Integrated Report 2022/23

FSCA
Financial Sector Conduct Authority

NAVIGATING OUR VALUE CREATION AND PRESERVATION JOURNEY

Navigating our report

Material Matters		Capitals		Stakeholders	
Collection of Levies	1	Financial Capital		Employees	E
Talent Management	2	Human Capital		Suppliers	S
Digital Transformation	3	Social Capital		Government	G
Managing Stakeholders	4	Intellectual Capital		Parliament	P
Governance and Reputation	5	Manufacturing Capital		Financial Customers	F
Compliance with Regulatory Framework	6	Natural Capital		Regulated Entities	R
				Media	M
				Other	O

Value Created | Value Eroded | Value Preserved

Contents

Part A

About this **Report**

Introduction

We are delighted to present our integrated report for the financial year ended 31 March 2023. This is our first integrated report. It demonstrates how we consistently create and preserve value, and implement measures to minimise value erosion and ensure sustainability.

We previously followed traditional annual reporting. The objective of progressing to integrated reporting is to provide our stakeholders with a holistic and balanced view of our strategy and performance in the context of risks and opportunities, and relevant socio-economic, environmental and technological factors.

Material matters

We followed a materiality identification process in determining the matters that materially impact our ability to create and preserve value over time. Given that material matters influence strategy, our response to them is integrated into our business and resource planning, our risk and opportunity management and our performance management processes. Our Executive Committee reviewed and approved these material matters in line with our governance processes.

We have consolidated material matters into six categories that link to our functions and mandate. The material matters are: i) collection of levies, ii) effective talent management, iii) enhanced digital transformation, iv) managing stakeholders' needs, v) maintaining good governance and reputation, and vi) compliance with regulatory framework by regulated entities.

Reporting scope and boundary

This report covers the period from 1 April 2022 to 31 March 2023. Material events after this date and up to the Executive Committee approval date, have been included.

Basis for preparation

Our report has been prepared in accordance with Generally Recognised Accounting Practice, the King IV Report on Corporate Governance and the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA). The report was compiled using the principles and content elements contained in the International Integrated Reporting Council's International <IR> Framework.

Control and combined assurance

We have established a Combined Assurance Model to implement and embed the combined assurance framework principles approved by the Audit Committee. The model will help us to improve efficiency and understanding of our enterprise risk management and internal control. In addition, the model also provides assurance on existence of defined risk ownership responsibilities with independent levels of oversight.

The Audit and Risk Committees provide oversight on the combined assurance model and consider the levels of assurance to be appropriate. The following assurance has been provided on specific disclosures in our integrated report for the year ended 31 March 2023.

Assurance-provider	Assurance provided
Auditor General of South Africa	• Clean audit opinion on Annual Financial Statement (refer to page 87) • Reported performance information and compliance with legislation
Internal Audit	Assurance provided over: • Risk management • Governance and Ethics • Information Technology (IT) governance • Internal control systems • Financial control • Supply chain management • Performance information • Compliance

Approval of the report

The Accounting Authority acknowledges its responsibility to ensure the integrity of this Integrated Report. Accordingly, the Audit Committee, which has oversight responsibility for the report, recommended it for approval by the Accounting Authority.

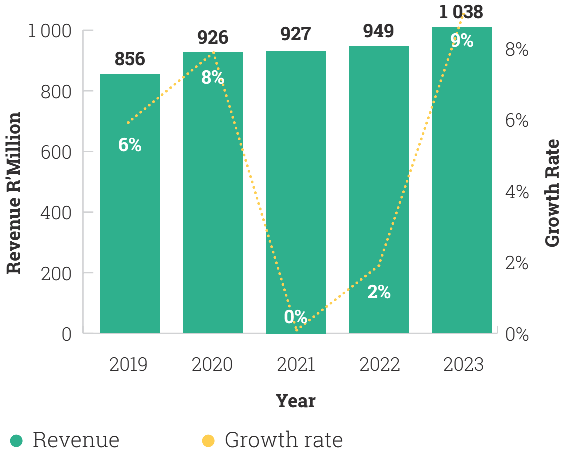
The Accounting Authority confirmed it has assessed the report and is satisfied that it represents all material matters. It presents a balanced account of our performance and ability to create value. The Accounting Authority is confident that the report was prepared in accordance with the International Integrated Reporting Framework. This report was approved by the Accounting Authority on 29 August 2023.

Unathi Kamlana
Commissioner

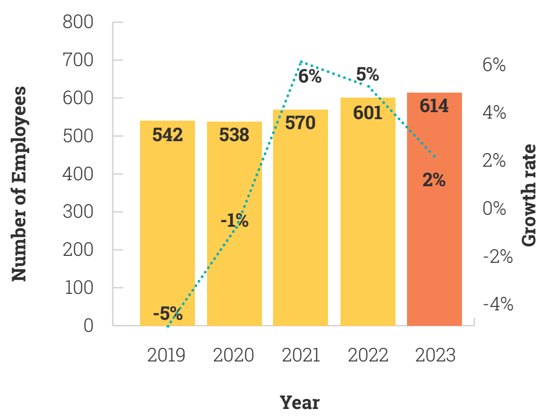

REGULATIO

Our value creation in practice

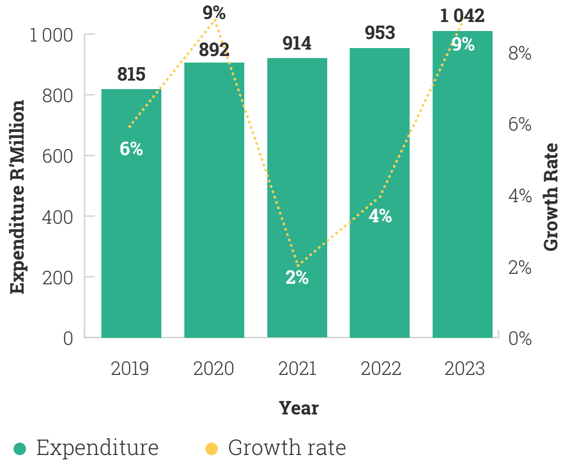
Revenue



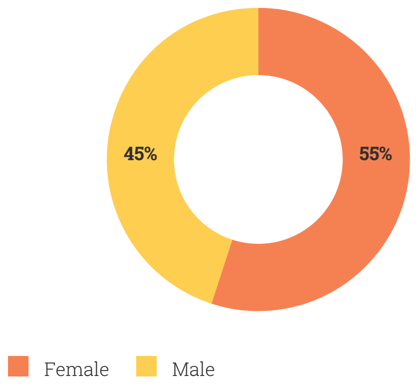
Number of Employees



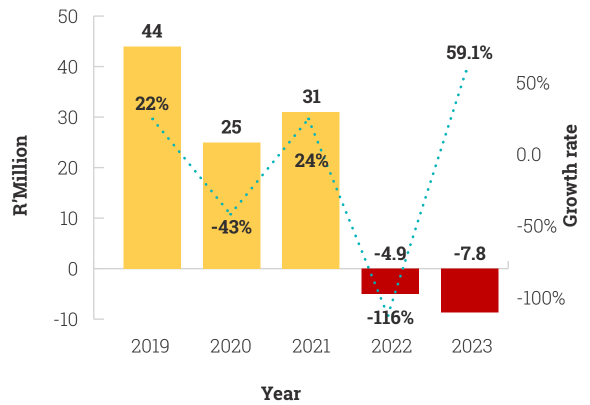
Expenditure



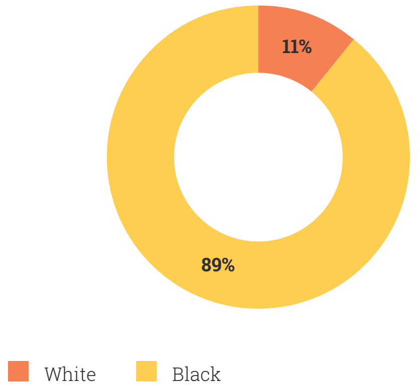
Gender



Net surplus/(Deficit)



Race



Procurement spend

R335 million

spent on broad-based black economic empowerment (BBBEE)

406

investigations finalised

984

FSPs licences suspended

584

licences granted to FSPs

Workshops conducted

92

workshops conducted with small, medium and micro enterprises

3 603

learners participated in the financial literacy competition in 9 provinces

Debarment orders

210

debarment orders issued

Penalties and fines

R101 million

imposed in penalties and fines

420

licences withdrawn

Issued

47

scam alerts

Regulatory actions

1 668

regulatory actions taken

Reviews conducted

7 629

annual financial statement reviews conducted to assess financial soundness of regulated entities

Complaints

7 966

financial customer complaints resolved

102 financial educational activities conducted

Introduction by the Minister

Minister Enoch Godongwana

The global economy is currently facing significant challenges. Several factors, such as persistently high inflation, are adversely affecting the economic performance of many economies worldwide. As a result, households are grappling with a significantly increased cost of living. Government's borrowing costs have also escalated, creating an additional burden on the fiscus. The energy crisis poses a substantial risk to productive capacity of the economy, causing disruptions across multiple sectors. It has also created an unfavorable investment climate and adversely affected the employment levels in our economy. In light of these challenges, economic growth is expected to slow, resulting in a weaker GDP growth in 2023. To address these issues and mitigate their adverse impacts, government will continue to implement decisive economic reforms to assist in maintaining the integrity of the country's financial system.

Despite these challenging times, the Financial Sector Conduct Authority (FSCA) exhibited resilience and determination in effectively carrying out its responsibilities. It has successfully met most of its performance targets during the year under review, demonstrating its capacity to adapt and respond to evolving economic conditions. These targets included publishing a Regulatory Actions report, undertaking a mystery shopping initiative, issuing market surveillance reports, and establishing a Consumer Advisory Panel. In addition, several significant conduct standards were drafted or published in the period, allowing the FSCA to work more effectively in new areas brought under its regulatory net.

I would like to highlight the commendable progress made by the FSCA in facilitating the distribution of unclaimed benefits, providing financial relief to those who are entitled to the benefits. To establish a consistent approach to unclaimed benefits across the financial sector, the FSCA published a discussion paper on unlocking unclaimed assets across all industries within the financial sector. The publication of this discussion paper by the FSCA signifies its commitment to addressing the issue of unclaimed benefits in a holistic manner. The aim is to foster an inclusive dialogue, seek input from various stakeholders, and explore different perspectives on how to effectively and fairly handle unclaimed assets within the financial sector.

The publication of the FSCA's strategy for promoting financial sector transformation is another noteworthy accomplishment. Through this publication, the FSCA demonstrated its commitment to the government's agenda on transformation. By actively promoting transformation within the financial sector, the FSCA is playing a vital role in advancing the broader transformation of the South African economy. Recognising the critical role that the financial sector plays in driving economic growth and inclusive development, I will closely monitor progress in the implementation of this strategy.

Regarding the regulatory framework, the FSCA has made significant strides in developing consolidated, cross-sector legal frameworks for identified key conduct themes. In preparation for the implementation of the pending, the Conduct of Financial Institutions (CoFI) framework, the FSCA has taken proactive steps to ensure a seamless transition. Recognising the significance of this regulatory reform, the FSCA has developed a regulatory framework transition plan. This plan serves as a roadmap that will guide the FSCA in effectively transitioning all conduct regulatory instruments in existing legislation to the CoFI Bill framework. The CoFI Bill and the amendments to the Financial Sector Regulation (FSR) Act will significantly alter the way the FSCA approaches market conduct regulation in the financial sector. Under the new framework, responsibilities of the various regulatory authorities will be clearly delineated, providing greater clarity and coherence in the regulatory landscape. This will foster better coordination and collaboration among regulatory bodies, ultimately resulting in more effective oversight of the financial sector.

The placement of our country on the Financial Action Task Force's (FATF) greylist in February 2023 presents a significant risk to the financial sector. The FATF greylist serves as a warning signal that indicates deficiencies in a country's anti-money laundering and counter-terrorism financing measures. While the greylisting does not directly relate to the preventive measures in respect of the financial sector, it has broader implications for the integrity and reputation of our financial system. I expect the FSCA to continue making significant contributions to implementing the FATF recommended actions to assist South Africa to exit the greylist as soon as possible.

I commend the Commissioner, the deputy commissioners, and all staff at the FSCA for their commitment and dedication in executing their critical mandate, especially in these challenging times. While I congratulate the FSCA for this excellent performance, it is important to recognise that more work still lies ahead in protecting financial consumers, enhancing market integrity and assisting in maintaining financial stability. The ever-evolving landscape of the financial sector demands continuous vigilance and adaptability. It necessitates the FSCA's ongoing commitment to staying vigilant of emerging risks, market developments, and regulatory advancements. This proactive approach is crucial for effectively addressing the challenges that may arise and to implementing appropriate measures to mitigate potential threats.

Despite these challenges, I have full confidence in the capability and dedication of the FSCA team. Their professionalism, expertise, and commitment to their mandate have been consistently demonstrated. With their combined efforts, I am confident that the FSCA will continue fulfilling its responsibilities diligently.

Enoch Godongwana, MP
Minister of Finance

Part B

About the **FSCA**

Integrated Report Committee

The FSCA's IR committee led the integrated reporting journey, producing our first Integrated Report

Who we are

FSCA is the market conduct regulator of financial institutions in South Africa. We are an independent and impartial statutory body performing the public function of market conduct regulation and supervision of the financial sector. We exercise our powers and perform our duties without fear, favour or prejudice. We are governed by the democratic values and principles enshrined in the Constitution and seek to maintain high standards of professionalism and ethics. We report to the Minister of Finance who is accountable to Parliament.

Our vision and values

Vision
To foster a fair, efficient and resilient financial system that supports inclusive and sustainable economic growth in South Africa

- **Agility**
  We respond promptly, innovatively and smartly to changing needs and circumstances.
- **Collaboration**
  We work together in a spirit of consultation, cooperation, mutual respect and trust.
- **Sustainability**
  We meet the needs of the present without compromising the ability of future generations to meet their own needs by adopting socially responsible practices.
- **Integrity and Accountability**
  We are transparent, honest, fair and consistent in our actions and decisions.
- **Excellence**
  We set high standards for ourselves and strive to perform our functions with professionalism.

Our mission

Our mission is to promote an inclusive, customer-centric, and competitive financial sector wherein:

- financial customers have access to innovative and appropriate products and services, and are empowered to make financially capable and informed decisions;
- financial markets function fairly, effectively and efficiently; and
- proactive and responsive regulation, supervision and enforcement result in accountable financial institutions.

What we do – our legislative mandate at a glance

The FSCA was created by the Financial Sector Regulation Act, 2017 (Act No.9 of 2017) (FSR Act) from which it derives its legislative mandate.

Section 57 of the FSR Act sets the objective of the FSCA as follows:

- Enhance and support the efficiency and integrity of the financial system, and protect financial customers;
- promoting fair treatment of financial customers by financial institutions;
- providing financial customers and potential financial customers with financial education programmes, and otherwise promoting financial literacy and the ability of financial customers and potential financial customers to make sound financial decisions; and
- assisting in maintaining financial stability.

Who we regulate

We regulate the conduct of financial institutions, which include:

- banks
- insurers
- retirement funds
- financial services providers (FSPs)
- collective investment schemes
- credit rating companies
- cooperative financial institutions
- central securities depositors
- administrators
- market infrastructures

Robust risk-based supervision is required given that regulated entities vary in size, competition, complexity, and the level of harm they may cause consumers.

Regulated entities

Banks 37	Insurers 141	Section 13B administrators 127	Insurers providing funeral policies 45	Micro-insurers 14
Friendly societies 197	Cooperative banks 5	FSPs 11 740	Central securities depositories 2	Licensed exchanges 5
Associated clearing houses 2	ODPs 29	Co-operative financial institution 25	Retirement funds 4 841	Credit rating agencies 4
CISs in partipation bonds 2	CISs in property 3	CISs in hedge funds 27	CISs in securities 46	Foreign collective investment schemes 139

Aligning to global and national development goals

As an organisation, we have adopted sustainability as part of our values. This will ensure that sustainability is entrenched in our operations and translated into behaviour that shapes our organisational culture. We aim to ensure that we can meet the needs of the present without compromising the ability of future generations to meet their own needs by adopting socially responsible practices.

As a market conduct regulator, we also seek to play a transformational role in ensuring that South Africa's financial system best supports the country's sustainability goals through our customer protection and market integrity mandates. To best support a sustainable financial system, our Statement on Sustainable Finance, published in March 2023, sets out how we will evaluate our regulatory and supervisory frameworks to ensure that they enable the effective spreading of sustainability-related risks and opportunities.

We have identified various market conduct risks in relation to sustainable finance, including a lack of standardised terminology, inaccurate information, weak understanding of sustainability concepts, and underdeveloped financial markets, products and services. In developing our regulatory and supervisory approaches, we recognize the need to strike an appropriate balance between ensuring our mandate is met and not stifling market development. This balance is essential in South Africa's sustainable finance market to ensure it matures appropriately and allows players to take advantage of opportunities posed while accounting for risks.

We have developed a programme of work for sustainable finance comprising five pillars: taxonomy, disclosure, reporting and assurance, market development, active ownership and consumer education.

ESG engagements

We are a member of the Intergovernmental Sustainable Finance Working Group, which comprises relevant other regulators and national government departments. We are also a member of the Climate Risk Forum, to be reconstituted as the Sustainable Finance Initiative, on which industries bodies also serve. Coordination and cooperation will be emphasised in the work of the FSCA on this subject matter. This will include cooperation with the PA, and with regulators and other agencies outside of the financial sector where necessary.

Our contributions to the United Nations Sustainable Development Goals

Contributing to achieving the SDGs is imperative to our mandate of advancing the National Development Plan. We contribute directly and indirectly to SDGs 4, 5, 8 and 13 through our public value functions.

4 QUALITY EDUCATION	We have invested R7.2 million on employee training and development. In addition, we have conducted various financial literacy programs in 6 universities. We have also awarded bursaries amounting to R2 million to 20 students
5 GENDER EQUALITY	As at 31 March 2023, our staff compliment stood at 54% female and 75% Exco female. This is a clear demonstration of our commitment to gender equality. We have also implemented HR policies to support and empower women.
8 DECENT WORK AND ECONOMIC GROWTH	We have implemented a talent management strategy that will ensure job security for our employees. As at 31 March 2023, we employed 614 employees and continue to create employment indirectly through our procurement activities.
13 CLIMATE ACTION	Remote working and the installation of energy-saving lighting (LED) in our buildings resulted in 22% reduction in the consumption of electricity. Due to the intensity of the load shedding, fuel consumption has increased by over 80% as at 31 March 2023.

Our sustainability statement is publicly available at: https://www.fsca.co.za/Regulatory%20Frameworks/Temp/FSCA%20sustainable%20finance%20statement%20Final%20March%202023.pdf

Part C

How we create **Value**

HOW WE CREATE VALUE

Our value creation model

Our value creation model provides an overview of our value-creation process. The model was developed in line with integrated reporting framework's six capitals. In creating value for our stakeholders, the six capitals - manufacturing, financial, intellectual, human, social and natural - are transformed by our business activities (which could result in value creation, erosion or preservation).

<table>
<tr><th colspan="3">INPUTS</th></tr>
<tr>
<td>FINANCIAL CAPITAL

Our prudent financial management practices enable us to perform our public value function in a financially sustainable manner.
• Healthy balance sheet
• Positive cash flow
• Adequate reserves
• Effective levy collection model</td>
<td>HUMAN CAPITAL

Our highly skilled, committed, motivated and experienced workforce enables us to deliver the right value at the right time to our stakeholders.
• 614 skilled employees
• Experienced and diverse leadership</td>
<td>SOCIAL CAPITAL

Our commitment to building and maintaining meaningful stakeholder relations enables us to meet stakeholders' needs. In addition, our ability to share information to improve individual and collective well-being enable us to create a sound reputation in the sectors that we regulate.</td>
</tr>
<tr>
<td>INTELLECTUAL CAPITAL

Our information technology infrastructure is vital in ensuring operational efficiency and provision of intelligence to deliver our mandate.
• Licensed technologies
• Organisational processes and procedures</td>
<td>NATURAL CAPITAL

We are committed to minimising our impact on the environment, in particular on natural resources such as:
• Water
• Electricity
• Diesel
• Paper</td>
<td>MANUFACTURING CAPITAL

Our fixed assets enable us to provide a safe, healthy work environment. We invest prudently in maintaining our assets to operate safely, reliably, and efficiently:
• Furniture
• Leased property
• Equipment and vehicles
• Digital assets</td>
</tr>
</table>

BUSINESS ACTIVITIES		
Licensing Authorise the financial institutions and persons performing regulated financial services.	**Supervision** Supervising the business conduct of the financial institutions to protect financial consumers and market integrity.	**Enforcement** Enforce compliance with financial sector laws, and investigate and act against unlicensed persons conducting regulated activities without authorisation.
Financial education Formulate and implement educational strategies and programs to promote consumer financial literacy.	**Financial inclusion** Support financial inclusion.	**Collection of levies** Administer the collection and distribution of levies.

Deputy Commissioner Katherine Gibson with participants at the FSCA's financial literacy speech competition

OUTCOMES		
FINANCIAL CAPITAL	**HUMAN CAPITAL**	**SOCIAL CAPITAL**
Net assets value R483 million (2021/22: R491 million) Cash generated from operations R1 billion (2021/22: R977 million) Total assets R823 million (2021/22: R795 million) Revenue R1 billion (2021/22: R949 million) Net deficit R7,8 million (2021/22: R4,9 million)	R571 million paid in salaries and benefits (2021/22: R532 million) A diverse workforce (80% African and 55% female representation) 75% of Exco members are female Staff attrition reduced to 7% (2021/22: 8%) 98 employees benefitted from staff bursary program in 2023 R7,2 million spent in training and development (2022/21: R7.5 million) A stable and constructive relationship with employees and representative unions 55% of employees have served the FSCA for longer than 10 years (2022/21:30%) Three employee wellness programmes launched in 2023 (2022/21: 7) 25 Interns appointed with absorption rate of 64% (2022/21: 14)	Issued 47 scam warnings Finalised 85% investigations (2022/21: 85%) 86% complaints and queries received resolved (2021/22: 90%) 97% (2021/22: 96%) licence variations finalised 1 668 regulatory actions taken (2021/22:1 243) 210 debarments order issued (2021/22:197) 584 licences authorised (2021/22: 766) and 420 licences withdrawn Total of R335 million procurement spent on BBBEE (2021/22: R242 million) 93% valid invoices paid within 30 days in line with PFMA (2021/22: 91%) 102 educational activities conducted (2021/22: 204) 3 603 learners participated in the financial literacy competitions in 9 provinces (2021/22: 1574 learners participated) Conducted 8 media activities reaching 27 million customers R101 million penalties and fines imposed (2021/22: R90 million)
Impacted Stakeholders	**Impacted Stakeholders**	**Impacted Stakeholders**
E Employees G Government R Regulated entities S Suppliers	E Employees F Financial customers/ organisations	E Employees F Financial customers/ organisations R Regulated entities O Other regulators P Parliament G Government

INTELLECTUAL CAPITAL	NATURAL CAPITAL	MANUFACTURING CAPITAL
53 licensed technologies acquired, with 8 under development R9 million spent on information and technology (ICT) (2021/22: R6 million) Conducted 6 financial literacy campaigns at 5 tertiary institutions Processes and procedures in place	Ethical waste management Recycling initiatives implemented including shredding, and the recycling of glass, plastic and paper to support sustainable practices 9 193 kilolitres of water consumed (2021/22: 1 424 kilolitres) 2 740 571 kilowatt-hours of electricity used (2021/22: 3 333 512 kilowatts) 111 921 litres of fuel for generator	Investment in building maintenance to provide a safe work environment R7 million worth of computer equipment acquired (2021/22: R3,7 million) R79 million building lease (2021/22: R79 million)
Impacted Stakeholders	**Impacted Stakeholders**	**Impacted Stakeholders**
E Employees F Financial customers/ organisations R Regulated entities	E Employees G Government S Suppliers	F Financial customers/ organisations E Employees R Regulated entities

OUR TRADE OFFS

Maximising value to our stakeholders requires efficient trade-offs in how value is created, eroded and shared between different stakeholders. These involve transforming our inventory of capitals to achieve positive outcomes and curtail negative impacts. These trade-offs are carefully considered to preserve stakeholder value. We strive to create stakeholder value and manage capital trade-offs responsibly. We seek to grow inclusively, responsibly and sustainably.

Enhanced digital transformation	**Effective talent management**	**Review of targeted operating model to achieve fit-for-purpose operations**
We have started implementing a digital strategy intended to increase operational efficiency, improve customer experience and agility. This will require significant investment (financial capital) in transforming our digital landscape (intellectual capital) to be a socially responsive regulator. However, enhanced operational efficiency and effectiveness in decision making benefits our human capital and improves our engagements with stakeholders (social capital).	Continuous training and development of our employees is critical to improve performance and staff motivation. This will require us to invest in employee development, which will decrease financial capital but enhance our human capital. An experienced, motivated, and skilled workforce will improve our public value function, which will be beneficial for our stakeholders (social capital).	We are in the process of reviewing our current operating model to assess whether it is fit for purpose. While this process will result in increased effectiveness and improved operational efficiency (intellectual capital), it will require significant investment (financial capital). In the short term, financial capital will decrease but will be financially beneficial in the medium to long term by building a fit-for-purpose and agile regulator, well-positioned to fulfil its mandate.
Impacted Capitals	**Impacted Capitals**	**Impacted Capitals**

The FSCA hosted a conference for the retirement funds industry on various updates affecting the sector.

Engaging with stakeholders

To succeed in delivering on our mandate, it is crucial that we establish and maintain meaningful relations with all stakeholders. We are committed to transparent communication with stakeholders within the jurisdiction of our statutory obligations and seek opportunities for effective communication. We review our stakeholder strategy regularly to ensure that it remains relevant and fit for purpose to meet stakeholders' needs and expectations. The measure of the quality of relationship with our stakeholders is based on our interaction with stakeholders during the period.

●●●●● = Strong relationship

Key Stakeholder	What they need from us	What we need from them	How we engage	Value shared
Employees Quality of relationship ●●●●●	• Provision of a fair and competitive employee value proposition • Safe and healthy work environment • Employee empowerment through training and development • Creating an environment that embraces diversity and inclusivity • Timely and transparent communication	• Living the FSCA's values, vision and mission • Commitment to the FSCA mandate • Optimal performance levels	• Quarterly Commissioner's town hall meeting • Quarterly human resource communique • Management and staff meetings • Internal publications • Performance reviews • Intranet • Survey	• R571 million in wages and benefits • 3 wellness programs launched • R7,2 million in training and development • 98 employees benefitted from the bursary program
Suppliers Quality of relationship ●●●●●	• Timely payment of invoices in line with PFMA • Improved value for money • Fair and transparent procurement process providing equal opportunities	• Supplier performance as per contract • Delivery of the right services/ product at the right time and quality • No fraud, corruption nor abuse of procurement processes	• Briefing sessions • Regular meetings with service providers • Site visits • Electronic communication mode	• R335 million in preferential procurement • 93% valid invoices paid within 30 days in line with PFMA

Key Stakeholder	What they need from us	What we need from them	How we engage	Value shared
National Treasury/ National Government Quality of relationship ●●●●●	• Advice on financial sector policy matters • Compliance with legislative requirements • Stable and transformed financial sector • Consumer protection	• Timely approval of submissions • Timely approval of the budget	• Regular meetings • Electronic communications • Onsite visits • Participation and consultation on bills • Integrated Report	• R101 million in penalties and fines • R1 billion revenue collected as per the approved budget • Assisted in maintaining financial stability • Promoted financial inclusion • Compliant with legislative requirements
Financial customers and customer organisations Quality of relationship ●●●●●	• Financial education to make informed decisions • Customer protection resulting in fair treatment • Access to quality and affordable financial product and services	• Provide feedback to the FSCA • Provide intelligence data to assist in regulating the sector • Know their right and obligations • Obtain knowledge about financial sector policies	• Website • FSCA Bulletin • General media and public notices • Social media • Integrated Report	• Conducted 102 consumer education activities • Issued 47 scam warnings to protect consumers • Conducted 92 workshops • Finalised 406 investigations to enforce consequence • Withdrew 420 licences
Regulated entities / Industry bodies Quality of relationship ●●●●●	• Access to updated information • Removal of barriers to market entry • Efficient and predictable processes • Proportionate regulation and supervision that reduces regulatory burden	• Business models and culture that promote the fair treatment of financial customers • Comply with financial sector laws • Conformance with FSCA regulations • Transparent disclosure of relevant facts to customers and investors • Avoid anti-competitive practices • Promote financial sector transformation including preferential procurement	• Integrated Report • FSCA website • In person meetings • Media • Quarterly newsletters • Conferences / seminars, expo and Financial Crime Symposium	• Efficient turnaround times on licence applications • Access to the regulator and regular, quarterly updates on new policy developments • Activities and functions performed within agreed and published SLAs

Key Stakeholder	What they need from us	What we need from them	How we engage	Value shared
Other regulators Quality of relationship ●●●●●	• Share knowledge and best practices • Collaborate on areas of mutually beneficial interest	• Share knowledge and best practices • Collaborate on areas of mutually beneficial interest	• Integrated Report • In person meetings • Website • FSCA Bulletin • Memorandum of understanding	• Shared knowledge and best practices through various engagements
Media Quality of relationship ●●●●●	• Transparency and access to accurate information • Pro-active communication in matters of public interest	• Partnerships in consumer education programs • Fair and accurate reporting • Platforms to communicate	• Quarterly media round tables • Interviews (broadcast and other) • Integrated Report • Media lunches • Thought leadership articles, and press releases	• Maintained our constructive relationship with media • Remained accessible to media • Provided accurate and timely information • Assisted in content generation and capacity building through information sharing and scheduled interviews
Parliament Quality of relationship ●●●●●	• Attendance of committee meetings • Prompt submission of the Integrated report, annual Performance plan and other information • Respond to parliamentary questions • Bill drafting	• Timely processing of sector legislations • Timely involvement in and consultation on policy development	• Integrated Report • Face-to-face / virtual committee meetings • Parliamentary questions	• Enhanced capacity building • Compliant with legislative requirements • Delivered on our public mandate

We continue to engage with various stakeholders both regionally and internationally to build collaborative efforts for exchange of information and best practice. We have signed various MoUs with domestic, regional, and international like-minded organisations to strengthen working relationships and to maintain the financial stability of the sector. These relationships continue to play a vital role in fighting malpractice and in exchanging information (in compliance with international best practice). FSCA is a member of various international committees such as IOSCO, IOPS, IAIS, FSI, FAFT, OECD, FSB, AFI, and Finconet.

During the year under review, we participated in various advisory board, working groups and technical committee meetings, thus strengthening relationships with our counterparts. We have also assisted and cooperated with various local authorities. *Read more about our stakeholders engagement activities on page 138 to 168*

We continue to use social media as a tool to communicate with stakeholders and have observed an increase of activity across our social media platforms.

Twitter followers increased to 8 184 (2021/22: 6 989)

@FSCA_ZA

facebook followers exceeded 23 184 (2021/22: 12 681)

@FSCA_ZA

Linkedin followers went up to 40 339 (2021/22: 30 392)

@FSCA_ZA

Youtube followers increased to 1 570 (2021/22: 829)

FSCA Connect

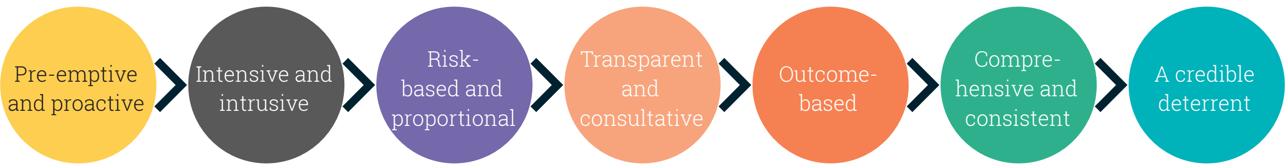
Employees participating in the launch of the FSCA values campaign in November 2022

HOW WE SUSTAIN VALUE

Strategic performance

Our strategic five-year plan is based on the following strategic priorities:

Value drivers



Our performance against KPIs (set to achieve the mandate outlined in the approved annual performance plan) is shown in the table below and on pages 152 to 176. In addition, the performance against expected outcomes is discussed, with a view to improve institutional capacity. These further demonstrate how we have created, preserved or eroded value over the short, medium and long term for all stakeholders in achieving our mandate and supporting the NDP and SDGs.

Strategic objective: Improve industry practices to achieve fair outcomes for financial customers Good conduct and TCF outcomes will be embedded in the financial sector by ensuring that clear conduct standards are developed that are applicable across the financial sector.		
Expected outcome	**How we performed**	**Capital employed**
Good conduct and Treating Customers Fairly (TCF) principles embedded consistently across the financial sector	We established the Consumer Advisory Panel to ensure that consumer perspectives are sufficiently considered in research, outreach and regulatory initiatives, as well as documents and instruments issued. We continuously focused on reducing unclaimed assets and thus published a Discussion Paper on Unclaimed Assets to elicit input on proposals on how to ensure a coordinated approach across the financial sector in a holistic manner. We finalised two Conduct Standards (subordinate legislation) focused on improving industry practices to achieve fair outcomes for financial customers: • FSCA Conduct Standard 1 of 2022 (RF) - Requirements related to the payment of pension fund contributions; and • FSCA Conduct Standard 2 of 2022 (INS) -Requirement relating to third-party cell captive insurance business. In addition, in line with our 3-year regulation plan, we consulted on various pieces of subordinate legislation aimed at supporting better and more consistent customer outcomes, we also conducted a customer sentiment survey.. We undertook a mystery shopping initiative and issued surveillance reports. These initiatives have helped us to understand financial customer experiences and determine whether the TCF principles are embedded in financial institutions when advertising and selling financial products and services to retail financial customers. *Performance against this strategic objective is discussed in more detail on page 152 to 155.*	Human Financial Manufacturing
Conduct risks mitigated	We published a Regulatory Actions report on 31 March 2023 to: • give effect to the strategic guiding principle of transparency, • enhance awareness of requirements and our expectations for embedding good conduct, and • to provide insight into our enforcement activities. The report further highlighted a high incidence of cases, changes in industry behaviour and consumer education needs. It highlighted emerging trends and risks and provided case studies to illustrate principles and provide practical applications. *We also published the crypto assets piece and a report on emerging and systemic conduct risk by 31 March 2023. Targets are shown on page 156.*	Human Manufacturing

Challenges experienced • Inadequate human and financial resources. • Third party dependencies negatively impacted our ability to progress and finalise the planned activities within the stated delivery timeframes. • Some boards of the funds declined to meet with us stating that confidential information will be discussed in board meetings.
Near- to medium-term outlook • Regular engagement with Consumer Advisory Panel. • Input from industry will be considered and further engagements (where required) will take place to enable the publication of a proposed unclaimed assets framework. The intention is to apply an incremental approach to implementing the framework. This is to ensure that change can be effected timely to improve outcomes for customers. • We will continue to implement and roll out the 3-year Regulation Plan in order to strengthen the conduct regulatory framework leading to better and more consistent customer outcomes.

