

Financial statements

FOR THE YEAR ENDED 31 MARCH 2007

CONTENTS

Statement of responsibility by the FAIS Ombud	46
Report of the Auditor-General	47
FAIS Ombud's report	49
Balance sheet	50
Income statement	51
Statement of changes in funds	51
Cash flow statement	52
Notes to the financial statements	53
Detailed income statement	60
Operational review against goals	61

Statement of responsibility by the FAIS Ombud

FOR THE YEAR ENDED 31 MARCH 2007

The FAIS Ombud is responsible for the preparation, integrity and fair presentation of the financial statements of the Office of the Ombud for Financial Services Providers (Office of the FAIS Ombud). The financial statements presented on pages 49 to 59 have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice including any interpretation of such statements issued by the Accounting Practices Board, with the prescribed statements of Generally Recognised Accounting Practice issued by the Accounting Standards Board, and include amounts based on judgements and estimates made by management. The FAIS Ombud also prepared the other information included in the annual report and is responsible for both its accuracy and consistency with the financial statements.

The FAIS Ombud has relied, for payroll purposes, on the accounting controls, systems, frameworks and procedures adopted by the Financial Services Board. Nothing significant has come to the attention of the FAIS Ombud to indicate any material breakdown in the functioning of these controls, procedures and systems during the year under review.

In the opinion of the FAIS Ombud, based on the information available to date, the financial statements fairly present the financial position of the Office of the FAIS Ombud as at 31 March 2007 and the results of its operations and cash flows for the year then ended.

The going-concern basis has been adopted in preparing the financial statements. The Office of the FAIS Ombud has no reason to believe that the entity will not be a going concern in the foreseeable future.

The audit report of the Auditor-General is presented on page 47.

The financial statements, set out on pages 49 to 62, have been approved by the FAIS Ombud on 31 July 2007 and are signed on its behalf by:



Charles Pillai
FAIS Ombud

Report of the Auditor-General

FOR THE YEAR ENDED 31 MARCH 2007

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF THE OFFICE OF THE OMBUD FOR FINANCIAL SERVICES PROVIDERS FOR THE YEAR ENDED 31 MARCH 2007

REPORT ON THE FINANCIAL STATEMENTS

Introduction

I have audited the accompanying financial statements of the Office of the Ombud for Financial Services Providers which comprise the balance sheet as at 31 March 2007, income statement, statement of changes in funds, cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 49 to 59.

Responsibility of the accounting officer for the financial statements

The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the South African Statements of Generally Accepted Accounting Practice (GAAP) including any interpretations of such Statements issued by the Accounting Practices Board, with the effective Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board replacing the equivalent Statements of GAAP and in the manner required by the Public Finance Management Act, 1999 (Act No 1 of 1999) (PFMA) and the Financial Advisory and Intermediary Services Act, 2002 (Act No 37 of 2002). This responsibility includes:

- designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error
- selecting and applying appropriate accounting policies
- making accounting estimates that are reasonable in the circumstances.

Responsibility of the Auditor-General

As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No 25 of 2004) and section 23(3) of the Financial Advisory and Intermediary Services Act, 2002 (Act No 37 of 2002), my responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with the International Standards on Auditing and *General Notice 647 of 2007*, issued in *Government Gazette No 29919 of 25 May 2007*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control.

An audit also includes evaluating the:

- appropriateness of accounting policies used
- reasonableness of accounting estimates made by management
- overall presentation of the financial statements.

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

Basis of accounting

The public entity's policy is to prepare financial statements on the basis of accounting determined by the National Treasury, as set out in note 1 to the financial statements.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Office of the Ombud for Financial Services Providers as at 31 March 2007 and its financial performance and cash flows for the year then ended, in accordance with the basis of accounting determined by the National Treasury of South Africa, as set out in note 1 to the financial statements and in the manner required by the PFMA and the Financial Advisory Services Act, 2002 (Act No 37 of 2002).

