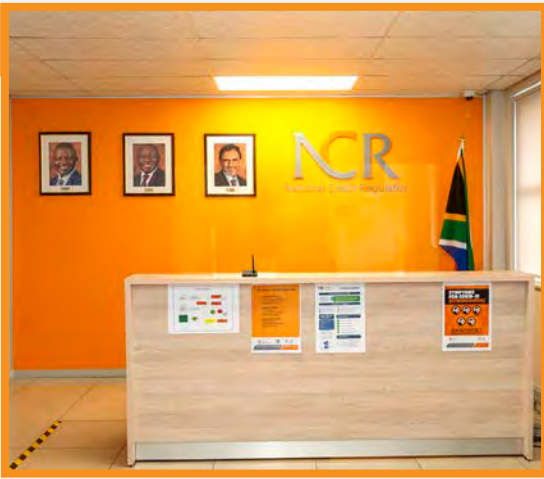




# ANNUAL REPORT

2021|2022

Recovery, Resilience  
and Rejuvenation



New NCR premises at 232, 15<sup>th</sup> Road, Randjespark, Midrand



NCR premises at 127, 15<sup>th</sup> Road, Randjespark, Midrand

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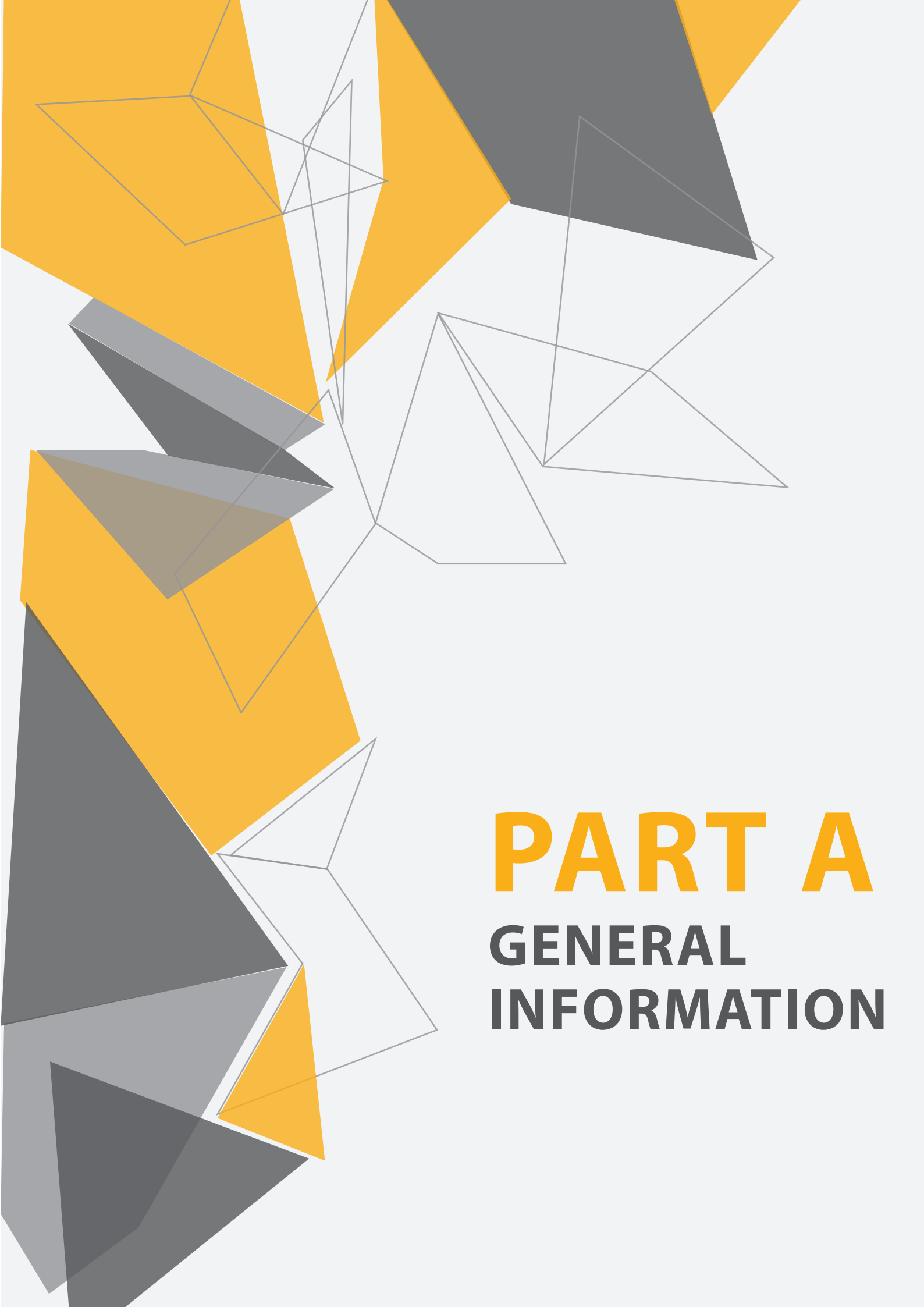
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**PART A**  
**GENERAL**  
**INFORMATION**

## 1. National Credit Regulator general information

### **Registered name**

National Credit Regulator (NCR)

### **Registered office address**

127 -15th Road  
Randjespark  
Midrand  
1685

### **Postal address**

P.O. Box 209  
Halfway House  
1685

### **Contact telephone number**

**Switchboard:** 011 554 2700 / 2700

**Toll Share:** 0860 627 627  
0860 NCR NCR

### **Email address**

**Complaints:** [complaints@ncr.org.za](mailto:complaints@ncr.org.za)

**Enquiries:** [info@ncr.org.za](mailto:info@ncr.org.za)

### **Website address**

[www.ncr.org.za](http://www.ncr.org.za)

### **External Auditor's information**

**Auditor-General of South Africa**

300 Middel Street  
New Muckleneuk  
Pretoria  
0081

### **Bankers Information**

**Standard Bank of South Africa**

### **Company Secretary**

**Mr Lesiba Mashapa**

## 2. List of abbreviations/acronyms

AA	Accounting Authority
AfCFTA	African Continental Free Trade Area
ADRA	Alternative Dispute Resolution Agent
AGSA	Auditor-General of South Africa
ARMC	Audit and Risk Management Committee
BASA	Banking Association of South Africa
BBBEE	Broad-Based Black Economic Empowerment
CBA	Credit Bureau Association
CBM	Credit Bureau Monitor
CEO	Chief Executive Officer
CIF	Credit Industry Forum
COVID-19	Novel Coronavirus Disease
CPF	Consumer Protection Forum
CPO	Consumer Protection Officer
CSD	Central Supplier Database
DHA	Department of Home-Affairs
dtic	Department of Trade, Industry and Competition
DPCI	Directorate for Priority Crime Investigation
EAP	Employee Assistance Programme
EE	Employment Equity
ERRP	Economic Recovery and Reconstruction Plan
FAR	Fixed Asset Register
FBO	Faith Based Organisations
FIC	Financial Intelligence Centre
FSCA	Financial Sector Conduct Authority
4IR	Fourth Industrial Revolution
GCIS	Government Communications and Information System
GRAP	Generally Recognised Accounting Practice
ICT	Information and Communication Technology
IFC	International Finance Corporation
IFWG	Intergovernmental Fintech Working Group
MFSA	Microfinance South Africa
MSWSA	Money Smart Week South Africa
MTSF	Medium Term Strategic Framework
MoU	Memorandum of Understanding
NAMFISA	Namibian Financial Institutions Supervisory Authority

NAPTOSA	National Professional Teachers' Organisation of South Africa
NCA	National Credit Act
NCC	National Consumer Commission
NCFEC	National Consumer Financial Education Committee
NCR	National Credit Regulator
NCT	National Consumer Tribunal
NGO	Non-governmental Organisation
NRCS	National Regulator for Compulsory Specification
NT	National Treasury
PA	Prudential Authority
PDA	Payment Distribution Agent
PFMA	Public Finance Management Act
PSA	Proudly South African
SACRRA	South African Credit and Risk Reporting
SADTU	South African Democratic Teachers Union
SAPS	South African Police Service
SARB	South African Reserve Bank
SASSA	South African Social Security Agency
SCM	Supply Chain Management
SCOPA	Standing Committee on Public Accounts
SONA	State of the Nation Address
SteerCo	Steering Committee
QCTO	Quality for Trade and Occupation

#### Definitions used to measure performance

Effective	Successful in producing a desired or intended result
Enhance	Improve the quality of performance
Support	To give assistance
Facilitate	To make an action or process easier





# 3

## Foreword by the Minister of Trade, Industry and Competition

It is my pleasure to table the Annual Report of the National Credit Regulator (NCR) for the 2021/22 financial year.

The NCR has an important mandate. The Report sets out the work completed to fulfil that mandate.

I extend my thanks to Ms Nomsa Motshegare, the Executive management team and staff for their work done during the past year.

A handwritten signature in black ink, appearing to read 'Ebrahim Patel', written over a horizontal line.

**Mr Ebrahim Patel**

Minister of Trade, Industry and Competition





## 4 Foreword by the Accounting Authority

I am pleased to present the National Credit Regulator's (NCR) Annual Report for the 2021/22 financial year.

During the year under review, The NCR moved forward with determination and firm belief that everything will get better – the economy, the COVID-19 pandemic and the operational challenges.

Holding onto the hope of better days ahead, the team brought about better days as evidenced by the performance statistics: 92% of targets achieved/exceeded.

Only 8% of the targets were not achieved due to budgetary constraints and operational challenges.

Together, the NCR team successfully carried out its mandate of supporting the social and economic advancement of South Africa through:

- regulating the consumer credit industry by registering credit providers, credit bureaus, debt counsellors, payment distribution agents, and alternative dispute resolution agencies;
- enforcing the provisions of the National Credit Act for a fair and non-discriminatory market place for access to consumer credit;
- promoting responsible credit granting and credit use, and
- obtaining effective redress.

Despite challenges and restrictions, international and domestic engagements, collaborations as well other core activities such as investigations, enforcement and consumer education went full steam ahead, made possible by technology such as digital communication platforms. Part B of this report elaborates on the challenges faced and overcome as well as on the performance of individual departments.

The state of the credit market and milieu in which the NCR operates is summarised on pages 19 to 20 and provides insightful context for readers of this report.

One of the highlights that stands out is the fact that, through its monitoring and enforcement activities during the year under review, the NCR secured approximately R11.6 million in redress to consumers by way of monetary refund and/or adjustment on outstanding account balances. This redress, no doubt, came as welcome relief to consumers given the prevailing tough socio-economic conditions

### High-level overview of the NCR strategy and performance

The NCR submitted its three-year annual performance plan (APP) for 2021/22-2023/24 and five-year strategic plan (SP) for 2021/22-2025/26. The plans were tabled in Parliament in March 2022 and were approved.

The SP and APP have been guided by the Economic Recovery and Reconstruction Plan (ERRP) of 2020, the priorities outlined by President Ramaphosa in the 2022 State of the Nation Address (SONA) and the Department of Trade, Industry and Competition (**the dtic**) imperatives and joint key indicators.

The NCR's strategy focused on the following programmes during the year under review as outlined in Part B of this report:

- Programme 1: Improved regulatory environment. The purpose of this programme is to collaborate with other key entities and stakeholders in order to have greater impact, reduce costs and effectively and efficiently deliver on the NCR mandate. In addition, this programme aims to promote

economic growth through job creation, integration and transformation.

- Programme 2: Enforcement of the Act. The purpose of the programme is to promote a fair, responsible and accessible consumer credit market through the enforcement of the Act. This is achieved by conducting investigations and taking enforcement action on non-compliant registrants; and improving education awareness.

### Strategic relationships

The COVID-19 pandemic illustrated in a most graphic and sad way how interconnected the entire world is and how contagion is real. Whether it be physical illness, environmental events or economic recession that afflict the world, no country is exempt – everyone is affected for better or for worse.

The pandemic showed that by standing united and cooperating, all countries can enjoy better outcomes. It follows that strategic relationships and collaborative efforts have become more important than ever.

The NCR has an excellent track record of maintaining good strategic relationships and continued doing so during the period under review.

### Other regulators

Engagements with other regulators included the following:

- NCR as a member of the Financial Stability Oversight Committee (FSOC) chaired by the Governor of the South African Reserve Bank (SARB), engaged with the Prudential Authority (PA), Financial Sector Conduct Authority (FSCA), SARB, and the Financial Intelligence Centre (FIC). FSOC meetings are held quarterly;
- Regulatory Cluster meetings organised by **the dtic** – regulators reporting to the work done by ICC **dtic** meet quarterly to share information on regulatory issues;
- The NCR is also a member of the Consumer Protection Forum (CPF), chaired by the National Consumer Commission (NCC). CPF meets quarterly and its membership is comprised of various role players in the consumer protection space
- The NCR entered into a memorandum of understanding (MoU) with the Namibia Financial Institutions Supervisory Authority (NAMFISA). The main purpose of the MoU is to share information and for capacity building;
- The NCR continued to engage with regulators in other African countries through the African Consumer Protection Dialogue. A webinar was held in this period on 'Dispute resolution for mobile payment platforms'.

### Registrants and associations

The NCR had regular meetings and engagements with large registrants and associations to discuss regulatory matters and developments of common interest. Industry associations include the Credit Bureau Associations (CBA); South African Credit and Risk Reporting (SACRRA), Micro Finance South Africa (MFSa), and Banking Association of South Africa (BASA).

The NCR continued to strengthen strategic relations with its main stakeholders through the Credit Industry Forum (CIF). Credit providers represented on the CIF identify and address operational difficulties associated with the implementation of the Act.

Importantly, the forum collaborates to find solutions to challenges not covered by the Act. The forum includes the following:

- The Banking Association of South Africa (BASA),
- Micro Finance South Africa (MFSa),
- Debt counselling associations,
- Payment Distribution Agents (PDAs),
- The Credit Bureau Association (CBA),
- Consumer Goods Council of South Africa (CGCSA);
- National Motor Finance Association (NMFA); and
- Consumer representatives.

To conduct consumer education activities, the NCR works closely with partners as elaborated below.

### Consumer education and awareness campaigns

One of the key responsibilities of the NCR in terms of the Act is to inform consumers regarding their rights and responsibilities in credit related matters. During the year under review, the NCR continued with its consumer education and awareness campaigns, conducting over 300 initiatives such as workshops, webinars and exhibitions.

The regulator also participated in initiatives held by stakeholders and met with stakeholders to discuss credit trends by way of digital/virtual platforms and face-to-face interventions. Stakeholders included the Consumer Protection Forum (CPF), Money Smart Week South Africa Steering Committee (MSWSA), National Consumer Financial Education Committee (NCFEC), Government Communications and Information System (GCIS) Forum, Gauteng Gender Based Violence Forum, Credit Industry Forum (CIF), SA National Council on Alcoholism, registrants, other regulators, and the Portfolio Committee on Trade and Industry.

Various media releases (17 in total) were issued during 2021/22 to inform the public about topical issues such as 'the NCR and Credit Ombud rowing together in the same boat'; 'the NCR warns against false information on the NCA relating to debt intervention'; 'The importance of knowing your credit status'; 'Men and finances'; 'Credit extension slows down'; 'Debt counselling offers new lease of life for over-indebted consumers'; 'Looting mayhem has cost some consumers dearly'; 'NCR raids credit providers'; 'It is illegal for credit providers to take a consumer's ID or cards'; 'Lit Black Friday vibes – Don't burn your budget'.

In disseminating credit information to consumers, the NCR used radio (including community radio stations with a rural reach), television and podcast interviews. These were conducted telephonically, in studio, and through digital platforms. The services of social media influencers were also used to maximise impact. Together they managed to reach 780 866 impressions (the number of digital views).

## Investigations and Enforcement

By enforcing the Act, contraventions are reduced and consumers are better educated.

In terms of various contraventions of the Act by registrants, the NCR issued 16 compliance notices; referred 35 registrants to the National Consumer Tribunal (NCT). The value of administrative fines imposed by the NCT in cases referred by the NCR, including settlement orders being handed down, totals in excess of R14.2 million. A total of 29 consent orders were concluded between the NCR and affected registrants.

## Redress for Consumers

Through its complaints resolution, compliance monitoring and investigation processes, the NCR ensured that approximately R11.6 million in the form of refunds and credit account balance adjustments was granted to consumers during 2021/22.

## Collaboration and cooperation

The following projects promote innovation and will result in improved service delivery of the NCR's mandate:

### Establishment of the National Register of Credit Agreements

The register will assist to enhance the regulatory environment and financial stability. Quarterly meetings took place during the period. A Steering Committee (SteerCo) has been established and is chaired by the NCR and the SARB. Meetings were held by the various work streams teams. Participants in the SteerCo and the work streams are representatives from the NCR, SARB, FSCA, FIC, PA, **the dtic** and National Treasury (NT).

The legislative work stream proposed the legal framework that the register should take. An independent legal opinion was obtained around the legal form of the register. The housing of the National Register is also still under discussion.

The International Finance Corporation (IFC) has indicated its interest in providing technical support to the NCR in the establishment of the register. The IFC team has already been introduced to the SteerCo members and the different work-streams.

*Collaboration with the International Finance Corporation (part of the World Bank Group):*

The NCR and the International Finance Corporation (IFC) entered into a cooperation agreement. As part of this agreement, the NCR and the IFC are currently working on initiatives to promote access to credit for SMMEs. As part of this, the alternative data landscape report was launched during this period. The NCR and other key stakeholders were invited to speak at this virtual event to officially launch the study. The report was compiled from a landscape study which identified potential alternative

data points and sources that can be used for creditworthiness assessment of MSMEs. Key stakeholders included the NCR, **the dtic**, NT, IFC, and TransUnion.

In addition to the above initiative, the NCR and IFC are working together to facilitate the on-boarding of credit information by small credit providers onto the credit bureaus' records in a cost effective manner. Consideration is being given to go the Techsprint route and invite the private sector to develop a solution to be used by small credit providers. The NCR is to meet with the Intergovernmental Fintech Working Group (IFWG) to find out if this is a project they would be interested in taking on board.

### Intergovernmental Fintech Working Group (IFWG)

The NCR is a member of the IFWG which has created an innovation hub that provides a space for safe testing of innovative ideas and actively advances innovation in financial services. The hub consists of three components, namely the Regulatory Guidance Unit, Innovation Accelerator and the Regulatory Sandbox. The Regulatory Sandbox provides market innovators with an opportunity to test the ideas of new products and services that push the boundaries of existing regulation under the responsible supervision of relevant regulators.

One entity applied to the Regulatory Sandbox in order to test ideas that fall within the mandate of the NCR. This entity has also applied for registration with the NCR to operate the business of a niche credit bureau to provide rental payment information for credit granting purposes. If the registration is successful, this will promote and advance the economic welfare of South Africans, through job creation. This will also facilitate increased access to affordable credit.

The other members of the IFWG are the Financial Intelligence Centre (FIC), the Financial Sector Conduct Authority (FSCA), the South African Reserve Bank (SARB) and the South African Revenue Service (SARS).

### Prioritising women, youth and people with disabilities

The NCR prioritises women, youth and people with disabilities in procurement, recruitment, education and awareness efforts.

The various NCR departments presented workshops that were dedicated to women-owned companies. This formed part of the NCR's strategy to prioritise women. The NCR also continued collaborating with the Department of Women, Youth and Persons with Disabilities to find ways of enforcing and listing maintenance orders at the registered credit bureaus, made in favour of minor children.

### Good governance

The NCR has a sound and effective governance system in place. As a result of the prudent financial management and good corporate governance practised, the NCR achieved unqualified

## Highlights

Summary of key highlights during 2021/22:



35 referrals to the NCT



Over R14 million in fines and penalties imposed by the NCT on matters referred by the NCR



Approximately R11.6 million in the form of refunds and credit account balance adjustments was granted to consumers



361 Consumer education initiatives such as workshops, webinars and exhibitions



Consumers were refunded R3,5m as a result of the application of the in-duplum provision in section 103(5) of the Act



Audit outcome for FY 2021/22: The NCR obtained an unqualified audit report for the year. The NCR has never obtained a qualified audit opinion since its inception in 2007



26 698 enquiries received by the NCR Call Centre, 76% were handled within an average of nine days, 556 were referred to the various ombudsman offices



1350 new credit providers were registered

audit opinions for the 2020/21 and 2021/22 financial years' with clean audits for 2014/15, 2015/16, 2017/18, 2018/19 and 2019/20.

We submitted the NCR Three-Year Annual Performance Plan for 2021/22-2023/24, the NCR Five-Year Strategic Plan for 2021/22-2025/26 and the NCR Annual Report 2020/21 in line with Parliamentary timelines.

### Challenges

Key challenges experienced during the reporting year were the financial constraints and the inability to attract and retain competent skills which had an impact during the reporting period and a further impact on the NCR's service delivery and/or capacity to speedily finalise matters.

### Acknowledgements

I acknowledge the contribution of all NCR stakeholders in facilitating the implementation of the Act.

I would also like to express my gratitude to the Honourable Minister of Trade, Industry and Competition, Mr Ebrahim Patel; **the dtic** officials; the Portfolio Committee on Trade and Industry and the Select Committee on Trade and International Relations for their guidance and support.

My sincere appreciation to the NCR executive team, management and employees for their excellent work and to the members of the Audit and Risk Management Committee (ARMC) for providing oversight. Your efforts ensure that the NCR carries out its mandate of protecting the consumer at all times.

**Ms Nomsa Motshegare**  
Accounting Authority  
30 July 2022

## 5. Overview by the Chief Executive Officer

### General financial review

For the 2021/22 financial year, the National Credit Regulator (NCR) had a final approved budget of R170 607 304 (2020/21: R157 803 402). The NCR received R82 632 000 in funding from **the dtic** (2020/21: R71 272 000), which constituted 48% of the NCR's funding. The balance of R87 975 304 (2020/21: R86 531 402) was from registrant fees and other income.

### Spending trends

The NCR utilised its budget as follows during the financial year under review:

Item	2021/22	2020/21
Programme expenditure	R21 026 546	R19 962 555
Personnel expenditure	R77 934 792	R76 384 947
Administrative and other expenditure	R24 070 673	R23 508 181
Capital expenditure	R9 659 306	R9 890 257

### Challenges and capacity

Funding continued to be a challenge during the year under review. By implementing cost containment measures and improving efficiencies, the NCR was able to deliver against its strategic plan.

Reduced funding had a negative effect on the NCR's ability to attract and retain people with the right skills. Some positions had to be frozen, resulting in capacity constraints.

With the Fourth Industrial Revolution (4IR) upon us, advancements in information technology continued to pressurise the NCR into further digitisation of its processes. The COVID-19 pandemic added a new dimension to the need to digitise, especially in terms of equipping staff to work remotely. Staying up to date with ICT is an ongoing imperative that presents serious challenges to budget, time and capacity.

Manual operating systems remains a challenge.

### Discontinued activities

No activities were discontinued during the year under review.

### New activities

No new activities were undertaken during the year under review.

### Supply chain management

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

### Concluded unsolicited bid proposals

No unsolicited bid proposals were concluded during the year under review.

### Audit report matters in the previous year

The audit report for the financial year 2021/22 from the Auditor-General reflects the following:

The NCR maintained the unqualified audit opinion status.

### Plans for the future to address unqualified financial challenges

The NCR team will continue finding innovative ways to augment the budget as well as new ways of working smarter in order to execute our legislative mandate. To increase capacity and boost staff complement, we will continue to recruit interns to assist with, in particular, information communication technology.

### Events after the reporting date

The NCR is not aware of any events after the reporting date of 31 March 2022, which are likely to have a material impact on the NCR's financial results or operations.

