



ANNUAL REPORT

2017

ANNUAL REPORT

2017

2016/17





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PART A

GENERAL
INFORMATION

PART A | GENERAL INFORMATION

1. PUBLIC ENTITY'S GENERAL INFORMATION

REGISTERED NAME:

Co-operative Banks Development Agency

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PHYSICAL ADDRESS:

27th Floor, National Treasury Building, 240 Madiba Street, Pretoria 0001

.....

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Private Bag X115, Pretoria 0001

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cbda@treasury.gov.za

.....

WEBSITE ADDRESS:

www.treasury.gov.za/coopbank

.....

EXTERNAL AUDITOR:

Auditor-General

.....

BANKER:

First National Bank

.....

BOARD SECRETARY:

Vacant

PART A | GENERAL INFORMATION**2. LIST OF ABBREVIATIONS/ACRONYMS**

AGSA	Auditor-General of South Africa
ACCOSCA	African Confederation of Co-operative Savings and Credit Associations
AFS	Annual Financial Statement
AGM	Annual General Meeting
AML	Anti-Money Laundering
APP	Annual performance Plan
ASISA	Association for Savings and Investment South Africa
BANKSETA	Banking Sector Education and Training Authority
BBBEE	Broad Based Black Economic Empowerment
BCPs	Basel Core Principles
Camel	Capital adequacy, asset quality, management quality, earnings, liquidity
CBDA	Co-operative Banks Development Agency
CEO	Chief Executive Officer
CFI	Co-operative Financial Institution
CFO	Chief Financial Officer
CIPC	Companies and Intellectual Property Commission
CSS	Central Support Services
DED	Department of Economic Development
DPSA	Department of Public Service and Administration
DRDLR	Department of Rural Development and Land Reform
DSBD	Department of Small Business Development
ERM	Enterprise Risk Management
FSB	Financial Services Board
FSC	Financial Services Co-operative
GIBS	Gordon Institute of Business Science
HR	Human Resources

PART A | GENERAL INFORMATION

HR&R	Human Resources and Remuneration
ICT	Information and Communication Technology
ICURN	International Credit Union Regulators' Network
IMF	International Monetary Fund
IT	Information Technology
KZN	KwaZulu-Natal
MD	Managing Director
MEC	Member of the Executive Council
MLD	Mzansi Leadership Development
MOA	Memorandum of Agreement
MOU	Memorandum of Understanding
MTEF	Medium Term Expenditure Framework
NACFISA	National Association of Co-operative Financial Institutions in South Africa
NCR	National Credit Regulator
NEDLAC	National Economic Development and Labour Council
NEHAWU	National Education, Health and Allied Workers' Union
NIC	National Industrial Chamber
NPS	National Payment System
NT	National Treasury
Pearls	Protection, Effective financial structure, Asset quality, Rates of return and costs, Liquidity, Signs of growth
PFMA	Public Finance Management Act
RHLF	Rural Housing Loan Fund
ROA	Return on Assets
SACCA	Savings and Credit Co-operative Association Africa
SACCO	Savings and Credit Co-operative
SACCOL	Savings and Credit Co-operative League of South Africa

PART A | GENERAL INFORMATION

2. LIST OF ABBREVIATIONS/ACRONYMS

SAMAF	South African Microfinance Apex Fund
SAMWU	South African Municipal Workers Union
SARB	South African Reserve Bank
SCM	Supply Chain Management
SEDA	Small Enterprise Development Agency
SEFA	Small Enterprise Financing Agency
SLA	Service Level Agreement
SOE	State-owned Entity
SSACI	Swiss – South African Cooperation Initiative
TR	Treasury Regulations
YWBN	Young Women in Business Network

3. FOREWORD BY THE MINISTER



Malusi Gigaba
Minister of Finance

In my capacity as the Minister of Finance, I want to express my heartfelt appreciation for the work currently being conducted by the CBDA Board of Directors, management and staff as they continue to empower communities by taking banking to the people of South Africa. In order to fulfil government's mandate of inclusive economic growth, and recognizing financial inclusion as one of the critical components thereof capacitating ordinary people, throughout the country to run their own "banks", taking into account the skills shortages and available disposable income in these communities, is an enormous challenge.

The CBDA furthermore assists in furthering government's objectives in shaping a South African economy that includes and benefits all South Africans in relation to participation in financial inclusion in line with its mandate of supporting, promoting and developing co-operative banking.

In meeting its strategic objectives, the CBDA has had to meet a number of resource and regulatory challenges. The Financial Sector Regulation Bill moving through parliament, which seeks to implement the Twin Peaks Policy, will require the supervisory function to move over to the SARB. This requires the CBDA to (re)position itself within the financial sector and co-operatives development landscape.

The CBDA vision 2020 outlines the anticipated growth of R500m in member deposits and 150,000 in membership and that can only be fulfilled by developing, strong, vibrant and professional CFIs that are compliant with legislative framework. Indeed, the focus that the CBDA is currently pursuing is ensuring that newly registered and existing Cooperative Financial Institutions (CFIs) are well capacitated in order to enhance the skills set to protect members' deposit. Having the right skills set in the CFIs is key in professionalizing the sector and reducing the mortality rate of the CFIs.

In collaboration with other stakeholders, the CBDA has managed to introduce a Diploma in Cooperative Financial Institution Management (DCFIM) with the University of Fort Hare and sector education training authorities in order to enhance the skills within the sector. Such a move recognizes the critical importance of having knowledgeable and competent staff and management who are able to implement the CFIs strategies thereby ensuring growth, sustainability and institutional stability.

PART A | GENERAL INFORMATION

3. FOREWORD BY THE MINISTER

The CBDA also ensured that CFIs underwent rigorous surveillance through onsite compliance based and risk examinations as well as having to submit quarterly returns for offsite analysis. Technology is taking up its role within the CFIs with the CBDA having introduced and currently implementing the Banking Platform Project that will ensure that CFIs transition from using manual transactions to a eventual use of National Payment System (NPS). It is envisaged that the sector will grow in terms of membership, asset size, savings volumes and capital levels when they are fully connected on the banking platform.

I remain committed to support the Cooperative Banks Development Agency as they continue to embark on this exciting journey that will better the lives of South Africans to access financial services closer to their doorsteps.

A handwritten signature in black ink, appearing to read 'M Gigaba', with a large, stylized initial 'M' and a long, sweeping horizontal stroke extending to the right.

Malusi Gigaba

Minister of Finance

4. FOREWORD BY THE ACTING CHAIRPERSON



CBDA has been dedicated to transforming the life's of the poor by broadening access to, and participation in diversified financial services to achieve economic and social well-being. The past financial year has been a challenging year for the South African economy with weak growth and persistent inflation. The CBDA, whose financial co-operative operates primarily with lower and middle income members have been under pressure financially to make ends meet. This affects these members savings propensity, the key to growing a financial co-operatives, as well as member's ability to repay loans.

The tough conditions of the economy as well as the changing financial sector regulatory environment, are the basis around which we assess our progress as an agency in delivering on our mandate.

The CBDA has made progress with regards to achieving its strategic objectives outlined in the strategic plan. In an effort to fully appreciate the context in which the CBDA operates, and noting that a number of the board members have recently been appointed, we participated in an excursion to the CFIs in the Limpopo province. The tour was aimed at enlightening the board about the many challenges that the CFIs are facing and to find solutions in addressing those setbacks.

Under the guidance of the Managing Director, Ms Olaotse Matshane the CBDA has embarked on a consultative and reflective process with stakeholders, including other government agencies as well as sector representatives. The aim of this process was to identify constraints in the co-operative banking value chain as well as possible opportunities to pivot going forward and identifying what the CBDA needed to do to better enable CFIs to grow and serve their members and communities better.

The CBDA has been responsible for supporting, promoting and developing on the reflective process by determining the sector's training needs and developing appropriate capacity enhancement programmes. The unit carried out this responsibility in conjunction with stakeholders such as BANKSETA, other development agencies and universities. It also focused on ensuring the design and accreditation of CFI specific courses with the University of Pretoria.

The CBDA continues performing its function as regulator of the CFI sector and three new CFIs were registered. Our challenge with regards to the regulatory function within the CBDA will be to implement the changes to the Financial Sector Regulatory Bill, or Twin Peaks framework, once it is fully adopted.

PART A | GENERAL INFORMATION

4. FOREWORD BY THE ACTING CHAIRPERSON

In the year under review the banking platform has on-boarded eleven CFIs with eight CFIs using the system. An accounting system (Pastel Evolution) was customised to suit the daily operations of the CFIs. The preparation for the CFIs to be connected on the National Payments System are on-going. I would like to thank the CFIs and stakeholders that had the confidence in the CBDA and the system to embark on this journey as the sector will reap the rewards, which is to offer its members a professional service backed by low cost banking.

While the CBDA is excited about the potential of the sector. It is also necessary to bring new ideas on how to make the CFI model more attractive by improving the CFI value proposition. CBDA continues to work closely with potential stakeholders for collaborative efforts through finding ways to assist the sector and to source additional project funding. Some of the major collaborative initiatives were with the National Skills Fund for (getting interns and mentors with past experience in banking to assist CFIs) as well as the Department of Rural Development and Land Reform which registered its first CFI with the assistance of the Capacity building unit that is aimed at encouraging arts and craft in rural communities around the country. This CFI is spread in Mpumalanga, Eastern Cape, Limpopo and Kwa-Zulu Natal with seven offices that are fully furnished and branded

We have on occasion invited the SARB to attend our meetings, whilst stakeholder representatives from the National Treasury, provincial treasuries, the department of small business development and development finance organisation serve on our board to ensure a broad view of all opinions are considered.

The CFI indaba this year was hosted by the Gauteng Department of Economic Development together with CBDA. It was an excellent initiative that proved that through strong strategic partnerships more can be done to assist the sector to thrive. CBDA awarded 3 CFIs Retail Bond cash vouchers amounting to R50 000.00.

The CBDA is enjoined by legislation to register, regulate and capacitate Co-operative Financial Institutions (CFIs). Regulatory and resource challenges have been most challenging during this year. The financial services sector has seen the Financial Sector Regulation Bill moving through parliament, which seeks to implement the Twin Peaks Policy. With the likelihood that the Supervisory function within the CBDA will be moving to the South African Reserve Bank, this means a different vision needs to be conceptualise as to the remaining developmental mandate and how it is best housed.

In the new financial year the CBDA is looking forward to registering more CFIs and introducing the Stabilisation Fund to the sector. There will be ongoing collaboration with all our stakeholders and continuous effort to source funding for the Banking Platform.

I would like to express my appreciation to the Board of Directors for all their contributions. I wish to also thank Management for strongly communicating the CBDA's service offerings and vision and staff for their commitment in ensuring that the CBDA realises its vision.



Acting Chairperson: Advocate Tokyo Nevondwe

Co-operative Banks Development Agency

31 July 2017

5. MANAGING DIRECTOR'S OVERVIEW



Olaotse Matshane
Managing Director

MDs OVERVIEW

THE YEAR UNDER REVIEW

As we reflect on the year past and look at the year ahead, there remains a concern that the sector is not growing at the level and scale that will allow it to be truly transformative. The number of registered co-operative banks has remained stagnant at two (2) over the last few years and those that are eligible for registration as co-op banks have yet to reach the required operational standards to successfully register. The level of collaboration and co-operation within the sector itself is not at a desired level, undermining a core co-operative principle of co-operation within the movement.

To address this state of affairs the CBDA co-ordinated engagements with key stakeholders, including the co-operative financial sector itself to better redefine the sector's value proposition. Facilitated by the Gordon Institute of Business (GIBS), discussions were held on the relevance of co-operative financial institutions. Themes of discourse included disruption, innovation and embeddedness i.e. the importance of need driven and inclusive models. An important outcome was the vision defining component through which participants redefined and reconceptualised co-operative banking in the country under the vision "Empowering communities by taking co-operative banking to the people". Core to this vision was the incorporation of CFIs into a national CFI network underpinned by localisation within the economic value chain of communities.

Having embraced this vision for the sector, many of our efforts as an organisation during this financial year, was to begin aligning our current practice toward this future, both internally and externally.

PART A | GENERAL INFORMATION

5. MANAGING DIRECTOR'S OVERVIEW

SHARED UNDERSTANDING AND MEANING (SUM)

It is recognised that any future permutation of co-operative banking will have at its centre a robust core banking system around which various distribution channels can be accessed, including card payments, cellphone transfers. Regulations will be required to actively engage in discussions on different iterations of the model as envisaged by interested parties, including development agencies, employment creation agencies as well as housing development funds. Capacity building will need to play a critical role in building the requisite networks and competencies to not only capacitate the sector for the present but to build it for an unknown future as well.

All these changes required a number of blocks being in place which work together seamlessly in order to be successful. Workshops were subsequently held with staff to develop a shared understanding and meaning (SUM) across the entire organisation to ensure a common vision towards the future. Through mentorship, and leadership development, the organisation's executive and senior staff were capacitated on transformational leadership, placing the CBDA on a firm footing to face up to the challenges ahead.

GENERAL FINANCIAL REVIEW OF THE CBDA

The CBDA, as a schedule 3A entity is dependent on the National Treasury for its budget allocation and transfers from the fiscus. It has been our opinion that these funds have not been sufficient to carry out the CBDA mandate in full. As a result, over the past 7 years, CBDA management have actively embarked on broadening its funding base through sourcing funds from stakeholders who share a common strategic objective.

For this financial year the CBDA was able mobilise an additional 86% more funds than was allocated in the ENE for the year under review. These funds were primarily used to assist CFIs to enhance their skills and prepare their operations to utilise the banking system. Prudent management of unused grant funds resulted in an 80% increase in interest yield against budget. These funds are safely kept in the SARB Corporation of Public Deposit account.

SPENDING TRENDS OF THE CBDA

Spending trends of CBDA decreased marginally (-5.2% on last year) unitising the funds allocated through the ENE process. These were targeted toward the core functions of the CBDA. However, taking into account the additional funding sourced toward other project lines, the CBDA spending increased by 12% year on year. The largest portion of this increased expenditure was allocated toward the Banking Platform project within the CSS and targeted capacity building programs as supported by sponsors. Corporate and Supervision budgets were not materially different to the previous year's spending.

CAPACITY CONSTRAINTS AND CHALLENGES FACING THE PUBLIC ENTITY AND ECONOMIC VIABILITY

The transfers in the ENE toward the entity has in our opinion, been insufficient for the CBDA to carry out its mandate optimally. Within the Corporate section, it has been our desire to employ a Chief Financial Officer, while Capacity building would ideally budget for more employees to deploy officers into all nine provinces. Supervision unit ideally requires more staff to do more intensive oversight. One of the biggest gaps in our program is the lack of marketing of the CFI concept.

PART A | GENERAL INFORMATION

5. MANAGING DIRECTOR'S OVERVIEW

THE YEAR AHEAD

Regulatory whirlwinds, notably twin peaks, will have a material bearing on the CBDA going forward and will mean the CBDA, as an institution will have to re-imagine itself within this changing environment. The ongoing national discussions on financial sector transformation have put co-operative banking firmly at the center of this discussion.

We believe co-operative banks are truly transformative with regards to ownership and control of the financial sector. With capacitated and strong leadership and management, the sector can provide the type of value added products and services that talk to the needs and wants of the people. The sector and its stakeholders have to harness the goodwill around the transformation narrative by taking the initiative to consolidate and strengthen the representative body and support organisations. A recommitment towards singularity of purpose and talking with the same voice will go a long way towards developing a countrywide co-operative banking strategy that is not only integrated within the co-operative sector but the rest of the economy and social spheres as well.

ACKNOWLEDGEMENT/S OR APPRECIATION

The CBDA would like to thank all its stakeholders, National Treasury our host department, our previous Minister Gordhan and Deputy Minister Jonas and current Minister Gigaba, and Deputy Minister Buthelezi for their political support. Appreciation goes out to the CBDA Board members, past and present, our Managing Director, Olatse Matshane, who is currently on maternity leave, and the management team who have come together to fill the gap in the MDs absence, all ensuring continuity and stability of the organisation.

The staff of the CBDA deserve a special thanks for their hard work and dedication toward moving the organisation toward its objectives. Almost every staff member contributed a portion or chapter that has been included in the 2016/17 report. Humble thanks to all.



Managing Director Olatse Matshane

Co-operative Banks Development Agency

31 July 2017

PART A | GENERAL INFORMATION

6. STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY FOR THE ANNUAL REPORT

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

All information and amounts disclosed in the annual report is consistent with the annual financial statements audited by the Auditor-General.

The annual report is complete, accurate and free from any omissions.

The annual report has been prepared in accordance with the guidelines on the annual report as issued by National Treasury.

The Annual Financial Statements (Part E) have been prepared in accordance with the General Recognised Accounting Practice standards applicable to the public entity.

The accounting authority is responsible for the preparation of the annual financial statements and for the judgements made in this information.

The accounting authority is responsible for establishing, and implementing a system of internal controls which have been designed to provide reasonable assurance regarding the integrity and reliability of the performance information, human resources information and annual financial statements.

The external auditors are engaged to express an independent opinion on the annual financial statements.

In our opinion, the annual report fairly reflects the operations, performance information, human resources information and financial affairs of the public entity for the financial year ended 31 March 2017.

Yours faithfully



Managing Director Olaotse Matshane

Co-operative Banks Development Agency

31 July 2017



Acting Chairperson: Advocate Tokyo Nevondwe

Co-operative Banks Development Agency

31 July 2017

PART A | GENERAL INFORMATION

7. STRATEGIC OVERVIEW

7.1. 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 for co-operative members and their communities.

7.2. MISSION

The mission of the Co-operative Bank Development Agency (CBDA) is to develop the co-operative banking sector while protecting those who participate in it through the:

- Appropriate regulation and supervision of the Co-operative Financial Institutions (CFIs) to protect members' deposits and build confidence in the sector;
- Provision of innovative capacity development and support to co-operative members and CFIs; and
- Promotion of co-operative banking and the co-operative philosophy and principles.

7.3. VALUES

The CBDA values are as follows:

- 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 a 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. It includes giving attention to detail and having a commitment to knowledge and learning; and
- Confidentiality: in dealings with all stakeholders

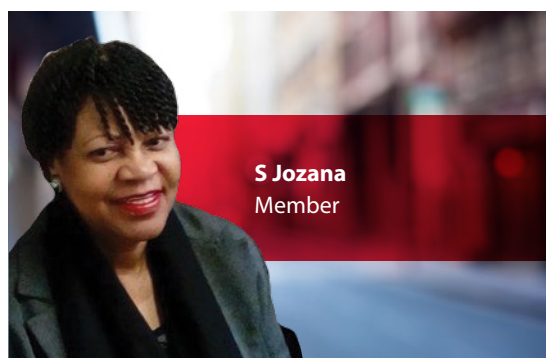
8. LEGISLATIVE AND OTHER MANDATES

These include the following:

- Co-operative Banks Act (No. 40 of 2007), as amended by the Financial Services Laws General Amendment Act (No. 45 of 2013)
- Banks Act Exemption Notice (No. 620 of 2014), Government Gazette 37903, 15 August 2014
- Public Finance Management Act (No. 1 of 1999) (PFMA)
- Treasury Regulations

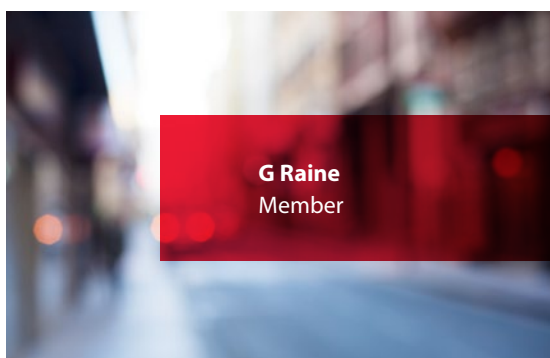
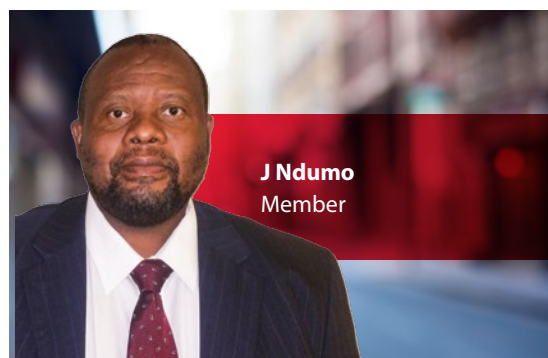
PART A | GENERAL INFORMATION

9. ORGANISATIONAL STRUCTURE



PART A | GENERAL INFORMATION

9. ORGANISATIONAL STRUCTURE



PART A | GENERAL INFORMATION**9. ORGANISATIONAL STRUCTURE**

Accounting Authority/Board							
Managing Director							
Corporate Services	2015/16	2016/17	Vacancies	Supervision & Regulation	2015/16	2016/17	Vacancies
Financial Manager	1	1	0	Supervisor	1	1	0
Human Resources Specialist	1	1	0	Principle Analyst	2	2	0
Finance Administrator	1	1	0	Analyst	2	2	0
Personal Assistant	1	1	0	Programme Administrator	1	1	0
Research (Intern)	0	1	0	Analyst (Intern)	0	1	0

*Staff recruited on a temporary basis from grant funds due to insufficient capacity. Therefore the posts do not form part of the approved structure.

** The 2 vacant posts are for CSS unit, which is dependent on the progress of the banking system and the need for capacity. The CSS unit has recruited temporary staff as a measure to assist CFIs to ensure records are accurate and up to date before migration into the banking system.

PART A | GENERAL INFORMATION

9. ORGANISATIONAL STRUCTURE

Capacity Building	2015/16	2016/17	Vacancies	Central Support Services	2015/16	2016/17	Vacancies
Director: Capacity Building	1	1	0	Director: Central Support Services	1	1	0
Senior Technical Analyst	2	3	0	Senior Accountant & Financial Manager	0	2	1
Junior Technical Analyst	2	2	1*	Junior Accountant	0	2	2**
Programme Administrator	1	1	0	CFI Support Training: Manager & Trainer	0	3	-1**
				CFI Call Centre: Manager & Agents	0	4	0**
				Business Analyst	0	1	0
				Programme Administrator	0	1	0

PART B

PERFORMANCE
INFORMATION

PART B | PERFORMANCE INFORMATION**1. AUDITOR'S REPORT: PREDETERMINED OBJECTIVES**

Refer to page 97 to 102 of the Report of the Auditor's Report, published as Part E: Financial Information.

2. SITUATIONAL ANALYSIS**2.1. SERVICE DELIVERY ENVIRONMENT**

The MD is responsible for overseeing the preparation of the CBDA's performance information and for judgements made on this information.

The MD is also responsible for establishing and implementing a system of internal controls that will provide reasonable assurance about the integrity and reliability of the performance information.

In the MD's 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 2017.

The CBDA's performance information for the year ended 31 March 2017 has been examined by the Auditor-General, whose report is presented on pages 97 to 102

The CBDA's performance information set out on pages 97 to 102 was approved by the board.

2.2. ORGANISATIONAL ENVIRONMENT

The CBDA has four units: Corporate Services; Supervision; Capacity Building; and Central Support Services.

CSS is a newly formed unit established from September 2015. The responsibility of the unit is to implement and support the Banking Platform, and provide integration into the NPS for CFIs. This unit's funding is raised solely from stakeholders. The CSS unit continuously engages with stakeholders and interested parties to raise funds for this initiative.

To ensure that the CBDA is adequately capacitated to achieve its objectives, during the year under review five CSS interns were absorbed as call centre agents and trainers. Three other interns, who had completed a two-year internship programme funded by Bankseta, were absorbed in the Supervision and Capacity Building units.

The CBDA continues to depend on the National Treasury for office accommodation, ICT, as well as legal, supply chain management, risk management and internal audit services. Service level agreements have been signed with units within National Treasury in order to improve the efficiency of services offered.

The CBDA's goal is to explore and understand the challenges CFIs face in servicing their members in the new financial year. Due to the small size and slow growth of the sector, with only 28 registered CFIs at year-end, the CBDA intends conducting a regulatory impact assessment of its rules and review the impact of its capacity-building programmes, as well as disseminate communication pieces to clarify some of the current rules. The agency's overall aim is to enable and assist CFIs in changing the lives of their members.

PART B | PERFORMANCE INFORMATION

2. SITUATIONAL ANALYSIS

2.3. KEY POLICY DEVELOPMENTS AND LEGISLATIVE CHANGES

In the past financial year, there were no changes to either the Co-operative Banks Act, Banks Act Exemption Notice No. 620 or Co-operatives Act. The CBDA is awaiting the finalisation of the Financial Sector Regulation Bill, which consequentially amends the Co-operative Banks Act to include CFIs. The consequence of this could be that the supervisory function will move to the SARB, as proposed by the Twin Peaks regulatory model.

