



Community Schemes
Ombud Service

Affordable Reliable Justice

ANNUAL PERFORMANCE PLAN

2020/21 TO 2022/23



EXECUTIVE AUTHORITY STATEMENT

South Africa is a young but growing democracy with the fourth largest concentration of community schemes in the world. The option of living in a community scheme is increasingly becoming the preferred tenure option for many South Africans. This is due to a variety of benefits that tenure in a community scheme offers – affordability, shared costs, security and shared responsibility for buildings or parts of land.



Historically community schemes were not regulated, and the management and governance of community schemes was fragmented. Most of the community schemes were self-regulated. The CSOS Act empowers the organisation to help create and facilitate orderly and well-managed community schemes. To achieve this mandate the CSOS will put strong emphasis of creating public awareness and conducting training on all levels of communal living. The upcoming 5 years mark a very important milestones for the CSOS, having navigated the difficult path of establishing itself. The regulator has commenced realising improvement in the collection of levies and well on its way to financial stability. Key to the mandate will be to ensure that CSOS has all community schemes registered in its database to ensure full compliance and to regulate them effectively.

Communal living within a community scheme triggers conceptually a tripartite relationship between the parties, i.e. an owner's right of ownership to the sectional unit or residential unit, collective ownership of the common property and an owner's right to participate in the management of the community scheme's governance. The CSOS Act was promulgated to amongst others, provide an affordable and effective dispute resolution mechanism within community schemes, render consumer education to stakeholders, take custody and control of schemes governance documentation and ensure good governance of community schemes. Ultimately, the CSOS was formulated to regulate the Community Schemes industry in South Africa. 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 CSOS Act provides that every community scheme must pay the service levy with effect from the commencement date of the Act. Currently there are schemes that have not registered with the CSOS. Arrear levies must be collected and adequately accounted for in terms of the Generally Recognised Accounting Practice. Currently CSOS does not have a process in place that compels the developers to register schemes with the CSOS prior to operation. The impact is that CSOS will not be able to account fully for the levies revenue and receivables as it does not have mechanisms to track new developments. Furthermore, the CSOS does not have a Process Flows and an IT system that will enable it to properly account for revenue and accounts receivables. 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 and effective operations when conducting the core operations of dispute resolution and regulation. This core system will operationalise the Revenue Management Framework, house the database of all community schemes gathered through the registrations process and conduct case management used for the dispute resolution process.

The institution is, therefore, well positioned to contribute to the achievement of the MTSF priority 4: Spatial Integration, Human Settlements and Local Government. The desired Outcome is Spatial Transformation and Justice through the implementation of housing and human settlements in Priority Development Areas (PDA's) and the 2030 Human Settlements Vision as articulated in the National Development Plan, particularly in managing the contemporary economic and demographic shifts in urban areas.

The need for CSOS to be more visible and play a more active role in educating consumers and raising awareness about its existence is a critical priority. The CSOS will also build meaningful relations with other entities within the Department of Human Settlements to ensure Inter-Agencies dependencies are explored and addressed. The aim is to ensure that all entities are apprise of the CSOS mandate and we all contribute towards the goals of the department.

A handwritten signature in black ink, appearing to read 'L N Sisulu', written over a horizontal line.

L N SISULU, MP
MINISTER OF HUMAN SETTLEMENTS, WATER AND SANITATION
DATE:

ACCOUNTING AUTHORITY STATEMENT

It gives me great pleasure, as the Chairperson of the Board of the Community Schemes Ombud Service (CSOS), to present this Annual Performance Plan for the period 2020/21 to our Executive Authority, the Ministry and the Department of Human Settlements, Water and Sanitation, represented by the Minister, Lindiwe Sisulu.



The new board having commenced in January 2019 has settled well in its role and has had to hit the road running given the state of public perception of the CSOS at this inception as well as the risk of long term reputational damage stemming from the audit outcomes of the 2017/18 year which worsened in the 2018/19 audit outcome. The Board remains committed in its quest to foster a culture of good governance, ethics and standards within the organisation.

As we present this Annual Performance Plan for 2020/21 to the Ministry, it is with excitement the CSOS has worked hard to embed itself as the regulator of community schemes and is being recognised and welcomed by the industry at large.

There are minor changes to the outcomes from the 2019/20 APP with the main focus being the effective and efficient delivery of service to the community schemes public and exposing the vision and mandate of the organisation to the public at large. The high-level focus in 2020/21 will still remain firmly on contributing meaningfully to the MTEF targets of the Department in the following areas:

- 1. Regulating Community Schemes in South Africa**
- 2. Provision of an effective dispute resolution mechanism, thus, affirming the rights and obligations of owners and residents of community schemes in a manner that enhances their enjoyment in these types of human settlements**
- 3. Provision of effective, quality training, advocacy and outreach programs to Adjudicators and Conciliators, as well as other stakeholders with interests in Community Schemes**
- 4. Ensuring compliance within Community Schemes by providing governance oversight to the schemes**
- 5. Improving neighbourly relations amongst community schemes residents, whilst sustaining the improvement of the property markets of the area**
- 6. Maintain best corporate governance, financial management and legal processes within CSOS and ensuring that the entity is effective and sustainable**

These functions form the core of our plans as key strategic outcomes. It is my desire and determination that, together with my fellow Board members, the Acting Chief Ombud and the entire management and staff of the CSOS, as well as the unwavering support of the NDHS, we will drive towards the achievement of our mandated objectives in the most effective, efficient and expeditious manner, thus making a meaningful contribution to the MTSF targets and the achievement of the NDP 2030. This, in turn is intended to deliver a progressive improvement and enhanced quality in the living conditions of our people in the country generally.

There are several key operational challenges that will urgently need to be overcome in order to achieve our outcome statements and those include the capacitation of key executive positions including the Chief Ombud, the Chief Financial Officer and the Executive Manager for Corporate Affairs. Furthermore, the recommendations of the Auditor General will have to be strictly adhered to, especially in relation for financial management in the organisation assisted by a well-developed and integrated system for CSOS core operations.

The board dedicates the balance of its term to creating the kind of environment that builds much-needed bridges with levy payers which will ensure a climate of trust and good neighbourliness.

A handwritten signature in black ink, appearing to read 'Mthobi Tyamzashe'. The signature is fluid and cursive, written over a horizontal line.

MR. MTHOBI TYAMZASHE
CHAIRPERSON OF THE BOARD
COMMUNITY SCHEMES OMBUD SERVICE
DATE: 27/07/2020

ACCOUNTING OFFICER STATEMENT

Government planning is regarded as a critical process which enables the implementation of the NDP 2030 priorities through the development and implementation of legislation, policies and services. Challenges have been identified over the years in government planning processes.



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 in full of 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 4: Spatial Integration, Human Settlements and Local Government. The desired Outcome is Spatial Transformation and Justice through the implementation of housing and human settlements in Priority Development Areas (PDA's). 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 Strategic Plan and Annual Performance Plan.

There are several emerging interventions that have implications for the CSOS from a legislative and policy stance. Therefore, while contributing to the strategic pillars and priorities of the Department, the organisation needs to do so within the constraints of its legislative and policy mandates. They are various processes that are delayed or not implemented due to the limitations in the ACT only the amendment of the Act can assist. We need to remind ourselves about the founding mandate of the Entity among others:

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

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

- **An effectively regulated community scheme sector**
- **Disputes resolved**
- **Financially viable and sustainable organisation**
- **Empowered stakeholder**
- **Community scheme Sector Value chain Transformed**
- **Effective and Efficient administration and governance**

All government institutions are expected to align their strategic and annual performance plans, as well as operational plans to the NDP Five Year Implementation Plan, to reflect the interventions which will be implemented to contribute to the achievement of the development priorities in the NDP 2030. In the current MTSF cycle CSOS aligned its impact statement with the MTSF aim of achieving "All people living in shared and transformed places in an integrated, sustainable and competitive national space economy".

Our Strategic Plans institutionalise government priorities set out in the National Development Plan (NDP), the NDP Five year Implementation Plan, the MTSF, provincial priorities, sector priorities, local government priorities and any other government medium and long-term plans. The five year Strategic Plan, which is aligned to the planning cycle outlines the CSOS's impact statement, outcomes, related outcome indicators and five year targets for outcomes. The Strategic Plan informs our Annual Performance Plan. The Entity also coordinated a process of linking its strategic focus to the allocated budget based on the mandate of the institution. This was enabled through the process of developing the procurement plan, ICT plan and HR plan.

In pursuit of this critical task of accomplishing these outcomes while creating a new organisation that is self-sustaining, we are proud of the visionary leadership and guidance afforded to us by political principals, Minister Lindiwe Sisulu and Deputy Ministers, Deputy Minister Pamela Tshwete and Deputy Minister David Mahlobo. Together as TEAM CSOS, we commit to carry this task in a prudent, accountable and transparent manner for the resources we are entrusted. This APP represents our medium to long-term road map as we strive towards the realisation of our goal of creating liveable neighbourhoods leading to better quality of life and reflects how we intend to use and account for these resources during this medium term.

A handwritten signature in black ink, appearing to read 'Ndivhuo Rabuli', written over a horizontal line.

MS. NDIVHUO RABULI
ACTING CHIEF OMBUD
DATE: 27/07/2020

OFFICIAL SIGN-OFF

It is hereby certified that this Annual Plan:

- Was developed by the management of the Community Schemes Ombud (CSOS Service under the guidance of the CSOS Board and Department of Human Settlements, Water and Sanitation
- Takes into account all the relevant policies, legislation and other mandates for which the CSOS is responsible
- Accurately reflects the Impact, Outcomes and Outputs which the CSOS will endeavour to achieve over the period 2020 – 2025



MS. K PHETLA
MANAGER: STRATEGY, PLANNING AND
MONITORING AND EVALUATION
DATE: 27/07/2020



MS. B PHETLHE
ACTING CHIEF FINANCIAL OFFICER
DATE: 27/07/2020



MS. N RABULI
ACTING CHIEF OMBUD
DATE: 27/07/2020



MR. M TYAMZASHE
CHAIRPERSON OF THE BOARD
DATE: 27/07/2020



L N SISULU, MP
MINISTER OF HUMAN SETTLEMENTS,
WATER AND SANITATION
DATE:



LIST OF ABBREVIATIONS

ABBREVIATIONS	NAME IN FULL
ALDP	Accelerated Leadership Development Programme
APP	Annual Performance Plan
CFO	Chief Financial Officer
CL	Communal Living
CO	Chief Ombud
CS	Community Scheme
CSOS	Community Schemes Ombud Service
CIPC	Companies and Intellectual Property Commission
CPDP	Continuous Professional Development Programme
DHS	Department of Human Settlements
DPME	Department of Planning, Monitoring and Evaluation
ERP	Enterprise Resource Planning
Exco	Executive Committee / Executive Council
FS	Financial Stability
GRAP	General Recognised Accounting Practice
HOA	Homeowners Associations
HR	Human Resources
HS	Human Settlement
IAD	Inter - Agencies Dependencies
ICT plan	Information, Communications and Technology
LG	Local Government
MAG	Management and Governance
M&E	Monitoring and Evaluation
MTEF	Medium Term Expenditure Framework
MTSF	Medium Term Strategic Framework
NDoHS	National Department of Human Settlement
NHBRC	National Home Builder's Registration Council
NDP	National Development Plan
NSDF	National Spatial Development Framework
PDA's	Priority Development Areas
PDI	Previously Disadvantaged Individual
PF	Process Flows
PFMA	Public Finance Management Act
Q	Quarter
RMF	Revenue Management Framework
SDG	Sustainable Development Goals
SLAs	Service Level Agreement
SMART	Specific, Measurable, Achievable, Realistic and Time-Bound
SONA	State of The Nation Address
SP	Spatial Integration

A world class dispute resolution service for parties in a community scheme

We believe in

- Service Excellence
- Independence
- Transparency
- Integrity
- Innovation
- Fairness

TABLE OF CONTENTS

PART A: OUR MANDATE

1. CONSTITUTIONAL MANDATE	8
2. LEGISLATIVE AND POLICY MANDATES	8
3. INSTITUTIONAL POLICIES AND STRATEGIES OVER THE FIVE YEAR PLANNING PERIOD	14
4. RELEVANT COURT RULINGS	14

PART B: OUR STRATEGIC FOCUS

UPDATED SITUATIONAL ANALYSIS

5. VISION	16
6. MISSION	16
7. VALUES	16
8. SITUATIONAL ANALYSIS	17
8.1 EXTERNAL ENVIRONMENT ANALYSIS	20
8.2 INTERNAL ENVIRONMENT	26

PART C: MEASURING OUR PERFORMANCE

9. INSTITUTIONAL PROGRAMME PERFORMANCE INFORMATION	30
10. PROGRAMME RESOURCE CONSIDERATIONS	40
11. UPDATED KEY RISKS	44
12. INFRASTRUCTURE PROJECTS	45
13. PUBLIC PRIVATE PARTNERSHIPS	45

PART D: TECHNICAL INDICATOR DESCRIPTIONS (TID)

PROGRAMME 1: ADMINISTRATION	47
PROGRAMME 2: REGULATION	53
PROGRAMME 3: EDUCATION AND TRAINING	59
14. ANNEXURES TO THE ANNUAL PERFORMANCE PLAN	62
ANNEXURE A: AMENDMENTS TO THE STRATEGIC PLAN - IF ANY	62
ANNEXURE B: CONDITIONAL GRANTS	62
ANNEXURE C: MATERIALITY FRAMEWORK	63
ANNEXURE D: DISTRICT DEVELOPMENT MODEL	63
MATERIALITY AND SIGNIFICANCE FRAMEWORK	64

A



OUR MANDATE

1. CONSTITUTIONAL MANDATE

The Constitution, 1996 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, the Constitution forms the legal foundation of a democratic South Africa, sets out the rights and duties of its citizens and defines the structure of the government. All laws of the country must be consistent with the Constitution, and it further requires that all spheres of government work together to address poverty, underdevelopment, marginalisation of individuals and communities and other legacies of apartheid and discrimination.

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
- (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

2. LEGISLATIVE AND POLICY MANDATES

2.1 COMMUNITY SCHEMES OMBUD SERVICE ACT, 2011 (ACT 9 OF 2011) – “CSOS ACT”

2.1.1 PURPOSE OF THE CSOS ACT

The Purpose of the Act is to provide:

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

2.1.2 ESTABLISHMENT OF THE CSOS

- Section 3 (1) of CSOS Act states “there is hereby established a juristic person to be known as the Community Schemes Ombud Service”
- 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”
- Section 3 (3) states that the “CSOS must establish a national head office and, where necessary, Provincial offices”
- Section 3 (4) states that “the provisions of the PFMA apply to CSOS”

2.1.3 FUNCTION OF THE CSOS

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

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

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

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

2.2 COMMON LAW CO-OWNERSHIP

The common law of South Africa permits land to be registered in the name of more than one natural or artificial person. In practice shared rights and obligations arising from common law co-ownership of land and buildings used for housing purposes are often regulated by contractual arrangements.

2.3 SECTIONAL TITLES

The Sectional Titles Act, 1986 governs the establishment of sectional title schemes and makes provision for a body corporate to manage each of these schemes. Under this Act, a management body comes into being for each scheme by operation of law.

2.4 SECTIONAL TITLES SCHEMES MANAGEMENT ACT

An extract from the Sectional Titles Schemes Management Act and Implications on CSOS is shown in the table below:

ITEM NO	REFERENCE OF SECTION	ARTICULATION OF THE SECTION	CSOS STRATEGIC THINKING AND ALIGNMENT
1	Section 7 (d)	(7) The Body Corporate has perpetual succession and is capable of suing and of being sued in its corporate name in respect of (d) any matter arising out of the exercise of any of its powers or the performance or non-performance of any of its duties under this Act or any rule.	This may be an area of contention by owners
2	Section 3(1)(c)	(3)(1) A body corporate must perform the functions entrusted to it by or under this Act or the rules, and such functions include (c) To require the owners, whenever necessary, to make contributions to such funds: Provided that the body corporate must require the owners of sections entitled to the right to the exclusive use of a part or parts of the common property, whether or not such right is registered or conferred by rules, to make such additional contribution to the funds as is estimated necessary to defray the costs of rates and taxes, insurance and maintenance in respect of any such part or parts, including the provision of electricity and water, unless in terms of the rules the owners concerned are responsible for such costs. (f) To raise the amounts so determined by levying contributions on the owners in proportion to the quotas of their respective sections. (o) To notify the Chief Ombud, the local municipality concerned and the registrar of its domicilium citandi et executandi, which is its address for service of any process? (t) In general, to control, manage and administer the common property for the benefit of all owners.	CSOS is obligated to work out a funding model enabling it to perform its mandate and functions, whilst acknowledging implications on the community scheme. Need for SLAs between CSOS and Municipalities
3	Section 3(2)	Liability for contributions levied under any provision of subsection (1), save for special contributions contemplated by subsection (4), accrues from the passing of a resolution to that effect by the trustees of the body corporate, and may be recovered by the body corporate by an application to an Ombud from the persons who were owners of units at the time when such resolution was passed: Provided that upon the change of ownership of a unit, the successor in title becomes liable for the pro rata payment of such contributions from the date of change of such ownership.	Incidental service fees by the Ombud and collaborative efforts as outlined in the Sectional Titles Act and CSOS Act
4	Section 3(3)	Any special contribution becomes due on the passing of a resolution in this regard by the trustees of the body corporate levying such contribution and may be recovered by the body corporate by an application to an Ombud, from the persons who were owners of units at the time when such resolution was passed: Provided that upon the change of ownership of a unit, the successor in title becomes liable for the pro rata payment of such contributions from the date of change of such ownership.	Incidental service fees by the Ombud and collaborative efforts as outlined in the Sectional Titles Act and CSOS Act
5	Section 3(4)	“Special contribution”, for the purposes of this section, means any contribution levied under subsection (1) other than contributions which arise from the approval of the estimate of income and expenditure at an annual general meeting of a body corporate, determined to be a contribution to be levied upon the owners during the current financial year.	CSOS to work out incidental funding model linked to this sub-section
6	Section 3(5)	The body corporate must, annually or whenever there is a change in levy, certify in writing— (a) The amount determined as the contribution of each owner (b) The manner in which such contribution is payable (c) The extent to which such contribution has been paid by each owner	CSOS Funding Model Plan, consultations and implementation

ITEM NO	REFERENCE OF SECTION	ARTICULATION OF THE SECTION	CSOS STRATEGIC THINKING AND ALIGNMENT
7	Section 3(6)	(6) The body corporate is, for the purposes of effecting any insurance under subsection (1)(h), considered to have an insurable interest for the replacement value of the building and must, for the purposes of effecting any other insurance under that subsection, be considered to have an insurable interest in the subject matter of such insurance.	CSOS Funding Model Plan, consultations and implementation
8	Section 4(h)	The body corporate may exercise the powers conferred upon it by or under this Act or the rules, and such powers include the power (h) To enter into an agreement with any owner or occupier of a section for the provision of amenities or services by the body corporate to such section or to the owner or occupier thereof, including, upon special resolution, the right to let a portion of the common property to any such owner or occupier by means of a lease other than a lease contemplated in Section 5(1)(a).	Reference section when dealing with specific disputes and governance documentation
9	Section 4(l)	The body corporate may exercise the powers conferred upon it by or under this Act or the rules, and such powers include the power (i) To do all things reasonably necessary for the enforcement of the rules and for the management and administration of the common property.	CSOS assessing fairness and applicability
10	Section 5(1)	<p>In addition to the body corporate's main functions and powers under sections 3 and 4, the body corporate—</p> <ul style="list-style-type: none"> (a) May, upon unanimous resolution, on direction by the owners and with the written consent of any holder of a right of extension contemplated in section 25 of the Sectional Titles Act, alienate common property or any part thereof, or let the common property or any part thereof under a lease, and thereupon the body corporate may, subject to section 17(1) of the Sectional Titles Act, deal with such common property or such part thereof in accordance with the direction and may execute any deed required for this purpose, including any deed required under the Sectional Titles Act (b) May, with the written consent of all the owners as well as the written consent of the mortgagee of each unit in the scheme, alienate, or in terms of the Sectional Titles Act exercise or cede, a right of extension of the scheme by the addition of sections: Provided that an owner or mortgagee may not withhold such approval without good cause in law (c) May, upon unanimous resolution by the owners, enter into a notarial agreement to extend the period stipulated in the condition referred to in section 25(1) of the Sectional Titles Act (d) May, subject to subsection (2), purchase land to extend the common property, if duly authorised thereto in writing by all the owners (e) May, upon unanimous resolution by the owners, request the delineation and cession of exclusive use rights to particular owners in terms of section 27(2) of the Sectional Titles Act (f) May, upon special resolution by owners, enter into a notarial deed of cancellation of an exclusive use right in terms of section 27(5) of the Sectional Titles Act (g) May, upon special resolution by the owners, execute on behalf of the owners a servitude or a restrictive agreement burdening the land shown on the relevant sectional plan and may accept on their behalf a servitude or restrictive agreement benefiting such land, as contemplated in section 29 of the Sectional Titles Act (h) Must, on application by an owner and upon special resolution by the owners, approve the extension of boundaries or floor area of a section in terms of the Sectional Titles Act (i) May, generally exercise any power and perform any function conferred or imposed on the body corporate in terms of this Act or the Sectional Titles Act 	CSOS source of reference in registration, investigations and adjudication of captured complaints and/or governance documentation practices

