Annual Report

2015/2016

CSOS
Community Schemes Ombud Service

ANNUAL REPORT 2015/2016

PUBLIC ENTITY'S GENERAL INFORMATION

Official Name

Community Schemes Ombud Service ("CSOS")

Nature of Business

The Community Schemes Ombud Service provides a dispute resolution to all Community Schemes in South Africa. The CSOS was established in terms of the Community Schemes Ombud Service ACT, 2011 (ACT 9 of 2011) to regulate the conduct of parties within community schemes and to ensure their good governance.

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Wierda Valley
Sandton, Johannesburg
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Contact Numbers

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Executive Authority

The Honourable Minister of Human Settlements

Auditors

Auditors Auditor General of South Africa (AGSA)

LIST OF ABBREVIATIONS

AG - Adjudicator General
CO - Chief Ombud
CFO - Chief Financial Officer
CoGTA - Cooperative Governance and Traditional Affairs
COM - Committees
CPI - Consumer Price Index
CSOS - Community Schemes Ombud Service
CSOS Act - Community Schemes Ombud Service Act, 2011 (Act 9 of 2011)
Dev - Development
DG - Director General
DPSA - Department of Public Service and Administration
DRDLR - Department of Rural Development and Land Reform
EXCO - E ecutive Committee
GP - Gauteng Province
HOA - Home Owners Association
HR - Human Resources
HRD - Human Resources Development
HRM - Human Resources Management
IT - Information Technology
KPA - Key Performance Area
KPI - Key Performance Indicator
KZN - KwaZulu Natal
M&E - Monitoring and Evaluation
MoHS - Minister for Human Settlements
MP - Member of Parliament
MTEF - Medium Term Expenditure Framework
MTSF - Medium Term Strategic Framework
NDHS - National Department of Human Settlements
NT - National Treasury
PFMA - Public Finance Management Act, 1999 (Act 1 of 1999)
SALGA - South African Local Government
SCM - Supply Chain Management
Sectional Titles Act - Sectional Titles Act, 1986 (Act 95 of 1986)
SLA - Service Level Agreement
STSMA - Sectional Titles Schemes Management Act, 2011 (Act 8 of 2011)

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CSOS
Community Schemes Ombud Service

Strategic Overview

The Community Schemes Ombud Service (CSOS) ascribes to the following Vision, Mission, Values and Strategic Objectives:

VISION

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

MISSION

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

VALUES

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

STRATEGIC OBJECTIVES

The role of the CSOS within the Human Settlements industry is captured by its strategic objectives as follows:

- Community Schemes dispute resolution service
- Take custody and control of Community Schemes' governance documentation
- Ensure that CSOS is managed in an efficient and effective manner in a way that values its employees, and
- Manage the Sectional Titles Schemes Management Act.

LEGISLATIVE MANDATE

The CSOS is established in terms of the Community Scheme Ombud Service Act, 2011 (Act 9 of 2011), and is a Schedule 3A entity in terms of the Public Finance Management Act (Act 1 of 1999).

The CSOS must:

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

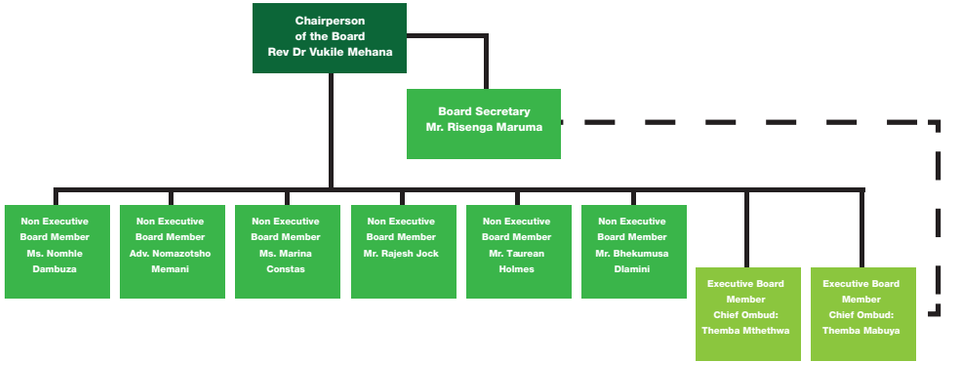
Furthermore, Section 4 (2) provides that in performing its functions the CSOS:

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

STRATEGIC OUTCOME

The ultimate outcome of the CSOS is to promote good governance of community schemes, with the ultimate goal of raising awareness and acceptance of community schemes as a viable, pleasant and attractive tenure option in South Africa.

ORGANISATIONAL LEADERSHIP



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 the annual report is 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 Performance Report (Part B) and the Annual Financial Statements (Part E) have been prepared in accordance with the SA standards of GRAP applicable to the public entity.

The accounting authority is responsible for the preparation of the annual financial statements and for the judgements made in this information.

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

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

In our opinion, the annual report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the public entity for the financial year ended 31 March 2015.

Yours faithfully

Chief Ombud
Themba Mthethwa

Chairperson of the Board
Reverend Dr. Vukile Mehana

Overview

Board Chairperson's Report

This report narrates how the CSOS is organising itself to deliver on its mandate to regulate the conduct of parties in community schemes and to ensure their good governance. It is a pleasure for me to deliver this report, the second since the operational establishment of the office of the CSOS.

I would like to thank the CSOS who, despite the wait for the proclamation of the act, have behaved diligently, seeing to applications received for dispute resolution and attending to these up to the level of conciliation. The number of applications received to date is indicative of the need for the CSOS service and the areas of future focus.

The role of the CSOS is strategically aligned to the Department of Human Settlement's goal to create sustainable, quality living environments. It does so through four programmes:

- The establishment of a dispute resolution service
- To take custody and management of all community scheme documentation
- To provide training for conciliators, adjudicators and other employees of the CSOS
- To manage the Sectional Titles Management Act.

The strategies above detail what the CSOS does. In the period under review the Board approved a number of policies that informs how that the CSOS performs its service. The Board provided strategic direction in the areas of audit, risk and finance; employee and other human resourcing considerations; governance and lastly levies and regulations.

The financial results of the CSOS clearly demonstrate that the financial stability of the organisation is it's single and most central challenge. Operating without the ability to generate income is not sustainable. Developing an equitable finance model and the speedy introduction of an efficient revenue collection system is key to the long term financial health of the CSOS.

At its core, the CSOS needs to engage with relevant stakeholders across the spectrum of its activities. In the period under review we have embarked on a number of meaningful engagements, particularly in regards to the draft regulations, with all impacted stakeholders in each of the nine provinces. Therefore, I am pleased to announce that there has been adequate consultation on this important piece of legislation.

I would like to make special mention of the outgoing Board who managed to establish this organisation. I thank them for their counsel and the long hours dedicated to laying the foundation. I welcome and wish the new Board well in providing guidance and assurance to the CSOS in this, the next phase of its existence.

The Revered Dr. Vukile Mehana

Chief Ombud Report

I would like to thank the Department of Human Settlements and the CSOS board (both old and new) for their unwavering support and guidance in what can only be described as a challenging and at times, exigent year. The long term viability and success of the CSOS service will ultimately depend on the strength and depth of the relationships that the organisation is able to form in its infancy, the period under review demonstrated a shared understanding of the need for the CSOS service and a combined effort to expedite the approval process of the draft regulations which would enable the organisation to overcome the immediate challenges it is facing.

The CSOS service will "go live" once the Community Schemes Ombud Service Act and Sectional Titles Management Act are proclaimed. Despite this, the organisation behaved diligently as if the Acts were already in place. In the period under review, the CSOS received a total of 736 new applications for dispute resolution. Undoubtedly, the national public consultation workshops and media liaison that took place in the third quarter of the year had a positive effect on the number of new applications received. The majority of applications received were of a financial nature and specifically, around the determination of levies. The CSOS dispute resolution model was approved by the Board in 2013/2014 - its efficacy was tested in this financial period; its enforcement will be in 2016/2017 financial period or soon after proclamation of the Acts.

The CSOS closed the financial year with a net loss of R15, 1 million. This was due to internal and external factors. The CSOS had budgeted for an income of R20 million from community scheme levies and other funding as provided for in Section 22(1) of the CSOS Act. The realisation of this income was delayed due to the extended approval process of the regulations and ultimately, proclamation of the Acts. Unable to raise income we have had to prioritise funding on projects and infrastructure. Concomitantly, we were faced with a hard decision to delay implementation in key operational areas; the full roll out of the CSOS ERP is a case in point. That said I am delighted that the organisation has received an unqualified audit for the period under review from the Auditor General.

The National Department of Human Settlements in association with the CSOS embarked on a national roadshow during the month of October 2015 to consult key stakeholders throughout the country on the draft regulations to the Sectional Titles Schemes Management Act, 2011 (Act 8 of 2011) and Community Schemes Ombuds Service Act, 2011 (Act9 of 2011). The roadshow covered 9 provinces and 10 cities in just 3 weeks. The roadshow attracted select media in each province and a little over 740 key stakeholders. My assessment of the industry is that there is a great need and buy-in for the CSOS service.

The vision of the CSOS – to establish a world class dispute resolution service within community schemes – touches on the human aspects of communal living, its strives to establish harmonious and sustainable integrated human settlements, achieving excellence whilst being mindful of the common good. We are committed to achieving this goal and supporting the strategic objectives of the Department of Human Settlements. I cannot do this alone, and trust and thank all the CSOS emplolyees who diligently work towards ensuring that the organisation meets its targets.

Mr Themba Mthethwa

Part B
Corporate Governance

Introduction

The first CSOS Board of Directors was appointed by the previous Minister for Human Settlements, the Honorable Minister Tokyo Sexwale in terms of section 7 of the CSOS Act, 2011 (Act 9 of 2011) on 1 January 2013 for a three year period ending 31st December 2015. They brought with them a diverse set of knowledge, skills and experience from government, business and civil society. The current Minister, the Honorable Ms. Lindiwe Sisulu then appointed the new Board with effect from 1 January 2016.

Corporate Governance

The Community Schemes Ombud Service (CSOS) is founded in terms of the CSOS Act, 2011 (Act 9 of 2011) of 2005, and is classified in terms of the Public Finance Management Act (Act 1 of 1999), as a Schedule 3A public entity. The Executive Authority is the Minister for Human Settlements.

As a Schedule 3A public entity, the CSOS's corporate governance is achieved through the application of the Provisions of the PFMA, read together with the King III Report on Corporate Governance. Parliament, the Department of Human Settlements and the Board of the CSOS (the Accounting Authority) are responsible for the implementation of corporate governance within the CSOS.

The CSOS is required to report its performance information and financial results quarterly to the Department of Human Settlements, and to align its activities, objectives and initiatives to the DHS's Strategic Plans and Programmes.

Statement of Compliance

During the year under review, the CSOS entrenched its audit and risk management functions, by ensuring that reporting and compliance assessments were conducted in terms of the National Treasury Regulations (2005 as amended), the Public Finance Management Act (Act 1 of 1999 as amended).

There were no breaches of governance procedures recorded during the 2015/2016 financial year. Board members have a duty to disclose their interests in any of the items that are on the agenda at all Board meetings as required by the CSOS Act, the Companies Act 2008 and King Codes of Good Practice. There were no conflicts of interest recorded for the period under review.

The Board evaluation was conducted as per the King III report on good corporate governance. As per the Board Charter, the Board members are remunerated for their services as per the National Treasury guideline, which is reviewed on an annual basis.

Code of Ethics

CSOS is committed to achieving high standards of business integrity and ethics across all of its activities. The Board has an approved Code of Ethics policy that embodies good governance in terms of the management of conflict of interest, employment equity, cost containment, assets and employee obligations. The Code of Ethics provides direction on the minimum standards to be followed or expected from the Board, the employees, suppliers and all persons who come into contact with the CSOS.

The Board is committed to the principles of sound corporate governance as well as issues of ethical compliance. These issues will continue to receive the consideration of the Board, its Committees as well as the Executive Management team during the year ahead.

Appointment of Board Members and Board Composition

All Board members are appointed by the Minister of the Department of Human Settlements for a term of three years and are responsible for the management and control of, "The Service". The composition of the Board is stated in section 6 of the CSOS Act, no 9 of 2011, which provides for two (2) Executive members and seven (7) Non – Executive members. During the period under review, CSOS had 9 Board members, of which 7 were Non-Executive and 2 were Executive; the Chief Ombud and the Chief Financial Officer (CFO). During 2014/15 however, Adv. M Malebye resigned as a Board member, and this reduced the non-executive Board membership to 6. That vacancy was not filled until the end of the Board tenure on 31 December 2015.

The offices of the Chairperson and the Chief Ombudsman are separate and there is a clear division of responsibilities between the roles in terms of the Board Charter as well as the Delegations of Authority manual. The office of the Chairperson is filled by the non-Executive Director, Rev Dr. Vukile Mehana, who is primarily responsible for developing and guiding the Strategy of the CSOS as well as providing overall leadership to the Board. The Chief Ombudsman is supported by an Executive Management Committee (EXCO), comprising the executive management team, and is responsible for all operational management tasks of the CSOS. EXCO is responsible for implementing Board decisions, in pursuit of CSOS's mandate and objectives.

Board Secretariat function

The Board Secretariat is responsible for ensuring the proper administration of Board activities, proceedings and further provides support and guidance to the Board on matters relating to governance, compliance and ethics. It includes the preparation and circulation of Board packs, preparation of the agenda and minutes of meetings and ensuring that feedback is provided to the Board and its committees. The Board Secretary also performs certain statutory duties in terms of the CSOS Act, the Companies Act as well as the King III and other regulatory requirements, while the Chairperson and all Board members have unrestricted access to the services of the Board Secretariat.

Board powers and procedures

The Board has adopted a Board Charter which provides a concise overview of:

- The demarcation of the roles, functions, delegations, responsibilities and powers of the Board, the Executive Authority, the individual members, its Committees and the employees of the CSOS.
- Matters reserved for final decision-making or pre-approval by the Board.
- The policies and practices of the Board for such matters as corporate governance, declarations of conflicts of interest, Board meeting documentation and procedures, and the induction, training and evaluation of members of Board and its committees.

