National Credit Regulator

Annual Report 2016/17

National Credit Regulator

HIGHLIGHTS

2006 NCR was established on 1 June 2006

2007 The National Credit Act34 of 2005 came into effect on 1 June 2007

2013 Amendment of the Credit Providers Code of Conduct to Combat Over-Indebtedness, the Debt Counsellors Code of Conduct for Debt Review and the Payment Distribution Agencies Code of Conduct for Debt Review

2014 The NCR establishes the Credit Industry Forum (CIF)

2014 The Removal of Adverse Consumer Credit Information and Paid-up Judgement Regulations published 26 February 2014 in Government Gazette no. 37386 under notice no. 114

2015 The National Credit Amendment Act 19 of 2014, passed on 13 March 2015

2015 Limitation on Fees and Interest Rate Regulations published 6 November 2015 in Government Gazette no. 39379 under notice no. 1080

2015 Introduction of the Affordability Assessment Regulations published on September 2015 in Government Gazette no. 38557 under notice no. 202

2016 Final Determination of Threshold for Credit Provider Registration published on 11 May 2016 in Government Gazette no. 3998 under notice no. 514

2016 Determination of Application, Registration and Renewal Fees 11 May 2016, in Government Gazette No. 3998 under Notice No.514

2017 Credit Life Insurance Regulations published on 9 February 2017 in Government Gazette no. 40606 under notice no. 103

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Wiseman Says
QAPHELA!
It's illegal to be charged retrenchment cover if you're unemployed.
NCR
www.ncr.org.za

PART

A

General Information

GENERAL INFORMATION

Executive Committeee
Seated from Left: Ms Ayanda Mafuleka, Ms Nomsa Motshegare
Standing from Left: Mr Lesiba Mashapa, Adv. Obed Tongoane

1.1 NATIONAL CREDIT REGULATOR GENERAL INFORMATION

Registered name

National Credit Regulator (NCR)

Registered office address

127 -15th Road

Randjespark

Midrand

1685

Postal address

P.O. Box 209

Halfway House

1685

Contact telephone number

Switchboard: 011 554 2600 / 2700

Toll Share:

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0860 NCR NCR

Email address

Complaints: complaints@ncr.org.za

Debt counselling complaints: dccomplaints@ncr.org.za

Enquiries: info@ncr.org.za

Website address

www.ncr.org.za

External auditor's information

Auditor-General of South Africa

300 Middel Street

New Muckleneuk

Pretoria

0001

1.2 LIST OF ACRONYMS

AA	Accounting Authority
ADRA	Alternative Dispute Resolution Agent
AGSA	Auditor-General of South Africa
ARMC	Audit and Risk Management Committee
BASA	Banking Association of South Africa
BBBEE	Broad-Based Black Economic Empowerment
CBA	Credit Bureau Association
CBDA	Cooperative Banks Development Agency
CBM	Credit Bureau Monitor
CCMR	Consumer Credit Market Report
CEO	Chief Executive Officer
CFO	Chief Financial Officer
COO	Chief Operations Officer
CIF	Credit Industry Forum
DCEO	Deputy Chief Executive Officer
dti	Department of Trade and Industry
DPSA	Department of Public Service and Administration
EE	Employment Equity
EXCO	Executive Committee
GRAP	Generally Recognised Accounting Practice
ICT	Information and Communication Technology
MFSA	Microfinance South Africa
MoU	Memorandum of Understanding
NCA	National Credit Act
NCAA	National Credit Amendment Act
NCC	National Consumer Commission
NCR	National Credit Regulator
NCT	National Consumer Tribunal
NDP	National Development Plan
PDA	Payment Distribution Agent
PFMA	Public Finance Management Act
SACRRA	South African Credit and Risk Reporting Association
SCM	Supply Chain Management
SMS	Short Message Service

DR ROB DAVIES, MP
MINISTER OF TRADE AND INDUSTRY

1.3 MINISTER'S FOREWORD

The National Credit Regulator (NCR) will be commemorating a decade of the implementation of the National Credit Act in June 2017. The NCR was established on 1 June 2006 and the Act came into effect on 1 June 2007. Over the past ten years the NCR has established itself as a Regulator with a focus on making consumer financial markets work better for the South African consumers to protect their interests. Through fair rules, appropriate compliance monitoring and enforcement of the law, and broad engagement of consumers and key stakeholders, the NCR has played a key role in the implementation of the NCA. This landmark legislation has played a critical role in regulating the credit landscape in South Africa, and in protecting the most vulnerable members of society from especially unscrupulous credit providers.

In order to plug gaps in the implementation of the Act and to further protect consumers in the consumer credit market, important legislative amendments were introduced and came into effect on 13 March 2015 (the National Credit Amendment Act 19 of 2014 (NCAA)). Regulations pertaining to the NCA which came into force in this financial year (2016-17) include the following: the Review on Limitations of Fees and Interest Rates - these regulations amend interest rates and fees that credit providers can levy on credit products, and this is expected to bring relief to over-indebted consumers; Determination of Threshold for Credit Provider Registration which introduced a new threshold for registration as a credit provider and the Determination of Application, Registration and Renewal Fees which introduced new fees payable by registrants.

The NCR spent considerable time in monitoring compliance with these regulations and the implementation of the NCAA in general, conducting consumer awareness and education campaigns and taking enforcement action where necessary. To this end, all the provinces were covered through compliance monitoring; multimedia campaigns in the form of radio and television interviews, newsprint, and community outreach programmes. Notably, the community outreach programmes in the form of "imbizos" were conducted jointly with Traditional Local Authorities in Ga-Dikgale (Limpopo Province), Duncan Village (Eastern Cape Province), Gopane and Mabiskraal (North West Province) as well as Matsulu and Lillydale (Mpumalanga Province). These imbizos were targeted at the most vulnerable members of society, particularly the elderly and other social grant beneficiaries.

Other highlights during the period include visible enforcement of the Act taken against Lewis Stores for the sale of loss of employment insurance as part of credit insurance to pensioners and self-employed consumers, and the sale of occupational disability insurance to pensioners and people with disabilities; Wesbank for alleged unlawful debt collection practices and other credit providers for various contraventions of the Act. Most of these have been referred to the National Consumer Tribunal. As a result of the crackdown on unregistered entities by the NCR, more than 1 000 credit providers were registered during the period. Two matters were referred to the High Court for declaratory orders: Diners Club Card administered by Standard Bank on behalf of Diners Club SA and the application of the common law principle of set-off on credit agreements.

I would like to commend the NCR for achieving an unqualified audit opinion with findings in the 2016/2017 financial year.

YEAR AHEAD

The year ahead will prove another very busy year for the NCR. It is very important that the NCR continues to effectively educate consumers, monitor compliance and enforce the Act, especially in respect of affordability assessment regulations, total cost of credit including credit life insurance, unregistered new entrants, and monitoring the effect of the cost of credit on consumers.

In closing, I would like to congratulate the NCR for ten years of effective and efficient delivery even though the levels of consumer over-indebtedness still pose a challenge. The NCR can be very proud of the positive difference that it has made in protecting consumers against unscrupulous players in the credit industry in general. The financial year 2017/2018 will bring with it new challenges which I have no doubt, the NCR Management Team, together with its employees will deal with them with the same vigour and commitment they demonstrated throughout the past year.

I commend the CEO, Executive Committee, Management and Staff for their sterling work.

I would also like to thank the Audit and Risk Management Committee for providing efficient oversight of the NCR.

Honourable Dr Rob Davies, MP
Minister of Trade and Industry
31 July 2017

MS NOMSA MOTSHEGARE
ACCOUNTING AUTHORITY AND CHIEF EXECUTIVE OFFICER

1.4 STATEMENT BY THE ACCOUNTING AUTHORITY

INTRODUCTION

2016/2017 has proved a very productive year for the NCR. The NCR has been working smartly and has achieved most of its targets for its strategic objectives.

HIGH-LEVEL OVERVIEW OF THE NCR'S STRATEGY AND PERFORMANCE

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

The NCR has developed a three-year Annual Performance Plan for the period 2016/17 to 2018/2019 and a five-year strategy for the period 2016/17 to 2020/21.

The NCR's strategy is aligned to the dti's achievement of Outcome 4, Decent Employment through inclusive growth. A stable and efficient financial sector, in which the credit market is a critical component, is vital for ensuring inclusive growth and employment creation.

The NCR's strategy focuses on:

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

The NCR has aligned its key performance areas with the strategic objectives and core themes of the dti. During the year under review, the NCR had to deliver against five strategic objectives. It has set outputs and targets for each of its twenty four (24) performance targets. Thirty eight (38) percent of targets was exceeded; 42 percent was achieved, 12 percent was partially achieved and 8 percent was not achieved. (More information is provided on pages 44 - 56).

STRATEGIC RELATIONSHIPS

Strategic relationships play a pivotal role in enabling the NCR to deliver on its mandate.

The NCR continues to strengthen strategic relations with its main stakeholders through the Credit Industry Forum (CIF), which it chairs. The CIF met on a quarterly basis. Stakeholders represented on the CIF identify and address operational difficulties associated with the implementation of the NCA on a consensual basis. The Forum continues to find solutions to industry challenges within the credit industry.

The Banking Association of South Africa (BASA), MicroFinance South Africa (MFSA), debt counselling associations, Payment Distribution Agents (PDAs), the Credit Bureau Association (CBA) and consumer representatives are represented on the CIF.

The NCR held regular meetings with industry associations, registrants, magistrates and local regulators, including the South African Reserve Bank. It also met with local and foreign investors.

COLLABORATION WITH OTHER REGULATORS

The NCR is a member of the African Consumer Protection Dialogue, facilitated by the Federal Trade Commission of the United States. The dti and local regulators, i.e. the NCR, National Consumer Tribunal, National Consumer Commission, Companies & Intellectual Property Commission and the National Regulator for Compulsory Specifications hosted the 8th African Consumer Protection Dialogue in August 2016. The dialogue was themed "Advancing Consumer Protection in Africa: Building Capacity and Stakeholder cooperation."

The goal of the conference was to share information on cross-border commercial activities that may affect consumer interests and to encourage cooperation among law enforcement agencies in Africa, the U.S. and the rest of the world. Countries from Africa represented included Senegal, Swaziland, Tanzania, Namibia, Botswana, Kenya, Seychelles, Malawi and Egypt.

The NCR also participated in quarterly cluster meetings of the Council of Trade and Industry Institutions (COTII). These meetings facilitate information sharing and the pooling of resources to work together as Regulators.

MEDIUM TO LONG-TERM GOALS

The NCA's primary purpose is to create a consumer credit market that is fair, transparent, and accessible, and also, 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;
- Implement efficient service delivery; and
- Improve compliance with the regulations (in respect of the amendments) and consumer protection.

COMMUNITY OUTREACH PROGRAMMES ('IMBIZOS')

NCR continued to conduct imbizos in partnership with Local Tribal Authorities in various provinces. The aim of these imbizos is to educate consumers on their rights and responsibilities in terms of the NCA, and they were mainly targeted at pensioners and other social grant recipients.

Imbizo at Ga-Dikgale Village in Limpopo Province

DEBT RELIEF PROGRAMME

NCR was tasked by the Portfolio Committee on Trade and Industry in the previous financial year to conduct a study on measures that could be introduced to assist over-indebted consumers in the country. A report on findings and recommendations was presented to the Committee in April 2016. Extensive consultations were undertaken with various stakeholders subsequently, and there have been further engagements with the Committee on the subject. The Committee will be drafting a bill at a later stage.

ACKNOWLEDGEMENTS

I would like to acknowledge the contribution of all NCR stakeholders in facilitating the implementation of the NCA. I would also like to express my sincere appreciation to the Honourable Minister, Dr Rob Davies, the dti, the Portfolio Committee on Trade and Industry and the Select Committee on Trade and International Relations for their guidance and support.

Lastly, I would also like to extend my sincere appreciation to the members of the Audit and Risk Management Committee for their support and guidance.

Ms Nomsa Motshegare
Accounting Authority
31 July 2017

1.5 CHIEF EXECUTIVE OFFICER'S OVERVIEW

GENERAL FINANCIAL REVIEW

For the 2016/17 financial year, the NCR had a final approved budget of R 127 183 606 (2016: R123 778 554). The NCR received R69 577 000 (2016: R66 899 044) in funding from the dti; this constituted 55% of the NCR's funding. The balance of R50 829 069 (2016: R40 499 230) was from registrants' fees and other income.

SPENDING TRENDS

The NCR utilised its budget as follows:

- Programme expenditure of R20 117 568 compared to R 17 160 705 for 2016;
- Personnel expenditure of R70 120 975 compared to R72 266 955 for 2016;
- Administrative and other expenditure of R28 660 444 compared to R24 769 011 for 2016;
- Capital expenditure of R6 328 596 compared to R2 815 338 for 2016.

SUPPLY CHAIN MANAGEMENT

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

CHALLENGES

The public sector, including the NCR, continues to operate under tight budget constraints. However, this did not impact on the NCR's delivery. The NCR found innovative ways to maximise delivery and cut costs. Examples include NCR legal advisors now defending matters at the NCT, and proposals submitted to the dti to supplement revenue by increasing registrants' fees. The dti has issued Regulations to this effect.

Going forward, the NCR will continue to emphasise cost-containment, and also, improve efficiencies in its operations.

EVENTS AFTER THE REPORTING DATE

The NCR is not aware of any events after the reporting date of 31 March 2017 that are likely to have a material impact on the NCR's financial results or operations.

NEW ACTIVITIES

The Limitations on Fees and Interest Rate Regulations came into effect on 6 May 2016 and the new threshold for registration of credit providers came into effect on 11 November 2016. The NCR's main focus during the period was on creating awareness around the new legislation and educating consumers and credit providers on the provisions.

ECONOMIC VIABILITY

The NCR derives its income from the transfers from the dti and registrants' fees. These sources of income ensure the entity's financial viability. The requirement that all credit providers, PDAs and ADRAs register with the NCR has generated additional revenue.

AUDIT REPORT MATTERS

Due to prudent financial management and good corporate governance practice, the NCR obtained an unqualified audit opinion with findings during the year under review.

ACKNOWLEDGEMENTS

My sincere thanks to Honourable Members of the Portfolio Committee on Trade and Industry, Honourable Members of the Select Committee on Trade and International Relations, the Honourable Minister of Trade and Industry - Dr Rob Davies, Director-General - Mr Lionel October, Group Chief Operations Officer - Ms Jodi Scholtz and the Acting Deputy Director-General - Mr MacDonald Netshitenzhe for their continued support and guidance.

Nomsa Motshegare
Chief Executive Officer
31 July 2017

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 2017.

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

In my opinion, the Annual Report fairly reflects the operations, the performance information, the human resources information and the financial affairs for the financial year ended 31 March 2017.

Ms Nomsa Motshegare
Chief Executive Officer
31 July 2017

1.7 STRATEGIC OVERVIEW

The NCR has five strategic objectives:

- To promote responsible credit granting;
- To protect consumers from abuse and unfair practices in the consumer credit market and address over-indebtedness;
- To enhance the quality and accuracy of credit bureau information;
- To improve the NCR's operational effectiveness; and
- To ensure effective implementation of the National Credit Act as amended (NCA).

The NCR delivers against these strategic objectives by:

- Registering credit providers, credit bureaus, debt counsellors, Payment Distribution Agents (PDAs), and Alternative Dispute Resolution Agents (ADR agents) and monitoring their conduct;
- Educating and creating awareness around the protection that the NCAA offers to consumers;
- Researching the credit market and its trends, monitoring access to credit and the cost of credit to identify factors that may undermine access to credit, competitiveness in the credit market and consumer protection;
- Advising government on policy and legislation;
- Receiving and investigating complaints and ensure that consumer rights are protected; and
- Enforcing the NCAA and taking action where contraventions are identified.

VISION

The NCR's vision is:

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

MISSION

The NCR's Mission is:

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

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

VALUES

The following four values inform everything that the NCR does:

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

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

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

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

1.8 LEGISLATIVE AND OTHER MANDATES

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

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

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

The NCR enforces the provisions of the NCA by:

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

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

- Implementing education and information measures to develop public awareness of the provisions of the NCA;
- Providing guidance to the credit market and industry;
- Monitoring socio-economic patterns of consumer credit activity within the Republic;
- Conducting reasonable periodic audits of registered credit providers in respect of historical data relative to credit applications and credit agreements;
- Monitoring trends in the consumer credit market and industry;
- Reviewing legislation and regulations, and reporting to the Minister concerning matters related to consumer credit.

