



2018 ANNUAL REPORT





ANNUAL REPORT



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PART A: GENERAL INFORMATION

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PART A: GENERAL INFORMATION

1. PUBLIC ENTITY'S GENERAL INFORMATION

REGISTERED NAME:

Co-operative Banks Development Agency

.....

REGISTRATION NUMBER (if applicable):

None

.....

PHYSICAL ADDRESS:

27th Floor, National Treasury Building

240 Madiba Street

Pretoria

0001

.....

POSTAL ADDRESS:

Private bag X115

Pretoria

0001

.....

TELEPHONE NUMBER/S:

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.....

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+27 (0)12 315 5905

.....

EMAIL ADDRESS:

cbda@treasury.gov.za

.....

WEBSITE ADDRESS:

www.treasury.gov.za/coopbank

.....

EXTERNAL AUDITORS:

Auditor-General

.....

BANKERS:

First National Bank

.....

COMPANY/ BOARD SECRETARY:

Vacant

PART A: GENERAL INFORMATION

2. LIST OF ABBREVIATIONS/ACRONYMS

AGSA	Auditor-General of South Africa
ACCOSCA	African Confederation of Co-operative Savings and Credit Associations
AFS	Annual Financial Statement
AGM	Annual General Meeting
APP	Annual Performance Plan
ASISA	Association for Savings and Investment South Africa
BANKSETA	Banking Sector Education and Training Authority
BBBEE	Broad Based Black Economic Empowerment
BCPs	Basel Core Principles
Camel	Capital adequacy, Asset quality, Management quality, Earnings, Liquidity
CBDA	Co-operative Banks Development Agency
CEO	Chief Executive Officer
CFI	Co-operative Financial Institution
CFO	Chief Financial Officer
CIPC	Companies and Intellectual Property Commission
CSS	Central Support Services
DED	Department of Economic Development
DPSA	Department of Public Service and Administration
DRDLR	Department of Rural Development and Land Reform
DSBD	Department of Small Business Development
ERM	Enterprise Risk Management
FSB	Financial Services Board
FSC	Financial Services Co-operative
GIBS	Gordon Institute of Business Science
HR	Human Resources
HR&R	Human Resources and Remuneration
ICT	Information and Communications Technology
ICURN	International Credit Union Regulators' Network
IMF	International Monetary Fund
IT	Information Technology
KZN	KwaZulu-Natal
MD	Managing Director
MEC	Member of the Executive Council

PART A: GENERAL INFORMATION

2. LIST OF ABBREVIATIONS/ACRONYMS

MLD	Mzansi Leadership Development
MOA	Memorandum of Agreement
MOU	Memorandum of Understanding
MP	Member of Parliament
MTEF	Medium Term Expenditure Framework
NACFISA	National Association of Co-operative Financial Institutions of South Africa
NCR	National Credit Regulator
NEDLAC	National Economic Development and Labour Council
NEHAWU	National Education, Health and Allied Workers' Union
NIC	National Industrial Chamber
NPS	National Payment System
NT	National Treasury
PEARLS	Protection, Effective financial structure, Asset quality, Rates of return and costs, Liquidity, Signs of growth
PFMA	Public Finance Management Act
PA	Prudential Authority
RHLF	Rural Housing Loan Fund
ROA	Return on Assets
SACCA	Savings and Credit Co-operative Association
SACCO	Savings and Credit Co-operative
SACCOL	Savings and Credit Co-operative League of South Africa
SAMAF	South African Microfinance Apex Fund
SAMWU	South African Municipal Workers Union
SARB	South African Reserve Bank
SCM	Supply Chain Management
SEDA	Small Enterprise Development Agency
SEFA	Small Enterprise Financing Agency
SLA	Service Level Agreement
SOE	State-owned entity
SSACI	Swiss – South African Cooperation Initiative
TR	Treasury Regulations
YWBN	Young Women in Business Network

PART A: GENERAL INFORMATION

3. FOREWORD BY THE MINISTER



Nhlanhla Nene
Minister of Finance

CO-OPERATIVE BANKS DEVELOPMENT AGENCY

Government's ambitious agenda of reforming the regulation of the financial services sector reached a major milestone with the launch of the two regulatory peaks, the Prudential Authority and the Financial Sector Conduct Authority.

We are reforming the financial sector's regulatory architecture to strengthen its safety and soundness, ensure that it treats customers fairly, to drive transformation of the sector, to strengthen capacity to combat financial crime as well as make the sector's services accessible to as many South Africans as possible.

The last of these objectives, which is commonly referred to as financial inclusion, refers to the provision and use of regulated financial services by fellow South Africans who have hitherto been left by the wayside. At its best, financial inclusion can be a driver of social and economic development, particularly for low-income earners, women, the youth and SMMEs. At the time of writing this foreword work was underway on a policy document that will outline government's approach to achieving financial inclusion.

All of this work will have huge implications for the cooperative banking sector. Primarily, it will place cooperative banks at the centre of financial inclusion. However, the sector must gear itself up to take advantage of the new opportunities.

The regulatory reforms mentioned above have impacted directly on the Co-operative Banks Development Agency (CBDA). The agency's supervision unit was transferred to the Prudential Authority with effect from 1 April 2018. This change is not bad for the CBDA as it will enable the agency to have a single focus of developing the sector, without the possibly conflicting role of regulating the institutions it has nurtured.

PART A: GENERAL INFORMATION

3. FOREWORD BY THE MINISTER

The CBDA will therefore continue to provide rigorous training, support and guidance to the sector to ensure that the right skills are being developed that can serve all the participants. The course offered by the University of Fort Hare, which is a diploma in cooperative banking, is designed to create a career path for the youth of the country. The youth is imperative to the country in general and the cooperative banking sector in particular.

Continuous engagement with other arms of government is geared to support and implement broader government policies in the economic cluster. This is ongoing with the registration of a national Cooperative Financial Institution (CFI) encompassing seven districts established in collaboration with Department of Rural Development.

The CBDA continuous collaboration with the BANKSETA in providing much needed skills by the sector, like the Risk Management training which the sector has hailed as very critical for the board of directors and management to identify, assess and respond to risk while identifying new growth opportunities. This has resulted in the sector deciding that a Risk Management Framework is required for the sector and this will be developed jointly with the CBDA.

The CBDA is gaining traction with the Banking System and the Shared Services Support given to the sector. The exciting prospect to assist the CFIs to participate in the National Payment System augers well for its development and growth. This will attract the youth and other market segments to the sector as the offering will be more appealing, and bringing much needed transacting convenience.

I wish to thank the Board of Directors, Management and staff of the Co-operative Banks Development Agency for their contribution towards making a reality the dreams of millions of fellow South Africans to have access to convenient, affordable and fair financial services.

NHLANHLA NENE

Nhlanhla Nene, MP
Minister of Finance

PART A: GENERAL INFORMATION

4. FOREWORD BY THE ACTING CHAIRPERSON



Jeffrey Ndumo
Acting Chairperson

It is with great appreciation and encouraging that the Ministry of Finance is currently working on a policy document on financial inclusion which will clearly articulate the policy position on cooperative banking as the Minister has noted in his foreword.

The year under review has seen many developments in the cooperative banking sector. The first to occur was the transfer of supervision to the Prudential Authority (PA) at the South African Reserve Bank (SARB). This enabled the Cooperative Banks Development Agency (CBDA) to focus solely in the development of the sector. The board welcomes this move as it is long overdue thus ridding the CBDA of being a referee and a player.

The interim report of the Standing Committee of Finance and the Portfolio Committee on Trade and Industry, on the Transformation of the Financial Sector, dated 6 September 2017, has made a number of recommendations including but are not limited to:

- I. A revised Financial Sector Charter to set effective targets for the strengthening of the cooperative subsector;
- II. Strengthening the legislative and regulatory framework;
- III. Developing a cooperative banking strategy;
- IV. Increasing the CBDA budget provided it is held to vigorous account and that there are effective sanctions for poor performance and;
- V. the National Treasury and the Department of Trade and Industry to consider a National Cooperative Bank.

I am pleased to announce that the CBDA working with the World Bank has already done some preliminary work on the development of the National Cooperative Banking Strategy, this ties in very well with the policy position that will be articulated in the financial inclusion policy document, referred to above. The CBDA, working with the Prudential Authority has also started working on the regulatory framework of the cooperative banking sector, but there is still more work to be done in this area, the two organisations will continue engaging the sector in the next financial year to get their views on a more efficient regulatory framework.

With respect to increasing the CBDA budget the board and CBDA management will continue to engage various stakeholders to ensure that this happens but the intervention of Parliament will be highly appreciated in this regard. Lastly but not least, the setting up of a National Cooperative Bank (NCB), this will be a very critical milestone in the financial sector transformation agenda as the NCB

PART A: GENERAL INFORMATION

4. FOREWORD BY THE ACTING CHAIRPERSON

will address the issue of ownership, as this institution will be 100% owned by the cooperative banking sector made up of different sectors, be it, stokvels, SMMEs, Agribusinesses; other cooperatives, youth, women groups, Taxi Industry etc. The CBDA is keeping a keen eye on this to see to it that it happens as the NCB can play a crucial role as a financial intermediary for rural and township economies resulting in inclusive growth for the country.

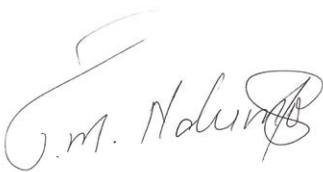
The other key development in the sector was the departure of the Managing Director of the CBDA, Miss Olaotse Matshane. While it pains me to bid Ms Matshane farewell, it is also exciting to know that she is not completely lost to the Cooperative Banking Sector as she will be joining the National Treasury more on financial inclusion policy issues that could have a major impact on the future of this sector. On behalf of the CBDA board, management and cooperative banking sector, I would like to thank Ms Matshane for her contribution over the past six years. The most outstanding part of her visionary leadership was the conceptualisation of the banking platform project, which will result in the cooperative banking sector being able to provide first order retail banking services to its members. The board, management and staff would like to thank her for her contribution and wish her the best of luck in her future endeavours.

The 2018/19 financial year promises to be a year full of positive developments for the cooperative banking sector. I would like to urge all stakeholders, the CBDA, support organisations, representative bodies, BANKSETA, policy-makers, regulators and other stakeholders with vested interest in the sector to continue to work together to realise the transformative role that the Cooperative Banking Sector (CBS) can play in the financial services sector.

The CBDA would like to express sincere thanks to the Department of Small Business Development (DSBD) for its continued support, especially the funding of the Banking Platform Project, without which this programme would never have been realised.

As the Acting Chairperson of the board, I would like to thank our board members whose term of office came to an end in March 2018, Mr David Ginsberg, Advocate Tokyo Nevondwe and Ms Petunia Masemola, for their leadership, invaluable contributions during board meetings and guidance to management. Your contribution has left an indelible mark. It is a pleasure to welcome the new board members, Ms Nokonwaba Shwala, Ms Mpho Mosing and Dr Nomfundo Xenia Ngwenya.

To my fellow board members who have assisted in steering this ship through ethical leadership, the CBDA Management team and staff, a big thank you to you all for striving for excellence in your quest to ensure that the cooperative banking sector participates meaningfully in the mainstream banking sector of the country.



Acting Chairperson: Jeffrey Ndumo

Co-operative Banks Development Agency

31 July 2018

PART A: GENERAL INFORMATION

5. OUTGOING MANAGING DIRECTOR'S OVERVIEW



Ms Olaotse Matshane
Outgoing Managing Director

THE YEAR UNDER REVIEW

The most notable highlight for 2017/18 was the enactment of the Financial Sector Regulation Act, 2017 (Act No.9 of 2017) (FSRA) which puts into effect the twin peaks regulatory model. For the CBDA this meant the transfer of the Supervisory function and related human resources from the CBDA to the Prudential Authority. This move reflected the mandate conflict that has been in existence since the establishment of the CBDA whereby supervision and development of CFIs resided under the same entity.

The other notable highlights for 2017/18, were the parliamentary hearings on the transformation of the Financial Services Sector. These hearings which were probably long overdue were very pertinent in highlighting that there is still much work to be done in the area of transformation of the financial services sector. The important conclusion was that almost all financial service providers agreed and renewed their commitment to prioritising and fast tracking transformation of the sector.

Considering that this is my last year at the helm of the CBDA, it is probably more appropriate and fitting to take stock of highlights for the last six years.

HIGHLIGHTS FOR THE LAST SIX YEARS

ORGANISATIONAL STRENGTHENING

When I assumed my position as MD in 2012, I had to prioritise strengthening the CBDA by insourcing functions that were previously outsourced such as Finance and HR. The two functions are now fully functional and well entrenched in the CBDA. One of the big tasks in the first three years was the development of new policies and approval of outstanding HR policies.

PART A: GENERAL INFORMATION

5. OUTGOING MANAGING DIRECTOR'S OVERVIEW

BANKING PLATFORM PROJECT

In 2013, I committed to the CFI sector that the CBDA will establish an IT- based banking system. I am proud to say after much hard work, pain and sweat the banking system was established. It is now operational in 10 CFIs carrying out an average of 2, 706 transactions per month for over 18 562 members. Plans are now in their final stages to connect the platform to the National Payment System to enable expansion of services to electronic banking.

HOSTING THE SACCA CONGRESS

Hosting the 14th annual SACCA congress in October 2013 was a notable highlight. The event held at Sun City in the North West Province was the first time it was hosted in South Africa. It was attended by 550 co-operators from 21 African countries and was hailed as a resounding success.

BANKSETA INTERNSHIP PROGRAMME

This is one of the programmes I look back at with pride. In November 2013, the CBDA in collaboration with BANKSETA launched the first ever CFI technical Analyst Internship Programme. The CBDA took in a group of 10 bright young minds to capacitate, skill and mentor while introducing them to the world of co-operative banking. The objective was to increase youth participation and generate a skills pool for the sector. Most of the interns managed to get employment in other organisations as a result of the skills and experience they obtained, while others remained and were absorbed within the CBDA.

RSA FINANCIAL CO-OPERATIVE RETAIL BONDS

Formally launched in 2011, the amount invested by 13 CFIs in the financial co-operative retail bonds has now officially reached the R5 million mark with over R212 000 of interest earned. CFIs are encouraged to continue supporting this investment vehicle which is risk free, with guaranteed financial growth and the full backing of the South African Government.

CHALLENGES THAT STILL NEED TO BE ADDRESSED

GROWTH OF THE SECTOR

When I assumed the position as MD, the CBDA had just completed a clean-up exercise of the sector which saw the reduction of CFIs from the "reported" 121 CFIs (59 394 members) in 2010/11 to 35 properly registered CFIs in 2012/13 (38 084 members). This exercise was important to ensure that members' funds were protected and that only solvent CFIs are registered to take member deposits.

As at end February 2018, there were only 26 registered CFIs (including three Co-operative Banks) with 27 831 members. Surely the sector can undoubtedly do better than this. The potential for the sector remains largely untapped particularly in the public sector where other countries have made enormous strides. For example, when one joins the police service in countries like Kenya, membership of a CFI is compulsory and savings are non-withdrawable until retirement.

PART A: GENERAL INFORMATION

5. OUTGOING MANAGING DIRECTOR'S OVERVIEW

CFI VALUE PROPOSITION

An enormous amount of work and effort needs to be put in popularising the CFI model, but also in improving the CFI Value Proposition to make it compelling and differentiated from value offerings of other financial institutions. As South Africans we need to ask ourselves why is the CFI model so popular and trusted in other countries and not in South Africa.

CFIS TO EMBRACE TECHNOLOGY

Although the Banking Platform project has hailed as a success, the CFIs need to unite in supporting it even more and be able to quickly adapt and embrace change. The introduction of the platform means it cannot be business as usual in the daily operations of the CFIs. There are certain ways of doing things that will have to change, a level of discipline that is required. Connection to the NPS means no margin of error can be tolerated. Therefore, CFIs really must come to the party and take full responsibility to ensure the platform receives the support it deserves, is funded and sustainable.

THE YEAR AHEAD

In the year ahead I will be wearing a new hat as a policy maker. In the year ahead I will be in the National Treasury, Financial Sector Policy Division responsible for the implementation of certain aspects of the FSRA (aka "Twin Peaks"), market conduct of financial institutions, Insurance (from a market conduct perspective). Most importantly my role will be to ensure that the transformation agenda in the financial services is once again centre stage and that financial inclusion is a cross cutting element in the provision of all types of financial services. Fortunately I will not be lost to the Co-operative Banking Sector as I will serve on the CBDA Board as the Minister's representative and will drive the policy on Co-operative Banking.

ACKNOWLEDGEMENTS

I would like to thank all our partners and stakeholders who continue to work with the CBDA to address and solve many of the challenges facing the CFI sector.

I would like to also thank the members of the CBDA Board for continuing to provide strategic direction, guidance, and putting tremendous effort to drive the vision and mission of the CBDA.

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

To the hard working men and women who selflessly give much of their time as members, staff and Board members of the CFIs most of whom have seen the sector through good and bad times, and still continue to believe in the sector in spite of all the challenges. I have an enormous amount of respect for you.

It is indeed now time to move on

Asante Sana for the great memories and relationships forged in the last six years

Empowering Communities by Taking Co-operative Banking to the People.

PART A: GENERAL INFORMATION

6. NOTE FROM THE ACTING MANAGING DIRECTOR



In the wake of the departure of the Managing Director's, Ms Olaotse Matshane, I have been duly appointed as Acting Managing Director of the CBDA by the Minister of Finance, through the CBDA board. My task herein is to table the Co-operative Banks Development Agency's financial and non-financial performance for the period of 2017/18 financial year.

To all Co-operative Banking Sector stakeholders, I therefore, herein present the CBDA's 2017/18 annual report as audited by the Auditor-General of South Africa.

A handwritten signature in black ink, appearing to be 'N. Sauli'.

Nomadelo Sauli

Acting Managing Director

Co-operative Banks Development Agency

31 July 2018

PART A: GENERAL INFORMATION

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

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

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

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

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

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

The Accounting Authority is also responsible for the preparation of the annual financial statements and for the judgements made in this information.

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

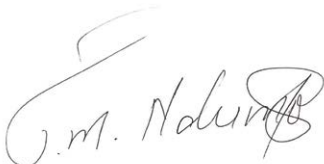
The external auditors are engaged to express an independent opinion on the annual financial statements.

In our opinion, the annual report fairly reflects the operations, performance information, human resources information and financial affairs of the public entity for the financial year ended 31 March 2018.

Yours faithfully



Nomadelo Sauli
Acting Managing Director
Co-operative Banks Development Agency
31 July 2018



Jeffrey Ndumo
Acting Chairperson of the Board
Co-operative Banks Development Agency
31 July 2018

PART A: GENERAL INFORMATION

8. STRATEGIC OVERVIEW

1. VISION

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

2. MISSION

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

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

3. VALUES

The CBDA values are as follows:

- **Passion:** to be driven and dedicated with a sense of urgency and encouraging full participation and a spirit of celebration;
- **Integrity:** to be honest, frank, accountable and transparent;
- **Mutual respect:** to be trustworthy, selfless, willing to serve and compassionate with shared values and a respect for decisions;
- **Commitment to solidarity and co-operation:** to be committed to teamwork, which includes being supportive, having a common purpose, sharing information and taking responsibility;
- **Excellence:** to be value-adding, diligent, professional, punctual and competent. It includes giving attention to detail and having a commitment to knowledge and learning; and
- **Confidentiality:** in dealings with all stakeholders.

9. LEGISLATIVE AND OTHER MANDATES

These include the following:

- Co-operative Banks Act (No. 40 of 2007), as amended by the Financial Services Laws General Amendment Act (No. 45 of 2013);
- Banks Act Exemption Notice (No. 620 of 2014), Government Gazette 37903, 15 August 2014;
- Public Finance Management Act (No. 1 of 1999) (PFMA);
- Treasury Regulations;
- Financial Sector Regulation Act (No 9 of 2017).

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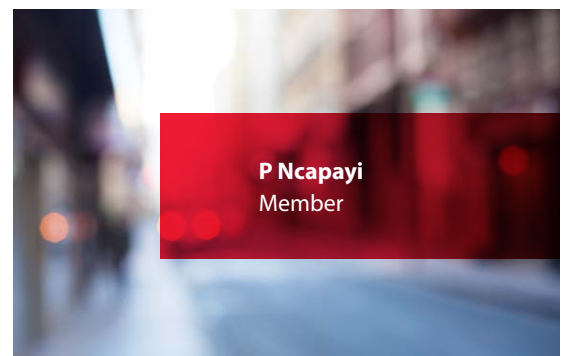
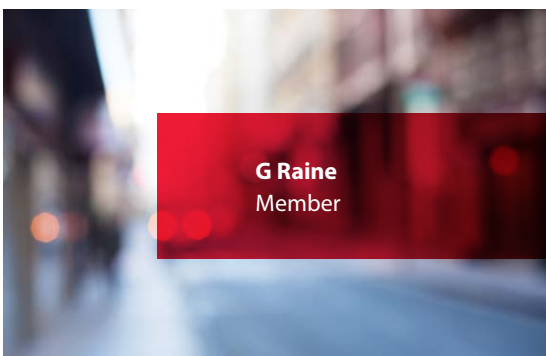
10. ORGANISATIONAL STRUCTURE

ACCOUNTING AUTHORITY



PART A: GENERAL INFORMATION

10. ORGANISATIONAL STRUCTURE



PART A: GENERAL INFORMATION

10. ORGANISATIONAL STRUCTURE

Accounting Authority/Board							
Managing Director							
Corporate Services	2016/17	2017/18	Vacancies	Supervision & Regulation	2016/17	2017/18	Vacancies
Financial Manager	1	1	0	Supervisor	1	1	0
Human Resources Specialist	1	1	0	Principle Analyst	2	2	0
Finance Administrator	1	1	0	Analyst	2	2	0
Personal Assistant	1	1	0	Programme Administrator	1	1	0
Research (Intern)	0	1	0	Analyst (Intern)	0	1	0

PART A: GENERAL INFORMATION

10. ORGANISATIONAL STRUCTURE

Capacity Building	2016/17	2017/18	Vacancies	Central Support Services	2016/17	2017/18	Vacancies
Director: Capacity Building	1	1	0	Director: Central Support Services	1	1	0
Senior Technical Analyst	2	3	0	Senior Accountant & Financial Manager	0	2	1
Junior Technical Analyst	2	2	1*	Junior Accountant	0	2	2**
Programme Administrator	1	1	0	CFI Support Training: Manager & Trainer	0	3	1**
				CFI Call Centre: Manager & Agents	0	4	0
				Business Analyst	0	1	0
				Programme Administrator	0	1	0

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

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



PART B: PERFORMANCE INFORMATION

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PART B: PERFORMANCE INFORMATION

1. AUDITOR'S REPORT: PRE-DETERMINED OBJECTIVES

Refer to page 97 to 103 of the Auditor's Report, published as Part E: Financial Information

2. SITUATIONAL ANALYSIS

2.1 SERVICE DELIVERY ENVIRONMENT

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

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

In the Managing Directors 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 2018.

