

2013/14

— **CBDA** —
ANNUAL REPORT





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PART A:
General Information

1. GENERAL INFORMATION

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

2. LIST OF ABBREVIATIONS/ACRONYMS

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

2. LIST OF ABBREVIATIONS/ACRONYMS - cont

MOU	Memorandum of Understanding
MP	Mpumalanga
MTEF	Medium-Term Expenditure Framework
NACFISA	National Association of Co-operational Financial Institutions of South Africa
NW	North West
NASASA	National Stokvels Association of South Africa
Omnibus Bill	Financial Services Laws General Amendment Bill
PAA	Public Audit Act
PEARLS	Protection, Effective Financial Structure, Asset quality, Rates of Return and Costs, Liquidity and Signs of Growth
PFMA	Public Finance Management Act
Reserve Bank	South African Reserve Bank
RFI	Request for information
SA	South Africa
SACCA	Savings and Credit Co-operative Association Africa
SACCO	Savings and credit co-operative
SACCOL	Savings and Credit Co-operative League of South Africa
SAICA	South African Institute of Chartered Accountants
SCM	Supply Chain Management
SEDA	Small Enterprise Development Agency
SOC	State owned company
ToR	Terms of Reference
Treasury	National Treasury
UP	University of Pretoria
WOCCU	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 Co-operative Banks Development Agency's (CBDA's) mission focuses on the development of the Co-operative Financial Institution (CFI) sector within the context of those who participate in it through

- Appropriate regulation and supervision
- Innovative capacity development and support
- Promoting the co-operative philosophy and principles
- Building confidence in the CFI sector.

3.3 VALUES

The CBDA's values are:

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

3.4 STRATEGIC OUTCOME-ORIENTATED GOALS

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

- a CFI sector that is institutionally sound
- a vibrant and growing CFI sector that broadens access and mobilises savings at community level
- an organisation that has the 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

3. STRATEGIC OVERVIEW- cont

5 ORGANISATIONAL STRUCTURE



¹ The Programme Administrator job title has changed to Business Support Manager.

² The Director: Capacity Building position had been vacant for two weeks as at the end of 31 March 2014.

³ The Team Assistant job title has changed to Programme Administrator and has moved to the Capacity Building unit from Corporate Services.

PART A: GENERAL INFORMATION

The mandate of the Co-operative Banks Development Agency (CBDA) is to register and supervise Co-operative Financial Institutions (CFIs), build the capacity of CFIs, and promote the concept of co-operative banking. At the core of the CBDA's objectives is the promotion of sustainable co-operative banking that will contribute towards providing South Africans with access to affordable financial services.

Many countries, including South Africa, have as their policy priority the stimulation of an inclusive financial system. In this regard, CFIs as the vehicles for financial inclusion are vital for improving the living conditions of the poor and channelling informal savings into the formal financial system. Financial inclusion refers to access to financial products and services, including bank accounts, immediate credit, savings products, insurance and productive credit; and is both a crucial link and a substantial first step towards achieving inclusive growth. CFIs are playing a critical role in this area. Over the years, the South African Government has made tremendous strides towards expanding financial inclusion through the provision of an enabling environment, the enactment of the Co-operative Banks Act and bank exemption notices.

The CFI model is viewed as a safe model when it comes to banking. This was evident in the 2008 recession when CFIs internationally remained resilient during the collapse of the big banks. It is worth noting that CFIs globally were not affected by the recession mainly because of the nature of the model which is conservative and speculation free because it is savings led. In addition, CFIs offer their



Minister: Nhlanhla Nene

MINISTER'S FOREWORD

members a number of advantages, including but not limited to the right to ownership of CFIs, access to safe financial services and loans for productive and provident purposes.

I would like to take this opportunity to urge each and every un-banked or under-banked South African to become a member of a CFI in order to have access to financial services through the mobilisation of savings at the CFI level; and in so doing, to contribute to the inclusive growth of our country's economy.

Finally, I wish to express my sincere gratitude to the CBDA Board of Directors, management and staff for their unwavering commitment to the promotion of co-operative banking, which contributes to increasing the national savings thereby changing the lives of South Africa's financially marginalised and poor.

NHLANHLA NENE

Nhlanhla Nene

Minister of Finance



Acting Chairperson: Peter Koch

ACTING CHAIRPERSON OF THE BOARD'S FOREWORD

The term of office of the CBDA's first Board of Directors came to an end half way through the year. The board, led by Mr Sifiso Ndwandwe, had overseen the establishment of the agency and its early incubation.

Amongst the CBDA's main achievements in its first five years was to establish proper systems and structures to enable it to supervise CFIs adequately; to build up internal capacity; and to establish the strong stakeholder relationships which are now bearing fruit.

In September 2013, the then Deputy Minister of Finance, Mr Nhlanhla Nene, joined the old and new members of the board, under the new leadership of Dr Patricia Makhesha, at the handover. He expressed the Ministry's appreciation and recognition of the achievements of the outgoing board and welcomed the new board.

The vision for the next five years, as adopted by the new board, is to build on this solid foundation and to look outward. A strong emphasis within the new strategy is to communicate the CBDA's mandated service offering clearly and effectively to ensure that target groups understand the principles and benefits of the CFI model and the role that the CBDA can play in supporting them. The agency has begun its campaign by targeting public sector employees and selected groups.

The strategy will build on the strategic partnerships which have already seen us negotiate funding of R2 million from the Banking Sector Education Training Authority (BANKSETA) for capacity building projects and an internship programme; R1 million from Allan Gray for CFI member education programmes; and R2 million from the

North West Department of Economic Development for hosting the Savings and Credit Co-operative Association Africa (SACCA) congress at Sun City in October 2013.

Another core pillar of our strategy is to build an integrated national cooperative banking system on the back of institutional strengthening and a national Information Technology (IT) platform. The Managing Director's (MDs) report provides more detail about the developments in our banking platform project and the capacity building report provides details on the work being done to strengthen the CFIs from within.

While the CBDA remains constrained by budget, it continues to oversee a sector that is showing signs of both growth and stabilisation. We are confident that this growth will continue strongly, given the systems and structures that have been put in place to regulate and oversee its development.

Lastly, it remains to be said that the Chairperson, Dr Patricia Makhesha, unfortunately resigned her post after a short but vigorous six months, due to commitments elsewhere. As Deputy Chairperson, I have humbly assumed the position of Acting Chairperson until a suitable replacement is found.

Peter Koch

Acting Chairperson

PART A: GENERAL INFORMATION

2013/14 HIGHLIGHTS

The financial services sector was abuzz with activities in the past year particularly on the policy and legislative side. Key notable publications and legislative releases include the publication for public comment of the draft Financial Sector Regulation Bill which seeks to implement the twin peaks policy. Furthermore, the promulgation of the Financial Services Laws General Amendment Act, 2013 effected the move of the regulatory function for co-operative banks from the CBDA to the South African Reserve Bank (Reserve Bank). This was an important amendment as it affords the CBDA the opportunity to focus on its developmental mandate towards CFIs ensuring their steady progression towards registering as co-operative banks in the future.

THE YEAR UNDER REVIEW

Welcoming the new board

During the year under review, the CBDA had to bid farewell to the 'pioneering' board members, the majority of whom were among the first Board of Directors of the CBDA. All the previous board members, but one, had served on the CBDA Board for the mandatory two terms. The CBDA will remain eternally grateful for the strategic leadership and insights provided by the outgoing board members during this formative period of the Agency.

A new Board was appointed in September 2013 and already their contributions are having a telling effect on the strategic direction of the CBDA as they build on the work of their predecessors. True to their words, the new Board has really hit the ground running and as



Managing Director: Olaotse Matshane

MANAGING DIRECTOR'S OVERVIEW

management we are fully appreciative of the immense contributions they are making towards taking the CBDA to new heights.

Hosting SACCA congress

A major highlight of the year, was the successfully hosting of the 2013 CFI Indaba and 14th annual SACCA Congress under the theme *Technology: Accelerating Financial Inclusion using Co-operative Model*. The event, held in partnership with the African Confederation of Co-operative Savings and Credit Associations (ACCOSCA), the North West Department of Economic Development, Environment, Conservation and Tourism (DEDECT), and the National Association for Co-operative Financial Institutions of South Africa (NACFISA) was attended by over 550 delegates from 21 African states.

BANKSETA Internship Programme

Throughout the year, the CBDA consolidated and expanded key stakeholder relations with the aim of building a greater understanding of the CBDA's role, the CFI model and setting the stage for broader collaboration, for the on-going benefit of the CFIs and the communities at large. One of the key outputs of this stakeholder engagement strategy was the launch of the exciting CFI Technical Analyst Internship Programme in November 2013, in partnership with BANKSETA and NACFISA, the sector association. This resulted in the enrolment of sharp young minds as interns to strengthen CBDA support and performance monitoring programmes, building knowledge and creating awareness about co-operative banking, increasing youth participation and generating a skills pool for the sector.

MANAGING DIRECTOR'S OVERVIEW

Co-operative Retail Bonds

The Co-operative Retail Bonds, formally launched in 2011, specifically for the CFI sector continues to gain traction, with close to 35% of the registered CFIs subscribing close to R4 million in the bonds. It is commendable that the CFIs consider this a prudent investment vehicle, with limited withdrawals from the bond since inception, as most CFIs are rolling over their investments. The subscribed CFIs thus continue to benefit from the competitive return rates offered by this product, which is fully guaranteed by government.

Vision 2020

As highlighted earlier, the strategic re-orientation of the CBDA necessitates increasing sector membership and savings by making the CFI model attractive to salaried and middle income groups in order to build models with a strong capital base that can support the smaller rural based CFIs. This is also a tacit acknowledgement that the continued growth of the sector will also hinge on strong networks among the CFIs. Naturally, this strategic refocus informs most of the activities of the Agency for the coming few years.

THE YEAR AHEAD

In the year ahead, the CBDA will focus on maintaining momentum on Vision 2020 while ensuring the sector remains safe and sound. This will be achieved through:

Banking platform project

As reported in the past year, the CBDA has covered a lot of ground with regards to the banking platform project and is forging ahead with regards to its implementation despite delays as expected with projects of this complex

nature and magnitude. Taking due cognisance of the magnitude and complexity of this project, the CBDA is looking at the feasibility of partnering with other stakeholders to minimise the cost of the project to the individual CFIs.

Attract public sector employees and large SOCs

Recognising that the continued growth of the CFI sector hinges on its ability to attract the middle class, as well as to do away with the perception that CFIs are only for the benefit of the poor, as they are for the economic benefit of everyone, the CBDA will be active in meeting public sector entities and other state owned companies (SOCs) with particular emphasis on collaboration around establishment of employer based CFIs. These engagements will sell the CFI model highlighting its immense benefits and advantages, promote the principles and values underlying the co-operative model as well as the economic, financial and social benefits of belonging to a CFI. It is our belief, that significant buy-in from such target groups will increase adoption rate of the model, and in the process lead to savings growth and culture.

