



**COMMUNITY SCHEME OMBUD SERVICES
(CSOS)
ANNUAL REPORT 2013/2014**

ANNUAL REPORT 2013/2014

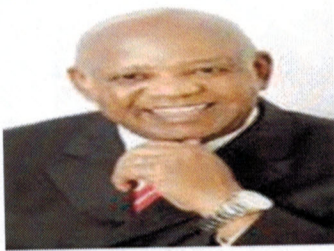
Report in terms of Section 55 (3) of the Public Finance Management Act (PFMA) 1999, (Act No.1 of 1999 as amended), which reads that public entities must within five (5) months of the end of the financial year submit Annual Reports to the Executive Authority for tabling in Parliament through the Accounting Officer of a Department designated by the Executive Authority.

Annual report in respect of the activities of the Community Scheme Ombud Services for the year ended 31 March 2014, in accordance with the requirements of the Public Finance Management Act, 1 of 1999, as amended.

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BOARD MEMBERS



Rev Dr VC Mehana
CSOS: Chairperson



Adv M. Malebye
CSOS: Deputy Chairperson



Ms T. Mhlari
CSOS: Member & Chairperson:
Audit, Risk and Compliance Committee



Mr T. Bailey
CSOS: Member & Chairperson:
Adjudication and Governance
Committee



Adv N Memani
CSOS: Member & Chairperson:
Levies, Regulation and Registration
Committee



Adv D. Block
CSOS: Member



Mr DM Shozi
CSOS: Member & and Chairperson:
Remuneration, Human Resource and
Finance Committee

PART A: GENERAL INFORMATION

1. CSOS'S GENERAL INFORMATION

Nature of business and mandates

CSOS provides a dispute resolution services in terms of CSOS and regulates and manages Sectional Title Schemes governance documentation

Legal form of Entity

Schedule 3, Part A Public Entity in accordance with the Public Finance Management Act of 1999

Registered Office

63 Wierda Road East
Wierda Valley
Sandton, Johannesburg
2176

Postal Address

P.O. Box 98
The Woodlands
2080

Contacts

Mr T D Mabuya
Cell: 082-327-4740
Themba2312@gmail.com

Auditors

Auditor-General
P.O. Box 446
Pretoria
0001

Bankers

First National Bank
Johannesburg

2. ACRONYMS

CEO	Chief Executive Officer (Chief Ombud)
CFO	Chief Financial Officer
CSOS	Community Schemes Ombud Service
CSOS Act	Community Schemes Ombud Service Act, 2011 (Act 9 of 2011)
DJCD	Department of Justice and Constitutional Development
DPSA	Department of Public Service and Administration
DRDLR	Department of Rural Development and Land Reform
DSD	Department of Social Development
DTI	Department of Trade and Industry
EAAB	Estate Agency Affairs Board
EXCO	Executive Committee
GRAP	Generally Recognize Accounting Practice
IS	Information System
MoF	Minister of Finance
MoHS	Minister of Human Settlements
NDHS	National Department of Human Settlements
NHBRC	National Home Builders Registration Council
NT	National Treasury
PDHS	Provincial Departments of Human Settlements
PFMA	Public Finance Management Act, 1999 (Act 1 of 1999)
REMCO	Remunerations, Finance and Human Resource Committee
SCM	Supply Chain Management
SHRA	Social Housing Regulatory Authority
ST Act	Sectional Titles Act, 1986 (Act 95 of 1986)

3. FOREWORD BY THE CHAIRPERSON



Rev Dr V Mehana
Chairperson – Community Scheme Ombud Services

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

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

Given the complex environment within which the CSOS operates, it is prudent that the organization implement accelerated development programmes in order to grow and develop human resources within its strategic areas of performance. At the heart of the strategic priorities of the organization is to promote the right of good administration by all stakeholders within community schemes, especially, owners and occupiers to create vibrant community schemes.

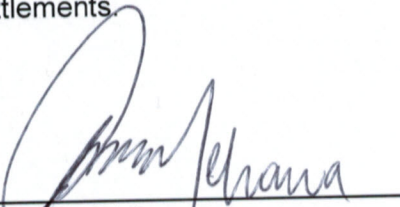
It is the organization's strategic intent to meaningfully contribute to the achievement of the 2030 human settlements vision through the enhancement of vibrant community schemes as an alternative tenure option for most citizens within the country. The establishment of an organization capable of delivering of its legislative mandate is the responsibility of the Board, management, staff and all our key partners and stakeholders within community schemes. If we channel all our resources towards the same direction and re-

double our efforts, we will create an employer of choice for all aspirant job applicants and earn more respect and integrity amongst our key partners and stakeholders.

Whilst the year 2013/2014 was a period of setting up the entity and establishment of the Board structure, it gives me pleasure that erstwhile Ministry of Human Settlement, the Honorable Minister Tokyo Sexwale, managed to appoint seven (7) Board members including a chairperson and his deputy. All appointed board members had already attended workshops on governance matters.

