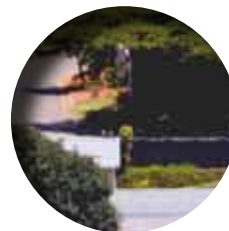


ANNUAL REPORT

FINANCIAL YEAR 2014 / 2015



THE COMMUNITY SCHEMES OMBUD SERVICE

Celebrating 20 years of democracy: introducing affordable reliable justice



PART A

GENERAL INFORMATION

PUBLIC ENTITY'S GENERAL INFORMATION

Official Name

The Community Schemes Ombud Service ("CSOS")

Nature of Business

In terms of the Community Schemes Ombud Service Act, 2011 (Act 9 of 2011), the CSOS provides a dispute resolution service, regulates the conduct of parties within community schemes and is there to manage the scheme governance documentation.

Physical Address

63 Wierda Road East
Wierda Valley
Sandton, Johannesburg
2196

Postal Address

Postnet Suite 163
Private Bag X9924
Sandton
2196

Contact Numbers

Telephone: 010 593 0533 | Facsimile: 010 590 6154 | Email: info@csos.org.za
Website address: www.csos.org.za

Executive Authority

The Minister of Human Settlements

Bankers

First National Bank

Auditors

Auditor General of South Africa (AGSA)
PO Box 446
Pretoria
0001

LIST OF ABBREVIATIONS

ARCO - Audit and Risk Committee

APP - Annual Performance Plan

BEE - Black Economic Empowerment

CEO - Chief Executive Officer

CFO - Chief Financial Officer

CI - Corporate Identity

CIPC - Companies and Intellectual Property Commission

CO - Chief Ombud

CSI - Corporate Social Investment

CSOS – Community Schemes Ombud Service

DHS - Department of Human Settlements

DRDLR - Department of Rural Development and Land Reform

ERP - Enterprise Resource Planning

EXCO - Executive Committee

FMPPI - Framework for Managing Programme Performance Information

ICT – Information Communications Technology

IT - Information Technology

EMC - Executive Management Committee

MTSF - Medium Term Strategic Framework

MoU - Memorandum of Understanding

MoHS - Minister of Human Settlement

NDHS - National Department of Human Settlement

NDP - National Development Plan

PFMA - Public Finance Management Act

REMCO - Remuneration Social and Ethics Committee

SALGA - South African Local Government Association

STSM – Section Title Schemes Management

TABLE OF CONTENTS

01

10

2

PART A - GENERAL INFORMATION

- 1 PUBLIC ENTITY'S GENERAL INFORMATION
- 1 LIST OF ABBREVIATIONS
- 4 STRATEGIC OVERVIEW
- 5 STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY FOR THE ANNUAL REPORT
- 6 FOREWORD BY CHAIRPERSON OF BOARD
- 8 CHIEF OMBUDSMAN'S REPORT

PART B - PERFORMANCE INFORMATION

- 11 EXECUTIVE MANAGEMENT
- 12 SITUATIONAL ANALYSIS
- 14 ADJUDICATION AND GOVERNANCE
- 17 CORPORATE SERVICES
- 18 PERFORMANCE INFORMATION

PART C - CORPORATE GOVERNANCE

- 23 CSOS BOARD
- 27 RISK MANAGEMENT

PART D - HUMAN CAPITAL REPORT

PART E - FINANCIAL INFORMATION

- 33 ANNUAL FINANCIAL STATEMENTS
- 34 ACCOUNTING AUTHORITY'S RESPONSIBILITIES AND APPROVAL
- 35 AUDIT AND RISK COMMITTEE REPORT: 2014/15 FINANCIAL YEAR
- 36 REPORT OF THE AUDITOR-GENERAL TO THE PARLIAMENT ON THE COMMUNITY SCHEMES OMBUD SERVICES
- 38 STATEMENT OF FINANCIAL POSITION
- 39 STATEMENT OF FINANCIAL PERFORMANCE
- 40 STATEMENT OF CASH FLOWS
- 41 STATEMENT OF CHANGES IN NET ASSETS
- 42 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL COSTS
- 43 ACCOUNTING POLICIES
- 50 NOTES TO THE FINANCIAL STATEMENTS





STRATEGIC OVERVIEW

THE COMMUNITY SCHEMES OMBUD SERVICE (“CSOS”) IS ESTABLISHED IN TERMS OF THE COMMUNITY SCHEME OMBUD SERVICE ACT, 2011 (ACT 9 OF 2011). THE CSOS IS A SCHEDULE 3A ENTITY IN TERMS OF THE PUBLIC FINANCE MANAGEMENT ACT.

The core function of the CSOS is to provide a dispute resolution service within community schemes in South Africa. Community schemes are residential arrangements where there is common property that is owned or available for use on a shared basis. These include Sectional Titles Schemes, Share Block Schemes, Retirement Schemes, Home Owners Associations (HOAs) as well as other forms of Multi-Level and Mixed-Use Property Developments.

THE MANDATE OF THE CSOS

The primary mandate of the CSOS is to:

- (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; and
- (d) Take custody of, preserve and provide public access electronically or by other means to schemes governance documentation.

Secondary mandate of the CSOS

Section 4 (2) of the Act 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 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.



VISION

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

MISSION

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

STRATEGIC OUTCOME

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

VALUES

- Service excellence
- Transparency
- Innovation
- Independence
- Integrity
- Fairness

STRATEGIC OBJECTIVES

The work of CSOS is reflected through its four (4) strategic objectives:

- To provide Community Schemes Dispute Resolution Services to all community schemes in South Africa;
- To take custody and control of Community Schemes documentation;
- To ensure that CSOS is managed in an efficient and effective manner; and

STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY FOR THE ANNUAL REPORT

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

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

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

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

The Annual Financial Statements (Part E) have been prepared in accordance with the SA standards of GRAP applicable to the public entity.

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

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

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

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

Yours faithfully



Chairperson of the Board
Reverend Dr. Vukile Mehana



FOREWORD BY
CHAIRPERSON
OF BOARD



It is my pleasure to present the Annual Report of the Community Schemes Ombud Service (CSOS) for the period 01 April 2014 to 31 March 2015. This is the second Annual Report submitted in relation to the work of the CSOS since the appointment of the Board by the Minister in January of 2013.

The history of the CSOS goes back to 2004 when Cabinet considered the issue of dispute resolution in sectional titles and decided that government must intervene to address the situation, in the interests of all housing consumers. Initially a committee with representatives from various government departments was formed and, after some discussion, it was decided that the Department of Land Affairs would, via the Office of the Chief Registrar, appoint consultants to investigate the issues and make recommendations. The consultants were appointed in late 2004 and, during 2005, they conducted a national stakeholder consultation process on the issues and undertook extensive international research, including visits to Singapore, Sydney and Brisbane in Australia and Edinburgh in Scotland, before drafting legislation to deal specifically with the management of sectional title schemes and to establish an Ombud Service for all community schemes. The legislative drafting process was later transferred to the Department of Human Settlements and resulted in the submission to Parliament of the Bills that were in 2011 promulgated as the Sectional Titles Schemes Management (STSM) and the Community Schemes Ombud Service (CSOS) Acts. The CSOS will, in practice, be responsible for the good governance of all community schemes and have particular additional responsibilities in regard to sectional title schemes and the implementation and administration of the STSM Act.

This annual report is unlike any report that has previously been presented to you. The reason for this is that this report covers the first meaningful year of existence for the CSOS, a year spent planning and preparing to 'go live' – something that will happen upon proclamation by the President of the Community Schemes Ombuds Service Act, 2011 (Act 9 of 2011). The report offers little in terms of comparable and scalable data, I do however trust that it skilfully narrates the behind-the-scenes preparations in anticipation of the 'go live'.

The organisation has nevertheless behaved diligently, as if the Act were already in force. In terms of the Act, the CSOS was established to regulate the conduct of parties within community schemes and to ensure their good governance. Whilst the organisation could not provide its service in its own right, the organisation implemented a number of its strategic objectives so as to alleviate some of the existing, pressing needs in the community schemes sector.

The work of the CSOS is reflected through three core strategic programmes:

- To provide community schemes dispute resolution services to all South Africans;
- Taking custody and control of community schemes documentation;
- Operationalising an effective records management system;

In the period under review we literally set up shop. A critical consideration for the Board was the infrastructure necessary to support the Ombudsman service. I would like to thank the Honourable Minister, Dr Lindiwe Sisulu, for her direction and support. Building a new organisation from the ground up requires people and budget. The funds allocated to the organisation enabled it to secure the right personnel, infrastructure and systems.

Whilst it is the intention of the organisation to be self-funding in the medium to long term, more financial support may be needed in the short term to fully establish the services of the CSOS.

A key mandate of the CSOS is the provision of an alternative dispute resolution mechanism. In preparation for the provision of this service, we have worked very closely with the National Department of Human Settlements and key industry players in developing regulatory proposals for dispute resolution in community schemes and sectional titles management. Both sets of Regulation have been submitted to our Principal and we trust that they will be available for public comment in the not too distant future.

2014/2015 marks a period in which South Africa celebrated its 20 years of freedom and democracy. South Africa's first democratically elected president, Mr Nelson Mandela, once remarked that, "Freedom would be meaningless without security in the home and in the streets." How apt then that the role of the CSOS is to provide piece of mind to parties in community schemes and that the organisation was operationalised in this commemorative year.

This Annual Report focuses on the work that has been done during the year under review, a year of 'behind the scenes' preparations, to turn the concept of affordable justice into an imminent reality. This would not have been possible without the hard work and dedication of many people including the Members of the Board, the employees of CSOS, its executive and our ever important Stakeholders. I am grateful to everyone who has been involved in this exciting and worthwhile venture so far. I look forward to the road ahead and I take comfort in the notion that the term 'community schemes' has, through the establishment of the CSOS, been added on to our legal lexicon.



The Reverend Dr. Vukile Mehana

CHIEF
OMBUDSMAN'S
REPORT



This year has been one of design and putting in place the elements needed for operating an effective Ombudsman service. Whilst we wait to receive our full statutory powers under the Community Schemes Ombud Service Act, 2011 (subject to Parliament's approval of the regulations and a presidential proclamation to bring the Act into operation), it is important to note the infrastructure and resources we have put in place in anticipation of 'going live'.