ITEM NO	REFERENCE OF SECTION	ARTICULATION OF THE SECTION	CSOS STRATEGIC THINKING AND ALIGNMENT
11	Section 5(2)	<p>Land purchased by a body corporate in terms of subsection (1)(d)—</p> <p>(a) Must be registered in the name of the body corporate in terms of the Sectional Titles Act and the Deeds Registries Act, 1937 (Act No. 47 of 1937) and</p> <p>(b) Is considered to be owned by the owners of sections in the building concerned in the same proportion as their participation quota as contemplated in section 26(2) of Sectional Titles Act</p>	CSOS noting origination of each property in a community scheme
12	Section 10	<p>(1) A scheme must as from the date of the establishment of the body corporate be regulated and managed, subject to the provisions of this Act, by means of rules</p> <p>(2) The rules must provide for the regulation, management, administration, use and enjoyment of sections and common property and comprise—</p> <p>(a) Management rules, as prescribed, which rules may subject to the approval of the Chief Ombud be substituted, added to, amended or repealed by the developer when submitting an application for the opening of a sectional title register, to the extent prescribed by regulation, and which rules may be substituted, added to, amended or repealed by unanimous resolution of the body corporate as prescribed</p> <p>(b) Conduct rules, as prescribed, which rules may, subject to the approval of the Chief Ombud, be substituted, added to, amended or repealed by the developer when submitting an application for the opening of a sectional title register, and which rules may be substituted, added to, amended or repealed by special resolution of the body corporate, as prescribed: Provided that such conduct rules may not be irreconcilable with any prescribed management rule contemplated in paragraph (a)</p> <p>(3) The management or conduct rules contemplated in subsection (2) must be reasonable and apply equally to all owners of units</p>	CSOS Governance Documentation Management and incidental fees for CSOS
13	Section 13(1)(g)	<p>An Owner must –</p> <p>(g) When the purpose for which a section or exclusive use area is intended to be used is shown expressly or by implication on or by a registered sectional plan, not use nor permit such section or exclusive use area to be used for any other purpose: Provided that with the written consent of all owners such section or exclusive use area may be used for that purpose as consented to</p>	CSOS noting rights and obligations of owners and level of consent to be provided by each
14	Section 13(2)	<p>(2) Any owner who is of the opinion that any refusal of consent of another owner in terms of the proviso to subsection (1)(g) is unfairly prejudicial, unjust or inequitable to him or her, may, within six weeks after the date of such a refusal, make an application in terms of this subsection to an Ombud</p>	Affected rights of owners assessed and adjudicated by CSOS
15	Section 16(4)	<p>(4) The administrator must—</p> <p>(a) Convene and preside at the meetings required in terms of this Act and the scheme's rules; and (b) Lodge with the Ombud—</p> <p>(i) Copies of the notices and minutes of meetings</p> <p>(ii) Written reports on the administration process every three months or at such shorter intervals as the Magistrate's Court may direct</p>	Role of Administrator intertwined with the judicial processes followed in a court of law

ITEM NO	REFERENCE OF SECTION	ARTICULATION OF THE SECTION	CSOS STRATEGIC THINKING AND ALIGNMENT
16	Section 18	<p>(1) There is hereby established a Sectional Titles Schemes Management Advisory Council, which must—</p> <p>(a) Make recommendations to the Minister concerning any matter specified in section 19 in respect whereof the Minister may make regulations</p> <p>(b) Keep the implementation of this Act and the regulations under regular review and must make recommendations to the Minister with regard to any amendments thereof or other action which may be advisable</p> <p>(c) Advise the Minister on any matter referred to it by the Minister</p> <p>(2) The Advisory Council consists of not more than seven but not less than five members of whom—</p> <p>(a) One must be the Chief Ombud, who must act as chairperson at the meetings of the Advisory Council</p> <p>(b) One must be a senior official of the department designated by the Director-General</p> <p>(c) The remainder must be persons appointed by the Minister who must have skills, knowledge and experience in the management of a range of types of schemes</p> <p>(3) The Minister must appoint one of the members of the Advisory Council as the Deputy Chairperson</p> <p>(4) (a) Before the Minister makes an appointment in terms of subsection (2)(c), the Director-General must, on such terms as he or she considers appropriate, establish a nomination committee consisting of not more than seven persons who are broadly representative two of whom must be the chairpersons of the relevant parliamentary committees in each house or their delegates, to nominate persons who meet the requirements of subsection (2)(c) for consideration for appointment to the Advisory Council by the Minister</p> <p>(b) The persons nominated in terms of paragraph (a) must be broadly representative in such a manner as may be prescribed</p> <p>(5) A member of the Advisory Council holds office for a period of three years, but the Minister may on reasonable grounds terminate the appointment of such a member at any time before the expiration of such member's period of office</p> <p>(6) If a member of the Advisory Council dies or vacates office before the expiration of that member's period of office, the Minister may, subject to the provisions of subsection (2)(c), appoint a person in that member's place for the unexpired period of his or her office</p> <p>(7) A member of the Advisory Council, whose period of office has expired, may be re-appointed but may not serve for more than two consecutive terms</p> <p>(8) A member of the Advisory Council, excluding a member in the full-time service of the State, must, while he or she is engaged in the business of the Advisory Council, be paid such remuneration and travelling and subsistence allowances as the Minister, with the concurrence of the Minister of Finance, may determine</p> <p>(9) In the absence of the Chief Ombud or his or her deputy, the members present in the meeting of the Advisory Council must elect a member from amongst themselves to act as Chairperson of the Advisory Council for the purpose of such meeting</p> <p>(10) (a) The Advisory Council must meet at such times and places as are determined by the Chief Ombud</p> <p>(b) The Minister may at any time direct the Chief Ombud to convene a meeting of the Advisory Council at a time and place determined by the Minister</p> <p>(11) (a) Five members of the Advisory Council form a quorum for a meeting</p> <p>(b) A decision of a majority of the members of the Advisory Council present at any meeting of the Advisory Council constitutes a decision of the Advisory Council and, in the event of an equality of votes, the person presiding at the meeting must have a casting vote in addition to his or her deliberative vote</p> <p>(12) The Advisory Council may regulate the proceedings at its meetings as it may think fit and must cause minutes of such proceedings to be kept</p> <p>(13) The administrative functions of the Advisory Council must be performed by the employees of the Community Schemes Ombud Service referred to in Section 3 of the Community Schemes Ombud Service Act, 2010, who are designated by the Chief Ombud for that purpose</p>	<p>Sectional Titles Advisory Management Council. It is imperative that the Chief Ombud and various Ombuds must be aligned to the processes and fully understands their responsibilities in ensuring the implementation of the Sectional Titles Act and CSOS Act</p>

Table 1 – Sectional Titles Management Act

2.5 SHARE BLOCK SCHEMES

The Share Block Control Act, 1980 and the Companies Act, 2008, regulate share-block companies in terms of a statutory management arrangement common to all registered share block companies. The governance documentation for share block companies namely the Memorandum of Incorporation, copies of standard 'use agreements' between such companies and their shareholders and various types of company resolutions are in the custody of the Registrar of Companies. Owners, tenants and members of the public are entitled to obtain copies from the Registrar on payment of a fee.

2.6 HOUSING DEVELOPMENT SCHEMES FOR RETIRED PERSONS ACT

A retirement Housing Development Scheme under the Housing Development Schemes for Retired Persons Act, 1988, may be structured as any type of scheme, arrangement or undertaking catering for membership of or participation in any form of club, association, organisation or other body. All such schemes must be managed by an association that comes into being in terms of regulation 7 made under section 11 of that Act. This association has the power to make rules.

Where retirement schemes are established as sectional title schemes, share block companies or close corporations, the governance documentation is available from the offices of the appropriate Registrar of Deeds or from that of the Registrar of Companies for a fee. The churches, charitable societies, trusts and other forms of organisations that operate such schemes are not required to file their governance documentation with any government office. The contracts, often called 'life-right agreements', that regulate the relationship between retired persons and such entities are not part of any public record. The rules made by management associations under regulation 9 of this Act are also not filed in any government office or available to the public.

2.7 COMPANIES ACT 2008 (HOMEOWNERS ASSOCIATIONS (HOA'S))

HOAs take the form of either 'not for profit' companies established under the Companies Act, 2008 or common law associations. Where HOAs are common law associations, the local authority concerned usually holds the original or a copy of its constitution. Where the HOA is established as "not for profit" company, under the Companies Act, 2008, the Registrar of Companies keeps the custody of the Memorandum of Incorporation governing its operations.

2.8 MULTI-LEVEL AND MIXED-USE DEVELOPMENTS

Different kinds of community schemes are often combined in a single property development, for example sectional title schemes, retail precinct and housing development for retired person under the jurisdiction of a single homeowners' association with overall management responsibility. The community schemes within such developments are often governed by a number of different sets of governance documents.

Regulation 30 under the Sectional Titles Act, 1986, makes specific provision for a sectional title scheme to assign its functions and powers to another association that acts as an overall management body. The governance of schemes in such multi-level and mixed-use developments is very complex.

2.9 CO-OPERATIVES ACT 2005

CSOS regulates the housing co-operatives established in terms of the Co-Operatives Act.

2.10 THE HOUSING ACT (ACT NO. 107 OF 1997)

In terms of Part 2, Section 3 (4)(h), the Minister for Human Settlements is empowered to establish and finance national institutions for the purposes of housing development and supervise the execution of their mandate.

3. INSTITUTIONAL POLICIES AND STRATEGIES OVER THE **FIVE YEAR** PLANNING PERIOD

The Entity will work with the National Department of Human Settlement, Water and Sanitation to amend the CSOS Act: The amendment of the CSOS Act will provide for stringent compliance and enforcement measures.

This will enable CSOS to implement compliance initiatives in accordance with best practices and legislative framework.

4. RELEVANT COURT RULINGS

There have been no relevant court rulings to report for this period.

“ Different kinds of community schemes are often combined in a single property development ”



B



OUR STRATEGIC FOCUS

UPDATED SITUATIONAL ANALYSIS

5. VISION

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

6. MISSION

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

7. VALUES

VALUE	DESCRIPTION
ACCOUNTABILITY	The CSOS will apply innovative capabilities to improve its service delivery
EXCELLENCE	The CSOS will provide excellent services, to Community Schemes in a timely, cost-effective and responsive manner
INDEPENDENCE	The CSOS will act independently and objectively in the undertaking of its services
INTEGRITY	The CSOS will execute its functions in an honest, ethical, transparent and reliable manner

Table 2 – Value Definitions



8. SITUATIONAL ANALYSIS

8 (A) NATIONAL DEVELOPMENT PLAN, VISION 2030

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.

Although a sustainable social sector impacts on many chapters of the NDP, the CSOS's primary alignment to the NDP is through Chapter 8 – Transforming Human Settlement and the National Space Economy. The key alignment considerations of Chapter 8 of the NDP are as follows:

- (1) Respond systematically, to entrenched spatial patterns across all geographic scales that exacerbate social inequality and economic inefficiency**
- (2) In addressing these patterns, we must take account of the unique needs and potentials of different rural and urban areas in the context of emerging development corridors in the Southern African sub-region**
- (3) The state will review its housing policies to better realise constitutional housing rights, ensure that the delivery of housing is to be used to restructure towns and cities and strengthen the livelihood prospects of households**
- (4) Active citizenship in the field of spatial development will be supported and incentivised through a range of interventions, including properly funded, citizen-led neighbourhood vision and planning processes and the introduction of social compacts from neighbourhood to city level**
- (5) Planning in South Africa will be guided by a set of normative principles to create spaces that are liveable, equitable, sustainable, resilient and efficient, support economic opportunities and social cohesion**
- (6) South Africa will develop a national spatial framework and resolve the current deficiencies with the local system of integrated development planning and progressively develop the governance and administrative capability to undertake planning at all scales**

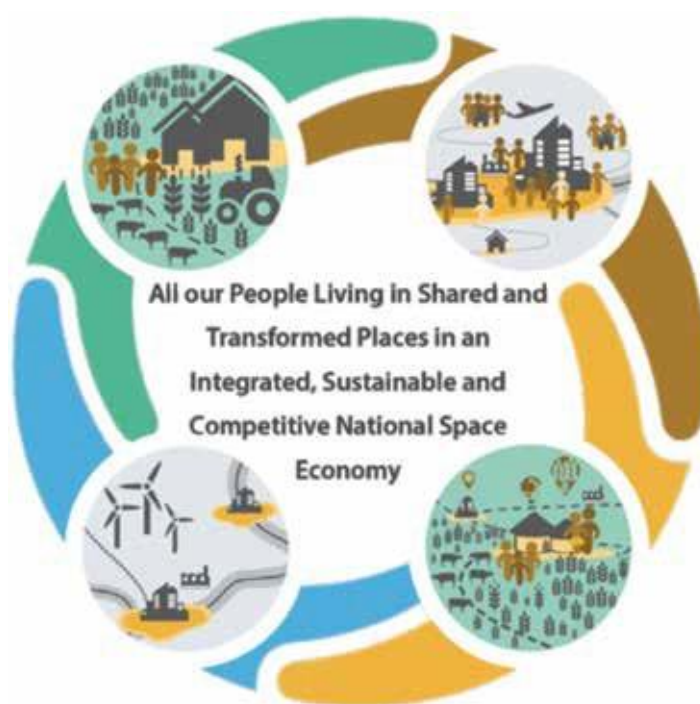


Figure 1: What we aim to achieve: NDP 2030 & 2019 to 2014 MTSF

The achievement of the NDP goals demands a co-operative relationship across national, provincial and local governments, and across the social partners including the private sector, labour and civil society. The three spheres of government need to work collaboratively to ensure alignment between their powers and functions, the planning processes, budget allocation processes and coordinated implementation. Priorities must be clearly articulated in the short and medium-term plans across the spheres of government. The overriding principle is that the whole of government should take collective ownership of the priorities and responsibility for achieving these within the contexts of their respective mandates.

8 (B) MEDIUM-TERM PLANNING PRIORITIES OF THE 6TH ADMINISTRATION

Seven medium-term priorities have been derived from the electoral mandate of the ruling party, as pronounced upon by the President in his State of the Nation Address (SONA) in June 2019:

- (1) Economic transformation and job creation
- (2) Education, skills and health
- (3) Consolidating the social wage through reliable and quality basic services
- (4) Spatial integration, human settlements and local government
- (5) Social cohesion and safe communities
- (6) A capable, ethical and developmental state
- (7) A better Africa and world

The CSOS takes its guidance from the National Department of Human Settlements in terms of Priority 4: Spatial Integration, Human Settlements and Local Government. The desired Outcome is Spatial Transformation and Justice through the implementation of housing and human settlements in Priority Development Areas (PDA's).

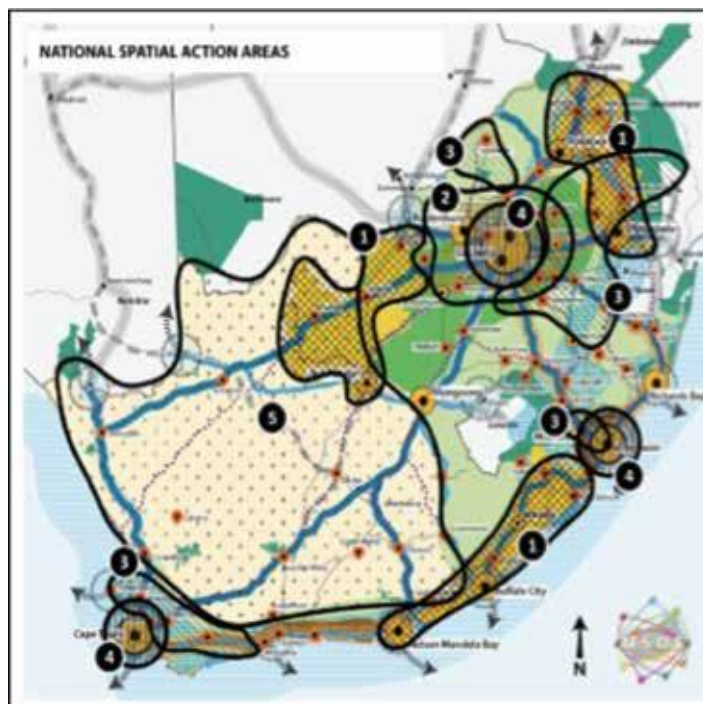


Figure 2: National Spatial Action areas

1. National Transformation Corridors (3 Corridors)
2. Central Innovation Belt
3. National Resource Risk Areas Region (5 critical water resource risk areas)
4. National Urban Regions (3 Urban City regions)
5. Arid Innovation



Priority 4 highlights the following outcomes that are relevant to community schemes, informing CSOS's impact:

1) Liveable neighbourhoods

- **Liveable neighbourhoods lead to better quality of life**
- The purpose is to achieve spatial transformation and better spatial targeting through area-based investments
- **Nodal development to be used in Priority Housing Development Areas**
- The intent of nodes is to generate within the existing urban structure focal points characterised by multi-functionality, a relatively high density and a public transit and walking orientation
- **Prioritise security of tenure and investment in public spaces as a key transformational strategy**
- Utilise integrated residential development programme to achieve mixed-use and dense settlements informed by ToD & Smart Growth Principles

2) Adequate housing

The objective is to develop a range of strategies that enhance the ability of people to access adequate, quality and affordable housing for rental and home ownership.

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 aligned the 2020/21 to 2024/25 plans.

DHS PILLARS	CORE ISSUES
Develop liveable neighbourhoods through various programmes	1) Invest in priority development areas 2) Upgrade informal settlements 3) Invest in public spaces. Provide neighbourhoods with vital infrastructure and services
Ensure access to well-located land for human settlements development	1) Implement accelerated National Housing Land Acquisition, Assembly and Release Programme informed by spatial development frameworks
Provide access to adequate housing through a range of programmes targeting households	1) Implement programmes that support affordable rental 2) Implement various programmes that support home ownership for both the subsidy and the gap market
Develop a functional residential property market to support the realisation of asset value	1) Strengthen home ownership education 2) Register title deeds 3) Provide transactional support through Local Housing Transactional Support Centres 4) Strengthen consumer protection programmes

Table 3 – DHS pillars for the MTSF

MTSF INDICATOR	MTSF CONTRIBUTION BY ENTITY
Number of persons in the target market exposed to education programmes on various aspects of owning and renting a home	Implement a borrower, homeownership (Zenzeleni, help me buy a home) and tenant education programme
	Monitor and report on the number of persons exposed to education programmes on owning and renting a home
Transactional support programme implemented	Establish a presence in transactional support sites
	Monitor and report on transactional support programmes
Consumer protection programmes implemented	Report the total number of community schemes registered and number of schemes paying levies as per legislation
	Number of consumer disputes submitted to CSOS and resolved within 90 days

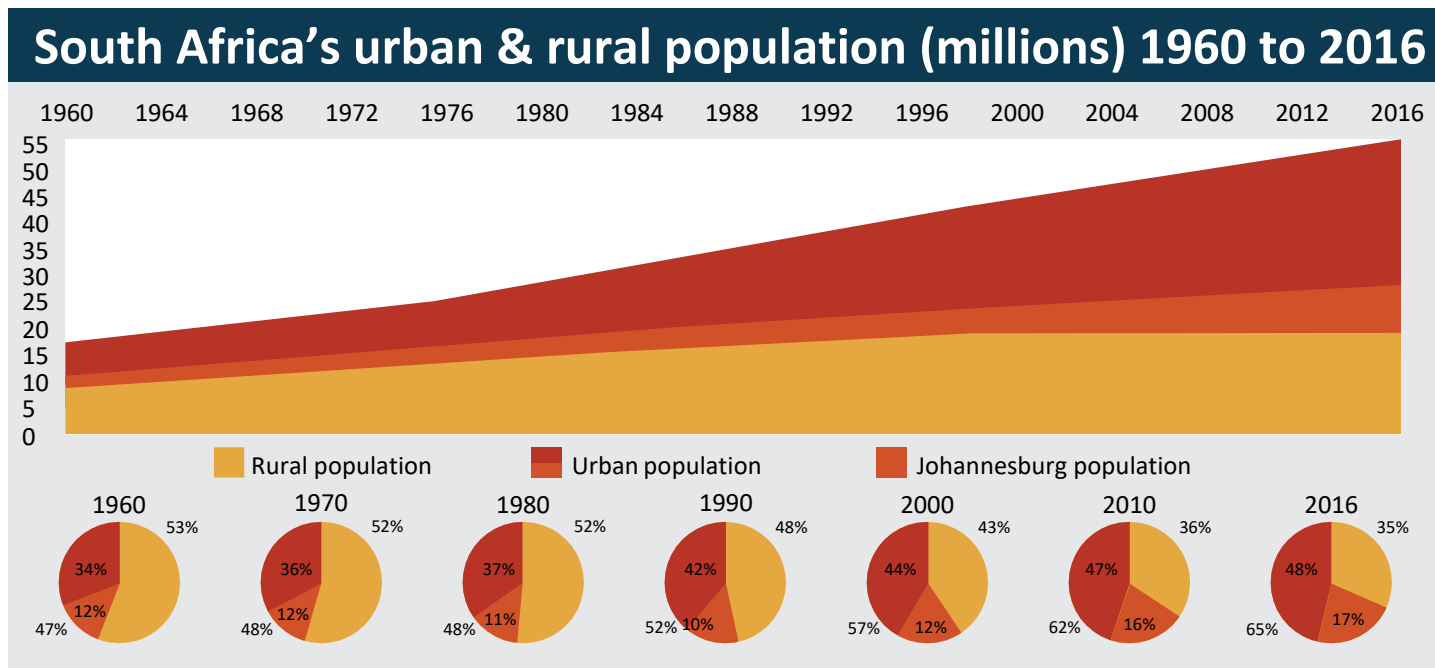
8.1 EXTERNAL ENVIRONMENT ANALYSIS

South Africa is a young but growing democracy with the fourth largest concentration of community schemes in the world.

