

Annual Report

2014

NCR

National Credit Regulator



Contents

PART 1: GENERAL INFORMATION	3
1.1. Foreword by the Minister	5
1.2. Statement by the Acting Chairperson	7
1.3. Overview of the Chief Executive Officer	11
1.4. Vision and Mission statements	14
1.5. Statutory Mandate	14
1.6. Overview of the Economy	15
PART 2: PERFORMANCE INFORMATION	17
2.1. PROGRAMME PERFORMANCE	18
2.1.1 Strategic objectives of the National Credit Regulator	18
2.1.2. Main functional areas of the NCR	18
Performance area: Registrations and Compliance	19
Performance area: Consumer Education and Communication	20
Performance area: Complaints Management and Resolution	24
Performance area: Investigations and Enforcement	26
Performance area: Debt Counselling	29
Performance area: Statistics	32
Performance area: Credit Information and Research	36
2.1.3 Key achievements of the Programmes	38
2.2. PERFORMANCE AGAINST THE ANNUAL PERFORMANCE PLAN	39
2.2.1 Strategic objectives, outputs, performance indicators, planned targets and actual achievements	39
2.2.2 Strategy to overcome areas of under performance	41
2.2.3 Changes to planned targets	41
2.2.4 Linking performance with budgets	41
PART 3: GOVERNANCE	42
3.1 Overview of the governance structures	43
3.2 Report of the Audit and Risk Management Committee	46
PART 4: FINANCIAL INFORMATION	48
4.1 Auditor General's Report	49
4.2 Accounting Authority's Report	51
4.3 Statement of Responsibility	54
4.4 Annual Financial Statements	55
PART 5: HUMAN RESOURCES MANAGEMENT	83
5.1 Human Resources Report	84
5.1.1 Overview of staff establishment	84
5.1.2 Retention Strategies	85
5.1.3 Development Initiatives	86

Acronyms and abbreviations

AGSA	Auditor-General of South Africa
Board	Board of the NCR
CBM	Credit Bureau Monitor
CCMR	Consumer Credit Market Report
CEO	Chief Executive Officer
CIF	Credit Industry Forum
CONTRALESA	Congress of Traditional Leaders of South Africa
dti	Department of Trade and Industry
EXCO	Executive Committee of the NCR
GDP	Gross Domestic Product
HRMIS	Human Resource Management Information System
ICT	Information Communication Technology
IT	Information Technology
NCA	National Credit Act
NCR	National Credit Regulator
NCT	National Consumer Tribunal
NDP	National Development Plan
NRCA	National Register of Credit Agreements
PDA	Payment Distribution Agency
PFMA	Public Finance Management Act
REMCO	Remuneration Committee
UK	United Kingdom
US	United States

PART 1

General Information



Minister's visit to the National Credit Regulator: The Honourable Minister, the Director-General and Officials of the Department of Trade and Industry with the Executive Committee of the National Credit Regulator.



Honourable Dr Rob Davies, MP
Minister of Trade and Industry

Foreword by the Minister of Trade and Industry

The National Credit Regulator (NCR) is proving to be invaluable to South African consumers managing debt.

The NCR monitors credit grantors' compliance with the National Credit Act (the Act) and helps to enforce such compliance. In so doing it reduces exploitation of, especially, the most vulnerable in our society.

During the year under review, the NCR was active in a host of credit-related issues, among them the ongoing exposure of the dangers of excessive unsecured credit growth and key amendments to legislation. The National Credit Amendment Act, was assented to by the President during the period under review and that means that both the guidelines and code can now be prescribed by the Minister after consultation with the NCR.

The Act makes provision for the Minister to implement the removal of adverse listings through regulations. It effectively tightens the screws on reckless lending, high interest rates for credit and the deceptive advertising of credit options. It further makes it easier to track and prosecute illegal lenders, and empowers debt councillors to intervene before financial institutions trigger the process of repossession of assets of those who have fallen behind on repayment of their debts.

The Act also includes additional measures to improve the functioning and sustainability of the credit market, as proposed by the Department of Trade and Industry (the dti) for implementation alongside the once-off removal of adverse listings. These include the ongoing removal of paid-up judgments and adverse listings as well affordability assessment guidelines.

Under the previous legislative dispensation, an adverse listing was displayed on a consumer's credit record for one or two years depending on whether the listing related to the enforcement action taken by the credit provider or the behaviour of the consumer. The listing could not be removed from the credit record before the expiry of its display period even if the underlying debt had been settled. The Act has changed this by requiring credit bureaus to remove adverse listings upon the settlement of accounts by consumers after being notified of the settlement by credit providers.

The NCR has compiled draft affordability assessment guidelines to provide guidance to credit providers when they perform affordability assessments. The guidelines have been tested extensively with credit providers from different sectors of the industry and are being finalised for publication. In addition, the industry code of conduct has been revised to include rules on debt restructuring, emolument attachment orders and credit life insurance.

The NCR's prime 2013/14 focus was education and enforcement.

In addition to a growing involvement in radio stations, the NCR also embarked on a dti-inspired national outreach initiative. The NCR now visits those regions with the assistance of the dti, in consequence of which its national footprint has been greatly extended.

In the enforcement arena, the identification and prosecution of unscrupulous micro-lenders was prioritised. Exacerbating the problem is the fact that many micro-lenders are not registered. The NCR accordingly developed a strategy whereby cross-country raids were directed at pay points; with successful results. The operation's deterrent impact has been highly impressive.

It remains for me to congratulate the NCR Board, management and staff for a sterling job.



Honourable Dr Rob Davies, MP
Minister of Trade and Industry,



Ms Maleho Nkomo
Acting Chairperson
NCR Board

Statement by the Acting Chairperson

I am pleased to present the 2013/14 Annual Report of the National Credit Regulator (the NCR).

During the year under review, the NCR's key priorities were undertaken in order to achieve the following strategic objectives:

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

I am pleased to report that the NCR has once again delivered on its mandate. The NCR has continued to target matters that had the potential to cause widespread consumer harm. Our enforcement capabilities were fittingly demonstrated by the 153 investigations and the 3 raids that were conducted. This visible enforcement of non-compliance to the National Credit Act, 34 of 2005 (the Act) has yielded positive results leading to several arrests, de-registration of a credit provider and the issuing of a number of compliance notices. We have strategically targeted cases, which played an important part in protecting the most vulnerable consumers.

The cases we took to the National Consumer Tribunal (the Tribunal) sent out a strong message. For the year under review, administration penalties awarded by the Tribunal included the following:

- The NCR referred African Bank Limited (African Bank) to the National Consumer Tribunal for alleged reckless lending and this matter was settled with African Bank paying R 20 million into the National Revenue Fund.
- The NCR obtained a judgment against Credit Care, a credit provider that operated from three branches which were situated at Kanana, Klerksdorp and Orkney, for contravening various provisions of the Act. Credit Care's registration as a credit provider was cancelled with immediate effect and an administrative fine of R420 000.00 was imposed.
- A compliance notice was also issued to SA Taxi Securitisation due to their non-compliance with the provisions of the Act.

Our education and awareness campaigns have reached approximately 25 million consumers, translating to advertising value equivalent (AVE) rates of over R213 million, of which,

the NCR only paid R3.3 million. The majority of our awareness campaigns were achieved through media partnerships and innovative communication and education initiatives. Our consumer-focused messages struck a balance between education and awareness.

The consumer credit industry has shown interesting trends. As at 31 March 2014, the value of credit granted was recorded as R451.10 billion which is an increase of 3.34% when compared to the value of R436.52 as at the end of March 2013. New credit amounted to R118.66 billion whilst the recorded debtor's book increased by 2.04% to R1.55 trillion for the quarter ended March 2014. Additional highlights in the consumer credit sector are summarised below:

- The number of applications for credit received for the year declined by 2,5% from 42,078,079 in March 2013 to 40,991 250 in March 2014.
- The number of registered credit bureau for the year increased to 13 when compared to 12 at the end of March 2013.
- The number of registered debt counsellors increased by 5,6% from 1 995 at the end of March 2013, to 2 105 for the year ended March 2014.
- The number of registered credit providers for the year ended increased by 5% from 5 450 at then of March 2013 to 5 724 at the end of March 2014.

The adoption of the National Credit Amendment Bill by National Parliament and the National Council of Provinces during the course of the year resulted in the Bill being passed. The President of the Republic assented to the National Credit Amendment Act (Amendment Act) on 19 May 2014. In as far as the NCR is concerned, critical changes to the National Credit Act brought by the Amendment Act include the following: Automatic removal of adverse consumer credit information and paid up judgments; Improving the effectiveness of debt counseling; Issuing affordability assessment regulations; Improving the standard of service and procedures for debt counsellors; Registering Alternative Dispute Resolution Agents; Regulating Payment Distribution Agencies; Enhancing the powers of the Tribunal; Reviewing the cost of credit; Prohibiting the sale and collection of prescribed debt; and changes in the governance structure of the NCR.

During the year, the NCR continued to maintain and enhance relationships with a broader group of strategic stakeholders. The NCR was able to establish a Credit Industry Forum made up of representatives from consumer associations, debt counsellors and credit providers. In addition, the NCR met with the Credit Ombudsman on a periodic basis. Through these interactions, the various stakeholders now have a better understanding of

each other's role, and where possible, collaborate to empower consumers. The NCR will continue to strive for enhanced compliance with regulatory requirements through increased interaction with key stakeholders, including fellow regulatory bodies.

In our efforts to ensure good governance, we are proud to have consistently received an unqualified audit opinion. In addition, we were able to fully achieve 91% of our preplanned objectives.

It is important to highlight that the changes in the governance structure of the NCR could become effective at any point in time when the President of the Republic of South Africa promulgates the Amendment Act. These changes would result in inter alia the Board's responsibilities as Accounting Authority being vested in the CEO. The soon to be restructured NCR governance structure should be able to build on past achievements and key lessons over the past several years. These achievements were made possible by the dedication and hard-work of NCR staff. On behalf of the Board, I am confident they will continue to rise to the challenges and opportunities in support of the successor governance structure. As this could be the Board's last annual report, we wish the CEO and staff well in the future.

Our achievements would not have been possible without the dedication, hard work and professionalism of our staff. Despite the challenging plan we had set out for the year, we have

managed to put into practice a significant amount of work to a high standard. I would like to thank each and every employee of the NCR for their dedication. My heartfelt appreciation also goes to the CEO, Ms N Motshegare, who pulled together the team to implement the 2013/14 annual plan.

The Board was well served by a strong group of Board members who have the depth and breadth of experience across a range of sectors. A special word of appreciation is extended to all the Board members for their time, dedication and for providing strategic direction to the NCR. It has not only been an honour, but also a privilege to have acted as Chairperson of the NCR Board.

Appreciation also goes to the Honourable Minister and to the Department of Trade and Industry staff for their support throughout the year.



Ms MMD Nkomo
Acting Chairperson
NCR Board



NCR
National Credit Regulator

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Ms Nomsa Motshegare
Chief Executive Officer

Overview of the Chief Executive Officer

During this financial year, the National Credit Regulator (NCR) remained committed to ensuring that consumers in the credit industry continue to be protected whilst engaging actively with industry players.

The key objectives of the NCR for the financial year 2013/14 and therefore its principle priorities dovetail those of the Department of Trade and Industry (the dti).

In this period, the priorities of the NCR were in the following areas: enforcement, education and the National Credit Amendment Bill.

As one of the key functions of the NCR, enforcement of the National Credit Act (the Act) takes the form of proactive and reactive investigations. Where contraventions of the Act are uncovered, enforcement action is taken. Enforcement action includes any or a combination of the following: issuing a compliance notice, entering into settlement agreements and referrals to the National Consumer Tribunal (the Tribunal) or the courts. Proactive investigations target specific areas following extensive information gathering while reactive investigations are informed by complaints lodged by consumers, trends identified in the media, referrals from other institutions, reports from on-site compliance visits undertaken by NCR compliance officers, or contraventions reported in the assurance engagement reports submitted to the NCR by the auditors or accounting officers of credit providers.

During the year under review, the NCR mandated 153 investigations and 23 matters were referred to the Tribunal for adjudication. Arrests were made, criminal cases opened and referrals made to the Tribunal.

Included in the referrals to the Tribunal were 18 credit providers and 5 debt counsellors. The contraventions on the part of credit providers were charging excessive fees, reckless lending, retention of bank cards, pin codes and identity documents. In respect of debt counsellors, the contraventions included failure to submit statutory compliance documents and not complying with the debt counselling process as stipulated in the regulations.

Total administration fines imposed by the Tribunal amounted to R1 835 000.

Another matter that was referred to the Tribunal was that of alleged reckless lending by African Bank Limited (African Bank). The bank, however, entered into a settlement agreement with the NCR. In terms of the settlement agreement, African Bank paid an amount of R20 million into the National Revenue Fund.

The NCR conducted successful raids in three provinces during this period. These were joint operations conducted with the South African Police Service. The raids were aimed at clamping down on credit providers who persist with illegal bullying tactics against vulnerable and unsuspecting consumers.

I feel confident that the great enforcement lengths to which we have gone have served and are still serving as a deterrent.

Since its inception the NCR has consistently made a concerted effort to educate and inform the South African public about the Act and the NCR's role and responsibilities as per its mandate from the Act. An overview of key communication and awareness initiatives are provided below: -

Educational workshops were held nationally in conjunction with Provincial Consumer Desks, Trade Unions, Government departments, employers, universities, church groups and traditional authorities, to create awareness of the debt counselling process and the Act in general. These workshops were meant to also educate consumers about their rights and responsibilities in terms of the Act.

The NCR has achieved good exposure across all media channels (broadcasting, online and print media), with a total Advertising Value Equivalency (AVE) of more than R200 million for the past financial year alone. AVE refers to the value of media coverage. The NCR has been featured in newsprint, radio and TV interviews. Utilisation of bill boards has also been found to be valuable in reaching out to communities. NCR also participated in 49 exhibitions, activations and road shows across the country.

The media has played a beneficial role in this process. We are grateful to, especially the community media for reaching the more vulnerable people in our society.

The wide media coverage was made possible by making our enforcement visible and publishing statistics in respect of the credit industry trends. These trends are informed by the statistical information reported by NCR-registered credit providers and credit bureaus.

The NCR has been able to increase knowledge of the dynamics of the consumer credit industry, and accordingly increase public and stakeholder awareness of the trends in the consumer credit industry by publishing statistical information on a quarterly basis. These are widely regarded as highly credible and are also used by analysts, economists, investors and potential investors nationally and internationally.

Significantly, it was through such information that NCR was able to raise the debate on unsecured credit. It is pleasing to note that over time there has been a slow down in the extension of unsecured credit and an improvement or increase (though marginal) in the extension of mortgage loans.

The statistical returns obtained from credit providers and credit bureaus have revealed that the amount of credit granted to consumers has increased substantially from R1.1 trillion in 2007 to R1.5 trillion in 2014. There were 21.7 million credit active consumers and out of these, 9.6 million (44.2%) had impaired records. This increase has also led to an evolution of the problem of household over-indebtedness. Household debt to disposable income in South Africa is still high, even though the overall household indebtedness is actually down from its early peaks: Q4 2008 – 81.9% and this fell to 74.3% in Q4 2013. This is an indication that a large portion of household incomes still goes to servicing debt.

A number of consumers (on average 9100 consumers per month) apply for debt counselling. Debt counselling has provided relief to numerous consumers even though improvements are still required to make it more effective and efficient. It is through this process that more than R13 billion has been distributed to credit providers from payments made by consumers who are under debt review and have had their repayments restructured.

In delivering on its mandate, NCR has engaged extensively with key stakeholders in the credit industry. These include Government departments, especially the dti and National Treasury, other regulators such as the Financial Services Board and the South African Reserve Bank. NCR is also a member of the Council of Trade and Industry Institutions within the Regulatory Cluster which meets quarterly. All the regulatory agencies including the Tribunals meet quarterly to share information and find ways of pulling their resources to facilitate joint projects.

NCR also established the Credit Industry Forum (CIF) which is a stakeholder industry forum and consists of representatives from various key stakeholders in the credit industry and is chaired by the NCR.

The CIF of the NCR was established to operate on a consensual basis to identify and address operational difficulties that come with the implementation of the Act, facilitate and negotiate industry agreements and facilitate co-operation on related credit industry aspects.

The NCR recognises the pivotal role that magistrate' courts play in the success of debt counselling. Capacity building workshops and information sharing sessions were held with Magistrates in the following provinces: Free State, Western Cape and Limpopo. Some of these workshops were conducted jointly with the Tribunal.

All the work that the NCR has done throughout the year would not have been possible without its dedicated and passionate employees who continue to be provided with formal training and on the job training. In addition, the NCR continues to roll out its learnership programme on an annual basis. Ten (10) graduates were recruited and trained (including on the job training) during this period. We plan to recruit and train twenty learners each year from 2014/15. This is a joint project between the NCR and the Bank SETA.

One of NCR's great achievements is that it has always received an unqualified audit report. In terms of Predetermined Objectives (performance information), no material findings on the annual performance report were reported concerning the reliability and usefulness of the information.

A critical new milestone – one to which the NCR has allocated considerable attention during the year under review – is the National Credit Amendment Act, 19 of 2014, which reflects necessary and far-reaching amendments to the Act. One of the most important of the amendments derives from the enforcement challenge, whereby anyone who provides credit is obliged to register with the NCR and to comply with the requirements of the Act.

Some of the key amendments are the following: Payment Distribution Agencies will be registered and regulated by the NCR; Debt counsellors will now be able to issue clearance certificates to consumers allowing a consumer to be issued with a clearance certificate if the consumer has paid up all other debt and the only outstanding debt being serviced by a consumer is a mortgage agreement, provided that there are no arrears on the mortgage agreement as re-arranged during the debt review; Affordability assessment regulations; Alternative Dispute Resolution Agents will be required to register and be monitored by the NCR; Automatic removal of Adverse Consumer Credit Information and Paid Up Judgments. The amendments amend sections dealing with removal of adverse consumer credit information and paid up judgment debt to allow for immediate removal after payment on an on-going basis.

The key amendments also incorporate the review of the cost of credit and the capping of credit life insurance. The amendments will go a long way into providing legal and procedural certainty. The provision that debt review may not be terminated if an application has already been filed in Court or in the Tribunal, gives further protection to consumers and strengthens the process.

NCR shall have far greater control over those who contravene the Act. Enforcement will be swifter, widespread and more efficient.

In terms of the National Credit Amendment Act, 19 of 2014, the law will come into effect once the President has issued a Proclamation in the Government Gazette.

The NCR will for the financial year 2014/15 and the following year focus on conducting workshops; embarking on education campaigns with consumers and key stakeholders, especially registrants, on the new amendments; monitoring compliance and enforcing the Act.

Looking back on a successful 2013/14 financial year, I am happy to report that we have met most of our targets, the end result of which is greater protection for the nation's consumers, reflecting our growing ability to achieve our principal mandate.

I conclude by expressing my gratitude to the Minister of Trade and Industry, the Honourable Dr Rob Davies; Director General Mr Lionel October; and Deputy Director General, Ms Zodwa

Ntuli, for their continued support of the work of the NCR. I also wish to thank the Portfolio Committee on Trade and Industry and the Select Committee for Trade and International Relations for their continued guidance.

To the NCR Board, the NCR Executive Team, Management and Staff, thank you for your firm commitment and dedication to the NCR. I also wish to express my profound appreciation to the media, which provided, and continues to provide, ongoing coverage of the NCR.



