

annual
report
2009



Council for Debt Collectors





Annual Report 2009

West Wing, Ground Floor Rentmeester Park Building
74 Watermeyer Street, Val de Grace, Pretoria
PO Box 836, Silverton, 0127

Tel: 012 804 9808/804 3402/804 8483

Fax: 012 804 0744

E-mail: info@debtcol-council.co.za

www.debtcol-council.co.za

ISBN: 978-0-620-46370-6

annual
report
2009

OUR MEMBERS



ADV J J NOETH - chairperson



MS J WILKEN - vice chairperson



MR J VAN RENSBURG - member



MS YP SIDLOVA - member



MS R FERREIRA - member



MR CF JOHNSTON - member



MS LS MACHABA - member



MR B MASEKO - member



MR C SENZANI - member

TABLE OF CONTENTS

CHAIRPERSON'S REVIEW	1
OVERVIEW	5
OBJECTS, CONSTITUTION AND FUNCTIONING	7
INFORMATION TECHNOLOGY	13
THE REGISTRATION OF DEBT COLLECTORS	15
THE FUNCTIONING OF THE LEGAL SECTION	19
THE FINANCIAL MANAGEMENT OF THE COUNCIL	25
ENABLING LEGISLATION	29
PUBLIC RELATIONS	33
ANNEXURE 1: Annual Financial Statements	37
ANNEXURE 2 & 3: Participating radio stations and print media	49



CHAIRPERSON'S REVIEW



CHAIRPERSON'S REVIEW



ADV J J NOETH SC
Chairperson

...more effective service delivery to the general public as well as the debt collectors...

At the outset I wish to congratulate and welcome Mr. J.T. Radebe, M.P. on behalf of the Council on his appointment in the demanding position of Minister of Justice and Constitutional Development. As Council we look forward to a new period of excellent cooperation with the Minister and the Department. Similarly we congratulate Mr. A.C. Nel, M.P. on his appointment in the important position of Deputy Minister of Justice and Constitutional Development. The Council wishes to ensure the Minister and the Deputy Minister of their total commitment to the task at hand and the preparedness to serve the public with diligence.

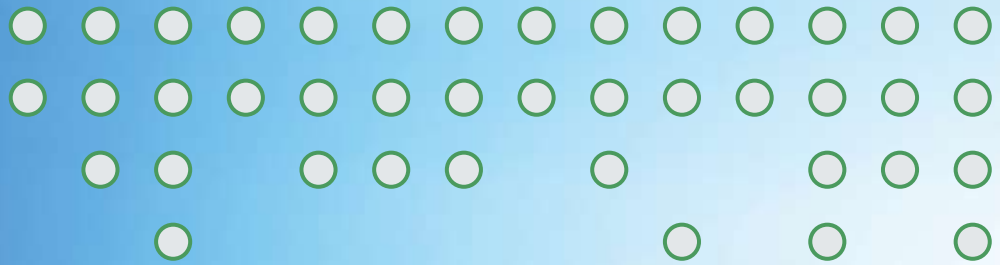
During the year under review the Council again continued to grow in basically every aspect of the Council's objectives and continued to deliver a solid performance. There was a further growth in the number of debt collectors registered with the Council with the consequent growth in the Council's income. This brought about more effective service delivery to the general public as well as the debt collectors. The fact that the Council continues to grow financially without any financial contribution from Government is a compliment in itself.

The Council continued to register more debt collectors as a result of its improved publicity campaign in all areas of the country. The awareness of the public of the existence of the Council and the protection it can afford them in their interaction with debt collectors makes it difficult for unregistered debt collectors to operate without being reported to the Council.

The effective manner in which complaints are dealt with also creates trust in the Council and its activities in its interaction with the public. This is evidenced from the continuous telephonic enquiries from the public and the high number of complaints lodged with the Council. The Council and its staff has in the course of their duties received a number of letters of appreciation from the members of the public.

The Debt Collectors Act, 1998 was promulgated by the Government as part of its consumer protection legislation. The Council has during the course of the year fulfilled its task in this regard as is evidenced by the cases disposed of by the committees of the Council as reflected on pages 21 and 22 of this report.

The Council and the administrative staff of the Council have a system of close corporation which results in a "hands on" approach in all aspects of the Council's administration. This brings about a quick and effective registration



process and the effective monitoring of all aspects of its finances. The latter resulted in another unqualified report from the Council's external auditors. Particularly pleasing is the fact that the Council has, in a world where dishonesty is in the order of the day, not lost any money through theft, fraud, dishonesty or self-enrichment.

All this was made possible through a small but dedicated well-trained staff compliment under the guidance of our experienced Executive Director. To all of them I wish to convey the Council's appreciation for their utmost and continued commitment to the task at hand. They are all fully aware of the fact that the Council has been established to be of service to the public.

The knowledge and the experience of individual Council members and their individual contributions have also contributed to a large extent to what the Council has achieved during the course of the year. They also deserve a special word of appreciation.

We all pride ourselves in the fact that we have been of service to our country and its people.

A handwritten signature in black ink, appearing to read "ADV J J NOETH SC". The signature is stylized and cursive.

ADV J J NOETH SC
CHAIRPERSON





OVERVIEW 1

1. OVERVIEW

This Chapter contains an overview of the activities of the Council during the year under review for the period 1 March 2008 until 28 February 2009.

Chapter 2 deals with the objects, constitution and the functioning of the Council.

Information technology is dealt with in chapter 3.

In chapter 4 attention is devoted to the registration of debt collectors.

The functioning of the legal section including the investigation of complaints is dealt with in chapter 5. Attention is also devoted to pending litigation against the Council.

The Council's enabling legislation is dealt with in chapter 6

The financial management of the Council is considered in chapter 7.

Chapter 8 deals with public relations and contains an overview of the media actions and awareness campaigns.

Overall the year under review has been a successful one in which the Council succeeded in reaching its objectives.

A major contributing factor to ensure the establishment of a viable Council and its further development has been the continuity in its membership. The decisive advantage of maintaining continuity is the opportunity it will create to empower new appointees on the Council in all facets of the functioning of the Council. This has been of particular importance in the successful management and finalisation of disciplinary hearings. In view of the diversity and complexity of the skills in question, taking into account that members are appointed on a part-time basis, the required transfer of skills cannot be accomplished on the short term. It should be kept in mind that there are a considerable number of complaints and disciplinary hearings. Many of the disciplinary hearings are not only factually complex but also raise intricate legal questions. In the complex hearings the respondents are, almost without exception, legally represented and in many instances by either counsel or senior counsel as well as by senior counsel assisted by junior counsel.

OBJECTS, CONSTITUTION AND FUNCTIONING ²

2. OBJECTS, CONSTITUTION AND FUNCTIONING

Establishment of the Council

The Council for Debt Collectors was established by the Debt Collectors Act, 1998 (Act 114 of 1998) - referred to below as "the Act". Section 2(1) of the Act provides that the Council is a juristic person.

The objects of the Council

The objects of the Council are set out in section 2(2) of the Act: to exercise control over the occupation of debt collector. This provision in the enabling legislation is supplemented by other provisions in the Act, the Regulations and the Code of Conduct promulgated in terms of the Act. Broadly speaking the aims of the Council are to -

- regulate the occupation of debt collectors,
- regulate the recovery of fees,
- register debt collectors,
- issue registration certificates,
- investigate complaints against debt collectors, and
- institute, where appropriate disciplinary proceedings against debt collectors for misconduct.

In short, the Council for Debt Collectors regulates the occupation of debt collector, ensures that debt collectors are registered with the Council and protects the public by the investigation of complaints and the institution of disciplinary proceedings where necessary.

Historical background

Following a report from the South African Law Reform Commission recommending the regulation of the occupation of debt collector, government has reacted proactively by the promotion, in accordance with a proven need, of the passing of the Debt Collectors Act, 1998 (Act 114 of 1998) by Parliament.

The first Council was appointed in 2000. No government funding was available and the Council had to obtain its own

funding. Through the intervention of the Chairperson and a former Vice-chairperson R 1 563 744 was obtained from the Swiss Agency for Development and Cooperation to commence the operation of the Council in October 2002. The funding enabled the appointment of an Acting Chief Executive Officer and a secretary as well as the acquisition of accommodation. This enabled the Council to start operations and to create the necessary infrastructure by 1 November 2002. Two additional staff members were appointed in January 2003. Consequently the then Minister of Justice and Constitutional Development was requested to put the Act into operation from 7 February 2003.

Debt collectors had a 6 month period up to 11 August 2003 to register. After this date no debt collector could practice legally without being registered with the Council. Initially registration was slow and by 20 May 2003, three months after the coming into operation of the Act, only 217 debt collectors had registered. The Council made it clear that there would be no extension of the compulsory registration date. This resulted in a drastic increase in registrations. By 29 February 2004 a total of 6 580 debt collectors were registered. The continuous rise in the number of registrations made the Council financially viable. This enabled the Council to improve its infrastructure, to increase its establishment and to communicate effectively with role players and the general public, particularly with previously disadvantaged people and those in rural areas.