I took on the role of Chief Executive Officer in October 2014. I would like to thank Mr Themba Mabuya, Chief Financial Officer for his stewardship of the CSOS from the period 01 April to 30 September 2014; he prepared the internal environment so that the executives, once appointed, could quickly implement their deliverables in support of the CSOS strategic objectives.

At the onset, one of the first tasks for me was to determine the appropriate structure for the CSOS service. A relatively small top team structure was established to steer operations in the areas of Adjudication and Governance, Corporate Services, as well as Audit and Risk. Notably the executives for these portfolios joined the organisation in quarter 3 and quarter 4 of the period under review. Three regional nodes – Western Cape, Gauteng and KwaZulu-Natal - each headed by a regional Ombudsman was, at this stage, ideal to service these provinces and those surrounding them.

In total, 18 new appointments were made for the period under review. For me, organisational effectiveness is dependent on the quality of its people; I am confident that our robust recruitment drive held in quarter 3 and 4 yielded the right calibre of skills to leapfrog the CSOS to a credible, efficient, accessible and transparent organisation. A detailed structure view is provided on page 29 of this report.

The CSOS has 3 key strategy programmes; performance against these objectives are detailed in the performance information report on pages 18 to 21. I am pleased to report that this organisation has been able to achieve 53% of its performance targets.

Uniquely, the CSOS Act and Sectional Titles Management Act which were both promulgated in June of 2011, require the concomitant Regulation to be approved by Parliament. Working back, this circumstance has impacted us in two ways and has been the focus of our efforts in 2014/2015: determining an alternative dispute resolution model and CSOS funding model. Naturally we have a close association with the Department of Human Settlements and a task team comprised of our and their legal teams was created to steer the drafting of both sets of Regulations. Given the fact that work in this area only commenced in the last quarter of the reporting period, when key personnel were appointed, the precision and efficiency within which this work was done is commendable.

On the financial front, there are two challenges that we are currently addressing. Firstly, CSOS closed the 2014/15 financial year with a surplus of R30 244 000. This amount, although not actually spent, was fully committed in key service delivery contracts for implementation over the next 5 years. In terms of the Treasury Regulations, these funds have to be authorised by the Executive Authority and National Treasury before they are retained and used by the entity. The CSOS duly made the application for the retention of those funds, and the response thereto is expected after 31 July 2015 upon submission of the approved audited Annual Financial Statements of CSOS for 2014/15.

Secondly, for the 2015/16 financial year, CSOS has budgeted an income of R22 092 781 from the community schemes levies and other funding sources as provided in Section 22 (1) of the CSOS Act. The realisation of that income has since been delayed due to the extended approval process of the required Regulations and promulgation of the relevant legal instruments that allow CSOS to commence its income-generation activities. In view of this delay, all expenditure on incremental headcount and new projects is being strictly monitored and prioritised to be within the 2015/16 grant funding of R39 521 000.

Looking forward, a barometer of our success will be our reputation and the quality of our relationships with key Stakeholders.

Rather than wait for a time when we are fully operational we started on an engagement process with key industry players, the media, sector influencers and other regulatory bodies. The result of this engagement has resulted in a myriad of fruits: undoubtedly greater buy-in, a keen interest by parties in community schemes, more awareness and a deeper understanding by CSOS personnel of on-the-ground issues.

2014/2015 was a ground-breaking year for CSOS. I would like to thank our Board for their guidance and support. Our staff are new, talented and are not afraid to go the extra mile. It is my honour and pleasure to be working hand in hand with you.



Mr Themba Mthethwa

A black and white photograph of two men embracing. The man on the right is wearing a headwrap and a patterned shirt, smiling. The man on the left is wearing a dark jacket. A large red circle is overlaid on the image, containing the text 'PART B' and 'PERFORMANCE INFORMATION'.

PART B

**PERFORMANCE
INFORMATION**

EXECUTIVE MANAGEMENT

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



MR THEMBA MTHETHWA

Chief Executive Officer
B. Proc; LLB;
Postg Dip in Industrial Relations



MR THEMBA MABUYA

Chief Financial Officer
B Man & Admin (Hons)



MS LAURIE LESS

Executive Manager Corporate Services
BA Psychology and Political science;
Masters in Public Administration



RISENGA MARUMA

Board Secretary
BA; B Admin (Hons);
Postg Dip Corporate Law



MS DINKIE DUBE

Adjudicator General
BA (Law); LLB; LLM



MR ABRAHAM MASILO

Regional Ombudsman Gauteng
B. Proc

SITUATIONAL ANALYSIS

A COMPLEX ENVIRONMENT

The CSOS is venturing into uncharted terrain in South Africa, and operates in a highly complex environment when investigating, conciliating and adjudicating on Community Schemes disputes. Factors likely to influence this environment may be summed up as follows:

- The take-over of governance documentation from specific state organs, including DRDLR, is bound to produce rewards and its own challenges.
- The fact that CSOS will be collecting community scheme levies, as articulated in the CSOS Act and guidelines, is likely to be met with challenges, with regard to the basis and fairness of the charges by respective community schemes.

A major unknown is the likely volume or quantum of complaints and cases that the CSOS should gear itself up to handle. With no baseline to work with, the natural tendency is to set-up a limited operational capability, as over-capacity is considered a harder problem to resolve. The current year was thus focused on setting up the fundamental operating capacity, however if the volumes that come through upon the formal launch of the CSOS prove to be overwhelming, the funding requirements to enhance its operational capacity will have to be raised imminently. The institutional processes are being designed to be paperless or efficient through the use of an Enterprise Resource Planning (ERP) system, which will ensure limited case backlogs for the CSOS. This deployment is critical in ensuring the CSOS's reputation and credibility.

The primary focus of the CSOS in 2014/15 was the operational set-up of the entity and the establishment of the organisational capability. The first steps were as follows:

- Acquiring the facilities from which the entity would operate;
- Recruiting key staff;
- Setting up the organisational infrastructure;
- Developing the funding (levy) model;
- Developing operating policies, processes and procedures, as well as the relevant operating frameworks; and
- Exploring, elaborating and concretizing the legislative mandate requirements for the entity.

For this purpose, a grant of **R40 million** was received.

The Head Office was established in Johannesburg, with key strategic personnel recruited. The next layer of key positions for the Head Office during the year were largely filled, and interviews are in progress for others, which are in advanced stages of recruitment at the end of the financial year.

SERVICE DELIVERY ENVIRONMENT

Establishment of CSOS as a Public Entity

The CSOS's establishment came about post promulgation of the CSOS Act, including the appointment of its initial Board of Directors. The top positions of the Chief Ombud (CEO), the Chief Financial Officer (CFO), the Adjudicator-General and Executive Corporate Services were filled. The CSOS's operationalisation is guided by developed and endorsed internal processes and the allocated budget for the **2014/15** financial year;

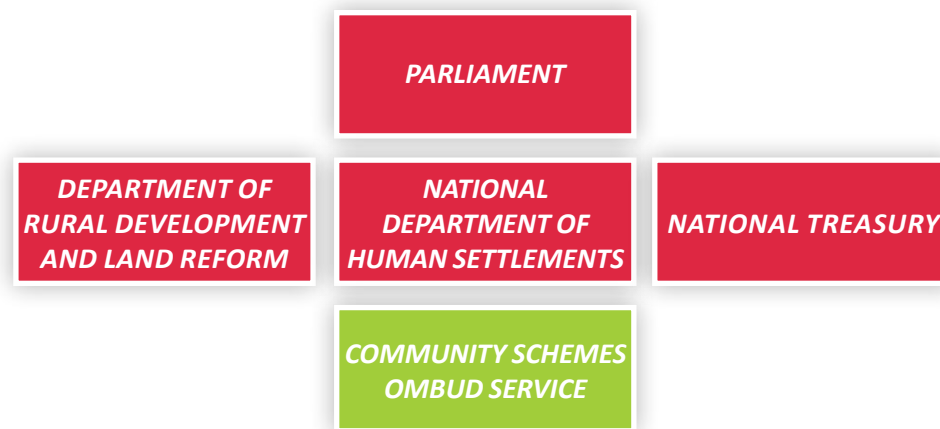
The use of the allocated budget grant of R40 million for **2014/15** places a specific performance delivery environment on CSOS and the following are key considerations:

- It is imperative that the CSOS has the requisite infrastructure and other related resources to establish the client service centres (provincial offices) in a phased approach from 2014/15 onwards. The CSOS provincial office infrastructure roll-out will be administered through a detailed infrastructure plan that is aligned to the set strategic objectives that are aligned with the corporate strategic plan reporting period and linkages to the MTEF cycle. The internal reporting framework devolves from CSOS Management to the Board, to National DHS and ultimately to the Minister for Human Settlements.
- The procurement of office space was a priority in the first year of operations. The selection of the physical location of the national office had taken into account the ease of access for employees and customers, as well as the branding strategy of the organisation. To date, CSOS has leased a total office space of 1122m² for Head Office and the Gauteng Regional Office. A further requirement that was partially catered for in the space planning is document storage space, as contained in the entity's mandate. Furthermore office work space for other part-

time occupants (including contract workers and consultants that may require office space from time to time) has been made.

- It is also critical to indicate a key external institutional relationship, confirming the CSOS financial planning practices for the reporting of MTEF cycle period and in compliance with the APP process, as the entity is a public entity, spending public funds:

CSOS Key External Institutional Relationships – Links to Planning Frameworks and Other Plans (MTSF)



The Minister of Human Settlements (MoHS) has oversight responsibility over the CSOS Board as articulated in the CSOS Act. This relationship creates other and incidental key external institutional relationships summed as follows:

- The CSOS accounts to the MoHS through NDHS. In this regard the CSOS provides NDHS with any information it may require in support of the MoHS. It is further expected to comply with the requirements of NDHS as set out in the Public Entities Policy of the Department.
- The reporting lines to the parliamentary committees and cabinet are distinct yet inter-related. The CSOS is expected to regularly interact with NDHS and ensure that protocol is followed whenever the entity is independently invited to appear before a parliamentary committee;

- The CSOS has been listed to Schedule 3A of the PFMA, and must therefore comply with the sections and provisions of the Act and the Treasury Regulations relating to Schedule 3A Public Entities. The CSOS is also required to interact with National Treasury, the Department of Public Service and Administration (DPSA) as well as the Auditor-General, as per the provisions of the Public Finance Management Act (Act No.1 of 1999, as amended) (PFMA) and related Treasury Regulations.
- Finally, the entity is expected to provide data and information to any other organ of the state that may need such information for decision-making purposes, such as the Public Protector and the Presidency.

