

CSOS ANNUAL REPORT 2022/23

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GENERAL INFORMATION

PART A

1. Entity General Information



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EXTERNAL AUDITORS:	Auditor-General SA
BANKERS:	First National Bank (FNB)
COMPANY /BOARD SECRETARY:	Sigama Attorneys

REGIONAL OFFICES

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2. List of Abbreviations/Acronyms

Abbreviation Name in full		Abbreviation Name in full	
AGSA	Auditor General South Africa	IRBA	Independent Regulatory Board for Auditors
APP	Annual Performance Plan	M&E	Monitoring and Evaluation
ARC	Association of Residential Communities	MTEF	Medium Term Expenditure Framework
ARC	Audit and Risk Committee	MTSF	Medium Term Strategic Framework
BAS	Business Automation Solution	NAMA	National Association of Managing Agents
BASA	Banking Association of South Africa	NDoHS	National Department of Human Settlements
B-BBEE	Broad-Based Black Economic Empowerment	NDP	National Development Plan
CSOS	Community Schemes Ombud Service	NSDF	National Spatial Development Framework
CIPC	Companies and Intellectual Property Commission	LATCOM	Legislation, Adjudication and Transformation Committee
CFO	Chief Financial Officer	PDA	Priority Development Areas
CO	Chief Ombud	PDI	Previously Disadvantaged Individual
CRM	Customer Relationship Management	PPRA	Property Practitioner Regulatory Authority
CPD	Corporation for Public Deposit	PFMA	Public Finance Management Act
DHS	Department of Human Settlements	Q	Quarter
DPCI	Directorate for Priority Crimes Investigation	SDG	Sustainable Development Goals
DPME	Department of Planning, Monitoring and Evaluation	SMART	Specific, Measurable, Achievable, Realistic and Time-Bound
ECDMS	Electronic Content and Document Management Systems	SMART	Specific, Measurable, Achievable, Realistic and Time-Bound
EE	Employment Equity	SG	Surveyor General
EMA	Executive Managing Agent	SARS	South African Revenue Services
ERP	Enterprise Resource Planning	STSMA	Sectional Titles Schemes Management Act
EXCO	Executive Committee	SLA	Service Level Agreement
FINCOM	Finance Committee	SONA	State of The Nation Address
GRAP	Generally Recognised Accounting Practice	TOR	Terms of Reference
HOAs	Homeowners' Associations	VBS	VBS Mutual Bank
HR	Human Resources		
ICT	Information and Communications Technology		
IRBA	Independent Regulatory Board for Auditors		
MOU	Memorandum of Understanding		

3. MINISTER'S FOREWORD

Community Schemes Ombud Service (CSOS) Annual Performance Report

Many people live and stay in various forms of community housing schemes such as high-rise residential areas, townhouse complexes and gated villages. These properties are administered by associations such as body corporates, share block companies, homeowners' associations, and housing schemes for retired persons. Over time the cordial relations among the owners in schemes may deteriorate, giving rise to problems and disputes because it involves control and administration of finances, facilities and behaviour requiring effective resolution. Good governance of community schemes promotes good living and reduces unnecessary disputes amongst residents.



Ms. M. T. Kubayi, MP
Minister of Human
Settlement

The basic premise for people who live in sectional titles and other community schemes is that those people must exercise tolerance to foster peaceful and harmonious coexistence. It is intolerance of other cultures and religious beliefs that leads the trustees and directors to want to change the conduct rules of their schemes and introduce rules that are illegal and in violation of the Constitution. These rules are often introduced under the guise of creation of harmony and cooperative coexistence, when in fact they are premised on one culture dominance and violation of other people's rights. This often leads to disputes and other antagonistic behaviour amongst residents of a scheme.

It is within this context that the Community Schemes Ombud Service (CSOS) needs to intensify training programmes and continue to publicise education and information programmes for owners, occupiers, scheme executives, body corporates and other persons who have rights and obligations in community schemes. This is important in fostering good governance of schemes and making rules that are constitutional. More broadly, the CSOS needs to pursue excellence and be more accessible so that it can effectively fulfil its mandate.

In the financial year under review, the CSOS managed to achieve a total of twenty (20) targets out of the planned twenty-eight (28), and this means that the overall achievement of 71% performance against set targets. This means that there is room for improvement in the overall performance of the entity.

South Africa has an estimated 70,000 community schemes and counting and we have also seen a growing trend for living in gated communities. We will continue to call for transparency in the management of these schemes. The services that these schemes solicit makes this sector a huge contributor to job creation, mainly because most of the services are sourced from small and medium enterprises. The schemes, like other sectors of the economy, must allow for inclusivity and other players to enter the market.

Let me thank the Board under the leadership of Ms. Phindile Mthethwa, the CSOS executive team led by the Acting Chief Ombud Ms. Thembelihle Mbatha and the entire staff for the performance in the financial year under review.

M.T. Kubayi, MP
Minister of Human Settlement

4. CHAIRPERSON'S FOREWORD

On behalf of the Board of the Community Schemes Ombud Service (CSOS). I hereby present the 2022/23 Annual Performance Report (APR) and the statement of financial results of the CSOS. The report provides a high-level integrated overview of the CSOS performance to Parliament, the Executive Authority, all the CSOS stakeholders including the general public, in broad terms for how allocated resources were used in fulfilling the statutory functions of the Entity in terms of its mandate.



Ms. Phindile Mthethwa,
Chairperson of the Board

The Board has endeavoured to discharge its responsibilities to the best of its ability, to meet the onerous demands of regulating the community schemes sector and to deliver services to all our stakeholders in accordance with CSOS mandate. The organisation's overall performance against its set annual performance targets is registered at 71%, which is a decrease of 11% compared to the previous financial year where the entity had achieved 82% against the annual target. The year under review has seen numerous operational challenges because of the delayed organisational design process and the delayed implementation of the automation process.

In fulfilling our role to guide and steer the entity towards meeting its strategic objectives, the Board provided oversight of the strategy presented by management during the strategy planning process where a detailed review was conducted on the approved 2020-2025 Strategic Plan as well as the 2023/24 Annual Performance Plan that was tabled in Parliament in March 2023. The board further exercised oversight on the implementation of the afore said Strategic Plan and the Annual Performance Plan. As an entity of government, the CSOS has worked tirelessly to improve service excellence, and to embrace its values of accountability, innovation, and independence in delivering on our mandate to our stakeholders.

The Board also reports on the progress made with regards to the implementation of the priority areas:

Schemes registration: Continuing from the 2021/22 progress of acquiring a list of all the community schemes in South Africa and the analyses, verification, and cleansing of all registered data on the SAGE System and the Share Point, the CSOS now has a estimated universe of schemes in the country. The analysis indicates that there is a total of seventy thousand (70 000) community schemes in the country and just over thirty-two thousand (32 000) of them are registered with the CSOS. This gives a clear indication that we have just below forty thousand of (40 000) community schemes to register and ensure that they are regulated as per the Community Schemes Ombud Service Act 9 of 2011 (CSOS Act). During the period under review, we commenced with a project to validate and verify the full universe of the community schemes through a door-to-door campaign.

The full project report will be finalised in the 2023/24 financial year. 40 000 identified schemes not registered with CSOS. The objective of the strategy is to have in place effective systems to maximise schemes' compliance with their duties and obligations as per the CSOS Act, Sectional Titles Schemes Management Act 8 of 2011 (STSM Act) and other relevant legislations applicable to schemes specifically.

Scheme Compliance: The Entity also monitored the percentage of registered community schemes that are compliant. The baseline in the 2022/23 financial year indicated a high level of non-compliance. As a result, the CSOS commenced with monitoring of the target and the 2022/23 performance indicates that 76% of scheme that are paying levies and 60% of schemes that registered this period under review submitted both governance documents and Annual returns or Annual financial statements. It is anticipated that the monitoring process will enhance compliance levels.

Amendments to the CSOS Act: In a view to strengthen the regulatory function of the Entity, a process led by the DHS continued to amend the existing CSOS and STSM Acts and their subordinate legislation.

The acquisition of Business Automation Solution System: we have embarked on a digital journey. The process of developing a fully transactional web-based application for our customers and partners, as well as an associated administration portal for internal staff commenced in the 2021/22 financial year. The project delivered positive outcomes with the registrations module going live at the end of November 2022 and the conclusion of Solution feature specifications and scoping of the governance modules, the dispute modules, and the mobile application at the same time. The project is nearing its tail end and will be completed at the end 2023 where all modules will be functional.

Dispute resolution: The 2022/23 financial year started with a backlog of five hundred and fifty-nine (559) cases, which was cleared in Q2. The regional offices continued to improve tight controls

on turnaround times to resolve disputes. This is evident with the overall achievement of hundred percent (100%) for disputes conciliated within ninety (90) days and ninety seven percent (97%) of disputes adjudicated within ninety (90) days. Furthermore, to ensure the provision of a quality dispute resolution service, all six thousand and eight (6008) of the adjudication orders received quality assured before they were handed to the applicant.

We have improved on our turnaround times for resolving disputes which resulted in CSOS clearing the 2021/22 backlog of disputes during the second quarter of the 2022/23 financial year.

We are continuously providing more efficient and better service to our schemes in terms of quality assurance of the adjudication orders and there is a general culture of improvement in customer satisfaction.

The percentage of disputes conciliated within ninety (90) days increased by 27% in the 2022/23 financial year as compared to the 2021/22 financial year. The percentage of disputes adjudicated within ninety (90) days increased by 68,57% in the 2022/23 financial year as compared to the 2021/22 financial year.

CSOS brand: Considering the historical negative perceptions about the image of the CSOS, it has been the Board's focus to project the CSOS as a viable, effective, and efficient regulator. CSOS continued to implement its annual marketing and public relations strategy in a bid to improve its image. During the period under review there were interactions with other entities, with the Board having attended the Human Settlement Indaba that ended with the development of a compact on the commitments to improve the sector. A culture of talking and sharing of ideas has already been embedded in the multiple public profile enhancements that came through a series of print and electronic media interviews and articles.

Capacitating CSOS: The Organisational Designs (OD) project commenced in the 2021/22 financial year and the Board continued to provide oversight in capacitating the organisational structure. The new structure was approved by the Minister in August 2022. A recruitment plan was developed to fill all the vacancies on the approved structure. This will ensure the reduction of the vacancy rate that is currently seating on 47,4%.

The plan across the Human Settlements portfolio is to ensure that the culture of continuous improvement takes root. In this regard, I am very pleased that CSOS has set itself the target of achieving an unqualified audit opinion with findings for the 2022/23 financial year to be followed by a clean audit in the remaining last two (2) years of the MTSF (2023/24 and 2024/25).

With all the work that the Entity and the sector partners have delivered during the period under review, we remain committed to the mandate of ensuring an effectively regulated Community Scheme Sector. Together with my fellow Board members, we intend to drive the achievement of our mandated outcomes with the help of the Department of Human Settlements to make a meaningful contribution to the NDP 2030 Chapter 8 (Transforming Human Settlement and the National Space Economy) in respect of delivering an improvement in the regulation of community schemes.

The Board fully commits to a continuous monitoring of the last two (2) years on the MTSF. On behalf of the Board, I wish to extend our sincere gratitude to the Honourable Minister, Deputy Minister, and the department as well as the staff of the CSOS for their support and dedication, throughout the year.



Ms. Phindile Mthethwa,
Chairperson of the Board

Date: 30 August 2023

5. REPORT OF THE ACCOUNTING OFFICER

5.1 Overview of the operations of the Community Schemes Ombud Service



Ms Thembelihle Mbatha,
Acting Chief Ombud CA(SA)

During the period under review, the CSOS implemented its strategic priorities that were aimed at contributing to the realisation of government's outcomes. Through the various programmes, the Entity continued its commitment to effectively manage the regulation of community schemes and promotion of good governance.

I am pleased to present our 2022/2023 Annual Performance Report, for the third year of the MTSF period 2019-2024. This report provides progress on our commitment to tackle the challenges as espoused in the National Development Plan (NDP), to further the implementation of the CSOS mandate and our commitment to the improvement of service delivery. In addition, it deliberates on our efforts made to continue organisational improvement towards becoming a sustainable high-performance organisation.

As highlighted above by the Chairperson of the Board, we have worked tirelessly to improve service excellence, and embracing our values of accountability, innovation, and independence in serving our stakeholders. We have achieved the set annual performance targets, with a total of twenty (20) targets out of the planned twenty-eight (28), and this gave us an overall achievement of 71% performance against set targets. This is mainly due to oversight, close monitoring of monthly performance and instituting corrective measures with the Executives of individual Units on those targets not achieved. We strive to improve on compliance in several areas, and this has been validated by our audit outcome to an unqualified outcome with findings. This will be followed by the development of an Audit Action Plan to address the findings in order to improve compliance in the current financial year.

The following are the deliverables that have been implemented in line with the strategies approved by the Board:

- **Effective regulatory framework:** During March 2023 we submitted a letter of intent to the department of Human Settlements proposing amendments to existing CSOS and STSM Act and its subordinates legislation.
- **Organisational re-alignment:** We concluded a project to review, align and implement a new organisational design and enable improvement of organisational efficiency and efficacy by ensuring the best use of employees and CSOS resources in general. The new structure was approved by the Minister, the high vacancy rate impacted on overall performance, specifically in areas such as finance, risk and compliance. During the financial year, we commenced with filling the vacant positions.

A Bulk advert was placed in the month of December 2022. It is envisaged that the vacancy rate will decrease with the filling of vacancies in the new financial year, with forty-two (42) interviews already coordinated for the fifty-four (54) positions identified as critical.

- Schemes governance:** To ensure an effectively regulated Community Scheme Sector, we continued to register all Schemes that submitted registration documents. The CSOS database of Schemes indicates significant discrepancies between Schemes registered with the Deeds Office, CIPC, and those registered by CSOS. CSOS connect the Registration module, went live during the period under review and will allow ease of engagement to provide entity stakeholders with a real-time connection experience. A panel of service providers was subsequently appointed to conduct physical verification and registration of schemes throughout South Africa. This verification and validation project will identify community Schemes and register them. This will assist with the analysis and verification of scheme universe that will be utilised to regulate the sector and ensure collection of CSOS levy as required. During the period under review a total of 201 schemes were registered through the CSOS connect, additional to the 1017 that were registered prior to CSOS connect going live, this gives an overall total of 1213 out of the targeted 1232 schemes registered for the year.
- Dispute resolution:** We have improved on our turnaround times for resolving disputes which resulted in us clearing the 2021/22 backlog of disputes during the second quarter of the 2022/23 financial year. The CSOS continuously providing more efficient and better service to our Schemes in terms of quality assurance of the adjudication orders and there is a general culture of improvement towards customer satisfaction. The percentage of disputes conciliated within ninety (90) days increased by 27% in the 2022/23 financial year as compared to the 2021/22 financial year. The percentage of disputes adjudicated within ninety (90) days increased by 68,57% in the 2022/23 financial year as compared to the 2021/22 financial year.
- IT systems environment:** Significant work to move the CSOS into a fully automated environment commenced during the reporting period, a digital platform that allows ease of engagement with the CSOS was completed to provide our stakeholders with a real-time connection experience, hence its code name: – CSOS Connect. The Registration model went live during the period under review, with the remainder of the other modules to go live in the first quarter of the 2023/24 financial year.
- Advancing sector transformation:** During this reporting period CSOS finalised the third intake of Executive Managing Agents (EMAs) and a total of 22 EMA's were added to the database of EMA's. This brings the total number to forty-five (45) EMA's from Previously Disadvantaged Individuals (PDI's). Two of the EMA's from the CSOS database were appointed by Schemes to perform functions and exercise the powers that would be performed by scheme executives. The participation of PDI EMAs in the Sector is a breakthrough for the CSOS. The Entity also continues to implement preferential procurement from businesses owned by Women, Youth and People with disabilities with 34% spent on Women, 13% on Youth and 1.01% on people with disabilities. Preferential procurement will continue throughout the MTSF with the addition of procuring from the businesses owned by military veterans.
- CSOS levy:** Since the introduction of billing of schemes in the previous financial year, there is an increase of correspondence from the schemes requiring reconciliation and updating of their CSOS financial records. This is also evident in the revenue generated from levies amounting to R333,655 373.00 (2022: R262 306 242). This constitutes 29% increase in the total revenue collections which in the main is the CSOS levy.

Continuous engagements with industry, communication, and feedback increased during this reporting period, with a several Radio and TV interviews. During the 2022/23 financial year CSOS appointed a panel of suitably qualified and experienced companies to assist with building its brand and raise awareness of its role and contribution in society while providing an effective customer relations management and stakeholder relations service.

In conclusion, I wish to convey our thanks to the Board, all the executives and employees of the CSOS for their amazing fortitude, sacrifice, and contribution. Furthermore, our past successes and hopes for future success remain underpinned by the unfailing and excellent support we also received from the Honorable Minister, Ms MT Kubayi and Deputy Minister: Ms P Tshwete, facilitated through the conduit of the Department

of Human Settlement. To this leadership and support, we are eternally grateful.

5.2 Approval and sign-off

The 2022/23 AFS and APR have been approved by the Accounting Authority.

Thank you.

A handwritten signature in black ink, appearing to be 'TMB', is written over a horizontal line.

Ms. Thembelihle Mbatha,
Acting Chief Ombud

Date: 30 August 2023

6. STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY FOR THE ANNUAL REPORT

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

- 6.1 All information and amounts disclosed in the annual report are consistent with the annual financial statements audited by Auditor-General South Africa (AGSA). The annual report is complete, accurate and free from any omissions. The annual report has been prepared in accordance with the guidelines on the annual report as issued by National Treasury.
- 6.2 The Annual Financial Statements (Part F) have been prepared in accordance with the GRAP standards applicable to a public entity.

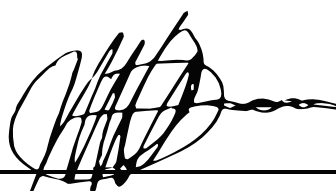


Ms. Phindile Mthethwa,
Chairperson of the Board

Date 30 August 2023

- 6.3 The Accounting Authority is responsible for establishing and implementing a system of internal controls which has been 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 are engaged to express an independent opinion on the annual financial statements.
- 6.4 In our opinion, the annual report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the public entity for the financial year ended 31 March 2023.

Yours faithfully



Ms. Thembelihle Mbatha,
Acting Chief Ombud

Date: 30 August 2023


7. STRATEGIC OVERVIEW



VISION

A Credible, World-Class Regulatory Authority for Community Schemes in South Africa


01



MISSION

To ensure harmonious community schemes by providing regulation and education to all the relevant stakeholders and an accessible dispute resolution mechanism that is inclusive in nature.

02



VALUE

Accountability

Excellence

Independence

Integrity

People Centred

The CSOS will apply innovative capabilities to improve its service delivery.

The CSOS will provide excellent services to community schemes in a timely, cost-effective, and responsive manner.

The CSOS will act independently and objectively in the undertaking of its services.

The CSOS will execute its functions in an honest, ethical, transparent, and reliable manner.

The CSOS will focus on improving community schemes' self-reliance, social justice, and participatory decision-making

03

8. UPDATES TO THE RELEVANT LEGISLATIVE AND POLICY MANDATES

8.1 The Constitution of the Republic of South Africa (Act 108 of 1996), as the supreme law of the South Africa, along with the Bill of Rights, forms the legal foundation of a democratic South Africa, sets out the rights and duties of its citizens, obligations of all different branches of government, organs of state and defines the structure of government.

8.2 All government institutions, entities and municipalities ultimately derive their mandate from the Constitution. The derivation of the mandate of the CSOS is informed by:

- i. Section 1 Founding Values: Human dignity, the achievement of equality and the advancement of human rights and freedom.
- ii. Section 21 Freedom of movement and residence: Every citizen has the right to enter, to remain in and to reside anywhere in, the Republic.
- iii. Section 24 Environment: Everyone has the right to an environment that is not harmful to health or well-being; and have the environment protected, for the benefit of present and future generations, through reasonable legislative and other measures that prevent pollution and ecological degradation; promote conservation; and secure ecologically sustainable development and use of natural resources while promoting justifiable economic and social development; and
- iv. Section 25 Property: The State must take reasonable legislative and other measures, within its available resources, to foster conditions which enable citizens

to gain access to land on an equitable basis.

8.3 THE ESTABLISHMENT MANDATE OF THE CSOS IS INFORMED BY THE CSOS ACT

The purpose of the CSOS Act is to provide for –

- a) the establishment of the CSOS.
- b) the functions, operations, and governance of the CSOS.
- c) a dispute resolution mechanism in community schemes.

8.4 THE ESTABLISHMENT OF THE CSOS

- a) Section 3 (1) of CSOS Act establishes the CSOS in the following terms “there is hereby established a juristic person to be known as the Community Schemes Ombud Service”.
- b) Section 3 (2) of the Act provides that “the CSOS operates as a national public entity listed in terms of the PFMA with its executive authority vested in the Minister”.
- c) Section 3 (3) imposes the following obligations on the CSOS “CSOS must establish a National head office and, where necessary, Provincial offices”.
- d) Section 3 (4) provides that “the provisions of the PFMA apply to CSOS”.

8.5 FUNCTIONS OF THE CSOS

8.5.1 Section 4 (1) provides that the CSOS must:

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

8.5.2 Section 4 (2) provides that in performing its functions the CSOS:

- a) Must promote good governance of community schemes.
- b) 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 to those rights and obligations.
- c) Must monitor community schemes governance.
- d) May generally, deal with any such matters as may be necessary to give effect to the objectives of this Act.

8.6 THE CSOS IS LISTED AS A SCHEDULE 3A NATIONAL PUBLIC ENTITY IN TERMS OF THE PFMA ACCOUNTABLE TO THE MINISTER FOR HUMAN SETTLEMENTS. AS SUCH, ALL PRESCRIPTS AND REGULATIONS ARISING FROM THE PFMA ARE APPLICABLE TO ITS GOVERNANCE AND OPERATIONS.

There are no updates to the legislative and policy mandates reflected in the approved 2020-2025 Strategic Plan, which reflects broadly as follows:

Legislative Mandates

- Sectional Titles Schemes Management Act (No. 8 of 2011)
- Common Law Co-ownership
- Sectional Titles Act (No. 95 of 1986)
- Share Block Schemes Share Blocks Control Act (No. 59 of 1980)
- Housing Development Schemes for Retired Persons Act (No. 65 of 1988)
- Homeowners Associations Companies Act (No. 71 of 2008)
- Co-operatives Act (No. 14 of 2005)
- The Housing Act (No. 107 of 1997)
- Protection of Personal Information Act (No. 4 of 2013)
- Property Practitioners Act (No. 22 of 2019)
- Property Sector Charter and the Property Sector Transformation Code
- Various legislation pertaining to the mandate, governance environment and institutional arrangements

Policy Mandates

Longer-Range (Developmental) Priorities:

- UN Sustainable Development Goals (SDGs)
- African Union Agenda 2063
- National Development Plan, Vision 2030

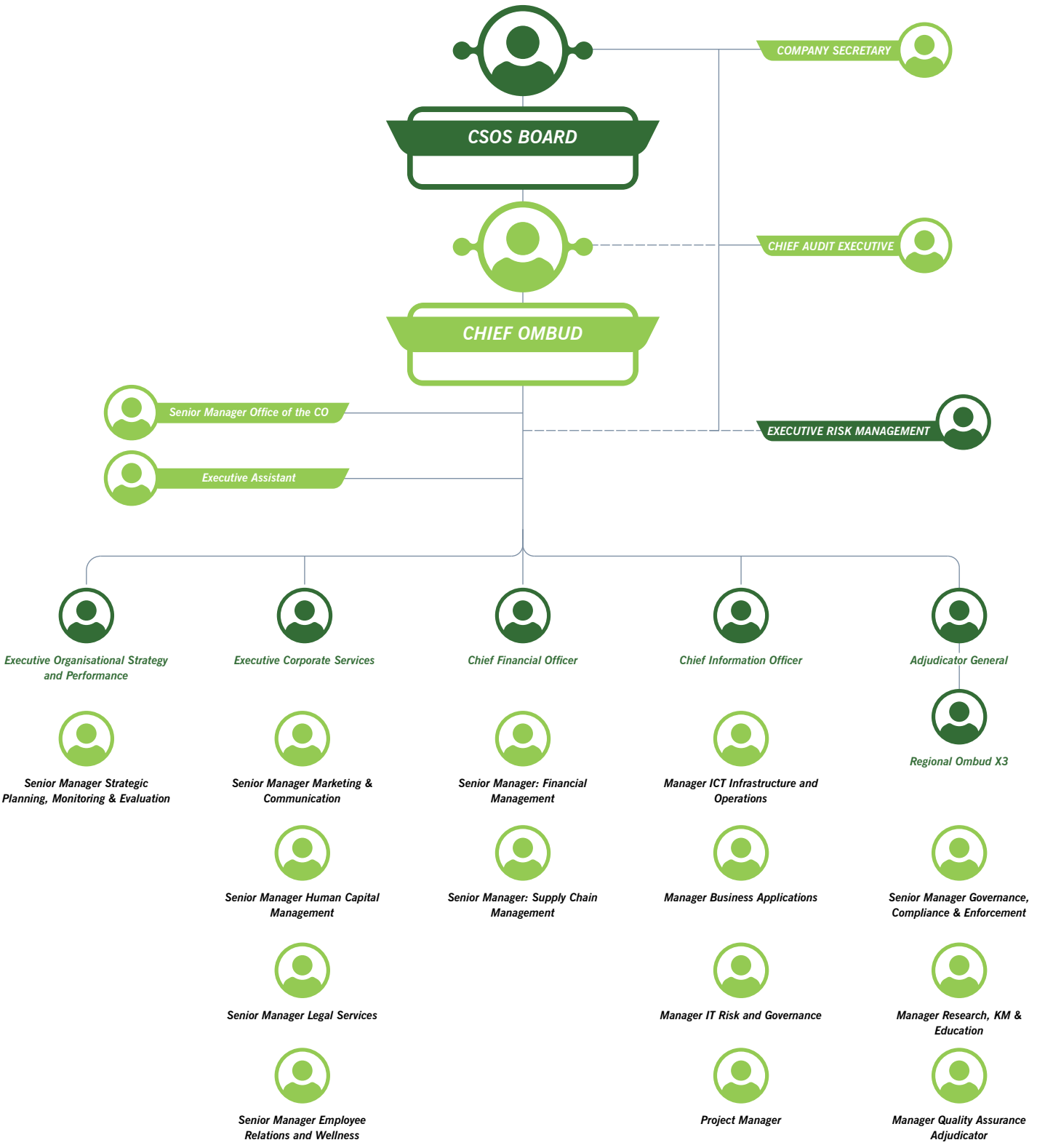
National Priorities for the 2019-2024 Planning Period:

- Medium-Term Strategic Framework 2019-2024 (MTSF)

Other Policy Considerations:

- Comprehensive Plan for the Creation of Sustainable Human Settlement (2004)
- New Urban Agenda (2016)
- National Youth Policy 2015-2020 (2020-2030 under development)
- White paper on the Rights of persons with disabilities (2016)

9. ORGANISATIONAL STRUCTURE



PERFORMANCE INFORMATION

PART B

1. AUDITOR-GENERAL'S REPORT: PREDETERMINED OBJECTIVES

REPORT ON THE ANNUAL PERFORMANCE REPORT

In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I must audit and report on the usefulness and reliability of the reported performance information against predetermined objectives for the selected material performance indicators presented in the annual performance report. The accounting authority is responsible for the preparation of the annual performance report.

I selected the following material performance indicators related to Programme 2 - Regulation and Programme 3 - Education and Training presented in the annual performance report for the year ended 31 March 2023. I selected those indicators that measure the entity's performance on its primary mandated functions and that are of significant national, community or public interest.

- 2.2.1. Percentage registration of community schemes that have submitted scheme registration documents
- 2.2.2 Percentage of registered community schemes compliant
- 2.3.1. Database of schemes governance documents established
- 2.3.2. Percentage of quality assured schemes governance documentation
- 2.3.3. Percentage of compliance certificates issued on all amended scheme documents
- 3.1.1 Percentage of disputes assessed within 30 days
- 3.1.2 Percentage of disputes conciliated within 90 days
- 3.1.3 Percentage of disputes adjudicated within 90 days
- 3.1.4 Percentage of adjudication orders quality assured

- 4.1.1. Number of training and education sessions conducted for scheme executives and owners
- 4.1.2. Number of training sessions conducted for adjudicators and conciliators
- 4.2.1. Number of stakeholder information sessions conducted
- 4.3.1. Percentage implementation of Advocacy Plan
- 5.2.1. Number of previously disadvantaged individuals trained as executive managing agents
- 5.2.2. Percentage of community schemes' requests for Executive Managing Agents awarded to previously disadvantaged individuals

I evaluated the reported performance information for the selected material performance indicators against the criteria developed from the performance management and reporting framework, as defined in the general notice. When an annual performance report is prepared using these criteria, it provides useful and reliable information and insights to users on the entity's planning and delivery on its mandate and objectives.

I performed procedures to test whether:

- the indicators used for planning and reporting on performance can be linked directly to the entity's mandate and the achievement of its planned objectives
- the indicators are well defined and verifiable to ensure that they are easy to understand and apply consistently and that I can confirm the methods and processes to be used for measuring achievements

- the targets linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated
- the indicators and targets reported on in the annual performance report are the same as what was committed to in the approved initial or revised planning documents
- the reported performance information is presented in the annual performance report in the prescribed manner
- there are adequate supporting evidence for the achievements reported and for the reasons provided for any over- or underachievement of targets.

I performed the procedures for the purpose of reporting material findings only.

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

2. OVERVIEW OF THE CSOS PERFORMANCE

2.1 SERVICE DELIVERY ENVIRONMENT

The human settlements trajectory proposes that, “by 2050, visible results from effectively coordinated spatial planning systems shall have transformed human settlements in South Africa into equitable and efficient spaces, with citizens living in close proximity to work with access to social facilities and necessary infrastructure”. To this end, the CSOS is an important regulatory body in the Human settlement's family of entities. At the core of the strategic intent of the Entity is to ensure that we strive to meet the Constitutional mandate – which is to ensure human dignity, the achievement of equality, and the advancement of human rights and freedom.

The need for CSOS to be more visible and play a more active role in educating consumers and raising awareness about its existence is a critical priority. Thus, the CSOS continues to develop, identify, and publicise education and information programmes for owners, occupiers, scheme executives, body corporates and other persons who have rights and obligations in community

schemes. The CSOS has also built meaningful relations with other entities within the Department of Human Settlements to ensure inter-agency dependencies are explored and leveraged. All these actions rendered the sector to be more inclusive and is important in preventing unnecessary disputes that arise because of misunderstandings and a lack of information.

South Africa is urbanising rapidly with 68% of South Africans already living in urban areas and it is anticipated that these statistics will rise to 70% by 2025. By 2050, eight (8) in ten (10) people will be living in urban areas and this will increase demand on basic infrastructure requirements. South Africa's urbanisation patterns are expected to reach 77.4% (49.1 million of a projected 63.4 million people) in 2050, from around 43% (5.8 million of 13.7 million people) in 1950.

Source: Data sourced from Stats SA quarterly review

The option of living in a community scheme is still a preferred tenure option for many South Africans living in urban areas. This is due to a variety of benefits that tenure in a community scheme offers namely– affordability, shared costs, security and shared responsibility for buildings or parts of land. Inevitably, where there are many and varied individual interests in a shared space, disputes will arise. Therefore, the regulation of community schemes requires an intricate balance of 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.

In working towards the desired impact of “governed, harmonious, empowered and transformed community schemes contributing to spatial justice, socio-economic transformation and the creation of liveable neighbourhoods”, the CSOS programme delivers against the following outcomes in the 2022/23 APP:

- The CSOS Act provides that every community scheme must pay the service levy with effect from the commencement date of the Act. A total of R333,655 373.00 was billed on the set target of R 263 042 000 in the 2022/2023 financial year, this translates to R70 613 373 more levies collected as compared to the previous financial year (R262 306 242).
- To deliver on the 2020-2025 CSOS Strategic Plan, CSOS must continue to prioritise the registration of schemes, which includes the following types of community schemes as defined in terms of the CSOS Act: Sectional title schemes; Homeowners' associations; Housing co-operatives; Share block companies and Retirement villages. During the period under review a total of one thousand two hundred and thirteen (1213) schemes were registered, which is two hundred and ninety-three (293) more schemes registered in the 2022/23 financial year as

compared to the 2021/22 financial year (925).

- A total of one thousand seven hundred and seventy-three (1773) scheme governance documents were submitted for quality assurance and one thousand seven hundred and fifty-two (1752) were quality assured, which is four hundred and sixty-five (465) more scheme governance documentation quality assured in the 2022/23 financial year as compared to the 2021/22 financial year (1287). A total of seven hundred and thirty six (736) certificates were issued for all the schemes governance documents that were approved, which is three hundred and seventy seven (377) less certificates issued as compared to the previous financial year (1113). New and innovative ways of managing the flow of work was introduced in the previous financial year with the electronic signing of compliance certificated on DocuSign. This introduction has improved the turnaround time for processing compliance certificates. A more increased performance is anticipated in the new financial year.
- The CSOS Dispute Resolution Model maps out stages to be followed in the dispute resolution process, including but not limited to the manner and instances upon which disputes must be finalised. Section 39 of the CSOS Act prescribes Prayers for Relief which must be applied for and ordered, depending on merits, in resolving disputes emanating from community schemes. During the period under review, dispute resolutions services (regional offices) received a total of eleven thousand three hundred and six (11 306) applications for dispute resolution, this is an increment of two thousand nine hundred and ninety-eight (2 998) more disputes received as compared to the previous financial year where the dispute resolution services (regional offices) received a total of eight thousand three hundred and eight (8308) applications.