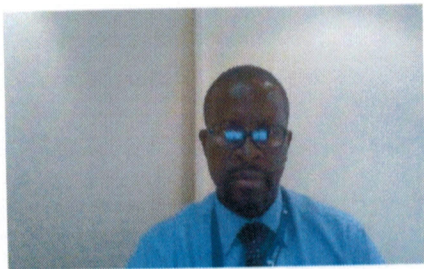
The late transfer of government grant had resulted into the non-operational activities as envisaged in the strategic plan. It is anticipated that the action in utilizing the surplus funds of the grant in the current financial year will be condoned and the strategic objectives and goals as set out in the year under review will be carried over in order to achieve the planned targets. I must admit that the absence of funds in setting up the operations in 2013/2014 was the primary offset. I am optimistic with the existing positive signs that CSOS will be fully operational in the ensuing year.

In view of the non-operational situation at CSOS in 2013/2014, I herein conclude that CSOS is on track and well positioned to take its role on the management of disputes within community schemes. In retrospect, I would also like to extend my appreciation of the strategic support CSOS receives currently from the newly-appointed MoHS, the Honorable Minister Lindiwe Sisulu, in order to achieve our strategic objectives and goals. We therefore look forward to a fruitful relationship and further interaction with the Department of Human Settlements.



Rev. Dr V Mehana
Chairperson – Community Scheme Ombud Services
Date: 31 July 2014

4. CHIEF FINANCIAL OFFICER'S OVERVIEW



Mr T D Mabuya
Chief Financial Officer

It is evident that the Community Scheme Ombud Services went through a defining moment during the financial period 2013/2014 to ensure that the entity was fully operational. It is now water under the bridge that the funding aspect through the flow of a government grant into account only occurred on the last day of the financial year i.e. 31 March 2014. We hope that the situation will not happen again as operations could adversely be affected and resulting into the non-achievement of planned targets.

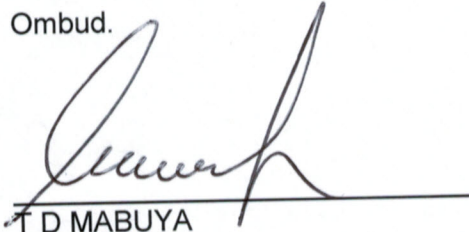
In terms of the Annual Performance Plan 2013/2014, R20m was budgeted for but the entity managed to receive R17m on the 31 March 2014. The Department of Human Settlements had assured CSOS that the differential of R3m will be accounted for in their books. As alluded by our Chairperson, the Office of the Auditor-General has been informed accordingly and the respective application has been submitted through the Department of Human Settlements to condone the use of surplus funds of the grant in the financial 2014/2015.

Whilst the approval to continue with the use of R17m in the current financial year is conditional upon approval, the amount has also been noted as a contingent liability in the financial statements and acknowledged by the Auditor-General.

The only expenditure incurred during 2013/2014 was from Board costs which included meetings and out-of-pocket expenses, expenses related to external committee members such as the chairperson of the audit committee. The total incurred was an amount of R145 283 and is reflected in the financial statements.

I hereby confirm that the audit outcome did not reflect any undoing towards running the affairs of CSOS nor contravention was indicated against any legislative requirements during the year 2013/2014. I must mention that it is a good and healthy starting point and sustaining the outcome going forward will be part of our goals despite the forthcoming increased workload and activities.

In conclusion, I have to acknowledge the endeavors made by our Board members in setting up and contributing on the drafting of CSOS's strategic plans prior to the appointment of an administrator or Chief Ombud.

A handwritten signature in dark ink, appearing to read 'T D MABUYA', is written over a horizontal line.

T D MABUYA
Chief Financial Officer
Community Scheme Ombud Services
Date: 31 July 2014

**COMMUNITY SCHEMES OMBUD SERVICES
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014
REPORT OF THE ACCOUNTING AUTHORITY**

		<u>GENDER</u>
Rev. Dr Mehana	Chairperson	Male
Adv M. Malebye	Board Member	Female
Mr D. Shozi	Board Member	Male
Adv. N. Memani	Board Member	Female
Ms T. Mhlari	Board Member	Female
Mr D. Block	Board Member	Male
Adv. T. Bailey	Board Member	Male

Record of Meetings

01 April 2013 to 31 March 2014

**Community Scheme Ombud Services Board Structure
No. of meetings**

Remuneration paid to Board Members

Board members are paid a maximum honorarium of R2,056.00 per meeting or R257.00 per hour for attending Board and any other meetings.

The chairperson is paid at R3,392.00 per meeting or R424.00 per hour for attending Board and any other meeting

Name		Board Meetings		Other (Workshops, Conference)	Travel	Total
		No.	Amount	Amount	Amount	R'000
Rev. Dr Mehana	Chairperson	3	10 176	18 338	1 137	29 651
Adv. M. Malebye	Board Member	1	2 056	-	379	2 435
Mr D. Shozi	Board Member	3	6 168	8 362	1 327	15 857
Adv. N. Memani	Board Member	3	6 168	29 335	2 912	38 415
Ms T. Mhlari	Board Member	3	6 168	23 228	2 408	31 804
Mr D. Block	Board Member	3	6 168	8 910	774	15 852
Adv. T. Bailey	Board Member	3	6 168	4 626	474	11 268
			43 072	92799	9 412	145 283

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

To the best of our knowledge and belief, we hereby confirm the following:

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

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

The annual report has been prepared in accordance with the guidelines on the annual report as issued by National Treasury.

The Annual Financial Statements have been prepared in accordance with the Standards of Generally Recognized Accounting Practice (GRAP) applicable to the public entity.

