National Credit Regulator

ANNUAL REPORT 2015/2016

NCR
National Credit Regulator

NCR
National Credit Regulator
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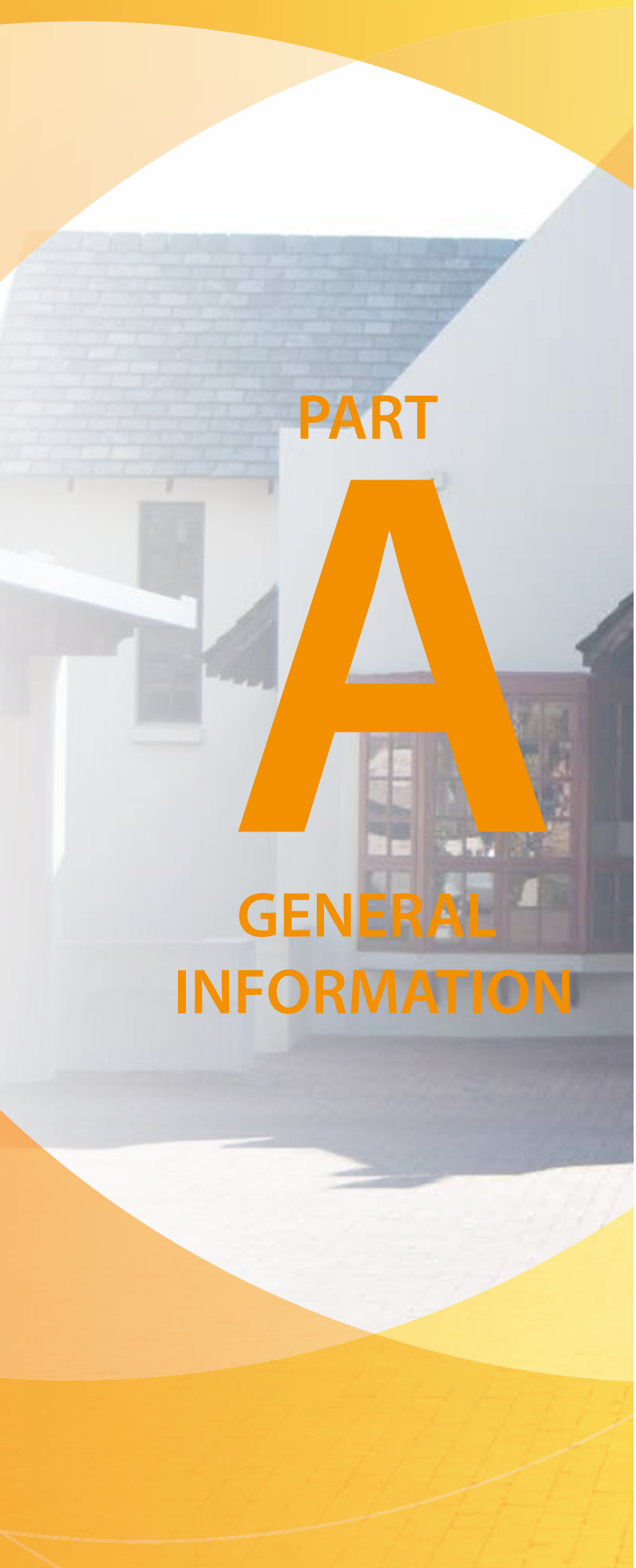


PART A

GENERAL INFORMATION

1.1 NATIONAL CREDIT REGULATOR GENERAL INFORMATION

Registered name
NCR (National Credit Regulator)

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
Toll Share:
0860 627 627
0860 NCR NCR

Email address
Complaints or enquiries: complaints@ncr.org.za
Debt counselling complaints: dcccomplaints@ncr.org.za
General information/queries: info@ncr.org.za

Website address
www.ncr.org.za

External auditor's information
Auditor-General of South Africa
300 Middel Street
New Muckleneuk
Pretoria

Editing and Distribution
NCR's Education and Communication Department

1.2 LIST OF ACRONYMS

AA	Accounting Authority
ACPD	African Consumer Protection Dialogue
ADR	Alternative Dispute Resolution
AGSA	Auditor-General of South Africa
BASA	Banking Association of South Africa
BBBEE	Broad-Based Black Economic Empowerment
CBA	Credit Bureau Association
CBM	Credit Bureau Monitor
CCMR	Consumer Credit Market Report
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CIF	Credit Industry Forum
dti	Department of Trade and Industry
DPSA	Department of Public Service and Administration
EE	Employment Equity
EXCO	Executive Committee
GRAP	Generally Recognised Accounting Practice
MFSA	Microfinance South Africa
NCA	National Credit Act
NCAA	National Credit Amendment Act
NCC	National Consumer Commission
NCR	National Credit Regulator
NCT	National Consumer Tribunal
NDP	National Development Plan
PDA	Payment Distribution Agent
PFMA	Public Finance Management Act
SCM	Supply Chain Management

1.3 MINISTER'S FOREWORD

Dr Rob Davies, MP
Minister of Trade and Industry

The NCR plays a critical role in regulating the credit market, educating consumers and ensuring that consumer rights are protected. The financial year 2015/2016 was a very challenging year for consumers globally. Consumers locally had to contend with a sluggish economy, currency volatility, rising interest rates, drought, inflation, increases in water and electricity rates and job uncertainty.

During the past financial year, the total outstanding consumer credit balances (or gross debtors' book) increased year-on-year by 2.94% (as at 31 March 2016) to R1.66 trillion. The increase in the size of the credit market means that there are millions of consumers in South Africa that are very vulnerable in the current low growth environment. Unfortunately prospects for economic growth, globally and locally are bleak in the short-term. As a result, I expect demand for the NCR's services to increase.

The NCA as Amended

Government is very concerned about the high-levels of consumer over-indebtedness. Amendments to the National Credit Act were devised to afford consumers far greater protection. Most of the regulations pertaining to the National Credit Act as amended came into effect on 13 March 2015. The NCR has done a sterling job educating consumers, monitoring compliance with these regulations, and enforcing the NCA.

The Affordability Assessment Regulations introduced in September 2015 make it compulsory for credit providers to standardise the process to be followed when assessing whether consumers can afford a loan. Strict adherence to the regulations, which require a rigorous assessment of discretionary income, proper validation of income and expenses, should help eliminate reckless lending practices. It is also imperative for consumers to disclose accurately to the credit provider all their financial obligations. Failure to do so may result in consumers losing the protection offered by the NCA. In the current economic environment, it is critical for the NCR to continue monitoring and enforcing these regulations to ensure that credit providers are not tempted to compromise the process when granting credit.

The review of the limitation of fees and interest rates Regulations that were published on 6th November 2015 make provision to marginally increase initiation and monthly service fees, lower the maximum interest rate caps, especially for unsecured and short-term loans; this is welcome in the current economic environment and should go some way towards helping cash-strapped consumers repay their debt.

The final Regulations pertaining to the maximum caps on credit life insurance are to be published in the new-year; this will curb the abuses of credit life insurance in terms of premium charges.

Once the revised registration thresholds have been published, everyone who provides credit will be required to register; this includes the very small credit providers that previously fell outside the thresholds and, therefore, outside the NCR's radar screen.

In addition, Payment Distribution Agents and Alternative Dispute Resolution Agents are now required to register with the NCR.

Consumer education

Consumers are key stakeholders in the NCR's discharge of its mandate. Huge strides have been made by the NCR in educating consumers on their rights and responsibilities. Various consumer education campaigns were carried out in the period under review. These include "Know your credit status" campaigns conducted jointly with Credit Bureau Association and credit bureaus; consumer messages through radio, television, and newsprint; and community outreach programmes (imbizos). Imbizos were conducted with local tribal authorities mostly in rural areas in six provinces. These were targeted mainly at pensioners.

Visible enforcement

The NCR continues to intervene at early stages when it sees emerging contraventions and as a result, it has been able to deal with these practices quickly.

I would like to commend the NCR for being very proactive in identifying unscrupulous practices, especially in identifying reckless lending in the credit insurance market. In terms of abuses in credit insurance, the NCR responded very quickly and referred a number of big furniture retailers such as JDG Trading, Lewis Stores, and Shoprite Checkers to the National Consumer Tribunal (NCT). Investigations conducted by the NCR and related to these entities revealed that the credit agreements they entered into with consumers included the sale of retrenchment and occupational disability insurance covers to pensioners and social grant recipients. Through this enforcement action, NCR has sent a very strong message that it will bring credit providers, who exploit vulnerable individuals, to book. For the year under review, NCR referred 59 matters to the NCT for various contraventions of the NCA.

Year ahead

The year ahead will be another very busy and challenging year for the NCR. The Regulator must continue to focus on consumer satisfaction and improvement in work efficiency,

It will continue to focus on monitoring and enforcing NCA in as far as the Regulations pertaining to the Affordability Assessments, the Collection and Sale of Prescribed Debt and unregistered entities are concerned.

The impact of the Regulations that are now in force, especially those pertaining to the cost of credit, including credit insurance will be evaluated going forward.

Due to the general economic context which will continue to pose a challenge for consumers, in addition to the enhanced consumer protection measures, ways to alleviate consumer over-indebtedness and provide debt relief will have to be considered in the new year; this should put most of these consumers back into the mainstream economy.

In closing, I would like to congratulate the NCR for achieving an unqualified (clean) audit opinion in the 2015/16 financial year, and I expect the NCR to work very hard to maintain this. There is no doubt that 2016/17 will bring new challenges, but I am confident that the NCR Management Team and its employees, with the guidance of the dti, have the capability and are experienced enough to face these challenges head on. I commend the CEO, Executive Committee, management and staff of the NCR for a job well done.

My thanks also go to the Audit and Risk Management Committee for providing the necessary oversight of the NCR.

Honourable Dr Rob Davies, MP
Minister of Trade and Industry
29 July 2016

1.4 STATEMENT BY THE ACCOUNTING AUTHORITY

Ms Nomsa Motshegare
Chief Executive Officer and Accounting Authority

Introduction

The 2015/2016 has proven to be another very successful year in terms of service delivery; the NCR has innovated, worked smartly and has achieved most of its targets for its strategic objectives.

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

The NCR's strategy is linked to the Department of Trade and Industry's (dti's) objectives and National Development Plan (NDP) goals. The NCR has developed a three-year Annual Performance Plan for the period 1 April 2015/16 to 2017/18 and a five-year strategy for the period 2015/16 to 2019/20. It's strategy is aligned to the dti's achievement of Outcome 4, Decent Employment through inclusive growth.

The NCR's strategy focuses on:

- Promotion of responsible credit granting;
- Protection of consumers from abuse and unfair practices in the consumer credit market and address over-indebtedness;
- Enhancement of the quality and accuracy of credit bureau information;
- Improvement of the NCR's operational effectiveness; and
- Effectiveness of the implementation of the National Credit Act Amendment Act.

The NCR had to deliver against five strategic objectives. It has set outputs and targets for each of its eleven performance targets. Seventy-three per cent (73%) of these targets were either achieved or exceeded; Twenty-seven per cent (27%) were either partially or substantially achieved.

Strategic relationships

Strategic relationships play a critical role in enabling the NCR to deliver on its mandate. The NCR conducted outreach programmes (Imbizos) in consultation with Local Authorities in mostly rural areas: Jane Furse in Limpopo, Qwaqwa in Free State, Escort in KwaZulu-Natal, Taung in North West, Kwa-Mhlanga Tweefontein in Mpumalanga and George in the Western Cape. These imbizos were targeted at pensioners and other social grant recipients to alert them about some of the undesirable practices by credit providers and to warn them against the illegal retention of especially identity books by micro lenders as they will need them for local government elections.

The Credit Bureau Association (CBA) and credit bureaus partnered with the NCR to conduct consumer awareness campaigns on "Know your credit status". These were conducted for dti, SARS and DPSA employees, and at a shopping centre in Johannesburg.

A Credit Industry Forum (CIF) established by the NCR and chaired by the NCR, continues to meet quarterly mostly, to address challenges relating to implementation of the NCA. Representation on the Forum includes the Banking Association of South Africa (BASA), MicroFinance South Africa (MFSA), debt counselling associations, association of Payment Distribution Agencies, CBA and consumer representatives.

The NCR has continued to strengthen strategic relations with major stakeholders such as the BASA, MFSA, debt counselling associations, Payment Distribution Agents (PDAs), CBA and with consumer representatives through the CIF.

The NCR in partnership with the Department of Public Service Administration (DPSA), embarked on a financial education project in January 2016, targeting public sector employees, to reduce the current high levels of over-indebtedness. A number of successful engagements have already taken place with many still to come during the course of the year.

The NCR in partnership with the dti, the National Consumer Tribunal (NCT) and the National Consumer Commission (NCC) hosted a very successful Consumer Protection Conference in February 2016, themed "Towards cohesive and comprehensive consumer protection in the market." The NCR will continue to collaborate with the dti and dti agencies to develop a model, which will provide consumers with comprehensive protection.

Key stakeholders for the NCR include the dti, National Treasury, other government departments, the Portfolio Committee on Trade and Industry and the Select Committee on Trade and International Relations. Quarterly reports on the work of the NCR are submitted and/or presented to these stakeholders on a regular basis.

Collaborating with other regulators

Locally, the NCR has regular engagements with the Registrar of Banks, to share regulatory information in general and information in respect of investigations to be conducted in respect of banks, including information on the enforcement action to be taken. Engagements have also been held with the Financial Services Board. NCR also engaged with other regulatory entities that report to the dti through its participation in the dti's cluster of Council of Trade and Industry Institutions (COTTI), which meets quarterly. These meetings provide an opportunity for regulatory agencies that report to the dti to meet on a regular basis, share information and find opportunities to work together.

The NCR is a member of the African Consumer Protection Dialogue (ACPD). During the past financial year, the NCR hosted the ACPD together with the NCC and NCT. Participants at this forum included regulators from other parts of Africa and a regulator from the United States. The aim of the African Dialogue is for member countries, including civil society groupings, to collaborate on matters of mutual interest in the area of consumer protection, i.e. information sharing, investigations, enforcement, and capacity-building.

Medium to long-term goals

The NCA as amended has the primary purpose to create a consumer credit market that is fair, transparent, and accessible, and also, contribute to South Africa's socio-economic development.

The NCR has six medium-term goals:

- Improve compliance with affordability assessment regulations and regulations pertaining to the total cost of credit;
- Conduct reckless lending and special investigations and take appropriate action where necessary;
- Increase compliance by credit bureaus in respect of consumer credit information;
- Improve operational efficiency; and
- Improve consumer awareness.

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

The year ahead

In the year ahead the NCR will focus on four areas:

- Monitoring the registration of new entities that are required to be registered: small credit providers, Payment Distribution Agents and Alternative Dispute Resolution Agents;
- Enforcing regulations for the Collection and Sale of Prescribed Debts;
- Monitoring the implementation of the Affordability Assessment Regulations; and
- Monitoring the impact of the Regulations on the Cost of Credit and Credit Life Insurance on consumers.

Acknowledgements

I would like to acknowledge the critical role that our stakeholders and strategic partners have played in facilitating the implementation of the NCA. I would also like to thank the NCR executive team, management and staff for their continued support and hard work. I would also like to extend my gratitude to the Honourable Minister, Dr Davies, the dti, the Portfolio Committee on Trade and Industry, the Select Committee on Trade and International Relations for their guidance and support.

Ms Nomsa Motshegare
Accounting Authority
29 July 2016

1.5 Chief Executive Officer's Overview

General financial review

For the 2015/16 financial year, the NCR had a final approved budget of R 123 778 554 (2015: R117 632 691). The NCR received R66 899 044 (2015: R68 845 000) in funding from the dti; this constituted 54% of the NCR's funding. The balance of R 40 499 230 (2015: R33 946 821) was from registrants' fees.

Spending trends

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

- Programme expenditure of R17 160 705 compared to R 22 246 012 for 2015;
- Personnel expenditure of R72,266,975 compared to R64,154,951 for 2015;
- Administrative and other expenditure is R24,769,011 compared to R27,020,516 for 2015; and
- Capital expenditure of R 2 815 338 compared to the R4 317 778 for 2015.

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.

For the financial year 2015/2016, no evidence of any irregular, fruitless and wasteful expenditure was found, and no audit findings were reported in any area of SCM.

Challenges

The public sector continues to operate under tight budget constraints; this did not impact on the NCR's delivery, as it has found innovative ways to maximise delivery and cut costs. Measures include insourcing work that was previously outsourced. Investigations are a case in point. During the period, NCR staff conducted most of the investigations and referred matters to the NCT; the NCR outsourced especially the big matters previously. Additional cost savings have also been achieved by working smarter.

Events after the reporting date

The NCR is not aware of any events after the reporting date of 31 March 2016, which are likely to have a material impact on the NCR's financial results or operations.

New activities

The National Credit Amended Act, Act No. 19 of 2014, was assented to by the President on 19 May 2014. The Regulations pertaining to these amendments came into effect on 13 March 2015,except for the Affordability Assessment Regulations which came into effect in September 2015. The Credit Life Insurance Regulations are being finalised for implementation and the Regulations pertaining to the new Registration Thresholds will become effective in the following year. The main focus for the NCR in the current reporting period was on creating awareness and educating consumers, and registrants and new entities required to register on these regulations.

Economic viability

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

Additional revenue is expected to be generated from the registration of PDAs, ADRs, smaller lenders and penalties. In addition, a regulation which increased the registration fees has been published for implmentation.

Audit report matters in the previous year

The NCR is very proud of the fact that it obtained an unqualified (clean) audit opinion for two (2) successive years, 2014/2015 and 2015/2016 financial years. The NCR has always obtained an unqualified audit opinion. The NCR is committed to maintain this status going forward.

Acknowledgements

My sincere thanks and appreciation go to the Honourable Minister of Trade and Industry, Dr Rob Davies, the DG, Mr Lionel October, The Group Chief Operations Officer, Ms Jodi Scholtz, the DDG, Ms Zodwa Ntuli, the Acting DDG, Mr MacDonald Netshitenzhe, and other dti officials, the Portfolio Committee on Trade and Industry and the Select Committee on Trade and International

Relations, for their continued guidance and support. I would also like to thank my executive team, management and staff for their professionalism, commitment and hard work.