2.1.1 Comparative Analysis of key Performance indicators

Table 3.

Key Performance Indicator	2021/22 actual achievement	2022/23 actual achievement	Performance Analysis
Amount of levy	R 262 306 342 .00 of CSOS levy billed.	R333 655 373.00 levy billed	There was an increase of R71 349 031 in the levy billed for the period under review as compared to the previous financial year. This translate to 27% increase.
Number of community schemes registered	100% (925) registration of community schemes that have submitted scheme.	98% (1213) registration of community schemes that have submitted registration documents.	288 more schemes were registered in the 2022/23 financial year as compared to the 2021/22 financial year. This translates to 31% increase on schemes registered.
Number of governance documentation quality assured (new schemes and amendments of rules)	80% Received 1538 quality assurance and quality assured 1287 of scheme governance documentation were quality assured.	99% (Received 1773 and quality assured 1752) of scheme governance documentation were quality assured.	465 more scheme governance documentation were quality assured in the 2022/23 financial year as compared to the 2021/22 financial year. This translates to 30% increase of scheme governance documentation quality assured.
Number of certificates issued for community schemes governance documentation that had been quality assured	1113 of certificates issued for community schemes governance documentation that had been quality assured.	736 of compliance certificates issued on all amended scheme documents.	377 less certificates were issued for the period under review as compared to the previous financial year. This translate to 34% decrease on certificates issued as compared to 2021/22 financial year.

Key Performance Indicator	2021/22 actual achievement	2022/23 actual achievement	Performance Analysis
Percentage of disputes finalised	73% (1783/2436) of disputes conciliated within ninety (90) days.	100% (3762/3762) of disputes conciliated within ninety (90) days.	<p>The percentage of disputes conciliated within 90 days increased by 27% in the 2022/23 financial year as compared to the 2021/22 financial year.</p> <p>An additional twenty-six (26) conciliations were finalised outside the ninety (90) days period.</p>
	28% (741/2642) of disputes adjudicated within 90 days.	96.57% (5861/6069) of disputes adjudicated within ninety (90) days.	<p>The percentage of disputes adjudicated within ninety (90) days increased by 68.57% in the 2022/23 financial year as compared to the 2021/22 financial year.</p> <p>An additional two hundred and eight (208) adjudications were finalised outside the ninety (90) days period</p>
Number of training and education sessions conducted for schemes executives and owners	Seventy-three 73 training and education sessions conducted which consisted of a combination of contact, virtual training, webinars, and You Tube videos.	103 training and education sessions conducted for schemes executives and owners.	30 more training sessions conducted for community schemes owners and executives in the 2022/23 financial year as compared to the 2021/22 financial year. This translate to 41% increase in number of training sessions conducted.

2.1.2 2022/23 Overall Annual Performance

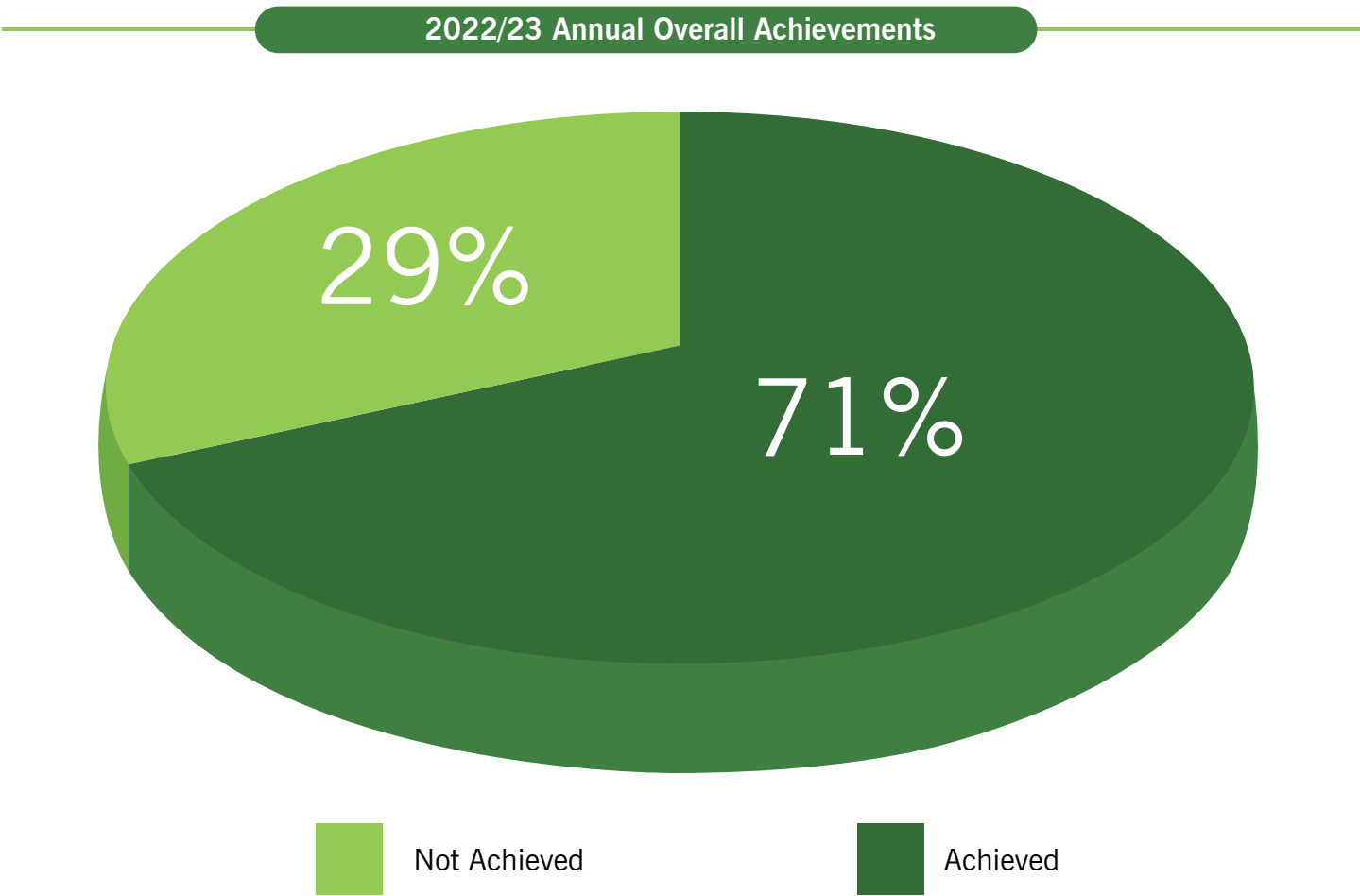
The Entity had twenty-eight (28) targets planned for the 2022/23 financial year, of which, twenty (20) targets were achieved, and eight (8) were not achieved, resulting in the overall achievement for the year of 71%. This is an 11% decrease from the 2021/22 financial year performance which was 82%.

There has been an overall improvement in the achievements of planned targets with Q1 at 67%, Q2 81%, Q3 at 87% and Q4 at 78%. This contributed to the improved performance in this annual report. Plans are in place to mitigate against the eight (8) targets that were not achieved. Additionally, the monthly monitoring of performance will continue to ensure that corrective measures are implemented timeously.

Table 4: The summary performance per programme is articulated in the table below:

CSOS 2022/23 Annual Performance per Programme				
Programmes	Planned	Achieved	Not achieved	% Achieved.
Programme 1: Administration	13	8	5	62%
Programme 2: Regulation	9	7	2	78%
Programme 3: Education and Training	6	5	1	83%
CSOS	28	20	8	71%

Fig. 3



2.2 ORGANISATIONAL ENVIRONMENT

CSOS is still building its Regulatory Powers, and this will require collaboration with various stakeholders to assist CSOS in establishing its footprint within the industry. These stakeholders would assist CSOS in making inputs into the implementation of the CSOS Act and the STSMA and to further build the registration database.

The CSOS current Board of Directors that commenced its work in January 2022, consists of seven (7) non-executive members and two (2) executive members, namely, the Chief Ombud and the Chief Financial Officer (CFO). Good governance is crucial to business sustainability and growth of the organisation. The CSOS has committees that advise the Accounting Authority on matters pertaining to governance. These are the Audit and Risk Committee, Human Resources and Remuneration Committee, Finance Committee, the Legal Adjudication and Transformation Committee, the Social and Ethics Committee, as well as the Governance Committee. These committees' function by way of formal respective Committee Terms of Reference and the Board is

governed by Board Charter and a Code of Conduct.

To capacitate itself CSOS finalised the organisational redesign (OD) project, which was aimed at capacitating the entity with the right set of skills and capacity in various areas of our business. The OD Steering Committee facilitated the placement of all permanent staff on the new structure as per the principles outlined in the approved Placement Framework. The approved structure had a total of two hundred and fifty-one (251) positions and one hundred and thirty-two (132) positions were occupied by permanent employees. The placement of 132 permanent staff left a vacancy rate of 47%, the high vacancy rate is because of several new positions that still needed to be filled. A bulk advert was placed in the month of December 2022. It is envisaged that the vacancy rate will decrease with the filling of vacancies in the new financial year, with forty-two (42) interviews already coordinated for the fifty-four (54) positions identified as critical.

STAFF COMPLEMENT

Table 5: The total staff complement within each quarter was as follows:

Staff Complement					
Period	Permanent	Interns	Temps	Total	Vacancy rate
Q1 (2022/23)	134	28	19	181	32%
Q2 (2022/23)	135	36	18	189	31%
Q3 (2022/23)	134	39	17	190	46%
Q4 (2022/23)	132	32	15	179	47.4%

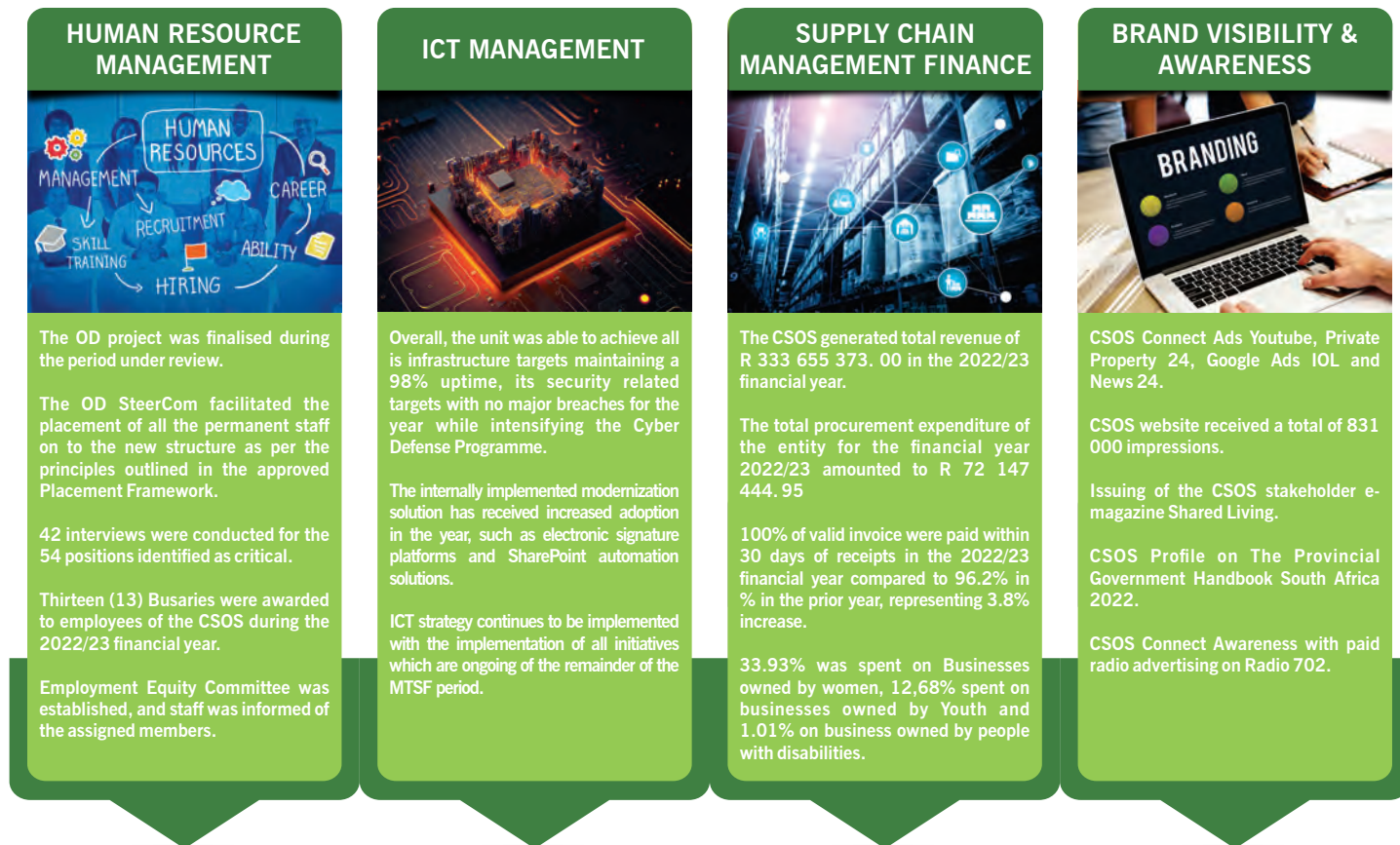
The table below indicates how the CSOS has progressed in terms of the alignment to the national demographics, according to the latest Statistics SA figures. The aim, going forward, is to source and recruit from the under-represented groups, in line with the Employment Equity Plan.

Table 6

CSOS DERMOGRAPHICS			NATIONAL DERMOGRPHICS		VARIANCE
Africans	154	86%	Africans	79%	Over-subscribed by 7%
Whites	7	3,9%	Whites	8,9%	Under-subscribed by 4,9 %
Coloureds	10	5,5%	Coloureds	8,9%	Under-subscribed by 3,4%
Indians	8	4,4%	Indians	2%	Over-subscribed by 2,4%
Disabled	3	1,6%	Disabled	2%	Under-subscribed by 0,4%

The CSOS is committed to the Code of Good practice on Employment Equity. In this regard, the Entity has an Employment Equity Plan, which has been aligned to the revised organisational structure. This Plan will assist the CSOS in reaching its EE targets. The EE Plan serves as a guideline in the talent acquisition process and may be changed depending on the requirements and availability of scarce and critical skills.

Figure 4: Situation Analysis-Internal Environment Analysis



The CSOS digital journey, has progressed quite well with the Registration module operational from the 25 November 2022. This digital platform provides a fully transactional web-based application for our customers and partners, as well as an associated administration portal for internal staff. CSOS has made considerable strides as an organisation to bring the vision of a digital self-service solution and platform for our stakeholders to reality. The platform allows ease of engagement with the CSOS and provides real-time connection experience. CSOS Connect enables users to register a Scheme and upload the required documents on the CSOS Connect platform; make amendments to the Scheme details, deactivate, link and delink the Scheme under a specific agency profile, and upon successful registration of the Scheme, users obtain a registration certificate signed by the Chief Ombud. To date a total of 2 972 users registered on the CSOS connect and the numbers increases daily.

3. KEY POLICY DEVELOPMENTS AND LEGISLATIVE CHANGES

a. The CSOS developed and reviewed the following policies and strategies during the period under review.

Table 10:

Practice Directive	Purpose
Protection of personal information and access to personal information concerning the administration of a community scheme.	The objective of the Practice Directive is to ensure that personal information of the members and/or residents of units or homes in the scheme is collected, stored, and managed responsibly.
Amendment to the Payment of Levies and Fees	The objective of the Practice Directive is to provide operational guidelines to the schemes on the process to be followed for the payment of the CSOS levies and fees.
Approval of special and unanimous resolution in terms of the STSMA Practice Directive on Compliance and Enforcement	The objective of the Practice Directive is to provide further information on the procedures and content requirements for approval of unanimous and special resolution applications lodged with the CSOS. To have in place effective systems to maximise the compliance of community schemes with their duties and obligations to ensure that ensure minimal non-compliance; thereby ensuring that schemes comply with the CSOS Act, STSMA Act and all other relevant legislation.

b. In the medium term, the CSOS will develop and review policies and legislation in several important areas:

Table 10:

Policy name	Purpose
CSOS Policy	The Entity will be working with the National Department of Human Settlement to amend the CSOS Act: The development of the policy and amendment of the CSOS Act will provide for stringent compliance and enforcement measures. This will enable CSOS to implement compliance initiatives in accordance with best practices and legislative framework.
Amendment of the CSOS' Act	
STSMA	To provide for the establishment of bodies corporate to manage and regulate sections and common property in sectional titles schemes and, for that purpose, to apply rules applicable to such schemes and establish a sectional titles schemes management advisory council.

c. Amendment of the CSOS Act and the STSM Act

A process to amend the current legislation and regulations will be led by the DHS as the custodian of the legislation. During the period under review three (3) Practice Directives were published to mitigate on the identified gaps to the existing legislation. The published Practice Directives addressed the following key areas: Protection of Personal information and Access to personal information, payment of levies and fees as well as the approval of special and unanimous resolution.

The Minister appointed the STSM Advisory Council in March 2022, to provide an advisory role and make recommendations to the Minister on the implementation of the STSM Act.

3.1 KEY ACHIEVEMENTS MTSF

It is the CSOS 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.

Although a sustainable social sector impacts on many chapters of NDP, the CSOS' primary alignment to the NDP is through Chapter 8—Transforming Human Settlement and the National Space Economy.

More specifically, in terms of the MTSF 2019-2024, the CSOS takes its guidance from the National Department of Human Settlements in terms of Priority 5: Spatial Integration, Human Settlements and Local Government. The 2024 desired impact is to achieve spatial transformation through improved integrated settlement development and linking job opportunities and housing opportunities.

The table below provides progress achieved by CSOS towards the MTSF performance indicators and targets as captured in the 2022/23 Annual

Performance Plan (APP) and Operational Plan. The operational areas that are covered are:

- Community schemes registered;
- Community schemes paying levies as per legislation;
- Consumer dispute resolution;
- Stakeholder educational programmes; and
- Establishment of a presence in the transactional support site or centre.

Strategy to overcome areas of underperformance.

- 100% registration of community schemes that have submitted scheme registration documents (CSOS Connect)
- Implementation of scheme verification and validation project to identify and direct Schemes that have not registered with CSOS to do so and to collect revenue due to the CSOS.
- Continuous issuance of practice Directives to ensure compliance.
- Automation of scheme governance document submission process through CSOS Connect.
- Continuous training of scheme owners and executive on compliance to the CSOS ACT and STMSA.
- Eradicate unallocated levies.
- Implementation of a Billing system and charging of Interest to overdue accounts by Schemes.
- Automation of levy paying process through CSOS Connect.
- Redistribution of work across the 3 Regions.
- Implementation of an incentive scheme to sustain high performance.

Key Achievement MTSF				
MTSF Indicators and role	Outcome	2020 to 2025 SP Outcome Indicators	Five-Year Target (March 2025)	Progress Report April 2020 to 31 March 2023
Priority 1: Capable, Ethical and Developmental State	Outcome 1: Functional, efficient, and integrated Government	External audit outcome	Unqualified audit opinion with no material findings.	Unqualified audit opinion with material findings.
Consumer protection programmes implemented. <ul style="list-style-type: none"> Report on total number of community schemes registered and paying levies as per legislation. 	Outcome 2: An effectively regulated. Community scheme sector.	2.1 Percentage increase of registered community schemes over the five-year period.	58% (From twenty five thousand eight hundred (25 800) to seventy thousand (70 000)).	6 646 community schemes registered, this bring a total universe of thirty-two thousand four hundred and forty-six (32 446) community schemes on the database. (37 554) schemes still to be registered during the MTSF.
		Percentage of registered schemes paying levies.	75%	76% (32 446 community Schemes registered 24 614 community schemes are paying levies.)
		Percentage of registered community schemes compliant.	80%.	63% (32 446 schemes registered, 11434 submitted rules and 9 021 submitted Annual Returns) of registered schemes compliant.
Number of consumer dispute submitted and resolved within ninety (90) days.	Outcome 3: Disputes resolved.	Percentage Dispute's resolution services provided within ninety (90) days.	85%.	74% (16 950 referred and 12 527) resolved) of Disputes were resolved with ninety (90) days.

MTSF Indicators and role	Outcome	2020 to 2025 SP Outcome Indicators	Five-Year Target (March 2025)	Progress Report April 2020 to 31 March 2023
<p>Number of people in the target market exposed to educational programmes on owning and renting a home.</p> <ul style="list-style-type: none"> Implement a borrower, homeownership (Zenzeleni) helps me buy and tenant education programme. Transactional support programme implemented. <p>CSOS to establish a presence in the transactional support site or centre</p>	Outcome 5: Empowered stakeholder.	Stakeholder perception rating.	55%	Service provider to conduct perception study was appointed in 2022/23 financial year.
			Number of stakeholder information sessions conducted. Annual T: 12.	One hundred and twenty-four (124) stakeholder information sessions conducted. Target exceeded by forty (40) stakeholder information session
			Number of editions of Shared Living e-Newsletters published. Annual T: 4.	12 editions of Shared Living e-Newsletters published.
			Percentage implementation of marketing and communications plan campaigns executed. Annual T: 100%.	100% implementation of the Advocacy Plan.
			Number of reports compiled on the operations and maintenance of existing and newly established satellite offices. (WC: PE and George KZN: Bloemfontein & Mbombela GP: Northwest & Limpopo).	There are 3 Regional Offices and 4 satellite offices, Bloemfontein, Gqeberha, Polokwane, and George.
Priority 2: Economic Transformation and Job Creation.	Outcome 5: Transformation of community schemes advanced.	Percentage of executive managing agents placed in community schemes that are from the previously disadvantaged groups.	20%.	100% (3/3) of community schemes requests for Executing Managing agents awarded to previously disadvantaged individuals.

4. PERFORMANCE INFORMATION PER PROGRAMME

4.1 PROGRAMME 1: ADMINISTRATION

The Administration Programme is responsible for ensuring that functions which support the core operations run effectively and that the organisation is sustainable. The Administration Programme covers the work of the following business functions:

Table 12:

Business Function	Purpose
Office of the Chief Ombud	To provide effective and efficient strategic support to the Chief Ombud and the executive team to achieve the mandate and strategic outcomes of the CSOS.
Company Secretary	To provide effective and efficient Board and Committee support and administrative services, and the provision of advice to ensure the effective functioning of the Board.
Internal Audit	To provide an independent objective assurance and consulting (advisory) services by evaluating the governance, risk management, internal controls, as well as the compliance against the relevant prescripts to add value and improve the CSOS operations.
Corporate Services	<p>To support the CSOS functions by attracting and retaining suitably qualified individuals, to create awareness of the CSOS services to protect the CSOS reputation; to provide cutting-edge legal support and advisory services to protect the interests of the CSOS; and to provide, maintain and develop the required office accommodation to support CSOS functions.</p> <p>Corporate Services has the following functions:</p> <ul style="list-style-type: none"> • Human Capital • Marketing and Communication • Legal Services • Facilities Management
Office of the Chief Financial Officer	<p>To ensure that functions that support the core operations run effectively and that the organisation is sustainable.</p> <p>The Office of the CFO has the following functions:</p> <ul style="list-style-type: none"> • Supply Chain Management • Revenue Management • Expenditure Management • Budgeting and Financial Reporting

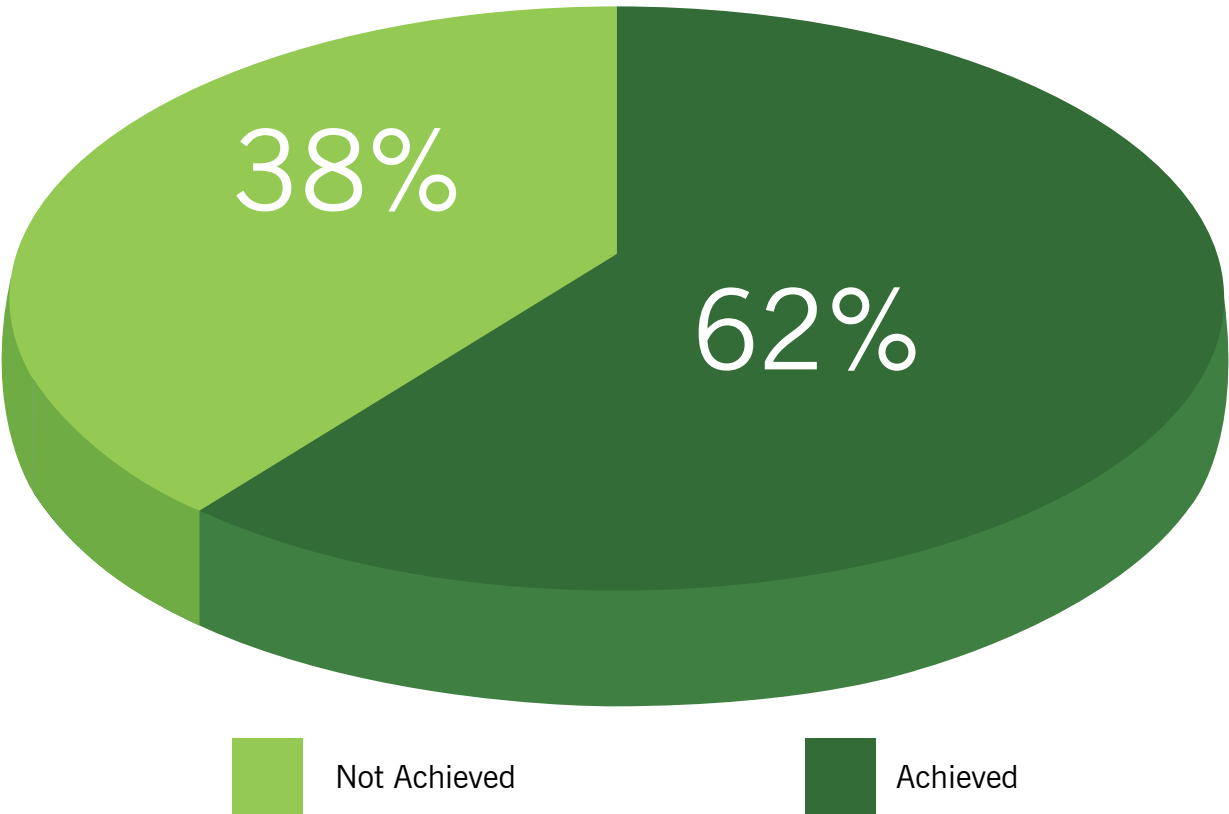
Business Function	Purpose
Information Communication and Technology (ICT)	To partner with CSOS business units to deliver efficient ICT-enabled services to all stakeholders, this includes the development and implementation of an organisation-wide business automation system.

In contributing towards the CSOS desired impact of “governed, harmonious, empowered and transformed community schemes contributing to spatial justice, socio-economic transformation and the creation of liveable neighbourhoods”, the Administration Programme delivers against the following outcomes in the Strategic Plan:

- OUTCOME 1: Functional, Efficient, and integrated Government
- OUTCOME 2: Effectively regulated community schemes
- OUTCOME 5: Transformation of community schemes advanced.

Programme 1: Administration

Fig 5: Programme 1: Administration



The programme achieved eight (8) of its thirteen (13) planned targets, this is an achievement of 62%.

4.1.1 Programme 1 significant achievements of Strategic objectives, performance indicators and planned targets.

a) Corporate Services

Human Capital

As at end on the period under review there were one hundred and thirty-two (132) permanent employees, thirty-two (32) interns, and fifteen (15) temps among the two hundred and fifty-one (251) positions on the organisational structure as approved during period under review. The vacancy rate has increased by 11,4% from 36% in the prior year to 47.4% during the period under review. The high vacancy rate is because of the recently approved revised organisational structure that has a number of new positions that still need to be filled. A Bulk advert was placed in the month of December 2022 to assist with the reduction of the vacancy rate.

It is envisaged that the vacancy rate will decrease with the filling of vacancies in the new financial year, with forty-two (42) interviews already been coordinated for the fifty-four (54) positions identified as critical. A total of one hundred and forty-three (143) training needs were identified for the financial year and only fifty (50) training interventions were attended, this translates to an overall achievement of 35% for the training plan. As at the end of quarter four, a total of twenty-seven (27) interventions were cancelled due to withdrawals and resignations and this equates to 18.9% of the requested training interventions.

The broader Labour-force participation data encompasses wider sectoral trends. The Global Gender Gap Index data measures the share of women and men who occupy professional and technical roles as well as senior official and manager roles. Women's share of senior and leadership roles has seen a steady global increase over the past five years (2017-2022). In 2022, global gender parity for this category reached 42.7%, the highest gender parity score yet (Global Gender Gap Report 2022). CSOS has an average of 61% female employees and 39% male employees.

Legal Services

The general litigation matters during the period under review can be categorised as follows:

As part of enhancing the CSOS image, profile, and reputation as an effective regulator and to protect the interests of the CSOS, Legal Services, with the assistance of the CSOS Panel of Attorneys, adopted an active role by either defending or instituting legal action in high priority cases at various South African courts. In ***Body Corporate of Central Square v Beck-Paxton NO and others 2023 JDR 0109 (GJ)***. ***Blue Water Creek Homeowners Association v Kanniah and others 2023 JDR 0084 (GP)***; ***Raschid and Another v Lenasia Tamil Association Body Corporate and Others 2022 JDR 2644 (GJ)***, referenced on page 22 of the 2022/23 APP, the respective High Courts confirmed the rationality of the CSOS adjudication orders further making them High Court Orders. During the period under review a total number of matters before courts and quasi-judicial forums involving the CSOS has increased to two hundred and seventy-seven (277). Ninety-five (95) of these matters have been finalised and one hundred and eighty-two (182) remain pending before various courts and tribunals.

Owing to the improved CSOS visibility which has resulted in an increase of review applications before courts, during quarter 1 the Acting Judge President of the KZN Provincial Division issued a Practice Directive establishing a standard procedure to be followed in review applications instituted in accordance with section 57 of the CSOS Act.

This Practice Directive has a significant impact on the CSOS procedures and processes. Effectively from 12 April 2022 all section 57 review applications lodged with the Durban Local Division and Pietermaritzburg High Court are now subject to a single and efficient process outlined in the Practice Directive as opposed to any one of the three divergent approaches adopted by High Courts in various provinces. This procedural challenge is captured on page 22 of the 2022/23 APP.

In June 2022 the Western Cape High Court handed down a precedent ruling in the matter between **Community Schemes Ombud Service v Stonehurst Mountain Estate Homeowners Association 12399/21**, referenced on page 22 of the 2022/23 APP, where the Court essentially overturned its earlier decision and confirmed that the CSOS and its employees, particularly adjudicators, chief ombud, regional ombuds and deputy ombud are not liable for legal costs where the Entity was performing its statutory duties in good faith.

The CSOS successfully applied for interdicts against **CSOS Online (Pty) Ltd and Ms. X Mazibuko** against the infringement of CSOS intellectual property (trademark) and the reputation of the CSOS and some of its officials, respectively. The courts went further to award costs in favour of the CSOS.

Levies paid by community schemes as prescribed by section 59(a) of the CSOS Act remain a significant revenue source for the CSOS. During 2022/23 and in line with the CSOS Debt Collection Strategy, Legal Services implemented debt recovery proceedings against community schemes in arrears with their CSOS levies. In 2022/23 an estimated book debt for CSOS levies was R2,9 million rand, which Legal Services is in the process of recovering.

b) Office of the Chief Information Officer

Information and Communication Technology plays an integral part as a strategic enabler in the modernization and enhancement of Community Schemes Ombud Services (CSOS) critical services. The innovative use of ICT provides new opportunities to deliver digital services to CSOS and external stakeholders. Since its inception the CSOS has implemented technology at a basic level whenin the focus was aimed at end-user computing and network connectivity. Having reached the milestone of 5 years in existence the focus has now pivoted towards leveraging the strategic capabilities of technology. The CSOS value chain and service delivery model is underpinned by the success in fully automating its critical processes. To ensure realisation of

business outcomes, several ICT programmes were identified, and this include Business Automation Solution (CSOS Connect), Enterprise Resource Planning (ERP), Data and Records Management and Cyber Defense to name a few.

CSOS Connect: Great progress and outcomes were achieved in the year with Solution feature specifications and scoping concluded for most modules including the Governance Modules, the Dispute Modules, and the mobile application. Development commenced as the year started which culminated to the registration's module going live at the end of November 2022. This milestone allowed for the first operational ability of the registration of schemes on the public facing portal giving our stakeholders the first feel of the solution. Schemes were then able to register as well as link themselves to schemes already registered. Additional releases then allowed for the compliance function to be activated. Towards the end of the year, migration of disputes data was being finalised for migration as the project nears its tail end planned for the end of May 2023 where all modules are expected to be live.

Enterprise Resource Planning: The solution in use, did not allow for all functional requirements to meet the enterprise business capability needs and hence an upgrade project was necessary. This entailed upgrading the solution to allow for effective reporting, the configuration of key functionality for Supply Chain Management (SCM) and Finance as a whole, but equally critical to allow for the functionality of an Application Programme Interface (API) that would allow for integration with CSOS connect to allow for schemes billing. The upgrade project was successfully completed with integration with CSOS connect operational.

A procurement processes to procure a modern Enterprise Resource Planning (ERP) solution is underway with planned implementation in the new financial year.

Modernisation of the Workplace: The internally implemented modernisation solution has received increased adoption in the year, such as electronic

signature platforms and SharePoint automation solutions (Schemes registration and Dispute Resolution). The Audio-Visual solution across all offices was successfully completed, allowing for group virtual meetings in our board rooms. Additionally, the server room environmental monitoring solution across all datacenters was successfully implemented which now allows for fire suppression, water leak detection, humidity monitoring and server room access monitoring via biometrics.