The NCR promotes public awareness around consumer credit matters by:

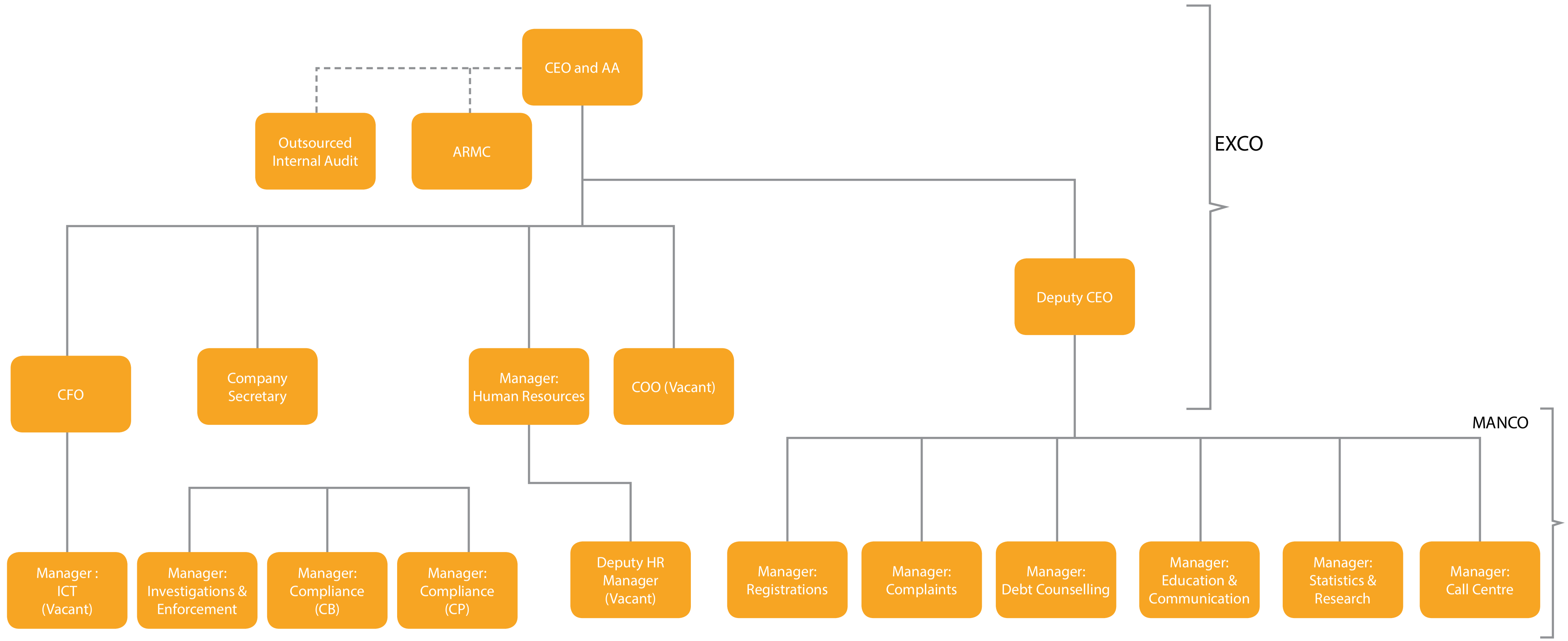
- Implementing education and information measures.

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

EXECUTIVE TEAM

1.9 ORGANISATIONAL STRUCTURE

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



PART

B

Performance Information

NCR Management Team
Bottom Row from left to right: Ms M Senyarelo, Ms M Matlosa, Ms M Ramapala, Ms T Mudau
Top Row from left to right: Mr Z Mngqundaniso, Ms A Magrath, Mr N Mabeba, Ms K Legodi
(Absent: Ms J Peters, Manager: Investigations and Enforcement)

PART B: PERFORMANCE INFORMATION

2.1 AUDITOR-GENERAL'S REPORT: PREDETERMINED OBJECTIVES

The Auditor-General of South Africa performs the necessary audit procedures on performance information to provide reasonable assurance in the form of an audit conclusion. The Report on other legal and regulatory requirements is provided in the Auditor-General's Report on page 79 of this report.

2.2 SITUATIONAL ANALYSIS

Service delivery environment

The prevailing economic climate impacts directly on the NCR's service delivery. Economies globally were characterised by slow growth, subdued investment and stagnant global trade.

The economic climate in South Africa was very challenging; persistent drought drove up food prices, and inflation has been rising steadily. The South African economy contracted an annualised 0.3% in the three months to December 2016. Growth prospects in the short-term are bleak: the South African Reserve Bank forecasted 0% for 2016, 1.1% for 2017 and 1.5% for 2018.

Whenever economic growth is sluggish, the number of over-indebted consumers increases. The NCR recognised the importance of rigorous enforcement of the NCA to ensure that vulnerable consumers were not exploited.

The NCR's service delivery environment is complex. An on-going challenge emanates from the fact that the credit market is constantly evolving with alternative consumer lending options on offer. These need to be monitored very carefully, and loopholes in legislation closed where necessary. The NCR continues to monitor the new credit products and advertising methods to ensure that consumers are not lured into debt traps.

Organisational environment

The internal operating environment was very stable throughout the period. The NCR retained its key staff.

In addition, a Service Delivery Improvement Plan was developed and incorporated into the NCR's Business Plan. This is expected to improve efficiencies in service delivery.

Funding is an on-going challenge for the NCR. The NCR was very proactive and introduced various innovations and cost-cutting measures. As a result, it was able to deliver against its Strategic Plan.

Key policy development and legislative changes

The NCR's primary focus during the period was on ensuring compliance with the new regulations, particularly the Limitation on Fees and Interest Rate Regulations, the new Determination of Threshold for Credit Provider Registration of R0 (nil), and compliance with the Affordability Assessment Regulations, which were introduced the previous year.

2.3 STRATEGIC OUTCOME ORIENTATED GOALS

The NCR's six (6) outcomes and nine (9) outputs are aligned to five (5) strategic objectives. During the period under review, the NCR exceeded targets or achieved most of its targets. More information is available on page pages 44 - 56 of this report.

2.4 PERFORMANCE INFORMATION BY ACTIVITY

Performance Area: Registrations

Mr Zolile Mngqundaniso
Manager: Registrations

The NCR registers credit providers, credit bureaus, debt counsellors, ADR agents and PDAs. It is also responsible for lapsing registrations where renewal fees are not paid, maintaining the register of registrants and managing the payment of annual registration fees.

As at 31 March 2017, approximately 5 591 credit providers with 37 608 branches, 14 Credit Bureaus, 3 Payment Distribution Agents, 4 Alternative Dispute Resolution Agents and 2 000 debt counsellors were registered with the NCR.

Registrations

A new threshold for credit provider registration came into effect on 11 November 2016. This requires every credit provider to register with the NCR. Previously only credit providers with at least 100 credit agreements or a principal debt in excess of R500 000 were required to register with the NCR.

In terms of section 134A read with Regulation 10B of the NCAA, the NCR is now empowered to register Alternative Dispute Resolution (ADR) agents.

Only ADR agents registered with the NCR are authorised to resolve consumer complaints under credit agreements, provided the complaints do not involve credit providers, who are financial institutions, as defined in the Financial Services Ombud Scheme Act 37 of 2004.

Notice No.514, Government Gazette No.3998 wherein the Minister of Trade and Industry published the final Regulations on the Determination of Application, Registration and Renewal Fees was issued on 11 May 2016. The Minister also determined 31 July as the new date for the renewal of registration for all registrants.

The ability to locate, regulate and monitor credit providers, will enable the NCR to get rid of unscrupulous credit providers, curb reckless lending, promote responsible credit lending and borrowing, and reduce over-indebtedness.

Challenges

One of the challenges was to ensure registrants paid their renewal registration fees on time.

Highlights

The seamless registration of previously unregistered credit providers was a highlight. More than 1 000 credit providers were registered during this current financial year.

Year ahead

In the year ahead, focus will be on ensuring that the registration renewal fees are paid on time, aligning all the registrants to the 31 July renewal date, and registration of Reseller Credit Bureaus.

REGISTRATION TEAM

Performance Area: Credit Provider Compliance

Ms Mmabatho Senyarelo
Manager: Compliance (Credit Bureau).

This entails monitoring of credit providers registered with the NCR for compliance with the NCA and their conditions of registration.

Over 5 000 credit providers are currently registered.

Submissions

In terms of Regulations 62-68 of the NCA, annual submissions are received from credit providers. The Regulations detail the documentation credit providers must submit as well as the due dates. Documentation includes annual financial statements, Compliance Reports, and Assurance Engagement Reports. These documents are analysed to ensure compliance with the NCA.

Compliance monitoring

Budget constraints have compelled the NCR to become more creative. As part of its cost-savings drive, desktop compliance monitoring was introduced. Previously, on-site visits were undertaken to monitor compliance.

Desktop monitoring entails randomly selecting credit providers in various provinces and then requesting them to submit all relevant documents required for the evaluation to ensure compliance with the NCA.

Compliance monitoring is informed by a number of factors, such as complaints received by the NCR, statistical trends, statutory reports and media reports.

In addition to the above, in order to ensure that the new amendments to the NCA were being implemented by credit providers, compliance monitoring also focused on the Affordability Assessment Regulations and the total cost of credit. In cases where contraventions are found, enforcement action is taken.

Highlights

One of the highlights was a refund to consumers amounting to just over R101 million.

Year ahead

Monitoring of compliance with Credit Life Insurance Regulations will be the main focus area.

COMPLIANCE TEAM

Performance Area: Credit Bureau Compliance

Ms Alison Mcgrath
Manager: Compliance (Credit Bureau)

This focuses on credit bureau compliance with the NCA and their conditions of registrations.

On-going compliance requirements

All credit bureaus that receive full file consumer credit data are obliged to have a Compliance function that ensures that monitoring of the provisions of the NCA is conducted continuously in accordance with the agreed Compliance Monitoring Framework which includes each section of the NCA that credit bureaus need to comply with.

Credit bureaus are provided with specific compliance areas for reporting to the NCR on a bi-annual basis. For example, in the first six months of the year, emphasis was placed on compliance with the provisions of Regulation 18 (4) to ensure that consumer credit information is accessed for prescribed purposes, and Regulation 19 (12), which deals with ensuring that consumer records are accessed in relation to positions requiring honesty in dealing with cash or finances and that the job descriptions of such positions are clearly outlined.

On-going reporting requirements

Credit bureaus provide compliance reporting by annually submitting a Form 43 Audited Compliance report and by providing quarterly Form 44 submissions. The information submitted in the Form 44 reports is used for the NCR's statistical reporting.

Guidelines and circulars

Circular 023 of October 2016: Circular 023 requires any reseller or on-seller of credit bureau information to register as a reseller credit bureau. Typically reseller credit bureaus are credit bureaus who in terms of the requirements of section 43 of the NCA receive reports containing consumer credit information, other than information that is in the public domain, issue reports with these information for a fee and on-sell consumer credit information without storing it. The reseller credit bureau applications for registration were reviewed.

The key focus in registering reseller credit bureaus is to check that they have the correct level of IT systems and security, and also to check that every person who accesses consumer credit information via a reseller credit bureau does so for a permitted purpose as set out in Regulation 18(4).

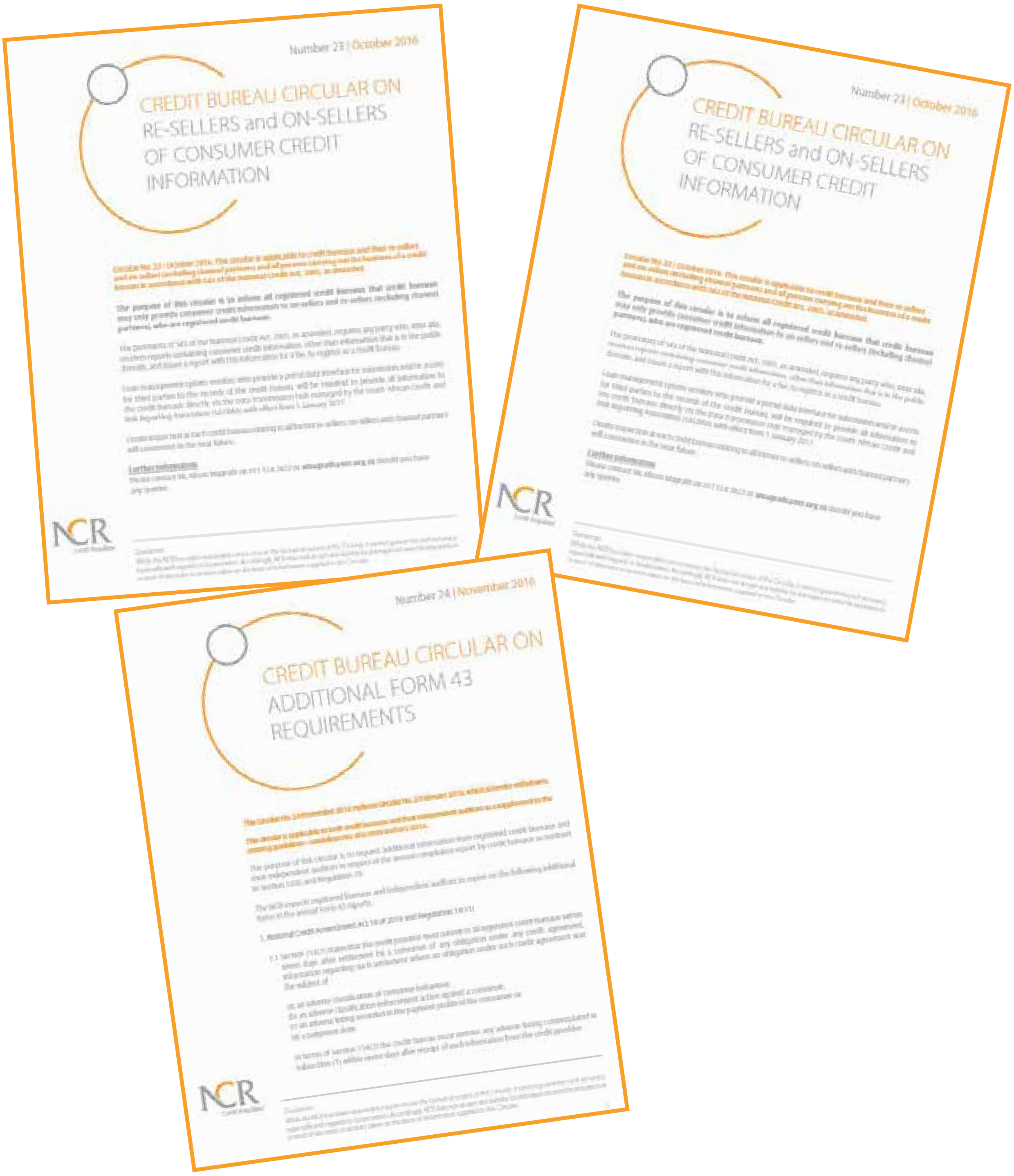
Circular 024 of November 2016: Circular 024 provided for additional audit requirements to be performed by credit bureaus and their auditors in relation to the Form 43 Annual Audit. The additional requirements covered amendments made to the NCA in the preceding year which credit bureaus were additionally obliged to comply with.

The year ahead

In the year ahead, emphasis will be placed on ensuring that information flowing into the credit bureaus, out of the credit bureaus, information held in the records of the credit bureaus and information disputed by a consumer is carefully monitored. Guidelines and circulars will be issued to remind credit bureaus of their obligations in terms of the NCA.

Guideline in terms of Regulation 19(13)

The NCR has been working towards issuing a Guideline in terms of Regulation 19(13). In terms of Regulation 19 (13), the NCR is obliged to prescribe the manner and form in which credit providers must submit consumer credit information to credit bureaus by way of a Guideline and amended Conditions of Registration. The NCR has been working closely with the South African Credit and Risk Reporting Association ("SACRRA") to ensure that it uses industry standards and mechanisms that are already in place. The Guideline will prescribe fees payable by all industry players for the use of the current industry mechanisms. This Guideline will fundamentally alter the manner in which consumer credit information is submitted to the credit bureaus by all industry players.



Performance Area: Education and Communication

Ms Mpho Ramapala
Manager: Education and Communication

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

A number of consumer education campaigns and projects in partnership with various stakeholders were conducted.

Education

More than 400 workshops and over 90 exhibitions, activations and roadshows aimed at educating consumers were undertaken.

The NCR continues to work very closely with local Tribal Authorities in rural areas. Community outreach programmes (Imbizos) were held in various provinces.

The imbizos targeted pensioners and other recipients of social grants residing primarily in rural areas as they normally fall victim to loan sharks. The NCR is very cognisant of the importance of consumer education, particularly in remote, rural areas as these stakeholders are particularly vulnerable to mashonisas (loan sharks), who unlawfully keep their identity books, SASSA cards, bank cards and pins. They also charge exorbitant fees and interest rates.

By building strong relationships with various stakeholders, the NCR can reach many more consumers. In line with its Memorandum of Understanding (MOU) with the Department of Public Service Administration (DPSA) and the relationship with Credit Bureau Association (CBA), the NCR held nine events. The DPSA organised these events with various government departments to educate their employees about their rights and responsibilities in terms of the NCA with specific focus on "know your credit status".

