



ANNUAL REPORT 2019/2020



The mission of the Co-operative Banks Development Agency (CBDA) is to create an enabling environment for the Co-operative Banking Sector through innovative solutions, capacity building, funding and technology interventions. This is achieved through support provided to co-operative banking institutions, for the ultimate benefit and financial inclusion of underserved communities in South Africa.





CONTENTS

PART A: GENERAL INFORMATION 2

1. PUBLIC ENTITY'S GENERAL INFORMATION	3
2. LIST OF ABBREVIATIONS/ACRONYMS	4
3. FOREWORD BY THE MINISTER	6
4. FOREWORD BY THE CHAIRPERSON.....	7
5. FOREWORD BY THE ACTING MANAGING DIRECTOR	9
6. STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY OF THE ANNUAL REPORT	11
7. STRATEGIC OVERVIEW	12
7.1 Vision	12
7.2 Mission	12
7.3 Values.....	12
8. LEGISLATIVE AND OTHER MANDATES.....	12
9. ORGANISATIONAL STRUCTURE	13

PART B: PERFORMANCE INFORMATION..... 14

1. REPORT BY THE AUDITOR-GENERAL OF SOUTH AFRICA: PREDETERMINED OBJECTIVES	15
2. SITUATIONAL ANALYSIS.....	15
3. PERFORMANCE INFORMATION BY PROGRAMME.....	18
4. REVENUE COLLECTION	27

PART C: GOVERNANCE 28

1. INTRODUCTION.....	29
2. PORTFOLIO COMMITTEES (if applicable)	29
3. EXECUTIVE AUTHORITY.....	29
4. THE ACCOUNTING AUTHORITY/BOARD	29
5. RISK MANAGEMENT	35
6. INTERNAL AUDIT	35
7. AUDIT COMMITTEE.....	36
8. INTERNAL AUDIT AND AUDIT COMMITTEES	36

9. COMPLIANCE WITH LAWS AND REGULATIONS.....	38
10. FRAUD AND CORRUPTION	38
11. MINIMISING CONFLICT OF INTEREST	39
12. CODE OF CONDUCT	39
13. HEALTH SAFETY AND ENVIRONMENTAL ISSUES.....	39
14. COMPANY/BOARD SECRETARY	39
15. SOCIAL RESPONSIBILITY.....	39
16. AUDIT COMMITTEE REPORT	40
17. B-BBEE COMPLIANCE PERFORMANCE INFORMATION.....	42

PART D: HUMAN RESOURCES MANAGEMENT 43

1. INTRODUCTION	44
-----------------------	----

PART E: FINANCIAL INFORMATION..... 49

1. REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE CO-OPERATIVE BANKS DEVELOPMENT AGENCY	51
2. STATEMENT OF RESPONSIBILITY.....	56
3. STATEMENT OF FINANCIAL POSITION	57
4. STATEMENT OF FINANCIAL PERFORMANCE	58
5. STATEMENT OF CHANGES IN NET ASSETS	59
6. CASH FLOW STATEMENT	60
7. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS	61
8. ACCOUNTING POLICIES.....	63
9. NOTES TO THE FINANCIAL STATEMENTS.....	69

PART A

GENERAL INFORMATION



1. PUBLIC ENTITY'S GENERAL INFORMATION



REGISTERED NAME:	Co-operative Banks Development Agency
REGISTRATION NUMBER (if applicable):	None
PHYSICAL ADDRESS:	27 th Floor, National Treasury Building 240 Madiba Street Pretoria 0001
POSTAL ADDRESS:	Private Bag X115 Pretoria 0001
TELEPHONE NUMBER/S:	+27 (0)12 315 5367
FAX NUMBER:	+27 (0)12 315 5905
EMAIL ADDRESS:	cbda@treasury.gov.za
WEBSITE ADDRESS:	www.treasury.gov.za/coopbank
EXTERNAL AUDITORS:	Auditor-General of South Africa
BANKERS:	First National Bank
COMPANY/BOARD SECRETARY:	Vacant

2. LIST OF ABBREVIATIONS/ACRONYMS

AGSA	Auditor-General of South Africa
AFS	Annual Financial Statement
AGM	Annual General Meeting
AMD	Acting Managing Director
APP	Annual Performance Plan
ARC	Audit and Risk Committee
BANKSETA	Banking Sector Education and Training Authority
B-BBEE	Broad-Based Black Economic Empowerment
CB	Co-operative Bank
CBDA	Co-operative Banks Development Agency
CBI	Co-operative Banking Institution (incl. both CB & CFI)
CFI	Co-operative Financial Institution
CFO	Chief Financial Officer
CBU	Capacity Building Unit
CPD	Corporation for Public Deposit
CS	Corporate Services
CSS	Central Support Services
DED	Department of Economic Development
DIF	Deposit Insurance Fund
DRDLR	Now called Department of Agriculture, Land Reform and Rural Development
DTA	Direct Technical Assistance
ERM	Enterprise Risk Management
FNB	First National Bank
FSAP	Financial Sector Assessment Programme
FSC	Financial Services Co-operative
FSCA	Financial Sector Conduct Authority
FSRA	Financial Sector Regulation Act
GRAP	Generally Recognised Accounting Principles
HR	Human Resources
HR&R	Human Resources and Remuneration
ICT	Information and communications technology
IESBA	International Ethics Standards Board for Accountants
IMF	International Monetary Fund



ISA	International Standards on Auditing
IT	Information technology
KZN	KwaZulu-Natal
MD	Managing Director
MoU	Memorandum of Understanding
MSWSA	Money Smart Week South Africa
NPS	National Payment System
NT	National Treasury
OAG	Office of the Accountant General
PA	Prudential Authority
PAA	Public Audit Act of South Africa
PFMA	Public Finance Management Act
PPRCF	Payments Policy and Regulation Coordination Forum
SACCO	Savings and Credit Co-operative
SAICA	South African Institute of Chartered Accountants
SARB	South African Reserve Bank
SAS	Specialised Audit Services
SCM	Supply Chain Management
SEFA	Small Enterprise Finance Agency
SLA	Service Level Agreement
SOE	State-owned Entity
TR	Treasury Regulations
VBS	Venda Building Society
WHO	World Health Organization

3. FOREWORD BY THE MINISTER



TT Mboweni, MP
Minister of Finance

Financial inclusion is the provision and use of regulated, affordable and appropriate financial services by those segments of society where financial services are needed but not provided or are inadequate. It is an important tool in the economic development of the country, just as financial exclusion is a significant constraint to economic and societal development. The slow economic growth and weak value of the Rand continuously impact the financial service offerings to the society as the two mentioned factors negatively affect the Co-operative Banking Sector that is supposed to reach out and play a role of financial inclusion to the society.

Taking into consideration the slow growth of our economy and unemployment rate, the government is not distracted to achieve the National Development Plan (NDP) vision 2030 target of 90% financial inclusion, efforts are underway to refocus and reinvigorate the Co-operative Banking Sector with aims to actively promote a sector that reflects the demographics of South Africa. The CBDA is an important instrument in facilitating financial inclusion, economic transformation and sector competitiveness to grow the Co-operative Banking Sector.

The government has recently reformed the financial sector regulatory bodies to strengthen its safety and soundness, to find traction in the transformation of the Cooperative Banking Sector to ensure that the sector's services are accessible to as many South Africans as part of achieving the NDP target of 90% by 2030. The CBDA was instrumental in supporting the Co-operative Banking Sector to align with the new regulatory regime under the Prudential Authority that emanated out of the Twin Peaks supervisory model. This will enable the sector to find its rightful place in the South African banking sector.

In March 2019, the National Treasury, CBDA in conjunction with the World Bank embarked on a programme titled "South Africa Financial Sector Development and Reform' Programme: Transforming the market structure of the financial sector". The objective of the programme is to advance support to the government on improving the financial sector market structure with a specific focus on the role of the Co-operative Banking Sector.

I would like to recognize and commend our stakeholders (private and public sector) including the support organisations involved in making it possible for the Cooperative Banks Development Agency to implement programmes that pave the path to financial inclusion and aligned to NDP target. Through our stakeholder programmes and financial support offerings/ provision, the Agency was able to reach-out to the Urban, Semi-Urban and most rural areas across the country to ensure that the Co-operative Banking Sector has traction.

Lastly, I would like to thank the CBDA Board of Directors (BoD) of the Agency, its committees as appointed by the BoD to ensure that the Agency continues to comply with all the legislative framework as provided. Thanks as well to the management and staff of the agency for their commitment in ensuring that the strategic objectives of the Agency, extracted from that of National Treasury, are achieved to enhance service delivery in all corners of our country that will address financial inclusion.

TT MBOWENI, MP
MINISTER OF FINANCE

4. FOREWORD BY THE CHAIRPERSON



Mr Jeffrey Ndumo
CBDA Board Chairperson

The financial year ending 31 March 2020 marks the end of an administrative period that has been a journey of great lessons and achievements in our quest to develop the Co-operative Banking Sector. The Co-operative Banks Development Agency (CBDA) continued with its mandate to facilitate developmental programmes for Co-operative Banking Institutions (CBIs) during this financial year. The CBDA Board navigated and continues to provide oversight to CBDA during a difficult period wherein South Africa was exposed to great economic uncertainty. This period has seen the triple challenges of Poverty, Unemployment and Inequality as identified in the National Development Plan, increasing to unsustainable levels that are bound to cause societal pressure in the future if not attended to.

The Board championed the mandate of the organisation by developing and implementing a sustainable strategic plan focused on growing and sustaining Co-operative Banking Institutions (CBIs), the bedrock of economic activity in communities mostly requiring financial inclusion and economic transformation in their quest to become economically empowered.

The CBDA, working in partnership with the National Treasury, World Bank, Rabobank and other key stakeholders in the Co-operative Banking Sector; steer the processes of formulating the National Cooperative Banking Strategy as recommended by the Standing Committee on Finance and Portfolio Committee on Trade and Industry as articulated in the Transformation of the Financial Sector Interim Report, dated 6 September 2017. This has resulted in a compilation and delivery of a draft strategy report in the third quarter of 2019/2020 financial year. This draft report is to be workshopped to the sector participants during the 2020/2021 financial-year, with the final national co-operative banking strategy document expected to be delivered in that same year. The tough financial year impacted by COVID-19 and lockdown resulted in the CBDA achieving a mere 6 out of 11 targeted performance indicators which amounts to a 54.5% overall performance score for the Agency.

The CBDA Board resolved to review its strategic outlook in servicing the Co-operative Banking Sector during the third quarter of the 2019/2020 financial year. As part of the strategic review, the Board resolved not to continue with the Banking Platform and the Central Support Services offering in its current form, effective 1st of December 2019. The CBDA will be researching various cost-effective and effective alternative Fintech solutions as required by CBIs that will provide value-added offering of products and services to its members.

This refocused strategic outlook will also address and drive the growth and sustainability of the Co-operative Banking Sector; contributing towards the transformation of the financial services sector through ownership within the sector; meaningful participation of CFIs and Co-operative Banks in the mainstream banking sector; finance access to Small Micro and Medium Enterprises (SMMEs) banked within the sector and the financial inclusion of underserved communities by providing first order retail banking services.

The focused inputs above are to be carried out through the leveraging and strengthening of stakeholder relationships that play a pivotal role in repositioning the CBDA as a key financial inclusion facilitator, with a solid foundation in the documented niche sector experience. The desired results from the employed efforts are an expanding footprint of sustainable; professionalised; modernised and technology enabled CBIs matched by a growing Co-operative Banking Sector membership base; member deposit and asset base.

4. FOREWORD BY THE CHAIRPERSON (continued)

I would like to re-emphasise the negative impact that COVID-19 has had on the global and South African economy. We must concede that the Co-operative Banking Sector does not operate in isolation from the rest of the South African economy and will continue to suffer from the effects of this global pandemic with the rest of the other economic sectors in South Africa. The CBDA sympathises with those directly and indirectly affected by the pandemic and reiterates its position to champion its developmental mandate during this period clouded by great economic uncertainty. South Africa currently needs real patriots who will live their patriotism in their deeds and actions. A resolute commitment towards fighting the identified common enemy, COVID-19, and preventing it from perishing our fellow countrymen is the required patriotism our President is calling for.

I would like to thank Ms Nomadelo Sauli, our former Acting Managing Director, who returns to her previous position as Head: Capacity Building, for the committed contribution made during her stint in the Managing Director position. I welcome Mr David de Jong who took over from Ms Sauli as the Acting Managing Director on the 3rd of February 2020. Mr de Jong has been seconded to the CBDA from the Prudential Authority and he comes with a wealth of knowledge and experience in the sector. We wish both, Ms Sauli and Mr de Jong, great success in their respective roles in pursuing the organisational mandate.

On behalf of the Board, I would like to thank the National Treasury as the shareholder for its continued support in making sure the CBDA goals are met. I would like to express gratitude to the CBDA Board members for their indelible contributions during the 2019/2020 financial year. The zeal and commitment shown during the year should be carried into the upcoming financial year to enable us as a body to solidify our strategic base. It is a pleasure to welcome our new Board appointment Ms TN Mashanda who joined us after we received resignations from Ms M De Vos and Ms MS Mosing during the financial year. We wish our departed Board members well in their new adventures. I would like to further convey the message of thanks to the CBDA senior management and staff for taking upon the challenge to implement the developmental mandate entrusted upon them.

I would also like to express gratitude for the support received from other government departments and agencies that have assisted the CBDA in achieving its set goals over the years. Your efforts as an interested stakeholder are greatly appreciated.

Lastly, I would like to thank the biggest stakeholder in this equation, the CBIs, represented by their respective boards, management, staff, and their general membership. I would like to thank your continuous patience with the Agency and contributions made to improving our vision for the sector through your eyes.



Mr Jeffrey Ndumo
CBDA Board Chairperson
Co-operative Banks Development Agency
Date: 02 October 2020

5. FOREWORD BY THE ACTING MANAGING DIRECTOR



Mr David de Jong
Acting Managing Director

As prepared by outgoing Acting Managing Director (AMD), Ms N Sauli and updated by the incoming AMD Mr D de Jong.

Highlights for 2019/2020

The 2019/2020 financial year brought a number of unique challenges to the co-operative financial banking sector. The demise of the Venda Building Society (VBS) in 2018 led to a loss of confidence in member-based institutions with some members of the Co-operative Banking Institutions (CBIs) concerned about the safety of their deposits within their respective CBIs, especially in the Limpopo area. This also affected prospective CBIs as they are questioning the safety of the CBI model when it comes to protection of member deposits.

The weaker economy in the 2019/2020 financial year resulted in higher unemployment and reduced household savings, and weak Gross Domestic Product constrained growth in the CBI model in terms of savings mobilisation, member recruitment and loan repayments.

The last quarter of the financial year, affected by the COVID-19 pandemic led to the total shutdown of the economy. Most CBIs closed their offices and the Co-operative Banks Development Agency (CBDA) has been closely monitoring loan repayments and member withdrawals. The effects of the pandemic are expected to filter into the next financial year Co-operative Financial Institution (CFI) and co-op banks results, which we will monitor closely.

The Year Under Review

National Co-operative Banking Strategy

The development of a National Co-operative Banking Strategy was an outcome of one of the recommendations of the Standing Committee of Finance and the Portfolio Committee on Trade and Industry on the Transformation of the Financial Sector. The development of the strategy was one of the proposals put forward by the CBDA in their presentation during the public hearings. Subsequent to this, National Treasury (NT) requested assistance from the World Bank to fund the development of the strategy. The World Bank commissioned Rabobank, consultant Carlos Cuevas, other international experts and a South African partner, EBS, to undertake the development of the strategy. A draft of this strategy was completed in December 2019 and has been circulating to stakeholders for comments, to be completed in the next financial year.