The environment within which the CSOS operates is complex, involving technical requirements, legal processes and procedures to regulate and harmonise interdependent relations between parties in shared living arrangements such as sectional title schemes, homeowners' associations, share-block companies, housing schemes for retired persons and housing co-operatives.

“The option of living in a community scheme is increasingly becoming the preferred tenure option for many South Africans.”

Figure 3: Urban and Rural Trends



South Africa's urbanisation patterns are expected to reach 77.4% (49.1 million of a projected 63.4 million people) in 2050, from around 43% (5.8 million of 13.7 million people) in 1950.

The option of living in a community scheme is increasingly becoming the preferred tenure option for many South Africans. This is due to a variety of benefits that tenure in a community scheme offer – affordability, shared costs, security and shared responsibility for buildings or parts of land. Inevitably, where there are many and varied individual interests in a kept space, disputes will arise. Therefore, the regulation of community schemes requires an intricate balance of firstly, the protection of individual housing consumer rights, the application of fair, just and transparent legal recourse, and the provision of education, information, documentation and any such services as may be required to raise awareness to owners, occupiers, executive committees and other persons as to their rights and obligations.

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.

Historically, community schemes were not regulated and the management and governance of community schemes was fragmented. Most of the community schemes were self-regulated. Parliament subsequently promulgated the Community Schemes Ombud Service Act in 2011 (hereinafter, “the CSOS Act”). The process of the proclamation of the CSOS Act was followed by the approval of the Regulations by Parliament in October 2016.

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, by notice in the Gazette and take custody of, preserve and provide public access electronically or by other means to sectional title scheme governance documentation and 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.

SCHEME REGISTRATION

The entire CSOS value chain and service delivery model is underpinned on the success in creating a complete database of Community Schemes. In order to deliver on the overall CSOS Strategic Plan, CSOS must prioritise registration of schemes.

Community Schemes are defined as follows in terms of the CSOS Act

- **Sectional Title Schemes**
- Homeowners associations
- **Housing Co-Operatives**
- Share Block Companies
- **Retirement Village**

The registration of community schemes is founded on the CSOS Act and the Regulations. This poses legal challenges as the Act does not provide for mechanism to enforce the schemes that are not compliance with registration. This will be cured by an amendment of the CSOS Act. In the interim compliance and enforcement strategy will be implemented.

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 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 database of community schemes. The database is critical not only for collection of levies but also for provision of education and training.

COVID-19 IMPACT OF THE REGISTRATION OF SCHEMES

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 lockdown however prevents schemes members from meeting and as a result Community Schemes will not be able to effectively hold AGMs to pass resolutions and to comply with legislative requirements. The Registration of schemes was impacted however, currently the registration team have been allocated laptops and 3G to enable working remotely from home. Quality Assurances of Schemes Governance Documentation was not interrupted; however, the issuing of certificates was delayed due to prohibition of face to face contact – schemes cannot come to collect the signed certificates. This has an impact as the Deeds Office still required Original Certificates for Conveyancing processes. A resolution has been made that the certificates for Body Corporates will be emailed and the original certificates will be collected once the Lockdown is uplifted.



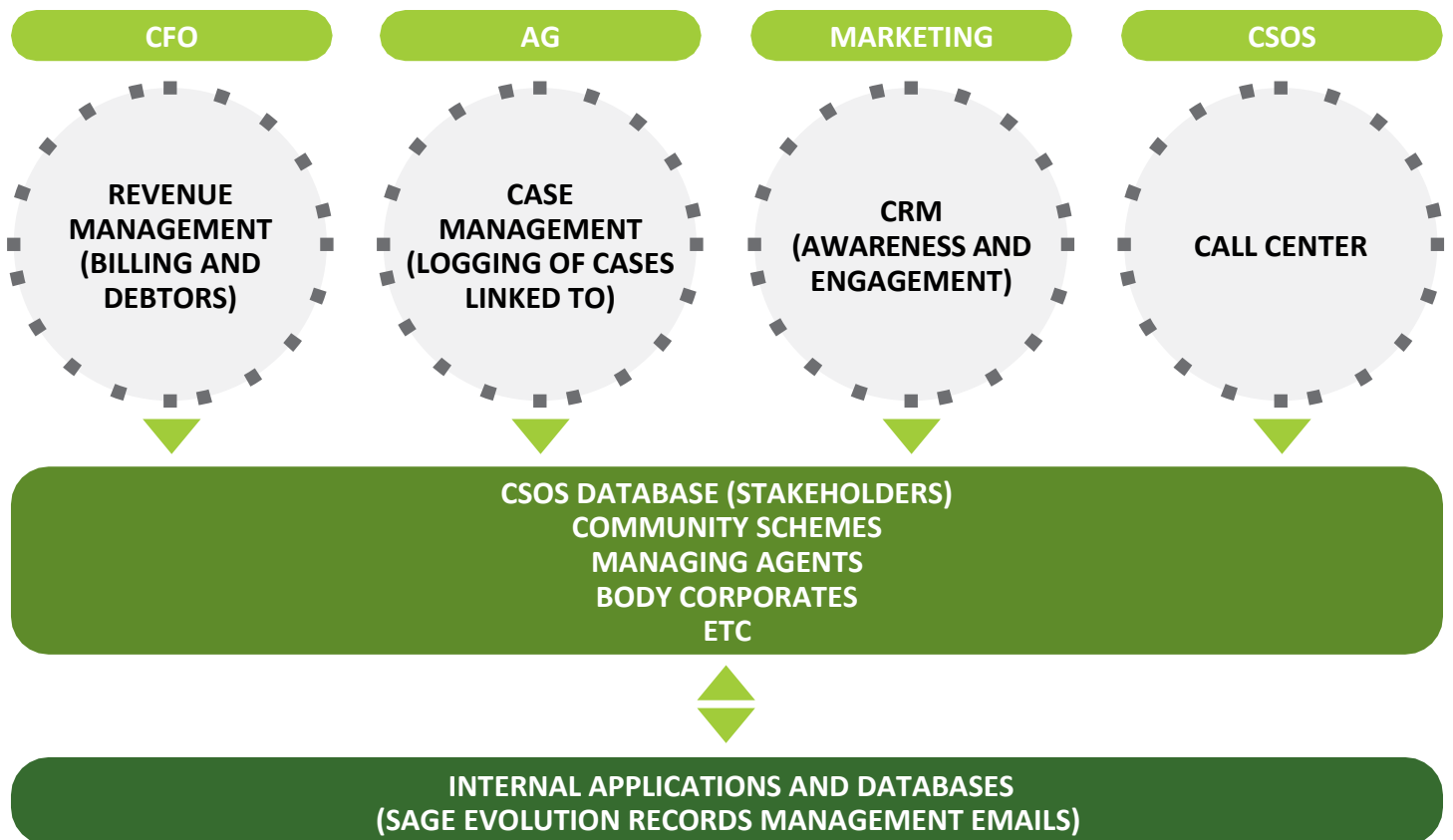


Figure 4: High-level architecture of the database feeds

The Illustration above seeks to provide a high-level architecture of the database feeds and structure of information relating to what needs to be stored on the database, who needs access to it and which business units will assume responsibility for the different segments.

The structure is foreseen to increase in scope as the CSOS assumes all its core activities and as the organisation grows.

CSOS must be able to demonstrate the value that it is bringing in the regulation of community schemes. This is important in attaining high compliance with registration. The value proposition is also driven by the services and the benefits that the community schemes will derive from CSOS. To ensure efficient compliance with registration process, CSOS must implement the following measures:

- **Improve efficiency; and automate the registration process**
- Pending automation, CSOS will employ database administrators to manually populate the database

There was a decline in the number of registration documentation submitted by community schemes, there were 17 446 registration documents submitted during 2017/18 compared to 2 423 submitted during 2018/19. Enforcement actions have commenced and continue into the 2019/20. A total number of 1 004 enforcement notices have been issued to non-compliant schemes to date. Six (6) administrators have been recruited to work on the backlog of registrations of schemes and issuing of enforcement notices and progress will be monitored. During the period under review the Entity will implement a Community Schemes Registration Strategy. The objective of the Strategy is to ensure that CSOS registers all community schemes so that they can be regulated in accordance with the CSOS Act.



COMPLIANCE AND ENFORCEMENT

CSOS is a Schedule 3A Public Entity established in terms of the Community Schemes Ombud Service Act, 2011 (Act No 9 of 2011) (the Act). It is a Public Entity reporting to the Minister of Human Settlements, Government of South Africa. CSOS is a Regulator of all community schemes in South Africa.

It 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. CSOS is undertaking 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 Community Schemes Ombud Service (CSOS) will assess the circumstances and respond appropriately to instances of non-compliance. CSOS will work with community schemes, where appropriate, in order to get them back on track to being compliant. CSOS regard intentional non-compliance as unacceptable and CSOS may take any one of a range of enforcement actions against community schemes who fail to comply with the Regulatory compliance.

Effective enforcement is vital to the successful implementation of social legislation and legislation that is not enforced rarely fulfils its social objectives. The environment that CSOS operates in, requires high compliance to legal processes and procedures. The challenge that CSOS is currently facing is that there is limited legal basis within the CSOS Act for CSOS to enforce registration. This would require a Legislative review to provide for the best practice and Legislative framework for compliance and enforcement.

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 quality assured has increased from 1523 in the 2017/18 year to 2088 in the 2018/19 year. The dispute resolutions business units (regional offices) were able to resolve 87.44% of disputes in the 2018/19 financial year. This percentage of disputes resolved has increased by 19.44% from the previous year baseline, where 68% of disputes were resolved. It must be noted that of the 5479 disputes resolved, 1898 (34.6%) were carried over from the previous financial year (2017/18).

During the MTSF period the Entity will develop and implement a compliance and enforcement Strategy. The underlying aim of this strategy is to have in place effective systems to maximise the schemes compliance with their duties and to ensure non-compliance is held at an absolute minimum, thereby, ensuring that Schemes comply with the CSOS Act, STSMA Act and other relevant legislation.

In achieving this aim, CSOS will strive to be a leading regulator who advocates an innovative and collaborative approach. CSOS will use a range of regulatory options to drive compliance, prioritise the resources based on the risk, be outcome focused and work closely with the stakeholders to ensure a joined-up approach to Schemes compliance. CSOS will be firm but fair in carrying out the regulatory activities and ensure that the actions are proportionate, consistent, transparent and targeted in the approach.

The CSOS's Compliance and Enforcement Strategy outlines how the CSOS will conduct its compliance and enforcement activities to fulfil its role of regulating Community Schemes in order to protect the tenure and property of people living in shared land. The value chain is inherently characterised by integrated business processes with the objective of creating value for schemes. Figure below illustrate a simplified version of the Governance and Compliance division value chain integrated with other business units:

COVID-19 IMPACT ON DISPUTE RESOLUTION SERVICES

All contact processes such as walk-ins, and investigation have been suspended, however Schemes are encouraged to submit disputes via email. Conciliations and Adjudication are conducted virtually and on paper. The identified risk is that some of scheme members are not keen to participate in virtual conciliation or have their matter adjudicated on paper. This will have an impact on the 90-day target and the quarterly targets.

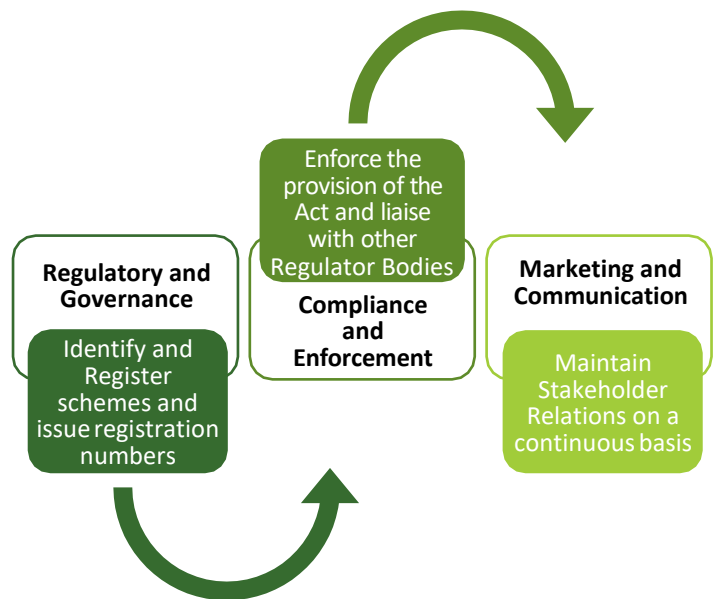


Figure: 5 Compliance and Enforcement Value Chain

LEVY COLLECTION

The CSOS Act provides that every community scheme must pay the service levy with effect from the commencement date of the Act. The commencement date of the Act was January 2017. Currently there are schemes that have not registered with the CSOS. Arrear levies must be collected and adequately accounted for in terms of the Generally Recognised Accounting Practice.

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".

Section 22(1) further provides that the funds of the service consist of (amongst others):

- (a) **Levies collected from community schemes with the approval of the minister and**
- (b) **Fees for services rendered based on cost recovery**

In terms of Section 22(2) the service must subject to Section 23, utilise the funds to defray expenses incurred by it in the performance of its functions. The CSOS Levy makes up the highest income stream and forms the substantial income to be utilised in the CSOS Budget year on year. It is further provided in Section 19(c) of the Act that the Chief Financial Officer must ensure that the service has adequate income and liquidity to perform its functions. CSOS should therefore, be able to sustain itself financially from the two predominant sources of income being the community schemes levies, dispute resolution and governance documents income.

CSOS does not have a process in place that compels the developers to register schemes with the CSOS prior to operation. The impact is that CSOS will not be able to account fully for the levies revenue and receivables as it does not have mechanisms to track new developments. Furthermore, the CSOS does not have a Policy, Standard Operating Procedures, Process Flows and an IT system that will enable it to properly account for revenue and accounts receivables. Currently, the entity is using a manual process which required additional resources and it is not efficient, as it is time consuming. During the period under review the Entity will implement A Revenue Management Strategy. The objective of the Strategy is to provide CSOS an overarching strategy to ensure that Levies are collected from all community schemes as per the CSOS Act Collected levies, dispute resolution and governance documents income are accounted for correctly and accurately. The CSOS has adequate income and liquidity to perform its functions.

In the 2018/19 financial year the entity collected levies to the amount of R 195 672 310 as opposed to the set target of R 200 000 000. This shows a negative variance of -R 4 327 690. The collection for the first quarter was below par but the collections improved over the last three quarters of the financial year. The CSOS can only achieve a complete collection of revenue once CSOS has registered the all schemes in South Africa database. CSOS has identified gaps that will be mitigated to address the completeness of revenue challenge.

IMPACT ON REVENUE MANAGEMENT AND FINANCIAL SUSTAINABILITY

Schemes Members comes from the same pool of SA citizen who might be impacted by COVID-19, financially. Job losses will have an impact on the ability of some schemes members in paying CSOS levies. An analysis was coordinated on levies collected in quarters 3 and 4 of 2018/19, compared to the same period in 2019/20. The growth for 2018/19 was at 37%, while the growth in 2019/20 was 24%, which resulted in 99% achievement of the annual target. Had the 2018/19 Q3 to Q4 growth rate remained the same, the R220 000 000 target would have been met in the 2019/20 financial year. The revised target of R217 000 000 is based on the actual collection for the 2019/2020 financial year. The budget has been reviewed to cover the possibility of the Covid-19 impact on the collection of levies.



STAKEHOLDER ENGAGEMENT AND ADVOCACY

In terms of section 4(2)(b) of the Community Schemes Ombud Service Act no 9 of 2011 (CSOS Act), CSOS is mandated to provide education, information, documentation and such services as may be required to raise awareness to owners, occupiers, executive committees and other person or entities who have rights and obligations in community schemes.

The provision of consumer education is also a key priority area and a critical target in the CSOS Annual Performance Plan. The need for CSOS to be more visible and play a more active role in educating consumers and raising awareness about our existence has also been highlighted in several important forums such as the Parliamentary Portfolio Committee of Human Settlements, Select Committee on Social Services, meeting with the Deputy Minister and the CSOS Board.

Marketing and Communication initiatives assists in driving registration with most schemes registered. The schemes are already on the first move of being fully compliant. It is therefore, important to implement vigorous stakeholder engagement initiatives, targeting schemes that are not registered. This will entail introducing CSOS to the said community schemes, explaining the mandate, objective and the role of CSOS within community schemes. The focus in the communication will be on the benefit that community schemes will derive from being a registered and a compliant scheme.

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. CSOS will collaborate with other stakeholders to ensure registration of all community schemes. Stakeholder engagement will be implemented as per the Stakeholder engagement strategy approved by CSOS. The following stakeholders have been identified as crucial to the effective implementation of the Strategy:

- Deeds Office
- CIPC
- Municipalities
- Community schemes
- Managing agents

e-Newsletter publications are developed internally by the CSOS Marketing and Communications department and distributed to internal and external stakeholders. In the previous financial year CSOS conducted stakeholder engagement events and this included the road-shows conducted in the 5 Provinces. In ensuring access to services two (2) offices have been identified for Bloemfontein and Port Elizabeth where the CSOS is currently conducting Conciliations and Adjudications and act as CSOS points of presence. Plans have been made in the 2019/20 for expansion feasibility assessments and office expansion as per the feasibility report. The objective of the establishment of Regional offices is to expand the national footprint and reach the larger size of the community schemes sector. Regional offices exist to ensure accessibility by Community Schemes and key stakeholders and to facilitate monitoring and enforcement.

EDUCATION, TRAINING AND STAKEHOLDER ENGAGEMENTS

With restrictions on meetings and face to face contact, all Education and Training will be conducted via Webinar or Team Meeting depending on the number of schemes members. The Technical Indicator on the APP has been amended to cater for the new mode of provision of training. CSOS has published on the website the Q&A raised during the Education and Training seminars conducted in the past. The PowerPoint presentation on education and training have also been posted on the CSOS website. Engagements with Major Stakeholders are done virtually, and the implementation of the Marketing and the Communication Strategy will not be impacted.

“CSOS is mandated to provide education, information, documentation and such services as may be required”

8.2 INTERNAL ENVIRONMENT

In terms of the Act and its establishment, CSOS is a public entity, listed in terms of Schedule 3A of the Public Finance Management Act (No. 1 of 1999) (PFMA).

In this regard, the Board of the CSOS is the Accounting Authority in terms of the PFMA. The Board provides leadership and oversees the strategic direction, to enhance shareholder value and ensure the CSOS's long-term sustainable development and growth.

In fulfilling its responsibilities, the Board is supported by the Chief Ombud and executive team, in implementing the approved strategic and corporate plans and policies, which are aligned to the key national policies, priorities and delivery agreements.

With the advent of the 6th Administration of a democratic South Africa, post the national and provincial elections in May 2019, the Department of Planning, Monitoring and Evaluation (DPME) issued the Revised Framework for Strategic Plans and Annual Performance Plans (November 2019). In terms of the PFMA and the Framework, all government departments and public entities are required to produce a table for the 2020/21-2024/25 Strategic Plan and the corresponding annual performance plans over the five year planning period.