Ms Nomsa Motshegare
Chief Executive Officer
29 July 2016

CEO's engagement with pensioners on credit life insurance and illegal retention of cards and pins

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

Statement of responsibility for performance information for the year ended 31 March 2016.

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

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

In my opinion, the Annual Report fairly reflects the operations, the performance information, the human resources information and the financial affairs for the financial year ended 31 March 2016.

Ms Nomsa Motshegare
Chief Executive Officer
29 July 2016

EXECUTIVE TEAM From Left: Mr Mpfariseni Mudau, Ms Nomsa Motshegare, Adv. Obed Tongoane, Ms Ayanda Mafuleka and Mr Lesiba Mashapa

1.7 Strategic Overview

The NCR has five strategic objectives:

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

The NCR delivers against these strategic objectives by:

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

Mission

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

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

Vision

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

Values

The following four values inform everything that the NCR does:

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

1.8 Legislative and Other Mandates

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

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

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

The NCR enforces the provisions of the NCA 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 this Act;
- Providing guidance to the credit market and industry;
- Monitoring socio-economic patterns of consumer credit activity within the Republic;
- Conducting reasonable periodic audits of registered credit providers in respect of historical data relative to credit applications and credit agreements;
- Monitoring trends in the consumer credit market and industry;
- Reviewing legislation and public regulations, and reporting to the Minister concerning matters relating to consumer credit.

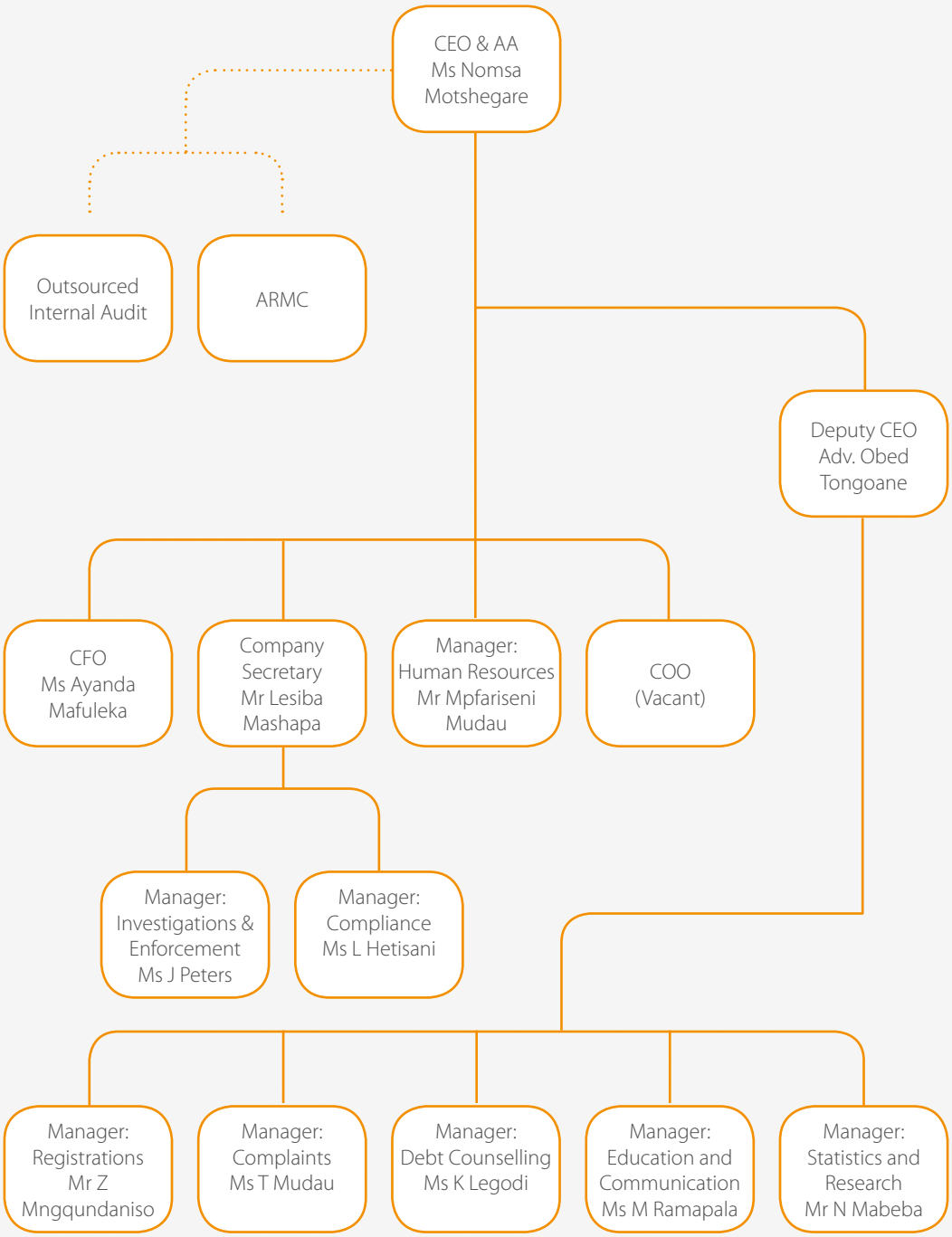
The NCR promotes public awareness around consumer credit matters by:

- Implementing education and information measures.

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

1.9 Organisational Structure

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



PART B

PERFORMANCE INFORMATION

MANAGEMENT TEAM From left: Ms J Peters, Ms T Mudau, Mr N Mabeba, Ms K Legodi, Mr Z Mngqundaniso and Ms M Ramapala (Absent: Ms L Hetisani)

2.1 Auditor-General's Report: Predetermined Objectives

The Auditor-General of South Africa performs the necessary audit procedures on performance information to provide reasonable assurance in the form of an audit conclusion. The Report on other legal and regulatory requirements is provided in the Auditor-General's Report on pages 77-78 of this report.

Adv. Obed Tongoane
Deputy CEO

2.2 Situational Analysis

Service delivery environment

The NCR's service delivery environment is constantly changing; this creates a very challenging operating environment. Challenges around service delivery emanate from the prevailing economic climate, which can potentially increase the number of over-indebted consumers if economic growth is sluggish; changes in legislation, which need to be monitored for compliance and enforced; and innovations in the credit market. The latter often targets loopholes in the credit system and legislation, and can potentially exploit vulnerable consumers.

Challenges also emanated from the fact that the NCA is new. There is, therefore, an ongoing need to ensure that all consumers and all credit providers, including those living in remote rural areas, understand the provisions, and comply with them.

Organisational environment

Many of the challenges during the period arose from funding constraints. The NCR was very proactive and introduced various innovations and cost-cutting measures. As a result, it was able to deliver against its Strategic Plan.

The internal operating environment was very stable throughout the period. The NCR retained its key staff. There was no industrial action, systems failure, corruption or restructuring.

The NCR's workload has increased over the years. However, due to funding constraints, the NCR has not been able to hire more staff or relocate to bigger premises.

Key policy development and legislative changes

Most of the NCA regulations came into effect during the period. The NCR's primary focus during the period was on ensuring compliance with the new regulations, particularly the Affordability Assessment Regulations.

2.3 Strategic outcome-orientated goals

The NCR's six (6) outcomes and seven (7) outputs are aligned to five (5) strategic objectives. During the period under review, the NCR exceeded targets or achieved most of its targets. (More information is available in the Performance Information section of this report from pages 46-52.

2.4 Performance information by activity

Mr Zolile Mngqundaniso
Manager: Registrations

Performance Area: Registrations

The Registrations Department registers credit providers, credit bureaus, debt counsellors, ADR agents and PDAs. It is also responsible for, lapsing of registrations, maintaining the register of registrants and managing the payment of annual registration fees.

Registrations

As at 31 March 2016, about 4 569 credit providers with 47 556 branches, 13 credit bureaus, and 2 375 debt counsellors were registered with the NCR.

Amendments to the NCA and Regulations were introduced in 2015. Amongst other things, they require ADRs, PDAs and all credit providers, irrespective of the loan size, to register with the NCR. A Regulation reducing the registration thresholds was published in February 2016. In terms of the Regulations the PDAs were required to register by 13th March 2016. During the past financial year, the department has focused on ensuring that the necessary processes are in place to register these entities.

Furthermore, the department is developing training programmes for ADRs and PDAs.

Registration certificates

One of the highlights during the period was the introduction of registration certificates with expiry dates. Registrants are now issued with registration certificates on an annual basis and only if their renewal fees are up to date.

Registrations at a glance

Registrations with the NCR as at 31 March 2016

4 569	47 556	13	2 375
credit providers	branches	credit bureaus	debt counsellors

Government Gazette

Published in February 2016 inviting the public for comments in respect of reducing the registration threshold from

R500 000 or 100 credit agreements to R0.

Registrations Team

Compliance Team

Ms Louisa Hetisani
Manager: Compliance

Performance Area: Compliance

The Compliance Department monitors credit providers and credit bureaus registered with the NCR for compliance with the NCA and their conditions of registration.

The implementation of the NCA has increased the need for compliance monitoring. The NCR has, therefore, established the Compliance Department as a standalone department.

The department's approach is corrective. However, where there is major non-compliance or where credit providers fail to implement corrective measures within a set time frame, the department refers the registrants to the NCR's Investigations and Enforcement Department.

Compliance monitoring

The Compliance Department monitors compliance in terms of reporting requirements set out in the NCA and the Regulations. Credit providers with an annual disbursement of more than R15 million per annum are required to submit quarterly statistical returns to the NCR; those with a disbursement of less than R15 million submit an annual statistical return. Credit providers also submit other compliance reports to the NCR as set out in Regulation 62 – 68.

The Compliance Department also monitors credit providers for compliance with their conditions of registration regarding language policy, B-BBEE, commitment to combatting over-indebtedness.

Site visits

Since its establishment as a standalone department, its focus is more proactive and outward-looking. Previously, the department focused on off-site compliance and analysed the submitted statutory reports for compliance. The department has repositioned itself to focus more on-site visits at the premises of the registrants. During the past financial year, the department conducted 135 on-site visits. These visits focused predominately on credit providers in categories 5 to 7 with a few entities in the higher fee categories also visited.

The compliance visits have revealed that some credit providers are not fully compliant. According to the new Affordability Assessment Regulations that came into effect on the 14th September 2015, credit providers must validate a consumer's income by requesting bank statements or pay slips for the latest three (3) pay periods. The onsite visits conducted during the year revealed that a number of lenders were non-compliant.

The Compliance Department monitors compliance by the registered credit bureaus by analysing their submitted statutory reports as well as conducting on-site visits at their premises. The NCA necessitated the credit bureaus to amend their systems to comply with the new provisions, including the amendments to the credit information retention periods.

Challenges

The proposal to remove or lower the thresholds for credit providers to register will increase the number of credit providers that the Compliance Department needs to monitor for compliance with the NCA. The NCR has identified this as a challenge in the year ahead.

Year ahead

The Department will focus on monitoring compliance with the Affordability Assessment Regulations, the new limitations on interest rates and fees (which come into effect on 6th May 2016), *in duplum* refunds and prescription of debt amongst others.

The Compliance department has achieved the following during the year under review:

- 69 credit providers referred to Investigations and Enforcement Department as a direct result of the onsite visits;
- 14 credit bureau onsite visits conducted;
- 2 credit bureaus were referred for further investigation;
- 9 workshops conducted with 782 registrant participants. The workshops were conducted in conjunction with the Debt Counselling Department; and
- The department completed four (4) market conduct review on the credit market as envisaged in Section 15 (c).

Compliance at a glance

Achievements

The Compliance department has achieved the following during the year under review:

782 registrant participants in **9** workshops conducted in conjunction with the *Debt Counselling Department.*

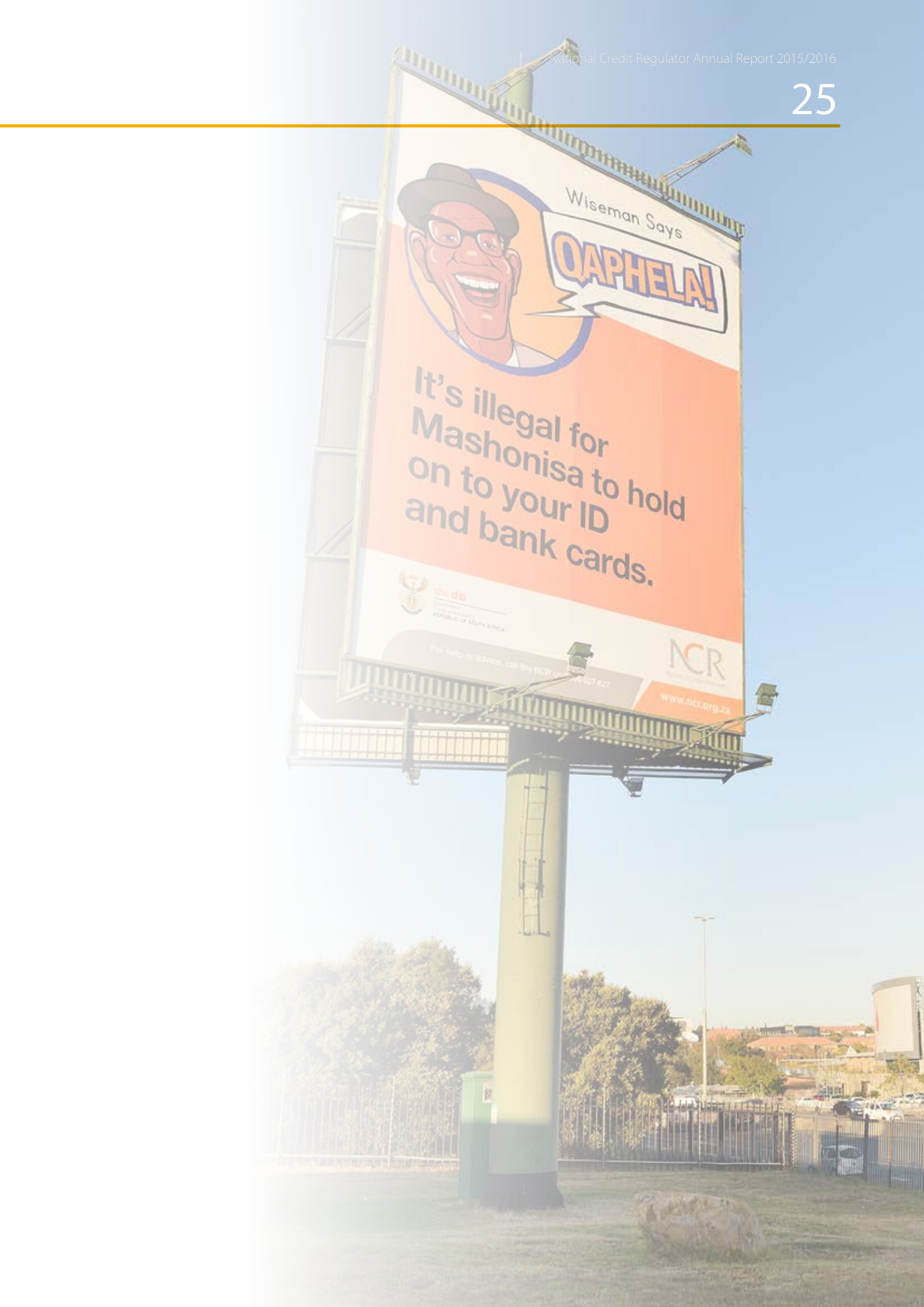
69 credit providers referred to Investigations and Enforcement Department as a direct result of the on-site visits;

14 credit bureau on-site visits conducted;

2 credit bureaus were referred for further investigation;

4 market conduct review on the credit market as envisaged in Section 15 (c).

Education and Communication Team


Wiseman Says
QAPHELA!
It's illegal for Mashonisa to hold on to your ID and bank cards.
NCR

Ms Mpho Ramapala
Manager: Education and Communication

Performance Area: Education and Communication

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

During the past financial year, the NCR ran a number of successful campaigns and projects in partnership with various stakeholders and directly engaged with more than 30 486 consumers in its bid to raise public awareness around role and activities.

Education

The department conducted and participated in 360 workshops, 93 exhibitions, activations and roadshows and 100 stakeholder meetings aimed at educating consumers on the NCA as amended. These were organised in partnership with trade unions, traditional authorities, government departments, dti agencies and various other stakeholders.

One of the highlights for the department is the collaboration with the CEO's Office in educating pensioners and social grants recipients on their rights and responsibility with a specific focus on credit insurance and illegal retention of ID books, SASSA and bank cards and pins by credit providers. The initiative was as a result of the NCR's investigations into the sale of retrenchment and occupational disability insurance cover to unemployed people, including pensioners and social grant recipients.

The department continues to build relationships with relevant stakeholders in its bid to educate consumers. The NCR has signed a Memorandum of Understanding (MOU) with the Department of Public Service Administration (DPSA) to educate government employees on their rights and responsibilities in terms of the NCA with a specific focus on debt management. This will assist the DPSA in strengthening its existing financial wellness programmes. As part of the partnership, a year plan was developed for monitoring and evaluation purposes.

Furthermore, the NCR initiated the "Know Your Credit Status Campaign," in partnership with the Credit Bureau Association (CBA). The campaign educated consumers about credit information, credit status and credit scores. The campaign targeted consumers, dti and SARS employees and also included a week-long consumer outreach event at the Greenstone Mall in Gauteng. Over 730 consumers viewed their free credit reports, and many discussed their concerns with experts during the event. Recognising that its employees would benefit, the NCR ran the same campaign for its staff.

The NCR, NCT and NCC in partnership, hosted a successful National Consumer Conference under the theme "Towards a cohesive and comprehensive consumer protection in the credit market".

