CO-OPERATIVE BANKS DEVELOPMENT AGENCY

ANNUAL REPORT

2021/2022 FINANCIAL YEAR

Contents

PART A: GENERAL INFORMATION

1. PUBLIC ENTITY'S GENERAL INFORMATION

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

2. LIST OF ABBREVIATIONS/ACRONYMS

AGSA	Auditor-General of South Africa
AFS	Annual Financial Statement
AGM	Annual General Meeting
AMD	Acting Managing Director
APP	Annual Performance Plan
ARC	Audit and Risk Committee
BANKSETA	Banking Sector Education and Training Authority
B-BBEE	Broad-Based Black Economic Empowerment
CB	Co-operative Bank
CBDA	Co-operative Banks Development Agency
CBI	Co-operative Banking Institution (incl. both CB & CFI (Cooperative Financial Institution))
CFI	Co-operative Financial Institution
CFO	Chief Financial Officer
CBU	Capacity Building Unit
CPD	Corporation for Public Deposit
CS	Corporate Services
CSS	Central Support Services
DED	Department of Economic Development
DIF	Deposit Insurance Fund
DALRRD	Department of Agriculture, Land Reform and Rural Development Previously (DRDLR) (DEPARTMENT OF RURAL DEVELOPMENT AND LAND REFORM)
DSBD	Department of Small Business Development
DTA	Direct technical assistance
ERM	Enterprise Risk Management
FNB	First National Bank
FSAP	Financial Sector Assessment Programme
FSC	Financial Services Co-operative
FSCA	Financial Sector Conduct Authority
FSRA	Financial Sector Regulation Act
GRAP	Generally Recognised Accounting Principles
HR	Human Resources
HR&R	Human Resources and Remuneration
ICT	Information and communications technology
IESBA	International Ethics Standards Board for Accountants
IMF	International Monetary Fund
ISA	International Standards on Auditing
IT	Information Technology
KZN	KwaZulu-Natal
MD	Managing Director
AMD	Acting Managing Director
MoU	Memorandum of Understanding
MSWSA	Money Smart Week South Africa
NCSBS	National Cooperative Sector Banking Strategy

NCSB	National Cooperative Sector Bank
NPS	National Payment System
NT	National Treasury
OAG	Office of the Accountant General
PA	Prudential Authority
PAA	Public Audit Act of South Africa
PFMA	Public Finance Management Act
PPRCF	Payments Policy and Regulation Coordination Forum
SACCO	Savings and Credit Co-operative
SAICA	South African Institute of Chartered Accountants
SARB	South African Reserve Bank
SAS	Specialised Audit Services
SCM	Supply chain management
NSCB	National Secondary Cooperative Bank
sefa	Small Enterprise Finance Agency
SEDA	Small Enterprise Development Agency
SLA	Service Level Agreement
SOE	State Owned Entity
TR	Treasury Regulations
VBS	Venda Building Society
WHO	World Health Organization

3. FOREWORD BY THE MINISTER

As we bid farewell to the financial year 2021/2022, we take stock of the highs and lows of the government's promise to the South African population. 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 adapt innovative ways to deliver on its promise to the cooperative banking sector without compromising on the quality of the services offered by the agency.

The South African Co-operative Banking strategy was completed and delivered during the current financial year, a culmination of the "South Africa Financial Sector Development and Reform' Programme: Transforming the market structure of the financial sector" 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 playing a facilitation role in the process.

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

In August 2021, Cabinet announced that the CBDA, **sefa** (Small Enterprise Finance Agency), and SEDA (Small Enterprise Development Agency) would be merge into a single Agency under the Department of Small Business Development. The purpose of the merger is to better align co-operative and SMME (Small Medium and Macro Enterprise) value chains, and the financing thereof under one Ministry. The one-stop-shop Agency aims to unlock the necessary synergies required to grow the co-operative and SMME landscape in South Africa. The Agency also aims to contribute the desired economic spill-over effects towards growing the economy. The merger process is expected to be completed by 31 December 2023.

I would like to recognize 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.

In conclusion, I would like to thank the CBDA's Board of Directors, including its various committees, the management, and the staff as a whole for their commitment to ensuring that the strategic objectives of the Agency, as mandated by the 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

Another unprecedented year, characterized by a pandemic, the likes of which almost all of us had never experienced before, I am happy to note the considerable progress that has been made by the Cooperative Banks Development Agency (CBDA) within the Cooperative Sector in its efforts to bank the unbanked, by striving in difficult circumstances to grow and capacitate the sector as we have all learned the importance of communication and listening as we conducted our services to the sector virtually.

In fulfilling its statutory mandate of overseeing the development and growth of the Cooperative Banking Sector Strategy, the CBDA in its Strategic Plan 2020-2025 is engaging the cooperative sector to contribute 90% in the NDP's drive for the broader South African population, achieving banked status by 2030. Risk Management amongst the current uncertainties and how a myriad of changes made and experienced during the past year proved that the changes will either revert CBDA to its former ways or to a new and different way of operating. I am happy to say that the CBDA embraced the changes and adapted to the new different way of operating, and this was part of the CBDA operating without a Managing Director from 1 October 2021 to 31 March 2022 as the management team had to take on the operational aspects of the CBDA and the CBDA Board provided Strategic direction.

As the Chairperson of the CBDA Board, I am confident and committed to ensuring the implementation of the strategy of the CBDA and support the management team in undertaking the task of reconfiguring the Agency to achieve an efficient financial and operational model which drives the co-operative banking sector's growth and sustainability over the five-year period.

The Cooperative Banking Sector is capitalising on the National Cooperative Strategy and Sector Support Programmes on;

- Innovative usage of public programmes and exhibitions.
- Strategic utilisation of its human resources.
- Effective usage of its deposits, loan collections and research capabilities.
- The effective usage of Information and Communication Technology to deliver better services and be live to the Fourth Industrial Revolution.
- Proactive and professional management of our facilities.
- Heightened Small Business and Entrepreneurships through cooperative initiatives; as well as
- Innovative and improved marketing and communication strategies and programs that will make the sector known.

The announcement of the merger between the CBDA/**sefa**/Seda in August 2021 into a new entity to be established under the Minister of Small Business Development has created a bit of uncertainty but looking at it in the broader spectrum this will mean greater financial strength for the CBDA, and the other entities involved in the merger. This will mean that the new entity will have greater economic power which can lead to higher market share, more influence over the cooperative sector & SMME's as well as more accessibility for the communities we serve, as the aim of the CBDA is to:

- Develop sector standard operating procedures.
- Develop tools that will enhance CBI operational efficiency.
- Develop sector specific curriculum and review of existing training materials.
- Registration of Representative Bodies and Support Organisations.
- Quality assurance.
- Co-ordination and promotion through an electronic presence.
- Develop a reporting portal for sector performance analysis and monitoring.
- Benchmarking.
- Research Hub & Depository for knowledge.
- Impact Assessment.
- Monitoring & Evaluation.
- Assist CFIs (Cooperative Financial Institutions) to meet the requirements to be included in the national deposit insurance scheme.
- Facilitate the establishment of a secondary co-operative bank.

CBDA has focused its attention on the development of standards that will enhance the effectiveness of capacity building and training for all financial cooperatives whether they are small, medium, or micro enterprises.

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Mr Luyanda Ntuane

Chairperson, CBDA Board

Date: 31 July 2022

5. FOREWORD BY THE ACTING MANAGING DIRECTOR

As prepared by the incoming Acting Managing Director, who was appointed by the Minister of Finance in May 2022 for a period of (6) six months, as the previous AMD was a secondment from the Prudential Authority (PA) 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 our programmes (new way of operating), resulting in a surplus of R7 186 000.

General Financial Review

The CBDA expenditure is 73% to total revenue. The expenditure makes up 54% of compensation, 23% of services in kind, 8% toward operations in terms of travel and 15% for administration with major costs relating to audit and governance.

With the allocated budget the CBDA receives it is unable to carry out its overall mandate to its fullest extent since funds are deviated from its core programmes (34%) towards governance and compliance requirements (66%) as a Schedule 3A public entity.

Capacity constraints and challenges facing the CBDA

The staff complement for administration is 41% to operations of 59% which is due to the huge compliance burden as a small entity. Furthermore, within the period of reporting CBDA could not afford to employ a Chief Financial Officer, Compliance Officer, or Labour Practitioner (to finalise the longstanding consequence management investigations), all which are necessary to meet the compliance and governance requirements of the Agency. As a result, current personnel must undertake additional tasks and perform multiple functions over and above their normal duties. Continuing to work under these conditions may have compromised the quality of work and could be detrimental to the wellbeing of employees of the CBDA.

Discontinued key activities / activities to be discontinued

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

New or proposed key activities

A service provider has been appointed to assist with addressing some of the misstatements in the financials due to the limited capacity in this area to review the Annual Financial Statements for 2021/22.

Request for roll over funds

During the period under review, CBDA surrendered surplus funds from the 2020/21 budget to National Treasury to the amount of R7 762 000. The proposed plans were to use these funds to enhance the efficiency of the CBDA services to utilise technology to effectively carry out its mandate and reduce future expenditure and funding challenges. This plan was reconsidered with the announcement of the merger as it may be improbable.

A submission will be issued to National Treasury retain surplus funds of R7 717 000 for the 2021/22 Financial Year as the plans are to fund the conduct of 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 National Co-operative Banking Sector Strategy which was developed by the World Bank and the Cooperative Sector.

Supply chain management

The CBDA continues to utilise National Treasury shared Supply Chain Management (SCM) services due to limited resources. The service level agreement between SCM and CBDA to improve the relationship and outline clear roles and responsibilities was put on hold due to the merger. In the light of the extended period to finalise merger, the process is likely to be finalised in the new financial year.

All concluded unsolicited bid proposals for the year under review

CBDA appointed minute takers via an SLA through a ToR (Terms of Reference) to take minutes at Board, Audit, Risk & ICT and HR&R committee meetings. The CBDA furthermore concluded an SLA with a service provider to technically edit, layout, align the CBDA Annual Reports (2019/2020 & 2020/2021) using the template for Annual Reports from the National Treasury. This had to be designed to be related to the development theme and further illustrate the CBDA's vision, mission, and values, and be presented in graphs, tables and images in the CBDA colours.

Whether SCM processes and systems are in place

CBDA have processes and system in place but is currently reviewing the SCM policy and formalising its relationship with National Treasury SCM unit. Audits performed have reflected a decline in SCM findings which is a result of effective controls that were put in place.

Challenges experienced and how they will be resolved

The announcement of the merger put a “spoke in the wheel” to some of the operational matters especially recruitment as the appointment of a Managing Director, a Senior Technical Analyst, Board Secretary, a permanent Business Support Manager, as well as the advertisement of the contract positions which is about 60% of the total staff component of the CBDA. All these falls within the ambit of the Minister of Finance and the Managing Director and can only be resolved once the Minister of Finance appoints a Managing Director. The operational activities rest heavily on the staff capacity as most of the employees within the CBDA took on responsibilities for these roles, as well as engaged in Workstreams and other committees related to the merger.

Audit report matters in the previous year and how they would be addressed

The Auditor-General report for the 2020/21 had an unqualified audit opinion but had misstatements on the financials which is attributed to the ineffective quality review of financials. To address the misstatement findings, management sourced a service provider to review the financials and have included it in the CBDA annual Internal Audit plan on the interim and annual review of the financials to enhance the quality of review.

Management developed and implemented an action plan to address both internal and external audit findings which is tabled monthly at management meetings for monitoring and oversight provided by the Audit Committee quarterly.

Outlook / Plans to address financial challenges

The strategic focus for the next year and beyond will hinge on collaboration and partnerships among all stakeholders to change the impact in the stagnant economic growth, rising unemployment and inequality gaps becoming bigger or remaining. This will be achieved by creating tools, programmes, etc. that is based on creating more sustainable CBIs within the cooperative market segment of the country. 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 co-operative banking 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 CBDA will continue to receive their budget from National Treasury.

Economic Viability

The economic outlook remains constrained due to the impact of a slow economic growth which result in funding reduction or inflation increase. With National Treasury fiscal strategy to reduce the risk to the public finance which CBDA have been impacted by surplus funds being surrender for the past two years. To carry out its mandate, the CBDA need to be resourced, however, it is anticipated this matter would be addressed by the merger and acquisition synergies

Acknowledgement/s or Appreciation

To address the review of financials, a service provider was appointed to review the 2021/22 financials.

The Year Ahead

Acknowledgements

I would like to take this opportunity to thank the National Treasury for its continued support in terms of the operational budget; the CBDA Board of directors for their unwavering support in providing the strategic direction of the CBDA; the Management of the CBDA for working tirelessly together with the staff in implementing the strategic plan of the organisation; our stakeholders, particularly BANKSETA / Department of Land Reform and Development/ **sefa** and the Eastern Cape & Gauteng DEDs (Department of Economic Development) for providing funds for the CBI capacity building interventions and lastly, the CBIs for continuing to provide services to their members in these difficult times. I wish you all a good year ahead.

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Acting Managing Director

Name: Mr Paul Rossouw

Date: 31 July 2022

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

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

All information and amounts disclosed in the annual report is consistent with the Annual Financial Statements (AFS) audited by the Auditor-General of South Africa (AGSA).

