



CBDA 2012/13  
**ANNUAL  
REPORT**

For the year ended  
31 March 2013







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## CONTENTS

### PART A: GENERAL INFORMATION

1. General Information .....	1
2. List of Abbreviations/Acronyms.....	2
3. Strategic Overview.....	3
3.1. Vision.....	3
3.2. Mission.....	3
3.3. Values.....	3
3.4. Strategic Outcome-orientated Goals.....	3
4. Legislative and other Mandates.....	4
5. Organisational Structure.....	5
6. Forward by the Minister.....	6
7. Foreword by the Chairperson of the Board .....	7
8. Managing Director's Overview .....	9

### PART B: PERFORMANCE INFORMATION

1. Statement of Responsibility for Performance Information .....	13
2. Overview of the CBDA's Performance.....	14
2.1. Strategic Outcome Oriented Goals .....	14
2.2. Service Delivery Environment .....	14
2.3. Overview of the Organisational Environment.....	15
2.4. Key Policy Developments and Legislative Changes.....	15
2.5. Summary of Revenue Collection.....	16
2.6. Summary of Payments by Programme .....	16
3. PERFORMANCE INFORMATION BY PROGRAMME.....	18
3.1. Programme 1: Supervision Unit.....	18
3.2. Programme 2: Capacity Building Unit.....	27
3.3. Programme 3: Managing Director and Corporate Services.....	33

### PART C: GOVERNANCE

1. Introduction .....	39
2. Executive Authority .....	40
3. The Board .....	41
4. Risk Management.....	45
5. Internal Audit and Audit Committee.....	46
6. Compliance With Laws and Regulations.....	47
7. Fraud and Corruption .....	48
8. Minimising Conflict Of Interest .....	49
9. Health, Safety and Environmental Issues.....	50
10. Company Secretary .....	51
11. Social Responsibility.....	52
12. Code of Conduct.....	53

### PART D: HUMAN RESOURCE MANAGEMENT

1. Introduction .....	55
2. Human Resource Oversight Statistics .....	56

### PART E: FINANCIAL INFORMATION

1. Audit Committee Report .....	60
2. Statement of Responsibility for the Annual Financial Statement for the Year Ended 31 March 2013.....	62
3. Auditor-General's Report .....	63
4. Annual Financial Statements .....	66
Statement of Financial Position .....	66
Statement of Financial Performance .....	67
Statement of Changes in Net Assets .....	68
Cash Flow Statement .....	69
Notes to the Annual Financial Statements .....	70

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**PART A:**  
GENERAL  
INFORMATION

## PART A: GENERAL INFORMATION

# 1. GENERAL INFORMATION

<b>Registered Name:</b>	Co-operative Banks Development Agency
<b>Physical Address:</b>	27th Floor National Treasury Building, 240 Madiba Street, Pretoria
<b>Postal Address:</b>	Private Bag X 115, Pretoria, 0001
<b>Telephone Number/S:</b>	027 012 315 5367
<b>Fax Number:</b>	027 012 315 5905
<b>E-Mail Address:</b>	cbda@treasury.gov.za
<b>Website Address:</b>	<a href="http://www.treasury.gov.za/coopbank">www.treasury.gov.za/coopbank</a>
<b>External Auditors:</b>	Auditor-General
<b>Bankers:</b>	First National Bank
<b>Company Secretary</b>	Mr EH Odendaal

## PART A: GENERAL INFORMATION

# 2. LIST OF ABBREVIATIONS/ACRONYMS

<b>ACCOSCA</b>	African Confederation of Co-operative Savings and Credit Associations
<b>AFS</b>	Annual Financial Statements
<b>AGSA</b>	Auditor-General of South Africa
<b>ATM</b>	Automated Teller Machines
<b>BANKSETA</b>	Banking Sector Education and Training Authority
<b>CAMEL</b>	Capital Adequacy, Asset Quality, Management Quality, Earnings, Liquidity
<b>CBDA</b>	Co-operative Banks Development Agency
<b>CCCFIM</b>	Certificate in Co-operative Financial Institution Management
<b>CFF</b>	Central Finance Facility
<b>CFI</b>	Co-operative Financial Institution
<b>CIPC</b>	Companies and Intellectual Property Commission
<b>CPD</b>	Corporation for Public Deposit
<b>DIF</b>	Deposit Insurance Fund
<b>DTI</b>	Department of Trade and Industry
<b>DEDT</b>	Department of Economic Development and Tourism
<b>FSC</b>	Financial Services Co-operative
<b>GP</b>	Gauteng Province
<b>GRAP</b>	Generally Recognised Accounting Practice
<b>HR</b>	Human Resources
<b>ICURN</b>	International Credit Union Regulators Network
<b>ICT</b>	Information Communication Technology
<b>IYC</b>	International Year of Co-operatives
<b>KPI</b>	Key Performance Indicator

<b>KZN</b>	KwaZulu-Natal
<b>Lim</b>	Limpopo
<b>MOU</b>	Memorandum of understanding
<b>MP</b>	Mpumalanga
<b>MTEF</b>	Medium Term Expenditure Framework
<b>NACFISA</b>	National Association of Co-operative Financial Institutions of South Africa
<b>NT</b>	National Treasury
<b>NW</b>	North West
<b>NASASA</b>	National Stokvels Association of South Africa
<b>Omnibus Bill</b>	Financial Services Laws General Amendment Bill
<b>PAA</b>	Public Audit Act of South Africa
<b>PFMA</b>	Public Finance Management Act
<b>ROAC</b>	Regulatory and Oversight Advisory Committee
<b>SA</b>	South Africa
<b>SACCA</b>	Savings and Credit Co-operative of Africa
<b>SACCO</b>	Savings and credit co-operative
<b>SACCOL</b>	Savings and Credit Co-operative League of South Africa
<b>SAICA</b>	South African Institute of Chartered Accountants
<b>SAMAF</b>	South African Micro-finance Apex Fund
<b>SARB</b>	South African Reserve Bank
<b>SCM</b>	Supply chain management
<b>SEDA</b>	Small Enterprise Development Agency
<b>WOCCU</b>	World Council of Credit Unions



## 3. STRATEGIC OVERVIEW

### 3.1. VISION

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

### 3.2. MISSION

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

- appropriate regulation and supervision
- innovative capacity development and support
- promoting co-operative values and principles
- promoting a savings culture and financial literacy
- protecting depositors.

### 3.3. VALUES

The CBDA's values are:

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

### 3.4. STRATEGIC OUTCOME-ORIENTATED GOALS

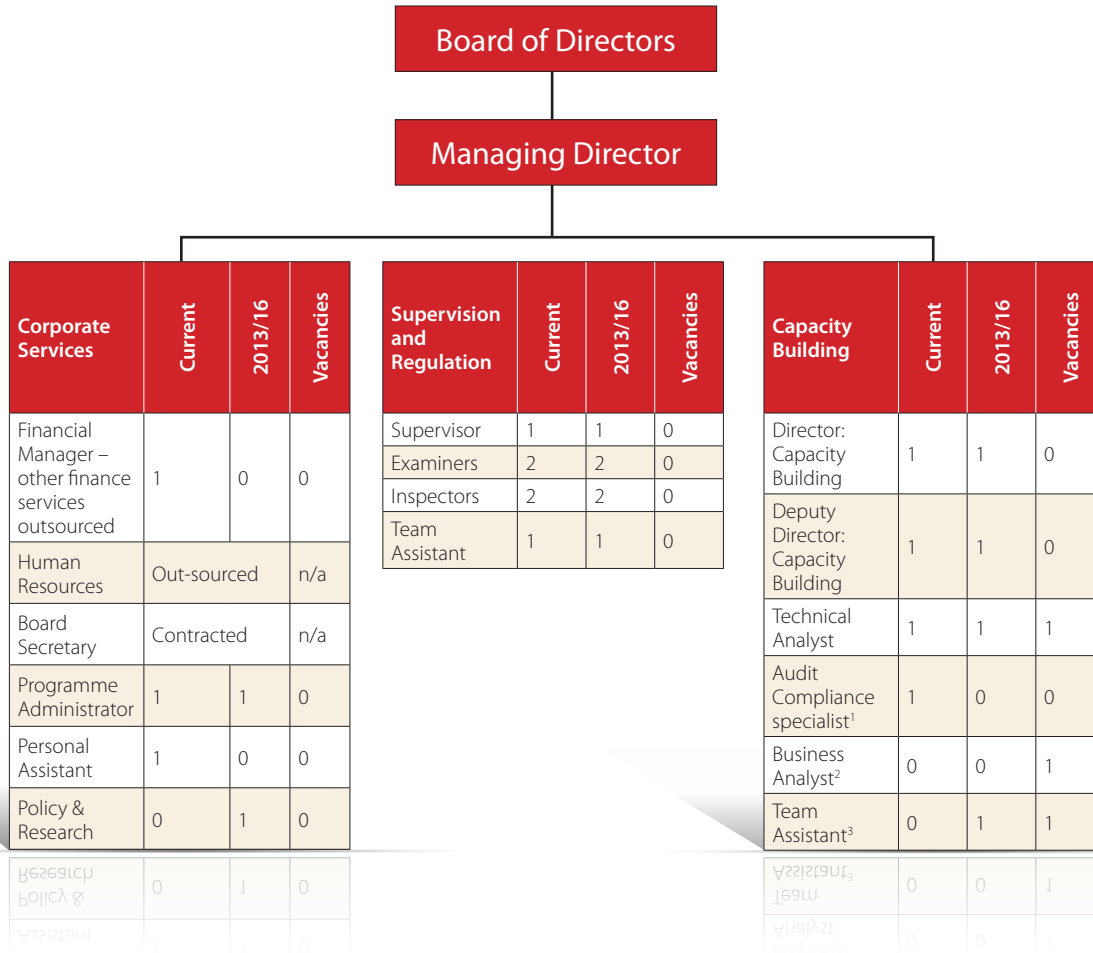
The CBDA's strategic outcome-orientated goals are to ensure:

- a co-operative financial institution (CFI) sector that is institutionally sound
- a vibrant and growing CFI sector that broadens access and mobilises savings at community level
- the capacity of the organisation to provide strategic leadership, administrative support and management capabilities to market itself and its activities to fulfil its vision and mission.

## 4. LEGISLATIVE AND OTHER MANDATES

- Co-operative Banks Act (No 40 of 2007)
- Banks Act Exemption Notice (No 404)
- Public Finance Management Act (No 1 of 1999)
- Treasury Regulations

## 5. ORGANISATIONAL STRUCTURE



<sup>1</sup>The Audit Compliance specialist position has replaced the Policy & Research position.

<sup>2</sup>Business Analyst is a newly created position.

<sup>3</sup>The Team Assistant's position is unfunded.

## 6. MINISTER'S FOREWORD



One of the core objectives of the Co-operative Banks Development Agency (CBDA) is to promote and sustain a vibrant cooperative financial institutions (CFI) sector, which serves the financially excluded by broadening access to and participation in diversified financial services. This is indeed an important task, and in this journey towards a better life for all, I am pleased to note that the CBDA is striving with passion and determination to achieve its objectives.

Recognising the important role that the CBDA plays in strengthening and supporting the CFI sector, Government has extended the CBDA's mandate and tasked the Agency with the responsibility for managing the CFI sector. The extended mandate has allowed the CBDA to focus solely on regulation, capacity building and the development of CFIs. The financial co-operative movement celebrated 2012 as the International Year of Co-operatives (IYC), as declared by the United Nations. In keeping with this theme, the CBDA successfully hosted the annual CFI Indaba, which focused on the role and contribution of the co-operative sector in the socio-economic development of nations and in transforming the lives of the poor and marginalised.

While the objective of CFIs is to serve the financially excluded, CFIs, including the CBDA face numerous challenges – the most significant of which is the evolving structure of the banking system in South Africa, which will over time create strong competition for CFIs. It, therefore, becomes important for CFIs to strengthen their business model and product offerings. The effective use of technology in the development and delivery of financial products and services is one of the ways in which the sector can position itself for sustained growth. In this regard, I am pleased to note

that the CBDA and its partners are developing an information technology banking platform with access to the National Payment System, which will improve CFI compliance reporting, products and services offering as well as membership growth and competitiveness. The CBDA has further developed and maintained strong relationships with stakeholders sharing a common interest in the CFI sector, resulting in the signing of five Memorandums of Understanding (MOUs) with provincial departments of Economic Development and the BANKSETA.

It is important to note that the CFI sector operates in a complex and rapidly changing environment, demanding foresight and constant innovation on the part of the CBDA Board and staff as well as various stakeholders. I have no doubt that the CBDA will rise to the challenge and that their commitment and tireless efforts will see the CFI sector placed at the forefront of the country's development agenda. I wish to extend my sincere gratitude to the outgoing members of the CBDA Board, and the Board Chairman Mr Sifiso Ndwandwe as well as to the CBDA management team and staff for working towards financial inclusion, and in so doing, increasing economic opportunities and effecting real change in the lives of the poor.

Pravin J. Gordhan  
Minister of Finance

<sup>1</sup> Exemption Notice – Exemption from the Banks Act, issued by the South African Reserve Bank

## 7. FOREWORD BY CHAIRPERSON OF THE BOARD

As the term of office of most of the current Board of Directors, including myself, comes to an end in September 2013. I would like to reflect briefly on our achievements since inception. Our starting point was to assist the CBDA to develop its vision, mission and values. As a new agency, operating in a relatively unknown environment and with limited resources, this has been challenging. Nevertheless, this Board has been able to provide direction and assistance to the CBDA in driving forward its legislative mandate.

Ensuring a conducive working environment has been a priority for the Board. The Managing Director, Ms Olatse Matshane, has been tasked with developing policies and procedures to guide the CBDA's operations and administration efficiently and effectively.

The Board was further required to establish its own working structure, and has created Board committees which are operating optimally at this stage.

Over its period in office, the Board has been able to establish the identity of the sector and to capacitate CFIs as attractive offerings to the public through an integrated strategy of better oversight, accountability and better service to members. It has done this through continuous dialogue with a range of role players in the sector, including the CFIs themselves.

The year under review has been a period of stability, growth and consolidation for the sector and for the CBDA, within the context of the government's 'Twin Peaks' initiative for a safer financial sector to serve South Africa better. The purpose of this initiative is to maintain financial sector stability, protect consumers and ensure that efficient, effective and inexpensive financial

services are more accessible. Implementing these objectives will shape the future strategic direction of the CBDA.

In the past financial year, the CBDA has developed a stakeholder engagement strategy which led to the signing of Memoranda of Understanding with key stakeholders who contribute to the organisation's ability to reach its capacity building and strategic objectives. The previous financial year saw key positions being filled to enable the CBDA to meet its statutory mandate. These included the appointment of a project manager to oversee implementation of a shared IT-based banking platform linked to the national payment system.