The CBDA's performance information for the year ended 31 March 2018 has been examined by the Auditor-General, whose report is presented from pages 22 to 45.

The CBDA's performance information set out on pages 22 to 45 was approved by the board.

2.2 ORGANISATIONAL ENVIRONMENT

The CBDA has four units:

1. Corporate Services
2. Supervision
3. Capacity Building and
4. Central Support Services.

Corporate Services unit is responsible for strategic leadership, governance, financial management and human resources of the CBDA and ensuring effective and efficient coordination of all the Agency's activities. The unit is also responsible for stakeholder management, marketing, research and administration of the Stabilisation Fund.

The Supervision Unit is responsible for the regulation and supervision of CFIs. This entails the registration, onsite inspection and offsite monitoring of performance of CFIs in an effective and efficient manner.

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

The Central Support Services unit (CSS) provides a Shared Services Solution which include a Core Banking System to the Co-operative Banking Sector. The Shared services provided by the CSS creates the "Bank" Back office environment that allows the sector to function in a similar fashion as commercial banks on an equal footing whilst enjoying economies of scale.

PART B: PERFORMANCE INFORMATION

2. SITUATIONAL ANALYSIS

The integration of the CFIs into the National Payment System will be managed by CSS as well as the relationship with the Partner Bank and service provider of the banking technology. The CSS unit continuously engages with stakeholders and interested parties to raise funds for this initiative.

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

The CBDA's goal is to create a strong and vibrant co-operative banking sector that broadens access to and participation in, diversified financial services to achieve economic and social well-being for co-operative members and their communities.

2.3 KEY POLICY DEVELOPMENTS AND LEGISLATIVE CHANGES

The biggest highlight was the implementation of the FSRA. This Act brings into effect the "Twin Peaks" framework i.e. having a prudential regulator, which will be known as the Prudential Authority (PA), with the function of prudential supervision and regulation of CFIs. As a result of these changes, the CBDA Supervision unit had to relocate to the South African Reserve Bank (SARB). This relocation took place on 9 October 2017, the relocation was effective 1 April 2018.

2.4 STRATEGIC OUTCOME-ORIENTED GOALS

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

- 11 eligible CFIs met the Co-operative Banks Act regulatory threshold;
- 10 CFIs went live on the banking platform and are now able to be functional on the system;
- In the year under review 34 interventions were conducted in financial management, compliance management and internal audit to 21 CFIs;
- Numerous presentations were made to stakeholders to promote the CFI model;
- In the year under review, R11,5 million was sourced from key stakeholders with a similar mandate, to assist the CBDA to achieve its objectives;
- The registration of Poplar Frontline Foundation CFI and Tshwane Community FSC occurred;
- There are 23 registered CFIs.



M. M. Sauli
Managing Director
Co-operative Banks Development Agency
2018

PART B: PERFORMANCE INFORMATION

3. SECTOR PERFORMANCE INFORMATION

TOTAL SECTOR PERFORMANCE AS AT 28 FEBRUARY 2018

The number of registered co-operative banks grew to three, as shown in table below, Co-operative banks are regulated under the auspices of the SARB, and constitute 49% of the total co-operative banking sector assets. The number of CFIs eligible for registration as co-operative banks decreased by five to eleven, as one was registered as a cooperative bank in the year under review. Eligible CFIs meet the Co-operative Banks Act regulatory threshold of more than 200 members and R1 million in deposits however, they have not met other prudential requirements required by SARB. These remain under the regulatory ambit of the CBDA. They represent 51% of the total assets of the sector.

Total Sector Metrics February 2018								
	2017	2018	2017	2018	2017	2018	2017	2018
	Number of CFIs		Members		Deposits		Assets	
Co-op banks	2	3	2,392	3,246	R104,0m	R 128,8m	R 112,0m	R 153,5m
Eligible CFIs ¹	16	11	24 066	20,511	R 122,6m	R 126,3m	R 167,9m	R 172,2m
Other	12	12	3 360	4,074	R 987k	R 2,3m	R 3,2m	R 8,2m
Total	30	26	29 818	27,831	R 123,6m	R 257,4m	R 283,1m	R 333,9m

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

PART B: PERFORMANCE INFORMATION

4. PERFORMANCE INFORMATION BY PROGRAMME

4.1 PROGRAMME 1: MANAGING DIRECTOR AND CORPORATE SERVICES UNIT

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

The 23 CFIs registered on the CBDA register is evidence that the sector is slowly gaining traction and the public is beginning to understand and appreciate the impact of the CFI model in order to reform economic development for the under-and unbanked. There was a marked growth in assets and deposits of eligible CFIs in the 2017/18 financial year compared to the previous year. This is a sign of a sector that is slowly showing signs of growth.

THE HIGHLIGHTS OF THE YEAR UNDER REVIEW ARE:

- 1. CBDA officials attended three international co-operative banking conferences:**
 - Consultative meeting on the promotion of national co-operative banks in Kenya - the central discussion was on the formation of a national cooperative bank, the knowledge gathered will assist the CBDA in forming a national cooperative bank in the South Africa.
 - Savings and Credit Co-operative Association in Malawi under the theme "Disruptor" Co-operative Economy for Human Empowerment – the discussion was mainly on how to promote financial inclusion by determining the impact, set targets, find partners, make it happen and celebrate success. This can assist in creating an inclusive economy through cooperatives.
 - World Council of Credit Unions (WOCCU) in Vienna, Austria.
- 2. CBDA conducted an accounts verification exercise.** The objective of the exercise was to ensure the accuracy, reliability and validity of the financial position of CFIs.
- 3. The CBDA was invited by the Parliamentary Portfolio Committee on Small Business Development, to brief the Committee on:**
 - The background of the CBDA and;
 - Challenges, accomplishments, latest developments and implications of the implementation of FSRA.
- 4. Information sessions regarding the CFI model were conducted for 16 institutions and groups.**

PART B: PERFORMANCE INFORMATION

4. PERFORMANCE INFORMATION BY PROGRAMME

KEY PERFORMANCE INDICATORS, PLANNED TARGETS AND ACTUAL ACHIEVEMENTS

Strategic Objectives 1: CBDA is adequately capacitated to meet its mandate							
Performance Indicator	Actual Achievement 2014/2015	Actual Achievement 2015/2016	Actual Achievement 2016/2017	Planned Target 2017/2018	Actual Achievement 2017/2018	Deviation from planned target to Actual Achievement for 2017/2018	Comment on deviations
Number of MOUs with Stakeholders (revised/ existing)	10	8	8	8	5	-3	Not achieved Existing MOUs: CIPC SEFA DRDLR Gauteng DED NCR CBDA focused on identifying more strategic partners, with less human capacity the target could not be achieved.
Number of new MOUs with Stakeholders	-	-	-	1	1	-	Achieved

PART B: PERFORMANCE INFORMATION

4. PERFORMANCE INFORMATION BY PROGRAMME

KEY PERFORMANCE INDICATORS, PLANNED TARGETS AND ACTUAL ACHIEVEMENTS

Strategic Objectives 2: A financially stable CFI sector							
Performance Indicator	Actual Achievement 2014/2015	Actual Achievement 2015/2016	Actual Achievement 2016/2017	Planned Target 2017/2018	Actual Achievement 2017/2018	Deviation from planned target to Actual Achievement for 2017/2018	Comment on deviations
Number of Stabilisation Fund Committee meetings	-	Operational	3 Stabilisation Fund Committee meetings	3	3	-	Achieved

PART B: PERFORMANCE INFORMATION

4. PERFORMANCE INFORMATION BY PROGRAMME

KEY PERFORMANCE INDICATORS, PLANNED TARGETS AND ACTUAL ACHIEVEMENTS

Strategic Objectives 3: CBDA brand and CFI model is widely known and recognised

Performance Indicator	Actual Achievement 2014/2015	Actual Achievement 2015/2016	Actual Achievement 2016/2017	Planned Target 2017/2018	Actual Achievement 2017/2018	Deviation from planned target to Actual Achievement for 2017/2018	Comment on deviations
Number of communication activities (e.g. magazines, newsletter, booklets, etc)*.	5	5	5	4	4	-	Achieved
Number of outreach and education activities about the CFI Model to Groups and Institutions (e.g. workshops, presentations etc.)	-	-	12	12	16	+4	Overachieved The cooperative banking sector appeared to be gaining momentum, as more requests for outreach and education activities about the CFI Model to groups were received.

PART B: PERFORMANCE INFORMATION

4. PERFORMANCE INFORMATION BY PROGRAMME

NUMBER OF MOUS WITH STAKEHOLDERS (REVISED/EXISTING)

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

Stakeholder funding received was R11.5 million.

Not Achieved: Five MOUs in the current financial year.

NUMBER OF STABILISATION FUND COMMITTEE MEETINGS

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

Achieved: The Stabilisation Fund Committee received one application from KwaMachi CFI which was rejected. The committee had three meetings in the financial year under review.

NUMBER OF COMMUNICATION ACTIVITIES (E.G MAGAZINES, NEWSLETTER, BOOKLETS, ETC.)

Achieved: In pursuance of its objective to communicate the CFI value proposition widely, the CBDA has published one edition of the "CFI Statistical Quarterly Review", one issue of the "The Connection" newsletter, the Annual report and the "Stabilisation Fund pamphlet" in the year under review.

NUMBER OF OUTREACH AND EDUCATION ACTIVITIES ABOUT THE CFI MODEL TO GROUPS AND INSTITUTIONS (E.G WORKSHOPS,PRESENTATIONS ETC)

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

- Presentation at the annual Women of Value South Africa (WOVSA) Indaba;
- A presentation about the CFI model at a workshop organised by Gauteng Economic Development for registered and unregistered groups in Gauteng;
- A presentation to Revelation Church of God;
- A presentation at the University of Pretoria (Phahama Alumni NPO);
- A presentation to a group of women from around South Africa (Women Building Africa);
- A presentation at Bronkorspruit to the Russell Stone Group a company that manufactures and supplies cooking oil to big retail shops like Shoprite, Food Lovers Market;
- A presentation to Kingdom group at Dutywa in the Eastern Cape province.

Over achieved: Outreach and education was offered to 16 groups about the CFI model. Women Building Africa and Kingdom group met the minimum requirements for registration and submitted their respective application to the Supervision Unit for registration.

PART B: PERFORMANCE INFORMATION

4. PERFORMANCE INFORMATION BY PROGRAMME

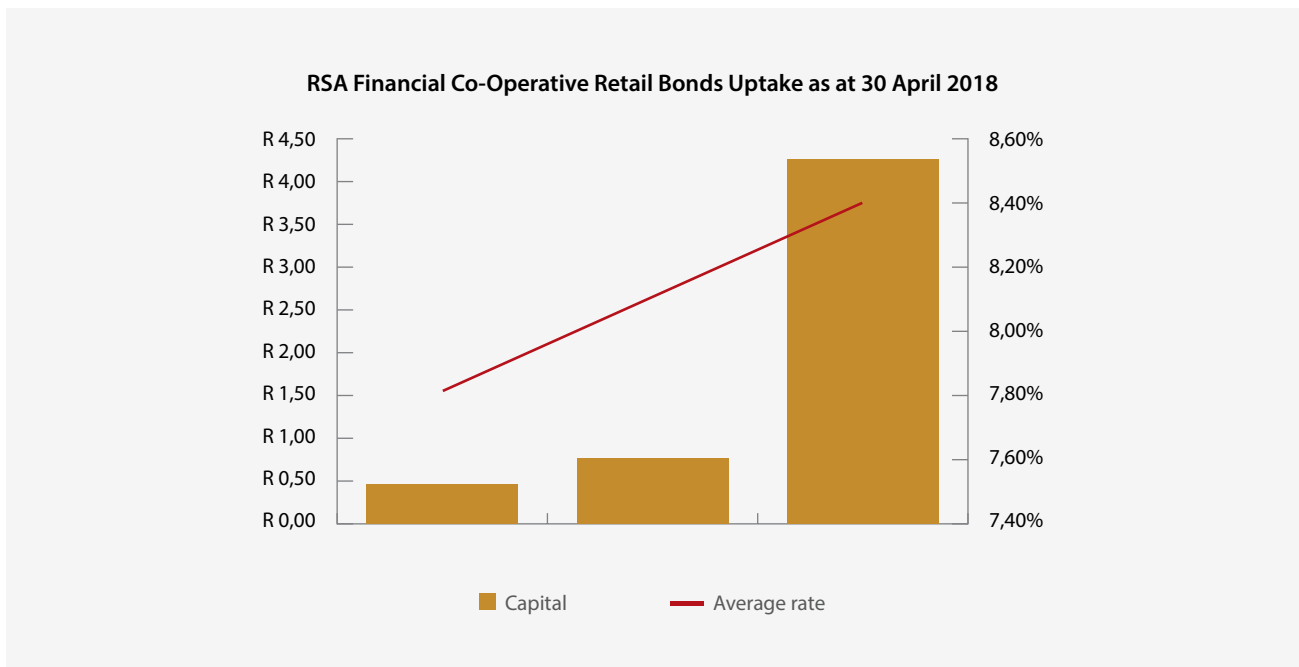
STRATEGY TO OVERCOME AREAS OF UNDER PERFORMANCE

CBDA will continue to build partnerships to achieve the target for number of MOUs with stakeholders, management will monitor progress to targets on a monthly and quarterly basis.

CHANGES TO PLANNED TARGETS

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

RSA FINANCIAL CO-OPERATIVE RETAIL BONDS UPDATE:



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

There has been huge growth in the CFI retail bond investment, mainly due to an increase in the number of CFIs that took advantage of this investment. In 2012 only 3 CFIs had invested in the bonds, the number increased exponentially to 16 CFIs (including the 2 Co-operative banks) in 2016, however in 2017 the number decreased to 14 CFIs, the decrease was due to tough economic conditions in the country. The Capital invested grew from R1.8 million in 2012 to over R5.5 million in 2017, with total interest earned being R200 779. The CBDA encourages more CFIs to see value in this investment vehicle which is risk free, and provides guaranteed financial growth and took advantage of it.

PART B: PERFORMANCE INFORMATION

4. PERFORMANCE INFORMATION BY PROGRAMME

Prevailing Interest Rates – April 2018

1 Year - Co-operative Retail Bond - 7.79%

2 year - Co-operative Retail Bond - 8.13%

3 year - Co-operative Retail Bond - 8.43%

4.2 PROGRAMME 2: SUPERVISION UNIT

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

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

The highlights for the Supervision Unit during this year were:

- The unit was given notification in June 2017 that the supervisory function was to relocate to the South African Reserve Bank (SARB), in preparation for the consolidation of prudential supervisors into the Prudential Authority (PA). In October 2018, the entire unit physically relocated to the SARB and was absorbed into the PA when it officially launched on the 2nd of April 2018;
- The unit received 10 applications during this period, with 9 applications having been processed during this financial year, one of which was as a Representative Body;
- Conducted 15 onsite assessments of eligible CFIs and six assessments of CFIs recently registered or still under incubation;
- Conducting 56 offsite analysis of eligible CFIs over the year;
- Contracting the International Credit Unions Network (ICURN) to conduct a Regulatory and Supervisory impact assessment of CBDA supervisory function on the growth of the Co-operative Financial sector.

PART B: PERFORMANCE INFORMATION

4. PERFORMANCE INFORMATION BY PROGRAMME

Strategic Objectives 4: CFI sector that is institutionally safe and sound							
Performance indicator	Actual achievement 2014/2015	Actual achievement 2015/2016	Actual achievement 2016/2017	Planned target 2017/18	Actual achievement 2017/2018	Deviation from planned target for 2017/2018	Comment on variances
Percentage of registration applications responded to within 5 days of receipt.	Within 30 days and registration decisions made within 3 months	10 days	Registrations to be responded to within 5 days of receipt	95% percent responded to within 5 days of receipt.	100%	+5%	Over Achieved All applications responded to within 5 days of receipt.
Percentage of registration decisions made within 3 months of receipt	Within 30 days and registration decisions made within 3 months	88%	86% of total applications received for the year, registration decision made within 3 months of receipt	75%	78%	+2%	Over Achieved 7 out of 9 application registration decisions were made within 3 months of receipt.
Percentage of onsite inspections conducted on CFIs	19	16	23	75%	94%	+19%	Over Achieved Deviation is due to decision to conduct accounting verification exercise on CFIs.
Percentage of eligible offsite reports of CFIs analysed	68	60	90	75%	87.5%	+13%	Over achieved Better compliance with returns by CFIs.
Time frame to identify and notify problem CFIs	-	-	Within 1 month of identification	Within 1 months of identification	Within 1 months of identification	-	Achieved

PART B: PERFORMANCE INFORMATION

4. PERFORMANCE INFORMATION BY PROGRAMME

PERCENTAGE OF REGISTRATION APPLICATIONS RESPONDED TO WITHIN 5 DAYS OF RECEIPT

Applications received during the financial period amounted to 10, with 3 applications being re-applications. The 10 applications, 1 was a re-application for registration as a Representative body, whilst Poplar and Tshwane were re-applications as a CFI. 1 application was a re-application for registration after having not renewed its licence two years ago.

Below is a table of applications received in the year under review and the dates to which the application were acknowledged:

Received	Name	Responded to
Q1		
21/04/2017	Hephzibah	21/04/2017
03/05/2017	Poplar frontline	04/05/2017
28/06/2017	NACFISA	29/06/2017
Q2		
12/07/2017	Tshwane	17/07/2017
Q3		
16/11/2017	SADTU	16/11/2017
Q4		
05/02/2018	SADTU	08/02/2018
19/03/2018	Kingdom	19/03/2018
19/03/2018	King Cetcwayo	19/03/2018
19/03/2018	Women Building our Africa	19/03/2018
29/03/2018	Motswedi	29/03/2018

Over Achieved: Supervision has a target to respond within 5 days to an application for registration. During this period, Supervision received 10 applications and all were responded to within 5 days.

PART B: PERFORMANCE INFORMATION

4. PERFORMANCE INFORMATION BY PROGRAMME

PERCENTAGE OF REGISTRATION DECISION MADE WITHIN THREE MONTHS OF RECEIPT

During this financial period, nine decisions were required to be completed within the three months' time frame. Registration decisions were finalised for seven out of the nine during this period. One decision has not been finalised and is under appeal. The second application not finalised was as a result of the unit extending the timeframe for additional documentation, which took it beyond the three month period. 5 of the applications were received late into the 4th quarter, and will only require a response in the next financial year.

The quality of applications has generally been of poor quality, which can be viewed from the many rejections done by the unit. Of the nine decisions taken, only two CFIs were approved, and both were submitting their applications for a second time. A detailed matrix is provided on the reasons for their rejections. This financial period closed with five applications in progress.

Received	Name	Decision required
Q1		
16/01/2017	Tshwane	Declined: 11/04/2017
06/02/2017	Poplar	Declined: 25/04/2017
27/02/2017	Willowvale	Declined: 30/05/2017
07/03/2017	Londoloza	Declined: 13/04/2017
21/04/2017	Hephzibah	Declined: 29/05/2017
Q2		
28/06/2017	NACFISA	Declined: 16/10/2017
Q4		
16/11/2017	SADTU	Declined: 16/01/2018
05/02/2018	SADTU	In progress
19/03/2018	Kingdom	In progress
19/03/2018	King Cetcwayo	In progress
19/03/2018	Women Building our Africa	In progress
29/03/2018	Motswedi	In progress

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

Poplar Frontline Foundation CFI	Johannesburg	04 July 2017	Members of Poplar Frontline Foundation
Tshwane community FSC	Pretoria	11 October 2017	Persons who reside or work in the Region 1 of City of Tshwane

PART B: PERFORMANCE INFORMATION

4. PERFORMANCE INFORMATION BY PROGRAMME

DEREGISTRATION'S AND NON-RENEWALS

Five CFIs were deregistered by virtue of not meeting the requirements for renewal as noted below.

NON-RENEWALS

CFIs are required to apply for a renewal of registration on an annual basis. The process is designed to ensure that CFIs remain compliant to the Co-operatives Act, 2015 (Act No.14 of 2005) (and submit their returns to the CIPC as going concerns) and as confirmation to the CBDA that conditions of registration are met.

A CFI is required to:

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

During this financial period, five CFIs did not meet the above mentioned requirements and were not renewed.

Eyakwethu	GP	28/03/2018
KwaMachi	KZN	19/03/2018
Sekhukhune	LP	13/01/2018
Nnathale	FS	17/07/2017
Ubambiswano	KZN	24/04/2017

As at 28 February 2018, there were 23 registered CFIs, 11 of which were considered large (i.e. they have more than R1 million in members' deposits). This number decreased by 5 from what was reported for the same period last year, 1 of these CFIs was registered as a co-operative bank. 12 CFIs were categorised as under incubation.

