



CO-OPERATIVE
BANKS DEVELOPMENT AGENCY

2022/23 ANNUAL REPORT

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EVENTS AND ACTIVITIES

The image shows a person's hands typing on a laptop keyboard. Surrounding the laptop are several items: a magazine titled 'BUSINESS' with an article about brand strategy, a small potted succulent, a leather wallet, a clipboard with a 'Business Company' invoice, a smartphone showing the time 08:15, a notebook with handwritten notes, a cashbook, and a small orange folder. The background is a light blue surface.

BUSINESS
Issue 764
Monday, Jun 14, 2016
#Cityaltynotes

Million reinvested in travel businesses

Branding is defined as the process of coming up with a unique name or design for a certain product. Having a good brand strategy allows you to have a major advantage in getting a large increase in your market competition. Your brand tells your customers what they can have or expect from the products and services you offer. Are you innovative or are you the experienced type? or do you offer a high-cost, high-quality product, or a low-cost, high-value product? It's impossible to be both. You should consider on thinking what your customers need you to be. Your logo is the main foundation of your brand. All the promotional materials should be connected with your logo to communicate with your brand.

Are you innovative or are you the experienced type? or do you offer a high-cost, high-quality product, or a low-cost, high-value product? It's impossible to be both. You should consider on thinking what your customers need you to be. Your logo is the main foundation of your brand. All the promotional materials should be connected with your logo to communicate with your brand.

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Business Company
123 Corporation, Inc. (2015)
123 Main St., Suite 100
New York, NY 10001
Tel: 123-456-7891

Invoice # 000000
Customer ID 223

Bill To: CURSIVE BUSINESS LTD
456 Palmetto Ave. Apt 101
Orlando, FL 32801
987-654-321

No.	Description	Quantity	Amount
1234	19 tubes	2	240.00
2567	Bed in room sofa	5	850.75
2034	Parasiticide	8	704.67
0480	Maracas necklace	4	562.74
4719	Integer vehicle	7	338.45
4532	Integer vehicle	1	400.00
4993	Quince lunch	3	496.00

Subtotal 4992.61
Tax Rate 6.50%
Tax 324.57
Other 760.87
TOTAL Due 6241.12

8:15

1. PUBLIC ENTITY GENERAL INFORMATION

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

2. ABBREVIATIONS AND ACRONYMS

AGSA	Auditor-General of South Africa
AFS	Annual financial statements
AMD	Acting Managing Director
BANKSETA	Banking Sector Education and Training Authority
B-BBEE	Broad-based black economic empowerment
CBDA	Co-operative Banks Development Agency
CBI	Co-operative banking institution (including CB and CFI)
CBU	Capacity Building Unit
CFI	Co-operative financial institution
CPD	Corporation for Public Deposits
CSU	Corporate Services Unit
DALRRD	Department of Agriculture, Land Reform and Rural Development
FNB	First National Bank
FSCA	Financial Sector Conduct Authority
GRAP	Generally recognised accounting practices
HR	Human resources
ICT	Information and communications technology
NCBSS	National co-operative banking sector strategy
NDP	National Development Plan
NSCB	National secondary co-operative bank
PFMA	Public Finance Management Act (1999)
POPIA	Protection of Personal Information Act (2013)
SARB	South African Reserve Bank
SCM	Supply chain management
SMME	Small, medium and micro enterprise
sefa	Small Enterprise Finance Agency
SEDA	Small Enterprise Development Agency
SLA	Service-level agreement

3. FOREWORD BY THE MINISTER

The Co-operative Banks Development Agency (CBDA) was established as a schedule 3A public entity in 2010. The agency is mandated to supervise, regulate and support co-operative financial institutions (CFIs). In 2018/19, the CBDA's supervisory unit was moved to the South African Reserve Bank (SARB) after the twin peaks model was implemented.

The financial services industry and related structures fell under the auspices of two regulators – the Prudential Authority under the SARB and the Financial Services Conduct Authority (FSCA). Since then, the CBDA has only been responsible for the development and support of registered and prospective co-operative banking institutions (CBIs).

As such, government is in the process of realigning its structures based on the functions of different public sector institutions. In 2020/21, the ministers of finance and small business development agreed to merge the CBDA, the Small Enterprise Finance Agency (SEFA) and Small Enterprise Development Agency (seda). The consultation process for the merger is ongoing. This includes the finalisation of the new entity's business plan and draft legislation to establish it.

Safekeeping deposits is crucial to the agency's operations. This entails protecting them from the impact of inflation, especially considering the significant increase in prices recently. Benchmark interest rates also increased between January 2022 and the end of the reporting period, from 7.5% to 11.25%. This has had positive and negative implications for CBIs. Higher interest rates have resulted in their members earning more interest on their investments. However, higher lending rates have led to borrowers struggling to service their debt.

Sustained load shedding has negatively impacted business activities in the co-operative sector as many CBIs have not yet fully advanced to uninterrupted services unlike commercial banks. Unreliable electricity supply has, therefore, added an additional operational risk to CBIs' functioning.

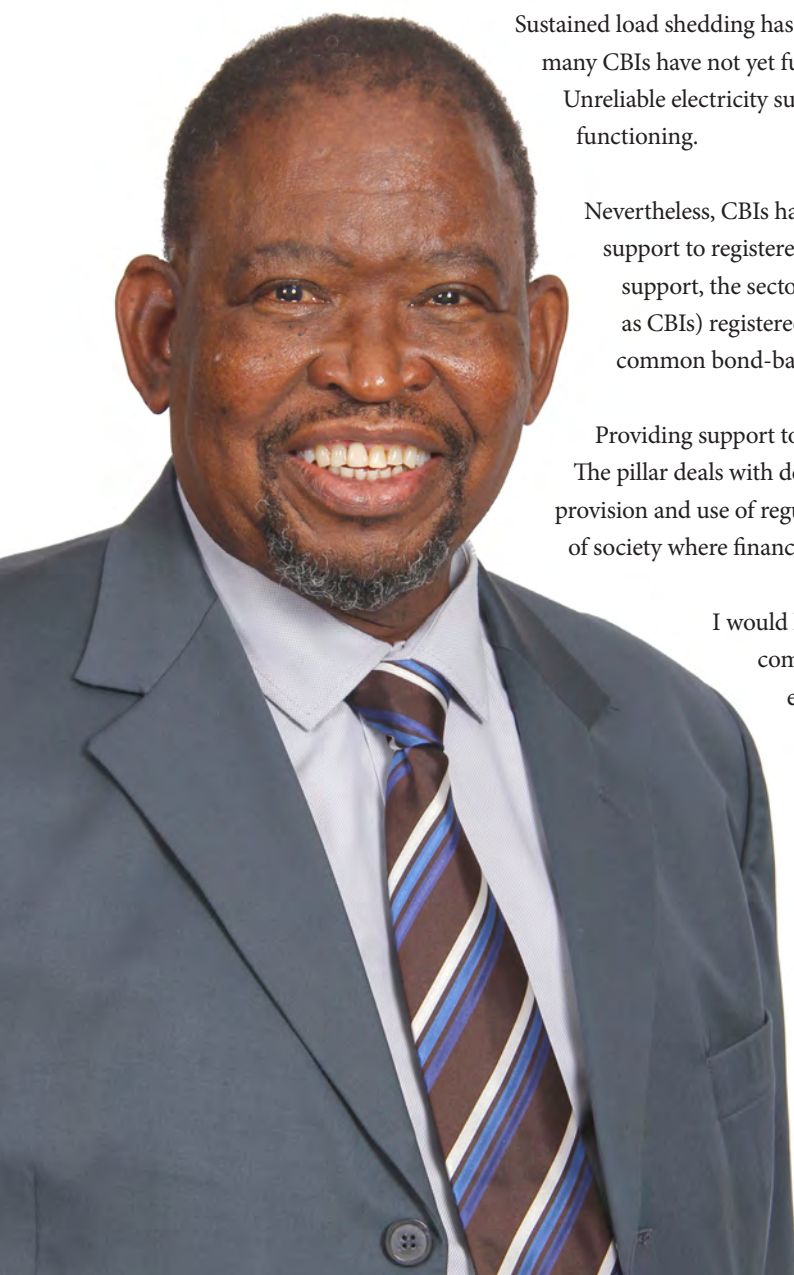
Nevertheless, CBIs have been growing through the CBDA's assistance of providing ongoing support to registered CBIs and pre-registration support to prospective CBIs. With this support, the sector now has 23 CFIs and 5 co-operative banks (collectively referred to as CBIs) registered as deposit-taking institutions with the Prudential Authority. These common bond-based institutions operate in rural and urban areas across the country.

Providing support to CBIs is part of pillar one of the CBDA's financial inclusion policy. The pillar deals with deepening financial inclusion for individuals, which is defined as the provision and use of regulated, affordable, and appropriate financial services by those segments of society where financial services are needed but not or inadequately provided.

I would like to thank the CBDA's Board of Directors, including its various committees, and its management and staff for their commitment to ensuring that its strategic objectives, as mandated by National Treasury, were achieved.



Mr Enoch Godongwana
Minister of Finance



4. FOREWORD BY THE CHAIRPERSON

I am happy to note the CBDA's considerable progress within the co-operative banking sector in its efforts to bank the unbanked. This can only be achieved by striving in difficult circumstances to grow and build capacity in the sector. As we learnt during the COVID-19 pandemic, communication and listening is of paramount importance to carry out our services.

The proposed business case required by the DSBD, National Treasury, the Department of Public Service and Administration and the Department of Planning, Monitoring and Evaluation concerning the merger, structural reconfiguration, and subsequent creation of the new entity under the DSBD is ongoing. The amalgamation of the three entities is assumed through project managers from National Treasury's Government Technical Advisory Centre to assist the DSBD with the merger, which is governed by various legislation and schedules for ultimate alignment. To fulfil the portfolio's mandate, the Minister of Small Business Development must ensure that proper co-ordination between the entities is monitored.

To fulfil its statutory mandate of overseeing growth and development, in implementing the National Co-operative Banking Sector Strategy (NCBSS) and 2020-2025 Strategic Plan, the CBDA is engaging the co-operative banking sector to contribute to banking South Africa's unbanked population and achieving financial inclusion by 2030, as envisioned in the National Development Plan (NDP).

My involvement in the joint oversight committee of the merger contributed to ensuring that the CBDA's mandate is not diluted. With the CBDA's mandate foregrounded, the merger itself is viewed as a positive move for enterprises within the co-operative banking sector to be acknowledged as future enterprises to support financial start-ups or small enterprises.

I am happy to share that the Minister of Finance appointed an Acting Managing Director (AMD) from 23 May 2022 to 23 November 2022 and confirmed his reappointment from 23 November 2022 to 23 May 2023.

As Chairperson of the Board, I am committed to ensuring the implementation of the CBDA's strategy and providing support to the management team as we continue to drive the co-operative banking sector's growth and sustainability.

The Board was invited to the Co-operative Banking Indaba in November of 2022 to engage with the co-operative sector on the implementation of the NCBSS.

The merger between the three entities into one under the DSBD is well under way. The new entity's business case has been formalised and contains input from the three entities. Broadly, this means that the new entity will have greater economic power, which could enable it to enjoy higher market share, exert more influence over the co-operative banking sector and small, medium and micro enterprises (SMMEs), as well as allow for greater community access. As such, the CBDA aims to:

- Develop sector standard operating procedures.
- Develop tools that will enhance the operational efficiency of CBIs.
- Develop a sector-specific curriculum and review existing training materials.
- Register representative bodies and support organisations.
- Provide quality assurance.
- Co-ordinate and promote an electronic presence.
- Develop a reporting portal for sector performance analysis and monitoring.



- Provide benchmarking.
- Establish and maintain a research hub and knowledge repository.
- Conduct impact assessments.
- Conduct monitoring and evaluation.
- Assist CFIs to meet the requirements to be included in the national deposit insurance scheme.
- Facilitate the establishment of a national secondary co-operative bank (NSCB).

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



Mr Luyanda Ntuane
Chairperson of the Board

5. OVERVIEW BY THE ACTING MANAGING DIRECTOR

GENERAL FINANCIAL REVIEW AND SPENDING TRENDS

The CBDA is financially stable and has sufficient funds to meet its obligations and commitments. As in the previous financial year, the country is still recovering from the economic impact of the COVID-19 pandemic. Despite these challenges, a year-on-year comparison shows significant improvement in the CBDA's overall performance, which can be attributed to an increase in support being provided to the co-operative banking sector.

New ways of operating brought on by the pandemic included virtual services and reduced spending on programmes, resulting in a surplus of R5.84 million in 2022/23, which will be surrendered to the fiscus. Expenditure amounted to 77% (R19.957 million) of the agency's total revenue during the period under review. Compensation of employees was the main cost driver, accounting for 53% of expenditure, while 17% was used for services in kind. The remaining spending comprised travel-related expenses (15%) and administrative costs (15%).

Transfers from the department accounted for 81% (R20.831 million) of revenue in 2022/23. This was insufficient to carry out the CBDA's full mandate in terms of the Co-operative Banks Act (2007). However, allocations from the department were in line with plans for the merger. It is expected that the constructive collaboration between the three entities will start showing results once the merger is finalised. Spending in the agency's core programme (Programme 2: Capacity Building Unit) accounted for 38% (R7.65 million) of total expenditure, while the remaining expenditure was on administration (Programme 1: Administration). This is due to the relatively high costs of governance and compliance requirements for a schedule 3A public entity.

Despite the challenges posed by the COVID-19 pandemic, a year-on-year comparison shows significant improvement in the CBDA's overall performance (from 62% in 2020/21 and 68% in 2021/22 to 100% in 2022/23). The agency's operating model responds to the outcomes derived from its mandate and provides scope for collaborating with SEDTA, sefa and provincial departments of economic development, tourism and environmental affairs as vehicles and partners.

CAPACITY CONSTRAINTS AND CHALLENGES

Due to the Supervision Unit moving to the Prudential Authority, increasing administrative support to the CBU became unfeasible. Senior positions – such as Chief Financial Officer, Compliance Officer and Labour Practitioner – have not been filled. Current staff members, however, have been commended for performing functions over and above their normal responsibilities. To alleviate severe capacity constraints, external service providers were sourced when necessary.

DISCONTINUED KEY ACTIVITIES

The announcement of the merger has resulted in some projects and activities being put on hold. These include filling administrative vacancies and specific procurement plans, which contributed to the underspending during the period under review.

NEW ACTIVITIES

The merger of the CBDA with SEDA and sefa into a single entity is likely to be finalised either by the end of 2023 or early 2024. The successful merger will be the result of a collaborative process between the three entities, National Treasury, the DSBD and the Industrial Development Corporation. The business case and draft legislation to enable and support the merger and the functions of the new entity have been developed and is at an advanced stage. Legislative amendments are proposed, particularly to the National Small Enterprises Act (1996), the Co-operative Banks Act (2007) and the Co-operatives Act (2005).

CBI supervision and regulation functions have already been transferred to the Prudential Authority. For practical reasons, the new entity will be tasked with CBI development, reporting directly to the Minister of Small Business Development.

The new entity is expected to provide financial and non-financial support to SMMEs, including co-operatives, co-operative banks and CFIs. Along with SMMEs, CBIs and other co-operatives are recognised as critical to South Africa's economic development and response to the country's unemployment crisis.

During the year under review, the CBDA's staff complement was 15, of which 4% were deployed for administrative operations. However, this is insufficient to attend to the compliance requirements for a schedule 3A public entity.

REQUEST FOR ROLL-OVER FUNDS

During the period under review, the CBDA surrendered surplus funds amounting to R4.149 million from 2021/22 to National Treasury, with R3.209 million approved for retention. The retained funds were primarily used for the Co-operative Banking Indaba, training, and the facilitation of activities for the working group involved in establishing an NSCB.

The CBDA expects to submit a request to National Treasury to retain surplus funds amounting to R8.382 million for 2023/24. These funds are earmarked for conducting competency-based training to upskill and empower the CBI sector; host the next Co-operative Banking Indaba; provide resources to advocate, facilitate and support the implementation of the NCBSS, and organise roadshows to raise awareness about the strategy.

SUPPLY CHAIN MANAGEMENT AND UNSOLICITED BID PROPOSALS

The CBDA continued to use National Treasury's supply chain management (SCM) services during the period under review. Going forward, the proposed renewal of the memorandum of understanding and service-level agreement (SLA) between SCM and the CBDA is intended to improve the relationship between the parties and delineate clear roles and responsibilities. National Treasury continues to assist the CBDA with certain functions in SCM.



Audits have reflected a decline in SCM findings, which is a result of effective controls put in place. The CBDA's bid processes are handled by the National Treasury as a service in kind. The CBDA has not concluded any unsolicited bids or proposals for the year under review. Processes and systems are in place to detect and prevent irregular expenditure.

CHALLENGES EXPERIENCED AND HOW THEY WILL BE RESOLVED

The CBDA continued to implement government priorities, as outlined in the NDP and government's 2019-2024 Medium-Term Strategic Framework. Although the agency faced challenges in aligning these national priorities with its own, its strategic plan, annual performance plan, operational plans and individual senior management service performance agreements were adapted accordingly. The CBDA also successfully collaborated with provincial departments of economic development to assist with training in their regions.

AUDIT REPORT MATTERS IN THE PREVIOUS YEAR

The CBDA's management has implemented an action plan to address internal and external audit matters. These matters were monitored, updated and tabled at monthly management meetings and Board sub-committees. Internal audit reviewed these findings and reported to management quarterly. Relevant matters, where necessary, were escalated to the audit committee for guidance. Due to the CBDA's limited capacity in financial reporting, a service provider was appointed to assist with addressing some of the misstatements in the financial reports and to review the Annual Financial Statements (AFS) for the period under review.

PLANS TO ADDRESS FINANCIAL CHALLENGES

Systems that are already in place are bearing fruit, as demonstrated by the agency's improved overall performance. The CBDA received an unqualified audit opinion for 2020/21 and 2021/2022. The agency will review current systems to address recommendations from the Auditor-General of South Africa (AGSA). Knowledge and guidance of the CBDA's oversight structures, such as the Board and Board committees, will be fully used to assist the CBDA in addressing financial and other challenges.

During the period under review, the CBDA ensured that training and direct technical assistance were provided where challenges were experienced, specifically on matters related to the management and administration of CBIs/CFIs and strengthening their governance capacity. Training for managers and staff on the implementation of numerous risk management strategies was also provided. These efforts are expected contribute towards professionalising the co-operative banking sector.

EVENTS AFTER THE REPORTING DATE AND ECONOMIC VIABILITY

The merger outlined above is the primary event reported on after 31 March 2023. For the near future, the CBDA will continue to receive its budget from National Treasury until the merger is finalised.

Through the new entity, CBIs should have access to the full spectrum of financial and non-financial support across their life cycles. Developmental support should also be available in all parts of the country due to the anticipated larger footprint of the new entity. It will be crucial for the new entity to continue to build capacity in the CBI sector, identify new and robust sources of funding and support the shift to digital delivery channels in general.

The CBDA appreciates the support received from the Banking Sector Education and Training Authority (BANKSETA) pertaining to grant funding, as detailed in the AFS. The agency did not receive exemptions and deviations from National Treasury in 2022/23.

ACKNOWLEDGEMENT/S AND APPRECIATION

I would like to thank National Treasury for its continued support in terms of the operational budget, the CBDA Board of Directors for their unwavering support in providing strategic direction, and management and staff for working tirelessly in implementing the strategic plan. A special word of thanks goes out to our CBIs for providing valuable banking services to their members.