Report of the Auditor-General continued

FOR THE YEAR ENDED 31 MARCH 2007

OTHER MATTERS

I draw attention to the following matters that are ancillary to my responsibilities in the audit of the financial statements:

Unaudited supplementary financial statement

I draw attention to the fact that the detailed income statement on page 60 does not form part of the annual financial statements and is presented as additional information. I have not audited this statement and accordingly I do not express an opinion on it.

OTHER REPORTING RESPONSIBILITIES

Reporting on performance information

I have audited the performance information as set out on pages 61 to 62.

Responsibilities of the accounting officer

The accounting officer has additional responsibilities as required by section 55(2)(a) of the PFMA to ensure that the annual report and audited financial statements fairly present the performance against predetermined objectives of the public entity.

Responsibility of the Auditor-General

I conducted my engagement in accordance with section 13 of the Public Audit Act, 2004 (Act No 25 of 2004) read with *General Notice 646 of 2007*, issued in *Government Gazette No 29919 of 25 May 2007*.

In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.

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

Audit findings

No significant audit findings.

APPRECIATION

The assistance rendered by the staff of the Office of the Ombud for Financial Services Providers during the audit is sincerely appreciated.



EJ Smith for Auditor-General
Pretoria

31 July 2007



A U D I T O R - G E N E R A L

FAIS Ombud's report

FOR THE YEAR ENDED 31 MARCH 2007

NATURE OF OPERATIONS

The Office of the Ombud for Financial Services Providers ('Office of the FAIS Ombud') was established in terms of section 20 of the Financial Advisory and Intermediary Services Act, 2002 (Act No 37 of 2002) ('FAIS Act'). The objective of the FAIS Ombud is to investigate and adjudicate complaints as defined in the FAIS Act, by clients against financial services providers or their representatives.

Since 1 April 2005, the FAIS Ombud in terms of the Financial Services Ombud Schemes Act, 2004 (Act No 37 of 2004) ('FSOS Act'), can also act as Statutory Ombud to determine who amongst the various scheme Ombudsmen can deal with a complaint where there is uncertainty over which Ombud has jurisdiction. The FAIS Ombud, acting as Statutory Ombud can also investigate and adjudicate on complaints where the scheme ombudsmen have no jurisdiction.

The FAIS Ombud employs various mechanisms to resolve the complaint, including mediation, conciliation or determination of the complaint in terms of the FAIS Act and the Rules on Proceedings of the Office of the FAIS Ombud. Determinations by the FAIS Ombud are deemed to have the same effect as a judgment of a Court.

The FAIS Ombud is funded in terms of a budget approved by the Financial Services Board in terms of Section 22 of the FAIS Act. In addition the FAIS Ombud is entitled to levy a case fee of R1 000,00 per case once it has accepted a case for investigation.

RESULTS OF OPERATIONS

This is the second full year of operations of the FAIS Ombud. During the period 4 484 complaints were received by the Office. Of these, 1 320 were found to be complaints within the jurisdiction of the FAIS Ombud. 1 520 were dismissed for various reasons, whilst 1 550 were referred to scheme Ombudsmen, financial institutions or other forums. Of the 1 320 complaints falling within the jurisdiction, 388 were settled (excluding 57 carried over from the previous financial year) whilst 1 048 are at various stages of assessment, investigation or resolution. Fifteen determinations were issued, 7 are on appeal in terms of Section 28 (5) (b) of the FAIS Act, read with Rule 12 of the Rules on Proceedings of the Office of the FAIS Ombud. One determination is subject to review in terms of Rule 53 of the Rules of Court, promulgated in terms of the Supreme Court Act, 1959 (Act No. 59 of 1959).

OFFICE BEARERS

The responsible officer for the year ended 31 March 2007 is the designated accounting officer in terms of Section 23 of the FAIS Act, 2002 (Act No 31 of 2002).