2.4. STRATEGIC OUTCOME-ORIENTED GOALS

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

- 16 eligible CFIs meet the Co-operative Banks Act regulatory threshold.
- 8 CFIs went live on the banking platform and are now able to be fully functional on the system.
- In the year under review 184 CFI board, committee members, managers and staff were trained in financial management, compliance, etc.
- An annual impact assessment reflected that capacity-building programmes have an effective impact on CFIs.
- A Diploma in CFI Management was commissioned with the University of Fort Hare, with 25 individuals from the CFI sector, to be completed in June of 2017.
- Numerous presentations were made to stakeholders to promote the CFI model.
- In the year under review, R14,9 million was sourced from key stakeholders with a similar mandate, to assist the CBDA to achieve its objective.
- The registration of Mzansi Arts and Craft CFI was done in collaboration with the DRDLR, which assisted in funding this project. The CBDA oversaw the project from registration to the setting up of offices as well as branding.



Olatse Matshane

Managing Director

PART B | PERFORMANCE INFORMATION

3. SECTOR PERFORMANCE INFORMATION

TOTAL SECTOR PERFORMANCE AS AT 28 FEBRUARY 2017

The number of registered co-operative banks remains at 2, as shown in Table 1. Co-operative banks are under the regulatory auspices of the SARB, and constitute 39.6% of the total sector, in total assets. The number of CFIs eligible for registration as co-operative banks increased by 2 year-on-year, to 16. Eligible CFIs meet the Co-operative Banks Act regulatory threshold of more than 200 members and R1 million in deposits however, have not met other prudential requirements required by SARB. These remain under the regulatory ambit of the CBDA. They represent 59.3% of the total assets of the sector. The CBDA also supervises and regulates 12 "Other" CFIs, representing 1.1% of the sector. These are small and in most cases newly registered CFIs.

Table 1 Total Sector Metrics February 2017								
	2016	2017	2016	2017	2016	2017	2016	2017
	Numbers		Members		Deposits		Assets	
Co-op banks	2	2	2 258	2 392	R94.5m	R104.0m	R107.4m	R112.0m
Eligible CFIs ¹	14	16	21 978	24 066	R136.3m	R122.6m	R162.6m	R167.9m
Other	14	12	5 516	3 360	R3.0m	R987K	R9.6m	R3.2m
Total	30	30	29 752	29 818	R233.8m	R227.6m	R279.6m	R283.1

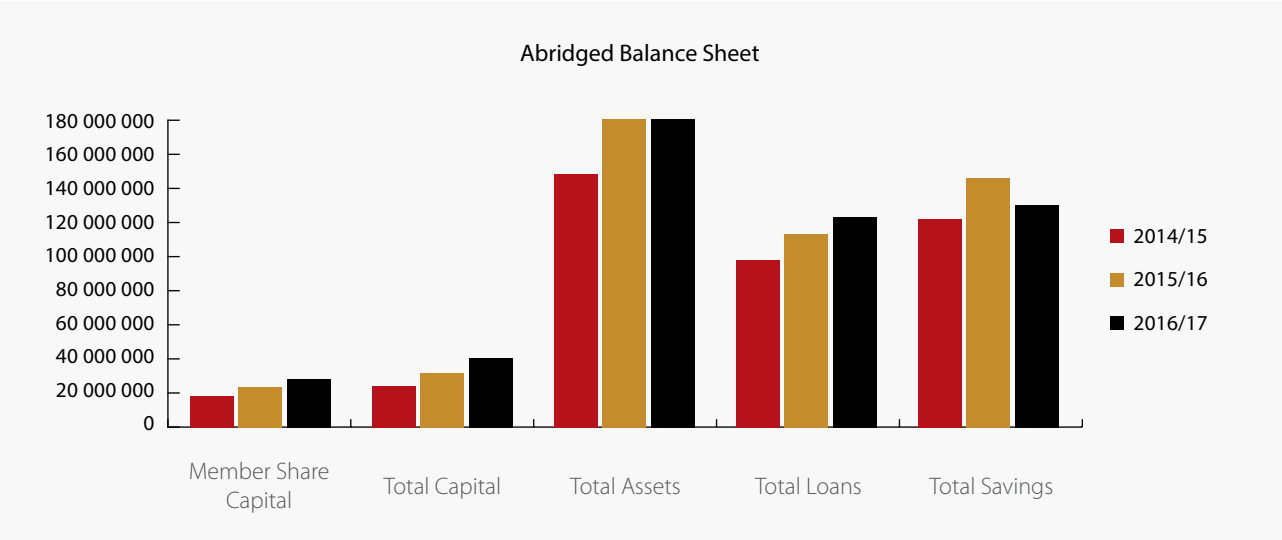
¹ These CFIs meet the minimum requirement for registration as a co-operative bank i.e. 200 members and R1 million in deposits, but fall short in terms of financial, human, prudential and/or operational requirements.

PART B | PERFORMANCE INFORMATION

3. SECTOR PERFORMANCE INFORMATION

FINANCIAL PERFORMANCE OF THE CFI SECTOR AS AT 28 FEBRUARY 2017

The analysis below relates to the 28 CFIs registered and regulated by the CBDA, in terms of Exemption Notice 620 of 2014, for periods ended February 2015, 2016 and 2017. Furthermore, it should be read in conjunction with the supervisory report section on number of days taken to register and renew applications of CFIs.



CAPITAL ADEQUACY

Total capital for all registered CFIs as at February 2017 increased over the previous year by 27 percent, to R39,006,366 as a result of growth in voluntary shares. The sector remained adequately capitalised, with a capital adequacy ratio of 18 percent at February 2017, a 5 percentage point increase from the 13 percent reported in the prior year. This was a result of increased profitability and hence institutional capital. Capital adequacy ratio remained above the minimum regulatory requirement of 6 percent.

Sector solvency remained strong at 132 percent for the year under review.

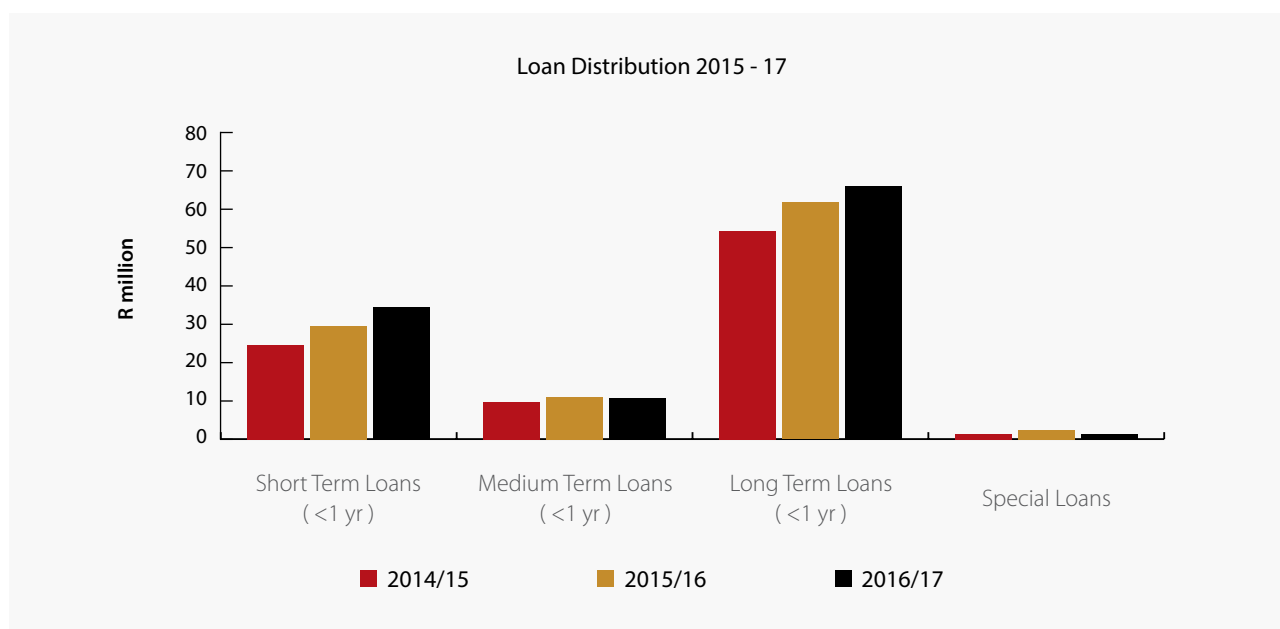
PART B | PERFORMANCE INFORMATION

3. SECTOR PERFORMANCE INFORMATION

ASSET QUALITY

Net loans amounted to R117,608,556 for the period under review, and increased by 9 percent from the R108,038,526 reported in February 2016, due to the increased loan issuance across the portfolio as well as additional CFIs being registered.

The delinquency ratio continued to strengthen, coming in at 5.48 percent in February 2017, which compares favourably to 7.76 percent in February 2015, with gross delinquent loans dropping by 45.36 percent year on year. As reflected below, the bulk of the sector loans were within the long term period, i.e. more than 3 years, and mostly housing loans in the larger CFIs.



The ratio of net loans to total assets improved to 68.27 percent in February 2017 and remained within the maximum regulatory requirement of 80 percent.

The ratio of external credit to total assets increased significantly to 4.08 percent, mostly as a result of one CFI shifting member deposits to external credit in order to remain within the R40 million deposit threshold for CFIs. Nevertheless, the sector remains geared towards greater financial independence and financial autonomy.

The non-earning asset to total assets increased by 10.61 percent as at February 2017 reflective of an opportunity cost as CFIs are foregoing asset yielding assets. The ratio remains above the maximum regulatory requirement of 5 percent.

PART B | PERFORMANCE INFORMATION

3. SECTOR PERFORMANCE INFORMATION

EARNINGS (SURPLUS)

Reported sector surplus amounted to R4,492,738 in February 2017, marginally increased from R4,317,584, reported in the prior year. Grant income constituted 21 percent of the reported surplus, while interest income on loans remained a key source of surplus, consistent with the prior year.

Operating expenses increased by 9 percent to R15,121,037 in February 2017, with personal and administration expenses being the core cost drivers.

Return on assets was relatively flat year-on-year, at 2.6 percent during the period under review on the back of asset growth despite cost-to-income strengthening to 74 percent.

LIQUIDITY

Total liquid assets amounted to R37,948,803 as at February 2017, a year-on-year increase of 14.7 percent, from R33,083,580; liquid assets largely constituted commercial bank deposits and the CFI Financial Retail Savings Bond.

Notwithstanding the above, the liquidity ratio remained flat at 28.7 percent however, this remains strong and above the 10 percent minimum regulatory requirement.

PART B | PERFORMANCE INFORMATION

4. PERFORMANCE INFORMATION BY PROGRAMME

4.1. PROGRAMME 1: MANAGING DIRECTOR AND CORPORATE SERVICES UNIT

The Managing Director and Corporate Services unit is responsible for strategic leadership, governance, financial management and human resources of the CBDA and ensuring effective and efficient coordination of all the Agency's activities. The unit is also responsible for stakeholder management, marketing, research and administration of the Stabilisation Fund. Limited financial resources prevent this unit from carrying out these functions effectively.

Since the establishment of the CBDA, the CFI sector had a lot to celebrate. The 28 CFIs registered on the CBDA register is evidence that the sector is slowly gaining traction and the public is beginning to understand and appreciate the impact of the CFI model in order to reform economic development for the under and unbanked.

THE HIGHLIGHTS OF THE YEAR UNDER REVIEW ARE:

1. CBDA embarking on an exercise to establish what we term shared understanding and meaning (SUM). The SUM exercise was to ensure that the CFI rules are understood and interpreted correctly and in the same way by all the CFIs.
2. Members of the Board and National Treasury delegates visited 2 rural CFIs in the Limpopo province to get an understanding on how they operate, the communities they serve, as well as challenges and opportunities to enhance the growth of the sector. This would enable the CBDA Board to provide strategic direction to grow the sector.
3. The CBDA was invited to attend Parliament's portfolio committee on finance in the year under review and was invited to present again in the new financial year.

PART B | PERFORMANCE INFORMATION

4. PERFORMANCE INFORMATION BY PROGRAMME

Key performance indicators, planned targets and actual achievements

Strategic Objectives: CBDA is adequately capacitated							
Performance Indicator	Actual Achievement 2013/2014	Actual Achievement 2014/2015	Actual Achievement 2015/2016	Planned Target 2016/2017	Actual Achievement 2016/2017	Deviation from planned target to Actual Achievement for 2016/2017	Comment on deviations
Number of MOUs with Stakeholders (new/revised/ existing)	6	10	8	8	12	+4	Overachieved Signed in current year: <ul style="list-style-type: none"> • Bankseta – Study Circles • Training NCR & FICA • NCR • SSACI Existing MOUs: <ul style="list-style-type: none"> • FSB-Financial Education Foundation • CIPC • BankSeta • National Treasury • SEFA • DRDLR • Department of Roads and Public Works (EC) • Gauteng DED • KZN DED • National Treasury • ICT

PART B | PERFORMANCE INFORMATION

4. PERFORMANCE INFORMATION BY PROGRAMME

Key performance indicators, planned targets and actual achievements

Strategic Objectives: A Financially stable CFI sector							
Performance Indicator	Actual Achievement 2013/2014	Actual Achievement 2014/2015	Actual Achievement 2015/2016	Planned Target 2016/2017	Actual Achievement 2016/2017	Deviation from planned target to Actual Achievement for 2016/2017	Comment on deviations
Implement initiatives to ensure fund becomes operational	-	-	Operational	3 Stabilisation Fund Committee meetings	4	+1	Overachieved <ul style="list-style-type: none"> Four meetings were held during the year under review. The stabilisation Fund is still insufficiently funded. The committee will start communicating with the CFIs about their contributions to the Fund.
	-	-	Policies and procedures are in place	4	0	0	Not achieved <p>The documents for operationalising the Fund was approved at the April 2017 Board meeting.</p>
	-	-	Issued three newsletters to educate CFIs about the Stabilisation fund	3	0	0	Not achieved <p>The Stabilisation Fund is still insufficiently funded.</p>

PART B | PERFORMANCE INFORMATION**4. PERFORMANCE INFORMATION BY PROGRAMME**

Key performance indicators, planned targets and actual achievements

Strategic Objectives: CBDA brand and CFI model is known and recognised							
Performance Indicator	Actual Achievement 2013/2014	Actual Achievement 2014/2015	Actual Achievement 2015/2016	Planned Target 2016/2017	Actual Achievement 2016/2017	Deviation from planned target to Actual Achievement for 2016/2017	Comment on deviations
Number of Publications and activities (e.g magazines, newsletter, booklets, exhibition stands, etc).	3	5	5	4	7	+3	Overachieved <ul style="list-style-type: none"> The publications were to communicate the work that the CBDA does; the CBDA published the following: <ul style="list-style-type: none"> The annual report Two "The connection newsletter" Two "Quarterly Statistical reviews" One WOVSA indaba exhibition New CBDA pamphlet
Number of presentations and workshops to groups/institutions about the CFI model	-	-	-	12	16	+4	Overachieved <p>Information sessions and presentations were done to different groups/ institutions about the CFI model.</p>

PART B | PERFORMANCE INFORMATION

4. PERFORMANCE INFORMATION BY PROGRAMME

NUMBER OF MOUs WITH STAKEHOLDERS (NEW/REVISED/EXISTING)

CBDA identifies stakeholders who are strategic partners to assist in achieving a common objective. Management of stakeholders is key for CBDA to maintain a working relationship to source additional funding and achieve both CBDA and stakeholder objectives. Service Level Agreements are signed with National Treasury to assist and support the administrative running of CBDA in terms of office space, ICT, SCM, etc. As CBDA does not have sufficient funding to carry out these functions.

Over Achieved: 12 MOUs with 7 MOUs signed in the current financial year.

IMPLEMENT INITIATIVES TO ENSURE FUND BECOMES OPERATIONAL

The stabilisation fund's purpose is to provide liquidity assistance to CFIs when they encounter financial distress.

Not achieved: In the first quarter a request for nomination for a sector representative was circulated, and the meeting was convened on 29 August 2016 to address outstanding matters from the previous financial year. The Stabilisation Fund Committee not being adequately represented resulted in delays in finalising policy documents. The documents were finalised and approved by the Board in April 2017. The committee is operational and in-depth communication about the fund will be circulated and published on the CBDA website in the year ahead.

NUMBER OF PUBLICATIONS AND ACTIVITIES (E.G MAGAZINES, NEWSLETTER, BOOKLETS, EXHIBITION STANDS, ETC)

Achieved: In pursuance of its objective to communicate the CFI value proposition widely, the CBDA has published two editions of the "CFI Quarterly Review" and two issues of the "The Connection" newsletter in the year under review.

NUMBER OF PRESENTATIONS AND WORKSHOPS TO GROUPS/INSTITUTIONS ABOUT THE CFI MODEL

Activities within the CBDA's outreach programme included the following:

- Attendance of the annual CFI indaba which was hosted by the Gauteng DED.
- Meeting with the Independent Development Trust to discuss their programme to establish CFIs and discuss areas of collaboration. A multi-stakeholder workshop was arranged to discuss the details of the programmes.
- A presentation about the CFI model at the Soweto Economic Transformation Indaba.
- A presentation at the Elim Church in Hammanskraal.
- A presentation at the Sekhukhune AGM.
- A presentation at the Women of Value South Africa (WOVSA) Indaba.
- A presentation at the International Co-operative day at Mbombela stadium in Mpumalanga.
- Conducted a visit to two CFIs (Mutapa and Kuvhanganyani) with delegates from National Treasury and members of the CBDA Board.

Over achieved: A follow up meeting took place with The Independent Development Trust and negotiations on collaborating with the CBDA are still underway. The CBDA awarded 3 CFIs Retail Bond cash vouchers amounting to R50 000.00. This was an incentive to encourage CFIs to be competitive and strive to be leaders in the sector in order to build a vibrant sector.

PART B | PERFORMANCE INFORMATION

4. PERFORMANCE INFORMATION BY PROGRAMME

STRATEGY TO OVERCOME AREAS OF UNDER PERFORMANCE

With regard to the stabilisation fund, management will monitor progress to targets on a monthly and quarterly basis.

CHANGES TO PLANNED TARGETS

There were no changes to planned targets during the year under review.

2016 CFI INDABA

The 2016 CFI indaba was hosted by the Gauteng DED in Centurion, from 16 to 19 October 2016. The theme selected by the guest speakers was on "Repositioning the co-operative banking sector for modernisation and sustainable growth". The indaba was focused on member training with members of the different CFIs being trained on credit management, product development and product pricing. The CBDA awarded 3 CFIs Retail Bond cash vouchers amounting to R50 000.00. This was an incentive to encourage CFIs to be competitive and strive to be leaders in the sector in order to build a vibrant sector.

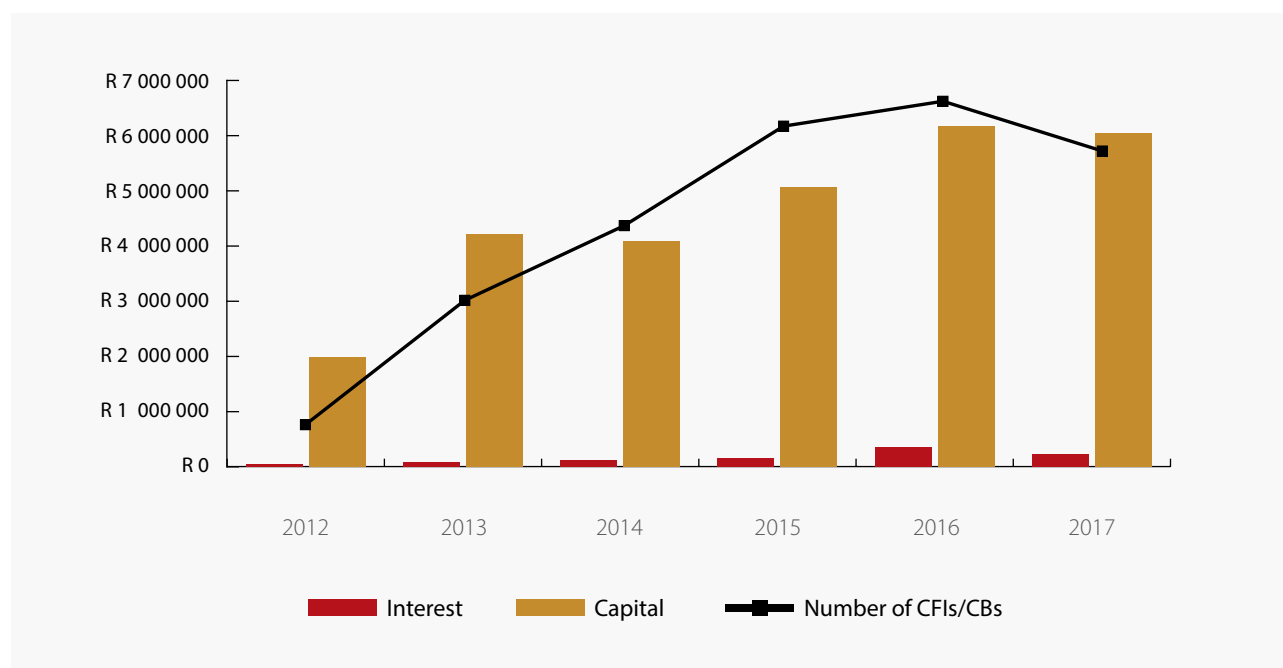
SPEAKERS AT THE INDABA INCLUDED:

- Mr George Ombado from the African Confederation of Co-operative Savings and Credit Associations (ACCOSCA), who spoke on the Deposit Insurance Scheme.
- Ms Olatse Matshane (CBDA) presented on the vision for co-operative banking sector in South Africa.
- Ms Caroline Da-Silva (FSB) presented on opportunities in the Insurance Bill for the co-operative sector in South Africa.
- These presentations were based on repositioning of co-operatives and financial institutions for growth and modernisation.

PART B | PERFORMANCE INFORMATION

4. PERFORMANCE INFORMATION BY PROGRAMME

RSA FINANCIAL CO-OPERATIVE RETAIL BONDS UPDATE:



The National Treasury launched the Financial Co-operative Retail Bond in October 2011 to provide a secure savings instrument that CFIs and co-operative banks can invest in. The bond offers competitive interest rates, calculated bi-annually. Additional features take into account the uniqueness of the CFI model. Through top-ups, it allows for early withdrawals and preservation of capital with no fees and charges levied and is risk free.

With the weak economic condition from the last financial year, 2 CFIs that had been saving on the Retail Bonds withdrew its savings therefore the percentage in the growth on number of CFIs/CBs decreased. Nonetheless the CFIs that continue to save in the Retail Bonds have accumulated impressive interest on their capital amounts. CBDA encourages more CFIs to see value and invest in this investment vehicle which is risk free and provides guaranteed financial growth.

INTEREST RATES – APRIL 2017

One - year- Co-operative Retail Bonds - 7.85 percent
 Two -year- Co-operative Retail Bonds - 8.00 percent
 Three- year- Co-operative Retail Bonds - 8.50 percent

PART B | PERFORMANCE INFORMATION

4. PERFORMANCE INFORMATION BY PROGRAMME

4.2. PROGRAMME 2: SUPERVISION UNIT

The Supervision Unit derives its mandate to supervise and regulate CFIs through the Banks Act Exemption Notice 620, Gazette 37903, issued 15 August 2014 (Designation of an activity not falling within the meaning of the “the business of a bank”) on condition that the CFI subject itself to the supervision and regulation of the CBDA.

The function of the CBDA also includes registering and regulating representative bodies, and accredit and regulate support organisations.

THE HIGHLIGHTS FOR THE SUPERVISION UNIT DURING THIS YEAR WERE:

- a) The unit received 9 applications during this period, with 7 applications having been processed during this financial year.
- b) Conducting 23 onsite assessments, of which 14 were risk based, whilst the balance of 9 were conducted in the electronic checklist based format.
- c) Conducting 90 offsite analyses of our CFIs over the year.
- d) Completed BASEL self-assessment within the unit.
- e) The unit processed the first application for registration as a support organisation.