Member education

A key part of our work entails member education to targeted communities. Training materials have been developed and the project rolled out to a sizeable number of CFIs across the country. The member education training focuses on: educating members in order to improve their participation in CFIs; personal financial management; increasing awareness on the importance of savings, at a personal and household level in order to protect themselves from income and spending shocks and therefore improving their overall livelihood and financial capabilities.

PART A: GENERAL INFORMATION

MANAGING DIRECTOR'S OVERVIEW

ACKNOWLEDGEMENTS

I would like to thank all of our partners and stakeholders who worked closely with the CBDA to address and solve many of the challenges facing the CFI sector. In particular, I would like to thank our colleagues at the National Treasury (Treasury) and the Minister of Finance, Minister Pravin Gordhan, (who has since moved to another portfolio) for his unwavering support of the Agency. We furthermore extend a warm welcome to Minister Nhlanhla Nene who as Deputy Minister of Finance demonstrated full support and keen interest in the work of the CBDA.

I would like to also thank the fairly new Members of the Board who have really hit the ground running and took their responsibilities very seriously. During their term, CBDA will be relying on their guidance, time, and effort to drive the vision and mission of the CBDA forward.

A hearty appreciation to my fellow senior managers and staff at the CBDA who have worked tirelessly to not only expertly manage the Agency, but to keep us focused on our priority mandates and to keep us firmly on track with our strategic objectives and changing the lives of ordinary South Africans one day at a time.

To the hard working men and women who give much of their time and efforts as members of CFIs in their various capacities in the structure/sector, without you there is no CFI sector and without you there is no CBDA. So I would like to express my appreciation to your undying efforts to keep the CFI sector moving forward.



Olaotse Matshane
Managing Director



PART B:
Performance Information

1. STATEMENT OF RESPONSIBILITY FOR PERFORMANCE INFORMATION

STATEMENT OF RESPONSIBILITY FOR PERFORMANCE INFORMATION FOR THE YEAR ENDED 31 MARCH 2014

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

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

In my opinion, the performance information fairly reflects actual achievements against planned objectives and targets in line with the strategic and annual performance plans of the CBDA for the financial year ended 31 March 2014.

The CBDA's performance information for the year ended 31 March 2014 has been examined by the Auditor-General of South Africa (AGSA) whose report is presented on page 49 to page 51.

The CBDA's performance information set out on pages 13 to 44 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:

- The increase in onsite inspections conducted and offsite reports processed reflects the fact that more CFIs have been registered and that the returns submission ratio by the sector has been higher than anticipated.
- Benchmarking the supervision unit's activities against international best practice resulted in an increased rate of compliance with the Basel Core Principles from 62% in 2012/13 to 77% in the period under review.
- With the financial assistance of BANKSETA, the number of managers and members of the Board of Directors trained increased from 29 in 2012/13 to 386 in 2013/14. This exceeded the year's target.
- The target for the number of registered CFIs producing financial reports and undergoing annual audit was exceeded by 47%. This indicates that the training conducted is steadily making an impact.
- The CFI member education programme is quickly gaining momentum. Through outreach in eight CFIs, 302 members were educated about their roles and responsibilities.
- The CFI Indaba and 14th SACCA Congress were successfully hosted in conjunction with DEDECT North West Province and ACCOSCA. This brought together approximately 550 delegates from 11 African countries, giving them the opportunity to engage with one another and to share experiences.
- Establishing and operationalising the Stabilisation Fund Committee minimises risks to members' deposits as it addresses troubled and insolvent CFIs.

2.2 SERVICE DELIVERY ENVIRONMENT

Although the South African CFI sector is still at an early stage, it has evolved in line with the changing regulatory environment. Following the assenting of the Financial Services Law General Amendment Act, the Co-operative Banks Act (2007) was amended with effect from 28 February 2014. The Reserve Bank is now the sole supervisor of co-operative banks. The CBDA will continue to supervise and regulate all CFIs that do not yet meet the requirements for registration as co-operative banks.

2.3 OVERVIEW OF THE ORGANISATIONAL ENVIRONMENT

The CBDA has been in operation since August 2008. The number of employees has grown from eight to eighteen, as at 31 March 2014.

The CBDA has three units: Supervision, Capacity Building and Corporate Services. The primary roles and functions of these units are described in more detail in Section 3 part B and the organogram is given in Section 5 part A. While remaining aligned with its mandate, the organisation's functional structure is developing in line with its strategic objectives, increases in budget allocations and the development of other units.

The CBDA is still largely dependent on the Treasury for office accommodation and for IT, legal and supply chain resources.

2.4 KEY POLICY DEVELOPMENTS AND LEGISLATIVE CHANGES

The Co-operative Banks Act (2007) was amended and the Reserve Bank is now the sole supervisor of co-operative banks.

2. OVERVIEW OF THE CBDA'S PERFORMANCE - cont

2.5 SUMMARY OF REVENUE COLLECTION

Sources of revenue	2013/2014			2012/2013		
	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 the Treasury	16 236	16 236	0	16 000	16 000	0
Sale of goods and rendering of services	0	12	(12)	0	21	(21)
Interest income	0	444	(444)	0	215	(215)
Sponsorship/donation	0	36	(36)	0	20	(20)
Grants	0	3 304	(3 304)	0	894	(894)
Total	16 236	20 032	(3 796)	16 000	17 150	(1 150)

The CBDA's funds come mainly from transfers from the Treasury. The growing nature of the sector and budget constraints have resulted in the CBDA obtaining additional funds from stakeholders with a common interest in the sector meeting its objectives.

2.6 SUMMARY OF PAYMENTS BY PROGRAMME

Programme name R'000	2013/2014			2012/2013		
	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	3 932	3 645	287	4 650	2 855	1 795
Capacity Building Unit	6 669	9 931	(3 262)	6 387	5 038	1 349
MD & Corporate Services	5 464	6 113	(649)	4 813	4 466	347
Total, exclusive of capital expenditure	16 065	19 689	(3 624)	15 850	12 359	3 491
Capital expenditure	170	155	15	150	135	15
Total, inclusive of capital expenditure	16 235	19 844	(3 609)²	16 000	12 494	3 506¹

¹The Treasury approved the retention of 2012/2013 surplus funds for the 2013/14 financial year; they were assigned mainly to the banking platform project.

²Over-expenditure is funded by additional funds by stakeholders.

3. PERFORMANCE INFORMATION BY PROGRAMME

3.1 PROGRAMME 1: MANAGING DIRECTOR AND CORPORATE SERVICES

The Corporate Services Unit is responsible for the governance, human resource management 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, managing the stabilisation fund and research activities.

The Stabilisation Fund Committee is a committee of the board established to manage and operationalise the stabilisation fund. The committee consists of members from the Reserve Bank, the Department of Trade and Industry (Dti), the Companies and Intellectual Property Commission (CIPC), NACFISA, the Treasury and the CBDA. The purpose of the fund is to support troubled CFIs by advancing loans and grants for short term liquidity assistance and to facilitate turn around strategies where necessary.

The CBDA has improved collaboration and co-ordination with stakeholders to ensure that their strategies synchronise with and assist the organisation to achieve its strategic objectives. As a result, Memorandums of Understanding (MOUs) were signed with ACCOSCA, CIPC, BANKSETA, DEDECT, the Financial Services Consumer Education Foundation and the Treasury. These stakeholders have assisted the CBDA with services and with financial resources to fund key programmes.

Key performance indicators, targets and actual results

Strategic objective: CBDA is adequately capacitated to provide strategic leadership, administrative support and management capabilities to market itself and its activities						
Performance indicator	Actual achievement 2012/2013	Planned target 2013/2014	Actual achievement 2013/2014	Deviation from planned target for 2013/2014	Variance from 2012/2013 to 2013/2014	Comment on variances
Strategic plan approved by the board and adopted by the Minister	-	Approved	Approved	-	-	Achieved
Unqualified audit report	Unqualified audit report, 2011/12	Unqualified audit report, 2012/13	-	-	-	Achieved
Number of MOUs signed with stakeholders	5	4	6	+2	+1	Achieved MOUs signed with: CIPC, BANKSETA, ACCOSCA, the Treasury, the Financial Services Consumer Education Foundation, DEDECT, NW
Annual Indaba for CFIs hosted	1 Indaba	1 Indaba	1 Indaba	-	-	Achieved Annual Indaba, combined with the SACCA Congress
CFI sector database	1	1	1	-	-	Achieved Database is on the CBDA website and is updated periodically
Publications and newsletters	3	5	5	-	+2	Achieved Combined Supervisor Report, Annual Report 2012/13, Connection issue 5, 7 and CFI Start-up Guide.

Strategic objective: Members deposits in CFIs are protected						
Performance indicator	Actual achievement 2012/2013	Planned target 2013/2014	Actual achievement 2013/2014	Deviation from planned target for 2013/2014	Variance from 2012/2013 to 2013/2014	Comment on variances
Funded and operational Stabilisation Fund	-	Stabilisation Fund funded and operational	-	-	-	Achieved Stabilisation Fund Committee has been set up to operationalise the fund

3. PERFORMANCE INFORMATION BY PROGRAMME - cont

PART B: PERFORMANCE INFORMATION

3. PERFORMANCE INFORMATION BY PROGRAMME - cont

2013 CFI INDABA AND 14TH ANNUAL SACCA CONGRESS

The 2013 CFI Indaba and 14th Annual SACCA Congress, with the theme *Technology: Accelerating Financial Inclusion using the Co-operative Model*, was held at the Sun City Resort in Rustenburg, North West Province, South Africa, from 28 October to 1 November 2013. The event was held in partnership with ACCOSCA, DEDECT North West and NACFISA. The objectives of the congress were to:

- promote efficiency in co-operatives by advocating the adoption and use of Information and Communications Technology (ICT)
- engage stakeholders in promoting and supporting initiatives that lead to an inclusive co-operative sector
- follow up on the International Year of Co-operatives (IYC) agenda through national sectorial bodies in Africa.

The event was attended by Boards of Directors, Chief Executive Directors and senior managers of small, medium and large CFIs and development financial institutions; senior government and development agency officials involved in promoting and supporting the sector; and academics and officials from research institutions, co-operative universities and colleges. The success of the event was indicated by the total attendance of about 550 delegates, from 21 African states. 200 were South African participants, 50 were stakeholders and 150 were CFI representatives.

Delegates indicated that they found the presentations, by industry experts, academics and others, to be of high quality, inspiring, informative and relevant to the current

sector dynamics and that they provided insights into how to resolve various issues. Topics of the presentations included the role of CFIs in industrialising Africa and creating jobs through strategic sourcing; mobilising savings in the face of poverty and inequality; youth and women participation in the financial co-operative movement; and the key drivers for sound financial co-operative operations.