PART B: PERFORMANCE INFORMATION

4. PERFORMANCE INFORMATION BY PROGRAMME

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

CONSOLIDATED REGISTERED CFI STATISTICS AS AT 28 FEBRUARY 2018

	By Province	Loans	Total Assets	Members	Deposits
EC	Imvelo Agricultural Co-operative	0	279,699	450	1,957
1	Eastern Cape	0	279,699	450	1,957
GP	GIG CFI	2,602,203	5,860,801	434	2,147,425
GP	Kleinfontein SACCO	31,529,146	43,123,638	517	40,887,137
GP	Nagrik FSC	2,773,612	3,126,673	301	1,651,119
GP	Nehawu	21,489,716	25,044,542	11,954	15,040,424
GP	Oranjekas SACCO	35,632,751	49,204,525	1,020	38,800,442
GP	Poplar CFI	0	668,573	236	25,350
GP	SAWBCC	62,712	223,119	235	53,425
GP	Thari Entso FSV	145,970	477,686	0	309,850
GP	Webbers SACCO	3,688,249	10,129,709	931	1,763,008
GP	Young Women Business Network	994,213	13,454,064	532	7,100,911
10	Gauteng	98,918,572	151,313,330	16,160	107,779,091
KZ	KwaZulu Ladies Empowerment FSC	4,674,683	5,857,706	1,905	5,172,726
KZ	Mzansi Rural Arts and Crafts	0	173,142	680	61,491
KZ	Kings Grange FSC	0	0	0	0
3	KwaZulu Natal	4,674,683	6,030,848	2,585	5,234,217
LP	Bakenberg FSC	466,624	2,973,084	1,412	605,297
LP	Kuvhanganyani FSC	577,552	2,003,855	424	1,753,691
LP	Mutapa FSC	487,322	1,072,215	406	616,375
LP	Greater Tzaneen	0	0	0	0
LP	Sekhukhune	0	0	0	0
5	Limpopo	1,531,498	6,049,154	2,242	2,975,363
NW	Boikago SACCO	5,757,714	6,642,924	969	3,398,354
1	North West	5,757,714	6,642,924	969	3,398,354

PART B: PERFORMANCE INFORMATION

4. PERFORMANCE INFORMATION BY PROGRAMME

	By Province	Loans	Total Assets	Members	Deposits
WC	Medical Primary Financial Cooperative	301,123	1,953,343	293	558,150
WC	SAMWU SACCO	2,221,797	7,769,955	1,524	8,631,697
WC	Worcester Community SACCO	0	424,075	362	35,900
3	Western Cape	2,522,920	10,147,373	2,179	9,225,747
23		113,405,387	180,463,328	24,585	128,614,729

All data is based on CFI submitted returns and not audited figures. On 28 February 2018 returns were outstanding for Greater Tzaneen, Sekhukhune and King Grange while the figures for Worcester and Kuvhanganyani FSCs are as of November 2016.

Over Achieved: Supervision has a target to provide 75% of applicants a decision on their applications within 3 months of having received the applications. During this financial period, the unit received 9 applications, of which 7 were responded to within the 3 months period. This is a 78% success rate.

NUMBER OF ONSITE INSPECTIONS CONDUCTED ON CFIS

The supervisory unit conducts both rules-based and risk-based assessment on eligible CFIs, depending on the size, nature and complexity of the CFIs. Eligible CFIs are those that are not under incubation and have been registered for more than 1 year. Examinations are not audits. The unit requires as part of the renewal process that audits and or financial reviews are provided as a means to verifying the data provided is reliable. Notwithstanding, financial reviews being submitted, the CBDA was taken back when one of the CFIs, whose financial review confirmed them to being liquid, faced a severe solvency and liquidity crisis due to an understatement of deposits.

The CBDA in response decided to conduct financial verification exercise on all CFIs who were providing us with financial reviews. The financial verification reports supplemented our examinations processes and these reports were included in our examinations process.

Over and above the eligible onsite examinations conducted, the unit conducted an additional six verification and checklist assessment of CFIs.

PART B: PERFORMANCE INFORMATION

4. PERFORMANCE INFORMATION BY PROGRAMME

During this financial period the following examination were conducted on eligible CFIs:

Eligible CFIs per quarter		18		16		16		16	
No of inspections conducted per quarter			3		3		3		6
Percentage analysed		Q1	17%	Q2	19%	Q3	19%	Q4	38%
No of examinations conducted	15								
No of eligible CFIs	16								
PERCENTAGE ONSITE INSPECTION CONDUCTED ON CFIS (annualised)	93.75%								

Over Achieved: The onsite inspections target of 75% was exceeded by 19%. The target was exceeded by the CBDA's decision to conduct the verification exercise on CFIs, which was a joint exercise with the Capacity Building Unit.

NUMBER OF ELIGIBLE OFFSITE REPORTS OF CFIS ANALYSED

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

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

Data integrity remains a concern to the supervisory unit as we conduct reviews based on the returns CFIs submit to us.

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

Quarterly Return Submission 2016/2017	Q1	Q2	Q3	Q4
Number of eligible returns received	17	16	15	16
Number of returns assessed	16	14	12	14
Target per quarter	75%	75%	75%	75%
Variance	+19%	+13%	+5%	+13%

The variation in eligible CFIs is as a result of CFIs not being renewed, becoming eligible mid-year and 1 CFI being registered as a co-operative bank toward year end.

PART B: PERFORMANCE INFORMATION

4. PERFORMANCE INFORMATION BY PROGRAMME

The positive variance can primarily be attributed to better than expected submission of quarterly returns. Where there have been late and non-submission of quarterly reports, the Supervisor has issued infringement notices stipulating the issues at hand and required remedial actions.

Whilst the supervisory unit has achieved its objective of inculcating a compliance culture amongst the CFIs, the quality of information reported remained a concern. It is envisaged that this will be partially addressed by the CFIs implementing a rigorous banking information system which will automate the returns. It was found in two CFIs that members deposits were materially understated resulting in a misdiagnosis of the extent of the issues facing the CFI. The unit has furthermore resolved that over the next period, the focus will be the validity and integrity of the data received.

Over Achieved: The target of off-site reports to be analysed as per the Key Performance Areas was 75% and the actual returns analysed was 87.5%

TIME FRAME TO IDENTIFY AND NOTIFY PROBLEM CFIS

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

The guidelines emphasises the need to ensure that interventions in CFIs are made as early as possible, through engagements with the CFI and the Supervisor to ensure that risks are identified timeously. Problem CFIs are assisted, where a turnaround of its issues is possible, while others are assisted to ensure that members' deposits are recovered, towards winding down their operations.

The key priority (risk) areas that the guidelines requires the unit to focus are solvency, capital and liquidity. A CFI with a downward trend in any of these ratios is requested to provide the supervisory unit with a plan to address concerns.

During this current year, eight CFIs were sent a notification to address concerns of declining capital and liquidity as these had fallen below the required threshold stipulated in the rules.

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

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

One of the highlights of the supervisory program was the contracting of the International Credit Union Regulators Network (ICURN) to conduct a Regulatory and Supervisory impact assessment of the CBDA supervisory function on the growth of the Co-operative Financial Sector. The unit provided the assessors with documentation prior to their visit, the assessment in the country was conducted at the end of September 2017. The final report was presented early January 2018. To benefit the CBDA as a whole, the review did not only engage participants in the legislative and supervisory frameworks, but allowed participants to express their opinion on a broad range of issues that could be effecting the sectors growth.

A high-level overview of key findings and recommendations of the ICURN Peer Review arising from the assessment and evaluation by the team of the legal, regulatory and supervisory framework of the (CBDA) with particular reference to (CFIs) informed by their on-site visit was that a key issue to be addressed is the need for a clear and coordinated strategy for the co-operative financial sector with identified actions and timelines, involving all key stakeholders at national and regional level.

PART B: PERFORMANCE INFORMATION

4. PERFORMANCE INFORMATION BY PROGRAMME

During meetings between members of the review team and with the various stakeholders it was noted that a number of aspects of the registration and supervisory requirements were possible contributory factors to the lack of development of the sector. No evidence was put forward, that could clearly substantiate these assertions.

At a high level, the recommendations can be summarised:

1. The government should take the lead with the Cooperative Financial sector to develop an overall strategy for the sector;
2. CBDA should improve its communications and engagement with the entire CFI sector;
3. There should be an impact assessment conducted on the CBDA capacity building work to date so that it can better position its training and capacity development of CFIs. Accessibility of the trainings is also of key importance;
4. Provide supervision staff with the opportunity to develop their skills through further training. This will assist in equipping supervision staff with the capabilities to target questions and issues and articulate clearly to CFIs how required actions address the identified risks;
5. There is scope to review the approach to supervision to ensure that the focus is on the idiosyncratic risks, within the risk appetite of the regulator guided by the Government vision for the CFI sector;
6. As the supervisory responsibilities for CFIs shift from CBDA to the Prudential Authority, the supervisory regime applied should be proportionate in its approach and tailored to take account of the size, degree of complexity and risk profile of CFIs.

The CBDA would like to re-iterate its appreciation to the reviewers Elaine Byrne (Ireland), Shaimus Cassar (Australia) and Peter Njuganu (Kenya) who conducted the assessment with an open mind cognisant of the broader growth imperative of the movement in South Africa.

Changes to planned targets

As the supervisory function has been relocated to the Prudential Authority, effective 1 April 2018, next year there will be no supervisory targets.

4.3 PROGRAMME 3: CAPACITY BUILDING UNIT

The Capacity Building Unit is responsible for supporting, promoting and developing CFIs and encouraging the establishment of representative bodies and support organisations. In carrying out this responsibility, the unit determines the sector's training needs and develops appropriate capacity enhancement programmes in conjunction with stakeholders such as representative bodies, BANKSETA, other development agencies and universities. It also focuses on ensuring the design and accreditation of CFI specific courses as well as developing and/or adopting appropriate training material for such curricula.

HIGHLIGHTS FOR CAPACITY BUILDING UNIT IN THE YEAR UNDER REVIEW FINANCIAL YEAR:

- **Risk Management Training:** The Capacity Building unit through the assistance of its stakeholders initiated the first training of Risk Management and Marketing. Such was conducted after realising that there is a high risk in terms of non-compliance with legislative framework, financial management and auditing. The main focus was on Board statutory responsibilities and operational management within the context of the CFIs. Upon checking the trend of deregistration of CFIs during current and previous years, the main cause of such was due to non-compliance issues which have been neglected by the sector as a whole. It is envisaged that the CFIs board and management will be able to identify different risks affecting their CFIs and

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come up with mitigation strategies for such risks thereby assisting the CFIs to achieve their strategic objectives.

- **Marketing Training:** The different marketing strategies and marketing research techniques were delivered to the marketing committees of the CFIs and going forward that will assist the CFIs in member recruitment and product development that talk to their members' needs.

At the end of both trainings a decision to develop a Risk and Marketing Management Framework was taken into consideration by both CBDA and CFIs as a matter of urgency, such should at least be completed in the 2018/2019 financial year. The frameworks will take into consideration the high level risk areas that must be addressed by the sector and provide guidelines on how to mitigate risk going forward. Concerns and inputs from all CFIs that participated during the training were recorded in order to have a proper direction on where to start and what needs to be done.

- The Mzansi Rural Arts and Craft FSC was launched with the assistance the Department of Rural Development and Land Reform. In August 2015, the Co-operative Banks Development Agency (CBDA) entered into a Memorandum of Understanding (MoU) with the Department of Rural Development and Land Reform (DRDLR) under which the CBDA was to provide capacity building support to the Mzansi Rural Arts and Craft prospective CFI and the DRDLR to provide the funding for the support. In promotion of co-operative banking, 6 information sessions were conducted in Kwazulu Natal, Mpumalanga, and Eastern Cape Provinces. The information sessions were attended by the prospective members and the board members. The purpose of the sessions was to meet with organised groups and present the CFI model, CFI model constitution, CFI registration requirements and discuss the location of the satellite offices.

The Capacity Building Unit assisted Mzansi Rural Arts and Craft to put up an application pack which was submitted to the Supervisor of Co-operative Financial Institutions, on February 29, 2016. Mzansi Arts and Craft CFI was finally registered in May 2016. The Capacity Building support from CBDA continued through 2017 to ensure that they are sustainable in both governance and operational matters. Trainings were conducted on an on-going basis and operational processes being strengthened. The first AGM for the CFI was conducted on August 2017 in Cape Town whereby the members from different provinces attended and were honoured by the presences of the former Minister and executives of the DRDLR.

During November 2017 and January 2018 the CFI through the coordination of CBDA officially launched at their Head Office at Amajuba (KZN) and Alexander (EC). All the satellite offices are effectively operational and currently servicing their members, using the CBDA banking platform.

- Ziphakamise CFI was registered as a cooperative bank in the year under review, having benefited from a number of capacity building interventions offered by the Capacity Building unit of the CBDA over the years, such as the mentorship programme, governance training, financial management and compliance management.
- Poplar Foundation was registered as a CFI in July 2017 having been provided with pre-registration support by the Capacity Building Unit. The CFI is currently operating effectively and their Board of Directors are active including the Board Committees. The CFI has offices where they operate from and also offer different services to their members.
- A joint accounts verification exercise was conducted by the Capacity Building unit and the Supervision unit to establish the accurate balances for loans, assets, shares, savings, investments, cash and bank balances in the CFIs. 11 CFI balances were verified.

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Going forward, the verification exercise will assist the CFIs in their financial reporting as they will be able to report accurately without overstating or understating the figures. Reporting incorrectly leads to the users of the CFI financial statements not being able to make informed decisions thus undermining confidence in the CFI sector.

- Launching of the CFI Internal Audit function under the auspices of the Capacity Building unit of the CBDA. The Internal Audit carried out three CFI audits in the year under review.

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4. PERFORMANCE INFORMATION BY PROGRAMME

KEY PERFORMANCE INDICATORS, THEIR TARGETS AND ACTUAL RESULTS

Strategic Objective 5: An adequately capacitated CFI Sector							
Performance Indicator	Actual achievement 2014/2015	Actual achievement 2015/2016	Actual achievement 2016/2017	Planned target 2017/2018	Actual achievement 2017/2018	Deviation from planned target for 2017/2018	Comment on variances
Number of organised groups (public sector SOEs, Unions etc. assisted with the establishment of a CFI per annum	-	3	2	2	1	-1	Not achieved 8 organised groups were assisted but only 5 applications were sent to Supervision unit. From the 5 applications submitted 1 was registered 4 pending approval and 3 groups have not met all the requirements for registration.
Number of newly registered CFIs operationalized within 6 months from the date of registration	-	-	-	2	1	-1	Not achieved Only 1 CFI was registered that is Poplar Foundation hence only 1 was available for operationalisation.
Number of CFIs provided with direct technical assistance in financial management per annum	-	-	-	10	11	+1	Over achieved More CFIs were flagged with financial management problems that the unit needed to address hence the over-achievement of the target.

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4. PERFORMANCE INFORMATION BY PROGRAMME

KEY PERFORMANCE INDICATORS, THEIR TARGETS AND ACTUAL RESULTS

Strategic Objective 5: An adequately capacitated CFI Sector							
Performance Indicator	Actual achievement 2014/2015	Actual achievement 2015/2016	Actual achievement 2016/2017	Planned target 2017/2018	Actual achievement 2017/2018	Deviation from planned target for 2017/2018	Comment on variances
Number of CFIs provided with internal audit activities direct technical assistance per annum	-	-	-	7	12	+5	Over achieved More CFIs were flagged with internal audit problems that the unit needed to address hence internal audit training was provided to CFIs at 2 provinces, KZN and Limpopo, after realising that CFIs have lack of understanding on the internal audit function.
Number of CFIs provided with direct technical assistance in compliance management per annum	-	-	-	10	11	+1	Over achieved Over achievement for Compliance Management was due to the demand for training concerning the changing of Legislative Framework where Board Members including staff were trained.

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4. PERFORMANCE INFORMATION BY PROGRAMME

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

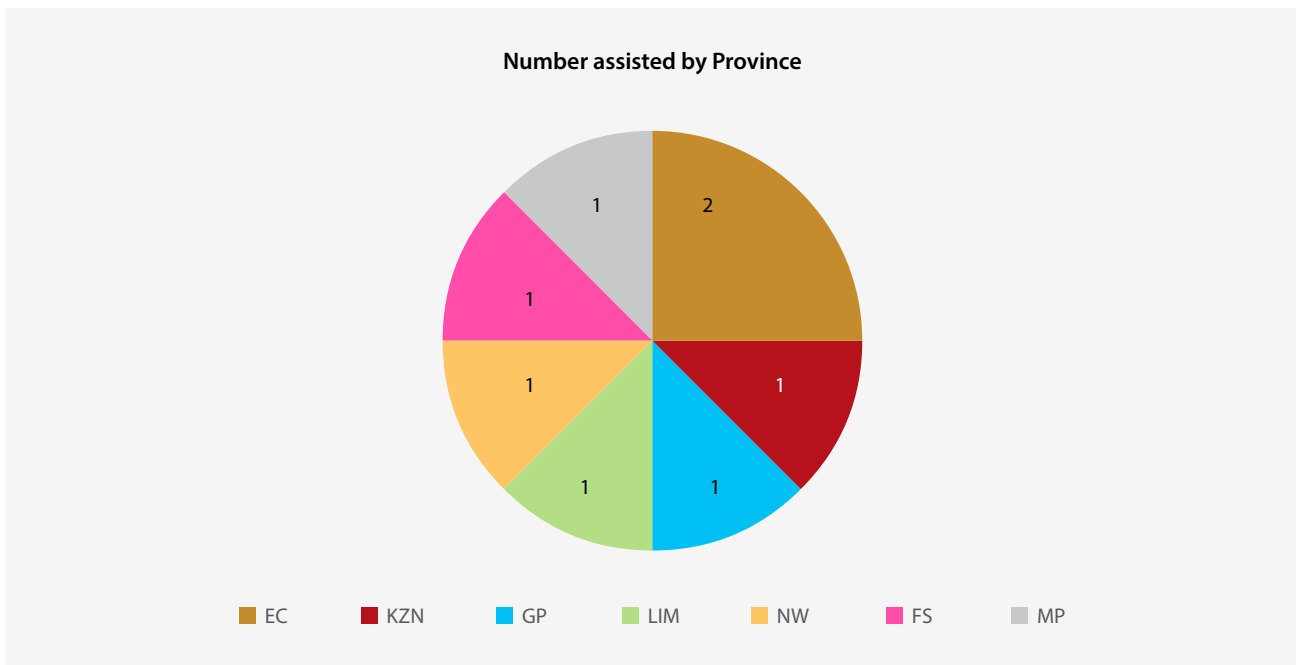
The assisted CFIs are listed below:

Name of CFI	Application/Registration status
Poplar Foundation	Registered in July 2017
Kingdom	Application submitted to SARB
King Cetshwayo	Application submitted to SARB
Women Building our Africa	Application submitted to SARB
Mpumalanga Cotton Farmers	Application not yet submitted
NARYSEC	Application not yet submitted
Bakgatla Ba Kgafela (BBK)	Application not yet submitted
Motswedi	Application submitted to SARB

Not achieved: Eight CFIs were assisted through the pre-registration support. Four CFIs submitted applications for registration and one was registered in July 2017.

NUMBER OF ORGANISED GROUPS ASSISTED PER PROVINCE

Eight organised groups were assisted from seven provinces and it is depicted below:



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4. PERFORMANCE INFORMATION BY PROGRAMME

NUMBER OF NEWLY REGISTERED CFIS OPERATIONALISED WITHIN SIX MONTHS FROM THE DATE OF REGISTRATION

Not Achieved: Poplar Foundation was operationalised within 6 months of registration. The support provided included setting up the banking and accounting operating procedures and training the board, staff and the committee members.

NUMBER OF CFIS PROVIDED WITH DIRECT TECHNICAL ASSISTANCE IN FINANCIAL MANAGEMENT PER ANNUM

Over Achieved: Eleven CFIs were assisted in financial management. The following CFIs were assisted: Bakenberg, Imvelo, Kwazulu Ladies Empowerment, King Grange, Mathabatha, Poplar Foundation, SAMWU, Thari-entsho, Kuvhanganyani, Worcester and Ziphakamise Cooperative bank.

NUMBER OF CFI PROVIDED WITH DIRECT TECHNICAL ASSISTANCE ON INTERNAL AUDIT FUNCTION PER ANNUM

Over Achieved: Direct technical assistance was offered to Twelve CFIs. The assistance was in the form of CFI audit and practical audit training to the audit committees, board members and management. Three audits were carried out in the following CFIs: Mathabatha, Kuvhanganyani and King Grange, and audit training sessions were attended by these CFIs listed below: Greater Tzaneen, Sekhukhune, Bakenberg, Ubambiswano, Kwamachi, Kwazulu Ladies Empowerment, Ziphakamise, Mzansi Rural Arts and Craft and Webbers.

