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2014/15

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1. CONTACT INFORMATION

REGISTERED NAME:	Co-operative Banks Development Agency
PHYSICAL ADDRESS:	27th Floor, National Treasury Building, 240 Madiba Street, Pretoria
POSTAL ADDRESS:	Private Bag X 115, Pretoria 0001
TELEPHONE NUMBER:	+27(0)12 315 5367
FAX NUMBER:	+27 (0)12 315 5905
E-MAIL ADDRESS:	cbda@treasury.gov.za
WEBSITE ADDRESS:	www.treasury.gov.za/coopbank
EXTERNAL AUDITOR:	Auditor-General
BANKER:	First National Bank
BOARD SECRETARY:	Vacant



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2. LIST OF ABBREVIATIONS/ACRONYMS

ACCOSCA	African Confederation of Co-operative Credit & Savings Associations
AFS	Annual financial statements
AGSA SA	Auditor-General of South Africa
ATM	Automated teller machines
BANKSETA	Banking Sector Education and Training Authority
BCP	Basel Core Principles
CAMEL	Capital adequacy, asset quality, management quality, earnings, liquidity
CBDA	Co-operative Banks Development Agency
CCCFIM	Certificate Course in Co-operative Financial Institution Management
CFF	Central finance facility
CFI	Co-operative financial institution
CIPC	Companies and Intellectual Property Commission
CPD	Corporate public deposit
DED	Department of Economic Development
DEDECT	Department of Economic Development, Environment, Conservation and Tourism
DEDTEA	Department of Economic Development, Tourism, Environment Affairs
DGRV	Deutscher Genossenschafts-und Raiffeisenverband e.V.
DIF	Deposit insurance fund
DRDLR	Department of Rural Development and Land Reform
Dti	Department of Trade and Industry
FSC	Financial Services Co-operative
FS	Free State
GIG	Generational Inheritance Group
GP	Gauteng Province
GRAP	Generally Recognised Accounting Practice
HR	Human Resources
ICA	International Co-operative Alliance
ICURN	International Credit Union Regulators Network
ICT	Information and Communications Technology
IT	Information Technology
IYC	International Year of Co-operatives
KPI	Key Performance Indicator
KZN	KwaZulu-Natal
LP	Limpopo
MAS	Management Advisory Service
MD	Managing Director



2. LIST OF ABBREVIATIONS/ACRONYMS: continued

MOU	Memorandum of Understanding
MP	Mpumalanga
MTEF	Medium-Term Expenditure Framework
NACFISA	National Association of Co-operational Financial Institutions of South Africa
NEHAWU	National Education, Health and Allied Workers' Union
NIC	National Industrial Chamber
NT	National Treasury
NW	North West
NASASA	National Stokvels Association of South Africa
NUM	National Union of Mine Workers
Omnibus Bill	Financial Services Laws General Amendment Bill
OSK	Oranjekas Spaar en Krediet
PAA	Public Audit Act
PEARLS	Protection, Effective Financial Structure, Asset quality, Rates of Return and Costs, Liquidity and Signs of Growth
PFMA	Public Finance Management Act
RFI	Request for information
SA	South Africa
SACCA	Savings and Credit Co-operative Association Africa
SACCOL	Savings and Credit Co-operative League of South Africa
SAICA	South African Institute of Chartered Accountants
SANRAL	South African National Roads Agency Limited
SAMAF	South African Micro-finance Apex Fund
SAMRO	South African Music Rights Organisation
SAMWU	South African Municipal Workers Union
SARB	South African Reserve Bank
SCM	Supply Chain Management
SEDA	Small Enterprise Development Agency
SOE	State Owned Entity
SATAWU	South African Transport and Allied Workers' Union
ToR	Terms of Reference
USA	United States of America
WC	Western Cap
WOCCU	World Council of Credit Unions
SEFA	Small Enterprise Foundation
SACCO	Savings and Credit Co-operative



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PART A:
GENERAL INFORMATION

3. STRATEGIC OVERVIEW

3.1. VISION

To create a strong and vibrant co-operative banking sector that broadens access to, and participation in, diversified financial services to achieve economic and social well-being.

3.2. MISSION

The Co-operative Banks Development Agency's (CBDA's) mission focuses on the development of the Co-operative Financial Institution (CFI) sector within the context of those who participate in it through:

- appropriate regulation and supervision;
- innovative capacity development and support;
- promoting the co-operative philosophy and principles; and
- building confidence in the CFI sector.

3.3. VALUES

The CBDA's values are:

- passion: to be driven and dedicated, with a sense of urgency and encouraging full participation and a spirit of celebration;
- integrity: to be honest, frank, accountable and transparent;
- mutual respect: to be trustworthy, selfless, willing to serve and compassionate, with shared values and respect for decisions;
- commitment to solidarity and co-operation: to be committed to teamwork, which includes being supportive, having a common purpose, sharing information and taking responsibility;
- excellence: to be value-adding, diligent, professional, punctual and competent, which includes paying

attention to detail and being committed to knowledge and learning;

- confidentiality: to maintain the privacy of all dealings with stakeholders.

3.4. STRATEGIC OUTCOME-ORIENTATED GOALS

The CBDA's strategic outcome-orientated goals are to ensure:

- a co-operative financial institution (CFI) sector that is institutionally safe and sound;
- member's deposits in CFIs are protected;
- an adequately capacitated CFI sector;
- a CBDA brand and CFI model that is widely known and recognised; and
- an organisation that is adequately capacitated to meet its statutory mandate and fulfil its vision and mission.

4. LEGISLATIVE AND OTHER MANDATES

- Co-operative Banks Act (No 40 of 2007) as amended by Financial Services Laws General Amendment Act
- Banks Act Exemption Notice (No 620)
- Public Finance Management Act (No 1 of 1999)
- Treasury Regulations



5. ORGANISATIONAL STRUCTURE



¹ The outsourced services expired during the financial year. A finance administrator was appointed from 1 March 2015.

² The Board secretary resigned in July 2014. The minute-taking service has been outsourced.

³ One Technical Analyst was appointed and one resigned.



MINISTER
Nhlanhla Nene

6. FOREWORD BY THE MINISTER

Access to affordable financial services that meet the needs of all our people and institutions, and facilitate their meaningful participation in the economy is central to the achievement of our developmental goals. The Co-operative Banks Development Agency (CBDA) is at the centre of that developmental agenda: to ensure that our people save and they have a say about how those savings are managed; that a legal framework exists to protect those savings; and that our people have access to credit in a responsible manner.

It has therefore been encouraging to see the CBDA grow from strength to strength since its establishment more than seven years ago. More people now have access to financial services, particularly those who were previously left out of the formal banking channels. Indeed, the

CBDA is making good on its core objective to ensure the promotion of a sustainable co-operative banking that contributes towards providing access to affordable financial services to all South Africans. In this regard, I am pleased to note the impressive strides made by the CBDA in ensuring the expansion of financial inclusion across the country through the registration, regulation, support; and promotion of safe co-operative financial institutions (CFIs). Many of the CFIs that the CBDA currently regulates started off as small community-based saving vehicles, and while they have increased over the years, more must be done to ensure that they are able to respond to the high and growing demand for financial services in many of our communities.

In promoting CFIs, the sector will be migrating to a sustainable and responsive banking infrastructure network (Banking Platform) to enable CFIs to provide first order financial products and services and to improve their operational efficiency. This is an important milestone for the CFI sector and should lead to accelerated and significant growth in membership, savings mobilisation and the asset base.

As Government we remain committed to continue our support for CFIs.

I would like to express my sincere gratitude to the CBDA Board of Directors, management and staff for their efforts to promote a sustainable co-operative banking sector. My gratitude is also due to those officials from the National Treasury who are working with their colleagues and other stakeholders to ensure that CFIs are recognised as vehicles for financial inclusion.

NHLANHLA NENE

Minister of Finance
Nhlanhla Nene

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ACTING CHAIRPERSON
Mr P Koch

7. FOREWORD BY THE ACTING CHAIRPERSON OF THE BOARD

The past year has been a challenging one for the Board of the CBDA. Whilst National Treasury considered the most effective way of implementing its Twin Peaks strategy, the Board reviewed whether a Schedule 3A public entity was still the best way of delivering on its mandate given continued funding constraints, limited growth in the sector, the establishment of the dedicated Department of Small Business Development and the potential for a changed mandate under Twin Peaks.

Whilst the long-term vision may change, the Board has been advised by the Deputy Minister and National Treasury to retain the status of a Schedule 3A public entity. Although it was a difficult year for the Board, I am pleased

to report that an external skills audit and 'temperature check' conducted during the year revealed that our staff are motivated by their work and are proud to work for the CBDA. In addition to our permanent staff, we were delighted to see the graduation of 10 interns from the one-year Technical Analyst Internship programme sponsored by BANKSETA. Five are currently serving their second year of internship at the CBDA and are based in the Supervision and Capacity Building Units.

The CBDA, under the able guidance of the Managing Director, Ms Olatse Matshane, has continued to form strong strategic partnerships with a number of stakeholders. In some instances, these partnerships provide funding; in others, they provide resources and exposure. In all cases, they help us to increase our effectiveness as an organisation.

The Supervisory Unit, under the guidance of Mr David de Jong, has laid down a very stable platform for the protection of members' savings. Whilst the number of CFIs that we report on appears to indicate that the sector is shrinking, it must be emphasised that we are reporting on those CFIs that meet the qualifying criteria and are therefore likely to be sustainable. A strong and vibrant cooperative banking sector has to be built on CFIs that meet the basic compliance requirements.

Our Capacity Building Unit (CBU), under the leadership of Ms Nomadelo Sauli, continues to provide support to a wide range of CFIs including those that do not yet meet the qualifying criteria set by the Supervisory Unit. The CBU is also working with a range of stakeholders including provincial Departments of Economic Development, BANKSETA, SEFA and representative bodies to ensure that, over time, as many CFIs as possible receive support from the CBDA and/or the representative bodies.

Looking ahead, there are a number of CFIs which should graduate to being co-operative banks this year. It is



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expected that the Banking Platform, an important pillar of our growth, will be launched during 2016. Coupled with the regulatory framework provided by the Supervisory Unit and the support systems put in place by the CBU, it is expected that the Platform will assist participating CFIs to move to the next level and allow for significant growth whilst retaining the important cooperative principles and the common bond.

I wish to thank my fellow Board members for giving their time and energy and remaining committed to the sector, whilst retaining their sense of humour. I also thank our senior management team for the good work that they have done in building an organisation that is committed to our vision of creating a strong, vibrant co-operative banking sector that broadens access to, and participation in, diversified financial services to achieve economic and social well-being.

Peter Koch
Acting Chairperson

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MANAGING DIRECTOR
Ms O Matshane

8. MANAGING DIRECTOR'S OVERVIEW

2014 HIGHLIGHTS

2014/2015 was a difficult year for the financial services sector. Particularly notable was the demise of the African Bank, currently under curatorship. This sent shock waves through the micro-lending industry. Furthermore, during the year the South African Reserve Bank began its interest rate hiking cycle. The future will therefore not be easy for consumers in general going forward and for CFI members in particular.

The financial services sector also saw the passing into law of the National Credit Amendment Act in May 2014. This came in the wake of reports of an alarming increase in unsecured debt and over-indebtedness among

consumers. The CBDA will be watching this development closely to assess the impact of the amendments on the CFI sector.

Work on the implementation of the Twin Peaks framework is fully underway. One of the major areas of reform under Twin Peaks is to expand the reach of financial services to all. This is the area in which the CBDA works and where the CFI sector is making its largest impact.

The second draft of the Financial Sector Regulation Bill was published in December 2014 and the amended bill will be tabled in Parliament in the second or third quarter of 2015. As from 1 March 2015, The National Treasury introduced tax free savings accounts which can be opened with, participating financial services providers. CFIs that are registered as co-operative banks are permitted to offer tax free savings accounts.

In November 2014, Finmark Trust launched the results of Finscope South Africa 2014 which is an annual survey on the usage of and access to financial services. The results indicated an increase in the number of financially included adults. However, the levels and quality of access and usage of these accounts remain questionable. The results also showed that 9.3 million adults in South Africa remain unbanked. They need to position themselves to take advantage of such opportunities today and into the future. CFIs are well positioned to address these issues.

THE YEAR UNDER REVIEW

Promote the CFI model

In August 2014, the CBDA released its first CFI Quarterly Review report. The purpose of the report was to provide information on the social and economic impact of the CFI sector on the South African economy by reporting on indicators such as the number of SMMEs financed and the number of jobs created.



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In line with the CBDA's strategic objective of widely communicating the CBDA and CFI value proposition, in September 2014 success stories from three CFIs were published in the Public Sector Manager magazine and we are publishing them again in this Annual Report. The stories related to Boikago CFI in Mahikeng, Nehawu CFI in Johannesburg and Cebisa CFI in Pietermaritzburg and described how CFI members' lives had been changed by access to financial services through their CFIs.

The CBDA participated in events including the Stokvel Expo, the Women in Co-operative Indaba and accompanied the National Empowerment Fund on its roadshow to Limpopo. This is an indication of how the CBDA constantly looks for opportunities to engage with ordinary South Africans.

CBDA Rules for Registration and Supervision

In March 2015, the CBDA hosted a workshop with the CFI sector to discuss and solicit comments on its draft rules. The revised rules were effective from 1 July 2015.

BankSeta Internship Programme

To boost the number of highly skilled individuals in the sector and to attract young people to careers in the sector, during the year under review the CBDA began its first CFI-sector internship programme funded by BANKSETA. The programme has been a resounding success, with all 10 interns completing the programme. This was marked by a graduation ceremony in November 2014. Five of the best performing interns were retained for Phase 2 of the internship. Notable is the fact that the December 2014 edition of The Connection newsletter was compiled and edited by the interns themselves and contained a full account of their internship experience. The newsletter is available on the CBDA website.

Co-operative Retail Bonds

Formally launched in 2011, the amount invested in the bonds by CFIs has now officially topped the R4 million mark, with over R138 000 of interest earned. CFIs are encouraged to continue supporting this investment vehicle which is risk free, with guaranteed financial growth and full backing of the South African Government.

Banking Platform Project

The intention of the CBDA to establish an IT-based banking system for the CFI sector was announced in the 2012/2013 Annual Report. There followed almost two years of rigorous research, feasibility studies, consultation with the sector and other stakeholders, and a readiness assessment of selected CFIs. A system and a service provider to implement it have been identified and implementation work is underway.

THE YEAR AHEAD

Banking Platform Project

In the year ahead, the CBDA will focus its resources and energies on the successful implementation of the Banking Platform as it is key to accelerating the growth of the sector and to attracting the middle and high income market segments. Implementation is already underway. Interns have been deployed to selected pilot CFIs; migration and cleansing of data is taking place and discussions with the service provider are underway to finalise the product specifications and system configuration.

It is the firm belief of the CBDA that the implementation of this Banking Platform will enable the sector to attract worker-based CFIs, particularly from among public sector employees and large state owned companies.

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Discussions are underway in relation to the formation and registration of CFIs within unions, such as SAMWU and SADTU. To increase the number of registered CFIs, the CBDA has conducted pre-registration training for organised groups with the potential to become CFIs.

Acknowledgements

I would like to thank all of our partners and stakeholders who continue to work with the CBDA to address and solve challenges facing the CFI sector. In particular, I would like to thank our colleagues at the National Treasury, Minister of Finance: Honourable Nhlanhla Nene and Deputy Minister: Mcebisi Jonas for their consistent support and their interest in the work of the CBDA.

I would like to also thank the members of the CBDA Board for continuing to provide strategic direction and guidance and for their tremendous efforts in driving the organisation's vision and mission.

A sincere appreciation to my fellow senior managers and staff at the CBDA for working with passion and commitment for the economic and social upliftment of the lives of ordinary South Africans.

To the hard working men and women who selflessly give their time as CFI members, staff and Board members, who have seen the sector through good and bad times and who continue to believe in the sector in spite of all the challenges, I sincerely salute you.

I have pleasure in presenting this Annual Report which outlines the CBDA's major activities of the year 2014/2015.

Olatse Matshane
Managing Director



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PART B: GOVERNANCE



GOVERNANCE

1. INTRODUCTION

The CBDA is a public entity established in terms of the Co-operative Banks Act of 2007 and listed under Schedule 3A of the Public Finance Management Act (PFMA) as amended. Treasury Regulations impose certain statutory and regulatory requirements on the CBDA.

2. EXECUTIVE AUTHORITY

In terms of the PFMA and in compliance with Treasury Regulations, for the period under review the CBDA has submitted to the Executive Authority strategic and annual performance plans for 2015/16, quarterly reports for 2014/15 and the Annual Report and Financial Statements for 2013/14 within deadlines.

3. THE BOARD

Introduction

The Board of Directors of the CBDA is appointed by the Minister of Finance in terms of Section 58 of the Act. The Board is the accounting authority of the CBDA and must fulfill certain duties and responsibilities provided for in the Co-operative Banks Act of 2007, the PFMA and Treasury Regulations.

The Chairperson of the board, Dr SP Makhesha resigned with effect from 30 April 2014. The Deputy Chairperson, Mr P Koch was requested to act as chairperson from 1 May 2014. One member, Ms VJ Klein, resigned with effect from 15 July 2014.

Advertising for recruitment of new Board members was carried out in July 2014. However, an insufficient number of applications were received and CBDA stakeholders were requested to nominate potential Board members. Subsequently, the names of Board members to be appointed were submitted to the Minister for approval.



BOARD MEMBERS



DEPUTY CHAIRPERSON AND ACTING
CHAIRPERSON FROM 1 MAY 2014
Mr P Koch



MEMBER
Mr D Ginsburg



MEMBER
Mr TV Shexane



MEMBER
Adv LT Nevondwe



MEMBER
Mr SS Akrong



MEMBER
Ms R Kisten



MEMBER
MSVJ Klein



MANAGING DIRECTOR
Ms O Matshane

**PART B:
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Roles and responsibilities of the board

The roles and responsibilities of the Board are enshrined in the Board Charter, which is reviewed annually.

