

# CONTENTS

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## PART A GENERAL INFORMATION

1. Public entity general information	5
2. Abbreviations and acronyms	6
3. Foreword by the Minister	7
4. Foreword by the Chairperson	8
5. Foreword by the Acting Managing Director	9
6. Statement of Responsibility and Confirmation of Accuracy for the Annual Report	11
7. Strategic Overview	12
8. Legislative and Other Mandates	
9. Organisational Structure	13

## PART B PERFORMANCE INFORMATION

10. Auditor's Report: Predetermined Objectives	15
11. Situational Analysis	
12. Performance Information by Programme	18
13. Revenue Collection	27

## PART C GOVERNANCE

14. Introduction	29
15. Portfolio Committees	
16. Executive Authority	
17. Accounting Authority/Board	
18. Risk Management	36
19. Internal Audit	
20. Audit Committee	37
21. Compliance with Rules and Regulations	38
22. Fraud and Corruption	
23. Minimising Conflict of Interest	39
24. Code of Conduct	
25. Health, Safety and Environmental Issues	
26. Board/Board Secretary	
27. Social Responsibility	
28. Audit Committee Report	40
29. B-BBEE Compliance Performance Information	41



<b>30.</b> Overview of HR Matters	<b>43</b>
<b>31.</b> HR Oversight Statistics	<b>45</b>

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<b>32.</b> Statement of Responsibility	<b>49</b>
<b>33.</b> Report of the Auditor-General to Parliament on the Co-operative Banks Development Agency	<b>50</b>
<b>34.</b> Statement of Financial Position	<b>55</b>
<b>35.</b> Statement of Financial Performance	<b>56</b>
<b>36.</b> Statement of Changes in Net Assets	<b>57</b>
<b>37.</b> Cash Flow Statement	<b>58</b>
<b>38.</b> Statement of Comparison of Budget and Actual Amounts	<b>59</b>
<b>39.</b> Accounting Policies	<b>60</b>
<b>40.</b> Notes to the Financial Statements	<b>69</b>

---

<b>41.</b> CBDA Virtual International Co-operative Union Day	<b>82</b>
<b>42.</b> Potential Vision and Implementation Strategies for Growing Financial Co-operatives in South Africa	
<b>43.</b> Image from the NCBSDS Workshop	
<b>44.</b> Exposure Visit to the Eswatini SACCO	<b>83</b>

## **PART D**

### HR MANAGEMENT

## **PART E**

### FINANCIAL INFORMATION

## **PART F**

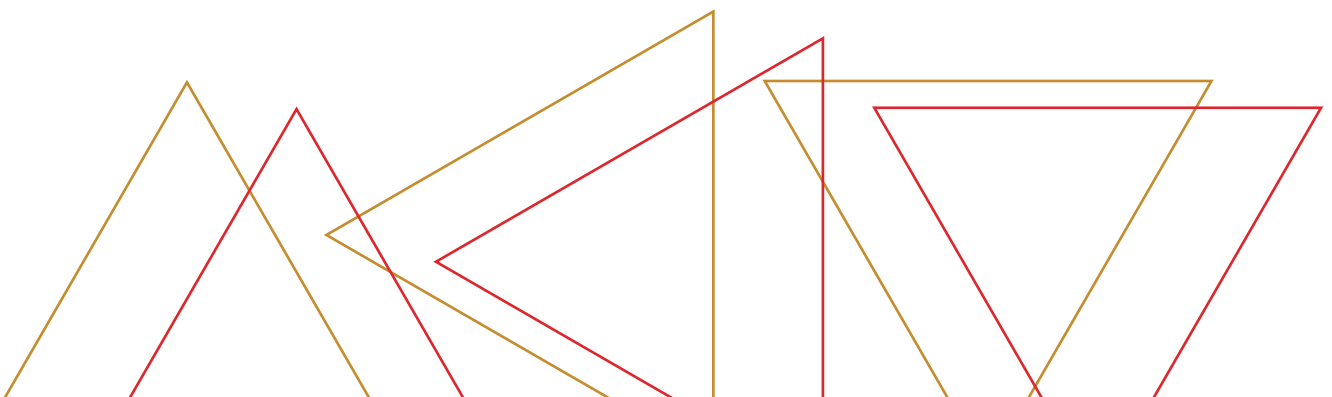
### EVENTS AND ACTIVITIES

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# Part A

## GENERAL INFORMATION





## 1. PUBLIC ENTITY GENERAL INFORMATION

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<b>Registered name:</b>	Co-operative Banks Development Agency
<b>Physical address:</b>	27th Floor, National Treasury Building 240 Madiba Street Pretoria 0001
<b>Postal address:</b>	Private Bag X115 Pretoria 0001
<b>Telephone number:</b>	+27 (0)12 315 5367
<b>Fax</b>	+27 (0)12 315 5905
<b>Email:</b>	cbda@treasury.gov.za
<b>Website:</b>	<a href="http://www.treasury.gov.za/coopbank">www.treasury.gov.za/coopbank</a>
<b>External auditors:</b>	Auditor-General of South Africa
<b>Bankers:</b>	First National Bank
<b>Company/Board secretary:</b>	Vacant

## 2. ABBREVIATIONS AND ACRONYMS

AGSA	Auditor-General of South Africa
AFS	Annual financial statements
ASB	Accounting Standards Board
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 (including CB and CFI)
CBU	Capacity Building Unit
CFI	Co-operative financial institution
CPD	Corporation for Public Deposits
CSU	Corporate Services Unit
DALRRD	Department of Agriculture, Land Reform and Rural Development
FNB	First National Bank
FSCA	Financial Sector Conduct Authority
GDP	Gross domestic product
GRAP	Generally recognised accounting practices
HR	Human resources
HR&R	Human resources and remuneration
ICT	Information and communications technology
IESBA	International Ethics Standards Board for Accountants
ISA	International Standard on Auditing
MD	Managing Director
NCBSDS	National co-operative banking sector development strategy
NDP	National Development Plan
NSCB	National secondary co-operative bank
NT	National Treasury
PAA	Public Audit Act (2004)
PFMA	Public Finance Management Act (1999)
SACCO	Savings and credit co-operative organisation
SARB	South African Reserve Bank
SCM	Supply chain management
SMME	Small, medium and micro enterprise
<b>sefa</b>	Small Enterprise Finance Agency
SEDA	Small Enterprise Development Agency
SLA	Service-level agreement

### 3. FOREWORD BY THE MINISTER

**A**s 2021/22 ends, we take stock of the highs and lows of government's promise to all South Africans. We have seen many lives, jobs, businesses, industries, and the economy being disrupted over the past two years due to the COVID-19 pandemic. The Co-operative Banks Development Agency (CBDA) is no exception as its operations and mandate are at the heart of the South African economy. In response to the pandemic and its aftermath, the agency had to evolve and adopt innovative ways to deliver on its promise to the co-operative banking sector without compromising on the quality of its services.

The national co-operative banking sector development strategy (NCBSDS) was completed and delivered during the period under review. The strategy was a culmination of the South African financial sector development and reform programme: transforming the market structure of the financial sector, which was sanctioned by the CBDA, National Treasury and the World Bank. The strategy aims to provide a clear path to achieving growth in the sector and improving the overall level of products and services by focusing on unlocking core growth enablers. The sector is currently engaged in implementing the strategy, with the CBDA facilitating the process.

In 2021/22, the CBDA met its five-year target of increasing member deposits by 50% (an actual monetary increase of R 173 million over three years). Other performance indicators are also on course to being achieved. The CBDA hopes to build on this foundation in its endeavour to continue contributing to the National Development Plan (NDP) by championing its objectives of financial inclusion.

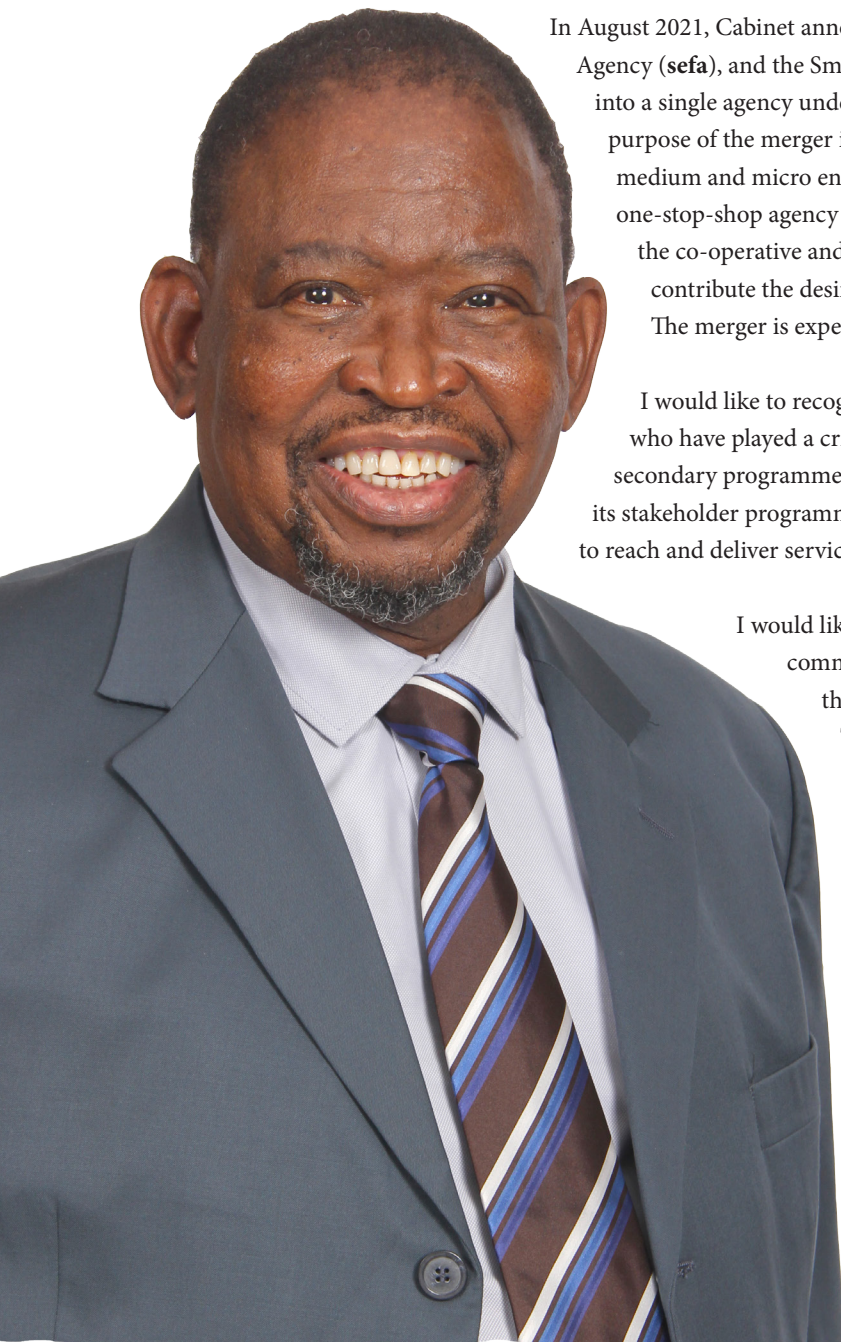
In August 2021, Cabinet announced that the CBDA, the Small Enterprise Finance Agency (**sefa**), and the Small Enterprise Development Agency (SEDA) would be merged into a single agency under the Department of Small Business Development. The purpose of the merger is to better align the value chains of co-operatives and small, medium and micro enterprises (SMMEs) with financing under one ministry. The one-stop-shop agency will aim to unlock the necessary synergies required to grow the co-operative and SMME landscape in South Africa. The Agency will also aim to contribute the desired economic spill-over effects towards growing the economy. The merger is expected to be completed by 31 December 2023.

I would like to recognise and commend our private and public sector stakeholders, who have played a critical role in assisting the CBDA in implementing its core and secondary programmes and delivering on its mandate of financial inclusion. Through its stakeholder programmes and financial support programmes, the agency has been able to reach and deliver services to a wider pool of participants in this important sector.

I would like to thank the CBDA's Board of Directors, including its various committees, management and staff for their commitment to ensuring that the agency's strategic objectives, as mandated by National Treasury, were achieved as we continue to strive to deliver quality services to all South Africans.



**Mr Enoch Godongwana**  
Minister of Finance





## 4. FOREWORD BY THE CHAIRPERSON

As was the case in the previous year, 2021/22 was characterised by the COVID-19 pandemic, an unprecedented global health crisis that we are still in the process of determining the impact of. This notwithstanding, I am happy to note the considerable progress that has been made by the CBDA within the co-operative banking sector to bank the unbanked. This progress is attributed to striving in difficult circumstances to grow and build capacity in the sector by learning the importance of communication and listening as we continued providing our services virtually.

In fulfilling its statutory mandate of overseeing the NCBSDS, as per its 2020-2025 Strategic Plan, the agency aims to engage the co-operative sector to contribute 90% to the drive for the broader South African population towards achieving banked status by 2030, as envisioned in the National Development Plan (NDP). Risk management, amid great uncertainties that necessitated fast adaptations, has gone a long way to ensuring that the CBDA is on course to improving its way of operating. I am happy to say that the CBDA embraced change and adapted accordingly, despite operating without a Managing Director (MD) from 1 October 2021 to 31 March 2022. As such, during the period under review, operational decisions had to be taken on by management, with the Board providing strategic direction.



As Chairperson of the Board, I am confident and committed to ensuring the implementation of the CBDA's strategic plan and supporting management in undertaking the task of reconfiguring the agency. This is geared towards achieving an efficient financial and operational model that drives the co-operative banking sector's growth and sustainability over the five-year period.

The co-operative banking sector is relying on the NCBSDS and sector support programmes for:

- The innovative use of public programmes and exhibitions.
- The strategic use of human resources.
- The effective use of deposits, loan collections and research capabilities.
- The effective use of ICT to deliver better services and be responsive to the Fourth Industrial Revolution.
- The proactive and professional management of facilities.
- Heightened small business and entrepreneurship through co-operative initiatives.
- Innovative and improved marketing and communication strategies and programmes to mainstream the sector.

The announcement of the merger of the CBDA, **sefa** and SEDA in August 2021 has created some uncertainty. However, in the long term, this merger will result in greater financial strength for the CBDA as well as the other agencies involved in the merger. This is expected to empower the new agency with improved economic strength, which could lead to increased market share, greater influence over the co-operative sector and SMMEs, as well as increased accessibility for the communities we serve. This is in keeping with the CBDA's aims, which are to:

- Develop sector standard operating procedures.
- Develop tools that will enhance the operational efficiencies of co-operative banking institutions (CBIs).
- Develop a sector-specific curriculum and a review of existing training materials.
- Register representative bodies and support organisations.
- Provide quality assurance.
- Coordinate and promote co-operative banks through an electronic presence.
- Develop a reporting portal for sector performance analysis and monitoring.
- Benchmark progress in the sector.

- Provide a research hub and depository for knowledge.
- Provide impact assessments.
- Conduct monitoring and evaluation.
- Assist co-operative financial institutions (CFIs) in meeting requirements to be included in the national deposit insurance scheme.
- Facilitate the establishment of a national secondary co-operative bank (NSCB).

The CBDA has focused its attention on the development of standards that will enhance the effectiveness of capacity building and training for all financial co-operatives, regardless of their size.



**Mr Luyanda Ntuane**  
Chairperson of the Board

## 5. FOREWORD BY THE ACTING MANAGING DIRECTOR

**A**s prepared by the incoming acting MD, who was appointed by the Minister of Finance in May 2022 for a period of six months. The previous acting MD was a secondment from the Prudential Authority and his term ended on 30 September 2021 with no further extension.

### GENERAL FINANCIAL REVIEW

The CBDA is financially stable and has sufficient funds to meet its obligations and commitments. The COVID-19 pandemic drastically reduced spending on programmes, resulting in a surplus of R7 186 000. The CBDA's expenditure in 2021/22 was 73% of total revenue. Expenditure comprises 54% on compensation of employees, 23% on services in kind, 8% towards operations (mostly travel) and 15% on administration, of which the majority of costs were related to audit and governance. With its 2021/22 budget allocation, the CBDA was unable to fulfil its entire mandate since funds were deviated from its core programmes (34%) towards governance and compliance requirements (66%).

### CAPACITY CONSTRAINTS AND CHALLENGES

Administration personnel account for 41% of the agency's staff complement, while operations personnel account for 59% due to the huge compliance burden as a small entity. The large proportion of administrative staff is due to the considerable compliance burden placed on the agency. In addition, during the period under review, the CBDA could not afford to employ a Chief Financial Officer, a compliance officer or a labour practitioner to finalise longstanding investigations, all of which are necessary to meet the agency's compliance and governance requirements. As a result, personnel must undertake additional tasks and perform multiple functions over and above their regular duties. Under these conditions, their quality of work may have been compromised and could be detrimental to their wellbeing.

### DISCONTINUED KEY ACTIVITIES AND ACTIVITIES TO BE DISCONTINUED

The announcement of the merger has resulted in some projects and activities being put on hold on administration, procurement, and the filling of vacant posts, which contributed to the underspending.

### NEW OR PROPOSED KEY ACTIVITIES

A service provider has been appointed to assist with addressing some of the misstatements in the 2021/22 Annual Financial Statements due to the agency's limited capacity to review them.

### REQUEST FOR ROLL-OVER FUNDS

During the period under review, the CBDA surrendered surplus funds from its 2020/21 budget, amounting to R7 762 000, to National Treasury. The proposed plan was to use these funds to enhance the agency's services by using technology to effectively carry out its mandate and reduce future expenditure and funding challenges. However, with the announcement of the merger, this plan was

reconsidered as it may be improbable. A submission will be issued to National Treasury to retain surplus funds of R7 717 000 to fund competency-based training to upskill and empower the CFI sector, host the annual indaba and provide resources to facilitate and support the implementation of the NCBSDS, which was developed by the World Bank and the co-operatives sector.

## SUPPLY CHAIN MANAGEMENT

Due to limited resources, the CBDA continued to use National Treasury's shared supply chain management (SCM) services. The service-level agreement (SLA) between SCM and the CBDA to improve the relationship and outline clear roles and responsibilities was put on hold due to the merger. In light of the extended period to finalise the merger, the process is likely to be finalised in 2022/23.

## ALL CONCLUDED UNSOLICITED BID PROPOSALS FOR THE YEAR UNDER REVIEW

The CBDA appointed minute-takers via an SLA to take minutes at Board, Audit, Risk, and ICT and Human Resources and Remuneration committee (HR&R) meetings. The CBDA also concluded an SLA with a service provider to technically edit, layout and align its 2019/20 and 2020/21 annual reports with National Treasury's template. These reports were designed to relate to the agency's developmental theme and illustrate its vision, mission and values; and presented graphs, tables and images in line with the CBDA's corporate identity.

## WHETHER SCM PROCESSES AND SYSTEMS ARE IN PLACE

The CBDA has processes and systems in place but is currently reviewing its SCM policy and formalising its relationship with National Treasury's SCM unit. Audits have reflected a decline in SCM findings, a result of effective controls that were put in place.