Nomsa Motshegare
Chief Executive Officer

1.4. Vision, Mission and Values

Vision

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

Mission

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

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

Values

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

1.5. Statutory Mandate

The National Credit Regulator (NCR) derives its mandate from the National Credit Act (the Act). The purpose of the Act, in its entirety, is to:

- Promote a fair and non-discriminatory market place for access to consumer credit and for that purpose to provide for the general regulation of consumer credit and improved standards of consumer information.
- Promote black economic empowerment and ownership within the consumer credit industry.
- Prohibit certain unfair credit and credit-marketing practices.
- Promote responsible credit-granting and use and, for that purpose, prohibit reckless credit-granting.
- Provide for debt re-organisation in cases of over-indebtedness.
- Regulate credit information.
- Provide for registration of credit bureaus, credit providers and debt counselling services.
- Establish national norms and standards relating to consumer credit.
- Promote a consistent enforcement framework relating to consumer credit.

The Act established both the NCR and National Consumer Tribunal (the Tribunal) and it specifically directs the NCR to:

- Promote and support the development of a fair, transparent, competitive, sustainable, responsible, efficient (and) effective consumer credit market and to increase participation of historically disadvantaged persons, low-income persons and communities, and remote, isolated or low-density populations and communities in the consumer credit market.

- Regulate the consumer credit industry by registering credit providers, credit bureaus and debt counsellors.
- Enforce the provisions of the Act by:
 - o Promoting informal resolution of disputes between consumers and credit providers, bureaus, and/or debt counsellors.
 - o Receiving complaints regarding contraventions of the Act.
 - o Monitoring the consumer credit market and industry to prevent, detect and/or prosecute contraventions.
 - o Investigating and evaluating alleged contraventions of the Act.
 - o Issuing and enforcing compliance notices in respect of contraventions.
 - o Negotiating and concluding undertakings and consent orders as a means of resolving complaints by consumers.
 - o Referring matters to the Tribunal for hearing.
- Undertake research on the nature and dynamics of the consumer credit market in order to increase knowledge of these matters by:
 - o Monitoring socio-economic patterns of consumer credit activity, particularly in relation to over-indebtedness.
 - o Conducting reasonable periodic audits of registered credit providers.
 - o Monitoring trends in the consumer credit market and industry in respect of the needs of previously disadvantaged and low-income individuals and the promotion of BEE.

- o Monitoring trends in the market in relation to credit insurance and alternative dispute resolution agents.
- o Providing guidance to the credit market and industry by issuing explanatory notices and applying to the courts for interpretations and declaratory orders on any provision of the Act.
- Promote public awareness of consumer credit matters by:
 - o Implementing education and information measures.
- Review legislation and report to the Minister of Trade and Industry on matters concerning consumer credit.

1.6. Overview of the Economy

South Africa, with its relatively open economy, is vulnerable to the vagaries of global economic performance. Hence, any forecast of where South Africa's gross domestic product (GDP) is headed needs to include an assessment of the international scenario.

International

Throughout the world, improving economic momentum is evident.

Among the advanced economies, the United States (US) and British economies are reflecting fairly robust growth rates in spite of the disappointing 0,1% annualised US growth rate at the start to the year – a performance that was occasioned mainly by bad weather. However, with the first quarter now a thing of the past, economic momentum is expected to pick up again. Indeed, there is a widespread belief that US second quarter GDP growth could match or exceed 3,0%.

In the United Kingdom (UK) positive news flow has continued apace, with an increased economic growth forecast from the International Monetary Fund (up from 2,4% to 2,9% in 2014) and good UK employment data (an unemployment figure below 7% and a pick-up in wage growth).

Fuelling international economic confidence is the belief that even when quantitative easing (QE) is over, the US Federal Reserve's (the Fed) liquidity support will remain at high levels for the foreseeable future. The Fed has also confirmed its commitment to keep rates low until at least mid-2015, as well as highlighting the economy's low inflation levels.

Japan, on the other hand, remains sluggish, with its economy reflecting still stagnant wages, markedly low consumer confidence and recent yen stability, when further depreciation is needed.

The European Central Bank has its eye on higher growth rates by way of a strategy that could either take the form of further liquidity measures and/or a negative deposit rate (relatively easy to enact, but with limited economic impact). In addition, some form of QE looks increasingly likely for 2014.

The broad international consensus is that global liquidity will remain abundant and that the economic outlook is a great deal more promising than it was five years ago.

Domestic

It has long been observed that the best time to pursue vigorous, growth-orientated economic policies is shortly after an election. That's because the five years that elapse before the next election is a sufficiently long period in which to assess the efficacy of that policy. On the other hand, if the policy is unsuccessful, the ruling party has enough time to rectify the mistakes and produce a new plan.

Enter the National Development Plan (NDP), South Africa's 30-year growth and development framework, which stands a better-than-even chance of being actively implemented in the near term following an election result that effectively provides a five year mandate to proceed with the introduction of the NDP. The NDP is highly likely to surge to the forefront of government's economic policy.

Of significance is that Business Unity South Africa, the country's largest business lobby, has indicated that it will help the incoming administration implement the NDP to rid the country of unemployment, poverty and inequality.

Appreciable intellectual input lies behind the creation of the huge NDP document that contains the objectives and means of achieving goals that include growing the economy at a rate above those currently being achieved and reducing unemployment from 25,2% to 6% by 2030.

With both the government and the private sector committed to growing the economy, and the elections having been concluded, it would not be unreasonable to anticipate an upward revision of many of the pre-election growth forecasts.

While the seasonally adjusted real GDP at market prices for the fourth quarter of 2013 increased at an annualised rate of 3,8% – the largest in two years and significantly up from 0,7% annualised growth in the third quarter – economists are forecasting a growth rate of below 2% in the near term, with the figure likely to recover to close to 3% towards the end of the calendar year.

The conclusion of the strike, coupled with the near-term implementation of the NDP, suggests that the latter part of this year could well see the start of a meaningful recovery in South Africa's rate of economic growth.

Given that the value of a country's currency reflects its economic value, the rand's recent strength could be considered an interesting pointer.

PART 2

Performance Information



Management Team

Front from left: Ms Kedilatile Malakalaka (Debt Counselling), Ms Mpho Ramapala (Education and Communication - Acting) and Ms Nthupang Magolego (Investigations and Enforcement).

Back from left: Mr Adrian Skuy (Complaints), Mr Ngoako Mabeba (Statistics - Acting), Ms Louisa Hetisani (Credit Information and Research) and Mr Zolile Mngqundaniso (Registrations and Compliance).

2.1. Programme Performance

2.1.1. Strategic objectives of the National Credit Regulator

The activities of the National Credit Regulator (NCR) derive from the organisation's objectives, which are to:

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

Alignment with government and dti priorities

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

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

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

2.1.2 Main functional areas of the NCR

The NCR achieves its statutory mandate and fulfills its objectives through the following activities and services:

- Registration of credit providers, credit bureaus and debt counsellors and monitoring the compliance of these entities with the National Credit Act (the Act).
- Education of consumers and promotion of public awareness of the protection afforded by legislation and the role of the NCR.
- Receive and investigate consumer complaints.
- Enforce the Act and take action against parties that contravene it.
- Research on trends in the consumer credit market.
- Monitor access to credit to identify factors that might undermine access, competitiveness and consumer rights.
- Advise government of policy and legislation in relation to the consumer credit market and industry.



Registrations and Compliance Team

Performance area

Registrations and Compliance

Registration

The total number of entities registered with the NCR as at 31 March 2014 is as follows: Credit providers: 5 724 with 45 508 branches; Credit bureaus: 13; Debt counsellors: 2 105.

Compliance monitoring

All registered credit providers are required to submit standardised compliance reports and assurance engagement reports on an annual basis. These reports provide the NCR with a good indication of statutory compliance. In addition, the NCR conducted 14 onsite visits to credit providers.



Credit regulator de-registers Marikana lender, orders refunds

Sapa | 01 November, 2013 15:44

The registration of a credit provider operating at Marikana, North West, has been cancelled for reckless lending and contravening the National Credit Act, the National Credit Regulator said.

The National Consumer Tribunal cancelled the registration of Rufus Alfonso Financial Consultants after raids were conducted by the NCR late last year into credit providers operating at Marikana, the NCR said in a statement.

The raids showed that Rufus Alfonso Financial Consultants granted credit to consumers recklessly, charged consumers interest in excess of the maximum prescribed rate and retained consumers' bank cards, identity documents and pin codes.

"The tribunal ordered the cancellation of the credit provider with immediate effect and that the credit provider refund consumers all interest monies charged in excess of the prescribed maximum rate," the NCR said.

It also requested the tribunal impose an administrative fine, though the tribunal ordered the NCR to return to it in the near future to make submissions on the fine.

"Consumers are advised that Rufus Alfonso Financial Consultants is no longer allowed to operate as a credit provider and to offer credit," the NCR said.

"The NCR views reckless lending in a serious light given its negative consequences for consumers and responsible credit providers."

NCR CEO Nomsa Motshegare urged credit providers to conduct proper affordability assessments on credit applicants.



Education and Communication Team

Performance area

Consumer Education and Communication

During the course of 2013/14, the NCR met face-to-face with more than 31 913 consumers and featured in 338 TV and radio interviews, the majority of which had a phone-in facility for the public. In total, education and awareness campaigns and initiatives have reached approximately 25 million consumers.

Educational workshops

The NCR works closely with other consumer bodies such as the Consumer Protection Forum, consumer affairs offices of provincial governments and relevant regulators, in organising public education activities. This co-ordinated approach is convenient for the consumer and for partner organisations in the community, offering participants a comprehensive overview of consumer protection.

During 2013/14, the NCR addressed 316 workshops organised in partnership with non-governmental organisations, trade unions, employers, traditional authorities, government departments and organisations in the credit industry. Through a well-established partnership with Congress of Traditional Leaders of South Africa (CONTRALESA) an initiative of the dti, the NCR participated in a series of workshops organised in all provinces.

In addition, the NCR participated in 44 exhibitions, activations and road shows. Consumer education road shows and outside broadcasts were held at popular malls in various provinces to create consumer rights awareness.

Communication

Over the years, the NCR has utilised extensive media outreach to maximise its opportunities for free coverage in the mass media. The 2013/14 financial year was no exception and the NCR achieved media coverage worth R213 million, calculated

DO YOU KNOW YOUR CREDIT STATUS?

GET A FREE COPY OF YOUR CREDIT REPORT & KNOW YOUR CREDIT STATUS!



- There are 13 registered credit bureaux in South Africa.
- You have a right to get one free credit report once a year from any registered credit bureau.
- Contact the credit bureau to rectify any incorrect information.
- You have a right to challenge incorrect information on your credit report.
- If you are not satisfied with the outcome from the credit bureau, escalate your matter to the Credit Ombud.

WHAT CAN YOUR CREDIT INFORMATION BE USED FOR?

- To assess whether or not you can afford credit;
- By any authorised organisation e.g. South African Police Services for the purposes of investigating fraud, corruption or theft;
- Determining eligibility for employment in a trust position that entails the handling of cash or finances;

Bring a copy of your ID and proof of residence to view your FREE CREDIT REPORT at Khayelitsha Mall in Khayelitsha on 01 March 2014 at 09h00 or listen to Radio Zibonele for details. The National Credit Regulator, Credit Bureaux and the Office of the Credit Ombud will be onsite to give you all the information you require.

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



the dti
Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA



Protecting the consumer



advertising value equivalent (AVE) rates. Of this amount, only R3.3 million was paid advertising; the remainder was achieved at no direct cost to the NCR through media outreach and media partnerships.

Education through the mass media

A high proportion of the NCR's radio and TV coverage relates to educational interviews on credit and consumer protection. Numerous radio stations and TV channels afford the NCR this kind of opportunity. However, Thobela FM, Motsweding FM and Mogale FM were exceptional, providing weekly talk-show slots.

The NCR piloted the first ever television adverts for the Spend Wisely/Borrow Wisely campaign on Soweto TV and eTV reaching a total of 9 396 963 viewers in only ninety 40 second slots.

A taxi rank branding campaign was also piloted for the Spend Wisely/Borrow Wisely campaign and this involved commuter magazine advertising and advertising on billboards at taxi ranks to create awareness of the campaign.

Quite evidently, the subject matter of the campaigns encapsulates the principal objectives of the NCR's Consumer Education and Communication Department.



Make financial decisions you will not regret.

Spend wisely. borrow wisely.
Be money wise!



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Department:
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NCR
National Credit Regulator

For more information call 0860 627 627

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CONSUMER DEBT UP

Credit regulator urges careful holiday spending

SOUTH Africans are drowning in debt and need to be cautious about their spending over the festive season.

Credit bureau statistics for the quarter ended September showed an increase in consumer debt, National Credit Regulator chief executive Nomsa Motshegare said yesterday.

Credit bureaus had over 20.2 million credit-active consumers on their books, up 0.4 percent from the previous quarter.

"The number of consumers with impaired records increased by 71 000 to 9.7 million, from 9.69 million in the previous quarter," Motshegare said.

This group accounted for just over 48 percent of credit-active consumers.

Consumers in good standing increased by 9 000, to 10.5 million, representing 51.9 percent of credit-active consumers.

Compared with the quarter ended June, this reflected a decrease of 0.1 percent, or 1.1 percent year-on-year.

Over 357 million inquiries on consumer credit records were made, a decrease of 0.7 percent from the previous quarter, but an increase of 11.5 percent from the same period last year.

Motshegare said consumers should monitor their budgets during the festive season and avoid recklessly spending their year-end bonuses. – Sapa

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News coverage of the NCR

The activities of the NCR – its quarterly reports, the court cases it instituted and the enforcement measures it took – provided newsworthy stories to the media. News coverage increases awareness of the NCR and builds its profile. The NCR's reports on the state of the credit industry and credit-active consumers appeal to business media, while enforcement stories are of interest to the general news media.

YOUR ADVERSE CREDIT INFORMATION AND PAID UP JUDGMENT DEBT LISTINGS WILL BE REMOVED FROM 1 APRIL 2014.

This is a government initiative called: Removal of Adverse Consumer Credit Information and Information Relating to Paid-Up Judgments announced on 26 February 2014 (Government Gazette Notice No. 37386, "The Notice").

This initiative is aimed at creating a better life and will benefit the most deserving consumers. The barriers created by a negative credit record created great hardship to some consumers for example being unable to access employment opportunities, rental accommodation, home loans as well as affordable credit. It gives you the opportunity to start your life on a clean financial slate and maintain a clean credit record going forward.

HOW DOES IT WORK:

1. It is a quick and simple process from 1 April 2014 to 31 May 2014 to remove adverse credit information or "listings".
2. For judgments, you don't have to approach the court or pay a lawyer to have your name removed. Once you have paid up and provided proof of payment it will be removed.

TYPES OF INFORMATION REMOVED:

1. Adverse consumer credit information (such as 'handed over', 'written off', 'slow payer', 'absconded', 'not contactable' etc.).
2. Information relating to paid-up judgments (such as default judgments where the consumer has settled the capital amount under the judgments).
3. Details and results relating to disputes lodged by consumers.
4. Adverse consumer credit information in the payment profile represented by any mark, symbol or sign in any manner or form.

IMPORTANT NOTE TO CONSUMERS:

1. The regulations of the Notice is applicable automatically to all affected consumers.
2. Once the relevant information is removed, no credit provider may use your adverse credit information again if you are applying for credit. Credit bureaus are not allowed to provide such information to anyone for any reason.
3. You are still responsible to pay your unsettled debt even if your adverse credit information has been removed from your credit bureau record.



TIPS TO CONSUMERS:

1. You are allowed one free credit report a year from each registered credit bureau.
2. You have the right to dispute inaccurate information on your credit record.
3. You have a right to have the available relief measures e.g. debt counselling and debt review explained to you by the credit provider.
4. You must use credit responsibly.
5. You must provide honest and true information when applying for credit.
6. Always pay instalments on time.
7. Start a culture of saving for a rainy day, today.

0860 627 627 - www.ncr.org.za



the dti
Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA

NCR
National Credit Regulator

Protecting the consumer

National Credit Regulator urges consumers get regular credit reports

TNA REPORTER

THE National Credit Regulator (NCR) has urged consumers to get regular credit reports.

Credit reports also contain consumers' payment profiles which have factual information that relates to the payment profile of a consumer. Consumers with accounts in South Africa with a credit provider will get the information from a credit bureau.

Mpho Ramapala, manager of the education and communications department at the NCR said: "Performing this health check each year on your credit report means that you remain fully informed as to what is being reflected on your credit report.

"Then there will be no surprises, embar-

assments or disappointments when you apply for credit. Should a consumer require an additional copy of their credit report within the same year, they will be charged a fee which may not exceed R20."

Ramapala said if consumers believe that they have received incorrect information from their credit reports, they can challenge it.

The National Credit Act allows consumers to receive one free credit report a year from a registered credit bureau.

"Every person who has an account anywhere in South Africa with a credit or service provider, who makes use of credit bureau services, will find the information about the account is recorded with a credit bureau, irrespective of whether the account is paid regularly or not," Ramapala said. - 701259



Make financial decisions you will not regret.

Did you know that when creditors repossess your property, vehicle or even furniture, you are still liable for the shortfall? Do not be reckless with your money. Spend on necessities and not luxuries.

- Prioritise your home loan or rent, and children's school fees.
- Always budget for necessities.
- Never buy on impulse. This is wasteful expenditure.
- Only get credit from NCR-registered credit providers.

Spend wisely. borrow wisely.
Be money wise!



For more information call 0860 627 527

www.ncr.org.za



Complaints Management and Resolution Team

Performance area

Complaints Management and Resolution

NEW AGE, THE, Inside 1
14 Aug 2013, p.15

NCR returns R3m to borrowers

BERNARD SATHEKGE

THE National Credit Regulator (NCR) yesterday said it had won the fight against crooked credit providers by refunding more than R3m to consumers who were charged excessive interest.

The National Credit Act (NCA) sets out interest rates and fees that credit providers may charge and applying excessive interest is against the law.

Credit providers must be registered if they have credit agreements with more than 100 consumers, or where a consumer's principal debt exceeds

R500 000. When consumers are overcharged by unregistered credit providers, the agreements become void and unenforceable.

"This means the consumer will be under no obligation to pay. For their part, the unregistered credit providers can only claim in terms of the common law on the basis of unjustified enrichment," Adrian Skuy, manager of registrations at the NCR, said.

He warned consumers to exercise care when choosing credit providers, especially while shopping online where

there is a higher risk of identity theft and fraud.

"We want consumers to understand that the NCA is there for their own protection and that the NCR takes its job of actively monitoring the credit industry seriously to ensure that they comply with the NCA."

The NCR said the registration of credit providers, credit bureaus and debt counsellors was a critical factor in the effective regulation of the credit industry.

Skuy said consumers should take into consideration that registered credit providers were

issued with certificates which "must be displayed prominently at their places of business".

Their registration number should be visible and legible on all credit agreements and communication with consumers.

"There is no differentiation in the NCA between online lenders and those granting credit through conventional means, such as branch networks.

"In the event that credit providers act contrary to the provisions of the NCA, consumers may lodge complaints with the NCR," he said.

bernards@thenewage.co.za



Call Centre Team

Complaints handling and resolution

Since inception, the NCR received 613 075 calls at its call centre of which 98 874 were received in the year under review. In terms of the Act, the NCR also promotes informal resolution of disputes.