Co-operative Banks Development Agency and Prudential Authority MoU

To promote working together in the development and regulation of the CBIs, the Prudential Authority (PA) and CBDA entered into a memorandum of understanding (MoU) with the following aims: to promote collaboration between the CBDA and the PA on issues related to the regulatory framework of CBs and CBIs; to support the CBDA in the development of a sustainable Co-operative Banking Sector; to jointly instil a culture of compliance and operational discipline, in line with the regulatory framework, for prospective and registered CBs and CBIs; to create an enabling environment for the Co-operative Banking Sector through a progressive, innovative regulatory framework that supports the safety and soundness of the sector; to provide a framework for and encourage the

5. FOREWORD BY THE ACTING MANAGING DIRECTOR *(continued)*

parties to liaise on matters of common interest; to keep each other abreast on policy, statutory and developmental matters of joint concern; to conduct joint public consultation sessions pertaining to either supervision and regulation, as well as capacity building and the development framework for the sector; and to conduct joint training programmes for the Co-operative Banking Sector on matters of common interest.

Capacity Building Initiatives

In a bid to enhance the financial management and compliance functions of the CBIs, a co-operative bank in a box was implemented into CBIs. The co-op bank in a box is a set of financial management and compliance tools to assist the CBIs in their day-to-day financial management, as well as compliance with the different legislative bodies. The tools will go a long way in ensuring that the CBIs are proactive rather than reactive in their financial management and compliance, which will reduce the rate of CBI deregistration due to non-compliance.

The Capacity Building Unit (CBU) continued to offer capacity building to the CBIs in the form of direct technical assistance (DTA), training, and pre-registration support to prospective CBIs.

Stakeholder Support

In the year under review, several training programmes were conducted and funded by the Banking Sector Education Training Authority (BANKSETA) and the Gauteng Department of Economic Development (DED). They were attended by Board members, staff, management and committee members from the different CBIs in the country.

BANKSETA signed a Capacity Building MoU with the CBDA for the 2020/2021 financial year training programmes. Some of the training programmes that will be offered for the first time to the sector under this MoU include: Bank Treasury Risk Management, Management Principles and Techniques, Market Conduct, CBI Operations Management, and CBI Financial Modelling.

Financial Reporting for the CBIs

Central Support Services (CSS) managed to compile end-to-end reporting (Financial, Management and Regulatory Reports) on the banking and accounting system for both Imvelo Financial Services Co-operative (FSC) and Motswedi FSC. However, full adoption of the system by the CBIs that were participating in the Banking Platform remained a challenge. It is sad to note that the CSS was officially closed after the contract with EOH ended at the end of November 2019 due to sustainability concern. The CSS team members were absorbed into the Capacity Building Unit (CBU) and corporate services (CS) unit.

Financial Constraints

With the allocated budget the CBDA receives, it cannot afford to employ a Board Secretary, a Chief Financial Officer and a Compliance Officer, all which are necessary to meet the compliance and governance requirements of the Agency. As a result, current personnel have to undertake additional tasks and perform multiple functions over and above their normal duties. This often compromises the quality of the end product but more importantly, puts a strain on their personal well-being.

The Year Ahead

The strategic focus for the next year and beyond will hinge on collaboration and partnerships among all stakeholders. Our new approach in addressing the challenges of the past requires the seamless implementation of institutional development, organisational strengthening, the enhancing of operational efficiency through innovative technology interventions and solutions, and the expanding of the footprint of sustainable CBIs through a holistic support programme. The new focus will enable the CBDA to assist in increasing the number of CBI members, the number of registered CBIs, the asset size of the sector, savings and improved coordination with stakeholders, leading to harmonised and concerted efforts in growing the Co-operative Banking Sector.

Acknowledgements

I would like to take this opportunity to thank the NT for the continued support in terms of the operational budget; the CBDA Board of Directors for their unwavering support in providing the strategic direction of the CBDA; the Management of the CBDA for working tirelessly together with the staff in implementing the strategic plan of the organisation; our stakeholders, particularly BANKSETA and the Gauteng DED for providing funds for the CBI capacity building interventions and lastly, the CBIs for continuing to provide services to their members in these difficult times. I wish you all a good year ahead.



Mr David de Jong
Acting Managing Director
Date: 30 September 2020

6. STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY OF 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 (AFS) audited by the Auditor-General of South Africa (AGSA).

The Annual Report is complete, accurate and is free from any omissions.

The Annual Report has been prepared in accordance with the guidelines as issued by NT.

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

The Accounting Authority is responsible for the preparation of the AFS and for the judgements made in this information. The Accounting Authority is responsible for establishing and implementing a system of internal controls that has been designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the AFS.

The external auditors are engaged to express an independent opinion on the AFS.

In our opinion, the Annual Report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the CBDA for the financial year ended 31 March 2020.

Yours faithfully

Mr David de Jong
Acting Managing Director
Date: 30 September 2020

Mr Jeffrey Ndumo
Chairperson of the Board
Date: 30 September 2020

7. STRATEGIC OVERVIEW

7.1 Vision

A competitive, accessible and sustainable Co-operative Banking Sector that empowers communities.

7.2 Mission

The mission of the Co-operative Banks Development Agency (CBDA) is to create an enabling environment for the Co-operative Banking Sector through innovative solutions, capacity building, funding and technology interventions. This is achieved through support provided to co-operative banking institutions, for the ultimate benefit and financial inclusion of underserved communities in South Africa.

7.3 Values

The CBDA values are as follows:



Passion:

to be driven and dedicated with a sense of urgency and encouraging full participation and a spirit of celebration;



Integrity:

to be honest, frank, accountable and transparent;



Mutual respect:

to be trustworthy, selfless, willing to serve and compassionate, with shared values and a respect for decisions;



Commitment to solidarity and co-operation:

to be committed to teamwork, which includes being supportive, having a common purpose, sharing information and taking responsibility;



Excellence:

to be value-adding, diligent, professional, punctual and competent. It includes giving attention to detail and having a commitment to knowledge and learning; and



Confidentiality:

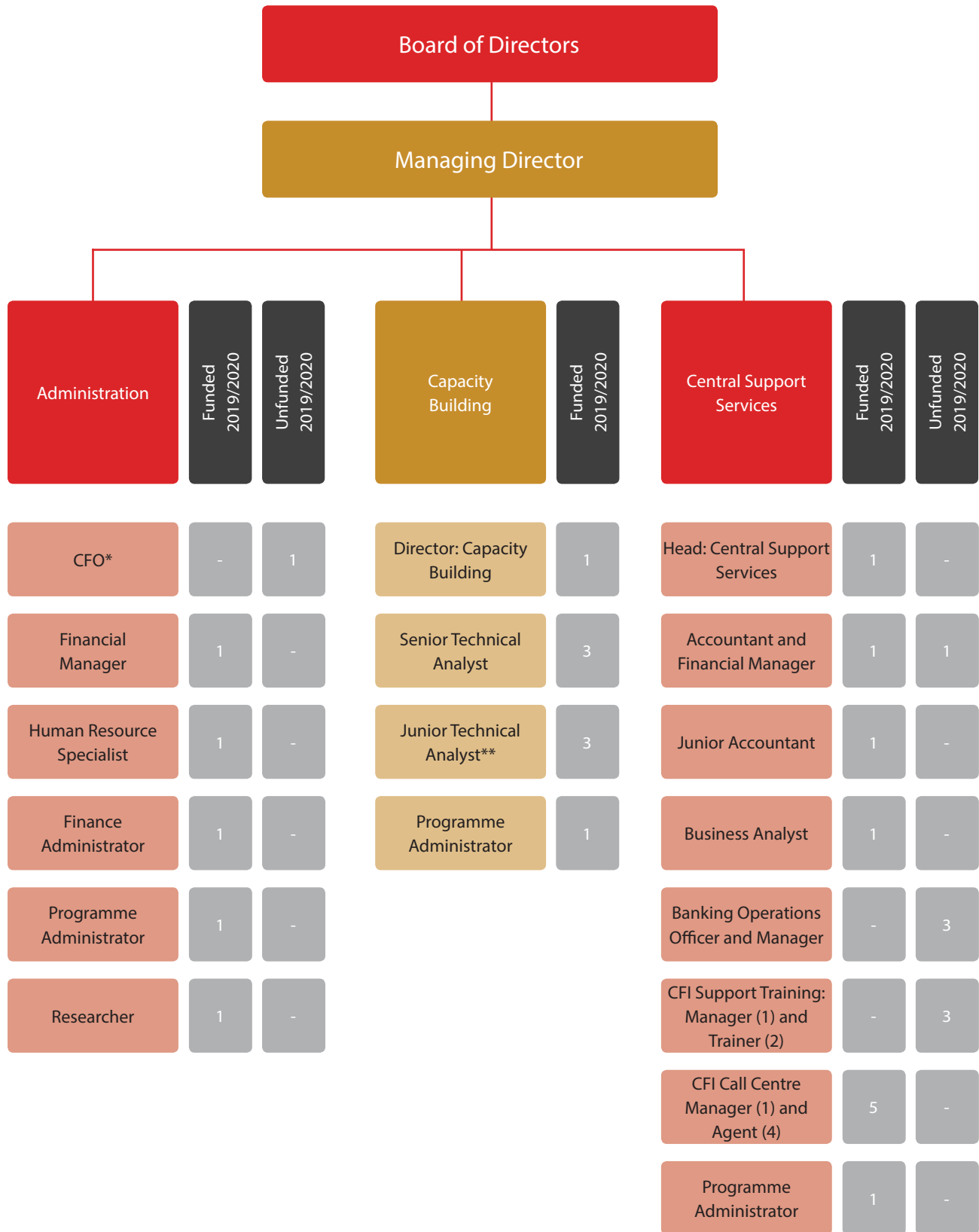
in dealings with all stakeholders.

8. LEGISLATIVE AND OTHER MANDATES

These include the following:

- Co-operative Banks Act (2007), as amended by the Financial Services Laws General Amendment Act (2013)
- Banks Act Exemption Notice (2014), *Government Gazette* 37903, 15 August 2014
- Public Finance Management Act (1999) (PFMA)
- Treasury Regulations
- Financial Sector Regulation Act (2017) (FSRA)

9. ORGANISATIONAL STRUCTURE



* Still under consideration depending on the future structure of the CBDA.

** One Junior Technical Analyst vacant (Capacity Building)

Figure 1: Organisational structure of the CBDA

PART B

PERFORMANCE INFORMATION



1. REPORT BY THE AUDITOR-GENERAL OF SOUTH AFRICA: PREDETERMINED OBJECTIVES

The Auditor-General of South Africa (AGSA) currently performs the necessary audit procedures on the performance information to provide reasonable assurance in the form of an audit conclusion. The audit conclusion on the performance against predetermined objectives is included in the report to management, with material findings being reported under the *Predetermined Objectives* heading in the *Report on Other Legal and Regulatory Requirements* section of the Auditor's Report.

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

2. SITUATIONAL ANALYSIS

2.1 Service Delivery Environment

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

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

In the AMD's opinion, the performance information fairly reflects actual achievements against planned objectives and targets in line with the strategic and Annual Performance Plans (APPs) of the CBDA for the financial year ended 31 March 2020.

The CBDA's performance information for the year ended 31 March 2020 has been examined by the AGSA, whose report is presented on pages 51 to 55.

The CBDA's performance information set out on pages 15 to 27 was approved by the Board.

2.2 Organisational Environment

The CBDA consist of three units.

- Corporate Services
- Capacity Building; and
- Central Support Services

Corporate Services (CS) unit is responsible for strategic leadership, governance, financial management and human resources (HR) of the CBDA; as well as ensuring effective and efficient coordination of all the Agency's activities. The unit is also responsible for stakeholder management, marketing and research.

The CBDA continues to depend on the NT for office accommodation, information and communications technology (ICT), legal, supply chain management (SCM), risk management and internal audit services due to limited funding, and capacity constraints within CBDA. Service level agreements (SLAs) have been signed with units within the NT in order to improve the efficiency of services offered.

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

The **Central Support Services (CSS)** unit provides a shared services banking solution which includes a core banking system to the Co-operative Banking Sector. The shared services provided by the CSS created the "bank back office" environment that allows the sector to function in a similar fashion to commercial banks while enjoying economies of scale.

The CSS services offered to the Co-operative Banking Sector has been discontinued at the end of the 2019/2020 financial year due to procurement challenges and sustainability issues.

The CBDA's goal is to explore and understand challenges the Co-operative Banking Sector faces in servicing their members.

2.3 Key Policy Developments and Legislative Changes

The promulgation of the FSRA brought into effect the 'Twin Peaks' framework, i.e. having a prudential regulator, which is known as the PA, with the mandate of promoting and enhancing the safety and soundness of financial institutions (which includes co-operative banks and CFIs as defined in the Co-operative Banks Act (2007)); to promote and enhance the safety and soundness of market infrastructure; to protect financial customers against the risk of financial institutions failing to meet their obligations and assist in maintaining financial stability. Twin Peaks also established the Financial Sector Conduct Authority (FSCA), which is responsible for market conduct regulation of financial sector participants.

The CBDA and the PA agreed a MoU to manage the working relationship between the regulator and the development agency to ensure that the Co-operative Banking Sector is appropriately supervised and supported.

2.4 Strategic Outcome-Oriented Goals

Ultimate Outcome/ Impact:	Economic and social well-being of financial co-operative members and their communities			
Outcomes:	To facilitate financial inclusion, economic transformation and sector competitiveness to grow the Co-operative Banking Sector.			
Intermediate Outcomes:	Growing, sustainable, well managed CFIs		Improved financial services access and utilisation	
Immediate Outcomes:	Effective and growing membership & deposits	Diversified, appropriate products and service	Effective Banking Platform system	Development of existing and new CFIs

The strategic outcomes are described in the diagram above.

The CBDA's achievements that contributed towards its strategic objectives during the year under review are:

1. Sixteen (16) organised groups that approached CBDA were provided with pre-registration support.
2. Thirty-nine (39) CFI were provided with DTA, exceeding the annual target by twelve (12).
3. One hundred and twenty-eight (128) members (CFI Directors, Board Committees, DED officials and CFI staff) were trained through the financial year. Part of the support was through stakeholder funding from BANKSETA and in collaboration with the Gauteng DED. This resulted in an over-achievement of the target by 40.
4. One application for registration as a support organisation was received.
5. The CBDA developed and maintained strong stakeholder relationships through participation, collaboration and partnerships. These relationships emanated in the following activities which contributed towards the CBDA mandate:
 - a. Initiating the process of developing a National Co-operative Banking Strategy for South Africa, with the assistance of the NT securing funding from the World Bank.
 - b. In signing a MoU with the PA which promotes collaboration on issues related to the regulatory framework and targets support required by the Co-operative Banking Sector.
 - c. Participating in Payments Policy and Regulation Coordination Forum (PPRCF), Payments Council; attending some sessions of the International Monetary Fund (IMF)/World Bank Financial Sector Assessment Programme (FSAP) review process, as well the National Consumer Financial Education Committee organising the Money Smart Week South Africa (MSWSA), to drive consumer financial literacy in South Africa

2.5 RSA Financial Co-operative Retail Bonds Update, Financial Year 2019/2020

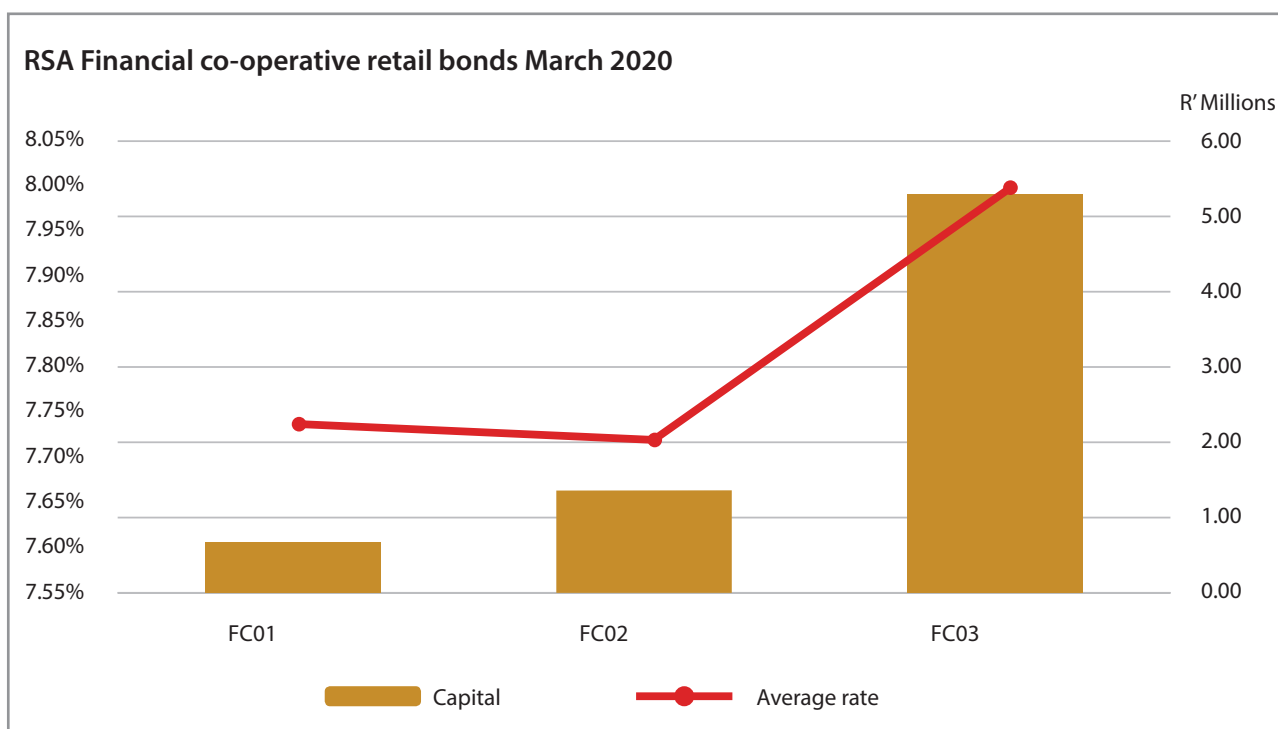
The NT launched the Financial Co-operative Retail Bonds in 2011. This was prompted by the need to diversify savings instruments available to CFIs and co-operative banks (CBs).

