



# ANNUAL REPORT

2020/2021



Community Schemes  
Ombud Service

*Affordable Reliable Justice*





Community Schemes  
Ombud Service



## COMMUNITY SCHEMES OMBUD SERVICE

### 2020/21 ANNUAL REPORT



**human settlements**

Department:  
Human Settlements  
**REPUBLIC OF SOUTH AFRICA**

## Table of Contents

Part A: General Information.....	3
1 Entity general information .....	3
2 List of abbreviations/acronyms .....	4
3 Message from community schemes ombud service (CSOS) Board Chairman .....	6
4 Report of the Accounting Officer .....	8
5 Statement of responsibility and confirmation of accuracy for the Annual Report .....	15
6 Strategic Overview .....	16
7 Updates to the relevant legislative and policy mandates .....	16
8 Organizational Structure .....	18
Part B: Performance Information .....	20
1. Auditor-General's Report: Predetermined Objectives .....	21
2. Overview of the CSOS Performance .....	21
2.1 Service Delivery Environment .....	21
2.2 Organisational Environment .....	26
3. Key Policy Developments and Legislative Changes .....	27
3.1 Key Achievements MTSF .....	29
4. Performance Information Per Programme .....	31
4.1 Programme 1: Administration .....	31
4.2 Programme 2: Regulations.....	43
4.3 Programme 3: Education and Training.....	59
5. Transfer Payments.....	64
5.1 Transfer Payments to Public Entities.....	64
6. Conditional Grants .....	64
7. Donor Funds .....	67
8. Capital Investment .....	64
Part C: Governance .....	65
Part D: Human Resource Management .....	74
Part E: Annual Financial Statements.....	89
Part F: Appendix .....	135



**human settlements**

Department:  
Human Settlements  
REPUBLIC OF SOUTH AFRICA





## PART A

# GENERAL INFORMATION

## 1. ENTITY GENERAL INFORMATION

Physical address Berkley Office Park, 8 Bauhinia St,  
Highveld Techno Park,  
Centurion, 0169

Switchboard: (+27 10) 593 0533

Website: [www.CSOS.org.za](http://www.CSOS.org.za)

Email: [info@csos.org.za](mailto:info@csos.org.za)

Twitter: @CSOS\_SA

Facebook: @CSOS.SouthAfric

[Fraudalert@csos.org.za](mailto:Fraudalert@csos.org.za)



## 2. LIST OF ABBREVIATIONS/ACRONYMS

Abbreviations	Name in Full
AGSA	Auditor General South Africa
APP	Annual Performance Plan
ARC	Association of Residential Communities
ARC	Audit and Risk Committee
BAS	Business Automation Solution
BASA	Banking Association of South Africa
BBEEE	Black Business Economic Empowerment
CSOS	Community Schemes Ombud Service
CIPC	Companies and Intellectual Property Commission
CFO	Chief Financial Officer
CO	Chief Ombud
CRM	Customer Relationship Management
DHS	Department of Human Settlements
DPME	Department of Planning, Monitoring and Evaluation
EAAB	Estate Agency Affairs Board
EE	Employment Equity
ERP	Enterprise Resource Planning
EXCO	Executive Committee
FINCOM	Finance Committee
GRAP	Generally Recognised Accounting Practice
HOAs	Homeowners' Associations
HR	Human Resources
ICT	Information, Communications and Technology
IRBA	Independent Regulatory Board for Auditors
MOU	Memorandum of Understanding
M&E	Monitoring and Evaluation
MTEF	Medium Term Expenditure Framework
MTSF	Medium Term Strategic Framework

<b>Abbreviations</b>	<b>Name in Full</b>
NAMA	National Association of Managing Agents
REMCO	Remuneration Committee
NDP	National Development Plan
NSDF	National Spatial Development Framework
LATCOM	Legislation, Adjudication and Transformation Committee
PDA	Priority Development Areas
PDI	Previously Disadvantaged Individual
PFMA	Public Finance Management Act
Q	Quarter
SDG	Sustainable Development Goals
SMART	Specific, Measurable, Achievable, Realistic and Time-Bound
SG	Surveyor General
SARS	South African Revenue Services
STSMA	Sectional Titles Schemes Management Act
SLA	Service Level Agreement
SONA	State of The Nation Address
VBS	Venda Building Society

### 3. MESSAGE FROM COMMUNITY SCHEMES OMBUD SERVICE (CSOS) BOARD CHAIRMAN



**M. Tyamzashe (Mr)**  
**Chairperson of the Board**

On behalf of the Board of the Community Schemes Ombud Service (CSOS), it is my pleasure to present the Entity's 2020/21 Annual Performance Report and the statement of our financial results, to our Executive Authority.

Since the Board's appointment in January 2019, the CSOS Board has endeavoured to discharge its responsibilities to the best of its ability, despite the challenges presented by having to operate, much longer than necessary, without permanent Executives in the key positions of Chief Ombud and Chief Financial Officer.

During the two years of its existence, the Board has, in addition to overseeing the rigorous implementation of the CSOS mandate and strategic outcomes, addressed key strategic issues inherited from the previous Board. The Board had prioritized five (5) key issues as a focus for this term and these included: filling of the two key Executive positions of the Chief Ombud and Chief Financial Officer, pursuing the recovery and/or consequence management in respect of the unlawful and failed VBS investment, acquisition of a Business Automation Solution to enhance its operational efficiencies, profiling of the Entity and its programmes, and the relocation to suitable premises.

The Board has made modest progress on the implementation of the identified 5 Priority Areas it had set for itself as follows:

- **The appointment of the top 2 Executives**, in positions that were vacant for more than a year - The Chief Ombud was appointed and assumed duty on the 1<sup>st</sup> of April 2021, with the CFO's appointment being confirmed by Cabinet for assumption of duty on the 1<sup>st</sup> of June 2021. These are post financial year end developments, although the Board approvals for the appointment of these two Executives were obtained during the financial year under review.
- **Securing of suitable premises for the Head Office** and Gauteng Province staff - Community Schemes Ombud Service (CSOS) relocated from Sandton offices to 8 Bauhinia Street, Berkley Office Park, Highveld Techno Park Centurion on the 28<sup>th</sup> January 2021.
- **Profile-raising for the CSOS and its offerings** - In October 2020, The Board approved a go-to-market strategy that would see CSOS in mass traditional and digital media to create awareness, visibility and support the scheme registration drive. Building a brand takes time and investment. In Q4, phase one of this important conversation with the SA public began in earnest. The aim of the awareness campaign in this phase was to get as much reach as possible so that the public and our stakeholders could be aware of CSOS and its mandate. The next step in phases to come will be to create more conversion and engagement.



- **The acquisition of Business Automation Solution System** - The Tender process could not be completed, as the initial procurement process did yield a suitable service provider as a result of which another procurement strategy has been adopted by the Board for implementation during the next financial year (2021/22).
- **The tracing of funds lost through the widely reported VBS Mutual Bank incident** –The Board has been engaging with the Hawks in an attempt to track the funds. The Hawks have confirmed the results of their tracing the flow of funds which will expedite the criminal prosecution which was already registered through the criminal case that CSOS opened. In addition, the CSOS interest was registered with the Liquidator and a process is underway to pursue possible recovery of the funds to the extent of any balance being available or set-off against existing assets as applicable. Consequence management was also implemented resulting in the two key officials involved being dismissed.

The Board also provided oversight during the strategy planning process, where a detailed review was conducted on the approved 2020-2025 Strategic Plan that was tabled in Parliament in May 2020. The refinements are intended to further project CSOS as an efficient and effective Ombud and Regulator of community schemes in the country. This sentiment is captured in the following wording of our revised vision statement: -

**'A credible, world class OMBUD SERVICE for community schemes in South Africa', which will be pursued through our mission, which now reads: - To ensure harmonious community schemes by providing regulation, education to all relevant stakeholders and an accessible dispute resolution service in an inclusive manner.**

I am also pleased with the improvement of our audit findings from the baseline which was an “adverse” outcome in 2018/2019 to a “qualified” audit opinion. Our oversight role coupled with Management’s resolve to institute adequate controls has started to yield positive results. Our performance as an institution has historically not been satisfactory with the 2019/20 financial year recording 47% of the performance targets being met. However, despite the setbacks caused by Covid-19 and related lockdown regulations, the institution recorded a higher percentage of performance compared to the previous year, registering 60% achievement of its annual performance targets.

We are aware of the challenges that have inhibited our performance in this regard including but not limited to the absence of an effective business automation solution, delays in the finalization of adjudication matters caused by Covid-19 lockdown and our inability to account for the complete universe of the Schemes. We have a new approach and strategy to tackle these things in the new financial year and have already seen great progress towards the processing of these issues.

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



**M. Tyamzashe (Mr)**  
**Chairperson of the Board**



## 4. REPORT OF THE ACCOUNTING OFFICER



**Name: Advocate B Mkhize**

**Title: Chief Ombud (CO)**

### 4.1 Overview of the operations of the Community Schemes Ombud Service

#### The CSOS Mandate and Focus

The CSOS Act empowers the organisation to help create and facilitate orderly and well-managed community schemes. This is carried out by resolving disputes amongst the parties, administration of schemes governance documentation and providing regular training and education to all stakeholders. Fostering inter-relationships between the CSOS and various community schemes is critical. This past financial year has been one of many challenges, as we continued to face the impact of COVID-19, which challenges every aspect of our lives, we present the Annual Performance Report for the 2020/21 period. The CSOS executes its mandate and seeks to achieve its vision and mission, in a complex environment, impacted by global, national and provincial events, which directly affect the pursuit of its desired impact and in delivering on its mandate. By aligning to the NDP and medium-term frameworks and plans linked to the NDP, the CSOS contributes to the Sustainability Goals (2030), particularly SDG 11 (Sustainable Cities and Communities) and the Africa Union 2063 Agenda.

The CSOS takes its guidance from the National Department of Human Settlements in terms of Priority 5: Spatial Integration, Human Settlements and Local Government, which seeks to achieve spatial transformation through improved integrated settlement development and linking job opportunities and housing opportunities. The Department of Human Settlements has identified several strategic implementation pillars to aid the achievement of the priorities. The CSOS has taken note of these, and identified the implications and planning considerations, as reflected in the 2020 to 2025 Strategic Plan and implemented through the 2020/21 Annual Performance Plans over the five-year planning period.

#### Registering and Accounting for Community Schemes

A key enabler of the 2020-2025 Strategic Plan is the implementation of a Community Schemes Registration Strategy, which aims to ensure that CSOS registers all community schemes, so that they can be regulated in accordance with the CSOS Act. The strategy required of the CSOS is to coordinate engagements with institutions that have data for community schemes, including, but not limited to, the Deeds Office and Companies and Intellectual Property Commission (CIPC). Several engagements were held with the Deeds Registrar that led to the drafting of a Memorandum of Understanding (MOU), together with a detailed action plan for the retrieval of all scheme governance documentation as per the CSOS legislation.



The next step is to extract all the scheme governance documents from the Deeds Offices nationwide. CSOS has also procured data from the Deeds Office that comprise of 76 677 body corporates that have been registered in various Deeds Offices around the country.

The CIPC also provided the CSOS with user access to their databases where all the non-profit companies (homeowners' associations) are registered, including their current board of directors. This information, together with the Deeds Registrar raw data, provided the CSOS with the number of community schemes in South Africa – the 'Universe' of community schemes. In the 2020/21 financial year CSOS coordinated a data cleansing and comparative study on information received from the Deeds Office and the CIPC. Once the data cleansing is completed, all schemes will be registered with the CSOS. During the period under review a total 1127 community schemes were registered. The CSOS has mitigated the effect of COVID-19 lockdown restrictions on registrations by capacitating the registration team to work remotely from home. CSOS issued a Practice Directive on the obligation of community schemes to continue to register with CSOS and to submit its governance documents for quality assurance. Additionally, a Practice Directive was issued to schemes on how to manage schemes during the lockdown and to continue to be compliant.

The challenge that CSOS is currently facing is that there is limited legal basis within the CSOS Act for CSOS to enforce registration. This requires a legislative review to provide for the best practice and legislative framework for compliance and enforcement. As the Regulator of all community schemes in South Africa, the CSOS is mandated by the Act to provide governance of community schemes; dispute resolution within the community schemes; to promote good governance, provide education, information and awareness to the owners, occupiers and executive committees of the community schemes. During the period under review CSOS coordinated a range of activities, such as publishing guidance and engaging with stakeholders to educate and enable schemes to comply with their obligations under the CSOS Act and STSMA Act and associated legislation. However, the responsibility for complying rests with the community schemes. The CSOS will assess the circumstances and respond appropriately to instances of non-compliance.

### **Governance and Quality Assurance of Community Schemes**

The CSOS will work with community schemes, where appropriate, in order to get them back on track to being compliant. The CSOS regards non-compliance as unacceptable and will adopt a range of enforcement actions against community schemes who fail to comply with the regulatory compliance. The CSOS quality assured 1287 governance documentation against 1538 that were received for quality assurance. This translates to 84% of schemes governance document quality assured. A total of 1095 compliance certificates were issued for community schemes governance documentation that had been quality assured.

### **Dispute Resolution Function**

Section 39 of the CSOS Act prescribes Prayers for Relief, which must be applied for and ordered, depending on merits, in resolving disputes emanating from community schemes. As a result of the adjusted level 5 lockdown Covid-19 regulations and failure to optimize appropriate technologies, the dispute resolution services (regional offices) were able to conciliate 28.4% of the matters and adjudicate 25% of disputes in the 2020/21 financial year.

Looking forward, the target is to resolve 85% of disputes within the 90 days' timeframe set by the MTSF. A further consideration is the age analysis of disputes and the need to ensure that all disputes that are older than 90 days are dealt with expeditiously.

All three regions are experiencing a backlog with the total number of outstanding disputes estimated at 3335. A plan has been developed to ensure the reduction of a backlog on a declining scale of 25% each quarter. The Gauteng office, which receives on average three times the volume of the other regions, requires additional case officers and conciliators to assist with the volume of work and improve turnaround times. Work studies to assess resource requirements in the regions will be prioritised in the 2021/22 financial year.

### Payment of Levies / Collection of Revenue

In accordance with Section 59(a) of the CSOS Act that provides that: "Every community scheme must, with effect from the commencement date of the Act, in each calendar year and at such time as may be prescribed, pay to the service a levy. During the period under review, CSOS collected levies to the amount of **R223 594 212.78** against a target of **R217 million**, which speaks to modest strides in the effectiveness of our collection systems.

### Human Capital

Human resource (HR) planning remains at the core of ensuring that the Entity has the necessary capacity to deliver on its mandate and outcomes, as and when required. The vacancy rate was reduced by 8% in the 2020/21 financial year. The Entity is also looking to optimise the ratio between administration and core functions capacity and will be reviewing the CSOS organisational structure and capacitation plan in this regard. This will be conducted in parallel with the feasibility studies on expanding the regional footprint for the CSOS in order to enhance accessibility to our services to our wide range of stakeholders across the country.

### ICT

The ICT Strategy has been approved by the CSOS Board and is being implemented. In an effort to improve connectivity and ICT security, a new digital telephony system was implemented together with the upgrades to CSOS data lines and security infrastructure hosted with Vodacom. Furthermore, procurement process for the Business Automation Solution (BAS) is underway.

The core system will operationalise the Revenue Management Framework/Strategy, house the database of all community schemes gathered through the registration process, and conduct case management used for the dispute resolution process. BAS will enable CSOS to address several challenges that are burdening the entity. The solution will comprise of individual modules targeted at automating CSOS core business capabilities (such as Revenue Management, Dispute Resolution and Governance, Enforcement and Compliance) as well as its enterprise business capabilities (such as Customer Relationship Management, Human Resources, Finance and Supply Chain Management).

## Good Governance and Internal Controls

The CSOS continues to strive for the achievement of an unqualified audit outcome with no material findings over the MTSF. This will be achieved by implementing the Audit Remedial Action Plan that has been developed in response to the audit findings of the Auditor General South Africa (AGSA). During the MTSF, the Entity will commence with the process of amending the CSOS Act in order to strengthen the Regulatory Powers to enforce Community Scheme Registration which will in turn, enable complete levy collection. This has been the single area and cause of our qualification due to our inability to enforce registration of Schemes versus the obligations stipulated in the Act in this regard. Other initiatives will be pursued to provide interim mechanisms for dealing with this aspect of the qualification which seems currently to be beyond the control of the CSOS. Notwithstanding this qualification in the prior years, we are confident that our system of internal controls has significantly improved with a rigorous Audit and Risk Committee providing oversight and an Internal Audit function which pursues an internal audit plan.

### 4.2 Overview of the financial results

The CSOS generates its revenue from levies, government grant, interest income and dispute resolutions income. Levies are the major source of revenue for the CSOS. More than 100% of the targeted levy income was collected in 2021, which amounts to R 223 million and R217million in 2020 respectively. The CSOS realised a surplus of R132 million (2020: R147.7 million), a reduction from the previous financial year due to accelerated spending from rolled over projects.

There was a general underspending that comes from prior years and this is partly due to the non-filling of the Chief Ombud, Chief Financial Officer and Chief Information Officer, as well as other posts which were subsequently filled in the 2021 financial year. Furthermore, most of the deferred major projects from the 2020/21 financial year, which include the development of the Business Automation solution (BAS) and the awareness creation campaigns will find expression in the 2021/2022 financial year in terms of expenditure.

The registration and payment of levies by community schemes is still a challenge for the entity, however, the entity continues to create awareness through its Education and Training sessions which are appreciated by stakeholders. In addition, new initiatives such as geo-mapping of existing schemes coupled with inspectorate, data cleansing and proactive monitoring of new Schemes under development will be instituted to expedite Scheme enrolment.

## Organisational receipts

	2020/21			2019/20		
	Estimate	Actual amount collected	(Over)/under collection	Estimate	Actual amount collected *restated	(Over)/under collection
	R'000	R'000	R'000	R'000	R'000	R'000
Levy Income	217 000	223 570	6 570	220 000	217 619	(2 381)
Government Grant	23 597	23 597	-	32 847	32 847	-
Interest Income	11 556	5 833	(5 723)	14 534	13 607	(927)
Dispute Resolutions	424	465	41	330	441	111
Other Income	-	-	-	50	26	(24)
<b>TOTAL</b>	<b>252 577</b>	<b>253 465</b>	<b>888</b>	<b>267 761</b>	<b>264 540</b>	<b>(3 079)</b>

Table 1

## Programme expenditure

Programme	2020/21			2019/20		
	Estimate	Actual amount collected	(Over)/under collection	Final appropriation	Actual expenditure* restated	(Over)/under expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
1. Administration	145 397	74 245	71 152	153 139	68 401	R84 738
2. Regulation	91 106	40 160	50 946	106 212	29 796	R76 416
3. Education and training	6 771	6 677	94	8 412	-	R 8 412
<b>TOTAL</b>	<b>243 274</b>	<b>121 082</b>	<b>122 192</b>	<b>267 763</b>	<b>98 197</b>	<b>R 169 566</b>

Table 2

## Roll-overs/additional funding

The CSOS was granted approval by the national treasury to retain R118 Million from the 2019/20 surplus and surrendered a balance of R103.8 million

## Virements

1. Administration	145 397	-	145 397
2. Regulation	91 106	-	91 106
3. Education and training	6 771	-	6 771
	<b>243 274</b>	<b>-</b>	<b>243 274</b>

Table 3

## **Future of the Entity**

The CSOS continues to sustain itself through the levies collected and as at the end of the financial year, there was no visible impact of COVID-19 on the CSOS ability to collect levies as it managed to collect more than 100% of the targeted levy amount. The entity continues to have a positive cash flow outlook and it continues to operate as a going concern.

## **Public-private partnerships**

Not Applicable. However, the CSOS is looking into possible partnerships with industry stakeholders in forming an alliance for the development of historically disadvantaged managing agents as part of the transformation drive. This will be rolled out in the new financial year.

## **Discontinued activities/activities to be discontinued.**

NotApplicable

## **New or proposed activities**

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

- An effectively regulated community scheme sector
- Disputes resolved speedily and effectively
- Financially viable and sustainable organisation
- Empowered stakeholders
- Community scheme Sector Value chain Transformation
- Effective and Efficient administration and governance

## **Supply Chain Management**

The CSOS continues to strive to adhere to the Supply Chain Management Regulations in all its procurement. The CSOS welcomes all the improvements and guidelines issued by the National Treasury which include establishment of its loss control committee post year end to deal with all identified irregular expenditure and fruitless and wasteful expenditures and consequence management thereof. The revision of procurement thresholds to enable a more efficient process of procurement amongst other developments.

## **Gifts and donations received in cash or in kind from related or non-related parties.**

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



## Events after the reporting date

### *Statutory Receivables:*

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

## Investigations

### *VBS Update:*

CSOS has met with the Directorate for Priority Crimes Investigation (DPCI), known as the “Hawks” to obtain an update on the investigation process. CSOS was advised that the investigation has been concluded in respect of the CSOS Investment and it has revealed the movement of funds and persons involved. The next stage is for CSOS to access the actual report and consider options for possible recovery of the monies lost. The next meeting with the Hawks will deliberate on this approach.

A forensic investigation was commissioned by the Executing Authority during the period under review in order to review:

- All funds collected including levies collected from Community Schemes and fees for services rendered;
- Systems in place to collect and manage the collection of levies and fees for services rendered;
- All transactions including tenders awarded in relation to the funds collected and procurement processes; and
- Appointment of CSOS staff and processes followed.

The forensic investigation process was still underway at the end of financial year and no findings had been made in this regard. The outcomes of the forensic investigation will be shared in the next reporting period”.

## Approval and sign-off

I am pleased to sign-off the 2020/2021 Annual report.

Yours faithfully



**Adv B Mkhize**  
**Chief Ombud**



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

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

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

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

The external auditors were engaged to express an independent opinion on the Annual Financial Statements. In our opinion, this annual report fairly reflects the review of operations, the performance information, the human resources information and the financial affairs of the CSOS for the financial year ended 31 March 2021.

Yours faithfully



Mr M. Tyamzashe

Chairperson of the Board

## 6. STRATEGIC OVERVIEW



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



To ensure harmonious community schemes by providing regulation, education to all relevant stakeholders and an accessible dispute resolution service in an inclusive manner.



Value	Description
<b>ACCOUNTABILITY</b>	The CSOS will apply innovative capabilities to improve its service delivery.
<b>EXCELLENCE</b>	The CSOS will provide excellent services to community schemes in a timely, cost - effective, and responsive manner.
<b>INDEPENDENCE</b>	The CSOS will act independently and objectively in the undertaking of its services.
<b>INTEGRITY</b>	The CSOS will execute its functions in an honest, ethical, transparent, and reliable manner.

## 7. UPDATES TO THE RELEVANT LEGISLATIVE AND POLICY MANDATES

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

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

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

The establishment mandate of the Community Schemes Ombud Service (CSOS) is informed by the Community Schemes Ombud Service Act, 2011 (No. 9 of 2011) – “CSOS Act”.

## **PURPOSE OF THE CSOS ACT**

The purpose of the CSOS Act is to provide for –

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

## **ESTABLISHMENT OF THE CSOS**

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

## **FUNCTIONS OF THE CSOS**

Section 4 (1) provides that the CSOS must:

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

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

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

The CSOS is listed as a Schedule 3A National Public Entity in terms of the Public Finance Management Act (Act No. 1 of 1999, as amended) (PFMA), accountable to the Minister for Human Settlements, Water and Sanitation. As such, all prescripts and regulations arising from the PFMA are applicable to its governance and operations.

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

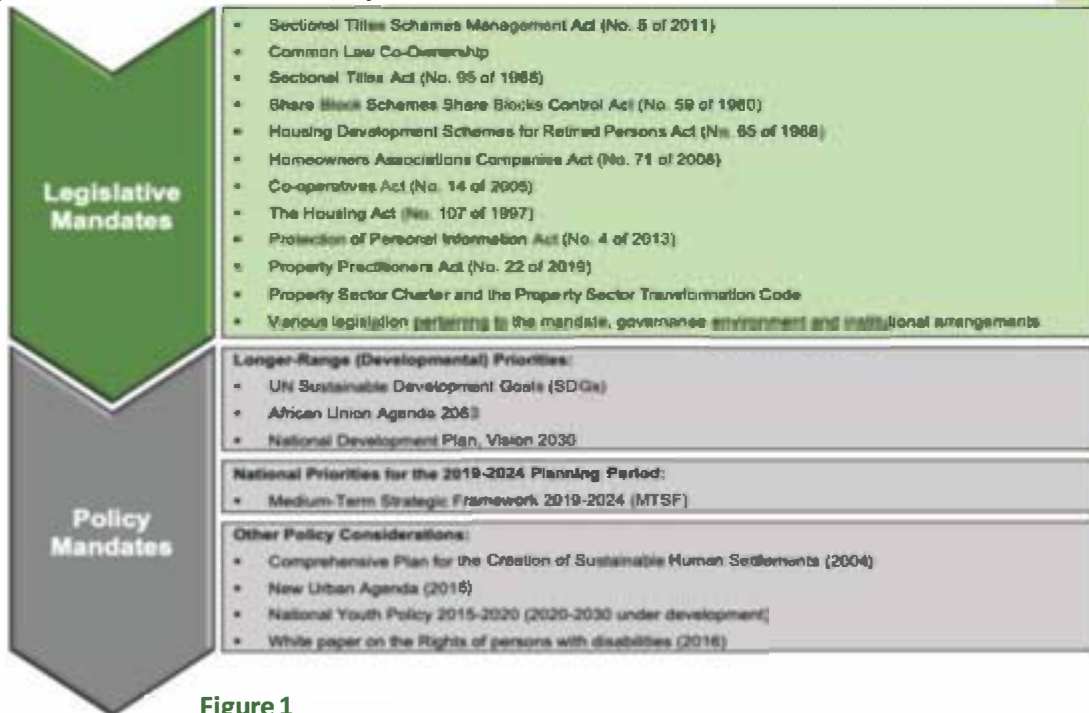


Figure 1

## 8. ORGANISATIONAL STRUCTURE



Figure 2

1. ENTITIES REPORTING TO THE MINISTER N/A





**PART B**

# PERFORMANCE INFORMATION



## 1. AUDITOR-GENERAL'S REPORT: PREDETERMINED OBJECTIVES

### INTRODUCTION AND SCOPE

14. In accordance with the Public Audit Act of South Africa 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected programme presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.
15. My procedures address the usefulness and reliability of the reported performance information, which must be based on the approved performance planning documents of the public entity. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures do not examine whether the actions taken by the public entity enabled service delivery. My procedures also do not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
16. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the notice, for the following selected programme presented in the annual performance report of the public entity for the year 31 March 2021.