The congress gave the South African delegates the opportunity to network at global level and to interact with some of the leading minds in the movement, an opportunity they would not have had if the two events, the CFI Indaba and the SACCA Congress, were not held jointly. Equally important was their participation in the training programmes conducted during the congress on Strategic Planning, Product Development, Loan Management and Governance for Boards of Directors; these were all made possible by funding from BANKSETA.

At the 2012 congress, a resolution was reached that NACFISA should be operationalised. By the time of the 2013 congress, NACFISA had inaugurated its first Board of Directors, with office space sponsored by Deutscher Genossenschafts-und Raiffeisenverband e.V. (DGRV), had appointed personnel and was participating jointly with CBDA in an internship programme consisting of 10 graduates, funded by BANKSETA. NACFISA had also registered with ACCOSCA, signaling growth and wide possibilities for the South African financial co-operatives sector.

3. PERFORMANCE INFORMATION BY PROGRAMME - cont

3.1.1 GOVERNANCE

ROLES AND RESPONSIBILITIES OF THE BOARD

INTRODUCTION

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

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

EXECUTIVE AUTHORITY

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

THE BOARD

INTRODUCTION

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

On 12 September 2013, the term of office of the members of the founding Board came to a close. The Board had served two terms and during this time had laid a firm foundation for the CBDA, ensured a conducive working environment and operationalised the organisation. The then-Deputy Minister of Finance, Mr Nhlanhla Nene, offered sincere thanks to the outgoing Board and welcomed the members of the new one.

BOARD MEMBERS



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



Mr TV Shenxane
MEMBER



Mr SS Akrong
MEMBER



Ms R Kisten
MEMBER



Mr D Ginsburg
MEMBER



Adv LT Nevondwe
MEMBER



MSVJ Klein
MEMBER



Ms O Matshane
MANAGING DIRECTOR

3. PERFORMANCE INFORMATION BY PROGRAMME - cont

COMPOSITION OF THE BOARD

Name	Date appointed	Qualifications	End of term/re-appointment
Dr SP Makheshu, Chairperson from 1 October 2013 to 30 April 2014	1 October 2013	PhD MBA in Strategy National Diploma in Public Relations Management Various executive programmes from the Harvard, Wits and UCT Business Schools	Resigned with effect from 30 April 2014
Mr P Koch, Deputy Chairperson and Acting Chairperson from 1 May 2014	1 October 2013	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 2016
Mr TV Shexane, Member	1 October 2013	B Com Economics and Industrial Psychology B Com (Hons) Certificate: Micro Economics Certificate: Finance for Non-financial Managers Diploma: Advanced Project Management Certificate: Senior Management Development Programme Masters in Economic Policy	30 September 2016
Mr SS Akrong, Member	1 October 2013	Masters in Development Finance MPhil/PhD Entrepreneurship and Small Business Management (uncompleted) MBA BSc (Admin) (Hons)	30 September 2016
Ms R Kisten, Member	1 September 2013	B A B A (Hons): Public Administration	31 August 2016
Mr D Ginsburg, Member	1 September 2013	M A B A (Hons)	31 August 2016
Adv LT Nevondwe, Member	1 October 2013	LLD (In process) LLM (Law) LLB Advocate of the High Court of South Africa Certificates: Ombudsman Training, Public Private Partnership, NBI, Professional Training (Attorneys' Practice), Leadership Management and Training, SASVO, Legal Drafting, Transaction Advisors' Training	30 September 2016

3. PERFORMANCE INFORMATION BY PROGRAMME - cont

COMPOSITION OF THE BOARD - continued

Name	Date appointed	Qualifications	End of term/re-appointment
MSVJ Klein, Member	1 September 2013	Bankers Examinations Diploma: The Challenge of Leadership Diploma: Corporate Strategy Diploma: Mastering Top Management Dilemmas Diploma: Avira Programme Diploma: Executive Development Programme	Resigned with effect from 15 July 2014
Ms O Matshane, Managing Director	1 October 2013; Managing Director from May 2012	MSc: Economics B Com (Hons): Economics Cert: Taxation Cert: Advanced Project Management	31 August 2016
Minister's Representative			
Ms I Goodspeed Chief Director: Financial Sector Development	22 March 2012	LLB MBL (Cum laude) B Com (Hons) (Economics)	31 August 2016

CBDA BOARD SUB-COMMITTEES

The Board's 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. Information about the membership of the board and its committees is given in Tables 5 and 6.

Table 5: CBDA Board sub-committees

HR & Remuneration Committee	Audit and Risk Committee (combined with that of National Treasury) in terms of section 77(c) of PFMA
Outgoing Board	Outgoing Board
Adv. J Khuzwayo* (Chairperson)***	Ms I Goodspeed
Ms I Goodspeed (Acting Chairperson)**	Mr P Koch (alternate)****
Ms D Hamilton (Member)***	
Mr S Ndwandwe (by invitation)***	
Incoming Board	Incoming Board
Mr D Ginsburg (Chairperson)	Ms VL Klein (Member)
Ms R Kisten (Member)	Mr P Koch (alternate)****
Mr TV Shenxane (Member)	Ms I Goodspeed (by invitation)
Ms O Matshane (by invitation)	Ms O Matshane (by invitation)

*Adv. J Kuzwayo was on special leave with effect from 1 April 2013. Term of office expired on 30 September 2013.

**Ms Goodspeed is the representative of the Minister of Finance on the Board and served as the Acting Chairperson of the HR&R Committee with effect from 1 April 2013.

*** Term of office expired on 30 September 2013.

**** Mr P Koch's term of office was renewed with effect from 1 October 2013.

3. PERFORMANCE INFORMATION BY PROGRAMME - cont

Table 6: Board and committee attendance

Board and committee meeting attendance	Board	HR & Remuneration Committee	Audit & Risk Committee*
Outgoing Board			
Mr S Ndwandwe*	5/5	1/2	
Adv J Kuzwayo**	Special leave	Special leave	
Ms D Hamilton	3/5	1/2	
Mr J Theron	2/5	1/2	
Mr V Satgar	4/4		
Incoming Board			
Dr SP Makhesha***	3/4		
Mr P Koch****	7/7		
Ms VJ Klein	4/4		2/2
Adv. LT Nevondwe	4/4		
Mr D Ginsburg	4/4	1/1	
Mr TV Shenxane	3/4	1/1	
Mr SS Akrong	3/4		
Ms R Kisten	3/4	1/1	
Ms O Matshane	7/7	3/3	4/4
Ms I Goodspeed	5/7	2/2	3/4

* Acting Chairperson from 1 January 2013 to 30 September 2013.

** On special leave with effect from March 2013. Term of office expired on 30 September 2013.

*** Chairperson from 1 October 2013 to 30 April 2014.

**** Term renewed from 1 October 2013 and appointed Deputy Chairperson from 1 October 2013.

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

REMUNERATION OF BOARD MEMBERS

CBDA board members are remunerated at rates determined by the 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 24.3 of the Annual Financial Statements (AFS).

3. PERFORMANCE INFORMATION BY PROGRAMME - cont

RISK MANAGEMENT

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

INTERNAL AUDIT AND AUDIT COMMITTEES

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

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 ensures compliance with the relevant laws and regulations. In doing this, the CBDA has, inter alia, appointed a Deputy Director: Financial Management; contracted an HR Specialist and a Board Secretary; and developed an annual board plan based on the statutory requirements 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.

FRAUD AND CORRUPTION

With the assistance of the 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. Staff attended an information session on anti-corruption in December 2013 conducted by the Treasury. The CBDA uses the national anti-corruption hotline for whistle blowers to report fraud and corruption. The CBDA has zero tolerance of fraud, and appropriate action is taken in line with the nature of the offence.

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.

HEALTH, SAFETY AND ENVIRONMENTAL ISSUES

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

3. PERFORMANCE INFORMATION BY PROGRAMME - cont

BOARD SECRETARY

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

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

SOCIAL RESPONSIBILITY

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

CODE OF CONDUCT

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

3. PERFORMANCE INFORMATION BY PROGRAMME - cont

3.1.2 HUMAN RESOURCE MANAGEMENT

INTRODUCTION

The Human Resources (HR) report summarises the employment-related activities of the CBDA from 1 April 2013 to 31 March 2014. HR responsibilities include: reviewing and implementation of policies; employee relations; training and development; performance management; recruitment; benefits and compensation; leave management; project management of interns; and payroll systems.

In the period under review, there were 18 employees. There was a staff turnover of 3 employees, with 2 resignations and 1 contract expiring.

HR PRIORITIES AND ACHIEVEMENTS FOR THE YEAR UNDER REVIEW

Policies approved by the Board included a recruitment and retention policy; cell phone policy; performance management policy; code of business ethics; HR plan; leave policy; bursary policy; disciplinary code and grievance procedure and working hours policy.

The MOU between BANKSETA and CBDA led to 10 interns being recruited in order to assist the organisation to strengthen its support for and development of CFIs.

In the period under review, the positions of Business Analyst and Business Support Manager were filled in the Capacity Building Unit and Corporate Services respectively. The Technical Analyst, Director: Capacity Building and Supervision Programme Administrator positions were advertised, to be filled in the next financial year.

EMPLOYEE PERFORMANCE MANAGEMENT FRAMEWORK

The 2012/13 performance assessments were finalised by the normalisation committee at its meeting of 6 May 2013. The Board approved performance bonuses on 25 July 2013 and payments were made in August 2013.

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. Three employees were referred for counselling through the Treasury's wellness programme.

An HIV and AIDS wellness programme was conducted using the Treasury's resources.

SOCIAL EVENTS

The CBDA celebrated a range of social events organised by the 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 which include developing: an internship programme policy and guidelines; a relocation policy; a recruitment and selection policy; employment equity; allowances for acting appointments; long service benefits; and termination benefits.

The CBDA will use service providers to establish:

- A skills audit and behavioural assessment; and
- An executive and middle management programme.

3. PERFORMANCE INFORMATION BY PROGRAMME - cont

HUMAN RESOURCE MANAGEMENT OVERSIGHT STATISTICS

Expenditure 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	3 645	3 298	17%	6	550
Capacity Building Unit	9 931	2 821	14%	5	564
MD and Corporate Services	6 113	2 961	15%	7	423
TOTAL	19 689	9 080	46%	18	504

Expenditure by salary band

Level	Personnel expenditure (R'000)	% of personnel expenditure to total personnel cost (R'000)	No. of employees	Average personnel cost per employee (R'000)
Top management	1 109	12%	1	1 109
Senior management	1 911	21%	2	956
Professional qualified	4 284	47%	9	476
Skilled	1 776	20%	6	296
TOTAL	9 080	100%	18	504

PERFORMANCE REWARDS

Performance evaluations were conducted between management and staff. Performance bonus provision was allocated for this purpose. The normalisation committee was convened in May 2014 to finalise the scoring process and prepare a report for the Human Resources and Remuneration Committee for consideration and approval by the Board.

