

ANNUAL REPORT 2016/2017





GENERAL ENTITY INFORMATION

Official Name Community Schemes Ombud Service ("CSOS")

Nature of Business The CSOS was established in terms of the Community

Schemes Ombud Service Act, 2011 (Act 9 of 2011) to regulate the conduct of parties in community schemes and to ensure their good governance.

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Executive Authority The Honourable Minister of Human Settlements

Auditors Auditor General of South Africa (AGSA)

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Affordable Reliable Justice





LIST OF ABBREVIATIONS

CO Chief Ombuds

CFO Chief Financial Officer

CoGTA Cooperative Governance and Traditional Affairs

COM Committees

CPI Consumer Price Index

CSOS Community Schemes Ombud Service

CSOS Act Community Schemes Ombud Service Act, 2011 (Act 9 of 2011)

DevDevelopmentDGDirector General

DPSA Department of Public Service and Administration
DRDLR Department of Rural Development and Land Reform

DRO Dispute Resolution OfficerEXCO Executive CommitteeGP Gauteng Province

HOA Home Owners Association

HR Human Resources

HRD Human Resources DevelopmentHRM Human Resources Management

IT Information TechnologyKPA Key Performance AreaKPI Key Performance Indicator

KZN KwaZulu-Natal

M&E Monitoring and EvaluationMoHS Minister for Human Settlements

MP Member of Parliament

MTEF Medium Term Expenditure Framework
MTSF Medium Term Strategic Framework

NDHS National Department of Human Settlements

NT National Treasury

PFMA Public Finance Management Act, 1999 (Act 1 of 1999)

SALGA South African Local Government
SCM Supply Chain Management

Sectional Titles Act, 1986 (Act 95 of 1986)

STSMA Sectional Titles Schemes Management Act, 2011 (Act 8 of 2011)

SLA Service Level Agreement







The reports and statements set out below comprise of the annual financial statements presented to the National Department of Human Settlements:

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STRATEGIC OVERVIEW

VISION

To establish a world class dispute resolution service within community schemes.

MISSION

To facilitate and maintain a world-class dispute resolution service and to promote good governance of community schemes by providing education and training to all relevant stakeholders.

OBJECTIVES

Strategic Objective 1:

Provide a dispute resolution service to Community schemes in South Africa

Strategic Objective 2:

Take custody and control of Community Schemes' governance documentation

Strategic Objective 3:

Ensure that CSOS is an efficient, effective and sustainable organisation

Strategic Objective 4:

Promote good governance in Sectional Titles and other Community Schemes

Strategic Objective 5:

Provide stakeholder training, consumer education and public outreach programmes on Community Schemes in South







1. BOARD CHAIRPERSON'S REPORT

On behalf of the Board of the Community Schemes Ombud Service (CSOS), it is my privilege to present the organisation's Annual Report for the financial period ending 31 March 2017. This report is presented in line with the guidelines issued by the National Treasury and I trust that it provides a holistic view of the organisation's role and performance in terms of its operations and financial sustainability.

2016/17 was a hallmark year for the CSOS. The promulgation of the Community Schemes Service Act, 2011 (Act 9 of 2011) and Sectional Titles Schemes Management Act, 2011 (Act 8 of 2011) on the 7th of October 2016 meant that the organisation could officially proceed with its regulatory and dispute resolution functions. On behalf of the Board, I would like to extend our heartfelt gratitude to the Minister of Human Settlements, the Hon. Lindiwe Sisulu and the Department of Human Settlements for their support and in launching the organisation to media, industry and key stakeholders.

Today, the CSOS stands at the threshold of a new chapter to deliver on its mandate which is:

- To provide a dispute resolution service to Community schemes in South Africa;
- To take custody and control of Community Schemes' governance documentation;
- To ensure that the CSOS is an efficient, effective and sustainable organisation;
- To promote good governance in Sectional Titles and other Community Schemes;
- Provide stakeholder training, consumer education and public outreach programmes on Community Schemes in South Africa.

The period under review has been a productive one with its share of success and challenges. The Board exercised its broad oversight function, it monitored the organisation's internal control systems and had to balance competing needs and financial challenges. The Board also ensured the review and development of policies that govern the execution of the CSOS service.

By design, the CSOS was created to be a self-sustaining organisation. I am proud to report that in the period under review, the CSOS commenced with the registration of community schemes, the adjudication of matters pending, as well as the collection of fees and levies.

Being part of this and the inaugural Board has been an honour for me. Looking back, our vision was to bring justice and transformation to all community schemes. I am confident that a firm foundation has been laid and that the organisation, and its employees, will realise that dream.

Rev Dr. Vukile Mehana











Rev Dr Vukile Mehana Chairperson

B. Theology; AMP; Top Management Program on Public Enterprises; MBA; D.Phil



Ms Thandile Sunduza Non-Executive

BTECH Sports Management Sports Administration and Marketing Diploma *Appointed in 01 February 2017



Adv Nomazotsho Memani Non-Executive

BA; LLB; Certificate in Legal Writing; Certificate in Numeracy Skills



Mr Bhekumusa Dlamini Non-Executive

B.Proc (Admitted Attorney)



Ms Marina Constas Non-Executive

BA (Law); LLB; Mediation Certificate



Mr Taurean Holmes Non-Executive

CA (SA)



Mr Rajesh Jock Non-Executive

B.Com; Postgraduate Diploma in Marketing; Postgraduate Diploma Company Law; National Diploma in technology; Master of Philosophy



Mrs Nomhle Dambuza Non-Executive

Diploma in Midwifery; Diploma in General Nursing; Certificate in Economic Policy; Advanced Diploma in Economic Policy *Resigned 31 October 2016





MEMBERS OF BOARD





Mr Themba Mthethwa Executive

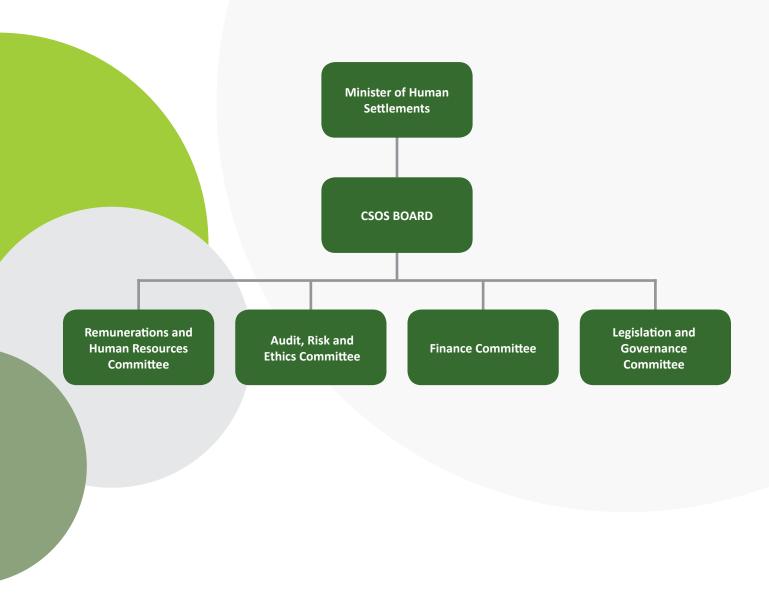
B.Proc; LLB; Postgraduate Diploma in Industrial Relations; MBA; Attorney in the High Court of South Africa



Mr Themba Mabuya Executive

B.Com; B.Admin (Hons)

REPORTING STRUCTURE OF THE CSOS









CHIEF OMBUD REPORT

The history of the CSOS goes back to 2004 when Cabinet considered the issue of the regulation of community schemes, the resolution of resolving disputes and decided that Government must intervene to address the situation, in the interests of all housing consumers and property owners. On 07 October 2016, the Proclamation of the Sectional Titles Schemes Management Act, 2011 (Act 8 of 2011) and the Community Schemes Ombds Service Act, 2011 (Act 9 of 2011), marked the beginning of a new regulatory regime for all community schemes in South Africa and officially established the service of the CSOS.

On 10 November 2016, the Minister of Human Settlements, Ms Lindiwe Sisulu officially launched the CSOS. It was a proud moment for me, the executive team and CSOS employees. I would like to extend my gratitude to the Board for their stewardship and support of our efforts to ensure the organisation's operational readiness.

The CSOS has three regional offices in Gauteng, Western Cape and KwaZulu-Natal. Of the 1282 new applications received for dispute resolution, Gauteng received 28%, the Western Cape 29% and KwaZulu-Natal 28%. The trend we are starting to see is that Gauteng is where we will have to make more measured capacity considerations. The registration of community schemes began in earnest after 7 October 2016; though by the end of the period under review we did not meet our targets to register 50 000 community schemes, the registration of schemes remains a focal area.

Regrettably, the CSOS had a number of resignations at executive and management level. Notably, we lost the Internal Audit Manager, the Adjudicator General and the Executive Corporate Services to the outside market. Budget constraints could not allow us to fill these positions immediately. Now that the CSOS has started to collect its levies and fees, filling these positions will be a priority in 2017.

For the period under review, the CSOS collected R30,3m in levy income. I must stress that this financial year was a year of extreme financial and resource challenges. Much of the projects we had endeavoured to embark on, including consumer awareness, was placed on hold simply because there was no budget to spend. I am confident that this will not be the case going forward, especially in light of the fact that the CSOS has started the process of engaging other public entities on potential systems to improve the revenue collection.

