

Microfinancer Samaf receives qualified report

Linda Ensor

Political Correspondent

CAPE TOWN — The fledgling microfinance organisation set up last year with R39m in government funding is already providing small borrowers with access to finance but it has fallen foul of the stringent standards imposed by the auditor-general. The South African Microfinance Apex Fund (Samaf) received a qualified audit

for its 2006-07 financial statements, mainly because of inadequate records to validate payments made to intermediaries. Internal controls and financial accounting were found to be inadequate and there was no effective system of financial and risk management in place, the auditor-general's report said.

The fund provides micro loans to financial intermediaries, called partner organisations, which then lend to borrowers. The partner organisations are controlled by Samaf through loan and grant agreements. In the year to end-March, R55,2m in loans was approved and R19,7m disbursed. Of the total approvals, R17,4m was for Eastern Cape and R8m for Gauteng. Trade and industry director-general

Matona said in the fund's annual report tabled in Parliament on Friday that the foundation had been laid for the fund's operations. Potential structures for sustainable micro-finance provision were sprouting up throughout the country. Samaf CEO Sitembele Masa was also confident that a basis had been laid for "a substantial growth of the loan and savings book".

The auditor-general was unable to validate R3,8m in draw-downs to partner organisations and R273 930 in expenses. Partner organisations had also failed to submit their financial statements to Samaf so that it could prepare consolidated group financial statements. The report said Samaf incurred irregular (R980 360) and fruitless and wasteful (R428 266) expenditure during the year. The irregular expenditure related to the use of consultants, which Matona subsequently condoned.

Business Day, 3 December 2008