The CSOS Board and management team embarked on a strategic review and planning process, commencing in August 2019 and continuing through to January 2020. The process was necessarily iterative and included the use of appropriate planning tools to examine, synthesise and assimilate the various strategic, policy and related documents consider the changes in the performance environment and policy intent and to develop a CSOS five year strategic plan that is progressive in nature and practical to implement – commencing with the development of the 2020/21 Annual Performance Plan, as year one of the new five year strategy.

Transformation of the community scheme sector impacting on all role-players in the scheme value chain will also be our focus for the MTSF period. Implementation of the strategic plan and APP will be based on foundation of sound governance, leadership and high-performance. The following are the non-negotiables for the 2019 to 2024 MTSF:

- (1) All Schemes registered
- (2) Dispute resolved within 90 days
- (3) Empowered community schemes that are responsible citizens
- (4) Clean audit outcome
- (5) A public entity "firing on all cylinders" (no dormant capacity)
- (6) A corruption free environment
- (7) Footprint and trusted partner
- (8) Comprehensive performance management system with consequence management

The CSOS Act empowers the organisation to help create and facilitate orderly and well-managed community schemes. This will be carried-out by resolving disputes amongst the parties, administration of schemes governance documentation and providing regular training and education to all stakeholders. Fostering inter-relationships between the CSOS and various community schemes is critical. Implementation of the mandate requires building relevant skills and behaviours which promote a culture of continuous learning and leadership is key to achieving the CSOS' strategic goals and objectives.

Human Resource (HR) planning remains at the core of ensuring that the Entity has the necessary capacity to deliver on its mandate and outcomes, as and when required. A Human Resource Plan (HRP) is adopted as a tool to ensure that all the employees' needs are identified on time and are adequately addressed to enable optimum achievement of the CSOS' strategic objectives. The Human Resources Department also aims to create a sustainable organisation and business continuity, through structured succession planning and ensuring that employees are supported, trained and equipped to occupy all positions. By doing so, it strengthens the human resource capability to fulfil its roles as a strategic partner, creating intellectual capital and administrative expertise.



Figure 6: HR Department's functions

During the past year, the Human Resources Department focused mainly on the continuous recruitment drive, in order to build capacity in the various departments within the CSOS. With the prioritisation of filling vacant positions in the 2018-19 financial year, the staff vacancy rate has decreased significantly over the last financial year. Furthermore, by understanding the talent and capabilities we have, we can appropriately match these to critical roles in the organisation, thereby maximising employee potential and achieving our strategic goals. There was a 30% growth in the staff complement from the previous financial year. As at 31 December 2019 the vacancy rate of the Entity decreased to 41%. The overall sense of the Executive team is that the structure is aligned to strategy but may require additional capacitation to enhance the delivery on the mandate while also increasing capacity to support the regulatory function of the CSOS, to ensure a compliance sector. In terms of the overall employment equity planning report indicates that 54 (60%) percent of females and 29 (31%) percent of males as at 31 March 2019.

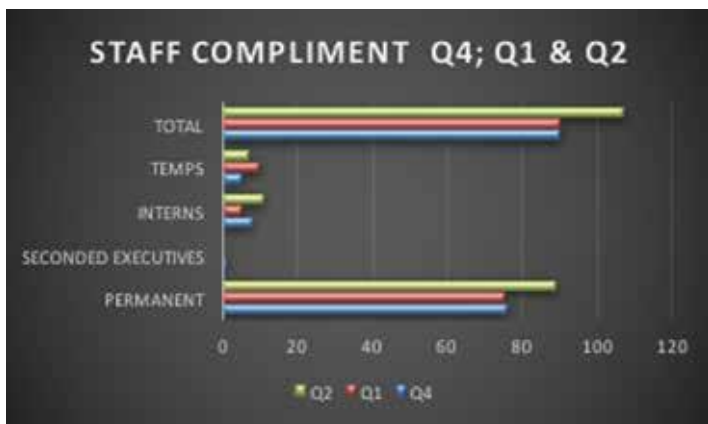


Figure 7: Staff compliment (2008/9 - Q4 and 209/20 Q 1 &2)

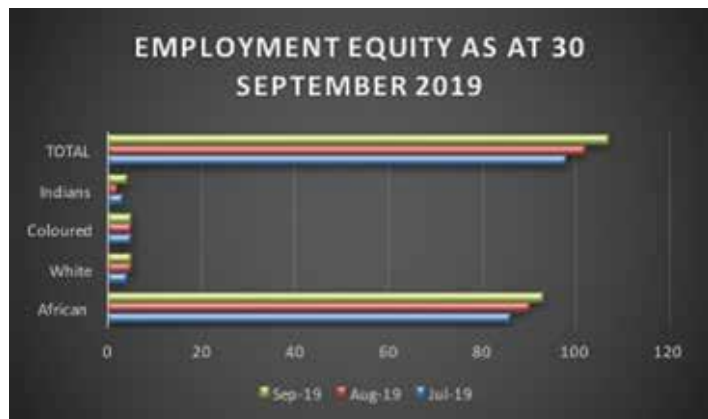


Figure 8: Employment equity

All staff, as at 30 September 2019, including Interns and temp staff. The Human Resource Plan was developed and approved by the Board. This HR Plan is monitored through the completion of quarterly KPI sheets, which are consolidated in the report that is submitted to the EXCO and the Board. Quarterly implementation reports were considered by management to ensure that the identified priority areas were addressed and corrective action taken timeously.

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

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 make a practical contribution to the advancement of the organisation. During the period under review, eight (8) tertiary graduates were enrolled for the CSOS Internship Programme, in various departments within the organisation.

The ICT Governance within the organisation was strengthened in the 2018/19 financial year as a new ICT Strategic Plan was approved which was supported by a revised Corporate Governance of ICT Policy Framework. Both policies are being implemented. This has assisted in the alignment of ICT to CSOS' strategic objectives and as well as the organisations value drivers as ICT plays a supporting role to the organisation.

An Information Security Officer as well as a Database Administrator were appointed, these resources were able to assist in the deployment of interim automated applications that have a direct impact on CSOS Strategic Objectives such as the Registration and Dispute Resolution processes. Other key initiatives will include a new Risk Assessment to update the entire ICT Risk Management and risk registers as well as the deployment of the Disaster Recovery Plan which is currently supported by the backup and recovery process that has remote synchronisation.

During the year under review, brand visibility was enhanced by the CSOS's flagship billboard advert that was flighted in May at the OR Tambo International Airport, leveraging an estimated exposure to a million travellers in that month. Favourable TV coverage was earned in program features on SABC's Yilungelo Lakho, a consumer affairs television show on SABC1 and MNET's Carte Blanch in January 2019. Both features covered consumer rights and obligations in shared living arrangements.

COVID – 19 IMPACT ON CSOS

On 15 March 2020, the President of South Africa, declared a national state of disaster and in response to the outbreak of the novel corona virus / COVID-19, a national state of disaster in terms of the Disaster Management Act. In his address to the nation, the President encouraged the nation to "act swiftly, with purpose and collectively," to limit the effects of the corona virus. In CSOS, the effort to minimise the risk of exposure requires the collective effort and co-operation by the employees of the Service, community schemes at large and applicants for dispute resolution services. CSOS has initiated measures to help support employees' physical and emotional well-being, whether at work or at home. Regular communiques are issued to employees on any issues relating to Covid-19. In terms of maintain Business Continuity, CSOS employees are provided with the necessary resources and support they need to be productive, especially as they adapt to working remotely. The Entity has reviewed the budget to re-allocate costs to expenditure that are impacted and will continue to monitor all expenditure. Furthermore, the entity coordinated a review of strategy due to changes in business such as a provision to allow only a limited number of employees at the office and remote provision of services which might have an impact on CSOS meeting its objective.

CSOS will not be able to provide services at the rate that is required. There might be delays or change in the modus of service provision and this might lead to negative stakeholder perceptions. A steering committee has been established in terms of section 19 of the OHS Act to prepare and monitor the return to work process and compliance Officers for each Region have been appointed. A compliance Plan has been developed and will be used a compliance monitoring tool on a daily basis. Risk Assessment was coordinated, and the Steering Committee is monitoring the implementation of corrective measures. Reporting is done at EXCO on all Covid-19 related activities. A directive was issued to all employees on how to handle any incidents and the reporting. To minimise infection to work force- employees working within the same family groups are not allowed to be in the office at the same time (weekly rotation is implemented).

HUMAN RESOURCES IMPACT

Recruitment will continue and interviews will be held virtually. There might be an increase in sick leave, with Covid-19 infections going up. Counselling will be provided to employees affected by Covid-19. The Board was requested to consider the annual leave provision as most employees might not take annual leave during this period. Performance Agreements will be amended in order to ensure alignment with the revised APP and Operational plan. A Working-From-Home Policy was developed and will be tabled at Governance Structures for approval.

IT IMPLICATIONS

Remote VPN setup for user with laptops and connectivity was setup to allow users to work from home on internal applications like Sage Evolution, Payroll and Teammate. Online employee onboarding with HR was configured and tested (The provision on new users can be initiated online with online approvals from HR, Managers, and ICT). The Entity increased data and mobile device allocations to allow remote working during lockdown. Licensing was procured for endpoint backup that will allow for backups of workstations to be monitored even when users are working from home. Organisation wide remote access setup (VPN access to internal applications) and Microsoft teams is deployment for Video Conferencing.

PROCUREMENT IMPLICATIONS

National Treasury had placed restrictions on issuing of tenders during Level 5 and 4. Procurement could only commence during Level 3, and only for the commodities that were opened. The implementation of the approved procurement plan has commenced with tenders to be advertised before end July 2020.

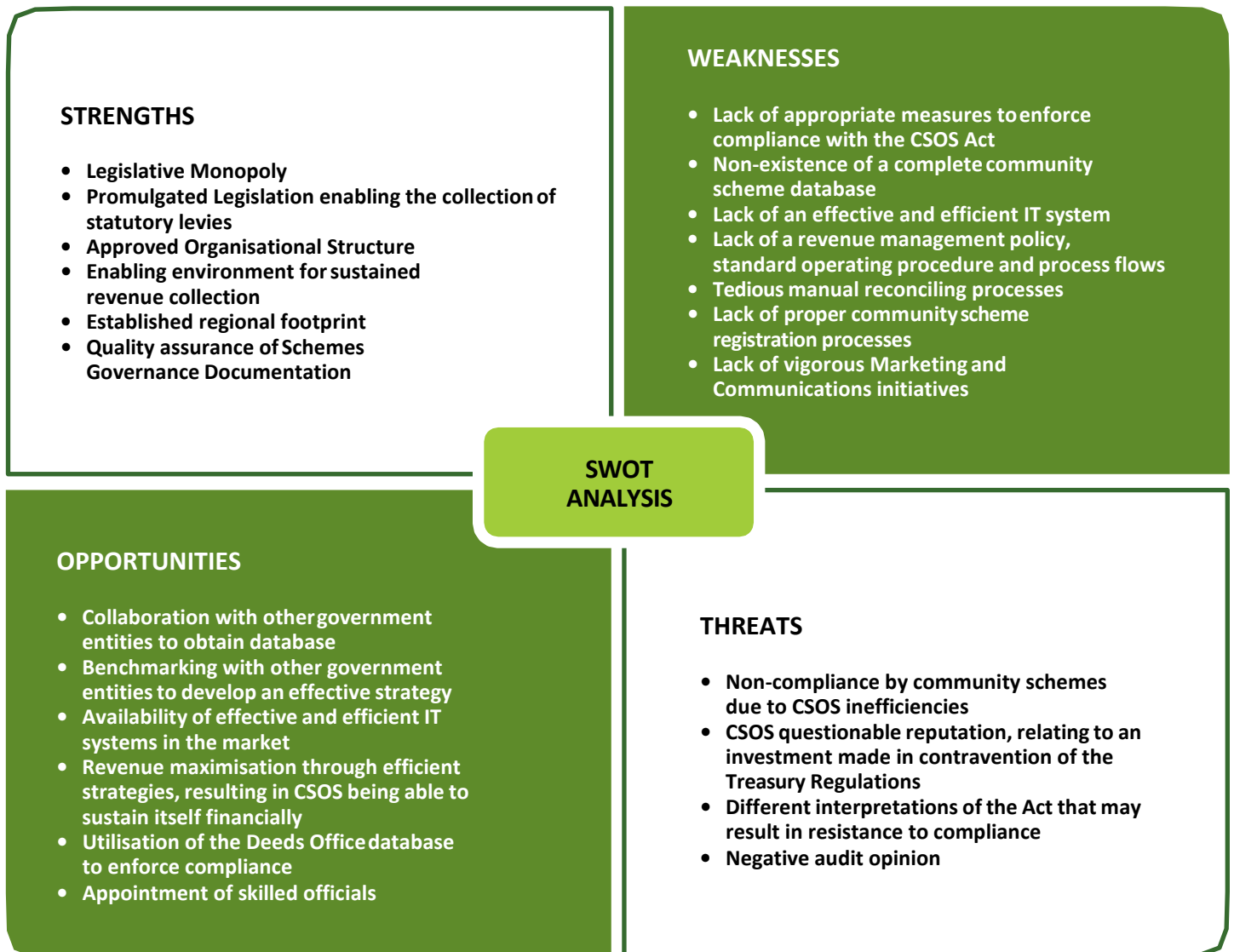


Figure 9: SWOT Analysis

C



MEASURING OUR
PERFORMANCE

9. INSTITUTIONAL PROGRAMME PERFORMANCE INFORMATION

PROGRAMME 1: ADMINISTRATION

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



OUTCOMES, OUTPUTS, PERFORMANCE INDICATORS AND TARGETS

OUTCOME	OUTPUTS	OUTPUT INDICATORS	ANNUAL TARGETS						
			AUDIT/ACTUAL PERFORMANCE			ESTIMATED PERFORMANCE	MTEF PERIOD		
			2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023
Outcome 1: Functional, Efficient and integrated Government	Anti-Fraud and Corruption Reports	1.1.1 Percentage of the approved Anti-Fraud and Corruption Implementation Plan implemented	No Target	No Target	No Target	No Target	100% of the approved anti-fraud and corruption implementation plan implemented	100% of the approved anti-fraud and corruption implementation plan implemented	100% of the approved anti-fraud and corruption implementation plan implemented
	Risk Management Report	1.1.2 Percentage implementation of the approved risk management plan	No Target	No Target	No Target	No Target	100% implementation of the approved risk management plan	100% implementation of the approved risk management plan	100% implementation of the approved risk management plan
	Sound internal controls and Good governance	1.1.3 Percentage of Implementation of audit remedial plan	No Target	No Target	No Target	No Target	90% Implementation of audit remedial plan	95% Implementation of audit remedial plan	98% Implementation of audit remedial plan
	Ensure maximum availability to CSOS ICT resources	1.1.4 ERP system Procured and implemented	No Target	No Target	No Target	No Target	Procure and Implement two (2) modules of the ERP system (HR and CRM)	Implement modules of the ERP system (Finance and Payroll)	Implement two (2) modules of the ERP system(SCM and Project Management)
	Ensure maximum availability to CSOS ICT resources	1.1.5 Core System procured and implemented	No Target	No Target	No Target	No Target	Procure and Implement One (1) module of Core System (Registrations)	Implement three (3 module of Core System (Revenue management phase 1, integration of ERP and Case Management	Implement Revenue Management Module of the Core System – Phase 2 (Public facing payments and integration to registrations)
		1.1.6 Percentage of network health score of production environment	No Target	No Target	No Target	95% network health score of production environment	96% network health score of production environment	97% network health score of production environment	98% network health score of production environment
	Compliant Statutory Reports	1.1.7 Percentage of compliance with statutory tabling and prescripts	No Target	No Target	No Target	No Target	100% compliance with statutory tabling and prescripts	100% compliance with statutory tabling and prescripts	100% compliance with statutory tabling and prescripts

OUTCOME	OUTPUTS	OUTPUT INDICATORS	ANNUAL TARGETS						
			AUDIT/ACTUAL PERFORMANCE			ESTIMATED PERFORMANCE	MTEF PERIOD		
			2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023
Outcome 4: Financially Viable and Sustainable Organisation	Revenue Collected	4.1.1 Amount of CSOS levy collected	Revenue funding model implemented	R 184 763 995	R 195 672 310	R 220 000 000	R 217 000000 Levy collected	R 238 700000 Levy collected	R 262 570000 Levy collected
Outcome 6: Community scheme Sector Value chain Transformed	Procurement spend to majority black-owned or controlled service providers	6.1.1 Percentage procurement spend to majority black-owned or controlled service providers (>50% black)	No Target	No Target	No Target	No Target	70% spend to majority black-owned or controlled service providers (>50% black)	70% spend to majority black-owned or controlled service providers (>50% black)	70% spend to majority black-owned or controlled service providers (>50% black)

Table 4 – Administration Programme Outcomes, Outputs and Indicators



OUTCOMES, OUTPUTS, PERFORMANCE INDICATORS AND TARGETS

#	OUTPUT INDICATORS	ANNUAL TARGET	Q1	Q2	Q3	Q4
1.1.1	Percentage of the approved Anti-Fraud and Corruption Implementation Plan implemented	100% of the approved anti-fraud and corruption implementation plan implemented	100% of the approved anti-fraud and corruption implementation plan implemented	100% of the approved anti-fraud and corruption implementation plan implemented	100% of the approved anti-fraud and corruption implementation plan implemented	100% of the approved anti-fraud and corruption implementation plan implemented
1.1.2	Percentage implementation of the approved risk management plan	100% implementation of the approved risk management plan	100% implementation of the approved risk management plan	100% implementation of the approved risk management plan	100% implementation of the approved risk management plan	100% implementation of the approved risk management plan
1.1.3	Percentage of implementation of audit remedial plan	90% implementation of audit remedial plan	10% implementation of audit remedial plan	30% implementation of audit remedial plan	60% implementation of audit remedial plan	90% implementation of audit remedial plan
1.1.4	ERP system Procured and implemented	Procure and Implement One (1) module of Core System (Registrations)	Procurement and appointment of a service provider	Appointment of a service provider (Appointment Letter)	Development and Approval of Standard Operating Procedures for Registrations module	Core System (Registrations module) implemented
1.1.5	Core System (Revenue Management, Registrations, Case Management) procured and implemented	Procure and Implement two (2) modules of the ERP system (HR and CRM)	Procurement and appointment of a service provider	Appointment of a service provider (Appointment Letter)	Development and Approval of Standard Operating Procedures (HR and CRM)	ERP System (HR and CRM) implemented
1.1.6	Percentage of network health score of production environment	96% network health score of production environment	96% network health score of production environment	96% network health score of production environment	96% network health score of production environment	96% network health score of production environment
1.1.7	Percentage of compliance with statutory tabling and prescripts	100% compliance with statutory tabling and prescripts	100% compliance with Statutory tabling and prescripts applicable to the quarter	100% compliance with Statutory tabling and prescripts applicable to the quarter	100% compliance with Statutory tabling and prescripts applicable to the quarter	100% compliance with Statutory tabling and prescripts applicable to the quarter
4.1.1	Amount of CSOS levy collected	R217 000 000 levy collected	R39 600 000 levy collected	R56 000 000 levy collected	R54 250 000 levy collected	R68 150 000 levy collected
6.1.1	Percentage procurement spend to majority black-owned or controlled service providers (>50% black)	70% procurement spend to majority black-owned or controlled service providers (>50% black)	70% procurement spend to majority black-owned or controlled service providers (>50% black)	70% procurement spend to majority black-owned or controlled service providers (>50% black)	70% procurement spend to majority black-owned or controlled service providers (>50% black)	70% procurement spend to majority black-owned or controlled service providers (>50% black)

Table 5 – Administration Programme Indicators and targets

EXPLANATION OF PLANNED PERFORMANCE OVER THE MEDIUM-TERM PERIOD:

The CSOS core operations are currently being operated through mainly manual unintegrated platforms. As the organization 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 realize 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: Revenue Management (Incl. the CSO 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 Entity has revised the timeframes for implementing the Business Automation System (BAS), due to the restrictions on issuing of tenders during Level 5 and 4. Procurement could only commence during Level 3, and only for the commodities that were opened. The implementation of the approved procurement plan has commenced with tenders to be advertised before end July 2020. This delayed the advertisement of for the procurement of system. In the 2020/21 financial year the BAS will be procured, however the modules will be implemented in phases, commencing with the Registration Module.

Entity will also implement A Revenue Management Strategy. The objective of the Strategy is to provide CSOS an overarching strategy to ensure that Levies are collected from all community schemes as per the CSOS Act Collected levies, dispute resolution and governance documents income are accounted for correctly and accurately. In responding to the impact of Job losses due to Covid-19, CSOS has revised the amount pf levy to be collected for the 2020/21 financial. The revision considered the ability of some schemes members in paying CSOS levies. Efforts will however still be made to ensure improved collection of Levies; however, the current realities should be taken into consideration on the overall impact of Covid 19 on the households' income.