Within the powers conferred upon the Board by the Act, the Board has determined its main function and responsibility as adding significant value to South Africa by:

- Retaining full and effective control of the organisation.
- Determining the strategy and strategic objectives of the CSOS.
- Determining and setting the tone of the company's values, including principles of ethical business practice.
- Bringing independent, informed and effective judgement to bear on material decisions of the CSOS, including policies and approval of the budget.
- Satisfying itself that CSOS is governed effectively and in accordance with best corporate governance practice, including risk management and internal control systems.

CSOS Board Members (Outgoing Board)

Rev Dr Vukile Mehana
Chairperson of the Board

B. Theology; AMP; Top Management Program on Public Enterprises; MBA; D. Phil

Ms Tinyiko Mhlari
Member and Chairperson of the Audit, Risk and Finance Committee

CA(SA); H. Dip Tax Law

Adv Nomazotsho Memani
Member and Chairperson of the Levies, Registration and Regulations Committee

Diploma in Midwifery;
Diploma in General Nursing;
Certificate in Economic Policy;
Advanced Diploma in Economic Policy

Mr Mfanozelwe Shozi
Member and Chairperson of the HR/ Remuneration and Ethics Committee

BA; Postg Dip; BTech; Masters Degree

Mr Trevor Bailey
Member and Chairperson of Adjudications and Governance Committee

BA; LLB; LLM

Adv Derick Block
Member

B. Iuris and LLB; H. Dip Tax Law

Mr Themba Mthethwa
Executive Board member

B. Proc; LLB;
Postg Dip in Industrial Relations;
MBA; Attorney in the High Court of South Africa

Mr Themba Mabuya
Executive Board member

B.Com;
B. Admin (Hons)

2015/16 CSOS Board of Directors

The following are the members of the outgoing Board:

NAME	SURNAME	TITLE	Memberships and positions				
			Board	Audit, Risk and Finance Committee	Levies, Registration Committee	HR/ Remuneration and Ethics Committee	Adjudications and Governance Committee
Vukile	Mehana	Rev Dr	Chairperson				
Tinyiko	Mhlari	Ms	Member	Chairperson	n/a	Member	n/a
Nomazotsho	Memani	Adv	Member	n/a	Chairperson	n/a	Member
Mfanozelwe	Shozi	Mr	Member	Member	n/a	Chairperson	n/a
Derick	Block	Adv	Member	Member	Member	n/a	Member
Trevor	Bailey	Mr	Member	Member	Member	Member	Chairperson
**Themba	Mthethwa	Mr.	Member	n/a	n/a	n/a	n/a
** Themba	Mabuya	Mr.	Member	n/a	n/a	n/a	n/a

CSOS Board Members (Incoming Board)

Rev Dr Vukile Mehana
Chairperson of the Board

B. Theology; AMP; Top Management Program on Public Enterprises; MBA; D. Phil

Adv Nomazotsho Memani
Member and Chairperson of the Levies, Registration and Regulations Committee

Certificate in Legal Writing; Certificate in Numeracy Skills; BA; LLB

Mrs Nomhle Dambuza
Member and Chairperson of the HR/ Remuneration and Ethics Committee

Diploma in Midwifery; Diploma in General Nursing; Certificate in Economic Policy; Advanced Diploma in Economic Policy

Ms Marina Constas
BA (Law); LLB; Mediation Certificate

Mr Rajesh Jock
B.Com, Postgraduate Diploma (Marketing); Postgraduate Higher Diploma (Company Law); National Diploma in Technology

Mr Bhekumusa Dlamini
Member and Chairperson of Adjudications and Governance Committee

B.Proc (Admitted Attorney)

Mr Taurean Holmes
Member and Chairperson of the Audit, Risk and Finance Committee

CA (SA)

Mr Themba Mthethwa
Executive Board member

B. Proc; LLB; Postg Dip in Industrial Relations; MBA; Attorney in the High Court of South Africa

Mr Themba Mabuya
Executive Board member

B.Com; B. Admin (Hons)

Incoming Board Committees

NAME	SURNAME	TITLE	Memberships and positions				
			Board	Audit, Risk and Finance Committee	Levies, Registration Committee	HR/ Remuneration and Ethics Committee	Adjudications and Governance Committee
Vukile	Mehana	Rev Dr	Chairperson	n/a	n/a	n/a	n/a
Nomhle	Dambuza	Ms.	Member	Member	n/a	Chairperson	Member
Nomazotsho	Memani	Adv	Member	n/a	Chairperson	Member	n/a
Bhekumusa	Dlamini	Mr.	Member	n/a	Member	n/a	Chairperson
Taurean	Holmes	Mr.	Member	Chairperson	Member	n/a	n/a
Rajesh	Jock	Mr.	Member	Member	n/a	Member	Member
**Themba	Mthethwa	Mr.	Member	n/a	n/a	n/a	n/a
**Themba	Mabuya	Mr.	Member	n/a	n/a	n/a	n/a

** Executive Member

Board Meetings

The Board met 4 times during the 2015/16 financial year as per the scheduled meetings, and 2 special meetings as shown in the next figure. All the Board meetings were held at the CSOS Head Office, located at 63 Wierda Rad East in Sandton.

Outgoing Board meetings

Name	Surname	Title	29/04/2015*	03/06/2015	05/08/2015	29/08/2015	15/12/2015*
Vukile	Mehana	Rev Dr	✔	✘	✔	✔	✔
Tinyiko	Mhlari	Ms	✔	✘	✔	✔	✔
Nomazotsho	Memani	Adv	✔	✔	✘	✔	✔
Mfanozelwe	Shozi	Mr	✔	✔	✔	✔	✔
Derick	Block	Adv	✘	✘	✘	✘	✔
Trevor	Bailey	Mr	✘	✔	✔	✔	✔
**Themba	Mthethwa	Mr	✔	✔	✔	✔	✔
**Themba	Mabuya	Mr	✔	✔	✔	✔	✔
* Special Meeting ** Executive Member							

Incoming Board meeting

Name	Surname	Title	29/02/2016
Vukile	Mehana	Rev Dr	✔
Nomhle	Dambuza	Mrs	✔
Nomazotsho	Memani	Adv	✔
Bhekumusa	Dlamini	Mr	✔
Oupa	Moshebi	Mr	✘
Taurean	Holmes	Mr	✔
Rajesh	Jock	Mr	✔
**Themba	Mthethwa	Mr	✔
**Themba	Mabuya	Mr	✔
* Special Meeting ** Executive Member			

Board Committees

In terms of section 12 of the CSOS Act and the Board Charter, the Board is mandated to establish committees in helping the Board to carry out its fiduciary duties. The Committees play an important role in the maintenance of high standards of governance and in achieving increased effectiveness within the CSOS in line with King III.

The following Board Committees were constituted by the outgoing Board, and the terms of reference for all the Committees were presented and approved by the Board during the prior year:

- Audit, Risk and Finance Committee
- Human Resources and Remuneration and Social and Ethics Committee
- Levies, Registration and Regulations Committee
- Adjudication and Governance Committee.

All Board committees comprise of Non-Executive members of the Board, as well as some members of the Executive Management, who may attend as full Executive Board members or as invitees. All committees are empowered to obtain external or independent professional advice, as they consider necessary to carry out their duties, and are chaired by a Non-Executive Board member.

Audit, Risk and Finance Committee

The Audit, Risk and Finance committee held 4 meetings for the year under review, as per the organization's annual calendar, and held 2 special meeting as shown below.

Outgoing Committee Members:

Name	Surname	Title	08/04/2015	20/04/2015	22/05/2015	20/07/2015	06/07/2015	12/11/2015*	09/12/2015*
Tinyiko	Mhlari	Ms	✔	✔	✔	✔	✔	✔	✔
Nomazotsho	Memani	Adv	✔	n/a	n/a	n/a	n/a	n/a	n/a
Mfanozelwe	Shozi	Mr	✔	✔	✔	✔	✔	✔	✔
Derick	Block	Adv	✔	✘	✔	✘	✘	✘	✘
Trevor	Bailey	Mr	✔	✔	✔	✔	✔	✔	✔

Incoming Committee Members:

Name	Surname	Title	16/03/2015	23/03/2016
Taurean	Holmes	Mr	✔	✔
Nomhle	Dambuza	Mr	✔	✔
Rajesh	Jock	Mr	✔	✔

*Special Meeting

Human Resources, Remuneration and Social Ethics Committee

The Human Resources, Remuneration and Social Ethics Committee held 7 meetings during the period under review.

Outgoing Committee Members:

Name	Surname	Title	18/052015	20/07/2015	07/10/2015	22/10/2015	10/11/2015	18/12/2015
Mfanozelwe	Shozi	Mr	✔	✔	✔	✔	✔	✔
Vukile	Mehana	Rev Dr	n/a	n/a	✔	n/a	n/a	n/a
Nomazotsho	Memani	Adv	✔	✔	✔	✔	✔	✔
Tinyiko	Mhlari	Ms	✔	✔	✔	✔	✔	✔

Incoming Committee Members:

Name	Surname	Title	15/03/2016	24/03/2016
Nomhle	Dambuza	Ms	✔	✔
Nomazotsho	Memani	Adv	✔	✔
Bhekumusa	Dlamini	Mr	✔	n/a
Rajesh	Jock	Mr	✔	✔

Levies and Regulations Committee

During the reporting year, the Levies, Registrations and Regulations Committee held 5 ordinary meetings

Outgoing Committee Members:

Name	Surname	Title	08/04/2015	22/05/2015	08/07/2015	01/10/2015
Trevor	Bailey	Mr	✔	✔	✔	✘
Nomazotsho	Memani	Adv	✔	✔	✔	✔
Mfanozelwe	Shozi	Mr	✔	n/a	n/a	n/a
Derick	Block	Adv	✔	✔	r	✔
Tinyiko	Mhlari	Ms	✔	✔	✔	✔

Incoming Committee Members:

Name	Surname	Title	14/03/2016
Nomazotsho	Memani	Adv	✔
Bhekumusa	Dlamini	Mr	✔
Rajesh	Jock	Mr	✔

Adjudications and Governance Committee

During the reporting year, the Adjudications and Governance Committee held 4 ordinary meetings.

Outgoing Committee Members:

Name	Surname	Title	22/05/2015	08/07/2015	01/10/2015
Nomazotsho	Memani	Adv	✔	✔	✔
Mfanozelwe	Shozi	Mr	✔	✔	✘
Derick	Block	Adv	✔	✘	✔
Trevor	Bailey	Mr	✔	✔	✔

Incoming Committee Members:

Name	Surname	Title	14/03/2016
Bhekumusa	Dlamini	Mr	✔
Nomazotsho	Memani	Adv	✔
Nomhle	Dambuza	Ms	✔
Rajesh	Jock	Mr	✔

RISK MANAGEMENT REPORT

Introduction

Risk management forms part of management's core responsibilities and is an integral part of the internal processes of an institution. Risk management is more than an exercise in risk avoidance. it is much about identifying opportunities as avoiding or mitigating losses

Risk Management Framework and Policy

CSOS is implementing the Risk Management Framework approved by the Board during the 2014/2015 financial year. A strategic risk profile of the CSOS has been developed and confirmed by management structure. On an inherent level, the CSOS is still operating in high risk environment as it is still a new organisation under development. The inherent nature is dependent largely on processes, strategies, policy and working models under development and control processes and environment not fully matured. There are greater opportunities for the profile to change steadfastly if the agreed management actions are effectively implemented, more particularly if the CSOS Regulations and the Act are proclaimed.

Internal Audit Activity

Internal Audit was established in April 2015. The Unit developed operating systems, 3 year rolling Internal Audit Strategy and Annual Plan which were implemented and reported on during the course of the year. A number of reports were finalised and reported to the Audit Committee and subsequently to the Board.

Fraud Prevention Plan

A fraud prevention strategy aligned to the requirements of the PFMA was developed and the Board has tasked management to implement such a plan. There were no fraud cases noted during the financial year, and the plan will be monitored and reported on to management structures and the Board.

Compliance Management

CSOS recognises the need to comply with its obligations imposed by the Regulatory Prescripts. The Compliance Framework was approved by the Board and this paved a way for the implementation of the Compliance Management. To take the process further, a Compliance Universe was developed and also approved by the Board.

Conflict of interest

The CSOS have processes in place for employees to declare actual and potential conflict. Within supply chain management, the practitioners are expected to sign the code of conduct. There is an opportunity to improve on management of conflict in future. All staff are expected to make annual financial declarations.

Oversight structure - Audit and Risk Committee

The Audit and Risk Committee is delegated by the Board to oversee the Risk Management function of the CSOS. The Audit and Risk Committee played a very crucial role of overseeing the implementation of the risk management in the entity.

Part C
Performance Information

Executive Management

The Board of the CSOS delegates to the CEO, who performs the function of Accounting Officer in line with the requirments of the CSOS Act. The CEO is also the chairperson of the Executive Committee. This committee is the internal decision making structure and is constituted as shown below.