Programme	Pages in the annual performance report
Programme 2 - Regulation	43-59

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



## 2. OVERVIEW OF THE CSOS PERFORMANCE

### 2.1 SERVICE DELIVERY ENVIRONMENT

The mandate of Community Schemes Ombud Service (CSOS) is informed by section 4 of the CSOS Act which requires CSOS to develop and provide a dispute resolution service in terms of the Act, provide training for conciliators, adjudicators and other employees of the service, regulate, monitor and control the quality of all sectional titles scheme governance documentation and such other governance documentation as may be determined by the Minister, take custody of, preserve and provide public access electronically or by other means to sectional title scheme governance documentation and such other scheme governance documents as may be determined by the Minister by notice in the Gazette. Furthermore, Section 59 of the CSOS Act provides that every community scheme must pay a prescribed levy to the CSOS, subject to such discounts or waivers as may be prescribed. This levy is a statutory levy. The CSOS continues to execute its mandate of developing appropriate policies that will help to improve the regulation of community schemes.

In terms of Regulation 18, read with Section 59 of the CSOS Act, all community schemes must register with CSOS by filing Form CS1. The registration must be done within 90 days of the coming into effect of the Community Schemes Ombud Service Act Regulation, or within 90 days of the date of the scheme incorporation in terms of applicable laws. While CSOS aims for 100% compliance of registration by schemes, this can only be attained in the long term having identified and accounted for the total population of the existing Schemes and established a mechanism for ensuring compliance with the obligations to maintain up-to-date levies. In the short-term, the aim is to provide for mechanisms that will provide for an appropriate and feasible accounting basis and treatment for Schemes that pay levies to CSOS versus those that fail to do so while ensuring that legislation is appropriately amended to adjust the CSOS obligations only to those Schemes that can be accounted for.

During the period under review the Entity continued to implement the Community Schemes Registration Strategy. The objective of the strategy is to ensure that CSOS registers all community schemes so that they can be regulated in accordance with the CSOS Act. Part of the activities in the strategy was to coordinate engagements with institutions that have data for community schemes. Several engagements were held with the Deeds Registrar, CIPC and surveyor General. Additional to the data received from the Deeds Registry in the 2019/20 financial year, CSOS received community scheme data from, the CIPC and the Surveyor Generals Office. In the 2020/21 financial year a data cleansing and comparative study on information received from the Deeds Office, CIPC and SG was coordinated. The process of validating the registration database has commenced as per the recommendation from the data cleansing project report. This entails verification of all registration documents received (CS1 Form), since 2016. All outstanding information is being captured on the sage system. Engagement with SARS has also progressed in order to access the community Scheme database, as a result a proclamation was signed by the Minister of Finance authorising CSOS to access the information. This is due to the restrictions on access to information held by SARS in terms of the Tax Administration Act.

There was a decline in the number of registrations of schemes in the 2020/21 financial year as compared with the 1 503 registration documents submitted during the 2019/20 financial year. The total registered during the period under review is 1127. In response to the decline in registration numbers and the non-compliance by the Community schemes, a Compliance and Enforcement implementation Roadmap was developed. CSOS is implementing the Compliance and Enforcement Strategy approved by the Board. The objective of the strategy is to have in place effective systems to maximise schemes' compliance with their duties and obligations as per the CSOS Act, STSMA Act and other relevant legislation applicable to specific schemes.

- The current compliance status by the Community Schemes is minimal. Non-compliance can be attributed to the following:
  - o Lack of vigorous compliance enforcement provision in the CSOS Act.
  - o Lack of legislative powers to appoint Inspectors / Investigators and their powers to investigate.
  - o Both internal and external stakeholders' engagement is not effective.

One of the enablers of the 2020-2025 CSOS Strategic Plan is the implementation of a Compliance and Enforcement Strategy, which seeks to establish effective systems to maximise the schemes' compliance with their duties and to ensure non-compliance is held at an absolute minimum, thereby ensuring that schemes comply with the CSOS Act, the Sectional Titles Schemes Management Act and other relevant legislation. The CSOS' Compliance and Enforcement Framework outlines how the CSOS will conduct its compliance and the enforcement activities to fulfil its role of regulating the registration of the schemes. The way a Regulator implements and enforces its legislation can make a significant difference to the industry.

The number of ***schemes governance documentation quality assured*** has decreased from 1 877 in the 2019/20 financial year to 1287 in the 2020/21 financial year, which is 590 less governance documentation quality assured in the 2020/21 financial year as compared to 2019/20. A total of 1095 certificates were issued for schemes governance documentation approved after quality assurance, which is 108 less certificates issued for community schemes governance documentation quality assured in the 2020/21 financial year as compared to 1 206 in the 2019/20 financial year. The decline can be attributed to the Covid-19 lockdown regulations as well as the perennial capacity challenge facing the organization. New and innovative ways of managing the flow of work even under lockdown regulations as well as capacity review mechanisms will be implemented in the new financial year.

The CSOS Act was promulgated to amongst others, provide an affordable and effective dispute resolution mechanism within community schemes. The CSOS ***Dispute Resolution*** Model maps out stages to be followed in the dispute resolution process, including but not limited to the manner and instances upon which disputes must be finalised. Section 39 of the Community Schemes Ombud Service Act, No. 09 of 2011, prescribes Prayers for Relief which must be applied for and ordered, depending on merits, in resolving disputes emanating from community schemes. During the period under review, dispute resolutions services (regional offices) received a total of **6395** applications for dispute resolution.

INTAKE	ASSESSED	REFERRED TO CONCILIATION	CONCILIATED	REFERRED TO ADJUDICATION	ORDERS
6395	5554	1191	331	410	109

Table 4

The Regional offices conciliated 28.4% (1191 referred to conciliation and 331 conciliated) of the received disputes and 25% (410 referred to adjudication and 128 adjudicated) were adjudicated. The decreased performance was as a result of the first quarter being mainly impacted by the Covid-19 Lockdown. The Regional offices did not have access to the operational system (Dispute database) for the months of April and May 2020, as the System could not be accessed remotely. As a result, some aspects of the work only commenced from 1 June 2020. Other contributors to the decreased performance are insufficient human resources in the Regions. Corrective measures are already being implemented to ensure sufficient human resources and the procurement of laptops, 3g cards to enable the Business Units to work from home. The Gauteng office, which receives on average three times the volume of the other regions, requires additional resources to assist with the volume of work and improve turnaround times.

### Collection of Levies

Section 59(a) of the CSOS Act provides that: "*Every community scheme must, with effect from the commencement date of the Act, in each calendar year and at such time as may be prescribed, pay to the service a levy in an amount calculated as prescribed, subject to such discounts or waivers as may be prescribed*". The commencement date of the Act was January 2017. Currently there are schemes that have not yet registered with the CSOS. Arrear levies must be collected and adequately accounted for in terms of the Generally Recognised Accounting Practice (GRAP). During the period under review the Entity continued to implement the Revenue Management Strategy. The objective of the strategy is to ensure that levies are collected from all community schemes as per the CSOS Act as well as ensure that collected levies, dispute resolution and governance documents income are accounted for correctly and accurately. During the MTSF period the Entity will deploy a core system that will work to eliminate some of the organisations operational deficiencies by ensuring completeness of revenue, accuracy in terms of reporting. The Entity collected levies amounting to R223,594,212.78 against a set target of R217 000 000. This shows a positive variance of R6 594 212,78. There was a 3% increase in the actual levies collected in 2020/2021 compared to the 2019/2020.

F/Y	TARGET	ACTUAL	VARIANCE
2020/2021	217 000 000.00	223,594,212.78	6 594 212,78
2019/2020	220 000 000.00	217 060 576.00	(2 939 424.00)

Table 5

The adverse impact of the recessionary environment on households is particularly acute, including for those living in community schemes. Schemes Members, like all South African citizens, are equally impacted by COVID-19, financially. Job losses will have an impact on the ability of some schemes members in paying CSOS levies. To mitigate against the decline in levy collection, CSOS Issued an advisory to community schemes admonishing them that, where homeowners have paid their CSOS levies, Community Schemes are under an obligation to pay such levies over to the CSOS as per the CSOS Act. There are **29 364** community schemes registered with CSOS in total, and **20 442** as of 31 March 2021 community schemes had paid levies comprising **70%** of the registered schemes.

**Comparative Analysis: CSOS Performance [2019/20 vs 2020/21]**

Performance Indicator	2019/20 actual achievement	2020/21 actual achievement	Performance Analysis
Amount of levy	R 217 060 000	R223,594,212.78	There was a 3% increase compared to the R217 0000 000 collected on the set target of R200 000 000 in the 2019/2020 financial year target.
Number of community schemes registered	1 503	1127 Community Schemes Registered	376 less schemes registered in the 2020/21 financial year as compared to the 2019/20 financial year.
Number of governance documentation quality assured (new schemes and amendments of rules)	1 877	1287	The service quality assured 1287 governance documentation against 1538 that were received for quality assured. This translates to 84% of schemes governance document quality assured. 590 less governance documentation quality assured in the 2020/20 financial year as compared to the 2019/20 financial year.
Number of certificates issued for community schemes governance documentation that had been quality assured	1 206	1095	100% compliance certificates issued on all amended scheme documents. 108 less certificates issued for community schemes governance documentation that had been quality assured in 2020/21 financial year as compared to 2019/20 financial year.
Percentage of disputes finalised	70% (4 891 disputes finalised out of 6 967)	(Conciliations: 331/28% and Adjudications: 109/25%)	This percentage of disputes resolved has decreased in the 2020/21 financial year as compared to the 2019/20 financial year.
Number of training and education sessions conducted for scheme executives, owners, and occupiers (1 244 stakeholders trained)	23 training sessions conducted (1 022 stakeholders trained)	18 training sessions	5 less training sessions conducted for community schemes owners and executives.

**Table 6**



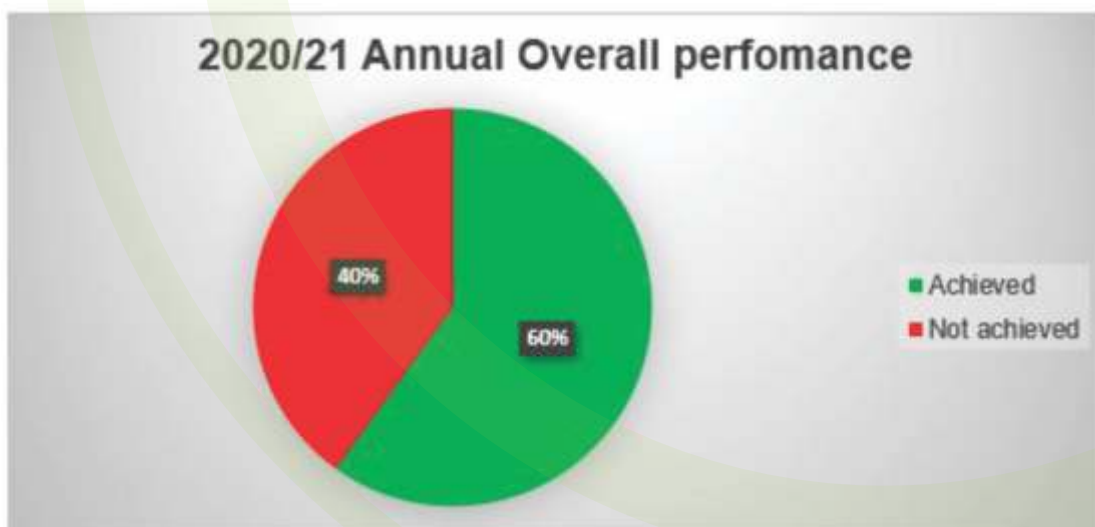
## 2021/21 OVERALL ANNUAL PERFORMANCE

The Entity had twenty (20) targets planned for the 2020/21 financial year, of which, twelve (12) targets were achieved, and eight (08) were not achieved, resulting in the overall achievement for the year of 60%. There is a 13% increase from the 2019/20 financial year performance which was 47% as compared to the 2020/2021 financial year. The first three quarters of the 2020/21 financial year were mainly impacted by the Covid-19 Lockdown, however the operations improved in the second and third quarter, after employees were allocated with laptops and 3g to be able to work from home. The Business Units that did not have access to the operational system (registration portal and Dispute database) for the first quarter were also able to go to the office on a rotational basis. Additionally, the monthly monitoring of performance is contributing to ensuring that corrective measures are implemented timeously.

There has been overall improvement on the achievements of planned targets with Q1 at 56%, Q2 60%, Q3 at 63% and Q4 at 45%. Although the performance dropped in quarter 4, with some targets not being achieved during the quarter, however, annual targets in some of the areas not achieved during quarter 4, were nevertheless, was achieved. Some of the contributory factors to some notable improvements in the performance included, inter alia, access to external databases with community scheme data and the completion of the data cleansing project other methods of providing dispute resolution services as well as some level of increased awareness of CSOS through virtual training and YouTube videos.

**Table 7:** The summary performance per program is articulated in the table below:

CSOS 2020/21 Annual Performance per Programme				
Programmes	Planned	Achieved	Not achieved	% Achie ved
Programme 1	9	5	4	56%
Programme 2	6	2	4	33%
Programme 3	5	5	0	100%
<b>CSOS</b>	<b>20</b>	<b>12</b>	<b>8</b>	<b>60%</b>



**Figure 3**

## 2.2 ORGANISATIONAL ENVIRONMENT

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

The CSOS Act empowers the organisation to help create and facilitate orderly and well-managed community schemes. This is being carried out by resolving disputes amongst the parties, administration of schemes governance documentation and providing regular training and education to all stakeholders. Fostering inter-relationships between the CSOS and various community schemes is critical. Implementation of the mandate requires building relevant skills and behaviours which promote a culture of continuous learning and leadership is key to achieving the CSOS' strategic goals and objectives. Human Resource (HR) planning remains at the core of ensuring that the Entity has the necessary capacity to deliver on its mandate and outcomes, as and when required. A Human Resource Plan (HRP) is adopted as a tool to ensure that all the employees' needs are identified on time and are adequately addressed to enable optimum achievement of the CSOS' strategic objectives. The Human Resources business unit also aims to create a sustainable organisation and business continuity, through structured succession planning and ensuring that employees are supported, trained, and equipped to occupy all positions. By doing so, it strengthens the human resource capability to fulfil its role as a strategic partner, creating intellectual capital and administrative expertise.

### Human Resources Statistics

The vacancy rate reduced by 8% in the 2020/21 financial year. Conducting virtual interviews for most advertised positions has enabled the reduction of the vacancy rate. As at the end of March 2021, there were 115 permanent employees out of the 199 positions on the organizational structure. The vacancy rate was 42% as at the end of Q4, which is 4% less than it was at the end of Q3 of 2020/21. A virtual induction workshop was held on to ensure that all the new employees are inducted despite working remotely. A Virtual Policy workshop was also held for all the approved policies, ensuring that employees understand and comply. The CSOS has a voluntary turnover rate of 2%, which is a low percentage since the optimal functional voluntary employee turnover rate for organizations in South Africa was calculated to be between 14% and 19%. According to a 2016 Compensation Force study, the average total turnover for all industries is 17.8 percent.

### Covid-19 Management

Regular Covid-19 Steering Committee meetings were held to ensure adherence to the Disaster Management Act which guides the return to work and operations on a day-to-day basis.



During the period under review there were four (4) incidents of covid-19 related cases reported. All officials that had contact with the staff member who tested positive were quarantined for 10 days. Deep cleaning was done before the return of the officials to the office. The Regional offices lost time due to the reported incidents in the third and fourth quarter. Several other best practice measures were introduced and managed strictly in order to mitigate exposure of employees. This undoubtedly had a negative impact on the organization's ability to effectively discharge its mandate and meet all of its targets.

### Staff Complement

**Table 8:** The total staff complement within each quarter was as follows:

QUARTER	PERMANENT	INTERNS	TEMPS	TOTAL	VACANCY RATE
Q4 (2020/21)	115	23	14	152	42%
Q3(2020/21)	106	22	18	146	46%
Q2 (2020/21)	99	2	19	120	50%
Q1(2020/21)	99	4	12	115	50%

## 2.3 KEY POLICY DEVELOPMENTS AND LEGISLATIVE CHANGES

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

Policy name	Purpose
Practice Directive on the Dispute Resolution Process	Provide for the process of dispute resolution, which includes the process for filing a dispute, conciliation process, adjudication process and enforcement of adjudication orders.
Practice Directive on the obligation of community schemes	To encourage Community Schemes, continue to register with CSOS and to submit its governance documents for quality assurance during lockdown
Practice Directive on Scheme operation during Covid -19	How to manage schemes during the lockdown and to continue to be compliant.
Circular on the amendment of rules of the STSMA	This provides for the process for the submission or rules for quality assurance, approval of the amendments of rules and issuing of approval certificates.

**Table 9**

### 3. STRATEGIC OUTCOME ORIENTED GOALS

The Revised Strategic Plan captures our impact and intended medium-term results – outcomes – which the CSOS will undertake in pursuit of this mandate. The longer-range impact statement of the CSOS is:

*Governed, harmonious, empowered and transformed community schemes contributing to spatial justice, socio-economic transformation, and the creation of liveable neighbourhoods.*

The outcomes for the 2020-2025 planning period are:

- 1) Functional, efficient, and integrated Government.
- 2) Effectively regulated Community Scheme Sector.
- 3) Effective disputes resolution.
- 4) Empowered stakeholders.
- 5) Transformation of community schemes advanced.

Our outcomes institutionalise government priorities as set out in the NDP, the MTSF and various other sector, industry, and medium and long-term plans. Delivery is through our annual performance plans, where we have taken care to link our performance plans and targets to the allocated budget. A zero-based budgeting and activity-based costing approach has been implemented as from the 2021/22 planning period, supported by key functional plans, including the annual procurement plan, ICT masterplan and HR plan.

In fulfilling its role to guide and steer the Entity towards achieving its mandate, the Board has overseen and monitored the implementation of the strategy by management during the 2021/22 strategy planning process; where a detailed review was conducted on the approved 2020-2025 Strategic Plan that was tabled in Parliament in May 2020. This review resulted in the current Revised Strategic Plan for the 2020-2025 planning period, which includes refinements to the strategic focus and outcomes of the organisation, influenced by lessons learnt from the Covid-19 pandemic experience and related consequences.

The achievement of the NDP goals demands a cooperative relationship across national, provincial, and local governments, and across the social partners including the private sector, labour, and civil society. The institution is, therefore, well-positioned to contribute to the achievement of the 2030 Human Settlements Vision, as articulated in the National Development Plan, particularly in managing the contemporary economic and demographic shifts in urban areas. It is CSOS' strategic intent to meaningfully contribute to the achievement of the 2030 human settlements vision through the enhancement of vibrant community schemes as an alternative tenure option for most citizens in the country. The CSOS takes its guidance from the National Department of Human Settlements in terms of Priority 5: Spatial Integration, Human Settlements and Local Government. The desired outcome is Spatial Transformation and Justice through the implementation of housing and human settlements in Priority Development Areas (PDAs). The Entity has identified 6 outcomes that will contribute to the achievement of the MTSF.

### 3.1 KEY ACHIEVEMENTS MTSF

The outcomes as identified are as follows, an effectively regulated community scheme sector, disputes resolved, a financially viable and sustainable organisation, empowered stakeholder, community scheme sector value chain transformed, and effective and efficient administration and governance. The CSOS core operations are currently being operated through mainly manual unintegrated platforms. As the organisation continues to grow, so does the burden placed upon the various core business units to effectively manage the business at acceptable levels and deliver on key operational outcomes to realise the CSOS Impact as stated in the Strategic Plan. The CSOS is in the process of procuring services for the development, deployment and support of a system that will be used for its core operations.

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

The table below provides progress achieved by CSOS towards the MTSF performance indicators and targets as captured in the 2020/21 Annual Performance plan and Operational Plan. The operational areas that are covered are:

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

MTSF Indicators and role	Outcome	2020 to 2025 SP Outcome Indicators	2021 to 2023 APP Indicators	2020/21 Annual Progress Report
Consumer protection programmes implemented.  · Report on total number of community schemes registered and paying levies as per legislation.	Outcome 2: An effectively regulated community scheme sector.	2.1 Percentage increase of registered community schemes over the five-year period.	Number of Community Schemes Registered.  Annual T: 5 000	1127 Community scheme registered
	Outcome 4: Financially Viable and Sustainable Organisation.	Percentage of registered schemes paying levies.	Amount of CSOS levy collected.  Annual T: R217 000 000	R223,594,212.78 CSOS levy collected
			Operational Plan indicator: Percentage of registered schemes paying levies.  Annual T: 75% of registered schemes paying levies	70% (29 364 community Schemes registered and 20 422 Community Schemes are paying levies)
Number of consumer dispute submitted and resolved within 90 days.	Outcome 3: Disputes resolved.	Dispute's resolution services provided within 90 days.	Percentage of disputes conciliated.  Annual T: 50%	28% (disputes conciliated within 90 days)
			Percentage of disputes adjudicated.  Annual T: 50%	25% disputes adjudicated within 90 days
Number of people in the target market exposed to educational programmes on owning and renting a home.  · Implement a borrower, homeownership (Zenzeleni) help me buy and tenant education programme.  · Transactional support programme implemented.   CSOS to establish a presence in the transactional support site/centre	Outcome 5: Empowered stakeholder	5.1 Percentage in the stakeholder perception survey rating over the five-year period	Number of training and Education sessions conducted for schemes executives and owners.  Annual T: 8	23 training and education sessions conducted for schemes executives and owners
			Number of stakeholder information sessions conducted.  Annual T: 12	14 stakeholder information sessions conducted with industry bodies National Association of Managing Agents (NAMA) and the Association of Residential Communities (ARC)
			Number of editions of Shared Living e-Newsletters published.  Annual T: 4	Four (4) edition of Shared Living e-Newsletters was published.
			Number of marketing communication campaigns executed.  Annual T: 4	6 marketing communication campaigns executed.  CSOS implemented an awareness campaign across social, online, TV, Radio platforms.
			Number of reports compiled on the operations and maintenance of existing and newly established satellite offices. (WC:PE and George KZN: Bloem & Mbombela GP: North West & Limpopo)	There are 3 Regional Offices and 4 Satellite Offices operational and providing Dispute resolution services.



## 4. PERFORMANCE INFORMATION PER PROGRAMME

### 4.1 PROGRAMME 1: ADMINISTRATION

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

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

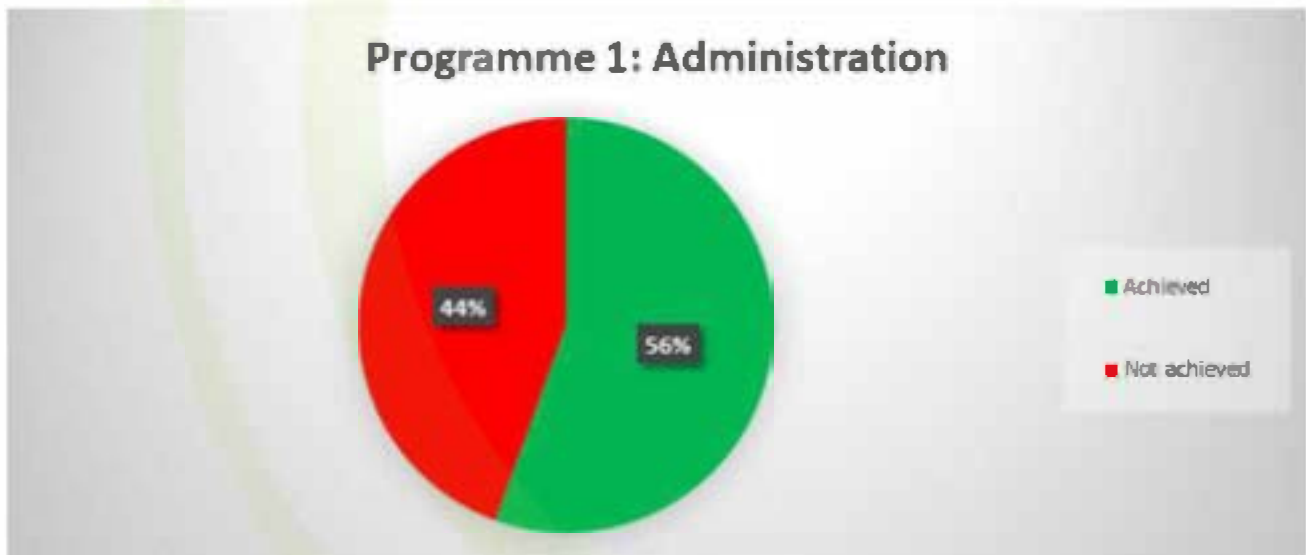
- Office of the Chief Ombud
- Risk Management
- Strategy Planning and Monitoring and Evaluation
- Company Secretary
- Corporate Affairs
- Chief Audit Executive
- Chief Financial Officer
- Chief Information Officer

Strategic objectives for the financial year under review

Outcome 1: Functional, Efficient, and integrated Government

Outcome 4: Financially Viable and Sustainable Organisation

Outcome 6: Community scheme Sector Value chain Transformed.



**Figure 4:** Programme 1 achievements

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

The programme achieved 5 of its 9 planned targets, this is an achievement of 56%.

## a) Strategy and Risk Management

Risk Management Business Unit continued to monitor the Risk Mitigation Plans on the Strategic and Operational Risk Registers. Barn Owl system training was coordinated in March for Executives, Managers, and appointed Risk Champions. The 4<sup>th</sup> quarter was used as a pilot for reporting on the system. Business Units will be expected to report progress on Risk mitigation action plans, implementation of the Audit matrix, Compliance checklist as well as incidents that occurred. A Risk consultant was also appointed to assist the organisation on reviewing the Strategic and Operational Register for implementation in the new financial year. The appointed Service Provider will also do the following activities:

- Facilitating risk assessments.
- Coordinate an assessment to determine Risk Appetite statement, tolerance levels and Risk Maturity level.
- Facilitate and guide the process of identifying and assessing fraud risks and Approved Fraud Risk Register.
- Provide guidance to management and staff to enhance the continuous strategic and operational risk management function.

The following policies were reviewed and approved

- Risk Management Policy
- Risk Management framework
- Anti-Fraud and prevention Strategy
- Whistle blowing policy
- Compliance policy
- Compliance framework

The Strategy Unit continued with coordination of monthly reporting on APP and AOP commitments. The 2021/22 Annual Performance plan was tabled on the 15<sup>th</sup> of March 2021. Operational planning sessions were coordinated, and final 2021/22 operational plan was submitted to the DHS on the 29<sup>th</sup> of March 2021.