THE ENTITY RECEIVED AN ADVERSE AUDIT OUTCOME.

Adverse Opinion's basis was on:

Completeness of Revenue and Receivables:

Section 59 of the CSOS Act

Section 51 of the PFMA

Accuracy of Revenue and Receivables

Cut-Off of Revenue and Receivables

Cash vs Accrual Basis of Accounting

The Entity has developed an Audit Remedial Action Plan based on the 2018/19 audit outcome by the Auditor General South Africa (AGSA). The Audit had finding has five (5) namely Receivables: Non-exchange revenue, Material Misstatement, Contingent liabilities, Irregular Expenditure and Fruitless and Wasteful Expenditure. The Audit remedial plan is being implemented and reported on a quarterly basis to EXCO and Audit and Risk Committee (ARC) to ensure the CSOS's readiness towards achieving an improved audit outcome within the MTEF. The Entity would not be able to rectify the finding on Completeness of the revenue (levies) as receivables could not be verified due to the fact that not all levies that due to the public were recorded in the annual financial statements as they accrued. The reason for the revenue incompleteness is a results of legislation shortcoming. In the 2020/21 financial year, the Entity will commence with the process to amend the Act in order to strengthen the Regulatory Powers to enforce Community Scheme Registration to enable complete levy collection. Engagements will also be held with National Treasury and Auditor General South Africa in efforts towards the achievements of a clean audit.

Furthermore, the entity is in the process of procuring an IT system that will enable it to capture all the required information about community schemes, that will automate the revenue management function and enable the entity to bill or accrue for revenue for all registered community schemes.

STRATEGIC ENABLERS OF PLANNED PERFORMANCE OVER THE MEDIUM-TERM PERIOD (GAME CHANGERS)

Aligned to the situational analysis and, in support of the above performance targets for Outcome 3, certain protocols/strategies need to be developed and/or addressed in the 2020/21 planning period namely:

- **Address registration backlog**
- **Acquire an IT System where community schemes will register themselves**
- **Collaboration with other stakeholders to acquire the community schemes and/or identification of all community schemes within the country**
- **Benchmarking with similar entities to determine the effective method of accounting for levies revenue**
- **Consider revising the levy rate to a flat rate through conducting a study first**
- **Acquisition of a revenue management IT system**
- **Data Cleansing exercise to determine all the inefficiencies within the SAGE system in order to address them**
- **Creating a National Footprint**
- **Robust awareness campaigns**
- **Implementation of enforcement measures**

Aligned to the situational analysis and, in support of the above performance targets for Outcome 6, certain protocols/strategies need to be developed and/or addressed in the 2020/21 planning period namely:

- **The timing of financial planning to be aligned to implementation of the APP, supported by costed operational plans and procurement plans**
- **Implement integrated planning and comprehensive monitoring and evaluation system that will link all the Entity process toward the collective achievement of impact statement**
- **The development and implementation of a human resources plan that will assist the recruitment and skills development**
- **Performance Management and Development policies and procedures to be reviewed, to ensure that there is consequence for non-compliance with the system and related time-lines**
- **The implementation of audit remedial plan incorporates into the performance management system and be subjected to performance assessment that considers the implementation of consequence management**
- **The automation of key processes, including dispute resolution processes and work-flow scheme registration management**
- **Speed-up the process of procuring the ERP and Core systems for efficient services**
- **An overall need to build a culture of high-performance within the CSOS**

PROGRAMME 2: REGULATION

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

OUTCOMES, OUTPUTS, PERFORMANCE INDICATORS AND TARGETS

OUTCOME	OUTPUTS	OUTPUT INDICATORS	ANNUAL TARGETS						
			AUDIT/ACTUAL PERFORMANCE			ESTIMATED PERFORMANCE	MTEF PERIOD		
			2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023
Outcome 2: An effectively regulated community scheme sector	Community Schemes Registered	2.2.1 Number of Community Schemes registered	7434 Community Schemes registered	17 446 Community Schemes registered	2423 Community Schemes registered	20 000 Community Schemes registered	5 000 Community Schemes registered	10 000 Community Schemes registered	15 000 Community Schemes registered
	Community Schemes governance documentation quality assured	2.2.2 Percentage of quality assured schemes governance documentation	208	1523	2088	2500	70% quality assured schemes governance documentation	80% quality assured schemes governance documentation	90% quality assured schemes governance documentation
	Community schemes governance documentation certified	2.2.3 Percentage of compliance certificates issued on all amended scheme documents	No Target	882	1305	2000	100% compliance certificates issued on all amended scheme documents	100% compliance certificates issued on all amended scheme documents	100% compliance certificates issued on all amended scheme documents
Outcome 3: Disputes resolved	Disputes are conciliated	3.1.1 Percentage of disputes conciliated within 90 days	No Target	No Target	No Target	No Target	50% of disputes conciliated within 90 days	85% of disputes conciliated within 90 days	85% of disputes conciliated within 90 days
	Disputes are adjudicated	3.1.2 Percentage of disputes adjudicated within 90 days	No Target	No Target	No Target	No Target	50% of disputes adjudicated within 90 days	85% of disputes adjudicated within 90 days	85% of disputes adjudicated within 90 days
Outcome 6: Community scheme Sector Value chain Transformed	Appointment of previously disadvantaged individuals executive agents for community schemes	6.1.2 Number of previously disadvantaged individuals identified as executives managing agents	No Target	No Target	No Target	No Target	10 previously disadvantaged individuals identified as executives managing agents	10 previously disadvantaged individuals identified as executives managing agents	10 previously disadvantaged individuals identified as executives managing agents

Table 6 – Regulation Programme Outcomes, Outputs and Indicators

INDICATORS, ANNUAL AND QUARTERLY TARGETS 2020-21

#	OUTPUT INDICATORS	ANNUAL TARGET	Q1	Q2	Q3	Q4
2.2.1	Number of Community Schemes registered	5 000 Community Schemes registered	1250 Community Schemes registered	1250 Community Schemes registered	1250 Community Schemes registered	1250 Community Schemes registered
2.2.2	Percentage of quality assured schemes governance documentation	70% quality assured schemes governance documentation	70% quality assured schemes governance documentation	70% quality assured schemes governance documentation	70% quality assured schemes governance documentation	70% quality assured schemes governance documentation
2.2.3	Percentage of compliance certificates issued on all amended scheme documents	100% compliance certificates issued on all amended scheme documents	100% compliance certificates issued on all amended scheme documents	100% compliance certificates issued on all amended scheme documents	100% compliance certificates issued on all amended scheme documents	100% compliance certificates issued on all amended scheme documents
3.1.1	Percentage of disputes conciliated within 90 days	50% disputes conciliated within 90 days	85% disputes conciliated within 90 days	85% disputes conciliated within 90 days	50% disputes conciliated within 90 days	50% disputes conciliated within 90 days
3.1.2	Percentage of disputes adjudicated within 90 days	50% disputes conciliated within 90 days	85% disputes conciliated within 90 days	85% disputes conciliated within 90 days	50% disputes conciliated within 90 days	50% disputes conciliated within 90 days
6.1.2	Number of previously disadvantaged individuals identified as executives managing agents	10 previously disadvantaged individuals identified as executives managing agents	No Target	No Target	No Target	10 previously disadvantaged individuals identified as executives managing agents

Table 7 – Regulation Programme Indicators and targets

EXPLANATION OF PLANNED PERFORMANCE OVER THE MEDIUM-TERM PERIOD:

It is CSOS' strategic intent to meaningfully contribute to the achievement of the 2030 human settlements vision through the enhancement of vibrant community schemes as an alternative tenure option for most citizens in the country. The CSOS takes its guidance from the National Department of Human Settlements in terms of Priority 4: Spatial Integration, Human Settlements and Local Government. The desired outcome is Spatial Transformation and Justice through the implementation of housing and human settlements in Priority Development Areas (PDA's). The Entity has identified 6 outcomes that will contribute to the achievement of the MTSF. CSOS is mandated in terms of section 2 of the Community Schemes Ombud Service Act, No. 09 of 2011, to deal with the functions & operations of CSOS, governance of schemes and dispute resolution in community schemes. The CSOS Act empowers the organisation to help create and facilitate orderly and well-managed community schemes.

This will be carried-out by resolving disputes amongst the parties, providing a Dispute Resolution service for Community Schemes in South Africa, remains a focus area for the Entity. The Covid-19 restrictions of face to face interaction lead to the suspension of all contact processes for conciliation and adjudication. Conciliations and Adjudication are conducted virtually and on paper. The identified risk is that some of scheme members are not keen to participate in virtual conciliation or have their matter adjudicated on paper. This will have an impact on the 90-day target and the quarterly targets of 85%. The identified risk has necessitated the reduction of percentage of dispute conciliated and adjudicated.

STRATEGIC ENABLERS OF PLANNED PERFORMANCE OVER THE MEDIUM-TERM PERIOD (GAME CHANGERS)

Aligned to the situational analysis and in support of the above performance targets for Outcome 1, certain protocols/strategies need to be developed and/or addressed in the 2020/21 planning period namely:

- A clean up of data to creating a reliable database of Schemes in SA, there after non-compliance measures will be put in place
- Procurement and deployment of Information System to replace excel database
- Education and awareness campaigns will encourage schemes to register
- Recruitment of additional personnel
- Engage with several public and private organisations sister companies and entities to obtain database of Community Schemes, such as The DeedsOffice
- Establish partnerships with organisation that will assist with the enforcement measures, such are SHRA and etc

Aligned to the situational analysis and, in support of the above performance targets for Outcome 2, certain protocols/strategies need to be developed and/or addressed in the 2020/21 planning period namely:

- Acquired IT core system for dispute resolutions
- Stakeholder/ partnership participation
- Explore utilisation of other venues (schemes venues with signed indemnity agreement) and methods (Tele & Video conferencing) for conciliations and adjudications
- Conduct work study for proper allocation of workload as well as the development of Standard Operating Procedures
- Establish a database for Part time adjudicators to supplement when needed
- Continuous training & development of conciliators and adjudicators – peer review
- Conduct benchmark with similar organisation, for the proper processing of dispute



PROGRAMME 3: EDUCATION AND TRAINING

Purpose: This programme exists to ensure that all stakeholders, being property owners, occupiers and all other identified stakeholders are receiving CSOS consumer awareness and are trained.

OUTCOMES, OUTPUTS, PERFORMANCE INDICATORS AND TARGETS

OUTCOME	OUTPUTS	OUTPUT INDICATORS	ANNUAL TARGETS						
			AUDIT/ACTUAL PERFORMANCE			ESTIMATED PERFORMANCE	MTEF PERIOD		
			2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023
Outcome 5: Empowered stakeholders	Community Schemes executives are trained	5.1.1 Number of training and education sessions conducted for schemes executives and owners	No Target	No Target	No Target	4 training and education sessions conducted for schemes executives and owners	8 training and education sessions conducted for schemes executives and owners	16 training and education sessions conducted for schemes executives and owners	16 training and education sessions conducted for schemes executives and owners
	Adjudicators and Conciliators are trained	5.1.2 Number of training sessions conducted for adjudicators and conciliators	No Target	No Target	No Target	50 core staff trained	6 training sessions conducted for adjudicators and conciliators	6 training sessions conducted for adjudicators and conciliators	6 training sessions conducted for adjudicators and conciliators
	Stakeholder information sessions	5.1.3 Number of stakeholder information sessions conducted	No Target	9 stakeholder information sessions conducted	12 stakeholder information sessions conducted	No Target	12 stakeholder information sessions conducted	12 stakeholder information sessions conducted	12 stakeholder information sessions conducted
	Stakeholders are kept apprised/informed of CSOS mandate and operations	5.1.4 Number of editions of Shared Living e-Newsletters published	No Target	3 editions of Shared Living e-Newsletters published	4 editions of Shared Living e-Newsletters published	4 editions of Shared Living e-Newsletters published	4 editions of Shared Living e-Newsletters published	4 editions of Shared Living e-Newsletters published	4 editions of Shared Living e-Newsletters published
	Marketing and Educational campaigns	5.1.5 Number of marketing communication campaigns executed	No Target	No Target	No Target	4 marketing communication campaigns executed	4 marketing communication campaigns executed	4 marketing communication campaigns executed	4 marketing communication campaigns executed

Table 8 – Education and Training Programme Outcomes, Outputs and Indicators

OUTCOMES, OUTPUTS, PERFORMANCE INDICATORS AND TARGETS

#	OUTPUT INDICATORS	ANNUAL TARGET	Q1	Q2	Q3	Q4
5.1.1	Number of training and education sessions conducted for schemes executives and owners	8 training and education sessions conducted for schemes executives and owners	2 training and education sessions conducted for schemes executives and owners	4 training and education sessions conducted for schemes executives and owners	1 training and education sessions conducted for schemes executives and owners	1 training and education sessions conducted for schemes executives and owners
5.1.2	Number of training sessions conducted for adjudicators and conciliators	6 training sessions conducted for adjudicators and conciliators	No Target	2 training sessions conducted for adjudicators and conciliators	2 training sessions conducted for adjudicators and conciliators	2 training sessions conducted for adjudicators and conciliators
5.1.3	Number of stakeholder information sessions conducted	12 stakeholder information sessions conducted	3 stakeholder information sessions conducted	3 stakeholder information sessions conducted	3 stakeholder information sessions conducted	3 stakeholder information sessions conducted
5.1.4	Number of editions of Shared Living e-Newsletters published	4 editions of Shared Living e-Newsletters published	1 edition of Shared Living e-Newsletters published	1 edition of Shared Living e-Newsletters published	1 edition of Shared Living e-Newsletters published	1 edition of Shared Living e-Newsletters published
5.1.5	Number of marketing communication campaigns executed	4 marketing communication campaigns executed	1 marketing communication campaign executed	1 marketing communication campaign executed	1 marketing communication campaign executed	1 marketing communication campaign executed

Table 9 – Education and Training Programme Indicators and targets

EXPLANATION OF PLANNED PERFORMANCE OVER THE MEDIUM-TERM PERIOD:

In terms of section 4(2)(b) of the Community Schemes Ombud Service Act no 9 of 2011 (CSOS Act), CSOS is mandated to provide education, information, documentation and such services as may be required to raise awareness to owners, occupiers, executive committees and other person or entities who have rights and obligations in community schemes. The provision of consumer education is also a key priority area and a critical target in the CSOS Annual Performance Plan. CSOS will collaborate with other stakeholders to ensure registration of all community schemes. Stakeholder engagement will be implemented as per the Stakeholder engagement strategy. The Entity will also ensure the training of previously disadvantaged individuals, in order to enable opportunities of being appointed as Executive Managing agents. This initiative will also contribute to ensure transformation of the sector. With restrictions on meetings and face to face contact, all Education and Training will be conducted via Webinar or Team Meeting depending on the number of scheme members. Engagements with Major Stakeholders are done virtually, and the implementation of the Marketing and the Communication Strategy will not be impacted.

STRATEGIC ENABLERS OF PLANNED PERFORMANCE OVER THE MEDIUM-TERM PERIOD (GAME CHANGERS)

Aligned to the situational analysis and in support of the above performance targets for Outcome 4, certain protocols/strategies need to be developed and/or addressed in the 2020/21 planning period namely:

- **Adopt sharper and targeted stakeholder communication in line with the implementation plan**
- **Identify specific benefits anticipated from each of our partners and what their expectations are, and fast-track the conclusion of strategic partnership MoU's and other agreements**
- **Implementation of a robust education and awareness campaigns in order to encourage schemes to register**
- **Establishment of several partnership in the implementation of a comprehensive marketing campaign**
- **Identification of stakeholders and improved stakeholder participations**
- **The development of tool-kits to assist with communicating the registration requirements**

10. PROGRAMME RESOURCE CONSIDERATIONS

10.1 BUDGET INFORMATION

Introduction

The operationalisation of the CSOS is favourably welcomed by the industry at large and this is evident to the influx of questions, cases, curiosity and comments received from the public and industry since the proclamation of the Acts and subsequently the publication of the regulations. This has allowed the CSOS to strategise future operations and core mandate programs not only on the guaranteed government grant but also CSOS levy collections and other additionally planned streams of income.

In the 2017/18 year, the CSOS operated in full gear in executing its core mandate and meeting its strategic objectives and this has since improved year on year with a more stable projection of Levy Income and streamlines operations. The 2018/19 year was the year the capacitation programme was in full swing. The CSOS has had a steady growth in the levy collection for the 2017/18 and

2018/19 financial years. The levy collection could have gone higher in the 2018/19 financial year, however, the CSOS' reputation was negatively affected due to an investment that was made, which resulted in the decline in the collection of levies as well as the registration of community schemes. The CSOS is slowly regaining stakeholder confidence through its credible dispute resolution processes and increased stakeholder engagements that seek to empower community schemes through training and education.

The government grant that is received by the CSOS declines annually, however, with the steady increase in the levy collections, the CSOS is able to maintain a net surplus.

The Revenue Management and Community Schemes Registration strategies have been approved by the CSOS Board and are in the process of being implemented. The successful implementation of these strategies will improve on the registration of community schemes, which will positively impact the collection of levies. The proper accounting of levy income will also be addressed. Currently the CSOS does not have enforcement powers for the collection of levies, however, it is working on the amendment of its Act to address this shortcoming.

The projections for the 2020/2021 financial year have been based on the MTEF guidelines.

It is expected that as more and more stakeholders become aware of the CSOS, the CSOS levy income will increase as well as the demand of services being offered by the CSOS. The detailed budgeted financial budgets are presented below with the associated line item details in the supporting tables.

ESTIMATES BY PROGRAMME	2017/18	2018/19	2019/20								2020/21	2021/22	2022/23
	Current Budget	Current Budget	Estimated Budget	Approved Budget	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total	MEDIUM TERM EXPENDITURE ESTIMATES (MTEF)			
	(R')	(R')	(R')	(R')	(R')	(R')	(R')	(R')		(R')	(R')	(R')	
Administration	78 343 158	184 953 788	234 430 680	234 430 680	58 607 670	58 607 670	58 607 670	58 607 670	234 430 680	168 883 616	189 959 350	210 456 346	
Regulation	44 741 523	53 965 893	23 680 000	23 680 000	5 920 000	5 920 000	5 920 000	5 920 000	23 680 000	76 414 393	84 631 101	90 325 312	
Education and Training	2 741 319	6 191 319	9 650 000	9 650 000	2 412 500	2 412 500	2 412 500	2 412 500	9 650 000	8 203 991	5 513 520	5 990 047	
Total	125 826 000	245 111 000	267 760 680	267 760 680	66 940 170	66 940 170	66 940 170	66 940 170	267 760 680	253 502 000	280 103 971	306 771 704	