Mr Themba Mthethwa

Chief Ombud

B. Proc; LLB;
Postg Dip in Industrial Relations;
MBA; Attorney in the High Court of South Africa

Mr Themba Mabuya

Chief Financial Officer

B.Com;
B. Admin (Hons)

Ms Laurie Less

Executive Manager Corporate Services

BA (Psychology and Political Science);
Masters in Public Administration

Risenga Maruma

Board Secretary

BA; B. Admin (Hons);
Postg Dip Corporate Law

Ms Dinkie Dube

Adjudicator General

BA (Law); LLB; LLM

Mr Abraham Masilo

Provincial Ombuds Gauteng

B. Proc

Lucky Rabotapi

Provincial Ombuds KwaZulu-Natal

BA (Law), LLB;
Diploma in Alternative Dispute Resolution

Maletsatsi Wotini

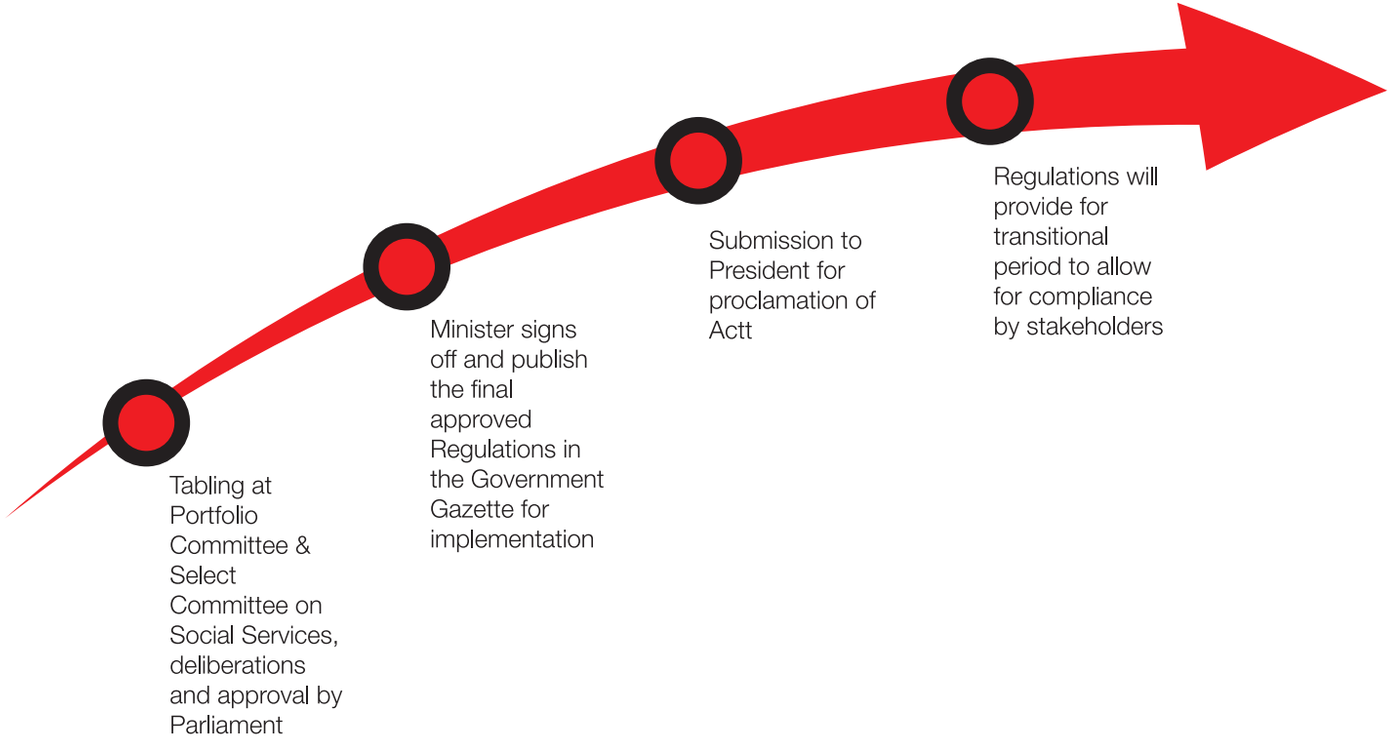
Provincial Ombuds Western Cape

Property and Development Practitioner;
Certificate in Mediation Facilitation and Conflict Management;
Social Auxiliary Worker

REVIEW OF THE CSOS PERFORMANCE

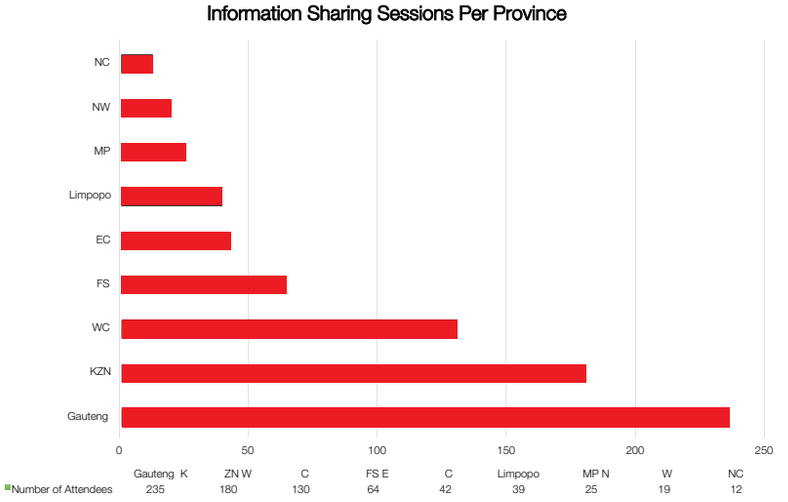
General background - entity establishment and status of regulations

During the year under review, the entity was focused on working closely with the National Department of Human Settlements to drive the approval of the CSOS Regulations which will lead to its full operationalisation. The following is the path to be followed:



The following is a summary of the key milestones and activities in this regard during the reporting year:

- **August 2015:** the Minister approves and signs off the draft Regulations, permitting the publication thereof
- **October 2015:** the draft regulations published in the Government Gazette, thus opening them up for public comment for a period of 30 days
- A task team led by the DHS is formed and embarks on a countrywide process of supporting and encouraging the public participation process. All 9 provinces are visited during October and November 2015
- **November 2015:** The public consultations on the Draft Regulations is finalized
- **December 2015:** The task team completes the consolidation and consideration of feedback received during the public participation process, and responds to all submissions
- **December 2015:** CSOS Board approves some amendments to the Regulations, taking into consideration some concerns and proposals received during the public participation. In particular, the levy model is revised in line with the written submissions received
- **March 2016:** the Minister approves the tabling of Regulations before Parliament. The date for presenting of the Regulations in the Portfolio Committee of Parliament has been set for 19 April 2016.



Strategic Objective 1: Dispute Resolution

Even though the CSOS Act and Regulations have not come into operation yet, the CSOS has already commenced with the provision of a dispute resolution service, but only at conciliation level. This entails the CSOS acting a mediatory role while the arbitration or adjudication service is still not legally enabled. The following is an indication of that work during the year.

Between 1 April 2015 and 31 March 2016, a total of 612 new applications for dispute resolution were received, a 114 applications were brought forward from the previous financial year making a total of 736 matters attended to between 1 April 2015 and 31 March 2016. The average of new applications for dispute resolution received during the period under review is 51 per month. See the graph below for the monthly breakdown.

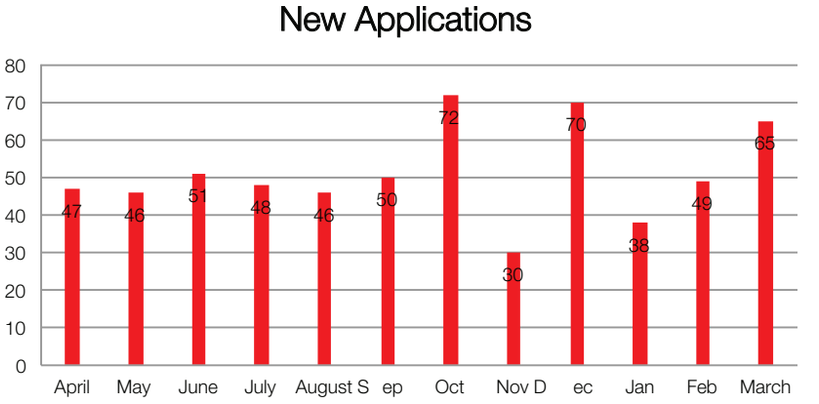


Figure 1

The Gauteng Province received the highest number of applications, which amounts to 63% of the 736, followed by the Kwazulu-Natal and Western Cape Province. This can be attributed to the fact that Gauteng has the largest concentration of community schemes due to the population size which is estimated to be 25% of the total national population.

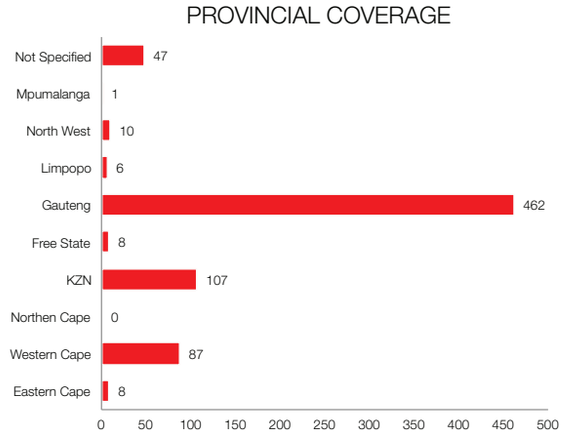


Figure 2

As much as 93% of applicants reached us through a designated e-mail (complaints@csos.org.za), CSOS information e-mail, Website and others were lodged by hand. Of the 736 applications that CSOS has received to date, 683 are lodged via the dedicated email address. Only 53 are received through Walk-ins and other means. See Below

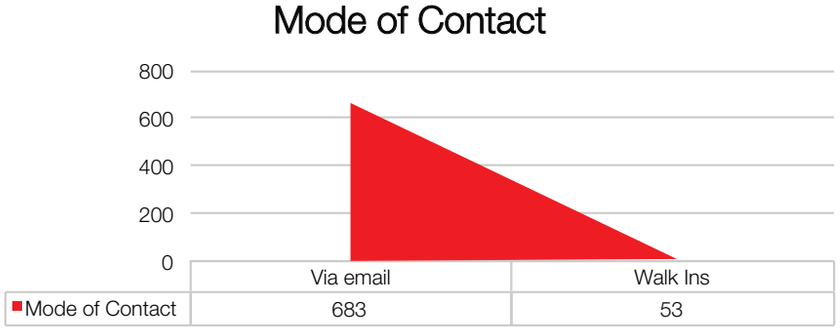


Figure 3

The nature of disputes range from financial issues, behavioral issues, and governance issues, general and other issues as per section 39 of the CSOS Act. The majority of disputes concern allegations of incorrect, unreasonable and/or exorbitant levies which constitutes 41% of the pending cases. This is followed by disputes regarding the use of private and/or common areas.

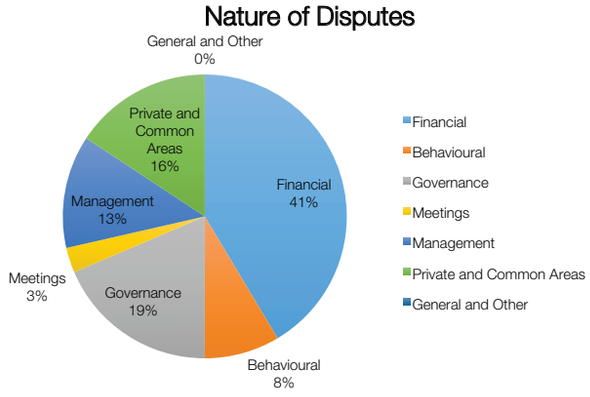


Figure 4

Of the 736 applications that has been lodged with the CSOS, 304 applicants are from female applicants, 310 are male whilst 122 did not specify their gender. Applicants are now advised to stipulate their gender in the application form.

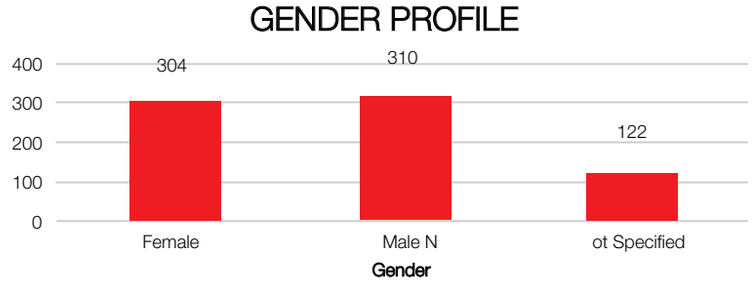


Figure 5

During the period under review, a total of 646 applications have been finalized. These include applications for dispute resolution that were received in the previous financial year. The average matters finalised per month is 53. A total of 225 matters were finalised at Conciliation. However, a large number of applicants provided insufficient information and failed to provide further particulars when requested to do so. Such matters are closed pending the submission of the requested information.

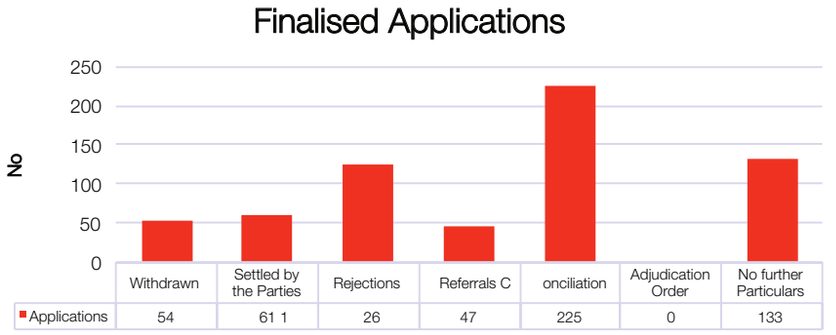


Figure 6

The national average case load per Conciliator is 52. The average caseload per provincial office is as follows:

§ Gauteng Provincial Office average caseload 141.

§ The average case load per Conciliator in the Western Cape Provincial Office is 34.

§ The average caseload per Conciliator in the KZN Provincial Office is 18.

It is worth noting that the Gauteng provincial office was the first to be established, followed by the Western Cape and lastly the KZN office. Not only does the Gauteng provincial office receive the highest number of applications, it also dealt with matters that fall within the jurisdiction of the other provinces before they were established. The Gauteng Provincial office also deals with matters from North West and Limpopo, the KZN office also attends to matters in the Free State and Mpumalanga whilst the Western Cape office deal with matters from all the Capes.

The CSOS will be ready to offer the full spectrum of dispute resolution service once the legislative process is completed. Below is the DR model that has was approved by the Board, indicating the DR procedures are already developed and ready for implementation.

The CSOS Dispute Resolution Model

The following are key principles which guide the CSOS Dispute Resolution Model:

- **Accessibility**: This principle of accessibility is related to awareness and effective access. The CSOS Dispute Resolution process should be accessible to all parties within a community scheme. The information about it should be written in plain language.
- **Confidentiality** – All Applications must be treated with confidentiality and an applicant's right to privacy must be respected at all times.
- **Efficiency**: The Dispute Resolution process should be efficient in dealing with all disputes. All disputes should be handled in a way that is proportionate and appropriate to the matter being complained about. Simple matters should be resolved fairly easily and at first contact while more complex matters should be dealt with within a reasonable time limit.
- **Fairness**: Parties must be treated fairly and due process must be observed at all times.
- **Impartiality**: Conciliators and Adjudicators must remain independent, neutral and deal with matters without prejudice. Adjudicators must ensure a full and objective evaluation of the facts and evidence provided in support of the dispute.
- **Responsiveness**: CSOS officials should be prompt, thorough, and courteous and be responsive to the needs of all parties to the dispute.
- **Transparency**–Parties to the dispute are entitled to know how the dispute will be handled and be notified of the outcome thereof.
- **Value for Money:** The dispute resolution service should be economical and efficient in order to give parties the best possible value for money.