Mr Paul Rossouw
Acting Managing Director

6. STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY

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

- All information and amounts disclosed in this annual report are consistent with the AFS, as audited by the AGSA.
- This annual report is complete, accurate and free from any omissions.
- This annual report has been prepared in accordance with National Treasury guidelines.
- The AFS (Part E) have been prepared in accordance with the generally recognised accounting principles (GRAP) applicable to the public entity.
- The accounting authority is responsible for the preparation of the AFS and for the judgements made in this information.
- The accounting authority is responsible for establishing and implementing a system of internal controls designed to provide reasonable assurance as to the integrity and reliability of the performance information, the HR information and the AFS.
- The external auditors are engaged to express an independent opinion on the AFS.
- This annual report fairly reflects the operations, performance information, HR information and the financial affairs of the CBDA for the financial year ended 31 March 2023.

Yours faithfully,



Mr Paul Rossouw
Acting Managing Director



Mr Luyanda Ntuane
Chairperson of the Board

7. STRATEGIC OVERVIEW

7.1. VISION

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

7.2 MISSION

The CBDA's mission is to create an enabling environment for the co-operative banking sector through innovative solutions, capacity building, and funding and technology interventions. This is achieved through support provided to CBIs, for the ultimate benefit and financial inclusion of underserved communities in South Africa.

7.3 VALUES

PASSION

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

INTEGRITY

To be honest, frank, accountable and transparent.

MUTUAL RESPECT

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

COMMITMENT TO SOLIDARITY AND CO-OPERATION

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

EXCELLENCE

To be value-adding, diligent, professional, punctual and competent. This includes attention to detail and committing to learning and knowledge.

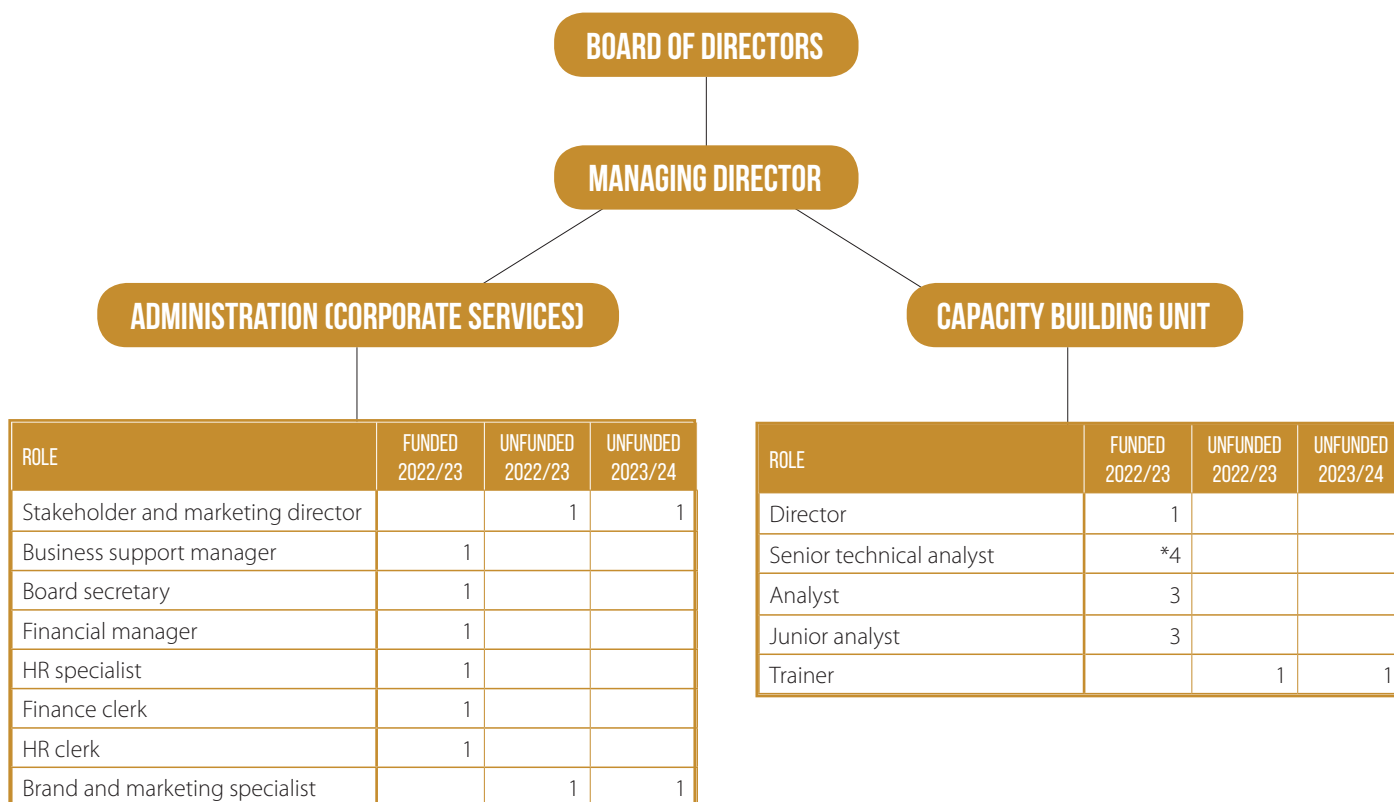
CONFIDENTIALITY

To ensure confidentiality with all stakeholders, where necessary.

8. LEGISLATIVE AND OTHER MANDATES

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

9. ORGANISATIONAL STRUCTURE



* The organisational structure is still under consideration depending on the future structure of the CBDA.

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

MANAGEMENT TEAM

CBDA Management team (left to right): Ms Ayanda Radebe, Ms Nomadelo Sauli, Mr Paul Rossouw, Ms Catherine Whitley, Ms Lorna Padayachee

CAPACITY BUILDING UNIT

CBDA Capacity Building team (left to right): Mr Caleb Mampane, Ms Tebogo Tshabalala, Ms Khuthala Lengisi, Ms Nomadelo Sauli, Ms Poppy Thubana, Ms Portia Botabota, Mr Nare Senne

ADMINISTRATION (CORPORATE SERVICES)

Mr Paul Rossouw: Acting Managing Director



Ms Catherine Whitley : Business Support Manager

FINANCE TEAM

Ms Lorna Padayachee:
Deputy Director: Financial Management



Ms Ofentse Seageng: Finance Clerk

HUMAN RESOURCES TEAM

Ms Ayanda Radebe:
Human Resource Specialist



Mr Solofelang Modise:
Human Resource Administrator

CAPACITY BUILDING UNIT



Ms Nomadelo Sauli: Director: Capacity Building



Mr Caleb Mampane: Senior Technical Analyst



Mr Oral Matsimbi: Senior Technical Analyst



Ms Tebogo Tshabalala: Technical Analyst



Mr Nare Senne: Technical Analyst



Ms Poppy Thubana: Technical Analyst



Ms Khuthala Lengisi: Analyst



Mr Theo Ndlovu: Analyst

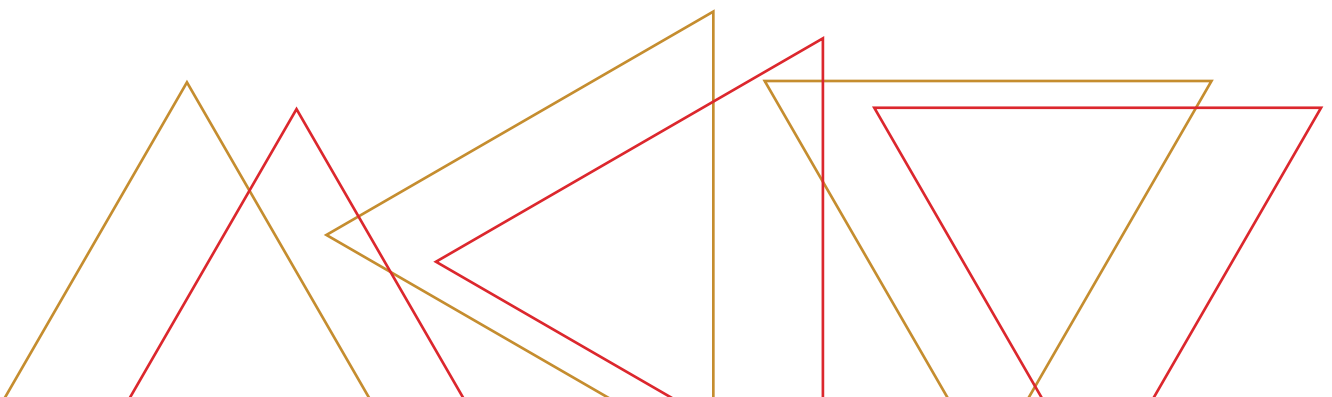


Ms Portia Botabota: Analyst



Part B

PERFORMANCE INFORMATION



10. AUDITOR'S REPORT: PREDETERMINED OBJECTIVES

The AGSA performs the necessary audit procedures on the performance information to provide reasonable assurance in the form of an audit conclusion. The audit conclusion on the performance against predetermined objectives is included in the report to management, with material findings being reported under Predetermined Objectives heading in the Report on Other Legal and Regulatory Requirements section of the Auditor's Report, published as Part E: Financial Information.

11. SITUATIONAL ANALYSIS

SERVICE DELIVERY ENVIRONMENT

The AMD is responsible for overseeing the preparation of the CBDA's performance information and for judgements made on this information. The AMD is also responsible for establishing and implementing a system of internal controls that will provide reasonable assurance about the integrity and reliability of the performance information. In the AMD's opinion, the performance information fairly reflects actual achievements against planned objectives and targets in line with the strategic and annual performance plans of the CBDA for the financial year ended 31 March 2023.

The CBDA's performance information for the year ended 31 March 2023 has been examined by the AGSA, whose report is presented on pages 56 to 60. The CBDA's performance information, as set out on pages 25 to 29, was approved by the Board of Directors.

ORGANISATIONAL ENVIRONMENT

The CBDA consists of two units, Corporate Services and Capacity Building. The Corporate Services Unit (CSU) is responsible for strategic leadership, governance, financial management and HR. It is also responsible for ensuring that all the agency's activities are well co-ordinated; as well as stakeholder management, marketing and research.

The CBDA depends on National Treasury for office accommodation, ICT, legal services, SCM, risk management and internal audit services due to limited funding and capacity constraints within the CBDA. SLAs are signed with units within National Treasury to improve the efficiency of services offered.

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

The CBDA's goal is to explore and understand challenges faced by the co-operative banking sector in servicing their members.

KEY POLICY DEVELOPMENTS AND LEGISLATIVE CHANGES

To mitigate against the risk of CBIs failing to meet their obligations and assist in maintaining their financial stability.

STRATEGIC OUTCOME-ORIENTED GOALS

OUTCOME	OUTCOME INDICATOR	BASELINE	FIVE-YEAR TARGET	STATUS FEBRUARY 2022	STATUS FEBRUARY 2023	PROGRESS TOWARDS FIVE-YEAR TARGET
Facilitate increased access to financial services by communities to ensure economic transformation	Increase in co-operative banking membership	27 490 (Feb 2019)	100% increase to 54 980	29 200	30 924	24 056 (shortfall of 24 056)
	Percentage increase of member deposits	R296m (Feb 2019)	50% increase to R444m	R468m	R515m	R71m (exceeded target by almost 16%)
	Number of registered CBIs by Prudential Authority	26 (Feb 2019)	30	29	28	-2 (2 CBIs short of target)
	Facilitate operational efficacy through innovative solutions and technological interventions	–	100% of CFIs digitised	No progress. Developed strategy	–	No progress due to budget constraints

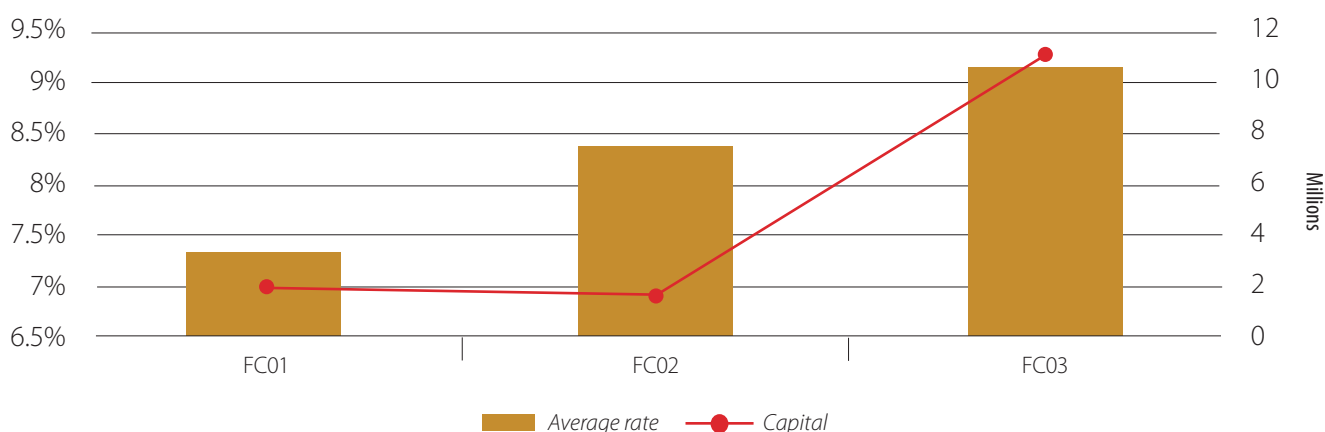
- The CBDA developed and maintained strong stakeholder relationships through participation, collaboration and partnerships. These relationships resulted in the following activities, which contributed to fulfilling the agency's mandate:
 - Initiating the process of developing a NCBSS for South Africa with assistance from National Treasury and the World Bank.
 - Signing a memorandum of understanding with the Prudential Authority to promote collaboration on regulatory issues and providing support required by the co-operative banking sector.
 - Attending some sessions of the International Monetary Fund/World Bank Financial Sector Assessment Programme review process, the FRS II as well the National Consumer Financial Education Committee for organising the Money Smart Week South Africa, which is aimed at driving consumer financial literacy in South Africa.

RSA FINANCIAL CO-OPERATIVE RETAIL BONDS UPDATE (2022/23)

National Treasury launched the Financial Co-operative Retail Savings Bonds in October 2011 to provide a secure savings instrument CBIs/CFIs can invest in. The bonds offer competitive interest rates that are calculated biannually. Additional features include the uniqueness of the CFI model. Through top-ups, the model allows for early withdrawals and the preservation of capital with no fees and charges or penalties levied. The CFIs that continue to invest have accumulated notable interest on their capital amounts.

The CBDA encourages more CFIs to invest as it is risk-free and provides guaranteed financial growth. This is mainly done through a deposits and membership mobilisation project introduced by the CBU, wherein 4 CBIs participated and contributed 40.9% of the overall increase for 2022/23. As at 31 October 2022, R15.258 million was invested and 37 investments were made, with an average coupon of 8.07% across all bonds.

FIGURE 1: RSA FINANCIAL CO-OPERATIVE BONDS UPTAKE AS AT 31 OCTOBER 2022



Source: RSA Retail Savings Bonds

AVERAGES PER FINANCIAL YEAR

- 2019/20: 7.65%
- 2020/21: 6.89%
- 2021/22: 6.12%
- 2022/23: 8.07%

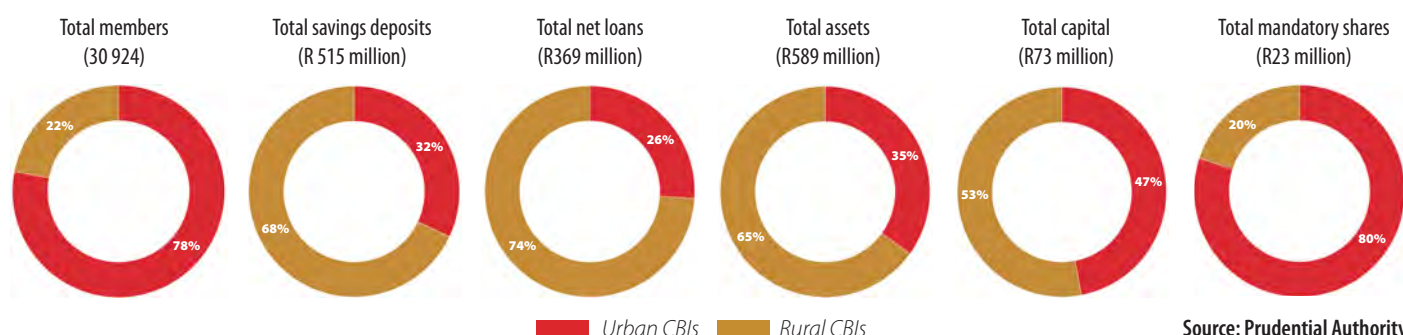
OVERALL AVERAGES PER BOND OFFERING

BOND	AVERAGE RATE	CAPITAL	INVESTMENTS
FC01	7.28%	R2 347 450.79	9
FC02	8.32%	R2 078 241.25	8
FC03	8.62%	R10 832 973.34	20
Total	8.07%	R15 258 665.38	37

TABLE C: CBI SECTOR PERFORMANCE (2022/23)

	NUMBER		MEMBERS		DEPOSITS		LOANS		ASSETS		CAPITAL	
February	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Co-operative banks	5	5	5 585	5 356	R405m	R368m	R314m	R246m	R452m	R413m	R47m	R45m
CFIs	23	24	25 339	23 844	R110m	R100m	R55m	R70m	R137m	R135m	R22m	R28m
Total	28	29	30 924	29 200	R515m	R468m	R369m	R316m	R589m	R548m	R69m	R73m

CO-OPERATIVE BANKING SECTOR PERFORMANCE – URBAN VS RURAL



1. The financial year-end of co-operative banks and CFIs is 28/29 February.
2. Amounts stated in the table and below in the narration have been rounded off.

Table C depicts the South African co-operative banking sector with 28 CBIs (five co-operative banks and 23 CFIs) registered as at 28 February 2023. There is one CBI that was deregistered during the financial year. Sector membership increased by 5.9% compared to the previous year.

Member deposits increased by 10.04%, while member loans increased by 16.77%. There is a high concentration of deposits and loans held by co-operative banks, amounting to 78.64% and 85.09%, respectively. The sector's total assets increased by 7.48%, while members' capital decreased by 5.48% during the period under review. The CBDA met and exceeded its five-year target of R444 million in member deposits by almost 16%, as per Table A. The CBDA's capacity-building machinery has been repurposed to attain the other growth indicators for the sector (membership and registered CBIs).

Worth noting is that the total net loan book for CFIs continued to decrease by the end of their financial year (28 February 2023). The book decreased by 21.43%, from R70 million in the previous year to R55 million in the current year, while the net loan book for co-operative banks increased by 27.64%, from R246 million in the previous year to R314 million by 28 February 2023. The co-operative banking sector's net loan book was recorded at R369 million for the period ended 28 February 2023.

12. PERFORMANCE INFORMATION BY PROGRAMME

PROGRAMME 1: ADMINISTRATION

The AMD is responsible for strategic leadership, governance, financial management and HR. The AMD is also responsible for ensuring that the agency's activities are well co-ordinated. The administration unit is responsible for stakeholder management, marketing, research and administration of the Stabilisation Fund.