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

The annual report has been prepared in accordance with the guidelines as issued by NT.

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

The accounting authority is responsible for the preparation of the AFS and for the judgements made in this information.

The accounting authority is responsible for establishing and implementing a system of internal controls that has been designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the AFS.

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

The annual report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the CBDA for the financial year ended 31 March 2022.

Yours faithfully

Acting Managing Director	**Chairperson of the Board**
Name: Mr Paul Rossouw	**Name: Mr Luyanda Ntuane**
Date: 31 July 2022	**Date: 31 July 2022**

7. STRATEGIC OVERVIEW

7.1. Vision

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

7.2. Mission

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

7.3. Values

The CBDA values are as follows:

Passion:

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

Integrity:

to be honest, frank, accountable and transparent.

Mutual respect:

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

Commitment to solidarity and co-operation:

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

Excellence:

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

Confidentiality:

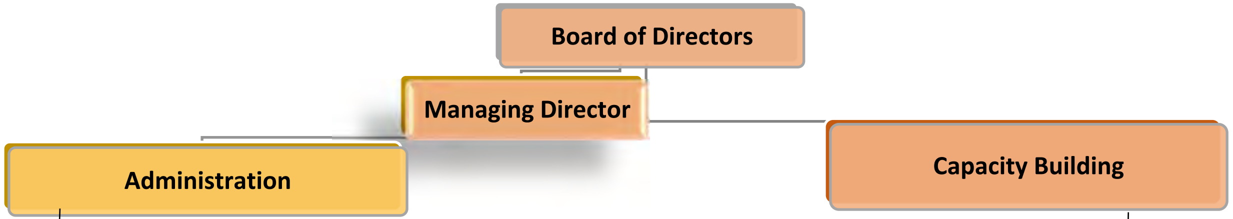
in dealings with all stakeholders.

8. LEGISLATIVE AND OTHER MANDATES

These include the following:

1. Co-operative Banks Act (2007), as amended by the Financial Services Laws General Amendment Act (2013)
2. Banks Act Exemption Notice (2014), *Government Gazette* 37903, 15 August 2014
3. Public Finance Management Act (1999) (PFMA)
4. Treasury Regulations
5. Financial Sector Regulation Act (2017) (FSRA)
6. Protection of Personal Information Act (2021)

9. ORGANISATIONAL STRUCTURE **(Figure 1 below outlines the organisational structure of the CBDA)**



Administration	Funded 2022-2023	Unfunded 2022-2023	Unfunded 2023-2024
Stakeholder and Marketing Director		1	1
Business Support Manager	1		
Board Secretary	1		
Financial Manager	1		
Human Resource Specialist	1		
Finance Clerk	1		
Human Resource Clerk	1		
Brand and Marketing: Specialist		1	1

Capacity Building	Funded 2022-2023	Unfunded 2022-2023	Unfunded 2023-2024
Director	1		
Senior Technical Analyst	**4		
Analyst	3		
Junior Analyst	3		
Trainer		1	1

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

** Two (2) Senior Technical Analyst vacant (Capacity Building)

PART B: PERFORMANCE INFORMATION

10. AUDITOR'S REPORT: PREDETERMINED OBJECTIVES

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

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

11. SITUATIONAL ANALYSIS

Service Delivery Environment

The Acting Managing Director is responsible for overseeing the preparation of the CBDA's performance information and for judgements 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 strategic and Annual Performance Plans (APPs) of the CBDA for the financial year ended 31 March 2022.

The CBDA's performance information for the year ended 31 March 2022 has been examined by the AGSA, whose report is presented on pages **88 to 95**.

The CBDA's performance information set out on pages **26 to 47** was approved by the Board.

Organisational Environment

The CBDA consist of two units:

1. Corporate Services; and
2. Capacity Building.

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

The CBDA continues to depend on the National Treasury for office accommodation, information, and communications technology (ICT), legal, supply chain management (SCM), risk management and internal audit services due to limited funding, and capacity constraints within CBDA. Service Level Agreements (SLAs) would be signed with units within the NT to improve the efficiency of 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 challenges the co-operative banking sector faces in servicing their members.

Key Policy Developments and Legislative Changes

The risk of financial institutions failing to meet their obligations and assist in maintaining financial stability.

Strategic Outcome-Oriented Goals

Outcome	Outcome Indicator	Baseline	5-year target	Status Feb 2021	Status Feb 2021	Progress towards 5-year target
Facilitate increased access to financail services by communities to ensure economic transformation	Increase in cooperative banking membership	Feb 2019 27490	100% increase	31520	29200 (-7,36%)	**25780 (shortfall of 25780)**
	% increase of member deposits	Feb 2019 R296m	50% increase	R419m	R468m	**+R27m (exceeded almost 9.2%)**
	Number of registered CBIs by PA	Feb 2020 9	30	29	29	**-1**
	Facilitate operatioanl effiency throough innovative solutions and technological interventions	--	100% of CFIs digitised		No Progress. Developed strategy	No progress

The strategic outcomes are described in the diagram above.

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

- The CBDA developed and maintained strong stakeholder relationships through participation, collaboration, and partnerships. These relationships emanated in the following activities which contributed towards the CBDA mandate:
    - Initiating the process of developing a National Co-operative Banking Strategy for South Africa, with the assistance of the NT securing funding from the World Bank.
    - In signing a MoU with the PA which promotes collaboration on issues related to the regulatory framework and targets support required by the co-operative banking sector.
    - Attending some sessions of the International Monetary Fund (IMF)/ World Bank Financial Sector Assessment Programme (FSAP) review process, the FRS II as well the National Consumer Financial Education Committee organising the Money Smart Week South Africa (MSWSA), to drive consumer financial literacy in South Africa

RSA Financial Co-operative Retail Bonds Update, Financial Year 2021/2022

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

This is following the Co-operative Banks Act No.40 of 2007: Regulations made in terms of Section 14 par. 3.2 (a) states as follows: *A co-operative bank may acquire or hold the following assets with money deposited with it – sub-par. (iii) in government co-operative retail savings bonds with 1, 2 or 3-year maturity dates, and treasury bills issued by National Treasury as established by Section 5 (1) of the Public Finance Management Act, Act 1 of 1999 as amended by Act 1 of 1999 (PFMA).*

Financial Co-operative Retail Bonds are secure and affordable investments as governed by the PFMA, with market-related returns on their investments. No fees or charges are payable to NT for the administration of the investment(s). The bonds investment vehicle aims to preserve the capital portion of the investment and can be topped-up at any time after the initial investment is made.

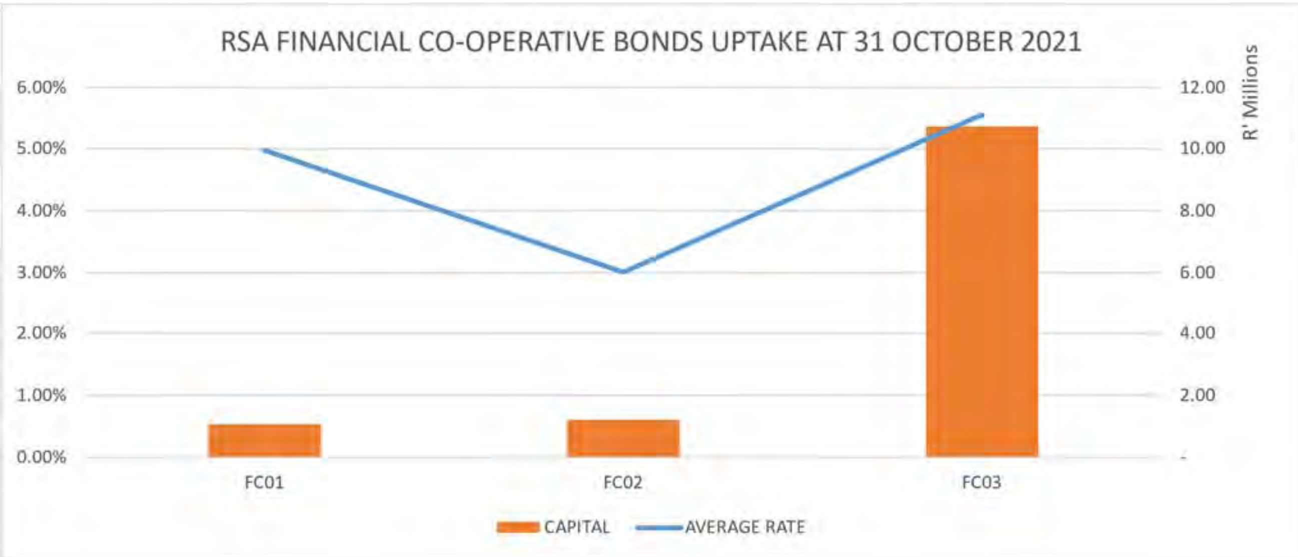
The bonds are issued in the following Series: 1-year Financial Co-operative Retail Bond, 2-year Financial Co-operative Retail Bond, and 3-year Financial Co-operative Retail Bond. The CFIs and CBs will have access to their funds invested after (6) six months, on condition that they can only withdraw their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

As at 31 March 2022, the average return of the three types of financial co-operative bonds on offer was 6.12%, a decline from the 6.89% returned in the same period last year. CBIs managed to invest R13.058 million during the current year, a decline from the R13.820 million invested as at 31 March 2021. CBIs managed to make a total of 27 investments in the current year resulting in a decline from the 39 investments made in the previous year. The CBDA encourages more CFIs to see value and invest in this investment vehicle which is risk free and provides guaranteed financial growth.

Figure 2

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. 19/20 financial year: 7.65%
2. 20/21 financial year: 6.89%
3. 21/22 financial year: 6.12%

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

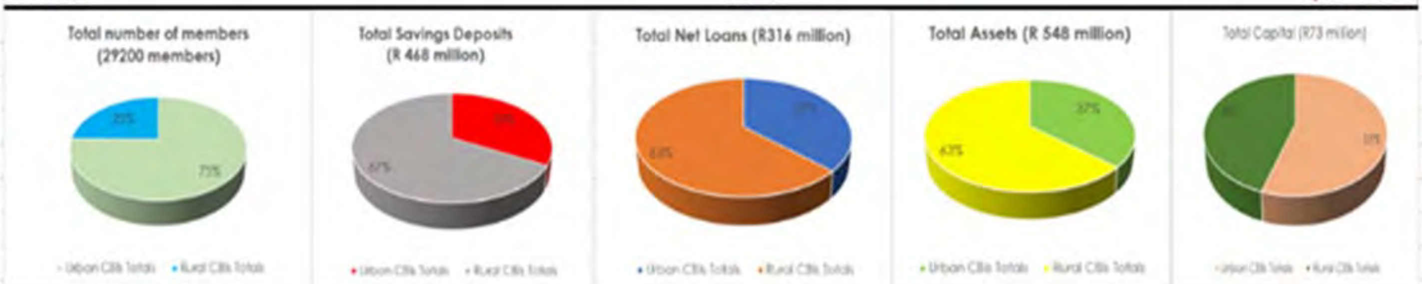
*The financial year-end of co-operative banks and CFIs is 28 February 2022.

TABLE XXX: CBI SECTOR PERFORMANCE, FINANCIAL YEAR 2021/2022

TABLE XXX: COOPERATIVE BANKING SECTOR PERFORMANCE - 2021/22 FINANCIAL YEAR												
	No. of CBIs		Members		Deposits (R millions)		Loans (R millions)		Assets (R millions)		Capital (R millions)	
28-Feb	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022
Cooperative Banks	5	5	5032	5356	290	368	202	246	333	413	42	45
Cooperative Financial Institutions (CFIs)	24	24	26488	23844	129	100	75	70	169	135	33	28
Total	**29**	**29**	**31520**	**29200**	**419**	**468**	**277**	**316**	**502**	**548**	**75**	**73**
Growth		0%		-7%		12%		14%		9%		-3%

Cooperative Banking Sector Performance Rural vs Urban based on figures in Table XXX above

16 urban | 6 rural | 3 peri-urban



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

 # Amounts stated in the table and below in the narration have been rounded off

It is worth noting that the Total Net Loan Book for Cooperative Financial Institutions continued to decline in the financial year ended 28 February 2022. The book declined by 6,44% from R 75 million in the prior year to R 70 million in the current year, whilst the Cooperative Banks Net Loan Book grew by 21,49% from R 202 million (2020/21) to R 246 million in the current year. All the CBs recorded growth in their net loan books. The overall Net Loan Book for the cooperative banking sector as at 28 February 2022 was sitting at R 316 million.

Source: Prudential Authority

12. PERFORMANCE INFORMATION BY PROGRAMME

Programme 1: Administration

The Acting Managing Director is responsible for strategic leadership, governance, financial management and Human Resources of the CBDA, and ensuring effective and efficient coordination of all the Agency's activities. The unit is also responsible for stakeholder management, marketing, research, and administration of the Stabilisation Fund.