I am encouraged by the amount of support we have received from the sector, in terms of the number of registrations and the willingness by parties to respect the CSOS dispute resolution process. The CSOS held a number of stakeholder engagements with key industry players including sector influencers, media and other regulatory bodies. Engagement with regulatory bodies was found to be necessary for the purpose of benchmarking and the conclusion of necessary memorandum of understandings were common ground was established.

In conclusion, I want to thank the Board, my colleagues, the Department of Human Settlements and the Ministry as the Shareholder. Looking back, we could not have envisioned that the Service would be operational at this time. Every person who has contributed to the establishment of the CSOS is part of a legacy to bring affordable, reliable justice to all community schemes.

Themba Mthethwa

Themba Mthet Chief Ombud







MEMBERS OF THE EXECUTIVE





Mr Themba Mthetha Chief Ombud

B.Proc; LLB; Postgraduate Diploma in Industrial Relations; MBA; Attorney in the High Court of South Africa



Mr Themba Mabuya Chief Financial Officer

B.Com; B.Admin (Hons)



Ms Laurie Less Executive Manager Corporate Services

BA (Psychology and Political Science); Masters in Public Administration Resigned 31 August 2016



Ms Dinkie Dube Adjudicator General

BA (Law); LLB; LLM Resigned 30 September 2016



Mr Risenga Maruma Board Secretary

BA, BA Hons (Public Management); LLB; Postgraduate Diploma; Corporate Law







THE CSOS BOARD

This is the second Board to be appointed by the Minister since the inception of CSOS. This Board was appointed with effect from 01 January 2016 for a three year period. The CSOS Act empowers the Minister to appoint seven non-executive directors as members of the Board. The Chief Ombud and the Chief Financial Officer are executive members of the Board by operation of the Act. The CSOS Board therefore has nine members of the Board.

Mandate of the Board

The Board is the Accounting Authority of the Service and ensures that the organisation has and maintains effective, efficient and transparent systems of financial and risk management and internal control. Thus the mandate of the Board includes but not limited to the following:

- Implementation of the Strategic Plan of the Service in order to achieve the objectives of the Service.
- Making decisions on behalf of the Service and ensure that these decisions are carried out by Management.
- Providing guidance to the Chief Ombud in the performance of his or her functions in terms of the CSOS Act.
- Maintaining a system of internal audit under the control and direction of an audit committee complying with and operating in accordance with the Regulations.
- Maintaining an appropriate procurement and provisioning system which is fair, equitable, transparent, competitive and cost-effective.

BOARD MEETINGS

Member Name	Total Number of Scheduled Meetings	Total Meetings Attended
Rev Dr Mehana	13	10
Adv N Memani	13	11
Mr T Holmes	13	8
Mr B Dlamini	13	11
Mr R Jock	13	11
Mrs N Dambuza	13	8
Ms M Constas	13	7
Ms T Sunduza	13	2

NB. Two of the meetings were a 2 day policy workshop 6 and 7 April 2016, and 1 day Board Induction on 29 April 2016. Ms Sunduza joined CSOS with effect from 01 February 2017, replacing Mrs Dambuza who left on 31 October 2016







The Committees of the Service are established in terms of section 12 of the CSOS Act, are as follows:

Audit, Risk and Ethics Committee (ARECo)

The purpose of the Committee is to assist the Board in discharging its duties relating to:

- Oversight of financial management and reporting processes, audit processes and systems of internal control;
- Risk evaluation and risk management;
- The operation of adequate financial and administration systems including internal control;
- Accurate reporting to shareholders and other stakeholders and provision of financial statements in compliance
- with all applicable legal requirements and accounting standards; and
- Compliance with relevant laws, regulations and procedures.
- The safeguarding of assets;
- Information Technology governance; and
- Values and ethics.

AUDIT, RISK AND ETHICS COMMITTEE

Member Name	Total Number of Scheduled Meetings	Total Meetings Attended
Mr T Holmes	4	4
Mr R Jock	4	4
Mr B Dlamini	4	4
Ms M Constas	4	3
Mrs N Dambuza	4	3

Joint Committees: Audit, Risk and Ethics Committee and Finance Committee meetings

Member Name	Total Number of Scheduled Meetings	Total Meetings Attended
Mr T Holmes	3	2
Mr R Jock	3	2
Mr B Dlamini	3	2
Ms M Constas	3	2
Mrs N Dambuza	3	2
Adv N Memani	3	3







Remunerations and Human Resources Committee

The Committee assists the Board with its governance and oversight responsibilities in accordance with the relevant legislation governing remunerations and human resources management, by providing prompt and constructive advice and recommendations to the Board as follows:

- Monitoring the human resources indicators and compliance with strategic human resources planning;
- Overseeing and recommending employment equity strategies;
- Reviewing and recommending employee relations strategies;
- Considering and reviewing organisational structure to achieve the strategy
- Guiding the planning and implementation of the organisational development.

HR REMCO

Member Name	Total Number of Scheduled Meetings	Total Meetings Attended
Mrs N Dambuza	8	6
Mr R Jock	8	8
Ms M Constas	8	4
Adv N Memani	8	6
Ms T Sunduza	8	1

Finance Committee

This Committee assists the Board in relation to the following:

- Providing oversight over financial management, budgeting and investment management.
- The operations of adequate and prudent financial and administration systems, effective and efficient Information Technology systems and sound investment decisions and processes.
- Reviewing and recommending financial, Information and Communication Technology, and investment policies for adoption.
- Overseeing CSOS strategic assets allocation plan against the medium term expenditure framework.
- Ensure sufficient financial and human resources to manage the financial IT risk profiles of CSOS.

Member Name	Total Number of Scheduled Meetings	Total Meetings Attended
Mr B Dlamini	5	3
Adv N Memani	5	5
Mr R Jock	5	4
Mr T Holmes	5	5
Mrs N Dambuza	5	2









Legislation and Governance Committee

The purpose of the Committee is to assist the Board in discharging its duties relating to:

- Providing oversight over the core regulatory, dispute resolution, governance, and research and knowledge management streams of CSOS.
- Overseeing the development, review, implementation
- and monitoring of Community Scheme Regulations.
- Development and implementation of a framework for the registration of community schemes and management of scheme governance documentation
- Oversee the development and implementation of guidelines for the promotion of good governance of community schemes.

Member Name	Total Number of Scheduled Meetings	Total Meetings Attended
Mr T Holmes	4	1
Adv N Memani	4	3
Mr B Dlamini	4	3
Ms M Constas	4	3



Board and Staff







RISK MANAGEMENT REPORT

Introduction

The management of risk is the process by which the CSOS will pro-actively, purposefully and regularly, but at least annually, identify and define current as well as emerging business, financial and operational risks and identify appropriate, business and cost effective methods of managing these risks within CSOS as well as the risk to the stakeholders.

Risk Management Framework and Policy

CSOS operated and manage its risk profile within the ambit of the approved Risk Management Framework and Policy. There has been drastic movement on the risk register which was caused by the Proclamation of the CSOS Act and the STS-MA. CSOS operation and Strategic imperative was dependent on the coming into effect of the aforementioned Acts. However, the Proclamation of the Act gave rise to new emerging risks, which are linked to the collection of levies. This resulted in CSOS having to consider new measures for the control and proper use of funds collected and measure to avoid or prevent any fraudulent activities related to the collection of levies.

Internal Audit Activity

Through the Audit, Risk and Ethics Committee, Internal Audit has developed, implemented, and reported on a 3 year rolling Internal Audit Strategy and Annual Plan, Internal Audit reports were finalized and reported to the Audit, Risk and Ethic Committee, and subsequently to the board of the CSOS.

Compliance Management

To CSOS, Compliance entails that CSOS meets its obligation in adhering to the requirements of relevant legislation, standards, codes of good practice, CSOS policies and procedure. The approved Compliance Framework provide principles and guidance for CSOS Management and staff in the development, implementation, maintenance and improvement of an effective compliance program within the organisation. The framework will work as a mechanism through which CSOS can monitor, review and comply with legislation, regulations, statutes, codes, standards, policies and procedures. The Compliance Framework has been designed to foster a strong compliance culture in CSOS in order to provide assurances to the Board that the risks posed by non-compliance with legislative and regulatory obligations are being addressed.











CORPORATE SERVICES

HUMAN RESOURCES

The total number of positions approved on the current organisational structure was 112. All positions initially budgeted for in 2015/16 and 2016/17 could not be implemented as the levy income projected for collection, for the 2016/17 financial year had not been realised.

- Due to the CSOS' financial constraints, a decision was made to put the recruitment of all positions on hold until the financial situation improves. No new positions were therefore filled within this financial year.
- There were five (5) resignations, representing a staff turnover rate of 12% during the year.
- The staff complement at the end of the financial year was thirty-three (33) permanent and one (1) temporary employee.
- Budgets permitting, the high vacancy rate risk will be overcome by a focussed process of resourcing, specifically targeting the high impact and critical areas of the operations.

The Provincial Ombuds:



Western Cape, Eastern Cape and Northern Cape **Ms. Maletsatsi Wotini**



Gauteng, Limpopo and North West Mr. Abraham Masilo



Kwazulu-Natal, Mpumalanga and Free State **Mr. Lucky Rabotapi**



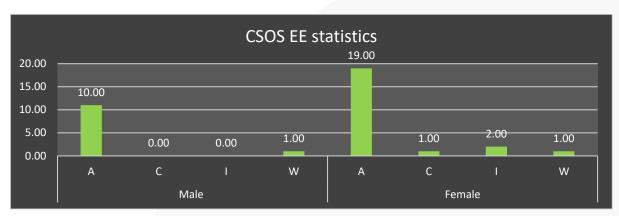
Company Group Image





EMPLOYMENT EQUITY – ACTUAL AND TARGETS

The breakdown at 31 March 2017 was as follows:



All staff, as at 31 March 2017 (including temps)

The table below indicates where the CSOS needs to be to be aligned with the national demographic profile.