PART B | PERFORMANCE INFORMATION

4. PERFORMANCE INFORMATION BY PROGRAMME

Strategic Objectives: CFI sector that is institutionally safe and sound							
Performance indicator	Actual achievement 2013/2014	Actual achievement 2014/2015	Actual achievement 2015/2016	Planned target 2016/17	Actual achievement 2016/2017	Deviation from planned target for 2016/2017	Comment on variances
Timeframe for registration to be responded to	Within 30 days and registration decisions made within 3 months	Within 30 days and registration decisions made within 3 months	10 days	Registrations to be responded to within 5 days of receipt	Registrations to be responded to within 5 days of receipt	-	Achieved
Percentage of registration decisions made within 3 months of receipt	Within 30 days and registration decisions made within 3 months	Within 30 days and registration decisions made within 3 months	88%	75% of total applications received for the year, registration decision made within 3 months of receipt	86% of total applications received for the year, registration decision made within 3 months of receipt	+11%	Over achieved Registration decisions made within 30 days
Number of onsite inspection conducted on CFIs	18	19	16	16	23	+7	Over achieved Increased number of CFIs that qualified for examinations.
Number of offsite reports of CFIs analysed	70	68	75	60	90	+30	Over achieved Better compliance with returns by CFIs

PART B | PERFORMANCE INFORMATION

4. PERFORMANCE INFORMATION BY PROGRAMME

Strategic Objectives: CFI sector that is institutionally safe and sound							
Performance indicator	Actual achievement 2013/2014	Actual achievement 2014/2015	Actual achievement 2015/2016	Planned target 2016/17	Actual achievement 2016/2017	Deviation from planned target for 2016/2017	Comment on variances
Time frame to identify and recommend remedial actions to CFIs	-	-	Within 1 month of identification	Within 1 month of identification	Within 1 month of identification	-	Achieved
Percentage of compliance with Basel core principles for effective supervision of deposit taking micro finance institutions	77%	82%	85%	85% compliance to Basel core principles	69% compliance to Basel core principles	-16%	Not Achieved NT legal opinion on exemption notice required a down-grade of Core Principle 1 and 2 of its essential criteria (legal framework and legal powers) from compliant to non-compliant
Percentage of CFI applications and returns processed online through a return submission portal	Request for proposal and quotations received.	-	10	50% of applications and 30% of returns using the submission portal.	0% of applications and 0% of returns using the submission portal.	- 100% of applications and -100% of returns using the submission portal.	Not Achieved Whilst CFIs are registered on the portal, National Treasury is still in the process of providing the required network support for it to go live in the NT local environment
Percentage of compliance based examinations conducted through an automated onsite examination process	Design completed	-	5	80% of compliance based examinations automated	75% of compliance based examinations automated	-5%	Not achieved Conducted nine out of twelve electronic based examination on eligible CFIs

PART B | PERFORMANCE INFORMATION**4. PERFORMANCE INFORMATION BY PROGRAMME****TIMEFRAME FOR REGISTRATION TO BE RESPONDED TO****PERCENTAGE OF REGISTRATION DECISION MADE WITHIN 3 MONTHS OF RECEIPT**

Applications received during the financial period amounted to nine, with 1 CFI having resubmitted its application after it had been rejected; while another received from a support organisation, was rejected. Decisions were made within the 3 month period for all applications but 1, where an extension had been requested for additional information to be submitted, while the financial period closed with 4 applications in progress.

Three applications were successfully registered as CFIs, as shown below:

CFI	Province	Registration date	Common bond
Eyakwethu CFI	National	24 May 2016	All members of Consumer Co-operative Limited.
Mzansi CFI	National	17 May 2016	Arts and Craft Cooperatives in Mpumalanga, Eastern Cape, Limpopo and KwaZulu Natal.
SAWBCC	National	11 October 2016	Members of South African Women Business Council Co-operative.

REJECTIONS

Rejection of applications submitted amounted to four, which included the application from a support organisation. The other rejections were as a result of the common bond, where one applicant membership included juristic persons (which was corrected and they were subsequently registered); while the other's membership was purported to be the shareholding of a private company.

REASONS FOR REJECTION:

Insufficient membership	Insufficient shares	Incomplete application	Common bond
0	0	1	2

DEREGISTRATION

No CFIs were deregistered as a consequence of non-compliance however, 3 CFIs were deregistered by virtue of not meeting the requirements for renewal as noted below.

PART B | PERFORMANCE INFORMATION**4. PERFORMANCE INFORMATION BY PROGRAMME****NON-RENEWALS**

CFIs are required to apply for a renewal of registration on an annual basis. The process is designed to ensure that CFIs remain compliant to the Co-operatives Act (and submit their returns to the CIPC as going concerns) and as confirmation to the CBDA that conditions of registration are met.

A CFI IS REQUIRED TO:

- Submit a renewal application
- Submit a copy of its AGM minutes
- Submit a copy of its audited financial statements or signed off independent financial review
- Submit a copy of its confirmation (automated) email that it has submitted its statutory returns to the CIPC
- Maintain membership of 200 and R100,000 in shares
- Be solvent

During this financial period, 2 CFIs did not meet the abovementioned requirements. One CFI did not hold a general meeting with its members and could not produce audited financial statements, whilst the second CFI was insolvent with a negative capital adequacy ratio.

As at 28 February 2017, there were 28 registered CFIs, 16 of which were considered large (i.e. they have more than R1 million in members' deposits). This number increased by 2, from what was reported for the same period last year. Eight CFIs were categorised as under incubation, requiring targeted capacity building support as recent or floundering start-ups.

The consolidated statistics for the registered CFIs are reflected, per province, in the table below:

CONSOLIDATED REGISTERED CFI STATISTICS AS AT 28 FEBRUARY 2017

		Members	Total Assets	Net Loans	Deposits
			R	R	R
Limpopo					
6	Bakenberg FSC	1 356	3 091 195	345 156	1 245 016
	Greater Tzaneen	273	112 390	0	6 980
	Kuvhanganyani FSC	424	2 003 855	577 552	1 753 691
	Mathabatha FSC	1 945	1 428 782	573 258	1 672 852
	Mutapa FSC	393	1 218 660	586 324	626 591
	Sekhukhune	327	137 931	0	3 240
	Total Limpopo	4 718	7 992 813	2 082 290	5 308 370

North West

	Boikago SACCO	987	5 943 095	4 762 772	2 883 522
1	Total North West	987	5 943 095	4 762 772	2 883 522

PART B | PERFORMANCE INFORMATION

4. PERFORMANCE INFORMATION BY PROGRAMME

	Members	Total Assets	Net Loans	Deposits
		R	R	R

Gauteng

	Eyakwethu	397	202 070	0	22 737
	GIG CFI	445	4 605 127	2 032 050	1 954 892
	Kleinfontein SACCO	484	36 277 870	30 090 046	34 736 944
	Nagrik FSC	299	2 909 159	1 340 230	1 543 603
	Nehawu	10 777	24 478 156	22 361 909	15 436 986
	Oranjekas SACCO	997	48 323 422	39 081 443	38 407 319
	SAWBCC	229	604 094	0	439 467
	Thari Entso FSV	216	223 020	1 780	136 150
	Webbers SACCO	855	9 028 770	3 395 478	1 604 571
	Young Women Business Network	454	8 199 677	2 757 986	3 461 132
10	Total Gauteng	15 153	134 851 365	101 060 922	97 743 801

Eastern Cape

	Imvelo Agricultural Co-operative	360	420 521	0	3 118
1	Total Eastern Cape	360	420 521	0	3 118

KwaZulu Natal

	Kings Grange FSC	237	783 171	624 798	214 746
	KwaMachi FSC	769	1 049 536	439 668	1 011 089
	KwaZulu Ladies FSC	1 706	4 236 148	3 076 540	3 605 973
	Mzansi Rural Arts and Crafts	632	172 173	0	66 239
	Ziphakamise SACCO	618	5 878 614	3 636 143	4 012 917
	Umbambiswano				
6	Total KwaZulu Natal	4 322	12 540 163	7 777 149	8 914 082

Western Cape

	Medical Primary Financial Cooperative	271	2 502 478	10 210	1 334 312
	SAMWU SACCO	1 679	7 911 960	1 912 929	7 943 307

PART B | PERFORMANCE INFORMATION**4. PERFORMANCE INFORMATION BY PROGRAMME**

		Members	Total Assets	Net Loans	Deposits
				R	R
	Worcester Community SACCO	360	402 706	0	34 449
3	Total Western Cape	2 310	10 817 144	1 923 139	9 312 068

Free State

	Nnathele FSC	329	129 565	2 284	60 311
1	Total Free State	329	129 565	2 284	60 311

28	Total CFIs	27 819	172 274 145	117 608 556	124 222 154
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All data is based on CFI submitted returns and not audited figures. On 28 February 2017 returns were outstanding for Greater Tzaneen, KwaMachi (as they) reflect figures of November 2016. Ubambiswano figures are unverifiable.

Achieved: Supervision has a target to respond within 5 days to an application for registration. During this period, Supervision received 9 applications and all were responded to within 5 days.

NUMBER OF ONSITE EXAMINATIONS CONDUCTED ON CFIs

Effective co-operative banking supervision requires that the risk profile of individual co-operative banks be assessed and supervisory resources allocated accordingly.

The CBDA's needs bring with it a certain amount of complexity. Firstly, we are responsible for the registration of many small "new" CFIs. Whilst the development of the regulatory framework will take into account the risks commensurate with such small institutions. In tightly knit common bonds, the members should still play a key role in the "oversight" of the institutions. Furthermore, taking into account the nature, scale and size of the institution will in all likelihood require a more "rules based approach" to supervision than a risk based approach.

The larger CFIs in the CBDA portfolio, at this time identified as having a deposit base of over R1 million, are required to apply for registration as co-operative banks, and will be required to become familiar with risk management practices as well as risk based supervision, taking into account the potentially more risky products and services that could be taken on by the institution. CFIs registered with the CBDA will be categorised by risk, in order to have a process of assessment in place that will be commensurated with the complexities of each CFI.

PART B | PERFORMANCE INFORMATION**4. PERFORMANCE INFORMATION BY PROGRAMME****METHODS OF ASSESSMENT**

Over the past year, 23 onsite assessments were conducted on CFIs.

ONSITE EXAMINATIONS – RULES BASED:

Of the 23 assessments conducted during this year, 11 were rules based examinations. Using a checklist based on the Co-operative Act and its regulations, the exemption notice and CBDA rules, regulatory requirements as well as operational requirements, conducting a rules based assessment: The outcome of such an assessment should be an institutional profile of the institution, which determines the on-going sustainability and development of the institution, areas of non-compliance, timeframes for rectifying pertinent (risk) issues in order to achieve full compliance as a co-operative bank.

Our effort to streamline the rules based examination resulted in the unit automating the process, which is discussed under the output: “Onsite Compliance Application Development”

ONSITE EXAMINATION – RISK BASED:

12 risk-based examinations were conducted. These require rigorous risk assessments to ensure effective identification of the strengths and vulnerabilities of a CFI as well as a CAMEL assessment. Risk assessment focuses supervisory effort on those risks posing the most severe challenge to the safety and soundness of a CFI. Credit, interest rate, operational, liquidity, legal and strategic risks are all assessed resulting in a Risk Matrix and Assessment Narrative consolidated into an on-going institutional profile. The institutional profile provides a concise portrait of the CFI's structure and activities, nature and level of risk. It also highlights outstanding past supervisory findings and future prospects.

1 CFI, with a 1 composite rating in terms of our methodology, was advised after drawing up our examination schedule, that should their returns continue to provide strong indicators, no examination would be conducted on them during this period.

One other examination conducted was a targeted examination on a worsening CFI, whose renewal application was subsequently rejected as it was unable to provide a turnaround strategy.

The final process undertaken with risk based examinations is the Supervisor reporting the findings back to the Board of the examined CFI. The Supervisor reported back to all but one CFI during this period.

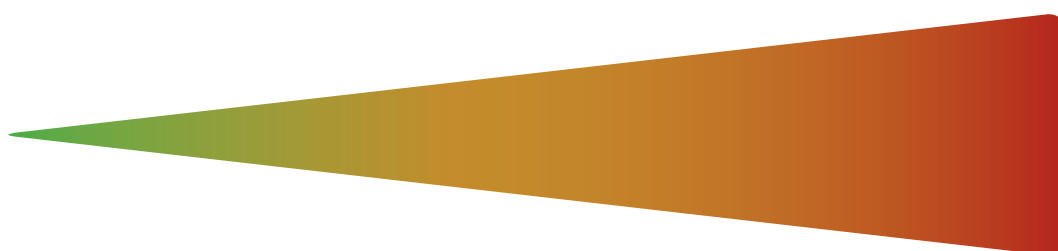
Achieved: The onsite examination target of 16 was exceeded by 7.

PART B | PERFORMANCE INFORMATION

4. PERFORMANCE INFORMATION BY PROGRAMME

The Supervisory Review and Evaluation Process informs the decision as to what type of process will be followed.

Low Risk	Intermediate	High Risk
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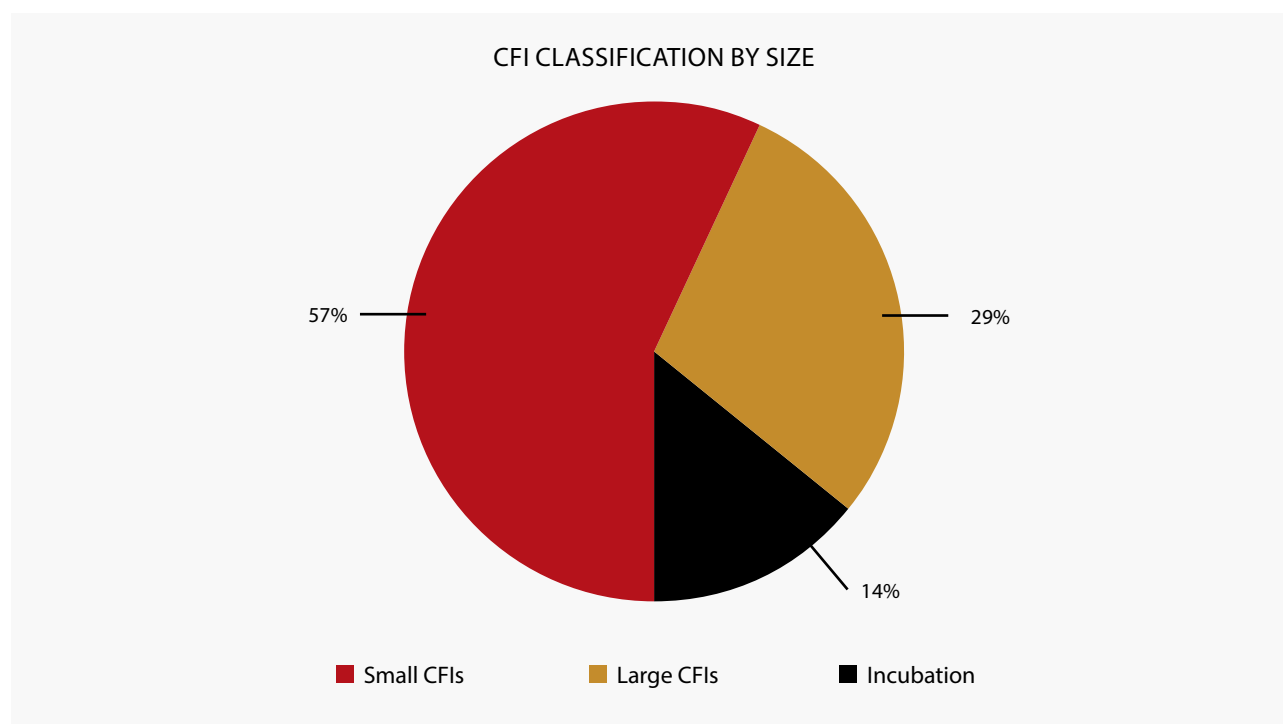
SIMPLIFIED ASSESSMENT	TARGETED ASSESSMENT	DETAILED ASSESSMENT
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CFIs identified in these categories have the following characteristics:

LOW RISK	<ul style="list-style-type: none"> New CFIs, not previously registered Low systematic impact - CFIs with no loan book, where redeemable assets would fully cover the liabilities and share invested by members Deposit base – Less than R1 million CAMELS rating between 1 and 2 	INTERMEDIATE	<ul style="list-style-type: none"> CFIs whose solvency ratio is above 100% Intermediate systematic impact – CFIs whose redeemable assets would cover more than 50% of the CFI's issued shares and savings. Deposit base: More than R1 million CAMELS rating between 1 and 3 CFIs whose Capital Adequacy Ratio (CAR) is above the required minimum of 6% 	HIGH RISK	<ul style="list-style-type: none"> CFIs whose solvency ratio is below 100% High systematic impact – CFIs whose redeemable assets would cover less than 50% of the CFI's issued shares and savings. Deposit base - More than R1 million CAMELS rating between 4 and 5 CFIs whose CAR is below 6%
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Frequency of the SREP cycle:

LOW RISK	<ul style="list-style-type: none"> Submission of returns – quarterly Offsite report – quarterly Onsite assessment – 18 months Meeting with board – 18 months Institutional profile – annually 	INTERMEDIATE	<ul style="list-style-type: none"> Submission of returns – quarterly Offsite report – quarterly Onsite assessment – 12 months Meeting with board – 12 months Institutional profile – bi-annually 	HIGH RISK	<ul style="list-style-type: none"> Submission of returns - monthly Offsite report - monthly Onsite assessment – 6 months Meeting with board – 6 months Institutional profile – quarterly
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PART B | PERFORMANCE INFORMATION**4. PERFORMANCE INFORMATION BY PROGRAMME****NUMBER OF OFFSITE REPORTS OF CFIS ASSESSED**

With the risk based approach that has been adopted by the CBDA Supervision Unit, offsite reports enable the Supervisor to apply a more systematic and time based methodology when discharging its role in regulating and monitoring the CFIs. Off-site reports afford the Supervisor a clearer portrait of the financial health of the CFIs and diagnostic analysis leading to formulation of more suitable responses to the gaps identified.

These reports are generated mainly from quarterly financial returns, together with periodic financial information such as AFS. As returns are received for a particular quarter, a detailed review and analysis process will be conducted and thereafter a report is generated.

The table below indicates number of returns which were received during the period under review:

Quarterly Return Submission 2016/2017	Q1	Q2	Q3	Q4
Number of returns received	27	28	26	23
Number of returns assessed	22	23	23	22
Target per quarter	15	15	15	15
Variance	+7	+7	+7	+7

PART B | PERFORMANCE INFORMATION**4. PERFORMANCE INFORMATION BY PROGRAMME**

The variance can primarily be attributed to an increase in registered CFIs and better than expected submission of quarterly returns. In the next year, the number of performance target has been amended to measure the number of CFIs analysed against a percentage of the CFIs registered.

Where there have been late and non-submission of quarterly reports, the Supervisor has issued infringement notices stipulating the issues at hand and required remedial actions.

Whilst the supervisory unit has achieved its objective of inculcating a compliance culture amongst the CFIs, the quality of information reported remained a concern. It is envisaged that this will be partially addressed by the CFIs implementing a rigorous banking information system which will automate the returns. The unit has furthermore resolved that over the next period, the focus will be the validity and integrity of the data being receiving.

Achieved: The target of off-site reports to be analysed as per the Key Performance Areas was 60 and the actual returns analysed was 90.

TIME TAKEN TO IMPLEMENT RESOLUTION OF CFIS

The supervision unit has developed guidelines for interventions in problem CFIs. The framework outlines the kind of involvement/ intervention expected from the Supervisor and summarises the circumstances under which certain supervisory actions may take place.

The guidelines emphasise the need to ensure that interventions in CFIs are made as early as possible, through engagements with the CFI and the Supervisor to ensure that risks are identified timeously. Problem CFIs are assisted, where a turnaround of its issues is possible, while others are assisted to ensure that members' deposits are recovered, towards winding down their operations. The key priority (risk) areas the unit focusses on from the guidelines are solvency, capital and liquidity. A CFI with a downward trend in any of these ratios is requested to provide the supervisory unit with a plan to addressing concerns.

During this current year, 4 CFIs were sent notification to address concerns of declining capital and liquidity, below the rules required thresholds.

Achieved: Problem CFIs were sent notification to rectify our concerns within one month of identification.

PERCENTAGE COMPLIANCE WITH BASEL CORE PRINCIPLES FOR EFFECTIVE SUPERVISION OF DEPOSIT TAKING MICRO FINANCE INSTITUTIONS

The Basel Committee on Banking Supervision (bcbs) provides a forum for regular co-operation on banking supervisory matters. Its objective is to enhance the understanding of key supervisory issues and improve the quality of banking supervision worldwide. The supervision unit uses the bcbs' Microfinance Activities and the Core Principles for Effective Banking Supervision as supervisory guidance for the application of the Basel Core Principles for Effective Banking Supervision to microfinance activities, and the range of practices on regulating and supervising microfinance activities.

The table below only indicates principles that the supervision unit was materially non-compliant with during the base year 2013 and the subsequent initiatives to address those gaps.

PART B | PERFORMANCE INFORMATION

4. PERFORMANCE INFORMATION BY PROGRAMME

OVERVIEW OF NON-COMPLIANCE WITH THE BASEL CORE PRINCIPLES SINCE 2013 AND INTERVENTIONS MADE BY CBDA SUPERVISION UNIT UP TO 31 MARCH 2016:

DETAILS ON NON-COMPLIANCE		INTERVENTIONS MADE:			
CORE PRINCIPLE	2012	2013	2014	2015	2016
Principle 6 – Capital adequacy	Materially Non-Compliant CBDA requirements for prudent and appropriate minimum capital adequacy requirements for banks are not legally specified in terms of the Act.	None	None	None	Guideline was issued on stress testing which touches base on capital requirements
Principle 7 – Risk management process	Materially Non-Compliant There is no specific guidance in place	None	Guideline was issued on risk management process	No update	No update
Principle 9 – Problem assets, provisions and reserves	Materially Non-Compliant There is no specific guidance on when loans can be written off, though loans are provided for 100% if overdue by more than 12 months.	None	Guideline was issued on problem assets, provisions and reserves	No update	No update
Principle 13 – Market risk	Non-Compliant No specific policy guidance provided	None	Guideline was issued on market risk	No update	No update
Principle 14 – Liquidity risk	Materially Non-Compliant No specific policy guidance provided	None	Guideline was issued on liquidity risk	No update	No update
Principle 15 – Operational risk	Non-Compliant No specific policy guidance provided	None	Guideline was issued on operational risk	No update	No update
Principle 16 – Interest rate risk in the banking book	Non-Compliant No specific policy guidance provided	None	None	None	None
Principle 17 – Internal control and audit	Materially Non-Compliant CBDA requirement that that banks and banking groups have in place a comprehensive risk management process is not legally specified. Guidance on provisions is provided through the rules but nothing specific on write-offs.	None	None	None	None
Principle 18 – Abuse of financial services	Non-Compliant There is no specific guidance in place	None	None	None	None

PART B | PERFORMANCE INFORMATION**4. PERFORMANCE INFORMATION BY PROGRAMME**

OVERVIEW OF NON-COMPLIANCE WITH THE BASEL CORE PRINCIPLES SINCE 2013 AND INTERVENTIONS MADE BY CBDA SUPERVISION UNIT UP TO 31 MARCH 2016:

DETAILS ON NON-COMPLIANCE		INTERVENTIONS MADE:			
CORE PRINCIPLE	2012	2013	2014	2015	2016
Principle 22 – Accounting and disclosure	Materially Non-Compliant There is no specific guidance in place	None	A guidance was issued on accounting and disclosure	No update	No update
Principle 23 – Corrective and remedial powers of supervisors	Materially Non-Compliant There is no specific guidance in place	None	None	None	None
Compliance rating	60%	62%	77%	81%	69%

PART B | PERFORMANCE INFORMATION

4. PERFORMANCE INFORMATION BY PROGRAMME

The unit has continuously strived to apply necessary interventions through publishing and review of relevant guidelines, issuing of policy documents and adoption of rules that match the core principles, in order to address identified gaps. Principles which the unit complied with will require continuous monitoring in order to maintain the status quo.

A robust consultation was made with the National Treasury legal office regarding enforceability of rules; further engagements were made with the sector and other interested parties regarding amendments to the Co-operatives Banks Act. The weaknesses uncovered through regulating through an exemption notice have been addressed in the Financial Sector Regulatory Bill (FSRB) currently before Parliament.

Not achieved: The unit achieved a self-assessed compliance of 18 of the 25 identified core principles. The overall compliance rating for the current year under review is 69%.

ONLINE APPLICATION AND RETURN SUBMISSION PORTAL

During the year under review, further enhancements to the online portal were effected, based on the user-testing workshop conducted in March 2016. The system has been live and tested several times on the consultant's own server. It currently awaits being migrated to the National Treasury server. Due to the delays in migrating it to the National Treasury server it has not been possible to initiate the process of online applications and returns.

Not achieved: Awaits deployment on NT server.

ONSITE COMPLIANCE APPLICATION DEVELOPMENT

The application, designed and developed by the National Treasury IT team is accessible on the department's portal, allowing the Unit password access to the web based site here. Although functional, there are a few cosmetic issues that still need to be configured and these were not deterrents to the Unit successfully completing the compliance based examinations of those conducted.

