internal and external audit, internal control environment and risk management.

The details of meetings held and responsibilities of the Audit and Risk Management Committee are presented on page 45.

The Committee was active during the full financial year.

Remuneration Committee

The Committee assists the Board to fulfil its mandate in terms of strategic guidance on remuneration and employee benefits. The Committee was chaired by Mr D Tshidi and comprised three members namely, Ms M Nkomo, Ms I Opperman and Mr R Mutshekwane.

The Remuneration Committee was active during the period 1 April 2014 to 31 July 2014.

Policy and Strategy Committee

The Policy and Strategy Committee assists the Board to fulfil its mandate in terms of guiding the NCR's strategic development. The Committee was chaired by Mr M Netshitenzhe and comprised three other members.

The Policy and Strategy Committee was active during the period of 1 April 2014 to 31 July 2014.

Name of members	30 April 2014
M Netshitenzhe (Chairperson)	✓
M Nkomo	✓
K Ngwenya	Apology
I Opperman	Apology

3.2 Internal Audit & Audit and Risk Management Committee

Internal Audit reports to the Audit and Risk Management Committee.

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

The key functions of internal audit include:

- ▶ Assessing the adequacy and effectiveness of the internal control environment and recommends potential improvements;
- ▶ Developing a rolling three-year strategic Internal Audit Plan in line with the strategic risk assessments;
- ▶ Preparing annual internal audit plans using risk-based methodology, incorporating any risks or control concerns identified by management and submit the plan to the Audit and Risk Management Committee for approval; and
- ▶ Executing the approved Annual Internal Audit Plan and any special projects/tasks requested by the management and/or Audit and Risk Management Committee.

Internal audit reviewed and conducted the following during the year under review:

- ▶ The effectiveness of the risk management process;
- ▶ The effectiveness of the internal control systems;
- ▶ The risk areas of the entity's operations covered in the risk registers;
- ▶ The adequacy, reliability and accuracy of financial and non-financial information provided to management and users of such information; and
- ▶ Compliance with legal and regulatory provisions.

Key activities and objectives of the Audit and Risk Management Committee

The Audit and Risk Management Committee for the 2014/2015 comprised three members. The Committee held five (5) meetings during the year, of which four (4) were ordinary meetings and one (1) a special meeting, as per the committee's approved Audit and Risk Management Committee Charter.

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

- ▶ Safeguarding assets;
- ▶ Assessing the going concern status;
- ▶ Reviewing financial information including the review of quarterly management accounts and annual financial statements; and
- ▶ External audit process and oversight of the risk management environment.

The Committee has fulfilled its responsibilities in compliance with its terms of reference. More information is provided in the Report of the Audit and Risk Management Committee on pages 45-46.

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

Name	Qualifications	Internal or external	If internal, position in the public entity	Date appointed	Date resigned/ contract ended	No of meetings attended
Jay Pema*	CA(SA), HDip Tax Law, Diploma: Insolvency Law & Practice	External	n/a	Oct 2011	July 2014	5
Ina Opperman**	Masters: Consumer Science, Honours (Consumer Science), BA (Languages)	External	n/a	May 2013	July 2014	3
Richard Mutshekwane	Matric	External	n/a	May 2013	July 2014	0
Constance Nxumalo	BA (Social Work), BA Hons (Social Work), MM P&DM	External	n/a	Oct 2011	July 2014	0
Mnwana Kambule	CA(SA)	External	n/a	Nov 2014	Feb 2015	2
Jennifer Bokwa	LLB, B. Juris	External	n/a	Nov 2014	n/a	3

* Jay Pema continues to serve on the new Audit and Risk Management Committee.

** Ina Opperman continued to serve on the new Audit and Risk Management Committee until January 2015.

3.3 Compliance with laws and regulations

As a public entity, the NCR is committed to complying with all applicable laws and regulations and takes reasonable measures to ensure compliance.

3.4 Fraud and corruption

The NCR has adopted and maintains a 'zero tolerance' approach to fraud and corruption. The Fraud Prevention Plan and Policy ensures that an anti-fraud environment and culture is promoted both internally and externally.

Measures to prevent fraud include authorisation, custody of assets, detection controls, physical supervision, management information and segregation of duties, physical security and information security.

The NCR uses an outsourced service provider to maintain a fraud reporting hotline, where employees report incidents of corruption, fraud and unethical practices within the workplace. Monthly reports from the hotline service provider are dealt with confidentiality as per the internal approved process for handling allegations of fraud. During the 2014/2015 financial year there were no reports alleging internal or external corruption or fraud.

3.5 Minimising Conflict of Interest

NCR employees are required to disclose a conflict of interest where necessary. The same was applicable to Board members.

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

3.6 Code of Conduct

The NCR has a statutory obligation to be a good employer and it recognises the importance of treating employees fairly and properly in all aspects of employment. In return, the NCR expects high standards of values from its employees. All employees are expected to identify with and have a commitment to the philosophy and values of the NCR and demonstrate commitment in the performance of their duties.

The purpose of the Code of Conduct is to assist employees to know and understand the minimum standards of conduct and behaviour expected of them as employees of the NCR. This reflects the basic requirements of professionalism, integrity and courtesy needed to ensure that we provide a quality service to our stakeholders and that a pleasant and safe working environment exists for all employees. The Code applies to all employees of NCR, including permanent, temporary and casual employees. This Code forms part of their employment conditions with the NCR.

NCR expects its employees to:

- ▶ Work within the law with honesty and integrity;
- ▶ Comply with all lawful and reasonable instructions;
- ▶ Comply with the policies of the NCR;
- ▶ Work diligently and meet the requirements of their employment agreement; and
- ▶ Respect the rights of colleagues and clients.

3.7 Health, Safety and Environmental Issues

The NCR is subject to the provisions of the Occupational Health and Safety Act No. 181 of 1993 (the Act) which requires employers to provide and maintain, as far as it is reasonably practicable, a workplace that is safe and without risk to the health of its employees. As part of our commitment to comply with the Act, we recognise our moral and legal responsibilities to provide a safe and healthy work environment for employees, contractors and visitors. This commitment also extends to ensuring that our operations, activities, products and services do not damage or place the local community or environment at risk of injury and illness.

In order to achieve this, a service provider was appointed to assist the entity to comply fully with the Act. The NCR is committed to encouraging the consultation and cooperation between management and employees and this will be achieved by formally involving elected health and safety representatives in the workplace to foster change in matters that may affect the health and safety of employees and the environmental integrity within the NCR. On the other hand, NCR employees have the responsibility to comply with internal Safety, Health and Environmental policies and procedures of the entity and to recognise hazards which may affect their health and safety as well as their environment.

3.8 Company Secretary



Mr Lesiba Mashapa
Company Secretary

Mr Lesiba Mashapa is the Company Secretary. When the NCR's Board was in place, his duties included:

- ▶ Arranging Board and Committee Meetings
- ▶ Taking minutes at Board and Committee Meetings
- ▶ Induction of new Board members
- ▶ Advising the Board.