### Economic viability

The NCR derives its income from the transfers from **the dtic** and registrants' fees. These sources of income ensure the entity's financial viability.

### Acknowledgements

I thank the NCR executive team, management and personnel for their hard work throughout the year. Their contribution makes it possible for the NCR to achieve its mission and fulfil its mandate.

My sincere appreciation also goes to the members of the Audit and Risk Management Committee (ARMC) for providing oversight. I would also like to thank the Honourable Minister of Trade, Industry and Competition, Mr Ebrahim Patel; **the dtic** and the Portfolio Committee on Trade and Industry for their guidance and support.



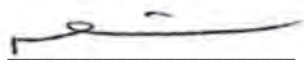
**Ms Nomsa Motshegare**  
Chief Executive Officer  
30 July 2022

## 6. Statement of responsibility and confirmation of the accuracy of the annual report

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

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

In my opinion, this annual report fairly reflects the operations, the performance information, the human resources information and the financial affairs for the financial year ended 31 March 2022.



**Ms Nomsa Motshegare**

Accounting Authority and Chief Executive Officer  
30 July 2022

### NCRs Executive Committee



**Ms Nomsa  
Motshegare**

Chief Executive  
Officer and  
Accounting Authority



**Adv. Obed  
Tongoane**

Deputy Chief  
Executive Officer



**Mr Lesiba  
Mashapa**

Company Secretary



**Ms Lynette  
De Beer**

Chief Financial  
Officer CA(SA)



## 7. Strategic overview

### Overall objectives

The National Credit Regulator aims to improve the regulatory environment and ensure the enforcement of the Act as amended. To achieve these objectives, the regulator focuses on:

- Programme: Improved regulatory environment
- Programme: Enforcement of the National Credit Act.

The outcomes of these programmes are:

- Increased efficiency in registration of persons and entities to facilitate creation of job opportunities.
- Improved compliance through enforcement of the NCA.

### Vision

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

### Mission

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

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

### Values

#### **Service excellence:**

we strive for service excellence 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 at all times.

## 8. Legislative and other mandates

In terms of the Public Finance Management Act, Act 01 of 1999, the National Credit Regulator (NCR) is a Schedule 3A public entity.

The purpose of the National Credit Act (NCA), Act 34 of 2005, is to:

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

The NCR enforces the provisions of the NCA by:

- Promoting informal resolution of disputes between consumers and credit providers, credit bureaus and/or debt counsellors;

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

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

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

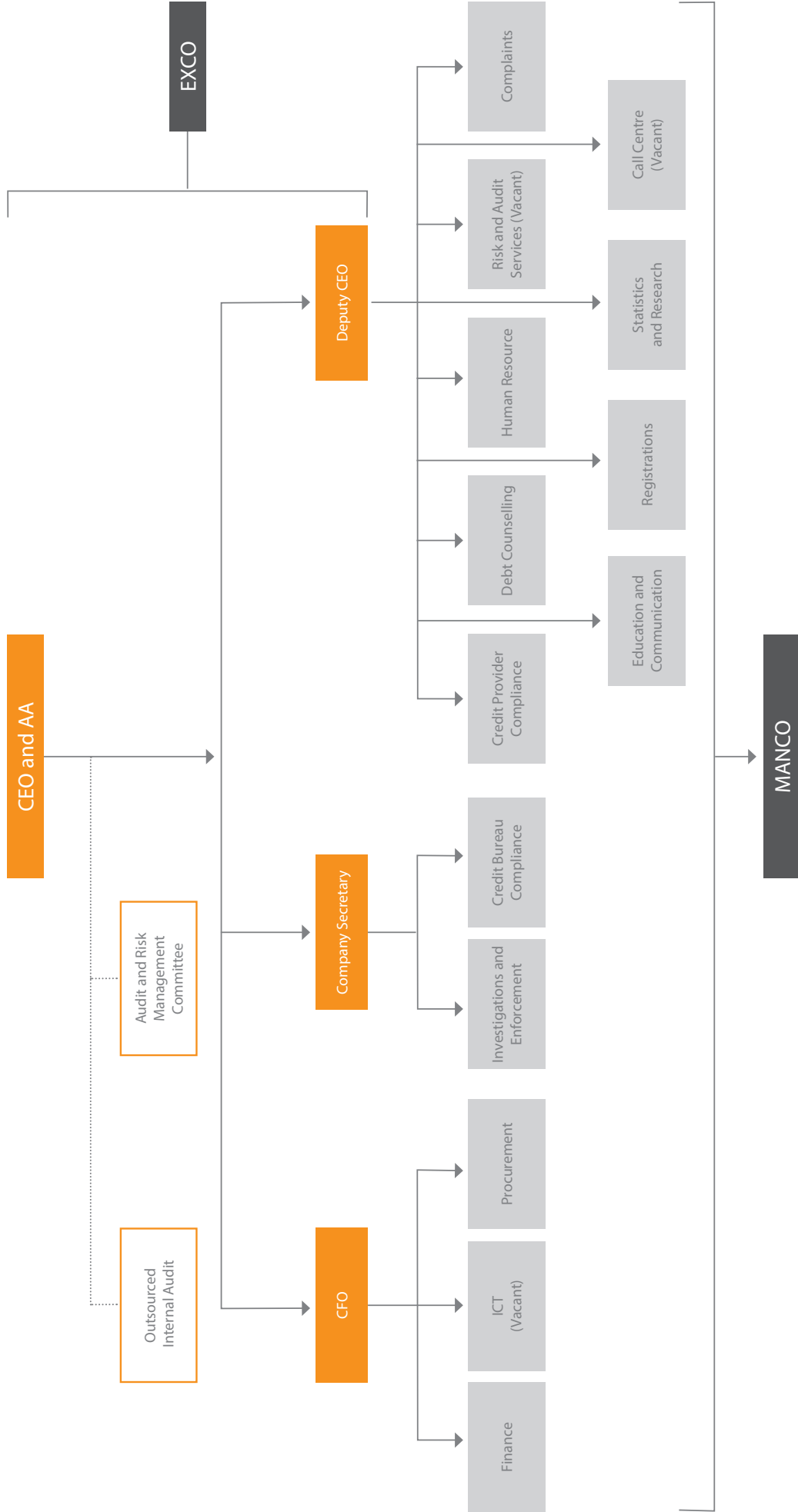
The NCR promotes public awareness around consumer credit matters by:

- Implementing education and information measures.

The NCR is also mandated to advise the Minister of Trade, Industry and Competition on matters of national policy relating to consumer credit and on the determination of national norms and standards regarding consumer protection.

## 9. Organisational Structure

The organogram provides a high-level overview of the organisation structure of the National Credit Regulator as at 31 March 2022.



## Fast facts

### South African consumer credit industry fast facts 2021/22



**84.73 million** consumer accounts on record at credit bureaus as at 31 March 2022



**16.44 million** consumer accounts (**62.08%**) were classified as 'in good standing'



**10.04** number of consumers with impaired records as at 31 March 2022



**1 478** total number of official complaints received by the NCR from consumers in matters regarding credit with a resolution rate of **68%**



**R11.6 million** in redress to consumers (monetary refund or adjustment on outstanding balances) as result of NCR intervention



**35** total number of matters referred by the NCR to NCT



**Over R14 million** administrative fines imposed against entities by the NCT



**R1.6 million** account balance adjustments and or refunds were made to consumer accounts or consumers



**R633.67 billion** total new credit granted 1 April 2021 to 31 March 2022

## 10. Statistical overview of the consumer credit market

The NCR Statistics and Research Department compiled the following statistical overview of the South African consumer credit market, during the course of the 2021/22 financial year. Through its statistics and research, the NCR contributes to the development of knowledge in the field of consumer credit in South Africa.

### Credit granted

New credit granted increased from R138.81 billion in the quarter ended March 2021 to R159.16 billion (14.66%) in the quarter ended March 2022.

Credit granted								
Agreement R'000	2021-Q1	2021-Q2	2021-Q3	2021-Q4	2022-Q1	2022-Q1% Distribution	% Change (Q1/Q4)	% Change (Y/Y)
Mortgage	R54 267 609	R56 585 027	R66 153 370	R62 736 197	R55 705 855	35,00%	-11,21%	2,65%
Secured Credit	R40 946 326	R43 178 082	R45 442 043	R50 646 758	R47 407 415	29,79%	-6,40%	15,78%
Credit Facility	R19 655 584	R20 838 968	R21 273 387	R23 765 101	R24 712 560	15,53%	3,99%	25,73%
Un-Secured	R20 132 666	R22 449 467	R22 635 714	R27 585 649	R26 687 775	16,77%	-3,25%	32,56%
Short Term	R1 971 947	R2 212 598	R2 115 350	R2 171 478	R1 992 181	1,25%	-8,26%	1,03%
Developmental credit	R1 834 610	R1 609 851	R1 502 787	R1 604 506	R2 653 813	1,67%	65,40%	44,65%
<b>Total</b>	<b>R138 808 743</b>	<b>R146 873 994</b>	<b>R159 122 651</b>	<b>R168 509 689</b>	<b>R159 159 599</b>	<b>100,00%</b>	<b>-5,55%</b>	<b>14,66%</b>

Mortgages' share of new credit granted decreased drastically from 39.10% in March 2021 to 35% in March 2022. This was due to the deeds office closure during the hard lockdown causing delays in registration of mortgages and affecting the dates of when mortgages were granted. After the deeds office opened their offices, the backlog was cleared and numbers started to normalise.

Secured credit, which is dominated by vehicle finance increased by R6.46 billion (15.78%) from March 2021 to March 2022. Unsecured credit increased by R6.56 billion (32.56%) during this reporting period reduced income due to the COVID-19 pandemic.

Rejection rate							
Agreement R'000	2021-Q1	2021-Q2	2021-Q3	2021-Q4	2022-Q1	% Change (Q1/Q4)	% Change (Y/Y)
No of Applications received	9 998	11 304	11 757	12 359	13 103	6,02%	31,05%
No of Applications rejected	6 246	7 190	7 835	8 161	8 700	6,60%	39,28%
<b>% Rejection</b>	<b>62,47%</b>	<b>63,61%</b>	<b>66,64%</b>	<b>66,04%</b>	<b>66,40%</b>		

(Source: NCR)

The rejection rate continued to increase which shows that many consumers who were looking for credit did not meet the requirements, even after the relaxation of national lockdown regulations.

Gross debtors book								
Agreement R'000	2021-Q1	2021-Q2	2021-Q3	2021-Q4	2022-Q1	2022-Q1% Distribution	% Change (Q1/Q4)	% Change (Y/Y)
Mortgage	R1 042 689 576	R1 060 851 596	R1 085 496 042	R1 105 563 016	R1 125 045 076	52,07%	1,76%	7,90%
Secured Credit	R456 438 623	R459 560 081	R462 764 115	R468 664 509	R478 795 068	22,16%	2,16%	4,90%
Credit Facility	R264 411 968	R265 937 517	R265 258 078	R268 741 760	R282 974 932	13,10%	5,30%	7,02%
Un-Secured	R212 946 855	R210 176 821	R206 772 215	R209 906 557	R214 013 059	9,90%	1,96%	0,50%
Short Term	R1 897 346	R1 948 988	R1 841 606	R1 934 526	R1 841 124	0,09%	-4,83%	-2,96%
Developmental	R56 943 017	R56 186 041	R56 413 602	R56 678 462	R58 066 007	2,69%	2,45%	1,97%
<b>Total</b>	<b>R2 035 327 384</b>	<b>R2 054 661 044</b>	<b>R2 078 545 657</b>	<b>R2 111 488 831</b>	<b>R2 160 735 265</b>	<b>100,00%</b>	<b>2,33%</b>	<b>6,16%</b>

(Source: NCR)

The total gross debtors book of consumer credit for the quarter ended March 2022 was R2.16 trillion, representing an increase of R125.41 billion (6.16%) year-on-year and an increase of R42.25 billion (2.33%) on a quarter-on-quarter basis. Mortgages increased by R82.36 billion (7.90%) year-on-year and by R19.48 billion (1.76%) on a quarter-on-quarter basis. Mortgages share of the total gross debtors book was 52.07%, followed by secured credit at 22.16%.

Secured credit debtors book increased by R122.36 billion (4.90%) year-on-year and by R10.13 billion (2.16%) on a quarter-on-quarter basis. Unsecured credit debtors book increased by R1.07 billion (0.50%) year-on-year and by R4.11 billion (1.96%) on a quarter-on-quarter basis. The deterioration was mainly due to the increase in the interest rates and tough economic times.

### Credit bureaus

As at the end of March 2022, there were 44 registered credit bureaus that deal with consumer data. The number of consumers that are classified as impaired increased slightly from 37.45% in December 2021 to 37.92% in March 2022. The deterioration was mainly due to the increase in the interest rates and tough economic times.

### Credit standing of consumers

As at March 2022, the credit bureaus held records for 26.48 million credit-active consumers, a decrease of 1 053 173 (3.83%) consumers when compared to March 2021. The number of consumers classified to be in good standing was 16.44 million (62.08%) while the balance of 10.04 million (37.92%) had impaired records for the quarter ended March 2022.

Credit standing of Consumers									
Consumers	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
Good Standing (#)	17 519 268	16 959 951	17 017 687	16 797 555	17 013 562	16 144 981	16 249 694	16 497 752	16 436 049
Good Standing (%)	62,58%	62,90%	61,52%	61,28%	61,80%	61,59%	61,51%	62,55%	62,08%
Current %	53,44%	53,33%	52,41%	52,12%	53,08%	53,60%	53,79%	54,64%	53,93%
1-2 months in arrears (%)	9,15%	9,57%	9,11%	9,17%	8,72%	7,99%	7,72%	7,91%	8,15%
Impaired records (#)	10 475 358	10 002 214	10 643 587	10 611 586	10 515 558	10 070 109	10 169 002	9 878 516	10 039 897
Impaired records (%)	37,42%	37,10%	38,48%	38,72%	38,20%	38,41%	38,49%	37,45%	37,92%
3+ months in arrears (%)	23,23%	22,90%	23,75%	23,41%	22,84%	23,34%	24,27%	24,07%	24,31%
Adverse listings (%)	10,92%	10,89%	11,47%	12,07%	12,17%	12,04%	11,26%	10,46%	10,73%
Judgements and administration orders (%)	3,27%	3,31%	3,26%	3,24%	3,19%	3,03%	2,96%	2,92%	2,88%
Credit Active Consumers (#)	27 994 627	26 962 165	27 661 274	27 409 141	27 529 120	26 215 090	26 418 696	26 376 268	26 475 946

### Credit standing of accounts

The total number of consumer accounts increased from 83.62 million in December 2021 to 84.73 million in March 2022, this represents an increase of 1 110 048 (1.33%) from December 2021 to March 2022. Accounts in good standing increased slightly from 76.63% to 76.88% over the same period.

Credit standing of accounts									
Accounts	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
Good Standing (#)	66 116 186	64 573 469	63 677 242	66 639 780	64 910 836	65 222 101	64 908 432	64 077 997	65 141 848
Good Standing (%)	76,88%	75,76%	73,09%	75,45%	76,29%	76,66%	76,30%	76,63%	76,88%
Current (%)	68,73%	67,77%	65,96%	68,32%	69,65%	70,47%	70,25%	70,59%	70,53%
1-2 months in arrears (%)	8,16%	7,99%	7,13%	7,13%	6,64%	6,19%	6,05%	6,04%	6,35%
Impaired records (#)	19 878 351	20 658 058	23 439 769	23 825 686	20 172 406	19 861 914	20 160 269	19 544 771	19 590 968
Impaired records (%)	23,12%	24,24%	25,39%	26,34%	23,71%	23,34%	23,70%	23,37%	23,12%
3+ months in arrears (%)	15,91%	17,07%	17,05%	16,47%	17,16%	16,98%	17,78%	17,64%	17,50%
Adverse listings (%)	6,50%	6,28%	7,50%	9,06%	5,55%	5,38%	4,96%	4,77%	4,69%
Judgements and administration orders (%)	0,70%	0,88%	0,84%	0,80%	1,00%	0,98%	0,96%	0,96%	0,93%
Consumer accounts (#)	85 994 536	85 231 526	87 117 011	90 465 466	85 083 242	85 084 015	85 068 701	83 622 768	84 732 816

Accounts with impaired records increased slightly in March 2022, the majority of which were three or more months in arrears. It is highly likely that more consumers will start to feel the financial pressure, due to increases in interest rates.

## LOOTING MAYHEM HAS COST SOME CONSUMERS DEARLY

### Press release issued by the NCR in August 2021

The recent looting mayhem in Gauteng and KwaZulu-Natal has, with no doubt, cost some employees and owners of the vandalised premises dearly as some are unable to make monthly repayments towards their debts. This is as a result of the job losses or salary reduction or temporary unemployment as some people will only be called back to work once businesses start functioning again. This means that when business owners are trying to rebuild, many people will be unable to make monthly repayments towards their debts, says Anne-Carien Du Plooy, Acting Manager: Education & Communication at the National Credit Regulator (NCR).

The destruction caused by the looters has left not only business owners, insurers and the government bearing the financial brunt, many others in the value chain such as employees of the vandalised and looted establishments, their families and surrounding small businesses are also affected financially.

“If you are a consumer of credit affected by the looting activities that transpired in Gauteng and KwaZulu-Natal leaving you unable to meet your monthly obligations, please inform your credit providers for debt relief assistance”, advises Du Plooy. Missing repayments will, no doubt affect consumers’ credit reports at the credit bureaus, hence it is imperative for consumers to contact their credit providers soonest.

Du Plooy also reminds consumers that credit life insurance which covers the outstanding debt in the event of unforeseen circumstances such as death, retrenchment, unemployment, inability to earn an income, disability and others can be a debt relief measure for those who qualify for it.

Consumers are urged to check if their credit agreements are covered by credit life insurance because in the event of the consumer becoming unemployed or unable to earn an income, the credit life insurance cover provides that credit providers must settle / pay the consumer’s debt for a period of twelve (12) months or for the remaining repayment period or until the consumer finds employment or is able to earn an income, whichever period is shorter. Consumers who would like to use this relief measure but battling to get assistance from their credit providers can send a complaint to the National Credit Regulator. However, it is important for consumers to remember that in order to benefit from credit life insurance, all instalments for the credit agreement covered by the credit life insurance must be up to date.

Consumers whose income has been reduced may consider debt counselling as a debt relief solution. Debt counselling is a debt relief measure intended to assist over-indebted consumers struggling with debt, through budget advice, negotiation with credit providers for reduced payments, extension of repayment term and restructuring of debt.

For further advice on other debt relief options available in terms of the National Credit Act or further explanation on the above, consumers are welcome to contact the National Credit Regulator on 0860 627 627 or [www.ncr.org.za](http://www.ncr.org.za), concludes Du Plooy.



# **PART B**

## **PERFORMANCE INFORMATION**



## 1. Auditor-General's Report: Predetermined Objectives

The Auditor-General South Africa (AGSA) currently performs the necessary audit procedures on the performance information to report on material findings. Where applicable, the material findings on the performance against predetermined objectives is included in the report to management and the audit report under the heading Report on the audit of the annual performance report. The report on other legal and regulatory requirements is provided in the Auditor-General's Report on page 64 of this report.

## 2. Situational Analysis

During the year under review, the NCR was able to implement its strategic plan and annual performance plan. Despite difficult external and organisational environments, as described below, the regulator achieved and/or exceeded 11 of its 12 set targets, and only one was not achieved.

### Service delivery environment

**External events:** During the 1 April 2021 – 31 March 2022 period, the most significant external events that impacted on the service delivery environment in which the NCR operates were:

**COVID-19:** The anti-COVID-19 vaccine roll out started in February 2021 assisting with lowering the mortality rate. The country's resources and efforts remained focused on dealing with COVID-19 waves and the resulting effects on people and the economy.

**RECESSIONARY ECONOMIC CONDITIONS:** The challenges of low economic performance, low growth and high unemployment prevailed in 2021/22. There was a disturbing rise in unemployment, from 34.9% in the previous year to 35.3% as reported by Statistics SA at 31 December 2021.

Annual consumer inflation as reported by Statistics SA accelerated to 5.5% as at November 2021. This was the biggest annual increase since March 2017 when the rate was 6.1%, Statistics South Africa said in a release (15 December 2021). During the height of the COVID-19 pandemic, interest rates in South Africa were at their lowest in decades, as the South African Reserve Bank looked to stimulate the economy. A succession of interest rate hikes started in November 2021 – the repo rate was increased from 3.5% to 3.75%, followed by a further 0.25% increase in January 2022. This is a move by the bank to adjust for inflation.

**SOCIAL INSTABILITY:** The rioting and looting that took place during July 2021 in Gauteng and Kwa-Zulu Natal provinces resulted in over 300 deaths and about R50 billion in damages. The destruction caused by the looters left business owners, insurers and the government bearing the financial brunt. Employees of vandalised and looted establishments, and their families, were affected financially and some even lost their jobs. There were also numerous other incidents of social unrest and service delivery protests throughout the country during the 2021/22 financial year.

**ESKOM:** Electricity supply constraints continued in 2021/22.

This resulted in load shedding which disrupted the everyday life of all South Africans, dampening their spirits and threatening their livelihoods. The electricity crisis reportedly lowered productivity and profitability of the country as a whole.

**DIGITISATION AND 4IR:** Digitisation and 4IR brought opportunities (faster processing of information and levelling of the playing field), but also many challenges (online lending, cybercrime and protection of personal information) and risks that all organisations, including the NCR had to overcome during the period under review.

The above mentioned socio-political-economic factors created a difficult environment for consumers, who struggled to make ends meet. Many resorted to credit in order to cope with rising food, fuel and energy prices. However, statistics show that the rejection rate of credit applications increased throughout 2021/22 which shows that many consumers who were looking for credit did not meet the requirements, even after the relaxation of national lockdown regulations. The statistical overview of the South African consumer credit market in Part A of this report provides more detail on this.

At the same time, the difficult environment provided opportunities for unethical players in the credit industry to take advantage of consumers. Information about contraventions and action taken by the NCR against contraventions can be found under the performance information by activity.

**FUNDING:** Due to the recessionary economic conditions and the after-effects of the COVID-19 pandemic, the public sector, including the NCR, had to operate under tight budget constraints. This resulted in the NCR freezing some key positions, losing key personnel to the industry and not being able to attract suitable skills. The NCR adopted cost containment measures and improved efficiencies where possible during 2021/22 which ultimately enabled the regulator to fulfil its mandate and achieve its targets. NCR is looking at alternative ways of increasing its revenue.

Examples of innovative ways to maximise delivery and cut costs include NCR legal advisors defending matters at the NCT. Other measures include insourcing work that was previously outsourced, conducting a combination of desk-top and on-site compliance, and using online business communication platforms to disseminate information, have meetings and present workshops (webinars).

**DIGITISATION AND 4IR:** It was a challenge to keep abreast of innovation and digitisation. A number of credit providers, especially banks, closed branches due to digitisation and this

had a negative impact on the NCR's revenue. In response, the NCR followed its strategic and annual performance plans closely, equipped employees and collaborated and cooperated with other regulators locally and internationally to continue being effective in regulating the credit industry.

**REGULATORY:** Challenges sometimes emanate from uncertainty within the regulatory framework due to different interpretations of the Act. By referring matters to the NCT and courts, certainty is largely established. The continuous amendment of the Act also assists in 'plugging loopholes' and creates far greater certainty within the regulatory framework.

**SOCIAL INSTABILITY:** Service delivery protests have impacted the NCR's efforts (e.g., education and other interventions), with disruptions in Gauteng and Kwa-Zulu Natal provinces resulting in the NCR needing to make alternative arrangements, cancelling and rescheduling some of the interventions.