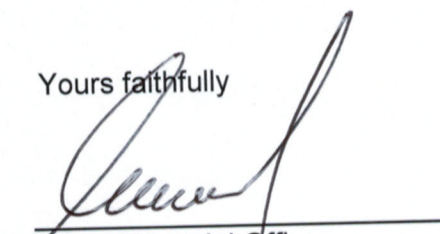
The Accounting Authority is responsible for the preparation of the annual financial statements and for the judgments made in this information.

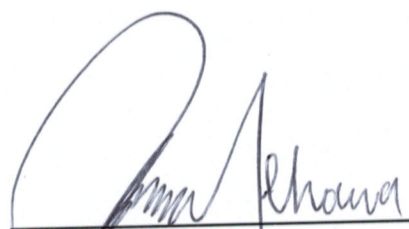
The Accounting Authority is responsible for establishing and implementing a system of internal control that has been designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the annual financial statements.

The external auditors are engaged to express an independent opinion on the annual financial statements.

In our opinion, the annual report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the Community Scheme Ombud Services for the financial year ended 31 March 2014.

Yours faithfully


Chief Financial Officer
Mr T D Mabuya
Date: 31/07/2014


Chairperson of the Board
Rev Dr V Mehana
Date: 31/07/2014

6. STRATEGIC OVERVIEW

The strategic intent is the facilitation of speedy resolution of disputes, access to schemes governance documentation and to provide education and training for stakeholders within community schemes in order to promote good governance of community schemes.

6.1 Vision

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

6.2 Mission

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

6.3 Values

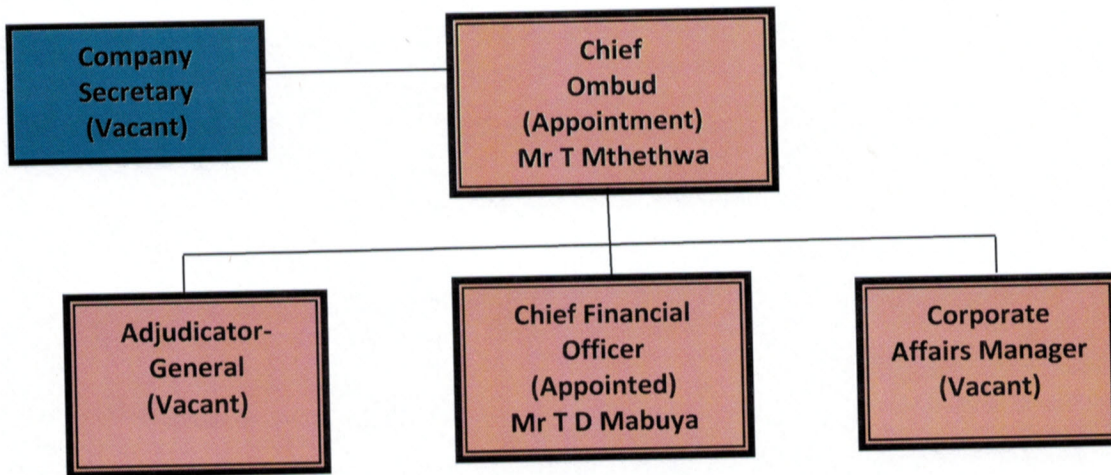
- Service Excellence:** The CSOS will provide best dispute resolution services to its clients in a timely and responsive manner.
- Independence:** The CSOS will act independently and objectively in the undertaking of its activities.
- Transparency:** The CSOS will execute its functions in an open and transparent manner and ensures that it is easily accessible to its clients.
- Integrity:** The CSOS will strive to execute its functions in an honest, ethical, transparent and reliable manner.
- Innovation:** The CSOS will strive to apply innovative capabilities to improve its service delivery.
- Fairness:** The CSOS will make decisions in a fair and impartial manner.

7. LEGISLATIVE AND OTHER MANDATES

CSOS is a schedule 3A public entity in terms of the Public Finance Management Act (Act No 1 of 1999). CSOS must always comply with the legislation that impacts on its functioning. Other relevant legislations that impact on the governance of CSOS include:

- Constitution of the Republic of South Africa (Act 108 of 1996)
- CSOS Schemes Ombud Services Act (Act No 9 OF 2011)
- Sectional Titles Act of 1986
- Housing Act (Act No. 107 of 1997)

8. ORGANIZATIONAL STRUCTURE

Executive Management Committee (EXCO)

PART B: PERFORMANCE INFORMATION

1. AUDITOR GENERAL'S REPORT: PREDETERMINED OBJECTIVES

Refer to page 28 paragraph 10 of the Auditor General's Report, published as Part F: Financial Information.

2. SITUATIONAL ANALYSIS

2.1 Service Delivery Environment

The year under review was marked by the active participation of the appointed board members. An induction workshop was conducted to all the members of the board and a strategic workshop was thereof held. Members of the board are now fully vested with the strategic objectives and goals of the entity.

The operational policies, annual performance plan and a 5-year strategic plan were developed and approved by the board. Board meetings and attendance of a public launch were held with success.

As part of the strategic objective to appoint the best skilled or experienced management team, the objective was not implemented yet due to financial constraints. To date, efforts have been made to ensure that the senior executives i.e. Chief Ombudsman and Chief Financial Officer, are appointed in the new financial year.