Strategic objective: Act against misconduct to support confidence and integrity in the financial sector

Trust in the financial sector will be maintained by acting decisively and visibly against misconduct.

Expected outcome	How we performed	Capital employed
Improved trust in the financial sector.	A set of trust and outcome indicators to measure customers' trust and confidence in the financial sector was approved in March 2023. A survey was undertaken to evaluate financial customer sentiment and behaviour in relation to financial products and services. The survey results will be actioned into activities to ensure we enhance consumers' sentiment toward financial products. *Targets are shown on page 157 to 160.*	Human Financial Manufacturing

Challenges experienced • Capacity constraint due to an unexpected influx of fraud cases resulting to resources diversion. • Stakeholder consultations took longer than expected. • Interlinkages with some of the projects especially related to joint standards meant that a delay in one of the projects would also affect the other projects.
Near- to medium-term outlook • We will publish a report on the trust indicators by 31 March 2024.

Strategic objective: Promote the development of an innovative, inclusive, and sustainable financial system

We will establish close relationships with key stakeholders responsible for transformation and implement ways to collect data on transformation and monitor changes over time.

Expected outcome	How we performed	Capital employed
Transformation in the financial sector supported.	We consulted stakeholders on the draft transformation strategy published in the 2021/2022 financial year. There was general support for the strategy, but refinements were made to cater for stakeholders' concerns, including concerns on the proportionality of our intended approach. The final strategy was published in March 2023. MoU signed with a strategic transformation partner.	Human Financial Manufacturing
Financial inclusion of low-income households and small businesses deepened.	We continued to participate in the Finscope Survey which tracks financial inclusion levels in South Africa, in monitoring levels of financial inclusion to inform targeted initiatives.	
Sustainable finance and investment fostered.	We undertook the following initiatives in the year under review with specific focus on enhancing sustainable finance and investment: • Published a statement on sustainable finance and a proposed programme of work. We will engage with key stakeholders based on this statement. • Participated in an international roundtable with peer regulators which was held in January 2023 to evaluate and benchmark our considerations in relation to sustainable finance and the role of the regulator. • We also participated in the Intergovernmental Sustainable Finance Working Group convened by the National Treasury to bring relevant stakeholders together in relation to sustainable finance initiatives.	
Resolution of test cases in Regulatory Sandbox.	We played a significant role in driving growth in the number of fintechs wanting to test new innovative products in the Regulatory Sandbox in South Africa and seeking regulatory guidance/ clarity on their new offerings. In addition, we contributed to growth on fintechs, bringing more innovative products to the South African market.	

Challenges experienced

- The concept of sustainability is wide-ranging and dynamic. There are many stakeholders involved and a myriad of emerging best practices and guidelines. Within this context, we should carefully consider the role the FSCA has to play.
- Dependency on other industry role players has also had a negative impact on the achievement of certain activities for example the signing of an MOU with strategic transformation partners could not be concluded as the commissioner of the relevant stakeholder had just been appointed, thus could not set time immediately for the signing.
- There was a freeze on the ICT project as directed by National Treasury which meant some projects could not be completed during the reporting period.
- Significant changes to the initial projects meant there was a need to adjust the timeframes to a future date, for example changing scope of a project resulting in more research having to be done.

Near- to medium-term outlook

- We will continue building capacity to oversee transformation more strongly in the financial sector in anticipation of the COFI Bill enactment.
- We will also engage with the industry about financial sector transformation and current levels within the industry.
- We will engage with relevant government and private sector stakeholders to strengthen our approach to sustainable finance and more clearly defines FSCA's role.
- We will continue to promote the development of an innovative, inclusive and sustainable financial system, through our various work programs e.g., Open Finance Position paper, research on emerging fintech trends and regularly testing new innovations in the sandbox.

Participants at the FSCA's National Financial Literacy Speech Competition in Cape Town

Strategic objective: Empower households and small businesses to be financially resilient

We will focus on promoting the financial literacy of consumers by enabling them to make better financial decisions.

Expected outcome	How we performed	Capital employed
Financial customers able to make better and more informed financial decisions.	We initiated and completed several programmes to reach and empower targeted consumers within communities with financial education. Specific activities for youth in-school (Speech Competition), in-university (panel-driven workshops and workshops for youth not in education, employment or training (NEETs), were designed and implemented. We also targeted people with disabilities and conducted pilot workshops for people that are blind and partially sighted. Our urban and rural communities were strengthened through our Rural Outreach project and our partnership with the Department of Public Works and Infrastructure through workshops with participants in the Expanded Public Works Programme. All our in-person activities were supported through social media messaging and our consumer website at www.fscamymoney.co.za	Human Financial Manufacturing Social
	We published a draft Conduct Standard proposing to impose requirements on financial institutions when providing financial education initiatives. The Conduct Standard aims to improve the appropriateness and effectiveness of financial customer initiatives, ultimately empowering financial customers to make better and more informed financial decisions. *Performance against this strategic objective are discussed in detail on page 165 to 169.*	

Challenges experienced

- Delayed procurement processes.
- Delayed implementation of digital projects due to a freeze on the ICT project as directed by National Treasury which meant some projects could not be completed during the reporting period.

Near- to medium-term outlook

- We will continue to expand our digital footprint to increase our reach.
- Collaboration and partnering with stakeholders on various activities and campaigns will also assist in reaching more consumers and potential consumers of financial products and improve and enhance the brand recognition of the FSCA.

Strategic objective: Accelerate the transformation of the FSCA into a socially responsible, efficient, and responsive organisation

We will focus on enhancing our performance and responsiveness as an institution by improving our service delivery commitments by technology and better business processes.

Expected outcome	How we performed	Capital employed
Operational excellence embedded across all functions of the FSCA.	Effectiveness and efficiencies in our external customer-facing processes required technological and business reviews, the outcome of this exercise ensured a tremendous shift in some of the FSCA's processes being re-engineered and digitally enabled. The systematic approach allowed us to ensure impactful change. The review enhanced internal processes' responsiveness and agility to expand on the regulatory profile data quality standards We initiated changes to internal processes which include systems changes, recruitment, change in delegations, etc., during the year to deal with backlogs cases, which has led improved turnaround times, and clearing the backlogs.	Human Financial Intellectual
FSCA is recognised and trusted by financial institutions, financial customers, financial sector ombuds and other financial sector regulators in South Africa and internationally.	The new strategic approach assisted us to achieve visibility which resulted in several positive feedback on transparency and being a responsive organisation as espoused by Money Web and The Saturday Star newspaper publications (see link to articles: New FSCA Commissioner looks to build a 'skilled and expert regulator' - Moneyweb and Saturday Star, The 2023-04-22 (amazonaws.com). Furthermore, there has been improvement in the transparency of our communication with the public and industry through the media, focusing our mandate, our priorities and regulatory actions taken.	

Challenges experienced

- Delay caused by the National Treasury abeyance on the procurement process for the acquisition of an integrated regulatory solution.
- High volumes and limited resources for processing applications relating to asset transfers, liquidations, and rule amendments.
- Unclaimed benefits remain high, and there is still a public debate and continuing internal discussions on how best to approach the challenge.
- Impasse on transformation targets and retirement funds scorecard at the Financial Sector Transformation Council.

Near- to medium-term outlook

- We embarked on a digital transformation strategy to fundamentally transform our operational effectiveness and efficiencies across all functions of the entity. The aim of the strategy is to transform the internal and external customer of the FSCA by creating digital enabling capabilities.
- We are currently amending the reporting of financial data to enable pro-active, risk-based supervision, including monitoring of higher risk investments and transactions. We intend strengthening the governance of retirement funds by setting standards for governance and improving trustee training. The approved supervisory plan for 2023/24 will proactively monitor retirement funds administrators and retirement funds classified as high risk.

FSCA employees in a brainstorming session, 2023

Managing our material matters

Material matters are the factors that are likely to have a significant impact on sustainability and therefore influence our ability to create value over short, medium and long term. Material matters will be reviewed annually.

Materiality determination process

IDENTIFY	PRIORITISE	RESPOND	REPORT
We identify our material matters based on their impact on our ability to create and sustain value for stakeholders. 31 matters were identified through departmental engagements.	6 out of 31 matters were identified as most significant matters based on the extent of their impact on strategy, governance, financial and operational performance and stakeholder's interest. Exco determines the ranking of material matters.	Mitigating treatments are implemented to respond to material matters. Annual departmental business plans are developed for managing material matters.	Report quarterly to SMC and Exco on material matters. Report to our stakeholders on material matters in the integrated report.

MATERIAL MATTER	WHY THIS IS CONSIDERED MATERIAL	WHAT WE HAVE DONE	WHAT WE CONTINUE TO DO	LINKAGES
1 **Collection of levies** **Capitals involved**	Our regulatory activities are funded through the imposition of levies on regulated entities. Timely collection of levies ensures our financial sustainability and enables us to execute our mandate.	Implemented sound credit controls, which improved levy collection. Implemented a new system to align with the new bill and automated the levy collection process. Issue levy invoices timeously.	Implement solid credit controls to ensure that levies payable in terms of FSR are collected. Continue to strengthen our relationships with levy payers.	**Link to risks** Mandate risk Sustainability risk Talent risk Data risk **Link to stakeholders** Government Employees Regulated entities Suppliers

MATERIAL MATTER	WHY THIS IS CONSIDERED MATERIAL	WHAT WE HAVE DONE	WHAT WE CONTINUE TO DO	LINKAGES
2 **Effective talent management** **Capitals involved**	To effectively regulate and supervise the financial sector, we depend on our ability to attract, develop and retain competent people who will execute our mandate. Therefore, effective talent management is imperative to protect institutional capacity.	Implemented a talent management strategy that continues to capacitate employees to execute their functions with the required excellence. Implemented hybrid working environment and employee wellness programs to improve our employee value proposition. Conducted employee survey to assess the engagement level of employees.	Provide conducive work environment, job mobility, learning and development. Reviewed our HR policies to facilitate operational efficiency and excellence.	**Link to risks** Mandate risk Sustainability risk Talent risk **Link to stakeholders** Government Employees Regulated entities Suppliers Financial consumers

Deputy Commissioner, Astrid Ludin and officials at the launch of the FSCA's digital transformation strategy

MATERIAL MATTER	WHY THIS IS CONSIDERED MATERIAL	WHAT WE HAVE DONE	WHAT WE CONTINUE TO DO	LINKAGES
3 **Enhanced digital transformation** **Capitals involved**	The regulated environment is changing rapidly due to digital transformation. This requires us to modernise our processes, procedures and systems to respond to increased cyber threats. Exponential growth of data creates the need to be more efficient and responsive in the evolving operating environment.	Adopted a digital strategy and made substantial investments in establishing an enabling technological platform for digitisation. In line with our digital strategy, a process is underway to implement the integrated regulatory system to improve and automate operational and regulatory processes. Implemented ERP system to integrate our legacy systems for the support function to enhance agility in responding to operational requirements. Established digitalisation committee to oversee, evaluate and monitor our digital transformation.	Monitor the implementation of the Digital Strategy as a strategic imperative. Monitor the implementation of core ICT systems aimed at ensuring operational effectiveness. Invest in new skills for digitisation and reskill and upskill current workforce.	**Link to risks** Data risk Talent risk Cyber risk IRS project risk **Link to stakeholders** Government Employees Financial consumers Regulated entities Suppliers Other regulators

MATERIAL MATTER	WHY THIS IS CONSIDERED MATERIAL	WHAT WE HAVE DONE	WHAT WE CONTINUE TO DO	LINKAGES
4 **Managing stakeholders' needs** **Capitals involved**	To remain a respected regulator, we are expected to meet our stakeholders' needs consistently; we need to build and maintain trust and confidence in South Africa's financial system.	Implemented Stakeholder Engagement strategy, which improved relations. Conducted engagements with stakeholders to improve transparency, financial literacy and customer protection.	Build and maintain relationships with stakeholders by ensuring that their needs are met.	**Link to risks** Mandate risk Stakeholder risk Talent risk Data risk **Link to stakeholders** All
5 **Maintain good governance and reputation** **Capitals involved**	As the authoritative voice in the financial sector, we are expected to demonstrate a high standard of ethics and good governance to ensure that trust and confidence in the financial sector are maintained.	Implemented effective controls and governance resulting in a clean audit outcome. Developed a whistleblowing policy to reinforce the Code of Conduct and provide overall guidance for the reporting of suspicious unethical behaviour, fraud, or corruption.	Comply with government legislative regulations as a responsible regulator. Implement sound controls and effective governance structures.	**Link to risks** Mandate risk Sustainability risk **Link to stakeholders** All

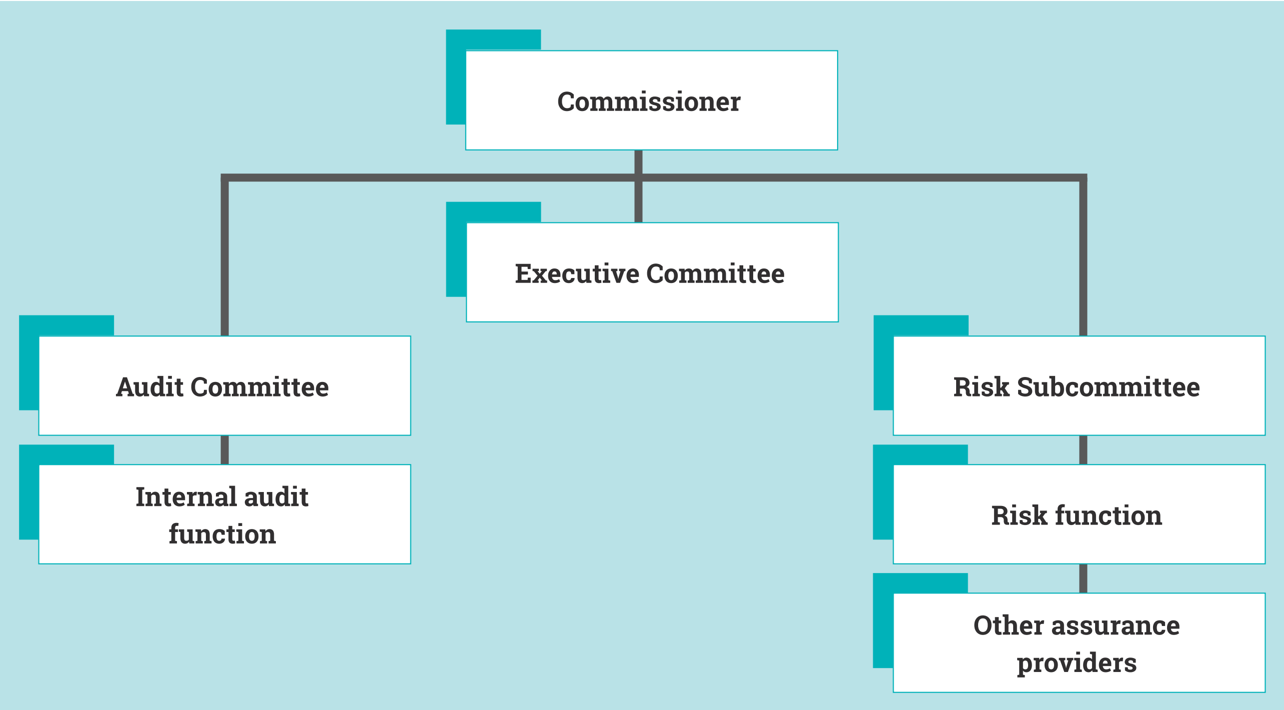
MATERIAL MATTER	WHY THIS IS CONSIDERED MATERIAL	WHAT WE HAVE DONE	WHAT WE CONTINUE TO DO	LINKAGES
6 **Compliance with a regulatory framework by regulated entities** **Capitals involved**	We must put measures in place to promote, monitor and enforce regulated entities' compliance with the regulatory and supervisory framework. Non-compliance will not only affect our reputation as a regulator, but will result in a poor outcome for financial consumers.	Implemented proactive and reactive supervisory measures, which improved compliance. Issued standard conducts to protect the financial consumer and market integrity. Established regulatory policy committee to review trends including emerging conduct risks, and their implications for financial stability.	Revise our regulatory and supervisory instruments to enhance customer protection. Continue to closely monitor compliance by conducting risk-based assessments to guide regulatory and supervisory focus and activities. Continue regular engagements with regulated entities.	**Link to risks** Mandate risk Sustainability risk Talent risk Data risk **Link to stakeholders** Government Employees Regulated entities

Jabu Hlalethoa, DE: Corporate Services speaking at the launch of the FSCA values campaign

Managing our risk

Section 51 of the PFMA requires that an accounting authority ensure the entity has and maintains an effective, efficient and transparent risk management system. Our risk management approach is to identify, consider and report on the risks that could detrimentally affect our ability to deliver on our mandate. This robust risk management approach continues to demonstrate agility and resilience in proactively managing identified high-priority risks. This has created and protected value for our stakeholders.

Risk management process



The Risk Subcommittee ensures systems of control function effectively and are appraised regularly by management. Exco ensures that management monitors an integrated process of risk management in the daily activities of the organisation.

The Audit Committee ensures that the FSCA carries out its responsibilities as they relate to internal controls and the management of risks. The risk management function maintains a level of independence from the operations and line management to ensure that a consistent approach is applied, and the function is equipped to challenge and analyse the risk profiles developed and reported.

Top 11 strategic risks

The top 11 strategic risks as at 31 March 2023 are outlined below, together with strategic objective, control level and mitigating factors:

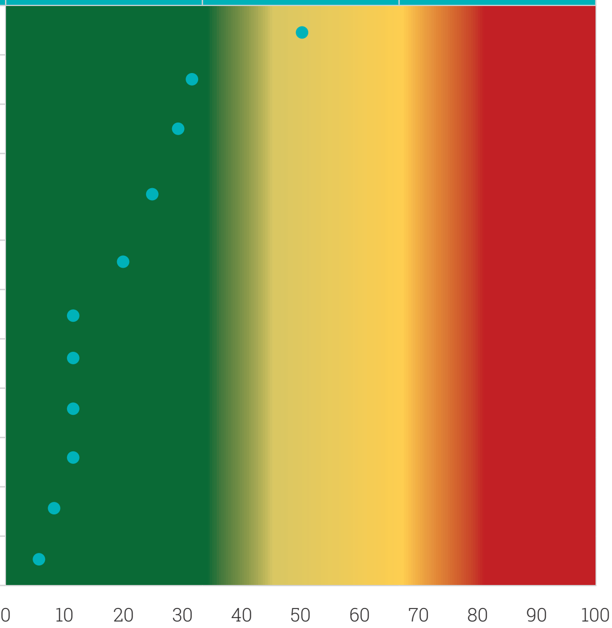
Risk ranking	Risk description	Residual risk value	Strategic objectives	Capital affected	Material matter
1	Cyber security risk	Cautionary	1, 2 and 5		3
2	Data risk	Acceptable	1, 2, 3 and 5		3 5
3	IRS projects Risk	Acceptable	1, 2, 3 and 5		3
4	Regulatory and supervisory framework effectiveness risk	Acceptable	1, 2 and 3		4 6
5	Fraud and corruption risk	Acceptable	2 and 5		5
6	Regulatory oversight risk	Acceptable	1, 2 and 3		4 6
7	Stakeholder risk	Acceptable	4 and 5		4 5
8	Talent risk	Acceptable	5		2
9	Staff safety risk	Acceptable	5		2
10	Mandate risk	Acceptable	1, 2, 3 and 4		1 2
11	Sustainability risk	Acceptable	2 and 5		1 2

Below is a risk heat map indicating the risk movement from the previous year to the review year. In addition, this map shows the residual risk rating of each risk.

Risk Rank	Change in Residual Risk	Risk Description
1	›	Cyber Security Risk
2	⌃	Data Risk
3	⌄	IRS Projects Risk
4	›	Regulatory and Supervisory Framework Effectiveness Risk
5	›	Fraud and Corruption Risk
6	New Risk	Regulatory Oversight Risk
7	›	Stakeholder Risk
8	›	Talent Risk
9	›	Staff Safety Risk
10	›	Mandate Risk
11	›	Sustainability Risk

Risk Exposure

Acceptable	Cautionary	Unacceptable



● Residual risk

To manage our strategic risk effectively, we rank risks quarterly. Based on scores for impact and likelihood, 11 risks were classified as acceptable and one as cautionary. Residual exposure is determined after considering risk mitigation.

71 to 100	Unacceptable	
41 to 70	Cautionary	
1 to 40	Acceptable	

Stable/no change	›
Decreasing risk exposure	⌄
Increasing risk exposure	⌃

RISK 1: Cyber Security Risk		
Risk description	**Risk mitigation**	**Impact on value**
The risk of financial and data loss as result of unauthorised and illegal access to the FSCA ICT infrastructure.	• Recovery assisted by experts (Cyber Security Insurance in place). • Periodic Business Continuity Management including DR Testing • Cyber security risk management incorporated in the FSCA's Enterprise Risk Management (ERM) and operationalised. • Email encryption implemented. • Periodic ICT Security Governance Documents review (Cyber Security Strategy, ICT Security Policy) as & when required. • User software installation restrictions on endpoint. • Access to business systems restricted to FSCA-owned work stations & VPN Access. • Non-disclosure agreements with third parties and employees. • Continuous vulnerability management and remediation. • Security Incidents and Event Management Process. • Malware protection controls. • Managed Security Operations – Centre (CSOC) services operationalised. • Role based access controls (username and password). • ICT Security Awareness training. • Conducting periodic cyber security incident simulation • Endpoint and portable device encryption. • Blocking the use of USB portable devices.	• Reputational damage • Financial loss • Loss of critical business data • Loss of trust • Transgression of regulation and FSCA policies • Operational shutdown • Inability to deliver on mandate i.e. not being able to effectively regulate the industry as a result of loss of data • Loss of critical FSCA data as well as confidential industry data • POPI Act transgression
Opportunity: Enables us to safely and securely exploit digital and cyber advances in technology to enhance our operations.		
Planned controls • Cyber security strategy implementation • Identity and access driven security • Data centric security • Endpoint Security Response Automation		

RISK 2: Data Risk		
Risk description	**Risk mitigation**	**Impact on value**
Inability to adequately acquire, store, transform, move, and optimally use data assets.	• Adoption of sound policies, internal data information control and procedures. • Digital transformation committee in place. • Sound data and information governance structure established. • Enterprise Information Governance Office. • BCM and data recovery. • Implementation of POPIA controls • Establishment of data management department with a data quality unit and analytics platform implemented.	• Incorrect rulings due to availability of unreliable data • Incorrect reporting resulting to reputational damage • Contravention of the POPIA and PAIA • Negative audit findings
Opportunity: Enables us to improve efficiency by automating our data management depository		
Planned controls • Augment skills in data management and data analysis department • Adopt data literacy programme • Implement data governance tool • Drive data quality initiative		

RISK 3: IRS Projects Risk		
Risk description	**Risk mitigation**	**Impact on value**
Risk of project procurement, project overruns and implementation delays. Failure of strategic IRS projects. The risk of IRS project not addressing the intended outcome. - frame to link which of the supervision etc. is impacted by project. - focus is on future benefits and not solving current problems.	• Staff Retention Strategy in place to retain internal skills. • Apply lessons learnt from previous projects e.g. ERP and IAM. • Technical skills knowledge transfer to be included in contract. • Ensure post-implementation maintenance support. • Conduct periodic service provider risk assessment after onboarding (establish financial status). • Dedicated contract management specialist responsible for ensuring contract SLA's with service provider secures the interest of the FSCA. • Established Project Management Framework is in place and is operational. • Project Management Office (PMO) is operational. • IRS Governance structure endorsed by DTC. • One of the key requirements for prospective service providers is experience in having implemented a similar system at another regulator.	• Unmanageable project scope • Cost and time overruns • Reputational damage • Business disruption • Incorrect requirement delivery • Negative audit findings • Inability to meet strategic milestones

RISK 3: IRS Projects Risk		
Risk description	**Risk mitigation**	**Impact on value**
	• Relevant architecture approval committees are established and engaged continuously. • Continuous stakeholder engagement committees established. • Business case reviewed and approved. • Legal recourse ensured in contract (penalty clause to be implemented in case of deviation from the contract). • Data migration preparatory work.	
Opportunity: The IRS will provide us with opportunities to streamline, customise and configure our processes to enhance operational efficiency		
Planned controls • Appointment of external contract management experts during contract negotiation phase • Dedicated project manager responsible for project implementation • Digital Transformation Committee (IRS Steering committee) oversight • Data migration planning • Conduct security vulnerability assessment prior to going live.		

RISK 4: Regulatory and Supervisory Framework Effectiveness Risk		
Risk description	**Risk mitigation**	**Impact on value**
Ineffective and inadequate regulation and licensing/ supervision of regulated entities.	• Regulatory policy forum in place. • Harmonisation of legislative framework. • Annual risk-based supervision plans. • FSCA representatives serving on international standard setting bodies. • Self-assessment and peer reviews. • Co-ordination of site visits. • Stakeholder engagement plan. • Embed MoUs with other regulators.	• Failure to deliver on the mandate resulting to loss of reputation and confidence in the financial sector
Opportunity: Improved regulatory supervision of the financial sector will enhance our reputation and improve the protection of financial consumers		
Planned control • Recruit required resources • Learnership programmes • Develop a unified case management / reporting tool • Investigate the use of e-discovery software • Supervisory tools (regulatory and supervision frameworks in new areas)		

RISK 5: Fraud and Corruption Risk		
Risk description	**Risk mitigation**	**Impact on value**
The risk that internal or external fraud and corruption activities will jeopardise the operations of the FSCA.	• Approved policies. • Sound accounting and systems controls. • Comprehensive fraud and corruption prevention strategy (including tip-offs anonymous reporting line). • Sound HR processes in vetting new employees and checking conflict of interest in existing employees. • Comprehensive awareness programme on fraud and corruption prevention. • Established Fraud Risk Technical Task Forum (FRTTF).	• Negative impact on our sustainability due to financial, reputational and confidence loss by internal and external stakeholders
Opportunity: By preventing fraudulent and unethical behavior, we can avoid unnecessary costs and reputational damage		
Planned control • To create a fraud risk assessment team incorporating investigators • To expand business interest verification to include non-management employees • FSCA staff to be required to disclose changes in their criminal record status • To establish a Risk, Governance, Compliance and Ethics Committee		

RISK 6: Regulatory Oversight Risk		
Risk description	**Risk mitigation**	**Impact on value**
Failure to address interconnectedness risk due to lack of collaboration between regulators.	• Signed MoUs to govern collaboration with co-regulators and other stakeholders • Ongoing review of regulatory strategy • Statutory required co-operation and collaboration between the financial sector regulators, provide input as requested, co-operation with SARB regarding payments, NCR regarding credit providers. • Active consultation with industry regarding draft legislation. • Availability of proper legal skills with comprehensive knowledge and understanding of the regulatory framework within which the organisation functions.. • FSCA part of the IFWG Inter-Governmental Fintech Working Group (IFWG). • Regulatory policy forum established.	• Ineffective regulation of the South-African financial sector • Increased litigation against the FSCA • Financial harm to financial customers • Increased non-compliance by regulated entities
Opportunity: Improved regulatory supervision of the financial sector will enhance our reputation and improve the protection of financial consumers.		

RISK 7: Stakeholder Risk		
Risk description	**Risk mitigation**	**Impact on value**
The risk of overlooking stakeholder concerns, misunderstanding or miscommunication, which could develop into complex stakeholder issues	• Stakeholder engagement plan. • Contracted reputation management company. • Set targets for stakeholder engagement. • Conduct regular stakeholder engagement meetings as per plan.	• Lack/ loss of trust in the FSCA
Opportunity: Transparent communication with stakeholders would lead to increased cooperation, trust and also improve our reputation		
Planned control • Continue to set targets for stakeholder engagement • Conduct regular stakeholder engagement meetings as per plan		

RISK 8: Talent Risk		
Risk description	**Risk mitigation**	**Impact on value**
Inability to attract and retain critical skills, keeping in mind that post-pandemic issues around hybrid working model exacerbate talent management difficulties.	• Recruitment and retention strategy and policy in place. • Remuneration benchmarked to industry. • On-going training and up-skilling of staff. • Implementation of a talent management framework. • Implementation of fair employment practices. • Establish employee secondment opportunities. • Succession plans.	• Lack of requisite skills • High staff turnover • Low staff morale
Opportunity: By acquiring, developing and retaining talented skills enables us to be an employer of choice		
Planned control • Establish succession plans • Establish career paths for specialist skills		

RISK 9: Staff Safety Risk		
Risk description	**Risk mitigation**	**Impact on value**
The risk of death / injury to employees while carrying out their mandate.	• SAPS accompanying investigators and consumer education staff. • Group personal accident insurance cover. • Approved security policy. • Improved access control at FSCA reception.	• Possible death / injury / kidnapping of employees • Loss of skills • Reputational damage • Possible litigation
Opportunity: Maintaining a safe working environment enhances staff motivation, wellbeing and productivity		
Planned control • Appoint close personal protection services • Provide self-defence training for high security employees		

RISK 10: Mandate risk		
Risk description	**Risk mitigation**	**Impact on value**
Failure to achieve the mandate of the FSR Act, including the risk of acting outside of our mandate.	• Signed MoUs to govern collaboration with co-regulators and other stakeholders. • On-going engagement / relationship management. • Negotiations and discussions with National Treasury. • On-going review of regulatory strategy. • Research to support evidence-based policy and decision-making. • COFI Bill and harmonisation of subordinate regulation to strengthen regulatory frameworks.	• Reputational damage • Ineffective supervision • Inability to enforce regulatory action • Strategy uncertainty • Poorer customer outcomes
Opportunity: Implementing fit-for-purpose strategies to assist in creating sustainable value, thereby ensuring the achievement of our mandate		
Planned control • Complete outstanding MOUs • New positions for drafting and policy/research have been approved and budgeted for		

RISK 11: Sustainability Risk		
Risk description	**Risk mitigation**	**Impact on value**
Risk of negative impact on the long-term viability of the FSCA due to inadequate management of environmental, social or governance factors.	• Social and Ethics Committee in place. • Transition to integrated reporting.	• Reputational damage
Opportunity: Enhance our commitment to being a socially responsible organisation and minimise our impact on the environment		
Planned control • Implementation of the Levies Bill • Environmental, Social and (Corporate) Governance (ESG) Policy		

Part D

Our **Performance**

Reflection by the Commissioner

Commissioner Unathi Kamlana engaging with stakeholders in February 2023

I am pleased to present our first-ever integrated report. This report marks a significant milestone as we celebrate our 5th anniversary since successfully transitioning from the Financial Services Board (FSB) to the Financial Sector Conduct Authority (FSCA) under the Twin Peaks model of regulation.

As we reflect on this milestone, we are filled with a sense of accomplishment, having established ourselves as a respected market conduct regulator within the financial sector.

Over the past five years, the FSCA has undergone a profound transformation, embracing the principles of the Twin Peaks model and working diligently to promote fair customer treatment and ensuring the efficiency and integrity of financial markets. We have embraced the opportunities and challenges presented by this new regulatory landscape, implementing innovative strategies and initiatives to safeguard consumers and enhance market conduct.

The integrated report represents a significant milestone in our journey. It allows us to provide a comprehensive overview of the FSCA's achievements and milestones over the past financial year, offering our stakeholders a holistic understanding of our performance and impact.

During the reporting period, the financial sector has faced numerous hurdles both domestically and globally. The global economic recovery faced significant headwinds amid weaker commodity prices, rising inflationary pressures and the ongoing Russia-Ukraine conflict. Domestically the economic growth outlook is expected to deteriorate with gross domestic product projected to decrease over the medium term averaging 1.4% as a result of intensified power cuts, weaker global outlook among other factors. These factors have had an impact on investment flows, and the overall performance of the financial sector.

The Financial Action Task Force (FATF) placing South Africa on its list of jurisdictions under increased monitoring (grey list) has added an additional layer of challenges that the financial sector is facing. This designation underscores the necessity for heightened efforts to combat money laundering and terrorist financing, necessitating financial institutions to implement additional compliance measures and safeguards.

Despite an increasingly adverse operating environment, the financial sector demonstrated remarkable resilience and remained steadfast in providing essential financial services and products to financial customers. As the regulator of the sector, we have made significant progress in successfully implementing our regulatory strategy. Through the implementation of robust regulatory frameworks, proactive supervision, and effective enforcement, we have been able to fulfill our mandate efficiently and effectively. By continuously reviewing and updating regulatory frameworks, we have responded to emerging risks and evolving market dynamics, providing a solid foundation for the financial sector to operate.

Our licensing application process is efficient and robust, ensuring that licences are awarded to persons and entities who meet the fit-and-proper requirements. During the reporting period, we have approved 584 licences authorising persons and entities to perform regulated financial services. This achievement demonstrates our commitment to fostering a robust and diversified financial sector while ensuring adherence to regulation.

Furthermore, we developed and rolled out over 102 financial consumer education programmes reaching over 27 936 consumers. By empowering consumers with knowledge and understanding, we enable them to make informed decisions and protect their interests in an increasingly complex financial landscape.

Our enforcement approach is rooted in efficiency, transparency and fairness. As part of our commitment to holding wrongdoers accountable, we successfully completed over 400 investigations, resulting in 420 licence withdrawals and 984 suspensions. In addition, we issued over 47 scam alerts to protect financial customers against any potential harm. Notably, fines exceeding R100 million were imposed on persons and entities who violated regulatory rules, demonstrating our resolve in dealing with non-compliance.

We remain committed to implementing a proactive, intensive and intrusive approach to supervision. Throughout the reporting period, we conducted thorough examinations and assessments of regulated entities, scrutinising their practices, products, and services to identify any potential risks or misconduct. This allowed us to take swift and effective action when necessary, holding wrongdoers accountable and protecting the interests of consumers.

To ensure the achievement of our strategic goal of fostering an innovative, inclusive, and sustainable financial sector, we published our strategy for promoting financial sector transformation. This strategy outlines our two-phase approach to promoting the transformation of the financial sector. We have also published the FSCA statement on sustainable finance, which highlights our commitment to incorporating Environmental, Social, and Governance (ESG) considerations into our regulatory and supervisory frameworks.