Because of significant changes at the strategic level, following the Banks Act Exemption Notice No.404 which designates the CBDA as the new supervisor and regulator of all CFIs, provision was made to ensure that the organisation has the capacity and resources to take on this expanded role.

There have also been challenges. It is clear that the country's financial co-operatives are still at the developmental stage and that more resources and interventions, particularly in the areas of skills and IT infrastructure development, are of the utmost importance.

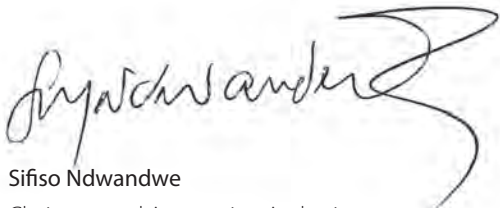
I would like to take this opportunity to thank all Board members, including previous members; the CBDA staff who, through their teamwork and dedication, serve the organisation to the best of their ability; National Treasury secondments; and the current and previous Managing Directors for their industrious work to ensure



## 7. FOREWORD BY CHAIRPERSON OF THE BOARD | CONT

that the CBDA realises its vision of creating “a strong and vibrant co-operative banking sector that broadens access to and participation in diversified financial services towards economic and social well-being”.

In conclusion, I wish the incoming Board of Directors good luck and I am confident that the team is well positioned to steer the CBDA to new heights and to build on the solid foundation that has already been laid. They will be assisted and guided by the Minister and the National Treasury whose support throughout the period in office of the outgoing Board I wish warmly to acknowledge.



**Sifiso Ndwandwe**  
Chairman and Accounting Authority  
Co-operative Banks Development Agency

## 8. MANAGING DIRECTOR'S OVERVIEW

### 2012/13 HIGHLIGHTS

The financial services and co-operatives sector experienced a marked increase in activities and developments during the year under review. To draw attention to and encourage action on issues pertinent to the growth of the sector, the United Nations declared 2012 as the International Year of Co-operatives (IYC). The highlight for the CBDA was marking these celebrations with an awareness walk, hailed as a remarkable success, through the streets of Durban in KwaZulu Natal during the 2012 Co-operative Financial Institutions Indaba.

Another notable development was the National Treasury's release for public comment of proposals for implementing the 'Twin Peaks' model of financial regulation. This proposes that the CBDA's function of regulating and supervising co-operative banks be assigned to the South African Reserve Bank, a move that will give the CBDA the opportunity to focus solely on regulation, capacity building and development of CFIs.

Reports of the surge in unsecured lending and warnings about South African consumers' increasing over-indebtedness began to emerge in the past year. These are strong signals to the CFI sector to strengthen credit risk management processes, and to the CBDA to prioritise members' financial education in their programmes for the coming year.

### THE YEAR UNDER REVIEW

The year under review has been exhilarating, stimulating, and challenging. The transfer of the mandate to register and regulate CFIs from the South African Micro-finance Apex Fund (SAMAF) and the Savings and Credit Co-operative League of South Africa (SACCOL) to the CBDA helped to streamline the regulatory framework for non-qualifying CFIs in terms of the prescribed thresholds for registration as co-operative banks. This underlined the CBDA's critical role in building credibility and confidence in the sector. The organisation's capacity building interventions have confirmed that continuous and robust skills development is crucial to CFIs' success and to the long term growth and sustainability of the sector.

Other notable achievements in the past year were the successful hosting of the CFI Indaba, the registration of 14 CFIs, the continuation of the University of Pretoria course for CFI managers with the support of the BANKSETA and governance training for the Board of Directors.

CFIs' purchase of co-operative retail bonds increased to R2.8 million, a healthy improvement in the liquidity positions of the co-operative banks and CFIs. The year also gave evidence of the strengthening of stakeholder relations, marked by the signing of several MoUs. Officials from provincial departments of economic development and the Small Enterprise Development Agency were trained to assist CFIs with pre-registration support.

Internally, the CBDA filled critical vacant positions; developed new policies and reviewed and consolidated existing ones; and spent considerable time and effort on addressing the previous year's audit findings.



## 6. MANAGING DIRECTOR'S OVERVIEW | CONT

### THE YEAR AHEAD

In the year ahead, the CBDA will be well positioned to use its expanded mandate to improve the public profile of the sector, strengthen its systemic stability and enhance individual CFIs' institutional soundness. To achieve this, the CBDA will:

- **Target all sectors of the community, using appropriate strategies to attract younger people and middle class consumers to the sector**

A serious paradigm shift is needed to demonstrate that the sector is for all South Africans who want affordable financial services that suit their needs. The CBDA will therefore focus its efforts on promoting the long term benefits of belonging to a CFI and the advantages of savings-led borrowing. The success of the sector depends on its ability to attract and appeal to the younger generation and the middle class population. This approach will ensure that the CFI sector is a significant player in facilitating financial inclusion.

- **Extend capacity building initiatives to focus on member education and training for Board committees**

There is no doubt that there is a need for continuous education and skills development in the sector. The CBDA will continue its capacity-building programmes to ensure that CFI members know their rights and responsibilities as members, how to hold their leaders accountable and how to manage their finances in a responsible manner. Training for members of Board committees will strengthen leadership and governance resulting in better-run and -managed CFIs.

- **Promote the CFI model**

In his foreword to the book *Confessions of a Microfinance Heretic*, which describes how micro-lending lost its way and betrayed the poor, David Kortzen writes "Instead of restructuring microfinance institutions into publicly traded for-profits that sell shares to foreign investors, the goal should be to restructure them as co-operative banks owned by their local borrowers". Kortzen's concern is that the poor are dependent on financial institutions over which they have no control.

This view resonates well with the CBDA's strategy for the year ahead. CFIs are owned by member savers and borrowers, rooted in and accountable to the communities they serve; surplus and interest is recycled locally to support productive economic activities and build real community wealth. For progress, it is important that we adapt our strategies and tactics to international best practice.

In the coming year, the CBDA will promote the CFI model and the sector as a whole to highlight its support for the development of an inclusive banking system for the un-served and under-served with the clear aim of increasing the economic and social well-being of its members.

- **Assist the sector to embrace technology**

The CBDA plans to establish an IT-based banking system for the CFI sector in the year ahead. The aim is to integrate the banking activities of qualifying CFIs onto a central hub. This will enable the possible creation of an interbank market for the CFIs, with the Supervisor able to use the facility as an extra



## 6. MANAGING DIRECTOR'S OVERVIEW | CONT

supervisory tool, especially for system-wide liquidity management. The start-up costs will be covered by the CBDA, but participating CFIs will be expected to cover the operating costs and maintenance of the system over time. The CBDA has appointed a project manager to determine the feasibility of implementing the system.

- **Encourage continuous feedback from the sector**

In its infancy, it is important for the CBDA to obtain regular feedback on the usefulness of its programmes from its intended beneficiaries, the CFIs. This will enable the CBDA to make prompt and adequate improvements to its programmes in order to have a meaningful impact on the CFIs. The CBDA will therefore actively encourage regular feedback from all stakeholders. It will forge stronger ties with existing stakeholders and encourage collaboration with new stakeholders in order to grow and support the sector.

I would also like to thank the National Treasury for the continued support that the CBDA has enjoyed since its inception.

I would like to thank Team CBDA for their incredible passion and unquestionable dedication to the CBDA and to the CFI sector. Their dedication has taught me that this is not only a job but a passion to make a difference and improve the lives of all South Africans.

Most importantly, I would like to express my appreciation of the efforts of the ordinary men and women who give much of their time as members of the CFIs in their chosen capacities.

### ACKNOWLEDGEMENTS

I wish to extend sincere gratitude to Minister Pravin Gordhan, who has demonstrated great support and appreciation for the work of the CBDA. I also wish to thank the outgoing Chairman, Mr Sifiso Ndwandwe, for his guidance since he began his work with the inaugural Board in 2008. I would also like to express my appreciation to the rest of the Board members as their term of office ends in September 2013; and to thank them for their strategic oversight and leadership, for always believing in the great opportunities open to the CFI sector and for pushing the CBDA to stretch its vision and capabilities to new heights.



**Ms O Matshane**  
Managing Director  
Co-operative Banks Development Agency

CBDA 2012/13  
**ANNUAL  
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For the year ended  
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**PART B:**  
PERFORMANCE  
INFORMATION

# 1. STATEMENT OF RESPONSIBILITY FOR PERFORMANCE INFORMATION

for the year ended 31 March 2013

The Managing Director is responsible for the preparation of the CBDA's performance information and for the judgements made in this information.

The Managing Director is responsible for establishing and implementing a system of internal control designed to provide reasonable assurance as to the integrity and reliability of performance information.

In my opinion, the performance information fairly reflects the 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 2013.

The CBDA performance information for the year ended 31 March 2013 has been examined by the Auditor-General whose report is presented on page 63.

The CBDA performance information set out on pages 18 to 37 was approved by the Board.



Olaotse Matshane  
Managing Director

## 2. OVERVIEW OF THE CBDA'S PERFORMANCE

### 2.1. STRATEGIC OUTCOME-ORIENTED GOALS

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

- Expectations were exceeded in consultations and training for the registration, regulatory processes and the requirements of the Exemption Notice.
- Twenty Nine CFI managers were trained during the financial year
- The successful hosting of the annual CFI Indaba where CFIs were able to learn, share information and network with each other about growing a sustainable and vibrant sector.
- The establishment of a dedicated stabilisation fund of R1 140 000 in corporate public deposit (CPD) account with the South African Reserve Bank to support illiquid but not yet insolvent CFIs, protect members and prevent the spread of failure in the CFI sector.
- Development and maintenance of strong relationships with stakeholders with a common interest in the CFI sector. This resulted in the signing of five MOUs.

### 2.2. SERVICE DELIVERY ENVIRONMENT

The CBDA was created by the Co-operative Banks Act for the following purposes:

To promote and advance the social and economic welfare of all South Africans by enhancing access to banking services under sustainable conditions; to promote the development of sustainable and responsible co-operative banks; to establish an appropriate regulatory framework and regulatory institutions for co-operative banks that protect their

members; to provide for the registration of deposit-taking financial services co-operatives as co-operative banks; to provide for the regulation and supervision of co-operative banks; to provide for the establishment of co-operative bank supervisors and a development agency for co-operative banks; and to provide for matters connected therewith.

The development of sustainable co-operative banks and other deposit taking co-operatives in South Africa depends on skills development, promotion of the products and services offered an enabling environment and an effective prudential and supervisory framework. In addition to the institutional soundness of each CFI including co-operative banks, the systemic stability of the co-operative banking sector as a whole is integral to macroeconomic stability which is a necessary condition for achieving economic growth.

The co-operative banking sector has grown since the promulgation of the Co-operative Banks Act in 2007. Since 2009, two co-operative banks have been registered and 19 applications for co-operative banking licences are being considered. However, there is concern over the quality of the CFIs due to poor governance and operations, including compliance reporting. This lack of quality is further evidenced by the low registration rate for eligible co-operative banks; CFIs failing to meet the registration requirements exhibit significant weaknesses such as inadequate capital levels, inadequate credit risk management practices, weak governance structures, weak operational capacity, lack of accounting practices and poor management information systems.

The weaknesses within the sector have been intensified by a lack of efficient and effective supervisory oversight by the self-regulatory bodies. This has compromised

## 2. OVERVIEW OF THE CBDA'S PERFORMANCE | CONT

the efficacy of the co-operative banking sector as a whole and posed risks to confidence in member-based banking. This prompted the Minister of Finance to approve the repealing of Exemption Notices issued to SACCOL and SAMAF as self-regulatory bodies and to replace them with Exemption Notice No 404 issued to the CBDA as the entity with the statutory mandate to ensure self-sustaining CFI growth. The CBDA achieves this mandate by enhancing CFIs' financial soundness and promoting the systemic stability of the sector as a whole.

### 2.3. OVERVIEW OF THE ORGANISATIONAL ENVIRONMENT

The CBDA has been in operation since August 2008 with a staff complement that had grown by 31 March 2013 from the initial 8 employees to 15. An important achievement was the appointment in May 2012 of the Managing Director and other key personnel in various positions.

The CBDA has three units: Supervision, Capacity Building and Corporate Services. Their roles and functions are described in Part B: Section 4 and in the organogram in Part A: Section 5. The organisational functional structure is developing in line with increases in budget allocations and the development of other units. The CBDA has in the past used outsourced service providers to fulfil financial administration and human resources functions.

The CBDA organogram changed during the period under review in line with the strategic plan submitted, with the organisational functional structure being developed in accordance with the mandate and the strategic objectives. Five new positions were created:

- Finance manager
- Board Secretary: this position was established to

ensure effective corporate governance

- Audit compliance specialist: this position was created to ensure audit compliance within the CFIs, and replaces the policy and research position
- Business analyst: this position was necessitated by the banking platform project
- Personal assistant to the Managing Director

During the period under review, the CBDA was dependent on the National Treasury for office accommodation, ICT and legal and supply chain management services.

### 2.4. KEY POLICY DEVELOPMENTS AND LEGISLATIVE CHANGES

The following changes in policy and the legislative framework have affected, and will continue to affect, the CBDA's strategic and operational activities.

- From June 2012, the legislative mandate of the CBDA was expanded by Exemption Notice 404 of 2012 to include the supervision and regulation of all CFIs within a minimum threshold defined by the CBDA but not exceeding R30 million in deposits.
- The Financial Services Laws General Amendment Bill, 2012 (Omnibus Bill) will amend the Co-operative Banks Act of 2007 and will move the supervisory function of the CBDA to the SARB. It is likely that the amendments will be enacted during 2013. A detailed amendment of the Act may subsequently become necessary should Part 10 of the Omnibus Bill be approved by Parliament. The Omnibus Bill is currently being debated by the Portfolio Committee for Finance. This changes the CBDA's primary focus to a new mandate of regulating CFIs that operate outside the ambit of the Act.

## 2. OVERVIEW OF THE CBDA'S PERFORMANCE | CONT

### 2.5. SUMMARY OF REVENUE COLLECTION

Sources of revenue	2012/13			2011/12		
	Estimated amount R'000	Actual amount collected R'000	(Over)/under collection R'000	Estimated amount R'000	Actual amount collected R'000	(Over)/under collection R'000
Transfer from National Treasury	16 000	16 000	0	9 310	9 310	0
Sale of goods and rendering of services	0	21	(21)	0	9	(9)
Interest income	0	215	(215)	0	103	(103)
Sponsorship/donation	0	20	(20)	0	50	(50)
BANKSETA grant	0	894	(894)	0	206	(206)
<b>Total</b>	<b>16 000</b>	<b>17 150</b>	<b>(1 150)</b>	<b>9 310</b>	<b>9 678</b>	<b>(368)</b>

The CBDA's funds come mainly from transfers from the National Treasury. Due to the growing nature of the sector, registration fees are received from compliant co-operative banks and CFIs. The CBDA has also taken proactive steps to engage with stakeholders with a common interest in the sector in relation to obtaining additional funds to meet its objectives.