## CHALLENGES EXPERIENCED AND HOW THEY WILL BE RESOLVED

The announcement of the merger derailed some of the agency's operational plans, especially in terms of the recruitment of an MD, a senior technical analyst, a Board secretary and a permanent business support manager. In addition, advertisements for contract positions, which account for 60% of the CBDA's staff component, were put on hold. The operational activities and responsibilities that would usually be conducted by contractors were taken on by permanent staff members, who also engaged in workstreams and other committees related to the merger. This resulted in capacity constraints and overburdened employees.

## AUDIT REPORT MATTERS IN THE PREVIOUS YEAR AND HOW THEY WOULD BE ADDRESSED

Although the Auditor-General of South Africa's (AGSA's) report for the period had an unqualified audit opinion, it identified misstatements in the AFS, which was attributed to the poor quality review of the agency's AFS. To address the misstatements, management sourced a service provider to review the financials and have included it in the CBDA's annual internal audit plan. Management developed and implemented an action plan to address both internal and external audit findings, which were tabled monthly at management meetings for monitoring and quarterly oversight by the Audit, Risk and ICT committees.

## PLANS TO ADDRESS FINANCIAL CHALLENGES

The strategic focus for 2022/23 and beyond will hinge on collaboration and partnerships among all stakeholders to reverse stagnant economic growth, rising unemployment and inequality. This will be achieved by creating tools and programmes that are based on creating more sustainable CBIs within the co-operative banking sector. 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 partner 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, increased savings, and improved coordination with stakeholders, leading to harmonised and concerted efforts in growing the sector.

## EVENTS AFTER THE REPORTING DATE

On 6 April 2022, Cabinet approved a 20-month extension period for the amalgamation of the CBDA, sefa and SEDA to 31 December 2023. For the next two years, the CBDA will continue to receive its budget from National Treasury.

## ECONOMIC VIABILITY

The economic outlook remains constrained due to the impact of slow economic growth, which is likely to result in funding reductions or higher inflation. National Treasury's broader fiscal strategy is to reduce risk to public finances, directly impacting the CBDA as its surplus funds over the past two years had to be surrendered to the fiscus. The CBDA needs to be resourced to carry out its mandate, however, it is anticipated that this matter would only be addressed once the merger is finalised.



## THE YEAR AHEAD: ACKNOWLEDGEMENTS

I would like to thank National Treasury for its continued support in terms of the operational budget; the CBDA Board of Directors for their unwavering support in providing strategic direction; management for working tirelessly together with staff in implementing the strategic plan; and stakeholders, particularly the Banking Sector Education and Training Authority (BANKSETA), the Department of Agriculture, Land Reform and Rural Development, **sefa** and the Gauteng and Eastern Cape departments of economic development for providing funds for CBI capacity building interventions. Lastly, I would like to thank CBIs for continuing to provide services to their members in these difficult times. I wish you all a good year ahead.



**Mr Paul Rossouw**  
Acting Managing Director



## 6. STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY

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

- All information and amounts disclosed in this annual report is consistent with the AFS, as audited by the AGSA.
- This annual report is complete, accurate and free from any omissions.
- This annual report has been prepared in accordance with National Treasury guidelines.
- The AFS (Part E) have been prepared in accordance with the generally recognised accounting principles (GRAP) applicable to the public entity.
- The accounting authority is responsible for the preparation of the AFS and for the judgments 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 (HR) information and the AFS.
- External auditors are engaged to express an independent opinion on the AFS.
- The annual report fairly reflects the operations, performance information, HR information and financial affairs of the CBDA for the financial year ended 31 March 2022.

Yours faithfully,



**Mr Paul Rossouw**  
Acting Managing Director



**Mr Luyanda Ntuane**  
Chairperson of the Board

## 7. STRATEGIC OVERVIEW

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### 7.1. VISION

A competitive, accessible and sustainable co-operative banking sector that empowers communities.

### 7.2 MISSION

The CBDA's mission is to create an enabling environment for the co-operative banking sector through innovative solutions, capacity building, and 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

#### 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. This includes giving attention to detail and having a commitment to knowledge and learning.

#### CONFIDENTIALITY

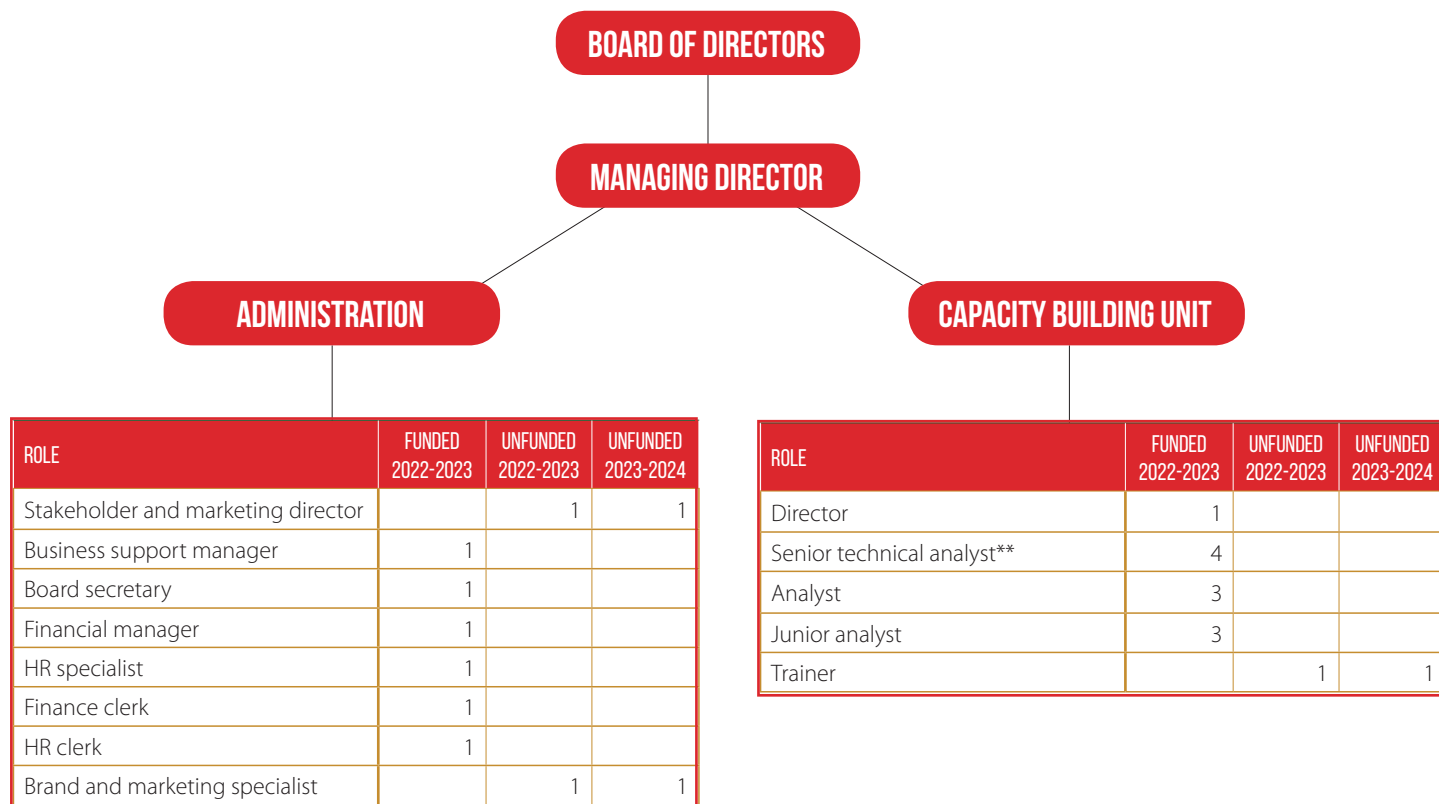
In dealings with all stakeholders.

## 8. LEGISLATIVE AND OTHER MANDATES

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

## 9. ORGANISATIONAL STRUCTURE\*



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

\*\* Two senior technical analyst posts are vacant in the Capacity Building Unit.

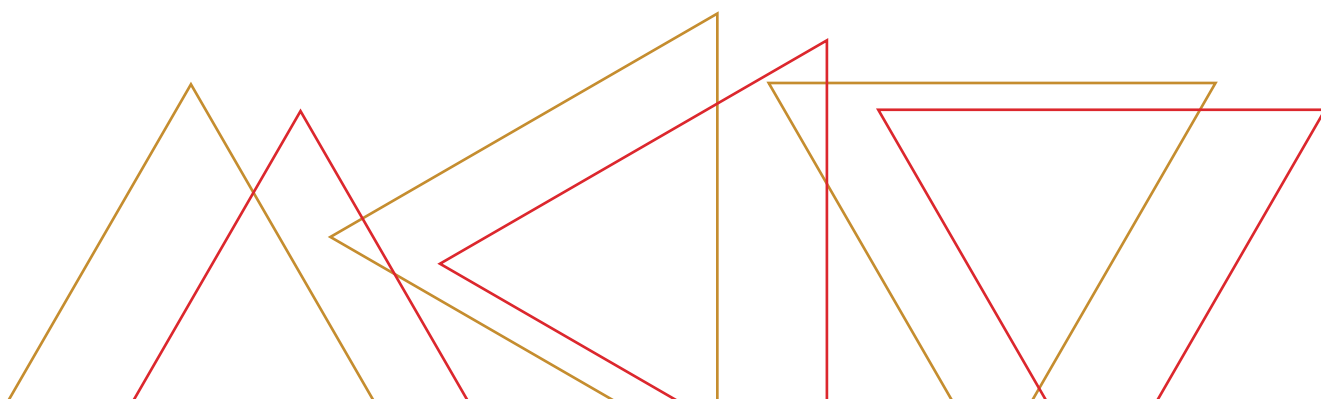


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# Part B

## PERFORMANCE INFORMATION



## 10. AUDITOR'S REPORT: PREDETERMINED OBJECTIVES

The AGSA 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 reported under Predetermined Objectives in the Report on Other Legal and Regulatory Requirements section of the auditor's report, published as Part E: Financial Information.

## 11. SITUATIONAL ANALYSIS

### SERVICE DELIVERY ENVIRONMENT

The acting MD is responsible for overseeing the preparation of the CBDA's performance information and for judgments made on this information. The acting MD is also responsible for establishing and implementing a system of internal controls that will provide reasonable assurance about the integrity and reliability of the performance information. In the acting MD's opinion, the performance information fairly reflects actual achievements against planned objectives and targets in line with the CBDA's strategic and annual performance plans as at 31 March 2022. The CBDA's performance information for 2021/22 has been examined by the AGSA, whose report is presented in Part E: Financial Information. The CBDA's performance information on pages 22 and 25 was approved by the Board.

### ORGANISATIONAL ENVIRONMENT

The CBDA consists of two units – corporate services and capacity building. The Corporate Services Unit (CSU) is responsible for strategic leadership, governance, financial management and HR; and the coordination of all the agency's activities. The unit is also responsible for stakeholder management, marketing, and research. The CBDA continues to depend on National Treasury for office accommodation, ICT, legal, SCM, risk management and internal audit services due to limited funding and capacity constraints. SLAs would be signed with units within National Treasury to improve the services offered. The Capacity Building Unit (CBU) is responsible for supporting, promoting and developing CFIs/CBIs, and encouraging the establishment of representative bodies and support organisations. The CBDA's goal is to explore and understand the challenges faced by the co-operative banking sector.

### KEY POLICY DEVELOPMENTS AND LEGISLATIVE CHANGES

Taking into account the risk of financial institutions failing to meet their obligations and assisting in maintaining financial stability.

### STRATEGIC OUTCOME-ORIENTED GOALS

The strategic outcomes are detailed below:

OUTCOME	OUTCOME INDICATOR	BASELINE	FIVE-YEAR TARGET	STATUS FEB 2020	STATUS FEB 2021	PROGRESS TOWARDS FIVE-YEAR TARGET
Facilitate increased access to financial services by communities to ensure economic transformation	Increase in co-operative banking membership	Feb 2019: 27 490	100% increase	31 520	29 200 (-7,36%)	25 780 (shortfall of 25 780)
	Percentage increase of member deposits	Feb 2019: R296 million	50% increase	R419m	R468m	+R27m (exceeded almost 9.2%)
	Number of CBIs registered by the Prudential Authority	Feb 2020: 9	30	29	29	-1
	Facilitate operational efficiency through innovative solutions and technological interventions	–	100% of CFIs digitised		No Progress. Developed strategy	No progress

Achievements that contributed towards strategic objectives during the year under review:

- The CBDA developed and maintained strong stakeholder relationships through participation, collaboration and partnerships. These relationships resulted in the following activities:
  - Initiating the process of developing the NCBSDS, with National Treasury's assistance in securing funding from the World Bank.
  - Signing a memorandum of understanding with the Prudential Authority, which promotes collaboration on issues related to the regulatory framework and targets required by the co-operative banking sector.
  - Attending some sessions of the International Monetary Fund/World Bank financial sector assessment programme review process, the FRS II, as well assisting the National Consumer Financial Education Committee with organising Money Smart Week South Africa to drive consumer financial literacy in South Africa.

### RSA FINANCIAL CO-OPERATIVE RETAIL BONDS UPDATE FOR 2021/22

National Treasury launched RSA Financial Co-operative Retail Savings Bonds in 2011. This was prompted by the need to diversify savings instruments available to CFIs and co-operative banks.

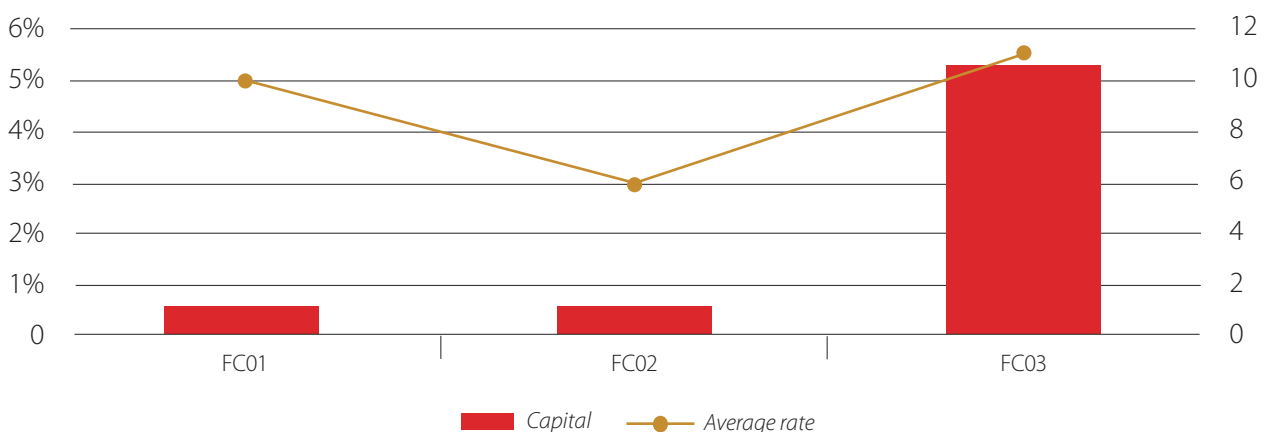
This follows regulations in terms of section 14 of the Co-operative Banks Act (2007), in which paragraph 3.2 (a) states: "A co-operative bank may acquire or hold the following assets with money deposited with it – sub-par. (iii) in government co-operative retail savings bonds with 1, 2 or 3-year maturity dates, and treasury bills issued by National Treasury as established by section 5 (1) of the PFMA, as amended."

RSA Financial Co-operative Retail Savings 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 National Treasury for the administration of the investment(s). The vehicle aims to preserve the capital portion of the investment and can be topped up at any time after the initial investment is made.

The bonds are issued in the following series: One-year financial co-operative retail savings bond, two-year financial co-operative retail savings bond, and three-year financial co-operative retail savings bond. CFIs and co-operative banks have access to their invested funds invested after six months on condition that they can only withdraw their investments twice during a financial year.

As at 31 March 2022, the average return of the three types of financial co-operative bonds on offer was 6.12%, a decrease from the 6.89% returned in the previous year. CBIs managed to invest R13.058 million in 2021/22, a decrease from the R13.82 million invested in the previous year. CBIs managed to make a total of 27 investments in the period under review, a decrease from the 39 investments made in 2020/21. The CBDA encourages more CFIs to see value and invest through this vehicle, which is risk-free and guarantees financial growth.

FIGURE 1: RSA FINANCIAL CO-OPERATIVE BONDS UPTAKE AS AT 31 OCTOBER 2021



## INTEREST RATES APPLICABLE FOR APRIL 2022

As at 31 October 2021, with an average coupon of 6.12% across all bond offers, R13.058 million was invested in the financial co-operatives retail savings bonds with a total of 27 investments made.

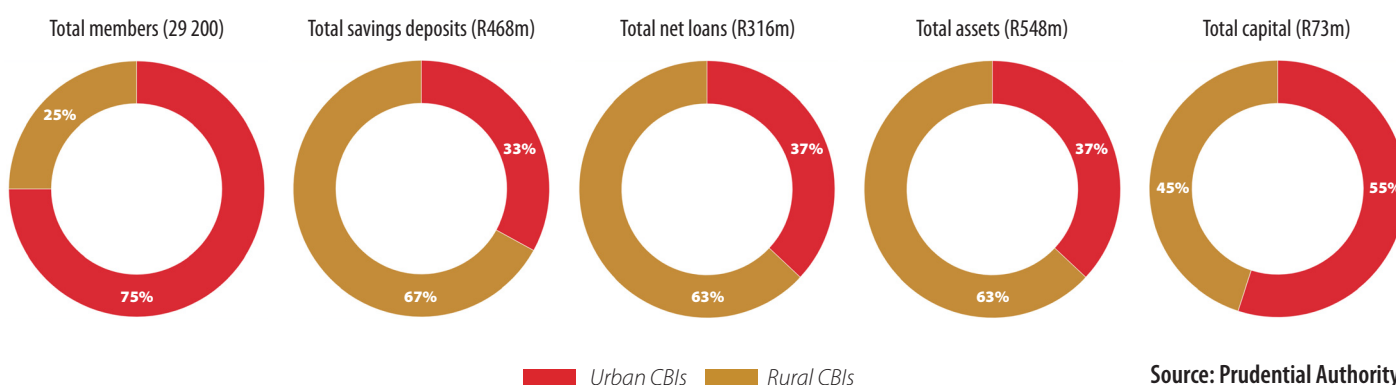
1. 2019/20: 7.65%
2. 2020/21: 6.89%
3. 2021/22: 6.12%

All 2022 figures are for the period ended 30 November 2021. These figures will be replaced once the official 28 February 2022 numbers are available from the Prudential Authority.