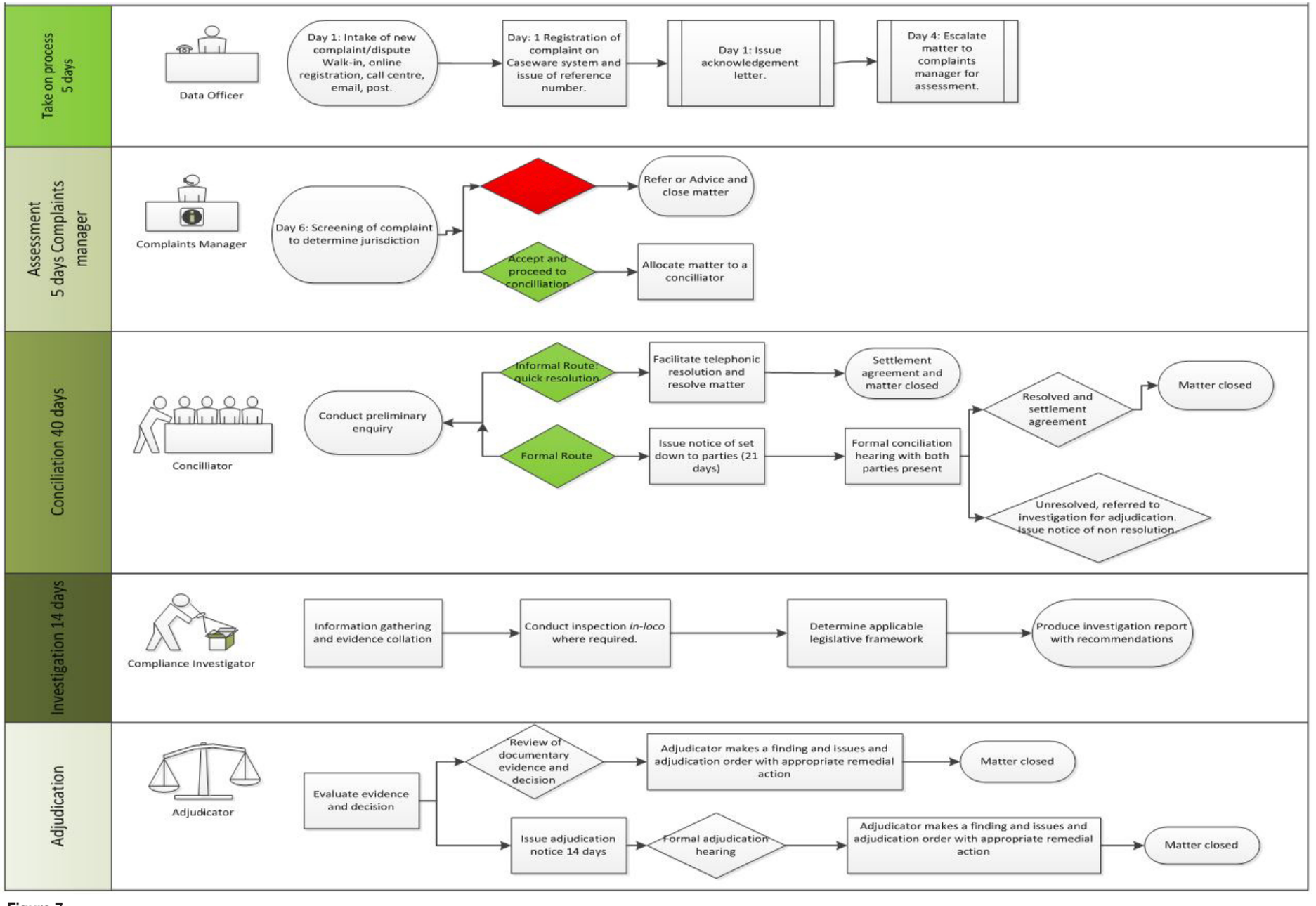

Take on process 5 days
Data Officer
Day 1: Intake of new complaint/dispute Walk-in, online registration, call centre, email, post.
Day: 1 Registration of complaint on Caseware system and issue of reference number.
Day 1: Issue acknowledgement letter.
Day 4: Escalate matter to complaints manager for assessment.
Assessment 5 days Complaints manager
Complaints Manager
Day 6: Screening of complaint to determine jurisdiction
Refer or Advice and close matter
Accept and proceed to concilliation
Allocate matter to a concilliator
Conciliation 40 days
Concilliator
Conduct preliminary enquiry
Informal Route: quick resolution
Facilitate telephonic resolution and resolve matter
Settlement agreement and matter closed
Formal Route
Issue notice of set down to parties (21 days)
Formal conciliation hearing with both parties present
Resolved and settlement agreement
Matter closed
Unresolved, referred to investigation for adjudication. Issue notice of non resolution.
Investigation 14 days
Compliance Investigator
Information gathering and evidence collation
Conduct inspection *in-loco* where required.
Determine applicable legislative framework
Produce investigation report with recommendations
Adjudication
Adjudicator
Evaluate evidence and decision
Review of documentary evidence and decision
Adjudicator makes a finding and issues and adjudication order with appropriate remedial action
Matter closed
Issue adjudication notice 14 days
Formal adjudication hearing
Adjudicator makes a finding and issues and adjudication order with appropriate remedial action
Matter closed

Figure 7

Strategic Objective 2: Taking Custody and Control of Schemes Governance Documentations (incl. Document Management Systems)

This objective entails taking over the physical custody of all the community schemes governance documents that are largely kept by the Deeds Office hitherto. A central part of that process is ensuring an orderly handover of documents, including the comprehensive reconciliation and quality assurance of the documents thus taken over by the CSOS. That process requires a formal agreement to be signed between the different parties in a MOU. Negotiations between the Department of Human Settlements and the Department of Rural Development and Land Reform have been finalized and the Inter-ministerial MOU has been submitted to the Minister of Human Settlements for signature, where after a separate MOU between CSOS and Deeds Office will be concluded.

Further, once the documents are taken over, a comprehensive records management responsibility passes over to the CSOS. In this this regard, a Records Management policy was developed and approved during the previous financial year. Following the approval of the CSOS Records Management Policy, an in-house records management awareness campaign commenced in August 2015. A staff workshop was conducted for the National Office and the Gauteng Provincial Office. The workshop for the Western Cape Provincial Office was held in August 2015 and the Kwa-Zulu Natal Provincial Office Records workshop was held in February 2016. The CSOS team is currently engaging with the appointed service provider for the Document Management System in order to finalise the scoping of the system. Furthermore, the process of developing the CSOS file plan is currently underway. The National Archives of South Africa has approved the phase two of the development process. The Records Manager together with the service provider are currently busy with the third phase.

Strategic Objective 3: Ensure that CSOS is managed in an efficient and effective manner in a way that values its employees

Some of the support services rendered during the year include the following:

CORPORATE SOCIAL INITIATIVES

Take a girl child to work

On 28 May 2015 CSOS hosted 11 girls, for the Bring a Girl Child to Work initiative, five from Alexandra High School and six from Sandown High School.

Nelson Mandela Day

On the 17 July 2015 the CSOS partnered with “Feed a Child” to feed more than 300 children with soup and bread in the Mooiplaas Informal Settlement in Centurion.

Women’s Day

On the 7th of August 2015, the CSOS held staff in-house functions at each of the CSOS offices, focusing on ensuring awareness of the significance of this day by all staff members

Heritage Day celebrations

On the 23 September, the CSOS celebrated Heritage Day with a cultural dress and celebration of our various food stuffs at all their various offices

International Women’s Day Celebration

Annually on the 8th of March, thousands of events are held globally to inspire women and to celebrate achievements. The CSOS leveraged on the exposure opportunities of the DHS’s event held in Cape Town to mark this very important occasion. The Hon. Deputy Minister of Human Settlements, Zou Kota Fredericks visited Joe Slovo Park in Milnerton, Cape Town for an Imbizo programme under the theme Planet 50/50 by 2030: Step It Up for Gender Equality. The CSOS, represented by the Western Cape regional office, distributed its consumer education material during that event.

World Consumer Rights Day

World Consumer Rights Day is commemorated on the 15th of March worldwide. The KwaZulu Natal Department of Economic Development, Tourism and Environmental Affairs, had their celebrations on the 19th of March 2016, at Mkhonjane area, Nquthu, and invited the CSOS, represented by the KZN regional office, to celebrate the day and to also exhibit their services.

INFORMATION AND COMMUNICATIONS TECHNOLOGIES (ICT)

The ICT Strategy 2015 – 2018 was approved by the CSOS Board on the 5th August 2015 and serves as the blueprint for ICT operations for the next three years. This document will be reviewed annually or if the CSOS Strategy undergoes changes. In line with that strategy, the following ICT hardware and software elements were procured and installed/deployed during the year:

- Biometrics security access to all offices (including certain high security rooms within offices)
- Network cabling with wireless infrastructure for the Durban and Cape Town offices
- Projector with motorized screen for Gauteng Office boardroom
- MPLS VPN lines for Durban and Head Office
- Infrascale Backup hardware for the backup of critical company information at the Head Office data centre which will replicate to the second device at the VOX data centre (DR Host Site)
- Server room infrastructure: All Head Office data centre equipment was delivered, installed and configured. All server rooms are now 100% installed and configured
- Server Upgrades for ERP deployment occurred in November allowing for a platform for the ERP to be deployed without interruption.
- Uniflow Document Accounting Software went live on the 2nd December 2015 allowing for the monitoring of printer activities including copies in an effort to curb unnecessary printer costs. Monthly reports are produced for employees to account for their activities.
- Microsoft Enterprise Open Value 3 Year Subscription licensing including server and productivity applications like Office 365 Pro Plus with Skype for Business
- Document accounting software to produce printing reports with print costing per employee.
- Mimecast Enterprise Security which includes lifetime archiving, Email Security (Spam and Virus checking as well as continuity (If CSOS were to lose its internal Email infrastructure)) has been deployed and ICT is already analyzing reports being produced by the system.

CSOS Website

For the reporting period the CSOS website (www.csos.org.za) received over 15,000 unique visitors, **60%** of whom are new visitors. The site has shown a steady increase of visitors from the beginning of the year as more exposure and profile of the CSOS grew through various public platforms and fora.

EXTERNAL COMMUNICATIONS AND STAKEHOLDER ENGAGEMENTS

- Nama Indaba, 11-12 June 2015: The CSOS participated in the Nama Indaba, an exhibition and conference, targeted at managing agents across the country. The event provided insight on the on-the-ground industry issues. Feedback from managing agents was very positive, and that they are looking forward to the full establishment of the CSOS.
- Association of Residential Communities (ARC), 13 April 2015: This was an introductory meeting by senior members of CSOS and the association. An outcome of which was an invitation to the CEO to present at the ARC conference on the 22 June 2015.
- Meet and greet meeting with Pecanwood Estate Manager, 19 April 2015.
- Meet and greet with Banking Association, 22 April 2015.
- Meet and greet with the Banking Ombud, 05 May 2015; the CSOS team were exposed to their CRM case management system which is quite advanced. Lessons were learned and shared.

- Gauteng Consumer Affairs Court, 05 June 2015: The CSOS presented its mandate, role and services to the employees of the Tribunal with the view to create understanding and to establish areas of collaboration. Through the Gauteng Provincial Department of Economic Affairs, the court conducts a consumer awareness roadshow which the CSOS will be leveraging in future.
- Institute of Estate Agents (North Region), 18 June 2015: The CSOS was invited to present to members of the North Region. A concern raised with CSOS was in regard to the conduct of managing agents and their treatment of estate agents. In this regard a question was raised as to the extent in which CSOS would regulate the conduct of managing agents and trustees.
- The Chief Ombud was profiled in the Government Communication and Information System (GCIS) published magazine called Public Sector Manager (PSM). This is a magazine targeting middle managers to top managers in the public service.
- ARC Conference, 22 June 2015: The CSOS was part of the programme where the CEO presented an introduction to the CSOS service to the delegates.
- Rental Housing Tribunal – regulatory review workshop: Executive CS made a presentation on the CSOS training module, and it was agreed to meet further to continue the collaboration on the capacity building programme

POLICY DEVELOPMENT

The following is a list of all policies that were approved by the CSOS Board, indicating that most were developed and approved during the year under review.

Table 1

BUSINESS UNIT	POLICY	DATE APPROVED BY THE BOARD
CEO's OFFICE		
Internal Audit		
	Internal Audit Charter	31-Jul-15
Risk Management		
	Risk Management Policy	05-Aug-15
	Risk Management Framework	05-Aug-15
	Fraud Prevention Policy	31-Mar-15
Company Secretary		
	Board Administration Policy	03-Jun-15
	Board Remuneration, Travel and Subsistence Policy	05-Aug-15
	Board Charter	17-Nov-14
	Audit and Risk Charter	17-Nov-14
	REMCO Charter	17-Nov-14
	Levies, Registration and Regulations Charter	03-Jun-15
	Adjudication and Governance Committee Charter	03-Jun-15
ADJUDICATION AND GOVERNANCE		
Adjudication		
	Dispute Resolution Model	
	Record Management Policy	03-Jun-15
Legal		
	Compliance Management Framework	05-Aug-15

CORPORATE SERVICES		
HR		
	Human Resource Procedures Policy	31-Mar-13
	Leave Management Policy	06-Feb-15
	Performance Management Policy	30-Jan-15
	Training and Development Policy	31-Mar-15
	Bursary Policy	06-Feb-15
	Sexual Harrassment Policy	05-Aug-15
	Grievance Procedure Policy	05-Aug-15
	Disciplinary Procedure Policy	05-Aug-15
	Acting Policy	05-Aug-15
	Talent Acquisition and On-Boarding Policy	31-Mar-15
	Code of Conduct	06-Feb-15
Communication and Marketing		
	Brand Policy (Corporate Identity Manual)	03-Jun-15
IT		
	ICT Governance Policy	30-Jan-15
	ICT Governance Framework	31-Mar-15

Strategic Objective 4: Manage the Sectional Titles Schemes Management Act as provided by the STSM Act

This strategic objective was reviewed extensively during the year, especially due to the fact much of the targets in this area are dependent on the approval of Regulations and the consultation processes with the industry players and stakeholders. Furthermore, the CSOS is clarifying its roles with respect to the Advisory Council that the Minister appoints in terms of the CSOS Act.