3.9 Social responsibility

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

3.10 Audit and Risk Management Committee Report

We are pleased to present our report for the financial year ended 31 March 2015.

Audit and Risk Management Committee Responsibility

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

The Audit and Risk Management Committee is an independent subcommittee of the NCR's Accounting Authority. The Committee reports that it has adopted appropriate formal terms of reference as its Audit and Risk Management Committee Charter, which have been approved by the Accounting Authority.

The Committee's overall objective is to assist the Accounting Authority of NCR 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.

Audit and Risk Management Committee members and attendance

Table: Attendance at Audit and Risk Management Committee meetings (April 2014 – March 2015)

Committee Member	23 May 2014	25 Jul 2014	11 Dec 2014	20 Jan 2015	17 Mar 2015
Jay Pema ^{*†}	✓	✓	✓	✓	✓
Ina Opperman ^{**†}	✓	✓	✓		
Richard Mutshekwane [†]	Apology	Apology			
Constance Nxumalo [†]	Apology	Apology			
Mnwana Kambule [#]			✓	✓	
Jennifer Bokwa			✓	✓	✓

[†] Term came to an end

[#] Member resigned

^{*†} Term ended and continues to serve in the new committee

^{**†} Term ended and continued to serve in the new committee until January 2015

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

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 generally effective and efficient.

The internal audit function provides an independent and objective evaluation of the NCR's system of internal controls and any significant risks brought to the attention of management and the Committee are resolved.

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.

Risk Management

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

Responsibility and accountability for risk management resides at all levels within the NCR.

The assessment, evaluation and measurement of risk is an ongoing process that is integrated into NCR activities. 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 Audit and Risk Management Committee.

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

The Committee views the funding insufficiency of the NCR as one of the key risks towards the operating ability of the organisation. In this regard, the Committee continues to support management in managing and mitigating this risk.

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

Evaluation of Financial Statements

We have reviewed the annual financial statements prepared by the public entity. The Committee is satisfied that the annual financial statements of the NCR for the year ended 31 March 2015 comply with the requirements of the PFMA, and that the basis of preparation is in accordance with Generally Recognised Accounting Practice. The going concern principle was adopted in the preparing the annual financial statements.

The Committee concurs and accepts the conclusion of the Auditor-General on the annual financial statements. The audited annual financial statements should be read together with the report of the Auditor-General.

Conclusion

The Committee congratulates the NCR on the achievement of an unqualified opinion for the year ended 31 March 2015. We wish to extend our appreciation to the Accounting Authority, internal and external auditors, Executive Management Committee and all the NCR employees for their tireless efforts, commitment and support throughout the year.

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



Jay Pema
Chairperson of the Audit and Risk Management Committee
National Credit Regulator



PART D:

Human Resource Management

PART D:

Human Resource Management

4.1 Introduction

Overview of HR



Mr Mpfariseni Mudau
Manager: Human Resources

The NCR's ability to deliver against its mandate is heavily dependent on the quality of its human resources. It recognises its employees as its greatest asset. Strategies are therefore in place to attract, retain and develop employees. Career Development and Succession Policies are also in place.

Various key management positions were filled during the year, including the permanent appointment of a Chief Financial Officer and the Manager: Investigations and Enforcement.

There has been a very strong focus on capacitating managers. Seven (7) supervisors were placed on a BankSeta Management Development Programme. An additional two managers completed courses at the Gordon Institute of Business Science and the Wits Business School.

HR priorities for the year under review and the impact of these priorities

One of the priorities was to increase the number of learners that the organisation assists to gain work experience and relevant job readiness training. This was successfully executed when the learnership intake was increased from 10 to 20 learners for the period under review. This has resulted in a broader skills base available for the NCR to recruit from, as well as the provision of adequate skills to the country's unemployed youth.

Another priority was to educate employees about the new amendments to the Labour Relations Act and to ensure compliance therewith.

Workforce planning framework and key strategies to attract and recruit staff

The NCR's Workforce Planning Framework includes a strong focus on developing a sustainable structure with the right skills and staffing mix. The NCR also aims to improve its ICT environment to enable its employees to respond to changing demands.



Human Resources Department

Introduced three years ago, the NCR's Learnership Programme is one of the strategies it uses to recruit young talent. During the past financial year, 20 learners were placed on the programme with 17 learners completing it. The programme has enhanced their prospects of finding sustainable employment.

Employee performance management framework

A Performance Management Policy is in place. Managers conduct performance appraisals on a bi-annual basis. Managers review performance in line with performance contracts and make recommendations to a Moderation Committee which in turn recommends to an Adjudication Committee. The latter recommends to the Accounting Authority for approval.

Employee Wellness Programmes

An Employee Wellness Programme is in place. Employees and their families have access to a range of services and support including psychological counselling, life management guidance and an on-line eCare Service. Confidentiality is assured. Referrals are either initiated by employees or managers.

The NCR hosted a Wellness Day in September 2014. The programme included glucose, blood pressure, cholesterol and HIV testing. This event was designed as a team building event to enable the NCR to deliver on its corporate social responsibility mandate.

Social Activities

In further keeping with its corporate social responsibility mandate, NCR employees spent their 67 Minutes for Madiba in Diepsloot with Diepsloot Community Projects on 18 July 2014.



In addition, the NCR's Social Committee organised a Heritage Day Celebration and a year-end function. These activities helped to build morale and create a strong organisational culture.

Policy Development

Policies are reviewed on an ongoing basis to ensure that the NCR is able to position itself as an employer of choice. The Performance Management Policy is being reviewed to ensure that it is not only aligned with best practice, but rewards exceptional performance.

Highlights

One of the highlights was the establishment of an Employee Consultative Forum which serves as a voice for employees. Issues such as conditions of service, remuneration, bonuses and performance management are generally discussed.

Challenges

Attracting and retaining talent is an ongoing challenge. The challenge is heightened by the fact that the NCR's core functions – compliance, complaints, investigation and enforcement – require a unique mix of knowledge that spans the legal and financial fields.

The NCR competes with other regulators and the private sector for skilled employees.

Despite these challenges, the NCR has managed to retain and attract scarce skills.

Future HR plans

A proposal to extend the period that learners spend at the NCR from one year to three years is under consideration. These plans are however, subject to funding being made available.

Learner Success Stories



From Left: Mr Mbulelo Soyizwapi (Call Centre Agent), Ms Prudence Tsolo (Debt Counselling Administrator) and Mr Tshepo Lebusa (Call Centre Agent)

"The NCR has not only provided me with invaluable experience in a professional, deadline driven environment, but also provided me with a strong moral and legal frame work which I continue to learn from to this day. As a learner for the complaints department, I was able to work hands on with consumer's dealing with a kaleidoscope of different problems. Within the framework of the National Credit Act, I was continuously encouraged to go above and beyond for the consumer's and to provide advice and understanding in situations wherein the regulator could not assist. Though the learnership was only for a year, the 12 months experienced at the NCR provided me with not only invaluable, professional tools to launch my career, but also fertile ground to grow as a person. My genuine interest in the financial services sector coupled with simply maintaining the level of work ethic I observed from my co-workers, culminated in my being offered a permanent position in the organisation. Thus, eager in the knowledge of things to come, I gleefully embraced my promotion from sovereign citizen to public servant."