The NCR signed a MOU with Co-operative Banks Development Agency (CBDA) in February 2017. The purpose of the MOU is to provide a framework of cooperation between NCR and CBDA and to enable CBDA as a regulator to strengthen its existing compliance and financial wellness programmes through the provision of financial consumer education to Co-operative Financial Institutions (CFIs) employees, board members and general members. This project will provide the NCR with a platform to address this audience with limited cost implications.

The NCR ran several consumer education campaigns during the year under review. These included Youth Month, "Spend wisely, Borrow wisely," Consumer Rights Month and misleading advertising in partnership with the dti.

The NCR ran the Consumer Rights campaign themed "Consumer Rights in the Digital Age" in partnership with the National Consumer Commission (NCC) and the dti.

The campaign was multi-phased and comprised adverts on 26 radio stations, 2 billboards and 217 transit TV flightings at taxi ranks in Limpopo, North West, Gauteng, Free State, Mpumalanga, KZN, Eastern Cape and Western Cape Provinces. In addition, two outside broadcasts were conducted in North West and Limpopo Provinces.

The campaign educated consumers about the NCR's and the NCC's respective roles and consumer rights under the NCA and Consumer Protection Act (CPA). The main message to consumers was that they need to refer credit-related complaints to the NCR and product-related complaints to the NCC.

Communication

2016/2017 was a bumper year for media coverage. The NCR obtained the equivalent of R254 million in media coverage compared to R234 million in the previous financial year. The NCR was featured in 456 radio/television interviews and newsprint about the amendment of the NCA, deceptive and unfair practices and various other issues relating to consumers rights and responsibilities in terms of the NCA. Particularly noteworthy was the continued support from community radio stations in the form of free weekly interview slots which have enabled the NCR to broaden and deepen its rural footprint.

The NCR secured free weekly slots on the following Community and University radio stations: Sefako Makgatho University FM, Energy FM, Mogale FM, Qwaqwa FM, Radio Zeerust, Lekoa Community Radio, Hlanganani FM, Greater Tzaneen FM, Unisa FM and Naledi Community Radio.

The year ahead

In the year ahead, the NCR will endeavour to increase the number of slots and community radio stations.

NCR consumer education events

EDUCATION AND COMMUNICATION TEAM

Performance Area: Complaints

Ms Takalani Mudau
Manager: Complaints Department

The NCR receives complaints about alleged contraventions of the NCA and resolves them accordingly.

During the past financial year, the NCR received approximately 76 000 telephone calls and more than 8 000 written enquiries through its call centre.

In the same year, more than 5 000 complaints were received and 86% thereof was resolved. Approximately R2 million in refunds to consumers were secured.

Workshops

Several workshops were held with credit providers and consumers. Due to an increase in complaints lodged by third parties on behalf of consumers, the emphasis was placed on raising awareness on the correct format of lodging complaints.

Regular engagements were held with the Banking Ombudsman, Credit Ombudsman, provincial consumer protection offices and other regulatory bodies.

Year ahead

The Service Delivery Improvement Plan (SDIP) was developed, approved and it will be implemented in the year ahead. During the year under review, the NCR also conducted customer service evaluation at the Call Centre. Recommendations will be implemented in the year ahead. The short message service (SMS) has also been improved.

Consumers who cannot access emails or faxes to lodge complaints will be able to do so by SMS. Consumer awareness will be created regarding this facility.

COMPLAINTS AND CALL CENTRE TEAM

Performance Area: Investigations and Enforcement

Ms Jacqueline Peters
Manager: Investigations and Enforcement

All alleged contraventions of the NCA are investigated and enforcement action is taken where necessary.

The focus was mainly on misleading advertising. These advertisements, which typically target "blacklisted" consumers and offer credit without undertaking any credit checks. The NCR embarked on an exercise to physically remove these advertisements at taxi ranks and lamp posts and took relevant enforcement action against the perpetrators.

The NCR also engaged with Google to remove these adverts from its platform. Google undertook to implement a framework to prevent credit providers from advertising using unlawful phrases such as "blacklisted welcomed", "no credit checks required" and others. The NCR will continue to work closely with Google to ensure that unlawful adverts are removed.

Raids

Numerous raids were conducted on microlenders, who retain consumers' bank cards and identity documents, in the Gauteng, Free State, Limpopo, and the Northern Cape Provinces. Bank cards and ID books were retrieved and arrests effected.

ID books and bank cards retrieved from raid in Theunissen in the Free State Province

Enforcement

In the financial year, the NCR referred 39 entities to the NCT and High Court for various contraventions of the NCA.

The so-called "Pawn your car and still drive it" scheme came under the spotlight. The NCR conducted an investigation into Allied Capital after receiving numerous consumer complaints about the scheme.

The NCR's investigations revealed that the transactions concluded by Allied Capital under this scheme were simulated credit transactions and in breach of the NCA. The NCR referred this case to the NCT to have the scheme declared illegal.

The NCR further referred Wesbank to the NCT for alleged breaches of the NCA following an investigation into its debt collection practices, which were found to be in breach of the NCA.

The NCR, referred Lewis Stores Ltd (Lewis Stores) and Monarch Insurance Company Ltd (Monarch) to the NCT last year. The issues which were uncovered during an investigation related to the sale of loss of employment insurance as part of credit insurance to pensioners and self-employed consumers and the sale of occupational disability insurance to pensioners and people with disabilities.

The NCT judgement which was granted in the year under review, agreed with the NCR's submissions and has: interdicted Lewis Stores from engaging in this conduct in future; ordered that an independent audit be conducted on all credit agreements entered into by Lewis Stores since 2007; and ordered that all affected consumers, identified in the audit, be reimbursed the premiums paid for this insurance.

Lewis Stores has since appealed the judgement of the NCT to the High Court.

Highlights

The NCR has approached the High Court for two Declaratory Orders relating to: **a)** The common law principle of set-off. The NCR sought an order declaring that the common law principle of set-off which entitles a credit provider to take a consumer's money that is held by that credit provider in any account to settle a debt owed by that consumer to that credit provider in case of a default, has been changed by the NCA. **b)** Diners Club. The NCR also sought an order declaring that the Diners Club agreement concluded with consumers and which is administered by Standard Bank on behalf of Diners Club (SA) is a credit agreement as defined in section 8 (4) of the NCA.

The year ahead

In the year ahead, the NCR will continue to conduct raids, focusing on unregistered credit providers. It will also focus on the pawnbroking industry and unlawful debt enforcement practices.

Performance Area: Debt Counselling

Ms Kedilatile Legodi
Manager: Debt Counselling

The primary function of this area is monitoring compliance of Debt Counsellors (DCs) and Payment Distribution Agents (PDAs) with the NCA and the conditions of registration.

Impact of the Amendments

The amendments to the NCA in 2015 brought about significant changes to the debt counselling landscape which were notable in the period under review. The following amendments had a positive impact on the implementation of debt counselling as a debt relief measure: sections 71; 86(2); 86(10); and 44A.

Section 71: The amendment to section 71 of the NCA makes provision for consumers to be issued with a clearance certificate within seven (7) days of settling in full all short-term credit agreements listed in the debt counselling court order. Prior to this amendment, consumers with long-term credit agreements such as the home loan could not be removed from the debt counselling process until all debts, including the home loan, have been settled in full. As a result, consumers remained under debt counselling for years after their short-term debts had been repaid.

This amendment has made it possible for consumers to access the credit market as soon as all short-term debts have been repaid. The impact of this was noted in the increased number of clearance certificates issued during the period under review.

	April	May	June	July	August	September	October	November	December	January	February	March
Clearance certificates issued(cumulative) 2016/17	15,413	16,104	16,461	17,590	19,536	22,373	26,147	30,774	35,989	42,078	49,147	57,252
Clearance certificates issued(cumulative) 2015/16	8,839	9243	9709	10212	10678	11302	12055	12505	12921	13486	14123	14760
Clearance certificates issued(cumulative) 2014/15	5017	5238	5544	5835	6139	6457	6797	7072	7363	7644	8022	8408

Section 86 (2)

Following amendments to section 86 (2) of the NCA, consumers are now able to apply for debt counselling and include credit agreements which would previously have been excluded and handed over for legal enforcement. Prior to this amendment, consumers could not include a credit agreement in terms of which the credit provider had issued a section 129 notice (required procedure before debt enforcement). These credit agreements are now included in the debt counselling application.

This amendment has given consumers an opportunity to remedy their financial distress through debt counselling.

Section 86 (10) (b)

Amendments to section 86 (10) (b) of the NCA prohibit a credit provider from removing a credit agreement from debt counselling if the DC has already filed an application to the Magistrate's Court or the National Consumer Tribunal even after the 60 days have lapsed.

This amendment provides further protection to consumers under debt counselling whose matters are pending at the courts even after the lapse of the 60 days provided for in the NCA. Since the court process is beyond the DC's control, consumers are no longer prejudiced by being removed from debt counselling by credit providers after 60 days have lapsed for as long as they make reduced payments as proposed by their DCs.

Section 44A

The amendment formally recognises the important role played by PDAs. In terms of section 44A, it became a legislative requirement for PDAs to register with the NCR. Section 44A also stipulates that credit providers cannot be a business partner of PDAs.

Compliance Monitoring

Debt Counsellors

DCs are expected to comply with the NCA and the conditions of registration when carrying out the debt counselling process. To monitor, assess and determine the level of compliance, the NCR followed two compliance monitoring approaches. The first, desktop compliance monitoring, is a remote/off-site monitoring mechanism; 566 DCs were monitored via desktop compliance monitoring. The second, on-site compliance monitoring consists of visits to the DCs' places of business. During the year under review, 281 on-site compliance monitoring visits were conducted.

Payment Distribution Agents

Compliance monitoring of PDAs are undertaken through monthly analysis of the reports, audits by an external service provider and compliance monitoring visits by the NCR.

All three (3) registered PDAs were audited twice during the 2016/2017 financial year by an external service provider and compliance monitoring visits per registered PDAs were conducted four (4) times. The compliance monitoring visits are usually conducted to monitor progress in terms of the implementation of corrective measures from the audit findings and to conduct general compliance checks.

Debt counselling workshops

Eight (8) provincial Debt Counselling workshops were conducted by the NCR for debt counsellors.

Stakeholder Engagements

The NCR maintains an improved stakeholder engagement framework by engaging with various stakeholders such as credit providers, industry associations, credit bureaus and PDAs. These engagements are aimed at building good working relations through robust discussions to raise and address issues of concern, achieve common understanding, clear any misinterpretations, create and promote uniformity and create awareness of the latest industry developments. During the period under review, 78 engagements were held with various stakeholders.

The Credit Industry Forum (CIF) is another platform with various industry representatives intended at improving, enhancing and providing clarity on different operational aspects within the credit industry.

The NCR has commenced discussions with the University of South Africa (Unisa) to assist in the development of a debt counselling qualification that will be offered via long distance learning, with added modules related to the debt counselling profession. The NCR views the development of a formal qualification in debt counselling as a very positive development and one which augurs well for the industry.

Magistrates play an important role in enforcing the NCA. The NCR continuously engages with various magistrate clusters in South Africa. The purpose is not to influence their interpretation of the NCA, but to assist them gain a better understanding of the debt counselling process.

Engagements were also held with various provincial Law Societies. This process enabled the NCR to discuss issues relating to the court process undertaken by attorneys dealing with debt counselling matters as well as the conduct of some attorneys. Attorneys are now aware of the fact that the NCR and Law Societies are working together to improve the understanding of the debt counselling process, to protect the interest of consumers as well as to monitor compliance and conduct.

Disbursements to credit providers

For the period under review, the PDAs disbursed a total amount of R8.5 billion to credit providers and a cumulative of R34.11 billion since inception.

The year ahead

The NCR will continue to focus on getting the DCs to improve their levels of compliance with the NCA and conditions of registration by strengthening its compliance monitoring function and taking enforcement action where necessary.

To improve the implementation and efficacy of debt counselling, numerous projects will be undertaken to address operational challenges, and create and promote uniformity in the industry.

DEBT COUNSELLING TEAM

Performance area: Statistics and Research

Mr Ngoako Mabeba
Manager: Statistics and Research

In this area there is collation and analysis of consumer credit data relating to credit providers, debt counsellors, credit life insurers and credit bureaus. Research is also undertaken as outlined in the NCA.

The Consumer Credit Market Report (CCMR) and Credit Bureau Monitor (CBM) are the final products of the National Credit Regulator's (NCR) collation of Credit Provider and Credit Bureaus respective data that are published on a quarterly basis. A variety of stakeholders, including government, credit providers, industry analysts, investors, researchers and decision makers make use of these reports.

CCMR overview

The CCMR covers data that incorporates 95% of the total credit market. All credit providers whose annual disbursements exceed R15 million are required to complete and submit the statistical return (Form 39) on a quarterly basis. Credit providers whose annual disbursement falls below the R15 million annual thresholds submit their statistical returns once a year. The report details the data emanating from the credit providers about credit granted (flow) and outstanding loans (stock). The CCMR is one of the tools that enables the NCR to measure levels of credit extension and consumer indebtedness.

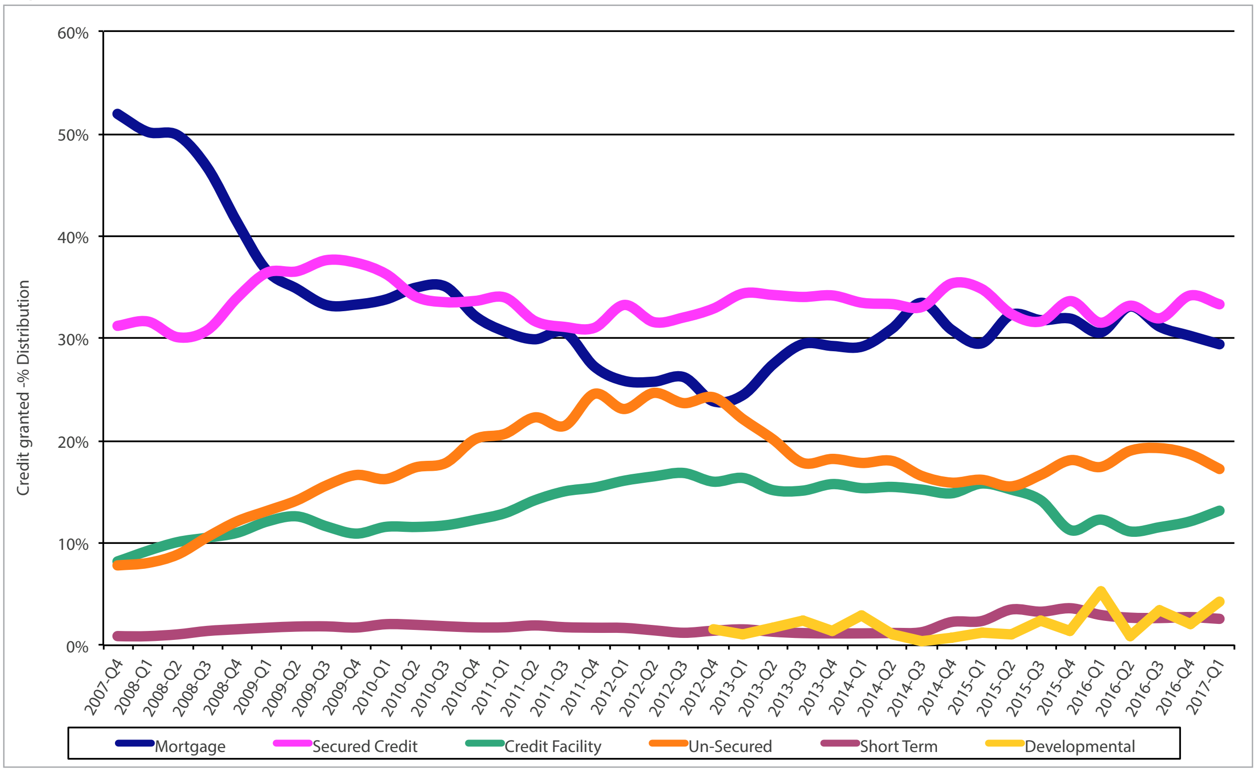
Total consumer credit in South Africa amounted to R1.71 trillion as at March 2017; it represents an increase of 3.04% year-on-year and an increase of 1.00% on a quarter-on-quarter basis. Mortgages increased by 2.40% and by 1.00% on year-on-year and quarter-on-quarter basis respectively. Secured credit (dominated by motor vehicle finance) increased by 5.10% year-on-year and by 1.16% quarter-on-quarter. Unsecured credit increased marginally by 0.35% on year-on-year and by 0.67% quarter-on-quarter.

Credit facilities increased by 2.00% year-on-year and by 0.95% on a quarter-on-quarter basis. Developmental credit increased by 17.03% year-on-year and by 1.58% quarter-on-quarter. Short-term credit declined significantly by 13.73% year-on-year and by 9.22% quarter-on-quarter. All credit types experienced positive year-on-year and quarter-on-quarter growth with the exception of Short Term.