## CBI SECTOR PERFORMANCE FOR 2021/22

	NUMBER OF CBIs		MEMBERS		DEPOSITS (R'MILLION)		LOANS (R'MILLION)		ASSETS (R'MILLION)		CAPITAL (R'MILLION)	
	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022
28 February	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022
CBIs	5	5	5 032	5 356	290	368	202	246	333	413	42	45
CFIs	24	24	26 488	23 844	129	100	75	70	169	135	33	28
Total	29	29	31 520	29 200	419	468	277	316	502	548	75	73
<b>Growth</b>		<b>0%</b>		<b>-7%</b>		<b>12%</b>		<b>14%</b>		<b>9%</b>		<b>-3%</b>

FIGURE 2: URBAN VS RURAL CO-OPERATIVE BANKING SECTOR PERFORMANCE (16 URBAN, 6 RURAL, 3 PERI-URBAN)



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

\*\* Amounts stated in the table and below have been rounded off.

\*\*\* It is worth noting that the total net loan book for CFIs continued to decrease in the year ended 28 February 2022. The book decreased by 6.44%, from R75 million in 2020/21 to R70 million in 2021/22, while the net loan book for co-operative banks increased by 21.49%, from R202 million in 2020/21 to R246 million in 2021/22. All co-operative banks recorded growth in their net loan books. As at 28 February 2022, the overall net loan book for the co-operative banking sector was R316 million.



## 12. PERFORMANCE INFORMATION BY PROGRAMME

### PROGRAMME 1: ADMINISTRATION

The acting MD is responsible for the human resources, strategic leadership, governance and financial management of the CBDA; and for coordinating all the agency's activities. The CSU is also responsible for stakeholder management, marketing, research, and the administration of the Stabilisation Fund.

During the period under review, the following activities were conducted:

- Revision of the CBDA's 2020-2025 Strategic Plan and 2021/22 Annual Performance Plan, taking into consideration funding constraints and the discontinuation of the banking system contract due to issues relating to procurement compliance and financial sustainability. These plans have not been approved or tabled in Parliament by the Minister of Finance.
- Finalisation of the NCBSDS with the World Bank. The preferred strategic option was the creation of a NSCB in South Africa and assistance from the CBDA in establishing its role in the sector.
- The COVID-19 outbreak, and the declaration of a global pandemic by the World Health Organisation is monitored on a continuous basis. Although the state of disaster was lifted by the President in April 2022, the pandemic had an impact on the CBDA's operations in the first two quarters of the period under review, as the CBU still conducted most training and monitoring virtually. Some of the agency's activities needed to be adjusted according to presidential and ministerial directives and more traction towards on-site monitoring and training could be seen towards the end of the second, third and fourth quarters.
- In the last two quarters of 2021/22, some traction at CFI/CBI level was evident as they started operating much more than in the first two quarters of the year. This assisted the CBDA to start hosting on-site workshops as well as on-site monitoring, evaluations and training. The effect of the pandemic hugely impacted the sector as far as member growth and deposits were concerned. However, these will be monitored closely in 2022/23.
- The agency was also encouraged by the large number of people who virtually attended the National Credit Regulator workshop, and risk management and supervisory/audit committee training during the period under review. Far less training would have been conducted if the traditional, in-person method was in place.
- The agency resumed communication with the sector through quarterly newsletters published on the CBDA website. These newsletters were intended to provide information on what is happening in the CBDA and within the sector, as well as if there were any newly registered CFIs.

### HIGHLIGHTS FOR 2021/22

The CBDA's development strategy is aligned with the NDP in that it aims to build capacity in the co-operative banking sector towards growing an inclusive economy, building capabilities, enhancing the capacity of the state, and promoting leadership and partnerships throughout South African communities.



The co-operative banking sector was faced with several unique challenges during the period under review. The weaker economy, primarily due to the COVID-19 pandemic, resulted in higher unemployment and reduced household savings. Weak GDP constrained growth in the CBI model as far as savings mobilisation, member recruitment and loan repayments were concerned.

In August 2021, a resolution was passed to merge the CBDA, sefa and SEDA into one entity by 31 March 2022. This was subsequently extended for a further 20 months, to 31 December 2023. The sector will be informed once the effects of the merger on the CBDA's programmes are known. The CBDA will, however, continue to meet its responsibilities in terms of its current mandate and will engage with the sector in due course.

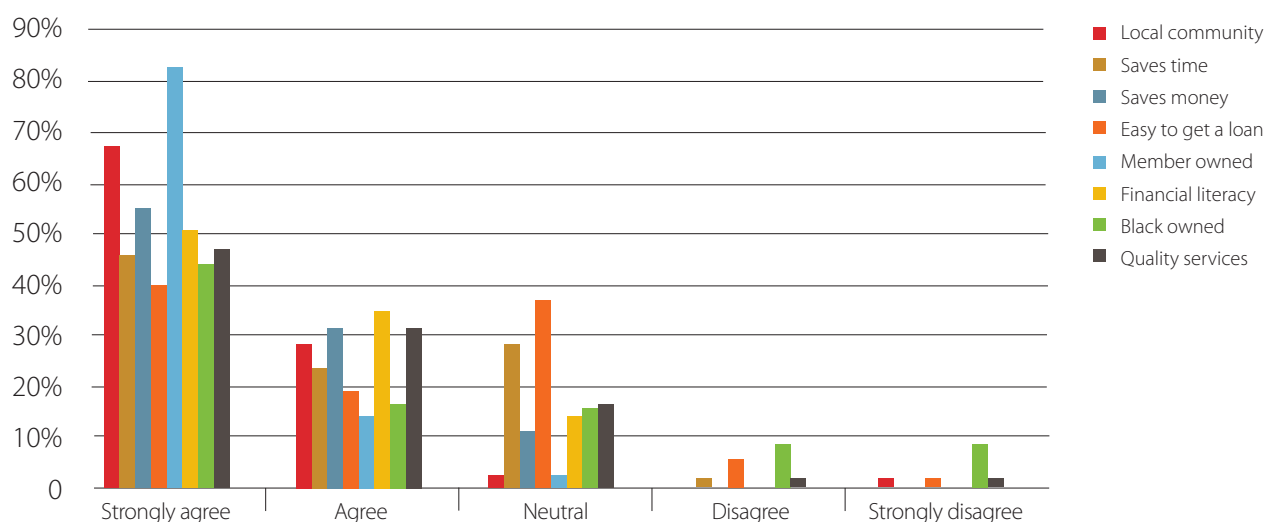
## THE YEAR UNDER REVIEW

### NATIONAL CO-OPERATIVE BANKING SECTOR DEVELOPMENT STRATEGY

The World Bank embarked on developing a co-operative banking strategy. The final paper was presented to the sector in February 2022 and published on the CBDA website. The purpose of the paper is to provide viable options to the sector on how it can grow its member base. This was in line with a June 2020 study by Rabo Partnerships, titled Development of the South African CFI Sector: Input for the Ongoing Discussions on the Future of CFIs in South Africa, which looked at one strategy on how to drive membership growth, specifically through technology and/or the establishment of a national co-operative bank.

A survey was conducted in seven of South Africa's nine provinces (Gauteng, KwaZulu-Natal, Limpopo, Eastern Cape, Northern Cape, North West, and Western Cape). The study found that while 84% of members have a positive impression of their CFI or co-operative bank, most members use their institution primarily because of its accessibility and less because of its services.

FIGURE 3: VALUE PROPOSITION OF CFIS/CBS



Sources: Cooperative financial institutions/Cooperative bank members survey 2020; World Bank/CBDA

Three visions were identified towards growing the sector and recognising the broader environment in which financial services are offered:

- Improve broad-based black economic empowerment (B-BBEE) in the financial sector and expand financial inclusion to vulnerable communities.
- Provide a competitive, co-operatively owned alternative to the commercial banking sector to lower banking costs and improve the quality of banking services.
- Improve financial literacy and community engagement through local or national government-led initiatives and co-operative institutions/stokvels.

The co-operative banking sector opted for the second point, to develop a competitive, co-operatively owned secondary co-operative bank, NSCB, as an alternative to the existing commercial banks. This will bring more competition to the retail and SMME sectors, which should lower the costs of banking for consumers and underserved groups.

While the achievement of the objectives of the NCBSDS requires broad progress, there are some pros and cons in achieving it.

PROS	CONS
<ul style="list-style-type: none"> <li>● Most financially efficient approach with a single brand.</li> <li>● Could provide broad economic benefits and fast member growth.</li> <li>● Would provide for economies of scale in the co-operative financial sector.</li> <li>● May be able to attract foreign investment for growth.</li> </ul>	<ul style="list-style-type: none"> <li>● Very difficult to achieve in the next 5-10 years as there are a limited number of successful examples of greenfield co-operative banks.</li> <li>● Could encounter significant resistance from banks, credit providers and existing CFIs.</li> <li>● Requires significant funding from foreign or domestic investors or government, which is already cash-strapped.</li> <li>● Competing head-to-head with well-established and well-funded banks is high risk.</li> </ul>

In terms of the percentage of the adult population served by financial cooperatives, South Africa is at 0.08% (ranks last out of 118 countries) and had \$22 million in assets in 2018.

COUNTRY	PERCENTAGE OF ADULTS WITH ACCOUNTS (2018 FINDEX)	ASSETS OF FINANCIAL COOPERATIVES IN USD (2018)	PERCENTAGE OF ADULTS WITH ACCOUNTS IN FINANCIAL COOPERATIVES (2018)
South Africa	69%	\$22 million	0.08%
Kenya	82%	\$8.3 billion	28.4%
Brazil	70%	\$54 billion	6.9%
Colombia	46%	\$6.7 billion	9.4%
Lesotho	46%	\$7.3 million	6%

As indicated in the NCBSDS, unlike other countries during the start-up phase of financial co-operatives, South Africa has imposed more restrictive prudential and operational norms that have hindered growth. Financial co-operatives also found it difficult to register and operate because of the many requirements and processes they must follow to become operational. After what CFIs/CBIs consider a daunting registration process, they still have to go through another long licensing process to issue loans.

## WORKING GROUP

The NCBSDS working group has been active since March 2022 and has engaged in two sessions that lasted between two and three days each. The first session was also attended by World Bank representatives to facilitate guidance. A four-phase plan was developed by the working group towards the establishment of an NSCB that will be implemented over an 18-month period.

The working group has established four sub-committees:

- Finance.
- Constitution and policies.
- Promotion and education.
- Planning.

Each sub-committee member has signed an agreement to serve in the working group to ensure the confidentiality of information.

## MEMORANDUM OF UNDERSTANDING BETWEEN THE CBDA AND PRUDENTIAL AUTHORITY

To promote working together in the development and regulation of the CBIs, the CBDA and Prudential Authority entered into a memorandum of understanding with the following aims:

- Promote collaboration between the CBDA and the authority on issues related to the regulatory framework of co-operative banks and CBIs.
- Support the CBDA in the development of a sustainable co-operative banking sector.
- Jointly instil a culture of compliance and operational discipline, in line with the regulatory framework, for prospective and registered co-operative banks and CBIs.
- Create an enabling environment for the co-operative banking sector through a progressive and innovative regulatory framework that supports the safety and soundness of the sector.
- Provide a framework for and encourage the parties to liaise on matters of common interest.
- Keep each other abreast on policy, statutory and developmental matters of joint concern.
- Conduct joint public consultation sessions pertaining to supervision and regulation, as well as capacity building and the development framework for the sector.
- Conduct joint training programmes for the co-operative banking sector on matters of common interest.

From July to September 2021, numerous draft standards for CFIs and co-operative banks were issued. Both the Prudential Authority and the Financial Sector Conduct Authority (FSCA) have published proposed standards for consultation to the sector. Noting the additional regulatory burden this could bring to the sector, it would have been preferred that the sector was more organised in its responses to the proposals.

On 9 July 2021, the Prudential Authority published draft prudential standards for CFIs and CBIs for consultation. The proposed prudential standards address requirements for registration and operations, governance, risk management, internal controls and compliance. Comments were required by 2 August 2021, which included an impact assessment of the standards the institutions require in their operations. The draft standards and comment templates were made available on the Prudential Authority's website.

## CONDUCT STANDARDS FOR CFIS

The FSCA published draft conduct standards on 11 August 2021 for public consultation. The main purpose of conduct standards is to introduce requirements that promote the fair treatment of CFI members. This is the first set of conduct standards that applies specifically to CFIs. The draft conduct standards, as well as a statement in support of it, is available on the FSCA's website.

## PROTECTION OF PERSONAL INFORMATION ACT (2013)

The Protection of Personal Information Act (2013) commenced on 1 July 2020 but a grace period for comprehension was extended to 30 June 2021. The act sets out the conditions for the lawful processing of personal information to protect the public from harm, to prevent individuals' money from being stolen, to stop identity theft, and to protect individuals' privacy. There are no exemptions, so CFIs/CBIs are urged to gain practical knowledge on the act.

## CAPACITY-BUILDING INITIATIVES

The CBU continued to offer capacity-building services to CBIs in the form of direct technical assistance, training, and pre-registration support to prospective CBIs. Due to the COVID-19 pandemic, 70% of interventions were conducted virtually, but network and connectivity challenges negatively impacted participation by CBI board members and managers. In the fourth quarter of 2021/22, the CBU undertook a valuable member education drive, which will be conducted every quarter in 2022/23.

## STAKEHOLDER SUPPORT

During the period under review, the CBU hosted training programmes in collaboration with the National Credit Regulator, BANKSETA, the Association for Savings and Investment South Africa, and the Gauteng and Eastern Cape departments of economic development. These collaborations enabled the CBDA to offer programmes on a variety of topics, as requested by CBIs. For example, topics included the rules and regulations that govern applications to the National Credit Regulator to become a registered credit provider, a member education drive that zoomed in on the rights and responsibilities of CBIs, and developing action plans targeted towards specific challenges affecting CBIs in particular provinces.



## KEY PERFORMANCE INDICATORS, PLANNED TARGETS AND ACTUAL ACHIEVEMENTS

STRATEGIC OUTPUT 1: CO-OPERATIVE BANKING SECTOR IS KNOWN AND RECOGNISED								
OUTCOME	OUTPUT	OUTPUT INDICATOR	AUDITED ACTUAL PERFORMANCE 2019/20	AUDITED ACTUAL PERFORMANCE 2020/21	PLANNED TARGET 2021/22	ACTUAL ACHIEVEMENT 2021/22	DEVIATION FROM PLANNED TARGET FOR 2021/22	REASON FOR DEVIATIONS
Increase access to financial services by communities to ensure economic transformation	Co-operative banking sector known and recognised	Number of outreach and education activities about CBI model to groups and institutions	5	26	12	33	+21	The CBDA has exceeded this target for the year under review as more requests were made from organised groups or individuals that needed presentations and information on the requirements of registering a CBI/CFI. This achievement is not funded as it is provided via information sessions
		Number of communication activities and publications	4	6	5	5	-	Targets were met although the CBDA is undercapacitated due to there being no MD/Board secretary with only one body taking care of the CSU
	Leverage products and services offered by partners and stakeholders through collaboration and agreements	Number of partner and stakeholder relationships	2	8	8	11	+3	The CBDA had more engagements due to the merger as it needed to present at different forums and workstreams, and to the Department of Small Business Development. The purpose of these engagements was to engage on what the CBDA does as per its mandate. In February 2022, the CBDA also presented to the Select Committee on Finance regarding the question on the delay of the consequence management investigations due to the agency operating without an MD

STRATEGIC OUTPUT 2: ENSURE AND MAINTAIN EFFECTIVE, EFFICIENT AND TRANSPARENT SYSTEMS OF FINANCIAL AND RISK MANAGEMENT, SUPPLY CHAIN MANAGEMENT AND INTERNAL CONTROL								
OUTCOME	OUTPUT	OUTPUT INDICATOR	AUDITED ACTUAL PERFORMANCE 2019/20	AUDITED ACTUAL PERFORMANCE 2020/21	PLANNED TARGET 2021/22	ACTUAL ACHIEVEMENT 2021/22	DEVIATION FROM PLANNED TARGET FOR 2021/22	REASON FOR DEVIATIONS
Fiscal discipline, sound governance and compliance with regulatory framework	Sound and compliant financial internal controls, financial management and reporting services	Unqualified audit opinion	Unqualified audit (2018/19)	Qualified opinion (2019/20)	Unqualified audit opinion with 25% fewer findings than 2020/21 on financial performance information	Unqualified audit opinion (2020/21)	Unqualified audit opinion	-
	Maintain a compliant supply chain management process	Percentage of valid invoices paid within 30 days	100%	76%	100%	100%	-	-

## STRATEGY TO OVERCOME AREAS OF UNDERPERFORMANCE

Although the unit did not underperform in the period under review, it experienced challenges due to the absence of an acting MD, which is key in providing strategic leadership and managing stakeholder relationships. The Minister of Finance was expected to approve the appointment of an acting MD or MD in the new financial year. The CBDA endeavours to continuously monitor systems and processes to eliminate deficiencies in service delivery.

## LINKING PERFORMANCE WITH BUDGET

Costs for administration contribute to compliance, governance and administrative support. During the period under review, the Board approved the revision of the budget, resulting in an increase of R300 000 and R150 000, respectively, towards Board and audit cost from underspent items. The budget increase on Board costs was attributed to the increase on the appointment of non-government officials as Board members, Board members' participation in the merger process, the recruitment of an MD (on hold), and the Chairperson attending to CBDA operational responsibilities in the absence of an acting MD. Audit costs were underbudgeted due to the CBDA anticipating the process being undertaken by the AGSA.

Overspending of R1 673 000 was attributed to a non-cash item of services in kind to the value of R4 442 000 from National Treasury and R594 000 from the South African Reserve Bank (SARB), which was not budgeted for in the period under review. The exclusion of the non-cash item of R4 442 000 reflects an underspending of R2 769 000 on the budget.

The underspending did not have a significant impact on the unit's performance targets. However, it did affect compliance and governance requirements. The underspending was due to:

- The vacant acting MD post from 1 October 2021, resulting in a major leadership gap that in turn led to the following risks:
  - Ineffective leadership direction in the managing of the BANKSETA partnership, resulting in unspent funds.
  - Compromised Board and Chairperson oversight roles to engage on operational matters. This led to additional meetings to discuss critical matters for resolution.
  - Consequence management was put on hold, resulting in funds for legal costs being set aside as unspent.
  - Delays in decision-making and increased work pressure on management staff had a negative impact, as collective accountability was difficult to achieve, especially on matters where knowledge or subject matter expertise were required.
- The announcement of the merger between the CBDA, sefa and SEDA resulted in planned activities being put on hold. This included the procurement of a new or upgraded accounting and payroll system, and recruitment costs to be incurred in filling vacant posts.

Travel and subsistence costs were exceeded by R100 000 due to the formation of the NSCB working group in March 2022, whereby the CBDA provided financial and non-financial support to ensure that implementation workshops for the NCBSDS commenced.

The following table reflects costs for administration and governance activities during the period under review.