During the financial period, there were 12 CFIs that were eligible for the checklist based examinations, 3 of which were conducted on the discontinued onsite examination template, resulting in 9 successful completed examinations. The CFIs were as follows:

Successfully completed examinations		
Imvelo	King Grange	Eyakwethu
Sekhukhune	Medi Co-op	Worcester
Bakenberg	Nnathele	Thari Entso

Not achieved: The Unit had set itself a target that 80% of eligible CFIs' examinations to be conducted on the new application as at the end of the financial period, falling short of 1 examination. The Unit will focus on fully assessing all eligible CFIs on the application, with the next phase focusing on producing individual and consolidated reporting.

PART B | PERFORMANCE INFORMATION

4. PERFORMANCE INFORMATION BY PROGRAMME

STRATEGY TO OVERCOME AREAS OF UNDER PERFORMANCE

Under performance toward meeting Basel Core Principles for effective supervision: A robust consultation was made with the National Treasury legal office regarding enforceability of rules; further engagements were made with the sector and other interested parties regarding amendments to the Co-operatives Banks Act. The weaknesses uncovered through regulating through an exemption notice have been addressed in the Financial Sector Regulatory Bill (FSRB) currently before Parliament.

Online application and return submission portal awaits deployment on NT server. A standing committee between NT IT and supervision has been set up to oversee its implementation.

Onsite Compliance Application Development: The Unit had set itself a target that 80% of eligible CFIs examinations be conducted on the new application as at the end of the financial period, falling short of 1 examination. The Unit will focus on fully assessing all eligible CFIs on the application, with the next phase focusing on producing individual and consolidated reporting.

CHANGES TO PLANNED TARGETS

No planned targets were changed in the year under review. In the upcoming year Basel Core Principles for effective supervision, Onsite Compliance Application Development and Online application and return submission portal have all been removed as planned targets. These targets were introduced in an effort for the unit to become innovative and efficient in its operations. They are however not core functions of the unit and it was recommended that they be removed as they are projects in nature.

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 also focuses on ensuring the design and accreditation of CFI specific courses as well as developing and/or adopting appropriate training material for such curricular.

SOME OF THE UNIT'S HIGHLIGHTS FOR THE 2016/17 FINANCIAL YEAR INCLUDE THE FOLLOWING:

- The Department of Rural Development funding assisted the Capacity Building Unit in offering a more holistic approach to CFI support, in the sense that, service offerings to Mzansi Arts and Craft CFI commenced with pre-registration support, board and staff orientation, banking platform, negotiations for office space with local municipalities, renovations, branding and furnishing. The CFI was registered in May and will commence with lending in the next financial year. This could be the support model that may be adopted by the unit and easily be duplicated by other potential CFIs if adequately resourced.
- The Diploma at the University of Fort Hare is progressing well with no dropouts, notwithstanding teething problems inherent with the implementation of any new programme. The highlight of this programme is the Work-based Learning integration which will ensure that when the students graduate they would have undertaken practical CFI challenges as projects and measured on how they have resolved those issues, having spent time at those institutions.
- The unit has achieved 87.5% of its targets in the year under review.

PART B | PERFORMANCE INFORMATION

4. PERFORMANCE INFORMATION BY PROGRAMME

Key performance indicators, their targets and actual results

Strategic Objective : An adequately capacitated CFI Sector							
Performance Indicator	Actual achievement 2013/2014	Actual achievement 2014/2015	Actual achievement 2015/2016	Planned target 2016/2017	Actual achievement 2016/2017	Deviation from planned target for 2016/2017	Comment on variances
Number of organised groups (public sector SOEs, Unions etc.) assisted with the establishment of CFIs	-	-	3	2	1	1	Not achieved The unit assisted 5 groups. 5 applications were sent to the CBDA Supervision unit. 1 was registered, 3 rejected and 1 is pending finalisation.
Number of board and committee members, managers and staff trained per annum	386	300	419	120	304	+184	Over achieved Through funding from stakeholders, the unit managed to train more committee members, managers and staff

PART B | PERFORMANCE INFORMATION**4. PERFORMANCE INFORMATION BY PROGRAMME**

Key performance indicators, their targets and actual results

Strategic Objective : An adequately capacitated CFI Sector							
Performance Indicator	Actual achievement 2013/2014	Actual achievement 2014/2015	Actual achievement 2015/2016	Planned target 2016/2017	Actual achievement 2016/2017	Deviation from planned target for 2016/2017	Comment on variances
Number of CFIs provided with direct technical assistance	-	29	25	15	31	+16	Over achieved Senior Technical Analysts were allocated CFIs as per their area of specialisation, that is, Financial Management, Compliance and Internal Audit resulting in a more affective and efficient service offering to CFIs.
Number of impact assessment of capacity building initiatives conducted and report submitted	-	1	1	1	1	-	-

PART B | PERFORMANCE INFORMATION

4. PERFORMANCE INFORMATION BY PROGRAMME

NUMBER OF ORGANISED GROUPS (PUBLIC SECTOR SOES, UNIONS ETC.) ASSISTED WITH THE ESTABLISHMENT OF CFIS

The year 2016/17 Capacity Building Unit provided pre-registration support to 5 organised groups and numerous information sessions were held with the groups. The support provided included training of the steering committees on the CFI model, legislative framework, policy development and providing guidance on the CFI application for registration process. The assisted groups were as follows:

- **Mzansi Arts and Craft (Kwazulu Natal, Eastern Cape, Limpopo and Mpumalanga)**
The CFI was registered in May 2016.
- **Poplar Foundation (Gauteng)**
Poplar Foundation was rejected on the basis of a delay in the submission of an amended constitution, list of paid up members, and minutes of the special member meeting amending the constitution.
- **Prime Agric (Northern Cape)**
The application was rejected on the basis that the common bond does not meet the definition as published in Government Gazette Notice 37903, No. 60 on 15 August 2014.
- **Seed of life (Kimberly)**
The application was rejected on the basis that the common bond does not meet the definition as published in Government Gazette Notice 37903, No. 60 on 15 August 2014. The common bond was "members of Seed of Life (Pty) Ltd", and the issue was that a (Pty) Ltd common bond is not catered for in the exemption notice.
- **Public Works (Willowvale Eastern Cape)**
The application is still awaiting a response.

Not achieved: five applications were submitted to the CBDA Supervision Unit, 1 application for Mzansi FSC was approved, 3 were rejected (Prime Agric, Poplar Foundation and Seed of Life) and 1 is pending finalisation (Public Works).

NUMBER OF COMMITTEE MEMBERS, MANAGERS, STAFF AND BOARD OF DIRECTORS SUCCESSFULLY TRAINED PER ANNUM

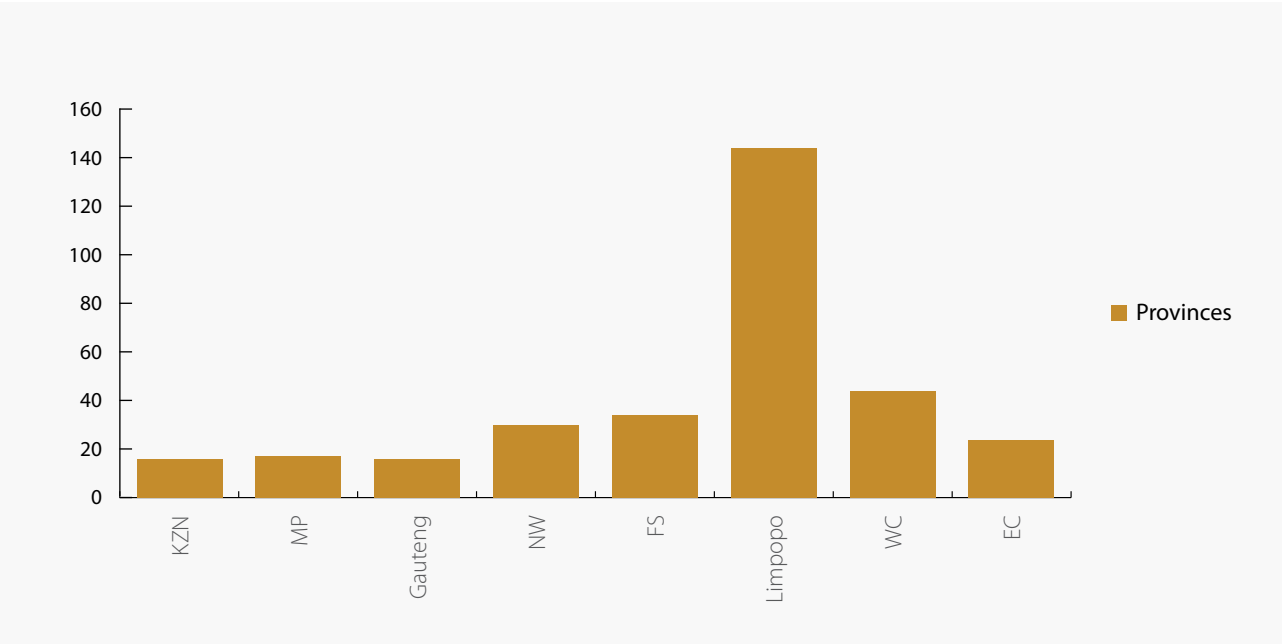
Capacity Building successfully trained 304 members from different CFIs, in different provinces during the reporting period. The trainings were conducted with financial assistance provided by BANKSETA. The trainings included governance training, credit committee training, supervisory committee training, Financial Intelligence Centre Act (FICA) training, National Credit Act (NCA) training, member education training and PEARLS training.

The FICA, NCA and credit committee training conducted will enormously benefit the CFIs with the provisions of the NCA and FICA. The governance training will assist the board members in understanding their roles and responsibilities, in order to provide their CFIs proper strategic direction; while the supervisory committee will assist in having an efficient oversight committee to oversee the CFI operations.

PART B | PERFORMANCE INFORMATION

4. PERFORMANCE INFORMATION BY PROGRAMME

Achieved: The annual target was exceeded and the number of people trained per province is graphically depicted below:



NUMBER OF CFIs PROVIDED WITH DIRECT TECHNICAL ASSISTANCE

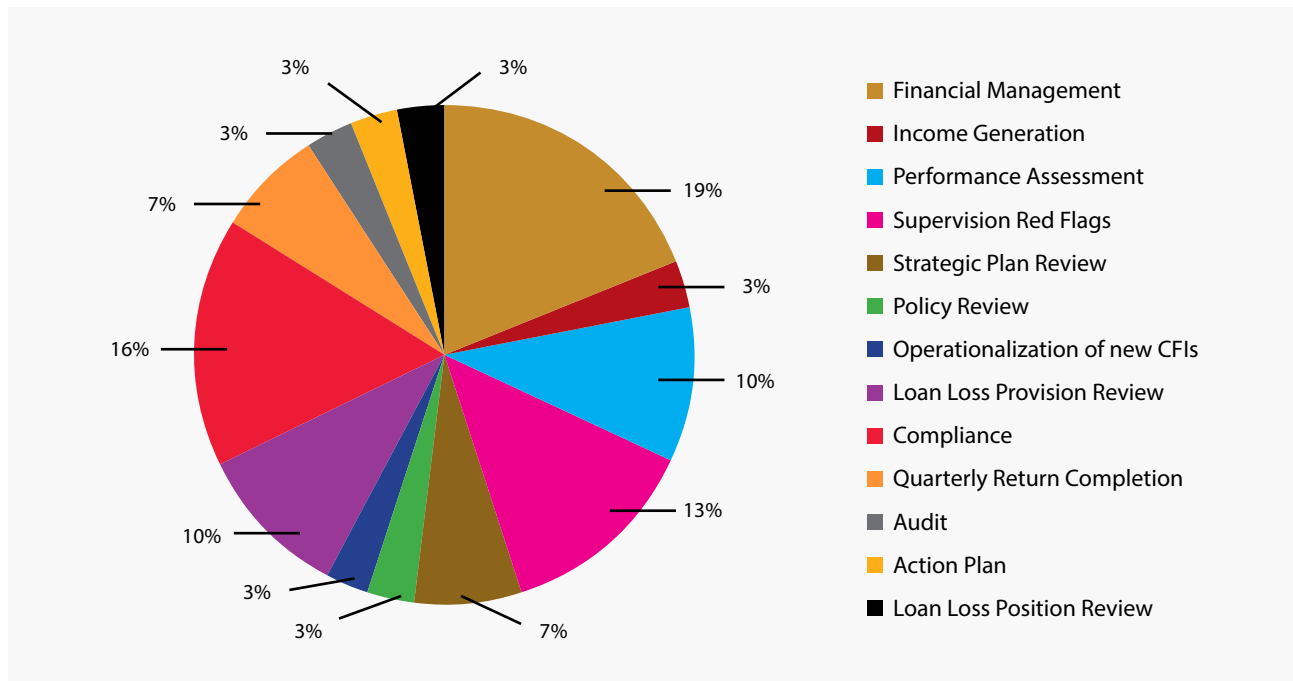
The CBDA Capacity Building Unit provides direct technical assistance to the CFIs in the form of mentorship, coaching, on-job support and performance monitoring. The purpose of the direct technical assistance is to accelerate the pace of CFIs in registering as cooperative banks. The CFIs were assisted on a number of interventions, including but not limited to financial accounting, financial reporting, strategic planning, internal auditing and compliance to the CFI legislative framework.

Over achieved: 31 CFIs were assisted with direct technical assistance. The target of 15 was exceeded due to efforts from team members in tackling the issues in the CFIs that included financial management issues, compliance issues and internal audit issues. The percentage of CFIs assisted quarterly is depicted in the table and pie graph below:

First quarter Direct Technical Assistance conducted as follows: Financial reporting Income generation review Incubation plan Performance assessments	Second quarter Direct Technical Assistance conducted as follows: Supervision Red flag Financial reporting Strategic planning Policy review
Third quarter Direct Technical Assistance conducted as follows: Financial management and compliance Loan loss provision review and compliance Financial reporting Quarterly returns completion Operationalization of new CFIs	Fourth quarter Direct Technical Assistance conducted as follows: Financial management Audit Action planning Loan loss review

PART B | PERFORMANCE INFORMATION**4. PERFORMANCE INFORMATION BY PROGRAMME**

During the reporting period the main focus of direct technical assistance conducted was on financial management followed by compliance support. This clearly indicates that the majority of CFIs are still battling with accurate financial reporting as well as compliance to prudential, legislative compliance and adherence to their own internal processes and procedures. The graph below depicts the various aspects that constitute our direct technical assistance.

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

Annually, the Capacity Building Unit conducts an impact assessment on its interventions. The 2016/2017 impact assessment was conducted by Clear-Cut Solutions Pty Ltd. The focus was to assess the impact of the Capacity Building tools on the sector and to test the effectiveness of the interventions, as well as the relevance of the CBDA developed curriculum in the CFI sector.

It was evident from the impact assessment conducted that the capacity building tools to assist in the development of the sector and the interventions were effective. The assessment also concluded that the materials developed by the CBDA were relevant to the sector and was of great benefit to the CFI staff and managers.

The service provider also provided some recommendations which the Capacity Building Unit is currently incorporating into its service offering.

Achieved: The impact assessment report was produced and it became evident that the interventions conducted by Capacity Building were effective.

STRATEGY TO OVERCOME AREAS OF UNDER PERFORMANCE

The Capacity Building Unit assists groups that already meet the minimum requirements of 200 members and R100 000 share capital or demonstrate the ability to meet these thresholds within 3 to 6 months.

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4. PERFORMANCE INFORMATION BY PROGRAMME

Upon several interventions to take the groups through the CFI model, legislative framework, board and general membership roles and responsibilities and eventually submission of the application for registration to the Supervision unit, the Unit has no control over that application, the decision lies solely with the Supervision unit due to regulatory requirements.

The Unit will work more closely with the Supervision unit to discuss the applications prior to submissions to reduce the rejection rate.

CHANGES TO PLANNED TARGETS

No in-year changes to performance indicators and/or targets have been effected in the 2016/17 financial year.

PROGRAMME 4: CENTRAL SUPPORT SERVICES

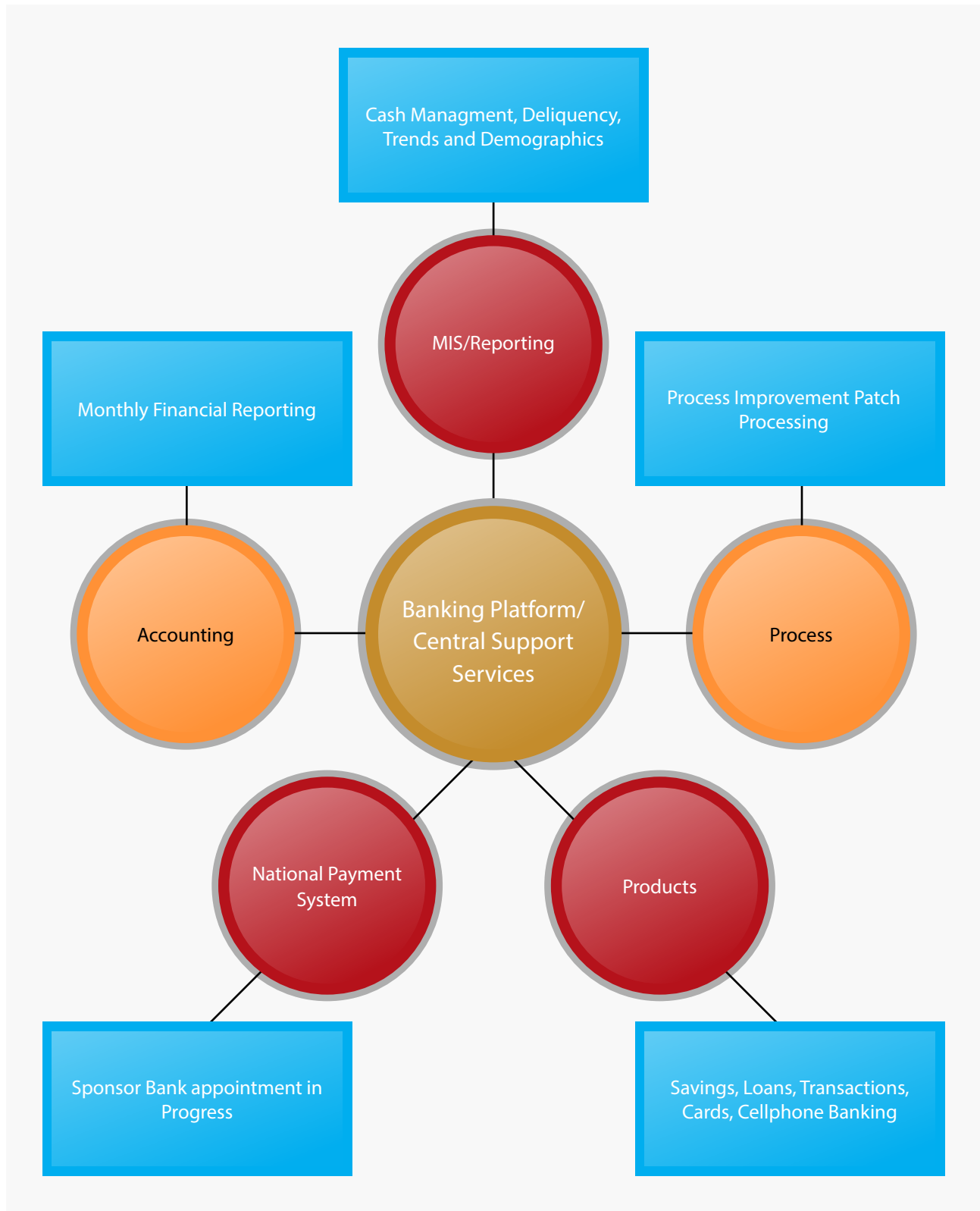
The Central Support Services was established to provide the CFI sector with a shared services capability that will assist the CFIs to participate in the NPS, as well as achieve operational efficiency that will translate into providing financial services to its members on an equal footing to the commercial banking sector.

The Strategic objective of the Central Support Services and the Banking Platform project is to “enhance the CFIs operational capabilities by integration into the National Payment System by using a robust banking platform”.

The diagram below demonstrates progress that has been done on the system since its inception. The unit continues to provide a back office function where the CFI users receive onsite and telephonic support.

PART B | PERFORMANCE INFORMATION

4. PERFORMANCE INFORMATION BY PROGRAMME



PART B | PERFORMANCE INFORMATION

4. PERFORMANCE INFORMATION BY PROGRAMME

THE BENEFITS OF THE BANKING PLATFORM:

- It is built on scalable, robust proven technology.
- Data is fully backed up including an alternate site where the system is replicated to ensure system availability 24/7 via a secure internet connection.
- It can compete with Retail Banks on the same principles as any Core Banking system in the market place.
- Products can be added as per the unique requirements of the South African Co-operative Banking Sector. It can manage a varied number of products ranging from Savings, personal loans, asset based finance and ultimately Home loans.
- The Banking Platform provides for the integration into the National Payments System.
- It complies with the rigorous requirements of the Payments Association of South Africa (PASA), Payment Card Industry (PCI) and other regulatory institutions as well as the payments system operators i.e. Bankserv.
- It can manage high volume transactions that are a requirement for any Transactional Banking system.
- It can be integrated with various service providers that will offer a total banking solution, Credit Scoring, Utility payments, etc.
- The ability to perform inter CFI transactions at minimal costs. (Participants to agree on features).
- It can manage a range of reports including the ability to customise reporting for CFI's.
- In addition the Banking Platform is integrated with an enterprise version of Pastel namely Pastel Evolution which will enhance the CFI's accounting and financial reporting capability.

HIGHLIGHTS OF THE YEAR

- From the thirteen participating CFIs eight are using the system with increasing confidence.
- The Central Support Services is a functional business unit able to support the sector with increasing skills and confidence as well as an understanding of the CFI (businesses) supported.
- The end to end technical solution - (Banking Platform + Accounting System + Reporting System) is in place, with the banking system integrated with the accounting system reports being generated in order to assist the participants in the reporting and management of the CFIs.
- The unit achieved ten technical implementations as opposed to three implementations in the previous financial year.
- Data has been migrated for seven CFIs, with one CFI's data partially migrated.

PART B | PERFORMANCE INFORMATION

4. PERFORMANCE INFORMATION BY PROGRAMME

Strategic Objective: An enhanced operational capability in the CFI sector							
Performance indicator	Actual Achievement 2013/2014	Actual Achievement 2014/2015	Actual Achievement 2015/2016	Planned Target 2016/2017	Actual Achievement 2016/17	Deviation from planned target to Actual Achievement for 2016/2017	Comment on deviations
Number of CFIs assisted in preparing to implement the Banking Platform and data conversion	-	-	3	10	11	-	Overachieved Improved understanding of the sector and ironing out technical issues on the system.
Number of CFIs using the Banking Platform System	-	-	2	10	8	-2	Not Achieved The complexities of both the sector and the required solution to optimally service the sector caused an initial slower on boarding and use of the system
Number of CFIs integrated into the NPS	-	-	0	10	0	-10	Not Achieved Protracted negotiations with various Banks did not translate into a workable proposition for a partner bank which necessitated a new SCM process in the search for a partner bank.

PART B | PERFORMANCE INFORMATION

4. PERFORMANCE INFORMATION BY PROGRAMME

Strategic Objective: An enhanced operational capability in the CFI sector							
Performance indicator	Actual Achievement 2013/2014	Actual Achievement 2014/2015	Actual Achievement 2015/2016	Planned Target 2016/2017	Actual Achievement 2016/17	Deviation from planned target to Actual Achievement for 2016/2017	Comment on deviations
Number of reports provided for CFIs to report in terms of the requirements under the relevant Acts	-	-	N/A	10	8	-2	Not Achieved There were 8 reports that form part of the reporting output for the financial year ended 31 March 2017. These reports comprise of the Financial, Operational, Regulatory and Management Information reports. The current and future focus is on the qualitative nature of the reports rather than quantitative reporting to ensure that all reports are meaningful for the CFIs to manage their businesses better.

PART B | PERFORMANCE INFORMATION**4. PERFORMANCE INFORMATION BY PROGRAMME****NUMBER OF CFIs ASSISTED IN PREPARING TO IMPLEMENT THE BANKING PLATFORM AND DATA CONVERSION**

The on boarding of CFIs proved to be a complex exercise for a host of reasons. Nevertheless, the CSS managed to on-board 7 CFIs in this period, with 3 more in progress and estimated to complete at the end of the first quarter of the 2017/2018 financial year. The duration to operationalize a CFI on the banking platform is approximately 12 weeks, with follow up training and onsite training required.

Achieved: CFIs assisted in the 2016/2017 financial year were Boikago, Young Women in Business Network, Motswedi, Nehawu, Kuvhanganyani and Imvelo. Bakenberg, Mathabatha, SAMWU and Mzansi are in the process of onsite training, data migration and supported by staff members of the CSS unit.