## b) Corporate Affairs

The CSOS is committed to the Code of Good practice on Employment Equity. In this regard, CSOS aims to have an Employment Equity (EE) Plan, which will be aligned to a revised organizational structure and subject to the finalization and approval of the 2021/22 Recruitment Plan. This Plan will assist CSOS in reaching its EE targets. The EE Plan serves as a guideline in the talent acquisition process and may be changed depending on the requirements and availability of scarce and critical skills. The table below indicates how the CSOS has proceeded in terms of the alignment to the National demographics, according to the latest census, and aim to source and recruit from the under-represented groups.

CSOS DERMOGRAPHICS AS AT THE END OF Q4			NATIONAL DERMOGRAPHICS		VARIANCE IN Q3	VARIANCE AS AT MARCH 2021 (Q4)	PROGRESS
Africans	128	85%	Africans	79%	Over-subscribed by 10%	Over-subscribed by 6%	Reduction of the over-subscription by 4%
Whites	6	4%	Whites	8.9%	Under-subscribed by 5.9%	Under-subscribed by 4,9%	Reduction of the under-subscription by 1%
Coloured	8	5%	Colored's	8.9%	Under-subscribed by 4.9%	Under-subscribed by 3,9%	Reduction of the under-subscription by 1%
Indians	9	6%	Indians	2.5%	Over-subscribed by 0,5%	Over-subscribed by 3,5%	Increase in the over-subscription by 3%
Disabled	0	0%	Disabled	2%	Under-subscribed by 2%	Under-subscribed by 2%	No movement

**Table 11**

The Human Resources business unit continuously updates its policies to ensure alignment to the current labour legislation and to accommodate the ever-evolving CSOS' operations. The following policies were approved by the Board during the period under review:

- The Remote Working Policy
- Disciplinary Policy
- The Leave Management Policy
- The Employee Wellness Policy
- The Standard Operating Procedure on Managing Covid-19 Related Cases

**The following policies were drafted and will be tabled for approval in Q1 of the 2021/22 financial year:**

- Organisational Development and Transformation Policy
- Employment Equity Policy
- Sexual Harassment Policy
- Grievance Procedure Policy
- Talent Management Policy
- Acting Policy
- Non-Discrimination Policy

The Entity has been building its own capacity and filling key strategic positions since its inception. Training and development are key components of the CSOS' employee's value proposition. The Training and Development policy as well as the Bursary policy were developed to ensure the effective development of employees. A Training Plan was approved, 191 training needs were applied for in 2020/21 financial year. Out of 191 only 61 training programmes were attended, which translates to 31,93% of the approved Training Plan.

In line with the national effort to broaden skills development as prescribed in the Skills Development Act of 1998, the CSOS has a successful internship programme which assists young South Africans to contribute to the advancement of the organisation. The CSOS had a total of twenty-three (23) Interns as of the 31st of March 2021.

A safe and healthy workplace is critical for an organisation. To this fact, an Occupational Health and Safety policy was developed and approved. The Wellness Policy was approved, and an Employee Wellness service provider was appointed in Q2 of 2020/21.

Legal Services is intricately involved in the day-to-day operations of the CSOS and offers support to all functions within the organization covering a wide range of legal disciplines such as commercial law and contract management, labour, dispute resolution, compliance etc. In providing support to the organization's Administration Programme, responsible for ensuring that functions which support the core operations run effectively and that the organization is sustainable, Legal Services has three (3) primary focus areas, namely contracts management, litigation management and general legal advisory which carry out the following key strategic objectives:

- Protect the interests of the organisation through drafting, negotiating, and concluding legally sound contracts and ensuring an effective and efficient contracts management system.
- Ensure prudent litigation management by instituting or defending civil action/application proceedings by or against the CSOS before a court of law or an arbitration forum (including instituting legal action to recover amounts [Levies and Legal Costs] owed to the CSOS); and
- Provide cutting edge legal advisory services thus safeguarding the interests of the CSOS.

Our strategic focus for the 2020/21 financial year has been on capacitating the legal services function through the filling of critical vacant positions and implementing organizational policies and systems which seek to empower the function. During the financial year the CSOS Contract Management Policy ("Policy") and Debt Collection Strategy were developed, tabled before the relevant subcommittees, and approved by Board. The Policy aims to provide guidance to CSOS officials on the efficient, economic, and effective administration and management of the organizations contracts, specifically during the project execution phase of the overall procurement life cycle. The Debt Collection Strategy gives effect to the obligation placed by National Treasury on public entities to ensure prudent management of public funds, and further ensures that the CSOS remains sustainable.

All contracts with third parties were reviewed and drafted internally by Legal Services, and the concomitant in-house legal support provided during the period under review resulted in a cost saving benefit for the organization. The CSOS General Litigation Register, records all legal action instituted by and against the CSOS and includes the nature of the legal action and the status of the matter, amongst others. The total number of general litigation matters has increased to 64, previously 52. Twenty (20) of these matters have been finalized and forty-four (44) matters remain pending. The general litigation matters can be categorized as follows:



Review/ Appeal applications against CSOS Adjudication Orders	Labour Disputes	CSOS Mandate/Process	Civil action	TOTAL
45	9	1	9	64

**Table 12**

Following a call to action by LATCOM to increase enforcement levels and manage the revenue leak caused by non-paying community schemes during the current reporting period, Legal Services has successfully facilitated the creation of a cross-functional project committee comprising of the Governance, Finance and Dispute Resolution Sections to implement the CSOS levy recovery pilot project. The purpose of this project is to collect all CSOS levies provided in section 59 of the CSOS Act from defaulting or non-compliant community schemes. It is the first time the entity embarks on a task/project of this nature and the nature of support sought from business will be established in due course. Part of the activities or deliverables of the Project Committee include cleansing data pertaining to community schemes and creating an accurate and complete database containing all registered community schemes. Legal Services will conduct an age analysis on each claim to establish whether claims have not yet prescribed and are recoverable and institute the necessary legal action to recover outstanding levies and/or amounts as outlined in the CSOS Recoveries Strategy.

Community Schemes Ombud Service (CSOS) has relocated from the Sandton offices to 8 Bauhinia Street at Centurion Berkley Office Park on 28 January 2021. During the Period under review CSOS also procured four (4) vehicles through RT57 National Treasury transversal contract for Head Office, Gauteng, Western Cape, and KwaZulu Natal Regional offices. Vehicles for Gauteng, Western Cape regional office and Head Office were delivered. KwaZulu Natal vehicle will be collected during quarter 1 of 2021/22 financial year. In an effort to expand the regional footprint for the CSOS, a Service provider MPAMOT has been appointed to conduct feasibility study prior expanding its operation to other provinces. This is to determine the nature of expansion and how it impact CSOS in terms of sustainability. The feasibility study will be conducted in 6 phases namely:

Phase 0: Project inception

Phase 1: Needs analysis collection of information from internal and external sources.

Phase 2: Impact Assessment, Environmental assessment, Financial assessment Technical assessment and Risk assessment.

Phase 3: An indicative market review – A rapid demand and analysis must be done and expansion SWOT analysis for each province.

Phase 4: Feasibility study pertaining to the above-mentioned assessments. (research report)

Phase 5: Report and clearly defined recommendations

Phase 6: Business plan budget based on the recommendations (How CSOS should implement the recommendation of the Feasibility Study)

The service provider had produced phase 1 and phase 2 reports.

### **c) Office of the Chief Information Officer**

The ICT Strategy has been approved by the CSOS Board and is being implemented. The CSOS is in the process of procuring a Business Automation Solution (BAS) that is envisaged to enable the CSOS in addressing several the challenges that are burdening the entity. The BAS solution will be composed of individual modules targeted at automating the entities core business capabilities (such as Revenue Management, Dispute Resolution and Governance, Enforcement and Compliance) as well its enterprise business capabilities (such as Customer Relationship Management, Human Resources, Finance and Supply Chain Management). The solution will operationalise the Revenue Management Framework/Strategy, house the database of all community schemes gathered through the registration process, and conduct case management used for the dispute resolution process. ICT has assisted the dispute resolution process by developing an online process as the first attempt to fully automate the dispute resolution process that will allow for all cases to tracked and enable seamless communication to the parties involved in the case. This process has been tested and will go live at the start of the new financial year. A call centre system was successfully implemented which provides a toll-free number to for clients to contact the CSOS.

Over reporting period, a 98% network health score was achieved, which provided the necessary stability for CSOS operations to continue despite the COVID-19 pandemic. In an effort to improve connectivity and ICT security, a new digital telephony system was implemented together with the upgrades to CSOS data lines and security infrastructure hosted with Vodacom. ICT was able to procure a DR site (Rosslyn Vodacom Datacentre) where the secondary backup device that replicates with the primary device (at the Head Office Server Room). The first DR test on this site was conducted. A service provider was appointed for the development and implementation of the Business Continuity Plan which will include the DR Plan and process. Due to the COVID-19 pandemic, the required tools of trade (e.g., laptops, data cards) were deployed to ensure that all employees were able to work from home, so that the entity was able operate during lockdown.

In an effort to improve ICT Governance, the following policies were reviewed and developed:

- Backup and Recovery Policy
- Corporate Governance of ICT Charter
- Firewall Management Policy
- Mobile Device and Cellular Management Policy
- Disaster Recovery Policy
- Disaster Recovery Plan
- Patch Management Policy

The ICT Steering committee was formally established with the approval of the committee charter and the appointment of external Chairperson to provide the necessary oversight. An ICT Governance assessment and revision of the ICT Governance Framework and Charter is planned to be conducted during the 2021/22 financial year.

### **d) Office of the Chief Financial Officer**

The CSOS generated total revenue of R253,7 million (2020: R264,6 million) in the year under review. This was generated through levies, interest income, dispute resolution income and government grants. The revenue generated from levies amounts to R223,5 million (2020: R217 million), this constitutes 88% of the total revenue.

There was a decrease of R9,2 million in government grants received, compared to the prior year amount, and a R8,2 million decrease in interest income, due to the decreases in interest rates that were implemented during the year. The impact of the COVID-19 pandemic on the entity was not drastic as the entity managed to exceed its levy collection target. The CSOS remains financially sustainable as a result of the steady increase in the levy collections through the years. There was a slight change in the entity's expenditure trends, coming from employee related costs and lease rentals, due to the filling of vacant positions, the expansion of regional offices and the entering into a new lease for the Gauteng region and Head Office. There was also an increased spending in ICT equipment resulting from tools of trade that had to be procured to enable remote working, which in turn resulted in an increase in telephone costs. The entity also embarked on a marketing campaign to create public awareness.

There is still a challenge of accounting for levies for all community schemes as required in terms of section 59(a), due to the lack of a complete community scheme database. There are initiatives that are ongoing to get the community schemes database to a satisfactory level of completeness. The CSOS is also in the process of procuring an information system that will enable an integration in the registration of schemes, including the capturing of community schemes information, and the billing and accounting for levy revenue. There is also a process of amending the CSOS Act that has been started, that aims to, amongst others, clarify the provisions of section 59. The allocation of levies received remains a concern, although there is an improvement in the current year. Efforts are being put in place to address the challenges.

### **Supply Chain Management**

The CSOS continues to strive to adhere to the Supply Chain Management Regulations in implementing its annual procurement plan. There is also a developed Supply Chain Management policy which is aligned to the regulations. Eight (8) contracts were awarded during the year under review, which includes amongst others, office space for the Gauteng Region and Head Office, appointment of the panel of recruitment agencies for response handling, the risk management tool for effective and efficient risk management processes and Mimecast License Renewal and support services.

In the 2020/21 financial year, the entity had a new target of 70% spent on BBBEE, although the target has not been met, the monitoring and reporting on this target assisted the entity to procure with a clear intention of empowering the previously disadvantaged. Measures are being put in place to ensure the future achievement of the target. The Loss Control process which includes the institution of a Loss Control Committee to deal with issues of irregular, fruitless and wasteful expenditure as well as consequence management thereof was implemented post year end. Irregular, fruitless and wasteful expenditure identified during the period under review is disclosed as part of the Annual Financial Statements. Root causes and consequence management will be addressed as part of the Loss Control Committee process in the new financial year.

### **Qualified Audit Opinion**

The entity received a qualified audit opinion in the 2020/21 financial year.

The basis for the qualification was on the completeness, accuracy and valuation; and occurrence and existence of revenue and receivables from non-exchange transactions, which are the levies collected from community schemes. The root causes that resulted in this qualified audit opinion are mainly related to the completeness of the community schemes database, the lack of an efficient and effective IT system, as well as the lack of reliable information to be able to issue accurate quarterly invoices to community schemes as per the current CSOS levy model. The CSOS will review the current levy model in the 2021/22 financial year.

### Levy Revenue Collection

There are management agents that pay levies on behalf of a lot of community schemes, however, the community schemes are not registered. We are in the process of obtaining the information from the managing agents to assist in getting the schemes registered. Furthermore, some of the CSOS data reflects duplicated registration numbers, which make it difficult to allocate receipts to schemes, a reason we have embarked on a data cleansing process. There was a 3% increase in the actual levies collected in 2020/2021 compared to the 2019/2020.



**Figure 5**

Quarterly receipts current year:

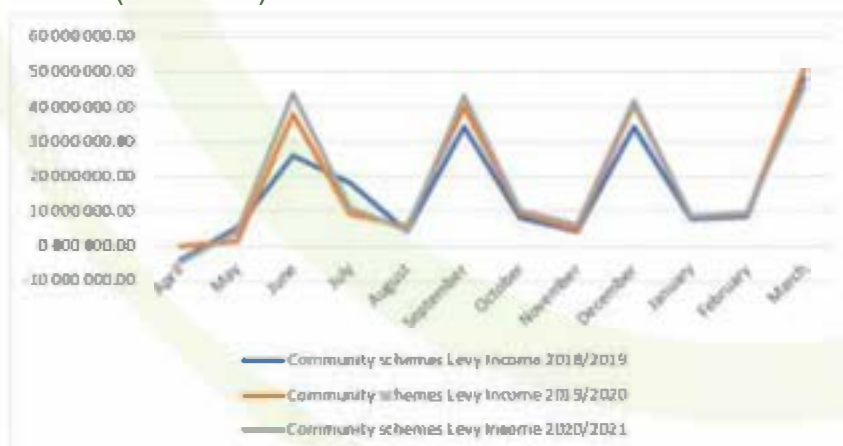
Q1 – R 43 767 038.00

Q2 – R 58 853 438.00

Q3 – R 57 973 853.00

Q4 – R 62 975 646.00

Month to month collection (12 months):



**Figure 6**



## ❖ Supply Chain Management and Summary of the BBEE Expenditure

The Entity managed to spend 46,75% of the overall budget to B-BBEE level 1 and 2 companies (majority black owned companies) in the 2020/21 financial year, against a target of 70%. The below table shows how much CSOS has spent on the procurement recognition and enterprise status of the suppliers during the period under review.

Total payments/spending for the year	R44 447 884.30
Total BBEE Expenditure (level 1 -2)	R20 781 246.79
Others (<50% & Level 3 -8)	R2 039 200.70
Unclassified	R21 627 436.81

**Table 13**

## ❖ Expenditure Management

The entity continued to improve on compliance in terms of Treasury Regulation 8.2.3 relating to payment of suppliers' valid invoices within 30 days as it achieves a cumulative 88%. This is as a result of the implementation of the centralized invoice submission and monitoring of the incoming invoice register and outstanding payment report. In the 2020/21 financial year, there has been a noticeable improvement in the CSOS' compliance in terms of paying all suppliers within 30 days as prescribed by legislation. The compliance rate has improved from 75% to 88% of suppliers reported to have been paid within 30 days. The aim is to achieve 100% compliance over the period of the strategic plan.

Description	Amount	Number of Payments Made	Percentages%
Invoice Paid within 30 Days	41,517,037.74	347	88%
Invoices Paid over 30 Days	3,371,137.98	45	12%
<b>Total Invoices received</b>	<b>44,888,175.72</b>	<b>392</b>	<b>100%</b>

**Table 14**

The challenge of insufficient capacity remains a concern. There were delays in the procurement of some hardware (from the service providers side) which led to tools of trade being issued late to employees. There was also a delay in the BAS procurement as the tender issued in Q3 was not approved by the Board owing to identified concerns with capacity challenges. A new process has commenced. The inability to allocate all the levies collected to community schemes due to the incorrect referencing of payments and non-submission of levy schedules by community schemes was also identified as one of the concerns during this period. CSOS has identified irregular expenditure amounting to R1 187 000 in the current financial year. This is to go through the loss control committee within the next financial year in order to determine the causes and recourse to be taken.

Strategic Outcome	Outcome 1: Functional, Efficient, and integrated Government					
Output Indicators	2018/19 Audit/Actual Performance	2019/20 Audit/Actual Performance	2020/21 Annual Target	2020/21 Actual Achievement	Deviation from planned target to Actual achievement 2020/21	Reason for Deviation
1.1.1 Percentage of the approved Anti-Fraud and Corruption Implementation Plan implemented	No Target	No Target	100% of the approved anti fraud and corruption implementation plan implemented	The approved anti fraud and corruption plan was 100% implemented.	Target achieved	Target achieved
1.1.2 Percentage implementation of the approved risk management plan	No Target	No Target	100% implementation of the approved risk management plan	80% implementation of the approved risk management plan	-20% (Strategic, Operational and Fraud risk assessments were not finalised) of the approved risk management plan was not implemented.	The Strategic and Operational Risk assessment will be finalized by end of May 2021 as well as Fraud risk register will be developed.
1.1.3 Percentage of Implementation of audit remedial plan	No Target	No Target	90% Implementation of audit remedial plan	92% (13 actions were due in 2020/21 and 12 were implemented) implementation of audit remedial plan	Target exceed by 2%	There were resolved Actions that also had sub-actions within them.
1.1.4 ERP system procured and implemented	No Target	No Target	Procure and Implement two (2) modules of the ERP system (HR and CRM)	Tender process was completed with recommendations presented to Board in January 2021; however, the recommendation was not approved, and the tender will be readvertised.	Two (2) modules of the ERP system (HR and CRM) not procure and implement.	Tender process could not be concluded the initial bid process did not yield a suitable service provider. A new procurement process will be undertaken in the next financial year.
1.1.5 Core System procured and implemented	No Target	Not achieved	Procure and Implement One (1) module of Core System (Registrations)	Tender process was completed with recommendations presented to Board in January 2021; however, the recommendation was not approved, and the tender will be readvertised.	Core System not procured with no modules implemented	
1.1.6 Percentage of network health score of production environment	New indicator	96.5% of network health score of production environment	96% Network health score of production environment	98% network health score of production environment	Target exceed by 2%	Closer more proactive monitoring of the network infrastructure and resources; implementation of the Change Control Policy and procedures to affect ICT changes (newly approved) and

Strategic Outcome	Outcome 4: Financially Viable and Sustainable Organisation					
Output Indicators	2018/19 Audit/Actual Performance	2019/20 Audit/Actual Performance	2020/21 Annual Target	2020/21 Actual Achievement	Deviation from planned target to Actual achievement 2020/21	Reason for Deviation
4.1.1 Amount of CSOS levy collected	R195 672 310 CSOS Levy collected	R217 060 000 CSOS levy collected	R 217 000 000 CSOS levy collected	R223,569 975 CSOS levy collected	(R6 569 975) CSOS levy collected	Target overachieved due to more community schemes being consistent in paying the quarterly levies

Strategic Outcome	Outcome 6: Community scheme Sector Value chain Transformed					
Output Indicators	2018/19 Audit/Actual Performance	2019/20 Audit/Actual Performance	2020/21 Annual Target	2020/21 Actual Achievement	Deviation from planned target to Actual achievement 2020/21	Reason for Deviation
6.1.1 Percentage procurement spend to majority black-owned or controlled service providers (>50% black)	No Target	No Target	70% spend to majority black-owned or controlled service providers (>50% black)	46,75% (R20 781 246.79 BBEE spent over R44 447 884.30 total spending for the year) procurement spend to majority black owned or controlled service providers (>50% black)	-23,25% spend to majority black-owned or controlled service providers (>50% black)	<p>Previous contract awarded were not required to be level 1 and 2 BBEE and majority of those contracts expired towards the end of the year and others expire in 2021.</p> <p>RFQs that have been issued with this condition have had to be cancelled or re-issued as the quality of proposal received was not good.</p> <p>All tenders that have been issued and are required to be at least level 1 and 2 BBEE and big companies are requested to form joint ventures with small upcoming firms.</p>

Subprogramme Chief Information Officer									
Outcome	Output	Output indicator	2018/19 Audit/Actual Performance	2019/20 Audit/Actual Performance	Annual Target 2020/21	Actual Achievement 2020/21 until date of re-tabling	Deviation from planned target to Actual achievement 2020/21	Reason for Deviation	Reason for revisions to the outputs/output indicators /Annual Target
<b>Functional, Efficient, and integrated Government</b>	Ensure maximum availability to CSOS ICT resources	Core System (Revenue Management, Registrations, Case management) procured and implemented	No Target	No Target	Procure and Implement three (3) modules of Core System (Revenue Management – Phase 1 (Module development and integration to ERP), Registrations, Case management)	Tender was evaluated and Adjudicated in October. The BAC had concerns relating to the evaluation and requested the BEC to re-evaluation with the assistance of some clarification on what to look for in the evaluation processes. The re-evaluation occurred on the 18 <sup>th</sup> and 26 <sup>th</sup> Nov which yielded no preferred bidder.	Core system not procured. Service provider not appointed, and SOPS not developed. No report produced regarding the deployment of modules	Several concerns were identified with the detail of response provided by the recommended bidder in its proposal which resulted in the BAC referring the matter back to the BEC re-evaluate all bids which specific focus on the detail requirements of the TOR.	Proposes a reduction of number of modules procured from 3 to 1 due to the following reasons: Business Case only approved 29 May with budget recommendations. ERP and Core System projects were previously separate projects on the procurement plan and are now one project after the approving of the business case. Procurement plan approved only on 29 May with the Core systems and ERP projects. RFP procurement was put on hold for the COVID period nationally and approval to procure only granted in June 2020. Tender to be advertised in July 2020 granted in June 2020. Tender to be advertised in July 2020
		ERP system Procured and implemented	No Target	No Target	Procure and Implement three (3) modules of the ERP system (HR with Performance Management, legal, and, CRM.)	ERP system not procured. Service provider not appointed, and SOPS not developed. No report produced regarding the deployment of modules	Proposes a reduction of number of modules procured from 3 to 1 due to the following reasons: Business Case only approved 29 May with budget recommendations		



Subprogramme	Chief Financial Officer								
Outcome	Output	Output indicator	2018/19 Audit/Actual Performance	2019/20 Audit/Actual Performance	Annual Target	Actual Achievemen 2020/21 until date of re tabling	Deviation from planned target to Actual achievement 2020/21	Reason for Deviation	Reason for revisions to the outputs/output indicators /Annual Target
Outcome 4: Financially Viable and Sustainable Organisation	Revenue Collected	Amount of CSOS levy collected	R195 672 310 CSOS Levy collected	R217 060 000 CSOS levy collected	R 220 000 000	R160 594 329 CSOS levy collected	(R2 973 853) CSOS levy collected	More community schemes are consistent in paying the quarterly levies	Only 98% of the 2019/20 target was achieved, this is due to the impact of the COVID- 19. The revised target of R217 000 000 is based on the actual collection for the 2019/2020 financial year.

### Strategy to overcome areas of under performance.

The CSOS manages performance in the following manner:

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

## 4.2 PROGRAMME 2: REGULATIONS

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

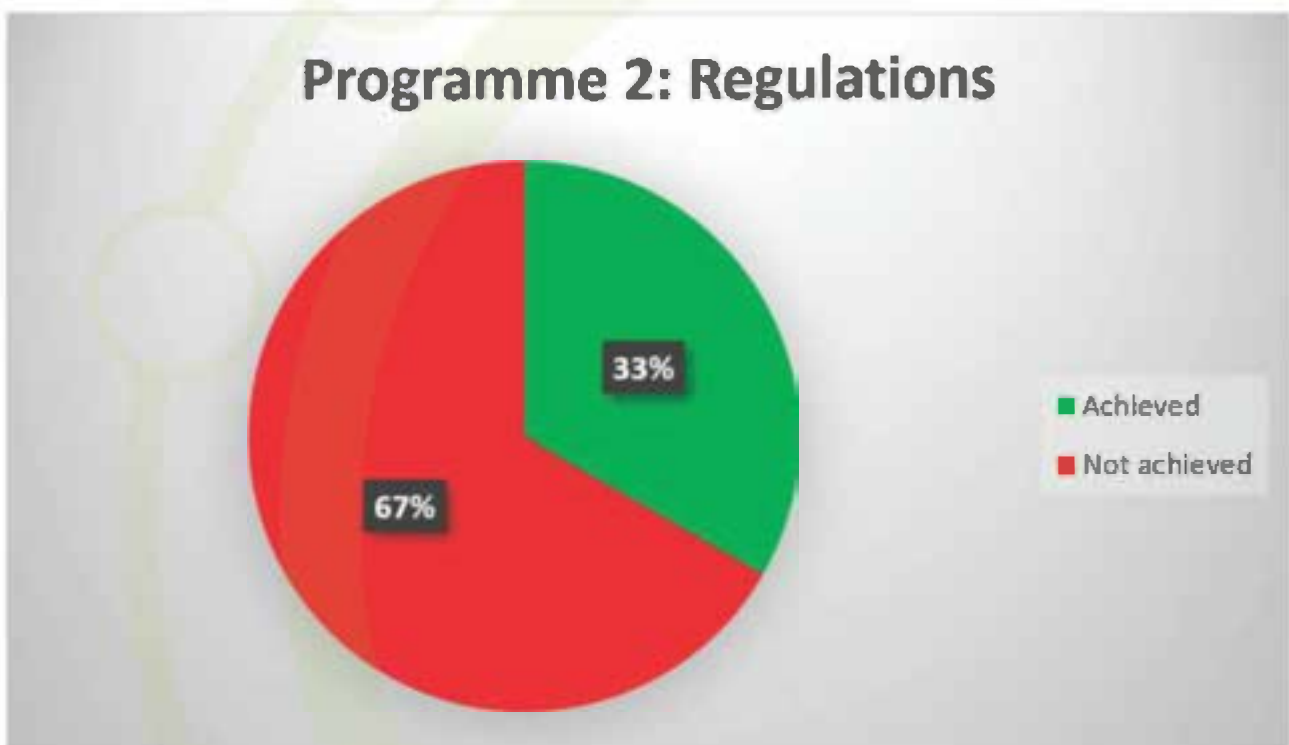
The programme's functions are organised into the following Business Units:

- Governance, Compliance & Enforcement:
  - Develop and provide a dispute resolution service in terms of this Act.
  - Provide training for conciliators, adjudicators, and other employees of the Service.