The following activities were undertaken during the period under review:

- The 2022/23 Annual Performance Plan was approved in line with the agency's 2020-2025 Strategic Plan, taking into consideration funding constraints and the announcement of the merger. It should be noted that plans for the merger were approved and tabled in Parliament by the Minister of Finance.
- Implementation of the NCBSS with the World Bank began in April 2022 with the aim of establishing and implementing the first pillar by 30 September 2023. The pillar comprises the creation of an NSCB in South Africa with capacitation and support services from the CBDA.
- The President of South Africa lifted the state of disaster on 5 April 2022. This had an impact on the agency's operations in the first two quarters of the period under review as the CBU still conducted most training and monitoring virtually. The lifting of the state of disaster resulted in activities being adjusted as per presidential and ministerial directives. Increased traction towards on-site monitoring and training was seen from the end of the second quarter onwards.
- The CBDA was encouraged by the large number of people who attended the National Credit Regulator's virtual workshop, as well as training conducted by the risk management and supervisory/audit committees. Far less training would have been conducted if sessions were not held online due to financial constraints.
- The agency resumed communication with the sector through online newsletters, which were compiled with input from the co-operative banking sector and published on the CBDA's website at the end of each quarter. The newsletter is aimed at keeping stakeholders abreast on what is happening at the CBDA and within the broader co-operative sector.

HIGHLIGHTS FOR 2022/23

The CBDA's development strategy is aligned with the NDP in capacitating the co-operative banking sector towards building an inclusive economy, enhancing the capacity of the state, and promoting leadership and partnerships across South Africa.

The successfully hosted Co-operative Banking Indaba, which took place in Eastern Cape, informed sector stakeholders of the pending merger. Although there are uncertainties, the CBDA ensured attendees that its mandate will be incorporated into the new entity. Stakeholders were also informed about how they might be affected by the merger, particularly in terms of CBDA programmes. The agency will, however, continue to meet its responsibilities in terms of its current mandate.

THE YEAR UNDER REVIEW

NATIONAL CO-OPERATIVE BANKING SECTOR STRATEGY

Pillar 1 of the NCBSS is being implemented. This entails establishing an NSCB as an alternative to commercial banks, and bringing more competition to the retail and SMME sectors. Overall, an NSCB should lower the costs of banking for consumers and underserved groups in the economy. In reality, there are some pros and cons to achieve the establishment of an NSCB, as detailed below.

COMPETITIVE ALTERNATIVE TO BANKS

PROS	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 co-operative financial sector - May be able to attract foreign investment for growth	- Difficult to achieve in the next 5-10 years as there are a limited number of successful examples of greenfield national co-operative banks - Could encounter significant resistance from banks, credit providers and existing CFIs - Requires significant funding from foreign or domestic investors or a government that is already cash-strapped - 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 CFIs, South Africa is at 0.07% (ranks last out of 118 countries) and had USD 34 million in assets in 2018.

UPDATED STATISTICS

COUNTRY	ASSETS OF FINANCIAL CO-OPERATIVE BANKING INSTITUTIONS IN USD (2021)	PERCENTAGE OF ADULTS WITH ACCOUNTS IN CBIS IN USD (2021)
South Africa	\$34 million	0.07%
Kenya	\$20 billion	30.42%
Brazil	\$75 billion	9.16%
Colombia	\$7.4 billion	23.04%
Lesotho	\$7.3 million	5.71%

Source: World Council of Credit Unions statistical report

COUNTRY	PERCENTAGE OF ADULTS WITH ACCOUNTS (2018 FINDEX)	ASSETS OF FINANCIAL CO-OPERATIVES IN USD (2018)	PERCENTAGE OF ADULTS WITH ACCOUNTS IN FINANCIAL CO-OPERATIVES (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%

Source: NCBSS

WORKING GROUP

The NCSB working group has been active since April 2022 and has engaged in seven on-site workshops that ran four sessions over three days each. Some of these workshops were attended virtually by World Bank representatives who provided guidance and engaged on matters such as requests for surveys and technical assistance. A four-phase plan was developed by the working group towards establishing an NCSB by 30 September 2023.

The working group has further established three sub-committees with the following focus areas:

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

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

CBDA AND PRUDENTIAL AUTHORITY MEMORANDUM OF UNDERSTANDING

To promote collaboration in the development and regulation of CBIs, the Prudential Authority and CBDA signed a memorandum of understanding that aims to:

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

No new draft standards for co-operative banks were issued during the period under review. The standards and comment templates are available on the Prudential Authority's website (<https://www.resbank.co.za/en/home/what-we-do/Prudentialregulation>).

CONDUCT STANDARDS FOR CO-OPERATIVE FINANCIAL INSTITUTIONS BY THE FSCA

The conduct standard, as well as a statement in support of the draft conduct standard are available on the FSCA's website (<https://www.fsca.co.za>).

PROTECTION OF PERSONAL INFORMATION ACT (2013) (POPIA)

The CBDA has a POPIA-related policy in place, which is available on its website (<https://www.treasury.gov.za/coopbank/>). Stakeholders are advised to familiarise themselves with the policy in order to gain practical knowledge on the lawful processing of personal information to protect the public from harm, to stop citizens' money from being stolen, to stop identity theft and to protect citizens' privacy.

CAPACITY-BUILDING INITIATIVES

The CBU continued to offer capacity building services to CBIs in the form of direct technical assistance, training, and pre-registration support to prospective CBIs. The majority of the interventions (70%) were conducted virtually. In the fourth quarter, the CBU undertook a member education drive that proved to be valuable. These will be conducted in every quarter.

STAKEHOLDER SUPPORT

During the period under review, the CBU hosted stakeholder training programmes in collaboration with the National Credit Regulator; BANKSETA; the Association for Savings and Investment South Africa; the Eastern Cape Department of Economic Development, Environmental Affairs and Tourism; and the Gauteng Department of Economic Development.

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 2020/21	AUDITED ACTUAL PERFORMANCE 2021/22	PLANNED TARGET 2022/23	ACTUAL ACHIEVEMENT 2022/23	DEVIATION FROM PLANNED TARGET FOR 2022/23	REASON FOR DEVIATIONS
Increased 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	26	33	12	13	+1	The CBDA exceeded this target for the year under review. This was due to requests coming through the CBDA mailbox, word-of-mouth engagements and phone calls, among other things. Organised groups or individuals were presented with the information needed and requirements to register a CBI. This achievement is not funded as it is provided via information sessions either on MS Teams or when the groups meet with the CBDA
		Number of communication activities and publications	6	5	5	5	–	Target was met by the CSU in collaboration with the CBU due to resource constraints
	Leverage products and services offered by partners and stakeholders through collaboration and agreements	Number of partners and stakeholder relationships	8	11	8	29	+21	Due to the merger, the CBDA had much more engagements at different forums, workstreams and the DSBD, among others. These engagements were held to present on what the CBDA does. In March 2023, the CBDA also presented at Parliament's Select Committee on Finance on actions implemented to address audit findings and consequence management investigations

STRATEGIC OUTPUT 2: ENSURE AND MAINTAIN EFFECTIVE, EFFICIENT AND TRANSPARENT SYSTEMS OF FINANCIAL AND RISK MANAGEMENT, SCM AND INTERNAL CONTROL								
OUTCOME	OUTPUT	OUTPUT INDICATOR	AUDITED ACTUAL PERFORMANCE 2020/21	AUDITED ACTUAL PERFORMANCE 2021/22	PLANNED TARGET 2022/23	ACTUAL ACHIEVEMENT 2022/23	DEVIATION FROM PLANNED TARGET FOR 2022/23	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 opinion (2020/21)	Unqualified audit opinion (2021/22)	Unqualified audit opinion (2022/23)	Unqualified audit opinion (2022/23)	–	–
	Maintain a compliant SCM process	Percentage of valid invoices paid within 30 days	76% valid invoices paid within 30 days	100% valid invoices paid within 30 days	100% valid invoices paid within 30 days	100% valid invoices paid within 30 days	–	Monitoring register implemented and follow up with National Treasury finance to provide proof of payment

STRATEGY TO OVERCOME AREAS OF UNDERPERFORMANCE

The administration unit achieved all its targets for the period under review, as continuous monitoring of systems and processes are in place to eliminate deficiencies in service delivery.

LINKING PERFORMANCE WITH BUDGET

The Administration programme is allocated 63% (R16.879 million) of the agency's total budget. The bulk of spending in the programme is on compliance, governance and administrative support.

A limited budget of R641 000 was provided for the CBDA's annual conference (venue, travel and subsistence). However, an actual cost of R1.615 million was incurred for these activities. This was possible due to National Treasury having approved the retention of surplus funds from 2021/22. This resulted in exceeding the target for the indicator "number of partners and stakeholder relationships having a significant impact by collaborating, sharing information, and strategising on the financial co-operative sector".

An amount of R1.398 million was allocated for governance, which proved sufficient. This ensured effective oversight of management, which resulted in an unqualified audit opinion, no irregular, fruitless and wasteful expenditure, and a 100% payment compliance rate. Participation in the merger contributed to expenditure of R619 000 being incurred.

The budget allocated for compensation of employees, amounting to R6.376 million, was insufficient to cover all requirements set out for a schedule 3A public entity. This was despite National Treasury offering services in kind to the CBDA.

OVER/UNDER SPENDING

National Treasury approved the retention of the 2021/22 surplus of R3.209 million. The retained funds were used for the Co-operative Banking Indaba and facilitating the working group to set up to establish an NSCB. This resulted in overspending, as indicated in the table below.

The merger of the CBDA with **sefa** and SEDA is progressing steadily. Management has put matters on hold to prevent overburdening the new entity once the merger is finalised. However, the suspension of these matters impact on improving the CBDA's efficiency and addressing its current capacity constraints.

The underspending of R4.563 million did not have a significant impact on the programme's performance targets. Efforts to ensure the efficiency and quality in fulfilling the agency's compliance and governance requirements were met. Reasons for under/over spending include:

- Board cost underspending is due to the challenge of appointing a suitable service provider to take quality minutes and facilitate virtual governance meetings. This service was carried out by the business support manager since filling the Board Secretary position was put on hold due to the merger.
- Consultants were overbudgeted for the review of the AFS.
- Legal fees were not used due to the CBDA not being able to contract a service provider to conduct disciplinary hearings emanating from an investigation report. The procurement process was delayed due to engagements between National Treasury's SCM and HR divisions.
- The budget allocated for services in kind rendered by National Treasury was overestimated for the period under review, resulting in high underspending.
- Underspending on training and development was due to insufficient capacity among staff with already high workloads.
- Underspending on compensation of employees was due to the vacant Board Secretary post. Other contributing factors include the resignation of a finance clerk and the late appointment of an AMD. The reappointment of the AMD on a contract from 24 November 2022 to 24 May 2023 closed the leadership gap. The following results were noted:
 - Effective leadership direction in the managing of the BANKSETA partnership, resulting in funds retained and used towards training in the co-operative banking sector.
 - Efficient oversight on operational matters to ensure the continuity of the CBDA mandate within the co-operative banking sector as well as the merger activities. This decreased the total number of meetings between management and the Board.

- Consequence management continued and engagements into the investigations on the Fort Hare University matters could continue.
- No delays in decision making were experienced in the 2022/23 due to adequate accountability measures.
- Overspending on the annual conference is due to costs incurred by the Co-operative Banking Indaba and BANKSETA training in terms of the project plan. Approval was granted by National Treasury to use surplus funds from 2021/22. This is expected to cover the exceeded amount for the indaba.
- Travel and subsistence costs exceeded the budget by R67 000 due to ongoing work on the NSCB. The CBDA provided financial and non-financial support to ensure that the NCBSS implementation workshops went ahead.
- Audit costs included planning for the 2022/23 audit, resulting in overspending of R30 000.

The table below reflects costs for the administration and governance activities carried out during the period under review.

ACTIVITY	2022/23			RESTATE 2021/22		
	BUDGET (R'000)	ACTUAL EXPENDITURE (R'000)	(OVER)/UNDER EXPENDITURE (R'000)	BUDGET (R'000)	ACTUAL EXPENDITURE (R'000)	(OVER)/UNDER EXPENDITURE (R'000)
Compensation of employees	6 376	4 818	1 558	5 413	4 302	1 111
Annual conference	198	1 098	(900)	–	–	–
Assets less than R5 000	–	–	–	5	–	5
Audit costs	1 000	1 030	(30)	1 000	1 003	(3)
Bank charges*	30	19	11	35	21*	14
Board costs	1 398	619	779	1 046	841	205
Communications	30	22	8	65	72	(7)
Compensation Commission	–	–	–	5	–	5
Consultants	300	102	198	700	-13	713
Computer services	–	9	(9)	–	9	(9)
Depreciation and amortisation**	300	255	45	300	260**	40
Lease payments	40	32	8	40	34	6
Legal fees	200	–	200	200	39	161
Publications	250	206	44	303	205	98
Printing and stationery	100	42	58	80	11	69
Loss of asset	–	13	(13)	–	–	–
HR management	100	–	100	150	9	141
Staff welfare	5	–	5	4	4	–
Subscriptions	5	–	5	10	–	10
Service in kind	6 004	3 464	2 540	–	4 442	(4 442)
Training and staff development	100	61	39	50	–	50
Travel and subsistence	343	410	(67)	100	148	(48)
Venues and facilities	100	107	(7)	–	–	–
Total expenditure (excluding capital expense and interest capitalised)	16 879	12 307	4 572	9 506	11 387	(1 881)
Tangible and intangible assets	–	9	(9)	180	8	172
Total	16 879	12 316	4 563	9 686	11 395	(1 709)

*Depreciation for 2021/22 was restated for office equipment and furniture procured in 2020/21, as useful life was incorrectly depreciated over three years instead of five years, as per the accounting policy.

**Bank charges for 2021/22 were restated. Stakeholders did not stipulate for whose account bank charges on unused funds were for. Since the funds are not the CBDA's, they were incorrectly disclosed as CBDA expenditure instead of stakeholder expenditure.

PROGRAMME 2: CAPACITY BUILDING UNIT

HIGHLIGHTS OF THE YEAR UNDER REVIEW

The CBU managed to achieve 100% of its performance targets in 2022/23. This was in spite of having to adapt to the new business model and having to offer virtual support services to the co-operative banking sector.

CHALLENGES DURING THE YEAR UNDER REVIEW

With the extension of the merger to 31 December 2023, suspended activities in the programme could resume. The automation of the Bank in the Box continued once National Treasury appointed a service provider to assist with technology infrastructure.

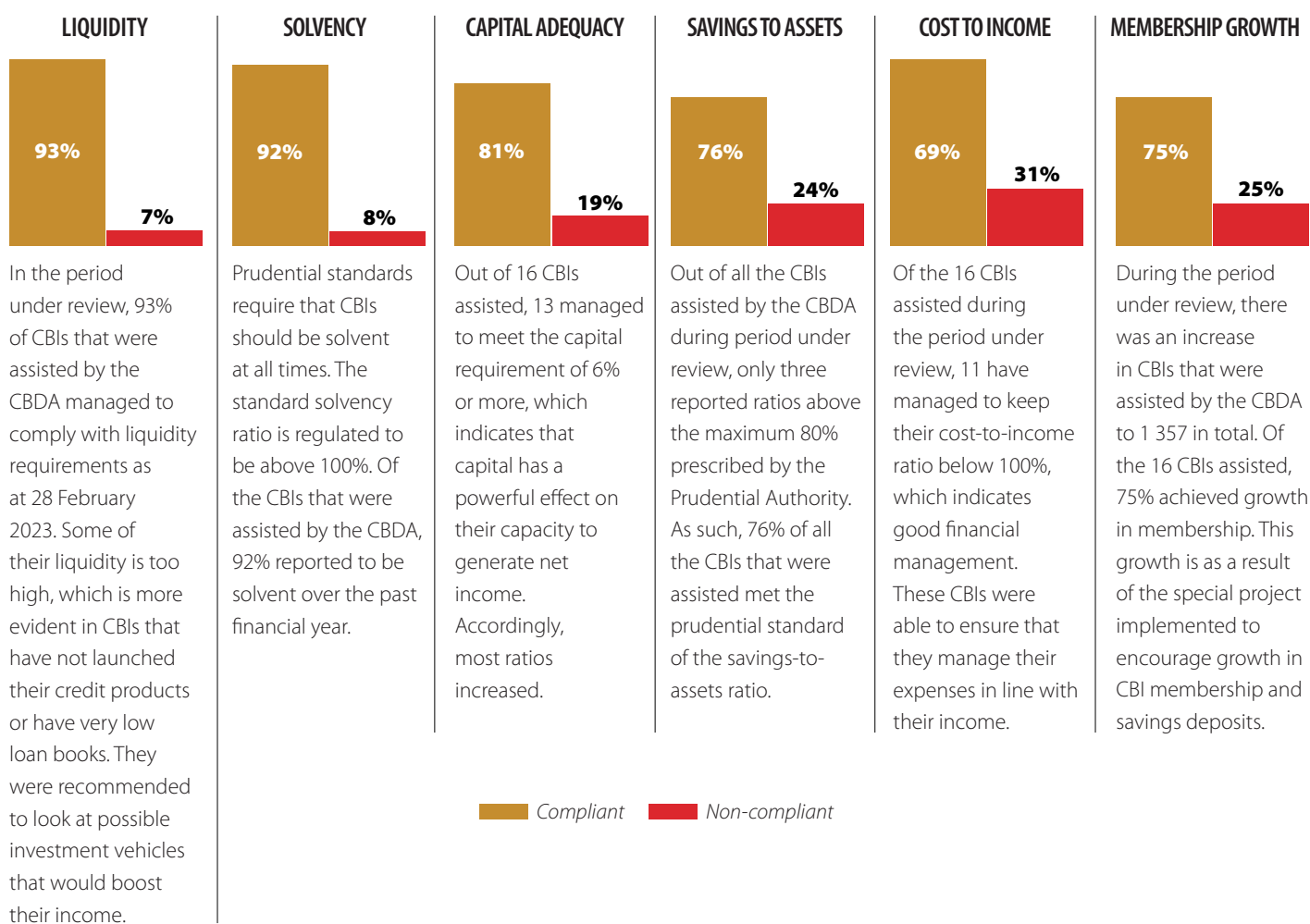
KEY PERFORMANCE INDICATORS, PLANNED TARGETS AND ACTUAL ACHIEVEMENTS

STRATEGIC OUTPUT 3: AN ADEQUATELY CAPACITATED CFI SECTOR								
OUTCOME	OUTPUT	STRATEGIC OBJECTIVES	ACTUAL ACHIEVEMENT 2020/21	ACTUAL ACHIEVEMENT 2021/22	PLANNED TARGET 2022/23	ACTUAL ACHIEVEMENT 2022/23	DEVIATION FROM PLANNED TARGET FOR 2022/23	REASON/S 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	5	11	10	14	+4	Overachievement due to BANKSETA-funded training programmes conducted as a follow-up to the indaba 2022/23 initiative
		Number of direct technical assistance interventions provided	66	72	64	99	+35	The central support services team that moved to the CBU has improved the unit's performance. As such, there is greater confidence to on-board more CBIs in their independent portfolios. More importantly, the team is taking the lead on technical interventions without shadowing the CBU's "old team". CBIs that could not operate within the Prudential Authority's prescribed six-month period after registration, due to governance and/or reasons related to the COVID-19 pandemic, approached the CBDA for assistance as they had received an extension to commence operations within a six-month period. CBIs that viewed themselves as developed, as such, not requiring CBDA assistance, had gaps that were identified by the Prudential Authority, which would have resulted in infringement notices if not addressed, saw these institutions approaching the CBDA. The CBU responded by increasing the ad-hoc interventions
		Number of monitoring visits conducted	23	45	35	42	+7	
		Percentage of organised groups supported	100%	100%	100%	100%	–	–
		Percentage of registered CBIs prepared for digital transformation	0%	45%	0%	0%	–	–

- 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.
- The overachievement on training programmes targeted for CFI board members, 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 Eastern Cape and Gauteng departments of economic development.

CBI PERFORMANCE INDICATORS (2022/23)

The CBU worked with 16 CBIs in 2022/23, comprising 15 CFIs and one co-operative bank. Highlighted below are the performance indicators of these institutions.