Statistics	STATISTICS SA Demographic of SA population Vs CSOS actuals					CSOS prop	posed against plan	
	Male	CSOS actual	Female	CSOS actual	SA Total	CSOS total		Target
African	80.6%	11 (32%)	80.4%	19 (51%)	80.5%	33 (85%)	African	80 %
Coloured	8.7%	0 (0%)	8.9%	1 (5%)	8.8%	1 (5%)	Coloured	9%
Indian	2.6%	0 (0%)	2.4%	2 (5%)	2.5%	2 (5%)	Indian	3%
White	8.2%	1 (3%)	8.3%	1 (3%)	8.3%	2 (5%)	White	8%
Disabled		0 (0%)		0 (0%)	2%	0	Disabled	2% (not implemented)

The CSOS has an Employment Equity Plan that will assist CSOS in reaching its employment equity (EE) targets. The EE Plan serves as a guideline in the talent acquisition process and may be changed depending on the requirements and availability of scarce and critical skills.







IT

The primary focus for the year was contributing towards the organisations Strategic Objective 3 of effectiveness and efficiency by ensuring the ICT deploys the approved ICT Strategy ensuring a stable and business enabling environment. The ERP deployment project was concluded which caters for internal operations systems and ICT support was boosted by the deployment of a central helpdesk system. These are the projects deployed in the year:

- Deployment of National Hosted PABX system catering for all CSOS offices;
- Migration from POP to an enterprise Exchange email environment;
- ERP deployment completion of the following modules:
 - o Records Management;
 - o Employee self-service;
 - o VIP Payroll upgrade and alignment to approved policies; and
 - o Advanced procurement
- Deployment of a central national backup solution that replicates to a cloud environment;
- Continued organisational support and network stability maintenance; and
- Fibre deployment for the Durban and Cape Town offices linking into the MPLS.

The environment has remained stable with a 99.9% uptime throughout all systems and applications with ICT assets and contracts also closely monitored and maintained respectively. Central to ICT support was the effective management if ICT related Risks and the review of the ICT strategy given the organisations growth projection.

There is much work still to be done regarding the major project of the deployment of a system for CSOS core operations being planned for as the budget would allow in the upcoming year. An ICT training drive is also overdue and we are optimistic we can deliver on all our objectives for the upcoming year.









MARKETING & COMMUNICATION

In anticipation of the approval of the Regulations and the concomitant launch, the CSOS embarked on several stakeholder engagements. The nature of these engagements centred around the clarification of the organisation's state of readiness.

Key stakeholder engagements:

- National Association of Managing Agents (NAMA)
- Association of Residential Communites (ARC)
- South African Cooperatives Association
- National Credit Regulator
- Property Law Association
- Trafalgar
- Centre for Legal Compliance
- Department of Human Settlements

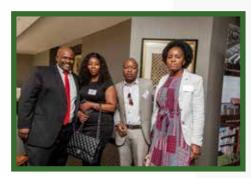
Exhibitions:

- Gauteng Property Week
- GCIS Open Day

Media:

The CSOS participated in 16 media opportunities in both broadcast and print media, the majority of which covered the official CSOS launch. The Chief Ombud, Themba Mthethwa, was able to clarify the role of managing agents in the administration of the CSOS levy.

The CSOS Launch, 10 November 2016



CSOS Staff



Chief Ombud Themba Mthethwa



Guests



Chairpersons to NAMA & ARC



Marina Constas (CSOS Board Member), Mbulelo Tshangana (Human Settlements DG), Adv. Seeng Letele (Chief Director DHS Legal Servies)





REVIEW OF THE CSOS PERFORMANCE

During the reporting period under review the Proclamations of the CSOS Act and STSM Act were signed by the President of the Republic of South Africa and both Acts became effective on 07 October 2016. The publication of the Proclamation and the Regulations under both CSOS Act and STSM Act in the Government Gazette meant that CSOS became officially and legally operational. Not all provisions in the CSOS Regulations became effective as at publication date. The following transitions arrangement was implemented:

- Registration of Schemes 30 days from date of publication
- Filing of Community Schemes Governance Documentation 90 days from date of publication
- Payment of Levies and Fees 90 days from date of publication

Even with transitional period ceived a total number of 134 Schemes. The first applicatio rate from Kwa-Zulu- Natal Pr part of the Industry to comply.

In terms of CSOS Act and the Regulations, all community schemes must pay CSOS on a quarterly basis a levy collected from unit owners as prescribed. The payment of Levies by Schemes only commenced during the last quarter of the financial year.

Strategic Objective 1: Dispute Resolution

The proclamation of CSOS Act enabled CSOS to commence with Conciliation and Adjudication of disputes. During the year under review, CSOS received a total number of 1282 new applications for dispute resolution. A total of 56 applications were carried over from the previous financial year. The graph below sets out the monthly breakdown of new applications.

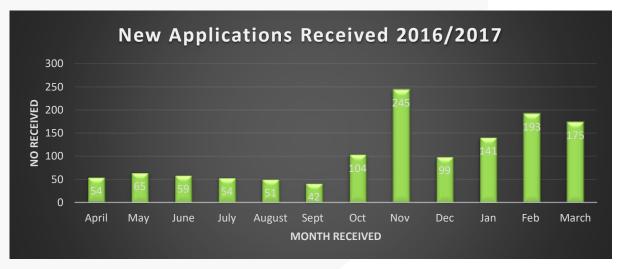


Figure 1







PROVINCIAL COVERAGE

The Gauteng Provincial Office received 550 new applications for dispute resolution during the period under review, followed by Western Cape Provincial Office (376) and the Kwa-Zulu Natal Provincial Office (356). It is worth noting that the Gauteng provincial office was the first to be established, followed by the Western Cape and lastly the KZN office. The Gauteng Provincial office also deals with matters from North West and Limpopo, the KZN office also attends to matters in the Free State and Mpumalanga whilst the Western Cape office deal with matters from all the Capes.

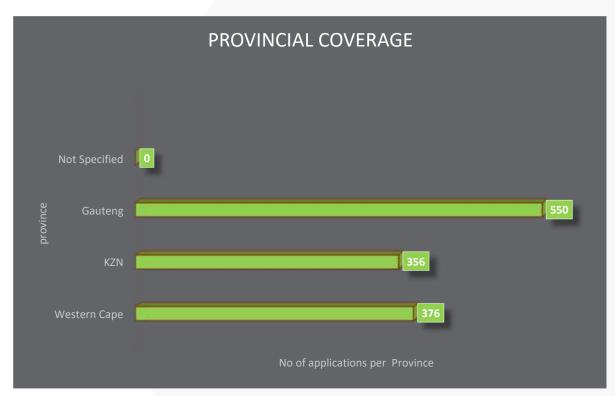


Figure 2









FINALISED APPLICATIONS

During the period under review, a total of 285 applications for dispute resolution were resolved through Conciliations. These include applications for dispute resolution that were received in the previous year. Most the applications finalised during the financial year were finalised at Conciliation stage. There was only 1 Adjudication Order issued.

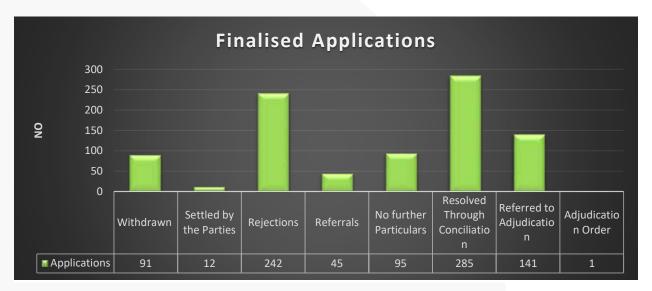


Figure 3

MODE OF CONTACT

The applications for dispute resolution reach CSOS through designated Provincial Office emails and centralised e-mail (complaints@csos.org.za), CSOS information e-mail, Website and others are lodged by hand. Out of the 1282 new applications that CSOS received in the period under review, 1110 applications were lodged via the dedicated email addresses. Only 172 were received through Walk-ins and other means. See Below:



Figure 4







GENDER PROFILE

From the 1282 applications for dispute resolution lodged with the CSOS during the period under review, 515 applicants are female, 664 are male. See Below:

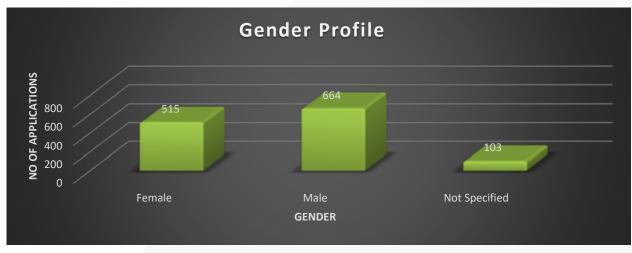


Figure 5

Strategic Objective 2: Taking Custody and Control of Schemes Governance Documentation (Inc. Document Management Systems)

It was anticipated that the MOU between the Department of Rural Development and Land Reform and Human Settlements would have been signed. The signing of the MOU was superseded by the proclamation of the CSOS Act. The Act gave CSOS statutory powers to take custody of Schemes governance documentation without pre-requisite for an MOU. The actual migration project for the collection of the documentation from Deeds offices was put on hold due to financial constraints.