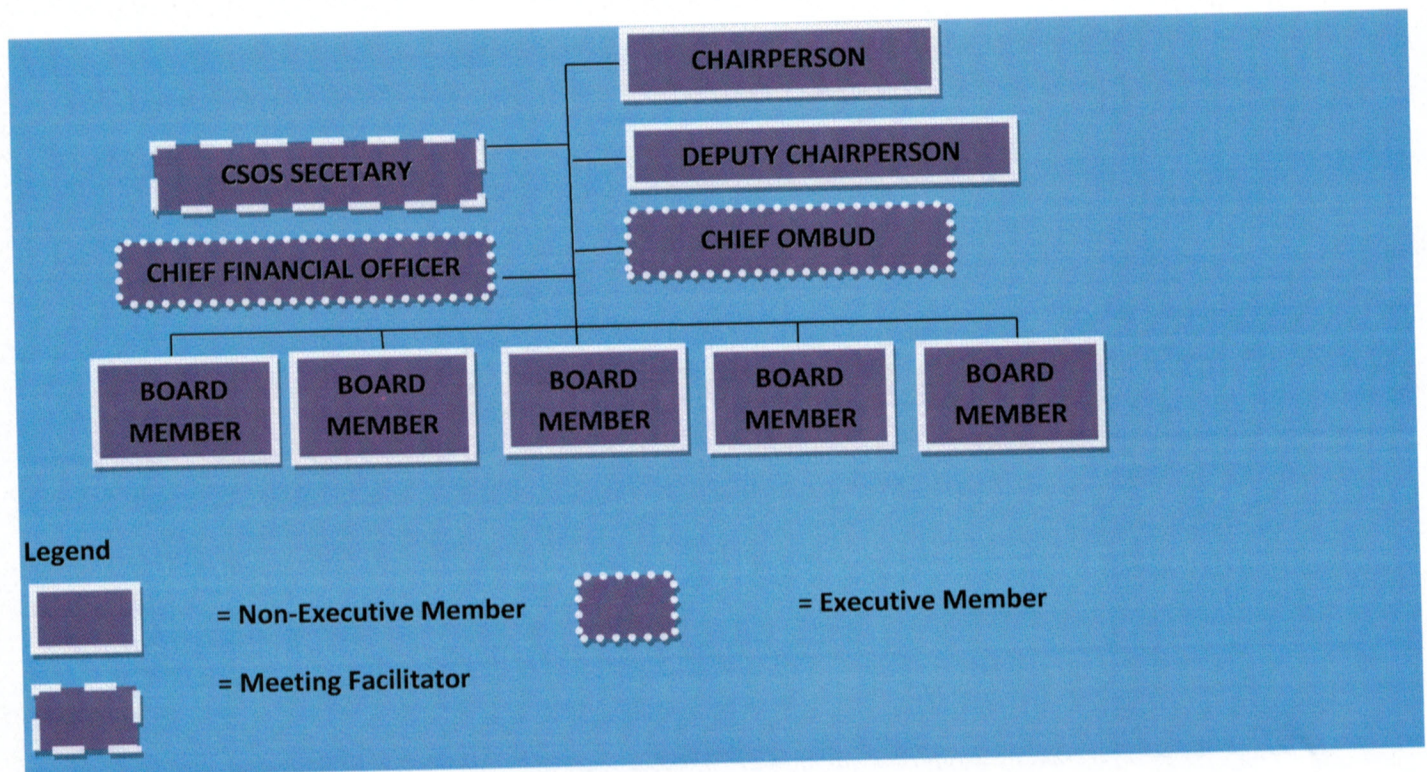
- In the absence of key personnel, the strategic objectives and targets largely have not been achieved, with the exception, as mentioned supra, that:
- Board meetings were held;
- Financial and Human Resource policies were developed and approved;
- Organizational structure was developed and approved;
- Annual Performance Plans, budget and a 5-Year Strategic plan were developed and approved

2.2 Organizational Environment

In the year under review, seven (7) non-executive members were appointed by the Minister of Human Settlements. The strategic plan 2013/2014 reflected a Board structure with two (2) executive members i.e. Chief Ombud and the CFO. The two executive members were not appointed due to financial constraints.

Overall the Board is representative in terms of race, gender and geographic spread. Its skills profile and experience include, financial management, risk management, dispute resolution in community schemes, public education and training, management of community schemes and compliance and law.

Board Structure



2.3 STRATEGIC OUTCOME-ORIENTED GOALS

- a) Resolved Community Disputes;
- b) Custody and Control of Schemes Governance Documentation;
- c) Financial Accounting, budgeting and Supply Chain Management; and
- d) Corporate Affairs, Governance and Information Systems

As indicated, the year under review was marked by lack of activity in operations due to non-appointment of skilled human resources as a result of financial challenges. The strategic objectives and outcome-oriented goals could thereof not be achieved as a result of non-operations.

3. PERFORMANCE INFORMATION BY OBJECTIVE

Objective 1: Provide Community Scheme Disputes Resolution Services

Objective 2: Taking Custody and Control of Schemes Governance Documentation

Objective 3: Operationalize an effective Records Management System

Objective 4: Proper Financial Accounting, budgeting and SCM

Objective 5: Best practices in Corporate Affairs, Governance and IS

By the same token, the above objectives could not be attained until skilled and priority personnel has been appointed

4. REVENUE COLLECTIONS

2013/2014 financial year was still a set-up stage for CSOS, hence a revenue strategy/model was not yet developed. It will be developed in the current year. In view of the dependency on government grant to manage its operations, CSOS envisages to be less depended on the grant after 2015/2016.