Communication

The NCR obtained the equivalent of R234 million in media coverage during the period. It reached consumers through media releases and radio and television interviews as a result of successful campaigns or projects. The NCR featured in 409 radio interviews and 33 television interviews and obtained a lot of media coverage when it reported it referred credit providers to the NCT for adjudication. The "Know your credit status campaign"'Spend wisely, borrow wisely' campaign, also attracted media attention.

The NCR is very grateful for the support it receives in weekly slots to educate consumers from Thobela FM, Energy FM, Mogale FM, Qwaqwa FM, Greater Middleburg FM, Unisa Radio and Vukani FM. The NCR also receives widespread coverage of its media releases through interviews on Radio Pulpit, Ligwalagwala FM, Ikwekwezi FM, Lesedi FM and Umhlobo Wenene FM which further assists in creating awareness and education through communication.

The year ahead

With most of the regulations for the NCA coming into effect during this financial year, educating consumers on the new regulations will be one of the key focus areas for the department. The department will continue building relationships with relevant stakeholders to take advantage of the synergies available. In addition, the department will educate consumers by communicating and engaging with them through the most effective and appropriate channels aiming to reach the maximum number of people across the country, particularly those residing in the peri-urban and rural areas.

Education and Communication at a glance

The Education and Communication department has achieved the following during the year under review:

30 486 consumers engaged

over **R 234 million** in AVE

360 workshops

93 exhibitions, activations and roadshows

100 stakeholder meetings

aimed at educating consumers on the NCA as amended

Featured

409 radio interviews + **33** television interviews

CEO's Imbizo

One of the highlights for the department was the collaboration with the CEO's Office in educating pensioners and social grants recipients on their rights and responsibility with a specific focus on credit insurance and illegal retention of ID books, SASSA and bank cards and pins by credit providers.

Stakeholder Relations

The department continues to build relationships with relevant stakeholders in its bid to educate consumers. The NCR has signed a Memorandum of Understanding (MOU) with the Department of Public Service Administration (DPSA) to educate government employees on their rights and responsibilities in terms of the NCA with a specific focus on debt management.

"Know Your Credit Status" Campaign

The NCR initiated the "Know Your Credit Status Campaign," in partnership with the Credit Bureau Association (CBA). The campaign educated consumers about credit information, credit status and credit scores.

Partnerships with other Regulatory bodies

The NCR, NCT and NCC in partnership, hosted a successful National Consumer Conference under the theme "Towards a cohesive and comprehensive consumer protection in the credit market".

Complaints and Call Centre Team

Ms Takalani Mudau
Manager: Complaints

Performance Area: Complaints

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

The department consists of a Call Centre and Complaints Resolution Office. The Call Centre receives complaints from consumers and other stakeholders.

During the past financial year, the Call Centre received approximately 100 000 telephone calls and 7 597 written queries. The Complaints Resolution Office received 4068 complaints, resolved 3 571 complaints and secured approximately R4 million in refunds for consumers.

Compared to 2014, the number of written enquiries in 2015 decreased. However, the number of complaints opened increased. This is due to education campaigns as well as the amendment to the NCA.

Considerable numbers of complaints were lodged against debt counsellors for allegedly placing consumers under debt review without their consent. This happens in instances where consumers are being called and promised consolidation loans. Upon disclosing their debts, the debt counselling process is then initiated.

The department also received a number of complex complaints which took longer to resolve. To ensure efficiency, the department updated its complaints resolution policies and procedures, conducted workshops on complaints resolution processes with credit providers and other stakeholders, referred matters to other ombuds with jurisdiction and sought the assistance of Provincial Consumer Protection Offices in locating debt counsellors and other credit providers, who were not contactable.

The department does its utmost to resolve urgent disputes wherein consumers are about to lose their properties. The department was able to stop a number of house auctions during the period under review, within an average of 2-3 days.

Workshops

During the past financial year, the Complaints Department focussed on raising awareness around the correct procedure to follow when lodging complaints. It has also raised awareness on the types of complaints to refer to the NCR. Consumers do not always attach the correct documentation; this delays the complaints resolution process.

At times, complaints took longer to resolve due to consumers not responding to calls or providing requested information. As a result, the department introduced a SMS service which made communication with consumers easier.

The department continues to engage with the Banking Ombudsman, Credit Ombudsman, provincial consumer protection offices and other regulatory bodies. The department held several meetings and workshops with various ombudsmen.

Challenges

The department received an influx of complaints from debt counsellors, who complained that creditors were not supplying the necessary documentation to enable them to assess reckless lending. There were also challenges around the affordability assessment, end balance disputes and the *in duplum* rule.

The year ahead

The department plans to continue with the awareness on how to lodge complaints. It noted an increase in complaints that are being lodged on behalf of consumers without the correct powers of attorney or consent letters being attached.

Training sessions will be held with Provincial Consumer Courts to improve the referral processes.

The Complaints Department will continue to engage with stakeholders to improve service delivery. Measures include the development and implementation of the Service Delivery Improvement Plan (SDIP). The department will also conduct customer service evaluation at the Call Centre. The Call Centre is the first point of contact for members of the public and it fulfils a vital public relations role in maintaining the NCR's professional reputation.

The department will enhance the SMS service to allow consumers, who cannot access emails or faxes, to lodge complaints via SMS. A mobile application will also be introduced enabling consumers to ask questions and get instant answers, and any other information related to the Complaints Department.

Complaints at a glance

Achievements

The Compliance department has achieved the following during the year under review:

100 000

approximate telephones calls received by call centre

7 597

written queries received

87.7%

complaints resolved by The Complaints Resolution Office

4 068
complaints received

3 571
complaints resolved

R4 million

approximately secured in refunds for consumers.

Ms Jacqueline Peters
Manager: Investigations and Enforcement

Performance Area: 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.

During the past financial year, the Investigations and Enforcement Department focused on credit life insurance and the inclusion of costs in a credit agreement not provided for.

The NCT

The NCR referred 59 entities to the NCT for adjudication. High-profile cases include JDG Trading and JDG Micro Life, Lewis Stores and Monarch Insurance Company, Bayport, Shoprite Investments Ltd and Shoprite Insurance Company Limited.

The department focused on investigating the overcharging of the cost of credit in the financial year, including credit life insurance, and the charging of unlawful fees.

The NCR referred Lewis Stores and Monarch Insurance Company Ltd, JDG Trading and JDG Micro Life as well as Shoprite Investments and Shoprite Insurance company to the NCT following investigations, which revealed that they had sold retrenchment and occupational disability cover to pensioners and consumers, who were disqualified from claiming against the cover sold to them

The sale of retrenchment and occupational disability cover to pensioners and consumers receiving government social grants is unreasonable and imposes an unreasonable cost to these consumers as they are unable to claim benefits.

The NCR took Finbond to the NCT as a test case. Investigations revealed that Finbond levied huge charges for credit life insurance for their loans. The NCR's case is based on unreasonableness as a prohibited conduct. The NCR is waiting for a hearing date.

The NCR also referred Edcon Limited to the NCT following an investigation, which revealed that Edcon charged consumers a club fee on credit agreements. The NCA does not permit this.

Following investigations reported in last year's annual report, the NCR referred all the entities involved with the "699 vehicle scheme" to the NCT.

Subsequent to a referral by the NCR, the NCT handed down judgement against Microlenders: Mayibuye Cash Loans and Akudle Kutshiyele. The contraventions included a failure to conduct affordability assessments, to provide copies of pre-agreement statements and quotations, and also, charging interest and fees above the prescribed rate. Mayibuye's registration was cancelled and the company had to pay an administrative fine of R 500 000. Akudle was not registered with the NCR and was ordered to pay an administrative fine of R 1 000 000.00

Raids

The NCR conducted a number of raids in partnership with the SAPS. Raids play a critical role in enforcing compliance with the NCA. Raids focus on credit providers, who are unlawfully garnishing, retaining pension cards, bank cards, identity documents and personal identity numbers (PIN) of their clients as surety. These practices are in contravention of the National Credit Act.

The NCR conducted raids in Limpopo in areas surrounding Thohoyandou and Makhado and investigated 13 credit providers. The suspects were in possession of 930 bank and pension cards and 149 identity documents (ID books).

The NCR also conducted raids in Bellville, Woodstock, Goodwood, Wynberg, Paarl, Stellenbosch, Strand and Somerset West in the Western Cape wherein twenty-one (21) credit providers were investigated. Five (5) arrests were made for the retention of consumers identity documents and bank cards. SASSA cards, bank cards and ID books were recovered.

The NCR conducted raids on numerous debt counsellors in the Western Cape, who operate call centres. The purpose of these raids was to ensure that call centre agents who are not registered debt counsellors do not provide debt counselling services and further, that debt counselling is incorrectly marketed to consumers as a payment-holiday, or simply a means to reduce monthly debt repayments.

The year ahead

The NCR is intensifying its effort to detect reckless lending and the retention of consumer bank cards and identity documents. With the forthcoming local government elections, it is imperative for consumers to have their identity documents in order to exercise their right to vote.

Investigations and Enforcement at a glance

Achievements

The Investigations and Enforcement department has achieved the following during the year under review:

59 referred entities to the NCT for adjudication

High-profile cases include:

JDG Trading and JDG Micro Life;
Lewis Stores and Monarch Insurance Company;
Bayport;
Shoprite Investments Ltd and Shoprite Insurance Company Limited and
Edcon Limited.

Subsequent to a referral by the NCR, the NCT handed down judgement against Microlenders:

Mayibuye Cash Loans

Mayibuye Cash Loans registration was cancelled and paid an administrative fine of

R 500 000

Akudle Kutshiyele

Akudle Kutshiyele was not registered with the NCR and was ordered to pay an administrative fine of

R 1 000 000

Raids

Western Cape

credit providers

Bellville;
Woodstock;
Goodwood;
Wynberg;
Paarl;
Stellenbosch;
Strand and
Somerset West

debt counsellor firms
who operate call centres.

Limpopo

In Partnership with SAPS.

credit providers investigated
suspect in possession of:

bank and pension cards

identity documents (ID books)

Publication: SUNDAY TIMES, Business Times
Date: 2015-08-09
Page: 6

Regulator squares up to predators of the poor

HOW bizarre is it that people who cannot afford to buy things have to pay three times more than the rest of us? That's what selling goods on credit means.

To be fair to Lewis Stores, its furniture chains don't hide the fact that if you do buy a television or sofa on credit, you will end up paying three times the cash price. They don't make it terribly obvious, but they don't hide this important detail.

Precisely how Lewis gets from the cash price (often more expensive than other retailers) to the hefty credit price is being scrutinised by the National Credit Regulator in a process that is likely to become increasingly uncomfortable for Lewis and its shareholders.

A bit of disability insurance here, a bit of unemployment insurance there and a dollop of extended warranty everywhere; before you know it, you're looking at a whoppingly more expensive sofa. And that's before you have to pay R700 or R1 000 to have it delivered.

As for the affordability assessments, it's difficult to understand why Lewis would be so assertive about always implementing them when it's so easy for any member of the public to pop into one of its stores and discover it's not so.

The past month's collapse in the share price to Friday's R66 will be discomforting for CEO John Enslin, who bought R1.7-million worth of shares early last month when they were trading at R99.

But if management is able to fend off the regulator's assault and the share price bounces back, the short sellers who have borrowed a massive 21% of the shares will be trapped in something considerably more uncomfortable — a very tight bear squeeze.

Of course, if the regulator retreats, there's then the possibility of a high court challenge. So the share is unlikely to be moving on to a sustained upward trajectory for the foreseeable future.

STOCK TALK with Ann Crotty

How to sell disability insurance to the disabled

Just when you thought you'd heard the worst of unsecured lending practices come stories of how JDG Trading (the furniture retailer formerly known as Joshua Doore Group) has plumbed new depths.

This week, the regulator said it was referring JDG to the National Consumer Tribunal for selling retrenchment and occupational disability cover to pensioners and consumers receiving government social grants including old age, disability, foster-care and child-support grants.

As if that wasn't enough, most of these consumers were also charged a fee for membership of a club that is essentially nothing more than a marketing channel for one or other of JDG's chains.

Imagine selling disability insurance to a disabled pensioner — plus charging them R25 a month so that you can push more marketing guff their way.

Amazingly, the regulator does not say any of this is illegal, it's just unreasonable.

Mining in SA has never been more exhilarating

It must be really exciting being a mining executive these days, never quite knowing where the next assault is going to come from. Another downward revision of China's growth prospects? Unions submitting more demands for a living wage? Or the government deciding to withdraw your operating licence?

It's difficult to know which was the more surprising: Mineral Resources Minister Ngoako Ramatlhodi's decision to suspend Glencore's mining licence at its Optimum coal mine or his decision, a few days later, to lift that suspension.

The Optimum suspension decision was taken rather brusquely on the grounds that Glencore had not followed proper procedures with its planned job cuts. By contrast, over at Lonmin the failure to follow proper procedures, relating to social and labour issues, has been tolerated for years.

The uncertainty of government policy must be a bit nerve-wracking for decision-makers in the industry.

Beer merger, cost booster

Surprise, surprise, it looks as though promises of post-merger price reductions might be overstated by merging parties. At least in the US.

The latest edition of The Economist covers a very useful case study by US economists into what happened to beer prices in the US after Coors and Miller merged in 2008.

The merger of the second- and third-largest beer groups in the US was allowed because the number one, Anheuser Busch, was even bigger than the merged entity and because of promises of price benefits from cost savings.

The main source of cost savings was from reduced transport costs.

The detailed research by the economists shows, no surprise, that the merger was followed by a slight increase in the price of the affected beer brands.

The results will more than likely confirm the recent tougher stance by the US competition regulators.

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Publication: CAPE ARGUS (AM Edition), Business
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Page: 13

NRC refers two Lewis subsidiaries to tribunal

Lewis Stores, Monarch accused of mis-selling insurance products

Joseph Booysen
BUSINESS REPORTER
joseph.booysen@inl.co.za

THE NATIONAL Credit Regulator (NCR) has referred two subsidiaries of Lewis Group to the National Consumer Tribunal for breach of the National Credit Act.

The regulator announced yesterday that it referred the furniture group's subsidiaries, Lewis Stores and Monarch Insurance Company, to the tribunal following an investigation which revealed that Lewis Stores and Monarch sold loss of employment cover as part of credit insurance to pensioners and self-employed consumers and sold disability cover as part of credit insurance to pensioners.

The loss of employment cover sold was meant to settle the pensioners' and self-employed consumers' outstanding balances under their credit agreements with Lewis Stores in the event of their retrenchment or redundancy from employment. The disability cover sold was meant to settle the pensioners' outstanding balances under their credit agreements with Lewis Stores in the event they became disabled.

The basis of the NCR's referral is that the sale of loss of employment cover to pensioners and self-employed consumers was unreasonable and imposes an unreasonable cost to those consumers as they were not employed and could not claim benefits under this cover.

'CONSUMERS NEEDS PROTECTION AGAINST THIS SORT OF MIS-SELLING AND MISREPRESENTATION'

The same applied to the sale of occupational disability cover to pensioners where they no longer have an occupation.

Lesiba Mashapa, company secretary at the NCR, said pensioners and self-employed consumers were not employed and could not be retrenched or become redundant from employment.

"They should not be offered loss of employment cover as part of credit insurance. This is the first case of mis-selling of credit insurance in South Africa which the NCR has referred to the tribunal to obtain redress for the pensioners."

The regulator has requested the tribunal to order refunds to the pensioners and self-employed consumers, order an audit to be conducted and impose an administrative fine on Lewis Stores.

Clif Johnston, vice-chairman of the South African National Consumer Union (Sancu), said the union was pleased that this matter has been taken to the tribunal. "Consumers need protection against this sort of mis-selling and misrepresentation.

"We hope that the tribunal will impose a hefty administrative fine (if they find the company guilty) to serve as an example in order to discourage others from this sort of practice."

In response, the Lewis Group said in a statement : "The NCR has referred two of Lewis Group's operating subsidiaries, Lewis Stores and Monarch Insurance Company Limited, to the National Consumer Tribunal for alleged breach of the National Credit Act."

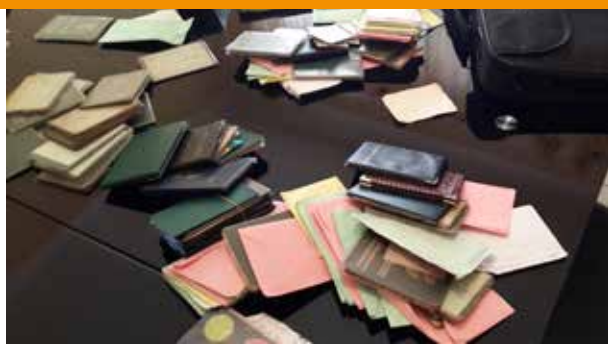
The group added that the NCR has requested the tribunal to order refunds to the customers impacted by the sale of these insurance products, to undertake an audit and to impose an administrative fine of R10 million on the company.

"The directors and management of Lewis Group are committed to co-operating fully with the tribunal to ensure satisfactory resolution of the case.

"The group undertakes to keep investors updated on developments relating to the tribunal's investigations."

Mashapa advised consumers they have the right to decline policies offered by credit providers and to obtain their own. "They should compare the premium, cover and benefits amongst different providers."

Raids in Western Cape



Publication: Personal Finance (Pretoria News Saturday)
Date: 2015-10-31
Page: 15

Shoprite credit holders await tribunal finding

While the Lewis Group has admitted to mis-selling credit life insurance, a case against Shoprite awaits an outcome. **Lorraine Kearney** reports

Shoprite account-holders should keep paying their credit life insurance premiums and repaying their loans while the National Consumer Tribunal considers the merits of the case against the retailer, says Jacqueline Boucher, the acting manager of investigations and enforcement at the National Credit Regulator (NCR).

Earlier this month, the NCR referred the outcome of its investigation into reckless lending and mis-sold credit life insurance at Shoprite to the tribunal. It is one of two major retailers the NCR has referred to the tribunal in the past few months.

The Lewis Group, the other retailer referred, said this week it would refund R44.1 million plus R23 million in interest to customers who, it said, were mistakenly sold retrenchment cover between 2007 and 2015.