Infrastructure, Security and Operations: Multiple planned projects were implemented including a centrally managed Biometric Access control and Time and Attendance solution and network monitoring and optimisation tools managing and monitoring our hardware, databases, web facing applications and other critical resources. The Cyber defence initiatives have assisted with the stable and secure environment and ensure the

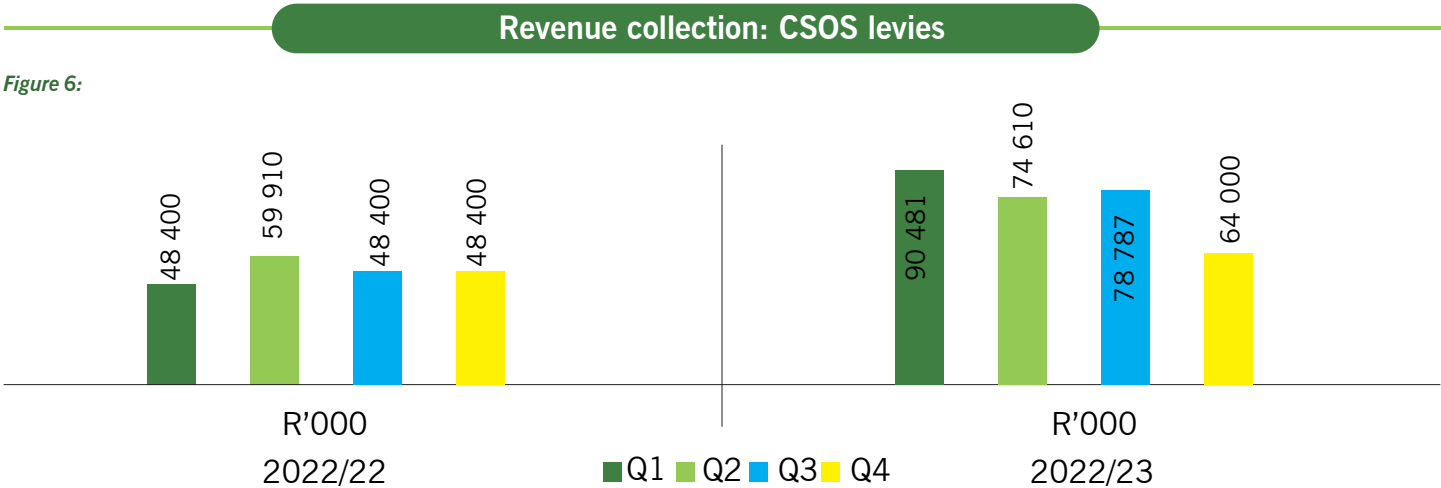
implemented safeguards remain effective. The appointment of service providers for critical projects have allowed for the commencement of the implementation of the SD WAN solution, PABX and Contact Centre and overhaul of our server infrastructure. These projects are already underway with completion planned early in the new year.

During the reporting period, the unit also focused on improving the ICT governance by continuing with the implementation of the governance roadmap with the continued aim to improve ICT governance maturity. The Corporate Governance of ICT framework was extensively revised, and various critical ICT policies and procedures were updated or developed, and this was approved by the Board. Furthermore, the approved ICT strategy continues to be implemented with the implementation of all initiatives which are ongoing of the remainder of the MTSF period.

c) Office of the Chief Finance Officer

Revenue Collection: Levies

CSOS recorded a significant increase in revenue collection of over 74% in the current year. This increase is attributed to increase in the community scheme registration, charging of interest that forced some schemes to submit the levy schedules and proof of payments and outreach interventions with top paying managing agents. The increase is significantly seen on a quarterly basis, as CSOS bills the community schemes on a quarterly basis as per the revenue policy.



CSOS continues to reach out to Managing Agents to obtain lists of community schemes that they manage, proof of payments and levy calculators in order to reduce the unallocated levies. A service provider was appointed to review the current levy model and a flat levy rate was recommended.

The implementation of the recommended flat levy rate is subject to the approval of the amended CSOS Regulation.

Allocated and Unallocated levies

The unallocated levies constitute 2% of the total levies received during the quarter. There has been a 45% decrease in the current year (2022-23: R34mil) of unallocated levies compared to the (2021-22: 63mil) financial year. The total historic unallocated levies from the inception of levy collection were R226 631 429.00 (2017), as at the 31 March 2023 the current historic unallocated levy balance is sitting at R154 213 742.00.

The CSOS continues with interventions to reduce unallocated levy through various means including on the social platforms CSOS levy calculator training video has so far received the highest number of views ever received in the CSOS channels.

Table 15: Unallocated Levy Payments

F/Y	2022 -23 (YTD)
Allocated Revenue	R 350 079 135.00
Unallocated Revenue	R 26 737 131.00
Total Revenue	R 376 816 266.00

Some of the interventions CSOS embarked on to eradicate the unallocated receipts include:

- Engaging financial institutions (First National Bank) to assist in tracking unallocated funds deposited into CSOS accounts.
- issued a directive informing the schemes that the CSOS will be charging interest and penalties for schemes not making levy payments.
- Appointment of a service provider to pursue debt collection of the outstanding levies.

CSOS continues to follow-ups with managing agents that have not sent scheme levy schedules with a breakdown of payments from schemes to help lower the unallocated schemes and nonpaying schemes.

i. Community Schemes Paying vs Non-Paying as of 31 March 2023

Table 16

F/Y	2022 -23
No. of Community Schemes Registered	32 446
Paying Community Schemes	24 614
Non- paying Community Schemes	7 888
Percentage of paying schemes	76%

ii. Supply Chain Management and Summary of the BBEE Expenditure

The total procurement expenditure of the entity for the financial year 2022/23 amounted to R72 147 444.95, 34% was spent on businesses owned by women, 13% spent on businesses owned by youth and 1% on businesses owned by people with disabilities. The CSOS plans to remedy the noncompliance to the B-BBEE, by annually updating the SCM database of CSD B-BBEE compliant service providers and all the applications received will be vetted for compliance.

The table below shows how much CSOS has spent on the procurement of suppliers during the period under review.

Table 17

Total expenditure for the year	R 72 147 444.95
Total procurement expenditure on >51% of entities owned by women	R 24 480 658.79
Total procurement expenditure on >51% of entities owned by youth	R 9 153 582.62
Total procurement expenditure on >51% of entities owned by persons with disabilities	R 729 577.55
Others (non-designated e.g., <51% ownership)	R 37 313 759.06

Table 18

SUMMARY OF TENDERS	
Approved tenders as per the procurement plan	22
Awarded tenders	9
Cancelled tenders	2
Tender under process	4
Tenders awaiting memos	0
Tenders concluded via RFQ process, transversal and MOU	7
Deferred to the following financial year 2023/24	2

Record of expansions or variations for the year-ended 31 March 2023

PFMA SCM Instruction No.3 of 2021/22 paragraphs 5.4 and 5.5 prescribes that all goods and services varied and/or expanded by more than 15% or R15 million, whichever is the lesser must be recorded in the Annual Report. Below is the variation that exceeded the prescribed 15% National Treasury threshold:

Description of services	Name of the service provider	Reason for the procurement by other means	Value of contract
Procurement of recruitment services	Vashma Projects	Variation exceeded the National Treasury prescribed threshold of 15% (41%)	R 361 671. 20

Procurement by other means for the year-ended 31 March 2023

PFMA SCM Instruction No.3 of 2021/22 paragraph 4.7 prescribes that all goods and services procured by other means must be recorded in the Annual Report. Below is the list of procurement by other means for the year ended 31 March 2023:

Table 20

Description of services	Name of the service provider	Method of procurement	Reason for the procurement by other means	Value of contract
Membership Fees	Chartered Governance Institute of Southern Africa	Sole Provider	Chartered Institute of Southern Africa is the only institution where members are affiliated	R 16 125.68
License Renewal Fees	Wolters Kluwer Tax and Accounting Southern Africa	Sole Provider	Sole developer of Teammate software	R 36 023. 31
Mandela day items	DSNF	Sole Provider	Emergency procurement of Mandela Day items	R 45 453. 90
Midcity	Golf day	Emergency procurement	The event was hosted by the SP, therefore no three quotation	R 8 000. 00
IODSA Training	The Institute of Directors in South Africa	Sole Provider	The Institute of Internal Auditors South Africa is the sole service provider for short courses for CSOS board staff members.	R 63 256. 17
OHS Training	NOSA (Pty) Ltd	Sole Provider	SAMTRACK training is conducted by NOSA (Pty) Ltd. Sole service provider for short courses.	R 70 700. 00
Polokwane office lease	Lebombo Investments (Pty) Ltd	Less than three (3) quotes, due to lack of responses	Lack of responses from the RFQ and the office space needed to be secured within the third quarter.	R 372 462. 00
Membership fees	South African Institute of Chartered Accountants	Sole Provider	Only SAICA provides membership of CA's	R 8 000. 00
CaseWare Financial reporting system	Adapt IT	Sole Provider	System Developer	R 174 029. 57
Publishing a vacancy	The Institute of Risk Management South Africa	Sole Provider	Institute of Risk Management South Africa (IRMSA) Website (Sole Supplier) is the only institute.	R 7 187. 50

iii. Expenditure Management

The entity improved on compliance with Treasury Regulation 8.2.3 relating to payment of valid invoices within thirty (30) days. 100% of valid invoices were paid within thirty (30) days of receipts in the 2022/23 financial year. Compared to 96.2% in the prior year, representing a 3.8% increase. 100% of valid part time adjudicators' claims where claims were paid within thirty (30) days in the 2022/23 financial year.

Description	Amount	Number of valid invoices/claims paid	Percentages
	R'000	R'000	
Valid invoice paid within 30 Days	R 99 290	R 2 047	100%
Valid claims for part time adjudicators paid within 30 Days	R 17 903	R 625	100%
Total	R117 193	R 2 672	100%

4.1.2. Strategic outcome actual achievement

OUTCOME 1: FUNCTIONAL, EFFICIENT, AND INTEGRATED GOVERNMENT						
Output Indicator	Audited Actual Performance 2020/2021	Audited Actual Performance 2021/2022	Audited Actual Performance 2022/23	Actual Achievement 2022/23	Deviation from planned target to Actual Achievement 2022/2023	Reasons for deviations
External audit outcome	Qualified audit outcome	Qualified audit outcome	Unqualified audit opinion with limited material findings	2021/22 Unqualified audit opinion with limited material findings	Target achieved	Target achieved
1.1.1 Percentage of the approved Anti-Fraud and Corruption Implementation Plan implemented.	100% of the approved Anti-Fraud and Corruption Implementation Plan implemented.	100% of the approved Anti-Fraud and Corruption Implementation Plan implemented.	100% of the approved Anti-Fraud and Corruption Implementation Plan implemented.	100% of the approved Anti-Fraud and Corruption Implementation Plan implemented.	Target achieved	Target achieved
1.2.1 Percentage implementation of the approved Risk Management Plan.	80% implementation of the approved Risk Management Plan.	80% implementation of the approved Risk Management Plan.	100% implementation of the approved Risk Management Plan.	100% implementation of the approved Risk Management Plan.	Target achieved	Target achieved
1.3.1 Percentage implementation of the Internal Audit Plan	No target	No target	100% Implementation of the Internal Audit Plan (32 Audit Projects).	100% (32 out of 32) implementation of the Internal Audit Plan.	Target achieved	Target achieved

Output indicator	Audited Actual Performance 2020/2021	Audited Actual Performance 2021/2022	Planned Annual Target 2022/2023	Actual Achievement 2022/2023	Deviation from planned target to Actual Achievement 2022/2023	Reasons for deviations
1.4.1 Number of Core Business Automation Solution phases implemented.	Tender process could not be concluded due to unavailability of a suitable, service provider and the tender will be re-advertised.	2 Business Automation Solution modules implemented.	2 Core Business Automation Solution Phases Implemented.	Not achieved.	2 Core Business Automation Solution phases not implemented.	<p>The target was not achieved due to a review of the original system specification to integrate key functions of the scheme governance and compliance modules.</p> <p>The revised project plan is approved and will be implemented by Q3 of 23/24.</p>
1.4.2 Upgrade of SAGE ERP solution completed.	No target	No target	Upgrade of SAGE ERP solution completed.	SAGE ERP solution upgrade completed.	Target achieved	Target achieved
1.4.3 Procurement and implementation of Electronic Content and Document Management System (ECDMS)	No target	No target	ECDMS Configuration and implementation completed.	Not achieved.	ECDMS Configuration and implementation not completed.	<p>Readvertisement of the tender due to bidders not meeting the criteria.</p> <p>ECDMS Tender will be finalised by 2023/24.</p>
1.5.1. Number of new transactional sites established (satellite office)	No target	No target	2 new transactional sites established (satellite office)	2 transactional sites (Polokwane and George) established.	Target achieved	Target achieved

Output indicator	Audited Actual Performance 2020/2021	Audited Actual Performance 2021/2022	Planned Annual Target 2022/2023	Actual Achievement 2022/2023	Deviation from planned target to Actual Achievement 2022/2023	Reasons for deviations
1.6.1 Percentage achievement of the milestones of the annually approved HR plan	No target	No target	100% achievement milestones of the annually approved HR Plan	100% achievement milestones of the annually approved HR Plan	Target achieved	Target achieved
Strategic Outcome	OUTCOME 2: EFFECTIVELY REGULATED COMMUNITY SCHEMES					
2.1.1 Rand value of CSOS levy billed.	R217 060 000 CSOS levy collected.	R262 306 242 CSOS levy billed.	R263 042 000 of CSOS levy billed.	R333,655 373.00 CSOS levy billed.	Target overachieved by R70 613 373 CSOS levy billed.	The target is overachieved because of newly registered schemes which were onboarded during the financial year.
5.1.1 Percentage of annual procurement spend, targeted at businesses owned by women.	No Target	No Target	40% of annual CSOS procurement spend, targeted at businesses owned by women	33,93% (R 24 480 658,79 /72 147 444.95) of annual CSOS procurement spend targeted at businesses owned by women.	The target is underachieved by 6,07%	PPPFA regulation suspensions in Q4 impacted planned procurement to designated groups negatively. Increased targeted spending on designated groups in the new financial year.

Strategic Outcome	OUTCOME 5: TRANSFORMATION OF COMMUNITY SCHEMES ADVANCED					
Output indicator	Audited Actual Performance 2020/2021	Audited Actual Performance 2021/2022	Planned Annual Target 2022/2023	Actual Achievement 2022/2023	Deviation from planned target to Actual Achievement 2022/2023	Reasons for deviations
Strategic Outcome	OUTCOME 2: EFFECTIVELY REGULATED COMMUNITY SCHEMES					
5.1.2 Percentage of annual procurement spend, targeted at businesses owned by youth.	No Target	No Target	20% of annual CSOS procurement spend, targeted at businesses owned by youth	12,68% (R 9 153 582, 62 /72 147 444.95) of annual CSOS procurement spend targeted at businesses owned by youth	The target is underachieved by -7,32%.	PPPFA regulation suspensions impacted planned procurement to designated groups negatively. Increased targeted spending on designated groups in the new financial year.
5.1.3 Percentage of annual procurement spend, per financial year, targeted at businesses owned by Persons with disabilities.	No Target	No Target	5% of annual CSOS procurement spend, per financial year, targeted at businesses owned by Persons with disabilities	1,01% (729 577,55 /72 147 444.95) of annual CSOS procurement spend targeted at businesses owned by Persons with disabilities	The target is underachieved by 3,99%.	PPPFA regulation suspensions impacted planned procurement to designated groups negatively. Increased targeted spending on designated groups in the new financial year.

Output indicator	Audited Actual Performance 2020/2021	Audited Actual Performance 2021/2022	Planned Annual Target 2022/2023	Actual Achievement 2022/2023	Deviation from planned target to Actual Achievement 2022/2023	Reasons for deviations
5.1.3 (Continued)	No Target	No Target	5% of annual CSOS procurement spend, per financial year, targeted at businesses owned by Persons with disabilities	1,01% (729 577,55 /72 147 444.95) of annual CSOS procurement spend targeted at businesses owned by Persons with disabilities	The target is underachieved by 3,99%.	PPPFA regulation suspensions impacted planned procurement to designated groups negatively. Increased targeted spending on designated groups in the new financial year.

4.1.2. Changes to planned targets.

No changes to the planned targets.

4.1.3. Strategy to overcome areas of under-performance.

A recruitment plan will be developed to fill all the vacancies on the approved structure. This will ensure the reduction of the vacancy rate that is currently sitting on 47,4%.

To enhance the effectiveness of internal control systems and ensuring that the CSOS received value for money spent on goods and services, the Entity will coordinate contract management training targeting CSOS employees.

To move the CSOS into a fully automated environment, there will be a development of a data

integration best-practice framework that should be followed for new and existing systems at CSOS. The Business Automation Solution phases implementation is also under way, the development is expected to be completed end of November 2023.

Preferential procurement - CSOS target designated groups through the utilisation of RFQ process, when sourcing quotations CSOS invites designated groups to ensure the achievement of the set targets. Furthermore, it has partnered with the disability council, to create awareness and introduce CSOS procurement opportunities to the disabled communities, and it is an ongoing process.

In order to eradicate the unallocated levies CSOS will continue to engage the financial institution (First National Bank) to assist in tracking

unallocated funds, issue directives informing the Schemes about the charging of interest and penalties for schemes not making levy payments and also appoint a service provider to pursue debt collection of the outstanding levies.

The CSOS manages performance in the following manner:

- Quarterly reports are discussed at EXCO, Audit and Risk Committee (ARC) and Board meetings for monitoring and submitted to the DHS for oversight monitoring and feedback.
- A report on targets that are not achieved is compiled and submitted to EXCO for decision-making on corrective measures.
- Each Board Sub-Committee has its relevant APP target(s) as a standing item on its agenda. Progress is monitored and reported back to the Board.
- Operational plans are drafted, which include the actions to be taken to meet the APP targets and the associated resources required.
- In the current financial year, the Entity continued with monthly reporting that allowed for corrective measures to be implemented and followed up timeously before the end of the quarter.

4.1.4 Linking performance with budgets.

Administration	2022/23 R'000		2021/22 R'000	
Economic classification	Estimated Budget	Actual Outcome	Estimated Budget	Actual Outcome
Goods and Services	184 776	186 173	99 485	44 171
Depreciation	1 036	4 383	1 937	2 339
Compensation of employees/Board	45 302	37 898	38 385	27 824
Payments of capital assets	64 317	15 636	36 779	20 631
Total	295 431	244 089	176 586	94 966

4.2 PROGRAMME 2: REGULATION

The Regulation Programme is responsible to perform the CSOS core operations where community schemes are regulated in South Africa by ensuring that they are governed in line with the registered rules, their documentation is compliant to legislation and an effective alternate dispute resolution service is provided to the community schemes.

The Regulation Programme covers the work of the following business functions:

Table 23

Business Function	Purpose
Governance, Enforcement, and Compliance	To regulate all community schemes within South Africa, and to take over quality control and provide public access to all sectional title and other community scheme governance documentation.
Dispute Resolution	To develop and provide a dispute resolution service for community schemes in the regions of South Africa – assessment, conciliation, and adjudication.

In contributing towards the CSOS desired impact of “*governed, harmonious, empowered and transformed community schemes contributing to spatial justice, socio-economic transformation and the creation of liveable neighbourhoods*”, the Regulation Programme delivers against the following outcomes in the Strategic Plan:

Outcome 2: An effectively regulated Community Scheme Sector

Outcome 3: Effective disputes resolution

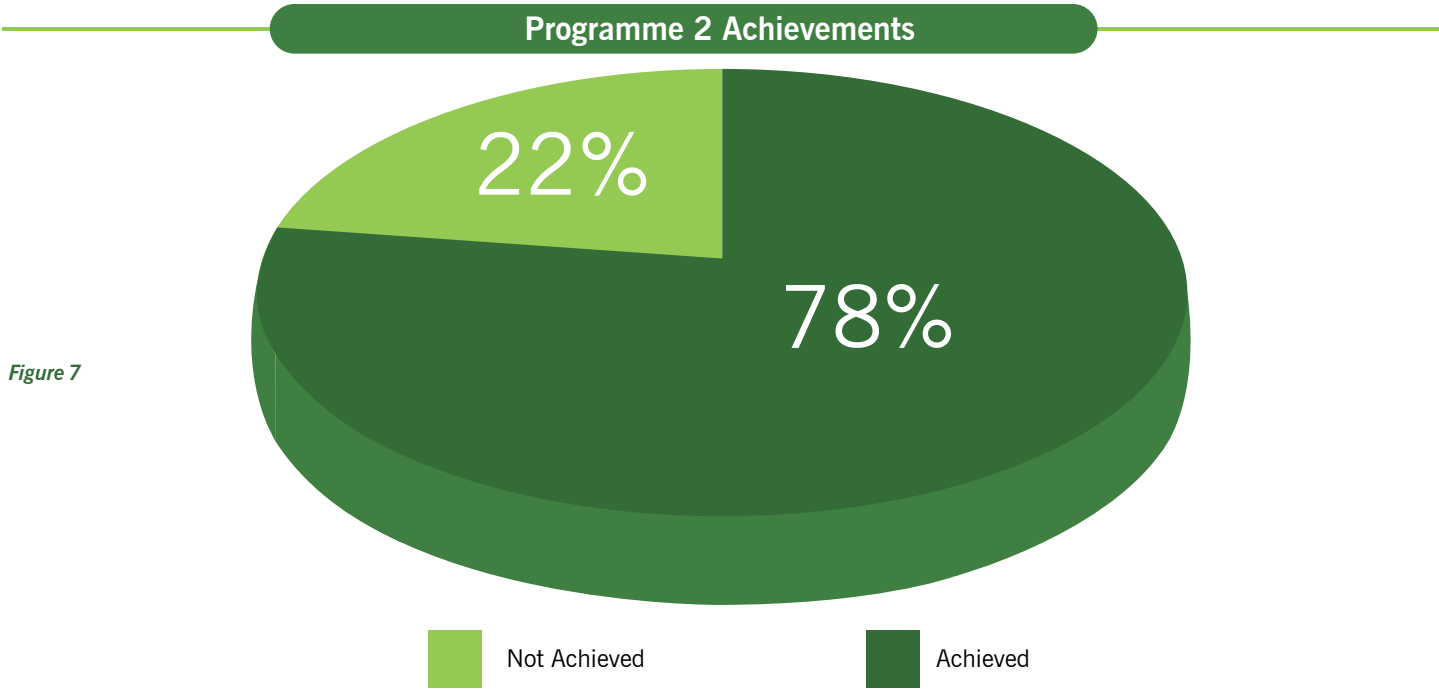


Figure 7

The programme achieved seven (7) of its nine (9) planned targets for the year.

4.2.1 Programme 2 significant achievements of Strategic objectives, performance indicators and planned targets.

a. Governance, Compliance & Enforcement

It is CSOS' 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 will be achieved through the implementation of Outcome 2: An effectively regulated Community Scheme Sector of the CSOS Strategic Plan.

b. Registrations

The entire CSOS value chain and service delivery model is underpinned on the successful creation of a complete database of schemes. The database is critical not only for the collection of levies but also for the provision of education and training and assuring good governance of schemes. During the period under review a total of one thousand two hundred and thirteen (1213) scheme registration applications were processed and registered. The CSOS Connect System went live on 25 November 2022, which enabled schemes to register online via the CSOS Connect Portal. To date there are two thousand four hundred and seventy-eight (2478) users registered on the system.

c. Quality assurance and compliance certificates

To ensure that there is proper governance within community schemes, CSOS provides quality assurance to the scheme's governance documentation, records all existing and new schemes governance documentations as received from the community schemes and other entities on the database, implements a schemes governance records management and documentation system and ensures that the documentation is adequately secured, protected and accessible to the public. In implementing the mandate of ensuring proper governance of schemes, a total of one thousand seven hundred and seventy-three (1773) scheme governance documentations were received and one thousand seven hundred and fifty-two (1752) were quality assured, which amounts to 99%. A total of one thousand and sixty-six (1066) compliance certificates were issued on all the approved scheme governance documents.

d) Dispute Resolution

i. Dispute Applications Received, Rejected, Conciliated & Adjudicated

An analysis into the manner of finalizing disputes also revealed a trend that certain types of disputes such as those pertaining to meetings can only be finalized at adjudication due to the complex nature of these disputes. Accordingly, these were referred directly to adjudication for resolution which further improved performance and turnaround times within adjudication.

The Gauteng Region receives 3 times the number of dispute applications than any other Region. To sustain the improved performance, at the beginning of 2022/23 we redistributed the excess workload of Gauteng to both the WC and the KZN regions. This resulted in improved turnaround times at all levels of the dispute resolution process including the assessment stage whilst also ensuring equity in the workload across all case management officers, conciliators and adjudicators. This has ensured that there will be no recurrence of backlog and that resources are procured as and when required for sustainability and maintenance of good performance.

Intake: per region	
GP	7 951
WC	1 587
KZN	1 768
Total	11 306

From the 11306 new disputes applications received during the 2022/23 financial year, ten thousand seven hundred and forty-eight (10748) disputes applications were assessed within 30 days, three thousand seven hundred and sixty two (3762) disputes were conciliated within 90 days, and five thousand eight hundred and sixty one (5861) disputes were adjudicated within 90 days. The number of applications received during the period under review exceed the number received from the previous financial year by three thousand and one (3001). The table below illustrates the number of applications assessed, conciliated, and adjudicated in 2022/23.

Table 23

Reg	Intake	Assessed within 30 days	Conciliated within 30 days	Adjudication orders (90 days)
Total	11 306	10 748	3 762	5 861

ii. Classification (S39 of the CSOS Act)

Due to the current economic climate and high unemployment rate, disputes arising from non-payment of levy arrears and interest imposed against arrear levies continue to dominate dispute applications within the 2022/23 reporting period. Disputes for governance and management services also remain the least, and this could be linked to regular training and awareness sessions conducted by CSOS nationally.

Classification per province				
Classification	GP	WC	KZN	Totals
Behaviour	492	195	218	905
Financial	5 539	706	740	6 985
General and other	433	121	114	668
Governance	83	54	28	165
Management	59	14	20	93
Meeting	231	134	83	448
Not clearly defined	403	61	161	625
Private & common areas	685	292	395	1 372
Not assessed	26	10	9	45
Total	7 951	1 587	1 768	11 306

iii. Disputes Appeal matters:

During the period under review a total of forty-four (44) disputes were appealed in court, of the 44 appeals, four (4) Adjudication orders were upheld, eleven (11) orders were set aside, six (6) disputes were withdrawn, and twenty-three (23) matters are pending.

In terms of the nature of the disputes the following percentages represent the classification of appeals:

Appeal Classification	Percentage
Financial	50%
Behavioural	4.54%
Scheme governance	9.10%
Meetings	6.82%
Works pertaining to private areas and common areas	6.82%
General and other issues	2.27%
Combination of two or more relief sought	20.45%

* *Prayers for relief as per section 39 of the CSOS Act.*

iv. Eradication of Backlog

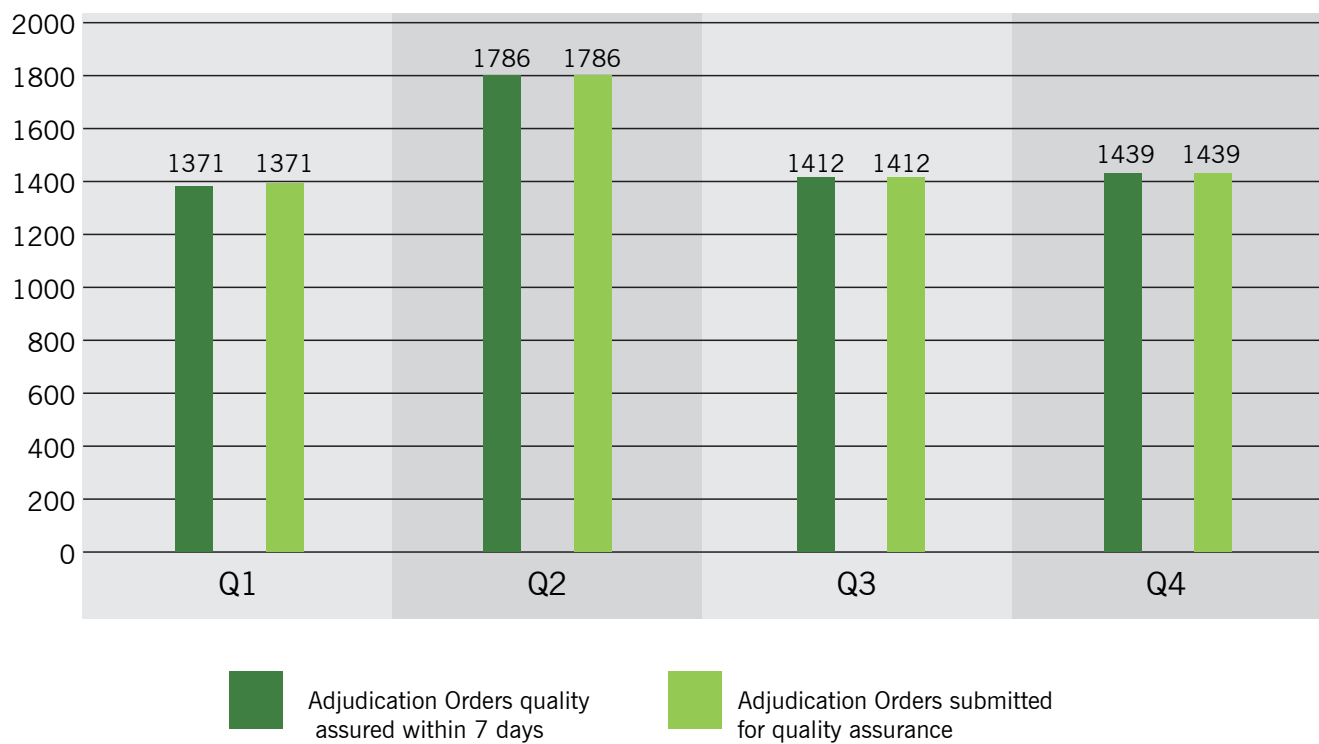
The eradication of the 3-year backlog recorded at 2 769 in the 2021/22 financial year, presented an opportunity to start 2022/23 on a clean slate. Accordingly, the turnaround times for both conciliation and adjudication disputes improved tremendously, leading to the achievement of APP targets. As we invested a lot in the training of the newly appointed panel of adjudicators, we ensured that their services were extended within 2022/23 in order to sustain the performance achieved and to clear the backlog that had accumulated due to increased volumes of dispute applications. This yielded positive results as the trajectory in performance continued on an upward scale.

v. Quality Assurance Adjudication

The appointment of experienced Quality Assurance Adjudicators, in dispute resolution, has yielded positive results since all adjudication orders are quality assured for compliance within prescribed periods and with legal technical analysis. Accordingly, each adjudication order that is presented to relevant adjudicators is quality assured using this criteria. Quality Assurance Adjudication received six thousand and eight (6008) adjudication orders for quality assurance, six thousand and eight (6008) and orders were quality assured days and translating to an achievement of 100%.

Quality assured adjudication orders

Figure 10



4.2.2 Strategic outcome actual achievements

Figure 24

Output indicator	Audited Actual Performance 2020/2021	Audited Actual Performance 2021/2022	Planned Annual Target 2022/2023	Actual Achievement 2022/2023	Deviation from planned target to Actual Achievement 2022/2023	Reasons for deviations
2.2.1. Percentage registration of community schemes that have submitted scheme registration documents.	(1 127) Community Schemes registered	(925) Community Schemes registered	100% registration of community schemes that have submitted scheme registration documents	98% (1213/1232) registration of community schemes that have submitted scheme registration documents	-2% (19) of community schemes that have submitted complete scheme registration documents were not registered	CSOS connect Registration module went live in November and experienced system challenges which led to non-registration of 19 schemes.
2.2.2 Percentage of registered community schemes compliant	No target	No target	60% of registered schemes compliant	60% 726 schemes compliant 1213 schemes registered	Target achieved	Target achieved
2.3.1. Database of schemes governance documents established.	New	Finalisation of implementation protocol for schemes governance documents database.	Database of schemes governance documents established.	Database of scheme governance documents established.	Target achieved	Target achieved

Output indicator	Audited Actual Performance 2020/2021	Audited Actual Performance 2021/2022	Planned Annual Target 2022/2023	Actual Achievement 2022/2023	Deviation from planned target to Actual Achievement 2022/2023	Reasons for deviations
2.3.2. Percentage of quality assured schemes governance documentation	84% (1538 received and 1287 quality assured) Quality assured schemes governance documentation	80% quality assured schemes governance documentation	95% of quality assured schemes governance documentation.	99% (1752 /1773) quality assured schemes governance documentation	Target overachieved by 4%	The target is overachieved due to an increased number of schemes submitting compliant documents because of the issued practice directives and continuous training provided to schemes on the submission of schemes governance documentation
2.3.3. Percentage of compliance certificates issued on all amended scheme documents.	100% (1095) Compliance certificates issued on all amended scheme documents	100% of compliance certificates issued on all amended scheme documents	100% compliance certificates issued on all amended scheme documents	100% (736/736) of compliance certificates issued on all amended scheme documents.	Target achieved	Target achieved

Output indicator	Audited Actual Performance 2020/2021	Audited Actual Performance 2021/2022	Planned Annual Target 2022/2023	Actual Achievement 2022/2023	Deviation from planned target to Actual Achievement 2022/2023	Reasons for deviations
3.1.1 Percentage of disputes assessed within thirty (30) days	No Target	No Target	100% of disputes assessed within thirty (30) days	98.9% (10 748/ (10 869) of disputes assessed within 30 days.	-1.1% (121) of disputes were not assessed within 30 days.	The target was not achieved due to the unanticipated volume of the dispute applications received. For 2023/24 financial year, Conciliators will also be assessing disputes.
3.1.2 Percentage of disputes conciliated within ninety (90) days.	28% (1191 referred and 331 conciliated) of disputes conciliated within 90 days	85% of disputes conciliated within 90 days	85% of disputes conciliated within 90 days	100% (3762/3762) of disputes conciliated within 90 days	Target exceeded by 15% achieved	The overachievement is due to Performance agreements for conciliators with clearly defined expected performance levels
3.1.3. Percentage of disputes adjudicated within ninety (90) days.	25% (109 adjudicated out of 410 referred) of disputes adjudicated within 90 days	85% of disputes adjudicated within 90 days	85% of disputes adjudicated within 90 days	96.57% (5861/6069) of disputes adjudicated within 90 days.	Target exceeded by 11.57%	The overachievement is due to Adjudication files timeously ready for adjudication due to distribution of assessments from GP to KZN and the WC.

