



Community Schemes
Ombud Service

Affordable Reliable Justice

ANNUAL REPORT

01 April 2018 to 31 March 2019



www.csos.org.za



OUR FUTURE NOW:
HARMONIOUS,
VIBRANT
AND EFFICIENTLY
REGULATED
COMMUNITY
SCHEMES

CONTENTS

A | GENERAL INFORMATION

List of Abbreviations	07
Statement of Responsibility	08
Foreword by the Chairperson	09
Chief Ombud Report	12
Strategic Overview	14
Legislative and Other Mandates	15
Organisational Structure	16

B | PERFORMANCE INFORMATION

Situational Analysis	18
CSOS Values Statements	19
Information Technology	20
Marketing & Communication Report	21
Achievement of Organisation Strategic Objectives	23

C | GOVERNANCE

Accounting Authority / The Board	30
Board and Committee Report	31
Risk Management	38

D | HUMAN CAPITAL

Human Resource Report	39
-----------------------	----

E | FINANCIAL STATEMENT

Report of the Auditor-General to Parliament	46
Audit, Risk and Ethics Committee Report	52
Accounting Authority's Responsibilities and Approval	57
Accounting Authority's Report	58
Statement of Financial Position	60
Statement of Financial Performance	61
Statement of Changes in Net Assets	62
Cash Flow Statement	63
Statement of Comparison of Budget and Actual Amounts	64
Accounting Policies	66
Notes to the Annual Financial Statements	78

GENERAL INFORMATION

List of Abbreviations	07
Statement of Responsibility	08
Foreword by the Chairperson	09
Chief Ombud Report	12
Strategic Overview	14
Legislative and Other Mandates	15
Organisational Structure	16

A



The Community Schemes Ombud Service (“CSOS”)

Physical Address
63 Wierda Road East | Wierda Valley
Sandton | Johannesburg 2196

Postal Address
Postnet Suite 163 Private Bag X9924
Sandton | 2196

Contact Numbers
Telephone: 010 593 0533
Facsimile: 010 590 6154

Website address: www.csos.org.za

Executive Authority
The Minister of Human Settlements

Auditors
Auditor General of South Africa (AGSA)

Bankers
First National Bank



General Information

List of Abbreviations

Abbreviation	Name in full
AG	»» Auditor-General
CO	»» Chief Ombud
CFO	»» Chief Financial Officer
COM	»» Committees
CSOS	»» Community Schemes Ombud Service
CSOS Act	»» Community Schemes Ombud Service Act, 2011 (Act 9 of 2011)
Dev	»» Development
DG	»» Director General
DRO	»» Dispute Resolution Officer
EXCO	»» Executive Committee
GP	»» Gauteng Province
HOA	»» Home Owners’ Association
HR	»» Human Resources
HRD	»» Human Resources Development
HRM	»» Human Resources Management
IT	»» Information Technology
KPA	»» Key Performance Area
KPI	»» Key Performance Indicator
KZN	»» Kwa-Zulu Natal
M&E	»» Monitoring and Evaluation
MoHS	»» 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
STA	»» Sectional Titles Act, 1986 (Act 95 of 1986)
STSM Act	»» Sectional Titles Schemes Management Act, 2011 (Act 8 of 2011)
SLA	»» Service Level Agreement

Statement of responsibility and confirmation of accuracy for the annual report

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

All information and amounts disclosed in this annual report are consistent with the annual financial statements and performance information audited by the Auditor-General.

The annual report is complete, accurate and is free from any omissions.

The Annual Report has been prepared in accordance with the Guidelines on the Annual Report as issued by National Treasury.

The Annual Financial Statements (Part D) have been prepared in accordance with the Generally Recognised Accounting Practice (GRAP) standards applicable to the CSOS.

The Accounting Authority is responsible for the preparation of the Annual Financial Statements and for the judgements made in this information.

The Accounting Authority is responsible for establishing and implementing a system of internal control that is designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the Annual Financial Statements.

The external auditors were engaged to express an independent opinion on the Annual Financial Statements.

In our opinion, this Annual Report fairly reflects the review of operations, the performance information, the human resources information and the financial affairs of the CSOS for the financial year ended 31 March 2019.

Yours faithfully



Mr M Tyamzashe

Chairperson of the Board

Foreword by Chairperson of the Board

It gives me great pleasure to present our first report as the new Board and the sixth Annual Report for the Community Schemes Ombud Service, since its inception in 2014. On assumption of duty in January 2019, the then Minister of Human Settlements, the Hon. Nomaindiya Mfeketho clearly articulated her expectation at the board induction and provided clear, succinct direction on her expectations of an efficient and well governed Ombud and regulatory body in service of all community schemes.

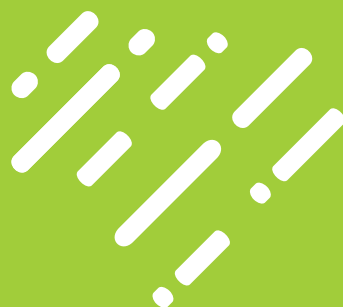
This included the need to hit the ground running. In the year under review, the CSOS received negative publicity in the face of revelations that as much as R100 million was irregularly “invested” with two local banks. Following the “investments”, two separate investigations were conducted: one by the entity itself and the other, by the Ministry of Human Settlements.

Whilst both investigations differed in scope, they shared similar findings of significant levels of wrongdoings on the part of some CSOS senior management. Based on the findings of the two investigations, the necessary disciplinary processes against the implicated persons were initiated.

Besides having to deal with the relevant backlogs, we inherited an organisation with a host of adverse audit findings, which stem largely from the organisation’s heavy reliance and use of an unsophisticated, manual revenue collection system and ineffective policies.



As a result of the new Board appointment, they had to first complete the entity’s last quarter business in addition to 2019/20 assignments. Besides having to deal with the relevant backlogs, we inherited an organisation with a host of adverse audit findings, which stem largely from the organisation’s heavy reliance and use of an unsophisticated, manual revenue collection system and ineffective policies.



As a new Board, in our first six months of operation, we have managed to stabilise the entity by reporting all the implicated parties to the relevant law enforcement authorities, and we successfully recovered a portion of the funds invested.

On a positive note, the CSOS achieved a decent audit outcome in respect of the new Board’s first Annual Financial Statements. There is, however, still more room for improvement and we believe we are on the right track.

We have started the process of filling the vacant posts of CFO and Chief Ombud, in addition to other unfilled positions, particularly in respect of key functions, within the entity. We have proper, functioning Board Committees and recently held a strategy planning session to adopt a roadmap to improve not only operations but internal staff morale as well.

We have approved both a procurement plan that will help better resource the entity and a marketing communication strategy to appropriately position and build credibility for the entity amongst the public and stakeholders.

We remain committed to fulfilling our mandate in terms of the Act and in so doing, meet and exceed our stakeholder expectations. To this end, we will continue our efforts to entrench the CSOS as a true alternative dispute resolution vehicle that will ensure compliance with the Act and Regulations and eliminate inconsistencies, in an affordable and timeous manner.

We embrace the challenge contained in Minister Lindiwe Sisulu’s recent Budget Vote, to the effect that “the transformation and consolidation of our human settlements can no longer be deferred, nor excuses made. We are building new, integrated, functional and inclusive settlements.” In this regard, we invite the Minister to “count us in.”

On behalf of the CSOS Board, we welcome Minister Sisulu back to the Department and look forward to a rewarding relationship with her, Deputy Ministers Pam Tshwete and David Mahlobo, the entire Department of Human Settlements, Water and Sanitation.

We will dedicate the balance of our term to creating the kind of environment that builds much-needed bridges with levy payers, that will ensure a climate of trust and good neighborliness.



Mr M Tyamzashe
Chairperson of the Board



12220
New Applications

2015/16	612
2016/17	1282
2017/18	4060
2018/19	6266



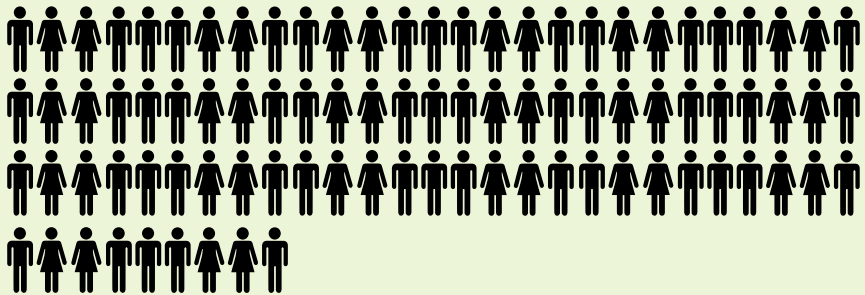
2015/16	225
2016/17	285
2017/18	874
2018/19	1295



2015/16	0
2016/17	1
2017/18	682
2018/19	1517



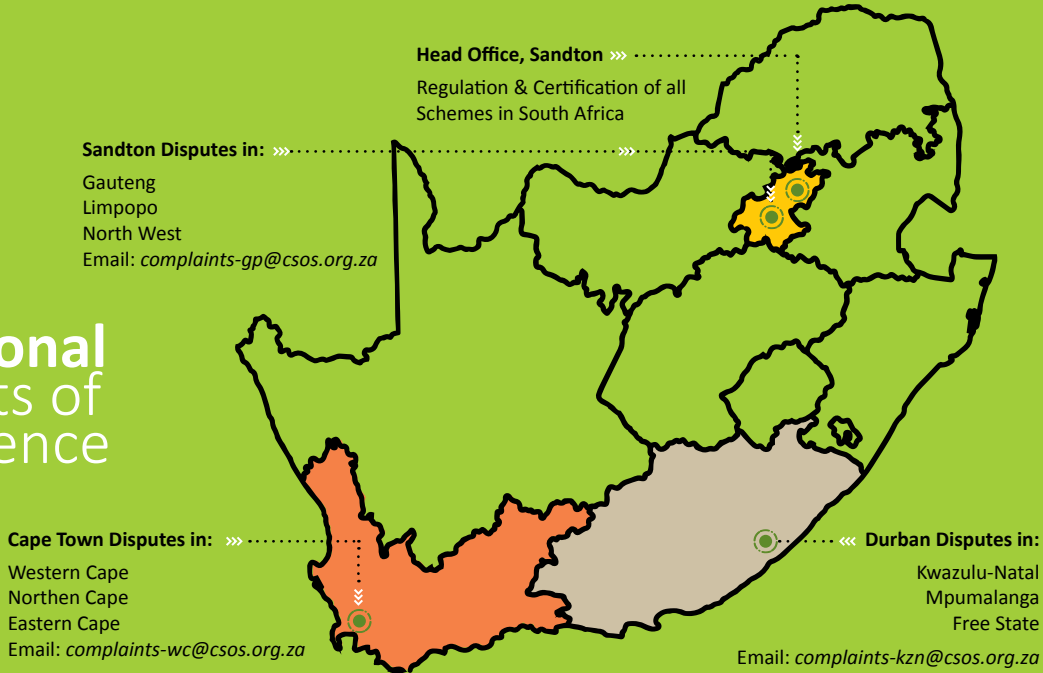
Other matters finalised as a result of withdrawals, non-jurisdiction rejections,
Non-submission of particulars or settled by parties



90
Employees



3 Regional
Points of
Presence



Report of Chief Ombud



In understanding the legislative role and function of the CSOS, it is generally acknowledged by the stakeholders that the emergence of the CSOS has brought a reliable alternative dispute resolution in the human settlements sector. At a more effective operational level, there is a shared acceptance that further to the reliable services offered, these services are cost effective and geared towards sustainable communal living. The strategic objectives of the CSOS are intrinsically linked to the Outcome 8 objective of the Department of Human Settlements as it relates to Community Schemes, geared towards peaceful and cohesive social interactions amongst individuals and their body corporates. The CSOS interventions should also be looked at within the realm of the National Development Plan Vision 2030 which acknowledges and strives for broadened social cohesion and unity while providing redress for the inequities and injustices of the past. It is important to emphasise that the CSOS has entrenched itself as an alternative dispute resolution mechanism of reliance in the housing sector since its establishment. During the Human Settlements Department Budget Vote 2019/20, Minister Sisulu explained that *“We used the concept of catalytic projects because, starting from a low base of resources, we worked to partner with the private sector to fund our projects and to turn these into integrated living spaces, consisting of all amenities required by communities, including business centres and industrial zones”*. This paraphrases and locates the CSOS within the realm of social cohesion of the human settlements domain.

The conduct and governance of the community schemes for the first time is now regulated to ensure compliance with both the CSOS Act and Regulations, thus eliminating undesirable inconsistencies with the objects of the established regulatory framework.

As more and more people opt for sectional title and community schemes form of housing, harmonizing the operations of the body corporates and homeowners association is becoming an expected challenge that Government must regulate. The CSOS regulates the governance of the community schemes and adjudicates any complaints lodged with it regarding community schemes such as townhouses, flats, complexes, golf estates, retirement villages and homeowners' associations. It also deals with other forms of communal living that have a body corporate or management agency governing the common areas of the property. The CSOS has made headway in engaging all stakeholders and has started mitigating a number of disputes in the sector.

As more and more people opt for sectional title and community schemes form of housing, harmonizing the operations of the body corporates and homeowners association is becoming an expected challenge that Government must regulate.

Since the proclamation of the CSOS Regulations in October 2016, stakeholders have demonstrated their unquestionable trust and confidence in the organisation. This is measured against the growing number of applications received by the office in all regions many of which are from the sectional title schemes.

In underscoring its achievements, CSOS was focused on the following objectives as derived mainly from the founding legislation, and in support of the department's MTEF.

- Regulating Community Schemes in South Africa;
- Provision of an effective dispute resolution mechanism, thus affirming the rights and obligations of owners and residents of community schemes in a manner that enhances their enjoyment in these types of human settlements;
- Provision of effective, quality training, advocacy and outreach programs to Adjudicators and Conciliators, as well as other stakeholders with interests in Community Schemes;
- Ensuring compliance within Community Schemes by providing governance oversight to the schemes.
- Improving neighbourly relations amongst community schemes residents, whilst sustaining the improvement of the property markets of the area; and
- Maintain best corporate governance, financial management and legal processes within CSOS, and ensuring that the entity is effective and sustainable.

In conclusion, the year under review has not been an easy ride and was characterised by incidences of conduct lapses by some of the officials which resulted in the Board acting accordingly to preserve the sanctity of the organisation. I want to express my appreciation for the unconditional support from Board members as a collective, employees of CSOS including the executives, the Department of Human Settlements, Water and Sanitation, more particularly Minister N Sisulu, as a representative of the Shareholder. Looking back to the previous three years when CSOS was still growing from incubation to today, I am more optimistic than ever before that the dispute resolution mechanism and the regulatory oversight of community schemes will be finalised.

Ms Ndivuo Rabuli
Chief Ombuds (Acting)

Strategic Overview

South Africa is a young but growing democracy with the fourth largest concentration of community schemes in the world. The environment within which the CSOS operates is complex, involving technical requirements, legal processes and procedures to regulate and harmonise interdependent relations between parties in shared living arrangements such as sectional title schemes, homeowners’ associations, share-block companies, housing schemes for retired persons and housing co-operatives.

Mandate

The CSOS is a juristic person established by an Act of Parliament, namely the Community Schemes Ombud Service, 2011 (Act 9 of 2011). It commenced operations on 07 October 2016 after the proclamation of the Act by the President of the Republic of South Africa.

Primarily, the mandate of the CSOS is to regulate, monitor and to control the quality of all schemes governance documentation and to provide an affordable, alternative dispute resolution service. The CSOS service is applicable to all owners, occupiers, executive committees and other persons or entities who have rights and obligations in community schemes. According to the Act, the term “community scheme” refers to any scheme or arrangement where there is shared use of and responsibility for parts of land and buildings including sectional titles development schemes, share block companies, home or property owners’ associations, housing schemes for retired persons and housing co-operatives.

**Vision**

To be a reliable and transparent regulatory authority for community schemes in South Africa.

