



Affordable Reliable Justice

ANNUAL REPORT 2019/20

Annual report for 2019/20 Financial year
Vote no 33: Human Settlements, Water and Sanitation



**TO THE MINISTER OF HUMAN SETTLEMENTS, WATER AND SANITATION,
MS LINDIWE SISULU.**

I have the honour of submitting to you, in accordance with the Public Finance Management Act (PFMA), 1999 (Act 1 of 1999), the Annual Report of the Community Schemes Ombud Service for the period 1 April 2019 to 31 March 2020.

Mr M. Tyamzashe
Chairperson of the Board

Date of submission: 28th October 2020

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PART A GENERAL INFORMATION

ENTITY GENERAL INFORMATION

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LIST OF ABBREVIATIONS/ACRONYMS

ABBREVIATIONS	NAME IN FULL
ALDP	Accelerated Leadership Development Programme
APP	Annual Performance Plan
CSOS	Community Schemes Ombud Service
CIPC	Companies and Intellectual Property Commission
DHS	Department of Human Settlements
DPME	Department of Planning, Monitoring and Evaluation
ERP	Enterprise Resource Planning
Exco	Executive Committee / Executive Council
HOA	Homeowners Associations
HR	Human Resources
ICT plan	Information, Communications and Technology
M&E	Monitoring and Evaluation
MTEF	Medium Term Expenditure Framework
MTSF	Medium Term Strategic Framework
NDoHS	National Department of Human Settlement
NDP	National Development Plan
NSDF	National Spatial Development Framework
PDA's	Priority Development Areas
PDI	Previously Disadvantaged Individual
PFMA	Public Finance Management Act
Q	Quarter
SDG	Sustainable Development Goals
SMART	Specific, Measurable, Achievable, Realistic and Time-Bound
SLAs	Service Level Agreement
SONA	State of The Nation Address





MESSAGE FROM BOARD CHAIRMAN

MR. M. TYAMZASHE
COMMUNITY SCHEMES OMBUD SERVICE
(CSOS) BOARD CHAIRMAN

I am pleased to present, on behalf of the CSOS Board, the 2019/2020 CSOS Annual Report. This is the second annual report of the current Board and the seventh since the establishment of the entity. In the drafting of this Annual Report, cognisance was taken of the legal requirements for Annual Reports of Departments, as set out in Section 51 of the Public Finance Management Act, Act 1 of 1999 as amended and Regulation 28 of the Treasury Regulations.

In an effort to realise the commitments as set out in the 2019/2020 CSOS Strategic Objectives and Annual Performance Plan, the Board identified 5 Big Ideas to be prioritised during the period viz the appointment of the top 2 Executives, that have been vacant for more than a year; securing of suitable premises for the Head Office and Gauteng Province staff; profile-raising for the CSOS and its offerings; the acquisition of an IT System; and the tracing of funds lost through the widely reported VBS Mutual Bank incident. The CSOS Board believes that addressing these issues, will go a long way towards stabilising the entity, dispose of recurring audit queries and decisively deal with historical backlogs.

The delay in the appointment of the Senior Executives was initially influenced by the need to dispose of legal challenges from a previous incumbent in the case of the Chief Ombud and the long approval process in confirming a Chief Financial Officer. This led to an undesirably long period of having “acting” personnel in these critical positions. A headhunting executive search company was subsequently appointed to help with the two appointments and recommendations have already been made to the Minister via the Department. At this stage, we are negotiating an offer with the preferred Chief Ombud candidate and restarting the search for a Chief Financial Officer.

With regard to office accommodation, the negative side of the congestion encountered at the CSOS head office, could not have been more obvious, as is the case during the current pandemic, where social distancing is a serious challenge. However, preparations are underway to identify and acquire suitable premises on either a purchase or rental basis. Although the entity made efforts to raise awareness and has embarked on a program of scheduled stakeholder engagements, there is still insufficient knowledge of the entity and its service offerings. To this end, a marketing campaign that will help popularise the entity beyond its immediate stakeholders, is to be launched shortly.

Also, since many of the recurring audit findings made against the entity, are centred around the inability to account for collections covering the entire universe of community schemes, the acquisition of a Business Automation Solution (BAS), has been identified and recommended to act as a central core interface for the business units, dealing with revenue management, registration, governance, compliance and enforcement as well as dispute resolution. Arrangements are underway for a “staggered” implementation of the system, which will also do away with the manual and antiquated platforms currently in use. Accordingly, the 1503 community schemes we were able to register during the 2019/2020 period, are expected to increase significantly following negotiated access to data bases of institutions like the Deeds Office, the CIPC, Surveyor-General, Department of Small Business and the SA Revenue Service.

With regard to VBS, a two-pronged approach is being followed, with the Hawks process, in respect of the criminal aspects, on the one hand and a possible tracing or a Treasury condonation process on the other.

AMONGST THE YEAR’S KEY HIGHLIGHTS, THE CSOS MANAGED THE FOLLOWING:

- 01** Levy collections of R217million attained during the reporting period, versus R196million collected in the previous financial year.
- 02** An improvement on the “adverse” audit finding, of the previous year to one of “qualified” finding during the current period, which hopefully will change to “unqualified” in the next report.
- 03** finalised 70% of the 6967 disputes received, through the appointment of an additional 24 part-time adjudicators.
- 04** hosted 23 educational seminars, that were attended by 1022 participants.
- 05** Established a Social and Ethics Board committee

It is also the CSOS’ intention to meaningfully contribute to the Department’s 2030 vision through the enhancement of vibrant community schemes as an alternative tenure option for the majority of the country’s citizens.

On behalf of the CSOS Board, I wish to extend our sincere gratitude to the Honourable Minister, Deputy Minister and Department for their support, over the year.

Mr M. Tyamzashe
Chairperson of the Board

KEY HIGHLIGHTS

01

02

03

04

05

REPORT OF THE ACCOUNTING OFFICER

MS N. RABULI
ACTING CHIEF OMBUD (ACO)

OVERVIEW OF THE OPERATIONS OF THE COMMUNITY SCHEMES OMBUD SERVICE

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 to ensure the promotion of good governance of community schemes. South Africa currently holds the fourth largest number of community schemes in the world. The rapid growth of community scheme living in South Africa is a sure sign of migration trends, as more and more people flock to the large urban centres of the country in search of economic growth. The scarcity of land in urban centres, security concerns, and convenience of community schemes locations, are social factors that have contributed to this form of tenure, and it is likely that this growth trend will continue rather than abate.

CSOS continued to register community schemes and put efforts in place to ensure a complete and accurate database. The organisation has made significant progress in creating a database of schemes which was further boosted by the sectional title schemes list from the Deeds Office of around 78 000 schemes. This has given an indication of the number of Sectional Title Schemes in the country and allowed for a more accurate projection of levies collection and outstanding schemes not registered. Engagements were also held with CIPC to access their database of Homeowners' Associations

for the purpose of registering the unregistered schemes. The organisation seeks to fully regulate the community schemes industry as it was previously unregulated with an unfair scale of mediation and dispute resolution. The CSOS will continue to improve its operational standing after having been fully operational in the 2017/18 financial year and strives to further increase the collections projection year on year. The income streams, of which the CSOS levy income is the largest, are expected to grow as registrations increase.

The social relations amongst parties within the community schemes are of outmost importance as they co-own and co-govern the community scheme. CSOS continued to provide dispute resolution services that were governed by the principle of fairness and without favour, the principle was applied to all parties involved in the dispute. Centrally, the CSOS is delivering an affordable alternative dispute resolution service at a fee as prescribed and in a sustainable manner.

The CSOS services are underpinned by an operating model aligned to good corporate governance principles of efficiency, effectiveness, innovation, and fair conduct. Various funding sources/streams were employed to enable the organisation to be self-sustainable. These include amongst others, grants appropriated by Parliament, levies payable by community

schemes, services charges, and charges on accessing schemes governance documentation. The technological environment presents a perfect opportunity for the CSOS to tap into best case scenarios. Appropriate technological Case Management and Customer Relationship Management as well as an integrated Enterprise Resource Planning (ERP) system and capabilities will be implemented by the organisation to effectively discharge its mandate. In the 2019/20 financial year, the CSOS planned to deploy a core system that will work to eliminate some of the organisation's operational deficiencies by ensuring completeness of revenue, accuracy in terms of reporting and effective operations when conducting the core operations of dispute resolution and regulation, however the project could not be finalised and has been prioritised to be finalised in the 2020/21 financial year.

Expansion of the CSOS footprint is ongoing with two additional points of presence, George and East London over and above Port Elizabeth and Bloemfontein established in the 2018/19 financial year. Identification of other points of

presence that need to be established will continue in the current Medium Term Strategic Framework (MTSF). Awareness campaigns continued in the 2019/20 financial year and there was an increased participation of owners, occupiers and other stakeholders living in community schemes. The increased interest created public awareness of the CSOS services in terms of its mandate. These campaigns help to increase registration of schemes and that will in turn improve levy collection for the Entity. As the organisation continues to engage the stakeholders on the role of the Ombud, the intellectual experience of the organisation will grow, leading to a much better service being offered and legislation being amended to better regulate the community schemes environment. The CSOS will continue to build meaningful relations with other entities within the Department of Human Settlements to ensure that inter-agency dependencies are explored and addressed. The aim is to ensure that all entities are appraised of the CSOS mandate and we all contribute towards the goals of the Department.

OVERVIEW OF THE FINANCIAL RESULTS.

The CSOS generates its revenue from levies, government grants, interest income and dispute resolutions income. Levies are the major source of revenue for the CSOS. 99% of the targeted levy income, which amounts to R217 060 000 (2019: R195 672 000) was collected in the 2019/20 financial year. CSOS further generated R14 310 000 (2019: R9 403 000) from interest income. The CSOS realised a surplus of R166 629 000 (2019: R147 801 000), a 13% increase from the 2018/19 financial year. There was an underspending of R143 905 000 in the year under review. This was partly due to the non-filling of the Chief Ombud, Chief Financial Officer and Chief Information Officer, as well as other posts. Furthermore, the entity deferred most of its major projects to the 2020/2021 financial year; these include the development of the Business Automation Solution (BAS), office space and the awareness creation campaigns.

Table 1: Organisational receipts

	2019/20			2018/19		
	Estimate	Actual amount collected	Over/(Under) collection	Estimate	Actual amount collected	Over/(Under) collection
	R'000	R'000	R'000	R'000	R'000	R'000
Levy Income	220 000	217 060	(2 940)	200 000	195 672	(4 328)
Government Grant	32 847	32 847	-	31 105	31 105	-
Interest Income	14 534	14 310	(24)	13 776	9 403	(4 373)
Dispute Resolutions	330	441	111	180	424	244
Other Income	50	224	(24)	50	-	(50)
TOTAL	267 761	264 682	(3 077)	245 111	236 734	(8 377)

Table 2: Programme expenditure

	2019/20			2018/19		
	Final appropriation	Actual expenditure	Over/(Under) expenditure	Final appropriation	Actual expenditure	Over/(Under) expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Administration	234 431	70 553	163 878	184 854	55 692	129 162
Regulation	23 680	27 803	(4 123)	53 966	30 372	23 594
Education and training	9 650	1 374	8 276	6 191	2 766	3 425
TOTAL	267 761	99 730	177 031	245 111	88 830	156 281

Table 3: Virements

	AENE (R'000)	VIREMENT (R'000)	FINAL APPROPRIATION (R'000)
Administration	234 431	0	234 431
Regulation	23 680	0	23 680
Education and training	9 650	0	9 650
TOTAL	267 761	0	267 761

Roll-overs/additional funding

The CSOS was granted approval by the National Treasury to retain R52 million from the 2018/19 surplus.

The registration and payment of levies by community schemes is still a challenge. The Entity continues to create awareness through its education and training sessions which are appreciated by stakeholders. The entity signed a Memorandum of Understanding (MoU) with two government entities in the year under review that will assist with the identification of community schemes and subsequently the registration thereof.

The CSOS continues to sustain itself through the levies collected and, as at the end of the financial year, COVID-19 had not had drastic effects on the CSOS as it managed to collect 99% of the targeted levy amounts. The Entity continues to have a positive cash flow outlook and it continues to operate as a going concern.

1. FUTURE OF THE ENTITY

In the previous financial year, the Entity achieved an adverse audit outcome. The basis for the Adverse Opinion was on the completeness and accuracy of the non-exchange revenue and its related receivables. It is the Entity's intention to continue improving audit outcomes and sustaining this over multiple reporting periods, supported by effective controls and strong governance.

The high-level focus in 2020/21 will remain firmly on contributing meaningfully to the MTEF targets in the following areas:

- Regulating community schemes in South Africa
- Provision of an effective dispute resolution mechanism, thus affirming the rights and obligations of owners and residents of community schemes in a manner that enhances their enjoyment in these types of human settlements
- Provision of effective, quality training, advocacy and outreach programmes to Adjudicators and Conciliators,

as well as other stakeholders with interests in community schemes

- Ensuring compliance within community schemes by providing governance oversight to the schemes
- Improving neighbourly relations amongst community schemes residents, whilst sustaining the improvement of the property markets of the area
- Maintaining best corporate governance, financial management and legal processes within CSOS and ensuring that the Entity is effective and sustainable

Public-private partnerships

Not Applicable

Discontinued activities/activities to be discontinued

Not Applicable

New or proposed activities

The Strategic Plan captures the list of outcomes which the CSOS will undertake in pursuit of this mandate. High on the agenda during the medium term include:

●	An effectively regulated community scheme sector
●	Disputes resolved
●	Financially viable and sustainable organisation
●	Empowered stakeholder
●	Community scheme sector value chain transformed
●	Effective and efficient administration and governance

2. SUPPLY CHAIN MANAGEMENT

The CSOS continues to strive to adhere to the Supply Chain Management Regulations in all its procurement. Six contracts were awarded during the year under review, these include the development of a curriculum, the feasibility study for office expansion, and the provision of internal audit services and travel management services. R39 865 000 of Irregular Expenditure identified in the prior financial year and R482 000 incurred in the current financial year as a result of previous years' contracts, was condoned by the National Treasury after the end of the financial year, but prior to the

authorisation for the issuing of the financial statements. Irregular expenditure amounting to R4 484 000 was identified during the year under review.

2.1. GIFTS AND DONATIONS RECEIVED IN KIND FROM NON-RELATED PARTIES

There were no gifts or donations received in kind from non-related parties.

2.2. EXEMPTIONS AND DEVIATIONS RECEIVED FROM NATIONAL TREASURY

Table 4: The following deviation was approved by the National Treasury:

DATE	REASONS FOR DEVIATION	AMOUNT
26/02/2020	Head hunting for the CEO and CFO's positions. The CSOS has not been able to fill the two critical positions through normal recruitment processes and the positions have been vacant for a long time	950 785.00

2.3. EVENTS AFTER THE REPORTING DATE

The World Health Organisation declared a global pandemic with the spread of the coronavirus (COVID-19). As a result, the SA Government declared a National State of Disaster followed by a lockdown that enforced various measures which led to reduced business activities of the Entity, thus possibly impacting on the future viability of the Entity. The declaration of the pandemic did not affect the operations of CSOS in a quantitative manner; as a result the impact on the annual financial statements for the reporting period ended 31 March 2020 is considered minimal. CSOS has sufficient cash and cash equivalents on hand as the levy collection from community schemes was not drastically affected during the lockdown period.

2.4. INVESTIGATIONS

There were no new investigations in the current year. CSOS continue to pursue the recovery of the funds lost to the VBS Mutual Bank fraud. After the finalisation of the investigation by the both the CSOS and the Minister's appointed investigators, CSOS laid criminal charges against implicated parties. The case is currently being handled by the Directorate for Priority Crimes Investigation. The National Prosecuting

Authority has allocated the case to a Prosecutor to assist with further investigation and for possible prosecutions. CSOS is in constant contact with the investigation team to assist in processing the matter. Further, CSOS lodged a complaint with the Financial Sector Conduct Authority ("FSCA"), to investigate the conduct of certain parties for contravention of the FSCA Regulations. The CSOS has lodged a claim with the VBS Curator in an effort to ensure that CSOS the Entity is included in the list of qualifying creditors. At this stage it cannot be determined whether there will be any recovery; as a result a complete write-off was made in the accounts.

Approval and sign-off

The 2019/20 draft AFS are approved by the Acting Accounting Officer.

Yours faithfully



Ms N. Rabuli

Acting Chief Ombud

STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY FOR THE ANNUAL REPORT

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

All information and amounts disclosed in this annual report are consistent with the Annual Financial Statements and Performance Information audited by the Auditor-General. The annual report is complete, accurate and is free from any omissions. The annual report has been prepared in accordance with the Guidelines on the Annual Report as issued by National Treasury. The Annual Financial Statements (Part D) have been prepared in accordance with the Generally Recognised Accounting Practice (GRAP) standards applicable to the CSOS.

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

The external auditors were engaged to express an independent opinion on the Annual Financial Statements. In our opinion, this annual report fairly reflects the review of operations, the performance information, the human resources information and the financial affairs of the CSOS for the financial year ended 31 March 2020.

Yours faithfully

Mr M. Tyamzashe

Chairperson of the Board

STRATEGIC OVERVIEW

1

THE VISION

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

2

OUR MISSION

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

3

OUR VALUES

A

ACCOUNTABILITY

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

E

INDEPENDENCE

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

C

EXCELLENCE

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

D

INTEGRITY

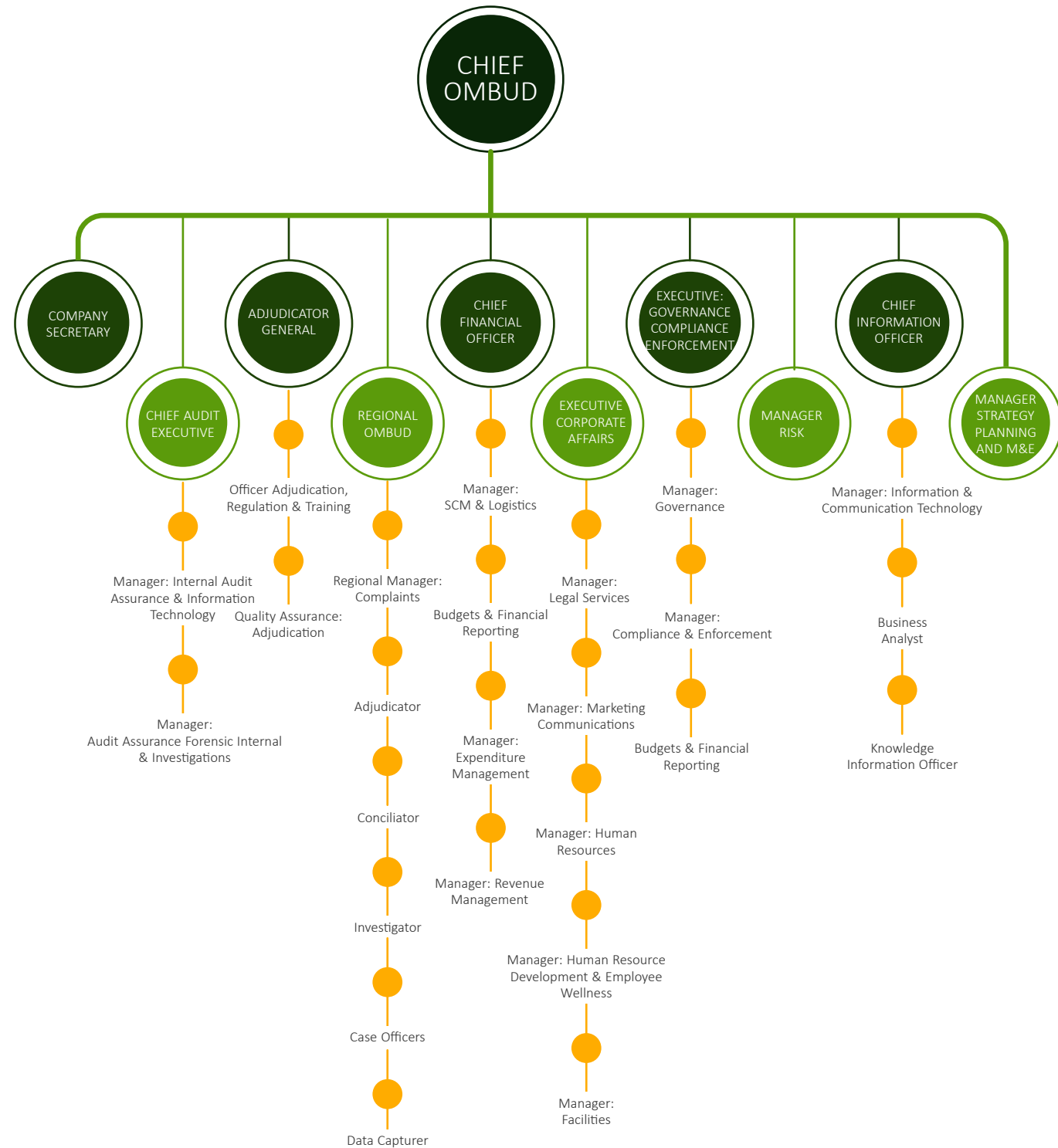
The CSOS will execute its functions in an honest, ethical, transparent, and reliable manner.