Output indicator	Audited Actual Performance 2020/2021	Audited Actual Performance 2021/2022	Planned Annual Target 2022/2023	Actual Achievement 2022/2023	Deviation from planned target to Actual Achievement 2022/2023	Reasons for deviations
3.1.4 Percentage of adjudication orders quality assured.	No target	No target	100% of adjudication orders quality assured within seven (7) days.	100% (6008/6008) of adjudication orders quality assured within 7 days.	Target achieved	Target achieved

4.2.3. Changes to planned.

No changes to the planned targets.

4.2.4 Strategy to overcome areas of underperformance.

- The Entity lead by the DHS will embark on a process to amend the CSOS'S Act and STSMA for purposes of enhancing the CSOS mandate, regulatory powers, and operational efficiencies.
- Complete Universe of the Community Scheme database – Finalise a project to validate and verify the full universe of the community schemes through a door-to-door campaign. The identification of schemes not registered with CSOS will enable the implementation of the Compliance and Enforcement Strategy. The objective of the strategy is to have in place effective systems to maximise schemes' compliance with their duties and obligations as per the CSOS Act, Sectional Titles Schemes Management Act 8 of 2011 (STSMA Act) and other relevant legislations applicable to schemes specifically.
- For an efficient dispute resolution process ,the finalisation of the Knowledge Management project will surely enhance the quality of assessment, conciliation, and adjudication of disputes. Other additional

mechanisms to ensure improvement of the Disputes processes was the establishment of a forum for Case Management Officers. This forum will enable case management officers to engage on aspects of assessments that are common to all.

The CSOS manages performance in the following manner:

- Quarterly reports are discussed at EXCO, ARC and Board meetings for monitoring and submitted to the DHS for oversight monitoring and feedback.
- A report on targets that are not achieved is compiled and submitted to EXCO for decision-making on corrective measures.
- Each Board Sub-Committee has its relevant APP target(s) as a standing item on its agenda. Progress is monitored and reported back to the Board.
- Operational plans are drafted, which include actions to be taken to meet the APP targets and the associated resources required.
- In the current financial year, the Entity continued with monthly reporting that allowed for corrective measures to be implemented and followed up timeously before the end of the quarter.

4.2.5 Linking performance with budgets.

Administration	2022/23 R'000		2021/22 R'000	
Economic classification	Estimated Budget	Actual Outcome	Estimated Budget	Actual Outcome
Goods and Services	19 000	17 593	22 000	9 993
Depreciation	-	-	-	-
Compensation of employees/Board	93 531	84 330	87 425	63 611
Payments of capital assets	-	-	-	-
Total	117 531	101 923	109 425	73 604

4.3 PROGRAMME 3: EDUCATION AND TRAINING

The Education and Training Programme is responsible for ensuring that all stakeholders namely; property owners, occupiers and all other identified stakeholders are receiving training and CSOS consumer awareness.

The Education and Training Programme covers work of the following business functions:

Administration	Purpose
Stakeholder Training and Consumer Education	<p>To provide training and general education on the rights and obligations in community schemes for conciliators, adjudicators, trustees, owners, occupiers, managing agents, and any other persons the CSOS deem necessary.</p> <p>To train and place Executive Managing Agents from previously disadvantaged groups in community schemes, where requested.</p>

In contributing towards the Community Schemes Ombud Service desired impact of ***“governed, harmonious, empowered and transformed community schemes contributing to spatial justice, socio-economic transformation and the creation of liveable neighbourhoods”***, the Education and Training Programme delivers against the following outcome in the Strategic Plan:

Outcome 4: Empowered stakeholders

Outcome 5: Transformation of community schemes advanced.

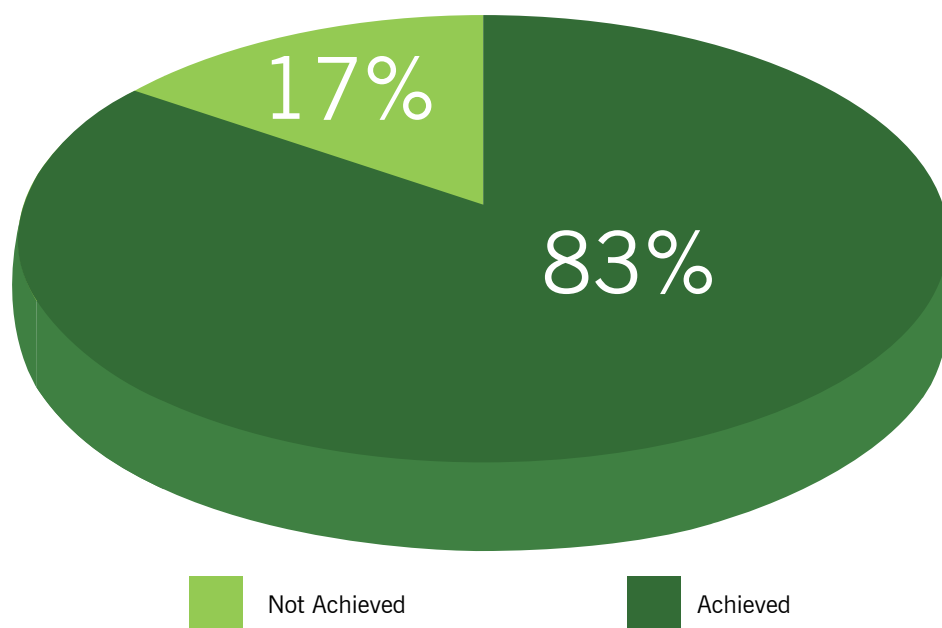


Figure 11

The programme achieved 5 of its 6 planned targets for the year.

4.3.1 Programme 3 Strategic significant achievements of Strategic objectives, performance indicators and planned targets

As per section 4(2)(b) of the CSOS Act, it is the responsibility of the Entity to develop, identify and publicise education and information programmes for owners, occupiers, scheme executives, body corporates and any other persons who have rights and obligations in community schemes. This helps to make the sector more inclusive, and it is important in preventing unnecessary disputes that arise because of misunderstandings and a lack of information.

CSOS continued to implement its annual marketing and public relations strategy in a bid to improve its image. Such a multi-pronged strategy includes improved complaints management, branding, education and awareness for tenants, body corporates and owners and conducting campaigns. The campaigns were upscaled to include other media elements such as TV, Print, and Online Media. This is in line with the Board approved Marketing and Communications Strategy, which includes the allocation of resources for the utilisation of various platforms and channels for communicating the CSOS brand, awareness, and education message.

I. Advancing Transformation of the Sector

The CSOS is bound by the STSMA to appoint a panel of Executive Managing Agent (EMA) for those community schemes who could not appoint an EMA via a special resolution. An EMA means a qualified managing agent with the required skill and experience, who is appointed to carry out all the functions and powers of the Trustees of a Body Corporate (BC) in terms of Prescribed Management Rule (PMR) 28 of the STSMA Act. The Panel for EMA was established with a total of twenty-two (22) EMA's appointed and trained. The CSOS Panel of EMA's are spread across the nine (9) Provinces in South Africa. Three (3) of the EMA's from the CSOS database were appointed by Schemes to perform functions and exercise the powers that would be performed by scheme executives. It is a breakthrough to see the participation of PDI EMA's in the Sector and efforts are being made to find more avenues to have more of these EMA's placed.

ii. External Communications

One of the CSOS' mandates is to provide stakeholder training, consumer education and awareness to property owners, occupiers, and other stakeholders in community schemes about their rights and obligations.

The increased awareness led to more schemes being registered and high volumes of disputes received as compared to the previous financial year.

The focus of the CSOS is to conduct training and education for adjudicators, conciliators, executive committees of schemes, and other stakeholders. Furthermore, it is to provide consumer education on the rights and responsibilities of owners, occupiers, and other stakeholders living in community schemes and to create public awareness of the CSOS services in terms of the mandate.

For most of the unregistered schemes, marketing and communication initiatives help promote registration. Intense stakeholder engagement initiatives targeting unregistered schemes have been put in place through informational stakeholder sessions alongside trainings for registered schemes to comprehend the CSOS processes.

To boost its reputation and low ratings, CSOS will continue to implement an annual marketing and Public Relations strategy. This multifaceted approach includes conducting awareness campaigns, enhancing the management of

complaints, building brands, educating tenants, body corporates, and owners, and more.

In the financial year 2022/23, the CSOS website received a total of eight hundred and thirty one thousand (831000) impressions. This represents an increase of 134,2% over the three hundred and fifty-four thousand eight hundred (354800) impressions made overall in the preceding fiscal year.

We published organic content on several social media sites, including Facebook, YouTube, Twitter, and LinkedIn. A total of one hundred and sixty-seven thousand five hundred and twenty-eight (167528) reach and impressions, forty-nine thousand and three hundred and twelve (49312) engagements (likes, comments, shares, link clicks), and five hundred and ninety-three (593) video views were generated using digital media.

Our social media is rapidly expanding. At the end of the fiscal year 2022/23, our Facebook page had five thousand seven hundred and twenty-one (5721) followers, an increase from the four thousand five hundred and twenty-six (4526) followers it had at the end of the prior financial year.

Media Coverage

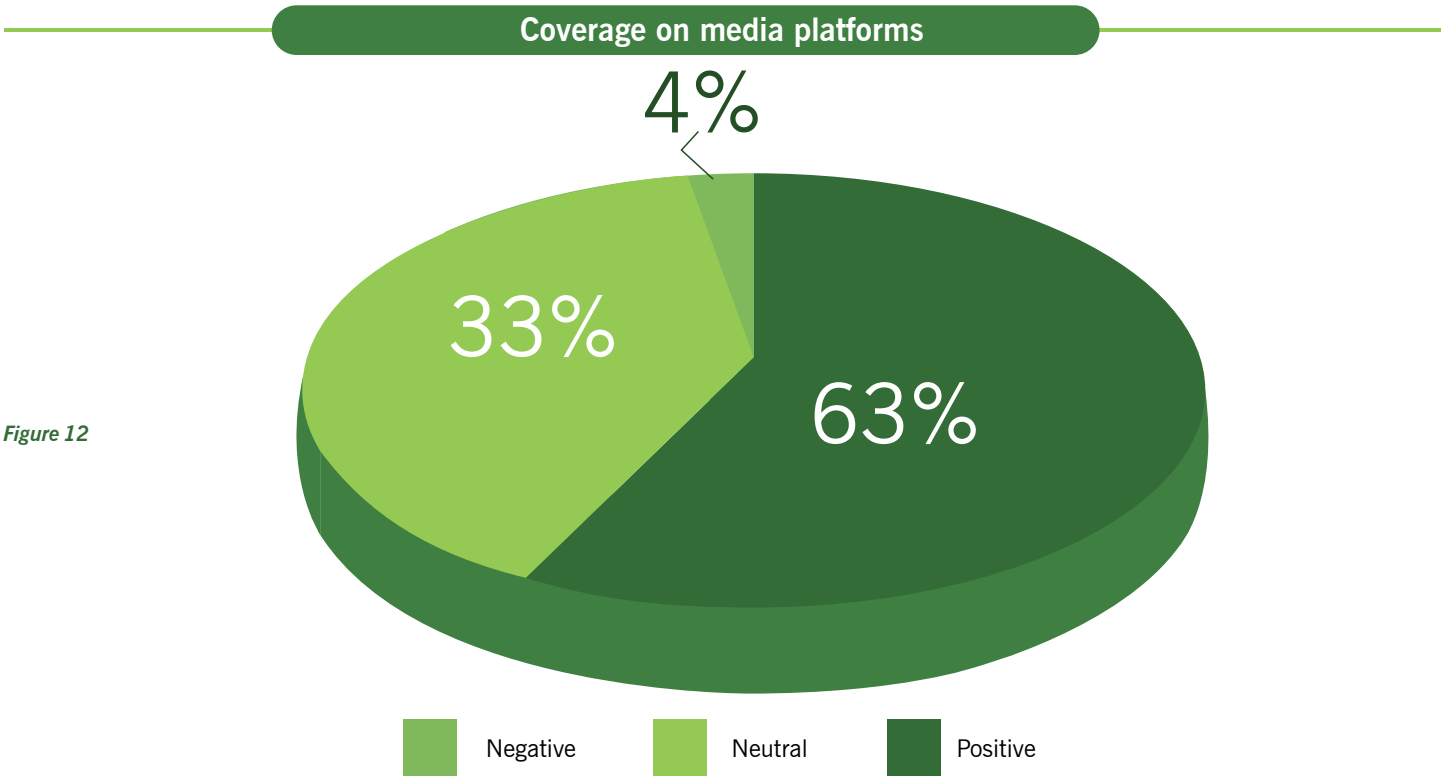
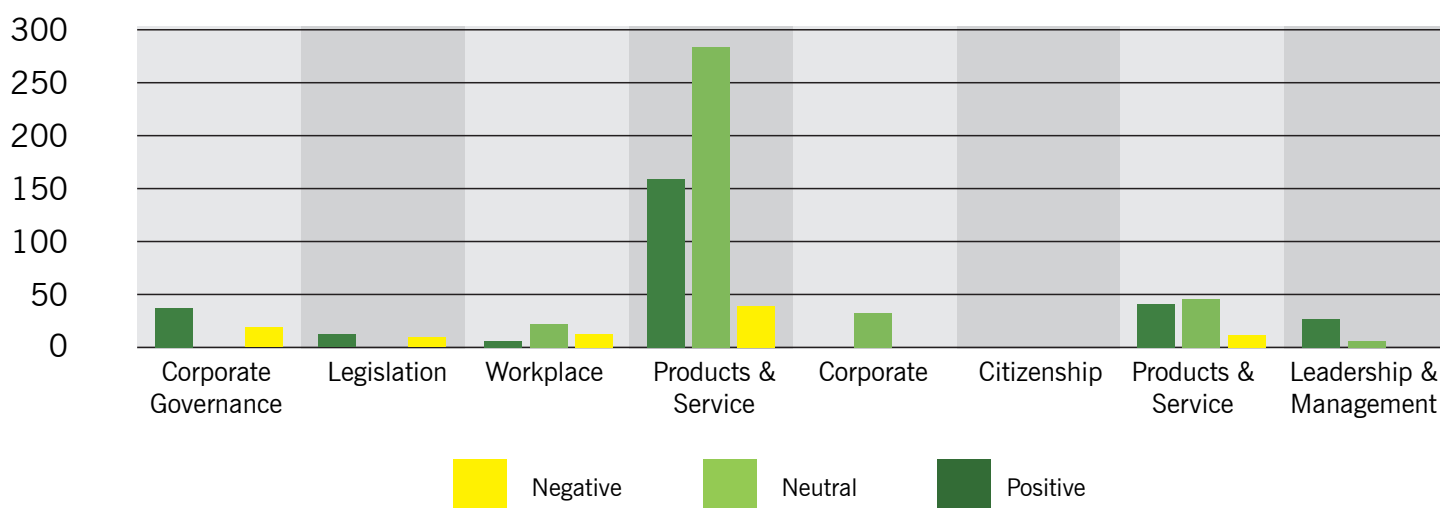


Figure 13



4.3.2 Strategic Outcome and Actual Achievement

It is the CSOS strategic intent to contribute meaningfully 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. Although a sustainable social sector impacts on many chapters of NDP, the CSOS' primary alignment to the NDP is through Chapter 8 – Transforming Human Settlement and the National Space Economy.

The table below depicts the achievements on CSOS Strategic Outcomes as set out in the Strategic Plan.

Output indicator	Audited Actual Performance 2020/2021	Audited Actual Performance 2021/2022	Planned Annual Target 2022/2023	Actual Achievement 2022/2023	Deviation from planned target to Actual Achievement 2022/2023	Reasons for deviations
4.1.1. Number of training and education sessions conducted for schemes executives and owners.	Eighteen (18) training and education sessions conducted for schemes executives and owners.	Twenty (20) training and education sessions conducted for schemes executives and owners.	Eighty (80) training and education sessions conducted for schemes executives and owners.	(103) training and education sessions conducted for schemes executives and owners.	Target overachieved by twenty-three (23).	Overachievement is because of the virtual training sessions and collaboration with the and collaboration with the Rental Housing Tribunal.

Output indicator	Audited Actual Performance 2020/2021	Audited Actual Performance 2021/2022	Planned Annual Target 2022/2023	Actual Achievement 2022/2023	Deviation from planned target to Actual Achievement 2022/2023	Reasons for deviations
4.1.2. Number of training sessions conducted for adjudicators and conciliators.	Ten (10) training sessions conducted for adjudicators and conciliators.	Fourteen (14) training sessions conducted for adjudicators and conciliators.	Twelve (12) training sessions conducted for adjudicators, conciliators, and stakeholders.	Sixteen (16) training sessions conducted for adjudicators, conciliators, and stakeholders.	Target overachieved by four (4) sessions conducted.	Overachievement is because of the virtual training sessions and collaboration with the regional offices.
4.2.1. Number of stakeholder information sessions conducted.	Fourteen (14) stakeholders' information sessions conducted.	Seventeen (17) stakeholder information sessions conducted.	Twelve (12) stakeholder information sessions conducted.	Thirty-three (33) stakeholder information sessions conducted.	Target overachieved by twenty-one (21) sessions conducted.	Overachievement is because of the virtual training sessions and collaboration with the regional offices.
4.3.1. Percentage implementation of Advocacy Plan.	6 marketing communication campaigns executed.	100% implementation of the advocacy plan.	100% implementation of the advocacy plan.	100% implementation of the Advocacy Plan.	Target achieved	Target achieved.
5.2.1. Number of previously disadvantaged individuals trained as executive managing agents.	The panel of executive managing agents was advertised; however, the response was poor	20 previously disadvantaged individuals trained as executive managing agents.	25 previously disadvantaged individuals trained as executive managing agents.	Not Achieved 22 previously disadvantaged individuals appointed as executive managing agents.	3 previously disadvantaged individuals not appointed as executive managing agents.	All the applications received in the 4th quarter did not meet the requirement to be an EMA.

Output indicator	Audited Actual Performance 2020/2021	Audited Actual Performance 2021/2022	Planned Annual Target 2022/2023	Actual Achievement 2022/2023	Deviation from planned target to Actual Achievement 2022/2023	Reasons for deviations
5.2.2. Percentage of community schemes' requests for Executive Managing Agents awarded to previously disadvantaged individuals.	New indicator	80% of community schemes requests for Executive Managing Agents awarded to previously disadvantaged individuals.	85% of community schemes' requests for Executive Managing Agents awarded to previously disadvantaged individuals.	100% (3/3) of community schemes requests for Executing Managing agents awarded to previously disadvantaged individuals.	Target exceeded by 15%	Target overachieved because of the EMA database being only PDI and the advertisement of the EMA database on all the stakeholder training sessions.

LINKING PERFORMANCE WITH BUDGETS

Administration	2022/23 R'000		2021/22 R'000	
Economic classification	Estimated Budget	Actual Outcome	Estimated Budget	Actual Outcome
Goods and Services	6 795	5 325	3 827	6 082
Depreciation	-	-	-	-
Compensation of employees/Board	12 217	10 379	10 760	7 829
Payments of capital assets	-	-	-	-
Total	18 922	15 704	14 587	13 911

4.3.3 Changes to planned targets.

No changes to the planned targets

4.3.4 Strategy to overcome areas of underperformance.

In order to ensure the achievement of the target to appoint EMA's there will be an advertise twice in a year – as well as headhunting throughout the year.

The CSOS manages performance in the following manner:

- Quarterly reports are discussed at EXCO, ARC and Board meetings for monitoring and submitted to the DHS for oversight monitoring and feedback.
- A report on targets that are not achieved is compiled and submitted to EXCO for decision-making on corrective measures.
- Each Board Sub-Committee has its relevant APP target/s as a standing item on its agenda. Progress is monitored and reported back to the Board.
- Operational plans are drafted, which include the actions to be taken to meet the APP targets and the associated resources required.
- In the current financial year, the Entity continued with monthly reporting that allowed for corrective measures to be implemented and followed up timeously before the end of the quarter.

5. CAPITAL INVESTMENT

Progress has been made on implementing the capital, investment plan for the procurement of the Business Automation IT systems.

GOVERNANCE

PART C

1. INTRODUCTION

Governance embodies processes and systems by which public entities are directed, controlled, and held to account. Corporate governance regarding public entities is applied through the precepts of the PFMA and run in tandem with the principles contained in the King Code of Governance Principles and King Report on Corporate Governance (King IV). Parliament, the Executive Authority, and the Accounting Authority of the public entity are responsible for corporate governance.

The CSOS is committed to continuously strengthening compliance, managing risks, and upholding good governance within the risk, control, and governance environment. This is fundamental to the management of public finance and the assurance that the use of the resources is effective, efficient and realises optimum value for money. The CSOS ensures continuous monitoring, reviewing and evaluation of mechanisms aimed at mitigating identified strategic and operational risks.

2. PORTFOLIO COMMITTEES

Parliament exercises its oversight role of the CSOS by interrogating its Annual Financial Statements and other relevant documents which must be tabled, as well as any other documents tabled from time to time, and evaluating its performance accordingly. This oversight role is fulfilled by the Portfolio Committee on Human Settlements and the Standing Committee on Public Accounts (SCOPA).

The Portfolio Committee oversees service delivery and performance in accordance with the mandate and corporate strategy of the CSOS. It reviews financial and non-financial information such as efficiency and effectiveness measures, and therefore reviews the non-financial information contained in the Annual Report of the CSOS. The SCOPA oversees the financial performance and accountability of the CSOS in terms of the PFMA. It therefore reviews the Annual Financial Statements and audit reports of the CSOS's external auditor. For the period under review, the CSOS appeared before the Portfolio Committee on the following dates:

Table 28

Date	Purpose
19 Oct 2022	<ul style="list-style-type: none">Briefing by the Human Settlements entities on the Audit Outcomes 2021/22.Briefing the Portfolio committee on Community Schemes Ombud Services (CSOS) 2023/24 Annual Performance PlanBriefing the Portfolio committee on Community Schemes Ombud Services (CSOS) Annual Report 2021/22

3. EXECUTIVE AUTHORITY

The CSOS Act provides that executive authority of the CSOS vested in the Minister. The Minister of Human Settlements is the Executive Authority of the CSOS and is concerned with the financial

viability and risks of the CSOS, as well as policymaking and monitoring of policy implementation to ensure that the CSOS effectively delivers on its mandate.

Oversight by the Executive Authority rests by and large on the prescripts of the PFMA which gives authority to the Executive Authority for oversight powers. During the 2022/23 financial year, the

following quarterly reports were submitted to the Executive Authority within the periods as stipulated by National Treasury.

Quarterly Report	Submission Date
Quarter 1 2022/23	29/07/2022
Quarter 2 2022/23	31/10/2022
Quarter 3 2022/23	31/01/2023
Quarter 4 2022/23	28/04/2023

4. THE ACCOUNTING AUTHORITY or BOARD



Standing from Left to Right: Mr Mthokozisi Daluxolo Xulu (Board Member), Mr Donovan Goliath (Deputy Chairperson), Adv Boyce Mkhize (Board Member)

Seating from Left to Right: Ms Ntombikayise Sithole (Board Member), Ms Phindile Mthethwa (Chairperson), Ms Julia Ramataboe (Board Member), Ms Thembelihle Mbatha (Board Member)

Introduction

The importance and purpose of the Board:

Governance of the CSOS and responsibility for promoting good corporate citizenship is vested in the Board, supported by its committees and the Company Secretary. The Board of Directors is the Accounting Authority of the CSOS. Section 6 (2) of the CSOS Act states that the Board is responsible for the management and governance of the CSOS. The Board guides the strategic direction of the CSOS and monitors progress in executing the business strategy. The Board ensures that the organisation complies with the legislative requirements.

The Board is accountable to the Executive Authority for the performance of the CSOS and provides a fundamental base for the application of corporate governance principles. CSOS adheres to a governance framework as informed by, but not limited to:

- The Constitution of the Republic of South Africa (Act No. 108 of 1996).
- The Companies Act (Act No. 71 of 2008).
- The Public Finance Management Act (PFMA) (Act No. 1 of 1999).
- The CSOS Act (Act No.9 of 2011).
- The King IV Report on Corporate Governance.
- The Protocol on Corporate Governance in the Public Sector

The role of the Board is as follows:

Board's Roles and Responsibilities

The Shareholders Compact, signed with the Department of Human Settlements, together with the Board Charter are instrumental tools which defines the roles, functions, responsibilities, and powers of the Board. The two (02) documents are reviewed annually as per corporate governance requirements.

The Board is tasked In line with King IV report that encourages organisations to maintain ethical leadership, manage the organisation's ethics

effectively and to ensure that the entity is a responsible citizen. Corporate governance principles are adhered to, while fully appreciating that strategy, risk, performance, and sustainability are integrated. Broadly speaking, the Board is expected to act in the best interests of the entity. Among other things, the role of the Board is as follows:

- It holds absolute responsibility for the performance of the CSOS.
- It retains full and effective control over the CSOS.
- It must ensure that the CSOS complies with the applicable laws, regulations and legislation.
- It formulates, monitors, and reviews corporate strategy, major plans of action, risk policy, annual budgets, and business plans.
- It ensures that the shareholders' performance objectives are achieved.
- It manages potential conflicts of interest.
- It is responsible for formulating and implementing policies that are necessary to achieve the CSOS's strategic goals and maintain good governance.
- It has unrestricted access to the information of the CSOS.
- It monitors the efficiency and effectiveness of Management and supports Management in implementing Board strategies and policies.
- It ensures that the Annual Financial Statements are prepared.
- It appraises the performance of the Board collectively and individually.
- It ensures effective Board induction.
- It maintains integrity, responsibility, and accountability.

4.1 Board Charter

As recommended by King IV, the Board is governed by the Board Charter which details the roles, structures and functions of the Board, its various sub-committees, Chairpersons, and the CEO. The Board Charter regulates how the Board and individual members discharge their responsibilities according to the principles of good governance. The charter aims to ensure that all the Board Members understand their duties and responsibilities, as well as the laws, regulations and best practices governing their conduct. It also details the division of responsibilities at Board level and between the Board and Management

The Board Charter was approved by the Board in March 2022. In giving effect to the responsibilities of the Board as they are set out in the Charter, Board Committees were established and constituted in line with the approved terms of reference. The Committee meetings were held to deliberate on matters that were for the consideration and approval of the Board. The directors also fulfilled their fiduciary duties to the entity, in line with the requirements of the Charter.

4.2 Composition of the Board

Section 6(3) of the Board outlines the composition of the Board. The Board consists of two executive members; and seven non-executive members. The Minister of Human Settlements appoint seven non-executive members of the first Board for a period not exceeding three years. Board members are eligible for re-appointment on expiry of their respective terms; and may not serve for more than two consecutive terms of office.

The Board is diverse in respect of origin, gender, race, and education. As of 31 March 2023, 57% of the Board members are women. On 1 January 2022, the Minister of Human Settlements appointed the Board comprising:

Composition of the Board

Name	Designation (In terms of the Public Entity Board structure)	Date appointed	Qualification	No of meetings attended
Ms. P Mthethwa	Chairperson of the Board Chairperson of the Governance Committee	1 January 2022	Master of Management in Business Executive Coaching – (Wits)- Current Studies, B Comm in Accounting and Human Resources Management (Wits), Management Development Program- (Sun), AFM Theological Seminar, Auckland Park, B Theory.	13 of 13
Mr. D Goliath	Deputy Chairperson of the Board Chairperson of the Social and Ethics Committee	1 January 2022	Executive Leadership Programme (UCT GSB) Dip in Education (UWC) Ba BEd LS-D - (UWC)	13 of 13

Name	Designation (In terms of the Public Entity Board structure)	Date appointed	Qualification	No of meetings attended
Ms. M Ramataboe	Board member Chairperson of the ARC	1 January 2019	CA (Lesotho), MBA (University of the Free State) Accredited Associate of the Institute of Independent Business (UK	12 of 13
Ms. T Godongwana	Board Member Chairperson of HR- RESCO	1 August 2022	BSc (fort hare), Bed (Unisa), HDE (Fort Hare), Master of Management Finance (Wits), Business Management Diploma (Damelin)	8 of 13
Adv. M Xulu	Board Member Chairperson of LATCOM	1 January 2022	Adv of the Hight Court LLB (Unisa), LLM (Unisa) current studies	13 of 13
Ms. N Sithole	Board Member Chairperson of the Finance Committee	1 January 2022	Advanced Certificates in Management Practices 2021-Henley Business School, M (Eng.) Industrial 2018- Wit University, BSc (Eng.) Civil 2013-University of Witwatersrand	13 of 13
Mr. S Rakolote	Board Member	1 January 2022	Masters in Conflict Resolution and Management (NMU) current studies, Management Development Programme in BBBEE (Unisa) Master's in Public Administration (Unisa) Public Participation Cert- (Sun), Monitoring and Evaluation Cert – (Rhodes), B-Tech in Education Management – Unisa, Emerging Management Development Program Cert. (UP) National Diploma in Child and Youth Development (Unisa), Sports Management Diploma – Boston City Campus, Secondary Teachers Diploma – Mamo Kgale ke Chuene College of Education.	13 of 13

Board Committees

1. GOVERNANCE COMMITTEE				
Name	Designation	Date appointed	Meetings Held	Meetings Attended
P Mthethwa	Chairperson	1 January 2022	4	4
Goliath D	Member	1 January 2022	4	4
M Xulu	Member	1 January 2022	4	4
T Godongwana	Member	20 October 2022	4	3
N Sithole	Member	1 January 2022	4	4
Ms. M Ramataboe	Member	1 January 2019 and reappointed on 1 January 2022	4	4

2. FINANCE COMMITTEE

Name	Designation	Date appointed	Meetings Held	Meetings Attended
N Sithole	Chairperson	1 January 2022	4	4
S Rakolote	Member	1 January 2022	4	4
T Godongwana	Member	20 October 2022	4	3
P Mthethwa	Member	1 January 2022	4	3

3. SOCIAL AND ETHICS COMMITTEE

Name	Designation	Date appointed	Meetings Held	Meetings Attended
Mr. D Goliath	Chairperson	1 January 2022	4	4
Ms. P Mthethwa	Member	1 January 2022	4	4
Mr. S Rakolote	Member	1 January 2022	4	4
Ms. M Ramataboe	Member	1 January 2019 and reappointed on 1 January 2022	4	4

4. LEGISLATION, ADJUDICATION AND TRANSFORMATION COMMITTEE

Name	Designation	Date appointed	Meetings Held	Meetings Attended
Adv. M Xulu	Chairperson	1 January 2022	4	4
Mr. D Goliath	Member	1 January 2022	4	4

5. HUMAN RESOURCES AND REMUNERATION COMMITTEE

Name	Designation	Date appointed	Meetings Held	Meetings Attended
T Godongwana	Chairperson	20 October 2022	5	4
N Sithole	Member	1 January 2022	5	5
Mr. S Rakolote	Member	1 January 2022	5	5
Ms. P Mthethwa	Member	1 January 2022	5	5

Board Committees Financial Year 2022/2023 (april 2022 to march 2023)

The Board is supported by various committees, to which it delegates authority without diluting its own accountability. These committees exercise their authority in accordance with terms of reference approved by the Board, and which define their composition, mandate, roles, and responsibilities. The terms of reference of each committee are aligned to the Shareholders Compact and the Board Charter.

Section 12 (4) of the CSOS Act allows the Board to appoint specialists to a committee for their technical support. Ms S Dikwayo, and Ms S Mkhize were appointed as independent non-executive members of the ARC.

Each committee is chaired by a non-executive member of the Board as required by Section 12 (4) of the CSOS Act.