ACTIVITY	2021/22			RESTATED 2020/21		
	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	5 413	4 302	1 111	4 854	4 781	73
Annual conference	–	–	–	100	30	70
Assets less than R5 000	5	–	5	5	–	5
Audit costs	1 000	1 003	(3)	900	914	(14)
Bank charges	35	23	12	56	25	31
Board fees	1 046	841	205	296	432	(136)
Communication	65	72	(7)	90	65	25
Compensation commission	5	–	5	5	–	5
Consultants	700	-13	713	350	202	148
Computer services	–	9	(9)	–	8	(8)
Depreciation	300	262	38	200	216	(16)
Lease payments	40	34	6	48	33	15
Legal fees	200	39	161	500	–	500
Publication	303	205	98	70	–	70
Printing and stationery	80	11	69	79	8	71
HR management	150	9	141	30	–	30
Staff welfare	4	4	–	4	–	4
Subscriptions	10	–	10	6	–	6
Services in kind	–	4 442	(4 442)	–	6 852	(6 852)
Training and staff development	50	–	50	50	–	50
Travel and subsistence	100	148	(48)	100	10	90
<b>Total expenditure excluding capital expenses and interest capitalised</b>	<b>9 506</b>	<b>11 391</b>	<b>(1 885)</b>	<b>7 743</b>	<b>13 576</b>	<b>(5 833)</b>
Tangible and intangible assets	180	8	172	300	300	–
Surrender to COVID-19 budget	–	–	–	220	–	220
<b>Total</b>	<b>9 686</b>	<b>11 399</b>	<b>(1 713)</b>	<b>8 263</b>	<b>13 876</b>	<b>(5 613)</b>

## PROGRAMME 2: CAPACITY BUILDING UNIT

### HIGHLIGHTS OF THE YEAR UNDER REVIEW

The CBU managed to achieve 100% of its performance targets for 2021/22. This is viewed as a highlight as the unit had to swiftly adapt to a new business model by offering virtual support services to the co-operative banking sector.

### CHALLENGES DURING THE YEAR UNDER REVIEW

With the announcement of the merger in August 2021, the CBU had to put some of its activities on hold, such as the automation of services and some product offerings, as well as new staff appointments.

## KEY PERFORMANCE INDICATORS, PLANNED TARGETS AND ACTUAL ACHIEVEMENTS

STRATEGIC OBJECTIVE: AN ADEQUATELY CAPACITATED CFI SECTOR								
OUTCOME	OUTPUT	OUTPUT INDICATOR	AUDITED ACTUAL PERFORMANCE 2019/20	AUDITED ACTUAL PERFORMANCE 2020/21	PLANNED TARGET 2021/22	ACTUAL ACHIEVEMENT 2021/22	DEVIATION FROM PLANNED TARGET FOR 2021/22	REASON FOR DEVIATIONS
Increased access to financial services by communities to ensure economic transformation	Institutional development and organisational strengthening	Number of training programmes conducted	N/A (The indicator was changed from the number of Board members trained to the number of training programmes conducted)	5	10	11	+1	After training was conducted in the first and second quarters, CBIs indicated more areas they wanted to be trained in with regards to the National Credit Act (2005) and related regulations. Another training session was held in the fourth quarter
		Number of direct technical assistance interventions provided	35	66	64	72	+8	The CBU had to prioritise on-site visits that were not initially included in its plans. This was due to red flags raised by technical analysts during the monitoring interventions
		Number of monitoring visits conducted	N/A	23	30	45	+15	The implementation of a training monitoring tool to assess the alignment of theory with practical work at the CBI level has resulted in an increase in monitoring interventions
		Percentage of organised groups supported	N/A (indicator rephrased from absolute numbers to percentages)	100%	100%	100%	-	N/A
	Enhance operational efficiency through innovative solutions and technology interventions	Percentage of registered CBIs prepared for digital transformation	N/A	0	40%	45%	+5%	Business analyst has gained confidence on what is required to perform this function from the capacity-building perspective



- The CBU's strategic objective is to ensure that the co-operative banking sector has sufficient capacity. This is directly linked to the overall vision and mission of the CBDA, which entails sector growth and competitiveness through the provision of innovative capacity development and support to CFIs and their members.
- The overachievement on 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 BANKSETA and the Gauteng department of economic development.

## STRATEGY TO OVERCOME AREAS OF UNDERPERFORMANCE

The CBU did not underperform on any of its performance targets.

## CHANGES TO PLANNED TARGETS

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

## LINKING PERFORMANCE WITH BUDGET

The CBU underspent by R3 152 000 with no impact on achieving its performance targets. The underspending can be attributed to:

- The combination of virtual and on-site services rendered, which resulted in a decrease in spending on travel and subsistence.
- The sourcing of consultants for the automation of services and product offerings was put on hold due to the announcement of the merger of the CBDA, sefa and SEDA.
- Two vacant posts in the unit were not filled.

The following table reflects costs for the CBU's activities during the period under review.

ACTIVITY	2021/22			RESTATE 2020/21		
	BUDGET (R'000)	ACTUAL EXPENDITURE (R'000)	(OVER)/UNDER EXPENDITURE (R'000)	BUDGET (R'000)	ACTUAL EXPENDITURE (R'000)	(OVER)/UNDER EXPENDITURE (R'000)
<b>Transfer funds</b>						
Compensation of employees	7 664	5 996	1 668	9 604	7 202	2 402
Consultants	760	36	724	2 300	–	2 300
Training and development	150	23	127	500	–	500
Travel and subsistence	1 710	1 231	479	250	189	61
Venues and facilities	500	261	239	–	–	–
<b>Total expenditure excluding capital expenses</b>	<b>10 784</b>	<b>7 547</b>	<b>3 237</b>	<b>12 654</b>	<b>7 391</b>	<b>5 263</b>
Tangible and intangible assets	–	–	–	500	457	43
Surrender to COVID-19 budget	–	–	–	176	–	176
<b>Total</b>	<b>10 784</b>	<b>7 547</b>	<b>3 237</b>	<b>13 330</b>	<b>7 848</b>	<b>5 482</b>
<b>Grant funds</b>						
Travel and subsistence	–	45	(45)	–	–	–
Venues and facilities	–	–	–	2 000	19	1 981
<b>Total</b>	<b>–</b>	<b>45</b>	<b>(45)</b>	<b>2 000</b>	<b>19</b>	<b>1 981</b>
<b>Grand total</b>	<b>10 744</b>	<b>7 592</b>	<b>3 152</b>	<b>15 330</b>	<b>7 867</b>	<b>7 463</b>

## INSTITUTIONAL RESPONSE TO THE COVID-19 PANDEMIC

The CBDA undertook no new additional programmes and interventions that had a direct budgetary implication as a response to the COVID-19 pandemic. The agency was able to reorientate its operations, service delivery methodology and communications strategies within its budget to achieve most of its objectives.

## 13. REVENUE COLLECTION

SOURCE OF REVENUE	2021/22			RESTATED 2020/21		
	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	20 328	20 328	–	21 461	20 473	988
Grant income	–	45	(1 45)	2 000	19	1 981
Services in kind	–	5 036	(5 036)	–	8 040	(8 040)
Services rendered	4	–	4	2	3	(1)
Interest income	138	714	(576)	130	587	(457)
Other income	–	46	(46)	–	4	(4)
<b>Total</b>	<b>20 470</b>	<b>26 169</b>	<b>(5 699)</b>	<b>23 593</b>	<b>29 126</b>	<b>(5 533)</b>

The CBDA's main source of revenue is through transfers from National Treasury (R20 328 000) to achieve its strategic mandate.

Grant income was received from BANKSETA for capacity-building initiatives and programmes. The contract deliverables according to the SLA were achieved through collaboration and partnerships with other stakeholders, resulting in no costs incurred and unspent funds. The contract expired on 30 June 2021, with only R45 000 of the funds being used during the period under review.

Services in kind are from National Treasury and SARB to the value of R 4 442 000 and R594 000, respectively. National Treasury provides goods and services (office space, parking facilities and office furniture) and services (internal audit, enterprise risk management, legal, SCM, finance, ICT, cleaning and communication) to supplement the CBDA's resources. The SARB seconded an employee to fill the vacant post of acting MD, which expired on 30 September 2021, reflecting costs for six months during the period under review.

No new applications and renewal payments were received for representative bodies and support organisations.

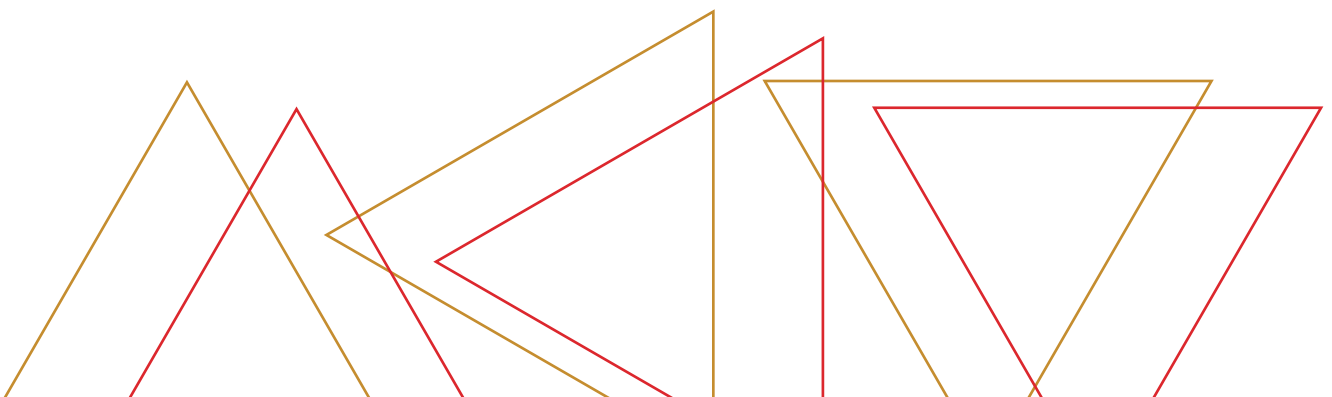
The increase in interest income was due to unused project funds invested with First National Bank and stabilisation funds invested in the Corporation for Public Deposits (CPD). Surplus funds in 2021/22 were also attributed to increases in interest rates.

Other revenue was generated through proceeds from the sale of assets that were auctioned, and movements in annual leave provisions.

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Part C

# GOVERNANCE



## 14. INTRODUCTION

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

## 15. PORTFOLIO COMMITTEES

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The CBDA presented to the Select Committee on Finance on 31 August 2021 and 8 February 2022, and the Department of Small Business Development on 26 November 2021 on the role of the CBDA in assisting CFIs and CBIs. In addition, the agency was invited for the first time to participate in merger discussions. On 13 December 2021, the Minister of Small Business Development invited the CBDA to a workshop on the national integrated small enterprise development masterplan, which seeks to address key problems of integration along with coordinating challenges in developing and designing better interventions for SMMEs through specific actions and interventions that should include all co-operatives in the long term.

## 16. EXECUTIVE AUTHORITY

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During the period under review, in terms of the PFMA and treasury regulations, the CBDA submitted to the Executive Authority all quarterly reports for 2021/22, as well as its 2021/22 annual report and Annual Financial Statements. The CBDA submitted its strategic plan and revised 2022/23 Annual Performance Plan after approval from the Board on 18 February 2022 at a fully quorate meeting. The 2022/23 Annual Performance Plan was then submitted to the public enterprise oversight unit for approval from the Minister of Finance.

## 17. ACCOUNTING AUTHORITY/BOARD

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### INTRODUCTION

The CBDA Board is independent, and the Chairperson and Board of Directors 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 outlined in the Co-operative Banks Act (2007), the PFMA and treasury regulations.

During the year under review, Mr Luyanda Ntuane served as Chairperson of the Board until his term ended on 26 November 2021. His term, along with Mr Velile Pangwa's, was extended by the Minister of Finance from 26 November 2021 onwards. The extensions are valid either until the merger takes place, if the Board is dissolved, for a three-year period, or whichever occurs sooner. Ms Phumla Ncapayi and Mr Jeffrey Ndumo's terms ended on 25 November 2021 but could not be extended as they were already serving their second terms. In the absence of the appointment of an MD, the Board took a resolution on 28 October 2021 for the Chairperson of the Board to sign off on salaries, PAYE, the basic accounting system, payments to the South African Revenue Service, employee contract extensions and all other pertinent matters within the CBDA. At the time of drafting this report, the CBDA was still waiting for an MD to be appointed.

### ROLE OF THE BOARD

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

The Board's key roles and responsibilities:



- Act as the focal point for, and custodian of, corporate governance by managing its relationships with management, CFIs, National Treasury, other relevant government departments and other stakeholders in line with sound governance principles.
- Provide an oversight function over the management of the agency as it fulfils its mandate. The Board does so in good faith and in the best interest of the agency in accordance with its values and ethics; the strategic objectives of government; and its fiduciary duty of care, skill, and diligence, and effective leadership on an ethical foundation, while preserving the confidentiality of all confidential matters and maintaining the highest standard of integrity, responsibility, and accountability.
- Recognise that strategy, risk and performance are inseparable and gives effect to this by giving strategic guidance and direction to the agency, and approving the agency's strategy; identifying key performance and risk indicators; overseeing the agency's performance against targets and objectives; and ensuring that appropriate risk governance (including IT risk governance) is in place, including the agency's risk appetite, risk governance structures, risk management policies, processes and procedures, and appropriate internal controls.

## BOARD CHARTER

The Board reviews changes and approves the agency's policies as and when required, in line with the agency's practices. The 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.

The Board Charter was reviewed during 2020/21. Changes focused on providing clarity relating to Board meeting attendance rules.

The Board is appointed by the Executive Authority. The term of office is three years, which can be extended for a second term of another three years.



NAME	DESIGNATION (IN TERMS OF THE PUBLIC ENTITY BOARD STRUCTURE)	DATE APPOINTED	DATE RESIGNED	QUALIFICATIONS	AREA OF EXPERTISE	BOARD DIRECTORSHIPS	OTHER COMMITTEES OR TASK TEAMS	NUMBER OF MEETINGS ATTENDED
Dr Nom-fundo Ngwenya	Member	4 June 2018	N/A	<ul style="list-style-type: none"> <li>• PhD (International Studies)</li> <li>• MSc (Politics of the World Economy)</li> <li>• MA (International Studies)</li> <li>• BA and BA (Hons) (Political Science)</li> </ul>	<ul style="list-style-type: none"> <li>• Institutional governance</li> <li>• Business strategy</li> <li>• Stakeholder relations</li> <li>• Project management</li> <li>• International Relations</li> </ul>	<ul style="list-style-type: none"> <li>• NXN Analytics</li> <li>• Ntsele Global (and subsidiaries)</li> <li>• Phuma Phambili Engineering</li> </ul>	<ul style="list-style-type: none"> <li>• HR&amp;R committee</li> </ul>	11/11
Ms Pumla Ncapayi <sup>2</sup>	Member	23 November 2018	23 November 2021	<ul style="list-style-type: none"> <li>• Master of Business Administration (MBA) in progress</li> <li>• BCom</li> <li>• Diploma in trade law and policy</li> </ul>	<ul style="list-style-type: none"> <li>• Policy and strategy development</li> <li>• Leadership support</li> <li>• International relations</li> </ul>	<ul style="list-style-type: none"> <li>• CEO: Financial Sector Transformation Council</li> </ul>		2/11
Ms Nokonwaba Shwala	Member	4 June 2018	N/A	<ul style="list-style-type: none"> <li>• Master of business leadership</li> <li>• Executive leadership programme</li> <li>• Management advancement programme</li> </ul>	<ul style="list-style-type: none"> <li>• HR specialist</li> <li>• Executive human capital</li> <li>• Policy development</li> </ul>		<ul style="list-style-type: none"> <li>• HR&amp;R Committee</li> </ul>	3/11
Mr Ishtiaq Amien	Member	29 March 2021	N/A	<ul style="list-style-type: none"> <li>• BA (UCT)</li> <li>• LLB (UWC)</li> <li>• Master of Philosophy (information and knowledge management)</li> </ul>	<ul style="list-style-type: none"> <li>• Management consulting, specifically change management</li> <li>• Risk management</li> <li>• Strategy development</li> </ul>	<ul style="list-style-type: none"> <li>• Kovacs student housing, Western Cape: Operator and manager of student housing</li> <li>• Kovacs Investments 670 Holding Company</li> <li>• Busilex Trading</li> <li>• Seven Lanterns Trust</li> </ul>		8/11

NAME	DESIGNATION (IN TERMS OF THE PUBLIC ENTITY BOARD STRUCTURE)	DATE APPOINTED	DATE RESIGNED	QUALIFICATIONS	AREA OF EXPERTISE	BOARD DIRECTORSHIPS	OTHER COMMITTEES OR TASK TEAMS	NUMBER OF MEETINGS ATTENDED
Mr Velile Pangwa <sup>3</sup>	Member	23 November 2018  Reappointed 26 November 2021	23 November 2021	<ul style="list-style-type: none"> <li>• South African Institute of Chartered Accountants</li> <li>• Independent Regulatory Board of Auditors</li> <li>• Chartered Accountant (CA) SA</li> <li>• BCom Honours (Accounting) University of Natal</li> </ul>	<ul style="list-style-type: none"> <li>• Audit planning and monitoring</li> <li>• Preparing financial statements</li> <li>• Reviewing of financial statements</li> <li>• Budgeting/financial management</li> </ul>	<ul style="list-style-type: none"> <li>• ANF CA (SA)</li> </ul>	<ul style="list-style-type: none"> <li>• HR&amp;R committee</li> <li>• Risk and ICT committee</li> <li>• Audit committee</li> </ul>	10/11
Ms Thuli Mashanda	Member	12 December 2019	N/A	<ul style="list-style-type: none"> <li>• Chartered Accountant (SA) (1999/2000) (certificate 2001)</li> <li>• Certificate in theory in accounting (1997)</li> <li>• UNISA Bachelor of Arts in Accounting Studies (Honours)</li> <li>• Thames Valley University London, UK (1992)</li> </ul>	<ul style="list-style-type: none"> <li>• Professional advice in strategic disciplines such as financial reporting, taxation, SCM processes, auditing, forensic accounting and corporate finance</li> <li>• Technical accounting, operations, analytical skills and leadership talents</li> </ul>	<ul style="list-style-type: none"> <li>• K2015336896 (South Africa)</li> <li>• Sodubo Projects</li> <li>• Shibika Projects</li> <li>• Back2Black Consulting Services</li> <li>• Fairland College</li> <li>• Njapa Municipal Services</li> </ul>	<ul style="list-style-type: none"> <li>• Chairperson: HR&amp;R committee</li> <li>• Risk and ICT committee</li> </ul>	6/11
Mr David de Jong	Acting MD (secondment from the Prudential Authority)	1 February 2020	30 September 2021	<ul style="list-style-type: none"> <li>• B. Economics</li> <li>• B. Economics (Hons)</li> </ul>	<ul style="list-style-type: none"> <li>• Specialist in co-operatives and financial co-operative development, supervision and regulation</li> </ul>	N/A	N/A	3/11

NAME	DESIGNATION (IN TERMS OF THE PUBLIC ENTITY BOARD STRUCTURE)	DATE APPOINTED	DATE RESIGNED	QUALIFICATIONS	AREA OF EXPERTISE	BOARD DIRECTORSHIPS	OTHER COMMITTEES OR TASK TEAMS	NUMBER OF MEETINGS ATTENDED
<b>MINISTER'S REPRESENTATIVE</b>								
Ms Nontobeko Lubisi <sup>4</sup>	Minister's representative	23 March 2021	N/A	<ul style="list-style-type: none"> <li>• Postgraduate diploma (development finance), University of Stellenbosch Business School (2017)</li> <li>• BTech (Quality Management), University of South Africa (2008-2013)</li> <li>• BCom (Statistics, Economics and Banking), University of Pretoria (2000-2004)</li> </ul>	Leading, directing and managing senior economists (deputy directors) in the development of policy and implementation of legislation on financial inclusion, as well as facilitating work on the transformation of the financial services sector to ensure that the sector is diversified, inclusive and empowers youth, women, SMMEs and people with disabilities	Culture Roof (Pty) Ltd	N/A	10/11

1. Mr Luyanda Ntuane was reappointed as Chairperson on 26 November 2021.

2. Mr Jeffrey Ndumo and Ms P Ncapayi's terms of office ended on 25 November 2021.

3. Mr Velile Pangwa was reappointed as a member on 26 November 2021.

4. Ms Nontobeko Lubisi is the minister's representative since 23 March 2021.



## SUB-COMMITTEES

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

COMMITTEE	NUMBER OF MEETINGS HELD	NUMBER OF MEMBERS	NAME OF MEMBERS
Audit	8	3	Ms Pumla Mzizi (Chairperson) Mr B Furstenburg Ms A Badimo Mr A F Sinthumule Mr V Pangwa (member)
Risk and ICT	4	3	Mr Luyanda Ntuane (Chairperson) Mr Velile Pangwa (Member) Ms Thuli Mashanda (Member)
HR&R	3	5	Ms Thuli Mashanda (Chairperson) Ms Nomfundo Ngwenya (Member) Ms Nokonwaba Shwala (Member) Mr Velile Pangwa (Member) Mr Luyanda Ntuane (Member)

The CBDA sub-committees perform the following functions:

### AUDIT COMMITTEE

The committee is established in terms of legislation to serve as an independent governance structure whose function is to provide an oversight role on the systems of internal control, risk management and governance. The committee assists the accounting officer in the effective execution of their responsibilities to achieve the organisation's objectives.