**Mission**

To regulate community schemes to ensure good governance by providing education and training to all relevant stakeholders and an accessible dispute resolution service.

**Values**

Service Excellence
Independence
Integrity
Accountability

**Strategic Intent**

To enhance community schemes as an alternative tenure option for most citizens within South Africa.



Strategic Objectives

Strategic Objective
1

Regulate all Community Schemes within South Africa.

Strategic Objective
2

Control , take custody and provide quality assurance of Community Schemes governance documentation

Strategic Objective
3

Provide a dispute resolution service for Community Schemes

Strategic Objective
4

Provide Stakeholder training, consumer education and awareness for property owners, occupiers and other stakeholders in Community Schemes

Strategic Objective
5

Ensure that the CSOS is an effective and sustainable organisation



Legislative and other mandate

The CSOS is a juristic person established by an Act of Parliament, namely the Community Schemes Ombud Service, 2011 (Act 9 of 2011). It commenced operations on 07 October 2016 after the promulgation of the Act by the President of the Republic of South Africa.

Primarily, the mandate of the CSOS is to regulate, monitor and to control the quality of all schemes governance documentation and to provide an affordable, alternative dispute resolution service.

The CSOS service is applicable to all owners, occupiers, executive committees and other persons or entities who have rights and obligations in community schemes. According to the Act, the term “community scheme” refers to any scheme or arrangement where there is shared use of and responsibility for parts of land and buildings including sectional titles development schemes, share block companies, home or property owners’ associations, housing schemes for retired persons and housing co-operatives.

Acts

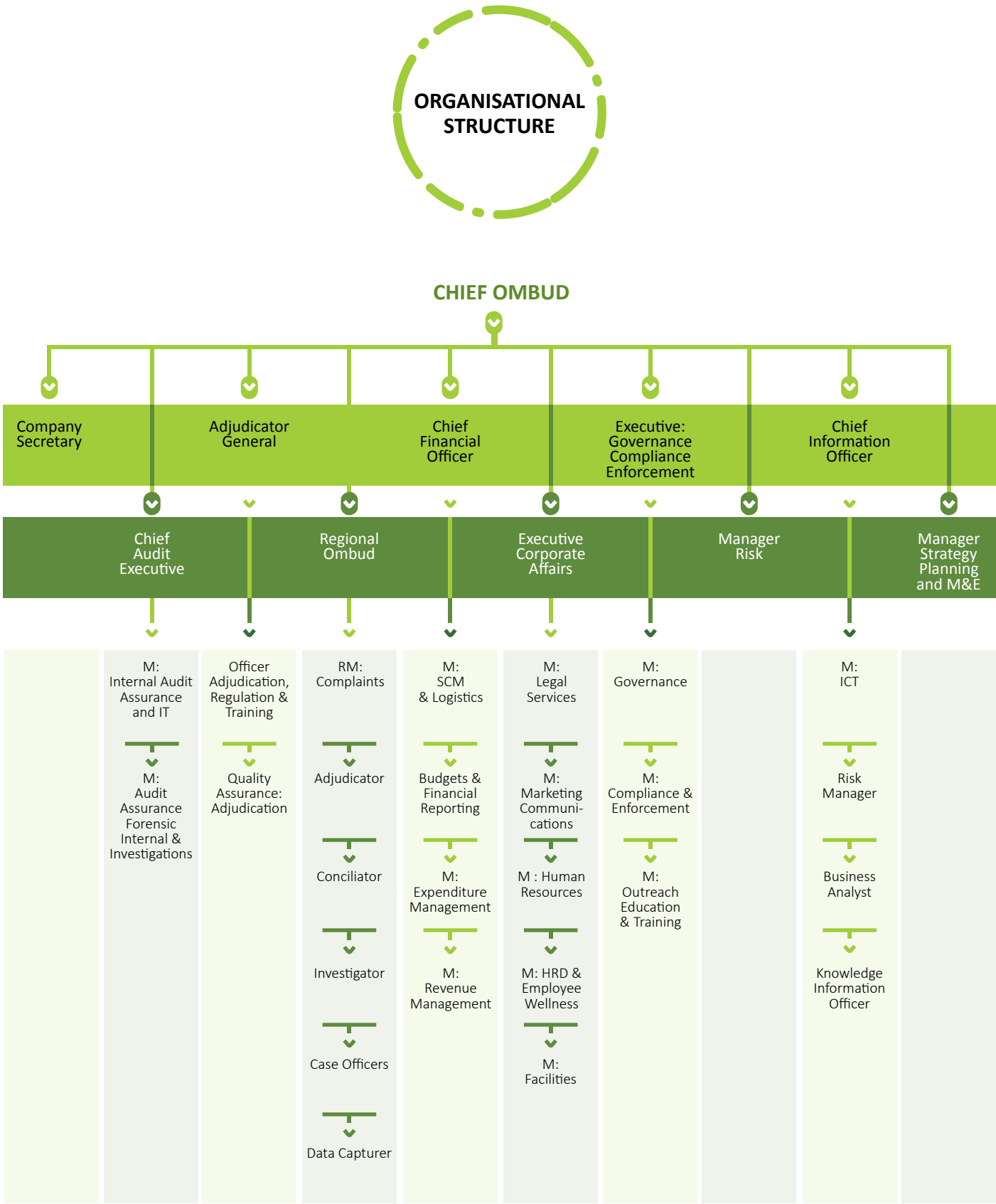
The Constitution of the Republic of South Africa, 1996
Community Schemes Ombud Service Act, 2011 (Act No. 9 of 2011)
Sectional Titles Scheme Management Act, 2011 (Act No. 8 of 2011)
Share Blocks Control Act, 1980 (Act No. 59 of 1989)
Housing Development Schemes for Retired Persons Act, 1988 (Act No. 65 of 1988)
South African Co-operatives Act, 2005 (Act No. 12 of 2005)
Companies Act, 2008 (Act No. 71 of 2008)
Public Finance Management Act, 1999 (Act No. 1 of 1999)

The primary mandate of the CSOS is to:

- Regulate, monitor and to control the quality of all schemes governance documentation
- Provide a dispute resolution service
- Provide training for conciliators, adjudicators and other employees of the CSOS
- Take custody of, preserve and provide public access (electronically or by other means) to schemes governance documentation.

In performing its functions, the CSOS:

- Must promote good governance of community schemes
- Must provide education, information, documentation and such services as may be required to raise awareness to owners, occupiers, executive committees and other persons or entities who have rights and obligations in community schemes, as regards those rights and obligations
- Must monitor community schemes governance; and
- May generally, deal with any such matters as may be necessary to give effect to the objectives of the Act.

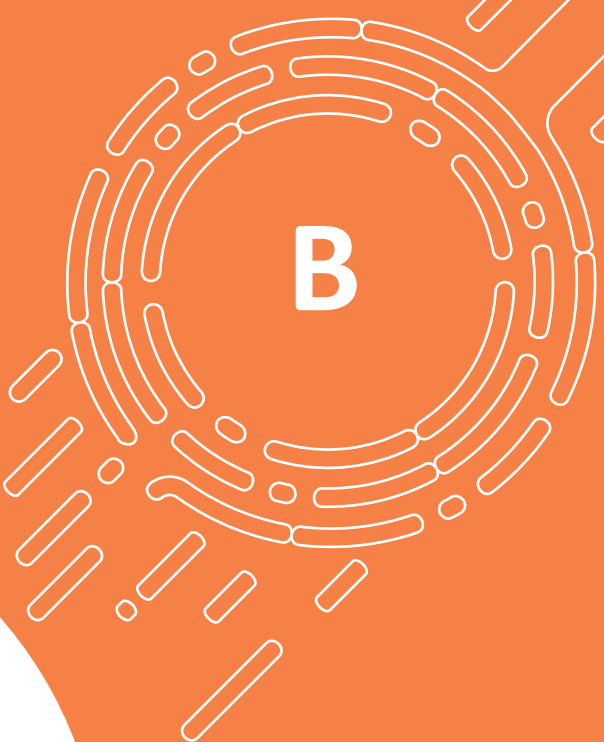


Key

M: Manager
RM: Regional Manager
IT: Information Technology
ICT: Information & Communication Technology
HRD: Human Resource Development

PERFORMANCE INFORMATION

Situational Analysis	18
CSOS Values Statements	19
Information Technology	20
Marketing & Communication	21
Achievement of Organisation Strategic Objectives	23



Situational Analysis

Whilst on the one hand, there is a need to create awareness and understanding amongst new property market entrants on their rights and obligation, on the other, there is a need to foster collaborative working relationships with individuals well versed in the effective management and running of community schemes.

The option of living in a community scheme is increasingly becoming the preferred tenure option for many South Africans. This is due to a variety of benefits that tenure in a community scheme offers –affordability, shared costs, security and shared responsibility for buildings or parts of land. Inevitably, where there are many and varied individual interests in a kept space, disputes will arise. Therefore, the regulation of community schemes requires an intricate balance of firstly, the protection of individual housing consumer rights, the application of fair, just and transparent legal recourse, and the provision of education, information, documentation and any such services as may be required to raise awareness to owners, occupiers, executive committees and other persons as to their rights and obligations. This has assisted in the alignment of ICT to CSOS’ strategic objectives and as well as the organizations value drivers as ICT plays a supporting role to the organization.

The Political environment

Politically, the CSOS is accountable to the Minister of Human Settlements, Water & Sanitation. The CSOS reports on a regular basis to the Minister on progress made in implementing its mandate and furthermore, tables periodic reports to Parliament as required by the PFMA and at the instruction of the Parliamentary Portfolio Committee on Human Settlements.

The Economic environment

The principle of affordability of the dispute resolution services is at the heart of the CSOS brand purpose. Current funding streams include a government grant, a CSOS levy payable by community schemes, dispute resolution services fees and charges applied to access of schemes governance documentation.

During the stakeholder roadshows held in October of 2018 one of the stakeholder concerns or issues raised were around the CSOS funding model: the prevailing question being whether the CSOS levies were appropriately pitched at the right levels? In addition to the Acts and regulations, the CSOS will be looking into the CSOS funding model as well as the revenue management strategy and its effectiveness.

The Social environment

The CSOS has a myriad of stakeholders each with different interests. Whilst on the one hand, there is a need to create awareness and understanding amongst new property market entrants on their rights and obligations, on the other, there is a need to foster collaborative working relationships with individuals well versed in the effective management and running of community schemes. In the delivery of the Service, the CSOS acknowledges that digital, automation and engagement are the new service delivery currency.

The Technological environment

The CSOS plans to procure and deploy a Case Management, Customer Relationship Management (CRM) as well as an Integrated Enterprise Resource Planning (ERP) and Revenue Management System to support core operations. Business process mapping for the business units has commenced in the year under review and will assist in the technical scoping of the modules to be procured for the core system.





Information Technology

ICT Governance

The ICT Governance within the organization was strengthened in the year under review as a new ICT Strategic Plan was approved which was supported by a revised Corporate Governance of ICT Policy Framework. Both policies are being implemented.

This has assisted in the alignment of ICT to CSOS' strategic objectives and as well as the organizations value drivers as ICT plays a supporting role to the organization.

Resources and Projects

Inroads were made in bolstering the business unit by the recruitment of an Information Security Officer as well as a Database Administrator who works hand-in-hand with the Acting Business analyst. These resources were able to assist in the deployment of interim automated applications that have a direct impact on CSOS Strategic Objectives such as the Registrations and Dispute Resolution processes.

These interim solutions are being used while the organisation is in the process of procuring and deploying permanent long-term systems that will support the CSOS core operations (Revenue Management, Dispute Resolution, Registration and Governance).

Planned initiatives

As the staff complement in the organisation grows, the business unit is planning to ensure that all policies are revised (annually as planned) and workshopped throughout the entire organisation.

Other key initiatives will include a new Risk Assessment to update the entire ICT Risk Management and risk registers as well as the deployment of the Disaster Recovery Plan which is currently supported by the backup and recovery process that has remote synchronisation.

The process for the recruitment of additional internal ICT resources is underway and will help in the upcoming planned key operational core systems and projects.

Marketing and Communications



For Shared Living Property Arrangements

Got a problem in...

- Sectional Title
- Homeowners' Association
- Housing Co-operative
- Share Block Company
- Retirement Village Housing Scheme

CSOS
Community Schemes
Ombud Service

THERE IS AN OMBUD FOR THAT www.csos.org.za



PIC 1 : CSOS employees engaging residents on the Phakama Road Show
 PIC 2 : CSOS employees listening to residents on the Phakama Road Show engagements
 PIC 3 : CSOS's flagship billboard, flighted at OR Tambo International Airport
 PIC 4 : CSOS employees presenting food parcels they bought in support of Mandela Day

The Marketing and Communications unit is responsible for supporting all business functions with their respective communications requirements. This may vary from editing, proofreading, designing and issuing newsletters and news updates to internal stakeholders, as well as publishing the CSOS Practice Directives, Adjudications Orders and the quarterly externally focused e-newsletter; SharedLiving. The unit is also the custodian for all content placed on marketing materials, the website and social media.



5



6



7

PIC 5,6,7 : CSOS Communications team engaging residents during Phakama Roadshows

During the year under review, brand visibility was enhanced by the CSOS's flagship billboard advert that was flighted in May at the OR Tambo International Airport, leveraging an estimated exposure to a million travellers in that month. Favourable TV coverage was earned in program features on SABC's Yilungelo Lakho, a consumer affairs television show on SABC1 and MNET's Carte Blanch in January 2019. Both features covered consumer rights and obligations in shared living arrangements.

The CSOS reputation was compromised by negative media coverage on its "investment" in VBS and leadership changes. To mitigate this and to address stakeholder concerns, the CSOS embarked on a 5-city roadshow, presenting its case and way forward. Titled, "Phakama", the roadshows were promoted through social media, radio adverts and live reads in leading regional and commercial radio stations. The total estimated reach for this campaign was 1,747 931.

In support of Mandela Day, the unit and CSOS employees rolled their sleeves and dug in their own pockets to supply food parcels to a registered, local child care service centre in Atteridgeville, Pretoria. It was an opportunity to live the CSOS brand purpose of being a protector, a brand with a voice, accessible and active in the community



Achievement of CSOS / Organisational Strategic Objectives



STRATEGIC OBJECTIVE 1: REGULATE ALL COMMUNITY SCHEMES WITHIN SOUTH AFRICA

Key Performance Indicators	Baseline 2017/18	Target 2018/19	Actual 2018/19	Variance
Number of Schemes registered	17 446	[1] 30 000 schemes registered	2 423	-27 577 Not Achieved
Comment on variance: <ul style="list-style-type: none"> There is a decline in the number of registration documentation submitted by community schemes, there were 17 446 registration documents submitted during 2017/18 compared to 2 423 submitted during 2018/19. Enforcement actions have commenced in the 4th quarter and will continue into the first quarter of 2019/20 and a total number of 1 004 enforcement notices have been issued to non-compliant schemes to date; Six (6) administrators have been recruited to work on the backlog of registrations of schemes and issuing of enforcement notices and progress will be reported quarterly. 				