Board Committees

Table 31

**Independent non-executive members*

Committee	Mandate	No. of meetings	Name of members
Human Resources and Remuneration Committee	The committee's main focus is on performance, remuneration for CSOS employees, as well as other Human Capital matters.	8	Ms. M P. Mthethwa, Ms. N. Sithole, Mr. S D. Rakolote, Ms T Godongwana
Finance Committee	The committee assist the Board in discharging its duties in relation to governance and oversight regarding financial management.	7	Ms. N. Sithole, Mr. S D. Sediko Ms T Godongwana, Ms M P Mthethwa
Audit and Risk Committee	The committee assist the Board in discharging its duties in relation to oversight of financial management and reporting processes, audit processes and systems of internal control. Risk evaluation and risk management.	8	Ms M. Ramataboe (Chairperson), Mr D Goliath, *Adv M Xulu, *Ms S Dikwayo, *Ms S Mkhize
Social and Ethics Committee	Committee assist the Board to set the ethical tone within the CSOS and to fulfil its social and ethical duties in terms of Section 72(4) of the Companies Act No. 71 of 2008 and King IV, 2016.	4	Mr D V. Goliath, Mr. S D. Rakolote, Ms. M. Ramataboe, Ms. M P. Mthethwa
Legislation, Adjudication and Transformation Committee	Committee assist the Board to exercise oversight over core regulatory business of the CSOS.	5	Adv M D. Xulu, Mr D V. Goliath, Ms T Godongwana
Governance Committee	Ensure that there is a robust and effective process for evaluating the performance of the Board, Board Committees, and individual directors and to ensure that the Board fulfils its legal, regulatory, and functional responsibilities.	4	Ms. M P. Mthethwa, Mr D V. Goliath, , Ms. M. Ramataboe, Ms. N Sithole,, Advocate M D Xulu, Ms T Godongwana
Joint ARC and Finance Committee		6	

Table 30

**Appointed by the Minister on 20 October 2022 following the resignation of Ms D Subbiah.*

Table 32

Remuneration of board members

Name	Remuneration	Other allowance	Other re-imbursements	Total
MP Mthethwa	627 190	0	10 853	638 043
DG Goliath	631 720	0	44 609	676 329
S Rakolote	329 156	0	0	329 156
D Subbiah	5 396	0	0	5 396
Adv MD Xulu	337 554	0	2 776	340 330
N Sithole	344 937	0	995	345 932
M Ramataboe	340 252	0	1 311	341 563
T Godongwana	80 940	0	0	80 940
Total	2 697 145	0	60 544	2 757 689

- Fees amounting to R 110 618 were paid to independent members of the committees who were not board members for the current financial year.

5. RISK MANAGEMENT

The CSOS has committed itself to a Public Sector Risk Management Framework, which is based on ERM principles articulated in COSO and ISO 31000 frameworks. The framework also recognises the King Code of good Governance Principle 11.

Risk Management in CSOS is fundamental for the delivery of the Entity's mandate and achievement of all corporate objectives. The Board exercised oversight in the implementation and management of risks within the organisation and the Audit and Risk Committee advised the Entity on risk management and independently monitored the effectiveness of the systems within risk management. The CSOS ensured that risk is not only seen as a threat, but as an opportunity to enhance its commitment to continuous improvement.

During the period under review, the Risk Management Unit reviewed the Risk management Policy and Framework, which were presented to and approved by the Executive Committee (EXCO), Audit and Risk Committee (ARC) and Board. In addition, the Risk Management Unit conducted

the risk assessments within the various programmes of the Entity, to determine the effectiveness of its risk Management Policy and to identify new and emerging risks. Resulting from these risk assessments, the revised Strategic and Operational risk register as well as a Fraud Risk Register were realigned to focus on the new identified risk mitigation strategies. A strategic risk register which contains risks that are considered to impede the achievement of the CSOS' strategic objectives were developed and approved by the Board. Business Units within the CSOS compiled risk registers aligned with divisional operational plans. Both the strategic and operational risks were monitored and reported to the Audit and Risk Committee on a quarterly basis. Furthermore, during this period, the Risk Appetite and Tolerance Framework was developed by Management and approved by the Board. CSOS continuously manage the risks throughout the year using amongst other measures such as Key Risk Indicators, Key Control Indicators including Emerging Risks. These indicators signal if the identified risks are within the desired levels or if they are about to be breached.

6. INTERNAL AUDIT AND AUDIT COMMITTEES

6.1 INTERNAL AUDIT

The Internal Audit Function at CSOS provides an independent, objective assurance and consulting service designed to add value and improve the organisation's operations. It helps the organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, compliance, and governance processes. The CSOS Internal Audit Function is responsible for the following:

1. Evaluating controls, risk management activities of the organisation and reporting on the effectiveness and efficiency of the implementation of management controls.
2. Evaluating risks by identifying key activities and relevant risk factors and assessing their significance. The Internal Audit Function has adopted a more proactive and risk-based approach. This enables the function to anticipate possible future concerns and opportunities as well as identify current issues.
3. Analysing operations and confirming information by closely working with line managers to review operations then report their findings; and
4. Reviewing compliance to ensure that the organisation is adhering to rules, regulations, laws, codes of practice, guidelines, and principles as they apply individually and collectively to all parts of the organisation.

The Internal Audit Function assesses and makes appropriate recommendations for improving risk and governance processes to accomplish the following objectives:

1. Promote appropriate ethics and values within the organisation.
2. Achieve effective organisational performance management and accountability.
3. Communicate risk and control information to appropriate areas of the organisation.
4. Assist Management in achieving the organisation's strategic objectives.
5. Secure reliability and integrity of financial and operational information.
6. Operate effectively and efficiently.
7. Safeguard of assets; and
8. Comply with laws, regulations, policies, and procedures.

The Internal Audit Function strives to conform to the International Standards for the Professional Practice of Internal Auditing and performs its activities in compliance with the PFMA, National Treasury Regulations and the King IV Report on Corporate Governance.

Accordingly, Internal Audit adopted a risk-based approach, and its Annual Audit Operational Plan is approved by the Audit and Risk Committee. The Audit Operational Plan is flexible and responsive to CSOS risk profile. The purpose, authority and responsibility of the Internal Audit Function is formally defined in the Internal Audit Charter. Internal Audit reports functionally to the Audit and Risk Committee and has full and unrestricted access to all organisational activities, records, property, and personnel.

6.2 AUDIT AND RISK COMMITTEE

The Audit and Risk Committee is responsible for an oversight role and monitoring the effectiveness of internal control; financial controls and risk management; compliance with legislation and regulations, overall good governance, and the review of the Annual Financial Statements.

The table below discloses relevant information on the audit committee members.

Table 31

Name	Internal or external	If internal, position in the public entity	Date appointed	Date Resigned
Ms. M Ramataboe	External	N/A	1 January 2019 and reappointed on 1 January 2022	N/A
DG Goliath	External	N/A	1 January 2022	N/A
Adv MD Xulu	External	N/A	1 January 2022	N/A

7. COMPLIANCE WITH LAWS AND REGULATIONS

The Board recognises its accountability to its stakeholders under the regulatory requirements applicable to its business and remains committed to high standards of integrity and fair dealing in its conduct. Given the importance of complying with the ever-increasing domain of regulatory requirements, and the increased national and international emphasis placed on regulatory supervision, the Board, Executive Committee, and employees continue to monitor, align, and adhere to compliance requirements.

Further, during this period, CSOS developed its Regulatory Compliance Universe, detailing a list of laws, rules, best practice standards and codes which affect the CSOS either directly or indirectly. This Compliance Universe shall be updated annually, and as and when there are developments in the CSOS regulatory environment. A compliance monitoring tool was developed to develop and maintain a compliance culture by ensuring that the CSOS identified and complies with applicable laws, rules, codes, and best practice standards. Currently there are sixty-seven (67) pieces of

legislation that have been recorded for the CSOS Regulatory Universe. The Compliance focus for the period was selectively limited to sixteen (16) pieces of legislations that were clustered for compliance monitoring. The Risk Management Unit and Legal Unit were both capacitated to ensure compliance and close all identified gaps and mitigate risks of not complying with applicable laws and mandatory requirements, in order to fast track the completion of tasks and projects such as the review of the CSOS Regulatory Compliance Register and Legislative Review Project which entails the amendment of the CSOS & STSM Acts and Regulations thereto.

The CSOS remains vigilant in monitoring material risks and developing an appropriate control environment to ensure organisation-wide compliance. The Board oversees compliance management and has delegated the review and approval of the organisation's compliance programme to the Audit and Risk Committee and the Social and Ethics Committee.

8. FRAUD AND CORRUPTION

Fraud and corruption erode good governance and obstructs service delivery hence the CSOS is committed to a zero-tolerance approach to fraud and corruption. The CSOS has an Anti-Fraud and Corruption Prevention Policy and Strategy and Whistle Blowing Policy which were reviewed and approved during the period under review. The Whistle blowing Policy enables officials and third parties to report fraud and corruption anonymously. One of the fraud prevention measures at CSOS entails pre-employment screening of prospective employees to ensure employees of the CSOS have and maintain integrity. By performing pre-employment screening the potential risk that a person may pose to the CSOS is determined and areas of concern detected before appointments are made.

The primary objectives of the Anti-Fraud and Anti-Corruption Policy and Strategy are to:

1. Provide guidelines in preventing, detecting, and reporting fraudulent activities within CSOS.
2. To raise the level of fraud awareness amongst employees and other stakeholders.
3. Create a culture within CSOS where all employees and stakeholders continuously behave ethically in their dealings with or on behalf of CSOS.
4. Encourage all employees and stakeholders to strive towards the prevention and detection of fraud impacting or having the potential to impact positively on CSOS.
5. Identify, manage, and reduce the risk of fraud at all levels within CSOS.
6. Encourage all employees and stakeholders to report suspicions of fraudulent activity without fear of reprisals or recriminations.
7. Provide a focus point for the allocation of accountability and authority.

To enhance the Fraud risk culture in the Entity, Risk Management performed and conducted the following during the period:

- An organisational-wide awareness of the CSOS Anti-Fraud and Corruption Strategy were conducted during the quarterly Organisation Team-Talk session.
- An article of the Risk Management and Fraud awareness were published in the CSOS internal newsletters.
- The Anti-Fraud and Whistle Blowing pamphlets were displayed at the CSOS Head and Regional Offices as well as screen savers on the employees' computers.

It is the policy of the CSOS that fraud, corruption, maladministration, or any other dishonest activities of a similar nature will not be tolerated. Such activities will be investigated, and actions instituted against those found responsible. Such actions may include the laying of criminal charges, civil and administrative actions, and recoveries where applicable. Prevention, detection, response and investigate strategies will be designed and implemented. These will include any existing controls (system controls and manual internal controls) and those currently prescribed in existing policies, procedures, and other relevant prescripts to the activities of the CSOS.

9. MINIMISING CONFLICT OF INTEREST

National Treasury issued PFMA SCM Instruction No.03 of 2021/22 which became effective on 1 April 2022. The said Instruction provides guidance on the implementation of the SCM process in a fair, equitable, transparent, competitive, and cost-effective manner, even though the power is now vested with the Accounting Officer there are processes that must be complied with to ensure fairness and transparency in the supply chain management process. As an additional measure, a new Standard Bidding Document has also been introduced to minimise conflict of interest. SCM Practitioners sign Code of Conduct and declare their interests annually to the CSOS. Appropriate

segregation of duties and internal controls are in place to mitigate risks of any conflict of interest that may arise from the supply chain management process.

A survey was conducted by the ERM Unit and findings and recommendations were submitted to the Board through the Audit and Risk Committee and Social and Ethics Committee, an approval was granted by the Board for an independent survey to be conducted to address the organisation's culture holistically.

10. CODE OF CONDUCT

The intention of the Code of Conduct is to provide direction to employees regarding their employment relationship with the CSOS management, the Board, stakeholders, fellow employees, and the public. The Code also indicates the spirit in which employees should perform their duties, what should be done to avoid conflicts of interest and what is expected of them in terms of their personal conduct in the workplace and even in private life.

CSOS reviewed the Code of Conduct Policy which was approved by the Board and widely communicated to all staff to ensure common understanding and compliance. The Code of Conduct also integrates with other HR related Policies including the Talent Acquisition and Onboarding Policy wherein potential employees are subjected to a rigorous recruitment process. The purpose is not only to attract and retain talented employees but also assess the risk of Organisational fit regarding the congruence with the CSOS values which is a critical determining factor on whether to confirm the appointment or not.

To pro-actively manage the breach of code of conduct, CSOS takes a deliberate view of assimilating newly appointed employees to the culture, policies, norms, and values of the Entity within a month after the appointment. This practice ensures that employee's worth is instilled at early stages of the Human Capital Lifecycle thus cultivating a foundation for ethical and professional standards.

On an annual basis, employees are expected to complete a declaration of interest and financial disclosure form. This is another strategy of ensuring that employees consistently comply with the highest standards of behaviour within the CSOS.

Like in any Organisation, some employees may breach the Code of Conduct despite the efforts of communicating or modelling acceptable standards of behaviour. In this case, such an employee irrespective of the level, will be subjected to the disciplinary process as the breach jeopardises the employer and employee trust relationship which is viewed in a serious light. The misconducts and how they were managed are reported to the Board as an oversight Body on a regular basis.

11. HEALTH SAFETY AND ENVIRONMENTAL ISSUES

The Community Scheme Ombud Service (CSOS) as an employer, considers its employees to be its most valuable assets and undertakes to safeguard them through providing and maintaining, as far as reasonably practical, a working environment that is safe and without risk to the health of its employees.

The Occupational Health and Safety Act (OHSA) prescribes that workplace inspections must be conducted to help prevent incidents, injuries, and illnesses. Through a critical examination of the workplace, inspections help to identify and record hazards for corrective action. Regular OHS inspections are conducted at the CSOS Head Office, Gauteng Regional, KwaZulu Natal (KZN), and Western Cape (WC) to ensure that there is compliance and adherence with the Occupational Health and Safety Act 85,1993. For the KwaZulu Natal (KZN) and Western Cape (WC), Office Managers submit OHS monthly reports, reporting on health and safety, and maintenance issues for the month.

Inspections of all fire equipment are conducted regularly to ensure that the fire equipment is still in a good state and can that they can be used in the event of a fire. In February 2023, the Centurion office's fire extinguishers were serviced.

The Terms of Reference for Occupational Health and Safety Committee were approved by the Chief Ombud. Subsequently, the OHS Committee had quarterly meetings where the compliance to the OHSA was discussed.

The additional OHS Compliance Officers, attended training in their various specialities. This was to ensure that the CSOS is compliant with the Occupational Health and Safety Act.

To ensure compliance with the Act, as well as the Occupational Health and Safety Policy, compliance thereof is reported quarterly.

All the CSOS offices continue to be fogged and disinfected, weekly, to ensure a clean and safe environment.

12. COMPANY SECRETARY

The Company Secretary's role and responsibilities include, but are not limited to the following:

- Providing a central source of guidance and support to the Board on matters of good governance.
- Assisting with the Board induction and training programmes.
- Ensuring that Board and Committee Charters are kept up to date.
- Preparing and circulating Board documents.
- Eliciting responses for Board and Board Committee meetings.
- Drafting annual work plans. Ensuring preparation and circulation of the Minutes

of Board and Board Committee meetings.

- Assisting with the evaluation of the Board, Committees, and individual Board members.

The Company Secretary resigned in December 2021 and as a results CSOS is currently co-sourcing Company secretariat services (Internal staff with external support - Sigama Attorneys) which provides governance advice to the Board and subcommittees of the Board. Their service contracts ends on 1 June 2023 when a newly appointed company secretary will resume duties.

The roles and responsibilities of the Company Secretary are outlined in Section 88(1) - (2) of the Companies Act and include, among others, providing guidance to the Board and its members, collectively and individually, as to their duties, responsibilities, and powers, as well as making the Board aware of any legislation and regulations relevant to, or affecting the organisation.

The Company Secretary reports functionally to the Board through the Chairperson and administratively to the Chief Ombud. The Board evaluates the performance and independence of the Company Secretary on a quarterly, and annual basis.

13. SOCIAL RESPONSIBILITY

We conduct all our activities with deep respect for all our stakeholders and constant focus on reducing our environmental impact. Currently, no formal social responsibility policy has been implemented at an organizational level, but the policy is being drafted for Board approval.

For the reporting period though, all CSOS regional offices celebrated Mandela Day by giving back to the community in their own chosen projects.

GAUTENG: SOS Children's Village, Mamelodi

Together with the SOS Children's Home in Mamelodi, a residence for orphaned children, the Gauteng Regional Office commemorated Mandela Day. The CSOS Social Team enlisted some GP and Head Office volunteers. They repainted, updated the kids' jungle gym, the outside play area, and made necessary repairs to render the play area safe for the children. They also contributed a variety of products to be distributed among the 10 homes on

the property. On the day of the event, refreshments were provided for the children.

WESTERN CAPE: Langa Cheshire Home

The Western Cape team spent the day improving the quality of life for the Langa Cheshire Home's physically challenged residents. This non-profit residence is funded by grants for disabilities received by its residents as well as donations from locals. To help, CSOS purchased a variety of household necessities and various food items. The staff also spent the day painting the dining room of this Home.

KZN – Durban Child and Youth Care Centre

The CSOS KZN office spent the day at the Durban Child and Youth Care Centre. Gifts were -presented to the Youth and the team was then divided into two groups for the day's tasks: painting the jungle gym and performing garden maintenance.

14. AUDIT COMMITTEE REPORT

The Audit and Risk Committee is pleased to present its report for the financial year ended March 31, 2023, in compliance with Treasury Regulations 3.1.9 and 27.1.7 issued in terms of Section 51(1)(a)(ii) of PFMA and King IV Code of good governance. The CSOS Audit and Risk Committee ("The Committee"), is established as an independent statutory committee in terms of the PFMA. The committee functions within approved terms of reference, which are reviewed

annually to ensure their continued relevance, and compliance with relevant legislation, regulations, and governance codes.

Audit and Risk Committee members and attendance

During the year under review, the Committee consisted of three (3) independent Non-Executive Members appointed by the Accounting Authority

two (2) independent Members appointed by the Board of Directors during the period under review. The Committee attended its meetings as indicated below, which were also attended by the Auditor General South Africa, the Chief Audit Executive, and the Executive Management in an Ex-officio capacity, led by the Chief Ombud. The Membership is constituted as follows:-

Members	Date Appointed	Meetings Held	Meetings Attended	Date Resigned
Ms. Maemili Ramataboe (Chair)*	1 January 2019 and reappointed on 1 January 2022	8	8	N/A
Adv. Mthokozisi Xulu	1 January 2022	8	8	N/A
Mr. Donovan Goliath	1 January 2022	8	8	N/A
Ms S Dikwayo	16 September 2022	8	2	N/A
Ms S Mkhize	03 March 2023	8	2	N/A

Audit and Risk Committee responsibility

The Committee reports that it has adopted formal Terms of Reference and that it has complied with its responsibilities as set out in the Terms of Reference and has discharged all its duties as contained therein.

The Committee has an objective and independent role which consists of assisting the Board and Management in discharging their oversight responsibilities relating to financial reporting and the audit process and related activities, the system of internal controls, risk management process and systems, IT governance and compliance with laws and regulations.

In the current reporting period, key activities were as follows:

- Reviewing the internal audit Plan as well as internal audit findings and related management's responses. The Committee was satisfied with the quality and content of Internal Audit reports and have noted the progress made by management in resolving overdue internal audit findings.
- Approving the contract of the co-sourced internal audit partner and related work.
- Reviewing the scope of external Audit work and related findings and have also noted the progress made in implementing the Post Audit Action Plan and resolving

AGSA findings, particularly the revenue collection finding which has been materially addressed.

- Reviewing Risk Management Policies, including Fraud and Prevention Strategy, Business Continuity as well as the Risk Implementation Plan and monitored progress thereto.
- Reviewing progress made in managing the risk profile of the organisation.
- Reviewing the Quarterly reports to the Department and monitored implementation of the Predetermined Objectives, and overall performance of the entity against the approved targets.
- Reviewing progress reports on Covid-19, and measures taken by management to mitigate against the effects of the pandemic.
- Reviewing the progress made in reviewing the IT governance policies, which were subsequently approved by the Board in the current period.

Combined Assurance Process

The Committee ensured co-operation between the internal audit function and the external auditors in relation to the external auditors relying on work done by the internal audit, and reports of the risk management unit, for purposes of risk assessment, and in developing the audit plan. We are of the view that Combined Assurance process adds demonstrable value; and enhances the adequacy, reliability and accuracy of financial information provided by Management to such other users of the information. The Committee has reviewed and approved the CSOS the combined assurance framework and program that incorporate and align both internal and external assurance. In the ensuing period the Committee expects to see expansion of the combined assurance with the implementation of a structured Combined assurance forum, which is expected to enhance management participation.

The effectiveness of internal control and Internal Audit performance

During the year under review the internal control environment of the CSOS continued to improve towards increasing the probability of achievement of strategic objectives. The Chief Audit Executive (CAE) and his team supported by out-sourced Internal Audit firm conducted audit reviews in line with approved Internal Audit Plan. Good progress was made this year towards resolving previous audit findings, particularly programs designed to facilitate collection of levies from unregistered schemes and billing of schemes, however allocation of receipts from schemes remains to be a concern to the Committee. From the various reports of the internal auditors and the management, as well as audit reports of the AGSA it was noted that there were material deficiencies in the system of internal controls in areas pertaining to Revenue Collection, SCM and compliance with laws and regulations. The deficiency which is a result of the low rate of registrations by schemes across the provinces, was notably addressed through several initiatives designed to bring all schemes into the fold, as well as enforce levy collections and billing thereof. The Committee is satisfied with the progress which has

also contributed to the improvement of audit outcomes for the reporting period. We believe more effort in this regard will be demonstrated and continue in the ensuing financial period.

Based on the work of Internal Audit, the Committee was able to provide the internal control assurances and to engage with the Board on the way forward in strengthening the control environment. Discussions were held with Management to advise on identified weaknesses, for these to be closed proactively before they can have negative impact on the CSOS performance.

Enterprise Risk Enterprise Risk Management

The Committee is responsible for the oversight of the CSOS's risk management systems and activities. In the current reporting period, the Committee reviewed the Enterprise Risk Management (ERM) policies and strategy. The Board participated in the annual risk assessment workshop in the prior year and continuous monitoring is being done to ensure that key risks are within the desired risk appetite. The committee noted that the ERM structure was reviewed and approved to enable the unit to fully implement the established policies and integrate risk management in its activities across the organisation. However, the Committee remains to be concerned about the capacitation of the Unit, in particular, the vacant position of Chief Risk Officer. The Committee has noted that the appointment of the CRO was in process at time of the issuance of this report.

The Committee has reviewed the risk registers on a quarterly basis and has made recommendations for the improvement. Moreover, a culture of risk management needs to be inculcated and embedded in the daily activities of the CSOS to ensure effective enterprise-wide risk management. The Committee will monitor progress regarding this, in the following reporting period.

Compliance with Laws and Regulations

The Committee also considered previous and current Irregular Expenditure which awaits condonation from National Treasury. The Loss Control Committee has been established, and the Committee expects that the frameworks that have now been put in place will be implemented in the ensuing period, including consistent application of consequence management, to enhance good governance, promote a positive organisational culture and compliance with the PFMA and other relevant laws and regulations. The Committee has noted the increase in reported Irregular expenditure in the current period because of prior period activities, and the Committee will monitor this development closely. The Committee has also noted the approval of the CSOS organisational structure which provides for capacitation of the entity in the ensuing year.

Management and Monthly or Quarterly Reports

We can confirm that quarterly reports were submitted to the National Treasury and the department on time. The Committee continued to review and monitor the content and quality of these reports during the year under review as required by the PFMA.

Evaluation of Annual Financial Statements

The Committee has:

- reviewed and discussed the audited Annual Financial Statements to be included in the annual report, with the management, the AGSA and the Accounting Authority.
- reviewed compliance of the Annual Financial Statements with the Accounting Framework.
- reviewed the AGSA's management report and management's responses thereto;

- reviewed significant assumptions and judgements made by management including changes in accounting policies and practices.
- reviewed the entity's compliance with legal and regulatory provisions; and
- reviewed the information on predetermined objectives to be included in the annual report.

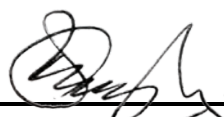
The Auditor General South Africa

The Committee reviewed the Engagement letter issued by the AGSA, as well as the Audit Strategy and related fees, and were satisfied with the scope of the Audit and identified key risks.

The Committee is pleased to report that it concurs fully with the AGSA report and Audit Opinion on the Annual Financial Statements. The Committee further recommends that the Audit Opinion be accepted and read together with the Audit Report.

The Annual Report 2022/2023

The Committee reports that it has read the information in the Annual Report and found it to be consistent with the Annual Financial Statements.



Maemili Ramataboe CA(L) MBA(UFS)

Chairperson of the Audit and Risk Committee

15.B-BBEE COMPLIANCE PERFORMANCE INFORMATION

The CSOS has been audited for BBEEE compliance in the past year and was unable to get a complaint status, however CSOS endeavours to comply organisationally in the 2022/23 financial year and committed to continuous improvement attain a BBEE compliant status. To date, the CSOS has implemented a new supplier development program where we empower our service providers on issues of compliance and managed to spend 77.5% of the overall 2021/22 budget on B-BBEE level 1 and level 2 complaint companies. The CSOS has a newly constituted

Employment Equity Committee to investigate the issues of employee representation and compliance with WSP requirements and related BBEE compliance components of HR.

The following table has been completed in accordance with the compliance to the BBEE requirements of the BBEE Act of 2013 and as determined by the Department of Trade, Industry and Competition. The CSOS is currently a non-compliant contributor to B-BBEE.

Has the Department or Public Entity applied any relevant Code of Good Practice (B-BBEE Certificate Levels 1 – 8) with regards to the following:		
Criteria	Response Yes / No	Discussion (Include a discussion on your response and indicate what measures have been taken to comply)
Determining the qualification criteria for the issuing of licences, concessions, or other authorisations in respect of economic activity in terms of any law?	No	CSOS is not in the business of issuing licenses or concessions.
Developing and implementing a preferential procurement policy?	Yes	The SCM Policy was amended and approved in line with the current National Treasury Regulations and Instruction Notes.
Determining qualification criteria for the sale of state-owned enterprises?	No	We are not in process of selling the company.
Developing criteria for entering partnerships with the private sector?	No	The nature of goods and services we procure have not warranted us to form partnership with the private sector. Should the need arise in future, we would be open to forming such partnerships.
Determining criteria for the awarding of incentives, grants, and investment schemes in support of Broad Based Black Economic Empowerment?	No	In terms of our procurement spend, there is a portion that we envisage to spend on designated groups. In some of our tenders it is mandatory for companies to partner with Qualifying Small Entities or Exempted Micro Enterprises. Furthermore, we plan on participating in supplier development programmes.

HUMAN RESOURCE MANAGEMENT

PART D

1. INTRODUCTION

1.1 Overview of Human Resource matters

The Human Resources business unit is governed, but not limited by the following legislation:

- Labour Relations Act 66 of 1995.
- Basic Conditions of Employment Act 77 of 1997.
- Skills Development Act 97 of 1997 (SDA); and
- Employment Equity Act 55 of 19998.
- The Human Resources' mandate is to provide service excellence and support the CSOS' 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 practices, 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 capacitate the various business units within the CSOS.
- Because of the Covid-19 pandemic, most of the recruitment was conducted virtually.

- Further objectives of the Human Resources Business Unit include:
- Supporting the CSOS strategic goals through creating learning opportunities, empowerment, flexibility, support, and rewards.
- Developing a culture of high performance through the application of rigorous tools, best practices, provision of relevant techniques and skills and mobilisation of energy across the organisation.
- Reviewing all HR policies and procedures and ensure that they are user-friendly, legally compliant, reflect best practice and satisfy current and future operational needs.
- Implementing effective performance management measurement tools in order to improve standards of delivery and formally address poor standards of performance.

The status of human resources at the csos

- 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 and fulfilling its mandate.
- The Human Resources department aimed to decrease the staff vacancy rate every quarter dependant on the finalisation and implementation of the organisational redesign project which unfortunately did not come to fruition in the 2022/23 financial year but overran into the new year. To this end, the total staff complement as at the end of the 2022/23 financial year was:

Period	PERMANENT	INTERNS	TEMPS	Total	Vacancy rate
Q1 (2022/23)	134	28	19	181	32%
Q2 (2022/23)	135	36	18	189	31%
Q3 (2022/23)	134	39	17	190	46%
Q4 (2022/23)	132	32	15	179	47.4%

- The 2022/23 financial year commenced with a headcount complement of one hundred and twenty-five (125) permanent, thirty-two (32) interns and twenty-one (21) temporary staff.
- With the prioritisation of filling vacant positions in the 2022/23 financial year, twenty (20) permanent positions were filled in addition to the one thirty-four (134) that were directly placed due to OD, Furthermore, by understanding the talent and capabilities the CSOS has, the HR Department appropriately matched these to critical roles in the organisation, thereby maximising employee potential and achieving our strategic goals.
- The organisations redesign was finalised in Q3 of 2022/23 escalating the vacancy rate compared to Q1-Q2 Of 2022/23 as more positions in the new structure were created.
- The CSOS has a voluntary turnover rate of 21.96 %, which is a slightly high percentage since the optimal functional voluntary employee turnover rate for organisations in South Africa was calculated to be between 14% and 19%. According to a 2016 Compensation Force study, the average total turnover for all industries is 17.8%. However, the high turnover percent is a result of having more internship programmes and temporary employees whose contracts expired during the year under review.
- There were twenty-nine (29) terminations within 2022-23; out of the twenty-nine (29), nine (9) were permanent positions, seven (7) were temporary positions and thirteen (13) were from the internship programme.

- To plan and implement the Organisational Redesign Project.
- To secure the right number and quality of staff by filling prioritised vacant and funded posts. This is as guided by the finalisation of the Organisational redesign project, the approved organisational structure as well as the 2022/23 Recruitment Plan.
- To ensure the effective implementation of the HR Training and Development Programme, in line with the approved Training Plan.
- To implement the CSOS' Employee Performance Management System (EPMS).
- To ensure sound employee relations.
- As part of enhancing our compliance regime, we achieved registration with the Services SETA during the year under review.

1.3 Workforce planning and key strategies to attract and recruit a skilled and capable workforce

- Putting careful thought and consideration into the (future) skills of the CSOS workforce is a very important function within the HR Business Unit.
- The objective under this strategy is to recognise the priority the CSOS places on the recruitment and retention of high-quality staff and the need to offer competitive salaries and an attractive environment to be able to achieve its strategic objectives. It is therefore, clear that the CSOS must continue to seek out the right calibre of employee to remain competitive.

1.2 Human resource priorities for the year under review and their impact

- Key focus was placed on the employees already on Board, the ones that needed further development as well as the employees who still needed to be onboarded.
- 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.
- Priority was given to the recruitment and retention of high-quality staff and the organisational redesign project.
- Furthermore, efforts to offer competitive or market related salaries were made, hence the appointment of a service provider to re-grade all the positions on the approved structure after the organisational redesign project was completed for updated salary scales to guide the remuneration of each position.
- This project strives to have an attractive environment, to be able to achieve the CSOS' strategic objectives as well as to ensure the retention of existing staff.
- To seek out the right calibre of employee and to remain competitive, the HR Department ensured that all the preferred candidates met the minimum requirements for the role by conducting qualification as well as reference checks on the shortlisted candidates.

Human Resources training and development

- The Entity has been building its own capacity and filling key strategic positions since its inception. Training and development are the key components of the CSOS' employee's value proposition. The Training and Development policy as well as the Bursary policy were developed to ensure the effective development of employees. A total of thirteen (13) Bursaries were awarded to employees of the CSOS during the 2022/23 financial

year. A Training Plan was approved for the 2022/23 financial year and the total number of one hundred and six (106) employees requested trainings.

- During the financial year a total number of four (4) training request were cancelled by the employees and a total number of six (6) employees requested training left CSOS for various reasons. As the end of 2022/23 Financial year, a total number of ninety-six (96) employees requested training. Human Resources embark on most of employees' s training needs and sixty-nine (69) out of ninety-six (96) employees attended training.

Internship management

- In line with the national effort to broaden skills development as prescribed in the SDA, the CSOS has a successful internship programme which assists young South Africans to contribute to the advancement of the organisation. The CSOS had a total of thirty-two (32) interns as of the 31st of March 2023.

1.4 Employee wellness

- A safe and healthy workplace is critical for an organisation. To this end, an Occupational Health and Safety Policy was developed and approved.
- ICAS has been providing EWP services to CSOS as a partner in behavioural risk management.
- The mental health and wellness of employees continues to be compromised. A central tenet of EAP programmes is the ability to provide empathic support for issues that compromise workplace functioning.
- Employees are urged to consult with the service provider on any matters affecting their well-being. In addition, awareness information is sent to employees on various subjects that inform employees on how to improve overall mental and physical well-being.

1.5 Policy development

- The Human Resources Department continuously updates its policies to ensure alignment with the current Labour legislation and to accommodate the ever-evolving CSOS' operations.
- The following policies were reviewed and approved by the Board:
 - Leave Management Policy.
 - Internship policy
 - Compensation Management Policy
 - Bursary Policy
 - Code of Conduct Policy
 - Performance Management Policy

1.6 Achievements and challenges

- Appointment of the Skills Development Facilitator within the Human Capital Unit to ensure the timeous and accurate submission of the Work Skills Plan (WSP) and Annual Training Plan (ATP) by no later than 30 April 2023.
- Successful implementation and payment of leave encashment.
- Finalisation and implementation of the OD process and salary grading exercise.
- Staging the HR Open Days for Head Office including the three Regional Offices.
- Employment Equity Committee was established, and staff was informed of the assigned members.

Challenges

- Inability or delays in implementing training interventions within the financial year thus affecting organisational performance.
- Difficulty attracting suitably qualified persons with disabilities for positions within the organisation.
- Disgruntled staff as some placement appeals were not decided in their favor.
- Inability to advertise the intake of Interns due to office space challenges.
- Late submission of performance management documents.

1.7 Future Human Resource plans or goals

- Develop and implement a talent management, succession planning and pay progression strategy.
- Conduct an organisational culture and leadership survey.
- Identify employment equity barriers.
- Adequately capacitate the new approved organisational structure with suitable talent.

2.HUMAN RESOURCES OVERSIGHT STATISTICS

2.1 Personnel cost by programme or activity or objective

The following table depicts the salary cost of individuals by department who did not move to another department due to the OD process.