This is in compliance with the Co-operative Banks Act No.40 of 2007: Regulations made in terms of Section 86 par. 3.2 (a) states as follows: *A co-operative bank may acquire or hold the following assets with money deposited with it – sub-par. (iii) in government co-operative retail savings bonds with 1, 2 or 3-year maturity dates, and treasury bills issued by National Treasury as established by Section 5 (1) of the Public Finance Management Act, Act 1 of 1999 as amended by Act 1 of 1999 (PFMA).*

Co-operative Retail Bonds are secure and affordable investments as governed by the PFMA, with market-related returns on their investments. No fees or charges are payable to NT for the administration of the investment(s).

They are issued in the following Series: 1-year Financial Co-operative Retail Bond, 2-year Financial Co-operative Retail Bond, and 3-year Financial Co-operative Retail Bond. The CFIs and CBs will have access to their funds invested after (6) six months, on condition that they can only withdraw their investments twice during a financial year.

By the end of this financial year 2019/2020, the number of CFIs investing in retail bonds has decreased. However, the amount invested has increased to R7.348 million from R5.255 million the previous financial year. The CBDA encourages more CFIs to see value and invest in this investment vehicle which is risk free and provides guaranteed financial growth.



Interest rates applicable for April 2020

- 1-year Co-operative Retail Bond: 6.25%
- 2-year Co-operative Retail Bond: 7.75%
- 3-year Co-operative Retail Bond: 9.00%

Figure 2: RSA financial co-operative retail bonds March 2020

CBI sector performance, Financial Year 2019/2020

	Number of Institutes		Members		Deposit R Millions		Assets R Millions	
	2019	2020	2019	2020	2019	2020	2019	2020
February*								
Co-operative Banks	4	4	4 321	4 280	145,3	173,9	177,4	210,4
CFIs	22	23	23 170	25 911	149,1	172,7	192,1	213,4
Total	26	27	27 491	30 191	294,4	345,6	369,5	423,8

The sector's performance improved with a notable growth of 8,9% in membership and 15% in deposits, as illustrated in the table above.

*The financial year-end of co-operative banks and CFIs is 28 February.

As at the end of February 2020, the co-operative financial sector consisted of four co-operative banks and 23 CFIs. In order for a CFI to apply for registration as a co-operative bank it must meet the minimum requirements, (i.e. have at least 200 members and R5 million in deposits). Based on total assets as at the end of February 2020, co-operative banks and CFIs both constitute 50% of the total financial co-operative deposit-taking sector.

Source: Prudential Authority

3. PERFORMANCE INFORMATION BY PROGRAMME

3.1 Programme 1: Administration

The MD and CS unit are responsible for strategic leadership, governance, financial management and HR 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.

During the period under review the following activities were conducted:

- The revision of the five (5)-year strategic and one (1)-year APP, taking into consideration funding constraints and discontinuation of the banking system contract due to procurement compliance and financial sustainability. The plan was approved by the Minister of Finance and tabled in Parliament on 19 March 2020.
- Engaging and participating with the World Bank and Rabobank on the development of a co-operative banking strategy for South Africa. The revised draft of the National Co-operative Banking Strategy was presented for comment in order to develop a strategic option paper for the sector to deliberate on. The preferred strategic option will ultimately assist the CBDA in locating its role in the sector going forward.
- The CBDA recommended the repeal of Chapter VIIA of the Co-operative Banks Act, 40 of 2007, which makes provision for the registration of CFIs. The removal of this section could result in CFIs being included in the Bank Resolution Framework, which also talks to the Deposit Insurance Fund (DIF). The DIF for all types of co-operative banking institutions could strengthen confidence in the Co-operative Banking Sector, whilst ensuring the protection of member deposits of individuals who are usually the most vulnerable.
- The COVID-19 outbreak, which was declared a global pandemic by the World Health Organisation (WHO) and classified as a national disaster by the Head of the National Disaster Management Centre, had an impact on the operations of the CBDA in the last quarter of the financial year. This warranted that some of the CBDA activities be adjusted as per the Presidential and Ministerial directives.
- The Agency resumed communication with the sector through the online newsletter (*Masithethe*), which informed the sector on the appointment of the new CBDA AMD, as well as the newly registered CFI. A briefing note was issued to the CFIs and the sector on mitigating risk during the COVID-19 period and how the CBDA would be operating during this period.
- The Agency provided the sector with additional tools to enhance operations and governance.

Key performance indicators, planned targets and actual achievements

Strategic Objective: CBDA is adequately capacitated to meet its mandate CBDA brand and Co-operative banking model is known and recognised					
Performance Indicator	Actual Achievement 2018/2019	Planned Target 2019/2020	Actual Achievement 2019/2020	Deviation from Planned Target to Actual Achievement for 2019/2020	Comment on Deviations
Stakeholder engagement strategy developed.	0	1	0	-1	The vacancy of the MD position for over a year has resulted in capacity constraints in carrying out the planned targets.
Number of strategic agreements signed with key stakeholders.	2	2	2	0	
Number of communication activities (e.g. magazines, newsletters, booklets, etc.)	3	4	4	0	New leadership has resuscitated the online newsletter (<i>Masithethe</i>).
Number of outreach and education activities about the CFI Model to Groups and Institutions (e.g. workshops, presentations, etc.)	15	12	5	-7	This indicator correlates with Capacity Building indicator 1. Capacity Building therefore leveraged of CBU staff to conduct activities due to capacity constraints in unit.

Strategy to overcome areas of under performance

The CBDA strategy developed for the 2020–2025 period envisage to address the shortcomings in the delivery of the objectives. The CBDA strategic focus for the next year and over the medium term takes on a new approach which will mainly focus on expanding the footprint of sustainable, professionalised, modernised, and technology enabled CBIs, thereby growing the Co-operative Banking Sector membership base, member deposits, and asset base. The appointment of an MD would ensure matters of constraints are addressed and the strategy is implemented effectively.

Changes to planned targets

Targets had not been changed in the financial year.

Linking performance with budgets

The administration unit cost is towards compliance, governance and admin support to the operational units. The stakeholder engagement plays a critical role with NT providing service in kind in terms of office space, parking facilities, office furniture and services towards internal audit, enterprise risk management (ERM), legal, SCM, finance, IT, cleaning and communication. Without these goods and services CBDA would not be able to operate effectively. Expenses in terms of personnel and services (audit fees, minute-taking, etc.) are incurred towards fulfilling the compliance and governance requirements which divert funds from the core operations which results in a slower impact on the strategic objectives. The CBDA uses a conservative posture in its spending. Efforts are made to collaborate with stakeholders to achieve its stated objectives. The table below describes the manner in which the budget was spent to ensure the necessary support is provided and the unit performance targets are achieved.

Activities	2018/2019			2019/2020		
	Budget R'000	Actual Expenditure R'000	(Over)/Under Expenditure R'000	Budget R'000	Actual Expenditure R'000	(Over)/Under Expenditure R'000
Compensation of employees	4 306	2 796	1 510	5 126	2 593	2 533
Annual conference	50	-	50	-	-	-
Assets less than R5 000	5	-	5	10	-	10
Audit costs	400	979	(579)	420	864	(444)
Bank charges	20	21	(1)	30	28	2
Bad debt	-	-	-	-	1	(1)
Governance costs	350	280	70	200	341	(141)
Communication	45	29	16	57	36	21
Compensation Commission	6	-	6	6	-	6
Consultants	25	31	(6)	-	264	(264)
Computer expense	-	7	(7)	-	8	(8)
Depreciation	115	494	(379)	45	251	(206)
Impairment loss	-	216	(216)	-	-	-
Lease payments	45	37	8	48	30	18
Publication	50	34	16	55	1	54
Printing and stationery	73	71	2	97	36	61
Human resource management	50	1	49	20	1	19
Staff welfare	3	1	2	3	2	1
Subscription	10	-	10	8	-	8
Service in kind	-	6 502	(6 502)	-	6 620	(6 620)
Training and staff development	100	11	89	75	6	69
Travel and subsistence	180	114	66	150	44	106
Total expenditure excludes Capital expense and interest capitalised	5 833	11 624	(5 791)	6 350	11 126	(4 776)
Tangible and intangible assets	90	93	(3)	80	85	(5)
Stabilisation fund	100	137	(37)	-	144	(144)
Total	6 023	11 854	(5 831)	6 430	11 355	(4 925)

3.2 Programme 2: Capacity Building Unit

The CBU 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.

Key performance indicators, planned targets and actual achievements

Strategic Objective: An Adequately Capacitated CFI Sector					
Strategic Objectives	Actual Achievement 2018/2019	Planned Target 2019/2020	Actual Achievement 2019/2020	Deviation from Planned Target to Actual Achievement for 2019/2020	Comment on Deviations
Number of organised groups (public sector, SOEs, unions, etc. provided with pre-registration support	-2	8	16	+8	There was a huge demand from organised groups for pre-registration support
Number of CFIs provided with DTA	15	12	39	+27	The allocation of CFIs to technical analysts resulted in the target being over-achieved
Number of CFI board members, board committees, management and staff trained per annum	173	40	128	+88	Through the collaboration with Gauteng DED and the BANKSETA the unit managed to over-achieve on the target

- The CBU’s strategic objective is to have an adequately capacitated Co-operative Banking Sector, which is directly linked to the overall vision and mission of the CBD that of sector growth and competitiveness through the provision of innovative capacity development and support to CFIs and their members.
- The over-achievement on the training programmes targeted for CFI members of the Board, sub-committees, management and staff, was made possible by the invaluable partnerships that the CBDA has forged over the years with the BANKSETA and the Gauteng DED.

Strategy to overcome areas of under performance

The CBU did not under perform in any of its pre-set performance indicators.

Changes to planned targets

There were no changes to the CBU’s performance indicators and/or targets in the year under review.

Linking performance with budgets

BANKSETA funding was utilised for venue and accommodation to conduct training and transfer funds were used for on-site visits to CFIs to conduct DTA.

Activities	2018/2019			2019/2020		
	Budget R'000	Actual Expenditure R'000	(Over)/Under Expenditure R'000	Budget R'000	Actual Expenditure R'000	(Over)/Under Expenditure R'000
Transfer Funds						
Compensation of employees	5 177	4 760	417	5 921	4 905	1 016
Consultants	385	351	34	724	33	691
Training and development	150	24	126	60	20	40
Travel and subsistence	-	1 908	(1 908)	1 200	490	710
Venues and facilities	-	654	(654)	100	66	34
Total	5 712	7 697	(1 985)	8 005	5 514	2 491
Grant Funds						
Compensation of employees	-	310	(310)	-	36	(36)
Consultants	1 000	766	234	-	340	(340)
Training and development	-	52	(52)	-	-	-
Travel and subsistence	2 411	2 174	237	-	1 136	(1 136)
Venues and facilities	700	674	26	-	570	(570)
Total	4 111	3 976	135	-	2 082	(2 082)
Grand Total	9 823	11 673	(1 850)	8 005	7 596	409

3.3 Programme 3: Central Support Services

Purpose of programme

The Central Support Services (CSS) 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 with the commercial banking sector.

The Shared Services initiative was an ambitious endeavour with the purpose to accelerate the modernisation of the South-African Co-operative Banking Sector. The long-term sustainability of the initiative and constraints in procurement necessitated a review of the approach. This was also against the backdrop of a slower than anticipated adoption of technology and stagnant growth in the sector.

The expiry and non-sourcing of the IT banking system prevented the CSS unit from carrying out and achieving its target objective from 1 December 2019. The reason for the non-sourcing of the IT banking system was due to:

- viability and sustainability issues of the continued unit,
- the challenges of procurement of banking system,
- cost of change management to a new system, and
- affordability for the CBI sector in taking over the support services.

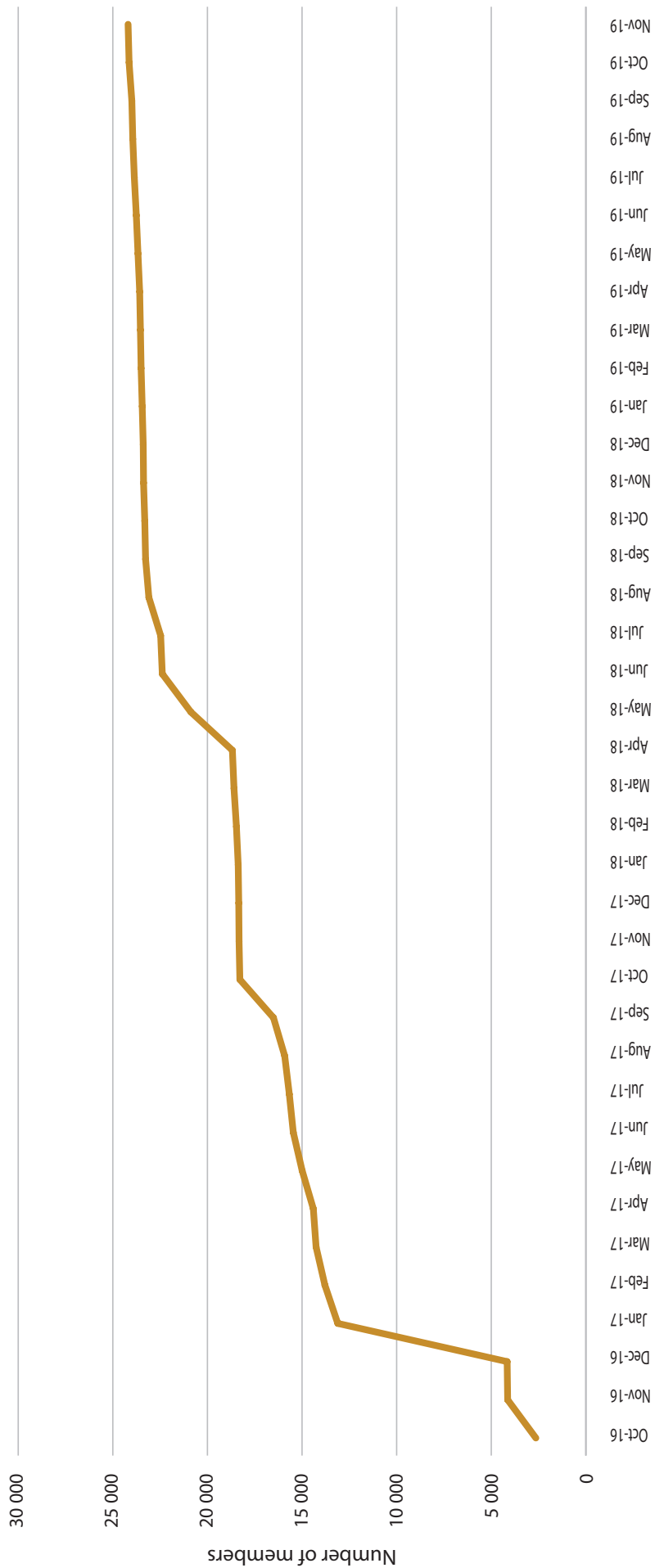
These circumstances lead to the discontinuation of the IT banking system (Banking Platform) as at 31 March 2020, and the transfer of CSS unit employees to the CB and CS units in the 2020/2021 financial year.