Strategic Objective 4: Promote Good Governance in Sectional Titles and other Community Schemes.

CSOS has an obligation to ensure that there is process in place for the registration of Schemes, control and quality assurance of Schemes Governance Documentation. A framework setting out registration of process for the schemes and quality assurance and approval of Schemes Governance Documentation was developed and approved by the CSOS Board.

The registration of Schemes commenced after the proclamation of the Act and as at end March 2017, approximately 25 000 registration applications were received from Community Schemes. A total number of 7 434 Community Schemes were

issued with registration numbers during the period under review. It worth noting that the issuing of registration numbers commenced during January 2017.

In ensuring governance within Community Schemes, CSOS conduct quality assurance on Schemes Governance Documentation. As at end of financial year, a total number of 208 certificates were issued by the Chief Ombud approving Scheme Governance Documentation. Provision of quality assurance only commenced from 07 October 2016.







Performance Information for the 2016-2017 Financial Year

STRATEGIC OBJECTIVE	STRATEGIC OBJECTIVE 1: Provide a Dispute Resolution service for Community Schemes in South Africa					
Key Performance Indicators	Baseline (Actual) 2015/16	Target 2016/17	Actual 2016/17	Variance	Comment on variance	
Number of Disputes resolved within specified service levels as per the approved Dispute Resolution(DR) model	646 Disputes resolved within specified service levels as per the approved Dispute Resolution(DR) model	600 Disputes resolved, through Conciliation, with- in specified service levels as per DR model	Target Not achieved 285 Disputes resolved, through Conciliation, within specified service levels as per DR model	315 disputes not resolved within specified service levels as per the approved Dispute Resolution(DR) model	The current dispute resolution workforce were unable to manage the drastic increase of the new applications for dispute resolution.	
	New Indicator	80% disputes resolved within 40 days	Target not achieved 36% Conciliations were finalised within 40 days.	64% conciliations were not resolved within 40 days.	There were complex conciliation matters that could not be finalised within stipulated timelines. resolution.	

Strategic Objective 2: Take custody and control of Community Schemes' governance documentation					
Key Performance Indicators	Baseline (Actual) 2015/16	Target 2016/17	Actual 2016/17	Variance	Comment on variance
MoU completion, Documentation Migration, data clean- up, and storage	MoU between Ministries (DRDLR) / Department of Human Set- tlements (DHS) finalised	MoU between entities (CSOS/ DRDLR) is signed	Target not achieved	The MoU was not signed	The signing of the MoU was superseded by the proclamation of the CSOS Act.
	Activity not yet commenced	100 000 Schemes Governance Documents are migrated to CSOS storage (Locate and Migrate)	Target not achieved	100 000 Schemes Governance Documents	Lack of funds to implement the migration project.
	Activity not yet commenced	Cleaning of data (quality assurance) commenced, kept available for access	Target not achieved	No data quality assured.	There was no data to quality assure as the project was put on hold.







Performance Information for the 2016-2017 Financial Year

Key Performance Indicators	Baseline (Actual) 2015/16	Target 2016/17	Actual 2016/17	Variance	Comment on variance
Number of functional facilities available and accessible to the members of the public, to deliver the CSOS service, at a high level of effectiveness	3 Regional offices established (Gaut- eng, Kwa-Zulu Natal and Western Cape) as hub offic- es for all provinces	Review the adequacy of the existing operating model (Policies, processes and procedures)	CSOS Business Model drafted, developed and approved.	None.	None.
Developed and approved Revenue Management model	New indicator	Development of the CSOS funding model (Includ- ing the Dispute Resolution Levy, Documentation Fee structure and Service Fee)	CSOS funding model is being implemented for levies collections and service fees.	None.	None.

Strategic Objective 4: Promote good governance in Sectional Titles and other Community Schemes						
Key Performance Indicators	Baseline (Actual) 2015/16	Target 2016/17	Actual 2016/17	Variance	Comment on variance	
Schemes govern- ance documenta- tion frameworks developed	New indicator	Develop and review strategy/framework for Community Schemes govern- ance documenta- tion	Target Achieved Approved schemes governance strate- gy / frameworks	None.	None.	
Schemes governance documentation compliance inspection	New indicator	Sample test schemes govern- ance framework • 250 Sectional Titles Schemes documen- tation • 150 Other Com- munity Schemes	Target not achieved. A total number of 208 Schemes Governance Documentation for the new Sectional Titles were been approved.	192	Schemes Governance Documentation compliance only commenced after the proclamation of the CSOS Act and the STSM Act.	
Established data- base of commu- nity schemes, and their Manage- ment Agencie	Developed forms, templates records management frame- work to register and maintain records of Community Schemes and their manage- ment agents	50 000 community schemes and their managing agents registered in the database	Target Not achieved. The total schemes and managing agents registered amounted to 7434.	42 566 community schemes and their managing agents were not registered.	The capturing of data of all community schemes only commenced after the proclamation of the CSOS Act.	







Performance Information for the 2016-2017 Financial Year

Strategic Objective 5: Provide stakeholder training consumer education and public outreach programmes on Community Schemes in South Africa

Key Performance Indicators	Baseline (Actual) 2015/16	Target 2016/17	Actual 2016/17	Variance	Comment on variance
Number of Consumer Awareness campaigns	New indicator	2 consumer aware- ness campaigns	Target achieved	None	None











Board's Responsibilities and Approval

The Board is required by the Companies Act, 71 of 2008 of South Africa and the Public Finance Management Act, 1 of 1999 and related Treasury Regulations to maintain adequate accounting records and are responsible for the conduct and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the entity as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with South African Statements of Generally Recognised Accounting Practice (GRAP) and in the manner required by the Public Finance Management Act and the Companies Act of South Africa.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Board acknowledges that it is ultimately responsible for the system of internal financial control established by the entity and place considerable importance on maintaining a strong control environment. In order to enable the Board to meet these responsibilities, the Board sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner.

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

The Board has assessed the entity's ability to continue as a going concern and have no reason to believe that the entity will not continue to operate in the foreseeable future.

The audited annual financial statements set out on pages 38 to 68, which have been prepared on the going concern basis, were approved by the Board on 31 August 2017 and were signed on its behalf by:

Rev. Dr. V. Mehana Chairperson of the board







Board's Report

The Board submit its report for the year ended 31 March 2017.

1. Review of activities

Main business and operations

The Community Schemes Ombud Service (CSOS) was established in terms of the Community Schemes Ombud Service Act, 2011, Act 9 of 2011 (CSOS Act), to regulate the conduct of parties within community schemes and to ensure good governance. In order to deliver on its mandate, key amongst the priorities of the organization during the duration of the Strategic Plan are:

- To establish a world class dispute resolution service within community schemes characterized by organizational excellence and a conducive organizational culture;
- To promote good governance of community schemes by developing and implementing appropriate guidelines to enhance stability and harmonious relations amongst the parties;
- To roll out massive educational campaigns to educate and train stakeholders within community schemes and the public at large;
- To enhance community schemes tenure as alternative tenure option; and
- To develop and implement appropriate organizational systems, controls and measures to enhance financial, economic and organizational efficiency.

The main focus on the period under review is on the full establishment of the CSOS and implementation of the operational strategies.

The drafting of the CSOS regulations, dispute resolution and funding model through levy were finalized and approved by the Board.

CSOS has strived to ensure full compliance with all legislative requirements. Statutory reporting has been expeditiously executed in terms of legislations. All other codes relating to good governance i.e. PFMA, Companies Act, CSOS Act, have been largely practiced and adhered to by the Board and the Executive.

2. Board

The directors of the entity during the year and to the date of this report are as follows:

Name

Rev. Dr. V. Mehana (Chairperson)*

Adv. N. Memani*

Ms. B. Dambuza*

Mr. T. Holmes*

Mr. R. Jock*

Mr. B. Dlamini*

Ms. M. Constas*

Ms. T. Sunduza*

Mr. T. Mthethwa (Chief Ombud)**

Mr. T. Mabuya (Chief Financial Officer)**

Adv. S. Letele (Acting Chief Ombud)*

Changes

Re appointed 01 January 2016 Re appointed 01 January 2016 Resigned 31 October 2016

Appointed 01 January 2017 Resigned 31 March 2017

Appointed 01 April 2017

^{**} Executive



^{*} Non executive



Board's Report (Continued)

3. Secretary

The secretary of the entity is Mr. R. Maruma of:

Business address 63 Wierda Road East

Wierda Valley Sandton 2196

4. Going concern

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

The government grant for the current year is R30,02 million. The Regulations were approved by the Minister. CSOS Act and Sectional Titles Schemes Management Act were proclaimed by the President on 07 October 2016.

5. Irregular, fruitless and wasteful expenditure

Irregular, fruitless and wasteful expenditure for the period under review are disclosed in notes 26 and 27 of the annual financial statements.











Audit and Risk Committee Report

In the period under review, the Community Schemes Ombud Service has had a constituted Audit and Risk committee which comprised of five non-executive members and the chief ombud as an executive and ex-officio member (two members i.e. a non – executive and an executive had since resigned).

Committee meetings amongst members and interactive meetings between the Chairperson and management, internal audit and the Auditor General of South Africa, had been consistently held.