Composition of the Board

Name	Date Appointed	Qualifications	End of Term/ Re-appointment
Mr P Koch, Deputy Chairperson and Acting Chairperson from 1 May 2014	1 October 2013	B.Bus.Sc. (Hons.): Finance B.Com. (Hons.) Post-graduate Diploma in Accounting B.A.: Philosophy and Economics) M.Sc.: Industrial Relations and H.R. Management Chartered Accountant	30 September 2016
Mr TV Shenxane, Member	1 October 2013	B.Com.: Economics and Industrial Psychology B.Comm. (Hons.) Certificate: Micro Economics Certificate: Finance for Non-financial Managers Diploma: Advanced Project Management Certificate: Senior Management Development Programme Masters in Economic Policy	30 September 2016
Mr SS Akrong, Member	1 October 2013	Masters in Development Finance M.Phil/Ph.D. Entrepreneurship and Small Business Management (uncompleted) M.B.A. M.Sc. (Admin.) (Hons.)	30 September 2016
Ms R Kisten, Member	1 September 2013	B.A. B.A. (Hons): Public Administration	31 August 2016
Mr D Ginsburg, Member	1 September 2013	M.A. B.A. (Hons.)	31 August 2016
Adv LT Nevondwe, Member	1 October 2013	L.L.D. (in process) L.L.M. (Law) L.L.B. Advocate of the High Court of South Africa Certificates: Ombudsman Training, Public Private Partnerships, NBI, Professional Training (Attorneys' Practice), Leadership Management and Training, SASVO, Legal Drafting, Transaction Advisors' Training	30 September 2016



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**PART B:
 GOVERNANCE**

Name	Date Appointed	Qualifications	End of Term/ Re-appointment
Ms VJ Klein, Member	1 September 2013	Bankers examinations Diploma: The Challenge of Leadership Diploma: Corporate Strategy Diploma: Mastering Top Management Dilemmas Diploma: Avira Programme Diploma: Executive Development Programme	Resigned with effect from 15 July 2014
Ms O Matshane, Managing Director	1 October 2013; Managing Director from May 2012	M.Sc.: Economics B.Com. (Hons.): Economics Cert. Taxation Cert. Advanced Project Management	31 May 2016
Minister's Representative			
Ms Ingrid Goodspeed Chief Director: Financial Sector Development	1 September 2013	L.L.B. M.B.L. (Cum laude) B.Com. (Hons) (Economics)	31 August 2016

CBDA Board sub-committees

The Board's sub-committees enable it to discharge its responsibilities and duties. Each committee acts in accordance with its charter and is chaired by an independent non-executive director. Information about the membership of the Board's committees, and members' attendance at meetings, is given in Tables 1 and 2.

Table 1: CBDA Board sub-committees

HR & Remuneration Committee	Audit and Risk Committee (combined with that of National Treasury) in terms of section 77(c) of PFMA
Mr D Ginsburg (Chairperson)	Ms VL Klein (Member) ³
Ms R Kisten (Member)	Ms I Goodspeed
Mr TV Shenxane (Member)	Ms O Matshane
Ms O Matshane (by invitation)	



Table 2: Board and committee attendance

Board and committee meeting attendance	Board	HR & Remuneration Committee	Audit & Risk Committee ¹
Mr P Koch	5/6	2 ²	1 ²
Ms VJ Klein ³	3/6		
Adv. LT Nevondwe	4/5	2/2 ⁵	
Mr D Ginsburg	5/6	1/2	
Mr T Shenxane	5/6	2/2	
Mr SS Akrong	4/5		
Ms R Kisten ⁴	2/6		
Ms O Matshane	6/6	2/2	3/4
Ms I Goodspeed	5/6		1/4

¹The CBDA does not have an independent Audit and Risk Committee but is part of the joint National Treasury Audit and Risk Committees.

² Mr P Koch as the Acting Chairperson attended by invitation.

³ Ms VL Klein resigned on 15 July 2014

⁴ Ms R Kisten was on sabbatical leave until January 2015

⁵ Adv. LT Nevondwe represented Ms R Kisten during her sabbatical leave

Remuneration of Board members

CBDA board members are remunerated at rates determined by the National Treasury in terms of service benefit packages for office-bearers of certain statutory and other institutions. Employees of national, provincial and local government or agencies and entities of government serving on public entities or institutions are not entitled to additional remuneration. The remuneration of board members is shown in Note 25 of the Annual Financial Statements.

5. RISK MANAGEMENT

In terms of the MoU between the two organisations, the CBDA uses the services of the National Treasury's Risk Management Enterprise unit. The Risk Register is reviewed annually to take account of changes in the operating environment. Strategic and operational risks have been identified and are managed by the Managing Director and the Management Committee. The CBDA's updated Risk Register and risk assessment report were tabled at the Joint Audit and Risk Committee in the first quarter of the period under review.

The review of the risk register was conducted by management with the assistance of the National Treasury's Enterprise Risk Management unit in the fourth quarter. The assessment report will be finalised in the next financial year.



6. INTERNAL AUDIT AND AUDIT COMMITTEES

In terms of the MoU, the CBDA uses the services of the National Treasury's Internal Audit and Risk functions and forms part of the joint National Treasury Audit and Risk Committees.

In line with the internal audit plan for the period under review, the Banking Platform Solution audit framework was produced and the following audits were conducted.

- Performance information audit
- Follow-up internal audit on Auditor General's management letter
- Audit report on MoU between National Treasury and CBDA
- Audit report on HR processes
- Review of the finance policy and procedure manual

Audits still in progress

- Performance audit of the CBDA's Supervisory Unit
- Review of the financial internal controls

All audit reports are tabled at the Audit and Risk Committee and are monitored through the findings register. Findings on the reports are addressed and monitored by management.

7. COMPLIANCE WITH LAWS AND REGULATIONS

As a growing and developing agency, the CBDA implements various action plans to improve its policies, systems and procedures and to ensure compliance with the relevant laws and regulations. The Finance policy

was reviewed and updated during the reporting period under review and is to be tabled at the Audit and Risk Committee for recommendation and to the CBDA Board for approval in the 2015/2016 financial year.

Decisive action is being taken on all audit findings, and systems and processes have been put in place to ensure compliance with statutory requirements.

8. FRAUD AND CORRUPTION

With the assistance of the National Treasury, the CBDA has developed a fraud prevention plan. Workshops convened by the National Treasury are attended by employees to communicate the plan and to emphasise the importance of reporting fraud and corruption. The CBDA uses the national anti-corruption hotline to enable whistle blowers to report fraud and corruption. The CBDA has a policy of zero tolerance of fraud, and appropriate action is taken in line with the nature of the offence.

9. MINIMISING CONFLICT OF INTEREST

Guidelines on minimising conflict of interest are contained in the CBDA's Code of Business Conduct.

At every meeting, members of the Board are required to indicate in writing if they have a conflict of interest in relation to any item on the agenda and to sign a Declaration of Interest form.



10. HEALTH, SAFETY AND ENVIRONMENTAL ISSUES

As the CBDA is located in the National Treasury's premises, it uses the National Treasury's policies and procedures on health, safety and environmental issues.

11. SOCIAL RESPONSIBILITY

The CBDA is financed by transfer payments from the National Treasury. These funds are not mandated to be used for social responsibility. However, with effect from 1 July 2014, CBDA staff members have had in place a Charity Club, which makes contributions to identified charitable institutions and activities.

12. CODE OF CONDUCT

The Board has approved a Code of Business Conduct for the CBDA. This also forms part of the Board's Charter. All employees are required to sign the Code of Conduct.



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PART C: PERFORMANCE INFORMATION



1. STATEMENT OF RESPONSIBILITY FOR PERFORMANCE INFORMATION

STATEMENT OF RESPONSIBILITY FOR PERFORMANCE INFORMATION FOR THE YEAR ENDED 31 MARCH 2015

The MD is responsible for preparing the CBDA's performance information and for the judgements made based on this information.

The MD is responsible for establishing and implementing a system of internal control which provides reasonable assurance about the integrity and reliability of the performance information.

In my opinion, the performance information fairly reflects actual achievements against planned objectives and targets in line with the strategic and annual performance plans of the CBDA for the financial year ended 31 March 2015.

The CBDA's performance information for the year ended 31 March 2015 has been examined by the Auditor-General whose report is presented on page 69.

The CBDA's performance information set out on pages 28 to 64 was approved by the Board.

A handwritten signature in black ink that reads "Olatse Matshane".

Olatse Matshane
Managing Director



2. OVERVIEW OF THE CBDA'S PERFORMANCE

2.1 STRATEGIC OUTCOME-ORIENTED GOALS

In terms of its strategic outcome-oriented goals, the CBDA achievements for the period under review were as follows:

- Increased onsite inspections conducted and offsite reports assessed reflect the increased number of registered CFIs and improvements in the level of reporting compliance.
- The increased compliance rate against international best practice with Basel Core Principles (BCP) from 77 per cent in 2013/14 to 82 per cent in 2014/15 is evidence of the quality of service offered by the Supervision Unit.
- The process to improve efficiencies and streamline the supervisory process by computerising the application and return system is underway. This will provide innovative and efficient supervisory tools and techniques for the sector.
- The key findings from the impact assessment showed that the capacity building programmes (training, direct technical assistance, mentorship and coaching) were of benefit to the CFIs. This is evident from the improved operational efficiency of most of them. The assessment also made useful recommendations about how the capacity building tools and programmes could be improved.
- Implementation of the Banking Platform Project is underway. This will see the CFI sector move from manual operations to full automation, enabling CFIs to produce compliant prudential reports and improve their operational efficiency through enhanced products and service offerings. This will include the use of ATM cards and point-of-sale transacting as well as enabling members to transact within the CFI network.
- Improvements in governance, policies and procedures and financial reporting can be attributed to direct technical assistance from the CBDA to CFIs and to the mentorship and coaching programme that the Capacity Building Unit introduced.
- Proactive networking, consultations and engagement with national and provincial government departments, entities, NGOs and other organisations has resulted in obtaining additional funding for the capacity building programmes and for the Banking Platform Project. These assist the CBDA to achieve its strategic objectives.
- During the period under review, the CBDA published the first CFI Quarterly Review. This presents information about the social, economic and developmental indicators relating to the CFI sector. It also gives case studies of CFIs and information about how members are benefiting and are changing their lives.
- Three CFI success stories were published in the September 2014 edition of the Public Sector Manager magazine
- To promote the CFI model, during the year the CBDA published several articles, participated in road shows and made presentations at workshops and to selected stakeholders.
- Ten interns successfully completed the first ever internship programme for the CFI sector

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2.2 SERVICE DELIVERY ENVIRONMENT

The South African CFI sector is growing steadily and is adapting to the changing regulatory environment. Discussion and engagement with the National Treasury, SARB and other stakeholders is on-going. It is intended that this process will lead to proposed recommendations about amendments to the Co-operative Banks Act.

2.3 OVERVIEW OF THE ORGANISATIONAL ENVIRONMENT

The CBDA has three units: Supervision, Capacity Building and Corporate Services. The roles and functions of these units are described in more detail in Section 4, Part C. The organogram is given in Section 5, Part A.

To enable the organisation to achieve its mandate, it is management's view that over the medium term the following additional personnel will be required:

- Supervision Unit: two inspector positions
- Capacity Building Unit: three assistant technical analyst positions
- Corporate Services: one research and monitoring position.

These positions remain unfunded. Currently, the organisation relies on the internship programme to provide skills and personnel needed. This programme is funded through a partnership between the CBDA and BANKSETA.

Because of the economic situation and limited available funding, the CBDA's budget has been cut over the medium term.

It remains dependent on National Treasury for office accommodation and for IT, legal and supply chain management and other services.

2.4. KEY POLICY DEVELOPMENTS AND LEGISLATIVE CHANGES

Notice 404 of Gazette 35368 of 25 May 2012 was replaced by Government Notice 37903, No 620 of August 2014. The important revision was Section 3.(j) which makes provision for CFIs that have reached the threshold of R30 million in deposits to apply for registration with the CBDA, subject to their member's deposits not exceeding R40 million.



1.5 SUMMARY OF REVENUE COLLECTION

Sources of revenue	2014/2015			2013/2014		
	Estimated amount R'000	Actual amount collected R'000	(Over)/under collection R'000	Estimated amount R'000	Actual amount collected R'000	(Over)/under collection R'000
Transfer from National Treasury	16 838	16 838	-	16 236	16 236	-
Sale of goods and rendering of services	4	4	-	-	12	(12)
Interest income	159	434	(275)	-	444	(444)
Sponsorship/donation	-	-	-	-	36	(36)
Grants funded expenditure	2 526	4 730	(2 204)	-	3 304	(3 304)
Total	19 527	22 006	(2 479)	16 236	20 032	(3 796)

1.6 SUMMARY OF PAYMENTS BY PROGRAMME

Programme name R'000	2014/15			2013/2014		
	Budget R'000	Actual expenditure R'000	(Over)/under expenditure R'000	Budget R'000	Actual expenditure R'000	(Over)/under expenditure R'000
Supervision Unit	4 555	4 261	294	3 932	3 645	287
Capacity Building Unit	6 426	7 565	(1 139) ¹	6 669	6 627	42
Managing Director & Corporate Services	5 892	6 169	(277)	5 464	6 113	(649)
Grants funded expenditure	2 526	4 730	(2 204)	-	3 304	(3 304)
Total, exclusive of capital expenditure and interest capitalised	19 399	22 725	(3 326)	16 065	19 689	(3 624)
Capital expenditure	70	33	37	170	155	15
Interest capitalised	58	78	(20)	-	-	-
Total, inclusive of capital expenditure and interest capitalised	19 527	22 836	(3 309)²	16 235	19 844	(3 609)

¹The National Treasury approved the retention to the 2014/15 financial year of 2013/2014 roll-over funds not utilised; funds were assigned mainly to the Banking Platform project, the Online Application and Return Submission Portal and the Stabilization Fund. See annual financial statement, page 74.

²Over-expenditure is funded by additional Grant funds by stakeholders and the 2013/14 roll-over funds for the Banking Platform Project.



3. SECTOR PERFORMANCE INFORMATION

Total sector performance as at 28 February 2015

Table 3 below shows the performance of the total regulated co-operative financial sector. There are currently two registered co-operative banks regulated by the South African Reserve Bank. These contribute toward 40 per cent of the sector's total assets. Eleven institutions are eligible for registration as co-operative banks as they have met the Act's regulatory threshold of more than 200 members and R1 million in deposits. However, they have not met other prudential requirements, regulated by the CBDA. They make up 53 per cent of the assets of the sector. The CBDA also supervises and regulates thirteen 'other' CFIs. Making 6 per cent of the sector, they do not qualify to apply as co-operative banks.

Table 3: Performance of the regulated co-operative financial sector as at 28 February 2015

Institution	Number	Members	Deposits	Loans	Assets
Co-operative banks	2	2 143	R84 641 004	R58 773 842	R94 973 126
Eligible CFIs*	11	16 099	R111 575 370	R87 435 729	R126 233 131
Other**	13	6 480	R4 885 178	R5 933 531	R15 327 224
Total	26	24 722	R201 101 552	R152 143 102	R236 533 481

*Meet the minimum requirement for registration i.e. 200 members

**R1 million in deposit, but fall short of operational requirements

Historical consolidated sector performance (including co-operative banks)

Table 4 gives a historical unconfirmed account of the sector. For the years before 2013 when the CBDA began regulating the sector, it draws on information from various sources. These include unconfirmed sector estimates based on figures from SACCOL, SAMAF and the CIPC registry. The information for 2012/2013 is based on applications to register as a CFI. A detailed analysis of the total sector is not possible as they are representative of the two regulatory agencies: the SARB and the CBDA.

However, it can be seen that all metrics other than number of entities and membership growth are marginally positive.

Table 4: Unconfirmed historical data of the sector, 2010/2011-2014/2015

	2010/2011*	2011/2012*	2012/2013*	2013/2014*	2014/2015**	%
No. of entities	121	106	35	26	26	0
Membership	59 394	53 240	38 084	33 391	24 722	-26%
Savings	R175 265 000	R196 230 000	R 200 841 000	R 198 624 948	R 201 101 552	1.2%
Loans	R116 577 000	R132 227 000	R 142 310 000	R 140 463 755	R 152 143 102	8.5%
Assets	R195 213 000	R217 506 000	R220 800 000	R231 367 670	R 236 533 481	2.2%
Average savings	R 2 951	R 3 686	R 5 274	R 5 948	R 8 135	36%

*Unaudited taken from information from saccol, samaf etc

**Figures submitted on co-operative bank returns to SARB and CFI returns to CBDA



CBDA

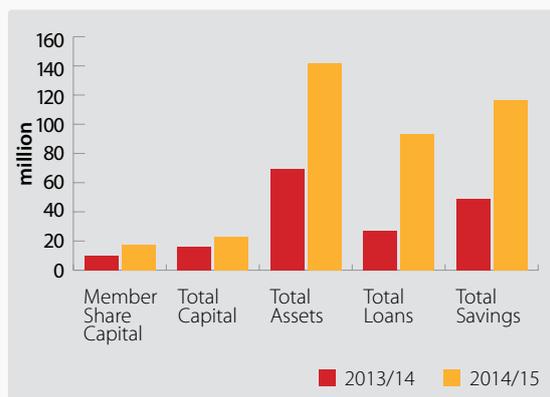
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Financial performance of the CFI sector as at 28 February 2015

The analysis below relates to 24 CFIs registered with and regulated by the CBDA in terms of the Exemption Notice 620 of 2014 for 2013/14 and 2014/15. The information should be read in conjunction with the supervisory report section on the number of days taken to register and renew CFI applications.

Figure a: Abridged Balance Sheet



Capital Adequacy

The total capital for all registered CFIs at the end of February 2015 amounted to R22 965 797. This was an increase from the R16 202 161 of February 2014 and was mainly due to an increase in members' share capital which grew by 74.1 per cent over the twelve month period.

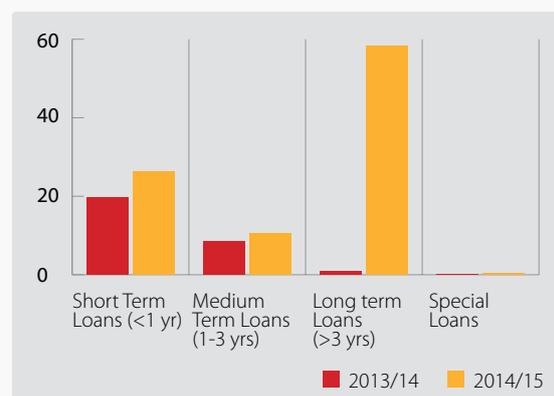
The CFI sector remained adequately capitalised, with a capital adequacy ratio of 16.19 per cent at the end of February 2015, down by 7.29 per cent over the year. This was mainly due to the registration during the year of two large CFIs with relatively weak capital ratios. The ratio remained above the minimum regulatory requirement of 6 per cent.

Sector solvency remained strong at 101.27 per cent for the year under review although it weakened from the 109.71 per cent of the previous year.

Asset Quality

Net loans amounted to R93 369 260 at the end of February 2015, up from R27 053 795 over the year. This was mainly due to an increase in long term loans to members and to registration during the year of additional CFIs with larger loan portfolios. The delinquency ratio marginally increased by 0.26 per cent, from 13.48 per cent in February 2014 to 13.22 per cent in February 2015. The majority of delinquent loans are within the short term of three to six months. As shown below, the bulk of the sector loans were within the long term period of more than three years and mostly housing loans in the larger CFIs.