STRATEGIC OBJECTIVE 2: CONTROL AND PROVIDE QUALITY ASSURANCE OF COMMUNITY SCHEMES GOVERNANCE DOCUMENTATION

Key Performance Indicators	Baseline 2017/18	Target 2018/19	Actual 2018/19	Variance
Number of Governance Documentation Quality Assured (New Schemes and Amendments of rules).	1523	[2] 1500 governance documentation quality assured	2 088	589 Achieved
Comment on variance: <ul style="list-style-type: none"> The recruitment of the Schemes Governance Officer has assisted in speedily assurance of schemes governance documentation. The number of schemes governance quality assured has increased from 1523 in the 2017/18 year to 2088 in the 2018/19 year. 				
Number of Certificates Issued for community Schemes governance documentation that has been quality assured	882	[3] 1500 Certificates issued for Community Schemes Governance Documentation that has been quality assured	1 305	-195 Not Achieved
Comment on variance: <ul style="list-style-type: none"> The delays by Schemes in responding or implementing of amendments of rules as recommended by CSOS adversely affect the issuing of approval certificates. CSOS has since issued a Practice Directive setting out the process for the approval of Scheme Rules and this clarifies the role of the schemes in amending the rules after recommended changes to curb the delays moving forward 				

STRATEGIC OBJECTIVE 3: PROVIDE A DISPUTE RESOLUTION SERVICE FOR COMMUNITY SCHEMES

Key Performance Indicators	Baseline 2017/18	Target 2018/19	Actual 2018/19	Variance
Percentage of disputes resolved	68%	[4] 70% of disputes received resolved	87.44%	17.44% Achieved
Comment on variance: <ul style="list-style-type: none"> The percentage of disputes resolved is dependent on the number of disputes the CSOS receives annually; The dispute resolutions business units (regional offices) were able to resolve 87.44% of disputes in the year under review. This percentage of disputes resolved has increased by 19.44% from the previous year baseline where 68% of disputes were resolved. It must be noted that of the 5479 disputes resolved, 1898 (34.6%) were carried over from the previous financial year (2017/18). 				

STRATEGIC OBJECTIVE 4: PROVIDE STAKEHOLDER TRAINING, CONSUMER EDUCATION AND AWARENESS FOR PROPERTY OWNERS, OCCUPIERS AND OTHER STAKEHOLDERS IN COMMUNITY SCHEMES

Key Performance Indicators	Baseline 2017/18	Target 2018/19	Actual 2018/19	Variance
Number of training sessions conducted	New Indicator	[5] Development and accreditation of Curriculum for Schemes Executive 1 Training and education sessions for stakeholders with 30 stakeholders trained (Schemes Executives, Conciliators and Adjudicators)	Not yet commenced	No training material developed, and no training conducted Not Achieved
Comment on variance: <ul style="list-style-type: none"> The tender for the appointment of a Service Provider to develop the training material was cancelled and the project could not be implemented, however, the project has been deferred to the 2019/20 financial year. 				

«« STRATEGIC OBJECTIVE 4: (continue from page 25)

Key Performance Indicators	Baseline 2017/18	Target 2018/19	Actual 2018/19	Variance
Number of stakeholder e-newsletter publications	Three (3) stakeholder e-newsletter publications	[6] Four (4) stakeholder e-newsletter publications	Four (4) stakeholder e-newsletter publications	Achieved None
Comment on variance: <ul style="list-style-type: none"> E-newsletter publications are developed internally by the CSOS Marketing and Communications department and distributed to internal and external stakeholders and as can be seen above, four (4) publications were developed and issued to stakeholders as per the 2018/19 targets. 				
Number of consumer awareness campaign and activations	Four (4) consumer awareness campaigns with 2 activations	[7] Three (3) consumer awareness campaigns with 4 activations	Two (2) bulk messaging campaign; Two (2) radio live read campaign; Four (4) online campaigns conducted	Two (2) bulk messaging conducted, Two (2) radio live read campaign activation not conducted; Not Achieved
Comment on variance: <ul style="list-style-type: none"> The tender (procurement of service providers) to implement the projects in order to conduct the campaigns as planned was cancelled and this resulted in some of the activities not implemented, however, the project aimed at improving this deliverable have been included in the 2019/20 Procurement Plan. 				
Number of stakeholder engagement campaigns	Sixteen (16)	[8] Twelve (12) engagement events	Twelve (12) Stakeholder engagement events	Achieved None
Comment on variance: <ul style="list-style-type: none"> CSOS conducted stakeholder engagement events and this included the roadshows conducted in the 5 Provinces. 				

STRATEGIC OBJECTIVE 5: ENSURE THAT THE CSOS IS AN EFFECTIVE AND SUSTAINABLE ORGANISATION

Key Performance Indicators	Baseline 2017/18	Target 2018/19	Actual 2018/19	Variance
Number of functional facilities available and accessible to members of the public, to deliver the CSOS services	No visible CSOS point of presence established	[9] Two (2) CSOS points of presence established	Two (2) points of presence established	Points of presence established in Bloemfontein and Port Elizabeth Achieved
Comment on variance: <ul style="list-style-type: none"> Two offices have been identified for Bloemfontein and Port Elizabeth where the CSOS is currently conducting Conciliations and Adjudications and act as CSOS points of presence. Plans have been made in the 2019/20 for expansion feasibility assessments and office expansion as per the feasibility report 				
Partner with Entity to implement a Revenue Management System	New Indicator	[10] Implementation of Revenue Management System in partnership with an entity	No progress with regards to relationship with SARS	No activity commenced Not Achieved
Comment on variance: <ul style="list-style-type: none"> The implementation protocol between SARS and the CSOS was drafted and submitted to SARS for consideration, however SARS has not yet signed the Protocol. 				
% of uptime of ICT systems	99.67%	[11] Achieve 99% uptime of ICT systems	99.75%	Over Achievement
Comment on variance: <ul style="list-style-type: none"> The critical applications include the current ERP system the Payroll system and the primary database server. The ICT department has recorded a 99% uptime of these systems and servers. A network health score of 98% was also achieved for the year. A network monitoring application procured has assisted in the monitoring of system resources but as the organization grows and more resources are to be monitored as planned in the 2019/20 year, more ICT employees would need to be employed for the support and upkeep of the environment as the department is currently operating with only three resources/employees 				

<<< STRATEGIC OBJECTIVE 5: (continue from page 27)

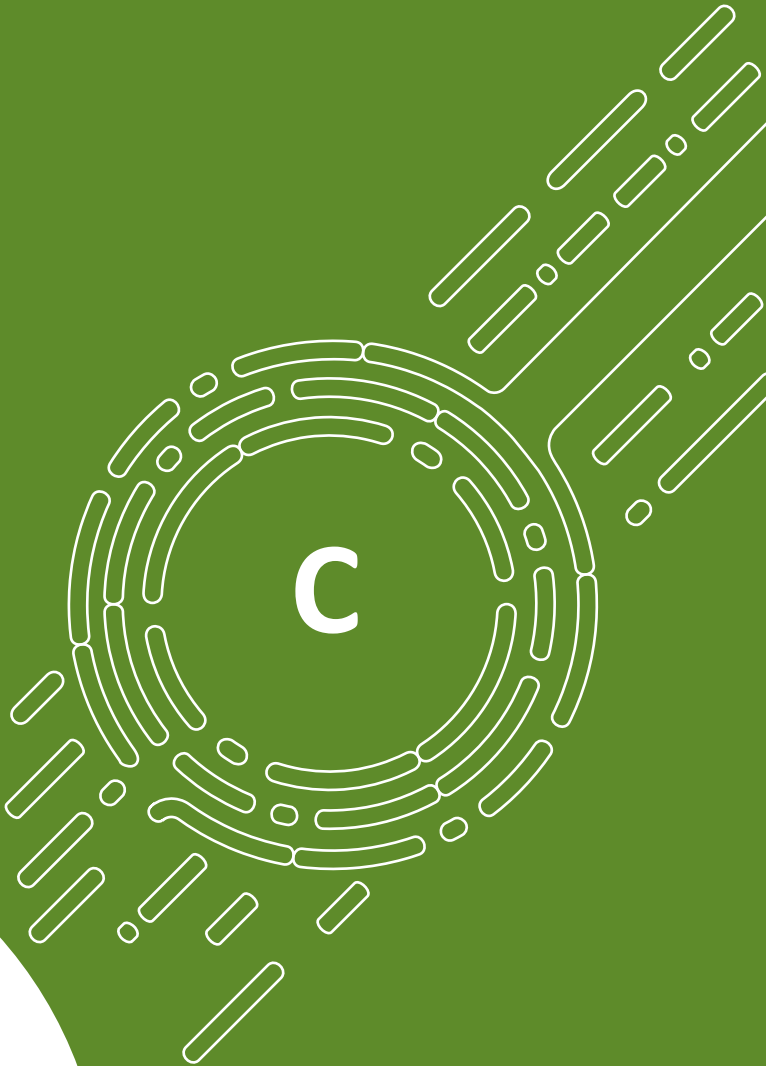
Key Perfomance Indicators	Baseline 2017/18	Target 2018/19	Actual 2018/19	Variance
Implemented Revenue Management Model in Collection arrangement	R 184 763 995 CSOS Levies collected	[12] R 200 000 000 Collected as CSOS Levy	R 195 672 310 Collected as Income CSOS Levy Income	-R 4 327 690 Not Achieved
<p>Comment on variance:</p> <ul style="list-style-type: none">• The collection for the first quarter was below par but the collections improved over the last three quarters of the financial year.• The CSOS can only achieve a complete collection of revenue once CSOS has registered the all schemes in South Africa data base. CSOS has identified gaps that will be mitigated to address the completeness of revenue challenge• To achieve the collections targets, the CSOS will have to ensure the registration of the full database of community schemes (most of which are non-compliance have been identified from the procured database from the deeds office) and ensuring compliance in terms of the payment of levies. Registration failure will leave to the continuation of a shortage in the projected collection				

2018/19 PERFOMANCE INFORMATION

CSOS STRATEGIC PROGRAMMES FOR 2018/19	TOTAL KPIs	NOT ACHIEVED	NOT ACHIEVED %	ACHIEVED	ACHIEVED %
Regulate all community Schemes within South Africa	1	1	100%	0	0%
Control and Provide Quality Assurance of Community Schemes Governance Documentation	2	1	50%	1	50%
Provide a Dispute Resolution Service for Community Schemes	1	0	0%	1	100%
Provide Stakeholer Training, Consumer Education and Awareness for Property Owners, Occupiers, and other Stakeholders in Community Schemes	4	2	50%	2	50%
Ensure that the CSOS is an Effective and Sustainable Organization	4	2	75%	2	50%
TOTAL	12	6	50%	6	50%

GOVERNANCE

Accounting Authority / The Board	30
Board and Committee Report	31
Risk Management	38



Accounting Authority / The Board

◀ **Mr Mthobi TYAMZASHE**
Chairperson of Board

◀ **Ms Maemili RAMATABOE**
Deputy Chairperson of the Board

◀ **03 | Ms Ndivhuo RABULI**
Chief Ombud (Acting)

◀ **04 | Ms Ayanda OLIFANT**
Board Member

◀ **05 | Ms Letlhogonolo NOGE-TUNGAMIRAI**
Board Member

◀ **06 | Ms Bongekile ZULU**
Board Member

◀ **07 | Mr Rajesh JOCK**
Chairperson of HR Remco

◀ **08 | Mr Taurean HOLMES**
Chairperson of FinComm

◌ **Ms Funani MATLATSI**
Acting Chief Financial Officer
Not pictured

Composition of the Board

In terms of section 6 of the Community Schemes Ombud Service Act 9 of 2011, the Minister must appoint non-executive directors as members of the Board for a period not exceeding three years. The Minister must appoint the Chairperson and the Deputy Chairperson from the non-executive members of the Board. The Chief Ombud and the Chief Financial Officer are executive members of the Board, and are appointed in terms of section 14 of the Act. The Board was appointed with effect from 1st January 2019.

Functions of the Board

The Board must implement the mandate contemplated in section 5 of the Act as well as strategic plan of the Service in order to achieve the objectives of the Service, specifically, the Board must achieve the following:

- make decisions on behalf of the Service and ensure that they are carried out;
- provide guidance to the Chief Ombud in the performance of his or her functions in terms of this Act;
- notify the Minister immediately of any matter that may prevent or materially affect the achievement of the objectives or financial targets of the Service; and
- refer to the Minister any matter concerning the adverse functioning of the Service.

The Board provides strategic leadership and oversight to the Service, and must ensure that the internal controls maximise value to all stakeholders, including the shareholder. The Board has approved a Delegation of Authority Framework that lists matters reserved for the Board, consistent with the Board Charter.

Board Committees

The Board has established four committees, in terms of section 12 of the Act, to support the Board in its oversight responsibilities. These Committees operate on the basis of the Charters as approved by the Board, and make recommendations to the Board for approval. The day to day management of the Service is delegated to the Executive Committee that regularly reports to the Board, under the leadership of the Chief Ombud.

Management of conflict of interest

The Board subjects itself to the underpinning principles of disclosures and Declaration of Interest as required by section 11 of the Act. In so doing the Board ensures that material conflicts are disclosed and properly managed by ensuring that the Minute Book is circulated to all members, to declare their interests in regard to any item on the agenda, to prevent personal pecuniary and non-pecuniary interests of a member over that of the Service. Individual members of the Board have also disclosed any matter of interest to the Minister within the first three months of their appointments, as required by the Act.

Company Secretary

The Board appoints the Company Secretary in terms of section 86 of the Companies Act, 71 of 2008. The Company Secretary is responsible for providing the Board members collectively and individually with guidance as to their duties, responsibilities and powers; making the Board members aware of any law relevant to or affecting the Service; and amongst others, ensuring that minutes of the Board and Committee meetings are properly recorded in terms of the relevant legislation. He or she advises the Board on legal and governance issues, and helps develop the Board annual plan in consultation with the Chairperson of the Board, and ensures compliance with the Public Finance Management Act and the concomitant Regulations, as well as the founding legislation of the Service (CSOS).



Annual Board Plan

The Board approves the Annual Board Plan to guide its annual activities, in terms of which the Board and its committees have four scheduled ordinary meetings. The special meetings for the Board and Committees are held only when the need arises and as approved by the Chairperson of the Board. Submissions presented to the Board are compiled by the executives as guided by the agenda items directed by the Committee Chairperson and the Board Chairperson in the case of Board meetings. The Board follows through the execution of Board Resolutions from the Matters Arising Matrix that shows the status and progress of implementation of decisions.

BOARD & COMMITTEE ATTENDANCE REPORT 2018/19- THREE QUARTERS REPORT

Member Name	Total Number of Scheduled Meetings Board Meetings 2018/19 (Previous Board)	Total Meetings Attended	ADHOC Meetings
Rev Dr Mehana**	10	10	2
Adv N Memani**	10	10	6
Mr T Holmes	10	10	7
Mr B Dlamini**	10	7	6
Mr R Jock	10	10	5
Ms M Constas**	10	7	1
Ms T Sunduza**	10	9	

NB.**former members of the Board

The Board has established the following four Committees in terms of section 12 of the CSOS ACT: Human Resources and Remunerations Committee, Audit, Risk and Ethics Committee, Finance Committee and Legislation, Adjudications and Transformation Committee.

HR REMCO 2018/19 (Previous Board)

Member Name 2018/19 (Previous Board)	Total Number of Schedules Meetings	Total Meetings Attended
HR-Remco Meetings		
Mr R Jock	6	6
Ms M Constas	6	3
Adv N Memani	6	5
Ms T Sunduza	6	3

The primary function is to assist the Board in discharging and fulfilling its oversight and fiduciary responsibilities, in respect of all matters within the area of its jurisdiction and/or performing such duties and responsibilities as may be directed by the Board, consistent with this Charter. The functions of the Committee is to advise and make recommendations to the Board about matters related to, Corporate Services, excluding legal services.

1.1 Remuneration and Performance

The Committee is charged with the responsibility to:

1.1.1 Consider and recommend to the Board the terms and conditions of the Chief Ombud and Chief Financial Officer (CFO) employment contract, including fixed annual remuneration, short-term and long-term incentives, benefits, pensions, superannuation, retirement and termination compensation.

1.1.2 Develop and review the performance management contracts of the Chief Ombud, the Chief Financial Officer and the Company, which are aligned with the organisational objectives.

1.1.3 Review the Chief Ombud, Chief Financial Officer and the Company Secretary’s remuneration arrangements with due consideration to law and corporate governance principles.