### 2.6. SUMMARY OF PAYMENTS BY PROGRAMME

Programme name R'000	2012/13			2011/12		
	Budget R'000	Actual expenditure R'000	(Over)/under expenditure R'000	Budget R'000	Actual expenditure R'000	(Over)/under expenditure R'000
Supervision Unit	4 650	2 855	1 795	2 453	2 070	383
Capacity Building Unit	6 387	5 038	1 349	3 040	3 663	(623)
Managing Director & Corporate Services	4 813	4 466	347	3 779	2850	929
Total exclusive of capital expenditure	15 850	12 359	3 491	9 272	8 583	689
Capital expenditure	150	135	15	38	30	8
<b>Total, inclusive of capital expenditure</b>	<b>16 000</b>	<b>12 494</b>	<b>3 506<sup>1</sup></b>	<b>9 310</b>	<b>8 613</b>	<b>697</b>

<sup>1</sup> A request has been made to National Treasury to reserve the under-utilised funds for the banking platform project.

## 2. OVERVIEW OF THE CBDA'S PERFORMANCE | CONT

Budget not utilised for the 2012/13 period (R3 506) is attributed to vacant posts not having been filled.

The under-utilisation of the budget in the reporting year period is due to:

- A delay in the banking platform project, related to the tender process for appointing a service provider whose contract was only signed at the end of the financial year.
- Recruitment and appointment of new employees which only took place in the third and fourth quarters of the year. Some positions had to be re-advertised.
- Cost saving measures to ensure value for money, including the use of National Treasury resources for legal, ICT and accommodation services.

## 3.1 SUPERVISION UNIT



**Standing left to right:** Mfundo Zama | McIntosh Kuhlengisa | David De Jong (Supervisor)

**Seated left to right:** Mokgadi Mafojane, Nobuzwe Mafanya | Khomotjo Mabule

The Supervision Unit is responsible for regulating and supervising co-operative banks and other CFIs to ensure safe and sound institutions and a financially stable and sustainable co-operative financial sector.



## 3.1 SUPERVISION UNIT | CONT

## Strategic objectives

A CFI sector that is institutionally safe and sound.

## Key Performance Indicators and their targets and actual results

Strategic Objectives: A CFI sector that is institutionally safe and sound						
Performance indicator	Actual achievement 2011/12	Planned target 2012/13	Actual achievement 2012/13	Deviation from planned target for 2012/13	Variance from 2011/12 to 2012/13	Comment on variances
Number of co-operative banks regulated and supervised	1	3	1	-2	-	<b>Not achieved:</b> 6 applications were received, 3 were declined at the preliminary assessment stage for not having met the minimum prudential requirements; 1 was declined at the review committee stage and 2 were deferred at the committee stage pending submission of their February 2013 audited financial statements.
Percentage of registered CFIs informed of compliance requirements	-	50%	100%	-	-	<b>Achieved:</b> Presentations were made in all 9 provinces and to 110 prospective CFIs.
Percentage of registered CFIs compliant with the exemption notice and assessment rules	-	50%	100%	+50%	-	<b>Achieved:</b> 14 CFIs were registered, all of which were compliant. 9 CFIs were declined because they are insolvent, 8 had outstanding information and were in process and 19 were declined outright as they did not meet the minimum requirements. Other applications are in process.
Number of days taken to process applications	Within 1 month	Within 1 month	Within 1 month	-	-	<b>Achieved</b>
Quarterly reports	4	4	4	-	-	<b>Achieved</b>
Combined Supervisor's annual report	1	1	1	-	-	<b>Achieved</b>
Result of the risk based supervision	No co-operative bank falls below a 3 CAMEL rating	Minimum 3 CAMEL rating	3 CAMEL rating	-	-	<b>Achieved:</b> No co-operative bank is currently rated below 3 CAMEL
Time taken to implement resolutions on troubled co-operative banks	No troubled co-operative banks	Within 3 months	No troubled co-operative banks	-	-	<b>Achieved:</b> Troubled bank resolution framework put in place to deal with troubled CFIs
Percentage compliance with Basel core principles	50%	75%	62%	-13%	-12%	<b>Ongoing:</b> Limitations in CFIs' capacity to manage risk as well as shortfalls in legislation

## 3.1 SUPERVISION UNIT | CONT

### Number of co-operative banks regulated and supervised

During the year under review, six applications for registration as co-operative banks were received. However, only three applications presented sufficient documentation to enable pre-registration assessments to be conducted. These three applicants underwent pre-registration assessments, including on-site assessments and presentations to the Review Committee<sup>2</sup>. Of these, two were deferred pending submission of their full-year audited financial statements as there were material inconsistencies in the submitted management accounts. One application was declined due to the high loan delinquency rate, the likely adverse effect on the capital adequacy ratio and heavy reliance on grant income which called into question the institution's self-sustainability.

**Not achieved:** The key performance area for this programme was to have registered three co-operative banks this year. As the narrative above shows, this was not achieved. It has been agreed that this KPI will not be included in future performance indicators as the number and quality of applications is outside the control of the Supervision Unit.

### Percentage of registered CFIs informed of compliance requirements

The Exemption Notice designating the CBDA as the regulator of CFIs not registered as co-operative banks was issued in May 2012 and published in Government Notice 35368, No. 404, 1 July 2012 (the Exemption Notice). Following the issuing of the Exemption Notice, the CBDA Supervisor published draft rules for CFIs applying for registration with the CBDA. This process includes:

- Adoption of the policy framework for the Exemption Notice Management Programme for CFIs
- Drafting rules in respect of the policy framework
- Consultation with the SAMAF, SACCOL and provincial DEDs on the proposed rules
- Publication of the draft rules
- Road shows on the draft rules
- Consolidation of comments obtained from publications and road shows
- Adoption of the final rules (Supervisory and Regulatory Rules for Co-operative Financial Institutions applying for Registration to the CBDA) as required by the Exemption Notice conditions.<sup>3</sup>

A minimum of 200 members and R100 000 in share capital are required to register a CFI. Licences are issued and reviewed on a yearly basis. The intention is to align the registration processes and to improve communication between the Registrar of Co-operatives and the CBDA. Quarterly submission of returns by registered CFIs is required and on- and off-site inspections are to be conducted on an on-going basis.

### Consultation with the sector

The CBDA conducted a series of workshops to familiarise the sector with the new Exemption Notice, and comments were obtained on the draft rules issued by the CBDA Supervisor. Workshops carried out in each of the provinces were well attended by CFIs and stokvel organisations. Stakeholders involved with financial organisations such as the Small Enterprise Development Agency (SEDA)<sup>4</sup>, and provincial departments of economic development, also attended a number of these workshops. Details of attendance at the workshops are shown in Table 1 on the next page.

<sup>2</sup> The Review Committee is an internal committee including the Supervisors of Co-operative banks at SARB and CBDA.

<sup>3</sup> Available online at [www.treasury.gov.za/coopbank/](http://www.treasury.gov.za/coopbank/)

<sup>4</sup> SEDA is an agency of the South African Department of Trade and Industry (the dti), established in December 2004 in terms of the National Small Business Amendment Act (Act 29 of 2004).

## 3.1 SUPERVISION UNIT | CONT



Table 1: Workshop attendance

Provinces	No. of workshops	CFIs		Stakeholders		Total
		No. of CFIs	No. of Reps	No. of stakeholders	No. of representatives	
LIMPOPO	1	13	44	2	4	48
MPUMALANGA	1	6	16	2	3	19
NORTHERN WEST	1	6	20	2	5	25
NORTHERN CAPE	1	5	19	2	5	24
WESTERN CAPE	1	8	21	2	4	25
EASTERN CAPE	1	12	26	6	25	51
KWAZULU-NATAL	1	23	38	5	22	60
FREE STATE	1	11	33	2	5	38
GAUTENG	2	26	55	4	10	65
<b>Total</b>	<b>10</b>	<b>110</b>	<b>272</b>	<b>27</b>	<b>83</b>	<b>355</b>

The finalised rules, with the collated public comments received, were published on 20 July 2012. All CFIs meeting the minimum criteria were required to submit their applications for registration by 31 December 2012. Provided that they were solvent and had applied before 31 December 2012, a dispensation was granted to applicants previously registered as FSCs or SACCOs with SAMAF or SACCOL respectively but which did not meet the minimum registration requirements of 200 members and R100 000 in share capital. Such

registrations were conditional on these institutions meeting the minimum registration requirements within stipulated timeframes.

This dispensation was, however, not extended to stokvel<sup>5</sup> financial service co-operatives previously registered with SAMAF; they will only be considered for registration as CFIs by the CBDA once they have met the 200 member and R100 000 share capital threshold. In the interim, they are required to de-register as co-operatives and must

<sup>5</sup> Stokvels are invitation-only clubs of twelve or more people serving as rotating credit unions or saving schemes where members contribute fixed sums of money to a central fund on a weekly, fortnightly or monthly basis.

## 3.1 SUPERVISION UNIT | CONT

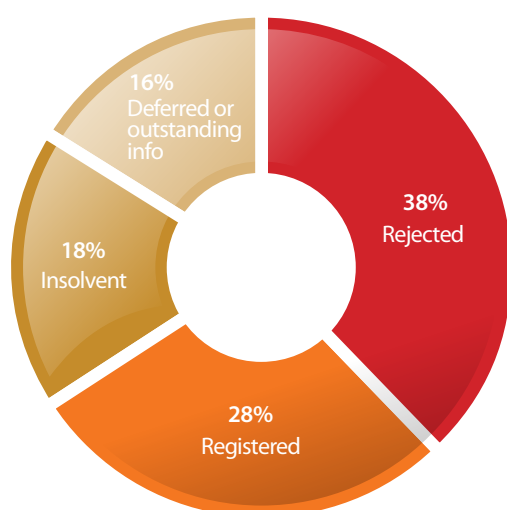
register with an appropriate self-regulatory body for stokvels, as required by the Exemption Notice.

**Achieved:** The Supervision Unit exceeded its expectations of terms of consultations with and training provided to the sector on the registration and regulatory process and requirements. This key result area was a once-off process related to the CBDA's taking over the Exemption Notices; it will not re-appear in the coming year.

### Percentage of registered CFIs compliant with the Exemption Notice and assessment rules

By 31 March 2013, 50 applications for registration from CFIs had been received. The results are shown in the following figure.

**Figure 1: Status of applications received from CFIs**



Fourteen applicants were approved for registration as CFIs by the CBDA and were issued with annual registration certificates, effective from 1 March 2013. Re-registration is subject to their on-going compliance with the Exemption Notice and with the CBDA rules which include being solvent at all times, maintaining the minimum requirements of at least R100,000 share capital and 200 members and timely submission of the required quarterly returns. These CFIs are also subject to on-site inspections and, where deemed necessary, additional conditions are imposed and infringement notices may be issued by the CBDA Supervisor.

Two applicants were declined as they exceeded the maximum deposit threshold of R30 million as stipulated in the Exemption Notice, and were referred to the SARB for registration. Discussions are underway with the SARB to increase the threshold of the Exemption Notice to bring these two CFIs within the regulatory framework<sup>6</sup>.

Nineteen CFI applications were declined as they did not meet the minimum registration requirement. The applicant CFIs were advised to register with NASASA or any other self-regulatory body approved in writing by the SARB. They were also instructed not to use the words "financial co-operative", "financial services co-operative" or "savings and credit co-operative" as part of their names.

Nine CFI applicants were declined as they were deemed insolvent<sup>7</sup>. Recognising that most of them have been operating for more than five years and are sufficiently liquid to maintain their daily operations, the CBDA's Supervisor is in the process of scheduling meetings to discuss each CFI's situation on a case-by-case basis. It can be expected that these institutions will be restricted from registering additional members and member deposits.

<sup>6</sup> Their applications to register as co-operative banks have been unsuccessful.

<sup>7</sup> The CBDA Supervisor considered the World Council of Credit Unions (WOCCU) guidelines on computing solvency. The ratio measures how a CFI's balance sheet (adjusted for provisions on bad debts) covers member savings and shares, in the event of a liquidation or wind up. The adjustment for provisions for bad debts in the solvency ratio ensures that CFIs making higher loan provisions benefit from a stronger solvency ratio. While WOCCU requires a minimum solvency ratio of 111%, the CBDA Supervisor's minimum solvency ratio on registration is 100%.

## 3.1 SUPERVISION UNIT | CONT

The final decision to register or decline a further eight CFI applicants was deferred pending receipt of outstanding information such as audited financial statements and management accounts. These CFIs were given deadlines within which to submit the outstanding information. If they fail to do so, their applications may be rejected and they may be de-registered as co-operatives.

**Achieved:** Of the 50 CFIs applying for registration, 14 were registered as they met the requirements for registration.

### Number of days taken to process applications

**Achieved:** The Supervision Unit was able to respond to all applications within one month of receipt. This included an initial review of the adequacy of the submitted documentation. The unit has set itself a yet more ambitious target for the future, with decisions on applications to be taken within three months.

### Provide the Minister of Finance with quarterly reports and a combined Supervisors' Annual Report

In accordance with the Co-operative Banks Regulation 7(a), the Supervisors<sup>8</sup> are required to submit joint quarterly reports on the banks' performance and operations. The submission schedule in the reporting year was as follows:

- Quarter ending 31 May 2012: to be submitted by 31 July 2012

- Quarter ending 31 August 2012: to be submitted by 31 October 2012
- Quarter ending 30 November 2012: to be submitted by 31 January 2013

**Achieved:** This undertaking was achieved. The 2012/13 Combined Supervisor's Annual Report was submitted on 31 May 2013. It includes information about the implementation of the co-operation and co-ordination plan for the period 1 March 2012 to 28 February 2013, as required by Section 42(3) of the Act.

### Result of risk based supervision

The CBDA currently regulates one co-operative bank and, during the year, carried out three examinations of the institution. After each, the Supervisor reported to management and the Board about the findings. The institution was CAMEL rated 3 during this period.

With the proposed transfer of the supervisory function of co-operative banks to the SARB, as provided for by the Omnibus Bill, the CBDA's focus will move to its new mandate of regulating CFIs operating outside the ambit of the Act but in compliance with the Exemption Notice. It will give attention to ensuring the smooth migration of the CBDA's current supervisory relationship with the Ditsobotla Co-operative Bank. Members of the SARB have attended on-site examinations of Ditsobotla in anticipation of their future role once the Omnibus Bill is enacted.

<sup>8</sup> One Supervisor resides in the CBDA to regulate Co-operative Banks with deposits between R1 and R20 million, the second Supervisor resides in the SARB to regulate Co-operative Banks with deposits of more than R20 million

## 3.1 SUPERVISION UNIT | CONT

As this key result area has been removed from future performance targets, until the amendment is adopted it will be incorporated into the project item of “Regulate and monitor registered CFIs”.