Figure b: Loan Distribution 2014/15



The ratio of net loans to total assets was 65.84 per cent in February 2015, up from 39.20 per cent in February 2014. This reflected the fact that more loans were issued within the sector. The ratio remained within the maximum regulatory requirement of 80 per cent.

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The savings to total assets ratio was 82.12 per cent in February 2015, up from 70.65 per cent in February 2014. The ratio was above the maximum regulatory requirement of 80 per cent

The ratio of external credit to total assets was 0.52 per cent in February 2015, down from 4.05 per cent in February 2014. This reflected a sector shift away from grant financing in line with regulatory requirements.

The ratio of non-earning assets to total assets was 10.16 per cent in February 2015, down from 18.69 per cent in February 2014. The ratio remained above the maximum regulatory requirement of 5 per cent.

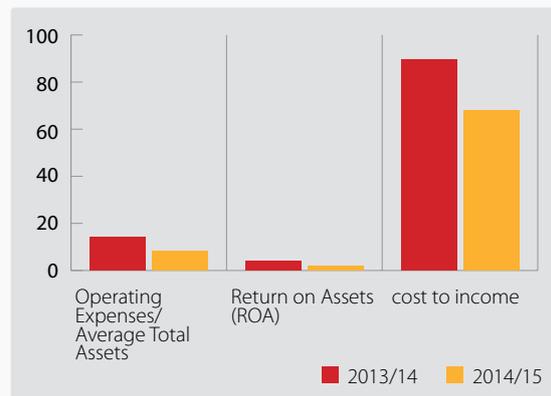
Earnings (Surplus)

The CFI sector reported a surplus of R 2 480 809 in February 2015, up 4.64 per cent from the R2 370 770 of February 2014. This is attributable to a 139.10 per cent increase in interest income from loans and a 40.90 per cent growth in fees and commissions. The sector continues to rely on the core intermediary function of lending, with income from grants or external financing falling from R1 925 073 in February 2014 to R119 185 in February 2015.

Operating expenses increased by 31.77 per cent to R11 211 080 in February 2015, up from R8 508 044 in the prior year. This was due to the growth in personnel numbers and administration expenses which increased by 29.41 per cent and 39.96 per cent respectively.

Profitability ratios decreased. The return on assets (RoA) was 1.85 per cent at the end of February 2015, down from 3.9 per cent in February 2014. The ratio of operating expenses to total assets was 8.34 per cent in February 2015, down from 14.00 per cent in February 2014

Figure c: Profitability Indicators (2014/15)



Liquidity

Total liquid assets amounted to R26 218 643 at the end of February 2015, up from R17 670 043 in February 2014. Liquid assets consisted primarily of commercial bank deposits and the CFI Financial Retail Savings Bond.

The ratio of liquid assets (less short term payables) to total deposits decreased during the reporting year to 21.67 per cent from 35.11 per cent in the previous year. The ratio remained above 10 per cent minimum regulatory requirement.



4. PERFORMANCE INFORMATION BY PROGRAMME

4.1. PROGRAMME 1: MANAGING DIRECTOR AND CORPORATE SERVICES

The Corporate Services Unit is responsible for governance, human resource and financial management of the CBDA and for effective and efficient coordination of all activities. In terms of strategic operations, it is also responsible for stakeholder management, for coordinating the CBDA's marketing activities and for managing the Stabilisation Fund and Research.

In line with the organisation's Vision 2020, during the year CBDA management met and made presentations to public sector employees and employees of large state owned entities. The aim was to encourage them to form Co-operative Financial Institutions. Meetings were held with the following institutions: the South African Music Rights Organisation (SAMRO), the South African Cane Growers' Association; the South African National Roads Agency Limited (SANRAL); the South African Transport and Allied Workers' Union (SATAWU); the Department of Trade and Industry (dti); the National Education, Health and Allied Workers' Union (NEHAWU) CFI; the National Union of Mine Workers (NUM) and its stakeholder, the Mine Workers' Development Agency; co-operatives working with the Department of Rural Development and Land Reform; and co-operatives working with the Department of Roads and Public Works. The outcome of the engagements has been positive, with some institutions already being assisted with preparations to form CFIs and others showing keen interest in the CFI model.

To pursue its objective of communicating the CFI value proposition widely, the CBDA published three editions of the CFI Quarterly Review. Focusing on selected social, economic and developmental indicators, the Review provides information about the economic, social and developmental impact that the CFI sector is having on South African society.

Activities within the CBDA's outreach programme included:

- presentation at the Women in Co-operatives Indaba in the North West Province, attended by more than 500 women already involved in co-operatives
- exhibition at the Stokvel Expo in Pretoria in July to celebrate Savings Month, an initiative spearheaded by the South African Savings Institute
- partnering with the National Empowerment Fund (NEF) in a road show to three rural areas in Limpopo: Jane Furse, Seshego and Lephale. The CBDA made presentations and distributed materials.
- roadshows in the Eastern Cape to popularise the 2014 CFI Indaba in collaboration with the Eastern Cape Department of Economic Development, Environmental Affairs and Tourism (DEDEA).

National Treasury's current fiscal constraints have resulted in budget cuts over the MTEF period. The low budget allocation to the CBDA posed a challenge which forced management to be innovative and to enter into service level agreements (SLAs) with stakeholders, other government institutions/departments and the private sector to secure additional funding in order to deliver in terms of the organisation's mandate.

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During the financial year, presentations about the Banking Platform Project (BPP) were made to PostBank, DTI, Finmark Trust and SEFA. There was continual engagement with key stakeholders such as the Financial Services Board (FSB), Financial Sector Consumer Education Foundation, the Department of Rural Development and BANKSETA. The discussions resulted in signed MoUs and SLAs towards funding the BPP, capacity building and internship programs. Details of the project are outlined under the Capacity Building unit programme.

The Stabilisation Fund Committee finalised the Committee Charter and the Fund's business case. A consultation session was held with the CFI Managers' Forum on certain assumptions about the financial projections of the Fund that needed to be cleared with the sector. The consultation session established a task team to research similar funds in other countries. It will report its findings to the steering committee in the next financial year.



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Key performance indicators, their targets and actual results

Strategic Objective: CBDA is adequately capacitated to provide strategic leadership, administrative support and management capabilities to market itself and its activities

Performance indicator	Actual achievement 2013/2014	Planned target 2014/2015	Actual achievement 2014/2015	Deviation from planned target for 2014/2015	Variance from 2013/2014 to 2014/2015	Comment on variances
Strategic Plan and APP approved by the Board and adopted by the Minister	Approved	Approved	Approved	-	-	Achieved The Strategic Plan and APP were approved by the Board on 25 January 2015; submitted to National Treasury's PEOU on 11 February 2015; approved by the Minister; and tabled to Parliament on 6 March 2015.
Unqualified audit report	Unqualified Audit report, 2012/13	Unqualified Audit report, 2013/14	Unqualified Audit report, 2013/14	-	-	Achieved

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Key performance indicators, their targets and actual results

Strategic Objective: CBDA is adequately capacitated to provide strategic leadership, administrative support and management capabilities to market itself and its activities						
Performance indicator	Actual achievement 2013/2014	Planned target 2014/2015	Actual achievement 2014/2015	Deviation from planned target for 2014/2015	Variance from 2013/2014 to 2014/2015	Comment on variances
Number of new and existing MoUs and/or SLAs reviewed; signed with stakeholders	6	6	10	+3	+3	<p>Achieved Status of MOU and SLAs</p> <ul style="list-style-type: none"> BANKSETA (MOU): Support for Banking Platform Project; signed in 2nd quarter Sefa MOU: signed in 1st quarter Grant Thornton SLA: signed 1st quarter International Development Cooperation (IDC) Directorate: signed in 1st quarter Extension of SLA for Banking Platform project manager services SLA: University of Fort Hare Diploma in CFI Management SLA: Institute for Capacity Development impact assessment SLA: Business Connexion: online applications portal KZN Department of Economic Development, Tourism and Environment Affairs (EDTEA) On-going –a) Financial Services Board (FSB) Financial services consumer education foundation b) CIPC



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Key performance indicators, their targets and actual results

Strategic Objective: CBDA is adequately capacitated to provide strategic leadership, administrative support and management capabilities to market itself and its activities

Performance indicator	Actual achievement 2013/2014	Planned target 2014/2015	Actual achievement 2014/2015	Deviation from planned target for 2014/2015	Variance from 2013/2014 to 2014/2015	Comment on variances
Annual Indaba for CFIs hosted	1 Indaba	1 Indaba	1 Indaba	-	-	Achieved Indaba was held from 13-17 October, East London, Eastern Cape
CFI sector database reviewed and updated periodically	1	1	1	-	-	Achieved Database updated periodically

Key performance indicators, their targets and actual results

Strategic Objective: CBDA brand and CFI model is widely known and recognised

Performance indicator	Actual achievement 2013/2014	Planned target 2014/2015	Actual achievement 2014/2015	Deviation from planned target for 2014/2015	Variance from 2013/2014 to 2014/2015	Comment on variances
Funded and operational Stabilisation Fund	Stabilisation Fund funded and operational	Stabilisation Fund funded and operational	Stabilisation Fund funded and operational	-	-	A presentation on the Stabilisation Fund's assumptions was made to the CFI Managers' Forum on 30 January 2015 A task team has been formed to research similar funds in other countries and to report its findings to the Steering Committee.

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Key performance indicators, their targets and actual results

Strategic Objective: CBDA brand and CFI model is widely known and recognised							
Performance indicator	Actual achievement 2013/2014	Planned target 2014/2015	Actual achievement 2014/2015	Deviation from planned target for 2014/2015	Variance from 2013/2014 to 2014/2015	Comment on variances	
CBDA and CFI value proposition published and communicated via various publications and activities relevant to the CBDA's targeted sectors and groups	5	4 (Newsletter/ magazines articles, booklets, road shows, workshops, exhibition stands)	5	+1	-	Achieved 1. CBDA article published in Public Sector Manager magazine, April 2014 2. CFI Quarterly Review, volumes 1, 2 and 3 3. 'CFI Success Stories': article published in Public Sector Manager magazine, September 2014 4. Connection newsletter, November 2014 5. CBDA joined the National Empowerment Fund in roadshows in Limpopo (Jane Furse, Seshego and Lephalale)	



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2014 CFI INDABA

Annually since 2011, the co-operative banking sector has held a CFI Indaba. The 2014 event was the fourth. The CBDA played an advisory role, and assisted with inviting international speakers; the National Association for Co-operative Financial Institutions of South Africa (NACFISA) took the lead as organiser, working in conjunction with the DEDEA.

The theme of the 2014 CFI Indaba, held from 13th to 17th October 2014 in East London was 'Strengthening the Institutional Base of the CFI Sector in South Africa'. The objectives of the Indaba were to:

- raise awareness about the socio-economic potential of CFI sector
- contextualise financial co-operatives within the financial sector
- provide a networking forum for the CFI sector and other partners
- provide financial co-operatives with technical skills.

The event was attended by over 170 delegates, including CFI members from all provinces except Mpumalanga. International guests included experts from Kenya, Poland and the USA. Local participants attending the Indaba were from the DGRV, SEDA, DRDLR, DEDEA, EDTEA and other provincial structures. .

International speaker Wiktor Kamiński (Deputy CEO: National Association of Cooperative Savings and Credit Unions, Poland) spoke on the success of the Polish Credit Union Movement in the past 20 years, and described some of the successful strategies used in achieving this growth. Patricia Wesenberg (President/CEO of Central City Credit Union, USA) described strategies used to promote the movement in the USA, where the credit union movement has over 100 million members. Such information may be relevant in the South African context.

To encourage CFIs to work efficiently and effectively towards growth and sustainability, the CBDA awarded the three best performing CFIs with a trophy and a CFI retail bonds voucher. The winning CFIs were Boikago CFI, Mathabatha CFI and Kwa-Machi CFI.

CFI INTERNSHIP PROGRAMME

The CBDA, BANKSETA and NACFISA launched a CFI Technical Analyst Internship Programme to offer workplace training and to increase the number of skilled individuals to assist with strengthening and developing CFIs. The programme began in November 2013.

During the period under review, the interns provided the following assistance to CFIs: monitoring compliance with prudential requirements and minimum performance standards; analysis of financial reports, and recommendations for corrective measures; assisting with diagnostic assessments of CFIs' operations; and monitoring the implementation of turnaround strategies to achieve more efficiently-run institutions.

The Internship Training Programme included the following experiences: participation in the Certificate course in Co-operative Financial Institutions Management (CCCFIM) offered by the University of Pretoria; soft skills training and Advanced Excel offered by the National Treasury.

The interns graduated from the first phase of the programme in November 2014. Of the ten who started the programme, four were selected to continue to phase 2 of the programme, one was employed by the CBDA and four found employment in the private sector.

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INTERN GRADUATES WITH REPRESENTATIVES OF THE CBDA, BANKSETA AND NACFISA



SUPERVISOR DAVID DE JONG



INTERN GRADUATES (LEFT TO RIGHT): POPPY THUBANA, LUCKY GAMEDE AND FRANCINAH MUDAU



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MR TIMOTHY MUTYAVAVIRI RECEIVING AN AWARD FOR MENTOR OF THE YEAR



MR ERNEST BIYELA (NACFISA)



DIRECTOR, CAPACITY BUILDING:
NOMADELO SAULI

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TOP THREE PERFORMING INTERNS (LEFT TO RIGHT): TEBOGO TSHABALALA, FRANCINAH MUDAU AND OFENTSE SEAGENG WITH BEKISISA NKALA MANAGER INCLUSIVE BANKING FROM BANKSETA



CBDA BOARD ACTING CHAIRPERSON:
MR PETER KOCH



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HUMAN RESOURCE MANAGEMENT

INTRODUCTION

This Human Resources (HR) report summarises the employment-related activities of the CBDA from 1 April 2014 to 31 March 2015. HR responsibilities include recruitment and selection, remuneration, skills development, performance agreements, reviews and evaluations.

HR priorities and achievements for the year under review

HR-related policies approved by the Board include the Recruitment and Selection Policy; Employment Equity; Allowances for Acting Appointments; Long Service Benefits; Compensation; Termination Policy; Revised Leave Benefits Policy; Revised Bursary Scheme Policy; Revised Contract of Employment; and Disciplinary Code and Grievance Procedure.

In the period under review, the positions of Director: Capacity Building, Technical Analyst, Programme Administrator, Personal Assistant and Finance Administrator were filled. Following the resignation of the Board Secretary in July 2014, Write Connection cc was identified as service provider for minute-taking at all Board and Committee meetings.

The MoU between BANKSETA and CBDA led to five interns being recruited to assist the organisation to support and develop the Banking Platform Project; they will commence with induction in the new financial year.

Skills Development and Training

The Board commissioned a skills audit exercise; this was carried out by Deloitte Consulting (Pty) Ltd and completed in December 2014. The purpose of the exercise was to determine the skills needed, audit actual skills, identify employee and unit competency gaps against competency needs, and determine development needs.

An MoU between BANKSETA and the CBDA was approved, through which BANKSETA funded the studies of four CBDA employees. Two employees were funded for a Masters in Business Administration, one for an MPhil in Development Finance and one for a Postgraduate Diploma in Banking. Through their personal development plans, three employees were funded by CBDA for training in risk management, an individual voice programme and in the basics of financial management.

Internal group training on Excel and Advanced Excel was attended by CBDA staff and Interns.

Employee Performance Management Framework

The 2013/14 performance assessments were finalised by the normalisation committee at its meeting on the 17 June 2014. The Human Resources and Remuneration Committee recommended, and the Board approved, performance bonuses.

Employee wellness programmes

Employee wellness is an integral part of the HR function as it not only promotes health living but also enables CBDA staff members to access guidance on work-life balance, debt counselling and substance abuse. Two employees were referred for counselling through Siyaphila, National Treasury's wellness programme.

A staff morale exercise facilitated by Workforce Management through Siyaphila took place during the period under review.

A cancer wellness programme was attended organised by National Treasury.

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Social events

The CBDA celebrated a range of social events organised by the CBDA Social Events Committee which is self-funded by employees. These included a year-end function held at FNB in Rivonia, Secret Santa gifts, Valentine's Day and an Easter competition. To celebrate Mandela Day, staff fundraised and provided food and groceries support to non-profit organisation Motivation for Life in Winterveld.

Future HR plans and goals

To ensure continuous achievement of the CBDA's objectives, HR will focus on priorities which include developing internship programme policy guidelines; a relocation policy; and reviewing the current HR Plan.

The CBDA will use a service provider to conduct an executive and middle management leadership programme.

HUMAN RESOURCE MANAGEMENT OVERSIGHT STATISTICS

Personnel cost by programme

Programme	Total expenditure (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)
Supervision Unit	4 261	3 781	21%	6	630
Capacity Building	7 565	3 087	17%	6	515
Corporate Services	6 029	2 945	16%	9	327
Interns ¹	140	140	1%	10	14
TOTAL	17 995	9 953	55%	31	553

¹ The CBDA subsidised interns' stipends from vacant posts not filled.

Personnel cost by salary band

Level	Personnel expenditure (R'000)	% of personnel expenditure to total personnel cost (R'000)	No. of employees	Average personnel cost per employee (R'000)
Top management	1 125	11%	1	1 125
Senior management	1 916	20%	2	958
Professional qualified	4 513	45%	8	564
Skilled	2 259	23%	10	226
Interns	140	1%	10	14
TOTAL	9 953	100%	31	321



Performance rewards 2014/15

Performance evaluations were conducted between management and staff. There was performance bonus provision for this purpose. The normalisation committee will be convened in June/July 2015 to finalise the scoring process and prepare a report for the Human Resources and Remuneration Committee for consideration and for approval by the Board.

Training costs

As a public entity, the CBDA prides itself on developing and increasing the skills of its staff. During the period under review, it continued to demonstrate commitment to job-specific skills development based on performance assessments and personal development plans. R308 000 was spent on educational studies, short courses and study conferences for twelve employees, at an average training cost of R24 500 per employee.

Seven study conferences were attended by CBDA staff: ACCOSCA: the 4th African Regulatory Round Table; the 15th SACCO Savings And Credit Co-operative (SACCO) Congress; a public sector seminar in East London; the 5th SACCO Leadership Forum; the International Co-operative Alliance (ICA) Global Conference; and the World Credit Union conference. CBDA staff presented at the 6th SACCO Leaders Forum: African Co-operative Saving and Credit Association. Three employees were funded by CBDA for short courses and training.