Since inception 16 388 complaints were received and of these 2 519 were received during the year under review. The nature of most complaints included the following: high interest charges, failure to provide account statements, non-issuance of notification to credit providers by debt counsellors, delayed distribution of funds by payment distribution agents, unprofessional conduct of debt counsellors and other related matters.

The resolution of these complaints resulted in about R2 million being refunded and favourably adjusted to outstanding consumer loan account balances.

Stakeholder relationships

Section 15 of the Act obliges the NCR to promote informal resolution of disputes by referring disputes to certain institutions. Regular engagements with the Provincial Consumer Affairs Offices and Ombudsman were held to facilitate the referral process and resolution of complaints.

The purpose of these meetings was to discuss challenges in implementing the Act, training needs, co-operative

arrangements and compliance enforcement challenges.

The NCR had meetings with Provincial Consumer Affairs in the KwaZulu-Natal, Free State, North West, Limpopo and Western Cape Provinces. Further meetings were also held with the Debt Collectors Council.

The NCR is a member of the Consumer Protection Forum which consists of Provincial Consumer Affairs Offices and relevant regulators. The NCR is also a member of the Compliance Committee which is also a sub-committee of the Consumer Protection Forum. The committee meets quarterly to discuss complaints resolution, trends analysis, referral process etc.

Workshops were also conducted with various credit providers relating to the Act and the complaints resolution processes. The workshops have impacted positively on dispute resolution time frames.

Internal capacity-building

Two call centre service evaluations were conducted by an external service provider wherein call centre agents were called and assessed on product knowledge, telephone etiquette and professionalism. The reports were positive, identifying only minor areas of improvement. Continuous training on the Act is taking place to improve effectiveness and efficiency.

Performance area

Investigations and Enforcement

A total of 153 investigations were approved during the year. The priority investigation issues were:

- reckless lending;
- affordability assessments;
- proper disclosure (pre-agreements and contracts);
- unlawful retention of bank cards, identity documents and pin codes;
- excessive fees and interest;
- conduct of debt counselors; and
- credit bureaus' compliance.

SATURDAY CITIZEN, Business
02 Nov 2013, p.27

Regulator cracking down on Marikana loan sharks

GARNISHEE ORDERS: FRAUDULENTLY OBTAINED

The registration of a credit provider operating at Marikana has been cancelled for reckless lending and contravening the National Credit Act, the National Credit Regulator (NCR) said yesterday.

The National Consumer Tribunal cancelled the registration of Rufus Alfonso Financial Consultants after the NCR raided credit providers operating at Marikana late last year, the NCR said.

The raids showed that Rufus Alfonso Financial Consultants granted credit to consumers recklessly, charged consumers interest in excess of the maximum rate and retained consumers' bank cards, IDs and PIN codes.

The Marikana massacre last year turned the spotlight on unsecured lending in the area as journalists, including *Business*, sought answers to why the men killed had been willing to run di-

rectly into rifle fire for a pay rise.

In the aftermath of the massacre, horrific abuse was uncovered of miners and their families by unsecured lenders who were issuing unaffordable loans, confiscating IDs and credit cards, and issuing garnishee orders against workers – employees that often saw thousands with no pay to take home at the end of the month.

Lawyers and actors in the unsecured lending sector have told *Moneyweb* the overwhelming majority of garnishee orders are fraudulently obtained without following proper procedures.

Business Leadership SA chairman Bobby Godsell – formerly CEO of AngloGold – recently called for a national debate on garnishee orders, saying if he were a mining manager today, he'd refuse to deduct garnishee orders.

"I would have said ... I am not your debt collector – you granted that debt, collect it yourself," God-

sell told a business publication.

"The tribunal ordered the cancellation of the credit provider with immediate effect and that the credit provider refund consumers all interest monies charged in excess of the prescribed maximum rate," the NCR said.

It also requested the tribunal impose an administrative fine, though the tribunal ordered the NCR to return in the near future to make submissions on the fine.

"Consumers are advised that Rufus Alfonso Financial Consultants is no longer allowed to operate as a credit provider and to offer credit," the NCR said.

"The NCR views reckless lending in a serious light, given its negative consequences for consumers and responsible credit providers."

NCR CEO Nomso Motshegare urged credit providers to conduct proper affordability assessments on credit applicants. – *Business Reporter and Sapa*.

Three (3) raids were conducted in the period under review in the Limpopo, Northern Cape and Mpumalanga Provinces. During these raids, a total of 88 credit providers were investigated and various contraventions were uncovered relating to reckless lending, retention of bank cards, pin codes,

identity documents, blank debt collection documents signed simultaneously with credit agreements, illegal fees, and excessive interest and fees. Arrests were made and criminal cases opened with the police.

NCR cracks the whip

Credit providers who contravene the National Credit Act are given stern wakeup call

BERNARD SATHEKGE

THE National Credit Regulator (NCR) has intensified its countrywide crackdown on lenders who flout the National Credit Act (NCA).

A recent operation in partnership with the police led to 37 lenders in Mpumalanga being investigated and the arrest of 10 individuals for breaking the law.

The Mpumalanga breakthrough followed similar operations in Limpopo, the Eastern Cape, KwaZulu-Natal, the Western Cape, North West and the Northern Cape provinces, where 4565 bank cards were confiscated, and 6691 pensioners' cards and 681 ID documents found.

According to the NCR, 64 criminal charges have been opened and arrests in the towns visited in the seven provinces led to a further 76 people being arrested.

"The focus of this kind of operation is primarily on credit providers who are engaging in reckless lending, unlawfully garnishing, retaining pension cards, bank cards, identity documents and personal identity numbers of their clients as surety," CEO of the NCR, Nomsa Motshegare, said.

Motshegare said keeping a client's bank card as surety was in complete contravention of the NCA and that it was a criminal offence.

"The NCR will never stop cracking the whip on those operating against the act," she said.



CLAMPDOWN: A recent operation led to 37 lenders in Mpumalanga being investigated and the arrest of 10 individuals for breaking credit laws relating to lending to consumers. PICTURE: GALDIMAETS

"This is part of the NCR's ongoing strategy to ensure that all credit providers, no matter where they conduct business, must comply with the provisions of the NCA.

"The exploitation of vulnerable and unsuspecting consumers by credit providers will not be tolerated."

According to the NCR, during the Mpumalanga operation at the weekend, 10 people were arrested and as a result nine criminal cases were opened.

Motshegare said the suspects were found to be in possession of 851 ID books, 921 bank cards, six passports, two drivers licences and 44 cellphones.

"This operation was definitely not the last of its kind," Motshegare said.

"Such operations are conducted nationally in different parts of the country. Credit providers should be warned that the NCR will not condone any contraventions by credit providers."

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Credit regulator cracks down on errant lenders

ANGELIQUE ARDÉ

The National Credit Regulator (NCR) swept into Nelspruit, Witbank, Middelburg and Barberton this week raiding the premises of 37 credit providers, where it found stashes of identity documents, bank cards, passports, drivers' licences and cellphones belonging to consumers and being held as surety by lenders.

Nomsa Motshegare, the chief executive of the NCR, says nine criminal cases have been opened. "We uncovered illegal garnishee orders and unlawful credit agreements, and found cases of reckless lending and excessive fees and interest charges. Three credit providers that are required to be registered were found to be unregistered."

This week the NCR also issued an errant lender with a compliance notice and last week cancelled the registration of another.

The NCR served a compliance

notice on Thaba Selemo Financial Services CC, a credit provider in Tzaneen, for charging illegal fees and for other breaches of the National Credit Act.

A compliance notice is an instruction to comply with the Act.

Thaba Selemo Financial Services contravened the Act by charging consumers illegal fees and inducing them to – or requiring that they – enter into supplementary agreements or sign documents that contain provisions that would be unlawful if they were included in a credit agreement.

The credit provider required consumers to enter into an agreement to pay a fee to NuPayment Solutions, a company that processes financial transactions in the micro-lending industry. The fee charged was not a permissible fee, commission or expense under a credit agreement and exceeded the maximum service fee of R50.

In terms of the compliance

notice, Thaba Selemo Financial Services is required to:

- ◆ With immediate effect cease requiring consumers to pay NuPayment Solutions a service provider fee and charging service fees in excess of the maximum prescribed service fee;

- ◆ Within 30 business days reimburse all consumers who have been charged the service provider fees and service fees in excess of the maximum prescribed fee;

- ◆ Within 45 business days furnish the NCR with a sworn affidavit confirming the refunds to the affected consumers along with a list of the names of the consumers refunded and the amounts refunded; and

- ◆ Have its auditor submit an assurance certificate to the NCR.

"Credit providers should be warned: the NCR will not condone any contraventions by lenders," Motshegare says.

Last week, the regulator cancelled the registration of Rufus

Alfonso Financial Consultants CC, a credit provider in Marikana in the North West Province.

The NCR found that the provider had granted credit to consumers recklessly, charged consumers interest in excess of the maximum prescribed rate and retained consumers' bank cards, identity documents and pin codes.

The National Consumer Tribunal ordered the cancellation of the credit provider's registration with immediate effect, and that it refund consumers all interest charged in excess of the prescribed maximum rate.

The regulator is calling on the tribunal to impose a fine of R1 million on Rufus Alfonso, says Lesiba Mashapa, the company secretary at the NCR.

"Reckless lending is rampant in many parts of the country. There is clearly a need for the NCR to finalise the affordability assessment guidelines for publication soon," Mashapa says.

NCR victory bodes well for consumers

BERNARD SATHEKGE

THE agreement, including an amount of R20m which African Bank settled involving reckless lending, is the biggest victory in the history of the National Credit Regulator (NCR).

This is set to benefit no fewer than 397 consumers from blacklisting in the credit bureaus.

NCR company secretary, Lesiba Mashapa told *The New Age* that after thorough investigations into reckless lending last year, the NCR found that African Bank extended credit to 397 heavily indebted consumers.

This move by the bank was clearly against the National Credit Act.

African Bank said the loans were issued by rogue consultants in its employ who had set out to manipulate its loan origination system.

Mashapa said it was completely against the Act to pile up credit to consumers who are already under pressure from previous loans granted.

The settlement agreement between the NCR and African Bank will see the micro lender write off the loans in question.

African Bank will also refund the affected consumers.

The bank will also rescind judgments taken against consumers, remove judgment and adverse information listings from the credit records regarding consumers.

Mashapa stressed that the settlement was purely an agreement between the NCR and African Bank and is not the judgment made by the Tribunal.

"Initially the NCR recommended

R300m fine, but through African Bank's cooperation and the constructive spirit it displayed during negotiations the fine was brought down to R20m," he said.

According to Mashapa, it was wrong for African Bank to be engaged in reckless lending, despite the fact that the root cause of the matter lies with its sales consultants which manipulated the system in order to favour the financial status of applicants to be in good standings to receive new loans again.

"We view this settlement as one of its kind in South Africa in relation to a reckless lending investigation and think we've done justice for highly indebted consumers," Mashapa said.

The NCR declined to divulge whether there were other banks likely to follow suit.

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In the third quarter of the year, the NCR referred African Bank Limited (African Bank) to the National Consumer Tribunal (the Tribunal) for alleged reckless lending. The matter was subsequently settled between the two parties wherein African Bank agreed to rescind judgments, refund affected consumers and pay R20 million.

A compliance notice was also issued to SA Taxi Securitisation (SA Taxi) owing to its non-compliance with the provisions of the Act. SA Taxi objected to the compliance notice and the matter was referred to the Tribunal.

The courts and the Tribunal delivered the following landmark judgments, which, in line with the NCR's mandate, reinforced consumer rights:

- Credit Care's registration as a credit provider was cancelled owing to its non-compliance with the provisions of the Act. An administration fine of R420 000 was imposed.
- The registration as a credit provider of Season's Star Trading 333 CC t/a De Noon's Cash Loans was cancelled owing to non-compliance with the provisions of the Act. An administration fine of R1 million was imposed. Season's Star Trading indicated that it will appeal this decision.
- King Finance's registration as a credit provider was cancelled owing to non-compliance with the provisions of the Act. An administration fine of R300 000 was imposed.
- The Supreme Court of Appeal dismissed with costs an appeal by a Mr Bornman against the cancellation of his registration as a debt counsellor.



Debt Counselling Team

Performance area

Debt Counselling

Debt counselling is a debt relief measure that came into operation with the implementation of the Act in 2007. The debt review process is aimed at offering relief to over-indebted consumers who are struggling to meet their monthly debt obligations in a timely manner.

The debt counselling function is carried out by debt counsellors who are registered with the NCR. These debt counsellors are obliged to carry out the statutory process in line with the Act and their conditions of registration. The NCR is required to ensure effective implementation of debt counselling and debt counsellors' compliance with the Act.

Compliance Monitoring of Debt Counsellors

During the year under review, 468 proactive and reactive compliance monitoring visits were conducted on debt counsellors nationally. These visits were designed to:

- provide general support;
- assess levels of compliance by debt counsellors with the Act;
- oversee conditions of registration; and
- monitor implementation of guidelines approved by the NCR.

The NCR's approach to these visits is of a corrective nature.

STAR
02 Jan 2014, p.7

TIPS TO MANAGE YOUR DEBT

from the National
Credit Regulator

- ❑ Be proactive and double up on your regular payments such as mortgage or rent, lights and water. That way you will be able to afford unusual expenses such as school fees and uniforms.
- ❑ Prioritise your home loan and rent.
- ❑ Shop around for cheaper options.
- ❑ Avoid unnecessary credit and the "buy now pay later" adverts as this only delays the inevitable.
- ❑ If you do borrow money, make sure you borrow only for what is strictly necessary, and ensure that you can afford the repayments.
- ❑ Entertain at home. Ask guests to bring something for the meal so you share the costs of your holiday entertainment.
- ❑ Use your bonus to reduce your debt burden by paying off existing loans. By spending wisely you can reap the benefits later.
- ❑ Keep track of your spending by either jotting down the details of your outgoings or keeping the receipts of all your spending.

Debt counselling workshops

DEBT
01 Oct 2013, p.25

INDUSTRY

NCR Workshop for Debt Counsellors

The National Credit Regulator recently hosted a workshop for Debt Counsellors. Workshops are being held across the country in an effort to reach Creditors and Debt Counsellors in all areas. Here is a summary of the workshop:

Morris Maluleke served as programme director for the day at the recent NCR Workshop for Debt Counsellors. He opened the workshop with a few brief words before handing over to Kedlatile Malakalaka. Kedlatile discussed the goals of day's workshop. The NCR are not holding a single annual conference as they have done in the past but rather are trying to do workshops across the country. They hope this will help them reach more of the DC community who perhaps were otherwise unable to travel up to Gauteng each year. Kedi briefly discussed the NCR's purpose in pulling the industry codes of conduct. Which boiled down to the fact the NCR wish to keep close control on the complaints and regulatory responsibilities. She pointed to the fact that there is still a gap in consumer education. The NCR are trying to help in this area. Debt Counsellors can be part of educational training as well by supporting local financial wellness programs. In other news she spoke of how the Credit Industry Forum or CIF will meet on the 1st of Oct. Concerns have been raised about the inclusion of non association affiliated DCs. Kedi said that anything which is discussed at the forum will be disseminated to all parties. The NCR will perhaps even call for written submissions on certain subjects.

The Second Speaker of the day was Senior Magistrate Henro Du Plessis (Gauteng) He went into detail regarding the recent 2 Judge ruling on MFC v Jan Joubert (DC) Marais (consumers) in the North Gauteng High Court. In this matter the Debt Counsellor (Joubert) had brought a court application for the debt review which had been granted. The matter was later taken for a rescission by MFC who later realised they wanted to sell the consumers car. The ruling in this case discusses rule 55 of the MCA and how the founding affidavit needs to be comprehensive. The case went the way of MFC who attacked the original courts ruling based on the fact that the founding affidavit was too brief and did not have lots of documentation backing up the statements made. In the original Court Order the vehicle repayment was rescheduled over 12 years. The Judges and MFC did not like that. The Judges said the founding affidavit must contain ALL the facts and evidence. One part of this lacking back in the original application for debt restructuring was that the consumers salary slip was not

To effectively monitor and improve effectiveness in implementing the Act, the NCR continuously engages with industry stakeholders. The stakeholder engagement function is considered an important contribution to good practice and relationship building in any industry.

In the period under review, the NCR conducted six provincial debt counselling workshops in the Gauteng, Western Cape, Free State, KwaZulu-Natal and North West Provinces with the aim of: affording stakeholders a platform to constructively raise and address issues of concern; achieving common understanding; clearing any misinterpretations; creating and promoting uniformity; raising awareness of the latest industry developments; building good working relationships; and encouraging general compliance.

Relevant stakeholders such as credit providers, Payment Distribution Agencies (PDAs), magistrates, the Tribunal, different subject matter experts and the NCR participated in these workshops.

Debt counselling educational workshops

To help create awareness of debt counselling activities and educate consumers on the relevant processes, rights and responsibilities, five educational workshops were held with the Mpumalanga Department of Education, University of KwaZulu-Natal (Howard College), Kimberley National Parks (Northern Cape) and Malamulele Limpopo Evangelical Presbyterian Church.

Engagements with the Magistrates

All debt counselling matters have to either be referred to a magistrate's court for an order or to the Tribunal for a consent order. Through consultations with relevant stakeholders it emerged that challenges existed in the judicial process.

To address these challenges and determine appropriate intervention, the NCR engaged magistrates through provincial civil court forums. A total of five NCA interventions took place via two engagement meetings and three full-on workshops in Bloemfontein, Bela-Bela, George and Johannesburg. The Johannesburg address stemmed from an invitation from the magistrates.

Debt counselling-related communiqué

To reinforce communication between the NCR and the industry it regulates, twelve (12) circulars and public notices on topical issues, trends, industry practices and compliance matters were issued. The broader objective of these publications is to keep the industry abreast of the latest developments.

Establishment of the Credit Industry Forum

Towards the end of the year the NCR established a stakeholder engagement forum, called the Credit Industry Forum (CIF), comprising industry stakeholders. The aim is to discuss operational issues resulting from the implementation of the Act. The issues in question are not necessarily included in the Act but are operational matters that need to be dealt with in order to protect consumers effectively.

In short, the aim of the CIF is to create harmony among all stakeholders while promoting the spirit and purpose of the Act.

To date, three sub-committees have been established to deal with identified issues and draft position papers.

Debt counselling campaign

During the 2013/14 financial year the NCR conducted a debt counselling campaign informed by the level of consumers with impaired records as well as the trends and practices observed in the market.

The campaign was designed to create general awareness and to educate consumers on the debt counselling process. Consumers already under debt review and those who will potentially go under debt review were targeted.

Advertisements carrying debt counselling messages were published in newspapers, on billboards, on street poles and were flighted on different radio stations in all nine provinces.

Engagements with related debt counselling stakeholders

With a view to ensuring that improvements were implemented and that the debt counselling process was rendered with the minimum of complexity, 53 engagements were conducted with the debt counselling departments of different credit providers, among them banks, micro lenders, retailers and PDAs.

Several such meetings were informed by trends and industry practices that necessitated direct discussions with the parties involved.