**Achieved:** Maintained a CAMEL 3 rating.

### Percentage compliance with Basel core principles

Using the Basel Committee recommendations on “Microfinance Activities and the Core Principles for Effective Banking Supervision”<sup>9</sup>, the Supervision Unit conducted a self-assessment of its ability to implement the recommendations. This year’s focus was on the CBDA’s approach to regulating CFI; the previous year’s was on the regulation of co-operative banks. The CBDA did not achieve the target of 75 per cent compliance. This was due to limitations in CFIs’ capacity to manage risk, and to shortfalls in the legislation. The assessment also took place at a time when the unit had taken on responsibility for the CFI regulatory framework after a delay of six months.

The International Credit Union Regulators’ Network (ICURN)<sup>10</sup> recently published “Guiding Principles for

the Effective Prudential Supervision of Co-operative Financial Institutions” (the Guiding Principles)<sup>11</sup>. This is substantially based on the Basel Committee’s Core Principles for Effective Banking Supervision. These take into account the unique nature of financial co-operatives, and contain 21 Guiding Principles for developing an effective supervisory system for credit unions, caisses populaires,<sup>12</sup> savings and credit co-operatives, co-operative banks, savings and credit associations and other global financial co-operatives.

The Guiding Principles are categorised into six groups:

- **Group 1:** objective, independence, powers, transparency and co-operation
- **Group 2:** licensing and ownership
- **Group 3:** prudential regulation and requirements
- **Group 4:** methods of on-going supervision
- **Group 5:** accounting and disclosure
- **Group 6:** enforcement

The ICURN recommends the adoption of these Guiding Principles by all jurisdictions supervising CFIs. The principles recognise that supervisors operate within different financial systems and that the principles may not apply to or be relevant in all circumstances. ICURN therefore encourages supervisory authorities to focus on the principles’ objectives.

<sup>9</sup> Available at <http://www.bis.org/publ/bcbs30a.htm>

<sup>10</sup> ICURN is an independent international network of credit union regulators which promotes the guidance given by the leaders of the Group of Twenty nations for greater international co-ordination among financial services regulators.

<sup>11</sup> Available at [http://curegulators.org/curegulators\\_resources](http://curegulators.org/curegulators_resources)

<sup>12</sup> *Caisses populaires* are primarily found in the province of Quebec in Canada, and are essentially the francophone equivalent of a credit union.

## 3.1 SUPERVISION UNIT | CONT

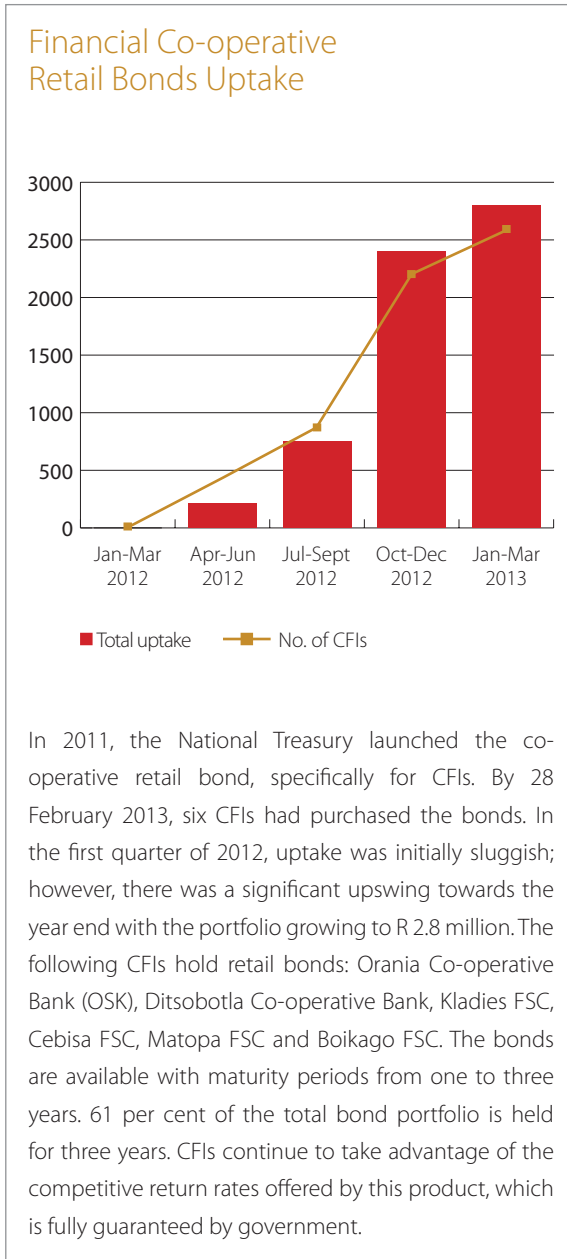
**ICURN 21 Guiding principles for the effective prudential supervision of co-operative financial institutions**

<b>Group 1</b>	<b>Objective, independence, powers, transparency and cooperation</b>
Guiding Principle 1	Objective, independence, power, transparency and cooperation
<b>Group 2</b>	<b>Licensing and ownership</b>
Guiding Principle 2	Permissible activities
Guiding Principle 3	Licensing
Guiding Principle 4	Ownership
<b>Group 3</b>	<b>Prudential regulation and requirements</b>
Guiding Principle 5	Capital adequacy
Guiding Principle 6	Risk management
Guiding Principle 7	Credit risk
Guiding Principle 8	Problem assets, provisions and reserves
Guiding Principle 9	Large exposures
Guiding Principle 10	Conflict of interests and related party exposures
Guiding Principle 11	Interest rate risk and market risk
Guiding Principle 12	Liquidity and funding risk
Guiding Principle 13	Internal controls
Guiding Principle 14	Abuse of financial services
Guiding Principle 15	Operational risk
<b>Group 4</b>	<b>Methods of ongoing supervision</b>
Guiding Principle 16	Internal audit
Guiding Principle 17	Supervisory access
Guiding Principle 18	Supervisory approach, techniques and resources
Guiding Principle 19	Supervisory reporting
<b>Group 5</b>	<b>Accounting and disclosure</b>
Guiding Principle 20	Accounting and disclosure
<b>Group 6</b>	<b>Enforcement</b>
Guiding Principle 21	Corrective and remedial powers of the supervisory authority

The target for the coming financial year will again be 75 per cent, with the unit's assessment focusing on the ICURN framework directly relevant to CFIs. A programme of activities, particularly relating to producing guidance notes for CFIs on their responsibilities as deposit taking institutions, will assist the CBDA to achieve this target.

**Not achieved:** Achieved 62 per cent compliance.

### 3.1 SUPERVISION UNIT | CONT





## 3.2 CAPACITY BUILDING UNIT



**Standing left to right:** Robert Mbeza (Director) | Nondumiso Thwala

**Seated left to right:** Hlengiwe Kheswa | Timothy Mutyavaviri | Nomadelo Sauli

The purpose of the Capacity Building Unit is to support, promote and develop co-operative financial institutions and to promote the establishment of representative bodies and support organisations. In fulfilling this responsibility, the unit determines the training needs of the sector and develops appropriate capacity enhancement programmes in conjunction with relevant stakeholders such

as representative bodies, BANKSETA, other development agencies and universities. It ensures the design and accreditation of CFI-specific courses and develops and/or adopts appropriate material for such training curricula. Once the CFI representative body is fully functional and has adequate capacity, it will provide such services to CFIs with the CBDA providing quality assurance.

### Strategic objectives

The unit has two strategic objectives:

1. Creating a vibrant and growing CFI sector that broadens access and mobilises savings at community level
2. Appropriate, efficient and effective data collection, management and dissemination

### Key Performance indicators and their targets and actual results

Strategic objective: A vibrant and growing CFI sector that broadens access and mobilises savings at community level						
Performance indicator	Actual achievement 2011/12	Planned target 2012/13	Actual achievement 2012/13	Deviation from planned target for 2012/13	Variance from 2011/12 to 2012/13	Comment on variances
Number of CFIs applying for registration as co-operative banks per year	-	2	6	+4	+6	<b>Target exceeded:</b> Direct technical assistance provided helped to increase the number of applying CFIs
Percentage of CFIs producing and submitting viable management information including financial reports	-	50%	33%	-17%	+33%	<b>Not achieved:</b> Despite follow-up and providing technical assistance to CFIs, most are still unable to produce and submit their financial reports.
Operational and functional banking platform	-	Service provider is selected via tender process	Service provider was selected via tender process	-	-	<b>Achieved:</b> A project manager was appointed to oversee the banking platform project through a tender process.
The national association <sup>13</sup> accredited as a support organization for CFIs	-	The national association is accredited by the CBDA	National association registered with CIPRO	Not yet accredited by CBDA	-	<b>Not achieved:</b> The national association was registered as a secondary co-operative with the CIPC on 7 March 2013 but had not started operating by the close of the quarter. The CBDA has not yet accredited the association.

<sup>13</sup> National Association of Co-operative Financial Institutions.

### 3.2 CAPACITY BUILDING UNIT | CONT

<b>Strategic objective: A vibrant and growing CFI sector that broadens access and mobilises savings at community level</b>						
<b>Performance indicator</b>	<b>Actual achievement 2011/12</b>	<b>Planned target 2012/13</b>	<b>Actual achievement 2012/13</b>	<b>Deviation from planned target for 2012/13</b>	<b>Variance from 2011/12 to 2012/13</b>	<b>Comment on variances</b>
Number of CFI managers successfully trained per year	20	20	29	+9	+9	<b>Target exceeded:</b> 29 CFI managers were trained during the year. The last session in March 2013 included nine co-operative development officers from the KZN Department of Economic Development, two officers from the CBDA and one officer from the Bankseta. Total of participants in the University of Pretoria course: 41.
<b>Strategic objective: Appropriate, efficient and effective data collection, management and dissemination</b>						
Number of registered CFIs producing and submitting financial reports	31	50	35	-15	+4	<b>Not achieved:</b> Many CFIs are still unable to produce financial statements despite the provision of technical assistance and training.

## 3.2 CAPACITY BUILDING UNIT | CONT

### Number of CFIs applying for registration as co-operative banks

Eighteen CFIs have reached the threshold of 200 members and R1m in member deposits. This makes them eligible to register as co-operative banks. Six applied for registration because of technical assistance provided to them, including assistance with reviewing and implementing their strategic plans; conducting performance assessments and drawing up action plans to address under performance; assisting them to produce financial reports; analysing and providing recommendations on areas of weakness; and providing guidance on the registration application process. However, due to lack of capital adequacy and to insolvency none of the applicant CFIs was registered as a co-operative bank.

### Operational and functional banking platform

Capacity building programmes in the period under review focused on the introduction and implementation of a national banking platform for CFIs and the establishment of a national association to be recognised and accredited as a representative body of the CFI sector. As well as training managers and Board members, the purpose of these programmes was to promote a vibrant and growing CFI sector that broadens access and mobilises savings at community level; this is one of the CBDA's strategic objectives.

CFIs' success in making the financial sector more inclusive will depend, among other factors, on their adoption of a suitable IT-based banking platform with national payment system capabilities. This will help them to improve their penetration levels and their product offerings, and will simplify reporting and other functions.

During the year, the CBDA appointed a project manager to oversee the banking platform project in the coming financial year.

### National association accredited as a support organisation for CFIs

The CBDA promotes the establishment of a national association of CFIs, in fulfilment of the requirements of the Co-operatives Banks Act which stipulates that the CBDA shall "promote the establishment of representative bodies and support organisations" as well as "register and regulate representative bodies" and "accredit and regulate support organisations".

Second-tier support and representative bodies are regarded as key enablers of a self-sustaining financial co-operative movement. International experience has shown that strong second-tier bodies displace the need for direct government support as the sector becomes self-reliant. Government's role is then to create an enabling and protective legislative environment.

During the year, the CBDA organised provincial meetings where CFIs formed provincial chapters as structures of the national association. The national association was established at the CFI Indaba organised by the CBDA in Durban in October 2012. Boards of directors representing all provinces were elected and the registration process of the association was developed and finalised. The association, named the National Association of Co-operative Financial Institutions of South Africa (NACFISA), was registered in March 2013 and brings together co-operative banks, SACCOs and FSCs. The aim of NACFISA is to unite, represent, support and serve member CFIs and to promote co-operative values and principles and good governance to enable the members to be successful and financially self-sufficient.

## 3.2 CAPACITY BUILDING UNIT | CONT

## Number of managers of CFIs successfully trained

The CBDA, with support from the BANKSETA, continued to send CFI managers to the University of Pretoria to study for the Certificate in Co-operative Financial Institution Management (CCCFIM) Level 1. The CBDA had budgeted to train 20 CFI managers but with additional financial support received from the BANKSETA, 29 were trained. The CBDA included in the programme nine co-operative development officers from the KZN Department of Economic Development responsible for developing co-operatives in the province, two CBDA staff and one member of staff from the BANKSETA, making a total to 41 participants. The purpose of the course is to provide participants with a thorough understanding of legislative and compliance requirements and effective management techniques for financial co-operatives.

Table 2: Outcome of the CCCFIM course

2012/13 financial year		2nd intake	3rd intake	Total	Distributions
		Sep 2012	Jan 2013		
No. of participants		20	21	41	
Type of institution					
CFI		20	9	29	70.7 per cent
CFI support institutions	KZN DED	0	9	9	22.0 per cent
	CBDA	0	2	2	4.9 per cent
	BANKSETA	0	1	1	2.4 per cent
Success rate					
Failures		7	4	11	26.8 per cent
Passes		13	17	30	73.2 per cent
Distinctions ≥ 75%		5	8	13	32.0 per cent

Twenty-four board members from eight CFIs in Gauteng and Mpumalanga provinces attended governance training. This has been on-going since 2011 and will continue to be provided to CFIs since their boards change as members' terms of office expire and new members are appointed.

## Number of registered CFIs producing and submitting financial reports

The CBDA continued their work with CFIs on producing and submitting financial and audit reports. This programme is linked to the strategic objective

of appropriate, efficient and effective data collection, management and dissemination which enables the CBDA to provide financial and performance information about the sector. The CBDA aimed to collect financial reports from 50 registered CFIs. However, only 35 CFIs produced and submitted their financial reports. Despite the CBDA's following up and providing technical assistance to CFIs, most of them are still unable to produce and submit their financial reports. The CBDA is hopeful that, once the banking platform is implemented for all registered CFIs, financial reporting will improve. This underlies the emphasis on identifying and implementing a system during the coming year.

## 3.2 CAPACITY BUILDING UNIT | CONT

The CBDA compiled the financial statements collected from the CFIs and produced four quarterly financial growth trend analyses for the sector; see the table below.