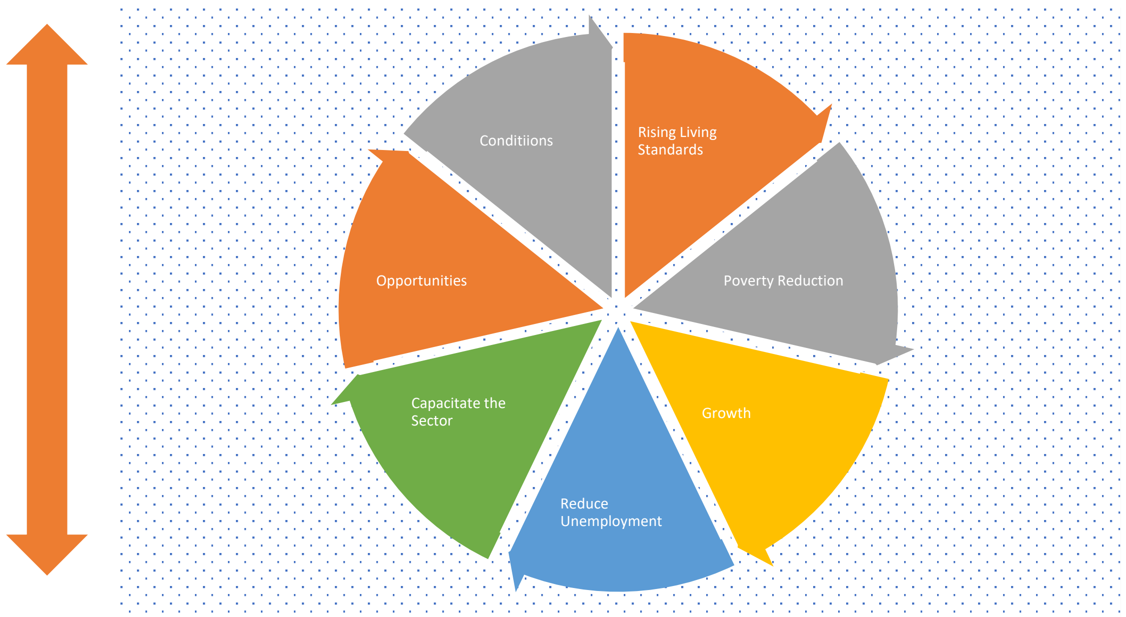
During the period under review the following activities were conducted:

1. The revision of the five (5) - year strategic and one (1) -year APP (2021/22), taking into consideration funding constraints and 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.
2. The finalisation of the National Co-operative Banking Strategy with the World Bank on the development on a strategy for the SA financial cooperatives was completed. The preferred strategic option was the creation of a National Secondary Cooperative Bank in South Africa and assistance from the CBDA in establishing its role in the sector.
3. The COVID-19 outbreak, and declaration of a global pandemic by the World Health Organisation (WHO) is monitored on a continuous basis and the President of South Africa lifted the state of disaster on 05 April 2022. It had an impact on the operations of the CBDA in the first two quarters of the financial year as the CBU still conducted most training and monitoring virtually. This warranted that some of the CBDA activities be adjusted as per the Presidential and Ministerial directives and more traction towards onsite monitoring and training could be seen towards the end of the 2nd (second), 3rd (third) and 4th (fourth) quarters.
4. In the last (2) two quarters of the financial year, some traction at CFI/CBI level was evident as they started operating much more than in the 1st and 2nd quarters of the financial year. This assisted the Co-operative Banks Development Agency (CBDA) to start hosting on-site workshops as well as onsite monitoring, evaluations, and training. The effect of the pandemic hugely impacted the sector as far as member growth and deposits are concerned but going into the next financial year these will be monitored closely.
5. CBDA was also encouraged by the large number of persons who have virtually attended the National Credit Regulator workshop, Risk Management and Supervisory/Audit committee trainings during this financial year. Had we tried to do this the traditional manner of direct training, far less training could have been achieved due to financial resources.

6. The Agency resumed communication with the sector through online Newsletters published on the CBDA website at the end of each quarter. This informed the sector on what is happening at the CBDA and within sector, as well as if there are any newly registered CFIs.

Highlights for 2021/2022

Our development strategy is aligned with South Africa's National Development Plan (SNDP) in capacitating the Cooperative Sector in growing an inclusive economy, building capabilities, enhancing the capacity of the state, and promoting leadership and partnerships throughout the South African communities.



The 2021/2022 financial year brought several unique challenges to the co-operative financial banking sector. The weaker economy, primarily due to the covid 19 pandemic, resulted in higher unemployment and reduced household savings, and weak Gross Domestic Product constrained growth in the Co-operative Banking Institution (CBI) model as far as savings mobilisation, member recruitment and loan repayments are concerned.

At the beginning of August 2021, the CBDA was advised to a Cabinet Statement on the 5th of August 2021 on a resolution to merge the CBDA, Small Enterprise Funding Agency **(sefa)** and the Small Enterprise Development Agency **(Seda)** into one entity by the 31st of March 2022, which was subsequently extended for a further period of 20 months (31st December 2023). The sector will be informed once the effects thereof on the programs delivered by the CDBA are known i.e., CBDA will however, continue to meet its responsibilities in terms of its current mandate and will engage with the sector at the appropriate time.

The year under review

Cooperative Sector Banking Strategy (CSBS)

The World Bank undertook the development of the Cooperative Strategy Paper and the final CSBS was presented to the South African Cooperative Sector in February 2022 as well as published on the CBDA website.

The purpose of this paper is to provide viable options to the financial cooperative sector in South Africa on how it can grow the number of members it serves. To grow membership in financial cooperatives a June 2020 study by Rabo Partnerships, titled Development of the South African CFI Sector: Input for the ongoing discussions on the future of the CFIs in South Africa looked at one strategy on how to drive membership growth, specifically through technology and/or establishment of a national cooperative bank.

A survey was conducted in seven of South Africa's nine provinces, namely: Gauteng, KwaZulu Natal, Limpopo, Eastern Cape, Northern Cape, Northwest, and Western Cape. While 84% of members have a positive impression of their CFI/Coop Bank, most members use their institution primarily because of its accessibility and less because of its services.

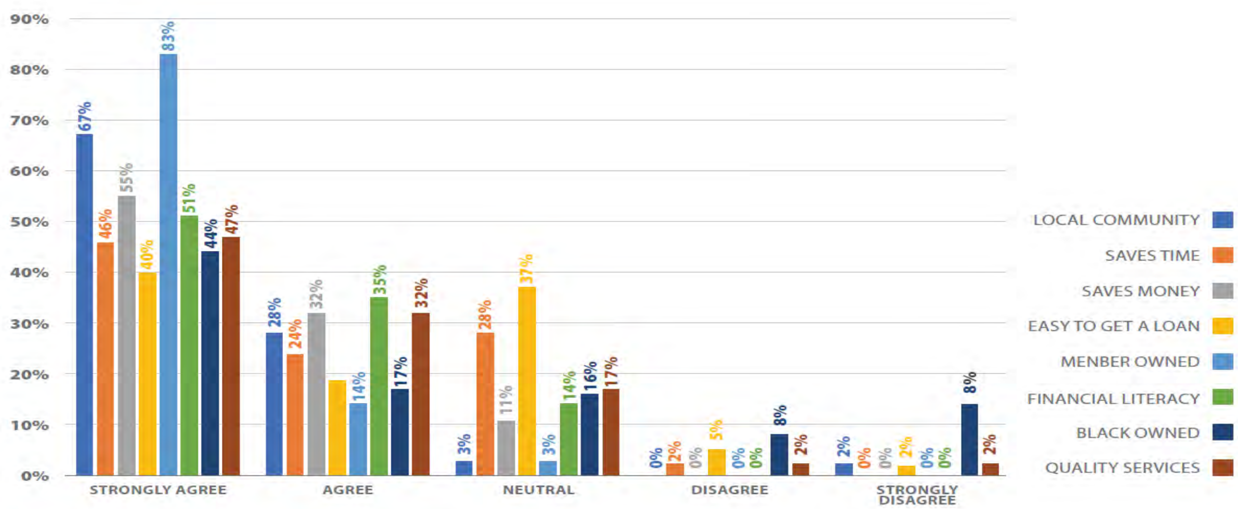


Figure 3: Value Proposition of CFIs/CBs

Sources: *Cooperative Financial Institution/Co-operative Bank Members Survey 2020, World Bank/CBDA*

Three **visions** were identified in this process as options is aimed to grow the Cooperative sector and recognize the broader environment in which financial services are occurring in 2021 to:

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

The Cooperative Sector opted for vision 2 (two) which will be to develop a cooperatively owned competitive National Secondary Cooperative Bank (NSCB) as an alternative to the existing commercial banks that could benefit the South African economy. This will bring more competition to the Retail and SMME sector which should lower the costs of banking for consumers and underserved groups in the overall economy.

While the achievement of the objectives of a National Cooperative Sector Banking Strategy requires progress on a broad front, there are some pros and cons in the reality to achieve this.

Competitive Alternative to Banks	
Pro's	**Cons**
• Is the most financially efficient approach and a single brand. • Could provide wide economic benefits and faster member growth. • Would provide for economies of scale in the financial cooperative sector. • May be able to attract foreign investment for growth	• Is very difficult to achieve in the next 5 - 10 years as there are limited number of successful examples of greenfield national cooperative banks. • Could encounter significant resistance from banks, credit providers and existing CFIs. • Requires a significant funding from foreign or domestic investors or a government that is already cash strapped. • Is a high-risk strategy to compete head-to-head with well-established and well-funded banks?

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	% of Adults with Account – 2018 Findex	Assets of Financial Cooperatives in USD - 2018	% of Adults with Accounts at Financial Coops - 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%

[1]*Extract from Cooperative Sector Banking Strategy*

Unlike other countries during the start-up phase of financial cooperatives, South Africa has imposed more restrictive prudential and operational norms that have hindered growth (Extract from Cooperative Sector Banking Strategy). Financial co-operatives also found it a difficult process to register and operate because of the many requirements and processes they must follow to become operational. After what CFIs/CBs consider a daunting registration process, they then must go through another long licensing process to issue loans.

Working Group

The NCSB working group has been active since March 2022 and engaged in (2) two sessions over two (2) - (3) three days each. The first session was also attended by the World Bank representatives to facilitate guidance. A 4-phase plan is developed by the working group towards establishment of the NCSB, that will be implemented over an (18) eighteen-month period.

The working group has further established 4 sub-committees.

- Finance
- Constitution and policies
- Promotion and Education
- Planning

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

Co-operative Banks Development Agency and Prudential Authority MoU

To promote working together in the development and regulation of the CBIs, the Prudential Authority (PA) and CBDA entered into a memorandum of understanding (MoU) with the following aims: to promote collaboration between the CBDA and the PA on issues related to the regulatory framework of CBs and CBIs; to support the CBDA in the development of a sustainable co-operative banking sector; to jointly instil a culture of compliance and operational discipline, in line with the regulatory framework, for prospective and registered CBs and CBIs; to create an enabling environment for the co-operative banking sector through a progressive, innovative regulatory framework that supports the safety and soundness of the sector; to provide a framework for and encourage the parties to liaise on matters of common interest; to keep each other abreast on policy, statutory and developmental matters of joint concern; to conduct joint public consultation sessions pertaining to either supervision and regulation, as well as capacity building and the development framework for the sector; and to conduct joint training programmes for the co-operative banking sector on matters of common interest.

During July to September 2021 numerous draft standards for CFIs and Co-operative Banks were issued. Both the PA and 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, one would have preferred the sector be more organised in its responses to the proposals. Draft Prudential Standards for CFIs/Co-op Banks by Prudential Authority (PA).

The Prudential Authority published draft prudential standards for CFIs and CBs for consultation with the sector on the 9th of July 2021. The proposed prudential standards address requirements for registration and operations, governance, risk management, internal controls, and compliance. Comment was required by 2nd of August 2021, which included an impact assessment of the standards the institutions require in their operations. The draft standards and comment templates are available on the PA website, which can be accessed at https://www.resbank.co.za/en/home/what-we-do/Prudentialregulation.

Conduct Standards for Co-operative Financial Institutions by Financial Sector Conduct Authority (FSCA)

The FSCA published the draft conduct standards on 11 August 2021, for public consultation. The main purpose of the Conduct Standard is to introduce requirements that promote the fair treatment of CFI's members. This is the first Conduct Standard that applies to CFIs specifically. The draft Conduct Standard, as well as a statement in support of the draft Conduct Standard is available on the FSCA's website at https://www.fsca.co.za.

Protection Of Personal Information Act (POPIA)

The Protection of Personal Information Act (POPIA) commenced on 1st of July 2020 but a grace period for comprehension was extended to the 30th of June 2021. The POPI (Protection of Personal Information) Act sets the conditions for the lawful processing of personal information to protect the public from harm, to stop citizen's money from being stolen, to stop identity theft and, to protect the citizens privacy. There are currently no exemptions, so we urge CFIs/Co-opt Banks to arm themselves with practical knowledge on POPIA by reading the ACT and ensuring compliance.

Capacity Building Initiatives

The Capacity Building Unit (CBU) continued to offer capacity building to the CBIs in the form of direct technical assistance (DTA), training, and pre-registration support to prospective CBIs. Seventy percent (70%) of the interventions were conducted virtually due to Covid 19, but network and connectivity challenges have negatively impacted the participation by CBI board members and managers. In the last quarter the CBU undertook a member education drive which was valuable, and these will be conducted every quarter in the next financial year.