**NON-PAYMENT OF FEES:** A challenge faced by the NCR during the period under review, is registrants' failure to pay their renewal registration fees on time. Non-payment of registration renewal fees resulted in a lapse of registrations which had budgetary implications for the NCR.

### Organisational environment

Internal events did not prevent the NCR from delivering on its strategic plan and annual performance plan. The NCR's executive leadership and employee handled challenges as they arose, and remained positive and productive during the year under review.

**Most significant internal developments:** The NCR requires additional funding in order to increase staff capacity and the need to develop ICT systems to enhance operational efficiencies. Lengthy litigation is a norm rather than the exception in the credit sector and require sizable funding. Matters referred to the NCT or the High Court, are sometimes challenged by either the NCR or the industry players.

**Corrective measures that were adopted:** In response to the above-mentioned challenges, the NCR put in place cost-cutting measures, improved efficiencies and equipped employees with the tools-of- trade above needed for remote work. The NCR also partnered with other regulators and organisations in the areas of consumer education and enforcement.

Bringing small credit providers (fee categories 6 to 9) onboard to report in accordance with Regulation 19 of the Act has been a slow process due to their general lack of resources. During 2021/22, the NCR continued working closely with the International Finance Corporation( IFC) to develop a platform affordable to small credit providers to submit data to the credit bureaus via the Data Transmission Hub. With more credit information, credit providers are able to make more informed decisions on creditworthiness of consumers. This also promotes access to credit and fosters financial inclusion.

More information on the organisational challenges and successes experienced by the NCR during the year under review can be found under the institutional programme performance information

### Key policy developments and legislative changes

The National Treasury issued an Instruction dated 25 February 2022 to suspend all procurement processes based on the Constitutional Court judgement issued on 16 February 2022 in the matter between the Minister of Finance and Afribusines regarding the 2017 Preferential Procurement Regulations. The court declared certain parts of the regulations invalid and suspended the order of invalidity for one year to give the Minister the opportunity to fix the Regulations. This impacted on procurement of goods and services, resulting in delayed service delivery. Furthermore, the National Treasury issued an Advisory Note dated 3 March 2022 allowing procurement process to continue as per the normal Preferential Procurement Regulations.

### 3. Progress towards achievement of institutional impacts and outcomes

As per the five-year strategic plan, the NCR has two impact statements, three outcomes and six outcome indicators. These are aligned to two programmes and eleven outputs.

The below tables depicts progress made towards the achievement of the 5-year targets in relation to the outcome indicators:

Impact statement 1:		Improved regulatory environment, which promotes economic growth through job creation, integration and transformation.		
Measuring Outcomes				
Outcome	Outcome Indicator	Baseline	Five year target from 2020/21	1-year achievement
Improved consumer protection through education and awareness of the NCA.	Number of consumer education and awareness campaigns and activities conducted on consumer rights	500 consumer education and awareness campaigns and activities	3 400 consumer education and awareness campaigns and activities	1 382
	Number of consumer education and awareness campaigns and activities conducted on deceptive and unfair practices	120 consumer education and awareness campaigns and activities	650 consumer education and awareness campaigns and activities	137
Increased efficiency in registration of persons and entities to facilitate creation of job opportunities.	% of new entrants (persons and entities) registered within a number of days of receipt of signed proposed conditions and payment of registration fees	97% of applications registered within 9 business days of receipt of signed proposed conditions and payment of registration fees.	99% of applications registered within 2 business days of receipt of signed proposed conditions and payment of registration fees.	98.12% of applications registered within 9 business days of receipt of signed proposed conditions and payment of registration fees.

Impact statement 2:		A fair, responsible and accessible consumer credit market promoted.		
Measuring Outcomes				
Outcome	Outcome Indicator	Baseline	Five year target	1-year achievement
Improved compliance through enforcement of the NCA.	Number of investigations on credit providers for compliance with regulations pertaining to the total cost of credit.	420 credit providers	2 000 investigations	462
	Number of investigations on credit providers for compliance with regulations pertaining to reckless lending.	380 credit providers	1 500 investigations	490
	Number of investigations on hosting credit bureaus for compliance with the NCA	3 credit bureaus	70 investigations	3

#### Significant achievements with regard to the contribution toward the 2019-24 Medium Term Strategic Framework and Provincial Growth and Development Strategy:

*MTSF PRIORITY 2: Economic transformation and job creation:*

NCR's contribution to MTSF Priority 2: Efficient registration of new entrants in the consumer credit market to increase the participation of SMMEs which facilitate the creation of job opportunities and ultimately contributes towards economic growth.

#### Amendments to the Strategic Plan:

There were no significant amendments to the NCR Five-year Strategic Plan.

## 4. Institutional programme performance information

### 4.1. Performance information by programme:

#### Programme: Improved regulatory environment.

**Purpose of the programme :** To promote economic growth through job creation, integration and transformation.

Programme 1: Improved regulatory environment								
Outcome	Output	Output indicator	Audited Actual performance 2019/2020	Audited Actual performance 2020/2021	Planned Annual Target 2021/2022	Actual achievement 2021/22	Deviation from planned target to actual achievement for 2021/22	Reasons for deviations
Improved consumer protection through education and awareness of the NCA.	Conduct consumer education and awareness campaigns and activities regarding consumer rights.	Number of consumer education and awareness campaigns and activities conducted on consumer rights.	–	120 consumer education and awareness campaigns and activities were conducted in a form of radio interviews.	Conduct 500 consumer education and awareness campaigns and activities on consumer rights.	1 382 consumer education and awareness campaigns and activities on consumer rights.	+ 882	Exceeded There was a large number of invitations received to conduct workshops and in addition the NCR secured many slots with community radio stations.
	Conduct consumer education and awareness campaigns and activities regarding deceptive and unfair practices.	Number of consumer education and awareness campaigns and activities conducted on deceptive and unfair practices	87 multimedia awareness campaigns were conducted.	120 consumer education and awareness campaigns and activities were conducted in a form of radio interviews.	Conduct 120 consumer education and awareness campaigns and activities on deceptive and unfair practices.	137 consumer education and awareness campaigns and activities on deceptive and unfair practices.	+ 17	Exceeded The NCR initiated more workshops on deceptive and unfair practices to reach consumers.
Increased efficiency in registration of persons and entities to facilitate creation of job opportunities.	Improve efficiency in the registration process of persons and entities.	% of new applications registered in the consumer credit market within a number of business days of receipt of signed proposed conditions and payment of registration fees.	99.7% applications were registered within 9 business days of receipt of signed proposed conditions and payment of registration fees.	90.19% applications were registered within 9 business days of receipt of signed proposed conditions and payment of registration fees.	Register 97% of applications within 9 business days of receipt of signed proposed conditions and payment of registration fees.	98.12% applications were registered within 9 business days of receipt of signed proposed conditions and payment of registration fees.	+ 1.12%	Exceeded Improved turnaround times as a result of building efficiencies in processing applications.

## 4. Institutional programme performance information (continued)

### Strategy to overcome areas of under performance

There were no areas of under-performance.

### Changes to planned targets

There were no changes to planned targets.

### Programme: Enforcement of the National Credit Act.

#### Purpose of the programme

To promote a fair, responsible and accessible consumer credit market through the enforcement of the NCA. This will be implemented by conducting investigations and taking enforcement action on non-compliant registrants.

Programme 2: Enforcement of the National Credit Act									
Outcome	Output	Output indicator	Audited Actual performance 2019/2020	Audited Actual performance 2020/2021	Planned Annual target 2021/2022	Actual achievement 2021/22	Deviation from planned target to actual achievement for 2021/22	Comment on deviations	
Improved compliance through enforcement of the NCA.	Improve compliance with regulations pertaining to the total cost of credit.	Number of investigations conducted on credit providers relating to total cost of credit to ensure compliance with the regulations.	329 credit providers were investigated by way of compliance monitoring, audit, investigations and complaints evaluations.	326 investigations were conducted by way of complaints evaluations, compliance monitoring and investigations.	Conduct 420 investigations on credit providers relating to total cost of credit to ensure compliance with regulations.	462 investigations on credit providers were conducted by way of complaints evaluations, compliance monitoring and investigations.	+42	Exceeded The target was exceeded due to proactive monitoring, staff improvement on product knowledge and redirecting resources to assisting with investigations.	
	Enforcement action taken where necessary by the end of the financial year.	Enforcement action taken by the end of the financial year on a percentage (%) of investigations which identified non-compliance with regulations relating to the total cost of credit by credit providers.	Enforcement action was taken on 88% (274) of 310 credit providers as a set target.	Enforcement action was taken on 87% of investigations on credit providers where contraventions relating to total cost credit (including credit life insurance) were identified.	Take enforcement action on 80% of investigations which identified non-compliance with regulations relating to the total cost of credit by credit providers, by the end of the financial year.	Enforcement action was taken on 96% of investigations on credit providers where contraventions relating to total cost of credit were identified.	+16%	Exceeded Similarities in the nature of contraventions committed by credit providers enabled NCR to adopt an efficient enforcement approach that fast tracked taking enforcement.	
Improved compliance through enforcement of the NCA.	Improve compliance with regulations pertaining to the total cost of credit (including credit life insurance).	Impact study report on the effect of total cost of credit and credit life insurance regulations on consumers and submit a final report to dtic.	-	-	Conduct an impact study of limitations on fees and interest rates; and credit life regulations and submit a final report to the dtic.	A draft report on review of limitations on fees and interest rates and cost of credit life insurance.	Not quantifiable The target was not fully implemented.	Not achieved Actuarial report is still outstanding. Actuaries were only appointed in November 2021 due to delays in the procurement process. The report will be finalized and submitted to the dtic in 2022/23 financial year.	
Improved compliance through enforcement of the NCA.	Conduct investigations on credit providers relating to reckless lending and/or collection of prescribed debt.	Number of investigations conducted on credit providers relating to reckless lending and/or collection of prescribed debt.	339 credit providers were investigated by way of compliance monitoring, audit, investigations and complaints evaluations.	378 investigations were conducted by way of complaints evaluations, compliance monitoring and investigations.	Conduct 380 investigations on credit providers relating to reckless lending and/or collection of prescribed debt.	490 investigations on credit providers were conducted by way of complaints evaluations, compliance monitoring and investigations.	+110	Exceeded The target was exceeded due to proactive monitoring, staff improvement on product knowledge and redirecting resources to assisting with investigations.	
Improved compliance through enforcement of the NCA.	Enforcement action taken where necessary for the whole year.	Enforcement action taken by the end of the financial year on a percentage (%) of investigations which identified non-compliance relating to reckless lending and/or collection of prescribed debt by credit providers.	94% (280/299) Enforcement action was taken on credit providers where contraventions of the Act were found.	Enforcement action was taken on 88% of investigations on credit providers relating to reckless lending and/or collection of prescribed debt were identified.	Take enforcement action on 70% of investigations which identified non-compliance with regulations relating to reckless lending and/or collection of prescribed debt by credit providers by the end of the financial year.	Enforcement action was taken on 96% of investigations on credit providers where contraventions relating to reckless lending were identified.	+26%	Exceeded Similarities in the nature of contraventions committed by credit providers enabled NCR to adopt an efficient enforcement approach that fast tracked taking enforcement.	

Programme 2: Enforcement of the National Credit Act								
Outcome	Output	Output indicator	Audited Actual performance 2019/2020	Audited Actual performance 2020/2021	Planned Annual target 2021/2022	Actual achievement 2021/22	Deviation from planned target to actual achievement for 2021/22	Comment on deviations
Improved compliance through enforcement of the NCA.	Improve compliance by hosting credit bureaus in respect of quality, accuracy, data security/protection, the removal of paid up judgement and adverse consumer credit information.	Number of investigations conducted on hosting credit bureaus relating to quality, accuracy, data security/protection, the removal of paid up judgements and adverse consumer credit information.	14 credit bureaus were monitored.	6 credit bureaus were monitored.	Conduct 3 investigations on hosting credit bureaus relating to quality, accuracy, data security/protection, the removal of paid up judgements and adverse consumer credit information.	3 investigations on hosting credit bureaus were conducted by way of compliance monitoring.	No variance	Achieved
Improved compliance through enforcement of the NCA.	Improve compliance by hosting credit bureaus in respect of quality, accuracy, data security/protection, the removal of paid up judgement and adverse consumer credit information.	Enforcement action taken by the end of the financial year on a percentage (%) of investigations which identified non-compliance by credit bureaus.	Enforcement action was taken on 86% of credit bureaus which were found to be non-compliant (6 of 7 non-compliant credit bureaus). Enforcement action on the one (1) credit bureau will be taken in the new financial year.	-	Take enforcement action on 75% of investigations, which identified non-compliance by credit bureaus by end of the financial year.	100% enforcement action was taken. Three credit bureaus were found to be non-compliant and enforcement action was taken on two. The other credit bureau corrected the non-compliances before the enforcement action could be taken.	+ 25%	Exceeded Similarities in the nature of contraventions committed by credit bureaus enabled NCR to adopt an efficient enforcement approach that fast tracked taking enforcement.
Improved compliance through enforcement of the NCA.	Improve compliance by hosting credit bureaus in respect of quality, accuracy, data security/protection, the removal of paid up judgement and adverse consumer credit information.	% of evaluated credit bureau annual compliance reports certified by an independent auditor for their previous financial year.	Evaluated 100% (29) of registered credit bureau annual compliance reports certified by an independent auditor received from credit bureaus.	Evaluated 100% (38) of registered credit bureau annual compliance reports certified by an independent auditor received from registered credit bureaus.	Evaluate 100% annual compliance reports certified by an independent auditor submitted by credit bureaus for their 2020 financial year.	Evaluated 100% annual compliance reports certified by an independent auditor for registered credit bureaus for their 2020 financial year.	No variance	Achieved
Improved compliance through enforcement of the NCA.	Improve compliance by hosting credit bureaus in respect of quality, accuracy, data security/protection, the removal of paid up judgement and adverse consumer credit information.	Enforcement action taken on a percentage (%) of credit bureaus which were found to be non-compliant after the evaluation of annual compliance reports certified by an independent auditor for their previous financial year.	During the financial year, 11 credit bureaus were found to be non-compliant, 9 were issued with instructional letters and a settlement agreement was reached with one credit bureau. The investigation of one credit bureau is still underway.	Enforcement action was taken on 2 non-compliant credit bureaus by way of instructional letters (38 reports were evaluated and 36 were found to be compliant).	Take enforcement action on 70% of credit bureaus which were found to be non-compliant after the evaluation of annual compliance reports certified by an independent auditor for their previous financial year by 31 March 2022.	All credit bureaus were found to be compliant after the evaluation of annual compliance reports certified by an independent auditor for their previous financial year by 31 March 2022.	Zero (0)	Achieved No enforcement action was required.

### Strategy to overcome areas of under performance

The NCR will finalize the impact study and submit to the dtic in the new financial year.

### Changes to planned targets

There were no changes to planned targets.

### Legends:

**Achieved** Target met on time

**Not achieved** Deadline date lapsed before target achieved

**Exceeded** Target exceeded

**Not quantifiable** This is a qualitative target and is not yet fully implemented

**Strategy to overcome areas of under performance**

The NCR will finalise the impact study and submit to **the dtic** in the new financial year.

**Changes to planned targets**

There were no changes to planned targets.

**4.2. Performance information by activity**

**4.2.1 Activity area: Registrations**



**Mr Zolile Mngqundaniso**

Manager:  
Registrations

**The Registrations Department registers credit providers, credit bureaus, debt counsellors, alternative dispute resolution agents and payment distribution agents.**

**It is also responsible for the lapsing of registrations, maintaining the register of registrants and managing the payment of annual registration renewal fees by the registrants. Furthermore, the department is responsible for renewing registrations.**

As at 31 March 2022, a total of 8 648 credit providers with 41 845 branches, 44 credit bureaus, four payment distribution agents, six alternative dispute resolution agents and 1 606 debt counsellors were registered with the NCR.

Year	Credit providers	Debt counsellors	Credit bureaus	Payment distribution agents	Alternative dispute resolution agents
2019/20	7 837	1 528	44	4	6
2020/21	8 237	1 607	43	4	7
<b>2021/22</b>	<b>8 648</b>	<b>1 606</b>	<b>44</b>	<b>4</b>	<b>6</b>

**Registrations:** In terms of new registrations, the department registered 1 350 credit providers during 2021/22 which is a 25.46% increase compared to 1 076 the previous year. The increase can be attributed to improvements in the processing of applications' turnaround times as the department enhanced certain efficiencies. The increase in the number of credit providers registered may ultimately lead to job creation and economic growth.

**Challenges:** Due to the COVID-19 pandemic some credit providers closed down and voluntarily cancelled their registrations. Some registrants failed to pay their registration renewal fees on time,

which is 31 July each year which resulted in the lapsing of their registration. The lapsing of registration means that a registrant is prohibited to offer or engage in activities that require registration in terms of the Act.

**Highlights:** Even though the pandemic affected most industries, the department saw an increase in the number of new credit provider applicants. There were improved efficiencies in the turnaround times of processing applications. The department received about 1 450 applications from prospective credit providers which represents a 14% increase compared to 1 272 during the previous year. Applications from debt counsellors totalled 304 new applications, of which 294 were successful.

**The year ahead:** Seeing that COVID-19 restrictions have been lifted, the department will start conducting workshops for unregistered credit providers and to encourage registrants to pay their annual renewal fees.

## Highlights

**Registrations with the NCR as at 31 March 2022**

Turnaround time for applications registered improved from **90.19%** within 9 business days to **98.12%**

## 4.2. Performance information by activity (continued)

### 4.2.2 Activity area: Credit Provider Compliance



**Ms Mmabatho Senyarelo**

Manager:  
Credit Provider  
Compliance

**The Credit Provider Compliance Department is responsible for monitoring the consumer credit industry to ensure that prohibited conduct is prevented or detected, and appropriate enforcement action taken.**

During 2021/22, the department approached compliance monitoring both pro-actively and re-actively through desktop monitoring, analysis of statutory reports, monitoring of conditions of registration and market conduct studies.

**Monitoring responsible credit granting:** The department conducted compliance monitoring of 328 credit providers in respect of total cost of credit, reckless lending and/or collection of prescribed debt. Enforcement action was taken on non-compliant credit providers. The most common contraventions related to overcharging of interest, non-disclosure of total cost of credit, overcharging of initiation fees and failure to conduct affordability assessment.

**Improving compliance:** The department conducted four (one per quarter) webinars to assist credit providers to comply with the NCA. One of the webinars was dedicated to women-owned companies as part of the NCR's strategy to prioritise women.

The workshops covered topics such as:

- Developmental credit
- Affordability assessments - how to conduct assessments before granting credit
- Total cost of credit - in respect of initiation fees, interest rates, service fees and credit life insurance

- Submission of statutory reports - the manner and form of submission of the reports as prescribed by the NCA.

The department participated in the Micro Finance South Africa (MFSA) stakeholder workshop to impart knowledge on compliance matters. In support of the workshops, the department compiled the NCR Compliance Manual for Credit Providers and made it available free of charge to all credit providers. The manual is user-friendly and simplifies compliance in layman's terms. The feedback received so far has been overwhelmingly positive.

**Challenges:** Onsite monitoring was conducted on a limited scale due to financial and capacity constraints.

**Highlights:** There has been an increase in submissions of statutory reports (2% more compared to 2020/21) which can be attributed to the ongoing industry workshops. Due to effective compliance monitoring, about R5.6 million was refunded to consumers.

**The year ahead:** Monitoring of compliance with the total cost of credit and affordability assessments will remain the main total focus areas of the Credit Provider Compliance Department for the year ahead. The department will conduct more on-site compliance monitoring visits seeing that COVID-19 restrictions have been lifted.

## Highlights

Registrations with the NCR as at 31 March 2022



consumers were reimbursed in the form of refunds and/or account balance adjustments to the value of approximately  
**R5.6 million**



## 4.2. Performance information by activity (continued)

### 4.2.3 Activity area: Credit Bureau Compliance



**Ms Nosipho Zikishe**

Manager:  
Credit Bureau  
Compliance

**The Credit Bureau Compliance Department monitors credit bureaus to ensure they maintain consumer credit information in accordance with the standards prescribed in terms of the Act. The quality, accuracy and confidentiality of consumer credit information is crucial as it is used for credit lending and risk-based decisions.**

Credit bureaus are expected to have up-to-date and accurate consumer credit records, judgements and adverse consumer credit information. During 2021/22, a total of 44 credit bureaus were registered with the NCR and of these, five were hosting credit bureaus, 33 were reseller credit bureaus and five were specialist credit bureaus.

**Monitoring and education:** The department conducted compliance monitoring on credit bureaus throughout the financial year, such as assessment of quarterly statistical returns, quarterly synoptic reports and annual compliance reports (these have to be certified by independent auditors) submitted by the credit bureaus. This compliance monitoring exercise included hosting bureaus.

The department presented two virtual workshops to black women who own credit bureaus and related businesses. This is part of the NCR's efforts to promote transformation, enable greater inclusion and growth, and empower women.

**Enforcement action:** Enforcement action was taken on non-compliant credit bureaus. Non-compliance uncovered by the compliance monitoring included the following:

- Inaccuracies and inconsistencies regarding paid-up judgements
- Failure to implement a verification or monitoring mechanism to ensure that their subscribers used the information for purposes prescribed by the NCA
- Failure to implement recommendations made by auditors relating to the vulnerabilities identified during the penetration tests performed.

Appropriate referrals were made to the NCT.

**Challenges:** Only desktop monitoring was conducted due to financial and capacity constraints.

**Highlights:** The NCR Guideline in terms of Regulation 19(13) of the Act determines that all credit and data providers submit consumer credit information to the registered credit bureaus via the Data Transmission Hub. The new fee structure payable by credit providers for the use of a Data Transmission Hub was finalised in this period.

**The year ahead:** The department will conduct on-site compliance monitoring visits seeing that COVID-19 restrictions have been lifted.

#### Types of credit bureaus

**Hosting credit bureaus** receive payment profile information that flows from credit/data providers via the Data Transmission Hub. They hold a full database of all credit active consumers in South Africa.

**Reseller credit bureaus** sell credit information to their subscribers. They hold partial consumer credit information only.

**Specialist credit bureaus** focus on data from niche sectors such as medical, qualifications and property rental. They hold partial consumer credit information only.

## 4.2. Performance information by activity (continued)

### 4.2.4 Activity area: Education and Communication



**Ms Poppy  
Kweyama**

Manager: Education  
and Communication  
Services

**The NCR Education and Communication Department is responsible for educating consumers about their rights in terms of the National Credit Act and for raising public awareness about the NCR role and activities.**

The NCR education and communication activities throughout 2021/22 sought to boost awareness and bolster education in respect of consumers' rights and strengthen relationships with strategic partners and stakeholders.

The department maximised opportunities for free coverage in the mass media and also made use of conventional advertising during the year under review. The NCR spent a total of R7.9 million for the year on advertising costs. Consumer education in South Africa is increasingly being recognised as a core component in the consumer protection environment. Consumers of credit/financial products and services remain vulnerable to unscrupulous service providers thus becoming victims of unfair and deceptive marketing practices, including predatory lending.

**Educational workshops and stakeholder engagements:** The NCR Education and Communication Department conducted 361 consumer education initiatives such as workshops, webinars and exhibitions. Some were digital while some were face-to-face.