As we embark on the coming year, the FSCA will continue to focus on enhancing its regulatory frameworks and supervisory capabilities, leveraging technology to foster innovation, efficiency, and resilience in the financial sector. As we strive to improve how we execute our mandate, we are working tirelessly to implement our digital strategy, using technology to respond flexibly, proactively and pragmatically to new risks and opportunities. To improve our operational efficiency, we have embarked on the process of reviewing our Target Operating Model as a critical value driver aimed at enhancing our operational and strategic capabilities.

I extend my sincere gratitude to the executive team and all staff for their unwavering commitment and exceptional work in advancing the FSCA's mission. Their dedication has been the cornerstone of our success. I also want to express my gratitude to the Integrated Report Committee for their excellent work in compiling the report.

I also want to extend my sincere thanks to the members of our governance committees for their oversight and support. Their guidance and expertise have played a pivotal role in shaping our strategic direction and ensuring effective governance within the organisation. Regrettably, during the past year, we experienced the loss of a member and Chairperson of our Risk subcommittee, the late Mr Hamilton Ratshefola. He was a highly dedicated and principled thoughtful leader who contributed significantly to our transition from the then FSB to the FSCA. His commitment to our mission and his invaluable insights will be greatly missed. We pay a heartfelt tribute to this fallen hero, recognising his outstanding contributions and expressing our deepest condolences to his family.

We are also grateful of the Minister and the National Treasury for the visionary leadership, consistent guidance and providing policy direction, which have been instrumental in our achievements. Finally, we remain humbled by the trust and confidence bestowed upon us by our stakeholders. Their ongoing commitment fuels our determination to excel. With great anticipation, we eagerly embrace the opportunities and challenges that lie ahead, as we embark on the next five years of our journey.

Unathi Kamlana

Unathi Kamlana
FSCA Commissioner

Managing our capitals

Strengthening our financial capital

We ensured that allocated resources were deployed within the approved budget.
As a major milestone, we have implemented an enterprise resource planning (ERP) system to improve financial and operational performance. This will ensure that all levies and fees due are collected in an efficient way. In addition, we continued to review our internal financial controls to strengthen the integrity of our financial reporting.

Chief Financial Officer's report

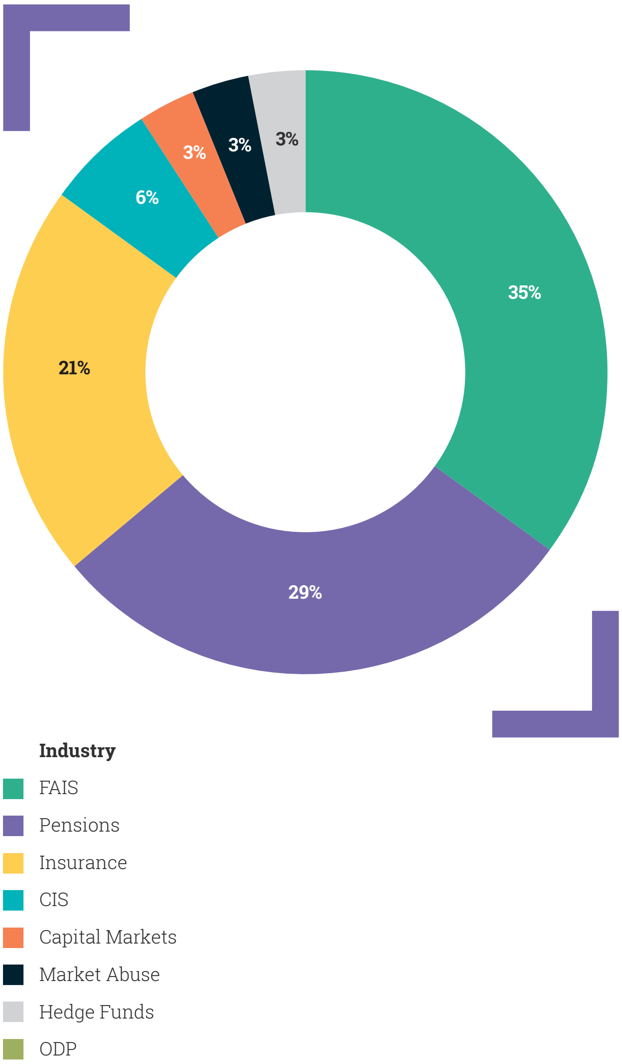
Paul Kekana, Chief Financial Officer

South Africa's economy is slowly recovering to pre-pandemic GDP levels but remains constrained by high unemployment and interest rates, continuous load shedding and high consumer price index.

Despite the challenging operating environment, our prudent financial management practices enabled us to perform our public value function in a financially sustainable manner. This was achieved through disciplined allocation of our limited financial resources.

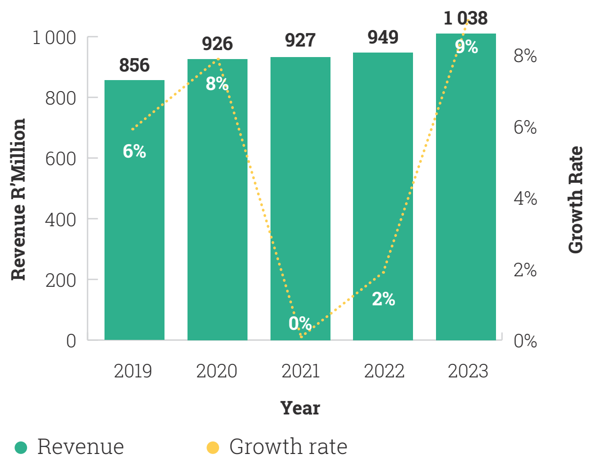
Our financial position remains strong, with moderate revenue growth and healthy liquidity. We deployed levies collected to ensure sustainable value creation and preservation for all our stakeholders. In executing our duties, we subscribed to high ethical and governance standards to ensure that trust and confidence in the financial sector are maintained.

Levy and fee contribution



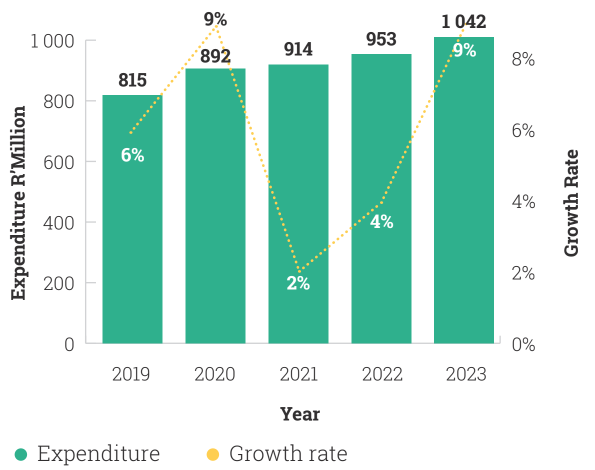
The financial advisory and intermediary services (FAIS), pensions and insurance industries continued to be the major contributors to levy income, accounting for 35%, 29% and 21% respectively, with the remaining assets contributing 15%.

Revenue growth



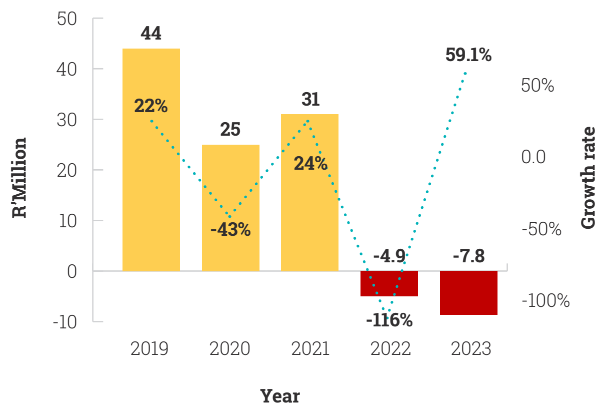
Revenue consists of fees, levies and penalties. For the year ended 31 March 2023, revenue grew by 9% to R1,038 billion (2021/22: R949 million) mainly as a result of higher interest income from investments, penalties (not budgeted) and annual levy increases.

Expenditure movement



Operating expenditure increased by 9% to R1,042 billion (2021/22: R953 million) mainly as a result of ICT digital transformation solutions, advertising and promotions initiatives for consumer education and staff costs.

Net surplus/(Deficit)



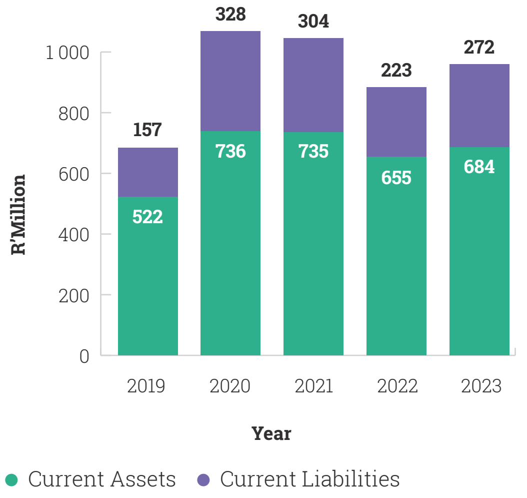
We reported a net deficit of R7.8 million for the year (2021/22: R4.9 million). The net deficit is to a larger extent made up of once off expenses which are expected to reverse once we have fully implemented our new Targeted Operating Model.

We maintain two reserve accounts: the contingency and discretionary reserves, currently at R96 million (2021/22: R91 million) and R58 million (2021/22: R45 million), respectively.

The contingency reserve is maintained at a maximum of 10% of levy and fee income which is held to protect the FSCA against the risk of unforeseen events. The discretionary reserve is a depository for fines and penalty income for funding consumer education-related expenses.

Partly as a result of the net deficit, the net assets decreased by 1.6% to R483 million for the year (2021/22: R491 million). In line with section 53(3) of the Public Finance Management Act (PFMA), the FSCA will be requesting approval from National Treasury to retain the cash surplus for planned capital expenditure infrastructure projects.

Working capital



We effectively managed working capital to meet financial obligations when they fall due. Cash flow is closely managed, and surplus funds are invested in the Corporation for Public Deposits with the South African Reserve Bank (SARB). The net current assets maintained for the financial year remained favourable at R412 million (2022: R433 million).

Trade and other payables

We target to settle trade payables within 30 days of receiving suppliers' invoices in line with National Treasury Regulations. In this regard, we have achieved an average of 29 days for the year (2022: 29 days) which is within the 30 days as prescribed by National Treasury. At the financial year-end, trade payables amounted to R13 million (2022: R7 million).

Trade receivables

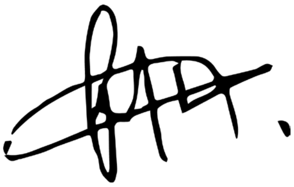
As at the financial year-end, the levy trade receivables amounted to R34 million (2022: R27 million), representing 3.67% of the levies income (2022: 3.09%).

The penalty and inspection receivables increased to R216 million (2022: R203 million) partly as a result of increased regulatory enforcements. Penalty and inspection receivables collection remains a challenge as these debts by their nature are not planned for and are often appealed, resulting in collection uncertainties and delays.

Outlook

Digital transformation remains key in our strategic pursuit of delivering on our mandate, preserving and creating value in the long term for our stakeholders.

We aim to keep pace with digital disruptions by rolling out capex, continuously upskilling and recruiting critical skills, refining our operating model and managing change.



Paul Kekana
Chief Financial Officer

Building social capital

Granting access to the financial sector

In terms of section 111 of the FSR Act, a person may not provide as a business or part of a business a financial product, financial service, or market infrastructure except in accordance with a licence in terms of a specific financial sector law, the National Credit Act or National Payment System Act, or if no specific financial sector law provides for such a licence, in accordance with a licence in terms of the FSR Act. Therefore, authorising licences to market participants is a crucial instrument in promoting market integrity and protecting financial consumers.

Number of licence applications processed

The total number of FSPs approved during the period is 584 compared to 776 reported in the previous year. The largest contributor to the aggregate increase in the number of FSPs authorised is the Category I FSPs with 545 FSPs approved for the period. There has been an increase in the number of approved Category II FSPs from 760 in the previous year to 792 in the period under review. The total number of approved Category IIA FSPs decreased by one from 119 in the previous period to 118 in the period under review. Three Category III FSPs were approved during the period resulting in a total of 33 approved Category III FSPs. A total of 4 Category IV FSPs were approved during the period bringing the total number of approved Category IV FSPs to 105.

Overall, there has been an increase in the total number of approved FSPs from 11 156 to 11 740.

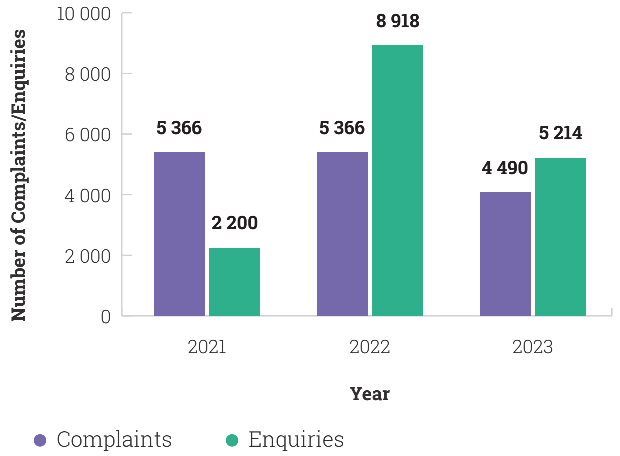
During the reporting period, 17 licences were granted – seven to banks and 10 to non-bank entities – taking the number of over-the-counter derivative provider (ODP) licences to date to 24. Twenty-two licence applications – two banks and 20 non-banks – are still under consideration. One licence application was withdrawn during the period under review.

In terms of section 126 of the FSR Act, we concurred with the Prudential Authority to approve the registration of two cooperative financial institutions (CFIs), deregistration of one CFI, and variation of a licence of one CFI requesting to insource its asset rental solution, which was previously outsourced to an external finance partner.

In the current period, one cell captive insurance and four microinsurance licence applications were concurred for the Prudential Authority to finalise the approval process. In respect of microinsurance licence applications, two applicants failed to comply with the minimum requirements and after multiple meetings with the FSCA for guidance, the applicants still failed to demonstrate that they have the capacity and resources to operate as microinsurers. As a result, the two applications were declined. In the same period, two applications for insurance group controlling companies were finalised.

Complaints and enquiries

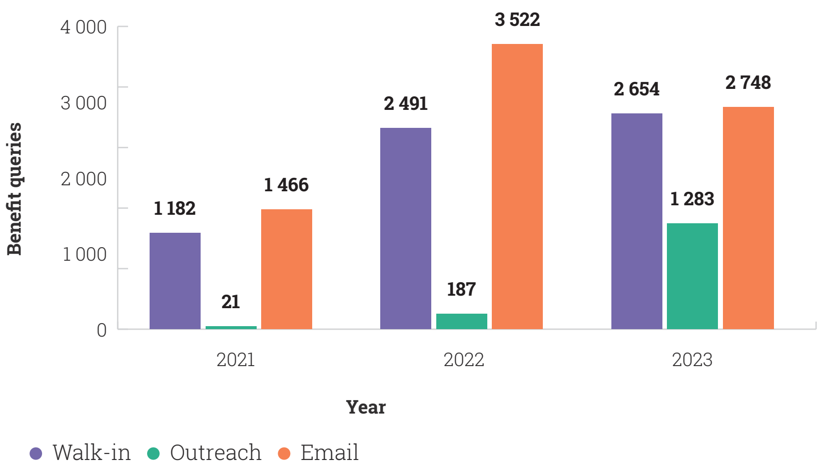
In ensuring a coordinated and integrated approach to serving our stakeholders, we have established the business centre as the single point of entry for all external stakeholder inputs – including queries and complaints, statutory submissions, and applications for financial services activities. Complaints provide insights into undesirable conduct and practices by supervised financial institutions/unregistered entities. The data allows us to respond proactively to potential emerging financial sector conduct risks. Work is underway to develop the complaints policy and framework to ensure that complaints resolution is efficient and effective, and adds the intended value to our supervisory activities.



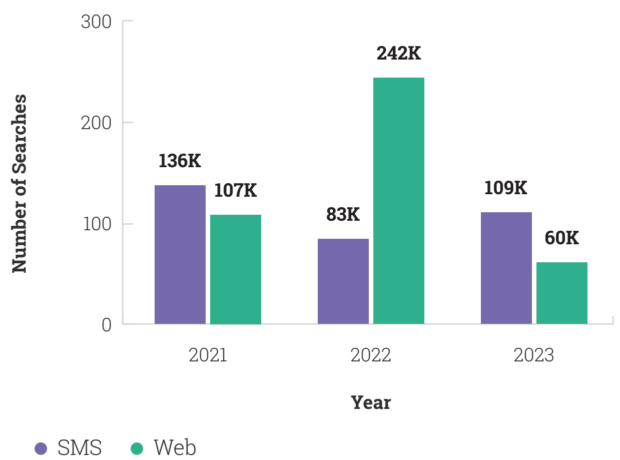
During the reporting period, we received 9 263 complaints and queries against authorised financial institutions, entities conducting unregistered businesses of regulated activities and general issues. Of the matters received, complaints represented 44% and queries 56%. More than 86% of the complaints and queries received were resolved during the reporting period. The 18% outside of our jurisdiction were referred to other authorities.

We have developed platforms to assist prospective members and beneficiaries of retirement funds to access their benefits in a cost-effective manner. This initiative is a response to unscrupulous tracing agents taking advantage of vulnerable citizens by charging exorbitant fees for services that are available at no cost.

Through our web search and SMS search digital tools, the public can conduct searches to uncover benefits. In addition, the online search platform offers prospective members and beneficiaries of retirement funds an automated search and direct links to the pension funds or pension fund administrators.



Unclaimed benefit queries during the reporting period included those made through outreach programmes, walk-ins and emails. These queries increased by 7% from 6 200 (2021/22) to 6 685 (2022/23). The year-on-year increase in unclaimed benefits queries can be attributed to awareness initiatives conducted through media platforms such as radio, television and social media.



During the reporting period, SMS searches decreased from 83 218 to 109 118. Web search decreased to 59 754 in 2023. We finalised 64% of queries, with the remaining 36% still being considered. Finalising unclaimed benefits queries involves linking the prospective beneficiaries or members with the correct pension funds and obtaining a response. We have launched initiatives to improve the effectiveness of the process.

Risk-based supervision

During the year under review, seven communication and guidance notices were published. The purpose of these notices is to provide information and guidance to the industry about new developments and/or interpretation aspects on various matters.

Date/Number of Notice	Authority	Sectors	Summary
FSCA information request 3 of 2022 (FAIS) 12 April 2022	FSCA	FAIS	Request for information – crypto asset related activities performed by FSPs
FSCA FAIS notice 83 of 2022 1 September 2022	FSCA	FAIS	Amendment of exemption of certain FSPs from the professional indemnity and fidelity insurance cover requirements
FSCA FAIS notice 84 of 2022 1 September 2022	FSCA	FAIS	Amendment of exemption of certain FSPs who are long-term insurers or short-term insurers from Section 13 of the General Code of Conduct, 2022
General Notice 1350 of 2022 and FSCA FAIS Notice 90 of 2022	FSCA	FAIS	Declaration of a crypto asset as a financial product under the Financial Advisory and Intermediary Services Act. Exemption of persons rendering financial servces in relation to crypto assets from section 7(1) of the Financial Advisory and Intermediary Services Act, 2022
Government Notices Nos. 2814 and 2815 of 2 December 2022	FSCA	FAIS	Amendment of the General Code of Conduct for Authorised Financial Services Providers and Representatives, 2022 Amendment of the Qualifications, Experiences and Criteria for Approval as a Compliance Officer, 2022
FSCA CIS Notice No 5 of 2022 3 June 2022	FSCA	CIS	Exemption of managers of collective investment schemes from certain requirements in Board Notice 92 of 2014
FSCA CIS Notice No 7 of 2022 11 November 2022	FSCA	CIS	Exemption of managers of collective investment schemes from certain requirements in Board Notice 90 of 2014
FSCA CIS Notice No 1 of 2023 8 February 2023	FSCA	CIS	Exemption of managers of collective investment schemes from certain requirements of section 99(1) of CISCA
FSCA Information Request 7 of 2022 (FAIS) 13 December 2022	FSCA	FAIS	Request for information – crypto asset related activities performed by crypto asset FSPs
FSCA Communication 8 of 2023 6 March 2023	FSCA	CIS	Notice of publication – notice regarding the publication of draft Notice of Amendment of Board Notice 90 of 2014

Mystery shopping

The purpose of mystery shopping is to understand and assess if there is consistent understanding and operationalisation of the Conduct Standard, including a bank's policies and procedures. Mystery shopping is one of the key supervisory tools to measure and assess whether products and services offered to customers actually promote fair customer outcomes. We conducted two Mystery Shopping exercises in KwaZulu-Natal and Rustenburg focusing on two banks that target customers who we deem vulnerable.

Onsite inspections

The purpose of onsite inspections is to identify the compliance of licensed entities. Themed visits, where specific aspects are scrutinised, allow us to build trend reports focusing on supervisory activities. We adopted a risk-based approach in selecting institutions and appropriate inspection supervisory activities. For example, the inspections on banks were carried out due to complaints received and the level of media coverage on these matters. The objective of inspections is to review whether the identified issues could cause harm to consumers thereby resulting in a lack of confidence in the financial system.

Theme	Number of inspections	Type of entities concerned
General market conduct	11	Insurers (funeral class and micro insurers
General market conduct	7	Cooperative Banks and CFIs
Understanding ML/TF risk; customer due diligence, including about beneficial owners and enhanced, as well as ongoing, customer due diligence; targeted financial sanctions; reporting obligations.	38	FICA inspections of Accountable Institutions
Compliance with the General Code of Conduct and the Fit and Proper requirements.	37	FAIS reviews on Cat I and IV FSPs
The process undertaken by the banks to terminate accounts.	15	Banks
Assessing the Vehicle and Asset Finance business model and the approach to dealer commission and how fair outcomes for customers are incorporated into the collections strategies.	4	Banks
Progress made by the industry since the extension of FSCA's mandate to have oversight on the conduct of Payment Providers.	6	Payment Providers
General onsite inspection	28	Investment Providers
FAIS Act (35 inspections) and ad hoc (2 inspections)	37	FSPs

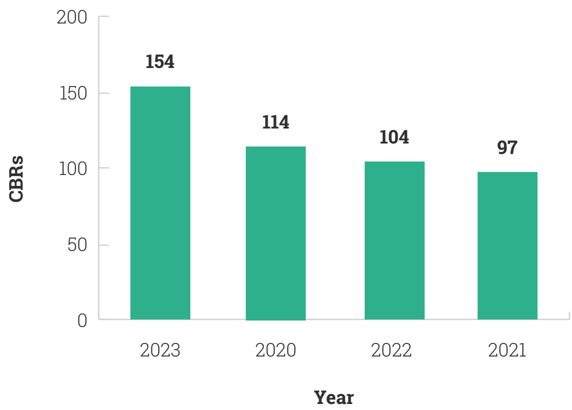
We also conducted joint inspections with other supervisory bodies on dual-supervised groups. This has reduced duplication, cost, and compliance fatigue on dual-supervised institutions /groups and promotes the sharing of AML/CFT/CPF information among supervisors – advancing understanding of risk in institutions, groups, and the sector at large.

Omni-CBR

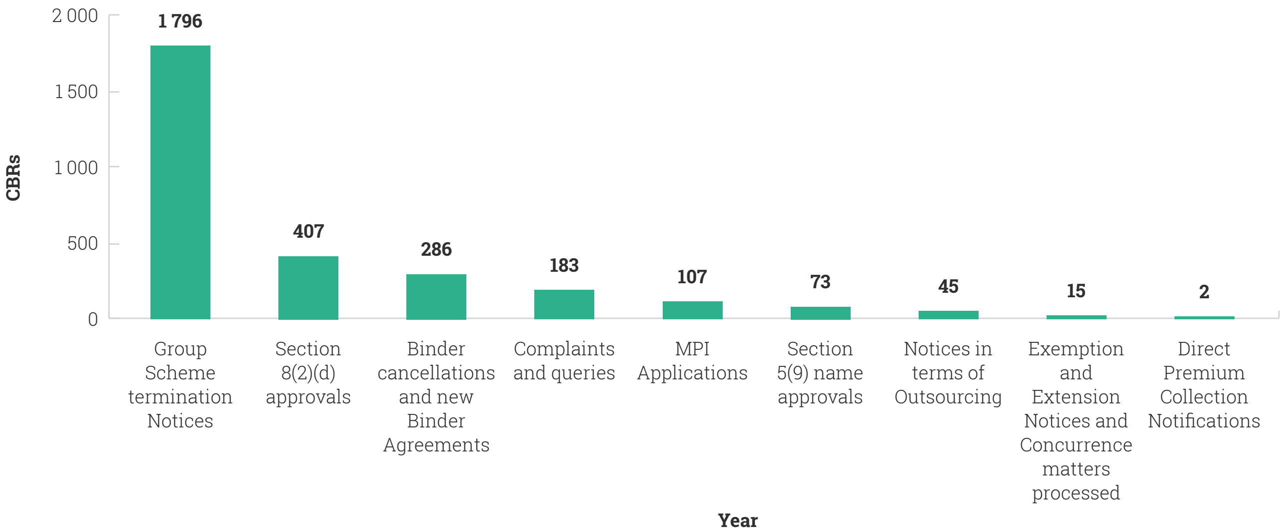
Regarding the Omni-CBR, we continue to monitor the financial system to ensure fair delivery of outcomes to customers. In this regard, we require access to meaningful, reliable, measurable and comparable information on key conduct indicators across financial institutions. To give effect to this, we have embarked on a multidisciplinary project to facilitate a process for detailed and consistent conduct of business reporting by financial institutions in future. The Insurance and Retirement Fund Benefit Administrators department leads the project.

In June 2022, we published a road map for the cross-sectoral Conduct of Business Return roll-out. The roll-out and implementation of the Omni-CBR will consist of four phases over four years. During the period under review, we consulted on the terminology and data requirements. In this regard, comments were received from the industry, which are being processed to update the current draft version of the return.

Conduct of business returns (CBRs)



Notifications, applications, complaints and queries submitted during the period under review



Supervisory activities undertaken on the authorised FSPs:

	2019/20	2020/21	2021/2022	2022/23
Authorised Cat I and IV FSPs	10 534	10 130	10 157	10 883
Desk-based supervision				
Financial statements	8 424	2 094	8 903	10 082
Compliance reports	0	120	92	158
Extension requests	569	306	1 555	1 631
Material irregularity reports	100	58	78	65
Referrals for regulatory action:				
FSPs	133	113	65	82

All FSPs must submit annual financial statements within four months of financial year-end. The submitted statements are reviewed to determine adherence to financial soundness requirements. In total, 10 082 statements were received and 7 629 (76%) were analysed. As a result, 44 FSPs were referred for regulatory action due to their failure to meet the financial soundness requirements.

Irregularity reports

Under the FAIS Act, compliance officers and auditors must report material non-compliance to the Authority. During the reporting period, 108 irregularity reports were received and considered – with the necessary action taken. This reflects an increase of 26% when compared to the 80 received in the previous reporting period. Following the findings of contraventions of the FAIS Act by FSPs through offsite monitoring and onsite inspections, 65 FSPs were referred for regulatory action. This is a reduction of 58 against the previous reporting period. It must be noted that FSPs were referred, for multiple reasons.

Desk-based supervision of investment providers

Desk-based supervision is an offsite tool used to ensure adequate oversight over an entity's statutory returns to ensure that they meet various requirements – like financial soundness and liquidity – as prescribed in legislation.

Deputy Commissioner, Farzana Badat and officials at the joint conduct of business supervision Seminar hosted by the FSCA and Compliance Institute of Southern Africa

Collective Investment Schemes				
	2019/20	2020/21	2021/22	2022/23
Capital Adequacy Reports	708	670	662	655
Mark to Market Valuation Reports	550	586	589	610
Quarterly Portfolio holding reports	6 254	6 633	197	193
Annual Financial statements	54	52	49	46
Collective Investment Schemes in Hedge Funds				
Annual Financial Statements	15	14	13	12
Monthly Risk Reports	1 080	1 182	1 116	1 039
Quarterly Portfolio Holding Reports	1 031	894	824	1 805
Capital Adequacy Reports	180	168	182	144
Investment providers – FSPs				
Compliance reports				
Category II	2	2	0	3
Financial statements				
Category II	679	574	779	621
Category IIA		105	134	100
Category III	21	22	39	21
Extension requests				
Category II	41	39	267	292
Category III	4	2	4	19
Irregularity reports				
Category II	19	12	15	9
Category IIA		7	3	2
Referrals for regulatory action				
Category II and IIA	4	0	0	3

Banking awareness programmes

The purpose of basic banking awareness programmes is to inform disadvantaged communities and empower them so they can make informed decisions, challenge unfair service and product offerings, and hold banks accountable. The programmes equip disadvantaged communities with information and processes to seek recourse on undesirable outcomes.

During the period under review, three awareness programmes were conducted – in Bushbuckridge, Soshanguve, and Tsolo in the Eastern Cape – which were attended by 436 community members. These focused on basic banking awareness, fraud prevention and unclaimed benefits. As a result of the targeted awareness programmes, the following has been observed:

- Customers understand what safety means and the importance of not sharing their card and mobile banking pin numbers.
- Customers understand the complaints management processes in place to seek recourse where their complaints were not resolved to their satisfaction.
- The need for less cash and more card through the understanding of the benefits that customers derive from transacting cashless.

Anti-money laundering (AML), counter-terror financing (CTF) and counter-proliferation financing (CPF) value-added initiatives

We have implemented several initiatives to assist accountable institutions with improving their FIC Act compliance behaviour.

WEBINAR TOPIC	YEAR PUBLISHED	WEBINAR LINK
FIC Act amendments and guidance issued by the FIC	March 2023	https://youtu.be/GUInijFV_Go
Duties of an accountable institution	September 2022	https://youtu.be/0LUBWNy9yNE
SRA and understanding of ML/TF risks Securities Sector	March 2022	https://youtu.be/Rgn7WvO7ES0
SRA and understanding of ML/TF risks FSP / CIS Sector	April 2022	https://youtu.be/m2l9ELK8x48

We have communicated with accountable institutions to explain the relevant findings from the Financial Action Task Force (FATF) Mutual Evaluation Report and provided guidance to accountable institutions on the remediation of applicable findings.

Promoting consumer education

Under section 57 of the FSR Act, we are mandated to provide financial customers and potential financial customers with financial education programmes as well as promote financial literacy and the ability of existing and potential customers to make sound financial decisions.

We use various innovative methodologies to engage consumers, including research, resource development, workshops, rural outreach campaigns and various media engagements. Information on all these activities is available on our dedicated consumer website –www.fscamymoney.co.za – and on different social media platforms. To assess the value creation for our stakeholders, monitoring and evaluation frameworks are implemented within each campaign and project from conceptualisation and design to implementation.

Research, monitoring and evaluation

We conducted a financial literacy baseline study, which was completed in October 2021 and published in July 2022. The study – an expansion of the South African Social Attitude Survey – was commissioned in 2019 but was delayed by pandemic restrictions. Among its findings were high levels of financial stress and duress during COVID-19, and fiscal insecurity and instability of household income, leading to a decline in personal financial budgeting. This, in turn, negatively affected people's ability to control and manage their finances.

This was the latest in a series of surveys that started in 2012 to assist in developing financial education strategies and inform policies to improve the financial literacy levels of current and potential financial customers. In addition, the research provided the basis for launching the first National Consumer Financial Education Strategy (NCFES) in 2013. It further offered current data and trends in financial literacy levels that informed the drafting of NCFES 2013 and the second NCFES, documents for which the National Treasury is responsible.

We conducted independent and internal monitoring and evaluation of all consumer financial education activities during the period under review. Monitoring and evaluation are fundamental components throughout all phases of a financial education activity to evaluate the activity's relevance, effectiveness, efficiency, impact, and sustainability. The function uses monitoring tools such as surveys, interview questions, quantitative data (fieldwork) and qualitative data (thematic analysis) to evaluate the efficacy, relevance and impact of selected consumer financial education activities and programmes.

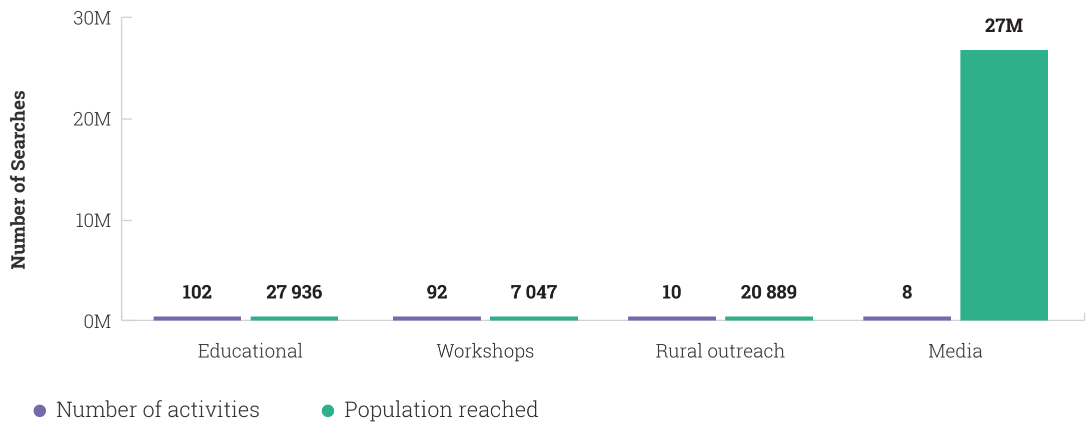
Resource development

We develop resources in multiple formats in line with consumer needs on key financial literacy topics for physical and digital distribution.

Printing of resources is done in alignment with project needs and requirements, so as to reduce wastage. Stakeholders also make use of these resources in their consumer financial education initiatives. During the review period, 21 infographics were developed in line with the FSCA's MyMoney Learning series.

Besides our dedicated consumer website www.fscamymoney.co.za, we provide consumers with financial literacy information in various digital formats for better engagement and retention. These projects align to build financially resilient households and SMMEs in South Africa.

Webinars/workshops, exhibitions and educational activities



During the period under review, we accelerated our face-to-face consumer education activities to complement our digital and radio activities. We implemented 102 activities, reaching 27 936 consumers. A further eight media engagement campaigns took place, reaching an audience (listeners and social media users) of 27 713 000 people.