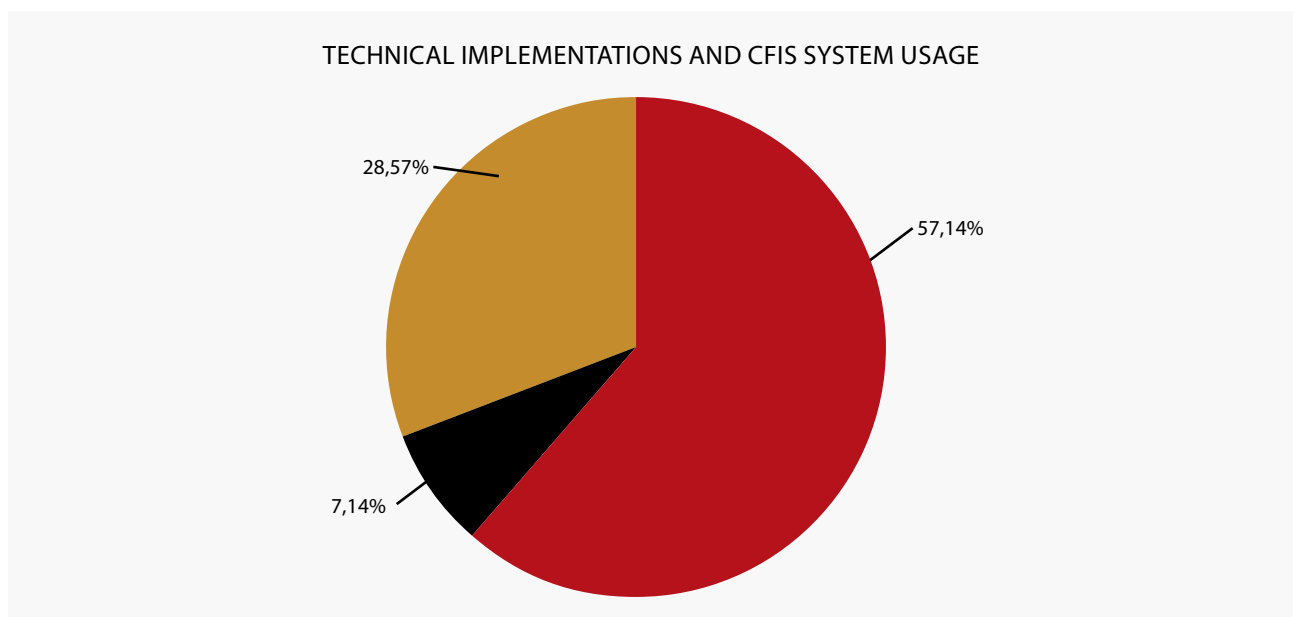
NUMBER OF CFIS USING THE BANKING PLATFORM

There is a strong correlation between CFIs using the Banking Platform and the completion of data migration. The CFIs using the system are:

- King Grange
- Kladies Empowerment FSC
- Boikago
- Motswedi
- Young Women in Business Network
- Nehawu
- Kuvhanganyani
- Imvelo

The CSS team assists the CFIs with batch processing on payrolls to ensure that the payments and/or savings are processed timeously.

The level of usage is improving, in line with the confidence of CFIs using the system as depicted below:



PART B | PERFORMANCE INFORMATION

4. PERFORMANCE INFORMATION BY PROGRAMME

Not achieved: System enhancements are required for CFIs to use the system optimally. Lack of skilled resources from the CFIs is not aligned with bank processes. The data integrity was a major challenge to ensure that the correct data was brought onto the system.

NUMBER OF CFIS INTEGRATED INTO THE NPS

Completion of the contract and identification of a suitable Banking partner has been elusive. This has been driven in the main by more onerous requirements on Banks to be compliant in terms of anti-money laundering (AML) regulations as well as the FICA requirements.

Not achieved: This delay was due to finding a suitable banking partner and CFIs operational efficiency was not conducive to manage transactional accounts, in order to be on boarded effectively on the NPS.

NUMBER OF REPORTS PROVIDED FOR CFIS TO REPORT IN TERMS OF THE REQUIREMENTS UNDER THE RELEVANT ACTS

The reporting to 7 out of the 13 CFIs is in a foundation stage that ensures Financial Reports can be produced on a monthly basis. Basic Management information is being made available in the current monthly reporting.

REPORTS PRODUCED

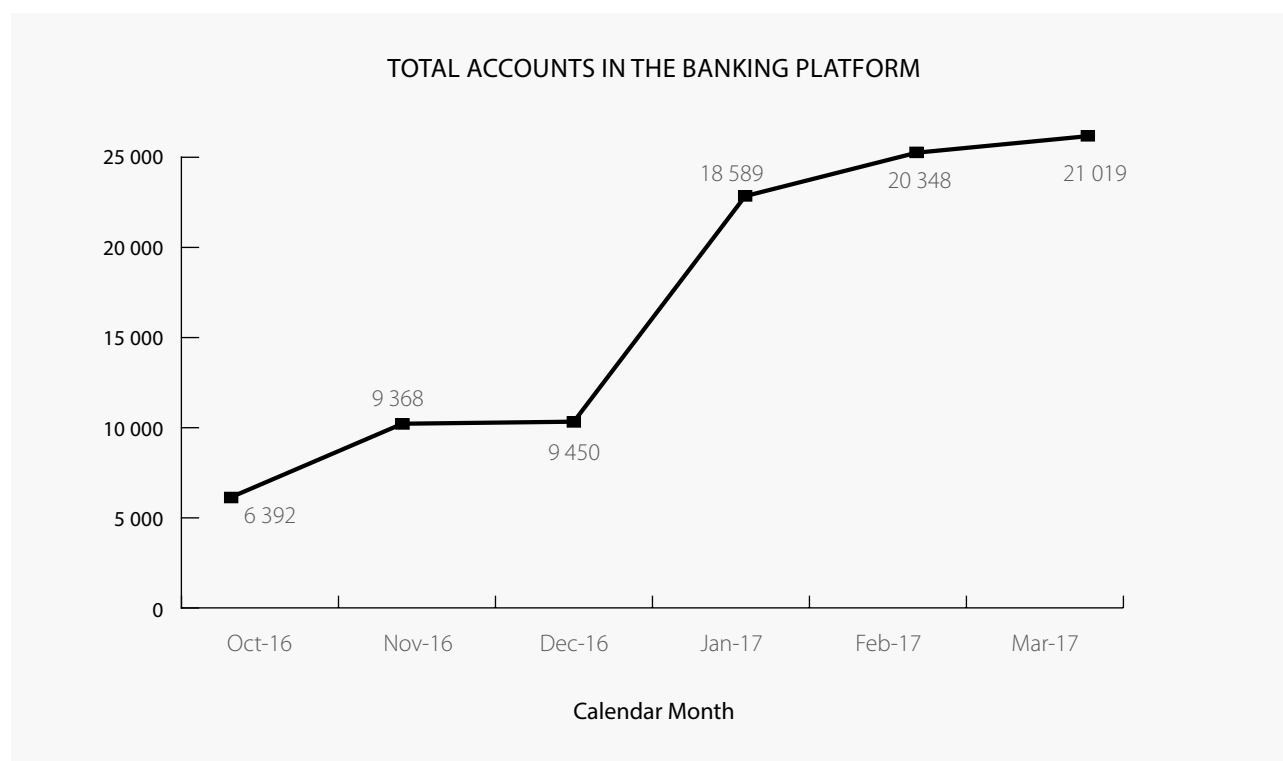
1. Current reports produced
2. Trial Balance
3. Extract Income Statement
4. Extract Balance Sheet
5. Mandatory Share Account Analysis
6. Product Balances (Totals) Analysis
7. Information Completeness Report Analysis
8. Summary CFI analysis

The reporting will be developed to focus on;

- a. Operational Reporting
- b. Financial Reporting
- c. Management information
- d. Regulatory Reporting

PART B | PERFORMANCE INFORMATION**4. PERFORMANCE INFORMATION BY PROGRAMME**

Graph below depicts the growth on total members migrated on the Banking Platform system since its inception:



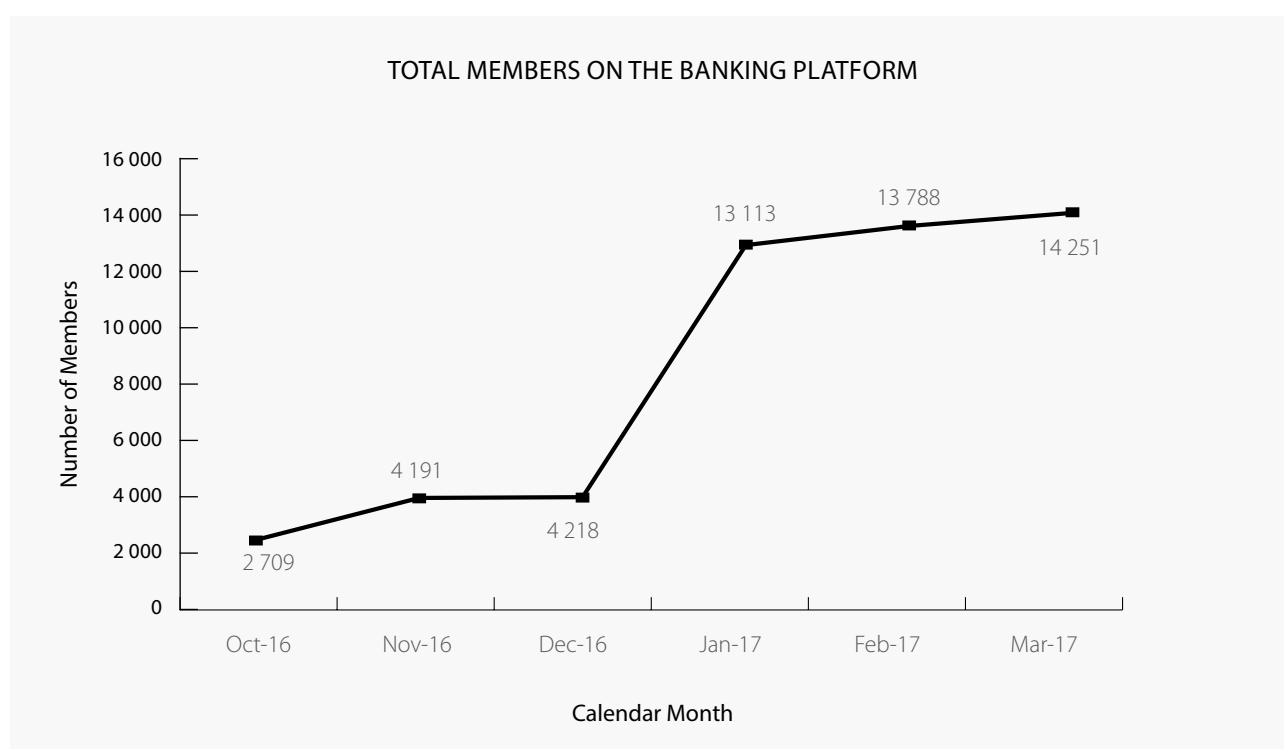
Not achieved: Due to the protracted SCM process, this target could not be fulfilled in the year under review.

STRATEGY TO OVERCOME AREAS OF UNDER PERFORMANCE

The Central Support Services skills level has grown and lessons learned have enabled the unit to on-board CFIs quicker, with improved accuracy. The project approach evolved from a system implementation to a Business transformation approach. It is, however, noted that the challenges around the integration with the NPS early on precluded the targets being met. A business analyst was employed to review and design new business processes. Three (3) data capturers were also employed to assist with the capturing of data at CFIs to expedite the data migration.

PART B | PERFORMANCE INFORMATION**4. PERFORMANCE INFORMATION BY PROGRAMME**

Graph below depicts the growth since the inception of the system since October 2016:

**CHANGES TO PLANNED TARGETS**

No targets were changed midyear.

LINKING PERFORMANCE WITH BUDGETS

Programme	2016/2017			2015/2016		
	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Corporate Services	5 345	6 089	(744)	5 879	6 202	(323)
Supervision	5 176	4,706	470	5 033	4 956	77
Capacity Building	6 196	13 002	(6 806)	6 902	12 088	(5 186)
Central Support Services	18 938	6 767	12 171	600	4 244	(3 644)

PART B | PERFORMANCE INFORMATION

4. PERFORMANCE INFORMATION BY PROGRAMME

Programme	2016/2017			2015/2016		
	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Sub Total	35 656	30 564	5 091	18 414	27 990	(9 076)
Less:						
Capital Expenditure	300	334	(34)	448	948	(500)
Interest capitalised	64	120	(56)	167	98	69
Total	36 020	31 018	5 001	19 029	28 536	(9 507)

CORPORATE SERVICES

The over-expenditure relates to bursary expenses (R144,000), which are not part of the budget and leadership training conducted. Bursary expenses are funded by Bankseta which is only determined once approval is obtained after submission of the Work Skills Plan in April of each year. The over-expenditure of R817,000 relates to extension of leadership programme and additional governance meetings that was under budgeted for. The leadership programme has enabled senior and middle management to understand and improve their abilities to enhance the plan to achieve CBDA's performance targets.

The 33% non-achievement of the performance target relates to the stabilisation fund delay in the appointment of committee members. The committee members have now been appointed and needed to fast track the work that was incomplete.

SUPERVISION

The under spending relates to assessing the unit's compliance with Basel Core Principles, which needs to be conducted by a service provider. The SCM process was followed, with terms of reference issued for proposals but only 1 service provider responded, which did not meet the criteria required. This target will not have an impact on the strategic objective, as it is not an effective measure for the unit. The other under spending relates to the online application and return submission portal, whereby CBDA placed reliance on National Treasury to host the system on the website. A monthly standing committee meeting has been set up with NT to address these issues.

CAPACITY BUILDING

Considering the R1,7 million allocation for capacity building interventions to a sector with a majority of CFIs in the rural areas, and with limited to no exposure of running the business of a bank, the 87,5% achievement of the performance targets is quite an attainment, which in-fact would not have been possible without external stakeholder funding. Only R50 000 (2.9%) of the 1.7million budget was allocated to the indicator "Number of organised groups" as the unit is working with very limited financial resources.

PART B | PERFORMANCE INFORMATION**4. PERFORMANCE INFORMATION BY PROGRAMME****CENTRAL SUPPORT SERVICES**

The 75% non-achievement rate on the performance is due to the challenges of data quality and integrity in the data migration process. The lack of proper record keeping and incomplete data contribute to additional time and demand on resources, in order to prevent the risk of errors.

The under spending is attributed to the delay in the plans in terms of unforeseen complications that have moved the timelines for the integration into the NPS.

REVENUE COLLECTION

Sources of revenue	2016/2017			2015/2016		
	Estimate	Actual Amount Collected	(Over)/Under Collection	Estimate	Actual Amount Collected	(Over)/Under Collection
	R'000	R'000	R'000	R'000	R'000	R'000
Transfer from National Treasury	16 472	16 472	-	17 341	17 341	-
Services rendered	5	12	(7)	12	10	2
Income from interest	635	1 141	(506)	976	1090	(114)
Grant income	18 408	14 233	4 175	700	8 809	(8 109)
CFIs contribution for banking platform	500	300	200			
Total	36 020	32 158	3 862	19 029	27 250	8 221

The primary source of revenue is transfers from National Treasury, which is not adequate to achieve the CBDA strategic mandate. From inception, CBDA management have sourced funding from stakeholders in order to supplement the revenue to achieve objectives. The Board and management embarked on a sustainability plan to source additional funding in order to achieve its statutory mandate .

The under collection, in terms of grant income and CFIs' contribution, relates to the delays due to unforeseen complications experienced with CFI data information resulting in the CSS not achieving the planned targets. The measure put in place was to recruit temporary staff to assist CFIs to get their records accurate and up to date, before migration to the banking system can take place.

The over exceeding of interest income is due to efficiently managing the cash flow by maximising on unused funds through earning interest from the Corporation for Public Deposits account.

Due to more applications for registrations of CFIs received than anticipated, services rendered were exceeded. The awareness initiatives of the CFI model and Capacity Building initiatives contributed to this increase.

PART C

GOVERNANCE



PART C | GOVERNANCE

1. INTRODUCTION

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

2. PORTFOLIO COMMITTEES

On 14 March 2017, the CBDA was invited to a parliamentary sitting of the Finance Committee.

Sector developments:

The Finance and Trade Industry Committees held joint public hearings on Transformation of the Financial Sector. Various industry players, including but not limited to commercial banks, insurance companies, government departments and civil society groups, made presentations in Parliament on what have been achieved and what still needs to be done in terms of transforming in the financial sector in the country, as it became quite evident that there was very little progress made in this regard. The most encouraging aspect of these public hearings was the involvement of the co-operative banking sector, wherein NEDLAC was asked to state if the model for the formation of co-operative banks was a sustainable one for transforming the financial services sector. We wait, with bated breath, for the outcome of these public hearings and support Parliament's efforts to transform the financial services sector.

3. EXECUTIVE AUTHORITY

For the period under review, and in terms of the PFMA and Treasury Regulations, the CBDA has submitted to the executive authority its strategic and annual performance plans for 2017/18, quarterly reports for 2016/17, and the annual report and financial statements for 2015/16, within the given deadlines.

4. THE ACCOUNTING AUTHORITY / BOARD

INTRODUCTION

The chairperson and the board of directors of the CBDA are appointed by the Minister of Finance, in terms of section 58 of the Co-operative Banks Act. The board is the accounting authority of the CBDA and must fulfil certain duties and responsibilities as provided for in the Co-operative Banks Act, the PFMA and Treasury Regulations.

The Deputy Chairperson, Mr P Koch, has been acting chairperson of the CBDA Board since 1 May 2014, and his term ended on 30 September 2016. Mr Desmond Golding was then appointed by the Minister of Finance as the chairperson of the board. The Minister approved the appointment and re-appointment of board members as from 1 December 2016, and their terms will expire on 31 March 2018.

4. THE ACCOUNTING AUTHORITY / BOARD

THE ROLE OF THE BOARD IS AS FOLLOWS:

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

BOARD CHARTER

The Board reviews changes and approves the Agency's policies on an annual basis, in line with the practices of the Agency. The Chairperson has played a key role in engaging independent experts/advisors in order to assist the CBDA in structuring a funding model for the Agency. This process is still underway, although there have been changes and replacements within the board, it was still able to execute its duties as prescribe in the Board Charter.

PART C | GOVERNANCE**4. THE ACCOUNTING AUTHORITY / BOARD****COMPOSITION OF THE BOARD**

Name	Designation (in terms of the Public Entity Board structure)	Date appointed	Date resigned	Qualifications	Area of Expertise	Board Directorships (List the entities)	Other Committees or Task Teams (e.g. Audit committee / Ministerial task team)	No. of Meetings attended
Mr Desmond Golding	Chairperson	1 November 2015	19 June 2017	LLM Banking MA International Relations Finance for Senior Executives Postgraduate Dipl. Macroeconomics	Banking, Macroeconomics, International Relations			2/3
Ms Gillian Raine	Member	1 December 2016		BA BA (Hons)(cum laude) (Economics, Statistics and Mathematics MA IIMP Fellow of the Institute of Financial Markets FAIS	Senior Policy Advisor, Association of Savings and Investment SA, Structured funding, Syndicated and bilateral loans, Risk Management, UAL Bond Trading, Economist, Credit pricing models	General Diversified Investment Portfolio – no strategic interests Non-executive directorship Aluwani		1/3
Mr David Ginsburg	Member	1 September 2013		MA BA (Hons)		N/A		3/3

4. THE ACCOUNTING AUTHORITY / BOARD

COMPOSITION OF THE BOARD

Name	Designation (in terms of the Public Entity Board structure)	Date appointed	Date resigned	Qualifications	Area of Expertise	Board Directorships (List the entities)	Other Committees or Task Teams (e.g: Audit committee / Ministerial task team)	No. of Meetings attended
Ms Yuyelwa Matsiliza	Member	1 November 2015		MA Business Leadership BA (Hons) Economics (cum laude)	Economist	MTNZakhele Vodacom Telkom Sasol Inzalo Non-executive directorship; Export Credit Insurance Dormant LKV catering Home Services; Africa Edaz		0/3
Ms Xoliswa Jozana	Member	1 November 2015		MA BA Political Science Certificates in Management	Political Science	(SHARES) WOESA MTN Group Ltd Yebo Yethu Ltd MTNZakhele		2/3

PART C | GOVERNANCE**4. THE ACCOUNTING AUTHORITY / BOARD**

COMPOSITION OF THE BOARD

Name	Designation (in terms of the Public Entity Board structure)	Date appointed	Date resigned	Qualifications	Area of Expertise	Board Directorships (List the entities)	Other Committees or Task Teams (e.g: Audit committee / Ministerial task team)	No. of Meetings attended
Adv. Lufuno Tokyo Nevondwe	Member	1 October 2013		LLD (in progress) LLM (Law) LLB Advocate of the High Court of South Africa Certificates in Ombudsman Training; Public- Private Partnership; National Business Initiative; Professional Training (Attorneys' Practice) Leadership Management and Training; Southern African Student volunteers(SASVO); Legal Drafting; Transaction Advisors' Training	Employee Benefits Law/Pension Law, Labour Law, Criminal Law, Commercial Law, Law of Delict, Administrative Law, Prison Law and Constitutional Law, Transforming of the economic landscape Governance & Risk management;	Audit Committee Member, Parliament of the Republic of South Africa (2015 to date) Alternate Member Limpopo Consumer Affairs Court, 1st February 2012 to 31st March 2016.		3/3

4. THE ACCOUNTING AUTHORITY / BOARD

COMPOSITION OF THE BOARD

Name	Designation (in terms of the Public Entity Board structure)	Date appointed	Date resigned	Qualifications	Area of Expertise	Board Directorships (List the entities)	Other Committees or Task Teams (e.g: Audit committee / Ministerial task team)	No. of Meetings attended
Mr Thabo Shenxane ³	Member	1 October 2013	30 September 2016	MA Economic Policy BCom (Hons); BCom Economics and Industrial Psychology; Dipl. Advanced Project Management; Certificate in Microeconomics; Finance for Non- financial Managers; Senior Management Development Programme	Project Management Economics, Microeconomics			2/3

PART C | GOVERNANCE**4. THE ACCOUNTING AUTHORITY / BOARD**

COMPOSITION OF THE BOARD

Name	Designation (in terms of the Public Entity Board structure)	Date appointed	Date resigned	Qualifications	Area of Expertise	Board Directorships (List the entities)	Other Committees or Task Teams (e.g: Audit committee / Ministerial task team)	No. of Meetings attended
Ms Petunia Masemola	Member	1 December 2016		Bcom (Accounting Sciences) Bcom (Hons) / CTA Executive MBA	Accounting and Reporting; Strategic and Operational Planning; Systems and Internal Controls Budget and Forecasting Processes; Internal Audit; Compliance with the applicable legislation such as Banks Act; Basel and IFRS;	Deputy Chairperson of the Stabilization Committee of the Co- operative Banks Development Agency		1/3

4. THE ACCOUNTING AUTHORITY / BOARD

COMPOSITION OF THE BOARD

Name	Designation (in terms of the Public Entity Board structure)	Date appointed	Date resigned	Qualifications	Area of Expertise	Board Directorships (List the entities)	Other Committees or Task Teams (e.g: Audit committee / Ministerial task team)	No. of Meetings attended
Mr Jeffrey Ndumo	Member	1 November 2015		MA International Relations and Political Studies BA (Hons) International Relations and Political Studies Certificate in Finance (in progress) Executive Course in Globalisation and Environment; Labour Economics and Market Policy; Public Financial Management for Non- financial Managers; Co-operative Policy and Legislation; Social and Solidarity Economy	Politics; International Relations; Labour Economics and Market Policy	Chairperson of the Stabilization Committee of the Co- operative Banks Development Agency		3/3

PART C | GOVERNANCE**4. THE ACCOUNTING AUTHORITY / BOARD**

COMPOSITION OF THE BOARD

Name	Designation (in terms of the Public Entity Board structure)	Date appointed	Date resigned	Qualifications	Area of Expertise	Board Directorships (List the entities)	Other Committees or Task Teams (e.g: Audit committee / Ministerial task team)	No. of Meetings attended
Mr Peter Koch	Deputy Chairperson and Acting Chairperson as from 1 May 2014	1 October 2013	Term ended on 30 September 2016	MSc Industrial Relations and Human Resource Management BBusSc (Hons) Finance BCom (Hons) Postgraduate Dipl. Accounting BA PPE (Philosophy, Politics and Economics) Chartered Accountant	Public Relations, Human Resource Management, Economics, Politics, Accounting and Finance.	(Shareholding) Southern Cross Farm Simondium (CC)		2/3
Ms Olatse Matshane	Managing Director	1 October 2013; Managing Director as from May 2012		MSc Economics BCom (Hons) Economics Certificates in Taxation; Advanced Project Management	Economics, Taxation, Project Management Co-operative Banking			2/3

4. THE ACCOUNTING AUTHORITY / BOARD

COMPOSITION OF THE BOARD

Name	Designation (in terms of the Public Entity Board structure)	Date appointed	Date resigned	Qualifications	Area of Expertise	Board Directorships (List the entities)	Other Committees or Task Teams (e.g: Audit committee / Ministerial task team)	No. of Meetings attended
Ms Ingrid Goodspeed, Chief Director: Financial Sector Development ⁴	Minister's Representative	1 September 2013	Term ended on 30 April 2016	CD (SA) LLB MBL (cum laude) BCom (Hons) Economics	Economics, Law, Finance	N/A	N/A	1/3
Minister's Representative								
Mr Roy Havemann Chief Director: Financial Markets and Stability	Minister's Representative	1 May 2016		BComm Hons, MComm, MSc. (Economics)	Financial markets regulation, financial stability, banking	N/A	N/A	2/3

² Mr Peter Koch's term on the CBDA Board ended on 30 September 2016 and, Ms P Masemola was appointed on 1 December 2016.