Table 10: Budgets per Programme and Quarterly Breakdown

INCOME STATEMENT	Audited Actuals	Audited Actuals	Latest Estimate	APPROVED BUDGET						MTEF ESTIMATES		
	2017/18	2018/19	2019/20	2020/21	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total	2021/22	2022/23	
	206 178 000	236 741 000	245 111 000	395 668 960	84 267 240	98 917 240	98 917 240	113 567 240	395 668 960	273 803 971	299 341 704	
Government Grant	29 400 000	31 105 000	31 105 000	23 597 000	5 899 250	5 899 250	5 899 250	5 899 250	23 597 000	25 127 000	26 246 000	
CSOS Levy Income	170 824 000	195 672 000	200 000 000	217 000 000	39 600 000	55 000 000	54 250 000	68 150 000	217 000 000	238 700 000	262 570 000	
CSOS Dispute Resolution Service Fees	217 000	424 000	180 000	424 000	106 000	106 000	106 000	106 000	424 000	447 320	471 923	
Interest Income	5 737 000	9 403 000	13 776 000	11 500 000	2 875 000	2 875 000	2 875 000	2 875 000	11 500 000	9 529 651	10 053 782	
Budget Commitments from Prior Year	-	-	-	143 069 960	35 767 490	35 767 490	35 767 490	35 767 490	143 069 960	-	-	
Other Income	-	137 000	50 000	-	-	-	-	-	-	-	-	
Operating Expenses	144 443 000	86 992 000	207 611 000	210 982 296	48 235 574	48 235 574	48 235 574	48 235 574	192 942 296	206 253 101	262 732 443	
Staff Costs	34 407 000	51 325 000	114 229 800	44 266 706	11 066 677	11 066 677	11 066 677	11 066 677	44 266 708	55 979 287	61 689 922	A
Operational costs	3 928 000	5 108 000	24 363 070	73 914 393	18 478 598	18 478 598	18 478 598	18 478 598	73 914 393	80 231 101	87 485 312	R
Marketing and Communications	622 000	889 000	6 105 000	14 289 000	3 572 250	3 572 250	3 572 250	3 572 250	14 289 000	8 414 895	27 031 932	A
Stakeholder training and education	1 022 000	223 000	4 950 000	6 123 951	1 530 988	1 530 988	1 530 988	1 530 988	6 123 951	4 827 770	5 235 722	E
Travelling and Accommodation	3 976 000	3 054 000	8 000 000	1 500 000	375 000	375 000	375 000	375 000	1 500 000	2 527 500	6 700 000	A
Board expenses and advisory council	1 115 000	1 249 000	3 210 000	3 800 000	950 000	950 000	950 000	950 000	3 800 000	4 031 500	6 447 794	A
Facilities and infrastructure	4 246 000	5 916 000	29 260 000	22 009 474	5 502 369	5 502 369	5 502 369	5 502 369	22 009 474	10 212 495	18 000 000	A
ICT support and infrastructure expenses	-	-	-	18 040 000	4 510 000	4 510 000	4 510 000	4 510 000	18 040 000	11 102 167	13 456 119	A
General and administration	95 127 000	19 228 000	17 493 130	26 960 772	6 740 193	6 740 193	6 740 193	6 740 193	26 960 772	28 926 387	36 685 641	A
Surplus / (Deficit) before Depreciation	61 735 000	149 749 000	37 500 000	184 686 664	36 031 666	50 681 666	50 681 666	65 331 666	202 726 664	67 550 870	36 609 262	
Depreciation and amortisation	1 834 000	1 838 000	12 000 000	4 300 000	1 075 000	1 075 000	1 075 000	1 075 000	4 300 000	5 600 000	5 908 000	A
Surplus / (Deficit) after Depreciation	59 901 000	147 911 000	25 500 000	180 386 664	34 956 666	49 606 666	49 606 666	64 256 666	198 426 664	61 950 870	30 701 262	
Capital Expenditure	101 505 000	1 475 000	25 500 000	180 386 664	45 096 666	45 096 666	45 096 666	45 096 666	180 386 664	61 950 870	30 701 262	A
Furniture and Fittings (incl. Leasehold improvements)	167 000	439 000	4 000 000	3 377 414	844 354	844 354	844 354	844 354	3 377 414	5 110 000	9 165 000	
Computer Equipment	579 000	815 000	5 000 000	1 582 500	395 625	395 625	395 625	395 625	1 582 500	1 669 538	3 000 000	
Office Machinery and Equipment (incl. mobile devices)	759 000	221 000	2 000 000	2 896 750	724 188	724 188	724 188	724 188	2 896 750	1 612 738	2 666 667	
Computer Software	-	-	13 000 000	171 030 000	42 757 500	42 757 500	42 757 500	42 757 500	171 030 000	51 976 094	14 200 057	
Other Financial Assets	100 000 000	-	-	-	-	-	-	-	-	-	-	
Motor Vehicles	-	-	1 500 000	1 500 000	375 000	375 000	375 000	375 000	1 500 000	1 582 500	1 669 538	

Table 11: Income Statement

BALANCE SHEET		Audited Actuals	Audited Actuals	Latest Estimates	AFFORDABLE BUDGET	MTEF ESTIMATES	
		2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
NON-CURRENT ASSETS		4 763 000	4 746 000	6 890 960	22 491 706	23 745 442	24 928 177
	Property Plant and Equipment	4 228 000	3 848 000	5 734 960	6 308 456	6 939 302	7 633 232
	Intangible Assets	83 000	287 000	545 000	15 572 250	16 195 140	16 842 946
	Other Receivables - Rental Deposit	452 000	611 000	611 000	611 000	611 000	452 000
Current Assets		92 941 000	183 306 000	208 431 267	83 746 173	87 933 482	92 769 824
	Receivables	16 855 000	21 213 000	22 248 600	24 473 460	25 697 133	27 110 475
	Prepayments	712 000	996 000	-	-	-	-
	Other Financial Assets	20 371 000	100 000	130 000 000	-	-	-
	Cash and Cash Equivalents	55 003 000	160 997 000	56 182 667	59 272 713	62 236 349	65 659 348
TOTAL ASSETS		97 704 000	188 052 000	215 322 227	106 237 879	111 678 924	117 698 001
Non-current Liabilities							
	Payables from Exchange	-	-	-	-	-	-
Current Liabilities		6 239 000	9 869 000	8 433 667	9 234 533	9 822 487	10 272 536
	Provisions	2 682 000	4 366 000	4 950 000	4 950 000	5 197 500	5 457 375
	Operating Lease Liability	312 000	206 000	25 000	480 000	440 000	400 000
	Payables	3 245 000	5 297 000	3 458 667	3 804 533	4 184 987	4 415 161
TOTAL LIABILITIES		6 239 000	9 869 000	8 433 667	9 234 533	9 822 487	10 272 536
	Accumulated Surplus / (Deficit)	91 465 000	178 183 000	206 888 560	97 003 346	101 856 437	107 425 465
TOTAL ACCUMULATED SURPLUS/(DEFICIT) AND LIABILITIES		97 704 000	188 052 000	215 322 227	106 237 879	111 678 924	117 698 001

Table 12 - Balance Sheet

CASH FLOW STATEMENT		AUDITED ACTUAL		Latest Estimate	Affordable Budget	MTEF ESTIMATES	
		2017/18	2018/19	2019/20	2020/21	2021/22	2021/23
Cash Flows from Operating Activities							
Receipts		201 325 000	232 265 000	267 760 680	250 502 000	273 803 971	299 341 704
	Government Grant	29 400 000	31 105 000	32 847 000	23 675 000	25 127 000	26 246 000
	CSOS Levy Income	168 107 000	191 852 000	220 000 000	217 000 000	238 700 000	262 570 000
	CSOS Dispute Resolution Service Fees	217 000	424 000	330 000	424 000	447 320	471 923
	CSOS Documentation Fees	-	-	-	-	-	-
	CSOS Service Fees	-	-	-	-	-	-
	Interest Income	3 601 000	8 884 000	14 533 680	9 403 000	9 529 651	10 053 782
	Other receipts	-	-	50 000	-	-	-
	Working Capital movements	-	-	-	-	-	-
Payments		-61 627 000	-83 534 000	-158 652 013	-280 216 904	-253 583 564	-270 472 290
	Compensation of employees/Board	-33 980 000	-50 890 000	-106 123 693	-101 730 090	-105 367 000	-123 081 000
	Goods and Services - Payables	-27 643 000	-32 644 000	-52 528 320	-178 408 813	-148 216 564	-147 391 290
	Other Payments	-4 000	-	-	-	-	-
Net Cash from Operating Activities		139 698 000	148 731 000	109 108 667	-29 714 904	20 220 407	28 869 414
Cash Flows from Investing Activities		-101 505 000	18 453 000	-26 000 000	-178 886 664	-60 368 370	-29 031 724
	PPE	-1 505 000	-1 386 000	-13 000 000	-7 856 664	-8 392 275	-14 831 667
	Intangible Assets	-	-273 000	-13 000 000	-171 030 000	-51 976 094	-14 200 057
	Investments acquired	-100 000 000	20 271 000	-	-	-	-
	(Increase) / Decrease in other receivables	-	-159 000	-	-	-	-
	Net Cash from Investing Activities	-101 505 000	18 453 000	-26 000 000	-178 886 664	-60 368 370	-29 031 724
Cash Flows from Financing Activities		-80 000	-61 190 000	-	-	-	-
	Movement in short-term borrowings	-80 000	-	-	-	-	-
	Transfer of prior year surplus	-	-61 190 000	-	-	-	-
	Net Increase / (Decrease) for the year	38 113 000	105 994 000	83 108 667	-208 601 568	-40 147 963	-162 310
Cash and Cash Equivalents at beginning of the year		16 890 000	55 003 000	160 997 000	244 105 667	35 504 099	-4 643 864
Cash and Cash Equivalents at the End of the Year		55 003 000	160 997 000	244 105 667	35 504 099	-4 643 864	-4 806 173

Table 13 - Cash Flow Sheet

The 2020/21 budget and targets are activated with the budget approved by national treasury via the ENE submission, this depicted a R 220 000 000 levy collection income for the current year, however due to the pandemic phased globally, we anticipate the levy collection to decline, which is projected to reach R 217 000 000 in the 2020/21 year from the baselines of collections in 2019/20 year, as well as the effect of the registration of new community schemes, based on an average monthly levy collection as at 31 December 2019. With the approval of this budget, the organisation will be able to recover from the backlog caused by the previous financial paralysis and execute its core mandate as depicted in Part C of this APP. The organisation will strive to collect more than the projected levy collection and is optimistic it can reach all collection targets.

REVENUE

The CSOS will continue to improve its operational standing after having been fully operational since the 2017/18 year and strives to further increase the collections projects year on year. Accordingly, the Income streams, of which the CSOS Levy Income is the largest, will be collectable in terms of the CSOS Act (section 22). The estimates of revenue thus, include this estimate which is planned to cover the operating expenses of the entity.

This budget Includes:

- **STAFF COSTS**

This consists of:

- **The existing headcount complement is 99 permanent and 4 interns and 12 temporary staff**
- **Furthermore, there are critical positions identified which are to be prioritised and are accounted for in the Staff Costs including employees to be recruited for the expansion of additional points of presence for the CSOS**
- **There is a provision for payment of salary increases for staff for the upcoming year as well as a provision for performance related remuneration**

- **OPERATIONAL EXPENSES**

Operational expenses comprise the core functions of dispute resolution, community schemes database management and related activities, as well as the storage, management and retrieval of community schemes' governance documents. These activities should naturally consume the second largest expenditure after staff costs.

- **MARKETING AND COMMUNICATION EXPENSES**

The marketing and communications functions has been earmarked as an important function of the CSOS, and more so now that the organisation is operational but still unknown to the general public, entailing the public consultation campaigns for the organisation. Brand promotion and management costs for the entity are also included in this category. Furthermore, the production of the mandatory annual report is this cost category.

- **STAKEHOLDER TRAINING AND CONSUMER EDUCATION**

The education of stakeholders, including reaching the affordable and subsidy housing market community schemes, is a core function of the CSOS and a key contribution to the current MTEF for the Department. The CSOS intends to roll out extensive programmes in this area during the coming planning period. The scope, the speed of roll out and reach of these programmes will be limited only by budget availability.

- **TRAVELLING AND ACCOMMODATION**

All efforts are made to limit the travelling and accommodation expenses by using alternative means, including the use of technologies like teleconferencing and video-linking during the planning periods. However, there is always the unavoidable physical travelling between the entity's staff in the regions (KwaZulu-Natal and Western Cape) and head office (Johannesburg), as well as, between the CSOS Executives and the Executive Authority programmes like out-of-town quarterly reviews, Technical MINMECs, portfolio committees, and other parliamentary presentations. Furthermore, the current "hub-and-spoke" model (Provincial offices servicing other adjacent regions) necessarily entails a fair amount of periodic travelling and accommodation.

- **BOARD EXPENSES**

Board expenses are budgeted per the National Treasury guidelines. This category includes only the external members, emoluments and capacitation programmes for members of the board.

This budget includes expenses related to the advisory council to be established by the Minister.

- **FACILITIES AND INFRASTRUCTURE COSTS**

This category includes those primary expenses required to establish and maintain the existing offices. Included are the rental for offices, the fitting and furnishing of furniture (non-asset portions), the leasing of some assets (like office equipment), annual licenses for IT resources, ICT support services (non-capital) and Disaster Recovery and Business Continuity. The intention is to make the CSOS as accessible as possible to the members of the public, with the initial focus being on the localities of high concentration of community schemes.

- **GENERAL AND ADMINISTRATION EXPENSES**

This expense category includes costs that are necessary to maintain a functional and habitable office, achieve compliance, and maintain an effective operation.

- **CAPITAL GOODS**

The entity will commence with the development of the core system, referred to as the Business Automated Solution, which will include both the core and ERP systems. The records management system will also be developed in the 2020/21 financial year. The risk management tool and fleet will also be procured in the financial year. These capital projects will aid the entity in the improvement of its processes.

11. UPDATED KEY RISKS

The table below reflects the key strategic risks identified by the CSOS and aligned to this Strategic Plan for 2020-2025, including risk mitigation measures.

OUTCOME	KEY RISK	RISK MITIGATION
Outcome 1: Functional, Efficient and integrated Government	Non-compliance to the policy and applicable legislation	<ul style="list-style-type: none"> Amendment of the CSOS Legislation to allow for more effective enforcement measures to counter non-compliance Collaboration with Industry stakeholders to raise awareness of the CSOS and the importance of its mandate Identify schemes that are not complying and issue non-compliance notices
Outcome 2: An effectively regulated community scheme sector	Non-compliance of schemes to the CSOS Act, Sectional Title Schemes Management Act and Regulations	<ul style="list-style-type: none"> Conduct monthly region-based peer review meetings with Case Management Officers, Conciliators & Adjudicators Conduct quarterly forums for Conciliators & Adjudicators
Outcome 3: Disputes resolved	Non-compliance to dispute resolution practice directive	<ul style="list-style-type: none"> Conduct fraud awareness workshops Develop and enhance the education of Fraud Prevention Policy as well a Whistle Blowing Policy to increase fraud detection and prevention capabilities Enforce consequence management
		<ul style="list-style-type: none"> Implementation of newly developed Revenue, Registrations and Compliance Strategies Procurement of an efficient ICT system to support operations Collaborations with other government stakeholder to obtain community schemes databases i.e. Municipalities, CIPC, Deeds office and NHBRC Data cleansing of the current database to properly identify schemes that are not compliant and make follow ups
Outcome 4: Financially Viable and Sustainable Organisation	Incomplete Revenue Collection	<ul style="list-style-type: none"> Stakeholder management Increase awareness of the importance of training and the benefit via educational campaigns Develop credible training material via a partnership with reputable stakeholders
	Fraud and Corruption	
Outcome 5: Empowered Stakeholders	Non-attendance/ resistance to training by schemes executives and occupiers	<ul style="list-style-type: none"> Stakeholder management/ relations Develop a Transformation Charter Appoint a panel from previously disadvantaged groups
		<ul style="list-style-type: none"> Training of previously disadvantaged individuals as Executive Managing Agents Develop a code of conduct for executive managing agents
Outcome 6: Community Scheme Sector Value chain Transformed	Non-attendance/resistance to training by previously disadvantaged individuals Managing Agents	<ul style="list-style-type: none"> Implement compliance management system Training of Employees Development of Policies and Procedures Enforce consequence management Performance management
	Appointed executive managing agents' inefficiencies resulting to CSOS reputational damage	

Table 14 – Key Risks

12. INFRASTRUCTURE PROJECTS

NO.	PROJECT NAME	PROGRAMME	PROJECT DESCRIPTION	OUTPUTS	PROJECT START DATE	PROJECT COMPLETION DATE	TOTAL ESTIMATED COST	CURRENT YEAR EXPENDITURE
	N/A							

Table 15 – Infrastructure Projects

13. PUBLIC PRIVATE PARTNERSHIPS

PPP	PURPOSE	OUTPUTS	CURRENT VALUE OF AGREEMENT	END DATE OF AGREEMENT

Table 16 – Public Private Partnerships



D



TECHNICAL INDICATOR
DESCRIPTIONS (TID)

PROGRAMME 1: ADMINISTRATION

INDICATOR TITLE	1.1.1 PERCENTAGE OF THE APPROVED ANTI-FRAUD AND CORRUPTION IMPLEMENTATION PLAN IMPLEMENTED
Definition	Execution of the approved anti-fraud and corruption implementation plan
Source of Data	Information sourced from business units
Method of Calculation / Assessment	Number of activities as per approved anti-fraud corruption implementation plan
Means of Verification	Approved anti-fraud and corruption implementation plan Status/progress report of planned activities per quarter as per the approved plan.
Assumptions	Unrestricted Access to records, Availability of personnel, Cooperation and support from business units
Disaggregation of Beneficiaries (Where Applicable)	N/A
Spatial Transformation (Where applicable)	N/A
Calculation Type	Non-Cumulative
Desired Reporting Cycle	Quarterly and Annually
Desired Performance	100% execution of the approved anti-fraud and corruption implementation plan
Indicator Responsibility	Manager: Risk Management

Table 17 – Percentage of the approved Anti-Fraud and Corruption Implementation Plan implemented

INDICATOR TITLE	1.1.2 PERCENTAGE IMPLEMENTATION OF THE APPROVED RISK MANAGEMENT PLAN
Definition	Risk management implementation plan is aligned to risk management strategy and unpacks specific risk management activities that will be implemented for the particular year including responsible persons, resources required and targets dates
Source of Data	Departmental Annual Performance Plans will be used as a source to confirm outcomes in which strategic risks needs to be identified. Risk management methodology embedded in the risk identification template will be used as the source to facilitate completion of strategic risk register. Risk monitoring tool to be used for monitoring actions identified in the strategic risk register. Data will be collected from branches and updated in the risk register. The approved strategic risk register will be used to as a source to for the approved strategic risks including key risks
Method of Calculation / Assessment	Total number of activities implemented/ total number of planned activities for the period X 100
Means of Verification	Risk Monitoring tool, Strategic Risk Register, Status Report to RMC
Assumptions	Complete, accurate, timeous risk information and co-operation from internal stakeholders (Risk Champions and Risk Owners)
Disaggregation of Beneficiaries (Where Applicable)	N/A
Spatial Transformation (Where applicable)	N/A
Calculation Type	Cumulative
Desired Reporting Cycle	Quarterly and Annually
Desired Performance	Risk management embedded into strategic day to day operations, performance measurement as well as during decision making processes
Indicator Responsibility	Manager: Risk Management

Table 18 – Percentage implementation of the approved risk management plan

INDICATOR TITLE	1.1.3 PERCENTAGE OF IMPLEMENTATION OF AUDIT REMEDIAL PLAN
Definition	The indicator will measure the implementation of audit remedial plan to establish and enforce sound governance processes and internal control measures designed to achieve a clean audit outcome in terms of both financial and non-financial performance. The Audit has five (5) findings namely Receivables: Non-exchange revenue, Material Misstatement, Contingent liabilities, Irregular Expenditure and Fruitless and Wasteful Expenditure. The focus for the 2020/21 financial year will be on mitigating 4 (90%) findings, except for the finding on Receivable: Non-exchange revenue that will be addressed during the MTEF period
Source / Collection of Data	Audit remedial plan, business unit reports on the audit matrix
Method of Calculation	Simple count: EXCO reports on the implementation of the audit remedial plan
Means of Verification	EXCO reports on the implementation of the audit remedial plan
Assumptions	Implementation of the audit remedial plan
Disaggregation of Beneficiaries (Where Applicable)	N/A
Spatial Transformation (Where applicable)	N/A
Calculation Type	Non-Cumulative
Reporting Cycle	Quarterly
Assumptions	Procurement and deployment of the Core IT System, Identification and Registration of all community schemes
Desired Performance	90% of implementation of audit remedial plan
Indicator Responsibility	Chief Information Officer

Table 19 – Audit Remedial Plan



INDICATOR TITLE	1.1.4 ERP SYSTEM PROCURED AND IMPLEMENTED
Definition	The process of digitisation entails the migration from a paper-based environment to a paperless environment where all paper-based files/ documents within all CSOS business processes are housed within a digitised system and accessible digitally thereof. The applications will ensure that all support business processes are automated and digitised is the Enterprise Resource System (ERP). The focus for the 2020/21 will be to procure and implement two (2) modules of the ERP system (HR and CRM)
Source of Data	Documented business process and System testing reports
Method of Calculation / Assessment	ERP system with two (2) modules of the ERP system (HR and CRM)
Means of Verification	Signed off User Acceptance Testing reports for HR and CRM automated business processes
Assumptions	Procurement and deployment of the ERP System
Disaggregation of Beneficiaries (Where Applicable)	N/A
Spatial Transformation (Where applicable)	N/A
Calculation Type	Non-Cumulative
Reporting Cycle	Annual
Desired Performance	Procure and implement two (2) modules of the ERP system (HR and CRM)
Indicator Responsibility	CIO

Table 20 – ERP Systems Procured

INDICATOR TITLE	1.1.5 CORE SYSTEM PROCURED AND IMPLEMENTED
Definition	The process of digitisation entails the migration from a paper-based environment to a paperless environment where all paper-based files/ documents within all CSOS business processes are housed within a digitised system and accessible digitally thereof. The CSOS core operations include dispute resolution, Revenue Management and Registrations which need an integrated system for their management in order to produce credible reports and information. The focus for the 2020/21 is to Procure and Implement One (1) module of Core System (Registrations)
Source of Data	Documented business process and System testing reports
Method of Calculation / Assessment	Core System with 1 business process (Registrations) automated
Means of Verification	Signed off User Acceptance Testing reports for Registrations automated business processes
Assumptions	Procurement and deployment of the ERP System
Disaggregation of Beneficiaries (Where Applicable)	N/A
Spatial Transformation (Where applicable)	N/A
Calculation Type	Non-Cumulative
Reporting Cycle	Annual
Desired Performance	Procure and Implement One (1) module of Core System (Registrations)
Indicator Responsibility	CIO