NUMBER OF CFIS PROVIDED WITH DIRECT TECHNICAL ASSISTANCE IN COMPLIANCE MANAGEMENT PER ANNUM

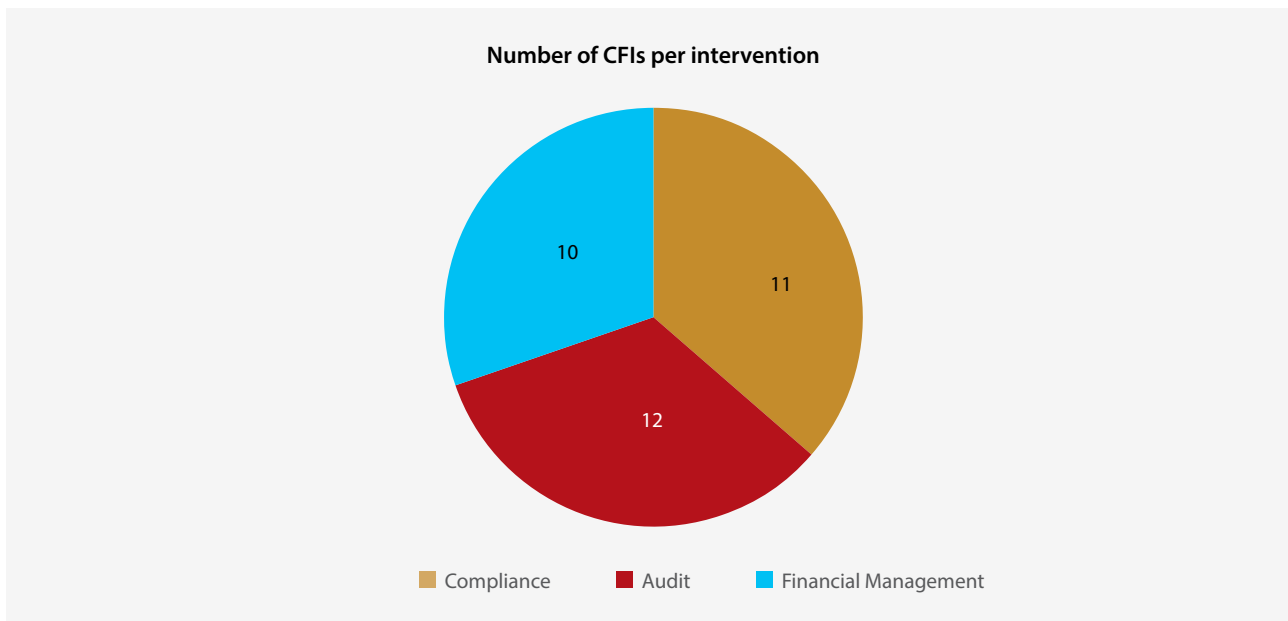
Over achieved: Direct technical assistance was offered to eleven CFIs in the form of on the job support and practical governance training. The following CFIs were assisted: Kuvhanganyani, Mutapa, NEHAWU, SAMWU, Poplar Foundation, KwaZulu Ladies Empowerment, King Grange, Mzansi Rural Arts and Craft, Boikago, Ziphakamise Cooperative Bank and Ditsobotla Cooperative bank.

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4. PERFORMANCE INFORMATION BY PROGRAMME

PERFORMANCE INFORMATION BY INTERVENTIONS

33 interventions were carried in 21 CFIs. The interventions are depicted below:



Out of the 21 CFIs assisted, some were assisted with more than one intervention as shown in the table below:

Intervention	Number of CFIs
Compliance	11
Audit	12
Financial management	10
Audit and Compliance	2
Compliance and Financial management	2
Audit and Financial Management	2
Audit, Compliance and Financial management	3

CHANGES TO PLANNED TARGETS

No in-year changes to performance indicators and/or targets have been effected in the 2017/18 financial year.

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4. PERFORMANCE INFORMATION BY PROGRAMME

4.4 PROGRAMME 4: CENTRAL SUPPORT SERVICES

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

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

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



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4. PERFORMANCE INFORMATION BY PROGRAMME

THE BENEFITS OF THE BANKING PLATFORM:

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

The benefits of the Shared Services Banking Solution:

The offering of CBDA relating to the Shared Services is based on three pillars with the commensurate Benefits:

- Pillar 1: Banking Platform;
- Pillar 2: Central Support Services;
- Pillar 3: National Payment System integration.

The Shared Services offering provides the Co-operative Banking sector with economy of scale as costs are shared by all participants.

Pillar 1: Banking Platform & Accounting System

The Banking platform is the most cost effective Banking system available that offers more than just account management:

The costs per member account is very competitive as opposed to the Retail banking sector as well as the smaller systems banded about, and it is Rand based.

The costs are based in Rand and are therefore not subject to exchange rate movements.

Cloud Based system with auto backup and alternate site that ensure system availability 24/7. No need for doing your own backups it is taken care of.

The Service provider and system is Payment Card Industry (PCI) compliant as well as registered with PASA as a System Operator.

Pillar 2: Central Support Services

The Central Support Services is key to the success of the endeavour. The interaction with the Service providers is co-ordinated by the CSS business unit.

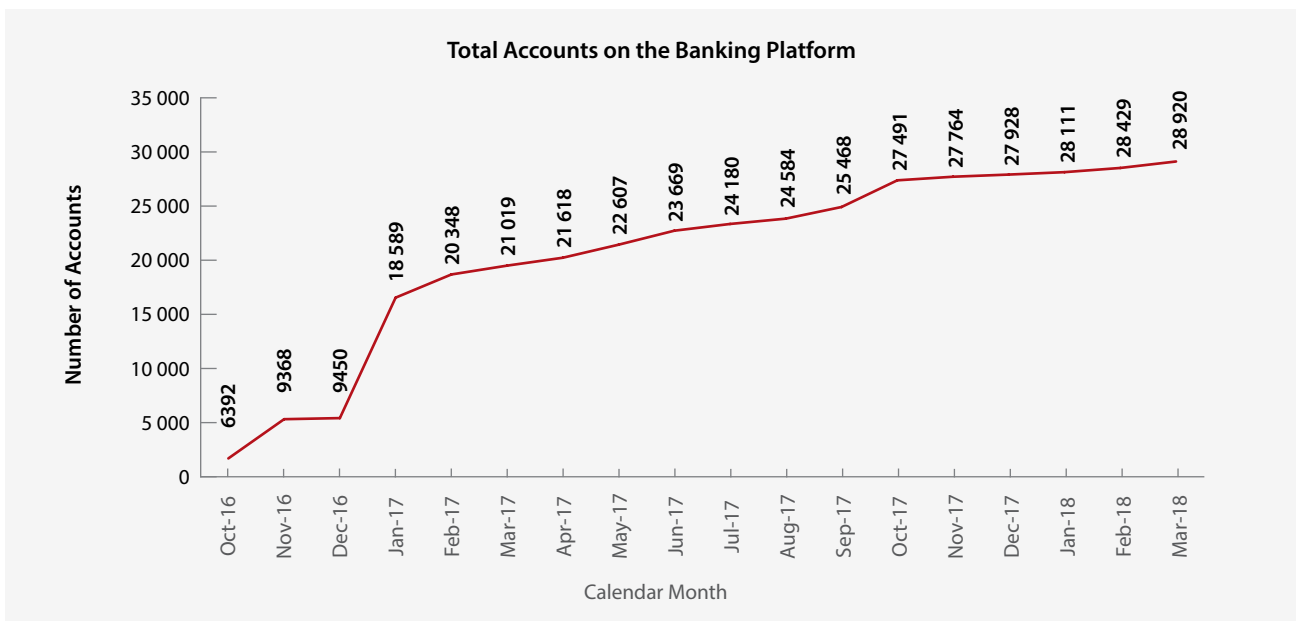
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Central Support Services act as the Back Office for the Participating CFIs and perform the following tasks for the Participating CFIs. Reconciliations, Batch Processing, up to 16 reports that enable CFIs to comply with the regulatory requirements.

Pillar 3: National Payment System Integration

The National Payment System is an integral part of the offering to the Co-operative Banking Sector. The Central Support Services will manage the National Payment System product on behalf of the CFIs. The daily reconciliations, Liquidity and Card Management will be done by Central Support Services.

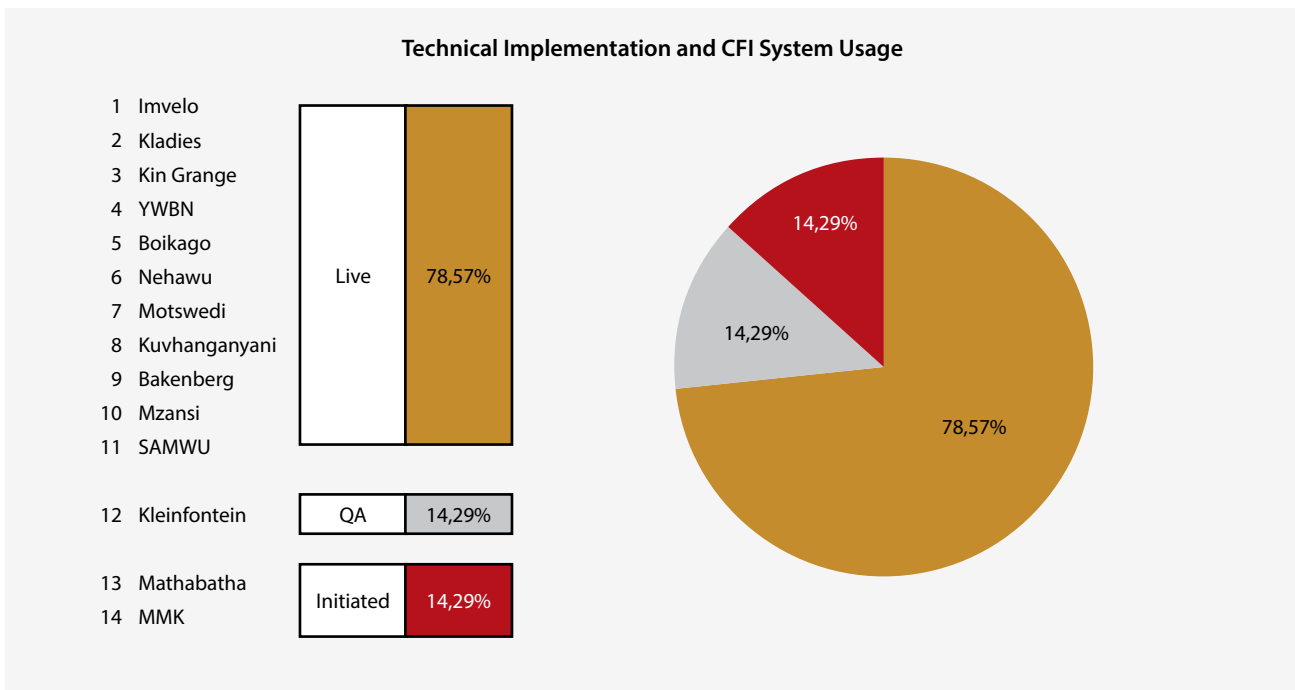
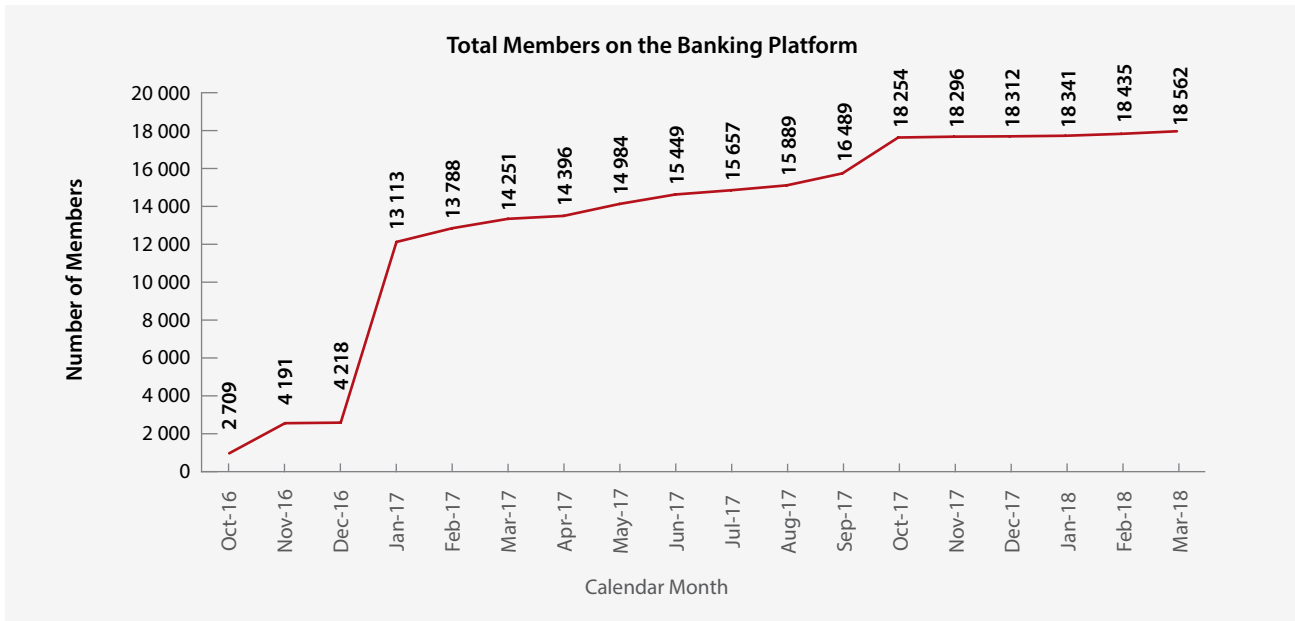


PROGRESS MADE SO FAR

The number of accounts on the banking platform has grown to 28 920 by end of March 2018. The steady upward trend on the number of accounts on the system coupled with the increase in transaction processing predicts well for system adoption. The system and the Central Support Services has laid the foundation for the Co-operative Banking Sector to find their rightful place in the South African Banking Sector.

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4. PERFORMANCE INFORMATION BY PROGRAMME



Live: The CFI is actively working on the production platform of the Banking Platform System. The CFI accounts have been migrated and member transacting can take place on the platform itself.

QA: The CFI data (records) is being assessed for the quality and integrity through this Quality Assessment (QA) process.

Initiated: The CFI data (records) is being collected and prepared for the Quality Assessment (QA) process, this is the initiating stage of the CFI member data migration.

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4. PERFORMANCE INFORMATION BY PROGRAMME

Total transactions on the system per month and monthly average numbers

Item No.	CFI Name	March	Feb	Jan	Dec	Nov	Total	Ave. Transactions per month
1	Bakenberg	139	145	100	97	174	655	131
2	Imvelo	18	2	1	0	3	24	4,8
3	Young Women	142	899	0	0	194	1 235	247
4	Kladies	0	0	0	0	0	0	0
5	King Grange	0	9	1	3	53	66	13,2
6	Boikago	565	1 219	111	630	650	3 175	635
7	Motswedi	1 576	1 122	1 316	1 300	1 488	6 802	1 360,4
8	Kuvhanganyani	254	190	277	309	194	1 224	244,8
9	Mzansi	163	0	0	0	0	163	32,6
	Totals	2 857	3 586	1 806	2 339	2 756	13 344	2 668,80

National Payment System

The appointment of a Banking Partner is in the final stages and the award of the tender NT013-1-2017 is likely to be made early in the 2018-2019 Financial year. The Bid Adjudication protracted procurement process created delays in the introduction of a Debit Card Product integrated into the National Payment System.

The highlights for the Central Support Services in the year under review:

- On-boarded Mzansi CFI which comprises of 7 districts. In addition, a sub branch structure was created on the system to manage the Mzansi Business model.
- The reporting component was greatly enhanced with 16 reports provided to the CFIs to enable them to improve management of the CFIs as well as complete the regulatory reports as required by the Supervisor.
- A pilot project to enable CFIs to capture expenses and investments on the accounting system was launched at Young Women in Business CFI.
- Participating transaction process volume achieved a high of 3586 transactions in February with average monthly transaction processing in excess of 2800 transactions per month.

PART B: PERFORMANCE INFORMATION

4. PERFORMANCE INFORMATION BY PROGRAMME

Strategic Objective 6: Enhance operational efficiency in the CFI sector							
Performance Indicator	Actual Achievement 2014/2015	Actual Achievement 2015/2016	Actual Achievement 2016/2017	Planned Target 2017/2018	Actual Achievement 2017/18	Deviation from planned target to Actual Achievement for 2017/2018	Comment on deviations
Number of CFIs trained in preparation for implementation of the banking platform system	-	3	10	5	3	-2	Not achieved Under achievement is based on CFIs readiness for On-boarding. Because of compliance issues 2 CFIs were unable to use the system and could not be prepared for implementation of the banking platform system. No additional CFIs elected to be on the Banking Platform.
Number of CFIs using the banking platform system	-	2	10	15	10	-5	Not Achieved The complexities of both the sector and the required solution to optimally service the sector caused an initial slower on-boarding. The use of the system is also not compulsory for CFIs. The inability to migrate Mathabatha and SAMWU was placed on hold due to compliance issues

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4. PERFORMANCE INFORMATION BY PROGRAMME

Strategic Objective 6: Enhance operational efficiency in the CFI sector							
Performance Indicator	Actual Achievement 2014/2015	Actual Achievement 2015/2016	Actual Achievement 2016/2017	Planned Target 2017/2018	Actual Achievement 2017/18	Deviation from planned target to Actual Achievement for 2017/2018	Comment on deviations
Number of CFIs integrated into the National Payments System	-	-	10	5	0	-5	Not Achieved The Bid Adjudication protracted procurement process created delays in the introduction of a Debit Card Product integrated into the National Payment System. The appointment of a Banking Partner is in the final stages and will awarded in the 2018-19 financial year.

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4. PERFORMANCE INFORMATION BY PROGRAMME

Strategic Objective 6: Enhance operational efficiency in the CFI sector							
Performance Indicator	Actual Achievement 2014/2015	Actual Achievement 2015/2016	Actual Achievement 2016/2017	Planned Target 2017/2018	Actual Achievement 2017/18	Deviation from planned target to Actual Achievement for 2017/2018	Comment on deviations
Number of reports provided for CFIs to support operational, financial and regulatory reporting	-	-	10	10	16	+6	Over Achieved The needs of the CFIs were analysed and reports were provided to CFIs to support operational, financial and regulatory reporting. The reports are continuously interrogated in order to assist CFIs to manage the business better. The better understanding of the CFI needs allowed the CSS team to create more appropriate reports.

PART B: PERFORMANCE INFORMATION

4. PERFORMANCE INFORMATION BY PROGRAMME

Number of CFI's trained in preparation for implementation of banking platform

The training of CFIs to use the Banking Platform included SAMWU, Mathabatha and Mzansi. The Mzansi CFI consist of 7 districts with the corresponding workload per district equal to one CFI. Kleinfontein will be finalised in the 1st quarter of 2018-2019 financial year.

Not Achieved: CFIs assisted in the 2017/2018 financial year were Mathabatha, SAMWU and Mzansi. No additional CFIs elected to be on the Banking Platform.

Number of CFI's using the banking platform system

The following CFIs are using the system:

CFI	Province
Boikago	North West
Motswedi	North West
YWBN	Gauteng
Nehawu	Gauteng
King Grange	KZN
K Ladies	KZN
Imvelo	Eastern Cape
Kuvunghanyani	Limpopo
Bakenberg	Limpopo
Mzansi	National

Not Achieved: The objective was to achieve a cumulative total of 15 CFIs using the Banking Platform. This number has not been achieved. The Mzansi CFI however consist of seven districts which translate into a training and system support equal to a single CFI per district.

Number of CFI's integrated into the National Payment System

Not Achieved: This indicator had not been achieved due to the protracted SCM process. The appointment of a Banking Partner is in the final stages and the award of the tender NT013-1-2017 is likely to be made early in the 2018-2019 Financial year. The Bid adjudication committee recommended the BID to be award to the winning bidder which will be announced on completion of the SCM process. The protracted procurement process created delays in the introduction of a Debit Card Product integrated into the National Payment System.

PART B: PERFORMANCE INFORMATION

4. PERFORMANCE INFORMATION BY PROGRAMME

Number of reports provided for CFIs to support operational, financial and regulatory reporting

A total of sixteen reports are provided to CFIs:

ID	REPORT NAME	REPORT FREQUENCY	MANUAL/ AUTOMATED	SYSTEM (SOURCE)
001	CFI Trial Balance (Extract)	Monthly	Manual	Pastel
002	CFI Statement of Comprehensive Income (Extract)	Monthly	Manual	Pastel
003	CFI Statement of Financial Position (Extract)	Monthly	Manual	Pastel
004	CFI Per Product Total	Monthly	Manual	Banking System MIS
005	CFI Information Completeness	Monthly	Manual	Banking System MIS
006	Mandatory Shares CFI (Client Balances)	Monthly	Manual	Banking System MIS
007	Member Account Statements	Monthly	Automated	Banking System MIS
008	CFI Summary Analysis (Product Totals)	Monthly	Manual	Banking System MIS
009	Daily Cash Management	Daily	Automated	Banking System
010	Loan Delinquency	Monthly	Automated	Banking System
011	CFI Demographics	Quarterly	Manual	Banking System MIS
012	CFI Demographics Graphical Depiction	Quarterly	Manual	Banking System MIS
013	CFI Age Analysis	Quarterly	Manual	Banking System MIS
014	CFI Age Analysis Graphical Depiction	Quarterly	Manual	Banking System MIS
015	Audit File	Monthly	Manual	CFI Records
016	CFI Transacting History	Monthly	Manual	Banking System

Over Achieved: The needs of the CFIs were analysed and 16 reports were provided to CFIs to support operational, financial and regulatory reporting.

Strategy to overcome areas of under performance

The Central Support Services skills level has grown and lessons learnt have enabled the unit to on-board CFIs quicker, with improved accuracy. The project approach evolved from a system implementation to a Business transformation approach. It is, however, noted that the early challenges around the integration with the NPS early on precluded the targets being met.

PART B: PERFORMANCE INFORMATION

4. PERFORMANCE INFORMATION BY PROGRAMME

4.4 LINKING PERFORMANCE WITH BUDGETS

Programme	2017/2018			2016/2017		
	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Corporate Services	6 078	8 960	(2 882)	5 345	7 881	(2 536)
Supervision	5 617	5 700	(83)	5 176	4 706	470
Capacity Building	7 929	13 976	(6 047)	6 196	13 002	(6 806)
Central Support Services	18 935	7 718	11 217	18 938	6 767	12 171
Sub Total	38 559	36 354	2 205	35 655	32 356	3 299
Add:						
Capital Expenditure	356	295	61	300	334	(34)
Interest capitalised	100	130	(30)	64	120	(56)
Total	39 015	36 779	2 236	36 019	32 810	3 209

CORPORATE SERVICES

The 20% non-achievement of the performance target relates to the number of MOUs (revised/existing) with stakeholders. The non-achievement is attributed towards insufficient personnel capacity to carry out this function due to the lengthy proposal process. Other challenges include change of heads of department in institutions and stakeholder conditions that are not aligned to CBDA strategy resulting in the limited personnel capacity resources being redirected away from CBDA operations.