Ninety-two webinars and workshops were conducted, reaching 7 047 consumers. Our rural outreach campaigns were strengthened to 10 collaborative partnerships reaching 20 889 consumers. The activities were well received, with many participants indicating they would partake in further interventions, especially on savings and investments.

National Financial Literacy Speech Competition

The National Financial Literacy Speech Competition was held between April and October 2022, with the national final being successfully held in Cape Town in October 2022. The competition teaches school pupils financial literacy skills that will enable them to make informed financial decisions. A total of 3 603 learners participated.

2022 Financial Literacy Speech Competition Winners

Position	Name	School	Location	Prizes
Winner	Kesaobaka Maamogwa	Motswedi High School	Borakalalo Village, North West	• R60 000 investment prize • Bursary to the value of R500 000 • Tablet and data
1st runner up	Nolitha Maabane	Moreko Secondary	Nebo Village, Limpopo	• R45 000 investment prize • Bursary to the value of R500 000 • Tablet and data
2nd runner up	Wanda Tshuma	Usasazo High School	Khayelitsha, Western Cape	• R37 500 investment prize • Bursary to the value of R500 000 • Tablet and data

Financial literacy workshops

We have also strengthened the delivery of financial education by hosting workshops to empower financial consumers with the necessary financial skills to make informed decisions.

In March 2023, we conducted 16 Financial Literacy Workshops for Youth Not in Education, Employment or Training (NEET) that reached 1 107 participants. Six sessions of the Financial Literacy for Students in Tertiary Institutions were conducted in February 2023 at five universities.

Throughout 2022/23, officials from the Department of Public Works (DPW) facilitated various workshops for contract workers involved in the Expanded Public Works Programme (EPWP) countrywide. The officials first attended comprehensive train-the-trainer sessions offered by the FSCA to ensure they were fully capacitated for their training task.

The DPWI and FSCA agreed on a further partnership for three years, from 1 April 2023 to 31 March 2026, to provide financial literacy training to a further 30 000 EPWP participants in the nine provinces of South Africa.

Lastly, a pilot project consisting of 24 workshops was rolled out in collaboration with the South African Council for the Blind (SANCB) between October 2022 and February 2023 in Gauteng. Six visually-impaired facilitators presented the workshops.

The project targeted 48 blind and partially sighted SANCB constituents/affiliates currently studying at Optima College in Pretoria and utilising the FSCA MyMoney Learning Series content. The four topic areas were drawn from the Financially Smart theme of the series: How to Budget, Be in Control of Your Finances, Save for Unexpected Expenses, and Interest. An innovation added to this was the publication of the resource in braille.

The “Ke Zaka” (Money) project is a partnership between the SABC and FSCA to deliver consumer financial education through the medium of television. Now in its fourth season, the show airs every Wednesday on SABC 2. A number of outreach interactions with community savings clubs, stokvels and burial societies will be activated to reinforce the content covered in the various episodes. Production started in November 2022, with 13 episodes shot by the end of March 2023. Post-production has started on the completed episodes and the first episode was flighted on 5 April 2023. Topics include stokvels, investment, savings, and farming business.

As millions of South Africans belong to stokvels and burial societies, Ke Zaka contributes significantly to the drive for economic inclusion.

Enhancing market integrity

In the trade repositories (TRs) area, we conducted research to investigate whether the South African TR licensing and regulatory requirements are onerous and could deter entities from applying for a licence to operate a TR. Further, the research investigated various business models of licensed TRs in foreign jurisdictions, considering the structural and operational constructs of the identified TRs. The research aimed to acquire knowledge of the different TR models that would be best suited for the South African markets. The TR report was finalised in March 2023.

With the concurrence of the Prudential Authority and SARB, we cancelled the exchange licence of ZAR X (Pty) Ltd in February due to its failure to comply with section 8(1)(a) of the Financial Markets Act, 2012 (Act No. 19 of 2012).

To address challenges authorised users face in implementing best execution by transacting on behalf of their clients on securities listed across multiple exchanges, it was agreed that the exchange rules of both affected exchanges be amended to include a new trade type called the Matched Principal Trade Type. We published the proposed amendments in line with the requirements of section 71 of the PFMA. The final rule amendments were published and implemented.

In June 2022, the FSCA and the Prudential Authority published the proposed amendments to Joint Standard 2 of 2020 for publication consultation. Parliament approved the draft amendments to the Joint Standard, and the authorities are taking the final Standard through the respective governance structures.

In December 2022, the authorities jointly published the notice and communication wherein it was determined that South African central government bonds, with the credit rating issued by a licensed credit rating agency as defined in section 1 of the Credit Rating Services Act, 2012 (Act No. 24 of 2012), constitute additional eligible collateral for purposes of paragraph 6(2) of the Joint Standard requirements.

Financial Markets Act review

During the year under review, we continued to discuss the proposal for the Financial Market Bill as part of the working group. The Financial Market Act review aims to align the domestic regulatory framework to international best practices, given the cross-border nature of financial market activities.

In the market infrastructure area, we conducted an onsite inspection of the affairs of the JSE. The review focused on how the JSE discharged its regulatory responsibilities as a licensed exchange (SRO). The reports on the inspections are being finalised.

We will conduct supervisory inspections based on the reviewed priorities identified and documented in the supervisory plan. We will also implement a combination of theme-based inspections and general reviews.

Over-the-Counter derivative providers

We continued with the licensing of ODPs – with supervision and oversight of ODPs continuing during the year. The process has yielded many positive insights into the processes and risks associated with the operations of the ODPs. The objective is that Over-the-Counter (OTC) markets will embody greater transparency around critical issues such as pricing, margining, market exposure and instruments traded. The market will accordingly be more structured and enable the FSCA to regulate market conduct more effectively.

The post-licensing supervisory inspections of ODPs are continuing on all newly licensed ODPs. During the year under review, seven post-licensing reviews were conducted. In addition, seven onsite inspections were conducted.

Market communication and guidance

We participated in the following activities to establish policies for enhancing compliance with our regulatory requirements:

- *Development of a roadmap for implementing a central clearing framework in South Africa*

Currently, the FSCA is finalising phase 2 of the roadmap before it can start further work and research in respect of phase 3 – the development of eligibility criteria for central clearing.

- *Development of an equivalence framework for external trade repositories, external central counterparties, and external central securities depositories.*

The FSCA has made a number of amendments to the draft equivalence framework and proposed the inclusion of ODPs and CRAs in the existing equivalence framework. The Prudential Authority and the FSCA are currently finalising the draft joint exemption criteria and published the draft joint exemption criteria together with the draft equivalence framework and revised draft determination criteria (as a collective framework) .

- *Development of a Conduct Standard for Market Infrastructures.*

The FSCA is amending the draft Conduct Standard and expanding on the scope of the Standard to include interoperability arrangements between Market Infrastructures. The Standard will change quite substantially and the FSCA is planning targeted industry engagements on the proposals as soon as it is ready to be published for public consultation.

- *Development of a Joint Standard for Financial Market Infrastructures Recovery Plans*

The authorities endeavour to publish the draft Joint Standard and joint guidance notice for public consultation in 2023/24 financial year.

- *Development of a Position Paper on Short Selling*

The FSCA published the draft Conduct Standard on reporting and disclosure requirements for short sales on 20 March 2023 for comment. A Statement of Need and the indented impact were also published together with the draft Conduct Standard indicating the FSCA's reasons for prescribing reporting and disclosure requirements for authorised users and exchanges.

- *Development of a Conduct Standard stipulating requirements for SFT Participants engaging in SFTs*

The Conduct Standard will be limited to listed securities only as a first phase. We currently include FSAP recommendations on collateral and use LEIs in the draft.

- *Designation of Financial Benchmarks – draft Conduct Standard*

The draft Conduct Standard – setting requirements relating to the provision of a benchmark – was published for a second round of public consultation following the changes that had to be made due to the comments received during the first round of consultation.

- *Draft Guidance Notice in support of compliance with Condition 8 of an ODP licence*

This entails the submission of a report from an independent auditor regarding systems, processes, procedures and capacity to report OTC derivative transactions to a Trade Repository (TR) in terms of Conduct Standard 3 of 2018.

- *Draft Guidance Notice in support of the requirement relating to operational ability, including physical presence, in Conduct Standard 1 of 2018 (foreign ODP applicants).*

- *Review of the Financial Markets Act, 2012 (Act No. 19 of 2012)*

The FSCA, NT, PA, SARB and NPSD are participating in the FMA review process. The workgroup, led by the National Treasury, is in the process of finalising a draft bill for circulation and comment.

- *Amendments to the current FSCA/PA MOU*

The FSCA and the Prudential Authority are working on amendments to the existing MOU to regulate the cooperation and relationship between them regarding delegated powers, duplication of efforts, additional shared responsibilities for ODPs, and such required by section 166 of the FSRA. Quarterly meetings will also be held in line with the aim of the MOU and to strengthen the relationship between the two authorities.

We conducted two cross-cutting thematic reviews and approaches for the regulated entities, namely Evironmental, Social, and Governmental (ESG) and combined divisional approach to corporate governance. These reviews assess the state of ESG considerations by such an entity. The reviews further intended to determine the corporate governance frameworks and practices of CRAs, MIS and ODPs in line with the current requirements in the various sectoral laws and the requirements of the King Code on corporate governance. The responses are being assessed, and a consolidated report will be compiled.

In the credit rating area, we granted an exemption to the South African banks from the provisions of section 4(1) of the CRS Act in terms of section 27 of the CRS Act. This temporary exemption is to enable the amendment of the Banks Act and allow for the enactment of the consequential legislative amendments to the Financial Sector Regulation Act, 2017 (Act No. 9 of 2017) that would provide for equivalence determinations made about the regulatory frameworks applicable to the external credit rating agencies in the jurisdiction that they are licensed.

In January 2023, the FSCA formally exempted Sovereign Africa Ratings from Paragraph 21(1) of the General Notice 1258 of 2022: Levies for Financial Institutions, 2022 (Levies Notice) or the corresponding paragraph in a subsequent notice, for the levy years from 1 April 2022 to 31 March 2025. Paragraph 21(1) provides for the formula used to determine the levy payable by a licenced credit rating agency. The exemption was granted under section 15A of the FSB Act, read in conjunction with Regulation 2(3) of the Financial Sector Regulations 2018, and section 281(3)(b) of the FSR Act.

We conducted a thematic review on specific uses of credit rating information and data to better understand users that rely on the information published on a credit rating agency's website. The exercise assisted in establishing whether credit rating agencies that distribute credit ratings via a paid data feed have put in place adequate controls to ensure the accuracy, quality, and timely distribution of the credit ratings to comply with the relevant requirements.

In the financial benchmarks, the revised draft Conduct Standard – requirements relating to the provision of a benchmark – was published for a second round of public comments, which closed on 6 February 2023. The process to assess the responses and consultations with the industry is underway.

Implementing a robust regulatory framework

Our regulatory approach focused on regular review of the regulatory frameworks to ensure their robustness, effectiveness and alignment with international standards to enable us to create value for our stakeholders. We will continue to refine our approach to developing and maintaining frameworks to achieve our legislative objectives. We play a supportive role in assisting the National Treasury to formulate policy positions, which are ultimately translated into primary legislation.

The following are specific developments related to the regulatory framework in the period under review:

Harmonisation and transitioning to the Conduct of Financial Institutions Bill

The Conduct of Financial Institutions (COFI) Bill is intended to significantly streamline the legal landscape for conduct regulation in the financial sector by repealing most existing sectoral laws and providing a single cross-sector conduct law that gives legislative effect to the market conduct policy approach while strengthening customer protection. In anticipation of and preparation for the COFI Bill, consolidated cross-sector legal frameworks are being developed for identified key conduct themes. We also continued work in developing an approach to transition the existing financial sector laws into the COFI Bill framework, once effective, to ensure the COFI Bill transition occurs effectively and with minimum disruption.

- *Cross-cutting developments*

Various regulatory framework developments cutting across the sector as a whole were progressed during the reporting period.

These developments focused on improving the culture and corporate governance of financial institutions, improving the standard of consumer education, and ensuring financial institutions appropriately manage operational risk – specifically in the IT context – to ensure the sustainability of financial institutions and mitigate risks to financial customers brought about by, for example, insufficient cyber security and resilience.

The cross-cutting regulatory framework developments include: Joint Standard – Culture and Governance; draft Conduct Standard – Providing Financial Consumer Education Initiatives; Joint Standard – IT Risk Governance and Management; Joint Standard – Cyber Security and Resilience Requirements.

Financial markets

Various regulatory framework developments in the financial markets environment were progressed during the reporting period. These developments focused on ensuring the efficiency and integrity of financial markets, supporting competition in a multiple-exchange environment, and ensuring appropriate recovery of market infrastructures and transparency in financial markets.

The financial markets regulatory framework developments include: Implementation of the Joint Roadmap for Development of a Regulatory Framework for Central Clearing in South Africa; draft Joint Standard Recovery Plans for Market Infrastructures; Amendment to Joint Standard 2 of 2020 – Margin Requirements; Conduct Standard for Benchmarks; draft Conduct Standard for Exchanges; draft Conduct Standard – Reporting and Public Disclosure Requirements in relation to Short Sales; and Proposals surrounding Securities Financing Transactions.

- *Collective Investment Schemes*

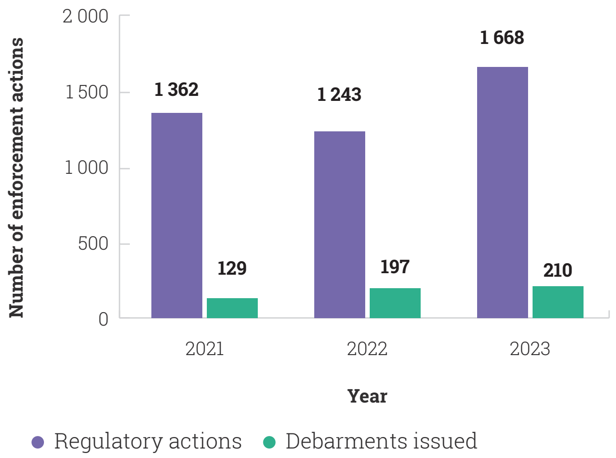
Various regulatory framework developments in the collective investment scheme (CIS) environment were progressed during the reporting period. These developments focused on ensuring that collective investment scheme portfolios are managed responsibly in the interest of financial customers, and that the CIS framework aligns with international standards.

CIS regulatory framework developments include: Review and amendment of BN90 of 2014 and BN 52 of 2015; enhanced regulation for CIS's (focusing on recommendations emanating from the Financial Sector Assessment Program); amendments to Board Notice 257 of 2013; development of a CIS accounting framework; review of Pro-Forma Deed for CIS's; and suspensions and other liquidity management options for CIS's, including a review of Board Notice 573 of 2003.

Enforcement

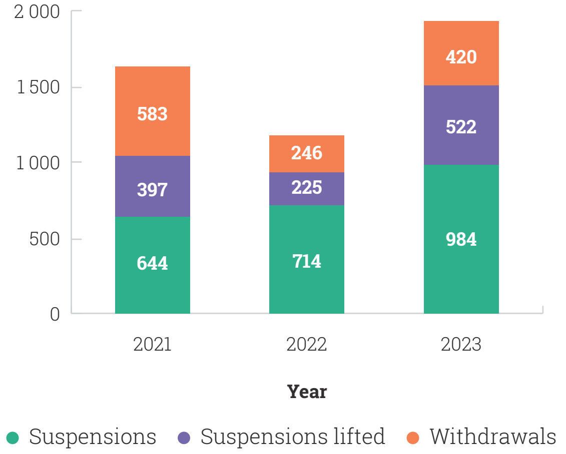
Our approach is to ensure visible, meaningful and procedurally fair action against those that pose a risk to the fair treatment of financial customers and the efficiency and integrity of the financial system. This enforcement approach boosts our ability to protect financial customers and diligently pursue transparent and effective administrative action against offenders.

The figure below provides the number of enforcement actions taken during the period under review in line with FSR.



As at 31 March 2023, we had opened 481 new investigation cases and finalised 406 investigation cases, and had 329 ongoing cases. The majority of the investigation cases relate to unauthorised FAIS and insurance business.

During 2022/23, we opened 667 cases and ended the year with 207 ongoing investigations. Enforcement actions taken included 1 668 regulatory actions, 210 debarment orders and 984 licences suspended. The majority of the suspensions and withdrawals relate to the non-submission of statutory returns and/or non-payment of levies, while most of the debarments involved dishonest conduct.



A total of R153 864 300 in administrative penalties was imposed on 44 investigated parties. Subtracting penalties that were suspended or that were set aside on reconsideration to the Financial Services Tribunal, a total of R100 644 300 in administrative penalties were payable. Most of the administrative penalties imposed relate to non-compliance with the FAIS Act.

During the reporting period, we collaborated on 45 matters with international counterparts in terms of bilateral and multilateral MOUs. In addition, we also collaborated with domestic enforcement agencies, including the FIC and AFU, in preserving assets under threat, to the amount of R19 million.

Procurement

Our procurement process is governed by the Constitution, Supply Chain Management Policy, Public Finance Management Act, Treasury Regulations, Guidelines, Circulars, Instruction Notes and Practice Notes, Preferential Procurement Policy Framework Act, 2000 and Preferential Procurement Regulations, 2017 and 2022. The procurement process achieves value for money for our stakeholders. During 2022/23, 26 competitive bidding procurements were conducted with a total procurement spend of R335 million.

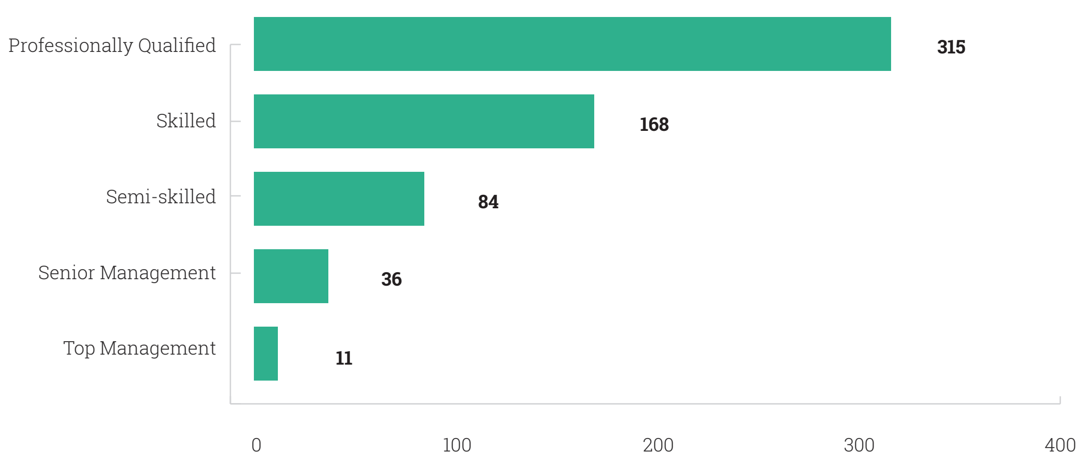
Corruption risks are mitigated through competitive bidding, which enables maximum participation by bidders and provides equal opportunity to all potential suppliers. In promoting transparency, we submitted our annual and quarterly procurement plans to National Treasury in line with our policy. In addition, we published an invitation to submit bids on our website. We published on our website – within 10 working days of the date of the bid award – the name of the successful bidder and the price of the contract.

Developing our human capital

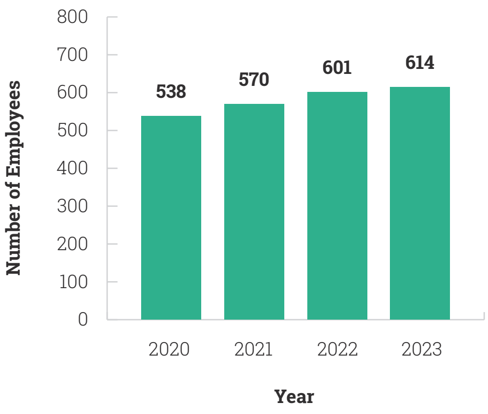
Our ability to execute our mandate depends on the ability to attract, develop and retain competent employees. For this reason, we remain committed to providing a conducive working environment to our workforce. We have established a talent council to ensure the implementation of a talent management strategy. Our concerted efforts to develop a capable workforce are at the core of our human resources policy.

Composition of employees in terms of gender and race

Occupational Level	Band	African		Indian		Coloured		White		M	F	Total
		M	F	M	F	M	F	M	F			
Top Management	A	4	3	0	1	0	0	1	2	5	6	11
Senior Management	B	8	11	2	1	1	3	5	5	16	20	36
Professionally qualified and experienced specialists and mid-management	C	133	114	2	9	6	7	14	30	155	160	315
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	D	65	83	2	1	3	8	2	4	72	96	168
Semi-skilled and discretionary decision making	E	28	40	0	2	1	7	0	6	29	55	84
Total	-	**238**	**251**	**6**	**14**	**11**	**25**	**22**	**47**	**277**	**337**	**614**
Total headcount in %	-	**80**		**3**		**6**		**11**		**45**	**55**	-
EE targets in %	-	**80**		**3**		**8**		**9**		**50**	**50**	-
Variance from EE targets in %	-	**0**		**0**		**-2**		**2**		**-5**	**5**	-

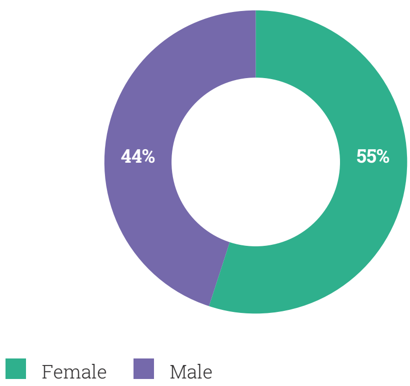


Number of employees

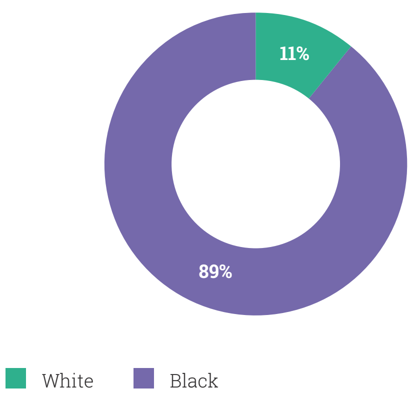


In line with our strategic objective of building a capable institution, our workforce increased by 1%, from 610 to 614 employees. This ensures that we are adequately capacitated to deliver on the competing needs of stakeholders. A total of 47 employees left the FSCA during the period under review.

Gender

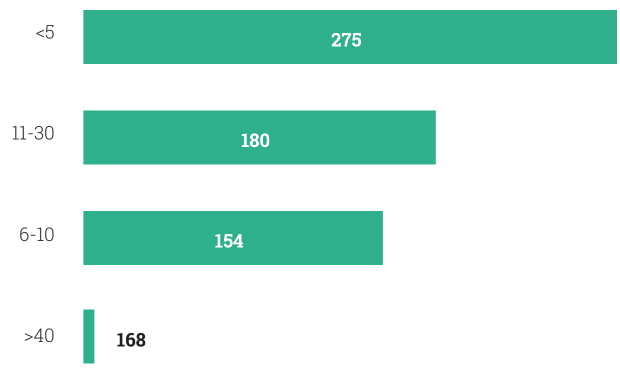


Race



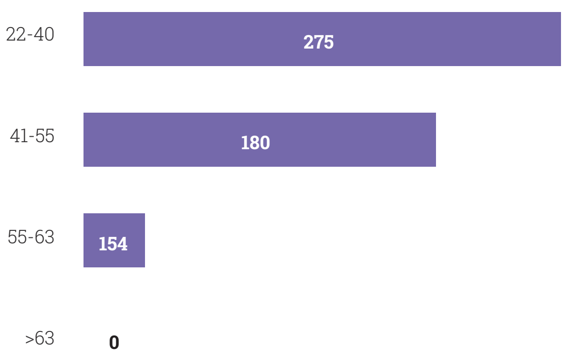
The FSCA embraces fair and non-discriminatory employment practices and policies and is committed to identifying and eliminating unfair discriminatory practices. To monitor progress toward achieving its Employment Equity goals, the HR Department provided quarterly updates on the progress made to the Exco, management and employees. Gender representativity remained stable at 55% and 45% for females and males respectively, and we managed to achieve all our race diversity targets during the period under review.

Tenure



We continue to retain the services of our long-serving employees who have many years of experience. These employees with organisational memory play a vital role in assisting us to deliver on our mandate. Long-service awards are provided to employees who achieve certain predetermined milestones of service. During the year, R1 302 000 was paid to employees to reward their long service.

Age profile



Most employees are aged between 22 and 40. Our retirement age is 63 years. At 31 March 2023, 42 out of 328 total employees were in the retirement bracket.

Investment in employees

Achieving our strategic objective of operational excellence will require a concerted effort to invest in employee development. In this regard, 54 training interventions were rolled out during the past financial year. A total of 599 employees, including interns and fixed-term contractors, attended scheduled training interventions. The approved annual training budget was R7,7 million, and the total spent was R7,2 million, showing an unfavorable variance of R 484 819 – which is within the 6% approved margin.

The FSCA also has an in-house e-learning portal to provide just-in-time training courses to employees. During the period under review, we implemented the mentorship programme in the management and specialist roles. The programme is aimed at increasing staff retention by ensuring that the organisation's talent is nurtured and career mobility is fast-tracked.

Internships and bursaries

During the period under review, 25 unemployed graduates were offered an opportunity to participate in our internship programme for 2022/23. These interns were placed in various departments where they dealt with real work scenarios that prepared them for the work environment. A total 28% of interns (from the preceding financial year) were placed permanently during the reporting period. The internship programme covers corporate services, supply chain management, finance, ICT, enforcement, supervision, risk management, data analysis, and licensing.

Concerning the bursary programme, we offer bursaries to deserving students from previously disadvantaged groups to study for a qualification in BSc Actuarial Sciences at an identified South African university. The bursary covers direct and indirect study-related costs. In this regard, one deserving black male was awarded a bursary to study through the University of Witwatersrand from 2022 to 2024. The FSCA will permanently appoint the bursary holder upon completion of his studies.

Furthermore, to give impetus to our Diversity and Inclusion strategy, the FSCA has awarded bursaries to two students with disabilities. The bursary is effective from the 2023 academic year until completion of the studies. The holders of the bursary will be provided with internship opportunities upon completion of their studies. Both bursary holders are vision impaired. In addition, 98 employees were awarded bursaries totalling R2,4 million to further their academic studies.

Employee wellness

The wellbeing of our employees continues to be one of our top priorities. The employee wellness programme was made available to assist, support and provide counselling to employees. We continue to prioritise awareness about the importance of mental health. The second series of the mental health campaign was rolled out in October 2022, reaching a total of 159 employees. The cancer awareness campaign focused on creating awareness of the various types of cancers affecting women and men and the impact of lifestyle choices on our health. A workshop on men's health was conducted in November 2023,

In late 2022, we conducted our employee engagement survey. The objective of the survey was to scientifically determine the FSCA Employee Engagement Index so that it serves as a baseline measurement for further interventions. A survey participation rate of 98% was achieved, which indicates that 587 out of 601 employees completed the survey. This is considered a very positive participation rate.

Leveraging our intellectual capital

Our ICT infrastructure is vital to our operational efficiency and provides the intelligence needed to satisfy our mandate. We continue to review and enhance our intellectual capital. To achieve our strategic outcome of being a modern organisation that leverages technology to respond flexibly, proactively and pragmatically to new risks and opportunities, we have adopted a data-driven digital strategy supported by new strategies and policies (information, cybersecurity and cloud strategies). For optimal performance, the strategy will require systems integration, constant upskilling, training and transformation of the ICT workforce.

Information security

As a regulator, we face the serious cybersecurity threats of an ever-changing digital landscape. We have developed a cybersecurity strategy to improve our resilience. In line with King IV principles, we have a technology and information management structure to ensure that ICT security monitors the cyberthreat landscape while maintaining and improving our security posture by protecting information assets, confidentiality, integrity and availability. The maturity of our security programme is improved in line with regulatory requirements, best practice guidelines and industry benchmarks. The ICT strategy drives technology transformation and management of information and cybersecurity risks. Enterprise architecture is a strategic function that serves as a technical advisory council to the Chief Information Officer in identifying, evaluating and recommending innovations and technological capabilities for adoption.

We implemented the Managed Security Operations Centre Project to enhance our ICT security capabilities and replace the end-of-life SIEM infrastructure. These capabilities allow us to monitor our information technology infrastructure without investing significantly in security software, hardware, and security experts and training. During the year, we conducted a cybersecurity incident simulation to test our ICT's response and recovery.

Our control was found to be effective and robust. An identity and access management solution for the employee password management service (self-service) was procured. This will enhance security by blocking USB usage, defining and configuring exceptions, and enabling digital light processing technology.

Furthermore, solutions were implemented to enable secure remote working for all employees and assist us to meet stakeholder needs. These included harnessing collaboration tools, implementing governance protocols and enabling new capabilities for our customers through digital channels. Vigorous testing against our existing technology and capability architecture were conducted to ensure the technical success of our strategic initiatives. Enterprise architecture is crucial in ensuring that ICT is integrated.

The rapidly changing regulatory environment required us to fast-track technological transformation to remain effective. We continue to modernise our infrastructure through new ways of working, such as optimum use of the Teams suite and advanced data-gathering tools. Changes to the architecture and a roadmap to design the future architecture have been approved.

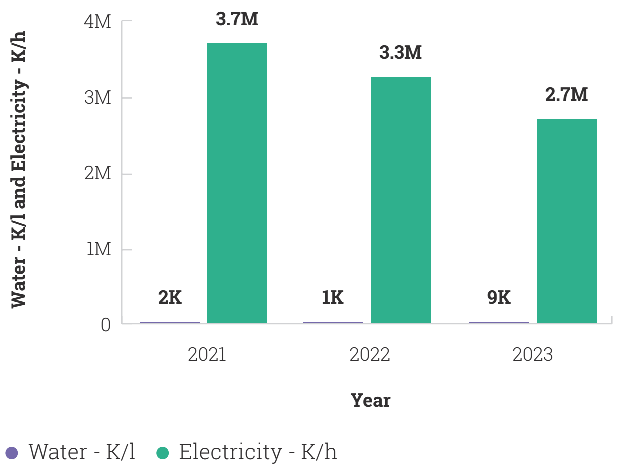
In line with our strategic focus to enhance performance and responsiveness through increased digitalisation and optimised business processes, we are implementing three ICT systems – IRS, Prudential Authority/FSCA shared services, and customer relationship management. These initiatives will create a well-designed and -orchestrated FSCA technological landscape that maximises stakeholder value.

Through IRS, we will acquire streamlined business processes, technological applications and infrastructure to execute our mandate. An automated regulatory solution will integrate all regulatory functions and standardise how internal and external users interact with the system. Procurement terms of reference for IRS have been developed in preparation for issuing of the tender and compilation of a project charter.

Protecting our natural and manufacturing capital

Our manufacturing capital enables us to provide a safe, healthy work environment. We prudently maintain our assets to operate safely, reliably and efficiently. In terms of the environment, we consumed natural resources efficiently to minimise over-exploitation that could damage the environment, and we monitored our operations' environmental impact constantly, reducing electricity and water consumption during the year under review.

Water and electricity usage



During the year under review, we implemented a real-time utility system to track electricity consumption through smart meters. This enables us to collect and analyse data and implement corrective actions to contribute towards energy efficiency. In addition, motion sensors were installed in identified office areas as part of an energy-saving initiative.

We continue to promote responsible water usage, monitor water consumption, and detect and repair leaks. The buildings have hydroboils that provide instant warm water, water coolers and sensor-activated restroom taps. As a result, the water consumption increased significantly in 2022/23 financial year.

Fuel consumption

Our operations consume non-renewable resources, and our emissions and waste have a negative impact on natural capitals. In light of Eskom's ongoing load shedding and disruptions in power supply during the 2022/23 period, 111 921 litres of fuel were utilised in the running of our back-up generator. In terms of paper usage, implementing the digital strategy to modernise our processes has reduced paper usage by 36%.

Environmental protection

We have undertaken various initiatives to protect against environmental overload in line with the objectives of the NDP and SDGs. Some meaningful activities implemented include shredding and recycling glass, plastic and paper. We have also put in place measures to ensure the safe disposal of batteries and light globes. Printer cartridges are recycled through the service provider.

Environmental compliance

Compliance with all environmental laws, regulations and standards is non-negotiable. In this regard, we continue to ensure that all generated waste is disposed of in a socially responsible and environmentally safe manner. Hazardous and non-hazardous waste is carefully handled to enable appropriate disposal, or recycling, where necessary.

Regarding the Occupational Health Service Act (OHSA) and Regulations, the FSCA must ensure and maintain a safe working environment for employees. The provision of a healthy workplace remains a focus area. We contracted the National Occupational Safety Association (NOSA) in 2019 to render OHS audits in terms of compliance and governance at the FSCA.

During 2022/23, we continued to put a specific focus on statutory appointments, committee compliance, ongoing inspections, training, and induction of all new employees. Additionally, we consistently issued quarterly OHS awareness communications to our employees to enhance compliance. Furthermore, we conducted two evacuation drills during the year under review to improve our emergency management capacity. This assisted employees to understand their responsibilities in an emergency.

During the year under review, improvements amounting to R4,2 million were made to our manufacturing capital. These include the acquisition of computer equipment, leasehold improvements and furniture. These improvements ensure that our manufacturing capital is optimally maintained by acquiring fit-for-purpose tools to assist us in executing our mandate.