Balance sheet

AS AT 31 MARCH 2007

	Notes	2007 R	2006 R
ASSETS			
Non-current assets		714 156	789 764
Property, plant and equipment	2	493 372	645 986
Intangible assets	3	220 784	143 778
Current assets		623 759	273 466
Trade and other receivables	4	222 602	62 664
Cash and cash equivalents	5	401 157	210 802
TOTAL ASSETS		1 337 915	1 063 230
FUNDS AND LIABILITIES			
Funds		578 938	507 590
Accumulated surplus		578 938	507 590
Current liabilities		758 977	555 640
Trade and other payables	6	758 977	555 640
TOTAL FUNDS AND LIABILITIES		1 337 915	1 063 230

Income statement

FOR THE YEAR ENDED 31 MARCH 2007

	Notes	2007 R	2006 R
OPERATING REVENUE		108 260	37 000
EXPENSES		11 202 979	9 365 086
Operating expenses	7	4 080 591	2 957 528
Personnel costs	8	6 713 983	5 132 527
Non-claimable VAT		–	922 677
Depreciation		407 846	350 110
Interest		559	2 244
OPERATING DEFICIT		(11 094 719)	(9 328 086)
REIMBURSEMENT OF EXPENSES BY THE FINANCIAL SERVICES BOARD	9	11 166 067	9 131 322
SURPLUS/(DEFICIT) FOR THE YEAR		71 348	(196 764)

Statement of changes in funds

FOR THE YEAR ENDED 31 MARCH 2007

	R
ACCUMULATED SURPLUS	
Balance at 31 March 2005	704 355
Deficit for the year	(196 764)
Balance at 31 March 2006	507 590
Surplus for the year	71 348
Balance at 31 March 2007	578 938

Cash flow statement

FOR THE YEAR ENDED 31 MARCH 2007

	Notes	2007 R	2006 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash utilised in operations	10	523 150	615 483
Interest charges		(559)	(2 244)
Net cash flows from operating activities		522 591	613 239
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(173 132)	(226 473)
Purchase of intangible assets		(159 104)	(180 614)
Net cash flows from investing activities		(332 236)	(407 087)
Net increase in cash and cash equivalents		190 355	206 152
Cash and cash equivalents at beginning of year		210 802	4 650
CASH AND CASH EQUIVALENTS AT END OF YEAR		401 157	210 802

Notes to the financial statements

FOR THE YEAR ENDED 31 MARCH 2007

1. ACCOUNTING POLICIES

Summary of accounting policies

The financial statements have been prepared on a historical cost basis and incorporate the following principal accounting policies which have been consistently applied.

Basis of preparation

The financial statements have been prepared in accordance with the South African Statements of Generally Accepted Accounting Practices (GAAP) including any interpretations of such statements issued by the Accounting Practices Board, with the effective Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board replacing the equivalent statements of GAAP as follows:

Standard of GRAP

GRAP 1: Presentation of financial statements
GRAP 2: Cash flow statements
GRAP 3: Accounting policies, changes in accounting estimates and errors

Replaced statement of GAAP

IAS 1 (AC 101): Presentation of financial statements
IAS 7 (AC 118): Cash flow statements
IAS 8 (AC 103): Accounting policies, changes in a estimates and errors

Currently the recognition and measurement principles in the above GRAP and GAAP Statements do not differ nor result in material differences in items presented and disclosed in the financial statements. The implementation of GRAP 1, 2 and 3 has resulted in the following significant changes in the presentation of the financial statements:

(a) Terminology differences:

Standard of GRAP

Statement of financial performance
Statement of financial position
Statement of changes in net assets
Net assets
Surplus/deficit
Accumulated surplus/deficit
Contribution from owners
Distribution to owners

Replaced statement of GAAP

Income statement
Balance sheet
Statement of changes in equity
Equity
Profit/loss
Retained earnings
Share capital
Dividends

(b) The cash flow statement can only be prepared in accordance with the direct method.

(c) Amount and nature of any restrictions on cash balances are required.

Paragraphs 11 – 15 of GRAP 1 have not been implemented due to the fact that the budget reporting standard has not been developed by the local standard setter and the international standard is not effective this financial year. Although the inclusion of budget information would enhance the usefulness of the financial statements, non-disclosure will not affect the objective of the financial statements.

1.1 Property, plant and equipment

Property, plant and equipment, comprising office furniture, office equipment, motor vehicle, computer equipment as well as paintings, is stated at cost less accumulated depreciation and any accumulated impairment losses.