The 47% over expenditure relates to audit fees, governance costs and the National Treasury providing service in kind in the form of office space and other facilities. The audit fees was under budgeted for due to funding constraints in terms of the Public Audit Act Section 23 (6). The section states "audit fee exceeds one percent of the total current and capital expenditure of such auditee for the relevant financial year, such excess must be defrayed from the National Treasury's vote, provided that the National Treasury is of the view that the auditee has financial difficulty to settle the cost." The request to the National Treasury was approved for R400,000 which covered the excess cost.

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4. PERFORMANCE INFORMATION BY PROGRAMME

The governance cost relates to cost not budgeted for the chairperson due to him being employee of the state. During the financial year the chairperson relinquished his position as a government official therefore resulting in remunerating for his services.

SUPERVISION

The unit over achieved its performance targets. This was a result of improved efficiency and the decision by management to conduct joint CFI verification exercise resulting in the increase of number of onsite examination conducted.

The 1% over expenditure is attributed towards conducting the regulatory and supervisory impact assessment and CFI verification exercise.

CAPACITY BUILDING

The unit under achieved two and over achieved three of its five performance targets. The under achieved is based on CFIs being registered and supported thereafter. The unit is not in control of the outcome that it is measured by. The outcome is dependent on the supervisor of the CFIs to register and only then can the unit support newly registered CFIs. The over achievement relates to the demand for financial and compliance management.

The 76% over expenditure related to funds received from stakeholders for capacity building initiatives and programmes. (Training on risk, compliance, marketing and audit and assisted with establishment and launch of the Mzansi Rural Arts and Craft CFI). The unit maximised on funds by grouping training rather than per CFI.

CENTRAL SUPPORT SERVICES

The unit under achieved by three and over achieved by one of its four performance targets. The under achievement is attributed to CFIs non readiness to on-board the banking system, complexities of the sector and the solution to meet the services required by the sector.

The 59% under spending is attributed to stakeholders funds which this unit is solely dependent on. The quality of CFI information and complexity of the banking system require sufficient resources to resolve the challenges encountered which resulted in the unit prioritising activities that need to be conducted.

PART B: PERFORMANCE INFORMATION

4. PERFORMANCE INFORMATION BY PROGRAMME

4.5. REVENUE COLLECTION

Sources of revenue	2017/2018			2016/2017		
	Estimate	Actual Amount Collected	(Over)/Under Collection	Estimate	Actual Amount Collected	(Over)/Under Collection
	R'000	R'000	R'000	R'000	R'000	R'000
Transfers	19 275	19 275	-	16 472	16 472	-
Grant income	19 221	9 789	9 432	18 408	14 233	4 175
Service in kind	-	2 461	(2 461)	-	1 792	(1 792)
Services rendered	7	13	(6)	5	12	(7)
Interest income	512	807	(295)	635	1 141	(506)
Other income	-	601	(601)	500	300	200
Total	39 015	32 946	6 069	36 020	33 950	2 070

The primary source of revenue is transfers from National Treasury. In the 2015/16 financial year the country experience fiscal pressure which resulted in a decrease in transfer. The transfers for 2017/18 is the projected medium term amount which is insufficient to achieve CBDA's strategic mandate.

Grant funds are additional funding sourced from different stakeholders to supplement the transfer funds. In the 2017/18 financial year grant funds was solely sourced for the Central Support Service whose strategic objective is to enhance the CFIs operational capabilities by integration into the National Payment System by using a robust banking platform. The decrease in grant funds is attributed to challenges of the lengthy submission and proposal process to obtain funding; change of heads of department in institutions resulting in agreement being delayed and agreement not in line with CBDS strategic objective.

Service in kind is provided by National Treasury for office space and other facilities.

Services rendered is constant over the financial year with new registrations and annual renewals fees.

The decrease in interest income is due to utilising funds invested in the Corporation for Public Deposits for expenditure incurred for the banking system and Central Support Services unit.

Other income increased due to a request to National Treasury for additional funds relating to the high audit fees cost charged by the Auditor-General. It includes contributions from CFIs towards the banking platform project.



PART C: GOVERNANCE

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REPORT



PART C: GOVERNANCE

1. INTRODUCTION

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

2. PORTFOLIO COMMITTEES

Sector developments: CBDA was invited to parliament to brief the Portfolio Committee on Small Business Development on its work.

3. EXECUTIVE AUTHORITY

For the period under review, and in terms of the PFMA and Treasury Regulations, the CBDA has submitted to the executive authority its strategic and annual performance plans for 2018/19, quarterly reports for 2017/18, and the annual report and financial statements for 2016/17.

4. THE ACCOUNTING AUTHORITY / BOARD

INTRODUCTION

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

Mr Desmond Golding was appointed by the Minister of Finance as the chairperson of the board. Mr J Ndumo was appointed as the deputy chairperson of the board. Mr T Nevondwe, Mr D Ginsburg, Ms V Matsiliza and Ms P Masemola term of office ended 31 March 2018. The Minister re-appointed Ms G Raine and appointed Ms P Ncapayi as board members.

THE ROLE OF THE BOARD IS AS FOLLOWS:

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

BOARD CHARTER

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

PART C: GOVERNANCE

4. THE ACCOUNTING AUTHORITY / BOARD

COMPOSITION OF THE BOARD

Name	Designation (in terms of the Public Entity Board structure)	Date appointed	Date resigned	Qualifications	Area of Expertise	Board Directorships (List the entities)	Other Committees or Task Teams (e.g: Audit committee / Ministerial task team)	No. of Meetings attended
Mr Desmond Golding	Chairperson	1 October 2017		LLM Banking MA International Relations Finance for Senior Executives Postgraduate Dipl. Macroeconomics	Banking, Macroeconomics, International Relations			4/6

PART C: GOVERNANCE

4. THE ACCOUNTING AUTHORITY / BOARD

COMPOSITION OF THE BOARD

Name	Designation (in terms of the Public Entity Board structure)	Date appointed	Date resigned	Qualifications	Area of Expertise	Board Directorships (List the entities)	Other Committees or Task Teams (e.g: Audit committee / Ministerial task team)	No. of Meetings attended
Mr Jeffrey Ndlumo	Deputy Chairperson	1 November 2015		MA International Relations and Political Studies BA (Hons) International Relations and Political Studies Certificate in Finance (in progress) Executive Course in Globalisation and Environment; Labour Economics and Market Policy; Public Financial Management for Non- financial Managers; Co-operative Policy and Legislation; Social and Solidarity Economy	Politics; International Relations; Labour Economics and Market Policy	Chairperson of the Stabilization Committee of the Co- operative Banks Development Agency		4/6

PART C: GOVERNANCE

4. THE ACCOUNTING AUTHORITY / BOARD

COMPOSITION OF THE BOARD

Name	Designation (in terms of the Public Entity Board structure)	Date appointed	Date resigned	Qualifications	Area of Expertise	Board Directorships (List the entities)	Other Committees or Task Teams (e.g: Audit committee / Ministerial task team)	No. of Meetings attended
Ms Gillian Raine	Member	1 December 2016		BA BA (Hons)(cum laude) (Economics, Statistics and Mathematics MA IIMP Fellow of the Institute of Financial Markets FAIS	Senior Policy Advisor, Association of Savings and Investment SA, Structured funding, Syndicated and bilateral loans, Risk Management, UAL Bond Trading, Economist, Credit pricing models	General Diversified Investment Portfolio – no strategic interests Non-executive directorship Aluwani		3/6
Mr David Ginsburg	Member	1 September 2013		MA BA (Hons)		N/A	CBDA HR&R committee	5/6

PART C: GOVERNANCE

4. THE ACCOUNTING AUTHORITY / BOARD

COMPOSITION OF THE BOARD

Name	Designation (in terms of the Public Entity Board structure)	Date appointed	Date resigned	Qualifications	Area of Expertise	Board Directorships (List the entities)	Other Committees or Task Teams (e.g: Audit committee / Ministerial task team)	No. of Meetings attended
Ms Vuyelwa Matsiliza	Member	1 November 2015		MA Business Leadership BA (Hons) Economics (cum laude)	Economist	MTNZakhele Vodacom Telkom Sasol Inzalo Non-executive directorship; Export Credit Insurance Dormant LKV catering Home Services; Africa Edaz		0/6

PART C: GOVERNANCE

4. THE ACCOUNTING AUTHORITY / BOARD

COMPOSITION OF THE BOARD

Name	Designation (in terms of the Public Entity Board structure)	Date appointed	Date resigned	Qualifications	Area of Expertise	Board Directorships (List the entities)	Other Committees or Task Teams (e.g: Audit committee / Ministerial task team)	No. of Meetings attended
Ms Ria de Vos	Member	1 January 2018		BA Degree BA (Hons) MA Degree Higher Diploma in Education Diploma in Public Management	Development and management of policy and settlement support; Coordinate support to the Regional Land Claims Offices; Develop policy and procedures and check policy compliance; Provide training with regard to policy and procedures and conduct policy and settlement support discussion Forums; Implement training on			1/2

PART C: GOVERNANCE

4. THE ACCOUNTING AUTHORITY / BOARD

COMPOSITION OF THE BOARD

Name	Designation (in terms of the Public Entity Board structure)	Date appointed	Date resigned	Qualifications	Area of Expertise	Board Directorships (List the entities)	Other Committees or Task Teams (e.g: Audit committee / Ministerial task team)	No. of Meetings attended
					research and skills development for restitution staff; Coordination and management of Presidential, Parliamentary, Ministerial enquiries			

PART C: GOVERNANCE

4. THE ACCOUNTING AUTHORITY / BOARD

COMPOSITION OF THE BOARD

Name	Designation (in terms of the Public Entity Board structure)	Date appointed	Date resigned	Qualifications	Area of Expertise	Board Directorships (List the entities)	Other Committees or Task Teams (e.g: Audit committee / Ministerial task team)	No. of Meetings attended
Adv Lufuno Tokyo Nevondwe	Member	1 October 2013		LLD (in progress) LLM (Law) LLB Advocate of the High Court of South Africa Certificates in Ombudsman Training; Public- Private Partnership; National Business Initiative; Professional Training (Attorneys' Practice) Leadership Management and Training; Southern African Student volunteers(SASVO); Legal Drafting; Transaction Advisors' Training	Employee Benefits Law/Pension Law, Labour Law, Criminal Law, Commercial Law, Law of Delict, Administrative Law, Prison Law and Constitutional Law, Transforming of the economic landscape Governance & Risk management,	Audit Committee Member, Parliament of the Republic of South Africa (2015 to date) Alternate Member Limpopo Consumer Affairs Court, 1st February 2012 to 31st March 2016.		6/6

PART C: GOVERNANCE

4. THE ACCOUNTING AUTHORITY / BOARD

COMPOSITION OF THE BOARD

Name	Designation (in terms of the Public Entity Board structure)	Date appointed	Date resigned	Qualifications	Area of Expertise	Board Directorships (List the entities)	Other Committees or Task Teams (e.g: Audit committee / Ministerial task team)	No. of Meetings attended
Ms Pumla Ncapayi	Member	1 November 2017		MBA Diploma in Trade Law & Policy Post Graduate Diploma in (Bus M) BCom (Economics, Bus M)	Project Management Integrated Economic Development Services; Trade and Sector Development Business Regulation & Governance Economic Planning; Tourism Development Environmental Managements,	HR&R committee CBDA; Executive Board, the dti; Audit Committee the dti; Export Credit Insurance Corporation of South Africa ; Brand SA	N/A	2/3

PART C: GOVERNANCE

4. THE ACCOUNTING AUTHORITY / BOARD

COMPOSITION OF THE BOARD

Name	Designation (in terms of the Public Entity Board structure)	Date appointed	Date resigned	Qualifications	Area of Expertise	Board Directorships (List the entities)	Other Committees or Task Teams (e.g: Audit committee / Ministerial task team)	No. of Meetings attended
Adv Lufuno Tokyo Nevondwe	Member	1 October 2013		LLD (in progress) LLM (Law) LLB Advocate of the High Court of South Africa Certificates in Ombudsman Training; Public- Private Partnership; National Business Initiative; Professional Training (Attorneys' Practice) Leadership Management and Training; Southern African Student volunteers(SASVO); Legal Drafting; Transaction Advisors' Training	Employee Benefits Law/Pension Law, Labour Law, Criminal Law, Commercial Law, Law of Delict, Administrative Law, Prison Law and Constitutional Law, Transforming of the economic landscape Governance & Risk management,	Audit Committee Member, Parliament of the Republic of South Africa (2015 to date) Alternate Member Limpopo Consumer Affairs Court, 1st February 2012 to 31st March 2016.		6/6

PART C: GOVERNANCE

4. THE ACCOUNTING AUTHORITY / BOARD

COMPOSITION OF THE BOARD

Name	Designation (in terms of the Public Entity Board structure)	Date appointed	Date resigned	Qualifications	Area of Expertise	Board Directorships (List the entities)	Other Committees or Task Teams (e.g: Audit committee / Ministerial task team)	No. of Meetings attended
Ms Petunia Masemola	Member	1 December 2016		Bcom (Accounting Sciences) Bcom (Hons) / CTA Executive MBA	Accounting and Reporting; Strategic and Operational Planning; Systems and Internal Controls Budget and Forecasting Processes; Internal Audit; Compliance with the applicable legislation such as Banks Act; Basel and IFRS;	Deputy Chairperson of the Stabilization Committee of the Co-operative Banks Development Agency		5/6

PART C: GOVERNANCE

4. THE ACCOUNTING AUTHORITY / BOARD

COMPOSITION OF THE BOARD

Name	Designation (in terms of the Public Entity Board structure)	Date appointed	Date resigned	Qualifications	Area of Expertise	Board Directorships (List the entities)	Other Committees or Task Teams (e.g: Audit committee / Ministerial task team)	No. of Meetings attended
Ms Olatse Matshane	Managing Director	1 October 2013; Managing Director as from May 2012		MSc Economics BCom (Hons) Economics Certificates in Taxation; Advanced Project Management	Economics, Taxation, Project Management Co-operative Banking			4/6
Minister's Representative								
Mr Roy Havemann Chief Director: Financial Markets and Stability	Minister's Representative	1 May 2016		BComm Hons, MComm, MSc. (Economics)	Financial markets regulation, financial stability, banking	N/A	N/A	3/6

*Ms S Jozana's term ended when she resigned from her position at the department of Rural Development and Land Reform, Mrs R de Vos was appointed 1 January 2018 as her replacement.
Ms P Ncapayi was appointed as a new board member in November 2017.*

Ms P Masemola, Ms D Ginsburg, Ms V Matsiliza and Mr T Nevondwe's term ended 31 March 2018. Mr J Ndumo and Ms G Raine's were re-appointed by the Minister.

PART C: GOVERNANCE

4. THE ACCOUNTING AUTHORITY / BOARD

SUBCOMMITTEES

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

Committee	No. of meetings held	No. of members	Name of members
Stabilization Committee	3	9	Mr J Ndumo (Chairperson) (DSBD) Ms P Masemola (Deputy Chairperson) Ms O Matshane (MD) Mr M Zama (SARB) Mr N Mangoyi (NT) Mr Rector Rapoo (CIPC) Mr A Dirks (SEFA) Ms Z July (Independent Sector Representative) Resigned Mr A Soma (Independent Sector Representative) Resigned
Audit Committee	5	6	Ms O Matloa(Chairperson) Mr L Mangquku(Member) Mr C de Kock (Member) Mr B Furstenburg(Member) Ms A Badimo(Member) Mr A Amod(Member)
Risk Committee	4	9	Mr L Mangquku(Chairperson) Ms Olaotse Matshane (CBDA) Ms L Padayachee (CBDA) Mr L Giba (NT CRO) Mr S Malatsi (NT ERM) Mt J Phago (NT ICT) Mr P Mathobo (NT ERM) Ms K Gutshwa (NT ERM) Mr L Seperepere (NT CAE)

PART C: GOVERNANCE

4. THE ACCOUNTING AUTHORITY / BOARD

Committee	No. of meetings held	No. of members	Name of members
Banking Platform Steering Committee	4	13	Ms Olaotse Matshane (Chairperson) Ms Nomadelo Sauli(CBDA) Mr David De Jong(CBDA) Mr Kobus Van Niekerk(CBDA) Mr Alan Pugh-Jones(Consultant, CBDA) Mr Edward Leach(Member) Dr Tshegofatso Gape(Member) Mr Thanda Madlala(Member) Mr Jacob Gumbo(Member) Mr Evans Maphenduka(Member) Mr Siphon Marala(Member) Mr Papi Maloka (NT) Mr Thabang Mothoa(NT)
Human Resource and Remuneration Committee	3	5	Adv. Lufuno Tokyo Nevondwe(Member) Mr David Ginsburg(COB) Ms Pumala Ncapayi Ms Olaotse Matshane(MD)

REMUNERATION OF BOARD MEMBERS

Board members are remunerated at rates determined by the National Treasury, in terms of service benefit packages for office-bearers of certain statutory and other institutions. Employees of national, provincial and local government, or agencies and entities of government serving on public entities or institutions, are not entitled to additional remuneration. The remuneration of board members is shown in Note 23 of the annual financial statements (AFS).

5. RISK MANAGEMENT

The Board has assigned oversight of the CBDA risk management process to the Audit committee. The oversight of risk management are performed by the Risk committee which reports to the Audit committee through the Chairperson of the Risk committee.

The CBDA signed a service level agreement with the Enterprise Risk Management (ERM) unit of National Treasury to provide enterprise wide risk management services due to capacity constraints. The ERM unit performed the risk assessment for year 2017/18, prepared governance documents (Risk management policy and strategy, anti-corruption policy and plan and ERM three year and annual plan) and assisted management to review quarterly the risk register to identify and monitor any emerging risk.

6. INTERNAL AUDIT

Internal audit provides assurance that the Board maintains an effective and efficient internal control environment. The responsibility for the systems of internal financial and operational control rest with the Board and has been delegated to the Audit Committee. Internal audit is responsible for evaluating the CBDA's controls in determining its effectiveness, efficiency and economy. Internal audit is also responsible for improving and enhancing existing control and where appropriate, developing new recommendation. The CBDA makes use of the services of the Internal Audit unit of the National Treasury.

KEY ACTIVITIES AND OBJECTIVES OF THE INTERNAL AUDIT

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

1. Achieving the objectives of the institution, by evaluating and developing recommendations for the enhancement or improvement of the governance processes through which:
 - (a) objectives and values are established and communicated;
 - (b) the accomplishment of CBDA performance goals are monitored;
 - (c) accountability is ensured; and
 - (d) corporate values are preserved.

2. Maintaining efficient and effective controls by evaluating those controls, to determine their effectiveness and efficiency and by developing recommendations for enhancement or improvement. The controls subject to evaluation should encompass the following:
 - (a) the reliability and integrity of financial and operational information;
 - (b) the effectiveness of operations;
 - (c) safeguarding of assets; and
 - (d) compliance with laws, regulations and controls.

PART C: GOVERNANCE

6. INTERNAL AUDIT

AUDIT CONDUCTED DURING THE FINANCIAL YEAR.

The following internal audit report was presented to the Audit committee for the period under review:

- Audit on performance information
- Review of CFI capacity building processes
- Review of corporate governance processes
- The results of the report required management to implement an action plan to address the internal control deficiencies which is monitored quarterly on the finding register.

7. AUDIT COMMITTEE

The Audit Committee is independent and fulfils a vital role in corporate governance by, among others, ensuring the integrity of reporting, internal financial controls and the management of risk. Due to the size and nature of the CBDA, it shares the National Treasury's audit and risk committees. National Treasury remunerates the members of the audit and risk committees.

KEY ACTIVITIES AND OBJECTIVES OF THE AUDIT COMMITTEE

The Audit Committee effectively communicate and oversee the processes, models and frameworks for managing risk across the CBDA in order to:

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

The table below discloses relevant information on the audit committee members

PART C: GOVERNANCE

7. AUDIT COMMITTEE

Name	Qualifications	Internal or External	If internal, position in the public entity	Date appointed
Ms O Matloa	B.Com degree Honors and CTA CA (SA)	External	Chairperson	1 March 2016
Mr B Furstenburg	Master of Science (MSc) – financial management University of London, UK 2006 Master of Commerce (MCom) – economics University of Witwatersrand 1999 B Com Hons (1997) and B Com (1996) University of the Witwatersrand (WITS) FAIS exams: RE1, RE3 & RE5 (representative and Key Individual)	External	Member	1 June 2016

PART C: GOVERNANCE

7. AUDIT COMMITTEE

Name	Qualifications	Internal or External	If internal, position in the public entity	Date appointed
Ms A Badimo	<p>B.Sc. (Computer Science), University of the Witwatersrand, 92% Maths 1J1. B.Sc. Hons (Computer Science), University of the Witwatersrand. Cobol Programming Diploma, Van Zyl and Pritchards and Computers Users Council (CUC). M.Sc Applied Science (Electrical Engineering), University of Cape Town. Project Management Diploma, Newport University (Executive Education SA). MBA, University of Wales, Dissertation cum laude. Internet Governance, Diplomacy Foundation, Geneva, Switzerland, Top Ten. PhD Computer Science (Bioinformatics), University of the Witwatersrand, (Feb. 2003 –). Not submitted Dissertation. EuroPKI Workshop 2007, organised by Departament de Ciències Matemàtiques i Informàtica, Universitat de les Illes Balears, Mallorca, Spain. EuroCrypt 2009, organised by the Horst Görtz Institute for IT-Security at the Ruhr-Universität, Faculty of Mathematics, Bochum, Germany. Crypto Security Training, South African Communications Security Agency (SACSA), 2007/2008, 98.9%, Top Student. CISM (Certified Information Security Manager), Information Systems Audit and Control Association (ISACA), Illinois, USA. Wrote exams in June 2008 and passed. Certified in April 2014. CGEIT (Certification in the Governance of the Enterprise IT), Information Systems Audit and Control Association (ISACA), Illinois, USA. Wrote exams in June 2011 and passed. CISA (Certified Information Systems Auditor), Wrote exams and passed in Dec 2010 exams, Information Systems Audit and Control Association (ISACA), Illinois, USA. Wrote exams in Dec 2012 and passed. CRISC (Certified in Risk and Information Systems Control), Information Systems Audit and Control Association (ISACA), Illinois, USA. HAVARD MENTOR PROGRAMME (Business Case Development and Budgeting module; 81.5% average), Black Management Forum, 2014.</p>	External	Member	1 July 2015

PART C: GOVERNANCE

7. AUDIT COMMITTEE

Name	Qualifications	Internal or External	If internal, position in the public entity	Date appointed
Mr A Amod	Masters in Business Administration (MBA), Bachelor of Commerce Degree (B.Com), Certificate of Internal Audit (CGAP), Certification in Risk Management Assurance (CRMA),	External	Member	1 July 2016
Mr L M Mangquku	B-Compt Degree, Bachelor of Accounting Science, CA (SA) Masters in Business Leadership, Bachelor of Commerce, Advanced Company Law I & II	External	Member	1 July 2015
Mr C de Kock	SAIPA – South African Institute of Professional Accountants, Masters degree in IT Auditing, Honours degree in Accounting, Certified Information Systems Auditor (CISA) – global certification, Certified Internal Auditor(CIA) – global certification	External	Member	1 February 2017

PART C: GOVERNANCE

8. COMPLIANCE WITH LAWS AND REGULATIONS

As a growing and developing agency, the CBDA implements various action plans to improve its policies, systems and procedures, and to ensure compliance with the relevant laws and regulations. A Policy Register enables the CBDA to identify policies and procedures to be reviewed and updated annually. A compliance checklist have been put in place to ensure compliance with statutory requirements.