However, regarding Shoprite, until the tribunal makes any kind of order, Boucher advises Shoprite consumers to continue paying their premiums and repaying their loans.

Stephen Logan, the founder of Fair Credit, believes affected consumers "should act, and not wait for the outcome of these matters".

Boucher says the matter is at the pleadings stage, with both parties setting out their cases. Once the tribunal has heard both sides, it will set a trial date if it decides there is merit to the matter. "We have taken legal steps following our investigation, as it is our opinion that the credit insurance sold to consumers contravenes the National Credit Act ... Shoprite structured a product to sell to consumers who could not claim," she says.

An example is selling retrenchment cover to pensioners.

The number of affected consumers, and the terms of the loans and the cover, can be determined only once there has been an audit. The NCR has asked the tribunal to order an audit, which would go back a few years, Boucher says.

Even if Shoprite did refund the affected consumers along the lines of the Lewis Group, it would not relieve non-affected consumers of their obligation to pay their credit insurance premiums. And it would not relieve any of the consumers of the duty to repay their loans.

The case against Lewis, the furniture retailer, is still in the pleadings stage at the tribunal, despite the refunding decision announced this week, because of other charges that the NCR believes contravene the National Credit Act.

The matter was referred by the NCR following an investigation into mis-sold consumer credit.

Of Shoprite, Boucher says: "Once the tribunal makes a ruling – and if it rules in our favour – there will be an audit. The regulator will then ensure that every affected consumer is repaid their premiums; they need not worry. The consumer will not have to do anything."

PREDATORY PRACTICES

Logan's Fair Credit is a non-profit company that helps government and industry regulators to curb predatory consumer credit practices.

Logan says: "Until the tribunal rules that the credit providers concerned (Shoprite Investments and Shoprite Insurance Company) are in breach of the National Credit Act, the companies will be within their right to try to enforce the insurance policies, even if the affected consumers believe they were mis-sold credit life insurance.

"That is not to say, however, that affected consumers should not read the policy document and decide for themselves whether or not they have been mis-sold credit life insurance," Logan says.

Where, for example, the policy states that credit life insurance excludes self-employed individuals or pensioners, clearly, if you are self-employed or a pensioner, the policy would not benefit you. In this case, Logan says, you should write to the credit provider and ask it to cancel the credit life insurance and refund any premiums paid, because the policy was mis-sold and is inappropriate for you in terms of the Treating Customers Fairly requirements and the provisions of the Act.

If the credit provider continues to enforce the policy and refuses to cancel it, you should approach both the Financial Services Board and the NCR to apply for the matter to be investigated.

Even if you are not affected by the outcome of the Shoprite matter, you are within your rights to shop around for cheaper credit life cover and advise your credit provider that you want to switch to the cheaper insurance.

In the Lewis Group matter, it has been reported that Summit Financial Wellbeing, a company that advises on debt relief, is finalising a High Court case against the group challenging other customer charges, namely, alleged compulsory delivery fees and extended warranties.

NCR REFERRALS

This year alone, the NCR has referred several companies to the tribunal in five separate cases.

In January, it referred a case against uBank to the tribunal after an investigation found uBank had:

- Granted credit recklessly to consumers;
- Granted credit to consumers who were in arrears on credit agreements with other credit providers and, accordingly, failed to take consumers' debt repayment history into account;
- Included initiation fees in the principal debt of unsecured loans; and
- Incorrectly disclosed the interest rate on credit agreements.

In June, after an investigation, the NCR referred Finbond Mutual Bank to the tribunal for charging consumers excessive and unreasonable credit life insurance.

In July, it referred Lewis Stores and Monarch Insurance Company to the tribunal following an investigation that found the groups had sold retrenchment cover to pensioners and self-employed consumers.

In August, it referred JDG Trading and JDG Micro Life, two companies in the Joshua Doore Group, to the tribunal following an investigation that found the two had sold retrenchment and occupational disability cover to pensioners and consumers receiving social grants, such as old-age and disability grants, and had charged most of these consumers a fee after automatically signing them up to a club.

The NCR's investigation also found that some consumers receiving disability grants were sold occupational disability cover, even though they had been certified as permanently disabled.

This month, it referred Shoprite Investments and Shoprite Insurance Company to the tribunal.

Shoprite had not responded to requests for comment by the time of publication.

IT WAS ALL A MISTAKE, SAYS LEWIS GROUP CHIEF

The Lewis Group is refunding R67.1-million to affected credit insurance policyholders, following "an extensive internal investigation by Lewis, which was triggered by the NCR bringing to the company's attention three instances of loss-of-employment insurance mistakenly sold to customers", says chief executive Johan Enslin.

As a result of "human error at our stores, loss-of-employment insurance products were sold to pensioners and self-employed customers, contrary to our company policy", Enslin says.

"Although our IT systems included coded controls, which excluded loss of-employment cover from being selected as an option for certain categories of customers, our investigation revealed that mistakes occurred during the process of entering clients' details into the system," he says.

"These cases of erroneous selling of insurance go back as far as 2007.

"Management will not be taking disciplinary action as we believe this was a result of human error and have rather chosen to focus on corrective action to prevent this happening in future. These steps include improving IT systems, implementing further controls and oversight by management at store, staff training and monitoring at branches."

He also says the company has taken several preventative measures to ensure "this type of human error does not happen again".

"The number of customers [who will be refunded] is not disclosed, but the refund relates to less than one percent of all insurance premiums earned by Lewis Group over this eight-year period since 2007," Enslin says.

"Approximately 30 percent of the affected customers are existing Lewis customers, and the refunds have already been credited to their accounts. Lewis is currently contacting the affected people who have settled their accounts, to arrange for the refunds."

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Debt Counselling Team

NCR
National Credit Regulator
Welcome to the NCR
127 - 15th Road
www.ncr.org.za
0860 627 627
STOP

Ms Kedilatile Legodi
Manager: Debt Counselling

Performance Area: Debt Counselling

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

Debt counselling has had a very positive impact on debt repayments in South Africa. PDAs have cumulatively distributed more than R25.5 billion to credit providers through the debt counselling process since inception. During the 2015/2016 financial year, a total of R6.9billion was distributed to credit providers with a monthly average of R419 million. Although the NCA makes provision for consumers to pay credit providers directly, an ever-increasing number of consumers are using the services of PDAs.

The 2015/16 year has seen a substantial decrease in applications for debt counselling. As at March 2016, 143 620 consumers had applied for debt counselling, compared to 146 188 in the previous year, and 449 467 consumers were actively, under debt review.

Engagements

Magistrates play a key role in enforcing the NCA. The Debt Counselling Department spent a great deal of time sharing information with them on the NCA and developments within the credit industry. The department engaged with provincial civil court forums in the Western Cape, Mpumalanga, Eastern Cape, Northern Cape, KwaZulu-Natal and Gauteng.

Compliance visits

The department undertook 484 compliance visits to check whether debt counsellors are complying with the NCA and conditions of registration. It also undertook 13 PDA audits and12 PDA compliance monitoring visits.

Partnerships

Partnerships play a critical role in facilitating delivery. The NCR assisted the DPSA to assess the extent of government employees indebtedness and to devise an intervention mechanism to remedy the situation.

The NCR assisted the appointed service provider to profile the extent of government employees indebtedness, come up with solutions and also provide input on both the viability and legality of proposed solutions, which included debt counselling.

Debt counselling workshops

The department held five (5) provincial Debt Counselling workshops for debt counsellors and a further five (5) provincial workshops held in collaboration with the Compliance Department on the affordability guidelines, debt counselling and other NCA provisions, in the Eastern Cape, Free State, Northern Cape, North West, KwaZulu-Natal and Limpopo. These workshops targeted both credit providers and debt counsellors.

The Debt Counselling Department also engaged the Cape Law Society to discuss challenges around legal fees charged on debt counselling cases and invited the Law Society to present in one of the debt counselling workshops held in the Western Cape. The department's intention is to partner with all provincial law societies to collectively address this issue.

Capacity-building workshops

The Debt Counselling Department hosted 12 capacity-building workshops aimed at capacitating consumers on their rights and responsibilities, including a workshop with the South African Revenue Service, which targeted employee wellness coaches.

Engagements with related stakeholders

The Debt Counselling Department continues to work very closely with Debt Counselling stakeholders such as banks, micro-lenders, retailers, credit bureaus and PDAs to improve debt counselling processes. There were 71 engagements with these entities during the period.

Industry communication

The NCR through the Credit Industry Forum (CIF) issued three guidelines to the credit industry. Further to this, the debt counselling department issued 9 circulars on debt counselling related matters to keep the industry up to date with the developments within the debt counselling space.

Revised and amended debt counselling training material

The Department has reviewed its debt counselling training material for prospective debt counsellors; the material is aligned to the provisions of the NCA.

Debt Counselling at a glance

The Debt Counselling Department has achieved the following during the year under review:

PDAs have cumulatively distributed more than

R 25.5 billion

to credit providers through the debt counselling process since inception

Distribution in the 2015/16 year amounts to

a monthly average of **R 419 million**

and a total of **R 6.9 billion**

Substantial decrease in applications for debt counselling during 2015/16 period was noted. As at March 2016,

143 620 consumers had applied for debt counselling, compared to ***146 188*** in the previous year, and ***449 467*** were actively under debt review.

Engaging with magistrates

The Debt Counselling Department spent a great deal of time sharing information with them on the NCA's provisions and developments within the credit industry.

The department engaged with magistrates in the Western Cape, Mpumalanga, Eastern Cape, Northern Cape, KwaZulu-Natal and Gauteng.

Compliance visits

484 debt counsellors; 13 PDA audits and 12 PDA compliance monitoring visits.

Engagements with related stakeholders

There were 71 engagements with these entities during the period.

Debt counselling workshops

5 provincial Debt Counselling workshops for debt counsellors; 5 more provincial workshops in collaboration with the Compliance Department in the Eastern Cape; Free State; Northern Cape; North West; KwaZulu-Natal and Limpopo.

These workshops targeted both credit providers and debt counsellors.

Capacity-building workshops

12 capacity building workshops for consumers including a workshop with the South African Revenue Service.

Industry communication

Through the Credit Industry Forum (CIF), issued three guidelines to the credit industry.

Also issued 9 circulars on debt counselling related matters.

Statistics Team

Mr Ngoako Mabeba
Manager: Statistics

Performance Area: Statistics

The Statistics Department collates and analyses credit provider, debt counsellor, credit life insurer and credit bureau data.

Published on a quarterly basis, the Consumer Credit Market Report (CCMR) and Credit Bureau Monitor (CBM) are the final product of the NCRs collation of credit provider data. Various stakeholders, including government, credit providers, industry analysts, investors, researchers and decision makers read these reports.

CCMR Overview

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

Total consumer credit in South Africa amounted to R1.66 trillion as at March 2016; it represents an increase of 2.94% year-on-year and a marginal decrease of 0.91% on a quarter-on-quarter basis. Mortgages increased marginally by 0.89% quarter-on-quarter and grew by 1.75% on a year-on-year basis. Secured credit (dominated by motor vehicle finance), unsecured credit, credit facilities and developmental credit books experienced a positive growth on quarter-on-quarter, while short term credit declined by 15.02%. All credit types experienced positive year-on-year growth with the exception of unsecured credit which declined by 0.88%.

The value of new credit extended to consumers was R108.33 billion for the quarter ended March 2016, an increase of 0.74% year-on-year but a decrease of 12.74% on a quarter-on-quarter basis. Mortgages increased by 4.34 % (R1.38 billion) year-on-year but 16.45% (R6.52 billion) on a quarter-on-quarter basis. Secured credit decreased by 8.85% (R3.32 billion) year-on-year and by 18.22% (R7.61 billion) quarter-on-quarter. Unsecured increased by 8.49% (R1.45 billion) year-on-year but decreased by 15.97% (R3.60 billion) on a quarter-on-quarter basis.

CBM Overview

As at March 2016, fourteen (14) credit bureaus were registered with the NCR. These bureaus held records for 23.88 million credit-active consumers of which, 14.33 million (60.0%) were in good standing while the balance of 9.55 million (40.0%) had impaired records. Impaired records have been declining steadily since June 2015, this trend was largely influenced by legislative amendments that reduced retention periods. A similar pattern was observed for consumer accounts. There were 84.96 million consumer accounts held at the bureaus and 65.03 million (76.5%) accounts were in good standing while the balance of 19.92 million (23.5%) had impairments.

Research

The Statistics Department is also tasked with overseeing research projects that are undertaken by the NCR. The mandate carried out in this regard is as outlined in sections 13 & 16 of the NCA, and includes trends and developments in the credit market. The following research reports have been concluded:

- Market share, market conduct and competition within the consumer credit industry. The credit industry structure including the extent of ownership, control and participation within the industry by historically disadvantaged persons
- Analysis of macro-economics and households.

The tables and graphs provide more information.

Statistics Department at a glance

Total consumer credit as at March 2016 **R 1.66 trillion**

	year-on-year	*quarter-on-quarter*
consumer credit	↑ **2.94%**	↑ **0.91%**
mortgages	↑ **1.75%**	↑ **0.89%**
unsecured credit	↓ **0.88%**	↑ **0.29%**

Value of new credit extended to consumers **R 108.33 billion**

new credit	↑ **0.74%**	↓ **12.74%**
mortgages	↑ **4.34%** (R1.38 billion)	↑ **16.45%** (R6.52 billion)
secured credit	↓ **8.85%** (R3.32 billion)	↓ **18.22%** (R7.61 billion)
unsecured credit	↑ **8.49%** (R1.45 billion)	↓ **15.97%** (R3.60 billion)

- As at March 2016 fourteen **(14)** credit bureaus were registered with the NCR holding records for ***23.88 million*** credit-active consumers of which **14.33 million** (60.0%) were in good standing while the balance of **9.55 million** (40.0%) had impaired records.
- Impaired records have been ***declining*** steadily since June 2015; this was largely influenced by the reduced retention period.
- There were ***84.96 million*** consumer accounts held at the bureaus, and **65.03 million** (76.5%) accounts were in good standing while **19.92 million** (23.5%) had impairments.