- Regulate, monitor, and control the quality of all sectional title scheme governance documentation and such other scheme governance documentation as may be determined by the Minister by notice in the Gazette.
- Take custody of, preserve, and provide public access electronically or by other means to sectional title scheme governance documentation and such other scheme governance documents as may be determined by the Minister by notice in the Gazette.

The Programme is reporting progress on the implementation of the following Outcomes as stipulated in the 2020 to 2025 Strategic Plan.

- OUTCOME 2: An effectively regulated community scheme sector
- OUTCOME 3: Disputes resolved
- OUTCOME 5: Empowered stakeholders
- OUTCOME 6: Community scheme Sector Value chain Transformed.



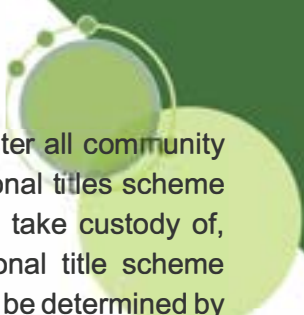
**Figure 7:**

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

The programme achieves 2 of its 4 planned targets for the year.

#### **Governance, Compliance & Enforcement**

The Business Unit is responsible for the implementation of Outcome 2: An effectively regulated community scheme sector of the CSOS Strategic Plan. This flows from the mandate of the CSOS as set out in Section 4 of the CSOS Act.



It ensures that there are strategies and policies in place to enable CSOS to register all community schemes within South Africa, regulate, monitor and control the quality of all sectional titles scheme governance documentation and such other scheme governance documentation; take custody of, preserve and provide public access electronically or by other means to sectional title scheme governance documentation and such other scheme governance documents as may be determined by the Minister by notice in the Gazette. The BU is also responsible for ensuring that there is a provision of 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.

### **Registrations**

The main objective for CSOS is to regulate all community schemes and ensure their registration with the CSOS. The registration information enables the CSOS to create a database of all community schemes. CSOS must ensure that community schemes comply with the legislative obligation under the CSOS Act and the STSM Act. It then follows that in the event of non-compliance, CSOS will have to implement enforcement measures as provided for in the CSOS Act, STSM Act, Regulations and Practice Directives. The entire CSOS value chain and service delivery model is underpinned on the success in creating a complete database of Community Schemes. The *registration of community schemes* is founded in the CSOS Regulations, Regulation 18 and not the CSOS Act. This has necessitated the amendments of the CSOS Act, which the CSOS in conjunction with the Department of Human Settlements is currently working on.

In terms of the Regulations, the registration must be done within 90 days of the coming into effect of the Community Schemes Ombud Service Act Regulation, or within 90 days of the date of the scheme incorporation in terms of applicable laws. While CSOS aims for 100% compliance with the registration by schemes, this can only be attained in long term. In the short-term, the aim is to ensure that at least 80% of the schemes are registered within the coming 3 years. Registration of schemes is critical for the development of a database of community schemes. The database is critical not only for the collection of levies but also for the provision of education and training. The total registered during the current financial year is 1127.

### **Implementation of the Community Schemes Registration Strategy**

The CSOS continued with the implementation of the Community Registration Strategy. The objective of the Strategy is to ensure that CSOS registers all community schemes so that they can be regulated in accordance with the CSOS Act. Part of the activities in the strategy is to coordinate engagements with institutions that have data for community schemes. The engagement must be supported by the registration system which CSOS is in the process of procuring.

STAKEHOLDER	STATUS	NEXT STEP	DUE DATE
Deed Office	CSOS already has data on sectional titles registered with Deeds. Verification of schemes registered with CSOS has been finalised.	Procure an updated sectional titles register.	Done
CIPC	An Agreement has been signed with the CIPC to allow CSOS to access data on NPC.	Analysis of data to identify the HOA's, Share Block Companies and Housing Co -Operatives as provided for by the CIPC.	Ongoing
Surveyor -General	The Surveyor -General provides CSOS with data on Township development on quarterly basis.	Analysis of the information on the database against the CIPC data	Ongoing
SARS	A follow -up request and a draft MoU has been submitted to SARS.	A proclamation signed by the Minister of Finance authorizing CSOS to access the information. This is due to the restrictions on access to information held by SARS in terms of Tax Administration Act. CSOS has again attempted to interact with SARS, and we await feedback from them.	Ongoing
Community schemes / Managing agents	Verification notice sent to Managing Agents on the system to verify registration status.	Update the registration database as part of the registration database cleansing project. CSOS has compiled a list of managing agents in South Africa as well as identified PDI Managing Agents.	Ongoing

**Table: 15**

The process of validating the registration database has commenced as per the recommendation from the Finware report. This entails verification of all registration documents received (CS1 Form), since 2016. All outstanding information is being captured on the sage system. So far, all registration forms received for 2016 have been finalised.

## Compliance and Enforcement

CSOS will be implementing the Compliance and Enforcement Strategy approved by the Board. The objective of the strategy is to have in place effective systems to maximise schemes' compliance with their duties and obligations as per the CSOS Act, STSMA Act and other relevant legislation applicable to specific schemes.

- The current compliance status by the Community Schemes is minimal. Non-compliance can be attributed to the following:
  - Lack of vigorous compliance enforcement provision in the CSOS Act.
  - Lack of legislative powers to appoint Inspectors / Investigators and their powers to investigate.
  - Both internal and external stakeholders' engagement is not effective.



❖ Compliance and Enforcement implementation Roadmap.

ACTIVITY	DETAILED ACTION PLAN	DUE DATE
<b>Registration database validation</b>	Validation of the registration information on the database.	30 June 2021
<b>Analysis of Annual Return</b>	Annual return assessment to confirm the levy payment and other regulatory compliance as per the checklist	Every quarter
<b>Analysis of IRBA notification</b>	IRBA notification sent to schemes identified	Every quarter
<b>Amendment of the CSOS Act</b>	Receive inputs from NAMA and other industry players on the amendment of the CSOS Act and the STSMA. The actual drafting of the Sectional Title Bills has commenced however CSOS is not the custodian of this Bill nor the Property Practitioners Bill as the custodians are respectively the Department of Rural Developments and Land Reform and the Estate Agents Affairs Board.	Ongoing
<b>Stakeholder Engagement</b>	Implementation of Marketing and Comms Strategy The Training & Education Strategy will be presented to EXCO and Board for approval in Q1	Ongoing

**Table 16**

### 3.2.1.4 Control and provide quality assurance to schemes governance documentation.

❖ **Quality assurance and compliance certificates**

To ensure that there is proper governance within community schemes, CSOS provides quality assurance to the scheme's governance documentation, record all existing and new schemes governance documentation as received from the community schemes and other entities on the database, implement a schemes governance records management and documentation system and ensure that the documentation is adequately secured, protected and accessible to the public. A total of 1538 scheme governance documentation were received and 1287 were quality assured, which makes 84%. After quality assurance, schemes must submit the amendments rules to CSOS for approval, in this period under review, a total of 1095 (100%) approved rules were issued with certificates. Practice directives on the Quality Assurance of Schemes Governance Documentation was tabled at LATCOM for recommendation to Board for approval.

❖ **Amendment of the CSOS Act and the STSMA**

The CSOS established a Task Team inclusive of strategic business units, such as Finance, Governance, Dispute and Company Secretary to further identify provisions within the Regulations on both the CSOS Act and the STSMA. This necessitated the identification of further sections within the CSOS Act and the STSMA to be amended. Further identification necessitated a meeting with the Department of Human Settlements' Legal Section to pave a way forward. The Department has delegated the CSOS to commence with the actual amendment Bills on the two legislation's, which will be processed in the new financial year.



## ❖ Stakeholder Management

In seeking to enhance its regulatory effectiveness, CSOS engaged with a number of industry stakeholders during the period under review and struck agreements on possible collaboration on a number of areas. Some of the stakeholders engaged included:

- South African Institute of Chartered Accountants (SAICA) – assistance with practice directives and audits of Schemes
- Independent Regulatory Board for Auditors (IRBA) – assistance with practice directives and audits of Schemes
- Banking Association of South Africa (BASA) – assistance with data relating to levy payments and financing of new Schemes

This will assist CSOS in clearing the unallocated levy payments. Furthermore, several engagements were had with NAMA and ARC and other relevant industry bodies to foster collaboration on Scheme identification and good governance. During the new financial year, a panel of management executives will be advertised to attract historically disadvantaged agents for purposes of driving transformation in this industry with CSOS providing some financial and other strategic support to the emerging historically disadvantaged entities.

## ❖ Dispute Management

The Dispute Resolution unit, with the support of IT, has coded a SharePoint automated system for the management of disputes. This system encompasses the entire process from application to the issuance of an adjudication order, and thereby replacing the unreliable spreadsheet system. Of importance is that the SharePoint has features and powerful search tools with a credible audit trail, which will enable us to populate reliable information. Accordingly, dispute management is conducted paperless and with effect from 1 March 2021, and which resolves the printer issues and the absence of the BAS.

During the reporting period, dispute management processes were refined to ensure correct reporting, operational excellence, and client satisfaction. The following are the highlights:

- A Section 39 form (Relief Sought) together with an Information Sheet on lodging of disputes to the enforcement of adjudication orders, are attached to each application form enabling applicants to easily identify whether their disputes fall within CSOS' jurisdiction and avoiding unnecessary rejections.
- An automated reply, to applicants, setting out the dispute management process and turn-around times to be expected. Further, applicants and respondents are now provided with feedback at each stage of their matter which has resulted in a huge reduction of complaints.

- Changes in referral and set down processes to improve turn-around times and allow for conciliators to plan own conciliations. Further, the development of a Conciliation Report where a Settlement Agreement could not be concluded.
- Dispute Resolution Standard Operating Procedure were revised accordingly to incorporate identified opportunities for effectiveness and efficiency within Dispute Resolution.
- A Forum for conciliators and adjudicators was set up and part-time adjudicators were inaugurated and inducted on Dispute Resolution processes. Further, brief training sessions were held weekly by Ombuds on legislative framework and any other issues to improve performance.
- A Quality Assurance Interim Procedure was drafted and is used as a guideline to govern quality assurance of adjudication orders. With effect from 25 January 2021, adjudication orders were quality assured which was well received by adjudicators and 465 orders were quality assured by two Quality Assurance Adjudicators. Any escalated matters were effectively attended to by the Adjudicator General and the Regional Ombuds. The quality assurance process has also presented an opportunity to identify pockets of excellence within the adjudicators and this will be utilized accordingly within knowledge management.
- The Complaints Management Policy and Procedure was drafted and has been recommended by LatCom for the Board's approval. A total of 952 queries were effectively managed from a dedicated mailbox, recorded, and reported on.

## DISPUTE APPLICATIONS RECEIVED

The Entity continued offering dispute resolutions services at the Regional offices as prescribed by Section 39 of the Community Schemes Ombud Service Act, No. 09 of 2011. Through its dispute resolution service and the promotion of good governance, CSOS will maintain stability and harmonious relations between the parties within community schemes. The accumulated number of applications received for the 2020/21 financial year is 6395. Gauteng received the most applications quarterly and this is due to the location of most schemes being in the Gauteng Region. Whilst all the regions are receiving more applications almost each quarter, KZN and WC still receive approximately the same number of applications. A clear indication based on the linear line regarding Gauteng's intake is that capacitation of the regions must be prioritized organizationally, in order for the Dispute Resolution unit to provide services to our stakeholders expeditiously.



**Figure 8**

## ❖ TYPE OF SCHEMES

Sectional Title Development Schemes remain the highest dispute category and with the most in Gauteng Region and followed by the Western Cape though at a lower rate compared to Gauteng. This is indicative of where training must be focused in order to minimize the number of disputes received by Gauteng.



**Figure 9: Types of Schemes**

## ❖ CLASSIFICATION (S39 OF THE CSOS ACT, NO 09 OF 2011)

Classification of relief sought by applicants remains dominated by Financial Issues, and with the most within the Gauteng Region. Due to current economic climate and high unemployment rate, disputes arising from non-payment of levy arrears and interest imposed against arrear levies have dominated dispute applications.



**Figure 10: Classification of Relief Sought**

As depicted in Fig. # above, an opportunity exists to continue focusing training plans on financial issues including behavioural and private/common area issues.

❖ DISPUTES RESOLVED



2020 Description	Financial Year	Regions	Q1	Q2	Q3	Q4	TOTAL
Finalized conciliated	2019-20	GP	177	654	277	84	155
		KZN	54	70	60	56	
		WC	32	88	29	15	
	2020-21	GP	0	187	640	675	990
		KZN	5	30	51	191	
		WC	2	82	142	124	
Adjudications	2019-20	GP	176	286	308	192	302
		KZN	94	47	35	78	
		WC	57	110	56	32	
	2020-21	GP	1	2	18	88	114
		KZN	0	1	1	4	
		WC	0	0	1	22	

Table: 17

❖ MATTERS FINALIZED (Old & New Disputes)

2019/2020 Old Disputes

2019/2020: Disputes Resolved & Finalized	Q1			Q2			Q3			Q4	Q4	Q4	Total
	GP	KZN	WC	GP	KZN	WC	GP	KZN	WC	GP	KZN	WC	
Withdrawn	36	7	4	107	20	18	50	13	6	25	46	8	79
Settled by Parties	14	0	0	8	2	2	13	4	2	15	0	0	15
Rejection (No Jurisdiction etc)	18	5	1	83	7	24	63	5	8	12	0	27	39
Conciliation	102	4	4	171	7	10	136	10	4	25	4	4	33
Adjudication	176	94	57	286	72	110	308	22	45	192	78	22	292
No Further Particulars	1	10	0	279	4	22	2	6	9	0	3	17	20
No application fee received	0	28	22	1	0	12	0	22	0	0	3	0	3
Other	5	0	0	5	0	0	13	0	0	7	0	0	7
<b>Total</b>	<b>352</b>	<b>148</b>	<b>88</b>	<b>940</b>	<b>112</b>	<b>198</b>	<b>585</b>	<b>82</b>	<b>74</b>	<b>84</b>	<b>65</b>	<b>0</b>	<b>149</b>

Table: 18

❖ **2020/2021 New Disputes**

The **table 19** below illustrates files finalized during the assessment stage by Case Management Officers.

2020/2021 : Disputes Resolved & Finalized	Q1			Q2			Q3			Q4	Q4	Q4	Total
	GP	KZN	WC	GP	KZN	WC	GP	KZN	WC	GP	KZN	WC	
Withdrawn	0	0	0	35	1	10	87	22	29	126	30	36	192
Settled by Parties	0	0	0	8	0	0	14	18	4	9	19	2	30
Rejection (No Jurisdiction etc)	0	1	1	12	0	30	83	9	38	118	38	28	184
Conciliation	0	0	0	0	0	3	44	10	16	86	12	23	121
Adjudication	1	0	0	1	1	0	18	1	1	88	4	32	124
No Further Particulars	0	0	0	81	5	3	155	22	14	1	22	12	35
No application fee received	0	4	1	0	61	36	194	96	41	248	70	23	341
Other	0	0	0	17	0	0	63	0	0	87	0	0	87
<b>Total</b>	<b>1</b>	<b>5</b>	<b>2</b>	<b>154</b>	<b>68</b>	<b>82</b>	<b>658</b>	<b>178</b>	<b>143</b>	<b>675</b>	<b>195</b>	<b>131</b>	<b>1001</b>

**Table 20**

❖ **Referrals & Appeals**

2020	Q1			Q2			Q3			Q4	Q4	Q4	Total
	GP	KZN	WC	GP	KZN	WC	GP	KZN	WC	GP	KZN	WC	
Appeals	0	0	0	0	3	4	0	2	0	2	3	3	8

**Table 21**

REGION	INTAKE	ASSESSED	REFERRED TO CONCILIATION	CONCILIATED	REFERRED TO ADJUDICATION	ORDERS
GP	4253	3474	557	201	389	99
KZN	1080	1020	297	50	16	6
WC	1062	1060	337	80	34	4
<b>TOTAL</b>	<b>6395</b>	<b>5554</b>	<b>1191</b>	<b>331</b>	<b>410</b>	<b>109</b>
<b>Overall achievement</b>		<b>86.8%</b>		<b>28 %</b>		<b>25%</b>



## ❖ HUMAN RESOURCES AT THE REGIONAL OFFICES

2020	GP	KZN	WC	Total
Data Capturer	3	2	1	6
Case Management Officer	5	2	2	9
Intern	6	4	2	12
Conciliator	3	4	4	11
Investigator	0	1	1	2
Adjudicator	3	2	2	7
Administrator	0	1 (Bloemfontein Satellite Office)	1 (Eastern Cape Satellite Office)	2
Receptionist	0	1	1	2
General Assistant	1	1	1	3
Office Manager	1	1	1	3
Complaints Manager	1	0	0	1
Regional Ombud	1	1	1	3
Part Time Adjudicator	12	5	0	17
<b>Total</b>	<b>35</b>	<b>25</b>	<b>17</b>	<b>81</b>

Table 22

## ❖ QUALITY ASSURANCE ADJUDICATION

Quality Assurance Adjudication received 527 orders for quality assurance and 465 orders were quality assured and Quality Assurance Certificates were issued accordingly. Through quality assurance, knowledge gaps and training needs were identified, and adjudicators will be trained on these in Q1 of 2021/22.



Fig.11 Quality Assured Adjudication Orders

Strategic Objective	OUTCOME 2: An effectively regulated community scheme sector					
Output Indicators	2018/19 Audit/Actual Performance	2019/20 Audit/Actual Performance	2020/21 Annual Target	2020/21 Actual Achievement	Deviation from planned target to Actual achievement 2020/21	Reason for Deviation
2.2.1 Number of Community Schemes registered	2 423 Community Schemes registered	1 503 Community Schemes registered	5 000 Community Schemes registered	1127 Community Schemes Registered	-3 873 Community Schemes not registered	The CSOS is not receiving the anticipated numbers of registration documentation. Implementation of the Go-To Market Campaign to highlight the mandate of CSOS and attract schemes not registered will address this challenge.
2.2.2 Percentage of quality assured schemes governance documentation	2 088 Governance Documenta tion quality assured	1 877 Governance Documenta tion quality assured	70% Quality Assured Schemes Governance documentation	84% ( 1538 received and 1287 quality assured) Quality assured schemes governance documentation	Target exceeded by 14% Quality assured schemes governance documentation	An article was issued on the Quality Assurance of Schemes Governance Documentation and Scheme governance officers continue to work remotely, and delivery of service has not been impacted.
2.2.3 Percentage of Compliance certificates issued on all amended schemes documents	1 305 Certificates issued for community schemes governance documenta tion that has been quality assured	1 206 Certificates issued for community schemes governance documenta tion that has been quality assured	100% Compliance certificates issued on all amended scheme documents	100% (1095) Compliance certificates issued on all amended scheme documents	Target achieved	Target achieved

Strategic Objective	OUTCOME 3: Disputes resolved					
Output Indicator	2018/19 Audit/Actual Performance	2019/20 Audit/Actual Performance	2020/21 Annual Target	2020/21 Actual Achievement	Deviation from planned target to Actual achievement 2020/21	Reason for Deviation
3.1.1 Percentage of disputes conciliated within 90 days	No Target	No Target	50% of disputes conciliated within 90 days	28% (1191 referred and 331 conciliated of disputes conciliated within 90 days)	-22% of disputes not conciliated within 90 days	<p>The decline can be attributed to the Covid19 lockdown regulations.</p> <p>In the 2021/22 financial year CCSOS will prioritize the finalization of both old and new matters with the assistance of the appointed part-time adjudicators</p>
3.1.2 Percentage of disputes adjudicated within 90 days	No Target	No Target	50% of disputes adjudicated within 90 days	25% (109 adjudicated out of 410 referred of disputes adjudicated within 90 days.	-25% of disputes not adjudicated within 90 days	<p>The decline can be attributed to the Covid19 lockdown regulations.</p> <p>In the 2021/22 financial year CCSOS will prioritize the finalization of both old and new matters with the assistance of the appointed part-time adjudicators</p>

Strategic Objective	OUTCOME 6: Community scheme Sector Value chain Transformed					
Output Indicator	2018/19 Audit/Actual Performance	2019/20 Audit/Actual Performance	2020/21 Annual Target	2020/21 Actual Achievement	Deviation from planned target to Actual achievement 2020/21	Reason for Deviation
6.1.2 Number of previously disadvantaged individuals identified as executives managing agents	No Target	No Target	10 Previously disadvantaged Individuals identified as executives managing agents	Not achieved	0 previously disadvantaged individuals were identified as executives managing agents	<p>The Panel for Executive Managing Agents was advertised; however, the response was poor.</p> <p>The advert for executive managing agents will be re issued on a broader platform, inclusive of an online platform. The advert will also be circulated to the industry bodies, namely: NAMA and ARC.</p> <p>The EAAB will be approached to provide CSOS with the list of Estate Agents or Managing Agents within the database falling within this category.</p>

## Changes to planned targets

Subprogramme	Governance, enforcement and compliance								
Outcome	Output	Output indicator	2018/19 Audit/Actual Performance	2019/20 Audit/Actual Performance	Annual Target	Actual Achievement 2020/21 until date of re tabling	Deviation from planned target to Actual achievement 2020/21	Reason for Deviation	Reason for revisions to the outputs/output indicators /Annual Target
Outcome 6: Community scheme Sector Value chain Transformed	Training of the previously disadvantaged individuals managing executive agents	6.1.1 Number of previously disadvantaged individual's executive managing agents trained	No target	No target	10	36 Previously disadvantaged individual's executive managing agents trained	Target exceeded with 31 more Previously disadvantaged individual's executive managing agents trained	Two training videos were shot and circulate two webinars were held to train both SAICA and all Trafalgar clients.	The training was not targeted for the functions of an Executive Managing agents
	Appointment of previously disadvantaged individuals' executive agents for community schemes	6.1.2 Number of previously disadvantaged individuals' executives managing agents appointed	No target	No target	10	Not yet due	N/A	N/A	Rephrased the targets from Executive management appointed to identified, as the appointment process will involve the request from Community schemes.



Subprogramme Dispute Resolution									
Outcome	Output	Output indicator	2018/19 Audit/Actual Performance	2019/20 Audit/Actual Performance	Annual Target	Actual Achievement 2020/21 until date of re tabling	Deviation from planned target to Actual achievement 2020/21	Reason for Deviation	Reason for revisions to the outputs/output indicators /Annual Target
OUTCOME 3: Disputes resolved	Disputes are conciliated	3.1.1 Percentage of disputes conciliated within 90 days	No Target	No Target	85% disputes conciliated	10.38% disputes conciliated within 90 days	- 74.62% disputes conciliated within 90 days	The Regional Offices were occupied primarily with the old disputes.	The proposal to reduce the percentage from 85% to 50% is based on the empirical evidence that the Entity was able to finalise 70% of the disputes with all the resources full time in the office and the utilisation of the usual method of face to face for Conciliation and adjudication.
	Disputes are adjudicated	3.1.2 Percentage of disputes adjudicated within 90 days	No Target	No Target	85% disputes adjudicated	38.6% disputes adjudicated within 90 days	-46.4% disputes adjudicated within 90 days		

## Strategy to overcome areas of under performance.

The CSOS manages performance in the following manner:

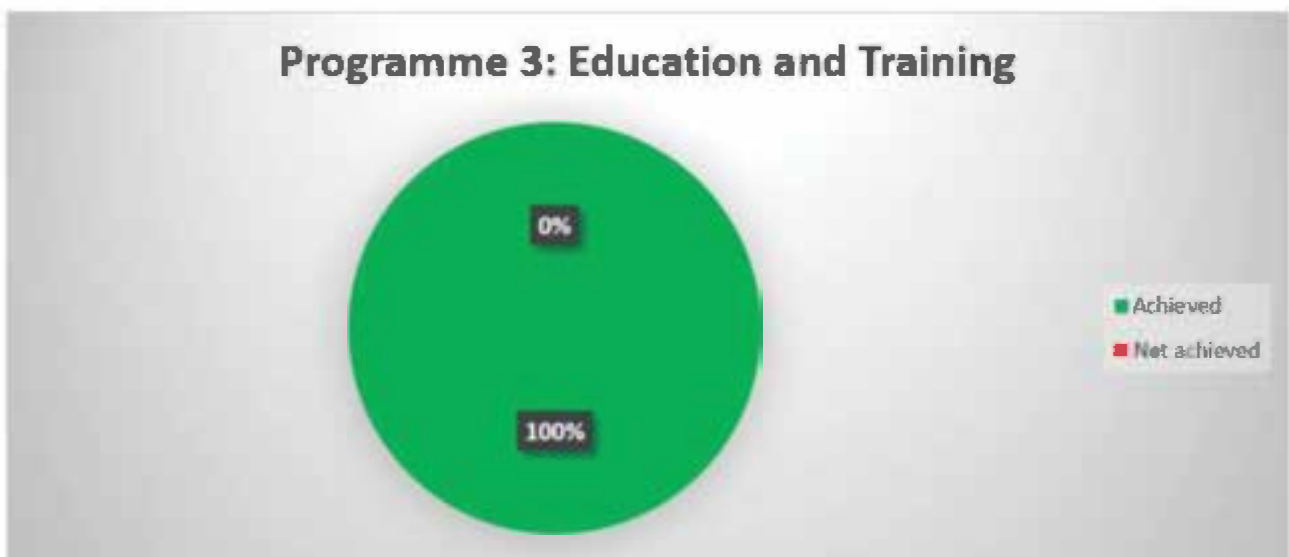
- Quarterly reports are discussed at EXCO, Audit, Risk and Ethics Committee (ARECO) and Board meetings for interventions and submitted to the Department of Human Settlements, Water and Sanitation for oversight monitoring and feedback.
- Each Board Sub-Committee must ensure that its APP target/s are a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

### 4.3 PROGRAMME 3: EDUCATION AND TRAINING

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

The Programme is reporting progress on the implementation of the following Outcomes as stipulated in the 2020 to 2025 Strategic Plan.

**OUTCOME 5:** Empowered stakeholders



**Figure 12**

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

One of the CSOS' mandate is to provide stakeholder training, consumer education and awareness for property owners, occupiers and other stakeholders who have right and obligation in the community schemes about those rights and obligations. The focus for the CSOS is to conduct training and education to Adjudicators, Conciliators, Executive Committees of Community Schemes and other stakeholders, provide consumer education on the rights and responsibilities of owners, occupiers and other stakeholders living in community schemes and to create public awareness of the CSOS services in terms of its mandate. In the 2020/21 financial year, the CSOS embarked on an awareness campaign through GCIS Media Buying. The aim of the campaign was to create awareness and visibility, and to increase registrations by community schemes from other areas, through the use of radio as the medium. Phase one of the campaign was implemented through various commercial radio stations, with adverts running between 29 June 2020 to 19 July 2020. Phase two was implemented from 27 September 2020, with adverts flighted on 65 community radio stations. In total, the radio campaign reached 18.6% of the population. The achievement was limited by the size of the budget and thus the frequency of the adverts.