The digitisation of the sector remains important, with research being done on different "off-the-shelf systems" available in order to assist the sector in their decisions. A matrix has been compiled reflecting the full product and service options available on the two most currently used IT systems (Mambu light and SAVCO) by our CFIs.

The diagram that follows demonstrates progress that has been made on the system since its inception. The learnings derived and skills developed both at CBDA and within the participating CFIs will be used to drive the digitisation process within the Co-operative Banking Sector.

In light of the closing of the CSS unit, a close out report is being prepared to provide lessons and experience for future digitalisation efforts for the sector.

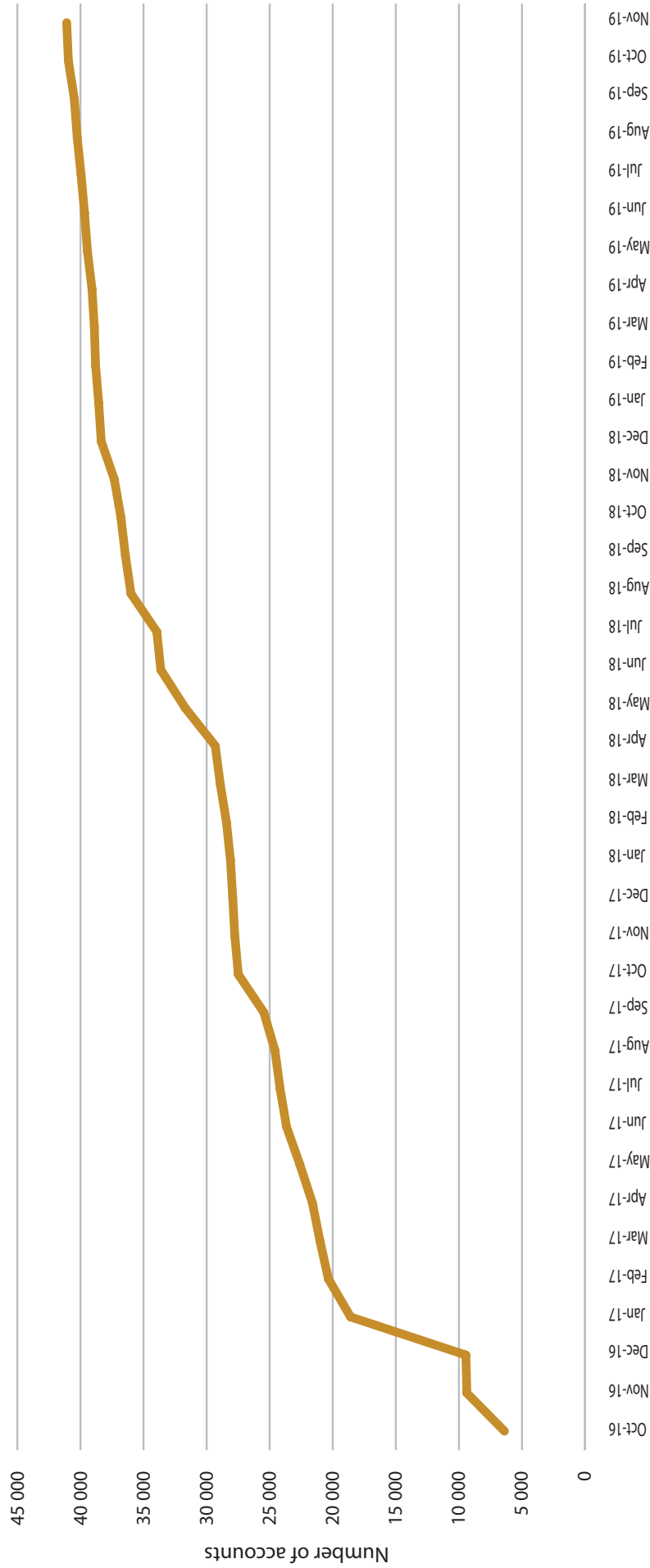
Total members on the banking platform



Calendar month

Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	Nov-18	18 647
2 709	4 191	4 218	13 113	13 788	14 251	14 396	14 984	15 449	15 657	15 899	16 489	18 254	18 296	18 312	18 341	18 435	18 562	18 647		
May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	24 124	
20 825	22 327	22 413	23 033	23 205	23 247	23 311	23 329	23 382	23 440	23 476	23 515	23 604	23 692	23 797	23 877	23 927	24 071	24 124		

Total accounts on the banking platform





Total transactions on the system per month and monthly average numbers

CFI No	First Quarter				Second Quarter				Third Quarter						
	Mar-19	Apr-19	May-19	Total	Average Transactions Per Month	Jun-19	Jul-19	Aug-19	Total	Average Transactions Per Month	Sep-19	Oct-19	Nov-19	Total	Average Transactions Per Month
1	10	0	0	10	3	0	0	0	0	0	0	0	0	0	0
2	23	5	19	47	16	26	11	50	87	29	27	21	13	61	20
3	0	799	266	1 065	355	88	0	0	88	29	123	32	0	155	52
4	213	132	144	489	163	219	230	199	648	216	0	0	13	13	4
5	0	0	21	21	7	0	2	0	2	1	0	0	0	0	0
6	260	118	120	498	166	120	817	582	1 519	506	511	453	337	1 301	434
7	2 021	2 006	1 966	5 993	1 998	1 830	1 995	1 926	5 751	1 917	1 856	1 970	1 825	5 651	1 884
8	150	194	171	515	172	61	381	219	661	220	166	184	212	562	187
9	32	0	0	32	11	0	0	0	0	0	0	0	0	0	0
10	15	0	0	15	5	0	0	0	0	0	0	0	0	0	0
11	215	1 453	723	2 391	797	587	1 775	503	2 865	955	455	560	803	1 818	606
12	154	112	2 754	3 020	1 007	440	14	0	454	151	0	0	0	0	0
	3 093	4 819	6 184	14 096	4 699	3 371	5 225	3 479	12 075	4 025	3 138	3 220	3 203	9 561	3 187

Strategic objectives

- CSS and the Banking Platform project were to enhance the CFIs operational capabilities by integration into the NPS by using a robust Banking Platform.
- To accelerate the modernisation of the South- African Co-operative Banking Sector. The long-term sustainability of the initiative and constraints in procurement necessitated a review of the approach.

Key performance indicators, planned targets and actual achievements

Strategic Objective: Enhance Operational Efficiency in the CFI Sector					
Performance Indicator	Actual Achievement 2018/2019	Planned Target 2019/2020	Actual Achievement 2019/2020	Deviation from Planned Target to Actual Achievement for 2019/2020	Comment on Deviations
Number of CFIs trained in preparation for implementation of the Banking Platform.	0	1	1	0	Achieved The Banking Platform achieved this target in Quarter 3 before the expiry of the contract of the Banking Platform (IT System) which thereafter prevented the uploading of data for the CFI.
Number of CFIs using the Banking Platform system	12	15	10	-5	Not Achieved The termination of the Banking Platform Project due to long-term sustainability resulted in 10 CFIs on the system having no access from 1 December 2019.
Number of CFIs integrated into the NPS	0	3	0	-3	Not Achieved
The target is dependent on an IT banking system which has been discontinued due to long-term sustainability issues.					
Number of reports provided for CFIs to support operational, financial and regulatory reporting	19	17	17	0	Achieved

The performance of CSS has contributed to the achievement of the public entity's strategic outcomes orientated goals

The CSS programme contributed to the overall objective of the CBDA by introducing technology into the Co-operative Banking Sector underpinned by improved processes, and ultimately the comprehensive reporting assisted the participating co-operative banking institutions to enhance business decisions. In addition, operational efficiency was enhanced, and the workforce of the respective entities acquired valuable computer skills.

Comment on all deviations

The Banking Platform project terminated due to long-term sustainability issues. The objectives in terms of the original business case were not achieved due to stagnant growth in the Co-operative Banking Sector and a lack of full adoption of the Banking Platform

Strategy to overcome areas of under performance

CBDA changed its approach during the strategic sessions held on 13 and 14 November 2019. The CBDA will no longer directly contract IT service providers for banking systems but rather give guidance on potential systems in line with the DTA provided to the CFIs, to support the Co-operative Banking Sector in the digitisation journey.

Changes to planned targets

The target had not been changed in the financial year. The CSS business unit staff were primarily absorbed into the CBU after the completion of the financial year.

Linking performance with budgets

The expiry of the contract of the IT banking system resulted in the cost for hosting and card manufacturing not being utilised. This attributed to performance target not being achieved since it is depended on the IT banking system. Due to these developments, refunds would be made to CFIs who contributed toward the Banking Platform project.

Activities	2018/2019			2019/2020		
	Budget R'000	Actual Expenditure R'000	(Over)/Under Expenditure R'000	Budget R'000	Actual Expenditure R'000	(Over)/Under Expenditure R'000
Compensation of employees	6 233	4 195	2 038	5 322	4 481	841
Human Resource Management	165	-	165	-	-	-
Rental cost	132	-	132	-	-	-
Communication	80	9	71	9	9	-
Industry charges	525	-	525	-	-	-
Hosting services	3 150	3 034	116	3 190	1 538	1 652
Card manufacturing	-	-	-	620	-	620
Transaction cost	525	-	525	-	-	-
Consultants	315	41	274	168	137	31
Travel and subsistence	2 469	384	2 085	500	160	340
Training development	-	-	-	-	47	(47)
Refund	-	-	-	-	500	(500)
Total expenditure excludes Capital expense	13 594	7 663	5 931	9 809	6 872	2 937
Capital expense						
Tangible and intangible assets	301	-	301	50	59	(9)
Total	13 895	7 663	6 232	9 859	6 931	2 928

4. REVENUE COLLECTION



Sources of Revenue	2018/2019			2019/2020		
	Estimate R'000	Actual Amount Collected R'000	(Over)/Under Collection R'000	Estimate R'000	Actual Amount Collected R'000	(Over)/Under Collection R'000
Transfer	19 883	19 883	-	20 759	20 759	-
Grant Income	9 458	3 976	(5 482)	3 415	2 082	(1 333)
Service in Kind	-	6 502	6 502	-	6 818	6 818
Services Rendered	-	2	2	-	2	2
Interest Income	400	529	129	120	822	702
Other Income	-	151	151	-	17	17
Total	29 741	31 043	1 302	24 294	30 500	6 206

The secure source of revenue is transfers from NT that enables the achievement the CBDA's strategic mandate. CBDA is also reliant on service in kind from NT to provide goods (office space, parking facilities and office furniture) and services (internal audit, ERM, legal, SCM, finance, IT, cleaning and communication), due to insufficient funding.

Additional funding is sourced in terms of grant funds from different stakeholders to supplement transfer. In the 2019/2020 financial year, grant funding was received from BANKSETA for capacity building initiatives and programmes. The anticipated grant fund was not received due to the agreement only being signed end of February 2020. These funds would only be received in the new financial year.

The decline in grant funding is attributed to stakeholders' requirements/interest not in line with the CBDA's strategic objective. Services rendered are application and registration fees for support and representative bodies.

Interest income is incurred from project funding's in First National Bank (FNB) and stabilisation funds invested in the Corporation for Public Deposits. Additional funding received during the financial year and previous year funds not being utilised are attributed to the increase in interest income.

The decline in other income is due to a prior year correction for the 2018/2019 financial year relating to the provision for leave.

PART C

GOVERNANCE



1. INTRODUCTION

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

2. PORTFOLIO COMMITTEES (if applicable)

No Portfolio committee meetings were attended during the year in review.

3. EXECUTIVE AUTHORITY

In 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 (APPs) for 2020/2021, Quarterly Reports for 2019/2020, and the Annual Report and Financial Statements for 2018/2019.

4. THE ACCOUNTING AUTHORITY/BOARD

Introduction

The Board of the CBDA is independent. 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 (2007). 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 (2007), the PFMA and Treasury Regulations.

The Deputy Chairperson, Mr Jeffrey Ndumo, continued to act as the Chairperson in the year under review. Mr Desmond Golding who was appointed by the Minister of Finance as the Chairperson of the Board has been on special leave in the year under review. The Minister approved the appointment of one Board member. Ms T Mashanda joined the Board in December 2019. Ms R de Vos and Ms M Mosing resigned as Board members in the year under review.

The Role of the Board is as Follows

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

Board Charter

The Board reviews changes and approves the Agency's policies as and when required, in line with the practices of the Agency. The Acting Chairperson has played a key role in ensuring that the Board is independent and makes sound decisions for the organisation. Although there have been new appointments and replacements to the Board, it was still able to execute its duties as prescribed in the Board Charter.

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)	Number of Meetings Attended
Mr Desmond Golding ¹	Chairperson	Reappointed 16 October 2017	N/A	LLM Banking MA International Relations Finance for Senior Executives Postgraduate Dipl. Macroeconomics	Banking, Macroeconomics. International Relations			0
Mr Jeffrey Ndumo	Deputy Chairperson	Reappointed 23 November 2018	N/A	Master of Arts MA International Relations and Political Studies BA (Honours) 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; Co-operative Development; Economics and Policy Development	N/A	N/A	9/9

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)	Number of Meetings Attended
Dr Nomfundo Ngwenya	Member	4 June 2018	n/a	PhD: International Studies MSc: Politics of the World Economy	Develop Group's Business Strategy Manage Business Relationships Project Management; International Relations	Inkhanyeti Group NXN Analytics Ntsele Global (and its Subsidiaries) Phuma Phambili Engineering Ngwenya Group	Chairperson of the Human Resources and Remuneration (HR & R) Committee	7/9
Ms Pumla Ncapayi	Member	23 November 2018	n/a	Masters in Business Administration (MBA) in Progress BCom Degree Diploma in Trade Law & Policy	Policy and Strategy Development Leadership Support International Relations	Tshwane Automotive Hub Special Economic Zone	HR & R Committee	3/9
Mr Luyanda Ntuane	Member	23 November 2018	n/a	Masters in Information Technology Bachelor of Commerce (Economics & IT)	IT Engineering Project Management IT Infrastructure IT Network		Member of the HR & R Committee Member of the Audit and Risk Committee	8/9



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)	Number of Meetings Attended
Ms Nokonwaba Shwala	Member	4 June 2018	n/a	Master of Business Leadership Executive Leadership Programme Management Advancement Programme	HR Specialist Executive Human Capital Policy Development	The Young Pioneers Institute of South Africa SGM Consulting Kelvin Pharmacy Khula Institutional Support Services Khula Land Reform Empowerment Facility	Member of the HR & R Committee	6/9
Ms Mpho Mosing ²	Member	4 June 2018	30 October 2019	Masters Degree in Public Management LLB Honours Degree	Policy Development Monitoring and Evaluation Liquor Registration and Licensing Economic Development		N/A	1/9
Mr Velile Pangwa	Member	23 November 2018	n/a	South African Institute of Chartered Accountants (SAICA) Independent Regulatory Board of Auditors (IRBA) Chartered Accountant (CA) SA B.Comm Honours (Accounting) (University of Natal)	Planning and Monitoring the Audit Preparing Financial Statements Reviewing of Financial Statements Budgets/Financial Management	ANF CA(SA) INC	Member of the HR & R Committee Chairperson of the Audit and Risk Committee	8/9

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)	Number of Meetings Attended
Ms Ria de Vos	Member	14 December 2017	1 June 2019	MA Degree BA (Honours)	Policy Analysis Rural Enterprise and Industrial Development			0/9
Ms Thusile Mashanda	Member	12 December 2019	n/a	Chartered Accountant (SA) – 1999/2000 got certificate in 2001 Certificate in theory in Accounting – 1997 – Unisa Bachelor of Arts in Accounting Studies (Honours) – Thames Valley University – London UK (1992) A Levels – Tresham College Kettering Northamptonshire UK (1989) Matric – Inanda Seminary (1986)		K2015336896 (South Africa) Sodubo Projects Shibika Projects Back2Black Consulting Services Fairland College Njapa Municipal Services Back2Black Chartered Accountants In 2 Brands Samanjalo Resources 4 Grow Blukela Kreston Johannesburg	Member of the Audit and Risk Committee	1/9



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)	Number of Meetings Attended
Ms Nomadelo Sauli	Acting Managing Director	1 May 2018	8 January 2020	International Credit Union Development Educator (ICUDE) WOCCU Postgraduate Diploma Info Science Bachelor of Arts Degree Senior Secondary Teachers Diploma	Co-operative Banking Policy and Strategy Development Training and Development	N/A	CBDA/PA CFI Workstream	6/9
Mr David de Jong	Acting Managing Director	1 February 2020	N/A	BEcon – UWC B.Econ (Hon) – UWC	Financial Co-operative, Development, Regulation and Supervision	N/A	Employee at Prudential Authority	1/9

Minister's Representative

Name	Designation	Date appointed	Date resigned	Qualifications	Area of expertise	Board directorships	Other committees or task teams	Number of meetings attended
Ms Olatse Matshane Chief Director: Financial Markets and Stability	Minister's Representative	4 June 2018	n/a	MSC Economics BCom (Honours) Economics Certificate in Taxation Advanced Project Management	Economics Taxations Co-operative Banking Project Management	N/A	N/A	3/9

¹ Mr Desmond Golding who is the Chairperson was on special leave in the year under review.