All other items of property, plant and equipment are depreciated on a straight-line basis at rates which will reduce their book values to estimated residual values over their estimated useful lives. The assets' residual values and useful lives are reviewed and adjusted if appropriate at each balance sheet date. The useful lives are as follows:

Motor vehicles	Five years
Computer equipment	Three years
Office equipment	Five years
Furniture and fittings	Five years
Paintings	Five years

Maintenance and repairs, which neither materially add to the value of assets nor appreciably prolong their useful lives, are charged against income.

Notes to the financial statements continued

FOR THE YEAR ENDED 31 MARCH 2007

1.2 Intangible assets

Computer software

Acquired computer software licences and costs associated with the development of unique software products controlled by the Office are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (not exceeding three years).

Costs associated with developing and maintaining of computer programmes are recognised as an expense when incurred.

1.3 Significant accounting judgements and estimates

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

Critical accounting estimates and assumptions

Depreciation

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

Impairment of trade receivables

The FAIS Ombud tests annually whether trade receivables have suffered any impairment, in accordance with the accounting policy stated in Note 1.5 below.

1.4 Financial assets

Loans and trade receivables

Loans and trade receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are carried at cost and are included in current assets as their maturity is less than 12 months from balance sheet date. Loans and receivables are classified as 'Trade receivables' in the balance sheet.

1.5 Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Office of the FAIS Ombud will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

1.6 Cash and cash equivalents

Cash and cash equivalents includes cash in hand and bank balances.

1.7 Trade payables

Trade payables are carried at the fair value of the consideration to be paid in future for goods or services that have been received or rendered and invoiced or formally agreed with the supplier.

1.8 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable in terms of section 22(1) of the FAIS Act. Revenue is recognised as follows:

Case fees

Fee income is recognised when the case is accepted for investigation.

1.9 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

	Motor vehicles R	Computer equipment R	Office equipment R	Furniture and fittings R	Paintings R	Total R
2. PROPERTY, PLANT AND EQUIPMENT 2007						
Cost	138 593	621 670	175 878	516 494	26 376	1 479 011
Accumulated depreciation	(72 649)	(459 193)	(86 830)	(346 824)	(20 143)	(985 639)
Net book value at 31 March 2007	65 944	162 477	89 048	169 670	6 233	493 372
Reconciliation of carrying value						
Net book value at the beginning of the year	94 705	176 109	71 897	290 919	12 355	645 986
Additions	–	122 334	49 202	1 596	–	173 132
Current year depreciation	(28 761)	(135 966)	(32 051)	(122 845)	(6 122)	(325 745)
Total	65 944	162 477	89 048	169 670	6 233	493 372
Management concluded that there were no adjustments necessary to useful lives and residual values at the end of the year.						
2006						
Cost	138 593	499 336	126 676	514 898	26 376	1 305 879
Accumulated depreciation	(43 888)	(323 227)	(54 779)	(223 979)	(14 021)	(659 894)
Net book value at 31 March 2006	94 705	176 109	71 897	290 919	12 355	645 986
Reconciliation of carrying value						
Net book value at the beginning of the year	122 424	248 681	93 073	250 979	17 630	732 787
Additions	–	84 144	3 900	138 429	–	226 473
Current year depreciation	(27 719)	(156 716)	(25 075)	(98 489)	(5 275)	(313 274)
Total	94 705	176 109	71 898	290 919	12 355	645 986

Notes to the financial statements continued

FOR THE YEAR ENDED 31 MARCH 2007

	Computer software R	Data management system R	Website R	Total R
3. INTANGIBLE ASSETS				
2007				
Cost	115 385	192 426	31 907	339 718
Accumulated depreciation	(50 455)	(55 900)	(12 579)	(118 934)
Net book value at 31 March 2007	64 930	136 526	19 328	220 784
Reconciliation of carrying value				
Net book value at the beginning of the year	61 179	58 691	23 908	143 778
Additions	34 507	119 190	5 407	159 104
Current year depreciation	(30 756)	(41 355)	(9 987)	(82 098)
Total	64 930	136 526	19 328	220 784

Management concluded that there were no adjustments necessary to useful lives and residual values at the end of the year.