³ Mr Thabo Shenxane's term on the CBDA HR&R Committee ended on 30 September 2016, no appointment has been made as yet.

⁴ Ms Ingrid Goodspeed's term on the CBDA Board ended on 30 September 2016 and Mr Roy Havemann replaced her as the Minister's representative.

PART C | GOVERNANCE**4. THE ACCOUNTING AUTHORITY / BOARD****SUBCOMMITTEES**

Through its committees, the CBDA Board is able to carry out its responsibilities and duties properly. Each committee acts in accordance with its charter and is chaired by an independent non-executive director.

Committee	No. of meetings held	No. of members	Name of members
Stabilization Committee	4	9	Mr J Ndumo (Chairperson) (DSBD) Ms P Masemola (Deputy Chairperson) Ms O Matshane (MD) Mr M Zama (SARB) Mr N Mangoyi (NT) Mr Rector Rapoo (CIPC) Mr A Dirks (SEFA) Ms Z July (Independent Sector Representative) Mr A Soma (Independent Sector Representative)
Audit & Risk Committee	5	6	Ms O Matloa (Chairperson) Mr L Mangquku (Member) Mr J Lesejane (Member) Mr B Furstenburg (Member) Ms A Badimo (Member) Mr A Amod (Member)
Banking Platform Steering Committee	4	13	Ms Olaotse Matshane (Chairperson) Ms Nomadelo Sauli (CBDA) Mr David De Jong (CBDA) Mr Kobus Van Niekerk (CBDA) Mr Alan Pugh-Jones (Consultant, CBDA) Mr Edward Leach (Member) Dr Tshegofatso Gape (Member) Mr Thanda Madlala (Member) Mr Jacob Gumbo (Member) Mr Evans Maphenduka (Member) Mr Sipho Marala (Member) Mr Papi Maloka (NT) Mr Thabang Mothoa (NT)
Human Resource and Remuneration Committee	3	5	Adv. Lufuno Tokyo Nevondwe (Member) Mr David Ginsburg (COB) Ms Olaotse Matshane (MD) Mr Thabo Shenxane (Member) ⁵

⁵ Mr T Shenxane's term on the CBDA HR&R Committee ended on 30 September 2016, no appointment has been made as yet.

REMUNERATION OF BOARD MEMBERS

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 (AFS).

5. RISK MANAGEMENT

The CBDA makes use of the services of the ERM unit of the National Treasury. The Risk Register is reviewed annually to take account of changes in the operating environment. Strategic and operational risks have been identified and are monitored by the Managing Director and the Management Committee.

With the assistance of the ERM unit, the CBDA staff and management reviewed the Risk Register. The updated register was presented to the board at its meeting in January 2017.

6. INTERNAL AUDIT

The CBDA makes use of the services of the Internal Audit unit of the National Treasury.

KEY ACTIVITIES AND OBJECTIVES OF THE INTERNAL AUDIT

The objectives of the internal audit are in accordance with Treasury Regulations. The Internal Audit function must assist the MD of CBDA in:

- Achieving the objectives of the institution, by evaluating and developing recommendations for the enhancement or improvement of the governance processes through which:
 - (a) objectives and values are established and communicated;
 - (b) the accomplishment of CBDA performance goals are monitored;
 - (c) accountability is ensured; and
 - (d) corporate values are preserved.
- Maintaining efficient and effective controls by evaluating those controls, to determine their effectiveness and efficiency and by developing recommendations for enhancement or improvement. The controls subject to evaluation should encompass the following:
 - (a) the reliability and integrity of financial and operational information;
 - (b) the effectiveness of operations;
 - (c) safeguarding of assets; and
 - (d) compliance with laws, regulations and controls.

AUDIT CONDUCTED DURING THE FINANCIAL YEAR.

The audit on review of performance information was conducted and finalised in the 3rd quarter. The audit on review of Capacity Building processes and corporate governance was conducted in the 4th quarter and the report still needs to be finalised.

PART C | GOVERNANCE

7. AUDIT COMMITTEE

KEY ACTIVITIES AND OBJECTIVES OF THE AUDIT COMMITTEE

The Committee is established as a Shared Audit and Risk Committee of the National Treasury to effectively communicate and oversee the processes, models and frameworks for managing risk across the CBDA in order to:

- Support the achievement of business objectives effectively and efficiently;
- Safeguard the Agency's assets;
- Support compliance with regulatory requirements, policies and procedures;
- Ensure business continuity under normal as well as under adverse operating conditions; and
- Support the principles of good governance.

7. AUDIT COMMITTEE

THE TABLE BELOW DISCLOSES RELEVANT INFORMATION ON THE AUDIT COMMITTEE MEMBERS

Name	Qualifications	Internal or external	If internal, position in the public entity	Date appointed
Ms O Matloa	B.Com degree Honors and CTA CA (SA)	External	Chairperson	1 March 2016
Mr B Furstenburg	<ul style="list-style-type: none"> Master of Science (MSc) – financial management University of London, UK 2006 Master of Commerce (MCom) – economics University of Witwatersrand 1999 B Com Hons (1997) and B Com (1996) University of the Witwatersrand (WITS) FAIS exams: RE1, RE3 & RE5 (representative and key Individual) 	External	Member	1 June 2015

PART C | GOVERNANCE

7. AUDIT COMMITTEE

THE TABLE BELOW DISCLOSES RELEVANT INFORMATION ON THE AUDIT COMMITTEE MEMBERS

Name	Qualifications	Internal or external	If internal, position in the public entity	Date appointed
Ms A Badimo	<ul style="list-style-type: none"> B.Sc. (Computer Science), University of the Witwatersrand, 92% Maths 1J1. B.Sc. Hons (Computer Science), University of the Witwatersrand. Cobol Programming Diploma, Van Zyl and Pritchards and Computers Users Council (CUC). M.Sc Applied Science (Electrical Engineering), University of Cape Town. Project Management Diploma, Newport University (Executive Education SA). MBA, University of Wales, Dissertation cum laude. Internet Governance, Diplomacy Foundation, Geneva, Switzerland, Top Ten. PhD Computer Science (Bioinformatics), University of the Witwatersrand, (Feb 2003 –). Not submitted Dissertation. EuroPKI Workshop 2007, organised by Departament de Ciències Matemàtiques i Informàtica, Universitat de les Illes Balears, Mallorca, Spain. EuroCrypt 2009, organised by the Horst Görtz Institute for IT-Security at the Ruhr-Universität, Faculty of Mathematics, Bochum, Germany. Crypto Security Training, South African Communications Security Agency (SACSA), 2007/2008, 98.9% , Top Student. CISM (Certified Information Security Manager), Information Systems Audit and Control Association (ISACA), Illinois, USA. Wrote exams in June 2008 and passed. Certified in April 2014. CGEIT (Certification in the Governance of the Enterprise IT), Information Systems Audit and Control Association (ISACA), Illinois, USA. Wrote exams in June 2011 and passed. CISA (Certified Information Systems Auditor) , Wrote exams and passed in Dec 2010 exams, Information Systems Audit and Control Association (ISACA), Illinois, USA. Wrote exams in Dec 2012 and passed. CRISC (Certified in Risk and Information Systems Control), Information Systems Audit and Control Association (ISACA), Illinois, USA. HAVARD MENTOR PROGRAMME (Business Case Development and Budgeting module; 81.5% average), Black Management Forum, 2014. 	External	Member	1 July 2015

7. AUDIT COMMITTEE

THE TABLE BELOW DISCLOSES RELEVANT INFORMATION ON THE AUDIT COMMITTEE MEMBERS

Name	Qualifications	Internal or external	If internal, position in the public entity	Date appointed
Mr A Amod	<ul style="list-style-type: none"> • Masters in Business Administration (MBA), • Bachelor of Commerce Degree (B.Com), Certificate of Internal Audit (CGAP), Certification in Risk Management Assurance (CRMA), 	External	Member	1 July 2016
Ms B Francis		External	Member	1 August 2013
Mr L M Mangquku	<ul style="list-style-type: none"> • B-Compt Degree, • Bachelor of Accounting Science, CA (SA) • Masters in Business Leadership, • Bachelor of Commerce, • Advanced Company Law I & II 	External	Member	1 July 2015
Mr C de Kock	<ul style="list-style-type: none"> • SAIPA – South African Institute of Professional Accountants, • Masters degree in IT Auditing, • Honours degree in Accounting, • Certified Information Systems Auditor (CISA) – global certification, • Certified Internal Auditor(CIA) – global certification 	External	Member	1 February 2017

PART C | GOVERNANCE

8. 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. A Policy Register enables the CBDA to identify policies and procedures to be reviewed and updated annually.

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

9. FRAUD AND CORRUPTION

The CBDA, with the assistance of the National Treasury, developed a fraud policy which complies with the National Treasury fraud prevention plan. CBDA employees are invited to attend events and workshops held by the National Treasury to communicate the plan and to emphasise the importance of reporting fraud and corruption.

The CBDA uses the National Anti-corruption Hotline for whistle-blowers to report fraud and corruption. The agency exercises a zero tolerance policy against fraud, and appropriate action will be taken in line with the policy.

The CBDA staff attended workshops on Anti-Money Laundering as well as the National Payments System (derived from the South African Reserve Bank Act, Section 10 (1)(c)(i)), presented by the SARB during October and November in the year under review.

10. MINIMISING CONFLICT OF INTEREST

Guidelines on minimising conflict of interest are contained in the CBDA's Code of Business Conduct. At every meeting, board members are required to indicate in writing whether they have a conflict of interest in relation to any item on the agenda, and to sign a Declaration of Interest form.

11. CODE OF CONDUCT

The board has approved a Code of Business Conduct for the CBDA, which all employees are required to sign upon appointment within the Agency.

12. HEALTH, SAFETY AND ENVIRONMENTAL ISSUES

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

13. BOARD SECRETARY

This position is currently vacant due to funding constraints.

14. SOCIAL RESPONSIBILITY

The CBDA staff members established a Charity Club Fund effective from July 2014 into which they make monthly contributions towards selected charitable drives, in order to make a change in their communities.

15. AUDIT COMMITTEE REPORT

We are pleased to present our report for the financial year ended 31 March 2017.

BACKGROUND

- The Audit and Risk Committee (the Committee) is established as a statutory committee in terms of section 51 (1) (a) of the Public Finance Management Act and Treasury Regulation 27.1.
- The Committee has adopted formal terms of reference as its audit committee charter and has complied with its responsibilities for the year, in compliance with its terms of reference.

PART C | GOVERNANCE**15. AUDIT COMMITTEE REPORT****MEMBERSHIP AND ATTENDANCE**

- The Committee consists solely of independent members who are financially literate and also have appropriate experience.
- The Committee met 5 times during the year.
- The following is a list of its members, qualifications and a record of their attendance:

Name of Member	Qualifications	Appointment Date	Number of Meetings Attended
Mr Joe Lesejane (Chairperson)	Chartered Accountant (SA), Fellow Chartered Management Accountant (UK), B.Com, B.Compt (Hons) and Certificate in Control Self-Assessment (CCSA), Chartered Director (SA)	1 February 2013 – 30 November 2016	2 of 5
Ms Octavia Matloa*	Chartered Accountant (SA), B.Com (Hons) and CTA	1 July 2013	5 of 5
Mr Ameen Amod	MBA (UCT), B.Com (UNISA), Certificate in Internal Audit (CIA - IIA), Certified Government Auditing Professional Auditor (CGAP – IIA) and Certification in Risk Management Assurance (CRMA – IIA), Chartered Director (IoDSA)	1 July 2015	3 of 5
Ms Anna Badimo	B.Sc Computer Science B.Sc Hons Computer Science MBA, MSC, CISM, CGEIT, M. InstD, Cobol Programming Diploma, Project Management Diploma	1 July 2015	5 of 5
Ms Berenice Francis	Certification in Control Self-Assessment (CCSA), Certified Internal Auditor (CIA), B.Compt (Hons) and B.Com Accounting	1 August 2013 – 31 July 2016	3 of 5
Mr Brandon Furstenburg	Master of Science (MSc) in Financial Management, Master of Commerce (MCom) in Economics, BCom Hons, Bcom and FAIS exams: RE1, RE3 & RE5	*1 June 2017	3 of 5
Mr. Charl de Kock	Masters in IT Auditing, Honours degree in Accounting, Certified Information Systems Auditor (CISA), Certified Internal Auditor(CIA), South African Institute of Professional Accountants (SAIPA)	1 February 2017	0 of 0
Mr Luyanda Mangquku	Chartered Accountant (SA), Masters in Business Leadership, Honours Bachelor of Accounting and Honours Bachelor of Commerce, Advanced Company Law I & II	1 July 2015	5 of 5

* Ms. Octavia Matloa became Chairperson from 18 April 2016.

THE AUDIT COMMITTEE'S RESPONSIBILITIES

The purpose of the Committee, which operates in conjunction with the Risk Committee, is to:

- Assist the Accounting Authority in discharging his duties relating to the safeguarding of assets, the operation of adequate systems, control and reporting processes, and the preparation of accurate reporting and financial statements in compliance with the applicable legal requirements and accounting standards;
- Oversee the activities of, and to ensure coordination between, the activities of internal and external audit;
- Provide a forum for discussing financial, enterprise-wide, regulatory and other risks and control issues; and to monitor controls designed to minimise these risks;

PART C | GOVERNANCE

15. AUDIT COMMITTEE REPORT

- Review the department's quarterly performance information, annual report, including annual performance information and annual financial statements, and any other public reports or announcements containing financial & non-financial information; Receive and deal with any complaints concerning the accounting practices, internal and external audit or the content and audit of its financial statements or related matters; and
- Annually review the committee's work and charter to make recommendations to the Accounting Authority to ensure its effectiveness.

RISK MANAGEMENT

- Management is responsible for the establishment and maintenance of an effective system of governance, risk management, the prevention and detection of fraud and internal controls.
- Internal Audit was guided by the consolidated risk profile, provided by the Enterprise Risk Management unit, critical audit areas and managements inputs in the formulation of its 3 year strategic and annual plans.
- Due to a number of internal challenges which are in the process of being addressed, the Risk Committee met 2 times during the year under review.
- A risk register is updated annually to ensure that all the major risks including emerging risks facing the entity are effectively managed.

INTERNAL AUDIT

The Committee approved a risk based 3 year rolling Strategic Plan and an Annual Internal Audit Coverage Plan for periods 1 April 2016 to 31 March 2019 covering the following key audit activities for the 2016/2017 financial year:

Type	Total Planned Audits	% Completed
Regularity Audit	3	100%
Compliance Audit	0	N/A
Performance Audit	1	100%
Information Technology Audit	3	100%
Ad-hoc Audits	0	N/A
Total	7	

PART C | GOVERNANCE

15. AUDIT COMMITTEE REPORT

The Committee reviewed all the internal audit reports; and is satisfied:

- With the activities of the internal audit function, including its annual work program, co-ordination with the external auditors, the reports of significant investigations and the responses of management to specific recommendations.
- That internal audit is conducted in accordance with the standards set by the Institute of Internal Auditors.
- With the implementation of improvement actions that were recommended during the external quality assurance review that the internal audit function underwent in the 2014/2015 financial year, which gave them the general conformance rating in terms of their operations in compliance with the definition of Internal Auditing, International Standards for the Professional Practice of Internal Audit (ISPPA) and the Code of Ethics.

The Committee reviewed all the internal audit reports; and is satisfied:

- With the activities of the internal audit function, including its annual work program, co-ordination with the external auditors, the reports of significant investigations and the responses of management to specific recommendations.
- That internal audit is conducted in accordance with the standards set by the Institute of Internal Auditors.
- With the implementation of improvement actions that were recommended during the external quality assurance review that the internal audit function underwent in the 2014/2015 financial year, which gave them the general conformance rating in terms of their operations in compliance with the definition of Internal Auditing, International Standards for the Professional Practice of Internal Audit (ISPPA) and the Code of Ethics.

ACCOUNTING AND AUDITING CONCERNS IDENTIFIED BY INTERNAL AUDIT

There are no accounting and auditing concerns that has been noted and brought to our attention.

OTHER IDENTIFIED CONCERNS

The Committee:

- Has concerns with the application of the prescribed performance information reporting framework and management is engaging with the relevant stakeholders i.e. National Treasury's Internal Audit and Performance Monitoring units and the committee is confident that the matter will be resolved in the next Strategic Plan and Annual Performance Plan reporting cycle.
- Is concerned that the Auditor General has noted a number of non-compliances to the SCM legislation which the system of internal control has failed to highlight.
- Identified financial constraints that limits the organization's ability to deliver on its mandate; and
- Uncertainty regarding the future of the organization due to a change in legislation where some of its functions might be allocated between National Treasury, Department of Small Business and Development and the South African Reserve Bank.

Other than these matters, nothing significant has come to our attention to indicate any material breakdown in the functioning of controls, procedures and systems.

The Committee is therefore of the opinion that Internal Audit is independent, provided objective assurance and consulting activities that were designed to add value and improve the entity's operations.

PART D | HUMAN RESOURCE MANAGEMENT

15. AUDIT COMMITTEE REPORT

THE ADEQUACY, RELIABILITY AND ACCURACY OF THE FINANCIAL INFORMATION

The Committee is of the opinion, based on the information and explanations provided by management as well as the results of audits performed by the internal auditors, and the Auditor-General, that the financial information provided by management to users of such information is adequate, reliable and accurate.

EXTERNAL AUDIT

- The Committee has reviewed the independence and objectivity of the external auditors.
- The external auditors attended 6 meetings of the Committee and the Committee is still concerned about the high audit fees for an entity of this size and will continue to engage the AG on this matter. Except for the above, we are satisfied that there are no other unresolved issues of concern.
- The Committee reviewed and approved the external audit report and no accounting and auditing concerns were noted.

Assurance Provider	Total Findings	Resolved	Number of Meetings Attended
Internal Audit	36	34	2
External Audit	19	12	7

THE EFFECTIVENESS OF INTERNAL CONTROLS

- The Committee considered all the reports issued by the various assurance providers e.g. Internal and External auditors, etc.
- Noted managements' actions in addressing identified control weaknesses and is satisfied with the following achievements reported during the year:

We also noted findings raised by both Internal and External Auditors in the area of Performance Information which management has addressed and will be effected in the new strategic plans.

In light of the above we report that the system of internal control for the period under review is considered to have been adequate.

PART D | HUMAN RESOURCE MANAGEMENT

15. AUDIT COMMITTEE REPORT

THE INSTITUTION'S COMPLIANCE WITH LEGAL AND REGULATORY PROVISIONS

- The Committee has reviewed the in-year management and quarterly reports submitted in terms of the Act and the Division of Revenue Act and are satisfied that no material deviations were noted.
- The Committee also noted managements' policies and procedures to ensure compliance with applicable laws and regulations

EVALUATION OF FINANCIAL STATEMENTS AND ANNUAL REPORT

The Committee has evaluated the annual financial statements and performance information for the year ended 31 March 2017 and duly recommended for the Accounting Authority's approval prior to being submitted to the Auditor General for audit.

The Committee reviewed the Auditors' Management and Audit reports; and concurs with their conclusions. The Committee therefore accepts the audit opinion expressed by the external auditors on the annual financial statements, and annual report.

We would like to express our appreciation to the Board for their leadership and support; Managing Director, Internal Audit and management for their commitment and achievement of an unqualified audit opinion.



Octavia Matloa

Chairperson of the Audit Committee

31 July 2017

PART D

HUMAN RESOURCE MANAGEMENT

PART D | HUMAN RESOURCE MANAGEMENT

1. INTRODUCTION

A) OVERVIEW OF HR MATTERS AT THE PUBLIC ENTITY

The HR report summarises the employment-related activities of the CBDA from 01 April 2016 to March 2017.

HR responsibilities generally include the following:

- Recruitment and selection
- Remuneration
- Skills development
- Performance management (performance agreements, reviews and evaluation)
- Review and implement HR policies and governance

B) SET HR PRIORITIES FOR THE YEAR UNDER REVIEW AND THE IMPACT OF THESE PRIORITIES

The HR-related policies that were reviewed and approved by the CBDA Board related to the bursary scheme; cellular phone wireless access solution; disciplinary code and grievance procedure; human resources plan; internship; leave benefits; performance management; recruitment and selection; recruitment and retention; relocation; salary advance and working hours policy.

In the period under review, the CBDA made 16 new appointments to fill the positions in the:

- Central Support Services Unit: 5 CFI Helpdesk Agents; 4 Data Capturers; 1 Accountant; 1 Business Analyst and 1 Programme Administrator;
- Supervision Unit: 1 Analyst and 1 Senior Analyst;
- Capacity Building Unit: 1 Senior Technical Audit Specialist and
- Corporate Services Unit: 1 Intern Researcher.

There were 4 resignations relating to 1 Business Analyst and 1 Data Capturer from Central Support Services, 1 Analyst from Supervision Unit and 1 Technical Analyst from Capacity Building Unit.

C) EMPLOYEE PERFORMANCE MANAGEMENT FRAMEWORK

The Normalisation Committee finalised the 2015/16 performance assessments at its meeting in June 2016. The HR&R Committee recommended performance bonuses, which the board approved.

D) EMPLOYEE WELLNESS PROGRAMMES

Employee wellness is an integral part of the HR function, as it not only promotes healthy living but also enables CBDA staff members access to guidance on work-life balance, debt counselling and substance abuse. 1 employee was referred for counselling through Siyaphila, the National Treasury's wellness programme. With limited budget, the CBDA relies on National Treasury to offer these services.

PART D | HUMAN RESOURCE MANAGEMENT**1. INTRODUCTION****E) SKILLS DEVELOPMENT AND TRAINING**

An MOU between Bankseta and the CBDA was approved, enabling 2 employees to study towards their Masters in Business Administration and BSc General Financial Mathematics. Through personal development plans, the CBDA funded 2 employees with regard to training in a programme in Human Resources Management and Masters in Business Administration.

In-house training was done by the SARB Academy on Anti-Money Laundering (AML) and the National Payment System (NPS).

F) SOCIAL EVENTS

The CBDA celebrated a range of social events that were organised by the CBDA Social Events Committee which is self-funded by employees. These included a year-end function and Heritage Day. To celebrate Mandela Day, the Charity Club fund (monthly contribution by staff members) provided groceries, blankets, sewing and craft materials at Mercy House, a home for abused women and children.

G) FUTURE HR PLANS /GOALS

To ensure continuous achievement of the CBDA's objectives, HR will focus on priorities identified in the reviewed HR plan. These include job evaluation of new and existing positions; access to a security and qualifications verification system, a Memorandum of Agreement with the Bankseta regarding the funding of formal studies in the 2017/18 financial year.

During the review period, the CBDA successfully extended the Leadership Development and Coaching to middle managers through Mzantsi and will continue with this intervention in the new financial year.

2. HUMAN RESOURCE OVERSIGHT STATISTICS**Personnel cost by programme**

Programme/ activity/objective	Total Expenditure for the entity (R'000)	Personnel Expenditure (R'000)	Personnel exp. as a % of total exp.	No. of employees	Average personnel cost per employee (R'000)
Corporate Services	6 089	3 632	12%	5	726
Supervision	4 706	4 214	14%	7	602
Capacity Building	13 002	4 075	13%	8	509
Central Support Services	6 767	2 726	9%	14	195
Interns	-	212	1%	2	106
TOTAL	30 564	14 859	49%	36	412

PART D | HUMAN RESOURCE MANAGEMENT**2. HUMAN RESOURCE OVERSIGHT STATISTICS****Personnel cost by salary band**

Level	Personnel Expenditure (R'000)	% of personnel exp. to total personnel cost	No. of employees	Average personnel cost per employee (R'000)
Top Management	1,306	9%	1	1,306
Senior Management	3,183	21%	3	1,061
Professional qualified	6,652	45%	13	512
Skilled	3,289	22%	12	274
Semi-skilled	429	3%	7	61
TOTAL	14,859	100%	36	413

Performance Rewards 2016/17

Performance evaluations for the 2015/16 financial year were conducted between management and staff. In August 2016 performance bonuses were paid from the bonus provision. Bonus provision for the year under review has been allocated. The Normalisation Committee will convene in June/July 2017 to finalise the scoring process. It will prepare a submission for recommendation by the HR & R Committee, and approval by the CBDA Board.