Oversight Statistics	Total Expenditure for the entity	Personnel Expenditure	Personnel exp. as a % of total exp.	No. of employees	Average personnel cost per employee
Office of the Chief Ombud	R 4 577 377	R 4 577 377	100%	2	R 2 288 688
Adjudicator General	R 5 219 860	R 5 219 860	100%	4	R 1 304 965
Company Secretary	R 1 923 147	R 1 923 147	100%	3	R 641 049
Corporate Services	R 16 468 666	R 15 971 762	97%	28	R 570 420
Finance	R 13 634 816	R 13 382 667	98.2%	21	R 637 270
Internal Audit	R 4 060 416	R 4 034 291	99.4%	4	R 1 008 573
ICT	R 8 373 913	R 8 121 216	97%	11	R 738 292
Risk	R 189 025	R 128 605	68%	1	R 128 605
Strategy, Planning, Monitoring and Evaluation	R 1 926 770	R 1 903 170	98.8%	2	R 951 585
Supply Chain Management	R 5 804 929	R 5 803 989	100.0%	9	R 644 888
Dispute (GP; KZN; WC; PE; BFN)	R 47 994 013	R 47 389 520	98.7%	62	R 764 347
Interns	R 2 546 184	R 2 546 184	100%	46	R 55 352
	R 112 719 116	R 111 001 789			

The following table depicts the salary cost of sixteen (16) individuals by department who had to move to another department due to the OD process which resulted in the disbandment of the Governance, Compliance and Enforcement department. The Salary cost indicated for the Governance, Compliance and Enforcement department is prior to the finalisation of the OD process (April 2022 – October 2023). The salary cost indicated for the Adjudicator-General and Disputes departments is for the period after the OD process was finalised (November 2022 – March 2023).

Programme or activity or objective	Total Expenditure for the entity	Personnel Expenditure	Personnel exp. as a % of total exp.	No. of employees	Average personnel cost per employee
Governance, Compliance and Enforcement	R 2 996 893,74	R 2 996 893,74	100%	16	R 187 305,85
Adjudicator General	R 944 555,41	R 944 555,41	100%	2	R 472 277,70
Dispute (GP; KZN; WC; PE; BFN)	R 4 139 396,88	R 4 139 396,88	100%	14	R 295 671,20

2.2 PERSONNEL COST BY SALARY BAND

The following table depicts the salary cost of individuals by salary band who did not move to another band due to the OD process or during the financial year.

Programme/activity/objective	Total Expenditure for the entity	Personnel Expenditure	Personnel exp. as a % of total exp.	No. of employees	Average personnel cost per employee
Governance, Compliance and Enforcement	R 2 996 894	R 2 996 894	100%	1	R 187 306
Adjudicator General	R 944 555	R 944 555	100%	8	R 472 278
Dispute (GP; KZN; WC; PE; BFN)	R 4 139 397	R 4 139 397	100%	58	R 295 671

Level	Personnel Expenditure (R'000)	% of personnel exp. to total personnel cost (R'000)	No. of employees	Average personnel cost per employee (R'000)
F	R 3 729 624	3,5%	1	R 3 729 624
E1 – E4	R 17 443 116	16,5%	8	R 2 180 390
D1 – D5	R 52 352 798	49,6%	58	R 902 634
C1 – C5	R 23 668 510	22,4%	48	R 493 094
B2 – B5	R 5 509 313	5,2%	20	R 275 466
A2 – A3	R 259 193	0,2%	2	R 129 597
Interns	R 2 590 098	2,5%	46	R 56 306
TOTAL	R 105 552 653	100,0%	183	R 7 767 111

The following table depicts the salary cost of individuals by salary band who did not move to another band due to the OD process or during the financial year.

Level	Personnel Expenditure	% of personnel exp. to total personnel cost	No. of employees	Average personnel cost per employee
E1 – E4	R 150 958	1,2%	1	R 150 958
D1 – D5	R 3 967 216	31,2%	7	R 566 745
C1 – C5	R 4 558 816	35,8%	19	R 239 938
B2 – B5	R 4 045 544	31,8%	18	R 224 752
TOTAL	R 12 722 534	100,0%	45	R 1 182 393
TOTAL OF BOTH TABLES	R 118 275 187	100,0%	228	R 8 949 504

Reconciliation to the amount disclosed in note 21 of the AFS

Amount as reported above	R 118 266 914.00
Amount disclosed	R 132 606 270.00
Difference	R 14 339 356.00

Reconciling items:	
Board emolument	R 2 868 306.00
Pension fund employer contribution	R 7 671 474.00
SDL	R 1 145 542.00
WCA	R 1 470.00
UIF	R 319 402.00
Leave accrual movement	R (1 103 921.00)
Bonus provision movement	R 2 585 229.00
Staff saving	R 851 854.00
Total	R 14 339 356.00

2.3 Performance rewards

The performance bonus that was paid in 2022/23 financial year was for 2020/21 and it was paid in October 2022, the other one was for 2021/22 and was paid in December 2022.

The performance bonus was paid as the overall organisational' s performance for 2020/21 and 2021/22 financial years was above 80%.

The table below indicate the performance bonus information for 2020/21 financial year:

Programme/activity/objective	Performance rewards	Personnel Expenditure	No. of % of performance rewards to total personnel cost employees
Top Management	-	-	0.0%
Senior Management	-	-	0.0%
Professional qualified	R 962 513	R 11 817 434	8.1%
Skilled	R 669 604	R 8 706 359	7.7%
Semi-skilled	R 430 426	R 4 164 665	10.3%
Unskilled	-	-	0.0%
TOTAL	R 2 062 543	R 24 688 457	8.35%

The table below indicate the performance bonus information for 2021/22 financial year paid during the 2022/23 financial year:

Programme/activity/objective	Performance rewards	Personnel Expenditure	No. of % of performance rewards to total personnel cost employees
Top Management	R 1 481 023	R 16 729 933	8.9%
Senior Management	-	-	0.0%
Professional qualified	R 3 148 939	R 36 572 790	8.6%
Skilled	R 1 844 710	R 19 661 696	9,4%
Semi-skilled	R 661 500	R 6 880 193	9,6%
Unskilled	-	-	0.0%
TOTAL	R 7 136 172	R 79 844 611	8,9%

2.4 Training costs

The **Table 43** below shows training costs per Division:

Programme/activity/objective	Personnel Expenditure	Training Expenditure	Training Expenditure as a % of Personnel Cost.	No. of employees trained	Average training cost per employee
Chief Executive	R 12 871 583,34	R 490 498,00	3.8%	-	-
Corporate Services	R 18 887 683,48	R 1 228 269,00	6.5%	18.00	R 68 237
Internal audit	R 4 660 545,93	-	0.0%	-	-
Dispute:GP	R 23 800 369,78	-	0.0%	-	-
Dispute:KZN	R 16 317 135,95	R 32 540,00	0.2%	13.00	R 2 503
Dispute:WC	R 15 466 719,28	R 77 476,00	0.5%	2.00	R 38 738
Finance	R 19 534 741,06	R 8 264,00	0.0%	1.00	R 8 264
Adjudicator general	R 5 098 831	-	0.0%	-	-
CIO	R 3 962 466	R 1 597 602	40.3%	11.00	R 145 237
Total	R 120 600 076	R 3 434 649	2.8%	45	R 262 979

2.5 Employment and vacancies

The table below illustrates the number of employees in each Patterson Band as well as the number of additional positions filled in each band during the year under review:

Programme/ activity/objective	2021/2022 No. of Employees	2022/2023 Approved Posts	2022/2023 No. of Employees	2022/2023 Vacancies	% of vacancies
A2-A3	N/A				
B1-B5	38	4	19	20	17%
C1-C5	26	20	64	45	38%
D1-D5	52	27	55	51	43%
E1-E4	8	3	8	3	2%
F1	1	0	1	0	0
Total	125	54	147	119	100

2.6 Employment changes

The table below illustrates the number of people appointed and terminated at each level of the organisation during the year under review as well as the balance:

Programme/activity/ objective	Employment at beginning of period	Appointments	Terminations	Employment at end of the period
Top Management	9	1	1	9
Senior Management	13	1	1	19
Professional qualified	30	5	8	36
Skilled	47	15	3	64
Semi-skilled	23	4	3	19
Interns	23	23	13	32
TOTAL	145	49	29	179

2.7 Reasons for staff attrition

The table below illustrates the total number of people who left the organisation and their reasons for leaving during the year under review:

Reason	Number	% of total no. of staff leaving
Death	1	3.4%
Resignation	15	51%
Dismissal	2	6.8%
Retirement	0	0%
Ill health	0	0%
Expiry of contract	11	37.9%
Other	0	0%
TOTAL	29	100%

2.8 Labour relations: misconduct and disciplinary action

Nature of disciplinary Action	Number
Verbal Warning	1
Written Warning	5
Final Written warning	0
Dismissal	2
TOTAL	8

2.9 Equity target and employment equity status

The below tables show the breakdowns of Employment Equity in terms of gender, race, and disability.

Level	Male							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	3	N/A	0	N/A	1	N/A	0	N/A
Senior Management	2	N/A	0	N/A	0	N/A	0	N/A
Professional qualified	12	N/A	5	N/A	0	N/A	1	N/A
Skilled	20	N/A	0	N/A	1	N/A	0	N/A
Semi-Skilled	4	N/A	0	N/A	0	N/A	0	N/A
Interns	13	N/A	1	N/A	0	N/A	0	N/A
TOTAL	54	N/A	6	N/A	2	N/A	1	N/A

Level	Female							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	3	N/A	0	N/A	0	N/A	0	N/A
Senior Management	2	N/A	0	N/A	0	N/A	1	N/A
Professional qualified	21	N/A	2	N/A	3	N/A	3	N/A
Skilled	39	N/A	2	N/A	1	N/A	2	N/A
Semi-Skilled	8	N/A	0	N/A	0	N/A	0	N/A
Interns	18	N/A	0	N/A	1	N/A	0	N/A
TOTAL	91	N/A	4	N/A	5	N/A	6	N/A

Level	Disabled Staff			
	Male		Female	
	Current	Target	Current	Target
Top Management	0	N/A	0	N/A
Senior Management	0	N/A	1	N/A
Professional qualified	0	N/A	1	N/A
Skilled	0	N/A	0	N/A
Semi-Skilled	0	N/A	0	N/A
Interns	0	N/A	0	N/A
TOTAL	0	N/A	2	N/A

PFMA COMPLIANCE REPORT

For the year ended
31 March 2023

PART E



Irregular expenditure

Reconciliation of irregular expenditure		
Description	2022/2023	2021/2022
	R'000	R'000
Opening balance	49 827.07	40 682.00
Add: Irregular expenditure confirmed	28 820.37	9 353.50
Less: Irregular expenditure condoned	0	0
Less: Irregular expenditure not condoned and removed	0	0
Less: Irregular expenditure recoverable	0	(208.43)
Less: Irregular expenditure not recovered and written off	0	
Closing balance	78 647.44	49 827.07

Reconciling notes to the annual financial statement disclosure		
Description	2022/2023	2021/2022
	R'000	R'000
Irregular expenditure that was under assessment in 2021/2022	0	0
Irregular expenditure that relates to 2021/22 and identified in 2022/23	0	0
Irregular expenditure for the current year	28 820.37	9 353.50
TOTAL	28 820.37	9 353.50

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

Description	2022/2023	2021/2022
	R'000	R'000
Irregular expenditure under determination	0	0
Irregular expenditure under investigation	0	0
TOTAL	0	0

This relates to non-compliance identified by auditors relating to part-time adjudication fees which still needs to go for assessment to determine if it is irregular expenditure

c) Details of current and previous year irregular expenditure condoned

Description	2022/2023	2021/2022
	R'000	R'000
Irregular expenditure condoned	0	0
TOTAL	0	0

d) Details of current and previous year irregular expenditure removed - (not condoned)

Description	2022/2023	2021/2022
	R'000	R'000
Irregular expenditure NOT condoned and removed	0	0
TOTAL	0	0

e) Details of current and previous year irregular expenditure recoverable

Description	2022/2023	2021/2022
	R'000	R'000
Irregular expenditure NOT condoned and removed	0	208.43
TOTAL	0	208.43

f) Details of current and previous year irregular expenditure not recoverable and written off (irrecoverable)

Description	2022/2023	2021/2022
	R'000	R'000
Irregular expenditure written off	0	0
TOTAL	0	0

Additional disclosure relating to Inter-Institutional Arrangements

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

Description	2022/2023	2021/2022
	R'000	R'000
None	0	0
TOTAL	0	0

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

Description	2022/2023	2021/2022
	R'000	R'000
The institution procured services of another organ of state to conduct business case analysis for a division that is to be established, and it was found that the supplier awarded the contract did not meet the minimum requirement and Entity A was part of the bid committee meeting	0	0
TOTAL	0	0

i) Details of current and previous year disciplinary or criminal steps taken because of irregular expenditure

Disciplinary steps taken	2022/2023	2021/2022
	R'000	R'000
Disciplinary steps taken- Warning letters issued	7 969. 00	8 551. 00
TOTAL	7 969. 00	8 551. 00

Fruitless and wasteful Expenditure

Reconciliation of irregular expenditure		
Description	2022/2023	2021/2022
	R'000	R'000
Opening balance	1 447	1 003
Add: Irregular expenditure confirmed	46	444
Less: Irregular expenditure condoned	0	0
Less: Irregular expenditure not condoned and removed	0	0
Less: Irregular expenditure recoverable	(12.5)	0
Less: Irregular expenditure not recovered and written off	0	0
Closing balance	1 480.5	1 447

Reconciliation of irregular expenditure		
Description	2022/2023	2021/2022
	R'000	R'000
Expenditure that was under assessment in 2021/2022	0	0
Expenditure that relates to 2021/22 and identified in 2022/23	0	0
Expenditure for the current year	46	444
Total	46	444

b) Details of current and previous year Fruitless wasteful expenditure (under assessment, determination, and investigation)

Description	2022/2023	2021/2022
	R'000	R'000
expenditure under assessment	0	0
expenditure under determination	0	0
expenditure under investigation	0	0
TOTAL	0	0

c) Details of current and previous year Fruitless&wasteful expenditure condoned

Description	2022/2023	2021/2022
	R'000	R'000
Expenditure condoned	0	0
TOTAL	0	0

d) Details of current and previous year Fruitless wasteful expenditure removed - (not condoned)

Description	2022/2023	2021/2022
	R'000	R'000
Expenditure NOT condoned and removed	0	0
TOTAL	0	0

e) Details of current and previous year fruitless wasteful expenditure recoverable

Description	2022/2023	2021/2022
	R'000	R'000
Expenditure recovered	12.5	0
TOTAL	12.5	0

f) Details of current and previous year Fruitless&wasteful expenditure not recoverable and written off (irrecoverable)

Description	2022/2023	2021/2022
	R'000	R'000
Expenditure recovered	0	0
TOTAL	0	0

g) Details of current and previous year disciplinary or criminal steps taken because of Fruitless & wasteful expenditure

Disciplinary steps taken	2022/2023	2021/2022
	R'000	R'000
Expenditure recovered	0	0
TOTAL	0	0

ANNUAL FINANCIAL STATEMENTS

For the year ended
31 March 2023

PART F

Community Schemes Ombud Service

Index

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

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Country of incorporation and domicile

South Africa

Nature of business and principal activities

**Regulatory Authority of all scheme in
South Africa**

Non-Executive Directors

**Ms. M.P. Mthethwa
Mr. D.V. Goliath
Ms M. Ramataboe
Mr S. Rakolote
Ms T. Godongwana
Adv. M.D Xulu
Ms M. Shandu**

Executive Directors

**Adv. B. Mkhize (Chief Ombud)
Ms T. Mbatha CA(A) (CFO)**

Registered Office

**Berkley Office Park
8 Bauhinia Street
Highveld Techno Park
Centurion
0169**

Controlling Entity

**National Department of Human
Settlements**

Bankers

**First National Bank
Corporation for Public Deposits (CPD)**

Auditors

Auditors-General South Africa (AGSA)

Secretary

Sigama Attorneys

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

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the Community Schemes Ombud Service set out on pages xx to xx, which comprise the statement of financial position as at 31 March 2023, statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Community Schemes Ombud Service as at 31 March 2023 and its financial performance and cash flows for the year then ended in accordance with Standards of Generally Recognised Accounting Practice (Standards of GRAP) and the requirements of the Public Finance Management Act 1 of 1999 (PFMA).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the responsibilities of the auditor-general for the audit of the financial statements section of my report.
4. I am independent of the public entity in accordance with the International Ethics

Standards Board for Accountants' International code of ethics for professional accountants (including International Independence Standards) (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.

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

Emphasis of matter

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

Restatement of corresponding figures

7. As disclosed in note 35 of the financial statements, the corresponding figures for 31 March 2022 were restated as a result of errors in the financial statements of the public entity at, and for the year ended 31 March 2023.

Material impairments - receivables from non exchange transactions

8. As disclosed in note 9 to the financial statements, material losses of R120 207 594 were incurred as a result of the impairment of statutory receivables from non-exchange transactions.

Irregular expenditure

9. As disclosed in note 39 to the financial statements, irregular expenditure of R28 820 374 was incurred, due to non-compliance with supply chain management requirements.

Other matter

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

National Treasury Instruction No. 4 of 2022/2023: PFMA Compliance and Reporting Framework

11. On 23 December 2022 National Treasury issued Instruction Note No. 4: PFMA Compliance and Reporting Framework of 2022-23 in terms of section 76(1)(b), (e) and (f), 2(e) and (4)(a) and (c) of the PFMA, which came into effect on 3 January 2023. The PFMA Compliance and Reporting Framework also addresses the disclosure of unauthorised expenditure, irregular expenditure and fruitless and wasteful expenditure. Among the effects of this framework is that irregular and fruitless and wasteful expenditure incurred in previous financial years and not addressed is no longer disclosed in the disclosure notes of the annual financial statements, only the current year and prior year figures are disclosed in note 39 to the financial statements. The movements in respect of irregular expenditure and fruitless and wasteful expenditure are no longer disclosed in the notes to the annual financial statements of Community Schemes Ombud Service. The disclosure of these movements (e.g., condoned, recoverable, removed, written off, under assessment, under determination and under investigation) are now required to be included as part of other information in the annual report of the auditees. I do not express an opinion on the disclosure of irregular expenditure and fruitless and wasteful expenditure in the annual report.

Responsibilities of the accounting authority for the financial statements

12. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with the Standards of GRAP and the requirements of the PFMA and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
13. In preparing the financial statements, the accounting authority is responsible for assessing the entity's ability to continue as a going concern; disclosing, as applicable, matters relating to going concern; and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the auditor-general for the audit of the financial statements

14. 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.

15. 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 annual performance report

16. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I must audit and report on the usefulness and reliability of the reported performance information against predetermined objectives for the selected material performance indicators presented in the annual performance report. The accounting authority is responsible for the preparation of the annual performance report.

17. I selected the following material performance indicators related to Programme 2 – Regulation and Programme 3 – Education and Training presented in the annual performance report for the year ended 31 March 2023. I selected those indicators that measure the entity's performance on its primary mandated functions and that are of significant national, community or public interest.

Responsibilities of the auditor-general for the audit of the financial statements

- 2.2.1. Percentage registration of community schemes that have submitted scheme registration documents
- 2.2.2 Percentage of registered community schemes compliant
- 2.3.1. Database of schemes governance documents established
- 2.3.2. Percentage of quality assured schemes governance documentation
- 2.3.3. Percentage of compliance certificates issued on all amended scheme documents
- 3.1.1 Percentage of disputes assessed within 30 days

- 3.1.2 Percentage of disputes conciliated within 90 days
- 3.1.3 Percentage of disputes adjudicated within 90 days
- 3.1.4 Percentage of adjudication orders quality assured within 7 days
- 4.1.1. Number of training and education sessions conducted for scheme executives and owners
- 4.1.2. Number of training sessions conducted for adjudicators, conciliators and stakeholders
- 4.2.1. Number of stakeholder information sessions conducted
- 4.3.1. Percentage implementation of Advocacy Plan
- 5.2.1. Number of previously disadvantaged individuals trained as executive managing agents
- 5.2.2. Percentage of community schemes' requests for Executive Managing Agents awarded to previously disadvantaged individuals

18. I evaluated the reported performance information for the selected material performance indicators against the criteria developed from the performance management and reporting framework, as defined in the general notice. When an annual performance report is prepared using these criteria, it provides useful and reliable information and insights to users on the entity's planning and delivery on its mandate and objectives.

19. I performed procedures to test whether:

- the indicators used for planning and reporting on performance can be linked directly to the entity's mandate and the achievement of its planned objectives
- the indicators are well defined and verifiable to ensure that they are easy to understand and apply consistently and that I can confirm the methods and processes to be used for measuring achievements

- the targets linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated
- the indicators and targets reported on in the annual performance report are the same as what was committed to in the approved initial or revised planning documents
- the reported performance information is presented in the annual performance report in the prescribed manner
- there are adequate supporting evidence for the achievements reported and for the reasons provided for any over- or underachievement of targets.

20. I performed the procedures for the purpose of reporting material findings only.

21. I did not identify any material findings on the reported performance information for the selected material performance indicators.

Other matters

22. I draw attention to the matters below.

Achievement of planned targets

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

Material misstatements

24. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information for Programme 2 - Regulation. Management subsequently corrected all the misstatements, and I did not include any material findings in this report.

Report on compliance with legislation

25. In accordance with the PAA and the general notice issued in terms thereof, I must audit and report on compliance with applicable legislation relating to financial matters, financial management and other related matters. The accounting authority is responsible for the public entity's compliance with legislation.

26. I performed procedures to test compliance with selected requirements in key legislation in accordance with the findings engagement methodology of the Auditor-General of South Africa (AGSA). This engagement is not an assurance engagement. Accordingly, I do not express an assurance opinion or conclusion.

27. Through an established AGSA process, I selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the entity, are clear to allow consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.

28. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

Annual financial statements, performance and annual report

29. 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 non-current assets, current assets, liabilities, revenue, expenditure and disclosure items identified by the auditors in the submitted financial statement were corrected and the relevant supporting records were provided subsequently, resulting in the financial statements receiving an unqualified audit opinion.

Procurement and contract management

30. I was unable to obtain sufficient appropriate audit evidence that goods and services of a transaction value above R1 000 000 were procured by means of inviting competitive bids, as required by Treasury Regulation 16A6.1 and paragraph 3.3.1 of NTI 02 of 2021/22.

31. Some of the contracts and quotations were awarded to bidders based on preference points that were not allocated and calculated in accordance with the requirements of the Preferential Procurement Policy Framework Act No. 5 of 2000 and Preferential Procurement Regulation.

Expenditure management

32. Effective and appropriate steps were not taken to prevent irregular expenditure 4 as disclosed in note 39 to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA.

Revenue management

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

Other information in the annual report

34. The accounting authority is responsible for the other information included in the annual report. The other information referred to does not include the financial statements, the auditor's report and those selected material indicators in the scoped-in programmes presented in the annual performance report that have been specifically reported on in this auditor's report.

35. My opinion on the financial statements, the report on the audit of the annual performance report and the report on compliance with legislation do not cover the other information included in the annual report and I do not express an audit opinion or any form of assurance conclusion on it.

36. My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with the financial statements and the selected material indicators in the scoped-in programmes presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

37. If, based on the work I have performed, I conclude that there is a material misstatement in this other information, I am required to report that fact.

38. I have nothing to report in this regard.

Internal control deficiencies

39. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.
40. The matters reported below are limited to the significant internal control deficiencies that resulted in the material findings on compliance with legislation included in this report.
41. Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting.
42. Management did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information, due to the absence of adequate reviews.

43. Leadership did not adequately oversee the entity's compliance with the applicable laws and legislation.

Other reports

44. I draw attention to the following engagements conducted by various parties. 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.
45. Investigations by the Public Protector of South Africa and an external consulting firm are being conducted into allegations relating to procurement processes followed during the awarding of tenders during the 2021 – 2022 and 2022 – 2023 financial years. At the date of this report, the outcome of the investigations are still pending.

Auditor - General



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure to the auditor's report

The annexure includes the following:

- the auditor-general's responsibility for the audit
- the selected legislative requirements for compliance testing.

Auditor-general's responsibility for the audit

Professional judgement and professional scepticism

As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements and the procedures performed on reported performance information for selected material performance indicators and on the public entity's compliance with selected requirements in key legislation.

Financial statements

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the public entity's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- conclude on the appropriateness of the use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the entity to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a public entity to cease operating as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

Communication with those charged with governance

I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide the accounting authority with a statement that I have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

Compliance with legislation – selected legislative requirements

Legislation	Sections or regulations
Public Finance Management Act No.1 of 1999 (PFMA)	Section 51(1)(a)(iv); 51(1)(b)(i); 51(1)(b)(ii); 51(1)(e)(iii); 53(4); 54(2)(c); 54(2)(d); 55(1)(a); 55(1)(b); 55(1)(c)(i); 56(1); 56(2); 57(b)
Treasury Regulations for departments, trading entities, constitutional institutions and public entities (TR)	Treasury Regulation 8.2.1; 8.2.2; 16A 3.1; 16A 3.2; 16A 3.2(a); 16A 6.1; 16A6.2(a) & (b); 16A6.2(e); 16A 6.3(a); 16A 6.3(a)(i); 16A 6.3(b); 16A 6.3(c); 16A 6.3(d); 16A 6.3(e); 16A 6.4; 16A 6.5; 16A 6.6; TR 16A.7.1; 16A.7.3; 16A.7.6; 16A.7.7; 16A 8.2(1); 16A 8.2(2); 16A 8.3; 16A 8.3(d); 16A 8.4; 16A9.1 16A9; 16A9.1(b)(ii); 16A9.1(c); 16A 9.1(d); 16A 9.1(e); 16A9.1(f); 16A 9.2; 16A 9.2(a)(ii); TR 16A 9.2(a)(iii); 30.1.1; 30.1.3(a); 30.1.3(b); 30.1.3(d); 30.2.1; 31.1.2(c); 31.2.1 31.3.3; 33.1.1; 33.1.3
Prevention and Combating of Corrupt Activities Act No.12 of 2004 (PRECCA)	Section 34(1)
Construction Industry Development Board Act No.38 of 2000 (CIDB)	Section 18(1)
CIDB Regulations	CIDB regulation 17; 25(1); 25 (5) & 25(7A)
Preferential Procurement Policy Framework Act (PPPFA)	Section 1(i); 2.1(a); 2.1(b); 2.1(f)
Preferential Procurement Regulations, 2017	Regulation 4.1; 4.2 5.1; 5.3; 5.6; 5.7; 6.1; 6.2; 6.3; 6.5; 6.6; 6.8; 7.1; 7.2; 7.3; 7.5; 7.6; 7.8; 8.2; 8.5 9.1; 9.210.1; 10.211.1; 11.2; 12.1 and 12.2
Preferential Procurement Regulations, 2022	Regulation 3.1; 4.1; 4.2; 4.3; 4.4; 5.1; 5.2; 5.3; 5.4
PFMA SCM Instruction no. 09 of 2022/2023	Paragraph 3.1; 3.3 (b); 3.3 (c); 3.3 (e); 3.6
National Treasury Instruction No.1 of 2015/16	Paragraph 3.1; 4.1; 4.2

Legislation	Sections or regulations
NT SCM Instruction Note 03 2021/22	Paragraph 4.1; 4.2 (b); 4.3; 4.4; 4.4 (a); 4.4 (c) -(d); 4.6; 5.4; 7.2; 7.6
NT SCM Instruction 4A of 2016/17	Paragraph 6
NT SCM Instruction Note 03 2019/20	Par 5.5.1(vi); 5.5.1(x);
NT SCM Instruction Note 11 2020/21	Paragraph 3.1; 3.4 (a) and (b); 3.9; 6.1;6.2;6.7
NT SCM Instruction note 2 of 2021/22	Paragraph 3.2.1; 3.2.2; 3.2.4(a) and (b); 3.3.1; 3.2.2; 4.1
PFMA SCM Instruction 04 of 2022/23	Paragraph 4(1); 4(2); 4(4)
Practice Note 5 of 2009/10	Paragraph 3.3
PFMA SCM instruction 08 of 2022/23	Paragraph 3.2; 4.3.2; 4.3.3
NT instruction note 4 of 2015/16	Paragraph 3.4
Second amendment of NTI 05 of 2020/21	Paragraph 4.8; 4.9; 5.1; 5.3
Erratum NTI 5 of 202/21	Paragraph 1; 2
Practice note 7 of 2009/10	Paragraph 4.1.2
Practice note 11 of 2008/9	Paragraph 3.1and 3.1 (b)
NT instruction note 1 of 2021/22	Paragraph 4.1

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 are 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 members to ensure that the annual financial statements fairly present the situation of the entity as at the end of the financial year and the results of its operations and cash flows for the period then ended. 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 Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

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 to be ultimately responsible for the system of internal financial control established by the entity and places considerable importance on maintaining a strong control environment. To enable the accounting authority to meet these responsibilities, the accounting authority sets standards for internal control 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 acknowledges to be ultimately responsible for the system of internal financial control established by the entity and places considerable importance on maintaining a strong control environment. To enable the accounting authority to meet these responsibilities, the accounting authority sets standards for internal control 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 is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting authority has reviewed the entity's cash flow forecast for the year to 31 March 2024 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.



Ms. M.P. Mthethwa

Chairperson

The entity is largely dependent on self-generated income for continued funding of operations. The annual financial statements are prepared on the basis that the entity is a going concern, and that the entity has neither the intention nor the need to liquidate or curtail materially the scale of the entity. Although the accounting authority is primarily responsible for the financial affairs of the entity, they are supported by the entity's external auditors. The external auditors are responsible for independently reviewing and reporting on the entity's annual financial statements.

The annual financial statements set out on page 4 to 52 which have been prepared on the going concern basis, were approved by the accounting authority on 23 August 2023 and were signed on its behalf by:



Ms. T. Mbatha (CA)SA

Acting Chief Ombud

Accounting Authority's Report

The members submit their report for the year ended 31 March 2023

1. Review of activities

Main business and operation

The Community Schemes Ombud Service (CSOS) was established in terms of the Community Schemes Ombud Service (CSOS), 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 accounting authority, management, staff and all our key partners and stakeholders within community schemes.

2. Going concern

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

The CSOS' main income stream is the levies that are received from the community schemes, payable in terms of section 59 of the CSOS Act. Furthermore, the CSOS receives a grant from the Department of Human Settlements and it generates interest through its investments. The funds generated from levies, the grant, and the interest, are available to finance future operations and the settlement of liabilities.

3. Accounting Authority

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

NON-EXECUTIVE DIRECTORS

Ms. M.P. Mthethwa
Mr D.V. Goliath
Ms. M. Ramataboe
Mr. S. Rakolote
Ms. T. Godongwana
Adv. M.D Xulu
Ms. M. Shandu
Ms. D Subbiah

CHANGES

Appointed Thursday, 20 October 2022

Resigned Wednesday, 13 April 2022

EXECUTIVE DIRECTORS

Adv. B. Mkhize- Chief Ombud
Ms. T. Mbatha (CA)SA- Chief Financial Officer

Resigned Wednesday, 13 April 2023

4. Secretary

Sigama Attorneys was appointed on Monday, 21 February 2022

5. Irregular, Fruitless and Wasteful Expenditure

Irregular, fruitless, and wasteful expenditures incurred for the period under review are disclosed in note 39 of these annual financial statements.

6. Other significant matters

VBS Update

Pursuant to the irregular investment of RBO million that was made into VBS Mutual Bank in the year ending 31 March 2018 by CSOS. CSOS was since advised by the Directorate for Priority Crimes Investigation (DPCI), known as the "Hawks" that the investigation has been concluded in respect of the CSOS investment and it revealed the movement of monies and persons involved. The CSOS has yet to access the actual report and consider options for the possible recovery of the monies lost.

In the meantime, CSOS has also lodged a claim with the liquidators appointed to liquidate VBS on 2 November 2021. The last correspondence from the liquidators was received on 05 July 2022. The correspondence was to acknowledge receipt of the claim and to assure CSOS that once the estate is in the position to commission a special meeting with the creditors, a process as prescribed in the Insolvent Act 24 of 1936 as amended will be followed. CSOS has made inquiries with DPCI and still awaits the process of DPCI to unfold.

Internally CSOS has since taken disciplinary steps against individuals who were responsible for the investment. A provision for impairment loss has also been raised against the investment. As at this current year-end, the liquidators have not yet indicated what they are likely to recover and pay over to creditors that have lodged their claims

There is an indication that CSOS may need to prove whether the money was indeed invested to VBS or another party. The board is seeking to verify, who the recipient of the funds is to initiate a criminal process. The matter of whether the funds were invested is under investigation.