The constitution of the Council

The members of the Council are appointed by the Minister of Justice and Constitutional Development.

In terms of section 3(1) the Council consists of not more than 10 members.

In terms of section 3(2) the Minister must appoint as members of the Council -

- (a) as chairperson, any fit and proper person with a suitable degree of skill and experience in the administration of civil law matters;



- (b) as members-
- (i) a magistrate;
 - (ii) an attorney nominated by a representative body or bodies;
 - (iii) at least two but not more than four debt collectors, two of whom must be appointed after consultation with organisations representing debt collectors, who are natural persons and who have exercised the occupation of debt collector for at least three years;
 - (iv) two persons who, in the Minister's opinion, are fit and proper persons to serve on the Council; and
 - (v) one person from nominations submitted by institutions representing consumer interests and who, in the opinion of the Minister, is a fit and proper person to serve on the Council.

In terms of section 3(4) of the Act a member of the Council holds office for a term, not exceeding three years, determined by the Minister at the time of the member's appointment. The section also provides that a member may be reappointed at the expiration of his or her term of office.

During the year under review the following persons served as members of the Council:

Chairperson	:	Adv J J Noeth SC
Member :		Ms I Wilken
	:	Ms S Machaba
	:	Ms Y Sidlova
	:	Mr C Johnston
	:	Ms R Ferreira
	:	Mr H van Rooyen

In terms of section 3(3) of the Act Ms I Wilken has been elected vice-chairperson by the members of the Council. She has served in this capacity during the year under review.

At the end of the year under review there were three vacancies on the Council. Nominations have been submitted to the Minister of Justice and Constitutional Development and are under consideration.

The Minister of Justice and Constitutional Development has subsequently extended the appointment of the above-mentioned members until 31 December 2009 except the appointment of Mr H van Rooyen who has requested to be replaced. The Council would like to express its appreciation to the valuable contribution Mr Van Rooyen has made to the Council particularly for his willingness and contributions in several complicated and extended disciplinary hearings.

The Minister of Justice and Constitutional Development has also subsequently appointed members of the Council in existing vacancies on 4 March 2009 for a period of three years in terms of section 3 of the Debt Collectors Act, 1998 (Act 114 of 1998). Mr M J (Baker) Maseko was appointed in terms of section 3(2)(b)(iii) of the Act. Mr C Senzani, a former member of the Council, was appointed in terms of section 3(2)(b)(iv) of the Act and Mr J C Janse van Rensburg was appointed in terms of section 3(2)(b)(ii) of the Act.

There is currently one vacancy on the Council for an appointment in terms of section 3(2)(b)(iii) of Act for a debt collector nominated after consultation with organisations representing debt collectors.

In terms of section 4(1) of the Act the Council must meet at least three times in every financial year. During the year under review the Council met on three occasions:

5 May 2008
 11 August 2008
 10 and 11 November 2008

Committees

Executive Committee

In terms of section 4(1) of the Act the Council may appoint three of its members as an Executive Committee provided that the majority of members of the Executive Committee must be members other than members who have been appointed by virtue of the fact that they are debt collectors.

During the year under review the Executive Committee was constituted as follows:

Chairperson	:	Adv J J Noeth SC
Vice-chairperson	:	Ms I Wilken
Member	:	Mr C Johnston

The Executive Committee met on 6 occasions during the year under review:

17 March 2008
14 April 2008
9 June 2008
14 July 2008
25 September 2008
23 January 2009

Audit Committee

Although no specific provision has been made in the Act for the appointment of an audit committee, the Council has deemed it necessary to convene such a committee from the members of the Council with the required expertise in order to promote the principles of sound corporate governance recommended in the King Report on Corporate Governance.

During the year under review the Audit Committee was constituted as follows:

Chairperson	:	Ms S Machaba CA (SA)
Member	:	Ms R Ferreira

The Audit Committee met on 4 occasions during the year under review:

22 April 2008
23 July 2008
11 September 2008
15 October 2008

A report by the Chairperson of the Audit Committee appears in **Annexure 1**.

Secretariat of the Council

The Council is assisted in its task by a full-time secretariat. There are 15 posts on the Council's establishment which are filled by the following persons:

Executive Director:

Mr W Henegan

Legal component:

Adv A Cornelius - senior legal officer
Adv T Gildenhuis - legal officer
Ms J Matlala - legal secretary

The service of Adv J Adams has been utilized on an ad hoc basis, in addition to the approved establishment, to assist with the investigation and disciplinary hearings to supplement the lack of sufficient capacity in the legal section particularly in complex investigations as and when the need arises. The work in the legal section has increased to the extent that Adv Adams has almost been fully utilised. In the course of the next financial year consideration will be given whether this post should not be advertised and a full-time appointment be made.

Administrative component

Ms M Lulekwa - Private assistant to the Executive Director
Ms J Nel- Private assistant to the Chairperson
Ms R Joubert - Systems manager
Ms E Maritz - Chief financial officer
Ms D van der Walt - Administrative manager
Ms S Freeman - Financial assistant



- Ms S Sibiyi - Administrative and system assistant
- Ms L Mabaso - Administrative assistant
- Ms M Malapane - Office assistant
- Ms T Swart - Temporary unit
- Mr C Bredenhann - Investigator

In the current financial year Ms Morgan has been promoted to Public Relations Officer which is a management position on the secretariat. The fact that Ms Morgan is fluent in 9 of the official languages will enhance the public relations management of the Council.

The personal assistant to the Chairperson, Ms C Bredenhann, resigned with effect from 10 January 2009 as a result of the relocation of her husband. Ms J Nel has been appointed in this post with effect from 1 January 2009. The Council would like to express its appreciation for the sterling services rendered by Ms Bredenhann. She rendered not only valuable supporting services to the Chairperson but also assisted the administrative section, very effectively, with the increasing workload. Ms Beukes married on 3 January 2009. The Council would like to express its best wishes to Ms Beukes (now Ms Freeman) with her marriage.

During the year under review it was necessary to devote attention to the expansion of the secretariat. The work in

the administrative section has increased to the extent that an additional post of administrative assistant was created. This post is temporarily filled by Ms T Swart who was employed as a temporary unit when Ms Sibiyi was on maternity leave. The post was subsequently advertised but no suitable applications were received. Before the post could be re-advertised it appeared that Ms Freeman would be on maternity leave at a later stage. In view of the specialized nature of her work it was decided to train Ms Swart in the performance of Ms Freeman's functions.

Mr C Bredenhann was appointed for a period of six months with effect from 1 January 2009 as an investigator in order to enable the Council to evaluate the need for the permanent establishment of such a post. The need for such an appointment is discussed in more detail in Chapter 5. In the course of the current financial year the temporary appointment was converted into a permanent position after a needs assessment.

Functionally the administrative component is divided into three divisions:

- An administrative division which handles new applications for registration and renewals of current debt collectors;
- A systems division which is responsible to maintain the information of the Council electronically; and
- A financial division responsible for the management of the Council's finances.

The increase of the establishment since 2003 is reflected in **table 1**:

Council has a relative small administrative component to deal with a considerable workload. The Council wishes to express its appreciation to the members of the secretariat for their outstanding services, their commitment to service excellence and for the high standard of work delivered. These conclusions based on the experience of Council and management is supported by numerous accolades received from clients on the

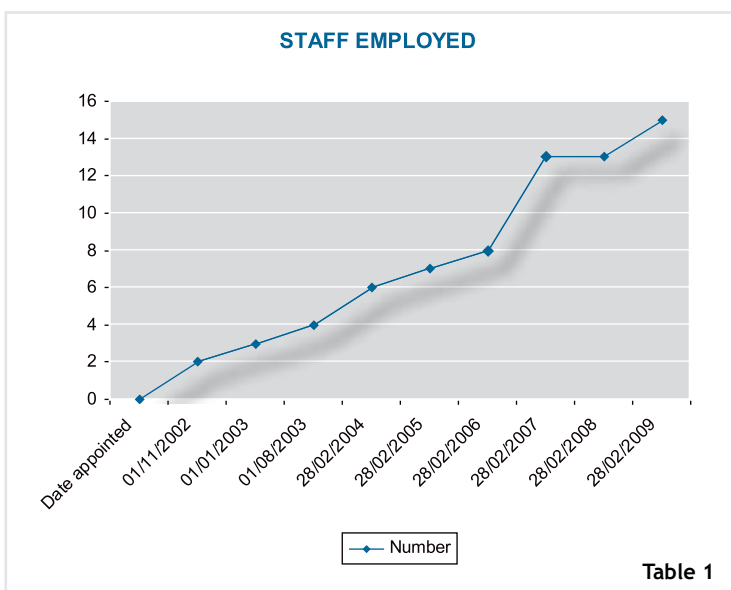



Table 1



high level of service delivery. Notwithstanding a considerable increase in work the secretariat was expanded with only two posts - one of which was motivated by ensuring an efficient investigatory procedure rather than the increase in the work load. What is particularly pleasing is that a limited staff

component succeeded in ensuring that there were no delays in the registration of debt collectors. It is also gratifying to report that no financial losses occurred during the year under review.