Highlight

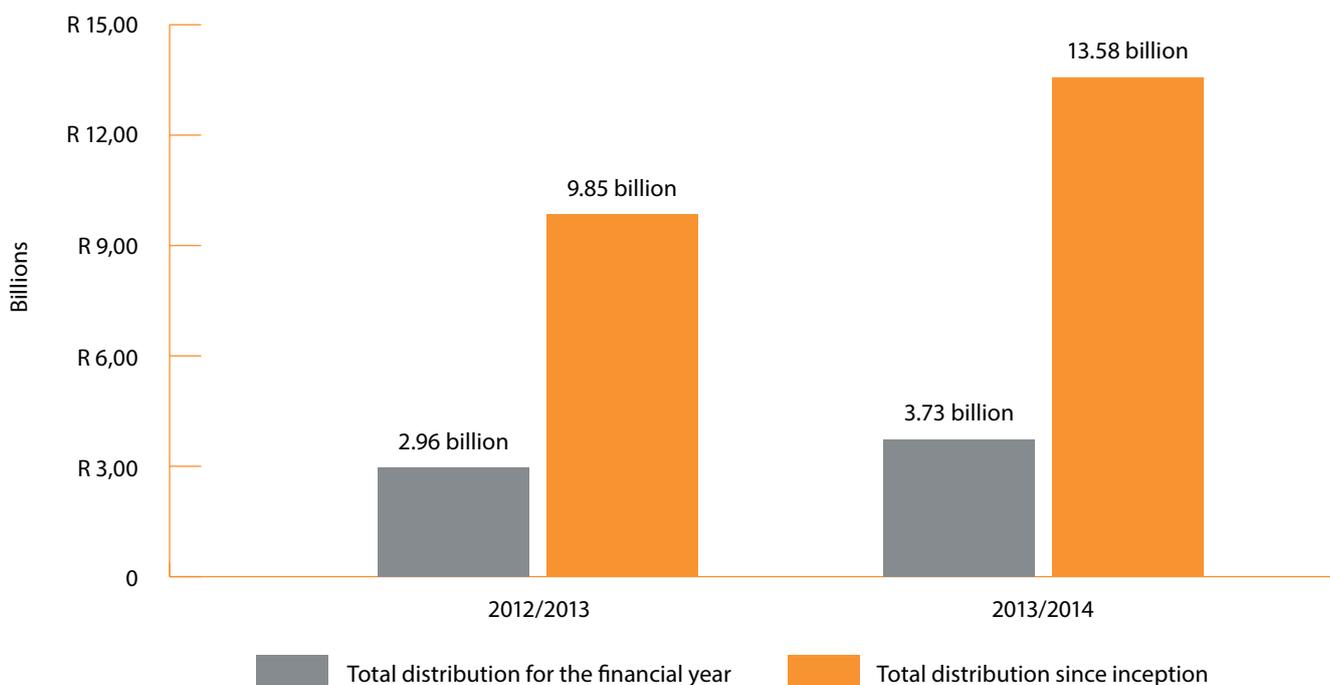
The impact of the NCR's debt counselling function is reflected in the following summary of significant debt counselling statistics as at end-March 2014:

- 517 008 consumers applied for debt counselling from inception.
- 76 212 court orders were granted and 41973 matters were still on the court roll from inception;
- 4817 consumers were issued with clearance certificates from inception;
- Total distributions for the year under review was about R1.2 billion.
- PDAs distributed R13.6 billion in disbursements from inception to date.

Table 2: Disbursements since inception

Financial year	2012/2013	2013/2014
consumers under debt review	392,393	517,008
court orders granted	56,995	76,212
matters still on the court roll	35,195	41,973
clearance certificate	2,477	4,817
Total distribution for the financial year	R2,964,805,119	R3,728,586,570
Total distribution since inception	R9,846,661,528	R13,575,248,098

Figure 1: Total disbursements by PDAs: for financial year end and since inception





Statistics, Credit Information and Research Teams

Performance area Statistics Department

Consumer Credit

The NCR analyses all data pertaining to credit providers, debt counselors and consumer credit insurance collected through prescribed statutory forms and produces the *Consumer Credit Market Report (CCMR)*. The report is widely read by various stakeholders, including the government, credit providers, industry analysts, investors, researchers and decision makers. These quarterly reports detail data emanating from the credit providers: the flow (credit granted) and stock (outstanding loans).

NEW AGE, THE, Inside 1
02 Oct 2013, p. 16

NCR's credit health concern

Consumer impaired records not improving on the back of rising living costs and debt

BERNARD SATHEKGE

THE National Credit Regulator (NCR) is concerned over the credit health of South African consumers, given the continued rise in a number of impaired records on the back of rising living costs and debt, which have squeezed disposable income.

This resonated well with the third quarter TransUnion credit health index which painted a similar depressing picture.

NCR's Consumer Credit Market Report (CCMR) for the second quarter showed the number of consumers with impaired records worsened by 161 000 to 9.69 million, from 9.53 million in the previous quarter.

The report said that as at the end of June, credit bureaus held records for 20.21 million credit-active consumers, an increase of 0.6% when compared to the 20.08 million in the previous quarter.

Consumers classified in good standing decreased by 81 000, to 10.52 million. As a percentage of the total number of credit-active consumers, this reflects a decrease of 0.5% quarter-on-quarter and 1% year-on-year.

The manager of statistics at NCR, Ngoako Mabebe, said the



SINKING FURTHER: Rising living costs and debt have squeezed disposable income. PICTURE: SHUTTERSTOCK

situation of consumers' credit health is a major concern as it doesn't show any improvement from the first quarter despite some measures put in place for

affordability assessment for credit granting.

In general, the latest NCR CCMR is painting a picture of depressed consumers on

the back of slower economic growth making it difficult to create jobs. Instead a number of people have been losing jobs as a result struggling to repay

their monthly instalments. When consumers struggle to service their loans three months in succession their accounts will automatically be classified as

impaired and handed over for judgment or face administration orders.

SA's economy has been growing at a very slow pace while at the same time the costs of living continue to hit the collars putting consumers into a tight corner.

In addition, the report highlighted that the percentage of accounts in good standing decreased in the second quarter given that of the 71.20 million accounts, 52.33 million were classified as in good standing, a negative variance of 0.6% quarter on-quarter and 1.0% year-on-year.

The latest figures indicated that 9% had missed one or two instalments while 18.5% had missed three or more instalments and 5.1% had adverse listings and 2.9% had judgments or administration orders.

Some observers calculated that the tough conditions faced by consumers as seen from the latest CPI inflation figures which overshoot the Reserve Bank's target range of 6% in the last two months and the continued rise prices at the factory gate were warning signs that tough times still lies ahead for the consumer.

bernards@theneuwave.co.za

NCR warning on over-indebtedness

Credit regulator cautions consumers to curtail their spending on unnecessary luxuries to start the year in a better financial position

ZODDI MHLANA

SKY-ROCKETTING costs coupled with over-indebtedness are some of the factors that will make the new year challenging for millions of consumers in South Africa.

The National Credit Regulator (NCR) is concerned consumers who are unable to pay for basic essentials such as student registration fees and school uniforms might resort to credit providers.

Consumers have been cautioned to curtail their spending in a bid to start 2014 in a better financial position.

"We hope that consumers have avoided the trap of borrowing money to pay for festive season celebrations, but if they did borrow money it is important to manage their repayments carefully," acting education and communication manager, Mpho Ramapala said.

Official figures by the Credit Bureau Monitor released last year showed that 9.76 million consumers in South Africa have impaired records and are some two or three months behind in repayment of their debts. Ramapala's said NCR's campaign is aimed at inculcating "healthy borrowing and saving habits among South Africans", where the need for consumers to live within their means has been once again emphasised.

"During the festive season consumers often over-imbibe and spend more than usual, which can add to their debt burden. The NCR's Spend Wisely/Borrow Wisely campaign aims to encourage consumers to manage their debt more responsibly and adopt healthy saving habits to avoid over-indebtedness," he said.

Over-indulgence is what resulted in Kluwezi Malinga's financial precarities and inability to save for emergencies.

She attributes her grim financial situation to credit cards and cards that she has been accumulating over the past two years. "People might think that I'm jobbing if I tell them that I have a job but right now I can't even afford to buy a loaf of bread. I've been unable to save even for emergency situations. My finances are now in a shambles," she said.

But, her financial position was not always like this. "Before I got myself into this position, I used to save more than 10% of my salary, but now I use that money to repay my credit cards and cards stores with the aim of closing down all of them. I can't even afford to pay school fees, but I'm determined that after eight months my finances will be healthier

than it is now," said Malinga. Ramapala said there was a need for consumers to understand their credit agreements and know whether they would be able to repay them before getting into agreements. "Ideally consumers should aim to pay off their debt quickly and through regular saving build up a nest egg to use in emergencies, which will

help to reduce their reliance on credit." This case underlines the need for consumers to plan how they would repay their debts as well as store and credit cards. "Plan to pay off as much debt as possible before taking on more credit. Most importantly honour your credit repayment agreements,"

zoddi@m.com



We hope consumers have avoided borrowing to pay for festive season celebrations

Tips for consumers on how to manage their finances

- ▶ Resist the temptation of borrowing money for luxuries such as holidays or designer clothing as this will add to your debt. You should aim to pay for your own expenses and fund your children's education but don't borrow to pay off other debt
- ▶ Plan how you will be repaying debts before you apply for a credit card, overdraft, personal loan or any form of credit. Also take into consideration the interest and other charges as well as how this will affect your ability to save. Avoid paying over too many months as it will cost you more in the end
- ▶ If there is credit insurance, familiarise yourself with the terms of the insurance to avoid surprises when you most need the insurance
- ▶ Be honest – make sure that you honestly disclose all the information required by the credit provider. Dishonesty may cause you to lose the protection offered by the National Credit Act
- ▶ Create a monthly budget and stick to it – work out how much income your family earns and what your total expenses are
- ▶ Each month, will you be able to pay for your new debt once you've covered all your expenses? You should do so prior to incurring debt such that one of your family members is not stretched
- ▶ Always keep receipts of your payments, as you might need these in the future
- ▶ Start saving consistently – put aside at least 15% of your income every month in a safe investment. Save for your retirement as well
- ▶ Pay your debts on time. Paying late will adversely affect your credit rating and possibly your ability to take out credit in the future. If you think you cannot meet your monthly instalments, call your credit provider immediately and try to arrange payment plans. Do not wait until you skip payments
- ▶ Prioritise your home loan
- ▶ Check your credit report regularly. This way you'll be able to identify any errors and correct them. Under the NCA you are entitled to one free copy of your credit report each year from each of the 13 registered credit bureaus

CONCERNS: The National Credit Regulator says many SA consumers cannot afford essentials like school uniforms and basics. PHOTO: SHUTTERSTOCK

CCMR inclusiveness

The CCMR is compiled from the quarterly returns submitted by registered credit providers. Credit providers whose annual disbursements exceed R15 million are required to complete and submit the statistical return (Form 39) on a quarterly basis. The current sample included in the CCMR is equivalent to approximately 95% of the total credit extended to South African consumers as classified by the Act. Credit providers whose annual disbursements fall below the R15 million annual threshold submit their statistical returns once a year.

NEW AGE, THE
05 Dec 2013, p.24

Consumers sinking further into debt

NOMSA Motshagare, CEO of the National Credit Regulator, said yesterday that credit bureau statistics reported for the quarter ended September 2013 indicate consumers are drowning further in debt.

She encouraged consumers to monitor their budgets closely during the festive season and to save for 2014.

She warned consumers against the reckless spending of bonuses.

Credit bureaus hold records for 20.29 million credit-active consumers, an increase of 0.4% when compared to the 20.21 million in the previous quarter.

Consumers classified in good standing increased by 9 000, to 10.53 million. As a percentage of the total number of credit-active consumers at 51.9%, this reflects a decrease of 0.1% quarter-on-quarter and 1.1% year-on-year.

The number of consumers with impaired records increased by 71 000 to 9.76 million, from the previous quarter.

As a percentage of the total number of credit-active consumers at 48.1%, this reflects an increase of 0.1% quarter-on-quarter and 1.1% year-on-year %.

The number of accounts decreased from 71.2 million in the previous quarter to 71.17 million.

The number of impaired accounts increased from 18.87 million to 19.25 million when compared to the previous quarter, an increase of 375 000 quarter-on-quarter and 1.99 million year-on-year.

A total of 357.65 million enquiries were made on consumer credit records, a decrease of 0.7% quarter-on-quarter and an increase of 11.5% year-on-year.

Enquiries initiated by consumers accounted for 16.16 million of all enquiries. Enquiries from banks and other financial institutions accounted for 85.1%, enquiries from retailers accounted for 3.2% and enquiries from telecommunication providers 4.6%.

Banks and other financial institutions' enquiries decreased by 0.2% from the previous quarter.

The number of credit reports issued to consumers increased to 164 437.

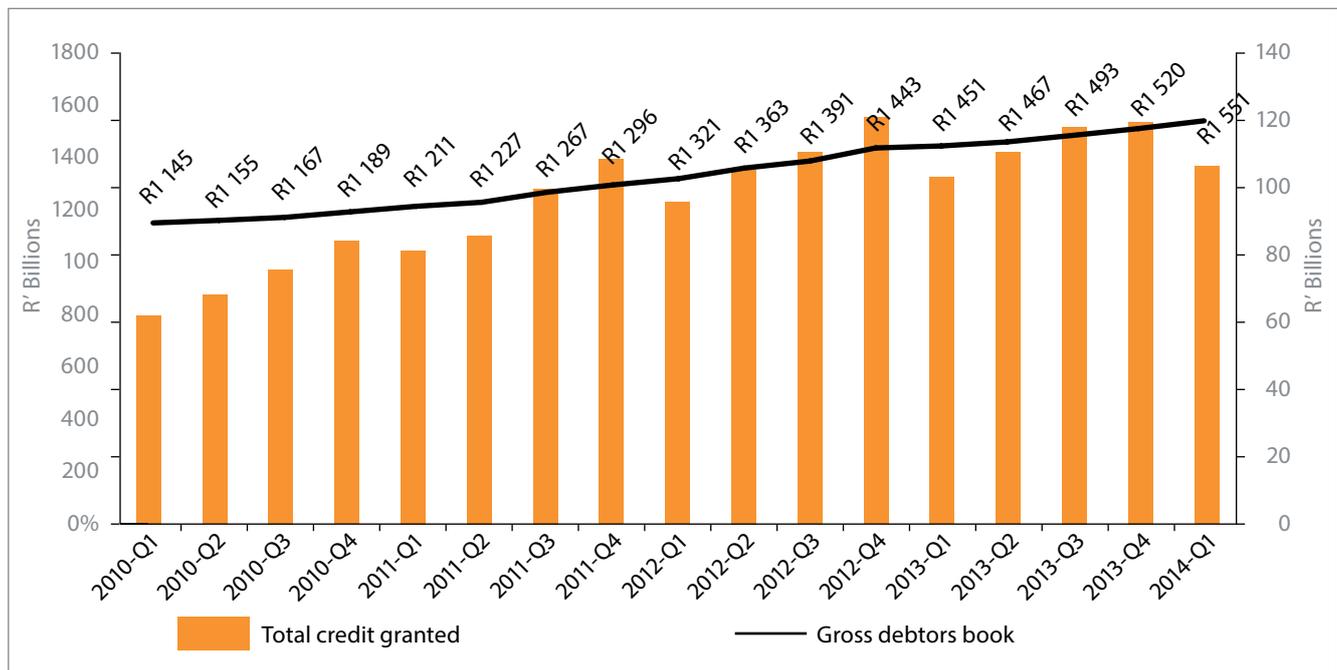
Of the total credit reports issued, 77.0% (126 591) were issued without charge, and the remaining 23.0% (37 846) were issued with charge.

There were 21 466 disputes lodged on information held on consumer credit records for the quarter ended September 2013, an increase of 14.2% quarter-on-quarter and 39.8% year-on-year. - 701198

Stats Overview

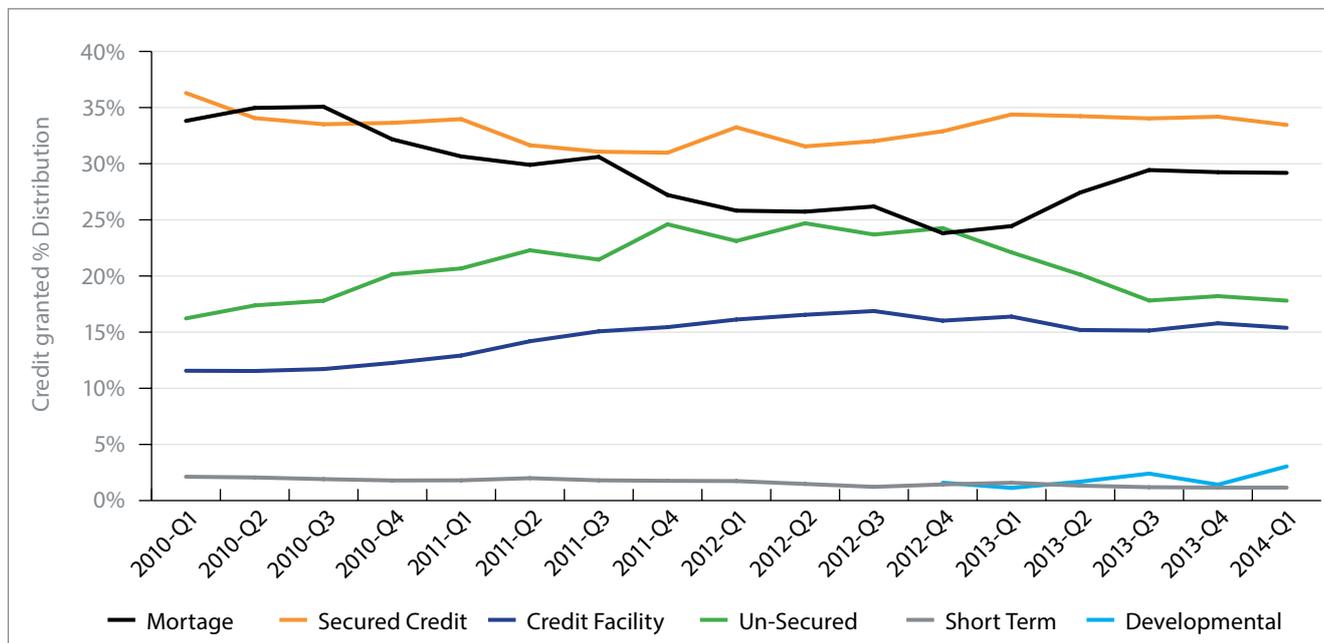
South Africa's consumers owed credit providers R1.55 trillion as at March 2014, this represented an increase in the debtors book of 6.9% when compared to March 2013. New credit extended to consumers amounted to R105.6 billion for the quarter ended March 2014, an increase of 3.24% when compared to the same period a year ago.