ORGANISATIONAL STRUCTURE

ENTITIES REPORTING TO THE MINISTER

N/A

Figure 1: Organogram



PART B PERFORMANCE INFORMATION

AUDITOR-GENERAL'S REPORT: PREDETERMINED OBJECTIVES

In accordance with the Public Audit Act of South Africa 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected programme presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.

My procedures address the usefulness and reliability of the reported performance information, which must be based on the approved performance planning documents of the public entity. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures do not examine whether the actions taken by the public entity enabled service delivery. My procedures also do not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria

developed from the performance management and reporting framework, as defined in the general notice, for the following selected programme presented in the annual performance report of the public entity for the year ended 31 March 2020:

Table 5:

PROGRAMMES	PAGES IN THE ANNUAL PERFORMANCE REPORT
Programme 2: Regulation	30-37

I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported

performance information to determine whether it was valid, accurate and complete.

I did not identify any material findings on the usefulness and reliability of the reported performance information for programme: regulation.

OVERVIEW OF THE CSOS PERFORMANCE

1. SERVICE-DELIVERY ENVIRONMENT

The service delivery environment for the period was marked by an increase in applications for disputes, as well as low scheme registration, levy collection and certification of scheme governance documents. The CSOS is executing its mandate of developing appropriate policies that will help to improve the regulation of community schemes. The Entity's mandate is derived from Chapter 1: Founding Provisions: Human dignity, the achievement of equality and the advancement of human rights and freedom. The environment within which the CSOS operates is complex, involving technical requirements, legal processes and procedures to regulate and harmonise interdependent relations between parties in shared living arrangements such as sectional title schemes, homeowners' associations, share-block companies, housing schemes for retired persons and housing co-operatives.

The CSOS has defined its priorities for the 2019/20 financial year to registration of community schemes and the provision of affordable justice. The CSOS executes its mandate and seeks to achieve its vision and mission, in a complex environment impacted by global, national, and provincial events that directly affect the pursuit of its desired impact and delivering on its mandate. The mandate of Community Schemes Ombud Service (CSOS) is informed by section 4 of the CSOS Act, which requires CSOS to develop and provide a dispute resolution service in terms of the Act; provide training for conciliators, adjudicators and other employees of the service; regulate, monitor and control the quality of all sectional title scheme governance documentation and other such governance documentation as may be determined by the Minister by notice in the Gazette; and take custody of, preserve and provide public access electronically or by other means to sectional title scheme governance documentation and other such scheme governance documents as may be determined by the Minister by notice in the Gazette. Furthermore, Section 59 of the CSOS Act provides that every community scheme must pay a prescribed levy to the CSOS, subject to such discounts or waivers as may be prescribed.

The entire CSOS value chain and service delivery model is underpinned by the successful creation of a complete database of community schemes. To deliver on the overall CSOS Strategic Plan, CSOS must prioritise registration of schemes. The registration of community schemes is founded on the CSOS Act and the Regulations. The registration must be done within 90 days of the coming into effect of the

Community Schemes Ombud Service Act Regulation, or within 90 days of the date of the scheme incorporation in terms of applicable laws. While CSOS aims for 100% compliance with the registration by schemes, this can only be attained in the long term. In the short term, the aim is to ensure that at least 80% of the schemes are registered within the coming 3 years. Registration of schemes is critical for the development of the database of community schemes. The database is critical not only for collection of levies but also for provision of education and training.

During the period under review the Entity implemented a Community Schemes Registration Strategy. The objective of the strategy is to ensure that CSOS registers all community schemes so that they can be regulated in accordance with the CSOS Act. Part of the activities in the strategy was to coordinate engagements with institutions that have data for community schemes. This includes organisations like the Deeds Office and Companies and Intellectual Property Commission (CIPC). Several engagements were held with the Deeds Registrar that led to the drafting of a Memorandum of Understanding (MOU), together with a detailed action plan for the retrieval of all scheme governance documentation as per the CSOS legislation. Terms of Reference (TOR) will be drafted to procure the services of a service provider to extract all the scheme governance documents from the Deeds Offices nationwide. CSOS also procure data from deeds that comprise 76 677 Body Corporates that have been registered in various Deeds Offices around the country.

The CIPC will also provide the CSOS with user access to their databases where all the non-profit companies (homeowners' associations) are registered including their current board of directors. The SLA is being finalised between the two entities, after which access will be granted to CSOS. This information, together with the Deeds Registrar raw data, will provide the CSOS with the number of community schemes in South Africa. In the 2020/21 financial year CSOS will coordinate a data cleansing and comparative study on information received from the Deeds Office (76 677 deeds office entries) and the CIPC. Once the data cleansing is completed, all schemes will be registered on the CSOS case management system. With regard to the new sectional titles that are registered on the Deeds Registrar, the Deeds Office has an obligation to provide CSOS with the details of all new sectional title registers opened as and when a certificate of registration is issued. There was a decline in the number of registrations of schemes in the 2019/20 financial year. There were 1 503 registration documents submitted during the

2019/20 financial year compared to 2 423 submitted during the 2018/19 financial year. An action plan has been developed for the non-compliance of community schemes; however, the Entity has ceased to issue non-compliance notices to community schemes until such time that a complete and accurate database of all community schemes in South Africa has been established and verified.

During the MTSF period the Entity developed and implemented a compliance and enforcement strategy. The underlying aim of this strategy is to have in place effective systems to maximise the schemes' compliance with their duties and to ensure non-compliance is held at an absolute minimum, thereby ensuring that schemes comply with the CSOS Act, (Sectional Titles Schemes Management) STSM Act and other relevant legislation. The CSOS' Compliance and Enforcement Framework outlined how the CSOS will conduct its compliance and the enforcement activities to fulfil its role of regulating the registration of the schemes. The main objective for conducting quality assurance of community scheme rules is to ensure that there is proper governance within community schemes. To this end, CSOS provides quality assurance to the schemes' governance documentation, records all existing and new schemes' governance documentation 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. However, the responsibility for complying rests with the community schemes.

The number of **schemes governance documentation quality assured** has decreased from 2 088 in the 2018/19 financial year to 1 877 in the 2019/20 financial year, which is 211 less governance documentation quality assured in the 2019/20 financial year as compared to 2018/19. A total of 1 206 certificates were issued for schemes governance documentation approved by the Acting Chief Ombud after quality assurance, which is 99 less certificates issued for community schemes governance documentation quality assured in the 2019/20 financial year as compared to 1 305 in the 2018/19 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 Community Schemes

Ombud Service Act, No. 09 of 2011, prescribes Prayers for Relief which must be applied for and ordered, depending on merits, in resolving disputes emanating from community schemes. The dispute resolutions services (regional offices) were able to resolve 70% (4 891 disputes finalised out of 6 967 disputes received) of disputes in the period under review. This percentage of disputes resolved has decreased by 17% in the 2019/20 financial year as compared to 87% of disputes in the 2018/19 financial year. The Gauteng office, which receives on average three times the volume of the other regions, requires additional case officers and conciliators to assist with the volume of work and improve turnaround times.

Section 59(a) of the CSOS Act provides that: "Every community scheme must, with effect from the commencement date of the Act, in each calendar year and at such time as may be prescribed, pay to the service a levy in an amount calculated as prescribed, subject to such discounts or waivers as may be prescribed". The commencement date of the Act was January 2017. Currently there are schemes that have not yet registered with the CSOS. Arrear levies must be collected and adequately accounted for in terms of the Generally Recognised Accounting Practice (GRAP). During the period under review the Entity developed and implemented a Revenue Management Strategy. The objective of the strategy is to provide CSOS an overarching strategy to ensure that levies are collected from all community schemes as per the CSOS Act as well as ensure that collected levies, dispute resolution and governance documents income are accounted for correctly and accurately. The Entity collected levies to the amount of R217 060 000 as opposed to the set target of R220 000 000. This shows a negative variance of- R2 940 000. There is a 2% increase compared to the R195 672 310 collected on a set target of R200 000 000 in the 2018/2019 financial year.

One of the CSOS' mandates is to **provide stakeholder training, consumer education and awareness** for property owners, occupiers and other stakeholders who have rights and obligations in the community schemes about those rights and obligations as well as to create public awareness of the CSOS services.. CSOS undertook 23 training sessions for external stakeholders in Western Cape, Gauteng and KZN. The total stakeholder training conducted in the 2019/20 financial year was 1 022. This is 100% increase as the training target was not achieved in the 2018/19 financial year.

Table 6: 2019/2020 OVERALL ANNUAL PERFORMANCE

PERFORMANCE INDICATOR	2018/2019 ACTUAL ACHIEVEMENT	2019/2020 ACTUAL	PERFORMANCE ANALYSIS
Amount of levy	R 195 672 310	R 217 060 000	There is a 2% increase compared to the R195 672 310 collected on a set target of R200 000 000 2018/2019 financial year target, which was 97%.
Number of community schemes registered	2 423	1 503	-920 less schemes registered in 2019/20 financial year as compared to 2018/19 financial year.
Number of governance documentation quality assured (new schemes and amendments of rules)	2 088	1 877	-211 less governance documentation quality assured in 2019/20 financial year as compared to 2018/20 financial year.
Number of certificates issued for community schemes governance documentation that has been quality assured	1 305	1 206	-99 less certificates issued for community schemes governance documentation that has been quality assured in 2019 as compared to 2018.
Percentage of disputes finalised	87%	70% (4891 disputes finalised out of 6967)	This percentage of disputes resolved has decreased by 17% in 2019/20 financial year as compared to 2018/19 financial year.
Number of training and education sessions conducted for schemes executives, owners, and occupiers (1244 stakeholders trained)	Not achieved Planned 1 session with 30 stakeholders trained	23 training sessions conducted (1022 stakeholders trained)	100% increase as the 2018/19 financial year training target was not implemented.

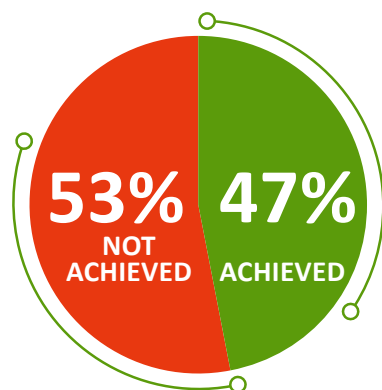
2. 2019/20 OVERALL ANNUAL PERFORMANCE

The Entity had seventeen (17) targets planned for the financial year. Of the 17 targets planned, eight (08) targets were achieved, and nine (09) were not achieved. This is a 3% decrease from the 2018/19 financial year. The decrease in performance is as a result of several aspects from legislative shortcomings, to insufficient capacity and procurement delays. CSOS is required to register all community schemes in the country, however the CSOS Act does not provide the power to enforce scheme registration. The lack of sufficient resources affected the provision of dispute resolution services. The Entity also set targets that were dependent on the procurement plan and this delayed achievement of some of the planned targets. The Entity is making efforts to ensure

an improved performance in the 2020/21 financial year. The Entity will work with the National Department of Human Settlements, Water and Sanitation 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 frameworks. Some of the corrective measures to be implemented are recruitment of additional staff and monthly monitoring of performance that includes timeous implementation of corrective measures. There are also several breakthroughs on the operations of the core functions, such as access to external databases with community scheme data and other methods of providing dispute resolution services as well as some level of increased awareness of CSOS through training.

Table 7: CSOS 2019-20 performance per programme

PROGRAMMES	PLANNED	ACHIEVED	NOT ACHIEVED	% ACHIEVED
Programme 1: Administration	7	4	3	57%
Programme 2: Regulation	4	0	4	0%
Programme 3: Education and Training	6	4	2	67%
CSOS	17	8	9	47%

Figure 2: Overall 2019/20 Performance

3. ORGANISATIONAL ENVIRONMENT

CSOS is accountable to the Minister for Human Settlements, Water and Sanitation. The Board provides oversight to the CSOS. The roles and responsibilities of the CSOS Board are to steer and set strategic direction of the CSOS regarding both the organisation's strategy, and the way in which specific governance areas are to be approached, addressed, and conducted. The CSOS Board of Directors consists of seven (7) non-executive members and two (2) executive members i.e. the Chief Ombud and the Chief Financial Officer. The Board is representative in terms of race, gender, and geographic spread. Its skills profile and experience include financial management, risk management, people management, dispute resolution in community schemes, public education and training, management of community schemes, and compliance and law. CSOS' strategic intent is to enhance community schemes as an alternative tenure option for most citizens within South Africa.

The CSOS Act empowers the organisation to help create and facilitate orderly and well-managed community schemes. This will be carried out by resolving disputes amongst the parties, administration of schemes governance documentation and providing regular training and education to all stakeholders. Fostering inter-relationships between the CSOS and various community schemes is critical. Implementation of the mandate requires building relevant skills and behaviours which promote a culture of continuous learning and leadership is key to achieving the CSOS' strategic goals and objectives. Human Resource (HR) planning remains at the core of ensuring that the Entity has the necessary capacity to deliver on its mandate and outcomes, as and when required.

Table 8:

	PERMANENT	INTERNS	TEMPS	TOTAL
Q4	99	5	9	113
Q3	93	7	6	106
Q2	89	11	7	107
Q1	75	5	10	90

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. 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 role as a strategic partner, creating intellectual capital and administrative expertise.

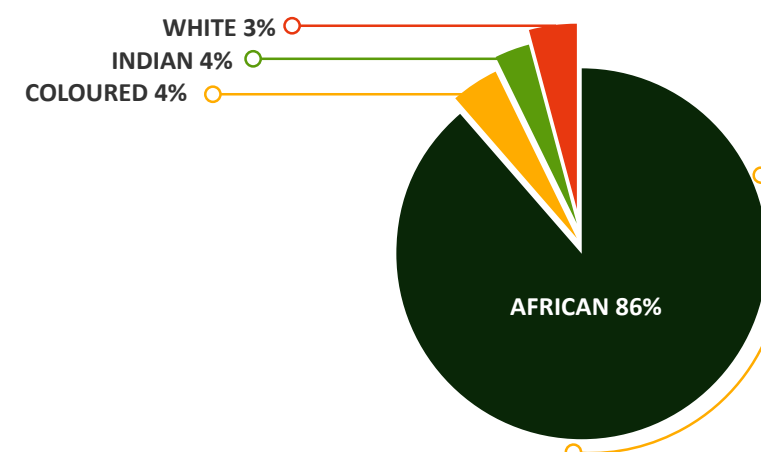
The 2019/20 financial year commenced with a headcount complement of seventy-six (76) permanent, one (1) seconded employee, 8 interns and 5 temporary staff. During the period under review, the CSOS focused mainly on the continuous recruitment drive to build capacity in the various Business Units within the CSOS. With the prioritisation of filling vacant positions in the 2019/20 financial year, 27 permanent posts and 14 temporary posts were filled, as such the staff vacancy rate has decreased significantly over the last financial year. Furthermore, by understanding the talent and capabilities we have, we can appropriately match these to critical roles in the organisation, thereby maximising employee potential and achieving our strategic goals. There was a 26% growth in the staff complement from the previous financial year. The overall logic of the executive team is that the structure needs to be revised to align with strategy and will require additional capacitation to enhance delivery on the mandate while also increasing capacity to support the regulatory function of the CSOS, to ensure a compliant sector. The executive search process to fill the Chief Ombud, CFO and Chief Information Officer (CIO) vacant positions resumed in February 2020.

In line with the national effort to broaden skills development as prescribed in the Skills Development Act of 1998, the CSOS has a successful internship programme which assists young South Africans to contribute to the advancement of the organisation. The CSOS has a total of five (5) interns as of 31 March 2020. The CSOS is committed to the Code of Good

Practice on Employment Equity. Updates are provided to senior management and to the CSOS Board on a quarterly basis on the implementation of the programme and to monitor progress. In terms of the overall employment equity report, results indicate that 62% per cent (70) are females and 38% per cent (43) are males as of 31 March 2020.

Table 9: Statistics SA Demographic of SA population vs CSOS actuals

	MALE	CSOS ACTUAL	FEMALE	CSOS ACTUAL	SA TOTAL	CSOS TOTAL
African	80.8%	29 (31%)	80.8%	54 (60%)	79.2%	93(86%)
Coloured	8.7%	2 (2%)	8.9%	3 (2%)	8.9%	5(4%)
Indian	2.6%	1 (1%)	2.4%	3(2%)	2.5	4 (3%)
White	7.9%	1 (1%)	8.0%	3 (1%)	8.9%	4(4%)
Disabled		0 (0%)		0 (0%)	2%	0

Figure 3: Overall 2019/20 Performance

The Entity has been building its own capacity and filling key strategic positions since its inception. Training and development are key components of the CSOS' employee value proposition. A Training and Development Policy was developed, which takes into consideration an Accelerated Leadership Development Programme (ALDP) for Executives and Managers, as well as a Continuous Professional Development Programme (CPDP) for junior and entry-level management staff. As of 31 March 2020, the Entity trained 61 officials for the 2019/20 financial year. A safe and healthy workplace is critical for an organisation. To this fact, an Occupational Health and Safety Policy was developed and approved. The procurement process to appoint an employee wellness service provider had resumed and to be finalised in Q1 of the 2020/21 financial year. The Human Resources Department continuously updates its policies to ensure alignment to the current labour legislation and to accommodate the ever evolving CSOS operations. The following policies were drafted and tabled for approval:

- The Compensation Management Policy
- Talent Acquisition and On-Boarding Policy
- Acting Policy
- Disciplinary Policy (revision)
- Performance Management Policy
- Leave Management Policy
- Employee Wellness Policy

The procurement of office space for the CSOS Head Office and Gauteng Regional Office remains a major challenge as the process of appointing a service provider to provide office space was not successful. The insufficient office space also threatens the occupational health and safety, wellness, and security of ICT equipment as employees are sharing offices over the norm. The ICT Strategy has been approved by the CSOS Board and is being implemented. The CSOS, together with the service provider (Vodacom), completed the configuration of the new PABX on the hosted platform together with the installation of new MPLS Internet for all offices. This means that all three offices are now linked to the

upgraded Vodacom lines and the internet breakout is via a central dedicated firewall at Vodacom Data Centre. Furthermore, the Entity worked with a service provider, Atos, in the finalisation of the draft Terms of Reference (TOR) for the Business Automation Solution (BAS). This draft TOR will then be used as the document for the Bid Specifications Committee (BSC) for the Business Automation Solution, which encompasses the Core Automation Solution as well as the Enterprise Resource Planning Solution (ERP). This core system will operationalise the Revenue Management Framework/Strategy, house the database of all community schemes gathered through the registration process and conduct case management used for the dispute resolution process. The Disaster Recovery Plan and Policy has been developed for approval by the CSOS Board following which it will be implemented. Amidst the coronavirus outbreak and national lockdown, ICT services was able to fully support the organisation remotely with remote and monitoring tools already deployed. These include:

- Providing remote access to internal applications (Sage, VIP, ESS).
- Providing remote access to files (File Server – Shared Folders).

KEY POLICY DEVELOPMENTS AND LEGISLATIVE CHANGES

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

Table 14:

POLICY NAME	PURPOSE
Amendment of the Practice Directive on payment of levies and fees.	To provide for the procedure for the payment of levies by community schemes to CSOS. This includes the banking details, referencing and cut off for the recognition of levies for the quarter.
Practice Directive on the Dispute Resolution Process.	Provide for the process of Dispute resolution, which includes the process for filing a dispute, conciliation process, adjudication process and enforcement of adjudication orders.
Circular on the amendment of Rules of STSMA.	This provides for the process for the submission or rules for quality assurance, approval of the amendments of rules and issuing of approval certificate.
Community Schemes Registration Strategy	To ensure that CSOS registers all community schemes so that they can be regulated in accordance with the CSOS Act.
Compliance and Enforcement Strategy	To have in place effective systems to maximise the schemes compliance with their duties and to ensure non-compliance is held at an absolute minimum, thereby, ensuring that Schemes comply with the CSOS Act, STSMA Act and other relevant legislation.
Revenue Management Strategy.	To provide CSOS an overarching strategy to ensure that Levies are collected from all community schemes as per the CSOS Act as well as ensure that collected levies, dispute resolution and governance documents income are accounted for correctly and accurately.
marketing communication strategy	To appropriately position and build credibility for the entity amongst the public and stakeholders.