² Ms Ria de Vos and Ms M Mosing resigned as Board members in the year under review.

Committees

Committee	No. of Meetings Held	No. of Members	Name of Members
HR & R Committee	4	4	Ms Nomfundo Ngwenya (Chairperson) Ms Nokonwaba Shwala (Member) Mr Velile Pangwa (Member) Mr Luyanda Ntuane (Member)
Audit Committee	5	6	Ms Olaotse Matloa(Ex-Chairperson) Mr Charl de Kock (Ex-Member) Mr Brandon Furstenburg (Member) Ms Pumla Mzizi (Chairperson) Mr Freddy Sinthumule (Member) Ms Anna Badimo (Member)
Audit and Risk Committee	2	3	Mr Velile Pangwa (Member) Mr Luyanda Ntuane (Member) Ms Thusile Mashanda (Member)

Remuneration of Board Members

Board members are remunerated at rates determined by the NT, 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 22 of the AFS.

5. RISK MANAGEMENT

The Board has assigned oversight of the CBDA risk management process to the Audit and Risk Committee (ARC) which was established during the period under review. The establishment of the committee was due to the new approach to risk management by NT not materialising, resulting in an oversight gap. The ARC responsibilities conflicted with work conducted by the NT Shared Services Audit Committee. Engagements have been held between both committees whereby a recommendation was made and approved by the Board to convert the ARC to a Risk and ICT committee in the new financial year.


The ERM unit performed the risk assessment for the year 2019/2020 and for the new financial year 2020/2021. The unit assisted management to review the Risk Register quarterly 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 oversight of internal financial and operational control rests with the Board, with the assistance of the Audit Committee. Internal Audit is responsible for reviewing the effectiveness, efficiency and economy of CBDA's system of controls. Internal Audit is also responsible for improving and enhancing existing controls where appropriate, and assists with developing new recommendations. The CBDA makes use of the services of the Internal Audit unit of the NT.

Key Activities and Objectives of the Internal Audit

The objectives of the Internal Audit are aligned with Treasury Regulations. The Internal Audit function assists the MD of CBDA in achieving the objectives of the institution, evaluating and developing recommendations for the enhancement or improvement of the governance processes; the accomplishment of CBDA performance goals are monitored; accountability is ensured; and corporate values are preserved.



Internal Audit assists management by evaluating controls in order to determine their effectiveness and efficiency and by developing recommendations for its 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 policies.

Audit Conducted During the Financial Year

Four audit projects were planned and completed in the period under review

1. Review of CBDA 2018/19 AFFs.
2. Review of Pastel Accounting System IT general controls. (CSS unit)
3. Audit of performance information on quarterly performance report.
4. Review of financial statement (Mid-term 2019/2020 financials).

Two audit projects from the previous financial year were finalised as follows:

1. Review of risk management, fraud prevention strategy and ethics management.
2. Review of compliance with the Co-operative Banks Act (2007).

The results of these reports assist Management to implement action plans to address the internal control deficiencies. Progress is monitored quarterly through the use of the findings register.

7. AUDIT COMMITTEE

The Audit Committee is independent and fulfils an oversight role in governance by, among others, reviewing the integrity of reporting, internal financial controls and the management of risk. Due to the size and nature of the CBDA, it shares the NT's Audit Committees. The NT remunerates the members of the Audit Committees.

Key Activities and Objectives of the Audit Committee

The Audit Committee effectively oversees 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.

8. INTERNAL AUDIT AND AUDIT COMMITTEES

The Audit Committee effectively oversees 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.



Name	Qualifications	Internal or External	If Internal, Position in the Public Entity	Date Appointed
Mr B Furstenburg	Master of Science (MSc) – Financial Management, University of London, UK, 2006 Master of Commerce (MCom) – Economics, University of the Witwatersrand (Wits), 1999 BCom Honours (1997) and BCom 1996, (Wits) FAIS exams: RE1, RE3 and RE5 (Representative and Key Individual)	External	Member	1 June 2016 Re-appointment 1 June 2019
Ms A Badimo	BSc Computer Science BSc Hons Computer Science Master in Business Administration (MBA), Master of Science (MSc), CISM (Certified Information Security Manager), CGEIT (Certified in the Governance of Enterprise IT), CISA (Certified Information Systems Auditor) CRISC (Certified in Risk and Information Systems Control), Cobol Programming Diploma, PMP (Project Management Professional), Cert. IT Auditing, COBIT 5, ITIL[F] Certified ISO 22301 Lead Implementer Certified Blockchain expert F. Inst. D (IoDSA)	External	Member	1 July 2015 Re-appointment 1 July 2018

Name	Qualifications	Internal or External	If Internal, Position in the Public Entity	Date Appointed
Ms P Mzizi	Bachelor of Commerce Degree (BCom) Honours in Transport Economics (University of South Africa (Unisa)) BCompt Honours CTA (Unisa)-1995 B.BusSci Finance Honours (UCT) - 1992	External	Chairperson (March 2019)	1 October 2018
Mr F Sinthumule	B.Comm. Accounting (University of Venda) Diploma (Finance and Auditing) (University of Zululand) MBA (Special Project on PFMA) (University of Limpopo)	External	Member	1 July 2019
Term of Office Ended				
Ms O Matloa	B.Com. degree Honours and CTA CA (SA)	External	Ex-Chairperson	1 March 2016 Extension to 30 June 2019
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

9. 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 register has been put in place to ensure compliance with statutory requirements.

10. FRAUD AND CORRUPTION

The CBDA has a fraud policy which complies with the NT fraud prevention plan. Due to the size of the CBDA the NT ERM unit assists with compliance to the NT policies and procedures. The CBDA uses the National Anti-corruption Hotline for whistleblowers 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 NT to communicate the plan and to emphasise the importance of reporting fraud and corruption.

11. 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.

The SCM process is outsourced to NT. All involvement in SCM is guided by the prescripts of NT to ensure that conflicts of interest are avoided.

12. CODE OF CONDUCT

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

13. HEALTH SAFETY AND ENVIRONMENTAL ISSUES

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

14. COMPANY/BOARD SECRETARY

This position is currently vacant due to financial constraints.

15. SOCIAL RESPONSIBILITY

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

The staff of CBDA has instituted a Charity Club Fund in their personal capacity into which monthly contributions are made towards selected charitable drives in order to make a change in communities.

16. AUDIT COMMITTEE REPORT

We are pleased to present our report for the financial year ended 31 March 2020.

Audit Committee Responsibility

The Audit Committee reports that it has complied with its responsibilities arising from Section 51 (1) (a) of the Public Finance Management Act and Treasury Regulation 27.1.

The Audit Committee also reports that it has adopted appropriate formal terms of reference as its Audit Committee Charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The Effectiveness of Internal Control

The system of internal control is designed to provide cost-effective assurance that assets are safeguarded, and that liabilities are effectively managed. As per the PFMA requirements, Internal Audit and the AGSA evaluate the internal controls for adequacy and effectiveness. This is achieved by assessing the effectiveness of risk management, and the identification of corrective actions and suggested enhancements to controls and internal processes. Based on these evaluations, the Audit Committee considers the internal control environment as inadequate as there were matters reported indicating areas requiring improvement in the system of internal controls in financial reporting, SCM, reporting on pre-determined objectives and compliance with laws and regulations.

Internal Audit

The Audit Committee reviewed and approved the annual Internal Audit plan for 2019/2020 and monitored performance of the Internal Audit against this plan on a quarterly basis. The Audit Committee is satisfied that the Internal Audit function is operating effectively and that it has addressed the risks specific to CBDA in conducting the reviews.

The following Internal Audit assignments were completed during the year under review and the committee will continue to monitor the progress made against the corrective action plans implemented by management:

- Review of the AFS
- Review of business continuity processes (Consulting) – Deferred
- Audit of Performance information audit on the QPR (Assurance)
- Review of Financial Statements (Mid-term/interim).

The committee remains concerned with the vacancy of the MD and inadequate capacity within CBDA especially within the Finance unit.

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 ERM unit, critical audit areas and managements inputs in the formulation of its 3-year strategic and annual plans. The entity had a Risk Committee which was chaired by an independent member who reported directly to the Audit Committee. In the current financial year, a decision was taken to review the structure and composition of the committee to achieve effectiveness, however the process took longer than envisaged. The Committee met four times during the year under review. A Risk Register is updated annually to ensure that all the major risks including emerging risks facing the organisation are effectively managed. The Committee monitors management's implementation of the risk management plans on a quarterly basis.

Compliance with Laws and Regulations

The Committee has reviewed the in-year management and quarterly reports submitted in terms of the Public Finance Management Act and is satisfied that no material deviations were noted. The Committee also noted Managements' policies and procedures to ensure compliance with applicable laws and regulations. The Committee has also taken note of concerns with the entity's non-compliance with some of the legislative requirements relating to procurement and contract management as reflected in the audit report.

The Committee remains concerned with the slow progress in the finalisation of irregular expenditure. The status of the implementation of the guideline(s) as issued by NT to resolve irregular expenditure is inadequate.

Evaluation of Financial Statements

The Committee submits that it has:

- Reviewed the 2019/2020 unaudited and audited AFS prepared by CBDA.
- Reviewed the 2019/2020 draft and final Annual Report.

Auditor-General's Report

The Audit Committee has met and discussed with the Auditor-General South Africa (AGSA) their audit report to ensure that there are no unresolved issues. We have also reviewed the Management responses to the audit issues raised in the AGSA management report and continuous oversight will be exercised to ensure that unresolved findings are adequately addressed.

The Audit Committee concurs and accepts the conclusions of the AGSA on the AFS and is of the opinion that the Audited AFS should be accepted and read together with the report of the AGSA.

Appreciation

The Audit Committee expresses its sincere appreciation to the Executive Authority, Accounting Authority, AGSA, Management, and Internal Audit for their support and co-operation.

Pumla Mzizi

Pumla Mzizi CA (SA)

Chairperson of the Audit Committee

30 September 2020

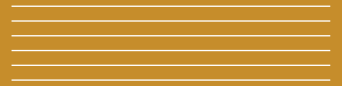
17. B-BBEE COMPLIANCE PERFORMANCE INFORMATION

The following table has been completed in accordance with the compliance to the B-BBEE requirements of the B-BBEE Act of 2013 and as determined by the Department of Trade and Industry.

Has the Department / Public Entity Applied any Relevant Code of Good Practice (B-BBEE Certificate Levels 1 – 8) with regards to the Following:		
Criteria	Response Yes/ No	Discussion (include a discussion on your response and indicate what measures have been taken to comply)
Determining qualification criteria for the issuing of licences, concessions or other authorisations in respect of economic activity in terms of any law?	No	The CBDA is mandated to register Representative bodies and Support Organisations. These must be registered member-based co-operatives which by their nature support financial inclusion and support B-BBEE imperative. Legislation does not require compliance.
Developing and implementing a preferential procurement policy?	Yes	National Treasury Preferential Procurement Policy informs all procurement decisions within CBDA. CBDA follows pre-scripts of National Treasury.
Determining qualification criteria for the sale of state-owned enterprises?	N/A	CBDA is a development Agency and is not responsible for selling of state- owned enterprises and assets.
Developing criteria for entering into partnerships with the private sector?	No	No criteria developed for entering into partnerships with the private sector.
Determining criteria for the awarding of incentives, grants and investment schemes in support of Broad-Based Black Economic Empowerment?	No	The financial co-operatives the CBDA provides support to are by their very nature primarily B-BBEE entities.

PART D

HUMAN RESOURCES MANAGEMENT





1. INTRODUCTION

Overview of HR Matters at the Public Entity

The Human Resources (HR) report summarises the employment-related activities of the CBDA from 1 April 2019 to March 2020. HR responsibilities generally include the following:

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

Set HR Priorities for the Year under Review and the Impact of these Priorities

Approval of the following new and revised policies:

- Disciplinary Code and Grievance Procedures Policy
- Employee Benefits Policy
- Recruitment and Selection Policy
- Succession Planning and Career Pathing Policy

In the period under review, CBDA made two new appointments, six contract extensions and a secondment to fill the positions in the:

- Corporate Services Unit: During this period, the internally appointed Acting MD resigned from this position. A secondment appointment of an Acting MD from the PA became effective 1 February 2020. A programme administrator contract was extended for one year.
- CSS Unit: In total, five contracts were extended. One Programme administrator's contract was extended for one year, one Business Analyst was extended for three years and two CFI Helpdesk Agents contracts were extended for three years and one Team Leader contract extended for one year. The unit had two new appointments for the period under review of a Junior Technical Analyst and a CFI Helpdesk Agent.

Resignations and end of contracts in the period under review

- CS Unit: Two resignations relating to the Finance Administrator and Researcher. Two internship contracts ended.
- CBU: One Senior Technical Analyst contract ended.

Employee Performance Management Framework

The Normalisation Committee finalised the 2018/19 performance assessments at its meeting in October 2019. The HR&R Committee recommended performance bonuses, which the CBDA Board approved.

Employee Wellness Programmes

Employee wellness is an integral part of the HR function. It is a worksite programme designed to assist employees in identifying and resolving personal concerns including, but not limited to: health, marital, family, emotional, stress, or other related issues that may affect job performance. Siyaphila Employee Health and Wellness Programme is driven by professionals and accessed through NT as part of the MoU between CBDA and NT. Three employees accessed the services of Siyaphila in the period under review.

Skills Development and Training

CBDA funded three staff members towards their studies, BANKSETA funded two staff members.

Social Events

The CBDA celebrated a social event that was organised by the CBDA Social Events Committee which is self-funded by employees (monthly contribution by staff members). To celebrate Mandela Day, CBDA staff hosted a Soup Kitchen for the homeless in Pretoria central and provided blankets, socks and gloves.

Future HR Plans/Goals

To ensure continuous achievement of the CBDA's objectives, HR will focus on the priorities that emanate from the discontinuation of the IT banking system in the CSS unit by:

- Contractual transfer agreements for staff from the CSS to the CB and CS Units.
- Training and development for the lateral transferred staff.
- Creation of a career ladder for the CBU staff to be linked to job-graded positions.

CBDA continues to focus on filling vacancies to ensure operational efficiency of the entity. The entity intends to fill a Top Management position that has been vacant for more than a 1(one) year in the next financial year ending 31 March 2021.