1.1.4 Review and recommend to the Board, at least annually, remuneration arrangements for the Service.

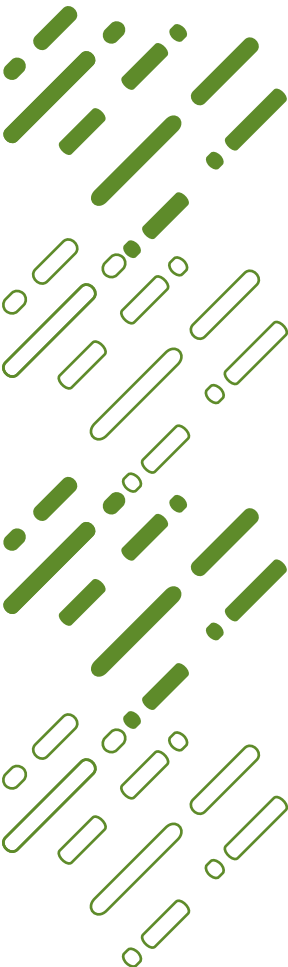
1.1.5 Following annual review, consider and recommend to the Board robust performance measures and targets that encourage superior performance and ethical behaviour.

1.1.6 Review, at least annually and recommend to the Board, the performance of the Chief Ombud, Chief Financial Officer and Company Secretary against individual and organisational targets; taking into cognisance such evaluation and feedback from the annual review and as guided by the Performance Management Policy.

1.1.7 Ensure that any new or varied contracts with the Chief Ombud, the Chief Financial Officer and the Company Secretary are disclosed in accordance with any governance, accounting and legal requirements.

1.1.8 Review and make recommendations to the Board, where appropriate, in respect of CSOS’s remuneration strategy, policies and practices in line with:

- the CSOS corporate objectives;
 - current corporate governance principles;
 - competitive practice;
- Review and make recommendations to the Board, as appropriate, on:
- the remuneration structure of the Service;
 - establishing and maintaining a process to set robust performance measures and targets that encourage superior executive performance and ethical behaviour;
 - performance against individual and overall organisational objectives;
 - the process for the measurement and assessment of performance;
 - the recruitment and retention policies for the Service; and
 - the design of all other remuneration plans.
 - Monitoring performance indicators and compliance with the organisational strategic plan and the annual performance plan.
 - Review and recommend policies for adoption.
 - Oversee and recommend strategies and plans within Corporate Services.
 - Oversee and recommend employment equity strategies and/or plans.
 - Review and recommend employee relations strategies, including the institution’s bargaining recognition agreement.
 - Consider and review the organisational structure of CSOS to achieve the strategy.
 - Guide the planning and implementation of organisational development and change programs including training and development.
 - Review and recommend remuneration strategy, policies and practices.
 - Oversee and monitor administration of CSOS’s remuneration policies and benefits programs.
 - Review and recommend the recruitment and appointments of the Chief Ombud; Chief Financial Officer and the Company Secretary.
 - Liaise with Government departments and agencies, as necessary, or refer matters to the Board of CSOS as appropriate.
 - Consider any other human resource, or employee wellness matter that may be referred to the Committee by the Board.
 - Conduct an annual performance and development review of the Chief Ombud, Chief Financial Officer, and Company Secretary.
 - Facilitates the Board and Committee Evaluation process.
 - Review and make recommendations to the Board on Directors training and skills development.





AUDIT, RISK AND ETHICS COMMITTEE 2018/19 (Previous Board)

Member Name	Total Number of Scheduled Meetings	Total Meetings Attended
Mr T Holmes	8	8
Mr R Jock	8	8
Mr B Dlamini	8	3
Ms M Constas	8	1
Ms T Sunduza	8	2

The purpose of the Audit, Risk and Ethics Committee is to:

The Committee was established in terms of a Board resolution. The purpose of the Committee is to assist the Board in discharging its duties relating to:

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

The Committee provides a forum for discussing business risk and control issues and for developing relevant recommendations for consideration by the Board.

The Committee has oversight of the activities of the Internal Audit and the External Audit functions

The Committee shall act as a channel of communication between the Board and management and the Internal and External Auditors.

The Committee is an Advisory Committee except in relation to:

- o Approval of the Internal Audit Plans, Policies and Procedures; and
- o Approval of the Internal Audit Charter.

FINANCE COMMITTEE MEETINGS 2018/19 (Previous Board)

Member Name	Total Number of Scheduled Meetings	Total Meetings Attended
Finance Meetings 2018/19		
Adv N Memani	6	6
Mr B Dlamini	6	4
Mr R Jock	6	6
Mr T Holmes	6	3
Ms T Sunduza	6	3

The purpose of the Finance Committee is to;

Advise and make recommendations to the Board about matters related to, amongst others, the following:

- Review and recommend financial, ICT and investment policies, strategies and practices for adoption.
- Liaise with Government departments and agencies, as necessary, or refer matters to the Board of CSOS as appropriate.
- Provide advice, as appropriate, to the Board as per members’ knowledge and expertise.
- Ensure systems, processes and procedures are in place to monitor adherence to CSOS’s financial, ICT and investment guidelines.
- Oversee CSOS’s strategic asset allocation plan against medium-term expenditure framework.
- Review the adequacy of existing financing facilities and monitor the need for any additional financing.
- Monitor compliance with debt facility covenants.
- Ensure sufficient financial and human resources to manage the financial and IT risk profiles of CSOS.
- Review the proposed annual operating budget and make recommendations as deemed appropriate.

LEGISLATION, TRANSFORMATION AND ADJUDICATIONS COMMITTEE (LTAC) 2018/19 (Previous Board)

Member Name	Total Number of Scheduled Meetings	Total Meetings Attended
LTAC Com Meetings 2018/19		
Mr B Dlamini	4	2
Adv N Memani	4	3
Mr T Holmes	4	3
Ms M Constas	4	3

The purpose of the Legislation, Adjudication and Transformation Committee is to

- Provide oversight over the core regulatory business of CSOS as empowered by the CSOS Act and the STSMA;
- Oversee the development, implementation and review of the Frameworks, Policies and Practice Directives on the Regulation of Community Schemes;
- Providing oversight on the implementation of dispute resolution services in CSOS, including the development and implementation of Practice Directives on Dispute Resolution;
- Oversee the development, review, implementation of framework and Practice Directives on the quality assurance and management of schemes governance documentation;
- Oversee the development and implementation of a framework for the registration of community schemes;
- Oversee the development and implementation of guidelines for the promotion of good governance of community schemes;
- Oversee the development and implementation of the frameworks and policy on Education and Training of Conciliators, Adjudicators, and stakeholders within Community Schemes;
- Oversee the review of the CSOS Act and the STSMA; and

The Committee provides for the following on legal matters:

- o Monitor the review of the CSOS Act and the STSMA;
- o Monitor all Litigation matters in CSOS;
- o Monitor all contracts and commitments made by CSOS;
- o Monitor the performance of appointed Legal Practitioners.

BOARD APPOINTED ON 01 JANUARY 2019 – 2018/19

BOARD AND COMMITTEE ATTENDANCE REPORT (Current Board)

Member Name	Total Number of Scheduled Meetings Board Meetings 2018/19 (Previous Board)	Total Meetings Attended	ADHOC Meetings
Board induction and board meeting held on the 25 Jan 2019 and board meetings held on the 30 Jan 2019, and 28 March 2019			
Mr M Tyamzashe	3	3	4
Ms M Ramataboe	3	2	1
Mr T Holmes	3	3	
Mr R Jock	3	3	
Ms L Noge-Tungamirai	3	3	
Ms A Olifant	3	3	1
Ms B Zulu	3	3	1

HR REMCO

Member Name	Total Number of Scheduled Meetings	Total Meetings Attended
Meeting held on the 11 February 2019 and 25 February 2019		
Mr R Jock	2	2
Ms B Zulu	2	2
Ms L Noge – Tungamirai	2	1
Ms A Olifant	2	1

AUDIT, RISK AND ETHICS COMMITTEE

Member Name	Total Number of Scheduled Meetings	Total Meetings Attended
Meeting held on the 07 February 2019, 05 March 2019 and on the 26 March 2019		
Ms M Ramataboe	3	3
Ms L Noge-Tungamirai	3	3
Mr R Jock	3	2



FINANCE COMMITTEE MEETINGS

Member Name	Total Number of Scheduled Meetings	Total Meetings Attended
Meeting held on the 04 March 2019 and 18 March 2019		
Mr T Holmes	2	2
Ms A Olifant	2	1
Mr M Tyamzashe	2	2

LEGISLATION, ADJUDICATIONS AND TRANSFORMATION COMMITTEE (LATCOM)

Member Name	Total Number of Scheduled Meetings	Total Meetings Attended
Meeting held on 25 February 2019		
Ms B Zulu	1	1
Ms M Ramataboe	1	1
Mr T Holmes	1	1

Risk Management

RISK MANAGEMENT REPORT

Risk is inherent to any organisation, more so in a young entity with a mandate to provide an efficient, equitable and transparent regulatory framework for all community schemes. At the CSOS, risk management is integral to the delivery of the Service.

Function

The unit has commenced with the work of putting together a Risk Management Framework that will ensure that risks are managed, throughout the organisation, in a manner that complies with King IV principles. Risk management is an important element in the delivery of the CSOS strategy and objective targets as set out in the Annual Performance Plan. The CSOS approach to risk management is that this function is the responsibility of every employee, practised daily and infused into day-to-day business processes, procedures and policies. Its primary role is to protect the CSOS against unforeseen losses and guides management in making informed business decisions.

The business unit is positioned as a strategic enabler and a value-add function to the rest of the organisation and is designed to assist the CSOS in achieving its mandate.

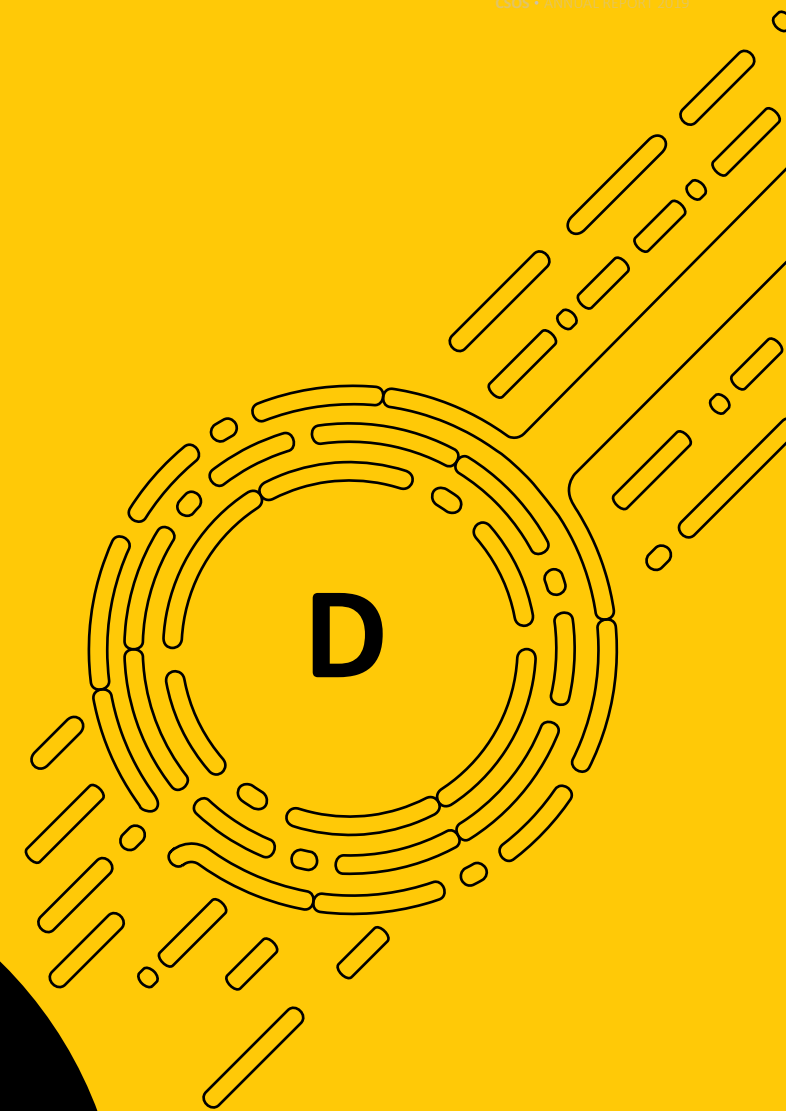
Reporting

The Acting Risk Manager, together with the support of EXCO, reports all CSOS related risks to the Audit, Risk and Ethics Committee which, in turn, reports to the CSOS Board. The position of Risk Manager is currently vacant and this role is being carried out by the IT Manager. It is anticipated that this position will be filled in the next financial cycle.

HUMAN CAPITAL

Human Resource Report

40





Human Resources

1. INTRODUCTION

The Human Resources’ mandate is to provide and support the functions by attracting and retaining suitably qualified individuals who will add value to the organisation.

Its objective is to support the CSOS’ strategic goals through creating learning opportunities, empowerment, flexibility, support and rewards whilst developing a culture of high performance through the application of processes, best practice, and skills across the CSOS.

The Human Resources Department also aims to create a sustainable organisation and business continuity, through structured succession planning and ensuring that employees are supported, trained and equipped to occupy all positions. By doing so, it strengthens the human resource capability to fulfil its roles as a strategic partner, creating intellectual capital and administrative expertise.

A Human Resource Plan (HRP) is adopted as a tool to ensure that all the employees’ needs are identified on time and are adequately addressed to enable optimum achievement of the CSOS’ strategic objectives.

During the past year, the Human Resources Department focused mainly on the continuous recruitment drive, in order to build capacity in the various departments within the CSOS.

2. HUMAN RESOURCE STATISTICS

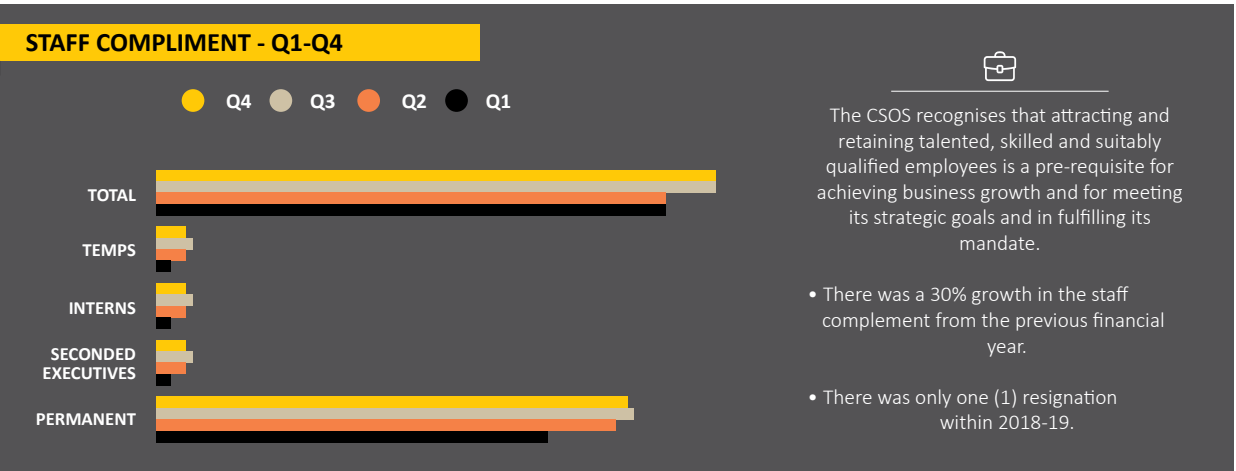
2.1 Appointments and resignations

The total staff complement as at the end of the financial year, is demonstrated on the Table 1 below;

	PERMANENT	SECONDED EXECUTIVES	INTERNS	TEMPS	TOTAL
Q1	63	1	12	2	82
Q2	74	1	2	6	83
Q3	77	1	6	6	90
Q4	76	1	8	5	90

Staff compliment as at 31 March 2019

The following graph captures the staff complement totals of Q1 to Q4 of 2018/19 as at 31 March 2019.