2006

Cost	80 878	73 236	26 500	180 614
Accumulated depreciation	(19 699)	(14 545)	(2 592)	(36 836)
Net book value at 31 March 2006	61 179	58 691	23 908	143 778
Reconciliation of carrying value				
Additions	80 878	73 236	26 500	180 614
Current year depreciation	(19 699)	(14 545)	(2 592)	(36 836)
Total	61 179	58 691	23 908	143 778

	2007 R	2006 R
4. TRADE AND OTHER RECEIVABLES		
Rental deposit	35 304	35 304
Prepaid rent	85 338	–
Staff debtors	20 000	–
Receivables – case fees	81 960	27 360
	222 602	62 664

	2007 R	2006 R
5. CASH AND CASH EQUIVALENTS		
For the purposes of cash flow statement, cash and cash equivalents comprise cash in the current account with the bank. Cash and cash equivalents are stated at net realisable value at 31 March 2007.	401 157	210 802
6. TRADE AND OTHER PAYABLES		
Trade payables	473 044	438 860
Leave pay accrual	141 287	116 780
Lease liability	144 646	–
	758 977	555 640
7. OPERATING EXPENSES		
The following items have been charged in arriving at operating expenses:		
Audit fees	383 003	242 527
Depreciation	407 846	350 110
Operating lease rentals – office	880 938	526 131
Operating lease rentals – office equipment	90 905	84 465
The future minimum lease payments payable under non-cancellable operating lease are as follows:		
Not later than one year	1 021 307	749 508
Later than one year but not later than five years	3 109 482	1 057 992

Notes to the financial statements continued

FOR THE YEAR ENDED 31 MARCH 2007

	2007 R	2006 R
9. REIMBURSEMENT OF EXPENSES BY THE FINANCIAL SERVICES BOARD		
Funds received from the Financial Services Board in terms of section 22 of the Financial Advisory and Intermediary Services Act, 2002		
Consumer education	319 702	–
Withdrawals and expenses paid on behalf of the Office	10 846 365	9 131 322
	11 166 067	9 131 322
10. RECONCILIATION OF THE SURPLUS (DEFICIT) FOR THE YEAR TO CASH UTILISED IN OPERATIONS		
Surplus/(deficit) for the year	71 348	(196 764)
Adjustments for:		
Depreciation	407 846	350 110
Interest charges	559	2 244
Movements in working capital:		
(Increase)/decrease in accounts receivable	(159 938)	70 099
Increase in accounts payable	203 335	389 794
	523 150	615 483
11. TAXATION		
No provision has been made as the Office of the FAIS Ombud is exempt from taxation in terms of section 10(CA)(i)(bb) of the Income Tax Act, 1962 (Act No 58 of 1962, as amended).		
12. RETIREMENT BENEFITS		
The Office of the FAIS Ombud pays a defined contribution towards the pension funds established for its employees. The Office has no other obligation to provide retirement benefits to its employees.		
Pension fund contribution	561 369	176 152
13. FINANCIAL RISK MANAGEMENT		
Credit risk		
The FAIS Ombud has no significant concentrations of credit risk. It has the backing of the FAIS Act to enable collection of case fees in time. Cash transactions are limited to high-credit-quality financial institutions.		
Interest rate risk		
As the Office of the FAIS Ombud has no significant interest-bearing assets, the Office of the FAIS Ombud's income and operating cash flows are substantially independent of changes in market interest rates.		

	2007 R	2006 R
14. RELATED PARTIES		
All national departments of government and state-controlled entities are regarded as related parties in accordance with Circular 4 of 2005: Guidance on the term "state-controlled entities" in the context of IAS 24 (AC 126) – Related parties, issued by the South African Institute of Chartered Accountants. The following transactions were recorded relating to transactions with related parties:		
Services provided by related parties		
City of Tshwane Metropolitan Council	(40 957)	(43 457)
Telkom	(153 181)	(103 855)
	(194 138)	(147 312)
Year-end balances arising from services provided by related parties		
Telkom	(13 721)	(9 307)
Funding received from related parties		
Financial Services Board	11 166 067	9 131 322
15. CONTINGENT LIABILITIES		
There are no contingent liabilities or pending litigation that are known to management as at 31 March 2007.		