INFORMATION TECHNOLOGY

3



3. INFORMATION TECHNOLOGY

As has been reported in the previous annual report a new software vendor has been appointed after the Council invited tenders.

The new software vendor started operations on 1 November 2007. The previous system remained operative until 20 December 2007. To facilitate the migration from the system previously used to the new system the previous service provider assisted the Council by running their system parallel to the new system until 29 February 2008 to ensure a smooth transition and to provide for the verification of data on the new system.

The new system also resulted in the capturing and scanning of documents at the Council's premises resulting in a more efficient registration process. A concomitant benefit is the elimination of the risk of the possible loss of original documents leaving the premises of the Council since the transport of original documents between Pretoria and Johannesburg was eliminated.

As a first step the new software vendor developed a system functionally comparable to the old system and capable of providing the same functions. However, in the course of the financial year under review numerous refinements were incorporated in the new software system enhancing productivity enabling the Council to render improved service delivery to its clients. The most important refinements include the following:

- A weekly update of the registers prescribed by section 12(1) of the Act in stead of a monthly update of the registers as prescribed by section 12(2) of the Act. In the course of the next financial year this facet will be further refined to provide for the live update of the prescribed registers as registration transactions are captured on the system.
- The submission of the prescribed audit certificates has been computerized. This enabled the Council to generate approximately 900 letters by computer, which would otherwise had to be individually prepared, in respect of audit certificates which

had not been submitted. The system has also been adapted to generate a summary of the outstanding audit reports.

- The new system generates a number of new reports facilitating the administration of registrations.
- The statistics provided by the old system have been revised and the new system is capable of generating additional as well as more refined statistics.
- The financial system has been refined to provide a summary of money received which in the past was done manually.
- It is now possible to print certificates and identity cards per invoice number preventing the inadvertent printing of erroneous certificates.
- The system has also been adapted to provide for the direct linking of e-mails received to the Council's electronic database. This avoids the printing and scanning of e-mails received.
- The security on the new system has also been upgraded by installing an appropriate fire-wall and anti-virus software. In addition the system has been safe-guarded by limiting the access of the various users.

These measures contributed to a hands on approach in management.

In addition, a new website has been developed which is hosted from the Council's offices facilitating the updating of the website.

The desktop computers which had been in use since the establishment of the Council and did not meet the requirements of the new software system have been replaced and upgraded. The specifications of the new computers, which are much faster, promote an increase in productivity.

THE REGISTRATION OF DEBT COLLECTORS

4



4. THE REGISTRATION OF DEBT COLLECTORS

Procedural requirements

In the previous annual report the Council expressed its concern about the number of defective applications submitted for consideration. These applications caused a delay in expeditious processing. It not only causes an unnecessary burden on the Council's staff but, more importantly, places a serious impediment on applicants to start their business.

While there has been an improvement there is still room for further improvement. To reduce the number of defective applications, a system whereby contact persons have been identified in the bigger firms of debt collectors to facilitate direct contact to overcome any problems with applications, has been introduced.

To assist the smaller firms, sole proprietors and new entrants in the occupation of debt collectors the registration requirements are fully dealt with below.

An application for registration as a debt collector must be lodged with the Council on the prescribed form and must be accompanied by the registration fee and annual subscription fee prescribed by Regulation. Should an applicant's application be unsuccessful the annual subscription fee will be refunded but the registration fee will be forfeited. In cases where the subscription fee is not paid at the time the application to be registered is lodged, the registration will be suspended.

The total fees (registration fee and annual subscription fee payable) including VAT are:

- R 3 420.00 in respect of a company or close corporation;
- R 1368.00 in respect of each director or member of the company or close corporation.
- R 912.00 in respect of every officer of the company or close corporation who is involved in debt collecting.
- R 912.00 in the case of a natural person.

Form 1A must be used for the registration as debt collector by an officer in the employ of a juristic person, a director of a company or a member of a close corporation.

Form 1B must be used for registration as debt collector by a juristic person, company or close corporation.

Form 1C must be used for registration as debt collector by a person other than an officer in the employ of a juristic person, a director of a company or a member of a close corporation. (This form must be used by sole proprietors, trusts and partnerships.)

All questions must be answered and the application must be signed by the applicant. The original application must be submitted - copies and faxes are not accepted. The following documents must be attached to the application:

- A copy of the applicant's identity document;
- A letter from the bank indicating that a trust account has been opened in terms of section 20 of the Act;
- A letter from an auditor or an accountant indicating his or her appointment to audit the trust account; and
- Proof of payment of the registration and annual subscription fees applicable.

In the case of new companies or close corporations that want to register, the following documents must also be attached to the application:

- CM 29 in respect of a company; or
- CK 1 or CK 2 in respect of close corporations.

Non-compliance of these requirements will result in delays - applications will only be considered once all the procedural requirements have been met.

Transfers

In the case of a transfer from another juristic person, company, close corporation or a sole proprietor, a new application



must be lodged complying with the applicable procedural requirements. Proof of payment of R 114 VAT inclusive must accompany the application and the original registration certificate should be attached.

Notes:

- The disqualifications for registration as a debt collector are contained in section 10(1) of the Act. Of importance is the fact that if one of the directors of a company or a member of a close corporation is not competent to be registered, such company or close corporation cannot be registered.
- A person who is not competent to be registered in terms of section 10(1) of the Act because he or she has in the preceding 10 years been convicted of an offence of which violence, dishonesty, extortion or intimidation is an element may in terms of section 10(2) of the Act apply to the Minister of Justice and Constitutional Development, Private Bag X 256, Cape Town, 8000 to be exempted from the disqualification. The application must correspond substantially with Form 2 prescribed by regulation 3. If the application is successful, such person can be registered.

Fee structure

The Council is aware, and also sensitive, to the current down turn in the economy. Consequently there has been no increase in the registration and annual subscription fees. The fact that there has been no increase since 2003 in these fees can be attributed to the Council's tight budget controls particularly in respect of expenses. This is a considerable achievement in the Council's view taking into account the cumulative inflation rate over a period of five years.

The compliance of debt collectors with registration requirements and the increase in the number of new registrations led to an increased income which had not, and could not, be foreseen in 2003. As a result of the increased

income generated by the 2003 adjustments supplemented by the subsequent increase in registrations and the Council's conservative financial management there have not been any subsequent increases since 2003.

Council has discussed the current fee structure and this debate will continue. In this process the sustainability of the Council, having regard to the possible impact of the National Credit Act, 2005 (Act 34 of 2005) and the needs of debt collectors will be assessed objectively.

In the process of re-assessing the current fee structure the following will also have to be considered:

- Although there has been a constant increase in the Council's income due to the continuous high number of new registrations the possibility of a decrease in registrations must be taken into account and requires ring-fencing an amount as a reserve for this eventuality. When the 2003 increase was considered the independent advice obtained indicated that there should be adequate reserves to sustain the Council for three years.
- The need to upgrade, maintain and develop the Council's computer system.
- The fact that the Council does not receive any government funding and is financially self sustaining.
- An increase in the Council's establishment and an assessment of the current remuneration packages of staff.
- The increase in costs to lease accommodation.
- The financial impact of current and future litigation.
- The increase in the number of complaints and the need to appoint investigators.
- The establishment of a fidelity fund.

Registration trends

The total number of applications for registration as debt collector since the inception of the Council reached the number of 29 683 on 28 February 2009. **Table 2** reflects the increase in the number of applications received since 2003:

Graphically displayed the information can be presented as in **table 3**.

The total number of approved applications received since 2003 amounts to 29 683. From the available information it appears that since 2005 the total number of applications received has increased by approximately 5 000 per year with an increase during the year under review.

The occupation of debt collector is a volatile one which reflects a high turnover. At the end of the year under review there were a total number of 10 242 active debt collectors from the ranks of the applications initially approved as opposed to 10 502 at the end of the previous financial year.

During the year under review:

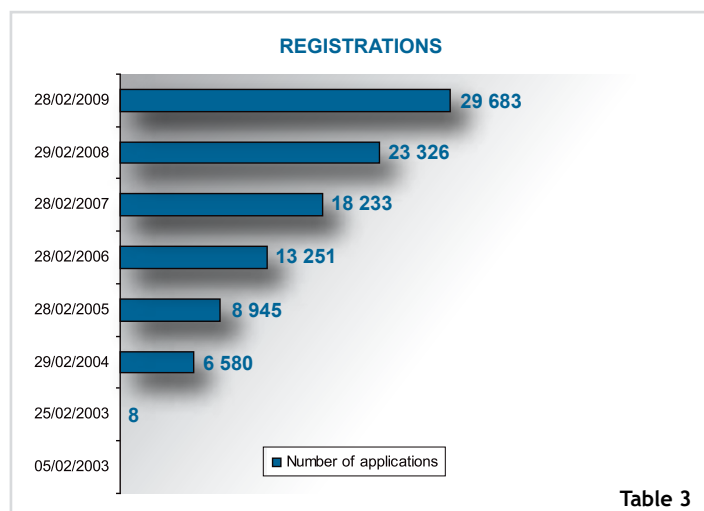
- 6 395 applications were received of which 5 950 were approved.
- 750 registrations were withdrawn due to annual fees not paid.