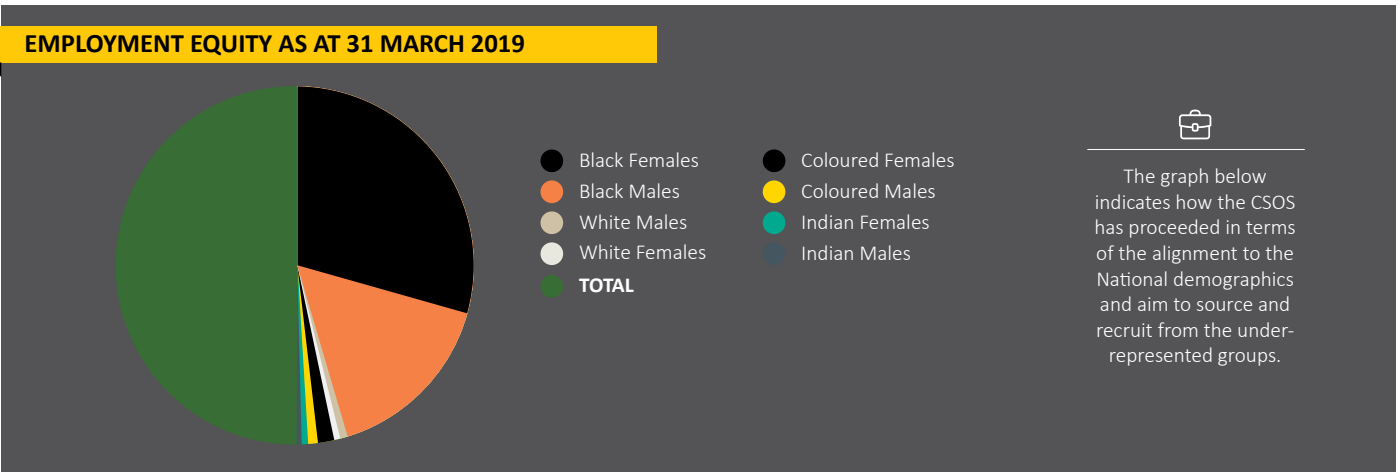


Staff compliment growth 2018-19

3. EMPLOYMENT EQUITY – ACTUAL AND TARGETS

The CSOS is committed to the Code of Good practice on Employment Equity. Quarterly updates are provided to Senior Management and to the CSOS Board on a quarterly basis on the implementation and to monitor progress.

The actual EE breakdown as at the 31 March 2019 was as follows:



The graph below indicates how the CSOS has proceeded in terms of the alignment to the National demographics and aim to source and recruit from the under-represented groups.

Statistics SA Demographic of SA population vs CSOS actuals							CSOS proposed EE targets against plan	
	Male	CSOS actual	Female	CSOS actual	SA Total	CSOS total		Target
African	80.8%	29 (31%)	80.8%	54 (60%)	79.2%	73 (91%)	African	89%
Coloured	8.7%	2 (2%)	8.9%	2 (2%)	8.9%	5 (5%)	Coloured	4%
Indian	2.6%	0 (0%)	2.4%	2 (2%)	2.5%	2 (2%)	Indian	4%
White	7.9%	1 (1%)	8.0%	1 (1%)	8.9%	2 (2%)	White	3%
Disabled		0 (0%)		0 (0%)	2%	0	Disabled	2% (not implemented)

CSOS vs national demographics

4. TALENT ACQUISITION

Talent and succession management are strategic imperatives. Our talent acquisition framework has been aligned to the core capabilities we require to deliver on the CSOS mandate.

The CSOS recognises that attracting and retaining talented, skilled and suitably qualified employees is a pre-requisite for achieving business growth and for meeting its strategic goals.

With the prioritisation of filling vacant positions within the 2018-19 financial year, the staff vacancy rate has decreased significantly over the last financial year. Furthermore, by understanding the talent and capabilities we have, we can appropriately match these to critical roles in the organisation, thereby maximising employee potential and achieving our strategic goals.

5. INTERNSHIP PROGRAMME

In line with the national effort to broaden skills development as prescribed in the Skills Development Act of 1998, the CSOS has a successful internship programme which assists young South Africans to make a practical contribution to the advancement of the organisation.

During the period under review, eight (8) tertiary graduates were enrolled for the CSOS Internship Programme, in various departments within the organisation.

6. HUMAN RESOURCES DEVELOPMENT (TRAINING)

Training and development are key components of CSOS' employee's value proposition.

Building skills and behaviours which promote a culture of continuous learning and leadership is key to achieving the CSOS' strategic goals and objectives.

A Training and Development policy was developed, which takes into consideration an Accelerated Leadership Development Programme (ALDP) for Executives and Managers, as well as a Continuous Professional Development Programme (CPDP) for junior and entry-level management staff.

During the year under review, qualification verification checks for all employees were conducted and the results thereof supported that the CSOS has a highly qualified workforce.

7. EMPLOYEE WELLNESS

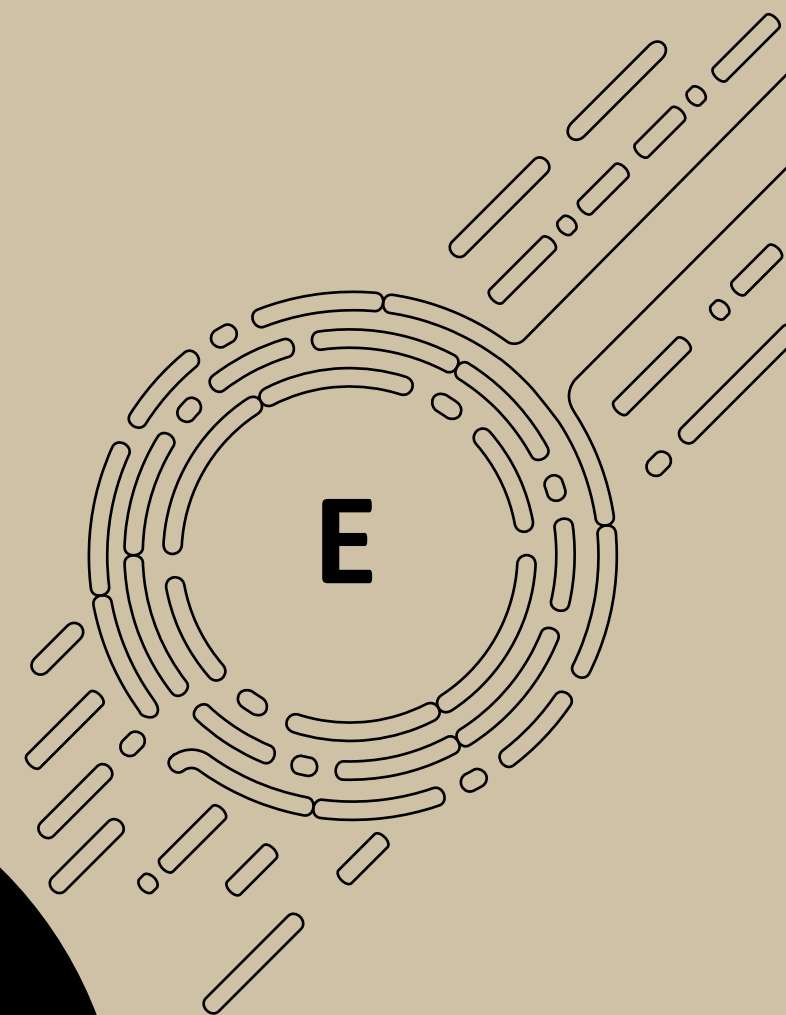
A safe and healthy workplace is critical for an organisation. To this fact, an Occupational Health and Safety policy was developed and approved. The procurement process to appoint an employee wellness service provider had resumed and to be finalised in the 2019/20 financial year.

8. HUMAN RESOURCES ACHIEVEMENTS

- The filling of vacant positions was a priority which saw a further reduction in the vacancy rates by 30%.
- Low staff turnover
- The development and revision of some HR policies.
- Continuous work done with the job grading service provider in bid to re-evaluate and grade all approved positions.
- The awarding of performance bonuses, which aimed to encourage good performance amongst the CSOS employees.



Building skills and behaviours which promote a culture of continuous learning and leadership is key to achieving the CSOS' strategic goals and objectives.



FINANCIAL STATEMENT

Report of the Auditor-General to Parliament	46
Audit, Risk and Ethics Committee Report	52
Accounting Authority's Responsibilities and Approval	57
Accounting Authority's Report	58
Statement of Financial Position	60
Statement of Financial Performance	61
Statement of Changes in Net Assets	62
Cash Flow Statement	63
Statement of Comparison of Budget and Actual Amounts	64
Accounting Policies	66
Notes to the Annual Financial Statements	78

Report of the Auditor-General to Parliament on the **Community Schemes Ombud Service**

Report on the audit of the financial statements

Adverse opinion

1. I have audited the financial statements of the Community Schemes Ombud Service set out on pages 60 to 99, which comprise the statement of financial position as at 31 March 2019, the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget and actual amounts 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, because of the significance of the matter described in the basis for adverse opinion section of this auditor's report, the financial statements do not present fairly, in all material respects, the financial position of the Community Schemes Ombud Service as at 31 March 2019, and its financial performance and its cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA).

Basis for adverse opinion

Non-exchange revenue and non-exchange receivables

3. I was unable to obtain sufficient appropriate audit evidence for non-exchange revenue and receivables relating to levies, as the public entity did not have adequate systems to collect, process and record levy transactions. I was unable to confirm levies by alternative means. The entity did not measure revenue on an accrual basis as

required by GRAP 23, Revenue from non-exchange transactions. Consequently, I was unable to determine whether any further adjustments were necessary to non-exchange revenue stated at R195 891 000 (2018: R170 824 000) and receivables from non-exchange transactions stated at R20 674 000 (2018: R16 854 000) in the financial statements.

Context for the opinion

4. 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 this auditor's report.

5. I am independent of the public entity in accordance with sections 290 and 291 of the International Ethics Standards Board for Accountants' Code of ethics for professional accountants (IESBA code), parts 1 and 3 of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) and 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 codes.

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

Emphasis of matters

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

Restatement of corresponding figures

8. As disclosed in note 29 to the financial statements, the corresponding figures for 31 March 2018 were restated as a result of errors in the financial statements of the public entity at, and for the year ended, 31 March 2019.

Responsibilities of the accounting authority for the financial statements

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

10. 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 the appropriate governance structure either intends to liquidate the public entity or to cease operations, or has no realistic alternative but to do so.

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

11. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee

that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

12. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

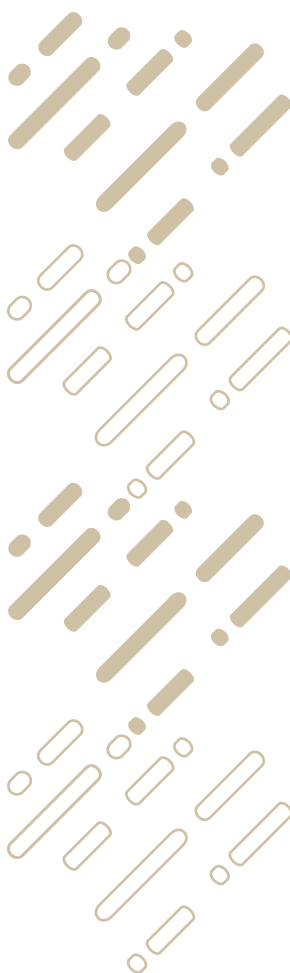
Report on the audit of the annual performance report

Introduction and scope

13. 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.

14. 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.

15. 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 2019:



Objectives	Pages in the annual performance report
Objective 1: Regulate all community schemes within South Africa	24
Objective 2: Control and provide quality assurance of community schemes governance documentation	24
Objective 3: Provide a dispute resolution service for community schemes	25
Objective 4: Provide stakeholder training, consumer education and awareness for property owners, occupiers and other stakeholders in community schemes	25

16. 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.

17. I did not raise any material findings on the usefulness and reliability of the reported performance information for these objectives:

- Objective 1: Regulate all community schemes within South Africa
- Objective 2: Control and provide quality assurance of community schemes governance documentation
- Objective 3: Provide a dispute resolution service for community schemes
- Objective 4: Provide stakeholder training, consumer education and awareness for property owners, occupiers and other stakeholders in community schemes

Other matters

18. I draw attention to the matters below.

Achievement of planned targets

19. Refer to the annual performance report on pages’ 24 to 28 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

20. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of objective 2: Control and provide quality assurance of community schemes governance documentation, objective 3: Provide a dispute resolution service for community schemes, occupiers and other stakeholders in community schemes and objective 4: Provide stakeholder training, consumer education and awareness for property owners, occupiers and other stakeholders in 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 the audit of compliance with legislation

Introduction and scope

21. 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.

22. The material findings on compliance with specific matters in key legislations are as follows:

Annual financial statements

23. 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 contingent liabilities identified by the auditors in the submitted financial statements were corrected, but the uncorrected material misstatements and supporting records that could not be provided resulted in the financial statements receiving an adverse opinion.

Revenue management

24. Effective and appropriate steps were not taken to collect all revenue due, as required by section 51(1)(b)(i) of the PFMA.

Expenditure management

25. Effective and appropriate steps were not taken to prevent irregular expenditure amounting to R41 734 000 as disclosed in note 33 to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA. The majority of the irregular expenditure was due to deviations and irregularities from procurement processes.

26. Effective steps were not taken to prevent fruitless and wasteful expenditure amounting to R 669 000, as disclosed in note 32 to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA. The majority of the fruitless and wasteful expenditure was caused by cancellation fees for tenders advertised and interest on late payments.

Other information

27. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor’s report and those selected objectives presented in the annual performance report that have been specifically reported in this auditor’s report.

28. 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.

29. 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.

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

Internal control deficiencies

31. 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 on it. The matters reported below are limited to the significant internal control deficiencies that resulted in adverse opinion, the findings on the annual performance report and the findings on compliance with legislation included in this report.

32. Leadership did not take necessary steps to ensure that action plans to address the previous year’s audit findings were appropriately developed, however lack of monitoring resulted in repeat findings relating to completeness and accuracy of revenue from (Levies) and related receivables, material findings on performance information and instances of material non-compliance with laws and regulations.

33. 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.

34. Leadership did not implement effective HR management processes to ensure that adequate and sufficiently skilled resources are in place.

Other reports

35. I draw attention to the following engagements conducted by various parties that had, or 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. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.

36. An investigation report in the supply chain management commissioned by the department, started in November 2017. The investigation was complete as at 31 August 2018. The investigation covered the SCM practises for the 2013/14 and 2014/15 financial years. The investigation report was issued during December 2018.

37. A forensic investigation has been initiated into the public entity based on allegations of possible irregularities in the investment process relating to investment of surplus funds in the 2017-18 financial year. The investigation had not been finalised at the date of the auditor's report, with preliminary findings presented to both the department and the public entity. The investigation is expected to be finalised by 31 August 2019.

Auditor-General

Pretoria
31 July 2019



**AUDITOR - GENERAL
SOUTH AFRICA**



Annexure – Auditor-general's responsibility for the audit

1. 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 this auditor's report, I also:

- identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the public entity's internal control

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting authority

- conclude on the appropriateness of 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 Service's 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 this auditor's report. However, future events or conditions may cause a public entity to cease continuing 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, where applicable, related safeguards.

Report of the Audit, Risk and Ethics Committe

We are pleased to present our report for the financial year ended 31 March 2019.

Audit, Risk and Ethics Committee Members and Attendance

The Audit, Risk and Ethics Committee consists of Non-Executive Directors appointed by the Board. The current members of the Committee are also members of the new Board appointed effective from 01 January 2019. Subsequent to the year end, the Board has advertised for two Independent professionals to join the Committee.