PERFORMANCE INFORMATION FOR THE PERIOD UNDER REVIEW: 2015/16 FINANCIAL YEAR

PROGRAMME 1: ADMINISTRATION

Strategic Objective 1: Provide Community Scheme Dispute Resolution Services to all South Africans

Key Performance Indicators	Baseline (Actual) 2014/15	Annual Target 2015/16	Actual Performance 2015/16	Variance	Comment on variance
Facilities available and accessible for members of the public where dispute resolution services can be obtained	Head Office established in Sandton	Regional Offices established in Gauteng, Kwa-Zulu Natal and Western Cape	Target achieved	None.	None.
		Head Office and 5 regional offices fully staffed together with the necessary systems, infrastructure and equipment to be operational	Target not achieved	No additional regional offices were established	The CSOS was unable to establish the additional two (2) regional offices given the financial constraints.
Board approved dispute resolution model and implemented	Dispute resolution model developed and approved by the Board	Implement approved DR model. Monthly reports on recorded and resolved disputes.	Target not achieved	Conciliation part was implemented. A total of 225 were resolved. However, no Adjudication-related investigations were conducted, and no adjudication service were offered	With regard to the Conciliations, 65% of the conciliation matters were finalized within 60 days. However, adjudications and related investigations will only commence once the Regulations have been approved and CSOS Act proclaimed.
Dispute resolution funding model approved and implemented	Dispute resolution funding model under development by a Board Technical Committee	Dispute resolution funding model approved and implemented	Target not achieved	Funding model was developed and approved by the Board. The Minister also approved the Regulations together with the funding model. However, it was not implemented during the year	The implementation of the funding model is wholly dependent on the enabling legislative process, including the approval of the CSOS Regulations, being completed. That process was not completed during the year.

Strategic Objective 2: Taking Custody and Control of Schemes Governance Documentations (incl. Document Management Systems)

Key Performance Indicators	Baseline (Actual) 2014/15	Annual Target 2015/16	Actual Performance 2015/16	Variance	Comment on variance
Number of reports on the take-over of the management of existing schemes governance documentation from the Department of Rural Development and Land Reform submitted to the Department	The MoU was drafted by CSOS and submitted to the Chief Registrar in the Deeds office	Board approved MOU for take over	Target not achieved	Delay in finalisation of Inter-ministerial MOU between DHS & DRDLR	Take-over of Community Schemes documentation requires the MoUs to be signed. Signing of Inter-ministerial MOU between DHS & DRLR still underway. Progress report to Board submitted to Adjudication and Governance Committee. Board Chair addressed letter to Minister requesting the MOU to be expedited.
	New indicator	Ensure state of readiness at CSOS for governance database	Target achieved	None.	None.
Approved records management system, framework, policies, processes & procedures	A draft Records Management Framework was developed and tabled to Board Committees for approval.	Approved and implemented records management system	Target achieved	None.	None.
Approved schemes governance documentation funding model	Dispute resolution funding model under development by a Board Technical Committee	4 reports on the implementation of schemes governance documentation funding model	Target not achieved	Funding model was developed and approved by the Board. However, it was not implemented	The implementation of the funding model is wholly dependent on the enabling legislative process, which was not completed during the year.

Strategic Objective 3: Ensure that CSOS is managed in an efficient and effective manner in a way that values its employees

Key Performance Indicators	Baseline (Actual) 2014/15	Annual Target 2015/16	Actual Performance 2015/16	Variance	Comment on variance
4 approved policies (new and old) required	4 policies were developed and approved	4 approved policies (new and old) required	Target achieved	None.	None.
[Number of submissions of financial reports to National Treasury]	New indicator	4 times in a year for submission of financial reports on quarterly basis [to National Treasury]	Target achieved	None.	None.
	New indicator	Approved reviewed annual Board calendar	Target achieved	None.	None.
Number of performance plans submitted for approval by the Minister	5 year strategic plan drafts and APP for 2015/16 were prepared and approved by the Board, and submitted timeously to the Department	Annual Strategy and APP developed and submitted to Board Executive Authority (EA)	Target achieved	None.	None.
Number of reports produced, approved and submitted to Executive Authority (EA)	Quarterly reports for quarter 3 and 4 were submitted. Quarters 1 and 2 were not operational quarters.	Quarterly management reports produced, approved and submitted to EA	Target achieved	None.	None.
Number of SCM policies reviewed , developed and implemented	SCM policy developed and approved.	Two (2) [SCM] policies reviewed , approved and implemented	Target not achieved	New SCM policy developed but not yet approved at year end	There was an existing SCM policy, but was due for updating. This was not Board approved at year end.
Number of SCM plans (procurement and acquisitions) submitted for approval	New indicator	Two (2) SCM plans (procurement and acquisitions) submitted for approval	Target achieved	None.	None.

Key Performance Indicators	Baseline (Actual) 2014/15	Annual Target 2015/16	Actual Performance 2015/16	Variance	Comment on variance
Number of procurement, acquisition and asset management reports developed	Fixed asset policy was developed and approved	4 Reports on procurement, acquisition and asset management	Target achieved	None.	None.
Number of reports of board meetings	New indicator	4 Reports of board meetings	Target achieved	None.	None.
Number of reports on the evaluation of Board members produced.	New indicator	1 report on the evaluation of Board members produced	Target achieved	None.	None.
80% Vacancy rate reduced	New indicator	Vacancy rate reduced	Target achieved	None.	None. Due to financial constraints the CSOS took a decision to place all filling of vacant posts on hold.
70% of employees trained In accordance to Skills Development Act	New indicator	Train all [70%] staff according to the HRD plan	Target achieved	Training for most staff did take place during the year	Staff training for all staff not conducted due to budgetary constraints, but most staff attended training.
	4 Board meetings, plus 2 special Board meetings held	Quorate Board meetings x 4 per annum	Target achieved	None.	None.
	2 x 4 committee meetings held	Quorate committee meetings x 8 per annum	Target achieved	None.	None.
	New indicator	Remaining provincial and head office staff employed	Target not achieved	The recruitment plan for the provincial offices is not achieved	All vacant posts scheduled to be filled in the 3 provinces /regional offices were not concluded due to budgetary constraints.
Number of employees trained in accordance to Skills Development Act (SDA)	New indicator	Implement all HR policies	Target not achieved	Development planning not fully completed	Performance assessments in order to determine SDA development plans were not completed by all staff members.

Key Performance Indicators	Baseline (Actual) 2014/15	Annual Target 2015/16	Actual Performance 2015/16	Variance	Comment on variance
Approved and implemented Education and training programme	New indicator	Develop, approve and roll out the CSOS public education & training plan. Train management agencies and body corporates to set a baseline	Target not achieved	The public education and training programme has been placed on hold.	Due to financial constraints experienced within the CSOS the education programme has been placed on hold.
	Training programme not yet developed.	Train all staff according to the HRD plan.	Target not achieved	Training for some staff did take place	Staff training for all staff not conducted due to budgetary constraints.
Approved marketing and communication framework	New indicator	9 campaigns planned and implemented through communication and marketing strategy	Target achieved	None.	None.
Number of reports on the implementation of the IT plan. Board approved ICT System	The overarching IT governance framework was developed	Implementation of the IT plan	Target achieved	None.	None.
100% of compliance with the issue of legal notices and regulations in relation to the CSOS Act.	New indicator	Draft Notices and Regulations in terms of the CSOS Act submitted to the Adjudicator General within 30 days	Target achieved	None.	None.

Strategic Objective 4: Manage the Sectional Titles Schemes Management Act as provided by the STSM Act

Key Performance Indicators	Baseline (Actual) 2014/15	Annual Target 2015/16	Actual Performance 2015/16	Variance	Comment on variance
Approved Code of Conduct	New indicator	Popularise and implement Code of Conduct.	Target not achieved	No Code of Conduct was developed.	This target is under review, as the Code of Conduct is subject to engagements with the industry.
Number of identified management agencies registered	New indicator	70% Registered management agencies.	Target not achieved	No registration of community schemes took place	Registration of community schemes will commence once the Regulations are approved.
Number of Business Information (BI) reports submitted	New indicator	12 Monthly reports to be submitted	Target not achieved	No BI reports on registration of management agents were produced during this period	The managing agents will be engaged to assist in the registration of community schemes, but this can only commence once the Regulations are approved.

Case Study

Approval for Improvement/Alterations- Private and Common Area Issue

Mr K lodged an application for dispute resolution regarding the alleged refusal by the Trustees to grant him permission to the roof on his porch. He alleged the following

- He requested permission in October 2013 from the Body Corporate replace the roof on his South Porch with a waterproof roof
- The Trustees rejected the requested on the basis that this constitutes to an extension of the property and will therefore affect the Participation Quota (PQ) thus expropriation of the property
- His view is that this was only repairs and not expropriation of property. He therefore proceeded with the repairs. The following improvements / alterations were done:
- The old roof (louvre) were collected and put new zinc roo
- The patio floor was incorrectly built for storm water - and there was a build-up of water
- The new roof is supported by the existing walls
- The current patio floor was replaced with tiles that match the house tiles; and there was no new structure erected, with repair work and replacement of leaking roof and floor
- There was a special meeting called by the Trustees where it was said that the roof erected without consent and remains an illegal structure
- He disputes this as he received an expert opinion from a builder to the effect the new roof has no impact on the structure, the construction material of the complex tiles or concrete can be made to the roof and the roof does not prolong the PQ of the unit whatsoever;
- He also received confirmation that the roof erected meets the SABS and NHBRC building standards.

The trustees were contacted and they indicated that only awnings and concrete roofs may be approved in the complex. They submitted that the new roof affects the harmonious appearance of the complex and has increased the PQ of the unit and have resolved that the applicant should demolish the illegal structure. The matter was set down for conciliation.

Successful Conciliation

During Conciliation which was held on August 11, 2015, the parties agreed as follows:

1. The applicant to appoint a specialist (surveyor, architect) in terms of the Sectional Titles Act to do an inspection at the applicant's residence and specifically mention the participation quota of the applicant's property, and the PQ of the old Louve roof, new zinc roof. The report will also indicate whether the construction of the new roof constitute expropriation of property raising according to Article 24 of the Sectional Title Schemes.
2. The applicant has a period of 30 days to submit the report of the specialist to the trustees.
3. There also agreed that the status quo will be maintained rand the structure will not be demolished until such time that the report is tabled.

Case Study

Levy Stabilisation Fund and the Penalty- Financial Issue

The Applicant, Mrs D and her sister, Mrs B, lodged an application for dispute resolution and alleged as follows:

- They inherited a unit in the Village from their late mother in September 2013 but rented out the unit in January 2014 with the assistance of the Village who offered to find a suitable tenant.
- They signed a one year contract with the tenant January to December 2014.
- The share and loan certificates were registered in their name in April 2014.
- A payment of 20% of the value of the unit was paid over into the Levy stabilization fund.
- The Use Agreement was only signed by Mrs D sister, who resides in Australia on 18 March 2014.
- The applicant signed the use agreement on 20 August 2014, 5 months after her sister had signed it.
- When applicant perused the Use Agreement she realized that if she rented out her unit she will pay an additional 20% recurring at an increase of 2% per annum.
- They then decided to sell the unit as the 2% per annum constituted to half of the rental they receive monthly.
- Notice was given to the tenant in November 2014 – to vacate end of January 2015. An offer to purchase was signed in January 2015.
- Now according to the Use Agreement the applicant was obliged to make another payment of 20% into the fund –penalty levy.
- Total amount paid into fund – R 166 000.00 + R 172 000.00 = R 338 000.00.
- Unit inherited value – R 830 000.00
- Unit sold for value – R 860 000.00
- Applicant was made to pay a penalty levy of 20% upon the sale of the unit into the levy stabilization fund.
- Applicant alleges that she was not made aware of certain clauses in the use agreement pertaining to this penalty levy. In fact the Use Agreement was signed in March 2014 by applicant's sister, Mrs B, applicant only signed in August 2014 and received a copy of the agreement on the same day. This is when applicant realized the impact of clause 8.5.
- Clause 8.5 of the Use Agreement makes provision for heirs to be given 6 months to advise the Board that they will be selling their share so as to avoid duplication of the 20% on sale. We fall just 2 months outside the 6 months grace period.
- She has written to the Board asking for leniency. I suggested paying the full 20% on the R30 000 difference between the initial valuation and the sale price, and some proportion of the rest. The Board has rejected this proposal

Non Resolution and Referral to Adjudication

A Conciliation meeting was held with the applicant and the Chairperson of the Board, he submitted that the applicant was in fact aware of this penalty clause yet she still proceeded to sell the unit. They are now required to pay 20% once-off payment again on sale, as a lump sum.

The following questions were explored:

1. Why the Use Agreement was only signed after the rental agreement was signed?
2. The Use Agreement was signed by the co-owners on different dates.
3. Is there a duty on the Village to point out certain clauses in the contract which will have a financial implication on the applicant?
4. Why did the Village not disclose the penalty clause mentioned in 8.5 in the Use Agreement to the effect she would be penalized for not living there herself when the rental agreement was signed particularly as they assisted her to find a tenant?

The Chairperson of the Board offered to table the matter at the next Board meeting for the Board to consider what is fair and apply leniency with the view to possibly refunding the applicant. However, after the Board meeting, the applicant contacted us and indicated that she would like to refer the matter to Adjudication as she is not satisfied with the offer made by the Board.

Part D
Human Captial Report

Introduction

With exception of the CFO, the initial strategic staff started during quarter 3 and 4 of the year under review. A large scale recruitment drive, developing the HR administrative basis (personnel files), as well as developing organisational policies was the key focus in HR. Notably, an HR Policy manual was developed and approved, performance management, training and bursary as well as an Employee Loyalty awards programme.

Human Resource Statistics

Total employment and vacancies

The staff complement at the end of the financial year was 40, including 2 temporary employees and 1 intern.

There were 66 approved positions during the year per the official organogram. However, due to the financial constraints, a decision was made to put the recruitment on hold until the financial situation improves. This resulted in a 41% vacancy rate at the end of the year. The effect of that is that high vacancy rate is that the state of operational readiness was slowed down. Budgets permitting, this risk will be overcome by a focussed process of resourcing, specifically targeting the high impact and critical areas of the operations.