CO-OPERATIVE BANKING SECTOR COMPLIANCE

Most CBIs out of the 16 that were assisted by the CBDA were compliant with laws and regulations. This was encouraging even though the sector is heavily regulated. There is also an improvement in terms of the compliance rate amid complaints of a regulatory burden by most CBIs. There are a number of regulators that the sector is expected to submit documents to and comply with, such as the Prudential Authority, the FSCA, the Companies and Intellectual Property Commission, the National Credit Regulator and the South African Revenue Service. In 2023/24, they will be required to comply to the Financial Intelligence Centre's rules and regulations. Below are some of the compliance areas that the CBU monitored:

- **Non-compliance notices issued by the Prudential Authority:** Only 6% of the CBIs assisted with compliance were issued with non-compliance notices.
- **Submission of quarterly returns to the Prudential Authority:** All CBIs assisted with compliance have managed to submit their quarterly returns. However, 31% of these CBIs were late submissions.
- **Annual general meetings:** Of the CBIs that were assisted with compliance, 94% successfully held AGMs during the period under review. Of these, 53% of AGMs were held within the regulated period. The remaining CBIs' AGMs were held after the due date owing to delays in the finalisation of their AFS. Condonations for late AGMs were granted by the Prudential Authority.

Even though there have been many gains towards compliance, there is still much more work to be done. The CBU will be monitoring these areas closely to further reduce the rate of non-compliance.

STRATEGY TO OVERCOME AREAS OF UNDERPERFORMANCE

The CBU did not underperform on any of its 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 BUDGET

The CBU is allocated 37% (R10.244 million) of the agency's total budget. These funds are used for activities related to providing institutional development, organisational strengthening interventions and enhancing operational efficiency for the growth and development of the CBI sector.

The budget of R2.375 million allocated to carry out these activities was sufficient as costs incurred amounted to R1.255 million during the period under review, resulting in a surplus. Grant funding of R538 000 from BANKSETA contributed to the high achievement on the training indicator. The unit's approved staff complement is 11, with two vacant posts. The programme's budget of R7.559 million for compensation of employees was sufficient.

OVER/UNDER SPENDING

Although the CBU underspent by R2.594 million, this had no impact on achieving its performance targets. This underspending can be attributed to:

- The unit had to set aside funds for its automation/digitisation project, which will commence in 2023/24. This project is intended to adequately position the CBDA to retrieve accurate and reliable information from the co-operative banking sector, and enhance operational efficiency and agility in servicing CBIs.
- A combination of virtual and on-site services rendered resulting in a decrease in travel and subsistence costs.
- The sourcing of consultants for training was delayed due to capacity constraints in National Treasury's SCM unit.
- Grant expenses are funded by BANKSETA, which was not included in the budget. Approval to retain BANKSETA funds was received after the budget was approved on 30 September 2022. A project plan and budget were developed and approved to conduct training that took place in the fourth quarter of the period under review.
- The filling of two vacant posts were put on hold due to the merger process.

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

ACTIVITY	2022/23			RESTATE 2021/22		
	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	7 559	5 716	1 843	7 664	5 996	1 668
Consultants	160	–	160	760	36	724
Communications	85	85	–	–	–	–
Printing and stationery	25	4	21	–	–	–
Training and development	200	52	148	150	23	127
Travel and subsistence	1 990	1 005	985	1 710	1 231	479
Venues and facilities	225	250	(25)	500	261	239
Total expenditure	10 244	7 112	3 132	10 784	7 547	3 237
Grant funds						
Consultants	–	161	(161)	–	–	–
Travel and subsistence	–	251	(251)	–	45	(45)
Venues and facilities	–	126	(126)	–	–	–
Total expenditure	–	538	(538)	–	45	(45)
Grand total	10 244	7 650	2 594	10 784	7 592	3 192

REPORTING ON THE INSTITUTIONAL 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

SOURCE OF REVENUE	2022/23			RESTATED 2021/22		
	ESTIMATE (R'000)	ACTUAL AMOUNT COLLECTED (R'000)	(OVER)/UNDER COLLECTION (R'000)	ESTIMATE (R'000)	ACTUAL AMOUNT COLLECTED (R'000)	(OVER)/UNDER COLLECTION (R'000)
Transfer	20 831	20 831	–	20 328	20 328	–
Grant income	–	539	(539)	–	45	(45)
Services in kind	6 004	3 464	2 540	–	5 036	(5 036)
Services rendered	2	–	2	4	–	4
Interest income	286	952	(666)	138	535	(397)
Other income	–	11	(11)	–	46	(46)
Total	27 123	25 797	1 326	20 470	25 990	(5 520)

The CBDA's main source of revenue is transfers from National Treasury (amounting to R20.831 million in the period under review).

Grant income related to the BANKSETA contract/SLA enabled deliverables to be achieved through collaboration and partnerships with other stakeholders. The CBDA's engagement with BANKSETA resulted in approval to retain surplus funds that will be used for capacity building initiatives and other programmes.

Services in kind valued at R3.464 million were received from National Treasury. Provisions from the department included goods (office space, parking facilities and office furniture) and services (internal audit, enterprise risk management, legal, SCM, finance, ICT, cleaning and communications), to supplement the CBDA's insufficient resources. The decreases in services in kind from the previous year was due to the introduction of a new system to perform estimated calculation, office space reduction and capacity constraints in National Treasury.

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

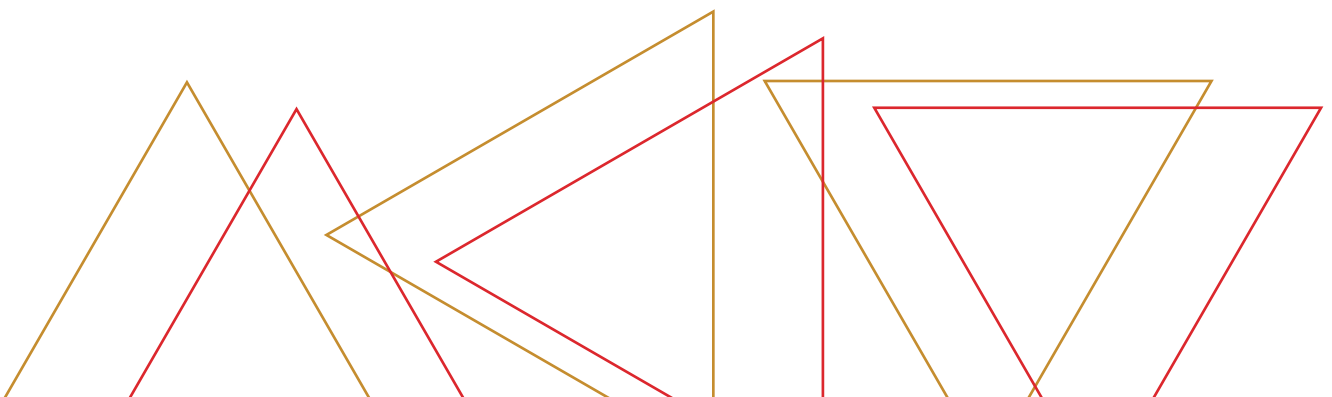
Interest income from the previous year was adjusted due to project funding interest that was incorrectly added to revenue. The expired agreement with the stakeholders was open-ended and did not clearly indicate their ownership of interest. Since these funds do not belong to the CBDA, any benefits received should be returned to stakeholders.

The increase in interest income during the period under review was due to an unused transfer with the CBDA's bankers and stabilisation funds invested in the Corporation for Public Deposits. Surplus funds in 2022/23 also contributed to the increase in interest.

Other income received was from fees paid by CBIs for attending and participating in the Co-operative Banking Indaba in November 2022.

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 impose certain statutory and regulatory requirements on the agency.

15. PORTFOLIO COMMITTEES

During the period under review, the CBDA made one presentation to the Select Committee on Finance, which was hosted at the Minister of Finance's office in Pretoria. On 25 May 2022, the CBDA was invited by the DSBD to an engagement on co-operatives legislation and support, where a concern was raised that not enough support is provided to the co-operative sector of the country. The CBDA and DSBD were also invited to attend a National Economic Development and Labour Council meeting to engage on areas of collaboration in the co-operative sector.

16. EXECUTIVE AUTHORITY

In the period under review, and in terms of the PFMA and treasury regulations, the CBDA has submitted to the executive authority its quarterly reports for 2022/2023, and its 2021/22 Annual Report and AFS. The agency also submitted its revised 2020-2025 Strategic Plan and 2023/24 Annual Performance Plan (APP) after receiving approval from the Board on 31 January 2023. The performance plan was then submitted to the public entity oversight unit for approval.

17. ACCOUNTING AUTHORITY/BOARD

INTRODUCTION

The CBDA Board is independent and the chairperson and Board of Directors are appointed by the Minister of Finance in terms of section 58 of the Co-operative Banks Act (2007). The Board is the agency's accounting authority and must fulfil certain duties and responsibilities as outlined in the Co-operative Banks Act (2007), the PFMA and treasury regulations.

During the year under review, Mr Luyanda Ntuane served as Board Chairperson. His deputy, Mr Paul Rossouw, was appointed AMD on 24 May 2022 for a period of six months. His appointment was extended from 25 November 2022 to 24 May 2023. Dr NX Ngwenya resigned as a Board member on 30 July 2022 and Ms TN Mashanda's tenure as HR and remuneration committee chairperson and member of the Board came to an end on 31 December 2022.

The Minister of Finance appointed Mr Raymond Masoga, Ms Prudence Motseo and Advocate Mushahida Adhikari as members of the CBDA Board, effective 1 May 2022 until the merger is finalised and the Board of Directors is dissolved, or for a 3-year period, whichever occurs first.

ROLE OF THE BOARD

The roles and responsibilities of the Board are set out in the Board Charter, which is reviewed as and when required. Key roles and responsibilities are as follows:

- The Board acts as the focal point for, and custodian of, corporate governance by managing its relationships with management, CFIs, National Treasury, other relevant government departments and other stakeholders of the agency in accordance with sound governance principles.
- The Board oversees the management of the agency as it fulfils its mandate. It 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, diligence, and effective leadership on an ethical foundation. It does so while preserving confidentiality and maintaining the highest standard of integrity, responsibility and accountability.
- The Board recognises that strategy, risk and performance are inseparable. It does so by providing strategic guidance and direction to the agency, approving the agency's strategy, identifying key performance and risk indicators, overseeing the agency's performance against targets and objectives, and ensuring that appropriate risk governance (including IT risk governance) is in place. This includes the agency's risk appetite, risk governance structures and risk management policies, processes, procedures and internal controls.

BOARD CHARTER

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

The Board Charter was reviewed during in 2021/22. Amendments made as a result of the review focused on clarifying Board meeting attendance rules.

The Board is appointed by the executive authority. Its term of office is for three years, which can be extended for a further 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	OTHER COMMITTEES OR TASK TEAMS	NUMBER OF MEETINGS ATTENDED
Mr L Ntuane ¹	Chairperson	23 November 2018 Reappointed 26 November 2021	23 November 2021	● BCom (Economics and IT) ● PGDip Management (Distributed Commercial Information Systems) ● AdvDipPM (Project Management) ● CGEIT (Certified in Governance of Enterprise IT) ● CISM (Certified Information Security Manager) ● CRISC (Certified in Risk and Information Systems Control) ● Fundamentals of Cybersecurity ● CIO (Professional Practice) ● Applied Project Management in IT and Environment ● Master's (Information Technology), in progress	● Cybersecurity management ● Digital transformation ● Corporate governance and business strategy ● Project management ● IT strategy and architecture ● Risk management ● Fintech and banking systems	● CBDA (Chairperson) ● Europcar South Africa ● Tempest South Africa ● Ubank (specialist IT adviser)	● CBDA HR and remuneration committee ● Risk and ICT governance committee ● Ubank (Independent specialist member of the IT and governance committee) ● International Data Corporation (CIO advisory panel) ● Joint oversight forum ● DSBD portfolio committee dialogues ● Technical committee (merger)	8/8 10/10 1/1 2/2
Mr P Rossouw	Deputy Chairperson Appointed as AMD	29 March 2021 23 May 2022	22 May 2022 23 May 2023	● BCom ● BProc ● LLB	● Legal drafting ● Regulatory compliance ● Sanctions and enforcement ● Banking supervision ● Exchange control			1/8
Mr R Masoga ²	Member	23 May 2022	N/A	● BProc ● Postgraduate Diploma (Compliance) ● LLM (Banking Law) ● Certificate in Finance (in progress) ● Postgraduate Diploma (Economic Policy), one module outstanding	● Public policy and regulatory affairs ● Anti-money laundering and combating of financing of terrorism ● Illicit financial flows ● Stakeholder relations and social dialogue ● Governance ● Impact on South Africa of the US and EU sanctions on Iran ● Financial Sector Charter ● Specialist: Commercial crimes attorney			5/8

NAME	DESIGNATION (IN TERMS OF THE PUBLIC ENTITY BOARD STRUCTURE)	DATE APPOINTED	DATE RESIGNED	QUALIFICATIONS	AREA OF EXPERTISE	BOARD DIRECTORSHIPS	OTHER COMMITTEES OR TASK TEAMS	NUMBER OF MEETINGS ATTENDED
Dr N Ngwenya ³	Member	23 May 2022	1 July 2022	- PhD (International Studies) - MSc (Politics of the World Economy) - MA (International Studies) - BA and BA Honours (Political Science)	- Institutional governance - Business strategy - Stakeholder relations - Project management - International relations	- NXN Analytics - Ntsele Global (including subsidiaries) - Phuma Phambili Engineering	HR and remuneration committee	2/8
Ms P Motseo ²	Member	23 May 2022	N/A	- MBA - Diploma (HR Management) - BCom Honours (Business Management) - Diploma (Trade Law and Policy)	- Learning and development - Transformation specialist - Coaching and mentoring - Human capital project management - Job profiling and evaluations/grading - SABPP professional - Remuneration and rewards analyst - Policy processes development - Skills development facilitator (SAP - HCM and MM module) - SAGE (VIP HR, payroll)	AFGR Board member – social and ethics committee	- Chairperson of risk and ICT committee - HR and remuneration committee	7/8 3/4 3/4
Ms N Shwala	Member	4 June 2018	N/A	- Master's (Business Leadership) - Executive Leadership Programme - Management Advancement Programme	- HR specialist - Executive human capital - Policy development	N/A	HR and remuneration committee	3/8

NAME	DESIGNATION (IN TERMS OF THE PUBLIC ENTITY BOARD STRUCTURE)	DATE APPOINTED	DATE RESIGNED	QUALIFICATIONS	AREA OF EXPERTISE	BOARD DIRECTORSHIPS	OTHER COMMITTEES OR TASK TEAMS	NUMBER OF MEETINGS ATTENDED
Mr I Amien	Member	29 March 2021	N/A	• BA • LLB • MPhil (Information and Knowledge Management)	• Management consulting, specifically change management • Risk management • Strategy development	• Kovacs student housing (Western Cape operator and manager of student housing) • Kovacs Investments 670 (holding company) • Busilex Trading • Seven Lanterns Trust	N/A	6/8
Mr V Pangwa ⁴	Member	23 November 2018 Reappointed 26 November 2021	23 November 2021	• South African Institute of Chartered Accountants • Independent Regulatory Board of Auditors • Chartered Accountant (SA) • BCom Honours (Accounting)	• Audit planning and monitoring • Preparing financial statements • Reviewing of financial statements • Budgeting/financial management	• ANF CA (SA)	• HR and remuneration committee • Risk and ICT committee • Audit committee	6/8

NAME	DESIGNATION (IN TERMS OF THE PUBLIC ENTITY BOARD STRUCTURE)	DATE APPOINTED	DATE RESIGNED	QUALIFICATIONS	AREA OF EXPERTISE	BOARD DIRECTORSHIPS	OTHER COMMITTEES OR TASK TEAMS	NUMBER OF MEETINGS ATTENDED
Ms T Mashanda ⁵	Member	12 December 2019	N/A	- Chartered Accountant (SA) - Certificate in accounting theory - BA Honours (Accounting Studies)	- Professional advice in strategic disciplines such as financial reporting, taxation, SCM processes, auditing, forensic accounting and corporate finance - Technical accounting, operations, analytical skills and leadership talents	- K2015336896 (South Africa) - Sodubo Projects - Shibika Projects - Back2Black Consulting Services - Fairland College - Njapa Municipal Services	- Chairperson: HR and remuneration committee - Risk and ICT committee	6/11
Advocate M Adhikari ²	Member	23 May 2022	N/A	- LLM (International Legal Studies) - LLB - Postgraduate Diploma (Organisation and Management) - Bachelor of Social Science (Political Studies Africa)	- Practicing advocate and member of the Cape Bar - Lead attorney for Women's Health Rights Programme - Supervised financial and general administrative functions with director - Prepared funding reports to funders and trustees - State-owned entities in commercial and administrative litigation matters - NPOs on legal compliance, financial management and good governance - Developed regional governance and capacity building training programme for NPOs in the SADC region with partners in Zimbabwe, Namibia and Botswana	N/A	N/A	2/8

NAME	DESIGNATION (IN TERMS OF THE PUBLIC ENTITY BOARD STRUCTURE)	DATE APPOINTED	DATE RESIGNED	QUALIFICATIONS	AREA OF EXPERTISE	BOARD DIRECTORSHIPS	OTHER COMMITTEES OR TASK TEAMS	NUMBER OF MEETINGS ATTENDED
Mr P Rossouw ⁶	Acting Managing Director	23 May 2022	N/A	• BCom • BProc • LLB	• Legal drafting • Regulatory compliance • Sanctions and enforcement • Banking supervision • Exchange control	N/A	• Audit committee • HR and remuneration committee • Risk and ICT committee	7/8 5/5 4/5 4/4
MINISTER'S REPRESENTATIVE								
Ms Nontobeko Lubisi ⁷	Minister's representative	23 March 2021	N/A	• MPhil (Taxation) • Postgraduate diploma (Development Finance) • BTech (Quality Management) • BCom (Statistics, Economics and Banking)	Leading, directing and managing senior economists in the development of policy and implementation of legislation on financial inclusion, and facilitating work on the transformation of the financial services sector	Culture Roof (Pty) Ltd	• HR and remuneration committee • Risk and ICT committee • Audit committee	7/8 3/4 3/4



1. Reappointed as chairperson on 26 November 2021.
2. Appointed as members on 23 May 2022.
3. Resigned on 1 July 2022.
4. Reappointed as Board member on 26 November 2021.
5. Term of office ended on 31 December 2022.
6. Deputy chairperson until 22 May 2022 and appointed by the Minister of Finance as AMD on 24 May 2022 to 24 May 2023 on one extension.
7. Minister's representative since 23 March 2021.

SUB-COMMITTEES

The CBDA Board carries out its responsibilities and duties through its sub-committees. Each sub-committee acts in accordance with the Board Charter and is chaired by an independent non-executive director.

COMMITTEE	NUMBER OF MEETINGS HELD	NUMBER OF MEMBERS	NAME OF MEMBERS
Audit	5	3	Ms Pumla Mzizi (Chairperson) *Mr B Furstenburg Mr A F Sinthumule **Mr M Geswint
Risk and ICT	4	3	Mr L Ntuane (Chairperson) Mr V Pangwa (Member) *** Ms T Mashanda (Member) **** Ms P Motseo (Member until July 2023 and chairperson from October 2023)
HR and remuneration	3	5	***Ms T Mashanda (Chairperson) *****Dr N Ngwenya (Member) Ms N Shwala (Member) Mr V Pangwa (Member) Mr L Ntuane (Member)

* Resigned in April 2022.