- 443 registrations were cancelled at the request of the debt collector concerned.

As has been reported in the previous annual report a comparison between the records of the Council and that of the Registrar of Companies reveals that in an alarming number of instances companies and close corporations do not register all their directors and members as required by the Act. It was also found that companies and close corporations do not consistently ensure that new directors and members are registered. This constitutes misconduct and appropriate disciplinary action has been taken and, where appropriate, severe penalties have been imposed. This tendency appears to be continuing and the Council will not hesitate to take sterner action against those who fail to comply with the relevant provisions of the Act.

FINANCIAL YEAR	NUMBER OF APPLICATIONS RECEIVED
28 February 2003	8
29 February 2004	6 580
28 February 2005	8 945
28 February 2006	13 251
28 February 2007	18 233
29 February 2008	23 326
28 February 2009	29 683

Table 2



THE FUNCTIONING OF THE LEGAL SECTION

5



5. THE FUNCTIONING OF THE LEGAL SECTION

Disciplinary procedure

Any allegation of improper conduct against a debt collector must be in the form of a written affidavit, stating the date, time and particulars of the incident, the name of the debt collector and the names of any witnesses to the incident, and must be submitted to the Council as soon as practical after the incident, together with any corroborative documents, if any.

The complaint form is obtainable on the Council's website which can after completion be forwarded to the Council by mail, fax or in scanned format.

Broadly speaking the following disciplinary procedure is followed:

- Once the Council has received a complaint that meets the requirements outlined above, the complaint is brought to the attention of the debt collector concerned. This has to be done within 14 days of receipt of the complaint.
- The steps outlined above start the investigation process. The investigation is done by way of correspondence between the parties concerned and correspondence received from the debt collector is forwarded to the complainant for comment.
- Once all aspects have been canvassed and the investigation completed the matter is referred to a committee of the Council for a decision whether disciplinary proceedings should be instituted. That decision may include, but is not limited to a decision to charge the debt collector, to close the file, or to continue with the investigation on aspects that the committee would like resolved.
- Once a decision has been taken both parties are informed of the decision.
- Should the decision be to proceed with disciplinary proceedings, the debt collector is informed of the charges to be answered, and the date and time to attend the inquiry. This inquiry is heard by members of the Council other than those members who

made the initial decision to have the debt collector charged or by a person or persons appointed by the Council to conduct such an inquiry. The complainant is also instructed to attend the proceedings and give evidence when necessary.

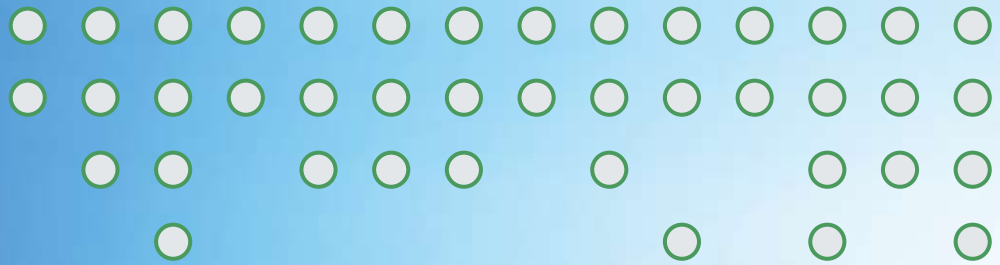
- Should the result of the inquiry be a guilty verdict, the committee determines a suitable sentence as provided for in section 15(3) of the Act which also provides for the withdrawal of registration or conditional suspension of registration.

The Council has no jurisdiction over the actions or fees charged by attorneys (excluding an agent of an attorney), micro lenders, banks or furniture stores. These institutions are controlled by their respective bodies or applicable legislation. In the case of attorneys by the law society who has jurisdiction, in the case of banks by the Banking Ombud and in the case of micro lenders and furniture stores by the National Credit Regulator.

Complaints received by e-mail (excluding scanned complaints received by e-mail) cannot be investigated as they do not meet the requirements laid down by the Regulations. They are not made under oath and can therefore not be investigated.

Where possible the address (physical and postal) and telephone number of the debt collector against whom the complaint is lodged, together with at least one document received from the debt collector should be furnished.

In terms of the Council's enabling legislation and more particularly section 15 of the Act, allegations of improper conduct are in practice investigated by the legal officers of the Council. The investigation of alleged improper conduct entails two processes: First, the investigation of the alleged improper conduct and, secondly, in the event that a debt collector is charged with misconduct, presenting the case before a disciplinary committee of the Council. A practical problem that has arisen is the discovery of facts by the legal officer concerned in the investigative phase necessitating his or her appearance before a disciplinary committee as a witness. In these circumstances the legal officer concerned is precluded from presenting the case before the disciplinary



committee. Substituting the legal officer who undertook the initial investigation, and who is fully abreast of the facts of the case, by another legal officer who has to study the case in order to present it to a disciplinary committee is unproductive. Consequently Council has decided to appoint an investigator to assist with investigations in a way that eliminates the current predicament.

Statistics on disciplinary hearings

For the year under review the statistics in respect of complaints and disciplinary hearings are set out in **table 4**.

The number of complaints received during the year under review has increased from 535 in the previous year to 811. The number of investigations finalised where no disciplinary action was taken has increased from 520 to 592 for the corresponding periods. The relatively high number of complaints where no disciplinary action was taken in relation to the number of complaints received can be attributed to the following:

- The Council is by statute compelled to commence an investigation even where it is evident from the facts submitted in the complaint that no transgression has been committed.
- The complaint received does not constitute a contravention of the Act, Regulations or the Code of Conduct.

- On submission of the complaint to the debt collector involved an acceptable explanation is received.

The Council also received 182 written complaints where the Council has no jurisdiction. These matters were referred to the appropriate authorities.

During the year under review the legal section received approximately 8 000 telephone enquiries covering a wide range of issues including ITC listings, legal queries, emolument attachment orders, behaviour which might constitute misconduct on the part of debt collectors and advice on the lodging of complaints.

Outcome of disciplinary hearings

During the period November 2005 (the date on which disciplinary hearings were computerized) until 28 February 2009 there had been 84 disciplinary hearings of which 2 were withdrawn. In the case of 82 disciplinary hearings 9 respondents were found not guilty and 74 were convicted of misconduct.

Having regard to the number of convictions for improper conduct in relation to the number of registered debt collectors as referred elsewhere in this report the industry needs to be complimented for the high level of self-regulation which is evident from these statistics.

Number of investigations carried over	91
Complaints received complying with regulations	811
Investigations finalised (no disciplinary action taken)	592
Number of cases in which a decision has to be taken by the Executive Committee	0
Number of disciplinary hearings finalised	49
Number of part heard disciplinary hearings	4
Complaints still under investigation	75

Table 4

During the period November 2005 (the date on which the imposition of fines were computerized) until 28 February 2009 fines totaling an amount of R 860 236.00 have been imposed of which a total amount of R 374 000.00 was suspended. Consequently the total amount of fines payable amounted to R 486 236.00.

During this period a reprimand in terms of section 15(3)(d) was considered an appropriate sentence in five disciplinary hearings.

Cost orders made in terms of section 15(3)(e) of the Act in respect of cost incurred by the Council can be summarised as follows:

FINANCIAL YEAR	AMOUNT
2005/2006	R2 000.00
2006/2007	R 43 516.00
2007/2008	R 122 516.00
2008/2009	R 134 741.75
TOTAL	R 302 773.75

Orders for re-imburement in terms of section 15(3)(f) of the Act to persons prejudiced by the conduct of debt collectors can be summarized as follows:

FINANCIAL YEAR	AMOUNT
2005/2006	R 2 000.00
2006/2007	R0.00
2007/2008	R 10 649.10
2008/2009	R 119 176.13
TOTAL	R 131 825.23

In respect of the orders set out above two orders were made where interest was added to the re-imburement orders.

Pending litigation

A summons has been issued against the Council in the case of *Pholosa Asset Management (Pty) Ltd v the Council for Debt*

Collectors and others to institute review proceedings on the ground of unconstitutionality of certain provisions of the Council's enabling legislation. Subsequently a motion to stay disciplinary proceedings against the plaintiff was also served on the Council in *Pholosa Asset Management (Pty) Ltd v The Council for Debt Collector*. Council is opposing both matters. Both matters are still pending. Counsel has been appointed.

In the case of *Creditworxs S&V v The Council for Debt Collectors* the applicant applied for orders declaring that -

- When a debtor, in his or her agreement with a creditor, has agreed to any tracing costs or all costs incurred by the creditor, a debt collector is entitled to recover from the debtor all expenses reasonably incurred in tracing such a debtor;
- A debt collector is entitled to recover 10% of each installment paid in redemption of a debtor's debt, which includes all amounts legally due to the creditor including interest and allowable fees and expenses, subject to the maximum amount prescribed in the Regulations from time to time;
- A debt collector is entitled, subject to the maximum amount prescribed in the Regulations from time to time in respect of letters, faxes or e-mails to charge a fee for SMS's sent to debtors.