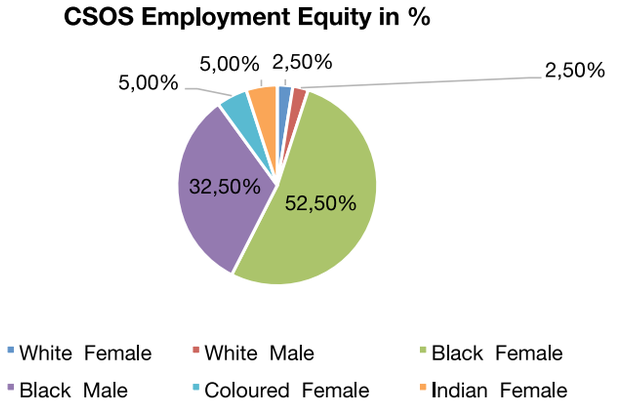
There were **3** terminations (3 resignations), representing a very low staff turnover rate of 8% during the year. One of the three terminated employees worked for less than a month as she received a counter offer from a previous potential employment.

Futhermore, five (5) internships came to an end in March 2016.

	Head Office	Gauteng Provincial Office	KZN Provincial Office	Western Cape Provincial Office	Total
Year ended 31 March 2016	19	7	7	7	40
Permanent	18	7	6	6	37
Temporary	0	0	1	1	2
Interns	1	0	0	0	1
Existing at 01 April 2015	17	1	0	0	18
Permanent	12	1	-	-	13
Temporary	-	-	-	-	-
Interns	5	-	-	-	5
Quarter 1	6	6	0	8	20
Permanent	6	6	0	8	20
Temporary	-	-	-	-	-
Interns	-	-	-	-	-
Quarter 2	0	0	7	0	8
Permanent	-	-	6	-	6
Temporary	-	-	1	-	1
Interns	-	-	-	-	1
Quarter 3	0	0	0	0	0
Quarter 4	0	0	0	0	0

Employment equity – actual and targets

The actual EE breakdown at 31 March 2016 was as follows:



The table below indicates where the CSOS needs to be in order to be aligned with the national demographic profile.

Statistics SA Demographic of SA population				CSOS proposed EE targets against plan	
	Male	Female	Total		Target
African	80.3%	80.2%	80.2%	African	82 %
Coloured	8.7%	8.9%	8.8%	Coloured	10%
Indian	2.6%	2.4%	2.5%	Indian	4%
White	8.4%	8.5%	8.4%	White	4%
Disabled			2%	Disabled	2% *(not implemented)*

Statistics SA figures versus the CSOS projected Employment Equity targets:

The plans are already in place to achieve those targets once the full staff recruitment resumes.

Internship programme

The CSOS had appointed 6 interns to gain practical work experience. They were offered 12 month contracts, and they all came to an end during the year under review as follows:

- Supply Chain Intern : 28 February 2016
- Admin Intern : 28 February 2016
- 2 x Finance Interns : 8 March 2016
- HR Intern : 22 March 2016
- Legal Intern : 22 March 2016

While the internship programme was proved to be beneficial to both the intern and the CSOS, there was no new intake during the year due to financial constraints. However, there is every commitment to resume the programme when the financial constraints improve.

Human Resources Development (Training)

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

During the period under review the following training was attended by staff:

- Evalex Talent Assessment System Workshop was attended by the Executive Manager: Corporate Services and the Human Resources Manager, on the 24 June, in Hyde Park
- A Risk Management Workshop, conducted by the Internal Auditor was attended by all staff, on the 15 May 2015
- In-house Induction workshops have been conducted, for all the 20 new staff members, at different intervals
- Attendance of an evening Trustee Workshop with Marina Constas in Midrand, was attended by the Corporate Legal Manager, Ms Ndivhuo Rabuli on, 7th May 2015
- In-house Induction workshops have were conducted in Cape Town, on the 1 July and in KZN, on the 1 September 2015
- A two-day Policy Re-induction Workshop for the GP staff, was conducted by the HR Manager, on the 1st and 5th October 2015
- On the 5 August, the HR Manager attended an Emergence Growth conference on "Fast tracking the HR Capability". This conference was at no cost to the CSOS
- On the 7 August, staff attended an in-house Records Management workshop, conducted by the Complaints Manager, Mongezi Menye and the Adjudicator General, Dinkie Dube
- On the 13 August, relevant client facing employees attended a formal training course on the Sectional Titles Act conducted by Ms Marina Constas, at their Rosebank Offices (see attendance register for list of attendees). The total cost for the training, was R5000.00
- A two-day workshop on the Premier HR SAGE VIP system was attended by the HR Manager and the HR Intern, in Pretoria. The training cost is to be covered by OS Holdings as part of the ERP project
- The HRREMCO Chair, Mr. Shozi attended a two-day training on "Being a Director Part 3 & 4". The training was held at the IODSA Training Room, Sandton. The cost thereof was R7334.00
- On the 27 September, The Adjudicator General, Ms. Dinkie Dube and the Western Cape Provincial Ombud, Ms. Maletsatsi Wotini attended a five-day Ombudsman Training Conference, held at the University of Cape Town. The cost thereof was R20 000, per candidate.
- From 27th August to 5th September 2015, 5 Board members and 5 Executives attended an international conference on Strategic Management at Griffith University in Brisbane Australia. A full report is being prepared by the Executives
- Four Executives and the Marketing and Communications Manager attended a formal Media training programme 19 August 2015. Notably, 2 executives could not attend (the CEO and KZN provincial ombudsman) the WC provincial ombudsman left early. One of the recommendations is to have another media training session where all executives can be effectively trained as the course was very useful and rated very favourably
- A service provider was appointed to assist CSOS with developing training material and train the CSOS staff and relevant stakeholders. A training session was held from 16 until 27 November 2015. The modules covered dealt with the CSOS Act and the STSM Act
- The Company Secretary attended a two-day course, on the 8th and 9th September on "The Secrets of Being an Effective Company Secretary"
- On the 12 November, The Executive Manager: Corporate Affairs attended training on "How to Address the Leadership Challenge in Africa," based on the outcomes of Emergence Growth's most recent Africa leadership survey
- On the 21 January, the HR Manager and HR Intern attended training by SAGE, on the ESS functions and administrative management thereof
- Workmed offered training to the Facilities Manager, on Occupational Health and Safety, on the 25 February 2016
- All Head Office and Gauteng based requesters were trained by Sage, on the use of the SCM model
- On the 17 March, the Executive Manager: CS and the Complaints Manager, attended the Worldsview: OD Café, themed "Organising in 2016".

Employee Wellness

- A joint Wellness Day, between the CSOS and the EAAB, was held at the Innesfree Park, in Sandton, on the 24 April 2015
- An Employee Loyalty Awards programme (ELAP) proposal paper was circulated and approved at EXCO to introduce a rewards programme for CSOS staff. Staff nominated a nominations committee at the June Teamtalk meeting, comprising one representative per division
- A values and culture programme was held at the Leriba Lodge, in Centurion, on the 14-15 May 2015
- The CSOS was accepted as a member to the Government Employee Pension Fund (GEPF) on the 2 June 2015, and all employees within CSOS have acquired their GEPF membership numbers
- The top three performing medical aid companies, Discovery; Bonitas and Momentum made presentations to the Head Office and the Gauteng Provincial office staff.

Part E
Financial
Information

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CSOS
Community Schemes
Ombud Service

DIRECTOR'S RESPONSIBILITIES AND APPROVAL

The directors are required by the Companies Act, 71 of 2008 of South Africa and the Public Finance Management Act, 1 of 1999 and related Treasury Regulations to maintain adequate accounting records and are responsible for the conduct and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the entity as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with South African Statements of GenerallyRecognised Accounting Practice (GRAP) and in the manner required by the Public Finance Management Act and the Companies Act of South Africa.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the entity and place considerable importance on maintaining a strong control environment. In order to enable the directors to meetthese responsibilities, the Board sets standards for internal control aimed at reducing the risk of error or loss in a cost effectivemanner.

The directors are 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 loss.

The Board has assessed the entity's ability to continue as a going concern and have no reason to believe that the entity will not continue to operate in the foreseeable future.

The annual financial statements set out on pages 58 to 89, which have been prepared on the going concern basis, were approved by the Board on 28th July 2016 and were signed on its behalf by:

Mr. T. Mthethwa
Chief Ombud

Rev. Dr. V. Mehana
Chairperson

AUDIT, RISK AND ETHICS COMMITTEE REPORT: 2015/16 FINANCIAL YEAR

INTRODUCTION

The Committee is pleased to present its final Annual Report for the financial year ending 31 March 2016. This report is presented in accordance with the requirements of the Public Finance Management Act No. 1 of 1999, as amended and the recommendations contained in the third King Report on Governance.

COMMITTEE MEMBERS AND ATTENDANCE

The Community Schemes Ombud Service has had a constituted Committee for the financial year under review, comprising of four and then five members (Non-Executive Board Members). A new Committee was constituted in the last quarter of the financial year after the term of the previous Board came to an end.

During the current financial year, nine Committee meetings were held. Interactive meetings were held between the Committee Chairperson, Management, Internal Audit and Auditor General of South Africa, as the need arouse. The meeting attendance details during the 2015/2016 financial year were as follows:

Name	Position	Number of Meetings attended
New Audit Committee Members		
Mr T Holmes	Chairperson of the Committee	2
Ms N Dambuza	Committee Member	2
Mr R Jock	Committee Member	2
Mr T Mthethwa	Ex-Officio Member	2
Former Audit Committee Members		
*Ms T Mahlari	Chairperson of the Committee	7
*Mr Shozi	Committee Member	7
*Mr T Bailey	Committee Member	7
*Adv T Block	Committee Member	2

*Term ended December 2015

AUDIT COMMITTEE RESPONSIBILITY

The Committee reports that it has adopted appropriate formal terms of reference as its Charter, which regulates the affairs of the Committee during the year including discharging its responsibilities in line with this Charter.

THE EFFECTIVENESS OF INTERNAL CONTROL

The system of internal controls is designed to provide cost-effective assurance that assets are safeguarded and that liabilities and working capital are efficiently managed. The system of internal control is at its development phase as the organisation is still a new entity and there are areas of concerns that need management attention in the near future as follows:

- Financial sustainability of the organisation in the short term;
- Compliance to laws and regulations with the procurement processes;
- Finalisation of the organisational policies and procedures to improve the control system;
- Planning and management of organisational performance information.

THE QUALITY ON IN-YEAR MANAGEMENT REPORTS

The Committee is generally satisfied with the content and quality of monthly and quarterly reports prepared and issued by the management during the year under review. There is, however, room for improvements in respect of quarterly financial statements and organisational performance information reporting.

EVALUATION OF ANNUAL FINANCIAL STATEMENTS

The Committee has:

- Reviewed and discussed the audited Annual Financial Statements to be included in the Annual Report, with the Auditor-General of South Africa and the Accounting Authority;
- Reviewed the Auditor-General of South Africa's audit and management reports thereto;
- Reviewed the CSOS's compliance with legal and regulatory provisions;
- Reviewed significant adjustment resulting from the audit; and
- Reviewed the information on predetermined objectives to be included in the annual report.

INTERNAL AUDIT

The Committee is also satisfied that the internal audit function is operating effectively. In future, the capacity of the unit will be improved.

AUDITOR-GENERAL OF SOUTH AFRICA

The Committee met with the Auditor-General of South Africa to ensure that there are no unresolved issues.

Mr. T. D. Holmes
Chairperson of the Audit, Risk and Ethics Committee

CHIEF OMBUD'S REPORT

The directors submit their report for the year ended 31 March 2016.

1. Review of activities

Main business and operations

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

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

The main focus on the year under review was on the full establishment of the CSOS and implementation of the operational strategies.

The drafting of the CSOS regulations, dispute resolution and funding model through levy were finalized and approved by the Board. The focus for 2016/17 is to present and submit the CSOS regulations to the parliamentary processes.

CSOS has strived to ensure full compliance with all legislative requirements. Statutory reporting has been expeditiously executed in terms of legislations. All other codes relating to good governance i.e. PFMA, King III, Companies Act, CSOS Act, have been largely practiced and adhered to by the Board and the Executive.

2. Directors

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

Name	Changes
Rev. Dr. V. Mehana (Chairperson)*	Re-appointed 01 January 2016
Adv. B. Block*	Term ended 31 December 2015
Adv. N. Memani*	Re-appointed 01 January 2016
Ms. T. Mhlari*	Term ended 31 December 2015
Mr. T. Bailey*	Term ended 31 December 2015
Mr. M. Shozi*	Term ended 31 December 2015
Ms. B. Dambuza*	Appointed 01 January 2016
Mr. T. Holmes*	Appointed 01 January 2016
Mr. R. Jock*	Appointed 01 January 2016
Mr. B. Dlamini*	Appointed 01 January 2016
Ms. M. Constas*	Appointed 01 March 2016
Mr. T. Mthethwa (Chief Ombud)**	
Mr. T. Mabuya (Chief Financial Officer)**	

* Non-executive

** Executive

3. Board Secretary

The board secretary of the entity is Mr. 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.

The government grant for 2016/17 financial year is R23,9 million. The Portfolio Committee of Human Settlements and the National Assembly (Parliament) have approved the Regulations. The regulations will now be referred to the National Council of Provinces (NCOP).

The Department is engaging sister companies (Social Housing Regulatory Authority, Estate Agency Affairs Board, National Home Builders Registration Council and Housing Development Agency) on shifting of funds to secure a minimum of R15 million in the form of assistance. This is to assist with cash flow challenges in the 2016/17 financial year to cover the fixed costs.

5. Irregular and fruitless and wasteful expenditure

Irregular expenditure for the period under review is disclosed in note 24 of the annual financial statements.

Mr Themba Mthethwa

Report of the Auditor-General to Parliament on: Community Schemes Ombud Services

Report on the financial statements

Introduction

1. I have audited the financial statements of the Community Schemes Ombud Services set out on pages 58 to 89, which comprise statement of financial position as at 31 March 2016, 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, comprising a summary of significant accounting policies and other explanatory information.

Accounting authority's responsibility for the financial statements

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

Auditor-general's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with International Standards on Auditing. Those standards require that I comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Community Schemes Ombud Services as at 31 March 2016 and its financial performance and cash flows for the year then ended, in accordance with the GRAP and the requirements of the PFMA.

Emphasis of matters

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

Financial sustainability

8. Note 19 to the financial statements indicates that the Community Schemes Ombud Services incurred a net loss of R 14 131 000.00 during the year ended 31 March 2016. This condition, along with other matters as disclosed in note 31 of the financial statements, indicate the existence of a material uncertainty that may cast doubt on the public entity's ability to settle creditors when they are due.

