



CO-OPERATIVE BANKS DEVELOPMENT AGENCY

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Accounting and Disclosure Guideline

For

Co-operative Financial Institutions

1. Background

Through the business of a Co-operative Financial Institution (CFI), it is important that the financial information provided to the Supervisor and the CBDA, including any other users of the financial information of the CFI, is accurate and reliable.

Financial information is the source with which users depend on in order to make decisions that could potentially affect any investment to be made in the CFI. For example, 3rd party investors or external credit providers and potential members.

The financial information prepared by the CFI must at all times be supported by adequate records, which the bank is required to maintain, in accordance with internationally accepted accounting policies and procedures. The financial information, must, at all times, fairly present the CFI's financial position.

2. Responsibilities of the CFI

2.1 The manager, together with the board of directors, has the duty and responsibility to ensure that any financial information produced, from reliable data, in respect of the CFI's financial position is reliable.

2.2 The manager and the board of directors has the responsibility to ensure that financial statements issued annually, receive proper external verification and bear an external auditor's opinion, should the Supervisor deem it necessary.

2.3 Preparation of annual financial statements in accordance with generally accepted accounting practice is the responsibility of management. Management may outsource the function to prepare financial statements to qualified accountants, but this does not remove the responsibility for the financial statements from management.

2.4 CFIs are required to establish policies and procedures in respect of valuations of assets. Such valuations should be consistent, realistic and prudent, taking into account economic conditions where relevant, and to show profits net of appropriate provisions.

2.5 The CFI is required to inform the CBDA of any changes to its accountants and external auditors, or any new appointments. Such appointments must be made in line with 2.6 below.

- 2.6 The financial reporting of the CFI's financial statements is required to be in line with the requirements provided in the financial reporting guide of the CBDA and the Supervisor, as will be published, from time to time.
- 2.7 The financial reporting is required to be in accordance with the list of acceptable accountants that will be published by the CBDA, from time to time.
- 2.8 The Board of Directors are required to produce and present both quantitative and qualitative financial information prepared by accountants, including external audit reports, where applicable, to the annual general meeting of the CFI, in accordance with section 29(2) of the Co-operatives Act 14 of 2005. The information should include, but is not limited to the following:
- a. Delinquency reports, detailing the bad debts written off during the period under review.
 - b. Profits or losses reported by the CFI, and the impact thereof, on the capital of the CFI. This should also detail the reasons the profit or loss will be attributed to.
 - c. Capital requirements, levels of capital, shortfall or excess reported by the CFI.
 - d. Related party loans outstanding, as at the reporting date.
 - e. The strategies management wish to employ for the upcoming financial period.

NOTE:

- *The CBDA Form 012 required for the license renewal of the CFI is to be supported by the report and minutes presented to the most recent AGM by management. Failure to submit the required information will result in the Supervisor rejecting the renewal application.*