On 17 March 2009 the Court held that the applicant is not entitled to the declaratory orders applied for. Leave to appeal was granted but the matter has not yet been set down for hearing.

Disciplinary hearings

Subsequent to the year under review but during the preparation of this report an important, complex and extended disciplinary hearing was concluded.

A disciplinary hearing against the company Kochnel Bantjes and Partners Pty (Ltd) as 1st Respondent and 3 directors as 2nd to 4th Respondents commenced on 22 November 2006 and was concluded on 25 June 2009.



In total 296 charges were put to the Respondents:

- Charges 1 to 7 dealt with the non-registration as debt collectors of directors and employees of the Respondent.
- Charges 9 to 295 dealt with the allegation that the Respondents had compiled and/or submitted false and/or fraudulent or forged documents pertaining to be valid court orders to various sheriffs' offices for service on the debtor's employers, and that as a result of their actions amounts were consequently illegitimately deducted from the salaries of those debtors.
- Charge 296 was only against the 2nd Respondent alleging that he had resigned as a director of the Company without informing the council of his resignation as required by the Regulations.

Respondents 1, 3 and 4 were found guilty on all charges. All charges against the 2nd Respondent were withdrawn.

At the conclusion of the disciplinary hearing the following sentence was imposed:

- Charges 1 to 8 were taken together for sentencing purposes and the Respondents were jointly and severally fined an amount of R10 000.
- On charge 297 the Respondents were reprimanded.
- Charges 9 to 295 the Respondents were, jointly and severally, sentenced to a fine of R5 000 in respect of each charge resulting in a total fine of R 1 435 000.00.
- The registration certificates of all 3 Respondents were suspended for a period of 6 months on condition that the fines imposed were paid within 6 months and that the Respondents were not during the period of suspension convicted of a contravention of the Debt Collectors Act.
- The Respondents were also ordered to pay an amount of R170 000 for the costs incurred by the Council in connection with the investigation.

The Respondents have commenced appeal proceedings to the Council against the conviction and sentence.



THE FINANCIAL MANAGEMENT OF THE COUNCIL

6



6. THE FINANCIAL MANAGEMENT OF THE COUNCIL

Introduction

The Council does not receive any funding from Government and must generate its own income. The financial position of the Council has steadily improved since its establishment. This is due to the increase in the number of registered debt collectors as well as the conservative financial management of the Council's affairs. The increase in new registrations may in future level off resulting in a reduced income. The impact of the National Credit Act on the registration of debt collectors is still uncertain at this stage. The down-turn in the economy during the year under review and the impact on the Council as well as the industry should be closely monitored. Consequently it is imperative that a reserve fund is maintained to cover the running costs for a period of at least three years.

Income and expenditure

Income

The gross revenue for the year under consideration amounts to R 9 545 739 which are made up as follows:

Annual fees	R 6 483 900
Duplicate certificates	R 78 800
Penalties	R 124 723
Registration fees	R 2 849 143
Sundry income	R 9 173

Interest received	R 1 436 400
Interest - section 20	R 113 036

The total income of R 11 095 175 (comprised of gross revenue to the amount of R 9 545 739 and interest to the amount of R 1 549 436) are illustrated in **table 5**.

The gross revenue for the previous financial year amounted to R 9 026 984 which are made up as follows:

Annual fees	R 5 986 150
Duplicate certificates	R 96 600
Penalties	R 439 856
Registration fees	R 2 462 350
Sundry income	R 42 028

Income on investments	R 1 717 365
-----------------------	-------------

TOTAL INCOME - CURRENT FINANCIAL YEAR

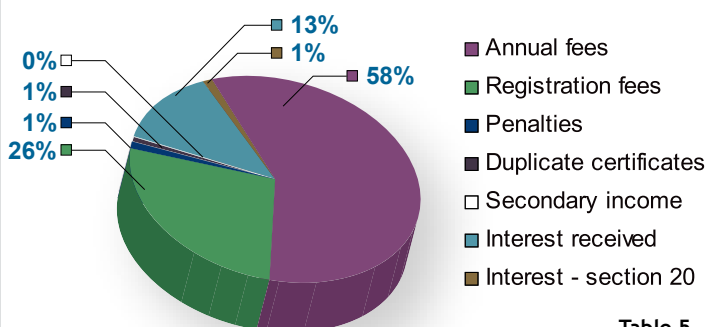


Table 5

TOTAL INCOME - PREVIOUS FINANCIAL YEAR

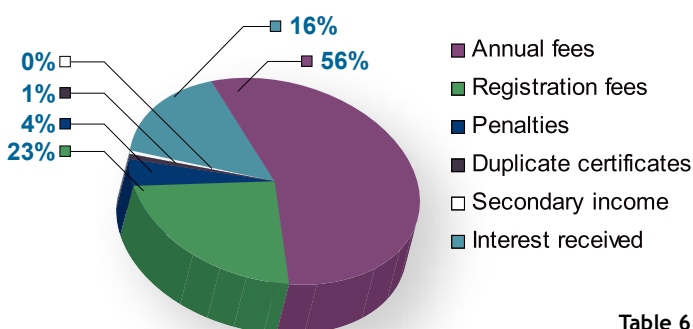


Table 6

The total income of R 10 744 349 (comprised of gross revenue to the amount of R 9 026 984 and interest to the amount of R 1 717 365) are illustrated in **table 6**.



The Council gross revenue, excluding income on investments and interest, increased by R 518 755 from 2008 to 2009.

Expenditure

The Council’s expenditure during the year under review amounted to R 6 725 308 while the expenditure in the previous financial year amounted to R 6 245 142. This represents an increase in expenditure of R 480 166.

Income and expenditure since 2003

The income (excluding interest) and expenditure since 2003 are reflected in the table below:

FINANCIAL YEAR	INCOME	EXPENDITURE
2002/2003	844 557	390 779
2003/2004	5 651 370	1 531 498
2004/2005	5 412 853	1 787 242
2005/2006	6 469 187	3 075 829
2006/2007	8 044 184	4 505 784
2007/2008	9 026 984	6 245 142
2008/2009	9 545 739	6 725 308

An analysis of the information leads to two conclusions. Since there has been no increase in fees since 2003, the increase in income can only be attributed to the increase in the number of registrations, a factor the sustainability of which is

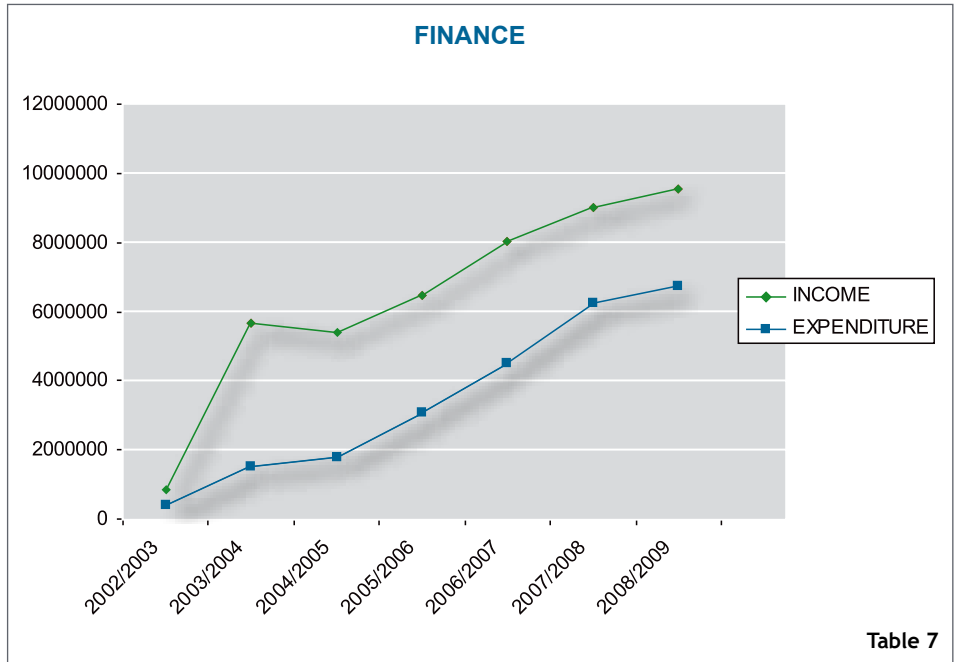


Table 7

uncertain. The gap between income and expenditure which has, although marginally, been steadily decreasing since 2005 until the end of the previous financial year has levelled off (see table 7). While the financial position of the Council is unquestionably sound, the situation would require close scrutiny by the Council in the next financial year.

It is noteworthy to mention that the personnel related expenditure of the secretariat constitutes only 44.91% of the Council’s total expenditure.

Audit committee

The report of the audit committee including the audit report of the external auditor for the year under review is attached as **Annexure 1**.

The external auditor presented an unqualified report for the year under review. All annual audit reports since the establishment of the Council in 2003 have been unqualified.