- Uninterrupted services (Email, Archiving, Antivirus Security, and monitoring).
- Fully operational helpdesk system.

As with the whole country CSOS was also affected by the COVID-19 pandemic lockdown. The lockdown also highlighted shortcomings in the CSOS’ ability to operate remotely. The Disaster Recovery Plan and Policy needed to be in place, operational and tested; the Audio and Video Conferencing (onsite and virtual) facilities needed to be procured and implemented; and the Business Automation Solution system needed to be procured and deployed (core operations almost completely seized, partly because of the then current state of manual operations).

The inability by the Entity to pay all suppliers within 30 days as prescribed is still an area that will be considered and reported in the 2020/21 financial year.

In the medium term, the CSOS anticipates developing and reviewing policies and legislation in several important areas:

Table 15:

POLICY NAME	PURPOSE
CSOS Policy	The Entity will work with the National Department of Human Settlement, Water and Sanitation 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’s 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 a sectional titles schemes management advisory council.

During the year under review, the Entity had the following strategic objectives:

Figure 4: CSOS Strategic Objectives



3.1. KEY ACHIEVEMENTS MTSF (OUTCOME 8)

The achievement of the NDP goals demands a cooperative relationship across national, provincial, and local governments, and across the social partners including the private sector, labour, and civil society. The institution is, therefore, well-positioned to contribute to the achievement of the 2030 Human Settlements Vision, as articulated in the National Development Plan, particularly in managing the contemporary economic and demographic shifts in urban areas. 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. The CSOS takes its guidance from the National Department of Human Settlements in terms of Priority 4: Spatial Integration, Human Settlements and Local Government. The desired outcome is Spatial Transformation and Justice through the implementation of housing and human settlements in Priority Development Areas (PDAs). The Entity has identified 6 outcomes that will contribute to the achievement of the MTSF.

The outcomes as identified are as follows, an effectively regulated community scheme sector, disputes resolved, a financially viable and sustainable organisation, empowered stakeholder, community scheme sector value chain transformed, and effective and efficient administration and

governance. The CSOS core operations are currently being operated through mainly manual unintegrated platforms. As the organisation continues to grow, so does the burden placed upon the various core business units to effectively manage the business at acceptable levels and deliver on key operational outcomes to realise the CSOS Impact as stated in the Strategic Plan. The CSOS is in the process of procuring services for the development, deployment and support of a system that will be used for its core operations.

These operations include: Management (incl. the CSOS levy reconciliation and allocations); Dispute Resolutions; Governance, Compliance and Enforcement (including registrations and schemes documentation governance and stakeholder engagement customer relations management (CRM) that makes use of the registrations database to effectively communicate with the schemes). The implementation of the system together with the other strategic enablers will ensure efficiency in the implementation of the Ombud Services and this will result in the achievement of the Impact statement of ensuring governed, harmonious, empowered and transformed community schemes contributing to spatial justice, socio-economic transformation and the creation of liveable neighbourhoods.

4. PERFORMANCE INFORMATION PER PROGRAMME

4.1. PROGRAMME 1: ADMINISTRATION

PURPOSE: This programme exists to ensure that functions that support the core operations run effectively and that the organisation is sustainable.

The programme's functions are organised into the following Business Units:

- Office of the Chief Ombud
- Risk Management
- Strategy Planning and Monitoring and Evaluation
- Company Secretary
- Corporate Affairs
- Chief Audit Executive
- Chief Financial Officer
- Chief Information Officer

Strategic objectives for the financial year under review

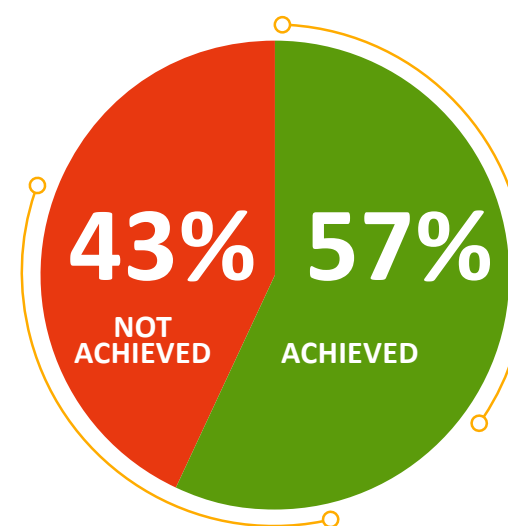
Strategic Objectives 5: Ensure that the CSOS is an Effective and Sustainable Organisation

handling for the middle position advertised during the year, therefore, saving on costs related to appointing a response-handling service provider. The executive search process to fill the Chief Ombud, CFO and Chief Information Officer (CIO) vacant positions resumed in February 2020.

In line with the national effort to broaden skills development as prescribed in the Skills Development Act of 1998, the CSOS has a successful internship programme that assists young South Africans to contribute to the advancement of the organisation. The CSOS has a total of five (5) interns as of 31 March 2020. The Human Resources department continually updates its policies to ensure alignment to the current labour legislation and to accommodate the ever-evolving CSOS operations. The following policies were drafted and tabled for approval:

- The Compensation Management Policy
- Talent Acquisition and On-Boarding Policy
- Acting Policy
- Disciplinary Policy – (revision)
- Performance Management Policy
- Leave Management Policy
- Employee Wellness Policy

Figure 5: Programme 1 achievements



Strategic objectives, performance indicators, planned targets, and actual achievements

The programme achieved 4 of its 7 planned targets, this is an achievement of 57%. The HR unit embarked on a robust recruitment process thereby filling twenty-seven (27) permanent positions and fourteen (14) temporary posts. The Human Resources department continued to do response-

The ICT business unit achieved 2 of its planned 3 targets for the year. The server uptime for all CSOS servers was maintained at 100%. The disk score sits are 98% with disc space for virtual servers having been increased. The overall network health is then rated at 99% which incorporates disk space of the server, the actual processing power of the server, the level of patch management of the servers and overall health of network operations. The overall network health availability has increased compared to the previous financial years resulting in a more stable ICT environment. Legal Services conducted internal stakeholder training on Legal Services functions (incl. Annual Operational Plan) in Western Cape & KZN Regions, Finance & SCM Division, and the Operations Committee. The Unit also revised master templates to improve on legal soundness and quality (Service Level Agreement, Memorandum of Agreement & Memorandum of Understanding), implemented a contracts due diligence investigation to establish the organisation's contractual commitments and create an effective contracts management system as well as amended the organisation's contracts database (Master Contracts Register) and implemented a monthly contracts monitoring system.

The Entity planned to collect R220 000 000 for the levies, however, only managed to collect R217 060 000, which is a 99% achievement of the target.

Some schemes pay on a monthly basis, while some newly registered community schemes pay on a monthly basis to make up for their arrears. The overall levy collection for the four quarters is R217 060 000, as per the quarterly achievements below. The 2019/20 financial year quarterly levy payments trends are as follows:

Q1 – R39 234 918

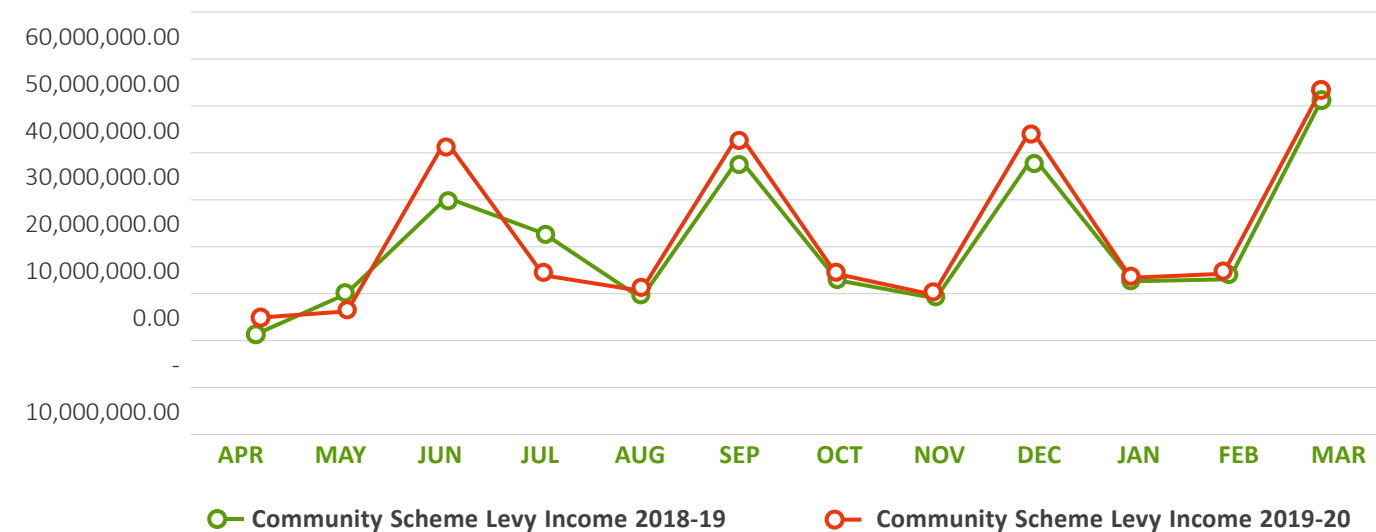
Q2 – R54 568 194

Q3 – R54 892 510

Q4 – R68 364 954

Figure 6: Overall, 2019/20 Month to Month Collection:

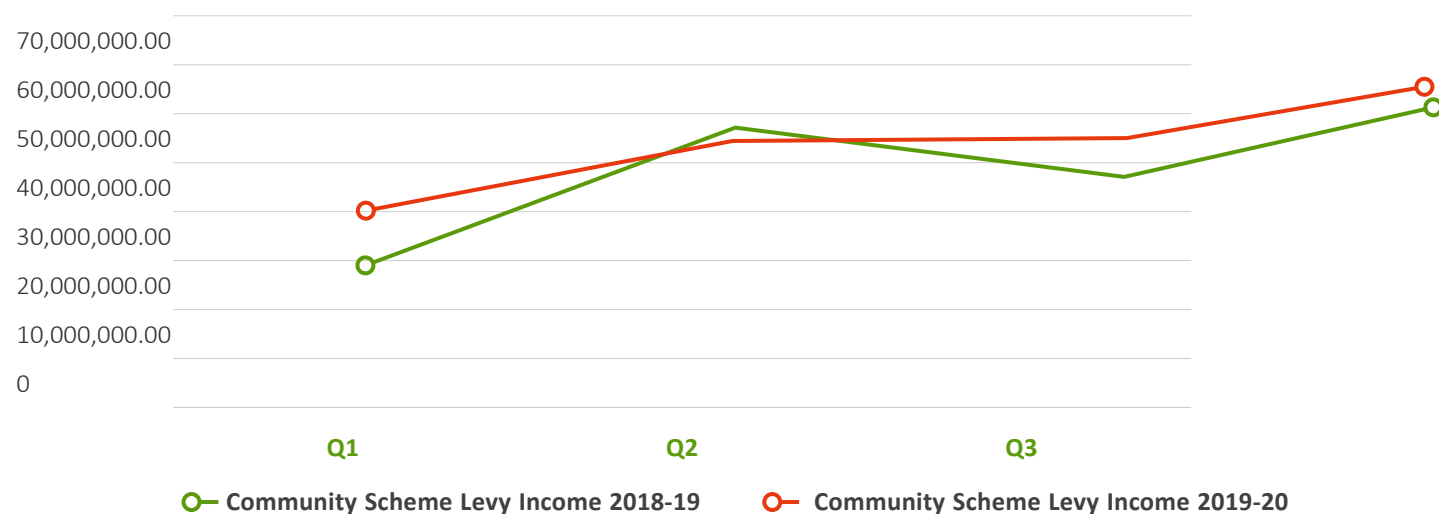
COMMUNITY SCHEME LEVY INCOME COMPARATIVE



There was a 39% increase in levy income from Q1 to Q2, a 0.6% increase from Q2 to Q3 and then a 2.5% increase from Q3 to Q4. There is a total of 28 538 community schemes registered with CSOS, however only 18 310 community schemes are paying levies; non-paying community schemes are 10 228. Paying schemes constitute 64% of all registered schemes.

Figure 7: Overall 2019/20 levy collection per quarter

COMMUNITY SCHEME LEVY PAYMENT



The inability to allocate payments due to the registration backlog remains a challenge. There are challenges in terms of allocating levies paid due to incorrect referencing by schemes during payment. The incorrect referencing could be as a result of incorrect referencing by schemes when making payments, duplicated registration numbers, registration numbers issued to community schemes that have not registered with CSOS, community schemes using sectional title numbers issued by the Deeds Office that cannot be traced to the CSOS database and incorrect and/or incomplete registration numbers quoted as reference. Some paying schemes are not registered with CSOS. In the 2020/21 financial year, the Entity will conduct a data cleansing exercise that will assist with mitigating some of the challenges with allocating levy payments and the registration of unregistered schemes.

The procurement of office space for the CSOS Head Office and Gauteng Regional Office remains a major challenge as the process of appointing a service provider to provide office space was not successful. As with the whole country CSOS was also affected by the COVID-19 pandemic lock-down. The lockdown also highlighted shortcomings in the ability of CSOS to operate remotely. The Disaster Recovery Plan and Policy needed to be in place, operational and tested; the Audio and Video Conferencing (onsite and virtual) facilities needed to be procured and implemented; as well as the Business Automation Solution system needed to be procured and deployed (core operations almost completely seized, partly because of the then current state of manual operations).

STRATEGIC OBJECTIVES

Ensure that the CSOS is an effective and sustainable organisation

NUMBER OF FUNCTIONAL FACILITIES AVAILABLE AND ACCESSIBLE TO MEMBERS OF THE PUBLIC

- 2018 2019 ACTUAL ACHIEVEMENT**
2 points of presence established in Bloemfontein and Port Elizabeth
- 2019 2020 ANNUAL TARGET**
ACHIEVED - One CSOS regional office established
- ACTUAL 2019/20**
ACHIEVED - 1 point of presence was established in the Western Cape (George) and some adjudication and conciliations sessions were held there.

% OF UPTIME OF PRODUCTION SERVERS

- 2018 2019 ACTUAL ACHIEVEMENT**
99.75% of uptime of production servers
- 2019 2020 ANNUAL TARGET**
99% of uptime of production server
- ACTUAL 2019/20**
ACHIEVED-Target exceeded by 1%

% OF NETWORK HEALTH SCORE OF PRODUCTION ENVIRONMENT

- 2018 2019 ACTUAL ACHIEVEMENT**
New indicator
- 2019 2020 ANNUAL TARGET**
95% of network health score of production environment
- ACTUAL 2019/20**
ACHIEVED - 96.5% of network health score of production environment

IMPLEMENTATION OF CSOS CORE SYSTEMS

(Dispute resolution, levies collection and registrations)

- 2018 2019 ACTUAL ACHIEVEMENT**
New indicator
- 2019 2020 ANNUAL TARGET**
- Procure and scope CSOS core system
- Implement registrations system
- ACTUAL 2019/20**
NOT ACHIEVED

AMOUNT OF CSOS LEVY COLLECTED

- 2018 2019 ACTUAL ACHIEVEMENT**
R195 672 310 collected as income (CSOS levy income)
- 2019 2020 ANNUAL TARGET**
R220 000 000.00 CSOS levy collected
- ACTUAL 2019/20**
NOT ACHIEVED- R217 060 000 CSOS levy collected.

DEVELOPED AND APPROVED REVENUE MANAGEMENT STRATEGY

- 2018 2019 ACTUAL ACHIEVEMENT**
The implementation protocol between SARS and the CSOS was drafted and submitted to SARS for consideration.
- 2019 2020 ANNUAL TARGET**
Development and approval of the Revenue Management Strategy
- ACTUAL 2019/20**
ACHIEVED- Revenue Management Strategy was approved.

NUMBER OF POSITIONS IN APPROVED ORGANOGRAM FILLED

- 2018 2019 ACTUAL ACHIEVEMENT**
New indicator
- 2019 2020 ANNUAL TARGET**
50 positions filled
- ACTUAL 2019/20**
NOT ACHIEVED- 27 positions filled.

Table 16

STRATEGIC OBJECTIVE	KEY PERFORMANCE INDICATOR	2018/19 ACTUAL ACHIEVEMENT	2019 / 2020 ANNUAL TARGET	ACTUAL 2019/20	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT FOR 2019/20	COMMENT ON DEVIATIONS
Ensure that the CSOS is an effective and sustainable organisation	Number of functional facilities available and accessible to members of the public	2 points of presence established in Bloemfontein and Port Elizabeth	① One (1) CSOS regional office established	Achieved 1 point of presence was established in the Western Cape (George) and some adjudication and conciliation sessions were held there.	Target achieved	Target achieved
	% of uptime of production servers	99.75% of uptime of production servers	② 99% of uptime of production servers	Achieved 100% uptime of production servers	Target exceeded by 1%	The server uptime for all CSOS servers was maintained at 100% for the quarter. The disk score sits are 98%, disc space virtual servers have been increased.
	% of network health score of production environment	New indicator	③ 95% of network health score of production environment	Achieved 96.5% of network health score of production environment	Target exceeded by 1.5 %	The overall network health incorporates disk space of the server, the actual processing power of the server, the level of patch management of the servers and overall operations.
	Implementation of CSOS core systems (dispute resolution, levies collection and registrations)	New indicator	④ Procure and scope CSOS core system Implement registrations system	Not achieved	The procurement and implementation of the core system was not achieved as the project has not yet commenced.	The procurement of the CSOS Business Automation Solution (BAS) project has not yet commenced. Draft Terms of Reference (TOR) for the BAS procurement is completed, and the development and deployment of the system will be finalised in the 2020/21 financial year.
	Amount of CSOS levy collected	R195 672 310 collected as income (CSOS levy income)	⑤ R220 000 000.00 CSOS levy collected	Not achieved R217 060 000 CSOS levy collected	-R2 940 000	There is a negative variance of- R2 940 000. A negative variance is due to some of the registered schemes not paying levies and other schemes that are waived as prescribed by the CSOS Act. Engagements are being held with community schemes and managing agents on the non-compliance of levy payment.
	Developed and approved Revenue Management Strategy	The implementation protocol between SARS and the CSOS was drafted and submitted to SARS for consideration.	⑥ Development and approval of the Revenue Management Strategy	Achieved Revenue Management Strategy was approved	Target achieved	Target achieved
	Number of positions in approved organogram filled	New indicator	⑦ 50 positions filled	Not achieved 27 positions filled	-23 positions not filled	There is a negative variance of -23 positions not filled during the period under review due to the delays in the negotiation process for the offers made to the recruits. The recruitment process will continue in the 2020/21 financial year with the appointments of the positions already interviewed and the publishing of a bulk advert in July 2020.

Strategy to overcome areas of under performance

The CSOS manages performance in the following manner:

- Quarterly reports are discussed at EXCO, Audit and Risk Committee (ARC) and the Board meetings for interventions and submitted to the Department of Human Settlement, Water and Sanitation 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 to ensure that its APP target/s are a standing item on its Agenda. Progress to be monitored and reported back to the Board.
- Operation plans are drafted, which will include the actions to be taken in order to meet an APP target and the associated resources required.
- In the current financial year, the Entity introduced monthly reporting that allowed for corrective measures to be implemented and followed up timeously before the end of the quarter.

4.2. PROGRAMME 2: REGULATION

Purpose: This programme exists to perform the CSOS core operations where community schemes are regulated in South Africa by ensuring that they are governed optimally, their documentation is compliant with legislation and an effective alternative dispute resolution service is provided to the community schemes.

The programme's functions are organised into the following Business Units:

- Governance, Compliance & Enforcement:
 - Develop and provide a dispute resolution service in terms of this Act.
 - Provide training for conciliators, adjudicators, and other employees of the Service.
- Dispute Resolutions (Regional Ombuds)
 - Regulate, monitor, and control the quality of all sectional title scheme governance documentation and such other scheme governance documentation as may be determined by the Minister by notice in the Gazette
 - Take custody of, preserve, and provide public access electronically or by other means to sectional title scheme governance documentation and such other scheme governance documents as may be determined by the Minister by notice in the Gazette.