Currently sectional titles are administered by DRDLR, resulting in overlapping functional relations between NDHS and DRDLR. During the reporting period, solid work was done within both those departments to harmonise those overlaps. In this regard, the indication is that NDHS through its agencies will accept a transfer of some functions and takeover the sectional titles governance documentation.

The CSOS, like all other state-owned entities, will be mandated to report to the political office bearers following the correct protocols as guided. Furthermore, in terms of the CSOS Act, the MoHS is expected to play a leading role in ensuring that CSOS operates in a conducive political environment and ensures that its management and administration arms are aligned to basic governance principles, accounting and regular reporting or reviews of its programmes.

ECONOMIC ENVIRONMENT

The CSOS is meant to be a self-sustaining entity in the long term, based on income generated from levies and other service charges that are chargeable in terms of the CSOS Act (section 22). The CSOS Act requires community schemes to contribute approved payments (levies and other incidental charges to owners). The determination of the charges commenced at the end of the reporting period, with the intention of achieving the final approval in the coming financial year. Furthermore, the Chief Ombud will be vested with the powers to assess the costing instruments used and economical environmental aspects when adjudicating on incidental disputes.

TECHNOLOGICAL ENVIRONMENT

As part of its mandate, the CSOS has to develop and maintain massive sets of records in

the form of scheme governance documentation, and be able to make these accessible and available on request to external stakeholders. It is thus imperative that CSOS develop and implement an integrated, up to date information system, with optimal storage, access and security capabilities, that can interface and communicate with other external systems when necessary.

In its quest to be an effective and operationally efficient organisation, the CSOS is expected to maintain an up to date ICT environment, incorporating a comprehensive ERP system as well as a communications network capability that allows inter office communication over electronic media. Teleconferencing facilities, for example, will enhance the ability and speed of sharing common cases, while obviating the costly need for physical travel.

KEY POLICY DEVELOPMENTS AND LEGISLATIVE CHANGES

There were no policy or legislative changes during the period under review.

ADJUDICATION AND GOVERNANCE

The Purpose of the Adjudication and Governance branch which includes Regional Ombuds is to develop and implement policies, frameworks, and guidelines across the core regulatory and Dispute Resolution functions of the CSOS for the promotion of good governance of community schemes. Its main functions are inter alia:

- To co-ordinate dispute resolution services;
- Conciliate and adjudicate on community schemes disputes;
- Co-ordinate the transfer of scheme governance documentation and quality assure the documents;
- To co-ordinate the conducting of research activities of the organisation to develop new knowledge as well as assess its impact; and
- To co-ordinate the provisioning of general legal advice, contract management and administration.

The branch is headed by the Adjudicator General and comprises the following Business Units:

BUSINESS UNITS	PURPOSE
Corporate legal Services	Contract drafting and management; advise on labour relations and general legal advice on all legal matters - litigation for and against. Compliance to the CCOS Compliance Framework. Custody and Quality Assurance of Schemes Governance Documentation.
Research	Insights and Knowledge management, conducting primary as well as secondary research into Community Schemes domestically as well as internationally, producing new knowledge and the provision of the Body of Knowledge for CSOS.
Adjudication	Coordination of the full end-to-end Dispute Resolution Service across the CSOS including regional Ombud. Ensure compliance to the Records Management Policy of CSOS.

LEGISLATIVE ESTABLISHMENT AND STATUS OF REGULATIONS

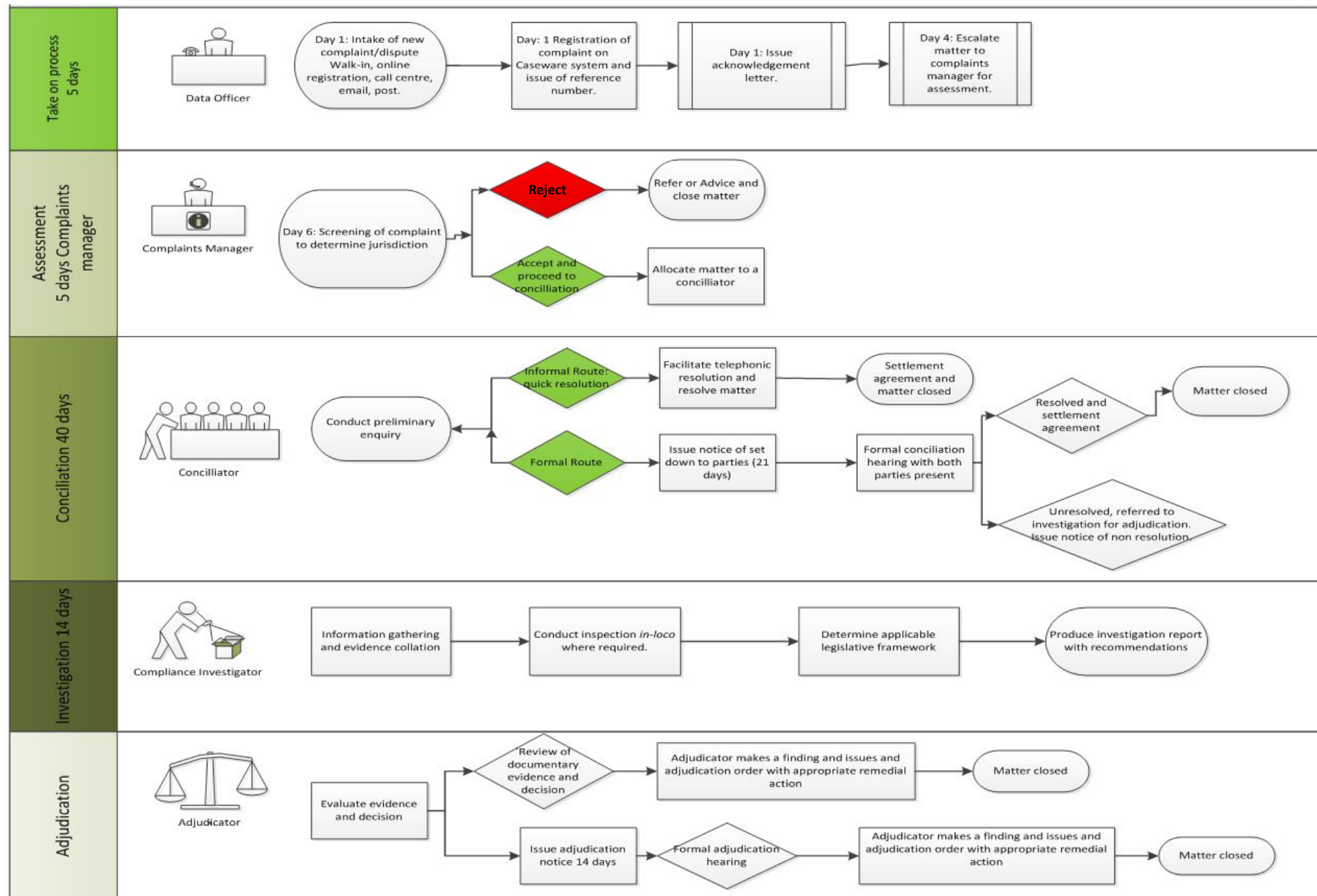
Whilst the Community Schemes Ombud Service Act 9 of 2011 and the Sectional Title Management Act 8 of 2011 were promulgated in June of 2011, it has not as yet come into operation as it is pending Presidential Proclamation. This means that the CSOS is not yet formally able to accept applications for dispute resolution.

During the year under review, a task team comprised of officials from the legal section of the Department of Human Settlement and those of CSOS was established to oversee the drafting of both sets of Regulations. Work only commenced in earnest during the last quarter of the financial year which is the period when key CSOS personnel were appointed. The draft Regulations have been submitted to the State Law Advisors and have been received back with comments and inputs. The draft Regulations are currently being refined and will soon be published for public comment.

DISPUTE RESOLUTION

Notwithstanding the fact that the CSOS Act and Regulations have not come into operation the CSOS has observed a steady influx of applications for dispute resolution, especially in the last quarter of the financial year. The establishment of a world-class dispute resolution service within community schemes characterised by organisational excellence and conducive organisational culture is one of CSOS's key priorities. In this regard, the Board reviewed the Dispute Resolution Model that outlines the dispute resolution process.