9. FRAUD AND CORRUPTION

The CBDA, have a fraud policy which complies with the National Treasury fraud prevention plan. Due to the size of the CBDA the National Treasury ERM unit assist with complies to National Treasury policy and procedure. The CBDA uses the National Anti-corruption Hotline for whistle-blowers to report fraud and corruption. The agency exercises a zero tolerance policy against fraud, and appropriate action will be taken in line with the policy.

CBDA employees are invited to attend events and workshops held by the National Treasury to communicate the plan and to emphasise the importance of reporting fraud and corruption.

On 9 December 2017, the National Treasury commemorates International Anti-Corruption Day with the theme: "United against corruption for development, peace and security".

10. MINIMISING CONFLICT OF INTEREST

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

11. CODE OF CONDUCT

The board has approved a Code of Business Conduct for the CBDA, which all employees are required to sign upon appointment within the Agency. The CBDA expects all employees to live the values of the CBDA of passion, integrity, respect, commitment, excellence and confidentiality. Any violations of the Code are reported to the Managing Director.

12. HEALTH, SAFETY AND ENVIRONMENTAL ISSUES

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

PART C: GOVERNANCE

13. COMPANY /BOARD SECRETARY (IF APPLICABLE)

This position is currently vacant due to funding constraints.

14. SOCIAL RESPONSIBILITY

The CBDA is financed indirectly by taxes, through a transfer payment from National Treasury. As a principle it makes no donations or contributions for social responsibility.

The staff of CBDA in their personal capacity have opened a Charity Club Fund into which they make monthly contributions towards selected charitable drives, in order to make a change in their communities.

15. AUDIT COMMITTEE REPORT

We hereby present our report for the financial year ended 31 March 2018.

BACKGROUND

The Audit and Risk Committee (the Committee) is established as a statutory committee in terms of section 51 (1) (a) of the Public Finance Management Act and Treasury Regulation 27.1.

The Committee has adopted formal terms of reference as its audit committee charter and has complied with its responsibilities for the year, in compliance with its terms of reference.

PART C: GOVERNANCE

15. AUDIT COMMITTEE REPORT

MEMBERSHIP AND ATTENDANCE

The Committee consists solely of independent members who are financially literate and have the appropriate experience. The Committee met 5 times during the year.

The following is a list of its members, qualifications and a record of their attendance:

Name of member	Qualifications	Appointment Date	Number of meetings attended
Ms Octavia Matloa (Chairperson)	Chartered Accountant (SA), B.Com (Hons) and CTA.	1 July 2013	5 of 5
Ms Anna Badimo	B.Sc Computer Science B.Sc Hons Computer Science Master in Business Administration, Master of Science, CISM (Certified Information Security Manager), CGEIT (Certified in the Governance of Enterprise IT), CRISC(Certified in Risk and Information Systems Control), Cobol Programming Diploma, Project Management Diploma, Cert. IT Auditing, F. Inst D (IoDSA), COBIT 5.	1 July 2015	4 of 5
Mr Ameen Amod	Master in Business Administration, Bachelor of Commerce, Certificate in Internal Audit (CIA), Certified Government Auditing Professional Auditor and Certification in Risk Management Assurance, Chartered Director (SA)	1 July 2015*	4 of 5
Mr Brandon Furstenburg	Master of Science (MSc) in Financial Management, Master of Commerce (MCom) in Economics, BCom Hons, BCom and FAIS exams: RE1, RE3 & RE5. M.InstD	1 June 2016	5 of 5
Mr. Charl de Kock	Masters in IT Auditing, Honours degree in Accounting, Certified Information Systems Auditor (CISA), Certified Internal Auditor (CIA), South African Institute of Professional Accountants (SAIPA)	1 February 2017	5 of 5
Mr Luyanda Mangquku	Chartered Accountant (SA), Masters in Business Leadership, Honours Bachelor of Accounting and Honours Bachelor of Commerce, Advanced Company Law I & II	1 July 2015*	5 of 5

* Contracts expired on 30 June 2018.

PART C: GOVERNANCE

15. AUDIT COMMITTEE REPORT

THE AUDIT COMMITTEE'S RESPONSIBILITIES

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

Assist the Accounting Authority in discharging his duties relating to the safeguarding of assets, the operation of adequate systems, control and reporting processes, and the preparation of accurate reporting and financial statements in compliance with the applicable legal requirements and accounting standards;

- Oversee the activities of, and to ensure coordination between, the activities of internal and external audit;
- Provide a forum for discussing financial, enterprise-wide, regulatory and other risks and control issues; and to monitor controls designed to minimise these risks;
- Review the entity's quarterly performance information, annual report, including annual performance information and annual financial statements, and any other public reports or announcements containing financial & non-financial information;
- Receive and deal with any complaints concerning the accounting practices, internal and external audit or the content and audit of its financial statements or related matters; and
- Annually review the committee's work and charter to make recommendations to the Accounting Authority to ensure its effectiveness.

RISK MANAGEMENT

Management is responsible for the establishment and maintenance of an effective system of governance, risk management, the prevention and detection of fraud and internal controls.

Internal Audit was guided by the consolidated risk profile, provided by the Enterprise Risk Management unit, critical audit areas and managements inputs in the formulation of its 3 year strategic and annual plans.

Due to a number of internal challenges which are in the process of being addressed, the Risk Committee met 4 times during the year under review.

A risk register is updated annually to ensure that all the major risks including emerging risks facing the entity are effectively managed.

INTERNAL AUDIT

The Committee approved a risk based 3 year rolling Strategic Plan and an Annual Internal Audit Coverage Plan for periods 1 April 2017 to 31 March 2020 covering the following key audit activities for the 2017/2018 financial year:

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

PART C: GOVERNANCE

15. AUDIT COMMITTEE REPORT

Type	Total Planned Audits	% Completed
Ad-hoc Audits	0	N/A
Total	7	

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

- With the activities of the internal audit function, including its annual work program, co-ordination with the external auditors, the reports of significant investigations and the responses of management to specific recommendations.
- That internal audit is conducted in accordance with the standards set by the Institute of Internal Auditors.

ACCOUNTING AND AUDITING CONCERNS IDENTIFIED BY INTERNAL AUDIT

- **The Committee noted:**
 - The reported material misstatements, management's acceptance and amendment of the submitted annual financial statements.
 - The Auditor General's reported performance information for Programme 2: Supervision, Programme 3: Capacity Building and Programme 4: Central Support Services as useful and reliable, in accordance with the applicable criteria as developed from the performance management and reporting framework.
- The Committee is of the opinion, based on the information and explanations provided by management as well as the results of audits performed by the Auditor-General, that the financial and performance information provided by management to users of such information is adequate, reliable and accurate.

OTHER IDENTIFIED CONCERNS

- **The Committee hereby highlights:**
- The continuing financial constraints that limits the organization's ability to deliver on its mandate.
- The migration of the Supervision Unit to the Reserve Bank and the continued uncertainty regarding the future of the organization.

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

The Committee believes Internal Audit is independent, has provided objective assurance and consulting activities that were designed to add value and improve the organisation's operations; and it is satisfied with the effectiveness of the Chief Audit Executive.

PART C: GOVERNANCE

15. AUDIT COMMITTEE REPORT

THE ADEQUACY, RELIABILITY AND ACCURACY OF THE FINANCIAL INFORMATION

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

EXTERNAL AUDIT

- The Committee has reviewed the independence and objectivity of the Auditor-General; and noted that there were no non-audit services rendered by them during the year.
- In line with the legislative requirements the Committee has also considered the Auditor-General's independence declaration in the auditors' report, "I am independent of the public entity in accordance with the International Ethics Standards Board for Accountants' Code of ethics for professional accountants (IESBA code) and the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code". The Committee is therefore satisfied with their independence.
- The Auditor-General attended 5 meetings of the Committee and we are satisfied that there are no unresolved issues of concern.
- The Committee reviewed and approved the external audit report and several accounting and auditing concerns were noted.
- The Committee has reported major concerns relating to the entity to the Accounting Officer, Accounting Authority, Executive Authority and the Auditor-General.

THE EFFECTIVENESS OF INTERNAL CONTROLS

The Committee considered all the reports issued by the various assurance providers e.g. Internal and External auditors, etc.

Noted managements' actions in addressing identified control weaknesses and is satisfied with the following achievements reported during the year:

Assurance Provider	Total Findings	Resolved Findings	Unresolved Findings
Internal Audit	52	42	10
External Audit	24	15	9

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

15. AUDIT COMMITTEE REPORT

THE INSTITUTION'S COMPLIANCE WITH LEGAL AND REGULATORY PROVISIONS

- The Committee has reviewed the in-year management and quarterly reports submitted in terms of the Public Finance and Management Act and the Division of Revenue Act.
- The Committee also noted managements' policies and procedures to ensure compliance with applicable laws and regulations.
- The Auditor- General has reported the following material findings on compliance with selected specific requirements of applicable legislation, as set out in the general notice issued in terms of the Public Audit Act:
 - Financial statements were submitted for auditing within two months after the end of financial year, as required by section 55(1)(c)(i) of the PFMA. However, the submitted financial statements were not signed by the accounting authority, as the board was not properly constituted.
 - Expenditure management - effective steps were not taken to prevent irregular expenditure, as required by section 51(1) (b) of the PFMA.

EVALUATION OF FINANCIAL STATEMENTS AND ANNUAL REPORT

The Committee has evaluated the annual financial statements and performance information for the year ended 31 March 2018 and duly recommended these for the Accounting Authority's approval prior to being submitted to the Auditor General for audit.

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

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



Octavia M. Matloa

Chairperson

Date: 31 July 2018



PART D: HUMAN RESOURCE MANAGEMENT

2018
ANNUAL
REPORT



PART D: HUMAN RESOURCE MANAGEMENT

1. INTRODUCTION

A. OVERVIEW OF HR MATTERS AT THE PUBLIC ENTITY

The Human Resources (HR) report summarises the employment - related activities of the CBDA from 1 April 2017 to March 2018.

HUMAN RESOURCES RESPONSIBILITIES INCLUDE:

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

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

The HR-related policies that were reviewed and approved by the CBDA Board related to the Bursary scheme; Cellular phone wireless access solution; Code of business ethics; Disciplinary code and grievance procedures; Funeral benefit; Internship; Leave benefit; Performance management; Recruitment and retention; Recruitment and selection; Relocation; Working hours policy and Job evaluation.

IN THE PERIOD UNDER REVIEW, THE CBDA MADE 2 NEW APPOINTMENTS TO FILL THE POSITIONS IN THE:

Corporate Services Unit: Appointment of 2 SSACI Interns to the positions of Intern HR Administrator and Intern Finance Bookkeeper.

There was 1 end of contract- Programme Administrator from Central Support Services and 2 resignations relating 1 CFI Support Agent from Central Support Services and 1 Personal Assistance to the Managing Director from Corporate Services.

C. EMPLOYEE PERFORMANCE MANAGEMENT FRAMEWORK

The Normalisation Committee finalised the 2016/17 performance assessments at its meeting in November 2017. The HR&R Committee recommended performance bonuses, which the CBDA Board approved.

D. EMPLOYEE WELLNESS PROGRAMMES

Employee wellness is an integral part of the HR function, as it not only promotes healthy living but also enables CBDA staff members access to guidance on work-life balance, debt counselling and substance abuse. 4 employees were referred for counselling through Siyaphila, the National Treasury's wellness programme. With limited budget, the CBDA relies on National Treasury to offer these services.

PART D: HUMAN RESOURCE MANAGEMENT

1. INTRODUCTION

E. SKILLS DEVELOPMENT AND TRAINING

Through personal development plans, the CBDA funded 4 employees with bursary with regard to training in a programme in Human Resources Management, Masters in Business Administration, Post graduate Diploma in Public Policy, Management and Development and Post graduate Diploma in Banking.

In-house training was done by the SARB Academy on Basic of Financial Risk, Fintech and Visual Modelling Programme. Leadership Development and Coaching to Middle managers through Mzantsi continued in this financial year.

F. SOCIAL EVENTS

The CBDA celebrated a range of social events that were organised by the CBDA Social Event Committee which is self-funded by employees (monthly contribution by staff members). To celebrate Mandela day, CBDA staff went to Nthuthuko Stimulation Centre in Soshanguve, a home for disabled and mentally challenged children and provided the Centre with groceries, bed mattresses and assisted with gardening. In December, a year-end function was held in at Adrenalin-X Lynnwood Pretoria.

G. FUTURE HR PLANS AND GOALS

To ensure continuous achievement of the CBDA objectives, HR will focus on priorities identified in the HR Plan. These include execution of employee benefits such as Group Life/Pension and Culture Assessment by aligning personal values with organisational values.

PART D: HUMAN RESOURCE MANAGEMENT

2. HUMAN RESOURCE MANAGEMENT OVERSIGHT STATISTICS

PERSONNEL COST BY PROGRAMME

Programme	Total expenditure (R'000)	Personnel expenditure (R'000)	Personnel expenditure as a % of total expenditure (R'000)	No. of employees	Average personnel cost per employee (R'000)
Corporate Services	8 960	3 927	11%	6	655
Supervision Unit	5 700	4 779	13%	7	683
Capacity Building	13 976	4 584	13%	7	655
Central Support Services	7 718	3 800	10%	12	317
Interns	-	76	0.2%	2	38
TOTAL	36 354	17 166	47%	34	505

PERSONNEL COST BY SALARY BAND

Level	Personnel expenditure (R'000)	% of personnel expenditure to total personnel cost (R'000)	No. of employees	Average personnel cost per employee (R'000)
Top management	1 340	8%	1	1 340
Senior management	3 310	19%	3	1 103
Professional qualified	8 301	48%	11	755
Skilled	4 139	24%	17	243
Interns	76	1%	2	38
TOTAL	17 166	100%	34	505

PERFORMANCE REWARDS 2016/17

Performance evaluations for the 2016/17 financial year were conducted between management and staff. In November 2017 performance bonuses were paid from the bonus provision. Bonus provision for the year under review has been allocated. The Normalisation Committee will convene in June/July 2018 to finalise the scoring process. It will prepare a submission for recommendation by the HR&R Committee and approved by the CBDA Board.

PART D: HUMAN RESOURCE MANAGEMENT

2. HUMAN RESOURCE MANAGEMENT OVERSIGHT STATISTICS

PERFORMANCE REWARDS

Programme/activity/objective	Performance Rewards Provision (R'000)	Personal Expenditure (R'000)	% of performance rewards to total personal cost (R'000)
Top management	16	1 340	0.09%
Senior management	50	3 310	0.29%
Professional qualified	193	8 301	1.12%
Skilled	243	4 139	1.42%
Interns	-	76	-
TOTAL	502	17 166	2.92%

TRAINING COSTS

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

CBDA staff attended the following conferences and training:

- ICAP- Minute writing training
- Mzantsi Leadership Development – Training on leadership skills for senior and middle management and one on one sessions.
- 18th SACCA Congress - Malawi
- WOCCU Conference – Austria
- National Co-operative Summit - Kenya

Training Costs

Programme/activity/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
Corporate Services	3 927	70	0.41%	3	23
Supervision Unit	4 779	51	0.30%	5	10
Capacity Building	4 584	208	1.21%	6	35
Central Support Services	3 800	5	0.03%	1	5

PART D: HUMAN RESOURCE MANAGEMENT

2. HUMAN RESOURCE MANAGEMENT OVERSIGHT STATISTICS

Programme/ activity/ 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
Interns	76	-	-		-
Total	17 166	334	1.95%	15	22

EMPLOYMENT AND VACANCIES

Programme	2016/17 no. of employees	2017/18 approved posts	2017/18 no. of employees	2017/18 Vacancies	% of vacancies
Supervision Unit	6	6	7	-	-
Capacity Building	7	6	7	-	-
MD and Corporate Services	5	5	6	-	-
Central Support Services	12	14	12	-	-
Interns			2	-	-
Total	32	33	34	0	0

EMPLOYMENT AND VACANCIES

Programme	2016/17 no. of employees	2017/18 approved posts	2017/18 no. of employees	2017/2018 Vacancies	% of vacancies
Top management	1	1	1	-	-
Senior management	3	3	3	-	-
Professional qualified	11	13	11	-	-
Skilled	11	14	17	-	-
Semi-Skilled	6	2	2	-	-
TOTAL	32	33	34	-	-

PART D: HUMAN RESOURCE MANAGEMENT

2. HUMAN RESOURCE MANAGEMENT OVERSIGHT STATISTICS

EMPLOYMENT CHANGES

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

1 Intern HR Administrator (Corporate Services)

1 Intern Bookkeeper (Corporate Services)

Salary Band	Employment at beginning of period	Appointments	Terminations	Employment at end of the period 2017/18
Top management	1	-	-	1
Senior management	3	-	-	3
Professional qualified	11	-	-	11
Skilled	17	-	3	14
Interns/Semi-skilled	0	2	-	2
Total	32	2	3	31

REASONS FOR STAFF LEAVING

The programme administrators contract ended. The personal assistant to the Managing Director resigned and the CFI Support Agent resigned due to better package offered.

Reason	Number	% of total no. of staff leaving
Death	-	-
Resignation	2	-
Dismissal	-	-
Retirement	-	-
Ill health	-	-
Expiry of contract	1	-
Other	-	-
Total	3	-

PART D: HUMAN RESOURCE MANAGEMENT

2. HUMAN RESOURCE MANAGEMENT OVERSIGHT STATISTICS

LABOUR RELATIONS: FORMAL GRIEVANCES

No formal grievance was received during the period under review.

Nature of disciplinary Action	Number
Verbal warning	-
Written warning	-
Final written warning	-
Dismissal	-

EQUITY TARGET AND EMPLOYMENT EQUITY STATUS

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

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

Level	MALE				FEMALE				TOTAL
	A	C	I	W	A	C	I	W	
Top management					1				1
Senior management				2	1				3
Professional qualified	5				5		1		11
Skilled	4				13				17
Interns					2				2
TOTAL	9			2	22		1		34

PART D: HUMAN RESOURCE MANAGEMENT

2. HUMAN RESOURCE MANAGEMENT OVERSIGHT STATISTICS

*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.



PART E: FINANCIAL INFORMATION

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PART E: FINANCIAL INFORMATION

1. STATEMENT OF RESPONSIBILITY

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

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board. The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.


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

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

The CBDA is wholly dependent on the National Treasury for continued funding of operations. The annual financial statements are prepared on the basis that the CBDA is a going concern and that the National Treasury has neither the intention nor the need to liquidate or curtail materially the scale of the CBDA.

The Board in discharging its oversight responsibilities are supported by the Audit and Risk Committees.

The annual financial statements have been audited by the Auditor-General and their report is presented on page 95 to 100.



Mr J Ndumo

Acting Chairperson of the Board

PART E: FINANCIAL INFORMATION

2. REPORT OF THE EXTERNAL AUDITOR

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

1. I have audited the financial statements of the Co-operative Banks Development Agency set out on pages 104 to 154, which comprise the statement of financial position as at 31 March 2018, the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget information with actual information for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Co-operative Banks Development Agency as at 31 March 2018, and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No.1 of 1999) (PFMA).

Basis for opinion

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

Emphasis of matters

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

Events after reporting date

7. As disclosed in note 25 to the financial statements, the Financial Sector Regulation Act brought into effect the Twin Peaks framework. As a result of changes in legislation, the supervision unit's function and employees within CBDA were transferred to the South African Reserve Bank with effect from 01 April 2018.

Irregular expenditure

8. As disclosed in note 28 to the financial statements, the public entity irregular expenditure to of R2 776 000, as a proper procurement process was not followed.

PART E: FINANCIAL INFORMATION

2. REPORT OF THE EXTERNAL AUDITOR

Restatement of corresponding figures

9. As disclosed in note 29 to the financial statements, the corresponding figures for 31 March 2017 were restated as a result of an error in the financial statements of the public entity at, and for the year ended, 31 March 2018.