Mbulelo Soyizwapi

Call Centre Agent

"I was fortunate enough to be granted an opportunity by the National Credit Regulator (NCR) to be part of Learnership programme. It was a phenomenal opportunity where I joined the Debt Counselling team. I got to experience almost each and every avenue of the department and that broadened my knowledge and experience. I would also like to thank NCR for a remarkable experience and for believing in me, what I have gained really goes a long way and I will take it with me wherever I go."

Prudence Tsolo

Debt Counselling

"I had a really good time learning throughout the programme and am happy that I was one of the learners that were fortunate to have been employed permanently afterwards. The learnership programme provided me with skills and knowledge I never knew I would obtain and therefore equipped me to face real world issues. I can say at this point that I know more about what the NCR aims to achieve and its purpose in the credit industry. I was provided with support and mentoring throughout the programme that enabled me to perform the necessary tasks and do my work efficiently. It was a good place to jump-start my career and I will forever apply what I have learnt."

Tshepo Lebusa

Call Centre Agent

4.2 Human Resource Oversight Statistics

Personnel cost by programme

Programme	Total expenditure for the year R'000	Personnel Expenditure R'000	Personnel exp. As a % of total exp R'000	No. of employees	Average Personnel cost per employee R'000
Programme 1	4,575	3,086	3%	5	617
Programme 2	30,124	18,916	16%	51	371
Programme 3	15,209	11,049	9%	31	356
Programme 4	48,666	25,304	21%	40	633
Programme 5	23,165	10,722	9%	26	412
	121,739	69,077		153	

*Personnel expenditure includes employees training costs

Personnel Cost by Salary Band

Level	Total personnel cost R'000	% of personnel exp. to total personnel cost R'000	No. of employees	Average Personnel cost per employee R'000
Top Management	9,031	13%	5	1,806
Senior Management	3,598	5%	4	899
Professional qualified	21,271	31%	37	575
Skilled	26,839	39%	72	373
Semi-skilled	8,338	12%	35	238
Unskilled	0	0%	0	0
	69,077	100%	153	

Performance Rewards

Level	Performance Rewards	Personnel cost R'000	% of personnel rewards to total personnel cost R'000
Top Management	890	9,031	1%
Senior Management	408	3,598	1%
Professional qualified	1 772	21,271	3%
Skilled	2 496	26,839	4%
Semi-skilled	495	8,338	1%
Unskilled	0	0	0%
	6,061	69,077	

Training Cost

Programme/activity/objective	Personnel expenditure R'000	Training Expenditure R'000	Training exp. as a % of total personnel cost R'000	No. of employee trained	Average training cost per employee R'000
Programme 1	3,086	13	0.02%	1	13
Programme 2	18,916	77	0.11%	17	4
Programme 3	11,049	70	0.10%	8	9
Programme 4	25,304	740	1.08%	14	53
Programme 5	10,722	22	0.03%	7	3
Totals	69,077	922			

*Personnel expenditure includes employees training costs

Employment and Vacancies

Programme/activity/objective	2013/2014 No of employees	2013/2014 Approved posts	2014/2015 No of employees	2014/2015 No of vacancies	% of vacancies
Programme 1	5	5	5	0	0%
Programme 2	44	56	51	5	3%
Programme 3	29	34	31	3	2%
Programme 4	37	45	40	5	3%
Programme 5	24	29	26	3	2%
TOTAL	139	169	153	16	10%

* *excludes 16 learners and 2 fixed term contracts.

	2013/2014 No of employees	2013/2014 Approved posts	2014/2015 No of employees	2014/2015 No of vacancies	% of vacancies
Top Management	6	5	6	0	0%
Senior Management	5	7	4	3	2%
Professional qualified	27	48	34	11	7%
Skilled	64	73	70	1	0.7%
Semi-skilled	37	36	39	1	0.7%
Unskilled	0	0	0	0	0%
TOTAL	139	169	153	16	10%

The NCR uses internal and external recruitment methods to fill critical vacant positions. This includes the use of specialised recruitment agencies as well as referrals to recruit for scarce and critical skills.

The current senior management positions have been filled by promoting internal staff. The current vacant senior management and skilled supervisor positions have acting incumbents, who are internal employees. This is in a bid to provide employees with management exposure.

The NCR's turnaround time for filling vacancies is three months. Exceptional circumstances such as pending labour relations matters and the recruitment of scarce skills may increase the turnaround time.

The NCR maintains a performance management system that recognises superior performance, which in turn, attracts and retains high-performing individuals. Furthermore, the NCR has a progressive career management and succession planning policy, which aids in the retention of staff.

Employment Changes

Salary band	Employment at beginning of period	Appointments	Terminations*	Employment at the end of the period
Top management	6	1	1	6
Senior Management	5	0	1	4
Professional Qualified	27	12	5	34
Skilled	64	12	6	70
Semi-skilled	37	4	2	39
Unskilled	0	0	0	0
Total	139	29	15	153

*Termination figures exclude the termination of the Learnership Programme.

Reasons for Staff Leaving

Reason	Number	% of total no.of staff leaving
Death	0	0%
Resignation	12	39%
Dismissal	2	6%
Retirement	0	0%
Ill health	0	0%
Expiry of contract	1	3%
Other	16 (learnership)	52%
Total	31	100%

The NCR has an exit interview process for all employees, who leave the organisation. This assists the NCR to track the reasons for resignations. The most prominent reason for employees leaving the organisation is related to compensation and benefits. Employees join other competing organisations, who offer them higher packages and benefits, which the NCR is unable to match.

Labour relations: Misconduct and Disciplinary Action

Nature of disciplinary action	Number
Verbal warning	1
Written warning	9
Final Written warning	2
Dismissal	1

Equity and Employment Equity Status: Male

Levels	Male							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top management	3	0	0	0	0	0	0	0
Senior Management	1	0	0	0	0	0	0	0
Professional Qualified	11	15	0	1	0	2	2	2
Skilled	22	23	0	0	0	1	1	1
Semi-skilled	14	12	1	2	0	2	0	0
Unskilled	0	1	0	0	0	0	0	0

Equity and Employment Equity Status: Female

Levels	Female							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top management	3	0	0	0	0	0	0	0
Senior Management	3	0	0	0	0	0	0	0
Professional Qualified	9	22	0	2	3	5	9	9
Skilled	43	41	3	4	1	2	0	3
Semi-skilled	22	20	2	3	0	1	0	1
Unskilled	0	1	0	0	0	0	0	0

*Excludes learners and 2 fixed term contract employees.

Equity and Employment Equity Status: Disability

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

The NCR is on track to meet its disability targets. There are therefore, no major variances between target and current. However, attempts are being made to increase the number of disabled staff in skilled and senior management categories. To this end, the NCR is constantly engaging with relevant organisations to obtain assistance in this regard.