The following table reflects the number of meetings attended by the committee members:

Name	Position	Number of meetings attended					
Audit and Risk Committee Members							
Mr T Holmes	Chairperson of the Committee	4					
Ms N Dambuza	Committee Member	3*					
Mr R Jock	Committee Member	4					
Mr B G Dlamini	Committee Member	4					
Ms T Sunduza	Committee Member	Nil**					
Ms M Constas	Committee Member	3					

 ^{*} Resigned on 31 October 2016

Audit committee responsibility

The Audit and Risk committee had adopted appropriate formal teams of reference in terms of its approved charter, which regulates the affairs of the committee during the year including the discharging of its responsibilities in line with the said charter.

The effectiveness of internal control

The system of internal controls is designated to provide cost-effective assurance that assets are safeguarded and that liabilities and working capital are effectively and efficiently managed. The system of internal control is at its developmental phase as the organisation has just become fully operational and there are areas of concerns that need management's attention, namely:

- Financial sustainability of the organisation in the short term.
- Compliance to laws and regulations with the procurement processes.
- Finalisation of the organisational policies and procedures to improve the control system.
- Planning and management of organisational performance information





^{**} Appointed on 01 February 2017



Audit and Risk Committee Report

The quality on in-year management reports

The Committee is generally satisfied with the content and quality of monthly and quarterly reports that were prepared and issued by the management during the year under review. There is, however, room for improvements in respect of quarterly financial statements and organisational performance Information reporting.

Evaluation of annual financial statements

The Committee has:

- Reviewed and discussed the audited Annual Financial Statements to be included in the Annual Report with the Auditor-General of South Africa and the Accounting Authority;
- Reviewed the Auditor-General of South Africa's audit and management reports thereto;
- Reviewed the CSOS's compliance with legal and regulatory provisions;
- · Reviewed significant adjustment resulting from the audit; and
- · Reviewed the information on predetermined objectives to be included in the annual report

Internal audit

• The Committee is also satisfied that the internal audit function is operating effectively and, in future, the capacity of the unit will be improved.

Auditor-general of South Africa

• The Committee met with the Auditor-General of South Africa to ensure that there are no unresolved issues.

TOHolmes

Mr Taurean D. Holmes

Chairperson of the Audit, Risk ans Ethics Committee









Report of the auditor-general to Parliament on the Community Schemes Ombud Services

Report on the audit of the financial statements

Qualified opinion

- 1. I have audited the financial statements of the Community Schemes Ombud Services set out on pages 41 to 68, which comprise statement of financial position as at 31 March 2017, and the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget information with actual information for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
- 2. In my opinion, except for the possible effects of the matter described in the basis for qualified opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Community Schemes Ombud Services as at 31 March 2017, and its financial performance and cash flows for the year then ended in accordance with Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA).

Basis for qualified opinion

Non-exchange revenue and non-exchange receivables from levies

3. I was unable to obtain sufficient appropriate audit evidence for non-exchange revenue relating to levies for the year under review, as sufficient internal controls had not been established for the identification, processing and collection of levies before their initial entry in the financial records. I was unable to confirm the non-exchange revenue relating to levies by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to non-exchange revenue from levies stated at R30 392 000 and trade and other receivables from non-exchange transactions stated at R14 137 000 in the financial statements.

Contingent Liabilities

- 4. The public entity did not disclose the contingent liability related to surplus funds as required by GRAP 19, Provisions, contingent liabilities and contingent assets. These surplus funds can only be retained based on approval from the National Treasury and the public entity has not disclosed as such. As a result contingent liabilities are understated by R22 671 831.
- 5. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of my report.
- 6. I am independent of the public entity in accordance with the International Ethics Standards Board for Accountants' Code of ethics for professional accountants (IESBA code) together with the 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.
- 7. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Emphasis of matters

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

Restatement of corresponding figures

9. As disclosed in note 33 to the financial statements, the corresponding figures for 31 March 2016 have been restated as a result of an error in the financial statements of the public entity at, and for the year ended, 31 March 2017.

Irregular expenditure

10. As disclosed in note 26 to the financial statements, irregular expenditure to the amount of R9 144 030 was incurred, as the entity exceeded the approved budget and due to an unjustified deviation from the procurement process.

Responsibilities of the accounting authority for the financial statements

11. The board of directors, which constitutes the accounting authority, is responsible for the preparation and fair presentation of the financial statements in accordance with 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.







Report of the auditor-general to Parliament on the Community Schemes Ombud Services

12. In preparing the financial statements, the accounting authority is responsible for assessing the Community Schemes Ombud Service'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 there is an intention either to liquidate the public entity or to cease operations, or there is no realistic alternative but to do so.

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

- 13. 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 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
- 14. A further description of my responsibilities for the audit of the financial statements is included in the annexure to the auditor's report.

Report on the audit of the annual performance report

Introduction and scope

- 15. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected objectives presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
- 16. My procedures address the reported performance information, which must be based on the approved performance planning documents of the public entity. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
- 17. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected objectives presented in the annual performance report of the public entity for the year ended 31 March 2017:

Objectives	Pages in the annual performance report
Objective 1 – Provide a dispute resolution service for community schemes in South Africa	24
Objective 2 – Take custody and control of community schemes' governance documentation	24
Objective 4 – Promote good governance in sectional titles and other community schemes	25 - 26

- 18. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
- 19. I did not identify any material findings on the usefulness and reliability of the reported performance information for the selected objectives.







Report of the auditor-general to Parliament on the Community Schemes Ombud Services

Other matters

20. I draw attention to the matters below.

Achievement of planned targets

21. Refer to the annual performance report on pages 24 to 26 for information on the achievement of planned targets for the year and explanations provided for the underachievement of a number of targets.

Adjustment of material misstatements

22. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of Objective 1 - Provide a dispute resolution service for community schemes in South Africa, Objective 2 - Take custody and control of community schemes governance documentation and Objective 4 - Promote good governance in sectional titles and other community schemes. As management subsequently corrected the misstatements, I did not raise any material findings on the usefulness and reliability of the reported performance information.

Report on audit of compliance with legislation

Introduction and scope

- 23. In accordance with the PAA and the general notice issued in terms thereof I have a responsibility to report material findings on the compliance of the public entity with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
- 24. The material findings in respect of the compliance criteria for the applicable subject matters are as follows:

Annual financial statements, performance and annual reports

25. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework and supported by full and proper records, as required by section 55(1)(a) and (b) of the PFMA. Material misstatements of liabilities, disclosure items and the statement of comparison of budget and actual amounts identified by the auditors in the submitted financial statements were corrected and the supporting records were provided subsequently, but the uncorrected material misstatements and supporting records that could not be provided resulted in the financial statements receiving a qualified opinion.

Expenditure management

- 26. Effective steps were not taken to prevent fruitless and wasteful expenditure amounting to R20 854, as disclosed in note 27 to the annual financial statements, in contravention of section 51(1)(b)(ii) of the PFMA.
- 27. Effective steps were not taken to prevent irregular expenditure amounting to R9 144 030 as disclosed in note 26 to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA.

Revenue management

28. Effective and appropriate steps were not taken to collect all money due, as required by section 51(1)(b)(i) of the PFMA and treasury regulation 31.1.2(a) and (e).

Other information

- 29. The Community Schemes Ombud Service's accounting authority is responsible for the other information. The other information comprises the information included in the annual report which includes the audit committee's report. The other information does not include the financial statements, the auditor's report thereon and those selected objectives presented in the annual performance report that have been specifically reported on in the auditor's report.
- 30. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.







Report of the auditor-general to Parliament on the Community Schemes Ombud Services

31. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected objectives presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work I have performed on the other information obtained prior to the date of this auditor's report, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Internal control deficiencies

32. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance thereon. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for qualified opinion and the findings on compliance with legislation included in this report.

Leadership

- 33. The accounting authority did not exercise oversight responsibility to ensure the fair presentation of revenue generated from levies as systems and processes had not been established to identify, process and record this revenue. Furthermore adequate oversight was not exercised to ensure the contingent liability emanating from the surplus was disclosed in the financial statements.
- 34. The accounting authority did not implement effective human resource management to ensure that adequate and sufficiently skilled resources were in place.
- 35. There was inadequate review of the financial statements and the annual performance report prior to submitting them for auditing, as evidenced by the material misstatements identified in both the financial statements and annual performance report which were corrected due to the audit process.

Financial and performance management

- 36. The financial statements contained numerous misstatements that were corrected. This was mainly due to staff not fully understanding the requirements of the financial reporting framework.
- 37. Management did not adequately review and monitor compliance with legislation.

Other reports

- 38. I draw attention to the following engagement that will be conducted that could have an impact on the matters reported in the public entity's financial statements, reported performance information, compliance with applicable legislation and other related matters. The anticipated report did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.
- 39. The Auditor-General South Africa will conduct an investigation at the public entity based on allegations of possible tender irregularities and irregular appointments. The outcome of the investigation is expected by 30 November 2017.

Anditor - General

31 August 2017



Auding to build public contidence







Annexure - Auditor-general's responsibility for the audit

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 respect to the selected subject matters.

Financial statements

- 2. In addition to my responsibility for the audit of the financial statements as described in the auditor's report, I also:
- identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and
 perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a
 basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting
 from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the public entity's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors, which constitutes the accounting authority.
- conclude on the appropriateness of the board of directors, which constitutes the accounting authority's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Community Schemes Ombud Services ability 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 the opinion on the financial statements. My conclusions are based on the information available to me at the date of the auditor's report. However, future events or conditions may cause a public entity to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

- 3. I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
- 4. I also confirm to the accounting authority that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and here applicable, related safeguards.