Figure 1: Disbursement versus credit granted

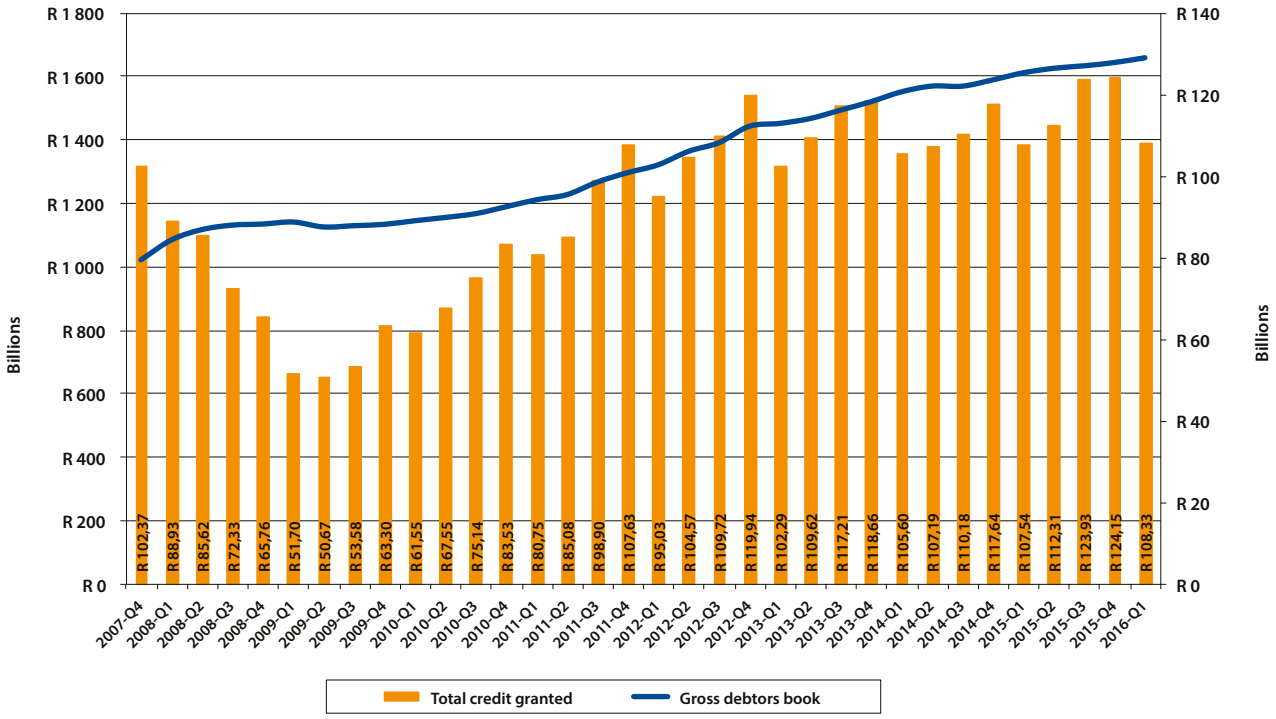


Figure 2: Disbursement distribution

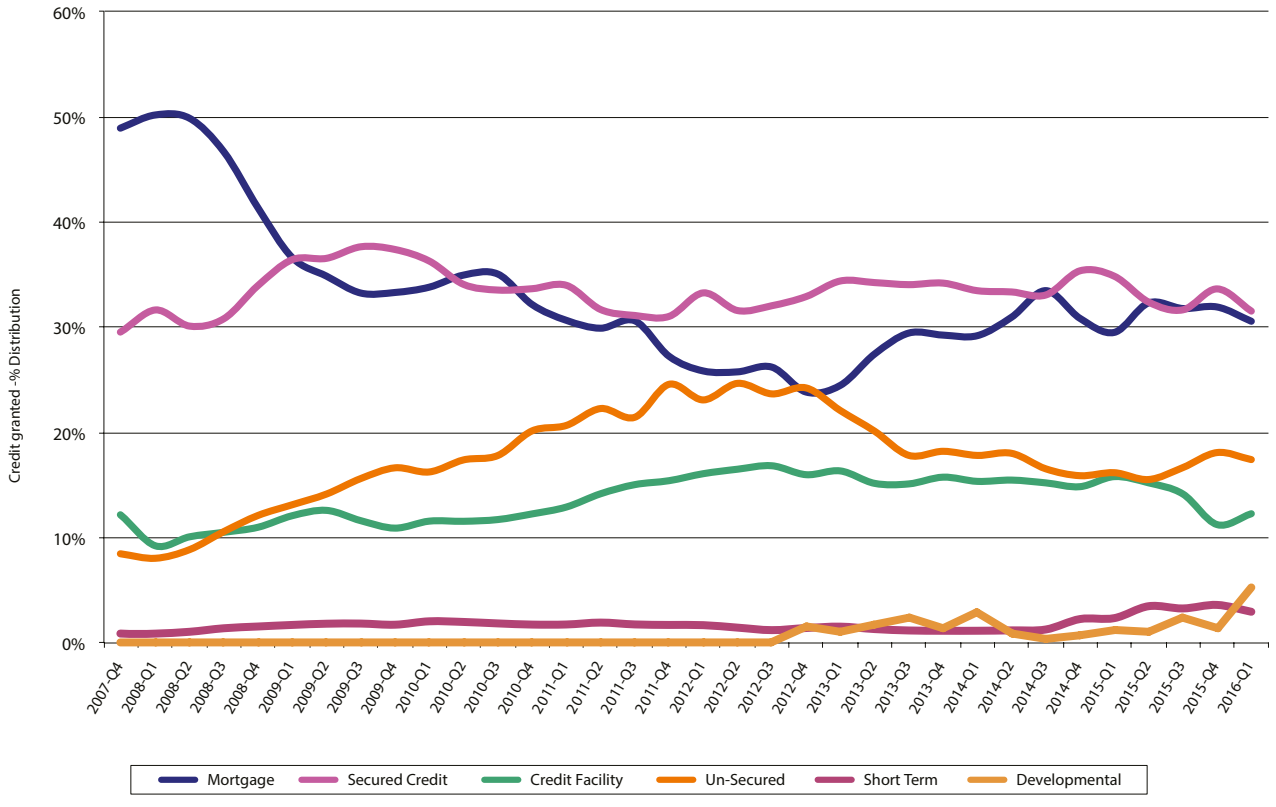


Table 1: Consumers credit standing

	Jun 13	Sep 13	Dec 13	Mar 14	Jun 14	Sep 14	Dec 14	Mar 15	Jun 15	Sep 15	Dec 15	Mar 16
Good standing (#)	10.52m	10.53m	10.71m	12.11m	12.17m	12.45m	12.58m	12.70m	12.84m	13.53m	13.87m	14.33m
Good standing (%)	52.0%	51.9%	51.9%	55.8%	55.0%	55.3%	55.1%	55.0%	54.9%	57.7%	58.4%	60.0%
Current (%)	37.9%	38.2%	38.1%	41.5%	42.2%	42.3%	42.6%	42.2%	42.8%	46.1%	46.1%	47.6%
1-2 months in arrears (%)	14.2%	13.7%	13.8%	14.3%	12.8%	13.0%	12.5%	12.7%	12.1%	11.6%	12.4%	12.4%
Impaired records (#)	9.69m	9.76m	9.93m	9.60m	9.95m	10.05m	10.26m	10.41m	10.53m	9.91m	9.87m	9.55m
Impaired records (%)	48.0%	48.1%	48.1%	44.2%	45.0%	44.7%	44.9%	45.0%	45.1%	42.3%	41.6%	40.0%
3+ months in arrears (%)	21.1%	21.0%	20.1%	32.4%	28.3%	26.3%	23.8%	22.4%	21.5%	21.6%	22.1%	22.3%
Adverse listings (%)	13.5%	14.0%	15.4%	0.0%	5.2%	7.3%	10.4%	12.2%	13.5%	11.8%	11.0%	10.1%
Judgments and administration orders (%)	13.3%	13.1%	12.6%	11.8%	11.4%	11.1%	10.7%	10.4%	10.1%	8.8%	8.5%	7.6%
Credit-active consumers (#)	20.21m	20.29m	20.64m	21.71m	22.12m	22.50m	22.84m	23.11m	23.37m	23.45m	23.74m	23.88m

Table 2: Consumers with impaired records

	Jun 13	Sep 13	Dec 13	Mar 14	Jun 14	Sep 14	Dec 14	Mar 15	Jun 15	Sep 15	Dec 15	Mar 16
Good standing (#)	52.33m	51.92m	53.44m	57.91m	58.15m	59.55m	59.84m	59.66m	60.47m	60.37m	63.56m	65.03m
Good standing (%)	73.5%	73.0%	73.0%	75.0%	73.2%	73.3%	72.9%	72.7%	73.6%	74.9%	76.1%	76.5%
Current (%)	64.5%	64.2%	64.2%	66.1%	65.4%	65.5%	65.2%	64.7%	66.1%	67.6%	68.4%	69.0%
1-2 months in arrears (%)	9.0%	8.8%	8.8%	8.9%	7.9%	7.8%	7.6%	8.0%	7.5%	7.3%	7.7%	7.5%
Impaired records (#)	18.87m	19.25m	19.74m	19.27m	21.28m	21.64m	22.28m	22.38m	21.71m	20.24m	19.99m	19.92m
Impaired records (%)	26.5%	27.0%	27.0%	25.0%	26.8%	26.7%	27.1%	27.3%	26.4%	25.1%	23.9%	23.5%
3+ months in arrears (%)	18.5%	18.6%	18.0%	22.3%	21.3%	20.7%	20.1%	19.8%	18.9%	18.4%	17.8%	17.7%
Adverse listings (%)	5.1%	5.5%	6.2%	0.0%	2.9%	3.4%	4.6%	5.1%	5.2%	4.8%	4.4%	4.1%
Judgments and administration orders (%)	2.9%	2.9%	2.8%	2.7%	2.6%	2.5%	2.4%	2.3%	2.2%	1.9%	1.8%	1.7%
Consumer accounts (#)	71.20m	71.17m	73.18m	77.18m	79.42m	81.18m	82.13m	82.04m	82.17m	80.60m	83.55m	84.96m

2.5 Performance information by programme

Programme 1: To promote responsible credit granting.

Purpose

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

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

Description

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

Strategic objective1: to promote responsible credit granting.

Output	Performance measure or indicator	Actual achievement 2014/2015	Planned target 2015/2016	Actual achievement	Deviation from planned target to actual achievement for 2015/2016	Comment on deviations
Improve compliance with affordability assessment regulations.	Number of workshops conducted on affordability assessment regulations and appropriate enforcement action taken where necessary.	One workshop was conducted.	7 workshops conducted on affordability assessment regulations.	Exceeded. 9 workshops conducted.	Collaborated with other departments in their workshops wherein presentations on affordability assessment regulations were made.	
	Number of provinces visited to monitor compliance and appropriate enforcement action taken where necessary.	None (new target for 2015/2016).	7 provinces visited to monitor credit provider compliance and appropriate enforcement action taken on non-compliant credit providers where necessary.	Partially achieved 10 provinces visited to monitor credit provider compliance. Sixty nine credit providers (69) were referred for investigation.	Focus was given on finalising matters from the previous financial year.	The inspector's reports are currently under review to decide on the appropriate enforcement action to be taken where necessary.

Output	Performance measure or indicator	Actual achievement 2014/2015	Planned target 2015/2016	Actual achievement	Deviation from planned target to actual achievement for 2015/2016	Comment on deviations
Increase compliance with regulations pertaining to total cost of credit.	Number of investigations conducted to enforce regulations and appropriate enforcement action taken where necessary.	Study conducted to review the current levels of the cost of credit and recommendations to the dti.	Conduct 15 investigations and appropriate enforcement action taken where necessary.	Exceeded. 32 investigations concluded. 15 matters were referred to the NCT, 1 Compliance Notice issued and 4 matters were closed as no contraventions found. The rest of the matters are work in progress and will be dealt with in the next financial year.	Investigations into cost of credit were conducted. The target was exceeded because raids were conducted and compliance with cost of credit was part of the focus areas.	

Strategy to overcome areas of under performance

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

Changes to planned targets

Output: Improve compliance with affordability assessment regulations.

- Targets relating to the number of workshops and provinces visited were reduced from 9 to 7 each during the mid-year review.
- The target on the cost of credit investigations was reviewed up from 10 to 15 per year. The NCR utilised interest earned from Payment Distribution Agencies as per policy to carry out further investigations.

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

Executive Support Team

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

Purpose

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

Description

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

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

Output	Performance measure or indicator	Actual achievement 2014/2015	Planned target 2015/2016	Actual achievement	Deviation from planned target to actual achievement for 2015/2016	Comment on deviations
Conduct reckless lending investigations and take appropriate enforcement action where necessary.	Number of credit providers investigated and appropriate enforcement action taken where necessary.	23 compliance notices issued and compliance certificates where applicable.	40 credit providers investigated and appropriate enforcement action taken where necessary.	Partially achieved. 56 Investigations on Reckless lending completed. 8 matters were referred to the NCT, 4 matters were closed as no contraventions were found. The rest of the matters are still WIP and will be dealt with in the next financial year.	Focus was given on finalising matters from the previous financial year.	The inspector's reports are currently under review to decide on the appropriate enforcement action to be taken where necessary.

Strategy to overcome areas of under performance

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

Changes to planned targets

Output: Conduct reckless lending investigations and take appropriate enforcement action where necessary.

- The target on the number of investigations was reviewed up from 20 to 40. The NCR utilised interest earned from Payment Distribution Agencies as per policy to carry out further investigations.

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

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

Purpose

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

Description

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

Strategic objective 3: to enhance the quality and accuracy of credit bureau information.

Output	Performance measure or indicator	Actual achievement 2014/2015	Planned target 2015/2016	Actual achievement	Deviation from planned target to actual achievement for 2015/2016	Comment on deviations
Increase compliance by credit bureaus in respect of consumer credit information.	Number of credit bureaus investigated and appropriate enforcement action taken where necessary.	2 Credit bureau investigated and appropriate enforcement action taken where necessary.	2 Credit bureau investigated and appropriate enforcement action taken where necessary.	Achieved Investigations into two credit bureaus completed. (Compuscan and Robertson). Enforcement action by way of instructional letters was sent to both entities.		
	Number of credit bureau audited reports reviewed and appropriate corrective action taken where necessary.	14 credit bureau audited reports reviewed and appropriate corrective action taken where necessary.	14 credit bureau audited reports reviewed and appropriate corrective action taken where necessary.	Achieved 14 credit bureau audited reports reviewed. 6 entities were referred for investigation in the 1st quarter.		

Strategy to overcome areas of under performance

There were no areas of under performance.

Changes to planned targets

The performance target of "14 credit bureau audited reports reviewed and appropriate enforcement action taken where necessary was changed to "14 credit bureau audited reports reviewed and appropriate corrective action taken where necessary.

Corrective action does not necessarily include investigations. In this instance, the contraventions that were identified through compliance monitoring had to be referred for further investigation as the audited reports were not conclusive enough.

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

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

Purpose

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

Description

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

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

Output	Performance measure or indicator	Actual achievement 2014/2015	Planned target 2015/2016	Actual achievement	Deviation from planned target to actual achievement for 2015/2016	Comment on deviations
Improve operational efficiency through automated processes.	% of uptime availability of the IT system.	Implementation of recommendations of the ICT assessment.	95% of uptime availability of the IT system.	Exceeded On average - 99.5 % of uptime availability of the IT system.	The target was exceeded because of the network monitoring tool that enables ICT department to predict network failures in order to avoid downtime.	

Strategy to overcome areas of under performance

There were no areas of underperformance.

Changes to planned targets

There were no changes to planned targets.

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

Purpose

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

Description

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

Strategic objective 5: to ensure effective implementation of the National Credit Amendment Act (NCAA).

Output	Performance measure or indicator	Actual achievement 2014/2015	Planned target 2015/2016	Actual achievement	Deviation from planned target to actual achievement for 2015/2016	Comment on deviations
Improve awareness and compliance.	Number of workshops conducted with relevant stakeholders.	82 workshops with relevant stakeholders and monitor compliance with the NCAA.	40 workshops with relevant stakeholders.	Exceeded 43 workshops.	Received more invites and initiated more workshops for the year.	
	Number of multimedia awareness campaigns (radio/ TV/news print) conducted.	77 of any of the following: -Radio -TV interviews -New print	40 of any of the following: -Radio -TV interviews -News print.	Exceeded 58 multimedia awareness campaigns.	Received more requests for interviews.	
	Number of outreach programmes and exhibitions (mall activations/ Outside Broadcast/ Road shows/ Imbizos) conducted.	18 of any of the following activities with special focus on peri urban and rural areas: -exhibitions -mall activations -Outside Broadcast (OB)/ -Road shows -Imbizos.	8 of any of the following activities: -exhibitions -mall activations -Outside Broadcast (OB)/ road shows/ Imbizos in peri-urban and rural areas.	Exceeded 12 exhibitions conducted in peri-urban and rural areas.	Received more invites and initiated more exhibitions for the year.	

Output	Performance measure or indicator	Actual achievement 2014/2015	Planned target 2015/2016	Actual achievement	Deviation from planned target to actual achievement for 2015/2016	Comment on deviations
Conduct special investigations and appropriate enforcement action taken where necessary.	Number of raids conducted in number of provinces and appropriate enforcement action taken where necessary.	Conduct two (2) raids in one province and take enforcement action where necessary.	Conduct raids in three (3) provinces and take appropriate enforcement action where necessary.	Substantially achieved Three (3) raids were conducted in the Western Cape and Limpopo provinces. Enforcement action was taken on two (2) raids in which criminal cases were opened with the police.	The third raid conducted on the Eleven (11) debt counsellors was a massive investigation which also involved an audit firm that provided forensic services.	Currently with the legal team to take appropriate enforcement action where necessary.

Strategy to overcome areas of under performance

Investigation reports are currently under review to decide on the appropriate enforcement action to be taken in the next financial year where necessary.

Changes to planned targets

Output: Improve awareness and compliance.

- The target on multimedia awareness campaigns was reviewed up from 30 to 40. There was no budget implication for additional campaigns.

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

Linking performance with budgets

The budgeted expenses per activity compared to the actual expenses for the 2015/16 financial year are set out in the table below:

2015/16				2015/14		
Performance /activity /objective	Budget	Actual Expenditure	(Over)/under expenditure	Budget	Actual Expenditure	(Over)/under expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Programme 1	16,900	15,521	1,379	6,293	4,575	1,718
Programme 2	28,300	26,021	2,279	30,878	30,124	754
Programme 3	24,500	22,483	2,017	14,151	15,209	(1,058)
Programme 4	39,678	39,748	(70)	44,183	48,666	(4,483)
Programme 5	14,400	13,239	1,161	22,127	23,165	(1,038)
Total	**123,778**	**117,012**	**6,766**	**117,632**	**121,739**	**(4,107)**

As can be seen from the table, the NCR spent its budget in line with its five strategic objectives to execute its mandate. Due to the NCR's inability to generate revenue as budgeted, stringent cost containment measures had to be implemented to ensure available financial resources are efficiently utilised as cash flows in order to meet planned targets. As a result, the NCR was able to achieve its planned outputs to a level of excellence.

Revenue collection

2015/16				2014/15		
Sources of revenue	**Estimate**	**Annual amount collected**	**(Over)/Under Collection**	**Estimate**	**Annual amount collected**	**(Over)/Under Collection**
	R'000	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
Fees from registrants	56,051	32,900	23,151	44,041	31,202	12,839
DTI Transfer	65,727	66,899	(1,172)	68,845	68,845	-
Other Income	2,000	7,599	(5,599)	3,000	3,252	(252)
Total	**123,778**	**107,398**	**16,380**	**115,886**	**103,299**	**12,587**

The fees from registrants were under collected by R 23 152 000 compared to the budget of R 56 052 000. This is attributable to the unforeseen delays in the implementation of the NCAA, as well as a highly anticipated influx of the new registrants.

Capital investment

2015/16				2014/15		
Capital expenditure	**Budget**	**Actual Expenditure**	**(Over)/Under-Expenditure R'000**	**Budget**	**Actual Expenditure**	**(Over)/Under-Expenditure R'000**
	R'000	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
Furniture & Fittings	270	155	115	250	222	28
Machinery & Equipment	774	404	370	754	1,591	(837)
Software & Intangibles	2,370	2,072	298	3,061	1,982	1,079
Security & Leasehold improvements	185	184	1	250	523	(273)
ICT Project	1,500	-	1,500	-	-	-
HR System				-	-	-
Premises				-	-	-
Total	**5,099**	**2,815**	**2,284**	**4,315**	**4,318**	**(3)**

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

PART C

GOVERNANCE

3.1 Introduction

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

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

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 reviews the NCR's Annual Financial Statements and the Audit Report, compiled by the Auditor-General of South Africa.

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

The NCR attends meetings of the Portfolio Committee on Trade and Industry to provide performance reports. The meetings were on these dates:

Reason for meeting	Date of meeting
NCR Strategic Plan	14 April 2015
Budget Vote	14 May 2015
NCR Strategic Plan 2015/16	10 June 2015
Report on financial and non-financial performance (Quarter 4 of 2014/15).	7 August 2015
Highlighting successes from the 2014/15 Annual Report	15 September 2015
Briefing on 2014/15 Annual Report and report on financial and non-financial performance (Quarter 1 of 2015/16)	13 October 2015
Report on financial and non-financial performance (Quarter 3 of 2015/16).	15 March 2015

Executive Authority

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

Report submitted	Date submitted	Issues raised by the Minister
Report on financial and non-financial performance (Quarter 1 of 2015/16).	31 July 2015	None
Annual Report on financial and non-financial performance 2014/15.	30 April 2015	None
Report on financial and non-financial performance (Quarter 2 of 2015/16).	30 October 2015	None
Report on financial and non-financial performance (Quarter 3 of 2015/16).	28 January 2016	None
Report on financial and non-financial performance (Quarter 4 of 2015/16).	29 April 2016	None

The Accounting Authority

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

Audit and Risk Management Committee

The Audit and Risk Management Committee is constituted according to the PFMA and Treasury Regulations. The NCR's Executive Management members are permanent invitees to committee meetings. The Committee is chaired by Mr J Pema (resigned 31 August 2015) and Mr William Ndlovu (appointed 02 September 2015). It includes two other members, namely Mrs J Bokwa and Mrs P Mvulane.