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

Due to restriction on gathering, CSOS could not conduct any large-scale face-to-face consumer education sessions, however managed to conduct 10 face to face session on the roles and responsibilities of the trustees. Based on COVID-19 learnings a hybrid approach to education and training is being adopted, comprising a mix of physical and online (webinar) meetings and sessions, including stakeholder engagements and 6 You-Tube Videos were issued in the period under review, the Entity also coordinated 2 webinars.

In October 2020, The Board approved a go-to-market approach that would see CSOS in mass traditional and digital media to create awareness, visibility and support the scheme registration drive. Building a brand takes time and investment, phase one of this important conversation with the SA public began in earnest. The aim of the awareness campaign in this phase was to get as much reach (impression) as possible so that people are aware – the next step in phases to come will be to create more conversion and engagement. Phase one has been largely successful.

The CSOS secured a promotional package for the 2021 Budget Speech on eNCA / DSTV 403 - the highest reach broadcast platform for this national discourse. On the day, every half hour, viewers were exposed to CSOS messaging either via the television commercial, the “in program” squeeze backs or dedicated sponsor speech billboards. The 2021 South African national budget speech opened and closed with the CSOS advert. Throughout the day and on the day, the CSOS TVC was aired 34 times, the billboards aired in 12 slots and the squeeze backs aired in 13 slots – including pre live interviews and post budget commentary. The tactical approach was further supported by TV and radio adverts implemented nationally in other platforms. (GCIS, *Digital: post campaign reports to follow in Q1/2021*). The digital campaign achieved a reach and impression lead of 6 900 313, with 232 235 engagements (likes, comments, shares, link clicks), and 872 377 video views.

CSOS invested in advertising in Online News, Social, Radio and TV. The campaign entailed following elements:

- **TV – 30 second commercial on SABC1, SABC2 and ETV-Sponsorship of Budget Speech, advert, squeeze backs, animated billboards**
- **Radio - 45 second radio adverts in English, Afrikaans, Zulu and Xhosa**
- **Online – banner adverts, homepage, native (in story placements)**
- **Social - Google SEO, paid boost content on Google, YouTube and social accounts**

The total impressions for Phase 1 – across all platforms is more than 6M. This amount accounts for the times CSOS adverts were served. The top performing were Twitter and Google. Collectively, they are responsible for 2/3 of the engagement of the campaign. There was a good split between promoted and organic content in February and in March we were selective of the boosted content. Sticking to a weekly theme really assisted the organic engagement. February had more of a variety in terms of content distributions like the poll. The campaign has yielded more direct messages on platforms than pre-campaign.

The awareness campaign, radio interviews were also secured and conducted by the Acting Chief Ombud, Ms Ndivhuo Rabuli, on Power FM, Heart FM, 702, Jacaranda, Gagasi, and Algoa FM. Not all media platforms e.g., Billboards were available to CSOS at the time of media buying therefore CSOS will need to review in Q1 of 2021/22.

Four (4) issues of the CSOS stakeholder magazine, Shared Living, were published and the Q4 issue introduced the CSOS newly appointed Chief Ombud, Advocate Boyce Mkhize, and featured articles on legislation pertaining to Management and Conduct Rules for Sectional Title Development, Neighbour Disputes & Harassment, and How to Register a Community Scheme. The CSOS entered a contract with the Novus Group to provide media monitoring and analysis as of February 2021. During the February-March monitoring period, the Community Scheme Ombud Services generated 161 traditional media items, 290 social media items and 86 broadcast advertisements.

## Combined Scorecard

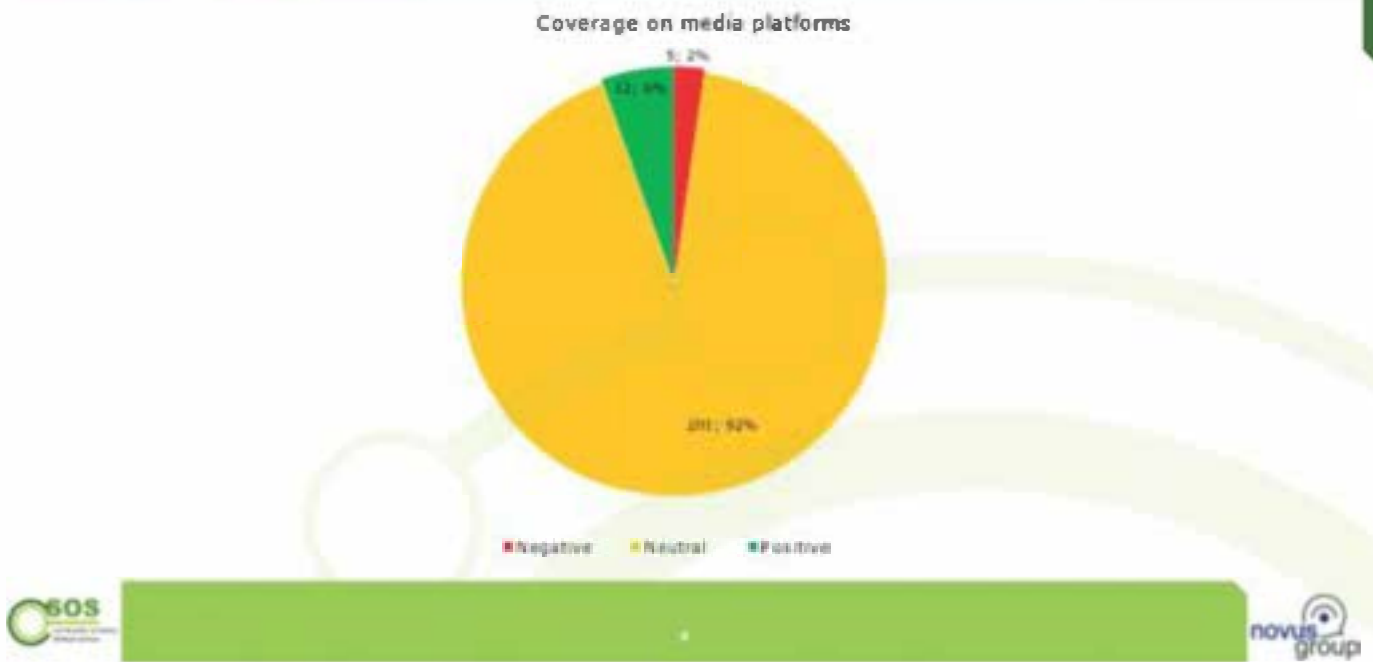


Figure 13

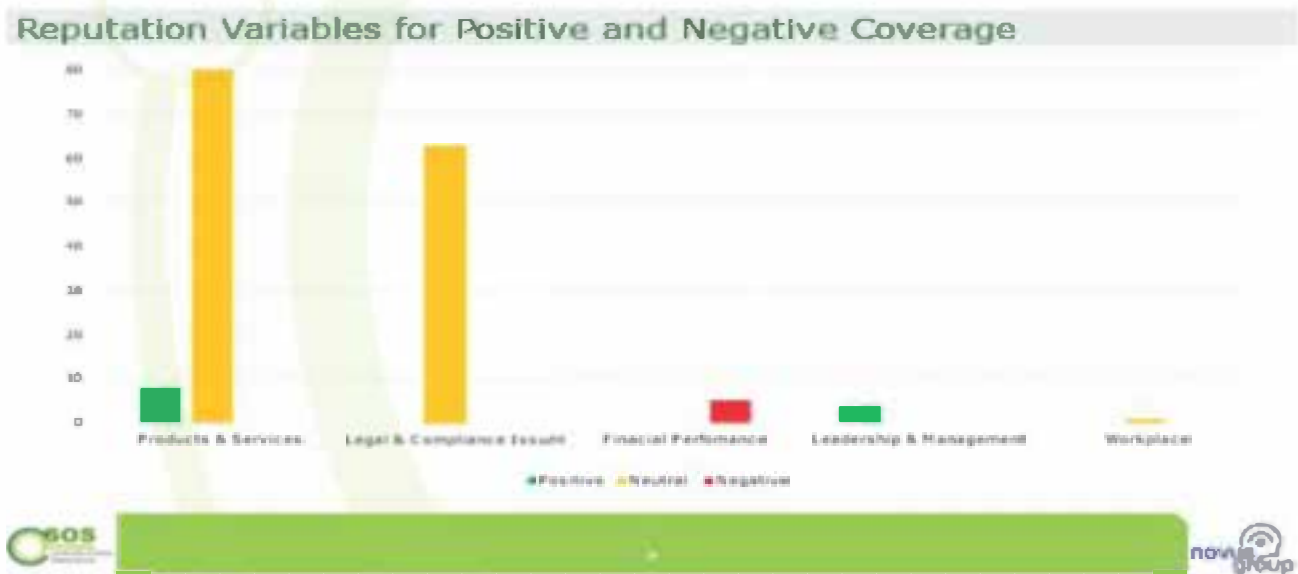


Figure 14

One of the most important activity areas in the period under review was that of liaison with stakeholders. A key outstanding deliverable from previous months was the issue of a CSOS update statement on VBS. A statement was issued in January 2021, updating the on progress that could be shared with members. Nevertheless, this remains a thorny issue, as detailed in the negative reputation drivers under media analysis.



## Strategic objectives

OUTCOME 5		Empowered stakeholders				
Output Indicator	2018/19 Audit/Actual Performance	2019/20 Audit/Actual Performance	2020/21 Annual Target	2020/21 Actual Achievement	Deviation from planned target to Actual achievement 2020/21	Reason for Deviation
5.1.1 Number of training and education sessions conducted for schemes executives and owners	12 Stakeholder engagements events coordinated	23 Training sessions conducted (1022 stakeholders trained)	8 Training and education sessions conducted for schemes executives and owners	18 Training and education sessions conducted for schemes executives and owners	Target exceeded with 10 Training and education sessions conducted for schemes executives and owners	Due to restrictions on face-to-face interaction, CSOS has opted for virtual training.
5.1.2 Number of training sessions conducted for adjudicators and conciliators	No Target	50 Core Staff Trained	6 Training sessions conducted for adjudicators and conciliators	10 Training sessions conducted for adjudicators and conciliators	Target exceeded with 4 training sessions conducted for adjudicators and conciliators	Due to restrictions on face-to-face interaction, CSOS has opted for virtual training.
5.1.3 Number of stakeholder information sessions conducted	12 Stakeholder information Sessions conducted	No Target	12 Stakeholder information Sessions conducted	14 stakeholder information sessions conducted	Target exceeded with 2 stakeholder information sessions conducted	Engagements with Major Stakeholders were done virtually, and the implementation of the Marketing and the Communication Strategy was not impacted by restriction of face-to-face interaction.
5.1.4 Number of editions of Shared Living e-Newsletters published	4 Stakeholder e-newsletter published	Four (4) editions of Shared Living e- Newsletter published	4 Editions of Shared Living e-Newsletters published	4 Editions of Shared Living e-Newsletters published	Target Achieved	Target Achieved
5.1.5 Number of marketing communication campaigns executed	Bulk messaging campaign ,2 Radio live read live read campaign ,4 online campaign conducted	4 Marketing communication campaigns	4 Marketing communication campaigns executed	6 Marketing communication campaigns executed	Target exceeded with 2 marketing communication campaigns executed	Part 2 of the campaign ran from 1 to 31 March 2021. The campaign was published on the following platforms: - Facebook - Twitter - LinkedIn -Google (same content) -YouTube (same content)

## Changes to planned targets

Subprogramme Dispute Resolution									
Outcome	Output	Output indicator	2018/19 Audit/Actual Performance	2019/20 Audit/Actual Performance	Annual Target	Actual Achievement 2020/21 until date of re-tabling	Deviation from planned target to Actual achievement 2020/21	Reason for Deviation	Reason for revisions to the outputs/output indicators /Annual Target
Empowered stakeholders	Community Schemes executives are trained	5.1.1 Number of training and education sessions conducted for schemes executives and owners	12 Stakeholder engagements events coordinated	23 Training sessions conducted (1022 stakeholders trained)	16 Training and education sessions conducted for schemes executives and owners	4 Training and education sessions conducted for executives and owners	-4 Training and education sessions conducted for schemes executives and owners	There were no training sessions conducted in Q1, due to Covid 19 lockdown, restriction of face to face gathering	There were no training sessions conducted in Q1, due to Covid 19 lockdown, restriction of face to face gathering

### Strategy to overcome areas of under performance.

The CSOS manages performance in the following manner:

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

## 5. TRANSFER PAYMENTS

### 5.1. TRANSFER PAYMENTS TO PUBLIC ENTITIES

Not applicable.

## 6. CONDITIONAL GRANTS

Not applicable.

## 7. DONOR FUNDS

Not applicable.

## 8. CAPITAL INVESTMENT

Not applicable.



**PART C**

# **GOVERNANCE**

## 1. INTRODUCTION

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

## 2. RISK MANAGEMENT

The Community Schemes Ombud Service (CSOS) has committed itself to a process for risk management that is aligned to the principles of good corporate governance, as legislated by Section 51 (1) (a) (i) of the Public Finances Management Act (PFMA), Act 1 of 1999 as amended by Act 29 of 1999 and Treasury Regulations.

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

During this period, the Entity developed a Risk management policy, Risk management framework and conducted risk assessments within the various programmes of the Entity. Resulting from the risk assessments, the revised strategic and Operational risk register as well as a Fraud risk Register were realigned to focus on the new identified risk mitigation strategies.

The Risk Management policy details procedures linked to Risk Management and its processes to minimize the occurrence of risks and ensure proper administrative and management procedures in the CSOS. It also ensures that internal controls are adhered to, improved and implemented by all officials and management. It also aims to pursue a structured approach to the effective management of risk in pursuit of CSOS objectives. The realization of CSOS strategic plan depends on being able to take calculated risks in a way that does not jeopardise the interest of our stakeholders. Sound management of risk will enable the CSOS to anticipate and respond to changes in our environment, as well as taking informed decisions under conditions of uncertainties.

### 2.1 RISK GOVERNANCE

The CSOS Board of Directors is committed to a process of risk management that is aligned to the principles of good corporate governance as supported by the Public Finance Management Act No.1 of 1999, Public Sector Risk Management Framework published on 1 April 2010 and COSO Integrated Risk Management Framework. CSOS recognizes that the management of risks is an integral part of sound management and therefore adopts a comprehensive approach to the management of risk. The features of this approach are outlined in the CSOS's Risk Management Policy and Framework.

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

The Accounting Authority has therefore adopted an Enterprise-wide Risk Management (ERM) Framework which is designed to ensure significant risks and related incidents are identified, documented, managed, monitored, and reported in a consistent and structured manner across the CSOS.

### **3. APPROACH TO RISK MANAGEMENT**

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

Enterprise Risk Management helps to ensure that risk management is included as part of key performance areas within the CSOS for all the Executive and Management of CSOS. This shall be achieved by reflecting risk management as a key performance area in individual performance agreements.

- Instil a risk management culture throughout the organisation.
  - Implement effective risk management processes and systems.
  - Develop a common understanding of risk across multiple functions and business units in order to manage risk cost-effectively on an enterprise-wide basis.
  - Integrate risk management process into management practices, strategic formulation, and business planning processes.
- Use risk input to understand the challenges that face the company but also to take advantage of the potential opportunities or upside of risk.
- Build and improve capabilities to respond effectively to low probability, critical, catastrophic risks.
  - Utilise the input from risks to make better decisions and continuously monitor the information provided to decision-makers to assist in managing key risks and protect the interests of shareholders.



#### 4. FRAUD AND CORRUPTION

Fraud and corruption erodes good governance and obstructs service delivery hence the CSOS is committed to a zero-tolerance approach to fraud and corruption. The Entity has an Anti-Fraud and Corruption Strategy and Prevention Plan and Whistle Blowing Policy which were review and approved during the period under review. The Whistle blowing Policy enables officials and third parties to report fraud and corruption anonymously.

One of the fraud prevention measures at CSOS entails pre-screening of prospective employees to ensure employees of the CSOS have and maintain integrity. By performing pre- employment screening the potential risk that a person may pose to the CSOS is determined and areas of concern detected before appointments are made.

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

- Provide guidelines in preventing, detecting, and reporting fraudulent activities within CSOS.
- Create a culture within CSOS where all employees and stakeholders continuously behave ethically in their dealings with or on behalf of CSOS; Encourage all employees and stakeholders to strive towards the prevention and detection of fraud impacting or having the potential to impact on CSOS.
- Encourage all employees and stakeholders to report suspicions of fraudulent activity without fear of reprisals or recriminations; and
- Provide a focus point for the allocation of accountability and authority.

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

## 5. HEALTH SAFETY AND ENVIRONMENTAL ISSUES

The Community Scheme Ombud Service (CSOS) as an employer considers its employees to be its most valuable assets and undertakes to safeguard them through providing and maintaining, as far as reasonably practical, a working environment that is safe and without risk to the health of its employees. In ensuring a safe and healthy working environment all employees of the CSOS must work together closely with the employer in minimizing any risks that might jeopardize the health and safety of the employees in the organization. During the period under review the Entity appointed an OHS officer, for the Occupational Health and Safety, which is in line with section 16.2 of the Occupational Health and Safety Act. Compliance officers and Occupational Health and Safety representatives were also appointed in all the Offices, Head Office and the three Regional Offices. Compliance officers and Facility Manager appointed members of the Covid-19 task team to ensure compliance with the organisation work plan as a requirement by the Regulation for Disaster Management Act.

Services providers were appointed to deep cleanse and disinfect all CSOS offices on a weekly basis. The task team ensure that staff members working in the office receive surgical masks, hand clothes daily. Employees working in the office were screened the temperature prior entering the office and sign attendance register daily. Regular Covid-19 Steering Committee meetings were held to ensure adherence to the Disaster Management Act which guides the return to work and operations on a day-to-day basis. During the period quarter under there were four incidents of covid-19 cases reported. All officials that had contact with the staff member who tested positive were quarantined for 10 days. The OHS policy was developed awaiting sign off.

The primary objectives of the OHS policy are to:

- To provide and maintain, as far as reasonably practicable a workplace that is safe and without risk to the health and safety of the workforce.
- To provide information, instruction, training, and supervision as maybe necessary to ensure, as far as reasonably practicable to the health and safety of the workforce; and
- To fostering the cooperation between the employer and employees on health and safety matters.
- To develop and extend OHS management systems that provides an efficient coordination function for all OHS matters in the CSOS.

The Community Schemes Ombud Services (CSOS) commits itself to the adherence of the Occupational Health and Safety Act 1993, (Act No. 85 of 1993) requirements and other related regulatory and legislative frameworks, by providing and maintaining a work environment that is safe and risk free to the health of its employees. Furthermore, the CSOS shall ensure that, as far as reasonably practicable that health and safety for persons other than those in its employment who may be directly affected by the organizational activities are not exposed to risks and hazards resulting from such activities.

## 6. COMPLIANCE WITH LAWS AND REGULATIONS

The board of CSOS recognises its accountability to its stakeholders under the regulatory requirements applicable to its business and remains committed to high standards of integrity and fair dealing in its conduct. Given the importance of complying with the ever-increasing domain of regulatory requirements, and the increased national and international emphasis placed on regulatory supervision, the Board, Executive Committee and employees continue to monitor, align and adhere to compliance requirements. Further, CSOS remains vigilant in monitoring material risks and developing an appropriate control environment to ensure organization wide compliance. The Board oversees compliance management and has delegated the review and approval of the organizations compliance program to the Audit, Risk and Ethics Committee and the authority to oversee compliance matters within CSOS.

## 7. COMPOSITION OF THE BOARD

**The Board comprises of seven (7) members as follows:**

Mr Mthobi Tyamzashe	(Chairperson)
Ms Maemili Ramataboe	(Deputy Chairperson)
Ms Ayanda Olifant	(Member)
Ms Letlhogonolo Noge-Tungamirai	(Member)
Mr Taurean Holmes	(Member)
Mr Rajesh Jock	(Member-resigned in August 2020)
Adv. Boyce Mkhize	(Chief Ombud)
Ms Thembelihle Mbatha	(Chief Financial Officer)

## 8. REPORT OF THE AUDIT, RISK AND COMMITTEE

We are pleased to present our report for the financial year ended 31 March 2021.

### 8.1 Audit and Risk Committee Members and Attendance

During the year under review, the Committee consisted of three (3) independent Non-Executive Members appointed by the Accounting Authority. The Committee attended 9 meetings, which were also attended by the Auditor General South Africa, the Chief Audit Executive and his team and members of Executive Management in an Ex-officio capacity, led by the Chief Ombud. The Membership is constituted as follows: -

Name of member	Number of meetings attended
Ms. M Ramataboe (Chairperson & non-executive director)	9
Mr. Iqbal Motala [independent external member]	8
Ms. L. Noge-Tungamirai [non-executive director]	9
Mr. Rajesh Jock [non-executive director]* *resigned in August 2020	4

## 8.2 Audit and Risk Committee responsibility

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

The primary role of the Committee is to assist the Board and Management in discharging oversight responsibilities of the financial reporting process and related audit activities, monitoring and enhancing the system of internal controls, risk management process and systems, and compliance with laws and regulations.

In the current reporting period, the committee's work included, inter alia, reviewing the financial planning processes, quarterly and in-year financial reporting from management, the audit process and related audit findings, Risk Management including Business Continuity. This included recommending appropriate accounting policies for the CSOS; reviewing any significant assumptions and judgements made by management; reviewing annual and quarterly financial reports prior to approval by the Board and reviewing submissions of quarterly reports to the relevant authorities; reviewing internal audit reports and tracking all audit findings; approving audit fees as well as reviewing internal audit and external audit mandates for independence, objectivity and effectiveness.


The Committee ensured co-operation between the internal audit function and the external auditors in relation to: the external auditors relying on work done by the internal audit for purposes of work set out in the audit plan. The ARC is of the view that Combined Assurance adds demonstrable value and the adequacy, reliability and accuracy of financial information provided by management to such other users of the information.

## 8.3 The effectiveness of internal controls

During the year under review, ARC noted that the internal control environment of the CSOS continued to improve increasing the probability of achievement of strategic objectives. The CAE and his team supported by out-sourced Internal Audit firm conducted audit reviews in line with approved Internal Audit Plan. Good progress was made this year towards resolving previous audit findings, particularly programs designed to facilitate collection of levies from unregistered schemes. From the various reports of the internal auditors and the management, as well as audit reports of the Auditor General South Africa (AGSA) it was noted that there were material deficiencies in the system of internal controls in areas pertaining to Revenue Collection, Supply Chain Management and compliance with laws and regulations. The deficiency which is a result of the low rate of registrations by schemes across the provinces, is being addressed via a number of initiatives designed to bring all schemes into the fold, as well as enforce levy collections. The Committee is satisfied that significant progress will be demonstrated in the following reporting period.

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





The Committee also considered previous Irregular Expenditure which awaits condonation from National Treasury. The Committee is satisfied that there is an appropriate framework in place including the appointment of a Loss Control Committee to manage compliance with the PFMA and related frameworks. The Committee will monitor the outcomes of the Loss Control Committee which are due to be implemented in the new financial year, including the institution of a robust system to prevent irregular, fruitless and wasteful expenditure.

#### **8.4 Management and Monthly / Quarterly Reports**

We can confirm that quarterly reports were submitted to the National Treasury and that we are satisfied with the content and quality of monthly and quarterly reports during the year under review as required by the PFMA. The quality reviews and assurance provided by both management and the Committee have yielded positive results yielding a clean audit on performance information.

#### **8.5 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 AGSA and the Accounting Authority
- reviewed the Auditor-General of South Africa's management report and management's responses thereto;
- reviewed significant assumptions and judgements made by management;
- reviewed the entity's compliance with legal and regulatory provisions; and
- reviewed the information on predetermined objectives to be included in the annual report.

The Committee is pleased to report that there were no material findings in the Annual Financial Statements and the Committee concurs fully with the AGSA report and Audit Opinion of the Auditor General South Africa on the Annual Financial Statements. The Committee further recognizes the importance of maintaining the clean audit, and the responsibility required of management to be consistent in the next period.

#### **8.6 Internal audit Function**

The Committee is responsible for ensuring that the internal audit function is independent and has the necessary resources, skills, standing and authority within the CSOS to enable it to discharge its responsibilities effectively. In the reporting period, the Internal Audit function led by the CAE and a team of 1 Manager and 2 Internal Auditors, was supplemented by outsourced Internal Audit. The CAE has unrestricted access to the Committee.

The Committee reviews and approves the Internal Audit Plan annually. Internal audit's activities are measured against the approved internal audit plan and the CAE tables progress reports in this regard at Committee Meetings. The annual Audit Plan for the current reporting period was executed satisfactorily.



Internal Audit also performed a wide range of operational, financial, compliance and information-technology audits including follow-ups. In addition to these planned audits, the unit also attended to certain ad-hoc requests by the Board and or management, as well as the Committee requests.

### **8.7 Enterprise Risk Enterprise Risk Management (ERM)**

The Committee is responsible for the oversight of the CSOS's risk management systems and activities.

In the current reporting period, the Committee reviewed the ERM policies and strategy. The Board participated in the annual risk assessment workshop and continuous monitoring is being done to ensure that key risks are within the desired risk appetite. The review of the ERM structure is also underway as part of the review of CSOS organogram to fully capacitate the entity.

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

### **8.8 Auditor-General of South Africa**

The Committee, in consultation with the management, agreed to the terms of the Auditor General South Africa's engagement letter, audit strategy and audit fees in respect of the 2021/2022 financial year. The Committee also monitored the implementation of the action plans to address matters arising from the Management Report issued by the Auditor-General South Africa (AGSA) for the 2021/2022 Financial Year. The Committee has also had in committee meetings with the Auditor-General of South Africa. The Committee has reviewed the Annual Report and is satisfied that it is aligned to the annual financial statements.

The Committee concurs and accepts the conclusions of the Auditor-General on the annual financial statements and is of the opinion that the audited annual financial statements and annual performance information report be accepted and read together with the report of the Auditor-General South Africa.