### RISK AND ICT COMMITTEE

The overall purpose of the Risk and ICT Committee is to assist the accounting authority in fulfilling its oversight responsibilities for the management of risk and the ICT assets of the CBDA, including risk in the overall controls and processes to monitor compliance with laws and regulations.

### HR&R COMMITTEE

The role of the HR&R committee is to propose, agree and develop the agency's general policy on executive and senior management remuneration. It also proposes specific remuneration packages for the agency's executive directors, including but not limited to basic salary, benefits in kind, and any annual bonuses, performance-based incentives, pensions and other benefits.

## REMUNERATION OF BOARD MEMBERS

Board members are remunerated at rates determined by National Treasury, in terms of service benefit packages for office bearers of certain statutory and other institutions. The remuneration of Board members is shown in the table below as well as in note 23 of the AFS.

NAME	MEMBERS' FEES	OTHER ALLOWANCE	OTHER REIMBURSEMENTS	TOTAL
Mr Luyanda Ntuane	R212 000	N/A	N/A	R212 000
Mr Paul Rossouw	R53 000	N/A	N/A	R53 000
*Mr Jeffrey Ndumo	N/A	N/A	N/A	N/A
*Ms Nokonwaba Shwala	N/A	N/A	N/A	N/A
Dr Nomfundo Ngwenya	R86 000	N/A	N/A	R86 000
Mr Velile Pangwa	R109 000	N/A	N/A	R109 000
Mr Ishtiaq Amien	R39 000	N/A	N/A	39 000
Ms Thuli Mashanda	44 000	N/A	N/A	44 000
*Ms Pumla Ncapayi	N/A	N/A	N/A	N/A

\*Employees of national, provincial and local government or government agencies and entities serving on the boards of public entities or institutions are not entitled to additional remuneration.

## 18. RISK MANAGEMENT

The Risk and ICT committee developed a governance, risk and compliance framework to provide related guidance specific to the entity. Risk management has attracted a greater focus and is managed in more detail involving the whole entity.

The Board has assigned oversight of the CBDA risk management process to the risk and ICT committee. The committee laid the foundation for the future oversight of governance, risk, and compliance as well as provided direction in terms of ICT strategy.

Risk and compliance registers are presented to the risk and ICT committee on a quarterly basis to provide oversight and to ensure that appropriate mitigation strategies are in place.

During the period under review, the CBDA drafted, finalised and published its business continuity plan, and policies on the Protection of Personal Information Act (2013) and performance management information.

With regards to ICT, National Treasury provided the CBDA with a report to the Board that provided an update on the work of ICT management and how the unit discharged its responsibilities. The report detailed the unit's operations in line with universally accepted principles, ensuring that prudent and reasonable steps are taken regarding IT and associated risks.

A communication and reporting channel was established between the risk and ICT committee and the audit committee to ensure appropriate oversight.

## 19. INTERNAL AUDIT

The CBDA uses the services of National Treasury's internal audit and enterprise risk units, which provide assurance that the Board maintains an effective and efficient internal control environment. The responsibility for the oversight of internal financial management, risk management and operational control rests with the Board, with the assistance of the audit and risk, and ICT committees. Internal audit is responsible for the CBDA's controls in determining its effectiveness, efficiency and economy. Internal audit is also responsible for improving and enhancing existing controls, where appropriate, and assists with developing new recommendations.

### KEY ACTIVITIES AND OBJECTIVES

The objectives of the internal audit unit are aligned with National Treasury regulations. The internal audit function assists the MD in achieving the CBDA's objectives, evaluating and developing recommendations for the enhancement or improvement of the governance processes, ensuring that objectives and values are established and communicated, monitoring the progress of performance targets, ensuring accountability, and preserving corporate values.

Maintaining controls is done by evaluating those controls to determine their effectiveness and efficiency, and by developing recommendations for enhancement or improvement. The controls are subject to evaluation and should encompass the following:

- Reliability and integrity of financial and operational information.
- Effectiveness of operations.
- Safeguarding of assets.
- Compliance with laws, regulations and controls.

## AUDITS CONDUCTED DURING 2021/22

The annual risk-based internal audit and three-year rolling plan (2021/22-2023/24) were tabled and approved by the audit committee for implementation. Seven internal audits were planned and completed in the period under review. These were:

- Review of 2021/22 AFS.
- Review of performance information on annual performance report.
- Review of irregular expenditure.
- Review on support to co-operative banking sector.
- Review of performance information on quarterly performance report.
- Review of interim financial statements.
- Review of performance bonus.

These reports were submitted to management and tabled at the audit committee meetings. The results of the reports required management to implement an action plan to address the internal control deficiencies that are monitored quarterly on the findings register. These audits were beneficial by assisting management to identify the gaps in controls and act accordingly to strengthen procedures and processes.

## 20. AUDIT COMMITTEE

The audit committee is independent and fulfils an oversight role in governance by, among other things, reviewing the integrity of reporting, internal financial controls, and the management of risk. National Treasury remunerates members of the audit committee.

### KEY ACTIVITIES AND OBJECTIVES

The audit committee oversees the processes, models and frameworks for managing risk across the CBDA 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 any operating conditions.
- Support the principles of good governance.

The chairperson of the committee reports to the Board as outlined in the charter, which covers internal audit, external audit, financial management, performance management, risk management, ICT governance, compliance management, HR management, forensic investigation and other committee matters.

The following table discloses relevant information on audit committee members:

NAME	QUALIFICATIONS	INTERNAL OR EXTERNAL	IF INTERNAL, POSITION IN THE PUBLIC ENTITY	DATE APPOINTED
Ms P Mzizi	BCom BCom (Hons) Transport Economics (University of South Africa) BCompt (Hons) CTA (University of South Africa) (1995) BBusSci: Finance (Hons) (University of Cape Town) (1992)	External	Chairperson	1 October 2018
Mr B Furstenburg	MSc (Financial Management) University of London, UK (2006) MCom: Economics (Wits) (1999) BCom (Hons) (1997) and BCom (1996) (Wits) FAIS exams: RE1, RE3 and RE5 (representative and key individual)	External	Member	1 June 2016
Ms A Badimo	BSc: Computer Science BSc (Hons): Computer Science MBA MSc Certified information security manager Certified in the governance of enterprise IT Certified information systems auditor Certified in risk and information systems control Diploma in Cobol programming Project management professional Certificate in IT auditing, COBIT 5 (ITIL foundation) Certified ISO 22301 lead implementer Certified blockchain expert F. Inst D (IoDSA)	External	Member	1 July 2015
Mr A F Sinthumule	BCom Accounting (University of Venda) Diploma in Finance and Auditing (University of Zululand) MBA (University of Limpopo)	External	Member	1 July 2019

## 21. 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 agency to identify policies and procedures to be reviewed and updated annually. A compliance register has been put in place to ensure compliance with all relevant legislation and statutory requirements.

## 22. FRAUD AND CORRUPTION

The CBDA's fraud policy complies with National Treasury's fraud prevention plan. Due to the size of the CBDA, National Treasury's enterprise risk management unit assists with compliance to policies and procedures. The CBDA uses the National Anti-Corruption Hotline for whistle-blowers to report fraud and corruption. The agency exercises a zero-tolerance policy with regards to fraud and appropriate action is taken in line with the policy.

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

The CBDA risk and ICT committee has placed a greater emphasis on fraud risk management. Improved controls were introduced into the organisation to reduce the risk of fraud.

## 23. MINIMISING CONFLICT OF INTEREST

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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.

## 24. CODE OF CONDUCT

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The Board has approved a Code of Business Conduct for the CBDA, which all employees are required to sign on appointment. The CBDA expects all employees to live the values of the CBDA: passion, integrity, respect, commitment, excellence and confidentiality. Any violations of the code are reported to the MD.

## 25. HEALTH, SAFETY AND ENVIRONMENTAL ISSUES

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As the CBDA is located on National Treasury's premises, it uses the department's policies and procedures for health, safety and environmental issues. For the year under review, the CBDA was represented on National Treasury's COVID-19 task team to ensure compliance to the Disaster Management Act (2002) as well as in-office rotation.

## 26. COMPANY/BOARD SECRETARY

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This position is currently vacant as the acting Board secretary's term ended on 14 September 2021, with the business support manager currently taking on the responsibilities of the role.

## 27. SOCIAL RESPONSIBILITY

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The CBDA is financed indirectly by taxes through a transfer payment from National Treasury. As a principle, it makes no donations or contributions for social responsibility. CBDA staff have instituted a Charity Club Fund in their personal capacity into which monthly contributions were made towards selected charitable drives. The club was closed at the annual general meeting in December 2021, and funds were disbursed by selecting charitable homes and purchasing equipment and supplies for them.



## 28. AUDIT COMMITTEE REPORT

We are pleased to present our report for the financial year ended 31 March 2022.

### AUDIT COMMITTEE RESPONSIBILITY

The audit committee reports that it has complied with its responsibilities in accordance with section 38 (1) (a) of the PFMA and Treasury regulation 3.1.

The audit committee also reports that it has adopted appropriate formal terms of reference based on the Audit Committee Charter, and has regulated its affairs and discharged all its responsibilities in compliance with the charter.

### 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 PFMA requirements, internal audit and the AGSA evaluate the internal controls of the organisation for adequacy and effectiveness. This is achieved by assessing the effectiveness of risk management and identifying corrective actions and enhancements to controls and internal processes. Based on these evaluations, the audit committee considers the internal control environment as requiring improvement.

### INTERNAL AUDIT

The audit committee reviewed and approved the 2021/22 internal audit plan and has monitored the performance of the internal audit function against that plan quarterly. The audit committee has noted that the internal audit plan was completed. The committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks specific to the CBDA in conducting the reviews. In the external quality assurance review, the internal audit function received a “general conformance” rating, the highest rating that can be obtained.

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

- Review of the AFS.
- Audit of the annual performance report.
- Review of the adequacy and effectiveness of the support rendered by the CBDA to the co-operative banking sector.
- Audit of performance information on quarter performance reports.
- Review of the interim financial statements.
- Audit of performance bonuses.

Based on the overall opinion expressed on the audits conducted and finalised for 2021/22, the control environment needs improvement.

### RISK MANAGEMENT

Management is responsible for the establishment and maintenance of an effective system of governance, risk management as well as the prevention and detection of fraud and internal controls. Internal audit was guided by the consolidated risk profile, provided by National Treasury’s enterprise risk management unit, on critical audit areas, and management inputs in the formulation of its three-year strategic plan and annual plan. The CBDA has established an ICT and risk committee that is chaired by a Board member. Quarterly meetings took place in line with its approved charter to consider and review the risk management policies, and to provide oversight on the effectiveness of risk management within CBDA. A risk register is updated annually to ensure that all major risks, including emerging risks, facing the organisation are effectively managed. The committee also 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 PFMA and is satisfied that no material deviations were noted. The committee also noted the policies and procedures to ensure compliance with applicable laws and regulations that require some enhancement. It has further taken note of the concerns regarding the organisation’s non-compliance with some of the legislative requirements relating to procurement and contract management, as reflected in the audit report.

The audit committee remains concerned with the slow progress in the finalisation of irregular and fruitless and wasteful expenditure that has accumulated over various financial years. However, the committee notes that no irregular expenditure was incurred in 2021/22.

## EVALUATION OF THE AFS AND ANNUAL PERFORMANCE REPORT

The committee submits that it has:

- Reviewed the 2021/22 unaudited and audited AFS prepared by the organisation.
- Reviewed the 2021/22 draft and final annual performance report.

Subsequently, the material misstatements corrected were also reviewed when the management report of the AGSA was discussed with the audit committee. The committee has discussed the external audit outcomes on the reporting on predetermined objectives to be included in the annual performance report with the AGSA and the accounting officer.

## AGSA'S REPORT

To ensure that there are no unresolved issues, the audit committee has met with the AGSA to discuss its audit report. It has also reviewed management's responses to the audit issues raised in the AGSA's management report. Continuous oversight will be exercised to ensure that unresolved findings are adequately addressed. The audit committee has reviewed the organisation's implementation plan for audit issues raised in the previous year and is satisfied that the matters raised were substantially resolved. The 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 AGSA's report.

## APPRECIATION

The audit committee expresses its sincere appreciation to the Executive Authority, accounting authority, the AGSA, CBDA management and internal audit for their support and co-operation.

*Pumla Mzizi CA(SA)*

**Pumla Mzizi CA (SA)**

**Chairperson: Audit committee**

**20 August 2022**

## 29. B-BBEE COMPLIANCE PERFORMANCE INFORMATION

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

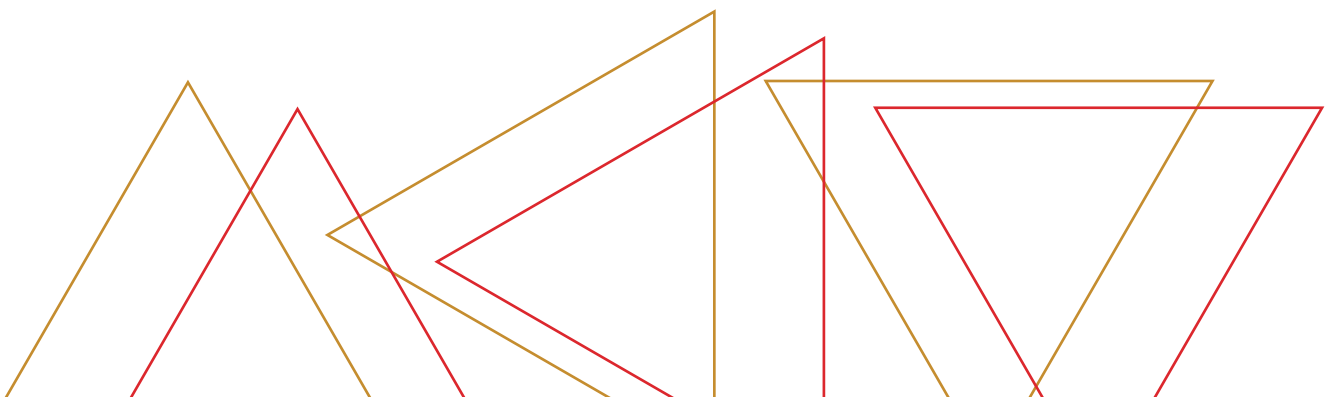
HAS THE PUBLIC ENTITY APPLIED ANY RELEVANT CODE OF GOOD PRACTICE (B-BBEE CERTIFICATE LEVELS 1-8) WITH REGARDS TO THE FOLLOWING:		
CRITERIA	RESPONSE	INTERNAL OR EXTERNAL
Determining qualification criteria for the issuing of licences, concessions or other authorisations in respect of economic activity 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 imperatives. Legislation does not require compliance.
Developing and implementing a preferential procurement policy?	Yes	National Treasury's preferential procurement policy informs all of the CBDA's procurement decisions.
Determining qualification criteria for the sale of state-owned enterprises?	N/A	The CBDA is a development agency and is not responsible for the selling of state-owned enterprises and assets.
Developing criteria for entering partnerships with the private sector?	No	No criteria developed for entering partnerships with the private sector.
Determining criteria for the awarding of incentives, grants and investment schemes in support of B-BBEE?	No	The CBDA provides support to CFIs, which are primarily B-BBEE entities.

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# Part D

## HR MANAGEMENT



## 30. OVERVIEW OF HR MATTERS

The HR report summarises the CBDA's employment-related activities from 1 April 2021 to 31 March 2022. HR responsibilities include the following:

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

### HR PRIORITIES FOR THE PERIOD UNDER REVIEW AND THEIR IMPACT

- Six contracts were due to end on 31 March 2022, one from the CSU for the acting HR administrator, and the rest from the CBU: two analysts, one acting analyst and two acting junior analysts. These contracts were extended in February 2022 as per the CBDA's termination policy, which prescribes that one month's notice must be provided by either party for extension or termination.
- The approval of the revised policies, bursary scheme and leave benefits policy.
- As at December 2021, CBDA employees were unionised with the National Education, Health and Allied Workers' Union.
- The HR policy register was submitted to the HR&R committee and the Board to indicate the implications of CBDA employees being unionised. These policies will be revised in 2022/23.
- Merger workstreams: The merger between CBDA, SEDA and **sefa** comprises three workstreams. Workstream 1 is on policy and structural reform; workstream 2 is on organisational consolidation and workstream 3 is on finance and IT. The HR unit falls within workstream 2, where the team will be responsible for developing and implementing the post-merger consolidation of the business and operations of CBDA, SEDA and **sefa** into one entity.

### EMPLOYEE PERFORMANCE MANAGEMENT FRAMEWORK

The normalisation committee will finalise the 2021/22 performance assessments in 2022/23. Bonuses were not approved as per a Board resolution on 28 of October 2021. The resolution is pending evidence of alignment between the CBDA's strategic goals with performance. The requisite information that proved alignment was presented to the HR&R committee on 19 January 2022. This was followed by a Board resolution that the performance process was to be audited by National Treasury's Chief Directorate: Internal Audit.