Restatement of corresponding figures

9. As disclosed in note 29 to the financial statements, the corresponding figures for 31 March 2015 have been restated as a result of an error discovered during 2016 in the financial statements of the Community Schemes Ombud Service at, and for the year ended, 31 March 2015.

Report on other legal and regulatory requirements

10. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) and the general notice issued in terms thereof, I have a responsibility to report findings on the reported performance information against predetermined objectives of selected objectives presented in the annual performance report, compliance with legislation and internal control. The objective of my tests was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

Predetermined objectives

11. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information of the following selected objectives presented in the annual performance report of the public entity for the year ended 31 March 2016.
    - Objective 1 : Provide Community Schemes Dispute Resolution Services
    - Objective 2 : Taking Custody and control of Schemes Governance Documentations
    - Objective 4 : Manage the Sectional Titles Schemes Act as provided by the STSMA Act.

12. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned objectives. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's *Framework for managing programme performance information* (FMPPI).

13. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

14. The material findings in respect of the objectives are as follows:

Objective 4: Manage the Sectional Titles as provided by STSMA Act

Usefulness of reported performance information

15. A total of two of three important indicators did not relate logically and directly to an aspect of the auditee's mandate and the realisation of strategic goals and objectives as per the annual performance plan, as required by the FMPPI.

16. I did not identify any material findings on the usefulness and reliability of the reported performance information for the following objectives:
    - Objective 1 : Provide Community Schemes Dispute Resolution Services
    - Objective 2 : Taking Custody and control of Schemes Governance Documentations

Additional matters

17. I draw attention to the following matters:

Achievement of planned targets

18. Refer to the annual performance report on page(s) 35, 36 and 40 for information on the achievement of planned targets for the year. This information should be considered in the context of the material findings on the usefulness of the reported performance information in paragraph 15 of this report.

Adjustment of material misstatements

I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of strategic objective 1: Provide Community Schemes Dispute Resolution Services as well as strategic objective 4: Manage the Sectional Titles Schemes Management Act as provided by the STSMA Act. As management subsequently corrected some of the misstatements, we raised material findings on the usefulness of the reported performance information. Those that were not corrected are included in the material finding paragraphs.

Compliance with legislation

19. I performed procedures to obtain evidence that the public entity had complied with applicable legislation regarding financial matters, financial management and other related matters. My material findings on compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA, are as follows:

Financial statements, performance and annual reports

20. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework as required by section 55(1) (b) of the Public Finance Management Act. Material misstatements of current liabilities, leases, the budget statement, the cash flow statement and disclosure items identified by the auditors in the submitted financial statements were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

Expenditure management

21. Effective steps were not taken to prevent irregular expenditure, amounting to R8 363 346.00 as disclosed in note 24 of the AFS, as required by section 51(b) (ii) of the Public Finance Management Act.

Procurement and contract management

22. Goods and services of a transaction value above R500 000 were procured without inviting competitive bids, as required by Treasury Regulations 16A6.1.

23. Contracts and quotations were awarded to suppliers whose tax matters had not been declared by the South African Revenue Services to be in order as required by Treasury Regulations 16A9.1 (d) and the Preferential Procurement Regulations.

24. Contracts and quotations were awarded to bidders based on preference points that were not allocated and/or calculated in accordance with the requirements of the Preferential Procurement Policy Framework Act and its regulations.

25. Contracts and quotations were awarded to bidders that did not score the highest points in the evaluation process, as required by section 2(1) (f) of Preferential Procurement Policy Framework Act and Preferential Procurement Regulations.

Internal control

26. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with legislation. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on the annual performance report and the findings on compliance with legislation included in this report.

Leadership

27. Leadership did not exercise oversight regarding financial and performance reporting and compliance and related internal controls.

28. The entity did not have adequate processes in place to prepare accurate and complete financial statements and performance reports.

Auditor-General

Auditor - General

Pretoria

31 July 2016

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annual Financial Statements of Community Schemes Ombud Services
For the year ended 31 March 2016

STATEMENT OF FINANCIAL POSITION

	NOTES	2016 R'000	2015 R'000
Assets			
Current Assets			
Cash and cash equivalents	3	10 399	28 993
Inventories	4	-	196
Receivables from exchange transactions	5	520	24
		10 919	**29 213**
Non-Current Assets			
Other receivables - deposit	6	452	249
Intangible assets	7	1 483	170
Property, plant and equipment	8	7 380	2 127
		9 315	**2 546**
Total Assets		**20 234**	**31 759**
Liabilities			
Current Liabilities			
Payables from exchange transactions	9	2 454	682
Short-term borrowings	10	-	55
Provisions	11	929	309
Operating lease liability	12	888	619
		4 271	**1 665**
Total Liabilities		**4 271**	**1 665**
Net Assets		**15 963**	**30 094**
Accumulated surplus		15 963	30 094

Annual Financial Statements of Community Schemes Ombud Services
For the year ended 31 March 2016

STATEMENT OF FINANCIAL PERFORMANCE

	NOTES	2016 R'000	2015 R'000
Revenue			
Revenue from exchange transactions			
Interest received - investment	13	1 141	1 019
Other income	14	173	16
Total revenue from exchange transactions		**1 314**	**1 034**
Revenue from non-exchange transactions			
Transfer revenue			
Government grants & subsidies	15	39 521	40 000
Total revenue		**40 835**	**41 034**
Expenditure			
Employee related costs	16	(30 464)	(5 670)
Depreciation and amortisation	17	(3 462)	(190)
Debt Impairment		(24)	-
General Expenses	18	(20 949)	(5 080)
Total expenditure		**(54 899)**	**(10 940)**
Profit / (loss) on disposal of assets		(67)	-
(Deficit) / surplus for the period		**(14 131)**	**30 094**

STATEMENT OF CHANGES IN NET ASSETS

	NOTES	ACCUMULATED SURPLUS R'000	TOTAL NET ASSETS R'000
BALANCE AT 01 APRIL 2014			
CHANGES IN NET ASSETS			
Surplus / (Deficit) For The Period	19	30 094	30 094
Total changes		30 094	30 094
Opening balance as previously reported		30 244	30 244
Adjustments			
Prior year adjustments		(150)	(150)
BALANCE AT 01 APRIL 2015 as restated*		**30 094**	**30 094**
CHANGES IN NET ASSETS			
Surplus / (Deficit) For The Period	19	(14 131)	(14 131)
Total changes		(14 131)	(14 131)
Balance at 31 March 2016		**15 963**	**15 963**

CASH FLOW STATEMENT

	NOTES	2016 R'000	2015 R'000
Cash flows from operating activities			
Receipts			
Grants		39 521	40 000
Interest income		1 141	1 019
Other receipts		173	16
		40 835	41 035
Payments			
Employee costs		(29 844)	(5 423)
Suppliers		(19 231)	(4 332)
Other payments (Transfer of prior year uncommitted balances)		-	(16 608)
		(49 075)	(26 363)
Net cash flows from operating activities	20	**(8 240)**	**14 672**
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(7 669)	(2 290)
Proceeds / (loss) from sale of property, plant and equipment	8	(6)	-
Purchase of other intangible assets	7	(2 421)	(197)
(Increase)/Decrease in other receivables - deposit		(203)	(249)
Net cash flows from investing activities		**(10 299)**	**(2 736)**
Cash flows from financing activities			
Movement in short-term borrowings		(55)	55
Net increase/(decrease) in cash and cash equivalents		**(18 594)**	**11 991**
Cash and cash equivalents at the beginning of the year		28 993	17 002
Cash and cash equivalents at the end of the year	3	**10 399**	**28 993**

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Budget on Accrual Basis	Approved Budget R'000	Adjustments amounts R'000	Final budget R'000	Actual on comparable basis R'000	Difference between final budget and actual R'000	Reference
Statement of Financial Performance Revenue						
Revenue from exchange transactions						
Other income	20 993	-	**20 993**	173	**(20 820)**	26.1
Interested received - investment	1 100	-	**1 100**	1 141	**41**	26.2
Total Revenue from exchange transactions	**22 093**	**-**	**22 093**	**1 314**	**(20 779)**	
Revenue from non-exchange transactions						
Transfer revenue						
Governments grants & subsidies	39 521	-	**39 521**	39 521	**-**	
Total Revenue	**61 614**	**-**	**61 614**	**40 835**	**(20 779)**	
Expenditure						
Personnel	(44 387)	-	**(44 387)**	(30 464)	**13 923**	26.3
Depreciation and amortisation	(340)	-	**(340)**	(3 462)	**(3 122)**	26.4
Bad debts written off	-	-	**-**	(24)	**(24)**	26.5
General Expenses	(16 887)	-	**(16 887)**	(20 949)	**(4 062)**	26.6
Total expenditure	**(61 614)**	**-**	**(61 614)**	**(54 899)**	**6 715**	
Operating deficit	-	-	**-**	(14 064)	**(14 064)**	
Profit / (loss) on disposal of assets	-	-	**-**	(67)	**(67)**	26.7
Deficit before taxation	**-**	**-**	**-**	**(14 131)**	**(14 131)**	
Actual Amount on Comparable Basis as presented in the budget and Actual Comparative Statement	**-**	**-**	**-**	**(14 131)**	**(14 131)**	

ACCOUNTING POLICIES

1. Basis of presentation

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

These 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, except for the change set out in note Change in accounting policy, is disclosed below.

1.1 Revenue recognition

Revenue from non-exchange transactions

Non exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value exchange.

Recognition

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

As CSOS satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-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 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 issubsequently 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 expenditure, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Public Finance Management Act (Act No. 1 of 1999) and is recognised when the recovery thereof from theresponsible Board members or officials is virtually certain.

Government grants and subsidies

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 Settlement.

ACCOUNTING POLICIES

1.1 Revenue recognition (continued)

Revenue from exchange transactions

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

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

Revenue from recovery of unauthorised expenditure, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Public Finance Management Act (Act No. 29 of 1999) and is recognised when the recovery thereof from the responsible board members or officials is virtually certain.

1.2 Investment income

Investment income is recognised as revenue on receipts of the interest from the bank.

1.3 Other income

CSOS charges a nominal fee for administration of the tenders.

1.4 Property, plant and equipment

Property, plant and equipment are tangible non-current assets that are held for use in the production or supply of goods or services and for administrative purposes, and are expected to be used for 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.

ACCOUNTING POLICIES

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.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for asseparate 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.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the locationand condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet therecognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for land and buildings which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

ACCOUNTING POLICIES

1.4 Property, plant and equipment (continued)

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses. The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Furniture and fittings	Straight line	6 Years
Motor vehicles	Straight line	5 Years
Office machinery and equipment	Straight line	6 Years
Computer equipment	Straight line	3 Years
Leasehold improvements	Straight line	Based on the lesser of lease period and useful life of the asset

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

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

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

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 economicbenefits 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.

1.5 Intangible assets

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.

ACCOUNTING POLICIES

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset willflow to the entity; and
- the cost or fair value of the asset can be measured reliably.

The economic 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.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred. 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 overits useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Useful life
Computer software	2 years

1.6 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.

1.7 Leases

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

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

ACCOUNTING POLICIES

1.7 Leases (continued) Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.Lease payments are apportioned between the finance charge and reduction of the outstanding liability so as to achieve a constant rate of interest on the remaining balance of the liability. The finance charge are charged directly to surplus or deficit,unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the entity's general policy on borrowing costs.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessee

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

1.8 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost or net realisable value.

Inventories are measured at the lower of cost or current replacement cost where they are held for;

- In the consumption of rendering CSOS services.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the entity incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

1.9 Employee benefits

Short-term employee benefits

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

ACCOUNTING POLICIES

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

1.10 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.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if 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 deficits.
Provision for leave pay is determined by dividing the employees annual salaries by 21,67 and multiplying by the number of days accruing to the employees at the reporting date.

1.11 Fruitless and wasteful expenditure

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

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

ACCOUNTING POLICIES

1.12 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) Public Finance Finance Management; or

(b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or

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 annual 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 authority may write off the amount as debt impairment and disclose such in the relevant note to the annual 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.

1.13 Budget information

Economic entity 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 2015/04/01 to 2016/03/31.
The budget for the economic entity includes all the entities approved budgets under its control.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

ACCOUNTING POLICIES

1.14 Financial instruments Classification

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

- Financial instruments at fair value
- Financial instruments at cost
- Financial instrument 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. Regular way purchases of financial assets are accounted for at settlement date.

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.

Fair value determination

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the entity establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

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 bankruptcyand default of payments are all considered indicators of impairment.

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the securitybelow its cost is considered an indicator of impairment. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in surplus or deficit - is removed from equity as a reclassification adjustment and recognised in surplus or deficit.

ACCOUNTING POLICIES

1.14 Financial instruments (continued)

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.

Impairment losses are also not subsequently reversed for available-for-sale equity investments which are held at cost becausefair value was not determinable.

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 theeffective 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.

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 on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

ACCOUNTING POLICIES

1.15 Use of estimates

The preparation of the entity's financial statements in conformity with Generally Recognised Accounting Practice requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the entity's accounting policies.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in the relevant sections of the financial statements. Although these estimates are based on the management's best knowledge of the current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.16 Significant judgements, estimates and assumptions

The key assumptions concerning the future and other key sources of estimation at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

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 cashgenerating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Useful lives and residual values

The useful lives and residual values of property, plant and equipment are reviewed at each balance sheet date. These useful lives and residual values are estimated by management based on historic analysis and other available information and any changes noted are accounted for as changes in accounting estimates.

1.17 Related parties

CSOS operates in an economic sector currently dominated by the entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of Government in South Africa, only entities within the national sphere for Government are considered to be related parties.

NOTES TO THE FINANCIAL STATEMENTS

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, there were no new standards and interpretations that were adopted by the entity and that are relevant to its operations.

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 2016:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
GRAP 20: Related parties	01 April 2017	The impact of the amendment is not material.
GRAP 32: Service Concession Arrangements: Grantor	01 April 2016	The impact of the amendment is not material.
GRAP 108: Statutory Receivables	01 April 2016	The impact of the amendment is not material.
IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	01 April 2016	The impact of the amendment is not material.