*Maemili Ramataboe CA(L) MBA(UFS)*  
*Chairperson of the Audit and Risk Committee*



**PART D**

# HUMAN RESOURCE MANAGEMENT



## 1. INTRODUCTION

1.1 The Human Resources Business implemented its Human Resources Operational Plan (HROP) for the 2020-2021 financial year, which included the following Human Resources Management priorities:

- 1.1.1. Vacancy rate reduction
- 1.1.2. Leave Management
- 1.1.3. Staff Induction
- 1.1.4. Talent Management
- 1.1.5. Employee Engagement surveys
- 1.1.6. Employment Equity
- 1.1.7. Employee wellness
- 1.1.8. Policy development and implementation
- 1.1.9. Employee relations
- 1.1.10. Human resources training and development
- 1.1.11. Internship Management
- 1.1.12. Employee Performance Management
- 1.1.13. Human Resources Policy Development

## 2. OVERVIEW OF HUMAN RESOURCES

2.1 The status of human resources in the Entity

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

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

2.2. The Human Resources' mandate is to provide service excellence and support the CSOS' functions by attracting and retaining suitably qualified individuals who will add value to the organisation.

2.3. Its objective is to support the CSOS' strategic goals through creating learning opportunities, empowerment, flexibility, support and rewards whilst developing a culture of high performance through the application of processes, best practices, and skills across the CSOS.


- 2.4. The Human Resources Business also aims to create a sustainable organisation and business continuity through structured succession planning and ensuring that employees are supported, trained, and equipped to occupy all positions.
- 2.5. By doing so, it strengthens the human resource capability to fulfil its roles as a strategic partner, creating intellectual capital and administrative expertise.
- 2.6. A Human Resource Plan (HRP) is adopted as a tool to ensure that all the employees' needs are identified on time and are adequately addressed to enable optimum achievement of the CSOS' strategic objectives.
- 2.7. During the past year, the Human Resources Business Unit focused mainly on the continuous recruitment drive in order to capacitate the various business units within the CSOS.
- 2.8. Because of the Covid-19 pandemic, most of the recruitment was conducted virtually.
- 2.9. Further objectives of the Human Resources business unit include the following:
- 2.9.1. To support the CSOS strategic goals through creating learning opportunities, empowerment, flexibility, support and rewards.
- 2.9.2. To develop a culture of high performance through the application of rigorous tools, best practices, provision of relevant techniques and skills and mobilisation of energy across the organisation.
- 2.9.3. To review all HR policies and procedures and ensure that they are user-friendly, legally compliant, reflect best practice and satisfy current and future operational needs.
- 2.9.4. To implement effective performance management measurement tools in order to improve standards of delivery and formally address poor standards of performance.

### 3. THE STATUS OF HUMAN RESOURCES AT THE CSOS

- 3.1. The CSOS recognises that attracting and retaining talented, skilled and suitably qualified employees is a pre-requisite for achieving business growth and for meeting its strategic goals and fulfilling its mandate.
- 3.2. The Human Resources Business aimed to decrease the staff vacancy rate every quarter. To this end, the total staff complement as at the end of the 2020/21 financial year was as depicted below:

	PERMANENT	INTERNS	TEMPS	TOTAL	PERCENTAGE OF PERMANENT APPOINTMENTS BASED ON THE APPROVED STRUCTURE
Q4 (2020/21)	115	23	14	152	42%
Q3(2020/21)	106	22	18	146	46%
Q2 (2020/21)	99	2	19	120	50%
Q1(2020/21)	99	4	12	115	50%



- 
- 3.3. There was a 14% growth in the staff complement from the previous financial year. As of 31 March 2021, the vacancy rate of the Entity decreased to from 50% at the beginning of the financial year, to 42% at the end of the 2020/21 financial year.
- 3.4. The 2020/21 financial year commenced with a headcount complement of ninety-nine (99) permanent, four (4) Interns and 12 temporary staff.
- 3.5. With the prioritisation of filling vacant positions in the 2020/21 financial year, 16 permanent positions were filled, therefore decreasing the staff vacancy rate by eight (8) percent. Furthermore, by understanding the talent and capabilities we have, we can appropriately match these to critical roles in the organisation, thereby maximising employee potential and achieving our strategic goals.
- 3.6. In the 2021/22 financial year, the current organisational structure will be revised to ensure alignment to the CSOS mandate and strategy. The revision of the organisational structure will require additional capacitation to enhance the delivery on the CSOS' objectives while also increasing capacity to support the regulatory function of the CSOS, ensuring a compliant sector.
- 3.7. The Chief Ombud and the CFO vacant positions will be filled in Q1 of the 2021/22 financial year.
- 3.8. The CSOS has a voluntary **turnover rate of 2%**, which is a low percentage since the optimal functional voluntary employee turnover rate for organisations in South Africa was calculated to be between 14 and 19%. According to a 2016 Compensation Force study, the average total turnover for all industries is 17.8 percent.
- 3.9. There were nine (9) terminations within 2020-21; out of the nine, six (6) were permanent positions and three were from the internship programme.

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

- 4.1. To secure the right quantity and quality of staff by filling prioritised vacant and funded posts. This is as guided by the approved organisational structure as well as the 2020/21 Recruitment Plan.
- 4.2. To ensure the effective HR Training and Development Programme, in line with the approved Training Plan.
- 4.3. To implement the CSOS' Employee Performance Management System (EPMS).
- 4.4. To ensure sound employee relations.



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

- 5.1. Putting careful thought and consideration into the (future) skills of the CSOS workforce is a very important function within the HR business unit.
- 5.2. The objective under this strategy is to recognise the priority the CSOS places on the recruitment and retention of high-quality staff and the need to offer comprehensive salaries and an attractive environment to be able to achieve its strategic objectives. It is, therefore, clear that the CSOS must continue to seek out the right calibre of employee in order to remain competitive.
- 5.3. Key focus was placed on the employees already on board, the ones that needed further development as well as the employees who still needed to be on board.
- 5.4. It is in this regard that the Talent Management Policy, which guides the talent acquisition value chain, "From Cradle to Grave", was drafted and sent for Board approval.
- 5.5. The Human Resources Business also aims to create a sustainable organisation and business continuity, through structured succession planning and ensuring that employees are supported, trained, and equipped to occupy all positions. By doing so, it strengthens the human resource capability to fulfil its roles as a strategic partner, creating intellectual capital and administrative expertise.
- 5.6. Priority was given to the recruitment and retention of high-quality staff.
- 5.7. Furthermore, efforts to offer competitive/market related salaries were made, hence the appointment of a service provider to re-grade all the positions on the approved structure and to offer updated salary scales to guide the remuneration of each position.
- 5.8. This project aims to strive to have an attractive environment, to be able to achieve the CSOS' strategic objectives as well as to ensure the retention of existing staff.
- 5.9. In an effort to seek out the right calibre of employee and to remain competitive, the HR Business Unit ensured that all the preferred candidates met the minimum requirements for the role by conducting qualification as well as reference checks on the short-listed candidates. Furthermore, the short-listed candidates for senior positions, were sent for competency assessments to ensure a good fit for the roles.

## **6. HUMAN RESOURCES TRAINING AND DEVELOPMENT**

- 6.1. The Entity has been building its own capacity and filling key strategic positions since its inception. Training and development are key components of the CSOS' employee's value proposition. The Training and Development policy as well as the Bursary policy were developed to ensure the effective development of employees. A Training Plan was approved for the 2020/21 financial year.

## 7. INTERNSHIP MANAGEMENT

7.1 In line with the national effort to broaden skills development as prescribed in the Skills Development Act of 1998, the CSOS has a successful internship programme which assists young South Africans to contribute to the advancement of the organisation. The CSOS has a total of twenty-three Interns as of the 31st of March 2021.

## 8. EMPLOYMENT EQUITY

8.1 The CSOS is committed to the Code of Good practice on Employment Equity. Quarterly updates are provided to Senior Management and to the CSOS Board on a quarterly basis on the implementation and to monitor progress.

8.2 The table below indicates how the CSOS has proceeded in terms of the alignment to the National demographics, according to the latest census, and aim to source and recruit from the under-represented groups.

CSOS DERMOGRAPHICS AT THE END OF Q4			NATIONAL DERMOGRPHICS		VARIANCE IN Q	VARIANCE IN Q4	PROGRESS
Africans	128	85%	Africans	79%	Oversubscribed by 10%	Oversubscribed by 6%	Reduction of the over subscription by 4%
Whites	6	4%	Whites	8.9%	Under subscribed by 5.9%	Undersubscribed by 4,9%	Reduction of the unde subscription by 1%
Coloured's	8	5%	Coloured's	8.9%	Under subscribed by 4.9%	Undersubscribed by 3,9%	Reduction of the unde subscription by 1%
Indians	9	6%	Indians	2.5%	Oversubscribed by 0,5%	Oversubscribed by 3,5%	Increase in the over subscription by 3%

## 9. POLICY DEVELOPMENT

9.1 The Human Resources Business continuously updates its policies to ensure alignment to the current labour legislation and to accommodate the ever-evolving CSOS' operations.

9.2 The following policies were approved by the Board in Q4:

9.2.1 The Remote Working Policy

9.2.2 Disciplinary Policy

9.2.3 The Leave Management Policy

9.2.4 The Employee Wellness Policy

9.2.5 The Standard Operating Procedure on Managing Covid-19 Related Cases

9.3 The following policies were drafted and will be tabled for approval in Q1 of the 2021/22 financial year:

- 9.3.1 Organisational Design Policy
- 9.3.2 Employment Equity Policy
- 9.3.3 Sexual Harassment Policy
- 9.3.4 Grievance Procedure Policy
- 9.3.5 Talent Management Policy
- 9.3.6 Acting Policy
- 9.3.7 Non-Discrimination Policy

## 10. EMPLOYEE WELLNESS

- 10.1 A safe and healthy workplace is critical for an organisation. To this fact, an Occupational Health and Safety policy was developed and approved.
- 10.2 The Wellness Policy was approved in Q4.
- 10.3 An Employee Wellness service provider was appointed in Q2 of 2020/21.
- 10.4 Employees are urged to consult with the service provider on any matters affecting their wellbeing.

## 11. STRATEGIC OBJECTIVES

### 11.1 PROGRAMME PERFORMANCE TABLE:

Output	Output Indicator	Annual Target (2020/21)	YTD Actual	YTD Variance	Comment on target achieved
Vacancy rate reduced	Percentage reduction of vacancy rate	5%	Q1 – Q4 Recruitment plan implemented	<ul style="list-style-type: none"> <li>• Recruitment Plan implemented.</li> <li>• Target exceeded by 3%.</li> </ul>	<ul style="list-style-type: none"> <li>• The annual target of reducing the vacancy rate by 5% of the has been exceeded.</li> <li>• The vacancy rate at the end of 2019/20 was at 50%.</li> <li>• The vacancy rate has been reduced by 8% as at the end of Q4.</li> <li>• More permanent positions interviewed in Q4 will be filled in Q1 of the 2021/22, further reducing the vacancy rate, and exceeding the target set.</li> </ul>

## **12. ACHIEVEMENTS AND CHALLENGES FACED BY THE HUMAN RESOURCES BUSINESS UNIT**

### **Achievements**

- 12.1. The ability to continue with recruitment during the Covid-19 lockdown, by conducting virtual interviews.
- 12.2. The capability to fill 82% of the Executive vacancies as at the end of Q4.
- 12.3. The awarding of bursaries to qualifying employees.
- 12.4. Establishment of an internship programme, which is recruitment tool that ensures an ongoing pipeline of future full-time employees. Furthermore, the programme supports graduates in gaining experience, developing skills, making connections in the workspace, strengthening their CVs as well as assessing their interests and abilities.
- 12.5. The appointment of a panel of recruitment agencies to assist with the response-handling for the advertised positions for a three-year period, therefore saving the business unit time with the recruitment processes.
- 12.6. Sending new and revised policies to employees for their inputs before Board approval and conducting policy workshops after the approval by Board.
- 12.7. The appointment of the service provider to conduct the salary bench marking exercise, which was to assist with addressing some challenges experienced in the recruitment and appointment process as well as addressing salary anomalies amongst the current CSOS employees.
- 12.8. The acquisition of new offices in February 2021, which addressed the issue of office space shortage at the Head Office and the Gauteng Regional Office.

### **Challenges**

- 12.9. Ensuring that the CSOS' salaries are comparable with the job market; and also, within the job bands of the Paterson job evaluation system whilst ensuring market-related salaries. This will however be corrected with the appointment of a service provider to revise the organisational structure and grade all the positions on the new structure.
- 12.10. Having employees who were Covid-19 positive which necessitated the temporary shutdown of some offices.

## **13. FUTURE HUMAN RESOURCE PLANS/GOALS**

- 13.1. Alignment of the CSOS' organisational structure to its mandate by effecting the revision thereof.
- 13.2. The grading of all the positions on the revised structure and to benchmark the CSOS salaries with similar entities as well as with the Market.
- 13.3. Priority will be given to advertising and filling of the critical positions in order to achieve the CSOS' objectives.

## 14. HUMAN RESOURCES OVERSIGHT STATISTICS

### Personnel-related expenditure

**Table 14.1** Personnel expenditure by programme for the period 1 April 2020 to 31 March 2021 (per business unit)

Programme	Total expenditure (R'000)	Personnel expenditure (R'000)	Training expenditure (R'000)	Personnel expenditure as a % of total expenditure	Average personnel cost per employee (R'000)
ICT	R3 536 379,18	R3 486 754,28	R49 624,90	9,6	R10,38
Supply Chain	R2 720 954,36	R2 673 203,36	R47 751	7,4	R13,54
Dispute	R7 170 063,15	R7 152 836,15	R17 227	19,7	R5,06
Corporate Service	R5 359 324,69	R5 349 480,69	R9 844	14,7	R6,76
Finance	R3 641 603,30	R3 634 220,30	R7 383	10,0	R9,96
Internal Audit	R3 935 984,95	R3 928 601,95	R7 383	10,8	R9,21
Company Secretary	R1 582 643,68	R1 580 182,68	R2 461	4,4	R22,89
Governance	R3 029 790,28	R3 024 868,28	R4 922	8,3	R11,96
Adjudication	R4 124 238,50	R4 121 777,50	R2 461	11,3	R8,77
Planning and Monitoring	R1 236 501,91	R1 234 040,91	R2 461	3,4	R29,32
<b>Total</b>	<b>R36 337 484,00</b>	<b>R36 185 966,10</b>	<b>R151 517,90</b>	<b>100%</b>	<b>R127,85</b>

**Table 14.2** Personnel costs by salary band for the period 1 April 2020 to 31 March 2021 (using the Paterson grading system)

Salary band	Personnel expenditure (R'000)	% Of total personnel cost	Number of employees	Average personnel cost per employee (R'000)
B2-B5	6 305 628,96	9,22	34	214 871,44
C1-C5	12 787 456,57	17,41	38	362 827,8033
D1-D5	39 422 892,34	51,05	48	842 143,59
E1-E4	14 660 454,42	21,04	9	1 851 161,60
Stipend	698 583,48	0,88	23	30 373,19
<b>TOTAL</b>	<b>78 875 015,77</b>	<b>99,6</b>	<b>152</b>	<b>3 301 377,53</b>

**Table 14.4** Employment and vacancies by salary band as on 31 March 2020 (recruitment by Paterson grades)

Salary band (Paterson grades)	Number of posts on approved establishment	Number of posts filled	% Vacancy rate	Number of employees additional to the establishment
A2-A3	N/A	N/A	N/A	N/A
B2-B5	15	9		
C1-C5	21	6		
D1-D5	18	4		
E1-E4	2	1		
F1				
<b>Total</b>				



## 14.5 Employment changes

14.5.1 This section provides information on changes in employment over the financial year. Turnover rates provide an indication of trends in the employment profile of the Entity. The following tables provide a summary of turnover rates by salary band and critical occupations (see definition in notes below).

**Table 14.5.1** Annual turnover rates by salary band for the period 1 April 2019 and 31 March 2020 (by Paterson Grades)

Salary band (By Paterson Grades)	Number of employees at beginning of period 1 April 2020	Appointments and transfers into other business units	Terminations and transfers out of other business units	Turnover rate
A2-A3	N/A	N/A	N/A	N/A
B2-B5	48	N/A	1	2,0%
C1-C5	26	2	N/A	
D1-D5	43	1	3	6%
E1-E4	8	1	N/A	
F1	N/A	N/A	N/A	N/A
<b>TOTAL</b>	<b>125</b>	<b>4</b>	<b>4</b>	<b>3,2%</b>

## 14.6 Employment equity

**Table 14.6.1** Total number of employees (including employees with disabilities) in each of the following Paterson Grades as of 31 March 2021

Occupational category	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Paterson grade F	0	0	0	0	0	0	0	0	0
Paterson grade E	4	0	2	0	3	0	0	0	9
Paterson grade D	15	3	0	2	17	2	2	3	44
Paterson grade C	11	0	1	0	14	1	1	0	28
Paterson grade B	14	1	0	0	31	0	1	1	48
Interns	8	0	0	0	12	1	2	0	23
<b>Total</b>	<b>52</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>77</b>	<b>4</b>	<b>6</b>	<b>4</b>	<b>152</b>
Employees with disabilities	0	0	0	0	0	0	0	0	0

**Table 14.6.2** Total number of employees (including employees with disabilities) in each of the following Paterson bands as at the 31 March 2021

Occupational band	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Paterson grade F	0	0	0	0	0	0	0	0	0
Paterson grade E	4	0	2	0	3	0	0	0	9
Paterson grade D	15	3	0	2	17	2	2	3	44
Paterson grade C	11	0	1	0	14	1	1	0	28
Paterson grade B	14	1	0	0	31	0	1	1	48
Interns	8	0	0	0	12	1	2	0	23
<b>Total</b>	<b>52</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>60</b>	<b>4</b>	<b>6</b>	<b>4</b>	<b>152</b>

**Table 14.6.3** Recruitment for the period 1 April 2020 to 31 March 2021 (Per Paterson grades)

Occupational band	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Paterson grade F	0	0	0	0	0	0	0	0	0
Paterson grade E	0	0	1	0	1	0	0	0	2
Paterson grade D	3	2	0	0	1	0	0	1	7
Paterson grade C	4	0	1	0	4	0	0	0	9
Paterson grade B	2	0	0	0	13	0	0	0	15
Interns	8	0	0	0	12	1	2	0	23
<b>Total</b>	<b>17</b>	<b>2</b>	<b>2</b>	<b>0</b>	<b>31</b>	<b>1</b>	<b>2</b>	<b>1</b>	<b>56</b>
Employees with disabilities	0	0	0	0	0	0	0	0	0

**Table 14.6.5** Terminations for the period 1 April 2020 to 31 March 2021 – per Paterson Grades

Occupational band	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Paterson grade F	0	0	0	0	0	0	0	0	0
Paterson grade E	0	0	0	0	0	0	0	0	0
Paterson grade D	2	0	0	0	3	0	0	0	5
Paterson grade C	0	0	0	0	0	0	0	0	0
Paterson grade B	1	0	0	0	6	0	0	0	7
Interns	1	0	0	0	2	0	0	0	3
<b>Total</b>	<b>4</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>11</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>15</b>
Employees with disabilities									

**Table 14.6.7 Skills development for the period 1 April 2020 to 31 March 2021 (Training and Bursaries per Paterson Grades)**

Occupational category	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Dispute (E, D1-D5 & B2-B5)	1		1		5			1	8
Finance (D1-D5 & B2-B5)	2				3				5
Company Secretary (E & B2-B5)	1				1				2
Corporate Service (HR, Marketing & Legal) (E, D1-D5 & B2-B5)	2				4				6
Governance (E, D1-D5 & B2-B5)					2			1	3
Internal Audit (E & D1-D5)	3								3
Planning and Monitoring (D1-D5)					1				1
Supply Chain (D1-D5, B2-B5 & interns)	5				6				11
Adjudication (E)					1				1
ICT (E, D1-D5 & B2-B5)	3		1		3				7
<b>Total</b>									<b>47</b>
Employees with disabilities									0

## 14.7 Leave Management

The CSOS identified the need for careful monitoring of sick leave. The following tables provide an indication of the use of sick leave.

**Table 14.7.1 Sick leave for the period 1 April 2020 to 30 March 2021 (per Paterson Grades)**

Patterson Grades	Total days	Number of employees using sick leave	% of total employees using sick leave	Average days per employee
Interns	1	1	0.66	1
A2 – A3	0	0	0%	0
B2 – B5	60	19	12.5%	3.16
C1 – C5	44	7	4.6%	6.28
D1 – D5	52	13	8.5%	4
E1 – E4	13	1	0.66%	13
F	0	0	0	0
<b>Total</b>	<b>169</b>	<b>40</b>	<b>26.26%</b>	<b>5.22</b>

The table below summarises the use of annual leave. The management of annual leave to prevent high levels of accrued leave being paid at the time of termination of service, is important.

**Table 14.7.2** Annual leave for the period 1 April 2020 to 30 April 2021 (per Paterson Grades)

Patterson Grade	Total days taken	Number of employees using annual leave	Average per employee
Interns	6	4	1.5
A3 – A3	0	0	0
B2 – B5	474.5	37	12.82
C1 – C5	233	20	11.65
D1 – D5	466.664	31	15
E1 – E4	86	8	10.75
F	0	0	0
<b>Total</b>	<b>1260.16</b>	<b>100</b>	<b>12.60</b>

## 14.8 Labour relations

**Table 14.8.1** Collective agreements for the period 1 April 2020 to 31 March 2021

Subject matter	Date
Total number of collective agreements	None

**Table 14.8.2** Misconduct and disciplinary hearings finalised for the period 1 April 2018 and 31 March 2019

Outcomes of disciplinary hearings	Number	% of total
Correctional counselling	0	0
Verbal warning	0	0
Written warning	0	0
Final written warning	0	0
Suspended without pay	0	0
Fine	0	0
Demotion	0	0
Dismissal	4	0
Not guilty	0	0
Case withdrawn	0	0
<b>Total</b>	<b>4</b>	<b>0</b>
<b>Total number of disciplinary hearings finalised</b>	<b>2</b>	

**Table 14.8.3** Precautionary suspensions for the period 1 April 2020 to 31 March 2021

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

**Table 14.8.4** *Types of misconduct addressed at disciplinary hearings for the period 1 April 2018 and 31 March 2019*

Type of misconduct	Number	% of total
· Disciplinary process based on the Auditor -General's findings 2016/17 and the recommendations thereof.	1	100%
· Disciplinary process based on the payroll -related Internal Audit findings in September 2018.	1	
· Disciplinary process - not submission of Matric certificate	1	
· Insubordination and insolence following refusal to carry out an instruction related to an employee's duty.	1	





**PART E**

# ANNUAL FINANCIAL STATEMENTS

For the year ended  
31 March 2021



## Report on the audit of the financial statements

### Qualified opinion

1. I have audited the financial statements of the Community Schemes Ombud Service set out on pages 95 to 134 which comprise the statement of financial position as at 31 March 2021, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, except for the effects of the matters described in the basis for qualified opinion section of this auditor's report, the financial statements present fairly, in all material respects, the financial position of the Community Schemes Ombud Service as at 31 March 2021, and its financial performance and cash flows for the year then ended in accordance the Standards of Generally Recognised Accounting Practice (Standard of GRAP) and the requirements of the Public Finance Management Act 1 of 1999 (PFMA).

### Basis for qualified opinion

#### Revenue from non-exchange transactions - Levies

3. I was unable to obtain sufficient appropriate audit evidence for revenue from non-exchange transactions relating to levies, as the public entity did not have adequate systems to collect, process and record levies due. I was unable to confirm these levies by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to revenue from non-exchange transactions relating to levies stated at R223 570 000 (2020: R217 060 000) as disclosed in note 17 to the annual financial statements.

#### Receivables from non-exchange transactions - Levies

4. I was unable to obtain sufficient appropriate audit evidence for receivables from non-exchange transactions relating to levies, as the public entity did not have adequate systems to collect, process and record levies due. I was unable to confirm receivables from non-exchange transactions relating to levies by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to receivables from non-exchange transactions relating to levies stated at R11 411 000 (2020: R20 116 000) as disclosed in note 05 to the annual financial statements.

### Context for the opinion

5. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of my report.

6. I am independent of the public entity in accordance with the International Ethics Standards Board for Accountants' *International code of ethics for professional accountants (including International Independence Standards)* (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
7. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

### **Emphasis of matter**

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

### **Restatement of corresponding figures**

9. As disclosed in note 30 to the financial statements, the corresponding figures for 31 March 2020 were restated a result of an error in the financial statements of the public entity at, and for the year ended, 31 March 2020.

### **Responsibilities of the accounting authority for the financial statements**

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

### **Auditor-general's responsibilities for the audit of the financial statements**

12. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of financial statements.
13. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

## Report on the audit of the annual performance report

### Introduction and scope

14. In accordance with the Public Audit Act of South Africa 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected programme presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.
15. My procedures address the usefulness and reliability of the reported performance information, which must be based on the approved performance planning documents of the public entity. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures do not examine whether the actions taken by the public entity enabled service delivery. My procedures also do not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
16. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programme presented in the annual performance report of the public entity for the year ended 31 March 2021.

Programme	Pages in the annual performance report
Programme 2 – Regulations	43-59

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

## Report on the audit of compliance with legislation

### Introduction and scope

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



## Annual financial statements, performance and annual report

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

### Revenue management

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

### Expenditure management

23. Effective and appropriate steps were not taken to prevent irregular expenditure amounting to R 1 077 000 as disclosed in note 36 to the annual financial statements, as required by section 51(1) (b) (ii) of the PFMA. The majority of the irregular expenditure was due to payments to suppliers after the contracts have expired.
24. Effective steps were not taken to prevent fruitless and wasteful expenditure amounting to R356 000, as disclosed in note 35 to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA. The majority of the fruitless and wasteful expenditure was caused by penalties and interest incurred in relation to non-submission of monthly PAYE returns.

### Consequence management

- 25 We were unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against officials who had incurred irregular, fruitless and wasteful expenditure as required by section 51(1) (e) (iii) of the PFMA. This was due to proper and complete records that were not maintained as evidence to support the investigations into irregular expenditure.

### Other information

26. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report and those selected programmes presented in the annual performance report that have been specifically reported on in the auditor's report.
27. Our opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.
28. In connection with our audit, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected programmes presented in the annual performance report, or our knowledge obtained during the audit or otherwise appears to be materially misstated.



29. The following paragraphs will be included in the auditor's report to highlight to the users whether any inconsistencies in the other information exist:

30. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

### Internal control deficiencies

31. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in a qualified opinion, and the findings on compliance with legislation included in this report.

32. Leadership did not take necessary steps to ensure that monitoring processes for the implementation of the audit action plan are in place to address repeat findings relating to revenue and receivables from non-exchange transactions, and instances of material non-compliance with laws and regulations.