Strategic objectives for the financial year under review

- **Strategic objective 1:** Regulate all community schemes within South Africa
- **Strategic objective 2:** Control and provide quality assurance of community schemes governance documentation
- **Strategic objective 3:** Provide a dispute resolution service for community schemes

Figure 8: Programme 2: Regulation



Strategic objectives, performance indicators, planned targets, and actual achievements

The programme did not achieve all 4 planned targets for the year. During the period under review, a total of 1 503 community schemes were registered as opposed to the targeted registration of 20 000 schemes. The main objective for CSOS is to regulate all community schemes and ensure their registration with the CSOS. The registration information enables the CSOS to create a database of all community schemes. CSOS must ensure that community schemes comply with the legislative obligation under the CSOS Act and the STSM Act. It then follows that in the event of non-compliance, CSOS will have to implement enforcement measures as provided for in the CSOS Act, STSM Act, Regulations and Practice Directives. There is a decline in the number of registrations documentation submitted by community schemes. A remedial action plan to address the non-registration by community schemes was developed with activities that include data cleansing and a comparative study on information received from the Deeds Office and CIPC against the CSOS registration database.

Measures have been established to ensure that the approved governance, compliance & enforcement policies are implemented to ensure the achievement of a complete and accurate database of all community schemes in South Africa. In an effort to achieve a complete and accurate database, several engagements were coordinated with the Deeds Registrar and CIPC in order to access their database for the number of sectional titles registered in South Africa as well as all the homeowners' associations and share block companies in South Africa. This information, together with the Deeds Registrar raw data, will provide the CSOS with the number of community schemes in South Africa. A process to appoint a service provider for the data cleansing and the comparative study on information received from the Deeds Office (76 677 deeds office entries) and CIPC against the CSOS registration database has commenced and will be finalised in the 2020/21 financial year. The Entity ceased to issue non-compliance notices to community schemes until such time that a complete and accurate database of all community schemes in South Africa has been established and verified. The Department of Human Settlements, Water and Sanitation is developing a policy which will support the amendment of the CSOS Act, that will strengthen the enforcement powers for CSOS as a regulator.

Table 17: Scheme registration per region per quarter.

PROVINCE	Q1	Q2	Q3	Q4	TOTAL
EC	21	81	6	47	155
FS	7	8	5	7	27
GP	89	158	102	120	469
KZN	87	104	31	83	305
LP	11	32	5	28	76
MP	11	24	4	5	44
NC	1	1	3	1	6
NW	17	15	8	14	54
WC	51	130	46	140	367
Total	295	553	210	445	1503

Table 18: Scheme registration per type of scheme

SUMMARY	PROVINCE									TOTAL
TYPE OF SCHEME (NUMBER PER CATEGORY)	EC	FS	GP	KZN	LP	MP	NC	NW	WC	
Sectional Title Development Scheme	123	24	336	277	68	31	3	32	144	1038
Share Block Company	1	1	2	3	2	4	0	1	4	18
Homeowners Association	19	1	97	16	6	7	0	7	126	279
Property Owners Association	9	1	26	0	0	1	1	0	6	44
Housing Scheme for Retired Persons	3	0	5	5	0	2	1	1	2	19
Housing Co-Operative	0	0	1	0	0	0	0	0	0	1
Other	0	0	1	4	0	0	1	0	2	8
TOTAL	155	27	468	305	76	45	6	41	284	1503

The main objective of conducting quality assurance is to ensure that there is proper governance within community schemes. To this end, CSOS provides quality assurance to the schemes' governance documentation, records all existing and new schemes' governance documentation as received from the community schemes and other entities on the database, and implements a schemes governance records management system. A total of 1 877 scheme governance documentation were quality assured during the period under review. A total of 1 206 certificates were issued for schemes governance documentation approved after quality assurance.

In terms of section 59(1) of the Act, all schemes must file annual returns four months after their financial year-end. The annual returns must consist of the (Audited) Financial Statements and any amendments to the information submitted during the registration. All schemes must be audited, and the Audited Financial Statements must be submitted to CSOS. The auditors have an obligation in terms of section 45 of the Auditing Profession Act, 26 of 2005, to report any reportable irregularities to the Independent Regulatory Board for Auditors (IRBA). CSOS was identified as one of the regulatory authorities to receive reports affecting community schemes. The CSOS is currently receiving correspondence from IRBA regarding community schemes with irregularities in their financial statements. Further engagements will be held with IRBA to ensure compliance

with legislation. Most of the non-compliant cases relate to non-registration with SARS for tax purposes, failure to audit the financial statements as required by the STSMA or failure to hold an AGM. CSOS must review the irregularities and provide a recommendation to the affected schemes.

In the provision of dispute resolution services, CSOS finalised 70% (4 891 disputes finalised out of 6 967 disputes received) as opposed to the planned 80%. To improve on the provision of the dispute resolution services a total of 24 [KZN (5), WC (7) and GP (12)] part-time adjudicators were appointed. The part-time adjudicators that were appointed commenced adjudications from mid-March 2020. To ensure quality in the provision of the dispute resolution, CSOS will establish a Forum for Conciliators and Adjudicators to share best practices in all the regions. In addition to the Forum a recruitment process was coordinated to appoint Quality Assurance Adjudicators for the regions and the process will be finalised in Q1 (2020/2021 financial year). Since April 2019, each region has begun to incrementally increase the numbers of its core staff i.e. case management officers, conciliators, and adjudicators. A recruitment plan is in place to deal with the lack of capacity and regional backlogs especially in the GP dispute resolution office. The Ombud for the KZN region was appointed in August 2019. In addition, satellite offices are gradually beginning to operate.

The table below depicts the number of applications for dispute resolutions that were received during the financial year.

Table 19:

REGIONS	Q1	Q2	Q3	Q4	TOTAL
GP	930	1277	1289	1054	4550
KZN	361	264	289	299	1213
WC	298	303	348	255	1204
GRAND TOTAL	1589	1844	1926	1608	6967

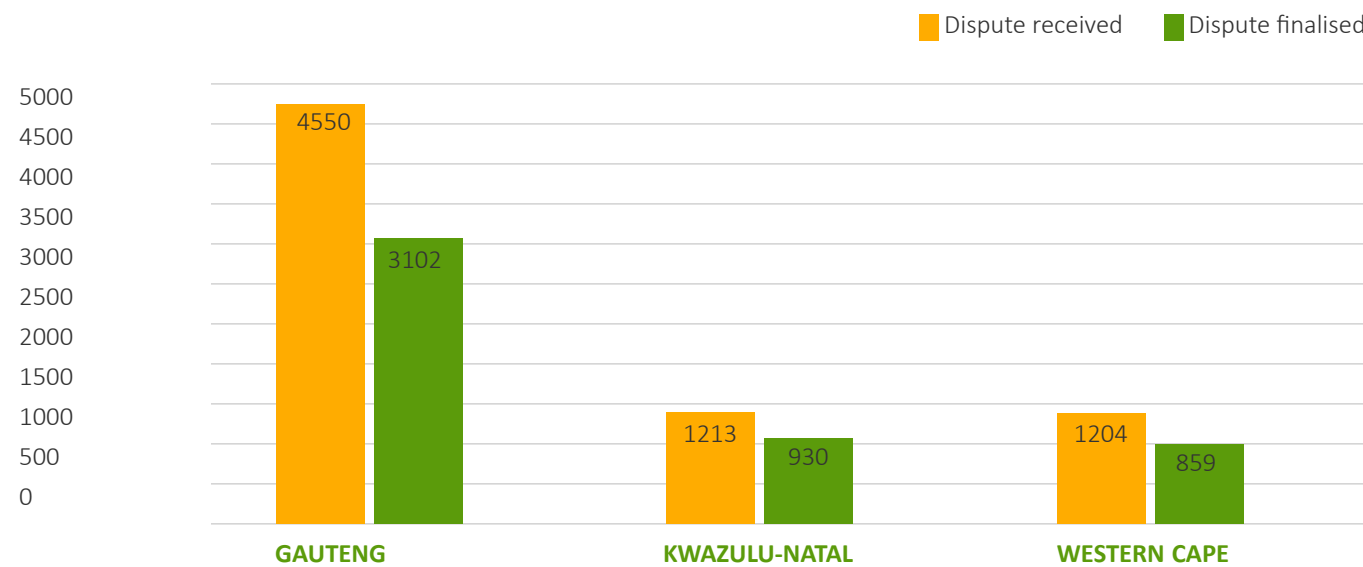
The Gauteng Office, which receives on average three times the volume of the other regions, requires additional case officers and conciliators to assist with the volume of work and improve turnaround times. The expectation for the foreseeable future is that because of the COVID-19 pandemic, CSOS will also do non-contact conciliations and adjudications i.e. telephonic & virtual conciliations as well as paper-based adjudications. Postponements for non-attendance of the scheduled hearings are dealt with strictly in terms of the

practice directive. Historic matters are still in the pipeline and are being prioritised. Section 39 of the Community Schemes Ombud Service Act, No. 09 of 2011, prescribes Prayers for Relief which must be applied for and ordered, depending on merits, in resolving disputes emanating from community schemes. During the period, CSOS received 23 appeals. The table below depicts the number of applications for dispute resolutions that were finalised during the financial year.

Table 20

REGIONS	Q1	Q2	Q3	Q4	TOTAL
GP	810	817	768	707	3102
KZN	257	168	254	251	930
WC	179	226	233	221	859
GRAND TOTAL	1246	1211	1255	1179	4891

Figure 9: Dispute received and finalised per Region



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. The numbers and the way disputes have been finalised are as depicted in the table below:

Table 21

MANNER DISPUTES RESOLVED & FINALISED	Q1	Q2	Q3	Q4	TOTAL
Withdrawn	136	127	103	100	466
Settled by Parties	58	69	74	40	241
Rejection (No Jurisdiction etc)	187	193	167	117	664
Conciliation	275	299	269	214	1057
Adjudication	192	246	411	336	1185
No Further Particulars	345	265	141	230	979
No application fee received	50	51	80	118	299
TOTAL	1243	1250	1245	1155	4891

Disputes are mainly received through emails (5 980) and walk-ins (977). A high number of disputes are received through email; this shows that the industry is more advanced and CSOS must necessitate the development of the case management system. In addition, CSOS has commenced with online or website applications. The number in relation to walk-in clients requires CSOS to have sufficient human capital to assist the public with the general advice and dispute resolution process.

Regulate all
community schemes
within South Africa

NUMBER OF COMMUNITY SCHEMES REGISTERED

**2018
2019** **ACTUAL ACHIEVEMENT**
2 423 community schemes
registered

**2019
2020** **ANNUAL TARGET**
20 000 community schemes
registered

ACTUAL 2019/20
NOT ACHIEVED- 1 503
community schemes registered

STRATEGIC OBJECTIVES

Control and provide
quality assurance of
community schemes
governance
documentation

NUMBER OF GOVERNANCE DOCUMENTATION QUALITY ASSURED

(NEW SCHEMES AND AMENDMENTS OF RULES)

**2018
2019** **ACTUAL ACHIEVEMENT**
2 088 governance documentation quality assured
(new schemes and amendments of rules)

**2019
2020** **ANNUAL TARGET**
2 500 governance documentation quality assured
(new schemes and amendments of rules)

ACTUAL 2019/20
NOT ACHIEVED- 1 877 governance documentation
quality assured (new schemes and amendments of
rules)

NUMBER OF CERTIFICATES ISSUED FOR COMMUNITY SCHEMES GOVERNANCE DOCUMENTATION THAT HAS BEEN QUALITY ASSURED

**2018
2019** **ACTUAL ACHIEVEMENT**
1 350 certificates issued for community
schemes governance documentation that
has been quality assured

**2019
2020** **ANNUAL TARGET**
2 000 certificates issued for community
schemes governance documentation
that has been quality assured

ACTUAL 2019/20
NOT ACHIEVED- 1 206 certificates
issued for community schemes
governance documentation that has
been quality assured

Provide a dispute
resolution service for
community schemes

PERCENTAGE OF DISPUTES RECEIVED THAT ARE FINALISED

**2018
2019** **ACTUAL ACHIEVEMENT**
87.44% of disputes received
that are finalised

**2019
2020** **ANNUAL TARGET**
80% of disputes received
that are finalised

ACTUAL 2019/20
NOT ACHIEVED- 70% (4 891 disputes
finalised out of 6 967 disputes received)
of disputes received were finalised

Table 22

STRATEGIC OBJECTIVE	KEY PERFORMANCE INDICATOR	2018/19 ACTUAL ACHIEVEMENT	2019/20 ANNUAL TARGET	ACTUAL 2019/20	YTD VARIANCE	COMMENT ON DEVIATIONS
Regulate all community schemes within South Africa	Number of community schemes registered	2 423 community schemes registered	⑧ 20 000 community schemes registered	1 503 community schemes registered	- 18 497	There is a decline in the number of registrations documentation submitted by community schemes. The approved Registration and Compliance Strategy will be implemented in the 2020/21 financial year with focus on more remedial actions towards increased registration of schemes. An addition for mitigating non-registration of schemes is the amendment of the CSOS Act to provide for enforcement powers.
Control and provide quality assurance of community schemes governance documentation	Number of governance documentation quality assured (new schemes and amendments of rules)	2 088 governance documentation quality assured (new schemes and amendments of rules)	⑨ 2 500 governance documentation quality assured (new schemes and amendments of rules)	1 877 governance documentation quality assured (new schemes and amendments of rules)	- 623	The negative variance is due to an increased workload per scheme governance officer. A recruitment process to appoint additional core staff (scheme governance officers) has commenced and will be finalised in September 2020.
	Number of certificates issued for community schemes governance documentation that has been quality assured	1 350 certificates issued for community schemes governance documentation that has been quality assured	⑩ 2 000 certificates issued for community schemes governance documentation that has been quality assured	1 206 certificates issued for community schemes governance documentation that has been quality assured	- 794	The negative variance is a result of delays by schemes in responding; or implementation of amendments of rules as recommended by CSOS adversely affecting the issuing of approval certificates. CSOS will continue to raise awareness throughout the financial year on the process as per the approved Practice Directive on quality assurance of scheme governance documentation that was issued and distributed to managing agents.
Provide a dispute resolution service for community schemes	Percentage of disputes received that are finalised	87.44% of disputes received that are finalised	⑪ 80% of disputes received that are finalised	70% of disputes received were finalised (4 891 disputes finalised out of 6 967 disputes received)	-10%	The Entity received substantially higher numbers for disputes than anticipated; as a result it could not finalise all disputes that are ready for conciliation and adjudication due to the limited human resources. The Entity has since appointed 24 part-time adjudicators in March 2020 to assist with finalisation of the disputes.

Changes to planned targets

N/A

Strategy to overcome areas of underperformance

The CSOS manages performance in the following manner:

- Quarterly reports are discussed at EXCO, Audit, Risk and Ethics Committee (ARECO) and Board meetings for interventions and submitted to the Department of Human Settlements, Water and Sanitation for oversight monitoring and feedback.
- Each Board Sub-Committee must ensure that its APP target/s are a standing item on its agenda. Progress is monitored and reported back to the Board.
- A report on targets that were not achieved is compiled and submitted to EXCO for decision-making on corrective measures.
- Operation plans are drafted, which will include the actions to be taken in order to meet an APP target and the associated resources required.
- In the current financial year, the Entity introduced monthly reporting that will allow for corrective measures to be implemented and followed up timeously before the end of the quarter.

PROGRAMME 3: EDUCATION AND TRAINING

PURPOSE: This programme exists to ensure that all stakeholders, being property owners, occupiers and all other identified stakeholders, are receiving CSOS education and awareness training.

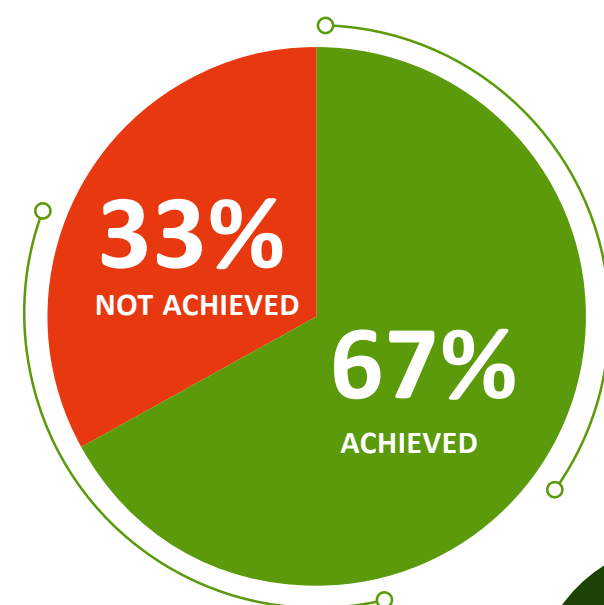
The programme's functions are organised into the following Business Units:

- Office of the Chief Ombud
- Risk Management

Strategic objectives for the financial year under review

Strategic Objectives 4: Provide stakeholder training, consumer education and awareness for property owners, occupiers, and other stakeholders in community schemes.

Figure 10: Programme 1: Education and training



Strategic objectives, performance indicators, planned targets, and actual achievements

One of the CSOS' mandates is to provide stakeholder training, consumer education and awareness for property owners and occupiers. The focus is to provide consumer education to owners and occupiers living in community schemes and to create public awareness of the CSOS services in terms of its mandate. CSOS coordinated in total 23 sessions that were attended by 1 022 stakeholders. Additional to the training of external stakeholders, the CSOS Act also requires that the CSOS provides training and education for adjudicators, conciliators, and case management officers, which resulted in a total of 50 core staff being trained. With regard to the implementation of the Communications and Marketing Strategy several engagements were held with industry on the status of the CSOS. During the year under review, the focus for marketing and communications was to increase brand awareness, to enhance engagement with stakeholders directly involved in the management of community schemes, to educate the public on the roles and responsibilities of individuals in shared living environments, as well as to promote the Act's requirement for community schemes to register with the CSOS. All of this was done through internal and external marketing and communications initiatives.

Figure11: Creating Awareness



Internally, the unit spearheaded training on its corporate identity and communication policies. It is imperative that the CSOS brand is universally understood, both internally and externally, and that brand elements are consistently applied. In the training, staff members were presented with the meaning of the CSOS brand, what it represents and how it is linked to CSOS values.

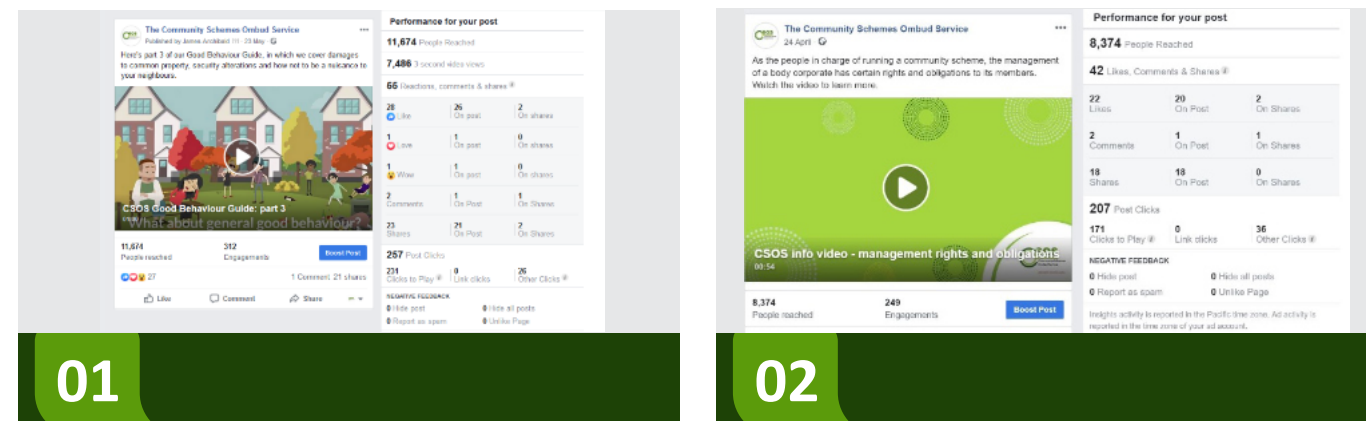


ONE CSOS BRAND CULTURE

GOOD BEHAVIOUR GUIDE

To create understanding in layman's terms of the CSOS mandate and dispute resolution service, the CSOS implemented a three-part, animated series across its social media platforms. The objective was to educate around common community scheme issues, to inform on which areas the CSOS has a mandate and to solicit engagement. The key content points were on issues such as rules and obligations in body corporates, parking, maintenance, common property, and nuisance issues.