Executive Management attend Committee meetings in an ex-officio capacity, the Chief Audit Executive and the Auditor General attend Committee meetings to provide assurance. The Committee meets with both internal and external auditors separately at least once a year or as may be appropriate. The members listed hereunder should meet at least four times a year as per the approved terms of reference. During the year under review 11 meetings were held:

Audit, Risk and Ethics Committee up to 31 December 2018

Scheduled Meetings			
Name	Role	Held	Attended
Mr T. Holmes	Chairperson	8	8
Mr R. Jock	Member	8	8
Mr B Dlamini	Member	8	3
Ms M Constas	Member	8	1
Ms T Sunduza	Member	8	2

Audit, Risk and Ethics Committee from January 2019

Scheduled Meetings			
Name	Role	Held	Attended
Ms. M. Ramataboe	Chairperson	3	3
Ms. L. Noge-Tungamirai	Member	3	3
Mr R. Jock	Member	3	2

Audit, Risk and Ethics Committee Responsibility

The Committee assists the Board in discharging its oversight responsibility in respect of ensuring the integrity of financial reporting, maintaining adequate and effective internal controls and risk management systems and in sound custody of assets. The Committee reports that it has complied with its responsibilities arising from section 51 of the PFMA and Treasury Regulation 3.1.

The Committee also reports that it adopted appropriate formal terms of reference as its Audit, Risk and Ethics Committee Charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The effectiveness of internal control

In line with the PFMA, internal audit provides the Audit, Risk and Ethics Committee and management with assurance that the internal controls are appropriate and effective. This is usually achieved by means of the identification of corrective actions and suggested enhancements to the internal control processes and risk management. From the various reports of the internal auditors and the management and audit reports of the Auditor General South Africa (AGSA) it was noted that matters were reported indicating material deficiencies in the system of internal controls in areas pertaining to Revenue Collection, Supply Chain Management and compliance with laws and regulations.

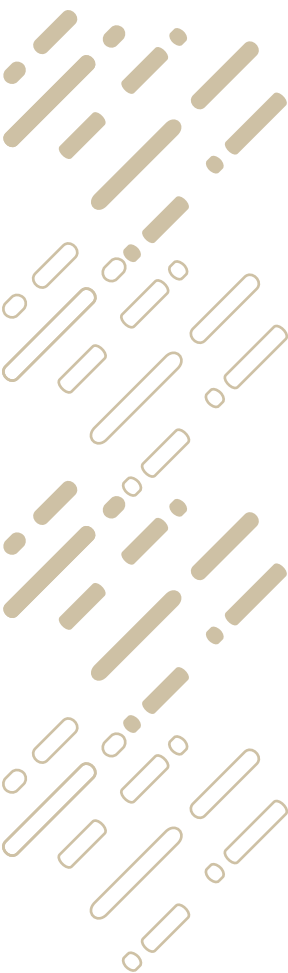
Through our analysis of audit reports and engagement with the Management we can report that the system on internal control for the year under review was not adequate and effective. The Audit, Risk and Ethics Committee has also noted that management has subsequently taken measures to address the areas of weakness, which have resulted in some improvement from the prior years. The effect of such mitigation measures is expected to generate apparent improvement in the future.

Based on the quarterly reviews performed, the entity’s Risk Management unit was not adequately resourced. Although the entity has adopted an ERM Policy and Framework, these could not be implemented effectively.

The Audit, Risk and Ethics Committee have noted the incidents of irregular and fruitless and wasteful expenditure, and non-compliances with the PFMA in respect of investments and ensured that these deficiencies are addressed in the current year.

In-Year Management and Quarterly Reporting

The Committee has received assurances from management that the content and quality of monthly and quarterly reports prepared and issued by the Accounting Officer during the year under review will continue to be improved to align with Board requirements and to comply with the PFMA and Treasury Regulations in this regard. The quality of the in-year financial and performance reporting including financial statements was found to be satisfactory.



Evaluation of Financial Statements

The Committee has:

- reviewed and discussed the external audit outcomes on the audited financial statements to be included in the annual report, with the Auditor- General South Africa and the Accounting Officer;
- reviewed the Auditor- General South Africa’s management report and management’s response thereto;
- reviewed changes in accounting policies and practices;
- reviewed the departments compliance with legal and regulatory provisions; and
- reviewed significant adjustments resulting from the audit.

Evaluation of reporting on pre-determined objectives

The Audit, Risk and Ethics Committee has to the extent possible:

- reviewed and discussed the external audit outcomes on the reporting on pre-determined objectives to be included in the annual report, with the Auditor General South Africa and the Accounting Officer,
- reviewed the compliance with the National Treasury Guide for the preparation of the annual report;
- reviewed the alignment of the quarterly reporting to the annual performance plan and the annual performance reporting;
- reviewed whether the performance reported is in agreement with portfolio of evidence;

Internal audit

The Internal Audit function reports functionally to the Audit, Risk and Ethics Committee and administratively to the Chief Ombud. In the year under review the internal audit function operated with inadequate capacity. The level of resourcing and strategic placement of the function has since been appropriately addressed and the function has gained momentum. The Audit, Risk and Ethics Committee appreciates the role played by the function in ensuring that the internal control environment is conducive to good corporate governance, strict adherence to Laws and Regulations, and healthy fiscal sustainability.

Auditor-General of South Africa

The Committee has reviewed the CSOS’s remedial implementation plan for audit issues raised in the prior year by the AGSA and is not satisfied on the progress made on the implementation of the corrective actions during the year under review. The Committee has however subsequently noted the measures put in place in the current year, and the support from Internal Audit to resolve the issues. The remedial implementation plan on the detailed findings raised by the AGSA will continue to be monitored by the Committee on a quarterly basis.

The Audit, Risk and Ethics Committee concurs and accepts the conclusions of the AGSA on the annual financial statements and is of the opinion that the audited annual financial statements be accepted and read together with the report of the AGSA.

General

The Audit, Risk and Ethics Committee strongly recommends that the entity must prioritise the revenue collection efforts. The issue of the ERP system to assist in the collection of levies and the strengthening of enforcement capacity become critical to the success of the CSOS, and the achievement of a clean audit.

Signed on behalf of the Audit, Risk and Ethics Committee by:



Maemili Ramataboe CA (Lesotho), MBA (UFS)

Chairperson of the
Audit, Risk and Ethics Committee
Date: 31 July 2019

Community Schemes Ombud Services

Annual Financial Statements for the year ended 31 March 2019

General Information	
Country of incorporation and domicile	South Africa
Nature of business and principal activities	Regulatory authority of all community schemes in South Africa.
Non executive directors	Mr. M. Tyamzashe (Chairperson) Ms. M. Ramataboe (Deputy Chairperson) Ms. B. Zulu Mr. T. Holmes Mr. R. Jock Ms. A. Olifant Ms. L. Noge-Tungamirai
Executive Director	Ms. N. Rabuli (Acting Chief Ombud) Ms. F. Matlatsi (Acting CFO)
Registered office	63 Wierda Road East Wierda Valley Sandton 2196
Postal address	Postnet Suite 163 Private Bag X9924 Sandton 2196
Controlling entity	National Department of Human Settlements
Bankers	First National Bank
Auditors	Auditor-General of South Africa (AGSA)
Company Secretary	Adv. R. Maruma



Index

The reports and statements set out below comprise the annual financial statements presented to the parliament:

	Page
Accounting Authority’s Responsibilities and Approval	57
Accounting Authority’s Report	58
Statement of Financial Position	60
Statement of Financial Performance	61
Statement of Changes in Net Assets	62
Cash Flow Statement	63
Statement of Comparison of Budget and Actual Amounts	64
Accounting Policies	66
Notes to the Annual Financial Statements	78



Accounting Authority’s Responsibilities and Approval

The Accounting Authority is required by the Public Finance Management Act (Act 1 of 1999) to maintain adequate accounting records and is responsible for the content and integrity of the Annual Financial Statements and related financial information included in this report. It is the responsibility of the Accounting Authority 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 year then ended. The external auditors are engaged to express an independent opinion on the Annual Financial Statements and were given unrestricted access to all financial records and related data.

The Annual Financial Statements have been prepared in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP).

The Annual Financial Statements are based upon appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates.

The Accounting Authority acknowledges that they are ultimately responsible for the system of internal financial controls established by the entity and place considerable importance on maintaining a strong control environment. To enable the members to meet these responsibilities, the Accounting Authority sets standards for internal controls aimed at reducing the risk of error or deficit in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk.

These controls are monitored throughout the entity and all employees are required to maintain the highest ethical standards in ensuring the entity’s business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the entity is on identifying, assessing, managing and monitoring all known forms of risk across the entity. While operating risk cannot be fully eliminated, the entity endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Accounting Authority has reviewed the entity’s cash flow forecast for the year to 31 March 2020 and in the light of this review and the current financial position, they are satisfied that the entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the entity’s Annual Financial Statements. The Annual Financial Statements have been examined by the entity’s external auditors and their report is presented on page 46 - 51.

The Annual Financial Statements set out on pages 60 to 99 which have been prepared on the going concern basis, were approved by the Accounting Authority on 31 July 2019 and was signed on its behalf by:

Mr M. Tyamzashe
Chairperson of the Board

The Accounting Authority has reviewed the entity’s cash flow forecast for the year to 31 March 2020 and in the light of this review and the current financial position, they are satisfied that the entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

Accounting Authority’s Report

The Accounting Authority submits its report for the year ended 31 March 2019.

1. Review of activities

Main business and operations

The Community Schemes Ombud Services (CSOS) was established in terms of the Community Schemes Ombud Service (CSOS), 2011, Act 9 of 2011 (CSOS Act), to regulate the conduct of parties within community schemes and to ensure good governance.

It is the organisation’s strategic intent to meaningfully contribute to the achievement of the 2030 human settlements vision through the enhancement of vibrant community schemes as an alternative tenure option for most citizens in the country. This is evident in our strategic objectives which are:

- To Regulate all Community Schemes within South Africa;
- To control and provide quality assurance of Community Schemes Governance Documentation;
- To provide a Dispute Resolution Service for Community Schemes;
- Provide stakeholder training, consumer education and awareness for property owners, occupiers and other stakeholders in Community Schemes; and
- To ensure that the CSOS is an effective and sustainable organisation.

Since the establishment of the CSOS, the entity has made great strides in creating an environment that can deliver on its mandate. Ultimately the ability to meet the entity’s objectives is the responsibility of the Board, management, staff and all our key partners and stakeholders within community schemes.

2. Accounting Authority

The directors of the entity during the period under review are as follows:

Appointed 1 January 2019	Re-appointed 1 January 2019	Term ended 31 December 2018
Mr. M. Tyamzashe (Chairperson)	Mr. T. Holmes	Rev. Dr. V. Mehana (Former Chairperson)
Ms. M. Ramataboe (Deputy Chairperson)	Mr. R. Jock	Adv. N. Memani (Former Deputy Chair)
Ms. B. Zulu		Mr. B. Dlamini
Ms. A. Olifant		Ms. M. Constas
Ms. L. Noge-Tungamirai		Ms T. Sunduza



3. Company Secretary

The company secretary of the entity is Adv. 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.

5. Subsequent events

The Accounting Authority is not aware of any matter or circumstance arising up to the date of this report.

6. Irregular, Fruitless and Wasteful Expenditure

Irregular, fruitless and wasteful expenditure incurred for the period under review are disclosed in notes 32 and 33 of the financial statements.

7. Other significant matters

VBS Investment

In the previous financial year, CSOS invested R80 million of its funds with VBS Mutual Bank. On 11 March 2018, the South African Reserve Bank in conjunction with the Minister of Finance, placed VBS Mutual Bank under curatorship in terms of Section 69 of the Banks Act, 1990. From that date, the control of VBS Mutual Bank was vested with the curator and the board of directors of VBS Mutual Bank was relieved of its duties. It is highly improbable that a significant portion of the investment will be recoverable, therefore the loan was impaired in the prior year. Please refer to Note 6 of the financial statements.

CSOS has realised during its investigation that the R80 million that was purportedly invested, was actually fraudulently deposited with a financial institution with VBS as an account holder. A criminal case has been opened with the relevant law enforcement agencies in this regard. As part of attempts to recoup the amount, engagement with the Liquidator as appointed by the Prudential Authority is underway.

The impact of the negative media publicity with regards to the incident around VBS in the year under review resulted in a significant decrease in the levies received.

Call Account

CSOS has opened a call deposit account with a financial institution without the approval from National Treasury.

CSOS requested ratification from National Treasury to approve the account. National Treasury has subsequently approved the account on 27 May 2019.

Statement of Financial Position as at 31 March 2019

		2019	2018
			Restated*
	Note(s)	R '000	R '000
Assets			
Current Assets			
Cash and cash equivalents	3	160 997	55 003
Receivables from exchange transactions	4	539	1
Receivables from non-exchange transactions	5	20 674	16 854
Other financial assets	6	100	20 371
Prepayments	7	996	712
		183 306	92 941
Non-Current Assets			
Other receivables- deposit	8	611	452
Intangible assets	9	287	83
Property, plant and equipment	10	3 848	4 228
		4 746	4 763
Total Assets		188 052	97 704
Liabilities			
Current Liabilities			
Payables from exchange transactions	11	5 297	3 245
Provisions	12	4 366	2 682
Operating lease liability	13	206	312
		9 869	6 239
Total Liabilities		9 869	6 239
Net Assets		178 183	91 465
Accumulated surplus		178 183	91 465

Statement of Financial Performance

		2019	2018
			Restated*
	Note(s)	R '000	R '000
Revenue			
Revenue from exchange transactions			
Dispute resolution income		424	217
Interest received- investment	14	9 403	5 737
Gain on disposal of assets	10	7	-
Total revenue from exchange transactions		9 834	5 954
Revenue from non-exchange transactions			
Operational revenue			
Government grants & subsidies	15	31 105	29 400
Levies	16	195 672	170 824
Other income	17	130	-
Total revenue from non-exchange transactions		226 907	200 224
Total revenue		236 741	206 178
Expenditure			
Employee related costs	18	(52 574)	(35 522)
Depreciation and amortisation	19	(1 838)	(1 834)
Impairment of financial assets	20	-	(81 765)
Finance costs	21	-	(4)
Lease rentals on operating lease	22	(3 957)	(3 248)
Loss on disposal of assets	10	-	(3)
General Expenses	23	(30 461)	(23 901)
Total expenditure		(88 830)	(146 277)
Surplus for the year		147 911	59 901

Statement of Changes in Net Assets

	Accumulated surplus	Total Net Assets
	R '000	R '000
Balance at 01 April 2017	31 564	31 564
Changes in net assets		
Surplus for the year	59 901	59 901
Total changes	59 901	59 901
Restated* Balance at 01 April 2018	91 462	91 462
Changes in net assets		
Surplus for the year	147 911	147 911
Transfer of prior year surplus *	(61 190)	(61 190)
Total changes	86 721	86 721
Balance at 31 March 2019	178 183	178 183

* This relates to the unspent surplus for 2017/18 financial year which was paid in the period under review.