To conduct consumer education activities, the NCR works closely with partners. Such partnerships are convenient for the consumer and beneficial for partner organisations. During 2021/22, the NCR collaborated with:

- Department of Trade, Industry and Competition (**the dtic**)
- Consumer Protection Offices (CPO)
- National Consumer Commission (NCC)
- Consumer Protection Forum (CPF)
- Financial Sector Conduct Authority (FSCA)
- Proudly South Africa (PSA)
- National Regulator for Compulsory Specifications (NRCS)
- Government departments (national and provincial)

- Tertiary institutions such as Stellenbosch University and University of Johannesburg
- Non-governmental organisations (NGOs) such as WDB Trust, Sibahle Disability Group, Obakeng Disability Group, Tshimologo ya Twelopele, Cyril Ramaphosa Foundation, and Black Sash
- Trade unions such as National Teachers Professional Trade Organisation of South Africa (NAPTOSA), South African Democratic Teachers Union (SADTU) and the Finance Union (SASBO)
- Faith based organisations (FBO) such as Itereleng Baptist Church and Wattville Methodist Church

The NCR Education and Communication also had 76 meetings with different stakeholders as it represents the NCR and participates in various committees including the Consumer Protection Forum (CPF), Money Smart Week South Africa (MSWSA) and the National Consumer Financial Education Committee (NCFEC).

**Education through mass media:** Mass media enables the NCR to reach a larger variety of consumers within a short space of time throughout different parts of the country through print, online and broadcast media.

Different topics of the NCA were covered throughout the year such as debt counselling, consumer rights and responsibilities, credit life insurance, over-indebtedness, budgeting, prescribed debt, spending wisely and borrowing wisely during the festive season, deceptive and unfair practices, credit information and credit bureaus amongst many other topics.

Different television and radio channels were used to educate consumers: SABC television, eTV, eNCA, 1KZNTV, UKhozi FM, Lesedi FM, Motsweding FM, Ligwalagwala FM, Ikwewezi FM, Munghana Lonene, Phalaphala FM, EK FM, Ekhephini FM, Energy FM, Qwaqwa FM, Forte FM, Kopanong FM, Kumkani FM, Nqushwa FM, Nqubeko FM, Sedibeng FM, Radio Riverside, Metsimaholo FM, Moutse Community Radio, Mala FM, Vaalstar Community Radio, Radio Mafisa, Nongoma FM, Rise FM, Waterberg FM and many others across the country.

**News coverage of the NCR:** News coverage increases awareness of the NCR and serves as a good brand building exercise. 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.

During 2021/22, the NCR issued 17 media releases, conducted 969 radio interviews and 17 television interviews. These enriched the NCR's brand and increased its brand visibility across the country. Media releases provided advice to consumers on relevant topics including:

- The NCR and Credit Ombud rowing together in the same boat
- The importance of knowing your credit status
- Men and finances
- Credit extension slows down

- Debt counselling offers new lease of life for over-indebted consumers
- NCR raids credit providers
- Lit Black Friday vibes – Don't burn your budget.

**Advertising campaigns:** Two major campaigns focusing on debt counselling, and spending and borrowing wisely were rolled out during the year under review. Each campaign had its specific goal.

**Debt Counselling Campaign:** In this campaign, 757 radio commercials were aired on national, regional and community radio stations. In addition, 111 television advertisements were aired on SABC 1, 2, 3 and various DSTV channels such as Moja Love, Mzansi Magic and Newsroom Africa etc. Through the use of digital posters, the campaign managed to reach 191 287 impressions for online publications such as Daily Sun and Sowetan.

Three social media influencers were used for the campaign, namely, Twasa, Nkanyezi Khubeka and Khanya Greens, using Twitter, Facebook and Instagram. Together they managed to reach 780 866 impressions (the number of digital views). One side of the NCR billboard was changed to communicate campaign messages for the debt counselling campaign.

**Spend Wisely Borrow Wisely Campaign:** The Spend Wisely Borrow Wisely campaign was run in partnership with **the dtic** during the third and fourth quarters. This started with a joint webinar with **the dtic**, National Consumer Commission (NCC) and Proudly South Africa (PSA), followed by online advertisements placed by **the dtic** on online sites of publishers such as Independent Online (IOL) and Media 24.

**Challenges:** It was not possible to roll out our traditional face-to-face activities due to COVID-19 restrictions such as mall activations, community imbizos and similar live events.

**Highlights:** The NCR assisted the Financial Services Conduct Authority (FSCA) in the FSCA financial literacy speech competition during November and December 2021. The NCR was an adjudicator at all of the speech competitions in the nine provinces and also at the final competition. The speeches were for grade 11 learners across the country. The topics covered included In for a Penny, In for a Pound; Taking Care of Rands and Cents; Setting Out Financial GPS: Life-Long Journey With Money; and Choices: Growing My Business Or Someone Else's.

**The year ahead:** The Education and Communication Department aims to use its mobile unit to increase levels of financial and credit literacy to reach a large number of vulnerable consumers, particularly those living in rural and outlying areas. The department also endeavours to explore other innovative forms of consumer education. The NCR signed a memorandum of understanding with the National Gambling Board (NGB) and will implement it in the year ahead.

NCR is also in the process of entering into a memorandum with the Department of Home Affairs (DHA). The MoUs are intended to enhance collaborations on matters relating to consumer education and awareness as far as the institutions are mandated in this regard.

In the year under review, the NCR also utilised the billboard to flight its debt counselling campaign messages and consumer rights messages. The billboard situated in Midrand (Gauteng) along the N1 highway was used to strengthen the NCR's brand.

## Highlights



**R7.9 million**  
Total advertising spend



debt counselling campaign got **780**  
**866** digital vies through the **3** social  
media influencers used



**17** media releases



**969** radio interviews



**15** TV interviews



**361** consumer education initiatives such  
as workshops, webinars and exhibitions

Education



Consumer Rights workshop at Muthande in Richmond Farm, KwaZulu-Natal



Consumer Rights exhibition and 16 days of activism against GBV on women and children financial information at Sol-Plaaijie informal settlement, Northern Cape



Springs Senior Citizens Club, with Gauteng Office of Consumer Affairs



**Consumer education workshop Gija Mhandeni Village, Collins Chavane Local Municipality - Vhembe District Municipality, in collaboration with WDB Trust**



**Exhibiting at the Presidency Wellness Day and Vooma Vaccination Campaign at the Union Buildings in Pretoria**



**Educating consumers at Rural Outreach Programme in the Vhembe District**



**Wellness Day exhibition at the The Presidency, Union Buildings in Pretoria**



**NCR Consumer education exhibition in Bloemfontein, in collaboration with the dtic and the Department of Social Development**



**Consumer education workshop for the Department of Education employees in Giyani, in collaboration with the Motor Industry Ombud of South Africa**



**Workshop in partnership with the Department of Small Business Development, Tourism and Environmental Affairs (Free State Consumer Affairs Office) at Trompsburg in the Xhariep District Municipality**



**Exhibition held at Springbok in the Northern Cape**



**Workshop at Rekgarathhile Secondary School with educators and learners - at Seeding Village, Kuruman in the Northern Cape Province**

## 4.2. Performance information by activity (continued)

### 4.2.5 Activity area: Complaints and Call Centre



**Ms Takalani  
Mudau**

Manager:  
Complaints  
Department

**The Complaints Department and the Call Centre are responsible for receiving, processing and resolving enquiries and complaints relating to alleged contraventions of the National Credit Act 34 of 2005. Enforcement action is taken where necessary.**

Complaints and enquiries are received by the NCR Call Centre where call centre agents evaluate them to establish whether they fall within the mandate of the NCR. Those that fall within the mandate of the NCR, are captured and processed for resolution.

**Enquiries handled:** A total 116 564 calls were received by the NCR Call Centre. The total number of written enquiries received and attended to by the Call Centre is 26 698. Of these written enquiries, 76% were handled within an average of nine days and 556 were referred to the various ombudsman offices.

**Receiving and resolving complaints:** The NCR Complaints Department receives complaints from consumers and registrants about alleged contraventions of the Act. The department

investigates and evaluates alleged contraventions of the Act and where non-compliance is identified, relevant enforcement action is taken.

Most of the complaints that were received related to allegations of debt review without consent; disputes around outstanding balances; terminations of accounts while on debt review; collection of debt that had prescribed, and cost of credit life (insurance).

**Enforcement:** Enforcement action was taken where necessary, resulting in 15 consent orders being granted by the NCT against debt counsellors and credit providers. It also referred some matters for adjudication to the NCT which resulted in the imposition of about R50 000 administrative fine in one of the cases.

**Challenges:** The Complaints Department and the Call Centre continue to be understaffed. Staff members have been equipped with laptops and are able to continue working remotely, something they could not do in the previous year. On-site visits were conducted on limited scale due to the continued COVID-19 pandemic restrictions.

**Highlights:** Refunds and balance adjustments of approximately R6 million resulted from enforcement action taken and complaints evaluation and resolution, while 15 settlement agreements were concluded.

**The year ahead:** Going forward, the Complaints Department and Call Centre aim to improve on turnaround times to finalise complaints evaluations and resolutions, and to increase enforcement action as far as possible. Strengthening relationships with stakeholders is also a priority, given changes brought about by the COVID-19 pandemic over the past two years.

## Highlights



**R6 million** resulted from enforcement action taken and complaints evaluation and resolution



**15** settlement agreements were concluded

## 4.2. Performance information by activity (continued)

### 4.2.6 Activity area: Statistics and Research



**Mr Ngoako Mabeba**

Statistics and Research Department

**The Statistics and Research Department is responsible for the collation, production and publication of statistical data. The data is collected in a prescribed format from credit providers, credit bureaus, debt counsellors and credit life insurers.**

Statistics and Research department is responsible for the collation, production and publication of statistical data. The data is collected in a prescribed format from registrant that includes credit providers, credit bureaus, debt counsellors and credit life insurers

Two main reports are published by the department on a quarterly basis, namely the Consumer Credit Market Report (CCMR) and the Credit Bureau Monitor (CBM). These reports are used and cited extensively by a variety of stakeholders, including media, government, credit providers, industry analysts, investors, researchers and other decision makers.

The department is also responsible for conducting research in line with Sections 13 and 16 of the NCA. The research requirements also take the prevailing trends and market conditions into account.

**Highlights:** The measures implemented in the previous financial year to enable staff to continue their work unhindered by the effects of the COVID-19 pandemic paid off. Notwithstanding the budgetary challenges, employees were provided the necessary tools to deliver the required services. The department produced the statistical overview of the consumer credit market that appears in Part A of this report.

**Challenges:** The department has experienced capacity constraints that have affected the NCR as a whole.

**The year ahead:** The focus will be on improving data collection tools and strengthening internal statistics systems as well as conducting research on the impediments to the extension of developmental credit

## Highlights



Published **4 x** per calendar year  
highlights credit extension + gross debtors performance



Published **4 x** per calendar year  
highlights credit activity participation and consumer credit behaviour in South Africa



## 4.2. Performance information by activity (continued)

### 4.2.7 Performance area: Debt Counselling



**Adv. Kedilatile Legodi**

Manager: Debt Counselling

**The Debt Counselling Department monitors the compliance of debt counsellors, debt review departments of credit providers and payment distribution agents with the provisions of the National Credit Act and their conditions of registration.**

In addition, the department offers support and collaborates with the debt counselling industry to find solutions for challenges and facilitate industry agreement. This approach enhances consumer protection and implementation of debt counselling as a debt relief measure.

**Compliance monitoring:** The compliance monitoring approach of debt counsellors and debt counselling department credit providers during the period under review was in the form of remote/desktop and onsite compliance monitoring. This involves the evaluation and analysis of relevant information and documentation received from the debt counsellors, credit providers and NCR reports. Where non-compliance was identified, relevant enforcement action was taken.

Prior to compliance monitoring, webinar sessions were conducted to ensure that debt counsellors and credit providers understood the NCR's expectation from the compliance monitoring process and this resulted in improved responses and compliance levels as noted in prior periods.

#### Debt counsellors

A total of 833 debt counsellors were monitored during 2021/22 compared to 698 in 2020/21. Enforcement action was taken where contraventions were identified. The most common contravention was non-adherence to prescribed timelines.

#### Credit providers

During the period under review, 40 credit providers' debt review departments were monitored compared to 36 in 2020/21. Enforcement action was taken where contraventions were identified. The most common contravention was not providing a certificate of balance within the prescribed period. Fifteen credit providers were found to be fully compliant.

#### Payment distribution agents

The compliance monitoring of payment distribution agents is undertaken through monthly analysis of their reports, bi-annual

audits by an external service provider, quarterly remote/desktop and/or onsite compliance monitoring.

A total of 18 compliance monitoring activities (i.e. bi-annual audits and quarterly compliance monitoring) were conducted on the four registered PDAs. Enforcement compliance was taken on non-compliant PDAs.

**Stakeholder engagements:** For the period under review, the department held 35 stakeholder engagements with various industry stakeholders including the Law Society of South Africa and the Credit Industry Forum (CIF) intended at identifying common industry trends and finding related solutions.

The CIF was established by the NCR in 2015 and consists of various industry representatives.

During the period under review, the sub-committees of the forum held a number of engagements to research and negotiate agreements on various aspects that impede the effectiveness of the debt counselling process. One sub-committee commenced the review process of the structure of the current debt counselling fee guidelines.

**Providing support and improving compliance:** For the period under review, a total of 51 webinars were held for debt counsellors, credit providers and debt counselling training service providers. These webinars provided comprehensive understanding of the compliance monitoring process, the latest developments in the industry and other relevant topics. In addition, webinars intended to provide an induction for newly registered debt counsellors were introduced.

Two circulars and revised guidelines were issued to the industry as mechanisms to respectively communicate industry related updates and clarify the processes to be followed by a consumer who wishes to exit debt review. These guidelines, "NCR Debt Review Withdrawal Guidelines of 2021", became necessary as a result of legal clarity obtained through the High Court.

**Developing debt counselling training:** The Debt Counselling Department initiated engagements with the Quality Council for Trades and Occupation (QCTO) to explore the feasibility of developing a debt counselling occupational qualification. At present, there is a NCR accredited short course (11 days) in debt counselling which can be used as the foundation for an expanded, more intensive formal qualification. More in-depth training will undoubtedly benefit registered and prospective debt counsellors and ultimately improve the debt counselling offered.

**Empowering women and promoting transformation:** A training workshop was offered to women who own companies and provide services to the NCR. The workshop provided an overview of the NCA and of registration requirements for various registrant categories. It also elaborated on opportunities available in developmental credit and debt counselling services.

**Disbursements to credit providers:** For the period under review, the PDAs disbursed R12.82 billion to credit providers,

which represents a slight increase from the previous financial year (2021:R11.81 billion). Cumulatively, the PDAs have disbursed R92.19 billion since 2008. Although the COVID-19 pandemic continues to adversely impact on many households whose income was lost and/or reduced, the continuous increase of disbursements reflects the positive impact that debt counselling has as a debt relief measure for financially distressed consumers.

**Administration of the PDA interest account:** The Minister of Trade, Industry and Competition empowered by Regulation 10A (9) (h) (iii) of the Act approved a policy developed by the NCR on the usage of the interest earned by the PDAs. This policy stipulates that the PDA interest earned must be used by the NCR for consumer awareness, education campaigns and the investigation of prohibited conduct.

As a custodian of the policy, the Debt Counselling Department has to ensure that funds are utilised in compliance with the policy, send quarterly utilisation reports to **the dtic** and conduct an independent annual audit of the PDA interest account and utilisation. For the period under review, the debt counselling department submitted four (4) quarterly interest utilisation reports and an independent audit report to **the dtic**.

The audit of the PDA interest account found the internal control measures relating to the monitoring of transactions, use of funds and safe custody of funds to be effective and adequate.

Furthermore, activities reported were in line with the policy and transactions reported were valid, accurate and complete.

**Challenges:** The department experienced capacity constraints during 2021/22 and the lack of automated systems adversely impacted on the efficacy of compliance monitoring. Some debt counsellors were slow to respond to requests and communication from the NCR.

**Highlights:** The department introduced webinars for newly registered debt counsellors to equip them with practical information, skills, resources and knowledge required to succeed in their field. These webinars were also used to proactively bring to the attention of debt counsellors practices which are prohibited. It is believed that this initiative will entrench compliance-aligned conduct and environment.

**The year ahead:** The department will expand and strengthen its enforcement action against non-compliant registrants. As it has proved effective so far, the department will increase presenting compliance related and educational webinar sessions for industry stakeholders.

For debt counsellors, there will be a specific project intended to provide guidance on the completion and submission of statutory forms whereas from PDAs there will be introduction of improved and automated reporting and analysis. Furthermore, efforts will be channelled towards the development of a debt counselling occupational qualification.

## Highlights



**883** debt counsellors assessed for compliance



**343** debt counsellors were found non-compliant



**336** instructional letters issued for non-compliant debt counsellors



**7** compliance notices were issued for non-compliant debt counsellors



**1** compliance notice was issued for a non-compliant payment distribution agent **214** compliant debt counsellors



**40** credit providers' internal debt review departments monitored



**51** educational, supportive and compliance related webinars for debt counsellors, credit providers and appointed NCR Training Service Providers



PDAs disbursed **R12.82 billion** [2021: **R11.81 billion**]

## 4.2. Performance information by activity (continued)

### 4.2.8 Activity area: Risk and Audit Services

**The Risk and Audit Services Department is responsible for monitoring the implementation of risk management policies throughout the organisation. It provides support to all NCR departments on risk management activities and development of operational plans.**

During the year under review, the department coordinated the development and review of strategic plans (five-year strategic plan and three-year annual performance plan) and monitored performance against approved strategic plans as well as departmental performance against operational plans, strategic and operational risk registers.

The department also coordinated the outsourced internal audit function and ensured NCR's compliance with legislative requirements.

**Challenges:** The department's processes are not automated, but work is underway to address this challenge as one of the measures to alleviate the limited resource capacity.

**Highlights:** Progress was made towards strengthening capacity during 2021/22 as two new staff members were recruited and appointed. There were no material audit findings on the annual performance information reported. Risk registers were reviewed and mitigation strategies identified.

**The year ahead:** The department has plans in place to improve internal processes in order to make reporting more efficient. This will enable the department to further strengthen its capacity as it continues to serve the organisation.

## Highlights



The NCR obtained an unqualified audit report for the year.



The NCR has never received a qualified audit opinion since its inception in **2007**



NCR **achieved/exceeded 91.6%** of its targets

## 4.2. Performance information by activity (continued)

### 4.2.9 Activity area: Investigations and Enforcement



**Ms Leanne Schwartz**

Acting Manager:  
Investigations and  
Enforcement

#### **The Investigations and Enforcement Department investigates all allegations of non-compliance with the provisions of the NCA and takes action to correct or punish non-compliance.**

The department consists of inspectors who conduct investigations and legal advisors who assess and enforce investigation findings by referring matters to the NCT and by issuing of compliance notices, non-referrals, or instruction letters to address non-compliance activities.

The department aims to bring about compliance with the NCA and works closely with the Directorate for Priority Crime Investigation (DPCI) and South African Police Services (SAPS) in conducting raids across the country in order to identify and protect the public against unethical, fraudulent credit schemes, unregistered credit providers and credit providers who unlawfully retain consumers' instruments such as identity documents, bank cards, South African Social Security Agency (SASSA) cards and bank pins.

**Investigations:** Thirteen (13) raid investigations were conducted relating to the illegal retention of prohibited instruments. The raids conducted in six provinces (Free State, Gauteng, North West, Mpumalanga, KwaZulu-Natal and Limpopo) were a highlight for the department. These raids uncovered the prohibited practice of instruments being retained as a means to enforce the repayment of loans. During the raids, more than 2 000 consumer instruments were seized by SAPS and 12 criminal cases were opened against individuals and are still with the National Prosecuting Authority (NPA).

Four special investigations were conducted into Alternative Dispute Resolution Agents (ADRA). A special investigation conducted in the previous financial year was referred to the NCT.

Sixty (60) investigations relating to the cost of credit and 58 investigations in respect of reckless lending practices were conducted. Twenty-Eight (28) cost of credit and reckless credit investigations conducted in the current financial year was referred to the NCT.

**Enforcement:** Enforcement action was taken against non-compliant credit providers.

In total, over R14 million in fines and penalties were imposed on entities that were found to be contravening the Act. Account balance adjustments and/or refunds of over R1.6 million were made to consumer accounts or consumers themselves.

**Notable judgements:** Twenty-one (21) judgments were obtained from the NCT whereby administrative fines were imposed.

The NCT ruled in favour of the NCR against debt counsellors Clark Gardner (fined), George Smith (deregistered), and Zahid Adams (deregistered), and ruled in favour of deregistering credit providers, namely Sun Finance, Portel Finance, MSR Financial Solution, Pangolin Cash Loans, Cash Pham Pham and EZ Trade for contravening the provisions of the Act.

The Masoyi Magistrates Court convicted and sentenced two unregistered credit providers, Baby Miko and Sibusiso Nuyundu, while the Hazyview Magistrates Court convicted and sentenced Nomsa Mabuza, director of Humelela Financial Services, all charged in terms of Section 133 of the Act.

**Challenges:** Capacity challenges in relation to workload persisted, in the face of organisational budgetary constraints. Many investigations were conducted remotely due to COVID-19 restrictions, while most NCT hearings were held virtually.

**The year ahead:** The department aims to conduct at least six raid operations in the Eastern Cape, Western Cape and Northern Cape.

In terms of enforcement, the department aims to take enforcement action of at least 80% of total cost of credit investigations and 75% of reckless credit investigations. The Investigation and Enforcement team is focusing on its reckless credit and total cost of credit investigations. The NCR is intent on further increasing its investigations into the conduct of debt counsellors and entities proclaiming to provide alternative dispute resolution services.

A key focus will once again be to combat the retention of consumer instruments and to clamp down on the unscrupulous and prohibited practices by both registered and unregistered credit providers.

The NCR will further focus on strengthening its stakeholder relations in the various jurisdictions.