3. PERFORMANCE INFORMATION BY PROGRAMME - cont

TRAINING COSTS

As a public entity, the CBDA prides itself on its emphasis on developing and increasing the skills of its staff. During the period under review, it continued to demonstrate commitment to job-specific skills development relating to performance assessments. It spent R409 000 on educational studies, short courses and study conferences for five employees, at an average training cost of R82 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 (R'000)
Supervision Unit	3 298	118	1.30%	3	39
Capacity Building Unit	2 821	120	1.32%	2	60
MD and Corporate Services	2 961	171	1.88%	1	171
Total	9 080	409	4.50%	5	82

EMPLOYMENT AND VACANCIES

Programme	2012/2013 no. of employees	2013/2014 approved posts	2013/2014 no. of employees	2013/2014 vacancies	% of vacancies
Supervision Unit	6	6	5	1	17%
Capacity Building Unit	4	6	4	2	33%
MD and Corporate Services	5	6	6	-	-
Total	15	18	15	3	11%

Programme	2012/2013 no. of employees	2013/2014 approved posts	2013/2014 no. of employees	2013/2014 vacancies	% of vacancies
Top management	1	1	1	-	-
Senior management	2	2	1	1	50%
Professional qualified	7	9	9	0	-
Skilled	5	6	4	2	33%
TOTAL	15	18	15	3	16%

3. PERFORMANCE INFORMATION BY PROGRAMME - cont

EMPLOYMENT CHANGES

During the period under review, the CBDA made two new appointments to fill the positions of Business Analyst and Business Support Manager. There was a staff turnover of 3 employees, with 2 resignations (Programme Administrators in the Supervision and Corporate Services Unit) and 1 contract expiring (Director: Capacity Building).

Salary Band	Employment at beginning of period	Appointments	Terminations	Employment at end of the period
Top management	1	0	0	1
Senior management	2	0	1	1
Professional qualified	7	2	0	9
Skilled	5	1	2	4
Total	15	3	3	15

LABOUR RELATIONS: FORMAL GRIEVANCES

One formal grievance was recorded and resolved within this period.

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 50, 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 increase the skills of members of the formerly disadvantaged population.

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

Level	Male				Female				Total
	A	C	I	W	A	C	I	W	
Top management	-	-	-	-	1	-	-	-	1
Senior management	-	-	-	1	-	-	-	-	1
Professional qualified	2*	-	-	1	5	-	1	-	9
Skilled	1	-	-	-	2	1	-	-	4
TOTAL	3	-	-	2	8	1	1	-	15

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.

3. PERFORMANCE INFORMATION BY PROGRAMME - cont

3.2 PROGRAMME 2: SUPERVISION UNIT

The Supervision Unit is responsible for the regulation and supervision of:

- CFIs that choose to identify themselves as Financial Co-operatives, Financial Services Co-operatives (FSCs), Credit Unions or Savings and Credit Co-operatives (SACCOs)
- Co-operative banks with deposits of between R1 million and R20 million and with at least 200 members¹ (to 28 February 2014).

On 1 March 2014, during the year under review, the Ditsobotla Co-operative Bank moved to the Reserve Bank in line with the effective date of the amendments to the Co-operative Banks Act.

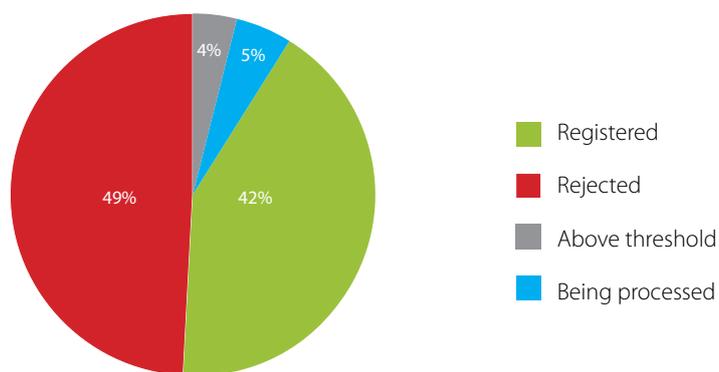
This has been the first year of completing a full supervisory cycle of the CFI sector. This has entailed conducting pre-registration onsite assessments of applicants, on-going assessments of new CFIs, analysing and reviewing quarterly offsite returns and conducting at least one onsite assessment/inspection of registered CFIs within one year of registration.

Since the registration process began in 2012, 57 CFIs have applied for registration in terms of the Exemption Notice. There are 24 registered CFIs under the CBDA Supervisor and one co-operative bank (Ditsobotla Co-operative Bank). After meeting the requirements for registration, 10 CFIs were registered during the period under review. The CFIs' application status as at March 2014 is summarised in Figure 1 below.

¹ This aspect was explained in greater detail in the 2010/11 Combined Annual Report.

3. PERFORMANCE INFORMATION BY PROGRAMME - cont

Figure 1: Status of CFIs as at 31 March 2014



Registered	Rejected	Above threshold	Being processed	Total
24	28	2 ¹	3	57

¹These were declined and referred to the Reserve Bank as they exceeded the maximum deposit threshold of R30 million as stipulated in the Exemption Notice.

Two applicants were declined and referred to the Reserve Bank as they exceeded the maximum deposit threshold of R30 million as stipulated in the Exemption Notice. Discussions are still underway with regard to bringing these CFIs within the regulatory ambit.

Since the start of the registration process, the majority of applicants have been rejected because they failed to meet the minimum registration requirements of R100 000 in share capital and 200 members. Table 1 shows the reasons why other applications were rejected.

Table 1: Reasons for rejections of applications, as at 31 March 2014

Common bond	Below member threshold	Below share threshold	Outstanding documents	Outstanding financials	Voluntary liquidation	Insolvent	Above deposit threshold
4	13	15	5	5	1	4	2

Some CFIs were rejected for more than one of the reasons given above.

3. PERFORMANCE INFORMATION BY PROGRAMME - cont

Key Performance indicators and their targets and actual results

Strategic Objectives: A CFI sector that is institutionally safe and sound						
Performance indicator	Actual achievement 2012/2013	Planned target 2013/2014	Actual achievement 2013/2014	Deviation from planned target for 2013/2014	Variance from 2012/2013 to 2013/2014	Comment on variances
Number of days taken to process applications	1 month	Applications for registration responded to within one month and registration decision made within 3 months	Applications for registration responded within one month and registration decision made within 3 months	-	-	Achieved
Publish registration framework and rules	-	1	1	-	-	Achieved
Number of onsite inspections conducted on CFIs	-	15	18	+3	-	Achieved Reflective of more CFIs being registered and includes co-operative bank examinations
Number of offsite reports on CFIs processed	-	30	70	+40	-	Achieved Reflective of more CFIs being registered and greater compliance than anticipated with regard to return submissions
Time taken to implement resolutions of co-operative banks	No troubled co-operative banks	Within 3 months of identification to recommended remedial action.	No troubled co-operative banks	-	-	Achieved

PART B: PERFORMANCE INFORMATION

3. PERFORMANCE INFORMATION BY PROGRAMME - cont

Strategic Objectives: A CFI sector that is institutionally safe and sound						
Performance indicator	Actual achievement 2012/2013	Planned target 2013/2014	Actual achievement 2013/2014	Deviation from planned target for 2013/2014	Variance from 2012/2013 to 2013/2014	Comment on variances
Reports on the status of registered CFIs	4	4	4	-	-	Achieved
Percentage of compliance with Basel Core Principles	62%	75%	77%	+3%	+15%	Achieved Through issuance of guidance notes to address previously reported deficiencies
Online application and return submission portal	-	Design and issue request for quotation	Request for proposal and quotation issued	-	-	Achieved
Automated on site examination process	-	Design electronic onsite examination	Design completed	-	-	Achieved

3. PERFORMANCE INFORMATION BY PROGRAMME - cont

NUMBER OF DAYS TAKEN TO PROCESS APPLICATIONS

The purpose of this performance area is to demonstrate the unit's efficiency in processing applications. The target is to respond to applications within one month and to make decisions on applications within three months. 10 applications were approved in this reporting period. Three were carried over to the new reporting period, as they were received in the last month of the reporting period.

Achieved: The unit met its target of the number of days taken to process applications.

PUBLISH REGISTRATION FRAMEWORK AND RULES

One of the general functions of the CBDA under Sections 55(1)(d) and (e) of the Co-operatives Banks Act (No 40 of 2007) is to register and regulate representative bodies and to accredit and regulate support organisations. Taking into account the amendments to the act in terms of Section 10 of the Financial Services Laws General Amendment Act of 2013, the unit prepared draft rules for representative bodies' and representative organisations' application processes and requirements.

The draft Rules for Representative Bodies and Support Organisations were published on the 20 March 2014 and were circulated to all registered CFIs and known stakeholders with an interest in applying as representative bodies or support organisations. Written comments were to be submitted no later than 17 April 2014.

Achieved: The regulations and rules required publication and public participation before the process could be finalised. The rules were published on 20 March 2014 and await comment before finalisation and the call for applications.

ONSITE INSPECTIONS

The CBDA Supervision Framework for CFIs takes due account of the nature and size of institutions, and aims to ensure that CFIs do not carry unnecessary regulatory burdens. As a result, the unit takes a two-pronged approach to regulating CFIs; those with less than R1 million in deposits are defined as small and are subjected to a less onerous compliance checklist. The larger CFIs are subject to more rigorous risk-based supervision, with the intention of preparing such institutions for registration as co-operative banks.

Achieved: The unit's target was to conduct 15 inspections/examinations in the reporting period with each registered CFI being inspected/examined at least once within a year of registration. 18 onsite examinations were conducted, including 2 of the registered co-operative banks, and 6 compliance assessments².

NUMBER OF OFFSITE REPORTS ON CFIS PROCESSED

The unit makes use of offsite surveillance as a supervisory risk assessment and early warning system. Offsite surveillance is a more formal, structured and quantified method of assessing the financial performance of CFIs through analysis of prudential returns submitted on a quarterly basis. Information from offsite assessments informs the supervisory plan for each regulated CFI while providing sufficient flexibility as its financial performance changes, when adversely, becomes red flagged. It allows for a continuous process of evaluation of a CFI over a period of time. Offsite supervisory reports and ratings are generally confidential and are used internally by supervisors. Prudential offsite reports, once received, are input into the PEARLS³ rating system and provide quarter-on-quarter analysis of CFIs and of their year-on-year performance. Table two below shows the pattern of submission of prudential returns required of CFIs.