PART E:

Financial Information

5. Report of the Chief Financial Officer



Ms Ayanda Mafuleka CA(SA)
Chief Financial Officer

The office of the CFO is the custodian and responsible for the implementation of policies, legislation and prescripts governing Finance, Supply Chain Management and Information and Communication Technology (ICT). The department is responsible for the overall financial health of the NCR and provides support to all NCR departments on budgets, accounting function, supply chain management, external audit coordination, assets management and ICT.

During the 2014/2015 financial year, the department has ensured that:

- ▶ All statutory submissions were submitted on time in compliance with the PFMA and Treasury Regulations;
- ▶ All management accounts, with variance explanations, were submitted on time to the dti as per the Shareholder Compact;
- ▶ The cost containment measures introduced by National Treasury Instruction 01 of 2013/14 were complied with;
- ▶ The Medium Term Expenditure Framework (MTEF) and Estimates of National Expenditure (ENE) were timeously submitted;
- ▶ Valid invoices for the year under review were paid within 30 days in compliance with the PFMA;
- ▶ There was no irregular, fruitless and wasteful expenditure; and
- ▶ The unqualified audit opinion (clean audit) from the Auditor-General was achieved for the year under review.

5.1 Report of the Auditor-General to parliament on the National Credit Regulator

Report on the financial statements

Introduction

1. I have audited the annual financial statements of the National Credit Regulator (NCR) set out on pages 61 to 91, which comprise of the statement of financial position as at 31 March 2015, the statement of financial performance, the statement of changes in net assets, the statement of cash flows and the statement of comparison of budget information with actual information for the year then ended, as well as 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 the Generally Recognised Accounting Practice (GRAP), the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA), National Credit Act (Act No. 35 of 2005) and National Credit Amendment Act (Act No. 19 of 2014), 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 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 NCR as at 31 March 2015 and its financial performance and cash flows for the year then ended, in accordance with GRAP and the requirements of the PFMA, National Credit Act and National Credit Amendment Act.

Report on other legal and regulatory requirements

7. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) and the general notice issued in terms thereof. I have a responsibility to report findings on the reported performance information against predetermined objectives for selected objectives presented in the annual performance report, compliance with legislation and internal control. The objective of my tests was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

Predetermined objectives

8. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected objectives presented in the annual performance report of the public entity for the year ended 31 March 2015:
 - a. Strategic objective 1: To promote increased access to credit through responsible credit granting
 - b. Strategic objective 2: To protect consumers from abuse and unfair practices in the consumer credit market and address over indebtedness
 - c. Strategic objective 3: To enhance a consumer credit market regulatory framework
 - d. Strategic objective 5: To ensure effective implementation of the National Credit Amendment Act (NCAA)
9. I evaluated the reported performance information against the overall criteria of usefulness and reliability.
10. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned objectives. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the *National Treasury's Framework for managing programme performance information* (FMPPI).
11. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
12. I did not identify any material findings on the usefulness and reliability of the reported performance information for the following objectives:
 - a. Strategic objective 1: To promote increased access to credit through responsible credit granting
 - b. Strategic objective 2: To protect consumers from abuse and unfair practices in the consumer credit market and address over indebtedness
 - c. Strategic objective 3: To enhance a consumer credit market regulatory framework
 - d. Strategic objective 5: To ensure effective implementation of the National Credit Amendment Act (NCAA)

Additional matter

13. Although I identified no material findings on the usefulness and reliability of the reported performance information for the selected objectives, I draw attention to the following matter:

Achievement of planned targets

14. Refer to the annual performance report on pages 29 to 35 for information on the achievement of the planned targets for the year.

Compliance with legislation

15. I performed procedures to obtain evidence that the entity had complied with applicable legislation regarding financial matters, financial management and other related matters. I did not identify any instances of material non-compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA.

Internal control

16. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with legislation. I did not identify any significant deficiencies in internal control.

Auditor – General

Pretoria
29 July 2015



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

5.2 Annual Financial Statements

National Credit Regulator

Financial Statements for the year ended 31 March 2015

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	M. Nkomo (Term ended July 2014) C. Nxumalo (Term ended July 2014) D. Tshidi (Term ended July 2014) J. Pema (Term ended July 2014) M. Netshitenzhe (Term ended July 2014) K. Ngwenya (Term ended July 2014) I. Opperman (Term ended July 2014) R. Mutshekwane (Term ended July 2014) L. Somo (Term ended July 2014) J. Mabotja (Term ended July 2014)
Registered office	127 - 15th Road Randjespark Midrand 1685
Bankers	Standard Bank of South Africa
Auditors	Auditor General of South Africa
Company Secretary	L. Mashapa

National Credit Regulator

Financial Statements for the year ended 31 March 2015

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The financial statements set out on page 63 to 91 which have been prepared on the going concern basis, were approved by the accounting authority on 31 July 2015 and were signed on its behalf by:



N. Motshegare
Accounting Authority

Midrand
31 July 2015

National Credit Regulator

Financial Statements for the year ended 31 March 2015

Statement of Financial Position as at 31 March 2015

Figures in Rand	Note(s)	2015	2014
Assets			
Current Assets			
Receivables from exchange transactions	3	314 564	3 828 297
Receivables from non-exchange transactions	29	786 160	78 000
Operating lease asset	11	4 941	-
Cash and cash equivalents	4	35 994 112	38 495 485
		37 099 777	42 401 782
Non-Current Assets			
Property, plant and equipment	5	14 908 936	15 403 015
Intangible assets	6	6 985 825	6 218 235
		21 894 761	21 621 250
Total Assets		58 994 538	64 023 032
Liabilities			
Current Liabilities			
Amounts prepaid	7	4 286 378	5 386 417
Payables from exchange transactions	8	8 645 763	8 275 536
Payables from non-exchange transactions	4	32 468 493	24 066 697
Provisions	9	3 004 950	1 595 038
Lease obligation	10	29 458	10 239
Operating lease liability	11	2 394	17 216
		48 437 436	39 351 143
Non-Current Liabilities			
Lease obligation	10	8 382	670
Total Liabilities		48 445 818	39 351 813
Net Assets		10 548 720	24 671 219

National Credit Regulator

Financial Statements for the year ended 31 March 2015

Statement of Financial Performance

Figures in Rand	Note(s)	2015	2014
Revenue			
Revenue from exchange transactions			
Other revenue	12	307 820	908 329
Interest received - investment	13	1 380 645	2 165 199
Total revenue from exchange transactions		1 688 465	3 073 528
Revenue from non-exchange transactions			
Transfer revenue			
Fee revenue	14	31 202 448	30 465 187
Transfer payment	15	68 845 000	60 691 000
Other revenue	16	1 563 067	747 823
Total revenue from non-exchange transactions		101 610 515	91 904 010
Total revenue		103 298 980	94 977 538
Expenditure			
Personnel expenditure	17	68 154 951	57 497 248
Operating expenses	18	22 246 012	30 035 200
Depreciation and amortisation		4 261 379	3 628 306
Impairment loss/ Reversal of impairments	24	213 534	237 945
Finance costs	19	4 211	5 321
Administrative expenses	20	22 541 392	29 616 025
Total expenditure		117 421 479	121 020 045
Operating deficit for the year	21	(14 122 499)	(26 042 507)
Deficit for the year		(14 122 499)	(26 042 507)