Table 21 – Core Systems Procured

INDICATOR TITLE	1.1.6 PERCENTAGE OF NETWORK HEALTH SCORE OF PRODUCTION ENVIRONMENT
Definition	To ensure maximum availability to CSOS resources and applications both internally and externally to our stakeholders for ultimate efficiency and effectiveness as expressed in Percentage of entire CSOS network health
Source / Collection of Data	Network Health Reports
Method of Calculation	Simple count Approved EXCO ICT reports on network health
Means of Verification	Approved EXCO ICT reports on network health
Assumptions	Procurement and deployment of the ERP System
Disaggregation of Beneficiaries (Where Applicable)	N/A
Spatial Transformation (Where applicable)	N/A
Calculation Type	Non-Cumulative
Reporting Cycle	Annual
Assumptions	Procurement and deployment of the ERP System
Desired Performance	95% network health score
Indicator Responsibility	Chief Information Officer

Table 22 – Network Health Score

INDICATOR TITLE	1.1.7 PERCENTAGE OF COMPLIANCE WITH STATUTORY TABLING AND PRESCRIPTS
Definition	The indicator measures the level of compliance by the Entity to key corporate governance requirements as outlined in legislation and other corporate governance guidelines/regulations (PFMA, Treasury Regulations on financial and non-financial information). Revised Framework for Strategic Planning and Annual Performance Plan.
Source of Data	DHS, Human Settlements Entities, Parliament and other stakeholders. Registers, compliance reports, Previous annual reports, Entity performance reports Branch performance Reports, Government Priorities, MTSF, Interim and annual financial statements, Systems generated financial reports, Parliament, Cabinet and Management Structures
Method of Calculation / Assessment	The standard requirements for compliance require the Entity to comply 100% with relevant compliance frameworks as reflected under the definition of this indicator
Means of Verification	<p>Q1: 100% compliance Q1: 2019/20 4th quarter performance report submitted to DHS and National Treasury</p> <p>Q2: 100% compliance Q2: 2020/21 1st quarter performance and 2019/2020 Annual Report submitted to DHS and National Treasury</p> <p>Q3: 100% compliance Q3: 2020/21 2nd quarter performance and 1st Draft 2021/22 APP submitted to DHS and National Treasury</p> <p>Q4: 100% compliance Q4: 2020/21 3rd quarter performance and final draft APP submitted to DHS and National Treasury</p>
Assumptions	<p>Non-cancellation or postponement</p> <p>Timeous receipt of draft replies and submissions</p> <p>Submissions from Programme managers</p> <p>On time submissions to meet reporting timelines</p> <p>Annual Performance Plans and quarterly reports are submitted on time and the information contained therein is reliable</p>
Disaggregation of Beneficiaries (Where Applicable)	N/A
Spatial Transformation (Where applicable)	N/A
Calculation Type	Non-Cumulative
Desired Reporting cycle	Quarterly and Annual
Desired Performance	100% Compliance with relevant key governance prescripts and requirements and improved Entity overall performance including adherence to schedules of Parliament, Cabinet, Cluster and governance structures
Indicator Responsibility	Chief Financial Officer Manager Strategy, Monitoring and Evaluation

Table 23 – Percentage of compliance with statutory tabling and prescripts

INDICATOR TITLE	4.1.1 AMOUNT OF CSOS LEVY COLLECTED
Definition	The CSOS Act provides that every community scheme must pay the service levy with effect from the commencement date of the Act. The commencement date of the Act was January 2017. Currently there are schemes that have not registered with the CSOS. This indicator will measure the total collected levies paid by schemes
Source of Data	Sage revolution system, revenue management strategy and financial statements
Method of Calculation / Assessment	Simple count: Amount collected for levies as per the quarterly and annual financials, bank statements, Levy schedule and proof of payment
Means of Verification	Trial balance and receivables ledger
Assumptions	CSOS is able to register all community schemes and they are paying the CSOS levy
Disaggregation of Beneficiaries (Where Applicable)	N/A
Spatial Transformation (Where applicable)	N/A
Calculation Type	Cumulative (Year-End)
Reporting Cycle	Quarterly
Desired Performance	R217 000 000
Indicator Responsibility	Chief Financial Officer

Table 24 – Levy Collected

PERFORMANCE INDICATOR	6.1.1 PERCENTAGE PROCUREMENT SPEND TO MAJORITY BLACK OWNED OR CONTROLLED SERVICE PROVIDERS (>50% BLACK)
Definition	The total Rand value of procurement spend on service providers that are majority black owned or controlled (>50% black as defined by the B-BBEE codes), as a percentage of the total procurement spend on all service providers regardless of B-BBEE status
Source / Collection of Data and Quarterly Evidence	Consolidated and validated quarterly procurement records generated by the finance division, using data from the supply chain management system
Method of Calculation	Sum of the Rand value of procurement spend on service providers that are >50% black owned or controlled divided by the total Rand value of procurement spend on all service providers (regardless of B-BBEE status) over the same period, expressed as a percentage (i.e. x 100)
Means of Verification	<ul style="list-style-type: none"> • SCM procurement report • Verify the supporting data of the reported results, including the existence and validity of B-BBEE certificates • General Ledger
Assumptions	Majority black owned or controlled service providers will respond to advertised RFQ and tenders
Disaggregation of Beneficiaries (Where Applicable)	Black owned or controlled service providers
Spatial Transformation (Where applicable)	N/A
Calculation Type	Cumulative
Reporting Cycle	Quarterly
Desired Performance	70% procurement spend to majority black owned or controlled service providers
Indicator Responsibility	CFO

Table 25 – Percentage Procurement Spend

PROGRAMME 2: REGULATION

INDICATOR TITLE	2.2.1 NUMBER OF COMMUNITY SCHEMES REGISTERED
Definition	<ul style="list-style-type: none"> • The CSOS is mandated to keep records of all Community Schemes documentation by a process of registration within South Africa • The registration process entails the capturing of the particulars of the Community Scheme on the CSOS registration database and the issuing of a unique registration number for each scheme • The Community Schemes that are registered are: <ul style="list-style-type: none"> o Sectional Titles Schemes o Homeowners Associations o Share Block companies o Housing Cooperatives o Housing Schemes for retired persons
Source of Data	Registration forms (CSOS CS1 form) submitted by Community Schemes to the CSOS
Method of Calculation / Assessment	Count the total number of schemes registered on the CSOS database
Means of Verification	<ul style="list-style-type: none"> • CSOS Registration database • CSOS CS1 Forms
Assumptions	<ul style="list-style-type: none"> • Procurement and deployment of Information System to replace excel database • Education and awareness campaigns will encourage schemes to register
Disaggregation of Beneficiaries (Where Applicable)	N/A
Spatial Transformation (Where applicable)	N/A
Calculation Type	Non-Cumulative
Reporting Cycle	Quarterly
Desired Performance	5 000
Indicator Responsibility	Executive: Governance, Compliance and Enforcement

Table 26 – Number of Community Schemes Registered

INDICATOR TITLE	2.2.2 PERCENTAGE OF QUALITY ASSURED SCHEMES GOVERNANCE DOCUMENTATION
Definition	<ul style="list-style-type: none"> In terms of Section 4 of the CSOS Act, the CSOS must Quality Assure schemes governance documentation for Sectional Titles and other schemes as prescribed by the minister The process of quality assurance requires the CSOS to scrutinize the governance documentation of the Schemes to ensure compliance to Constitution of the RSA, CSOS Act, STSMA and other legislation as set out on all prescribes legislations (Acts, Regulation and Practice Directives) Schemes Governance documentation means any rules, regulations, articles, constitution, terms, conditions and other provisions that control the administration or occupation of private areas and common areas in the Community Schemes. (Section 1 of the CSOS Act)
Source of Data	Schemes governance documentation Submitted by the Community Schemes to the CSOS (CSOS Form B)
Method of Calculation / Assessment	<p>Total number of schemes governance documentation that has been quality assured divided by the total number of schemes governance documentation received X 100 (quantitative)</p> $\frac{\text{No. of schemes documentation quality assured}}{\text{No. of schemes governance documentation received}} \times 100$
Means of Verification	<ul style="list-style-type: none"> Scheme Governance database for quality assured schemes governance documents and submitted Community scheme Governance documentation
Assumptions	<ul style="list-style-type: none"> Procurement and deployment of Information System to replace excel database and Education and awareness campaigns will encourage schemes to register
Disaggregation of Beneficiaries (Where Applicable)	N/A
Spatial Transformation (Where applicable)	N/A
Calculation Type	Cumulative (Year-end)
Reporting Cycle	Quarterly
Desired Performance	100%
Indicator Responsibility	Executive: Governance, Compliance and Enforcement

Table 27 – Percentage of Quality Assured Governance Documentation



INDICATOR TITLE	2.2.3 PERCENTAGE OF COMPLIANCE CERTIFICATE ISSUED ON ALL AMENDED SCHEME DOCUMENTS
Definition	<ul style="list-style-type: none"> Community Schemes (Body Corporates) must submit their governance documentation to the CSOS for quality assurance The process of quality assurance requires the CSOS to scrutinize the governance documentation of the Schemes to ensure compliance to Constitution of the RSA, CSOS Act, STSMA and other legislation as set out on all prescribes legislations (Acts, Regulation and Practice Directives) Schemes Governance documentation means any rules, regulations, articles, constitution, terms, conditions and other provisions that control the administration or occupation of private areas and common areas in the Community Schemes. (Section 1 of the CSOS Act) Following the process of quality assurance, Community Schemes are afforded the opportunity to comply with CSOS recommendations The rectified governance documentation is re-submitted to the CSOS for verification Once the verification process is complete and the governance documentation is compliant, a certificate is issued to the Community Scheme approving the Schemes Governance documentation
Source of Data	<ul style="list-style-type: none"> Schemes governance documentation submitted by the Community Schemes and Conveyancer (Form B) and Schemes governance documentation database and certificates issued
Method of Calculation / Assessment	<p>Number of certificates issued divided by the total number of schemes governance documentation approved X 100 (quantitative)</p> $\frac{\text{No. of certificates issued}}{\text{No. of schemes governance documentation approved}} \times 100$
Means of Verification	<ul style="list-style-type: none"> Schemes Governance Documentation database for certificates issued Certificates issued
Assumptions	<ul style="list-style-type: none"> Procurement and deployment of Information System to replace excel database Education and awareness campaigns will encourage schemes to register
Disaggregation of Beneficiaries (Where Applicable)	N/A
Spatial Transformation (Where applicable)	N/A
Calculation Type	Cumulative (Year-End)
Reporting Cycle	Quarterly
Desired Performance	100%
Indicator Responsibility	Executive: Governance, Compliance and Enforcement

Table 28 – Percentage of Certificates Issued

INDICATOR TITLE	3.1.1 PERCENTAGE OF DISPUTES CONCILIATED WITHIN 90 DAYS
Definition	<p>As mandated by the CSOS Act (Section 47), the CSOS must provide an alternate dispute resolution service for community schemes</p> <ul style="list-style-type: none"> • The primary means of resolution of disputes are via a conciliation process or alternatively adjudication process • Conciliation entails an agreement between the parties, withdrawal, rejection and settled by parties at the conciliation stage
Source of Data	<ul style="list-style-type: none"> • CSADR file is submitted to the conciliator for the conciliation process to commence, CSOSADR file, Attendance Registers and / or recorded virtual session for conciliation and database
Method of Calculation / Assessment	<ul style="list-style-type: none"> • Number of disputes conciliated divided by the number of disputes referred to conciliation X 100 (quantitative) $\frac{\text{No. of disputes successfully conciliated}}{\text{No. of disputes referred to conciliation}} \times 100$ <ul style="list-style-type: none"> • The conciliation process be coordinated within 90 days as per timeframes stipulated on the dispute resolution process flow
Means of Verification	<ul style="list-style-type: none"> • Dispute Resolution Database • Conciliation agreement, withdrawal letter, rejection letter and correspondence settled by parties
Assumptions	<ul style="list-style-type: none"> • Procurement and deployment of Information System to replace excel database • Appointment of additional personnel and availability of hearing rooms
Disaggregation of Beneficiaries (Where Applicable)	N/A
Spatial Transformation (Where applicable)	N/A
Calculation Type	Cumulative (Year-End)
Reporting Cycle	Quarterly
Desired Performance	50%
Indicator Responsibility	<ul style="list-style-type: none"> • Provincial Ombud GP • Provincial Ombud KZN • Provincial Ombud WC

Table 29 – Percentage of Disputes Conciliated



INDICATOR TITLE	3.1.2 PERCENTAGE OF DISPUTES ADJUDICATED WITHIN 90 DAYS
Definition	<p>As mandated by the CSOS Act (Section 47), the CSOS must provide an alternate dispute resolution service for community schemes</p> <ul style="list-style-type: none"> • The primary means of resolution of disputes are via a conciliation process or alternatively adjudication process • Adjudication process entails issuing of an order by an adjudicator
Source of Data	<ul style="list-style-type: none"> • CSADR file is submitted to the adjudicator for the adjudication process to commence, Attendance Registers and / or recorded virtual session for adjudication, CSOSADR file
Method of Calculation / Assessment	<p>Number of disputes adjudicated divided by the number of disputes referred to adjudication X 100 (quantitative)</p> <p><u>No. of disputes successfully adjudicated (orders)</u> X 100 No. of disputes referred to adjudication</p> <ul style="list-style-type: none"> • The adjudication process be coordinated within 90 days as per timeframes stipulated on the dispute resolution process flow
Means of Verification	<ul style="list-style-type: none"> • Dispute Resolution Database • Adjudication orders
Assumptions	<ul style="list-style-type: none"> • Procurement and deployment of Information System to replace excel database. • Appointment of additional personnel and availability of hearing rooms
Disaggregation of Beneficiaries (Where Applicable)	N/A
Spatial Transformation (Where applicable)	N/A
Calculation Type	Cumulative (Year-End)
Reporting Cycle	Quarterly
Desired Performance	50%
Indicator Responsibility	<ul style="list-style-type: none"> • Provincial Ombud GP • Provincial Ombud KZN • Provincial Ombud WC

Table 30 – Percentage of Disputes Adjudicated

INDICATOR TITLE	6.1.2 NUMBER OF PREVIOUSLY DISADVANTAGED INDIVIDUALS IDENTIFIED AS EXECUTIVES MANAGING AGENTS
Definition	The number of previously disadvantaged individuals' executives managing agents
Source of Data	Request from Community Schemes, advertisements for Executive Schemes, Business Unit Reports
Method of Calculation / Assessment	Simple count: number of previously disadvantaged individuals' executives managing agents
Means of Verification	Quarterly Unit report
Assumptions	Previously disadvantaged individuals Managing agents' database available and their need to be trained
Disaggregation of Beneficiaries (Where Applicable)	Previously disadvantaged individuals and Executive managing agents database
Spatial Transformation (Where applicable)	N/A
Calculation Type	Non - Cumulative
Reporting Cycle	Bi-Annual
Desired Performance	10 previously disadvantaged individuals Executive managing agents identified
Indicator Responsibility	Executive: Governance, Compliance and Enforcement

Table 31 – Previously Disadvantaged Individuals Appointed



PROGRAMME 3: EDUCATION AND TRAINING

INDICATOR TITLE	5.1.1 NUMBER OF TRAINING AND EDUCATION SESSIONS CONDUCTED FOR SCHEMES EXECUTIVES AND OWNERS
Definition	The CSOS is required to train stakeholders as part of ensuring optimal communal living. These stakeholders include schemes executives, owners and occupiers
Source / Collection of Data	Training plan, training invite, reports and attendance registers and / or recorded virtual session
Method of Calculation	Number of training and education sessions conducted for schemes executives and occupiers
Means of Verification	Quarterly Unit report with training statistics and recorded virtual training sessions
Assumptions	Schemes executives and occupiers available for training
Disaggregation of Beneficiaries (Where Applicable)	N/A
Spatial Transformation (Where applicable)	N/A
Calculation Type	Non-Cumulative
Reporting Cycle	Quarterly
Calculation type	Cumulative – for the year
Reporting Cycle	Quarterly
Desired Performance	8 training and education sessions conducted for schemes executives and owners
Indicator Responsibility	Governance, Compliance and Enforcement Business Unit

Table 32 – Number of Training Sessions Conducted for Schemes

INDICATOR TITLE	5.1.2 NUMBER OF TRAINING SESSIONS CONDUCTED FOR ADJUDICATORS AND CONCILIATORS
Definition	The CSOS is required to train internal conciliators and adjudicators
Source / Collection of Data	Training plan, training invite, reports and attendance registers and / or recorded virtual session
Method of Calculation	Number of training sessions conducted for schemes adjudicators and conciliators
Means of Verification	Quarterly Unit Report with training statistics and recorded virtual training sessions
Assumptions	Adjudicators and Conciliators available for training
Disaggregation of Beneficiaries (Where Applicable)	N/A
Spatial Transformation (Where applicable)	N/A
Reporting Cycle	Quarterly
Calculation Type	Non-Cumulative
Desired Performance	6 training sessions conducted for adjudicators and conciliators
Indicator Responsibility	Adjudicators Generals Office

Table 33 – Number of Training Sessions Conducted for Adjudicators and Conciliators

INDICATOR TITLE	5.1.3 NUMBER OF STAKEHOLDER INFORMATION SESSIONS CONDUCTED
Definition	The CSOS is required to educate the public about the opportunity of living in community schemes, the rights and responsibilities of shared communal living and the functions and role that the CSOS plays in harmonizing that human settlements sector
Source / Collection of Data	Invites, reports and attendance registers and / or recorded virtual session
Method of Calculation	Count number of stakeholder information sessions conducted
Means of Verification	Quarterly Unit Report highlighting Stakeholder information sessions and recorded virtual sessions
Calculation Type	Cumulative – for the year
Assumptions	None
Disaggregation of Beneficiaries (Where Applicable)	N/A
Spatial Transformation (Where applicable)	N/A
Reporting Cycle	Quarterly
Desired Performance	12 Stakeholder information sessions conducted
Indicator Responsibility	Governance, Compliance and Enforcement Business Unit

Table 34 – Number of Stakeholder Sessions Conducted

INDICATOR TITLE	5.1.4 NUMBER OF EDITIONS OF SHARED LIVING E-NEWSLETTERS PUBLISHED
Definition	The CSOS is required to educate the public about the opportunity of living in community schemes, the rights and responsibilities of shared communal living and the functions and role that the CSOS plays in harmonizing the human settlements sector
Source / Collection of Data	e-Newsletters published and publishing report
Method of Calculation	Count number of e-Newsletters published
Means of Verification	e-Newsletters published
Assumptions	None
Disaggregation of Beneficiaries (Where Applicable)	N/A
Spatial Transformation (Where applicable)	N/A
Calculation Type	Non-Cumulative
Reporting Cycle	Quarterly
Desired Performance	Four (4) editions of Shared Living e-Newsletter published
Indicator Responsibility	Marketing and Communications business unit

Table 35 – Number of Editions of E-Newsletters Published

INDICATOR TITLE	5.1.5 NUMBER OF MARKETING AND COMMUNICATION CAMPAIGNS EXECUTED
Definition	The CSOS is required to educate the public about the opportunity of living in community schemes, the rights and responsibilities of shared communal living and the functions and role that the CSOS plays in harmonizing that human settlements sector
Source / Collection of Data	Number of campaigns conducted. Approved EXCO report
Method of Calculation	Count number of marketing and communication campaigns conducted
Means of Verification	Quarterly Unit Report highlighting Marketing and Communication Campaign executed
Calculation Type	Cumulative – for the year
Assumptions	None
Disaggregation of Beneficiaries (Where Applicable)	N/A
Spatial Transformation (Where applicable)	N/A
Reporting Cycle	Quarterly
Desired Performance	Four (4) marketing communication campaigns
Indicator Responsibility	Marketing and Communications business unit

Table 36 – Number of Marketing and Communication Campaigns Executed



14. ANNEXURES TO THE ANNUAL PERFORMANCE PLAN

ANNEXURE A: AMENDMENTS TO THE STRATEGIC PLAN - IF ANY

None

ANNEXURE B: CONDITIONAL GRANTS

NAME OF GRANT	PURPOSE	OUTPUTS	CURRENT ANNUAL BUDGET (R THOUSAND)	PERIOD OF GRANT
N/A				

Table 37 – Conditional Grants



ANNEXURE C: DISTRICT DEVELOPMENT MODEL

The CSOS does not have information on the District Development Model.