²Onsite examinations are a detailed risk-based assessment of the larger CFIs, while compliance assessments are more simplified compliance reviews ³PEARLS is an acronym for Protection, Effective Financial Structure, Asset Quality, Rates of Return and Costs, Liquidity and Signs of Growth, and is proprietary software of the World Council of Credit Unions(WOCCU).

3. PERFORMANCE INFORMATION BY PROGRAMME - cont

Table 2: Late submissions and returns

Period	Number due	Number received*	Infringements issued
31 May: due end June	14	14	-
31 August: due end September	19	19	3
31 November: due end December	20	20	4
28 Feb: due end March	21**	17	4

* Includes late submissions

** Ditsobotla Co-operative Bank was no longer required to submit returns to the CBDA.

Late submission of returns results in the unit issuing infringement notices to CFIs within a week after the due date. This has resulted in positive responses in all instances, with commitments to submit, or actual submissions of the returns, received shortly after the infringement notice is issued.

The Supervision Unit has worked closely with the Capacity Building Unit to address the poor quality of returns. The Capacity Building Unit has held additional workshops with CFIs on the manual accounting system, and has screened returns prior to submission to the Supervision Unit.

Achieved: The unit's target was 30 returns submitted during the reporting period. 70 returns were received. This reflects the fact that more CFIs were registered.

TIME TAKEN TO IMPLEMENT RESOLUTIONS OF CO-OPERATIVE BANKS

The Supervision unit adopted a Problem Co-operative Bank Resolution Framework, which informed the circumstances under which a co-operative bank could be classified "troubled" offering various resolution options.

Through the examination process conducted on the registered co-operative bank, it was confirmed to be well capitalised and above prudential requirements.

While the indicator was specific to the registered co-operative bank, problem resolutions must be attended to timeously in order to minimise the likelihood of all CFIs' potential failure. In the next reporting period, this objective will be changed to include attending to problem CFIs. In the interim, where CFIs did not comply with registration conditions, infringement notices were issued.

Achieved: There were no troubled co-operative banks during the reporting period.

2.3.6. Reports on the status of registered CFIs

Regulation 7(a) of the Co-operative Banks Regulations requires the Supervision Unit to submit joint quarterly reports to the Minister of Finance on the co-operative banks' performance and operations. The reporting schedule in this reporting period was as follows:

- Quarter ending Feb 2013: to be submitted by 30 April 2013
- Quarter ending 31 May 2013: to be submitted by 31 July 2013
- Quarter ending 31 August 2013: to be submitted by 31 October 2013
- Quarter ending 30 November 2013: to be submitted by 31 January 2014

Achieved: This objective was achieved.

3. PERFORMANCE INFORMATION BY PROGRAMME - cont

PERCENTAGE OF COMPLIANCE WITH BASEL CORE PRINCIPLES FOR THE EFFECTIVE SUPERVISION OF DEPOSIT-TAKING MICRO- FINANCE INSTITUTIONS IN LINE WITH INTERNATIONAL AND BEST PRACTICE

The Basel Committee on Banking Supervision formulates broad supervisory standards and guidelines, and recommends statements of best practice in banking supervision. The purpose of the committee is to encourage convergence towards common approaches and standards.

The CBDA's supervisory practices are continually evolving to align with international best practices, adapted to the South African CFI sector. The CBDA Supervision Unit annually conducts self-assessments to take stock of current supervisory practices and to determine conformity with the Basel Core Principles. The self-assessment takes into account the mandate of the CBDA to regulating co-operative banks and CFIs under the Act and CFI rules respectively; during the reporting period, the objective was to address shortfalls from the prior year in order to achieve the 75 per cent target for the year.

This was primarily achieved through producing guidance notes for CFIs on their responsibilities as deposit-taking institutions and their need to introduce policies and practices in line with good corporate governance and risk management processes. The Supervision Unit also produced a series of new guidelines on start ups; registration applications; and the following processes by registered CFIs:

- Completion of returns
- Liquidation process
- Risk management process
- Problem assets, provision and reserves
- Market risk
- Liquidity risk
- Operational risk
- Abuse of financial services
- Accounting and disclosure

Achieved: The unit achieved self-assessed compliance in 20 of the 26 identified core principles, a 77 per cent rating for the year. The guidance notes have been uploaded on to the CBDA website.

3. PERFORMANCE INFORMATION BY PROGRAMME - cont

ONLINE APPLICATION AND RETURN SUBMISSION PORTAL

To ensure that supervisory tools and techniques for the sector are innovative and efficient, the Supervision Unit is working on the development of an electronic application submission system and an online returns filing system. It is envisaged that the online returns filing system will integrate with the banking platform system for the CFIs.

Achieved: The unit's target of issuing a request for quotations was achieved.

5.11 CONDUCTING ELECTRONICALLY DRIVEN ON- SITE EXAMINATIONS

This objective will be achieved by automating CFI assessments, especially where checklist-based compliance remains the main method of assessment.

The focus during this reporting period was on determining specifications and design to enable real-time input of information collected from the CFI. The application should then produce a compliance report while at the back-end it would collate the results of all assessments performed and provide an overview of CFIs' compliance levels.

Achieved: The feasibility of this process was tested on the Apple iPad application QuickTap to ascertain the type of specifications that will be required. The tested application was limited in the number of users and questions that could be included but the results enabled the unit to determine its needs.

3. PERFORMANCE INFORMATION BY PROGRAMME - cont

3.3 PROGRAMME 3: CAPACITY BUILDING UNIT

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

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

The unit has assisted the CFIs to establish the National Association of Co-operative Financial Institutions of South Africa (NACFISA) as a representative body and support organisation. In the year under review, the association started providing services to its member organisations, especially the unregistered CFIs, to assist them towards meeting the registration requirements.

Key performance indicators, their targets and actual results

Strategic objective: An adequately capacitated CFI sector						
Performance Indicator	Actual achievement 2012/2013	Planned target 2013/2014	Actual achievement 2013/2014	Deviation from planned target for 2013/14	Variance from 2012/2013 to 2013/2014	Comment on variances
Number of CFIs applying for registration as co-operative banks per year	6	3	2	-1	-4	Not achieved CFIs continue to face challenges in fulfilling the prudential requirements.
Number of CFIs participating in member education programmes	-	5	8	+3	+8	Achieved 9 CFIs participated in the Study Circles programme through co-ordinators and leaders training. 8 CFIs (KwaZulu ladies, Cebisa, Ditsobotla, Lehurutse, KwaMachi, Ubambiswano, Kraaipan and Ziphakamise) established Study Circle groups, with a total of 31 groups resulting in an outreach of 302 members.
Representative and support organisation operational and providing services to the CFIs	-	1	1	-	+1	Achieved NACFISA is operational and has started providing support to member organisations. The association provided manual accounting services to two CFIs in the Eastern Cape, and is continuously offering start-up support to new entrants to the CFI sector.
Number of CFIs using the banking platform	-	5	-	-5	-	Not achieved The banking platform project is progressing well but is subject to funding constraints.

3. PERFORMANCE INFORMATION BY PROGRAMME - cont

3. PERFORMANCE INFORMATION BY PROGRAMME - cont

Strategic objective: An adequately capacitated CFI sector							
Performance Indicator	Actual achievement 2012/2013	Planned target 2013/2014	Actual achievement 2013/2014	Deviation from planned target for 2013/14	Variance from 2012/2013 to 2013/2014	Comment on variances	
Number of new training materials developed	-	3	6	+3	+3	Achieved Training materials developed for Study Circles, Supervisory/Audit Committee, Credit Committee; Financial Management for Boards of Directors; and review of governance material.	
Number of registered CFIs producing financial reports and undergoing annual audits	35	15	22	+7	-13	Achieved 22 of the 25 registered CFIs submitted annual financial reports after the presentation of a refresher course on producing financial reports using the manual accounting system. Two of the CFIs were recently registered and one did not submit.	
Number of managers and Boards of Directors successfully trained	29	60	386	+326	+357	Achieved <ul style="list-style-type: none"> 12 managers attended a CFI Management course offered by the University of Pretoria (UP) 19 managers attended Management Accounting System (MAS) training 72 board and staff members participated in Study Circles coordinators' training 50 CFI board and staff members participated in the ACCOSCA training programme on Strategic Planning, Governance, Loan Management and Product Development 233 board members and managers were trained on Governance and Financial Management 10 interns attended the UP course in order to enhance the support provided to the CFIs. 	

3. PERFORMANCE INFORMATION BY PROGRAMME - cont

NUMBER OF CFIS APPLYING FOR REGISTRATION AS CO-OPERATIVE BANKS PER ANNUM

During the reporting period, 12 CFIs were eligible to apply as co-operative banks as they met the threshold of 200 members and R1m in member deposits. All 12 were provided with direct technical assistance ranging from conducting performance assessments and drawing up action plans to addressing areas of under-performance, reviewing policies and providing manual accounting training to ensure the production of financial reports.

Not Achieved: Two CFIs applied to the Reserve Bank to register as co-operative banks. These two applications are currently under review. The major challenges facing most CFIs are non-compliance with all of the prudential requirements, and inconsistent financial performance.

NUMBER OF CFIS PARTICIPATING IN MEMBER EDUCATION PROGRAMME

The study circle programme aims to increase awareness of the CFI model, educate members about their roles and responsibilities, increase membership, reduce loan delinquency and encourage a savings culture. During the reporting period, nine CFIs participated in the study circles programme through co-ordinators' and leaders' training. Eight CFIs established study circle groups, with a total of 31 study circle groups translating to an outreach to 302 members.

Achieved: Of the nine CFIs that participated in the study circle programme, eight established study circle groups: KwaZulu Ladies, Cebisa, Ditsobotla, Lehurutshe, KwaMachi, Ubambiswano, Kraaipan and Ziphakamise.

REPRESENTATIVE AND SUPPORT ORGANISATION OPERATIONAL AND PROVIDING SERVICES TO THE CFIS

NACFISA finalised its board appointments and began providing services to its member CFIs, offering registration support, bookkeeping services and co-facilitation with the CBDA.

Achieved: With the assistance of the CBDA, NACFISA is providing training and support to CFIs.

NUMBER OF CFIS USING THE BANKING PLATFORM

During the period under review, there was progress on a number of aspects of the banking platform project:

- The project team developed the following documents which were reviewed by the project steering committee:
 - a. Project overview,
 - b. Business System Specifications,
 - c. CFI Business Requirements Specifications,
 - d. Client Services Support Business Requirements Specifications.
- A Request for Information (RFI – 001-2013), was published in the Government Gazette No. 36951 Notice Number 1046, for the banking platform solution to test the market for a possible solution and indicative cost. Proposals were received from 10 respondents to either provide a full set of services or one component of the three components.
- The other RFI issued in the year under review was for a potential sponsoring bank, to sponsor the access of the Secondary Co-operative Bank into the National Payment System.
- 11 CFIs were identified to participate in the state of readiness exercise to assess the state of their books with regards to accuracy and completeness, skills levels, and ICT infrastructure.