Directorate/ business unit	Personnel expenditure (R'000)	Training expenditure (R'000)	Training expenditure as a % of personnel cost	No. of employees trained	Average training cost per employee
Supervision Unit	3 781	183	4.8%	6	31
Capacity Building	3 087	43	1.4%	4	11
MD and Corporate Services	2 945	68	2.3%	2	34
Interns	140	14	10.0%	10	1
Total	9 953	308	3.1%	22	14

Employment and vacancies

Programme	2013/2014 no. of employees	2014/2015 approved posts	2014/2015 no. of employees	2014/2015 Vacancies	% of vacancies
Supervision Unit	5	6	6	-	-
Capacity Building	4	6	5	1	17%
MD and Corporate Services	6	6	5	1	17%
Total	15	18	16	2	11%

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Programme	2013/2014 no. of employees	2014/2015 approved posts	2014/2015 no. of employees	2014/2015 vacancies	% of vacancies
Top management	1	1	1	-	-
Senior management	1	2	2	-	-
Professional qualified	9	9	7	2	22%
Skilled	4	6	6	-	-
TOTAL	15	18	16	2	11%

Employment changes

During the period under review, the CBDA made five new appointments to fill the positions of Programme Administrator; Director: Capacity Building; Temporary Personal Assistant; Technical Analyst and Finance Administrator. Service provider Write Connection cc was appointed to fulfil the role of Board Secretary as and when required. There was a staff turnover of three employees: Business Support Manager, Board Secretary and Technical Analyst.

Salary Band	Employment at 31 March 2014	Appointments	Terminations	Employment at end of the period 2014.5
Top management	1	0	0	1
Senior management	1	1*	0	2
Professional qualified	9	1	3*	7
Skilled	4	3	1	6
Total	15	5	3	16

* One employee was promoted from Deputy Director to Director.

Labour relations: formal grievances

No formal grievances were received during the period under review.

Equity target and employment equity status

The CBDA recognises its responsibility as a public entity to equalise opportunities for socio-economically and educationally disadvantaged people, defined as Black (African, Indian and Coloured persons); women; and the disabled.

As an organisation with a staff complement of fewer than fifty, the CBDA is not required to meet the regulated quotas. As it expands, it will endeavour to ensure that it maintains the African/Indian/Coloured (AIC) ratios as regulated and in doing so to develop and increase the skills of members of the formerly disadvantaged population.



The following table shows the CBDA's current employment equity status.

Level	MALE				FEMALE				TOTAL
	A	C	I	W	A	C	I	W	
Top management	-	-	-	-	1	-	-	-	1
Senior management	-	-	-	1	1	-	-	-	2
Professional qualified	2*	-	-	-	3	-	1	-	6
Skilled	2	-	-	-	5	-	-	-	7
TOTAL	4	-	-	1	10	-	1	-	16

Note: A=African, C=Coloured, I=Indian, W=White, *=non South African

Disabled staff

CBDA had no disabled staff during the period under review.

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4.2 PROGRAMME 2: SUPERVISION UNIT

The Supervision Unit derives its mandate to supervise and regulate CFIs through a Banks Act Exemption Notice (Designation of an activity not falling within the meaning of “the Business of a Bank”) on condition that CFIs subject themselves to the supervision and regulation of the CBDA.

This entails the registration, onsite inspection and offsite monitoring of performance of CFIs in an effective and efficient manner.

During the reporting period, Notice 404 of Gazette 35368 of 25 May 2012 was replaced by Notice 620, Gazette 37903, issued 15 August 2014. The main revision to the Notice related to Section 3.(j) which made provision for CFIs that had reached the R30 million deposits threshold to apply to the CBDA for registration, subject to their member deposits not exceeding R40 million.

The CBDA currently supervises CFIs which fall into the following categories

- Any CFI that chooses to identify itself by use of the name Financial Co-operative, Financial Services Co-operative (FSC), Credit Union or Savings and Credit Co-operative (SACCO) and in which members have an identifiable common bond
- CFIs which are approved to hold member contributions to an amount not exceeding R40 million
- Any CFI with 200 members and member share capital of more than R100 000
- Any CFI with more than 200 members and deposits of more than R1 million that does not meet SARB’s requirements to register as a co-operative bank and with deposits up to R30 million.

The CBDA’s functions include registering and regulating representative bodies, and accrediting and regulating support organisations.

The rules for the registration of representative bodies and support organisation were finalised during the reporting period. The administrating process will be managed by the Supervision Unit.



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Key Performance Indicators and their targets and actual results

Strategic Objectives: A CFI sector that is institutionally safe and sound						
Performance Indicator	Actual achievement 2013/2014	Planned target 2014/2015	Actual achievement 2014/2015	Deviation from planned target for 2014/2015	Variance from 2013/2014 to 2014/2015	Comment on variances
Number of days taken to process applications	1 month	Applications for registration are responded to within 1 month and decision is made within 3 months	1 month	-	-	Achieved
Number of onsite inspections conducted on CFIs	18	20	19	-1	+1	Not Achieved Two CFIs requested postponement of examination
Number of offsite reports of CFIs assessed	70	60	68	+8	-2	Achieved More CFIs being registered and increased compliance with regard to return submission
Time taken to implement resolution of CFIs	-	Within 3 months of identification to have recommended remedial action	-	-	-	Achieved No CFI requiring remedial action
Report on status of registered CFIs	4	4	4	-	-	Achieved

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Strategic Objectives: A CFI sector that is institutionally safe and sound						
Performance indicator	Actual achievement 2013/2014	Planned target 2014/2015	Actual achievement 2014/2015	Deviation from planned target for 2014/2015	Variance from 2013/2014 to 2014/2015	Comment on variances
Percentage of CFIs compliant with Basel Core Principles for effective supervision of deposit-taking micro-finance institutions	77%	80%	82%	+2%	+5%	Achieved
Online Application and Return Submission Portal	Request for proposal and quotation issued	10 CFIs utilising the service	-	-10	-	Not Achieved The preferred bidder was chosen in November 2014, with the contract signed in March 2015.
Automated onsite examination process	Design completed	10 electronic onsite examinations conducted	-	-10	-	Not Achieved Project rolled over to the next financial year due to budget constraints

NUMBER OF DAYS TAKEN TO PROCESS APPLICATIONS

The Supervision Unit's target is to respond to applications within one month of receipt and to make decisions on the application within three months of receipt.

For the year under review, eleven new applications to register as CFIs were received, and processing of two applications received towards the end of the 2013/14 was completed. The total of new applications considered during the year was thus thirteen.



a. Registration

Five (5) applications were successfully registered as CFIs as shown in the table below:

Name	Province	Registration date	Common bond
King Grange	KZN	8 April 2014	Taxi operators of Grange, Westgate Taxi Association, Impala Taxi Association and their families
Worcester Community SACCO	WC	12 September 2014	People who are from Worcester
Kleinfontein SKK	GP	9 February 2015	Persons, including their spouses and children, who are members of Kleinfontein Boerebelange Kooperatief Beperk
GIG Financial Co-operative	National	10 February 2015	Members in the GIG Educational Association
Oranjekas SKK	GP	19 February 2015	Members of the Volks Ekonomie Klub

b. Rejections

During the period under review, seven applications were rejected. This was primarily because they failed to meet the minimum registration requirement of 200 members and R100 000 in member share capital; failed to submit all required supporting information within the prescribed time period after the preliminary assessment; or a combination of these reasons.

Reasons for rejection:

Insufficient membership	Insufficient shares	Incomplete application
2	3	6

c. Deregistration

The following CFIs were deregistered during the period ending 28 February 2015. The reasons for de-registration are shown in the table.

CFI	Province	Location	Date de-registered	Reason for de-registration
Sebenza/Flash	WC	Cape Town	April 2014	Voluntary liquidation
Mankotsana	LP	Apel	15 July 2014	Insolvent, at 2% as at February 2014. Annual Financial Statements outstanding.
Inzuzo	FS	Bloemfontein	15 July 2014	Insolvent, at 61% as at February 2014. Annual Financial Statements outstanding.
Lothlakane	NW	Mahikeng	15 July 2014	Share Capital under R100,000 Annual Financial Statements outstanding.
Sibanye Cape	WC	Cape Town	15 July 2014	Insolvent, at 83% as at May 2014.

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As at 28 February 2015, there were 24 registered CFIs. Fourteen are considered large CFIs as they have more than R1 million in member deposits. The consolidated statistics for the registered CFIs are shown in the table below.

CONSOLIDATED REGISTERED CFI STATISTICS AS AT 28 FEBRUARY 2015

CFIs/Province	Type	Members	Assets	Loans	Deposits
Free State					
Nnathele	FSC	292	169 089	5 150	7 615
Gauteng					
GIG	FSC	244	2 124 848	1 302 400	744 564
Kleinfontein	SACCO	376	34 138 844	28 661 240	33 083 013
Mmetla-Khola	FSC	246	2 137 696	1 866 134	1 847 621
Nagrik	FSC	292	3 023 096	2 233 422	1 742 781
NEHAWU	SACCO	7 489	14 393 405	12 872 858	10 955 389
NIC	SACCO	445	855 930	474 448	255 494
Oranjekas	SACCO	888	41 675 713	31 262 864	38 568 572
Thari Entsho	FSC	210	392 620	1 447	163 775
Webbers	SACCO	604	5 587 109	2 450 655	865 087
Kwazulu-Natal					
Cebisa	FSC	371	1 808 402	1 476 976	1 579 855
KwaMachi	FSC	654	1 026 607	297 150	832 547
Kings Grange	FSC	227	643 251	460 880	153 347
KLadies Empowerment	FSC	1 393	3 439 024	2 194 100	2 507 798
Umbambiswano*	FSC	1 059	242 695	73 815	170 986
Ziphakamise	SACCO	465	4 168 709	2 375 493	2 656 944
Limpopo					
Bakenberg	FSC	1 375	894 856	252 626	720 322
Kuvhanganyani	FSC	404	1 733 393	412 422	353 647
Mathabatha	FSC	1 715	2 574 102	1 095 983	2 389 763
Mutapa	FSC	326	920 804	202 538	322 924
North West					
Boikago	SACCO	935	4 528 436	3 401 558	2 588 907
Motswedi	FSC	1 929	14 345 704	-4 899	13 654 727



CFIs/Province	Type	Members	Assets	Loans	Deposits
Mpumalanga					
Mpumalanga Farmers	FSC	310	151 953	0	1 000
Western Cape					
Worcester Community*	SACCO	330	584 069	0	293 870
Total		22 579	141 560 355	93 369 260	116 460 548

* Note: Figures carried over from Q3 (November 2014)

Achieved: The decisions on applications received were made within the requisite three months. However, there were exceptions in the case of some applications for which deferments were requested and granted; this was to enable outstanding documents to be prepared.

NUMBER OF ONSITE EXAMINATIONS CONDUCTED ON CFIS

The CBDA Supervision Examination Framework provides for detailed risk-based onsite examinations for the larger CFIs (more than R1 million in deposits) and a compliance-based checklist for the smaller CFIs (less than R1 million in deposits). Risk-based onsite examinations can either be full scope (focusing on the entire operations of the CFI) or targeted (focusing on specific risk areas found in previous full scope examinations or offsite analyses). To minimise the regulatory burden, the Framework takes into account the nature and size of CFIs.

a. Onsite Examinations

As at 28 February 2015, fourteen registered CFIs were considered large CFIs and were eligible for risk based onsite examinations (targeted or full scope). Eleven risk-based examinations were conducted on nine CFIs during the period. Two were examined twice during the year because of high risks identified in them. Because external audits were being conducted over the same period, two CFIs requested deferment of their scheduled risk-based examinations. The other three CFIs were registered in the last quarter of the financial year and will only be examined in the following financial year.

Based on the findings of the examinations, the overall composite risk for the large CFIs is shown in the matrix below. Red indicates high risk, yellow moderate and green minimal risk.

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Consolidated Sector Overall Composite Risk Matrix 2015									
Type of risk	CFI 1	CFI 2	CFI 3	CFI 4	CFI 5	CFI 6	CFI 7	CFI 8	CFI 9
Credit risk	Red	Orange	Red	Red	Orange	Red	Orange	Red	Orange
Interest rate risk	Orange								
Liquidity risk	Red	Orange	Red	Orange	Red	Red	Orange	Red	Red
Operational risk	Red	Red	Orange	Red	Red	Red	Orange	Red	Orange
Compliance risk	Red	Orange	Red	Red	Orange	Red	Orange	Red	Red
Strategic risk	Red	Orange	Red						
Reputation risk	Orange	Orange	Orange	Orange	Orange	Red	Orange	Orange	Orange

As illustrated above, credit, liquidity, operational, compliance and strategic risks are the main supervisory concerns for the sector.

Credit risk: While CFIs have policies and procedures in place, they need to strengthen their ability to monitor loans and timely intervene when loans are showing early signs of defaulting.

Liquidity and operational risk: Policies and procedures to manage this risk are in place. However, a key examination finding across the CFIs is that they adopt these policies without a clear understanding of what they mean. As a result, there is a mismatch between what the policies say and what the CFI does in practise.

Compliance risk: Key examination findings on this risk relate to compliance with prior examination findings, with CFIs taking time to resolve issues raised in examination reports. In some instances, they are also working to ensure compliance with secondary legislation such as the Co-operatives Act, requiring them to submit annual reports to the Registrar of Co-operatives.

Strategic risk: This risk is prevalent within the sector, with a number of CFIs failing to operationalize their strategic plans. In some instances, Board committees, as provided for in their Constitutions, are not discharging their mandates. This negates their value as a governance structure.

b. Compliance Assessments

The purpose of compliance assessments is to assist CFIs to adhere fully to basic internal controls and ensure compliance with the Exemption Notice and the CBDA Rules issued in terms of the Exemption Notice. Answers to the checklist questionnaires are given as 'Yes' or 'No', with comments added if applicable. CFIs are rated in terms of 20 compliance categories and supervisory requirements. Suggested actions to deal with gaps identified in relation to internal policies and procedures are stated at the end of the report.



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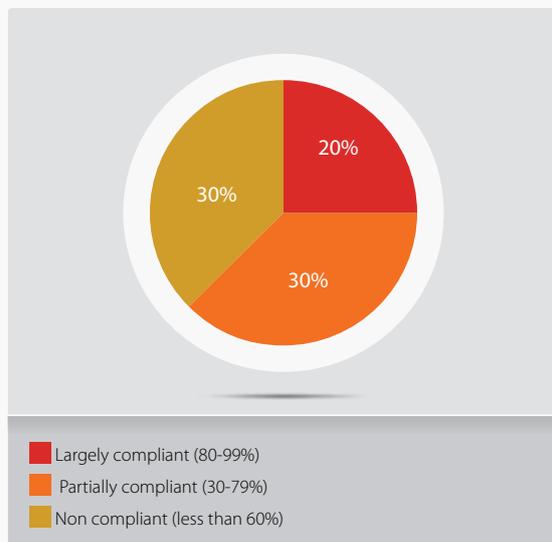
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During the reporting period, ten registered CFIs had less than R1 million in deposits. They were therefore eligible to complete onsite compliance assessment checklists. Eight compliance assessments were conducted. Two small CFIs registered during the year were not assessed as they had negligible deposit bases and were still to assume full operations. These CFIs were referred to the Capacity Building Unit for technical assistance and will be monitored through offsite quarterly reporting.

Based on the assessments conducted during the year, the compliance status of the eight CFIs is shown below.

Figure D: CFI percentage compliance



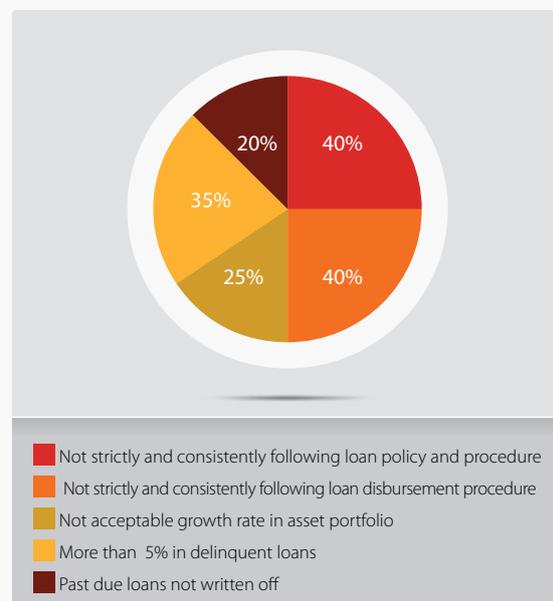
The following deficiencies were noted during the compliance assessments:

- The CFIs registered with the CIPC were not up to date with reporting to the CIPC.
- Client thumbprints or signatures did not appear on all loan contracts.
- Client thumbprints or signatures did not appear on all savings contracts.

- Loan approval policies and procedures were not strictly and consistently followed.
- Loan disbursement procedures were not strictly and consistently followed.
- The growth rate in the assets portfolio was not considered acceptable.
- More than 5 per cent of the loan portfolio was delinquent.
- Past due loans were not written off within one year.
- Member shares dropped below the R100 000 threshold.
- Loans to individual members exceeded 10 per cent of total assets.
- The ratio of liabilities to assets was below 100 per cent.

Areas of significant CFI non-compliance found during the compliance assessments are shown below.

Figure E: Areas of significant non-compliant CFIs



Not Achieved: Two CFIs requested postponements of their examinations to the next financial year as external audits were taking place at the same time as the scheduled examinations.

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NUMBER OF OFFSITE REPORTS OF CFIS ASSESSED

Offsite reporting enhances the development of an effective risk-based approach by enabling the Supervision team to continuously monitor registered CFIs' financial performance. It also serves as an early warning system, allowing the CBDA Supervisor to take proactive measures to ensure the safety and soundness of the CFI sector.

The main source of information is the financial and prudential returns received quarterly from the CFIs, along with other periodic statements such as audited annual financial statements. Full-fledged reviews, analyses and assessments of the CFIs financial statements are carried out, including the PEARLS ratio analysis. The table below shows the number of CFIs that submitted returns over the period.

Quarterly Return Submission 2014/15

	Q1	Q2	Q3	Q4
Number of registered CFIs	19	19	20	24
Number of returns received	19	19	19	22
Number of returns assessed	15	19	19	15

The variance in the fourth quarter is attributable to some CFIs requesting deferment of submission of returns as the period coincides with work on the annual audited financial statements. Three CFIs were registered in the last quarter of the financial year, and were exempted from submitting the quarter's returns.

CFIs that do not submit returns on time or whose financial performance has significantly deteriorated (mostly solvency and capital) are issued with infringement notices. During the year under review, twenty-eight infringement notices were issued to CFIs.

Achieved: The unit exceeded its target. This reflects the increased number of registered CFIs and an improvement in the level of quarterly reporting compliance.