Figure 12: Call to Register



In June 2019, the CSOS conducted a drive to boost registration by community schemes. In terms of the Act all community schemes must be registered with the CSOS. The call for community schemes to register was promoted through provincial information leaflet dropoffs, as well as website and social media banner messaging.

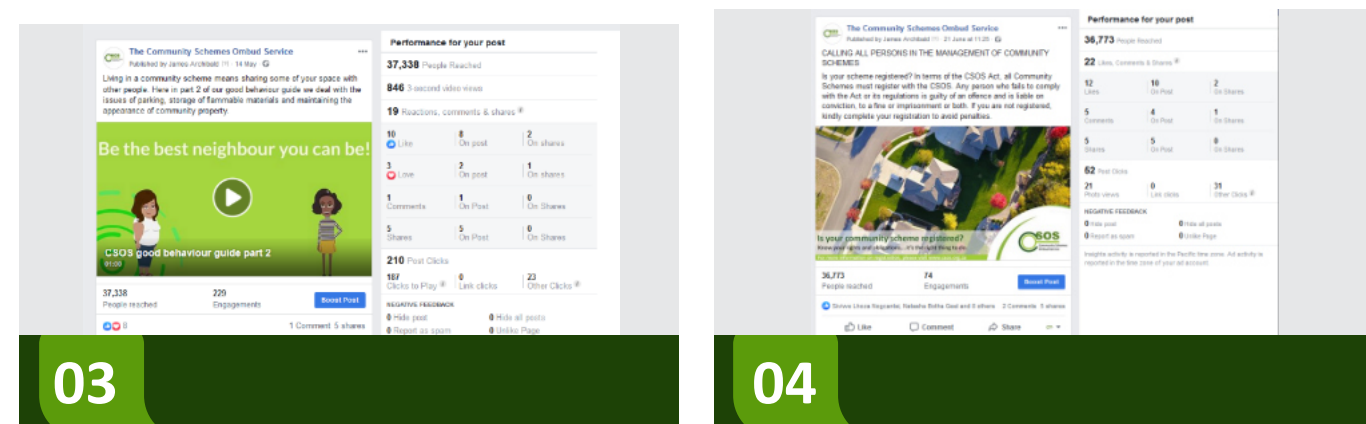


Figure 13: Exhibitions



One of the CSOS strategies for creating awareness and consumer education is to capture housing consumers at the point at which they think about and consider all things related to housing and property. During the period under review, the CSOS participated in a number of consumer exhibitions and brand activation opportunities. The Entity also participated in the summit that was hosted by the Minister of Human Settlements, Water & Sanitation, Hon. Ms Lindiwe Sisulu, to strengthen partnerships with various stakeholders in the housing delivery pipeline (constructors, the banking association, and entities of the Department of Human Settlements) with a focus on innovation in housing delivery,

intergovernmental relations, infrastructure development, maintenance and inclusive spatial planning. Similar to all other entities of the Department, the CSOS provided branding and information distribution support at the event.

Table 23

BRAND OPPORTUNITIES

DHS Entity Exhibition	May 2019
Decorex	August 2019
DHS National Student Conference	October 2019
Homemakers Expo	February 2020
DHS Indaba and Exhibition (Minister Summit)	March 2020



Figure 15: DHS Entity Expo, May 2019



Figure 16: Minister Summit March 2019



STAKEHOLDER ENGAGEMENTS

The CSOS acknowledges that the management of its stakeholder relationships plays a critical, integral, and enabling role to the organisation's ability to achieve its strategic and operational goals. Engagement with key stakeholders is a continuous process, notably the CSOS participated in both the leading industry bodies conferences in September 2019 – the National Association of Managing Agents and Association of Residential Communities.

STRATEGIC OBJECTIVES

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

NUMBER OF TRAINING AND EDUCATION SESSIONS CONDUCTED FOR SCHEMES EXECUTIVES, OWNERS, AND OCCUPIERS

2018 2019 **ACTUAL ACHIEVEMENT**
12 stakeholder engagements events coordinated

2019 2020 **ANNUAL TARGET**
4 Informal Training and education sessions for Schemes Executives conducted (1244 stakeholders trained)

ACTUAL 2019/20
NOT ACHIEVED- 23 training sessions conducted (1022 stakeholders trained)

DEVELOPMENT AND IMPLEMENTATION OF INFORMAL CURRICULUM FOR SCHEMES EXECUTIVE AND OCCUPIERS.

2018 2019 **ACTUAL ACHIEVEMENT**
New indicator

2019 2020 **ANNUAL TARGET**
Develop Curriculum for schemes executives, owners, and occupiers

ACTUAL 2019/20
NOT ACHIEVED

NUMBER OF CORE STAFF TRAINED (Adjudicators, Conciliators and Case Officers)

2018 2019 **ACTUAL ACHIEVEMENT**
New indicator

2019 2020 **ANNUAL TARGET**
50 Core Staff Trained

ACTUAL 2019/20
ACHIEVED- 50 Core Staff Trained

IMPLEMENTATION OF CSOS WEBSITE

2018 2019 **ACTUAL ACHIEVEMENT**
New indicator

2019 2020 **ANNUAL TARGET**
New CSOS.org.za website developed and implemented

ACTUAL 2019/20
ACHIEVED- Quarterly analytical reporting and activation of the website

NUMBER OF EDITIONS OF SHARED LIVING E-NEWSLETTERS PUBLISHED

2018 2019 **ACTUAL ACHIEVEMENT**
Four stakeholder e-newsletter published

2019 2020 **ANNUAL TARGET**
Four (4) editions of Shared Living e-Newsletter published

ACTUAL 2019/20
ACHIEVED- Four (4) editions of Shared Living e-Newsletter published

NUMBER OF MARKETING COMMUNICATION CAMPAIGNS EXECUTED

2018 2019 **ACTUAL ACHIEVEMENT**
2 bulk messaging campaign
2 Radio live read live read campaign
4 online campaign conducted

2019 2020 **ANNUAL TARGET**
Four (4) marketing communication campaigns executed

ACTUAL 2019/20
ACHIEVED- Four marketing communication campaigns (Good behaviour" social media drive, NAMA, ARC, Decorex, Registration Drive and Homemakers Expo) were executed

Table 24

STRATEGIC OBJECTIVE	KEY PERFORMANCE INDICATOR	2018/19 ACTUAL ACHIEVEMENT	ANNUAL TARGET 2019/20	ACTUAL 2019/20	YTD VARIANCE	COMMENTS ON DEVIATION
Provide stakeholder training, consumer education and awareness for property owners, occupiers, and other stakeholders in Community Schemes.	Number of training and education sessions conducted for schemes executives, owners, and occupiers	12 stakeholder engagements events coordinated	⑫ 4 Informal Training and education sessions for Schemes Executives conducted (1244 stakeholders trained)	23 training sessions conducted (1022 stakeholders trained)	Additional 19 training sessions with less-222 stakeholders trained	The positive variance in number of sessions held is due to an increased in number of sessions that were held in the Regions, however the negative variance in number of stakeholders trained is due to non-attendance of sessions by stakeholders.
	Development and implementation of informal curriculum for schemes executive and occupiers.	New indicator	⑬ Develop Curriculum for schemes executives, owners, and occupiers	Not achieved	Curriculum for Schemes executives, owners and occupiers Conciliators and Adjudicators was not developed.	Development of the curriculum has commenced but it could not be finalised. The curriculum will be finalised and accredited in the 2020/21 financial year.
	Number of Core Staff trained (Adjudicators, Conciliators and Case Officers)	New indicator	⑭ 50 Core Staff Trained	50 Core Staff Trained	Target achieved	Target achieved
	Implementation of CSOS website	New indicator	⑮ New CSOS.org.za website developed and implemented	Achieved Quarterly analytical reporting and activation of the website Achieved.	Target achieved	Target achieved
	Number of editions of Shared Living e-Newsletters published	Four stakeholder e-newsletter published	⑯ Four (4) editions of Shared Living e-Newsletter published	Four (4) editions of Shared Living e-Newsletter published Achieved	Target achieved	Target achieved
	Number of marketing communication campaigns executed	2 bulk messaging campaign 2 Radio live read live read campaign 4 online campaign conducted	⑰ Four (4) marketing communication campaigns executed	Four marketing communication campaigns (Good behaviour” social media drive, NAMA, ARC, Decorex, Registration Drive and Homemakers Expo) were executed	Target achieved	Target achieved

Changes to planned targets

N/A

Strategy to overcome areas of underperformance

The CSOS manages performance in the following manner:

- Quarterly reports are discussed at EXCO, Audit, Risk and Ethics Committee (ARECO) and Board meetings for interventions and submitted to the Department of Human Settlements, Water and Sanitation for oversight monitoring and feedback.
- A report on targets that were not achieved is compiled and submitted to EXCO for decision-making on corrective measures.
- Operation plans are drafted, which will include the actions to be taken in order to meet an APP target and the associated resources required.
- In the current financial year, the Entity introduced monthly reporting that will allow for corrective measures to be implemented and followed up timeously before the end of the quarter.

6. TRANSFER PAYMENTS

Transfer payments to public entities

Not applicable.

7. CONDITIONAL GRANTS

Not applicable.

8. DONOR FUNDS

Not applicable.

9. CAPITAL INVESTMENT

Not applicable

PART C GOVERNANCE





MR MTHOBI TYAMZASHE
CHAIRPERSON OF THE BOARD



MS MAEMILI RAMATABOE
DEPUTY CHAIRPERSON OF THE BOARD



MR TAUREAN HOLMES
CHAIRPERSON OF FINCOMM



**MS LEHLOGONOLO
NOGE-TUNGAMIRAI**
BOARD MEMBER



MS AYANDA OLIFANT
BOARD MEMBER



MR RAJESH JOCK
BOARD MEMBER (RESIGNED)



MS BUSI ZULU
BOARD MEMBER (RESIGNED)

CSOS BOARD MEMBERS

MEMBERS OF THE EXECUTIVE COMMITTEE



MS NDIVHUO RABULI
ACTING CHIEF OMBUD



MR RISENGA MARUMA
COMPANY SECRETARY



MR LESIBA SESHOKA
CORPORATE AFFAIRS EXECUTIVE



MS BOITUMELO PHETLHE
ACTING CHIEF FINANCIAL OFFICER



MR OUPA MASOGO
CHIEF AUDIT EXECUTIVE



MR ABRAM MASILO
REGIONAL OMBUD GP, NW & LP.



MR MERVIN DORASAMY
REGION OMBUD KZN



MS MALETSATSI WOTINI
REGIONAL OMBUD WESTERN CAPE

1. INTRODUCTION

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 Department's resources are 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. RISK MANAGEMENT

Risk Management in CSOS is fundamental for the delivery of the Entity's mandate and achievement of all corporate objectives. The CSOS Board exercises oversight in the implementation and management of risks within the organisation. The Entity ensures that risk is not only seen as a threat, but as an opportunity to enhance its commitment to continuous improvement.

2.1. RISK GOVERNANCE

CSOS recognises that risk management requires a team-based approach for effective application across the organisation. In terms of Section 51(1)(a)(i) of the PFMA and in line with the principles of the King IV Report, the Board has the ultimate responsibility for the management of risks within CSOS. In ensuring that risk is embedded within CSOS the Board delegates the responsibility of managing risks to management.

Management then ensures that all risks affecting their areas of responsibility are identified and mitigated to acceptable levels.

2.2. APPROACH TO RISK MANAGEMENT

The risk management process is aligned with the planning and objective-setting processes of the Department. The management of risks at CSOS entails proactive identification of potential risks and opportunities in a continuous and systematic manner. A strategic risk register which contains risks that are considered to impede the achievement of the CSOS' strategic objectives has been developed and approved by the ARC. Business Units within the Entity compiled risk registers aligned with divisional operational plans. Both the strategic and operational risks are monitored quarterly and will be reported to the Audit, Risk and Ethics Committee.

3. FRAUD AND CORRUPTION

Fraud and corruption erodes good governance and obstructs service delivery hence the CSOS is committed to a zero-tolerance approach to fraud and corruption. The Entity has a Fraud Prevention Strategy and Whistle Blowing Policy which are currently 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-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.

4. COMPLIANCE WITH LAWS AND REGULATIONS

The board of CSOS 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, 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, Risk and Ethics Committee and the authority to oversee compliance matters within CSOS.

5. COMPOSITION OF THE BOARD

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

Functions of the Board

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

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

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

Board Committees

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

Management of conflict of interest

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

Company Secretary

The Board appoints the Company Secretary in terms of section 86 of the Companies Act, 71 of 2008. The Company Secretary is responsible for providing the Board members

collectively and individually with guidance as to their duties, responsibilities and powers; making the Board members aware of any law relevant to or affecting the Service; and, amongst others, ensuring that minutes of the Board and Committee meetings are properly recorded in terms of the relevant legislation. He or she advises the Board on legal and governance issues, and helps develop the Board's annual plan in consultation with the Chairperson of the Board, and ensures compliance with the Public Finance Management Act and the concomitant Regulations, as well as the founding legislation of the Service (the CSOS Act 9 of 2011).

Annual Board Plan

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

Shareholders Compact

The Board of CSOS has entered into the Shareholders Compact with the Minister as provided for by Regulation 29.2 of the Public Finance Management Act. The Regulation directs that all entities that are listed as Schedule 2, 3A, 3B and 3D are obliged to conclude a Shareholder Compact Agreement with their Minister on an annual basis.

Table 25 : Board 2019/2020

MEMBER NAME	TOTAL NUMBER OF SCHEDULED MEETINGS	TOTAL MEETINGS ATTENDED
Mr M Tyamzashe	13	13
Ms M Ramataboe	13	11
Mr T Holmes	13	12
Mr R Jock	13	11
Ms L Noge-Tungamirai	13	12
Ms A Olifant	13	8
Ms B Zulu	13	10

BOARD AND COMMITTEE ATTENDANCE REPORT 2019/20 FOUR QUARTERS REPORT

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

The purpose of the Human Resources and Remuneration Committee

Table 26 : HR REMCO 2019/2020

MEMBER NAME	TOTAL NUMBER OF SCHEDULED MEETINGS	TOTAL MEETINGS ATTENDED
Mr R Jock	10	10
Ms B Zulu	10	8
Ms L Noge-Tungamirai	10	9
Ms A Olifant	10	4

The primary function is to assist the Board in discharging and fulfilling its oversight and fiduciary responsibilities, in respect of all matters within the area of its jurisdiction and/or performing such duties and responsibilities as may be directed by the Board, consistent with this Charter.

The functions of the Committee are to advise and make recommendations to the Board about matters related to Corporate Services, excluding legal services.

- Remuneration and Performance

The Committee is charged with the responsibility to:

- Consider and recommend to the Board the terms and conditions of the Chief Ombud and Chief Financial Officer's (CFO) employment contract, including fixed annual remuneration, short-term and long-term incentives, benefits, pensions, superannuation, retirement and termination compensation.
- Develop and review the performance management contracts of the Chief Ombud, the Chief Financial Officer and the Company, which are aligned with the organisational objectives.
- Review the Chief Ombud, Chief Financial Officer and the Company Secretary's remuneration arrangements with due consideration to law and corporate governance principles.
- Review and recommend to the Board, at least annually, remuneration arrangements for the Service.
- Following annual review, consider and recommend to the Board robust performance measures and targets that encourage superior performance and ethical behaviour.
- Review, at least annually and recommend to the Board, the performance of the Chief Ombud, Chief Financial Officer and Company Secretary against individual and organisational targets; taking into cognisance such evaluation and feedback from the annual review and as guided by the Performance Management Policy.
- Ensure that any new or varied contracts with the Chief

Ombud, the Chief Financial Officer and the Company Secretary are disclosed in accordance with any governance, accounting and legal requirements.

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

- Consider any other human resource, or employee wellness matter that may be referred to the Committee by the Board.
- Conduct an annual performance and development review of the Chief Ombud, Chief Financial Officer, and Company Secretary.
- Facilitate the Board and Committee Evaluation process.
- Review and make recommendations to the Board of Directors with regard to training and skills development.
- The Committee shall act as a channel of communication between the Board and management and the internal and external auditors.
- The Committee is an Advisory Committee except in relation to:
 - Approval of the Internal Audit Plans, Policies and Procedures; and
 - Approval of the Internal Audit Charter.

Table 28 : FINCOM 2019/2020

MEMBER NAME	TOTAL NUMBER OF SCHEDULED MEETINGS	TOTAL MEETINGS ATTENDED
Mr T Holmes	5	5
Ms A Olifant	5	3
Ms Z Kabini	3	1

Finance Committee Meetings 2019/2020**AUDIT, RISK AND ETHICS COMMITTEE 2019/20****The purpose of the Audit, Risk and Ethics Committee**

- The Committee was established in terms of a Board

Table 27 : ARECO 2019/2020

MEMBER NAME	TOTAL NUMBER OF SCHEDULED MEETINGS	TOTAL MEETINGS ATTENDED
Ms M Ramataboe	8	8
Ms L Noge-Tungamirai	8	8
Mr R Jock	8	8
Mr I Motala	8	1

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

- Oversight of financial management and reporting processes, audit processes and systems of internal control;
- Risk evaluation and risk management;
- The operation of adequate financial and administration systems including internal control;
- Accurate reporting to shareholders and other stakeholders and provision of financial statements in compliance with all applicable legal requirements and accounting standards;
- Compliance with relevant laws, regulations and procedures;
- The safeguarding of assets;
- Information Technology governance; and
- Values and ethics.
- The Committee provides a forum for discussing business risk and control issues and for developing relevant recommendations for consideration by the Board.
- The Committee has oversight of the activities of the Internal Audit and External Audit functions.

- The purpose of the Finance Committee is to advise and make recommendations to the Board about matters related to, amongst others, the following:
 - Reviewing and recommending financial, ICT and investment policies, strategies and practices for adoption.
 - Liaising with Government departments and agencies, as necessary, or referring matters to the Board of CSOS as appropriate.
 - Providing advice, as appropriate, to the Board as per members' knowledge and expertise.
 - Ensuring systems, processes and procedures are in place to monitor adherence to CSOS' financial, ICT and investment guidelines.
 - Overseeing CSOS' strategic asset allocation plan against medium-term expenditure framework.
 - Reviewing the adequacy of existing financing facilities and monitoring the need for any additional financing.
 - Monitoring compliance with debt facility covenants.
 - Ensuring sufficient financial and human resources to manage the financial and IT risk profiles of CSOS.
 - Reviewing the proposed annual operating budget and making recommendations as deemed appropriate.

Legislation, Transformation and Adjudications Committee 2019/20**Table 29 : LATCOM 2019/2020**

MEMBER NAME	TOTAL NUMBER OF SCHEDULED MEETINGS	TOTAL MEETINGS ATTENDED
Ms B Zulu	6	6
Ms M Ramataboe	6	5
Mr T Holmes	6	5

- The purpose of the **Legislation, Adjudication and Transformation Committee** is to:
 - Provide oversight over the core regulatory business of CSOS as empowered by the CSOS Act and the STSMA;
 - Oversee the development, implementation and review of the frameworks, policies and practice directives on the regulation of community schemes;
 - Provide oversight on the implementation of dispute resolution services in CSOS, including the development and implementation of practice directives on dispute resolutions;
 - Oversee the development, review and implementation of frameworks and practice directives on the quality assurance and management of schemes governance documentation;
 - Oversee the development and implementation of a framework for the registration of community schemes;
 - Oversee the development and implementation of guidelines for the promotion of good governance of community schemes;
 - Oversee the development and implementation of the frameworks and policy on education and training of conciliators, adjudicators, and stakeholders within community schemes;
 - Oversee the review of the CSOS Act and the STSMA; and
 - The Committee provides for the following on legal matters:
 - Monitoring the review of the CSOS Act and the STSMA;
 - Monitoring all litigation matters in CSOS;
 - Monitoring all contracts and commitments made by CSOS;
 - Monitoring the performance of appointed legal practitioners.

6. REPORT OF THE AUDIT, RISK AND ETHICS COMMITTEE

We are pleased to present our report for the financial year ended 31 March 2020.

6.1. AUDIT, RISK AND ETHICS COMMITTEE MEMBERS AND ATTENDANCE

The Committee consists of Non-Executive Directors appointed by the Board. The current members of the Committee are also Non-Executive Directors of the CSOS. During the period under review, the Board appointed an independent legal expert to complement the skills on the Committee.

Executive Management attend Committee meetings in an ex-officio capacity, the Chief Audit Executive, and the representative from Auditor General South Africa attend Committee meetings to provide the relevant assurance. The Committee meets with both internal and external auditors exclusively at least once a year or as may be appropriate.