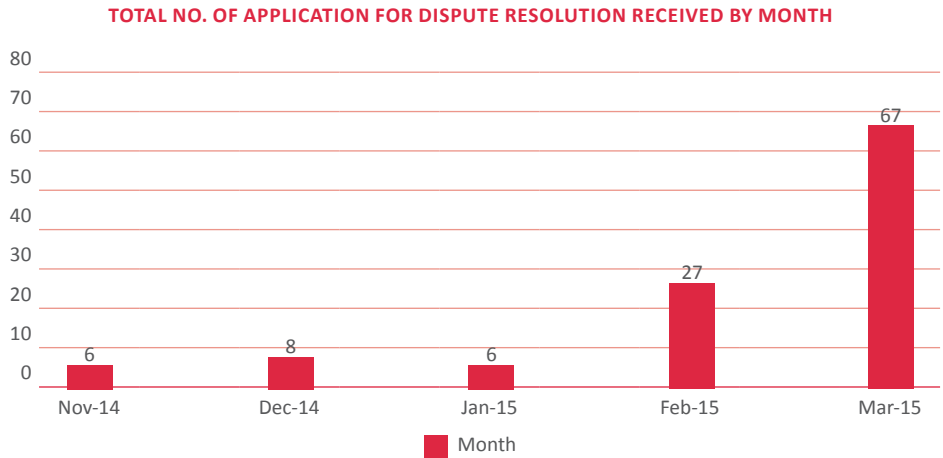
DISPUTE RESOLUTION PROCESS MAP



Guiding principles for the CSOS Dispute Resolution Model:

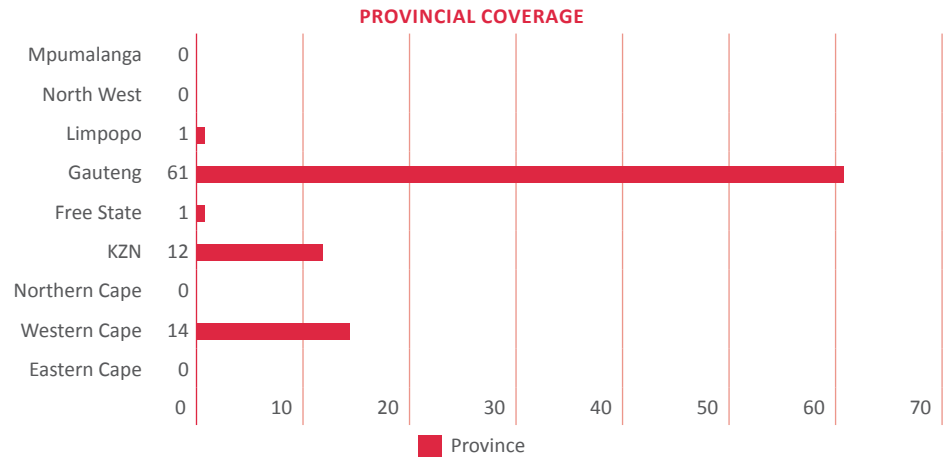
- **Accessibility:** This principle of accessibility is related to awareness and effective access. The CSOS Dispute Resolution process should be accessible to all parties within a community scheme. The information about it should be written in simple language.
- **Confidentiality:** All Applications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

Application for Dispute Resolution



Between 01 November 2014 and 31 March 2015, CSOS received a total of 114 applications for dispute resolution. The increase in the number of applications for dispute resolution received in the months of February 2015 and March 2015 can be attributed to the media initiatives that are involving the Chief Ombud and the Adjudicator General, which is an indicator of the demand for our services as the public is becoming more aware of our existence.

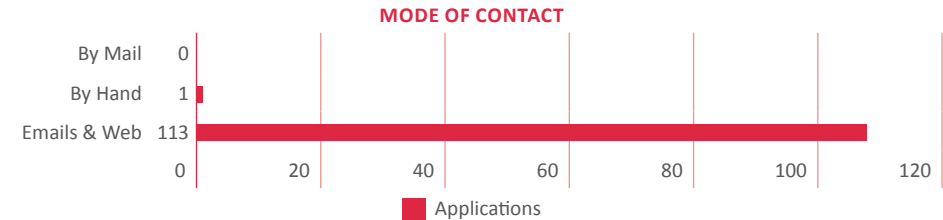
Geographic/ Provincial Coverage



64 % of the applications for dispute resolution came from Gauteng Province followed by Western Cape Province and Kwa Zulu-Natal Province. Given the number of disputes received and the notable results achieved, it is important to highlight that key personnel were only appointed in the last quarter of the financial year.

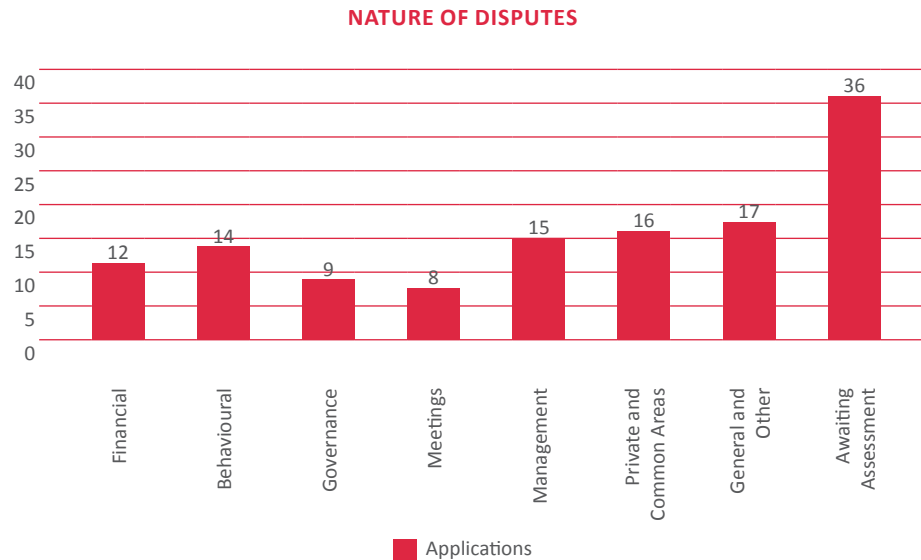
Mode of Contact

The majority of applications received were lodged through a designated e-mail (complaints@csos.org.za), CSOS information e-mail, website and others were lodged by hand.



Type of Disputes

The nature of disputes lodged with CSOS range from financial issues, behavioral issues, governance issues, general and other issues.



Taking Custody of Governance Documentation

One of the key mandates for CSOS in terms of section 4 of the CSOS Act is to take custody of sectional title and other scheme governance documentation. In order to give effect to this legislative mandate, a Task Team comprising of the CSOS, DHS and the Deeds Office was established to manage the data migration process from the Deeds Office to CSOS. This included onsite visits to the Deeds offices to identify the documents that will be transferred to CSOS and subsequently a checklist was developed. In addition, given the volume of documents that will be transferred to CSOS (estimated to be over 100 000), a service provider was appointed for the migration and storage of scheme governance documentation that are currently located at the CIPC, Deeds Office and various municipalities. A draft Memorandum of Understanding (MoU) between CSOS and the Registrar of Deeds was drafted and will be signed in the new financial year.

CSOS had an opportunity to engage the Companies and Intellectual Property Commission (CIPC) and concluded an MoU with that office for accessing the CIPC database and arranging for transfer of the governance documents that are in their possession.

Corporate Legal Services

There were no litigious matters either for or against CSOS during the period under review.

CORPORATE SERVICES

The strategy of the Corporate Services section is to build a goal driven, customer-oriented administration that supports the organisation in achieving its mandate. This is delivered through a robust Corporate Services programme which comprises the Human Resources (HR), Information Technology (IT), Facilities Management and Marketing and Communications business units.

Facilities Management

In the period under review the considerations for facilities management were the procurement of offices for the national office and regional nodes: Western Cape, KwaZulu-Natal and Gauteng. A lease agreement for the national and Gauteng offices was finalised; the partitioning and office design was completed as well. Both offices are located on the 1st floor, block A, 63 Wierda Road East in Sandton.

Information Technology (IT)

During the period under review a number of IT Policies were developed including policies on internet usage, security, IT communications and 3G usage. Furthermore, the CSOS IT governance framework was developed.

The IT support unit planning occurred in the fiscal year which included:

- The appointment of an ICT Manager to start in the first quarter of the next financial year;
- The appointment of a service provider to scope and develop an ERP system comprising of HRIMS, Payroll, CRM, Case Management and Document Management modules;
- The setup of the Head Office ICT infrastructure including fiber internet connectivity and internal wireless connectivity;
- The development and approval by board of the ICT Governance Framework and the ICT Policies documents; and
- The appointment of an ICT Service provider to provide ICT Support functions including outsourcing support engineers to the CSOS.

Further projects will be deployed in the next financial year which includes the deployment of infrastructure at new regional offices and the setup of the ICT data center at the national office.

Marketing and Communications

Creating a brand

- A comprehensive Integrated Marketing and Communications Strategy has been developed to establish a new public entity brand through building awareness, educating the public on the role and mandate of the CSOS and favorably positioning the organisation. Core to the positioning of CSOS is its ability to provide an efficient, effective and cost saving alternative dispute resolution mechanism for parties within community schemes. The strategy acknowledges that the professionalism within which the organisation delivers its services and implements its approved processes and policies is the cornerstone of the CSOS brand identity.

Media

A thought leadership article was published in the Mail and Guardian on the 5 February 2015. This generated a lot of publicity around the new Ombud and set in place a snowball effect of requests from other media houses. The following is a list of all media outputs for the period under review.

PLATFORM	CONTENT
Radio 702	Launch of CSOS as well as positioning.
Mail & Guardian	Thought Leader article on the role and mandate of CSOS.
Personal Finance – Thought Leader	Thought Leader article on the role and mandate of CSOS – pitched.
Radio: Interview on Gagasi	The CSOS ‘what, who and how’.
SABC 1 Consumer rights show Yilungelo Lakho / It’s Your Right TV Current Affairs	TV Consumer Affairs panel: with discussion and callers as well as tweets and Facebook activity. The show drove output in terms of callers calling into the offices as well as clients coming in to lodge complaints.
EAAB: The Agent March Issue 127	Article on the role and mandate of CSOS.
The Paddocks Press monthly newsletter	Offered to write a regular article.
Morning Live SABC	Interviewed the Chief Ombud.
Provocate Legal property Magazine	Interview with CEO.

Stakeholder Management

To date the CSOS has met with a number of critical stakeholders, including but not limited to the following:

- Attended the Ministerial launch of a special PHP (People’s Housing Process) in Vereeniging ;
- The National Department of Human Settlements – participation in their Communications task team as well as a specialized task team for the CSOS launch;
- EAAB (Estate Agency Affairs board) – participation and partnership in their stakeholder meetings/road shows;
- NAMA (National Association of Managing Agents) – CSOS Roadshow;
- Black Property Developers Forum – partnership with their magazine and direct stakeholders;
- Paddocks – partnership, information and advice;
- Joint meeting with the EAAB, RCC, National Institute of Estate Agents, as well as the National Consumer Commission.