Figure 1 Gross debtors book

Agreements	2016-Q1 R000	2016-Q2 R000	2016-Q3 R000	2016-Q4 R000	2017-Q1 R000	2017-Q1 % Distribution	% Change (Q1/Q4)	% Change (Y/Y)
Mortgages	863,372,793	866,070,424	867,252,540	875,294,487	884,058,970	51.74%	1.00%	2.40%
Secured credit	370,506,281	374,586,638	379,052,289	384,923,862	389,388,153	22.79%	1.16%	5.10%
Credit facilities	219,202,997	218,996,856	217,909,982	221,474,817	223,578,067	13.09%	0.95%	2.00%
Unsecured credit	165,164,069	162,722,321	163,168,262	164,640,467	165,744,844	9.70%	0.67%	0.35%
Short-term credit	3,091,250	3,032,471	2,828,860	2,937,781	2,666,933	0.16%	-9.22%	-13.73%
Developmental Credit	36,885,125	37,882,941	41,344,465	42,494,802	43,164,963	2.53%	1.58%	17.03%
Total	**1,658,222,516**	**1,663,291,651**	**1,671,556,397**	**1,691,766,215**	**1,708,601,930**	**100.00%**	**1.00%**	**3.04%**

Figure 2: Disbursement distribution



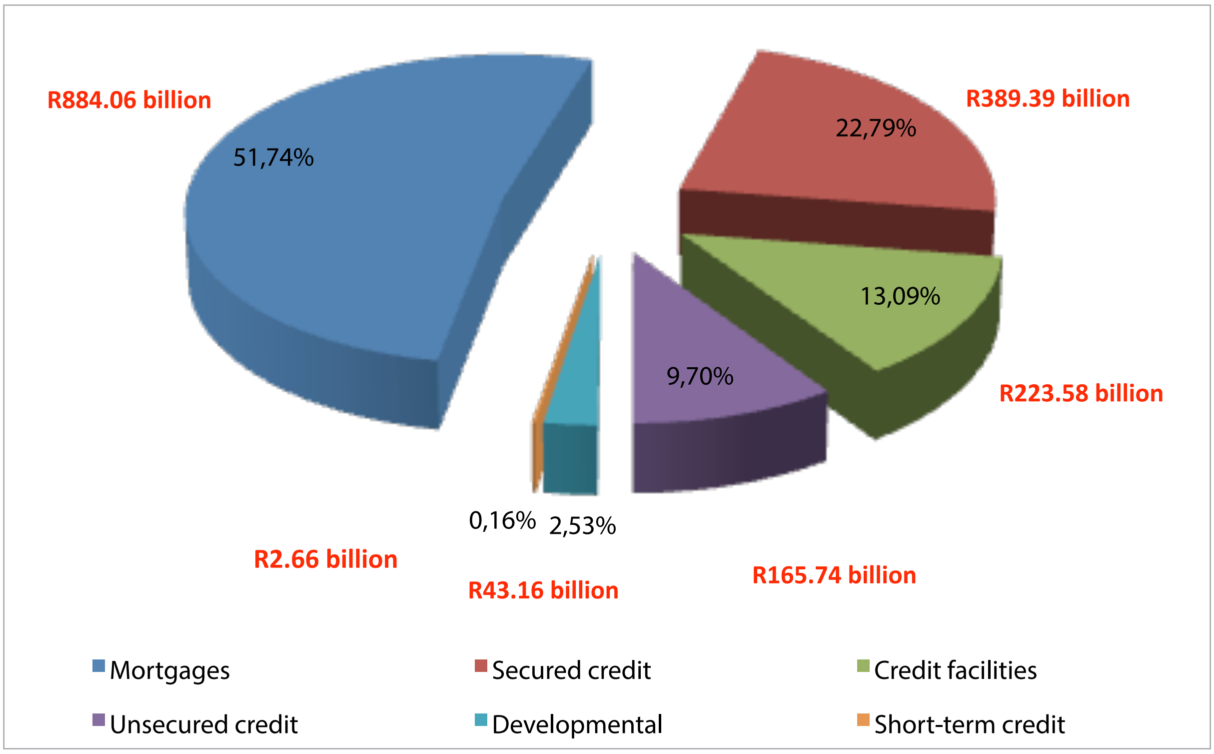
The value of new credit extended to consumers for the quarter ended March 2017 was R116.46 billion, an increase of 7.50% (R8.13 billion) year-on-year, but a decrease of 5.63% (R6.94 billion) on a quarter-on-quarter basis. Mortgages increased by 3.47% (R1.15 billion) year-on-year but decreased by 8.24% (R3.08 billion) on a quarter-on-quarter basis.

Secured credit increased by 13.63% (R4.65 billion) year-on-year but decreased by 7.99% (R3.37 billion) quarter-on-quarter. Unsecured credit increased by 6.29% (R1.19 billion) year-on-year but decreased by 12.96% (R23.99 billion) on a quarter-on-quarter basis.

Figure 3: Credit Granted

Agreements	2016-Q1 R000	2016-Q2 R000	2016-Q3 R000	2016-Q4 R000	2017-Q1 R000	2017-Q1 % Distribution	% Change (Q1/Q4)	% Change (Y/Y)
Mortgages	33,117,940	35,867,070	36,578,163	37,342,883	34,266,367	29.42%	-8.24%	3.47%
Secured credit	34,162,984	35,956,471	37,566,481	42,187,684	38,817,928	33.33%	-7.99%	13.63%
Credit facilities	13,308,871	12,051,903	13,573,384	14,933,424	15,324,297	13.16%	2.62%	15.14%
Unsecured credit	18,878,324	20,603,334	22,647,455	23,052,711	20,066,170	17.23%	-12.96%	6.29%
Short-term credit	3,214,364	2,919,345	3,129,516	3,396,784	3,010,186	2.58%	-11.38%	-6.35%
Developmental credit	5,648,723	922,157	4,017,809	2,489,202	4,974,212	4.27%	99.83%	-11.94%
Total	**108,331,207**	**108,320,278**	**117,512,808**	**123,402,689**	**116,459,161**	**100.00%**	**-5.63%**	**7.50%**

Figure 4: Consumer credit debtors book per credit type



CBM overview

As at March 2017, fourteen (14) credit bureaus were registered with the NCR. These bureaus held records for 24.68 million credit-active consumers, of which 14.99 million (60.75%) were in good standing, while the balance of 9.69 million (39.25%) had impaired records.

There were 82.43 million consumer accounts on record at the bureaus as at the end of March 2017, and 62.73 million (76.10%) of these accounts were in good standing, while the balance of 19.70 million (23.90%) had impairments.

Table 3 Credit standing of consumers

	Jun 14	Sep 14	Dec 14	Mar 15	Jun 15	Sep 15	Dec 15	Mar 16	Jun 16	Sep 16	Dec 16	Mar 17
Good standing (#)	12.17m	12.45m	12.58m	12.70m	12.84m	13.53m	13.87m	14.33m	14.41m	14.40m	14.55m	14.99m
Good standing (%)	55.0%	55.3%	55.1%	55.0%	54.9%	57.7%	58.4%	60.0%	59.8%	59.4%	59.9%	60.7%
Current (%)	42.2%	42.3%	42.6%	42.2%	42.8%	46.1%	46.1%	47.6%	48.3%	47.6%	47.6%	48.2%
1-2 months in arrears (%)	12.8%	13.0%	12.5%	12.7%	12.1%	11.6%	12.4%	12.4%	11.6%	11.8%	12.3%	12.5%
Impaired records (#)	9.95m	10.05m	10.26m	10.41m	10.53m	9.91m	9.87m	9.55m	9.67m	9.85m	9.76m	9.69m
Impaired records (%)	45.0%	44.7%	44.9%	45.0%	45.1%	42.3%	41.6%	40.0%	40.2%	40.6%	40.2%	39.3%
3+ months in arrears (%)	28.3%	26.3%	23.8%	22.4%	21.5%	21.6%	22.1%	22.3%	22.1%	22.3%	21.8%	21.7%
Adverse listings (%)	5.2%	7.3%	10.4%	12.2%	13.5%	11.8%	11.0%	10.1%	10.7%	11.3%	11.8%	11.4%
Judgments and administration orders (%)	11.4%	11.1%	10.7%	10.4%	10.1%	8.8%	8.5%	7.6%	7.3%	6.9%	6.6%	6.2%
Credit-active consumers (#)	22.12m	22.50m	22.84m	23.11m	23.37m	23.45m	23.74m	23.88m	24.08m	24.25m	24.31m	24.68m

2.5 PERFORMANCE INFORMATION BY PROGRAMME

Programme 1: To promote 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

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

Strategic objective1: to promote responsible credit granting.

Output	Performance measure or indicator	Actual achievement 2015/2016	Planned target 2016/2017	Actual achievement	Deviation from planned target to actual achievement for 2016/2017	Comment on deviations
Improve compliance with affordability assessment regulations.	Number of provinces in which credit providers' compliance was monitored in respect of affordability assessment regulations and enforcement action taken where necessary.	9 provinces visited to monitor credit provider compliance. Sixty-nine (69) credit providers were referred for investigation.	Credit provider compliance monitored in 9 provinces. Enforcement action taken on non-compliant credit providers where necessary.	Compliance Monitoring: Achieved Compliance monitoring was conducted in 9 provinces. Gauteng, North west and Eastern Cape provinces were monitored more than once.		
				Enforcement: Achieved Letters of instructions were sent to various credit providers covering the 9 provinces.		

Output	Performance measure or indicator	Actual achievement 2015/2016	Planned target 2016/2017	Actual achievement	Deviation from planned target to actual achievement for 2016/2017	Comment on deviations
Increase compliance with provisions pertaining to the total cost of credit.	Number of investigations conducted to enforce regulations and enforcement action taken where necessary.	32 investigations concluded. Enforcement: 15 matters were referred to the NCT, 1 Compliance Notice issued and 4 matters were closed as no contraventions found. The rest of the matters are work in progress and will be dealt with in the next financial year.	40 investigations conducted and enforcement action taken where necessary.	Investigations: Exceeded 52 investigations concluded.	Investigations into cost of credit were conducted. The target was exceeded because raids were conducted and compliance with cost of credit was part of the focus areas.	
				Enforcement: Not achieved 6 matters were referred to the NCT and courts, 1 matter was closed as no contraventions were found. The rest of the matters are work in progress and will be dealt with in the next financial year.	Focus was given on finalising matters from the previous financial year.	The inspectors' reports are currently under review to decide on the appropriate enforcement action to be taken where necessary. A new enforcement approach to fast track enforcement action has recently been adopted.

Strategy to overcome areas of under performance

Focus was given on finalising matters from the previous financial year. Investigation reports are currently under review to decide on the appropriate enforcement action to be taken in the next financial year where necessary.

A new enforcement approach to fast track the taking of enforcement action has recently been adopted.

Changes to planned targets

Output: Improve compliance with affordability assessment regulations.

The target relating to 9 provinces visited to monitor credit provider compliance was changed to 9 credit provider desk top compliance monitoring in 9 provinces during the mid-year review.

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

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

Complaints reports that are lodged by consumers and reports of non-compliance reported by Accounting Officers and Auditors will be investigated through reactive mechanisms. 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 2015/2016	Planned target 2016/2017	Actual achievement	Deviation from planned target to actual achievement for 2016/2017	Comment on deviations
Conduct reckless lending investigations and enforcement action taken where necessary.	Number of credit providers investigated and appropriate enforcement action taken where necessary.	56 Investigations on Reckless lending completed. 8 matters were referred to the NCT, 4 matters were closed as no contraventions were found. The rest of the matters are still work in progress and will be dealt with in the next financial year.	60 investigations conducted and enforcement action taken where necessary.	Investigations: Exceeded 61 Investigations on Reckless lending completed.	Investigations into reckless lending were conducted. The target was exceeded because raids were conducted and compliance with cost of credit was part of the focus areas.	
				Enforcement: Not achieved 10 matters were referred to the NCT, 4 matters were closed as no contraventions were found. The rest of the matters are still work in progress and will be dealt with in the next financial year.	Focus was given on finalising matters from the previous financial year.	The inspectors' reports are currently under review to decide on the appropriate enforcement action to be taken where necessary. A new enforcement approach to fast track enforcement action has recently been adopted.

Output	Performance measure or indicator	Actual achievement 2015/2016	Planned target 2016/2017	Actual achievement	Deviation from planned target to actual achievement for 2016/2017	Comment on deviations
Improve awareness on deceptive and unfair credit practices	Number of multimedia awareness campaigns (radio/TV interviews/ news print) conducted on deceptive and unfair credit practices.	None (new target for 2016/2017).	30 of any of the following: -Radio -TV interviews -News print on deceptive and unfair credit practices.	Exceeded 42 multimedia campaigns conducted.	Weekly interviews were offered by different radio stations.	

Strategy to overcome areas of under performance

Focus was given to finalising matters from the previous financial year. Investigation reports are currently under review to decide on the appropriate enforcement action to be taken in the next financial year where necessary.

A new enforcement approach to fast track the taking of enforcement action has recently been adopted.

Changes to planned targets

- **Output to** "Improve awareness on misleading advertisements and honest disclosures by consumers on affordability tests" was changed to "***Improve awareness on deceptive and unfair credit practices***".
- The performance target of "30 of any of the following: radio/TV interviews/News print on misleading advertisements" was changed to "***The performance target of "30 of any of the following: radio/TV interviews/News print on deceptive and unfair credit practices "***.

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

Programme 3: To enhance the quality and accuracy of credit bureau information.

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 the quality and accuracy of credit bureau information.

Output	Performance measure or indicator	Actual achievement 2015/2016	Planned target 2016/2017	Actual achievement	Deviation from planned target to actual achievement for 2016/2017	Comment on deviations
Increase compliance by credit bureaus in respect of consumer credit information.	Number of credit bureaus monitored and enforcement action taken where necessary.	Investigations into two credit bureaus completed. (Compuscan and Robertson). Enforcement action by way of instructional letters was sent to both entities.	6 credit bureaus monitored and enforcement action taken where necessary.	Compliance Monitoring: Exceeded 15 credit bureaus monitored and or investigated.	Due to policy change from on-site visits to desk top monitoring, the department managed to monitor more credit bureaus.	
				Enforcement: Achieved Out of 15 credit bureaus monitored/ investigated, 4 were operating as unregistered entities and subsequently registered. 11 credit bureaus were found to be compliant		
	Number of credit bureau audited reports reviewed and enforcement action taken where necessary.	14 credit bureau audited reports reviewed. 6 entities were referred for investigation in the 1st quarter	All registered credit bureaus audited reports reviewed and enforcement action taken where necessary.	Achieved Auditors' reports from credit bureaus were reviewed.		
				Enforcement/ Corrective action: Achieved Letters of instruction were issued to credit bureaus for risk mitigation plans to be put in place and bureaus complied. There was no need for enforcement action to be taken		

Strategy to overcome areas of under performance

There were no areas of underperformance.

Changes to planned targets

Output: Increase compliance by credit bureaus in respect of consumer credit information.

- Performance target of "3 credit bureaus investigated and appropriate enforcement action taken where necessary" was changed to "***6 credit bureaus monitored (desk top monitoring) and enforcement action taken where necessary ".***
- Performance target of "14 credit bureau audited reports reviewed and appropriate corrective action taken where necessary" was changed to "**All registered credit bureau audited reports reviewed and enforcement action taken where necessary ".**

This change was approved by the Honourable Minister of Trade and Industry, Dr Rob Davies.

Programme 4: To improve NCR's operational effectiveness

Purpose

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

Description

This will be done through continuous improvement of the IC T systems.

Strategic objective 4: to improve NCR's operational effectiveness.

Output	Performance measure or indicator	Actual achievement 2015/2016	Planned target 2016/2017	Actual achievement	Deviation from planned target to actual achievement for 2016/2017	Comment on deviations
Improve operational efficiency through automated processes.	% of uptime availability of the ICT (Registrations and Complaints) systems.	On average - 99.5 % of uptime availability of the IT system.	96% uptime of the ICT system.	Exceeded 100 % of uptime availability of the ICT system.	The target was exceeded because of the network monitoring tool that enables ICT department to predict network failures in order to avoid downtime.	
Service delivery improvement plan.	SDIP approved.	None (new target for 2016/2017).	SDIP 2016-2019 approved.	Achieved SDIP approved by the Accounting Authority.		

Strategy to overcome areas of under performance

There were no areas of underperformance.

Changes to planned targets

Output: Service delivery improvement plan.

Performance target of "SDIP approved and implemented" was changed to "**SDIP approved" Implementation will take place in 2017/18 financial year ".**

This change was approved by the Honourable Minister of Trade and Industry, Dr Rob Davies.

Programme 5: To ensure effective implementation of the National Credit Act as amendment (NCA)

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 enforcement action will be taken where necessary.

Strategic objective 5: to ensure effective implementation of the National Credit Act as amendment (NCA).