ENABLING LEGISLATION

7

7. ENABLING LEGISLATION

Amendments to the Act and Regulations

The Act has been amended during the year under review. The amendments have been incorporated in the Council's website.

Amendments to the Act

The Judicial Matters Act, 2008 (Act 66 of 2008) contains amendments to the Debt Collectors Act, 1998 (Act 114 of 1998). Section 24 of the Judicial Matters Act, 2008 amends section 5 of our regulating Act by providing that the executive committee of the Council may now, instead of three members, be constituted by not less than three and not more than five members of the Council. Section 23 of the Judicial Matters Act, 2008 amends section 3(4) of our regulating Act by the substitution of subsection (4) of the following subsection:

- (a) *A member of the Council, subject to paragraphs (b), (c), (d) and (e), holds office for a term, not exceeding three years, determined by the Minister at the time of the member's appointment.*
- (b) *The Minister may, on good cause shown, withdraw an appointment of a member at any time.*
- (c) *A member of the Council may be re-appointed at the expiry of his or her term of office.*
- (d) *A member of the Council appointed in terms of this section who is a member of a committee referred to in section 15(2), must, notwithstanding his or her subsequent vacation of office as a member of the Council, dispose of the matters he or she is seized with and, for that purpose only, is deemed to hold office as a member of the Council in respect of any period during which he or she is necessarily engaged in connection with the disposal of the matters which were not disposed of when he or she vacated office as a member of the Council.*
- (e) *A member of the Council referred to in paragraph (d) who, in the opinion of the Council, is -*
 - (i) *unfit to dispose of the matters in question; or*
 - (ii) *incapacitated and is not able to dispose of the matters in question due to that incapacity,*

may be exempted by the Council from the provisions of paragraph (d).

The main purpose of this amendment is to allow members of the Council to remain in office after their term of office has expired, purely for purposes of finalising part-heard disciplinary proceedings in which they were involved. Failure to provide for this eventuality could result in disciplinary hearings having to start de novo if members of the disciplinary panel who were members of the Council vacated office during the course of such disciplinary hearings.

These two amendments came into operation on 17 February 2009.

The remaining two sections amended by the Judicial Matters Act, 2008 relate to sections 20 and 23 of our enabling legislation and have not been put into operation pending the promulgation of regulations.

The Judicial Matters Amendment Act, 2005 (Act 22 of 2005), among others, amended section 20 of the Debt Collectors Act, 1998, to make provision for the Council for Debt Collectors to take control and administer the trust account of a debt collector who has his or her registration as a debt collector withdrawn or who abandons practice or ceases to practice as a debt collector. Provision was also made for the Council to administer the trust account of such a person until the Master of the High Court has appointed a curator bonis to control and administer such trust account. This section has not been put into operation since it required further amendment.

The proposed amendments to section 20 of our enabling Act contained in the Judicial Matters Act, 2008 give the Council the power to take control over, administer and finalise a debt collector's trust account in the circumstances already mentioned in section 20, as well as in cases where there is reason to believe that a debt collector is likely to have his or her registration withdrawn. Although the Council retains the right to approach the Master to appoint a curator bonis, the right of any interested party to approach the Master in this regard is removed. It also gives the Master the power to require the payment of security from a curator bonis before he or she is appointed and it regulates the remuneration of a curator bonis.



Section 23 of our enabling legislation empowers the Minister to make regulations. The proposed amendments to section 23 contained in the Judicial Matters Act, 2008 will allow the Minister to make regulations regarding -

- (i) the powers and duties of a curator bonis;
- (ii) the powers and duties of a Master when appointing a curator bonis; and
- (iii) the recusal of members of disciplinary committees.

The required regulations are currently being drafted and the latter two amendments to our enabling legislation will be put into operation once the regulations have been finalised and approved. In the process of finalisation the Council consulted with the Banking Association of South Africa to establish the practicalities of taking over a trust account.

The Council has also raised with the Banking Association of South Africa the current problems experienced by debt collectors applying for registration to open trust accounts. The matter is currently receiving their attention and further discussions will take place in May 2009.

Amendment of the Regulations

During the year under review there were no amendments to the Regulations.

Amendments under consideration

The development of appropriate amendments to our enabling legislation to provide for the appointment of candidate debt collectors, to provide for the payment of admission of guilt, to provide for the appointment and powers of inspectors and to provide that the Council may exempt debt collectors from the provisions of section 20(1) and section 10(1)(a)(ii) of the Act are being promoted. The development of amending legislation is in progress. The Association of Debt Recovery Agents (ADRA) was consulted in the development of the amending legislation.

The representations for the adjustment of the expenses and fees contained in annexure B of the regulations, including appropriate amendments, are under consideration and will be finalised during the next financial year.

The establishment of a fidelity fund and the development of appropriate legislation will also be considered during the next financial year.





PUBLIC RELATIONS 8

8. PUBLIC RELATIONS

Public consultation

The Council depends for the efficient performance of its functions on the co-operation of institutions and persons who are interested in or effected by the activities of the Council. Consequently it has been the Council's policy to inform debt collectors, the public and other role players of its activities.



Electronic and printed media

The Council maintains good relations with the electronic and printed media and follows an open door policy in this regard. Information that, in the Council's opinion, is newsworthy is supplied to the media and enquiries are replied to fully and promptly.

Website

The Council hosts a website to enhance accessibility of information on the Council and to make information required by debt collectors more readily available.



Awareness campaigns

In order to expand the Council's public relations, awareness campaigns are hosted annually.

Successful awareness campaigns were conducted in 2005, 2006 and 2007. Based on the success of these campaigns a further awareness campaign was conducted in 2008.

The campaign conducted during the year under review hinged on the effective use of community radio stations, electronic and printed media and visits to selected areas over a period of seven weeks. The campaign hinged on the following components:

- A total of 750 Public Service Announcements were advertised to promote a live broadcast on 29 May 2008.
- On 29 May 2008 a 60 minute live broadcast via satellite to various national community radio stations was conducted. The total airtime amounted to 3000 minutes. During the broadcast the Council gave an overview of its functions with particular emphasis on informing debtors on the protection of their rights. Members of the public could phone in during the live broadcast to raise and discuss their particular problems. All official languages were



used in the broadcast. The participating radio stations are reflected in **Annexure 2**.

- In addition radio interviews with the community radio stations reflected in **Annexure 2** covering all official languages were conducted during a period covering three weeks following the live broadcast.
- Visits to selected areas to host workshops were promoted by advertising on selected radio stations by way of 90 public service announcements.
- Workshops were held in Botshabelo (Free State), Durban and Chatsworth (KwaZulu Natal), Mthatha and Port Elizabeth (Eastern Cape) and George (Western Cape). Representatives of the Council gave an overview of its functions with particular emphasis on informing debtors on the protection of their rights. Ample opportunity was provided to engage in particular problems with debtors and to render appropriate assistance. Information brochures were distributed at all workshops. Members of the public were assisted in the language of their choice. Broadcasts took place at all the venues through the respective community radio stations. In addition it was possible to arrange a television broadcast as well as interviews on the national radio stations.
- A media briefing and interviews with journalists were hosted at the Council's offices. The briefing was attended by Independent Newspapers (Pretoria News), Radio 702, Sowetan and Media 24 (Beeld). The coverage in the consumer page of the Sowetan was both extensive and informative and reached a considerable number of people. A media release was made available to the newspapers listed in **Annexure 3**.

opportunity to be exposed to the Council by means of reading about their rights and responsibilities.

The former Chairperson of the Justice Portfolio Committee, Ms Chohan-Kota, on hearing that the Council is embarking on a publicity campaign in the Eastern Cape, also arranged a workshop in Plettenberg Bay on 30 July 2008. The workshop which was attended by 250 persons, was a great success. During the workshop the Council was requested to re-visit Plettenberg Bay jointly with the National Credit Regulator. A follow-up workshop, where the National Credit Regulator was represented took place on Friday evening, 3 October 2008 and Saturday morning, 4 October 2008.

The Council encourages and appreciates closer co-operation with NGO's. The Council also responded by attending an invitation to a meeting with the Black Sash in Cape Town where ways of future co-operation were discussed. On 21 August 2008 representatives of the Council attended a workshop on invitation hosted by the Black Sash in Fort Beaufort (Eastern Cape). The workshop was attended by representatives of a number of NGO's. This enabled the Council to inform the representatives who were able to disseminate the information to a broader audience reaching members of the public in different walks of life.

The Chairperson participated in a panel radio interview by Mr John Orr of SA FM which was also attended by Mr Marius Jonker from the Association of Debt Recovery Agents (ADRA).

Representatives of the Council attended a Career Expo on the invitation of Standard Bank on 7 February 2009. The main aim was to expose the youth to career opportunities. Brochures were also handed out not only to the youth but also to members of the public who attended the event.