3. PERFORMANCE INFORMATION BY PROGRAMME - cont

Not Achieved: The banking platform project is progressing well. The in-depth assessment of the current landscape and the future impact on the CFI sector of the project, which incorporates central support services and the banking platform, has led to some very necessary additional considerations.

While including the assessment has meant that the process is taking longer than initially anticipated, it is time well-spent as it is important that the most appropriate set of solutions are eventually implemented.

NUMBER OF NEW TRAINING MATERIALS DEVELOPED

Six training materials were developed; the target was three. They are: Study Circles, Supervisory/Audit Committee, and Credit Committee; Financial Management for Boards of Directors, and the governance material was reviewed.

Achieved: The annual target was exceeded.

NUMBER OF REGISTERED CFIs PRODUCING FINANCIAL REPORTS AND UNDERGOING ANNUAL AUDITS

22 of the 25 registered CFIs submitted annual financial reports after the presentation of a refresher course on producing financial reports using the manual accounting system. Two CFIs were recently registered and one did not submit its financials.

Achieved: The annual target was exceeded.

NUMBER OF MANAGERS AND MEMBERS OF BOARDS OF DIRECTORS TRAINED

When setting the target of 60 training sessions for the 2013/2014 financial year, the CBDA took a relatively conservative approach based on funding limitations. However, due to the generous support of BANKSETA, the unit achieved considerably more than it set out to do and was able to fund 12 managers to study for the Certificate in Co-operative Financial Institutions Management (CCCFIM), Level 1, at UP. 72 board and staff members participated in study circles co-ordinators' training; 50 CFI board and staff members participated in the ACCOSCA training programme on Strategic Planning, Governance, Loan Management and Product Development; and 233 board members and managers were trained on Governance and Financial Management. BANKSETA funding enabled all of this programme participation.

Achieved: The Capacity Building unit was able to exceed its annual target because of BANKSETA funding.

3. PERFORMANCE INFORMATION BY PROGRAMME - cont

Table 3: Schedule of governance and financial management training conducted

No.	CFI	No of participants: Governance	Attendance rate	No of participants: Financial Management	Attendance rate
KWAZULU NATAL					
1	Ziphakamise	27	90%	28	100%
2	Cebisa				
3	KwaMachi	27	90%	21	70%
4	Ubambiswano				
5	Zimele				
6	KwaZulu Ladies	26	87%	24	80%
7	King Grange				
LIMPOPO					
8	Kuvhanganyana	29	97%	30	100%
9	Mutapa				
10	Homu				
11	Tlharihani				
12	Bakenberg	18	60%	17	57%
13	Mathabatha				
14	Mankotsana				
NORTH WEST					
15	Boikago	Scheduled for May 2014	-	28	93%
16	Ditsobotla				
17	Kraaipan FSC				
Total attendance per programme		127		148	
Average rate of attendance per programme			85%		83%
Overall average rate of attendance			84%		

3. PERFORMANCE INFORMATION BY PROGRAMME - cont

OTHER NOTABLE DEVELOPMENTS UNDERTAKEN TOWARDS ENHANCING INSTITUTIONAL CAPACITY AND STRENGTHENING SUPPORT FOR THE CFI SECTOR

CFI TECHNICAL ANALYST INTERNSHIP PROGRAMME

In November 2013, the CBDA together with NACFISA, with the assistance of BANKSETA, launched a one-year internship programme. The programme enrolled 10 interns who rotate between the Supervision and Capacity Building units of the CBDA, as well as NACFISA. The interns are currently undergoing rigorous internal on-the-job training and have attended the CCCFIM at the UP. The internship programme aims to strengthen the CBDA's support and performance monitoring programmes; build knowledge; create awareness about co-operative banking; increase youth participation; and generate a skills pool for the sector.

MENTORSHIP AND COACHING PROGRAMME

The programme commenced in December 2013 with the arrival of the two ACCOSCA technical experts to provide direct technical assistance to CFIs. The focus was on improving operational efficiency, ensuring regulatory reporting compliance and maintaining financial stability. At the core of the programme is a holistic diagnostic assessment of the institution which covers Governance, Management, General Business Environment, Human Resource Management, Financial Management and Reporting, Credit Management and Management Information Systems. The findings and turnaround strategy developed by the mentor were tabled to the

Board of Directors and general membership. As part of implementation, CFIs will be assigned a mentor for a period of approximately six to twelve months, as informed by the turnaround strategy. To date, eight diagnostic assessments have been conducted and the CBDA team has started presenting the findings and turnaround strategies to the CFIs' boards and members.

3. PERFORMANCE INFORMATION BY PROGRAMME - cont

CFI STATUS AS AT END FEBRUARY 2014⁴

INTRODUCTION

Table 4 below shows that the number of registered CFIs during the year under review fell by 26 per cent to 26, from 35 in the previous year, as some previously reported CFIs which were at various stages of the application process, and had been provisionally registered, were rejected. This was primarily because of their failure to meet the minimum requirements of R100 000 in capital and 200 members, and because of insolvency. As a result, other performance metrics of membership and savings dropped, respectively, by 12 per cent and 1 per cent year-on-year. Overall, sector total assets strengthened to R231 million, primarily driven by growth in the already-registered co-operative banks.

Table 4: Consolidated sector status (including co-operative banks)

	2010/2011	2011/2012	2012/2013	2013/2014	% growth
No. of CFIs	121	106	35	26	-26%
Membership	59 394	53 240	38 084	33 391	-12%
Savings	175 265 000	196 230 000	200 841 000	198 624 848	-1%
Loans	116 577 000	132 227 000	142 310 000	140 463 755	-1%
Assets	195 213 000	217 506 000	220 800 000	231 367 670	5%
Average savings per member	2 951	3 686	5 274	5 948	13%

Figures for the year ending 2013/2014 are based only on registered CFIs and the two CFIs that have reached the threshold, and include the two co-operative banks.

⁴The date of the end of the CFI's financial year.



PART C:
Financial Information

1. AUDIT COMMITTEE REPORT

AUDIT AND RISK 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 2013/14

Name of members	#Number of meetings attended	Remarks
Mr Vuyo Jack (Chairperson)	4 of 4	
Mr Joe Lesejane	4 of 4	
Mr Zach Le Roux	2 of 4	
Ms Berenice Francis	4 of 4	
Ms Octavia Motloa	2 of 4	Appointed in August 2013
Mr Hermant Bhoola	2 of 4	Appointed in August 2013

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 (AGSA) 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 AGSA, 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 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 CBDA 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 Reserve Bank. Therefore a single deposit insurance fund will be established within the Reserve Bank 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 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.

1. AUDIT COMMITTEE REPORT - cont

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 CBDA. Areas with weak controls and which need improvement have been discussed with management and action plans have been agreed upon. 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 CBDA. There is an Audit and Risk Management Committee (shared with National Treasury) that meets on a quarterly basis. A risk register is kept and updated continuously to ensure that all the major risks facing the CBDA are recorded.

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

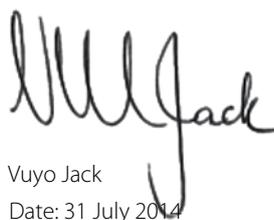
From the various reports of the Internal Auditors, the Audit Report on the AFS and the management letter of the AGSA, it was noted that no significant or material accounting or auditing concerns were identified.

THE INSTITUTION'S COMPLIANCE WITH LEGAL AND REGULATORY PROVISIONS

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

EVALUATION OF ANNUAL FINANCIAL STATEMENTS

The Audit Committee has evaluated the annual financial statements of the CBDA for the year ended 31 March 2014 and, based on the information provided to the Audit and Risk Committee, concurs and accepts the AGSA's conclusions on the annual financial statements, and would recommend to the Board of the CBDA that the audited annual financial statements be accepted and read together with the report of the AGSA.



Vuyo Jack

Date: 31 July 2014

2. STATEMENT OF RESPONSIBILITY FOR THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

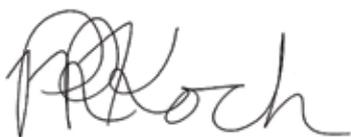
The Board is responsible for the preparation of the CBDA's annual financial statements and for the judgements made on this information.

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 2014.

The CBDA's annual financial statements for the year ended 31 March 2014 have been audited by the AGSA whose report is presented on page 49 to 51.

The Annual Financial Statements of the CBDA set out on page 52 to page 79 have been approved.



Peter Koch

Acting Chairman of the Board

Co-operative Banks Development Agency

Date: 31 July 2014

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

REPORT ON THE FINANCIAL STATEMENTS

INTRODUCTION

1. I have audited the financial statements of the Co-operative Banks Development Agency set out on pages 52 to 79, which comprise the statement of financial position as at 31 March 2014, the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

ACCOUNTING AUTHORITY'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

2. The accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with South African 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 Development Agency as at 31 March 2014 and its financial performance and cash flows for the year then ended, in accordance with SA Standards of GRAP and the requirements of the PFMA.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the PAA and the *General Notice* issued in terms thereof, I report the following findings on the reported performance information against predetermined objectives for selected objectives presented in the annual performance report, non-compliance with legislation as well as internal control. The objective of my tests was to identify reportable findings as described under

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

each subheading but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters:

PREDETERMINED OBJECTIVES

7. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected programmes presented in the annual performance report of the public entity for the year ended 31 March 2014:

- Programme 2: Supervision Unit on pages 31 to 32
- Programme 3: Capacity Building Unit on pages 38 to 39

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

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

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

11. I did not raise any material findings on the usefulness and reliability of the reported performance information for the selected strategic objective.

ADDITIONAL MATTERS

Although I raised no material findings on the usefulness and reliability of the reported performance information for the selected objective, I draw attention to the following matters:

ACHIEVEMENT OF PLANNED TARGETS

12. Refer to the annual performance report on pages 16, 31 to 32 and 38 to 39 for information on the achievement of the planned targets for the year.

ADJUSTMENT OF MATERIAL MISSTATEMENTS

13. I identified material misstatements in the annual performance report submitted for auditing on the reported performance information for the Supervision Unit and the Capacity Building Unit. As management subsequently corrected these misstatements, I did not raise any material findings on the usefulness and reliability of the reported performance information.

UNAUDITED SUPPLEMENTARY INFORMATION

14. The supplementary information set out on pages 13 to 15, 17 to 30, 33 to 37 and 40 to 44 does not form part of the annual performance report and is presented as additional information. I have not audited this information and, accordingly, I do not report thereon.