Part E

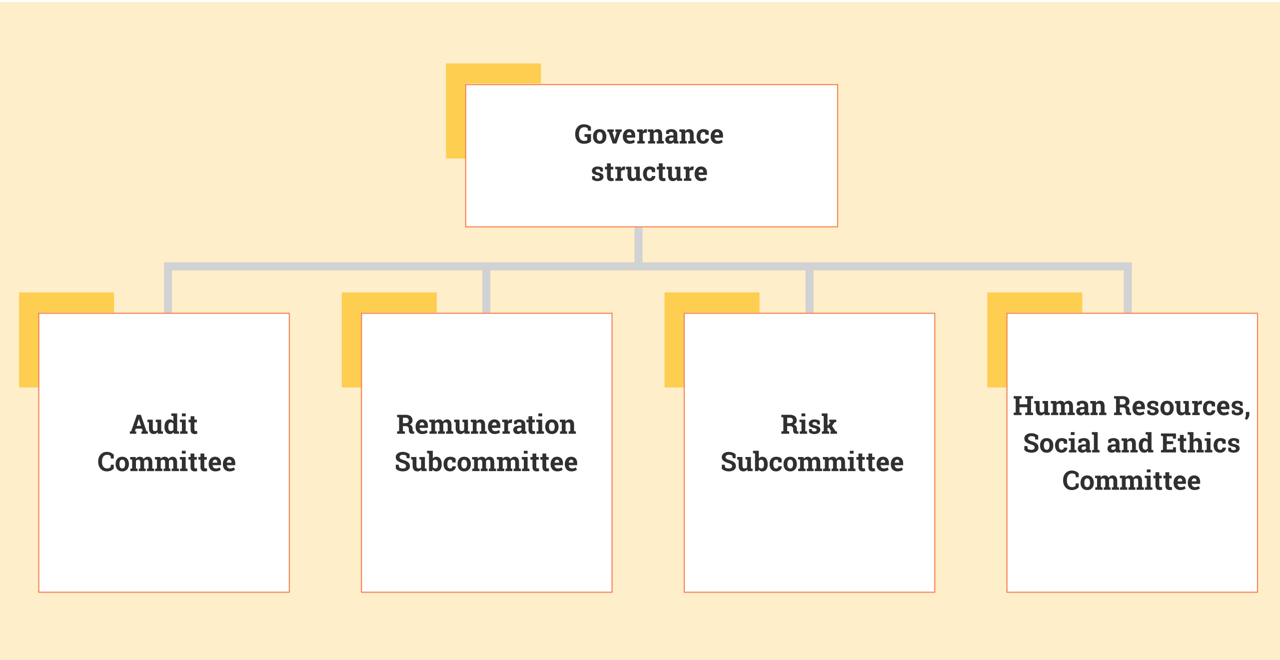
Value Creating **Governance**

Introduction

The FSR Act requires the Director-General of the National Treasury to establish oversight remuneration and risk subcommittees. In addition, one or more subcommittees may be established with functions determined by Exco.

We have established audit, remuneration, risk, human resources, social and ethics committees to review, monitor and advise on reports from management and make recommendations to Exco. These committees also monitor governance standards and assure stakeholders that our business operations are conducted ethically, within prudent risk parameters and in line with best practice.

Governance committees and key activities



Audit Committee

As prescribed by the PFMA, an independent Audit Committee is in place comprising five external members. The committee provides oversight over financial reporting, internal financial controls, internal and external audits, compliance with legislation and financial risk management.

Key activities of the Audit Committee during 2022/23 were as follows:

- Reviewed the effectiveness of the entity's internal financial control systems, including receiving assurance from management and internal and external audits.
- Evaluated the independence, effectiveness and performance of the finance department function and compliance with its mandate, including the internal and external auditors.
- Reviewed significant issues raised by the internal and external audit process, including how they were resolved.
- Reviewed the policies and procedures to ensure compliance with applicable laws and regulations.
- Reviewed and recommended the internal audit charter for approval by Exco.
- Evaluated the internal and external audit function's independence, effectiveness, performance, and compliance with its mandate.
- Reviewed and recommended the 2023–2024 Mid-Term Expenditure Framework, 2023-

2024 Budget and Materiality & Significance Framework.

- Reviewed and recommended the annual financial statements and annual performance report for the year ended 31 March 2023 for approval by Exco after 31 March 2023.
- Reviewed Bi-annual combined assurance reports.

Membership and attendance of the Audit Committee during 2022/23 was as follows:

The committee consists of independent members with relevant qualifications and experience in financial matters to fulfil their duties. The Commissioner, the chief financial, chief information and chief risk officers are permanent invitees to committee meetings, while the external and internal auditors attend by invitation. The internal and external auditors have unrestricted access to the committee. The committee met five times during the year.

Member	Qualifications	Appointment date	Total meetings	Attendance (%)
Mr Nico Estherhuizen – **Chairperson**	• MSc • MPhil • FCCA • ACA • CIA	13 September 2021	4/5	80%
Ms Jabu Mogadime	• BA • MBA • Dip Marketing (CIM)	1 April 2018	5/5	100%
Ms Precious Mvulane	• BCom (Honours) • CA(SA) • Diploma in Auditing	1 November 2020	5/5	100%
Ms Lebogang Senne	• BCom (Honours) • CA(SA) • Diploma in General Management • MBA	13 September 2021	5/5	100%
Mr Hamilton Ratshefola	• BCom (Information Systems) • IBM Executive Leadership	1 April 2018	4/5	80%

Mr Nico Estherhuizen
Chairperson of the Audit Committee

Remuneration Subcommittee

The Remuneration Subcommittee reviews, monitors and advises Exco on the FSCA remuneration policy. The committee has standard terms of reference, approved by the Director-General of the National Treasury, detailing its roles and responsibilities. These are reviewed annually in line with best practice. The Director-General appoints external and independent members of the FSCA. The committee met four times during the year under review.

Key activities of the Remuneration Subcommittee during 2022/23 were as follows:

- Reviewed and advised on the remuneration aspects and discretionary incentives.
- Reviewed and recommended staff promotions and structural adjustments to the Exco, which were ultimately approved.
- Reviewed and advised on the Remuneration policies and procedures.
- Considered salary increases and market trends surveys.
- Considered the retirement benefit report and performance report (year-end).
- Reviewed and recommended salary increases and performance bonuses to Exco for approval.
- Evaluated and recommended the budget provisions (salaries, bonus, incentives) to Exco.
- Approved the remuneration statement for the integrated report.
- Conducted committee evaluations.
- Reviewed the Committee's terms of reference.

Membership and attendance of the Remuneration Subcommittee during 2022/23 was as follows:

Member	Qualifications	Appointment date	Total meetings	Attendance (%)
Professor Philippus Sutherland - **Chairperson**	• BCom LLB (Cum Laude) • PhD	1 April 2018	4/4	100%
Ms Lerato Molebatsi	• BA in Psychology • Senior Executive Program • Post Graduate Diploma: Rural Development & Management and Senior Management Development Program	1 August 2020	3/4	75%
Ms Tracy Randall	• BCompt in Accounting & Auditing • Secretarial Diploma	1 August 2020	4/4	100%
Ms Vanisha Balgobind	• BAdmin • Honours in Industrial Psychology • Masters in Industrial Psychology • MBL	1 August 2020	3/4	75%
Ms Dudu Msomi	• BA (Honours) • Programme for Management Development • MBA • Postgraduate Diploma in Corporate Governance • Postgraduate Diploma in Advertising and Marketing	1 April 2018	3/4	75%

Professor Philippus Sutherland
Chairperson of the Remuneration Subcommittee

Risk Subcommittee

The Committee reviews, monitors and advises on the effectiveness of internal control to manage risks faced by the FSCA. The Director-General appoints members who are external and independent of the FSCA. The Committee has a standard term of reference, approved by the Director-General, detailing its roles and responsibilities. These are reviewed annually in line with best practices. The committee met four times during the year.

Key activities of the Risk Subcommittee during 2022/23 were as follows:

- Reviewed and advised on the risk management policies, framework, strategy and practices.
- Reviewed and advised opportunities or risks impacting our ability to achieve the organisational objectives and functions.
- Reviewed the design, implementation and monitoring of appropriate risk responses, including strategic risk reports, emerging risks, ICT security risk updates, litigation risks, compliance risk updates, the regulatory universe, whistleblowing reports, loss events, and insurance claims.
- Reviewed the business continuity framework.
- Reviewed the risk integration and embedding of risk management in business activities.
- Reviewed the management report about sustainability, litigation, ICT, licensing and retirement funds risks.
- Reviewed and recommended insurance policies of the organisation for approval by Exco.
- Reviewed and advised on the insurance portfolio renewal and how to address insufficient cover options.

The members of the Risk Subcommittee, together with their qualifications and attendance record, are listed below.

Member	Qualifications	Appointment date	Total meetings	Attendance (%)
Mr Hamilton Ratshefola – **Chairperson**	• Bcom • IBM • Executive Leadership	1 April 2018	4/4	100%
Adv Stephen Malatji	• BA • LLB • Advanced Diploma in Banking, Financial Management and Investments • Postgraduate Diploma in Drafting and Interpretation	1 August 2020	4/4	100%
Mr Peter Koch	• MSc in Industrial Relations and Human Resources Management • BA in Philosophy, Politics and Economics • Postgraduate Diploma in Accounting • BCom (Honours) • B BusSci (Honours) • CA	1 August 2020	4/4	100%
Professor Tania Ajam	• PhD in Public Management • MA • BA (Honours) Economics • M Bus • B BusSc	1 August 2020 (Appointed as a Chairperson effective 1 July 2023)	3/4	75%

Member	Qualifications	Appointment date	Total meetings	Attendance (%)
Mr Nico Estherhuizen	• MSc • MPhil • FCCA • ACA • CIA	13 September 2021	4/4	100%

Professor Tania Ajam
Chairperson of the Risk Subcommittee

Human Resources, Social and Ethics Committee

The Committee advises, oversees and monitors our activities concerning social and economic development, ethics, transformation, sustainability, corporate citizenship, environment, health, public safety, stakeholder relationship, labour and employment matters. The committee met four times during the year under review.

Key activities of the Human Resources, Social and Ethics Committee during 2022/23 were as follows:

- Reviewed the human resources and social and ethics quarterly reports.
- Reviewed succession planning policy.
- Monitored employee wellness programs.
- Closely monitored key appointments.
- Reviewed and advised on the changes to labour legislation.
- Reviewed and approved the employment equity annual report (Department of Labour submission).
- Reviewed and advised on the HR Policies and Procedures.
- Advised on the implementation of the whistleblowing report.
- Reviewed and advised on the fraud and corruption prevention plan.
- Reviewed and advised on the occupational health and safety policy.

The members of the Human Resources, Social & Ethics Committee, together with their qualifications and attendance record, are listed below.

Member	Qualifications	Appointment date	Total Meetings	Attendance (%)
Ms Dudu Msomi – Chairperson	• BA (Honours) • Programme for Management Development • MBA • Postgraduate Diploma in Corporate Governance • Postgraduate Diploma in Advertising and Marketing	1 April 2018	4/4	100%
Ms Jabu Mogadime	• BA • MBA • Dip Marketing (Cim)	1 August 2020	4/4	100%
Dr Phasoane Mokgobu	• PhD • MBA • M Admin • B Admin • BAdmin (Honours) • Diploma in Labour	1 August 2021	4/4	100%

Member	Qualifications	Appointment date	Total Meetings	Attendance (%)
Mr Hamilton Ratshefola	• BCom (Information Systems) • IBM Executive Leadership	1 April 2018	4/4	100%
Professor Philippus Sutherland	• BCom LLB (Cum Laude) • PhD	1 April 2018	4/4	100%

Ms Dudu Msomi
Chairperson of the Human Resources, Social and Ethics Committee

Induction of governance committee members

A comprehensive induction programme is conducted to ensure that new governance committee members have the required knowledge of the structure of the FSCA, operations, policies and industry-related issues to enable them to fulfil their fiduciary duties and responsibilities. We conducted the induction programme for the two new committee members appointed during the 2022/23 financial year.

Conflict of interest

All governance committee members are required by legislation to disclosed any actual, potential or perceived conflict of interest to the governance structures on which they serve, during the year, and as and when their respective interests change. The Secretariat function actively manages the committee declarations at the start of each financial year, and keep a register of any updates reported by members.

Ethical and effective leadership

The governance of ethics is the responsibility of the Exco, supported by the Human Resources, Social and Ethics Committee and documented in the Code of Conduct and Ethics. This code sets out the standard of conduct expected of all employees, in relation to the employer, fellow employees and service providers. The Code of Conduct is supported by the Whistleblowing, and the Fraud and Corruption Prevention policies. All employees are required to abide by these policies and this is communicated during employee induction and periodic employee engagement sessions.

During the year under review, we appointed a service provider to conduct an ethics survey and facilitate ethics coffee sessions for selected employees. No material issues were raised, however, we noted recommendations on how the entity can further strengthen its ethical culture. These recommendations are in the process of being implemented.

Who leads us – Executive Committee

UNATHI KAMLANA
Commissioner
Academic qualifications:
- MCom in Taxation, Rhodes University
- MSc in Economic Policy, University of London
- Postgraduate diploma in taxation law (HdipTax), University of Witwatersrand
- BCom, Rhodes University

ASTRID LUDIN
Deputy Commissioner
Academic qualifications:
- MA in International Affairs, Columbia University, New York, USA,
- BA Honours in Politics, Philosophy, Economics, York University, York, UK

FARZANA BADAT
Deputy Commissioner
Academic qualifications:
- LLB (Summa Cum Laude), University of KwaZulu-Natal
- LLM Coursework (Constitutional and Human Rights Litigation, Internet and E-commerce Law, Bioethics), University of KwaZulu-Natal
- LLM International Law, University of Michigan Law School, Ann Arbor, USA

KATHERINE GIBSON
Deputy Commissioner
Academic qualifications:
- MCom (Cum Laude), University of Natal
- BCom Honours in Economics (Cum Laude) University of KwaZulu-Natal
- BCom, University of Natal

Strategic Management Committee

FELICITY MABASO
Divisional Executive: Licensing And Business Centre
Academic qualifications
- BCom, University of Limpopo
- New Managers Programme, Wits Business School
- Executive Leadership Programme, Wits Business School
- Executive Leadership Programme, London Business School

GERHARD VAN DEVENTER
Divisional Executive: Enforcement
Academic qualifications
- BA, University of Stellenbosch
- LLB, University of Stellenbosch
- Executive Leadership Programme, University of Witwatersrand
- ACFE

JABULANE HLALETHOA
Divisional Executive: Corporate Services
Academic qualifications
- BA Honours, University of Johannesburg
- MCom in Business Management, University of Johannesburg,
- PGDip (Public Policy & Development Management), University of Witwatersrand
- PGDip (Labour Law - Cum Laude) University of Johannesburg
- Global Executive Development Programme, Gordon Institute of Business Science

KEDIBONE DIKOKWE
Divisional Executive: Conduct of Business Supervision
Academic qualifications
- BCom, North West University
- New Managers' Programme, Wits Business School
- Global Executive Development Programme – Alchemy by Deloitte

OLANO MAKHUBELA

Divisional Executive: Retirement Fund Supervision

Academic qualifications

- BCom, University of KwaZulu-Natal
- LLB, University of Witwatersrand
- BCom Hons (Cum laude) University of South Africa,
- MSc in Development Economics, University of London

PAUL KEKANA

Chief Financial Officer

Academic qualifications

- ACMA-CGMA
- BCom, University of South Africa
- MBL, University of South Africa-SBL

PHOKENG MOGASE

Chief Information Officer

Academic qualifications

- BCom in Financial Accounting and Information Systems, North-West University
- Management Development Programme, GIBS Business School
- Executive Development Programme: Alchemy by Delloite
- Certified: ITIL-MP, COBIT, Arbinger Change Management Facilitator

REMUNERATION REVIEW

We are committed to a reward philosophy that focuses on rewarding consistent and sustainable individual, team and organisational performance linked to delivery on our mandate. The philosophy aims to ensure that we create the appropriate environment that attracts and retains employees of the right calibre with appropriate skills and motivates them to perform in alignment with strategic objectives.

Reward framework

To incentivise a culture of high productivity, we have implemented a short-term (STI) incentive plan, which is based on value created for stakeholders and linked to the budgeted bonus on an annual basis.

The current STI plan is performance based and linked to the budgeted bonus on an annual basis. Funding for the incentive scheme is based on a budgeted percentage of the annual cost-to-employer payroll. Short-term incentives of general staff are subject to Strategic Management Committee (SMC) and Exco approval each year, based on economic circumstances and the performance of the organisation.

Performance targets are set annually and approved by Exco. SMC members' individual performance targets are linked to organisational targets and cascaded to divisional, departmental, and individual performance goals in their respective divisions. The SMC incentive scheme is separate from the staff incentive scheme and the total pay-out is linked to individual performance scores.

Reward element	Strategic Intent	Measurement
Guaranteed pay • Competitive and market related	Talent attraction and retention.	Benchmark studies. • 46 employees were granted salary adjustments for retention purposes during the period under review. • 51 employees were promoted during the year under review in line with our talent management strategy.
Benefits • Medical aid • Leave • Retirement fund • Risk benefits • Study assistance	Provision of a competitive value proposition	Aligned with needs of employees
Short term incentive • Performance incentive	Provide the monetary motivation to employees	• 96.6% (566 out of 586) of employees were awarded short-term incentives in July 2022 based on performance

- ***Guaranteed pay:*** This is pay for the job role, skills and experience requirements. This pay comprises a cash component and other mandatory benefits for permanent staff as detailed below.

- ***Retirement benefit:*** We are a defined contribution provident fund. All employees are required to become a member of our pension fund and are subject to the rules of the fund. The normal retirement age for employees is 63 years.

- ***Insured benefit:*** We provide risk benefits such as funeral and disability benefits.

- ***Medical aid:*** All employees are required to belong to our approved medical aid fund unless they are members of a medical aid of which the spouse or partner is a principal member. We conduct annual medical aid scheme reviews to determine whether the approved medical aids still adequately address the needs of our employees. As a value-added service, we have appointed Alexandra Forbes to assist in performing annual reviews.

- ***Short-term incentive:*** the STI is used in facilitating the achievement of work-related goals and reviewing performance to motivate employees to achieve their full potential in line with our overall strategic objectives. The STI will be earned as a result of performance against set objectives and budget availability. Variable pay will not be automatic and will be subject to overall organisational performance and prevailing market conditions as well as Exco and Remuneration Sub committee approval.

Annual salary increases and adjusments

Our annual review process takes place in January of each year. Exco proposes to the relevant sub-committee a percentage increase in guaranteed pay to be made available for the increase process. In addition, salary adjustments are granted to deserving and performing staff members once a year in July for retention purposes.

After implementing the pay progressions and the annual increases that became effective 1 January 2023, 436 (72.2%) employees were remunerated within range, and 166 (27.5%) employees were remunerated above +25% of the market median. 2 (0.3%) employees were remunerated below -25% of the market median.

Benchmarking

We adapt our rewards strategies on a continuous basis through benchmarking against industry best practices to ensure relevance and competitiveness as it drives employee retention and drive new employee behaviours outlined in its regulatory strategy. The benchmarking exercise assists in identifying any gaps that could impair our ability to attract and retain competent employees.

Actuarial Staff

As part of our retention strategy, we have a policy to encourage the growth and development of actuarial students. The strategy is aligned to industry practices i.e., when students pass their examinations, they receive an incentive either as a salary structural adjustment or a once-off bonus payment. Bonuses differ based on the level of the examination. The incentive is applied twice a year and is linked to the actuarial study discipline.

Part F

Annual Financial **Statements**

Annual Financial Statements
for the year ended 31 March 2023

The reports and statements set out below comprise the annual financial statements presented to the Parliament of the Republic of South Africa:

Report by the Accounting Authority

The annual financial statements have been prepared in accordance with South African Statements of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The Accounting Authority acknowledges its responsibility for the preparation and integrity of the annual financial statements and related information included in the integrated report. In order for the Accounting Authority to discharge these responsibilities, as well as those bestowed on it in terms of the Public Finance Management Act 1 of 1999 (PFMA) and other applicable legislation, it has developed and maintains a system of internal control.

Internal controls include a risk-based system of internal accounting and administrative controls designed to provide reasonable, but not absolute assurance that assets are safeguarded and that transactions are executed and recorded in accordance with GRAP, as well as policies and procedures established by the Accounting Authority and independent oversight by the Audit and Risk Management Committees.

The FSCA is well placed to manage future funding requirements pertaining to its regulatory activities and has sufficient resources to continue its business for the foreseeable future. The Accounting Authority therefore concludes that using the going concern basis is appropriate in preparing its financial statements as there are no material uncertainties related to events or conditions that may cast significant doubt about the FSCA's ability to continue as a going concern.

The annual financial statements for the year ended 31 March 2023, as set out on pages 95 to 141, were approved by the Accounting Authority on 27 July 2023 and were signed on its behalf by:

Unathi Kamlana
Commissioner

Report of the Auditor-General to the Parliament on the Financial Sector Conduct Authority

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

1. I have audited the financial statements of the Financial Sector Conduct Authority (FSCA) set out on pages 95 to 141, 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 FSCA 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 Public Finance Management Act 1 of 1999 (PFMA).

BASIS FOR OPINION

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the 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 (including International Independence Standards) (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.

5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other matter

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

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

7. 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 35 to the financial statements. The movements in respect of irregular expenditure and fruitless and wasteful expenditure are no longer to be disclosed in the notes to the annual financial statements of Financial Sector Conduct Authority. The disclosure of these movements (e.g. condoned, recoverable, removed, written off, under assessment, under determination and under investigation) is now required to be included as part of other information in the annual report of the auditees. I do not express an opinion on the disclosure of irregular and fruitless and wasteful expenditure in the annual report.

Responsibilities of the accounting authority for the financial statements

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

9. 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 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

10. 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.

11. 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

12. 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 selected objectives presented in the annual performance report. The accounting authority is responsible for the preparation of the annual performance report.

13. I selected the following objectives presented in the annual performance report for the year ended 31 March 2023 for auditing. I selected objectives that measure the public entity's performance on its primary mandated functions and that are of significant national, community or public interest.

Objective	Page numbers	Purpose
Improve industry practices to achieve fair outcomes for financial customers.	152	To ensure that financial institutions suitably prioritise the needs of their customers and high standards of conduct
Empower households and small businesses to be financially resilient.	165	To promote the financial wellbeing of households and small businesses

14. I evaluated the reported performance information for the selected objectives 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.

15. 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.

16. I performed the procedures for the purpose of reporting material findings only; and not to express an assurance opinion.

17. I did not identify any material findings on the reported performance information for the selected objectives.

Other matters

18. I draw attention to the matters below.

Achievement of planned targets

19. The annual performance report includes information on reported achievements against planned targets and provides explanations for over- and under achievements.

Material misstatements

20. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information of the strategic objective: Improve industry practices to achieve fair outcomes for financial customers and strategic objective: Empower households and small businesses to be financially resilient. Management subsequently corrected all the misstatements and I did not include any material findings in this report.

REPORT ON COMPLIANCE WITH LEGISLATION

21. 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.

22. 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.

23. 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.

24. I did not identify any material non-compliance with the selected legislative requirements.

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 objectives 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 objectives presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

28. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

INTERNAL CONTROL DEFICIENCIES

29. 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.

30. I did not identify any significant deficiencies in internal control.

Auditor-General

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 objectives 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 the 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.

Compliance with legislation - selected legislative requirements

The selected legislative requirements are as follows:

Legislative	Section of regulations
Public Finance Management Act No.1 of 1999 (PFMA)	Treasury Regulation 8.2.1; 8.2.2 Treasury Regulation 16A 3.1; 16A 3.2; 16A 3.2(a); 16A 6.1; 16A6.2(a) & (b); 16A6.2(e);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; TR 16A.7 .1; 16A.7.3; 16A.7.6; 16A.7.7; 16A 8.2(1); 16A 8.2(2); 16A 8.3; 16A 8.3(d); 16A 8.4; 16A9.1 16A9; 16A9.1(b)(ii); 16A9.1(c); 16A 9.1(d); 16A9.1(e); 16A9.1(f); 16A 9.2; 16A 9.2(a)(ii); TR 16A 9.2(a)(iii) Treasury Regulation 30.1 .1; 30.1.3(a); 30.1.3(b); 30.1.3(d); 30.2.1 Treasury Regulation 31.1.2(c') Treasury Regulation 31.2.1; 31.2.5; 31.2.7(a) Treasury Regulation 31.3.3 Treasury Regulation 32.1.1(a); 32.1.1(b); 32.1.1(c') Treasury Regulation 33.1.1; 33.1.3
Treasury Regulations for departments, trading entities, constitutional institutions and public entities (TR)	Treasury Regulation 8.2.1; 8.2.2 Treasury Regulation 16A 3.1; 16A 3.2; 16A 3.2(a); 16A 6.1; 16A6.2(a) & (b); 16A6.2(e);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; TR 16A.7.1; 16A.7.3; 16A.7.6; 16A.7.7; 16A 8.2(1); 16A 8.2(2); 16A 8.3; 16A 8.3(d); 16A 8.4; 16A9.1 16A9; 16A9.1(b)(ii) ; 16A9.1(c); 16A 9.1(d}; 16A 9.1(e); 16A9.1(f); 16A 9.2; 16A 9.2(a)(ii); TR 16A 9.2(a)(iii) Treasury Regulation 30.1.1;30.1.3(a);30.1.3(b); 30.1.3(d);30.2.1 Treasury Regulation 31.1.2(c') Treasury Regulation 31.2.1; Treasury Regulation 31.3.3 Treasury Regulation 33.1.1; 33.1.3
Prevention and Combating of Corrupt Activities Act No.12 of 2004 (PRECCA)	Section 34(1)
Construction Industry Development Board Act No.38 of 2000 (CIDB}	Section 18(1)
Construction Industry Development Board Act No.38 of 2000 (CIDB) Regulations	CIDB regulation 17; 25(1); 25 (5) & 25(7A)
Preferential Procurement Policy Framework Policy Act (PPPFA), 2000	Section 1(i); 2.1(a); 2.1(b); 2.1(f)
Preferential Procurement Regulation (PPR) 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; 6.8 Paragraph 7.1; 7.2; 7.3; 7.5;7.6; 7.8 Paragraph 8.2; 8.5

Legislative	Section of regulations
	Paragraph 9.1; 9.2 Paragraph 10.1; 10.2 Paragraph 11.1; 11.2 Paragraph 12.1 and 12.2
Preferential Procurement Regulation (PPR) 2022	Paragraph 3.1 Paragraph 4.1; 4.2; 4.3; 4.4 Paragraph 5.1; 5.2; 5.3; 5.4
Public Finance Management Act No.1 of 1999 (PFMA) Supply Chain Management (SCM) Instruction no. 09 of 2022/2023	Paragraph 3.1; 3.3 (b); 3.3 (c); 3.3 (e); 3.6
National Treasury Instruction (NTI) No.1 of 2015/16	Paragraph 3.1; 4.1; 4.2
National Treasury Supply Chain Management (NT SCM) Instruction Note 03 2021/22	Paragraph 4.1; 4.2 (b); 4.3; 4.4; 4.4 (a); 4.4 (c) -(d); 4.6 Paragraph 5.4 Paragraph 7.2; 7.6
National Treasury Instruction (NTI) No.1 of 2015/16	Paragraph 3.1; 4.1; 4.2
National Treasury Supply Chain Management (NT SCM) Instruction Note 03 2021/22	Paragraph 4.1; 4.2 (b); 4.3; 4.4; 4.4 (a); 4.4 (c) -(d); 4.6 Paragraph 5.4 Paragraph 7.2; 7.6
National Treasury Supply Chain Management (NT SCM) Instruction 4A of 2016/17	Paragraph 6
National Treasury Supply Chain Management (NT SCM) Instruction Note 03 2019/20	Par 5.5.1(vi); Paragraph 5.5.1(x);
National Treasury Supply Chain Management (NT SCM) Instruction Note 11 2020/21	Paragraph 3.1; 3.4 (a) and (b); 3.9; 6.1;6.2;6.7
National Treasury Supply Chain Management (NT SCM) Instruction Note 2 of 2021/22	Paragraph 3.2.1; 3.2.2; 3.2.4(a) and (b); 3.3.1; 3.2.2 Paragraph 4.1
Public Finance Management Act No.1 of 1999 (PFMA) SCM Instruction Note 04 of 2022/23	Paragraph 4(1); 4(2); 4(4)
Practice Note 5 of 2009/10	Paragraph 3.3
Public Finance Management Act No.1 of 1999 (PFMA) Supply Chaim Management (SCM) Instruction Note 08 of 2022/23	Paragraph 3.2 Par. 4.3.2; 4.3.3
Competition Act No.89 of 1998	Section 4(1)(b)(ii)
National Treasury (NT) instruction note 4 of 2015/16	Paragraph 3.4
Second amendment of National Treasury Instruction (NTI) 05 of 2020/21	Paragraph 4.8; 4.9 ; 5.1 ; 5.3
Erratum National Treasury Instruction (NTI) note 5 of 202/21	Paragraph 1
Erratum National Treasury Instruction (NTI) note 5 of 202/21	Paragraph 2
Practice note 7 of 2009/10	Par paragraph 4.1.2
Practice note 11 of 2008/9	Paragraph 3.1 Paragraph 3.1 (b)
National Treasury (NT) instruction note 1 of 2021/22	Paragraph 4.1

Statement of Financial Position
as at 31 March 2023

Amounts in Rand	Note(s)	2023	2022
Assets			
Current Assets			
Cash and cash equivalents	3	566,283,996	559,393,316
Receivables from exchange transactions	4	12,565,532	10,387,933
Statutory receivables from exchange transactions	5	11,506,826	15,180,687
Statutory receivables from non-exchange transactions	6	88,074,335	60,776,743
Prepayments	7	5,727,726	7,932,436
Financial assets at fair value	10	-	2,100,133
		684,158,415	**655,771,248**
Non-Current Assets			
Property, plant and equipment	8	24,029,223	31,445,742
Intangible assets	9	25,284,027	18,283,351
Financial assets at fair value	10	90,186,432	89,342,404
		139,499,682	**139,071,497**
Total Assets		**823,658,097**	**794,842,745**
Liabilities			
Current Liabilities			
Operating lease liability		7,929,964	-
Payables from exchange transactions	11	72,744,969	55,111,494
Payables from non-exchange transactions	12	91,578,097	94,571,838
Levies and fees received in advance	13	54,041,537	51,654,242
Provisions	14	45,635,206	21,671,906
		271,929,773	**223,009,480**
Non-Current Liabilities			
Provisions	14	5,290,907	4,786,348
Operating lease liability		-	19,166,981
Employee benefit obligation	16&17	63,569,232	57,176,969
		68,860,139	**81,130,298**
Total Liabilities		**340,789,912**	**304,139,778**
Net Assets		**482,868,185**	**490,702,967**
Accumulated Reserves			
Contingency reserve	18	95,787,000	90,641,636
Discretionary reserve	19	57,729,426	45,144,375
Accumulated surplus		329,351,759	354,916,956
Total Net Assets		**482,868,185**	**490,702,967**

Statement of Financial Performance
for the year ended 31 March 2023

Amounts in Rand	Note(s)	2023	2022
Revenue			
Revenue from exchange transactions	23	82,951,483	64,621,390
Revenue from non-exchange transactions	24	955,766,603	884,691,019
		1,038,718,086	**949,312,409**
Operating expenses			
Advisory and other committee fees		(958,077)	(1,283,355)
Contribution towards funding of the Office of the Ombud for FSPs	25	(60,884,242)	(57,755,000)
Contribution towards funding of the Office of the PFA	25	(82,729,529)	(79,302,000)
Depreciation and amortisation	8&9	(17,435,006)	(21,061,228)
Executive management remuneration	25	(49,191,807)	(43,132,118)
External audit fees	26	(3,639,760)	(3,833,434)
Finance costs	15	-	(129)
Internal audit fees		(1,130,145)	(1,011,385)
Legal fees		(15,697,795)	(14,021,592)
Governance committee fees	25	(1,459,396)	(1,447,091)
Operating lease rentals - buildings		(78,922,236)	(78,921,969)
Other operating expenses	27	(111,048,160)	(73,340,116)
Professional and consulting fees		(19,732,708)	(23,331,619)
Impairment loss	28	(10,450,060)	(10,979,866)
Tribunal expenses	25	(15,731,199)	(11,480,208)
Salaries, staff benefits, training and other staff expenses		(573,462,239)	(532,043,719)
		(1,042,472,359)	**(952,944,829)**
Operating deficit		**(3,754,273)**	**(3,632,420)**
Fair value adjustments of financial assets at fair value	10	2,474,442	4,979,314
Post-retirement medical aid fund obligation increase	16	(6,392,263)	(5,516,843)
Loss on disposal of assets		(162,688)	(824,947)
		(4,080,509)	**(1,362,476)**
Deficit for the year		**(7,834,782)**	**(4,994,896)**

Statement of Changes in Net Assets
for the year ended 31 March 2023

Amounts in Rand	Discretionary reserve	Contingency reserve	Total reserves	Accumulated surplus / deficit	Total net assets
Balance at 1 April 2021	**47,928,431**	**86,635,782**	**134,564,213**	**361,133,651**	**495,697,864**
Changes in net assets					
Deficit for the year	-	-	-	(4,994,897)	(4,994,897)
Transfer from accumulated surplus to contingency reserve	-	4,005,854	4,005,854	(4,005,854)	-
Transfer from discretionary reserve to accumulated surplus	(2,784,056)	-	(2,784,056)	2,784,056	-
Total changes	(2,784,056)	4,005,854	1,221,798	(6,216,695)	(4,994,897)
Balance at 31 March 2022	**45,144,375**	**90,641,636**	**135,786,011**	**354,916,956**	**490,702,967**
Changes in net assets					
Deficit for the year	-	-	-	(7,834,782)	(7,834,782)
Transfer from accumulated surplus to contingency reserve	-	5,145,364	5,145,364	(5,145,364)	-
Transfer from accumulated surplus to discretionary reserve	12,585,051	-	12,585,051	(12,585,051)	-
Total changes	12,585,051	5,145,364	17,730,415	(25,565,197)	(7,834,782)
Balance at 31 March 2023	**57,729,426**	**95,787,000**	**153,516,426**	**329,351,759**	**482,868,185**
Note(s)	19	18			

Cash Flow Statement
for the year ended 31 March 2023

Amounts in Rand	Note(s)	2023	2022
Cash flows from operating activities			
Receipts			
Cash receipts from industry		963,578,170	950,529,729
Interest income		38,796,855	24,838,170
Dividends		2,296,380	1,693,564
		1,004,671,405	**977,061,463**
Payments			
Employee costs		(594,549,367)	(574,647,324)
Suppliers		(209,445,064)	(191,389,877)
Other payments		(180,334,991)	(242,029,066)
		(984,329,422)	**(1,008,066,267)**
Net cash flows from operating activities	29	**20,341,983**	**(31,004,804)**
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(8,023,202)	(4,212,704)
Purchase of intangible assets	9	(9,158,648)	(6,047,640)
Purchase of financial assets		(3,421,687)	(2,716,790)
Proceeds from sale of financial assets		7,152,234	2,732,100
Net cash flows from investing activities		**(13,451,303)**	**(10,245,034)**
Cash flows from financing activities			
Finance lease payments		-	(2,200)
Finance costs		-	(129)
Net cash flows from financing activities		**-**	**(2,329)**
Net increase/(decrease) in cash and cash equivalents		**6,890,680**	**(41,252,167)**
Cash and cash equivalents at the beginning of the year		559,393,316	600,645,483
Cash and cash equivalents at the end of the year	3	**566,283,996**	**559,393,316**

Statement of Comparison of Budget and Actual Amounts
for the year ended 31 March 2023

Budget on Accrual Basis

Amounts in Rand	Approved budget	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance					
Revenue					
Revenue from exchange transactions					
Revenue from exchange transaction	65,565,000	**65,565,000**	82,951,483	**17,386,483**	38
Revenue from non-exchange transactions					
Transfer revenue					
Revenue from non-exchange transaction	965,496,771	**965,496,771**	955,766,603	**(9,730,168)**	38
Total revenue	**1,031,061,771**	**1,031,061,771**	**1,038,718,086**	**7,656,315**	
Expenditure					
Advisory and other committee fees	(1,467,264)	**(1,467,264)**	(958,077)	**509,187**	38
Contribution towards funding of the Office of the Ombud for FSPs	(60,884,242)	**(60,884,242)**	(60,884,242)	**-**	
Contribution towards funding of the Office of the PFA	(82,729,529)	**(82,729,529)**	(82,729,529)	**-**	
Depreciation and amortisation	(28,926,563)	**(28,926,563)**	(17,435,006)	**11,491,557**	38
Executive management remuneration	(49,716,124)	**(49,716,124)**	(49,191,807)	**524,317**	
External audit fees	(4,262,350)	**(4,262,350)**	(3,639,760)	**622,590**	
Internal audit fees	(1,026,672)	**(1,026,672)**	(1,130,145)	**(103,473)**	
Legal fees	(14,668,000)	**(14,668,000)**	(15,697,795)	**(1,029,795)**	38
Governance committee fees	(1,973,184)	**(1,973,184)**	(1,459,396)	**513,788**	38
Operating lease rental - buildings	(86,577,186)	**(86,577,186)**	(78,922,236)	**7,654,950**	

Statement of Comparison of Budget and Actual Amounts
for the year ended 31 March 2023 (continued)

Amounts in Rand	Approved budget	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Other operating expenses	(117,433,151)	**(117,433,151)**	(111,048,160)	**6,384,991**	38
Professional and consulting fees	(30,083,585)	**(30,083,585)**	(19,732,708)	**10,350,877**	38
Impairment loss	-	**-**	(10,450,060)	**(10,450,060)**	38
Tribunal expenses	-	**-**	(15,731,199)	**(15,731,199)**	38
Salaries, staff benefits, training and other staff expenses	(569,747,169)	**(569,747,169)**	(573,462,239)	**(3,715,070)**	
Total expenditure	**(1,049,495,019)**	**(1,049,495,019)**	**(1,042,472,359)**	**7,022,660**	
Operating deficit	**(18,433,248)**	**(18,433,248)**	**(3,754,273)**	**14,678,975**	
Loss on disposal of assets	-	**-**	(162,688)	**(162,688)**	
Fair value adjustments of financial assets at fair value	-	**-**	2,474,442	**2,474,442**	38
Post-retirement medical aid fund obligation (increase)/ decrease	-	**-**	(6,392,263)	**(6,392,263)**	38
	-	**-**	**(4,080,509)**	**(4,080,509)**	
Deficit for the year	**(18,433,248)**	**(18,433,248)**	**(7,834,782)**	**10,598,466**	

Summary of Significant Accounting Policies
Annual Financial Statements as at 31 March 2023

1. Basis of preparation of annual financial statements

Reporting entity

The Financial Sector Conduct Authority (FSCA) is a National Public Entity, as specified in Schedule 3A of the Public Finance Management Act (PFMA) 1999 (Act No. 1 of 1999), (as amended by Act No.29 of 1999). The FSCA is mandated by the South African government to enhance and support the efficiency and integrity of financial markets, protect financial customers and assist in maintaining financial stability in South Africa.