33. Management did not adequately prepare accurate and complete financial statements that are supported and evidenced by reliable information; as a result, there were material adjustments to the financial statements.

Auditor-General

Pretoria  
31 July 2021



AUDITOR-GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

## Annexure – Auditor-general's responsibility for the audit

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

### Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:
  - identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control
  - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the public entity's internal control
  - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors, which constitutes the accounting authority.
  - conclude on the appropriateness of the accounting authority's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the Community Schemes Ombud Service to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a public entity to cease operating as a going concern
  - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

### Communication with those charged with governance

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

# Community Schemes Ombud Service

Audited Annual Financial Statements for the year ended 31 March 2021

## General Information

<b>Country of incorporation and domicile</b>	South Africa
<b>Nature of business and principal activities</b>	Regulatory authority of all community schemes in South Africa.
<b>Non executive directors</b>	Mr. M. Tyamzashe (Chairperson) Ms. M. Ramataboe (Deputy Chairperson) Mr. T. Holmes Ms. A. Olifant Ms. L. Noge-Tungamirai
<b>Executive directors</b>	Mr. B. Mkhize (Chief Ombud - Appointed 01/04/2021) Ms. N. Rabuli (Acting Chief Ombud - up to 31/03/2021) Ms. B. Phetlhe (Acting Chief Financial Officer)
<b>Registered office</b>	Berkley Office Park 8 Bauhinia Street Highveld Techno Park Centurion 0169
<b>Controlling entity</b>	National Department of Human Settlements, Water and Sanitation
<b>Bankers</b>	First National Bank
<b>Auditors</b>	Auditor-General South Africa (AGSA)
<b>Company secretary</b>	Adv. R. Maruma

# Community Schemes Ombud Service

Audited Annual Financial Statements for the year ended 31 March 2021

## Index

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

	<b>Page</b>
Accounting Authority's Responsibilities and Approval	97
Accounting Authority's Report	98 - 99
Statement of Financial Position	100
Statement of Financial Performance	101
Statement of Changes in Net Assets	102
Cash Flow Statement	103
Statement of Comparison of Budget and Actual Amounts	104
Accounting Policies	105 - 114
Notes to the Audited Annual Financial Statements	115 - 134

# Community Schemes Ombud Service

Audited Annual Financial Statements for the year ended 31 March 2021



## Accounting Authority's Responsibilities and Approval

The accounting authority is required by the Public Finance Management Act (Act 1 of 1999), to maintain adequate accounting records and are responsible for the content and integrity of the audited annual financial statements and related financial information included in this report. It is its responsibility to ensure that the audited 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. The external auditors are engaged to express an independent opinion on the audited annual financial statements and were given unrestricted access to all financial records and related data.

The audited annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

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

The accounting authority acknowledges to be ultimately responsible for the system of internal financial control established by the entity and places considerable importance on maintaining a strong control environment. To enable the members to meet these responsibilities, the accounting authority sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the entity and all employees are required to maintain the highest ethical standards in ensuring the entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the entity is on identifying, assessing, managing and monitoring all known forms of risk across the entity. While operating risk cannot be fully eliminated, the entity endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting authority is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the audited annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting authority has reviewed the entity's cash flow forecast for the year to 31 March 2022 and, in the light of this review and the current financial position, they are satisfied that the entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

The entity is largely dependent on self generated income for continued funding of operations. The audited annual financial statements are prepared on the basis that the entity is a going concern and that the entity has neither the intention nor the need to liquidate or curtail materially the scale of the entity.

Although the accounting authority is primarily responsible for the financial affairs of the entity, they are supported by the entity's external auditors.

The external auditors are responsible for independently reviewing and reporting on the entity's audited annual financial statements. The audited annual financial statements have been examined by the entity's external auditors and their report is presented on page 6.

The audited annual financial statements set out on page 6, which have been prepared on the going concern basis, were approved by the accounting authority on 30 July 2021 and were signed on its behalf by:

Mr. M. Tyagazashe  
Chairperson

Adv. B. Mkhabela  
Chief Ombud



# Community Schemes Ombud Service

Audited Annual Financial Statements for the year ended 31 March 2021

## Accounting Authority's Report

The members submit their report for the year ended 31 March 2021.

### 1. Review of activities

#### Main business and operations

The Community Schemes Ombud Service (CSOS) was established in terms of the Community Schemes Ombud Service (CSOS), Act 9 of 2011 (CSOS Act), to regulate the conduct of parties within community schemes and to ensure good governance.

It is the organisation's strategic intent to meaningfully contribute to the achievement of the 2030 human settlements vision through the enhancement of vibrant community schemes as an alternative tenure option for most citizens in the country. This is evident in our strategic objectives which are:

- To Regulate all Community Schemes within South Africa;
- To control and provide quality assurance of Community Schemes Governance Documentation;
- To provide a Dispute Resolution Service for Community Schemes;
- Provide stakeholder training, consumer education and awareness for property owners, occupiers and other stakeholders in Community Schemes; and
- To ensure that the CSOS is an effective and sustainable organisation.

Since the establishment of the CSOS, the entity has made great strides in creating an environment that can deliver on its mandate. Ultimately the ability to meet the entity's objectives is the responsibility of the board, management, staff and all our key partners and stakeholders within community schemes.

### 2. Accounting Authority

The members of the entity during the year under review are as follows:

Name	Appointment	Resignation
Mr. M. Tyamzashe (Chairperson)	Appointed 1 January 2019	
Ms. M. Ramataboe (Deputy Chairperson)	Appointed 1 January 2019	
Ms. B. Zulu	Appointed 1 January 2019	3 September 2020
Mr. T. Holmes	Re-appointed 1 January 2019	
Mr. R. Jock	Re-appointed 1 January 2019	24 August 2020
Ms. A. Olifant	Appointed 1 January 2019	
Ms. L. Noge-Tungamirai	Appointed 1 January 2019	

### 3. Company Secretary

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

Business address

Berkley Office Park  
8 Bauhinia Street  
Highveld Techno Park  
Centurion  
0169

### 4. Going concern

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

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



### COVID-19

The World Health Organisation declared a global pandemic, with the spread of the Corona Virus (COVID-19). As a result, the SA Government has declared a National State of Disaster followed by a lockdown that enforced various measures that led to reduced business activity across the globe. South Africa is no exception, and as a result CSOS has experienced a consequent reduction in its operational activities. The unprecedented lockdown measures introduced for containment of COVID-19 pandemic have led to many businesses being shut down temporarily, wide-spread restriction on travel and mobility, economic turmoil, and heightened uncertainty. It is difficult to clearly estimate the impact on the CSOS given that the business was at early stages of growth, pending new registration strategy. It can therefore be concluded that the impact on the 2020/21 financial year was not drastic. The rollout of the COVID-19 vaccination programme by the SA Government provides the CSOS with optimism that the adverse effects of the COVID-19 pandemic will be curbed in the near future.

### 5. Irregular, Fruitless and Wasteful Expenditure

Irregular, fruitless and wasteful expenditure incurred for the period under review are disclosed in notes 35 and 36 of these annual financial statements.

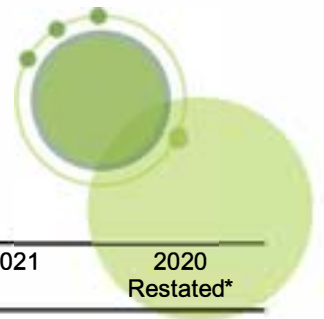
### 6. Other significant matters

#### VBS Update

CSOS has met with the Directorate for Priority Crimes Investigation (DPCI), known as the "Hawks" to obtain an update on the investigation process. CSOS was advised that the investigation has been concluded in respect of the CSOS Investment and it has revealed the movement of monies and persons involved. The next stage is for CSOS to access the actual report and consider options for possible recovery of the monies lost. The next meeting with the Hawks will deliberate on this approach.

# Community Schemes Ombud Service

Audited Annual Financial Statements for the year ended 31 March 2021



## Statement of Financial Position as at 31 March 2021

Figures in Thousand Rands (R'000)

	Note(s)	2021	2020 Restated*
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	3	238,044	209,794
Receivables from exchange transactions	4	995	722
Receivables from non-exchange transactions	5	11,411	20,116
Prepayments	7	5,999	288
Operating lease asset	13	-	54
		<b>256,449</b>	<b>230,974</b>
<b>Non-Current Assets</b>			
Prepayments	7	-	21
Other receivables - deposit	8	1,014	611
Intangible assets	9	1,182	504
Property, plant and equipment	10	5,822	4,131
		<b>8,018</b>	<b>5,267</b>
<b>Total Assets</b>		<b>264,467</b>	<b>236,241</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Payables from exchange transactions	11	3,423	6,963
Provisions	12	4,038	2,491
Operating lease liability	13	1,055	-
Revenue received in advance	14	323	-
		<b>8,839</b>	<b>9,454</b>
<b>Total Liabilities</b>		<b>8,839</b>	<b>9,454</b>
<b>Net Assets</b>		<b>255,628</b>	<b>226,787</b>
Accumulated surplus		255,626	226,787

\* See Note 30

# Community Schemes Ombud Service

Audited Annual Financial Statements for the year ended 31 March 2021

## Statement of Financial Performance

Figures in Thousand Rands (R'000)

	Note(s)	2021	2020 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Dispute resolution income		465	441
Interest received	15	6,089	14,310
<b>Total revenue from exchange transactions</b>		<b>6,554</b>	<b>14,751</b>
<b>Revenue from non-exchange transactions</b>			
<b>Transfer revenue</b>			
Government grants & subsidies	16	23,597	32,847
Levies	17	223,570	217,060
Other income	18	-	26
<b>Total revenue from non-exchange transactions</b>		<b>247,167</b>	<b>249,933</b>
<b>Total revenue</b>		<b>253,721</b>	<b>264,684</b>
<b>Expenditure</b>			
Employee related costs	19	(84,912)	(61,504)
Depreciation and amortisation	20	(1,683)	(1,852)
Impairment of financial assets	21	-	(100)
Finance costs	22	(355)	(1)
Lease rentals on operating lease	23	(5,917)	(3,867)
Loss on disposal of assets		(162)	(89)
General Expenses	24	(28,053)	(30,784)
<b>Total expenditure</b>		<b>(121,082)</b>	<b>(98,197)</b>
<b>Surplus for the year</b>		<b>132,639</b>	<b>166,487</b>

\* See Note 30

# Community Schemes Ombud Service

Audited Annual Financial Statements for the year ended 31 March 2021

## Statement of Changes in Net Assets

Figures in Thousand Rands (R'000)	Accumulated surplus	Total net assets
<b>Restated Balance at 01 April 2019</b>	<b>178,000</b>	<b>178,000</b>
Changes in net assets		
Surplus for the year	166,487	166,487
Transfer of prior year surplus *	(117,700)	(117,700)
Total changes	48,787	48,787
<b>Restated Balance at 01 April 2020</b>	<b>226,787</b>	<b>226,787</b>
Changes in net assets		
Surplus for the year	132,639	132,639
Transfer of prior year surplus **	(103,800)	(103,800)
Total changes	28,839	28,839
<b>Balance at 31 March 2021</b>	<b>255,626</b>	<b>255,626</b>

Note(s)

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

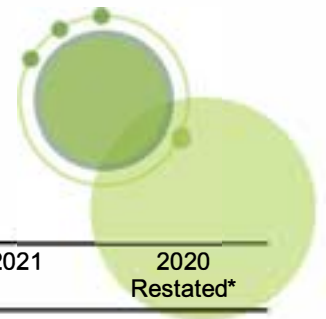
\*\* This relates to the unspent surplus for 2019/2020 financial year which was paid to National Treasury in the 2020/2021 financial year.

\* See Note 30



# Community Schemes Ombud Service

Audited Annual Financial Statements for the year ended 31 March 2021



## Cash Flow Statement

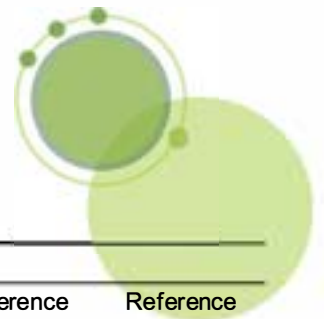
Figures in Thousand Rands (R'000)

	Note(s)	2021	2020 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Levies		232,276	217,619
Interest income	15	5,833	13,607
Grants	16	23,597	32,847
Other income	18	-	26
Dispute resolution income		465	441
		<u>262,171</u>	<u>264,540</u>
<b>Payments</b>			
Employee costs		(83,364)	(63,380)
Suppliers		(41,786)	(32,223)
Finance costs	22	(355)	(1)
		<u>(125,505)</u>	<u>(95,604)</u>
<b>Net cash flows from operating activities</b>	25	<u><b>136,666</b></u>	<u><b>168,936</b></u>
<b>Cash flows to investing activities</b>			
Purchase of property, plant and equipment	10	(3,467)	(2,094)
Purchase of intangible assets	9	(748)	(345)
Proceeds from sale of other intangible assets	9	2	-
Rental deposits		(403)	-
<b>Net cash flows to investing activities</b>		<u><b>(4,616)</b></u>	<u><b>(2,439)</b></u>
<b>Cash flows to financing activities</b>			
Transfer of prior year surplus		(103,800)	(117,700)
<b>Net cash flows from financing activities</b>		<u><b>(103,800)</b></u>	<u><b>(117,700)</b></u>
<b>Net increase in cash and cash equivalents</b>		<b>28,250</b>	<b>48,797</b>
Cash and cash equivalents at the beginning of the year		209,794	160,997
<b>Cash and cash equivalents at the end of the year</b>	3	<u><b>238,044</b></u>	<u><b>209,794</b></u>

\* See Note 30

# Community Schemes Ombud Service

Audited Annual Financial Statements for the year ended 31 March 2021



## Statement of Comparison of Budget and Actual Amounts

### Budget on Accrual Basis

Figures in Thousand Rands (R'000)	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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### Statement of Financial Performance

#### Revenue

##### Revenue from exchange transactions

Dispute resolution income	424	-	424	465	41	
Interest received	11,500	-	11,500	6,089	(5,411)	37.1
<b>Total revenue from exchange transactions</b>	<b>11,924</b>	<b>-</b>	<b>11,924</b>	<b>6,554</b>	<b>(5,370)</b>	

##### Revenue from non-exchange transactions

##### Transfer revenue

Government grants & subsidies	23,597	-	23,597	23,597	-	
Levies	217,000	-	217,000	223,570	6,570	37.2
<b>Total revenue from non-exchange transactions</b>	<b>240,597</b>	<b>-</b>	<b>240,597</b>	<b>247,167</b>	<b>6,570</b>	
<b>Total revenue</b>	<b>252,521</b>	<b>-</b>	<b>252,521</b>	<b>253,721</b>	<b>1,200</b>	

#### Expenditure

Personnel	(96,325)	-	(96,325)	(84,912)	11,413	37.3
Depreciation and amortisation	(4,300)	-	(4,300)	(1,683)	2,617	37.4
Finance costs	-	-	-	(355)	(355)	37.5
Lease rentals on operating lease	(20,009)	-	(20,009)	(5,917)	14,092	37.6
General Expenses	(94,648)	-	(94,648)	(28,053)	66,595	37.7
<b>Total expenditure</b>	<b>(215,282)</b>	<b>-</b>	<b>(215,282)</b>	<b>(120,920)</b>	<b>94,362</b>	
<b>Operating surplus</b>	<b>37,239</b>	<b>-</b>	<b>37,239</b>	<b>132,801</b>	<b>95,562</b>	
Loss on disposal of assets and liabilities	-	-	-	(162)	(162)	
<b>Surplus before taxation</b>	<b>37,239</b>	<b>-</b>	<b>37,239</b>	<b>132,639</b>	<b>95,400</b>	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>37,239</b>	<b>-</b>	<b>37,239</b>	<b>132,639</b>	<b>95,400</b>	

## Accounting Policies

### 1. Presentation of Audited Annual Financial Statements

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

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

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

#### 1.1 Significant judgements and sources of estimation uncertainty

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

##### Impairment of non-financial assets

The entity assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Indefinite life intangibles are tested for impairment annually and other times when such indicators exist. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management estimates the expected future cash flows from the asset or cash generating unit and chooses 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 are estimated by management based on historic analysis and other available information and any changes noted are accounted for as changes in accounting estimates.

#### 1.2 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

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

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

## Accounting Policies

### 1.2 Property, plant and equipment (continued)

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Furniture and fixtures	Straight line	3-8 years
Plant, machinery and equipment	Straight line	3-6 years
Computer equipment	Straight line	3-6 years
Leasehold improvements	Straight line	Based on the lesser of lease period or useful lives of the asset
Mobile devices	Straight line	3 years
Motor Vehicles	Straight line	5-8 years

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

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

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

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

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

### 1.3 Intangible assets

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

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

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

The entity assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

## Accounting Policies

### 1.3 Intangible assets (continued)

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

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

Item	Depreciation method	Average useful life
Computer software (finite)	Straight line	5-10 years

### 1.4 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

#### Classification

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

- Financial instruments at fair value
- Financial instruments at cost
- Financial instruments at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through surplus or deficit, which shall not be classified out of the fair value through surplus or deficit category.

#### Initial recognition and measurement

Financial instruments are recognised initially when the entity becomes a party to the contractual provisions of the instruments.

The entity classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Transaction costs on financial instruments at fair value through surplus or deficit are recognised in surplus or deficit.

#### Subsequent measurement

Financial instruments at fair value are subsequently measured at fair value based on the quoted prices in an active market, unless the market for a financial instrument is not active, in which case the entity establishes a fair value using a valuation technique.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Financial instruments at cost are subsequently measured at cost.



## Accounting Policies

### 1.4 Financial instruments (continued)

#### Impairment of financial assets

At each end of the reporting period the entity assesses all financial assets, other than those at fair value through surplus or deficit, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired. For amounts due to the entity, significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy and default of payments are all considered indicators of impairment.

Impairment losses are recognised in surplus or deficit.

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

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

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

#### Receivables from exchange transactions

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

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

Trade and other receivables are classified as loans and receivables.

#### Receivables from non-exchange transactions

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

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

Levy receivables are classified as statutory receivables.

#### Statutory receivables

The carrying amount of statutory receivables shall be disclosed separately in the notes to the financial statements, clearly distinguishing statutory receivables from receivables which are financial assets and other receivables.

#### Payables from exchange transactions

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.



## Accounting Policies

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### 1.4 Financial instruments (continued)

#### Cash and cash equivalents

Cash and cash equivalents comprise cash held at the bank and is subject to an insignificant risk of changes in value. This is initially and subsequently measured at amortised cost.

#### Other financial assets

Other financial assets comprise of fixed-term investments with banks and other financial institutions. These deposits are initially and subsequently recognised at amortised cost.

#### Derecognition

##### Financial assets

The entity derecognises a financial asset only when:

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

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continues to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

##### Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

### 1.5 Tax

#### Tax expenses

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

### 1.6 Leases

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

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

## Accounting Policies

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### 1.6 Leases (continued)

#### Operating leases - lessee

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

### 1.7 Employee benefits

#### Short-term employee benefits

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

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

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

#### Defined contribution plans

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

### 1.8 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

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

Contingent Liability is a possible obligation that rises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the CSOS. Contingent Liabilities are not recognised in the statement of financial position of the entity but disclosed in the notes. Contingencies are disclosed in note 26.

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

## Accounting Policies

### 1.9 Commitments

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

### 1.10 Revenue from exchange transactions

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

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

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

#### Measurement

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

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

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

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

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

### 1.11 Revenue from non-exchange transactions

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

#### Initial recognition

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

#### Measurement

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

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

CSOS Government grants and subsidies revenue is derived in terms of Section 22 of CSOS Act 9 of 2011 as approved by the Minister.



## Accounting Policies

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### 1.11 Revenue from non-exchange transactions (continued)

#### Levies

Levy income is recognised as non-exchange revenue when:

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

### 1.12 Other income

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

### 1.13 Interest income

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

### 1.14 Prepayments

The entity recognises a prepayment as an asset when:

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

### 1.15 Budget information

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

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

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

The approved budget covers the fiscal period from 01/04/2020 to 31/03/2021.

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

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

### 1.16 Fruitless and wasteful expenditure

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

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

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

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

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



## Accounting Policies

### 1.17 Irregular expenditure

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

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

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

Irregular expenditure is incurred when the resulting transaction is recognized in the financial records of a department, constitutional institution or public entity in accordance with the relevant Accounting Framework.

When an Irregular Expenditure is being suspected, it is reported to the head of the entity and then rerecorded in the Irregular Expenditure Register.

The alleged Irregular Expenditure is then investigated for confirmation.

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

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

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

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

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

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

### 1.18 Related parties

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

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

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

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

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

## Accounting Policies

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### 1.18 Related parties (continued)

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

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

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

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

### 1.19 Change in accounting estimates and errors

A change in the accounting estimate is an adjustment of the carrying amount of an asset or a liability, or the amount of the periodic consumption of an asset, that results from assessment of the present status of, and expected future benefits and obligations associated with the assets or liabilities. Changes in accounting estimates are recorded prospectively in the current period only, or current period and future periods, depending on the period affected.

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

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

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

# Community Schemes Ombud Service

Audited Annual Financial Statements for the year ended 31 March 2021

## Notes to the Audited Annual Financial Statements

Figures in Thousand Rands (R'000)

2021

2020

### 2. New standards and interpretations

#### 2.1 Standards and interpretations effective and adopted in the current year

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

<b>Standard/ Interpretation:</b>	<b>Effective date: Years beginning on or after</b>	<b>Expected impact:</b>
• IGRAP 20: Accounting for Adjustments to Revenue	01 April 2020	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements	01 April 2020	Unlikely there will be a material impact
• IGRAP 1 (revised): Applying the Probability Test on Initial Recognition of Revenue	01 April 2020	Unlikely there will be a material impact

#### 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 2021 or later periods:

<b>Standard/ Interpretation:</b>	<b>Effective date: Years beginning on or after</b>	<b>Expected impact:</b>
• GRAP 104 (amended): Financial Instruments	To be determined	Unlikely there will be a material impact
• Guideline: Guideline on the Application of Materiality to Financial Statements	To be determined	Unlikely there will be a material impact

# Community Schemes Ombud Service

Audited Annual Financial Statements for the year ended 31 March 2021

## Notes to the Audited Annual Financial Statements

Figures in Thousand Rands (R'000)

2021

2020

### 3. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	180,379	154,130
Short-term deposits (call account)	57,665	55,664
	<b>238,044</b>	<b>209,794</b>

### 4. Receivables from exchange transactions

Trade debtors	23	19
Interest accrued	256	703
Other receivables	305	-
Staff Debtors	411	-
	<b>995</b>	<b>722</b>

- The trade debtors include monies owed to CSOS by a part-time adjudicator for overpayments made and a board member for the tools of trade. CSOS is in the process of recovering the monies from both the part-time adjudicator and the board member.
- The fair value of receivables from exchange transactions approximates the carrying amount. There was no impairment of receivables from exchange transactions during the year.
- Interest Accrued relates to interest accrued but not received. As at 31 March 2021 interest was earned but was not received. Interest of R256,000 (R703,000: 31 March 2020) was received after 31 March 2021.
- Staff debtors relates to overpayments made to employees. CSOS is in the process of recovering monies.
- Other receivables relates to the overpayment made to South African Revenue Services (SARS). SARS deducted from our Bank account after making payment of penalties and interest. CSOS will be engaging SARS in recovering the overdeduction. See Note 22.

### 5. Receivables from non-exchange transactions

Levies receivable - Allocated	7,303	13,194
Levies receivable - Unallocated	4,108	6,922
	<b>11,411</b>	<b>20,116</b>

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

Levies Receivable - Allocated	7,303	13,194
Levies Receivable - Unallocated	4,108	6,922
	<b>11,411</b>	<b>20,116</b>

#### Statutory receivables

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

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

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

Levies receivable have not been impaired.

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

# Community Schemes Ombud Service

Audited Annual Financial Statements for the year ended 31 March 2021

## Notes to the Audited Annual Financial Statements

Figures in Thousand Rands (R'000)

2021

2020

### 6. Other financial assets

#### At amortised cost

Short-term investments	81,815	81,815
	81,815	81,815
Provision for Impairment loss	(81,815)	(81,815)
	-	-

#### Financial assets at amortised cost

#### Nominal value of financial assets at cost

#### Financial assets at amortised cost impaired

Subsequent to the 2018 financials, it appears that the R 100,000 guarantee from the National Treasury, is only to the retail depositors which are defined as individuals, stokvels and burial societies. Municipalities and other organisations are excluded from the guarantee. The CSOS further recognised impairment loss of R100,000 in (2019/2020).

CSOS has met with the DPCI, known as the "Hawks" to obtain an update on the investigation process. CSOS was advised that the investigation has been concluded in respect of the CSOS Investment and it has revealed the movement of monies and persons involved. The next stage is for CSOS to access the actual report and consider options for possible recovery of the monies lost. The next meeting with the Hawks will deliberate on this approach.

#### Reconciliation of provision for impairment of financial assets at amortised cost

#### VBS Bank

Opening balance	81,815	81,715
Provision for impairment	-	100
	<b>81,815</b>	<b>81,815</b>

### 7. Prepayments

Non-current assets	-	21
Current assets	5,999	288
	<b>5,999</b>	<b>309</b>

Prepaid expenses relate to licences paid for the use of software, rentals paid in advance and a prepayment made to Government Communication and Information System for the marketing campaign.

The fair value of prepaid expenses approximates the carrying amount.

### 8. Other receivables - deposit

Inclusive in the Head Office deposits paid is an amount of R403 000 paid for the deposit of the new premises. CSOS has subsequently recovered the deposit paid to Estate Agency Affairs Board (EAAB).

#### Rental office deposits

Head office (Including Gauteng regional office)	811	408
Kwazulu Natal regional office	203	203
	<b>1,014</b>	<b>611</b>



# Community Schemes Ombud Service

Audited Annual Financial Statements for the year ended 31 March 2021

## Notes to the Audited Annual Financial Statements

Figures in Thousand Rands (R'000)

2021

2020

### 9. Intangible assets

	2021			2020		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software (finite)	2,501	(1,319)	1,182	2,792	(2,288)	504

#### Reconciliation of intangible assets - 31 March 2021

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software (finite)	504	748	(2)	(68)	1,182

#### Reconciliation of intangible assets - 31 March 2020

	Opening balance	Additions	Amortisation	Total
Computer software (finite)	287	345	(128)	504

#### Pledged as security

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

There are no intangible asset disposals in the current year.