For the duration of the campaign more than 15 000 000 listeners were reached and more than 100 000 people had the



ANNEXURE 1

COUNCIL FOR DEBT COLLECTORS
Debt Collectors Act, 1998 (No 114 of 1998)

**REPORT OF THE AUDIT COMMITTEE,
AUDIT REPORT AND
ANNUAL FINANCIAL STATEMENTS**

for the year ended 28 February 2009

*Exceptional Auditing Solutions
Chartered Accountant (SA)
Registered Auditors
Issued 06 May 2009*

REPORT OF THE AUDIT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2009

We are pleased to present our report for the financial year ended 31 March 2009.

Audit Committee Members and Attendance

The Audit Committee consists of the members listed hereunder and meets at least four times per annum as per its approved terms of reference. During the year under review five meetings were held.

Name of Member

Ms S Machaba, Chairperson
Ms R Ferreira

Audit Committee

The Audit Committee reports that it has complied with its responsibilities arising from King II. The Audit Committee also reports that it has adopted formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The effectiveness of internal control

The system of internal control although not adequate due to the size of the organisation was effective during the year under review. The Audit Committee has addressed this by having developed systems, policies and guidelines to be adhered to by the organization. Although the Audit Committee has advised the Council to engage a services provider to fulfill the role of internal audit, the Council took a resolution that given the size of the organisation, the internal audit function is not a necessity. The Audit Committee and Council will review and develop the control environment on a regular basis.

As part of improving control within the Council, the computer system has been upgraded.

Both External Auditors and the Audit Committee have been involved in reviewing, evaluating and providing recommendations to the new computer system.

The system of internal control is effective as the External Audit Report on the Annual Financial Statements has not reported any significant or material non-compliance with prescribed policies and procedures.

The quality of management and monthly/quarterly reports submitted to the Audit Committee

The Audit Committee is satisfied with the content and quality of monthly and quarterly reports prepared and issued by the Financial Manager during the year under review.

Reporting has improved regarding member subscriptions and the entire financial management and corporate governance.

Effectiveness of risk management and compliance

The Committee has undertaken a process to identify the risks inherent to the Council and engaged management and various stakeholders of the Council in this process, including the directors of the Council.

The risk inherent to the Council and controls implemented to monitor these risks will be monitored by the Audit Committee as well as Council on an ongoing basis.

The risk assessment workshop is scheduled for June 2009. Participants will be Council staff, Audit Committee and other available Council members. As part of strengthening the control environment, the Audit Committee is currently developing the risk management strategy which will be presented to Council for approval in due course.



External audit report

The external audit report including the annual financial statements is attached.

The Council has received, as has been the case since its inception, an unqualified audit report. The auditors did not report any unauthorised, irregular, fruitless or wasted expenditure.

Evaluation of Financial Statements

The Audit Committee has:

- Reviewed and discussed with the external auditors and the Council the audited annual financial statements to be included in the annual report;
- Reviewed the external auditor's management letter and management response; and

- Reviewed significant adjustments resulting from the audit.

The Audit Committee concurs with and accepts the conclusions of the external auditors on the annual financial statements and is of the opinion that the audited annual financial statements be accepted and read together with the external audit report.

General

The auditors have remained independent throughout the financial year.

Signed: S Machaba

S MACHABA

Chairperson of the Audit Committee

COUNCIL FOR DEBT COLLECTORS FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2009

This report and statements set out below comprise the financial statements presented to members:

I N D E X	P A G E
Independent Auditor's Report	41
Report of the Chief Executive Officer	42
Balance sheet	43
Income statement	43
Statement of changes in equity	44
Cash flow statement	44
Notes to the financial statements	45 - 47
The following supplementary schedule does not form part of the financial statements, and is unaudited.	
Detailed income statement	47 - 48

Approval and statement of responsibility

The financial statements which appear on pages 43 to 48 were approved by the members of the Executive Committee on 6 May 2009

Signed: JJ Noeth SC
Chairperson

Signed: Ms I Wilken
Member: Executive Committee

Signed: Mr C Johnston
Member: Executive Committee



EXCEPTIONAL AUDITING SOLUTIONS

Brooklyn Place, Ground Floor
Cnr Bronkhorst & Dey Street
Brooklyn
P O Box 50393
Moreleta village
0097
☎ 082 822 9214
☎ 086 543 7307
✉ elize@auditsol.co.za

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE COUNCIL FOR DEBT COLLECTORS

Report on the Financial Statements

We have audited the accompanying financial statements of the Council for Debt Collectors, which comprise the balance sheet as at 28 February 2009, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Executive Officer's Responsibility for the Financial Statements

The executive officer is responsible for the preparation and fair presentation of these financial statements in accordance with Generally Accepted Accounting Practice. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

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 judgment, 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Council for Debt Collectors as of 28 February 2009, and of its financial performance and its cash flows for the year then ended in accordance with Generally Accepted Accounting Practice.

**EXCEPTIONAL AUDITING SOLUTIONS
REGISTERED AUDITORS**

**PRETORIA
6 May 2009**

REPORT OF THE CHIEF EXECUTIVE OFFICER FOR THE YEAR ENDED 28 FEBRUARY 2009

The Chief Executive Officer presents his report for the year ended 28 February 2009. This report forms part of the audited financial statements

1. General review

The Council's business and operations and the results thereof are clearly reflected in the attached financial statements. No material fact or circumstance has occurred between the accounting date and the date of this report.

The principle activities of the Council during the year were that of processing new applications, collecting annual fees from existing debt collectors and attending to the complaints received from members of the public and registered debt collectors.

2. Statements of responsibility

The Chief Executive Officer is responsible for the maintenance of adequate accounting records and the preparation and integrity of the financial statements and related information. The auditors are responsible to report on the fair presentation of the financial statements. The financial statements have been prepared in accordance with the South African Statement of Generally Accepted Accounting Practice.

The Chief Executive Officer is also responsible for the Council's system of internal financial control. These are designed to provide reasonable, but not absolute, assurance as to the reliability of the financial statements, and to adequately safeguard, verify and maintain accountability of assets, and to prevent and detect misstatement and loss. Nothing has come to the attention of the Chief Executive Officer to indicate that any material breakdown in the functioning of these controls, procedures

and systems has occurred during the year under review.

The financial statements have been prepared on the going concern basis, since the Chief Executive Officer has every reason to believe that the Council has adequate resources in place to continue in operation for the foreseeable future.

3. Financial results

The result of the Council and the state of its affairs are set out in the attached financial statements and do not, in my opinion, require further comments.

4. Subsequent events

There have been no facts or circumstances of a material nature that have occurred between the accounting date and the date of this report.

5. Officers

The Chairman and Chief Executive Officer of the Council during the accounting period and up to the date of this report were as follows:

Adv JJ Noeth SC - Chairman

Mr W Henegan - Chief Executive Officer

6. Auditors

Exceptional Auditing Solutions will continue in office.

Signed: W Henegan

Mr W Henegan

PRETORIA

06 MAY 2009

BALANCE SHEET AS AT 28 FEBRUARY 2009

		2009	2008
	Notes		
ASSETS			
Non-current assets			
Property, plant and equipment	2	204 476	150 707
		26 275 683	21 615 888
Current assets			
Inventories	3	64 457	17 457
Trade and other receivables		116 020	111 192
Term deposits		22 244 663	17 200 905
Bank balances		3 850 543	4 286 334
TOTAL ASSETS		R 26 480 159	R 21 766 595
EQUITY AND LIABILITIES			
Capital and reserves			
Surplus		25 046 599	20 683 208
Current liabilities			
Trade and other payables		93 902	131 295
Members for registration	4	1 024 981	794 614
Application for registration	5	314 677	157 478
TOTAL EQUITY AND LIABILITIES		R 26 480 159	R 21 766 595

INCOME STATEMENT FOR THE YEAR ENDED 28 FEBRUARY 2009

	2009	2008
Gross revenue	9 545 739	9 026 984
Other income	113 036	-
Operating costs	(6 725 308)	(6 245 142)
Operating profit	2 933 467	2 781 842
Interest received	1 436 400	1 717 365
Surplus	R 4 369 867	R 4 499 207

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 28 FEBRUARY 2009

	Distributable reserve
Balance at 01 March 2007	16 177 524
Net surplus for the year	4 505 684
Balance at 01 March 2008	20 683 208
Net surplus for the year	4 363 391
Balance at 28 February 2009	R 25 046 599

CASH FLOW STATEMENT FOR THE YEAR ENDED 28 FEBRUARY 2009

		2009	2008
	Notes		
Cash flows from operating activities		4 757 949	4 851 215
Cash generated by operating activities	7.1	3 321 549	3 133 850
Interest received		1 436 400	1 717 365
Cash flows from investing activities			
<i>Expenditure to maintain operating capacity</i>			
Property, plant and equipment acquired		(149 981)	(90 372)
Increase in cash and cash equivalents		4 607 968	4 760 843
Cash and cash equivalents at beginning of the year	7.2	21 487 239	16 726 396
Cash and cash equivalents at end of the year	7.2	R 26 095 207	R 21 487 239

NOTES TO THE FINANCIAL STATEMENTS AT 28 FEBRUARY 2009

1. Basis of preparation

The financial statements are prepared in accordance with the South African Statements of Generally Accepted Accounting Practice. The financial statements are prepared under the historical cost convention as modified by the revaluation of certain property, plant and equipment, marketable securities and investment properties.