The Committee's mandate is to ensure financial and legal compliance, 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 59 of this Report.

3.2 Internal Audit and Audit and Risk Management Committee

Internal Audit presents reports to the Audit and Risk Management Committee on a quarterly basis.
The internal audit function provides an independent and objective evaluation of the systems of control and any significant risks brought to management's attention.

Key internal audit functions include:

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

Internal audit reviewed and conducted the following:

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

Key activities and objectives of the Audit and Risk Management Committee

The 2015/2016 Audit and Risk Management Committee comprised four (4) members. The Committee held five (5) meetings, of which four (4) were ordinary meetings and one (1) a special meeting, as per the committee's approved Audit and Risk Management Committee Charter.

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

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

The Committee has fulfilled its responsibilities in compliance with its charter. More information is provided in the Report of the Audit and Risk Management Committee on pages 58-60.

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

Name	Qualifications	Internal or external	If internal, position in the public entity	Date appointed	Date resigned/ contract ended	No of meetings attended
J Pema	CA(SA) HDip Tax Law Diploma Insolvency Law and Practice	External	n/a	October 2011	31 August 2015	2
J Bokwa	LLB, B Juris	External	n/a	November 2014	n/a	3
W Ndlovu	B Com B.Compt Honours CA(SA) Global Executive MBA	External	n/a	18 June 2015	n/a	4
P Mvulane	CA(SA) Registered auditor Specialist Diploma in Auditing B.Com Accounting Honours BCom	External	n/a	18 June 2015	n/a	3

3.3 Compliance with laws and regulations

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

3.4 Fraud and corruption

The NCR has a 'zero tolerance' approach to fraud and corruption. The Fraud Prevention Plan and Policy promote an anti-fraud environment and culture internally and externally.

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.

An outsourced service provider maintains a fraud reporting hotline, where employees report incidents of corruption, fraud and unethical practices within the workplace. The NCR deals with monthly reports from the hotline service provider confidentially, in line with the approved internal approved for handling fraud allegations. During the 2015/2016 financial year, the NCR did not receive any reports of internal or external corruption or fraud.

3.5 Minimising Conflict of Interest

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

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

3.6 Code of Conduct

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

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

The NCR expects its employees to:

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

3.7 Health, Safety and Environmental Issues

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

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

Health and safety representatives have been appointed in the workplace and are responsible for matters, which may affect the employees' health and safety and environmental integrity within the NCR.

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

3.8 Social responsibility

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

3.9 Audit and Risk Management Committee Report

We are pleased to present our report for the financial year ended 31 March 2016.

Audit and Risk Management Committee Responsibility

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

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

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

Audit and Risk Management Committee members and attendance

Attendance at Audit and Risk Management Committee meetings (April 2015 – March 2016)

Committee Member	27 May 2015	16 Jul 2015	23 Jul 2015	27 Oct 2015	4 Mar 2016
J Pema	√		√		
J Bokwa	√			√	√
W Ndlovu		√	√	√	√
P Mvulane		√	√	√	

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

Internal Audit function

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

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

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

Risk Management

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

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

Risk assessment, evaluation and measurement is ongoing and integrated into all activities. Where risks are identified, corrective action is taken,

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

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

The Committee views the funding insufficiency as one of the organisation's key risks. The Committee continues to support management in managing and mitigating this risk.

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

Evaluation of Annual Financial Statements

We have reviewed the annual financial statements prepared by the public entity. The Audit and Risk Management Committee is satisfied that the financial statements of the NCR for the year ended 31 March 2016 comply with the requirements of the PFMA, and the basis of preparation is in accordance with Generally Recognised Accounting Practice. The going concern principle was adopted in the preparation of the financial statements,

The Committee concurs with the Auditor-General's conclusion on the annual financial statements. The audited annual financial statements should be read together with the Auditor-General's Report.

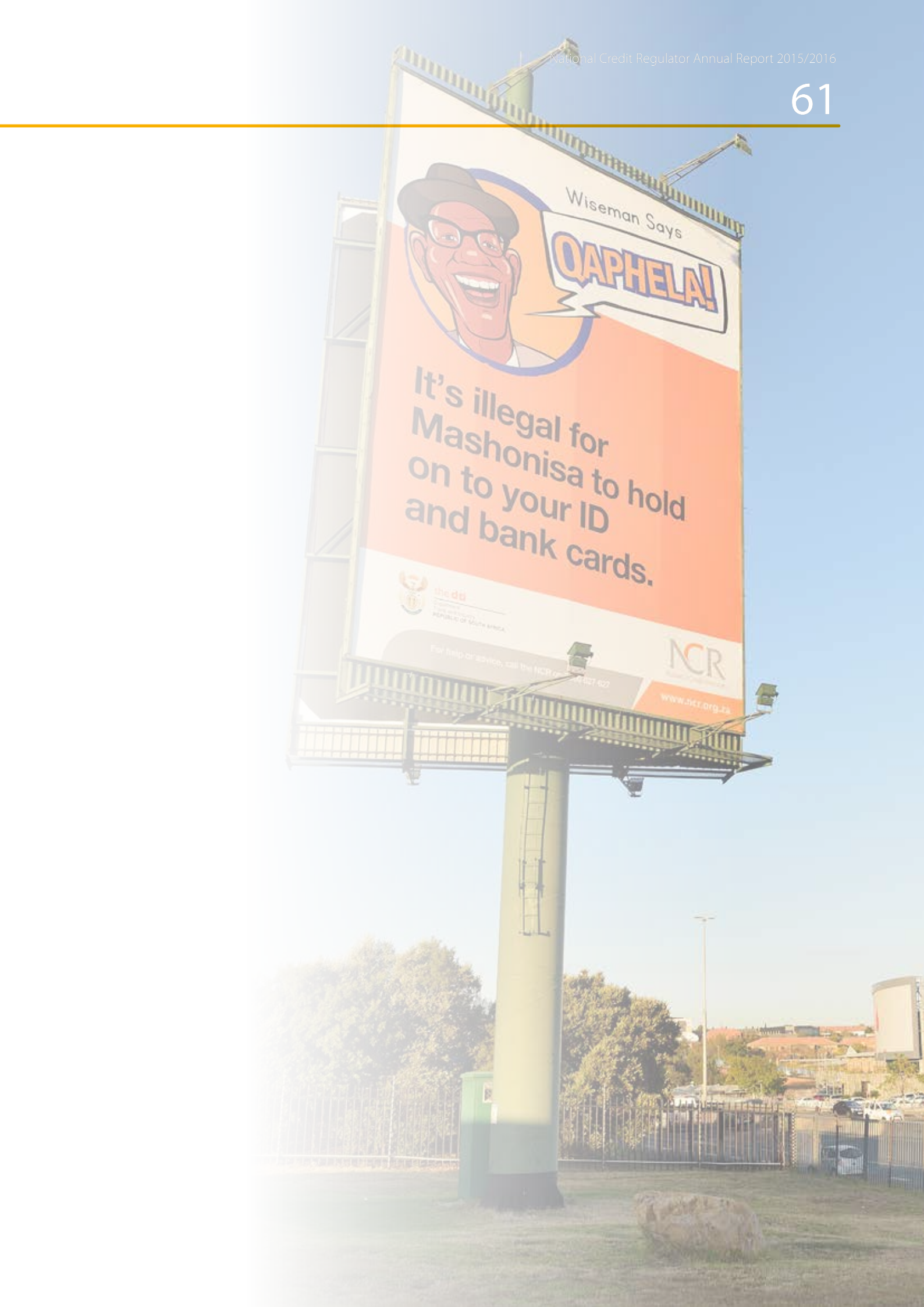
Conclusion

The Committee congratulates the NCR for achieving an unqualified (clean) audit opinion for the year ended 31 March 2016. We wish to express our appreciation to the Accounting Authority, internal and external auditors, Executive Committee and NCR employees for their support throughout the year.

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

William Ndlovu
Chairperson of the Audit and Risk Management Committee
National Credit Regulator
29 July 2016

From left: Ms J Bokwa, Mr W Ndlovu and Ms P Mvulane


Wiseman Says
QAPHELA!
It's illegal for Mashonisa to hold on to your ID and bank cards.
NCR
www.ncr.org.za

PART D

HUMAN RESOURCE MANAGEMENT

HUMAN RESOURCE MANAGEMENT

Mr Mpfariseni Mudau
Manager: Human Resources

4.1 Introduction

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

HR priorities during the period

One of the HR Department's key priorities during the period was to fill key vacant management positions. The entity has finalised the appointment of the Complaints Manager.

As a result of budget constraints, the NCR has frozen certain positions.

Human Resources and Security and Facilities Team

People development remains an important area of focus. Most of the supervisors on the BANKSETA Management Development Programme completed the programme. Two managers completed their management development courses at the Gordon Institute of Business Science and Wits Business School.

Strategies to attract and retain employees

The NCR pursues a strategy of reviewing and, where necessary, amending HR policies to ensure that policies remain relevant. These Include the implementation of the revised performance management policy. This further cultivates a high performance culture within the NCR.

The NCR recognises that its employees are its greatest asset. Strategies are in place to attract, retain and develop employees. Career Development and Succession Policies are also in place.

Critical positions are filled through a combination of internal and external recruitment methods, which include the use of specialised recruitment agencies and referrals to recruit scarce and critical skills.

Senior management positions were filled by promoting staff. The current vacant senior management as well as skilled supervision positions have acting incumbents, who are also internal staff. This is in a bid to give opportunities for internal staff to management exposure.

The turnaround period for filling vacancies is three months. It may take longer in the case of scarce skills or due to pending labour relations matters.

Performance Management System

The NCR's performance management system recognises superior performance; this helps to attract and retain high-performing individuals. Progressive career management and succession planning policies also help to retain talent.

The entity has implemented a new Performance Management System. As a result of these changes, performance bonuses are now paid in July instead of December. A new Human Resource Information System has also been implemented and is fully functional.

Development initiatives

The NCR continues to contribute to enhancing the employability of the disadvantaged and unemployed youth. The NCR, in partnership with the BANKSETA employs unemployed learners and provides them with exposure to the corporate environment and work experience which will enhance their employability in the financial services and banking sector.

The NCR employed four learners in partnership with the BANKSETA. This learnership is administered in partnership with Milpark Business School, which provides learners with theoretical training in project management, finance, strategic management and human resources management. This learnership ended in February 2016.

The NCR also supported underprivileged learners who have matriculated but did not have the means to study further or find employment. The NCR partnered with local organisations and other Setas in a three-month pilot project. Thirteen (13) unemployed matriculated learners from surrounding townships were employed. At the end of the project, the NCR absorbed four (4) learners on a fixed term contract.

The NCR plans to continue with the learnership programme and take on unemployed graduates.

NCR Learners 2015/16

Learner testimonials

HL: Very lucky to be part of the NCR Learnership Programme

I was very lucky to be part of the National Credit Regulator learnership programme as a Trainee IT Support Technician and it has been a great and lovely experience as I have learned a lot of things within the IT field, but also in the corporate world. I have learnt how to work well and communicate with other people. I am confident that the skills and experience that I have obtained will benefit me in the future and wherever I go. I would also like to thank NCR for the opportunity, trust and support that they have given me to be able to learn and explore new things throughout the programme.

Ennie Motimele, Trainee IT Support

HL: Filled with joy and happiness

First of all, I never thought that I would join the organisation. When I received a phone call from the NCR, telling me "I had made it," and was starting in January, I was filled with happiness and joy. I cannot thank the National Credit Regulator enough for hosting me and providing me with work experience that will benefit me in the near future.

My journey was phenomenal. As a data capturer, I learnt a lot from the employees who trained me as well as the registration officers. I thank you all for the confidence and trust you put in me. I got to experience each and every avenue. I learnt how to register new credit providers and debt counsellors as well as how to update the debt counsellors' information. The NCR has provided me with invaluable professional work experience. I learnt to work under pressure and how to deal with difficult clients, and how to solve a problem. The learnership was for 12months. I am humbly grateful for the skills and knowledge I obtained at the organisation. I will forever appreciate and apply what I learned at NCR where ever I go.

Thank you very much!

Kristen Bekaardt, Data Capturer: Registrations Department

HL: Very fortunate to have been given an opportunity

I feel very fortunate to have been given the opportunity by the NCR to complete the Learnership Programme. It has been a great opportunity to be in the Registrations Department. I have learnt a lot, and I am still learning. When I started, I knew nothing about data capturing.

As a learner in the Registrations Department, I was not only exposed to data capturing but also, to printing renewal letters, printing of proposed and imposed conditions, and preparing final demand letters; this knowledge will be of great help to my personal growth and development.

Lungelwa Mgawuli, Data Capturer: Registrations Department

Governance Training

The NCR regards governance as a key pillar of the organisation's effectiveness and efficiency. The Audit and Risk Management Committee members, together with EXCO members, were given refresher training during the Induction Programme for new committee members. The training was done in partnership with the Institute of Directors of South Africa (IOD).

Employee Wellness Programme

The NCR's Employee Wellness Programme provider, provides NCR staff members and their immediate families with psychological counselling, life management guidance and an on-line eCare service. All employees have been offered an outsourced employee wellness induction session. The NCR receives quarterly reports on staff utilisation of services. The programme is running well and has a good utilisation rate.

Employees can either self-refer, or be referred by their manager. In the case of the latter, the NCR receives feedback on how the employee is performing in line with what has been prescribed.

Social activities

The NCR periodically organises or hosts wellness events for employees. While the focus is primarily on health, these events often provide opportunities for team building and social responsibility.

Staff, with the Executive's approval, established a self-funded Social Committee. The Committee is responsible for planning and coordinating social activities for the benefit of all staff members. The committee will assist in building moral and creating a common culture amongst staff members.

The 2015/16 programme included the following activities:

- Youth Day Function in June 2015;
- Mandela Day Celebration on the 17th July 2015. The social committee identified the Mafulo Ga Sisulu Drop in Centre in Olievenhoutbosch as the beneficiary of its 67 Minutes for Mandela campaign;
- Heritage Day celebration in September 2015 and an end-year function in December 2015;
- The NCR in partnership with the CBA hosted a financial wellness campaign for its staff on Spring Day. The campaign called "Know your Credit Status" proved to be a very successful initiative;
- The NCR Soccer team was established immediately after NCR's Social Committee organised a successful sports day early in 2016. The team comprised 20 staff members from various NCR departments and boasted wins in games against other company teams;
- Fund-raising car-wash events in May and in October 2015.

Madiba Day activities 2015

NCR Sports Day 2016

Sound labour and employee relations

An Employer-Employee Consultative Forum was created to harmonise relations within NCR. The forum will assist in bringing concerns, ideas and suggestions of the general staff to management's attention. The forum will give employees an opportunity to contribute constructively to decision making within the NCR. The committee is made up of representatives from all the departments within the organisation.

Challenges

As a result of funding constraints, the NCR has been unable to acquire suitable premises. Funding constraints have also impacted on the NCR's ability to fill vacant positions.

During the period the NCR filled a total of 20 positions; 16 individuals were recruited externally; there were also three promotions internally. Staff turnover is a modest 8%.

Future HR Plans

The HR Department will continue to ensure adequate human resources to meet the strategic goals and operational plans of the NCR. Embedded within the culture is an ethos of - the right people with the right skills at the right time.

To this end the department will be implementing fresh ways to create the right skills pool for the organisation. This will include the expansion of the graduate development programme as well as more rigorous career management interventions.

4.2 Human Resource Oversight Statistics

Personnel cost by programme

Programme	Total expenditure for the entity R'000	Personnel expenditure R'000	Personnel expenditure as a % of total expenditure R'000	No. of employees	Average personnel cost per employee R'000
Programme 1	15 521	9 612	8	21	458
Programme 2	26 021	16 116	14	51	316
Programme 3	22 483	13 948	12	13	1 073
Programme 4	39 748	24 571	21	43	571
Programme 5	13 239	8 166	7	27	302

Personnel cost by salary band

Top Management	Personnel Expenditure (R'000)	% of Personnel expenditure to total personnel cost (R'000)	No. of employees	Average personnel cost per employee (R0'000)
Top management	8 731	12%	5	1 746
Senior Management	6 950	10%	7	993
Professional Qualified	20 469	28%	34	602
Skilled	28 010	39%	67	418
Semi-skilled	8 107	11%	42	193
Unskilled	0	0%	0	0

Performance rewards

Level	Performance rewards	Personnel cost R'000	% of Personnel rewards to total personnel cost R'000
Top management	788	8 731	1%
Senior management	697	6 950	1%
Professional qualified	1 983	20 469	3%
Skilled	3 078	28 010	4%
Semi-skilled	1 336	8 107	2%
Unskilled	0	0	0

Training cost

Programme	Personnel expenditure R'000	Training expenditure R'000	Training expenditure as a % of total personnel cost	No. of employees trained	Average Training cost per employee R'000
Programme 1	9 612	0	0%	0	11
Programme 2	16 116	0	0%	0	29
Programme 3	13 948	0	0%	0	9
Programme 4	24 571	91	0.2%	25	25
Programme 5	8 166	0	0%	0	17

Employment and vacancies

Activity	2014/2015 No. of employees	2015/2016 approved posts	2015/2016 no. of employees	Vacancies	% of vacancies
Programme 1	20	22	21	1	4.5%
Programme 2	53	66	50	16	24%
Programme 3	14	14	13	1	7%
Programme 4	40	53	43	10	19%
Programme 5	26	31	28	3	9.6%
	153	**186**	**155**	**31**	**17%**

	2014/2015 No. of employees	2015/2016 approved posts	2015/2016 no. of employees	2015/2016 no. of vacancies	% of vacancies
Top management	6	6	5	1	16%
Senior Management	4	12	7	5	27%
Professional Qualified	31	39	34	9	23%
Skilled	73	79	67	10	15%
Semi-skilled	39	50	42	6	12%
Unskilled	0	0	0	0	0%
Total	**153**	**186**	**155**	**31**	**17%**

Notes:

- Skilled - Finance has two fixed term contracts
- Professionally qualified – includes 2 fixed term contract

Employment changes

Salary band	Employment at beginning of period	Appointments	Terminations*	Employment at the end of the period
Top management	6	1	1	5
Senior Management	4	4	0	8
Professional Qualified	31	6	4	33
Skilled	73	6	11	68
Semi-skilled	39	3	2	40
Unskilled	0	0	0	0
Total	**153**	**20**	**18**	**155**

*Termination figures exclude the termination of the Learnership Programme.