Output	Performance measure or indicator	Actual achievement 2015/2016	Planned target 2016/2017	Actual achievement	Deviation from planned target to actual achievement for 2016/2017	Comment on deviations
Improve awareness and compliance.	Number of workshops conducted with relevant stakeholders on NCA.	43 workshops	45 workshops with relevant stakeholders	Exceeded 46 workshops were conducted with relevant stakeholders	Received more invites and initiated more workshops for the year.	
	Number of multimedia awareness campaigns (radio/TV interviews/ news print) conducted on NCA.	58 multimedia awareness campaigns.	50 of any of the following: - Radio - TV interviews - News print	Exceeded 58 multimedia awareness campaigns conducted.	NCR was offered weekly interviews by different radio stations and received more requests for interviews.	
	Number of outreach programmes and exhibitions (mall activations/ Outside Broadcast/ Road shows/ Imbizos) conducted on NCA.	12 exhibitions conducted in peri-urban and rural areas.	11 of any of the following: - Mall activations/ exhibitions/ OB/ Road shows/ Imbizos in peri urban and rural areas.	Exceeded 15 outreach programmes were conducted.	Received more invites and initiated more outreach programmes for the year.	

Output	Performance measure or indicator	Actual achievement 2015/2016	Planned target 2016/2017	Actual achievement	Deviation from planned target to actual achievement for 2016/2017	Comment on deviations
Conduct special investigations and enforcement action taken where necessary.	Number of special investigations conducted and enforcement action taken where necessary.	Three (3) raids were conducted in the Western Cape and Limpopo provinces. Enforcement action was taken on 2 raids in which criminal cases were opened with the police	The following special investigations conducted: Raids in four (4) provinces;	The following special investigations were conducted: Raids: Achieved Raids were conducted in 4 provinces (Northern Cape, Gauteng, Limpopo and Free state provinces).		
				Enforcement: Raids Achieved Criminal cases were opened with the police in respect of all the 4 provinces. 8 compliance notices were issued to unregistered new entrants and16 matters were closed as no contraventions were found.		
			- Four (4) prescribed debt investigations;	Achieved 4 prescribed debt investigations were conducted.		
				Enforcement: Partially achieved 2 matters were closed as no contraventions were found. The other 2 are still work in progress and will be dealt with in the next financial year.	Focus was given on finalising matters from the previous financial year	The inspectors' reports are currently under review to decide on the appropriate enforcement action to be taken where necessary. A new enforcement approach to fast track the taking of enforcement action has recently been adopted.

Output	Performance measure or indicator	Actual achievement 2015/2016	Planned target 2016/2017	Actual achievement	Deviation from planned target to actual achievement for 2016/2017	Comment on deviations
			Four (4) Garnishee order investigations;	Exceeded 11 Garnishee order investigations were conducted.	More referrals were received from the Complaints. In addition, more desktop compliance monitoring was done.	
				Enforcement: Partially achieved 2 matters were referred to the NCT. The rest of the matters are still work in progress and will be dealt with the next financial year.	Focus was given on finalising matters from the previous financial year	The inspectors' reports are currently under review to decide on the appropriate enforcement action to be taken where necessary. A new enforcement approach to fast track enforcement action has recently been adopted.
			Unregistered/ new entrants (credit providers ADRs and PDAs) in 4 provinces and take enforcement action where necessary.	Achieved Unregistered/ new entrants investigations were conducted in 2 cities/towns in the first half of the financial year. The balance were conducted in the 2nd half of the financial year, in KZN and Gauteng provinces		

Output	Performance measure or indicator	Actual achievement 2015/2016	Planned target 2016/2017	Actual achievement	Deviation from planned target to actual achievement for 2016/2017	Comment on deviations
				Enforcement: Partially achieved 8 compliance notices were issued to unregistered new entrants in KZN, Gauteng and Northern Cape provinces. 1 matter relating to Gauteng province was closed as no contraventions were found.	Focus was given on finalising matters from the previous financial year.	The inspectors' reports are currently under review to decide on the appropriate enforcement action to be taken where necessary. A new enforcement approach to fast track enforcement action has recently been adopted.

Strategy to overcome areas of under performance

Focus was given to finalising matters from the previous financial year. Investigation reports are currently under review to decide on the appropriate enforcement action to be taken in the next financial year where necessary.

A new enforcement approach to fast track the taking of enforcement action has recently been adopted.

Changes to planned targets

Output: Conduct special investigations and enforcement action taken where necessary.

Performance target of "Conduct special investigations relating to the following: raids in four (4) provinces, Prescribed debt in 4 cities, Garnishee orders in 4 cities, unregistered new entrants (credit providers, ADRs, PDAs) in 4 cities and take appropriate enforcement action where necessary" was changed to:

"The following special investigations conducted: Raids in four (4) provinces, 4 prescribed debt investigations, 4 Garnishee orders investigations, unregistered new entrants (credit providers, ADRs, PDAs) in 4 provinces and take enforcement action where necessary".

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

Linking performance with budgets

The budgeted expenses per activity compared to the actual expenses for the 2016/17 financial year are set out in the table below:

2016/17				2015/16		
Performance /activity /objective	**Budget**	**Actual Expenditure**	**(Over)/under expenditure**	**Budget**	**Actual Expenditure**	**(Over)/under expenditure**
	R'000	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
Programme 1	17,700	17 427	273	16,900	15,521	1,379
Programme 2	29, 600	29,133	467	28,300	26,021	2,279
Programme 3	24,150	23 772	378	24,500	22,483	2,017
Programme 4	40,800	40 198	602	39,678	39,748	(70)
Programme 5	14,933	14 698	235	14,400	13,239	1,161
Total	**127,183**	**125,228**	**1,955**	**123,778**	**117,012**	**6,766**

The NCR actual expenditure for all programmes is within the budget. The cost savings across all programmes are attributable to savings from unfilled vacancies due to resignations. The NCR prioritised the filling of critical positions during the 2016/17 financial year.

Revenue collection

2016/17				2015/16		
Sources of revenue	**Estimate**	**Annual amount collected**	**(Over)/Under Collection**	**Estimate**	**Annual amount collected**	**(Over)/ Under Collection**
	R'000	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
Fees from registrants	41,886	34,029	7,857	56,051	32,900	23,151
DTI Transfer	69,577	69,577	-	65,727	66,899	(1,172)
Other Income	15,720	16,800	(1,080)	2,000	7,599	(5,599)
Total	**127,183**	**120,406**	**6,777**	**123,778**	**107,398**	**16,380**

The fees from registrants were under collected by R7 857 941 compared to the budget of R41 886 606. This is attributable to the approved Regulations pertaining to a new renewal date of the 31 July 2017 for all registrants. Renewal fees were therefore pro-rated for alignment to a new renewal date of 31 July 2017 for all registrants whose renewal dates are after 31 August 2016. The impact of reduced renewal fees as a result pro-rated renewal fees was not taken into account in the 2016/2017 budget.

Capital investment

	2016/17			2015/16		
Capital expenditure	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	-	-	-	270	155	115
Machinery & Equipment	91	132	-41	774	404	370
Software & Intangibles	1,412	1,395	17	2,370	2,072	298
Security & Leasehold improvements	146	113	33	185	184	1
Infrastructure-Software	4,700	4,688	12	1,500	-	1,500
Total	**6,349**	**6,328**	**21**	**5,099**	**2,815**	**2,284**

The NCR does not have infrastructure projects and therefore there is no need for a Capital Investment Plan. The NCR accounts for its property, plant and equipment in a detailed Asset Register. Assets are in good condition, and the cost of maintaining these assets is minimal. The capital expenditure for the 2016/17 focused on the ICT infrastructure. The table provides information about capital assets acquired during the period.

PART

C

GOVERNANCE

PART C: GOVERNANCE

3.1 INTRODUCTION

The NCR complies with the Public Finance Management Act (PFMA) and the 2009 King III Code of Governance Principles for South Africa (King III Code) in as far as the Code can be applied to the NCR.

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

Portfolio Committee on Trade and Industry

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

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

The Portfolio Committee on Trade and Industry exercises oversight over the NCR's service delivery; it reviews financial and performance information contained in the NCR's Annual Report.

The NCR also met with the Portfolio Committee on Trade and Industry to provide information on various issues.

Reason for meeting	Date of meeting
Debt Forgiveness Programme Presentation to the Portfolio Committee on Trade & Industry	26 April 2016
Debt forgiveness Programme Briefing by National Credit Regulator	3 May 2016
National Credit Regulator on comparative studies into debt forgiveness	4 May 2016
Consumer Credit Insurance abuses / interventions Debt Relief African Bank	13 May 2016
Briefing to the Portfolio Committee on Trade and Industry Fourth Quarter Financial and non-Financial Performance Report Ending March 2016	31 August 2016
Progress Report on Debt Forgiveness Programme Presentation to the Portfolio Committee on Trade & Industry	18 October 2016
Legislation Subcommittee on Debt Relief: Terms of Reference	08 November 2016
Debt relief measures: Proposals and reports from various stakeholders	15 November 2016
Debt Relief measures: proposals and submissions from banks	17 November 2016
Debt relief measures: Proposals and reports from various stakeholders	25 November 2016
Sub-Committee Proposal and Report on Memorandum for Submission of Legislative Proposal regarding debt relief adopted Summary of reports before Committee and Programme	06 December 2016
Briefing by the NCR on its 2015/16 Annual Report	8 March 2017
Joint Meeting with the Standing Committee on the Financial Sector	14 March 2017

Executive Authority

The Minister of Trade and Industry is the Executive Authority. The NCR submitted the following reports to the Minister:

Report submitted	Date submitted	Issues raised by the Minister
Report on financial and non-financial performance (Quarter 4 of 2015/16).	29 April 2016	None.
Report on financial and non-financial performance (Quarter 1 of 2016/17).	29 July 2016	None.
Report on financial and non-financial performance (Quarter 2 of 2016/17).	28 October 2016	50% of quarterly milestones achieved. This is a drop from 100% achieved in the first quarter.
Report on financial and non-financial performance (Quarter 3 of 2016/17).	31 January 2017	None.

The Accounting Authority

The CEO is the Accounting Authority. The CEO provides strategic leadership, oversees and ensures the efficient and effective use of NCR's resources and ensures compliance with all of its legal requirements and reporting and financial accountability obligations.

Audit and Risk Management Committee

The Audit and Risk Management Committee is constituted in terms of the PFMA and Treasury Regulations. The NCR's Executive Management members are permanent invitees to committee meetings. The Committee is chaired by Mr William Ndlovu. It includes two other members, namely Mrs J Bokwa and Mrs P Mvulane.

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

3.2 INTERNAL AUDIT AND AUDIT AND RISK MANAGEMENT COMMITTEE

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

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

Key internal audit functions include:

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

Internal audit reviewed and conducted the following:

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

Key activities and objectives of the Audit and Risk Management Committee

The 2016/2017 Audit and Risk Management Committee comprised three (3) members. The Committee held four (4) meetings, all four (4) were ordinary meetings and there was no special meeting. The frequency of the meetings was as per the approved Audit and Risk Management Committee Charter.

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

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

The Committee has fulfilled its responsibilities in compliance with its Charter. More information is provided in the Report of the Audit Management Committee on page 62.

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

Name	Qualifications	Internal or external	If internal, position in the public entity	Date appointed	Date resigned/ contract ended	No of meetings attended
J Bokwa	LLB, B Juris	External	n/a	November 2014	n/a	4
W Ndlovu	B Com B.Compt Honours CA(SA) Global Executive MBA	External	n/a	June 2015	n/a	2
P Mvulane	CA(SA) Registered auditor Specialist Diploma in Auditing B Com Accounting Honours B Com	External	n/a	June 2015	n/a	4

3.3 COMPLIANCE WITH LAWS AND REGULATIONS

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

3.4 FRAUD AND CORRUPTION

The Fraud Prevention Plan has been developed within the context of the Risk Management Framework with the aim to reduce fraud to an absolute minimum and effect policies and procedure to maintain the risk of fraud within tolerable levels, and preferably zero, at all times.

Various measures have been implemented to prevent fraud. These include authorisation, custody of assets, detection controls, physical supervision, management information, and segregation of duties, physical security and information security.

The Fraud Prevention Policy includes the response mechanisms in place to report, investigate and resolve incidents of fraud impacting on the NCR.

An outsourced service provider maintains a fraud reporting hotline, where employees report incidents of corruption, fraud and unethical practices within the workplace. Monthly reports from the hotline service provider are dealt with confidentially in line with the approved internal policy for handling fraud allegations. During the 2016/2017 financial year, the NCR did not receive any reports of internal or external corruption or fraud.

3.5 MINIMISING CONFLICT OF INTEREST

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

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

3.6 CODE OF CONDUCT

The NCR recognises the importance of treating staff fairly in all aspects of employment. The NCR expects staff to identify and comply with its philosophy and values.

The Code of Conduct prescribes the minimum standards of conduct. It reflects the basic requirements of professionalism, integrity and courtesy required to provide a quality service and a pleasant and safe working environment. The Code forms part of conditions of employment and applies to casual, temporary and permanent employees.

The NCR expects its employees to:

- work within the law with honesty and integrity;
- comply with all lawful and reasonable instructions;
- comply with the NCR's policies;
- work diligently and meet the requirements of their employment agreement; and
- respect the rights of colleagues and clients.

3.7 HEALTH, SAFETY AND ENVIRONMENTAL ISSUES

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

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

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

3.8 SOCIAL RESPONSIBILITY

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

3.9 AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

We are pleased to present our report for the financial year ended 31 March 2017.

Audit and Risk Management Committee Responsibility

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

The Audit and Risk Management Committee is an independent sub-committee of the NCR's Accounting Authority. The Committee has adopted appropriate formal terms of reference as its Audit and Risk Management Committee Charter, which has been approved by the Accounting Authority.

The Committee's overall objective is to assist the Accounting Authority to discharge its duties relating to the safeguarding of assets; the development and maintenance of adequate systems and controls; assessing the going concern status; the review of auditing and accounting processes; the review of financial information and preparation of annual financial statements. The Committee has fulfilled its responsibilities in compliance with its approved Charter.

Audit and Risk Management Committee members and attendance

Attendance at Audit and Risk Management Committee Meetings (April 2016 – March 2017)

Committee Member	27 May 2016	21 July 2016	26 October 2016	17 March 2017
J Bokwa	✓	✓	✓	✓
W Ndlovu	✓	✓		
P Mvulane	✓	✓	✓	✓

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

Internal Audit function

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

Internal Audit provides an independent and objective evaluation of the NCR's internal controls and any significant risks brought to management's attention are resolved.

The Committee is satisfied that the Internal Audit function is operating effectively and efficiently. The strategic internal audit plan is based on key risk areas identified. Internal Audit has addressed these risks satisfactorily.

Risk Management

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

Responsibility and accountability for risk management reside at all levels within the NCR, from the Accounting Authority to individual managers.

Risk assessment, evaluation and measurement is on-going and integrated into all activities. Where risks are identified, corrective action is taken in line with the PFMA and the King 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 Accounting Authority through the Audit and Risk Management Committee.

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

The Committee views the funding insufficiency as one of the organisation's key risks. 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 Annual Financial Statements

We have reviewed the annual financial statements prepared by the public entity. The Audit and Risk Management Committee is satisfied that the financial statements of the NCR for the year ended 31 March 2017 comply with the requirements of the PFMA, and the basis of preparation is in accordance with Generally Recognised Accounting Practice. The going concern principle was adopted in the preparation of annual financial statements.

Conclusion

The Committee congratulates the NCR for achieving an unqualified audit opinion with findings for the year ended 31 March 2017. We wish to express our appreciation to the Accounting Authority, internal and external auditors, Executive Committee and NCR employees for their contribution throughout the period.

I also wish to acknowledge my colleagues in the Audit and Risk Management Committee throughout the period.

William Ndlovu
Chairperson of the Audit and Risk Management Committee
National Credit Regulator
31 July 2017

Audit and Risk Management Committee Members
From left: Ms J Bokwa, Mr W Ndlovu (Chairperson), Ms P Mvulane

PART

D

Human Resource Management

PART D: HUMAN RESOURCE MANAGEMENT

4.1 INTRODUCTION

Ms Maria Matlosa
Manager: Human Resources

The NCR endeavours to recruit and retain the best skills to achieve its legislative mandate.

HR priorities during the period

Key priorities during the period were on organisational skills audit and internal training on the new amendments of the National Credit Act. The skills audit was part of the Human Resources strategy to add value to the organisation by profiling employees correctly.

A number of employees were moved to positions where they were able to add more value, based on their background. Some staff members were promoted; others were transferred to different departments enabling them to make valuable contributions within the respective departments. This exercise enhanced cross-functional awareness within the business.

Strategies to attract and retain employees

The organisation plans to develop a talent management framework, which will assist in attracting and retaining key employees. Career Development and Succession planning will be incorporated into this framework.

Employer and Employee Consultative Forum

The Forum serves as a communication channel and platform between management and the employees. The Forum has already achieved milestones which have contributed positively to staff morale.