Figure 2: Total credit granted and gross debtors book at March 2014



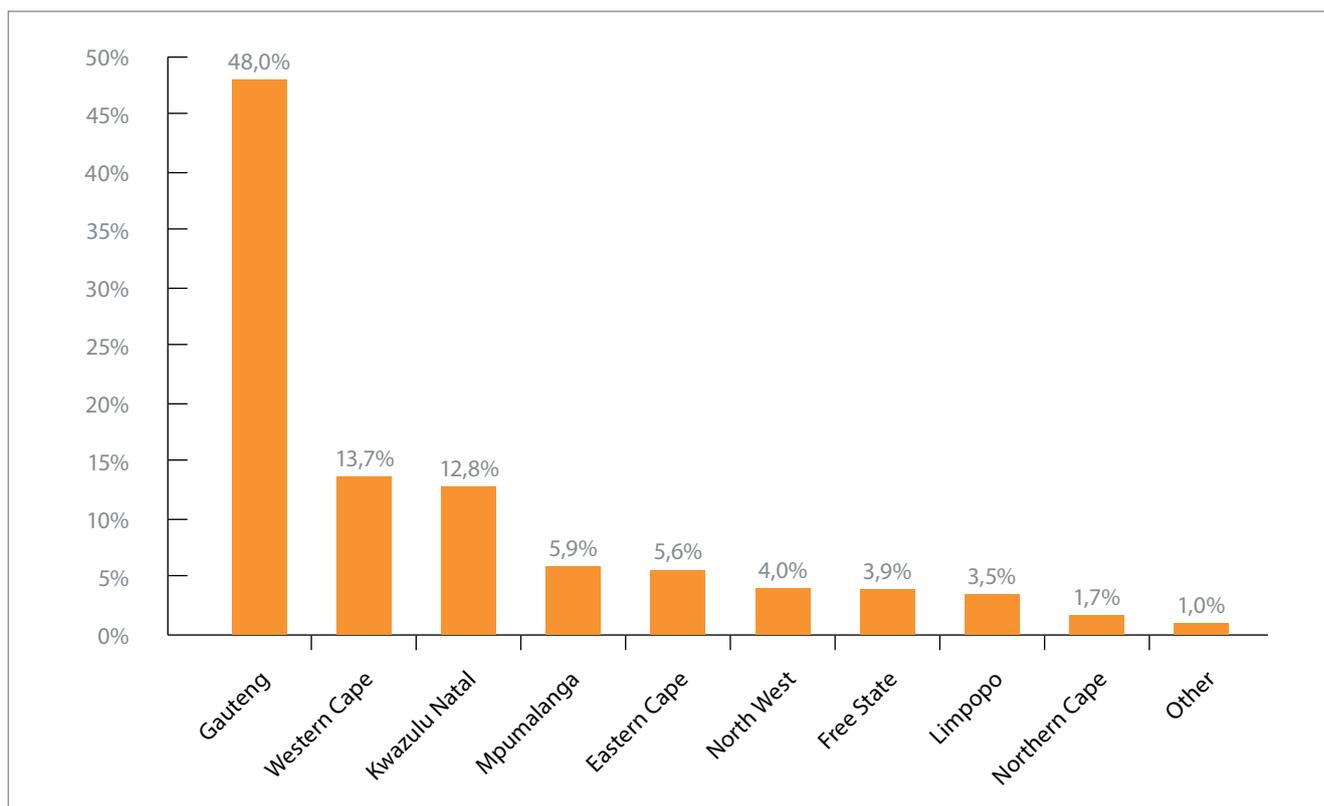
Secured credit which is dominated by motor vehicle finance, continues to be the leading credit type with a share of 33.5% of followed by mortgages with 29.2%. Mortgages have shown a growth of 23.2% when compared to the same period last year while secured grew marginally by 0.5% over the same period. Unsecured and credit facilities' share is 17.8% and 15.4% respectively with the balance going towards short term credit and developmental credit.

Figure 3: Credit granted - percentage distribution



Gauteng, Western Cape and KwaZulu-Natal provinces have continued to dominate new credit extended to consumers with a combined share of 74.4%. A balance of 25.6% went to the other provinces.

Figure 4: Credit granted by province



Performance area
Credit Information and Research

The NCR published four editions of the Credit Bureau Monitor (CBM) during the course of the year. This publication tracks the credit health of consumers using data submitted to the NCR by the registered credit bureaus.

Figure 5: Consumers with impaired records

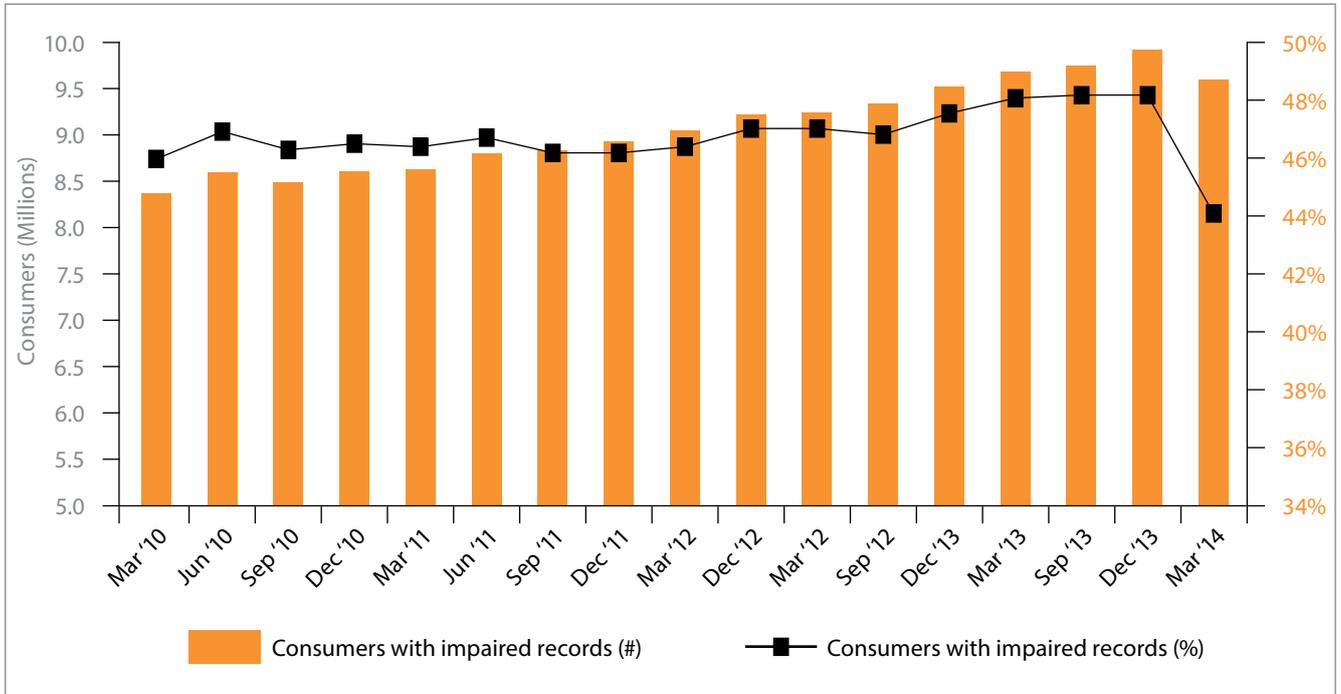


Figure 6: Accounts with impaired records

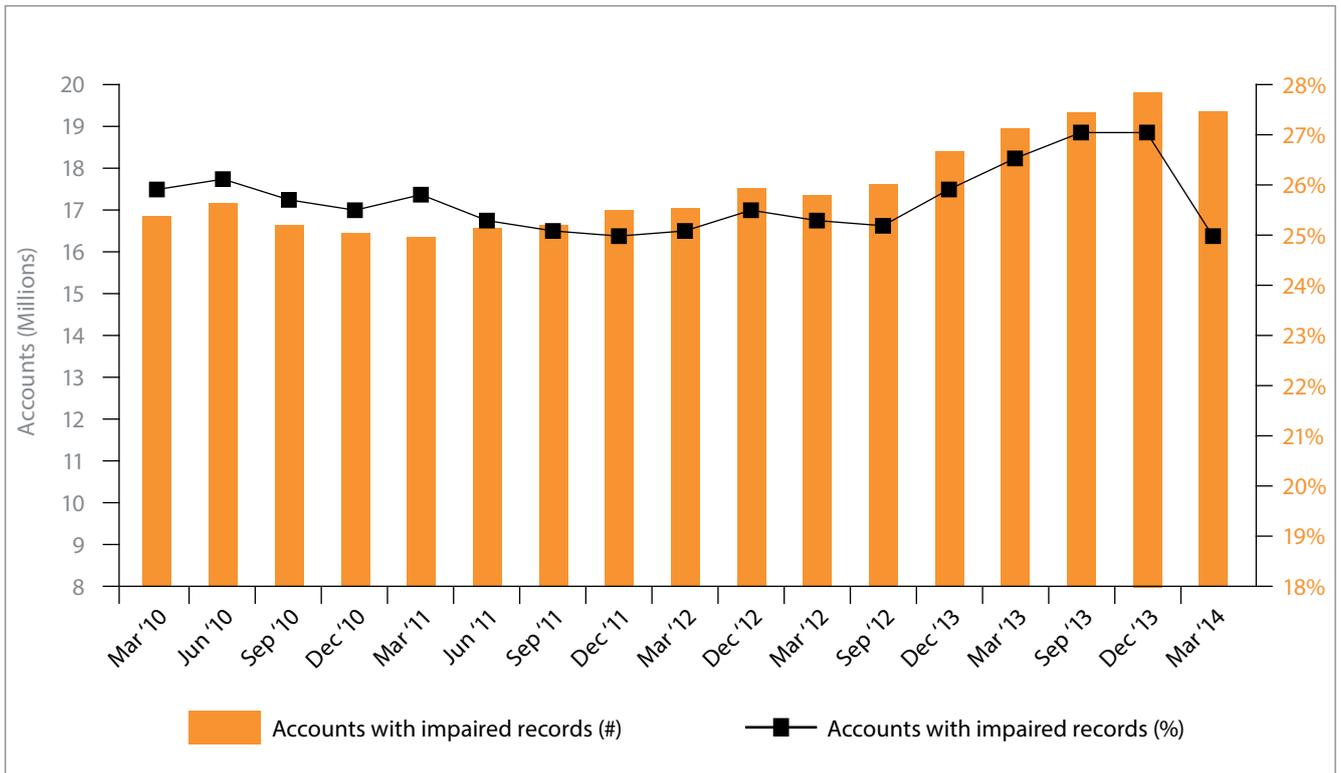
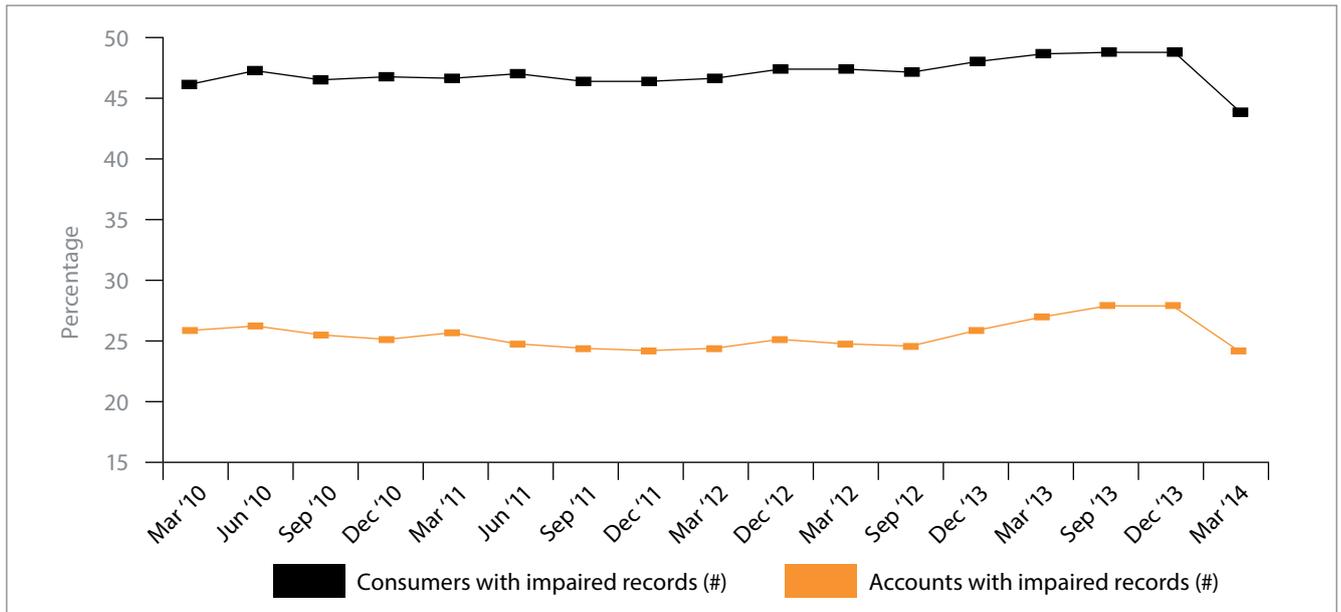


Figure 7: Consumers and accounts with impaired records

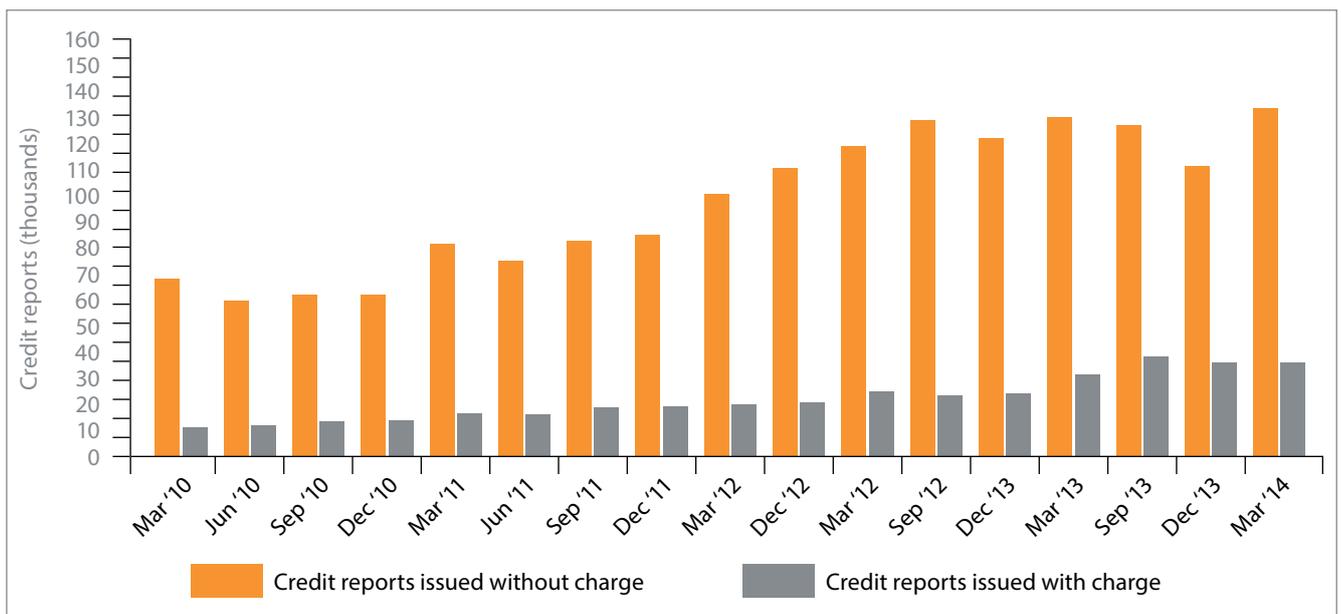


Credit bureaus held records for 21.71 million credit active consumers, an increase of 5.2% when compared to the 20.64 million in December 2013. The number of consumers with impaired records decreased by 329,000 to 9.60million, from 9.93 million in the previous quarter.

The number of impaired accounts decreased from 19.74 million to 19.27 million when compared to the previous quarter, a decrease of 470,000 quarter-on-quarter and an increase of 962,000 year-on-year.

On 26 February 2014 the dti published regulations on the Removal of Adverse Consumer Credit Information and Information Relating to Paid Up Judgments, which came into effect on 1 April 2014. As a result of the bureaus implementing the above-mentioned regulations, there was a percentage decline of 3.9% in as far as consumers with impaired records are concerned. With this exercise, consumers who were previously disadvantaged as a result of adverse listings in their credit profiles benefited and they are now in a better position to access credit and can also rent property if they can afford it.

Figure 8: Credit reports issued to consumers



The number of credit reports issued to consumers increased to 168,829. Of the total credit reports issued, 78.9% (133,216) were issued without charge, and the remaining 21.1% (35,613) were issued with charge.

Microeconomic impact of the National Credit Act on the credit industry

The NCR sought to understand the depth of the micro economic impact of the Act on South Africa's credit industry specifically at a business operational level including other credit industry institutions as well as on business systems and operations including new procedures brought about by the advent of the Act. From the study it became evident that at microeconomic level, the Act has had an overall positive impact as it brought about the implementation of stringent credit policies by credit providers thus reining in credit default. Although the market systems at the microeconomic level were found to be robust, improvements in some other areas were needed notably debt collection mechanisms and the building of new engagement models across the microeconomic

industry. Although the study found that the cost of funding determined the base cost of any finance given out to the consumers, the changes in the conduct of monetary policy loomed large thus impacting both the consumer and the credit provider. The study concluded that these glaring gaps should find expression in the proposed changes to the statute.

2.1.3. Key achievements of the Programme

The NCR had twelve (12) targets for the year under review. Ten (10) targets were achieved, one (1) exceeded and one (1) not achieved.



Executive Support Team

2.2 Performance Against The Annual Performance Plan

2.2.1. Strategic Objectives, Outputs, Performance Indicators, Planned Targets and Actual Achievements

Table 3: Report for the year: 1 April 2013 to 31 March 2014

Strategic Objective 1 (SO1) To promote increased access to credit through responsible credit granting.					
Name of Programme/Sub-programme:					
Output	Performance measure or indicator	Baseline	Target/outputs to be delivered by 31 March 2014	Actual Achievement	Reason for Variance
Implementation plan of the research recommendations.	Report produced on the implementation, evaluation and review.	Approved research report by Board.	Report on implementation of recommendations.	Achieved	-
Establishment of the National Register of Credit Agreements (NRCA) database.	-Final functional specification document of the NRCA database management system. -NRCA Steering Committee established.	Approved business/project plan by Board. None	-Final functional specification document of the NRCA database management system produced. -Establishment of NRCA Steering Committee.	Achieved	-
Proposal on Affordability assessment guidelines.	Proposal on affordability assessment guidelines developed.	Action plan approved by EXCO	Develop proposal on affordability assessment guidelines.	Achieved	-
Strategic Objective 2 (SO2) To protect consumers from abuse and unfair practices in the consumer credit market and address over-indebtedness					
Implementation report of the consumer rights awareness strategy.	A report on implementation and review of the consumer rights awareness strategy produced.	Consumer rights awareness strategy approved by the Board.	Produce a report on implementation of the strategy.	Achieved	-
Implementation report of the approved Enforcement strategy.	Implementation and evaluation of the enforcement strategy report produced.	Enforcement strategy approved by the Board.	Produce a report on implementation of the strategy.	Achieved	-
Implementation report of the stakeholder strategy.	A report on implementation and review of the stakeholder strategy produced.	Stakeholder strategy approved by the Board.	Produce a report on implementation of the strategy.	Achieved	-

Output	Performance measure or indicator	Baseline	Target/outputs to be delivered by 31 March 2014	Actual Achievement	Reason for Variance
Strategic Objective 3 (SO3) To continually enhance a consumer credit market regulatory framework					
Credit bureau compliance Assessment reports.	Number of Credit bureau investigations conducted in terms of sections 43, 70, 71, 72 and regulations 17 to 20 of the NCA and a report produced on enforcement measures taken.	2 credit bureau Investigations conducted & enforcement action taken in terms of section 43, 70, 71, 72 and regulations 17 to 20 of the NCA.	2 credit bureau Investigations conducted & enforcement action taken in terms of section 43, 70, 71, 72 and regulations 17 to 20 of the NCA.	Achieved	-
Approved and implemented on-site visit guidelines.	-Approved on-site visit guidelines. -Number of on-site visits conducted.	None	On-site guidelines to be approved and 12 on site visits to be conducted.	Exceeded On-site visit guidelines approved and 14 on-site visits conducted.	On-site guidelines approved and implemented a month in advance.
Strategic Objective 4 (SO4) To monitor and improve NCR's effectiveness in fulfilling its mandate					
Stakeholder assessment surveys conducted to improve service delivery.	Percentage of the positive response rate.	Report produced with findings indicating improved service delivery and perception.	50% positive response rate.	Achieved	-
Functional new ICT System.	-Functional Complaints ICT sub system. -Go live report on registrations sub system.	Signed off functional spec for registrations, compliance and complaints sub systems.	-Functional Complaints ICT sub system. Go live registrations sub system.	Achieved Not achieved Registrations sub system did not go live as planned.	- ICT technical problems identified. The project is currently put on hold. A service provider has been appointed to conduct an assessment on the new ICT system. Thereafter, the results of the assessment will be evaluated and recommendations will be implemented.