## Highlights



conducted **13** raids in cooperation with the SAPS



Confiscated more than **2 000** personal identification documents illegally held by credit providers



Over **R14 million** in fines and penalties imposed by the NCT on matters referred by the NCR



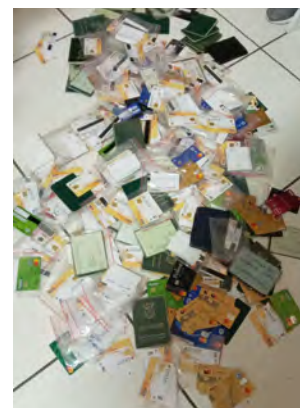
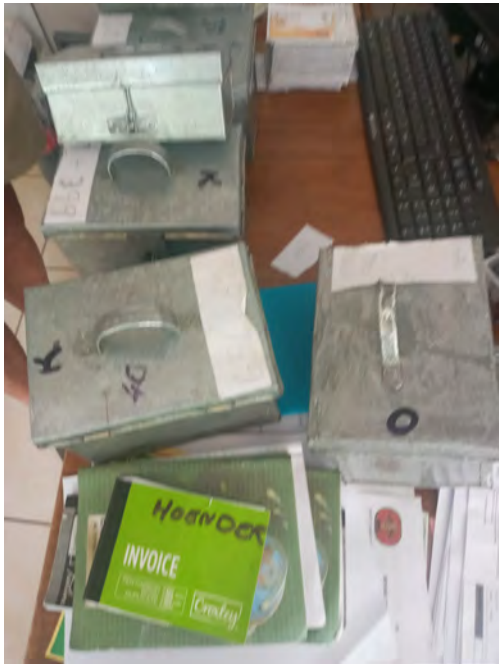
NCR litigating in landmark case regarding the jurisdiction of third party payment agents in terms of the NCA

## Linking performance with budgets

The budgeted expenses per activity compared to the actual expenses for the 2021/22 financial year are set out in the table below:

Performance activity/objective	2021/2022			2020/2021		
	Budget	Actual expenditure	(Over)/under expenditure	Budget	Actual expenditure	(Over)/under expenditure
Programme 1	7,494	8,780	-1,286	9,111	7,457	1,654
Programme 2	161,914	129,825	32,089	148,692	117,058	31,634
Total	<b>169,407</b>	<b>138,605</b>	<b>30,803</b>	<b>157,803</b>	<b>124,515</b>	<b>33,288</b>

### Raids conducted in Mpumalanga - November 2021



### Raids in North West Province – October 2021



# Reporting on the institutional response to the COVID-19 pandemic

## Progress on institutional response to the COVID-19 pandemic

To facilitate and ensure compliance with the Occupational Health and Safety (OHS) Act.									
Intervention	Action	Location	No. of beneficiaries	Disaggregation of beneficiaries	Total budget allocation per intervention	Budget spent per intervention	Contribution to the outputs in the APP	Immediate outcomes	
Procurement of Personal Protection Equipment (PPE)	Procurement medical hygiene products: <ul style="list-style-type: none"> <li>reusable fabric masks</li> <li>surgical non-sterile gloves</li> <li>hand sanitisers</li> <li>PPE gowns</li> <li>reusable face shields</li> <li>empty pump sanitising bottles</li> <li>face shields</li> <li>non-contact infrared thermometer</li> </ul>	*Current premises **New premises	N/A	NCR employees and ***Stakeholders	R181 236.56	R99 877.50	Increase compliance with OHS Act.	<ul style="list-style-type: none"> <li>To protect/minimise employees risk of exposure to COVID-19.</li> <li>Encourage frequent hand sanitation by employees and stakeholders to prevent/minimise the risk of contamination from COVID-19.</li> <li>Protection provided for staff interacting with consumers/stakeholders at the NCR premises or during workshops or while conducting investigations activities to prevent/minimise risk of exposure to COVID-19.</li> <li>Assist the COVID-19 Team in managing access to the premises.</li> </ul>	
Decontamination/sanitisation	Disinfection of NCR buildings and deep cleaning of the ablution facilities	Current and New premises	N/A	NCR employees	R200 000.00	R11 380.54		<ul style="list-style-type: none"> <li>Ensuring a safe and sterile work environment</li> </ul>	
Setting up a sick bay	Procurement of sick beds and equipment/contents for sick bay	New premises	N/A	NCR employees	R13 576.90	R13 576.90		<ul style="list-style-type: none"> <li>Provision of isolation facilities to accommodate sick employees in transit awaiting transport to medical care facilities.</li> </ul>	
OHS Compliance	COVID 19 Emergency Inspection of the NCR offices: Return to work evaluation and recommendation by OHS Consultant	Current and New premises	N/A	NCR employees	R2 000.00	R2 000.00		<ul style="list-style-type: none"> <li>Emergency Inspection of the NCR offices conducted to ensure compliance with COVID-19 regulations</li> </ul>	
	In-house: COVID-19 Induction	New employees	N/A	New NCR employees	R0.00	R0.00		<ul style="list-style-type: none"> <li>Induction provided to NCR employees.</li> </ul>	

\* Current premises - 127-15th Road, Randjespark, Midrand  
 \*\* New premises - 232-15th Road, Randjespark, Midrand  
 \*\*\* Stakeholders – includes, amongst others suppliers, consumers, registrants and visitors to the NCR premises



## 5. Revenue collection

2021/2022				2020/2021		
Sources of revenue	Estimate (R'000)	Actual amount collected (R'000)	(Under)/over Collection (R'000)	Estimate (R'000)	Actual amount collected (R'000)	(Under)/over Collection (R'000)
Fees paid by registrants	R52 002 000	R44 045 430	(R7 956 570)	R52 002 273	R47 383 882	(R4 618 391)
Transfer payment	R82 632 000	R82 632 000	0	R72 881 000	R71 272 000	(R1 709 000)
Interest	R2 535 304	R1 953 501	(R581 803)	R2 415 000	R2 340 066	(R74 934)
Other income	R33 438 000	R3 872 829	(R29 565 177)	R32 114 129	R16 801 763	(R15 312 366)
<b>Total</b>	<b>R170 607 304</b>	<b>R132 503 760</b>	<b>R38 103 544</b>	<b>R157 803 402</b>	<b>R137 797 711</b>	<b>R20 005 691</b>

### Own revenue – fee revenue

The under-collection relating to fee revenue is a result of a decrease in the number of registrants and of credit providers closing many of their branches to cut costs. Furthermore, there was a decommissioning of the National Loans Register (NLR) which resulted in the under-collection of NLR fees from credit bureaus. The NCR will explore other ways of increasing revenue sources.

### Transfer payment

The NCR was originally allocated funding of R81,432m which was received in April 2021 and **the dtic** allocated an additional funding of R1,2m in February 2022.

### Interest

The interest earned was less than estimated mainly as a result of budget cuts.

### Other income

The revenue generated under other income is only realised when the expenditure related to the Education and Communication Department as well as the Investigations and Enforcement Department is incurred. The under-collection of other income is due to depletion of PDA interest earmarked to be utilised for PDA related activities, see page 26.

## 6. Capital investment

No infrastructure projects and no major maintenance projects were undertaken during the year under review.

Measures taken to ensure that the public entity's asset register remained up-to-date during the period under review include the following: monthly updating of Fixed Asset Register (FAR) with additions, retirement of assets in bad conditions; monthly reconciliation of FAR and General Ledger.

The current state of the public entity's capital assets, for example what percentage is in good, fair or bad condition.



# **PART C**

## **GOVERNANCE**

## 1. Introduction

The National Credit Regulator complies with the Public Finance Management Act (PFMA) and the 2016 King IV Code of Governance Principles for South Africa (King IV Code) in as far as the Code can be applied to the NCR.

In terms of the Department of Trade and Industry's Code of Good Practice on Broad Based Black Economic Empowerment (as gazetted in October 2013), the NCR is rated as a B-BBEE Level **xx** contributor.

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

## 2. Portfolio committees

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

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

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

During the year under review, the NCR met with the Portfolio Committee on Trade, Industry and Competition on 7 September 2021 to brief committee members on the financial and non-financial performance of the NCR for Quarter 4 of the 2020/21 financial year.

## 3. Executive authority

The Minister of Trade, Industry and Competition is the Executive Authority. The table below provides details on the reports submitted to the Minister.

Report submitted	Date submitted	Issues raised by the Minister
Report on financial and non-financial performance (Quarter 4 of 2020/21 year – 1 January to 31 March 2021)	30 April 2021	There were no issues raised by the Minister.
Report on financial and non-financial performance (Quarter 1 of 2021/22 year – 1 April to 30 June 2021)	29 July 2021	There were no issues raised by the Minister.
Report on financial and non-financial performance (Quarter 2 of 2021/22 year – 1 July to 30 September 2021)	29 October 2021	There were no issues raised by the Minister.
Report on financial and non-financial performance (Quarter 3 of 2021/22 year – 1 October to 30 December 2021)	31 January 2022	There were no issues raised by the Minister.

The NCR also submitted four Executive Summary Reports to **the dtic** during this period, as indicated in the following table.

Report submitted	Date submitted
Quarterly Report on PDA Interest Utilisation	5 May 2021 12 November 2021 8 February 2022 9 May 2022
Annual PDA Audit	28 May 2021
Unsecured Credit, Credit Cards, Store Cards, and the Impact of COVID-19 on the Consumer Credit Market in South Africa	7 May 2021

## 4. Accounting Authority

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

## 5. Risk Management

The NCR has a Risk Management Policy and Strategy, and conducts regular risk assessments to determine the effectiveness of this risk management strategy as well as to identify new and emerging risks.

The NCR Audit and Risk Management Committee advises management on the overall system of risk management, especially the mitigation of unacceptable levels of risk. The committee provides oversight with regards to financial management, internal controls, risk management and the accuracy of financial reporting.

The ARMC is constituted in terms of the PFMA and Treasury Regulations. The NCR Executive Management members are permanent invitees to committee meetings. The terms of office of four members of the committee came to an end in October and November 2021, respectively, and these members were thanked for their contributions. New committee members were appointed and completed their induction processes.

The Committee's mandate is to ensure financial and legal compliance and exercise oversight over internal and external audit and risk management. Details of meetings and responsibilities of the Audit and Risk Management Committee are presented on page 53 of this report.

## 6. Internal control unit

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

Key internal audit functions include:

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

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

## 7. Internal audit and audit committees

The key activities and objectives of the internal audit function, and the audit and ARMC is to review and ensure:

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

The 2021/22 ARMC consisted of four (4) members. The committee held six meetings, four of which were ordinary meetings. Special meetings held on 13 August 2021 and 21 February 2022. The frequency of the meetings is as per the approved Audit and Risk Management Committee Charter.

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

- safeguarding assets
- assessing the going concern status
- reviewing financial information including review of quarterly management accounts and annual financial statements
- external audit process and oversight of the risk management environment.

The ARMC has fulfilled its responsibilities in compliance with its charter. More information is provided in the Report of the ARMC on page 53.

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

Name	Qualifications	Internal or external	Date appointed	Date terminated/resigned	No of meetings attended
Ms Z. Chonco* Present chairperson	CA(SA), BCom Accounting (Hons), BCom Accounting	External	11 August 2021		4
Ms P.N. Sibiya*	CA(SA), Post Graduate Diploma in Accountancy, B Accounting	External	2 October 2021		4
Ms P. Chilwane*	BProc	External	11 August 2021		4
Mr A. Latchu*	MSc Computing, Bachelors in Computing (Hons), Bachelors in Computing	External	11 August 2021		3
Mr W. Ndlovu** Former chairperson	CA(SA), Global Executive MBA, BCompt (Hons), BCom	External	3 September 2018	31 October 2021	2
Mrs P. Mvulane**	CA(SA), Registered auditor, Specialist Diploma in Auditing, BCom Accounting (Hons), BCom	External	18 June 2018	30 November 2021	1
Ms P. Tshabalala**	BSc in Computer Science, MSc Engineering, Business Management	External	1 January 2018	31 May 2021 (erroneously reported in Annual Report 2020/21 as 1 January 2021)	1

\* Incoming members

\*\* Outgoing members

## 8. Compliance with laws and regulations

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

## 9. Fraud and corruption

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

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

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

An outsourced service provider maintains a fraud reporting hotline, where employees report incidents of corruption, fraud and unethical practices within the workplace. Monthly reports from the hotline service provider are dealt with confidentially in line with the approved internal policy for handling fraud allegations.

The NCR received one report of alleged internal corruption during the year under review. An investigation was instituted and the outcome revealed the allegation to be unfounded.

## 10. Minimising conflict of interest

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

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

## 11. Code of conduct

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

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

The NCR expects its employees to:

- work within the law with honesty and integrity
- comply with all lawful and reasonable instructions

- comply with the NCR's policies
- work diligently and meet the requirements of their employment agreement
- respect the rights of colleagues and clients

## 12. Health, safety and environmental issues

A safe and healthy workplace is a fundamental right and adherence to health and safety standards requires NCR to maintain a productive workplace by minimising the risk of accidents, injury and exposure to health hazards. The NCR continued to adhere to the provisions of the Occupational Health and Safety Act, 1993 No. 181 of 1993 (OHS Act), which requires employers to provide and maintain, as far as is reasonably practicable, a workplace that is safe and without risk to the health of its employees.

The NCR has the responsibility to provide a safe and healthy work environment for employees, contractors and visitors. This is evidenced by the ongoing maintenance and monitoring of facilities at both NCR premises with preventative, repair and maintenance work conducted accordingly. This commitment extends to ensuring that its operations, activities, products and services do not damage or place the local community or environment at risk of injury or illness.

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

The organisation has appointed an Occupational Health and Safety Committee responsible for implementing the requirements of the OHS Act, and ensures that occupational health and safety training is conducted as and when required to ensure competence and execution of the mandate. The organisation has also appointed an Occupational Health and Safety Consultant who is responsible for legal compliance and a working environment that is safe and meets basic health standards.

The 2021/22 financial year was still largely dominated by the global COVID-19 pandemic with the emergence of the Delta and Omicron variants of the virus during May–September 2021 and November 2021–February 2022 periods, respectively.

The Facilities Department installed sanitising stations throughout the NCR premises and continued implementing the following measures in order to curb the spread of COVID-19:

- Work from Home Policy
- Daily COVID-19 self-declarations
- Staff rotation schedules to avoid overcrowding and maintain social distancing
- Distribution of personal protective equipment (PPE)
- Temperature checks taken daily
- Wearing masks, social distancing and regular hand sanitising were compulsory to employees, visitors and suppliers while on either of the NCR premises
- Notices (posters) of COVID-19 protocols were prominently displayed throughout both NCR buildings to remind employees of all NCR protocols
- New employees are inducted to OHS protocols and with a focus on COVID-19 compliance
- Both NCR offices are disinfected routinely and as and when required

Throughout the year under review, the NCR continued doing its share toward saving the environment. The organisation shredded and recycled all used paper in order to reduce its carbon footprint. To reduce energy consumption, energy saving lightbulbs were installed, and air conditioning units were upgraded with inverter units. Garden irrigation using a sprinkler system was phased out in favour of a more sustainable irrigation method in order to reduce water consumption.

## 13. Company Secretary

The NCR's company secretary assists the Accounting Authority and CEO to ensure sound corporate governance. The company secretary provides governance knowledge and guidance, and ensures organisational integrity.

The secretary furthermore confirms the organisation's annual financial statements, whether the NCR has filed required returns and notices and whether all appear to be true, correct and up to date. Mr Lesiba Mashapa serves as the NCR's company secretary

## 14. Social responsibility

The NCR is a non-profit public entity and is, therefore, precluded from disbursing funds to good causes. No donation were made to any charitable organisation for 2021/22 financial year.

## 15. Audit and Risk Management Committee Report



**Zamachonco Chonco**  
Chairperson



**Portia Chilwane**  
ARMC member



**Precious Sibiyi**  
ARMC member

### Absent ARMC Member: Ashley Latchu

We are pleased to present our report for the financial year ended 31 March 2022.

### Audit and Risk Management Committee members and attendance

The Audit and Risk Management Committee consisted of the members listed hereunder and meets at least four (4) times per annum as per its approved terms of reference. During the 2021/22 financial year, four (4) ordinary and two (2) special meetings were held. The Audit and Risk Committee was effective for the whole year ending March 2022. For the year under review, which is from the 1st of April 2021 to the 31st of March 2022, meetings were held as follows:

### Audit and Risk Management Committee:

Committee member	24 May 2021	13 August 2021	31 August 2021	24 November 2021	25 January 2022	21 February 2022	Number of meetings attended within the FY
William Ndlovu (Chair)	√	√	√	X	X	X	3
Precious Mvulane	√	X	X	X	X	X	1
Poppy Tshabalala	√	X	X	X	X	X	1
Zamachonco Chonco	X	√	√	√	√	√	4
Portia Chilwane	X	√	√	√	√	√	4
Ashley Latchu	X	√	√	√	X	√	4
Precious Sibiyi	X	X	√	√	√	√	4

### Audit Committee Responsibility

The Audit and Risk Management Committee reports that it has complied with its responsibilities arising from Section 51(a) of the Public Finance Management Act and Treasury Regulation 27.1.10. The Audit and Risk Committee further reports that it has adopted appropriate formal terms of reference as its Audit and Risk Management Committee Charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein. The Committee has complied with all the respective requirements.

### The Effectiveness of Internal Control

The system of controls within the National Credit Regulator (NCR) is designed to provide reasonable assurance that assets are safeguarded and that liabilities and working capital are properly managed in line with the PFMA and the protocol on corporate governance. This is achieved by means of a risk-based internal audit plan, to assess the adequacy and effectiveness of controls mitigating the risks, as well as the Audit and Risk Management Committee monitoring of the implementation of corrective actions.

Ubuntu Business Advisory and Consulting (Pty) Ltd (UBAC) is the appointed Internal Auditor to the National Credit Regulator (NCR) for the period.

From the Committee's review of the Internal Audit reports presented during the 2021/22 financial year, the 2021/22 Audit Report on the review of the Annual Financial Statements and the Management Report from the Auditor-General of South Africa (AGSA), it can be concluded that the system of internal control as applied over financial and non-financial matters, enterprise risk management and governance systems are generally satisfactory. However, improvements are required within ICT functions and the quality of the submitted financial statements. The Committee has noted and welcomes management's commitment to address the identified control weaknesses and will be monitoring management's progress in resolving these aforementioned issues on a regular basis.

The Committee reviewed and approved the Internal Audit Charter for the year under review. The Committee reviewed and approved the three-year rolling plan, including the annual internal audit plan for the 2022/23 financial period.

The approved 2021/22 internal audit plan consisted of thirteen (13) planned. As at 31 March 2022, the Internal auditors had reviewed and completed thirteen (13) audit reviews.

Area's relating to Information Communication and Technology (ICT) governance remain a concern for the Internal auditors specifically the capacitation and lack of skills within the ICT environment.

### The Effectiveness of the Internal Audit Function

The Committee evaluated the independence, effectiveness and performance of the internal audit function and compliance with its mandate. The quality of in-year management quarterly reports submitted in terms of the PFMA. The Committee is satisfied that the NCR has established appropriate financial reporting procedures for quarterly reporting. Consequently, the Committee is satisfied with the quality of the quarterly reports submitted to the Executive Authority.

### Evaluation of Financial Statements

- Performed a high-level review of the 2021/22 unaudited financial statements with due consideration of the independent assurance provided by IA as well as the assurance provided by Management in accordance with the combine assurance matrix;
- Reviewed the unaudited information on predetermined objectives with due consideration of the independent assurance provided by IA as well as the assurance provided by Management in accordance with the combine assurance matrix;
- Reviewed changes in accounting policies and practices;
- Reviewed the Auditor-General South Africa (AGSA) audit and management reports, with due consideration of the responses provided by Management;
- Reviewed compliance with legal and regulatory provisions;
- Reviewed significant adjustments resulting from the audit; and
- Reviewed the audited financial statements as well as the information on predetermined objectives to be included in the annual report

### External Auditor's Report

The Committee has reviewed the progress made by Management in the implementation plan of the external audit issues raised in the prior year.

The Committee has on a quarterly basis reviewed the NCR's implementation plan of audit issues raised in the prior year and it is satisfied that the matters have been satisfactorily resolved. However, as the committee we continue to raise concerns on speedy at which management response to audit findings as, as at year end not all auditing findings had been closed off.

The Committee further met with the AGSA to ensure that there are no unresolved issues that emanated from the regulatory audit. Corrective actions on the detailed findings raised by the AGSA will continue to be monitored by the Committee on a quarterly basis. The Committee concurs and accepts the conclusions of the AGSA on the Annual Financial Statements and believes that the audited Annual Financial Statements must be accepted and read together with the report of the AGSA.

This Committee is very concerned with the instability in the ICT environment, specifically as management struggles with finding and retaining critical skills within the area. The COVID-19 pandemic has highlighted the importance of ICT which has been often undermined. It is at these challenging times that we noted that it was mostly entities with weak ICT environments that struggled to ensure business continuity when the full lockdown restrictions were implemented. In our discussions with the NCR management, we have emphasised the need to fully capacitate the ICT unit with the right skills and experience and to also develop a robust retention strategy specifically for this unit.

### Appreciation

The Committee wishes to congratulate the NCR management on the unqualified audit opinion obtained for the 2021/22 financial year and relay sincere appreciation to the Chief Executive Officer, management of NCR for the dedication and support provided to the Committee. We thank the NCR management, the AGSA and the Internal Auditors for the co-operation and information they have provided to enable the Committee to discharge its responsibilities.

As the Committee we remain committed in ensuring that the appropriate control measures are effective, efficient and transparent, however this can only be achieved through the dedicated commitment of management. The Audit and Risk Management Committee will endeavour to use combined assurance principles to follow up on all assurance providers' findings in order to attain "clean" governance. However, we cannot be effective if management does not implement the agreed recommendations.



**Ms Zamachonco Chonco**

Chairperson of the Audit and Risk Management Committee

National Credit Regulator

30 July 2022



## 16. B-BBEE compliance performance information

The following table has been completed in accordance with the compliance to the BBBEE requirements of the BBBEE Act of 2013 and as determined by **the dtic**.

Has the public entity applied any relevant code of Good Practice (B-BBEE Certificate Levels 1- 8) with regards to the following:		
Criteria	Yes / No	Discussion (measures taken/not taken to comply)
1. Determining qualification criteria for the issuing of licences, concessions or other authorisations in respect of economic activity in terms of any law?	Yes	NCR issues licences to credit providers, debt counsellors, payment distribution agents and credit bureaus in accordance with the National Credit Act.
2. Developing and implementing a preferential procurement policy?	Yes	NCR issued tender based on the preferential procurement framework and are advertised on the NCR website until January 2022 and only suppliers who are registered on CSD are utilised. For the year 2021/22, NCR had a target of 40% for women owned business and our BBBEE strategy which under review will cater for other elements of historically disadvantaged individuals in the coming financial year.
3. Determining qualification criteria for the sale of state-owned enterprises?	No	Currently NCR does not have any qualifying criteria for the sale of state-owned enterprises.
4. Developing criteria for entering into partnerships with the private sector?	No	NCR does not have partnerships with the private sector.
5. Determining criteria for the awarding of incentives, grants and investment schemes in support of Broad Based Black Economic Empowerment?	Yes	With the reduction in budget, NCR is not able to implement this criteria in the foreseeable future.



# **PART D**

## **HUMAN RESOURCE MANAGEMENT**

# 1. Introduction



**Ms Boitumelo  
Geldenhuis**

Manager:  
Human Resources

## Overview of HR matters

The Human Resources Department provides effective and efficient human resources services for the organisation. This includes providing advisory and strategic support to the executive management team and NCR employees.

The department is also responsible for facilities management. The HR Department's key performance areas are aligned to NCR's strategic priorities. The department remains focused on attracting and retaining talented and skilled employees that are critical to meeting the NCR mandate and strategic goals.

During the year under review, COVID-19 disrupted business operations, but provided opportunities to find new ways to manage human resources. The NCR continued to implement and improve health protocols in order to curb the spread of COVID-19 in the workplace such as remote working, staff rotation, screening of everyone, including employees, at points of entry as well as providing sanitising stations and disinfection of offices.

An occupational health practitioner was appointed to ensure and enhance NCR's compliance to the health protocols and workplace safety. Furthermore, NCR continues to partner with Careways as service provider for Employee Assistance Programme (EAP).

As at 31 March 2022, the NCR staff complement stood at 164 employees. The workforce is predominantly female (60.37%).

## Employer-Employee Consultative Forum

Through the Employer-Employee Consultative Forum, the NCR is able to address matters of mutual interest with employees.

## Collective Bargaining Forum

The NCR is a member of **the dtic's** Collective Bargaining Forum which deals with labour relations matters across all entities.

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

### To enhance skills set and competencies

The Acting Policy was duly amended thereby providing

employees opportunities to act in higher positions. This broadened their experience and enhanced staff morale.

### To adhere to statutory compliance with applicable legislation

The department ensured that all legislative compliance reports were timeously submitted to the Department of Employment and Labour, BANKSETA, Workmen's Compensation Fund National Treasury and South African Revenue Service (SARS).

### Workforce planning framework and key strategies to attract and recruit a skilled and capable workforce

The NCR undergoes workplace planning annually after approval of employee cost budget to align the capacity requirements and budget. Strategies to attract capable workforce include, but are not limited to, medical aid subsidy, funeral cover, study leave and training opportunities.

### Employee Performance Management Framework

The NCR has a Performance Management Policy. In line with the policy, all employees are required to sign performance agreements annually. Additionally, employee performance is monitored through a biannual performance evaluation. Unfortunately due to budget cuts and response to COVID 19, the organisation was unable to budget and pay out performance bonuses to all qualifying employees.