Statement of Financial Position as at 31 March 2017

	Notes	2017 R '000	2016 R '000
Assets			
Current Assets	2	16.000	40.200
Cash and cash equivalents	3	16,890	10,399
Receivables from exchange transactions	4	-	331
Receivables from non exchange transactions	5	14,137	-
Prepayments	6	112	189
	-	31,139	10,919
Non Current Assets			
Other receivables - deposit	7	452	452
Intangible assets	8	122	1,281
Property, plant and equipment	9	4,520	7,380
	-	5,094	9,113
Total Assets	-	36,233	20,032
Liabilities			
Current Liabilities			
Payables from exchange transactions	10	2,677	2,454
Provisions	11	1,140	929
Operating lease liability	12	770	888
	<u>-</u>	4,587	4,271
Non Current Liabilities			
Payables from exchange transactions	10	80	
r ayables from exchange transactions	10	00	
Total Liabilities	_	4,667	4,271
Net Assets	-	31,566	15,761
Accumulated surplus	_	31,566	15,761







Statement of Financial Performance

	Notes	2017 R '000	2016 R '000
Revenue			
Revenue from exchange transactions			
Interest received	13	537	1,141
Other income	14	28	173
Total revenue from exchange transactions	-	565	1,314
Revenue from non-exchange transactions			
Other income (Non exchange)			
Donations received	15	9	-
Transfer revenue			
Government grants & subsidies	16	30,020	39,521
Levies	17	30,392	-
Total revenue from non-exchange transactions	_	60,421	39,521
Total revenue	-	60,986	40,835
Expenditure			
Employee related costs	18	(28,624)	(30,464)
Depreciation and amortisation	19	(4,326)	(3,418)
Debt Impairment		-	(24)
General Expenses	20	(12,216)	(21,196)
Total expenditure	_	(45,166)	(55,102)
Profit / (loss) on disposal of assets	_	(15)	(67)
(Deficit) / surplus for the period	_	15,805	(14,334)







Statement of Changes in Net Assets

	Notes	2017 Accumulated Surplus R '000	2016 Total Net Assets R '000
Opening balance as previously reported		30,244	30,244
Adjustments		30,244	30,244
Prior year adjustments		(150)	(150)
Balance at 01 April 2015 as restated*		30,094	30,094
Changes in net assets			
Deficit for the year as previously reported		(14,131)	(14,131)
Total changes		(14,131)	(14,131)
Opening balance as previously reported		15,963	15,963
Adjustments			
Prior year adjustments		(202)	(202)
Balance at 01 April 2016 as restated*		15,761	15,761
Changes in net assets			
Surplus for the year		15,805	15,805
Total changes		15,805	15,805
Balance at 31 March 2017		31,566	31,566







Cash Flow Statement

	Notes	2017 R '000	2016 R '000
Cash flows from operating activities			
Receipts			
Levies		16,586	-
Grants		30,020	39,521
Interest income		537	1,141
Other receipts		28	173
	-	47,171	40,835
Payments			
Employee costs		(28,413)	(29,844)
Suppliers		(11,953)	(19,477)
	-	(40,366)	(49,321)
Net cash flows from operating activities	- 22 -	6,805	(8,486)
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(314)	(7,669)
Proceeds / (loss) from sale of property, plant and equipment	9	-	(6)
Purchase of other intangible assets	8	-	(2,175)
(Increase)/Decrease in other receivables - deposit		-	(203)
Net cash flows from investing activities	-	(314)	(10,053)







Cash Flow Statement (Continued)

	Notes	2017 R ′000	2016 R '000
Cash flows from financing activities			
Movement in short term borrowings		-	(55)
Net increase/(decrease) in cash and cash equivalents	_	6,491	(18,594)
Cash and cash equivalents at the beginning of the year		10,399	28,993
Cash and cash equivalents at the end of the year	3	16,890	10,399







Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R '000	R '000	R '000	R '000	R '000	
Statement of Financial Performance Revenue						
Revenue from exchange transactions						
Other income	-	-	-	28	28	29.1
Interest received - investment	837	-	837	537	(300)	29.2
Total revenue from exchange transactions	837	-	837	565	(272)	
Revenue from non-exchange transactions						
Taxation revenue						
Donations received	-	-	-	9	9	
Transfer revenue						
Government grants & subsidies	23,920	6100	30,020	30,020	-	
Levies	-	-	-	30,392	30,392	29.3
Total revenue from non-exchange transactions	23,920	6,100	30,020	60,421	30,401	
Total revenue	24,757	6,100	30,857	60,986	30,129	







Statement of Comparison of Budget and Actual Amounts (Continued)

Budget on Accrual Basis	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R '000	R '000	R '000	R '000	R '000	
Expenditure						
Personnel	(20,525)	(6,100)	(26,625)	(28,624)	(1,999)	29.4
Depreciation and amortisation	(5,228)	-	(5,228)	(4,326)	902	29.5
General Expenses	(4,232)	-	(4,232)	(12,216)	(7,984)	29.6
Total expenditure	(29,985)	(6,100)	(36,085)	(45,166)	(9,081)	
Operating surplus	(5,228)	-	(5,228)	15,820	21,048	
Profit / (loss) on disposal of assets	-	-	-	(15)	(15)	
Surplus before taxation	(5,228)	-	(5,228)	15,805	21,033	
Actual Amount on Comparable Basis as Presented in the Budget and Actual						
Comparative Statement	(5,228)	-	(5,228)	15,805	21,033	









Accounting Policies

1. Basis of presentation

CSOS is established in terms Community Schemes Ombud Service Act 9 of 2011, and is classified as Schedule 3 A of the Public Finance Management Act (Act 1 of 1999). The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, issued by the Ac-counting Standards Board in accordance with Section 91(1) of the Public Finance Management Act (Act 1 of 1999).

These financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

1.1 Revenue recognition

Revenue from non-exchange transactions

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

Recognition

An inflow of resources from a non exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As CSOS satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non exchange transaction is measured at the amount of the increase in net assets recognised by CSOS.

When, as a result of a non exchange transaction, CSOS recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of the acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to set-

tle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Revenue from recovery of expenditure, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Public Finance Management Act (Act No. 1 of 1999) and is recognised when the recovery thereof from the responsible Board members or officials is virtually certain.

Government grants and subsidies

CSOS Government grants and subsidies revenue is derived in terms of Section 22 of Community Schemes Ombud Service Act 9 of 2011 as approved by the Minister of Human Settlement.

Revenue from exchange transactions

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Recognition

An inflow of resources from an exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As CSOS satisfies a present obligation recognised as a liability in respect of an inflow of resources from an exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from an exchange transaction is measured at the amount of the increase in net assets recognised by CSOS.

When, as a result of an exchange transaction, CSOS recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of the acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle







the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Revenue from recovery of unauthorised expenditure, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Public Finance Management Act (Act No. 29 of 1999) and is recognised when the recovery thereof from the responsible board members or officials is virtually certain.

1.2 Investment income

Investment income is recognised as revenue on receipts of the interest from the bank.

1.3 Other income

Other income includes dispute resolution, donations received and a nominal fee for administration of tenders.

1.4 Property, plant and equipment

Property, plant and equipment are tangible non current assets that are held for use in the production or supply of goods or services and for administrative purposes, and are expected to be used for more than one period.

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

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

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







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

Item	Depreciation method	Average useful life
Furniture and fittings Office machinery and equipment	Straight line Straight line	6 years 6 years
Computer equipment Leasehold improvements	Straight line Straight line	3 years Based on the lesser of lease
		period and useful life of the asset

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

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

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

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







1.5 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

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.

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

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

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

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

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

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

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

Item Useful life Computer software 2 years

1.6 Tax

Tax expenses

Community Schemes Ombud Service is a Schedule 3A Public Entity and is therefore, exempt from VAT and Income tax. The CSOS thus pays all tax invoices to supplies at total value, and has no recourse to claim any input tax related thereto.

1.7 Leases

A lease is classified as a finance lease if it transfers substantialA 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.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

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.

1.8 Employee benefits

Short term employee benefits

The cost of short term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non accumulating absences, when the absence occurs.







The expected bonus payments are recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined benefit plans

CSOS is a member of the Government Employee pension fund and makes contributions on behalf of its staff to the defined benefit scheme.

1.9 Provisions and contingencies

Provisions are recognised when:

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

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

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.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if 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 deficits.

Provision for leave pay is determined by dividing the employees annual salaries by 21,67 and multiplying by the number of days accruing to the employees at the reporting date.

1.10 Fruitless and wasteful expenditure

Fruitless and wasteful 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 other income in the statement of financial performance.

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

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the annual financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the annual financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.







1.12 Budget information

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

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

The approved budget is prepared on a accrual basis and presented by programmes linked to performance outcome objectives.

The approved budget covers the fiscal period from 2016/04/01 to 2017/03/31.

The budget for the economic entity includes all the entities approved budgets under its control.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.13 Financial instruments

Classification

The entity classifies financial assets and financial liabilities into the following categories:

- Financial instruments at fair value
- Financial instruments at cost
- · Financial instrument at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re assessed on an annual basis, except for derivatives and financial assets designated as at fair value through surplus or deficit, which shall not be classified out of the fair value through surplus or deficit category.

Initial recognition and measurement

Financial instruments are recognised initially when the entity becomes a party to the contractual provisions of the instruments.

The entity classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not de-

terminable, which are measured at cost and are classified as available for sale financial assets.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Transaction costs on financial instruments at fair value through surplus or deficit are recognised in surplus or deficit.

Regular way purchases of financial assets are accounted for at settlement date.