**Table 3: Growth and financial performance of applicant CFIs (including co-operative banks)**

	2010/11	2011/12	2012/13	Percentage growth
No. of CFIs	121	106	35	-67%
Membership	59 394	53 240	38 084	-28%
Savings	R 175 265 000	R 196 230 000	R 200 841 000	2%
Loans	R 116 577 000	R 132 227 000	R 142 310 000	8%
Assets	R 195 213 000	R 217 506 000	R 220 800 000	2%

**Table 4: Status of co-operative banks and CFIs eligible for registration as co-operative banks**

	2010/11	2011/12	2012/13	Percentage growth
No. of CFIs	18	21	18	-14%
Membership	28 034	31 481	31 916	1.4%
Savings	R 160 996 000	R 187 949 000	R 198 304 490	6%
Loans	R 107 26 160	R 128 733 822	R 140 766 214	9%
Assets	R 175 897 017	R 201 823 000	R 212 003 545	5%

### DED training

As part of building capacity in the CFI sector, the CBDA rolled out a Train the Trainer programme targeting DED Industry Advisors who work directly with CFIs in their respective provinces. This was made necessary by the merger of SAMAF and Khula Development Finance, which left a gap in capacity-building of the sector. The aim of the two-and-a-half day programme was to equip the DED officials with skills needed to assist CFIs to register with the CBDA and to be able to give technical assistance to CFIs when required. Topics included an overview

of the Exemption Notice; a basic CFI model that can assist them to become self-sustaining and institutionally sound; and the background to the regulatory framework. Real-life case studies are used to stimulate group discussions.

As at 31 March 2013, three workshops had been conducted in Gauteng, KwaZulu Natal and the Eastern Cape where 11, 15 and 17 DED officials were trained respectively. The training will continue in order to create an adequate pool of trainers. Contact details of the trained DED officials are on the CBDA website at [www.treasury.gov.za/coopbank](http://www.treasury.gov.za/coopbank)

## 3.3 MANAGING DIRECTOR AND CORPORATE SERVICES



**Standing left to right:** Ernst Odendaal | Ofentse Seageng | Percy Molokoane

**Seated left to right:** Lorna Padayachee | Olaotse Matshane (Managing Director) | Nondumiso Thwala

The Corporate Services Unit is responsible for governance, human resource and financial management of the CBDA and for effective and efficient coordination of all activities. In terms of strategic operations, it is also responsible for stakeholder management, coordinating the CBDA's marketing efforts, providing emergency liquidity assistance and research.

## 3.3 MANAGING DIRECTOR AND CORPORATE SERVICES | CONT

### Strategic objectives

The Corporate Service Unit has two strategic objectives:

- Protecting CFI members' deposits
- Ensuring that the CBDA is adequately capacitated to provide strategic leadership, administrative support and management capabilities to market itself and its activities.

The CBDA has improved collaboration and co-ordination with stakeholders so that their strategies synchronise and assist the organisation to achieve its strategic objectives in ensuring the institutional soundness of the sector. As a result, five MoUs were signed, reflecting the commitment to the growth of the sector.

skills and the experiences of their local, regional and global counterparts.

Co-operatives from all sectors and all nine provinces marked the two days by taking part in an Awareness Walk, aimed at creating awareness of co-operatives' contribution to building sustainable communities. The Walk ended at the eThekweni Municipal Offices where a Declaration for Co-operative Support, based on the United Nations Statement, was handed to the Speaker, Councillor Logie Naidoo, for signing.

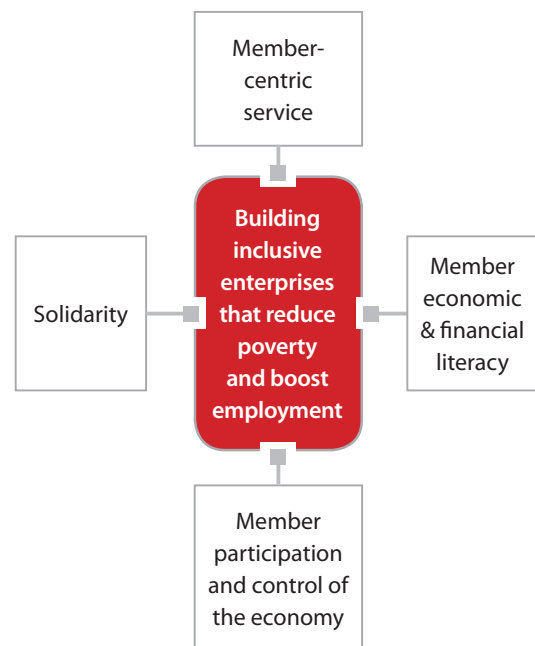
The highlight of the event was the Minister of Finance's Skype-enabled presentation. In it, he emphasised that CFI orientation needs to be pro-poor and pro-community. His opinions on the need for a new culture of doing business can be represented by the following graphic.

### 2012 Co-operative financial institutions' Indaba, Moses Mabhida Stadium, Durban, KwaZulu Natal

The 2012 Financial Co-operatives Indaba, with the theme of "Financial Co-operatives: Building Better Communities", was held in Durban, KwaZulu Natal from 16 - 19 October 2012. The event, which attracted about 220 delegates, was held in partnership with the eThekweni Municipality and the KwaZulu Natal Department of Economic Development and Tourism (DEDT). These are key CBDA stakeholders who play a meaningful role in the development and support of CFIs in KwaZulu Natal.

The Indaba's objectives were to:

- Raise awareness of the International Year of Co-operatives, declared by the United Nations
- Contextualise financial co-operatives within the financial sector
- Provide a networking forum for CFIs
- Provide CFIs with a learning platform of technical





## 3.3 MANAGING DIRECTOR AND CORPORATE SERVICES | CONT

In the opinion of the Minister, the existing CFI paradigm relating to profits needs to be challenged as follows:

- CFIs must use their profits to extend the depth and breadth of their reach in providing financial services in South Africa.
- South Africa's challenge in the financial sector is unsecured lending. CFIs must broaden a culture of savings before spending, with people learning to save for what they want and only taking on debt that they are able to repay.
- There is a need for institutions that provide financial services to those under-served by current providers.
- CFIs must strive towards becoming more significant players in the financial services space.
- Because they face the problem of a narrow capital base, CFIs need to be assertive and energised in growing their capital base and increasing their size. The Minister referred to this as "energetic activism".

### Minister's challenge to CFIs

- Build solid community based organisations
- Develop a 5 to 10 year horizon for building solid, resilient and sustainable institutions that can be used by future generations
- Increase investment in CFI retail bonds to R10 million. This is a product created specifically for the financial co-operative sector, with unique features such as top-up and early withdrawal options. Since

their launch in October 2011, CFIs have taken up just over R2.5 million in these retail bonds.

### CFI Indaba 2012 resolutions

#### National Association of Co-operative Financial Institutions of South Africa (NACFISA)

NACFISA, as a representative body for CFIs, was conceptualised at the 2011 Indaba and formalised in October 2012 with an interim board tasked with:

- Processing the association's registration with the CIPC
- Developing policies and procedures
- Operationalising the association

#### Stakeholder relations

The stakeholders resolved to establish a national framework for CFI support. An interim committee, consisting of representatives of the CBDA, KZN DEDT, eThekweni Municipality, SEDA, the National Treasury, SARB, North West DEDT, Mpumalanga DEDT and Western Cape DEDT, was nominated. The committee was required to develop a draft document by 31 December 2012 and a final document by end March 2013.

The CBDA is taking the lead in developing the terms of reference and the draft framework which will be circulated for comment by the group.

## Strategic objectives

### Key Performance indicators and their targets and actual results

Strategic objective: Members deposits in CFIs are protected						
Performance indicator	Actual achievement 2011/12	Planned target 2012/13	Actual achievement 2012/13	Deviation from planned target for 2012/13	Variance from 2011/12 to 2012/13	Comment on variances
Operational and funded Deposit Insurance Scheme (DIF)	None	DIF scheme in place	No longer a strategic objective due to changes in the National Treasury mandate	-	-	The National Treasury will establish a single insurance fund within the SARB to protect depositors in all banks, including co-operative banks

Strategic objective: CBDA is adequately capacitated to provide strategic leadership, administrative support and management capabilities to market itself and its activities						
Performance indicator	Actual achievement 2011/12	Planned target 2012/13	Actual achievement 2012/13	Deviation from planned target for 2012/13	Variance from 2011/12 to 2012/13	Comment on variances
MOUs with stakeholders that are assessed	1	5	5	-	+4	Stakeholder engagement and consultations resulted in partnership toward a common interest in the CFI sector
No. of stakeholder Indabas	1	1	1	-	-	Achieved
Total approved budget outlay	R9.3 million	R16 million	R16 million	-	R6.7 million.	Increase in budget is due to the creation of stabilisation funds, the banking platform project and the expanded mandate related to the Exemption Notice
No. of new positions filled	1	2	4	+2	+3.	Increase is due to a new post created to improve the efficiency of the CBDA's finance, governance and regulatory functions

## 3.3 MANAGING DIRECTOR AND CORPORATE SERVICES | CONT

### 3.3 MANAGING DIRECTOR AND CORPORATE SERVICES | CONT

Strategic objective: CBDA is adequately capacitated to provide strategic leadership, administrative support and management capabilities to market itself and its activities						
Performance indicator	Actual achievement 2011/12	Planned target 2012/13	Actual achievement 2012/13	Deviation from planned target for 2012/13	Variance from 2011/12 to 2012/13	Comment on variances
Human resources (HR) plan	No HR plan	HR plan approved and implemented	Not achieved	A comprehensive HR plan has been developed for review by the HR and Remuneration committee	The HR plan been developed and is sent to the HR and Remuneration committee for review	HR plan developed but not yet implemented; awaiting Board approval
Retention strategy	No retention strategy	Retention strategy approved and implemented	Not achieved	Completed; awaiting review by the HR committee		
Fraud prevention plan	Draft plan tabled at the Board; to be reviewed by Audit Committee before implementation	Fraud prevention plan approved and implemented	Plan was approved. Implementation still in progress	Workshop was conducted by NT ERM, informing staff of major risk issues.		The CBDA appointed a Finance Manager in March 2013 to address this issue
Compliance with SCM policies	100% compliance	Compliant with SCM policies	100% compliance	-	-	Will be determined by outcome of annual audit
Updated policies to ensure compliance with and adherence to the PFMA	67% compliance	Policies reviewed and approved	95%	The Delegation of Authority Framework finalised and to be approved by Board	+28%	Implemented and monitored action plan to address compliance matters
Quarterly performance reporting. Quarterly report submitted to the Public Oversight Entities Unit. Annual performance plan that links to the quarterly performance report.	100%	100% compliance with quarterly reporting	100%	-	-	-

CBDA 2012/13  
**ANNUAL  
REPORT**  
For the year ended  
31 March 2013



**PART C:**  
GOVERNANCE

## 1. INTRODUCTION

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

## 2. EXECUTIVE AUTHORITY

In terms of the PFMA and in compliance with the Treasury Regulations, for the period under review the CBDA has submitted to the Executive Authority strategic and annual performance plans for 2013/14, quarterly reports for 2012/13 and the Annual Report and Financial Statements in line with deadlines.

## 3. THE BOARD

### Introduction

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

### Roles and responsibilities of the Board

- Provide strategic leadership
- Provide effective, transparent, accountable and coherent corporate governance and conduct effective oversight of the affairs of the CBDA
- Define the purpose of the CBDA (strategic intent, vision, mission and objectives) and its values (organisational behaviour and norms)
- Be accountable and responsible for the performance and affairs of the CBDA. The Board must give strategic direction to the CBDA's executive management.
- Oversee compliance with all applicable laws, legislation and agreements
- Communicate openly and promptly with the Minister and any ministerial representative
- Deal with the Minister and any ministerial representative in good faith
- At all times, act in accordance with the members' Code of Conduct
- Approve and monitor management implementation of policies, strategies and plans
- Oversee risk management

### Board Charter

The purpose of the Board Charter is to:

- Set out the roles and responsibilities of the Board
- Ensure that Board members comply with the legislation, regulations and policies affecting their conduct
- Ensure that the principles of corporate governance are applied in their dealings in respect of, and on behalf of, the CBDA
- Comply with the Protocol on Corporate Governance in the Public Sector.

During the period under review, the following progress was made in terms of compliance with the Board Charter:

- Ensured that the CBDA is represented at and attends the joint National Treasury Audit and Risk Committees
- Established the Human Resources and Remuneration Committee with terms of reference which set out their roles and responsibilities and their relationship with the Board
- Held regular Board meetings in terms of the statutory and operational requirements to provide strategic guidance and oversight
- Approved quarterly reports, management reports and other information provided to the Board and made appropriate recommendations
- Ensured that the CBDA is adequately capacitated to execute its mandate
- Ensured that the CBDA is adequately protected against risks and has risk mitigation strategies in place
- Ensured that the CBDA has the required human resources, financial, risk, fraud prevention and other relevant policies in place.

### 3. THE BOARD | CONT



Mr Sifiso Mthwalo Ndwandwe  
Chairperson



Mr Peter Koch  
Member



Mr Jan Theron  
Member



Ms Daphne Hamilton  
Member



Dr Vishwas Satgar  
Member



Ms Ingrid Goodspeed  
National Treasury



## 3. THE BOARD | CONT

### Composition of the Board

NAME	DATE APPOINTED	QUALIFICATIONS	END OF TERM/ RE-APPOINTMENT
<b>Mr SW Ndwandwe</b> (Chairperson)	1 October 2010	MBA BSc Cert: Management Development Programme for Public Sector Enterprise Executives Cert: Effective Director Programme Dipl: Adult Education	30 September 2013
<b>Adv. EJZ Khuzwayo</b> (Deputy Chairperson)	1 October 2010	LLM: Mercantile Law and International Law Dipl: Advanced Banking Cert: Import and Export Cert: Programme in Forensic Investigations and Fraud	30 September 2013
<b>Mr V Satgar</b> Member	1 October 2010	PhD LLB BA: Economics, Political Science and Legal Studies	30 September 2013
<b>Mr J Theron</b> Member	1 October 2010	BA LLB Advanced Diploma in Labour Law	30 September 2013
<b>Ms D Hamilton</b> Member	1 October 2010	MA: General Linguistics BA (Hons). Higher Diploma in Education Assessor Training Programme Programme in Human Resources Development Programme in Management Development	30 September 2013
<b>Mr P Koch</b> Member	1 October 2010	B BusSc (Hons): Finance B Com (Hons) Post Graduate Diploma in Accounting B A PPE: Philosophy and Economics MSc: Industrial Relations and HR Management Chartered Accountant	30 September 2013 Qualifies for a second term with effect from 1 October 2013
<b>Mr K Mahuma</b> Member (resigned: last day of term of office was 31 December 2012)	1 October 2010	M Com: Taxation B Com (Hons): Accounting Post Graduate Diploma in Accounting B Com: Accounting	31 December 2012
<b>Ms O Matshane</b> (Managing Director)	1 October 2010 Appointed as Managing Director from May 2012	MSc: Economics B Com (Hons.): Economics Cert: Taxation Cert: Advance Project Management	30 September 2013

### CBDA Board sub-committees

The Board's sub-committees enable it to discharge its responsibilities and duties properly. Each committee acts in accordance with its Charter and is chaired by an independent non-executive director. Attendance at the Board and board committee meetings is outlined in Table 5.