Community Schemes Ombud Service
Annual Financial Statements for the year
ended 31 March 2023

Statement of Financial Position as at 31 March 2023

Figures in Rand	Note(s)	2023	2022
Assets			
Current Assets			
Receivables from exchange transactions	8	720 080	523 256
Receivables from non-exchange transactions	9	131 030 646	97 627 593
Prepaid expenses	10	5 790 462	2 336 723
Cash and cash equivalents	11	309 596 258	357 803 062
		447 137 446	458 290 634
Non-Current Assets			
Property, plant and equipment	4	9 830 667	8 745 625
Intangible assets	5	26 681 993	16 551 092
Other receivables - Rental deposits	7	687 965	632 965
		37 200 625	25 929 682
Total Assets		484 338 071	484 220 316
Liabilities			
Current Liabilities			
Operating lease liabilities	12	1 837 299	2 320 519
Payables from exchange transactions	13	12 256 746	21 315 925
Provisions	14	2 585 229	-
Unallocated Levies	15	154 213 742	115 011 449
Revenue Received in advance - Scheme Payments	41	42 335 944	-
		213 228 960	138 647 893
Total Liabilities		213 228 960	138 647 893
Net Assets		271 109 111	345 572 423
Accumulated surplus		271 109 111	345 572 423
Total Net Assets		271 109 111	345 572 423

Statement of Financial Position			
Figures in Rand	Note(s)	2023	2022
Revenue			
Revenue from exchange transactions			
Other revenue	16	164 462	594 833
Interest received from the bank	42	16 387 827	5 924 109
Total revenue from exchange transactions		16 552 289	6 518 942
Revenue from non-exchange transactions			
Government grants & subsidies	17	24 817 000	24 022 000
Levies	18	333 655 373	262 306 242
Interest from non-exchange receivables	19	1 791 604	-
Total revenue from non-exchange transactions		360 263 977	286 328 242
Total revenue	20	376 816 266	292 847 184
Expenditure			
Employee and Emoluments related costs	21	(132 606 270)	(99 265 008)
Depreciation and amortisation	22	(4 008 471)	(1 968 101)
Finance costs	23	(2 353)	(23 000)
Lease rentals on operating lease	24	(10 903 975)	(10 309 371)
Debt Impairment	43	(120 207 594)	-
Contracted services	25	(41 808 750)	(19 022 433)
Loss on disposal of property, plant and equipment	26	(374 164)	(370 765)
General Expenses	27	(36 168 001)	(30 891 519)
Total expenditure		(346 079 578)	(161 850 197)
Surplus for the year		30 736 688	130 996 987

Community Schemes Ombud Service
Annual Financial Statements for the year
ended 31 March 2023

Statement of Changes in Net Assets

Figures in Rand

Accumulated
Surplus/deficit

Total net
Assets

Opening balance as previously reported	214 545 257	214 545 257
Adjustments		
Correction of errors	30 177	30 177
Balance at 01 April 2021 as restated*	214 575 434	214 575 434
Changes in net assets		
Surplus for the year	127 046 869	127 046 869
Total changes	127 046 869	127 046 869
Opening balance as previously reported	341 622 303	341 622 303
Adjustments		
Correction of errors	3 950 120	3 950 120
Balance at 01 April 2022 as restated*	345 572 423	345 572 423
Changes in net assets		
Transfer of prior year surpluses (Note 44)	(105 200 000)	(105 200 000)
Net income (losses) recognised directly in net assets	(105 200 000)	(105 200 000)
Surplus for the year	30 736 688	30 736 688
Total recognised income and expenses for the year	(74 463 312)	(74 463 312)
Total changes	(74 463 312)	(74 463 312)
Balance at 31 March 2023	271 109 111	271 109 111
Note(s)		

Cash Flow Statement

Figures in Rand	Note(s)	2023	2022
Cash flows from operating activities			
Receipts			
Grants		24 817 000	24 022 000
Levies		263 374 568	249 695 828
Interest Received		16 187 057	5 624 212
Other receipts		168 412	594 832
		304 547 037	279 936 872
Payments			
Employee costs		(130 914 129)	(98 745 372)
Suppliers		(100 983 780)	(41 158 495)
Finance costs		(2 353)	(23 000)
		(231 900 262)	(139 926 867)
Net cash flows from operating activities	29	72 646 775	140 010 005
Cash flows from investing activities			
Purchase of property, plant, and equipment	4	(3 980 950)	(5 083 565)
Proceeds from the sale of property, plant, and equipment		36 964	(1)
Purchase of other intangible assets	5	(11 654 592)	(15 547 848)
Movement in Other receivables (Rental deposit)		(55 000)	380 771
Net cash flows from investing activities		(15 653 578)	(20 250 643)
Cash flows from financing activities			
Transfer of Prior year surplus		(105 200 000)	-
Net cash flows from financing activities		(105 200 000)	-
Net increase/(decrease) in cash and cash equivalents		(48 206 803)	119 759 362
Cash and cash equivalents at the beginning of the year		357 803 061	238 043 699
Cash and cash equivalents at the end of the year	11	309 596 258	357 803 061

Community Schemes Ombud Service
Annual Financial Statements for the year
ended 31 March 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Statement of Financial Performance

Revenue

Revenue from exchange transaction

Other income	-	69 554	69 554	164 462	94 908	
Interest received from the bank	9 511 634	-	9 511 634	16 387 827	6 876 193	1
Total revenue from exchange transactions	9 511 634	69 554	9 581 188	16 552 289	6 971 101	

Revenue from non-exchange transactions

Transfer revenue

Government grants & subsidies	24 817 000	-	24 817 000	24 817 000	-	
Levies	263 513 923	-	263 513 923	333 655 373	70 141 450	2
Interest from non-exchange receivables	-	-	-	1 791 604	1 791 604	3
Surplus retention	170 000 000	(36 028 635)	133 971 365	-	(133 971 365)	
Total revenue from non-exchange transactions	458 330 923	(36 028 635)	422 302 288	360 263 977	(62 038 311)	
Total revenue	467 842 557	(35 959 081)	431 883 476	376 816 266	(55 067 210)	

Expenditure

Personnel	(141 267 112)	(14 693 000)	(155 960 112)	(132 606 270)	23 353 842	4
Depreciation and amortisation	(1 035 849)	-	(1 035 849)	(4 008 471)	(2 972 622)	5
Finance costs	-	-	-	(2 353)	(2 353)	
Lease rentals on operating lease	(10 387 711)	(22 560 371)	(32 948 082)	(10 903 975)	(22 044 107)	6
Debt Impairment	-	-	-	(120 207 594)	(120 207 594)	7
Contracted Services	(60 606 801)	(8 550 267)	(69 157 068)	(41 808 750)	27 348 318	8
General Expenses	(128 596 685)	(20 131 144)	(108 465 541)	(36 168 001)	(72 297 540)	9
Total expenditure	(341 894 158)	(25 672 494)	(367 566 652)	(345 705 414)	21 861 238	
Operating surplus	125 948 399	(61 631 575)	64 316 824	31 110 852	(33 205 972)	
Loss on disposal of assets	-	-	-	(374 164)	(374 164)	
Surplus	125 948 399	(61 631 575)	64 316 824	30 736 688	(33 580 136)	
Actual Amount on Comparable Basis as Presented in the Budget & Actual Comparative Statement	125 948 399	(61 631 575)	64 316 824	30 736 688	(33 580 136)	

Reasons for Variances greater than R500 000 are explained below

1. Interest received

The interest income is above budget due to the favourable bank balance and investment made with SARB.

2. Levies

CSOS collected a levy of R334, m compared to the cumulative budgeted amount of R264, m resulting in a favourable variance of R70, m. This is also due to several increases in registered community schemes.

3. Interest from Non-exchange receivables:

CSOS started charging interest to its customers that have long overdue accounts from 30th September 2022

4. Employee related cost-

There was an underspending of the budget due to certain positions not being filled. The budget for employee cost was adjusted upward because of the leave encashment introduced to encourage the utilisation of leave before year end, OD estimates to bring the salaries up to the social services opted market and revised Board remuneration upward to ensure sufficient budget for revised preparation time and outcomes of the benchmarking exercise with the other entities in the sector.

5. Depreciation and amortisation

There was an increase in depreciation/ amortisation vs what was budgeted due to the capitalisation of some modules CSOS connect which were in use therefore resulted in the amortisation.

6. Lease rentals on operating lease

The underspending on the rental of the buildings is due to the delay in opening new satellite offices. The budget for the lease rentals was adjusted upward because of the recommendation from the feasibility study costing results on satellite offices.

7. Debt Impairment

The provision for impairment loss was not budgeted for.

8. Contracted Services

There was underspending in the contracted services mainly under Consulting and Professional fees because of non- finalisation of finance related projects (Revenue enhancement, etc.) The budget for contracted services was adjusted upward because of added funding for the legal review & consultation process for amendment of the act and increase in consultancy for archiving and referencing of adjudication orders.

9. General Expenses

There was an underspending of R68.03m in the general expenses mainly due to the tender for the marketing campaign with a budget of R60 million that was cancelled due to bidders submitting insufficient responses and the tender was re-advertised and the appointment was made in month of January 2023. The budget for general expenses was adjusted downward because of delayed procurement resulting in projects (Records Management- Collection of Manual Records) not completed.

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Statement of Financial Position

Assets

Non-Current Assets

Property, plant and equipment	17 948 400	(1 625 000)	16 323 400	3 980 950	(12 342 450)	10
Intangible assets	108 000 000	(60 006 575)	47 993 425	11 654 592	(36 338 833)	11
	125 948 400	(61 631 575)	64 316 825	15 635 542	(48 681 283)	
Total Assets	125 948 400	(61 631 575)	64 316 825	15 635 542	(48 681 283)	
Net Assets	125 948 400	(61 631 575)	64 316 825	15 635 542	(48 681 283)	

Net Assets

Net Assets Attributable to
Owners of Controlling Entity

Reserves

Accumulated surplus	125 948 400	(61 631 575)	64 316 825	15 635 542	(48 681 283)	
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10. Property Plant and Equipment

The underspending was because of the delays in the appointment of the service provider for the supply, delivery and installation for the server hardware and storage. The service provider was appointed on 08/02/2023. The underspending was because of the delays in the appointment of the panel for ICT equipment service providers. The appointment of the panel was made on 09/03/2023. The budget for capex was adjusted downward to allocate for the operating expenditure adjustments

11. Intangible assets

The underspending was as a result of delays in appointment of service provider for the provision of Enterprise Content and Document management solutions. This resulted in the tender being cancelled and had to be re-advertised due to insufficient proposals received from bidders. The budget for capex was adjusted downward to allocate for the operating expenditure adjustments.

The accounting policies on pages 13 to 27 and the notes on pages 28 to 52 form an integral part of the annual financial statements.

Accounting Policies

1. Presentation of Annual Financial Statements

CSOS is established in terms of the Community Schemes Ombud Services Act 9 Of 2011 and is classified as a Schedule 3A entity in terms of the Public Finance Management Act (Act 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. All figures are rounded to the nearest rand.

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

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. The 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:

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

Impairment of statutory receivables

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the entity measures and impairment loss. The impairment loss is measured as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable, or group of statutory receivables, are reduced, either directly or using an allowance account. The amount of the loss is recognised in surplus or deficit.

In estimating the future cash flows, the entity considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the entity discounts the estimated future cash flows using a rate that reflects the current risk-free rate and, if applicable, any risks specific to the statutory receivable, or group of statutory receivables, for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable are revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows.

Debtors will be evaluated for recoverability based on their aging at each reporting date. The impairment losses are estimated based on historical experience of the recoverability of debt at CSOS. The CSOS further took into consideration current macroeconomic factors to conclude on appropriate expected loss rates being the sudden economic downturn, increase in unemployment, increase in interest rate, inflation, amongst other - were expected to result in increases in defaults in the short term.

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 is undertaken, management estimates the expected future cash flows from the asset or cash generating unit and chooses a suitable discount rate to calculate the present value of those cash flows.

1.1 Significant judgements and sources of estimation uncertainty

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 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 bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

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.

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	3-9 years
Motor vehicles	Straight-line	5-8 years
Office Machinery and Equipment	Straight-line	3-6 years
Computer equipment	Straight-line	3-6 years
Leasehold improvements	Straight-line	Based on the lesser of lease period or useful lives of the asset
Mobile devices	Straight-line	3 years

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 entity assesses at each reporting date whether there is any indication that the entity expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the entity revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

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

1.2 Property, plant, and equipment

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.

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.

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
Licenses	Straight-line	Based on the Licence period
Computer software	Straight-line	5-10 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.

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. The probability that the debtor will enter 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.

Statutory receivables

The carrying number of statutory receivables shall be disclosed separately in the notes to the financial statements, clearly distinguishing statutory receivables from receivables which are financial assets and other 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 and other financial institutions. These deposits 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 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 :
 - derecognises the asset; and

- recognise separately any rights and obligations created or retained in the transfer.

On 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 recognise 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).

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Receivable from exchange transactions-Trade Debtors	Financial asset measured at amortised cost
Receivable from exchange transactions-Interest accrued	Financial asset measured at amortised cost
Receivable from exchange transactions-Staff debtors	Financial asset measured at amortised cost
Cash and cash equivalents: Bank balances	Financial asset measured at amortised cost
Cash and cash equivalents : Call deposits	Financial asset measured at amortised cost
Receivables from Non-exchange (Statutory receivables)	Financial asset measured at amortised cost

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto

Class	Category
Payables from exchange transactions : Trade creditors	Financial asset measured at amortised cost
Payables from exchange transactions : Accruals	Financial asset measured at amortised cost
Payables from exchange transactions : Leave payable	Financial asset measured at amortised cost
Payables from exchange transactions: Payroll liabilities	Financial asset measured at amortised cost
Payables from exchange transactions : PAYE Withheld	Financial asset measured at amortised cost
Unallocated Levies	Financial asset measured at amortised cost
Revenue received in advance	Financial asset measured at amortised cost.

1.5 Statutory receivables

Identification

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset.

Carrying amount is the amount at which an asset is recognised in the statement of financial position.

The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

The transaction amount for a statutory receivable means the amount specified in, or calculated, levied, or charged in accordance with, legislation, supporting regulations, or similar means.

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Recognition

The entity recognises statutory receivables as follows:

- if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions;
- if the transaction is a non-exchange transaction, using the policy on Revenue from non-exchange transactions (Taxes and transfers); or
- if the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

Initial measurement

The entity initially measures statutory receivables at their transaction amount.

Subsequent measurement

The entity measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed after initial recognition to reflect any:

- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

Accrued interest

Where the entity levies interest on the outstanding balance of statutory receivables, it adjusts the transaction amount after initial recognition to reflect any accrued interest. Accrued interest is calculated using the nominal interest rate.

Interest on statutory receivables is recognised as revenue in accordance with the policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers), whichever is applicable.

Other charges

Where the entity is required or entitled in terms of legislation, supporting regulations, by-laws, or similar means to levy additional charges on overdue or unpaid amounts, and such charges are levied, the entity applies the principles as stated in "Accrued interest" above, as well as the relevant policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers).

Impairment losses

The entity assesses at each reporting date whether there is any indication that a statutory receivable, or a group of statutory receivables, may be impaired.

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the entity considers, as a minimum, the following indicators:

- Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.

- It is probable that the debtor will enter sequestration, liquidation, or other financial re-organisation.
- A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).
- Adverse changes in international, national, or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the entity measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable, or group of statutory receivables, is reduced, either directly or using an allowance account. The amount of the losses is recognised in surplus or deficit.

In estimating the future cash flows, an entity considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the entity discounts the estimated future cash flows using a rate that reflects the current risk-free rate and, if applicable, any risks specific to the statutory receivable, or group of statutory receivables, for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows.

Any previously recognised impairment loss is adjusted either directly or by adjusting the allowance account. The adjustment does not result in the carrying amount of the statutory receivable or group of statutory receivables exceeding what the carrying amount of the receivable(s) would have been had the impairment loss not been recognised at the date the impairment is revised. The amount of any adjustment is recognised in surplus or deficit.

Derecognition

The entity derecognises a statutory receivable, or a part thereof, when:

- the rights to the cash flows from the receivable are settled, expire, or are waived;
- the entity transfers to another party substantially all the risks and rewards of ownership of the receivable; or
- the entity, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable 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 receivable; and
 - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of any statutory receivables transferred are allocated between the rights or obligations retained and those transferred base on their relative fair values at the transfer date.

The entity considers whether any newly created rights and obligations are within the scope of the Standard of GRAP on Financial Instruments or another Standard of GRAP. Any difference between the consideration received and the amounts derecognised and, those amounts derecognised, are recognised in surplus or deficit in the period of the transfer.

1.6 Tax

Tax expenses

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

1.7 Leases

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

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

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.8 Cash and cash equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash and cash equivalents comprise bank balances and deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less which are available on demand.

1.9 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- the period over which an asset is expected to be used by the entity; or
- the number of production or similar units expected to be obtained from the asset by the entity.

1.10 Impairment of non-cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- the period over which an asset is expected to be used by the entity; or
- the number of production or similar units expected to be obtained from the asset by the entity.

1.7 Leases

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

A constructive obligation is an obligation that derives from an entity's actions whereby an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries, and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee

service;

- bonus, incentive, and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars, and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

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 entity measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay because of the unused entitlement that has accumulated at the reporting date.

The entity recognises the expected cost of bonus, incentive, and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits: Defined contribution plans

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

1.12 Provisions and contingencies

Provisions are recognised when:

- the entity has a present obligation because 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 bonus -Employees entitlement to performance bonus is recognised when the Board has approved a percentage of the annual package as bonus for the year. The provision becomes actual after being qualified by the results of the performance measurement tool applied.

Payment of performance bonuses is the sole discretion of the Board. The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the reporting date.

Contingent Liability is a possible obligation that rises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the CSOS. Contingent Liabilities are not recognised in the statement of financial position of the entity but disclosed in the notes. Contingencies are disclosed in note 32.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence and non-occurrence of one or more uncertain future events not wholly within the control of the entity.

1.13 Commitments

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

1.14 Revenue from exchange transactions

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

An exchange transaction is one in which the entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services, or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

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

When, because 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.

Dispute resolution fee

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

Revenue from these fees will be recognised when it is probable that the future economic benefits will flow to the CSOS, and the fair value can be measured reliably. This happens when the community scheme or a member of the scheme files for dispute resolution, files a request for referral of adjudication or requests access to documentation filed with the CSOS. The amount for the fees will be determined in accordance with the regulations of the CSOS Act issued by the Minister of Human Settlements.

Currently the prices are determined as follows:

- Application for Dispute Resolution - R50
- Referral to Adjudication - R100
- Access Fee - RB per copy

A person whose gross monthly income is below R5 500 is entitled to a waiver of the application and adjudication fees. The entire spectrum of Dispute resolution fees for 2022/23 were waived as from 30 November 2021."

1.15 Revenue from non-exchange transactions

Non-exchange revenue consists mainly of Levies, Interest on levies and Grants and subsidies. Levies are charged to registered community schemes in terms of section 54 of the CSOS Act whilst grants and subsidies are received in terms of a budget allocation from the Department of Human Settlements.

Levies

Levies and the related receivable (see statutory receivables note 4) are recognised from registered community schemes as the monies becomes due to the CSOS. The amount receivable is calculated at the lesser of R40 or 2% of the levies exceeding R500, to a maximum of R2500 per month charged by the schemes as per the regulations issued in terms of the CSOS Act. It is assumed that the receipt of these levies is probable at the time of recognition. No provision is made for any unregistered community scheme's outstanding levies until the date of registration at which time all amounts accrued and outstanding, including interest, is levied and recognised.

Community schemes are expected to provide an annual declaration and levy schedules at registration for the levies to be charged. The CSOS uses the last annual declaration for a given financial year of the scheme to calculate the amount due. Where annual declarations have not been submitted, the CSOS will estimate the amount due based on the last declaration received adjusted for inflation (if applicable). Where levies are received from schemes without a levy declaration, the levy assessment and recognition are based on the actual amounts received where the CSOS will look at the trend of payments and select the highest payment made by the scheme to raise levies due to CSOS. Adjustments are made and accounted for between revenue accruals and the assessment amount on the assessment date

and presented as changes in estimates to the extent that these were made after reporting date for previous year accruals.

The CSOS started billing in the last quarter of the year (14 February 2022). The billing was back dated to all the 4 quarters (June 2021, September 2021, December 2021 and March 2022).

Interest on levies

Interest is charged from the 7th day following the due date. Levies are due quarterly to the CSOS. Interest on levies is charged for the late payment or non-payment of the levies as per the impairment policy. Interest is payable at 2%, however the CSOS has elected to start charging interest from the 2022/2023 financial year.

Grants and subsidies

Grants and subsidies are recognised when the relevant grant has been approved by the grantor and it is certain that the CSOS will receive the grant and all conditions relating to the relevant grant has been achieved. The CSOS receives an annual grant from the Department of Human Settlements through its budget allocation in terms of the Divisions of Revenue Act (DORA). The receivable is measured based on the amount in the budget allocation.

1.16 Other income

Other income may include donations received, prescribed liabilities and Insurance payouts.

1.17 Investment income

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

1.18 Fruitless and wasteful expenditure

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

Fruitless and wasteful expenditure will always emanate from an action or lack of action instigated by an official that resulted in a financial loss to the institution.

On discovery, the fruitless and wasteful expenditure is recorded in a register; and then referred for investigation. If an investigation reveals that the employee is liable in law, then accountability for the fruitless and wasteful expenditure and any losses relating thereto shall be vested with that official.

In line with the Treasury Regulations, fruitless and wasteful expenditure must either be recovered from the person liable and in instances where recovery is not possible, such fruitless and wasteful expenditure may be written off by the accounting officer or accounting authority.

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.

1.19 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure incurred in contravention of or that is not in accordance with a requirement of any applicable legislation including, this act or STBA. Irregular expenditure is incurred when the resulting transaction is recognized in the financial records of a department, constitutional institution, or public

entity in accordance with the relevant Accounting Framework.

When an Irregular Expenditure is being suspected, it is reported to the Head of the entity and then re-recorded in the Irregular Expenditure Register.

The alleged Irregular Expenditure is then investigated for confirmation.

When the Irregular Expenditure is confirmed, recovery steps are taken where there is a liable official; or a condonation is sought from the National Treasury.

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

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law.

Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting 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.

1.20 Segment information

A segment is an activity of an entity:

- that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity);
- whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance; and
- for which separate financial information is available.

Reportable segments are the actual segments which are reported on in the segment report. They are the segments identified above or alternatively an aggregation of two or more of those segments where the aggregation criteria are met.

Measurement

The amount of each segment item reported is the measure reported to management for the purposes of making decisions about allocating resources to the segment and assessing its performance. Adjustments and eliminations made in preparing

the entity's financial statements and allocations of revenues and expenses are included in determining reported segment surplus or deficit only if they are included in the measure of the segment's surplus or deficit that is used by management.

Similarly, only those assets and liabilities that are included in the measures of the segment's assets and the segment's liabilities that are used by management are reported for that segment. If amounts are allocated to reported segment surplus or deficit, assets or liabilities, those amounts are allocated on a reasonable basis. If management uses only one measure of a segment's surplus or deficit, the segment's assets, or the segment's liabilities in assessing segment performance and deciding how to allocate resources, segment surplus or deficit, assets and liabilities are reported in terms of that measure. If management uses more than one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities, the reported measures are those that management believes are determined in accordance with the measurement principles most consistent with those used in measuring the corresponding amounts in the entity's financial statements. The entity has used asymmetrical allocation of expenses where the resources were not clearly allocated to a segment.

GRAP 18 Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the Community Schemes Ombud Service (CSOS). The major classifications of activities identified in entity strategy documents will usually reflect the segments for which an entity reports information to management.

Segment information is presented based on geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves operating objectives that are in line with CSOS's overall mission. Geographical segments relate to specific outputs generated, or objectives achieved, by CSOS within a particular region.

The effective date of the standard is for years beginning on or after 01 April 2020. CSOS has adopted the standard for the first time in the 2022/2023 annual financial statements. The adoption of this standard has not had a material impact on the results of the entity, but has resulted in fair presentation of the CSOS annual financial statements.

1.21 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 the entity shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

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

The approved budget covers the fiscal period from 2022/04/01 to 2023/03/31.

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

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the

reporting period have been included in the statement of comparison of budget and actual amounts.

1.22 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 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 those family members who may be expected to influence, or be influenced by that person in their dealings with the entity.

As a minimum, a person is a close member of the family of another person if they are married or live together in an arrangement that may be regarded as similar to a marriage; or are separated by no more than two degrees of natural or legal consanguinity or affinity.

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.

1.23 Prepayments

The entity recognises a prepayment as an asset when:

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

Notes to the Annual Financial Statements

2. Changes in accounting estimate and prior period errors

A "change in accounting estimate" is an adjustment of the carrying amount of an asset or a liability or the amount of the periodic consumption of an asset, that results from the assessment of the present status of, and expected future benefits and obligations associated with, assets and liabilities. Changes in accounting estimates result from new information or new developments and, accordingly, are not corrections of errors. Changes in accounting estimates are recorded prospectively in the current period only, or current period and future periods, depending on the period affected.

Prior period errors are omissions from, misstatements in the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of reliable information that:

- was available when financial statements for those periods were authorised for issue; and
- could reasonably be expected to have been obtained and considered in the preparation and presentation of those financial statements.

Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

3. New standards and interpretations

3.1 Standards and interpretations effective and adopted in the current year

In the current year, the entity has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

• GRAP 18: Segment Reporting	01 April 2020	The adoption of this has not had a material impact on the results of the company but has resulted in more disclosure than would have previously been provided in the financial statements.
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3.2 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the entity's accounting periods beginning on or after 01 April 2023 or later periods but are not relevant to its operations:

• GRAP 25 (as revised): Employee Benefits	01 April 2023	Unlikely there will be a material impact
• Guideline: Guideline on the Application of Materiality to Financial Statements	To be determined	Unlikely there will be a material impact
• GRAP 104 (as revised): Financial Instruments	01 April 2025	Unlikely there will be a material impact
• iGRAP 21: The Effect of Past Decisions on Materiality	01 April 2023	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements	01 April 2023	Unlikely there will be a material impact

4. Property, plant and equipment

	2023			2022		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Furniture and fixtures	3 922 340	(1 431 132)	2 491 208	3 620 723	(1 049 298)	2 571 425
Motor vehicles	846 106	(244 323)	601 783	846 106	(125 868)	720 238
Office equipment	2 317 481	(439 963)	1 877 518	726 987	(295 033)	431 954
IT equipment	8 518 616	(4 727 804)	3 790 812	7 453 732	(4 064 712)	3 389 020
Leasehold improvements	199 254	(143 905)	55 349	199 254	(77 487)	121 767
Mobile devices	1 573 495	(559 498)	1 013 997	1 657 318	(146 097)	1 511 221
Total	17 377 292	(7 546 625)	9 830 667	14 504 120	(5 758 495)	8 745 625

Reconciliation of property, plant, and equipment - 2023

	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	2 571 425	333 547	(2 040)	(411 724)	2 491 208
Motor vehicles	720 238	-	-	(118 455)	601 783
Office equipment	431 954	1 627 759	(8 690)	(173 505)	1 877 518
IT equipment	3 389 020	1 718 839	(189 155)	(1 127 892)	3 790 812
Leasehold improvements	121 767	-	-	(66 418)	55 349
Mobile devices	1 511 221	300 805	(211 243)	(66 418)	1 013 997
Total	8 745 625	3 980 950	(411 128)	(2 484 780)	9 830 667

Reconciliation of property, plant, and equipment - 2022

	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	660 337	2 182 644	(17 074)	(254 482)	2 491 208
Motor vehicles	838 693	-	-	(118 455)	601 783
Office equipment	635 986	23 042	(74 980)	(152 094)	1 877 518
IT equipment	3 360 353	1 354 790	(275 941)	(1 050 182)	3 790 812
Leasehold improvements	188 185	-	-	(66 418)	55 349
Mobile devices	138 787	1 523 089	(2 769)	(147 886)	1 013 997
Total	5 822 341	5 083 565	(370 764)	(1 789 517)	8 745 625

Pledged as security

No assets of the Entity have been pledged as security:

Expenditure incurred to repair and maintain property, plant, and equipment

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

Contracted services	190 187	8 498
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5. Intangible assets

	2023			2022		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Computer software	29 703 731	(3 021 738)	26 681 993	18 049 139	(1 498 047)	16 551 092

Reconciliation of intangible assets - 2023

	Opening balance	Additions	Amortisation	Total
Computer software	16 551 092	11 654 592	(1 523 691)	26 681 993

Reconciliation of intangible assets - 2023

	Opening balance	Additions	Amortisation	Total
Computer software	1 181 828	15 547 848	(178 584)	16 551 092

6. Other financial assets

	2023	2022
At amortised cost	81 814 769	81 814 769
Other financial assets	81 814 769	81 814 769
Impairments	(81 814 769)	(81 814 769)
	-	-

Financial assets at amortised cost

Financial assets at amortised cost impaired

Investments Impaired

Pursuant to the irregular investment of R80 million that was made into VBS Mutual Bank in the year ending 31 March 2018 by CSOS. CSOS was since advised by the Directorate for Priority Crimes Investigation (DPCI), known as the "Hawks" that the investigation has been concluded in respect of the CSOS investment and it revealed the movement of monies and persons involved. The CSOS is yet to access the actual report and consider options for the possible recovery of the monies lost.

In the meantime, CSOS has also lodged a claim with the liquidators appointed to liquidate VBS on 2 November 2021. The last correspondence from the liquidators was received on 05 July 2022. The correspondence was to acknowledge receipt of the claim and to assure CSOS that once the estate is in the position to commission a special meeting with the creditors, a process as prescribed in the Insolvent Act 24 of 1936 as amended will be followed .. CSOS has made inquiries with DPCI and still awaits the process of DPCI to unfold.

nternally CSOS had since taken disciplinary steps against individuals that were responsible for the investment. A provision for impairment loss has also been raised against the investment. As at this current year-end, the DPCI process to release the information is not yet complete.

There is an indication that CSOS may need to prove that the money was indeed invested to VBS or another party. The Board is seeking to verify, who the recipient of the funds to initiate a criminal process. The matter of whether the funds were invested is under investigation.

7. Other receivables - Rental deposits	2023	2022
Deposits - office rental	687 965	632 965
Non-current assets	687 965	632 965

8. Receivables from exchange transactions	2023	2022
Trade debtors	58 423	14 480
Staff debtors	160 990	208 879
Interest Accrued	500 667	299 897
	720 080	523 256

Trade Debtors include monies owed to the CSOS by a part-time adjudicator for over-payments made, a Board member for the tools of trade and legal tax cost recoveries. CSOS is in the process of recovering the monies from all the parties.

Interest Accrued relates to interest accrued but not received. As of 31 March 2023 interest was earned but was not received. Interest of R500,667 (R299,897 : 31 March 2022) was received after 31 March 2023.

Staff Debtors relate to overpayments made to employees and other staff recoveries. CSOS is in the process of recovering monies.

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

Trade and other receivables past due but not impaired

The ageing of amounts past due but not impaired is as follows:

0-30 days	500 667	299 897
31-60 days	4 959	-
61-90 days	13 130	-
+90 days	201 324	223 359

9. Receivables from non-exchange transactions	2023	2022
Levies	251 238 240	97 627 593
Allowance for Impairment loss	(120 207 594)	-
Computer software	131 030 646	97 627 593

Levies receivable arise from section 22 and section 59 of the CSOS Act, which states that every community scheme shall pay a levy amount to the service.

Levies payable to the service are calculated at the lesser of R40 or 2% of the amount by which the monthly administrative levy charged by the community scheme exceeds R500. In terms of the CSOS Regulations.

The CSOS charges interest on levies as per section 13 of the Regulations on the CSOS Act and the accounting policy states that interest will be charged on outstanding levies.

The levies receivable are collectible, as they have been recognized in terms of GRAP 14, Events after reporting date.

Credit quality of receivables from non-exchange

Debtors will be evaluated for recoverability based on their aging at each reporting date. The impairment losses are estimated based on historical experience of the recoverability of debt at

CSOS. The CSOS further took into consideration current macroeconomic factors to conclude on appropriate expected loss rates being the sudden economic downturn, increase in unemployment, increase in interest rate, inflation, amongst other - were expected to result in increases in defaults in the short term:

Receivables from non-exchange transactions impaired

As of 31 March 2023, management evaluated all debtors for recoverability based on their aging. The impairment losses are estimated based on historical experience of the recoverability of debt at CSOS. The CSOS further took into consideration current macro-economic factors to conclude on appropriate expected loss rates being the sudden economic downturn, increase in unemployment, increase in interest rate, inflation, amongst other - were expected to result in increases in defaults in the short term.

For the year ending 31 March 2023, impairment loss will be calculated based on the below.

Impairment loss	Allowance for Impairment loss
90 days (50% expected cash flow)	22 300 499
180 days (0% expected cash flow)	97 907 094
	120 207 593

The CSOS bills customers quarterly thus at 90 days and 180 days - hence RO impairment at other aging categories.

10. Prepaid expenses	2023	2022
Prepaid expenses	5 790 462	2 336 723

Prepaid Expenses relate to licences paid for the use of software, rentals paid in advance.

11. Cash and cash equivalents	2023	2022
Cash and cash equivalents consist of:		
Bank balances	170 847 800	227 160 575
Short-term deposits	138 748 458	130 642 486
	309 596 258	357 803 061

12. Operating lease liability	2023	2022
Current liabilities	1 837 299	2 320 519

Operating Leases are recognised on the straight-line basis as per the requirement of GRAP 13.

Leasing Arrangements

Operating Leases relate to Property, Plant, and Equipment with lease terms not longer than 5 years, with an option to extend for a further period. All operating lease contracts contain market review clauses if the Entity exercises its option to renew. The Entity does not have an option to purchase the leased asset at the expiry of the lease period.

Amounts payable under Operating Leases

At the Reporting Date the Entity had outstanding commitments under Non-cancellable Operating Leases for Property, Plant and Equipment, which fall due as follows:

Building and photocopy machines:		
Up to 1 year	11 412 177	11 282 607
2 to 5 years	6 638 136	16 791 233
	18 050 313	28 073 840

12. Operating lease liability (continued)	2023	2022
Total Operating Lease Arrangements		
The following payments have been recognised as an expense in the Statement of Financial Performance:		-
Minimum lease payments	10 903 975	10 309 371

Operating Lease payments represent rentals payable by the entity for certain of its office properties and photocopy machines .. Leases are negotiated for an average term of five (5) years. The lease term for Gauteng and Head Office is for three (3) years and for the PE, George & Polokwane satellite office is two (2) years.