Acronyms and abbreviations

Acronym or abbreviations	Full title or term
DTI	Department of Trade and Industry
EXCO	Executive Committee of the NCR
ICT	Information Communications Technology
IT	Information Technology
NCA	National Credit Act
NRCA	National Register of Credit Agreements

LEGEND:

<i>Achieved</i>	=	<i>Target met on time</i>
<i>Not achieved</i>	=	<i>Deadline date lapsed before target achieved</i>
<i>Exceeded</i>	=	<i>Target exceeded</i>
<i>Not applicable</i>	=	<i>Where target is achieved, variance need not be explained</i>

2.2.2. Strategy to Overcome Areas of Under Performance

Key challenge	Proposed action
ICT	A service provider has been appointed to conduct an assessment on the new ICT system. The results of the assessment will be evaluated and recommendations implemented.

2.2.3. Changes to Planned Targets

The two changes to the planned targets relate to the National Register of Credit Agreements (NRCA) and the Information and Communication Technology system (ICT) due to the following reasons:

- NRCA: Planned consultations with the industry took longer than anticipated and are still ongoing.
- ICT: A service provider has been appointed to conduct an assessment on the new ICT system. The results of the assessment will be evaluated and recommendations implemented.

2.2.4. Linking Performance with Budgets

Strategic Objective:			
Name of sub-programme	Final Appropriation R'000	Actual Expenditure R'000	(Over)/Under Expenditure R'000
To promote increased access to credit through responsible credit granting	21,983,661 2,747,958	18,796,753.20 2,747,957.96	3,186,907.80
To protect consumers from abuse and unfair practices in the consumer in the consumer credit market and address over-indebtedness	48,089,259	41,117,898.11	6,971,360.89
To continually enhance a consumer credit market regulatory framework.	16,487,746	14,097,565.11	2,390,180.89
To monitor and improve NCR's effectiveness in fulfilling its mandate.	37,097,428 10,991,831	31,719,521.08 R5,042,713.00	5,377,906.92

PART 3

Governance



Executive Committee Team

From left: Mr Mpariseni Mudau (HR Manager), Ms Fundisiwe Malaza (Interim CFO), Adv. Obed Tongoane (Chief Operations Officer), Mr Lesiba Mashapa (Company Secretary) and Ms Nomsa Motshegare (Chief Executive Officer).

3.1 Overview of the governance structures

The Board of the National Credit Regulator is designated as the regulator's Accounting Authority and is charged, under the National Credit Act, with:

- Guiding the strategic development of the NCR.
- Overseeing and ensuring the efficient and effective use of the resources of the NCR.
- Ensuring that the NCR complies with all legal requirements and obligations in terms of reporting and financial accountability.

- Providing advice to the CEO on the exercise of the powers and functions of the NCR.

Members of the Board bear considerable responsibility for communicating an expectation of ethical practice, competent administration and honest conduct across the entire organisation. Sustaining this culture of good governance is as critical as the careful and conscientious exercise of oversight. NCR Board members have endeavoured throughout the year to fulfill both of these roles.



Seated from left: Ms Maleho Nkomo (Acting Chairperson) and Ms Ina Opperman.
Standing from left: Mr Jay Pema, Mr MacDonald Netshitenzhe, Mr Richard Mutshekwané and Mr Khwezi Ngwenya.
Absent from photograph: Mr Dube Tshidi, Ms C Nxumalo, Ms J Mabotja and Ms L Somo.

Composition of the Board

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

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

In the period 2013/14, the Board comprised the following:

Chairperson:	Mr Trevor Bailey †
Acting Chairperson:	Ms Maleho Nkomo
Designated members:	Mr Dube Tshidi (Department of Finance)
	Mr MacDonald Netshitenzhe (Department of Trade and Industry)
	Ms Constance Nxumalo (Department of Social Development)
	Mr Khwezi Ngwenya (Department of Human Settlements)
Other members:	Ms Ina Opperman
	Mr Richard Mutshekwané
	Ms Josephine Mabotja *
	Ms Lahlang Somo *

† Resigned in May 2013.

* Appointed in January 2014.

Performance of the Board

The Board met on four occasions during the course of 2013/14, as prescribed, and average attendance over the course of the four meetings was 66.25%.

Significant activities and matters that engaged the Board during the year included enhancing the capacity of Board members to prevent, detect and mitigate risk. A dedicated

workshop on risk management was arranged for Board members.

Just as the Executive Committee of the NCR is challenged by the performance of the credit market and the industry in a stressed economic climate, so the Board of the NCR has been tested in dealing with the issues that this presents and guiding the appropriate strategic responses.

Table 6: Attendance at NCR Board meetings: April 2013 – March 2014

Board member	28 May 2013	31 July 2013	25 November 2013	25 February 2014
M Nkomo	√	√	√	√
M Netshitenzhe	√	√	√	Apology
C Nxumalo	Apology	Apology	√	Apology
J Pema	√	√	√	√
D Tshidi	Apology	Apology	Apology	Apology
R Mutshekwanane	√	Apology	√	√
I Opperman	√	√	√	√
K Ngwenya	√	√	√	Apology
J Mabotja				√
L Somo				√

Committees of the Board

In accordance with sound governance principles, the Board has established three specialised committees: the Audit and Risk Management Committee, the Remuneration Committee, and the Strategy and Policy Committee.

Audit and Risk Management Committee

The Audit and Risk Management Committee is responsible for:

- The effectiveness of internal control systems.
- The effectiveness of the internal audit.
- The activities of the internal audit function, including its annual work programme, coordination with external auditors, reports on significant investigations and management responses to specific recommendations.
- Identification of areas of operational risk to be covered by the scope of internal and external audits.
- The adequacy, reliability and accuracy of financial information produced.
- Ensuring any accounting and auditing concerns identified during audits are addressed.

This committee is constituted in terms of Public Finance Management Act and Treasury Regulations. It is chaired by Ms Tryphosa Ramano, who is not a member of the Board of the NCR and is an independent person. All other members of the committee are non-executive members of the Board. The

NCR's CEO, CFO and COO are permanent invitees to committee meetings.

The committee met five times during the year and attendance of members at these meetings is indicated in Table 9. The formal report of this committee appears on page 46.

Remuneration Committee

The Remuneration Committee, chaired by Mr D Tshidi and comprising two non-executive members of the Board (Ms M Nkomo and Ms I Opperman), is responsible for remuneration and benefits of employees of the NCR, including the CEO and the executive management team.

The Remuneration Committee met two times and most members were present at this meeting

Table 7: Attendance at Remuneration Committee meetings: April 2013 - March 2014

Committee member	08 July 2013	13 November 2013
D Tshidi	√	Apology
I Opperman	√	√
M Nkomo	√	√
R Mutshekwanane *		√

* Co-opted into the Committee in November 2013.

Strategy and Policy Committee

The Policy and Strategy Committee assists the Board to fulfill its mandate in terms of guiding the strategic development of the NCR. This committee is chaired by Mr MacDonald Netshitenzhe and comprises three other members of the Board. Its record of meetings during 2013/14 and the participation of members are reflected in Table 8.

Table 8: Attendance at Policy and Strategy Committee meetings: April 2013 – March 2014

Committee member	10 April 2013	20 May 2013	23 May 2013	24 July 2013	06 November 2013	19 February 2014
T Bailey †	√	√	√			
M Netshitenzhe	√	√	√	√	Apology	Apology
M Nkomo *				√	√	√
K Ngwenya *				Apology	√	√
I Opperman *				√	√	√

† Resigned in May 2013.

* Co-opted into the Committee in July 2013.

3.2 Report of the Audit and Risk Management Committee for the year ended 31 March 2014

We are pleased to present our report for the financial year ended 31 March 2014.

Risk and Audit Committee responsibilities

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

The Audit and Risk Management Committee is a subcommittee of the Accounting Authority which is the Board of the NCR. The Committee operates in accordance with the terms of its charter which has been approved by the Accounting Authority. The overall objective of the Committee

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

Risk and Audit Committee members and attendance

The Audit and Risk Management Committee has met 4 times during the year under review. The composition of the Committee and attendance at meetings is set out below:

Table 9: Attendance at Audit and Risk Management Committee meetings (April 2013 – March 2014)

Committee Member	20 May 2013	22 July 2013	22 Oct 2013	27 Jan 2014
T Ramano*	Apology	√		
J Pema	√	√	√	√
C Nxumalo	Apology	√	Apology	Apology
K Ngwenya **		Apology	Apology	Apology
I Opperman†			√	√
R Mutshekwane†			√	√

* Resigned in August 2013

† Co-opted into the Committee in October 2013.

** Co-opted into the Committee in July 2013.

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

Risk Management

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

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

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

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

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

The primary risk to which the NCR is exposed and which it manages is operational risk which is the risk of loss of reputation resulting from inadequate or failed internal

processes, people and systems or from external events. This includes legal risk.

The Committee views the availability of additional funds to the NCR as one of the key risks towards the on-going concern ability of the organisation. In this regard, the Committee continues to support management in managing and mitigating this risk.

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

Internal Audit Function

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

The internal audit function provides an independent and objective evaluation of the NCR's system of internal control and any significant risks brought to the attention of management and the Committee have been resolved. The three year internal audit contract with Sizwe-Ntsaluba VSP ended in July 2013 and Ngubane and Company Inc. was appointed with effect from October 2013.

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

Financial Statements

The Committee has reviewed and discussed, the audited annual financial statements to be included on the annual report, the Auditor-General's management report and management's response thereto, NCR's compliance with legal and regulatory provisions and significant adjustments resulting from the audit with the Auditor-General and the Accounting Officer.

The Committee continues to support and encourage management to address the areas reported in the management report from the Auditor-General and improve controls relating to fixed asset management and Information and Communication Technology.

The Audit and Risk Management Committee is satisfied that the financial statements of the NCR for the year ended 31 March 2014 comply with the requirements of the PFMA, and that the basis of preparation is in accordance with Generally Recognised Accounting Practice (GRAP). The going concern principle was adopted in the preparing the financial statements.

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

Auditor-General of South Africa

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

Conclusion

The Committee congratulates the NCR on the achievement of an unqualified opinion for the year ended 31 March 2014. We extend our appreciation to the Board, internal and external auditors, Executive Management Committee and staff for their tireless efforts, dedication and support throughout the year.

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



J. Pema
Chairperson



N Motshegare
Chief Executive Officer

PART 4

Financial Information



Finance, IT and Procurement Teams

4.1 Auditor General's Report

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

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the financial statements of the National Credit Regulator set out on pages 56 to 82 which comprise the statement of financial position as at 31 March 2014, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

The Accounting authority's responsibility for the financial statements

2. The accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No.1 of 1999) (PFMA), and for such internal controls as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-general's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the general notice issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor

considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

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

Emphasis of matter

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

Provision for impairment

8. As disclosed in note 29 to the financial statements, a material impairment of R9.7 million was incurred as a result of a change in accounting estimate for provision for bad debts.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

9. In accordance with the PAA and the general notice issued in terms thereof, I report the following findings on the reported performance information against predetermined objectives for selected objectives presented in the annual performance plan, non-compliance with legislation as well as internal control. The objective of my tests was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

Predetermined objectives

10. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected objectives presented in the annual performance report of the public entity for the year ended 31 March 2014:
- Strategic objective 1: To promote increased access to credit through responsible credit granting on page 39
 - Strategic objective 2: To protect consumers from abuse and unfair practices in the consumer credit market and address over-indebtedness on page 39
 - Strategic objective 3: To continually enhance a consumer credit market regulatory framework on page 40
11. I evaluated the reported performance information against the overall criteria of usefulness and reliability.
12. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned objectives. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's Framework for managing programme performance information (FMPPi).
13. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
14. I did not raise any findings on the usefulness and reliability of the reported performance information for the selected objectives.
15. **Additional matter**
16. Although I raised no findings on the usefulness and reliability of the reported performance information for the selected objectives, I draw attention to the following matter:

Achievement of planned targets

17. Refer to the annual performance report on pages 39 to 40 for information on the achievement of the planned targets for the year.

Compliance with legislation

18. I performed procedures to obtain evidence that the public entity had complied with applicable legislation regarding financial matters, financial management and

other related matters. My findings on material non-compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA, are as follows:

Annual financial statements, performance and annual reports

19. The financial statements submitted for auditing were not in all respects, prepared in accordance with the prescribed financial reporting framework as required by section 55(1) (b) of the Public Finance Management Act. A material adjustment in the submitted financial statements was subsequently corrected, which resulted in the financial statements receiving an unqualified audit opinion.

Internal control

20. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with legislation. The matters reported below are limited to the significant internal control deficiencies that resulted in material adjustments and the findings on non-compliance with legislation included in this report.

Financial and performance management

21. Management did not implement adequate record keeping mainly over asset management in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial reporting.

Auditor-General

Pretoria
31 July 2014



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

4.2 Accounting Authority's Report for the year ended 31 March 2014

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

1. Nature of business

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

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

2. Financial overview

a. Financial Results

	31 March 2014	31 March 2013
	R	R
Total Income	94,977,538	93,504,673
Expenditure	(121,020,045)	(109,276,474)
(Deficit) for the year	(26,042,507)	(15,771,801)
Total Assets	64,023,032	70,452,225
Total Liabilities	39,351,814	19,738,499

b. Financial Performance

During the current financial year, the NCR implemented the ruling of the National Consumer Tribunal (NCT) regarding the lapsing of registrants who have not paid their fees at renewal date. This resulted in the impairment of amounts due from these registrants. The impact on the financial results has been disclosed in notes 29 and 32 of the annual financial statements.

Funding received from the Department of Trade and Industry (dti) constituted 64% (2013: 59%) of income for the NCR. Fee income of R30,465,187 (2013: R30,520,124) is the next largest component representing 32% (2013: 33%) of income.

Personnel costs, being the largest expenditure item represents 48% (2013: 50%) of expenditure with professional fees of R19,709,760 (2012: R16,056,422) being equal to 16% (2013: 15%).

During the period under review the NCR acquired assets to the value of R5,949,116 (2013: R14,735,307), consisting primarily of the ICT infrastructure system.

3. Fees paid to Board members for the year ended 31 March 2014

Table 10: Fees paid for the year ended 31 March 2014

Name	Board	Audit and Risk Management Committee	Policy and Strategy Committee	Remuneration Committee	Total (Gross)
	R	R	R	R	R
T Bailey	1,590	-	1,542	-	3,132
M Nkomo (Acting Chairperson-Board)	32,060	-	4,626	3,084	39,770
M Mongalo	1,735	-	-	-	1,735
I Opperman	12,529	3,084	4,626	3,084	23,323
R Mutshekwane	10,409	3,084	-	3,498	16,991
J Mabotja	2,699	-	-	-	2,699
L Somo	2,699	-	-	-	2,699
C Nxumalo*	-	-	-	-	-
D Tshidi*	-	-	-	-	-
M Netshitenzhe*	-	-	-	-	-
K Ngwenya*	-	-	-	-	-
J Pema (Audit Chair) †	19,923	16,845	-	-	35,961
T Ramano	-	20,029	-	-	20,029
TOTAL	83,642	43,042	10,794	9,666	146,337

* : These members are Government Officials and do not qualify for remuneration
† : This member has elected to have his fees paid to his employer

Fees paid for the year ended 31 March 2013

Name	Board	Audit and Risk Management Committee	Policy and Strategy Committee	Remuneration Committee	Total (Gross)
	R	R	R	R	R
T Bailey (Chairperson)	41,704	-	4,375	3,904	49,983
M Mongalo	18,544	-	-	8,822	27,366
J Pema†	23,406	19,079	-	-	42,486
M Nkomo	17,080	-	-	-	17,080
K Hoosaint	13,176	-	-	-	13,176
C Nxumalo*	-	-	-	-	-
B Ntlou*	-	-	-	-	-
D Tshidi*	-	-	-	-	-
M Netshitenzhe*	-	-	-	-	-
T Ramano (Audit Chair)	-	14,487	-	-	14,487
TOTAL	113,910	33,566	4,375	12,726	164,578

* : These members are Government Officials and do not qualify for remuneration
† : This member has elected to have his fees paid to his employer

4. Executive Management

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

5. Materiality Framework

A materiality framework has been approved.

6. Going Concern

The NCR is mainly dependent on funding from the dti. At this stage there is no indication that in the next 12 months funding from the dti would cease.

7. Events Subsequent to the Financial Position Date

The Accounting Authority (Board) is not aware of any matter or circumstance occurring between the balance sheet and the date of this report that materially affects the performance of the NCR for the year ended 31 March 2014 or the financial position at that date.