RESPONSIBILITIES OF THE ACCOUNTING AUTHORITY FOR THE FINANCIAL STATEMENTS

10. The board of directors, which constitutes the accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with the SA Standards of GRAP and the requirements of the PFMA and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
11. In preparing the financial statements, the accounting authority is responsible for assessing the Co-operative Banks Development Agency's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the accounting authority either intends to liquidate the public entity or to cease operations, or has no realistic alternative but to do so.

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

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

REPORT ON THE AUDIT OF THE ANNUAL PERFORMANCE REPORT

INTRODUCTION AND SCOPE

14. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
15. My procedures address the reported performance information, which must be based on the approved performance planning documents of the public entity. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
16. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programmes presented in the annual performance report of the public entity for the year ended 31 March 2018:

PART E: FINANCIAL INFORMATION

2. REPORT OF THE EXTERNAL AUDITOR

Programmes	Pages in the annual performance report
Programme 2 – supervision	29
Programme 3 – capacity building	40 - 41
Programme 4 – central support services	50 - 51

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

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

Programme 2 – Supervision

Time frame to identify and notify problem CFIs

19. The reported achievement of “Within one month of identification” for target “Within one month of identification” is not reliable as the public entity did not have an adequate performance management system to maintain records to enable reliable reporting on achievement of targets. As a result, I was unable to obtain sufficient appropriate audit evidence for the reported achievement of target “Within one month of identification”. This was due to limitations placed on the scope of my work. I was unable to confirm the reported achievement by alternative means. Consequently, I was unable to determine whether any adjustments were required to the achievement of “Within one month of identification” as reported in the annual performance report.

Various indicators

20. I was unable to obtain sufficient appropriate audit evidence to support the reason for the variance between the planned targets and the achievements reported in the annual performance report. This was due to limitations placed on the scope of my work due to non-submission of corroborating evidence. I was unable to confirm the reported reason for the variance by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported reason for the variance.

Indicators	Planned Target	Reported achievement
Percentage of registration applications responded to within 5 days of receipt	95 % responded to within 5 days of receipt	100%
Percentage of registration decisions made within 3 months of receipt	75%	78%
Percentage of onsite inspections conducted on CFIs	75%	94%
Percentage of eligible offsite reports of CFIs analysed	75%	87,5%

Programme 3 – Capacity building

Various indicators

21. The reported achievement in the annual performance report did not agree to the supporting evidence provided for the indicators listed below. The supporting evidence provided indicated that the achievements of these indicators were as follows:

PART E: FINANCIAL INFORMATION

2. REPORT OF THE EXTERNAL AUDITOR

Various indicators

22. I was unable to obtain sufficient appropriate audit evidence to support the reason for the variance between the planned targets and the achievements reported in the annual performance report. This was due to limitations placed on the scope of my work due to non-submission of corroborating evidence. I was unable to confirm the reported reason for the variance by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported reason for the variance.

Indicator	Performance target	Reported achievement
Number of organised groups (public sector SOEs, Unions etc. assisted with the establishment of a CFI per annum.	2	1
Number of newly registered CFIs operationalized within 6 months from the date of registration	2	1
Number of CFIs provided with internal audit activities direct technical assistance per annum	7	12
Number of CFIs provided with direct technical assistance in compliance management per annum	10	11

Programme 4 – Central support services

Various indicators

23. I was unable to obtain sufficient appropriate audit evidence to support the reason for the variance between the planned targets and the achievements reported in the annual performance report. This was due to limitations placed on the scope of my work due to non-submission of corroborating evidence. I was unable to confirm the reported reason for the variance by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported reason for the variance.

Indicator	Performance target	Reported achievement
Number of CFI's trained in preparation for implementation of the banking platform	5	3
Number of CFI's using the Banking Platform System	15	10
Number of reports provided for CFIs to support operational, financial and regulatory reporting	10	16

Other matters

24. I draw attention to the matters below.

PART E: FINANCIAL INFORMATION

2. REPORT OF THE EXTERNAL AUDITOR

Achievement of planned targets

25. Refer to the annual performance report on pages 29, 40, 41, 50 to 52 for information on the achievement of planned targets for the year and explanations provided for the under / over achievement of a number of targets. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraphs 19 to 23 of this report.

Adjustment of material misstatements

26. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of capacity building. As management subsequently corrected only some of the misstatements, I raised material findings on the usefulness and reliability of the reported performance information. Those that were not corrected are reported above.

REPORT ON THE AUDIT OF COMPLIANCE WITH LEGISLATION

INTRODUCTION AND SCOPE

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

Financial statements, performance reports and annual report

29. Financial statements were submitted for auditing within two months after the end of financial year, as required by section 55(1)(c)(i) of the PFMA, however, the submitted financial statements were not approved by the accounting authority, as the board was not properly constituted.
30. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework, as required by section 55(1)(b) of the PFMA. Material misstatements of revenue, expenditure and disclosure items identified by the auditors in the submitted financial statement were corrected, resulting in the financial statements receiving an unqualified audit opinion.

Expenditure management

31. Effective and appropriate steps were not taken to prevent irregular expenditure amounting to R 2 776 000 as disclosed in note 28 to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA.

OTHER INFORMATION

32. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report and those selected programmes presented in the annual performance report that have been specifically reported in this auditor's report.

PART E: FINANCIAL INFORMATION

2. REPORT OF THE EXTERNAL AUDITOR

33. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.
34. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected programmes presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
35. I did not receive the other information prior to the date of this auditor's report. After I receive and read this information, and if I conclude that there is a material misstatement, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

INTERNAL CONTROL DEFICIENCIES

36. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in findings on the annual performance report and findings on compliance with legislation included in this report.
37. The accounting authority did not provide adequate oversight by adequately reviewing the annual financial statements and annual performance reports before submitting them for auditing.
38. Management did not prepare annual financial statements and annual performance report that were free from material misstatements due to slow response in addressing internal control deficiencies identified in the previous year. Management did not implement proper controls to ensure compliance with key legislation.

Auditor-General

Pretoria
31 July 2018



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

PART E: FINANCIAL INFORMATION

2. REPORT OF THE EXTERNAL AUDITOR

ANNEXURE - AUDITOR-GENERAL'S RESPONSIBILITY FOR THE AUDIT

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

FINANCIAL STATEMENTS

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

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

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

PART E: FINANCIAL INFORMATION

3. ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2018

Statement of Financial Position

	Notes	2018 R '000	2017 R '000
Assets			
Current Assets			
Receivables from exchange transactions	3	2	-
Receivables from non-exchange transactions	4	3,317	1,420
Cash and cash equivalents	5	3,598	9,766
		6,917	11,186
Non-Current Assets			
Property, plant and equipment	6	340	315
Intangible assets	7	728	773
		1,068	1,088
Total Assets		7,985	12,274
Liabilities			
Current Liabilities			
Payables	8	4,869	2,874
Grants	9	356	3,148
Provisions	10	502	586
Total Liabilities		5,727	6,608
NET ASSETS AND LIABILITIES		2,258	5,666
Reserves			
Stabilisation Fund	11	1,838	1,708
Accumulated surplus		420	3,958
TOTAL NET ASSETS		2,258	5,666

PART E: FINANCIAL INFORMATION

3. ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2018

Statement of Financial Performance

	Notes	2018 R '000	2017 R '000
Revenue			
Revenue from exchange transactions			
Interest received		807	1,141
Services rendered		13	10
Other income		1	2
		821	1,153
Revenue from non-exchange transactions			
Transfers		19,275	16,472
Service in kind		2,461	1,792
Grants	9	9,789	14,233
Other income		600	300
		32,125	32,797
TOTAL REVENUE	13	32,946	33,950
Expenditure			
Employee cost	14	(17,166)	(14,861)
Depreciation and amortisation		(315)	(230)
Operating lease		(36)	(28)
Goods and services	15	(18,837)	(17,237)
TOTAL EXPENDITURE		(36,354)	(32,356)
SURPLUS/ (DEFICIT) FOR THE YEAR		(3,408)	1,594

PART E: FINANCIAL INFORMATION

3. ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2018

Statement of Changes in Net Assets

	Stabilisation fund R '000	Accumulated surplus R '000	Total Net Assets R '000
Restated* balance at April 2016	1,588	2,484	4,072
Changes in net assets			
Surplus for the year	-	1,594	1,594
Transfer to reserve	120	(120)	-
Total changes	120	1,474	1,594
Balance at April 2017	1,708	3,958	5,666
Changes in net assets			
Deficit for the year	-	(3,408)	(3,408)
Transfer to reserve	130	(130)	-
Total changes	130	(3,538)	(3,408)
Balance at 31 March 2018	1,838	420	2,258

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for the year ended 31 March 2018

Cash Flow Statement

	Notes	2018 R '000	2017 R '000
Cash flows from operating activities			
Receipts			
Transfer		19,275	16,472
Services rendered		11	12
Grants		8,080	9,297
Interest received		807	1,141
Other income		163	100
		<u>28,336</u>	<u>27,022</u>
Payments			
Employee costs		(17,250)	(14,859)
Suppliers		(16,959)	(19,709)
		<u>(34,209)</u>	<u>(34,568)</u>
Net cash flows from operating activities	17	<u>(5,873)</u>	<u>(7,546)</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(211)	(271)
Purchase of intangible assets	7	(84)	(63)
Net cash flows from investing activities		<u>(295)</u>	<u>(334)</u>
Net increase/(decrease) in cash and cash equivalents		<u>(6,168)</u>	<u>(7,880)</u>
Cash and cash equivalents at the beginning of the year		9,766	17,646
Cash and cash equivalents at the end of the year	5	<u>3,598</u>	<u>9,766</u>

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Statement of Comparison on Budget and Actual Amounts

	Final Budget R '000	Actual amounts on comparable basis R '000	Difference between final budget and actual R '000	Reference
Statement of Financial Performance				
Revenue				
Revenue from exchange transactions				
Interest income	512	807	295	
Services rendered	7	13	6	
Other income	-	1	1	
Total revenue from exchange transactions	519	821	302	
Revenue from non-exchange transactions				
Transfer	19,275	19,275	-	
Other income	-	600	600	a
Services in-kind	-	2,461	2,461	
Grants - CSS	19,221	3,208	(16,013)	b
Grants - Capacity Building	-	6,581	6,581	b
Total revenue from non-exchange transactions	38,496	32,125	(6,371)	
Total revenue	39,015	32,946	(6,069)	
Expenditure				
Employee cost	(19,382)	(16,919)	2,463	c
Board fees	(181)	(193)	(12)	
Advertising	(184)	(22)	162	
Auditors remuneration	(390)	(1,011)	(621)	d
Depreciation and amortisation	(150)	(315)	(165)	
Bank charges	(33)	(25)	8	
Consulting and professional fees	(9,404)	(1,688)	7,716	e
Operating lease	(48)	(36)	12	

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Statement of Comparison on Budget and Actual Amounts

	Final Budget R '000	Actual amounts on comparable basis R '000	Difference between final budget and actual R '000	Reference
Hosting fees	(2,040)	(2,070)	(30)	e
Branding and promotions	(50)	-	50	
Printing and stationery	(106)	(91)	15	
Communication cost	(128)	(50)	78	
Training and development	(350)	(334)	16	
Travel and subsistence	(5,652)	(3,940)	1,712	f
Venue and facilities	(281)	(595)	(314)	g
Catering	(20)	(14)	6	
Grants expenses	-	(6,581)	(6,581)	h
Staff welfare	(5)	(5)	-	
Subscription and membership fees	(9)	(4)	5	
Rental cost	(126)	-	126	
Computer expenses	(20)	-	20	
Rental and facilities	-	(2,461)	(2,461)	
Total expenditure	(38,559)	(36,354)	2,205	
Surplus/ (Deficit) before capital expense and interest	456	(3,408)	(3,864)	
Interest Capitalised	100	130	30	
Capital Assets	356	295	(61)	
Surplus/ (Deficit) for the year	-	(3,833)	(3,833)	

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Statement of Comparison on Budget and Actual Amounts

REFERENCE

- a - Request for additional funds was approved and paid by National Treasury for an amount of R400,000 towards audit fees. The amount of R200,000 received from CFIs who signed an agreement to participate in the banking platform project.
- b - The Central Support Services (CSS) unit is solely funded from grants which is not guaranteed or secure funding from stakeholders. Sourcing funds have posed a challenge during the year due to the lengthy process, change of department heads and deliverables not aligned to CBDA strategic direction. Stakeholder funding was received for capacity training programmes which was not budget for.
- c - The underspending is due to vacant positions not filled due to the slow progress of the project which meant that the need for the positions was not yet required. Stakeholder funding is required for the budget allocation.
- d - In terms of Section 23 (6) of the Public Audit Act, it provides that if the audit fees exceed one percent of the total current and capital expenditure for the financial year, such excess must be defrayed from National Treasury's vote. CBDA prioritise budgeted funds towards core operations due to insufficient funds, therefore audit fees were under budgeted for in terms of section 23.
- e - Actual funding received from stakeholders was insufficient to fund the IT banking operations and shared services provided which then lead to the under spending. This has resulted in the planned targets not being achieved. Over spending on hosting fees is due to annual increase by the service provider.
- f - Under spending on travel and subsistence is due to improved planning of trips to CFIs and saving cost due to insufficient funds from stakeholders for the CSS unit.
- g - Over spending on venue and facilities is due to request from CFIs to conduct additional training on risk management.
- h - Funds not budgeted for were received from BANKSETA for training and DRDLR for setting up and launching of the Mzantsi CFI offices.

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Accounting Policies

1. BASIS OF PRESENTATION

The annual financial statements (AFS) have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations and directives issued by the Accounting Standards Board in accordance with Section 122(3) of the Public Finance Management Act 1999 (Act No 1 of 1999) (PFMA). They are prepared in South African Rand (R).

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

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

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

1.1 GOING CONCERN ASSUMPTION

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

1.2 PROPERTY, PLANT AND EQUIPMENT

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

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

Item	Depreciation method	Average useful life
Office equipment	Straight line	5-8 years
Computer equipment	Straight line	3-5 years

The CBDA assesses at each reporting date whether there is any indication that the entity expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the entity revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

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

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

1.3 INTANGIBLE ASSETS

An intangible asset is recognised when:

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

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

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

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

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

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.

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Accounting Policies

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

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

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

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

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

Item	Depreciation method	Average useful life
Licenses	Straight line	1 year
Computer software	Straight line	3 years

1.4 FINANCIAL INSTRUMENTS

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

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

1.4.1 Cash and cash equivalents

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

1.4.2 Receivables

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

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

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1.4.3 Trade and other payables

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

1.4.4 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 performance in the period in which they occur.

1.5 TAX

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

1.6 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.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.7 IMPAIRMENT OF NON-CASH-GENERATING ASSETS

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

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

Identification

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

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

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

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1.7 IMPAIRMENT OF NON-CASH-GENERATING ASSETS (CONTINUED)

Recognition and measurement

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

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

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

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

1.8 EMPLOYEE BENEFITS

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages and salaries;
- paid annual leave and paid sick leave where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service; and
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service.

The CBDA recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

1.9 PROVISIONS AND CONTINGENCIES

Provisions are recognised when:

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

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

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Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation.

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

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

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

1.10 COMMITMENTS

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

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

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

1.11 REVENUE FROM EXCHANGE TRANSACTIONS

An exchange transaction is one in which the CBDA receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

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

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

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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.

Other income

Revenue is recognised as other income when an agreement or obligation exist which is not part of normal business operations.

1.12 REVENUE FROM NON-EXCHANGE TRANSACTIONS

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, the CBDA either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Transfers

Apart from services in kind, which are not recognised, the entity recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Services in-kind

Except for financial guarantee contracts, the CBDA recognise services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related revenue when it is probable that the future economic benefits or service potential will flow to the CBDA and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the CBDA's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the CBDA disclose the nature and type of services in-kind received during the reporting period.

Grants

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

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

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1.13 CHANGES IN ESTIMATES AND PRIOR PERIOD ERRORS

Change in estimates

As a result of the uncertainties inherent in delivering services, many items in financial statements cannot be measured with precision but can only be estimated. Estimates involve judgment based on recently available, reliable information and therefore an estimate may change as new information becomes known, circumstances change, or more experience is obtained.

The entity recognises the effects of changes in accounting estimates prospectively, by including the effects in surplus or deficit in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

Prior period error

Prior period errors are omissions from and misstatements in the entity's financial statements for one or more prior period. These errors arise from a failure to use (or misuse of) reliable information that was available when the financial statements for those periods were authorised for issue and could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

Such errors include the effect of mistakes in applying the accounting policy, oversight or misinterpretation of facts.

1.14 FRUITLESS AND WASTEFUL EXPENDITURE

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

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

1.15 IRREGULAR EXPENDITURE

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

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

National Treasury practice note no. 4 of 2008/09 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

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

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

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

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

1.16 BUDGET INFORMATION

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

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

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

The approved budget covers the fiscal period from 2017/04/01 to 2018/03/31.

The annual financial statements and the budget are on the same basis of accounting. A comparison with the budgeted amounts for the reporting period has been included in the statement of comparison of budget and actual amounts.

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.

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

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, management in its dealings with the CBDA.

1.18 EVENTS AFTER REPORTING DATE

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The CBDA will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event has occurred.

The CBDA will disclose the nature of the event and an estimate of its financial effect, or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.19 CHANGE IN ACCOUNTING POLICY

The accounting policy has been applied consistently. The CBDA will change the accounting policy if the change results in the financial statements providing liable and more relevant information about the effects on transactions, other events or conditions on the performance or cash flow.

1.20 TRANSFER OF FUNCTIONS BETWEEN ENTITIES NOT UNDER COMMON CONTROL

The acquirer accounts for transfer of functions between entities not under common control by recognising assets acquired and liabilities assumed at their fair value at the date of transfer. Any difference between assets and liabilities recognised and consideration paid, if any, is recognised in the statement of performance.

The acquiree accounts for transfer of functions between entities not under common control by applying the existing standards of GRAP. The assets and liabilities are derecognised at their carrying amounts at the date of transfer. Any difference between the assets and liabilities derecognised and consideration received, if any, is recognised in the statement of performance.

Transfer of function between entities not under common shall disclose information that enables users of its financial statement to evaluate the nature and effect of the transfer of function that occurs.

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1.21 COMPARATIVE FIGURES

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, and the nature and reason for the reclassification are disclosed. Where material accounting errors have been identified in the current financial year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in the accounting policy in the current financial year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

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Notes to the Annual Financial Statements

2. NEW STANDARDS AND INTERPRETATIONS

2.1 STANDARDS AND INTERPRETATIONS ISSUED, BUT NOT YET EFFECTIVE

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 34: Separate Financial Statements	01 April 2099	Not relevant
• GRAP 35: Consolidated Financial Statements	01 April 2099	Not relevant
• GRAP 36: Investments in Associates and Joint Ventures	01 April 2099	Not relevant
• GRAP 37: Joint Arrangements	01 April 2099	Not relevant
• GRAP 38: Disclosure of Interests in Other Entities	01 April 2099	Not relevant
• GRAP 110: Living and Non-living Resources	01 April 2020	Not relevant
• GRAP 20: Related parties	01 April 2019	Expected impact is not material
• GRAP 32: Service Concession Arrangements: Grantor	01 April 2019	Not relevant
• GRAP 108: Statutory Receivables	01 April 2019	Not relevant
• GRAP 109: Accounting by Principals and Agents	01 April 2019	Not relevant

The date of 2099 indicates that the effective date is still to be determined by ASB.

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	2018 R '000	2017 R '000
Trade receivables	2	-

The exchange receivable is outstanding amount by CFIs for application and annual renewal license fees.

4. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

BANKSETA	819	-
Receivables	2,130	1,240
Other receivables	368	180
	3,317	1,420

BANKSETA

Balance at beginning of period	(460)	-
Funds received during the current year	(1,700)	-
Funds receivable in the current year	(26)	-
Revenue recognised during the current year	2,979	-
2016 Prior year error - Revenue recognised duplicated	32	-
Revenue recognised but still outstanding	(6)	-
	819	-

Receivables are outstanding payments from stakeholders for expenses incurred in terms of signed agreements.

Other receivables is made up of refunds/credits due to queries on travel invoices, recovery of funds for exceeding cellphone allowance, and prepayments.

An amount of R819,000 due from BANKSETA relates to activities conducted and expenses incurred which still needs to be invoiced to the stakeholder in terms of a new MOU to provide mentorship and coaching to the members of the CFIs, training and bursaries to employees.

The prior year's error for recognising revenue and expenditure twice in the statement of performance had no impact on the deficit for the 2015/16 financial year (see note 29). The reconciliation of grant note for BANKSETA was incorrectly disclosed.

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5. CASH AND CASH EQUIVALENTS CASH AND CASH EQUIVALENTS CONSIST OF:

FNB Petty cash account	2	2
FNB Current account	1,234	493
CPD Investment account	420	7,463
FNB Current account - CSS	104	100
CPD Investment account - Stabilisation Fund	1,838	1,708
	3,598	9,766

Cash and cash equivalents consist of five bank accounts, namely three in FNB and two in Corporation for Public Deposit (CPD) at the South Africa Reserve Bank (SARB).

The stabilisation fund is dedicated toward the strategic objective of a financially stable CFI sector. The interest accumulated on the funds is not utilised for operational purposes but is capitalised.

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6. PROPERTY, PLANT AND EQUIPMENT

	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Office equipment	43	(41)	2	43	(40)	3
Computer equipment	932	(594)	338	721	(409)	312
Total	975	(635)	340	764	(449)	315

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	Opening balance	Additions	Depreciation	Total
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Reconciliation of property, plant and equipment - 2018

Office equipment	3	-	(1)	2
Computer equipment	312	211	(185)	338
	315	211	(186)	340

Computer equipment to the value of R190, 000.00 was fully depreciated and will be written off the fixed asset register once approved by the Board.

Office equipment estimated useful life was reviewed at the end of the financial year from five to eight years.