PART C: GOVERNANCE

1. STATEMENT ON GOVERNANCE

The Community Scheme Ombud Services ("CSOS") remains strongly committed and dedicated to ensuring strict compliance with, amongst others, Public Finance Management Act, No1 of 1999, the Financial Intelligence Centre Act, Treasury Regulations, the CSOS Act and the principles of sound corporate governance. In addition, CSOS has consistently sought to fulfil its statutory regulatory mandate by having due regard to the precepts of responsible decision making, fairness, transparency, accountability and effective leadership.

2. PORTFOLIO COMMITTEES

In order to comply with corporate governance principles, CSOS had established the following Board Committees:

a) Remuneration, Human Resources and Finance Committee (REMCO)

- REMCO ensures the facilitation of the development and implementation of best human resource practices, employment equity, skills development and employee relations to ensure efficient and effective delivery of services.
- In addition, the committee also is responsible in the determination of remuneration policy in accordance with job grading and job evaluation system.

b) Audit, risk and compliance Committee

- Its role is to create a conducive working environment for the undertaking of audit function and manage and mitigate the risk by facilitating the development and implementation of appropriate systems and control.
- The audit committee is also involved to ensure organizational compliance with applicable laws and regulatory framework and monitors the implementation of audit plan, risk management plan and fraud and prevention plans.

c) Adjudication and Governance Committee

- The committee oversees the registrations, investigations and adjudications of governance and information systems

d) Levies, Regulation and Registration Committee

- Its role is to oversee the establishment of a system for the development, assessment, implementation and review of the framework for the governance schemes levies.

Owing to the short period of tenure of the Board in the year under review, each of the committees have not had the time to meet formally except on ad-hoc basis, in order dispense their fiduciary duties.

3. ACCOUNTING AUTHORITY/BOARD**3.1. Introduction**

The CSOS establishment came about post promulgation of the CSOS Act, including the appointment of various Board members by the erstwhile Minister of Human Settlements, the Honourable Minister Tokyo Sexwale. The Board consisted of seven (7) members from different professional and academic disciplines.

3.2. Role of the Board

The quorum for the meeting of the Board is four (4) members. The Board is responsible for providing overall guidance on the strategy, business plan and related affairs of the CSOS.

3.3. Board Charter

The roles and responsibilities of the Board are further delineated in a Board charter and Shareholder's compact.

3.4. Board sittings

The Board is obliged to meet at least four (4) times per financial year. In consideration of the date of the establishment during the financial year under review, three (3) meetings had taken place. An annual Board workshop is also generally convened for the purpose of reviewing the strategic and business plans, the budget and the risk profile of the CSOS.

3.5. Board remunerations

The rates applied on the remuneration of Board members are determined by the MoHS in consultation with the MoF as required in terms of Section 7(7)(d) of CSOS Act (No. 9 of 2011). These rates are applied according to the category in which CSOS is classified as B1 (Part-time members). In the application of 2013/2014 rates, a total amount of R145 283 was accrued and paid to all Board members. The payments covered meetings, out-pocket expenses and training.

4. RISK MANAGEMENT

In respect of overall CSOS programme delivery, the specific risks and mitigations identified are set out in this section as an analysis of the potential risks that CSOS might face as well as the proposed mitigation. The risks identified have been classified as follows:

- **CSOS Policy and guideline risks** – The risk could occur when CSOS fails to perform its functions in line with its mandate. The risks will require sound governance structures and accountability
- **CSOS Operating and Governance-related risks** – These risks include governance failure, system risk and operational capacity risks.
- **Funding risks** – The risks pertain to the limited availability of funding from national government. These risks largely affect the entity operations.
- **Sector risks** – The risks could emanate from lack of demand for resolutions of disputes and lack of appropriate professional service providers.

5. INTERNAL CONTROL

Upon establishment and appointments, the unit will be responsible for:

- Developed and Implement the three year rolling CSOS Audit Plan;
- Conduct internal audits in accordance with the standards set by the Institute of Internal Auditors;
- Has explicit authority to investigate matters within its powers as identified in a written terms of reference;
- Reports to the Audit Committee Issues affecting entire CSOS (Including the Chief Ombud); and
- Ensures Corporate Governance and interaction with Branches on Areas requiring corrective measures.
- Evaluates and improves the effectiveness of risk management processes and controls, including areas likely to open CSOS to fraud and corruption – Reports on any acts suspected of having reminiscent of fraud, financial crime and corruption;
- Timely engages with CSOS Board appointed external auditors and documentation

6. STAKEHOLDERS

<u>Name of Entity</u>	<u>Area of Interaction/Relationship</u>
a) National Home Builders Registration Council (NHBRC)	Construction related disputes projects
b) Estate Agency Affairs Board (EAAB)	Community schemes related disputes
c) District and Local Municipalities	Identification of database of community schemes
d) Provincial Departments of Human Settlements (PDHS)	Referral of disputes to CSOS
e) Department of Rural Development and Land Reform (DRDLR)	Transfer of schemes governance documentation
f) Department of Justice and Constitutional Development (DJCD)	Compliance Issues/Applicable acts, policies or structures of the judiciary
g) National Treasury (NT)	CSOS funding
h) Department of Social Development (DSD)	Identification of Retirement Housing Schemes
i) Department of Trade and Industry (DTI)	Disputes affecting mixed-used developments
j) Social Housing Regulatory Authority (SHRA)	Disputes affecting owners/occupiers and determination of levies payable

PART D: HUMAN RESOURCE MANAGEMENT

INTEGRATED HUMAN CAPITAL MANAGEMENT REPORT

The Human Resource Division, which is part of Corporate Services Department, has been prioritized in the year under review. Due to challenges of capacity and financial resources as mentioned above, CSOS was unable to resource the division as such. However, the objective of human capital has been carried over to 2014/2015 wherein the entity will be fully operational. Human Resource policies were approved and would be reviewed in the current financial year.