Basis of accounting

The principal accounting policies applied in the preparation and presentation of these financial statements are set out below. These policies were consistently applied to the years presented, unless otherwise stated.

The FSCA's financial statements are prepared in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP), as set out in the Accounting Standards Board (ASB) Directive 5 (Determining the GRAP Reporting Framework) and the PFMA (as amended by Act No 29 of 1999). The financial statements are presented in South African Rand.

The financial statements are prepared in concurrence with the going-concern principle and on an accrual basis in line with the measurement base applied, being the historical cost unless stated otherwise.

In applying accounting policies, management is required to make various judgements, apart from those involving estimations, which may affect the amounts of items recognised in the financial statements. Management is also required to make estimates of the effects of uncertain future events that could affect the carrying amounts of certain assets and liabilities at the reporting date. Actual results in the future could differ from estimates that may be material to the financial statements. Details of any significant judgements and estimates are explained in the relevant policy, where the impact on the financial statements may be material.

The principal accounting policies applied in the preparation of these annual financial statements are set out below.

1.1 Significant accounting judgements and estimates

The preparation of financial statements in conformity with GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the FSCA's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements, are disclosed below.

1.1 Significant accounting judgements and estimates (continued)

Significant accounting estimates and assumptions

Provisions

Provisions are raised based on management's determined estimate using the information available. The accounting policy for provisions is disclosed under note 1.12 and additional disclosure of these estimates of provisions are included in note 14.

Depreciation and amortisation

During each financial year, management reviews property, plant and equipment and intangible assets to assess whether the useful lives and residual values applicable to each asset are appropriate.

At the end of each financial year management assesses whether there is any indication that the FSCA's expectations about the residual value and the useful life of assets included in property, plant and equipment have changed since the preceding reporting date.

Impairment of receivables

Management conducts annual tests to determine whether receivables have suffered any impairment (refer to note 1.4 and note 1.5).

Post employment benefits

The cost of certain guaranteed minimum benefits in terms of defined benefit plans and other post-employment medical benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

1.2 Property, plant and equipment

Property, plant and equipment comprises of leasehold improvements, computer equipment, furniture, fittings and equipment, as well as motor vehicles.

The cost of an item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits or service potential associated with the item will flow to the entity and the cost of the item can be measured reliably.

1.2 Property, plant and equipment (continued)

At initial recognition an item of property, plant and equipment is measured at cost. An asset acquired through a non- exchange transaction is recognised at its fair value at date of acquisition. Subsequently all items of property, plant and equipment are measured at cost less accumulated depreciation and any impairment losses. Depreciation commences when the item of property, plant and equipment is available for use. Property, plant and equipment items are tested for impairment when there is an indicator that the asset or assets should be impaired, refer to note 1.9.

Leasehold improvements and finance leased assets are written off over the expected period of the relevant lease agreements. All other items of property, plant and equipment are depreciated on a straight-line basis at rates that will reduce their carrying value to estimated residual value over their estimated useful lives.

The annual depreciation rates are based on the following average useful lives:

Item	Depreciation method	Average useful life
Leasehold improvements and finance leased assets	Straight-line	Expected period of relevant lease
Furniture, fittings, equipment and paintings	Straight-line	5 - 50 years
Motor vehicles	Straight-line	13 years
Computer equipment	Straight-line	3 - 20 years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimate, the change is accounted for as a change in accounting estimate. For further details refer to note 34. Items of property, plant and equipment are also tested for impairment annually when there is an indicator that the asset or assets should be impaired.

The depreciation charge for each period is recognised in surplus or deficit.

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

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

Maintenance and repairs, which neither materially add to the value of assets nor prolong their useful lives, are charged against the statement of financial performance. The entity separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 8).

1.3 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance.

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; and
- the cost or fair value of the asset can be measured reliably.

At initial recognition intangible assets are measured at cost. An intangible asset acquired through a non-exchange transaction is recognised at its fair value at date of acquisition. Subsequently all intangible assets are measured at cost less accumulated amortisation and any impairment losses. Amortisation commences when the intangible asset is available for use.

Intangible assets are tested for impairment annually when there is an indicator that the asset or assets should be impaired. Intangible assets under development and/or not available for use are tested for impairment at reporting date, refer to note 1.9.

Expenditure on research is recognised as an expense when it is incurred. Internally generated brands, publishing titles,
customer lists, and items similar in substance are not recognised as intangible assets.

The amortisation period, amortisation method and residual values for intangible assets are reviewed at each reporting date. Amortisation is provided to write down the intangible asset on a straight-line basis, to their residual values as follows:

Item	Depreciation method	Average useful life
Computer software	Straight-line	3 - 27 years

Intangible assets are derecognised when the asset is disposed off or when there are no further economic benefits or service potential expected from the use of the asset. Gains and losses arising from the derecognition of intangible assets are determined by comparing the proceeds, if any, with the carrying amount and are recognised in surplus or deficit when the asset is derecognised.

1.4 Financial instruments

Financial instruments are classified in the following categories:

Financial assets at fair value - Investments

Investments are initially recognised and subsequently measured at fair value. Interest on government bonds is calculated using the coupon rate which is recognised in the statement of financial performance as interest revenue from exchange transactions. Dividends received from non-current investments are recognised in the statement of financial performance as revenue from exchange transactions when the right to receive payments is established. The fair value movements of quoted

1.4 Financial instruments (continued)

investments are recognised in the statement of financial performance. Transaction costs are expensed in the statement of financial performance.

Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred or when substantially all risks and rewards of ownership have been transferred.

Financial Instrument at amortised cost

Receivables

Receivables which are not accounted for as statutory receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less impairment loss. A impairment loss is established when there is objective evidence that not all amounts due will be collected according to original terms of the receivables.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired.

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the asset is reduced by the amount of the impairment loss which is recognised in the statement of financial performance. When the trade receivable is uncollectable, it is written off and subsequent recoveries of amounts previously written off are credited in the statement of financial performance.

Payables

Payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at banks and other short-term, highly liquid investments with original maturities of three months or less. Cash and cash equivalents are measured at amortised cost.

1.5 Statutory receivables

Statutory receivables are receivables that arise from legislation or supporting regulations and require settlement by another entity in cash. The FSCA's statutory receivables are made up of levy debtors, inspection cost debtors, penalty debtors, legal fees and other receivables. The levies are imposed on all authorised financial institutions in terms of section 15A of the FSB Act and penalties including other receivables as listed above are imposed as per the FSR Act and FSCA various sectoral legislations that the FSCA administers.

1.5 Statutory receivables (continued)

The statutory receivables are initially recognised at their transaction amount. Subsequently, statutory receivables are measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

Statutory receivables are recognised as follows:
- if the transaction is an exchange transaction; or
- if the transaction is a non-exchange transaction.

An impairment loss is established when there is an indication that a statutory receivable, or a group of statutory receivables that are due, will not be collected according to the original terms of the receivables. Significant financial difficulty of the debtor which may be evidenced by an application for debt counselling or business rescue, probability that the debtor will enter sequestration, liquidation or other financial re-organisation, default, bankruptcy or delinquency in payments, and adverse changes in international, national or local economic conditions are considered indicators that the trade receivable is impaired.

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable, is reduced, through the use of an allowance account.

When the statutory receivable is uncollectable, it is written off and subsequent recoveries of amounts previously written off are credited in the statement of financial performance.

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.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease. Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate on the remaining balance of the liability.

The finance lease liabilities are derecognised when the entity's obligation to settle the liability is extinguished. The assets capitalised under the finance lease are derecognised when the entity no longer expects any economic benefits or service potential to flow from the asset.

1.6 Leases (continued)

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.

The operating lease liabilities are derecognised when the entity's obligation to settle the liability is extinguished. The operating lease assets are derecognised when the entity no longer anticipates economic benefits or service potential to flow from the asset.

1.7 Related parties

All payments to executive management and committee members of the FSCA are disclosed as related party transactions. Transactions and balances with National Departments of Government and State-controlled Entities which occur other than in accordance with the operating parameters established are disclosed separately in the notes to the financial statements.

1.8 Prepayments

Prepayments are payments made in advance for services or goods that have not been delivered for which the FSCA expects the delivery in the next financial period. Prepayments are recognised as current assets and are not discounted as the discounting effect thereof is considered immaterial.

1.9 Impairment of non-cash-generating assets

The FSCA's non-financial assets consists only of non-cash generating assets. The FSCA assesses at each reporting date whether there is an indication that an asset may be impaired.

If there is an indication that the asset may be impaired, the recoverable service amount is estimated for the individual asset. The recoverable service amount of an asset is the higher of its fair value less cost to sell and its value in use. If the recoverable service amount of an asset is less than its cost less accumulated depreciation or amortisation, the impairment loss is recognised immediately in surplus or deficit.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

The FSCA assesses at each reporting date whether there is an indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any indication exists, the recoverable service amounts of those assets are estimated. The increased carrying amount of assets attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for assets in the prior years.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

1.10 Levies and fees received in advance

Levies and fees received in advance are stated at the amount received. The effect of discounting is immaterial.

1.11 Employee benefits

Short-term employee benefits

The cost of all short-term employee benefits are recognised during the period in which the employee renders the related service.

Retirement benefits

The FSCA contributes to a pension fund and to a defined benefit post-retirement medical aid plan. Only pensioners and employees who were in service at 1 January 1998 are eligible for benefits under the post-retirement medical aid plan.

The pension fund is a defined contribution plan with a defined benefit guarantee for pensioners.

Pension fund

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to the statement of financial performance in the period in which they arise.

Post retirement medical aid plan

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to the statement of financial performance in the period in which they arise.

1.12 Provisions

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.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.
The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

1.12 Provisions (continued)

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.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised. Provisions are not recognised for future operating deficit.

Contingent assets and contingent liabilities are not recognised as provisions. Contingencies are disclosed in note 32.

Performance bonus

Performance bonus is a short term employee benefit which is expensed as the related services are provided. A liability is recognised for the amount expected to be paid if the entity has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably. A provision for performance bonus is raised on the estimated amount payable in terms of the incentive scheme which is based on the business and employee's performance in the applicable year.

Long service awards

Long service awards are provided to employees who achieve certain predetermined milestones of service within the entity. The entity's obligation under this plan is valued by actuaries periodically and the corresponding liability is accordingly raised. The liability is calculated by valuing all future payments expected to be made in respect of benefits accrued up to the valuation date. Payments are set-off against the liability resulting from the valuation by the actuaries and are charged against the surplus or deficit. Long service awards are settled as and when employees achieve certain predetermined milestones of service.

Legal fees

Legal fees are provided for legal matters where it is probable that an outflow of economic benefits will be required to settle the obligation and the amount can be reliably measured.

1.13 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash. Commitments are not recognised in the statement of financial position but disclosed in the notes to the annual financial statements. Refer to note 31.

1.14 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the FSCA 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.

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

Revenue is recognised when the amount of revenue can be measured reliably, it is probable that future economic benefits will flow to the FSCA and specific criteria have been met as described below.

Revenue from exchange transactions comprises of fees and service charges, interest and dividends as well as other recoveries.

Fees and service charges are raised in terms of the regulations published in the Government Gazette and are recognised according to the percentage of completion method. Interest from government bond is recognised based on the coupon rate. Interest income from short-term investment is recognised on a time-proportion basis using the effective interest method.

Dividends are recognised when the right to receive payment is established, which is normally on the last day to trade.

1.15 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Revenue is recognised when the asset is recognised and if an obligation arises from the receipt of the asset, the revenue is recognised to the extent that there is no further obligation. Revenue from non-exchange transactions comprises of levies, penalties and other income.

All registered entities are required to pay annual levies to maintain their licenses in terms of section 15 of the FSB Act. Levies are raised in terms of the regulations published in the Government Gazette and are accounted for on an accrual basis.

The FSCA is funded through levies charged to industry and recovered levies in excess of the FSCA's requirements are rebated back to the industry. Levy rebates passed on to industry in terms of regulations published in the Government Gazette are recognised as a reduction in revenue.

1.15 Revenue from non-exchange transactions (continued)

Fines and penalties raised for late submission of returns are recognised on an accrual basis. The income from fines and penalties as per the FSCA's various sectoral legislation is credited to the surplus or deficit, but as this income is not considered to form part of the normal operating activities of the FSCA, it is transferred to the discretionary reserve. The amounts received or to be received from fines and penalties as per the FSR Act are payable to National Treasury.

Services in-kind are recognised as assets and revenue when they are significant to operations and/or service delivery objectives and it is probable that the future economic benefits or service potential will flow to the entity and the fair value of the assets and revenue can be measured reliably. If the services in-kind are not significant to the operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the nature and type of services in-kind received during the reporting period are disclosed in the notes to the annual financial statements.

1.16 Finance costs

Finance costs are charges incurred by the FSCA in connection with the finance lease liability.

Finance costs are recognised as an expense in the period in which they are incurred.

1.17 Translation of foreign currencies

Foreign currency transactions are translated into the measurement currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the monetary assets and liabilities denominated in foreign currencies are recognised in the surplus or deficit.

1.18 Accumulated funds and reserves

Accumulated surplus

Accumulated surplus are used to fund working capital requirements, capital expenditure, budgeted deficits (if any), as well as other unforeseen events. Accumulated surplus are maintained at approximately 2 to 6 months' operational expenditure. National Treasury approval is obtained at the end of every financial year in order to retain the accumulated surplus.

Accumulated surplus include non-cash amounts such as invoiced income not recovered, hence the full balance at year end is not always represented by actual cash.

Contingency reserve

The contingency reserve is maintained to fund the FSCA's long-term capital requirements and to protect the FSCA's operating capacity against the effects of inflation and unforeseen events. The reserve is maintained at a maximum of 10% of the annual levy and fee income.

1.18 Accumulated funds and reserves (continued)

Discretionary reserve

The discretionary reserve is used primarily to fund consumer education and consumer protection related expenses. Fines and penalties recognised as income in the statement of financial performance are transferred to a discretionary reserve.

1.19 Irregular expenditure

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

(a) this Act; or
(b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
(c) any provincial legislation providing for procurement procedures in that provincial government.

All expenditure relating to irregular expenditure is recognised as an expense in the surplus or deficit in the period that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense and where recovered it is subsequently accounted for as revenue in the surplus or deficit.

1.20 Fruitless and wasteful expenditure

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

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance, in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

2. Financial Risk management Financial risk factors

The FSCA is exposed to a variety of financial risks as a consequence of its operations namely, market risk, credit risk and liquidity risk. The FSCA's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its performance. Financial risk management is carried out under approved policies. The FSCA provides written principles for overall risk management as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of non-derivative financial instruments and investment of excess liquidity.

Market risk

Cash flow and fair value interest rate risk

The FSCA has significant cash and cash equivalents and its income and operating cash flows are dependent on changes in market interest rates. This is managed in line with movements in money market rates. The FSCA does not have any interest bearing borrowings and therefore there is no adverse exposure relating to interest rate movements in borrowings. Should the balances held on short-term deposit remain constant, the FSCA's interest income will fluctuate by R1 293 593 for every 25 basis point fluctuation in the prime interest rate.

Foreign exchange risk

The FSCA does not operate internationally but is exposed to foreign currency risk arising from various currency exposures. Its exposure is limited to foreign membership and subscription fees, foreign travelling expenses, foreign exchange denominated operating expenses as well as investments in off-shore portfolios. The risk relating to off-shore investment portfolios is managed by an investment manager in terms of an approved mandate. Accordingly, the FSCA's exposure to foreign currency risk is minimal.

The following sensitivity analysis has been performed.

At 31 March 2023, if the currency had weakened or strengthened by 10% against the US dollar with all other variables held constant, the surplus for the year would have been R34 405 (2022: R645 017) higher or lower on foreign exchange gains or losses upon translation of US dollar-denominated transactions.

The off-shore investment portfolios would have been R3 648 069 (2022: R3 293 466) higher or lower arising from unrealised foreign exchange gains or losses upon translation of US dollar denominated off-shore investment portfolios.

At 31 March 2023, if the currency had weakened or strengthened by 10% against the Euro with all other variables held constant, the surplus for the year would have been R38 988 (2022: R28 033) higher or lower on foreign exchange gains or losses upon translation of Euro-denominated transactions.

2. Financial Risk management (continued)

At 31 March 2023, if the currency had weakened or strengthened by 10% against the UK pound with all other variables held constant, the surplus for the year would have been R15 649 (2022: R17 572) higher or lower on foreign exchange gains or losses upon translation of UK pound-denominated transactions.

Asset Price Risk

The FSCA is exposed to equity securities price risk because of investments held by the FSCA, which are classified on the Statement of Financial Position as financial assets at fair value. These investments are managed by an investment manager in terms of an approved mandate. The investment manager manages the price risk arising from investments in equity securities through diversification of the portfolio in accordance with the mandate that gives the manager full discretion.

The FSCA's investments in equity of other entities that are publicly traded are included in the All Share Index of the JSE Securities Exchange Limited (All Share Index). The table below summarises the impact of increases/decreases of the All Share Index on the FSCA's surplus for the year and on reserves. The analysis is based on the assumption that the All Share Index had increased/decreased by 9.26% (2022: 4.92%) with all other variables held constant and that all the FSCA's investments moved according to the historical correlation with the index.

	Impact on surplus for the year		Impact on invest portfolio for the year	
	2023	**2022**	**2023**	**2022**
All share index	3,910,418	2,203,737	3,910,418	2,203,757

Credit risk

Financial assets that potentially subject the FSCA to concentrations of credit risk consist primarily of cash and cash equivalents as well as accounts receivable. The FSCA's maximum exposure to credit risk relating to accounts receivable is the amount as shown in the Statement of Financial Position.

The FSCA invests funds in excess of the FSCA's immediate requirements (i.e short term deposits excluding current account balances) with the Corporation for Public Deposits (CPD). The table below shows the total amount invested in CPD at reporting date:

	31 March 2023	31 March 2022
Corporation for public deposit	517,437,149	522,645,807

Management does not expect any losses from non-performance by CPD.

2. Financial Risk management (continued)

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient liquid resources and the ability to settle debts as they become due. In the case of the FSCA, liquid resources consist of mainly cash and cash equivalents. The FSCA maintains adequate resources by monitoring rolling cash flow forecasts of the cash and cash equivalents on the basis of expected cash flows.

Forecasted liquidity reserves as at 31 March 2023 is as follows:

Description	March 2023	March 2024-2028
Opening balance for the period	559,393,316	566,282,996
Operating cash inflow	1,004,671,405	1,618,033,345
Operating cash outflows	(984,329,422)	(1,585,272,378)
Cash outflow for investments	(20,603,537)	(33,182,202)
Proceeds from sale of investments	7,152,234	11,518,744
	566,283,996	**577,381,505**

The table below analyses the FSCA's financial liabilities at reporting date.

At 31 March 2023	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	38,492,500	-	-	-
At 31 March 2022	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**
Trade and other payables	22,941,584	-	-	-

Capital risk management

The FSCA's objectives when managing its funds and reserves are to safeguard the ability to continue as a going concern. The FSCA maintains various funds and reserves which serve different purposes, refer to note 1.18.

Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices (level 1) at reporting date. The quoted market price used for financial assets held by the FSCA is the current bid price.

Notes to the Annual Financial Statements
for the year ended 31 March 2023

	Note(s)	2023	2022

3. Cash and cash equivalents

Cash and cash equivalents consist of:

Short-term deposits	517,437,149	522,645,807
Cash at bank and on hand	48,846,847	36,747,509
	566,283,996	559,393,316

Included in cash at bank and on hand is an amount of R17 033 981 (2022: R9 499 010), earmarked to fund the post-retirement medical aid plan. Also included in cash and cash equivalents is an amount of R74 865 822 (2022: R66 476 726) relating to the discretionary funds that are used to fund consumer education and consumer protection related expenses. In addition, the FSCA maintains a contingency fund which is included under short-term deposits of R173 907 167 (2022: R160 058 175) to fund capital requirements and to protect operating capacity against the effects of inflation and unforeseen events.

4. Receivables from exchange transactions

Staff debtors - study loans	7,878,776	7,473,891
Interest receivable	170,864	83,143
Other receivables	4,515,892	2,830,899
	12,565,532	**10,387,933**

5. Statutory Receivables from exchange transactions

Legal fees recoveries	858,679	972,632
Less: Impairment loss	(858,679)	(972,632)
Recoverable legal fees	1,007,133	4,165,923
Other receivables	10,499,693	11,014,764
Net statutory receivables from exchange transactions	**11,506,826**	**15,180,687**

Reconciliation for impairment of statutory receivables from exchange transactions

Opening balance	972,632	1,696,072
Utilised	(286,871)	(1,382,294)
Charge to the statement of financial performance	172,918	660,268
Reversal of prior year provision	-	(1,414)
	858,679	**972,632**

	Note(s)	2023	2022

6. Statutory receivables from non-exchange transactions

Levy debtors	34,154,791	27,072,858
Less: Impairment loss	(19,441,132)	(15,135,685)
Inspection cost debtors	744,438	1,008,719
Less: Impairment loss	(744,438)	(1,008,719)
Penalties debtors	215,688,489	202,916,021
Less: Impairment loss	(142,327,813)	(154,076,451)
	88,074,335	**60,776,743**

Reconciliation for impairment of statutory receivables from non-exchange transactions

Opening balance	170,220,856	98,754,036
Utilised	(6,586,181)	(6,129,490)
Reversal of prior year provision	(9,544,659)	(9,735,777)
Charge to the statement of financial performance	19,821,801	20,056,787
Other - penalties	(11,398,434)	67,275,300
	162,513,383	**170,220,856**

7. Prepayments

The R5 727 726 (2022: R7 932 436) prepayments comprise of membership fees and software licences.

8. Property, plant and equipment

	2023			2022		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost Accumulated	Accumulated depreciation and accumulated impairment	Carrying value
Leasehold improvements	6,698,728	(4,479,390)	2,219,338	6,380,216	(3,798,898)	2,581,318
Furniture, fittings, equipment and paintings	31,261,284	(25,107,248)	6,154,036	31,435,419	(23,820,452)	7,614,967
Motor vehicles	1,503,310	(923,140)	580,170	1,503,310	(828,096)	675,214
Computer equipment	120,523,070	(105,447,391)	15,075,679	116,372,062	(95,797,819)	20,574,243
Finance leased assets	387,004	(387,004)	-	387,004	(387,004)	-
Total	**160,373,396**	**(136,344,173)**	**24,029,223**	**156,078,011**	**(124,632,269)**	**31,445,742**

	Note(s)	2023	2022

8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 31 March 2023

	Opening balance	Additions	Disposals	Depreciation	Total
Leasehold improvements	2,581,318	318,513	-	(680,493)	2,219,338
Furniture, fittings, equipment and paintings	7,614,967	703,899	(34,118)	(2,130,712)	6,154,036
Motor vehicles	675,214	-	-	(95,044)	580,170
Computer equipment	20,574,243	7,000,790	(104,479)	(12,394,875)	15,075,679
	31,445,742	**8,023,202**	**(138,597)**	**(15,301,124)**	**24,029,223**

Reconciliation of property, plant and equipment - 31 March 2022

	Opening balance	Additions	Disposals	Depreciation	Total
Leasehold improvements	3,174,650	66,721	-	(660,053)	2,581,318
Furniture, fittings, equipment and paintings	9,388,009	385,232	(38,988)	(2,119,286)	7,614,967
Motor vehicles	770,632	-	-	(95,418)	675,214
Computer equipment	32,026,275	3,760,751	(785,959)	(14,426,824)	20,574,243
Finance leased assets	1,780	-	-	(1,780)	-
	45,361,346	**4,212,704**	**(824,947)**	**(17,303,361)**	**31,445,742**

Expenditure incurred to repair and maintain property, plant and equipment included in the Statement of Financial Performance

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

	2023	2022
Contracted services	112,766	190,437
General expenses	66,429	43,391
	179,195	**233,828**

The useful lives and residual values of the various categories of property, plant and equipment were assessed during the current financial year and resulted in a change in accounting estimate. Refer to note 34.

9. Intangible assets (continued)

	2023			2022		
	Cost	Accumulated amortisation and accumulated impairment	Carrying value	Cost	Accumulated amortisation and accumulated impairment	Carrying value
Computer Software	40,769,017	(15,484,990)	25,284,027	33,450,835	(15,167,484)	18,283,351

Reconciliation of intangible assets - 31 March 2023

	Opening balance	Additions	Disposals	Transfers	Amortisation	Total
Computer software	5,200,265	3,503,153	(24,091)	11,039,608	(2,133,882)	17,585,053
Intangible assets under development	13,083,086	5,655,495	-	(11,039,608)	-	7,698,973
	18,283,351	**9,158,648**	**(24,091)**	**-**	**(2,133,882)**	**25,284,026**

Reconciliation of intangible assets - 31 March 2022

	Opening balance	Additions	Tranfers	Amortisation	Total
Computer software	6,040,750	21,230	2,896,152	(3,757,867)	5,200,265
Intangible assets under development	9,952,827	6,026,410	(2,896,152)	-	13,083,085
	15,993,577	**6,047,640**	**-**	**(3,757,867)**	**18,283,350**

The useful lives of the various categories of computer software were assessed during the financial year and resulted in a change in accounting estimate. Refer to note 34.

	Note(s)	2023	2022

10. Financial assets at fair value

	2023	2022
Designated at fair value		
Non-current investments	90,186,432	89,342,404
Current investments	-	2,100,133
	90,186,432	**91,442,537**
Non-current assets		
Non-current investments	90,186,432	89,342,404
Current assets		
Current investments	-	2,100,133

Financial assets at fair value

Fair value hierarchy of financial assets at fair value

The fair value of financial instruments traded in active markets is based on quoted market prices (level 1) at the reporting date. The quoted market prices used for financial assets held by the FSCA are bid prices as at year-end.

Movement for the year

Movement for the year ended 31 March 2023

	Opening balance	Fair value adjustment	Purchases	Sales	Closing balance
Shares	44,791,392	(875,241)	3,421,687	(5,108,707)	42,229,131
Gilts and Bonds	13,716,484	(196,343)	-	(2,043,527)	11,476,614
Off-shore collective investment schemes	32,934,661	3,546,026	-	-	36,480,687
	91,442,537	**2,474,442**	**3,421,687**	**(7,152,234)**	**90,186,432**

Movement for the year ended 31 March 2022

	Opening balance	Fair value adjustment	Purchases	Sales	Closing balance
Shares	38,443,912	5,162,790	2,716,790	(1,532,100)	44,791,392
Gilts and Bonds	15,133,640	(217,156)	-	(1,200,000)	13,716,484
Off-shore collective investment schemes	32,900,981	33,680	-	-	32,934,661
	86,478,533	**4,979,314**	**2,716,790**	**(2,732,100)**	**91,442,537**

Notes to the Annual Financial Statements
for the year ended 31 March 2023

	Note(s)	2023	2022

11. Payables from exchange transactions

Trade payables	12,717,725	7,397,566
Leave accrual	34,252,469	32,169,910
Other payables	9,610,037	5,538,618
Accruals	16,164,738	10,005,400
	72,744,969	**55,111,494**

12. Payables from non-exchange transactions

Unallocated receipts	22,245	-
National Treasury	79,819,085	86,541,866
Ombud Council	11,736,767	8,029,972
	91,578,097	**94,571,838**

The R79 819 085 (2022: R86 541 886) relates to fines and penalties raised which is payable to National Treasury as per the FSR Act.

The R11 736 767 (2022: R8 029 972) are remaining funds allocated by National Treasury for the establishment of the Ombud Council.

13. Levies and fees received in advance

Levies received in advance	3,278,482	1,806,198
Fees received in advance	50,763,055	49,848,044
	54,041,537	**51,654,242**

14. Provisions

Reconciliation of provisions - 31 March 2023

	Opening balance	Additions	Utilised during the year	Reversed during the year	Total
Provision for bonus	16,501,908	42,453,830	(16,501,908)	-	42,453,830
Provision for legal fees	1,083,748	1,224,230	(294,230)	(393,748)	1,620,000
Provision for VAT	2,592,249	-	(2,014,874)	-	577,375
Provision for long service awards	6,280,349	1,308,559	(1,314,000)	-	6,274,908
	26,458,254	**44,986,619**	**(20,125,012)**	**(393,748)**	**50,926,113**

	Note(s)	2023	2022

14. Provisions (continued)

Reconciliation of provisions - 31 March 2022

	Opening Balance	Additions	Utilised during the year	Total
Provision for bonus	15,773,333	16,501,908	(15,773,333)	16,501,908
Provision for legal fees	483,748	600,000	-	1,083,748
Provision for VAT	4,679,263	-	(2,087,014)	2,592,249
Provision for long service awards	6,081,740	1,500,609	(1,302,000)	6,280,349
	27,018,084	**18,602,517**	**(19,162,347)**	**26,458,254**

	2023	2022
Non-current liabilities	5,290,907	4,786,348
Current liabilities	45,635,206	21,671,906
Other payables	**50,926,113**	**26,458,254**

15. Finance lease obligation

	2023	2022
Finance costs charged for the year	-	129

The FSCA leased some of its office equipment under 36 months finance lease. There were no escalations to the lease agreement as all machines are leased at a fixed rate for the duration of the lease.

16. Post-retirement benefit obligations (Medical Aid Fund)

The FSCA recognises a liability in respect of post-retirement medical aid benefits for pensioners as at 1 January 1998 and eligible employees who were then in service, assuming that the cost of the benefit is recognised in full for existing pensioners and is spread equally over each employee's service period within the FSCA prior to retirement for employees currently in service. The FSCA is not liable for post-retirement medical aid benefits in respect of employees employed after 1 January 1998. The fund is recognised as a defined benefit plan.

The actuary evaluates the liability on an annual basis, allowing for expected future medical cost inflation, investment returns, staff turnover and mortality. The FSCA contributes 100% of the medical aid contribution for its retired employees as well as 100% of the future medical aid contributions for their spouses and dependants. The last actuarial valuation of this liability was performed on 31 March 2023. It is the policy of the FSCA to match this liability with appropriate non-current investments and short-term notice deposits. Accordingly, the funds have been placed with an asset management company for investment in accordance with long-term prudential principles.

	Note(s)	2023	2022

16. Post-retirement benefit obligations (Medical Aid Fund)

For disclosure purposes, an amount of R17 033 981 (2022: R9 499 010) representing cash on call, has been included in cash and cash equivalents. A certain portion of the post-retirement medical aid is payable within twelve months, however the value thereof is not readily determinable and thus the full liability has been disclosed as non-current. The main actuarial assumption is a long-term increase in health costs of 9.36% a year (2022: 8.88%).