Learnership Programmes

The NCR partnered with The Learning Organisation from January 2016 to October 2016 on a ten-month pilot project. There were five (5) learners on the project. The project was at no cost to the NCR. The learners received a stipend from Media Information and Communication Technologies, and they obtained an end-user, NQF level 3 Computing Certificate.

Through this programme, the NCR absorbed three (3) learners on a permanent basis in the Call Centre and Registrations Department. The NCR has also appointed one (1) learner in the Finance department on a one year fixed term contract. For a number of years, the NCR has created opportunities for unemployed young South Africans culminating into preparing them for the working world.

Bankseta has assigned two (2) learners to the NCR for 2017/2018. The learners commenced their learnership at the NCR on 16th of February 2017. In line with the NDP and the South African Government's Nine-Point Plan, the NCR is trying to ensure that unemployed graduates find employment. Learners, who have completed a learnership, are more employable since the learnership includes a work experience component.

LEARNER CASE STUDY

My experience at NCR

"I am very happy that I was granted the opportunity to complete a Learnership Programme at the National Credit Regulator. The learning experience has been amazing as it was my first-time experience of a corporate setting. From the culture of NCR all the way down to the pressure it presents, I've learned invaluable skills and experience that will gear me for the future. Although the Registrations department presents challenges on a daily basis, my colleagues have been helpful in terms of my learning experience. I am looking forward to what the rest of this Learnership Programme has in store for me and also what the future holds for me. I am privileged to be hosted by NCR as my time here has broadened my skills and even my 'corporate vocabulary'."

Mercedes Sharodine Borman
Registrations Department

LEARNER CASE STUDY

Very fortunate to be hosted by the NCR

"I was very fortunate to be hosted by National Credit Regulator

Personally, I needed this learnership to improve my career. Working in a Finance Department has been the great experience of my life.

I thank you all for the confidence you have shown in me. I have learned a lot within the Finance Department and the organisation as a whole. I have learnt how to do invoicing, applying sales, submitting refunds and to do filing, using *Great Plain* and *IRAS* Systems. National Credit Regulator has really provided me with professional skills. I also learnt how to communicate well with different people from different age groups; I learnt how to work under pressure, time management and problem-solving skills.

I am so grateful for the opportunity; this is definitely one of the most rewarding experiences of my life. I believe I have made a contribution to the organisation's success."

Xolisile Mngomezulu
Finance Department

Employee Wellness Programme

During the past financial year, Careways was appointed as the new Employee Wellness service provider, for a three-year period. Careways will provide NCR employees with a caring, confidential service that helps employees and their families deal with difficult personal or work-related issues. The service has two legs: a self-referral leg, and a management referral leg.

Social activities

The NCR organised a team building initiative and Sports Day event. The event sought to improve staff relations and to eliminate functional silos within the organisation.

The Sports Day included soccer, volleyball, and board games. Feedback from participants was very positive.

NCR Sports Day 2016 soccer event

Youth Day is a very important date in the South African calendar. It is important as a country to celebrate the role that the youth played in South Africa's liberation. The movie **Sarafina** was screened. Befitting Youth Day, employees wore school uniforms.

The NCR celebrated Mandela Day in partnership with the Get Ready Family Church in Diepsloot, which looks after children from disadvantaged families. The NCR employees contributed money and food parcels. They also helped clean the church and prepared meals for the children.

The NCR celebrated Heritage Day in style in that employees wore traditional attire. The event coincided with National Arbor day which saw trees planted on the NCR premises.

NCR celebrates Mandela Day 2016 at the Get Ready Family Church in Diepsloot

Challenges

Meeting disability targets and office space proved to be a challenge.

The year ahead

The NCR is exploring the possibility of concluding a partnership with Bankseta in terms of which its employees will receive training.

4.2 HUMAN RESOURCE OVERSIGHT STATISTICS

Personnel cost by programme

Programme	Total expenditure for the entity R'000	Personnel expenditure R'000	Personnel expenditure as a % of total expenditure R'000	No. of employees	Average personnel cost per employee R'000
Programme 1	17,427	7,633	6%	18	424
Programme 2	29,133	16,695	13%	46	363
Programme 3	23,722	4,793	4%	14	342
Programme 4	40,198	27,695	22%	41	675
Programme 5	14,698	13,305	11%	29	458
	125,228	**70, 121**		**148**	

Personnel cost by salary band

Top Management	Personnel Expenditure R'000	% of Personnel expenditure to total personnel cost R'000	No. of employees	Average personnel cost per employee R'000
Top management	5,989	9%	4	1,497
Senior Management	6,817	10%	7	974
Professional Qualified	22,723	32%	29	784
Skilled	29,009	41%	69	420
Semi-skilled	5,583	8%	39	143
Unskilled	-	-	0	-
	70,121	**100%**	**148**	**3,818**

Performance rewards

Level	Performance rewards R'000	Personnel cost R'000	% of Personnel rewards to total personnel cost
Top management	610	5,989	1%
Senior management	1,368	6,817	2%
Professional qualified	1,873	22,723	3%
Skilled	2,687	29,009	4%
Semi-skilled	436	5,583	1%
	6,974	**70,121**	

Training costs

Programme	Personnel expenditure R'000	Training expenditure R'000	Training expenditure as a % of total personnel cost	No. of employees trained	Average Training cost per employee R'000
Programme 1	7,633	15	0.02	2	7,049
Programme 2	16,695	55	0.08	13	4,252
Programme 3	4,793	-	-	-	-
Programme 4	27,695	7	0.01	2	4,345
Programme 5	13,305	-	-	-	-
	70, 121	**78**			

Employment and vacancies

Activity	2015/2016 No. of employees	2016/2017 approved posts	2016/2017 no. of employees	Vacancies	% of vacancies
Programme 1	21	23	18	5	21.7%
Programme 2	50	65	46	19	29.2%
Programme 3	13	15	14	1	6.6%
Programme 4	43	55	41	14	25.45%
Programme 5	28	31	29	2	6.45%
	155	**189**	**148**	**41**	**21.6%**

Employment and vacancies

	2015/2016 No. of employees	2016/2017 approved posts	2016/2017 no. of employees	2016/2017 no. of vacancies	% of vacancies
Top management	5	5	4	1	20%
Senior Management	7	13	7	6	46.15%
Professional Qualified	34	40	29	11	27.5%
Skilled	67	83	69	14	16.86%
Semi-skilled	42	48	39	9	18.75%
Unskilled	-	-	-	-	
	155	**189**	**148**	**41**	**21.69%**

The NCR recruits individuals with the right skills, at the right time, at the right cost. The turnaround time for filling vacancies is three months. Exceptional circumstances may increase this turnaround time. This may be due to pending labour relations matters as well as the recruitment of scarce skills.

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	5	0	1	4
Senior Management	8	1	2	7
Professional Qualified	33	4	8	29
Skilled	69	8	8	69
Semi-skilled	40	7	8	39
Unskilled	0	0	0	0
Total	**155**	**20**	**27**	**148**

* The are 7 Learners that inform the difference between 155 and 148

Reasons for staff leaving

Reason	Number	% of total staff leaving
Death	-	
Resignation	13	65%
Dismissal	2	10%
Retirement	-	-
Ill health	-	-
Expiry of contract	-	-
Other (Internal Promotions)	5	25%
Total	**20**	

The NCR has an exit interview process for all staff, who exit the organisation. This assists the organisation 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	2
Written warning	5
Final Written warning	-
Dismissal	2

Equity and Employment Equity Status

Levels	Male							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top management	2	-	-	-	-	-		-
Senior Management	2	1	-	-	-	-	-	-
Professional Qualified	5	7	1	3	-	1	4	1
Skilled	23	4		1	-	1	-	-
Semi-skilled	12	2	1	1		1	-	1
Unskilled	10	-	-	-	-	-	-	-
Total	**44**	**10**	**2**	**5**		**3**	**4**	**2**

Equity and Employment Equity Status

Levels	Female							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top management	2	-	-	-	-	-	-	-
Senior Management	4	1	-	-	-		1	-
Professional Qualified	9	7	-	1	2	2	8	1
Skilled	43	2	2	2	1	-	-	1
Semi-skilled	25	2	1	2		1	-	2
Unskilled								
Total	**83**	**12**	**3**	**5**	**3**	**3**	**9**	**4**

Equity and Employment Equity Status

Levels	Disabled staff			
	Male		Female	
	Current	Target	Current	Target
Top management	-	-	-	-
Senior Management	-	-	-	-
Professional Qualified	-	-	-	-
Skilled	-	1	1	1
Semi-skilled	-	1	1	1
Unskilled	-	-	-	-
Total	**-**	**2**	**2**	**2**

Planned diversity improvements include:

- increasing the representation of black people at professionally qualified level from 75% (2015) to 77.1%
- increasing representation of black women at professionally qualified level from 45% (2015) to 51% (2017)
- increasing representation of people with disabilities from 2% (2015) of total workforce to 3% (2017)

HUMAN RESOURCES AND SECURITY & FACILITIES TEAM

PART

E

Financial Information

PART E: FINANCIAL INFORMATION

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
Registered Office	127 – 15th Road
	Randjespark
	Midrand
	1685
Bankers	Standard Bank of South Africa
Auditors	Auditor-General of South Africa
Company Secretary	L Mashapa

6. REPORT OF THE CHIEF FINANCIAL OFFICER

Ms Ayanda Mafuleka CA(SA)
Chief Financial Officer

The office of the CFO is custodian and responsible for the implementation of policies, legislation and prescripts governing Finance, Supply Chain Management and Information and Communication Technology (ICT). The 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 2016/2017 financial year, the department has ensured that:

- The unqualified audit opinion with findings from the Auditor-General was achieved for the year under review;
- All statutory submissions were submitted on time in compliance with the PFMA and Treasury Regulations;
- All management accounts, with variance explanations, were submitted on time to the dti as per signed Shareholder Compact;
- The NCR continued to comply with relevant National Treasury Instructions on costs containments.

FINANCE, PROCUREMENT AND ICT TEAM

7. AUDITOR-GENERAL REPORT

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

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the National Credit Regulator set out on pages 85 to 118, which comprise statement of financial position as at 31 March 2017, the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget information with actual information for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the National Credit Regulator as at 31 March 2017, its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practise (SA Standards of GRAP), the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA), the National Credit Act (Act No. 34 of 2005), and the National Credit Amendment Act (Act No. 19 of 2014).

Basis for opinion

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

4. I am independent of the public entity in accordance with the International Ethics Standards Board for Accountants' *Code of ethics* for *professional accountants* (IESBA code) and the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.

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

Emphasis of matter

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

Restatement of corresponding figures

As disclosed in note 32 to the financial statements, the corresponding figures for 31 March 2016 have been restated as a result of an error in the financial statements of public entity at, and for the year ended, 31 March 2017.

Other matter paragraphs

7. The following other matter paragraphs will be included in our auditor's report to draw the users' attention to matters regarding the audit, the auditor's responsibilities and the auditor's report:

Unaudited supplementary schedules

The supplementary information set out on pages 44 to 56 does not form part of the financial statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion thereon.

Responsibilities of the accounting authority for the financial statements

8. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with the SA Standards of GRAP, the requirements of the PFMA and the National Credit Act as amended, 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.

9. In preparing the financial statements, the accounting authority is responsible for assessing the public entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless there is an intention to either liquidate the public entity or cease operations, or there is no realistic alternative but to do so.

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

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

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

Report on the audit of the annual performance report

Introduction and scope

12. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PM) and the general notice issued in terms thereof I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected strategic objectives presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.

13. My procedures address the reported performance information, which must be based on the approved performance planning documents of the public entity. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

14. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected strategic objectives presented in the annual performance report of the public entity for the year ended 31 March 2017:

Strategic objectives	Pages in the annual performance report
Strategic objective 1 — to promote responsible credit granting	**44 - 45**
Strategic objective 2 — to protect consumers from abuse and unfair practices in the consumer credit market and address over-indebtedness	**46 - 47**
Strategic objective 3 — to enhance the quality and accuracy of credit bureau information	**47 - 49**
Strategic objective 5 — to ensure effective implementation of the National Credit Amendment Act	**51 - 53**

15. I performed procedures to determine whether the reported performance information was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

16. I did not identify any material findings on the usefulness and reliability of the reported performance information for the following strategic objectives:

- **Strategic objective 1**— To promote responsible credit granting.
- **Strategic objective 2** — To protect consumers from abuse and unfair practices in the consumer credit market and address over-indebtedness.
- **Strategic objective 3** — to enhance the quality and accuracy of credit bureau information.
- **Strategic objective 5** — to ensure effective implementation of the National Credit Amendment Act.

Report on audit of compliance with legislation

Introduction and scope

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

18. The material findings in respect of the compliance criteria for the applicable subject matters are as follows:

Annual financial statements, performance and annual report

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

Other information

20. The National Credit Regulator's accounting authority is responsible for the other information. The other information comprises the information included in the annual report which includes the audit committee's report and the accounting authority's report. The other information does not include the financial statements, the auditor's report and those selected strategic objectives presented in the annual performance report that have been specifically reported on in the auditor's report.

21. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.

22. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected strategic objectives presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work I have performed on the other information obtained prior to the date of this auditor's report, I conclude that there is a material misstatement of this other information.

23. No material inconsistencies were identified.

Internal control deficiencies

24. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance thereon. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on compliance with legislation included in this report.

Leadership

- Management did not exercise sufficient oversight regarding financial reporting, in relation to the misstatements identified in the financial statements.

Financial and performance management

- Management did not prepare accurate and complete financial statements supported by reliable information in relation to the misstatements identified in the financial statements.

Auditor-General

Pretoria
31 July 2017

AUDITOR-GENERAL
SOUTH AFRICA
Auditing to build public confidence

Annexure Auditor-general's responsibility for the audit

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

Financial statements

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

- identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the public entity's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting authority.
- conclude on the appropriateness of the accounting authority's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the National Credit Regulator's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required-to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of the auditor's report. However, future events or conditions may cause a public entity to cease operating as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

Communication with those charged with governance

3. I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

4. I also confirm to the accounting authority that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, related safeguards.

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The audited annual financial statements set out on page 85 to 118 which have been prepared on the going concern basis, were approved by the Accounting Authority on 31 July 2017 and were signed by:

N. Motshegare

Accounting Authority

31 July 2017

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2017

Figures in Rand	Note(s)		
Assets			
Current Assets			
Receivables from exchange transactions	3	201 708	152 746
Receivables from non-exchange transactions	28	217 660	408 922
Operating lease asset	11	5 707	-
Cash and cash equivalents	4	61 289 458	44 970 699
		61 714 533	**45 532 367**
Non-Current Assets			
Property, plant and equipment	5	9 586 102	12 408 035
Intangible assets	6	9 334 420	5 734 749
		18 920 522	**18 142 784**
Total Assets		**80 635 055**	**63 675 151**
Liabilities			
Current Liabilities			
Income received in advance	7	8 609 688	4 017 262
Payables from exchange transactions	8	12 973 730	8 677 200
Liability from non-exchange transactions	31	45 320 817	39 485 817
Provisions	9	8 473 415	7 673 391
Finance Lease obligation	10	-	8 381
Operating lease liability	11	-	62 777
		75 377 650	**59 924 848**
Non-Current Liabilities			
		-	**-**
Total Liabilities		**75 377 650**	**59 924 848**
Net Assets		**5 257 405**	**3 750 303**

STATEMENT OF FINANCIAL PERFORMANCE

Figures in Rand	Note(s)		
Revenue			
Revenue from exchange transactions			
Other revenue	12	99 777	886 621
Interest received - investment	13	1 700 270	1 054 695
Total revenue from exchange transactions		**1 800 047**	**1 941 316**
Revenue from non-exchange transactions			
Fee Revenue	14	34 028 665	32 900 685
Transfer payment	15	69 577 000	66 899 044
Other revenue	16	15 000 357	5 657 229
Total revenue from non-exchange transactions		**118 606 022**	**105 456 958**
Total revenue		**120 406 069**	**107 398 274**
Expenditure			
Personnel expenditure	17	(70 120 975)	(72 266 955)
Operating expenses	18	(20 117 568)	(17 160 705)
Finance costs	19	(199)	(2 234)
Administrative expenses	20	(23 290 333)	(18 368 445)
Depreciation and Amortisation	5&6	(5 369 912)	(6 398 332)
Total expenditure		**(118 898 987)**	**(114 196 671)**
Operating surplus/(deficit)	21	**1 507 082**	**(6 798 397)**
Surplus/(deficit) for the year		**1 507 082**	**(6 798 397)**

STATEMENT OF CHANGES IN NET ASSETS

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 April 2015	**10 548 720**	**10 548 720**
Changes in net assets		
Deficit for the year	(6 798 397)	(6 798 397)
Total changes	(6 798 397)	(6 798 397)
Balance at 01 April 2016	**3 750 323**	**3 750 323**
Surplus for the year	1 507 082	1 507 082
Balance at 31 March 2017	**5 257 405**	**5 257 405**