13. Payables from exchange transactions	2023	2022
Trade payables	5 549 122	9 863 460
PAYE withheld	19 099	19 099
Payroll liabilities	715 864	505 031
Accrued leave pay	3 453 700	4 557 621
Other accrued expenses	2 518 961	6 370 714
Other accrued expenses	12 256 746	21 315 925

Receivables from non-exchange transactions impaired

Trade Creditors are in respect of amounts due to suppliers for services rendered and goods supplied. Creditors are paid within 30 days from receipt of invoice as required by Treasury Regulations.

Accrued expenses:

relates to services rendered and goods supplied before year-end not invoiced at year-end.

Payroll Liabilities:

Salary Related Payables relates to amounts owing to third parties such as medical aids & Sars for PAYE , Board related fees as well as staff savings.

Accrued Leave pay:

This relates to the employees' balance of annual leave days accumulated and not taken as of 31 March 2023. Employees have six (6) months after their leave cycle anniversary to utilise or take leave as per the CSOS leave management policy, failure of which those leave days are forfeited

PAYE Withheld:

Relates to the PA YE withheld for Board members

14. Provisions

	2023	2022	
Reconciliation of provisions - 2023			
	Opening balance	Additions	Amortisation
Performance bonuses	-	2 585 229	2 585 229

Reconciliation of provisions - 2022

Bonus Provision:

Provision for bonus was calculated at 1.5% of total budgeted salary for the next financial year. The bonus liability is anticipated to be paid within the next twelve months

15. Unallocated Levies

	2023	2022
Reconciliation of provisions - 2023		
Unallocated Levies	154 120 097	115 011 448

This relates to payments received which could not be allocated to schemes. The reason for the payments not being able to be allocated is as a results of use of incorrect referencing by community schemes, Reference number being cut-off on the bank statement resulting in the inability to allocate and bank generated POPs which do not have community schemes details, which the entity cannot trace to community schemes in case of inquiries. CSOS was able to make progress on allocating some of the funds received to schemes. This relates to payments received which could not be allocated to schemes.

The movement of the Unallocated levies is as follows as at year-end

Opening balance	115 011 448
Unallocated funds received	84 413 516
Funds allocated to schemes	(45 304 867)
Closing balance	154 120 097

16. Other revenue	2023	2022
Dispute resolution	600	536 871
Sundry Income	163 862	57 962
	164 462	594 833

17. Government grants & subsidies

Operating grants

Department of Human Settlements	24 817 000	24 022 000
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18. Levies

Levies Allocated	333 655 373	262 306 242
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19. Interest from non-exchange receivables

Interest received - Levies	1 791 604	-
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20. Revenue

Other income	164 462	594 833 -
Interest received from the bank	16 387 827	5 924 109
Government grants & subsidies	24 817 000	24 022 000
Levies	333 655 373	262 306 242
	375 024 662	292 847 184

The amount included in revenue arising from exchanges of goods or services are as follows:

Other income	164 462	594 833
Interest received from the bank	16 387 827	5 924 109
	16 552 289	6 518 942

The amount included in revenue arising from non-exchange transactions is as follows:

Government grants & subsidies	24 817 000	24 022 000
Levies	333 655 373	262 306 242
	358 472 373	286 328 242

Community Schemes Ombud Service
Annual Financial Statements for the year
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21. Employee related costs	2023	2022
Basic salaries and other benefits	120 600 076	90 628 498
UIF	319 402	264 001
WCA	1 470	-
SDL	1 145 542	149 093
Pension fund	7 671 474	6 822 147
Board Emoluments	2 868 306	1 401 269
	132 606 270	99 265 008

*Included in Other benefits are - non-pensionable allowance, Performance bonus, Leave, Travel allowance, etc.

Defined Contribution Plan: The CSOS provides a defined benefit scheme for its employees which is the Government Employees Pension Fund (GEPF). Contributions to the pension plan in respect of service in a particular year are included in the employees' total cost of employment and are charged to the statement of financial performance in the year to which they relate, as part of the cost of employment.

The CSOS has no legal or constructive obligation in respect of normal retirements to pay further contributions if the GEPF does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior years.

The total economic entity contribution to such scheme was as follows:

Employer contribution - R 7 671 474

Employee contribution (included in basic salaries above)- R 4 425 850.57

22. Depreciation and amortisation	2023	2022
Property, plant, and equipment	2 484 780	1 789 517
Intangible assets	1 523 691	178 584
	4 008 471	1 968 101

23. Finance costs		
Other Late Payments	2 353	23 000

24. Operating lease charges		
Premises		
Contractual amounts	9 986 373	9 784 631
Equipment	917 602	524 740
Contractual amounts	10 903 975	10 309 371

25. Contracted services		
Adjudication fees	17 592 833	9 993 044
Legal services	10 870 618	3 625 120
Consulting and professional fees	13 155 112	5 395 771
Repairs and maintenance services	190 187	8498
Contractual amounts	41 808 750	19 022 433

26. Loss on disposal of property, plant and equipment	2023	2022
Loss on disposal of assets	374 164	370 765

27. General expenses		
Annual report	237 284	142 555
Advertising	683 555	4 138 415
Auditors remuneration	3 055 247	3 497 259
Bank charges	143 670	121 894
Delivery expenses	46 000	-
Donations	39 921	-
Insurance	392 749	296 562
ICT Accessories	948 155	451 414
Marketing	2 042 086	1 824 386
Motor vehicle expenses	105 603	19 149
Postage and courier	129 018	98 072
Printing and stationery	509 663	497 840
Project maintenance costs	3 157 967	5 000
Subscriptions and membership fees	52 464	49 475
Telephone and internet costs	3 375 871	4 070 535
Training and staff development	3 434 649	1 327 316
Travel and accommodation	6 355 519	2 358 327
Electricity and water	1 618 223	1 184 085
Office refurbishment	-	96 093
Office expenses	1 465 579	1 631 790
Relocation costs	205 624	46 635
License fees	7 150 776	7 388 136
Recruitment costs	987 213	1 611 401
Offsite record storage	31 165	35 182
	36 168 001	30 891 521

28. Auditors' remuneration		
External audit fees	2 312 619	2 997 259
Internal audit fees	742 628	500 000
Internal audit fees	3 055 247	3 497 259

29. Cash generated from operations

Surplus	30 736 688	130 996 987
Adjustments for:		
Depreciation and amortisation	4 008 471	1 968 101
Gain on sale of assets and liabilities	374 164	370 765
Debt impairment	120 207 594	-
Movements in operating lease assets and accruals	(483 220)	1 295 220
Movements in provisions	2 585 229	-
Changes in working capital:		
Receivables from exchange transactions	(196 824)	472 009
Provision for Debt Impairment	(120 207 594)	-
Other receivables from non-exchange transactions	(33 403 050)	(61 417 208)
Prepaid expenses	(3 453 739)	3 661 790
Payables from exchange transactions	(9 059 184)	13 855 544
Unallocated Levies	39 202 295	48 806 797
Revenue Received in advance - Scheme Payments	42 335 945	-
	72 646 775	140 010 005

30. Financial instruments disclosure

Categories of financial instruments

2023

Financial assets

	At amortised cost	Total
Receivables from Exchange Transactions: Trade Debtors	58 423	58 423
Receivables from Exchange Transactions: Interest Accrued	500 667	500 667
Receivables from Exchange Transactions: Staff Debtors	160 990	160 990
Cash and Cash Equivalents: Bank Balances	170 847 800	170 847 800
Cash and Cash Equivalents: Call Deposits	138 748 458	138 748 458
Statutory Receivables from Non-Exchange Transactions	131 030 646	131 030 646
	441 346 984	441 346 984

30. Financial instruments disclosure (Continued)

Financial liabilities

	At amortised cost	Total
Payables from Exchange Transactions: Trade Creditors	5 642 766	5 642 766
Payables from Exchange Transactions: Accruals	2 518 961	2 518 961
Payables from Exchange Transactions: Payroll Liabilities	715 864	715 864
Payables from Exchange Transactions: PAYE Withheld	19 099	19 099
Revenue Received In Advance	154 213 742	154 213 742
Payables from Exchange Transactions: Leave payable	3 453 700	3 453 700
	166 564 132	166 564 132

2022

Financial assets

	At amortised cost	Total
Receivables from Exchange Transactions: Trade Debtors	14 480	14 480
Receivables from Exchange Transactions: Interest Accrued	299 897	299 897
Receivables from Exchange Transactions: Staff Debtors	208 879	208 879
Cash and Cash Equivalents: Call Deposits	130 642 486	130 642 486
Cash and Cash Equivalents: Bank Balances	227 160 576	227 160 576
Statutory Receivables from Non-Exchange Transactions	97 627 593	97 627 593
	455 953 911	455 953 911

Financial liabilities

	At amortised cost	Total
Payables from Exchange Transactions: Trade Creditors	9 863 460	9 863 460
Payables from Exchange Transactions: Accruals	6 370 714	6 370 714
Payables from Exchange Transactions: Payroll Liabilities	505 031	505 031
Payables from Exchange Transactions: PAYE Withheld	19 099	19 099
Revenue Received In Advance	115 011 448	115 011 448
Payables from Exchange Transactions: Leave payable	4 557 621	4 557 621
	136 327 373	136 327 373

31. Commitments

Authorised capital expenditure

Already contracted for but not provided for

• Business Automation Services-Capex component	35 254 394	43 198 483
• Supply installation and maintenance an support Access control solution for a period of 12 months	330 814	-
• Sage Billing Module	-	96 300
• The appointment of a service provider for the supply, delivery, installation and support of server hardware and storage	4 698 952	-
• Procurement of computer monitors	13 650	-
• Procurement of office furniture	431 500	-
	40 729 310	43 294 783

Total capital commitments

Already contracted for but not provided for	40 729 310	43 294 783
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The total commitments for the Business Automation Services amount to R 80 650 978, the remaining balance of R 45 396 584 relates to operational expenditure commitment.

32. Contingencies

Contingent Liabilities

Labour Matters	486 413	395 883
National Treasury: Accumulated Surplus	228 118 024	317 306 023
	228 604 437	317 701 906

Labour matters are under review and yet to be adjudicated by the labour court.

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 the National Treasury Instruction No. 12 of 2020/2021. A declaration of the cash surplus as of 31 March 2023 will be submitted to the National Treasury, together with an application to retain such surpluses in terms of section 53(3) of the PFMA and National Treasury instruction No 12 of 2020/2021.

CSOS will make an application to the National Treasury to retain the surplus to fund the socio-economic transformation activities as per the approved transformation plan. The mandate agreement as well as the Transformation concept document were submitted to the minister of Human Settlement for the approval on the 1st of August 2023. Furthermore the accumulated surplus does not consider commitments therefore a retention of the surplus will be requested to finance the capital and operational commitments.

CSOS is defending or opposing various matters that are because of adjudication awards made in the current and previous years. Currently the entity cannot make a reasonable estimate of losses in case of unfavourable judgement on these matters Legal costs to defend the matters are estimated at R 186 708.

Contingent assets

Cedar Lake HOA vs Jane Naude, Mr. Abraham Masilo, CSOS and Boyce Mkhize N.O

The CSOS has a contingent asset which arose because of an application to review and set aside CSOS dispute referral and have a declaratory order that the application for dispute should be set aside. The applicant (HOA) has tendered our wasted costs and settlement negotiations on the amount payable to the CSOS are still on-going between Legal and the HOA's legal representative. The CSOS could not determine a reliable estimate as of 31 March 2023.

CSOS v Xoliswa Pearl Mazibuko

The CSOS has a contingent asset which arose because of an interdict and order restraining a respondent from harassing CSOS officials and making false, damaging attacks. The CSOS won

the case and obtained legal costs in its favour. The Bill of Costs is currently before the Master of the High Court for taxation. The CSOS could not determine a reliable estimate as of 31 March 2023.

Kasthurie Singh and Skye BC, T P Qwabe N.O and CSOS

The CSOS has a contingent asset which arose because of High Court Review application to review and set aside the CSOS adjudication order – furthermore to seek costs against the CSOS. The CSOS received notices of withdrawal of the appeal and review of application – agreeing to tender the CSOS costs. The CSOS received correspondence from its attorneys that the Applicant has until 13 July 2023 to file any objections to the Bill of Costs and thereafter the CSOS will set the matter down. The CSOS could not determine a reliable estimate as of 31 March 2023.

33. Related parties	2023	2022
Relationships		
Controlling Entity	National Department of Human Settlements	
Entity under common control	Property Practitioners Regulatory Authority.	
Non-executive directors	Board Members	
Chief Ombudsman	Adv. B. Mkhize	
Chief Financial Officer	Ms. T. Mbatha CA (SA)	
Chief Audit Executive	Mr. O. Masogo	
Executive Manager: Corporate Services	Mr. L. Seshoka	
Chief Information Officer	Mr. P. Naicker	
Adjudicator General	Ms. K. Mlotha	
Executive : Organisational Strategy and Performance	Ms. K. Phetla	
Funds received		
National Department of Human Settlements	24 817 000	24 022 000
Surrender of the prior year surplus		
National Department of Human Settlements	105 200 000	-

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Apart from the transactions disclosed as above, no further services were rendered to related parties and all transactions were concluded on an arms length basis

Key management information

Remuneration of management

Management class: Board members

2023

Name	Board meeting fees	Other meetings	Travel claims	Other benefits received (Costs incurred on behalf of board members)	Total
Ms. M. Mthethwa	160 056	467 134	1 654	9 199	638 043
Mr. D. Goliath	53 234	578 486	152	44 457	676 329
Mr. S. Rakolote	83 638	245 518	-	-	329 156
Ms. D. Subbiah	-	5 396	-	-	5 396
Adv. M.D. Xulu	89 034	248 520	2 776	-	340 330
Ms. N. Shandu	86 336	258 601	995	-	345 932
Ms. M. Ramataboe	99 668	240 584	1 311	-	341 563
Ms. T. Godongwana	32 376	48 564	-	-	80 940
Ms. V. Nayagar	-	21 584	-	-	21 584
Ms. V Ndlovu	-	16 188	-	-	16 188
Ms. P. Lengolo	-	24 282	-	-	24 282
Mr. D. Sicard	-	24 282	-	-	24 282
Ms. S Dikwayo	-	24 282	-	-	24 282
	604 342	2 203 421	6 888	53 656	2 868 307

33. Related parties (Continued)

2022

Name	Board meeting fees	Other meetings	Travel claims	Total
Ms. M. Mthethwa	73 389	34 536	842	108 767
Mr. D. Goliath	45 336	52 892	699	98 927
Mr. S. Rakolote	41 904	31 428	1 872	75 204
Ms. D. Subbiah	47 142	26 190	176	73 508
Adv. M.D. Xulu	41 904	26 190	3 048	71 142
Ms. N. Shandu	41 904	26 190	348	68 442
Mr. M. Tyamzashe	82 023	103 822	242	186 087
Ms. M. Ramataboe	94 194	124 418	244	218 856
Mr. T. Holmes	44 523	78 677	-	123 200
Ms. A. Olifant	47 142	73 332	-	120 474
Ms. L. Noge-Tungamirai	47 142	78 570	-	125 712
Ms. Z. Kabini	-	23 571	-	23 571
Mr. I. Motala	-	36 666	-	36 666
Ms. N. Maharaj	-	15 714	-	15 714
Mr. Morabe	-	15 714	-	15 714
Ms. V. Nayagar	-	20 952	-	20 952
Mr. M. Noge	-	18 333	-	18 333
	606 603	787 195	7 471	1 401 269

Management class: Executive management

2023

Name	Basic salary	Bonuses and performance related payments	Other short- term employee benefits	Post- employment benefits	Other benefits received	Total
Adv. B. Mkhize	2 241 932	292 970	1 194 723	253 344	36 966	4 019 935
Ms. T. Mbatha CA (SA)	1 681 449	219 727	831 231	190 008	28 353	2 950 768
Mr. O. Masogo	1 247 034	150 814	702 520	139 954	22 082	2 262 404
Mr. L. Seshoka	1 469 458	164 204	804 329	156 705	25 121	2 619 817
Mr. P. Naicker	1 032 622	114 760	511 915	117 910	17 761	1 794 968
Ms. K. Mlotha	1 535 830	188 927	593 481	143 762	24 478	2 486 478
Ms. K. Phetla	98 237	-	52 721	12 771	1 613	165 342
	9 306 562	1 131 402	4 690 920	1 014 454	2 868 307	16 299 712

33. Related parties (Continued)

2022

Name	Basic salary	Other short- term employee benefits	Post-employment benefits	Other benefits received	Total
Adv. B. Mkhize	1 939 200	1 056 704	252 096	6 762	3 254 762
Ms. T. Mbatha CA (SA)	1 214 400	657 728	157 872	5 190	2 035 190
Ms. N. Rabuli	236 268	747 842	30 715	446	1 015 271
Adv. R. Maruma	716 198	521 772	93 106	1 572	1 332 648
Mr. O. Masogo	998 567	544 137	129 814	4 331	1 676 849
Mr. L. Seshoka	1 086 885	592 263	141 295	4 588	1 825 031
Mr. P. Naicker	1 044 465	569 147	135 781	4 464	1 753 857
Ms. K. Mlotha	917 054	499 719	119 217	4 172	1 540 162
Ms. B. Phetlhe	-	78 643	-	-	78 643
	8 153 037	5 267 955	1 059 896	31 525	14 512 413

34. Change in estimate

Property, plant, and equipment

2023

The useful life of Computer Equipment was not re-assessed in 2022 financial year. In the current period management have revised their estimate to 6 years. The effect of this revision has increased the computer equipment for the current and future periods.

The useful life of furniture and fittings was not re-assessed in 2022 financial year. In the current period management have revised their estimate to 9 years. The effect of this revision has increased the computer equipment for the current and future periods.

The impact on the cash flow statement is

The impact on the cash flow statement is:	Amortisation before change in estimates	Amortisation after change in estimate	Impact
Computer Equipment	2 974	1 306	1 668
Furniture and Fittings	37 782	11 406	26 376
	40 756	12 712	28 044

2022

Computer Equipment : Servers

The useful life of Computer Equipment was re-assessed in 2020 financial year to be 6 years. In the current period management have revised their estimate to 8 years. The effect of this revision has increased the computer equipment for the current and future periods. The impact on the cash flow statement is

The impact on the cash flow statement is:	Amortisation before change in estimates	Amortisation after change in estimate	Impact
Computer Equipment	65 047	27 266	37 781

35. 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 prior year amounts for the below expense classes have been restated to correctly disclose the function of expenses in terms of Grap 1.

Statement of financial performance

2023	Note	As previously reported	Re-classification	Restated
Auditors' remuneration		3 497 259	(3 497 259)	-
License fees		9 666 959	(9 666 959)	-
Marketing expenses		5 962 802	(5 962 802)	-
Office expenses		1 631 790	(1 631 790)	-
Recruitment expenses		1 611 397	(1 611 397)	-
Telephone and internet costs		4 070 535	(4 070 535)	-
Training and staff development		1 327 316	(1 327 316)	-
Travel and accommodation		2 358 327	(2 358 327)	-
General expenses		4 390 404	30 126 385	34 516 789
Surplus for the year		34 516 789	-	34 516 789

Prior Period Error

The following prior period errors adjustments occurred:

>During the current financial year.it was noted that the invoice relating to Consulting and proffessional fees amounting to R 255 571 was incorrectly capitalised as computer software instead of being expensed.

>There were invoices for Licences amounting to R 292 601 which were incorrectly classified as prepayments instead of intangible assets as the licence period was for a period longer than 12 months.

> The Advertising expenses amounting to R 4 138 415 were incorrectly included under Marketing expenses.

>The Leave payable amounting to R 4 557 621 was incorrectly accounted as Leave provision instead of Leave accrual (be included as part of payables from exchange transactions)

>The invoice relating to the licence prepaid of R 265 054 was incorrectly captured in the expenses instead of being included in the prepayments.

>There was a licence payment of R 5 842 000 which related to BAS and was incurred before the system went live in December 2022 and was incorrectly expensed instead of being capitalised to intangible assets.

>There were Project management fees (Consulting and professional fees) amounting to R1 959 379.2 incurred on acquisition of BAS and were incorrectly expensed instead of being capitalised as they were incurred before the system was ready for use (December 2022)

>The amount relating to the rental of facilities and equipment amounting to R 524 740 was incorrectly included under general expenses instead of operating lease charges as it relates to the lease for Photocopy machines.

>The amount of R 821 708 relating to consulting and professional fees were incorrectly included under ICT Accessories.

>The comparative figures and opening accumulated surplus were adjusted to account for the asset and expense in the prior years as follows

35. Prior-year adjustments Continued

Statement of Financial Position	Comparative as previously reported	Adjustment	Adjustment
Prepaid expenses	6 192 501	(3 855 778)	2 336 723
Computer Software	8 745 625	7 805 467	16 551 092
Opening Accumulated Surplus	341 622 303	3 950 120	345 572 423
Payables from exchange transactions	16 758 304	4 557 621	21 315 925
Provisions	4 557 621	(4 557 621)	-
	377 876 354	7 899 809	385 776 163

Statement of Financial Position	Comparative as previously reported	Adjustment	Adjustment
Depreciation & Amortisation	1 935 590	32 511	1 968 101
Licences	9 666 959	(2 278 823)	7 388 136
ICT Accessories	1 273 122	(821 708)	451 414
Operating lease expense	9 784 631	524 740	10 309 371
Consulting and Professional Fees	6 277 870	(882 099)	5 395 771
General expense-Rental of facilities and equipment	524 740	(524 740)	-
Advertising	-	4 138 415	4138 415
Marketing	5 962 802	(4 138 415)	1824 386
	35 425 714	(3 950 119)	31 475 594

Disclosures

Adjustment to disclosure line items:

Capital Commitments- There were adjustment made to the capital commitments disclosed in the prior year whereby there were commitments which were incorrectly classified as Capital commitments instead of operational commitments furthermore the commitment for Business Automation services was not split between Opex and Capex therefore the corrections was made in the current year. The impact of this resulted in the reduction of the capital commitments which has been disclosed below.)

Contingent Liabilities- There were adjustment made to the accumulated surplus disclosed as contingent liability in the prior year whereby the prepayments were incorrectly included in the accumulated surplus and the National Treasury formula does consider the prepayments therefore the corrections were made in the current year. The impact of this resulted in the reduction of the contingent liabilities which has been disclosed below.)

Disclosure line item	Comparative as previously reported	Adjustment	Adjustment
Capital commitment	106 170 963	(62 876 180)	43 294 783
Contingent Liabilities-Accumulated Surplus	323 498 519	(6 192 496)	317 306 023
	429 669 482	(69 068 676)	360 600 806

36. Risk management

Financial risk management

The Accounting Authority has overall responsibility for the establishment and oversight of the Entity's risk management framework. The Entity's risk management policies are established to identify and analyse the risks faced by the Entity, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

The Entity Board manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The Entity does not enter or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the Entity's audit committee, an independent body that monitors the effectiveness of the internal audit function. Further quantitative disclosures are included throughout these Annual Financial Statements.

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.

On 31 March 2023	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from Exchange Transactions	12 256 746	-	-	-
Operating lease liability	1 837 299	-	-	-
	14 094 045	-	-	-

On 31 March 2022	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from Exchange Transactions	21 315 925	-	-	-
Operating lease liability	-	1 489 250	831 270	-
	21 315 925	1 489 250	831 270	-

Credit risk

The CSOS has exposure to credit risk, which is the risk of financial loss to the CSOS if a counterparty to a financial instrument fails to meet its contractual obligations. Key areas where the CSOS is exposed to credit risk are:

- Community Scheme Levy Receivables (Receivables from non-exchange transactions)
- Trade Receivables for suppliers over paid (Receivables from exchange transactions)
- Rental deposits
- Pre-payments to Suppliers
- Other Financial Assets (CPD Investment)
-

The nature of the CSOS exposure to credit risk, as well as the policies and processes for managing the credit risk have not changed significantly from the prior period. Potential concentrations of credit risk consist mainly of other financial assets. Financial instrument operations are only entered into with well-established and reputable financial institutions. Consequently, the CSOS is exposed to credit risk. The carrying amounts of financial assets included in the Statement of Financial Position represent the CSOS exposure to credit risk in relation to these assets. As of 31 March 2023

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36. Risk management (continued)	2023	2022
Financial instrument		
Receivables from exchange transactions	720 080	523 256
Prepayments	5 790 462	2 336 723
Rental deposits	687 965	632 965

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 because 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 a material impact on the surplus/(deficit) as the CSOS settles its outstanding obligations.

The Entity limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with major banks with high quality credit standing and limits exposure to any one counterparty. No investments with a tenure exceeding twelve months are made.

Investments/Bank, Cash and Cash Equivalents

The Entity limits its counterparty exposures from its short-term investments (financial assets that are neither past due nor impaired) by only dealing with well-established financial institutions. The Entity's exposure is continuously monitored and the aggregate value of transactions concluded is spread amongst different types of approved investments and institutions, in accordance with its investment policy. Consequently, the Entity is not exposed to any significant credit risk.

The Entity limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with well established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting transaction / exposure limits, which are included in the Entity's Investment Policy. These limits are reviewed annually by the Chief Financial Officer and authorised by the Board.

Maximum Credit Risk Exposure	2023	2022
Long-term Receivables	687 965	632 965
Receivables from Exchange Transactions	720 080	523 256
Statutory Receivables from Non-exchange Transactions	131 030 646	97 927 593
Bank, Cash and Cash Equivalents	309 596 258	357 803 062
	442 034 949	456 586 876

37. Going concern Assessment

The annual financial statements have been prepared based on accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. The CSOS' main income stream is the levies that are received from the community schemes, payable in terms of section 59 of the CSOS Act. Furthermore, the CSOS receives a grant from the Department of Human Settlements and it generates interest through its investments. The funds generated from levies, the grant, and the interest, are available to finance future operations and the settlement of liabilities.

Taking the into account, management has prepared the Annual Financial Statements on the Going Concern Basis.

38. Events after the reporting date

During April 2023, the Chief Om bud - Adv Boyce Mkhize resigned with immediate effect. Currently Thembelihle Mbatha (CFO) is the acting Chief Ombud. The board has instituted an investigation in terms of allegations relating to SCM made by the Unions.

39. Irregular Expenditure and Fruitless and wasteful expenditure	2023	2022
Irregular Expenditure	28 820 374	9 353 500
Fruitless and wasteful expenditure	45 506	443 884
Total	28 865 880	9 797 384

National Treasury issued Instruction note 4, effective 1 January 2023 that impacted the amounts disclosed. Refer to the Annual Report for additional information.

The Audit Risk Committee has declined proposed condonations by management on Fruitless & wasteful expenditure based on insufficient information and non-compliance with the NT Irregular Expenditure Framework.

Disciplinary steps taken/criminal proceedings

1. Supply chain management procedures not followed- (TSA Properties J - R 7 968 874)

Disciplinary actions (Warning letters) were taken against the officials who neglected to follow procedures.

40. Segment information

General information

Identification of segments

CSOS is organised and reports to management based on of four major segments. These are three geographical segments and one service segment. The geographical segments are Gauteng, KwaZulu Natal & Western Cape Region. Head Office is the service segment. These segments are based on the location of community schemes.

Information reporting about these segments is used by management as a basis for evaluating the segments' performance and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes.

Reportable segments are identified based on the activities performed that generate economic activities including internal services that contribute to achieving CSOS objectives without necessarily generating cash inflows.

Management has only identified segment information for which data is reported on and reviewed during the decision making process of the entity.

Segment reporting was based on the amended half year budget and reports that are reviewed by senior and executive management and board of directors to make strategic decisions and monitoring segment performance monthly. The disclosure of information about segments in these reports are organised around the geographical location. This is considered appropriate for external reporting purposes to achieve the objectives of GRAP 18.

40. Segment information (continued)

Types of goods and/or services by segment

These reportable segments as well as the goods and/or services for each segment are set out below:

Reportable segment	Regions
Gauteng Segment	Gauteng , Northwest and Limpopo Province
Kwa Zulu Natal Segment	Kwa Zulu Natal, Free State and Mpumalanga Province
Western Cape Segment	Western Cape, Northern Cape, and Eastern Cape
Head Office	Service segment

Information about geographical areas

CSOS has a key function of regulating the conduct of parties within community schemes and to ensure their good governance. All regions are mandated to execute the key function of CSOS which is to regulate the conduct of parties within the community schemes and to ensure their good governance.

Transitional Provisions

CSOS has adopted provisions of Directive 2 issued by the Accounting Standards Board which allows entities to adopt a three-year transitional period when implementing GRAP 18 for the first time. These provisions allow those entities not to disclose comparative information on first time adoption of GRAP 18. CSOS has made every reasonable effort to restate its comparative financial information and concluded that it is impracticable to apply GRAP 18 retrospectively or to make retrospective restatement of comparative information. The retrospective application or retrospective restatement of comparative information requires significant estimates to provide evidence of circumstances that existed on the date that the transaction occurred and was recognised, measured, or disclosed.

The following classes of assets and/or liabilities have not been measured in accordance with GRAP 18:

Aggregation of criteria

Two or more segments may be aggregated into a single segment if they have similar economic characteristics. Although geographical segments have similar economic characteristics, CSOS has not aggregated the segments as the economic environments in which they operate is dissimilar in nature.

Segment of Assets and Liabilities

CSOS has not allocated assets and liabilities into a segment as the costs to allocate would have been excessive.

CSOS intends to fully comply with GRAP 18 in its financial statements for the year ended 31 March 2025.

2023	External revenues from non-exchange transactions	External revenues from exchange transactions	Total Expenditure	Surplus/ (deficit) for the year
Head Office Region (HOR)	-	16 551 497	(252 574 970)	(236 023 473)
Western Cape Region (WCR)	127 667 240	176	(25 617 6550)	102 049 761
Kwazulu-Natal (KZN)	65 972 287	58	(25 546 696)	40 422 649
Gauteng Province Region (GPR)	166 624 450	557	(42 337 257)	124 287 751
Total	260 263 977	16 552 288	(346 079 578)	30 736 688

40. Segment information (continued)

2023	HOR	WCR	KZN	GPR	Total
Government Grants Received	-	4 111 990	4 193 101	16 511 909	24 817 000
Levies Received	-	123 087 160	61 429 283	149 138 929	333 655 372
Interest Received	16 387 827	468 090	349 903	973 612	18 179 432
Other Revenue	163 670	176	58	557	164 461
TOTAL REVENUE	16 551 497	127 667 416	65 972 345	166 625 007	376 816 265
Interest expense	-	2 353	-	-	2 353
Depreciation and Armortisation	2 465 390	363 078	453 847	726 156	4 008 471
Contracted Services	24 167 640	2 963 277	2 972 500	11 705 333	41 808 750
General Expenses	20 931 041	5 219 340	4 805 057	5 212 563	36 168 001
Office Rental costs	7 407 095	1 602 888	1 001 156	892 836	10 903 975
Employee Compensation Cost	77 022 045	15 466 719	16 317 136	23 800 970	132 606 270
Material-Non-cash items other than depreciation and Amortisation	120 581 758	-	-	-	120 581 758
TOTAL EXPENSES	252 574 970	25 617 655	25 549 696	42 337 257	346 079 578
SURPLUS/DEFICIT FOR THE YEAR	(236 023 473)	102 049 761	40 422 649	124 287 751	30 736 688
Additions to Non-current assets	2 118 304	438 270	547 837	876 539	3 980 950
	-	-	-	-	-

Reconciliation between reported segment information and entity reported information	Segment amounts	Entity reported
Total Revenue	376 816 266	376 816 266
Total Expenditure	(346 079 578)	(346 079 578)
	30 736 688	30 736 688

41. Revenue Received in advance - Scheme Payments

Revenue Received in advance	42 335 944	-
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This relates to Community scheme payments received in advance irrespective of is due to the CSOS.

42. Interest Earned

Interest from bank Accounts	16 387 827	5 924 109
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43. Debt impairment

Debt impairment	120 207 594	-
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43. Debt impairment (continued)

At the end of the reporting date, management evaluated all debtors for recover ability based on their aging. The impairment losses are estimated based on historical experience of the recover ability of debt at CSOS. The CSOS further took into consideration current macro-economic factors to conclude on appropriate expected loss rates being the sudden economic downturn, increase in unemployment, increase in interest rate, inflation, amongst other - were expected to result in increases in defaults in the short term

There was no impairment loss provision for the prior year because the impairment assessment was done as of 31st March 2022 and there were no indications for impairment as per the impairment policy.

44. Transfer to National Treasury

2021/2022 Surplus:

CSOS has submitted a letter to DHS to request support to retain surpluses realised in the 2021/2022 financial year, in terms of section 53(3) of the PFMA, which states that "a public entity which must submit a budget in terms of subsection (1), may not budget for a deficit and may not accumulate surpluses unless the prior written approval of the National Treasury has been obtained.

Instruction by National Treasury to surrender funds:

CSOS has transferred an amount of R 105 200 000 of its accumulated surplus to the National Treasury as per the instruction received from it. The transfer was declared and payment was effected during the 2022/2023 financial year.

APPENDIX

PART G

WHERE TO FIND NATIONAL OFFICE

COMMUNITY SCHEMES OMBUD SERVICE

HEAD OFFICE:

Berkley Office Park, 8 Bauhinia St,
Highveld Techno Park,
Centurion, 0169
T: (+27 10) 593 0533 **F:** (+27 10) 590 6154

COMMUNITY SCHEMES OMBUD SERVICE

REGIONAL OFFICES

GAUTENG

Berkley Office Park, 8 Bauhinia St,
Highveld Techno Park,
Centurion, 0169
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KWAZULU-NATAL

A: 7th Floor, Aquasky Towers, 275 Anton Lembede Street, Durban
T: +27 087 805 0235

WESTERN CAPE

A: 8th Floor, Constitution House, 124 Adderley Street, Cape Town
T: +27 087 805 0226





Community Schemes
Ombud Service

Affordable Reliable Justice

ANNUAL REPORT 2022/23

Community Schemes Ombud Service



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