Amounts recognised in the statement of financial position were determined as follows:

	2023	2022
Present value of unfunded obligations	63,569,232	57,176,969

The movement in the present value of the unfunded obligation for the year is as follows:

	2023	2022
Opening balance	57,176,969	51,660,126
Current service cost	627,721	630,985
Interest cost	6,692,603	7,193,803
Benefit paid	(3,316,659)	(2,855,163)
Actuarial (gain)/loss	2,388,598	547,218
	63,569,232	**57,176,969**

The amounts recognised in the statement of financial performance are as follows:

	2023	2022
Current service cost	627,721	630,985
Interest cost	6,692,603	7,193,803
Benefit paid	(3,316,659)	(2,855,163)
Net actuarial (gain)/loss	2,388,598	547,218
	6,392,263	**5,516,843**

The principal assumptions used were as follows:

Financial assumptions

Discount rate:	13.34%	(2022: 11.91%) per annum.
Rate of medical aid contribution increases:	9.70%	(2022: 8.88%) per annum.
Rate of general price inflation:	8.20%	(2022: 7.38%) per annum.

16. Post-retirement benefit obligations (Medical Aid Fund) (continued)

Mortality assumptions

Mortality - Active employee

Before retirement:	Nil
After retirement:	PA (90) Mortality Tables with an age reduction of two years.

Mortality assumptions

Mortality - Pensioners

PA (90) Mortality Tables with an age reduction of two years
The effects of a 1% movement in the assumed medical cost trend rate are as follows.

	Decrease	Increase
Effect on the aggregate service cost and interest cost	(951,423)	1,122,473
Effect on the accumulated benefit obligation	(6,363,698)	7,483,928
	(7,315,121)	**8,606,401**

	2023	2022	2021	2020	2019
Present value of funded obligations recognised in the statement of financial position	63,569,232	57,176,969	51,660,126	46,298,280	51,152,893

17. Post-retirement benefit obligation (Pension Fund)

The pension fund for permanent employees of the FSCA is registered in terms of the Pension Fund Act, 1956 (Act No. 24 of 1956). Prior to April 2000, the fund was a defined benefit plan for the benefit of all employees. New employees who joined the fund on or after 1 April 2000 were entitled to receive retirement and resignation benefits from the accumulation of defined contributions. Employees who were in the employ at 31 March 2000 were entitled to the higher of either the defined contribution accumulation to the date of exit or the value of the defined benefit applicable on exit in terms of the rules in force as at 31 March 2000.

In the 2018 financial year the Trustees took a decision to implement the restructuring of all active members entitled to a defined benefit underpin to a pure defined contribution basis effective 1 January 2017. Due to the restructuring, there are no active current employees who are in the defined benefit underpin. The fund currently has 22 (2022: 22) pensioners, the benefits of whom are regarded as a defined obligation. An actuarial valuation of the benefit obligation was performed on 31 March 2023.

	Note(s)	2023	2022

17. Post-retirement benefit obligation (Pension Fund) (continued)

The amounts recognised in the statement of financial position were determined as follows:

Present value of defined benefit obligations	70,103,000	69,187,000
Fair value of plan assets	(78,926,000)	(78,143,000)
Funded status	(8,823,000)	(8,956,000)
Asset not recognised	8,823,000	8,956,000
	-	-

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	69,187,000	64,869,000
Interest costs	7,312,000	7,216,000
Actuarial (gains)/loss	(1,095,000)	129,000
Benefits paid	(7,338,000)	(6,648,000)
New pensioners	2,037,000	3,621,000
	70,103,000	**69,187,000**

Changes in the fair value of plan assets are as follows:

Opening balance	78,143,000	74,530,000
Expected return	8,297,000	8,317,000
Actuarial gains/(loss)	(2,213,000)	(1,677,000)
Benefits paid	(7,338,000)	(6,648,000)
New pensioners	2,037,000	3,621,000
	78,926,000	**78,143,000**

Components of pension costs for the year are as follows:

Interest cost	7,312,000	7,216,000
Actuarial (gain)/loss	1,118,000	1,806,000
Change in asset restriction	(133,000)	(705,000)
Expected return on plan asset	(8,297,000)	(8,317,000)
	-	-

	Note(s)	2023	2022

17. Post-retirement benefit obligation (Pension Fund) (continued)

Calculation of actuarial gains and losses

	2023	2022
Actuarial (gains) losses – Obligation	(1,095,000)	129,000
Actuarial (gains) losses – Plan assets	(2,213,000)	(1,677,000)
	(3,308,000)	**(1,548,000)**

Assumptions used at the reporting date

Assumptions regarding the future mortality experience are set, based on advice, published statistics and experience. The average life expectancy in years of a pensioner retiring at the age of 63 at the reporting date is as follows:

	Average life expectancy 2023	Average life expectancy 2022
Male	17 years and 4 months	17 years and 4 months
Female	21 years and 8 months	21 years and 8 months

Amounts for the current and previous four years are as follows:

	2023	2022	2021	2020	2019
Defined benefit obligation	70,103,000	69,187,000	64,869,000	45,620,000	48,241,000
Fair value of plan assets	(78,926,000)	(78,143,000)	(74,530,000)	(48,970,000)	(56,183,000)
Statement of financial position restriction	8,823,000	8,956,000	9,661,000	3,350,000	7,942,000

Key financial assumptions at valuation date

Discount rate: This is set having regard to the market yield on government bonds, using a weighted average discount rate that reflects the timing and amount of benefit payments. A rate of 12.52% per annum has been used (A rate of 10.99% was used at 31 March 2022).

Long-term price inflation rate: We have assumed a long-term future inflation rate of 6.28% per annum. This was calculated to reflect the difference between the yields on nominal government bonds and index-linked government bonds (at the appropriate duration) after allowing for an inflation risk premium of 0.50% on the basis that nominal bond yields include an inflation risk premium (being the additional return an investor seeks in compensation for the inflation risk taken on) and therefore that the implied inflation rate is lower than that suggested by the differential between nominal and index-linked bond yields (6% used at 31 March 2022).

	Note(s)	2023	2022

17. Post-retirement benefit obligation (Pension Fund) (continued)

Key financial assumptions at valuation date

Discount rate: This is set having regard to the market yield on government bonds, using a weighted average discount rate that reflects the timing and amount of benefit payments. A rate of 12.52% per annum has been used (A rate of 10.99% was used at 31 March 2022).

Long-term price inflation rate: We have assumed a long-term future inflation rate of 6.28% per annum. This was calculated to reflect the difference between the yields on nominal government bonds and index-linked government bonds (at the appropriate duration) after allowing for an inflation risk premium of 0.50% on the basis that nominal bond yields include an inflation risk premium (being the additional return an investor seeks in compensation for the inflation risk taken on) and therefore that the implied inflation rate is lower than that suggested by the differential between nominal and index-linked bond yields (6% used at 31 March 2022).

Pension increases: It has been assumed that pension increases will take place at a rate of 4.71% per annum (4.50% used at 31 March 2022). This represents some 75% of the expected inflation rate above and is in line with Pension Increase Policy of the Fund.

Expected return on plan assets: It has been assumed that the long-term expected return on plan assets is equal to the discount rate of 12.25% per annum, following the approach adopted in the previous disclosure. This is consistent with the approach set out in the IAS 19 revised 2011. GRAP 25 indicates that "the expected return on plan assets is based on the market expectations, at the beginning of the reporting period, for returns over the entire life of the related obligation". It could be argued that on a risk-adjusted basis, it is reasonable to set this rate equal to the discount rate, but the employer may wish to consider the implications of this assumption and its consistency with the requirements of the GRAP 25 standard.

Pension expenses: Allowances is made for the cost of the administration of the pensioners' records in the pensioner liability at a rate of R47.79 plus vat per pensioner per month.

Experience adjustments

	2023	2022	2021	2020	2019
Pensioners liabilities at the end of the year	70,103,000	69,187,000	64,869,000	45,620,000	48,241,000
Combined assets at end of year	(78,926,000)	(78,143,000)	(74,530,000)	(48,970,000)	(56,183,000)
	(8,823,000)	(8,956,000)	(9,661,000)	(3,350,000)	(7,942,000)
Gain/(loss) on liabilities through experience	(4,282,000)	(205,000)	1,072,000	(1,493,000)	4,222,000
Gain/(loss) on liabilities through assumptions	5,377,000	76,000	(2,628,000)	6,237,000	3,941,000
	1,095,000	**(129,000)**	**(1,556,000)**	**4,744,000**	**8,163,000**
Gain/(loss) on plan assets	(2,213,000)	(1,677,000)	7,469,000	(10,105,000)	(1,116,000)

18. Contingency reserve

	Note(s)	2023	2022
Opening balance		90,641,636	86,635,782
Change during the year		5,145,364	4,005,854
		95,787,000	**90,641,636**

An amount of R5 145 364 was transferred from accumulated surplus to maintain the reserve at 10% of annual levy and fee income.

19. Discretionary reserve

		2023	2022
Opening balance		45,144,375	47,928,431
Transfer (to)/from accumulated		12,585,051	(2,784,056)
		57,729,426	**45,144,375**

The transfer (to)/from accumulated funds for the year, as reflected in the statement of changes in net assets is calculated as follows.

		2023	2022
Income from fines and penalties		21,644,000	3,129,000
Provisions		(4,527,689)	(4,984,510)
Interest allocated to this reserve		3,465,138	2,536,210
Expenses in respect of consumer education		(11,491,398)	(6,622,256)
Reversal of provision		3,495,000	3,157,500
		12,585,051	**(2,784,056)**

20. Financial assets by category

The accounting policies for financial instruments have been applied to the line items below.

2023	Financial at amortised cost	Fair value through surplus or deficit	Total
Financial assets at fair value	-	90,186,432	90,186,432
Receivables	12,565,532	-	12,565,532
Cash and cash equivalents	566,283,996	-	566,283,996
	578,849,528	**90,186,432**	**669,035,960**

2022	Financial at amortised cost	Fair value through surplus or deficit	Total
Financial assets at fair value	-	91,442,537	91,442,537
Receivables	10,387,933	-	10,387,933
Cash and cash equivalents	559,393,316	-	559,393,316
	569,781,249	**91,442,537**	**661,223,786**

Notes to the Annual Financial Statements
for the year ended 31 March 2023

	Note(s)	2023	2022

21. Financial liabilities by category

2023	Other financial liabilities	Total
Payables	38,492,500	38,492,500

2022	Other financial liabilities	Total
Payables	22,941,584	22,941,584

22. Credit quality of receivables

	2023	2022
Trade receivables		
Group 1	59,741,595	9,589,129
Group 2	85,293,499	914,967
Group 3	130,481,787	247,034,753
	275,516,881	**257,538,849**

Group 1 - debtors outstanding for less than 90 days and with no defaults.
Group 2 - new debtors outstanding for more than 90 days and with no defaults.
Group 3 - existing debtors outstanding for more than 90 days and with some defaults.

The total gross carrying amount of the impaired receivables as at reporting date R251 679 556 (2022: R232 202 603) and the associated total impairment is R163 372 063 (2022: R171 193 488) see note 4, 5 and 6. Of these debtors, the recovery of R95 759 109 (2022: R10 529 346) has been handed over for collection. Refer to the accounting policy note 1.4 for factors management considered in determining receivables impairment.

Cash and short-term deposits are held with banking institutions and the CPD and are regarded as having low credit risk.

The FSCA invests its surplus cash in the short term deposits accounts with CPD. The interest rates on these accounts fluctuate in line with the movements in current money market rates.

	Note(s)	2023	2022

23. Revenue from exchange transactions

Fees and service charges		27,960,181	29,749,412
Legal fees and other cost recoveries		11,992,137	5,050,713
Interest received		35,702,838	22,665,863
Dividends received		2,285,655	1,716,500
Other income		4,896,246	4,632,650
Compensation from insurance		114,426	806,252
		82,951,483	**64,621,390**

24. Revenue from non-exchange transactions

FSCA Levies		785,647,877	739,357,411
PFA Levies		82,814,820	79,520,833
FAIS Ombud Levies		61,447,120	57,788,705
Penalties		21,644,000	3,129,000
Other income		4,212,786	4,895,070
		955,766,603	**884,691,019**

25. Related parties

Related party balances

Year-end balances due (to)/by related parties			
Office of the Pension Fund Adjudicator		(3,380,229)	(3,318,911)
Office of the Ombud for Financial Services Providers		(5,334,910)	(1,416,007)
Financial Services Tribunal		9,571,811	9,581,651
National Treasury		(79,819,085)	(86,541,886)
South African Reserve Bank		920,992	1,023,837
Ombud Council		(11,736,767)	(8,029,972)
		(89,778,188)	**(88,701,288)**

Funds provided to the Office of the Pension Fund Adjudicator in terms of section 30R (1) (a) of the Pension Funds Act, No.24 of 1956 as amended.

Contribution towards funding of the office		82,729,529	79,302,000

	Note(s)	2023	2022

25. Related parties (continued)

Funds provided to the Office of the Ombud for Financial Services Providers in terms of section 22 (1) (a) of the Financial Advisory and Intermediary Services Act, No.37 of 2002.

	2023	2022
Contribution towards funding of the office	60,884,242	57,755,000

	2023	2022
Income/(Payments) to/from related parties		
Income received for ICT services to Pension Fund Adjudicator	4,798,927	4,596,674
Payments for Financial Services Tribunal	(15,731,199)	(11,480,208)
Payments for the Ombud Council	-	(1,970,028)
	(10,932,272)	**(8,853,562)**

The FSCA provides financial, secretarial and other support to the Tribunal and the Ombud Council as per the transitional regulations. The FSCA, National Treasury and other listed entities are within the sphere of national government.

Management class: Governance committee fees

31 March 2023

Name	Human Resources and Remuneration Committee fees	Audit Committee fees	Risk Committee fees	Other	Total
T Ajam	-	-	64,660	-	64,660
V Balgobind	45,262	-	-	-	45,262
N Esterhuizen	-	100,223	84,058	-	184,281
PR Koch	-	-	84,058	-	84,058
SM Malatji	-	-	84,058	-	84,058
J Mogadime	56,578	100,223	-	-	156,801
EP Mogobu	56,578	-	-	-	56,578
HL Molebatsi	58,194	-	-	-	58,194
D Msomi	131,987	-	-	20,449	152,436
P Mvulane	-	100,223	-	-	100,223
TL Randall	58,214	-	-	-	58,214
HM Ratshefola	56,578	71,126	61,425	10,507	199,636
L Senne	-	100,223	-	-	100,223
PJ Sutherland	114,772	-	-	-	114,772
	578,163	**472,018**	**378,259**	**30,956**	**1,459,396**

25. Related parties (continued)

31 March 2022

Name	Human Resources and Remuneration Committee fees	Audit Committee fees	Risk Committee fees	Other	Total
T Ajam	-	-	71,126	-	71,126
V Balgobind	32,330	-	-	-	32,330
S Gounden (Resigned 31 July 2021)	-	32,330	25,864	22,631	80,825
PR Koch	-	-	71,126	-	71,126
SM Malatji	-	-	90,524	-	90,524
N Esterhuizen (Appointed 13 September 2021)	-	69,509	45,262	11,316	126,087
J Mogadime	58,194	101,840	-	-	160,034
EP Mogobu	45,262	19,398	-	-	64,660
HL Molebatsi	38,796	-	-	-	38,796
D Msomi	109,275	-	-	7,436	116,711
P Mvulane	-	95,374	-	-	95,374
TL Randall	48,495	-	-	-	48,495
HM Ratshefola	58,194	101,840	90,524	21,015	271,573
L Senne (Appointed 13 September 2021)	-	69,510	-	-	69,510
PJ Sutherland	109,920	-	-	-	109,920
	500,466	**489,801**	**394,426**	**62,398**	**1,447,091**

Management class: Executive management

31 March 2023

Name	Basic Salary	Incentive Bonus	Leave commutation	Long service award	Total
U Kamlana, Commissioner	5,200,000	-	-	-	5,200,000
A Ludin, Deputy Commissioner	4,160,000	-	-	-	4,160,000
KL Gibson, Deputy Commissioner	4,160,000	-	-	-	4,160,000
F Badat, Deputy Comissioner	4,160,000	-	-	-	4,160,000
JJR Hlalethoa, DE: Corporate Center	4,217,724	156,250	219,632	-	4,593,606
LP Kekana, CFO	4,005,241	156,250	257,304	-	4,418,795
P Mogase, CIO	3,277,638	187,500	105,033	-	3,570,171
FM Mabaso, DE: Licensing	3,384,161	132,813	89,520	30,000	3,636,494

	Note(s)	2023	2022

25. Related parties (continued)

	Basic Salary	Incentive Bonus	Leave commutation	Long service award	Total
K Dikokwe, DE: Conduct of business supervision	3,277,638	132,813	136,246	-	3,546,697
O Makhubela, DE: Retirement Funds Supervision	3,646,864	132,813	192,938	-	3,972,615
BR Topham, DE: Investigations and Enforcement (resigned November 2022)	2,761,222	134,374	325,673	-	3,221,269
GJ Van Deventer, DE: Investigations and Enforcement (appointed on 1 September 2022)	2,088,346	105,660	-	-	2,194,006
RP Mpete, CRO	2,201,001	100,223	72,433	-	2,358,154
	46,539,835	**1,210,906**	**1,411,066**	**30,000**	**49,191,807**

31 March 2022

Name	Basic Salary	Incentive	Leave Commutation	Total
U Kamlana, Commissioner (Appointed 1 June 2021)	4,166,667	-	-	4,166,667
A Ludin, Deputy Commissioner (Appointed 1 June 2021)	3,333,333	-	-	3,333,333
KL Gibson, Deputy Commissioner (Appointed 29 September 2021)	3,621,890	375,000	-	3,996,890
F Badat Deputy Commissioner (Appointed 1 December 2021)	1,333,333	-	-	1,333,333
K Dikokwe, DE: Conduct of Business Supervision	3,136,050	318,750	-	3,454,800
JJR Hlalethoa, DE: Corporate Services	4,035,526	375,000	239,077	4,649,603
LP Kekana, CFO	3,832,222	375,000	218,301	4,425,523
FM Mabaso, DE: Licensing	3,237,972	337,500	-	3,575,472
O Makhubela, DE: Retirement Funds Supervision	3,489,326	450,000	198,768	4,138,094
P Mogase, CIO	3,136,050	337,500	-	3,473,550
BR Topham, DE: Investigation and Enforcement	4,022,358	333,750	-	4,356,108
RP Mpete, CRO	1,986,165	167,153	75,427	2,228,745
	39,330,892	**3,069,653**	**731,573**	**43,132,118**

26. Auditors' remuneration

	2023	2022
Current year-interim fee	530,921	465,335
Prior year audit fees	3,108,839	3,368,099
	3,639,760	**3,833,434**

	Note(s)	2023	2022

27. Other operating expenses

Travelling costs		6,369,250	656,072
Telephone and data lines		9,192,451	11,070,050
Advertising and publications		21,473,030	12,320,558
Membership fees		5,716,677	2,200,016
Computer support, maintenance and licensing costs		47,164,585	32,422,811
Security and cleaning		4,363,900	3,539,588
Repairs and maintenance		4,221,011	1,235,302
Insurance		3,075,313	3,406,176
Other general expenses		9,471,943	6,489,543
		111,048,160	**73,340,116**

28. Impairment loss

Impairment loss for the year is stated after accounting for the following:

Current year provision		19,994,719	20,717,057
Reversal of prior year provision		(9,544,659)	(9,737,191)
		10,450,060	**10,979,866**

29. Reconciliation of surplus for the year to net cash flows from operating expenses

Deficit		(7,834,782)	(4,994,896)
Adjustments for:			
Depreciation and amortisation		17,435,006	21,061,228
Loss on sale of assets		162,688	824,947
Fair value adjustment		(2,474,442)	(4,979,314)
Impairment loss		10,450,060	10,979,866
Finance costs		-	129
Movements in operating lease assets and accruals		(11,237,017)	(6,252,672)
Movements in post-retirement benefit medical expenses		6,392,263	5,516,843
Changes in working capital:			
(Increase)/Decrease in receivables		(36,251,392)	25,382,696
Decrease in prepayments		2,204,710	2,366,357
Increase/(Decrease) in payables		14,639,735	(84,817,920)
Increase in levies and fees received in advance		2,387,295	2,380,749
Increase in provisions		24,467,859	1,527,183
		20,341,983	**(31,004,804)**

	Note(s)	2023	2022

30. Taxation

The FSCA is exempt from income tax in terms of Section 10(1) (cA)(i)(bb) of the Income Tax Act, 1962 (Act No. 58 of 1962)

31. Commitments

Authorised capital expenditure

	2023	2022
Already contracted for but not provided for		
• Property, plant and equipment	2,498,739	21,959,512
Not yet contracted for and authorised		
• Property, plant and equipment	29,071,235	13,834,979
• Intangible assets	130,870,666	142,204,861
	159,941,901	**156,039,840**
Total capital commitments		
Already contracted for but not provided for	2,498,739	21,959,512
Not yet contracted for and authorised	159,941,901	156,039,840
	162,440,640	**177,999,352**

Operating leases commitments

	2023	2022
Minimum lease payments due for Block B		
- within one year	26,867,881	44,041,311
- in second to fifth year inclusive	-	26,867,881
	26,867,881	**70,909,192**
Minimum lease payments due for Block C-2nd floor		
- within one year	3,412,410	5,597,075
- in second to fifth year inclusive	-	3,412,410
	3,412,410	**9,009,485**

	Note(s)	2023	2022

31. Commitments (continued)

	Note(s)	2023	2022
Minimum lease payments due for Block C Ground & 1st floor			
- within one year		7,877,632	12,795,244
- in second to fifth year inclusive		-	7,877,632
		7,877,632	**20,672,876**
Minimum lease payments due for Block C 3rd floor			
- within one year		2,447,311	3,983,304
- in second to fifth year inclusive		-	2,447,311
		2,447,311	**6,430,615**

Office equipment leases

The FSCA leases some of its office equipment through National Treasury's transversal contract. The period of the lease is 36 months with no escalations attached to the lease agreement

	Note(s)	2023	2022
Minimum lease payments due			
- within one year		312,058	699,079
- in second to fifth year inclusive		58,994	371,051
		371,052	**1,070,130**

32. Contingent liabilities

The FSCA has no contingent liabilities

33. Assets administered on behalf of third parties

In terms of Section 82(4) of the Financial Markets Act 19 of 2012, amounts recovered by the FSCA from civil action activities are transferred to a special trust account designated for this purpose, as such recoveries do not form part of thenormal operating activities of the FSCA. The balance of the Insider Trading account at the end of the year was R5 588 708 (2022: R5 321 928)

	Note(s)	2023	2022

34. Change in estimate

Impact of changes in accounting estimate			
Increase in net surplus		4,298,412	1,144,325
Decrease in depreciation of property, plant and equipment		(2,930,490)	(918,476)
Decrease in amortisation on intangible assets		(1,367,922)	(225,849)
		-	-

In the current year management re-assessed the remaining useful lives and residual values of property, plant and equipment and intangible assets. The change in estimate is applied prospectively. The effect of this assessment has decreased the depreciation and amortisation charges in the current period and increased the depreciation and the amortisation charges for future periods by R2 930 490 R (2022: R918 476) and R1 367 922 (2022: R225 849) respectively

35. Irregular expenditure

Opening balance as previously reported		1,046,782	1,005,613
		-	-
Add: Irregular Expenditure - current		-	1,046,782
Less: removed in the prior year		-	(1,005,613)
Less: condoned in the current period		(1,046,782)	-
Closing balance		-	**1,046,782**

2023: The irregular expenditure relates to the renewal of software licences with the Original Equipment Manufacturer (OEM). A conditional award was made to the bidder regarding its tax affairs before a purchase order could be issued. The bidder subsequently complied with all the terms and conditions at the time the purchase order was issued.

The FSCA derived value from the services and there was no financial loss or criminality identified during the investigation. As a result the Accounting Authority condoned the irregular expenditure in line with the irregular expenditure framework.

36. Comparative figures

Tribunal expenses

Management decided to present the Tribunal expenses line item on the face of the statement of financial performance separately from the advisory and other committee fees. This reclassification is aimed to improve the disclosure and fair presentation of the expenses. The reclassification has resulted in a decrease in the advisory and committee fees and an increase in the Tribunal expenses by R15 731 199 (2022: R11 480 208) . There is no impact on the net cash flows from operating activities and the cash and cash equivalents at the end of the prior year.

36. Comparative figures (continued)

Other general expenses

Management decided to expand the disclosure of other operating expenses in note 27. This is aimed at improving and providing more detailed disclosure on material expenses in order to achieve fair presentation. There is no impact on the net cash flows from operating activities and the cash and cash equivalents at the end of the prior year.

37. Service received in-kind

The FSCA received services in kind in the form of free training from various organisations which are not significant to operations.

38. Budget differences

Material differences between budget and actual amounts

The budgetary basis and classification adopted are the same as those applied in the preparation of the financial statements.

The approved budget covers the period from 1 April 2022 to 31 March 2023. Included in the budget are contributions made towards the funding of the offices of the Ombud of the Financial Services Providers and Pension Funds Adjudicator.

Revenue from exchange transaction

The favourable variance to budget is mainly as a result of interest from investment and other income not budgeted for.

Revenue from non- exchange transactions

The unfavourable variance to budget is mainly as a result of annual levy increases being lower than budget.

Advisory and other committee fees

The favourable variance is due to the number of meetings being less than anticipated.

Depreciation and Amortisation

The favourable variance is due to the deferment in the procurement of budgeted assets as well as the changes in the remaining useful life estimates.

38. Budget differences (continued)

Legal fees

The unfavourable variance is mainly due to the number of cases being higher than budgeted.

Governance committee fees

The favourable variance is mainly due to number of meetings being less than anticipated.

Other operating expenses

The favourable variance is mainly due to lower computer support and licences costs.

Professional and consulting fees

The favourable variance is due to less outsourcing of activities than anticipated in the year under review.

Impairment loss

Impairment losses are not budgeted for due to the uncertainty surrounding the recoverability of receivables.

Fair value adjustment

The fair value adjustment relates to the portfolio earmarked for the post-retirement medical fund liability which is not budgeted due to unpredictable changes in the market.

Post Retirement Medical Aid fund expense

The post-retirement medical aid fund expense is not budgeted for as it is dependent on the annual actuarial valuation.

Tribunal Expenses

The unfavourable variance is due to the increase in the attendance and activities of the Tribunal.

39. Events after reporting date

Post financial year end, The Financial Sector and Deposit Insurance Levies Act 11 of 2022 (Levies Act) was promulgated effective 1 April 2023 in line with the Fiancial Sector Regulations Act. The transitions from Government Gazette No. 46834: Levies on Financial Institutions to the new Levies Act will not significantly impact revenue, cash flow and operations of the FSCA

40. Deviations from supply chain management regulations

Deviations from normal procuremnet processes were mainly for the renewal of original equipment manufacturer (OEM) software licences

Deviations	Reason for deviation	Service Provider	Amount
Hyperconverged Infrastructure solution	Multi source	Ubuntu Technology (Pty) Ltd	23,562,953
Sage system implementation, licensing, maintenance, and support services for a period of five (5) year	Multi source	Acc Tech 4sight Africa JV	13,251,389
Gartner subscription services for advisory	Single source	Gartner South Africa	12,164,060
Renewal of Microsoft EA for software licenses	Sole source	Microsoft Ireland Operations Ltd	10,987,250
Magic Development contract resources for 3 years	Sole source	Magix Integration (Pty) Ltd	8,645,539
Renewal of checkpoint firewall software licences, maintenance and support for a period of three (3) years	Multi source	Chimera Holdings (Pty) Ltd	7,400,863
Advisory services to support the risk management priorities and initiatives	Single source	Gartner South Africa (Pty) Ltd	3,058,460
Renewal of Mcafee licenses, maintenance and support	Multi source	Cyber1 Solutions (Pty) Ltd	2,058,906
Renewal of Sigma Link licenses, support and maintenance for a period of three years	Sole source	Electronic Supply Chain and Procurement Enterprise (Pty) Ltd	1,908,949
IDU licenses, support and maintenance for a period of three years	Sole source	IDU Software (Pty) Ltd	1,868,199
Onkey licenses, support and maintenance period of three years	Sole source	Pragma (Pty) Ltd	1,855,038
Managed backup management services	Multi source	Data Management Professionals South Africa (Pty) Ltd	1,607,700
Renewal of annual subscription of Microsoft Teams Phone software licenses	Sole source	Microsoft Ireland Operations Ltd	1,583,234
Financial Sector Conduct Authority (FSCA) Money Smart Week South Africa (MSWSA) Campaign Radio interviews	Single source	SABC	1,041,120
			90,993,660

40. Deviations from supply chain management regulations (continued)

Variations	Reason for variation	Original contract value	Value of contract variation	Value of previous extensions	Extension %
BrandsEye Consulting (Pty) Ltd	Increase in usage volumes	5,977,833	896,675	-	15.00 %
Sizwe IT group (Pty) Ltd	Readvertisement of tender	233,439	86,588	28,802	49.43 %
		6,211,272	**983,263**	**28,802**	**64.43 %**

Part G

PFMA Compliance **Report**

1. Irregular, Fruitless and Wasteful Expenditure and Material Losses

Irregular expenditure

a. Reconciliation of irregular expenditure

Description	2022/23 R'000	2021/22 R'000
Opening balance	1,046,782	1,005,613
Add: Irregular expenditure confirmed	-	1,046,782
Less: Irregular expenditure condoned	(1,046,782)	-
Less: Irregular expenditure not condoned and removed	-	(1,005,613)
Less: Irregular expenditure recoverable	-	-
Less: Irregular expenditure not recovered and written off	-	-
Closing balance	**-**	**1,046,782**

2023: The irregular expenditure relates to the renewal of software licenses with the Original Equipment Manufacturer (OEM). A conditional award was made to the bidder regarding its tax affairs before a purchase order could be issued. The bidder subsequently complied with all the terms and conditions at the time the purchase order was issued. The FSCA derived value from the services and there was no financial loss or criminality identified during the investigation. As a result the Accounting Authority condoned the irregular expenditure in line with the irregular expenditure framework.

Reconciling notes

Description	2022/23 R'000	2021/22 R'000
Irregular expenditure that was under assessment	-	-
Irregular expenditure that relates to 2021/22 and identified in 2022/23	-	-
Irregular expenditure for the current year	-	1,046,782
Total	**-**	**1,046,782**

Details of current and previous year's irregular expenditure (under assessment, determination, and investigation)

Description	2022/23 R'000	2021/22 R'000
Irregular expenditure under assessment	-	-
Irregular expenditure under determination	-	-
Irregular expenditure under investigation	-	-
Total	**-**	**-**

b. Details of current and previous year irregular expenditure condoned

Description	2022/23 R'000	2021/22 R'000
Irregular expenditure condoned	1,046,782	-
Total	**1,046,782**	**-**

During the 2022/23 financial period, the Accounting Authority condoned certain expenditure previously recognised as irregular expenditure.

c. Details of current and previous year's irregular expenditure removed (not condoned)

Description	2022/23 R'000	2021/22 R'000
Irregular expenditure not condoned and removed	-	1,005,613
Total	**-**	**1,005,613**

d. Details of current and previous year's irregular expenditure recovered

Description	2022/23 R'000	2021/22 R'000
Irregular expenditure recovered	-	-
Total	**-**	**-**

e. Details of current and previous year's irregular expenditure written off (irrecoverable)

Description	2022/23 R'000	2021/22 R'000
Irregular expenditure written off	-	-
Total	**-**	**-**

Additional disclosure relating to inter-institutional arrangements

f. Details of non-compliance cases where an institution is involved in an inter-institutional arrangement (where such institution is not responsible for the non-compliance)

Description
N/A
Total

g. Details of non-compliance cases where an institution is involved in an inter-institutional arrangement (where such institution is responsible for the non- compliance)

Description	2022/23 R'000	2021/22 R'000
N/A		
Total		

h. Details of current and previous year's disciplinary, or criminal steps, taken as a result of irregular expenditure

Disciplinary steps taken
No disciplinary steps were instituted as the FSCA derived value from the services and there was no financial loss or criminality identified during the investigation. As a result the Accounting Authority condoned the irregular expenditure in line with the irregular expenditure framework.

2. Fruitless and wasteful expenditure

a. Reconciliation of fruitless and wasteful expenditure

Description	2022/23 R'000	2021/22 R'000
Opening balance	-	-
Add: Fruitless and wasteful expenditure confirmed	-	-
Less: Fruitless and wasteful expenditure written off	-	-
Less: Fruitless and wasteful expenditure recoverable	-	-
Closing balance	**-**	**-**

No fruitless and wasteful expenditure was incurred during the 2022/23 reporting year.

