**Report of the Standing Committee on Finance on the Oversight Visit to the Co-operative Banks Development Agency, dated 02 May 2023**

1. **INTRODUCTION**
   1. The Standing Committee on Finance (SCOF/the Committee) undertook an oversight visit to the Co-operative Banks Development Agency (CBDA)on 30 March 2023 in Gauteng. The main purpose of the visit to the CBDA was to get a briefing on its audit action plan. The CBDA received an unqualified audit opinion with findings. Material findings were made by the Office of the Auditor-General of South Africa (AGSA) on the usefulness and reliability of reported performance information.
   2. The CBDA was established in terms of the Co-operative Banks Act, act 40 of 2007, to promote and advance the social and economic welfare of all South Africans by enhancing access to banking services under sustainable conditions.
   3. AGSA briefed SCOF on 21 February 2023 about the audit outcomes of the finance portfolio for 2021/22. A decision was taken by the Committee to conduct an oversight visit to the National Treasury and all entities that had negative audit outcomes for 2021/22. The Committee conducted the same exercise last year with regards to the audit outcomes of 2020/21 financial year.
   4. The entities visited on 29 and 30 March 2023 were the National Treasury, Cooperative Banks Development Agency (CBDA), FAIS Ombud, Financial and Fiscal Commission (FFC), Financial Intelligence Centre (FIC), the Office of the Pension Funds Adjudicator (OPFA), Government Technical Advisory Centre (GTAC), Government Pensions Administration Agency (GPAA) and Public Investment Corporation (PIC).
2. **DELEGATION**

Parliamentary Delegation

* 1. The Committee delegation comprised of the following members: Mr MJ Maswanganyi (Chairperson of the Committee, ANC), Ms P Abraham (ANC), Ms D Mabiletsa (ANC), Mr G Skosana (ANC), Ms W Alexander (DA), Mr F Shivambu (EFF) and Mr W Wessels (FF+). The delegation was accompanied by the following parliamentary officials: Mr A Wicomb (Committee Secretary), Ms Cele-Ntshinka (Committee Assistant), Dr Z Hlophe (Content Advisor), and Ms A Manamela (Researcher).

National Treasury and CBDA Delegation

* 1. The NT delegation comprised of: Mr E Godongwana (Minister of Finance), Ms L Mseme (Acting Chief Operations Officer), Mr L Batwa (Parliamentary Officer), Ms N Mahori (Parliamentary Officer), Mr K Bosoga (IT Support), and Mr M Khan (Director).
  2. The CBDA delegation comprised of: Mr P Rossouw (Acting Managing Director)

Auditor-General Delegation

* 1. The Auditor-General delegation comprised of: Ms M Madondo (Senior Manager), Mr L Kuse (Senior Manager), Ms N Matanzima (Business Unit Leader), Ms K Naicker (Deputy Business Unit Leader), Ms A Whitfield (Senior Manager), and Mr M Jimmy (Acting Product Champion).

1. **OVERVIEW OF CBDA AUDIT OUTCOME 2021/22**

3.1 AGSA found that the CBDA did not implement adequate review and monitoring controls to ensure that the financial statements submitted for auditing were free of material misstatements.

3.2 It further found that the CBDA management did not develop and implement adequate audit action plans to address material non-compliance and material findings on performance information that were reported in the prior year. Consequently, similar matters were reported in the current year, showing weaknesses in internal controls.

3.3 AGSA identified further recurring challenges with performance reports due to the indicators not being well defined. The two targets at CBDA with material findings related to the percentage of organised groups supported and the percentage of registered cooperative banking institutions (CBIs) prepared for digital transformation.

3.4 AGSA further reported that there was an independent investigation regarding an allegation of misconduct – procurement irregularities relating to the funding of a non-accredited diploma, which covered the period March 2015 to March 2020. The investigation was concluded on 30 April 2021 and resulted in disciplinary proceedings against employees.

3.5 AGSA reported further that an investigation report was done by the Specialised Audit Services (SAS), a unit within the Office of the Accountant General (OAG), relating to the irregular use of third parties for domestic conference and accommodation bookings. This investigation covered the period of June 2019 to November 2019 and was concluded on 23 March 2020 and resulted in criminal and disciplinary proceedings against an employee.

1. **CBDA ACTION PLAN ON THE 2021/22 AUDIT OUTCOMES**
   1. The CBDA reported that in 2021/22, AGSA made a total of 14 adverse findings on its performance and financial statements. Six of these were material misstatements of financial statements. Two were on pre-determined objectives, three on non-compliance with legal and regulatory prescripts and, three were on internal control deficient.
   2. The CBDA further reported that it had resolved 50% of these findings, one on the material misstatements, two on predetermined objectives, one on non-compliance with legislation and all three on internal deficiencies. The other seven findings were being attended to at the time of reporting.
   3. The CBDA stated that the causes identified for these findings related to financial and human resource capacity constraints, inadequate review of financial statements, lack of consistent leadership, ineffective monitoring controls and lack of consequence management on historical fruitless, wasteful, and irregular expenditure.
   4. The CBDA reported that it was addressing all these findings by improving its control environment through the implementation of an action plan which is monitored by its governance structures.

1. **COMMITTEE OBSERVATIONS AND RECOMMENDATIONS**
   1. The Committee notes that the CBDA’s audit outcomes in 2021/22 remained unchanged from the previous year and had improved from a qualified audit opinion two year ago. The Committee further notes that the CBDA achieved more than 60% of its targets. However, the number of findings made on the CBDA suggest that there is instability at management levels. The Committee requires an update on the resolution of the seven unresolved audit findings.
   2. The Committee notes that AGSA found that the CBDA management did not develop and implement adequate action plans to address material findings on performance information that were reported in the prior year. The Committee further notes that the CBDA had several repeat findings. It further notes that the explanations given by the CBDA for many of its findings related to financial and human resource capacity constraints and ‘lack of consistent leadership’, which then led to inadequate review of financial statements, ineffective monitoring controls and lack of consequence management on historical fruitless, wasteful, and irregular expenditure.
   3. The Committee requires the Minister of Finance to heighten his oversight over the CBDA. The Committee believes that the failure of the CBDA would have a negative impact on small business and township economies, as well as rural development. The Committee further calls on the Minister to ensure the CBDA has enough financial and human resources for it to fulfil its mandate of ensuring access to alternative financial institutions.

The Standing Committee on Finance asks the National Assembly to adopt this Oversight Report.

Report to be considered.

The DA reserves its position.