Reasons for staff leaving

Reason	Number	% of total staff leaving
Death	0	0%
Resignation	15	83%
Dismissal	1	5%
Retirement	0	0%
Ill health	0	0%
Expiry of contract	2	11%
Other	0	
Total	**18**	

The NCR conducts exit interviews; these enable it to track the reasons for resignations. These provide insight for staff movements so that the entity can better improve on its retention methods.

Labour relations: misconduct and disciplinary action

Nature of disciplinary action	Number
Verbal warning	0
Written warning	6
Final Written warning	1
Dismissal	1

Equity and Employment Equity Status

Levels	Male							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top management	3	0	0	0	0	0	0	0
Senior Management	2	0	0	0	0	0	0	0
Professional Qualified	9	2	1	2	0	4	5	1
Skilled	21	5	0	2	0	0	0	0
Semi-skilled	15	3	1	1	0	1	0	1
Unskilled	0	0	0	0	0	0	0	0
Total	**50**	**10**	**2**	**5**	**0**	**6**	**5**	**2**

Equity and Employment Equity Status

Levels	Female							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top management	2	0	0	0	0	0	0	0
Senior Management	4	0	0	2	0	0	1	0
Professional Qualified	7	2	0	3	3	2	8	1
Skilled	43	4	2	2	1	2	0	2
Semi-skilled	24	4	2	1	0	1	0	2
Unskilled	0	0	0	0	0	0	0	0
Total	**80**	**10**	**4**	**8**	**4**	**5**	**9**	**5**

Equity and Employment Equity Status

Levels	Disabled staff			
	Male		Female	
	Current	Target	Current	Target
Top management	0	0	0	0
Senior Management	0	0	0	0
Professional Qualified	0	0	0	0
Skilled	0	1	1	2
Semi-skilled	1	1	1	3
Unskilled	0	0	0	0
Total	**1**	**2**	**2**	**5**

The NCR is on track to meet its disability targets. The entity is trying to increase the number of disabled staff in more skilled and senior categories, and is engaging organisations, who may be able to assist in this regard.

PART E

FINANCIAL INFORMATION

General Information

Country of incorporation and domicile
South Africa

Legal form of entity
National Public Entity in terms of schedule 3A of the PFMA

Nature of business and principal activities
Credit Industry Regulator

Registered office
127 - 15th Road
Randjespark
Midrand
1685

Bankers
Standard Bank of South Africa

Auditors
Auditor General of South Africa

Company Secretary
L. Mashapa

5. Report of the Chief Financial Officer

Ms Ayanda Mafuleka CA (SA)
Chief Financial Officer

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

During the 2015/2016 financial year, the department has ensured that:

- All statutory submissions were submitted on time in compliance with the PFMA and Treasury Regulations;
- All management accounts, with variance explanations, were submitted on time to the dti as per the signed Shareholder Compact;
- The NCR continued to comply with cost containment measures issued by National Treasury Instruction 01 of 2013/14;
- The Medium Term Expenditure Framework (MTEF) and Estimates of National Expenditure (ENE) were timeously submitted;
- Valid invoices for the year under review were paid within 30 days in compliance with the PFMA;
- The unqualified audit opinion (clean audit) from the Auditor-General was achieved for the year under review.

5.1 Report of the auditor-general to Parliament on the National Credit Regulator

Report on the annual financial statements

Introduction

1. I have audited the annual financial statements of the National Credit Regulator set out on pages 81 to 113, which comprise the statement of financial position as at 31 March 2016, the statement of financial performance, the statement of changes in net assets, the statement of cash flows and the statement of comparison of budget information with actual information for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting authority's responsibility for the annual financial statements

2. The accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with the Standards of Generally Recognised Accounting Practise (GRAP), the requirements of the Public Finance Management Act of South Africa, 1999 (Act no.1 of 1999) (PFMA), National Credit Act (Act no.34 of 2005) and National Credit Amendment Act (Act no.19 of 2014) and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-general's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with International Standards on Auditing. Those standards require that I comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the National Credit Regulator as at 31 March 2016 and its financial performance and cash flows for the year then ended, in accordance with GRAP and the requirements of the PFMA, National Credit Act (Act no. 34 of 2005) and National Credit Amendment Act (Act no. 19 of 2014).

Additional matter

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

Unaudited supplementary schedules

8. The supplementary information set out on pages 46 to 53 does not form part of the annual performance report and is presented as additional information. I have not audited these schedules and, accordingly, I do not report on them.

Report on other legal and regulatory requirements

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

Predetermined objectives

10. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information of the following selected strategic objectives presented in the annual performance report of the National Credit Regulator for the year ended 31 March 2016:
    a. Strategic Objective 1: To promote increased access to credit through responsible credit granting on pages 46 to 47.
    b. Strategic Objective 2: To protect consumers from abuse and unfair practices in the consumer credit market and address over-indebtedness on page 48.
    c. Strategic Objective 3: To enhance a consumer credit market regulatory framework on page 49.
    d. Strategic Objective 5: To ensure effective implementation of National Credit Amendment Act on pages 51 to 52.

11. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned [programmes/objectives/development priorities]. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's Framework for managing programme performance information (FMPPI).

12. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

13. I did not identify any material findings on the usefulness and reliability of the reported performance information for the following strategic objectives:
    a. Strategic Objective 1: To promote increased access to credit through responsible credit granting on pages 46 to 47.
    b. Strategic Objective 2: To protect consumers from abuse and unfair practices in the consumer credit market and address over-indebtedness on page 48.
    c. Strategic Objective 3: To enhance a consumer credit market regulatory framework on page 49.
    d. Strategic Objective 5: To ensure effective implementation of National Credit Amendment Act on pages 51 to 52.

Additional matter

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

Achievement of planned targets

15. Refer to the annual performance report on pages 46 to 53 for information on the achievement of the planned targets for the year.

Compliance with legislation

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

Internal control

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

Auditor-General

Pretoria
29 July 2016

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

National Credit Regulator
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The annual financial statements set out on page 81 to 113 which have been prepared on the going concern basis, were approved by the accounting authority on 29 July 2016 and were signed by:

Ms Nomsa Motshegare
Accounting Authority
29 July 2016

Finance, Procurement and IT Team

National Credit Regulator
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Statement of Financial Position as at 31 March 2016

Figures in Rand	Note(s)	2016	2015
Assets			
Current Assets			
Receivables from exchange transactions	3	152 746	118 330
Receivables from non-exchange transactions	29	2 787 161	982 394
Operating lease asset	11	-	4 941
Cash and cash equivalents	4	44 970 699	35 994 112
		47 910 606	**37 099 777**
Non-Current Assets			
Property, plant and equipment	5	12 408 035	14 908 936
Intangible assets	6	5 734 749	6 985 825
		18 142 784	**21 894 761**
Total Assets		**66 053 390**	**58 994 538**
Liabilities			
Current Liabilities			
Deferred income	7	4 017 262	4 286 378
Payables from exchange transactions	8	8 677 200	8 645 763
Payables from non-exchange transactions	4	41 864 056	32 468 493
Provisions	9	7 673 391	3 004 950
Lease obligation	10	8 381	29 458
Operating lease liability	11	62 777	2 394
		62 303 067	**48 437 436**
Non-Current Liabilities			
Lease obligation	10	-	8 382
Total Liabilities		**62 303 067**	**48 445 818**
Net Assets		**3 750 323**	**10 548 720**

National Credit Regulator
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Statement of Financial Performance

Figures in Rand	Note(s)	2016	2015
Revenue			
Revenue from exchange transactions			
Other revenue	12	886 621	307 820
Interest received - investment	13	1 054 695	1 380 645
Total revenue from exchange transactions		**1 941 316**	**1 688 465**
Revenue from non-exchange transactions			
Fee revenue	14	32 900 685	31 202 448
Transfer payment	15	66 899 044	68 845 000
Other revenue	16	5 657 229	1 563 067
Total revenue from non-exchange transactions		**105 456 958**	**101 610 515**
Total revenue		**107 398 274**	**103 298 980**
Expenditure			
Personnel expenditure	17	72 266 955	68 154 951
Operating expenses	18	17 160 705	22 246 012
Finance costs	19	2 234	4 211
Administrative expenses	20	18 368 445	22 541 392
Impairment loss/ Reversal of impairments	24	-	213 534
Depreciation and amortisation		6 398 332	4 261 379
Total expenditure		**114 196 671**	**117 421 479**
Operating deficit for the year	21	**(6 798 397)**	**(14 122 499)**
Deficit for the year		**(6 798 397)**	**(14 122 499)**

National Credit Regulator
Annual Financial Statements for the year ended 31 March 2016

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 April 2014	**24 671 219**	**24 671 219**
Changes in net assets		
Deficit for the year	(14 122 499)	(14 122 499)
Total changes	(14 122 499)	(14 122 499)
Balance at 01 April 2015	**10 548 720**	**10 548 720**
Changes in net assets		
Deficit for the year	(6 798 397)	(6 798 397)
Total changes	(6 798 397)	(6 798 397)
Balance at 31 March 2016	**3 750 323**	**3 750 323**

National Credit Regulator
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Cash Flow Statement

Figures in Rand	Note(s)	2016	2015
Cash flows from operating activities			
Receipts			
Cash receipts from applicants and registrants		31 966 785	34 888 929
Transfers received		66 899 044	68 845 000
Interest income		1 054 695	1 380 645
Other receipts		5 598 191	483 820
		105 518 715	105 598 394
Payments			
Cash paid to suppliers and employees		(93 695 097)	(103 804 709)
Net cash flows from operating activities	22	**11 823 618**	**1 793 685**
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(743 168)	(2 335 624)
Purchase of other intangible assets	6	(2 072 170)	(1 982 154)
Net cash flows from investing activities		**(2 815 338)**	**(4 317 778)**
Cash flows from financing activities			
Lease liability		(29 459)	26 931
Finance cost- Finance lease		(2 234)	(4 211)
Net cash flows from financing activities		**(31 693)**	**22 720**
Net increase/(decrease) in cash and cash equivalents		**8 976 587**	**(2 501 373)**
Cash and cash equivalents at the beginning of the year		35 994 112	38 495 485
Cash and cash equivalents at the end of the year	4	**44 970 699**	**35 994 112**

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis						
Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Taxation revenue						
Transfer payment	-	-	**-**	-	**-**	
Income						
Fee revenue	56 051 555	(1)	**56 051 554**	32 900 685	**(23 150 869)**	**N1**
Transfer payment	65 727 000	-	**65 727 000**	66 899 044	**1 172 044**	
Other income	-	-	**-**	6 543 850	**6 543 850**	**N2**
Interest income	2 000 000	-	**2 000 000**	1 054 695	**(945 305)**	
Additional funding	8 879 015	(8 879 015)	**-**	-	**-**	
Total income	**132 657 570**	**(8 879 016)**	**123 778 554**	**107 398 274**	**(16 380 280)**	
Expenditure						
Personnel	(82 231 124)	3 382 000	**(78 849 124)**	(73 794 292)	**5 054 832**	**N3**
Communication costs	(2 711 041)	289 327	**(2 421 714)**	(1 758 454)	**663 260**	
Bad debts	-	-	**-**	(1 817 429)	**(1 817 429)**	
Depreciation and amortisation	-	-	**-**	(6 398 332)	**(6 398 332)**	**N4**
Consumer education	(5 646 000)	(64 000)	**(5 710 000)**	(5 079 619)	**630 381**	
Professional fees	(12 043 764)	164 766	**(11 878 998)**	(8 775 688)	**3 103 310**	**N5**
General expenses	(7 198 203)	739 865	**(6 458 338)**	(5 722 826)	**735 512**	
Information technology	(3 574 150)	959 350	**(2 614 800)**	(1 628 306)	**986 494**	
Premises and equipment costs	(6 799 419)	341 419	**(6 458 000)**	(5 916 327)	**541 673**	
Stakeholder communication	(1 889 174)	(245 573)	**(2 134 747)**	(1 332 277)	**802 470**	
Debt Counselling Initiatives	(3 325 156)	1 171 862	**(2 153 294)**	(1 973 121)	**180 173**	
Total expenditure	**(125 418 031)**	**6 739 016**	**(118 679 015)**	**(114 196 671)**	**4 482 344**	
Deficit for the year	**7 239 539**	**(2 140 000)**	**5 099 539**	**(6 798 397)**	**(11 897 936)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**7 239 539**	**(2 140 000)**	**5 099 539**	**(6 798 397)**	**(11 897 936)**	

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Non-Current Assets						
Property, plant and equipment	(2 122 990)	893 451	**(1 229 539)**	(743 168)	**486 371**	
Intangible assets	(2 116 549)	(253 451)	**(2 370 000)**	(2 072 170)	**297 830**	
Capital projects	(3 000 000)	1 500 000	**(1 500 000)**	-	**1 500 000**	**N6**
	(7 239 539)	**2 140 000**	**(5 099 539)**	**(2 815 338)**	**2 284 201**	
Total Assets	**(7 239 539)**	**2 140 000**	**(5 099 539)**	**(2 815 338)**	**2 284 201**	
Net Assets	**(7 239 539)**	**2 140 000**	**(5 099 539)**	**(2 815 338)**	**2 284 201**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Capitalisation reserve	(7 239 539)	2 140 000	**(5 099 539)**	(2 815 338)	**2 284 201**	

N1: The negative variance of R23,1 million is due to the significant under collection of fees from registrants as a result of a delay in the implementation of the NCAA. The NCR had optimistically budgeted for revenue in anticipation of more new registrants such as Payment Distribution Agencies (PDAs), Alternative Dispute Resolution agencies (ADRs) as well as small credit providers previously not registered with the NCR because of the new registration thresholds. The new registration of credit providers were published in the month of May 2016.

N2: The positive variance of R6,5 million is mainly attributed to the utilisation of the PDA interest by the NCR as per the approved PDA Interest Utilisation policy on the 15th October 2015.

N3: The positive variance of R5,1 million is due to some vacant posts not filled during the year because of office space limitations and the fact that actual salary increases effected in 2015/2016 were lower than budgeted salary increases.

N4: The negative variance of R6,3 million is mainly attributable to the depreciation which was not budgeted for as it is a non-cash flow item for the MTEF budget process.

N5: The positive variance of R3,1 million is due to the implementation of cost containment measurements to utilise internal human resources for most investigations.

N6: The R1,5 million unspent budget on the ICT projects is due to a delay in the deployment into production of the ICT sub-system as a result of the delays experienced during the testing phase.

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Cash receipts from applicants and registrants	56 051 555	(1)	**56 051 554**	31 966 785	**(24 084 769)**	
Transfers received	65 727 000	-	**65 727 000**	66 899 044	**1 172 044**	
Interest income	2 000 000	-	**2 000 000**	1 054 695	**(945 305)**	
Additional funding	8 879 015	(8 879 015)	**-**	-	**-**	
Other receipts	-	-	**-**	5 598 191	**5 598 191**	
	132 657 570	**(8 879 016)**	**123 778 554**	**105 518 715**	**(18 259 839)**	
Payments						
Suppliers and employees	(125 413 061)	6 739 016	**(118 674 045)**	(93 695 097)	**24 978 948**	
Net cash flows from operating activities	**7 244 509**	**(2 140 000)**	**5 104 509**	**11 823 618**	**6 719 109**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(2 122 990)	893 451	**(1 229 539)**	(743 168)	**486 371**	
Purchase of other intangible assets	(2 116 549)	(253 451)	**(2 370 000)**	(2 072 170)	**297 830**	
Capital projects	(3 000 000)	1 500 000	**(1 500 000)**	-	**1 500 000**	
Net cash flows from investing activities	**(7 239 539)**	**2 140 000**	**(5 099 539)**	**(2 815 338)**	**2 284 201**	
Cash flows from financing activities						
Lease liability	-	-	**-**	(29 459)	**(29 459)**	
Finance costs	(4 970)	-	**(4 970)**	(2 234)	**2 736**	
Net cash flows from financing activities	**(4 970)**	**-**	**(4 970)**	**(31 693)**	**(26 723)**	
Net increase/(decrease) in cash and cash equivalents	-	-	**-**	8 976 587	**8 976 587**	
Cash and cash equivalents at the beginning of the year	39 436 000	-	**39 436 000**	35 994 112	**(3 441 888)**	
Cash and cash equivalents at the end of the year	**39 436 000**	**-**	**39 436 000**	**44 970 699**	**5 534 699**	

National Credit Regulator
Annual Financial Statements for the year ended 31 March 2016

Accounting Policies

1. Significant accounting policies

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

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

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

1.1 Basis of preparation

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

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

1.2 Foreign currency translation

Functional and presentation currency

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

1.3 Borrowing costs

Section 66 of the PFMA prohibits the NCR from borrowing unless such borrowing has been effected through the Minister of Finance. Partial exemption to this prohibition has been granted through Practice Note 5 of 2006 which allows the NCR to enter into finance leases. Refer to accounting policy 1.7.2 :Finance leases.