Detailed income statement

FOR THE YEAR ENDED 31 MARCH 2007

	2007 Actual R	2006 Actual R
OPERATING REVENUE	108 260	37 000
OPERATING EXPENSES	11 202 979	9 365 086
Audit fees	383 003	242 527
Accounting fees	–	54 780
Annual reports	187 973	112 806
Advertising/consumer education	437 371	479 789
Bank charges	11 038	8 977
Cellular phone costs	65 568	37 349
Cleaning and general maintenance	176 368	27 248
Consulting fees	276 715	100 821
Courier and postages	14 783	19 726
Depreciation	407 846	350 110
Entertainment expenses	21 836	27 876
Gifts	915	–
Insurance and security	58 472	41 017
Interest charges	559	2 244
Internet costs	464 028	377 641
Leasing and hire costs	90 905	84 465
Legal fees	57 796	–
Licences	–	35 103
Non-claimable VAT	–	922 677
Printing and stationery	97 223	64 994
Professional fees	52 661	24 483
Provision for leave pay	24 505	74 183
Recruitment fees	52 764	26 666
Relocation costs	91 208	–
Rent	880 938	526 131
Repairs and maintenance	93 947	43 682
RSC and other levies	40 957	43 457
Personnel costs	6 689 478	5 058 344
Security costs	9 218	–
Rates and electricity	87 121	–
Staff training	56 032	219 074
Stamp duty	24 482	–
Subscriptions	32 386	7 393
Telephone	153 181	103 855
Textbook/library costs	32 345	123 571
Travel and accommodation	129 357	124 097
OPERATING DEFICIT	(11 094 719)	(9 328 086)
Reimbursement of expenses by the Financial Services Board	11 166 067	9 131 322
SURPLUS/(DEFICIT) FOR THE YEAR	71 348	(196 764)

Operational review against goals

This report assesses the extent to which the Office of the FAIS Ombud has progressed towards the goals laid out in the Business Plan of 2006/2007.

The Office of the FAIS Ombud was established in terms of Act No. 37, Financial Advisory and Intermediary Services Act, 2002 (Act No. 37 of 1001). The Act states that:

- “20 (1) there is an office to be known as the Office of the Ombud for Financial Services Providers.
 (2) the functions of the Office are performed by the Ombud for Financial Services Providers.
 (3) the objective of the Ombud is to consider and dispose of complaints in a procedurally fair, informal, economical and expeditious manner and by reference to what is equitable in all the circumstances, with due regard to:
 (a) the contractual arrangement or other legal relationship between the Complainant and any other party to the complaint; and
 (b) the provisions of this Act.
 (4) when dealing with complaints in terms of sections 27 and 28 the Ombud is independent and must be impartial.”

After the first one and half years of operations, the Business Plan of 2006/7 set out to enhance the capabilities of the Office in four key areas:

- Establishment of a smooth, accessible complaints handling process;
- Acquisition and implementation of a powerful and reliable IT system to track the status of complaints;
- A comprehensive human resource strategy to ensure that the Office is acquiring and retaining appropriate skills;
- Development and implementation of a marketing and communications strategy.

The results of the goals in each of these areas are tabulated overleaf.

Outputs of Operational Targets / Goals for 2006/2007

Goal	Plans	Achievements or lack of	Constraints	Future Plans
Complaints Process	To create a process which details the various stages a complaint goes through from receipt until closure. The document must be easily understood by all.	This has been achieved.		To develop the document further by prescribing certain standards which a complaint must have whilst moving through the various levels of processing. Eg, before a complaint leaves the administration it must have, the FSP license checked, it must be acknowledged to the Complainant as having been received, etc. There are many other features we are adding at the moment. The nature of the document is such that it has to be constantly improved.