Performance Rewards

Programme/activity/objective	Performance Rewards Provision (R'000)	Personnel Expenditure (R'000)	% of performance rewards to total personnel cost (R'000)
Top Management	53	1,306	0.35%
Senior Management	129	3,183	0.87%
Professional qualified	283	6,652	2%
Skilled	131	3,289	0.88%
Semi-skilled	-	429	0%
TOTAL	596	14,859	4%

Training Costs

As a public entity, the CBDA prides itself in developing and increasing the skills of its staff. During the period under review, the agency continued to demonstrate commitment to the development of job-specific skills, based on performance assessment, personal development plans, industry-related training and a leadership and coaching programme which includes both senior and middle management.

CBDA staff attended the following conferences:

- GIBS Conference – CBDA Business model innovation for financial inclusion Programme.
- WOVSA Conference – International women in corporate indaba.

PART D | HUMAN RESOURCE MANAGEMENT**2. HUMAN RESOURCE OVERSIGHT STATISTICS**

- Department of Agriculture, Forestry and Fisheries Conference – The purpose of the conference was to share with stakeholders the content of integrated Agricultural Development Finance Policy Framework (IADFPF) particularly the possible funding option identified in that policy framework.
- Mzantsi Leadership Development – Training on leadership skills development for both senior and middle management.
- Mzantsi summit and Team Session for all CBDA staff.
- Ethics institute of SA - 6TH Annual conference.

The CBDA also funded the formal studies, short courses and training of 4 employees.

The CBDA finance unit participated in the Junior Bookkeeper Internship with the Swiss-South African Cooperation Initiative (SSACI) from 1 April 2016 to March 2017. On the job training was provided to 3 interns with close supervision and mentoring. Interns' progress was monitored and assessed through the training task book. The interns have completed their programme and will now prepare for their examinations in July, towards a certificate in junior bookkeeping.

Training Costs

Programme// activity/objective	Personnel Expenditure (R'000)	Training Expenditure (R'000)	Training Expenditure as a % of Personnel Cost.	No. of employees trained	Avg training cost per employee (R'000)
Corporate Services	3,632	452	12%	6	75
Supervision	4,214	131	3%	11	12
Capacity Building	4,075	44	1%	8	6
Central Support Service	2,726	14	0.5%	3	11
Interns	212	-	0%	-	-
TOTAL	14,859	641	4%	28	23

Employment and vacancies

Programme/ activity/objective	2015/2016 No. of Employees	2016/2017 Approved Posts	2016/2017 No. of Employees	2016/2017 Vacancies	% of vacancies
Corporate Services	5	5	5	-	-
Supervision	6	6	6	-	-
Capacity Building	6	6	7	(1) ¹	-
Interns ²		2	2	-	-
Central Support Services	1	14	12	2	6%
TOTAL	18	33	32	1	3%

PART D | HUMAN RESOURCE MANAGEMENT

2. HUMAN RESOURCE OVERSIGHT STATISTICS

Programme/ activity/objective	2015/2016 No. of Employees	2016/2017 Approved Posts	2016/2017 No. of Employees	2016/2017 Vacancies	% of vacancies
Top Management	1	1	1	-	
Senior Management	3	3	3	-	
Professional qualified	7	13	11	2	6%
Skilled	7	14	11	31	
Semi-skilled		2	6	(4) ²	
TOTAL	18	33	32	1	

¹ Staff recruited on a fixed term contract from grant funds due to insufficient capacity. Therefore post not part of approved structure.

² The 2 vacant posts are for the CSS unit which is dependent on the progress of the banking system and the need for the capacity. The CSS unit has recruited temporary staff as a measure to assist CFIs to get their records to be accurate and up to date before migration to the banking system can take place. Therefore recruitment was made not in line with the approved structure.

EMPLOYMENT CHANGES

During the period under review, the CBDA made 16 new appointments to fill the positions of:

- 5 CFI Helpdesk Agents (Central Support Services);
- 4 Data Capturers (Central Support Services);
- 1 Accountant (Central Support Services);
- 1 Business Analyst (Central Support Services);
- 1 Programme Administrator (Central Support Services);
- 1 Analyst (Supervision Unit);
- 1 Senior Analyst;
- 1 Senior Technical Analyst: Audit (Capacity Building Unit) and
- 1 Intern Research (Corporate Services).

Salary Band	Employment at beginning of period	Appointments	Terminations	Employment at end of the period
Top Management	1	-	-	1
Senior Management	3	-	-	3
Professional qualified	9	4	2	11
Skilled	6	6	1	11
Semi-skilled	1	6	1	6
Unskilled	-	-	-	-
Total	20	16	4	32

PART D | HUMAN RESOURCE MANAGEMENT**2. HUMAN RESOURCE OVERSIGHT STATISTICS****REASONS FOR STAFF LEAVING**

Two employees (Business Analyst and Analyst) resigned due to better packages offered. One employee on a short-term contract (Data Capturer) resigned due to receiving a long-term fixed contract and the last employee (Technical Analyst) wanted to start his own co-operative.

The position of a Business Analyst and Technical Analyst have been filled in the period under review. The Analyst position will be filled in the new financial year.

Reason	Number	% of total no. of staff leaving
Death	-	-
Resignation	4	12.5%
Dismissal	-	-
Retirement	-	-
Ill health	-	-
Expiry of contract	-	-
Other	-	-
Total	4	12.5%

LABOUR RELATIONS: MISCONDUCT AND DISCIPLINARY ACTION

A three-month contract was terminated prematurely due to non-performance.

Nature of disciplinary Action	Number
Verbal Warning	-
Written Warning	-
Final Written warning	-
Dismissal	1

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 compliment of fewer than fifty, the CBDA is not required to meet the regulated quotas. As the agency expands, however, it will endeavour to ensure that the African-Indian-Coloured ratios are maintained as regulated. In doing so, the CBDA will help to develop and increase the skills of members of the formerly disadvantaged population.

PART A | GENERAL INFORMATION**2. HUMAN RESOURCE OVERSIGHT STATISTICS**

Levels	Male							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	-	-	-	-	-	-	-	-
Senior Management	-	-	-	-	-	-	2	-
Professional qualified	5	-	-	-	-	-	-	-
Skilled	2	-	-	-	-	-	-	-
Semi-skilled	2	-	-	-	-	-	-	-
Unskilled	-	-	-	-	-	-	-	-
TOTAL	9	-	-	-	-	-	2	-

Levels	Female							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	1	-	-	-	-	-	-	-
Senior Management	1	-	-	-	-	-	-	-
Professional qualified	5	-	-	-	1	-	-	-
Skilled	8	0	1	-	-	-	-	-
Semi-skilled	4	0	-	-	-	-	-	-
Unskilled	0	0	-	-	-	-	-	-
TOTAL	19	0	1	0	1	-	-	-

The CBDA had no disabled staff members during the period under review.

PART E

FINANCIAL INFORMATION

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PART E | FINANCIAL INFORMATION

1. STATEMENT OF RESPONSIBILITY

The Board is required by the Public Finance Management Act (Act 1 of 1999), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the Board to ensure that the annual financial statements fairly present the state of affairs of the CBDA as at the end of the financial year and the results of its operations and cash flows for the period that ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

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

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The Board acknowledges that they are ultimately responsible for the system of internal financial control established by the CBDA and place considerable importance on maintaining a strong control environment. To enable the Board to meet these responsibilities, the Board sets standards for internal controls aimed at reducing the risk of error or misstatements in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the CBDA and all employees are required to maintain the highest ethical standards in ensuring the CBDA's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the CBDA is on identifying, assessing, managing and monitoring all known forms of risk across the CBDA's environment. While operating risk cannot be fully eliminated, the CBDA endeavours to minimise it by ensuring that appropriate controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Board is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or errors.

The annual financial statements are prepared on the basis that the CBDA is a going concern and is dependent on National Treasury to fund operations.

Although the Board is primarily responsible for the financial affairs of the CBDA, they are supported by the Audit and Risk Committees.

The annual financial statements are audited by the CBDA's external auditors and their report is presented on page 103 to 144.



Acting Chairperson: Advocate Tokyo Nevondwe

Co-operative Banks Development Agency
31 July 2017

PART E | FINANCIAL INFORMATION**2. REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON CO-OPERATIVE BANKS DEVELOPMENT AGENCY****REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS****OPINION**

1. I have audited the financial statements of the Co-operative Banks Development Agency set out on pages 103 to 144 which comprise, the statement of financial position as at 31 March 2017, the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget and actual amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Co-operative Banks Development Agency as at 31 March 2017, and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA).

BASIS FOR OPINION

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

EMPHASIS OF MATTERS

6. I draw attention to the matters below. My opinion is not modified in respect of these matters.

IRREGULAR EXPENDITURE

7. As disclosed in note 25 to the financial statements, irregular expenditure to the amount of R1 677 000 was incurred, as a proper tender process had not been followed.

RESTATEMENT OF CORRESPONDING FIGURES

8. As disclosed in note 26 to the financial statements, the corresponding figures for 31 March 2016 have been restated as a result of an error in the financial statements of the public entity at, and for the year ended, 31 March 2017.

RESPONSIBILITIES OF ACCOUNTING AUTHORITY FOR THE FINANCIAL STATEMENTS

9. The board of directors, which constitutes the accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with SA Standards of GRAP and the requirements of the PFMA and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

PART E | FINANCIAL INFORMATION

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

10. In preparing the financial statements, the accounting authority is responsible for assessing the public entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the intention is to liquidate the public entity or to cease operations, or there is no realistic alternative but to do so.

AUDITOR-GENERAL'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

REPORT ON THE AUDIT OF THE ANNUAL PERFORMANCE REPORT

INTRODUCTION AND SCOPE

13. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.

Programmes	Pages in annual performance report
Programme 2 – Supervision	33 - 34
Programme 3 – Capacity building	47 – 48
Programme 4 – Central support services	55 – 56

14. My procedures address the reported performance information, which must be based on the approved performance planning documents of the public entity. I have not evaluated the completeness and appropriateness of the performance indicators/ measures included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
15. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programmes presented in the annual performance report of the public entity for the year ended 31 March 2017:

PART E | FINANCIAL INFORMATION**2. REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON CO-OPERATIVE BANKS DEVELOPMENT AGENCY**

16. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

17. The material findings in respect of the usefulness and reliability of the selected programmes are as follows:

PROGRAMME 2 - SUPERVISION**Time frame to identify and recommend remedial actions to CFIs**

18. The method of calculation for the achievement of the planned indicator was not clearly defined, as required by the Framework for Managing Programme Performance Information (FMPPi).

PROGRAMME 3 - CAPACITY BUILDING**Number of CFIs provided with direct technical assistance**

19. The method of calculation for the achievement of the planned indicator was not clearly defined, as required by the FMPPi.

PROGRAMME 4 - CENTRAL SUPPORT SERVICES**Number of reports provided for CFI's to report in terms of the requirements under the relevant Acts**

20. The source information and evidence for the achievement of the planned indicator were not clearly defined, as required by the FMPPi.

21. I was unable to obtain sufficient appropriate audit evidence for the reported achievement of the target of ten reports. This was due to inadequate technical indicator descriptions, performance management systems and processes and formal standard operating procedure that predetermined how the achievement would be measured, monitored and reported, as required by the FMPPi. I was unable to confirm by alternative means that the reported achievement of this indicator was reliable. Consequently, I was unable to determine whether any adjustments were required to the reported achievement of eight reports.

OTHER MATTERS

22. I draw attention to the matters below.

ACHIEVEMENT OF PLANNED TARGETS

23. Refer to the annual performance report on pages 33 to 34; 47 to 48; 55 to 56 for information on the achievement of planned targets for the year and explanations provided for the under/overachievement of a significant number of targets. This information should be considered in the context of the findings on usefulness and reliability of the reported performance information in paragraphs 18 to 21 of this report.

PART E | FINANCIAL INFORMATION

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

ADJUSTMENT OF MATERIAL MISSTATEMENTS

24. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information of the supervision, capacity building and central support services programmes. As management subsequently corrected only some of the misstatements, I reported material findings on the usefulness and reliability of the reported performance information. Those that were not corrected are included in paragraphs 18 to 21 of this report.

REPORT ON AUDIT OF COMPLIANCE WITH LEGISLATION

INTRODUCTION AND SCOPE

25. In accordance with the PAA and the general notice issued in terms thereof I have a responsibility to report material findings on the compliance of the public entity with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
26. The material findings in respect of the compliance criteria for the applicable subject matters are as follows:

ANNUAL FINANCIAL STATEMENTS

27. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework as required section 55(1)(a) of the PFMA. Material misstatements of non-current assets, expenditure and disclosure items identified by the auditors in the submitted financial statements were corrected resulting in the financial statements receiving an unqualified audit opinion.

EXPENDITURE MANAGEMENT

28. Effective steps were not taken to prevent irregular expenditure amounting to R1 667 000 as disclosed in note 25 to the financial statements, as required by section 51(1)(a) of the PFMA. Most of the disclosed irregular expenditure was incurred because the public entity failed to obtain the required three price quotations and provide supporting evidence to confirm that the preference points for procurement above R30 000 were applied.
29. Money was committed by the authorised delegation; however the approval did not comply with the limitations or conditions attached to the delegation as required by Treasury Regulation 8.2.1 and 8.2.2.

PROCUREMENT AND CONTRACT MANAGEMENT

30. In some instances, goods and services with a transaction value below R500 000 were procured without obtaining the required price quotations, as required by treasury regulation 16A6.1.
31. Sufficient appropriate audit evidence could not be obtained that the preference point system was applied in some instances of the procurement of goods and services above R30 000 as required by section 2(a) of the Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000) and Treasury Regulation 16A6.3(b).

PART E | FINANCIAL INFORMATION

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

OTHER INFORMATION

32. The Co-operative Banks Development Agency's accounting authority is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report thereon and those selected programmes presented in the annual performance report that have been specifically reported on in the auditor's report.
33. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.
34. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected programmes presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work I have performed on the other information obtained prior to the date of this auditor's report, I conclude that there is a material misstatement of this other information, I am required to report that fact.
35. I have not yet received the annual report. When I do receive this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected I may have to re-issue my auditor's report amended as appropriate.

INTERNAL CONTROL DEFICIENCIES

36. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance thereon. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on the annual performance report and the findings on compliance with legislation included in this report.
37. The accounting authority did not adequately review the financial statements and annual performance report before submitting them for auditing and did not ensure that the action plan to address the internal control deficiencies identified was implemented and progress was monitored.
38. Management did not prepare financial and performance information that were free from material misstatement due to the slow response by management in addressing the internal control deficiencies. This was mainly due to capacity constraints at the entity.
39. Management did not adequately review and monitor the procurement process to ensure compliance with the supply chain management (SCM) prescripts. This was due to the officials' lack of understanding of the SCM prescripts.

Auditor-General

Pretoria

31 July 2017



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

PART E | FINANCIAL INFORMATION

ANNEXURE – AUDITOR-GENERAL'S RESPONSIBILITY FOR THE AUDIT

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

FINANCIAL STATEMENTS

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

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

- 3 I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also confirm to the accounting authority that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and where applicable, related safeguards.

PART E | FINANCIAL INFORMATION

ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

Statement of Financial Position as at 31 March, 2017

	Note (s)	2017 R'000	2016 Restated R'000
Assets			
Current Assets			
Receivables from exchange transactions	3	-	82
Receivables from non-exchange transactions	4	1,420	1,273
Cash and cash equivalents	5	9,766	17,646
		11,186	19,001
Non-Current Assets			
Property, plant and equipment	6	315	208
Intangible assets	7	773	776
		1,088	984
Total Assets		12,274	19,985
Liabilities			
Current Liabilities			
Payables	8	2,501	7,287
Grants	9	3,148	8,019
Provisions	10	959	607
Total Liabilities		6,608	15,913
NET ASSETS AND LIABILITIES		5,666	4,072
Reserves			
Stabilisation Fund	11	1,708	1,588
Accumulated surplus		3,958	2,484
TOTAL NET ASSETS		5,666	4,072

PART E | FINANCIAL INFORMATION**ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017****Statement of Financial Performance**

	Note (s)	2017 R'000	2016 Restated R'000
Revenue			
Revenue from exchange transactions			
Services rendered		12	10
Interest recieved		1,141	1,090
		1,153	1,100
Revenue from non-exchange transactions			
Transfers		16,472	17,341
Grants	9	14,233	8,809
CFI's contribution to the Banking Platform		300	-
		31,005	26,150
TOTAL REVENUE	13	32,158	27,250
Expenditure			
Compensation of employees	14	(14,859)	(12,329)
Depreciation/amortisation		(230)	(132)
Goods and services	15	(15,475)	(15,029)
TOTAL EXPENDITURE		(30,564)	(27,490)
SURPLUS/ (DEFICIT) FOR THE YEAR		1,594	(240)

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ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

Statement of Changes in Net Assets

	Stabilisation	Accumulated surplus	Total assets
	R'000	R'000	R'000
Balance at 01 April 2015	1,490	696	2,186
Changes in net assets			
Restated Surplus/ (Deficit) for the year	-	(240)	(240)
Transfer to reserves	98	(98)	-
Roll over funds retained	-	2,126	2,126
Total changes	98	1,788	1,886
Restated Balance at April 1, 2016	1,588	2,484	4,072
Changes in net assets			
Surplus/ (Deficit) for the year	-	1,594	1,594
Transfer to reserves	120	(120)	-
Total changes	120	1,474	1,594
Balance at 31 March, 2017	1,708	3,958	5,666

PART E | FINANCIAL INFORMATION**ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017****Cash Flow Statement**

	Note (s)	2017 R'000	2016 Restated R'000
Cash flows from operating activities			
Receipts			
Services rendered		12	10
Grants		9,297	8,486
Interest received		1,141	1,090
Transfers		16,472	17,341
CFI's contribution to the Banking Platform		100	530
		<u>27,022</u>	<u>27,457</u>
Payments			
Compensation of employees		(14,507)	(12,463)
Goods and services		(20,061)	(10,538)
		<u>(34,568)</u>	<u>(23,001)</u>
Net cash flows from operating activities	16	<u>(7,546)</u>	<u>4,456</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(271)	(161)
Purchase of other intangible assets	7	(63)	(787)
Net cash flows from investing activities		<u>(334)</u>	<u>(948)</u>
Net increase/(decrease) in cash and cash equivalents		(7,880)	3,508
Cash and cash equivalents at the beginning of the year		17,646	14,138
Cash and cash equivalents at the end of the year	5	<u>9,766</u>	<u>17,646</u>

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ANNUAL FINANCIAL STATEMENTS
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Statement of Comparison of Budget and Actual Amounts

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Notes
	R'000	R'000	R'000	R'000	R'000	
Revenue						
Revenue from exchange transactions						
Services rendered	5	-	5	12	7	13
Interest received	635	-	635	1,141	506	13
Total revenue from exchange transactions	640	-	640	1,153	513	
Revenue from non- exchange transactions						
Transfer revenue						
Transfer	16,472	-	16,472	16,472	-	13
Grants	18,408	-	18,408	14,233	(4,175)	9
CFI's contribution to the Banking Platform	500	-	500	300	(200)	13
Total revenue from non-Exchange transactions	35,380	-	35,380	31,005	(4,375)	-
Total revenue	36,020	-	36,020	32,158	(3,862)	-
Expenditure						
Compensation of employees	(17,720)	-	(17,720)	(14,859)	2,861	14
Advertising	(250)	-	(250)	(55)	195	15
Audit fees	(770)	-	(770)	(682)	88	15
Computer services	(435)	-	(435)	(10)	425	15
Depreciation and amortisation	(50)	-	(50)	(230)	(180)	-
Impairment loss	-	-	-	(1)	(1)	15
Consultant, contractors and agency/ outsourced services	(11,563)	-	(11,563)	(5,231)	6,332	15

PART E | FINANCIAL INFORMATION**ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017****Statement of Comparison of Budget and Actual Amounts**

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Notes
	R'000	R'000	R'000	R'000	R'000	
Operating lease	(46)	-	(46)	(28)	18	17
Venues and Facilities	(1,146)	-	(1,146)	(1,482)	(336)	15
Printing and stationery	(117)	-	(117)	(159)	(42)	15
Communication	(106)	-	(106)	(49)	57	15
Training and staff development	(150)	-	(150)	(641)	(491)	15
Travel and subsistence	(3,014)	-	(3,014)	(5,964)	(2,950)	15
Assets less than capitalisation						
Threshold	(5)	-	(5)	(6)	(1)	15
Administrative expenses	(5)	-	(5)	(11)	(6)	15
Mobile offices and renovations	-	-	-	(521)	(521)	15
Other operation expenses	(279)	-	(279)	(635)	(356)	15
Total expenditure	(35,656)	-	(35,656)	(30,564)	5,092	-
Surplus/ (deficit) before capital expenses and interest	364	-	364	1,594	1,230	-
Interest capitalised	(64)	-	(64)	(120)	(56)	11
Capital assets	(300)	-	(300)	(334)	(34)	6 and 7
Surplus/ (deficit) for the year	-	-	-	920	920	-

PART E | FINANCIAL INFORMATION

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

Accounting Policies

1. BASIS OF PRESENTATION

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP), including any interpretations and directives issued by the Accounting Standards Board in accordance with Section 91(1) of the Public Finance Management Act (Act 1 of 1999). They are prepared in South African Rand (R)

These annual financial statements have been prepared on accrual basis of accounting, in terms of which items are recognised as assets, liabilities, net assets, revenue and expenses when they satisfy the 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.

Assets, liabilities, revenues and expenses were not offset except when offsetting is required or permitted by a Standard of GRAP.

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

1.1 GOING CONCERN ASSUMPTION

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

1.2 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are tangible non-current assets that are held for use in the rendering of services, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

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

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

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 was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

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

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Office Equipment	Straight line	5 years
Computer Equipment	Straight line	3-5 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

The depreciation charge for each period is recognised in the statement of financial performance unless it is included in the carrying amount of another asset.

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

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

1.3 INTANGIBLE ASSETS

An intangible asset is recognised when:

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

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

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

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ANNUAL FINANCIAL STATEMENTS
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Accounting Policies

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

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

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

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

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

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

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

Item	Average Useful life
Annual license agreements	1 year
Computer Software	3 years

Intangible assets are derecognised;

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

The gain or loss arising from the derecognition of an intangible assets is included in the statement of financial performance when the asset is derecognised (unless the Standard GRAP on leases requires otherwise on a sale and leaseback).

When annual licence fees comply with the recognition criteria of intangible asset, they are capitalised.

1.4 TAX

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

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ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

Accounting Policies

1.5 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- Lease.

OPERATING LEASES - LESSEE

Lease agreements are classified as operating leases where substantially the entire risks and rewards incident 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 are recognised as an operating lease asset or liability.

1.6 IMPAIRMENT OF NON- CASH-GENERATING ASSETS

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

Non-cash-generating assets are assets other than cash-generating assets.

IDENTIFICATION

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

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

Irrespective of whether there is any indication of impairment, the entity also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

RECOGNITION AND MEASUREMENT

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

An impairment loss is recognised immediately in the statement of financial performance.

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

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

1.7 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 and bonuses, are recognised in the period in which the service is rendered and are not discounted.

1.8 PROVISIONS AND CONTINGENCIES

Provisions are recognised when:

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

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

A provision is used only for expenditures for which the provision was originally recognised. Provisions are not recognised for future operating deficits.

If the CBDA has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised, but disclosed.

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ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

Accounting Policies

1.9 COMMITMENTS

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

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

- Contracts should be non-cancellable or only cancellable at significant cost; and
- Contracts should relate to something other than the routine operation of business.

1.10 REVENUE RECOGNITION

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets.

1.10.1 REVENUE FROM EXCHANGE TRANSACTIONS

Revenue from exchange transactions refers to the revenue that accrued to the entity directly in return for services rendered or sold goods, the value of which approximates the consideration received or receivable. Revenue is recognised when it is probable that the economic benefits will flow to the 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.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

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 tariffs

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes registration of co-operative banks and CFIs.

1.10.2 REVENUE FROM NON- EXCHANGE TRANSACTIONS

Revenue from non-exchange transactions refers to transactions where the CBDA received revenue from another entity of 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 the recognition as an asset and there is no liability to repay the amount.

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ANNUAL FINANCIAL STATEMENTS
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Accounting Policies

a. Transfer

The transfer from National Treasury is recognised when it is probable that future economic benefits will flow to the CBDA and when the amount can be measured reliably. Revenue is recognised to the extent that there is no further obligation arising from the receipt of the transfer payment.