** Became a member in July 2022.

*** Term ended on 31 December 2022.

**** Member until July 2023 and chairperson from October 2023.

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

The sub-committees perform the following functions:

AUDIT

The committee is established in terms of legislation to serve as an independent governance structure whose function is to oversee internal control systems, risk management and governance. The committee assists the accounting officer in the effective execution of their responsibilities with the aim of achieving the CBDA's objectives.

RISK AND ICT

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

HR AND REMUNERATION

The committee's role 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, including but not limited to basic salary, benefits in kind, annual bonuses (if any), performance-based incentives, pensions and other benefits.

REMUNERATION OF BOARD MEMBERS

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

NAME	MEMBERS' FEES (RANDS)	OTHER ALLOWANCE	OTHER REIMBURSEMENTS	TOTAL (RANDS)
Mr L Ntuane	175 000	N/A	N/A	175 000
*Mr P Rossouw	5 000	N/A	N/A	5 000
**Ms N Shwala	N/A	N/A	N/A	N/A
***Dr N Ngwenya	20 000	N/A	N/A	20 000
Mr V Pangwa	80 000	N/A	N/A	80 000
Mr I Amien	58 000	N/A	N/A	58 000
****Ms T Mashanda	62 000	N/A	N/A	62 000
*****Ms P Motseo	74 000	N/A	N/A	74 000
Mr R Masoga	32 000	N/A	N/A	32 000
Advocate M Adhikari	9 000	N/A	N/A	9 000

* Deputy chairperson until 23 May 2022 and appointed AMD from 24 May 2022 to 24 May 2023.

** 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.

*** Resigned as a member on 1 July 2022.

**** Term ended on 31 December 2022.

***** Member from 1 May 2022 and chairperson of HR and remuneration committee from 23 January 2023, and risk and ICT committees from 17 October 2022.

***** Appointed as members on 1 May 2022.

18. RISK MANAGEMENT

The CBDA's risk and ICT committee developed a governance, risk and compliance framework to provide guidance on the function of the governance, risk and compliance landscape within the agency.

The Board has assigned oversight of the CBDA's risk management process to the risk and ICT committee. During the period under review, the committee laid the foundation for the future oversight of governance, risk and compliance of the CBDA, and provided direction for its ICT strategy.

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

During the period under review, the CBDA drafted, finalised and published its business continuity plan, and POPIA and performance management information policies.

National Treasury provided the CBDA Board with an update on the work of the ICT management unit and reported on how the unit had discharged its responsibilities in line with universally accepted principles.

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

19. INTERNAL AUDIT

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

KEY ACTIVITIES AND OBJECTIVES

Internal audit's objectives are aligned with National Treasury regulations. The committee's function is to assist the managing director in achieving the CBDA's objectives in terms of: 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 the CBDA's performance goals, ensuring accountability and preserving corporate values.

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

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

AUDITS CONDUCTED DURING THE FINANCIAL YEAR

The risk-based internal audit's annual plan and three-year rolling plan (2022/23-2024/25) were tabled and approved by the audit committee for implementation. Five internal audits were planned and completed during the period under review:

- Review of 2021/22 AFS.
- Review of performance information on annual performance report.
- IT general control review – limited scope on SAGE Pastel.
- Review of interim financial statements.
- Consulting review on adequacy and effectiveness of declaration processes in relation to remuneration for work outside the public service and conflict of interest within the CBDA.

These reports were submitted to management and tabled at audit committee meetings. Recommendations from the reports required management to implement an action plan to address the internal control deficiencies that are monitored monthly and quarterly on the findings register. These audits were beneficial as they assisted management in identifying the gaps in controls and acting to strengthen procedures and processes.

20. AUDIT COMMITTEE

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

KEY ACTIVITIES AND OBJECTIVES

The committee oversees the processes, models and frameworks for managing risk across the CBDA to:

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

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

The 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	CA (SA) BCom BCom Honours (Transport Economics) BCompt Honours BBusSci (Finance)	External	Chairperson	1 October 2018
Mr B Furstenburg	MSc (Financial Management) MCom (Economics) BCom Honours BCom FAIS exams (RE1, RE3 and RE5)	External	Member	1 June 2016
Mr A F Sinthumule	BCom (Accounting) NDip (Finance and Auditing) MBA (Special Project on PFMA)	External	Member	1 July 2019
Mr M Geswint	B Admin B Admin Honours (Economics)	Internal	Member	19 May 2022

21. COMPLIANCE WITH LAWS AND REGULATIONS

The CBDA implements various action plans to improve its policies, systems, and procedures. These are also intended to ensure compliance with all relevant laws, regulations and statutory requirements. A policy register enables the CBDA to identify policies and procedures to be reviewed and updated annually. A compliance register is also in place to ensure compliance.

HEALTH, SAFETY AND ENVIRONMENT

The CBDA is reliant on National Treasury to comply with the provisions of the Occupational Health and Safety Act (1993), general safety regulations and the Compensation for Occupational Injuries and Diseases Act (1997). Compliance in this regard enables a high level of protection for the health and safety of CBDA employees, contractors, customers, the public and for those visiting the premises.

The agency is also required to comply with the provisions of the Disaster Management Act (2002) in the wake of the COVID-19 pandemic. The act specified compliance requirements in managing and curtailing the spread of COVID-19 in the workplace. National Treasury oversees health and safety regulations by means of a combined committee, which the CBDA forms part of. Its responsibilities include:

- Making recommendations to National Treasury or the CBDA or, where the recommendations fail to resolve the matter, to appoint an inspector in terms of the Occupational Health and Safety Act (1993) regarding any matter affecting the health or safety of employees.
- Discussing incidents at the workplace or section(s) thereof in which, or in consequence of which, any person was injured, became ill or died, and may in writing report the incident to an inspector from the Department of Employment and Labour.

- Performing other health and safety functions as may be prescribed.
- Keeping records of each recommendation made to the CBDA in terms of sub-section (1)(a) and of any report made to an inspector in terms of sub-section (1)(b) of the Occupational Health and Safety Act (1993). National Treasury's health and safety committee has a charter, policy and procedures, and appoints evacuation officers, firefighters, investigators, health and safety representatives, and first aid officers.

22. FRAUD AND CORRUPTION

The CBDA has a fraud policy that was revised during the period under review. The policy is aligned with National Treasury's fraud prevention plan and is planned to be tabled for approval in the next financial year. Due to the CBDA's size, National Treasury's enterprise risk management unit assists with compliance to National Treasury 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 National Treasury to communicate the plan and emphasise the importance of reporting fraud and corruption. During the period under review, improved controls were introduced to reduce fraud risk. The CBDA risk and ICT committee has placed greater emphasis on fraud risk management.

23. MINIMISING CONFLICT OF INTEREST

Guidelines on minimising conflict of interest are contained in the CBDA's Code of Business Ethics. 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 at every governance meeting they attend. During the period under review, National Treasury's internal audit unit conducted an audit on conflicts of interest within the CBDA, which assisted management to address any deficiencies.

24. CODE OF CONDUCT

The CBDA's Code of Ethics policy was approved by the Board. The code requires that all employees observe the highest standards of integrity in carrying out the CBDA's mandate. It also provides a framework for conduct by which all practices involving the CBDA are to be carried out, managed and regulated. The code sets out common ethical standards that CBDA employees should adhere to consistently to ensure that their actions are in accordance with the CBDA's primary values and standards.

Although the code aims to be as comprehensive as possible, it is not an exhaustive set of rules regulating standards of conduct. The agency's accounting authority has a duty to ensure that the conduct of employees conforms to the basic values and principles governing public administration and the norms and standards prescribed by relevant government legislation and policies.

The accounting authority should also ensure that employees are acquainted with these measures, and that they accept and abide by them. Breaches of the code are dealt with swiftly and decisively.

25. HEALTH, SAFETY AND ENVIRONMENTAL ISSUES

As the CBDA is located on the National Treasury's premises in Pretoria. It relies on the department's policies and procedures for health, safety and environmental issues. For the period under review, the CBDA was represented by the National Treasury's specialist for HR, safety and health, and its environment risk and quality management committee to ensure compliance to the Disaster Management Act (2002) and to report on office rotation of employees.

26. COMPANY/BOARD SECRETARY

This position is currently vacant. The business support manager is taking on the responsibilities of this role.

27. SOCIAL RESPONSIBILITY

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

28. AUDIT COMMITTEE REPORT

We are pleased to present our report for the financial year ended 31 March 2023.

BACKGROUND

The audit committee is established as a statutory committee in terms of section 51(1)(a) of the PFMA and Treasury Regulation 27.1. The committee has adopted formal terms of reference, the committee charter, and has fulfilled its responsibilities for the year in compliance with the terms of reference.

INTERNAL AUDIT

The audit committee approved a risk-based three-year rolling strategic plan and an annual internal audit coverage plan for the period 1 April 2022 to 31 March 2023. Five audits were planned and conducted during the year. The following internal audit engagements were completed during the period under review:

- Review of the AFS.
- Audit of the annual performance report.
- IT general controls review (limited scope on Sage Pastel).
- Review of the adequacy and effectiveness of the declaration processes in terms of remunerative work outside the public service and conflict of interest.
- Review of interim financial statements.

An ad hoc assignment was received from management to advise on the interpretation of irregular expenditure items on which condonement was requested from the Office of the Chief Procurement Officer. The committee reviewed all internal audit reports and is satisfied:

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

RESPONSIBILITIES

The audit committee is satisfied that it has discharged its responsibilities in assisting the accounting authority with the following activities:

- Reviewing the adequacy, reliability and accuracy of the financial information provided by management and other users of such information.
- Overseeing the activities of, and ensuring co-ordination between, the activities of internal and external audit.
- Providing a forum for discussing exposure to financial and enterprise-wide risks, and monitoring controls designed to minimise these risks.
- Reviewing the entity's quarterly performance information, annual report, including annual performance information and annual financial statements, and any other public reports or announcements containing financial and non-financial information.
- Receiving and dealing with any complaints concerning the accounting practices, internal and external audit or the content and audit of its financial statements or related matters.
- Annually reviewing the committee's work in line with the charter and making recommendations to the accounting authority to ensure the committee's effectiveness.

RISK MANAGEMENT

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

Internal audit was guided by the risk profile on critical audit areas provided by management, and management's input in the formulation of its annual and three-year strategic plans.

The CBDA has a committee comprising Board members and management to carry out responsibilities related to risk management. The committee met five times during the year under review.

A risk register is updated quarterly to ensure that all the major risks, including emerging risks, are effectively managed. The committee monitors management's implementation of risk management plans quarterly.

COMPLIANCE WITH LEGAL AND REGULATORY PROVISIONS

The committee has reviewed the in-year management and quarterly reports submitted in terms of the PFMA and the Division of Revenue Act, and is satisfied that no material deviations were noted. The committee noted management's policies and procedures to ensure compliance with applicable laws and regulations. The committee also noted the external auditor's report highlighting that no instances of non-compliance were identified.

ACCOUNTING AND AUDITING CONCERNS

No accounting and auditing concerns have been noted and brought to our attention. The committee is, therefore, of the opinion that internal audit is independent and has provided objective assurance and consulting activities that were designed to add value and improve the organisation's operations; and is satisfied with the effectiveness of the internal audit function. Nothing significant has come to our attention to indicate any material breakdown in the functioning of controls, procedures and systems.

ADEQUACY, RELIABILITY AND ACCURACY OF FINANCIAL INFORMATION

The committee is of the opinion – based on the information and explanations provided by management, and the results of audits performed by the internal auditors and the auditor-general – that the financial information provided by management to users of such information is adequate, reliable and accurate.

The external auditors commended management for submitting financial statements that were free from material misstatements. The committee is satisfied with the effectiveness of the CFO and the finance function.

EXTERNAL AUDIT

The committee has reviewed the independence and objectivity of the external auditors and noted that there were no non-audit services rendered by them during the year. To ensure that there are no unresolved issues, the audit committee met with the AGSA to discuss its audit report. The committee has also reviewed management's responses to the issues raised in the management report. Continuous oversight will be exercised to ensure that unresolved findings are adequately addressed.

The committee considered the auditors' management and audit reports and concurs with their conclusions. As such, the committee accepts the audit opinion expressed by the external auditors on the AFS and annual report.

EFFECTIVENESS OF INTERNAL CONTROLS

The committee considered all reports issued by the various assurance providers (for example, internal and external auditors and risk committee), and noted management's actions in addressing identified control weaknesses. The committee is satisfied with the following achievements in 2022/23:

ASSURANCE PROVIDER	TOTAL FINDINGS	RESOLVED FINDINGS	UNRESOLVED FINDINGS
Internal audit	31	19	12
External audit	14	12	2

Considering the above, the committee is satisfied that the system of internal control for the period under review is adequate.

GENERAL

We would like to express our appreciation to the Board for their leadership and support; and the AMD, internal audit and management for their commitment and co-operation.

Pumla Mzizi CA(SA)

Ms Pumla Mzizi CA (SA)
Chairperson: Audit committee
20 August 2023

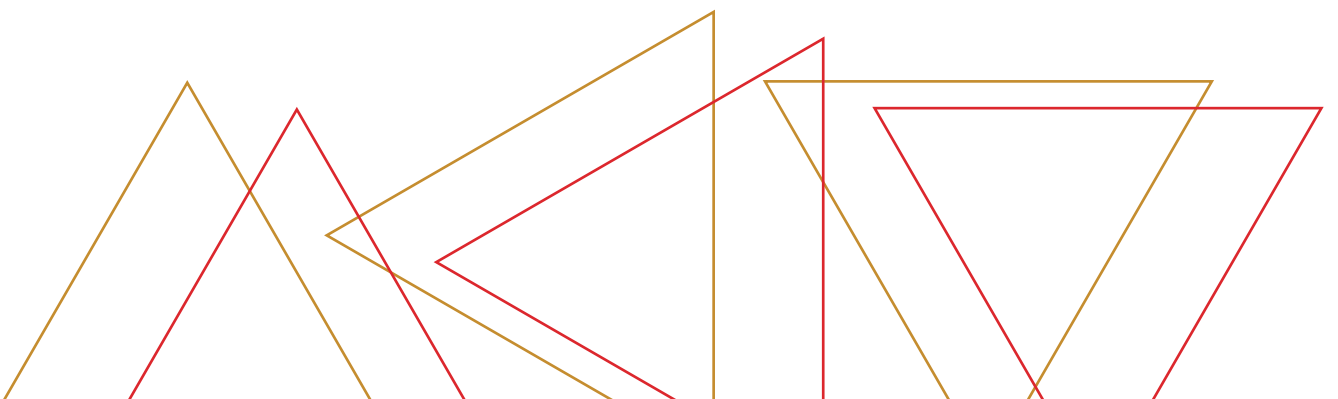
29. B-BBEE COMPLIANCE PERFORMANCE INFORMATION

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

HAS THE PUBLIC ENTITY APPLIED ANY RELEVANT CODE OF GOOD PRACTICE (B-BBEE CERTIFICATE LEVELS 1-8) WITH REGARDS TO THE FOLLOWING:		
CRITERIA	RESPONSE	INTERNAL OR EXTERNAL
Determining qualification criteria for the issuing of licences, concessions or other authorisations in respect of economic activity in terms of any law?	No	The CBDA is mandated to register representative bodies and support organisations. These must be registered member-based co-operatives which, by their nature, support financial inclusion and B-BBEE imperatives. Legislation does not require compliance
Developing and implementing a preferential procurement policy?	Yes	National Treasury's preferential procurement policy informs all procurement decisions within the CBDA. The CBDA follows the prescripts of National Treasury
Determining qualification criteria for the sale of state-owned enterprises?	N/A	The 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 into partnerships with the private sector
Determining criteria for the awarding of incentives, grants, and investment schemes in support of B-BBEE?	No	The CBDA provides support to CBIs, which are by nature primarily B-BBEE entities

Part D

HR MANAGEMENT



30. OVERVIEW OF HR MATTERS

The CBDA continued to assess HR risks and challenges during the period under review with a view to optimise the performance of its staff and improve employee experience. This was done by focusing on the following HR priorities:

- Implementing critical competencies and enhancing learning and development, especially towards building capacity in the co-operative banking sector.
- Implementing critical elements of the CBDA's remuneration framework.
- Implementing critical elements of the talent journey.

This HR report summarises the CBDA's employment-related activities from 1 April 2022 to 31 March 2023. This includes:

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

HR PRIORITIES FOR THE PERIOD UNDER REVIEW AND THEIR IMPACT

- Seven contract employees were absorbed permanently within the CBU and one contract employee within the CS unit.
- The merger of the CBDA with SEDA and **sefa** entails three workstreams. Workstream 1 relates to policy and structural reform, workstream 2 deals with the organisational consolidation team, and workstream 3 focuses on finance and IT. The CBDA's HR function forms part of workstream 2, where the team will be responsible for developing and implementing the consolidation of the three entities' business and operations, and designing and implementing the post-merger organisational chart.
- The recruitment and selection policy was revised during the period under review.

EMPLOYEE PERFORMANCE MANAGEMENT FRAMEWORK

The normalisation committee will finalise the 2022/23 performance assessments in 2023/24. Performance bonuses for 2021/22 were paid in December 2022.

EMPLOYEE WELLNESS PROGRAMMES

Employee wellness is an integral part of the HR function, especially in the aftermath of the COVID-19 pandemic. A health and safety environment risk and quality management committee, comprising National Treasury, the CBDA and labour organisations, consider matters that impact overall staff wellness. During the period under review, this included: COVID-19 case management, facilities management, security management, and ICT matters regarding the automated registers and business continuity plan (working from home). These meetings are held quarterly.

POLICY DEVELOPMENT

Revisions to the recruitment and selection policy were approved during the period under review.

APPOINTMENTS, CONTRACT EXTENSIONS AND TERMINATION OF EMPLOYMENT

During the period under review, the CBDA had the following appointments, contract extensions and terminations in the following units:

- **CSU:** The AMD was appointed on a fixed-term contract (effective 24 May 2022 to 24 November 2022). His contract was extended on 25 November 2022 into the new financial year until 24 May 2023. The business support manager's contract was extended effective 1 July 2022 into the new financial year until 31 December 2023. One finance clerk resigned on 31 December 2022. No acting Board Secretary was appointed.
- **CBU:** The contracts of two analysts, one acting senior technical analyst and one acting junior analyst were extended to 31 December 2023. Vacant posts were not advertised due to the pending merger.

During the period under review, the CBDA advertised eight positions within the CBU and two within the CSU on a permanent basis.

CHALLENGES FOR THE YEAR UNDER REVIEW

The following projects were put on hold due to the merger:

- HR system automation.
- Job grading exercise.
- The BANKSETA workplace skills plan and annual training plan were rolled over from 2021/22 and continued during the period under review.
- Appointment of a managing director on a permanent basis.

FUTURE HR PLANS/GOALS

All vacant posts should be filled permanently as they are in the structure and budgeted for. These posts are key to the operations of the CBDA and will be filled in 2023/24.

CORPORATE SOCIAL INVESTMENT EVENTS

The CBDA did not participate in any corporate social investment events during the period under review.