Operational review against goals continued

Outputs of Operational Targets/Goals for 2006/2007 (continued)

Goal	Plans	Achievements or lack of	Constraints	Future Plans
IT System	To acquire a powerful data management system to process and track complaints from start to finish. The system must also generate reliable statistics. It must have unbreakable security features as well as a disaster recovery system.	A data management system has been acquired. At the moment we are attending to trials of this system. Complaints are being logged in for the financial year 2007/8	1. We need to have a server in house to ensure security of the data; 2. Bandwidth needs to be enlarged to accommodate a large number of users as the Office grows constantly.	To get a server in house. (This will mean more funds for this line item) and to enlarge the bandwidth to accommodate large numbers of users of the system.
Human Resource Strategy	The plan was to attract, retain and develop excellent people for the Office. The people have to be continually trained to improve their expertise.	1. Partially, we have achieved. We have four new excellent quality case managers joining the Office on 1 June 2007. This will take the number of case managers to eight. Development is scheduled. 2. The Office has also appointed a Deputy Ombud.		The recruitment process can never be a finite one. Plans are afoot to recruit three more case managers before the end of the financial year 07/08.
To raise the profile of the Office of the FAIS Ombud and effectively communicate to all stakeholders and the public, the role and work of the Office.	Develop and implement a Marketing and Communications Strategy	The Office has steadily increased its public profile through proactive interaction with the print, electronic and internet media. The work of the Office has been positively promoted through the publicity of various determinations and Ombud's speaking engagements. The profile of the Ombud has been managed by positioning him as a spokesperson of choice on matters affecting consumers of financial services. In the reporting period, media coverage worth an estimated R7 203 752 was generated.	There is need for replacement of the in-house communications executive to ensure better identification of opportunities for publicity that emanate from the work of the Office.	An in-house quarterly publication highlighting the work of the Office is planned for publication and for distribution to all stakeholders. Establishing a partnership (or chair) with an ethics department of a tertiary institution to inculcate best practice in the financial services industry.

Procedures for dealing with complaints

THE TYPE OF COMPLAINTS HANDLED BY THE OFFICE

FAIS COMPLAINTS (complaints submitted in terms of the Financial Advisory and Intermediary Services Act No 37, 2002)

These comprise of complaints by clients against financial service providers or their representatives where such clients have suffered financial prejudice or damage as result of either non-compliance with the FAIS Act, or where the financial services provider has acted willfully or negligently in rendering the financial service, or where the client has been treated unfairly.

A FAIS complaint must relate to a service rendered after 30 September 2004.

FSOS COMPLAINTS (complaints submitted in terms of the Financial Services Ombud Schemes Act No 37, 2004)

These are complaints by clients relating to agreements, financial services or products of a financial institution, and in which the client has suffered, or is likely to suffer, financial prejudice or damage in consequence of the financial institution having maladministered or failed to comply with any agreement, law or code of conduct, or having treated the client unreasonably, inequitably or willfully or negligently supplied, or failed to supply, a financial service or a product to the client.

A FSOS complaint must relate to an act or omission after 1 April 2005.

HOW DO I SUBMIT A COMPLAINT

The first step in the process is to obtain a complaint registration form and this can be obtained in the following manner:

- A copy can be downloaded from our website at www.faisombud.co.za
- A copy can be requested by emailing your request to info@faisombud.co.za
- A telephonic request may be made to our offices on 012 470 9080/97 and the form can be either faxed or posted to you.

When submitting your complaint it is important that you provide a detailed version of events and include the names

and contact details of the persons with whom you have dealt, as well as copies of all documents in your possession.

WHAT HAPPENS AFTER A COMPLAINT IS RECEIVED BY THE OFFICE

- Every complaint received via the Office whether by facsimile, email or post is date stamped.
- Case administration allocates an FOC (Fais Ombud case number).
- The case is checked to ascertain whether the complaint is within our jurisdiction and if so a letter of acknowledgment of receipt is sent out.
- Further information may be requested to ascertain jurisdiction.
- The matter may alternatively be dismissed in the event that we do not have jurisdiction or is referred to the appropriate body.
- The Ombud may also dismiss a complaint on the following grounds:
 - * if it appears that there is no reasonable prospect of success;
 - * the relief sought is of such a nature that the Ombud can be of no assistance;
 - * the Respondent has made an offer which is fair and reasonable;
 - * the subject of the complaint is pending in court proceeding; and
 - * it may be more appropriate that the complaint be dealt with by a court or through any other complaint resolution process.
- The case is handed to a case manager