Stakeholder Support

In the year under review, the Capacity Building Unit of the CBDA hosted training programmes in collaboration with the National Credit Regulator (NCR) the Banking Sector Education Training Authority (BANKSETA), the Association for Savings and Investment South Africa (ASISA), the Eastern Cape and the Gauteng Departments of Economic Development. These collaborations enabled the CBDA to offer a variety of different topics that focused on specific topics as requested by Cooperative Banking Institutions (CBIs), for example, the rules and regulations that govern the NCR applications to become a registered credit provider, member education drive that zoomed-in on the rights and responsibilities of CBI members, as well as 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 2019/2020**	**Audited Actual performance 2020/2021**	**Planned target 2021/2022**	**Actual achievement 2021/2022**	**Deviation from planned target for 2021/2022**	**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 on this target for the year under review with an overachievement as more requests came to the CBDA from organised groups or individuals that needed presentations and information on the requirements of registering a CBI/CFI. This achievement is not funded as is provided via information sessions either teams or presentations where the groups meet, etc.
		Number of communication activities and publications	4	6	5	5	-	Target were met although the CBDA is under capacitated due to there being no Managing Director/ Board Secretary with only one

Strategic Output 1: Co-operative banking sector is known and recognised								
Outcome	**Output**	**Output indicator**	**Audited Actual performance 2019/2020**	**Audited Actual performance 2020/2021**	**Planned target 2021/2022**	**Actual achievement 2021/2022**	**Deviation from planned target for 2021/2022**	**Reason for deviations**
								body taking care of the whole of the Corporate Unit.
	Leverage of 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 much more engagements due to the merger as it needed to present at different forums, workstreams and the Department of Small Business Development, etc. These engagements were to present on what the CBDA does as per its mandate. The CBDA also presented at the Select Committee of Finance (SCoF) after the announcement of the merger as Cabinet was interested to understand whether the CBDA was engaged on the

Strategic Output 1: Co-operative banking sector is known and recognised								
Outcome	**Output**	**Output indicator**	**Audited Actual performance 2019/2020**	**Audited Actual performance 2020/2021**	**Planned target 2021/2022**	**Actual achievement 2021/2022**	**Deviation from planned target for 2021/2022**	**Reason for deviations**
								discussions leading to the merger. The CBDA then in February 2022 presented to the SCoF on the question on the delay of the consequence management investigations as this is due to the CBDA operating without a Managing Director.

Strategic Output 2: To 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 2019/2020**	**Audited Actual performance 2020/2021**	**Planned target 2021/2022**	**Actual achievement 2021/2022**	**Deviation from planned target for 2021/2022**	**Reason for deviations**
Fiscal Discipline, sound governance and compliance with regulatory framework.	Sound and complaint 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 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

The unit had not underperformed but experienced challenges with the absence of an Acting Managing Director which is key to provide strategic leadership and manage stakeholder's relationships. The Minister to approve the appointment of an Acting/Managing Director.

Continuous monitoring of systems and processes to eliminate deficiencies in service delivery.

Linking performance with budget

The CBDA administration unit costs contribute to compliance, governance, and administrative support.

During the period under review, the Board approved the revision of the budget. The revision resulted in an increase of R300 000 and R150 000 respectively towards Board and audit cost from items under spent. The reason for the increase in budget on Board cost was attributed towards the increase on the appointment of non-government officials as Board members, Board members participation in the merger process, recruitment for the position of Managing Director (put on hold) and the Chairperson attending to CBDA operational responsibilities in the absence of an Acting Managing Director. In terms of audit cost, it was under budgeted due to CBDA anticipating the process undertaken by Auditor-General to exempt smaller entities from being audit by them.

The overspending of R1 673 000 attributed to a non-cash item of service in kind to the value of R4 442 000 from NT and R594 000 from the SARB which was not budgeted for the fiscal year. The exclusion of the non-cash item of R4 442 000 would reflect an underspending of R2 769 000 of the budgets.

The underspending did not have a significant impact on the unit's performance targets but did attribute towards the effective and efficiency to fulfil the compliance and governance requirements. The reason for the underspending is the result of the following:

1. The vacancy of the Acting Managing Director position from 1 October 2021 posed a major leadership gap in the institution with the following risks encountered:
   1.1. Ineffective leadership direction in the managing of the BANKSETA partnership resulting in funds unspent.

1.2. Compromising the role of oversight by Board and Chairperson to engage on operational matters to ensure continuity of the CBDA mandate. This resulted in additional meetings to discuss critical matters resulting in resolutions on operational matters.

1.3. Consequence management was put on hold which resulted with funds on legal costs set aside as unspent.

1.4. Delays in decision making and increased work pressure on management had an impact as collective accountability could not be undertaken especially on matters where knowledge or subject matter expertise were required.

2. The announcement of the merger between, CBDA, **sefa** and SEDA resulted in planned activities put on hold. This included procurement of a new or upgraded accounting and payroll system and recruitment cost to be incurred in filling of vacancies.

The travel and subsistence cost have exceeded the budget by R100 000 due to the activation of the National Secondary Cooperative Bank (NSCB) working group in March 2022 whereby CBDA provided support both financial and non-financial to ensure the National Cooperative Sector Banking Strategy (NCSBS) implementation workshops commenced.

The table below reflect costs for the administration and governance activities performed during the period under review, as stated above.

	2021/2022			Restated 2020/2021		
Activities	**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

Activities	2021/2022			Restated 2020/2021		
	Budget R'000	Actual Expenditure R'000	(Over)/Under Expenditure R'000	Budget R'000	Actual Expenditure R'000	(Over)/Under Expenditure R'000
Consultants	700	-13	713	350	202	148
Computer service	-	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
Human Resource management	150	9	141	30	-	30
Staff welfare	4	4	-	4	-	4
Subscription	10	-	10	6	-	6
Service 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
Total expenditure excludes capital expense and interest capitalised	**9 506**	**11 391**	**(1 885)**	**7 743**	**13 576**	**(5 833)**
Tangible and intangible assets	180	8	172	300	300	-

Activities	2021/2022			Restated 2020/2021		
	Budget R'000	Actual Expenditure R'000	(Over)/Under Expenditure R'000	Budget R'000	Actual Expenditure R'000	(Over)/Unde r Expenditure R'000
Surrender to COVID-19 budget	-	-	-	220	-	220
TOTAL	**9 686**	**11 399**	**(1 713)**	**8 263**	**13 876**	**(5 613)**

Programme 2: Capacity Building Unit

Highlights for the year under review

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

Challenges for the year under review

With the announcement of the merger in August 2021, the Capacity Building Unit, had to put on hold some of its activities, like the automation of services and product offerings, as well as staff appointments upon resignations.

KEY PERFORMANCE INDICATORS, TARGETS AND ACTUAL RESULTS

Strategic Objective: An Adequately Capacitated CFI Sector								
Outcome	**Output**	**Strategic Objectives**	**Actual Achievement 2019/2020**	**Actual Achievement 2020/2021**	**Planned Target 2021/2022**	*** Actual Achievement 2021/2022**	**Deviation from Planned Target to Actual Achievement for 2021/2022**	**Reasons for revisions to the Outputs / Output indicators / Annual Targets**
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 number of Board members trained to number of training programmes conducted	5	10	11	+1	Subsequent to the Quarter 1 & 2 training conducted the CBIs, indicated more areas they wanted to be trained on with regard to the National Credit Act and regulations thereof, as such another session was held in the 4th Quarter.
		Number of direct technical assistance interventions provided	35	66	64	72	+8	The Unit had to prioritise onsite visits that were not initially included in

Strategic Objective: An Adequately Capacitated CFI Sector								
Outcome	**Output**	**Strategic Objectives**	**Actual Achievement 2019/2020**	**Actual Achievement 2020/2021**	**Planned Target 2021/2022**	*** Actual Achievement 2021/2022**	**Deviation from Planned Target to Actual Achievement for 2021/2022**	**Reasons for revisions to the Outputs / Output indicators / Annual Targets**
								the unit's plans, informed by red flags picked up by the technical analysts during the monitoring interventions.
		Number of monitoring visits conducted	N/A	23	30	45	+15	The implementation of training monitoring tool, to assess the alignment of theory with practical work at CBI level, has seen an increase in the monitoring interventions.

Strategic Objective: An Adequately Capacitated CFI Sector								
Outcome	**Output**	**Strategic Objectives**	**Actual Achievement 2019/2020**	**Actual Achievement 2020/2021**	**Planned Target 2021/2022**	*** Actual Achievement 2021/2022**	**Deviation from Planned Target to Actual Achievement for 2021/2022**	**Reasons for revisions to the Outputs / Output indicators / Annual Targets**
		Percentage of organised groups supported	N/A Indicator rephrased from using absolute numbers to percentage	100%	100%	100%	-	N/A
	Enhance operational efficiency through innovate solution and technology interventions.	Percentage of registered CBIs prepared for digital transformation	N/A	0%	40%	45%	+5%	The Business Analyst is more confident now on what is required on this function from the Capacity Building perspective as such more is achievable.

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

Strategy to overcome areas of under performance

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

Changes to planned targets

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

Linking performance with budgets

The Capacity Building Unit have under spent by R3 152 000 with no impact on achieving its performance targets. The underspending can be attributed to the following:

1. Combination of virtual and on-site services rendered resulting in a decline in travel and subsistence cost.
2. Procurement to source consultants for automation of services and product offerings was put on hold due to the merger announcement.
3. Two vacancies in the unit not filled.

The table below reflect costs for the Capacity Building unit activities performed during the period under review.

Activities	2021/2022			Restated 2020/2021		
	Budget R'000	Actual Expenditure R'000	(Over)/Under Expenditure R'000	Budget R'000	Actual Expenditure R'000	(Over)/Under Expenditure R'000
TRANSFER FUNDS						
Compensation of employees	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

Activities	2021/2022			Restated 2020/2021		
	Budget R'000	Actual Expenditure R'000	(Over)/Under Expenditure R'000	Budget R'000	Actual Expenditure R'000	(Over)/Under Expenditure R'000
Venues and facilities	500	261	239	-	-	-
Total expenditure excludes capital expense	**10 784**	**7 547**	**3 237**	**12 654**	**7 391**	**5 263**
Tangible and intangible assets	-	-	-	500	457	43
Surrender to COVID-19 budget	-	-	-	176	-	176
TOTAL	**10 784**	**7 547**	**3 237**	**13 330**	**7 848**	**5 482**
GRANT FUNDS						
Travel and subsistence	-	45	(45)	-	-	-
Venues and facilities	-	-	-	2 000	19	1 981
TOTAL	**-**	**45**	**(45)**	**2 000**	**19**	**1 981**
GRAND TOTAL	**10 744**	**7 592**	**3 152**	**15 330**	**7 867**	**7 463**

Reporting on the institutional response to the COVID-19 pandemic

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

13. REVENUE COLLECTION

Sources of Revenue	2021/2022 Estimate R'000	2021/2022 Actual Amount Collected R'000	2021/2022 (Over)/Under Collection R'000	2020/2021 Estimate R'000	2020/2021 Actual Amount Collected R'000	2020/2021 (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
Service 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)
Total	**20 470**	**26 169**	**(5 699)**	**23 593**	**29 126**	**(5 533)**

The CBDA's main source of revenue is transfers from the NT (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 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 period under review.

Services in kind is from the NT and SARB to the value of R 4 442 000 and R594 000 respectively. The NT provide 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 CBDA's insufficient resources. The SARB seconded an employee to fill the vacant position of acting Managing Director which expired on 30 September 2021 with only six (6) months cost reflected.

No new applications and renewal payments was received for a representative body and support organisation.

The increase in interest income to the budget is due to unused project funds invested at First National Bank (FNB) and stabilisation funds invested in the Corporation for Public Deposits. Surplus funds in the current year also attributed to the increase in interests.

Other income received was proceeds from the sale of assets that were auctioned and movement in leave provision for the financial year.

PART C: GOVERNANCE

Part C: GOVERNANCE

14. INTRODUCTION

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

15. PORTFOLIO COMMITTEES

The CBDA presented at two sessions with the Select Committee of Finance on 31 August 2021 and 08 February 2022, as well as with the Department of Small Business on the role of the CBDA in assisting CFIs and CBs on 26 November 2021 where the CBDA was invited for the 1st time to the merger discussions. The Minister of DSBD also on 13 December 2021 invited the CBDA to the National Integrated Small Enterprise Development (NISED) Masterplan workshop which seeks to address key problems of integration along with the coordinating challenges in developing and designing better interventions for MSMEs, SMME's through specific actions and interventions which should include all cooperatives in the long term.

16. EXECUTIVE AUTHORITY

In the period under review, and in terms of the PFMA and the Treasury Regulations, the CBDA has submitted to the executive authority its Quarterly Reports for 2021/2022, and the Annual Report and Financial Statements for 2020/21. The CBDA submitted its Strategic Plan and revised Annual Performance Plan (2022/23) after approval by its Board on 18 February 2022 at a fully quorate meeting. The APP (2022/23) was then submitted to the Public Enterprise Oversight Unit and by them to the Minister of Finances office to seek approval.