PART E: AUDIT COMMITTEE REPORT

We are pleased to present our report for the financial year ended 31 March 2014

Audit Committee Responsibility

In meeting its responsibilities arising from Section 76(4)(d) of the Public Finance Management Act and Treasury Regulation 3.1.13 and executing its duties, the Audit Committee is required to consider the adequacy and effectiveness of the entity's internal controls and the quality of its financial information.

In order to discharge its responsibilities, the Committee has to review, on a regular basis, the risk areas of the entity's operations to be covered in the scope of internal audits, activities of the internal audit function to determine the effectiveness thereof, internal audit reports, including the response of management issues raised therein, the external audit scope to ensure that the critical areas of the business are being addressed, the external auditors' report and management letter, the operational effectiveness of the entity's policies, systems and procedures, the effectiveness of the system for monitoring compliance with laws and regulations, and the annual financial statements.

The Audit Committee reports that it has complied with its responsibilities arising from Section 76(4)(d) of the Public Finance Management Act and Treasury Regulation 3.1.13. The Audit Committee also reports that it has adopted appropriate formal terms of reference as its Audit Committee Charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

1. Members of the Audit Committee

The members of the Audit Committee are all independent non-executive directors of the entity and are as follows:

Ms Tinyiko Mhlari (CA)	-	Appointed on 01/01/2013
Mr Derick Block (Adv)	-	Appointed on 01/01/2013
Mr Trevor Bailey	-	Appointed on 01/01/2013

2. Meetings held by the Audit Committee

No meetings were held during the year under review as the entity was not operational, however matters requiring Audit Committee attention were addressed and dealt with at Board level.

3. External auditor

The Committee satisfied itself that the external auditors are independent as prescribed by and as per the standards stipulated by the auditing profession. Requisite assurance was sought and provided by the auditors in terms of the requirements that the internal governance processes within the Auditor General or South Africa support and demonstrate the claim to independence.

4. Internal control and risk management

Internal Audit Unit has been budgeted for but not yet manned as mentioned previously that the entity was not operational during the year under review. It is envisaged that the unit will be established in the current financial year. During the year under review although, the Audit Committee did not specifically meet, however the following policies and audits were reviewed and approved by the Board relating to Internal Controls and Risk Management:

- CSOS Policy and Guidelines risks
- CSOS Operating and Governance related risk
- CSOS Funding Risks; and
- CSOS Sector Risk

5. Going concern

The Audit Committee is satisfied that the going concern of the entity is not under threat, and that the entity will continue to operate to operate in the foreseeable future (Refer to note 3 of the financial statements).

6. Evaluation of Financial Statements

Following the review of the financial statements the Audit Committee recommended board approval thereof. The Audit Committee would like to thank management for the work put into completing the financial statements

The Audit Committee concurs and accepts the conclusions of the external auditor on the annual financial statements and is of the opinion that the audited annual financial statements are fairly presented and should be read together with the report of the Auditor General.

On behalf of the Audit Committee



Ms T Mhlari

Chairperson of the Audit Committee

Community Schemes Ombud Services

DATE: 29 August 2014

PART F: FINANCIAL INFORMATION

FINANCIAL OVERVIEW

The CSOS was expected to be in operation on 01 September 2013 with a budget amount of R20 million for the 2013/2014 financial year. The budget would have enabled CSOS to primarily focus on the operationalization of the national office as well as the planning and design of the three other regional offices in Gauteng, Kwa-Zulu Natal and the Western Cape respectively for implementation in the 2014/2015 financial year.

The said amount of R20 millions was received with a shortfall of R3 millions in which the Department reassured CSOS that the latter amount would be accounted for in its books.

As reflected in the financial statements, the R17m received was a government grant plus one day investment income (interest) received of R2 329. Surplus funds (administrative reserves) of R16.8 million were attained after taking into account the expenditure of R145 283 incurred as part of the Board administrative expenses.

An application to condone the use of surplus funds after 2013/2014 financial has been made through the Department. The amount has been declared as a contingent liability in the financial statements as it is awaiting for approval from the National Treasury. Should the application to condone the use of surplus funds be unsuccessful, the going-concern basis of the entity will not largely be affected as the 2014/2015 allocation of R40 million has been approved.

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE COMMUNITY SCHEMES OMBUDS SERVICES

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the financial statements of the Community Scheme Ombuds Services set out on pages 2 to 14 of Part F, which comprise the statement of financial position as at 31 March 2014, the statement of financial performance, statement of changes in net assets, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, as well as the notes, which include a summary of significant accounting policies and other explanatory information to the financial statements.