During the year under review the Committee held 9 meetings as indicated below::

6.2. AUDIT, RISK AND ETHICS COMMITTEE UP TO 31 MARCH 2020**Table 30 : Scheduled Meetings**

MEMBER NAME	ROLE	HELD	ATTENDED
Ms M. Ramataboe	Chairperson	8	8
Mr R. Jock	Member	8	8
Ms L. Noge-Tungamirai	Member	8	8
Mr I. Motala	Independent Member	8	1

6.3. AUDIT, RISK AND ETHICS COMMITTEE RESPONSIBILITY

The Committee assists the Board in discharging its oversight responsibility in respect of ensuring the integrity of financial reporting, maintaining adequate and effective internal controls and risk management systems. The Committee reports that it has complied with its responsibilities arising from section 38(1)(a)(ii) of the PFMA and Treasury Regulation 3.1.

The Committee reports that it has adopted appropriate formal terms of reference and has regulated its affairs in compliance with this charter.

6.4. THE EFFECTIVENESS OF INTERNAL CONTROL

In line with the PFMA, internal audit provides the Committee and Management with reasonable assurance that the internal controls are appropriate and effective. This is achieved by means of audit reviews conducted and suggested enhancements to the internal control and risk management processes and systems. From the various reports of the internal auditors and the management, as well as audit reports of the Auditor General South Africa (AGSA) it was noted that matters were reported indicating material deficiencies in the system of internal controls in areas pertaining to Revenue Collection, Supply Chain Management and compliance with laws and regulations. The deficiency is as a result of the low rate of registrations by schemes across the provinces, however, the CSOS has made significant progress in putting in place initiatives that are expected to improve registrations from the current year.

Through our analysis of audit reports and engagement with the Management we can report that the system on internal control for the year under review was not adequate and effective, however compared to the previous year, a steady improvement has been noted.

The Committee has also noted that management has subsequently taken measures to address the areas of weakness, which have resulted in some notable improvement from the prior years. The effect of such mitigation measures which require swift implementation is expected to generate apparent improvement in the future.

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

The Committee have noted the incidents of irregular and fruitless and wasteful expenditure, and non-compliances with the PFMA in respect of procurement of goods and services which were identified by both the Internal Audit and Management's detective controls respectively and have ensured that these deficiencies are addressed and deterrent measures are improved in the current year.

6.5. RISK MANAGEMENT

The CSOS has adopted a Risk Management Framework and Policy which guide the implementation of risk management

across the organisation. Key risks have been identified, assessed and monitored for the period under review, in accordance with this framework. The Committee have had oversight over this activity and have recommended that capacity within the organisation is increased, to facilitate better results.

6.6. IN-YEAR MANAGEMENT AND QUARTERLY REPORTING

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

6.7. EVALUATION OF FINANCIAL STATEMENTS

The Committee has:

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

6.8. EVALUATION OF REPORTING ON PRE-DETERMINED OBJECTIVES

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

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

6.9. INTERNAL AUDIT

The Internal Audit function reports functionally to the Audit and Risk Committee and administratively to the Chief Ombud.

In the year under review the internal audit function operated with a co-sourced arrangement wherein a consulting company was appointed to augment the internal capacity and the function has gained momentum. The Committee appreciates the role played by the function in ensuring that the internal control environment is conducive to good corporate governance, strict adherence to Laws and Regulations, and healthy fiscal sustainability.

6.10. AUDITOR-GENERAL SOUTH AFRICA

The Committee has reviewed the CSOS's remedial implementation plan for audit issues raised in the prior year by the AGSA and have taken note of the progress made on the implementation of the corrective actions during the year under review, however, the Committee is of the view that further improvement in the implementation process can be achieved in the current year.

The Committee has further noted the support from Internal Audit to resolve the issues. The remedial implementation plan on the detailed findings raised by the AGSA will continue to be monitored by the Committee on a quarterly basis.

The Audit and Risk Committee concurs and accepts the conclusions of the AGSA on the annual financial statements

and is of the opinion that the audited annual financial statements be accepted and read together with the report of the AGSA

6.11. GENERAL

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

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

Maemili Ramataboe CA (Lesotho), MBA (UFS)
Chairperson of the Audit, Risk and Ethics Committee

Date: 30 September 2020

PART D

HUMAN RESOURCE MANAGEMENT

1. INTRODUCTION

1.1. The Human Resources department implemented its Human Resources Plan (HRP) for the 2019-2020 financial year, which included the following Human Resources Management priorities:

- 1.1.1. Secure the right quantity and quality of staff
- 1.1.2. Ensure effective Human Resource Development
- 1.1.3. Enhance the implementation of the Employee Performance Management Policy
- 1.1.4. Ensure sound employee relations at the CSOS
- 1.1.5. Ensure the development and revision of Human Resources policies
- 1.1.6. Internship management

2. OVERVIEW OF HUMAN RESOURCES

2.1. 2.1The Human Resources department is governed, but not limited by the following legislation:

- 2.1.1. Labour Relations Act (LRA)
- 2.1.2. Basic Conditions of Employment Act (BCEA)
- 2.1.3. Skills Development Act
- 2.1.4. Employment Equity Act

2.2. 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.

2.3. 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.

2.4. 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.

2.5. By doing so, it strengthens the human resource capability to fulfil its roles as a strategic partner, creating intellectual capital and administrative expertise.

2.6. 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.

2.7. During the past year, the Human Resources department focused mainly on the continuous recruitment drive in order to capacitate the various departments within the CSOS.

2.8. Further objectives of the Human Resources Department include:

2.8.1. To support the CSOS strategic goals through creating learning opportunities, empowerment, flexibility, support and rewards.

2.8.2. To develop a culture of high performance through application of rigorous tools, best practices, provision of relevant techniques and skills and mobilisation of energy across the organisation.

2.8.3. To review all HR policies and procedures and ensure that they are user-friendly, legally compliant, reflect best practice and satisfy current and future operational needs.

2.8.4. To implement effective performance management measurement tools in order to improve standards of delivery and formally address poor standards of performance.

3. THE STATUS OF HUMAN RESOURCES AT THE CSOS

3.1. 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.

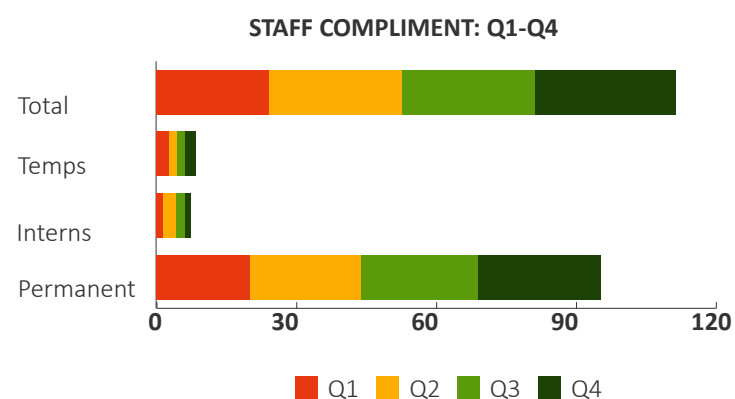
3.2. The Human Resources department aimed to decrease the staff vacancy rate every quarter. To this end, the total staff complement as at the end of the 2019/20 financial year was:

Table 31

	PERMANENT	INTERNS	TEMPS	TOTAL
Q4	99	5	9	113
Q3	93	7	6	106
Q2	89	11	7	107
Q1	75	5	10	90

The following graph captures the staff complement totals of Q1–Q4 of 2019–20:

Figure 16: Staff complement comparison for Q1; Q2; Q3 & Q4



3.3. There was a 30% growth in the staff complement from the previous financial year.

3.4. There were five (5) resignations within 2019-20; of the five, three were permanent positions and two were from the internship programme.

4. HUMAN RESOURCE PRIORITIES FOR THE YEAR UNDER REVIEW AND THEIR IMPACT

4.1. To secure the right quantity and quality of staff by filling prioritised vacant and funded posts. This is as guided by the approved organisational structure.

4.2. To ensure the effective HR Development Programme.

4.3. To implement the CSOS' Employee Performance Management System (EPMS).

4.4. To ensure sound employee relations.

5. WORKFORCE PLANNING AND KEY STRATEGIES TO ATTRACT AND RECRUIT A SKILLED AND CAPABLE WORKFORCE

5.1. Putting careful thought and consideration into the (future) skills of the CSOS workforce is a very important function within the HR department.

5.2. 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 in order to remain competitive.

5.3. Key focus was placed on the employees already on board, the ones that needed further development as well the employees who still needed to be on-boarded.

5.4. It is in this regard that the Talent Management Policy, which guides the talent acquisition value chain, "From Cradle to Grave", was drafted and approved.

5.5. Priority was given to the recruitment and retention of high-quality staff.

5.6. Furthermore, efforts to offer competitive/market-related salaries were made, hence the appointment of a service provider to re-grade all the positions on the approved structure and to offer updated salary-scales to guide the remuneration of each position. This project was an effort to strive to have an attractive environment, to be able to achieve the CSOS' strategic objectives as well as to ensure the retention of existing staff.

5.7. In an effort 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. Furthermore, the shortlisted candidates for senior positions, were sent for competency assessments to ensure a good fit for the roles.

5.8. The Talent Management Policy aims to create a recruitment pool and to ensure succession planning within the CSOS.

6. EMPLOYEE PERFORMANCE MANAGEMENT

6.1. The HR department, in an effort to ensure sustained and improved compliance with the Performance Management Policy, engaged in the following:

6.1.1. Regular reminders to employees on the submission of performance contracts and bi-annual assessments.

6.1.2. The consolidating of the 2018/19 performance assessments for all employees, including for Senior Management for submission for moderation.

6.1.3. Submission of all the performance scores for bonus pay-outs for all staff levels, for the Board's approval.

7. EMPLOYEE HEALTH AND WELLNESS PROGRAMMES

7.1. The Employee Health and Wellness Programme (EHWP) serves as an effective intervention to enhance employee productivity.

7.2. Furthermore, it aims to offer mentoring and coaching services to all staff, when required, ensuring the required level of confidentiality.

7.3. The process to procure a service provider to offer an employee health and wellness programme will resume in the next financial year.

8. ENSURE SOUND EMPLOYEE RELATIONS

8.1. Maximum effort was made to ensure that the labour relations processes were conducted in a procedural, substantive and fair manner and limited any liability to the CSOS.

8.2. Four (4) dismissals for various transgressions were instituted within the 2019/20 financial year.

9. ACHIEVEMENTS AND CHALLENGES FACED BY THE HUMAN RESOURCES DEPARTMENT

Achievements

9.1. The ability to resume the recruitment process for the following executive positions: Chief Ombud; The CFO; the Executive: Corporate Affairs; the Regional Ombud: KZN; as well as for the Chief Information Officer (CIO).

9.2. The awarding of bursaries to qualifying employees.

9.3. Establishment of an internship programme, which is recruitment tool that ensures an ongoing pipeline of future full-time employees. Furthermore, the programme supports graduates in gaining experience, developing skills, making connections in the workspace, strengthening their CVs as well as assessing their interests and abilities.

9.4. The Human Resources department continued to do response-handling for the positions advertised, therefore saving on recruitment-related costs in appointing response-handling service providers. The response-handling of the executive positions was, however, done by the appointed service providers.

9.5. Induction workshops were conducted for all new employees.

9.6. A policy workshop was conducted for the Western Cape Regional Office within the 2019/20 financial year.

9.7. The finalisation of the recruitment process and appointment of the part-time adjudicators, which will assist with the backlog on dispute resolution matters.

9.8. The appointment of the service provider to conduct the salary benchmarking exercise, which will assist with addressing some challenges experienced in the recruitment and appointment process.

9.9. Embarking on a robust recruitment process and thereby filling the following positions in the following quarters:

Table 32

QUARTER	POSITIONS FILLED
Q1	Five (5) Temp Reconciliation Officers who would assist the Finance department with the urgent allocation of all the payments received.
	Two (2) Legal Interns and two (2) Human Resources Interns.
Q2	Fourteen permanent positions and six (6) internships
Q3	Interviews for 18 positions but managed to fill only seven (7) permanent positions within Q3. This was partially due to the decline of offers by the recommended candidates, which also contributed to the non-achievement of the quarterly recruitment target.
Q4	Conducted interviews for 11 positions within Q4. The recruitment process for the Chief Information Officer (CIO) position resumed in February 2020

Challenges

10. FUTURE HUMAN RESOURCE PLANS/GOALS

10.1. Alignment of the CSOS' Organisational Structure to its mandate by effecting the revision thereof

10.2. The drafting and implementation of the CSOS' Employment Equity Plan

10.3. The finalisation and the implementation the Employee Wellness Programme

10.4. Priority will be given to advertising the critical positions within the approved organisational structure

10.5. The finalisation of the recruitment process for the positions already interviewed in the 2019/20 financial year

10.6. To conduct virtual policy workshops for the KZN and Gauteng Regional Offices as well as for the Head Office employees

10.7. The employee staff satisfaction survey to be conducted and the results thereof to be presented to the Board

10.8. The virtual induction workshops for the employees who started in February and March 2020 as well as in the new financial year

10.9. Ensure the effective management of submission of performance management documents to the HR department.

10.10. Facilitate the GEPF training for Head Office and Gauteng Regional Office employees.

9.10. Ensuring that the CSOS' salaries are comparable with the job market; and also within the job bands of the Paterson job evaluation system whilst ensuring market-related salaries.

9.11. The non-acceptance of most of the salary offers made to the preferred candidates.

9.12. Office space shortage at Head Office and the Gauteng Regional Office.

9.13. Because of the office closure, effective from 13 March 2020, the following projects, which were to be concluded by the end of Q4, could not be finalised:

9.13.1. The GEPF training for the Head Office and GP offices was cancelled

9.13.2. The policy workshops for the KZN, GP and Head Office

9.13.3. The employee satisfaction survey

9.13.4. The remainder of the interviews scheduled for Q4

9.13.5. Adverts for critical positions could not be sent for publication

9.13.6. The induction workshop for employees appointed within Q4

9.13.7. Team talks scheduled for the Regional Offices were cancelled

HUMAN RESOURCES OVERSIGHT STATISTICS

Table 33: Personnel costs by salary band for the period 1 April 2019 to 31 March 2020

SALARY BAND	PERSONNEL EXPENDITURE (R'000)	% OF TOTAL PERSONNEL COST	NUMBER OF EMPLOYEES	AVERAGE PERSONNEL COST PER EMPLOYEE (R'000)
Paterson Grade F	0	0	0	0
Paterson Grade E	R10,911,145.88	18%	7	R1,558,735.13
Paterson Grade D	R37,352,590.04	60%	40	R933,814.75
Paterson Grade A-C	R20,168,559.72	33%	65	R310,285.53

Table 34: Terminations for the period 1 April 2019 to 31 March 2020

OCCUPATIONAL BAND	MALE				FEMALE				TOTAL
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top management (Paterson E-F)	0	0	0	0	0	0	0	0	0
Paterson D	1	0	0	0	2	0	0	0	3
Paterson C	0	0	0	0	1	0	0	0	1
Paterson B	0	0	0	0	0	0	0	0	0
Paterson A	1	0	0	0	1	0	0	0	2
Total	2	0	0	0	4	0	0	0	6
Employees with disabilities	0	0	0	0	0	0	0	0	0

Table 35: Disciplinary action for the period 1 April 2019 to 31 March 2020

DISCIPLINARY ACTION	MALE				FEMALE				TOTAL
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Dismissal	1	0	0	0	2	0	0	0	3

Table 36: Strike actions for the period 1 April 2018 to 31 March 2019

TOTAL NUMBER OF PEOPLE WORKING DAYS LOST	0
Total costs working days lost	0
Amount recovered as a result of no work no pay (R'000)	0

Table 37: Precautionary suspensions for the period 1 April 2018 to 31 March 2019

NUMBER OF PEOPLE SUSPENDED	0
Number of people whose suspension exceeded 30 days	0
Average number of days suspended	0
Cost of suspension (R'000)	0,00

Table 38: Injury on duty for the period 1 April 2018 to 31 March 2019

NATURE OF INJURY ON DUTY	NUMBER	% OF TOTAL
Required basic medical attention only	0	0
Temporary total disablement	0	0
Permanent disablement	0	0
Fatal	0	0
Total	0	0

PART E FINANCIAL STATEMENT



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

Report on the audit of the financial statements

Qualified opinion

1. I have audited the financial statements of the Community Schemes Ombud Service set out on pages 67 to 103 which comprise statement of financial position as at 31 March 2020, the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget and actual amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, except for the effects of the matter described in the basis for qualified opinion section of this auditor's report, the financial statements present fairly, in all material respects, the financial position of Community Schemes Ombud Service as at 31 March 2020 and its financial performance and separate cash flows for the year then ended, in accordance with the Standards of Generally Recognised Accounting Practice (Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA).

Basis for qualified opinion

Revenue from non-exchange transactions - levies

3. I was unable to obtain sufficient appropriate audit evidence for revenue from non-exchange transactions relating to levies, as the public entity did not have adequate systems to collect, process and record levies due. I was unable to confirm these levies by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to revenue from non-exchange transactions relating to levies stated at R217 060 000 (2019: R195 672 000) as disclosed in note 16 to the annual financial statements.

Receivables from non-exchange transactions - levies

4. I was unable to obtain sufficient appropriate audit evidence for receivables from non-exchange

transactions relating to levies, as the public entity did not have adequate systems to collect, process and record levies due. I was unable to confirm receivables from non-exchange transactions relating to levies by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to receivables from non-exchange transactions relating to levies stated at R20 116 000 (2019: R20 674 000) as disclosed in note 5 to the annual financial statements.

Context for the opinion

5. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of this auditor's report.
6. I am independent of the public entity in accordance with sections 290 and 291 of the Code of ethics for professional accountants and parts 1 and 3 of the International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants (IESBA codes) as well as the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA codes.

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

Responsibilities of the accounting authority for the financial statements

8. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with 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.
9. In preparing the financial statements, the accounting

authority is responsible for assessing the public 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 public entity or to cease operations, or has no realistic alternative but to do so.

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

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

Report on the audit of the annual performance report

Introduction and scope

12. In accordance with the Public Audit Act of South Africa 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected programme presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.
13. My procedures address the usefulness and reliability of the reported performance information, which must be based on the approved performance planning documents of the public entity. I have not evaluated the completeness and appropriateness of the performance

indicators included in the planning documents. My procedures do not examine whether the actions taken by the public entity enabled service delivery. My procedures also do not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

14. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programme presented

Programmes	Pages in the annual performance report
Programme 2: Regulation	30-37

in the annual performance report of the public entity for the year ended 31 March 2020:

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

Other matters

17. I draw attention to the matter below.

Achievement of planned targets

18. Refer to the annual performance report on pages 14 to 38 for information on the achievement of planned targets for the year and explanations provided for the under and overachievement of a number of targets.

Report on the audit of compliance with legislation

Introduction and scope

19. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the public entity’s compliance with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
20. The material findings on compliance with specific matters in key legislation are as follows:

Annual financial statements, performance and annual report

21. The financial statements submitted for auditing were not supported by full and proper records, as required by section 55(1) (a) of the PFMA. Material misstatements identified by the auditors in the submitted financial statements were not corrected as the supporting records could not be provided, which resulted in the financial statements receiving a qualified opinion.

Expenditure management

22. Effective and appropriate steps were not taken to prevent irregular expenditure amounting to R 4 366 000 as disclosed in note 35 to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA. The majority of the irregular expenditure was due to deviation from the competitive procurement processes without prior approval from national treasury.
23. Effective steps were not taken to prevent fruitless and wasteful expenditure amounting to R57 000, as disclosed in note 34 to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA. The majority of the fruitless and wasteful expenditure was caused by cancellation fees for tenders advertised.

Other information

24. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report. The other

information does not include the financial statements, the auditor’s report and the selected programme presented in the annual performance report that has been specifically reported in this auditor’s report.

25. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.
26. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected programme presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
27. I did not receive the other information prior to the date of this auditor’s report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor’s report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

28. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in a qualified opinion, and the findings on compliance with legislation included in this report.
29. Leadership did not take necessary steps to ensure that monitoring processes for the implementation of the audit action plan are in place to address repeat findings relating on revenue from levies and related receivables, and instances of material non-compliance with laws and regulations.

30. The public entity did not adequately establish and implement processes to ensure that the entity's transactions are accounted and supported by underlying records, which resulted in material misstatements identified in the financial statements.
31. Leadership did not implement adequate reviewing and monitoring processes to ensure compliance with all laws and regulations.