Subsequent measurement

Financial instruments at fair value are subsequently measured at fair value based on the quoted prices in an active market, unless the market for a financial instrument is not active, in which case the entity establishes a fair value using a valuation technique.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Financial instruments at cost are subsequently measured at cost.

Fair value determination

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the entity establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity specific inputs.

Impairment of financial assets

At each end of the reporting period the entity assesses all financial assets, other than those at fair value through surplus or deficit, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the entity, significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy and default of payments are all considered indicators of impairment.

In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator of impairment. If any such evidence exists for available for sale financial assets, the cumulative loss measured as the difference between the ac-







quisition cost and current fair value, less any impairment loss on that financial asset previously recognised in surplus or deficit is removed from equity as a reclassification adjustment and recognised in surplus or deficit.

Impairment losses are recognised in surplus or deficit.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in surplus or deficit except for equity investments classified as available for sale.

Impairment losses are also not subsequently reversed for available for sale equity investments which are held at cost because fair value was not determinable.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Receivables from exchange transactions

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Trade and other receivables are classified as loans and receivables.

Receivables from non exchange transactions

Levy receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the receivable is impaired.

The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When the levy receivable is uncollectible, it is written off against the allowance account for levy receivables.

Levy receivables are classified as loans and receivables.

Payables from exchange transactions

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash held at the bank and is subject to an insignificant risk of changes in value. This is initially and subsequently recorded at fair value.

1.14 Prepayments

The entity recognises a prepayment as an asset when

- it is probable that future economic benefits or service potential associated with the prepayment will flow to the entity; or
- the prepayment will lead to a reduction in future payments or a cash refund; and
- the cost of the prepayment can be measured reliably.







1.15 Use of estimates

The preparation of the entity's financial statements in conformity with Generally Recognised Accounting Practice requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the entity's accounting policies.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in the relevant sections of the financial statements. Although these estimates are based on the management's best knowledge of the current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.16 Significant judgements, estimates and assumptions

The key assumptions concerning the future and other key sources of estimation at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Impairment of non financial assets

The entity assesses whether there are any indicators of impairment for all non financial assets at each reporting date. Indefinite life intangibles are tested for impairment annually

and other times when such indicators exist. Other non financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

When value in use calculations are undertaken, management estimates the expected future cash flows from the asset or cash generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Useful lives and residual values

The useful lives and residual values of property, plant and equipment are reviewed at each balance sheet date. These useful lives and residual values are estimated by management based on historic analysis and other available information and any changes noted are accounted for as changes in accounting estimates.

1.17 Related parties

CSOS operates in an economic sector currently dominated by the entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of Government in South Africa, only entities within the national sphere for Government are considered to be related parties.









Notes to the Annual Financial Statements

2017	2016
R '000	R '000

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, there were no standards and interpretations that are effective for the current financial year and that are relevant to its operations:

2.2 Standards and Interpretations early adopted

The entity has chosen to early adopt the following standards and interpretations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact	:
GRAP 20: Related parties	01 April 2017	The impact of the is not material.	e amendment
3. Cash and cash equivalents			
Cash and cash equivalents consist of:			
Bank balances		16,890	10,399
4. Receivables from exchange transactions Trade debtors			
Provision for doubtful debts		-	355
		-	(24)
The fair value of trade and other receivables approximates	the carrying amount.	-	331
5. Receivables from non-exchange transactions			
Levies		14,137	<u>-</u>
The fair value of receivables from non-exchange transaction	ns approximates the carrying amou	unt.	
6. Prepayments			
Prepaid expenses		112	189







			201 R '00		201 R '00	
7. Other receivables deposit						
Rental deposits						
Head office					249	249
KwaZulu Natal office					203	203
		_			452	452
Non-current deposits						
0 - 30 days					-	-
31 - 60 Days					-	-
61 - 90 Days					-	-
91 - 120 Days					-	-
121 + Days		-			452	452
8. Intangible assets		2017			2016	
	Cost	Accumulated amortisation and accumulated impairment	Carrying value	Cost	Accumulated amortisation and accumulated impairment	Carrying value
Computer software (finite)	2,372	(2,250)	122	2,372	(1,091)	1,281
Reconciliation of intangible assets - 2017						
ū			Opening balance	Д	mortisation	Total
Computer software (finite)			1,281		(1,159)	122
Reconciliation of intangible assets - 2016						
0		Opening	Additions	Д	mortisation	Total
		balance				

The entity has items of intangible assets that are carried at nil values.







			-	2017	20 R 'C	-
9. Property, plant and equipment		2017	2016			
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Computer software (finite)	903	(267)	636	581	(124)	457
	425	(139)	286	436	(71)	365
	4,253	(2,570)	1,683	4,273	(1,164)	3,109
	4,603	(2,688)	1,915	4,603	(1,154)	3,449
	10,184	(5,664)	4,520	9,893	(2,513)	7,380

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Disposals	Assets donated	Depreciation	Total
Furniture and fittings	457	314	-	9	(144)	636
Plant, machinery & equipment	365	-	(9)	-	(70)	286
Computer equipment	3,109	-	(6)	-	(1,420)	1,683
Leasehold improvements	3,449	-	-	-	(1,534)	1,915
	7,380	314	(15)	9	(3,168)	4,520

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fittings	554	-	-	(97)	457
Plant, machinery & equipment	246	182	-	(63)	365
Computer equipment	894	3,342	(61)	(1,066)	3,109
Leasehold improvements	433	4,145	-	(1,129)	3,449
	2,127	7,669	(61)	(2,355)	7,380







			017 '000	2016 R '000
10. Payables from exchange transactions				
Current				
Trade payables			2,562	2,283
PAYE Withholding tax			18	28
Staff savings / 13th cheques			97	143
			2,677	2,454
Non current				
Trade payables			80	-
			2,757	2,454
The fair value of trade and other payables a	pproximates the carrying	g amount.		
11. Provisions				
Reconciliation of provisions - 2017				
	Opening balance	Additions	Utilised during the year	Total
Provision for leave pay	929	2,552	2 (2,341)	1,140
Reconciliation of provisions - 2016				
	Opening balance	Additions	Utilised during the year	Total

309



Provision for leave pay



929

(667)



	2017 R '000	2016 R '000
12. Operating lease liability		
Operating lease liability	770	888
The commitments under the non cancellable operating leases are d	lisclosed in note 28 Commitments.	
13. Investment revenue		
Interest revenue		
Bank	537	1,141
14. Other income		
Bid document fees	-	9
Advertising Public regulations	-	164
Dispute resolution	28	
		173
15. Donations received		
Donated assets	9 -	
16. Government grants and subsidies		
Operating grants		
Department of Human Settlements	30,020	39,521
17. Levies		
Community Scheme Levy Income	30,392	
18. Employee related costs		
Salaries Employees	27,321	29,793
Accounting authority expenses (Refer to Note 24)	1,303	671
	28,624	30,464
19. Depreciation and amortisation		
Property, plant and equipment	3,167	2,354
Intangible assets	1,159	1,064
	4,326	3,418







	2017 R '000	2016 R '000
20. General expenses		
Advertising	225	652
Admin expenses	3,158	2,559
Auditors remuneration	993	557
Bank charges	24	28
Conferences and seminars	52	377
Consulting and professional fees	649	1,218
Enterprise resource	326	1,794
Equipment rental	292	793
Rentals of buildings	3,272	2,757
Insurance (WCA – IOD)	36	-
Legal expenses	96	-
Licences	30	229
Marketing	24	657
Postage and courier	13	19
Printing and stationery	331	529
Repairs and maintenance	3	27
Staff welfare	-	116
Subscriptions and publication	12	18
Travel and subsistence local	1,135	2,318
Travel and subsistence overseas	-	1,414
Telephone cost	1,268	1,281
Training	-	3,390
Transport and freight	-	33
Water and electricity	277	430
	12,216	21,196







	2017 R '000	2016 R '000
21. Net surplus		
Revenue		
Government grant	30,020	39,521
Levies	30,392	-
Interest earned	537	1,141
Other income from exchange transactions	28	173
Other income from non exchange transactions	9	-
Total Revenue	60,986	40,835
Expenses		
Expenses	(45,181)	(55,169)
Net surplus/(deficit)	15,805	(14,334)
22. Cash flows from operating activities		
Surplus (deficit)	15,805	(14,334)
Adjustments for:		
Depreciation and amortisation	4,326	3,418
Loss on scrapping of assets	15	67
Debt impairment	-	24
Movements in operating lease assets and accruals	(118)	269
Movements in provisions	211	620
Assets donated	(9)	-
Changes in working capital:		
Inventories	-	196
Receivables from exchange transactions	331	(330)
Other receivables from non exchange transactions	(14,137)	-
Prepayments	77	(189)
Payables from exchange transactions	304	1,773
	6,805	(8,486)







	2017 R '000	2016 R '000
23. Contingencies		
Contingent liabilities		
Accumulated surplus*		

^{*} Accumulated Surplus is subject to National Treasury approval in response to the CSOS appropriate application for such fund retention. The accumulated surplus amount is determined in terms of Paragraph 3.2 of the National Treasury Instruction No 6 of 2017/2018.

24. Members' emoluments

Executive

2017

	Basic salary	Other benefits*	Total
Mr. T. Mthethwa	1,647	360	2,007
Mr. T. Mabuya	1,460	120	1,580
Ms. L. Less**	754	50	804
Mr. R. Maruma	1,086	72	1,158
Ms. D. Dube***	601	60	661
	5,548	662	6,210

^{**} Resigned on 31 August 2016.