THE ROLE OF A CASE MANAGER

- The case manager receives the file and considers the complaint.
- The case manager may discuss the matter with the Complainant and/or request further details.
- In most instances the actual dismissal of a case will take place at this stage as the case manager would have had more time to consider the matter.
- It should be stressed that when a decision is reached to dismiss a case, it is done so after carefully considering all the facts, in conjunction with applicable legislation.
- Having satisfied themselves of the validity

Procedures for dealing with complaints continued

of the case, it is then referred to the financial services provider (FSP) concerned.

- The FSP is given six (6) weeks in which to resolve the matter with the Complainant directly as required in terms of the FAIS Act.
- In terms of the FSOS Act the time period is four (4) weeks.
- In instances where there is evidence that the FSP was aware of the complaint and had not done anything to resolve it, the above mentioned periods are shortened to 14 days.
- Time periods may be extended should this be necessary.
- In the event that the matter is not resolved during the allocated time frame, the matter is required to be investigated. The Respondent is notified that the matter is proceeding to investigation and that it is required to provide a statement of its version of events as well as copies of its complete file of papers.
- The Respondent may be provided extra time in which to provide the relevant information.
- The matter is then investigated by the case manager.
- The time taken to investigate a matter may vary considerably depending on the complexity of a matter and the workload of the Office.
- It must be mentioned that this Office is compelled in terms of section 27 (5) (b) to explore any reasonable prospect of

resolving a complaint by conciliated settlement and where possible every avenue is considered.

RECOMMENDATION AND DETERMINATION

- In the event that the case manager is unable to resolve a matter the file is then referred to the Ombud to consider.
- The Ombud may in order to resolve a complaint speedily by conciliation make a recommendation to the parties, requiring them to confirm whether or not they accept the recommendation and, where the recommendation is not accepted by a party, requiring that party to give reasons for not accepting it.
- In the event that the recommendation is accepted by the parties it has the effect of a determination.
- In the event that a matter has not been settled or a recommendation not accepted, the Ombud must make a final determination which may include the dismissal or upholding of a complaint.

APPEALS

- A party may appeal against a decision of the Ombud within one month after the date of the determination.
- If the Ombud refuses such an appeal, the applicant must be advised in writing and given the reason for such refusal.
- The applicant then has a further month in which to apply to the chairperson of the FSB's Board of Appeal.

Engaging our stakeholders for mutual benefit

As part of the drive to both educate consumers and improve the level of compliance and service delivery by providers, the FAIS Ombud and assistant Ombuds made numerous presentations to gatherings of financial services providers, business and consumer bodies and related forums.

NATIONAL

Sanlam Brokers
Sanlam Interactive Session with Brokers
FPI Convention
FPI Continuous Professional Development Sessions
Nedbank
Compliance Institute of South Africa
FNB Financial Planning & Advisory Service
Masthead Member Days Roadshows
Spotlight Interactive
Rotary Club of Durban – Clairwood Park
National Association of Democratic Lawyers of South Africa
Outsurance
International Trade Law Seminar
The European Foundation for Human Rights Momentum
Investec
Independent Broking Council
Financial Services Ombud Schemes Council
Launch of the Annual Report of the FAIS Ombud

REGIONAL

Committee on Securities, Insurance & Non-Banking Authorities

MEDIA

Kaya FM
Talk Radio 702 – Tim Modise Show
RSG Radio
Summit TV
E-TV News
SABC News
SABC 1

Office of the FAIS Ombud

PHYSICAL ADDRESS

The Office of the FAIS Ombud
Baobab House, Eastwood Office Park
Lynnwood Road, Pretoria

POSTAL ADDRESS

PO Box 74571
Lynnwood Ridge, 0040

Customer contact division:

0860FAISOM (0860 324 766)

Telephone: +27 12 470 9080

Facsimile: +27 12 348 3447

Email address: info@faisombud.co.za

www.faisombud.co.za



www.faisombud.co.za