1.1 Property, plant and equipment

All property, plant and equipment are initially recorded at cost.

Depreciation is calculated on the straight-line method to write off the cost of each asset, or the revalued amounts, to their residual values over their estimated useful lives as follows:

Motor vehicles	5 years
Furniture and fittings	6 years
Books	5 years
Cutlery and small equipment	5 years
Computer equipment	3 years
Computer software	2 years

1.2 Inventories

Consumables are shown at fair value

2. Property, plant and equipment

	Cost/ valuation	2009 Accumulated depreciation	Carrying value	Cost/ valuation	2008 Accumulated depreciation	Carrying value
Owned assets						
Motor vehicles	122 798	59 352	63 446	122 798	34 793	88 005
Furniture and fittings	137 126	99 640	37 486	110 770	76 786	33 984
Books	58 295	31 555	26 740	43 568	19 896	23 672
Office equipment	181 267	143 653	37 614	134 250	129 207	5 043
Computer equipment	381 693	353 626	28 067	339 594	339 593	1
Computer software	23 926	16 085	7 841	8 245	8 244	1
Cutlery and small equipment	16 823	13 541	3 282	12 722	12 721	1
	R 921 928	R 717 452	R 204 476	R 771 947	R 621 240	R 150 707

The carrying amounts of property, plant and equipment can be reconciled as follows:

2009	Carrying value at beginning of year	Additions	Depreciation	Carrying value at end of year
Owned assets				
Motor vehicles	88 005		(24 559)	63 446
Furniture and fittings	33 984	26 356	(22 854)	37 486
Books	23 672	14 727	(11 659)	26 740
Office equipment	5 043	47 017	(14 446)	37 614
Computer equipment	1	42 099	(14 033)	28 067
Computer software	1	15 681	(7 841)	7 841
Cutlery and small equipment	1	4 101	(820)	3 282
	R 150 707	R 149 981	R (96 212)	R 204 476

3. Inventories

The amounts attributable to the different categories are as follows:

Consumables - stationery and revenue stamps

4. Members for registration

Fees received for registration which have not yet been approved by the Council

5. Application for registration

Applications received for registration which have not yet been processed.

6. Taxation

No provision has been made for 2009 taxation due to the fact that the Council is tax exempt

2009	2008
R 64 457	R 17 457

7. Notes to the cash flow statement

	2009	2008
7.1 Cash generated by operating activities		
Net Profit	4 369 867	4 499 207
Adjustments for:		
Depreciation	96 213	169 313
Interest received	(1 436 400)	(1 717 365)
	3 029 680	2 951 155
Movements in working capital		
Increase in inventories	(53 476)	(6 477)
Increase in accounts receivable	(4 828)	-
Increase in accounts payable	350 173	189 172
	R 3 321 549	R 3 133 850
7.2 Cash and cash equivalents		
Cash and cash equivalents consist of cash on hand and balances with banks. Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:		
Bank balances	3 850 543	4 286 334
Term deposits	22 244 663	17 200 905
	R 26 095 206	R 21 487 239

DETAILED INCOME STATEMENT FOR THE YEAR ENDED 28 FEBRUARY 2009

	2009	2008
GROSS REVENUE	9 545 739	9 026 984
Annual fees	6 483 900	5 986 150
Duplicate certificate fees	78 800	96 600
Penalties	124 723	439 856
Registration fees	2 849 143	2 462 350
Sundry income	9 173	42 028
OTHER INCOME	1 549 436	1 717 365
Interest received - Bank	1 436 400	1 717 365
Interest received - Section 20	1 13 036	-
TOTAL INCOME	11 095 175	10 744 349
EXPENDITURE (See below)	(6 725 308)	(6 245 142)
SURPLUS	R 4 369 867	R 4 499 207

DETAILED INCOME STATEMENT FOR THE YEAR ENDED 28 FEBRUARY 2009

	2009	2008
EXPENDITURE	(6 725 308)	(6 245 142)
Auditor's remuneration	54 558	45 400
Bank charges	25 256	15 360
Cleaning and office consumables	1 153	743
Computer expenses	242 800	207 309
Consulting fees	299 236	77 976
Council members' emoluments	1 020 072	1 602 049
Data processing and scanning	-	78 050
Depreciation	96 213	169 313
Dues and subscriptions	-	3 400
Electricity and water	-	28 259
Entertainment and refreshments	7 242	2 072
Indemnity insurance	-	25 250
Information sessions	869 104	647 786
Insurance	41 169	19 793
Investigations	-	79 645
Legal expenses	-	3 682
Licenses	7 194	22 225
Motor vehicle expenses	-	2 629
Printing and stationery	75 917	119 745
Refurbishing	-	7 226
Rent paid	643 950	317 443
Repairs and maintenance	14	7 139
Salaries and wages	3 020 247	2 239 826
Security	55 224	-
Software development	-	139 905
Staff and council member training	69 106	29 492
Telephone and fax	154 581	121 768
Travelling (local trips)	523	10 256
Website costs	41 749	221 401

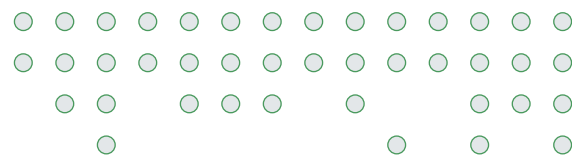
ANNEXURES 2 & 3

PARTICIPATING RADIO STATIONS AND PRINT MEDIA



Participating radio stations: live broadcast

Eastern Cape (5 Radio stations)	Audience	Demographic
Nqkubela CR*	271 000	Urban
Unitra CR*	230 000	Peri-urban
Alfred Nzo FM	66 000	Peri-urban
Radio Khanya	56 000	Urban
Takelani CR	46 000	Urban
Free State (6 stations)	Audience	Demographic
Mosupatsela FM*	120 000	Peri-urban/rural
Qwaqwa Radio	150 000	Peri-urban/rural
Sesotho Stereo	15 000	Peri-urban/rural
Lentswe Stereo	15 000	Rural
Naledi CR	20 000	Rural
Kovsie FM	14 000	Urban
Northern Cape (2 stations)	Audience	Demographic
Riverside FM	49 000	Peri-urban/rural
Radio Teemaneng	73 000	Urban/Peri-urban/rural
North West (4 stations)	Audience	Demographic
Radio Mafisa	148 000	Peri-urban
Vaaltar CR	73 000	Rural
Letlhabile CR	54 000	Rural
Star FM	+/- 10 000	Rural
Western Cape (5 stations)	Audience	Demographic
Radio Atlantis	29 000	Urban
Radio KC	82 000	Urban
Radio Namakwaland	50 000	Urban
Radio Tygerberg	313 000	Urban
Zibonele CR	107 000	
KwaZulu-Natal (9 stations)	Audience	Demographic
Radio Khwezi	331 000	Rural
Imbokodo CR	229 000	Urban
Newcastle CR	92 000	Urban
Icora FM	65 000	Rural
Maputaland CR	80 000	Rural
Radio Suny South	63 000	Rural/urban
Radio Good News	+/- 10 000	Rural
Hindivani FM*	+/- 10 000	Rural
DYR*	146 000	Urban
Mpumalanga (5 stations)	Audience	Demographic
Baberton CR	106 000	Peri-urban
Middelburg CR	20 000	Rural
Radio Alpha	+/- 10 000	Rural
Kangala CR	108 000	Semi-rural
Bushbuckridge CR	150 000	Peri-urban/rural



Limpopo (6 stations)	Audience	Demographic
Mohodi FM	78 000	Rural
Univen Radio	191 000	Peri-urban/rural
Sekgosese CRj	295 000	Rural
Radio Turf	38 000	Urban/peri-urban/
Mokopane	15 000	Rural
Zebediel CR	+/- 20 000	Peri-urban/rural
Gauteng (8 stations)	Audience	Demographic
Soshanguve CR	161 000	Rural
Moretele CR	94 000	Urban
Rainbow FM	40 000	Peri-Urban
Voice of Tembisa	28 000	Urban
East Rand Stereo	80 000	Urban
Radio Islam	93 000	Urban
Vaal CR	125 000	Urban
Kathorus FM	+/- 10 000	Urban

*Workshop partners

ANNEXURE 3

Print Media

DAILY	
Beeld	Citizen
Star	Business Day
Pretoria News	City Press
Daily Sun	Sowetan
WEEKEND	
Sunday Independent	Rapport
Sunday Times	Sunday World
WEEKLY	
Record	City Vision
RADIO	
SABC Radio	RSG
OTHER	
Reuters	Sapa



Council for Debt Collectors

West Wing, Ground Floor Rentmeester Park Building
74 Watermeyer Street, Val de Grace, Pretoria
PO Box 836, Silverton, 0127

Tel: 012 804 9808/804 3402/804 8483
Fax: 012 804 0744
E-mail: info@debtcol-council.co.za
www.debtcol-council.co.za

ISBN: 978-0-620-46370-6