31. HR OVERSIGHT STATISTICS

PERSONNEL COST BY PROGRAMME

PROGRAMME/ACTIVITY/OBJECTIVE	TOTAL EXPENDITURE (R'000)	PERSONNEL EXPENDITURE (R'000)	PERSONNEL EXPENDITURE AS PERCENTAGE OF TOTAL EXPENDITURE	NUMBER OF EMPLOYEES	AVERAGE PERSONNEL COST PER EMPLOYEE (R'000)
CSU	12 307	4 817	24%	6	803
CBU	7 650	5 716	29%	9	635
Total	19 957	10 533	53%	15	702

PERSONNEL COST BY SALARY BAND

LEVEL	PERSONNEL EXPENDITURE (R'000)	PERCENTAGE OF PERSONNEL EXPENDITURE TO TOTAL PERSONNEL COST	NUMBER OF EMPLOYEES	AVERAGE PERSONNEL COST PER EMPLOYEE (R'000)
Top management	1 165	11%	1	1 165
Senior management	2 456	23%	2	1 228
Professional qualified	3 876	37%	4	969
Skilled	3 036	29%	8	380
Total	10 533	100%	15	702

PERFORMANCE REWARDS

LEVEL	PERFORMANCE REWARDS (R'000)	PERSONNEL EXPENDITURE (R'000)	PERCENTAGE OF PERFORMANCE REWARDS TO TOTAL PERSONNEL COST
Top management	–	1 165	–
Senior management	52	2 456	0.49%
Professional qualified	171	3 876	1.62%
Skilled	114	3 036	1.08%
Total	337	10 533	3.19%

TRAINING AND DEVELOPMENT COSTS

Training costs were incurred during the period under review. Three employees were enrolled in institutions for formal training, one in HR management and two in business administration. Two employees were invited to and participated in a one-day workshop on saving and credit co-operatives. The workshop was organised by the German Co-operative and Raiffeisen Confederation (DGRV) on 5 December 2022 in Maputo, Mozambique. The confederation covered costs for the employees' attendance.

PROGRAMME/ACTIVITY/OBJECTIVE	PERSONNEL EXPENDITURE (R'000)	TRAINING EXPENDITURE (R'000)	TRAINING EXPENDITURE AS A PERCENTAGE OF PERSONNEL COST	NUMBER OF EMPLOYEES TRAINED	AVERAGE TRAINING COST PER EMPLOYEE
CSU	4 817	61	0.58%	2	31
CBU	5 716	52	0.49%	4	13
Total	10 533	113	1%	6	18

EMPLOYMENT AND VACANCIES

PROGRAMME/ACTIVITY/OBJECTIVE	NUMBER OF EMPLOYEES (2021/22)	APPROVED POSTS (2022/23)	NUMBER OF EMPLOYEES (2022/23)	VACANCIES (2022/23)	PERCENTAGE OF VACANCIES
CSU	7	8	6	2	22%
CBU	12	12	9	3	17%
Total	19	20	15	5	19%

LEVEL	NUMBER OF EMPLOYEES (2021/22)	APPROVED POSTS (2022/23)	NUMBER OF EMPLOYEES (2022/23)	VACANCIES (2022/23)	PERCENTAGE OF VACANCIES
Top management	1	1	1	1	–
Senior management	2	2	1	1	–
Professional qualified	5	7	5	2	33%
Skilled	10	9	8	1	–
Total	19	19	15	5	19%

EMPLOYMENT CHANGES

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

REASONS FOR STAFF LEAVING

REASON	NUMBER	PERCENTAGE OF TOTAL NUMBER OF STAFF LEAVING
Death	–	–
Resignation	1	33%
Dismissal	–	–
Retirement	–	–
Illness	–	–
Contract expiry	–	77%
Other	–	–
Total	1	100%

LABOUR RELATIONS: MISCONDUCT AND DISCIPLINARY ACTION

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

GRIEVANCES LODGED IN 2022/23

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

EQUITY TARGET AND EMPLOYMENT EQUITY STATUS

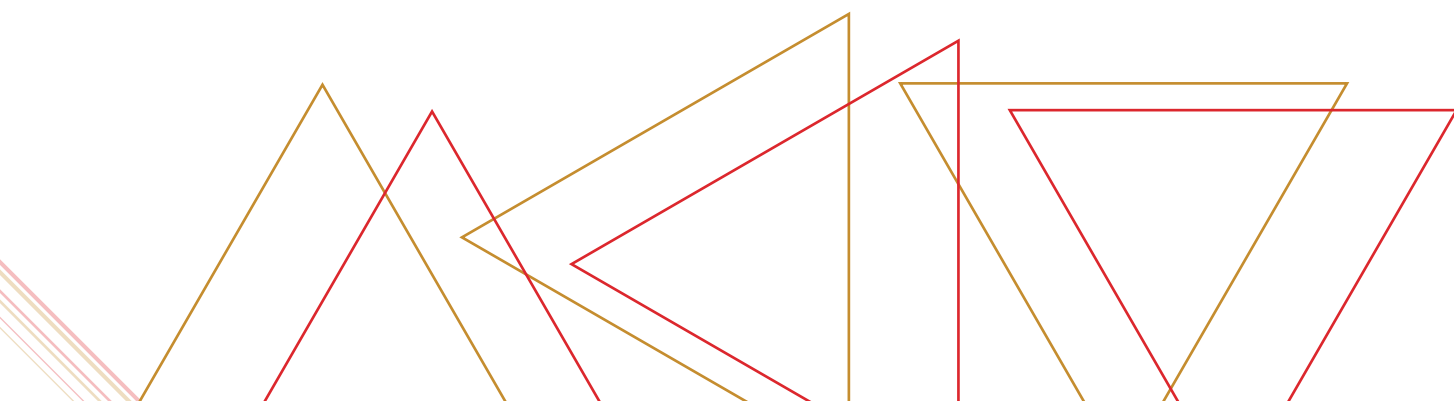
LEVEL	MALE							
	AFRICAN		COLOURED		INDIAN		WHITE	
	CURRENT	TARGET	CURRENT	TARGET	CURRENT	TARGET	CURRENT	TARGET
Top management	–	–	–	–	–	–	1	–
Senior management	–	–	–	–	–	–	–	–
Professional qualified	2	–	–	–	–	–	–	–
Skilled	4	–	–	–	–	–	–	–
Semi-skilled	–	–	–	–	–	–	–	–
Unskilled	–	–	–	–	–	–	–	–
Total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

LEVEL	FEMALE							
	AFRICAN		COLOURED		INDIAN		WHITE	
	CURRENT	TARGET	CURRENT	TARGET	CURRENT	TARGET	CURRENT	TARGET
Top management	–	–	–	–	–	–	–	–
Senior management	1	–	–	–	–	–	–	–
Professional qualified	1	–	1	–	1	–	–	–
Skilled	4	–	–	–	–	–	–	–
Semi-skilled	–	–	–	–	–	–	–	–
Unskilled	–	–	–	–	–	–	–	–
Total	6	–	1	–	1	–	–	–

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

Part E

FINANCIAL INFORMATION



32. STATEMENT OF RESPONSIBILITY

The Board is required by the PFMA to maintain adequate accounting records and is responsible for the content and integrity of the AFS and related financial information included in this report. It is the Board's responsibility to ensure that the AFS fairly presents 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 AGSA is engaged to express an independent opinion on the AFS and was given unrestricted access to all financial records and related data.

The AFS have been prepared in accordance with GRAP standards, including any interpretations, guidelines and directives issued by the Accounting Standards Board. The AFS are based on appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

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

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

The CBDA is largely dependent on National Treasury for the continued funding of its operations. The AFS are prepared on the basis that the CBDA is a going concern until the merger with sefa and SEDA is finalised. The merged entity will enable integrated government support to SMMEs and co-operatives. The merger is not anticipated to be concluded within 12 months from the reporting date.

In discharging its oversight responsibilities, the Board is supported by the audit, risk and ICT committees.

The AFS set out on pages 61 to 87, which have been prepared on the going concern basis, were approved by the CBDA board on 31 July 2023 and signed on its behalf by:



Mr Luyanda Ntuane
Chairperson of the Board
31 July 2023



Mr Paul Rossouw
Acting Managing Director
31 July 2023

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 61 to 87, which comprise the statement of financial position as at 31 March 2023, 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 2023, and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (Standards of GRAP) and the requirements of the PFMA (1999).

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 responsibilities of the auditor-general 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, 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.

OTHER MATTERS

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

UNAUDITED SUPPLEMENTARY SCHEDULES

7. The supplementary information set out on pages 22 to 27, pages 88 to 89 and pages 91 to 95 does not form part of the financial statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion on them.

NATIONAL TREASURY INSTRUCTION NOTE NO. 4 OF 2022/23: PFMA COMPLIANCE AND REPORTING FRAMEWORK

8. On 23 December 2022 National Treasury issued Instruction Note No. 4: PFMA Compliance and Reporting Framework of 2022-23 in terms of section 76(1)(b), (e) and (f), 2(e) and (4)(a) and (c) of the PFMA, which came into effect on 3 January 2023. The PFMA Compliance and Reporting Framework also addresses the disclosure of unauthorised expenditure, irregular expenditure and fruitless and wasteful expenditure. Among the effects of this framework is that irregular and fruitless and wasteful expenditure incurred in previous financial years and not addressed is no longer disclosed in the disclosure notes of the annual financial statements, only the current year and prior year figures are disclosed in note 28 to the financial statements. The movements in respect of irregular expenditure and fruitless and wasteful expenditure are no longer disclosed in the notes to the annual financial statements of Co-operative Banks Development Agency. The disclosure of these movements (e.g. condoned, recoverable, removed, written off, under assessment, under determination and under investigation) are now required to be included as part of other information in the annual report of the auditees.
9. I do not express an opinion on the disclosure of irregular expenditure and fruitless and wasteful expenditure in the annual report.

RESPONSIBILITIES OF THE ACCOUNTING AUTHORITY FOR THE FINANCIAL STATEMENTS

10. The board of directors, which constitutes the accounting authority, is responsible for the preparation and fair presentation of the financial statements in accordance with Standards of GRAP and the requirements of the PFMA; and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

11. In preparing the financial statements, the accounting authority is responsible for assessing the 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.

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

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

REPORT ON THE AUDIT OF THE ANNUAL PERFORMANCE REPORT

14. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I must audit and report on the usefulness and reliability of the reported performance against predetermined objectives for the selected programme presented in the annual performance report. The accounting authority is responsible for the preparation of the annual performance report.
15. I selected the following programme presented in the annual performance report for the year ended 31 March 2023 for auditing. I selected a programme that measures the public entity's performance on its primary mandated functions and that is of significant national, community or public interest.

PROGRAMME	PAGE NUMBERS	PURPOSE
Capacity Building Unit	28-31	To provide institutional development and organisational strengthening interventions to promote and support the growth and development of the Co-operative Banking Institution (CBI) sector and enhance the CBI operational efficiency and quest for viability through technology

16. I evaluated the reported performance information for the selected programme against the criteria developed from the performance management and reporting framework, as defined in the general notice. When an annual performance report is prepared using these criteria, it provides useful and reliable information and insights to users on the public entity's planning and delivery on its mandate and objectives.
17. I performed procedures to test whether:
- the indicators used for planning and reporting on performance can be linked directly to the public entity's mandate and the achievement of its planned objectives
 - the indicators are well defined and verifiable to ensure that they are easy to understand and apply consistently and that I can confirm the methods and processes to be used for measuring achievements
 - the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated
 - the indicators and targets reported on in the annual performance report are the same as what was committed to in the approved initial or revised planning documents
 - the reported performance information is presented in the annual performance report in the prescribed manner
 - there are adequate supporting evidence for the achievements reported and for the reasons provided for any over- or underachievement of targets.
18. I performed the procedures for the purpose of reporting material findings only; and not to express an assurance opinion.
19. I did not identify any material findings on the reported performance information of the capacity-building unit programme.

REPORT ON COMPLIANCE WITH LEGISLATION

20. In accordance with the PAA and the general notice issued in terms thereof, I must audit and report on compliance with applicable legislation relating to financial matters, financial management and other related matters. The accounting authority is responsible for the public entity's compliance with legislation.
21. I performed procedures to test compliance with selected requirements in key legislation in accordance with the findings engagement methodology of the Auditor-General of South Africa (AGSA). This engagement is not an assurance engagement. Accordingly, I do not express an assurance opinion or conclusion.
22. Through an established AGSA process, I selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the public entity, clear to allow consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.
23. The material finding on compliance with the selected legislative requirements, presented per compliance theme, is as follows:

CONSEQUENCE MANAGEMENT

24. I was unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against officials who had incurred irregular expenditure in prior years, as required by section 51(1)(e)(iii) of the PFMA. This was because investigations relating to the prior year non-compliances were not performed and, in some instances, the recommendations on completed investigations were not implemented during the current year.

OTHER INFORMATION IN THE ANNUAL REPORT

25. The accounting authority is responsible for the other information included in the annual report. The other information referred to 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 on in this auditor's report.
26. My opinion on the financial statements, the report on the audit of the annual performance report and the report on compliance with legislation, do not cover the other information included in the annual report and I do not express an audit opinion or any form of assurance conclusion on it.
27. My responsibility is to read this other information and, in doing so, consider whether it 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.

INTERNAL CONTROL DEFICIENCIES

28. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.
29. The matter reported below is limited to the significant internal control deficiency that resulted in the material finding on compliance with legislation included in this report.
30. In some instances, the accounting authority did not conduct investigations or implement recommendation related to prior year cases of non-compliance. I was unable to confirm whether disciplinary steps were taken during the year. This was mainly due to vacancies in leadership positions which had an impact on the effectiveness of controls to ensure that consequence management action is undertaken on prior year matters.

Auditor General

Pretoria
31 July 2023



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

ANNEXURE TO THE AUDITOR'S REPORT

The annexure includes the following:

- the auditor-general's responsibility for the audit
- the selected legislative requirements for compliance testing.

AUDITOR-GENERAL'S RESPONSIBILITY FOR THE AUDIT

PROFESSIONAL JUDGEMENT AND PROFESSIONAL SCEPTICISM

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 programme and on the public entity's compliance with selected requirements in key legislation.

FINANCIAL STATEMENTS

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
- conclude on the appropriateness of the 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 public entity 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

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.

AUDITOR-GENERAL'S RESPONSIBILITY FOR THE AUDIT

The selected legislative requirements are as follows:

LEGISLATION	SECTIONS OR REGULATIONS
Public Finance Management Act No.1 of 1999 (PFMA)	Section 51(1)(a)(iv); 51(1)(b)(ii); Section 55(1)(a); 55(1)(b); 55(1)(c)(i); 53(4); 51(1)(b)(ii) Section 66(3)(c); 66(5) Section 51(1)(e)(iii); 56(1); 56(2); 57(b); 51(1)(e)(iii); 66(3)(a); 66(3)(b); 66(3)(d); 66(4). PFMA SCM Instruction 04 of 2022/23 par. 4(1), 4(2) and 4(4) PFMA SCM instruction no. 8 of 2022/2023 par 3.2; 4.3.2 and 4.3.3 PFMA SCM Instruction no. 09 of 2022/2023 par. 3.1;3.3 (b); 3.3 (c);3.3 (e); 3.6
Treasury Regulations for departments, trading entities, constitutional institutions and public entities (TR)	16A 3.1; 16A 3.2; 16A 3.2 (a); 16A 6.1; 16A 6.2(a) & (b); 16A 6.3(a); 16A 6.3(a) (i); 16A 6.3(b); 16A 6.3(c); 16A 6.3(d); 16A 6.3(e); 16A 6.4; 16A 6.5; 16A 6.6; 16A8.2 (1) and (2); 16A 8.3; 16A 8.4; 16A 9; 16A 9.1 (c); 16A 9.1(d); 16A 9.1(e); 16A9.2; 16A9.2(a)(ii); 16A9.2(a)(iii); 8.2.1; 8.2.2. Regulation 30.1.1; 30.1.3(a); 30.1.3(b); 30.1.3(d); 30.2.1 Regulation 31.1.2(c); TR 32.1.1(a) TR 32.1.1(a); 32.1.1(b); 32.1.1(c); 31.2.5; 31.2.7(a); 33.1.3; 33.1.1; 16A9.1(b)(ii); 16A9.1(f); TR 31.2.7(a)
Prevention and Combating of Corrupt Activities Act No.12 of 2004	Section 34(1)
Construction Industry Development Board Act No.38 of 2000 (CIDB)	Section 18(1)
CIDB Regulations	CIDB regulation 17 & 25(7A)
Preferential Procurement Policy Framework Act No. 5 of 2000 (PPPFA)	Section 2.1(a); 2.1(b); 2.1(f)
Preferential Procurement Regulations, 2017	Paragraph 4.1; 4.2 Paragraph 5.1; 5.3; 5.6; 5.7 Paragraph 6.1;6.2;6.3; 6.5; 6.6 Paragraph 7.1;7.2;7.3;7.5; 7.6 Paragraph 8.2; 8.5 Paragraph 9.1;9.2 Paragraph 11.2; 11.2; 12.1;12.2
Preferential Procurement Regulations, 2022	Paragraph 4.1; 4.2; 4.3; 4.4 Paragraph 5.1; 5.2; 5.3; 5.4
National Treasury(NT) Instruction No.1 of 2015/16	Par. 3.1; 4.1 & 4.2
NT SCM Instruction Note 03 2021/22	IN 03 2021/22 Par 4.1; 4.2 (b); 4.3; 4.4; 4.4 (a); 4.4(c); 4.4(d); 4.6; 5.4; 7.2; 7.6
NT SCM Instruction Note 11 2020/21	Paragraph 3.1; 3.4(b); 3.9
NT SCM Instruction note 2 of 2021/22	Paragraph 3.2.1; 3.2.4(a); 3.3.1; Par 3.2.2; 3.2.4(b); 4.1
NT SCM Instruction 4A of 2016/17	NT SCM Instruction 4A of 2016/17 Par 6
NT SCM Instruction Note 03 2019/20	Par 5.5.1(vi); 5.5.1(x)
Practice Note 5 of 2009/10	Paragraph 3.3
NT instruction note 4 of 2015/16	Paragraph 3.4
Second amendment of NTI 05 of 2020/21	Paragraph 4.8; 4.9; 5.3
Erratum NTI 5 of 2020/21	Paragraph 1; Paragraph 2
Practice note 7 of 2009/10	Paragraph 4.1.2
NT instruction note 1 of 2021/22	Paragraph 4.1

34. STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2023

	NOTE(S)	2023 R'000	RESTATED 2022 R'000
ASSETS			
Current assets			
Prepayments	3	10	9
Cash and cash equivalents	4	19 202	21 642
		19 212	21 651
Non-current assets			
Property, plant and equipment	5	173	433
Intangible assets	6	3	3
		176	436
TOTAL ASSETS		19 388	22 087
LIABILITIES			
Current liabilities			
Payables	7	1 621	1 599
Grants	8	6 385	10 715
Provision	9	339	421
TOTAL LIABILITIES		8 345	12 735
NET ASSETS		11 043	9 352
Reserves			
Stabilisation Fund	10	2 424	2 282
Accumulated surplus/(deficit)		8 619	7 070
TOTAL NET ASSETS		11 043	9 352

35. STATEMENT OF FINANCIAL PERFORMANCE FOR THE PERIOD ENDED 31 MARCH 2023

	NOTE(S)	2023 R'000	RESTATED 2022 R'000
REVENUE			
Revenue from exchange transactions	11		
Interest received		952	535
Profit on sale of assets		-	18
Other income		11	28
		963	581
Revenue from non-exchange transactions	11		
Transfers		20 831	20 328
Service in kind		3 464	5 036
Grants		539	45
		24 834	25 409
TOTAL REVENUE		25 797	25 990
EXPENDITURE			
Employee costs	12	(10 533)	(10 298)
Depreciation	5	(247)	(252)
Amortisation	6	(9)	(8)
Operating lease	13	(32)	(34)
Goods and services	14	(9 136)	(8 387)
TOTAL EXPENDITURE FROM CONTINUED OPERATIONS		(19 957)	(18 979)
SURPLUS/(DEFICIT)		5 840	7 011