### Internship programme

The organisation provided internships for four graduates within the Information, Communications and Technology (ICT) Department. By offering much needed on-the-job opportunities to these young people, the NCR made a small but valuable contribution towards skills development and youth employment.

### Employee wellness programme

The NCR EAP is managed by an external service provider and entails a caring, confidential service that helps employees and their families to deal with difficult work-life related issues.

### Policy development

A number of HR policies have been reviewed and will be finalised in the next financial year.

### Highlights and achievements

The department in partnership with ICT department successfully managed the process of insourcing a payroll system (Sage 300 People). This enabled the migration from a legacy system which was outdated, to a system that is modern, offers employee self-service and enables HR to produce immediate reports.

The appointment and retention of women and young people is an indication of the NCR's commitment to prioritising these two groups. This is a strategic objective of national government, **the dtic** and the NCR.

## Challenges

Retention of skills remains a challenge and a priority. The NCR is faced with the on-going risk of having its most skilled employees poached by the private sector.

### The year ahead

The department will continue offering efficient human resources services. On the cards is the implementation of succession planning in order to identify critical skills sets that will be required in line with new strategy and to ensure that suitable candidates are trained and developed to satisfy future skills needs.

#### Intern story: Tebogo Leatlela

*"I arrived at NCR during November 2021. I was nervous because it was my first time in the corporate world, coming from the Vaal University of Technology. I received a warm welcome from my colleagues, especially from the ICT Department. I have gained so much experience in the short space of time. Now I know how to work with servers (and how it feels to be in a server room), printers, networking and how to solve people's problem (with the help of my seniors, sometimes). My biggest highlight was when we had to prepare 41 new laptops for employees in a short space of time and that made me realise that my ICT knowledge has improved compared to the knowledge I had when I arrived. I am grateful for the opportunity and I enjoy being at NCR."*

#### Intern story: Lungile Bilankulu

*"First day I got to NCR our supervisor told us it won't be an easy road but it will be worth it in terms of knowledge, from since then I have gathered a lot of ground knowledge on how an IT department operates in a company. I have gained a lot of Helpdesk and technical support knowledge and experience from my time at NCR, my highlight for this journey is being able to work with the servers and see how they operate and function for daily use."*

## 2. Human resources oversight statistics

### 2.1. Personnel cost by programme/activity/objective

Programme	Total expenditure for the entity R'000	Personnel expenditure R'000	Personnel expenditure as % of total expenditure R'000	No. of employees	Average personnel cost per employee R'000
Improved regulatory environment	138 604	6 499	4%	16	406
Enforcement	138 604	71 435	51%	148	482

### 2.2. Personnel cost by salary band

Top Management	Personnel Expenditure R'000	% of Personnel expenditure to total personnel cost	No. of employees	Average personnel cost per employee R'000
Top Management	8 662	11%	4	2 165
Senior Management	12 891	17%	12	1 074
Professional Qualified	18 685	24%	28	667
Skilled	28 245	36%	74	381
Semi-skilled	9 451	12%	46	205
<b>Total</b>	<b>77 934</b>	<b>100%</b>	<b>164</b>	<b>4 492</b>

### 2.3. Performance rewards

Level	Performance rewards R'000	Personnel cost R'000	% of Personnel rewards to total personnel cost
Top Management	0	0	0
Senior Management	0	0	0
Professional Qualified	0	0	0
Skilled	0	0	0
Semi-skilled	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>

## 2.4. Training costs

Programme	Personnel expenditure R'000	Training expenditure R'000	Training expenditure as a % of total personnel cost	No. of employees trained	Average training cost per employee R'000
Improved regulatory environment	0	0	0	0	0
Enforcement	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## 2.5. Employment and vacancies

Salary band	2019/20 number of employees	2021/22 approved posts	2021/22 number of employees	Vacancies number	Vacancy %
Top management	4	4	4	0	0
Senior management	15	18	12	6	33%
Professional Qualified	31	36	28	8	22.22%
Skilled	77	90	74	16	17.78%
Semi-skilled	54	59	46	13	22.03%
Unskilled	0	0	0	0	0
<b>Total</b>	<b>181</b>	<b>207</b>	<b>164</b>	<b>43</b>	<b>100%</b>

The NCR experienced difficulty in recruiting certain critical industry-specific skills. In some instances, positions were advertised several times with no positive outcome. It seems that the industry continues competing for skills in a limited talent pool of candidates. The private sector can offer higher salary packages and thus has an advantage when it comes to recruiting the best candidates.

In order to circumvent the shortage of skills and capacity, the NCR has opted for the Acting Policy, which allows an employee to learn the ropes while acting in a role for which he/she not yet fully qualifies. Furthermore, the organisation is in the process of implementing a succession plan.

## 2.6. Employment Changes

Salary band	Employment at beginning of period	Appointments	Terminations*	Employment at the end of the period
Top management	4	1	1	4
Senior management	13	2	3	12
Professional Qualified	27	7	6	28
Skilled	73	12	11	74
Semi-skilled	46	6	6	46
Unskilled	0	0	0	0
<b>Total</b>	<b>163</b>	<b>28</b>	<b>27</b>	<b>164</b>

## 2.7. Reasons for Staff Leaving

Reason	Number	% of total staff leaving
Death	0	0
Resignations	24	88.9%
Dismissal	0	0
Retirement	1	3.7%
Ill health	0	0
Expiry of contract	1	3.7%
Other	1	3.7%
<b>Total</b>	<b>27</b>	<b>100%</b>

Staff members resigned for better opportunities. Due to budget constraints, non-critical posts where employee resigned, were not filled. However, the majority of critical positions were filled through the normal recruitment process.

## 2.8. Labour relations: Misconduct and disciplinary action

Nature of disciplinary action	Number
Verbal warning	1
Written warning	9
Final Written warning	0
Dismissal	1
<b>Total</b>	<b>11</b>

## 2.9. Equity target and employment equity status - male

Levels	Male							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top management	2	2	0	0	0	0	0	0
Senior management	3	3	0	0	0	1	0	0
Professional Qualified	8	7	0	3	1	4	1	4
Skilled	32	29	0	2	0	1	0	1
Semi-skilled	15	21	1	1	0	1	0	1
Unskilled	0	0	0	0	0	0	0	0
<b>Total</b>	<b>60</b>	<b>62</b>	<b>1</b>	<b>6</b>	<b>1</b>	<b>7</b>	<b>1</b>	<b>6</b>

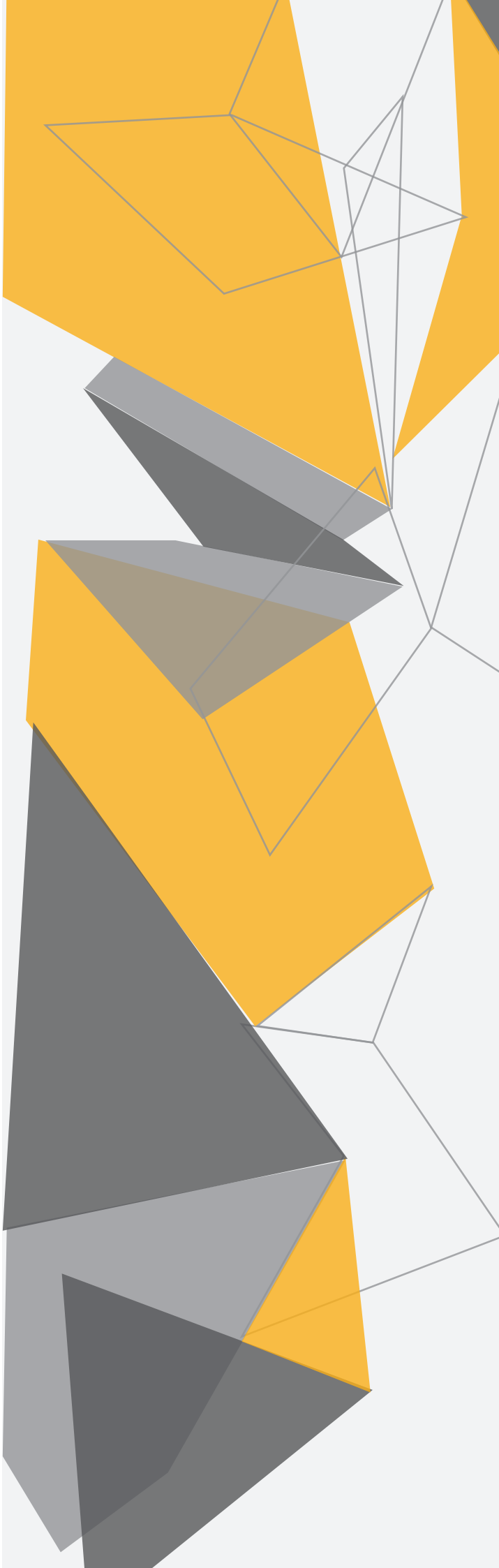
## 2.10 Equity target and employment equity status - female

Levels	Female							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top management	1	1	0	1	0	0	1	0
Senior management	9	8	0	1	0	0	0	0
Professional Qualified	14	9	0	3	1	3	2	8
Skilled	40	45	2	2	2	3	0	1
Semi-skilled	25	25	2	2	0	1	0	0
Unskilled	0	0	0	0	0	0	0	0
<b>Total</b>	<b>89</b>	<b>88</b>	<b>4</b>	<b>9</b>	<b>3</b>	<b>7</b>	<b>3</b>	<b>9</b>

## 2.11 Equity target and employment equity status - people with disabilities

Levels	People with disabilities			
	Male		Female	
	Current	Target	Current	Target
Top management	0	0	0	0
Senior management	0	0	0	0
Professional Qualified	0	0	0	0
Skilled	0	1	1	1
Semi-skilled	0	0	1	1
Unskilled	0	0	0	0
<b>Total</b>	<b>0</b>	<b>1</b>	<b>2</b>	<b>2</b>

Variances can be attributed to budget constraints which led to a moratorium being placed on the recruitment of certain positions. Furthermore delays in the recruitment process due to poor responses to job adverts and the NCR not being able to attract suitable candidates were other contributing factors.



# **PART E**

## **FINANCIAL INFORMATION**

## 1. General Information

<b>Country of incorporation and domicile</b>	South Africa
<b>Nature of business and principal activities</b>	Credit Industry Regulator
	The National Credit Regulator enforces the provisions of the National Credit Act.
	The National Credit Regulator is also tasked with the registration of credit providers, credit bureaux and debt counsellors.
	The National Credit Regulator is mandated to undertake research on the nature and dynamics of the consumer credit market.
<b>Registered office</b>	The National Credit Regulator promotes public awareness around consumer credit matters.
	127 – 15th Road
	Randjespark
	Midrand
<b>Bankers</b>	1685
	Standard Bank of South Africa
	Auditor-General of South Africa
<b>Auditors</b>	L. Mashapa
<b>Secretary</b>	





**Ms Lynette de Beer**  
**CA(SA)**

Chief Financial  
Officer

## 2

# Report of the Chief Financial Officer

The office of the CFO is custodian and responsible for the implementation of policies, legislation and prescripts governing finance, supply chain management and information and communication technology (ICT). The office is responsible for the overall financial health of the NCR and provides support to all NCR departments on budgets, accounting function, supply chain management, external audit coordination, assets management and ICT.

During the 2021/22 financial year, the office of the CFO has ensured that:

- The unqualified audit opinion with findings from the Auditor-General was achieved for the year under review;
- All statutory submissions were submitted on time in compliance with the PFMA and Treasury Regulations;
- All management accounts, with variance explanations, were submitted on time to **the dtic**; and;
- The NCR continued to comply with relevant National Treasury Instructions on cost containment.

### 3. Report of the Auditor-General

#### Report of the Auditor-General to Parliament on the National Credit Regulator

##### Report on the audit of the financial statements

###### Opinion

1. I have audited the financial statements of the National Credit Regulator set out on pages 69 to 104, which comprise the statement of financial position as at 31 March 2022, statement of financial performance, statement of changes in net assets, and cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as notes to financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the National Credit Regulator as at 31 March 2022, and its financial performance and cash flows for the year then ended in accordance with Generally Recognised Accounting Practice (GRAP) and the requirements of the Public Finance Management Act 1 of 1999 (PFMA).

###### Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of my report.
4. I am independent of the entity in accordance with the International Ethics Standards Board for Accountants' International code of ethics for professional accountants (including International Independence Standards) (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

###### Responsibilities of the accounting authority for the financial statements

6. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with the GRAP and the requirements of the PFMA, and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
7. In preparing the financial statements, the accounting authority is responsible for assessing the public entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the public entity or to cease operations, or has no realistic alternative but to do so.

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

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

##### Report on the audit of the annual performance report

###### Introduction and scope

10. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.

11. My procedures address the usefulness and reliability of the reported performance information, which must be based on the public entity's approved performance planning documents. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures do not examine whether the actions taken by the public entity enabled service delivery. My procedures do not extend to any disclosures or assertions relating to the extent of achievements in the current year or planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
12. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programmes presented in the public entity's annual performance report for the year ended 31 March 2022:

Programmes	Pages in the annual performance report
Programme 2 - Enforcement of the National Credit Act	27 - 28

13. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
14. I did not identify any material findings on the usefulness and reliability of the reported performance information for this programme:
- Programme 2 – enforcement of the National Credit Act.

#### Other matters

15. I draw your attention to the matter below.

#### Achievement of planned targets

16. Refer to the annual performance report on pages 26 to 28 for the information on the achievement of planned targets for the year and management's explanations provided for the under-/over-achievement of targets.

## Report on the audit of compliance with legislation

#### Introduction and scope

17. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the entity's compliance with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
18. The material findings on compliance with specific matters in key legislation are as follows:

#### Annual financial statements

19. The financial statements submitted for auditing were not fully prepared in accordance with the prescribed financial reporting framework, as required by section 55(1)(b) of the PFMA.
20. Material misstatements of commitment disclosures identified by the auditors in the submitted financial statements were corrected, resulting in the financial statements receiving an unqualified opinion.

## Other information

21. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report, which includes the audit committee's report. The other information does not include the financial statements, the auditor's report and those selected programmes presented in the annual performance report that have been specifically reported in this auditor's report.
22. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion on it.
23. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected programmes presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
24. I have nothing to report in this regard.

## Internal control deficiencies

25. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on compliance with legislation included in this report.
26. Management did not implement adequate internal controls over financial reporting. This was mainly a result of insufficient reviews in specific areas, which resulted in material adjustments affecting non-compliance.



Petoria

30 July 2022



**AUDITOR - GENERAL  
SOUTH AFRICA**

*Auditing to build public confidence*

### 3. Report of the Auditor-General (continued)

#### Annexure – Auditor-general’s responsibility for the audit

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

#### Financial statements

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

#### Communication with those charged with governance

3. I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also provide the accounting authority with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

## 4. Annual Financial Statements

### INDEX

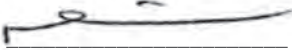
The reports and statements set out below comprise the annual financial statements presented to parliament:

Statement of Financial Position .....	69
Statement of Financial Performance.....	70
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Cash Flow Statement .....	72
Statement of Comparison of Budget and Actual Amounts.....	73
Accounting Policies .....	76
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### ABBREVIATIONS USED:

PFMA	Public Finance Management Act
NCR	National Credit Regulator
GRAP	Generally Recognised Accounting Practice
PDA	Payment Distribution Agency
NLR	National Loans Register
dtic	Department of Trade, Industry and Competition
FNB	First National Bank
NCA	National Credit Act
WIP	Work in progress
MS GP	Microsoft Great Plains

The annual financial statements set out on page 69 to 104 which have been prepared on the going concern basis, were approved by the accounting authority on May 31, 2022 and were signed on its behalf by:



**N. Motshegare**  
Chief Executive Officer

## Statement of Financial Position as at 31 March 2022

	Note(s)	2022 R	2021 R
<b>Assets</b>			
<b>Current Assets</b>			
Receivables from exchange transactions	3	941,868	1,047,796
Receivables from non-exchange transactions	4	577,379	435,211
Cash and cash equivalents	5	73,937,192	68,014,206
		<b>75,456,439</b>	<b>69,497,213</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	6	14,180,845	11,208,617
Intangible assets	7	4,905,548	4,235,752
		<b>19,086,393</b>	<b>15,444,369</b>
<b>Total Assets</b>		<b>94,542,832</b>	<b>84,941,582</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Income received in advance	8	3,543,588	3,412,092
Payables from exchange transactions	9	8,090,432	14,560,854
Payables from non-exchange transactions	10	37,187,685	25,146,775
Provisions	11	470,410	267,883
Operating lease liability	13	1,422,833	1,299,549
		<b>50,714,948</b>	<b>44,687,153</b>
<b>Total Liabilities</b>		<b>50,714,948</b>	<b>44,687,153</b>
<b>Net Assets</b>		<b>43,827,884</b>	<b>40,254,429</b>

## Statement of Financial Performance

Note(s)	2022 R	2021 R
---------	-----------	-----------

Revenue			
Revenue from exchange transactions			
Other revenue	14	1,052,950	128,289
Interest received – investment	15	1,953,501	2,340,066
<b>Total revenue from exchange transactions</b>		<b>3,006,451</b>	<b>2,468,355</b>
Revenue from non-exchange transactions			
Fee revenue	16	44,045,430	47,383,882
Transfer payment	17	82,632,000	71,272,000
Other non-exchange revenue	18	2,834,904	16,683,317
<b>Total revenue from non-exchange transactions</b>		<b>129,512,334</b>	<b>135,339,199</b>
<b>Total revenue</b>		<b>132,518,785</b>	<b>137,807,554</b>
Expenditure			
Personnel expenditure	19	(77,934,792)	(76,384,947)
Operating expenses	20	(21,026,549)	(19,962,555)
Administrative expenses	21	(24,087,822)	(23,508,181)
Depreciation and amortisation	6&7	(5,896,167)	(5,316,307)
<b>Total expenditure</b>		<b>(128,945,330)</b>	<b>(125,171,990)</b>
Operating Surplus	22	3,573,455	12,635,564
<b>Surplus for the year</b>		<b>3,573,455</b>	<b>12,635,564</b>



## Statement of Changes in Net Assets

	Accumulated surplus R	Total net assets R
<b>Balance at April 1, 2020</b>	<b>27,618,865</b>	<b>27,618,865</b>
Surplus for the year	12,635,564	12,635,564
<b>Balance at April 1, 2021</b>	<b>40,254,429</b>	<b>40,254,429</b>
Surplus for the year	3,573,455	3,573,455
<b>Balance at March 31, 2022</b>	<b>43,827,884</b>	<b>43,827,884</b>

# Cash Flow Statement

Note(s)	2022 R	2021 R
---------	-----------	-----------

Cash flows from operating activities		
<b>Receipts</b>		
Cash receipts from applicants and registrants	44,472,652	48,018,379
Transfers received	82,632,000	71,272,000
Interest income	1,953,501	2,340,066
Payment Distribution Agency – Interest	2,371,443	16,344,652
Other receipts	1,037,925	1,166,822
	<b>132,467,521</b>	<b>139,141,919</b>
<b>Payments</b>		
Employee costs	(79,448,748)	(83,666,629)
Suppliers	(37,436,481)	(43,291,631)
	<b>(116,885,229)</b>	<b>(126,958,260)</b>
<b>Net cash flows from operating activities</b>	23 <b>15,582,292</b>	<b>12,183,659</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	6 (5,429,967)	(5,232,793)
Purchase of other intangible assets	7 (4,229,339)	(4,657,464)
<b>Net cash flows from investing activities</b>	<b>(9,659,306)</b>	<b>(9,890,257)</b>
<b>Net increase in cash and cash equivalents</b>	<b>5,922,986</b>	<b>2,293,402</b>
Cash and cash equivalents at the beginning of the year	68,014,206	65,720,804
<b>Cash and cash equivalents at the end of the year</b>	5 <b>73,937,192</b>	<b>68,014,206</b>

The accounting policies on pages 76 to 85 and the notes on pages 86 to 104 form an integral part of the annual financial statements.

## Statement of Comparison of Budget and Actual Amounts

### Budget on cash basis

	Approved budget R	Adjustments R	Final Budget R	Actual amounts on comparable cash basis R	Difference between final budget and actual R	Reference
<b>Revenue</b>						
Fee revenue	52,002,000	-	<b>52,002,000</b>	44,045,430	<b>(7,956,570)</b>	N1
Transfer payment	81,432,000	1,200,000	<b>82,632,000</b>	82,632,000	-	
Interest	2,535,304	-	<b>2,535,304</b>	1,953,501	<b>(581,803)</b>	
Other income	33,438,000	-	<b>33,438,000</b>	3,872,829	<b>(29,565,171)</b>	N2
<b>Total income</b>	<b>169,407,304</b>	<b>1,200,000</b>	<b>170,607,304</b>	<b>132,503,760</b>	<b>(38,103,544)</b>	
<b>Expenditure</b>						
Personnel expenditure	(102,466,000)	8,564,154	<b>(93,901,846)</b>	(75,016,307)	<b>18,885,539</b>	N3
Communication costs	(1,805,300)	285,434	<b>(1,519,866)</b>	(1,266,369)	<b>253,497</b>	
Consumer education and communication	(11,981,185)	659,646	<b>(11,321,539)</b>	(4,627,515)	<b>6,694,024</b>	N4
Professional fees	(17,298,281)	(2,315,028)	<b>(19,613,309)</b>	(11,752,743)	<b>7,860,566</b>	N5
General expenses*	(9,023,307)	(669,099)	<b>(9,692,406)</b>	(6,328,684)	<b>3,363,722</b>	N6
Information technology	(6,086,963)	(1,266,212)	<b>(7,353,175)</b>	(4,209,995)	<b>3,143,180</b>	N7
Premises and equipment costs**	(13,436,860)	445,870	<b>(12,990,990)</b>	(9,831,401)	<b>3,159,589</b>	N8
Stakeholder communication	(552,000)	2,199	<b>(549,801)</b>	(549,641)	<b>160</b>	
Debt counselling initiatives	(857,408)	(414,022)	<b>(1,271,430)</b>	(1,266,646)	<b>4,784</b>	
Capital expenditure	(5,900,000)	(6,492,942)	<b>(12,392,942)</b>	(9,101,247)	<b>3,291,695</b>	N9
<b>Total expenditure</b>	<b>(169,407,304)</b>	<b>(1,200,000)</b>	<b>(170,607,304)</b>	<b>(123,950,548)</b>	<b>46,656,756</b>	
<b>Surplus for the year</b>	-	-	-	<b>8,553,211</b>	<b>8,553,211</b>	

## Statement of Comparison of Budget and Actual Amounts

### Budget on cash basis

	Approved budget R	Adjustments R	Final Budget R	Actual amounts on comparable cash basis R	Difference between final budget and actual R	Reference
<b>Reconciliation of surplus for period with surplus in the Statement of Financial Performance</b>						
Surplus per the Statement of Financial Performance Adjusted for:	-	-	-	3,573,455	<b>3,573,455</b>	
<b>Basis differences</b>						
Professional fees (Operating activities)	-	-	-	2,423,298	<b>2,423,298</b>	
Consumer education (Operating activities)	-	-	-	401,920	<b>401,920</b>	
Debt relief (Operating activities)	-	-	-	4,784	<b>4,784</b>	
General expenses (Operating activities)	-	-	-	1,466,340	<b>1,466,340</b>	
Information Technology (Operating activities)	-	-	-	395,449	<b>395,449</b>	
Communication (Operating activities)	-	-	-	50,068	<b>50,068</b>	
Premises and equipment (Operating activities)	-	-	-	6,435,683	<b>6,435,683</b>	
Personnel costs (Operating activities)	-	-	-	2,918,486	<b>2,918,486</b>	
Adjustment on non-current assets (Investing activities)	-	-	-	(15,025)	<b>(15,025)</b>	
<b>Difference in final budget and actual amounts per operating expenditure</b>	-	-	-	<b>17,654,458</b>	<b>17,654,458</b>	
Additions per the notes to the financial statements (Note 6&7)	-	-	-	(9,659,306)	<b>(9,659,306)</b>	
Adjusted for:						
<b>Basis differences:</b>						
Property, Plant and Equipment (Investing activities)	-	-	-	558,059	<b>558,059</b>	
Difference between final budget and actual amounts per capital expenditure	-	-	-	(9,101,247)	<b>(9,101,247)</b>	
<b>Total difference between final budget and actual amounts</b>	-	-	-	<b>8,553,211</b>	<b>8,553,211</b>	

All the adjustments relate to a difference in the basis of preparation. The budget for these items is prepared on the cash basis while the Statement of Financial Performance is prepared on the accrual basis.