Human Resource Oversight Statistics

Personnel cost by programme

Programme	Total Expenditure for the Entity (R'000)	Personnel Expenditure (R'000)	Personnel Expenditure as a % of Total Expenditure	Number of Employees	Average Personnel Cost Per Employee (R'000)
Corporate Services	11 126	2 529	10%	6	422
Capacity Building	7 596	4 941	19%	7	706
Central Support Services	6 872	4 481	18%	10	448
Interns	-	64	0%	2	32
Total	25 594	12 015	47%	25	481

Personnel cost by salary band

Level	Personnel Expenditure (R'000)	% of Personnel Expenditure to Total Personnel Cost	Number of Employees	Average Personnel Cost Per Employee (R'000)
Top Management	198	2%	1	198
Senior Management	3 388	28%	3	1 129
Professional Qualified	4 976	41%	6	829
Skilled	3 389	28%	13	261
Interns	64	1%	2	32
Total	12 015	100%	25	481

Performance rewards 2019/2020

Performance evaluations for the 2018/2019 financial year were conducted between Management and staff and performance bonuses were paid in November 2019 from the bonus provision. For the year under review, no performance bonus budget was provided due to limited funding. As a result, no normalisation process or approval process will be required.

Performance rewards

To achieve a sustainable performance culture, our employees need to know what is expected of them and understand what the desired standards of delivery, behaviour and conduct are.

To encourage good performance, the CBDA has granted the following performance rewards during the year under review:

Performance rewards

Level	Performance Rewards Provision (R'000)	Personnel Expenditure (R'000)	% of Performance Rewards to Total Personnel Cost (R'000)
Top Management	-	198	-
Senior Management	-	3 388	-
Professional Qualified	-	4 976	-
Skilled	-	3 389	-
Interns	-	64	-
Total	-	12 015	-

Insufficient funding to carry out the 2019/2020 operational activities resulted in management, with the consultation of staff, taking a decision to not budget for performance bonus for the 2019/2020 financial year.

Training costs

Programme/Activity/Objective	Personnel Expenditure (R'000)	Training Expenditure (R'000)	Training Expenditure as a % of Personnel Cost	Number of Employees Trained	Average Training Cost per Employee (R'000)
Corporate Services	2 529	6	0%	2	6
Capacity Building	4 941	20	0.2%	1	20
Central Support Services	4 481	47	0.4%	2	24
Interns	64	-	-	-	-
Total	12 015	73	1%	5	18

Employment and Vacancies

CBDA continues to focus on filling vacancies to ensure operational efficiency of the entity.

The tables in this section summarise the position with regard to employment and vacancies.

Programme/Activity/Objective	2018/2019 Number of Employees	2019/2020 Approved Posts	2019/2020 Number of Employees	2019/2020 Vacancies	% of Vacancies
Corporate Services	7	5	6	1	4%
Capacity Building	7	7	7	-	-
Central Support Services	10	10	10	1	4%
Interns	2	2	2	-	-
Total	26	23	25	2	8%

Programme/Activity/Objective	2018/2019 Number of Employees	2019/2020 Approved Posts	2019/2020 Number of Employees	2019/2020 Vacancies	% of Vacancies
Top Management	1	-	1	1	4%
Senior Management	2	3	3	-	-
Professional Qualified	6	6	6	-	-
Skilled	15	11	13	1	4%
Interns	2	2	2	-	-
Total	26	23	25	2	8%

Employment and vacancies by salary band as on 31 March 2019 employment changes

Salary Band	Employment at Beginning of Period	Appointments	Terminations	Employment at End of the Period
Top Management	-	1	-	1
Senior Management	3	-	-	3
Professional Qualified	6	-	1	5
Skilled	13	-	2	11
Semi-skilled	2	-	2	-
Unskilled	-	-	-	-
Total	24	1	5	20

Reasons for staff leaving

The resignation of a Finance Administrator and a Researcher from CS Unit, two end of Internship contracts from CS Unit, and one end of contract for a Senior Technical Analyst from CBU.

Reasons

Reason	Number	% of total no. of staff leaving
Death	-	-
Resignation	2	40%
Dismissal	-	-
Retirement	-	-
Ill Health	-	-
Expiry of Contract	3	60%
Other	-	-
Total	5	100%

Labour Relations: Misconduct and disciplinary action

The following table summarises the outcome of disciplinary hearings conducted within the department for the year under review.

Nature of Disciplinary Action	Number
Verbal Warning	0
Written Warning	0
Final Written warning	0
Dismissal	0
Total	0

Grievances logged for the period 1 April 2019 and 31 March 2020

Grievances	Number
Number of grievances resolved	0
Number of grievances not resolved	0
Total number of grievances lodged	0

Equity target and employment equity status

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

As an organisation with a staff complement of fewer than 50, the CBDA is not required to meet the regulated quotas. As 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.

Implementation of employment equity plan in line with the Employment Equity Act:

Occupational Level	Male				Female				Total
	A	C	I	W	A	C	I	W	
Top Management	-	-	-	1	-	-	-	-	1
Senior Management	-	-	-	1	1	-	1	-	3
Professional qualified	3	-	-	-	3	-	-	-	6
Skilled	5	-	-	-	8	-	-	-	13
Semi-skilled	-	-	-	-	2	-	-	-	2
Unskilled	-	-	-	-	-	-	-	-	-
Total	8	-	-	2	14	-	1	-	25

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

PART E

FINANCIAL INFORMATION



 **INDEX**

	Page
Report of the Auditor-General to Parliament on the Co-operative Banks Development Agency.....	51
Statement of Responsibility	56
Statement of Financial Position	57
Statement of Financial Performance.....	58
Statement of Changes in Net Assets	59
Cash Flow Statement	60
Statement of Comparison of Budget and Actual Amounts	61
Accounting Policies	63
Notes to the Annual Financial Statements.....	69

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



Report on the Audit of the Financial Statements

Qualified opinion

I have audited the financial statements of the Co-operative Banks Development Agency (CBDA) set out on pages 57 to 87, which comprise the statement of financial position as at 31 March 2020, statement of financial performance, statement of changes in equity, and cash flow statement and 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.

In my opinion, except for the effects of the matter described in the basis for qualified opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the CBDA as at 31 March 2020 and its financial performance and cash flows for the year then ended in accordance with South African Standards of Generally Recognised Accounting Principles (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act 1 of 1999) (PFMA).

Basis for qualified opinion

Goods and services

I was unable to obtain sufficient appropriate audit evidence for training services, as I was not provided with the supporting documents to confirm that training did take place. Consequently, I was unable to determine whether any adjustment relating to goods and services, stated at R 13 298 000 in the financial statements, was necessary.

Context for the opinion

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.

I am independent of the CBDA in accordance with sections 290 and 291 of the Code of ethics for professional accountants and parts 1 and 3 of the *International Code of Ethics for Professional Accountants (including International Independence Standards)* of the International Ethics Standards Board for Accountants (IESBA codes) as well as 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 codes.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Emphasis of matters.

We draw attention to the matters below. Our opinion is not modified in respect of these matters.

Irregular expenditure

As disclosed in note 27 of the AFS, the public entity incurred irregular expenditure amounting of R1 737 000 as proper procurement processes were not followed.

Fruitless and wasteful expenditure

As disclosed in note 26 of the AFS, the public entity incurred fruitless and wasteful expenditure amounting to R6 717 000 and they have not been dealt with.

Prior period errors

As disclosed in note 32 to the financial statements, the corresponding figures for 31 March 2019 were restated as a result of an error in the financial statements of the public entity at, and for the year ended, 31 March 2020.

Responsibilities of the Accounting Authority for the financial statements

The Board of Directors, which constitutes the Accounting Authority is responsible for the preparation and fair presentation of the financial statements in accordance with South African 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.

1. REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE CO-OPERATIVE BANKS DEVELOPMENT AGENCY (continued)

In preparing the financial statements, the accounting authority is responsible for assessing the CBDA'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 appropriate governance structure either intends to liquidate the public entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our 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 based on these financial statements.

A further description of our 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

In accordance with the Public Audit Act of South Africa of 2004 (PAA) and the general notice issued in terms thereof, we have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. We performed procedures to identify material findings but not to gather evidence to express assurance.

Our procedures address the usefulness and reliability of the reported performance information, which must be based on the approved performance planning documents of the public entity. We have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. Our procedures do not examine whether the actions taken by the public entity enabled service delivery. Our procedures also do 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, our findings do not extend to these matters.

We 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 2020:

Programme	Pages in the Annual Performance Report
Programme 2: Capacity Building	20

We performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. We 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.

I did not identify any material findings on the usefulness and reliability of the reported performance information for this programme:

- Programme 2: Capacity Building

Other matters

We draw attention to the matters below. Our opinions are not modified in respect of these matters.

Achievement of planned targets

Refer to the annual performance report on pages 20 to 26 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 paragraph 17 of this report.

1. REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE CO-OPERATIVE BANKS DEVELOPMENT AGENCY (continued)



Adjustment of material misstatements

We identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of Programme 2: Capacity Building Unit. As Management subsequently corrected the misstatements, we did not raise any material findings on the usefulness and reliability of the reported performance information.

Report on the Audit of Compliance with Legislation

Introduction and scope

In accordance with the PAA and the general notice issued in terms thereof, we have a responsibility to report material findings on the public entity's compliance with specific matters in key legislation. We performed procedures to identify findings but not to gather evidence to express assurance.

The material findings on compliance with specific matters in key legislations are as follows:

Financial statements, performance reports and annual report

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 identified by the auditors in the submitted financial statements were not adequately corrected which resulted in the financial statements receiving a qualified opinion.

Expenditure management

Effective and appropriate steps were not taken to prevent irregular expenditure amounting to R1 737 000 as disclosed in note 27 to the AFS, as required by section 51(1)(b)(ii) of the PFMA. The majority of the irregular expenditure was caused by proper procurement processes not being followed.

Effective and appropriate steps were not taken to prevent fruitless and wasteful expenditure amounting to R6 717 000, as disclosed in note 26 to the AFS, as required by section 51(1)(b)(ii) of the PFMA. The majority of the fruitless and wasteful expenditure was caused by costs incurred for services that were not provided to the public entity.

Other Information

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.

My opinion on the financial statements and my findings on the reported performance information and compliance with legislation do not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit, our 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 our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

We 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.

1. REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE CO-OPERATIVE BANKS DEVELOPMENT AGENCY (continued)

The accounting authority did not provide adequate oversight by adequately reviewing the AFS and annual performance reports before submitting them for auditing.

Management did not prepare AFS and the 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.

Other Reports

We draw attention to the following engagements conducted by various parties which had, or could have, an impact on the matters reported in the public entity's financial statements, reported performance information, compliance with applicable legislation and other related matters. These reports did not form part of our opinion on the financial statements or our findings on the reported performance information or compliance with legislation.

There are two investigation reports done by the Specialised Audit Services (SAS) a unit within the Office of the Accountant General (OAG) relating to Fruitless and Wasteful expenditure. The first report relates to the funding of a non-accredited diploma with the University of Fort Hare dated 31 July 2019. The second report relates to the irregular use of third parties for domestic conference and accommodation bookings for the public entity.

Pretoria
30 September 2020



AUDITOR - GENERAL
SOUTH AFRICA

1. REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE CO-OPERATIVE BANKS DEVELOPMENT AGENCY (continued)



Annexure – Auditor’s Responsibility for the Audit

1. As part of an audit in accordance with the ISAs, we exercise professional judgement and maintain professional scepticism throughout our 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 our responsibility for the audit of the financial statements as described in this auditor’s report, we are 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 our 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 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. We also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the CBDA to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. Our 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 operating as a going concern;
 - evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

3. We 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 we identify during our audit.
4. We also confirm to the accounting authority that we 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 our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

2. STATEMENT OF RESPONSIBILITY

The Board is required by the Public Finance Management Act, 1999 (Act 1 of 1999) (PFMA), to maintain adequate accounting records and is responsible for the content and integrity of the AFS and related financial information included in this report. It is the responsibility of the Board to ensure that the AFS fairly present the state of affairs of the Co-operative Banks Development Agency (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 AFS and was given unrestricted access to all financial records and related data.

The AFS 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 bi-AFS are based on appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The Board acknowledges that it is responsible for the system of internal financial control established by the CBDA and places considerable importance on maintaining a strong control environment. To enable the Board to meet these responsibilities, 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 is above reproach in all reasonable circumstances. 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 AFS. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or errors.

The Board has reviewed the entity's cash flow forecast for the year to 31 March 2021 and, in the light of this review and the current financial position, it is of the view that the entity has access to adequate resources to continue in operational existence over the medium term. The AFS are prepared on the basis that the CBDA is a going concern. The CBDA is largely dependent on the NT for continued funding of operations. The NT has neither the intention nor the need to liquidate or curtail materially the scale of the CBDA operations.

In discharging its oversight responsibilities, the Board is supported by the Audit and Risk Committees.

The AFS set out on pages 57 to 87 which have been prepared on the going concern basis, were approved by the CBDA Board on 30 September 2020 and were signed on its behalf by:



Mr Jeffrey Ndumo
CBDA Chairperson
Date: 30 September 2020



Mr David de Jong
Acting Managing Director
Date: 30 September 2020

3. STATEMENT OF FINANCIAL POSITION

as at 31 March 2020



		2020	2019
	Note(s)	R'000	Restated* R'000
Assets			
Current Assets			
Receivables from exchange transactions	3	17	20
Receivables from non-exchange transactions	4	9	1 116
Prepayments	29	8	8
Cash and cash equivalents	5	14 452	9 958
		14 486	11 102
Non-Current Assets			
Property, plant and equipment	6	63	151
Intangible assets	7	82	100
		145	251
Total Assets		14 631	11 353
Liabilities			
Current Liabilities			
Payables	8	2 009	2 189
Grants	9	7 833	8 963
Provisions	10	-	318
Total liabilities		9 842	11 470
Net Assets			
		4 789	(117)
Reserves			
Stabilisation Fund		2 116	1 975
Accumulated surplus/(deficit)		2 673	(2 092)
Total net assets		4 789	(117)

4. STATEMENT OF FINANCIAL PERFORMANCE

for the year ended 31 March 2020

		2020	2019
	Note(s)	R'000	Restated* R'000
Revenue			
Revenue from exchange transactions			
Interest received		822	529
Services rendered		2	2
Other income		17	151
		841	682
Revenue from non exchange transactions			
Transfer revenue			
Transfers		20 759	19 883
Service in kind		6 818	6 502
Grants		2 082	3 976
		29 659	30 361
Total Revenue	13	30 500	31 043
Expenditure			
Employee cost	14	(12 015)	(12 061)
Depreciation and amortisation		(251)	(494)
Impairment loss	31	-	(216)
Operating lease	30	(30)	(37)
Goods and services	15	(11 760)	(18 152)
Total expenditure from continued operations		(24 056)	(30 960)
Total expenditure from discontinued operations	34	(1 538)	-
Surplus/(Deficit) for the year		4 906	83

5. STATEMENT OF CHANGES IN NET ASSETS

for the year ended 31 March 2020



	Stabilisation Fund R'000	Accumulated Surplus/ (Deficit) R'000	Total Net Assets R'000
Restated* balance as at 01 April 2018	1 838	(2 038)	(200)
Changes in net assets			
Surplus for the year	-	83	83
Transfer to reserve	137	(137)	-
Total changes	137	(54)	83
Balance at 01 April 2019	1 975	(2 092)	(117)
Changes in net assets			
Surplus for the year	-	4 906	4 906
Transfer to reserves	141	(141)	-
Total changes	141	4 765	4 906
Balance at 31 March 2020	2 116	2 673	4 789

6. CASH FLOW STATEMENT

for the year ended 31 March 2020

		2020	2019
	Note(s)	R'000	Restated* R'000
Cash flow from operating activities			
Receipts			
Transfer		20 759	19 883
Services rendered		2	3
Grants		3 081	5 689
Interest received		822	529
Other income		127	396
		24 791	26 500
Payments			
Employee costs		(12 015)	(12 061)
Suppliers		(8 138)	(7 986)
		(20 153)	(20 047)
Net cash flows from operating activities	17	4 638	6 453
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(13)	-
Purchase of intangible assets	7	(131)	(93)
Net cash flows from investing activities		(144)	(93)
Net increase/(decrease) in cash and cash equivalents		4 494	6 360
Cash and cash equivalents at the beginning of the year		9 958	3 598
Cash and cash equivalents at the end of the year	5	14 452	9 958

7. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

for the year ended 31 March 2020

	Approved budget R'000	Adjustments R'000	Final Budget R'000	Actual amounts on comparable basis R'000	Difference between final budget and actual R'000	Reference R'000
Statement of Financial Performance						
Revenue						
Interest received	120	-	120	822	702	a
Services rendered	-	-	-	2	2	
Other income	-	-	-	17	17	
Total revenue from exchange transactions	120	-	120	841	721	
Revenue from non exchange transactions						
Transfer	20 759	-	20 759	20 759	-	
Services in kind	-	-	-	6 818	6 818	b
Grants	3 415	-	3 415	2 082	(1 333)	c
Total revenue from non exchange transactions	24 174	-	24 174	29 659	5 485	
Total revenue	24 294	-	24 294	30 500	6 206	
Expenditure						
Employee cost	(16 375)	-	(16 375)	(12 015)	4 360	d
Board fees	(45)	(200)	(245)	(300)	(55)	
Advertising	(75)	-	(75)	(1)	74	
Auditors remuneration	(420)	-	(420)	(864)	(444)	e
Depreciation and amortisation	(45)	-	(45)	(251)	(206)	f
Bank charges	(30)	-	(30)	(28)	2	
Consulting and professional fees	(2 021)	-	(2 021)	(5 160)	(3 139)	b & g
Communication Cost	(66)	-	(66)	(46)	20	
Operating lease	(48)	-	(48)	(30)	18	
Hosting fees	(2 628)	-	(2 628)	(1 538)	1 090	h
Bad debt	-	-	-	(1)	(1)	
Printing and stationery	(97)	-	(97)	(36)	61	
Training and development	(135)	-	(135)	(73)	62	
Travel and subsistence	(2 085)	200	(1 885)	(1 846)	39	
Venue and facilities	(50)	-	(50)	(635)	(585)	i

7. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS (continued)

for the year ended 31 March 2020

	Approved budget R'000	Adjustments R'000	Final Budget R'000	Actual amounts on comparable basis R'000	Difference between final budget and actual R'000	Reference R'000
Catering	(23)	-	(23)	(24)	(1)	
Assets less than R5,000	(10)	-	(10)	-	10	
Staff welfare	(3)	-	(3)	(2)	1	
Subscription and membership	(8)	-	(8)	-	8	
Office furniture	-	-	-	(305)	(305)	b
Software expenses	-	-	-	(8)	(8)	
Rental and facilities	-	-	-	(1 931)	(1 931)	b
Refund	-	-	-	(500)	(500)	j
Total expenditure	(24 164)	-	(24 164)	(25 594)	(1 430)	
Surplus/(Deficit) before capital expense and interest	130	-	130	4 906	4 776	
Interest capitalised	-	-	-	141	141	a
Capital assets	(130)	-	(130)	(144)	(14)	k
Surplus/(Deficit) for the year	-	-	-	4 903	4 903	

Reference

- Increase in interest received is due to interest on stakeholder funds not utilised due to agreements to be amended and project plan being developed.
- Service in kind is received from NT for providing office space, parking facilities, office furniture and provide services towards internal audit, enterprise risk management, legal, supply chain management, finance, IT, cleaning and communication.
- CBDA sourced additional funds from stakeholders and planned to transfer funds from the Stabilisation Fund to carry out its planned activities for the period. Funds were received from BANKSETA. No funds were required to be transferred from the Stabilisation Fund due to the non-renewal of the IT banking system contract which expired in November 2019.
- Employee cost under-spending is due to vacancies from resignation and contract expiry not filled. Service in kind for secondment of South African Reserve Bank (SARB) employee to position of AMD also attributed to a saving.
- Audit fees have been under-budgeted due to prioritising funds for core activities. Saving and unused funds in the budget would cover this expense.
- Depreciation is a non cash item which exceeds the budget due to under-budgeting to prioritise core activities.
- Consulting have exceeded the budget due to service in kind cost of R4,384,000 provided by NT which is not budgeted for.
- Under-spending is attributed to the non-renewal of the IT banking system contract which expired end of November 2019 resulting in activities ending.
- Over-spending is attributed to venue cost from BANKSETA training that forms part of the stakeholder funds.
- Refund to CFI payment for participation fees toward the IT banking system which has been discontinued.
- Capital assets relate to renewal of annual license fees for payroll and accounting systems with a purchase of office furniture.

8. ACCOUNTING POLICIES

for the year ended 31 March 2020



1. Basis of presentation

The 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 1 of 1999) (PFMA). They are prepared in South African Rand (R).

These AFS 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 AFS, are disclosed below.

1.1 Going concern assumption

These AFS have been prepared based on the expectation that the entity will continue to operate as a going concern.

1.2 Property, plant and equipment

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

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

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

Property, plant and equipment are 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, its 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.

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 are 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 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 de-recognised 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 de-recognition of an item of property, plant and equipment is included in surplus or deficit when the item is de-recognised. The gain or loss arising from the de-recognition 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.

8. ACCOUNTING POLICIES (continued) for the year ended 31 March 2020

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

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

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

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

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

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

Item	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 their fair value due to their short-term nature.

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.

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.

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset.

Carrying amount is the amount at which an asset is recognised in the statement of financial position.

The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts de-recognised.

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

The transaction amount (for purposes of this Standard) for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

1.5 Tax

The CBDA is exempted from income tax in terms of section 10 (1) of the Income Tax Act, 1962 (Act 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.

8. ACCOUNTING POLICIES (continued)

for the year ended 31 March 2020



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 cash generating assets

Cash generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the CBDA; or
- the number of production or similar units expected to be obtained from the asset by the CBDA.

Judgements made by management in applying the criteria to designate assets as cash generating assets or non-cash generating assets, are as follows:

1.8 Impairment of non cash generating assets

Cash generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

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 CBDA 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 CBDA estimates the recoverable service amount of the asset.

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

Recognition and measurement

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

An impairment loss is recognised immediately in 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.

1.9 Employee benefits

Short term employee benefits

Short term employee benefits are employee benefits (other than termination benefits) that are due to be settled within 12 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

8. ACCOUNTING POLICIES (continued) for the year ended 31 March 2020

- bonus, incentive and performance related payments payable within 12 months after the end of the reporting period in which the employees render the related service.

The CBDA recognises 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.

1.10 Provisions and contingencies

Provisions are recognised when:

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

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

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

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus.

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.

1.11 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.

1.12 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.

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

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 support and representative organisations in the financial co-operative sector.

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 exists which is not part of normal business operations.

1.13 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.

8. ACCOUNTING POLICIES (continued)

for the year ended 31 March 2020



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.

The CBDA 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 recognises services in kind that are significant to its operations and/or service delivery objectives as assets and recognises the related revenue when it is probable that the future economic benefits or service potential will flow to the entity 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 discloses 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 is 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 asset, it reduces the carrying amount of the liability recognised and recognise an amount of revenue equal to that reduction.

1.14 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 CBDA 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, 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.

1.15 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.

1.16 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:

- this Act; or
- the State Tender Board Act, 1968 (Act 86 of 1968), or any regulations made in terms of the Act; or
- any provincial legislation providing for procurement procedures in that provincial government.

NT instruction note 1 of 2018/19 which was issued in terms of sections 76(2) (e) and 76(4) (a) of the PFMA give legal effect to the irregular expenditure framework requires the following (effective from 1 December 2018):

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 checklist and lead schedule. 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 checklist and lead schedule. No further action is required with the exception of updating the note to the financial statements.

8. ACCOUNTING POLICIES (continued) for the year ended 31 March 2020

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the lead schedule 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 NT or the relevant authority must be recorded appropriately in the irregular expenditure lead schedule. 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.

1.17 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 CBDA shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

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

The approved budget covers the fiscal period from 1/4/2019 to 31/3/2020.

The AFS and the budget are on the same basis of accounting. A comparison with the budgeted amounts for the reporting period has therefore been included in the Statement of comparison of budget and actual amounts.

1.18 Related parties

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

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

Close members of the family of 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 entity.

1.19 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.

1.20 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.

1.21 Comparative figures

When the presentation or classification of items in the AFS 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.

9. NOTES TO THE FINANCIAL STATEMENTS



2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The below standard of GRAP have been issued by the Accounting Standard Board (ASB) but will only be effective in the future period or have not been given an effective date by the Minister of Finance. The CBDA has not early adopted the standard.

Standard/Interpretation:	Effective date:	
	Year beginning on or after	Expected impact
• GRAP 104 (amended): Financial Instruments	No effective date issued.	Not expected to impact results but may result in additional disclosure

3. Receivables from exchange transactions

	2020 R'000	2019 R'000
Trade receivables	-	1
Other receivables	17	19
	17	19

Receivables relate to refund for tax payment and outstanding leave days exceeded as per the leave policy for the 2019/2020 financial year. Outstanding trade receivable for 2018 from CFIs for application and renewal fees was write off as bad debt in 2019/2020 (R1 050).

Other receivable for 2018/2019 are made up of recovery of funds from employees in terms of bursary, exceeding cellphone allowance and outstanding amount towards purchase for assets auctioned.

4. Receivables from non-exchange transactions

	2020 R'000	2019 R'000
BANKSETA	-	1 000
Other receivables	9	116
	9	1 116

No fees were outstanding for BANKSETA in the 2019/2020 financial year.

Other receivable relates to query travel invoices to be refunded or credited.

9. NOTES TO THE FINANCIAL STATEMENTS (continued)

5. Cash and cash equivalents

Cash and cash equivalents consist of:

	2020 R'000	2019 R'000
FNB Petty cash account	2	1
Bank balances	11 851	7 422
CPD Investment account	483	451
FNB Current account CSS	-	109
CPD Investment account – Stabilisation Fund	2 116	1 975
	14 452	9 958

Cash and cash equivalent consist of eight (8) banks accounts, namely six (6) in First National Bank (FNB) and two (2) in Corporation for Public Deposit (CPD) at the South African Reserve Bank (SARB). During the financial year two (2) FNB bank accounts were closed. New bank accounts were opened with FNB dedicated towards stakeholder projects so that funds are ring fenced for its intended purpose.

Stabilisation fund is dedicated towards the strategic objective of a financially stable CFI sector. Interest accumulated on the fund of R141 000 (2019: 137 000) is capitalised.

6. Property, plant and equipment

	2020 R'000			2019 R'000		
	Cost / Valuation	Accumulated Depreciation and Impairment	Carrying Value	Cost / Valuation	Accumulated Depreciation and Impairment	Carrying Value
Office equipment	56	(43)	13	43	(42)	1
Computer equipment	643	(593)	50	643	(493)	150
Total	699	(636)	63	688	(535)	151

Reconciliation of property, plant and equipment – 2020

	Opening balance	Additions	Depreciation	Total
Office equipment	1	13	(1)	13
Computer equipment	150	-	(100)	50
	151	13	(101)	63

Computer equipment to the value of R161 313 has been fully depreciated. The COVID-19 pandemic have resulted in fully depreciated laptops to be issued to staff who utilise desktops. Computer equipment useful life to the value of R48 800 and R157 599 were revised from 3 years by an additional 2 and 1 year respectively. Prior year figures were adjusted accordingly. Management is currently in the process to procure new laptops.

9. NOTES TO THE FINANCIAL STATEMENTS (continued)



Reconciliation of property, plant and equipment – 2019

	Opening Balance	Depreciation	Total
Office equipment	2	(1)	1
Computer equipment	337	(187)	150
	339	(188)	151

Computer equipment to the value of R288 000 was fully depreciated in the 2018/2019 financial year with approval granted to be written off in the fixed asset register. The computer equipment fully depreciated to the value of R175 320 was sold at an auction for an amount of R12 434.

Computer equipment for an amount of R121 400 was fully depreciated in the 2018/2019 year.

7. Intangible assets

	2020 R'000			2019 R'000		
	Cost / Valuation	Accumulated Amortisation and Impairment	Carrying Value	Cost / Valuation	Accumulated Amortisation and Impairment	Carrying Value
Licences	309	(232)	77	178	(110)	68
Computer software	777	(772)	5	777	(745)	32
Total	1 086	(1 004)	82	954	(855)	100

Software still in use for the value of R83 136 has been revised from 3 to 5 years. Software and licences to the value of R693 656 and R84 134 respectively were fully amortised, A revised submission would be issued to the Board sub-committee to request recommendation for assets to be written off in the fixed asset register.

Reconciliation of intangible assets – 2020

	Opening balance	Additions	Amortisation	Total
Licences	68	131	(122)	77
Computer software	32	-	(27)	5
	100	131	(149)	82

Amortisation is included in the line-item depreciation and amortisation in the Statement of Financial Performance.

9. NOTES TO THE FINANCIAL STATEMENTS (continued)

Reconciliation of intangible assets – 2019

	Opening balance	Additions	Amortisation	Impairment Loss	Total
Licences	59	93	(85)	-	68
Computer software	470	-	(221)	(216)	32
	529	93	(306)	(216)	100

Licences to the value of R63 000 were fully amortised and would be written off in the fixed asset register once approval is granted.

The online portal software was impaired during the assessment process with a loss of R216 000. See note 31

8. Payables

	2020 R'000	2019 R'000
Trade payables	795	272
Accruals	784	1 690
Accrued leave pay	308	219
National Treasury	117	4
Salary control account	1	-
Refund to CFIs for application	4	4
	2 009	2 189

Trade payables are outstanding amounts due to suppliers, fees paid by CFIs for participating in the Banking Platform project to be refunded due to the discontinuation of the banking system resulting in no future service by CBDA. (R640 000)

It also includes cost to be incurred to the University of Fort Hare in terms of the service level agreement whereby the outcome of the investigation requires the outstanding final payment and fees for the supplementary examinations relating to a Diploma course to be paid by CBDA. (R524 000)

9. NOTES TO THE FINANCIAL STATEMENTS (continued)



9. Grants

	2020 R'000	2019 R'000
Unspent conditional grants and receipts comprises of		
BANKSETA	-	1 094
Department of Rural Development and Land Reform (DRDLR)	4 193	4 229
Small Enterprise Finance Agency (SEFA)	3 640	3 640
	7 833	8 963
Movement during the year		
Balance at the beginning of the year	8 963	2 923
Funds received during the period	952	9 996
Revenue recognised during the period	(2 082)	(3 976)
Expenditure to be recovered from employee	-	20
	7 833	8 963
Grant recognised in Statement of Performance		
KZN Department of Economic Development, Tourism and Environment Affairs (DEDTEA KZN)	-	10
Department of Rural Development and Land Reform (DRDLR)	36	373
BANKSETA	2 046	3 593
	2 082	3 976
KZN Department of Economic Development, Tourism and Environment Affairs (DEDTEA KZN)		
Balance at beginning of period	-	10
Revenue recognised during the period	-	(10)
	-	-

9. NOTES TO THE FINANCIAL STATEMENTS (continued)

2019

The amended MoU was signed on 25 April 2019 for the CBDA to provide support services for the registration of CFIs supported by DRDLR. The expenditure and outstanding amount relates to the registration and set up of NARYSEC CFI.

	2020 R'000	2019 R'000
BANKSETA		
Balance at beginning of period	1 094	508
Funds received during the period	952	4 159
Revenue recognised during the period	(2 046)	(3 593)
Expenditure to be recovered from employee	-	20
	-	1 094

2020

Agreements signed for mentorship, coaching and CFI specific training for 2019/2020 and 2018/2019.

	2020 R'000	2019 R'000
Small Enterprise Finance Agency (SEFA)		
Balance at beginning of the period	3 640	-
Funds received during the period	-	3 640
	3 640	3 640

2020

No expenditure has been incurred due to the discontinuation of the banking system. Management is engaging with the stakeholder to revise the deliverables of the agreement to support the sector.

2019

The addendum signed on the 14 of March 2019 resulting in an amendment whereby an amount of R3,640,000 paid towards the integration into the National Payment System (NPS) and the balance of R1,250,000 outstanding until conditions have been fulfilled.

9. NOTES TO THE FINANCIAL STATEMENTS (continued)



10. Provisions

Reconciliation of provisions – 2020

	Opening balance	Additions	Utilised During the Year	Total
Bonus provision	318	-	(318)	-

No budget was allocated for bonus due to insufficient funds to continue with the planned activities therefore no provision was made. Performance bonus was made for the 2018/2019 financial year.