17. THE ACCOUNTING AUTHORITY/BOARD

Introduction

The Board of the CBDA is independent and the Chairperson and the Board of Directors of the CBDA is 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, the Mr Luyanda Ntuane served as the Chairperson of the Board until his term of office as the Chairperson ended on 26 November 2021 and his term then extended by the Minister of Finance along with Mr Velile Pangwa's on 26 November 2021. The reappointments are valid until the incorporation of the CBDA into Seda or the dissolution of the CBDA Board, or for a 3-year period or whichever occurs sooner. Ms Ncapayi and Mr Jeffrey Ndumo's whose terms ended on 25 November 2021 could not be extended as they were already serving their (2nd) second terms of extensions on the CBDA Board. In the absence of the appointment of an MD the Board took a resolution on the 28th of October 2021 for the Chairperson of the Board to sign off on salaries, Pay as You Earn Taxes, BAS (Basic Accounting System), SARS (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 key roles and responsibilities of the Board are outlined below.

- The Board acts as the focal point for, and custodian of, corporate governance by managing its relationships with management, CFIs, the NT, other relevant government departments, and other stakeholders of the Agency along sound governance principles.
- The Board provides 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; its fiduciary duty of care, skill, and diligence, and effective leadership on an ethical foundation, while preserving the confidentiality of all confidential matters of the Agency and while maintaining the highest standard of integrity, responsibility, and accountability.
- The Board recognises that strategy, risk and performance are inseparable and gives effect to this by giving strategic guidance and direction to the Agency, approving the strategy of the Agency; 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 practices of the Agency. 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 has been reviewed during the 2020/2021 financial year with the changes focusing on providing clarity relating to Board meeting attendance rules.

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

Composition of the Board

Name	Designation (in terms of the Public Entity Board structure)	Date appointed	Date resigned	Qualifications	Area of expertise	Board directorships (List the entities)	Other committees or task teams (e.g.: Audit Committee/Ministerial Task Team)	No. of meetings attended
Mr Luyanda Ntuane[1]	Chairperson	23 November 2018 Reappointed 26 November 2021	23 November 2021	BCom (Economics & IT) PGDip Man (Distributed Commercial Information Systems) AdvDipPM (Project Management) CGEIT: Certified in Governance of Enterprise IT CISM: Certified Information Security Manager	Cybersecurity Management Digital Transformation Corporate Governance and Business Strategy Project Management Information Technology Strategy and Architecture Risk Management	Co-operative Banks Development Agency (Chairperson) Europcar South Africa Tempest South Africa Ubank Ltd: Specialist IT Advisor	Co-operative Banks Development Agency Human Resources and Remuneration (HR&R) Committee Risk and ICT Committee Ubank Ltd: Independent Specialist Member of the Information Technology and Governance Committee	11/11

Name	Designation (in terms of the Public Entity Board structure)	Date appointed	Date resigned	Qualifications	Area of expertise	Board directorships (List the entities)	Other committees or task teams (e.g.: Audit Committee/Ministerial Task Team)	No. of meetings attended
				CRISC: Certified in Risk and Information. Systems Control Fundamentals of Cybersecurity (UCT) Chief Information Officer (CIO): Professional Practice Applied Project Management in an IT Environment Masters in Information Technology (in progress)	Fintech and Banking Systems		International Data Corporation (IDC): CIO Advisory Panel Joint Operations Forum (Merger) (Member) & Technical Committee (Merger) Member	7/7

Name	Designation (in terms of the Public Entity Board structure)	Date appointed	Date resigned	Qualifications	Area of expertise	Board directorships (List the entities)	Other committees or task teams (e.g.: Audit Committee/Ministerial Task Team)	No. of meetings attended
Mr Paul Rossouw	Deputy Chairperson	29 March 2021	N/A	BCom, B. Proc, LLB	Legal Drafting Regulatory Compliance Sanctions and Enforcement Banking Supervision Exchange Control			7/11
Mr Jeffrey Ndumo[4]	Deputy Chairperson	Reappointed 23 November 2018	23 November 2021	Master of Arts MA International Relations and Political Studies BA (Honours) International Relations and Political Studies Certificate in Finance (in progress)	Politics International Relations Co-operative Development Economics and Policy Development			2/11

Name	Designation (in terms of the Public Entity Board structure)	Date appointed	Date resigned	Qualifications	Area of expertise	Board directorships (List the entities)	Other committees or task teams (e.g.: Audit Committee/Ministerial Task Team)	No. of meetings attended
				Executive Course in Globalisation and Environment; Labour Economics and Market Policy; Public Financial Management for Non-financial Managers. Co-operative Policy and Legislation; Social and Solidarity Economy				
Dr Nomfundo Ngwenya	Member	4 June 2018	N/A	PhD: International Studies	Institutional Governance Business Strategy	NXN Analytics Ntsele Global (and its subsidiaries)	HR&R Committee	11/11

Name	Designation (in terms of the Public Entity Board structure)	Date appointed	Date resigned	Qualifications	Area of expertise	Board directorships (List the entities)	Other committees or task teams (e.g.: Audit Committee/Ministerial Task Team)	No. of meetings attended
				MSc: Politics of the World Economy MA: International Studies BA and BA (Hons) Political Science	Stakeholder Relations Project Management International Relations	Phuma Phambili Engineering		
Ms Pumla Ncapayi[4]	Member	23 November 2018	23 November 2021	Master's in Business Administration (MBA) in Progress BCom Diploma in Trade Law & Policy	Policy and Strategy Development Leadership Support; International Relations	CEO (Chief Executive Officer) (Financial Sector Transformation Council)		2/11
Ms Nokonwaba Shwala	Member	4 June 2018	N/A	Master of Business Leadership	HR Specialist Executive Human Capital		Member of the HR& R Committee	3/11

Name	Designation (in terms of the Public Entity Board structure)	Date appointed	Date resigned	Qualifications	Area of expertise	Board directorships (List the entities)	Other committees or task teams (e.g.: Audit Committee/Ministerial Task Team)	No. of meetings attended
				Executive Leadership Programme Management Advancement Programme	Policy Development			
Mr Ishtiaq Amien	Member	29 March 2021	N/A	Bachelor of Art (UCT) LLB (UWC) Master of Philosophy: Information and Knowledge Management	Management Consulting, specifically Change Management, Risk Management and Strategy Development	Kovacs Student Housing Western Cape- operator and manager of student housing. Kovacs Investments 670- Holding Company Busilex Busilex Trading Seven Lanterns Trust		8/11

Name	Designation (in terms of the Public Entity Board structure)	Date appointed	Date resigned	Qualifications	Area of expertise	Board directorships (List the entities)	Other committees or task teams (e.g.: Audit Committee/Ministerial Task Team)	No. of meetings attended
Mr Velile Pangwa[2]	Member	23 November 2018 Reappointed 26 November 2021	23 November 2021	South African Institute of Chartered Accountants (SAICA), Independent Regulatory Board of Auditors (IRBA) Chartered Accountant (CA) SA BCom Honours (Accounting) University of Natal	Planning and Monitoring the Audit Preparing Financial Statements Reviewing of Financial Statements Budgets/ Financial Management	ANF CA(SA) INC	HR&R Committee, Risk and ICT Committee Audit Committee	10/11
Ms Thuli Mashanda	Member	12 December 2019	N/A	Chartered Accountant (SA) (1999/2000) (certificate 2001).		K2015336896 (South Africa) Sodubo Projects Shibika Projects	Chairperson HR&R Committee Member of the Risk and ICT committee	6/11

Name	Designation (in terms of the Public Entity Board structure)	Date appointed	Date resigned	Qualifications	Area of expertise	Board directorships (List the entities)	Other committees or task teams (e.g.: Audit Committee/Ministerial Task Team)	No. of meetings attended
				Certificate in theory in accounting (1997) UNISA Bachelor of Arts in Accounting Studies (Honours) Thames Valley University London UK (1992)		Back2Black Consulting Services Fairland College Njapa Municipal Services		
Mr David de Jong	Acting Managing Director (Secondment from the PA)	1 February 2020	30 September 2021	B. Econ B. Econ Honours	Specialist in co-operatives and financial co-operative development, supervision, and regulation	N/A	N/A	3/11

Minister's Representative								
Ms Nontobeko Lubisi[3]	Minister's Representative	23 March 2021	N/A	Postgraduate Diploma (Development Finance) University of Stellenbosch Business School (2017) BTech (Quality Management), University of South Africa (2008-2013) BCom (Statistics) in Statistics, Economics and Banking, University of Pretoria (2000-2004),	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,	Culture Roof (Pty) Ltd.		10/11

					women and SMMEs and people with disabilities.			

[1] Mr Luyanda Ntuane was reappointed Chairperson on 26 November 2021.
[2] Mr Velile Pangwa was reappointed as a member on 26 November 2021
[3] Ms Nontobeko Lubisi is the Minister's Representative since 23 March 2021.
[4] Mr Jeffrey Ndumo and Ms P Ncapayi's terms of office ended on 25 November 2021.

Subcommittees

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	No. of meetings held	No. of members	Name of members
Audit Committee	8	3	Ms Pumla Mzizi (Chairperson) Mr B Furstenburg Ms A Badimo Mr A F Sinthumule Mr V Pangwa (member)
Risk and ICT Committee[1,2]	4	3	Mr Luyanda Ntuane (Chairperson) Mr Velile Pangwa (Member) Ms Thuli Mashanda (Member)
HR&R Committee	3	5	Ms Thuli Mashanda (Chairperson) Ms Nomfundo Ngwenya (Member) Ms Nokonwaba Shwala (Member) Mr Velile Pangwa (Member) Mr Luyanda Ntuane (Member)

The CBDA subcommittees 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 his/ her responsibilities with the aim of the achievement of 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 the 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 executive directors of the Agency, including but not limited to basic salary, benefits in kind, any annual bonuses, performance-based incentives, pensions, and other benefits.

Remuneration of Board members

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

Name	Members fees	Other Allowance	Other Re-imbursements	Total
Mr Luyanda Ntuane	212 000	N/A	N/A	212 000
Mr Paul Rossouw	53 000	N/A	N/A	53 000
*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	86 000	N/A	N/A	86 000
Mr Velile Pangwa	109 000	N/A	N/A	109 000
Mr I Amien	39 000	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 agencies and entities of government serving on public entities or institutions, are not entitled to additional remuneration

18. RISK MANAGEMENT

The CBDA Risk and ICT Committee developed a Governance, Risk and Compliance (GRC) Framework to provide guidance on the function of the GRC landscape within 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 on governance, risk, and compliance of the CBDA as well as providing 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, Protection of Personal Information Act and Performance Management Information Policies.

The ICT, NT provided the CBDA with a report to give the CBDA Board an update on the work of the ICT Management and on how the unit had discharged its responsibilities in line with universally accepted principles of directors' duty of care, that ensures that prudent and reasonable steps are taken regarding IT and associated risks.

A communication and reporting channel was established between the Risk & ICT Committee and the Audit Committee to ensure appropriate oversight.

19. INTERNAL AUDIT

The CBDA makes use of the services of the NT's, Internal Audit and Enterprise Risk units which provides 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 & 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 NT regulations. The internal audit function assists the MD of the CBDA in achieving the objectives of the institution evaluating and developing recommendations for the enhancement or improvement of the governance processes; ensuring that objectives and values are established and communicated; monitoring the accomplishment of CBDA performance goals; ensuring accountability; and preserving corporate values.

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

- The reliability and integrity of financial and operational information.
- The effectiveness of operations.
- Safeguarding of assets; and
- Compliance with laws, regulations, and controls.

Audits conducted during the financial year

The risk based internal audit annual and three (3) year rolling plan 2021/22 – 2023/24 was tabled and approved by the Audit Committee for implementation. Seven internal audits were planned and completed in the period under review.

- Review of AFS for 2021/2022
- 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 which are monitored quarterly on the findings register. These audits were beneficial by assisting management to identify the gaps in controls and act to strengthening procedures and processes.

20. AUDIT COMMITTEE

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

Key activities and objectives of the Audit Committee

The Audit Committee effectively oversees the processes, models, and frameworks for managing risk across the CBDA to:

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

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

The table below discloses relevant information on the Audit Committee members

Name	Qualifications	Internal or external	If internal, position in the public entity	Date appointed
Ms P Mzizi	Bachelor of Commerce Degree (BCom) Honours in Transport Economics (University of South Africa (Unisa) BCompt Honours CTA (Unisa) (1995) BBusSci Finance Honours (UCT) (1992)	External	Chairperson	1 October 2018
Mr B Furstenburg	Master of Science (MSc) – Financial Management University of London, UK (2006) Master of Commerce (MCom) – Economics (Wits) (1999) BCom Honours (1997) and BCom (1996) (Wits) FAIS exams: RE1, RE3 & RE5 (Representative and Key Individual)	External	Member	1 June 2016
Ms A Badimo	B.Sc Computer Science B.Sc Hons Computer Science Master in Business Administration (MBA)	External	Member	1 July 2015

Name	Qualifications	Internal or external	If internal, position in the public entity	Date appointed
	Master of Science (M.Sc) CISM (Certified Information Security Manager) CGEIT (Certified in the Governance of Enterprise IT) CISA (Certified Information Systems Auditor) CRISC (Certified in Risk and Information Systems Control) Cobol Programming Diploma PMP (Project Management Professional) Cert. IT Auditing, COBIT 5, ITIL Foundation Certified ISO 22301 Lead Implementer Certified Blockchain Expert (CBE) F. Inst D (IoDSA).			
Mr A F Sinthumule	BCom Accounting (University of Venda) Diploma (Finance and Auditing) University of Zululand MBA (Special Project on PFMA) 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 CBDA 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 has a fraud policy which complies with the NT fraud prevention plan. Due to the size of the CBDA the NT Enterprise Risk Management (ERM) unit assists with compliance to the NT 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 against fraud, and appropriate action is taken in line with the policy.