36. STATEMENT OF CHANGES IN NET ASSETS FOR THE PERIOD ENDED 31 MARCH 2023

	NOTE(S)	STABILISATION FUND R'000	ACCUMULATED SURPLUS/ (DEFICIT) R'000	TOTAL NET ASSETS R'000
RESTATED BALANCE AT 1 APRIL 2021		2 198	7 905	10 103
Changes in net assets				
Restated surplus for the year		-	7 011	7 011
Transfer to reserves		84	(84)	-
Surrender of surplus funds for 2020/21	15	-	(7 762)	(7 762)
TOTAL CHANGES		84	(835)	(751)
BALANCE AT 31 MARCH 2022		2 282	7 070	9 352
Changes in net assets				
Surplus for the year		-	5 840	5 840
Transfer to reserves		142	(142)	-
Surrender of surplus funds for 2021/22	15	-	(4 149)	(4 149)
TOTAL CHANGES		142	1 549	1 691
BALANCE AT 31 MARCH 2023		2 424	8 619	11 043

37. CASH FLOW STATEMENT FOR THE PERIOD ENDED 31 MARCH 2023

	NOTE(S)	2023 R'000	RESTATED 2022 R'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Transfers		20 831	20 328
Services rendered		-	-
Grants		-	500
Interest received		952	535
Other income		10	30
		21 793	21 393
Payments			
Employee costs		(10 533)	(10 298)
Suppliers		(13 691)	(10 455)
		(24 224)	(20 753)
NET CASH FLOWS FROM OPERATING ACTIVITIES	16	(2 431)	640
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of intangible assets	6	(9)	(8)
Proceeds from the sale of property, plant and equipment		-	18
NET CASH FLOWS FROM INVESTING ACTIVITIES		(9)	10
Net increase/(decrease) in cash and cash equivalents		(2 440)	650
Cash and cash equivalents at the beginning of the year		21 642	20 992
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	4	19 202	21 642

38. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	APPROVED ANNUAL 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	286	952	(666)	1
Services rendered	2	–	2	
Other income	–	11	(11)	2
Total	288	963	(675)	
Revenue from non-exchange transactions				
Transfer	20 831	20 831	–	
Service in kind	6 004	3 464	2 540	3
Grants	–	539	(539)	4
Total	26 835	24 834	2 540	
Total revenue	27 123	25 797	1 326	
Expenditure				
Employee costs	(13 935)	(10 533)	(3 402)	5
Advertising and promotions	(468)	(176)	(292)	6
Amortisation	(12)	(9)	(3)	
Auditors' remuneration	(1 000)	(1 030)	30	7
Bank charges	(30)	(19)	(11)	
Board fees	(853)	(515)	(338)	8
Catering	(22)	–	(22)	
Communication costs	(115)	(106)	(9)	
Consulting and professional fees	(5 113)	(2 535)	(2 578)	3
Courier expense	–	(2)	2	
Depreciation	(288)	(247)	(41)	
Legal fees	(200)	–	(200)	9
Loss of assets	–	(13)	13	10
Operating lease	(40)	(32)	(8)	
Printing and stationery	(125)	(44)	(81)	11
Rental and facilities	(1 700)	(1 248)	(452)	3
Rental of office furniture and equipment	(304)	(305)	1	3
Software expenses	–	(9)	9	
Staff welfare	(5)	(1)	(4)	
Subscription and membership	(5)	–	(5)	
Training and development	(300)	(114)	(186)	12
Travel and subsistence	(2 383)	(1 980)	(403)	13
Venues and facilities	(225)	(1 039)	814	14
Total expenditure	(27 123)	(19 957)	(7 166)	
Surplus/(Deficit) before capital expenses and interest	–	5 840	(5 840)	
Capital assets	–	–	–	
Surplus/(Deficit) for the year	–	5 840	(5 840)	

REFERENCE NOTES

1. Increase in interest income is due to underspending of transfers from National Treasury.
2. Other income related to registration fees received for attendance to the Co-operative Banking Indaba held in November 2022.
3. New approach of confirmation of services in kind by National Treasury reflects that the budget allocated was overestimated for the financial year, resulting in high underspending.
4. No grant budget was allocated due to no commitment received from the stakeholder regarding unused funds. Approval to retain funds from BANKSETA was only granted in the current year. Cost was incurred for training conducted at the indaba and training was approved as per the project plan.
5. Underspending on compensation of employees is due to vacant posts not filled.
6. Underspending on advertising and promotions is attributed to promotional items for the indaba due to cost-effective procurement and using stakeholder materials.
7. Audit costs include the cost for planning the 2022/23 audit, resulting in overspending.
8. Board budget allocation was increased based on prior year actual cost incurred due to additional meetings scheduled for the merger and carrying out responsibilities in the absence of an AMD. Underspending in the current year is recorded as a saving since meetings have been reduced and an AMD was appointed.
9. Legal fees not used due to the process of procurement to obtain a service provider to conduct disciplinary hearing in terms of recommendations from investigation report. The procurement process has been delayed due to engagement between National Treasury SCM and HR.
10. Break-in of employee's vehicle resulted in the theft of a laptop, which incurred a loss.
11. Underspending on printing and stationery is due to staff working on a rotational basis from home, resulting in a decrease in printing and the use of stationery.
12. Underspending on training and development is due to a delay in meeting the required numbers for training programmes and increased work commitments by staff, which resulted in insufficient time for pursuing studies.
13. Underspending on travel and subsistence is due to virtual activities conducted, non-availability of clients and staff assisting in preparing the indaba.
14. Overspending on venues and facilities is due to costs incurred for hosting the indaba and BANKSETA training in terms of the project plan. Approval was granted by National Treasury through a submission to use surplus funds from 2021/22, which will cover the exceeded amount for the indaba. BANKSETA would cover costs for the overspending.

39. ACCOUNTING POLICIES

1. BASIS OF PRESENTATION

The AFS have been prepared in accordance with GRAP, including any interpretations and directives issued by the Accounting Standards Board in accordance with section 122(3) of the PFMA. They are prepared in South African rand (ZAR).

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

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

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 Cabinet's announcement to merge CBDA, sefa and SEDA has been finalised.

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 over more than one period.

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

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

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

1.3 INTANGIBLE ASSETS

An intangible asset is recognised when:

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

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

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

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

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

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

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

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

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

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

ITEM	AMORTISATION METHOD	AVERAGE USEFUL LIFE
Licences	Straight line	1 year
Computer software	Straight line	3 years

1.4 FINANCIAL INSTRUMENTS

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

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

1.4.1 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash at bank, petty cash and deposits held in call. They 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

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

1.4.4 FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currencies are accounted for at the rate of exchange ruling on the date of the transaction. Liabilities in foreign currencies are translated at the rate of exchange ruling at the reporting date or at the forward rate determined in forward exchange contracts. Exchange differences arising from translations are recognised in the statement of performance in the period in which they occur.

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

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

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

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

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

1.5 TAX

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

1.6 LEASES

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

OPERATING 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 and willing parties, less the costs of disposal.

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

Useful life is either the period 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.

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

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

RECOGNITION AND MEASUREMENT

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

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

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

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

1.8 EMPLOYEE BENEFITS

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within 12 months after the end of the period in which the employees render the related service.

Short-term employee benefits include:

- Wages and salaries.
- Paid annual leave and paid sick leave where the compensation for the absences is due to be settled within 12 months after the end of the reporting period in which the employees render the related employee service.
- Bonus, incentive and performance-related payments payable within 12 months after the end of the reporting period in which the employees render the related service.

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

1.9 PROVISIONS AND CONTINGENCIES

Provisions are recognised when:

- The CBDA has a present obligation as a result of a past event.
- It is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation.
- 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 expenditure on which the provision was originally recognised.

Provisions are not recognised for future operating surpluses.

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

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

1.10 COMMITMENTS

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

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

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

1.11 REVENUE FROM EXCHANGE TRANSACTIONS

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

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

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

RENDERING OF SERVICES

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when 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.
- The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Services arise from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes registration of support and representative organisations in the financial co-operative sector.

INTEREST INCOME

Revenue is recognised as interest accrued using the effective interest rate and is included under exchange revenue in the statement of financial performance.

OTHER INCOME

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

1.12 REVENUE FROM NON-EXCHANGE TRANSACTIONS

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

TRANSFERS

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

The CBDA recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

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

SERVICES IN KIND

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

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

GRANTS

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

Grants are recognised as revenue, except to the extent that the liability is also recognised if the grant is conditional. As the CBDA satisfies a present obligation recognised as a liability in respect of an inflow of resources from grants recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction. A liability will be recognised to the extent that the conditions have not been met and will reduce as the conditions are satisfied with a corresponding increase in revenue. Grants that have satisfied all the present obligations in terms of a binding agreement are recognised as revenue if 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 judgement based on recently available, reliable information and therefore an estimate may change as new information becomes known, circumstances change, or more experience is obtained.

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

PRIOR PERIOD ERROR

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

1.14 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless expenditure means expenditure that 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 is 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 is disclosed in the note to the financial statement.

1.15 IRREGULAR EXPENDITURE

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

- The PFMA.
- The State Tender Board Act (1968) or any regulations made in terms of the act.
- Any provincial legislation providing for procurement procedures in that provincial government.

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

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

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

1.16 BUDGET INFORMATION

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

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

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

The approved budget covers the fiscal period from 1 April 2022 to 31 March 2023.

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

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

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

1.18 EVENTS AFTER REPORTING DATE

Events after the 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).
- Those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

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

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

1.19 CHANGE IN ACCOUNTING POLICY

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

1.20 COMPARATIVE FIGURES

When the presentation or classification of items in the AFS is amended, prior period comparative amounts are restated, and the nature and reasons 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 GRAP standards below have been issued by the Accounting Standards Board 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 standards.

STANDARD/INTERPRETATION	EFFECTIVE DATE: YEAR BEGINNING ON OR AFTER	EXPECTED IMPACT
GRAP 1 presentation on financial statements	1 April 2023	May have an impact on future financial statements
GRAP 25 on employee benefits (revised)		
IGRAP 7 on the limit on a defined benefit asset, minimum funding requirements and their interaction (revised)		
IGRAP 21 on the effect of past decisions on materiality		
GRAP 104 on financial instruments (revised)	1 April 2025	N/A
Guideline on accounting for landfill sites	1 April 2023	
GRAP 103: Heritage assets	No effective date issued	

2023
R'0002022
R'000

3. PREPAYMENTS

Prepaid expense

10

9

Prepayment is for annual licence fees paid in advance for the payroll system to be used from 1 April 2023.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

FNB petty cash bank account and on hand	2	1
FNB bank balances	9 433	12 444
CPD investment account	7 343	6 914
CPD investment account – Stabilisation Fund	2 424	2 283
Total	19 202	21 642

Cash and cash equivalents consist of five bank accounts, three in First National Bank (FNB) and two in the Corporation for Public Deposits (CPD) at the SARB. One FNB account for **sefa** funds was closed in the month due to reimbursement for unused funds.

5. PROPERTY, PLANT AND EQUIPMENT

	2023 R'000			2022 R'000		
	COST/ VALUATION	ACCUMULATED DEPRECIATION AND ACCUMULATED IMPAIRMENT	CARRYING VALUE	COST/ VALUATION	ACCUMULATED DEPRECIATION AND ACCUMULATED IMPAIRMENT	CARRYING VALUE
Office equipment and furniture	56	(51)	5	56	(48)	8
Computer equipment	809	(641)	168	840	(415)	425
Total	865	(692)	173	896	(463)	433

Reconciliation of property, plant and equipment – 2023

	2023 R'000				
	OPENING BALANCE	ADDITIONS	LOSS OF ASSET	DEPRECIATION	TOTAL
Office equipment and furniture	8	–	–	(3)	5
Computer equipment	425	–	(13)	(244)	168
	433	–	(13)	(247)	173

On 2 September 2022, the CBDA incurred a loss of asset through a break-in of an employee's vehicle whereby a laptop was stolen. The loss incurred amounted to R13 000.

Reconciliation of property, plant and equipment – 2022

	2022 R'000			
	OPENING BALANCE	ADDITIONS	DEPRECIATION	TOTAL
Office equipment and furniture	10	–	(2)	8
Computer equipment	675	–	(250)	425
	685	–	(252)	433

Computer equipment valued at R428 850 were fully depreciated and written off in the fixed asset register. Assets with a zero net carrying value were disposed of by auction. Income of R18 000 was received for some of the equipment purchased. Office equipment and furniture was restated due to incorrect useful life applied in terms of the accounting policy. See note 29.

6. INTANGIBLE ASSETS

	2023 R'000			2022 R'000		
	COST/ VALUATION	ACCUMULATED AMORTISATION AND ACCUMULATED IMPAIRMENT	CARRYING VALUE	COST/ VALUATION	ACCUMULATED AMORTISATION AND ACCUMULATED IMPAIRMENT	CARRYING VALUE
Licences	17	(14)	3	241	(238)	3
Computer software	–	–	–	92	(92)	–
Total	17	(14)	3	333	(330)	3

Approval was granted to fully write off amortised software and licences to the value of R91 979 and R232 446, respectively.

Reconciliation of intangible assets – 2023

	2023 R'000			
	OPENING BALANCE	ADDITIONS	AMORTISATION	TOTAL
Licences	3	9	(9)	3
Computer software	–	–	–	–
	3	9	(9)	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

7. PAYABLES

	2023 R'000	RESTATED 2022 R'000
Trade payables	652	372
Accruals	419	743
Leave accrual	542	476
National Treasury	–	1
Salary control account	6	5
Refund to CFIs for application	2	2
	1 621	1 599

Trade payables are outstanding amounts due to suppliers and fees to be reimbursed to CFIs for contributions made to participate in the banking platform project.

9. GRANTS

	2023 R'000				
	OPENING BALANCE	FUNDS/INTEREST RECEIVED	FUNDS RECEIVED	REVENUE RECOGNISED	CLOSING BALANCE
BANKSETA	2 149	–	–	(539)	1 610
DALRRD	4 577	–	198	–	4 775
sefa	3 989	(4 056)	67	–	–
	10 715	(4 056)	265	(539)	6 385

Letters written to stakeholders regarding unused funds in the CBDA's possession resulted in a payment made to **sefa** with interest. BANKSETA granted approval to retain the funds to be used for training. BANKSETA funds were used for training conducted at the indaba and Train the Trainer programmes.

	2022 R'000			
	OPENING BALANCE	FUNDS/INTEREST RECEIVED	REVENUE RECOGNISED	CLOSING BALANCE
BANKSETA	1 694	500	(45)	2 149
DALRRD	4 482	95	–	4 577
sefa	3 907	82	–	3 989
	10 083	677	(45)	10 715

BANKSETA contract deliverables were achieved through collaboration and partnership with other stakeholders, resulting in no costs incurred and unspent funds. The contract expired on 30 June 2021 with only R45 000 of the funds used during the financial year. The unspent funds would be refunded to BANKSETA.

BANKSETA

On 3 October 2022, an email with a letter dated 30 September 2022 was received from BANKSETA's Chief Executive Officer. The letter stated that the CBDA should retain the funds to be channelled into training for the Board members of registered CBIs and CFI support for interventions. Funds were used to procure services for training at the indaba and training for an Eastern Cape provincial department official.

Department of Agriculture, Land Reform and Rural Development

The merger of the department of agriculture, forestry and fisheries with the department of rural development and land reform into the Department of Agriculture, Land Reform and Rural Development (DALRRD) resulted in delays in finalising the memorandum of understanding. The revised agreement has been reviewed by National Treasury's legal unit and was issued to the department. An engagement was held between the the DALRRD officials and the CBDA, resulting in the stakeholder discussing the continuation or discontinuation of the project with the respective senior official involved with the matter.

sefa

A letter was written to the **sefa** Chief Executive Officer to schedule a meeting to discuss the unused funds provided to the CBDA in 2015 for the discontinued banking platform project. **sefa** requested the funds to be refunded with interest since it already has a project that would require the funds. The funds were paid to **sefa** on 21 September 2022.

9. PROVISIONS

RECONCILIATION OF PROVISIONS	2023 R'000			
	OPENING BALANCE	ADDITIONS	USED DURING THE YEAR	TOTAL
Bonus provision	421	339	(421)	339

The Board approved the 2020/21 performance bonus after an internal audit review and legal advice was provided. The payment was made in August 2022. Additional provision was made for 2022/23.

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

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

10. STABILISATION FUND RESERVE

	2023 R'000	2022 R'000
Opening balance	2 282	2 198
Interest on capital	142	84
	2 424	2 282

The Stabilisation Fund was established to protect the deposits of CFI members and provide assistance in the form of grants, loans, liquidity assistance, etc. Interest of R142 000 was accrued on the fund for the period ending 31 March 2023. In 2022, R84 000 was capitalised.

11. REVENUE**Amounts included in revenue arising from exchange transactions**

Interest received	952	535
Profit on sale of asset	–	18
Other income	11	28
	963	581

Other income comprises registration fees paid to attend the Co-operative Banking Indaba.

Amount included in revenue arising from non-exchange transactions

Transfers	20 831	20 328
Services in kind	3 464	5 036
Grants	539	45
	24 834	25 409

2023

Service in kind**Organisation****Type of service or goods**

National Treasury	Consulting services	1 911	2 698
National Treasury	Rental of office furniture and equipment	305	305
National Treasury	Rental space, parking and municipality cost	1 248	1 439
SARB	Salary for secondment	–	594
		3 464	5 036

12. EMPLOYEE-RELATED COSTS

Basic	9 610	9 858
Performance bonus	490	–
Cash allowance	253	241
UIF	31	31
Funeral policy	7	8
Group life benefit	62	59
Leave accrual	66	–
Leave paid	14	101
	10 533	10 298

13. LEASE RENTALS ON OPERATING LEASE**Office equipment**

Amounts paid	32	34
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14. GOODS AND SERVICES

Auditors' remuneration	1 030	1 003
Advertising	176	–
Bank charges	19	21
Board fees	515	549
Communication costs	106	72
Consulting and professional fees	2 535	3 219
Courier expense	2	–
Legal fees	–	39
Loss of asset	13	–
Printing and stationery	44	11
Rental and facilities	1 248	1 439
Rental of office furniture	305	305
Software expenses	9	9
Staff welfare	1	4
Training and development	114	23
Travel and subsistence	1 980	1 432
Venues and facilities	1 039	261
	9 136	8 387

15. UNUSED FUNDS TO BE SURRENDERED TO NATIONAL TREASURY

	2023 R'000	2022 R'000
Cash and cash equivalents	19 202	21 642
Add: Receivables	10	9
Less: Stabilisation Fund	(2 424)	(2 282)
Less: Payables	(1 621)	(1 600)
Less: Provisions	(339)	(421)
Less: Project funds unused	(6 385)	(10 715)
	8 443	6 633

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

2023

The request to retain funds from 2021/22 was submitted to National Treasury on 29 August 2022.

Approval was granted to retain R5.491 million, to be used as indicated in the submission. The amount is inclusive of stabilisation funding. The balance of R4.149 million was paid to National Treasury in November 2022.

2022

A request was sent to National Treasury on 24 August 2021 to retain surplus funds amounting to R7.764 million from 2020/21.

The request was declined and the amount was surrendered to National Treasury in December 2021.

16. CASH GENERATED FROM OPERATIONS

Surplus	5 840	7 011
Adjustments for:		
Depreciation and amortisation	256	260
(Gain)/loss on sale of tangible assets	13	(18)
Movement in provision	(82)	–
Changes in working capital:		
Receivables from non-exchange transactions	–	2
Prepayments	(1)	–
Payables	22	515
Grants	(4 330)	632
Funds surrendered to National Treasury	(4 149)	(7 762)
	(2 431)	640

17. AUDITORS' REMUNERATION

Fees	1 030	1 003
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18. COMMITMENTS

	2023 R'000	2022 R'000
Approved and signed contracts		
Zanati Search Group (Pty) Ltd	–	110
Kashan Advertising (Pty) Ltd	–	125
Media Meme (Pty) Ltd	279	–
	279	235

Commitments are signed binding agreements between the 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.