Auditor-General

Pretoria
07 October 2020



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure – Auditor-general's responsibility for the audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of financial statements and the procedures performed on reported performance information for selected programme and on the public entity's compliance with respect to the selected subject matters.

Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:
 - identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control
 - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the public entity's internal control
 - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting authority.
 - conclude on the appropriateness of the accounting authority's use of the going concern

basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the Community Schemes Ombud Service's 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

Communication with those charged with governance

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

ACCOUNTING AUTHORITY'S RESPONSIBILITY AND APPROVAL

The Accounting Authority is required by the Public Finance Management Act (Act 1 of 1999), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is its responsibility to ensure that the annual financial statements fairly present the state of affair of the entity as at the end of the financial year and the result 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 that it is 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 it 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 and, in the light of this review and the current financial position, it is satisfied that the entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the entity's annual financial statements. The annual financial statements have been examined by the entity's external auditors and their report is presented on pages 67 to 71.

The annual financial statements set out on pages 75 to 103, which have been prepared on the going concern basis, were approved by the accounting authority on 7 October 2020 and were signed on its behalf by:



Mr M. Tyamzashe
Chairperson of the Board



Ms N. Rabuli
Acting Chief Ombud (ACO)

ACCOUNTING AUTHORITY'S REPORT

1. REVIEW OF ACTIVITIES

Main business and operations

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 board, management, staff and all our key partners and stakeholders within community schemes.

2. ACCOUNTING AUTHORITY

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

Table 40

NAME	APPOINTMENT DATE
Mr. M. Tyamzashe (Chairperson)	Appointed 1 January 2019
Ms. M. Ramataboe (Deputy Chairperson)	Appointed 1 January 2019
Ms. B. Zulu	Appointed 1 January 2019
Mr. T. Holmes	Re-appointed 1 January 2019
Mr. R. Jock	Re-appointed 1 January 2019
Ms. A. Olifant	Appointed 1 January 2019
Ms. L. Noge-Tungamirai	Appointed 1 January 2019

3. COMPANY SECRETARY

The company secretary of the entity is Adv. R. Maruma of:
Business address:

63 Wierda Road East
Wierda Valley
Sandton
2196

4. GOING CONCERN

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

5. EVENTS AFTER THE REPORTING DATE

The World Health Organisation declared a global pandemic, with the spread of the Corona Virus (COVID-19). As a result, the SA Government has declared a National State of Disaster followed by a lockdown that enforced various measures that led to reduced business activity across the globe. South Africa is no exception, and as a result CSOS has experienced a consequent reduction in its operational activities. The unprecedented lockdown measures introduced for containment of COVID-19 pandemic have led to many businesses being shut down temporarily, wide-spread restriction on travel and mobility, economic turmoil, and heightened uncertainty. It is difficult to clearly estimate the impact on the CSOS given that the business was at early stages of growth, pending new registration strategy. It can therefore be concluded that the impact on the 2019/20 financial year was not drastic.

6. IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

Irregular, fruitless and wasteful expenditure incurred for the period under review are disclosed in notes 34 and 35 of the financial statements.

7. OTHER SIGNIFICANT MATTERS

Call Account

CSOS previously opened a call deposit account with a financial institution without the approval from National Treasury. CSOS requested ratification from National Treasury to approve the account. National Treasury subsequently approved the account on 27 May 2019.

VBS Update

After the finalisation of the investigation by both the CSOS and the Minister's appointed Investigators, CSOS laid criminal Charges against implicated parties. The case is currently being handled by the Directorate for Priority Crimes Investigation. The National Prosecuting Authority has allocated the case to a Prosecutor to assist with further investigation and for possible prosecutions. CSOS is in constant contact with the investigation team to assist in processing of the matter. Further, CSOS lodged a complaint with the Financial Sector Conduct Authority ("FSCA"), to investigate the conduct of certain parties for contravention of the FSCA legislations.

To ensure that CSOS is able to recover some funds, even though this is not guaranteed, the CSOS has lodged a claim with the VBS Curator. The exact amount which the CSOS may be able to recover cannot be determined at this stage.

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2020

Assets	Notes	2020	2019
		R '000	Restated* R '000
Current Assets			
Cash and cash equivalents	3	209 794	160 997
Receivables from exchange transactions	4	897	539
Receivables from non-exchange transactions	5	20 116	20 674
Other financial assets	6	-	100
Prepayments	7	288	996
Operating lease asset	13	54	-
		231 149	183 306
Non-Current Assets			
Prepayments	7	21	-
Other receivables- deposit	8	611	611
Intangible assets	9	504	287
Property, plant and equipment	10	4 124	3 848
		5 260	4 746
TOTAL ASSETS		236 409	188 052
Liabilities			
Current Liabilities			
Payables from exchange transactions	11	6 545	5 415
Provisions	12	2 491	4 366
Operating lease liability	13	-	206
		9 036	9 987
TOTAL LIABILITIES		9 036	9 987
NET ASSETS		227 373	178 065
ACCUMULATED SURPLUS		227 373	178 065

STATEMENT OF FINANCIAL PERFORMANCE

	Notes	2020 R '000	2019 Restated* R '000
Revenue			
Revenue from exchange transactions			
Dispute resolution income		441	424
Interest received- investment	14	14 310	9403
Gain on disposal of assets		-	7
Total revenue from exchange transactions		14 751	9 834
Revenue from non-exchange transactions			
Transfer revenue			
Government grants & subsidies	15	32 847	31 105
Levies	16	217 060	195 672
Other income	17	26	130
Total revenue from non-exchange transactions		249 933	226 907
Total revenue		264 684	236 741
Expenditure			
Employee related costs	18	(61 505)	(52 574)
Depreciation and amortisation	19	(1 851)	(1 838)
Impairment of financial assets	20	(100)	-
Finance costs	21	(1)	-
Lease rentals on operating lease	22	(3 869)	(3 957)
Loss on disposal of assets		(89)	-
General Expenses	23	(30 269)	(30 579)
Total expenditure		(97 684)	(88 948)
SURPLUS FOR THE YEAR		167 000	147 793

STATEMENT OF CHANGES IN NET ASSETS

	Accumulated surplus	Total net assets
	R '000	R '000
Balance at 01 April 2018	91 462	91 462
Changes in net assets		
Surplus for the year	147 793	147 793
Transfer of prior year surplus *	(61 190)	(61 190)
Total changes	86 603	86 603
Restated* Balance at 01 April 2019	178 073	178 073
Changes in net assets		
Surplus for the year	167 000	167 000
Transfer of prior year surplus *	(117 700)	(117 700)
Total changes	49 300	49 300
BALANCE AT 31 MARCH 2020	227 373	227 373

* This relates to the unspent surplus for 2018/2019 (2017/2018) financial year which was paid to National Treasury in the 2019/2020 (2018/2019) financial year.

CASH FLOW STATEMENT

	Notes	2020 R '000	2019 Restated* R '000
Cash flows from operating activities			
Receipts			
Levies		217 619	191 852
Interest income	14	13 607	8 884
Grants	15	32 847	31 105
Other income	17	26	-
Dispute resolution income		441	424
		264 540	232 265
Payments			
Employee costs		(63 380)	(50 890)
Suppliers		(32 231)	(32 644)
Finance costs	21	(1)	-
		(95 612)	(83 534)
Net cash flows from operating activities	24	168 928	148 731
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(2 086)	(1 475)
Proceeds from sale of property, plant and equipment	10	-	89
Purchase of intangible assets	9	(345)	(273)
Investments matured		-	20 271
Rental deposits		-	(159)
Net cash flows (to) from investing activities		(2 431)	18 453
Cash flows (to) from financing activities			
Transfer of prior year surplus		(117 700)	(61 190)
Net cash flows from financing activities		(117 700)	(61 190)
Net increase in cash and cash equivalents		48 797	105 994
Cash and cash equivalents at the beginning of the year		160 997	55 003
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	3	209 794	160 997

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Budget on Accrual Basis	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget & actual	Ref.#
	R '000	R '000	R '000	R '000	R '000	
STATEMENT OF FINANCIAL PERFORMANCE						
Revenue						
Revenue from exchange transactions						
Dispute resolution income	330	-	330	441	111	37.1
Interest received- investment	14 534	-	14 534	14 310	(224)	37.2
Total revenue from exchange transactions	14 864	-	14 864	14 751	(113)	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	32 847	-	32 847	32 847	-	37.3
Levies	220 000	-	220 000	217 060	(2 940)	
Other income	50	-	50	26	(24)	
Total revenue from non-exchange transactions	252 897	-	252 897	249 933	(2 964)	
TOTAL REVENUE	267 761	-	267 761	264 684	(3 077)	
Expenditure						
Personnel	(126 124)	-	(126 124)	(61 505)	64 619	37.4
Depreciation and amortisation	(4 800)	-	(4 800)	(1 851)	2 949	37.5
Impairment of financial assets	-	-	-	(100)	(100)	37.6
Finance costs	-	-	-	(1)	(1)	
Lease rentals on operating lease	(13 722)	-	(13 722)	(3 869)	9 853	37.7
General Expenses	(97 223)	-	(97 223)	(30 269)	66 954	37.8
TOTAL EXPENDITURE	(241 869)	-	(241 869)	(97 595)	144 274	
Operating surplus	25 892	-	25 892	167 089	141 197	
Loss on disposal of assets & liabilities	-	-	-	(89)	(89)	
Surplus before taxation	25 892	-	25 892	167 000	141 108	
ACTUAL AMOUNT ON COMPARABLE BASIS AS PRESENTED IN THE BUDGET & ACTUAL COMPARATIVE STATEMENT						
	25 892	-	25 892	167 000	141 108	

ACCOUNTING POLICIES

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

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

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

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

These accounting policies are consistent with the previous period.

1.1. significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Impairment of non-financial assets

The entity assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Indefinite life intangibles are tested for impairment annually and other times when such indicators exist. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management estimates the expected future cash flows from the asset or cash generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Useful lives

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:

Table 41

ITEM	DEPRECIATION METHOD	AVERAGE USEFUL LIFE
Furniture and fixtures	Straight line	3-8 years
Plant, 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

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.

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

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

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

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

disposal proceeds, if any, and the carrying amount of the item.

1.3. Intangible assets

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

Table 42

ITEM	DEPRECIATION METHOD	AVERAGE USEFUL LIFE
Computer software (finite)	Straight line	5 years

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:

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, probability that the debtor will enter into bankruptcy and default of payments are all considered indicators of impairment.

Impairment losses are recognised in surplus or deficit.

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

Reversals of impairment losses are recognised in surplus or deficit except for equity investments classified as available-for-sale. Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such assets are written off, the write off is made against the relevant allowance account.

Subsequent recoveries of amounts previously written off are credited against operating expenses.

Receivables from exchange transactions

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

estimated future cash flows discounted at the effective interest rate computed at initial recognition.

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

Trade and other receivables are classified as loans and receivables.

Receivables from non-exchange transactions

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

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

Levy receivables are classified as statutory receivables.

Statutory receivables

The carrying amount 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. These investments are initially and subsequently recognised at amortised cost.

Derecognition

Financial assets

The entity derecognises a financial asset only when:

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

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).

1.5. Tax

Tax expenses

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

1.6. Leases

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

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

Operating leases - lessee

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

1.7. Employee benefits

Short-term employee benefits

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

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

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

Defined contribution plans

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

1.8. Provisions and contingencies

Provisions are recognised when:

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

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

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

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

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

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

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

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

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 26.

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.

1.9. Commitments

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

1.10. Revenue from exchange transactions

Initial recognition

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

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

Measurement

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

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

Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Revenue from recovery of unauthorised expenditure, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Public

Finance Management Act (Act No. 29 of 1999) and is recognised when the recovery thereof from the responsible board members or officials is virtually certain.

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

1.11. Revenue from non-exchange transactions

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

Initial recognition

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

Measurement

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

When, as a result of a non-exchange transaction, CSOS recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of the acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

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

Levies

Levy income is recognised as non-exchange revenue when:

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

1.12. Other income

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

1.13. Interest income

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

1.14. Prepayments

The entity recognises a prepayment as an asset when:

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

1.15. Budget information

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

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

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

The approved budget covers the fiscal period from 01 Apr 2019 to 31 Mar 2020.

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.

1.16. 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.

1.17. Irregular expenditure

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

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

National Treasury practice note no. 2 of 2019/2020 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 17 May 2019):

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

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

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

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly.

If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.18. Related parties

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

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

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

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

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

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

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the entity. As a minimum, a person is considered to be a close member of the family of another person if they are married or live together in a similar to a marriage; or are separated by no more than two degrees of natural or legal consanguinity or affinity.

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

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

1.19. Change in accounting estimates and errors

A change in the 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

assessment of the present status of, and expected future benefits and obligations associated with the assets or liabilities. 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 taken into account 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

2. NEW STANDARDS AND INTERPRETATIONS

2.1. 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:

STANDARD/ INTERPRETATION:	EFFECTIVE DATE: YEARS BEGINNING ON OR AFTER	EXPECTED IMPACT:
GRAP 108: Statutory Receivables	01 April 2019	The impact of the standard is not material.

2.2. Standards and interpretations issued, but not yet effective

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 April 2020 or later periods:

STANDARD/ INTERPRETATION:	EFFECTIVE DATE: YEARS BEGINNING ON OR AFTER	EXPECTED IMPACT:
GRAP 104 (amended): Financial Instruments	To be determined	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
IGRAP 20: Accounting for Adjustments to Revenue	01 April 2020	Unlikely there will be a material impact
GRAP 1 (amended): Presentation of Financial Statements	01 April 2020	Unlikely there will be a material impact
IGRAP 1 (revised): Applying the Probability Test on Initial Recognition of Revenue	01 April 2020	Unlikely there will be a material impact

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

FIGURES IN RAND THOUSAND	2020	2019
Bank balances	154 130	108 752
Short-term deposits (call account)	55 664	52 245
	209 794	160 997

4. RECEIVABLES FROM EXCHANGE TRANSACTIONS

FIGURES IN RAND THOUSAND	2020	2019
Trade debtors	194	8
Interest accrued	703	518
Other receivables	-	13
	897	539

- The trade debtors include monies owed to CSOS by a part-time adjudicator for overpayments made and a board member for the tools of trade. CSOS is in the process of recovering the monies from both the part-time adjudicator and the board member.
- The fair value of receivables from exchange transactions approximates the carrying amount. There was no impairment of receivables from exchange transactions during the year. .
- Interest Accrued relates to interest accrued but not received. As at 31 March 2020 interest was earned but was not received. Interest of R703 000 (R518 000: 31 March 2019) was received after 31 March 2020.

5. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

FIGURES IN RAND THOUSAND	2020	2019
Levies receivable- Allocated	13 194	7 335
Levies receivable- Unallocated	6 922	13 339
	20 116	20 674

Statutory receivables included in receivables from non-exchange transactions above are as follows:

Levies receivable- Allocated	13 194	7 335
Levies receivable- Unallocated	6 922	13 339
	20 116	20 674

Statutory receivables

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 R40.00 or 2% of the amount by which the monthly levy charged by the community scheme exceeds R500.00.

The CSOS is not charging interest on levies as yet, although section 13 of the Regulations on the CSOS Act states that interest will be charged on outstanding levies this is due to the CSOS allowing or encouraging community schemes to register themselves and to encourage voluntary payment of levies.

Levies receivable have not been impaired.

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

6. OTHER FINANCIAL ASSETS

FIGURES IN RAND THOUSAND	2020	2019
At amortised cost		
Short-term investments	81 815	81 815
	81 815	81 815
Provision for Impairment loss	(81 815)	(81 715)
	-	100

Current assets

At amortised cost

Financial assets at amortised cost

Nominal value of financial assets at cost

VBS Mutual Bank	-	100
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The two investments of R50 million and R30 million bore interest at a rate between 9% and 9,25%, respectively.

Financial assets at amortised cost impaired

Subsequent to the 2018 financials, it appears that the R 100 000 guarantee from the National Treasury, is only to the retail depositors which are defined as individuals, stokvels and burial societies. Municipalities and other organisations are excluded from the guarantee. Therefore, the CSOS further recognised impairment loss of R100 000 and an investigation is still ongoing to determine the recoverability of the initial loss.

Reconciliation of provision for impairment of financial assets at amortised cost

FIGURES IN RAND THOUSAND	2020	2019
VBS Bank		
Opening balance	81 715	81 765
Impairment loss recognised	100	-
Reversal of impairment	-	(50)
	81 815	81 715

7. PREPAYMENTS

FIGURES IN RAND THOUSAND	2020	2019
Non-current assets	21	-
Current assets	288	996
	309	996

Prepaid expenses relate to licences paid for the use of software and the rental expense paid for KZN office space for an invoice received in the month of March 2020 for April 2020 rental.

The fair value of prepaid expenses approximates the carrying amount.

8. OTHER RECEIVABLES - DEPOSIT**Rental office deposits**

FIGURES IN RAND THOUSAND	2020	2019
Head office (Including Gauteng regional office)	408	408
Kwazulu Natal regional office	203	203
	611	611

9. INTANGIBLE ASSETS

	2020			2019		
	COST	ACCUMULATED AMORTISATION & ACCUMULATED IMPAIRMENT	CARRYING VALUE	COST	ACCUMULATED AMORTISATION & ACCUMULATED IMPAIRMENT	CARRYING VALUE
Computer software (finite)	2 792	(2 288)	504	2 447	(2 160)	287

Reconciliation of intangible assets - 2020

	OPENING BALANCE	ADDITIONS	AMORTISATION	TOTAL
Computer software (finite)	287	345	(128)	504

Reconciliation of intangible assets - 2019

	OPENING BALANCE	ADDITIONS	AMORTISATION	TOTAL
Computer software (finite)	83	273	(69)	287

Pledged as security

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

There are no intangible asset disposals in the current year.

10. INTANGIBLE ASSETS

	2020			2019		
	COST	ACCUMULATED AMORTISATION & ACCUMULATED IMPAIRMENT	CARRYING VALUE	COST	ACCUMULATED AMORTISATION & ACCUMULATED IMPAIRMENT	CARRYING VALUE
Furniture and fixtures	1 540	(691)	849	1 509	(511)	998
Plant, machinery & equipment	1 048	(466)	582	600	(323)	277
Computer equipment	6 029	(3 744)	2 285	5 627	(3 915)	1 712
Leasehold improvements	3 162	(3 022)	140	3 162	(2 600)	562
Mobile devices	709	(441)	268	648	(349)	299
Total	12 488	(8 364)	4 124	11 546	(7 698)	3 848

Reconciliation of property, plant and equipment - 2020

	OPENING BALANCE	ADDITIONS	DISPOSALS	DEPRECIATION	TOTAL
Furniture and fixtures	998	32	-	(181)	849
Plant, machinery & equipment	277	448	-	(143)	582
Computer equipment	1 712	1 480	(77)	(830)	2 285
Leasehold improvements	562	-	-	(422)	140
Mobile devices	299	126	(12)	(145)	268
	3 848	2 086	(89)	(1 721)	4 124

The assets disposed in the current financial year are assets reported as stolen/lost during the period under review and those that were identified as non-functional, unusable, fully deteriorated and written off. These assets are mainly ICT assets.

Reconciliation of property, plant and equipment - 2019

	OPENING BALANCE	ADDITIONS	DISPOSALS	DEPRECIATION	TOTAL
Furniture and fixtures	691	439	-	(132)	998
Plant, machinery & equipment	324	51	-	(98)	277
Computer equipment	1 671	815	(16)	(758)	1 712
Leasehold improvements	1 038	-	-	(476)	562
Mobile devices	504	170	(66)	(309)	299
	4 228	1 475	(82)	(1 773)	3 848

Pledged as security

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

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

FIGURES IN RAND THOUSAND	2020	2019
Office doors	-	5
Laptop repair	2	-
Door repair	5	-
Total	7	5

11. PAYABLES FROM EXCHANGE TRANSACTIONS

FIGURES IN RAND THOUSAND	2020	2019
Trade payables	4 761	4 950
Staff savings- 13th cheque	184	125
PAYE- Board withholding tax	38	-
Payroll liabilities	1 562	340
	6 545	5 415

Payroll liabilities are third party payments that relate to payroll, which are medical aid, PAYE and Pension Fund Contributions that were paid after March 2020.