National Credit Regulator

Financial Statements for the year ended 31 March 2015

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 April 2013	50 713 726	50 713 726
Changes in net assets		
Deficit for the year	(26 042 507)	(26 042 507)
Total changes	(26 042 507)	(26 042 507)
Balance at 01 April 2014	24 671 219	24 671 219
Changes in net assets		
Deficit for the year	(14 122 499)	(14 122 499)
Total changes	(14 122 499)	(14 122 499)
Balance at 31 March 2015	10 548 720	10 548 720

National Credit Regulator

Financial Statements for the year ended 31 March 2015

Cash Flow Statement

Figures in Rand	Note(s)	2015	2014
Cash flows from operating activities			
Receipts			
Cash receipts from applicants and registrants		34 888 929	35 368 280
Transfers received		68 845 000	60 691 000
Interest income		1 380 645	2 165 199
Other receipts		483 820	908 329
		<u>105 598 394</u>	<u>99 132 808</u>
Payments			
Cash paid to suppliers and employees		(103 804 709)	(97 267 851)
Finance costs		(4 211)	(5 321)
		<u>(103 808 920)</u>	<u>(97 273 172)</u>
Net cash flows from operating activities	22	1 789 474	1 859 636
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(2 335 624)	(4 074 066)
Purchase of other intangible assets	6	(1 982 154)	(1 875 050)
Net cash flows from investing activities		(4 317 778)	(5 949 116)
Cash flows from financing activities			
Lease liability		26 931	(44 395)
Net increase/(decrease) in cash and cash equivalents		(2 501 373)	(4 133 875)
Cash and cash equivalents at the beginning of the year		38 495 485	42 629 360
Cash and cash equivalents at the end of the year	4	35 994 112	38 495 485

National Credit Regulator

Financial Statements for the year ended 31 March 2015

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

Statement of Financial Performance

Revenue

Income

Fee revenue	44 041 044	-	44 041 044	31 202 448	(12 838 596)	N1
Transfer payment	63 845 000	5 000 000	68 845 000	68 845 000	-	
Other income	-	-	-	1 870 887	1 870 887	N2
Interest income	3 000 000	-	3 000 000	1 380 645	(1 619 355)	N3
Total income	110 886 044	5 000 000	115 886 044	103 298 980	(12 587 064)	

Expenditure

Personnel	(71 610 294)	-	(71 610 294)	(70 967 172)	643 122	
Communication costs	(2 273 201)	-	(2 273 201)	(1 716 727)	556 474	
Bad debts	-	-	-	(3 502 313)	(3 502 313)	N4
Depreciation and amortisation	-	-	-	(4 261 379)	(4 261 379)	N5
Impairment and disposal loss on assets	-	-	-	(308 687)	(308 687)	
Finance costs	-	-	-	(4 211)	(4 211)	
Consumer education	(6 118 727)	500 000	(5 618 727)	(5 723 164)	(104 437)	
Professional fees	(16 249 023)	2 600 000	(13 649 023)	(12 063 187)	1 585 836	
General expenses	(5 998 502)	-	(5 998 502)	(6 267 832)	(269 330)	
Information technology	(3 249 228)	343 661	(2 905 567)	(2 446 039)	459 528	
Premises costs	(5 538 259)	-	(5 538 259)	(5 019 050)	519 209	
Stakeholder communication	(1 574 311)	-	(1 574 311)	(1 214 589)	359 722	
Equipment costs	(876 288)	-	(876 288)	(682 057)	194 231	
Debt Counselling Initiatives	(4 273 595)	1 000 000	(3 273 595)	(3 245 072)	28 523	
Total expenditure	(117 761 428)	4 443 661	(113 317 767)	(117 421 479)	(4 103 712)	
Deficit for the year	(6 875 384)	9 443 661	2 568 277	(14 122 499)	(16 690 776)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	(6 875 384)	9 443 661	2 568 277	(14 122 499)	(16 690 776)	

N1 The variance of R12,8 million in fee revenue is mainly due to the late implementation of the NCAA.

N2 The variance of R1,8 million in other income relates mainly to the write-off unidentified receipts in line with the Prescription, fair value adjustments on assets and royalty income for the use of the National Loan Register. These are not budgeted for as the NCR is in the process of replacing the NLR with the National Register of Credit Agreements.

N3 The variance of R1,6 million in interest received is due to the decrease in cash balances as a result of depletion of prior year's retained surpluses/reserves.

N4 The variance of R3,5 million (over-spending) in bad debts relates to the provision for bad debts. This was not budgeted for.

N5 The variance of R4.2 million (over-spending) is due to the non-cash item of depreciation on fixed assets for the year. This has not been included in the budget.

National Credit Regulator

Financial Statements for the year ended 31 March 2015

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

Statement of Financial Position

Assets

Non-Current Assets

Property, plant and equipment	(1 254 018)	-	(1 254 018)	(2 335 624)	(1 081 606)
Intangible assets	(2 717 245)	(343 661)	(3 060 906)	(1 982 154)	1 078 752
Capital projects	(7 721 454)	7 721 454	-	-	-
	(11 692 717)	7 377 793	(4 314 924)	(4 317 778)	(2 854)
Total Assets	(11 692 717)	7 377 793	(4 314 924)	(4 317 778)	(2 854)
Net Assets	(11 692 717)	7 377 793	(4 314 924)	(4 317 778)	(2 854)

Net Assets

Net Assets Attributable to Owners of Controlling Entity

Reserves

Capitalisation reserve	(11 692 717)	7 377 793	(4 314 924)	(4 317 778)	(2 854)
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National Credit Regulator

Financial Statements for the year ended 31 March 2015

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Cash receipts from applicants and registrants	44 041 043	-	44 041 043	34 888 929	(9 152 114)	
Transfers received	68 845 000	-	68 845 000	68 845 000	-	
Interest income	3 000 000	-	3 000 000	1 380 645	(1 619 355)	
Other receipts	-	-	-	483 820	483 820	
	115 886 043	-	115 886 043	105 598 394	(10 287 649)	
Payments						
Suppliers and employees	(113 317 767)	-	(113 317 767)	(103 804 709)	9 513 058	
Finance costs	-	-	-	(4 211)	(4 211)	
	(113 317 767)	-	(113 317 767)	(103 808 920)	9 508 847	
Net cash flows from operating activities	2 568 276	-	2 568 276	1 789 474	(778 802)	
Cash flows from investing activities						
Purchase of property, plant and equipment	(1 254 018)	-	(1 254 018)	(2 335 624)	(1 081 606)	
Purchase of other intangible assets	(3 060 906)	-	(3 060 906)	(1 982 154)	1 078 752	
Net cash flows from investing activities	(4 314 924)	-	(4 314 924)	(4 317 778)	(2 854)	
Cash flows from financing activities						
Lease liability	-	-	-	26 931	26 931	
Net increase/(decrease) in cash and cash equivalents	(1 746 648)	-	(1 746 648)	(2 501 373)	(754 725)	
Cash and cash equivalents at the beginning of the year	38 307 000	-	38 307 000	38 495 485	188 485	
Cash and cash equivalents at the end of the year	36 560 352	-	36 560 352	35 994 112	(566 240)	

National Credit Regulator

Financial Statements for the year ended 31 March 2015

Accounting Policies

1. Significant accounting policies

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

These 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 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

Financial Statements for the year ended 31 March 2015

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 registration or withdrawal or rejection
Registration fees	Recognised in full at renewal date
Branch fees	Date of registration
National loans register fees	Date of service delivery
Replacement 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 entity,
- the amount of the revenue can be measured reliably and
- to the extent that there has been compliance with any restrictions associated with the grant.