Reconciliation of property, plant and equipment - 2017

Office equipment	8	-	(5)	3
Computer equipment	200	271	(159)	312
	208	271	(164)	315

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

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7. INTANGIBLE ASSETS

	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Licences	147	(88)	59	63	(18)	45
Computer software	777	(108)	669	777	(49)	728
Total	924	(196)	728	840	(67)	773

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	Opening balance	Additions	Depreciation	Total
Reconciliation of intangible assets - 2018				
Licenses	45	84	(70)	59
Computer software	728	-	(59)	669
	773	84	(129)	728

Licenses to the value of R63, 000.00 were fully depreciated and would be written off in the fixed asset register once approved by the Board.

Reconciliation of intangible assets - 2017

Licenses	7	63	(25)	45
Computer software	769	-	(41)	728
	776	63	(66)	773

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

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8. PAYABLES

Trade payables	481	961
Accruals	2,837	1,533
National Treasury	1,205	5
Salary control account	-	2
Accrued leave	346	373
	4,869	2,874

Trade payables are outstanding amounts due to suppliers. Accrual are made for travel, accommodation and venue cost incurred and invoice not yet received by the suppliers. Monthly payments made to National Treasury for paying suppliers on CBDA's behalf due to insufficient resources to carry out supply chain management functions.

Accrued leave relates to the estimated liabilities arising as a result of services rendered by employees. In terms of the transfer agreement between CBDA and SARB, no more than 30 days of leave for Supervision unit employees can be transferred on the 1 April 2018.

9. GRANTS

Unspent conditional grants and receipts comprises:

BANKSETA	-	460
Gauteng Department of Economic Development (DED- GP)	-	456
KZN Department of Economic Development, Tourism, and Environmental Affairs (DEDTEA- KZN)	10	293
Department of Rural Development and Land Reform (DRDLR)	346	1,939
	356	3,148

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	2018 R '000	2017 R '000
Movement during the year		
Balance at the beginning of the year	2,688	8,019
Funds received during the current year	2,374	8,120
Funds receivable in the current year	2,104	1,242
Revenue recognised during the year	(6,810)	(14,233)
	356	3,148

The opening balance excludes an amount of R460,000 for BANKSETA which is disclosed in the current assets section of the Statement of Financial Position due to expenditure incurred and not yet invoiced to the stakeholder.

BANKSETA

Balance at beginning of period	-	523
Funds received during the current year	-	1,211
Funds receivable in the current year	-	1,115
Revenue recognised during the current year	-	(2,389)
	-	460

2018

Refers to note 4.

2017

The grant received from BANKSETA relates to bursary funding offered to CBDA employees, enrolment and delivery of Diploma in Co-operative Financial Institution Management to 20 CFIs, reviewing and modifying training materials for study circles and training of the CFI members. Training provided to the CFI includes the CFI sector specifications, study circles methodology, the banking platform system and FICA- Financial Intelligent Centre Act and National Credit Act training.

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	2018 R '000	2017 R '000
GAUTENG DEPARTMENT OF ECONOMIC DEVELOPMENT (DED-GP)		
Balance at beginning of period	456	2,242
Revenue recognised during the current year	(456)	(1,786)
	-	456

2018

Funds were fully utilised towards the training and implementation of the IT banking system in the current year.

2017

The 2015/16 balance received from DED-GP were utilised during the 2016/17 financial year for the implementation of the Banking Platform system.

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

Balance at beginning of period	293	2,667
Revenue recognised during the current year	(283)	(2,374)
	10	293

2018

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The funds were utilised towards the training and implementation of the IT banking system. The remaining amount would be fully utilised in the 2018/19 financial year.

2017

Surplus funds from DEDTEA-KZN from 2015/16 were utilised during the 2016/17 financial year for the implementation of the banking platform system for CFIs in the province.

DEPARTMENT OF RURAL DEVELOPMENT AND LAND REFORM (DRDLR)

Balance at beginning of period	1,939	-
Funds received during the current year	2,374	6,909
Funds receivable during the current year	2,104	126
Revenue recognised during the current year	(6,071)	(5,096)
	346	1,939

2018

Funds were utilised for the establishment and launching of the Mzansi CFI offices as per amended agreement and implementation and training of the IT banking system. An invoice of R2,104,000 was issued to the DRDLR to provide services for the registration and set-up of the NARYSEC CFI.

2017

An amount of R9,409,000 was claimed from DRDLR as per signed MOU for the CFI introduction to the banking platform system, training the trainer programme and continuous training and performance monitoring towards registering the CFI as Co- operative Banks.

SMALL ENTERPRISE FINANCE AGENCY (SEFA)

Balance at beginning of period	2,587
Revenue recognised during the current year	(2,587)
	-
	-

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2018

The balance of R4,890,000 from the signed agreement will only be received once the conditions relating to the National Payment System has been fulfilled.

2017

2015/16 balance for the implementation of the banking platform system of R2,587,000 was utilised in the 2016/17 financial year. An amount of R4,890,000 is outstanding due to unfulfilled conditions attached to the agreement.

10. PROVISIONS

	Opening balance	Additions	Utilised during the year	Total
Reconciliation of provisions - 2018				
Bonus provision	586	502	(586)	502

Bonus provision is based on employee performance for the period under review and includes provision for the Supervision unit employees.

Reconciliation of provisions - 2017

Bonus provision	400	586	(400)	586
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Provision for bonus is based on performance of employees and are pay in the next financial year.

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2018 **2017**
R '000 **R '000**

11. STABILISATION FUND RESERVE

Opening balance	1,708	1,588
Interest on capital	130	120
	1,838	1,708

The Stabilisation fund was established to protect the deposits of members in CFIs and provide assistance in the form of grants, loans, liquidity assistance etc. Interest is capitalised to grow the fund.

12. UNUSED FUNDS TO BE SURRENDERED TO NATIONAL TREASURY

Approved funds to be surrendered	-	-
Retained / (Utilised) funds	-	-
	-	-

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

13. REVENUE

Interest received	807	1,141
Services rendered	13	10
Other income (Exchange transactions)	1	2
Transfers	19,275	16,472
Service in kind	2,461	1,792
Grants	9,789	14,233
Other income (Non-exchange transactions)	600	300
	32,946	33,950

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	2018 R '000	2017 R '000
The amount included in revenue arising from exchanges of goods or services are as follows:		
Interest received	807	1,141
Services rendered	13	10
Other income	1	2
	821	1,153

Interest is received from bank accounts in FNB and the CPD. Current interest rate as at 31 March 2018 for FNB 5% and CPD is 6.89%.

Services rendered relates to application fees and annual renewal license fees to be registered as a CFI.

Other income received relates to sale and/or cost recovery of assets.

National Treasury provides service in kind in the form of office space, parking and municipality cost.

The amount included in revenue arising from non-exchange transactions is as follows:

Transfers	19,275	16,472
Public contributions and donations	2,461	1,792
Grants	9,789	14,233
Other income	600	300
	32,125	32,797

Other income includes an amount of R400,000 received from National Treasury for audit fees for 2016/17 financial year and R200,000 participation fee paid by CFIs in support of the banking platform system.

The CBDA received transfer of R19,275,000 for the 2017/18 financial year.

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14. EMPLOYEE RELATED COSTS

Basic	16,611	14,073
Bonus	502	590
UIF	50	46
Leave pay provision charge	(13)	179
Funeral policy	9	-
Acting allowances	31	-
Unpaid leave	(24)	(27)
	17,166	14,861

Leave pay provision charge includes an amount of R125,000 derecognised due to the transfer agreement with SARB.

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	2018 R '000	2017 R '000
15. GOODS AND SERVICES		
Advertising	22	26
Auditors remuneration	1,011	682
Bank charges	25	14
Computer expenses	-	7
Consulting and professional fees	2,180	3,565
Hosting fees	2,070	1,775
Branding and promotions	902	225
Printing and stationery	99	209
Staff welfare	5	-
Subscriptions and membership fees	4	11
Communication cost	50	49
Training and development	334	641
Travel and subsistence	6,505	6,030
Mobile offices and renovations	1,372	521
Catering	14	27
Board fees	193	179
Bad debts	-	1
Impairment loss	-	1
Rental and facilities	2,461	1,792
Venue and facilities	1,590	1,482
	18,837	17,237

Grant expenditure for the amount of R 6,581,000 relating to capacity training has been expensed according to the economic classification.

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R '000

16. AUDITORS' REMUNERATION

Fees	1,011	682
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17. CASH USED IN OPERATIONS

(Deficit) surplus	(3,408)	1,594
Adjustments for:		
Depreciation and amortisation	315	230
Movements in provisions	(84)	186
Impairment loss	-	1
Changes in working capital:		
Receivables from exchange transactions	(2)	82
Receivables from non-exchange transactions	(1,897)	(147)
Payables	1,995	(4,621)
Grants	(2,792)	(4,871)
	(5,873)	(7,546)

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18. FINANCIAL INSTRUMENTS DISCLOSURE

Categories of financial instruments

2018

	At fair value	Total
Financial assets		
Trade and other receivables from exchange transactions	2	2
Receivables from non-exchange transactions	3,317	3,317
Cash and cash equivalents	3,598	3,598
	6,917	6,917
Financial liabilities		
Trade and other payables	4,869	4,869

2017

Financial assets		
Other receivables from non-exchange transactions	1,420	1,420
Cash and cash equivalents	9,766	9,766
	11,186	11,186
Financial liabilities		
Trade and other payables	2,874	2,874

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19. FINANCIAL RISK MANAGEMENT

LIQUIDITY RISK

The CBDA's risk to liquidity is a result of the funds available to cover future commitments. The CBDA manages liquidity risk through proper management of working capital and actual vs projection. Cash flow forecasts are prepared to maintain sufficient cash and reserves.

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

CREDIT RISK

Credit risk consists mainly of cash deposits, cash equivalents and receivables from exchange transactions.

The CBDA only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party. Investment exposure is managed by depositing funds in the CPD account in terms of Treasury Regulations.

Receivables from exchange transactions are exposed to low credit risk. The factors that determine impairment of overdue amount relates to the size of the entity, financial sustainability and impact of cost recovery vs cost incurred. No credit limits were exceeded during the reporting period, and management does not expect any deficits from non-performance by these counterparties.

MARKET RISK

Interest rate risk

The CBDA has no significant interest-bearing assets. The CBDA's income and operating cash flows are substantially independent of changes in market interest rates.

The CBDA is exposed to interest rate changes in respect of returns on its cash and investment with financial institutions and CPD. The interest risk exposure is managed by investing in the CPD.

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20. TRANSFER OF FUNCTIONS BETWEEN ENTITIES NOT UNDER COMMON CONTROL

On 21 August 2017 the Financial Sector Regulatory Act, 2017 (Act No.9 of 2017) (FSR) was signed into law. This gave effect to creating a prudential regulator, the Prudential Authority (PA) whose responsibility is to regulate and supervise the financial institutions. The supervisory and regulatory functions within CBDA (acquiree) was transferred to the Prudential Authority under the South Africa Reserve Bank (acquirer).

Date of transfer: 1 April 2018.

No contingent assets arose from the transfer. The contingent liabilities would arise if the probability that the terms of conditions of service are on the whole not less favourable to the transferred employees than those on which they were employed by the CBDA.

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21. COMMITMENTS

Approved and signed contracts

Alan Pugh-Jones	-	458
Write Connection CC	267	327
DB Fusion (Pty) Ltd	22	107
EOH Mthombo (Pty) Ltd	10,129	12,838
Petrolbom Business Solutions	351	-
Clear Cut Solution	444	168
SA CFI Consultancy (COFISA)	161	-
Mzansi Leadership Development	31	227
University of Fort Hare	-	490
	11,405	14,615

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 performance until services are rendered or goods are received.

Operating leases

Minimum lease payments due

- Up to 12 months	36	36
- 1 year to 5 years	24	60

Operating lease payments represent lease payable by the CBDA for office equipment. Leases are negotiated for an average term of three years.

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

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22. RELATED PARTIES

Relationships

National Treasury	Executive Authority
BANKSETA	Public entity in National sphere
Department of Rural Development and Land Reform	National Department in National sphere
Small Enterprise Finance Agency (SEFA)	Subsidiary of Industrial Development Corporation of South Africa (IDC)

The CBDA is a schedule 3A National Public Entity in terms of the PFMA (Act no. 1 of 1999 as amended) and therefore falls within the national sphere of government. Unless specifically disclosed, these transactions are concluded at arm's length basis. There are no restrictions in the CBDA's capacity to transact with any entity.

RELATED PARTY BALANCE

Amounts included in Trade receivables

BANKSETA	26	1,115
Department of Rural Development and Land Reform (DRDLR)	2,104	126
	2,130	1,241

2018

BANKSETA outstanding balance relates to bursary. DRDLR outstanding balance relates to the launch of the Mzansi CFI offices and services provided towards the registration and set up of NARYSEC CFI

2017

BANKSETA outstanding balance relates to bursary, study circles and enrolment and delivery of DCFIM to 20 CFIs. DRDLR balance relates to the banking platform system still outstanding.

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	2018 R '000	2017 R '000
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RELATED PARTY TRANSACTIONS

Services Rendered

BANKSETA	2,979	2,326
Department of Rural Development and Land Reform (DRDLR)	6,071	7,035
Small Enterprise Finance Agency	-	2,587
	9,050	11,948

2018

Services rendered to BANKSETA entailed mentorship and training to CFIs. CBDA offered the following services to DRDLR; IT banking system, training, launching of the Mzansi CFI offices and provide services for the registration of NARYSEC CFI.

The National Treasury provides in-kind services of office space and other facilities with an estimated cost of R2,461,181.

2017

BANKSETA funds were utilise for study circles and enrolment and delivery of DCFIM to 20 CFIs.

DRDLR funds were utilised for pre-registration support, conducting a training needs analysis, training and procurement for the establishment of Mzantsi CFI offices

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

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	Basic salary	Long service benefit	Total
Executive management remuneration			
2018			
Managing Director	1,310	11	1,321
Senior Management	3,265	-	3,265
	4,575	11	4,586
2017			
Managing Director	1,231	-	1,231
Senior Management	3,016	-	3,016
	4,247	-	4,247

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	Travel	Committees fees	Total
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23. RELATED PARTY- ACCOUNTING AUTHORITY

Board's emoluments

2018

Adv LT Nevondwe	14	47	61
Mr D Ginsburg	-	45	45
Mr D Golding	1	25	26
Ms G Raine	-	14	14
Ms P Masemola	1	46	47
	16	177	193

2017

Adv LT Nevondwe	16	43	59
Mr D Ginsburg	-	42	42
Mr P Koch	-	14	14
Mr T Shenxane	-	37	37
Ms G Raine	-	4	4
Ms P Masemola	1	22	23
	17	162	179

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24. GOING CONCERN

We draw attention to the fact that as at 31 March 2018, the CBDA had deficits of R 3,408,000 (2017: surplus R1,594,000) and that the CBDA's total assets exceeded its liabilities by R 2,258,000 (2017: R5,666,000).

The management monitors the finances of the CBDA by preparing projected cash flow statements on a monthly basis to ensure that there are sufficient funds to carry out planned activities. Discussions have been held with stakeholders to provide funds in advance before activities commence to address cash flow management.

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

The CBDA is expected to continue operating as a going concern. There is no indication from the Executive Authority that the approved transfer allocation over the MTEF period will be stopped.

25. EVENTS AFTER THE REPORTING DATE

On 27 August 2017 the signed Financial Sector Regulation Act (FSRA) brought into effect the "Twin Peaks" framework i.e. having a prudential regulator, which will be known as the Prudential Authority (PA), with functions of prudential supervision and regulation of CFIs. As a result of these changes, the Supervision unit's functions and employees within the CBDA were transferred to the South African Reserve Bank (SARB) with effect from 1 April 2018.

The favourable financial implication is that the CBDA retains the supervision units budget allocations over the MTEF period. The budget has been relocated to the CSS unit which relied solely on stakeholder funding in the current year.

The unfavourable operation implication is that the CBDA will not have an influence on the rules and requirements prescribed by the Prudential Authority on CFIs. This could result in deregistration of CFIs which will impact the growth of the sector.

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26. CONTINGENT LIABILITIES

Management is aware of the probability of two incidents that may result in material litigation or claims made against the CBDA that would involve financial implications.

The CBDA will be liable to employee's transferred to the SARB for all proven claims associated with and/or arising from pending disciplinary matters, grievances, disputes and legal cost, which arose on or after 1 April 2018.

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27. FRUITLESS AND WASTEFUL EXPENDITURE		
Opening balance	91	87
Add: Fruitless and wasteful expenditure - Current	1	4
	92	91

2018

3G services not transferred to new service provider resulting in cost being incurred for services not utilised.

Disciplinary steps taken/criminal proceedings

None - Internal investigation was concluded revealing that no employee could be held responsible.

1

2017

Travel commitments could not be cancelled on short notice after an employee fell ill.

None - Internal investigation was concluded with a outcome revealing that the occurrence was beyond the entities control.

4

The CBDA continues to monitor these occurrences and where applicable, controls are in place to assist the entity to recover these amounts.

An independent investigation will be conducted by National Treasury Internal Audit unit for the disclosed fruitless and wasteful in the new financial year.

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28. IRREGULAR EXPENDITURE

Opening balance	2,677	1,000
Add: Irregular Expenditure - current year	2,776	1,677
	5,453	2,677
Analysis of expenditure awaiting condonation		
Current year	1,633	-
Prior years	1,677	1,000
	3,310	1,000

The CBDA has implemented controls to ensure that all supply chain requirements are complied with. The irregular expenditure has not resulted in any financial loss.

A submission has been made to the National Treasury to condone irregular expenditure incurred in the 2016/17 financial year for an amount of R1,677,000 and R 1,633,000 for the current financial year. An independent investigation to be conducted by National Treasury Internal Audit unit for the disclosed irregular expenditure for the 2017 and 2018 financial year will commence in the 2019 financial year.

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Details of irregular expenditure – 2018

PROCUREMENT AND CONTRACT MANAGEMENT	Disciplinary steps taken/criminal proceeding	-
The preferential point system for pricing was not documented when appointing the successful bidder.	None - Irregular expenditure transaction resulted from the Auditor-General findings in 2017 which was already incurred in 2018 and could not be prevented.	1,203
Services were reduced to be less than R500,000 to avoid tender process.	None - Irregular expenditure originated from supply chain management requirement not being complied with in terms of contracts signed in the 2017 financial year. It could not be prevented due to legal and financial implication if cancelled before expiry of the contract.	196
Deviation from SCM process for the additional services without ensuring the process was fair, transparent, cost effective and equitable	None - Irregular expenditure originated from supply chain management requirement not being complied with in terms of contracts signed in the 2017 financial year. It could not be prevented due to legal and financial implication if cancelled before expiry of contract.	894
Non compliance with SCM instruction note: 7 on foreign tax compliance status.	Management will request National Treasury Internal Audit unit to conduct an investigation on the Auditor-General finding.	483
		2,776

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Details of irregular expenditure – 2017

PROCUREMENT AND CONTRACT MANAGEMENT		Disciplinary steps taken/criminal proceeding	-
Procuring additional services without obtaining three quotations and testing market	None - Internal investigation was concluded once the Auditor-General raised the finding. The outcome of the internal investigation revealed that no employee could be held responsible and no financial loss was incurred since the entity obtain value from the transaction.		283
The preferential point system for pricing was not documented when appointing the successful bidder.	None - Internal investigation was concluded once the Auditor General raised the finding. The outcome of the internal investigation revealed that no employee could be held responsible and no financial loss was incurred since the entity obtain value from the transaction.		717
Services were reduced to less than R500,000 to avoid tender process	None - Internal investigation was concluded once the Auditor General raised the finding. The outcome of the internal investigation revealed that no employee could be held responsible and no financial loss was incurred since the entity obtain value from the transaction.		273
EXPENDITURE MANAGEMENT			
Payment made without valid contract and tax clearance certificate	None - Internal investigation was concluded once the Auditor-General raised the finding. The outcome of the internal investigation revealed that the decision taken by the Accounting Authority was in line with its strategic objective and no individual gained from this transaction.		404
			1,677

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	2015/16	2015/16 Restated	Difference
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29. PRIOR PERIOD ERRORS

Grant revenue and expenditure was recognised twice for BANKSETA for an amount of R31,096 in the 2015/16 and 2014/15 financial year. This had no impact on the deficit in the statement of performance and grant liability in the statement of position for the 2015/16 financial year. The grant note reconciliation account was incorrectly reflected with funds received during the year overstated and revenue recognised overstated by R32,000.

In the 2017/18 financial year the note to the grant account was corrected to reconcile accordingly since the error effected only the 2015/16 financial year.

BANKSETA

Balance at beginning of year	36	36	-
Funds received in the current year	3,231	3,199	(32)
Funds receivable in the current year	360	360	-
Revenue recognised in the current year	(3,104)	(3,072)	32
	523	523	-

An amount disclosed under the financial instruments note for financial liability did not include an amount of R1, 537 for accrual on invoices not yet received.

Financial liabilities

Trade and other payables	964	1,537	2,501
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Correction of error relates to services in-kind provided by the National Treasury for the office space and other facilities.

PART E: FINANCIAL INFORMATION

3. ANNUAL FINANCIAL STATEMENTS

	2015/16	2015/16 Restated	Difference
Statement of Financial Performance			
Revenue			
Revenue from non exchange transactions	31,005	(1,792)	29,213
Expenditure			
Goods and services	15,445	1,792	17,237
	46,450	-	46,450

Amount of leave accumulated by the employees as at 31 March 2018 was incorrectly classified as leave provision.

The incorrect misclassification will not result in any misstatement as the misclassification that occurred is within current liability. The result will be reducing the provision and increasing accrual in the Statement of Financial Position.

The employee cost and supplier's amount was incorrect in the Cash Flow Statement due to the misclassification of leave accrued.

Statement of Financial Position

Payables	2,501	373	2,874
Provisions	959	(373)	586
	3,460	-	3,460

Cash Flow Statement

Employee costs	14,507	352	14,859
Suppliers	20,061	(352)	19,709
	34,568	-	34,568



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