### THE INTERNAL AUDIT PROCESS ON THE PERFORMANCE BONUS PROCESS COMMENCED ON 17 FEBRUARY 2022

The Chief Directorate: Internal Audit requested the following documents for review to make their recommendation:

- HR project plan.
- HR establishment report as at March 2021.
- Entity's approved reviewed minutes/moderation.
- Performance bonus HR master schedule.
- Latest HR performance bonus policy.
- Exceptions database comprising pro-rata/proportional cases.
- List of all employees.

### INTERNAL AUDIT FEEDBACK ON THE PERFORMANCE BONUS PROCESS

The final audit report on the review of performance bonuses meeting was held on 4 April 2022 and the outcome was discussed at an HR&R committee and Board meeting in April 2022. This process will be finalised in 2022/23 as per the revised Board resolution of April 2022.

### EMPLOYEE WELLNESS PROGRAMMES

Employee wellness is an integral part of the HR function, especially in light of the COVID-19 pandemic. During the period under review, a safety, health environment, risk and quality management committee – comprising National Treasury, the CBDA and labour

organisations – considered matters that impacted the overall wellness of staff, including: COVID-19 case management; facilities management on the refurbishment of the office building, security management; and ICT on the automated registers and business continuity plan (remote work). Meetings in this regard are held quarterly. During the period under review, three positive COVID-19 cases were reported for contact tracing.

## POLICY DEVELOPMENT

The following revised policies were approved in 2021/22:

- Revised leave benefits policy.
- Revised bursary scheme policy.

## APPOINTMENTS, CONTRACT EXTENSIONS AND TERMINATION OF EMPLOYMENT

In the period under review, the CBDA had the following appointments, contract extensions and terminations of employment:

- **CSU:** The finance clerk and business support manager were appointed on the 1 July 2021, on a permanent and one-year contract, respectively. The acting Board secretary's contract ended on the 14 September 2021, and the acting MD's secondment by the SARB was not renewed after 30 September 2021. The acting HR administrator's contract was extended to 31 March 2023.
- **CBU:** The contracts of two analysts, one acting analyst and two acting junior analysts have been extended to 31 March 2023. One senior technical analyst resigned in February 2022.

## ADVERTISED VACANT POSTS

The CBDA did not advertise vacant posts in 2021/22.

## CHALLENGES FOR THE YEAR UNDER REVIEW

### SENIOR TECHNICAL ANALYST POST NOT FILLED

Interviews were held on 24 March 2021 but, to date, the post has not been filled. Candidates completed competency assessments on their interview dates. However, due to discrepancies, the assessments could not be used to determine competency. The candidates were requested to rewrite the assessments towards the end of June 2021.

### PROJECTS PUT ON HOLD DUE TO THE MERGER

- Advertisement and filling of all vacant posts.
- Terms of reference on industrial relations services.
- HR system automation.
- HR plan.
- Job grading exercise.
- BANKSETA workplace skills plan and annual training plan.
- Appointment of an MD.

## FUTURE HR PLANS/GOALS

### ADVERTISEMENT AND FILLING OF ALL VACANT POSTS

All vacant posts should be filled permanently as they are in the organisational structure and are budgeted for. These posts are key to operations.



## SOCIAL EVENTS

### CBDA CHARITY CLUB

The establishment of the CBDA's Charity Club by the employees 11 years ago heeded the call to collaborate with government in contributing to the South Africa they aspired to be part of. The charity club's core mandate was to utilise its monthly member contributions to make a positive impact on the lives of disenfranchised South Africans. It delivered on its mandate by organising activities around the annual Mandela Day celebrations. The charity club committee identified NGOs, community formations, and unattached homeless people that they aimed to support. On 4 March 2022, they visited the Leamogetswe Safety Home in Atteridgeville and Viva Foundation in Mamelodi, Tshwane.

## 31. HR OVERSIGHT STATISTICS

PROGRAMME/ACTIVITY/OBJECTIVE	TOTAL EXPENDITURE FOR THE ENTITY (R'000)	PERSONNEL EXPENDITURE (R'000)	PERSONNEL EXPENDITURE AS PERCENTAGE OF TOTAL EXPENDITURE	NUMBER OF EMPLOYEES	AVERAGE PERSONNEL COST PER EMPLOYEE (R'000)
CSU	11 391	4 302	23%	7	615
CBU	7 592	5 996	32%	10	600
<b>Total</b>	<b>18 983</b>	<b>10 298</b>	<b>54%</b>	<b>17</b>	<b>606</b>

### PERSONNEL COST BY PROGRAMME

LEVEL	PERSONNEL EXPENDITURE (R'000)	PERCENTAGE OF PERSONNEL EXPENDITURE TO TOTAL PERSONNEL COST	NUMBER OF EMPLOYEES	AVERAGE PERSONNEL COST PER EMPLOYEE (R'000)
Top management	594	6%	1	594
Senior management	2 838	28%	3	946
Professional qualified	4 141	40%	5	828
Skilled	2 725	26%	8	341
<b>Total</b>	<b>10 298</b>	<b>100%</b>	<b>17</b>	<b>606</b>

### PERFORMANCE REWARDS

Performance rewards for the period under review are still being considered due to a dispute raised by employees. The matter is expected to be resolved by the Board in 2022/23.

### TRAINING COSTS

No training costs were incurred but two employees were invited to attend an exposure visit to the Eswatini Savings and Credit Co-operatives Organisation from 28 November to 1 December 2021. Costs were incurred for flight and travel while accommodation was covered by the host, the German Co-operative and Raiffeisen Confederation.

### EMPLOYMENT AND VACANCIES

PROGRAMME/ACTIVITY/OBJECTIVE	2020/21 NUMBER OF EMPLOYEES	2021/22 APPROVED POSTS	2021/22 NUMBER OF EMPLOYEES	2021/22 VACANCIES	PERCENTAGE OF VACANCIES
CSU	7	9	7	2	22%
CBU	12	12	10	2	17%
<b>Total</b>	<b>19</b>	<b>21</b>	<b>17</b>	<b>4</b>	<b>19%</b>

PROGRAMME/ACTIVITY/OBJECTIVE	2020/21 NUMBER OF EMPLOYEES	2021/22 APPROVED POSTS	2021/22 NUMBER OF EMPLOYEES	2021/22 VACANCIES	PERCENTAGE OF VACANCIES
Top management	1	1	1	1	–
Senior management	2	2	2	–	–
Professional qualified	6	9	6	3	33%
Skilled	10	9	8	–	–
<b>Total</b>	<b>19</b>	<b>21</b>	<b>17</b>	<b>4</b>	<b>19%</b>

## EMPLOYMENT CHANGES

SALARY BAND	EMPLOYMENT AT THE BEGINNING OF THE PERIOD	APPOINTMENTS	TERMINATIONS	EMPLOYMENT AT THE END OF THE PERIOD
Top management	1	–	1	–
Senior management	2	–	1	1
Professional qualified	5	1	1	5
Skilled	7	1	–	8
Semi-skilled	–	–	–	–
Unskilled	–	–	–	–
<b>Total</b>	<b>15</b>	<b>2</b>	<b>3</b>	<b>14</b>

## REASONS FOR STAFF LEAVING

REASON	NUMBER	PERCENTAGE OF TOTAL NUMBER OF STAFF LEAVING
Death	–	–
Resignation	1	33%
Dismissal	–	–
Retirement	–	–
Ill Health	–	–
Expiry of contract	2	77%
Other	–	–
<b>Total</b>	<b>3</b>	<b>100%</b>

## LABOUR RELATIONS: MISCONDUCT AND DISCIPLINARY ACTION

NATURE OF DISCIPLINARY ACTION	NUMBER
Corrective counselling	1
Verbal warning	–
Written warning	–
Final written warning	–
Dismissal	–

## GRIEVANCES LODGED IN 2021/22

GRIEVANCES	NUMBER
Number of grievances resolved	–
Number of grievances not resolved	–
Total number of grievances lodged	–

## EQUITY TARGET AND EMPLOYMENT EQUITY STATUS

LEVEL	MALE							
	AFRICAN		COLOURED		INDIAN		WHITE	
	CURRENT	TARGET	CURRENT	TARGET	CURRENT	TARGET	CURRENT	TARGET
Top management	–	–	–	–	–	–	1	–
Senior management	–	–	–	–	–	–	1	–
Professional qualified	2	–	–	–	–	–	–	–
Skilled	4	–	–	–	–	–	–	–
Semi-skilled	–	–	–	–	–	–	–	–
Unskilled	–	–	–	–	–	–	–	–
<b>Total</b>	<b>6</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>2</b>	<b>–</b>

LEVEL	FEMALE							
	AFRICAN		COLOURED		INDIAN		WHITE	
	CURRENT	TARGET	CURRENT	TARGET	CURRENT	TARGET	CURRENT	TARGET
Top management	–	–	–	–	–	–	–	–
Senior management	1	–	–	–	–	–	–	–
Professional qualified	2	–	1	–	1	–	–	–
Skilled	4	–	–	–	–	–	–	–
Semi-skilled	–	–	–	–	–	–	–	–
Unskilled	–	–	–	–	–	–	–	–
<b>Total</b>	<b>7</b>	<b>–</b>	<b>1</b>	<b>–</b>	<b>1</b>	<b>–</b>	<b>–</b>	<b>–</b>

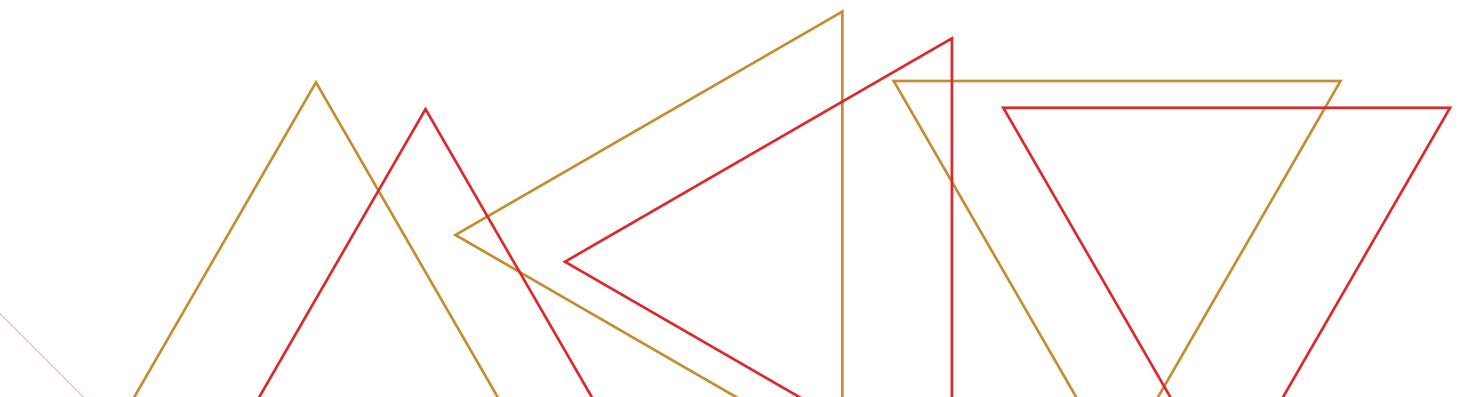
The CBDA had no staff members with disabilities during the period under review.

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# Part E

# FINANCIAL INFORMATION



## 32. STATEMENT OF RESPONSIBILITY

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

The AFS have been prepared in accordance with the standards of generally recognised accounting practice including any interpretations, guidelines and directives issued by the Accounting Standards Board (ASB). The Annual Financial Statements 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 management 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 circumstances. The focus of risk management in the CBDA is on identifying, assessing, managing and monitoring all known forms of risk within the CBDA's environment. While operating risk cannot be fully eliminated, the CBDA endeavours to minimise it by ensuring that appropriate controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

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

The CBDA is largely dependent on National Treasury for the continued funding of operations. The Annual Financial Statements are prepared on the basis that the CBDA is a going concern until the Cabinet decision of the merger with sefa and SEDA into a new entity is established. The merger should be concluded within 20 months at which time the CBDA would cease to be a going concern.

In discharging its oversight responsibilities, the Board is supported by the Audit and Risk and ICT committees. The Annual Financial Statements, as set out on pages 55 to 80, have been prepared on a going concern basis, and were approved by the CBDA Board on 27 July 2022. They were signed on its behalf by:



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**Mr Luyanda Ntuane**  
**Chairperson of the Board**  
31 July 2022



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**Mr Paul Rossouw**  
**Acting Managing Director**  
31 July 2022



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

### REPORT ON THE AUDIT OF THE AFS

#### OPINION

1. I have audited the financial statements of the Co-operative Banks Development Agency set out on pages 55 to 80, which comprise the statement of financial position as at 31 March 2022, statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Co-operative Banks Development Agency as at 31 March 2022 and its financial performance and cash flows for the year then ended in accordance with the standards of generally recognised accounting practice and the requirements of the PFMA.

#### BASIS FOR OPINION

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

#### RESPONSIBILITIES OF THE ACCOUNTING AUTHORITY FOR THE FINANCIAL STATEMENTS

6. The Board of Directors, which constitutes the accounting authority, is responsible for the preparation and fair presentation of the financial statements in accordance with the 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.
7. In preparing the financial statements, the accounting authority is responsible for assessing the public entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the public entity or cease operations, or has no realistic alternative but to do so.

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

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

## REPORT ON THE AUDIT OF THE ANNUAL PERFORMANCE REPORT

### INTRODUCTION AND SCOPE

10. In accordance with the Public Audit Act (2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for the selected programmes presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.
11. My procedures address the usefulness and reliability of the reported performance information, which must be based on the public entity's approved performance planning documents. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures do not examine whether the actions taken by the public entity enabled service delivery. My procedures do not extend to any disclosures or assertions relating to the extent of achievements in the current year or planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
12. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programmes presented in the public's annual performance report for the year ended 31 March 2022:

PROGRAMMES	PAGES IN THE ANNUAL PERFORMANCE REPORT
Programme 2 – Capacity Building	24-27

13. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
14. The material findings on the usefulness and reliability of the performance information of the selected programmes are as follows:

### PROGRAMME 2 – CAPACITY BUILDING

#### 15. Indicator 6.2.4 – Percentage of organised groups supported

The source information, evidence and method of calculation for achieving the planned indicator was not clearly defined. I was unable to obtain sufficient appropriate audit evidence that clearly defined the predetermined simple count for the required level of performance and method of calculation to be used when measuring the actual achievement for indicator 6.2.4. This was due to insufficient measurement definitions and processes. I was unable to test whether the target for this indicator was clearly defined by alternative means.

#### 16. Indicator 6.2.5 – Percentage of registered co-operative banking institutions prepared for digital transformation

The source information, evidence and method of calculation for achieving the planned indicator was not clearly defined. I was unable to obtain sufficient appropriate audit evidence that clearly defined the predetermined simple count for the required level of performance and method of calculation to be used when measuring the actual achievement for indicator 6.2.5. This was due to insufficient measurement definitions and processes. I was unable to test whether the target for this indicator was clearly defined by alternative means.

### OTHER MATTER

17. I draw attention to the matter below.

### ACHIEVEMENT OF PLANNED TARGETS

18. Refer to the annual performance report on page 25 for information on the achievement of planned targets for the year and management's explanations provided for the under/over achievement of targets. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraphs 15 and 16 of this report.

## REPORT ON THE AUDIT OF COMPLIANCE WITH LEGISLATION

### INTRODUCTION AND SCOPE

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

### AFS, PERFORMANCE AND ANNUAL REPORT

21. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework, as required by section 55(1)(b) of the PFMA. Material misstatements of revenue, liabilities and disclosure items identified by the auditors in the submitted financial statements were corrected, resulting in the financial statements receiving an unqualified audit opinion.

### OTHER INFORMATION

22. The accounting authority is responsible for the other information, which 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.
23. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion on it.
24. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected programmes presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
25. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information and, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to 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

26. 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 the findings on the performance report and the findings on compliance with legislation included in this report.
27. Management did not implement adequate review and monitoring controls to ensure that the financial statements submitted for auditing were prepared in accordance with the prescribed financial reporting framework, as required by section 55(1) of the PFMA. This was mainly due to capacity constraints in the finance department as well as inadequate review controls over the preparation of financial statements.
28. Management did not develop and implement adequate action plans to address material non-compliance and material findings on performance information that were reported in the prior year. Consequently, similar matters were reported in the current year and therefore management did not ensure that the internal controls are improved.

## OTHER REPORTS

29. In addition to the investigations relating to material irregularities, I 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 my opinion on the financial statements, my findings on the reported performance information or compliance with legislation.
30. An independent consultant investigated an allegation of misconduct – procurement irregularities relating to the funding of a non-accredited diploma – which covered the period March 2015 to March 2020. The investigation was concluded on 30 April 2021 and resulted in disciplinary proceedings against employees. These proceedings were still in progress at the date of this auditor's report.
31. An investigation report done by the Specialised Audit Services, a unit within the Office of the Accountant-General relating to the irregular use of third parties for domestic conference and accommodation bookings for the CBDA. This investigation covered the period June 2019 to November 2019 and was concluded on 23 March 2020. It resulted in criminal and disciplinary proceedings against employees. These proceedings were in progress at the date of this auditor's report.