The amount of the transfer payment not used, is recognised as a liability. An application would be made in the new financial year to retain the unused amount. When consent is obtained to use the funds, it is recognised as a revenue.

b. Grants

Grants are recognised when the definition of an asset is met and the recognition criteria of an asset is satisfied. Stipulation on grants are a binding arrangement imposed upon the use of a transferred asset by entities external to the CBDA. Stipulation can either be in the form of conditions or in the form of restriction.

Grants are recognised as revenue, except to the extent that a liability is also recognised. As the CBDA satisfies a present obligation recognised as a liability in respect of an inflow of resources from grants recognised as an assets, it reduces the carrying amount of the liability recognised and recognised an amount of revenue equal to that reduction.

1.11 COMPARATIVE FIGURES

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, the nature and reason for the reclassification are 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 the 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.

1.12 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. When an investigation determines, a receivable will be recognised against an employee who has been found to have incurred the fruitless and wasteful expenditure. In instances where a receivable is not raised against an employee or the amount is irrecoverable, the accounting authority may write off the debt. Fruitless and wasteful expenditure identified is disclosed in the note to the financial statements.

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ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

Accounting Policies

1.13 IRREGULAR EXPENDITURE

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

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

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

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

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

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

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

1.14 BUDGET INFORMATION

The CBDA is typically subjected to budgetary limits in the form of appropriations or budget authorisation (or equivalent), which is given effect through authorising legislation, appropriation or similar.

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

The approved budget is prepared on an accrual basis and presented by economic classification linked to performance outcome objectives.

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The approved budget cover the fiscal period from 2016/04/01 to 2017/03/31.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.15 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.

Management are those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions.

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

1.16 CHANGES IN ACCOUNTING POLICY

The accounting policies have been applied consistently. The CBDA 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.

1.17 FINANCIAL INSTRUMENTS

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

The CBDA measures a financial asset and financial liability initially at its fair value plus transaction cost that are directly attributable to the acquisition or issue of the financial asset or liability. Subsequent to initial recognition, these instruments are measured as set out below.

CASH AND CASH EQUIVALENT

Cash and cash equivalents comprises cash at bank, petty cash and deposits held in call and are stated at amortised cost which, due to their short term nature, closely approximates their fair value.

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ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

Accounting Policies

RECEIVABLES

Receivables are categorized as financial assets which includes trade and other receivables from exchange and non-exchange transactions. Receivables are subsequently measured at amortised cost using the effective interest rate method.

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 as bad debt in the statement of performance. Subsequent recoveries of amounts previously written off are credited against operating expenses in the financial statements.

TRADE AND OTHER PAYABLES

The financial liabilities consists of trade payables. Trade and other payables are subsequently measured at amortised cost using the effective interest rate method, which is the initial carrying amount less payments plus interest.

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.

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ANNUAL FINANCIAL STATEMENTS
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Notes to the Annual Financial Statements

2. NEW STANDARDS AND INTERPRETATIONS

2.1 STANDARDS AND INTERPRETATIONS ISSUED, BUT NOT YET EFFECTIVE

The following standards of GRAP have been issued by the ASB but will only become effective in future periods or have not been given an effective date by the minister of finance. The CBDA has not early adopted any of the standards.

Standard/ Interpretation:	Effective Date: Years beginning on or after	Expected impact:
• GRAP 34:- Separate Financial Statements	01 April 2017	Not relevant
• GRAP 35:- Consolidated Financial Statements	01 April 2017	Not relevant
• GRAP 36:- Investments in Associates and Joint Ventures	01 April 2017	Not relevant
• GRAP 37: - Joint Arrangements	01 April 2017	Not relevant
• GRAP 38: - Disclosure of Interest in Other Entities	01 April 2017	Not relevant
• GRAP 110: - Living and Non-living Resources	01 April 2017	Not relevant
• GRAP 20: - Related parties	01 April 2017	The impact of the amendment is not material
• GRAP 32: - Service Concession Arrangements: Grantor	01 April 2017	Not relevant
• GRAP 108: - Statutory Receivables	01 April 2017	Not relevant
• GRAP 109: - Accounting by Principals and Agents	01 April 2017	Not relevant

PART E | FINANCIAL INFORMATION**ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017****Notes to the Annual Financial Statements**

	2017 R'000	2016 R'000
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3. RECEIVABLES FROM EXCHANGE TRANSACTIONS

Trade receivables	-	82
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The fair value of trade and other receivables approximate their carrying value.

4. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Receivables	1,240	959
Other receivables	180	314
	<u>1,420</u>	<u>1,273</u>

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consists of:

FNB- Current account	493	390
FNB- Current account – Central Support Services(CSS)	100	-
CPD- Investment account	1,708	1,588
CPD- Investment account	7,463	15,666
Petty cash- Current account	2	2
Total	<u>9,766</u>	<u>17,646</u>

Cash and Cash Equivalent consists of 5 Bank accounts, namely; 3 in FNB (Current account-CBDA, Current account-CSS and Petty cash account) and 2 in Corporate for Public Deposit (Stabilisation and Central Support Services).

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6. PROPERTY, PLANT AND EQUIPMENT

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
	R'000					
Office Equipment	43	(40)	3	43	(35)	8
Computer Equipment	721	(409)	312	460	(260)	200
Total	764	(449)	315	503	(295)	208

RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT – 2017

	Opening balance	Additions	Depreciation	Total
	R'000	R'000	R'000	R'000
Office Equipment	8	-	(5)	3
Computer Equipment	200	271	(159)	312
	208	271	(164)	315

An asset with a carrying value of R896 was damaged and written off as impairment loss.

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RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT – 2016

	Opening balance R'000	Additions R'000	Depreciation R'000	Total R'000
Office Equipment	17	-	(9)	8
Computer Equipment	139	161	(100)	200
	156	161	(109)	208

Computer Equipment to the value of R110,000 was fully depreciated and removed from the fixed asset register. Some of the disposed assets were donated to the CFLs.

7. INTANGIBLE ASSETS

	2017			2016		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
	R'000	R'000	R'000	R'000	R'000	R'000
Annual licence agreement	63	(18)	45	28	(21)	7
Computer software	777	(49)	728	806	(37)	769
Total	840	(67)	773	834	(58)	776

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RECONCILIATION OF INTANGIBLE ASSETS – 2017

	Opening balance R'000	Additions R'000	Depreciation R'000	Total R'000
Annual license agreement	7	63	(25)	45
Computer software	769	-	(41)	728
	776	63	(66)	773

Computer Equipment to the value of R29,095 and Annual licence agreements to the value of R28,200 were fully depreciated and removed from the fixed assets register.

RECONCILIATION OF INTANGIBLE ASSETS – 2016

	Opening balance R'000	Additions R'000	Amortisation R'000	Total R'000
Annual license agreements	6	11	(10)	7
Computer software	6	776	(13)	769
	12	787	(23)	776

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	2017 R'000	2016 R'000
8. PAYABLES		
Trade payables	963	3,233
Accruals	1,533	1,124
National Treasury	5	2,930
	2,501	7,287

Trade payables include an amount of R390,000 contributed by CFIs towards the Banking Platform Project.

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

9. GRANTS**UNSPENT CONDITIONAL GRANTS AND RECEIPTS COMPRISES OF:**

BANKSETA	460	523
KZN Department of Economic Development, Tourism, and Environment Affairs (DEDTEA – KZN)	293	2,667
Department of Rural Development and Land Reform (DRDLR)	1,939	-
Small Enterprise Finance Agency (SEFA)	-	2,587
Gauteng Department of Economic Development (DED-GP)	456	2,242
	3,148	8,019

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	2017 R'000	2016 R'000
MOVEMENT DURING THE YEAR		
Balance at the beginning of the year	8,019	7,536
Funds received during the current year	8,120	8,341
Funds receivable during the current year	1,242	951
Revenue recognised during the current year	(14,233)	(8,809)
	3,148	8,019
BANKSETA		
Balance at beginning of the period	523	36
Funds received during the current year	1,211	3,231
Funds receivable during the current year	1,115	360
Revenue recognised during the current year	(2,389)	(3,104)
	460	523

2017

The grant received from BANKSETA relates to bursary funding offered to CBDA employees, enrolment and delivery of Diploma in Co-operative Financial Institution Management to 20 CFIs, reviewing and modifying training materials for study circles and training of the CFI members. Training provided to the CFIs, includes the CFI Sector Specifications, Study Circles methodologies, the Banking Platform System and the FICA-Financial Intelligent Centre Act and National Credit Act training.

2016

The grant received from BANKSETA is towards bursaries, the second phase internship programme for technical analysts and internship programme for the banking platform, training of CFI board and staff members (FICA and NCA), development of diploma in credit management and mentorship and coaching. The expenditure of R3,104,000 was realised as income.

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	2017 R'000	2016 R'000
GAUTENG DEPARTMENT OF ECONOMIC DEVELOPMENT (DED-GP)		
Balance at the beginning of the period	2,242	2,500
Revenue recognised during the current year	(1,786)	(258)
	456	2,242

2017

Balance for the prior year's funds received from DED-GP were utilized during the current year for the implementation of the banking platform system.

2016

The DED-GP funds of R2,500,000 were for preparing CFIs in the province for the implementation of the banking platform system.

**KZN DEPARTMENT OF ECONOMIC DEVELOPMENT, TOURISM, AND ENVIRONMENT
AFFAIRS (DEDTEA- KZN)**

Balance at the beginning of the period	2,667	5,000
Revenue recognised during the current year	(2,374)	(2,333)
	293	2,667

2017

Surplus funds from DEDTEA-KZN from prior year were utilised during the current year for the implementation of the banking platform system for CFIs in the province.

2016

The DEDTEA-KZN funds of R5,000,000 are for the capacity building programme and the implementation of the banking platform project in the province.

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	2017 R'000	2016 R'000
DEPARTMENT OF RURAL DEVELOPMENT AND LAND REFORM (DRDLR)		
Funds received during the current year	6,909	591
Funds receivable during the current year	126	-
Revenue recognised during the current year	(5,096)	(591)
	1,939	-

2017

During the current year an amount of R9,409,00 was claimed from DRDLR as per the signed MOU for the CFI introduction to the banking platform system, training the trainer programme and continuous training and performance monitoring towards registering the CFI as co-operative banks.

2016

The DRDLR funded the CBDA with R2,500,000 to capacitate the CFI by providing them with mentorship, training, technical and business development skills, and audit preparation support, and connecting the CFIs to the IT banking platform system to ensure a sustainable CFI sector.

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	2017 R'000	2016 R'000
SMALL ENTERPRISE FINANCE AGENCY (SEFA)		
Balance at the beginning of the period	2,587	-
Funds received during the current year	-	5,110
Revenue recognised during the current year	(2,587)	(2,523)
	-	2,587

2017

Prior year balance for the implementation of the banking platform system of R2,587,000 was utilised in the current year. An amount of R4,890,000 is still outstanding due to unfulfilled conditions attached to the agreement.

2016

SEFA funded the CBDA with R5,110,000 during the 2015/16 financial year for the implementation of the banking platform IT system.

10. PROVISIONS**RECONCILIATION OF EMPLOYEE BENEFIT PROVISIONS – 2017**

	Opening balance R'000	Additions R'000	Utilised during the year R'000	Total R'000
Leave provision	207	108	(14)	373
Bonus provision	483	586	(400)	586
	607	766	(414)	959

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RECONCILIATION OF EMPLOYEE BENEFIT PROVISIONS - 2016

	Opening balance R'000	Additions R'000	Utilised during the year R'000	Reversed during the year R'000	Total R'000
Leave provision	259	207	(33)	(226)	207
Bonus provision	483	400	(469)	(14)	400
	742	607	(502)	(240)	607

The Provisions balance included 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.

	2017 R'000	2016 R'000

11. STABILISATION FUND RESERVE

Opening Balance	1,588	1,490
Interest on Capital	120	98
	1,708	1,588

12. UNUSED FUNDS TO BE SURRENDERED TO NATIONAL TREASURY

Approved funds to be surrendered	-	2,126
Retained/ (Utilised) funds	-	(2,126)
	-	-

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.

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	2017 R'000	2016 R'000
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13. TOTAL REVENUE

Services rendered	12	10
Interest received	1,141	1,090
Transfers	16,472	17,341
Grants	14,233	8,809
Other receipts	300	-
	32,158	27,250

The amount included in revenue arising from exchanges of goods or services consists of:

Services rendered	12	10
Interest received	1,141	1,090
	1,153	1,100

An additional FNB operational account was opened primarily to assist with accounting for the funds received from the stakeholders in support of the banking platform system. The account is used for the Central Support Services unit's operational costs.

Current interest rates as at 31 March 2017 for FNB 5.5% and CPD is 6.1%.

The amount included in revenue arising from non-exchange transactions consists of:

Transfers	16,472	17,341
Grants	14,233	8,809
Other receipts	300	-
	31,005	26,150

Included in total revenue is an amount of R300,000 participation fee contribution by CFIs in support of the banking platform system.

The CBDA received transfer of R16,472,000 for the 2016/17 financial year's budget.

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	2017 R'000	2016 R'000
14. COMPENSATION OF EMPLOYEES		
Basic salary	14,063	11,935
Bonus	590	386
UIF	46	30
Leave pay provision charge	178	(16)
Unpaid leave	(18)	(6)
	14,859	12,329

15. GOODS AND SERVICES

Advertising	55	162
Audit fees	682	1,040
Computer services	10	3
Consultants, Contractors and agency/outsourced services	5,231	3,958
Venues and facilities	1,482	4,700
Printing and stationery	159	121
Promotional items	-	27
Communication	49	50

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	2017 R'000	2016 R'000
15. GOODS AND SERVICES - CONTINUED		
Training and staff development	641	1,205
Travel and subsistence	5,964	3,184
Assets less than capitalisation threshold	6	35
Operating lease	28	46
Administrative expenses	11	25
Impairment Loss	1	-
Relocation cost	-	20
Mobile offices and renovations	521	1
Other operating expenditure	635	452
	15,475	15,029

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	2017 R'000	2016 R'000
16. CASH (USED IN) GENERATED FROM OPERATIONS		
Surplus/ (Deficit)	1,594	(240)
Adjustments for:		
Depreciation and amortisation	230	132
Movements in provisions	352	(135)
Impairment Loss	1	-
Changes in working capital:		
Receivables from exchange transactions	82	(82)
Receivables from non-exchange transactions	(147)	(724)
Payables	(4,787)	5,022
Grants	(4,871)	483
	(7,546)	4,456

17. OPERATING LEASE ARRANGEMENTS AS PER LESSEE

FUTURE MINIMUM LEASE PAYMENTS

Up to 12 months	36	12
1 year to 5 year	60	-

The lease agreement was renewed and commenced on the 1st of December 2016. The rental agreement is for a period of 36 months ending 30 November 2019 with fixed rental payment of 3 years. In the event of a 24 months extension period, the rental amount will be reduced by 75 percent with the same terms and conditions.

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18. DISCLOSURE NOTES ON STATEMENT OF BUDGETS AND ACTUAL

The budget is approved on the accrual basis by functional classification. The approved budget covers the financial period 01 April 2016 to 31 March 2017. The budget and actual amounts are prepared on the accrual basis. The financial statements are prepared using a classification of expenses by function.

Explanation of significant variances are:

RECEIPTS

INTEREST RECEIVED (R 506,000)

The over exceeding of interest income is due to efficiently managing the cash flow by maximising on unused funds through earning interest from the Corporate for Public Deposits account.

GRANTS (R 4,175,000)

The variance is due to delays in banking system project whereby funds would only be received once deliverables are achieved in terms of the agreement with stakeholders.

CFI'S CONTRIBUTION TO BANKING PLATFORM (R 200,000)

The decrease in contribution is due to delays in banking system project whereby the budgeted number of CFIs to be provided with service could not be achieved.

PAYMENTS

COMPENSATION OF EMPLOYEES (R 2,861,000)

The under spending is due to the vacant positions in the CSS unit. The filling of the positions is dependent on the progress of the banking system, which did not go as planned due to complications with CFIs data.

TRAVEL AND SUBSISTENCE (R 2,950,000)

Additional funds from stakeholders enabled the CBDA to provide more services to the CFIs and assist stakeholders in terms of the signed agreements.

CONSULTANT, CONTRACTORS AND AGENCY/ OUTSOURCED SERVICES (R 6,332,000)

The variance is due to unforeseen complications with the implementation of the banking system resulting in budget for the integration to the National Payment System not being utilised as planned.

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The over spending is due to additional and late request for training CFIs.

PRINTING AND STATIONERY (R 42,000)

The variance is due to additional printing for training and marketing material.

MOBILE OFFICES AND RENOVATIONS (R 521,000)

The variance is due to change of deliverables to include the establishment and set up of 7 mobile offices for Mzantsi CFIs.

TRAINING AND STAFF DEVELOPMENT (R 491,000)

The variance is due to extension of leadership coaching and training for senior and middle management.

COMPUTER SERVICES (R 425,000)

The variance is due to delays in sourcing a service provider to conduct an assessment on compliance with Basel core principles by the Supervision unit.

OTHER OPERATING EXPENSES (R 353,000)

The variance is due to:

- Designing of logo and branding of Mzantsi CFIs mobile offices from funding received from stakeholders.
- Additional governance meeting under budgeted for.
- Unforeseen cost for damage to hired vehicle.

ADVERTISING (R 195,000)

The variance is due to saving by advertising posts on the website, circulating adverts among staff and other institutions.

CAPITAL ASSETS (R 34,000)

The variance is due to under budgeting of license fees.

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	2017 R'000	2016 R'000
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19. COMMITMENTS**APPROVED AND SIGNED CONTRACTS**

Alan Pugh-Jones	458	805
Write Connection CC	327	50
DB Fusion (Pty) Ltd	107	-
EOH Mthombo (Pty) Ltd	12,838	15,404
Clear Cut Solution	168	290
Institute of Capacity Development	-	291
Mzantsi Leadership Development	227	110
University of Fort Hare	490	1,470
	14,615	18,420

Commitments are signed binding agreements between the CBDA and service providers. Commitments 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 goods are received.

20. CONTINGENT LIABILITIES

Management is not aware of any cases relating to lawsuits against the CBDA.

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21. RELATED PARTIES

The CBDA is a schedule 3A National Public Entity in terms of the Public Finance Management Act (Act No.1 of 1999 as amended) and therefore falls within the national sphere of government.

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

TRANSACTIONS WITH RELATED PARTIES

	Services rendered 2017		Services received 2017	
	Transactions	Balances	Transactions	Balances
			R'000	R'000
BANKSETA	-	-	2,326	1,115
Small Enterprise Finance Agency	-	-	2,587	-
Department of Rural Development and Land Reform	-	-	7,035	126
	-	-	11,948	1,241

Bankseta outstanding balance relates to bursary, study circles and enrolment and delivery of DCFIM to 20 CFIs. An amount of R 126,000 relating to the banking platform system from Rural Development and Land reform is still outstanding.

National Treasury provided in-kind services with an estimated cost of R1,792,195 in a form of office space and other facilities.

	Services rendered 2016		Services received 2016	
	Transactions	Balances	Transactions	Balances
			R'000	R'000
BANKSETA	-	-	3,560	360
Small Enterprise Finance Agency	-	-	5,110	(2,587)
Department of Rural Development and Land Reform	-	-	591	591
	-	-	9,261	(1,636)

Funds outstanding from Bankseta is for the second- phase internship programme and bursary.

The National Treasury provides in-kind services of office space and other facilities with an estimated cost of R2,089,740.

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Fees paid to board members and executive management 2017	Allowance	Travel	Total
	R'000	R'000	R'000
Mr P Koch	14	-	14
Adv. LT Nevondwe	43	16	59
Mr T Shenxane	37	-	37
Mr D Ginsburg	42	-	42
Ms P Masemola	22	1	23
Ms G Raine	4	-	4
Executive management salary		-	
Managing Director	1,231	-	1,231
Senior Management	3,016	-	3,016
	4,409	17	4,426

Fees paid to board members and executive management 2016	Allowance	Travel	Total
	R'000	R'000	R'000
Mr P Koch	42	-	42
Adv. LT Nevondwe	38	14	52
Mr T Shenxane	54	-	54
Mr D Ginsburg	43	-	43
Executive management salary			
Managing Director	1,176	-	1,176
Senior Management	2,464	-	2,464
	3,817	14	3,831

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22. GOING CONCERN ASSUMPTION

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

We draw attention to the fact that as at March 31 2017, the CBDA had surplus of R1,594,000 (2016 deficit R 240,000) and that the CBDA's total assets exceed its liabilities by R5,666,000 (2016: R 4,072,000).

23. EVENTS AFTER THE REPORTING DATE

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

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24. FRUITLESS AND WASTEFUL EXPENDITURE

Opening Balance	87	81
Fruitless and wasteful expenditure current year	4	7
Transferred to receivable for recovery	-	(1)
	91	87

2017	Disciplinary steps taken/criminal proceedings
Incident 1	
Travel commitments could not be cancelled on short notice after an employee fell ill	Not refundable
2016	Disciplinary steps taken/criminal proceedings
Incident 1	
An employee changed a restricted flight ticket three times due to a meeting commencing later and another meeting scheduled for the next day.	None-Funds recovered
Incident 2	
As a requirement for receiving grant from stakeholder, the CBDA needed to submit a valid tax clearance certificate. Upon application to SARS for a tax clearance certificate, the CBDA was informed of outstanding tax for the period 2010/11. CBDA had to pay penalties to be able to obtain the tax clearance certificate.	Matter pending with SARS
Incident 3	
A stakeholder member could not attend a workshop due to ill health and thereafter passed away	None-unforeseen event and beyond CBDA control. Funds not recoverable.
Incident 4	
An employee using a hired car did not comply with the traffic laws, which resulted in payment of traffic fines.	Employee refunded CBDA in 2016/17 financial year.

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	2017 R'000	2016 R'000
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25. IRREGULAR EXPENDITURE

Opening balance	1,000	1,000
Add: Irregular Expenditure – current year	1,677	-
	2,677	1,000

Details of irregular expenditure – current year	Details for irregular expenditure	
Procurement and contract management	A deviation from SCM processes was made to an existing service provider's contract and a new specialised service provider's contract by procuring additional services without obtaining 3 quotations.	283
Expenditure management	Payment made in terms of board resolution to CFIs without a valid contract and valid tax clearance certificate.	404
Procurement and contract management	The CBDA calculated the preferential points for pricing during the determination of the successful bidder, but did not document the process as evidence.	717
Procurement and contract management	Value of service reduced to avoid tender process by reducing the quantity of sessions required to be lesser than those on the TOR.	273
		1,677

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	2017 R'000	2016 R'000
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26. PRIOR PERIOD ERRORS

Intangible assets. Computer software not in use in the prior year was incorrectly amortised. During the financial year the fixed asset register was corrected accordingly.

The cash flow statement of receipts and payments was errorously calculated in the prior year.

The following amount has been restated for the year ended 31 March 2016.

Statement of Financial Performance Expenditure

Decrease in depreciation/ amortisation	(10)
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Statement of Financial Position**Intangible Assets**

Increase in computer software	10
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Cash Flow Statement**Receipts**

Increase CFI contribution to Banking Platform	530
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Payments

Increase in payment of goods and services	(530)
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Financial assets, which potentially subjects the CBDA to the risk of non-performance by counter-parties and thereby subjected to credit concentrations of credit risk, consists mainly of cash and cash equivalents and receivables from exchange transactions.

Receivables from exchange transactions are exposed to low credit risk. The factors that determined impairment of overdue amount relates to size of the entity, financial sustainability and impact of cost recovery vs cost incurred.

The CBDA manages/limits its cash and cash equivalents expose by depositing funds in the CPD account in terms of Treasury Regulations.

LIQUIDITY RISK

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

The Board is only exposed to liquidity risk with regard to payment of its payables. These payables are all due within the short term.

MARKET RISK

The CBDA is exposed to fluctuations in the employment market, such as sudden increases in events, unemployment and changes in the wage rate. No significant events occurred during the year that the CBDA is aware of.

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	2017 R'000	2016 R'000
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28. FINANCIAL INSTRUMENTS DISCLOSURE**CATEGORIES OF FINANCIAL INSTRUMENTS****2017****Financial assets**

	At fair value	Total
Other receivables from non-exchange transactions	1,420	1,420
Cash and cash equivalents	9,766	9,766
	11,186	11,186

Financial liabilities

	At fair value	Total
Trade and other payables	964	964

2016**Financial assets**

	At fair value	Total
Trade and other receivables from exchange transactions	82	82
Other receivables from non-exchange transactions	1,273	1,273
Cash and cash equivalents	17,646	17,646
	19,001	19,001

Financial liabilities

	At fair value	Total
Trade and other payables	6,154	6,154

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