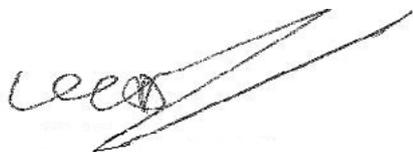
8. Address

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

127 – 15th Road

Randjespark

Midrand



M. Nkomo

Acting Chairperson of the Board

31 July 2014

4.3 Statement of Responsibility for the year ended 31 March 2014

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

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

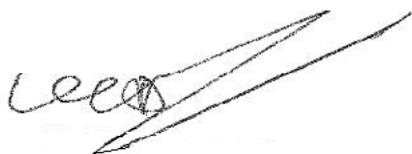
The internal controls include a risk-based system of internal accounting and administrative controls designed to provide reasonable, but not absolute, assurance that assets are safeguarded and that transactions are executed and recorded in accordance with generally accepted business practices. These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

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

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

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

The financial statements for the year ended 31 March 2014 were approved by the Accounting Authority on 31 July 2014 and are signed on its behalf by:



M Nkomo
Acting Chairperson



N Motshegare
Chief Executive Officer

4.4 Annual Financial Statements

Financial Statements for the year ended 31 March 2014

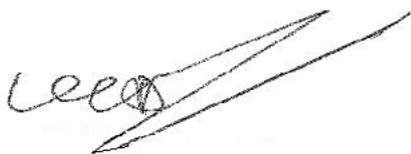
General Information

Country of incorporation and domicile	South Africa
Legal form of entity	National Public Entity in terms of schedule 3A of the PFMA
Nature of business and principal activities	Credit Industry Regulator
Members	M. Nkomo C. Nxumalo D. Tshidi J. Pema M. Netshitenzhe K. Ngwenya I. Opperman R. Mutshekwanne L. Somo J. Mabotja K. Hoosain M. Mongalo T. Bailey B. Ntlou (appointed in January 2014) (appointed in January 2014) (resigned in April 2013) (resigned in April 2013) (resigned in May 2013) (resigned in May 2013)
Registered office	127 - 15th Road Randjespark Midrand 1685
Auditors	Auditor-General of South Africa
Secretary	L. Mashapa

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

Index	Page
Statement of Financial Position	56
Statement of Financial Performance	57
Statement of Changes in Net Assets	58
Cash Flow Statement	59
Statement of Comparison of Budget and Actual Amounts	60 - 61
Accounting Policies	62 - 68
Notes to the Financial Statements	69 - 82

The financial statements set out on pages 56 to 82, which have been prepared on the going concern basis, were approved by the accounting authority on 31 July 2014 and were signed on its behalf by:



M. Nkomo
Acting Chairperson of the Board

Midrand
31 July 2014

National Credit Regulator

Financial Statements for the year ended 31 March 2014

Statement of Financial Position as at 31 March 2014

Figures in Rand	Note(s)	2014	2013
Assets			
Current Assets			
Receivables from exchange transactions	3	3,828,297	1,842,854
Receivables from non-exchange transactions	29	78,000	6,218,713
Cash and cash equivalents	4	38,495,485	42,629,360
		42,401,782	50,690,927
Non-Current Assets			
Property, plant and equipment	5	15,403,015	14,476,867
Intangible assets	6	6,218,235	5,284,431
		21,621,250	19,761,298
Total Assets		64,023,032	70,452,225
Liabilities			
Current Liabilities			
Amounts prepaid	7	5,386,417	5,547,305
Deferred government grants	8	-	190,280
Payables from exchange transactions	9	8,275,536	9,509,829
Payables from non-exchange transactions	4	24,066,697	-
Provisions	10	1,595,038	4,285,963
Lease obligation	11	10,909	55,304
Operating lease liability	12	17,216	149,818
		39,351,813	19,738,499
Total Liabilities		39,351,813	19,738,499
Net Assets		24,671,219	50,713,726
Accumulated surplus		24,671,219	50,713,726

National Credit Regulator

Financial Statements for the year ended 31 March 2014

Statement of Financial Performance

Figures in Rand	Note(s)	2014	2013
Revenue			
Revenue from exchange transactions			
Other revenue	13	908,329	167,240
Interest received - investment	14	2,165,199	3,209,790
Total revenue from exchange transactions		3,073,528	3,377,030
Revenue from non-exchange transactions			
Transfer revenue			
Fee revenue	15	30,465,187	30,520,124
Transfer payment	16	60,691,000	55,431,000
Other revenue	17	747,823	4,176,519
Total revenue from non-exchange transactions		91,904,010	90,127,643
Total revenue		94,977,538	93,504,673
Expenditure			
Personnel expenditure	18	57,497,248	54,338,842
Operating expenses	19	30,035,200	25,060,508
Depreciation and amortisation		3,628,306	2,805,186
Impairment loss	25	237,945	752,282
Finance costs	20	5,321	6,989
Administrative expenses	21	29,616,025	26,312,667
Total expenditure		121,020,045	109,276,474
Operating deficit for the year	22	(26,042,507)	(15,771,801)
Deficit for the year		(26,042,507)	(15,771,801)

National Credit Regulator

Financial Statements for the year ended 31 March 2014

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 April 2012	66,485,527	66,485,527
Changes in net assets		
Deficit for the year	(15,771,801)	(15,771,801)
Total changes	(15,771,801)	(15,771,801)
Balance at 01 April 2013	50,713,726	50,713,726
Changes in net assets		
Deficit for the year	(26,042,507)	(26,042,507)
Total changes	(26,042,507)	(26,042,507)
Balance at 31 March 2014	24,671,219	24,671,219

National Credit Regulator

Financial Statements for the year ended 31 March 2014

Cash Flow Statement

Figures in Rand	Note(s)	2014	2013
Cash flows from operating activities			
Receipts			
Cash receipts from applicants and registrants		30,465,187	30,305,659
Transfers received		60,691,000	55,431,000
Interest income		2,165,199	3,209,790
		<u>93,321,386</u>	<u>88,946,449</u>
Payments			
Cash paid to suppliers and employees		(91,456,429)	(101,856,359)
Finance costs		(5,321)	(6,989)
		<u>(91,461,750)</u>	<u>(101,863,348)</u>
Net cash flows from operating activities	23	<u>1,859,636</u>	<u>(12,916,899)</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(4,074,066)	(9,889,109)
Purchase of other intangible assets	6	(1,875,050)	(4,846,198)
Net cash flows from investing activities		<u>(5,949,116)</u>	<u>(14,735,307)</u>
Cash flows from financing activities			
Lease liability		(44,395)	(43,379)
		<u>(44,395)</u>	<u>(43,379)</u>
Net increase/(decrease) in cash and cash equivalents		(4,133,875)	(27,695,585)
Cash and cash equivalents at the beginning of the year		42,629,360	70,324,945
Cash and cash equivalents at the end of the year	4	<u>38,495,485</u>	<u>42,629,360</u>

National Credit Regulator

Financial Statements for the year ended 31 March 2014

Statement of Comparison of Budget and Actual Amounts

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Income						
Fee revenue	33,877,880	-	33,877,880	30,465,187	(3,412,693)	
Transfer payment	60,691,000	-	60,691,000	60,691,000	-	
Other income	-	-	-	1,656,152	1,656,152	N1
Interest income	3,200,000	-	3,200,000	2,165,199	(1,034,801)	
Total income	97,768,880	-	97,768,880	94,977,538	(2,791,342)	
Expenditure						
Personnel	(69,344,895)	-	(69,344,895)	(60,648,969)	8,695,926	N2
Communication costs	(2,975,999)	219,000	(2,756,999)	(2,459,672)	297,327	
Bad debts	-	-	-	(10,218,914)	(10,218,914)	N3
Depreciation and amortisation	-	-	-	(3,628,306)	(3,628,306)	N4
Impairment and disposal loss on assets	-	-	-	(460,863)	(460,863)	
Finance costs	-	-	-	(5,321)	(5,321)	
Consumer education	(3,968,000)	-	(3,968,000)	(3,828,136)	139,864	
Professional fees	(18,115,211)	(540,000)	(18,655,211)	(19,709,759)	(1,054,548)	
General Expenses	(5,227,101)	-	(5,227,101)	(5,475,899)	(248,798)	
Information technology	(2,942,578)	-	(2,942,578)	(2,795,366)	147,212	
Premises costs	(7,207,071)	-	(7,207,071)	(4,667,771)	2,539,300	N5
Stakeholder communication	(2,299,000)	-	(2,299,000)	(2,258,421)	40,579	
Equipment costs	(1,282,840)	-	(1,282,840)	(626,159)	656,681	
Debt Counselling Initiatives	(4,117,014)	321,000	(3,796,014)	(4,236,489)	(440,475)	
Total expenditure	(117,479,709)	-	(117,479,709)	(121,020,045)	(3,540,336)	
Deficit for the year	(117,479,709)	-	(117,479,709)	(26,042,507)	91,437,202	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	(117,479,709)	-	(117,479,709)	(26,042,507)	91,437,202	

National Credit Regulator

Financial Statements for the year ended 31 March 2014

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis						
	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Position						
Assets						
Non-Current Assets						
Property, plant and equipment	4,218,172	-	4,218,172	1,550,726	(2,667,446)	N6
Capital projects	15,700,000	-	15,700,000	4,398,392	(11,301,608)	N7
	19,918,172	-	19,918,172	5,949,118	(13,969,054)	
Total Assets	19,918,172	-	19,918,172	5,949,118	(13,969,054)	
	-	-	-	-	-	
Net Assets						
Net Assets Attributable to						
Owners of Controlling Entity						
Reserves						
Reserves	19,918,172	-	19,918,172	5,949,118	(13,969,054)	

Narrations to the Statement of comparison of budget and actual amounts

- N1 The variance of R1,6 million in other income relates mainly to the write-off unidentified receipts in line with the Prescription Act and awards received from settlement of legal matters. These are not budgeted for.
- N2 The variance of R8,6 million (under-spending) in personnel expenditure relates to vacant positions within the NCR which could not be filled due to lack of additional office space.
- N3 The variance of R10,2million (over-spending) in bad debts relates to the provision for bad debts and bad debts written-off as a result of the interpretation of section 52(a) of the National Credit Act by the National Consumer Tribunal. This has resulted in the lapsing of registrants' registration with the NCR and the write-off of the related renewal fees due outstanding.
- N4 The variance of R3.6 million (over-spending) is due to the non-cash item of depreciation on fixed assets for the year. This has not been included in the budget.
- N5 The variance of R2,5 million (under-spending) is due to inability to secure additional office space during the current financial year. The costs for the additional office space were included in the budget.

Narrations to the Statement of comparison of budget and actual amounts

- N6 The R2,6 million variance (under-spending) is due to inability to secure additional office space during the current financial year. The related costs of furniture and office equipment for the additional office space were included in the budget.
- N7 The R11.3 million variance (under-spending) is due to the following:
- The inability to secure additional office space during the current financial year. An amount of R5million was included in the budget as a project for the current financial year.
 - The balance of the variance is mainly due to delays experienced during the implementation of the new ICT project in the current financial year.

Reconciliation of actual amounts to statement of cash flows

	Operating	Financing	Investing	Total
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	(21,983,914)	(10,909)	(5,949,116)	(27,943,939)
Classification differences	18,103,711.00	-	-	18,103,711
Timing differences	5,739,839.00	(33,486)		5,706,353
Actual Amount in the Statement of Cash Flows	1,859,636	(44,395)	(5,949,116)	(4,133,875)

National Credit Regulator

Financial Statements for the year ended 31 March 2014

Accounting Policies

1. Significant accounting policies

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

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

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

1.1 Basis of preparation

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

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

1.2 Foreign currency translation

Functional and presentation currency

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

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

1.3 Borrowing costs

Section 66 of the PFMA prohibits the NCR from borrowing unless such borrowing has been effected through the Minister of Finance. Partial exemption to this prohibition has been granted through practice note 5 of 2006 which allows the NCR to enter into finance leases.

1.4 Revenue from exchange transactions

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

Measurement

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

1.5 Revenue from non-exchange transactions

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

National Credit Regulator

Financial Statements for the year ended 31 March 2014

Accounting Policies

1.5 Revenue from non-exchange transactions (continued)

Fee revenue

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

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

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

Government grants

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

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

Government grants are recognised as revenue when:

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

Transfers

Transfers for operational activities are recognised as revenue on receipt.

Where appropriate, the NCR will recognise an asset arising from a portion of the transfer when it gains control of resources that meet the definition of an asset and satisfy the recognition criteria.

1.6 Investment income

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

1.7 Leases

Operating leases

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

Finance leases

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

National Credit Regulator

Financial Statements for the year ended 31 March 2014

Accounting Policies

1.8 Property, plant and equipment

Property, plant and equipment is initially measured at cost.

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

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

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

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

Depreciation on property, plant and equipment is calculated using the straight line method to allocate their cost over their useful lives. The useful lives of items of property, plant and equipment have been assessed as follows:

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

1.9 Intangible assets

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

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

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

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

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

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

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

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

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

National Credit Regulator

Financial Statements for the year ended 31 March 2014

Accounting Policies

1.9 Intangible assets (continued)

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

1.10 Impairment of non-cash-generating assets

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

Identification

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

Reversal of an impairment loss

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

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

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

1.11 Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the Statement of Financial Position date, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the provision is discounted to the present value of the expected cash flows required to settle the obligation.

National Credit Regulator

Financial Statements for the year ended 31 March 2014

Accounting Policies

1.12 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

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

Retirement benefits

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

1.13 Financial instruments

Financial assets at amortised cost

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

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

Financial assets consisting of trade receivables are only discounted when the effects of discounting are material and once the initial credit period granted consistent with the terms used in the public sector either through established practices or legislation have elapsed.

National Credit Regulator

Financial Statements for the year ended 31 March 2014

Accounting Policies

1.13 Financial instruments (continued)

Impairment of financial assets

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

For financial assets, significant evidence include:

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

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

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

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

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

Impairment losses are recognised in surplus or deficit.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Initial recognition and measurement

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

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

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

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

Subsequent measurement

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

Cash and cash equivalents

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

National Credit Regulator

Financial Statements for the year ended 31 March 2014

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.

Offsetting of financial assets and liabilities

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

1.14 Related parties

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

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

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

1.15 Comparative figures

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

1.16 Fruitless and wasteful expenditure

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

1.17 Budget information

The approved budget covers the fiscal period from 2013/04/01 to 2014/03/31.

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

National Credit Regulator

Financial Statements for the year ended 31 March 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
2. New standards and interpretations		
2.1 Standards and interpretations effective and adopted in the current year		
In the current year, the NCR has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:		
Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
GRAP 25: Employee benefits	01 April 2013	The impact on financial results and disclosure is minimal.
GRAP 20: Related parties	01 April 2013	The impact on financial results and disclosure is minimal.
GRAP 1 (as revised 2012): Presentation of Financial Statements	01 April 2013	The impact on financial results and disclosure is minimal.
GRAP 3 (as revised 2012): Accounting Policies, Change in Accounting Estimates and Errors	01 April 2013	The impact on financial results and disclosure is minimal.
GRAP 7 (as revised 2012): Investments in Associates	01 April 2013	No impact on financial results and disclosure.
GRAP 9 (as revised 2012): Revenue from Exchange Transactions	01 April 2013	The impact on financial results and disclosure is minimal.
GRAP 13 (as revised 2012): Leases	01 April 2013	The impact on financial results and disclosure is minimal.
GRAP 17 (as revised 2012): Property, Plant and Equipment	01 April 2013	The impact on financial results and disclosure is minimal.
GRAP 31 (as revised 2012): Intangible Assets (Replaces GRAP 102)	01 April 2013	The impact on financial results and disclosure is minimal.
2.2 Standards and interpretations issued, but not yet effective		
The NCR has not applied the following standards and interpretations, which have been published and are mandatory for the NCR's accounting periods beginning on or after 01 April 2014 or later periods:		
Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
GRAP 105: Transfers of functions between entities under common control	01 April 2014	No impact on financial results and disclosure.
GRAP 106: Transfers of functions between entities not under common control	01 April 2014	No impact on financial results and disclosure.
GRAP 107: Mergers	01 April 2014	No impact on financial results and disclosure.
IGRAP 11: Consolidation – Special purpose entities	01 April 2014	No impact on financial results and disclosure.
IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures	01 April 2014	No impact on financial results and disclosure.
GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements	01 April 2014	No impact on financial results and disclosure.
GRAP 7 (as revised 2010): Investments in Associates	01 April 2014	No impact on financial results and disclosure.
GRAP 8 (as revised 2010): Interests in Joint Ventures	01 April 2014	No impact on financial results and disclosure.

National Credit Regulator

Financial Statements for the year ended 31 March 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
3. Receivables from exchange transactions		
Removal of adverse credit information project-Dti	2,827,956	1,313,191
Deposits	118,330	118,330
Expenses prepaid	457,999	411,333
Other receivables	424,012	-
	3,828,297	1,842,854
4. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	3,000	6,000
Bank balances	29,893	30,625
Call account	38,462,592	42,592,735
	38,495,485	42,629,360

Cash and cash equivalents balances include amounts of R24,066,697 (2013: Rnil) which are held by the National Credit Regulator on behalf of third parties. These amounts have also been included in payables for non-exchange transactions.

National Credit Regulator

Financial Statements for the year ended 31 March 2014

Notes to the Financial Statements

5. Property, plant and equipment

	2014			2013		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Computer equipment	6,302,504	(2,666,794)	3,635,710	6,930,728	(2,889,729)	4,040,999
Furniture and fittings	2,879,603	(1,322,454)	1,557,149	3,042,398	(1,253,335)	1,789,063
Leasehold equipment	307,577	(296,810)	10,767	318,140	(265,462)	52,678
Machinery	257,113	(244,258)	12,855	257,113	(223,903)	33,210
Office equipment	1,388,517	(544,376)	844,141	1,548,609	(643,306)	905,303
Leasehold improvements	1,767,280	(1,618,131)	149,149	3,239,418	(2,678,990)	560,428
Security equipment	1,146,488	(572,054)	574,434	986,173	(455,337)	530,836
ICT operational system	9,087,692	(468,882)	8,618,810	6,564,350	-	6,564,350
Total	23,136,774	(7,733,759)	15,403,015	22,886,929	(8,410,062)	14,476,867

Reconciliation of property, plant and equipment - 2014

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

Reconciliation of property, plant and equipment - 2013

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

National Credit Regulator

Financial Statements for the year ended 31 March 2014

Notes to the Financial Statements

Figures in Rand	2014			2013		
6. Intangible assets						
	2014			2013		
	Cost	Accumulated amortisation and accumulated impairment	Carrying value	Cost	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	6,576,505	(1,670,010)	4,906,495	5,606,233	(1,203,479)	4,402,754
Human Resource System	1,543,424	(231,684)	1,311,740	881,677	-	881,677
Total	8,119,929	(1,901,694)	6,218,235	6,487,910	(1,203,479)	5,284,431

Reconciliation of intangible assets - 2014

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

Reconciliation of intangible assets - 2013

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

7. Amounts prepaid and deferred annual fees

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

Amounts prepaid	5,386,417	5,547,305
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National Credit Regulator

Financial Statements for the year ended 31 March 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
8. Deferred government grants		
Unspent conditional grants and receipts comprises of:		
Learnership grant	-	190,280
9. Payables from exchange transactions		
Trade payables	2,748,940	6,860,786
Accruals	5,526,596	2,649,043
	8,275,536	9,509,829

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

10. Provisions

Reconciliation of provisions - 2014

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

Reconciliation of provisions - 2013

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

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

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

National Credit Regulator

Financial Statements for the year ended 31 March 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
11. Finance lease obligation		
Minimum lease payments due		
- within one year	10,656	46,716
- in second to fifth year inclusive	683	9,138
	11,339	55,854
less: future finance charges	(430)	(550)
Present value of minimum lease payments	10,909	55,304

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

The average lease term is 2 years and the average effective borrowing rate is 8% (2013: 8%). Ownership of the equipment is automatically transferred at the end of the lease term.

12. Commitments

Authorised capital expenditure

Already contracted for but not provided for

• Information Communications and Technology (ICT) system	13,434,107	17,500,000
• Human resource system	768,817	1,821,095
	14,202,924	19,321,095

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

The above amounts relate to the value of the commitment over the remaining period of the commitment. The remaining period of the commitment for the new ICT and Human Resource systems is 5 years.

Operating leases

Minimum lease payments due

Building	14,822	93,652
Equipment	-	14,883
Billboard	2,394	41,283
	17,216	149,818

Operating lease commitments consist of leases for the office building, billboard and various items of office equipment. The building and billboard rental contracts escalate at 6.5% and 7% per annum respectively on the lease anniversary and both expire on the 30 April 2015. The equipment leases have a duration of 3 to 5 years with no option of renewal. One item of equipment contains an escalation clause of 15% per annum.