## 3. THE BOARD | CONT

**Table 5: CBDA Board Sub-Committees**

HR & Remuneration Committee	Audit Committee (combined with that of National Treasury) in terms of section 77(c) of PFMA	Risk Committee (combined with that of National Treasury) in terms of section 77(c) of PFMA
Adv EJZ Khuzwayo (Chairperson)	Ms O Matshane	O Matshane
Ms I Goodspeed (Acting Chairperson)*	Mr P Koch (alternate)	
Mr J Theron	Ms I Goodspeed	
Ms D Hamilton		
Mr S Ndwandwe**		

\*Ms Goodspeed is not a member of the Board. She is the representative of the Minister of Finance on the Board.

\*\*Mr Ndwandwe is not a member of the HR&R committee. Attendance is by invitation only.

**Table 6: Board and committee attendance**

Board and committee meeting attendance	Board	HR & Remuneration Committee	Audit Committee*	Risk Committee*
Mr Sifiso Ndwandwe	3/3	3/3		
Adv. Jabu Khuzwayo*	1/3	1/3		
Ms Daphne Hamilton	3/3	3/3		
Mr KeaObaka Mahuma**	0/3			
Mr Jan Theron	1/3	1/3		
Mr Peter Koch	3/3		1/3	
Mr Vishwas Satgar	2/3			
Ms Olatse Matshane***	3/3		3/3	2/4

\* Adv. Jabu Khuzwayo on special leave from March 2013.

\*\*Mr KeaObaka Mahuma resigned on 31 December 2012.

\*\*\* Ms Olatse Matshane appointed as Managing Director on 14 May 2012.

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

### Remuneration of Board members

CBDA Board members are remunerated at rates determined and issued 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 23.2 of the Annual Financial Statements.

## 4. RISK MANAGEMENT

The CBDA utilises the Risk Management Committee of the National Treasury. The Risk Register is reviewed annually to take account of changes in the operating environment. Four strategic and four operational risks have been identified and are managed by the Managing Director and the Management Committee. The CBDA's updated Risk Register was tabled at the Audit Committee in the second quarter of the period under review.

## 5. INTERNAL AUDIT AND AUDIT COMMITTEE

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

## 6. 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 ensure compliance with the relevant laws and regulations. In doing this, the CBDA has, inter alia, appointed a Deputy Director: Financial Management, an outsourced HR specialist and a Board Secretary; and has developed an annual Board plan based on the statutory requirements in terms of the Treasury Regulations, and an annual meeting calendar.

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

## 7. FRAUD AND CORRUPTION

With the assistance of the National Treasury, the CBDA has developed a fraud prevention plan. A workshop was conducted in February 2013 to communicate the plan and to emphasise to all employees the importance of reporting fraud and corruption. The CBDA uses the national anti-corruption hotline for whistle blowers to report fraud and corruption. The CBDA has zero tolerance towards fraud, and appropriate action is taken in line with the nature of the offence.

## 8. MINIMISING CONFLICT OF INTEREST

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

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

## 9. HEALTH, SAFETY AND ENVIRONMENTAL ISSUES

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



## 10. COMPANY SECRETARY

The roles and responsibilities of the Board Secretary, appointed by the Board in March 2013, are to:

- a. Review and develop the Board's Charter, relevant Board committees and service level agreements, in line with the CBDA's overall strategic objective
- b. Develop and maintain an appropriate corporate governance and accountability framework to support the CBDA's strategic objectives
- c. Ensure that the Board is properly constituted and structured with supporting committees for effective corporate governance
- d. In accordance with the Charter, ensure compliance with the rules on notice periods, meeting intervals and quorums

## 11. SOCIAL RESPONSIBILITY

The CBDA is financed by transfer payments from the National Treasury. These funds are not mandated to be used for social responsibility; however, CBDA staff contribute from time to time to charitable activities.

## 12. CODE OF CONDUCT

The Board has approved a Code of Business Conduct Policy for the CBDA. All employees are required to sign the code as proof that they have read it and understand its provisions.

CBDA 2012/13  
**ANNUAL  
REPORT**  
For the year ended  
31 March 2013



**PART D:**  
HUMAN RESOURCE  
MANAGEMENT

## 1. INTRODUCTION

The Human Resources report summarises the employment-related activities of the CBDA from 1 April 2012 to 31 March 2013. Human resource matters include recruitment and selection, remuneration, skills development, performance agreements, reviews and evaluations. Until November 2012, the CBDA's human resource functions and responsibilities were out-sourced to the National Treasury. A temporary HR administrator was then appointed to manage all HR related functions.

The CBDA had 13 positions approved in line with the Strategic Plan for 2012 to 2015; following a Board decision, it reviewed its structure and approved 18 positions. These take into account critical skills that the organisation needs in order to achieve its strategic objectives.

### HR priorities and achievements for the year under review

Policies were developed and procedures put in place. These included a performance management policy; a cell phone policy; a bursary policy; a study loan policy; and a recruitment and retention policy, recommended by the Human Resource & Remuneration (HR & R) committee to the Board for approval.

### Employee performance management framework

Staff performance evaluations were conducted and a performance report was recommended by the HR & R Committee for Board approval.

### Employee wellness programmes

Employee wellness is an important part of the HR function as it not only promotes healthy living but also enables the CBDA to assist staff members who need help with issues such as stress management, debt counselling and substance abuse. The CBDA intends to request the National Treasury to source relevant companies to provide such services.

In the third quarter of the period under review, an HIV/AIDS wellness programme was conducted using National Treasury resources.

### Social events

The CBDA celebrated numerous social events organised by the National Treasury, including Heritage Day and Spring Day.

### Future HR plans and goals

To ensure that the CBDA achieves its objectives, HR will focus on priorities including developing:

- A recruitment and selection policy:
  - Employment equity:
  - Allowances for acting
  - Long service awards
  - Compensation
- A disciplinary code and grievance procedure
- A termination policy
- Revised job descriptions for job evaluation and grading purposes

## PART D: HUMAN RESOURCE MANAGEMENT

# 2. HUMAN RESOURCE MANAGEMENT OVERSIGHT STATISTICS

### Personnel cost by programme

Programme	Total expenditure (R'000)	Personnel expenditure (R'000)	Personnel expenditure as a % of total expenditure (R'000)	No. of employees	Average personnel cost per employee (R'000)
Supervision Unit	2 855	2 400	19%	6	400
Capacity Building Unit	5 038	1 958	16%	4	490
Managing Director and Corporate Services	4 466	1 358	11%	5	272
<b>TOTAL</b>	<b>12 359</b>	<b>5 716</b>	<b>46%</b>	<b>15</b>	<b>381</b>

### Personnel cost by salary band

Level	Personnel expenditure (R'000)	% of personnel expenditure to total personnel cost (R'000)	No. of employees	Average personnel cost per employee (R'000)
Top management	834	15%	1	834
Senior management	1 708	30%	2	854
Professional qualified	1 813	31%	7	259
Skilled	1 361	24%	5	272
<b>TOTAL</b>	<b>5 716</b>	<b>100%</b>	<b>15</b>	<b>381</b>

### Performance rewards

The performance management process was completed and provision made for paying performance bonus awards for the 2012/13 financial year, pending approval from the Board.

Programme	Performance awards R('000)	Personnel expenditure (R'000)	% of performance awards to total personnel cost (R'000)
Top management	34	834	0.6%
Senior management	53	1 708	0.9%
Professional qualified	68	1 813	1.2%
Skilled	40	1 361	0.7%
<b>TOTAL</b>	<b>195</b>	<b>5 716</b>	<b>3.4%</b>

## 2. HUMAN RESOURCE MANAGEMENT OVERSIGHT STATISTICS | CONT

### Training costs

As a public entity, the CBDA prides itself on its emphasis on developing and up-skilling its staff. During the period under review, it continued to demonstrate commitment to job-specific skills development relating to performance assessments. It spent R378 000 on educational studies, short courses and study conferences for 10 employees, with an average training cost of R38 000 per employee.

Directorate/ business unit	Personnel expenditure (R'000)	Training expenditure (R'000)	Training expenditure as a % of personnel cost	No. of employees trained	Average training cost per employee
Supervision Unit	2 400	46	0.03%	3	15
Capacity Building Unit	1 958	160	0.76%	2	80
Managing Director and Corporate Services	1 358	172	0.47%	5	34
<b>Total</b>	<b>5 716</b>	<b>378</b>	<b>1.26%</b>	<b>10</b>	<b>38</b>

### Employment and vacancies

Programme	2011/12 No. of employees	2012/13 Approved Posts	2012/13 No. of employees	2012/13 vacancies	% of vacancies
Supervision Unit	4	6	6	-	-
Capacity Building Unit	3	7	4	3	43%
Managing Director and Corporate Services	1	5	5	0	-
<b>Total</b>	<b>8</b>	<b>18</b>	<b>15</b>	<b>3</b>	<b>17%</b>

Programme	2011/12 No. of Employees	2012/13 Approved Posts	2012/13 No. of Employees	2012/13 Vacancies	% of vacancies
Top management	-	1	1	-	-
Senior management	2	2	2	-	-
Professional qualified	3	9	7	2	22%
Skilled	3	6	5	1	17%
<b>Total</b>	<b>8</b>	<b>18</b>	<b>15</b>	<b>3</b>	<b>17%</b>

## 2. HUMAN RESOURCE MANAGEMENT OVERSIGHT STATISTICS | CONT

### Employment changes

During the period under review, the CBDA made seven new appointments to fill the following positions: Managing Director, Finance Manager, Examiner, Inspector, Personal Assistant, Audit Compliance Specialist and Board Secretary. There was no staff turnover during the period under review.

Salary Band	Employment at beginning of period	Appointments	Terminations	Employment at end of the period
Top management	0	1	0	1
Senior management	2	0	0	2
Professional qualified	3	4	0	7
Skilled	3	2	0	5
<b>Total</b>	<b>8</b>	<b>7</b>	<b>0</b>	<b>15</b>

### Labour relations: misconduct and disciplinary action

There was no misconduct or disciplinary action in the financial year.

### Equity target and employment equity status

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

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

The following tables reflect the CBDA's current employment equity status.

Level	MALE				FEMALE				TOTAL
	A	C	I	W	A	C	I	W	
Top management	0	0	0	0	1	0	0	0	1
Senior management	1*	0	0	1	0	0	0	0	2
Professional qualified	2*	0	0	1	3	0	1	0	7
Skilled	2	0	0	0	3	0	0	0	5
<b>TOTAL</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>7</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>15</b>

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

### Disabled staff

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



CBDA 2012/13  
**ANNUAL  
REPORT**  
For the year ended  
31 March 2013



**PART E:**  
FINANCIAL  
INFORMATION

## 1. AUDIT COMMITTEE REPORT

### AUDIT COMMITTEE MEMBERS AND ATTENDANCE:

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

#### AUDIT COMMITTEE MEETINGS 2012/13

Name of member	Number of meetings attended
Mr Vuyo Jack	6 of 6
Ms Mamoroke Lehobye	4 of 6
Ms Lesibana Fosu	1 of 4
Ms Berenice Francis	6 of 6
Mr Joe Lesejane	5 of 6
Mr Zach Le Roux	4 of 6

Two special meetings were convened during the financial year.

### THE AUDIT COMMITTEE RESPONSIBILITY

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

### THE EFFECTIVENESS OF INTERNAL CONTROLS

The Audit Committee is of the opinion, based on the information and explanations given by management, the internal auditors, and discussions with the independent external auditors (Auditor-General) on the results of its

audits, that the internal accounting controls are operating effectively to ensure that the financial records can be relied upon for preparing the annual financial statements, and that accountability for assets and liabilities has been maintained.

From the various reports of the Internal Auditors, the External Audit Report on the Annual Financial Statements, and the management letter of the Auditor-General, it was noted that no significant or material non-compliance with prescribed policies and procedures have been reported. Based on all of the above, the Audit Committee therefore reports that the system of internal control for the period under review was effective. However, attention is drawn to the following areas of concern:

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

On 9 March 2012 the National Treasury published for public comment the draft Financial Services Laws General Amendment Bill, 2012 ("the Bill"), as approved by Cabinet at its meeting of 22 February 2012. The Bill addresses the more urgent legislative gaps and removes inconsistencies in current legislation before the more fundamental reforms envisaged in the shift towards twin peaks are introduced. The Bill provides for amendment to the Co-operative Banks Act to transfer the supervisory function of the CBDA to the South African Reserve Bank (SARB). Therefore a single deposit insurance fund will be established within SARB to protect depositors of all banks, including co-operative banks. National Treasury therefore decided not to establish a separate deposit insurance fund for co-operative banks housed in the CBDA as originally envisaged.

Other than the above matter, nothing significant has

## 1. AUDIT COMMITTEE REPORT | CONT

come to the attention of the Audit Committee indicating that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

### THE EFFECTIVENESS OF INTERNAL AUDIT

The Audit Committee reviewed the effectiveness of internal audit and having received a wide range of internal audit reports, it is comfortable that the areas covered by internal audit provided the Audit Committee with good insight into the internal controls of the Co-operative Banks Development Agency (Agency). Areas with weak controls and needs improvement have been discussed with management and actions plans have been agreed. The Audit Committee will continue to oversee and monitor the disposition of these findings.

### THE RISK AREAS OF THE INSTITUTION'S OPERATIONS

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

### ACCOUNTING AND AUDITING CONCERNS IDENTIFIED AS A RESULT OF INTERNAL AND EXTERNAL AUDITS

From the various reports of the Internal Auditors, the Audit Report on the Annual Financial Statements and the

management letter of the Auditor-General, it was noted that no significant or material accounting or auditing concerns were identified.

### THE INSTITUTION'S COMPLIANCE WITH LEGAL AND REGULATORY PROVISIONS

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

### EVALUATION OF ANNUAL FINANCIAL STATEMENTS

The Audit Committee has evaluated the annual financial statements of the Co-operative Banks Development Agency for the year ended 31 March 2013 and, based on the information provided to the Audit Committee, concurs and accepts the Auditor-General's conclusions on the annual financial statements, and would recommend to the Board of the Agency that the audited annual financial statements be accepted and read together with the report of the Auditor-General.



Vuyo Jack  
Chairperson of the Audit Committee  
Date: 31 July 2013

## 2. STATEMENT OF RESPONSIBILITY FOR THE ANNUAL FINANCIAL

for the year ended 31 March 2013

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

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

In my opinion, the financial statements fairly reflect the operations of the CBDA for the financial year ended 31 March 2013.

The CBDA's annual financial statements for the year ended 31 March 2013 have been audited by the Auditor-General whose report is presented on page 63.

The Annual Financial Statements of the CBDA set out on page 66 to page 94 have been approved.