Cash Flow Statement

		2019	2018
	Note(s)	R '000	Restated* R '000
Cash flows from operating activities			
Receipts			
Levies		191 852	168 107
Grants		31 105	29 400
Interest income		8 884	3 601
Dispute resolution income		424	217
		232 265	201 325
Payments			
Employee costs		(50 890)	(33 980)
Suppliers		(32 644)	(27 643)
Finance costs		-	(4)
		(83 534)	(61 627)
Net cash flows from operating activities	24	148 731	139 698
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(1 475)	(1 505)
Proceeds from sale of property, plant and equipment	10	89	-
Purchase of other intangible assets	9	(273)	-
Investments matured / (acquired)		20 271	(100 000)
Purchase of other receivables- deposit		(159)	-
Net cash flows from investing activities		18 453	(101 505)
Cash flows from financing activities			
Movements in short-term borrowings		-	(80)
Transfer of prior year surplus		(61 190)	-
Net cash flows from financing activities		(61 190)	(80)
Net increase in cash and cash equivalents		105 994	38 113
Cash and cash equivalents at the beginning of the year		55 003	16 890
Cash and cash equivalents at the end of the year	3	160 997	55 003

Statement of Comparison of Budget and Actual Amounts

Budget on Actual Basis

	Approved Budget	Adjustments	Final Budget	Actual Burget 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

Dispute resolution income	180	-	180	424	244	35.1
Other income	50	-	50	-	(50)	
Interest received- investment	13776	-	13 776	9403	(4 373)	35.2
Total revenue from exchange transactions	14 006	-	14 006	9 827	(4 179)	

Revenue from non-exchange transactions

Transfer revenue

Government grants & subsidies	31 105	-	31 105	31 105	-	
Levies	200 000	-	200 000	195 672	(4 328)	35.3
Other income	-	-	-	130	130	35.4
Total revenue from non exchange transactions	231 105	-	231 105	226 907	(4 198)	
Total revenue	245 111	-	245 111	236 734	(8 377)	



Statement of Comparison
Continue from page 64

	Approved Budget	Adjustments	Final Budget	Actual Burget on comparable basis	Difference between final budget and actual	Reference
	R '000	R '000	R '000	R '000	R '000	

Expenditure

Personnel	(114 230)	-	(114 230)	(52 574)	61 656	35.5
Depreciation and amortisation	(12 000)	-	(12 000)	(1 838)	10 162	35.6
Lease rentals on operating lease	(12 490)	-	(12 490)	(3 957)	8 533	35.7
General Expenses	(80 891)	-	(80 891)	(30 461)	50 430	35.8
Total expenditure	(219 611)	-	(219 611)	(88 830)	130 781	
Operating surplus	25 500	-	25 500	147 904	122 404	
Gain on disposal of assets	-	-	-	7	7	
Surplus before taxation	25 500	-	25 500	147 911	122 411	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	25 500	-	25 500	147 911	122 411	

Accounting Policies

1. Presentation of Annual Financial Statements

CSOS is established in terms of Community Schemes Ombud Services Act 9 of 2011, and is classified as Schedule 3A 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), issued by the Accounting Standards Board in accordance with Section 91(1) of the Public Finance Management Act (Act 1 of 1999).

These annual 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.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures.

Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

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.

1.2 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during 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 bringing 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. 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.

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.



1.2 Property, plant and equipment (continued)

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 fixtures	Straight line	8 years
Office machinery and equipment	Straight line	6 years
Computer equipment	Straightline	6 years
Leasehold improvements	Straight line	Based on the lesser of lease period or useful lives of the asset
Mobile devices	Straight line	2 years

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.

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.

1.3 Intangible assets

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

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 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.

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. If the expected useful lives of the assets are different from previous estimates, the amortisation period shall be changed accordingly. If there has been a change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the amortisation method shall be changed to reflect the changed pattern.

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.

The amortisation charge for each period shall be recognised in surplus or deficit unless this or another Standard permits or requires it to be included in the carrying amount of another asset. Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

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

Item	Depreciation method	Average useful life
Computer software (finite)	Straight line	5 years

1.4 Financial instruments

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

Classification

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

- Financial instruments at fair value
- Financial instruments at cost
- Financial instruments 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

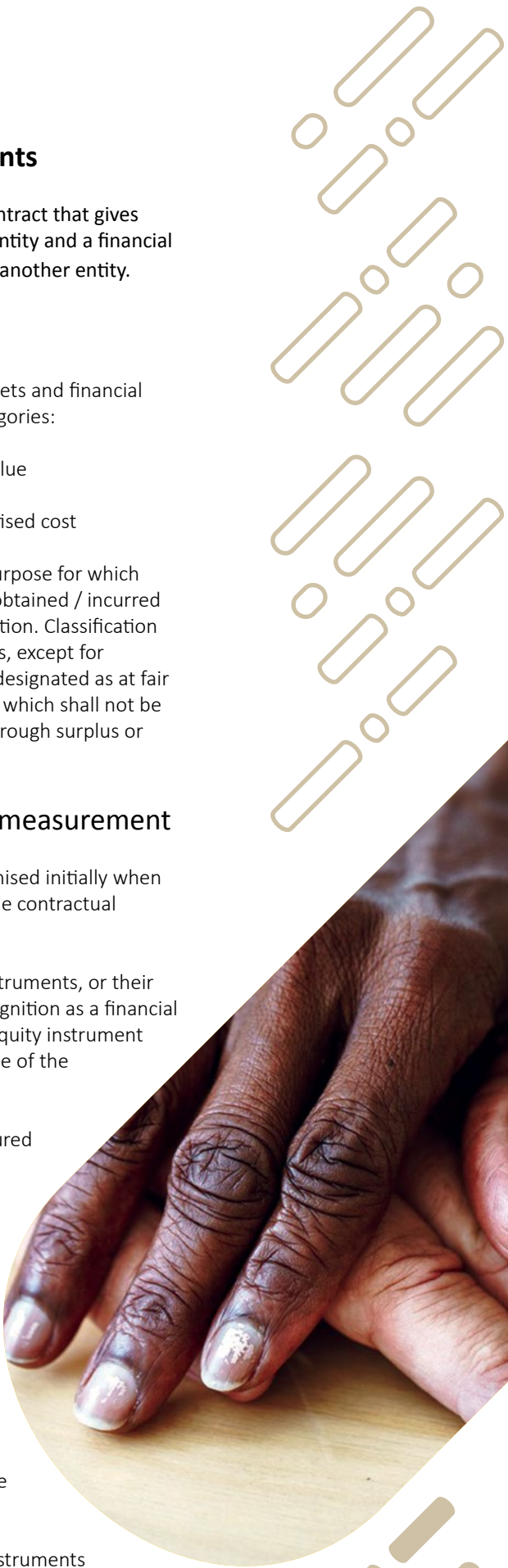
Financial instruments are recognised initially when the entity becomes a party to the contractual provisions of the instruments.

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 determinable, 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.



1.4 Financial Instruments (continued)

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.

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.

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.

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 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 measured at amortised cost.

Other financial assets

Other financial assets comprise of fixed-term investments with banks. These investments are initially and subsequently recognised at amortised cost.

Derecognition

Financial assets

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :

- derecognise the asset; and
 - recognise separately any rights and obligations created or retained in the transfer.
- When derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continues to recognise the transferred asset in its entirety and recognises a financial liability for the consideration received.

In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).



1.5 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.

1.6 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership.

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

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.

1.7 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 contribution plans

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

1.8 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.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

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

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus (deficit).

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.

1.9 Commitments

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

1.10 Revenue from exchange transactions

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.

Levy income is recognised as revenue when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the entity; and
- The amount of revenue can be measured reliably.

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.



1.11 Revenue from non-exchange transactions

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

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.

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 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.

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 Settlements.

1.12 Other income

Other income includes donations received, prescribed liabilities and a nominal fee for administration of tenders.

Dispute resolution income relates income or fees received for conciliation and adjudication as determined by the Minister of Human Settlement by way of Regulations published in terms of section 29 of the CSOS Act.

1.13 Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

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;
- 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 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.16 Fruitless and wasteful expenditure

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

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

1.17 Irregular expenditure

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

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

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial year 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 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, 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 officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the 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.

1.18 Budget information

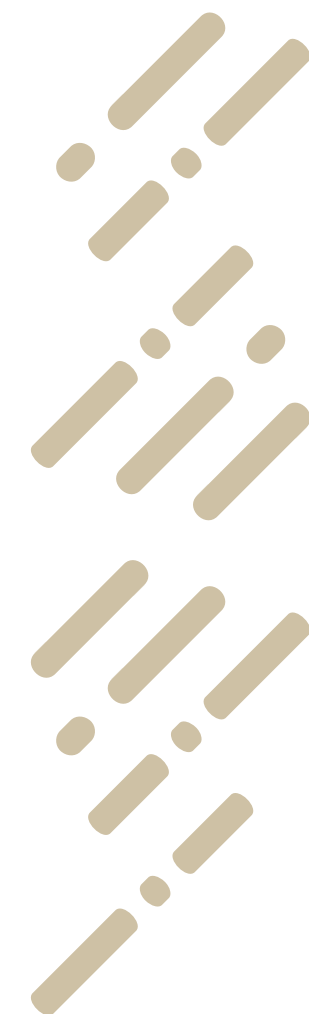
Economic entities are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

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 an accrual basis and presented by programmes linked to performance outcome objectives.

The approved budget covers the fiscal period from 1 April 2018 to 31 March 2019. 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.



1.19 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

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

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

The entity is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the entity to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the entity is exempt from the disclosures in accordance with the above, the entity discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).



Notes to the Annual Financial Statements

	R '000	R '000
--	--------	--------

2. New standards and interpretations

2.1 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 2019	The impact of the is not material

2.2 Standards and interpretations issued, but not yet effective

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 April 2019 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• IGRAP 1 (revised): Applying the Probability Test on Initial Recognition of Revenue	01 April 2020	Unlikely there will be a material impact
• IGRAP 20: Accounting for adjustments to revenue	01 April 2020	Unlikely there will be a material impact
• GRAP 108: Statutory Receivables	01 April 2019	Unlikely there will be a material impact

	2019 R '000	2018 R '000
--	----------------	----------------

3. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	108 752	55 003
Short-term deposits (call account)	52 245	-
	160 997	55 003

	2019 R '000	2018 R '000
--	----------------	----------------

4. Receivables from exchange transactions

Trade debtors	8	1
Interest accrued	518	-
Other receivables	13	-
	539	1

- The trade debtors include monies owed to CSOS by part-time adjudicator for overpayments made and the board member for the tools of trade.
- Other receivables relate to an overpayment made to SARS for the inconsistent application of the directive from SARS with regards to deduction of Board members withholding tax.
- The fair value of receivables from exchange transactions approximates the carrying amount. There was no impairment of receivables from exchange transactions during the year.

5. Receivables from non-exchange transactions

Levies receivables- Allocated	7 335	6 971
Levies receivables- Unallocated	13 339	9 883
	20 674	16 854

Levies receivables relate to levies that were payable to CSOS at the reporting date. The fair value of receivables from non-exchange transactions approximates the carrying amount.

There was no impairment of receivables from non-exchange transactions during the year.

6. Other financial assets

At amortised cost		
Short-term investments	81 815	100 000
Interest accrued on short-term investments	-	2 136
	81 815	102 136
Provision for Impairments loss	(81 715)	(81 765)
	100	20 371
Current assets		
At amortised cost	100	20 371

	2019 R '000	2018 R '000
--	----------------	----------------

OTHER FINANCIAL ASSETS: (continue from page 79)

Financial assets at amortised cost

Nominal value of financial assets at cost

ABSA

The investment was made on 17 January 2018 and the organisation early withdrew the funds on 14 August 2018 due to non-compliance. The Total investment as at 14 August was R20 925 thousand, of which we incurred penalties of R313 thousand. CSOS received a total amount of R20 612 thousand on date of withdrawal.

-	20 321
---	--------

VBS Mutual Bank

The two investments of R50 million and R30 million bears interest at a rate between 9% and 9,25%, respectively. The investment is provisionally impaired to R100 thousand.

100	50
-----	----

100	20 371
-----	--------

Financial assets at amortised cost impaired

In the previous financial year, CSOS invested R80 million of its funds with VBS Mutual Bank.

CSOS has realised during its investigation that the R80 million that was purportedly invested, was actually fraudulently deposited with a financial institution with VBS as an account holder.

On 11 March 2018, the South African Reserve Bank in conjunction with the Minister of Finance, placed VBS Mutual Bank under curatorship in terms of Section 69 of the Banks Act, 1990. From that date, the control of VBS Mutual Bank was vested with the curator and the board of directors of VBS Mutual Bank was relieved of its duties.

A criminal case has been opened with the relevant law enforcement agencies in this regard.

As part of attempts to recoup the amount, engagement with the Liquidator as appointed by the Prudential Authority is underway.

The investment with VBS was found to be fraudulent. Please refer to Other Significant Matters for more details.

It is highly improbable that the a significant portion of the investement will be recoverable, therefore the loan was impaired in the prior year. Please refer to Note 6 of the financial statements.

The provision for impairment raised as of 31 March 2019 is Rnil (2018: R81,765 million). Management assessed that an additional R50 thousand will be recoverable for the investment made with VBS and therefore reversed the impairment provision by R50 thousand.

	2019 R '000	2018 R '000
--	----------------	----------------

Reconciliation of provision for impairment of financial assets at amortised cost

VBS Mutual Bank

Opening balance	81 765	-
Provision for impairment	-	81 765
Reversal of impairment	(50)	-
	81 715	81 765

7. Prepayments

Prepaid expenses	996	712
------------------	-----	-----

Prepaid expenses relate to licences paid for the use of software and the rental for office space. The fair value of prepaid expenses approximates the carrying amount.

8. Other receivables - deposit

Rental office deposits

Head office (Including Gauteng regional office)	408	249
Kwazulu Natal regional office	203	203
	611	452

	2019	2018
--	------	------

9. Intangible assets

	Cost	Accumulated amortisation and accumulated impairment	Carrying value	Cost	Accumulated amortisation and accumulated impairment	Carrying value
Computer Software (finite)	2 447	(2 160)	287	2 372	(2 289)	83

◀◀◀ INTANGIBLE ASSETS: (continue from page 81)

Reconciliation of intangible assets - 2019

	Opening balance	Additions	Amortisation	Total
Computer software (finite)	83	273	(69)	287

Reconciliation of intangible assets - 2018

	Opening balance	Amortisation	Total
Computer software (finite)	122	(39)	83

Pledged as security

No items of intangible assets have been pledged as security by the entity.

10. Property, plant and equipment

	2019			2018		
	Cost	Accumulated depreciation and impairment	Carrying Value	Cost	Accumulated depreciation and impairment	Carrying Value
Furniture and fittings	1 509	(511)	998	1 067	(376)	691
Plant, machinery and equipment	600	(323)	277	551	(227)	324
Computer equipment	5 627	(3 915)	1 712	4 833	(3 162)	1 671
Leasehold improvements	3 162	(2 600)	562	4 603	(3 565)	1 038
Mobile devices	648	(349)	299	633	(129)	504
Total	11 546	(7 698)	3 848	11 687	(7 459)	4 228

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fittings	691	439	-	(132)	998
Plant, machinery and equipment	324	51	-	(98)	277
Computer equipment	1 671	815	(16)	(758)	1 712
Leasehold improvements	1 038	-	-	(476)	562
Mobile devices	504	170	(66)	(309)	299
	4 228	1 475	(82)	(1 773)	3 848

The disposals in the current year resulted in a gain of R7 thousand.

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fittings	636	167	(3)	(109)	691
Plant, machinery and equipment	286	126	-	(88)	324
Computer equipment	1 683	579	-	(591)	1 671
Leasehold improvements	1 915	-	-	(877)	1 038
Mobile devices	-	633	-	(129)	504
	4 520	1 505	(3)	(1 794)	4 228

Pledged as a security

No items of property, plant and equipment have been pledged as security by the entity.

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

Vacuum Cleaner	-	1
Office doors	5	3
Blinds	-	10
Windows	-	4
Cellphones	-	4
	5	22

2019	2018
R '000	R '000

11. Payables from exchange transactions

Trade payables	5 172	3 044
Staff savings	125	126
PAYE- Withholding tax	-	75
	5 297	3 245

The fair value of trade and other payables approximates the carrying amount.

12. Provisions

Reconciliation of provisions - 2019

	Opening Balance	Additions	Utilised during the year	Total
Provision for leave pay	1 441	728	(298)	1 871
Provision for performance bonus	1 241	3 067	(1 813)	2 495
	2 682	3 795	(2 111)	4 366

Reconciliation of provisions - 2018

	Opening Balance	Additions	Utilised during the year	Total
Provision for leave pay	1 140	655	(354)	1 441
Provision for performance bonus	-	1 241	-	1 241
	1 140	1 896	(354)	2 682

13. Operating lease accrual

Operating lease accrual	(206)	(312)
-------------------------	-------	-------

The commitments under the non-cancellable operating leases are disclosed in note 25- Commitments.