Reconciliation of provisions – 2019

	Opening balance	Additions	Utilised During the Year	Total
Bonus provision	502	318	(502)	318

Bonus provision is based on performance of employees and are pay in the 2019/2020 financial year.

11. Stabilisation Fund Reserve

	2020 R'000	2019 R'000
Opening balance	1 975	1 838
Interest on capital	141	137
	2 116	1 975

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

	2020 R'000	2019 R'000
Cash and cash equivalent	14 452	9 958
Add: Receivables	26	1 116
Less: Stabilisation Fund	(2 116)	(1 975)
Less: Current liabilities	(2 009)	(2 189)
Less: Commitments	(1 731)	(7 775)
Less: Project funds unused	(7 833)	(8 963)
	789	(9 828)

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

Management would make a submission to NT for approval to retain the surplus funds for the Stabilisation Fund.

9. NOTES TO THE FINANCIAL STATEMENTS (continued)

13. Revenue

	2020 R'000	2019 R'000
Interest received	822	529
Services rendered	2	2
Other income (Exchange transaction)	17	151
Transfers	20 759	19 883
Service in kind	6 818	6 502
Grants (Non-exchange)	2 082	3 976
	30 500	31 043

The amount included in revenue arising from exchanges of goods or services are as follows:

Interest received	822	529
Services rendered	2	2
Other income	17	151
	841	682

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

Transfer revenue		
Transfers	20 759	19 883
Services in kind	6 818	6 502
Grants	2 082	3 976
	29 659	30 361

14. Employee related costs

Basic	11 721	11 591
Bonus	-	318
UIF	34	37
Leave pay provision charge	95	-
Funeral policy	9	10
Group life benefit	62	10
Acting allowances	57	68
Leave paid	37	27
	12 015	12 061

9. NOTES TO THE FINANCIAL STATEMENTS (continued)



15. Goods and services

	2020 R'000	2019 R'000
Advertising	1	34
Auditors' remuneration	864	979
Bank charges	28	21
Consulting and professional fees	5 160	5 401
Hosting fees	1 538	2 380
Printing and stationery	36	71
Software expenses	8	7
Staff welfare	2	1
Communication costs	46	37
Training and development	73	86
Travel and subsistence	1 846	4 639
Offices furniture	305	305
Catering	24	22
Board fees	300	92
Bad debts	1	-
Rental and facilities	1 931	2 749
Refund	500	-
Venue and facilities	635	1 328
	13 298	18 152

16. Auditors' remuneration

Fees	864	979
------	-----	-----

17. Cash generated from operations

Surplus	4 906	83
Adjustments for:		
Depreciation and amortisation	251	494
Impairment deficit	-	216
Movements in provisions	(318)	(184)
Bad debts	(1)	-
Changes in working capital:		
Receivables from exchange transactions	3	(18)
Receivables from non exchange transactions	1 107	1 978
Prepayments	-	(1)
Payables	(180)	(2 551)
Grants	(1 130)	6 436
	4 638	6 453

9. NOTES TO THE FINANCIAL STATEMENTS (continued)

18. Financial instruments disclosure

Categories of financial instruments

	2020 R'000	
	At Fair Value	Total
Financial asset		
Cash and cash equivalents	14 452	14 452
	14 452	14 452

	2020 R'000	
	At Amortised Cost	Total
Financial liabilities		
Trade and other payables	912	912

	2019 R'000		
	At Fair Value	At Amortised Cost	Total
Financial asset			
Other receivables from non exchange transactions	-	1 000	1 000
Cash and cash equivalents	9 958	-	9 958
	9 958	1 000	10 958

	2019 R'000	
	At Amortised Cost	Total
Financial liabilities		
Trade and other payables	275	275

9. NOTES TO THE FINANCIAL STATEMENTS (continued)



19. Financial risk management

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 surplus 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.

20. Commitments

	2020 R'000	2019 R'000
Approved and signed contracts		
Already contracted for but not provided for		
- Write Connection Cc	-	153
- DB Fusion	317	455
- EOH Mthombo (Pty) Ltd	-	7 167
- ABSA Bank Limited	1 229	-
- First Corporate Transfer Secretaries	185	-
	1 731	7 775

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		
- within one year	34	24
- later than five years	103	-

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 26 February 2020. The rental agreement is for a period of 36 months ending 25 February 2023 with fixed rental payment of three years.

9. NOTES TO THE FINANCIAL STATEMENTS (continued)

21. Related parties

Relationships

National Treasury	Executive Authority
BANKSETA	Public entity in National sphere
Department of Rural Development and Land Reform (DRDLR)	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 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

	2020 R'000	2019 R'000
Amounts included in Trade receivable		
BANKSETA	-	1 000

2019

BANKSETA outstanding balance relates to training intervention, mentorship, coaching and bursary for CBDA]

Related party transactions

	2020 R'000	2019 R'000
Services rendered		
BANKSETA	2 046	3 593
Department of Rural Development and Land Reform	36	373
	2 082	3 966

2020

DRDLR services were towards project management cost.

2019

BANKSETA transactions relate to training intervention, mentorship, coaching and bursary for CBDA.

Service provided to DRDLR was to support the NARYSEC CFI project.

9. NOTES TO THE FINANCIAL STATEMENTS (continued)



22. Related Party – Accounting Authority

Key management information

Executive management remuneration

Name	Position	2020			Total
		Basic salary	Acting allowance	Leave pay	
Mr D de Jong	Acting Managing Director	198	-	-	198
Ms N Sauli	Director: Capacity Building	1 183	57	-	1 240
Mr K van Niekerk	Director: Central Support Services	1 114	-	-	1 114
Ms L Padayachee	Deputy Director: Financial Management	1 034	-	-	1 034
		3 529	57	-	3 586

Name	Position	2019			Total
		Basic salary	Acting allowance	Leave pay	
Ms O Matshane	Managing Director	117	-	10	127
Ms N Sauli	Director: Capacity Building	1 138	68	-	1 206
Mr K van Niekerk	Director: Central Support Services	1 070	-	-	1 070
		2 325	68	10	2 403

Board's emoluments

	2020 R'000		
	Members' fees	Travel	Total
Dr N Ngwenga	85	7	92
Mr L Ntuane	95	9	104
Mr V Pangwa	102	-	102
*Mr J Ndumo	-	-	-
*Ms M Mosing	-	-	-
*Ms N Shwala	-	-	-
*Ms P Ncapayi	-	-	-
**Ms R de Vos	-	-	-
***Mr D Golding	-	-	-
****Ms O Matshane	-	-	-
*****Ms N Sauli	-	-	-
Ms T Mashanda	10	1	11
*****Mr D de Jong	-	-	-
	292	17	309

* Government officials serving on Boards or committees of public entities or institutions are not entitled to additional remuneration without approval from their respective institution.

** Ms R de Vos resigned as a Board member effective 1 June 2019.

*** Mr D Golding is the Chairperson of the Board who is currently on special leave.

**** Ms O Matshane is the Ministerial representative from NT.

***** Ms N Sauli has been appointed as AMD from 1 May 2018 and stepped down on 8 January 2020.

***** Mr D de Jong was seconded from the South Africa Reserve Bank to be appointed AMD effective 1 February 2020.

9. NOTES TO THE FINANCIAL STATEMENTS (continued)

	2019 R'000		
	Members' fees	Travel	Total
Dr N Nqwenga	39	3	42
Mr V Pangwa	22	-	22
Mr L Ntuane	26	2	28
*Mr J Ndumo	-	-	-
*Ms M Mosing	-	-	-
*Ms Shwala	-	-	-
*Ms P Ncapayi	-	-	-
*Ms R de Vos	-	-	-
**Mr D Golding	-	-	-
***Ms G Raine	-	-	-
****Ms O Matshane	-	-	-
*****Ms N Sauli	-	-	-
	87	5	92

* Government officials serving on Boards or committees of public entities or institutions are not entitled to additional remuneration without approval from their respective institution.

** Mr D Golding is the Chairperson of the Board who is currently on special leave.

*** Ms G Raine resigned as a Board member effective 28 July 2018.

**** Ms O Matshane is the Ministerial representative from NT.

***** Ms N Sauli has been appointed as AMD from 1 May 2018.

23. Going concern

We draw attention to the fact that at 31 March 2020, the CBDA had an accumulated surplus of R4 907 000 and that the CBDA's total assets exceed its liabilities by R4 790 000.

The AFS 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 ability of the CBDA to continue as a going concern is dependent on reviewing the strategy to leverage on stakeholder (public and private sector) partnerships, agreements and collaborations.

24. Events after the reporting date

Management are aware of events which may have unfavourable financial implication for the organisation in the future.

- Conclusion of investigation which require legal action to be taken against guilt parties.
- Former employee has taken CBDA to the CCMA and Labour Court for unfair discrimination.
- The staff of the CSS unit were transferred into the Capacity Building and CS units in the 2020/2021 financial year.

Significant accounting judgements, estimates and assumptions

In preparing the AFS, Management is required to make estimates and assumptions that affect the amounts represented in the AFS and related disclosures. Use of available information and the application of judgement are inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the AFS. There were items that required Management's judgement in the process of applying the accounting policies. There were key assumptions concerning the key source of estimation uncertainty at balance sheet date that could have significant risk of causing material adjustment to the carrying amounts of the assets and liabilities with the next financial year.

9. NOTES TO THE FINANCIAL STATEMENTS (continued)



25. Contingent liabilities and assets

Management is aware of the probability of incident that might result in material litigation or claims made against the CBDA that would involve financial implications as follows:

- CCMA and Labour Court case lodged by an ex-employee.
- ABSA Bank Limited contract need to be terminated due to services reliant on a banking system.
- In terms of Section 53(3) of the PFMA, a public entity may not accumulate surplus funds without approval from the NT.
A submission would be issued to NT to obtain approval to retain surplus amounting to R822,000.
- Non-provision for performance bonus could result in litigation claim against CBDA.

Contingent assets of invoice paid by NT to service provider whose contract has expired to reimburse the CBDA due to being billed twice for service rendered.

26. Fruitless and wasteful expenditure

	2020 R'000	2019 R'000
Opening balance as previously reported	92	92
Opening balance as restated	92	92
Add: Expenditure identified – current	1 440	-
Add: Expenditure identified – prior period	5 277	-
Closing balance	6 809	92

Expenditure identified in the current year includes those listed below:

	2020 R'000	2019 R'000
	Disciplinary steps taken/criminal proceedings	
Employee lodged a dispute with CCMA in regard to an expectation created to renew the employment of contract once expired.	68	-
Governance meeting convened with no quorum resulting in postponement to another date.	2	-
Late payment of salary to employee whose contract expired resulting in finance charges being incurred.	1	-
Domestic conference and accommodation cost paid without training/activity taking place.	1 368	-
	1 440	-

Expenditure identified in the prior year includes those listed below:

Expenditure incurred for non-accredited Diploma	5 277	-
	5 277	-

9. NOTES TO THE FINANCIAL STATEMENTS (continued)

27. Irregular expenditure

	2020 R'000	2019 R'000
Opening balance	7 342	5 459
Add: Irregular Expenditure – current year	1 737	1 883
Opening balance as restated	9 079	7 342
Add: Irregular Expenditure – prior period	1 524	-
Closing balance	10 603	7 342

Incidents/cases identified in the current year include those listed below:

	2020 R'000	2019 R'000
	Disciplinary steps taken/criminal proceedings	
Extension of contract to service provider with no competitive bidding invited.	1 673	1 447
Deviation from SCM process without ensuring the process was fair, transparent, cost effective and equitable.	-	320
Services reduced to less than R500,000 to avoid tender process.	-	112
Rate of service provider increased from contract amount without approval.	9	4
Employees paid without a signed employment contract.	55	-
Expenditure exceeded allocated project budget amount.	1 524	-
	3 261	1 883

28. Investigation report in Diploma in Co-operative Financial Institution Management training.

The outcome of the investigation into allegation of fruitless and wasteful expenditure relating to a non-accredited Diploma in Co-operative Financial Institution Management offer by CBDA through the University of Fort Hare concluded that an amount of R5 277 083 constituted fruitless and wasteful expenditure.

29. Prepayments

	2020 R'000	2019 R'000
Prepaid expense	8	8

Prepayment is for annual license fees paid in advance for the payroll system to be used from 1 April 2020.

9. NOTES TO THE FINANCIAL STATEMENTS (continued)



30. Lease rentals on operating lease

	2020 R'000	2019 R'000
Office equipment		
Amounts paid	30	37

31. Impairment of assets

	2020 R'000	2019 R'000
Impairments		
Intangible assets		
Software Online portal	-	216

The online portal system was developed for the use of the Supervision unit to streamline the process of application and return submission so that the process is more efficient for the CFIs. The unit was transferred to the PA on 1 April 2018.

The circumstances that led to the recognition of the impairment loss are due to:

- The system could not be transferred due to the PA taking a decision to procure an inclusive system relating to their four mandates rather than a system just for CFIs.
- The system cannot be used by other units in its current form since it is a tracking/monitoring of applications of CFIs.
- The system would need to be modified if other units want to utilise it which would have cost implications. CBDA does not have a budget for this modification.
- The system cannot be sold due to it being specially designed for the function of supervising and regulating the CFI sector which is solely mandated by the PA.

32. Prior year errors

The prior year error relates to irregular expenditure incurred for the DRDLR Mzansi and BANKSETA projects (grant) whereby expenditure (R2 475 000) exceed the allocated budget amount. The exceed expenditure had to be covered by the CBDA budget whereby increasing the deficit for the 2018/2019 financial year. The 2019/2020 expenditure of R1 929 000 had to be incurred from CBDA transfer funds.

The other error relates to accrual omitted for services rendered by service provider whose contract expired before the final deliverables was achieved. (R458 000).

In the 2019-year payables for the amount of R140 000 had to be reallocated to provision.

Computer equipment and software still in use had its useful life revised in the 2019/2020 year. BANKSETA project (grant) exceed the allocated budget amount which had been covered by CBDA budget resulting in surplus declining.

9. NOTES TO THE FINANCIAL STATEMENTS (continued)

Statement of financial position

	2018 R'000		
	As Previously Reported	Correction of Error	Restated Amount
Payables	(4 143)	(597)	(4 740)
Grants	(541)	(1 986)	(2 527)
Accumulated (surplus)/deficit	(545)	2 583	2 038
	(5 229)	-	(5 229)

	Note(s)	2019 R'000		
		As Previously Reported	Correction of Error	Restated Amount
Receivables from non-exchange transactions	4	1 658	(542)	1 116
Property, plant and equipment	6	148	4	152
Intangible assets		88	11	99
Payables	8	(1 591)	(598)	(2 189)
Grants	9	(5 590)	(3 373)	(8 963)
Accumulated surplus		(2 406)	4 498	2 092
		(7 693)	-	(7 693)

Statement of financial performance

	Note(s)	2019 R'000		
		As Previously Reported	Correction of Error	Restated Amount
Revenue from exchange and non-exchange transactions	13	32 835	(1 792)	31 043
Expenditure		(30 837)	(123)	(30 960)
Surplus for the year		1 998	(1 915)	83

9. NOTES TO THE FINANCIAL STATEMENTS (continued)



33. Change in accounting estimate

Property, plant and equipment

The useful life of certain computer equipment has been reassessed for the amount of R48 800 and R157 599 which changed from 3 to 2 and 1 years respectively. The effect of this revision has decreased the depreciation charges for the current period by R6 453. The effect on the future period would be an increase by R8 965.52.

34. Discontinued operations

The expiry and non-sourcing of the IT banking system prevented the CSS unit from carrying out and achieving its target objective from 1 November 2019. The reason for the non-sourcing of the IT banking system was due to:

- viability and sustainability of the continued unit;
- the challenges of procurement of banking system;
- cost of change management to a new system; and
- affordability for the CBI sector in taking over the support services.

These circumstances lead to the discontinuation of the IT banking system (Banking Platform) as at 31 March 2020 and the transfer of CSS unit employees to the Capacity Building and Corporate service units in the 2020/2021 financial year.

The notes to the financial statement shall include expenditure for hosting fees (IT banking system) for the amount of R1 538 000 disclosure with respect to discontinued operations.



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

Tel: +27 (0)12 315 5367

Email: cbda@treasury.gov.za

Web: www.treasury.gov.za/coopbank