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 rate 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.

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.

National Credit Regulator

Financial Statements for the year ended 31 March 2015

Accounting Policies

1.8 Property, plant and equipment (continued)

Subsequent costs are included in the asset's carrying 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 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 lease
Security equipment	3-7 years
Leasehold equipment	Remaining period of lease
ICT operational system	5-7 years

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 probably 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 and
- the expenditure attributable to the asset during its development can be measured reliably.

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 amortisation rate is based on the following estimated useful lives:

Item	Useful life
Computer software	5-7 years
ICT operational system	5-7 years
Human resource system	5-7 years
Software licences	licence period

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

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

National Credit Regulator

Financial Statements for the year ended 31 March 2015

Accounting Policies

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

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 entity 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.

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.

National Credit Regulator

Financial Statements for the year ended 31 March 2015

Accounting Policies

1.12 Employee benefits (continued)

Retirement benefits

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

1.13 Financial instruments

Financial assets at amortised cost

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

Financial assets at amortised costs have fixed or determinable payments and are initially recognised at fair value 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.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each end of the reporting period to determine whether there is objective evidence that as a result of one 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 issuer 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.

National Credit Regulator

Financial Statements for the year ended 31 March 2015

Accounting Policies

1.13 Financial instruments (continued)

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 amortised 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.

Financial liabilities

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

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

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

Offsetting of financial assets and liabilities

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

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 entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions.

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

1.15 Comparative figures

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

National Credit Regulator

Financial Statements for the year ended 31 March 2015

Accounting Policies

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 Irregular expenditure

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

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

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial year and which was condoned before year end and/or before finalisation of the financial statements will be also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end will be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements will be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority will be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account will be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register will also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto will remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.18 Budget information

The approved budget covers the fiscal period from 01 April 2014 to 31 March 2015.

The 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 financial statements.

Notes to the Financial Statements

Figures in Rand	2015	2014
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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:

- | | | |
|--|---------------|--|
| • GRAP 105: Transfers of functions between entities under common control | 01 April 2014 | No impact on financial results and disclosure. |
| • GRAP 106: Transfers of functions between entities not under common control | 01 April 2014 | No impact on financial results and disclosure. |
| • GRAP 107: Mergers | 01 April 2014 | No impact on financial results and disclosure. |

National Credit Regulator

Financial Statements for the year ended 31 March 2015

Notes to the Financial Statements

2. New standards and interpretations (continued)

• 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	No impact on financial results and disclosure.
• 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.

2.2 Standards and interpretations issued, but not yet effective

The following standards and interpretations have been published and are mandatory for the NCR's accounting periods beginning on or after 01 April 2015 or later periods but are not relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 18: Segment Reporting	01 April 2015	No impact on financial results and disclosure.

3. Receivables from exchange transactions

Removal of adverse credit information project-Dti	-	2 827 956
Deposits	118 330	118 330
Expenses prepaid	-	457 999
Other receivables	196 234	424 012
	314 564	3 828 297

4. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	3 000	3 000
Bank balances	29 996	29 893
Call account	35 961 116	38 462 592
	35 994 112	38 495 485

Cash and cash equivalents balances include amounts of R32,468,493 (2014:R24,066,697) which are held by the National Credit Regulator on behalf of third parties. These amounts have also been included in payables for non-exchange transactions.

National Credit Regulator

Financial Statements for the year ended 31 March 2015

Notes to the Financial Statements

Figures in Rand

5. Property, plant and equipment

	2015		2014	
	Cost / Valuation	Accumulated depreciation and impairment	Cost / Valuation	Accumulated depreciation and impairment
Computer equipment	6 199 865	(2 806 796)	3 393 069	(2 666 794)
Furniture and fittings	3 073 376	(1 527 087)	1 546 289	(1 322 454)
Leasehold equipment	67 678	(32 047)	35 631	(296 810)
Machinery	257 113	(244 258)	12 855	(244 258)
Office equipment	1 753 831	(720 257)	1 033 574	(544 376)
Leasehold improvements	2 131 673	(1 311 767)	819 906	(1 618 131)
Security equipment	1 295 589	(508 571)	787 018	(572 054)
ICT operational system	8 687 240	(1 406 646)	7 280 594	(468 882)
Total	23 466 365	(8 557 429)	23 136 774	(7 733 759)
				15 403 015

National Credit Regulator

Financial Statements for the year ended 31 March 2015

Notes to the Financial Statements

Figures in Rand

5. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Disposals	Transfers	Other changes, movements	Depreciation	Impairment loss	Total
Computer equipment	3 635 710	1 176 053	(88 788)	-	(474 336)	(765 630)	(89 941)	3 393 068
Furniture and fittings	1 557 149	384 419	-	-	-	(298 144)	(97 136)	1 546 288
Leasehold equipment	10 767	63 578	(3 597)	-	8 432	(43 549)	-	35 631
Machinery	12 855	-	-	-	-	-	-	12 855
Office equipment	844 141	385 735	(2 767)	-	6 254	(194 067)	(5 722)	1 033 574
Leasehold improvements	149 150	494 755	-	-	-	185 843	(9 842)	819 906
Security equipment	574 433	348 095	-	-	-	(125 560)	(9 950)	787 018
ICT operational system	8 618 810	-	-	(400 452)	-	(937 764)	-	7 280 594
	15 403 015	2 852 635	(95 152)	(400 452)	(459 650)	(2 178 871)	(212 591)	14 908 934

Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Disposals	Transfers	Other changes, movements	Depreciation	Impairment loss	Total
Computer equipment	4 040 999	931 444	(294 772)	-	-	(892 056)	(149 905)	3 635 710
Furniture and fittings	1 789 063	241 420	(119 192)	-	-	(292 668)	(61 474)	1 557 149
Leasehold equipment	52 678	4 099	-	-	-	(46 010)	-	10 767
Machinery	33 210	-	-	-	-	(20 355)	-	12 855
Office equipment	905 303	204 148	(47 379)	-	-	(191 365)	(26 566)	844 141
Leasehold improvements	560 428	347 383	-	-	-	(758 662)	-	149 149
Security equipment	530 836	160 315	-	-	-	(116 717)	-	574 434
ICT operational system	6 564 350	2 523 342	-	-	-	(468 882)	-	8 618 810
	14 476 867	4 412 151	(461 343)	-	-	(2 786 715)	(237 945)	15 403 015