2016

	Basic salary	Other benefits*	Total
Mr. T. Mthethwa	1,647	360	2,007
Mr. T. Mabuya	1,460	120	1,580
Ms. L. Less	1,565	120	1,685
Mr. R. Maruma	1,086	72	1,158
Ms. D. Dube	1,144	120	1,264
	6,902	792	7,694

^{*} Other benefits comprise travel allowance and medical benefits





^{***} Resigned on 30 September 2016.



Non-executive

2017

	Number of board meetings	Board meetings	Number of committee meetings	Committees and other meetings	Travel claims	Total
	J	R'000	J	R'000	R'000	R'000
Rev. Dr. V. Mehana	9	53	5	76	2	131
Adv. N. Memani	8	32	21	162	9	203
Ms. B. Dambuza*	8	18	18	118	154	290
Mr. T. Holmes	7	23	15	128	16	167
Mr. R. Jock	9	28	23	193	13	234
Mr. B. Dlamini	9	32	15	131	15	178
Ms. M. Constas	5	28	12	50	3	81
Ms T. Sunduza***	2	9	1	10	-	19
	_	223		868	212	1,303

^{*} Resigned 31 October 2016

2016

2010	Number of board	Board meetings	Number of committee	Committees and other	Travel claims	Total
	meetings	R'000	meetings	meetings R'000	R'000	R'000
Rev. Dr. V. Mehana	5	67	5	40	6	113
Adv. B. Block**	1	9	1	1	1	11
Adv. N. Memani	5	72	18	57	12	141
Ms. T. Mhlari**	4	61	8	26	4	91
Mr. T. Bailey**	4	53	8	26	3	82
Mr. M. Shozi**	5	68	10	34	9	111
Ms. B. Dambuza***	1	8	7	24	19	51
Mr. T. Holmes***	1	13	3	11	2	26
Mr. R. Jock***	1	6	3	10	2	18
Mr. B. Dlamini***	1	13	3	9	5	27
Ms. M. Constas****		-	_	-	-	-
		370		238	63	671

^{**} Term ended on 31 December 2015





^{***} Started on 01 January 2017.

^{***} Started on 01 January 2016

^{****} Started on 01 March 2016



	2017 R '000	2016 R '000
25. Related parties		
Relationships		
Controlling entity	National Department	t of Human Settlements
Entity under common control	Esta	te Agency Affairs Board
Related party balances		
Year end balances arising from services provided to related parties		
Estate Agency Affairs Board	2,038	220
Commitments		
Estate Agency Affairs Board	1,681	-
Related party transactions		
Grants received from related parties		
National Department of Human Settlements	30,020	39,251
Rent paid to related party		
Estate Agency Affairs Board	(378)	(2,234)
26. Irregular expenditure		
Opening balance	8,363	-
Add: Irregular Expenditure current year	9,144	8,363
Less: Amounts condoned	(8,363)	-
	9,144	8,363

Details of irregular expenditure - current year

The total budgeted expenditure for the 2016/17 financial year was R36,085,000 made up of personnel costs, depreciation and general expenditure. The total actual expenditure incurred was R45,166,000. The difference, R9,081,000, was a result of under funding from the budget allocation. The Board is investigating the over expenditure.

R63,030 was incurred as a result of the purchase of marketing materials for the stakeholders during the launch of CSOS without following the SCM processes. The Board is investigating non compliance with the SCM processes.







	,	
	2017	2016
	R '000	R '000
Details of irregular expenditure condoned		
	Condoned by Accounting Authority	
Rennies Travel SCM procurement process not followed	Expenditure condoned by the Board	3,196
AMP Design SCM procurement process not followed	Expenditure condoned by the Board	2,832
Various suppliers SCM procurement process not followed	Expenditure condoned by the Board	2,335
		8,363
27. Fruitless and wasteful expenditure		
Opening balance	12	-
Add: Fruitless and wasteful expenditure - current year	20	12
	32	12

During the year, cancellation fees were incurred in respect of cancelled bookings. The Supply Chain unit has started with the review of transactions to provide a report with recommendations.











	2017 R '000	2016 R '000
	1, 655	
28. Commitments		
Authorised capital expenditure		
Within 1 year		
Already contracted for but not provided for		
CT Infrastructure	3,699	265
Offsite record storage		30,054
	3,699	30,319
Authorised operational expenditure		
Already contracted for but not provided for		
Training Dispute resolution	7,335	7,335
Enterprise resouce planning	649	975
Operating leases	160	-
	8,144	8,310
In second to fifth year inclusive		
Minimum lease payments due		
- ICT infrastructure	-	6,276
- Offsite record storage	30,054	-
	30,054	6,276
Operating leases - as lessee (expense)		
Minimum lease payments due		
- within one year	3,222	3,418
- in second to fifth year inclusive	3,831	6,880
	7,053	10,298







29. Budget differences

Material differences between budget and actual amounts

- **29.1** The entity received dispute resolution income in the current financial year. However, the entity did not budget for this income, hence the positive variance.
- **29.2** The budgeted investment revenue exceeds the actual investment revenue amount. This is due to less cash being invested as cash was utilised to cover operational costs.
- **29.3** The Regulations for the Community Schemes Levy income were approved in October 2016. The entity had not included the levy income in the budget for the 2017 financial year, hence the positive variance.
- **29.4** The actual employee cost incurred was more than the budgeted amount. This is due to some permanent positions that were filled in the prior year for regional and head offices. This resulted in a negative variance.
- 29.5 Budgeted depreciation amount exceeded the actual amount. This is due to less assets being acquired during the year.
- **29.6** General expenses increased due to regional offices being established. Operational costs therefore increased. This resulted in the actual operational expenses exceeding the budgeted amount.

30. Comparative figures

Certain comparative figures have been reclassified. The entity's management is of the opinion that the prepaid expenses are material and therefore should be separately disclosed in the current annual financial statements. These prepaid expenses were previously disclosed under receivables from exchange transactions in the previous financial year.

The effects of the reclassification are as follows:

Statement of financial position

Prepayments	189
Receivables from exchange transactions	(189)
Effect on the statement of financial position	
Statement of cash flows	
Increase in prepayments	(189)
Decrease in receivables from exchange transactions	189
Effect on the statement of cash flows	-







31. Risk management

Financial risk management

The entity's activities expose it to a variety of financial risks: interest rate risk, credit risk and liquidity risk.

Liquidity risk

Liquidity risk is the risk that the organisation may not be able to meet its financial obligations as they fall due. This risk is regarded as low considering the entity's current funding structures and management of available cash resources. The CSOS monitors its cash flow requirements which include its ability to meet financial obligations. The CSOS also analyses its financial liabilities based on the remaining period to contractual maturity. Liabilities fall due after 30 days.

Trade and other payables	2,642	2,283
Operating leases	770	888
	3,412	3,171

At 31 March 2017	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	2,562	80	-	-
Operating leases	770	-	-	-
At 31 March 2016	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 31 March 2016 Trade and other payables	Less than 1 year			Over 5 years

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, and trade debtors. The entity only deposits cash with major banks with high quality credit standing and limits exposure to any one counter party. Trade and other receivables comprise of rental deposits and prepayments. Management evaluates credit risk on an ongoing basis.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2017	2016
Trade receivables	-	329
Prepayments	112	189
Other receivables	452	452







Market risk

Interest rate risk

The entity is exposed to cash flow interest rate risk arising from cash on hand at commercial banks, which earns interest at floating rates based on daily bank deposit rates. In the period under review the entity held no finance lease contracts.

The Community Schemes Ombud services exposure to market risk (in the form of interest rates risk) arises as a result of the following:

- a) Possible interest on late payment by the CSOS.
- b) interest on accounts held at banking institutions.

The entity's financial assets and financial liabilities are managed in such a way that the fluctuations in variable rates do not have material impact on the surplus/(deficit) as the CSOS settles its outstanding obligation within 30 days.

Cash flow interest rate risk

Financial instrument	Interest rate	Due in less		Due in two to	Due in three to four years	Due after five
		than a year	two years	three years	to lour years	years
Cash and cash equivalents	Variable	16,890	-	-	-	-

32. Going concern

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

The government grant for the current year is R30,02 million. The Regulations were approved by the Minister. CSOS Act and Sectional Titles Schemes Management Act were proclaimed by the President on 07 October 2016. The entity has commenced with the collection of levies in the current financial year.

33. Prior period errors

In the previous financial year, website costs and licence expenditure were erroneously capitalised. The error was corrected retrospectively.

The correction of the error results in adjustments as follows:







33. Prior period errors

In the previous financial year, website costs and licence expenditure were erroneously capitalised. The error was corrected retrospectively.

The correction of the error results in adjustments as follows:

Statement of financial position	
Decrease in intangible assets Cost	(246)
Decrease in intangible assets Accumulated amortisation	44
Effect on accumulated surplus (deficit)	(202)
Effect off accumulated surplus (deficit)	(202)
Statement of Financial Performance	
Increase in computer expenses	19
Increase in licences	227
Decrease in amortisation expense	(44)
Effect on surplus (deficit)	202
Cash flow statement	
Cash flow from operating activities	
Increase in suppliers	246
Effect on cash flow from operating activities	246
Cash flow from investing activities	
Decrease in purchase of other intangible assets	(246)
Effect on cash flow from investing activities	246

In the previous financial year, commitments were note accurately disclosed. The error was corrected retrospectively as follows:

Commitments

Within 1 year

Authorised operational expenditure

Training dispute resolution 7,335































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