*Auditor General*

**Pretoria**  
**31 July 2022**



**A U D I T O R - G E N E R A L**  
**S O U T H A F R I C A**

*Auditing to build public confidence*

## ANNEXURE: AUDITOR-GENERAL'S RESPONSIBILITY FOR THE AUDIT

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

### FINANCIAL STATEMENTS

2. In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:
  - Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
  - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the public entity's internal control.
  - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors, which constitutes the Accounting Authority.
  - Conclude on the appropriateness of the accounting authority's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the CBDA to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a public entity to cease 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. I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide the Accounting Authority with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

## 34. STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2022

	NOTE(S)	2022 R'000	2021 R'000
<b>ASSETS</b>			
<b>Current assets</b>			
Receivables from non-exchange transactions	3	-	2
Prepayments	4	9	9
Cash and cash equivalents	5	21,642	20,992
		<b>21,651</b>	<b>21,003</b>
<b>Non-current assets</b>			
Property, plant and equipment	6	429	683
Intangible assets	7	3	3
		<b>432</b>	<b>686</b>
<b>TOTAL ASSETS</b>		<b>22,083</b>	<b>21,689</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	8	1,599	1,084
Grants	9	9,982	9,527
Provision	10	421	421
<b>TOTAL LIABILITIES</b>		<b>12,002</b>	<b>11,032</b>
<b>NET ASSETS</b>		<b>10,081</b>	<b>10,657</b>
Reserves			
Stabilisation Fund	11	2,282	2,198
Accumulated surplus/(deficit)		7,799	8,459
<b>TOTAL NET ASSETS</b>		<b>10,081</b>	<b>10,657</b>



## 35. STATEMENT OF FINANCIAL PERFORMANCE FOR THE PERIOD ENDED 31 MARCH 2022

	NOTE(S)	2022 R'000	2021 R'000
<b>REVENUE</b>			
<b>Revenue from exchange transactions</b>			
Interest received		714	587
Services rendered		-	3
Profit on sale of assets		18	3
Other income		28	1
	12	<b>760</b>	<b>594</b>
<b>Revenue from non exchange transactions</b>			
Transfers		20,328	20,473
Services in kind		5,036	8,040
Grants		45	19
	12	<b>25,409</b>	<b>28,532</b>
<b>TOTAL REVENUE</b>	12	<b>26,169</b>	<b>29,126</b>
<b>EXPENDITURE</b>			
Employee costs	13	(10,298)	(12,334)
Depreciation	6	(254)	(129)
Amortisation	7	(8)	(87)
Operating lease	14	(34)	(33)
Goods and services	15	(8,389)	(8,754)
<b>TOTAL EXPENDITURE FROM CONTINUED OPERATIONS</b>		<b>(18,983)</b>	<b>(21,337)</b>
<b>SURPLUS/(DEFICIT)</b>		<b>7,186</b>	<b>7,789</b>

## 36. STATEMENT OF CHANGES IN NET ASSETS FOR THE PERIOD ENDED 31 MARCH 2022

	NOTE(S)	STABILISATION FUND R'000	ACCUMULATED SURPLUS/ (DEFICIT) R'000	TOTAL NET ASSETS R'000
<b>BALANCE AT 1 APRIL 2020</b>		<b>2,116</b>	<b>2,484</b>	<b>4,600</b>
Restated surplus for the year		-	7,789	7,789
Transfer to reserves		82	(82)	-
Surplus funds paid for 2019/20		-	(1,732)	(1,732)
<b>TOTAL CHANGES</b>		<b>82</b>	<b>5,975</b>	<b>6,057</b>
<b>BALANCE AT 1 APRIL 2021</b>		<b>2,198</b>	<b>8,459</b>	<b>10,657</b>
<b>Changes in net assets</b>				
Surplus for the year		-	7,186	7,186
Transfer to reserves		84	(84)	-
Surrender of surplus funds from 2020/21	16	-	(7,762)	(7,762)
<b>TOTAL CHANGES</b>		<b>84</b>	<b>(660)</b>	<b>(576)</b>
<b>BALANCE AT 31 MARCH 2022</b>		<b>2,282</b>	<b>7,799</b>	<b>10,081</b>

## 37. CASH FLOW STATEMENT FOR THE PERIOD ENDED 31 MARCH 2022

	NOTE(S)	2022 R'000	2021 R'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Transfers		20,328	20,473
Services rendered		-	3
Grants		500	1,000
Interest received		714	587
Other income		30	24
		<b>21,572</b>	<b>22,087</b>
<b>Payments</b>			
Employee costs		(10,298)	(11,913)
Suppliers		(10,634)	(2,880)
		<b>(20,932)</b>	<b>(14,793)</b>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	17	<b>640</b>	<b>7,294</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	6	-	(749)
Purchase of intangible assets	7	(8)	(8)
Proceeds from sale of property, plant and equipment		18	3
		<b>10</b>	<b>(754)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>650</b>	<b>6,540</b>
Cash and cash equivalents at the beginning of the year		20,992	14,452
<b>CASH AND CASH EQUIVALENTS AT THE END OF PERIOD</b>	5	<b>21,642</b>	<b>20,992</b>

## 38. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	APPROVED BUDGET	REVISED BUDGET	ACTUAL AMOUNTS ON COMPARABLE BASIS R'000	DIFFERENCE BETWEEN FINAL BUDGET AND ACTUAL R'000	REFERENCE
	R'000	R'000	R'000	R'000	
<b>STATEMENT OF FINANCIAL PERFORMANCE</b>					
<b>Revenue from exchange transactions</b>					
Interest received	138	138	714	(576)	
Services rendered	4	4	–	4	
Profit on sale of assets	–	–	18	(18)	
Other income	–	–	28	(28)	
<b>Total</b>	<b>142</b>	<b>142</b>	<b>760</b>	<b>(618)</b>	
<b>Revenue from non-exchange transactions</b>					
Transfer	20 328	20 328	20 328	–	
Service in kind	–	–	5 036	(5 036)	1
Grants	–	–	45	(45)	2
<b>Total</b>	<b>20 328</b>	<b>20 328</b>	<b>25 409</b>	<b>(5 081)</b>	
<b>Total revenue</b>	<b>20 470</b>	<b>20 470</b>	<b>26 169</b>	<b>(5 699)</b>	
<b>Expenditure</b>					
Employee costs	(13 082)	(13 082)	(10 298)	(2 784)	1 & 3
Advertising and promotions	(183)	(53)	–	(53)	
Assets less than R5 000	(5)	(5)	–	(5)	
Auditors remuneration	(850)	(1 000)	(1 003)	3	4
Bank charges	(35)	(35)	(23)	(12)	
Board fees	(346)	(646)	(549)	(97)	5
Catering	(20)	(20)	–	(20)	
Communication costs	(105)	(105)	(72)	(33)	
Consulting and professional fees	(2 086)	(2 086)	(3 219)	1 133	1
Depreciation	(292)	(292)	(254)	(38)	
Amortisation	(8)	(8)	(8)	–	
Legal fees	(400)	(200)	(39)	(161)	
Operating lease	(40)	(40)	(34)	(6)	
Rental of office furniture and equipment	–	–	(305)	305	1
Printing and stationery	(80)	(80)	(11)	(69)	
Rental and facilities	–	–	(1 439)	1 439	1
Software expenses	–	–	(9)	9	6
Staff welfare	(4)	(4)	(4)	–	
Subscriptions and memberships	(10)	(10)	–	(10)	
Training and development	(200)	(200)	(23)	(177)	
Travel and subsistence	(1 924)	(1 924)	(1 432)	(492)	7
Venue and facilities	(500)	(500)	(261)	(239)	7
<b>Total expenditure</b>	<b>(20 170)</b>	<b>(20 290)</b>	<b>(18 983)</b>	<b>(1 307)</b>	
<b>Surplus/(Deficit) before capital expenses and interest</b>					
Capital assets	300	180	7 186	(7 006)	
	(300)	(180)	(8)	(172)	8
<b>Surplus/(Deficit) for the year</b>	<b>–</b>	<b>–</b>	<b>7 178</b>	<b>(7 178)</b>	

## REFERENCE NOTES

1. The difference is due to no budget allocated for services in kind received from National Treasury for providing office space, parking facilities and to provide services towards internal audit, enterprise risk management, legal, SCM, finance, IT and cleaning. This also includes in kind services received from the SARB for the secondment of an employee to the position of acting MD until 30 September 2021. The budget has been allocated for 2022/23.
2. Conducted training for BANKSETA after agreement that unspent funds from contract that expired on 30 June 2021 can be used for capacity-building initiatives for the sector.
3. Compensation costs include service in kind from the SARB until 30 September 2021 when the secondment expired. There are vacant positions to be filled that were put on hold due to the merger.
4. Audit fees were underbudgeted due to the CBDA anticipating the process undertaken by the Auditor-General to exempt smaller entities from being audited. The revised budget was approved by the Board in February 2022 to move funds from unspent budget items. The overspending is due to the early start by the Auditor-General in conducting pre-engagement activities.
5. The budget exceeded on Board fees is attributed to the increase of appointments of non-government officials as Board members from three in 2020/21 to six in 2021/22. It also includes fees paid for attendance by the Chairperson of the audit committee, Board members' participation in the merger process, recruitment for the position of MD (put on hold) and attending to CBDA operational responsibilities in the absence of an acting MD. The budget was revised to cater for these circumstances.
6. Underbudgeted for annual renewal of software licence for the payroll system, which commenced on 1 April 2021.
7. Underspending on travel and venues is due to COVID-19 restrictions on large gatherings for training, with the CBDA conducting virtual training and workshops.
8. Delay in the procurement process of the accounting and HR systems and putting on hold procurement due to the merger announcement resulted in these funds not being used.

## 39. ACCOUNTING POLICIES

### 1. BASIS OF PRESENTATION

The AFS have been prepared in accordance with the standards of GRAP, including any interpretations and directives issued by the ASB in accordance with section 122(3) of the PFMA. They are prepared in South African Rand (R).

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

Assets, liabilities, revenues and expenses were not offset, except 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 the AFS, is disclosed below.

#### 1.1 GOING CONCERN ASSUMPTION

The financial statements have been prepared based on the entity continuing to operate as a going concern until 2022/23 due to Cabinet's announcement to merge the CBDA, sefa and SEDA within the next 20 months. In 2023/24, the liquidation basis of preparation, whereby the realised assets and the settlement of liabilities, contingent obligation and commitments will be transferred to the new entity.

## 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.
- The cost of the item can be measured reliably.

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

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

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

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

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

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

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

ITEM	DEPRECIATION METHOD	AVERAGE USEFUL LIFE
Office equipment	Straight line	5-8 years
Computer equipment	Straight line	3-5 years

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

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

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

## 1.3 INTANGIBLE ASSETS

An intangible asset is recognised when:

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

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



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

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

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

- It is technically feasible to complete the asset so that it will be available for use or sale.
- There is an intention to complete and use or sell it.
- 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, and, thirdly, 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	AMORTISATION METHOD	AVERAGE USEFUL LIFE
Licences	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 asset and financial liability initially at its fair value plus transaction costs 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 account, 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 include 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 derecognised.

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).

## 1.6 LEASES

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Operating 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.

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 uses 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 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:

### 1.7 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 by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

#### RECOGNITION AND MEASUREMENT

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

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

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

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

### 1.8 EMPLOYEE BENEFITS

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

## 1.9 PROVISIONS AND CONTINGENCIES

Provisions are recognised when:

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

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

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.

## 1.10 COMMITMENTS

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

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

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

## 1.11 REVENUE FROM EXCHANGE TRANSACTIONS

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

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

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.

## 1.12 REVENUE FROM NON-EXCHANGE TRANSACTIONS

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

### TRANSFERS

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

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 are a binding arrangement imposed on the use of a transferred asset by entities external to the CBDA. Stipulation can either be in the form of conditions or in the form of restriction.

Grants are recognised as revenue, except to the extent that the liability is also recognised if the grant is conditional. 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 recognises an amount of revenue equal to that reduction. A liability will be recognised to the extent

that the conditions have not been met and will reduce as the conditions are satisfied with a corresponding increase in revenue. Grants that have satisfied all the present obligations in terms of a binding agreement are recognised as revenue as there is no obligation to repay the amount unspent.

## 1.13 CHANGES IN ESTIMATES AND PRIOR PERIOD ERRORS

### CHANGE IN ESTIMATES

As a result of the uncertainties inherent in delivering services, many items in financial statements cannot be measured with precision and can only be estimated. Estimates involve judgement 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, or 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 the misuse of) reliable information that was available when the financial statements for those periods were authorised for issue and could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements. Such errors include the effect of mistakes in applying the accounting policy, oversight or misinterpretation of facts.

## 1.14 FRUITLESS AND WASTEFUL EXPENDITURE

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

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

## 1.15 IRREGULAR EXPENDITURE

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

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

National Treasury instruction note 2 of 2019/20, which was issued in terms of sections 76(2) (e) and 76(4) (a) of the PFMA, gives legal effect to the irregular expenditure framework that requires the following (effective from 1 December 2018):

When confirmed, irregular expenditure will be recorded in the notes to the financial statements. The amount to be recorded in the notes is equal to the value of the irregular expenditure incurred.

Irregular expenditure will be removed from the notes when it is either condoned by the relevant authority or when it is transferred to receivables for recovery.

## 1.16 BUDGET INFORMATION

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

The approved budget is prepared on an accrual basis and presented by economic classification linked to performance outcome objectives. The approved budget covers the fiscal period from 4/1/2021 to 3/31/2022.

The AFS and 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.

### 1.17 RELATED PARTIES

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

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.

### 1.18 EVENTS AFTER REPORTING DATE

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

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

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

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

### 1.19 CHANGE IN ACCOUNTING POLICY

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

### 1.20 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.

## 40. NOTES TO THE FINANCIAL STATEMENTS

### 2. NEW STANDARDS AND INTERPRETATIONS

#### 2.1 STANDARDS AND INTERPRETATIONS ISSUED, BUT NOT YET EFFECTIVE

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

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
GRAP 25 (amended): Employee benefits	No effective date issued	Not expected to impact results but may result in additional disclosure

	2022 R'000	2021 R'000
<b>3. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS</b>		
<b>Other receivables</b>	–	2

*Other receivables relates to credit to be passed for duplicated travel services invoices.*

### 4. PREPAYMENTS

<b>Prepaid expense</b>	9	9
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*Prepayment is for annual license fees paid in advance for the payroll system to be used from 1 April 2022.*

### 5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

FNB petty cash bank account and on hand	1	2
FNB bank balances	12,444	12,133
CPD investment account	6,914	6,659
CPD investment account – Stabilisation Fund	2,283	2,198
	<b>21,642</b>	<b>20,992</b>

*Cash and cash equivalents consist of six bank accounts, namely four in First National Bank (FNB), which includes stakeholder funds as per note 9 and two in the Corporation for Public Deposits (CPD) at the SARB consisting of the Stabilisation Fund to protect the deposits of members in CFIs and provide assistance in the form of grants, loans, liquidity assistance, etc; and reserve funds to hold unused money to maximise on the interest charged.*

## 6. PROPERTY, PLANT AND EQUIPMENT

	2022 R'000			2021 R'000		
	COST / VALUATION	ACCUMULATED DEPRECIATION AND ACCUMULATED IMPAIRMENT	CARRYING VALUE	COST / VALUATION	ACCUMULATED DEPRECIATION AND ACCUMULATED IMPAIRMENT	CARRYING VALUE
Office equipment and furniture	56	(51)	5	56	(47)	9
Computer equipment	839	(415)	424	1,268	(594)	674
<b>Total</b>	<b>895</b>	<b>(466)</b>	<b>429</b>	<b>1,324</b>	<b>(641)</b>	<b>683</b>

### Reconciliation of property, plant and equipment – 2022

	2022 R'000			
	OPENING BALANCE	ADDITIONS	DEPRECIATION	TOTAL
Office equipment and furniture	9	–	(4)	5
Computer equipment	674	–	(250)	424
	<b>683</b>	<b>–</b>	<b>(254)</b>	<b>429</b>

Computer equipment to the value of R428 850 is fully depreciated and written off the fixed asset register. Assets with a zero net carrying value were disposed of and auctioned with an income of R18 000 received for some of the equipment purchased.

### Reconciliation of property, plant and equipment – 2021

	2021 R'000			
	OPENING BALANCE	ADDITIONS	DEPRECIATION	TOTAL
Office equipment and furniture	13	–	(4)	9
Computer equipment	50	749	(125)	674
	<b>63</b>	<b>749</b>	<b>(129)</b>	<b>683</b>

Computer equipment to the value of R125 000 was fully depreciated and written off the register. Assets with a zero net carrying value were disposed of. The equipment was auctioned with an income of R3 100 received for some of the equipment purchased. New computer equipment to the value of R749 000 was procured to replace fully depreciated assets.

## 7. INTANGIBLE ASSETS

	2022 R'000			2021 R'000		
	COST / VALUATION	ACCUMULATED AMORTISATION AND ACCUMULATED IMPAIRMENT	CARRYING VALUE	COST / VALUATION	ACCUMULATED AMORTISATION AND ACCUMULATED IMPAIRMENT	CARRYING VALUE
Licences	241	(238)	3	232	(229)	3
Computer software	92	(92)	–	92	(92)	–
<b>Total</b>	<b>333</b>	<b>(330)</b>	<b>3</b>	<b>324</b>	<b>(321)</b>	<b>3</b>

**Reconciliation of intangible assets – 2022**

	2022 R'000			
	OPENING BALANCE	ADDITIONS	AMORTISATION	TOTAL
Licences	3	8	(8)	3
Computer software	–	–	–	–
	<b>3</b>	<b>8</b>	<b>(8)</b>	<b>3</b>

Software and licences to the value of R91 979 and R232 446, respectively, have a net carrying value of zero. Approval to request a write-off in the fixed asset register is in process.

**Reconciliation of intangible assets – 2021**

	2022 R'000			
	OPENING BALANCE	ADDITIONS	AMORTISATION	TOTAL
Licences	77	8	(82)	3
Computer software	5	–	(5)	–
	<b>82</b>	<b>8</b>	<b>(87)</b>	<b>3</b>

Software and licences to the value of R684 813 and R84 134, respectively, were approved during the period to be written off in the fixed asset register. These intangibles have a net carrying value of zero.

**8. PAYABLES**

	2022 R'000	2021 R'000
Trade payables	372	447
Accruals	743	104
Leave accrual	476	526
National Treasury	1	–
Salary control account	5	5
Refund to CFIs for application	2	2
	<b>1,599</b>	<b>1,084</b>

Trade payables are outstanding amounts due to suppliers and fees to be reimbursed to CFIs for contributions made for the participation in the banking platform project. National Treasury amount is the reimbursement of payment made on behalf of the CBDA (R1 000).

**9. GRANTS**

	2022 R'000			
	OPENING BALANCE	FUNDS RECEIVED	REVENUE RECOGNISED	CLOSING BALANCE
BANKSETA	1,694	500	(45)	2,149
Department of Agriculture, Land Reform and Rural Development (DALRRD)	4,193	–	–	4,193
<b>sefa</b>	3,640	–	–	3,640
	<b>9,527</b>	<b>500</b>	<b>(45)</b>	<b>9,982</b>

BANKSETA contract deliverables were achieved through collaboration and partnership with other stakeholders resulting in no cost incurred and funds not spent. The contract expired on 30 June 2021 with only R45 000 of the funds utilised during the financial year. The unspent funds would be refunded to BANKSETA.

	2021 R'000			
	OPENING BALANCE	FUNDS RECEIVED	REVENUE RECOGNISED	CLOSING BALANCE
BANKSETA	713	1,000	(19)	1,694
DALRRD	4,193	-	-	4,193
<b>sefa</b>	3,640	-	-	3,640
	<b>8,546</b>	<b>1,000</b>	<b>(19)</b>	<b>9,527</b>

**BANKSETA**

The agreements signed in February 2020 were extended until 30 June 2021, due to the delay caused during the COVID-19 pandemic. The CBDA was able to achieve the deliverables towards training and funds were received. The attendance registers were subsequently provided to BANKSETA for training conducted between 25 March to 30 March 2022. BANKSETA would issue a letter to the CBDA stating that there will be no obligation to repay the unspent amount that was given to the CBDA.

**DALRRD**

Engagement with the department was held to continue the relationship with the CBDA. The memorandum of understanding has been revised with an agreement and plan on how the funds held with the CBDA be utilised. The memorandum of understanding still needs to be finalised.

**sefa**

The CBDA was requested to provide a new proposal on how R3 640 000 can still be used to support the sector. A draft proposal has been developed and engagement with sefa is still pending.