PERFORMANCE INFORMATION

As at 31 March 2015

PROGRAMME 1: ADMINISTRATION

STRATEGIC OBJECTIVE / SUB-PROGRAMME: RESOLVED COMMUNITY SCHEME DISPUTES

Purpose of the sub-programme:

- Provide Community Schemes Dispute Resolution Services to all South Africans;
- To have a transparent dispute resolution process in place;
- Educate the residents and body corporate structures of the elements of the Good Governance of Community Schemes; and

- Ensure that the revenue of the service is sufficient to meet the operational costs, whilst remaining an affordable dispute resolution service.

PROGRAMME PERFORMANCE INDICATORS FOR ANNUAL TARGETS:

STRATEGIC OBJECTIVE	SUB-PROGRAMME PERFORMANCE INDICATOR	PLANNED TARGET 2014/15	ACTUAL ACHIEVEMENT 2014/15	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT	COMMENT ON DEVIATIONS
Provide Community Schemes Dispute Resolution Services to all South Africans.	Facilities available and accessible for members of the public where dispute resolution services can be obtained.	1 Head Office established with key staff members.	Head Office established in Sandton. The key staff in place as specified in the 2014/15 APP was not fully recruited at year end.	Key staff as specified in the 2014/15 App was not fully recruited at year end. This was due to the conscious decisions to review to reprioritise the positions.	More positions have subsequently been filled, and others will be filled as per management priority and budget realities faced by CSOS during the 2015/16 financial year.
		Establishment plan for the establishment of the Gauteng, KwaZulu-Natal and Western Cape regional offices.	The plan for the establishment of the Gauteng, KZN and WC regional offices were completed during the year.	None.	
	Board approved dispute resolution model.	1 Dispute resolution model developed and implemented.	1 Dispute resolution model developed and implemented.	None.	
	Approved and implemented Dispute Resolution Funding model.	Development and Piloting of a Dispute Resolution Funding model.	Dispute Resolution Funding model under development by a Board Technical Committee.	DR Funding model first recommendation due to be submitted to the Board in May 2015.	Board approval expected in Q1 2015/16.

STRATEGIC OBJECTIVE / SUB-PROGRAMME: TAKE CUSTODY AND CONTROL OF SCHEMES GOVERNANCE DOCUMENTATION

Purpose of the sub-programme:

- Take custody of the existing schemes governance documentation that is kept with the Department of Rural Development and Land Reform;
- Implement a schemes governance documentation system; and
- Ensure that the revenue of the service is sufficient to meet the operational costs relating to the storage, retrieval and submission of schemes governance documentation, whilst ensuring that the documentation is adequately protected and provided and access is provided in a cost effective manner.

PROGRAMME PERFORMANCE INDICATORS FOR ANNUAL TARGETS:

STRATEGIC OBJECTIVE	SUB-PROGRAMME PERFORMANCE INDICATOR	PLANNED TARGET 2014/15	ACTUAL ACHIEVEMENT 2014/15	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT	COMMENT ON DEVIATIONS
Taking Custody and Control of Schemes Documentation.	Approved migration plan for take-over.	Implement the Memorandum of Understanding for take-over .	The MoU was drafted by CSOS and submitted to the Chief Registry. Now awaiting feedback.	The MoU process took longer than anticipated due to iterative engagements.	Formal signing of the MoU expected in 2015/16.
Operationalise an effective Records Management System.	Approved records management system, framework, policies, processes and procedures.	Develop and approve a records management system.	A draft Records Management Framework was developed and tabled to Board Committees for approval.	The Levies, Registration and Regulations Committee will consider it further in Q1 2015/16.	Formal approval of the records management system expected in 2015/16.
	Approved schemes governance documentation funding model.	Develop a schemes governance documentation funding model.	Document funding model under development by a Board Technical Committee as part of the Dispute Resolution Funding model.	Dispute Resolution Funding model first recommendation due to be submitted to the Board in May 2015.	Board approval expected in Q1 2015/16.

STRATEGIC OBJECTIVE/SUB-PROGRAMME: ENSURE THAT CSOS IS MANAGED IN AN EFFICIENT AND EFFECTIVE MANNER**Purpose of the sub-programme:**

- To ensure that the CSOS remains accountable for the public funds that it obtains or generates;
- Ensure adequate and secured funding for the organisation;
- Ensure that the provisioning of goods and services is done in a compliant, fair and transparent manner and that the assets of the organisation are properly managed;
- Early identification of risks and the management thereof;
- Effective Board/ Management Administrative processes and reporting;
- Adequate human resources capable of executing the mandate of the CSOS;
- Provision and maintenance of the information technology required in order for the CSOS to deliver on its mandate effectively and efficiently;
- Effective Communication, Marketing and Stakeholder Management and to provide data for the funding model activities and service capacity requirements; and
- To administer the CSOS legislation and the contractual affairs of the service.

PROGRAMME PERFORMANCE INDICATORS FOR ANNUAL TARGETS:

STRATEGIC OBJECTIVE	SUB-PROGRAMME PERFORMANCE INDICATOR	PLANNED TARGET 2014/15	ACTUAL ACHIEVEMENT 2014/15	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT	COMMENT ON DEVIATIONS
Proper Financial Accounting, budgeting and Supply Chain Management.	Approved financial systems, controls and policies.	Develop and implement financial policies, systems and controls.	Recommended ERP awarded, but urgent modules of Payroll and Accounting implemented earlier on an urgent basis. A number of financial policies and systems developed and submitted for approval.	None.	
	Approved funding model and financial reviews.	Develop and implement CSOS funding model and perform budget reviews.	CSOS funding model under development by a Board Technical Committee as part of the DR Funding model.	CSOS funding model under development by a Board Technical Committee as part of the DR Funding model.	CSOS Funding models have all been consolidated in the DR Funding modelling under development by the Technical Committee.
		Prepare 1 set of management accounts.	Set of management accounts prepared.	None.	
	Approved supply chain management policies, processes and procedures and asset management.	Develop and implement the supply chain management, policies, processes and procedures.	SCM Policy developed and approved. Asset Policy also developed and approved.	None.	
		1 Asset Management Plan.	Fixed Asset Policy was developed and approved.	None.	
Best Practices in Corporate Affairs, Governance and Information Systems.	Effective Board Meetings held in the Reporting Year	4 Board Meetings.	4 Board meetings, plus 2 special board meetings held.	None.	
	Convened Committee meetings and submitted reports and recommendations.	2 x 4 committee meetings (8 meetings).	2 x 4 committee meetings (8 meetings) held.	None.	
	Board / Management Strategic Sessions intended to pave the way forward in the outer financial years.	1 Strategic Session held to Finalise the 5 year Strategic Plan and Annual Performance Plan for 2015/15.	1 Strategic Session held in Q3, and the final 5-year Strategic Plan and APP for 2015/16 approved.	None.	
	Board/Management approved Performance Management Plan.	1 Quarterly Report with management accounts submitted and presented by Management.	Quarterly reports for Q3 and Q4 submitted per agreed timelines. However Q1 and Q2 reports were not done due to no operational activities at CSOS during those periods. Only the financial report was rendered to the Department in Q2.	No operational activities were conducted during the first 2 quarters of the financial year. The CFO was the only official employed during that period, only setting up the initial organisational infrastructure and getting the necessary regulatory clearances and administrative arrangements.	All Quarterly reports to be done timeously from 2015/16.

PROGRAMME PERFORMANCE INDICATORS FOR ANNUAL TARGETS:

STRATEGIC OBJECTIVE	SUB-PROGRAMME PERFORMANCE INDICATOR	PLANNED TARGET 2014/15	ACTUAL ACHIEVEMENT 2014/15	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT	COMMENT ON DEVIATIONS
	Preparation and implementation of organisational plans.	Prepare and submit the required draft and final Strategic and Annual Performance plans, budgets, as well as quarterly reports by the required timeframes of DHS.	5 year Strategic Plan drafts and APP for 2015/16 were prepared and approved by the Board, and submitted timeously to DHS, inclusive of associated budgets. Quarterly reports were submitted as described above as well.	None.	
	Continuous review of processes addressing noted challenges with regard to the implementation of the Strategic and Annual Performance Plan	Develop and submit a review report to the board.	Review report i.e. the CEO's Report, was developed and presented to the Special Board meeting held on 31st March 2015.	None.	
	Implementation of the organisational structure and human resource management policy.	Organisational structure for the CSOS developed and approved.	Organisational structure was developed and approved by the Board.	None.	
		Key staff members in the Head Office of the CSOS appointed.	At year end there were 29 employees (21 full time, 5 interns, and 3 temps).	None.	
		Human Resources management policy approved and implemented.	HR Policy developed and approved and under implementation.	None.	
		Service level agreements concluded with all the staff members.	Save for one, staff signed their Performance Contracts for the year.	One executive did not sign his Performance Contract due to an oversight. The matter was addressed by the Chief Ombud/CEO, and remedial action was taken.	Signing due in Q1 2015/16.
	Approved training programme.	Develop and implement employee training programme.	Training programme not yet developed. The first induction for all staff was conducted.	Training plans were still under development during the period.	Training plan to be developed and implemented in 2015/16.
		5 Staff members attend development training.	No development training has been attended as yet.	No staff received functional training as training plans were still under development	Training programme is scheduled to commence during 2015/16.
	Approved Communication and Marketing plan.	Develop and implement the Communication and Marketing plan.	The Communications and Marketing Strategy document was developed and submitted for approval.	The Communication and marketing plan was not yet approved for implementation.	Stakeholder Management plan to be formally drafted for approval in Q1 2015/16.
		1 report on the implementation of the Communications and Marketing plan.	The status of the Communications and Marketing Strategy document was reported on at year end.	None.	
	Approved Stakeholder Management Plan.	Develop and Implement the Stakeholder Management Plan.	Stakeholder Management was not fully developed.	The development of the plan was not yet completed at year end, but was under development.	Stakeholder Management Plan will be delivered during 2015/16.
		1 report on the implementation of the Stakeholder Management Plan	The status of the Stakeholder Management plan was reported on at year end.	None.	
	Approved Customer Care Plan.	Develop and Implement Customer Care Plan.	Customer Care plan not yet developed and implemented at year end.	Customer Care Plan has been incorporated into the over-arching Stakeholder Management Plan.	Service Provider to develop the database appointed. To commence in May 2015.
		1 report on the implementation of the Customer Care Plan.	The status of the Stakeholder Management plan, which encompasses the Customer Care plan, was reported on at year end.	None.	
	Functional Community Schemes database in South Africa.	Community Schemes database designed.	The database design was not yet done at year end.	The methodologies of compiling the community schemes database was under research at year end.	The database to be developed in 2015/16.
	Approved Functional IT Plan.	Develop and implement a functional IT plan.	5 IT policies were developed, and submitted for approval at year end. The implementation thereof was subject to approval and availability of the IT infrastructure concerned.	None.	
	Board approved ICT System.	Developed, tested and implemented ICT system model.	The overarching IT governance framework was been developed.	The total ICT system model was not yet developed and implemented .	The IT governance framework is due for approval and implementation during 2015/16.