Reconciling notes

Description	2022/23 R'000	2021/22 R'000
Fruitless and wasteful expenditure that was under assessment in 2021/22	-	-
Fruitless and wasteful expenditure that relates to 2021/22 and identified in 2022/23	-	-
Fruitless and wasteful expenditure for the current year	-	-
Total	**-**	**-**

b. Details of current and previous year's fruitless and wasteful expenditure (under assessment, determination, and investigation)

Description	2022/23 R'000	2021/22 R'000
Fruitless and wasteful expenditure under assessment	-	-
Fruitless and wasteful expenditure under determination	-	-
Fruitless and wasteful expenditure under investigation	-	-
Total	**-**	**-**

c. Details of current and previous year's irregular and wasteful expenditure recovered

Description	2022/23 R'000	2021/22 R'000
Fruitless and wasteful expenditure recovered	-	-
Total	**-**	**-**

d. Details of current and previous year's fruitless and wasteful expenditure not recovered and written off

Description	2022/23 R'000	2021/22 R'000
Fruitless and wasteful expenditure written off	-	-
Total	**-**	**-**

e. Details of current and previous year's disciplinary, or criminal, steps taken as a result of fruitless and wasteful expenditure

Disciplinary steps taken
N/A

3. Additional disclosure relating to material losses in terms of PFMA Section 55(2)(b)(i) & (iii))

a. Details of current and previous year material losses through criminal conduct

Material losses through criminal conduct	2022/23 R'000	2021/22 R'000
Theft	-	-
Other material losses	-	-
Less: Recovered	-	-
Less: Not recovered and written off	-	-
Total	**-**	**-**

No material losses were experienced during the 2022/23 reporting period.

b. Details of other material losses

Nature of other material losses	2022/23 R'000	2021/22 R'000
None	-	-
Total	**-**	**-**

c. Other material losses recovered

Nature of losses	2022/23 R'000	2021/22 R'000
None	-	-
Total	**-**	**-**

d. Other material losses written off

Nature of losses	2022/23 R'000	2021/22 R'000
None	-	-
Total	**-**	**-**

SUPPLY CHAIN MANAGEMENT

1. Procurement by other means

Project description	Name of supplier	Type of procurement by other means	Contract number	Value of contract R'000
Hyperconverged Infrastructure solution	Ubuntu Technology (Pty) Ltd	Multi source	FSCA202223-BAC009/DM005	23,562,953
Sage system implementation, licensing, maintenance, and support services for a period of five (5) year	Acc Tech 4sight Africa JV	Multi source	FSCA202223-BAC007/DM002	13,251,389
Gartner subscription services for advisory	Gartner South Africa	Single source	FSCA202223-BAC015	12,164,060
Renewal of Microsoft EA for software licenses	Microsoft Ireland	Sole source	FSCA202223-BAC016	10,987,250
Magic Development contract resources for 3 years	Magix Integration (Pty) Ltd	Sole source	FSCA202223-BAC011	8,645,539
Renewal of checkpoint firewall software licences, maintenance and support for a period of three (3) years	Chimera Holdings (Pty) Ltd	Multi source	FSCA202223-BAC004/DM004	7,400,863
Advisory services to support the risk management priorities and initiatives	Gartner South Africa (Pty) Ltd	Single source	FSCA202223-BAC006	3,058,460
Renewal of Mcafee licenses, maintenance and support	Cyber1 Solutions (Pty) Ltd	Multi source	FSCA202223-BAC003-DM006	2,058,906
Renewal of Sigma Link licenses, support and maintenance for a period of three years	Electronic Supply Chain and Procurement Enterprise (Pty) Ltd	Sole source	FSCA202223-BAC013	1,908,949
IDU licenses, support and maintenance for a period of three years	IDU Software (Pty) Ltd	Sole source	FSCA202223-BAC012	1,868,199
Onkey licenses, support and maintenance period of three years	Pragma (Pty) Ltd	Sole source	FSCA202223-BAC012	1,855,038
Managed backup management services	Data Management Professionals South Africa (Pty) Ltd	Multi source	FSCA202223-BAC005/DM001	1,607,700

Project description	Name of supplier	Type of procurement by other means	Contract number	Value of contract R'000
Renewal of annual subscription of Microsoft Teams Phone software licenses	Microsoft Ireland Operations Ltd	Sole source	FSCA202223-BAC001	1,583,234
Financial Sector Conduct Authority (FSCA) Money Smart Week South Africa (MSWSA) Campaign Radio interviews	SABC	Single source	FSCA202223-BAC002	1,041,120
Total				**90,993,660**

2. Contract variations and expansions

Project description	Name of supplier	Contract modification type (expansion or variation)	Contract number	Original contract value R'000	Value of previous contract expansion/s or variation/s (if applicable) R'000	Value of current contract expansion or variation R'000
Data Analysis Subscription Service	BrandsEye Consulting (Pty) Ltd	Increase in usage volumes	FSCA1920-SLA42	5,977,833	-	6,874,508
Maintenance and support of network	Sizwe IT group (Pty) Ltd	Readvertisement of tender	FSCA2021/22-SLA033	233,439	28,802	348,829
Total				**6,211,272**	**28,802**	**7,223,337**

Part H

Annual Performance **Report**

Annual performance report for the year ended 31 March 2023

The FSCA successfully implemented a new organisational design, moving from a sector regulator to a functionally structured conduct regulator, and established the technological foundation. Significant progress was made in developing regulatory frameworks, especially to fill regulatory gaps and to develop new supervisory approaches.

The table below sets out the outcomes/strategic objectives, performance indicators and planned targets as specified in the FSCA Annual Performance Plan (APP) 2022/23, and actual performance for the year.

The FSCA's mandate includes ensuring that its regulatory and supervision standards are in line with international standards.

For the 2022/23 financial year, the organisation had 67 (sixty-seven) APP targets. Of these, 46% (forty-six) targets were achieved.

1. Strategic objective 1: Improve industry practices to achieve fair outcomes for financial customers.

Purpose: To ensure that financial institutions suitably prioritise the needs of their customers and high standards of conduct

Outcome	Output	Output indicator	Audited actual performance 2022/21	Audited actual performance 2021/22	Planned annual target 2022/23	**Actual achievement 2022/23	Deviation from planned target to actual achievement 2022/23	Reasons for deviations
Good conduct and TCF principles embedded in financial institutions	Approved regulation plan	Date of approval of 3-year regulation plan	New initiative	New initiative	3-year regulation plan approved by 30 April 2022	Not achieved 3-year regulation plan approved on 30 May 2022	-1 month	The Regulation Plan's complexity necessitated lengthy internal consultation, which made the approval process longer than anticipated. Additionally, consultations necessitated substantial document refinement.
		Percentage achievement of annual targets in the regulation plan	New initiative	New initiative	85% of annual targets achieved	Not Achieved 80.6% of annual targets achieved.	-4.4%	The department's capacity to advance and complete the instruments within the specified deliverable dates was hampered by third party dependencies.
	Publication of abbreviated version of regulation plan	Date of publication of abbreviated version of regulation plan	New initiative	New initiative	Publication by 30 June 2022	Achieved Publication on 30 June 2022	N/A	N/A

Outcome	Output	Output indicator	Audited actual performance 2022/21	Audited actual performance 2021/22	Planned annual target 2022/23	**Actual achievement 2022/23	Deviation from planned target to actual achievement 2022/23	Reasons for deviations
Good conduct and TCF principles embedded in financial institutions	Approved combined supervisory plan	Date of approval of the combined risk-based supervisory plan	New Initiative	New initiative	Combined risk-based supervisory plan approved by 1 April 2022	Achieved Combined risk-based supervisory plan approved on 1 April 2022	N/A	N/A
		Percentage of combined supervisory plan implemented across the FSCA	New initiative	New initiative	80% of combined supervisory plan implemented	Achieved 89.10%	+9.10%	To improve operational efficiencies, the department made the best use of internal resources.
	Statutory returns analysed	Percentage of statutory returns and conduct related reporting received in structured format analysed	New initiative	New initiative	50% of received statutory returns and reporting analysed	Achieved 84% of received statutory returns and reports analysed.	+34%	Investment providers (IP) and financial advisors and intermediaries (FAI) departments streamlined their processes to increase resource capacity.

Outcome	Output	Output indicator	Audited actual performance 2022/21	Audited actual performance 2021/22	Planned annual target 2022/23	**Actual achievement 2022/23	Deviation from planned target to actual achievement 2022/23	Reasons for deviations
Good conduct and TCF principles embedded in financial institutions	Small business regulatory support workshops/ webinars conducted	Number of small business regulatory education and support workshops/ webinars conducted	New initiative	New initiative	20 webinars/ workshops conducted	Achieved 52 webinars/ workshops conducted	+32 webinars/ workshops	More workshops were requested by stakeholders.
	Financial customer experience and suitability of financial products and services tracked	Number of mystery shopping exercises or focus group discussions conducted	New initiative	New initiative	4 mystery shopping exercises or focus groups discussions conducted	Achieved 4 mystery shopping exercises or focus groups discussions conducted	N/A	N/A
		Number of surveys conducted through syndicate membership	New initiative	New initiative	1 survey conducted by 31 March 2023	Achieved 1 survey conducted through syndicate membership by 31 March 2023	N/A	N/A

Outcome	Output	Output indicator	Audited actual performance 2022/21	Audited actual performance 2021/22	Planned annual target 2022/23	**Actual achievement 2022/23	Deviation from planned target to actual achievement 2022/23	Reasons for deviations
Good conduct and TCF principles embedded in financial institutions		Date of appointment of the Consumer Advocacy Panel	New initiative	New initiative	Consumer Advocacy Panel appointed by 31 March 2023	Achieved Consumer Advocacy Panel appointed by 31 March 2023	N/A	N/A
	Final policy for the identification and return of unclaimed assets and lost account across the financial sector published	Date draft policy on lost accounts and unclaimed assets is published	New initiative	New initiative	Publish draft policy report on lost accounts and unclaimed assets by 30 June 2022	Not Achieved Publication was published on 21 September 2022	-2.5 months	Intense stakeholder interest meant more stakeholder reviews and comments than anticipated, in turn meaning that the draft policy required substantial refinement. Inclusive consultation is essential in this matter of critical public interest.

Outcome	Output	Output indicator	Audited actual performance 2022/21	Audited actual performance 2021/22	Planned annual target 2022/23	**Actual achievement 2022/23	Deviation from planned target to actual achievement 2022/23	Reasons for deviations
Conduct risks mitigated	Report on emerging and systemic conduct risk	Number of reports published on emerging and systemic conduct risk	New initiative	New initiative	Publish 1 report on emerging and systemic conduct risk by 31 March 2023	Achieved 1 report published on emerging and systemic conduct risk by 31 March 2023	N/A	N/A
	Thematic reviews of financial customer risks	Number of market studies or industry reviews on financial customer risks	New initiative	New initiative	1 market study or industry review 31 December 2022	Achieved 1 market study or industry review 31 December 2022.	N/A	N/A
		Number of publications on customers risks	New initiative	New initiative	1 publication (crypto assets) by 31 March 2023	Achieved 1 publication (crypto assets) by 31 March 2023	N/A	N/A

2. Strategic objective 2: Act against misconduct to support confidence and integrity in the financial sector.

Purpose: To build trust in the financial sector so that it is effectively leveraged for economic development

Outcome	Output	Output indicator	Audited actual performance 2020/21	Audited actual performance 2021/22	Planned annual target 2022/23	**Actual achievement 2022/23	Deviation from planned target to actual achievement 2022/23	Reasons for deviations
Improved trust in financial sector	Surveillance reports on misconduct, unregistered entities and scams	Number of surveillance reports produced	New Initiative	New Initiative	4 surveillance reports produced per annum	Achieved 4 surveillance reports produced per annum	N/A	N/A
	Report on cases completed within the required timeframes	Percentage of cases completed within the timeframes as per the case selection policy and framework		80% of cases completed within the timeframes as per the case selection policy and framework	80% of cases completed within the timeframes as per the case selection policy and framework	Not Achieved 76.5% of cases completed within the timeframes as per the case selection policy and framework	-3.5%	The Enforcement Department had an influx of a number of regulatory examination fraud cases to investigate. This was due to the prevalence of identity fraud and certificate fraud relating to regulatory exams that permeated the financial services industry. These investigations had to be prioritised, as a result they had an impact on productivity.

Outcome	Output	Output indicator	Audited actual performance 2020/21	Audited actual performance 2021/22	Planned annual target 2022/23	**Actual achievement 2022/23	Deviation from planned target to actual achievement 2022/23	Reasons for deviations
Improved trust in financial sector	Inspections on money laundering and FICA compliance	Percentage of planned inspections conducted on money laundering and FICA compliance	New initiative	New initiative	80% of planned inspections conducted	Achieved 100% of planned inspections conducted on money laundering and FICA compliance	+20% inspections	There was a request to conduct a joint inspection with the Prudential Authority.
	Regulatory information of supervised entities analysed	Percentage of regulatory information of prudentially supervised entities analysed	New initiative	New initiative	65% of regulatory information of prudentially supervised entities analysed	Achieved 65% of planned inspections conducted	N/A	N/A
	New regulation for financial benchmarks introduced	Date of publication of the revised Conduct Standard on Financial Benchmarks	New initiative	Draft Conduct Standard on Financial Benchmarks published by 31 March 2022	Revised Conduct Standard on Financial benchmarks published by 30 November 2022	Achieved Revised Conduct Standard on Financial Benchmarks published by 30 November 2022	N/A	N/A

Outcome	Output	Output indicator	Audited actual performance 2020/21	Audited actual performance 2021/22	Planned annual target 2022/23	**Actual achievement 2022/23	Deviation from planned target to actual achievement 2022/23	Reasons for deviations
Improved trust in financial sector	Published Joint Standards - Exemption Criteria for external CCPs, TRs and CSD links for public comment	Date of publication of the draft Joint Standard - Exemption Criteria for external CCPs, TRs and CSD links for public comment	New initiative	New initiative	Publication of draft Joint Standard - Exemption Criteria for external CCPs, TRs and CSD links for public comment by 30 June 2022	Not Achieved Publication of Joint Standard - Exemption Criteria for external CCPs, TRs and CSD links for public comment took place on 21 August 2022	-1 month	Review of the standard gave rise to more document refinement to ensure uniformity and alignment.
	Published Equivalence Framework	Date of publication of draft Equivalence Framework	New initiative	New initiative	Publication of draft Equivalence Framework by 30 June 2022	Not achieved Publication of draft Equivalence Framework did not take place by 30 June 2022	No achievement as at 31 March 2023	Following the public comment process, the framework was extended to include credit rating agencies (CRAs) and over the counter derivatives (ODPs). Furthermore, the framework required substantial refinement and alignment.

Outcome	Output	Output indicator	Audited actual performance 2020/21	Audited actual performance 2021/22	Planned annual target 2022/23	**Actual achievement 2022/23	Deviation from planned target to actual achievement 2022/23	Reasons for deviations
Improved trust in financial sector	Published determination setting requirements relating to external CCP or external TR licence	Date of publication of draft determination setting requirements relating to external CCP or external TR licence applications	New initiative	New initiative	Publication of draft determination setting requirements relating to external CCP or external TR licence by 30 June 2022	Not achieved Publication of draft determination setting requirements relating to external CCP or external TR licence did not take place by 30 June 2022	No achievement as at 31 March 2023	Review of the determination framework gave rise to more document refinement to ensure uniformity and alignment with dependency processes. This process relied on completion of the Equivalence Framework.
	Approved list of indicators for measuring trust in the financial sector	Date by when the indicators for measuring trust in the financial sector are identified and approved	New initiative	New initiative	Identified indicators that will be used to measure trust in the financial sector approved by 31 March 2023	Achieved Identified indicators that will be used to measure trust in the financial sector were approved by 31 March 2023	N/A	N/A

3. Strategic objective 3: Promote the development of an innovative, inclusive and sustainable financial system.

Purpose: To support the development of a competitive financial sector that provides sustainable, innovative and appropriate financial services and products to all

Outcome	Output	Output indicator	Audited actual performance 2020/21	Audited actual performance 2021/22	Planned annual target 2022/23	**Actual achievement 2022/23	deviation from planned target to actual achievement 2022/23	Reasons for deviations
Transformation in the financial sector supported	Published FSCA Financial Sector Transformation Strategy	Date of publication for the Financial Sector Transformation Strategy	New initiative	New initiative	Publication of the Financial sector Transformation Strategy by 31 December 2022	Not Achieved Financial sector Transformation Strategy published on 30 March 2023	-3 months	The consultation process of the revised strategy took longer than anticipated. This process entailed public and Exco consultations.
	Signed MoU with strategic transformation partners	Number of MoU signed with strategic transformation partners	New initiative	New initiative	1 MoU signed with a strategic transformation partner by 31 March 2023	Not Achieved No MoU signed with strategic transformation partner by 31 March 2023	No achievement as at 31 March 2023	The commissioner of the strategic transformation partner was only appointed recently, delaying the MoU finalisation process.

Outcome	Output	Output indicator	Audited actual performance 2020/21	Audited actual performance 2021/22	Planned annual target 2022/23	**Actual achievement 2022/23	deviation from planned target to actual achievement 2022/23	Reasons for deviations
Financial inclusion of low-income households and small businesses deepened	Research reports/thought leadership pieces	Number of research reports/thought leadership pieces	New initiative	New initiative	1 research report/thought leadership piece by 31 December 2022	Achieved 1 research report/thought leadership piece by December 2022	N/A	N/A
	Resolution of test cases in Regulatory Sandbox	Percentage of test cases resolved within 12 months of defining Regulatory Sandbox parameters	New initiative	New initiative	80% of test cases resolved within 12 months of defining Regulatory Sandbox parameters	Achieved 100 % of test cases resolved within 12 months of defining the parameters	+20%	Only one case was allocated and resolved.

Outcome	Output	Output indicator	Audited actual performance 2020/21	Audited actual performance 2021/22	Planned annual target 2022/23	**Actual achievement 2022/23	deviation from planned target to actual achievement 2022/23	Reasons for deviations
Financial inclusion of low-income households and small businesses deepened	Achieved Innovation Accelerator projects	Percentage achievement of the targets in the Innovation Accelerator annual plan	New Initiative	90% of annual targets achieved	85% of annual targets achieved	Not Achieved 0% of annual targets achieved	-85%	The Innovation Accelerator initiatives timelines were impacted by the EXCO approved ICT freeze which was in effect during 2022 within the FSCA as a result of reprioritisation due to the Collection of Beneficial Ownership project.
Greater competition and contestability in the financial sector enabled	Conduct Standard for Exchanges published	Publishing date of Draft Conduct Standard for Exchanges	New initiative	New initiative	Draft Conduct Standard for Exchanges published by 30 November 2022	Not Achieved Draft Conduct Standard for Exchanges not published by 30 November 2022.	No achievement as at 31 March 2023	After consideration of public comments on the 1st draft of the Conduct Standard, the scope was significantly expanded to apply to other types of financial market infrastructures.

Outcome	Output	Output indicator	Audited actual performance 2020/21	Audited actual performance 2021/22	Planned annual target 2022/23	**Actual achievement 2022/23	deviation from planned target to actual achievement 2022/23	Reasons for deviations
Greater competition and contestability in the financial sector enabled	Position paper on Open Finance published	Date of publication of draft position papers on Open Finance	New initiative	New initiative	Draft position paper on open finance published by 31 March 2023	Achieved Draft position paper on open finance published by 31 March 2023.	N/A	N/A
	Signed MoU with Competition Commission	Date MoU is signed with Competition Commission	New initiative	New initiative	MoU signed with Competition Commission by 31 March 2023	Not Achieved MoU not signed with Competition Commission by 31 March 2023	No achievement as at 31 March 2023	The Commissioner of the Competition Commission was only appointed recently, delaying the MoU finalisation process.
Sustainable finance and investment fostered	Approach to sustainable finance and investment developed	Publishing date for draft report on sustainable finance and investment	New initiative	New initiative	Draft report on sustainable finance and investment published by 31 March 2023	Achieved Draft report (statement) on sustainable finance and investment published by 31 March 2023	N/A	N/A

4. Strategic objective 4: Empower households and small businesses to be financially resilient.

Purpose: To promote the financial wellbeing of households and small businesses

Outcome	Output	Output indicator	Audited actual performance 2020/21	Audited actual performance 2021/22	Planned annual target 2022/23	**Actual achievement 2022/23	Deviation from planned target to actual achievement 2022/23	Reasons for deviations
Financial customers empowered to make better and more informed financial decisions	Financial decision-making and education tools and resources developed	Number of financial education tools made available and financial resources developed	New initiative	New initiative	1 feasibility assessment of financial education app conducted	Achieved 1 Feasibility assessment of financial education application conducted by 31 March 2023	N/A	N/A
			New initiative	New initiative	1 hackathon for digital financial education	Not Achieved 0 hackathon for digital financial education by 31 March 2023	-1 Hackathon	There was a material error in the request for quotation after the initial round of advertisements which led to the re-advertisement and appointment of the service provider for the facilitation of the hackathon later than anticipated.
			18 resources developed	5 resources developed	2 new resources developed	Achieved 21 new resources developed by 31 March 2023	+19 new resources developed	Funding for additional 20 infographic resources were approved after targets were finalised.

Outcome	Output	Output indicator	Audited actual performance 2020/21	Audited actual performance 2021/22	Planned annual target 2022/23	**Actual achievement 2022/23	Deviation from planned target to actual achievement 2022/23	Reasons for deviations
Financial customers empowered to make better and more informed financial decisions	Consumer and investor awareness on emerging financial education matters	Number of engagements about emerging financial education matters	6 community radio campaigns	8 community radio campaigns	2 community radio campaigns	Achieved 3 Community radio campaign	+1 Community radio campaigns	The FSCA secured slots with one or more community station located in the Vaal area
			1 Money Smart Week	1 Money Smart Week	1 Money Smart Week	Achieved 1 Money Smart Week	N/A	N/A
			3 Social Media Postings Reports	N/A	2 social media campaigns	Achieved 4 social media campaigns by 31 March 2023	+2 social media campaigns	There were additional crypto asset campaigns when FSCA declared crypto currencies a financial product, as well as additional Black Friday campaign. These additional campaigns responded to workshop participants request for more information

Outcome	Output	Output indicator	Audited actual performance 2020/21	Audited actual performance 2021/22	Planned annual target 2022/23	**Actual achievement 2022/23	Deviation from planned target to actual achievement 2022/23	Reasons for deviations
Financial customers empowered to make better and more informed financial decisions			1 speech competition	84 speech competition activities	1 National Financial Literacy Speech Competition	Not Achieved National Financial Literacy Speech Competition finals took place on 14 October 2022	-1 month	All districts and provincial finals took place within set dates; however, the national final was moved to Q3 at the request of provincial education departments, upon which the FSCA relies for implementation. The finals took place on 14 October 2022.
			38 workshops/ webinars	55 workshops/ webinars	50 workshops /webinars	Achieved 92 workshops / webinars	+42 workshops/ webinars	Additional workshops could be conducted with youth in Western Cape after funding was approved by the foundation in November 2022. It is noted that the approach to financial education is to do more activities, if possible, subject to available funding, which funding in this financial period is derived from sources other than FSCA levies and therefore is less predictable.

Outcome	Output	Output indicator	Audited actual performance 2020/21	Audited actual performance 2021/22	Planned annual target 2022/23	**Actual achievement 2022/23	Deviation from planned target to actual achievement 2022/23	Reasons for deviations
Financial customers empowered to make better and more informed financial decisions			New initiative	New initiative	3 rural outreach campaigns (mobile unit)	Achieved 6 rural outreach campaigns (mobile unit)	+3 rural outreach campaigns	The FSCA received requests for extra outreach campaigns and was able to respond to these through improved efficiencies.
			New initiative	New initiative	8 print/ broadcast media engagements	Achieved 11 Print/ broadcast media engagements	+3 media engagements	There was more interest in financial education matters due to increased alignment of education interventions with matters of public interest, for example supporting small businesses.
	Consumer vulnerability and financial literacy monitored	Date that draft Vulnerability Framework is published	New initiative	New initiative	Draft Vulnerability Framework published by 31 March 2023	Achieved Draft vulnerability framework published by 31 March 2023	N/A	N/A

Outcome	Output	Output indicator	Audited actual performance 2020/21	Audited actual performance 2021/22	Planned annual target 2022/23	**Actual achievement 2022/23	Deviation from planned target to actual achievement 2022/23	Reasons for deviations
Financial customers empowered to make better and more informed financial decisions		Number of financial literacy surveys conducted	New initiative	New initiative	1 HSRC financial literacy interim survey conducted by 31 December 2022	Not Achieved 0 HSRC financial literacy interim survey conducted by 31 December 2022.	No achievement as at 31 March 2023	Report delayed due to a need to verify and validate our analysis with an external independent academic which was not initially considered.

5. Strategic objective 5: Accelerate the transformation of the FSCA into a socially responsible, efficient, and responsive organisation.

Purpose : To strengthen trust in the FSCA through visibility and effectiveness

Outcome	Output	Output indicator	Audited actual performance 2020/21	Audited actual performance 2021/22	Planned annual target 2022/23	**Actual achievement 2022/23	Deviation from planned target to actual achievement 2022/23	Reasons for deviations
Operational excellence embedded across all functions of the FSCA	Enhanced compliance, governance and socially responsible practices	Clean AGSA audit opinion	Clean AGSA audit opinion obtained	Clean AGSA audit opinion maintained	Maintain clean AGSA audit opinion	Achieved Maintain clean AGSA audit opinion	N/A	N/A
	Paid supplier invoices	Percentage of suppliers' invoices paid within 30 days	Paid 91% of valid suppliers' invoices within 30 days	Pay 100% of valid suppliers' invoices within 30 days	Pay 100% of valid suppliers' invoices within 30 days	Not Achieved Paid 89% of valid suppliers' invoices paid within 30 days	-11%	Q3 saw the upgrade of the accounting package and the introduction of new workflow system for the capturing and approval of transactions. There were challenges with the workflow system as well as delays in the receipt of supplier invoices, which resulted in the non-achievement of the target.

Outcome	Output	Output indicator	Audited actual performance 2020/21	Audited actual performance 2021/22	Planned annual target 2022/23	**Actual achievement 2022/23	Deviation from planned target to actual achievement 2022/23	Reasons for deviations
Operational excellence embedded across all functions of the FSCA	Published Statement of Intent.	Date of publication of Statement of Intent in relation to sustainability	New initiative	New initiative	Statement of Intent in relation to sustainability is published by 31 March 2023	Achieved Statement of Intent in relation to sustainability is published by 31 March 2023	N/A	N/A
	Published partial sections of the integrated report	Date partial sections of the integrated report is published	New initiative	New initiative	Partial sections of the integrated report published by 31 March 2023	Not Achieved Partial sections of the integrated report not published by 31 March 2023	No achievement as at 31 March 2023	Reporting for the 2022/23 financial year still in progress and the integrated report to be produced upon finalisation of the audit.
	Re-engineered and digitally enabled customer-facing processes	Percentage identified customer processes re-engineered and digitally enabled	New initiative	New initiative	10% of identified customer processes re-engineered and digitally enabled	Achieved 17% of processes re-engineered and digitally enabled by 31 March 2023	+7%	The improvement of customer facing processes was prioritised with the intent of accelerating digital transformation, which in turn was going to improve customer experience and internal operational efficiencies.

Outcome	Output	Output indicator	Audited actual performance 2020/21	Audited actual performance 2021/22	Planned annual target 2022/23	**Actual achievement 2022/23	Deviation from planned target to actual achievement 2022/23	Reasons for deviations
Operational excellence embedded across all functions of the FSCA	Improved service level commitments (SLC)	Percentage improvement in percentage of SLCs	New initiative	New initiative	2% improvement in 40% of SLCs	Not Achieved 31.52% of SLCs improved by more than 2%	-8.48% of SLCs improved	CoB: Insurance related SLCs were re-engineered resulting in new baselines. LBC: In standardising SLCs, new baselines were developed.
Operational excellence embedded across all functions of the FSCA	Improved regulatory data	Percentage completeness, accuracy and validity of regulatory data	New initiative	New initiative	30% completeness 30% accuracy 30% validity	Achieved 67% completeness 85% accuracy 81% validity of regulatory profile data	+37% completeness +55% accuracy +51% validity	The portal used by regulated entities to update the data has been enhanced, allowing them opportunity and flexibility to capture and correct information whenever necessary. Regulated entities are now updating their data as and when they need to.
	Signed contract with IRS Project service provider	Date by which contract with a service provider for the IRS Project is signed	New initiative	Approval of the IRS Project Charter by the IRS Project Steering Committee by 31 March 2022	Signed contract with IRS service provider by 31 March 2023	Not Achieved No signed contract with IRS Project service provider by 31 March 2023	No achievement as at 31 March 2023	The tender required re-publication after the National Treasury Abeyance was lifted. The tender closed on 01 November 2022 and the evaluation is currently taking place.

Outcome	Output	Output indicator	Audited actual performance 2020/21	Audited actual performance 2021/22	Planned annual target 2022/23	**Actual achievement 2022/23	Deviation from planned target to actual achievement 2022/23	Reasons for deviations
Operational excellence embedded across all functions of the FSCA	Quarterly report on EE targets	Percentage achievement of FSCA EE targets	•50% female 50% males •2% employees with disabilities •90% employees from black group •10% from white group	•50% female 50% males •2% employees with disabilities •90% employees from black group •10% from white group	•50% female 50% males •2% employees with disabilities •90% employees from black group •10% from white group	Not Achieved • 55% female • 45% males • 1.5% employees with disabilities • 89% Black group – 80% African – 6% coloured – 3% Indian • 11% from white group	+5% female -5% male -.5% employees with disabilities -1% black group +1% white group	50% males & females : The appointments that took place were based on merit and where female employees fared better the best person was appointed. 2% employees with disabilities: The FSCA has had challenges with attracting employees from the designated group of people with disabilities (PWD). Where candidates applied – some did not meet the minimum requirements. 89% The population group lags by 1%. There has been a concerted effort to recruit candidates from the coloured designated group. 10% from white group: The target for the white constituency can only be addressed overtime due to either natural attrition or as more Coloured candidates are recruited for the approved vacancies.

Outcome	Output	Output indicator	Audited actual performance 2020/21	Audited actual performance 2021/22	Planned annual target 2022/23	**Actual achievement 2022/23	Deviation from planned target to actual achievement 2022/23	Reasons for deviations
Operational excellence embedded across all functions of the FSCA	Talent management report	Critical vacancy rate achieved	New initiative	New initiative	Achieve less than 10%	Achieved 8% critical vacancy rate	-2%	The Talent Management Strategy and training (that employees are being sent to attend) has enabled the business to have adequate cover for critical roles.
		Percentage succession cover in place for critical roles			90% succession cover in place for critical roles	Achieved 94% succession cover in place for critical roles	+4%	The training programmes in place have equipped employees with cross functional skills.
		Percentage employee engagement score			80% employee engagement score	Achieved 98% employee engagement score	+8%	The leadership of the organisation was active in encouraging all divisions to participate in the survey. The external service provider sent constant reminders to all staff.

Outcome	Output	Output indicator	Audited actual performance 2020/21	Audited actual performance 2021/22	Planned annual target 2022/23	**Actual achievement 2022/23	Deviation from planned target to actual achievement 2022/23	Reasons for deviations
FSCA recognised and trusted by financial institutions, financial customers financial sector ombuds and other financial sector regulators in South Africa and internationally	Enhanced communication about the role, functioning and positioning of the FSCA	Number of media engagements as per the Communication Strategy	New initiative	New initiative	Hold 8 broadcast media interviews by 31 March 2023	Achieved 8 broadcast media interviews held by 31 March 2023	N/A	N/A
			New initiative	New initiative	2 commissioner engagements with stakeholders by 31 March 2023	Achieved 2 commissioner engagements with stakeholders by 31 March 2023	N/A	N/A
			4 media round tables	4 media round tables	4 media round tables held	Achieved 4 media round tables held	N/A	N/A
			1 media survey	1 media survey	1 media survey	Achieved 1 media survey by 31 March 2023	N/A	N/A
			4 media monitoring reports	4 media monitoring reports	4 media monitoring reports	Achieved 4 media monitoring reports	N/A	N/A

Outcome	Output	Output indicator	Audited actual performance 2020/21	Audited actual performance 2021/22	Planned annual target 2022/23	**Actual achievement 2022/23	Deviation from planned target to actual achievement 2022/23	Reasons for deviations
FSCA recognised and trusted by financial institutions, financial customers financial sector ombuds and other financial sector regulators in South Africa and internationally			3 FSCA newsletters	4 FSCA newsletters	4 FSCA newsletters	Achieved 4 FSCA newsletters	N/A	N/A
			4 FSCA Our Voice	4 FSCA Our Voice	4 FSCA Our Voice	Achieved 4 FSCA Our Voice.	N/A	N/A
			New initiative	New initiative	Reduce bounce rate from 44.08% to 34% or below	Not achieved 10.06% drop of Bounce rate	-0.02%	The FSCA website has been revamped and users are still getting used to the new look.
	Thought leadership and industry coordination	Number of industry annual conference conducted	New initiative	New initiative	Hold 1 annual industry conference by 31 March 2023	Achieved 1 annual industry conference held	N/A	N/A
		Number of thought leadership pieces published	New initiative	New initiative	2 thought leadership pieces published	Achieved 2 thought leadership pieces published	N/A	N/A
		Number of seminars/ webinars or workshops	New initiative	New initiative	Hold 2 seminars/ webinars or workshops by 31 March 2023	Achieved 6 webinars	+4	Stakeholders requested more seminars

General **Information**

Block B Riverwalk Office Park
41 Matroosberg Road
Ashlea Gardens
Menlo Park, Pretoria
0002

PO Box 35655
Menlo Park
0102

Telephone: +2712 428 8000
Email: info@fsca.co.za
Home page: www.fsca.co.za

RP249/2023
ISBN:978-0-621-51379-0

Acronyms

AML	Anti-Money Laundering
ASISA	Association for Savings and Investments South Africa
B-BBEE	Broad-Based Black Economic Empowerment
CAR WG	Crypto Assets Regulatory Working Group
CBI	Contingent Business Interruption
CBR	Conduct of Business Return
CFI	Co-operative Financial Institution
CFO	Chief Financial Officer
CFT	Counter Financing of Terrorists
CIS	Collective Investment Schemes
CMS	Council for Medical Schemes
COB	Conduct of Business
CoFI	Conduct of Financial Institutions
CPD	Continuous Professional Development
CRA	Credit Rating Agency
COVID-19	Coronavirus Disease of 2019
ERP	Enterprise Resource Planning
ERM	Enterprise Risk Management
ESG	Environmental, Social and Governance
EVP	Employee Value Proposition
Exco	Executive Committee
FAIS	Financial and Advisory Intermediary Services
FATF	Financial Action Task Force
FIA	Financial Intermediaries Association
FIC	Financial Intelligence Centre
FICA	Financial Intelligence Centre Act
FMA	Financial Markets Act
FSAP	Financial Sector Assessment Programme
FSCA	Financial Sector Conduct Authority
FSP	Financial Services Provider
FSR	Financial Sector Regulation
FSTC	Financial Sector Transformation Council
GCR	Global Credit Ratings

IC	Intellectual capital
ICT	Information and communications technology
IFWG	Intergovernmental Fintech Work Group
IMF	International Monetary Fund
INFE	International Network on Financial Education
IOPS	International Organisation of Pension Supervisors
IOSCO	International Organisation of Securities Commissions
IRBA	Independent Regulatory Board for Auditors
ISAs	International Standards on Auditing
IT	Information Technology
MSWSA	Money Smart Week South Africa
MTEF	Medium-Term Expenditure Framework
NCFEC	National Consumer Financial Education Committee
NPA	National Prosecuting Authority
NCR	National Credit Regulator
NT	National Treasury
ODP	Over-the-Counter Derivative Provider
OECD	Organisation for Economic Development
OGC	Office of the General Counsel
OHS	Occupational Health and Safety
OTC	Over-the-Counter
PA	Prudential Authority
PFA	Pension Funds Act
PFA	Pension Funds Adjudicator
PFMA	Public Finance Management Act
SAICA	South African Institute of Chartered Accountants
SARB	South African Reserve Bank
SARS	South African Revenue Service
SCM	Supply Chain Management
SLC	Service Level Commitment
SMC	Strategic Management Committee
SMME	Small, Medium and Micro-Enterprise
TCF	Treating Customers Fairly

Notes

FSCA

Financial Sector
Conduct Authority