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

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

23. MINIMISING CONFLICT OF INTEREST

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

24. CODE OF CONDUCT

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

25. HEALTH, SAFETY AND ENVIRONMENTAL ISSUES

As the CBDA is located on the NT's premises, it uses this entity's policies and procedures for health, safety, and environmental issues. For the year under review the CBDA was represented on the NT COVID-19 Task Team to ensure compliance to the Disaster Management Act as well as in office rotation.

26. COMPANY/BOARD SECRETARY

This position is currently vacant as the Acting Board Secretary's term ended on 14 September 2021 and the Business Support Manager is currently taking on the responsibilities of this role.

27. SOCIAL RESPONSIBILITY

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

The staff of CBDA has instituted a Charity Club Fund in their personal capacity into which monthly contributions were made towards selected charitable drives to make a change in communities. The "Charity Club" was closed at an AGM in December 2021, and funds disbursed by selecting charitable homes and purchasing of equipment such as a deep freezer, food, etc.

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 Public Finance Management Act 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 has discharged all its responsibilities in compliance with the charter.

The effectiveness of internal control

The system of internal control is designed to provide cost-effective assurance that assets are safeguarded, and that liabilities are effectively managed. As per the PFMA requirements, Internal Audit primarily and the Auditor-General of South Africa evaluate the internal controls of an 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 annual internal audit plan for 2021/22 and has monitored the performance of the Internal Audit function against that plan on a quarterly basis. 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 Co-operative Banks Development Agency (CBDA) in conducting the reviews. In the external quality assurance review the internal audit function received a generally conformance rating, which is the highest rating that can be obtained.

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

- Review of the Annual Financial Statements;
- Audit of the Annual Performance Report;
- Review of the adequacy and effectiveness of the support CBDA renders to the co-operative banking sector;
- Audit of performance information on the QPR;
- Review of the interim financial statements; and
- Audit of Performance bonus.

Based on the overall opinion expressed on the audits conducted and finalised for the 2021/2022 financial year, 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 the Enterprise Risk Management unit, the critical audit areas, and managements inputs in the formulation of its three-year strategic and the annual plans. 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 Public Finance Management Act 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 which 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 finalization of irregular and fruitless and wasteful expenditure that has accumulated over various financial years. The Audit Committee however notes that there has been no irregular expenditure incurred in the current year.

Evaluation of the Annual Financial Statements and Annual Performance Report

The Committee submits that it has:

- Reviewed the 2021/22 unaudited and audited Annual Financial Statements 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 Audit Committee has discussed the external audit outcomes on the reporting on pre-determined objectives to be included in the annual report with the Auditor-General South Africa and the Accounting Officer.

Auditor-General's Report

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

We have reviewed the organization’s implementation plan for audit issues raised in the previous year and we are satisfied that the matters raised were substantially resolved.

The Audit Committee concurs and accepts the conclusions of the Auditor-General on the Annual Financial Statements and is of the opinion that the Audited Annual Financial Statements should be accepted and read together with the report of the Auditor-General.

Appreciation

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

Pumla Mzizi CA(SA)

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Pumla Mzizi CA(SA)
Chairperson of the Audit Committee
20 August 2022

29. B-BBEE COMPLIANCE PERFORMANCE INFORMATION

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

Has the Department / Public Entity applied any relevant Code of Good Practice (B-BBEE Certificate Levels 1 – 8) with regards to the following:		
Criteria	**Response Yes / No**	**Discussion**
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 supports B-BBEE imperative. Legislation does not require compliance
Developing and implementing a preferential procurement policy?	Yes	NT Preferential Procurement Policy informs all procurement decisions within the CBDA. The CBDA follows prescripts of the NT.
Determining qualification criteria for the sale of state-owned enterprises?	N/A	CBDA is a development agency and is not responsible for selling of state-owned enterprises and assets.
Developing criteria for entering 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 Broad Based Black Economic Empowerment?	No	The financial co-operatives the CBDA provides support to CFIs, which are by their very nature primarily B-BBEE entities.

PART D: HUMAN RESOURCES MANAGEMENT

Part D: HUMAN RESOURCE MANAGEMENT

30. OVERVIEW OF HR MATTERS

The HR report summarises the employment-related activities of the CBDA from 1 April 2021 to 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 year under review and their impact

- There are six (6) contracts which are due to end on the 31st of March 2022. From the Corporate Services Unit, we have: one (1) Acting Human Resource Administrator and from the Capacity Building Unit: two (2) Analysts, one (1) Acting Analyst and two (2) Acting Junior Analysts. These contracts were extended in February 2022 as per the CBDA termination Policy which prescribes that a one months' notice must be provided be either party for extension or terminations.
- The approval of the revised policies, Bursary Scheme and Leave Benefits policy.
- CBDA employees are unionised with NEHAWU as at December 2021.
- HR Policy Register submitted to both the HR&R Committee and Board to indicate implications due to the CBDA being unionised in order to comply with the new status quo. These policies will be revised in the new financial year.
- Merger workstreams: The merger between CBDA, Seda & **sefa** comprises of three workstreams. Workstream 1: is on Policy and Structural Reform; Workstream 2: Organisational Consolidation Team and Workstream 3 is on Finance and Information Technology. The CBDA HR sits in the Workstream 2 where the team will be responsible for developing and implementing the consolidation of the business and operations of CBDA, Seda and **sefa** post-merger into one seamless business enterprise, designing and implementing the post-merger organisational chart.

Employee performance management framework

The Normalisation Committee will finalise the 2021/22 performance assessments in the new financial year.

The CBDA Board Resolution on bonuses on the 28th of October 2021 did not approve the bonuses, pending evidence of the alignment between the strategic goals of the CBDA and its performance.

The required information that proved linkage between the strategy and performance of the CBDA was presented to the HR&R Committee of the 19th of January 2022. This was followed by a Board resolution that the performance process to be audited by the National Treasury Chief Directorate: Internal Audit.

Internal Audit process commenced on 17th February 2022 on the Performance Bonus process for 2020/21

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

- HR Project plan.
- HR establishment report as of March 2021.
- Entity's approved reviewed minutes/moderation (Hard copy and Soft Copy.
- Performance Bonus HR Master schedule.
- Latest HR Performance bonus policy.
- Exceptions Database comprising of Pro-rata/ proportional cases; and
- List of CBDA employees.

Internal Audit feedback on the Performance Bonus process for 2020/21

The Final Audit report on the review of Performance Bonuses meeting was held on the 4th of April 2022 and the outcome was discussed at both HR&R Committee and Board meeting in April 2022. This process will be finalised in the new financial year as per the revised Board Resolution of April 2022.

Employee wellness programmes

Employee wellness is an integral part of the HR function, due to the COVID-19 pandemic. A SHERQ (Safety Health Environment Risk and Quality) Management Committee which comprises of NT, CBDA and Unionised Labour Organisations, consider matters that impacted the overall wellness of staff which includes; COVID-19 Case Management; Facilities Management on the refurbishment of the Building; Security Management; ICT on the automated registers and Business Continuity Plan (working from home). These meetings are held quarterly.

For the period under review, there has been three (3) positive cases, and these were reported for contact tracing.

Policy development

The following revised policies were approved under the review period:

- Revised Leave Benefits Policy
- Revised Bursary Scheme Policy

Appointments, contract extensions and Termination of employment,

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

- **CS unit**: The Finance Clerk and Business Support Manager were appointment on the 1st of July 2021, on a permanent and one-year contract respectively. The Acting Board Secretary's contract ended on the 14th of September 2021 and the Acting Managing Director's secondment by the South African Reserve Bank was not renewed post 30 September 2021. The Acting Human Resource Administrator's contract was extended to 31 March 2023.
- **CBU**: The contracts of two (2) Analysts, one (1) Acting Analyst and two (2) Acting Junior Analyst have been extended to 31 March 2023. One (1) Senior Technical Analyst resigned in February 2022.

Advertised vacant positions

In the period under review, CBDA has not advertised vacant positions.

Challenges for the year under review

- **Position for the Senior Technical Analyst not being filled:** Interviews for the above mentioned were held on the 24th of March 2021 and to-date, they have not been filled. The candidates completed the competency assessments on the day of the interview, however due to discrepancies with the competency assessments based on the Acting Managing Director's expertise, the assessments could not be used to determine competency. The candidates were requested to re-write the assessments towards the end of June 2021.
  - **Projects put on hold due to the merger**
    - Advertisement and filling of all vacant positions.
    - TOR (Terms of Reference) on Industrial Relations services.
    - HR System automation.
    - HR Plan.
    - Job Grading exercise.
    - BANKSETA Workplace Skills Plan and Annual Training Plan was put on hold due to the merger for the 2021/22 financial year.
    - The appointment of a Managing Director.

Future HR plans/goals

- **Advertisement and filling of all vacant positions**: All vacant positions should be filled permanently as they are in the structure and budgeted for and key to the operations of the CBDA.

Social events

CBDA Charity Club: The establishment of the CBDA's Charity Club (by the CBDA's employees) 11 years ago headed the call to join forces with government in contributing to the future South Africa they aspired to be part of. The organisation's employees diligently started contributing towards this noble visionary initiative to respond to a loading national crisis without any fail. The charity club's core mandate was to utilise its monthly member contributions to positively impact the lives of disenfranchised South Africans. It delivered on its mandate by organising around the annual ***"Nelson Mandela Day"*** celebrations together with the rest of the country.

The charity club committee identified NGOs, community formations, and unattached homeless people that they aimed to support during that particular year. On the 4th of March 2022, they visited the Leamogetswe Safety Home in Atteridgeville and Viva Foundation in Mamelodi.

31. HUMAN RESOURCE OVERSIGHT STATISTICS

Personnel cost by programme

Programme/activity/objective	Total expenditure for the entity (R'000)	Personnel expenditure (R'000)	Personnel exp. as a % of total exp.	No. of employees	Average personnel cost per employee (R'000)
CS unit	11 391	4 302	23%	7	615
CBU	7 592	5 996	32%	10	600
TOTAL	**18 983**	**10 298**	**54%**	**17**	**606**

Personnel cost by salary band

Level	Personnel expenditure (R'000)	% Of personnel exp. to total personnel cost	No. 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
TOTAL	**10 298**	**100%**	**17**	**606**

Performance rewards

The performance rewards for the 2021/2022 financial year are still being deliberated due to a dispute raised by employees of the CBDA. The matter is to be resolved by the Board in the new financial year.

Training costs

There were no training costs incurred but two (2) employees were invited and attended an exposure visit to Eswatini SACCO moment from 28 November to 1 December 2021. Cost was incurred for flight and travel while accommodation was cover by host, German Cooperative and Taiffeisen Confederation (DGRV).

Employment and vacancies

Programme/activity/objective	2020/2021 No. of employees	2021/2022 Approved Posts	2021/2022 No. of employees	2021/2022 Vacancies	% of Vacancies
CS Unit	7	9	7	2	22%
CBU	12	12	10	2	17%
TOTAL	**19**	**21**	**17**	**4**	**19%**

Programme/activity/objective	2020/2021 No. of employees	2021/2022 Approved posts	2021/2022 No. of employees	2021/2022 Vacancies	% of Vacancies
Top Management	1	1	1	1	-
Senior Management	2	2	2	-	-
Professional Qualified	6	9	6	3	33%
Skilled	10	9	8	-	-
TOTAL	**19**	**21**	**17**	**4**	**19%**

Employment changes

Salary Band	Employment at beginning of period	Appointments	Terminations	Employment at 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	-	-	-	-
Total	**15**	**2**	**3**	**14**

Reasons for staff leaving

Reason	Number	% of total no. of staff leaving
Death	-	-
Resignation	1	33%
Dismissal	-	-
Retirement	-	-
Ill Health	-	-
Expiry of Contract	2	77%
Other	-	-
Total	**3**	**100%**

Labour relations: Misconduct and disciplinary action

Nature of disciplinary Action	Number
Corrective Counselling	1
Verbal Warning	-
Written Warning	-
Final Written warning	-
Dismissal	-

Grievances logged for the period 1 April 2021 to 31 March 2022

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

Equity target and employment equity status

Levels	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	-	-	-	-	-	-	-	-
TOTAL	**6**	-	-	-	-	-	**2**	

Levels	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	-	-	-	-	-	-	-	-
TOTAL	**7**	-	**1**	-	**1**	-	-	-

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

PART E: FINANCIAL INFORMATION

Part E: FINANCIAL INFORMATION

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32. Statement of Responsibility

Statement of Responsibility

The Board is required by the Public Finance Management Act, 1999 (Act No 1 of 1999) (PFMA), 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 is engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board. The annual financial statements are based 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 place considerable importance on maintaining a strong control environment. To enable the Board to meet these responsibilities, management sets standards for internal control aimed at reducing the risk of error or misstatement in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the CBDA and all employees are required to maintain the highest ethical standards in ensuring the CBDA’s business is conducted in a manner that is above reproach in all reasonable circumstances. The focus of risk management in the CBDA is on identifying, assessing, managing and monitoring all known forms of risk across the CBDA's environment. While operating risk cannot be fully eliminated, the CBDA endeavours to minimise it by ensuring that appropriate controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Board is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the 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 the National Treasury for 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 CBDA would cease to be a going concern.