COMPLIANCE WITH LEGISLATION

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

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

ANNUAL FINANCIAL STATEMENTS

15. 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 the disclosure notes on commitments and related parties, as well as the cash flow statement.

DEPOSIT INSURANCE FUND

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

INTERNAL CONTROL

17. I did not identify any significant deficiencies in internal control.

Auditor-General

Pretoria

Date: 31 July 2014

4. ANNUAL FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION

as at 31 March 2014

	Note(s)	2014 R'000	2013 R'000
ASSETS			
Non-current Assets			
Property, plant and equipment	2	233	136
Intangible assets	3	17	6
		<u>250</u>	<u>142</u>
Current assets			
Cash and cash equivalents	4	7 855	6 051
Trade and other receivables	5	337	742
		<u>8 192</u>	<u>6 793</u>
TOTAL ASSETS		<u>8 442</u>	<u>6 935</u>
LIABILITIES			
Non-current Liabilities			
		-	-
		<u>-</u>	<u>-</u>
Current liabilities			
Trade and other payables	6	5 419	4 515
Provisions	7	589	384
Grants	8	636	580
		<u>6 644</u>	<u>5 479</u>
TOTAL LIABILITIES		<u>6 644</u>	<u>5 479</u>
Net assets			
Stabilisation Fund	9	1 212	1 151
Accumulated surplus/(deficit)		586	305
		<u>1 798</u>	<u>1 456</u>
TOTAL NET ASSETS		<u>1 798</u>	<u>1 456</u>
TOTAL NET ASSETS AND LIABILITIES		<u>8 442</u>	<u>6 935</u>

4. ANNUAL FINANCIAL STATEMENTS - cont

STATEMENT OF FINANCIAL PERFORMANCE

for the year ended 31 March 2014

	Note(s)	2014 R'000	2013 R'000
REVENUE			
Non-exchange revenue			
		19 576	16 914
Transfers and subsidies	10	16 236	16 000
Grant Income	8	3 304	894
Donation received		36	20
Exchange revenue			
		456	236
Sale of goods and rendering of services	11	12	21
Interest	12	444	215
		<u>20 032</u>	<u>17 150</u>
EXPENDITURE			
Goods and services	13	(7 225)	(5 683)
Compensation of employees	14	(9 080)	(5 716)
Depreciation/amortisation and impairment		(80)	(66)
Grant Expenditure	8	(3 304)	(894)
		<u>(19 689)</u>	<u>(12 359)</u>
SURPLUS FOR THE YEAR			
		<u>343</u>	<u>4 791</u>

4. ANNUAL FINANCIAL STATEMENTS - cont

STATEMENT OF CHANGES IN NET ASSETS

for the year ended 31 March 2014

	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
		-	-	-
Balance at 1 April 2012		314	-	314
Surplus funds surrendered		(197)	-	(197)
Surplus for the year		4 791	-	4 791
Transfer to reserves		(1 151)	1 151	-
Surplus funds to be surrendered for 2013		(3 452)	-	(3 452)
Balance at 31 March 2013		305	1 151	1 456
Roll over funds retained from prior year*		3 232	-	3 232
Surplus for the period		343	-	343
Transfer to reserves	9	(61)	61	-
Surplus funds to be surrendered for 2014		(3 233)	-	(3 233)
Balance at 31 March 2014		586	1 212	1 798

*The Treasury approved the retention of R3 232 000 of surplus funds from the 2012/13 financial year to be utilised for the banking platform project in the 2013/14 financial year. Due to the technical nature of the project the funds were not utilised.

4. ANNUAL FINANCIAL STATEMENTS - cont

CASH FLOW STATEMENT

for the year ended 31 March 2014

	2014	2013
Note(s)	R'000	R'000
CASH FLOW FROM OPERATING ACTIVITIES		
Cash receipts	20 457	16 701
Transfers and subsidies	16 236	16 000
Sale of goods and rendering of services	12	16
Interest income	444	215
Grant revenue	3 765	450
Donation	-	20
Cash payments	(18 498)	(12 385)
Compensation of employees	(8 875)	(5 986)
Goods and services	(9 403)	(6 202)
Surplus funds surrendered	(220)	(197)
Net cash generated from operating activities	15 1 959	4 316
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of assets	(155)	(135)
Net cash used in investing activities	(155)	(135)
Net (decrease)/increase in cash, cash equivalents and bank overdrafts	1 804	4 181
Cash, cash equivalents and bank overdrafts at beginning of the year	6 051	1 870
Cash, cash equivalents and bank overdrafts at end of the year	7 855	6 051

4. ANNUAL FINANCIAL STATEMENTS - cont

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014

1 ACCOUNTING POLICIES

1.1 BASIS OF PREPARATION

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

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

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

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

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

1.2 CHANGES IN ACCOUNTING POLICY AND COMPARABILITY

The accounting policies have been applied consistently. The entity will change an accounting policy if the change results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the performance or cash flow.

1.3 GOING CONCERN ASSUMPTION

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

1.4 REVENUE RECOGNITION

1.4.1 Revenue from exchange transactions

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

a. Interest income

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

b. Revenue arising from application of tariff

Revenue arising from the application of 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 and CFIs.

4. ANNUAL FINANCIAL STATEMENTS - cont

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014

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 that are held for use in the production or supply of goods or services, rental to others or for administrative purposes, and are expected to be used more than one year. Items of property, plant and equipment are initially recognised as assets on the date of acquisition and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the entity. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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

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

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

Subsequent measurement

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

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

Depreciation and impairment

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

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

4. ANNUAL FINANCIAL STATEMENTS - cont

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014

Equipment, furniture and fittings

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

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

Derecognition

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

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

1.7 INTANGIBLE ASSETS

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

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

- IT software 3 years

1.8 IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

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

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

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

4. ANNUAL FINANCIAL STATEMENTS - cont

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014

reversed to the extent of the impairment loss previously charged in the statement of financial performance.

1.9 LEASES

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

Operating leases - lessee

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

1.10 EMPLOYEE BENEFITS

Short-term employee benefits

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

1.11 FOREIGN CURRENCY TRANSACTIONS

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

1.12 PROVISIONS AND CONTINGENCIES

Provisions are recognised when:

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

Provisions are not recognised for future operating losses.

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

Contingent assets and contingent liabilities are not recognised.

4. ANNUAL FINANCIAL STATEMENTS - cont

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014

1.13 FINANCIAL INSTRUMENTS

Initial recognition

Financial instruments are initially recognised at fair value.

Subsequent measurement

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

Trade and other receivables

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

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of

the loss is recognised in the statement of financial performance within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in the statement of financial performance.

Trade and other payables

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

Cash and cash equivalents

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

These are initially and subsequently recorded at fair value.

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.

4. ANNUAL FINANCIAL STATEMENTS - cont

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014

Unauthorised expenditure is accounted for as an expense in the statement of financial performance and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.15 IRREGULAR EXPENDITURE

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

1.16 FRUITLESS AND WASTEFUL EXPENDITURE

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

1.17 RELATED PARTIES

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

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

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

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 105 - Transfer of Functions Between Entities Under Common Control
- GRAP 106.2 - Transfer of Functions Between Entities No Under Common Control
- GRAP 107 - Mergers
- GRAP 18 - Segment Reporting
- GRAP 20 - Related Party Disclosures

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

4. ANNUAL FINANCIAL STATEMENTS - cont

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014

2 PROPERTY, PLANT AND EQUIPMENT

	2014 R'000			2013 R'000		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Office Equipment	43	(17)	26	43	(8)	35
Computer Equipment	385	(178)	207	280	(179)	101
Total	428	(195)	233	323	(187)	136

RECONCILIATION OF THE PROPERTY, PLANT AND EQUIPMENT - 2014

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

RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT: 2013

	Opening balance	Additions	Depreciation	Depreciation/Amortisation	Total
Office Equipment	20	21	-	(6)	35
Computer Equipment	50	105	-	(54)	101
Total	70	126	-	(60)	136

4. ANNUAL FINANCIAL STATEMENTS - cont

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014

3 INTANGIBLE ASSETS

	2014			2013		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Computer Software	37	(20)	17	19	(13)	6
Total	37	(20)	17	19	(13)	6

RECONCILIATION OF INTANGIBLE ASSETS: 2014

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

RECONCILIATION OF INTANGIBLE ASSETS: 2013

	Opening balance	Additions	Amortisation	Total
Computer software	3	9	(6)	6
Total	3	9	(6)	6

4. ANNUAL FINANCIAL STATEMENTS - cont

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014

	2014	2013
	R'000	R'000
4 CASH AND CASH EQUIVALENT		
Cash at bank	6 644	4 900
Call deposit	1 211	1 151
Total	7 855	6 051

5 TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS

Staff loans	-	7
Other receivables	337	735
Trade and other receivables	337	742

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

6 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Trade creditors	466	872
National Treasury	397	-
Funds to be surrendered to National Treasury*	3 233	3 452
Accruals	1 323	191
	5 419	4 515

Trade creditors includes an amount of R11 000 owing to ACCOSCA for collection of registration fees for the 4th SACCA Congress. The fair value of trade and other payables approximates their carrying value.

*A request has been made to the Treasury for the surplus funds to be rolled over to the 2014/15 financial year, for the banking platform project, website development, electronic portal and stabilisation fund.

4. ANNUAL FINANCIAL STATEMENTS - cont

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014

	2014 R'000	2013 R'000
Provision for leave	176	188
Provision for bonuses	413	196
	589	384

7 CURRENT PROVISIONS

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 - 2014

	Opening balance	Additional provision	Unused amounts reversed	Amounts utilised during the year	Total
Leave provision	188	176	(169)	(19)	176
Bonus provision	196	413	-	(196)	413
	384	589	(169)	(215)	589

The board meeting held on the 22 July 2014 approved the increase in the bonus provision by the unspent funds in the compensation budget.

RECONCILIATION OF EMPLOYEE BENEFIT PROVISION - 2013

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

4. ANNUAL FINANCIAL STATEMENTS - cont

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014

	2014	2013
	R'000	R'000
8 GRANT		
GRANT INCOME		
Opening balance	-	294
Grant revenue	3 304	600
Grant expenditure	(3 304)	(894)
	<u>-</u>	<u>-</u>
GRANT UNSPENT		
Balance at beginning of period	580	-
Funding accrued in prior year	-	580
Funding received in current year	3 360	-
Revenue recognised in current year	(3 304)	-
Balance as at 31 March 2014	<u>636</u>	<u>580</u>
8.1 BANKSETA		
Balance at beginning of period	-	294
Funding received in current year	1 360	600
Revenue recognised in current year	(1 305)	(894)
Balance as at 31 March 2014	<u>55</u>	<u>-</u>

2014

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

2013

The revenue is a BANKSETA grant received for funding for Certificate Course in Management of Co-operative Financial Institution for CFI's Managers. The Training Course expenditure amounted to R600 000 and the amount was realised as income.