TIME TAKEN TO IMPLEMENT RESOLUTION OF CFIS

During the year, the Supervision Unit developed an internal guideline for interventions in problem CFIs. The document promotes awareness and enhances transparency of the intervention process used by the CBDA Supervisor to supervise CFIs. It outlines the types of involvement that a CFI can normally expect from the Supervisor and summarizes the circumstances under which certain supervisory actions may take place. It also takes account of the need for interventions to be timely and consistent, while ensuring that troubled CFIs that can be saved from failure are saved and those that cannot be saved are allowed to exit as early as possible.

Achieved: No registered CFIs were considered problem CFIs necessitating activation of the Problem CFI Resolution Framework.

PERCENTAGE COMPLIANCE WITH BASEL

The Basel Committee on Banking Supervision provides a forum for regular cooperation on banking supervisory matters. Its objective is to enhance understanding of key supervisory issues and improve the quality of banking supervision worldwide while encouraging convergence towards common approaches and standards. The CBDA Supervision Unit uses the Committee's Microfinance Activities and the Core Principles for Effective Banking Supervision as supervisory guidance in applying the Basel Core Principles for Effective Banking Supervision (BCP) to microfinance activities. It also draws on the Committee's range of practices in relation to regulating and supervising microfinance activities.

The Supervision Unit conducts annual self-assessments to benchmark its own practises, rules, regulations and procedures against the BCP. The findings for the reporting year are shown below.



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CORE PRINCIPLE	COMPLIANCE
Principle 1 - Objectives, independence, powers, transparency and cooperation	Marginally Compliant
1(1) - Responsibilities and objectives	Marginally Compliant
1(2) - Independence, accountability and transparency	Largely Compliant
1(3) - Legal framework	Marginally Compliant
1(4) - Legal powers	Marginally Compliant
1(5) - Legal protection	Largely Compliant
1(6) - Cooperation	Largely Compliant
Principle 2-Permissible activities	Largely Compliant
Principle 3 - Licensing criteria	Largely Compliant
Principle 4 - Transfer of significant ownership	N/A
Principle 5 - Major acquisitions	N/A
Principle 6 - Capital adequacy	Marginally Compliant
Principle 7 - Risk management process	Non-Compliant
Principle 8 - Credit risk	Marginally Compliant
Principle 9 - Problem assets, provisions and reserves	Non-Compliant
Principle 10 - Large exposure limits	Largely Compliant
Principle 11 - Exposures to related parties	Marginally Compliant
Principle 12 - Country and transfer risk	N/A
Principle 13 - Market risks	Largely Compliant
Principle 14 - Liquidity risks	Marginally Compliant
Principle 15 - Operational risk	Marginally Compliant
Principle 16 - Interest rate risk in the banking book	Non-Compliant
Principle 17 - Internal control and audit	Marginally Compliant
Principle 18 - Abuse of financial services	Non-Compliant
Principle 19 - Supervisory approach	Largely Compliant
Principle 20 - Supervisory techniques	Non-Compliant
Principle 21 - Supervisory reporting	Marginally Compliant

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CORE PRINCIPLE	COMPLIANCE
Principle 22 – Accounting and disclosure	Marginally Compliant
Principle 23 – Corrective and remedial powers of supervisors	Marginally Compliant
Principle 24 – Consolidated supervision	N/A
Principle 25 – Home-host relationships	N/A

Where shortfalls are identified, particularly in non-compliant and marginally compliant areas, the Supervision Unit develops appropriate interventions to address the shortcomings through guidance notes, policy papers or changes to the Rules. During the reporting year, the following documents were developed to address some of the identified shortcomings:

- Problem CFI Resolution Framework
- Returns Guidance Note
- Solvency Primer
- Review and Update of the Examination Manual
- CBDA Supervisor's Corrective Powers
- Capital Formation in CFIs

Outputs and recommendations from these documents informed the need to address some legislative shortcomings. This result in drawing up new draft Rules for the CFI sector.

A Rules consultation workshop was organised and was attended by 27 delegates from 15 registered CFIs. At the workshop, the proposed rules were debated and clarified with some leniency being made on the new requirements. Other topics covered during the workshop were an overview of the CBDA Supervisory Framework (Risk Based vs Compliance Assessments), a review of the all Guidance Notes and a presentation on the CFI Problem Resolution Framework.

Achieved: The unit achieved self-assessed compliance with 21 of the 26 core principles. This gave an overall compliance rating of 82 per cent for the year.

ONLINE APPLICATION AND RETURN SUBMISSION

This requires the design and implementation of an online application and return submission portal, and a back-office system for the CBDA Supervision Unit. It is intended that it will streamline the process of applications and returns submission and will provide innovative and efficient supervisory tools and techniques for the sector.

Not achieved: Because of a limited response to the request issued in the first quarter, a request for proposals was re-issued. The tender process was completed in November 2014 and a contract with the successful service provider signed in March 2015. The design and implementation of the project was thus rolled over into the first quarter of the following financial year.



AUTOMATED ONSITE EXAMINATION PROCESS

As reported in the previous Annual Report, the objective is to automate CFI compliance assessments and particularly those for the smaller CFIs (less than R1 million in deposits). The intention is to minimise the regulatory burden on the smaller CFIs whose main form of assessment is the compliance checklist.

Not achieved: The draft request for proposals was prepared but was not issued due to budgetary constraints. The project will be rolled over to the next financial year.

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4.3. PROGRAMME 3: CAPACITY BUILDING UNIT

The Capacity Building Unit is responsible for supporting, promoting and developing CFIs and encouraging the establishment of representative bodies and support organisations.

In carrying out this responsibility, the Unit determines the sector's training needs and develops appropriate capacity enhancement programmes in conjunction with stakeholders such as representative bodies, BANKSETA, other development agencies and universities. It ensures the design and accreditation of CFI-specific courses as well as developing and/or adopting appropriate training material for such curricula.

In the year under review, the Unit introduced new performance indicators in response to observed gaps and to CFI requests. These included CFI pre-registration support for organised groups; mentorship and coaching; evaluation of internal controls; and an impact assessment for capacity building interventions to enhance and improve delivery.

The unit's highlights for the 2014/15 financial year included:

- Raising R11.8m from stakeholders to enable implementation of Phase 1 of the Banking Platform Project; and assisting six CFIs to prepare for migration to the Platform. A service provider has been recommended by the Bid Adjudication Committee and is awaiting approval by the DG. The Platform is set to go live in the second quarter of 2015/16.
- Improved reporting by CFIs resulting in eight CFIs submitting Annual Financial Statements compliant with accounting standards

- Provision of pre-registration support to organised groups with potential to be registered as CFIs
- Development of the Diploma in CFI Management.



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Key performance indicators, their targets and actual results

Strategic objective: An adequately capacitated CFI sector							
Performance Indicator	Actual achievement 2013/2014	Planned target 2014/2015	Actual achievement 2014/2015	Deviation from planned target for 2014/2015	Variance from 2013/2014 to 2014/2015	Comment on variances	
Number of CFIs provided with direct technical assistance through the mentorship and coaching programme	2	6	1	-5	-1	Not achieved One CFI submitted an application to register as a co-operative bank with the South African Reserve Bank in the financial year. Registration as co-operative banks remains a challenge for most CFIs as they do not have a banking system, are not consistently profitable and do not meet all prudential requirements.	
Number of organised groups (public sector SOEs, Trade Unions etc.) assisted to establish CFIs	-	2	-	-2	-	Not achieved New performance indicator. The two organised groups earmarked for registration as CFIs could not submit their applications due to technical problems beyond the Capacity Building Unit's control	
Number of CFIs participating in member education programmes	8	10	11	+1	+3	Achieved Eleven CFIs, with a total of 305 members, participated in the Study Circles programme.	
Representative and support organisation operational and providing services to CFIs	1	1	1	-	-	Achieved The association continues to build its institutional capacity to serve its members.	
Number of CFIs assisted in preparing to implement the banking platform through data reconciliation and training	-	5	6	+1	-	Achieved New performance indicator for the year under review. 6 CFIs were assisted with preparation for banking platform migration through books reconciliation and evaluation of resources (human capital, infrastructure and IT systems)	

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Strategic objective: An adequately capacitated CFI sector

Performance Indicator	Actual achievement 2013/2014	Planned target 2014/2015	Actual achievement 2014/2015	Deviation from planned target for 2014/2015	Variance from 2013/2014 to 2014/2015	Comment on variances
Number of CFIs using the banking platform	-	5	-	-5	-	Not achieved The technical nature of the project and the time spent sourcing funding resulted in delays in implementing the project plan.
Number of managers and Boards of directors successfully trained per year	386	80	300	+220	-86	Achieved See narrative for details
Number of new training materials developed	6	4	4	-	-2	Achieved
Number of registered CFIs assisted with audit preparation and submitting audited/annual financial statements compliant with accounting standards	22	5	23	+18	+1	Achieved See narrative for details
Number of registered CFIs undergoing evaluation of internal controls and assisted to implement a system of internal controls	-	5	5	-	-	Achieved New performance indicator for 2014/15 financial year. Internal controls were evaluated and corrective measures put in place.
Impact assessment of capacity building initiatives conducted and reports submitted per year	-	1	1	-	-	Achieved New performance indicator



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NUMBER OF CFIs PROVIDED WITH DIRECT TECHNICAL ASSISTANCE THROUGH MENTORSHIP AND COACHING PROGRAMME

The CBU provided a range of direct technical support services to all registered and de-registered CFIs. To improve performance and compliance, a deliberate effort was made to address supervision red-flags. Most CFIs faced problems of low solvency, high delinquency, inaccurate reporting and high cost-to-income ratios. To address these problems, the unit developed a solvency management tool; developed action plans to address runaway delinquency; and conducted policy review workshops. It is envisaged that the implementation of the Banking Platform Project will address some of these problems.

Not achieved: In the year under review 14 CFIs were eligible to register as co-operative banks as they met the minimum requirements of 200 members and R1m in member deposits. Because of inconsistent profitability and the lack of a banking system, resulting in incorrect reporting, most CFIs did not submit applications to the SARB to register as co-operative banks, with only one CFI doing so.

NUMBER OF ORGANISED GROUPS (SUCH AS PUBLIC SECTOR SOEs AND TRADE UNIONS) ASSISTED WITH THE ESTABLISHMENT OF CFIs

After initial contact with the CBDA, two groups with the potential to register as CFIs were provided with pre-registration support. Elected leaders were trained on the Legislative Framework, the CFI Start-up Guide, the Constitution, the Business Plan, the CFI sustainability model, policy development and/ or review policies. The two groups were also provided with Study Circles material so that the leaders could transfer and share knowledge with their CFIs' members. One group, made

up of household contractors in Willowvale working in the Expanded Public Works Programme, was introduced to the CBDA by the Eastern Cape Department of Roads and Public Works. The second group consists of Arts and Craft co-operatives operating in four provinces. The group is assisted by the Department of Rural Development. The two groups are at advanced stages in terms of meeting the requirements to register as CFIs. The CBDA continues to work with the groups and hopes to have them registered in the new financial year.

Not achieved: Neither group could submit its application because of technical problems beyond the CBU's control.

NUMBER OF CFIS PARTICIPATING IN MEMBER EDUCATION PROGRAMMES

The Study Circles programme is proving to be a success with a number of CFIs. Among the success stories are groups which have started revenue generating projects which improve members' lives. Two CFIs attribute their zero delinquency rate and membership growth to the Study Circles. Eleven CFIs, with a total of 305 members, participated in the programme. In some areas, however, Study Circle leaders are not motivated and do not demonstrate commitment.

Achieved: Participation by eleven CFIs: Qilimba, Ziphakamise, Mathabatha, Ditsobotla, Bakenberg, Kuvhanganyani, Mankontsana, Kraaipan, Lehurutshe, KwaMachi and Cebisa.

REPRESENTATIVE AND SUPPORT ORGANISATION OPERATIONAL AND PROVIDING SERVICES TO THE CFIs

The National Association for Co-operative Financial Institutions of South Africa (NACFISA) continues to build its institutional capacity to better serve its members.

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Achieved: Services provided by NACFISA include but are not limited to:

- Study Circles training
- Establishment of new CFIs
- Co-ordination and hosting the 2014 CFI Indaba
- Conducting Loan Management and Governance workshops

NUMBER OF CFIS ASSISTED WITH PREPARING TO IMPLEMENT THE BANKING PLATFORM THROUGH DATA RECONCILIATION AND TRAINING

The CBDA commissioned Grant Thornton to conduct a state-of-readiness assessment in selected CFIs in preparation for implementation of the Banking Platform Project. The assignment was in two phases. Phase 1 included the assessment of eleven CFIs, focusing on the state of their financial records and reconciliations, infrastructure and equipment as well as the skill levels of the CFI personnel. Phase 2 entailed bringing of the recommended CFI books up-to-date, data cleaning, creating a savings and loans spreadsheet to enable ease of migration to the banking platform, development of a uniform chart of accounts and training CFI managers in capturing data on the spreadsheet.

Achieved: Eleven CFIs were selected for Phase 1 of which 6 (Cebisa, Ditsobotla, Boikago, Motswedi, Mathabatha and NEHAWU) were for Phase 2. Until the launch of the banking platform, these CFIs have to maintain accurate, reliable and up-to date sets of books.

NUMBER OF CFIS USING THE BANKING PLATFORM

A significant achievement of the Banking Platform Project is having raised funding from CBDA stakeholders, including provincial Departments of Economic Development, SEFA and BANKSETA, for the training component of the project.

The project is expected to be launched in the second quarter of the 2015/16 financial year.

Not achieved: Time had to be allocated to identifying an appropriate IT system. This delayed the launch of the project.

NUMBER OF MANAGERS AND BOARD OF DIRECTORS SUCCESSFULLY TRAINED PER YEAR

Funding constraints limited the amount of training that could be carried out. However, the contribution from the BANKSETA enabled the unit to achieve the following outcomes:

- 206 Board members and staff trained on Financial Management and Governance
- 30 Board members and staff trained on Pearls ratios and board orientation
- 24 Audit committee members trained
- 28 Credit committee members trained
- 12 managers trained on Manual Accounting

Achieved: The annual target was exceeded because of additional BANKSETA funding.

NUMBER OF NEW TRAINING MATERIALS DEVELOPED

The CBDA has over the years developed training materials and sector-specific curricula to improve the technical competence of CFI Boards of Directors, Board committees, and managers. The development of the Diploma in CFI Management (DCFIM) is a launchpad for an articulated set of formal qualifications for the CFI sector. The DCFIM will not only empower existing CFI personnel but should attract new practitioners to the sector. However, gaps in soft skills have been identified. Training materials for three soft skills and one formal qualification were developed, with training on the material to be rolled out in the following financial year.



Achieved:

- General Office Administration
- Customer Care
- Basic Word & Excel
- Diploma in CFI Management (DCFIM)

NUMBER OF REGISTERED CFIs ASSISTED WITH AUDIT PREPARATION AND SUBMITTING AUDITED ANNUAL FINANCIAL STATEMENTS COMPLIANT WITH ACCOUNTING STANDARDS

Fifteen CFIs were assisted with audit preparation. Eight submitted annual Financial Statements compliant with accounting standards

Achieved: Annual target exceeded.

NUMBER OF REGISTERED CFIs UNDERGOING EVALUATION OF INTERNAL CONTROLS AND ASSISTED TO IMPLEMENT A SYSTEM OF INTERNAL CONTROLS

Internal controls were evaluated and corrective measures put in place for the following CFIs: Boikago, Ziphakamise, Motswedji, the National Industrial Chamber (NIC) SACCO and Cebisa.

Annual target achieved.

IMPACT ASSESSMENT OF CAPACITY BUILDING INITIATIVES CONDUCTED AND REPORTS SUBMITTED PER YEAR.

The CBDA commissioned the Institute for Capacity Development to conduct an impact assessment of programmes and interventions implemented by the CBU in the sector. The assessment reviewed training materials, capacity building tools and the quality of the training provided by the unit to the CFI sector.

Impact assessment results summary

	Poor	Good	Very good	Excellent
Quality of training materials	7%	17%	33%	43%
Relevance of training	5%	14%	39%	42%
Knowledge/ understanding	5%	5%	59%	32%
Efficiency	4%	9%	66%	21%
Effectiveness	0%	9%	64%	26%
Quality of training	2%	9%	34%	55%
Technical understanding	2%	14%	46%	38%

The table above shows what the evaluation found in relation to the impact of the programmes and interventions on CFI operational performance, financial performance.

The evaluation also tested the relevance, effectiveness, efficiency, sustainability and participatory levels.

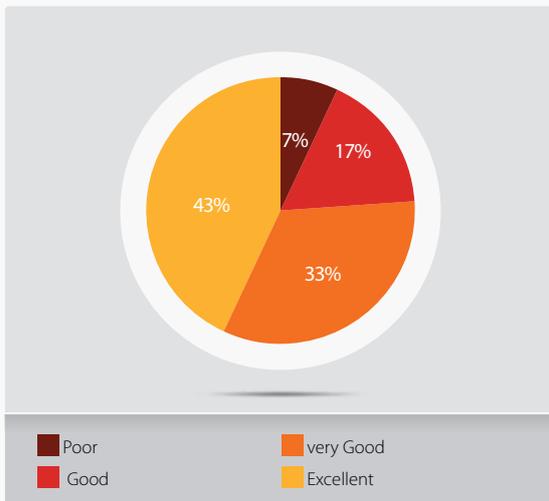


IMPACT STUDY ANALYSIS BY COMPONENTS

a) Quality of Training Material

- i. Seven per cent of respondents were not happy with the training material. The reasons for this ranged from the material being too complex to being too technical. 93 per cent found the material good and appropriate, and 43 per cent felt it was excellent.

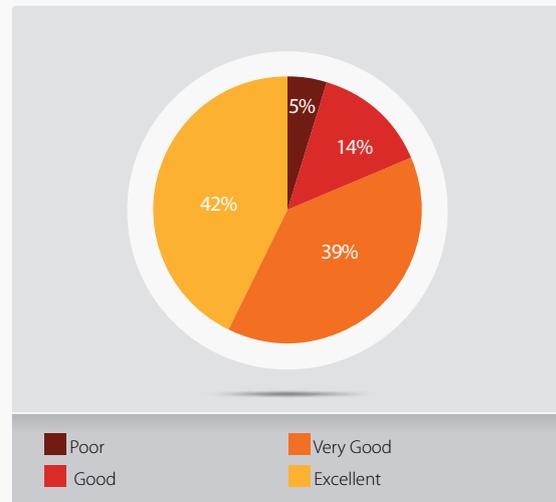
Figure 1 Quality of Training Material



b) Relevance of Training

- i. Five per cent of the respondents stated that the training was not relevant; the remaining 95 per cent felt it to be very relevant with 42 per cent stating that it was excellent.