In discharging its oversight responsibilities, the Board is supported by the Audit, Risk and ICT Committees.
The annual financial statements set out on page 96 to 128 which have been prepared on the going concern basis, were approved by the CBDA board on 27 July 2022 and were signed on its behalf by:

Mr L Ntuane
Chairperson
Date: 31 July 2022

Mr P Rossouw
Acting Managing Director
Date: 31 July 2022

33. Report of the auditor-general to Parliament on the Co-operative Banks Development Agency

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the Co-operative Banks Development Agency set out on pages **96 to 128** 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 Standard of Generally Recognised Accounting Principles (GRAP) and the requirements of the Public Finance Management Act 1 of 1999 (PFMA).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of 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

- 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.

6. 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 to cease operations, or has no realistic alternative but to do so.

Auditor-general's responsibilities for the audit of the financial statements

7. 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.

8. 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

9. In accordance with the Public Audit Act 25 of 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.

10. 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.

11. 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	**40– 45**

12. 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.

13. The material findings on the usefulness and reliability of the performance information of the selected programmes are as follows:

Programme 2 – Capacity Building

14. **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.

15. **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

16. I draw attention to the matter below.

Achievement of planned targets

17. Refer to the annual performance report on pages 41 to 43 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 14 to 15 of this report.

Report on the audit of compliance with legislation

Introduction and scope

18. 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.
19. The material findings on compliance with specific matters in key legislation are as follows:

Annual Financial Statements, performance and annual report

20. 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

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

22. 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.

23. 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.

24. 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

25. 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.

26. 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.

27. 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

28. 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 or my findings on the reported performance information or compliance with legislation.

29. 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.

30. An investigation report done by the Specialised Audit Services (SAS), a unit within the Office of the Accountant General (OAG) relating to the irregular use of third parties for domestic conference and accommodation bookings for CBDA. This investigation covered the period June 2019 to November 2019 and was concluded on 23 March 2020 and 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

AUDITOR-GENERAL
SOUTH AFRICA

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 Co-operative Banks Development Agency 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
Assets			
Current Assets			
Receivables from non-exchange transactions	3	-	2
Prepayments	4	9	9
Cash and cash equivalents	5	21,642	20,992
		21,651	**21,003**
Non-Current Assets			
Property, plant and equipment	6	429	683
Intangible assets	7	3	3
		432	**686**
Total Assets		**22,083**	**21,689**
Liabilities			
Current Liabilities			
Payables	8	1,599	1,084
Grants	9	9,982	9,527
Provision	10	421	421
Total liabilities		**12,002**	**11,032**
Net Assets		**10,081**	**10,657**
Reserves			
Stabilisation Fund	11	2,282	2,198
Accumulated surplus/ (deficit)		7,799	8,459
TOTAL NET ASSETS		**10,081**	**10,657**

35. Statement of Financial Performance for the period ended 31 March 2022

	Note(s)	2022 R'000	2021 R'000
Revenue			
Revenue from exchange transactions			
Interest received		714	587
Services rendered		-	3
Profit on sale of assets		18	3
Other income		28	1
	12	**760**	**594**
Revenue from non-exchange transactions			
Transfers		20,328	20,473
Service in kind		5,036	8,040
Grants		45	19
	12	**25,409**	**28,532**
TOTAL REVENUE	12	**26,169**	**29,126**
Expenditure			
Employee cost	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)
TOTAL EXPENDITURE FROM CONTINUED OPERATIONS		**(18,983)**	**(21,337)**
SURPLUS/ (DEFICIT)		**7,186**	**7,789**

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
Balance at 01 April 2020		**2,116**	**2,484**	**4,600**
Restated surplus for the year		-	7,789	7,789
Transfer to reserves		82	(82)	-
Surplus funds paid for 2019/20		-	(1,732)	(1,732)
Total changes		**82**	**5,975**	**6,057**
Balance at 01 April 2021		**2,198**	**8,459**	**10,657**
Changes in net assets				
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)
Total changes		**84**	**(660)**	**(576)**
Balance at 31 March 2022		**2,282**	**7,799**	**10,081**

37. Cash Flow Statement for the period ended 31 March 2022

	Note(s)	2022 R'000	2021 R'000
Cash flows from operating activities			
Receipts			
Transfer		20,328	20,473
Services rendered		-	3
Grants		500	1,000
Interest received		714	587
Other income		30	24
		21,572	**22,087**
Payments			
Employee costs		(10,298)	(11,913)
Suppliers		(10,634)	(2,880)
		(20,932)	**(14,793)**
Net cash flows from operating activities	17	**640**	**7,294**
Cash flows from investing activities			
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
Net cash flows from investing activities		**10**	**(754)**
Net increase/(decrease) in cash and cash equivalents		**650**	**6,540**
Cash and cash equivalents at the beginning of the year		20,992	14,452
Cash and cash equivalents at the end of period	5	**21,642**	**20,992**

38. Statement of Comparison of Budget and Actual Amounts
31 March 2022

	Approved budget R'000	Revised Budget R'000	Actual amounts on comparable basis R'000	Difference between final budget and actual R'000	Reference
Statement of Financial Performance					
Revenue from exchange transactions					
Interest received	138	138	714	**(576)**	
Services rendered	4	4	-	**4**	
Profit on sale of assets	-	-	18	**(18)**	
Other income	-	-	28	**(28)**	
Total	**142**	**142**	**760**	**(618)**	
Revenue from non-exchange transactions					
Transfer	20 328	20 328	20 328	**-**	
Service in kind	-	-	5 036	**(5 036)**	1
Grants	-	-	45	**(45)**	2
Total	**20 328**	**20 328**	**25 409**	**(5 081)**	
Total revenue	**20 470**	**20 470**	**26 169**	**(5 699)**	
Expenditure					
Employee cost	(13 082)	(13 082)	(10 298)	(2 784)	1 & 3
Advertising and promotions	(183)	(53)	-	(53)	
Assets less than R5000	(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 Cost	(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)	-	
Subscription and membership	(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
Total expenditure	**(20 170)**	**(20 290)**	**(18 983)**	**(1 307)**	

38. Statement of Comparison of Budget and Actual Amounts(cont) 31 March 2022

	Approved budget	Revised Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R'000	R'000	R'000	R'000	
Statement of Financial Performance					
Surplus/(Deficit) before capital expense and interest	**300**	**180**	**7 186**	**(7 006)**	
Capital assets	(300)	**(180)**	(8)	(172)	8
Surplus/ (Deficit) for the year	**-**	**-**	**7 178**	**(7 178)**	

Reference Notes

1. The difference is due to no budget allocated for service in kind received from National Treasury for providing office space, Parking facilities and to provide services towards internal audit, enterprise risk management, legal, supply chain management, finance, IT and cleaning. This also includes in kind service received from the South Africa Reserve Bank (SARB) for secondment of an employee to the position of Acting Managing Director until 30 September 2021. The Budget has been allocated for the 2022/23 financial year.
2. Conducted training for BANKSETA after agreement that unspent funds from contract that expired on 30 June 2021 can be utilised for capacity building initiatives for the sector.
3. Compensation cost include service in kind from SARB until 30 September 2021 when the secondment expired. There are vacant positions to be filled which were put on hold due to the merger.
4. Audit fees was under budgeted due to CBDA anticipating the process undertaken by Auditor-General to exempt smaller entities from being audit by them. The revised budget was approved by the Board in February 2022 to move funds from unspent budget items. The over-spending 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 appointment of non-government officials as Board members from 3 in the 2020/21 financial year to 6 in the current year. 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 Managing Director (put on hold) and attending to CBDA operational responsibilities in the absence of an Acting Managing Director. The budget was revised to cater for these circumstances.
6. Under budgeted for annual renewal of software license for the payroll system which commenced on 1 April 2021.
7. Under spending on travel and venue is due to Covid restrictions on large gatherings for training with CBDA conducting virtual training and workshops.
8. Delay in the procurement process of the Accounting and Human Resource systems and putting on hold the procurement due to the merger announcement is the result of the funds not being utilised.

39. Accounting Policies

1. Basis of presentation

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

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

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

A summary of the significant accounting policies, which have been consistently applied in the preparation of the annual financial statements, are 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 the Cabinet announcement to merge CBDA, **sefa** and SEDA within the next 20 months. In the 2023/24 financial years the liquidation basis of preparation whereby the realisated assets and settlement of liabilities, contingent obligation and commitments will be transfer 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 and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

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

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

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

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

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.

39. Accounting Policies(cont)

1.2 Property, plant and equipment (continued)

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:

(a) it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the entity; and

(b) 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:

(a) it is technically feasible to complete the asset so that it will be available for use or sale.
(b) there is an intention to complete and use or sell it.
(c) there is an ability to use or sell it.
(d) it will generate probable future economic benefits or service potential.
(e) there are available technical, financial and other resources to complete the development and to use or sell the asset.
(f) 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.

39. Accounting Policies(cont)

1.3 Intangible assets (continued)

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 thirdly and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight-line basis over their useful life.
The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

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

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

1.4 Financial instruments

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

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

1.4.1 Cash and cash equivalents

Cash and cash equivalents comprises cash at bank 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 includes trade and other receivables from exchange and non-exchange transactions. Receivables are subsequently measured at amortised cost using the effective interest rate method.

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

1.4.3 Trade and other payables

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

39. Accounting Policies(cont)

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 (Act No.58 of 1962).

1.6 Leases

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

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

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

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

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

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

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

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

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

39. Accounting Policies(cont)

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

Useful life is either:

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

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

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

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

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

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

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

39. Accounting Policies(cont)

1.8 Employee benefits

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

1.9 Provisions and contingencies

Provisions are recognised when:

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

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

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 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

39. Accounting Policies(cont)

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 exist which is not part of normal business operations.

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

Transfers

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

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.

39. Accounting Policies(cont)

1.12 Revenue from non-exchange transactions (continued)

Services in-kind

Except for financial guarantee contracts, the CBDA recognise services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related revenue when it is probable that the future economic benefits or service potential will flow to the 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 recognise an amount of revenue equal to that reduction. A liability will be recognised to the extend 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 has 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 but can only be estimated. Estimates involve judgment based on recently available, reliable information and therefore an estimate may change as new information becomes known, circumstances change, or more experience is obtained.

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

Prior period error

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

1.14 Fruitless and wasteful expenditure

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

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

39. Accounting Policies(cont)

1.15 Irregular expenditure

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

(a) this Act; or

(b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or

(c) any provincial legislation providing for procurement procedures in that provincial government.

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

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

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

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

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

The approved budget covers the fiscal period from 4/1/2021 to 3/31/2022.

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

39. Accounting Policies(cont)

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

40. Notes to the Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

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

Standard/Interpretation:	**Effective date:** **Year beginning on or after**	**Expected impact**
GRAP 104 (amended): Financial Instruments	No effective date issued.	Not expected to impact results but may result in additional disclosure
GRAP 25 (amended): Employee Benefits	No effective date issued.	Not expected to impact results but may result in additional disclosure

4.Notes to the Financial Statements (cont)

	2022 R'000	2021 R'000
3. Receivables from non-exchange transactions		
Other receivables	-	**2**

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

	2022 R'000	2021 R'000
4. Prepayments		
Prepaid expense	9	9

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:

	2022 R'000	2021 R'000
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
	21,642	**20,992**

Cash and cash equivalent consist of six (6) banks accounts, namely four (4) in First National Bank (FNB) which includes stakeholder funds as per note 9 and two (2) in Corporation for Public Deposit (CPD) at the South African Reserve Bank (SARB) consisting of 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.

40. Notes to the Financial Statements (cont)

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 & furniture	56	(51)	5	56	(47)	9
Computer equipment	839	(415)	424	1,268	(594)	674
Total	**895**	**(466)**	**429**	**1,324**	**(641)**	**683**

Reconciliation of property, plant and equipment – 2022

	2022 R'000			
	Opening balance	Additions	Depreciation	Total
Office equipment & furniture	9	-	(4)	5
Computer equipment	674	-	(250)	424
	683	**-**	**(254)**	**429**

Computer equipment to a value of R428 850 are fully depreciated and written off the fixed asset register. Assets with a zero net carrying value was disposed off and auction 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 & furniture	13	-	(4)	9
Computer equipment	50	749	(125)	674
	63	**749**	**(129)**	**683**

Computer equipment to the value of R125 000 are fully depreciated and written off the register. Assets with a zero net carry value was disposed off. 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.

40. Notes to the Financial Statements (cont)

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)	-
Total	**333**	**(330)**	**3**	**324**	**(321)**	**3**

Reconciliation of intangible assets – 2022

	2022 R'000			
	Opening balance	Additions	Amortisation	Total
Licences	3	8	(8)	3
Computer software	-	-	-	-
	3	**8**	**(8)**	**3**

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

Reconciliation of intangible assets – 2021

	2021 R'000			
	Opening balance	Additions	Amortisation	Total
Licences	77	8	(82)	3
Computer software	5	-	(5)	-
	82	**8**	**(87)**	**3**

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.