PART C

CORPORATE GOVERNANCE

CSOS BOARD

INTRODUCTION

The first CSOS Board of Directors was appointed by the Honourable Minister Lindiwe Sisulu in terms of section 6 of the CSOS Act on 1 January 2013 for a three year period ending 31st December 2015. They brought with them a diverse set of knowledge, skills and experience from government, business and civil society.

CORPORATE GOVERNANCE

The Community Schemes Ombud Service (CSOS) is a schedule 3A public entity. The Executive Authority is the Minister of Human Settlements, Ms Lindiwe Sisulu. The CSOS Board and Executive Management are committed to the principles of fairness, openness, integrity and accountability as advocated by the King III Code on corporate governance.

BOARD MEMBERS



REV DR VUKILE MEHANA

Chairperson of the Board
B. Theology; AMP; Top Management
Program on Public Enterprises; MBA; D. Phil



MS TINYIKO MHLARI

Member and Chairperson of the
Audit, Risk and Finance Committee
CA(SA); H. Dip Tax Law



ADV NOMAZOTSHWA MEMANI

Member and Chairperson of the Levies,
Registration and Regulations Committee
BA; LLB



MR MFANOZELWE SHOZI

Member and Chairperson of the HR/
Remuneration and Ethics Committee
BA; Postg Dip; BTech; Masters Degree



MR TREVOR BAILEY

Member and Chairperson of
Adjudications and Governance Committee
BA; LLB; LLM



ADV DERICK BLOCK

Member
B. Juris and LLB; H. Dip Tax Law



MR THEMBA MTHETHWA

Executive Board member
B. Proc; LLB;
Postg Dip in Industrial Relations



MR THEMBA MABUYA

Executive Board member
B Man & Admin (Hons)

STATEMENT OF COMPLIANCE

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

There were no breaches of governance procedures recorded during the 2014/2015 financial year. Board members have a duty to disclose their interests in any of the items that are on the agenda at all Board meetings as required by the CSOS Act, the Companies Act 2008 and King Code of Good Practice. There were no conflicts of interest recorded for the period under review.

The annual Board evaluation as per the King III report on good corporate governance was not applicable due to the Board being newly appointed and this will be undertaken in the new financial year. As per the Board Charter, the Board members are remunerated for their services as per the National Treasury guideline, and reviewed on an annual basis.

CODE OF ETHICS

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

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

APPOINTMENT OF BOARD MEMBERS AND BOARD COMPOSITION

All Board members are appointed by the Minister of the Department of Human Settlements for a term of three years and are responsible for the management and control of, "The Service". The composition of the Board is stated in section 6 of the CSOS Act, no 9 of 2011, which provides for two (2) executive members and seven (7) non-executive members. During the period under review, CSOS had 9 Board members, of which 7 were non-executive and 2 were executive; the Chief Executive Officer (Chief Ombuds) and the Chief Financial Officer (CFO). However, Adv M Malebye resigned as a Board member on 20 June 2014, and this reduced the non-executive Board membership to 6.

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

BOARD SECRETARIAT FUNCTION

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

BOARD POWERS AND PROCEDURES

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

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

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

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



BOARD MEETINGS

The Board met four times during the 2014/15 financial year as per the scheduled meetings and two special meetings. All the Board meetings were held at the CSOS Head Office, located at 63 Wierda Road East in Sandton.

BOARD MEETINGS ATTENDANCE								
NAME	SURNAME	TITLE	29/05/14	24/07/14	29/10/14	17/11/14	06/02/15	31/03/15
Vukile	Mehana	Rev Dr	✓	✗	✓	✓	✓	✓
Tinyiko	Mhlari	Ms	✗	✓	✗	✓	✗	✓
Nomazotshwa	Memani	Adv	✓	✓	✓	✓	✓	✓
Mfanozelwa	Shozi	Mr	✗	✗	✓	✗	✓	✓
Derick	Block	Adv	✓	✓	✓	✗	✓	✓
Trevor	Bailey	Mr	✗	✗	✓	✓	✓	✓
Milicent	Malebye	Adv	✓	✗	✗	✗	✗	✗
Themba	Mthethwa	Mr	✓	✓	✓	✓	✓	✓
Themba	Mabuya	Mr	✗	✓	✓	✓	✓	✓

BOARD COMMITTEES

In terms of section 12 of the CSOS Act and the Board Charter, the Board is mandated to establish committees in helping the Board to carry out its fiduciary duties. The Committees play an important role in the maintenance of high standards of governance and in achieving increased effectiveness within the CSOS in line with King III. The terms of reference for all the Committees were presented and approved by the Board during the year under review. The Board sub-committees are:

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

All Board committees comprise of members of the Board, whilst members of the Executive

Management attend by invitation. All committees are empowered to obtain external or independent professional advice, as they consider necessary to carry out their duties and are chaired by a non-executive Board member.

AUDIT, RISK AND FINANCE COMMITTEE

The Audit, Risk and Finance Committee has adopted a Charter or terms of reference that have been approved by the Board and deals primarily with membership, structure, authority and duties. The responsibility of the Audit, Risk and Finance Committee includes but is not limited to:

- Ensuring the integrity, reliability and accuracy of accounting and financial reporting systems;
- Evaluating the adequacy and effectiveness of internal audit and risk management;
- Maintaining transparent and appropriate relationships with the respective firms of external auditors;
- Reviewing the scope, quality and cost of the statutory audit and the independence and objectivity of the auditors;
- Ensuring compliance with applicable legislation and the requirements of regulatory authorities, especially the Public Finance Management Act (PFMA); and
- Overseeing compliance with Codes of Corporate Practice and Conduct.

The Audit, Risk and Finance committee held four meetings for the year under review, as per the organisation's annual calendar, and held one special meeting to approve the annual financial statements 2014/15.

MEMBERS			MEETING DATES			
NAME	SURNAME	TITLE	07/10/14	22/01/15	30/01/15	20/03/15
Tinyiko	Mhlari	Ms	✓	✓	✓	✓
Mfanozelwe	Shozi	Mr	✗	✓	✗	✗
Trevor	Bailey	Mr	✓	✓	✓	✓
Derick	Block	Adv	✓	✗	✗	✓

- Adv Milicent Malebye resigned on 20 June 2014;
- The Audit, Risk and Finance committee is chaired by Ms Tinyiko Mhlari (a non-executive director); and
- Ms. Tinyiko Mhlari was appointed as Chairperson on 05 February 2014.

HUMAN RESOURCES, REMUNERATION AND SOCIAL ETHICS COMMITTEE

The Human Resources, Remuneration and Social Ethics Committee's, Charter or terms of

reference as approved by the Board, deals with membership, structure, authority and duties. The responsibility of this committee includes making recommendations to the Board on:

- All policy matters that affect the employer/employee relationship;
- All policy matters dealing with remuneration, recruitment, selection, and appointment of executives;
- All policy matters that affect the mental, social and physical well-being of employees;
- Approve the human resources strategy and organisational structure;
- Social and ethical matters for both Board and Staff.

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

MEMBERS			MEETING DATES		
NAME	SURNAME	TITLE	23/01/2015	30/01/2015	27/03/2015
Mfanozelwe	Shozi	Mr	✓	✓	✓
Trevor	Bailey	Mr	✓	✓	✗
Tinyiko	Mhlari	Ms	✓	✓	✓
Themba	Mabuya	Mr	✓	✓	✓
Themba	Mthethwa	Mr	✓	✓	✓

LEVIES, REGISTRATIONS AND REGULATIONS COMMITTEE

The Levies, Registrations and Regulations Committee is to assist the Board in discharging its responsibilities relating to the development, implementation, monitoring and review of the framework for levies, registrations and regulations of schemes.

Its mandate includes:

- Reviewing the levy model;
- Setting fees and waivers;
- Rules etc; and
- Reviewing and approval of the Regulations.

During the reporting year, the Levies, Registrations and Regulations Committee held four ordinary meetings and two special meetings and attendance is reflected in the table below.

MEMBERS			MEETING DATES			
NAME	SURNAME	TITLE	23/01/2015	30/01/2015	17/02/2015	19/03/2015
Nomazotsho	Memani	Adv	✓	✓	✓	✓
Trevor	Bailey	Mr	✓	✓	✓	✓
Derick	Block	Adv	✗	✗	✗	✓
Themba	Mabuya	Mr	✓	✓	✓	✓
Themba	Mthethwa	Mr	✓	✓	✓	✓

ADJUDICATION AND GOVERNANCE COMMITTEE

The purpose of this Committee is to assist the Board to discharge its responsibility relating to the governance of community schemes and the adjudication of community scheme dispute. During the reporting year, the Committee held four ordinary meetings and one special meetings and attendance is reflected in the table below.

MEMBERS			MEETING DATES		
NAME	SURNAME	TITLE	23/01/2015	30/01/2015	19/03/2015
Trevor	Bailey	Mr	✓	✓	✓
Derick	Block	Adv	✗	✗	✓
Nomazotsho	Memani	Adv	✓	✓	✓
Themba	Mabuya	Mr	✓	✓	✓
Themba	Mthethwa	Mr	✓	✓	✓



RISK MANAGEMENT

Risk management is an integral part of the operations of the CSOS and has demonstrated to be the pillar of corporate governance. The Board as an accounting authority provides an overarching role in the implementation of enterprise wide risk management programmes.