19. OPERATING LEASES

Minimum lease payments due

Within one year	–	32
More than one year, less than five years	–	–
	–	32

Operating lease payments represent leases 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 36 months, ending 25 February 2023 with a fixed rental payment of three years. The agreement was extended to 30 September 2023 with charges only for printing.

20. RELATED PARTIES

RELATIONSHIPS	
National Treasury	Executive authority
BANKSETA	Public entity in national sphere
DALRRD	National department in national sphere
sefa	Subsidiary of Industrial Development Corporation
Department of Justice and Constitutional Development	National department in national sphere
Government Printing Works	National government component reporting to national Department of Home Affairs

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

	2023 R'000	RESTATED 2022 R'000
Related party transactions		
BANKSETA	538	45
Department of Justice and Constitutional Development	–	39
Government Printing Works	5	–
National Treasury	3 464	5 036
	4 007	5 120
Related party balances		
BANKSETA	1 611	2 149
DALRRD	4 775	4 577
sefa	–	3 989
Government Printing Works	5	–
National Treasury	–	1
	6 391	10 716

21. RELATED PARTY – EXECUTIVE MANAGEMENT REMUNERATION

Name	Position		
*Mr D de Jong	Acting Managing Director	–	594
Ms N Sauli	Director: Capacity Building Unit	1 291	1 214
**Mr K van Niekerk	Acting Board Secretary	–	566
Ms L Padayachee	Deputy Director: Financial Management	1 165	1 058
***Mr P Rossouw	Acting Managing Director	1 165	–
		3 621	3 432

* Secondment contract expired on 30 September 2021. This cost is a service in kind from the Prudential Authority.

** Employment contract expired 15 September 2021. Amount includes leave payout.

*** Appointed AMD on 1 May 2022, officially commenced employment on 24 May 2022.

22. RELATED PARTY – ACCOUNTING AUTHORITY

Board's emoluments		
*****Dr N Ngwenga	20	86
Mr L Ntuane	175	212
Mr V Pangwa	80	109
Ms T Mashanda	62	44
*Mr J Ndumo	–	–
*Ms N Shwala	–	–
Ms P Ncapayi	–	–
**Ms N Lubisi	–	–
***Mr J Amien	58	39
***Mr P Rossouw	5	53
****Ms MP Motseo	74	–
****Adv M Adhikari	9	–
****Mr SR Masoga	32	–
	515	543

2023

- *** Resigned from the Board and was appointed AMD from 1 May 2022, officially commenced employment on 24 May 2022.
- **** Appointed to the Board on 1 May 2022.
- ***** P Rossouw resigned from the Board in July 2022.

2022

- * Government officials serving on boards or committees of public entities or institutions are not entitled to additional remuneration without approval from their respective institution .
- ** Ms N Lubisi replaced Ms O Matshane as National Treasury's ministerial representative effective 24 March 2021.
- *** Appointed to the Board effective 25 March 2021.
- **** Mr De Jong seconded from the SARB to be appointed AMD effective 1 February 2020. Contract expired on 30 September 2021.

Mr J Ndumo and Ms P Ncapayi's appointment as Board members expired in September 2021.

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

FINANCIAL ASSETS	2023 R'000	
	AT FAIR VALUE	TOTAL
Cash and cash equivalents	19 202	19 202

FINANCIAL LIABILITIES	2023 R'000	
	AT AMORTISED COST	TOTAL
Trade and other payables	1 074	1 074

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

FINANCIAL LIABILITIES	2021 R'000	
	AT AMORTISED COST	TOTAL
Trade and other payables	1 118	1 118

24. FINANCIAL RISK MANAGEMENT**LIQUIDITY RISK**

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

CREDIT RISK

Credit risk comprises mainly 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 National 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 the impact of cost recovery versus costs incurred. No credit limits were exceeded during the reporting period and management does not expect any surplus funds from non-performance by these counterparties.

MARKET RISK: INTEREST RATE RISK

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

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

25. GOING CONCERN

We draw attention to the fact that at 31 March 2023, the CBDA had an accumulated surplus of R5.84 million and that the CBDA's total assets exceed its liabilities by R11.043 million.

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

The CBDA is largely dependent on National Treasury for funding its operations. The AFS are prepared on the basis that the CBDA is a going concern until its merger with sefa and SEDA into a new entity is finalised. Through its work, the new entity is expected to enable integrated government support to SMMs and co-operatives. The merger is not anticipated to be concluded within 12 months from the reporting date.

26. EVENTS AFTER THE REPORTING DATE

It should be noted that there was one significant event after the reporting period. A payment of R4 852 000 with interest was made to the DALRRD on 27 June 2023 for funds not utilised.

27. CONTINGENT LIABILITIES AND ASSETS

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

CONTINGENT LIABILITY

- Labour court dispute by an ex-employee for the automatically unfair dismissal by virtue of section 18(1)(f) of the Labour Relations (1995) Act, as amended. The matter has not been finalised and a court date has been set for October 2023. It is not practical to estimate the value of the legal outcome.
- In terms of section 53(3) of the PFMA, a public entity may not accumulate surplus funds without National Treasury approval. A submission would be issued to National Treasury to obtain approval to retain a surplus of R8.443 million once the audited AFS have been approved.
- The amount of R524 000 owed to Fort Hare University relating to investigations conducted was resolved by the university senate. A decision was taken that the student who did not complete the course would be given the opportunity to complete the qualification and the university will cover the costs.

CONTINGENT ASSETS

- Recovery of funds amounting to R2.348 million and R1.76 million from an investigation into to a domestic conference attendance and accommodation, and a non-accredited diploma course have made no progress. The case was opened in March 2020 and the investigation began in September 2021. None of the accused have been charged.

28. IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

IRREGULAR EXPENDITURE

Irregular expenditure

Fruitless and wasteful expenditure

Total

2023
R'000

2022
R'000

–

–

–

–

9 820

9 891

Refer to reconciling notes on pages 86 and 87.

29. PRIOR YEAR ERROR

2021 STATEMENT OF POSITION

- **sefa and DALRRD interest on unused funds:** Agreement with the stakeholder did not stipulate interest earned on unused funds to be capitalised. Since the funds do not belong to the CBDA, they were incorrectly disclosed as revenue instead of a liability. This resulted in an increase in Grants Liability of R556 000.
- **Office equipment and furniture:** The useful life of office equipment and furniture procured in 2020/21 was incorrectly depreciated over three instead of five years, as per the accounting policy. This resulted in a decrease of R2 000 in the accumulated depreciation of office equipment and furniture.

2021 STATEMENT OF PERFORMANCE

- **sefa and DALRRD interest on unused funds:** Reduction in interest earned of R183 000 due to previously capitalised interest on unused funds.
- **Depreciation:** Decrease in depreciation of R2 000 due to incorrect useful life of office equipment and furniture.

2022 STATEMENT OF POSITION

- **sefa and DALRRD interest on unused funds:** Increase in grant liability of R733 000 due to previously capitalised interest on unused funds.
- **Office equipment and furniture:** Decrease of R4 000 in the accumulated depreciation of office equipment and furniture.

2022 STATEMENT OF PERFORMANCE

- **sefa and DALRRD interest on unused funds:** Reduction in interest earned of R177 000 due to previously capitalised interest on unused funds.
- **Depreciation:** Decrease in depreciation of R2 000 due to incorrect useful life of office equipment and furniture.

	AS PREVIOUSLY REPORTED	CORRECTION OF ERROR	RESTATED AMOUNT
2021			
Statement of position			
Property, plant and equipment	683	2	685
Grants	9 527	556	10 083
Accumulated surplus/(deficit)	8 459	(554)	7 905
Statement of performance			
Interest received	587	(183)	404
Depreciation	129	(2)	127
Surplus/(deficit)	7 789	(181)	7 608
2022			
Statement of position			
Property, plant and equipment	429	4	433
Grants	9 982	733	10 715
Accumulated surplus/(deficit)	7 799	(729)	7 070
Statement of performance			
Interest received	714	(177)	537
Depreciation	254	(2)	252
Surplus/(deficit)	7 186	(175)	7 011

RECONCILING NOTES ON IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

	2023 R'000	2022 R'000
IRREGULAR EXPENDITURE		
Opening balance	9 891	9 891
Add: Irregular expenditure confirmed	–	–
Less: Irregular expenditure condoned	–	–
Less: Irregular expenditure not condoned and removed	(71)	–
Less: Irregular expenditure recoverable	–	–
Less: Irregular expenditure not recovered and written off	–	–
Closing balance	9 820	9 891
Irregular expenditure under assessment	–	–
Irregular expenditure related to 2020/21 and identified in 2021/22	–	–
Irregular expenditure incurred	–	–
Irregular expenditure under assessment	–	–
Irregular expenditure under determination	–	–
Irregular expenditure under investigation	–	–
Irregular expenditure condoned	–	–
Irregular expenditure not condoned and removed	–	–
Irregular expenditure recovered	–	–
Irregular expenditure written off	71	–
Tota	71	–

No disciplinary steps took place during the period under review.

The AMD has reviewed the consequence management process undertaken after the submission to National Treasury for the previous year was not condoned. The audit committee requested internal audit to audit the process to determine compliance with the framework before it was recommended to the Board to remove it from the AFS. Internal audit's assessment resulted in the Board's approval of a R71 000 write-off. The delay in the consequence management process is as a result of there being no permanent managing director due to the merger and the turnover of AMDs.

FRUITLESS AND WASTEFUL EXPENDITURE

	2023 R'000	2022 R'000
Opening balance	5 447	5 447
Add: Fruitless and wasteful expenditure confirmed	–	–
Less: Fruitless and wasteful expenditure written off	(71)	–
Less: Fruitless and wasteful expenditure recoverable	–	–
Closing balance	5 376	5 447
Fruitless and wasteful expenditure	–	5 447
Fruitless and wasteful expenditure under assessment	–	–
Fruitless and wasteful expenditure under determination	–	–
Fruitless and wasteful expenditure under investigation	–	–
Fruitless and wasteful expenditure recovered	–	–
Fruitless and wasteful expenditure written off	71	–
Total	71	5 447

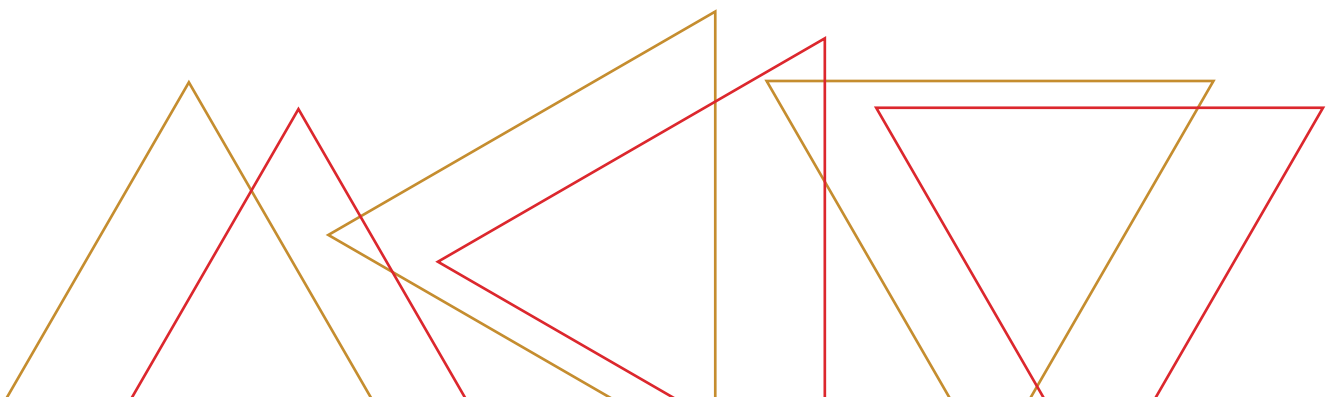
No disciplinary steps took place during the period under review. Two disciplinary processes are still pending due to there being no qualified personnel to conduct the process. The CBDA is in the process of sourcing assistance or procuring a consultant to perform industrial relations services.

Fruitless and wasteful expenditure amounting to R72 000 for prior years have been re-assessed. Consequence management was concluded and disciplinary action was taken against one employee in 2018/19. No individual was held liable due to circumstances beyond their control.

The audit committee requested internal audit to audit the process to determine compliance with the framework before it was recommended to the Board to remove from the AFS. Internal audit's assessment resulted in the Board's approval of a R71 000 write-off.

Part F

EVENTS AND ACTIVITIES



41. CO-OPERATIVE BANKING INDABA

The CBDA hosted the successful and well attended Co-operative Banking Indaba in East London, Eastern Cape, from 21-25 November 2022 under the theme Role of the Co-operative Banking Sector in Transforming the Financial Services Sector Without Limits in South Africa. Activities during the indaba involved training on management and compliance with the National Credit Regulator. Informative sessions were also provided by National Treasury, the South African Revenue Service, the Prudential Authority, sefa, SEDA, the FSCA and the Financial Intelligence Centre on the products offered by them and their regulatory requirements, as well as compliance in general. Attention was also given to the implementation of the NCBSS, which was adopted in 2021.

The Minister of the DSBD, Stella Ndabeni-Abrahams, and her deputy, Sdumo Dlamini, addressed the indaba with the focus on, among other things:

- Reducing red tape and regulatory burdens that constrain entrepreneurs, SMMEs and co-operatives.
- Creating an enabling environment to grow start-ups, especially those that can be more competitive in the technology and green economy sectors.
- Making corporate and supply chain markets more accessible to township and rural enterprises.
- Finding ways to increase the number of start-up and scale-up entities.
- Paying attention to funding-related strategies such as credit guarantees, blended finance instruments and increasing the flow of venture capital and equity finance to SMMEs and co-operatives.
- Strengthening ecosystem co-ordination.

The executive mayors of Buffalo City and the Amathole District Municipality, Mr Xola Pakati and Mr Anele Ntsangani; and Eastern Premier, Mr Oscar Mabuyane, also addressed attendees and pledged their support to the co-operative sector.

Some of the CBIs and CFIs in attendance included:

- Motswedi Financial Services Co-operative Limited (08/04/2019).
- Boikago Savings and Credit Co-operative Limited (08/05/2020).
- SADTU Savings and Credit Co-operative Limited (27/05/2019).
- Umnotho Financial Institute Primary Co-operative Limited (28/05/2019).
- Kingdom Financial Institution Primary Co-operative Limited (19/03/2020).
- Nagrik Financial Services Co-operative (07/04/2020).
- Ndzhakeni South Avenue Co-operative Financial Services (07/04/2020).
- Mutapa Financial Services Co-operative Limited (05/05/2020).
- Kings Grange Stokvel Financial Services Co-operative Limited (17/06/2020).
- Ndlovukazi YakwaZulu Women Financial Services Co-operative Limited (16/07/2020).
- People Empowerment CFI Primary Co-operative Limited (16/07/2020).
- Imvelo Agricultural Co-operative Financial Institution Limited (24/08/2020).
- National Stokvel Association of South Africa Financial Primary Co-operative Limited (16/02/2020).
- NEHAWU Savings and Credit Co-operative Limited (18/08/2021).
- Ziphakamise Savings and Credit Co-operative Bank (2008).
- Isikhungo Sabantu Financial Services Primary Co-operative Limited (09/11/2020).



AWARDS

The Prudential Authority completes evaluations on the best performing CBIs/CFIs for the year. These institutions were awarded by the CBDA during the indaba. Awards were made by increasing the value to their RSA Retail Savings Bonds.

The top performing CBIs/CFIs and the criteria this year's winners were judged against were:

- Outstanding achievement awards.
- Top performer awards (for start-ups registered for three years or less).
- Milestone awards.
- Top performer on compliance.

In terms of monetary value, SADTU, the top performer, received R20 000, the runner up, also SADTU, received R15 000. In third place was OSK, which received R10 000 and in fourth place was Webbers Co-operative Bank, which received R5 000.

42. CO-OPERATIVE BANKING STRATEGY VISION AND IMPLEMENTATION

A survey on the indaba was conducted with the central question: “How would you describe the indaba in three words?”. The results are depicted in the figure below. The CBDA can conclude that the indaba was much needed by the sector to discuss relevant matters in person, in particular, the participation of CFIs in South Africa’s economy. The NCBSS paper is published on the CBDA’s website (<http://www.treasury.gov.za/coopbank/>).





43. IMAGES FROM A WORKSHOP ON THE NSCB STRATEGY



CO-OPERATIVE SECTOR/DEPARTMENT OF ECONOMIC DEVELOPMENT, AGRICULTURE AND TOURISM TRAINING AND WORKSHOPS



44. EXPOSURE VISIT TO MOZAMBIQUE

CBDA INVITED TO DGRV WORKSHOP

The CBDA was invited to attend a savings and credit co-operatives workshop organised by the DGRV, which was held on 5 December 2022 in Maputo, Mozambique. The DGRV is a non-governmental organisation representing the highest level of the co-operative sector in Germany. The DGRV is implementing a regional programme called SUCOSA, funded by the German Ministry of Development and Economic Co-operation, to support co-operative structures and boost socioeconomic development in Southern Africa.

In Mozambique, the DGRV, in partnership with several local organisations, has been committed to promoting co-operatives in various sectors, providing institutional and operational support and improving legal frameworks. The scope of its implementation is also focused on training and exchange between various stakeholders such as government, co-operatives and academia. This is intended to strengthen knowledge on the creation and establishment of reference models for credit co-operatives through assistance and an enabling environment. It is in this context that the workshop took place with the theme Challenges, Opportunities and Savings, and Credit Co-operative Organisations' Role in Financial Inclusion.



WORKSHOP DISCUSSIONS

The workshop was closely aligned with the CBDA's staff development initiatives related to international exposure to pertinent issues affecting other countries and engaging in contemporary issues of co-operative banking across the world. This was in the context of working to transform the financial services sector and the role credit unions and/or co-operative banks can play in opening up competition, increasing access to financial services and increasing ownership by previously disadvantaged communities.

The following key topics were presented and discussed during the workshop:

- Study on financial inclusion in Mozambique – credit co-operatives.
- International experience in licensing and supervising credit unions.
- Landscape of credit co-operatives in Germany.
- Perspective, experiences and perception of the co-operative banking sector.
- Proposals and suggested way forward to boost Mozambique's savings and credit co-operative organisations.

The workshop highlighted that the common challenge faced by CBIs is lack of skills, market access and compliance with regulations. It was reiterated during the workshop that financial inclusion is one of the biggest projects in Africa, which can be done effectively through the digitisation of financial products. However, this is difficult in most developing African countries. For example, in Mozambique, 60% of the population is not documented, while only a quarter of the population has mobile phones.

Undertakings for collaborations between the countries in attendance (South Africa, Mozambique and Eswatini) were taken. The workshop was informative and catalysed the need for further engagements to ensure actioning within the sector.

CONCLUSION

The workshop involved mainly peer learning for CBDA officials and stakeholders. A key take away from the workshop was that there should be more interaction within the co-operative banking sector as well as with stakeholders in other countries, especially in the Southern African Development Community. This could be achieved more easily through collaborative efforts with organisations such as the DGRV. This is particularly important as the sector in South Africa attempts to implement the NCBSS, especially when portions of the strategy haven't been attempted before.

Tebogo Tshabalala and Caleb Mampane were invited as panel members at the National SMME and Co-operatives Summit from 13-15 November 2022 to speak on the process of registering a CBI.

The chairperson of the Board and the CBDA management team were invited to attend the Small Enterprise and Co-operatives Summit in Mbombela, Mpumalanga, from 4-5 August 2022. The summit focused on the implementation of the national integrated small enterprise development master plan.