40. Notes to the Financial Statements (cont)

	2022 R'000	2021 R'000
8. Payables		
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
	1,599	**1,084**

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 reimbursement of payment made on CBDA behalf (R1 000).

9. Grants

	2022 R'000			
	Opening Balance	Funds Received	Revenue Recognised	Closing Balance
BANKSETA	1,694	500	(45)	2,149
Department of Rural Development and Land Reform (DRDLR)	4,193	-		4,193
Small Enterprise Finance Agency **(sefa)**	3,640	-		3,640
	9,527	**500**	**(45)**	**9,982**

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
Department of Rural Development and Land Reform (DRDLR)	4,193	-	-	4,193
Small Enterprise Finance Agency **(sefa)**	3,640	-	-	3,640
	8,546	**1,000**	**(19)**	**9,527**

40. Notes to the Financial Statements (cont)

9. Grants (continued)

Department of Rural Development and Land Reform (DRDLR)

Engagement with the department was held to continue with the relationship with CBDA. The Memorandum of Understanding (MoU) have been revised with a agreement and plan on how the funds held with CBDA be utilised. The MoU still needs to be finalised.

BANKSETA

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

Small Enterprise Finance Agency (sefa)

CBDA was requested to provide a new proposal on how the funds of R3,640,000 can still be used to support the sector. A draft proposal have 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 the performance bonus and concluded that National Treasury Internal Audit Unit perform an internal audit review of the bonuses before the Board further concludes on the matter. This process has 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 the 2021/22 financial year.

40. Notes to the Financial Statements (cont)

	2022 R'000	2021 R'000
11. Stabilisation Fund Reserve		
Opening balance	2 ,198	2,116
Interest on capital	84	82
	2,282	**2,198**

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: 82 000) is capitalised.

12. Revenue

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

Profit on sale of assets relates to sale of fully depreciated assets through a auction process.
Other income relates to adjustment of leave accrual in the financial year.

	2022 R'000	2021 R'000
The amount included in revenue arising from non- exchange transactions		
Transfers	20,328	20,473
Service in kind	5,036	8.040
Grants	45	19
	25,409	**28,532**

Service in Kind

Organisation	**Type of service or goods**	2022 R'000	2021 R'000
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
		5,036	**8,040**

13. Employee related costs

	2022 R'000	2021 R'000
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
	10,298	**12,334**

40. Notes to the Financial Statements (cont)

	2022 R'000	2021 R'000
14. Lease rentals on operating lease		
Office equipment		
Amounts paid	34	33
15. Goods and services		
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 offices 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 & development	23	-
Legal fees	39	-
Staff welfare	4	-
Venue and facilities	261	44
	8,389	**8,754**

40. Notes to the Financial Statements (cont)

	2022 R'000	2021 R'000
16. Unused funds to be surrendered to National Treasury		
Cash and cash equivalent	21,642	20,992
Add: Receivables	9	2
Less: Stabilisation Fund	(2,282)	(2,198)
Less: Payables	(1,600)	(1,084)
Less: Provisions	(421)	(421)
Less: Project funds unused	(9,982)	(9,527)
	7,366	**7,764**

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

2022

Submission to National Treasury to retain surplus funds was issued on 24 August 2021 of R7 764 000 from the 2020/21 financial year. Approval was declined and the amount of R7 762 000 returned to National Treasury in December 2021.

The request to retain funds from the 2021/22 financial year would be submitted to National Treasury after the audited financials.

2021

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

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

40. Notes to the Financial Statements (cont)

	2022 R'000	2021 R'000
18. Auditors' remuneration		
Fees	1003	914
19. Commitments		

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

	2022 R'000	2021 R'000
Approved and signed contracts		
• Zanati Search Group (Pty) Ltd	110	-
• Kashan Advertising (Pty) Ltd	125	-
	235	
20. Operating leases		
Minimum lease payments due		
- within one year	32	34
- more than one year less than five years	-	32
	32	**66**

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

The lease agreement is for the use of a photocopy machine which was concluded on 26 February 2020. The rental agreement is for a period of 36 months ending 25 February 2023 with fixed rental payment of 3 years.

40. Notes to the Financial Statements (cont)

21. Related parties

Relationships

National Treasury	Executive Authority
BANKSETA	Public entity in National sphere
Department of Rural Development and Land Reform (DRDLR)	National Department in National sphere
Small Enterprise Finance Agency **(sefa)**	Subsidiary of Industrial Development Corporation of South Africa (IDC)
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 (Act no. 1 of 1999 as amended) and therefore falls within the national sphere of government. Unless specifically disclosed, these transactions are concluded at arm's length basis. There is no restrictions in the CBDA's capacity to transact with any entity.

	2022 R'000	2021 R'000
RELATED PARTY TRANSACTIONS		
BANKSETA	45	19
Department of Justice and Constitutional Development	39	-
National Treasury	5,036	6,852
	5,120	**6,871**
RELATED PARTY BALANCES		
BANKSETA	2,149	1,694
Department of Rural Development and Land Reform (DRDLR)	4,193	4,193
Small Enterprise Finance Agency **(sefa)**	3,640	3,640
National Treasury	1	-
	9,983	**9,527**

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

22. Related Party - Executive management remuneration

		2022 R'000	2021 R'000
Name	**Position**	**Total cost**	**Total**
*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
		3,432	**4,700**

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

** Mr K van Niekerk employment contract expired 15 September 2021. Amount include leave pay-out.

40. Notes to the Financial Statements (cont)

23. Related Party - Accounting Authority

Board's emoluments

	2022 R'000 Members' fees	2021 R'000 Members' fees
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
	543	**415**

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 has replaced Ms O Matshane as the ministerial representative from National Treasury effective 24 March 2021.

*** Mr Amien and Rossouw was appointed on the Board effective from 25 March 2021

**** Mr D de Jong was seconded from the South Africa Reserve Bank to be appointed Acting Managing Director effective 1st of February 2020. The contract had expired on 30 September 2021.
*Mr J Ndumo and *Ms P Ncapayi 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.

40. Notes to the Financial Statements (cont)

24. Financial instruments disclosure

Categories of financial instruments

	2022	
	R'000	
Financial assets	At fair value	Total
Cash and cash equivalents	21,642	21,642
	21,642	21,642

Financial liabilities	At amortised cost	Total
Trade and other payables	1,118	1,118

		2021	
		R'000	
Financial assets	At amortised cost	At fair value	Total
Receivable from non-exchange transactions	2	-	2
Cash and cash equivalents	-	20,992	20,992
	2	20,992	20,994

Financial liabilities	At amortised cost	Total
Trade and other payables	553	553

40. Notes to the Financial Statements (cont)

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 counter-party Investment exposure is managed by depositing funds in the CPD account in terms of Treasury Regulations.

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

MARKET RISK

Interest rate risk

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

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

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 the Cabinet decision to merge CBDA, **sefa and** SEDA with effect from 1 April 2022 into a new institution. On 6 April 2022, Cabinet approved a 20-month extension period for the amalgamation of the three entities. For the next two years CBDA will continue to receive their budget from National Treasury.

40. Notes to the Financial Statements (cont)

28. Contingent liabilities and assets

Management is aware of the probability of incident 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

a) Labour Court dispute by an ex- employee for the automatically unfair dismissal by virtue of section 18 (1) (f) of the Labour Relations Act 66 of 1995, as amended. The matter has still not been finalised to date. It is not practical to estimate the value of the legal outcome.

b) 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.

c) In terms of Section 53(3) of the PFMA, a public entity may not accumulate surplus funds without approval from the 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 pandemic resulting in revising the medium-term planning.

Contingent Assets

d) 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 and accommodation and non-accredited diploma course investigation reports.

40. Notes to the Financial Statements (cont)

	2022 R'000	2021 R'000
29. Fruitless and wasteful expenditure		
Opening balance	5,447	5,447
Add: Expenditure identified - current	-	-
Closing balance	**5,447**	**5,447**

2022

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

Progress on consequence management

Fruitless and wasteful expense for amount of R72 000 was assessed and consequence management was concluded with disciplinary action was taken against one responsible employees while the other matters no individual could be held liable due to circumstance 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 CBDA. The expiry of the contract of the Acting Managing Director 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

40. Notes to the Financial Statements (cont)

	2022 R'000	2021 R'000
30. Irregular expenditure		
Opening balance	9,891	9,839
Opening balance as restated	**9,891**	**9,839**
Add: Irregular Expenditure - current year	-	52
Closing balance	**9,891**	**9,891**

2022

No irregular expenditure have been incurred during the period.

Submission have been issued to National Treasury for condonation of irregular expenditure incurred in the prior financial year 2016/17, 2017/18. 2018/19 and 2019/20. The delay was due to 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 Managing Director have resulted in consequence management being put on hold.

31. Change in accounting estimates

Estimation of consulting service in kind offered by National Treasury

During the current period there was a change in the method of estimation for calculation of service in kind for consulting services. The average method was used in the 2021 financial year with concurrency from National Treasury. In the current year, National Treasury change the approach whereby the percentage method 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 year 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.

PART F: SUCCESS STORIES

Part F: EVENTS AND ACTIVITIES

41. CBDA VIRTUAL NTERNATIONAL COOPERATIVE UNION DAY

The efforts by the CBDA facilitated the hosting of a virtual International Cooperative Union Day (ICUD) on 21st October 2021 to bring the cooperative sector together in collaborating on how to *"Build Financial Health for a Brighter Tomorrow"*. The Sector had the honour to be addressed by the Prudential Authority CEO, executive members of FSCA, FIC (Financial Intelligence Centre), and a presentation on the South African National Cooperative Bank Sector Strategy paper delivered by a delegate from the World Bank. The "*ICUD"* event also offered a platform where digital companies presented their products on ICT, etc.

42. POTENTIAL VISION AND IMPLEMENTATION STRATEGIES FOR GROWING FINANCIAL CO-OPERATIVES IN SOUTH AFRICA – hosted in March 2022

At the "Heart of the Cooperative Banking Sector" (National Cooperative Secondary Bank)
The 1st Workshop on the implementation of the "National Cooperative Banks Sector Strategy" paper (NCBSS)" was hosted in Pretoria in March 2022 where Dave Grace from the World Bank, New York office, graced us with his presence (09 March 2022) in South Africa for a workshop on the implementation of the **Cooperative Banks Sector Strategy** paper from 08 to 10th March 2022 with a workgroup of 16 (sixteen) individuals from the CBDA, CBIs and CFIs from the Eastern Cape, KwaZulu Natal, Gauteng and Free State with a view to define the process that will be undertaken to implement the Strategy within the Sector. The aim is to see the established of a Secondary Cooperative Bank that is strong cooperative and trusted within the South African communities they serve to take banking to the people and within the communities they live and operate. The Cooperative Banking Sector Strategy paper is published on http://www.treasury.gov.za/coopbank/

43. IMAGE FROM A WORKSHOP ON THE CFI & CBI NATIONAL COOPERATIVE SECONDARY BANK STRATEGY

44. Exposure visit to Eswatini SACCO movement

Two CBDA employees was afforded the opportunity to travel to Matsapha, Eswatini from 28 November 2021 to 01 December 2021 on an exposure visit. The visit aimed to strengthen South African savings and credit co-operatives (SACCOs) 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 Cooperative and Raiffeisen Confederation (DGRV) which provides consultancy and support for development of the international cooperative sector. The Co-operative Banks Development Agency (CBDA) officials were invited to participate in the exposure visits with Co-operative Banking Institutions (CBIs) from Eastern Cape, KwaZulu-Natal and Northwest provinces.

In the official opening of the Exposure Visit; Ms Nonhlanhla Mnisi, Commissioner of Cooperatives in Eswatini, provided a brief background on the history of the co-operative movement in Eswatini, where the Cooperative Societies Proclamation was promulgated in 1964. The movement has evolved into a sector that now has seven hundred and ninety-one (791) co-operatives, with one hundred and thirty-one (131) being financial co-operatives. The membership of Co-operative movement n Eswatini is at eighty-one thousand and eighty (81 080) with over sixty thousand (62 637) as members of the SACCOs. Structures in place enables the co-operative movement to unite under one umbrella body through the National Cooperatives Federation of Eswatini, established in October 2020. The primary co-operatives affiliate into the three Apex bodies being the Eswatini Association of Savings and Credit Cooperatives Ltd (ESASCCO), the Eswatini Farmers' Cooperative Union (ESWAFCU) and the Eswatini National Youth Cooperatives Alliance (ESNYCA). The Apex bodies are then affiliated into the Federation resulting in a three-tier structure enabling cooperation among co-operatives. The programme unfolded with the Exposure Visit preceding the Youth Cooperatives summit which was hosted by the DGRV in partnership with Eswatini National Youth Cooperatives Alliance (ESNYCA).

The Summit commenced on the 30th of November 2021 and ended on the 3rd of December 2021 under the theme "rebuilding a sustainable future together, leaving no young person behind". The summit was attended by youth leaders of Youth Co-operatives from eight (8) different countries being Botswana, Eswatini, Lesotho, Malawi, Mozambique, Zambia, Zimbabwe, and South Africa. The last session of the Exposure visit, facilitated by the DGRV allowed for the representatives from the South African SACCOs to reflect on their learnings and possible next steps to take in growing and strengthening the financial co-operatives movement in South Africa.