3. Cash and cash equivalents

Cash and cash equivalents consist of:	2016 R'000	2015 R'000
Bank balances	10 399	28 993

4. Inventories

Consumable stores	-	196

NOTES TO THE FINANCIAL STATEMENTS

	2016 R'000	2015 R'000
5. Receivables from exchange transactions		
Trade debtors	355	24
Provision for doubtful debts	(24)	-
Prepayments	189	-
	520	**24**

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

6. Other receivables - deposit		
Rental deposits		
Head office	249	249
KwaZulu Natal office	203	-
	452	**249**
Current (0-30 days)	-	-
31 - 60 Days	-	-
61 - 90 Days	-	-
91 - 120 Days	-	-
	970	249

NOTES TO THE FINANCIAL STATEMENTS

7. Intangible assets

	2016			2015		
	Cost	Accumulated amortisation and accumulated impairment	Carrying Value	Cost	Accumulated amortisation and accumulated impairment	Carrying Value
Computer software (finite)	2 618	(1 135)	1 483	197	(27)	170

Reconciliation of intangible assets - 2016	Opening Balance	Additions	Amortisation	Total
Computer software (finite)	170	2 421	(1 108)	1 483

Reconciliation of intangible assets - 2015				
Computer software (finite)	-	197	(27)	170

8. Property, plant and equipment

	2016			2015		
	Cost	Accumulated amortisation and accumulated impairment	Carrying Value	Cost	Accumulated amortisation and accumulated impairment	Carrying Value
Furniture and fittings	581	(124)	457	581	(27)	554
Plant, machinery and equipment	436	(71)	365	253	(7)	246
Computer equipment	4 273	(1 164)	3 109	998	(104)	894
Leasehold improvements	4 603	(1 154)	3 449	458	(25)	433
Total	**9 893**	**(2 513)**	**7 380**	**2 290**	**(163)**	**2 127**

NOTES TO THE FINANCIAL STATEMENTS

8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2016

	Opening Balance	Additions	Disposals	Depreciation	Total
Furniture and fittings	554	-	-	(97)	457
Plant, machinery and equipment	246	182	-	(63)	365
Computer equipment	894	3342	(61)	(1 066)	3 109
Leasehold improvements	433	4145	-	(1 129)	3 449
Total	**2 127**	**7 669**	**(61)**	**(2 355)**	**7380**

Reconciliation of property, plant and equipment - 2016

	Opening Balance	Additions	Depreciation	Total
Furniture and fittings	-	581	(27)	554
Plant, machinery and equipment	-	253	(7)	246
Computer equipment	-	998	(104)	894
Leasehold improvements	-	458	(25)	433
Total	**-**	**2 290**	**(163)**	**2 127**

9. Payables from exchange transactions

	2016	2015
Trade payables	2 283	670
PAYE - Withholding tax	28	7
Staff savings / 13th cheques	143	5
	2 454	**682**

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

NOTES TO THE FINANCIAL STATEMENTS

10. Short-term borrowings

	2016	2015
FNB Credit Card	-	55

11. Provisions

Reconciliations of provisions - 2016

	Opening Balance	Additions	Utilised during the year	Total
Provision for leave pay	309	1287	(667)	929

Reconciliations of provisions - 2015

	Opening Balance	Additions	Utilised during the year	Total
Provision for leave pay	-	309	-	309

12. Operating lease accrual

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

NOTES TO THE FINANCIAL STATEMENTS

	2016 R '000	2015 R '000
13. Investment revenue		
Interest revenue		
Bank	1 141	1 019
14. Other income		
Bid document fees	9	16
Advertising - Public regulations	164	-
	173	**16**
15. Government grants and subsidies		
Operating grants		
Department of Human Settlements	39 521	40 000
16. Employee related costs		
Salaries - Employees	29 793	5 423
Accounting authority expenses (Refer to Note 22)	671	247
	30 464	**5 670**
17. Depreciation and amortisation		
Property, plant and equipment	2 354	163
Intangible assets	1 108	27
	3 462	**190**

NOTES TO THE FINANCIAL STATEMENTS

	2016 R '000	2015 R '000
18. General expenses		
Advertising	652	1 720
Admin expenses	2 539	349
Auditors remuneration	557	35
Bank charges	28	43
Conferences and seminars	377	-
Consulting and professional fees	1 218	-
Enterprise resource	1 794	-
Equipment rental	793	-
Rentals of buildings	2 757	1 690
Insurance	-	1
Licences	2	-
Marketing	657	-
Postage and courier	19	2
Printing and stationery	529	166
Repairs and maintenance	27	-
Staff welfare	116	-
Subscriptions and publication	18	28
Travel and subsistence- local	2 318	559
Travel and subsistence - overseas	1 414	-
Telephone cost	1 281	429
Training	3 390	-
Transport and freight	33	-
Water and electricity	430	58
	20 949	**5 080**

NOTES TO THE FINANCIAL STATEMENTS

	2016 R '000	2015 R '000
19. Net surplus		
Revenue		
Government grant	39 521	40 000
Interest earned	1 141	1 019
Other income	173	16
Total Revenue	**40 835**	**41 034**
Expenses		
Expenses	(54 966)	(10 940)
Net surplus/(deficit)	**(14 131)**	**30 094**
20. Cash flows from operating activities		
(Deficit) surplus	(14 131)	30 094
Adjustments for:		
Depreciation and amortisation	3 462	190
Gain on sale of assets and liabilities	67	-
Debt impairment	24	-
Movements in operating lease assets and accruals	269	619
Movements in provisions	620	309
Changes in working capital:		
Inventories	196	(196)
Receivables from exchange transactions	(519)	(24)
Payables from exchange transactions	1 772	537
Decrease in conditional grants and receipts	-	(16 857)
	(8 240)	**14 672**
21. Contingencies		
Contingent liabilities		
Accumulated surplus*	-	30 091

* Accumulated Surplus is subject to National Treasury approval in response to the CSOS appropriate application for such fund retention. The CSOS has duly applied to retain the unspent funds which have remained un-expensed at year end.

NOTES TO THE FINANCIAL STATEMENTS

22. Members' emoluments

Executive	Basic Salary	Other Benefits*	Total
2016			
Mr. T. Mthethwa	1 647	360	2 007
Mr. T. Mabuya	1 460	120	1 580
Ms. L. Less	1 565	120	1 685
Mr. R. Maruma	1 086	72	1 158
Ms. D. Dube	1 144	120	1 264
	6 902	**792**	**7 694**
2015			
Mr. T. Mthethwa	770	180	950
Mr. T. Mabuya	1 380	120	1 500
Ms. L. Less	493	40	533
Mr. R. Maruma	171	12	183
Ms. D. Dube	270	30	300
	3 084	**382**	**3 466**

*Other benefits comprise travel allowance and medical benefits.

NOTES TO THE FINANCIAL STATEMENTS

22. Members' emoluments (continued)

Non-executive

	Claims for Board Meetings	Claims for Committees and other meetings	Travel claims	Total
2016				
Rev. Dr. V. Mehana	67	40	6	113
Adv. D. Block**	9	1	1	11
Adv. N. Memani	72	57	12	141
Ms. T. Mhlari**	61	26	4	91
Mr. T. Bailey**	53	26	3	82
Mr. M. Shozi**	68	34	9	111
Ms. N. Dambuza***	8	24	19	51
Mr. T. Holmes***	13	11	2	26
Mr. R. Jock***	6	10	2	18
Mr. B. Dlamini***	13	9	5	27
Ms. M. Constas****	-	-	-	-
	370	**238**	**63**	**671**

** Term ended on 31 December 2015

*** Started on 01 January 2016

**** Started on 01 March 2016.

NOTES TO THE FINANCIAL STATEMENTS

22. Members' emoluments (continued)

Non-executive	Board Meetings	Committees and other meetings	Travel claims	Total
2015				
Rev. Dr. V. Mehana	20	44	2	66
Adv. B. Block	4	12	1	17
Adv. N. Memani	12	34	3	49
Ms. T. Mhlari	11	29	3	43
Mr. T. Bailey	12	22	2	36
Mr. M. Shozi	12	21	3	36
	71	**162**	**14**	**247**

23. Related parties

		2016 R'000	2015 R'000
Relationships	National Department of Human Settlements		
Related party transactions			
Grants received from (paid to) related parties			
National Department of Human Settlements		39 251	40 000
National Department of Human Settlements		-	(16 857)
Sales to (purchases from) related parties			
Estate Agency Affairs Board		(2 234)	(1 165)
South African Airways SOC Limited		(1 416)	(225)
Public Investment Corporation		(308)	-
South African Revenue Services		(7 519)	(1460)
Unemployment Insurance Fund		(125)	(18)

NOTES TO THE FINANCIAL STATEMENTS

	2016 R '000	2015 R '000

24. Irregular expenditure

Add: Irregular Expenditure - current year*	8 363	639
Less: Amounts condoned	-	(639)
	8 363	**-**

*Rennies Travel - Supply chain management process was not complied with as CSOS continued conducting business with Rennies Travel without a contract in place. The total expenditure incurred was R2 832 125.00. The Board has been appraised and expenditure was thereof condoned after year end. The Board will inform Management on actions to be taken as part of consequence management.

*Office Refurbishment - The provider was appointed at R1 180 000.00 to refurbish offices in Gauteng. The same provider was requested to issue quotations for refurbishment in Cape Town and Durban. The quotations were accepted by Management without approval from the Accounting Authority and the expenditure incurred was R3 217 777.00, which was not budgeted, hence resulting into an irregular expenditure. The Board has been appraised and expenditure was thereof condoned after year end. The Board will inform Management on actions to be taken as part of consequence management.

*Tax Clearance Certificates - An amount of R2 335 385.00 was identified as an irregular expenditure at year end and the Board will be informed in the current financial year.

The amount is as a result of Tax clearances certificates which were submitted but were not original.

25. Commitments

Authorised capital expenditure

Within 1 year

Already contracted for but not provided for

• ICT Infrastructure	265	6 723
• Offsite record storage	11 215	12 411
	11 480	**19 134**

Authorised operational expenditure

Already contracted for but not provided for

• Training- Dispute resolution	335	3 500
• Office refurbishment	-	1 002
• Enterprise resouce planning	975	4 432
• Audit and creation of database	-	2 000

NOTES TO THE FINANCIAL STATEMENTS

	1 310	**10 934**
25. Commitments	**2016 R '000**	**2015 R '000**
Total commitments		
Total commitments		
Authorised capital expenditure	11 480	19 134
Authorised operational expenditure	1 310	10 934
	12 790	**30 068**
In second to fifth year inclusive		
Minimum lease payments due		
- ICT infrastructure	6 276	3 922
- Offsite record storage	18 839	17 643
	25 115	**21 565**
Operating leases - as lessee (expense)		
Minimum lease payments due		
- within one year	3 418	1 777
- in second to fifth year inclusive	6 880	3 554
	10 298	**5 331**

26. Budget differences

Material differences between budget and actual amounts

26.1 Community Scheme Levy income was budgeted for but the Regulations had not yet been approved and therefore no levy income was received.
26.2 Interest income was more than the budgeted amount due to varying interest rates.
26.3 The employee costs incurred in the current year were less than the budgeted amount because some of the vacancies were not filled due to Regulations not being approved.
26.4 The actual amount for depreciation is more than the budgeted amount due to more assets that were acquired during the year.
26.5 Bad debts written off were not budgeted for in the current year.
26.6 General expenses increased due to regional offices being established. This resulted in the actual expenses being more than the budgeted amount.
26.7 Loss on disposal of assets was not budgeted for. The actual amount was as a result of assets that were lost and had to be written off.

NOTES TO THE FINANCIAL STATEMENTS

27. Reclassification

Certain comparative figures have been reclassified. The entity's management is of the opinion that the prepaid expenses are essentially receivables from exchange transactions and therefore have been correctly disclosed as such in the current annual financial statements. These prepaid expenses were disclosed separately under current assets in the previous financial year.

The effects of the reclassification are as follows: **Statement of financial position**	**2016 R '000**	**2015 R '000**
Prepayments	(24)	-
Receivables from exchange transactions	24	-
Effect on the statement of financial position	**-**	**-**
Statement of cash flows		
Decrease in prepayments	24	-
Increase in receivables from exchange transactions	(24)	-
Effect on the statement of cash flows	**-**	**-**

28. Fruitless and wasteful expenditure

Cancellation fees for travel bookings	12	-

During the year, cancellation fees were incurred in respect of cancelled bookings. The Supply Chain unit has started with the review of transactions to provide a report with recommendations.

29. Prior period errors

	2016 R '000	**2015 R '000**
The correction of the error(s) results in adjustments as follows:		
Statement of financial position		
Increase in property, plant and equipment (cost)	-	458
Increase in accumulated depreciation	-	(25)
Increase in operating lease liability	**-**	**(583)**
Effect on accumulated surplus (defict)	-	(150)
Statement of Financial Performance		
Decrease in office refurbishment costs	-	(458)
Increase in depreciation expense	-	25
Increase in rental expense	-	583
Effect on surplus (defict) for the year	-	150

NOTES TO THE FINANCIAL STATEMENTS

30. Risk management

Financial risk management

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

Liquidity risk

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

	2016 R'000	2015 R'000
Trade payables	2 283	670
Operating leases	888	619
	3 171	**1 289**

At 31 March 2016	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	2 283	-	-	-
Operating leases	888	-	-	-
At 31 March 2015				
Trade and other payables	670	-	-	-
Operating leases	619	-	-	-

Credit risk

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:

Financial instrument	2016 R'000	2016 R'000
Trade receivables	329	24
Prepayments	189	-
Other receivables	452	249

NOTES TO THE FINANCIAL STATEMENTS

30. Risk management (continued)

Market risk

Interest rate risk

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 year 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 obligation within 30 days.

Cash flow interest rate risk

Financial Instrument	Interest Rate	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due after five years
Cash and cash equivalents	Variable	10 399	-	-	-	-

31. Going concern

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

The government grant for 2016/17 financial year is R23,9 million. The Portfolio Committee of Human Settlements and the National Assembly (Parliament) have approved the Regulations. The regulations will now be referred to the National Council of Provinces (NCOP).

The Department is engaging sister companies (Social Housing Regulatory Authority, Estate Agency Affairs Board, National Home Builders Registration Council and Housing Development Agency) on shifting of funds to secure a minimum of R15 million in the form of assistance. This is to assist with cash flow challenges in the 2016/17 financial year to cover the fixed costs.

Community Schemes
Ombud Service

RP145/2016

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