1.4 Revenue from exchange transactions

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

Measurement

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

1.5 Revenue from non-exchange transactions

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

National Credit Regulator
Annual Financial Statements for the year ended 31 March 2016

Accounting Policies

1.5 Revenue from non-exchange transactions (continued)

Fee revenue

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

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

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

Government grants

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

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

Government grants are recognised as revenue when:

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

Transfers

Transfers for operational activities are recognised as revenue on receipt.

Where appropriate, the NCR will recognise an asset arising from 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

1.7.1 Operating leases

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

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Accounting Policies

1.7.2 Finance leases

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

1.8 Property, plant and equipment

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

Fixed asset class	Average useful life
Machinery	7 years
Furniture and fittings	10 years
Office equipment	3-7 years
Computer equipment	3-7 years
Leasehold improvements	Remaining period of lease
Security equipment	3-7 years
Leased equipment	Remaining period of lease
ICT operational system	5-7 years

1.9 Intangible assets

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

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

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Accounting Policies

1.9 Intangible assets (continued)

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.

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

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

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

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

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

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

1.10 Impairment of non-cash-generating assets

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

Identification

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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Accounting Policies

1.10 Impairment of non-cash-generating assets (continued)

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

Reversal of an impairment loss

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

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

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

1.11 Provisions

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

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

1.12 Employee benefits

Short-term employee benefits

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

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

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

Retirement benefits

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

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Annual Financial Statements for the year ended 31 March 2016

Accounting Policies

1.13 Financial instruments

Financial assets at ammortised cost

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

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

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

Impairment of financial assets

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

For financial assets, significant evidence include:

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

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

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

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

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

Impairment losses are recognised in surplus or deficit.

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

Initial recognition and measurement

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

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Accounting Policies

1.13 Financial instruments (continued)

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

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

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

Subsequent measurement

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

Cash and cash equivalents

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

Financial liabilities

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

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

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

Offseting of financial assets and liabilities

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

Receivables from exchange transactions

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

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Accounting Policies

1.13 Financial instruments (continued)

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

Trade and other receivables are classified as loans and receivables.

Payables from exchange transactions

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

1.14 Related parties

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

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

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

1.15 Comparative figures

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

1.16 Fruitless and wasteful expenditure

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

1.17 Irregular expenditure

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

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

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

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

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Accounting Policies

1.17 Irregular expenditure (continued)

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

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

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

1.18 Budget information

The approved budget covers the fiscal period from 1 April 2015 to 31 March 2016

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

1.19 Impairment of cash-generating assets

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

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

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

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

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

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

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

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

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Accounting Policies

1.19 Impairment of cash-generating assets (continued)

Useful life is either:

a) the period of time over which an asset is expected to be used by the entity; or
b) the number of production or similar units expected to be obtained from the asset by the entity.

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

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

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Notes to the Annual Financial Statements

Figures in Rand		2016	2015

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

• GRAP 20: Related parties	Effective date not yet determined by the Minister of Finance
• GRAP 17 (as amended 2015): Property, Plant and Equipment	01 April 2016
• GRAP 21 (as amended 2015): Impairment of non-cash- generating assets	01 April 2016

3. Receivables from exchange transactions

Deposits	117 830	118 330
Expenses prepaid	34 916	-
	152 746	**118 330**

4. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	3 000	3 000
Bank balances	189 614	29 996
Call account	2 914 029	3 492 623
Trust account	41 864 056	32 468 493
	44 970 699	**35 994 112**

Cash and cash equivalents balances include the amounts of R41,864,056 (2015:R32,468,493) held in the Trust account which is the Payment Distribution Agency (PDA) interest earned from monies held by the PDA's for distribution on behalf of consumers.

The Minister has approved the policy on the utilisation of the interest earned by the PDA's for investigation and consumer education effective from 15 October 2015.

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Figures in Rand	2016	2015

5. Property, plant and equipment

	2016			2015		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Computer equipment	6 336 284	(3 351 406)	2 984 878	6 199 865	(2 806 796)	3 393 069
Furniture and fittings	3 236 324	(1 831 148)	1 405 176	3 073 376	(1 527 087)	1 546 289
Leasehold equipment	35 826	(18 998)	16 828	67 678	(32 047)	35 631
Machinery	257 113	(244 258)	12 855	257 113	(244 258)	12 855
Office equipment	1 761 326	(933 780)	827 546	1 753 831	(720 257)	1 033 574
Leasehold improvements	2 149 995	(1 631 205)	518 790	2 131 673	(1 311 767)	819 906
Security equipment	1 187 182	(541 023)	646 159	1 295 589	(508 571)	787 018
ICT operational system	8 687 239	(2 691 436)	5 995 803	8 687 240	(1 406 646)	7 280 594
Total	**23 651 289**	**(11 243 254)**	**12 408 035**	**23 466 365**	**(8 557 429)**	**14 908 936**

Figures in Rand	2016	2015

5. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Other additions	Disposals	Transfers	Other changes, movements	Depreciation	Impairment loss	Total
Computer equipment	3 393 069	403 839	23 371	(61 539)	-	7 012	(780 874)	-	2 984 878
Furniture and fittings	1 546 289	147 801	14 212	-	-	935	(304 060)	-	1 405 176
Leasehold equipment	35 631	-	-	-	-	-	(18 803)	-	16 828
Machinery	12 855	-	-	-	-	-	-	-	12 855
Office equipment	1 033 574	7 131	1 999	(3 698)	-	3 636	(215 096)	-	827 546
Leasehold improvements	819 906	31 300	794	(3 379)	-	(7 012)	(322 818)	-	518 790
Security equipment	787 018	153 097	-	(140 742)	-	-	(153 214)	-	646 159
ICT operational system	7 280 594	-	-	-	-	-	(1 284 791)	-	5 995 803
	14 908 936	**743 168**	**40 376**	**(209 358)**	**-**	**4 571**	**(3 079 656)**	**-**	**12 408 035**

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Other additions	Disposals	Transfers	Other changes, movements	Depreciation	Impairment loss	Total
Computer equipment	3 635 710	1 166 309	9 744	(88 788)	-	(474 336)	(765 630)	(89 941)	3 393 069
Furniture and fittings	1 557 149	221 932	162 488	-	-	-	(298 144)	(97 136)	1 546 289
Leasehold equipment	10 767	52 725	10 853	(3 597)	-	8 432	(43 549)	-	35 631
Machinery	12 855	-	-	-	-	-	-	-	12 855
Office equipment	844 141	370 791	14 944	(2 767)	-	6 254	(194 067)	(5 722)	1 033 574
Leasehold improvements	149 150	186 297	308 458	-	-	-	185 843	(9 842)	819 906
Security equipment	574 433	337 570	10 525	-	-	-	(125 560)	(9 950)	787 018
ICT operational system	8 618 810	-	-	-	(400 452)	-	(937 764)	-	7 280 594
	15 403 015	**2 335 624**	**517 012**	**(95 152)**	**(400 452)**	**(459 650)**	**(2 178 871)**	**(212 591)**	**14 908 936**

Other additions comprise of fair value adjustments on non-current assets. Adjustments comprise of reclassifications and corrections.

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Figures in Rand	2016	2015

6. Intangible assets

	2016			2015		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	9 858 690	(5 028 126)	4 830 564	9 389 795	(3 507 321)	5 882 474
Human Resource System	1 543 424	(639 239)	904 185	1 543 424	(440 073)	1 103 351
Total	**11 402 114**	**(5 667 365)**	**5 734 749**	**10 933 219**	**(3 947 394)**	**6 985 825**

Reconciliation of intangible assets - 2016

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

Adjustment comprise reclassifications and corrections.

Reconciliation of intangible assets - 2015

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

7. Deferred income

Deferred income	4 017 262	4 286 378

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

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

8. Payables from exchange transactions

Trade payables	4 683 524	5 412 137
Accruals	3 993 676	3 061 582
Removal of adverse credit information project-DTI	-	172 044
	8 677 200	**8 645 763**

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

9. Provisions

Reconciliation of provisions - 2016

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

Reconciliation of provisions - 2015

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

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

Performance bonuses are payable by the NCR annually in July based on performance evaluations for the period 01 April 2015 to 31 March 2016.

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Figures in Rand	2016	2015
10. Finance lease obligation		
Minimum lease payments due		
- within one year	8 579	31 635
- in second to fifth year inclusive	-	8 579
	8 579	40 214
less: future finance charges	(198)	(2 374)
Present value of minimum lease payments	**8 381**	**37 840**
Present value of minimum lease payments due		
- within one year	8 381	29 458
- in second to fifth year inclusive	-	8 382
	8 381	**37 840**

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

The contract lease term is 2 years and the average effective borrowing rate is 9.25% (2015:9.25%). Ownership of the equipment is automatically transferred at the end of the lease term.`

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

11. Commitments

Authorised capital expenditure

Already contracted for but not provided for

• Information Communication and Technology (ICT) system	12 061 896	12 061 896
• Human Resources system	218 774	468 313
	12 280 670	**12 530 209**

Total capital commitments

Already contracted for but not provided for	12 280 670	12 530 209

The committed expenditure will be financed through the annual transfer from the Department of Trade and Indusrty (DTI) and annual fees from registrants. The above amounts relate to the value of the commitment over the remaining period of the commitment which is 3 years for the new ICT and Human Resource systems.

Operating leases

Minimum lease payments due

Building	62 777	(4 941)
Billboard	-	2 394
	62 777	**(2 547)**

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

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

Minimum lease payments due	Building	Total
- Payable within one year	2 025 064	2 025 064
- Payable within two to five years	168 755	168 755
	2 193 819	**2 193 819**

12. Other exchange revenue

Skills development levies recovered	99 044	127 558
Reimbursements	192 499	69 531
Proceeds from insurance claim	2 365	110 731
Proceeds from purchase of register of registrants	30 210	-
Proceeds from sale of tender documents	15 000	-
Proceeds from settlement of legal matters	547 503	-
	886 621	**307 820**

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Notes to the Annual Financial Statements

Figures in Rand	2016	2015
13. Investment revenue		
Interest revenue		
Bank	1 054 695	1 380 645
14. Fee revenue		
Application fees	421 500	364 020
Registration fees	25 003 398	23 670 970
Branch fees	5 961 481	5 604 955
National loans register fees	1 329 226	1 443 383
Replacement certificates	185 080	119 120
	32 900 685	**31 202 448**
15. Transfers		
Operating grants		
Transfer from the Department of Trade and Industry	66 899 044	68 845 000

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

16. Other non-exchange revenue		
Prescribed income	905 283	880 908
Learnership grant	73 500	176 000
Fair value adjustments on non-current assets	40 376	506 159
PDA Interest	4 638 070	-
	5 657 229	**1 563 067**

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

Learnership grant relates to a grant from the Bankseta for National Credit Regulator intake of learners for learnership.

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

17. Personnel expenditure		
Salaries	64 036 958	60 452 653
Contributions to retirement fund	6 115 754	5 712 437
Medical aid contributions	2 112 143	1 967 268
Temporary staff	2 100	22 593
	72 266 955	**68 154 951**

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Figures in Rand	2016	2015
18. Operating expenses		
Professional fees	8 775 688	12 063 187
Consumer education	5 079 619	5 723 164
Stakeholder communication	1 332 277	1 214 589
Debt relief programme	1 973 121	3 245 072
	17 160 705	**22 246 012**
19. Finance costs		
Finance leases	2 234	4 211
20. Administrative expenses		
Premises and equipment	5 916 327	5 701 107
Communication costs	1 758 454	1 716 727
Information technology	1 628 306	2 446 039
General expenses	7 538 021	9 865 298
Recruitment	250 838	950 339
Training	91 491	922 623
Other staff costs	1 185 008	939 259
	18 368 445	**22 541 392**
General expenses comprise:		
Audit fees	2 840 141	3 899 233
Bank charges	121 822	110 781
Board and Committee remuneration	36 740	117 384
Insurance	523 990	546 300
Bad debts	1 817 429	3 502 313
Office costs	-	430
Subscriptions	63 457	75 373
Travel and accomodation	1 925 084	1 518 332
Loss on disposal of assets	209 358	95 152
	7 538 021	**9 865 298**
21. Operating deficit		
Operating deficit for the year is stated after accounting for the following:		
Audit fees (included in administrative expenses)	2 840 141	3 899 233
Board members and audit committee fees	36 740	117 384
Operating lease payments - Building (included in premises and equipment)	2 027 801	1 883 590
Operating lease payments - Equipment (included in premises and equipment)	831 766	682 056
Provision for bad debts (included in general expenses)	1 817 429	3 502 313
Loss on disposal of assets (included in general expenses)	209 358	95 152
	7 763 235	**10 179 728**

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Notes to the Annual Financial Statements

Figures in Rand	2016	2015
21. Operating deficit		
Impairment on property, plant and equipment	-	213 534
Amortisation on intangible assets	3 318 675	2 082 508
Depreciation on property, plant and equipment	3 079 657	2 178 872
Personnel expenditure	72 266 955	68 154 950
	78 665 287	**72 416 330**
22. Cash generated from operations		
Deficit for the year	(6 798 397)	(14 122 499)
Adjustments for:		
Depreciation and amortisation	6 398 332	4 261 379
Finance costs - Finance leases	2 234	4 211
Impairment deficit	-	213 534
Movements in operating lease assets and accruals	65 325	(19 764)
Movements in provisions	4 668 441	1 409 912
Non-current assets written off	209 358	95 152
Fair value adjustments on non-current assets	(40 376)	(506 159)
Other non-cash items	-	(23 849)
Reclassification of finance cost	-	4 211
Changes in working capital:		
Receivables from exchange transactions	(34 416)	3 709 967
Other receivables from non-exchange transactions	(1 804 767)	(904 394)
Payables from exchange transactions	31 437	370 227
Deferred income	(269 116)	(1 100 039)
Payables from non-exchange transactions	9 395 563	8 401 796
	11 823 618	**1 793 685**

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

23. Managements' emoluments

Executive management

2016

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

2015

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

24. Impairment of assets

Impairments

The impairment loss relates to damaged and obsolete items of property, plant and equipment and intangible assets. The recoverable amount for these items has been estimated as RNil.	-	213 534
	-	**213 534**

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Figures in Rand	2016	2015

25. Related parties

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

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

Relationships

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

Related party transactions

Department of Trade and Industry		
(Payables)-Removal of adverse credit information	172 044	(172 044)
Transfer payments received	66 727 000	68 845 000
Board members		
Board members remuneration	-	51 791
National Consumer Tribunal		
Incorrect deposit refunded to NCT	900	-

26. Fruitless and wasteful expenditure

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

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Notes to the Annual Financial Statements

Figures in Rand	2016	2015

27. Risk management

Financial risk management objectives

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

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

Liquidity risk

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

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

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

31 March 2015	Payable in less than 3 months	Payable in 3 to 12 months	Payable after one year	Total
Trade payables	8 645 763	-	-	8 645 763
Finance lease liabilities	4 910	24 549	8 381	37 840
	8 650 673	**24 549**	**8 381**	**8 683 603**

Credit risk

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

With regard to credit risk arising from the other financial assets, which comprise cash and cash equivalents, the NCR's exposure arises from a potential default of the counterparty where credit rating is constantly monitored, with a maximum exposure of R3,106,643 (2015: R3,525,619) to the carrying amount of these instruments. The institution in which funds have been placed is monitored on a quarterly basis to assess any potential risks. Cash and cash equivalents are only placed with banking institutions with an AA. credit rating.

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

Financial instrument	2016	2015
Receivables from exchange transactions	152 746	118 330
Trade receivables	246 238	786 160

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Figures in Rand	2016	2015

MARKET RISK

27. Risk management (continued)

Interest rate risk

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

The interest rate exposure analysis below have been determined based on the NCR's exposure to cash held with the bank on call and in the current account at the reporting date. A 50 (2015: 50) basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the potential impact of the change in interest rates.

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

Exposure to interest rate risk is set out below:

Class of financial instrument		
Cash and cash equivalents	44 970 699	35 994 112
Less amounts held in the Trust account	(41 864 056)	(32 468 493)
	3 106 643	**3 525 619**

Fair values

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

28. Change in accounting estimate

During the period under review, management re-assessed the remaining useful lives of leasehold improvements under property,plant and equipment that had been fully depreciated (nil net book value) The revised remaining useful lives is 24 months for the leasehold improvements which is in line with current lease term. The effect of this revision has resulted in a decreased depreciation charge for the period under review and increased depreciation charge for the future periods by R134,323 (2015:R529,915)

The impact of the change in estimate is as follows:

Effect on statement of financial performance		
Depreciation	(134 323)	(529 915)
Effect on statement of financial position		
Accumulated depreciation	134 323	529 915
	-	-

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Figures in Rand	2016	2015

29. Receivables from non-exchange transactions

Trade debtors	246 238	786 160
PDA interest receivable	2 378 239	-
Other receivables from non-exchange revenue	162 684	196 234
	2 787 161	**982 394**

The PDA interest receivable is the amount that the NCR will recover and receive from the PDA interest trust account for the period under review.

Receivables from non-exchange transactions impaired

As of 31 March 2016, receivables from non-exchange transactions of R 5 ,665,717 (2015: R 6,466,194) were impaired and provided for.The receivables from non-exchange transactions are impaired when more than 1 month.

More than 1 month relating to the current year	5 665 717	6 466 194

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

Opening balance	6 466 194	9 710 224
Provision for impairment	1 817 429	3 502 313
Amounts due for lapsing	-	(6 746 343)
Amount utilised	(2 617 906)	-
	5 665 717	**6 466 194**

Reconciliation of trade debtors

Gross	5 911 955	7 252 354
Provision for bad debts	(5 665 717)	(6 466 194)
	246 238	**786 160**

30. Contingent liabilities and assets

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

31. Irregular expenditure

There is no irregular expenditure identified during the year.

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32. Events after the reporting date

The NCR is not aware of any events which occured after the 31 March 2016, which are likely to have a material impact on the financial results and operations of the entity.

33. Going concern

The economic viability of the NCR is derived from income from DTI as well as fees from registrants.
NCR management is certain that the organisation will be able to continue as a going concern in a forseeable future.

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