RISK MANAGEMENT FRAMEWORK AND POLICY

Risk management policy was developed and approved by the Board for implementation. More focus will be on effective and measured implementation of the policy. A risk framework including an implementation plan will be finalized in the following year.

RISK ASSESSMENT

A preliminary work on the strategic risk identification and analysis was done and improvement measures will be implemented in the following year. There were limited implementations of mitigation plans due to staff capacity as the entity is still in its development phase. The assessment of operational risks for all areas has started and this will also complement another initiative to institutionalise the culture and philosophy of risk management.

INTERNAL AUDIT ACTIVITY

The CSOS did not have an Internal Audit Activity during the year. The recruitment processes were finalised in the last quarter of the financial year for the appointment of the Internal Audit Manager. The Internal Audit Activity will be functional in the following year.

FRAUD PREVENTION PLAN

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

The CSOS will implement whistleblowing mechanisms in the 2015/16 financial year. These are checks and balances to improve and encourage all stakeholders to report suspected unethical practices.

COMPLIANCE MANAGEMENT

Compliance management is the cornerstone of risk management. The development and implementation of the policies and procedures are aligned to pieces of legislations and other prescripts. The Compliance Framework is targeted to be developed and implemented in the 2015/16 financial year.

CONFLICT OF INTEREST

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

OVERSIGHT STRUCTURE - AUDIT AND RISK COMMITTEE

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



PART D

HUMAN CAPITAL REPORT

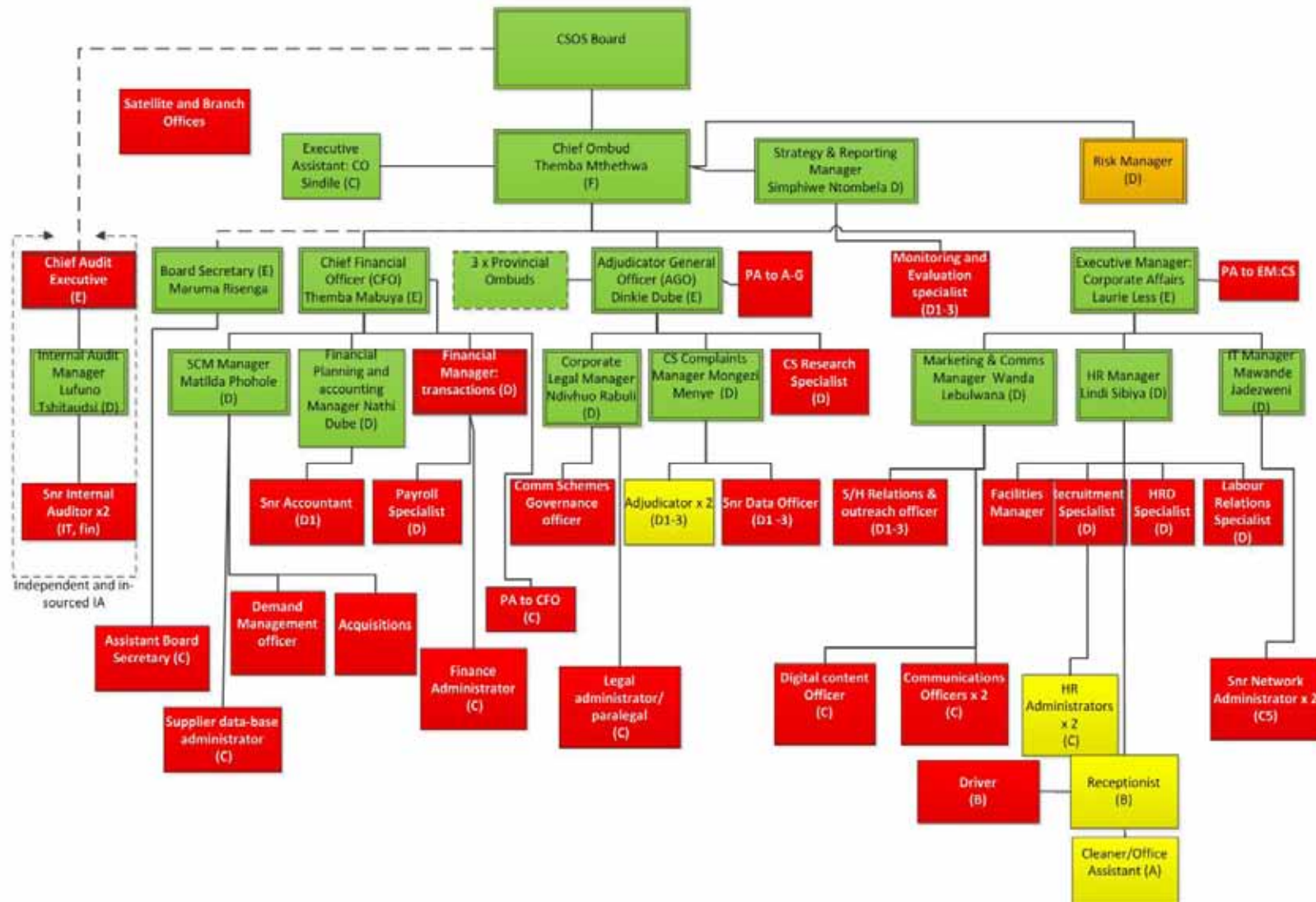
INTRODUCTION

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

HUMAN RESOURCE STATISTICS

As at 31 March 2015

The approved organogram for the CSOS as depicted below shows a total of 112 positions (52 at Head Office and the balance in Gauteng, Cape Town and KZN).



CSOS WORKFORCE PROFILE AS AT 31 MARCH 2015

NO.	NAME & SURNAME	OCCUPATIONAL LEVEL	POSITION	GRADE	GENDER
1	Themba Mthethwa	Executive	CEO	F	Male
2	Sindile Mazibuko	General staff	Executive Assistant	C	Female
3	Simphiwe Ntombela	Management	Strategic Planning and Reporting Manager	D	Male
4	Risenga Maruma	Executive	Board Secretary	E	Male
5	Themba Mabuya	Executive	CFO	E	Male
6	Nkosinathi Dube	Management	Finance Manager	D	Male
7	Matilda Phohole	Management	Supply Chain Manager	D	Female
8	Laurie Less	Executive	Executive Manager: Corporate Services	E	Female
9	Lindi Sibiya	Management	HR Manager	D	Female
10	Wanda Lubelwana	Management	Marketing & Communication Manager	D	Female
11	Dinkie Dube	Executive	Adjudicator General	E	Female
12	Abraham Masilo	Executive	GP Provincial Ombud	E	Male
13	Mongezi Menye	Management	Complaints Manager	D	Male
14	Kgaogelo Mafafo	Intern	Supply Chain Intern	A	Male
15	Morongoa Mathekge	Intern	HR Intern	A	Female
16	Reneloe Koetle	Intern	Legal Intern	A	Female
17	Mikateko Rikhotso	Intern	Finance Intern	A	Female
18	Sinovuyo Ketile	Intern	Admin Intern	A	Female

CSOS EMPLOYMENT EQUITY BY GENDER AS AT 31 MARCH 2015

PERMANENT STAFF	NUMBER OF EMPLOYEES
Black Male	8
Black female	9
Coloured female	1





487,15
512,99
578,15
658,78
932,79
38,96
78,63

1 689,15
1 702,96
1 689,15
1 805,12

487,05
512,58
578,48
658,00
932,97

1 289,87
1 548,89
745,12
895,22
1 158,38
1 258,85
1 358,64
1 489,10
1 578,09
1 679,00
1 689,78
1 702,02

99,97
150,98
369,35
458,15
412,13
148,64
51,31
58981
487,92
512,99
578,15
658,78



PART E

FINANCIAL INFORMATION

ANNUAL FINANCIAL STATEMENTS

CONTENTS

	PAGE
ACCOUNTING AUTHORITY'S RESPONSIBILITIES AND APPROVAL	34
AUDIT COMMITTEE REPORT	35
REPORT OF THE AUDITOR GENERAL TO PARLIAMENT	36
STATEMENT OF FINANCIAL POSITION	38
STATEMENT OF FINANCIAL PERFORMANCE	39
STATEMENT OF CASH FLOWS	40
STATEMENT OF CHANGES IN NET ASSETS	41
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL COST	42
ACCOUNTING POLICIES	43
NOTES TO THE FINANCIAL STATEMENTS	50



ACCOUNTING AUTHORITY'S RESPONSIBILITIES AND APPROVAL

For the year ended 31 March 2015.

The Accounting Authority is required by the Public Finance Management Act (Act 1 of 1999), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the Accounting Authority to ensure that the annual financial statements fairly present the state of affairs of the CSOS as at the end of the financial year and the results of its operations and cash flows for the year then ended.

The external auditors have been engaged to express an independent opinion on the annual financial statements and were given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with South African Standards of Generally Recognised Accounting Practice (SA GRAP). The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

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

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

The Accounting Authority has reviewed the entity's cash flow forecast for the year up to 31 March 2015 and in the light of this review and the current financial position, they are satisfied that the entity has adequate or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the entity's annual financial statements. The annual financial statements have been examined by the entity's external auditors and their report is presented on pages 36 to 37.

The annual financial statements set out on pages 50 to 65 which have been prepared on the going concern basis, were approved by the accounting authority on 31 May 2015 and were signed on its behalf by:



Rev Dr V. Mehana
Chairperson

31 May 2015

AUDIT AND RISK COMMITTEE REPORT: 2014/15 FINANCIAL YEAR

INTRODUCTION

The Committee is pleased to present its draft annual report for the financial year ending 31 March 2015.

This report is prepared in accordance with the requirements of the Public Finance Management Act No 1 of 1999, and the recommendations contained in the King III Report on Governance.