Accounting authority's responsibility to the financial statements

2. The accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practices (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act no. 1 of 1999) (PFMA), and for such internal control as the accounting determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-general's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the general notice issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Community Schemes Ombuds Services as 31 March 2014 and its financial performance and cash flows for the year then ended, in accordance with SA Standards of GRAP and the requirements of the PFMA.

Emphasis of matter

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

Significant uncertainties

8. With reference to the disclosure note in the financial statements, the entity has disclosed a contingent liability of R17m. This related to the surplus amount which was retained by the entity without approval from National Treasury. The ultimate outcome of this matter cannot presently be determined and no provision for any liability that may result has made in the annual financial statements.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

9. In accordance with the PAA and the general notice issued in terms thereof, I report the following findings on the reported performance information against predetermined objectives for selected objectives presented in the annual performance report, non-compliance with legislation as well as internal control. The objective of my tests was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

Predetermined objectives

10. I did not audit the performance against predetermined objective as the entity received funding on the last day of the financial year.

Compliance with legislation

11. I performed procedures to obtain evidence that the entity has complied with applicable legislation regarding financial matters, financial management and other related matters. I did not identify any instances of material non-compliance with specific matters in key legislation as set out in the General Notice issued in terms of PAA.

Internal control

12. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with legislation. I did not identify any significant deficiencies in internal control.

Pretoria

31 July 2014



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

COMMUNITY SCHEME OMBUD SERVICES

AUDITED

The Annual Financial Statements for the period ended 31 March 2014, set out on pages 2 to 14, have been approved by the Accounting Authority in terms of section 51(1)(f) of the Public Finance Management Act (PFMA), No. 1 of 1999 as amended on 31 May 2009, and are signed on their behalf by:



T D Mabuza

Chief Financial Officer



Rev Dr V. Mehana

Chairperson on behalf of CSOS

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

COMMUNITY SCHEME OMBUD SERVICES

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

COMMUNITY SCHEME OMBUD SERVICES STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2014

	2013/14	2012/13
	R'000	R'000
ASSETS		
Non-current assets		
Current assets		
Cash and cash equivalents	17 002	-
TOTAL ASSETS	<u>17 002</u>	<u>-</u>
EQUITY AND LIABILITIES		
Funds and reserves		
Administration reserves (surplus)	16 857	-
	<u>16 857</u>	<u>-</u>
Non-current liabilities		
Current liabilities		
Accounts payable	145	-
	<u>145</u>	<u>-</u>
TOTAL NET FUNDS AND LIABILITIES	<u>17 002</u>	<u>-</u>

Note

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

COMMUNITY SCHEME OMBUD SERVICES STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31 MARCH 2014

	2013/14	2012/13
	R'000	R'000
REVENUE		
Government grant funding	17 002	
Investment income	2	
TOTAL REVENUE	17 002	
Administration expenses	(145)	
TOTAL EXPENSES	(145)	
TOTAL SURPLUS (DEFICIT) FOR THE YEAR	16 857	

Note

1

2

3

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

COMMUNITY SCHEME OMBUD SERVICES STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 31 MARCH 2014

	Administration Reserves	Discretionary Reserves	Unappropriated Surplus
	R0'000	R0'000	R0'000
Net surplus (deficit) per statement of Financial Performance	16 857	-	16 857
Allocation of unappropriated surplus	16 857	-	(16 857)
Balance as at 31 March 2014	16 857	-	-

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

COMMUNITY SCHEME OMBUD SERVICES CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2014

	Note	2013/14 R'000	2012/13 R'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating activities: Cash receipts from stakeholders		17 000	-
Levies, interest and penalties received		17 000	-
Other cash receipts from stakeholders		-	-
Cash paid to stakeholders, suppliers and employees		- 145	-
Unappropriated surplus paid to National Treasury		-	-
Payments to suppliers and other		- 145	-
Inventory		-	-
Cash generated from/(utilized in) operations		16 872	-
Investment income		2	-
Net cash inflow/(outflow) from operating activities		16 874	-

CASH FLOWS FROM INVESTING ACTIVITIES

Net cash inflow/(outflow) from investing activities

- -

CASH FLOWS FROM FINANCING ACTIVITIES

Grants, transfers and funds received
Increase/(decrease) in others
Increase/(decrease) in reserves
Net cash inflow/(outflow) from financing activities

- -
- -
145 -
145 -

17 019 -

Net

Cash and cash equivalents at beginning of year
Cash and cash equivalents at end of year

- -
17 019 -

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

COMMUNITY SCHEME OMBUD SERVICES STATEMENT OF COMPARISON OF BUDGET & ACTUAL PERFORMANCE FOR THE YEAR ENDED 31 MARCH 2014

	Budgeted 2013/14 R'	Adjustment R'	Final Budget R'	Actual 2013/14 R'	Deviation R'
INCOME					
Government grant funding	20 000 000	0	20 000 000	17 000 000	-3 000 000
Community Scheme Levy Income	0	0	0	0	0
Dispute Resolution Service Income	0	0	0	0	0
Community Scheme Documentation Income	0	0	0	0	0
Interest receivable	0	0	0	2 329	2 329
Total income	20 000 000		20 000 000	17 002 329	-2 997 671
Less board expenses	1 396 126	0	1 396 126	145 283	1 250 843
Less staff remuneration	9 520 341	0	9 520 341	0	9 520 341
Less Administrative expenses	9 083 533	0	9 083 533	67	9 083 466
Annual report costs	0	0	0	0	0
Audit fees	0	0	0	0	0
Bank charges	36 855	0	36 855	67	36 788
Consulting fees - Fee determination	1 369 630	0	1 369 630	0	1 369 630
Outsourced adjudicators - Dispute resolution	80 000	0	80 000	0	80 000
Insurance	126 500	0	126 500	0	126 500