CASH FLOW STATEMENT

Figures in Rand	Note(s)		
Cash flows from operating activities			
Receipts			
Cash receipts from applicants and registrants		34 574 738	34 345 024
Transfers received		69 577 000	66 899 044
Interest income		1 700 270	1 054 695
Other receipts		14 690 698	5 598 191
Total receipts		120 542 706	107 896 954
Payments			
Cash paid to employees		(69 320 951)	(67 598 514)
Cash paid to suppliers		(28 566 355)	(28 474 822)
Total payments		**(97 887 306)**	**(96 073 336)**
Net cash flows from operating activities	22	**22 655 400**	**11 823 618**
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(244 703)	(743 168)
Purchase of other intangible assets	6	(6 083 892)	(2 072 170)
Net cash flows from investing activities		**(6 328 596)**	**(2 815 338)**
Cash flows from financing activities			
Lease liability		(7 845)	(29 459)
Finance cost- Finance lease		(199)	(2 234)
Net cash flows from financing activities		**(8 044)**	**(31 693)**
Net increase/(decrease) in cash and cash equivalents		**16 318 759**	**8 976 587**
Cash and cash equivalents at the beginning of the year		44 970 699	35 994 112
Cash and cash equivalents at the end of the year	4	**61 289 458**	**44 970 699**

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Operating expenditure						
Revenue						
Taxation revenue						
Transfer payment	-	-	-	-	-	
Income						
Fee revenue	41 886 606	-	**41 886 606**	34 028 665	**(7 857 941)**	N1
Transfer payment	69 577 000	-	**69 577 000**	69 577 000	-	
Other income	14 100 000	-	**14 100 000**	15 100 134	**1 000 134**	N2
Interest income	1 620 000	-	**1 620 000**	1 700 270	**80 270**	
Total income	**127 183 606**	**-**	**127 183 606**	**120 406 069**	**(6 777 537)**	
Expenditure						
Personnel	(76 560 238)	-	**(76 560 238)**	(70 120 975)	**6 439 263**	N3
Communication costs	(2 814 658)	-	**(2 814 658)**	(2 254 218)	**560 440**	
Finance costs	-	-	**-**	(199)	**(199)**	
Consumer education	(7 273 000)	-	**(7 273 000)**	(6 736 260)	**536 740**	
Professional fees	(12 896 537)	-	**(12 896 537)**	(11 401 229)	**1 495 308**	N4
General expenses	(9 071 492)	-	**(9 071 492)**	(10 894 315)	**(1 822 823)**	N5
Information technology	(3 691 992)	-	**(3 691 992)**	(3 983 169)	**(291 177)**	
Premises and equipment costs	(6 205 806)	-	**(6 205 806)**	(11 528 543)	**(5 322 737)**	N6
Stakeholder communication	(737 500)	-	**(737 500)**	(432 837)	**304 663**	
Debt Counselling Initiatives	(1 582 500)	-	**(1 582 500)**	(1 547 242)	**35 258**	
Total expenditure	**(120 833 723)**	**-**	**(120 833 723)**	**(118 898 987)**	**1 934 736**	
	-	-		-	-	-
Surplus for the year	**6 349 883**	**-**	**6 349 883**	**1 507 082**	**4 842 801**	

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Budget on Accrual Basis						
Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Capital expenditure						
Assets						
Non-Current Assets						
Property, plant and equipment	(237 683)	-	**(237 683)**	(244 703)	**(7 020)**	
Intangible assets	(1 412 200)	-	**(1 412 200)**	(1 395 198)	**17 002**	
Capital projects	(4 700 000)	-	**(4 700 000)**	(4 688 694)	**11 306**	
Total Assets	**(6 349 883)**	**-**	**(6 349 883)**	**(6 328 596)**	**21 287**	
Net Assets	**(6 349 883)**	**-**	**(6 349 883)**	**(6 328 596)**	**21 287**	

N1: The negative variance of R7.8 million is attributable to the approved Regulations pertaining to a new renewal date of the 31st July 2017 for all registrants. Renewal fees were therefore pro-rated for alignment to a new renewal date of 31 July 2017 for all registrants whose renewal dates are after 31 August 2016. The impact of reduced renewal fees as a result pro-rated renewal fees was not taken into account in the 2016/2017 budget.

N2: The positive variance of R1 million is mainly attributable to the utilisation of the PDA interest by NCR to fund consumer education and investigations as per approved PDA Interest Utilisation policy on the 15th October 2015.

N3: The positive variance of R6.4 million is due to the savings becasue of the resignations during the year. The NCR prioritised filling of critical positions.

N4: The positive variance of R1.4 million is due to few legal cases that were not yet finalised because the legal process is still underway. However the funds have been committed.

N5: The negative variance of R1.8 million is attributable to the bad debts which was not budgeted for in the MTEF process

N6: The negative variance of R5,3million is attributable to the depreciaiton which was not budgeted for in the MTEF process

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow						
Cash flows from operating activities						
Receipts						
Cash receipts from applicants and registrants	41 886 606	-	**41 886 606**	34 574 738	**(7 311 868)**	
Transfers received	69 577 000	-	**69 577 000**	69 577 000	**-**	
Interest income	1 620 000	-	**1 620 000**	1 700 270	**80 270**	
Other receipts	14 100 000	-	**14 100 000**	14 690 698	**590 698**	
	127 183 606	**-**	**127 183 606**	**120 542 706**	**(6 640 899)**	
Payments						
Suppliers and employees	(120 833 723)	-	**(120 833 723)**	(97 887 306)	**22 946 417**	
Net cash flows from operating activities	**6 349 883**	**-**	**6 349 883**	**22 655 400**	**16 305 517**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(237 683)	-	**(237 683)**	(244 703)	**(7 020)**	
Purchase of other intangible assets	(1 412 200)	-	**(1 412 200)**	(1 395 198)	**17 002**	
Capital projects	(4 700 000)	-	**(4 700 000)**	(4 688 694)	**11 306**	
Net cash flows from investing activities	**(6 349 883)**	**-**	**(6 349 883)**	**(6 328 596)**	**21 287**	
Cash flows from financing activities						
Lease liability	-	-	-	(7 845)	**(7 845)**	
Finance costs	-	-	-	(199)	**(199)**	
Net cash flows from financing activities	**-**	**-**	**-**	**(8 044)**	**(8 044)**	
Net increase/(decrease) in cash and cash equivalents	-	-	**-**	16 318 759	**16 318 759**	
Cash and cash equivalents at the beginning of the year	39 436 000	-	**39 436 000**	44 970 699	**5 534 699**	
Cash and cash equivalents at the end of the year	**39 436 000**	**-**	**39 436 000**	**61 289 458**	**21 853 458**	

ACCOUNTING POLICIES

1. SIGNIFICANT ACCOUNTING POLICIES

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

These audited annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

1.1 BASIS OF PREPARATION

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

In applying accounting policies management is required to make various judgements, apart from those involving estimations, which may affect the amounts of items recognised in the financial statements. Management is also required to make estimates of the effects of uncertain future events which could affect the carrying amounts of certain assets and liabilities at the reporting date. Actual results in the future could differ from estimates which may be material to the financial statements. Details of any significant judgements and estimates are explained in the relevant policy where the impact on the financial statements may be material. Refer to note 6, note 7 and note 27

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 to the nearest rand (R).

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.Refer to accounting policy 1.7.2 :Finance leases. All other borrowing costs are recognised as an expense in the period in which they are incurred.

1.4 REVENUE FROM EXCHANGE TRANSACTIONS

An exchange transaction is 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.

ACCOUNTING POLICIES

Measurement

Revenue is measured at the fair value of the consideration received or receivable,net of trade discounts and volume rebates.

1.5 REVENUE FROM NON-EXCHANGE TRANSACTIONS

Non-exchange transactions are defined as transactions where the NCR receives value from another entity without directly giving approximately equal value in exchange.

Fee revenue

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

Application fees	Date of registration or withdrawal or rejection
Registration fees	Recognised in full at renewal date
Branch fees	Date of registration
National loans register fees	Date of service delivery
Replacement certificates fees	Date of invoice
Payment Distribution Agency interest	Date of service delivery

Government grants

Government grants received for project purposes are recognised in the Statement of Financial Position as deferred revenue upon 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 portion of the transfer when it gains control of resources that meet the definition of an asset and satisfy the recognition criteria.

1.6 INVESTMENT REVENUE

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

ACCOUNTING POLICIES

1.7 LEASES

1.7.1 Operating leases - lessee

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.

1.7.2 Finance leases - lessee

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

1.8 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is initially measured at cost.

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

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

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

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

Subsequent costs are included in the asset's carrying amount only when it is probable that 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. Management re- assessed the useful lives of leasehold improvements that had been fully depreciated. The revised useful lives were revised to be in line with the current lease term.

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.

ACCOUNTING POLICIES

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
Leased equipment	Remaining period of lease
ICT operational system	5-7 years

1.9 INTANGIBLE ASSETS

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

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

An intangible asset is recognised when:

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

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

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

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

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

ACCOUNTING POLICIES

1.9 INTANGIBLE ASSETS (CONTINUED)

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

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

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

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life. Amortisation is provided to write down the intangible assets, on a straight line basis, to the residual values as follows:

Item	**Useful life**
Computer software	Usage period
Human resource system	5-7 years

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

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

1.10 IMPAIRMENTS

1.10.1 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).

Criteria developed by the NCR to distinguish non-cash-generating assets from cash-generating assets are as follow:

(a) if asset is not acquired to generate a commercial return, then it is classified as non-cash generating asset or,

(b) If the asset does not operate independently and also does not form part of a group of asset, then it is classified as non- cash generating asset, or

(c) The group of assets does not generate cash flows independently from other assets, then it is classifed as non-cash generating asset.

The NCR distinguishes non-cash generating assets from cash generating assets at an asset level rather than at the overall entity level.

Identification

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

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

ACCOUNTING POLICIES

1.10 IMPAIRMENTS (CONTINUED)

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the entity would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation 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.

ACCOUNTING POLICIES

1.10 IMPAIRMENTS (CONTINUED)

1.10.2 Impairment of cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

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

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation or amortisation is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

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

(a)the period of time over which an asset is expected to be used by the entity; or

(b)the number of production or similar units expected to be obtained from the asset by the entity.

Criteria developed by the entity to distinguish cash-generating assets from non-cash-generating assets are as follow:The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

Recognition and measurement

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the entity recognises a liability only to the extent that is a requirement in the Standard of GRAP.

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

ACCOUNTING POLICIES

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. The nature of provisions applicable to the entity are fully explained in note 9 of the annual financial statements.

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 29.

1.12 EMPLOYEE BENEFITS

Short-term employee benefits

The cost of short-term employee benefits are recognised in the period in which the service is rendered and are not discounted. The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Retirement benefits

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

1.13 FINANCIAL INSTRUMENTS

Financial assets at amortised cost

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 plus transaction costs using the trade date accounting and subsequently measured at amortised cost using the effective interest rate method, less any impairment.

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

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each end of the reporting period to determine whether there is objective evidence that as a result of one or more event that occurred after the initial recognition of the

1.13 FINANCIAL INSTRUMENTS (CONTINUED)

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

For assets carried at amortised cost, the amount of the impairment is the difference between the 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.

Reversals of impairment losses are recognised in surplus or deficit

Initial recognition and measurement

Financial instruments are recognised initially when the entity becomes a party to the contractual provisions of the instruments. The entity 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. For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

The entity 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.

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

Subsequent measurement of financial instruments at amortised cost

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

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 amortised cost.

ACCOUNTING POLICIES

1.13 FINANCIAL INSTRUMENTS (CONTINUED)

Financial liabilities

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

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

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

Offseting of financial assets and liabilities

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

Receivables from exchange transactions

Accounts receivables are measured at initial recognition at amortised cost and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When accounts receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Trade and other receivables are classified as financial assets at amortised cost

An entity shall remove a financial liability (or a part of a financial liability) from its statement of financial position when, and only when, it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived An entity shall derecognise a financial asset only when: (a) the contractual rights to the cash flows from the financial asset expire, are settled or waived; (b) the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset

Payables from exchange transactions

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

ACCOUNTING POLICIES

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

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

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

1.15 COMPARATIVE FIGURES

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year. Refer to Note5&6

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

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

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

1.18 BUDGET INFORMATION

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

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

The approved budget covers the fiscal period from 1 April 2016 to 31 March 2017

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

ACCOUNTING POLICIES

1.19 MATERIALITY FRAMEWORK

In terms of the NCR's approved Materiality and Significant Framework, material facts of a quantitative nature that exceed the materiality framework are disclosed if discovered. The NCR's materiality level for the annual financial statements is set at 2% of the total assets as at end of the financial year under review.

1. 20 COMMITMENTS

Commitments is when an entity has committed itself to future transactions that will normally result in the outflow of cash. Disclosures of commitments, entered into before the reporting date are required to the extent that it has not already been recognised elsewhere in the financial statements. Refer to the note 11for further information.

1. 21 EVENTS AFTER THE REPORTING PERIOD

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

a) those that provide evidence of conditions that existed at the end of the reporting period (adjusting events after the reporting period); and

(b) those that are indicative of conditions that arose after the reporting period (non-adjusting events after the reporting period).

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

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

2. NEW STANDARDS AND INTERPRETATIONS

2.1 Standards and interpretations effective and adopted in the current year

The NCR has applied the following standards and interpretations, which have been published and are mandatory for the accounting periods beginning on or after 01 April 2017 or later periods:

	Effective date
*GRAP 17(as amended) - Property, Plant and Equipment	01 April 2016

2.2 Standards and interpretations issued, but not yet effective

*GRAP 20: Related parties	01 April 2017
*GRAP 108: Statutory receivables	01 April 2017
*GRAP 21 (as amended 2015):Impairment of non-cash-generating assets	01 April 2017
*GRAP 26 (as amended 2015):Impairment of cash - generating assets	01 April 2017
*Directive 12 - The selection of an appropriate reporting framework by public entities	01 April 2018

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

3. RECEIVABLES FROM EXCHANGE TRANSACTIONS

Deposits	117 830	117 830
Prepaid expenses	83 878	34 916
	201 708	**152 746**

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

Cash on hand	3 000	3 000
Bank balances	(167 262)	189 614
Call account	11 899 089	2 914 029
Trust account	49 554 631	41 864 056
	61 289 458	**44 970 699**

Cash and cash equivalents balances include an amount of R-167 262 which was as a result of our banker incorrectly sweeping the available funds from the current account, and only rectifying the mistake after year end closure. The NCR does not have an overdraft facility, and the account was not overdrawn. Also included is the amount of R49,554,631 (2016:R41,864,056) held in the Trust account which is the Payment Distribution Agency (PDA) interest earned from monies held by the PDA's for distribution on behalf of consumers. The Minister has approved the policy on the utilisation of the interest earned by the PDA's for investigations and consumer education effective from 15th October 2015.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

5. PROPERTY, PLANT AND EQUIPMENT

	2017			2016		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Computer equipment	6 227 186	(3 902 450)	2 324 736	6 336 284	(3 351 406)	2 984 878
Furniture and fittings	3 179 016	(2 063 865)	1 115 151	3 236 324	(1 831 148)	1 405 176
Leasehold equipment	-	-	-	35 826	(18 998)	16 828
Machinery	257 113	(244 258)	12 855	257 113	(244 258)	12 855
Office equipment	1 757 660	(1 093 660)	664 000	1 761 326	(933 780)	827 546
Leasehold improvements	2 166 712	(2 114 541)	52 171	2 149 995	(1 631 205)	518 790
Security equipment	1 257 331	(665 787)	591 544	1 187 182	(541 023)	646 159
ICT operational system	8 519 902	(3 694 257)	4 825 645	8 687 239	(2 691 436)	5 995 803
Total	**23 364 920**	**(13 778 818)**	**9 586 102**	**23 651 289**	**(11 243 254)**	**12 408 035**

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	*Other Additions	Disposals	**Adjustments	Depreciation	Closing balance
Computer equipment	2 984 878	97 847	-	(109 236)	81 502	(730 255)	2 324 736
Furniture and fittings	1 405 176	-	-	(18 921)	88	(271 192)	1 115 151
Leasehold equipment	16 828	-	-	(15 700)	-	(1 128)	-
Machinery	12 855	-	-	-	-	-	12 855
Office equipment	827 546	31 500	2 052	(4 636)	24 791	(217 253)	664 000
Leasehold improvements	518 790	13 640	3 611	-	282	(484 152)	52 171
Security equipment	646 159	101 716	-	(16 389)	(31 731)	(108 211)	591 544
ICT operational system	5 995 803	-	-	(83 668)	-	(1 086 490)	4 825 645
	12 408 035	**244 703**	**5 663**	**(248 550)**	**74 932**	**(2 898 681)**	**9 586 102**