4. ANNUAL FINANCIAL STATEMENTS - cont

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014

	2014	2013
	R'000	R'000
8.2 Department of Economic development, Environment, Conservation and Tourism (NW)		
Balance at beginning of period	580	-
Funding accrued in prior year	-	580
Funding received in current year	2 000	-
Revenue recognised in current year	-1 999	-
Balance as at 31 March 2014	<u>581</u>	<u>580</u>

2014

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

2013

Department of Economic development, Environment, Conservation and Tourism has granted R580 000 to CBDA for development of turn around strategies and Coaching and Mentoring and the funds were transferred on 3 April 2013.

9 STABILISATION FUND RESERVE

Opening balance	1 151	-
Contributed capital	-	1 140
Interest on capital	61	11
	<u>1 212</u>	<u>1 151</u>

10 REVENUE FROM NON-EXCHANGE TRANSACTION

Transfer from controlling entity	16 236	16 000
	<u>16 236</u>	<u>16 000</u>

4. ANNUAL FINANCIAL STATEMENTS - cont

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014

	2014	2013
	R'000	R'000
11 SALE OF GOODS AND RENDERING OF SERVICES		
Application Fee to Register as a Co-op Bank	2	4
Annual fees for Co-op Bank	2	2
Application fee to register as a CFI	3	10
Other income	5	5
	<u>12</u>	<u>21</u>
12 INTEREST INCOME		
Interest received - Operational account	383	204
Interest received - CPD account	61	11
	<u>444</u>	<u>215</u>
13 GOODS AND SERVICES		
Administrative Fees	10	119
Advertising	193	153
Assets less than capitalisation threshold	13	9
Audit fees	829	762
Bursaries (employees)	-	38
Communication	30	5
Computer services	2	26
Consultants, Contractors and agency/ outsourced services	2 186	1 160
Maintenance, repairs and running costs	-	1
Operating lease	40	41
Travel and subsistence	2 040	1 308
Training and staff development	409	339
Venues and facilities	966	757
Other operating expenditure	507	965
	<u>7 225</u>	<u>5 683</u>

4. ANNUAL FINANCIAL STATEMENTS - cont

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014

	2014	2013
	R'000	R'000
14 COMPENSATION OF EMPLOYEES		
Employee Costs	5 784	3 045
Managing Director's emoluments	1 056	809
Senior Management	1 820	1 676
Provisions	420	186
	9080	5 716

15 NET CASH FLOWS FROM OPERATING ACTIVITIES

Surplus/(deficit) for the period	343	4 791
Adjustment for:		
Depreciation and amortisation	80	66
Transfer of assets from National Treasury	(40)	-
(Profit)/Loss on computer	7	-
Increase/(Decrease) in Provisions	205	(173)
Operating surplus before working capital changes:	595	4 684

WORKING CAPITAL CHANGES

(Increase)/decrease in trade receivables	405	(118)
Increase/(decrease) in trade payables	904	3 693
Increase/(decrease) in deferred income	56	(294)
Unused surplus funds retained/(surrendered) to National Treasury	3 232	(197)
Unused surplus funds surrendered to National Treasury	(3 233)	(3 452)
Cash generated by/(utilised in) operations	1 959	4 316

4. ANNUAL FINANCIAL STATEMENTS - cont

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014

	2014	2013
	R'000	R'000
16 OPERATING LEASE ARRANGEMENTS AS THE LESSEE:		
16.1 FUTURE MINIMUM LEASE PAYMENTS		
Up to 12 months		
Photocopier/printer equipment	46	4
	<u>46</u>	<u>4</u>
1 year to 5 years		
Photocopier/printer equipment	58	-
Minolta operating lease	-	-
	<u>58</u>	<u>-</u>

The rental agreement is for a period of 36 months ending 30 June 2016 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 renewed and commenced on 1 July 2013.

4. ANNUAL FINANCIAL STATEMENTS - cont

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014

17 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL: 2014

	Actual R'000	Budget R'000	Variance R'000
Revenue	16 236	16 236	-
Other income	456	-	456
Grant income	3 304	-	3 304
Donation received	36	-	36
	20 032	16 236	3 796
LESS: OPERATING EXPENSES			
Administrative Fees	10	10	-
Advertising	193	136	(57)
Assets less than capitalisation threshold	13	7	(6)
Audit fees	829	755	(74)
Communication	30	32	2
Computer services	2	33	31
Compensation of employees	9080	9080	-
Consultants, Contractors and agency/ outsourced services	2 186	2 300	114
Grant expenses	3 304	-	(3 304)
Operating lease	40	50	10
Travel and subsistence	2 040	2 299	259
Training and staff development	409	390	(19)
Venues and facilities	966	484	(482)
Other operating expenditure	507	490	(17)
	19 609	16 066	(3 543)
(Deficit)/ surplus for the year before Depreciation and impairment	423	170	253
Less: Depreciation and impairment	80	-	(80)
Capital Payments	155	170	15
Surplus for the year	188	-	188

4. ANNUAL FINANCIAL STATEMENTS - cont

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014

18 CONTINGENT LIABILITIES

PENDING CLAIMS

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

19 EVENTS AFTER THE REPORTING DATE

Management issued the AFS for the period ending 31 March 2014 to the Auditor-General on 30 May 2014 for auditing. On 8 July 2014 a submission to award a merit based performance bonus for the 2013/14 to employees was tabled at the HR & R Committee. The HR & R Committee reviewed the document and a recommendation to the Board made in a meeting scheduled for 22 July 2014 where the submission for the unspent funds in the compensation budget to be added to bonus provision was approved.

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 343 000 for the period (2013: R 4 791 000). Its total assets exceeded its liabilities by R 1 798 000. (2013: R1 456 000)

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

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 105 - Transfer of Functions Between Entities Under Common Control
- GRAP 106.2 - Transfer of Functions Between Entities No Under Common Control
- GRAP 107 - Mergers
- GRAP 18 - Segment Reporting
- GRAP 20 - Related Party Disclosures
- GRAP 31 - Service Concession Arrangements: Grantors
- GRAP 108 - Statutory Receivables

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 FINANCIAL STATEMENTS

for the year ended 31 March 2014

23 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

JUDGMENTS

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

ESTIMATES AND ASSUMPTIONS

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

24 RELATED PARTIES

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

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

4. ANNUAL FINANCIAL STATEMENTS - cont

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014

	2014	2013
	R'000	R'000

24.1 TRANSACTIONS WITH RELATED PARTIES

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

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

24.2 PARTIES RELATED TO THE CBDA

The CBDA occupies building space free of charge at the National Treasury premise. Assets to the value of R 36 000 transferred to CBDA in August 2013.

4. ANNUAL FINANCIAL STATEMENTS - cont

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014

2014	Allowance R'000	Travel R'000	Total R'000
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24.3 REMUNERATION OF BOARD AND EXECUTIVE MANAGEMENT

Fees paid to the board members and Executive Management salaries

Mr SM Ndwandwe	36	4	40
Mr P Koch	38	4	42
Mr V Satgar	15	2	17
Mrs D Hamilton	13	1	14
Mr J Theron	6	-	6

Incoming Board Members

Ms V Klein	15	1	16
Dr SP Makhesha	31	3	34
Adv LT Nevondwe	8	9	17
Mrs R Kisten	6	-	6
Mr TV Shenxane	22	-	22
Mr D Ginsburg	18	-	18

Executive management salaries

Managing Director	1 056		1 056
Senior Management	1 820		1 820
	3 084	24	3 108

2013

Fees paid to the board members and Executive Management salaries

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

Executive management salaries

Managing Director	809	-	809
Senior Management	1 676	-	1 676
	2 605	55	2 660

4. ANNUAL FINANCIAL STATEMENTS - cont

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014

	2014 R'000	2013 R'000
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25 FRUITLESS & WASTEFUL EXPENDITURE

Reconciliation of fruitless and wasteful expenditure

Opening balance	78	73
Fruitless and wasteful expenditure – current year	34	5
Transfer to receivables for recovery	(34)	-
Fruitless and wasteful expenditure awaiting condonement	-	-
	78	78

Analysis of current fruitless and wasteful expenditure

Incident	Disciplinary steps taken/criminal proceedings
<p>2014</p> <p>CBDA employee's travel arrangement was done with a connecting flight through USA to Canada. Visa was obtained for Canada but not for the USA. Due to no USA visa the flight ticket had to be re-routed therefore incurring additional cost</p> <p>CBDA made a study deposit to the University of Stellenbosch Business School for an employee who was given a bursary by BANKSETA to study Postgraduate Diploma in Development Finance. Unfortunately the employee decided not to attend the course and the deposit is non refundable.</p>	<p>None - Arrangements have been made for funds to be recovered.</p> <p>None - Arrangements have been made for funds to be recovered.</p>
<p>2013</p> <p>CBDA employee's flight was cancelled due to the employee not obtaining a Visa on time.</p>	<p>None</p>

4. ANNUAL FINANCIAL STATEMENTS - cont

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014

	2014 R'000	2013 R'000
26 IRREGULAR EXPENDITURE		
Reconciliation of irregular expenditure		
Opening balance	1 000	1 000
Irregular expenditure – current year	-	-
Irregular expenditure awaiting condonement	1 000	1 000

Analysis of current irregular expenditure

Incident	Disciplinary steps taken/criminal proceedings
2014	
The Agency is not aware of any irregular expenditure	None
2013	
The Agency is not aware of any irregular expenditure	None

27 COMMITMENTS

APPROVED AND SIGNED CONTRACTS

Alan Pugh-Jones	2 204	3 180
Crucial Communication	-	105
Khulisane Academy (Pty) Ltd	-	236
Rossal No 98 (Pty) Ltd	205	421
ACCOSCA	661	-
Execu Prime Academy (Pty) Ltd	1 219	-
Total	4 289	3 942

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

4. ANNUAL FINANCIAL STATEMENTS - cont

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014

28 COMPARATIVE FIGURES

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

29 FINANCIAL INSTRUMENTS

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

Credit risk

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

Refer to note 5 for the aging of receivables from exchange transactions.

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

Liquidity risk

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

Market risk

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

Fair values

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

4. ANNUAL FINANCIAL STATEMENTS - cont

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014

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



CBDA board members and management with the Minister of Finance



2013 CFI Indaba and 14th annual SACCA Congress



CBDA employees doing their bit on Mandela Day



Ditsobotla Co-operative Bank recognised for their efforts towards financial sustainability

EVENTS AND ACTIVITIES - cont



CFI Technical Analyst interns attending the CCFIM course at UP



Bloemfontein study circles sensitisation meeting in progress



The Board members and the directors visiting NIC-CFI

2013/14

— **CBDA** —
ANNUAL REPORT