National Credit Regulator

Financial Statements for the year ended 31 March 2015

Notes to the Financial Statements

Figures in Rand

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6. Intangible assets

	2015			2014		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	9 389 795	(3 507 321)	5 882 474	6 576 505	(1 670 010)	4 906 495
Human Resource System	1 543 424	(440 073)	1 103 351	1 543 424	(231 684)	1 311 740
Total	10 933 219	(3 947 394)	6 985 825	8 119 929	(1 901 694)	6 218 235

National Credit Regulator

Financial Statements for the year ended 31 March 2015

Notes to the Financial Statements

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6. Intangible assets (continued)

Reconciliation of intangible assets - 2015

	Opening balance	Additions	Disposals	Transfers received	Other changes, movements	Amortisation	Impairment loss	Total
Computer software	4 906 495	1 982 154	-	400 452	468 437	(1 874 119)	(945)	5 882 474
Human Resource System	1 311 740	-	-	-	-	(208 389)	-	1 103 351
	6 218 235	1 982 154	-	400 452	468 437	(2 082 508)	(945)	6 985 825

Reconciliation of intangible assets - 2014

	Opening balance	Additions	Disposals	Transfers received	Other changes, movements	Amortisation	Impairment loss	Total
Computer software	4 402 754	1 213 303	(99 654)	-	-	(609 908)	-	4 906 495
Human Resource System	881 677	661 747	-	-	-	(231 684)	-	1 311 740
	5 284 431	1 875 050	(99 654)	-	-	(841 592)	-	6 218 235

7. Amounts prepaid

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	4 286 378	5 386 417
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National Credit Regulator

Financial Statements for the year ended 31 March 2015

Notes to the Financial Statements

Figures in Rand	2015	2014
8. Payables from exchange transactions		
Trade payables	5 412 137	2 748 940
Accruals	3 061 582	5 526 596
Removal of adverse credit information project-DTI	172 044	-
	8 645 763	8 275 536

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.

9. Provisions

Reconciliation of provisions - 2015

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Provision for legal fees	178 228	-	(145 413)	(32 815)	-
Provision for bonuses	1 416 810	6 165 955	(5 975 004)	(102 586)	1 505 175
Other provision	-	1 499 775	-	-	1 499 775
	1 595 038	7 665 730	(6 120 417)	(135 401)	3 004 950

Reconciliation of provisions - 2014

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Provision for legal fees	3 027 994	147 838	(1 231 501)	(1 766 103)	178 228
Provision for bonuses	1 257 969	5 667 240	(5 372 409)	(135 990)	1 416 810
	4 285 963	5 815 078	(6 603 910)	(1 902 093)	1 595 038

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 matters.

Other provisions is due to a present legal obligation for which it is probable that the NCR will be required to settle the obligation but uncertain as to the timing. The provision relates to the invoices under dispute. Therefore uncertainty as to the timing of the said invoices.

Performance bonuses are payable annually on the 31 December. The provision value is based on performance evaluations as at 31 October each year.

National Credit Regulator

Financial Statements for the year ended 31 March 2015

Notes to the Financial Statements

Figures in Rand	2015	2014
10. Finance lease obligation		
Minimum lease payments due		
- within one year	31 635	10 656
- in second to fifth year inclusive	8 579	683
	40 214	11 339
less: future finance charges	(2 374)	(430)
Present value of minimum lease payments	37 840	10 909
Present value of minimum lease payments due		
- within one year	29 458	10 239
- in second to fifth year inclusive	8 382	670
	37 840	10 909

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

The contract lease term is 2 years and the average effective borrowing rate is 9.25% 2014 (8%). Ownership of the equipment is automatically transferred at the end of the lease term.

11. Commitments

Authorised capital expenditure

Already contracted for but not provided for

• Information Communication and Technology (ICT) system	12 061 896	13 434 107
• Human Resources system	468 313	768 817
	12 530 209	14 202 924

This committed expenditure will be financed 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 4 years.

Operating leases

Minimum lease payments due

Building	(4 941)	14 822
Billboard	2 394	2 394
	(2 547)	17 216

Operating lease commitments consists of leases for the office building and billboard. The building and billboard rental contracts escalate at 6.5% and 7% per annum respectively on the lease anniversary and both expire on the 30 April 2015.

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

Minimum lease payments due	Building	Billboard	Total
- Payable within one year	156 966	80 598	237 564

National Credit Regulator

Financial Statements for the year ended 31 March 2015

Notes to the Financial Statements

Figures in Rand

12. Other exchange revenue

Skills development levies recovered	127 558	132 558
Reimbursements	69 531	48 560
Proceeds from insurance claim	110 731	50 240
Proceeds from purchase of register of registrants	-	2 560
Proceeds from sale of tender documents	-	31 000
Proceeds from settlement of legal matters	-	643 411
	307 820	908 329

13. Investment revenue

Interest revenue

Bank	1 380 645	2 165 199
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14. Fee revenue

Application fees	364 000	313 750
Registration fees	23 670 970	22 354 271
Branch fees	5 604 955	5 873 471
National loans register fees	1 443 383	1 809 185
Replacement certificates	119 140	114 510
	31 202 448	30 465 187

15. Transfers

Operating grants

Transfer from the Department of Trade and Industry	68 845 000	60 691 000
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Operational activities

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

16. 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.

Learnership grant relates to grant from Bankseta for NCR learners.

Fair value adjustments relates to bringing assets in the assets register previously not in fixed assets register .

Prepaid amounts written off	880 908	669 823
Learnership Grant	176 000	78 000
Fair value adjustments on non-current assets	506 159	-
	1 563 067	747 823

17. Personnel expenditure

Salaries	60 452 653	50 707 073
Contributions to retirement fund	5 712 437	4 594 810
Medical aid contributions	1 967 268	1 630 180
Temporary staff	22 593	565 185
	68 154 951	57 497 248

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Notes to the Financial Statements

Figures in Rand	2015	2014
18. Operating expenses		
Professional fees	12 063 187	19 709 760
Consumer education	5 723 164	4 021 852
Stakeholder communication	1 214 589	2 067 099
Debt relief programme	3 245 072	4 236 489
	22 246 012	30 035 200
19. Finance costs		
Interest paid - Finance lease	4 211	5 321

National Credit Regulator

Financial Statements for the year ended 31 March 2015

Notes to the Financial Statements

Figures in Rand	2015	2014
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20. Administrative expenses

Premises and equipment	5 701 107	5 296 839
Communication costs	1 716 727	2 459 673
Information technology	2 446 039	2 795 366
General expenses	9 865 298	15 763 559
Recruitment	950 338	971 462
Training	922 623	1 768 337
Other staff costs	939 260	560 789
	22 541 392	29 616 025

General expenses comprise:

Audit fees	3 899 233	2 469 318
Bank charges	110 781	104 636
Board and Committee remuneration	117 384	146 337
Insurance	546 300	501 114
Loss on disposal of assets	95 152	212 273
Office costs	430	4 140
Bad debts	3 502 313	10 218 914
Subscriptions	75 373	107 451
Travel and accommodation	1 518 332	1 999 376
	9 865 298	15 763 559

21. Operating deficit

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

External audit fees (included in administrative expenses)	2 772 888	1 914 588
Board members fees - non-executive (included in general expenses)	117 384	146 337
Operating lease payments - Building (included in premises and equipment)	1 883 590	1 693 537
Operating lease payments - Equipment (included in premises and equipment)	682 056	630 730
Provision for bad debts (included in general expenses)	3 502 313	10 218 914
Loss on disposal of assets (included in general expenses)	95 152	212 273
	9 053 383	14 816 379
Impairment on property, plant and equipment	213 534	237 945
Amortisation on intangible assets	2 082 508	841 592
Depreciation on property, plant and equipment	2 178 871	2 786 713
Personnel expenditure	68 154 951	57 497 248

National Credit Regulator

Financial Statements for the year ended 31 March 2015

Notes to the Financial Statements

Figures in Rand	2015	2014
22. Cash generated from operations		
Deficit for the year	(14 122 499)	(26 042 507)
Adjustments for:		
Depreciation and amortisation	4 261 379	3 628 306
Finance costs	4 211	5 321
Impairment deficit	213 534	237 945
Movements in operating lease assets and accruals	(19 764)	(132 602)
Movements in provisions	1 409 912	(2 690 925)
Non-current assets written off	95 152	217 594
Fair value adjustments on non-current assets	(506 159)	-
Other non-cash items	(23 849)	-
Changes in working capital:		
Receivables from exchange transactions	3 513 733	(1 985 443)
Other receivables from non-exchange transactions	(708 160)	6 140 713
Payables from exchange transactions	370 227	(1 234 295)
Deferred government grants	-	(190 280)
Amounts prepaid	(1 100 039)	(160 888)
Payables from non-exchange transactions	8 401 796	24 066 697
	1 789 474	1 859 636

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Notes to the Financial Statements

Figures in Rand

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2014

23. Managements' emoluments

Executive management

2015

	Salary	Provident fund contributions	Travel allowance	Performance bonus	Medical aid	Total
N Motshegare	2 014 533	235 676	108 000	317 496	116 391	2 792 096
O Tongoane	1 640 871	176 513	36 000	237 793	-	2 091 177
F Malaza	1 104 948	-	-	-	-	1 104 948
Z Zwakala	147 276	14 166	-	-	-	161 442
A Mafuleka	387 667	43 333	24 000	-	-	455 000
L Mashapa	1 145 585	120 588	-	185 232	-	1 451 405
M Mudau	984 795	111 242	72 000	149 861	-	1 317 898
	7 425 675	701 518	240 000	890 382	116 391	9 373 966

2014

	Salary	Provident fund contributions	Travel Allowance	Performance bonus	Medical aid	Total
N Motshegare	1 794 575	222 336	108 000	333 504	98 449	2 556 864
O Tongoane	1 431 750	163 083	36 000	234 314	-	1 865 147
F Malaza	1 221 788	-	-	-	-	1 221 788
Z Zwakala	82 500	9 166	-	-	-	91 666
L Mashapa	1 001 352	111 261	-	148 671	-	1 261 284
M Mudau	855 013	103 001	72 000	160 594	-	1 190 608
	6 386 978	608 847	216 000	877 083	98 449	8 187 357

24. Impairment of assets

Impairments

Property, plant and equipment

The impairment loss in the current financial year relates to damaged and obsolete items of property, plant and equipment and intangible assets. The recoverable amount for these items has been estimated as RNil.

213 534 237 945

213 534 237 945

National Credit Regulator

Financial Statements for the year ended 31 March 2015

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25. 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
Telkom Limited	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

(Payables)/Receivables-Removal of adverse credit information	(172 044)	2 827 956
Transfer payments received	68 845 000	60 691 000

26. Fruitless and wasteful expenditure

There is no fruitless and wasteful expenditure identified during the year.

27. 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's 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.

31 March 2015

	Payable in less than 3 months	Payable in 3 to 12 months	Payable after one year	Total
Trade payables	8 645 763	-	-	8 645 763
Finance lease liabilities	4 910	24 549	8 381	37 840
	8 650 673	24 549	8 381	8 683 603

31 March 2014

	Payable in less than 3 months	Payable in 3 to 12 months	Payable after one year	Total
Trade payables	8 275 536	-	-	8 275 536
Finance lease liabilities	2 560	7 679	670	10 909
	8 278 096	7 679	670	8 286 445

National Credit Regulator

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27. Risk management (continued)

Credit risk

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

With regard to credit risk arising from the other financial assets, which comprise cash and cash equivalents, the NCR's exposure arises from a potential default of the counterparty where credit rating is constantly monitored, with a maximum exposure of R3,525,619 (2014: R14,428,788) 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	2015	2014
Other receivables	314 564	3 969 887
Trade receivables	786 160	-

MARKET RISK

Interest rate risk

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

The interest rate exposure analysis below have been determined based on the NCR's exposure to cash held with the bank on call and in the current account at the reporting date. A 50 (2014: 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	35 994 112	38 495 485
Less amounts held on behalf of third parties	(32 468 493)	(24 066 697)
	3 525 619	14 428 788

Fair values

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

National Credit Regulator

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28. Change in accounting estimate

During the period under review, management re-assessed the remaining useful lives of property, plant and equipment: leasehold improvements that had been fully depreciated (nil net book value). The revised remaining useful lives is 24 months for the leasehold improvements which is in line with current lease term. The effect of this revision has resulted in a decreased depreciation charge for the period under review and increased depreciation charge for the future periods by R529,915 (2014:nil)

The impact of the change in estimate is as follows:

Effect on statement of financial performance

Depreciation	(529 915)	-
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Effect on statement of financial position

Accumulated depreciation	529 915	-
	-	-

29. Receivables from non-exchange transactions

Trade debtors	786 160	-
Learnership grant	-	78 000
	786 160	78 000

Receivables from non-exchange transactions impaired

As of 31 March 2015, other receivables from non-exchange transactions of R 6 466 194 (2014: R 9,710,224) were impaired and provided for.

The ageing of these loans is as follows:

More than 3 months relating to the current year	-	9 710 224
More than 1 month relating to the current year	6 466 194	-

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

Opening balance	9 710 224	7 296 723
Provision for impairment	3 502 313	9 710 224
Amounts written off due to lapsing	(6 466 194)	(7 296 723)
	6 746 343	9 710 224

Reconciliation of trade debtors

Gross	7 252 354	9 710 224
Provision for bad debts	(6 466 194)	(9 710 224)
	786 160	-

30. Contingent liabilities and assets

There are no matters that would result in a contingent liability and assets in the year under review.

31. Irregular expenditure

There is no irregular expenditure identified during the year.



Finance, ICT and Procurement Department

NOTES

NOTES



No credit provider can cancel
your application for debt review
if the application is already in
Court or the Tribunal.

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