S Ndwandwe

CHAIRMAN OF THE BOARD

Co-operative Banks Development Agency

Date: 31 July 2013

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

#### INTRODUCTION

1. I have audited the financial statements of the Co-operative Banks Development Agency set out on pages 66 to 94, which comprise the statement of financial position as at 31 March 2013, the statement of financial performance, the statement of changes in net assets and the cash flow statement for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

#### ACCOUNTING AUTHORITY'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

2. The accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with South African 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), and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### AUDITOR-GENERAL'S RESPONSIBILITY

3. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004)

(PAA), the *General Notice* issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

#### OPINION

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Co-operative Banks Developments Agency as at 31 March 2013, and its financial performance and cash flows for the year then ended in accordance with SA Standards of GRAP and the requirements of the PFMA.

### 3. REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE CO-OPERATIVE BANKS DEVELOPMENT AGENCY | CONT

#### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the PAA and the *General Notice* issued in terms thereof, I report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion:

#### PREDETERMINED OBJECTIVES

7. I performed procedures to obtain evidence about the usefulness and reliability of the information in the annual performance report as set out on pages 18 to 37 of the annual report.
8. The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of information in the annual performance report relates to whether it is presented in accordance with the National Treasury's annual reporting principles and whether the reported performance is consistent with the planned objectives. The usefulness of information further relates to whether indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the National Treasury *Framework for managing programme performance information*.

The reliability of the information in respect of the selected programmes is assessed to determine whether it adequately reflects the facts (i.e.

whether it is valid, accurate and complete).

9. There were no material findings on the annual performance report concerning the usefulness and reliability of the information.

#### ADDITIONAL MATTER

Although no material findings concerning the usefulness and reliability of the performance information were identified in the annual performance report, I draw attention to the following matter below:

#### ACHIEVEMENT OF PLANNED TARGETS

10. Of the total number of twenty-six targets planned for the year, 9 targets were not achieved during the year under review. This represents 35% of total planned targets that were not achieved during the year under review. This was as a result of management's inadequate consideration of relevant systems and evidential requirements during the annual strategic planning process.

#### COMPLIANCE WITH LAWS AND REGULATIONS

I performed procedures to obtain evidence that the entity has complied with applicable laws and regulations regarding financial matters, financial management and other related matters. My findings on material non-compliance with specific matters in key applicable laws and regulations as set out in the *General Notice* issued in terms of the PAA are as follows:

### 3. REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE CO-OPERATIVE BANKS DEVELOPMENT AGENCY | CONT

#### FINANCIAL STATEMENTS, PERFORMANCE AND ANNUAL REPORTS

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

#### DEPOSIT INSURANCE FUND

12. The Agency did not establish and manage a Co-operative Banks Deposit Insurance Fund in accordance with the requirements of section 25 of the Co-operative Banks Act of South Africa, 2007 (Act No. 40 of 2007).

#### INTERNAL CONTROL

13. I did not identify any deficiencies in internal control which I considered sufficiently significant for inclusion in this report.



Pretoria  
31 July 2013



AUDITOR-GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

## 4. ANNUAL FINANCIAL STATEMENTS

### STATEMENT OF FINANCIAL POSITION

as at 31 March 2013

	Note(s)	2013 R'000	2012 R'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	2	136	70
Intangible assets	3	6	3
		<u>142</u>	<u>73</u>
<b>Current assets</b>			
Cash and cash equivalents	4	6 051	1 870
Trade and other receivables	5	742	44
		<u>6 793</u>	<u>1 914</u>
<b>TOTAL ASSETS</b>		<u><b>6 935</b></u>	<u><b>1 987</b></u>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
		<u>-</u>	<u>-</u>
<b>Current liabilities</b>			
Trade and other payables	6	4 515	822
Provisions	7	384	557
Deferred income	8	580	294
		<u>5 479</u>	<u>1 673</u>
<b>TOTAL LIABILITIES</b>		<u><b>5 479</b></u>	<u><b>1 673</b></u>
<b>Net assets</b>			
Stabilisation fund	14	1 151	-
Accumulated surplus		305	314
<b>TOTAL NET ASSETS</b>		<u><b>1 456</b></u>	<u><b>314</b></u>
<b>TOTAL NET ASSETS AND LIABILITIES</b>		<u><b>6 935</b></u>	<u><b>1 987</b></u>



## 4. ANNUAL FINANCIAL STATEMENTS | CONT

## STATEMENT OF FINANCIAL PERFORMANCE

for the year ended 31 March 2013

	Note(s)	2013 R'000	2012 R'000
<b>Revenue</b>			
<i>Non-exchange revenue</i>			
		16 914	9 566
Transfers and subsidies	9	16 000	9 310
Grant income	8	894	206
Donation received		20	50
<i>Exchange revenue</i>			
		236	112
Sale of goods and rendering of services	10	21	9
Interest income	11	215	103
		<b>17 150</b>	<b>9 678</b>
<b>Expenditure</b>			
Goods and services	12	(5 683)	(4 272)
Compensation of employees	13	(5 716)	(4 042)
Depreciation/amortisation and impairment		(66)	(63)
Grant expenditure	8	(894)	(206)
		<b>(12 359)</b>	<b>(8 583)</b>
<b>SURPLUS/DEFICIT FOR THE YEAR</b>		<b>4 791</b>	<b>1 095</b>

## 4. ANNUAL FINANCIAL STATEMENTS | CONT

## STATEMENT OF CHANGES IN NET ASSETS

for the year ended 31 March 2013

	Note(s)	Accumulated surplus/deficit R'000	Stabilisation fund	Total R'000
Balance at 1 April 2011		(781)	-	(781)
Surplus for the year		1 095	-	1 095
		-	-	-
<b>Balance at 1 April 2012</b>		<b>314</b>	<b>-</b>	<b>314</b>
Surplus funds surrendered for 2012		(197)	-	(197)
Surplus for the year		4 791	-	4 791
Transfer to reserves	14	(1 151)	1 151	-
Surplus funds to be surrendered for 2013	6	(3 452)	-	(3 452)
<b>Balance at 31 March 2013</b>		<b>305</b>	<b>1 151</b>	<b>1 456</b>

## 4. ANNUAL FINANCIAL STATEMENTS | CONT

## CASH FLOW STATEMENT

for the year ended 31 March 2013

	2013	2012
Note(s)	R'000	R'000
<b>Cash flow from operating activities</b>		
<i>Cash receipts</i>	16 701	9 973
Transfers and subsidies	16 000	9 310
Sale of goods and rendering of services	16	9
Interest income	215	103
Grant revenue	450	500
Donation received	20	50
Other operating revenue	-	1
<i>Cash payments</i>	(12 385)	(8 104)
Compensation of employees	(5 986)	(3 474)
Goods and services	(6 202)	(4 630)
Surplus funds surrendered	(197)	-
<b>Net cash generated from operating activities</b>	<b>4 316</b>	<b>1 869</b>
	15	
<b>Cash flow from investing activities</b>		
Purchase of assets	(135)	(30)
<b>Net cash used in investing activities</b>	<b>(135)</b>	<b>(30)</b>
<b>Net (decrease)/increase in cash, cash equivalents and bank overdrafts</b>	<b>4 181</b>	<b>1 839</b>
Cash, cash equivalents and bank overdrafts at beginning of the year	1 870	31
<b>Cash, cash equivalents and bank overdrafts at end of the year</b>	<b>6 051</b>	<b>1 870</b>

## 4. ANNUAL FINANCIAL STATEMENTS | CONT

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2013

#### 1. ACCOUNTING POLICIES

##### 1.1 BASIS OF PREPARATION

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

The financial statements are prepared in South African rand (R).

The annual financial statements have been prepared in accordance with the effective standards of GRAP, including any interpretations and directives issued by the Accounting Standards Board.

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

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

##### 1.2 CHANGES IN ACCOUNTING POLICY AND COMPARABILITY

The accounting policies have been applied consistently. The entity will change an accounting policy if the

change results in the financial statements providing more reliable and relevant information about the effects of transactions, other events or conditions on the performance or cash flow.

##### 1.3 GOING CONCERN ASSUMPTION

The annual financial statements have been prepared on the assumption that the CBDA will continue to operate as a going concern for the next 12 months.

##### 1.4 REVENUE RECOGNITION

###### 1.4.1 Revenue from exchange transactions

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

###### a. Interest income

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

## 4. ANNUAL FINANCIAL STATEMENTS | CONT

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2013

b. Revenue arising from application of tariff

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

#### 1.4.2 Revenue from non-exchange transactions

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

#### 1.5 TAXES

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

#### 1.6 PROPERTY, PLANT AND EQUIPMENT

##### Initial recognition

Property, plant and equipment are tangible assets held for use in the production or supply of goods or services, rental to others or for administrative purposes, and are expected to be used for more than one year. Items of property, plant and equipment are initially recognised as assets on the date of acquisition and are initially recorded at cost. The cost of an item of property, plant and equipment is made up of the purchase price and other

costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the entity. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the cost of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of plant, property and equipment have different useful lives, they are accounted for as separate items. Where an asset is acquired by the entity for no or a nominal consideration (non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

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

##### Subsequent measurement

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

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

## 4. ANNUAL FINANCIAL STATEMENTS | CONT

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2013

#### Depreciation and impairment

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

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

#### Depreciation of equipment, furniture and fittings

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

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

#### Derecognition

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

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

#### 1.7 INTANGIBLE ASSETS

Software is classified as an intangible asset. Initial expenditure on software is recognised at cost and capitalised. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the asset to which it relates. The amortisation is calculated at a rate considered appropriate to reduce the cost of the asset less residual value over the shorter of its estimated useful life or contractual period. Residual values and estimated useful lives are reviewed annually.

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

Amortisation is provided to write down intangible assets, on a straight line basis, to their residual values. Amortisation of IT software takes place over 3 years.

#### 1.8 IMPAIRMENT OF NON-FINANCIAL ASSETS

At each reporting date, the CBDA assesses whether an asset is impaired. If so, it estimates the asset's recoverable amount. If it is not possible to do this, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

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

## 4. ANNUAL FINANCIAL STATEMENTS | CONT

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2013

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

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

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

#### 1.9 LEASES

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

#### Operating leases: lessee

Lease agreements are classified as operating leases where the entire risks and rewards incidental to ownership remain substantially with the lessor. Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amount recognised as an expense and the contractual payments is recognised as an operating lease asset/liability. The asset is not discounted.

#### 1.10 EMPLOYEE BENEFITS

##### Short-term employee benefits

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

#### 1.11 FOREIGN CURRENCY TRANSACTIONS

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

## 4. ANNUAL FINANCIAL STATEMENTS | CONT

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2013

#### 1.12 PROVISIONS AND CONTINGENCIES

Provisions are recognised when:

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

Provisions are not recognised for future operating losses.

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

Contingent assets and contingent liabilities are not recognised.

#### 1.13 FINANCIAL INSTRUMENTS

##### Initial recognition

Financial instruments are initially recognised at fair value.

##### Subsequent measurement

Financial assets are categorised according to their nature as either financial assets held at fair value through profit or loss to maturity, loans and receivables or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial

liabilities carried at amortised cost. In the absence of an approved GRAP, the subsequent measurement of financial assets and liabilities depends on this categorisation.

##### Trade and other receivables

Trade receivables are categorised as financial assets; loans and receivables are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor and default or delinquency in payments (more than 120 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured for all debtors with indications of impairment. Impairments are determined based on the risk profile of each debtor. Amounts receivable within 12 months from the reporting date are classified as current.

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



## 4. ANNUAL FINANCIAL STATEMENTS | CONT

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2013

#### Trade and other payables

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

#### Cash and cash equivalents

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

These are initially and subsequently recorded at fair value.

#### 1.14 UNAUTHORISED EXPENDITURE

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

#### 1.15 IRREGULAR EXPENDITURE

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

#### 1.16 FRUITLESS AND WASTEFUL EXPENDITURE

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

#### 1.17 RELATED PARTIES

The CBDA operates in an economic sector currently dominated by entities directly or indirectly owned by the South African government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

## 4. ANNUAL FINANCIAL STATEMENTS | CONT

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2013

Key management is defined as individuals with the authority and responsibility for planning, directing and controlling the activities of the entity. All individuals from the level of Managing Director to the Board members of the CBDA are regarded as key management according to the definition of the financial reporting standard.

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

#### 1.18 STANDARDS APPROVED BUT NOT YET EFFECTIVE

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

- GRAP 18: Segment reporting
- GRAP 7: The limit on a defined benefit asset, minimum funding requirement and their interaction.

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

## 4. ANNUAL FINANCIAL STATEMENTS | CONT

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2013

## 2. PROPERTY, PLANT AND EQUIPMENT

	2013			2012		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Office equipment	43	(8)	35	22	(2)	20
Computer equipment	280	(179)	101	175	(125)	50
<b>Total</b>	<b>323</b>	<b>(187)</b>	<b>136</b>	<b>197</b>	<b>(127)</b>	<b>70</b>

## RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT: 2013

	Opening balance	Additions	Depreciation	Total
Office equipment	20	21	(6)	35
Computer equipment	50	105	(54)	101
<b>Total</b>	<b>70</b>	<b>126</b>	<b>(60)</b>	<b>136</b>

## RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT: 2012

	Opening balance	Additions	Depreciation	Total
Office equipment	-	22	(2)	20
Computer equipment	100	8	(58)	50
<b>Total</b>	<b>100</b>	<b>30</b>	<b>(60)</b>	<b>70</b>

## 4. ANNUAL FINANCIAL STATEMENTS | CONT

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2013

## 3. INTANGIBLE ASSETS

	2013			2012		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Computer software	19	(13)	6	10	(7)	3
<b>Total</b>	<b>19</b>	<b>(13)</b>	<b>6</b>	<b>10</b>	<b>(7)</b>	<b>3</b>

## RECONCILIATION OF INTANGIBLE ASSETS: 2013

	Opening balance	Additions	Amortisation	Total
Computer software	3	9	(6)	6
<b>Total</b>	<b>3</b>	<b>9</b>	<b>(6)</b>	<b>6</b>

## RECONCILIATION OF INTANGIBLE ASSETS: 2012

	Opening balance	Additions	Amortisation	Total
Computer software	6	-	(3)	3
<b>Total</b>	<b>6</b>	<b>-</b>	<b>(3)</b>	<b>3</b>

## 4. ANNUAL FINANCIAL STATEMENTS | CONT

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2013

	<b>2013</b>	<b>2012</b>
	<b>R'000</b>	<b>R'000</b>
<b>4. CASH AND CASH EQUIVALENT</b>		
Cash at bank	4 900	1 870
Call deposit	1 151	-
<b>Total</b>	<b>6 051</b>	<b>1 870</b>

## 5. TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS

Prepayments	-	4
Staff loans	7	40
Other receivables	735	-
<b>Trade and other receivables</b>	<b>742</b>	<b>44</b>

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

## 6. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Trade creditors	872	590
National Treasury	3 452	-
Accruals	191	232
	<b>4 515</b>	<b>822</b>

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

A request has been made to the National Treasury for the surplus funds to be rolled over to the 2013/14 financial year, for the banking platform project and other commitments as per note 25.