### 10. Property, plant and equipment

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Furniture and fixtures	1,504	(844)	660	1,548	(692)	856
Motor vehicles	846	(7)	839	-	-	-
Plant, machinery and equipment	1,025	(389)	636	1,048	(466)	582
Computer equipment	6,906	(3,545)	3,361	6,029	(3,744)	2,285
Leasehold improvements	199	(11)	188	3,162	(3,022)	140
Mobile devices	302	(164)	138	709	(441)	268
<b>Total</b>	<b>10,782</b>	<b>(4,960)</b>	<b>5,822</b>	<b>12,496</b>	<b>(8,365)</b>	<b>4,131</b>

# Community Schemes Ombud Service

Audited Annual Financial Statements for the year ended 31 March 2021

## Notes to the Audited Annual Financial Statements

Figures in Thousand Rands (R'000)

2021

2020

### 10. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 31 March 2021

	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	856	20	(33)	(183)	660
Motor vehicles	-	846	-	(7)	839
Plant, machinery and equipment	582	264	(31)	(179)	636
Computer equipment	2,285	2,120	(98)	(946)	3,361
Leasehold improvements	140	200	-	(152)	188
Mobile devices	268	17	-	(147)	138
	<b>4,131</b>	<b>3,467</b>	<b>(162)</b>	<b>(1,614)</b>	<b>5,822</b>

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

#### Reconciliation of property, plant and equipment - 31 March 2020

	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	998	40	-	(182)	856
Plant, machinery and equipment	277	448	-	(143)	582
Computer equipment	1,712	1,480	(77)	(830)	2,285
Leasehold improvements	562	-	-	(422)	140
Mobile equipment	299	126	(12)	(145)	268
	<b>3,848</b>	<b>2,094</b>	<b>(89)</b>	<b>(1,722)</b>	<b>4,131</b>

#### Pledged as security

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

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

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

Plumbing and tiles replacement	16	-
Laptop Repair	11	2
Door Repair	-	5
	<b>27</b>	<b>7</b>

### 11. Payables from exchange transactions

Trade payables	3,053	5,180
PAYE - Board withholding tax	23	37
Payroll liabilities	347	1,746
	<b>3,423</b>	<b>6,963</b>

# Community Schemes Ombud Service

Audited Annual Financial Statements for the year ended 31 March 2021

## Notes to the Audited Annual Financial Statements

Figures in Thousand Rands (R'000)

2021

2020

### 12. Provisions

#### Reconciliation of provisions - 31 March 2021

	Opening Balance	Additions	Utilised during the year	Total
Provision for leave pay	2,491	2,080	(533)	4,038

#### Reconciliation of provisions - 31 March 2020

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Provision for leave pay	1,871	1,002	(382)	-	2,491
Provision for performance bonus	2,495	-	-	(2,495)	-
	<b>4,366</b>	<b>1,002</b>	<b>(382)</b>	<b>(2,495)</b>	<b>2,491</b>

### 13. Operating lease asset (accrual)

Current assets	-	54
Operating lease accrual	(1,055)	-
	<b>(1,055)</b>	<b>54</b>

The commitments under the non-cancellable operating leases are disclosed in note 26 - Commitments.

### 14. Revenue received in advance

Revenue received in advance relates to overpayments made by community schemes. These are to be refunded to the community schemes after 31 March 2021

Revenue received in advance	323	-
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### 15. Interest income

#### Interest revenue

Bank (Current and call account)	6,089	14,310
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Interest income received relates to the monthly interest received on the positive bank balance. The actual cash received is R5,833,000.

Included in the total interest received is the amount of R256,000 (R703,000: 31 March 2020) as interest accrued for interest received after the reporting period for the month of 31 March 2021, refer to note 4.

### 16. Government grants and subsidies

#### Operating grants

Transfer from Department of Human Settlements, Water and Sanitation	23,597	32,847
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# Community Schemes Ombud Service

Audited Annual Financial Statements for the year ended 31 March 2021

## Notes to the Audited Annual Financial Statements

Figures in Thousand Rands (R'000)

2021

2020

### 17. Levies

Levies - Allocated	153,580	125,679
Levies - Unallocated	69,990	91,381
	<b>223,570</b>	<b>217,060</b>

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

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

### 18. Other income

Other income	-	26
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- The other income, in the prior year, relates to the recovery of monies paid by a supplier for VAT incorrectly charged and the fruitless and wasteful recovered from employees.

### 19. Employee related costs

Salaries - Employees	83,467	59,762
Accounting authority expenses (Refer to note 29)	1,445	1,742
	<b>84,912</b>	<b>61,504</b>

### 20. Depreciation and amortisation

Property, plant and equipment	1,615	1,723
Intangible assets	68	128
	<b>1,683</b>	<b>1,851</b>

### 21. Impairment of assets

#### Impairments

Other financial assets	-	100
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Subsequent to the 2017/2018 financial year, it appears that the R100,000 guarantee from the National Treasury, is only to the retail depositors which are defined as individuals, stokvels and burial societies. Municipalities and other organisations are excluded from the guarantee. Therefore, the CSOS further recognised an impairment loss of R100,000 in the 2019/2020 financial year.

### 22. Finance costs

Late payment of tax	355	1
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Interest paid relates to the late submission of SARS returns for Paye As You Earn (PAYE) and Unemployment Insurance Fund (UIF). The late submission was due to the delay in changing of the Public Officer.

### 23. Lease rentals on operating lease

#### Premises

Contractual amounts	5,917	3,867
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# Community Schemes Ombud Service

Audited Annual Financial Statements for the year ended 31 March 2021

## Notes to the Audited Annual Financial Statements

Figures in Thousand Rands (R'000)

2021

2020

### 24. General expenses

Adjudication cost	775	797
Admin expenses	2,378	1,588
Advertising	7,368	1,873
Auditors remuneration	2,559	3,078
Bank charges	131	130
Conference and seminars (Venue hire)	-	1,845
Consulting and professional fees	2,154	2,006
Equipment rental	377	181
Insurance	28	-
Legal expenses	1,390	5,213
Licenses	3,973	5,282
Marketing	1,579	99
Postage and courier	65	360
Printing and stationery	369	1,218
Recruitments fees	32	91
Repairs and maintenance	27	7
Staff bursaries	208	430
Staff welfare	12	-
Subscriptions and publication	18	52
Telephone and mobile costs	3,244	1,534
Training	538	688
Travel - local	171	3,795
Water and electricity	657	517
	<b>28,053</b>	<b>30,784</b>

### 25. Cash generated from operations

Surplus	132,639	166,487
<b>Adjustments for:</b>		
Depreciation and amortisation	1,683	1,852
Loss on sale of assets and liabilities	162	89
Impairment of financial assets	-	100
Movements in operating lease assets and accruals	1,109	(261)
Movements in provisions	1,547	(1,875)
Other non-cash items	2	(2)
<b>Changes in working capital:</b>		
Receivables from exchange transactions	(273)	(183)
Receivables from non-exchange transactions	8,705	558
Prepayments	(5,690)	687
Payables from exchange transactions	(3,541)	1,484
Revenue recieved in advance	323	-
	<b>136,666</b>	<b>168,936</b>



# Community Schemes Ombud Service

Audited Annual Financial Statements for the year ended 31 March 2021

## Notes to the Audited Annual Financial Statements

Figures in Thousand Rands (R'000)

2021

2020

### 26. Commitments

#### Authorised operational expenditure

##### Already contracted for but not provided for

• Travel Management services	5,866	1,462
• Legal fees	1,235	2,217
• Computer equipment	68	-
• Website design	-	388
• Microsoft licences	1,266	2,007
• Purified water supply	275	478
• Provision of courier solutions	62	125
• Catering services	400	392
• Development and distribution of CSOS newsletters	455	71
• Offsite document management services (Storage and retrieval)	476	491
• Translation services during dispute resolution	389	500
• Development and supply of training material	-	2,570
• Cleaning services	302	341
• Feasibility study	1,407	1,490
• Marketing	-	12,000
• Recruitment services	2,000	-
• Competency assessments	475	-
• Employee wellness	172	-
• Technical financial advice	2,667	-
• Mimecast services	1,503	-
• Employee background screening	473	-
• Risk management support services	916	-
• Media monitoring	420	-
• Online search tool	500	-
• ICT Governance assessment services	499	-
• Short-term asset insurance	232	-
• Internal audit services	500	1,293
• Labour related services	502	-
• Configuration of printers	1	-
• Membership fees	49	-
• Training for staff and board members	118	-
	<b>23,228</b>	<b>25,825</b>

#### Total operational commitments

Already contracted for but not provided for

23,228

25,825

#### Operating leases - as lessee (expense)

##### Minimum lease payments due

- within one year	9,529	729
- in second to fifth year inclusive	25,537	-
	<b>35,066</b>	<b>729</b>

Operating lease payments represent rentals payable by the entity for certain of its office properties. Leases are negotiated for an average term of five years. The lease term for Gauteng and Head office is for 3 years.

# Community Schemes Ombud Service

Audited Annual Financial Statements for the year ended 31 March 2021

## Notes to the Audited Annual Financial Statements

Figures in Thousand Rands (R'000)

2021

2020

### 27. Contingencies

#### Contingent liabilities

Accumulated surplus	241,611	54,717
2018/19 Performance Bonus	-	3,224
	<b>241,611</b>	<b>57,941</b>

#### Accumulated surplus

Accumulated Surplus is subject to National Treasury approval in response to the CSOS appropriate application for such fund retention. The accumulated surplus is determined in terms of the National Treasury Instruction No. 12 of 2020/2021. The CSOS will apply to retain the unspent funds which have remained un-expensed at year end.

### 28. Related parties

#### Relationships

Controlling entity

National Department of Human Settlements, Water and Sanitation

Entity under common control

EAAB

#### Related party transactions

##### Grant received from related parties

National Department of Human Settlements, Water and Sanitation	23,597	32,847
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##### Amount paid to related parties

Estate Agency Affairs Board	(3,705)	(3,054)
National Department of Human Settlements, Water and Sanitation	(103,800)	(117,700)

##### Amount receivable from related party

Estate Agency Affairs Board	409	409
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# Community Schemes Ombud Service

Audited Annual Financial Statements for the year ended 31 March 2021

## Notes to the Audited Annual Financial Statements

Figures in Thousand Rands (R'000)

2021

2020

### 29. Executive / non executive management emoluments

#### Executive

##### 31 March 2021

	Emoluments	Other benefits*	Compensation for loss of office	Total
Ms. N. Rabuli (Acting Chief Ombud) **	1,878	-	-	1,878
Adv. R. Maruma (Company Secretary)	1,508	72	-	1,580
Mr. O. Masogo (Chief Audit Executive)	1,566	168	-	1,734
Mr. L. Seshoka (Executive Manager: Corporate Affairs) ****	1,795	-	-	1,795
Mr. P. Naicker (Chief Information Officer)*****	1,144	40	-	1,184
Ms. K. Mlotha (Adjudicator General)*****	528	-	3,593	4,121
Ms. B. Phetlhe (Acting Chief Financial Officer)*****	156	-	-	156
	<b>8,575</b>	<b>280</b>	<b>3,593</b>	<b>12,448</b>

##### 31 March 2020

	Emoluments	Other benefits*	Total
Ms. N. Rabuli (Acting Chief Ombud)**	1,864	-	1,864
Adv. S. Letele (Acting Chief Ombud)***	54	-	54
Mr. T. Mabuya (Chief Financial Officer) ****	-	230	230
Adv. R. Maruma (Company Secretary)	1,435	72	1,507
Mr. O. Masogo (Chief Audit Executive)	1,517	216	1,733
Mr. L. Seshoka (Executive Manager: Corporate Affairs) *****	150	-	150
	<b>5,020</b>	<b>518</b>	<b>5,538</b>

\* Other benefits comprise travel allowance and medical benefits.

\*\* Acting appointment commenced on 1 September 2018.

\*\*\* Contract ended 30 April 2019.

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

\*\*\*\*\* Started on 1 March 2020.

\*\*\*\*\* Started on 27 July 2020.

\*\*\*\*\* Reinstated on 25 November 2020.

\*\*\*\*\* Acting appointment commenced on 2 March 2020.

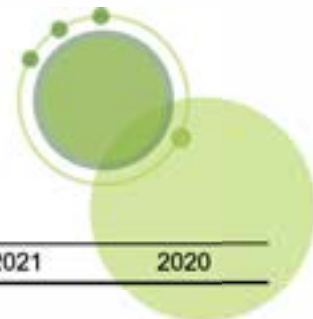
#### Non-executive

##### 31 March 2021

	Number of board meetings	Board meetings R'000	Number of other meetings	Other meetings R'000	Travel claims R'000	Total R'000
Mr. M. Tyamzashe (Chairperson)	10	87	27	194	-	281
Ms. M. Ramataboe (Deputy Chairperson)	7	54	31	233	-	287
Mr. T. Holmes	10	52	29	145	-	196
Mr. R. Jock**	5	26	14	92	-	118
Ms. B. Zulu***	5	26	13	16	-	42
Ms. A. Olifant	9	44	21	105	-	149
Ms. L. Noge-Tungamirai	9	47	30	144	-	191
Ms. Z. Kabini (Board Committee member)	-	-	19	76	-	76
Mr. I. Motala (Board Committee member)	-	-	13	63	-	63

# Community Schemes Ombud Service

Audited Annual Financial Statements for the year ended 31 March 2021



## Notes to the Audited Annual Financial Statements

Figures in Thousand Rands (R'000)

			2021	2020		
<b>29. Executive / non executive management emoluments (continued)</b>						
Ms. N. Maharaj (Board Committee member)	-	-	3	15	-	16
Mr. Morabe (Board Committee member)	-	-	2	10	-	11
Ms. V. Nayagar (Chairperson: IT Steering Committee)	-	-	1	5	-	5
Mr. M. Noge (Board Committee member)	-	-	2	10	-	10
	-	<b>336</b>	-	<b>1,108</b>	-	<b>1,445</b>

# Community Schemes Ombud Service

Audited Annual Financial Statements for the year ended 31 March 2021

## Notes to the Audited Annual Financial Statements

Figures in Thousand Rands (R'000)

2021

2020

### 29. Executive / non executive management emoluments (continued)

31 March 2020

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

\*\* Resigned on 24 August 2020

\*\*\* Resigned on 3 September 2020

### 30. Prior-year adjustments

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

1. General Expenses consist of computer expenses, recruitment costs, telephone and mobile expenses, legal fees, board training and development, bursaries and dispute resolution rates and levies invoices relating to previous financial years that were only received in the current financial year. The rental adjustment is due to the Canon printing invoice not captured in the prior year, whereas the cellphone adjustment relates to the overpayment to service provider.
2. Depreciation expense increase is a result of the incorrectly allocated assets in the office expenses account, this is the depreciation portion of the incorrectly classified assets in the office expenses account under general expenses.
3. Decrease in the office expenses is as result of the incorrectly allocated assets in the office expenses account.
4. The Furniture and Fitting cost in the statement of financial position arises from the misallocated assets from the general expenses: Office expenses.

The effect of these prior adjustments resulted in the restatement of the accumulated surplus of R 226.7million.

#### Statement of financial position

31 March 2021

	Note	As previously reported	Correction of error	Restated
Payable from Exchange Transaction	11	(6,545)	(418)	(6,963)
Property, plant and equipment	10	4,124	7	4,131
Receivables from exchange transactions	4	897	(175)	722
Accumulated surplus		227,373	(586)	226,787
<b>Total effect for the year</b>		<b>225,849</b>	<b>(1,172)</b>	<b>224,677</b>

#### Statement of financial performance

31 March 2021

	Note	As previously reported	Correction of error	Restated
Depreciation and amortisation	10	1,851	1	1,851
General Expenses	24	30,269	514	30,783
<b>Total effect for the year</b>		<b>32,120</b>	<b>515</b>	<b>32,634</b>



# Community Schemes Ombud Service

Audited Annual Financial Statements for the year ended 31 March 2021

## Notes to the Audited Annual Financial Statements

Figures in Thousand Rands (R'000)

2021

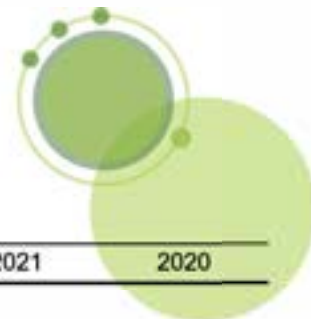
2020

### 30. Prior-year adjustments (continued)

#### Cash flow statement

31 March 2021

	Note	As previously reported	Correction of error	Restated
Cash flow from operating activities				
Suppliers		(32,231)	8	(32,223)
		<b>(32,231)</b>	<b>8</b>	<b>(32,223)</b>
Cash flow from investing activities				
Purchase of property, plant and equipment		(2,086)	(8)	(2,094)
		<b>(2,086)</b>	<b>(8)</b>	<b>(2,094)</b>



## Notes to the Audited Annual Financial Statements

Figures in Thousand Rands (R'000)

2021

2020

### 31. Change in estimate

#### Intangible assets

The useful lives of intangible assets were initially set at 5 years. In the current period, management have revised their estimate from 5 to 10 years. The effect of this revision has decreased the amortisation charge in the current year by R138,031.39. The change will also result in an increase in the amortisation charge in future periods by R138,031.39.

The impact on the AFS is as follows:

Amortisation before change in estimates	Amortisation after change in estimates	Impact
154	292	138

### 32. 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.

At 31 March 2021

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	3,423	-	-	-
Operating lease liability	1,055	-	-	-
Revenue received in advance	323	-	-	-

At 31 March 2020

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	6,963	-	-	-

# Community Schemes Ombud Service

Audited Annual Financial Statements for the year ended 31 March 2021

## Notes to the Audited Annual Financial Statements

Figures in Thousand Rands (R'000)

2021

2020

### 32. Risk management (continued)

#### Credit risk

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

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

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

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

Financial instrument	31 March 2021	31 March 2020
Receivables from exchange transactions	23	19
Prepayments	5,999	309
Rental deposits	1,014	611
Other financial assets	-	-
Operating lease assets	-	54

	>180 days	>90 days	Current	Total
Receivables from exchange transactions	18	-	5	23
Prepayments	84	5,385	530	5,999
Other receivables	611	403	-	1,014
	<b>713</b>	<b>5,788</b>	<b>535</b>	<b>7,036</b>

#### Market risk

##### Interest rate risk

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

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

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

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

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

# Community Schemes Ombud Service

Audited Annual Financial Statements for the year ended 31 March 2021

## Notes to the Audited Annual Financial Statements

Figures in Thousand Rands (R'000)

2021

2020

### 33. Going concern

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

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

#### COVID-19

The World Health Organisation declared a global pandemic, with the spread of the Corona Virus (COVID-19). As a result, the SA Government has declared a National State of Disaster followed by a lockdown that enforced various measures that led to reduced business activity affecting the globe, South Africa is no exception. As a result CSOS has experienced a consequent reduction in its operational activities. The unprecedented lockdown measures introduced for containment of COVID-19 pandemic have led to many businesses being shut down temporarily, wide-spread restriction on travel and mobility, economic turmoil, and heightened uncertainty. It is difficult to clearly estimate the impact on the CSOS given that the business was at early stages of growth, pending new registration strategy. It can therefore be concluded that the impact on the 2020/21 financial year was not drastic.

The rollout of the COVID-19 vaccination programme by the SA Government provides the CSOS with optimism that the adverse effects of the COVID-19 pandemic will be curbed in the near future.

### 34. Events after the reporting date

#### Statutory Receivables

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

Levies received from 01 April to 07 April 2021 were analysed, using the levy schedule provided by the community schemes to determine the amount of levies that relate to the quarter under review. The amounts are as per the disclosure in note 5, Statutory Receivables (Receivables from non-exchange transactions).

# Community Schemes Ombud Service

Audited Annual Financial Statements for the year ended 31 March 2021

## Notes to the Audited Annual Financial Statements

Figures in Thousand Rands (R'000)

2021

2020

### 35. Fruitless and wasteful expenditure

Opening balance	647	771
Add: Expenditure identified - current year	356	57
Less: Recoveries	-	(5)
Less: Write-offs	-	(176)
	<u>1,003</u>	<u>647</u>

Expenditure identified in the current year includes those listed below:

#### Details of fruitless and wasteful expenditure - current year

Interest paid to SARS	Treatment Appropriate steps in terms of Treasury Instruction note 3 of 2019/20 will be implemented.	355
Cancellation of tender advertised	Appropriate steps in terms of Treasury Instruction note 3 of 2019/20 will be implemented.	1
		<u>356</u>

#### Details of fruitless and wasteful expenditure - prior year

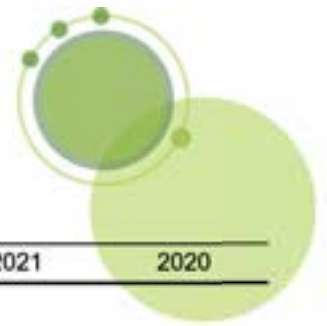
Interest paid to SARS	Treatment Write-off request will be submitted to the relevant governance structure.	1
Flight cancellation	Employees liable will be requested to pay.	15
Cancellation of advertisements	Write-off request will be submitted to the relevant governance structure.	41
		<u>57</u>

Subsequent to year end, the CSOS established a loss control committee to proceed with the determination processes as outlined in the framework and report accordingly going forward.



# Community Schemes Ombud Service

Audited Annual Financial Statements for the year ended 31 March 2021



## Notes to the Audited Annual Financial Statements

Figures in Thousand Rands (R'000)

2021

2020

### 36. Irregular expenditure

Opening balance	41,772	77,635
Add: Irregular Expenditure - current year	1,077	4,366
Add: Irregular Expenditure - identified in the current year relating to prior year	-	118
Less: Expenditure condoned	(2,811)	(40,347)
Add: Incorrect classification in prior year	644	-
	<b>40,682</b>	<b>41,772</b>

#### Details of irregular expenditure – current year

	Treatment	
Part time adjudicator payments - Non compliance with SCM processes	Appropriate steps in terms of Treasury Instruction 2 of 2019/20 will be implemented.	528
Non-compliant salary payments	Appropriate steps in terms of Treasury Instruction 2 of 2019/20 will be implemented.	58
Legal Services - Non Compliance with SCM processes	Appropriate steps in terms of Treasury Instruction 2 of 2019/20 will be implemented.	233
Payment to expired contract	Appropriate steps in terms of Treasury Instruction 2 of 2019/20 will be implemented.	238
Payment in excess of deviation contract	Appropriate steps in terms of Treasury Instruction 2 of 2019/20 will be implemented.	20
		<b>1,077</b>

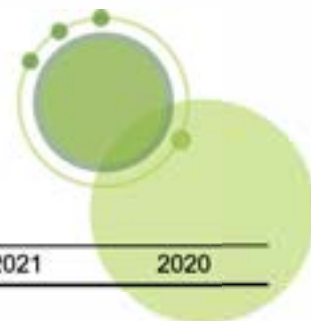
#### Details of irregular expenditure - prior year

	Treatment	
Part time adjudicator payments - Non Compliance with SCM processes	Condoned	762
Legal Services - Non Compliance with SCM processes	Appropriate steps in terms of Treasury Instruction 2 of 2019/20 will be implemented.	2,320
Part time adjudicator payments - Non compliance with SCM processes	Appropriate steps in terms of Treasury Instruction 2 of 2019/20 will be implemented.	51
Training	Appropriate steps in terms of Treasury Instruction 2 of 2019/20 will be implemented.	288
IT Services	Appropriate steps in terms of Treasury Instruction 2 of 2019/20 will be implemented.	126
Consulting services	Appropriate steps in terms of Treasury Instruction 2 of 2019/20 will be implemented.	10
Investigation services	Appropriate steps in terms of Treasury Instruction 2 of 2019/20 will be implemented.	574
Non-compliant payment	Appropriate steps in terms of Treasury Instruction 2 of 2019/20 will be implemented.	353
		<b>4,484</b>

Subsequent to year end, the CSOS established a loss control committee to proceed with the determination processes as outlined in the framework and report accordingly going forward.

# Community Schemes Ombud Service

Audited Annual Financial Statements for the year ended 31 March 2021



## Notes to the Audited Annual Financial Statements

Figures in Thousand Rands (R'000)

2021

2020

### 37. Budget differences

#### Material differences between budget and actual amounts

Budget narrations are included for variations above R100,000.

#### 37.1 Interest Income

The collection of interest income is under budget, due to a low favourable bank balance and due to unfavourable market conditions i.e. significant Interest rate decline.

#### 37.2 Levies

The variance is attributable to an increase of paying community schemes that are registered.

#### 37.3 Employee related cost

The actual employee cost incurred was less than the budgeted amount. This is due to vacant positions not being filled.

#### 37.4 Depreciation and amortisation

Less assets were acquired during the year under review, due to the cancellation of tenders. More assets will be acquired in the subsequent financial years.

#### 37.5 Finance Cost

The finance cost incurred is due to the late submission of SARS returns, due to the delay in changes of the profiles.

#### 37.6 Lease rentals on operating lease

The under-expenditure was due to the delay in the appointment of the service provider for the tender of the new premises.

#### 37.7 General expenses

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

### 38. Authorised capital expenditure

#### Not yet contracted for and authorised by board members

Intangible assets	118,000	100,000
Office space	-	39,000
Fleet	-	1,500
	<b>118,000</b>	<b>140,500</b>

The CSOS declared a cash surplus of R221,8 million generated in 2019/20 to the executive authority. CSOS was granted a retention of R118 million of the cash surplus. The approval was granted for the procurement for the revenue and records management system. This approval was granted on 25 February 2021.



**PART F**

# APPENDIX

## WHERE TO FIND NATIONAL & REGIONAL OFFICES



## WHERE TO FIND NATIONAL OFFICES

### COMMUNITY SCHEMES OMBUD SERVICE

#### HEAD OFFICE:

Berkley Office Park, 8 Bauhinia St,

Highveld Techno Park,

Centurion, 0169

T: (+27 10) 593 0533 F: (+27 10) 590 6154

## WHERE TO FIND OUR REGIONAL OFFICES

### GAUTENG

Berkley Office Park, 8 Bauhinia St,

Highveld Techno Park,

Centurion, 0169

T: (+27 10) 593 0533 F: (+27 10) 590 6154

### KWAZULU-NATAL

A: 7th Floor, Aquasky Towers, 275 Anton Lembede Street, Durban

T: +27 087 805 0235

### WESTERN CAPE

A: 8th Floor, Constitution House, 124 Adderley Street, Cape Town

T: +27 087 805 0226



**human settlements**

Department:  
Human Settlements  
REPUBLIC OF SOUTH AFRICA

136