## Statement of Comparison of Budget and Actual Amounts (continued)

The NCR was originally allocated funding of R81,432m which was received in April 2021 and dtic allocated an additional funding of R1,2m in February 2022. Management had to revise the approved budget and make adjustments within the various line items to accommodate the change in approved budget during the financial year. The management would like to highlight that some of budget underspent was attributable to National Treasury Advisory note on suspension of procurement.

Narrations have been provided for variances above R1 million.

- N1:** The negative variance of R7,957m (15%) is due non payment of registrants fees.
- N2:** The negative variance of R29,565m (88%) is due to depletion of PDA interest earmarked to be utilised for PDA related activities.
- N3:** The positive variance of R18, 885m (20%) is due to less unfilled vacant posts. This variance is determined after deducting the leave pay accrual of R2,9m.
- N4:** The positive variance of R6,694m (59%) is after deducting provisions and billboard lease liability which are non-cash items was due to Education campaigns contract currently under investigations therefore campaigns planned for quarter 2 - 4 were put on hold.
- N5:** The positive variance of R7,860m (40%) is after deducting the non-cash items (provisions and accruals) due to delay in procurement of the various projects (actuaries; complaints backlog; transcriptions; audit of service provider). The service providers were only appointed in the last quarter of the financial year and work still in progress.
- N6:** The positive were variance of R3,363m (35%) is after deducting the non-cash items is (provision; accruals; loss on disposal; forex loss) due to savings in travel for which the travel agency was appointed in the 3rd quarter of the year and training which has been postponed to the next financial year.
- N7:** The positive variance of R3,143m (43%) is due to delay in network connection of additional building and finalisation of upgrading the infrastructure line which will result in price increases.
- N8:** The positive variance of R3,159m (24%) is after deducting depreciation amounting to R5,868m as non-cash item and building lease liability of R0,36m. The variance is due to low usage of water and electricity as a result of employees working remotely and delays in commencement of cleaning and security contracts in the additional building.
- N9:** The positive variance of R3,291m (27%) is due to Onboarding implementation project being postponed to the new financial year and delay in procurement of anti-virus and acrobat standard licences.

## 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 principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to the years presented, unless otherwise stated.

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

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

#### 1.1 BASIS OF PREPARATION

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

The annual financial statements have been prepared on a going concern assumptions based on the expectation that the entity will continue to operate as a going concern for at least the next 12 months.

In applying accounting policies, management is required to make various judgements, apart from those involving estimation, which may affect the amount 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 the 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

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

#### 1.3 BORROWING COSTS

Section 66 of 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 allow the NCR to enter into finance lease. Refer to the accounting policy 1.7: Finance leases. All other borrowing costs are recognised as an expense in the period in which they are incurred.

#### 1.4 REVENUE FROM EXCHANGE TRANSACTIONS

An exchange transaction is the 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.

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

Skills development levies recovered	Date of receipt
Reimbursements	Date of receipt
Proceeds from insurance claim	Date of receipt
Proceeds from sale of tender documents	Date of receipt

#### Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discount and volume rebates. Refer to note 14.

## Accounting Policies (continued)

### 1.5 REVENUE FROM NON-EXCHANGE TRANSACTIONS

#### Fee revenue

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

Application fees	Date of registration or withdrawal or rejection
Registration fees	Recognised in full at renewal date
Branch fees	Date of registration
National loans register fees	Date of service delivery
Replacement certificates fees	Date of invoice
Payment Distribution Agency interest	Date of service delivery
Penalty fees	30 days from the date on which prescribed registration renewal fees were payable
Bad debts recovered	Recognised as income when a debt which has been written off previously are recovered. Bad debts recovered is recognised and recorded at the date that these debts are recovered at the value of the payment received.

#### Prescribed income

Prescribed income relates to the recognition as income of unidentified and unclaimed receipts from applicants and registrants in line with the Prescription Act No. 68 of 1969. Prescribed income is recognised and recorded at the date of prescription. Refer to note 18.

#### Government grants

Government grants received for projects purposes are recognised in the Statement of Financial Position as deferred revenue upon receipts when there is a 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.

#### Payment distribution agency (PDA) income

The NCR treats the revenue from PDA Interest similarly to government grants. Once the conditions are met as prescribed by the PDA policy, revenue is recognised in the Statement of Financial Performance at the date of service delivery (i.e. when investigations and consumer education expenditure has been incurred as prescribed by the policy) with a corresponding reduction in liability in the Statement of Financial Position.

The interest received from PDAs; interest earned in the NCR FNB account held on behalf of PDAs; unidentified and undistributed consumer funds creates a payable from non-exchange. Refer to note 18.

#### Transfers

Transfers for operational activities are recognised as revenue on receipts. Where appropriate, the NCR will recognise the asset arising from the portion of the transfer when it gains control of resources that meet the definition of an asset and satisfy the recognition criteria.

### 1.6 INVESTMENT REVENUE

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

## 1.7 LEASES

### Operating leases – lessee

The leases that the NCR enters into as a lessee, and where the lessor retains substantially all risks and rewards of ownership of the underlying assets, are classified as operating lease. 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. Refer to note 13.

### Finance leases – lessee

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

## 1.8 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is initially measured at cost.

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

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

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

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses. Subsequent costs are included in the asset's carrying amount only when it is probable that the future economic benefits or service potential associated with the item will flow to the NCR and the cost of 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 assets residual values, depreciation method and useful lives are reviewed and adjusted if appropriate, at each financial year. Management re-assessed the useful lives of all assets that were fully depreciated.

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.

Item	Depreciation method	Average useful life
Computer equipment	Straight line	3 - 7 years
Furniture and fittings	Straight line	10 years
Machinery	Straight line	7 years
Office and equipment	Straight line	3 - 7 years
Leasehold improvements	Straight line	Remaining period of lease
Security equipment	Straight line	3 - 7 years
ICT operational system	Straight line	5 - 7 years
Motor vehicles	Straight line	7 years



## Accounting Policies (continued)

### 1.8 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The NCR assesses at each reporting date whether there is any indication that the entity expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the entity revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit in the Statement of Financial Performance.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss on disposal arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

The entity separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 6).

### 1.9 INTANGIBLE ASSETS

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

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

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

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

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

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

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

## 1.9 INTANGIBLE ASSETS (CONTINUED)

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Item	Depreciation method	Average useful life
Computer software	Straight line	1 – 7 years
Human resource system	Straight line	5 – 7 years
Software Licenses	Straight line	License period

The entity discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 7).

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

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

## 1.10 IMPAIRMENT OF TANGIBLE AND INTANGIBLE 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).

At each reporting date, the NCR reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets may be impaired.

An asset is impaired when its recoverable amount is less than its carrying value. In this instance, the carrying value of the asset is reduced to its recoverable amount. This reduction is an impairment loss, which is recognised immediately in the Statement of Financial Performance.

The reversal of an impairment loss of assets other than goodwill is recognised immediately in the Statement of Financial Performance.

## 1.11 PROVISIONS

Provisions are recognised when 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 time value of money is material, the provision is discounted to the present value of the expected cash flows required to settle the obligation. The nature of the provision applicable to the entity are fully explained in note 11 of the annual financial statements.

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

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

A contingent asset is defined as a possible asset that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 32.

## Accounting Policies (continued)

### 1.12 EMPLOYEE BENEFITS

#### Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within 12 months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as wages, salaries and social security contributions; short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within 12 months after the end of the reporting period in which the employees render the related employee service; bonus, incentive and performance related payments payable within 12 months after the end of the reporting period in which the employees render the related service; and non-monetary benefits (for example, medical care, and free or subsidised goods or services such as cell phones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service; as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees renders services that increase their entitlement, or, in the case of non-accumulating absences, when absence occurs. The entity measures the expected cost of accumulating compensated absence as the additional amount that the entity expects to pay as a result of unused entitlement that has accumulated at the reporting date.

The expected cost 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 and reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

#### Retirement benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

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.

Defined contribution plans are post-employment benefit plans under which the entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognises the contribution payable to a defined contribution plan in exchange for that service as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

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. Refer to note 19.

### 1.13 STATUTORY RECEIVABLES 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.

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset. The transaction amount for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

The NCR initially measures statutory receivables at their transaction amount.

The NCR measures statutory receivables after initial recognition using the cost method. The carrying amount is the amount at which an asset is recognised in the statement of financial position. The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

Accounts receivables are measured at initial recognition at fair value plus transaction costs and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowance for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivables is impaired.

The provision for bad debts recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows at the effective interest rate computed at initial recognition. The carrying amount of the asset is reduced through the use of a provision for bad debts account, and the amount of the deficit is recognised within operating expenses in the statement of financial performance. When accounts receivables are uncollectible they are written off against the provision of bad debts account. Refer to note 4.1: Statutory receivables from non-exchange transactions.

## 1.14 FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation

A financial asset is cash; a residual interest of another entity; or a contractual right to receive cash or another financial asset from another entity; or exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another entity; or exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

### Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Cash and cash equivalents	Financial asset measured at fair value
Receivable from exchange transactions	Financial asset measured at fair value

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Payables from exchange transactions	Financial liability measured at fair value

### Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

### Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability, except for financial instruments subsequently measured at fair value, which are measured at its fair value.

### Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:  
Financial instruments at amortised cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

## 1.14 FINANCIAL INSTRUMENTS (CONTINUED)

### Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

### Impairment and uncollectibility of financial assets

NCR assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

### Derecognition

#### Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when the contractual rights to the cash flows from the financial asset expire, are settled or waived; the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity derecognises the asset; and recognises separately any rights and obligations created or retained in the transfer.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

#### Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

### Cash and cash equivalents

Cash and cash equivalents comprise of 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 measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial assets or financial liability and subsequently recorded.

### Receivables from exchange transactions

- Other receivables are classified as financial assets at amortised cost. An entity shall remove a financial liability (or part of a financial liability) from its statement of financial position when, and only when, it is extinguished - i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived. An entity shall be derecognise a financial asset only when:
- the contractual rights to the cash flows from the financial asset expire, are settled or waived;

the entity transfers to another party substantially all of its risks and rewards of ownership of the financial assets.

### Payables from exchange transactions

Trade payables are initially measured to fair value plus transaction costs and are subsequently measured at amortised cost, using the effective interest rate.

### 1.14 FINANCIAL INSTRUMENTS (CONTINUED)

#### Payables from non- exchange transactions

Payables from non-exchange relates to Payment Distribution Agency (PDA) interest. It is initially and subsequently measured at fair value plus transaction costs. It consists of interest received from PDAs, interest earned in the PDA account (FNB bank account), unidentified and undistributed consumer funds.

Once conditions (i.e. when investigations and consumer education expenditure has been incurred) are met as prescribed by the PDA policy, the reduction in liability is recognised in the Statement of Financial Position.

Refer to note 28.

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

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

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed. Refer to note 27.

### 1.16 FRUITLESS AND WASTEFUL EXPENDITURE

If any expenditure meets the definition of fruitless and wasteful expenditure (after an investigation) and it is recoverable from a responsible official, a current asset is created on the statement of financial position, and posted to the relevant expenditure account. If any fruitless and wasteful expenditure is from a previous financial year, a current asset is created on the statement of financial position, and posted to the revenue recoverable account. Refer to note 31.

### 1.17 IRREGULAR EXPENDITURE

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including this Act; or the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or any provincial legislation providing for procurement procedures in that provincial government.

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year-end and/or before finalisation of the financial statements, is recorded in the register and disclosed in the notes to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year-end, is recorded in the register and disclosed in the notes to the financial statements.

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

If liability for the irregular expenditure can be attributed to a person, a debt account is created if such a person is liable in law. Immediate steps are thereafter taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The register is also updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto remains against the relevant programme/expenditure item, disclosed as such in the notes to the financial statements and updated accordingly in the register.

For details on irregular expenditure, refer to note 30 - Irregular expenditure.

### 1.18 BUDGET INFORMATION

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

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

The approved budget covers the fiscal period from 4/1/2021 to 3/31/2022.

### 1.18 BUDGET INFORMATION (CONTINUED)

The annual financial statements and the budget are not on the same basis of accounting. The budget is prepared on the cash basis. A reconciliation between the Statement of Financial Performance and the budget have been included in the draft annual financial statements.

Comparative information is not required.

### 1.19 SIGNIFICANT JUDGEMENT AND SOURCES OF ESTIMATION UNCERTAINTY

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of the available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

#### Statutory receivables and other receivables

NCR assesses its statutory receivables and receivables for impairment at the end of each reporting period. In determining whether the impairment loss should be recorded in surplus or deficit, the NCR management makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment of statutory receivables and receivables is calculated on an individual basis, based on historical performance, adjusted for specific current economic conditions and other indicators present at the reporting date that correlates with the defaults on the debtor.

#### Effective interest rate

NCR used the prime interest rate to discount future cash flows.

#### Impairment testing

The NCR reviews and tests the carrying value of assets when the events or changes in circumstances suggests that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets.

#### Provisions

In all the provisions that are raised, the management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 11 - Provisions.

#### Useful lives of assets

The NCR's management determines the estimated useful lives and related depreciation charges for the tangible and intangible assets. Management adjusts the depreciation charge where useful lives are different than previously estimated useful lives. Refer to note 29 - Changes in estimate.

### 1.20 COMMITMENTS

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computers); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

### 1.21 EVENTS AFTER REPORTING DATE

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

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The entity will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting period.

The entity shall not adjust the amounts recognised in its financial statements to reflect non-adjusting events after the reporting period. Refer to note 33.

# Notes to the Annual Financial Statements

## 2. NEW STANDARDS AND INTERPRETATIONS

### 2.1 STANDARDS AND INTERPRETATIONS ISSUED, BUT NOT YET EFFECTIVE

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after April 1, 2022 or later periods:

Standard/Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 25 – Employee benefits	01 April 2022	Not expected to impact results but may result in additional disclosure
• iGRAP 7 (as revised): The limit on a defined benefit asset, minimum funding requirements and their interaction	01 April 2022	Unlikely there will be a material impact
• GRAP 104 (as revised): Financial Instruments	01 April 2025	Not expected to impact results but may result in additional disclosure
• iGRAP 21 - The effect of past decision on materiality	01 April 2023	Impact is currently being assessed
• Improvements to Standards of GRAP	01 April 2023	Not expected to impact results but may result in additional disclosure
• GRAP 104 (amended): Financial Instruments	01 April 2023	Not expected to impact results but may result in additional disclosure

## 3. RECEIVABLES FROM EXCHANGE TRANSACTIONS

	2022 R	2021 R
Sundry debtors	16,688	210,648
Staff debts	10,876	-
Deposits	658,125	658,125
Prepaid expenses	256,179	179,023
	<b>941,868</b>	<b>1,047,796</b>

During the financial year, certain sundry debtors were identified to be infrequent debt of small amounts and separate disclosure for this is deemed necessary. The prior year was adjusted accordingly to provide comparative disclosure without amending the total value of receivables from exchange transactions.

## 4. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

### 4.1 STATUTORY RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

As at 31 March 2022, included in the receivables from non-exchange transactions are statutory receivables of R884 491 (2021: R10 190 804). All statutory receivables past due at the end of the financial year 31 March are impaired and provided for. Statutory receivables comprise fee revenue from registrants in line with section 51 of NCA.

	2022 R	2021 R
<b>Statutory receivables past due and impaired</b>		
Current	(150,955)	(6,888)
31-60 days	25,752	748,459
61-90 days	(11,353)	(34,063)
91 and over	1,021,047	9,483,296
	<b>884,491</b>	<b>10,190,804</b>
Gross	884,491	10,190,804
Provision for impairment	(884,491)	(10,190,804)
	-	-



#### 4. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (CONTINUED)

##### 4.1 STATUTORY RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (CONTINUED)

	2022 R	2021 R
<b>Reconciliation of provision for impairment of receivables from non-exchange transactions</b>		
Opening balance	10,190,804	8,515,940
Provision for impairment	(765,367)	4,858,826
Amount utilised	(8,540,946)	(3,183,962)
	<b>884,491</b>	<b>10,190,804</b>

##### 4.2 OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	2022 R	2021 R
PDA interest receivables	577,379	435,211

The PDA interest receivable is the interest payable to the NCR by the PDAs which comprises of the interest generated from consumer unidentified and undistributed funds.

#### 5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

	2022 R	2021 R
Cash on hand	2,375	1,764
Bank balances	579,915	202,019
Call accounts	36,744,596	34,099,597
PDA account	36,610,306	33,710,826
	<b>73,937,192</b>	<b>68,014,206</b>

Cash and cash equivalents balances includes an amount of R36 610 306 (2021: R33 710 826) held by PDA account. This relates to the interest earned on monies held by PDA on behalf of consumers. The Minister of Trade and Industry has approved a policy on the utilisation of these funds for investigations, enforcement and consumer education activities effective from the 15th October 2015.

#### 6. PROPERTY, PLANT AND EQUIPMENT

	2022			2021		
	Cost/ Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost/ Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Computer equipment	12,474,036	(4,666,509)	7,807,527	9,304,425	(4,051,738)	5,252,687
Furniture and fittings	3,718,708	(2,292,537)	1,426,171	3,785,693	(2,134,495)	1,651,198
Machinery	292,363	(222,355)	70,008	292,363	(203,613)	88,750
Office equipment	2,550,602	(1,308,450)	1,242,152	2,496,971	(1,096,100)	1,400,871
Leasehold improvements	3,618,025	(2,225,966)	1,392,059	2,758,840	(1,700,514)	1,058,326
Security equipment	2,226,925	(1,017,221)	1,209,704	1,408,426	(934,213)	474,213
ICT operational system	1,006,994	(808,749)	198,245	1,047,900	(742,590)	305,310
Motor vehicles	1,048,404	(213,425)	834,979	1,048,404	(71,142)	977,262
<b>Total</b>	<b>26,936,057</b>	<b>(12,755,212)</b>	<b>14,180,845</b>	<b>22,143,022</b>	<b>(10,934,405)</b>	<b>11,208,617</b>

## Notes to the Annual Financial Statements (continued)

## 6. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

## Reconciliation of property, plant and equipment – 2022

	Opening balance	Additions	Other additions	Disposals	Adjustments	Depreciation	Total
Computer equipment	5,252,687	3,694,339	5,316	(112,311)	-	(1,032,504)	7,807,527
Furniture and fittings	1,651,198	20,353	5,922	(2,492)	(82,333)	(166,478)	1,426,170
Machinery	88,750	-	-	-	-	(18,742)	70,008
Office equipment	1,400,871	87,732	3,642	(9,486)	-	(240,606)	1,242,153
Leasehold improvements	1,058,326	747,525	-	(3,104)	130,565	(541,253)	1,392,059
Security equipment	474,213	880,018	147	(670)	(48,258)	(95,746)	1,209,704
ICT operational system	305,310	-	-	(8,053)	-	(99,012)	198,245
Motor vehicles	977,262	-	-	-	-	(142,283)	834,979
	<b>11,208,617</b>	<b>5,429,967</b>	<b>15,027</b>	<b>(136,116)</b>	<b>(26)</b>	<b>(2,336,624)</b>	<b>14,180,845</b>

## Reconciliation of property, plant and equipment – 2021

	Opening balance	Additions	Other additions	Disposals	Adjustments	Depreciation	Total
Computer equipment	3,683,172	2,617,099	1,098	(278,877)	8,237	(778,042)	5,252,687
Furniture and fittings	1,296,857	561,147	7,095	(106)	(17)	(213,778)	1,651,198
Machinery	69,848	35,250	-	-	-	(16,348)	88,750
Office equipment	1,125,118	548,726	550	(32,459)	9,716	(250,780)	1,400,871
Leasehold improvements	1,016,723	337,673	1,100	(10,020)	318	(287,468)	1,058,326
Security equipment	523,269	84,494	-	(572)	(14,931)	(118,047)	474,213
Security equipment	1,637,892	-	-	(1,081,812)	-	(250,770)	305,310
Motor Vehicle	-	1,048,404	-	-	-	(71,142)	977,262
	<b>9,352,879</b>	<b>5,232,793</b>	<b>9,843</b>	<b>(1,403,846)</b>	<b>3,323</b>	<b>(1,986,375)</b>	<b>11,208,617</b>

## Pledged as security

No property, plant and equipment were pledged as security for any financial liability in the reporting period.

Assets were inspected and found to be useful for longer than their estimated useful life. This resulted in a change in accounting estimate of which such impact is disclosed in note 29.

## 6. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

### Depreciation rates

The depreciation methods and average useful lives of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Machinery	Straight line	7 years
Furniture and fittings	Straight line	10 years
Motor vehicles	Straight line	7 years
Office equipment	Straight line	3 - 7 years
Computer equipment	Straight line	3 - 7 years
Leasehold improvements	Straight line	Remaining period of lease
Security equipment	Straight line	3 - 7 years
ICT operational system	Straight line	5 - 7 years

### Assets under investigations

The following assets could not be verified during the year end physical verification:

- 1) HP 800 desktop with book value of R5 365.07;
- 2) Cisco UC Phone 7841 with book value of R1 593.93;
- 3) Cisco UC Phone 7942 with book value of R608.68

The investigation was not concluded by the time the annual financial statements were finalised

### Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

	2022 R	2021 R
Furniture	2,670	-
Leasehold improvements	127,841	95,278
Security equipment	19,940	21,388
Office equipment	2,645	-
Machinery	13,920	6,650
Computer Equipment	-	-
	<b>167,016</b>	<b>123,316</b>

\*Adjustments comprises of reclassification and corrections within the asset classes during the year.

\*\*Other additions comprises of non current assets identified during the physical verification process and brought to the fixed asset register.

### Capital commitments

Capital commitments are disclosed in a separate note to the annual financial statements. Refer to note 12.

## 7. INTANGIBLE ASSETS

	2022			2021		
	Cost/ Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost/ Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	5,843,730	(2,474,516)	3,369,214	5,905,956	(2,966,326)	2,939,630
Intangible assets under development	649,290	-	649,290	649,290	-	649,290
Human resource system	1,022,832	(135,788)	887,044	654,625	(7,793)	646,832
<b>Total</b>	<b>7,515,852</b>	<b>(2,610,304)</b>	<b>4,905,548</b>	<b>7,209,871</b>	<b>(2,974,119)</b>	<b>4,235,752</b>

### Reconciliation of intangible assets – 2022

	Opening balance	Additions	Amortisation	Total
Computer software	2,939,630	3,648,870	(3,219,286)	3,369,214
Intangible assets under development	649,290	-	-	649,290
Human resource system	646,832	580,469	(340,257)	887,044
	<b>4,235,752</b>	<b>4,229,339</b>	<b>(3,559,543)</b>	<b>4,905,548</b>

### Reconciliation of intangible assets – 2021

	Opening balance	Additions	Disposals	Adjustments	Amortisation	Total
Computer software	2,468,201	3,711,740	(19,534)	(3,323)	(3,217,454)	2,939,630
Intangible assets under development (WIP)	358,191	291,099	-	-	-	649,290
Human resource system	104,685	654,625	-	-	(112,478)	646,832
	<b>2,931,077</b>	<b>4,657,464</b>	<b>(19,534)</b>	<b>(3,323)</b>	<b>(3,329,932)</b>	<b>4,235,752</b>

Some intangible assets were inspected and found to be useful for longer than their estimated useful life. This resulted in change in accounting estimate of which such impact is disclosed in note 27 of the annual financial statements.