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

12. PROVISIONS**Reconciliation of provisions - 2020**

	OPENING BALANCE	ADDITIONS	UTILISED DURING THE YEAR	REVERSED DURING THE YEAR	TOTAL
Provision for leave pay	1 871	1 002	382	-	2 491
Provision for performance bonus	2 495	-	-	(2 495)	-
	4 366	1 002	(382)	(2 495)	2 491

Reconciliation of provisions - 2019

	OPENING BALANCE	ADDITIONS	UTILISED DURING THE YEAR	TOTAL
Provision for leave pay	1 441	728	(298)	1 871
Provision for performance bonus	1 241	3 067	(1 813)	2 495
	2 682	3 795	(2 111)	4 366

The provision for performance bonus of R2 495 000 for the 2018/19 financial year was reversed in the current year, as the performance bonus for staff was not approved by the CSOS Board on 29 May 2020 and subsequently not paid out.

A provision for performance bonus has not been raised for the 2019/20 financial year, as the recognition criteria has not been met.

13. OPERATING LEASE ASSET (ACCRUAL)**Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance**

FIGURES IN RAND THOUSAND	2020	2019
Current assets	54	-
Operating lease accrual	-	(206)
	54	(206)

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

14. INTEREST INCOME

FIGURES IN RAND THOUSAND	2020	2019
Bank (Current and call account)	14 310	8 799
Short term investment- 12 months	-	604
	14 310	9 403

Interest income received relates to the monthly interest received on the positive bank balance.

Included in the total interest received is the amount of R703 000 (R5 18 000: 31 March 2019) as interest accrued for interest received after the reporting period for the month of March 2020, Refer to note 4.

15. GOVERNMENT GRANTS AND SUBSIDIES**Operating grants**

FIGURES IN RAND THOUSAND	2020	2019
Transfer from Department of Human Settlements	32 847	31 105

16. LEVIES**Operating grants**

FIGURES IN RAND THOUSAND	2020	2019
Levies- Allocated	125 679	131 810
Levies- Unallocated	91 381	63 862
	217 060	195 672

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

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

17. OTHER INCOME

FIGURES IN RAND THOUSAND	2020	2019
Other income	26	80
Reversal of impairment	-	50
	26	130

- The other income relates to the recovery of monies paid by a supplier for VAT incorrectly charged and the fruitless and wasteful recovered from employees.
- In the prior year the R80 000 related to a good (Video disc) provided to the CSOS in 2015 financial year, however the CSOS was not happy with the quality and returned the video to supplier as the video was of poor quality, and CSOS retained the amount that was due to the supplier. CSOS then raised a creditor in the related financial year for the amount remaining. The supplier has since not returned the video disc and CSOS has not paid the remaining balance of the invoice. The debt with the supplier has prescribed and has been subsequently written off, therefore reclassifying the liability to other income for year ended 31 March 2019.
- In the prior year management assessed that an additional R50 000 will be recoverable for the investment made with VBS and therefore reversed the impairment provision by R50 000.

18. EMPLOYEE RELATED COSTS

FIGURES IN RAND THOUSAND	2020	2019
Salaries- Employees	59 762	51 325
Accounting authority expenses (Refer to note 28)	1 743	1 249
	61 505	52 574

19. DEPRECIATION AND AMORTISATION

FIGURES IN RAND THOUSAND	2020	2019
Property, plant and equipment	1 723	1 770
Intangible assets	128	68
	1 851	1 838

20. IMPAIRMENT OF ASSETS

FIGURES IN RAND THOUSAND	2020	2019
Impairments		
Other financial assets	100	-

Subsequent to the 2017/2018 financial year, it appears that the R100 000 guarantee from the National Treasury, is only to the retail depositors which are defined as individuals, stokvels and burial societies. Municipalities and other organisations are excluded from the guarantee. Therefore, the CSOS further recognised an impairment loss of R100 000.

21. FINANCE COSTS

FIGURES IN RAND THOUSAND	2020	2019
Interest paid	1 000	-

Interest paid relates to the late payment for PAYE and UIF, which is included in the Fruitless and Wasteful Expenditure, refer to note 34.

22. LEASE RENTALS ON OPERATING LEASE

FIGURES IN RAND THOUSAND	2020	2019
Premises	3 869	3 957
Contractual amounts		

23. GENERAL EXPENSES

FIGURES IN RAND THOUSAND	2020	2019
Adjudication cost	739	5 226
Admin expenses	1 591	2 418
Advertising	1 873	1 232
Auditors remuneration	3 079	3 734
Bank charges	130	115
Conference and seminars (Venue hire)	1 845	223
Consulting and professional fees	1 849	1 643
Donations	-	95
Equipment rental	181	262
Legal expenses	4 917	5 435
Licenses	5 282	1 959
Marketing	99	889
Penalties	-	412
Postage and courier	360	104
Printing and stationery	1 218	760
Recruitments fees	91	62
Repairs and maintenance	7	5
Staff bursaries	568	10
Staff welfare	-	32
Subscriptions and publication	52	287
Telephone cost	1 445	1 261
Training	680	793
Travel- local	3 796	3 054
Water and electricity	467	568
	30 269	30 579

24. CASH GENERATED FROM OPERATIONS

FIGURES IN RAND THOUSAND	2020	2019
Surplus	167 000	147 793
Adjustments for:		
Depreciation and amortisation	1 851	1 838
Gain (loss) on sale of assets and liabilities	89	(7)
Impairment of financial assets	100	-
Movements in operating lease assets and accruals	(260)	(106)
Movements in provisions	(1 875)	1 684
Other non-cash items	6	-
Changes in working capital:		
Receivables from exchange transactions	(358)	(538)
Receivables from non-exchange transactions	558	(3 820)
Prepayments	687	(283)
Payables from exchange transactions	1 130	2 170
	168 928	148 731

25. COMMITMENTS

FIGURES IN RAND THOUSAND	2020	2019
Authorised capital expenditure		
Approved but not yet contracted for		
Intangible assets	100 000	-
Office space	39 000	-
Fleet	1 500	-
	140 500	-
Total capital commitments		
Approved but not yet contracted for	140 500	-
Authorised operational expenditure		
Already contracted for but goods or services not yet delivered		
Travel Management Services	1 462	-
Legal fees	2 217	-
Internal audit services	1 293	-
Website design	388	-
Microsoft licences	2 007	-
Purified water supply	478	-
Provision of courier solutions	125	-
Catering services	392	-
Development & distribution of CSOS newsletters	71	-
Off-site document management services (storage & retrieval)	491	-
Translation services during dispute resolution	500	-
Development & supply of training material	2 570	-
Cleaning Services	341	-
Feasibility study	1 490	-
Marketing	12 000	-
	25 825	-
Total operational commitments		
Already contracted for but goods or services not yet delivered	25 825	-
Operating leases - as lessee (expense)		
Minimum lease payments due		
within one year	729	1 906
in second to fifth year inclusive	-	729
	729	2 635

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

26. CONTINGENCIES

FIGURES IN RAND THOUSAND	2020	2019
Contingent liabilities		
Accumulated surplus	54 717	169 706
2018/19 Performance Bonus	3 224	-
	57 941	169 706

Accumulated surplus

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

2018/19 Performance Bonus

CSOS' employees, through their union NEHAWU, lodged a dispute with the CCMA for the payment of the 2018/19 performance bonuses on 17 June 2020.

The CSOS Board did not approve the payment of the bonus. The bonus amount was calculated at R3 223 531.

At the time of finalisation of the annual financial statements, a set-down was scheduled by the CCMA for 13 August 2020 where the CCMA will conciliate between the employer and the employees representatives.

27. RELATED PARTIES**Relationships**

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

Ms. F. Matlatsi was seconded from the National Department of Human Settlements (NDHS) to act as the Interim Chief Financial Officer effective 1 January 2019. Her remuneration for acting is paid by NDHS. Her term ceased on 3 March 2020.

FIGURES IN RAND THOUSAND	2020	2019
Related party transactions		
Grants received from related parties		
National Department of Human Settlements	32 847	31 105
Amounts received (paid) to related parties		
Estate Agency Affairs Board	(3 054)	(2 876)
National Department of Human Settlements	(117 700)	(61 190)
Amount receivable (payable) to/by related party		
Estate Agency Affairs Board	409	-

28. EXECUTIVE / NON EXECUTIVE MANAGEMENT EMOLUMENTS

EXECUTIVE 2020	EMOLUMENTS	OTHER BENEFITS*	TOTAL
Ms. N. Rabuli (Acting Chief Ombud) **	1 864		1 864
Adv. S. Letele (Acting Chief Ombud) ***	54		54
Mr. T. Mabuza (Chief Financial Officer) ****		230	230
Adv. R. Maruma (Company Secretary)	1 435	72	1 507
Mr. O. Masogo (Chief Audit Executive)	1 517	216	1 733
Mr. L. Seshoka (Executive Manager: Corporate Affairs) *****	150		150
	5 020	518	5 538

EXECUTIVE 2019	EMOLUMENTS	OTHER BENEFITS*	PERFORMANCE BONUS	TOTAL
Adv. S. Letele (Acting Chief Ombud)	669	-	-	669
Mr. T. Mabuza (Chief Financial Officer)	1 804	120	-	1 924
Mr. R. Maruma (Company Secretary)	1 340	72	105	1 517
Ms. N. Rabuli (Executive: Governance, Compliance and Enforcement)	1 799	-	162	1 961
Ms. K. Mlotha (Adjudicator-General) *****	321	23	-	344
Mr. O. Masogo (Chief Audit Executive)	1 434	216	-	1 650
	7 367	431	267	8 065

* Other benefits comprise travel allowance and medical benefits.

** Acting appointment commenced on 1 September 2018.

*** Contract ended 30 April 2019.

**** Contract ended 31 March 2019. Payment made relates to leave payout.

***** Started on 1 March 2020

***** Discharged in July 2018.

NON-EXECUTIVE 2020

	Number of meetings	Board meetings R'000	Number of other meetings	Other meetings R'000	Travel claims R'000	Total
Mr. M. Tyamzashe (Chairperson)	10	86	24	238	9	333
Ms. M. Ramataboe (Deputy Chairperson)	9	68	26	218	12	298
Mr. T. Holmes	10	52	22	156	6	214
Mr. R. Jock	10	52	43	299	18	369
Ms. B. Zulu	7	37	20	102	-	139
Ms. A. Olifant	7	37	15	65	2	104
Ms. L. Noge-Tungamirai	10	53	31	216	2	271
Ms. Z. Kabini	-	-	1	5	-	5
Mr. I. Motala	-	-	2	10	-	10
	-	385	-	1 309	49	1 743

NON-EXECUTIVE 2019

	Number of board meetings	Board Meetings R'000	Number of other meetings	Other meetings R'000	Travel claims	Total R'000
Rev. Dr. C. Mehana (Former Chairperson) **	10	86	2	19	3	108
Adv. N. Memani (Former Deputy Chairperson) **	10	76	20	149	10	235
Mr. T. Holmes	10	52	28	146	18	216
Mr. R. Jock	13	68	29	154	19	241
Mr. C. Dlamini **	7	37	15	76	10	123
Ms. M. Constas **	7	37	8	41	3	81
Ms. T. Sunduza **	9	3	1	10	3	16
Mr. M. Tyamzashe (Chairperson) ***	3	26	5	45	2	73
Ms. M. Ramataboe (Deputy Chairperson) ***	1	8	6	42	2	52
Ms. B. Zulu ***	3	16	3	16	2	34
Ms. A. Olifant ***	3	16	3	16	1	33
Ms. L. Noge-Tungamirai ***	2	10	5	26	1	37
	-	435	-	740	74	1 249

** Term ended on 31 December 2018

*** Appointed on 1 January 2019

29. PRIOR-YEAR ADJUSTMENTS

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

- Adjudication fees relating to prior year were not invoiced by the Adjudicators. Invoices relating previous financial years were only received in the current financial year.

Statement of financial position 2019

	NOTE	AS PREVIOUSLY REPORTED	CORRECTION OF ERROR	RESTATED
Payables from exchange transaction	11	5 297	118	5 415
Accumulated surplus		178 183	(118)	178 065
		183 480	-	183 480

Statement of financial performance 2019

	NOTE	AS PREVIOUSLY REPORTED	CORRECTION OF ERROR	RESTATED
General Expenses	23	30 461	118	30 579

30. CHANGE IN ESTIMATE**Computer Equipment: Servers**

The useful life of Computer Equipment was estimated in 2018/19 financial year to be 5 years. In the current period management have revised their estimate to 6 years. The effect of this revision has increased the computer servers for the current and future periods.

The impact on the AFS is as follows:

Depreciation before change in estimates	Depreciation after change in estimates	Impact
327	191	(136)

Mobile devices and Tablets

The useful life of Mobile devices and Tablets (CP) was estimated in 2018 year to be 2 years. In the current period management have revised their estimate to 3 years. The effect of this revision has increased the Mobile devices for the current and future periods.

The impact on the AFS is as follows:

Depreciation before change in estimates	Depreciation after change in estimates	Impact
220	146	(74)

31. RISK MANAGEMENT**Financial risk management**

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

Liquidity risk

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

	LESS THAN 1 YEAR	BETWEEN 1 & 2 YEARS	BETWEEN 2 & 5 YEARS	OVER 5 YEARS
AT 31 MARCH 2020				
Payables from exchange transactions	6 545	-	-	-
AT 31 MARCH 2019				
Trade and other payables	5 415	-	-	-
Operating lease liability	206	-	-	-

Credit risk

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk consists mainly of cash deposits, cash equivalents, and trade debtors. The entity only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party. Trade receivables comprise of rental deposits and prepayment. Management evaluates credit risk on an ongoing basis.

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

		2020	2019
Financial instrument		194	21
Receivables from exchange transactions		309	996
Prepayments		611	611
Other receivables		-	100
Other financial assets		20 116	20 674
Receivables from non-exchange transactions		54	-
	>180 days	Current	Total
Receivables from exchange transactions	194	-	194
Prepayments	216	93	309
Other receivables	611	-	611
Receivables from non-exchange transactions	-	20 116	20 116
	1 021	20 209	21 230

Market risk

Interest rate risk

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

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

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

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

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

32. GOING CONCERN

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

The 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, Water and Sanitation 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.

33. EVENTS AFTER THE REPORTING DATE

COVID-19

The World Health Organisation declared a global pandemic, with the spread of the Corona Virus (COVID-19). As a result, the SA Government has declared a National State of Disaster followed by a lockdown that enforced various measures that led to reduced business activity across the globe. South Africa is no exception, and as a result CSOS has experienced a consequent reduction in its operational activities. The unprecedented lockdown measures introduced for containment of COVID-19 pandemic have led to many businesses being shut down temporarily, wide-spread restriction on travel and mobility, economic turmoil, and heightened uncertainty. It is difficult to clearly estimate the impact on the CSOS given that the business was at early stages of growth, pending new registration strategy. It can therefore be concluded that the impact on the 2019/20 financial year was not drastic.

Statutory Receivables

The CSOS uses the information relating to levies received after the reporting date but before the date the annual financial statements are authorised for issue, as an adjusting event to determine the amount of receivables at year end and the accrued levies revenue.

Levies received from 01 April to 31 May 2020 were analysed, using the levy schedule provided by the community schemes to determine the amount of levies that relate to the 2019/20 financial year and the related receivables at year end. The amounts are as per the disclosure in note 5, Statutory Receivables (Receivables from non-exchange transactions).

2018/19 Performance Bonus

A submission was made to the CSOS Board on 29 May 2020, where the CSOS Board resolved not to approve the payment of the bonus. On 17 June 2020, the CSOS employees, through their union NEHAWU, lodged a complaint with the CCMA. A set down has been scheduled for 13 August 2020, where the CCMA will conciliate the matter between the Employer and Employee representatives.

34. FRUITLESS AND WASTEFUL EXPENDITURE

FIGURES IN RAND THOUSAND	2020	2019
Opening balance	771	102
Add: Expenditure identified - current year	57	569
Add: Expenditure identified - identified in the current year relating to prior year	-	100
Less: Recoveries	(5)	-
Less: write-offs	(176)	-
	647	771

CSOS recovered the VAT that was incorrectly charged by a supplier for the amount of R23 671 which is included in other income. This amount includes the amount that was disclosed as fruitless and wasteful expenditure of R3 000 in the 2017/18. Furthermore, an amount of R2 052 was recovered from an employee for the amount charged by the travel agent for the missed flight.

Expenditure identified in the current year include those listed below:

DETAILS OF FRUITLESS AND WASTEFUL EXPENDITURE - CURRENT YEAR	TREATMENT	
Interest paid to SARS	Condonation request will be submitted to the Accounting Authority.	1
Flight cancellation	Employees liable will be requested to pay.	15
Cancellation of advertisements	Condonation request will be submitted to the Accounting Authority.	41
		57

Expenditure identified in the prior year include those listed below:

DETAILS OF FRUITLESS AND WASTEFUL EXPENDITURE - CURRENT YEAR	TREATMENT	
Opening balance 1 April 2018	Partial write-off. Awaiting other write-off approval.	102
Sheriff costs charged	Condonation request will be submitted to the Accounting Authority.	2
Penalties and interest paid to SARS	Condonation request will be submitted to the Accounting Authority.	99
VAT paid to supplier that is not registered	Letters written to supplier to refund CSOS.	1
Cancellation fees for tender advertised	Written off	99
Tender re-advertisement	Written off	41
Flight cancellation	R2 000 has been recovered and R 12 000 has been written off	14
Penalties charged for early withdrawal of investment	Condonation request will be submitted to the Accounting Authority.	313
Wasteful expenditure relating to prior years	Condonation request will be submitted to the Accounting Authority.	100
		771

35. IRREGULAR EXPENDITURE

FIGURES IN RAND THOUSAND	2020	2019
Opening balance	77 635	35 901
Add: Expenditure identified- current year	4 366	5 108
Add: Expenditure identified- identified in the current year relating to prior year	118	36 626
Less: Expenditure condoned	(40 347)	-
	41 772	77 635

The expenditure condoned relate to the prior expenditure incurred from the outcome of the AGSA investigation report. The condonation letters were received from the National Treasury after 31 March 2020. Still waiting further condonation from the national treasury.

DETAILS OF IRREGULAR EXPENDITURE - CURRENT YEAR	TREATMENT	
Part time adjudicator payments- Non compliance with SCM processes	Condoned	762
Legal Services- Non Compliance with SCM processes	Appropriate steps in terms of Treasury Instruction 2 of 2019/20 will be implemented.	2 320
Part time adjudicator payments- Non compliance with SCM processes	Appropriate steps in terms of Treasury Instruction 2 of 2019/20 will be implemented.	51
Training	Appropriate steps in terms of Treasury Instruction 2 of 2019/20 will be implemented.	288
IT Services	Appropriate steps in terms of Treasury Instruction 2 of 2019/20 will be implemented.	126
Consulting services	Appropriate steps in terms of Treasury Instruction 2 of 2019/20 will be implemented.	10
Investigation services	Appropriate steps in terms of Treasury Instruction 2 of 2019/20 will be implemented.	574
Non-compliant payment	Appropriate steps in terms of Treasury Instruction 2 of 2019/20 will be implemented.	353
Total		4 484

DETAILS OF IRREGULAR EXPENDITURE - PRIOR YEAR	TREATMENT	
Opening balance	Condonation will be requested to the relevant authority	35 901
Part time adjudicator payments- Non Compliance with SCM processes	Condoned	3 928
Non compliance to the PFMA and SCM prescripts	Partially condoned, awaiting remaining condonation letters from Treasury	30 823
Non compliance to the PFMA and SCM prescripts	Condonation has been requested from National Treasury	1 875
Part time adjudicator payments- Non Compliance with SCM processes	Condoned	5 108
		77 635

36. NON COMPLIANCE WITH NATIONAL TREASURY REQUIREMENTS

FIGURES IN RAND THOUSAND	2020	2019
First National Bank	-	52 245

CSOS previously opened a call deposit account with a financial institution without the approval from National Treasury. CSOS requested ratification from National Treasury to approve the account. National Treasury subsequently approved the account on 27 May 2019.

37. BUDGET DIFFERENCES**Material differences between budget and actual amounts**

Budget narrations are included for variations above R100 000.

37.1. Dispute resolutions

CSOS has over-collected on dispute resolution income. This serves as an indication of improved/increased awareness of the CSOS to our stakeholders and our role in the industry.

37.2. Interest Income

The collection of interest income is above budget, due to the favourable bank balance that CSOS and also short term investments made.

37.3. Levies

The variance is attributable to schemes that are registered but have not been paying the CSOS levies and CSOS has no enforcement order rights to ask them to pay.

37.4. Employee related cost

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

37.5. Depreciation and amortisation

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

37.6. Impairment of financial assets

The VBS investment was impaired during the year.

37.7. Lease rentals on operating lease

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

37.8. General expenses

General expenses were expected to increase due to the expansion of the organisation, however, the expansion did not occur as anticipated, resulting in budgeted general expenses exceeding the actual amount.

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