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	*Other Additions	Disposals	**Adjustments	Depreciation	Closing balance
Computer equipment	3 393 069	403 839	23 371	(61 539)	7 012	(780 874)	2 984 878
Furniture and fittings	1 546 289	147 801	14 212	-	935	(304 060)	1 405 176
Leasehold equipment	35 631	-	-	-	-	(18 803)	16 828
Machinery	12 855	-	-	-	-	-	12 855
Office equipment	1 033 574	7 131	1 999	(3 698)	3 636	(215 096)	827 546
Leasehold improvements	819 906	31 300	795	(3 379)	(7 012)	(322 818)	518 791
Security equipment	787 018	153 097	-	(140 742)	-	(153 214)	646 159
ICT operational system	7 280 594	-	-	-	-	(1 284 791)	5 995 803
	14 908 936	**743 168**	**40 377**	**(209 358)**	**4 571**	**(3 079 656)**	**12 408 036**

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

**Adjustments comprises of reclassifications and/or corrections within assets classes for the current year

Repairs attributable to property, plant and equipment

Repairs of furniture and fittings	1 250	-
Repairs of leasehold improvements	9 750	-
Repairs of security equipment	4 850	-
Repairs of office equipment	2 850	-
	18 700	**-**

An amount of R18 700 was expended on repairs and maintenance of property, plant and equipment in the current year

6. INTANGIBLE ASSETS

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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	2017			2016		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated value	Carrying amortisation
Computer software	13 586 401	(4 957 001)	8 629 400	9 858 690	(5 028 126)	4 830 564
Human Resource System	1 543 424	(838 404)	705 020	1 543 424	(639 239)	904 185
Total	**15 129 825**	**(5 795 405)**	**9 334 420**	**11 402 114**	**(5 667 365)**	**5 734 749**

Reconciliation of intangible assets - 2017

Figures in Rand

	Opening balance	Additions	*Adjustments	Amortisation	Closing balance
Computer software	4 830 564	6 083 892	(12 991)	(2 272 065)	8 629 400
Human Resource System	904 185	-	-	(199 166)	705 020
	5 734 749	**6 083 892**	**(12 991)**	**(2 471 231)**	**9 334 420**

*Adjustments comprises of reclassifications and corrections within asset classes for the current year

Reconciliation of intangible assets - 2016

	Opening balance	Additions	Adjustments	Amortisation	Closing balance
Computer software	5 882 474	2 072 170	(4 571)	(3 119 509)	4 830 564
Human Resource System	1 103 351	-	-	(199 166)	904 185
	6 985 825	**2 072 170**	**(4 571)**	**(3 318 675)**	**5 734 749**

7. INCOME RECEIVED IN ADVANCE

Income received in advance	8 609 688	4 017 262

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

8. PAYABLES FROM EXCHANGE TRANSACTIONS

Trade payables	7 011 336	4 683 524
Accruals	5 962 394	3 993 676
	12 973 730	**8 677 200**

The trade payables are due and payable within 30 days from the reporting date.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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9. PROVISIONS

Reconciliation of provisions - 2017

	Opening Balance	Additions	Utilised during the year	Closing balance
Provision for bonuses	6 173 616	6 973 640	(6 173 616)	6 973 640
Other provisions	1 499 775	-	-	1 499 775
	7 673 391	**6 973 640**	**(6 173 616)**	**8 473 415**

Reconciliation of provisions - 2016

	Opening Balance	Additions	Utilised during the year	Closing balance
Provision for bonuses	1 505 175	6 173 616	(1 505 175)	6 173 616
Other provisions	1 499 775	-	-	1 499 775
	3 004 950	**6 173 616**	**(1 505 175)**	**7 673 391**

Performance bonuses are payable by the NCR annually in July based on performance evaluations for the period 01 April 2016 to 31 March 2017.

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

10. FINANCE LEASE OBLIGATION

Minimum lease payments due		
- within one year	-	7 846
	-	7 846
less: future finance charges	-	(198)
Present value of minimum lease payments	**-**	**8 044**
Present value of minimum lease payments due		
- within one year	-	8 044
- in second to fifth year inclusive	-	-
	-	**8 044**

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% (2016:9.25%). Ownership of the equipment is automatically transferred at the end of the lease term.`

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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11. COMMITMENTS

Authorised capital expenditure

Already contracted for but not provided for		
▪ Information Communication and Technology (ICT) system	7 373 201	12 061 896
▪ Human Resources systems	-	218 774
	7 373 201	**12 280 670**

Total capital commitments		
Already contracted for but not provided for	7 373 201	12 280 670

The committed expenditure will be financed through the annual transfer from the Department of Trade and Indusrty (dti) and annual fees from registrants. The above amounts relate to the value of the commitment over the remaining period of the commitment which is 2 years for the new ICT and Human Resource systems.

Operating lease (asset)/liability

- Building	(5 707)	62 777

Operating lease commitments consist of leases for the office building . The building rental contracts escalate at 7% per annum on the lease anniversary and will expire on the 30th April 2017.

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

Minimum lease payments due	**Building**	**Total**
- Payable within one year	168 755	168 755
- Payable within two to five years	-	-
	168 755	**168 755**

12. OTHER EXCHANGE REVENUE

Skills development levies recovered	44 541	99 044
Reimbursements	30 844	192 499
Proceeds from insurance claim	-	-
Proceeds from insurance claim	24 392	2 365
Proceeds from purchase of register of registrants	-	30 210
Proceeds from sale of tender documents	-	15 000
Proceeds from settlement of legal matters	-	547 503
	99 777	**886 621**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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13. INVESTMENT REVENUE

Interest received		
Bank	1 700 270	1 054 695

14. FEE REVENUE

Application fees	944 250	421 500
Registration fees	24 974 209	25 003 398
Branch fees	6 623 569	5 961 481
National loans register fees	1 342 217	1 329 226
Replacement certificates	144 420	185 080
	34 028 665	**32 900 685**

15. TRANSFERS

Operating grants		
Transfer from the Department of Trade and Industry	69 577 000	66 899 044

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

Prescribed income	403 773	905 283
Learnership grant	-	73 500
Payment Distribution Agency - Interest	14 590 921	4 638 070
Adjustment to non current assets	5 663	40 376
	15 000 357	**5 657 229**

Prescribed income relates to the recognition as income of unidentified and unclaimed receipts in line with the Prescription Act. The prescribed income was previously reflected under current liabilities in the statement of financial position.

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

17. PERSONNEL EXPENDITURE

Salaries	62 231 244	64 036 958
Contributions to retirement fund	6 059 457	6 115 754
Medical aid contributions	1 830 274	2 112 143
Temporary staff	-	2 100
	70 120 975	**72 266 955**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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18. OPERATING EXPENSES

Professional fees	11 401 229	8 775 688
Consumer education	6 736 260	5 079 619
Stakeholder communication	432 837	1 332 277
Debt relief programme	1 547 242	1 973 121
	20 117 568	**17 160 705**

19. FINANCE COSTS

Finance leases	199	2 234

20. ADMINISTRATIVE EXPENSES

Premises and equipment	6 158 631	5 916 327
Communication costs	2 254 218	1 758 454
Information technology	2 572 310	1 628 306
General expenses	10 894 315	7 538 021
Recruitment	356 145	250 838
Training	78 068	91 491
Other staff costs	976 646	1 185 008
	23 290 333	**18 368 445**

General expenses comprise:		
Audit fees	2 997 691	2 840 141
Bank charges	152 131	121 822
Audit and Risk Management fees	45 448	36 740
Insurance	321 069	523 990
Bad debts	3 225 956	1 817 429
Subscriptions	63 716	63 457
Travel and accomodation	3 856 010	1 925 084
Consumables	46 220	-
Loss on disposal of assets	186 074	209 358
	-	-
	10 894 315	**7 538 021**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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21. OPERATING SURPLUS/(DEFICIT)

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

Audit fees	2 997 691	2 840 141
Audit and Risk Management fees	45 448	36 740
Operating lease payments - Building	2 044 489	2 027 801
Operating lease payments - Equipment	-	831 766
Provision for bad debts	3 217 754	1 817 429
Loss on disposal of assets	186 074	209 358
	8 491 456	**7 763 235**
Amortisation on intangible assets	2 471 231	3 318 675
Depreciation on property, plant and equipment	2 898 681	3 079 657
Personnel expenditure	70 120 975	72 266 955
	75 490 887	**78 665 287**

22. CASH GENERATED FROM OPERATIONS

Surplus/(deficit) for the year	1 507 082	(6 798 397)
Adjustments for:		
Depreciation and amortisation	5 369 912	6 398 332
Finance costs - Finance leases	199	2 234
Movements in operating lease assets and accruals	(68 484)	65 325
Movements in provisions	800 024	4 668 441
Non-current assets written off	186 074	209 358
Adjustments on non-current assets	(5 663)	(40 376)
	-	-
Changes in working capital:		
Receivables from exchange transactions	(48 962)	(34 416)
Other receivables from non-exchange transactions	191 262	573 472
Payables from exchange transactions	4 296 530	31 437
Income received in advance	4 592 426	(269 116)
Liability from non-exchange transactions	5 835 000	7 017 324
	22 655 400	**11 823 618**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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23. MANAGEMENTS' EMOLUMENTS

Executive management

2017

	Salary	Provident fund contributions	Travel allowance	Performance bonus	Medical aid	Leave payment	Total
N Motshegare	2 137 096	255 607	108 000	131 273	83 259	-	2 715 235
O Tongoane	1 709 965	196 118	84 000	116 126	-	-	2 106 209
A Mafuleka	1 194 352	139 436	72 000	106 028	-	-	1 511 816
L Mashapa	1 198 132	131 924	-	106 028	-	-	1 436 084
M Mudau*	436 135	50 072	24 000	95 930	-	56 569	662 706
	6 675 680	**773 157**	**288 000**	**555 385**	**83 259**	**56 569**	**8 432 051**

2016

	Salary	Provident fund contributions	Travel allowance	Performance bonus	Medical aid	Leave payment	Total
N Motshegare	2 063 716	248 927	108 000	73 847	112 653	-	2 607 143
O Tongoane	1 669 090	189 273	68 000	63 591	-	124 510	2 114 464
F Malaza	73 191	-	-	-	-	-	73 191
A Mafuleka	1 164 733	134 767	72 000	-	-	-	1 371 500
L Mashapa	1 170 110	127 507	-	55 385	-	-	1 353 002
M Mudau	1 006 246	117 496	72 000	55 385	-	-	1 251 127
	7 147 086	**817 970**	**320 000**	**248 208**	**112 653**	**124 510**	**8 770 427**

* Resigned in July 2016

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24. RELATED PARTIES

Related party transactions are entered into in the normal course of business, under terms that are no more favourable than those arranged with third parties.

The NCR is a schedule 3A public entity in terms of of the Public Finance Management Act. The related parties of the NCR consist of the following:

Relationships	
Members of key management	Contractual relatioship
Department of Trade and Industry	Controlling entity
Companies Tribunal	Entity under common control
Export Credit Insurance Corporation of South Africa	Entity under common control
National Consumer Commission	Entity under common control
National Consumer Tribunal	Entity under common control
National Gambling Board	Entity under common control
National Lottery Commission	Entity under common control
National Regulator for Compulsory Specifications	Entity under common control
National Empowerment Fund	Entity under common control
National Metrology Institute of South Africa	Entity under common control
South African Bureau of Standards	Entity under common control Entity under common control
South African National Accreditation System	

Related party transactions

Department of Trade and Industry		
Transfer payments received	69 577 000	66 727 000
National Consumer Tribunal		
Incorrect deposit refunded to NCT	-	(900)

25. FRUITLESS AND WASTEFUL EXPENDITURE

	2017	2016
Penalties incurred - Compensation for Injuries and Diseases	7 137	-
Less: recovered	(7 137)	-
	-	-

Fruitless and wasteful expenditure of R7 137 was incurred due to late submissions in terms of Compensation for Injuries and Diseases Act. Consequence management took place and the responsible official was held accountable and the amount of R7 137 was recovered.

26. RISK MANAGEMENT

Financial risk management objectives

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

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

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26. RISK MANAGEMENT (CONTINUED)

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.

31 March 2017	Payable in less than 3 months	Payable in 3 to 12 months	Total
Trade payables	12 918 436	-	12 918 436
Finance lease liabilities	8 381	-	8 381
	12 926 817	**-**	**12 926 817**

31 March 2016	Payable in less than 3 months	Payable in 3 to 12 months	Total
Trade payables	8 677 200	-	8 677 200
Finance lease liabilities	-	8 381	8 381
	8 677 200	**8 381**	**8 685 581**

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 caryying 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 R11,734,827 (2016: R3,106,643) to the carrying amount of these instruments. The institution in which funds have been placed is monitored on a quarterly basis to assess any potential risks. Cash and cash equivalents are only placed with banking institutions with a good credit rating.

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

Financial instrument	2017	2016
Receivable from exchange transactions	117 830	117 830
Accounts receivables	31 425	246 238
Bank and call accounts	11 734 827	3 106 643

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26. RISK MANAGEMENT (CONTINUED)

Interest rate risk

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

The 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 (2016: 50) basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the potential impact of the change in interest rates.

The NCR's sensitivity to interest rates has increased primarily as a result of a increase/decrease in interest rate environment.

Exposure to interest rate risk is set out below:

Class of financial instrument		
Cash and cash equivalents	61 289 458	44 970 699
Less amounts held in the Trust account	(49 554 631)	(41 864 056)
	11 734 827	**3 106 643**

Fair values

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

27. CHANGE IN ACCOUNTING ESTIMATE

During the period under review, management re-assessed the remaining useful lives of leasehold improvements under property,plant and equipment that had been fully depreciated (nil net book value) The revised remaining useful lives is one month 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 R33 583 (2016:R134 323)

The impact of the change in estimate is as follows:

Effect on statement of financial performance		
Depreciation	(33 583)	(134 323)
Effect on statement of financial position		
Accumulated depreciation	33 583	134 323
	-	-

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28. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Accounts receivables	31 425	246 238
Other receivables from non-exchange revenue	186 235	162 684
	217 660	**408 922**

Receivables from non-exchange transactions impaired

As of 31 March 2017, receivables from non-exchange transactions of R 8,440,054 (2016: R5,665,717) were impaired and provided for.The receivables from non-exchange transactions are impaired when more than 1 month overdue

Provision for bad debts	8 440 054	5 665 717

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

Opening balance	5 665 717	6 466 194
Provision for impairment	3 217 745	1 817 429
Amount utilised	(443 408)	(2 617 906)
	8 440 054	**5 665 717**

Reconciliation of accounts receivables

Gross	8 471 479	5 911 955
Provision for bad debts	(8 440 054)	(5 665 717)
	31 425	**246 238**

29. CONTINGENT LIABILITIES

A service provider is suing the National Credit Regulator (NCR) for alleged outstanding rental fees as well as a return of leased equipment. The NCR opposed the matter and the Court hearing was set down in May 2016. However at the hearing the matter was postponed indefinately. Should the Court find in favour of the service provider, the NCR's financial exposure including costs and disbursements amounts to R120,000.

30. IRREGULAR EXPENDITURE

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There is no irregular expenditure identified during the year.

31. LIABILITY FROM NON-EXCHANGE TRANSACTIONS

Balance unspent at the beginning of the year		
Balance unspent at the beginning of the year	39 485 817	32 468 493
Current receipts	20 425 921	11 655 394
Conditions met - transfer to revenue	(14 590 921)	(4 638 070)
	45 320 817	**39 485 817**

Liability from non-exchange transactions is a trust account which the Payment Distribution Agency (PDA) interest earned from monies held by the PDA's for distribution on behalf of consumers. The Minister has approved the policy on the Utilisation of the interest earned by the PDA's for investigations and consumer education effective from the 15th October 2015. Once conditions are met, transfer to revenue occurs resulting in reduction in liability.

32. PRIOR PERIOD ERROR

During the year under review, it was identified that a receivable from non-exchange (PDA interest) amounting to R2,378,239 was incorrectly recognised in 2016 in the statement of financial position instaed of a reduction in the liability as the PDA related expensed were incurred by the 31 March 2016. The prior period error has been adjusted retrospectively.

The correction of the error results in adjustments as follows:

Statement of financial position		
Liability from non-exchange transactions	-	2 378 239
Receivables from non-exchange transactions	-	(2 378 239)

33. EVENTS AFTER THE REPORTING DATE

The NCR is not aware of any events which occured after the 31 March 2017, which are likely to have a material impact on the financial results and operations of the entity.

34. GOING CONCERN

The NCR Annual financial statements as at 31 March 2017 have been prepared on a going concern basis even though the current liabilities exceeds current assets. The economic viability and going concern of NCR is supported by Department of Trade and Industry (dti) therefore NCR management is certain that organisation will be able to continue as a going concern in the forseeable future.

9. ACKNOWLEDGEMENTS

Our Annual Report is a collaborative effort. The NCR would like to acknowledge the Education and Communication Department for project management and Shereno Printers for designing and printing our report. We would also like to thank Mercedes Borman and Xolisile Mngomezulu for participating in our case studies.

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