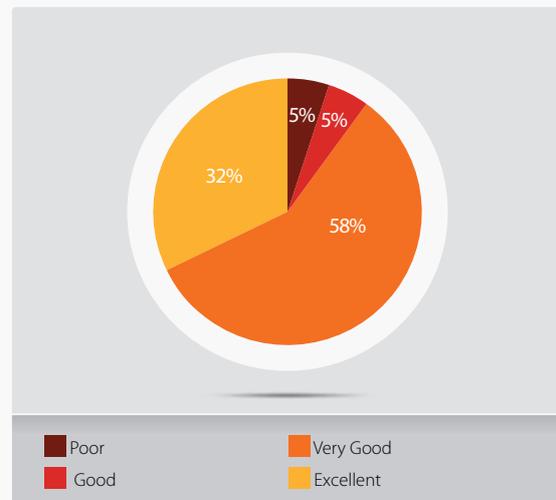
Figure 2 Relevance of Training



c) Knowledge gained

- i. Five per cent stated that they gained little knowledge from the courses, with the remaining 95 per cent stating that they had gained considerably from the courses attended.

Figure 3 Knowledge gained





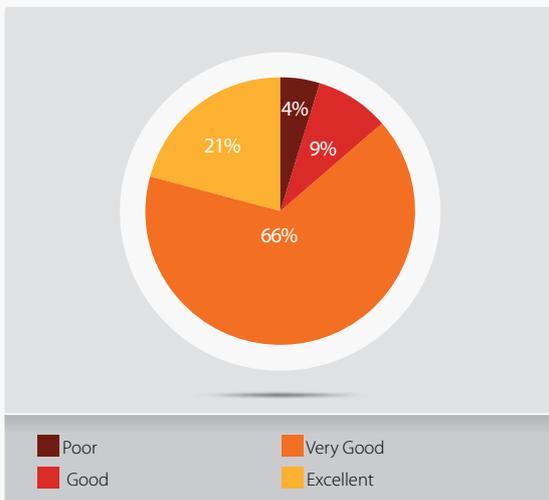
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d) Efficiency at work after training

- i. Four per cent of the respondents said that their efficiency at work had not improved after attending the training sessions; 96 per cent stated that they were now more efficient.

This may be mainly due to the selection of participants for the course. If their work is not directly related to the training, they will not experience greater efficiency after the course as they will not be applying what they learned. However, participation in training should nevertheless broaden their knowledge base and enable them to participate meaningfully in discussions about the work of the CFI.

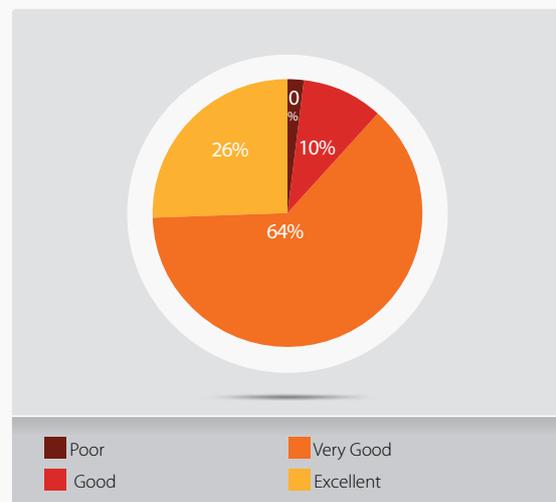
Figure 4 Efficiency at work after training



e) Effectiveness of training

- i. Ten per cent felt that the courses were not good ; the remaining 90 per cent felt that they were very effective.

Figure 5 Effectiveness of training



f) Quality of Training

- i. The quality was rated positively by 98 per cent of the respondents; 2 per cent felt that the quality was poor.



Figure 6 Quality of Training

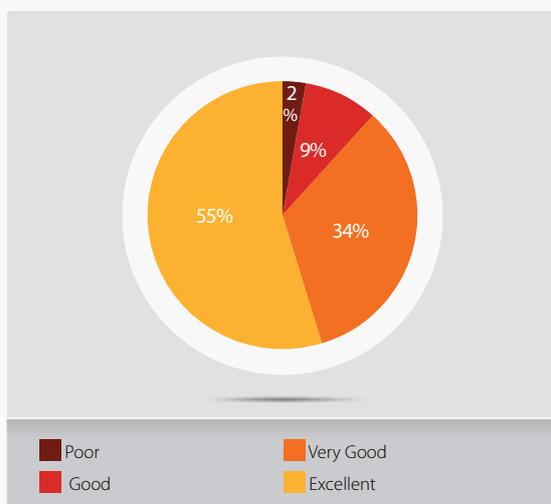
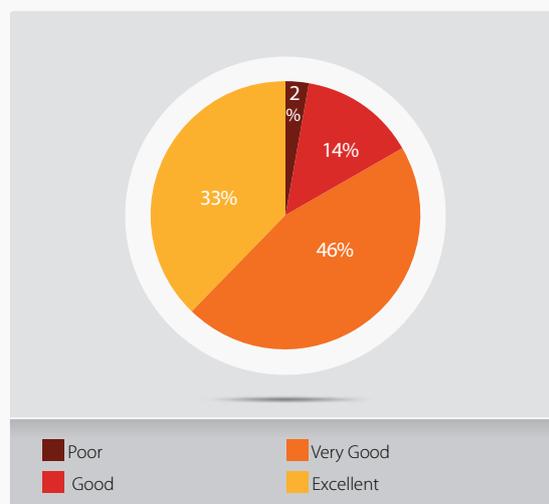


Figure 7 Technical Understanding



g) Understanding technical concepts

- i. There were some complaints about the quality of material and its jargon. However, 98 per cent said that they understood the technical aspects of the courses quite well. The more negative views of the other two per cent may be due to the fact that the education level among those participants is low and they found aspects difficult. Nevertheless, these technical aspects are regulated and certain standards have to be followed.

The report's findings were generally positive. The finding was that the programme and related interventions greatly improved staff competence and that this benefited the CFIs.

Despite the generally positive conclusions, however, the report made a number of recommendations about how the CBU can improve its training services.

- Improve the material and tools by gearing them to the level of the learners
- There should be more monitoring after training interventions
- Use multimedia, such as video
- Consider extending the mentorship and coaching programme to be two years
- Improve the manual accounting system to reduce and/or eliminate issues of manipulation
- The performance assessment tool is detailed but it needs to be clear on the growth stages criteria



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WAY FORWARD FOR CB UNIT

The unit will incorporate and implement the recommendations about the training tools and other interventions.

Achieved: Impact assessment report produced.



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REPORT OF THE AUDIT AND RISK COMMITTEE

Audit and Risk Committee Members and attendance:

The Audit and Risk Committee consists of the members listed hereunder and has met as reflects below, in line with its approved terms of reference.

Audit and Risk Committee Meetings 2014/15

Name of member	Number of meetings attended
Mr Vuyo Jack (Chairperson)	3 of 4
Ms Octavia Matloa	2 of 4
Ms Berenice Francis	1 of 4
Mr Hemant Bhoola	4 of 4
Mr Joe Lesejane*	2 of 4
Mr Zach Le Roux	4 of 4

*Mr Joe Lesejane was the Acting Chairperson in meetings where the Chairperson, Mr Vuyo Jack was not available.

The Audit and Risk Committee responsibility

The Audit and Risk Committee reports that it has complied with its responsibilities arising from section 51(1) (ii) of the PFMA and Treasury Regulation 27.1. The Audit and Risk Committee also reports that it has adopted appropriate formal terms of reference as incorporated in its audit committee charter. The Audit Committee has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The effectiveness of internal controls

The Audit and Risk Committee is of the opinion, based on the information and explanations given by management, as well as the results of Audits performed by the internal

auditors, and discussions with the independent external auditors (Auditor-General) on the results of its audits, that the internal accounting controls are operating effectively to ensure that the financial records can be relied upon for preparing the annual financial statements, and that accountability for assets and liabilities has been maintained.

From the various reports of the Internal Auditors, the External Audit Report on the Annual Financial Statements, and the management letter of the Auditor-General, it was noted that no significant or material non-compliance with prescribed policies and procedures have been reported. We do note however findings raised by both Internal and External Auditors in the area of Performance Information which management must attend to. Based on all of the above, the Audit and Risk Committee therefore reports that the system of internal control for the period under review was effective. However, attention is drawn to the following areas of concern:

- In terms of the section 25 of the Co-operative Banks Act of South Africa 2007, the Agency must establish and manage a fund to be known as the Co-operative Banks Deposit Insurance Fund. The Co-operative Banks Development Agency did not have a Deposit insurance fund as required by the Co-operative Banks Act.

On 9 March 2012 the National Treasury published for public comment the draft Financial Services Laws General Amendment Bill, 2012 ('the Bill'), as approved by Cabinet at its meeting of 22 February 2012. The Bill addresses the more urgent legislative gaps and removes inconsistencies in current legislation before the more fundamental reforms envisaged in the shift towards twin peaks are introduced. The Bill provides for amendment to the Co-operative Banks Act to transfer the supervisory function of the CBDA to the South African Reserve Bank (SARB).

Therefore a single deposit insurance fund will be established within SARB to protect depositors of all banks,

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including co-operative banks. National Treasury therefore decided not to establish a separate deposit insurance fund for co-operative banks housed in the CBDA as originally envisaged.

Other than the above matter, nothing significant has come to the attention of the Audit and Risk Committee indicating that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The effectiveness of Internal Audit

The Audit and Risk Committee reviewed the effectiveness of internal audit and having received a wide range of internal audit reports, it is comfortable that the areas covered by internal audit provided the Audit and Risk Committee with good insight into the internal controls of the Co-operative Banks Development Agency (Agency). Areas with weak controls and needs improvement have been discussed with management and actions plans have been agreed. The Audit and Risk Committee will continue to oversee and monitor the disposition of these findings. . We also have noted the results of the External Quality Assurance review conducted every 5 years that the Internal Audit Function underwent in the year under review and which gave them the General Conformance rating in terms of their operations in compliance with Standards for the Professional Practice of Internal Audit (SPPIA).

The risk areas of the institution's operations

Risk management is still relatively new within the Agency. There is a Risk and Audit Committee (shared with National Treasury's Audit Committee) that meets on a regular basis. A risk register is kept and updated continuously to ensure that all the major risks facing the Agency are recorded and monitored.

Accounting and auditing concerns identified as a result of internal and external audits

From the various reports of the Internal Auditors, the Audit Report on the Annual Financial Statements and the management letter of the Auditor-General, it was noted that no significant or material accounting or auditing concerns were identified.

The institution's compliance with legal and regulatory provisions

From the Audit Report on the Annual Financial Statements and the management letter of the Auditor-General, it was noted that no significant or material non-compliance with legal and regulatory provisions have been reported other than reported in the Auditor-General's report below.

Evaluation of annual financial statements

The Audit and Risk Committee has evaluated the annual financial statements of the Co-operative Banks Development Agency for the year ended 31 March 2015 and, based on the information provided to the Audit and Risk Committee, concurs and accepts the Auditor-General's conclusions on the annual financial statements, and would recommend to the Board of the Agency that the audited annual financial statements be accepted and read together with the report of the Auditor-General.

Joe Lesejane
Acting Chairperson of the Audit and Risk Committee
Date: 31 July 2015



STATEMENT OF RESPONSIBILITY FOR THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

The Board is responsible for the preparation of the CBDA's annual financial statements (AFS) and for the judgements made on this information.

The Board is responsible for establishing and implementing a system of internal control designed to provide reasonable assurance about the integrity and reliability of the AFS.

In my opinion, the AFS fairly reflect the operations of the CBDA for the financial year ended 31 March 2015.

The CBDA's AFS for the year ended 31 March 2015 have been audited by the Auditor-General whose report is presented on page 69.

The AFS of the CBDA set out on pages 72 to 102 have been approved.

P Koch
ACTING CHAIRMAN OF THE BOARD
Co-operative Banks Development Agency
Date: 30 July 2015



REPORT OF THE AUDITOR- GENERAL TO PARLIAMENT ON THE CO-OPERATIVE BANKS DEVELOPMENT AGENCY

Report on the financial statements

Introduction

1. I have audited the financial statements of the Co-operative Banks Development Agency set out on pages 72 to 102 which comprise the statement of financial position as at 31 March 2015, the statement of financial performance, statement of changes in net assets and the cash flow statement 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 financial statements

2. The accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standard of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA), and for such internal 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 Co-operative Banks Development Agency as at 31 March 2015 and its financial performance and cash flows for the year then ended, in accordance with SA Standards of GRAP and the requirements of the PFMA.

Report on other legal and regulatory requirements

7. 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 for selected programmes presented in the annual performance report, non-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

8. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected programmes presented in the annual performance report of the public entity for the year ended 31 March 2015:

- Programme 2: Supervision Unit on pages 44 to 45
- Programme 3: Capacity Building Unit on pages 56 to 57

9. I evaluated the reported performance information against the overall criteria of usefulness and reliability.

10. 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. 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).

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

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

- Programme 2: Supervision Unit
- Programme 3: Capacity Building Unit

Additional matters

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

Achievement of planned targets

14. Refer to the annual performance report on pages 44 to 45 and 25 to 57 for information on the achievement of the planned targets for the year.

Unaudited supplementary information

15. The supplementary information set out on pages 22 to 29, 34 to 43, 46 to 55 and 58 to 64 does not form part of the annual performance report and is presented as additional information. I have not audited this information and, accordingly, I do not report thereon.

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

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Annual financial statements, performance and annual reports

17. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 55(1)(b) of the PFMA. The auditors identified material misstatements in the submitted financial statements in respect of revenue, as well as disclosures in respect of commitments and related parties which management subsequently corrected resulting in the financial statements receiving an unqualified audit opinion.

Co-operative Banks Act of South Africa, 2007 (Act No.40 of 2007)

18. The entity did not establish and manage a Co-operative Banks Deposit Insurance Fund in accordance with the requirements of section 25 of the Co-operative Banks Act. In this regards the promulgation of the Financial Services Laws General Amendment Act, 2014 affected the move of the regulatory function for Co-operative banks from the CBDA to the South African Reserve Bank (SARB). As a result of this amendment, the establishment of the Deposit Insurance Fund is no longer a deliverable for the CBDA. The CBDA is working with the National Treasury to further amend the Co-operative Banks Act to remove the clause that requires the Co-operative Banks Development Agency to establish a single deposit insurance fund within the SARB, which will also cover co-operative banks.

Internal control

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

Leadership

20. The executive authority did not take the requisite steps to fully align the entity's mandate with that of its enabling legislation.

Financial and performance management

21. Management did not prepare financial statements that were free from material misstatement due to inadequate planning of the year-end process for the preparation of annual financial statements.

Auditor-General

Pretoria
31 July 2015



Statement of Financial Position

as at 31 March 2015

	Note(s)	2015 R'000	2014 R'000
ASSETS			
Non-current Assets			
Property, plant and equipment	2	156	233
Intangible assets	3	12	17
		168	250
Current Assets			
Cash and cash equivalents	4	14 138	7 855
Trade and other receivables	5	549	337
		14 687	8 192
TOTAL ASSETS		14 855	8 442
LIABILITIES			
Current Liabilities			
Trade and other payables	6	4 391	5 419
Provisions	7	742	589
Grants	8	7 536	636
		12 669	6 644
TOTAL LIABILITIES		12 669	6 644
NET ASSETS			
Stabilisation Fund	9	1 490	1 212
Accumulated surplus/(deficit)		696	586
		2 186	1 798
TOTAL NET ASSETS		2 186	1 798
TOTAL NET ASSETS AND LIABILITIES		14 855	8 442

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Statement of Financial Performance

for the year ended 31 March 2015

	2015	2014
Note(s)	R'000	R'000
Revenue		
<i>Non-exchange revenue</i>		
	21 568	19 576
Transfers and subsidies	11 16 838	16 236
Grant Income	8 4 730	3 304
Donation received	-	36
<i>Exchange revenue</i>		
	438	456
Sale of goods and rendering of services	12 4	12
Interest	13 434	444
	22 006	20 032
Expenditure		
Goods and services	14 (7 927)	(7 225)
Compensation of employees	15 (9 953)	(9 080)
Depreciation/amortisation and impairment	(115)	(80)
Grant Expenditure	8 (4 730)	(3 304)
	(22 725)	(19 689)
SURPLUS (DEFICIT) FOR THE YEAR	(719)	343



Statement of Changes in Net Assets

for the year ended 31 March 2015

	Note(s)	Accumulated surplus/deficit R'000	Stabilisation Fund R'000	Total R'000
Balance at 1 April 2012		314	-	314
Surplus funds surrendered		(197)	-	(197)
Surplus for the year		4 791	-	4 791
Transfer to reserves		(1 151)	1 151	-
Surplus funds to be surrendered for 2013		(3 452)	-	(3 452)
			-	
Balance at 31 March 2013		305	1 151	1 456
Roll over funds retained from prior year		3 232	-	3 232
Surplus for the period		343	-	343
Transfer to reserves	9	(61)	61	-
Surplus funds to be surrendered for 2014		(3 233)	-	(3 233)
Balance at 31 March 2014		586	1 212	1 798
Roll over funds retained from prior year*		3 233	-	3 233
Deficit for the period		(719)	-	(719)
Transfer to reserves	9	(278)	278	-
Surplus funds to be surrendered for 2015	10	(2 126)	-	(2 126)
Balance as at 31 March 2015		696	1 490	2 186

* National Treasury approved the retention of roll over funds unused from the prior year for the amount of R3,232,000 to be utilised for:
 a) Banking Platform project of R2,733,000;
 b) Online Application and Returns Submission Portal of R300,000 and
 c) Stabilisation Fund of R200,000

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Cash Flow Statement

for the year ended 31 March 2015

	2015	2014
Note(s)	R'000	R'000
Cash flow from operating activities		
<i>Cash receipts</i>	28 695	20 457
Transfers and subsidies	16 838	16 236
Sale of goods and rendering of services	4	12
Interest income	434	444
Grant revenue	11 419	3 765
<i>Cash payments</i>	(22 379)	(18 498)
Compensation of employees	(9 800)	(8 875)
Goods and services	(12 579)	(9 403)
Surplus funds surrendered	-	(220)
Net cash generated from operating activities	15 6 316	1 959
Cash flow from investing activities		
Purchase of assets	(33)	(155)
Net cash used in investing activities	(33)	(155)
Net (decrease)/increase in cash, cash equivalents and bank overdrafts	6 283	1 804
Cash, cash equivalents and bank overdrafts at beginning of the year	7 855	6 051
Cash, cash equivalents and bank overdrafts at end of the year	14 138	7 855



Notes to the financial statements

for the year ended 31 March 2015

1. ACCOUNTING POLICIES

1.1 BASIS OF PREPARATION

The annual financial statements have been prepared in accordance with the effective standards of GRAP, including any interpretations and directives issued by the Accounting Standards Board. They are prepared in South African Rand (R).