Community scheme documentation expenses	357 152	0	357 152	0	357 152
Community scheme database assessment, design and implementation	0	0	0	0	0
Office furniture	1 200 000	0	1 200 000	0	1 200 000
Office expenses	132 000	0	132 000	0	132 000
Rent	458 500	0	458 500	0	458 500
Staff recruitment costs	1 100 000	0	1 100 000	0	1 100 000
Subscriptions	13 000	0	13 000	0	13 000
Marketing and promotions	500 000	0	500 000	0	500 000
Telephone and postage	138 865	0	138 865	0	138 865
Computer equipment and software	1 330 000	0	1 330 000	0	1 330 000
Staff welfare	761 627	0	761 627	0	761 627
Travel & accommodation	909 404	0	909 404	0	909 404
Training and development programmes	350 000	0	350 000	0	350 000
Vehicles & maintenance	0	0	0	0	0
Water and electricity	220 000	0	220 000	0	220 000
Total expenditure	20 000 000	0	20 000 000	145 350	16 856 979
Surplus / (deficit)	0		0	16 856 979	

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

COMMUNITY SCHEME OMBUD SERVICES ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

The financial statements have been prepared in accordance with South African Standards of Generally Recognized Accounting Practice (GRAP) issued by the Accounting Standards Board.

The principal accounting policies adopted in the preparation of these financial statements are set out below and are, in all material respects, consistent with those of the previous year, except as otherwise indicated.

Basis of preparation

The 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.

Investment income

Interest income is accrued on a time proportion basis, taking into account the principal outstanding and the effective interest rate over the period to maturity.

Cash and cash equivalents

Cash and cash equivalents are measured at fair value.

Reserves

Equity is sub-classified in the statement of financial position between the following funds and reserves:

	2013/14	2012/13
R'000	R'000	
	16 857	-

Administrative reserve

Related Parties

Executive

none

Non-executive (Board members)
 Rev. Dr. V. Mehana
 Adv. M. Malebye
 Adv. N. Memani
 Mr T. Bailey
 Ms T. Mhlari
 Mr D. Shoji
 Adv. D. Block

Seven (7)
 Chairperson of the Board
 Deputy Chairperson of the Board
 Member of the Board
 Member of the Board
 Member of the Board
 Member of the Board
 Member of the Board

Stakeholders & Partners

Entity

Relationship

NHBRC	-	Construction related disputes & projects
EAAB	-	Community schemes related disputes
District & Local Municipalities	-	Identification of database of community schemes
PDHS	-	Referral of disputes to CSOS
DRDLR	-	Transfer of schemes governance documentation
DJCD	-	Compliance issues on legislations and policies
NT	-	CSOS funding through government grant
DSD	-	Identification of Retirement Housing Schemes
DTI	-	Disputes affecting mixed-used developments
SHRA	-	Disputes affecting owners/occupiers and determination of levies payable

Contingent Liability

Contingent assets and contingent liabilities are not recognized. Contingencies are disclosed in notes.

Revenue from non-exchange transactions

Government grant is the major revenue source that are used for operations.

Tax expense

CSOS is a schedule 3, Part A Public Entity and is therefore exempt from VAT and income tax.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

COMMUNITY SCHEME OMBUD SERVICES NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

ALLOCATION OF NET SURPLUS FOR THE YEAR TO RESERVES

	Note	Total per Income Statement R'000	Administrative Reserves R'000	Discretionary Reserves R'000
Total revenue		17 002	17 000	-
Government grant income	1	17 000	17 000	-
Investment income	2	2	2	
Total expense		145	145	
Administration expense	3	145	145	
Net surplus		16 857	16 857	-

	Note	2013/14 R'000	2012/13 R'000
GOVERNMENT GRANT			
The total government grant received per Statement of financial performance is as Follows:			
Grant received: Administration		17 000	-
Grant received		17 000	
Government grant received		17 000	
INVESTMENT INCOME			
Interest income		2	
Investments		-	
Interest received in Bank Deposits		2	
ADMIN EXPENSES			
Admin expenses		145	
Honorarium Fees		145	
CASH & CASH EQUIVALENTS	4		
Cash at bank and in hand		17 002	
Cash at bank			
Cash on hand		17 002	
Short term investments/instruments			
Cash and cash equivalents at year end		17 002	

TRADE AND OTHER PAYABLES		Note
Exchange	145	5
Other Creditors	115	
SARS	30	

DISCLOSURE NOTE: RELATED PARTIES

Board expenses have been classified as 'Other creditors'. The amount covers meetings, travelling costs and training workshops attended.

DISCLOSURE NOTE: CONTINGENT LIABILITY

The R17m was belatedly transferred into the CSOS account on 31 March 2014. CSOS has applied for condonation to use the funds for 2014/15 as the entity could not use the funds in 2013/14. The Department has been informed to intervene to get approval from National Treasury to use the funds in the current financial year.