### Intangible assets in the process of being constructed or developed

#### Cumulative expenditure recognised in the carrying value of Intangible assets

	2022 R	2021 R
Intangible assets under development: Great Plains Dynamics	649,250	649,250

The intangible assets recorded as work in progress refers to automation of the MS GP Dynamics system that was implemented during the year under review. The diagnostic, analysis, design and development stages have been completed. The automated MS GP Dynamics system is expected to be launched during the 2022/2023 financial year.

### Capital commitments

Capital commitments are disclosed in a separate note to the annual financial statements. Refer to note 12.

## Notes to the Annual Financial Statements (continued)

## 8. INCOME RECEIVED IN ADVANCE

	2022 R	2021 R
Income received in advance	3,543,588	3,412,092

Income received in advance comprise of application fees and renewal fees received in advance from registrants as well as registrants' account with credit balances. Income received in advance is reflected as non-exchange revenue when recognised in Statement of Financial Performance.

## 9. PAYABLES FROM EXCHANGE TRANSACTIONS

	2022 R	2021 R
Trade payables	3,874,451	7,656,370
Accruals	4,215,981	6,904,484
	<b>8,090,432</b>	<b>14,560,854</b>

The trade payables are due and payable within 30 days from the date of receipt of invoice.

## 10. PAYABLES FROM NON-EXCHANGE TRANSACTIONS

## 10.1 PAYMENT DISTRIBUTION AGENTS (PDA) INTEREST

	2022 R	2021 R
Balance unspent at the beginning of year	25,146,775	34,331,664
Current Receipts	14,412,353	7,159,763
Conditions met to transfer revenue (refer to note 18)	(2,371,443)	(16,344,652)
<b>Balance unspent at the end of year</b>	<b>37,187,685</b>	<b>25,146,775</b>

The PDA interest transactions are accounted for in terms of GRAP 23: Revenue from non-exchange transactions. Once all the conditions are met, payables from non-exchange transactions are reduced and revenue is recognised.

Included in current receipts is an amount of R577 379 for PDA interest not yet received at year end.

Included in the balance at year-end are unidentified consumer funds amounting to R24 107 259 (2021: R23 568 145) and undistributed consumer funds amounting to R10 972 743.15.

Current receipts includes all cash flows and accruals from the year.

## 11. PROVISIONS

## Reconciliation of provisions – 2022

	Opening Balance	Additions	Reversed during the year	Total
Other provisions	267,883	667,675	(465,148)	470,410

**11. PROVISIONS (CONTINUED)****Reconciliation of provisions – 2021**

	Opening Balance	Additions	Reversed during the year	Total
Provision for bonuses	7,281,683	7,100,015	(14,381,698)	-
Other provisions	1,238,846	256,173	(1,227,136)	267,883
	<b>8,520,529</b>	<b>7,356,188</b>	<b>(15,608,834)</b>	<b>267,883</b>

Performance bonuses were not paid by the NCR for the period relating to 01 April 2020 to 31 March 2021 and 01 April 2021 to 31 March 2022 due to budget cuts relating to the COVID-19 pandemic.

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

**12. COMMITMENTS****Capital expenditure**

	2022 R	2021 R
Disaster recovery implementation (Software and licences)	1,577,100	582,773
Microsoft software licences (Software and licenses)	-	868,231
Great Plains enhancements (Software and licenses)	720,935	720,935
Cisco equipment and licences	38,640	38,640
HR system - SAGE (Software and licenses)	348,772	793,199
GP licences (Software and licenses)	2,816,662	3,026,998
Microfile license (Software and licenses)	25,300	145,536
Cisco server and other equipment (Computer equipment)	297,194	323,713
Servers (Computer equipment)	476,229	4,516,998
Laptops (Computer equipment)	779,073	753,905
Network cables and server rack	-	210,075
Wooden door	-	39,055
Digital signature solution (Software and licenses)	921,998	-
Network switch (Computer equipment)	167,905	-
	<b>8,169,808</b>	<b>12,020,058</b>

**Capital expenditure classification**

	2022 R	2021 R
Leasehold improvements	-	39,055
Computer equipment	1,720,401	5,804,691
Intangible assets	6,449,407	6,176,312
	<b>8,169,808</b>	<b>12,020,058</b>

The capital expenditure will be financed through the annual transfer from the dtic and the annual fees from registrants. The above amounts relate to the value of commitments over the remaining period of commitments.

## 13. OPERATING LEASE

	2022 R	2021 R
<b>Operating lease liability</b>		
Buildings	1,388,429	1,299,549
Billboard	34,404	-
	<b>1,422,833</b>	<b>1,299,549</b>

<b>Minimum lease payments due - Building</b>		
Within one year	4,422,202	4,422,202
In second to fifth year inclusive	7,219,491	11,641,693
	<b>11,641,693</b>	<b>16,063,895</b>

The operating lease is for NCR office premises which are located at 127-15th Road, Randjespark, Midrand. The lease term is seven (07) years which commences on 1 May 2017 and expires on 30 April 2024. The lease rentals escalate at 8% per annum on the lease anniversary date.

The NCR has an additional office which is located on 232-15th Road, Randjespark, Midrand. The lease term is five (05) years which commenced on 1 September 2020 and expires on 30 August 2025. The lease rentals escalates at 8% per annum on the lease anniversary date.

The operating lease costs have been straight-lined over the lease term and 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.

	2022 R	2021 R
<b>Minimum lease payment due - Franking machine</b>		
Within one year	40,967	40,967
In second to fifth year inclusive	44,381	85,348
	<b>85,348</b>	<b>126,315</b>

The franking machine lease term is five (05) years which commenced on 1st May 2019 and expires on the 30th April 2024. The lease rentals escalation is 0% per annum

	2022 R	2021 R
<b>Minimum lease payments due - Billboard</b>		
Within one year	1,159,337	1,159,337
In second to fifth year inclusive	96,611	1,255,948
	<b>1,255,948</b>	<b>2,415,285</b>

The billboard lease term is three (03) years which commenced on 1 May 2020 and expires on 30 April 2023. The lease rental escalates at 3% per annum on the lease anniversary date.

**13. OPERATING LEASE (CONTINUED)**

	2022 R	2021 R
<b>Minimum lease payment due - Printers and copiers</b>		
Within one year	519,890	481,065
In second to fifth year inclusive	-	409,963
	<b>519,890</b>	<b>891,028</b>

The printers and copiers lease term is three (03) years which commenced on 1st February 2020 and expires on the 31st January 2023. The lease rentals escalation is 0% per annum

**14. OTHER EXCHANGE REVENUE**

	2022 R	2021 R
Skills development levies recovered	111,711	118,026
Reimbursements	847,297	420
Proceeds from insurance claim	78,917	-
Other income	-	-
Adjustment on non current assets	15,025	9,843
	<b>1,052,950</b>	<b>128,289</b>

**15. INVESTMENT REVENUE**

	2022 R	2021 R
<b>Interest revenue</b>		
Bank	1,953,501	2,340,066

**16. FEE REVENUE**

	2022 R	2021 R
Application fees	961,567	814,000
Registration fees	30,337,923	34,429,676
Registration fees - bad debts recovered	767,417	15,245
Branch fees	11,502,223	10,284,970
Penalty fees	402,440	1,240,694
National loans register fees	-	541,597
Replacement certificate fees	73,860	57,700
	<b>44,045,430</b>	<b>47,383,882</b>

Royalty fees derived from NLR ceased in August 2020.



**17. TRANSFERS**

	2022 R	2021 R
<b>Operating grants</b>		
Transfer from the dtic	82,632,000	71,272,000

The dtic contributes to the operational activities of the NCR while also providing funding for specific projects.

**18. OTHER NON-EXCHANGE REVENUE**

	2022 R	2021 R
Prescribed income	463,462	338,665
PDA - Interest	2,371,442	16,344,652
	<b>2,834,904</b>	<b>16,683,317</b>

Prescribed income relates to the recognition as income of unidentified and unclaimed receipts in line with the Prescription Act No. 68 of 1969, the prescribed income was previously held for three (03) years under current liabilities in the statement of financial position.

PDA Interest relates to the amount recovered by the NCR as per approved PDA interest utilisation policy with effect from 15 October 2015.

**19. PERSONNEL EXPENDITURE**

	2022 R	2021 R
Salaries	66,036,221	71,032,579
Bonuses	-	(7,281,683)
Medical aid - company contributions	4,032,121	4,348,823
Training levies - SDL	704,820	740,346
Contributions to retirement	7,161,630	7,544,882
	<b>77,934,792</b>	<b>76,384,947</b>

**20. OPERATING EXPENSES**

	2022 R	2021 R
Professional fees	14,176,042	8,630,905
Consumer education	5,029,435	10,391,364
Stakeholder communication	549,641	263,107
Debt counselling initiatives	1,271,430	677,179
	<b>21,026,548</b>	<b>19,962,555</b>

## Notes to the Annual Financial Statements (continued)

## 21. ADMINISTRATIVE EXPENSES

	2022 R	2021 R
Premises and equipment*	10,370,917	7,721,925
Communication costs	1,316,437	4,005,256
Information technology	4,605,444	2,357,712
General expenses	7,525,657	9,201,791
Other staff costs**	269,367	221,497
	<b>24,087,822</b>	<b>23,508,181</b>

\* Included in premises and equipment is repairs and maintenance of fixed assets.

\*\*Included in other staff costs is refreshment, training and recruitment fees.

	2022 R	2021 R
<b>General expenses comprise of:</b>		
Audit fees (internal and external)	4,516,465	3,057,495
Audit and risk management committee fees*	244,460	326,427
Bank charges	89,125	98,639
Bad debts	-	4,858,826
Consumables	258,280	172,901
Forex loss	21,792	30,882
Loss on disposal of assets	136,115	341,568
Subscriptions	18,076	14,674
Travel and accommodation	1,826,935	71,888
Insurance	362,333	228,491
Outsourced services - Facilities	49,940	-
Mobile unit - Vehicle maintenance	2,136	-
	<b>7,525,657</b>	<b>9,201,791</b>

\*Audit and risk management committee fees at gross.

**22. OPERATING SURPLUS**

	2022 R	2021 R
<b>Operating surplus for the year is stated after accounting for the following:</b>		
Audit fees (internal and external)	4,516,465	3,057,495
Audit and Risk Management Committee fees	244,460	326,427
Operating lease payments - building	4,393,470	3,666,510
Bad debts	-	4,858,826
Loss on disposal of assets	136,115	341,568
	<b>9,290,510</b>	<b>12,250,826</b>
Amortisation on intangible assets	3,559,543	3,329,932
Depreciation of property, plant and equipment	2,336,624	1,986,375
Personnel expenditure	77,934,792	76,384,947
	<b>83,830,959</b>	<b>81,701,254</b>

**23. CASH GENERATED FROM OPERATIONS**

	2022 R	2021 R
Surplus for the year	3,573,455	12,635,564
<b>Adjustments for:</b>		
Depreciation and amortisation	5,896,167	5,316,307
Movements in operating lease	123,284	185,005
Movements in provisions	202,527	(8,252,641)
Loss on disposal of assets	136,115	341,567
Retirement of non-current assets	-	1,081,812
Other non-cash items	(15,000)	(9,843)
<b>Changes in working capital:</b>		
Receivables from exchange transactions	105,928	(455,380)
Receivables from non-exchange transactions	(142,168)	1,799,587
Payables from exchange transactions	(6,470,421)	8,447,835
Income received in advance	131,495	278,735
Payables from non-exchange transactions	12,040,910	(9,184,889)
	<b>15,582,292</b>	<b>12,183,659</b>

## Notes to the Annual Financial Statements (continued)

## 24. MANagements' Emoluments

## Executive

## 2022

	Salary (including backpay) R	Provident fund contributions R	Travel allowance R	Medical aid contributions R	Medical aid subsidy R	Total R
N. Motshegare	2,850,883	154,388	108,000	25,200	-	3,138,471
O Tongoane	2,176,512	117,949	84,000	25,200	-	2,403,661
J. Meyer*	672,917	35,417	-	10,500	68,655	787,489
L. De Beer**	657,632	34,612	-	12,600	-	704,844
L Mashapa	1,523,042	79,469	-	25,200	-	1,627,711
	<b>7,880,986</b>	<b>421,835</b>	<b>192,000</b>	<b>98,700</b>	<b>68,655</b>	<b>8,662,176</b>

## 2021

	Salary (including backpay) R	Provident fund contributions R	Travel allowance R	Medical aid subsidy R	Total R
N Motshegare	2,714,364	153,429	99,000	24,300	2,991,093
O Tongoane	2,150,106	117,216	77,000	24,300	2,368,622
J Meyer	1,530,105	85,000	-	24,300	1,639,405
L Mashapa	1,500,534	78,975	-	24,300	1,603,809
	<b>7,895,109</b>	<b>434,620</b>	<b>176,000</b>	<b>97,200</b>	<b>8,602,929</b>

\* Resigned end of August 2021

\*\*Appointed in October 2021

The comparative information has been adjusted and the total management emoluments as at 31 March 2021 was reduced by R621 306 to correct reporting deficiencies within the payroll system. The following adjustments were done:

Medical aid deductions previously reported as remuneration	(203,682)
Provident fund deductions previously reported as remuneration	(434,620)
Refund related to medical aid previously not reported	16,996
An amount of R16 000 was removed from travel allowance to basic salary	-
	<b>(621,306)</b>

**25. AUDIT AND RISK MANAGEMENT COMMITTEE FEES**

	2022 R	2021 R
Z. Chonco*	5,752	-
P. Chilwane*	86,280	-
A. Latchu*	5,752	-
P. Sibiya**	60,396	-
P. Mvulane****	20,132	60,396
W. Ndlovu***	46,016	107,851
H. Tshabalala*****	20,132	97,784
J. Bokwa	-	60,396
	<b>244,460</b>	<b>326,427</b>

\* Appointed on the 11 August 2021

\*\* Appointed on the 02 October 2021

\*\*\* Terminated on the 31 October 2021

\*\*\*\* Terminated on the 20 November 2021

\*\*\*\*\* Terminated on the 31 May 2021

**26. RECLASSIFICATION NOTE**

	Comparative figures previously reported	Reclassification	After reclassification
<b>Impact on Statement of Financial Performance</b>			
Cash paid to employees	(76,466,554)	81,607	(76,384,947)
Cash paid to suppliers	(23,426,574)	(81,607)	(23,508,181)
	<b>(99,893,128)</b>	-	<b>(99,893,128)</b>

	Comparative figures previously reported	Reclassification	After reclassification
<b>Impact on Cash Flow Statement</b>			
Cash paid to employees	(83,748,236)	81,607	(83,666,629)
Cash paid to suppliers	(43,210,024)	(81,607)	(43,291,631)
	<b>(126,958,260)</b>	-	<b>(126,958,260)</b>

Certain comparative figures have been reclassified for the purpose of achieving fair presentation.

Administrative expenditure - Audit and Risk Management Committee fees includes tax paid on member's fees which was previously disclosed as Personnel expenditure.

**27. RELATED PARTIES**

Relationships	Nature of relationship
Relationships	
Members of key management	Contractual relationship, refer to note 24
Members of Audit and Risk Management Committee	Contractual relationship, refer to note 25
Department of Trade, Industry and Competition	Controlling entity
National Companies Tribunal	Entity under common control
Export Credit Insurance Corporation of South Africa	Entity under common control
National Consumer Commission	Entity under common control
National Consumer Tribunal	Entity under common control
National Lotteries Commission	Entity under common control
National Gambling Board	Entity under common control
National Regulator for Compulsory Specifications	Entity under common control
National Empowerment Fund	Entity under common control
National Metrology Institute of South Africa	Entity under common control
South African Bureau of Standards	Entity under common control
South African Accreditation System	Entity under common control
Companies and Intellectual Properties Commission	Entity under common control
International Trade Administration Commission	Entity under common control
Competition Commission	Entity under common control
Industrial Development Corporation	Entity under common control

**Related party transactions**

	2022 R	2021 R
<b>Department of Trade, Industry and Competition</b>		
Transfer of payments received	82,632,000	71,272,000
<b>Members of key management</b>		
Remuneration of key management	8,662,176	8,602,929

The comparative information has been adjusted and the total management emoluments as at 31 March 2021 was reduced by R621 306 to correct reporting deficiencies within the payroll system ( refer to note 24).

<b>Members of Audit and Risk Management Committee</b>		
Fees paid to Audit and Risk Management Committee (refer to note 25)	244,460	326,427

## 28. RISK MANAGEMENT

### Financial risk management

The NCR Finance function provides services to the organisation, monitors and manages financial risks relating to operations of 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 date to the contractual maturity date.

	Payable within 30 days R	Total R
<b>At 31 March 2022</b>		
• Trade Payables	8,090,433	8,090,433
<b>At 31 March 2021</b>		
• Trade Payables	14,560,854	14,560,854

### Credit risk

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

With regard to credit risk arising from the other financial assets, which comprises of cash and cash equivalents, the NCR's exposure arises from a potential counterparty where a credit rating is constantly monitored, with a maximum exposure of R73 937 192 (2021: R68 014 206) to the carrying amount of these instruments. The institution in which funds are being placed is monitored on an annual basis to assess any potential risks. Cash and cash equivalents are only placed with banking institutions with a good credit ratings.

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

	2022 R	2021 R
<b>Financial instruments</b>		
Receivables from exchange transactions	658,125	658,125
Bank and call accounts	73,937,192	68,014,206

**28. RISK MANAGEMENT (CONTINUED)**

There is no security pledged on receivables, cash and cash equivalents.

As at the end of financial year, no financial assets are either past due date or impaired.

**Interest rate risk**

Interest rate risk is the risk that the value of a financial instrument will fluctuate owing to changes in market interest rate.

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.

	2022 R	2021 R
<b>Exposure to interest rate risk is set out below:</b>		
Cash and cash equivalents	73,937,192	68,014,206
	<b>73,937,192</b>	<b>68,014,206</b>

**29. CHANGE IN ESTIMATE**

During the period under review, the management re-assessed the remaining useful lives of non-current assets that had been fully depreciated (nil net book value). The useful lives of other property, plant and equipment assets ( furniture and fittings; office, computer and security equipment) and intangible assets (Adobe inDesign licence) was revised to 2 years. The effect of this revision has resulted in a decreased depreciation/amortisation charge for the depreciation/amortisation charge for the period under review and increased future periods by R327 191 (2021: R627 637).

The impact of the change in estimate is as follows:

	2022 R	2021 R
<b>Classes of assets:</b>		
Computer equipment	164,007	197,341
Furniture and fittings	57,643	67,362
Office equipment	41,197	<b>17,737</b>
Security equipment	59,115	11,216
ICT operational system	-	305,309
Intangible assets	5,229	<b>28,672</b>
	<b>327,191</b>	<b>627,637</b>

	2022 R	2021 R
<b>Effect on statement of financial performance</b>		
Depreciation	(321,962)	(598,965)
Amortisation	(5,229)	-
Effect on the statement of financial position	- 321,962	(28,672)
Accumulated depreciation	- 598,965	659 622
Accumulated amortisation	5,229	<b>28,672</b>
	-	-



**30. IRREGULAR EXPENDITURE**

	2022 R	2021 R
<b>Opening balance</b>	8,116,818	6,848,536
Add: Irregular Expenditure - current	68,095	1,290,386
Less: Value determined	(273,810)	-
Less: Amounts condoned	(7,867,003)	(19,401)
Less: Monies recovered	(3,000)	(2,703)
<b>Closing balance</b>	<b>41,100</b>	<b>8,116,818</b>

**Analysis of expenditure awaiting condonation per age classification:**

	2022 R	2021 R
Current year	41,100	1,270,985
Prior years	-	6,845,833
	<b>41,100</b>	<b>8,116,818</b>

**Details of irregular expenditure**

- 1) The irregular expenditure of R6 845 833 relates to the misrepresentation and late implementation of the National Treasury Instruction Note 3 of 2016/2017. A further amount of R170 042 was identified in the current year that relates to the above-mentioned irregular expenditure. The whole amount of R7 015 875 was condoned after financial year end.
- 2) The irregular expenditure of R41 100 identified is that the RFQ did not include the National Treasury Instruction note 5 of 2020/2021 on Local Content. The matter is still under that investigation.
- 3) The irregular expenditure of R796 950 condoned relates to services rendered being more than the approved budget for services. The amount of R1 240 803 disclosed in the prior year was still under investigation and R443 853 of that amount was determined as not irregular expenditure.
- 4) The irregular expenditure of R47 428 condoned relates to failure to review and monitor compliance with applicable laws and regulations in terms of PPPFA (Price and BEE).
- 5) The irregular expenditure of R6 750 condoned relates to RFQ that did not include the National Treasury note 5 of 2020/2021 - Local content and irregular expenditure of R3000 was recovered from a supplier.

	2022 R	2021 R
Legal fees for investigation matters	-	6,845,833
Consumables	41,100	1,270,985
	<b>41,100</b>	<b>8,116,818</b>

	2022 R	2021 R
<b>Irregular expenditure - determined values</b>		
Legal contracts deviations	170,042	-
MTN	(443,852)	-
	<b>(273,810)</b>	-

**30. IRREGULAR EXPENDITURE (CONTINUED)**

During the year under review, investigations on the matters tabled above were concluded on. In concluding, differences were identified on the previously reported Irregular expenditure values as reported under 1) and 3) above. These irregular expenditures were condoned by National Treasury.

**31. FRUITLESS AND WASTEFUL EXPENDITURE**

	2022 R	2021 R
Opening balance as previously reported	-	-
Add: Fruitless and wasteful expenditure identified - current	26,187	-
Less: Amount recovered - current	(22,152)	-
<b>Closing balance</b>	<b>4,035</b>	-

Fruitless and wasteful expenditure is presented inclusive of VAT

Fruitless and wasteful expenditure identified were as follows:

- 1) An amount of R21 144 is an overpayment of basic salary due to inclusion of Employer contribution: Pension Fund. The whole amount was subsequently recovered.
- 2) An amount of R5 043 for bank charges incurred due to late release of payroll on online banking. R1 008 has been recovered and the recovery of the balance (R4 035) is still in progress.

Disciplinary steps have been taken against the respective employees.

**32. CONTINGENCIES**

The NCR received favourable and unfavourable court rulings on several legal matters which were taken on appeal and in some matters application for leave to appeal is currently pending. The High Court rulings included the awarding of legal costs to the NCR and against the NCR. The actual costs are not yet known and could not be reliably estimated which are wholly dependent on the outcome of the appeals.

**33. EVENTS AFTER THE REPORTING DATE**

This irregular expenditure existed, for which the entity has requested condoning at year end. The receipt of the letter of condonation from National Treasury that occurred between the reporting date and the date when the financial statements are authorised for issue, provided evidence of this condition that existed at reporting date. Due to the significance of the item, adjustments were made as reported in Note 30.

**34. GOING CONCERN**

The NCR's annual financial statements as at 31 March 2022 have been prepared on a going concern basis. The economic viability and going concern of NCR is supported by the dtic, therefore NCR's management is certain that the organisation will be able to continue as the going concern in the foreseeable future.

Management has put measures in place to increase revenue and ensure the going concern ability of NCR. Some of the measures comprise of review of registrant's fees and uncapping the credit providers branch fees.





# NCR

National Credit Regulator



## National Credit Regulator

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