The financial statements have been prepared using the accrual basis of accounting, in terms of which items are recognised as assets, liabilities, net assets, revenue and expenses when they satisfy the definitions and recognition criteria for those elements, which in all material aspects are consistent with those applied in the previous year, except where a change in accounting policy has been recorded.

The principal accounting policies adopted in the preparation of these financial statements are set out below.

Assets; liabilities; revenues and expenses have not been offset except when offsetting is required or permitted by a standard of GRAP.

1.2 CHANGES IN ACCOUNTING POLICY AND COMPARABILITY

The accounting policies have been applied consistently.

The entity will change an accounting policy if the change results in the financial statements providing

reliable and more relevant information about the effects of transactions, other events or conditions on the performance or cash flow.

1.3 GOING CONCERN ASSUMPTION

The financial statements have been prepared on the assumption that the CBDA will continue to operate as a going concern.

1.4 REVENUE RECOGNITION

1.4.1 Revenue from exchange transactions

Revenue from exchange transactions refers to revenue that accrued to the entity directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable. Revenue is recognised to the extent that it is probable that the economic benefits will flow to CBDA and revenue can be reliably measured. Revenue is measured at fair value of the consideration receivable on an accrual basis. Revenue includes investment and non-operating income exclusive of value added taxation, rebates and discounts. The following specific recognition criteria must also be met before revenue is recognised:

a. Interest income

Revenue is recognised as interest accrued using the effective interest rate, and is included under exchange revenue in the statement of financial performance.

b. Revenue arising from application of tariff

Revenue arising from the application of tariff of charges is recognised when the relevant service is rendered



Notes to the financial statements

for the year ended 31 March 2015

by applying the relevant gazette tariff. This includes registration of CFIs.

1.4.2 Revenue from non-exchange transactions

Revenue from non-exchange transactions refers to transactions where the entity received revenue from another entity or organisation without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

1.5 TAXES

CBDA is exempt from income tax in terms of section 10 (1) of the Income Tax Act No 58 of 1962.

1.6 PROPERTY, PLANT AND EQUIPMENT

Initial recognition

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, rental to others or for administrative purposes, and are expected to be used more than one year. Items of property, plant and equipment are initially recognised as assets on the date of acquisition and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in

the manner intended by the entity. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of plant, property and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Where an asset is acquired by the entity for no or a nominal consideration (non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value is not determinable, its deemed cost is the carrying amount of the asset (s) given up.

Subsequent measurement

Subsequent to initial recognition, items of property, plant and equipment are measured as cost less accumulated depreciation and impairment losses.

Where the entity replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.



Notes to the financial statements

for the year ended 31 March 2015

Depreciation and impairment

Depreciation is calculated on the depreciable amount, using the straight line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the estimated average asset lives stated below.

Repairs and maintenance costs are charged to the statement of financial performance.

Equipment, furniture and fittings

The annual depreciation rates applied to the various categories of equipment are:

- Computer equipment 3 years
- Furniture and fittings 5 years.

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits or service potential is expected from the use of the asset. The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the statement of financial performance.

Assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively if appropriate.

1.7 INTANGIBLE ASSETS

Intangible assets that meet the recognition criteria are stated in the statement of financial position at amortised cost, being the initial cost price less any accumulated amortisation and impairment losses.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

IT software: 3 years

1.8 IMPAIRMENT OF NON-FINANCIAL - ASSETS

The CBDA assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the entity estimates the recoverable amount of the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That excess is an impairment loss and it is charged to the statement of financial performance.



Notes to the financial statements

for the year ended 31 March 2015

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in the statement of financial performance. Any impairment deficit of a revalue asset is treated as a revaluation decrease in the revaluation reserve.

The CBDA assesses at each reporting date whether there is any indication that an impairment loss recognised in previous periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated and matched against their carrying values and any excess of the recoverable amounts over their carrying values is reversed to the extent of the impairment loss previously charged in the statement of financial performance.

1.9 LEASES

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership. The classification of leases is determined using GRAP 13 - Leases.

Operating leases - lessee

Lease agreements are classified as operating leases where substantially the entire risks and rewards incidental to ownership remain with the lessor. 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 is recognised as an operating lease asset/liability. The asset is not discounted.

1.10 EMPLOYEE BENEFITS

Short-term employee benefits

The cost of short-term employee benefits (those payable within 12 months after the service is rendered, such as paid vacation leave, bonuses) is recognised in the period in which the service is rendered and is not discounted.

1.11 FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currencies are accounted for at the rate of exchange ruling on the date of the transaction. Liabilities in foreign currencies are translated at the rate of exchange ruling at the reporting date or at the forward rate determined in forward exchange contracts. Exchange differences arising from translations are recognised in the statement of financial performance in the period in which they occur.

1.12 PROVISIONS AND CONTINGENCIES

Provisions are recognised when:

- the CBDA has a present obligation as a result of past events;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligations; and
- a reliable estimate can be made of the obligation.

Provisions are not recognised for future operating losses.



Notes to the financial statements

for the year ended 31 March 2015

If the CBDA has a contract that is onerous, the present obligation under the contract is recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised.

1.13 FINANCIAL INSTRUMENTS

Initial recognition

Financial instruments are initially recognised at fair value.

Subsequent measurement

Financial assets are categorised according to their nature as either financial assets held at fair value through profit or loss to maturity, loans and receivables or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost. The absence of an approved GRAP, the subsequent measurement of financial assets and liabilities depends on this categorisation.

Trade and other receivables

Trade receivables are categorised as financial assets: loans and receivables are initially recognised 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 profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, and default or delinquency in payments (more than 120 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is

measured for all debtors with indications of impairment. Impairments are determined based on the risk profile of each debtor. Amounts that are receivable within 12 months from the reporting date are classified as current

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

Trade and other payables

Financial liabilities consist of trade payables and borrowings. They are initially measured at fair value, and are subsequently measured at amortised cost using the effective interest rate method, which is initial carrying amount, less repayments, plus interest.

Cash and cash equivalents

Cash includes cash on hand (including petty cash) and cash equivalents in the statement of financial position, comprising cash at banks and on hand, including investments and deposits held on call. For the purpose of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

These are initially and subsequently recorded at fair value.



Notes to the financial statements

for the year ended 31 March 2015

1.14 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of the allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Public Finance Management Act. Unauthorised expenditure is accounted for as an expense in the statement of financial performance and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.15 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Public Finance Management Act (Act 1 of 1999 as amended) or is in contravention of the CBDA's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the statement of financial performance and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.16 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the statement of financial performance and where it is recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.17 RELATED PARTIES

The CBDA operates in an economic sector currently dominated by entities directly or indirectly owned by the South African government. 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 individuals with the authority and responsibility for planning, directing and controlling the activities of the entity. All individuals from the level of Managing Director to the board members of the CBDA are regarded as key management according to the definition of the financial reporting standard.

Close family members of key management personnel are considered to be those family members who may be expected to influence, or be influenced by key management individuals, in their dealings with the entity.



Notes to the financial statements

for the year ended 31 March 2015

1.18 STANDARDS APPROVED BUT NOT YET EFFECTIVE

At the date of authorisation of these financial statements, the following accounting standards of GRAP were in issue, but not yet effective:

GRAP 108 - Statutory Receivables

GRAP 32 - Standard of GRAP on Service Concession Arrangements: Grantor

GRAP 20 - Related Party Disclosures

Application of all of the above GRAP standards will be effective from a date to be announced by the Minister of Finance. This date is not currently available.



Notes to the financial statements

for the year ended 31 March 2015

2 . PROPERTY, PLANT AND EQUIPMENT

	2015			2014		
	Cost	Accumulated Depreciation	Carrying Value	Cost	Accumulated Depreciation	Carrying Value
Office Equipment	43	(26)	17	43	(17)	26
Computer Equipment	409	(270)	139	385	(178)	207
Total	452	(296)	156	428	(195)	233

Reconciliation of the Property, plant and equipment - 2015

	Opening balance	Additions/ Transfers	Loss of asset	Depreciation/ Amortisation	Total
Office Equipment	26	-	-	(9)	17
Computer Equipment	207	24	-	(92)	139
Total	233	24	-	(101)	156

Reconciliation of the Property, plant and equipment - 2014

	Opening balance	Additions	Disposal	Depreciation/ Amortisation	Total
Office Equipment	35	-	-	(9)	26
Computer Equipment	101	178	(7)	(65)	207
Total	136	178	(7)	(74)	233



Notes to the financial statements

for the year ended 31 March 2015

3 . INTANGIBLE ASSETS

	2015			2014		
	Cost	Accumulated Depreciation	Carrying Value	Cost	Accumulated Depreciation	Carrying Value
Computer Software	46	(34)	12	37	(20)	17
Total	46	(34)	12	37	(20)	17

Reconciliation of Intangible Assets - 2015

	Opening balance	Additions/ Transfers	Amortisation	Total
Computer Software	17	9	(14)	12
Total	17	9	(14)	12

Reconciliation of Intangible Assets - 2014

	Opening balance	Additions	Amortisation	Total
Computer Software	6	17	(6)	17
Total	6	17	(6)	17



Notes to the financial statements

for the year ended 31 March 2015

Note(s)	2015 R'000	2014 R'000
4. CASH AND CASH EQUIVALENT		
Cash at bank	12 648	6 644
Call deposit	1 490	1 211
Total	14 138	7 855

5. TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS

Trade receivables	290	264
Other receivables	259	73
Trade and other receivables	549	337

The fair value of trade and other receivables approximate their carrying value.

6. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Trade creditors	1 187	466
National Treasury	501	397
Unused funds to be surrendered to National Treasury*	2 126	3 233
Accruals	577	1 323
	4 391	5 419

Trade creditors includes an amount of R60,000 contributed by CFIs towards the Banking Platform Project. The fair fair value of trade and other payables approximates their carrying value.

* A request will be made to the National Treasury for the surplus funds to be rolled over to the 2015/16 financial year for the banking platform project and online application and returns submission portal.

7. CURRENT PROVISIONS

Provision for leave	259	176
Provision for bonuses	483	413
	742	589

The 'Provisions' balance includes leave pay which relates to the CBDA's estimated liabilities arising as a result of services rendered by employees, and bonuses which have not been paid.



Notes to the financial statements

for the year ended 31 March 2015

7. CURRENT PROVISIONS (CONTINUED)

Reconciliation of employee benefit provision- 2015

	Opening Balance	Additional provision	Unused amounts reversed	Amounts Utilised during the year	Total
Leave provision	176	259	(176)	-	259
Bonus Provision	413	483	-	(413)	483
	<u>589</u>	<u>742</u>	<u>(176)</u>	<u>(413)</u>	<u>742</u>

Reconciliation of employee benefit provision- 2014

	Opening Balance	Additional provision	Unused amounts reversed	Amounts Utilised during the year	Total
Leave provision	188	176	(169)	(19)	176
Bonus Provision	196	413	-	(196)	413
	<u>384</u>	<u>589</u>	<u>(169)</u>	<u>(215)</u>	<u>589</u>



Notes to the financial statements

for the year ended 31 March 2015

Note(s)	2015 R'000	2014 R'000
8. GRANT		
Grant income		
Opening balance	-	-
Grant revenue	4 730	3 304
Grant Expenditure	(4 730)	(3 304)
	<u>-</u>	<u>-</u>
Grant unspent		
Balance at beginning of period	636	580
Funding received and receivable in current year	11 781	3 360
Revenue recognised in current year	(4 730)	(3 304)
Surplus funds refunded	(131)	-
Expenditure incurred not yet recognised	(20)	-
Balance as at 31 March 2015	<u>7 536</u>	<u>636</u>
8.1 BANKSETA		
Balance at beginning of period	55	-
Funding received and receivable in current year	4 046	1 360
Revenue recognised in current year	(4 045)	(1 305)
Expenditure incurred not yet recognised	(20)	-
Balance as at 31 March 2015	<u>36</u>	<u>55</u>



Notes to the financial statements

for the year ended 31 March 2015

8.1 BANKSETA - continued

2015

The grants received from BANKSETA is towards; bursaries, internship programme, Banking Platform project, training of CFI Board and staff members and development of customised curriculum and training materials The expenditure of R4,064,000 was realised as income.

2014

The grants received is from BANKSETA for the development of study circle training materials, training for CFI board members and internship programme. The expenditure of R1,305,000 was realised as income.

	2015	2014
	R' 000	R' 000
8.2 Department of Economic development, Environment, Conservation and Tourism (NW)		
Balance at beginning of period	581	580
Funding received and receivable in current year	-	2 000
Revenue recognised in current year	(450)	(1 999)
Surplus funds refunded	(131)	-
Balance as at 31 March 2015	-	581

2015

The grant received from Department of Economic development, Environment, Conservation and Tourism (NW) was for development of turn around strategies and coaching and mentoring of CFIs. The remaining funds paid for salaries, travel and subsistence for seconded staff from ACCOSCA from 9th December 2013 to 8th December 2014.

2014

Department of Economic development, Environment, Conservation and Tourism has granted R580 000 to CBDA for development of turn around strategies and Coaching and Mentoring and R2,000,000 for hosting of the 3rd CFI annual Indaba and 4th SACCA Congress. The expenditure amount of R1,999,000 was realised as income.



Notes to the financial statements

for the year ended 31 March 2015

	2015 R'000	2014 R'000
8.3 Gauteng Department of Economic Development (DED-GP) and KZN Department of Economic Development, Tourism, Environment Affairs (DEDTEA-KZN)		
Balance at beginning of period	-	-
Funding received and receivable in current year	7 500	-
Revenue recognised in current year	-	-
Balance as at 31 March 2015	7 500	-

2015

The DED- GP funds of R2,500,000 is for preparing CFIs in the province for the implementation of the banking platform system. The DEDTEA - KZN funds of R5,000,000 is for capacity building programme and the banking platform project.

8.4 National Treasury Funding

Balance at beginning of period	-	-
Funding received and receivable in current year	235	-
Revenue recognised in current year	(235)	-
Balance as at 31 March 2015	-	-

2015

The International Development Cooperative Directorate within National Treasury funded phase 1 which is required to assess the CFI readiness prior to the implementation of the banking platform. The expenditure of R235,000 was realised as income.

9. STABILISATION FUND RESERVE

Opening balance	1 212	1 151
Contributed capital	200	-
Interest on capital	78	61
	1 490	1 212



Notes to the financial statements

for the year ended 31 March 2015

	2015 R'000	2014 R'000
10. UNUSED FUNDS TO BE SURRENDERED TO NATIONAL TREASURY		
Approved funds to be retained	3 233	3 232
Retained/(Utilised) funds	(1 107)	1
Unused funds to be surrendered	<u>2 126</u>	<u>3 233</u>

In accordance with section 53(3) of the PFMA of 1999, as amended, the unused funds transfer cannot be retained without prior written approval from National Treasury

The roll over funds for the banking platform project could not be utilised due to the technical nature of ensuring a suitable IT system for the sector and securing additional funding for the IT system.

11. REVENUE FROM NON EXCHANGE TRANSACTION

Transfer from controlling entity	16 838	16 236
	<u>16 838</u>	<u>16 236</u>

12. SALE OF GOODS AND RENDERING OF SERVICES

Application Fee to Register as a Co- Op Bank	1	2
Annual fees for Co-op Bank	-	2
Application fee to register as a CFI	3	3
Other income	-	5
	<u>4</u>	<u>12</u>

13. INTEREST INCOME

Interest received - Operational Account	356	383
Interest received- CPD Account	78	61
	<u>434</u>	<u>444</u>

PART D:
FINANCIAL INFORMATION

CBDA
.....
Annual Report
2014/15



Notes to the financial statements

for the year ended 31 March 2015

	2015 R'000	2014 R'000
14. GOODS AND SERVICES		
Administrative Fees	6	10
Advertising	77	193
Assets less than capitalisation threshold	5	13
Audit fees	851	829
Bursaries (employees)	10	-
Communication	43	30
Computer services	3	2
Consultants, Contractors and agency/ outsourced services	1 984	2 186
Operating lease	46	40
Travel and subsistence	3 095	2 040
Training and staff development	298	409
Venues and facilities	865	966
Other operating expenditure	644	507
	7 927	7 225
15. COMPENSATION OF EMPLOYEES		
Employee Costs	6 426	5 784
Managing Director's emoluments	1 098	1 056
Senior management	1 862	1 820
Provisions	567	420
	9 953	9 080



Notes to the financial statements

for the year ended 31 March 2015

	2015 R'000	2014 R'000
16. NET CASH FLOWS FROM OPERATING ACTIVITIES		
Surplus/(deficit) for the period	(719)	343
Adjustment for:-		
Depreciation and amortisation	115	80
Transfer of assets from National Treasury	-	(40)
(Profit)/Loss on computer	-	7
Increase/(Decrease) in Provisions	153	205
Operating surplus before working capital changes:	(451)	595
Working capital changes		
(Increase)/decrease in trade receivables	(212)	405
Increase/(decrease) in trade payables	79	903
Increase/(decrease) in Grant income	6 900	56
Cash generated by/(utilised in) operations	6 316	1 959

17. OPERATING LEASE ARRANGEMENTS AS THE LESSEE:

Future minimum lease payments

Up to 12 months	46	46
Photocopier/ Printer equipment		
	46	46
1 year to 5 years	12	58
Photocopier/ Printer equipment		
Minolta Operating Lease	12	58

The rental agreement is for a period of 36 months ending 30 June 2017 with fixed rental payments. In the event of a 24 month extension period, the rental will be reduced by 75%. The rental agreement was renewed and commenced on the 1 July 2013.



Notes to the financial statements

for the year ended 31 March 2015

18. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL - 2015

	Actual R'000	Budget R'000	Variance R'000
Revenue	16 838	16 838	-
Other income	438	163	(275)
Grant income	4 730	2 526	(2 204)
	22 006	19 527	(2 479)
Less : Operating expenses			
Administrative Fees	6	6	-
Advertising	77	82	5
Assets less than capitalisation threshold	5	5	-
Audit fees	851	740	(111)
Bursary	10	9	-
Communication	43	48	5
Computer services	3	53	50
Compensation of employees	9 953	9 960	7
Consultants, Contractors and agency/ outsourced services	1 984	2 810	826
Grant expenses	4 730	2 526	(2 204)
Operating lease	46	64	18
Travel and subsistence	3 095	1 922	(1 173)
Training and staff development	298	371	73
Venues and facilities	865	260	(605)
Other operating expenditure	644	455	(189)
	22 610	19 311	(3 299)
(Deficit)/surplus for the year before Depreciation and impairment	(604)	216	820



Notes to the financial statements

for the year ended 31 March 2015

18. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL - 2015 CONTINUED

Less: Depreciation and impairment	115	88	(27)
Capital Payments	33	70	37
Interest Capitalised	78	58	(20)
(Deficit)/ surplus for the year	(830)	-	810

19. CONTINGENT LIABILITIES PENDING CLAIMS

Management is not aware of any pending contingent liabilities against CBDA.