AREAS OF INTERVENTION	FIVE YEAR PLANNING PERIOD					
	PROJECT DESCRIPTION	BUDGET ALLOCATION	DISTRICT MUNICIPALITY	LOCATION: GPS COORDINATES	PROJECT LEADER	SOCIAL PARTNERS
WATER	N/A	N/A	N/A	N/A	N/A	N/A
SANITATION	N/A	N/A	N/A	N/A	N/A	N/A
ROADS	N/A	N/A	N/A	N/A	N/A	N/A
STORMWATER	N/A	N/A	N/A	N/A	N/A	N/A
ELECTRICITY	N/A	N/A	N/A	N/A	N/A	N/A
ENVIRONMENTAL MANAGEMENT	N/A	N/A	N/A	N/A	N/A	N/A

Table 38 – District Development Model

ANNEXURE D: MATERIALITY FRAMEWORK

Layouts attached



MATERIALITY AND SIGNIFICANCE **FRAMEWORK**

DEFINITION AND DESCRIPTION OF ACRONYMS

ACRONYMS	DESCRIPTION
Accounting Authority	Board
AFS	Annual Financial Statements
CSOS	Community Schemes Ombud Services established in terms of the CSOS Act
CSOS Act	Community Schemes Ombud Services, 2011 (Act No.9 of 2011)
DoA	Delegation of Authority
Materiality and Significant	Information is material and significant if its omission, misstatement, or non-disclosure could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements
PFMA	Public Finance Management Act, 1999 (Act 1 of 1999) as amended by Act 29 of 1999 also known as the "Act"
QMS	Quality Management Systems
SAAS	South African Auditing Standards
TR	Treasury Regulations
Users	Refers to Executive and Accounting Authority, External Auditor, National Treasury or Department of Human Settlements

TABLE OF CONTENTS

1. BACKGROUND	65
2. LEGAL FRAMEWORK	65
3. MATERIALITY AND SIGNIFICANCE APPROACH	65
3.1 MATERIALITY AND SIGNIFICANCE FRAMEWORK	65
3.2 OBJECTIVE	66
3.3 PURPOSE AND SCOPE	66
3.4 POLICY STATEMENT	66
3.5 MATERIALITY AND SIGNIFICANCE	66
3.6 QUANTITATIVE MATERIALITY	67
3.7 QUALITATIVE MATERIALITY	67
4. STATUTORY APPLICATIONS	68
4.1 SECTION 50(1) OF THE PFMA	68
4.2 SECTIONS 55(1)(d) AND (2)(b) OF THE PFMA	69
4.3 SECTION 54(2) OF THE PFMA	70
5. GOVERNANCE AND COMPLIANCE FRAMEWORK	71
5.1 SECTION 55(2) OF THE PFMA	71
5.2 SECTION 54(3) OF THE PFMA	71
5.3 SECTION 66(1) OF THE PFMA	71
6. REVIEW AND CONTINUAL IMPROVEMENT	71
7. EFFECTIVE DATE	71

1. BACKGROUND

- 1.1 SAAS 320.03 defines materiality as follows: "Information is material if its omission or misstatement could influence the economic decisions of users taken based on the financial statements. Materiality depends on its size of the item or error judged in the particular circumstances of its omission or misstatement. Materiality thus provides a threshold or cut off point, rather than being a primary qualitative characteristic which information must have if it is to be useful.
- 1.2 The framework sets out the approach to be adopted by CSOS materiality and significance of information.
- 1.3 In terms of Treasury Regulations 28.3.1 which reads: "for purposes of material [sections 55(2) of the Act] and significant [section 54(2) of the Act], the accounting authority must develop and agree on a framework of acceptable levels of materiality and significance with the relevant executive authority."
- 1.4 The document gives guidance to "best practice" for executive functions and provides clarity on the relevant legislation and regulations applicable to materiality and significance of information on decisions about the allocation and stewardship of resources, and the performance of the entity, made based on the financial statements.

2. LEGAL FRAMEWORK

LEGISLATION	APPLICABLE SECTION (S)
Community Schemes Ombud Service Act, 2011, (Act. No.9. of 2011)	Section 22
Public Finance Management Act, 1999 (Act 1 of 1999) as amended by Act 29 of 1999	Sections 50(1), 54(2), 55(1)(d), 55(2) and 66(1)
South African Auditing Standards	SAAS 320.03
Treasury Regulations	TR 28.3.1 and 28.3.5

Table 39 – Legal Framework

3. MATERIALITY AND SIGNIFICANCE APPROACH

3.1 MATERIALITY AND SIGNIFICANCE FRAMEWORK INTRODUCTION

- (a) **The Materiality and Significance Framework is a component of the CSOS financial and risk processes**
- (b) **Determining what is material and what is not primarily a matter professional judgement**
- (c) **Materiality is the threshold above which missing or incorrect information in financial statements is considered to have an impact on the decision making of users. It therefore relates to the significance of transactions, balances and errors contained in the financial statements**
- (d) **Materiality defines the threshold or cut-off point after which financial information becomes relevant to the decision –making needs of the users**
- (e) **The process by which CSOS’s financial statements are audited by external auditors can be described as a risk-based, systematic approach in which the nature, extent and timing of the audit evidence required , are determined by assessing and evaluating the risk that the financial statement assertions are materiality misstated.**
- (f) **Information contained in the financial statements must therefore be complete in all material respects in order for them to present a true and fair view of the financial affairs of the CSOS**

3.2 OBJECTIVE

The Materiality and Significance framework is issued to assist and guide management in determining the size and nature of items, which would significantly impact on decisions made by the users of its financial statements.

3.3 PURPOSE AND SCOPE

3.3.1 The purpose of the framework is to:

- (a) **Provide information to enhance user's assessment of proper stewardship i.e. accountability for the use of public funds and the safekeeping of the entity's resources.**
- (b) Continuously determine the level of quantitative risks that the CSOS is prepared to tolerate

3.3.2 The CSOS is established in accordance with the provisions of the Community Schemes Ombud Service Act 9 of 2011.

3.3.3 CSOS, as a Schedule 3A public entity in terms of the PFMA, is currently funded by the Government. The regulation of financial management thereof is to ensure that all revenues, expenditures, assets are liabilities and managed efficiently and effectively by complying with the Public Finance Management Act (Act No.1 of 1999 as amended).

3.3.4 Treasury Regulation 28.3.1 of the Public Financial Management Act 1999, (the Act) defines Materiality and Significance framework as follows: "For the purposes of material (section 55(2) of the PFMA) and significant (section 54(2) of PFMA), the accounting authority must develop and agree a framework of acceptable levels of materiality and significance with the relevant executive authority in consultation with the external auditors"

3.4 POLICY STATEMENT

Materiality refers to levels of tolerance by CSOS regarding the omission or inclusion of the quantitative and non-quantitative information. The framework of materiality provides a mechanism of enhancing the internal controls by providing a continuously changing and controllable guide to organisational functions in making appropriate judgement of the tolerable error.

3.5 MATERIALITY AND SIGNIFICANCE

3.5.1 There are many instances where legislation refers to material amounts or material differences and the same terminology is found in the format of the financial statements and in this guide.

3.5.2 Information is material and significant if its omission or misstatement could influence the

economic decisions of users taken based on financial statements.

3.5.3 Materiality depends on the size of the item or error judged in the circumstances of its omission of misstatement. Materiality thus provides a threshold or cut-off point rather than being a primary qualitative characteristic which information must have, if it is to be useful.

3.5.4 The materiality as determined by the auditors will differ from that determined by CSOS.

3.5.5 There is no single rule to describe what material is and what is not material in all instances. All cases of theft, fraud or corruption must be regarded as being material regardless of the amount involved.

3.5.6 Materiality can be based on several financial indicators. Detailed below is an indicative table of financial indicators of the type that is widely used and accepted in the accounting profession as a basis for calculating materiality:

BASIS	ACCEPTABLE PERCENTAGE RANGE
Gross Revenue	0.5%
Net Surplus (Income)	2.0% - 5%
Equity	2% - 5%
Total Assets	0.5% - 2%

Table 40 – Materiality and Significance

3.5.7 CSOS will use 0.5% of gross revenue to determine materiality. In determining the materiality value as 0.5%, the following factors have been considered:

- (a) **Nature of CSOS's business – CSOS has become fully operational after the approval of the Regulations and the proclamation of the Act in 2016/2017 period. CSOS has not begun to collect levy income from the community schemes. Throughout the financial years 2013/14 to date, CSOS has been funded by the Department of Human Settlements in the form of a grant allocation. It is expected that CSOS will be able to partly fund itself from 2017/18 onwards through the revenue to be derived from the collection of levies in the terms of Section 22 of the CSOS Act. The levy income will be used for operational requirements and cost recovery**
- (b) Statutory requirements laid down on CSOS-CSOS is a statutory entity established in terms of the Community Schemes Ombud Services, 2001 (Act No.9 of 2011) and is a Schedule 3A entity in terms of the PFMA. Its legislative mandate is to provide a dispute resolution service and promote good governance of and within community schemes. By virtue of being closely governed by various acts and the public accountability and responsibility to stakeholders, preference to a lower level of materiality i.e. closer to the lower level of the acceptable percentage range has been decided

c) **The control and inherent risks associated with CSOS – In assessing the control risk of the CSOS, and concluding that a materiality level higher than 0.25% can be used due to good control environment being present. Cognisance was given to amongst others:**

- I. Proper and appropriate governance structures have been established
- II. An audit and risk committee and internal audit unit that closely monitor the control environment of CSOS has been established and
- III. An approved three-year internal audit plan based on annual risk assessments being performed, is annually reviewed and agreed by the audit committee.

3.7.2 Misstatements may also be material on qualitative grounds. The qualitative grounds include, amongst others:

- (a) **New ventures that CSOS has entered into**
- (b) **Unusual transactions entered into that are not disclosable purely due to the nature and knowledge thereof affecting the decision making of the user of financial statements**
- (c) **Transactions entered into that could result into reputational risk to CSOS**
- (d) **Any fraudulent or dishonest behaviour of an officer of CSOS**
- (e) **An infringement of CSOS's agreed QMS performance levels**
- (f) **Procedures/processes required by legislation on regulation (e.g. PFMA, TR, CSOS Act, ect.)**

3.6 QUANTITATIVE MATERIALITY

3.6.1 The CSOS is governed by and approved DoA which deals with different levels of authorisation and approvals for functional and executive management.

3.6.2 On an annual basis, the financial statements are subject to statutory audit. The external auditors set materiality levels in the planning phase of the external annual audit. The basis of materiality, set by the external auditors, is presently based on total revenue.

3.6.3 CSOS materiality levels have been determined on the materiality definition. The levels of material loss in each category of the financial statement areas for the CSOS are defined as follows:

CLASSIFICATION	MATERIALITY LEVEL	CONSIDERATION
Administration (R54 899m)	0.5%	R274 495
Grants (R30m)	0.5%	R150 000
Project (0)	0.5%	R0
Assets (R20 234m)	0.5%	R101 170

Table 41 – Quantitive Materiality

3.6.4 The materiality levels are reviewed annually to determine the quantitative level to be applied to variances on management accounts in conjunction with the authorised Delegation of Authority limits.

3.7 QUALITATIVE MATERIALITY

3.7.1 Materiality is not merely related to the size of the entity and the elements of its financial statements. Misstatements that are large either individually or in aggregate may affect a "reasonable" user's judgement on the financial statements.

4. STATUTORY APPLICATIONS

4.1 Section 50 (1) of the PFMA – Fiduciary Duty of the Accounting Authority -

REQUIREMENTS	FRAMEWORK
<p>The accounting authority for a public entity must – (a) exercise the duty of outmost care to ensure reasonable protection of assets and records of the public entity</p>	<p>The CSOS has implemented the following controls:</p> <ol style="list-style-type: none"> I. Asset Management Policy and Register II. Retention of all records for a period of 5 years III. Delegation of Authority Matrix IV. Financial policies and procedures V. Procurement Policy and procedures VI. Human Capital policy and procedures VII. Establishment of Internal audit unit and Audit Committee
<p>(b) act with fidelity , honesty ,integrity ,and in the best interests of the public entity in managing the financial affairs of the public entity</p>	<p>The CSOS has implemented the following controls:</p> <ol style="list-style-type: none"> I. Code of Conduct II. Disciplinary Code and Procedures III. Recruitment procedures to ensure recruitment of appropriate officials IV. Confidentiality and Non-Disclosure Agreement with key personnel V. Human capital policies and procedures VI. The Board has established the following 4 committees to ensure effective corporate governance: <ul style="list-style-type: none"> • Remuneration and Human Resources Committee (REMCO) • Audit, Risk and Ethics (ARECOM) • Finance Committee (FINCOMM) • Legislation, Regulations, and Adjudication Committee (ALR)
<p>(c) on request, disclose to the executive authority responsible for that public entity or legislature to which the public entity is accountable, all material facts, including those reasonable discoverable, which in any way may influence the decisions or actions of the executive authority or that legislature and</p>	<p>The CSOS considers “material” to be all matters which are within the public interest. Such material matters which will be reported include:</p> <ol style="list-style-type: none"> I. Material change in the nature of the business II. Material change in the strategic direction of CSOS III. Changes that materially affect the mandate of the CSOS in terms of the CSOS Act and IV. All litigation matters as prescribed in the CSOS Act
<p>(d) seek, within the sphere of influence of that accounting authority, to prevent any prejudice to the financial interests of the state</p>	<p>The CSOS complies with all legislative requirements:</p> <ol style="list-style-type: none"> I. PFMA II. TR III. CSOS Act IV. Approved DoA

4.2 Sections 55 (1)(d) and (2)(b) of the PFMA: Annual Report and Financial Statements: The accounting authority for a public entity –

<p>Section 55(1)(d)</p>	<p>must submit within five months of the end of a financial year to the relevant treasury, to the executive authority responsible for that public entity and, if the auditor – general did not perform the audit of the financial statements, to the Auditor General</p> <ol style="list-style-type: none"> I. an annual report on the activities of that public entity during that financial year II. the financial statements for that financial year after the statements have been audited and III. the report of the auditors on those statements 	<p>The annual report submitted by CSOS within five months after the end of the financial year to the executive authority includes:</p> <ol style="list-style-type: none"> I. CSOS activities II. Audited financial statements and III. Report of the auditors
<p>Section 55(2)</p>	<p>The annual report and financial statements referred to in subsection (1)(d) must -</p> <ol style="list-style-type: none"> (a) fairly present the state of affairs of the public entity, its business, its financial results, its performance against predetermined objectives and its financial position as the end of the financial year concerned (b) include particulars of - <ol style="list-style-type: none"> I. any material losses through criminal conduct and any irregular expenditure and fruitless and wasteful expenditure that occurred during the financial year II. any criminal or disciplinary steps taken as a consequence of such losses or irregular or fruitless and wasteful expenditure III. any losses recovered or written off IV. any financial assistance received from the state and commitments made by the state on its behalf V. any other matters that may be prescribed; and VI. include the financial statements of any subsidiaries 	<p>The CSOS has implemented the following controls:</p> <ol style="list-style-type: none"> I. Specific Targets are set each year by the CSOS II. The Board reports quarterly and annually on all material issues and ensures full disclosure on: <p>Financial information</p> <ul style="list-style-type: none"> • Management accounts • Variance reports (Actual, budget, prior year) • Annual financial statements <p>Performance information</p> <ul style="list-style-type: none"> • Collection of levies • Access to scheme governance documentation • Adjudication and conciliations • Performance monitoring system • Performance incentive system • Internal audit, risk and finance functions and reporting • Governance committees evaluate achievement of the targets and provide assurance that all significant risks are adequately addressed • Risk compliance function ensures risks are identified, monitored and managed <p>All losses relating to irregular and fruitless and wasteful expenditure are regarded as material due to the application of the nature of these losses (qualitative aspects). CSOS considers any act of theft by any employee as a dismissible offence</p> <p>The CSOS has taken the position that any criminal act is to be pursued via the courts</p> <p>All losses to be written off shall be subject to approval in terms of the DoA and all amounts written off must be approved by the Board. The CSOS will endeavour to recover any loss sustained by the entity</p> <p>The CSOS currently receives financial assistance from the state but the state does not make commitments on behalf of CSOS</p> <p>There are no other matters prescribed. Disclosure of all matters affecting the CSOS is done in terms of GRAP</p> <p>CSOS does not have any subsidiaries</p>

4.3 Section 54(2) of the PFMA: Information to be submitted by accounting authorities

<p>Section 54 (2)</p>	<p>1) Before a public entity concludes any of the following transactions, the accounting authority for the public entity must promptly and in writing inform the relevant treasury of the transaction and submit relevant particulars of the transaction to its executive authority for approval of the transactions for:</p> <ul style="list-style-type: none"> (a) establishment or participation in the establishment of a company (b) participation in a significant partnership, trust, unincorporated joint venture or similar arrangement (c) acquisition or disposal of a significant shareholding in a company (d) acquisition or disposal of a significant assets; (e) commencement of cessation of a significant business activity and (f) a significant change in the nature or extent of its interest in a significant partnership, trust, unincorporated joint venture or similar arrangement 	<p>Specific level of significance defined per subsection</p> <p>Any transaction to establish a company</p> <p>Where participation exceeds 20% of voting rights</p> <p>Any transaction to acquire or dispose of shareholding in a company</p> <p>The cost of the asset acquired or disposed exceeds 15% of the total cost of assets</p> <p>Any transaction where the income from or the investment in the business activity exceeds the amount determined in section 3.6 and section 3.7 supra</p> <p>Where the change in the interests results in a change in the accounting treatment of the arrangement</p>
-----------------------	---	---

Table 42 – Statutory Applications



5. GOVERNANCE AND COMPLIANCE FRAMEWORK

5.1 Section 55 (2) of the PFMA – Notification in terms of the act

- (a) In terms of section 55 (2) - notification in terms of the act, the board of the CSOS is required to notify the executive authority and treasury should it, in its capacity, as the Accounting Authority, not be able to confirm that
- I. Processes to prevent and detect all fruitless and wasteful expenditure as contemplated in the Act are in place
 - II. Any fruitless and wasteful or irregular expenditures have been undertaken and
 - III. The disclosures required in the annual report in terms of fruitless and wasteful or irregular expenditures have been made

(b) The Council on an annual basis confirms that the entity's systems of internal control are designed to prevent fruitless and wasteful or irregular expenditure

- (c) Through the accountability framework of line management and through the Risk and Audit Committee process
- I. Internal control weaknesses identified by management: All recommendations made by the internal and the external auditors are followed up to ensure that the underlying systems are improved
 - II. Any criminal conduct identified is subject to the appropriate procedures and sanctions

(d) Fruitless and Wasteful Expenditure

The CSOS, for the purposes of this framework, defines fruitless and wasteful expenditure as:

- I. Expenditure which was made in vain and would have been avoided had reasonable care been exercised, and failed to achieve its anticipated benefits.
- II. In determining if an amount is classified as fruitless and wasteful expenditure the CSOS reviews financial performance by:
 - Monthly monitoring of financial and investment risk and reportable to committees of the board at each quarter end
 - Reporting any amount considered being fruitless and wasteful expenditure in the notes to the monthly, quarterly and annual financial statements and
 - Implementing internal control processes to address any amounts identified as fruitless and wasteful expenditure

e) Irregular Expenditure –

The CSOS, for the purposes of this framework, defines irregular expenditure as expenditure incurred in contravention of or that is not in accordance with any applicable legislation, including –

- I. The Public Finance Management Act or
- II. the State Tender Board Act (Act No 86 of 1968), or any regulation made in terms of the Act or
- III. any provincial legislation providing for procurement procedures in that provincial government

5.2 Section 54 (3) of the PFMA - Information to be submitted by Accounting Authority

The CSOS may assume that approval has been given if it receives no response from the executive authority on a submission in terms of section 54(2) within 30 days or within a longer period as may be agreed to between itself and the executive authority.

5.3 Section 66(1) of the PFMA - Restrictions on borrowing, guarantees and other Commitments

In terms of section 66(1) and institution to which the Public Finance Management Act applies may not borrow money or issue a guarantee, indemnity, or enter into any transaction that binds or may bind that institution or the Revenue Fund to any future financial commitment, unless such borrowing, guarantee, indemnity, security or other transaction:

REQUIREMENTS	FRAMEWORK
(a) Is authorised by the Act and	CSOS does not have any external borrowings
(b) In the case of public entity, is also authorised by other legislation not in conflict with this Act	CSOS Act makes provision CSOS to borrow money subject to approval by the executive authority in terms of section 22 of the CSOS Act read with the PFMA

Table 43 – Governance and Compliance Framework

6. REVIEW AND CONTINUAL IMPROVEMENT

This framework will be reassessed and adjusted as and when required or should legislation require CSOS to do so, to ensure that it is in line with any changes, new requirements or circumstances affecting scope and objectives.

7. EFFECTIVE DATE

This framework becomes effective on the date of approval by the Board.

63 Wierda Road East
Wierda Valley, Sandton
Johannesburg, 2196

T: (+27 10) 593 0533

F: (+27 10) 590 6154

E: info@csos.org.za

www.csos.org.za