14. Interest income

Interest income		
Bank (Current and call account)	8 799	3 601
Short term investment- 12 months	604	2 136
	9 403	5 737

	2019 R '000	2018 R '000
--	----------------	----------------

15. Government grants and subsidies

Operating grants

Department of Human Settlements	31 105	29 400
---------------------------------	--------	--------

16. Levies

Levies- Allocated	131 810	97 430
Levies- Unallocated	63 862	73 394
	195 672	170 824

Levies Allocated relates to levies where references provided can be linked to a Scheme.

Levies Unallocated relates to levies where references have not been provided and can therefore not be linked to a specific Scheme.

17. Other income

Other income	80	-
Reversal of impairment	50	-
	130	-

- This relates to a good (Video disc) provided to the CSOS in 2015 financial year, however the CSOS was not happy with the quality and returned the video to supplier as the video was of poor quality, and CSOS retained the amount that was due to the supplier. CSOS then raised a creditor in the related financial year for the amount remaining. The supplier has since not returned the video disc and CSOS has not paid the remaining balance of the invoice. The debt with the supplier has prescribed and has been subsequently written off, therefore reclassifying the liability to other income.
- Management assessed that an additional R50 thousand will be recoverable for the investment made with VBS and therefore reversed the impairment provision by R50 thousand.

18. Employee related costs

Salaries- Employees	51 325	34 407
Accounting authority expenses (Refer to note 28)	1 249	1 115
	52 574	35 522

	2019 R '000	2018 R '000
--	----------------	----------------

19. Depreciation and Amortisation

Property, plant and equipment	1 770	1 795
Computer software	68	39
	1 838	1 834

20. Impairment of assets

Impairments		
Other financial assets	-	81 765

CSOS has invested R80 million of its funds with VBS Mutual Bank. On 11 March 2018, the South African Reserve bank in conjunction with the Minister of Finance, placed VBS Mutual Bank under curatorship in terms of Section 69 of the Banks Act, 1990. From that date, the control of VBS Mutual Bank was vested with the curator. Management assessed that an additional R50 thousand will be recoverable for the investment made with VBS and therefore reversed the impairment provision by R50 thousand.

21. Finance costs

Interest paid	-	4
---------------	---	---

22. Lease rentals on operating lease

Premises		
Contractual amounts	3 957	3 248

	2019	2018
	R '000	R '000

23. General expenses

Advertising	1 232	2 151
Adjudication cost	5 108	3 928
Auditors remuneration	3 734	1 556
Admin expenses	2 418	4 676
Bank charges	115	62
Conference and seminars	223	1 022
Consulting and professional fees	1 643	1 522
Donations	95	36
Enterprise resource	-	355
Equipment rental	262	200
Legal expenses	5 435	-
Licenses	1 959	643
Marketing	889	622
Penalties	412	-
Postage and courier	104	41
Printing and stationery	760	1 131
Recruitment fees	62	269
Repairs and maintenance	5	22
Staff bursaries	10	29
Staff uniforms	-	24
Staff welfare	32	-
Subscriptions and publication	287	48
Telephone cost	1 261	967
Transport and freight	-	8
Training	793	142
Travel- local	3 054	2 101
Travel- overseas	-	1 875
Water and electricity	568	471
	30 461	23 901

	2019	2018
	R '000	R '000

24. Cash generated from operations

Surplus	147 911	59 901
Adjustments for:		
Depreciation and amortisation	1 838	1 834
(Loss) gain on sale of assets and liabilities	(7)	3
Impairment of financial assets	-	81 765
Movements in operating lease assets and accruals	(106)	(340)
Movements in provisions	1 684	1 542
Interest income- other financial assets	-	(2 136)
Changes in working capital:		
Receivables from exchange transactions	(538)	(1)
Other receivables from non-exchange transactions	(3 820)	(2 716)
Prepayments	(283)	(600)
Payables from exchange transactions	2 052	446
	148 731	139 698

25. Commitments

Authorised capital expenditure

Already contracted for but not provided for

• Audit fees	-	500
--------------	---	-----

Total capital commitments

Already contracted for but not provided for	-	500
---	---	-----

Operating leases - as lessee (expense)

Minimum lease payments due

- within one year	1 906	1 639
- in second to fifth year inclusive	729	2 459
	2 635	4 098

Operating lease payments represent rentals payable by the entity for certain of its office properties. Leases are negotiated for an average term of five years and rentals for photocopy machines are fixed for an average of five years. The lease commitment above does not include the Gauteng and head offices as the rental is on a month to month basis.

2019 R '000	2018 R '000
----------------	----------------

26. Contingencies

Contingent liabilities

Accumulated surplus	169 706	61 190
---------------------	---------	--------

Accumulated Surplus is subject to National Treasury approval in response to the CSOS appropriate application for such fund retention. The accumulated surplus is determined in terms of Paragraph 3.2 of the National Treasury Instruction No 6 of 2017/2018. The CSOS will apply to retain the unspent funds which have remained un-expensed at year end.

Accumulated Surplus for 2018/19 was restated from R65 288 000 for R61 190 000 to take into account the prior year adjustments.

27. Related parties

Relationships

Controlling entity	National Department of Human Settlements
Entity under common control	Estate Agency Affairs Board (EAAB)

Ms F. Matlatsi is seconded from the National Department of Human Settlements (NDHS) to act as the CFO effective 1 January 2019. Her remuneration for acting is paid by NDHS.

Related party balances

Balances arising from services provided to related parties

Estate Agency Affairs Board	-	1 958
-----------------------------	---	-------

Commitments

Estate Agency Affairs Board	-	1 681
-----------------------------	---	-------

Related party transactions

Grants received from related parties

National Department of Human Settlements	31 105	29 400
--	--------	--------

Amounts received (paid) to related parties

Estate Affairs Agency Board	(2 876)	(2 584)
Department of Human Settlements	(61 190)	-

2019 R '000	2018 R '000
----------------	----------------

28. Executive / non executive management emoluments

Executive

2019

Emoluments	Other benefits*	Performance bonus	Total
Adv. S. Letele (Acting Chief Ombud) ***	669	-	669
Mr. T. Mabuya (Chief Financial Officer)	1 804	120	1 924
Mr. R. Maruma (Company Secretary)	1 340	72	1 517
Ms. N. Rabuli (Executive: Governance, Compliance and Enforcement) ****	1 799	-	1 961
Ms. K. Mlotha (Adjudication General) **	321	23	344
Mr. O. Masogo (Chief Audit Executive) ****	1 434	216	1 650
7 367	431	267	8 065

2018

Emoluments	Other benefits*	Total
Adv. S. Letele (Acting Chief Ombud) ***	654	654
Mr. T. Mabuya (Chief Financial Officer)	1 859	1 979
Adv. R. Maruma (Company Secretary)	1 456	1 528
Ms. K. Mlotha (Adjudicator General) ****	429	459
Mr. O. Masogo (Chief Audit Executive) ****	442	514
Ms. N. Rabuli (Executive: Governance, Compliance and Enforcement) ****	753	791
5 593	332	5 925

* Other benefits comprise travel allowance and medical benefits.

** Terminated on 3 July 2018

*** Started on 1 April 2017

**** Started on 1 December 2017

<<< EXECUTIVE/NON EXECUTIVE MANAGEMENT EMOLUMENTS : (continue from page 91)

Non-executive

2019

Rev. Dr C. Mehana
(Former Chairperson) **

Adv. N. Memani (Former
Deputy Chairperson) **

Mr T. Holmes

Mr R. Jock

Mr C. Dlamini **

Ms M. Constas **

Ms T. Sunduza **

Mr M. Tyamzashe
(Chairperson)***

Ms M. Ramataboe
(Deputy Chairperson) ***

Ms B. Zulu ***

Ms A. Olifant ***

Ms L. Noge-Tungamirai ***

	2019 R '000	2018 R '000			
Number of Board meetings	Board meetings R'000	Number of meetings	Other meetings R'000	Travel claims	Total R'000
10	86	2	19	3	108
10	76	20	149	10	235
13	68	25	130	18	216
13	68	29	154	19	241
7	37	15	76	10	123
7	37	8	41	3	81
9	3	8	10	3	16
3	26	6	45	2	73
2	15	5	35	2	52
3	16	4	18	0	34
3	16	3	16	1	33
3	16	4	21	1	37
-	435	-	740	74	1 249

2018

Rev. Dr. C. Mehana
(Chairperson)

Adv. N. Memani
(Deputy Chairperson)

Mr. T. Holmes

Mr. R. Jock

Mr. C. Dlamini

Ms. M. Constas

Ms. T. Sunduza

Number of Board meetings	Board meetings R'000	Number of meetings	Other meetings R'000	Travel claims	Total R'000
8	65	9	37	2	104
7	50	15	164	7	221
7	35	13	109	31	175
7	35	16	108	31	174
6	30	15	110	10	150
7	35	12	77	5	117
8	40	16	124	10	174
-	290	-	729	96	1 115

** Term ended on 31 December 2018

*** Appointed on 1 January 2019

2019 R '000	2018 R '000
----------------	----------------

29. Prior-year adjustments

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments.

The impact of the correction of this error is as follows:

- Mobile devices purchased for business purposes in the prior period were expensed in the Statement of Financial Performance instead of being capitalised in Property, Plant and Equipment in the Statement of Financial Position.
- Rates and taxes relating to prior year were not invoiced by the lessor. Invoices relating to rates and taxes for previous financial years were only received in the current financial year.

Statement of financial position

2018

	As previously reported	Correction of error	Restated
Property, plant and equipment	10 3 724	504	4 228
Operating lease liability	13 265	47	312
Payables from exchange transactions	11 3 126	119	3 245
	7 115	670	7 785

Statement of financial performance

2018

	As previously reported	Correction of error	Re-classification	Restated
Depreciation	19 1 704	130	-	1 834
General expenses	23 27 617	(468)	(3 248)	23 901
Lease rentals on operating lease	22 -	-	3 248	3 248
Surplus for the year	29 321	(338)	-	28 983

Cash flow statement

2018

As previously
2018

	As previously reported	Correction of error	Restated
Cash flow from operating activities			
Suppliers	28 276	(633)	27 643
Cash flow from investing activities			
Purchase of property, plant and equipment	872	633	1 505

2019 R '000	2018 R '000
----------------	----------------

30. 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

At 31 March 2019	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	5 172	-	-	-
Operating lease liability	206	-	-	-
At 31 March 2018	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	3 044	-	-	-
Operating lease liability	312	-	-	-

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The entity is committed to deposit funds in terms of the PFMA.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. 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 receivables comprise of rental deposits and prepayment. Management evaluates credit risk on an ongoing basis.

2019 R '000	2018 R '000
----------------	----------------

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

Financial instrument	2019	2018
Receivables from exchange transactions	21	1
Prepayments	996	712
Other receivables	611	452
Other financial assets	100	20 371
Receivables from non-exchange transactions	20 674	16 854

Market risk

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

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 obligations.

31. 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.

32. Fruitless and wasteful expenditure

	2019 R '000	2018 R '000
Opening balance	102	32
Add: Fruitless and wasteful expenditure- current period	569	70
Add: Fruitless and wasteful expenditure- identified in the current year relating to prior year	100	-
	771	102

Details of fruitless and wasteful expenditure - current year

Treatment

Sheriff costs charged	Treasury to be approached for condonation.	2
Penalties and interest paid to SARS	Condonation request will be submitted to the Accounting Authority.	99
VAT paid to supplier that is not registered	Letters written to supplier to refund CSOS.	1
Cancellation fees for tender advertised	Treasury to be approached for condonation.	99
Tender re-advertisement	Treasury to be approached for condonation.	41
Flight cancellation	Employees liable will be requested to pay.	14
Penalties charged for early withdrawal of investment	Condonation request will be submitted to the Accounting Authority.	313
Wasteful expenditure relating to prior years	Condonation request will be submitted to the Accounting Authority.	100
		669

Details of fruitless and wasteful expenditure - prior year

Treatment

Opening balance 1 April 2018	Condonation request will be submitted to the Accounting Authority.	32
Interest incurred on late payment	Treasury to be approached for condonation.	4
Cancellation fees for tender advertised	Treasury to be approached for condonation.	57
VAT paid to supplier that is not registered	Letters written to supplier to refund CSOS.	9
		102

33. Irregular expenditure

	2019 R '000	2018 R '000
Opening balance	35 901	9 144
Add: Irregular Expenditure- current year	5 108	26 757
Add: Irregular Expenditure- identified in the current year relating to prior year	36 626	-

77 635 35 901

Details of irregular expenditure - current year

Treatment

Part time adjudicators payment- Non Compliance with SCM processes	Appropriate disciplinary steps in terms of PFMA section 51(1)(e) have commenced.	5 108
Non compliance to the PFMA and SCM prescripts	Appropriate disciplinary steps in terms of PFMA section 51(1)(e) have commenced.	30 823
Non compliance to the PFMA and SCM prescripts	Appropriate disciplinary steps in terms of PFMA section 51(1)(e) have commenced.	1 875
Part time adjudicators payment- Non Compliance with SCM processes	Appropriate disciplinary steps in terms of PFMA section 51(1)(e) have commenced.	3 928

41 734

Details of irregular expenditure - prior year

Treatment

Non compliance to the PFMA and SCM prescripts	Appropriate disciplinary steps in terms of PFMA section 51(1)(e) have commenced.	1 971
Overspending on approved budget section 51(1)(e) have commenced.	Appropriate disciplinary steps in terms of PFMA	24 786

26 757

A forensic investigation was conducted, based on allegations of possible tender irregularities and irregular appointments of service providers in the 2015/16 financial year. As at the date of the signing of 2017/18 audit report, the forensic investigation was not finalised. The investigation has since been finalised and the irregular expenditure has been restated in the prior financial years for the amount of R30,823 million.

34. Non compliance with National Treasury requirements

VBS Mutual Bank	-	80 000
ABSA	-	20 000
First National Bank	52 245	-
	52 245	100 000

Current year

CSOS has deposited R50 million of its funds with First National Bank. No approval from National Treasury was obtained prior to the opening of the account.

CSOS has subsequently obtained approval for the account from National Treasury on 27 May 2019.

Prior year

CSOS has invested R100 million of its funds with VBS Mutual Bank (R80 million) and ABSA (R20 million). No approval from National Treasury was obtained for the investments.

35. Budget differences

Material differences between budget and actual amounts

Budget narrations are included for variations above R100 thousand.

35.1 Dispute resolutions

Comprises primarily of disputes resolution income. The actual other income exceeds the budgeted amount. This is due to more cases (disputes) being referred to the entity than previously anticipated.

35.2 Interest Income

The actual investment revenue amount is below the budget. This is mainly due to the cancellation of investment made in prior year. Furthermore, excess funds were retained in a current account pending approval of investment policy due for board approval therefore falling short on the opportunity to earn interest income. We are currently reviewing the investment policy, which will then determine how CSOS invests in the future.

35.3 Other Income

The difference relates to the non-cash items of the write off of the liability and the reversal of impairment loss previously recognised. These items were not budgeted for.

35.4 Levies

The variance is attributable to the negative media publicity with regards to the incident around VBS in the year under review.

35.5 Employee related cost

The actual employee cost incurred was less than the budgeted amount. This is due to some vacant positions that are yet to be filled. It was expected that more employee costs would have been incurred due to more staff being employed.

35.6 Depreciation and amortisation

This is due to less assets being acquired due to cancellation of tenders during the year under review. More assets will be acquired in the subsequent financial period

35.7 Lease rentals on operating lease

The under-expenditure was due to cancellation of the tender for the new premises.

35.8 General expenses

General expenses were expected to increase due to the expansion of the organisation. This resulted in the budgeted general expenses exceeding the actual amount.

My notes:

RP272/2019

ISBN: 978-0-621-47708-5

63 Wierda Road East
Wierda Valley, Sandton
Johannesburg, 2196

T: (+27 10) 593 0533
F: (+27 10) 590 6154
E: info@csos.org.za



www.csos.org.za