20. EVENTS AFTER THE REPORTING DATE

Management is not aware of any significant post-balance sheet events.

21. TAXATION

No provision has been made for taxation as the CBDA is exempt from taxation in terms of section 10 of the Income Tax Act.

22. GOING CONCERN ASSUMPTION

The CBDA has a deficit of R 719,000 for the period (2014: Surplus R343,000). Its total assets exceeded its liabilities by R 2,186,000. (2014: R1,798,000)

The CBDA was established in terms of the Co-operative Banks Act of 2007. It is the intention of the government to continue funding the entity in the future periods. The annual financial statements have been prepared on a going concern basis

23. STANDARDS ISSUED BUT NOT YET EFFECTIVE

At the date of authorisation of these financial statements, the following accounting standards of GRAP were in issue, but not yet effective:

GRAP 108 - Statutory Receivables

GRAP 32 - Standard of GRAP on Service Concession Arrangements: Grantor

GRAP 20 - Related Party Disclosures



Notes to the financial statements

for the year ended 31 March 2015

The application of all of the above GRAP standards will be effective from a date to be announced by the Minister of Finance. This date is not currently available.

24. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of CBDA financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Judgments

There were no items that required management's judgement in the process of applying the CBDA accounting policies.

Estimates and Assumptions

There were no key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year.

25. RELATED PARTIES

The CBDA is a schedule 3A National Public Entity in terms of the Public Finance Management Act (Act 1 of 1999 as amended) and therefore falls within the national sphere of government. As a consequence the CBDA has related parties being entities that fall within the national sphere of government.

Unless specifically disclosed, these transactions are concluded on an arm's length basis. There are no restrictions in the CBDA's capacity to transact with an entity.



Notes to the financial statements

for the year ended 31 March 2015

25.1 Transactions with related parties

BANKSETA*
 BANKSETA
 National Treasury

Services rendered		Services received	
2015		2015	
Transactions R'000	Balance R'000	Transactions R'000	Balance R'000
-	-	3 774	(36)
-	-	290	290
235	-	-	-
235	-	4 064	254

*An amount of R143 000 relating to prior year allocated for Project Manager services as per signed MOA with BANKSETA was written off as bad debts. According to BANKSETA policy, funding cannot be utilised for compensation of personnel. The CBDA engaged the contracted HR Manager to perform this service. Due to the oversight the expense had to be written off.

BANKSETA
 BANKSETA*
 National Treasury

Services rendered		Services received	
2014		2014	
Transactions R'000	Balance R'000	Transactions R'000	Balance R'000
-	-	1 305	(55)
-	-	143	143
-	-	36	-
-	-	1 484	88

25.2 Parties related to the CBDA

The CBDA occupies building space free of charge at the National Treasury premise. CBDA incurred expenditure of R290,000 for the development of training material for a diploma in cooperative bank. An invoice was issued to Bankseta to retrieve the expenditure incurred.



Notes to the financial statements

for the year ended 31 March 2015

25.3 Remuneration of key Management

	Allowance R'000	Travel R'000	2015 Total R'000
Fees paid to the Board Members and Executive Management salaries			
Mr P Koch	51	4	55
Ms V Klein	20	2	22
Adv LT Nevondwe	34	22	56
Mr T Shenxane	55	-	55
Mr D Ginsburg	41	-	41
Executive management salaries			
Managing Director	1 098	-	1 098
Senior Management	1 862	-	1 862
	3 161	28	3 189



Notes to the financial statements

for the year ended 31 March 2015

	Allowance	Travel	2014 Total
	R'000	R'000	R'000
Fees paid to the Board Members and Executive Management salaries			
Mr SM Ndwandwe	36	4	40
Mr P Koch	38	4	42
Mr V Satgar	15	2	17
Mrs D Hamilton	13	1	14
Mr J Theron	6	-	6
Incoming Board Members			
Ms V Klein	15	1	16
Dr SP Makhesha	31	3	34
Adv LT Nevondwe	8	9	17
Mrs R Kisten	6	-	6
Mr T Shenxane	22	-	22
Mr D Ginsburg	18	-	18
Executive management salaries			
Managing Director	1 056	-	1 056
Senior Management	1 820	-	1 820
	3 084	24	3 108



Notes to the financial statements

for the year ended 31 March 2015

26. FRUITLESS & WASTEFUL EXPENDITURE

Reconciliation of fruitless and wasteful expenditure

Opening balance

Fruitless and wasteful expenditure – current year

Transfer to receivables for recovery

Fruitless and wasteful expenditure awaiting condonement

2015	2014
R'000	R'000
78	78
6	34
(3)	(34)
81	78

Analysis of Current Fruitless and wasteful expenditure

Incident

Disciplinary steps taken/criminal proceedings

2015

An employee paid for VISA application to travel to UK and Poland for the Banking Platform Knowledge Exchange Programme. The agreement for funding of the trip was not signed therefore approval to travel overseas was cancelled.

The CFI confirmed available date for training of board and staff members. Two CBDA employees travelled to the CFI only to be informed on the day of the training it was cancelled. The CFI did not timeously communicate the cancellation resulting in travel cost being incurred.

Employees using hired vehicle did not comply with the traffic laws which resulted in payment for traffic fines.

Shuttle to take interview candidate to airport was involved in an accident resulting in her missing her flight. A new flight ticket had to be purchased.

None- Funds recovered

None-Funds recovered

None-Funds recovered

None- Unforeseen event and beyond CBDA control. Funds not recoverable.

2014

CBDA employee's travel arrangement was done with a connecting flight through USA to Canada. Visa was obtained for Canada but not for the USA. Due to no USA visa the flight ticket had to be re-routed therefore incurring additional cost

CBDA made a study deposit to the University of Stellenbosch Business School for an employee who was given a bursary by BANKSETA to study Postgraduate Diploma in Development Finance. Unfortunately the employee decided not to attend the course and the deposit is non refundable.

None - Arrangements have been made for funds to be recovered.

None - Arrangements have been made for funds to be recovered.



Notes to the financial statements

for the year ended 31 March 2015

27. IRREGULAR EXPENDITURE

Reconciliation of irregular expenditure

Opening balance

Irregular expenditure – current year

Irregular expenditure not condoned

2015 R'000	2014 R'000
1 000	1 000
-	-
1000	1 000

Analysis of Current irregular expenditure

Incident	Disciplinary steps taken/criminal proceedings
2015	
The Agency is not aware of any irregular expenditure	None
2014	
The Agency is not aware of any irregular expenditure	None

28. COMMITMENTS

Approved and signed contracts

Alan Pugh-Jones	1 196	2 204
Write Connection CC	116	-
Business Connexion (Pty) Ltd	819	-
Rossal No 98 (Pty) Ltd	-	205
ACCOSCA	-	661
Execu Prime Academy (Pty) Ltd	-	1 219
Total	2 131	4 289

Commitment are signed binding agreements between CBDA and service providers. Commitment are not recognised in the statement of financial position as a liability or as expenditure in the statement of financial performance until services are rendered or received.



Notes to the financial statements

for the year ended 31 March 2015

29. COMPARATIVE FIGURES

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where material accounting errors have been identified in the current financial year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current financial year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

30. FINANCIAL INSTRUMENTS

In the course of the CBDA operations it is exposed to interest rate, credit, liquidity and market risk. The CBDA has developed a comprehensive risk strategy in order to monitor and control these risks. The risk management process relating to each of these risks is discussed under the headings below.

Credit risk

Financial assets, which potentially subject the CBDA to the risk of non-performance by counter-parties and thereby subject to credit concentrations of credit risk, consist mainly of cash and cash equivalents and receivables from exchange transactions.

The CBDA manages/limits its treasury counter-party exposure by only dealing with well-established financial institutions approved by National Treasury through the approval of their investment policy in terms of Treasury Regulations.

Liquidity risk

The CBDA manages liquidity risk through proper management of working capital, capital expenditure and actual vs. forecast cash flows and its cash management policy. Adequate reserves and liquid resources are also maintained.

Market risk

The CBDA is exposed to fluctuations in the employment market. For example sudden increases in events unemployment and changes in the wage rates. No significant occurred during the year that the CBDA is aware of.

Fair values

The CBDA's financial instruments consist mainly of cash and cash equivalents. No financial instrument was carried at an amount in excess of its fair value and fair values could be reliably measured for all financial instruments. The following methods and assumptions are used to determine the fair value of each class of financial instruments.



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PART D:
FINANCIAL INFORMATION

Notes to the financial statements

for the year ended 31 March 2015

Cash and cash equivalents

The carrying amount of cash and cash equivalents approximates fair value.

Other receivables from exchange transactions

The carrying amount of other receivables from exchange transactions approximates fair value due to the relatively short-term maturity of these financial assets.



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PART E: SUCCESS STORIES OF CFIS



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PART E: SUCCESS STORIES OF CFIS

SUCCESS STORIES OF CFIS

At a time when banks are making record profits, clients remain disillusioned with them due to higher fees and lack of access to appropriate products and services from their banks, many consumers of financial services are seeking alternative types of financial institutions that will be more understanding of their needs, be flexible and help them save money. One such institution could be your local co-operative financial institution (CFI). CFIs offer numerous financial products and services that help members maximize their incomes and increase their savings, often with fewer or lower fees than traditional banks.

How does a Co-operative Financial Institution (CFI) differ from a bank?

A CFI operates just like a 'traditional bank', providing most of the same services e.g. savings, business loans and personal loans. The key differences are that:

- CFIs are member-focused institutions. A CFI is a co-operative, which means it is owned and operated by its members, as opposed to being owned by its shareholders like a bank. Your initial membership share contribution makes you a part owner of the CFI and gives you a say in the CFI's decisions.
- Because of this ownership structure, potential members have to meet membership requirements that vary depending on the CFI's objective. For example, a union based CFI may only accept employees and their immediate family members. A CFI for teachers, on the other hand, may accept any teacher who works for a certain school district. A few CFIs have more relaxed requirements and may simply request that members live in a certain city or area.
- CFIs are not for profit institutions, but focused on providing services and benefits for their members.

When they do make a profit, or surplus, these could be returned to members in the form of lower fees, better services, dividends or re-investment into the community through scholarships etc. Basically it is the members who decide how and where this surplus should be allocated

How does it work?

CFIs are still localized, meaning, they are run and owned by people in the community, hence creating employment for people within the community. This means providing access to financial services to members who may not otherwise be able to get access to ordinary banking products and services; a lifeline in less well-off communities for members grappling with their finances. Plus, they are a welcome alternative to mashonisas (micro-lenders).

Yet, they are not just for those struggling financially. They also appeal to those who want to bank ethically and benefit their communities because money saved by the members of the community in the co-operative stays within the community and supports community activities. It is then used to lend to members of the community who have viable business ideas, or who want to pay school fees for their children.

At least once every year, all the members of the CFI meet at an annual general meeting (AGM) to review how their institution is working, determine interest rates on savings and loans, and to elect board members to represent them during the course of the year.

Additionally, throughout the year, those running the CFI must put aside enough money to ensure that the co-operative remains viable. Any money that's left over is used to try and improve the overall service of the CFI.

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Should I trust a CFI with my money?

The South African government, recognizing the importance of CFIs in the economy, put in place legislation to make sure all CFIs are registered. In 2007, The Co-operative Banks Act was put in place to allow ordinary citizens to come together and form their own financial co-operatives, to save and borrow money from. The law also provides for a Supervisor, within the Co-operative Banks Development Agency (CBDA) whose key responsibility is ensuring that registered CFIs operate in a safe and sound manner. Additionally, through the CBDA's capacity building programs, CFIs' management and boards are regularly trained to ensure they are suitably qualified to manage members' funds.

Every day we are inspired by stories about CFIs who make a difference in the lives of people. Many of the CFI's would like to share their success stories and we have chosen a few to share their stories on how they change the lives of their members:

BOIKAGO SAVINGS AND CREDIT CO-OPERATIVE

Boikago SACCO was formed in 2005, and is located in Mmabatho-Mahikeng town, in the North West Province. The SACCO is within the Mahikeng local municipality of Ngaka Modiri and operates from Mega City Shopping Mall.

The SACCO has a common bond of all people living, working and worshipping in Mmabatho and surrounding rural areas of Mahikeng local municipality. The SACCO has recorded some notable growth since its inception, with a total shares and savings of R2,381,074, a loan book of R2,280,070 and total assets of R2,985,195. Their membership consists of 30% males, 67% females, and 3% are groups (mostly Stokvels). The CFI has recently applied for registration as a co-operative bank.

BOIKAGO PROVIDING AFFORDABLE HOUSING FINANCE TO ITS MEMBERS



Mrs. Moses from Boikago SACCO, a pensioner, said she has been able to start a student accommodation business through a loan she received from Boikago SACCO. With the funds she received from the SACCO, she was able to build additional rooms at her property that she rents out to University students. She is able to sustain her own lifestyle, while sending her grandchildren to school with the money that she is making.

Vision

The vision of Boikago SACCO is to be the best, preferred and trusted Co-operative Bank in South Africa.

Mission:

To uplift socio-economic status of our members by mobilizing funds and offer competitive and affordable financial products and services.



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PART E: SUCCESS STORIES OF CFIS

Products:

- Regular Savings & Fixed deposits
- Contractual savings account
- Regular junior savings account
- Special purpose savings account
- Shares
- Loans

Contact Details

Boikago SACCO
Shop 111, Mega City
Mnbatho

Email: boikago@telkomsa.net

Tel: 018 384 2644

NEHAWU SACCO

NEHAWU SACCO is a member-owned, member-controlled and not-for-profit financial co-operative that mobilises and channels members' savings into loans for productive and provident purposes.

It was formed in 2006, following concerns of trade union members regarding high interest rates loans charged by private banks, loan sharks and rising personal debt.

Our mission:

We are member-owned, member-controlled and not-for-profit co-operative financial institution that provides its members with affordable and convenient access to banking and other related services.

Our vision:

To be the primary provider of financial services suitable to the members of the trade union and to improve their socio-economic well-being by offering financial services at competitive interest rates and ensuring ease of access to and opportunities in the benefits of the co-op's success.

The CFI's membership has been increasing over the years and currently stands at 6,551 members. These members all fall within the common bond – Nehawu trade union members and union staff and trade union related institutions.

Khopiso's Story...

Khopiso Ntombela (34) works for NEHAWU Trade Union within the Legal Department. She has been an active member of NEHAWU SACCO since 2007 and maintains a Regular Savings Account.

In 2014, she needed funds to host a birthday party for her son. She was able to access her Regular Savings Account within 48 hours' notice and was able to attend or pay for other things to make her son's special day a success. Moreover, the money saved with the CFI also came in handy when she had to settle her brother's tuition fees.

She has seen the significance of the CFI/SACCO in her life, and she has been a loyal member since then. Hence she is still using the CFI services. Khopiso is quite impressed by the services offered by NEHAWU SACCO and she recommends it to fellow colleagues.

Products and Services offered:

NEHAWU SACCO provides a wide range of products and services to its members through mobilizing savings deposits from members and turns them into affordable productive and provident loans (for members).

- Regular Savings
- Christmas savings
- Group savings
- Fixed deposit
- Education plan
- Emergency loan
- Short-term loan
- Consolidation loan
- Home improvement loan
- Credit life policy
- Financial Education

PART E: SUCCESS STORIES OF CFIS

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NEHAWU Members Attending The Annual General Meeting (AGM)



Contact Details

Nehawu SACCO

Nehawu House

56 Marshall Street

Johannesburg

Tel: 011 833 2902/083 210 8099

Email: patiswa@nehawu.org.za

www.nehawu.org.za

CEBISA CFI

CEBISA means "giving advice" as well as "making wealthy", which is a true representation of what CEBISA promises its members and community.

Established in 2009 and officially launched in 2011, it is currently registered with the Co-operative Banks Development Agency. Cebisa is located in the city centre of Pietermaritzburg "City of Choice" at 222 Peter Kirchoff Street.

The purpose of CEBISA is to help members use financial tools to "improve their economic and financial wellbeing". Their current members are 325; with 57% females and 43% males and 19% youth. Majority of the members reside in semi-urban and urban areas. The youngest member is 5 years old and the oldest is 65 years of age.

The common bond of Cebisa CFI is persons living or working within the uMgungundlovu District Municipality.

Cebisa CFI products and/or services packaging strategy is centred on the following principles:

- clientele demand-offering matching;
- ultimate value for money,- 'together we can nourish' and
- shareholders' wellbeing and savings.

Vision

To be the leader & a preferred co-operative banking house in South Africa.

Mission

To significantly strengthen the social and economic returns of our members by providing affordable, sustainable, secure and reliable financial services through innovative and cost effective products and services that create wealth for our members.

Products and Services offered:

Cebisa FSC offers a variety of products that are developed to meet and satisfy the members, ever growing needs. They are:

- Investment;
- Savings
- Credit;
- Debt Counseling;
- Airtime Packages with free short term insurance coverage.



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PART E:
SUCCESS STORIES OF CFIS

In the long term it intends to offer:

- Salary Transfer Facility;
- Cell-phone Banking;
- Internet Banking;
- Long Term Insurance Covers;
- Mortgages;
- Long Term Assets Finance

**Testimony by: Mr. Kubheka (Managing Director:
Xololomusa Contractors)**



"From my entity's nasty experiences with the big five financial institutions in terms of obtaining loans and other financial assistance with their red tape being a serious barrier to obtaining assistance timeously. To financial freedom and peace of mind at Cebisa as loans are approved within 24hrs to ensure my cash flow is able to meet my entity's debts. No joy is biggest than knowing that the low interest I pay comes back to me as a shareholder"

**Testimony by: Ms. Mbatha (Employee at Msunduzi
Municipality and Board Member)**



"I was unable to obtain car finance, while some of the banks were demanding a high interest rate. Because of what they called a high risk, but Cebisa came to my aid. I have a brand new pair of wheels and a reasonably low interest fee and still have a disposable income for my other needs"

Contact Details

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Website: www.cebisa.info



EVENTS AND ACTIVITIES



EASTERN CAPE CFI INDABA



EASTERN CAPE CFI INDABA



EVENTS AND ACTIVITIES



EASTERN CAPE CFI INDABA



INDABA ROADSHOWS



WEBBERS SACCO AGM



EASTERN CAPE CFI INDABA



K LADIES RECEIVE THEIR REGISTRATION CERTIFICATE



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