**10. PROVISIONS**

RECONCILIATION OF PROVISIONS	2022 R'000			
	OPENING BALANCE	ADDITIONS	UTILISED DURING THE YEAR	TOTAL
Bonus provision	421	-	-	421

The Board reviewed performance bonuses and concluded that the National Treasury's internal audit unit should perform an internal audit review of the bonuses before the Board further concludes on the matter. This process had not been finalised at year end.

RECONCILIATION OF PROVISIONS	2021 R'000			
	OPENING BALANCE	ADDITIONS	UTILISED DURING THE YEAR	TOTAL
Bonus provision	-	421	-	421

A provision has been provided for the performance bonuses for services rendered in the current financial year which will only be paid in 2021/22.

**11. STABILISATION FUND RESERVE**

	2022 R'000	2021 R'000
Opening balance	2,198	2,116
Interest on capital	84	82
	<b>2,282</b>	<b>2,198</b>

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 accumulated on the fund for the period ending 31 March 2022 of R84 000 (2021: R82 000) is capitalised.

## 12. REVENUE

	2022 R'000	2021 R'000
<b>The amount included in revenue arising from exchange transactions</b>		
Interest received	714	587
Services rendered	–	3
Profit on sale of asset	18	3
Other income	28	1
	<b>760</b>	<b>594</b>

*Profit on sale of assets relates to sale of fully depreciated assets through an auction process.*

*Other income relates to the adjustment of leave accrual in the financial year.*

### The amount included in revenue arising from non-exchange transactions

Transfers	20,328	20,473
Services in kind	5,036	8,040
Grants	45	19
	<b>25,409</b>	<b>28,532</b>

### Service in kind

Organisation	Type of service or goods		
National Treasury	Consulting services	2,698	4,890
National Treasury	Rental of office furniture and equipment	305	305
National Treasury	Rental space, parking and municipality cost	1,439	1,657
South African Reserve Bank	Salary for secondment	594	1,188
		<b>5,036</b>	<b>8,040</b>

## 13. EMPLOYEE RELATED COSTS

Basic	9,858	11,469
Bonus	–	421
Cash allowance	241	–
UIF	31	30
Leave pay provision charge	–	273
Funeral policy	8	8
Group life benefit	59	58
Leave paid	101	75
	<b>10,298</b>	<b>12,334</b>

## 14. LEASE RENTALS ON OPERATING LEASE

### Office equipment

Amounts paid	<b>34</b>	<b>33</b>
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**15. GOODS AND SERVICES**

	2022 R'000	2021 R'000
Advertising and promotions	–	30
Auditors' remuneration	1,003	914
Bank charges	23	25
Board fees	549	432
Communication costs	72	65
Consulting and professional fees	3,219	5,094
Rental of office furniture	305	305
Printing and stationery	11	8
Rental and facilities	1,439	1,657
Software expenses	9	8
Travel and subsistence	1,432	172
Training and development	23	–
Legal fees	39	–
Staff welfare	4	–
Venue and facilities	261	44
	<b>8,389</b>	<b>8,754</b>

**16. UNUSED FUNDS TO BE SURRENDERED TO NATIONAL TREASURY**

Cash and cash equivalents	21,642	20,992
<b>Add:</b> Receivables	9	2
<b>Less:</b> Stabilisation Fund	(2,282)	(2,198)
<b>Less:</b> Payables	(1,600)	(1,084)
<b>Less:</b> Provisions	(421)	(421)
<b>Less:</b> Project funds unused	(9,982)	(9,527)
	<b>7,366</b>	<b>7,764</b>

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

**2022**

*Submission to National Treasury to retain surplus funds was issued on 24 August 2021 of R7 764 000 from 2020/21. Approval was declined and the amount of R7 762 000 returned to National Treasury in December 2021. The request to retain funds from 2021/22 would be submitted to National Treasury after the audited financials.*

**2021**

*A request was made to National Treasury to retain surplus funds after the audit was finalised.*

**17. CASH GENERATED FROM OPERATIONS**

	2022 R'000	2021 R'000
Surplus	7,186	7,789
<b>Adjustments for:</b>		
Depreciation and amortisation	262	216
Movements in provisions	–	421
Gain on sale of tangible assets	(18)	(3)
<b>Changes in working capital:</b>		
Receivables from exchange transactions	–	17
Receivables from non-exchange transactions	2	7
Prepayments	–	(1)
Payables	515	(401)
Grants	455	981
Funds surrendered to National Treasury	(7,762)	(1,732)
	<b>640</b>	<b>7,294</b>

**18. AUDITORS' REMUNERATION**

Fees	<b>1,003</b>	<b>914</b>
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**19. COMMITMENTS****Approved and signed contracts**

Zanati Search Group (Pty) Ltd	110	–
Kashan Advertising (Pty) Ltd	125	–
	<b>235</b>	<b>–</b>

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

**20. OPERATING LEASES****Minimum lease payments due**

Within one year	32	34
More than one year, less than five years	–	32
	<b>32</b>	<b>66</b>

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 was for the use of a photocopy machine, which was concluded on 26 February 2020. The rental agreement is for a period of 36 months ending 25 February 2023 with a fixed rental payment of three years.

## 21. RELATED PARTIES

RELATIONSHIPS	
National Treasury	Executive authority
BANKSETA	Public entity in national sphere
DALRRD	National department in national sphere
<b>sefa</b>	Subsidiary of Industrial Development Corporation of South Africa
Department of Justice and Constitutional Development	National department in national sphere

The CBDA is a schedule 3A national public entity in terms of the PFMA, as amended, and therefore falls within the national sphere of government. Unless specifically disclosed, these transactions are concluded on an arm's length basis. There are no restrictions in the CBDA's capacity to transact with any entity.

	2022 R'000	2021 R'000
<b>Related party transactions</b>		
BANKSETA	45	19
Department of Justice and Constitutional Development	39	–
National Treasury	5,036	6,852
	<b>5,120</b>	<b>6,871</b>
<b>Related party balances</b>		
BANKSETA	2,149	1,694
Department of Agriculture, Land Reform and Rural Development	4,193	4,193
<b>sefa</b>	3,640	3,640
National Treasury	1	–
	<b>9,983</b>	<b>9,527</b>

BANKSETA funds recognised for deliverables achieved for training with equal cost received. The State Attorney fees for legal services to the Labour Court. The DALRRD and **sefa** provide funds for collaboration to support the CFI sector. National Treasury provides in-kind services, which entail the reimbursement of funds paid on the CBDA's behalf.

## 22. RELATED PARTY – EXECUTIVE MANAGEMENT REMUNERATION

Name	Position		
*Mr D de Jong	Acting Managing Director	594	1,118
Ms N Sauli	Director: Capacity Building	1,214	1,253
**Mr K van Niekerk	Acting Board Secretary	566	1,170
Ms L Padayachee	Deputy Director: Financial Management	1,058	1,089
		<b>3,432</b>	<b>4,700</b>

\* Mr D de Jong's secondment contract expired on 30 September 2021. This service cost is in kind from the Prudential Authority.

\*\* Mr K van Niekerk's employment contract expired on 15 September 2021. The amount includes a leave payout.

**23. RELATED PARTY – ACCOUNTING AUTHORITY**

	2022 R'000	2021 R'000
<b>Board's emoluments</b>		
Dr N Ngwenga	86	81
Mr L Ntuane	212	117
Mr V Pangwa	109	149
Ms T Mashanda	44	57
*Mr J Ndumo	–	–
*Ms N Shwala	–	–
*Ms P Ncapayi	–	–
*****Mr D Golding	–	–
**Ms N Lubisi	–	–
****Mr D de Jong	–	–
***Mr J Amien	39	5
***Mr P Rossouw	53	6
	<b>543</b>	<b>415</b>

**2022**

- \* 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 N Lubisi replaced Ms O Matshane as the ministerial representative from National Treasury, effective 24 March 2021.
- \*\*\* Mr Amien and Mr Rossouw were appointed to the Board, effective 25 March 2021
- \*\*\*\* Mr D de Jong was seconded from the SARB to be appointed acting MD, effective 1 February 2020. The contract expired on 30 September 2021.
- \* Mr J Ndumo and \*Ms P Ncapayi's appointment as Board members expired in September 2021.

**2021**

- \*\*\*\*\* Mr D Golding is the chairperson of the Board, whose term of office ended in September 2020 while he was on special leave.

**24. FINANCIAL INSTRUMENTS DISCLOSURE****Categories of financial instruments**

FINANCIAL ASSETS	2022 R'000	
	AT FAIR VALUE	TOTAL
Cash and cash equivalents	21,642	21,642

FINANCIAL LIABILITIES	2022 R'000	
	AT AMORTISED COST	TOTAL
Trade and other payables	1,118	1,118

FINANCIAL ASSETS	2021 R'000		
	AT AMORTISED COST	AT FAIR VALUE	TOTAL
Receivable from non-exchange transactions	2	–	2
Cash and cash equivalents	–	20,992	20,992
	<b>2</b>	<b>20,992</b>	<b>20,994</b>

FINANCIAL LIABILITIES	2021 R'000	
	AT AMORTISED COST	TOTAL
Trade and other payables	553	553

## 25. FINANCIAL RISK MANAGEMENT

### LIQUIDITY RISK

The CBDA's risk to liquidity is a result of the funds available to cover future commitments. The CBDA manages liquidity risk through proper management of working capital and actual vs projection. Cash flow forecasts are prepared to maintain sufficient cash and reserves. The CBDA is only exposed to liquidity risk with regard to payment of its payables. These payables are all due within the short term.

### CREDIT RISK

Credit risk consists mainly of cash deposits, cash equivalents and receivables from exchange transactions. The CBDA only deposits cash with major banks with high-quality credit standing and limits exposure to any one counterparty. 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 the CPD. The interest risk exposure is managed by investing in the CPD.

## 26. GOING CONCERN

We draw attention to the fact that at March 31 2022, the CBDA had an accumulated surplus of R7 186 000 and that the CBDA's total assets exceed its liabilities by R10 432 000.

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

## 27. EVENTS AFTER THE REPORTING DATE

Management is aware of Cabinet's decision to merge the CBDA, sefa and SEDA with effect from 1 April 2022 into a new entity. On 6 April 2022, Cabinet approved a 20-month extension period for the merger. For the next two years, the CBDA will continue to receive their budget from National Treasury.

## 28. CONTINGENT LIABILITIES AND ASSETS

Management is aware of the probability of incidents that might result in material litigation, claims made against the CBDA and recovery of funds due to fruitless, wasteful and irregular expenditure which would have financial implications as follows:

### CONTINGENT LIABILITY

- Labour Court dispute by an ex-employee for the automatically unfair dismissal by virtue of section 18(1)(f) of the Labour Relations Act (1995), as amended. The matter has still not been finalised to date. It is not practical to estimate the value of the legal outcome.
- The amount of R524 000 owed to the service provider relating to investigations conducted will only be paid after the legal outcome has been received.
- In terms of section 53(3) of the PFMA, a public entity may not accumulate surplus funds without approval from National Treasury. A submission would be issued to National Treasury to obtain approval to retain surplus of R7 717 000 due to the impact of the COVID-19 pandemic, resulting in revising medium-term planning.

## CONTINGENT ASSETS

- Recovery of funds to the amount of R2 348 000 and R1 760 000 from court action to be taken against guilty parties from outcomes of domestic conference, accommodation and non-accredited diploma course investigation reports.

## 29. FRUITLESS AND WASTEFUL EXPENDITURE

	2022 R'000	2021 R'000
Opening balance	5,447	5,447
Add: Expenditure identified – current	–	–
<b>Closing balance</b>	<b>5,447</b>	<b>5,447</b>

### 2022

No fruitless and wasteful expenditure has been incurred during the period.

#### Progress on consequence management

Fruitless and wasteful expense for an amount of R72 000 was assessed and consequence management was concluded with disciplinary action taken against one responsible employee. In the other matters, no individual could be held liable due to circumstances beyond their control. Approval for write-off is still pending.

Fruitless and wasteful expenditure relating to third-party accommodation and venue payment is awaiting disciplinary process against two employees with a criminal charge against two other employees who resigned from the CBDA. The expiry of the contract of the acting MD on 30 September 2021 and with no new appointment to date has put these matters on hold.

### 2021

No fruitless and wasteful expenditure was incurred

## 30. IRREGULAR EXPENDITURE

Opening balance	9,891	9,839
Opening balance as restated	9,891	9,839
Add: Irregular expenditure – current year	–	52
<b>Closing balance</b>	<b>9,891</b>	<b>9,891</b>

### 2022

No irregular expenditure has been incurred during the period.

Submission has been issued to National Treasury for condonation of irregular expenditure incurred in prior financial years (2016/17, 2017/18, 2018/19 and 2019/20). The delay was due to the conclusion of consequence management processes.

National Treasury did not condone the request indicating no evidence of implementing remedial actions and consequence management against the responsible officials.

The non-appointment of an acting MD have resulted in consequence management being put on hold.



### 31. CHANGE IN ACCOUNTING ESTIMATES

#### ESTIMATION OF CONSULTING SERVICES IN KIND OFFERED BY NATIONAL TREASURY

During the period under review, there was a change in the method of estimation for calculation of services in kind for consulting services. The average method was used in 2021 with concurrency from National Treasury. In 2022, National Treasury changed the approach whereby the percentage method was used.

The impact of the change for the current period is as follows:

	2022 R'000		
	AVERAGE METHOD	PERCENTAGE METHOD	DIFFERENCE
Consulting services	5,879	2,698	3,181

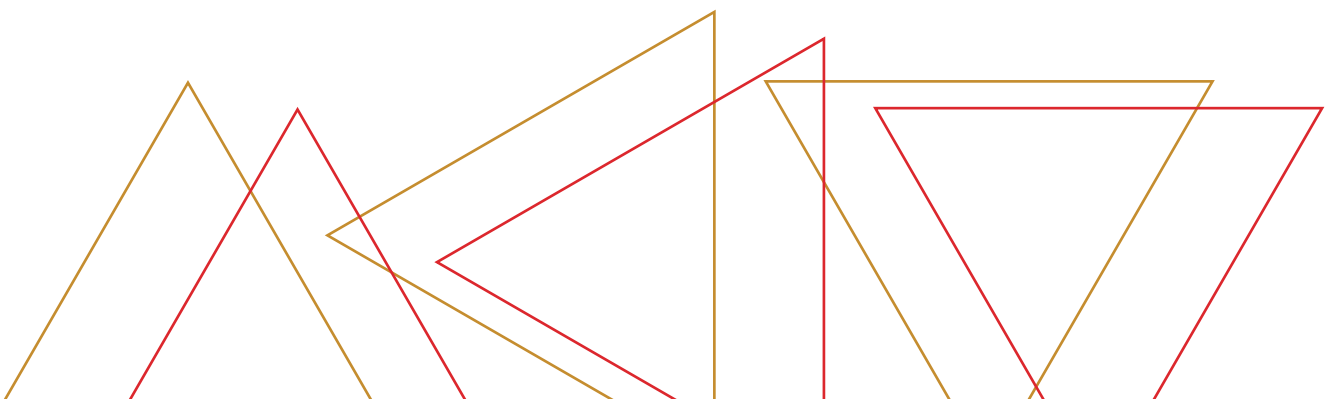
For future years, the amount of the effect cannot be disclosed because estimating it is impracticable since it is based on hours of services rendered and activities performed by CBDA.

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# Part F

## EVENTS AND ACTIVITIES



## 41. CBDA VIRTUAL INTERNATIONAL CO-OPERATIVE UNION DAY

The CBDA facilitated the hosting of a virtual International Co-operative Union Day on 21 October 2021. The event was held to bring the co-operative sector together in collaborating around the theme: Build Financial Health for a Brighter Tomorrow. The sector was addressed by the CEO of the Prudential Authority, and executive members of the FSCA and the Financial Intelligence Centre. There was a presentation on the NCBSDS, which was delivered by a delegate from the World Bank. The event also offered a platform for digital companies to present their products or services.

## 42. POTENTIAL VISION AND IMPLEMENTATION STRATEGIES FOR GROWING FINANCIAL CO-OPERATIVES IN SOUTH AFRICA

The first workshop on the implementation of the NCBSDS was hosted in Pretoria in March 2022, where Dave Grace from the World Bank's New York office was present. The workshop, which took place from 8-10 March 2022, centred on the implementation of the strategy paper with a workgroup of 16 individuals from the CBDA, CBIs and CFIs from Eastern Cape, KwaZulu-Natal, Gauteng and Free State with a view to define the process that will be undertaken to implement the strategy. The aim is to see the establishment of a trusted NSCB that serves communities adequately. The strategy paper is published on National Treasury's website.

## 43. IMAGE FROM THE NCBSDS WORKSHOP



## 44. EXPOSURE VISIT TO THE ESWATINI SACCO

Two CBDA employees were afforded the opportunity to travel to Matsapha, Eswatini, from 28 November 2021 to 1 December 2021 on an exposure visit to savings and credit co-operative organisations (SACCOs) in Eswatini. The visit aimed to strengthen South African savings by exposing them to interactions that allow for the sharing of information and understanding of financial co-operatives in Eswatini. The visit was hosted and coordinated by the German Co-operative and Raiffeisen Confederation, which provides consultancy and support services for the development of the international co-operative banking sector. The CBDA officials were invited to participate in the exposure visits along with CBIs from Eastern Cape, KwaZulu-Natal and North West.

In the official opening of the exposure visit, Ms Nonhlanhla Mnisi, the Eswatini Commissioner of Co-operatives, provided a brief history of the co-operative movement in Eswatini, where the Co-operative Societies Proclamation was promulgated in 1964. The movement has evolved into a sector that now has 791 co-operatives, with 131 being financial co-operatives. The membership of the co-operative movement in Eswatini is 81 080, with 62 637 as members of the SACCO. Structures are in place that enable the co-operative movement to unite under one umbrella body through the National Co-operatives Federation of Eswatini, established in October 2020.

The primary co-operatives are affiliated into the three apex bodies: the Eswatini Association of Savings and Credit Co-operatives, the Eswatini Farmers' Co-operative Union and the Eswatini National Youth Co-operatives Alliance. The apex bodies are affiliated with the federation, resulting in a three-tier structure that enables co-operation among co-operatives. The programme unfolded with the exposure visit preceding the youth co-operatives summit, which was hosted by the German Co-operative and Raiffeisen Confederation in partnership with Eswatini National Youth Co-operatives Alliance.

The summit commenced on 30 November 2021 and ended on 3 December 2021. The theme was: Rebuilding a Sustainable Future together, Leaving no Young Person Behind. The summit was attended by leaders of youth co-operatives from eight countries: Botswana, Eswatini, Lesotho, Malawi, Mozambique, Zambia, Zimbabwe and South Africa. The last session of the exposure visit, facilitated by the German Co-operative and Raiffeisen Confederation, allowed for representatives from the South African SACCOs to reflect on what they'd learnt and next steps for growing and strengthening the financial co-operatives movement in South Africa.



**CO-OPERATIVE  
BANKS DEVELOPMENT AGENCY**