## 4. ANNUAL FINANCIAL STATEMENTS | CONT

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2013

	<b>2013</b>	<b>2012</b>
	<b>R'000</b>	<b>R'000</b>
7. CURRENT PROVISIONS		
Provision for leave	188	198
Provision for bonuses	196	359
	<u>384</u>	<u>557</u>

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

## RECONCILIATION OF EMPLOYEE BENEFIT PROVISION: 2013

	<b>Opening balance</b>	<b>Additional provision</b>	<b>Unused amounts reversed</b>	<b>Amounts utilised during the year</b>	<b>Total</b>
Leave provision	198	188	(198)	-	188
Bonus provision	359	196	-	(359)	196
	<u>557</u>	<u>384</u>	<u>(198)</u>	<u>(359)</u>	<u>384</u>

## RECONCILIATION OF EMPLOYEE BENEFIT PROVISION: 2012

	<b>Opening balance</b>	<b>Additional provision</b>	<b>Unused amounts reversed</b>	<b>Amounts utilised during the year</b>	<b>Total</b>
Leave provision	133	198	(113)	(20)	198
Bonus provision	-	359	-	-	359
	<u>133</u>	<u>557</u>	<u>(113)</u>	<u>(20)</u>	<u>557</u>

## 4. ANNUAL FINANCIAL STATEMENTS | CONT

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2013

	<b>2013</b>	<b>2012</b>
	<b>R'000</b>	<b>R'000</b>
<b>8. GRANT INCOME</b>		
Opening balance	294	-
Grant revenue	600	500
Grant expenditure	(894)	(206)
	<u>-</u>	<u>294</u>

**2013**

The revenue is a BANKSETA grant received for funding for the certificate course in the management of co-operative financial institutions for CFI managers. The training course expenditure amounted to R600 000 and the amount was realised as income.

**2012**

At year end, training expenditure and accommodation costs to the amount of R206 000 were utilised from the BANKSETA grant and the equivalent was realised as income.

**DEFERRED INCOME****BANKSETA**

Balance as at 1 April 2012	294	-
Funding received in current year	600	500
Revenue recognised in current year	(894)	(206)
Balance as at 31 March 2013	<u>-</u>	<u>294</u>

**Department of Economic Development, Environment, Conservation and Tourism**

Balance as at 1 April 2012	-	-
Funding accrued in current year	580	-
Revenue recognised in current year	-	-
Balance as at 31 March 2013	<u>580</u>	<u>-</u>

The Department of Economic Development, Environment, Conservation and Tourism signed a service level agreement with the CBDA for a grant of R580 000 for the development of turn-around strategies and coaching and mentoring in 21 February 2013.

The funds were transferred on 3 April 2013

## 4. ANNUAL FINANCIAL STATEMENTS | CONT

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2013

	<b>2013</b>	<b>2012</b>
	<b>R'000</b>	<b>R'000</b>
<b>9. REVENUE FROM NON-EXCHANGE TRANSACTIONS</b>		
Transfers from controlling entity	16 000	9 310
	<u>16 000</u>	<u>9 310</u>
<b>10. SALE OF GOODS AND RENDERING OF SERVICES</b>		
Application fees to register as a co-operative bank	4	-
Annual fees for co-operative banks	2	-
Application fees to register as a CFI	10	-
Workshop registration fees	-	9
Other income	5	-
	<u>21</u>	<u>9</u>
<b>11. INTEREST INCOME</b>		
Interest received: Operational account	204	103
Interest received: CPD account	11	-
	<u>215</u>	<u>103</u>
<b>12. GOODS AND SERVICES</b>		
Administrative fees	119	39
Advertising	153	90
Assets less than capitalisation threshold	9	11
Audit fees	762	539
Bursaries (employees)	38	80
Communication	5	-
Computer services	26	19
Consultants, contractors and agency/outsourced services	1 160	1 449
Maintenance, repairs and running costs	1	41
Operating lease	41	41
Travel and subsistence	1 308	584
Training and staff development	339	43
Venues and facilities	757	119
Other operating expenditure	965	1 217
	<u>5 683</u>	<u>4 272</u>



## 4. ANNUAL FINANCIAL STATEMENTS | CONT

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2013

	<b>2013</b>	<b>2012</b>
	<b>R'000</b>	<b>R'000</b>
<b>13. COMPENSATION OF EMPLOYEES</b>		
Employee costs	3 045	1 776
Managing Director's emoluments	809	93
Senior management emoluments	1 676	1 596
Provisions	186	577
	<u>5 716</u>	<u>4 042</u>
<b>14. STABILISATION FUND RESERVE</b>		
Opening balance	-	-
Contributed capital	1 140	-
Interest on capital	11	-
	<u>1 151</u>	<u>-</u>
<b>15. NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Surplus/(deficit) for the year	4 791	1 095
Adjustment for:		
· Depreciation and amortisation	66	63
· Decrease in provisions	(173)	424
<b>Operating surplus before working capital changes</b>	<u>4 684</u>	<u>1 582</u>
<b>WORKING CAPITAL CHANGES</b>		
(Increase)/decrease in trade receivables	(118)	(25)
Increase/(decrease) in trade payables	3 693	312
Increase/(decrease) in deferred income	(294)	-
Unused surplus surrendered to National Treasury	(197)	-
Unused surplus to be surrendered to National Treasury for 2013	(3 452)	-
<b>Cash generated by/(utilised in) operations</b>	<u>4 316</u>	<u>1 869</u>

## 4. ANNUAL FINANCIAL STATEMENTS | CONT

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2013

	<b>2013</b>	<b>2012</b>
	<b>R'000</b>	<b>R'000</b>
<b>16. OPERATING LEASE ARRANGEMENTS AS THE LESSEE:-</b>		
<b>16.1 FUTURE MINIMUM LEASE PAYMENTS</b>		
<b>Up to 12 months</b>		
Photocopier/printer equipment	4	41
	<u>4</u>	<u>41</u>
<b>1 year to 5 years</b>		
Photocopier/printer equipment	-	4
Minolta operating lease	-	4
	<u>-</u>	<u>4</u>

The rental agreement was for 36 months ending on 30 April 2013 with fixed rental payments. In the event of a 24 month extension period, the rental will be reduced by 75 per cent.

The rental agreement was not renewed at the termination date. The CBDA is in the process of finalising a new lease agreement.

## 4. ANNUAL FINANCIAL STATEMENTS | CONT

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2013

	2013 R'000	2012 R'000	
<b>17. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL: 2013</b>			
	Actual R'000	Budget R'000	Variance R'000
Revenue	16 000	16 000	-
Other income	256	-	(256)
Grant income	894	-	(894)
	<b>17 150</b>	<b>16 000</b>	<b>(1 150)</b>
<b>LESS: OPERATING EXPENSES</b>			
Compensation of employees	5 716	6 266	550
Grant expenditure	894	-	(894)
Administrative expenses	119	150	31
Board remuneration	286	420	134
Communication	31	48	17
Travel and subsistence	1 308	1 230	(78)
Training and staff development	378	430	52
Venues and facilities	757	1 350	593
IT banking platform	-	2 000	2 000
Agency and support/outsourced services	537	675	138
Other operating expenses	2 267	3 281	1 014
	<b>12 293</b>	<b>15 850</b>	<b>3 557</b>
(Deficit)/ surplus for the year before			
Depreciation and impairment	4 857	150	(4 707)
Less: Depreciation and impairment	(66)	-	66
Capital payments	-	150	150
(Deficit)/surplus for the year	<b>4 791</b>	<b>-</b>	<b>(4 791)</b>

Compensation of employees is below budget because of vacancies that took longer than anticipated to fill. The travel and subsistence budget is related to the venue and facilities budget. The contract with the service provider for the IT banking platform was signed in March 2013. In line with its strategic objectives, the CBDA has set up a stabilisation fund of R1 140 000 with the Reserve Bank CPD account .

## 4. ANNUAL FINANCIAL STATEMENTS | CONT

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2013

#### 18. CONTINGENT LIABILITIES

##### PENDING CLAIMS

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

#### 19. EVENTS AFTER THE REPORTING DATE

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

#### 20. TAXATION

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

#### 21. GOING CONCERN ASSUMPTION

The CBDA has a surplus of R 4 790 642 (2012: R 1 097 000). Its total assets exceeded its liabilities by R 1 456 000 (2012: R314 000). The CBDA was established in terms of the Co-operative Banks Act of 2007. It is the intention of the government to continue funding the entity in the future.

The annual financial statements have been prepared on a going-concern basis

#### 22. STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

GRAP 18: Segment reporting

GRAP 25: Employee benefits

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

## 4. ANNUAL FINANCIAL STATEMENTS | CONT

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2013

#### 22.1 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

#### 22.2 JUDGMENTS

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

#### 22.3 ESTIMATES AND ASSUMPTIONS

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

### 23. RELATED PARTIES

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

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

## 4. ANNUAL FINANCIAL STATEMENTS | CONT

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2013

#### 23.1 TRANSACTIONS WITH RELATED PARTIES

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

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

	Services rendered		Services received	
	2013		2013	
	Transactions R'000	Balance R'000	Transactions R'000	Balance R'000
BANKSETA	-	-	894	150
	-	-	894	150

	Services rendered		Services received	
	2012		2012	
	Transactions R'000	Balance R'000	Transactions R'000	Balance R'000
BANKSETA	-	-	500	294
	-	-	-	-
	-	-	500	294

## 4. ANNUAL FINANCIAL STATEMENTS | CONT

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2013

## 23.2 REMUNERATION OF KEY MANAGEMENT

2013	Allowance R'000	Travel R'000	2013 Total R'000
<b>Fees paid to the board members</b>			
Mr SM Ndwandwe	50	11	61
Mrs J Khuzwayo	6	-	6
Mr P Koch	25	31	56
Mr V Satgar	9	-	9
Mrs D Hamilton	14	2	16
Mr J Theron	16	11	27
<b>Executive management salaries</b>			
Managing Director	809	-	809
Senior management	1 676	-	1 676
	<b>2 605</b>	<b>55</b>	<b>2 660</b>

## 4. ANNUAL FINANCIAL STATEMENTS | CONT

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2013

	<b>Allowance</b>	<b>Travel</b>	<b>2012</b>
<b>2012</b>	<b>R'000</b>	<b>R'000</b>	<b>Total</b>
			<b>R'000</b>
<b>Fees paid to Board members</b>			
Mr SM Ndwandwe	76	19	95
Mrs J Khuzwayo	35	1	36
Mr P Koch	17	30	47
Mr K Mahuma	-	-	-
Mr V Satgar	5	-	5
Mrs D Hamilton	13	1	14
Mr J Theron	22	45	67
<b>Executive management salaries</b>			
Ms O Matshane	7	1	8
Mr N Mashiya (Acting Managing Director)	56	-	56
Mrs I Goodspeed (Acting Managing Director)	37	-	37
Senior Management	1 596	-	1 596
	<b>1 864</b>	<b>97</b>	<b>1 961</b>



## 4. ANNUAL FINANCIAL STATEMENTS | CONT

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2013

	2013 R'000	2012 R'000
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## 24. STATEMENT OF UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

## 24.1 FRUITLESS &amp; WASTEFUL EXPENDITURE

## Reconciliation of fruitless and wasteful expenditure

Opening balance	73	55
Fruitless and wasteful expenditure: current year	5	18
Fruitless and wasteful expenditure condoned	-	-
Fruitless and wasteful expenditure awaiting condonement	-	-
	<u>78</u>	<u>73</u>

## Analysis of current fruitless and wasteful expenditure

Incident	Disciplinary steps taken/criminal proceedings
<p><b>2013</b></p> <p>CBDA employee's flight was cancelled due to the employee not obtaining a visa on time.</p>	None
<p><b>2012</b></p> <p>Due to the late payment of salaries in October 2011, a CBDA employee was charged R650 in bank charges as a result of his debit orders not being paid on time for which CBDA had to refund him.</p>	None
<p>The CBDA's payment to SARS for November 2011 was delayed as the computer equipment of the manager making the payment was not functioning. The manager received a new laptop which did not have the FNB online system. The online banking system was set up after the payment due date.</p>	None
<p>The CBDA incurred an expense for Board member travel and Board fees relating to the Board Selection Committee meeting that was cancelled by the National Treasury HR. The Selection Committee was notified about the cancellation on their arrival at the meeting.</p>	None

## 4. ANNUAL FINANCIAL STATEMENTS | CONT

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2013

2013	2012
R'000	R'000

## 24.2 IRREGULAR EXPENDITURE

## Reconciliation of irregular expenditure

Opening balance	1 000	404
Irregular expenditure: current year	-	596
Irregular expenditure awaiting condonement	1 000	1 000

## Analysis of current irregular expenditure

Incident	Disciplinary steps taken/criminal proceedings
<p><b>2013</b></p> <p>The CBDA is not aware of any irregular expenditure.</p>	None
<p><b>2012</b></p> <p>The CBDA incurred irregular expenditure of R596 000. The preference point system was not applied in the procurement of one competitive bid as the expenditure was in contravention of Treasury Regulation 16A. 6.3(b) relating to supply chain management.</p>	None

## 4. ANNUAL FINANCIAL STATEMENTS | CONT

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2013

**2013**  
**R'000**

#### 25. COMMITMENT

##### 25.1 APPROVED AND SIGNED CONTRACTS

Alan Pugh-Jones	3 180
Crucial Communication cc	105
Khulisane Academy (Pty) Ltd	236
Rossal No 98 (Pty) Ltd	421
Total	<u>3 942</u>

Commitments are not recognised in the statement of financial position as a liability or as expenditure in the statement of financial performance but are disclosed as a note.

#### 26. COMPARATIVE FIGURES

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

#### 27. FINANCIAL INSTRUMENTS

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

##### 27.1 CREDIT RISK

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

## 4. ANNUAL FINANCIAL STATEMENTS | CONT

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2013

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

#### 27.2 LIQUIDITY RISK

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

#### 27.3 MARKET RISK

The CBDA is exposed to fluctuations in the employment market such as sudden increases in unemployment and changes in wage rates. There were no significant occurrences during the year that the CBDA is aware of.

#### 27.4 FAIR VALUES

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

##### Cash and cash equivalents

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

##### Other receivables from exchange transactions

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



# EVENTS AND ACTIVITIES



Delegates visiting Ziphakamise SACCO in Richard's Bay

AN



Awareness Walk commemorating International Year of Co-operatives & Credit Union Day



CFis recognised for their efforts to drive their institutions to financial sustainability




Department of Economic Development (DED) Training



2nd Intake of the Certificate in Co-operative Financial Institution Management Programme (CCFIM)





CBDA 2012/13  
**ANNUAL  
REPORT**  
For the year ended  
31 March 2013

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