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

Minimum lease payments due	Building	Equipment	Billboard	Total
- Payable within one year	1,883,592	-	967,176	2,850,768
- Payable within two to five years	156,966	-	80,598	237,564
	2,040,558	-	1,047,774	3,088,332

National Credit Regulator

Financial Statements for the year ended 31 March 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
13. Other exchange revenue		
Skills development levies recovered	132,558	112,895
Reimbursements	48,560	49,662
Proceeds from insurance claim	50,240	3,563
Proceeds from purchase of register of registrants	2,560	1,120
Proceeds from sale of tender documents	31,000	-
Proceeds from settlement of legal matters	643,411	-
	908,329	167,240
14. Investment revenue		
Interest revenue		
Bank	2,165,199	3,209,790
15. Fee revenue		
Application fees	313,750	503,050
Registration fees	22,354,271	22,932,691
Branch fees	5,873,471	5,277,024
National loans register fees	1,809,185	1,658,059
Replacement certificates	114,510	149,300
	30,465,187	30,520,124
16. Transfers		
Transfer from the Department of Trade and Industry	60,691,000	55,431,000
Operational activities		
The Department of Trade and Industry (DTI) contributes to the operational activities of the NCR while also providing funding for specific projects.		
17. Other non-exchange revenue		
Prepaid amounts written off relates to the recognition as income, of unidentified and unclaimed receipts in line with the Prescription Act. These were previously reflected under current liabilities in the statement of financial position.		
Prepaid amounts written off	669,823	4,176,519
Learnership Grant	78,000	-
	747,823	4,176,519
18. Personnel expenditure		
Salaries	50,558,222	47,656,489
Contributions to retirement fund	4,594,810	4,330,191
Medical aid contributions	1,630,180	1,417,728
Temporary staff	565,185	934,434
	57,348,397	54,338,842

National Credit Regulator

Financial Statements for the year ended 31 March 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
19. Operating expenses		
Professional fees	19,709,760	16,056,422
Consumer education	4,021,852	2,449,047
Stakeholder communication	2,067,099	1,669,886
Debt relief programme	4,236,489	4,885,153
	30,035,200	25,060,508
20. Finance costs		
Interest paid - Finance lease	5,321	6,989
21. Administrative expenses		
Premises and equipment	5,296,839	5,546,526
Communication costs	2,459,673	1,969,608
Information technology	2,795,366	2,935,196
General expenses	15,763,559	12,433,833
Recruitment	971,462	782,685
Training	1,768,337	1,688,726
Other staff costs	560,789	956,093
	29,616,025	26,312,667
General expenses comprise:		
Audit fees	2,469,318	2,689,857
Bank charges	104,636	105,722
Board and Committee remuneration	146,337	164,578
Insurance	501,114	298,081
Loss on disposal of assets	212,273	-
Office costs	4,140	15,373
Penalties	-	65,204
Bad debts	10,218,914	7,296,723
Subscriptions	107,451	124,532
Travel and accommodation	1,999,376	1,673,763
	15,763,559	12,433,833

National Credit Regulator

Financial Statements for the year ended 31 March 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
22. Operating deficit		
Operating deficit for the year is stated after accounting for the following:		
External audit fees (included in administrative expenses)	1,914,588	1,511,318
Board members fees - non-executive (included in general expenses)	146,337	164,578
Operating lease payments - Building (included in premises and equipment)	1,693,537	1,429,352
Operating lease payments - Equipment (included in premises and equipment)	630,730	1,136,225
Provision for bad debts (included in general expenses)	10,218,914	7,296,723
Loss on disposal of assets (included in general expenses)	212,273	-
	14,816,379	11,538,196
Impairment on property, plant and equipment	237,945	752,282
Amortisation on intangible assets	841,592	197,714
Depreciation on property, plant and equipment	2,786,714	2,607,472
Personnel expenditure	57,497,248	54,338,842
23. Cash generated from (used in) operations		
Deficit for the year	(26,042,507)	(15,771,801)
Adjustments for:		
Depreciation and amortisation	3,628,306	2,805,186
Finance costs	5,321	-
Impairment deficit	237,945	752,282
Movements in operating lease assets and accruals	(132,602)	(323,603)
Movements in provisions	(2,690,925)	(2,034,092)
Non-current assets written off	217,594	386,692
Changes in working capital:		
Receivables from exchange transactions	(1,985,443)	(1,540,247)
Other receivables from non-exchange transactions	6,140,713	222,262
Payables from exchange transactions	(1,234,295)	2,643,764
Deferred government grants	(190,280)	26,767
Amounts prepaid	(160,888)	(84,109)
Payables from non-exchange transactions	24,066,697	-
	(1,859,636)	(12,916,899)

National Credit Regulator

Financial Statements for the year ended 31 March 2014

Notes to the Financial Statements

Figures in Rand

24. Managements' emoluments

Executive management

2014

	Salary	Provident fund contributions	Travel allowance	Performance bonus	Total
N Motshegare	1,893,024	222,336	108,000	333,504	2,556,864
O Tongoane	1,431,750	163,083	36,000	234,314	1,865,147
F Malaza	1,221,788	-	-	-	1,221,788
Z Zwakala	82,500	9,166	-	-	91,666
L Mashapa	1,001,352	111,261	-	148,671	1,261,284
M Mudau	855,013	103,001	72,000	160,594	1,190,608
	6,485,427	608,847	216,000	877,083	8,187,357

2013

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

National Credit Regulator

Financial Statements for the year ended 31 March 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
25. Impairment of assets		
Impairments		
Property, plant and equipment	237,945	752,282
The impairment loss in the current financial year relates to damaged and obsolete items of property, plant and equipment. The recoverable amount for these items has been estimated as RNil. The impairment loss for the 2013 financial year related to the impairment of the telephone system due to technological changes. The current telephone system was not compatible with the IT infrastructure which is currently being developed by the NCR. The recoverable amount was estimated as RNil.		
26. Related parties		
Relationships		
Board members	Contractual relationship	
Members of key management	Contractual relationship	
Department of Trade and Industry	National department in national sphere of government	
Auditor General SA	Public entity in national sphere	
Telkom Limited	Public entity in national sphere	
Unemployment insurance fund	Public entity in national sphere	
Bankseta	Public entity in national sphere	
Financial Services Board	Public entity in national sphere	
Related party transactions		
Department of Trade and Industry		
Receivables - Removal of adverse credit information	2,827,956	1,396,480
Transfer payments received	60,691,000	55,431,000
27. Fruitless and wasteful expenditure		
Penalties - South African Revenue Services	-	65,204

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

National Credit Regulator

Financial Statements for the year ended 31 March 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
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28. Risk management

Financial risk management objectives

The NCR's Finance function provides services to the organisation, and monitors and manages the financial risks relating to the operations of the NCR, through analysing the organisation's degree and magnitude of risks. In the ordinary course of business, the NCR is exposed to a number of risks as described below.

Liquidity risk

Management monitors rolling forecasts of the NCR's cash and cash equivalents on the basis of expected cash flow.

The table below analyses the NCR's financial liabilities into relevant maturity groupings based on the remaining period at the Statement of Financial Position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Contractual undiscounted liabilities	Payable in less than 3 months	Payable in 3 to 12 months	Payable after one year	Total
Trade payables	8,286,361	-	-	8,286,361
Finance lease liabilities	2,560	7,679	670	10,909
	8,288,921	7,679	670	8,297,270

31 March 2013

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

Credit risk

Credit risk represents the potential loss to the NCR as a result of unexpected defaults or unexpected deterioration in the credit worthiness of counterparties. The NCR's credit risk is primarily attributable to its receivables. This risk has been assessed as high in the current year due to the discovery of prior period errors with regards to the understatement of revenue with regards to renewal fees in prior years. Revenue is accrued as described in the applicable accounting policy. The carrying amount of trade receivables represents the NCR's maximum exposure to credit risk.

With regard to credit risk arising from the other financial assets, which comprise cash and cash equivalents, the NCR's exposure arises from a potential default of the counterparty where credit rating is constantly monitored, with a maximum exposure of R14,428,788 (2013: R42,629,360) to the carrying amount of these instruments.

The institution in which funds have been placed is monitored on a quarterly basis to assess any potential risks. Cash and cash equivalents are only placed with banking institutions with an AA. credit rating.

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

Financial instrument	2014	2013
Other receivables	3,969,887	1,842,854
Trade receivables	-	6,218,713

MARKET RISK

National Credit Regulator

Financial Statements for the year ended 31 March 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
28. 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 (2013: 50) basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the potential impact of the change in interest rates.		
The NCR's sensitivity to interest rates has increased primarily as a result of a decreasing interest rate environment.		
Exposure to interest rate risk is set out below:		
Class of financial instrument		
Cash and cash equivalents	38,495,485	42,629,360
Less amounts held on behalf of third parties	(24,066,697)	-
	14,428,788	42,629,360
Fair values		
The carrying amounts of financial assets and financial liabilities recorded at cost in the financial statements approximate their fair values.		
29. Receivables from non-exchange transactions		
Trade debtors	-	6,218,713
Learnership grant	78,000	-
	78,000	6,218,713
Receivables from non-exchange transactions impaired		
As of 31 March 2014, receivables from non-exchange transactions of R 9,710,224 (2013: R7,296,723) were impaired and provided for. The impairment is based on the ruling of the National Consumer Tribunal in terms of section 52(4)(b) of the National of the National Credit Act. Refer to note 33 for the effect of the change.		
The ageing of these receivables is as follows:		
Less than 3 months but relating to years 2008-2012	-	5,922,848
Less than 3 months but relating to the current year	-	2,961,951
More than 3 months relating to the current year	9,710,224	4,630,637
Reconciliation of provision for impairment of receivables from non-exchange transactions		
Opening balance	7,296,723	-
Provision for impairment	9,710,224	7,296,723
Amounts written off as uncollectible	(7,296,723)	-
	9,710,224	7,296,723
Reconciliation of trade debtors		
Gross	9,710,224	13,515,436
Provision for bad debts	(9,710,224)	(7,296,723)
	-	6,218,713

National Credit Regulator

Financial Statements for the year ended 31 March 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
30. Contingent liabilities		
<p>The NCR is currently involved in a labour dispute with another party. The matter has been referred to the high court. The outcome of the matter is uncertain. The NCR would be liable for an estimated amount of R580,000 should the other party be successful in court.</p>		
31. Contingent assets		
<p>The High Court has ruled in favour of the NCR in a matter between the NCR and Barko financial services. The respondent was ordered to settle the legal costs of the NCR estimated at R 450,000 in full. Barko financial services is appealing the matter at the Supreme Court of Appeal. Contingent assets are not recognised but are disclosed in the notes to the financial statements.</p>		
32. Change in accounting estimate		
<p>During the current financial year, the NCR received a ruling from the National Consumer Tribunal relating to the lapsing, with immediate effect of the registration of registrants who fail to pay their renewal fees in line with section 52(4)(b) of the National Credit Act. The impact of the ruling is that the NCR is required to revise the basis utilised to provide for the recoverability of debtors due from registrants.</p>		
<p>The ruling was regarded as a change in accounting estimate for accounting purposes and its impact was accounted for prospectively. All registrants with fees outstanding at year end were fully provided for and their registration with the NCR lapsed. In future, only registrants with active fees owing for not longer than 30 days will be reflected as receivables.</p>		
<p>The impact of the change in estimate is as follows:</p>		
Effect on statement of financial performance		
Bad debts provided for	9,710,224	-
Effect on statement of financial position		
Decrease in receivables	(9,710,224)	-
	<hr/>	<hr/>
	-	-

PART 5

Human Resources Management



5.1 Human Resources Report



Human Resources, Security and Facilities Teams

The success of regulatory work is heavily dependent upon the quality of the regulator’s human resources. The challenge of securing and retaining staff of the necessary calibre is heightened by the fact that the NCR’s core functions – compliance, complaints, investigation and enforcement – require a unique mix of knowledge that spans the legal and financial fields, along with well developed human relations skills. Appropriate staff recruitment, development and retention initiatives are therefore an integral part of the NCR’s infrastructure.

5.1.1 Overview of staff establishment

At the end of the financial year, the NCR’s staff establishment (including fixed contract employees and learners) stood at 151, representing a slight increase of 11.9% on the number when compared to the end of the previous year. The NCR filled a total of 49 positions during the 2013/14 financial year, 23 of which were promotions and 26 new entrants. Staff turnover was a modest 8% when compared to the 9% recorded in 2012/2013.

Table 12: Total NCR staff complement as at 31 March 2014

Year	Full Time	Fixed Contract	Temporary	Learners	Total
2012	124	3	6	10	143
2013	122	7	4	10	143
2014	135	6	0	20	161

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

Figure 9: Employee Profile

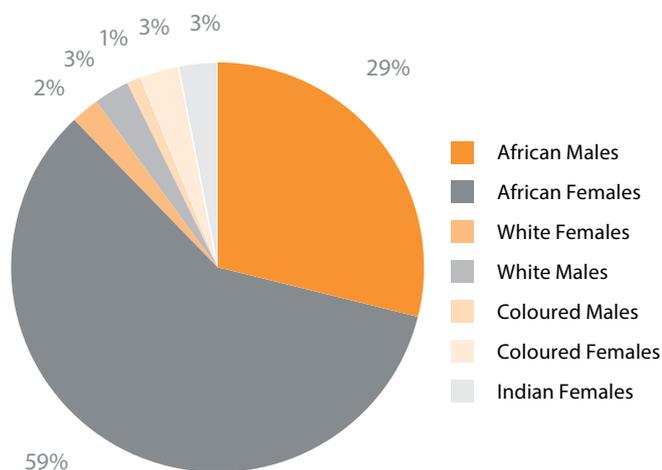
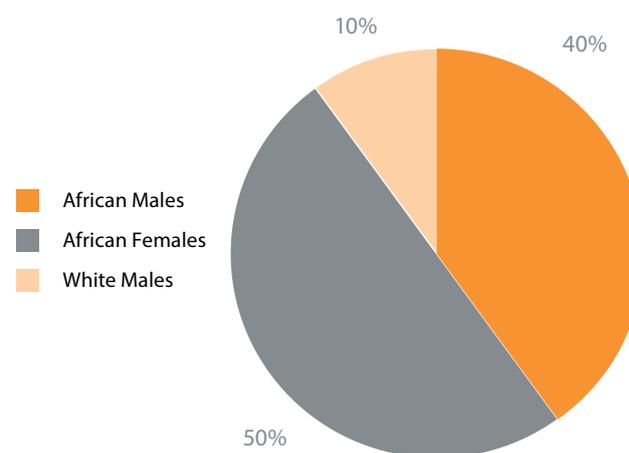


Figure 10: Management Profile



5.1.2 Retention strategies

Review of HR policies

The NCR pursues a strategy of reviewing and, where necessary, amending a range of HR policies regularly in order to ensure that the organisation is perceived to be an employer of choice. An important part of this ongoing process is a process of salary benchmarking and adjustment. The NCR is confident that as a result of this strategy its current remuneration structure fairly reflects its employees' positions and experience.

Review of HR administration systems

The period under review saw a renewal of the NCR's HR administration system via the introduction of SAP system on the basis that it offers a seamless or integrated platform for a range of HR and accounting functions. Because the NCR staff travel extensively, SAP is working well in simplifying and expediting subsistence and travel claims.

A new Human Resources Management Information System (HRMIS) was implemented during the year with the payroll module and the Employee Self Service module being fully functional. The system is aligned to the development of an HRMIS performance management module.

Sound labour and employee relations

The NCR is in the process of establishing an employer-employee forum in the interest of harmonising sound labour and employee relations. The terms of reference for the

forum, aptly named the NCR Consultative forum, have been developed and is in the process of being approved.

Employee wellness initiatives

ICAS Southern Africa, NCR's employee wellness programme provider, furnishes individual services to NCR staff members and their immediate families – services that include psychological counselling, life management guidance and an on-line eCare service. All employees have been offered an outsourced ICAS system induction session. The NCR receives quarterly reports on staff utilisation of ICAS's services.

The NCR periodically organises or hosts wellness events for employees. While the focus is primarily on health, these events often provide added benefits in terms of team building and/or social responsibility.

The 2013/14 programme included a wellness day, a team building event, a newsletter launch, a Women's Day function, a Heritage Day initiative and the launching of the NCR's change management strategy.

At end of September 2013, individuals utilisation of the NCR wellness services had increased from the previous quarter and remains above the financial sector average of 12.9%.

Teambuilding

A dedicated team-building exercise was undertaken in October 2013 in Muldersdrift, Johannesburg. It involved a range of physical and intellectual team challenges and all employees were given NCR-branded T-shirts and caps.



NCR Teambuilding in Muldersdrift, October 2013.



Learners

5.1.3 Development initiatives

Learnership Programme

The NCR's second Learnership Programme got underway in April 2013 with ten (10) learners, all of whom stayed on for the duration of the course. The learners also completed additional training on the National Credit Act and on debt counselling principles. Encouragingly, the NCR has secured further funding for its third, 2014, Learnership Programme, the intake of which will increase to 20 learners, the number having been whittled down from more than 1 700 applicants.

The prime motivation for the learnership programme is to recruit young talent from around the country, develop them and consider them for full time employment in the organisation.

A feature of the programme is that it strives to increase the skills base of the country at large and not specifically that of the NCR. Even so, we have managed to retain more than 70% of those who have completed our learnership programme.

The programme covers theory and practice, the latter being undertaken with the assistance of NCR mentors.

The NCR plans to further expand its learnership/graduate programme to include enhanced training in spheres such as management and finance. A proposal to increase the time the graduates spend at the NCR to three years is also under consideration.

Management Programme

The NCR has embarked on various Management Development activities aimed at capacitating managers to better enable

them to perform their jobs. Continuous staff engagement activities were also conducted to ensure a well rounded working environment and to raise morale.

Various key vacant management positions were filled during the year, among them the permanent appointment of a Chief Financial Officer.

Funding assistance for studies

The NCR is proud of its established practice of assisting members of staff to further their studies in relevant fields. The applicable bursary contract requires students to undertake a year of service for every year of study financed by the NCR.

Corporate Responsibility

Cell C Take a Girl Child to Work

The NCR continues to support the annual "Cell C Take a Girl Child to Work" campaign by hosting learners from relatively disadvantaged schools.



Mandela Day 2013

NCR staff joined forces in the Alexandra area to spend their 67 Minutes for Madiba by painting, cleaning and cooking for the orphans at the Ketex Foundation's Leratong Orphanage Centre.



Mandela day in Alexandra Township, July 2013.

Learner Success Stories



From left: Lebo Tumane (Call Centre Agent), Nolwazi Ngqozela (Human Resources Officer) and Risuna Mabasa (Registrations Administrator).

The learnership programme helped me to gain valuable skills that assisted in the areas of complaints handling, customer service and customer satisfaction. I also gained knowledge of the National Credit Act and Debt Counselling. Now that I work with debt counselling complaints, all the knowledge I gained has become useful. But I am still learning every day.

The knowledge of the Act also helped me personally to know my rights and know if I'm treated unfairly as a consumer, I have applied this knowledge in certain circumstances that I came across as a consumer.

Lebo Tumane, Call Centre Agent

The NCR learnership programme has been a very inspiring journey and an amazing opportunity for me. I'm very grateful for the skills and valuable experience I gained. I particularly enjoyed the opportunities to learn from and work with individuals of different backgrounds.

I was very impressed with the professionalism that the HR Department showed me. I was treated as an equal and allowed to be involved in anything I wanted to be part of. Overall I had an amazing experience. I'm now currently employed as a Human Resources Officer.

Nolwazi Ngqozela, Human Resources Officer

The learnership programme is the best platform for one to kickstart their career and familiarise themselves with the working environment. I had an opportunity to interact with different departments within the NCR. Being a Learner Compliance Officer equipped me with the relevant skills and knowledge.

Getting to know more, or rather having the in depth knowledge of the Registrations and Compliance department (as they work in conjunction with one another), I was able to familiarise myself with the relevant sections and regulations of the Act and policies and procedures of the department. My competency and capacity has resulted in me being absorbed as a permanent employee.

Risuna Mabasa, Registrations Administrator



NCR Staff

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