AUDIT AND RISK COMMITTEE MEMBERS AND ATTENDANCE

The Community Schemes Ombud Service has had a constituted committee for the period under review, comprising of four non-executive directors. During the year, four (4) meetings were held as follows:

MEMBER	NUMBER OF MEETINGS ATTENDED
Ms T Mhlari – Chairperson	4
Mr M Shoji – Member	2
Mr T Bailey – Member	4
Adv T Block – Member	2

AUDIT COMMITTEE RESPONSIBILITY

The Committee reports that it has adopted appropriate formal terms of reference as its Audit and Risk Committee Charter which regulate its affairs and have complied with that Charter and discharged its responsibilities in line with the Charter.

THE EFFECTIVENESS OF INTERNAL CONTROL

The CSOS is at its establishment phase in the year under review as such the system of internal control is under development. The Committee has reviewed a number of frameworks, policies and working procedures and implementation has been monitored.

THE QUALITY OF IN-YEAR MANAGEMENT

The Committee is generally satisfied with the content and quality of monthly reports prepared and issued by management however, there is significant room for improvement in respect of quarterly financial statements and organisational performance information.

The Committee will monitor the processes designed to ensure that there is consistency as well as further improvement in the quality of performance information and the quarterly financial statements.

EVALUATION OF FINANCIAL STATEMENTS

The Committee has

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

INTERNAL AUDIT

There was no Internal Audit Activity during the year under review. The Internal Audit was only established subsequently in April 2015.

AUDITOR-GENERAL SOUTH AFRICA

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



Ms Tinyiko Mhlari
Chairperson of the Audit and Risk Committee

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

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the financial statements of the Community Schemes Ombud Services set out on pages 38 to 65, which comprise the statement of financial position as at 31 March 2015, the statement of financial performance, statement of cash flows, statement of changes in net assets, and the statement of comparison of budget and actual costs for the year then ended, as well as the notes comprising a summary of significant accounting policies and other explanatory information.

Accounting Authority's Responsibility for the Financial Statements

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

Auditor-General's Responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with International Standards on Auditing. Those standards require that I comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Community Schemes Ombud Services as at 31 March 2015 and its financial performance and cash flows for the year then ended, in accordance with the SA Standards of GRAP and the requirements of the PFMA.

Emphasis of Matter

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

Material Underspending of the Budget

8. As disclosed in the statement of financial performance, the entity has materially underspent the budget to the amount of R30 244.000 due to capacity constraints. As a result, the entity has underachieved on some of its key performance indicators.

Funding of Operations

9. As disclosed in the Chief Executive's report, the funding of the entity's operations are in part reliant on the community schemes levies and other funding sources as provided for in section 22(1) of the Community Schemes Ombuds Services Act (Act No. 9 of 2011). The delays in the approval process of the required regulations and promulgation of the relevant legal instruments that allow CSOS to commence its income-generating activities, may have an adverse impact on the entity achieving its planned objectives for the 2015/16 period.

Report on Other Legal and Regulatory Requirements

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

Predetermined Objectives

11. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected objectives presented in the annual performance report of the public entity for the year ended 31 March 2015:

- Objective 1 : Provide Community Schemes Dispute Resolution Services to all South Africans on pages 18 to 19
- Objective 2 : Take Custody and Control of Schemes Governance Documentation on page 19
- Objective 3 : Operationalise an effective Records Management system on page 19

12. I evaluated the reported performance information against the overall criteria of usefulness and reliability.
13. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned objectives. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's Framework for Managing Programme Performance Information (FMPPI).
14. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
15. I did not identify any material findings on the usefulness and reliability of the reported performance information for the following objectives.

Additional Matter

16. Although I identified no material findings on the usefulness and reliability of the reported performance information for the selected objectives, I draw attention to the following matter:

Achievement of Planned Targets

17. Refer to the annual performance report on pages 18 to 21 for information on the achievement of the planned targets for the year.

Compliance with Legislation

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

Strategic Planning and Performance Management

19. Effective, efficient and transparent systems of risk management and internal controls with respect to performance information and management was not in place as required by section 51(1)(a)(i) of the PFMA.
20. Quarterly reports for quarter one and two were not prepared and submitted to the Minister of Human Settlements as required by the Treasury Regulations 30.2.1.

Internal Audit

21. The accounting authority did not ensure that the internal audit function was established, as required by section 51(1)(a)(ii) of the Public Finance Management Act and Treasury Regulations 27.2 and consequently the required functions and responsibilities of the internal audit function were also not complied with.

22. Internal audit was not under the control and direction of the audit committee, as required by section 51(1)(a)(ii) of the Public Finance Management Act.

Audit Committee

23. The audit committee did not review the effectiveness of the internal audit function as required by Treasury Regulation 27.1.8, as internal audit was not established.

Internal Control

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

Financial and Performance Management

25. Management did not adequately review and monitor compliance with applicable laws and regulations in certain instances.
26. Management did not adequately prepare regular accurate and complete performance reports that are supported and evidenced by reliable information.

Governance

27. Leadership did not ensure that there is an adequately resourced and functioning internal audit unit that identified internal control deficiencies and recommends corrective action for enhancement and improvement.

Auditor-General

Pretoria
31 July 2015



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 MARCH 2015

	Note	2015 R'000	2014 R'000
ASSETS			
Current Assets		29 213	17 002
Cash and Cash Equivalents	2	28 993	17 002
Inventories	3	196	-
Prepayments	4	24	-
Non-Current Assets		2 113	-
Other Receivables - Deposit	5	249	-
Intangible Assets	6	170	-
Property, Plant and Equipment	7	1 694	-
TOTAL ASSETS		31 326	17 002
LIABILITIES			
Current Liabilities		1 046	145
Trade and Other Payables from Exchange Transactions	8	682	145
Short-Term Borrowings	9	55	-
Current Provisions	10	309	-
Non-Current Liabilities		36	-
Operating Lease Liability	11	36	-
TOTAL LIABILITIES		1 082	145
Net Assets		30 244	16 857
Accumulated Surplus / (Deficit)	12	30 244	16 857
TOTAL NET ASSETS AND LIABILITIES		31 326	17 002

STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 31 MARCH 2015

	Note	2015 R'000	2014 R'000
REVENUE			
Revenue from Non-Exchange Transactions		40 000	17 000
Government Grants and Subsidies	13	40 000	17 000
Revenue from Exchange Transactions		1 034	2
Interest Earned - External Investments	14	1 019	2
Other Income	15	16	-
TOTAL REVENUE		41 034	17 002
EXPENSES			
Employee Related Costs	16	-5 670	-145
General Expenses	17	-4 955	-
Depreciation and Amortisation Expense	18	-165	-
TOTAL EXPENSES		-10 790	-145
SURPLUS / (DEFICIT) FOR THE PERIOD		30 244	16 857

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2015

	Note	2015 R'000	2014 R'000
Cash Flows from Operating Activities			
Receipts		41 971	17 002
Grants		40 000	17 000
Working Capital Movement		937	
Interest, Dividends and Rent on Land		1 019	2
Other Receipts		16	-
Payments		-27 951	-
Compensation of Employees		-5 423	-
Goods and Services - Debtors		-5 202	-
Other Payments (Transfer of Prior Year Uncommitted Balances)		-17 326	-
Net Cash Flows from Operating Activities	19	14 020	17 002
Cash Flows from Investing Activities		-2 029	-
Purchase of Assets		-1 832	-
Purchase of Other Intangible Assets		-197	
Net Cash Flows from Investing Activities		-2 029	-
Net Increase / (Decrease) in Cash and Cash Equivalents		11 991	17 002
Cash and Cash Equivalents at the Beginning of the Year		17 002	-
Cash and Cash Equivalents at the End of the Year		28 993	17 002

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED 31 MARCH 2015

Attributable To Owners of the Controlling Entity

	Ordinary Shares R '000	Preference Shares R '000	Revaluation Reserve R '000	Contributed Capital R '000	Translation Reserve R '000	Other reserves R '000	Accumulated Surplus/(Deficit) R '000	Minority Interest R '000	Total Net Assets R '000
BALANCE AT 1 APRIL 2013	-	-	-	-	-	-	-	-	-
Transfers to / from Other Reserves									-
Surplus / (Deficit) for the Period as per Statement of Financial Performance							16 857		16 857
BALANCE AT 31 MARCH 2014	-	-	-	-	-	-	16 857	-	16 857
BALANCE AT 1 APRIL 2014	-	-	-	-	-	-	16 857	-	16 857
Transfers to / from Other Reserves							-16 857		-16 857
Surplus / (Deficit) for the Period as per Statement of Financial Performance							30 244		30 244
Transfers to / from Accumulated Surplus / (Deficit)									-
BALANCE AT 31 MARCH 2015	-	-	-	-	-	-	30 244	-	30 244

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL COSTS

FOR THE YEAR ENDED 31 MARCH 2015

	Approved Budget	Final Budget	Actual Amounts on Comparable Basis	Difference: Final Budget and Actual
Revenue				
Non-Exchange Revenue				
Government Grant	40 000	40 000	40 000	-
Exchange Revenue				
Community Scheme Documentation Income	413	413	-	413
Interest Received	-	-	1 019	-1 019
Other Income	-	-	16	-16
Total Revenue	40 413	40 413	41 035	-621
Expenses				
Administration Expenses	-40 413	-40 413	-10 790	-29 623
Total Expenses	-40 413	-40 413	-10 790	-29 623
Net Surplus / (Deficit)	-	-	30 245	-30 245

ACCOUNTING POLICIES

1. BASIS OF PREPARATION

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

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

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

1.1 REVENUE RECOGNITION

Revenue from Non-Exchange Transactions

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

Recognition

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

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

Measurement

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

When, as a result of a non-exchange transaction, CSOS recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of the

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

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

1.1.1 GOVERNMENT GRANTS AND SUBSIDIES

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

Revenue from Exchange Transactions

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

Recognition

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

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

Measurement

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

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

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

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

1.1.2 INVESTMENT INCOME

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

1.1.3 OTHER INCOME

CSOS charges a nominal fee for administration of the tenders.

1.2 PROPERTY, PLANT AND EQUIPMENT

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Item	Average Useful Life
Computer Equipment	3 years
Furniture and fixtures	5 years
Motor vehicles	5 years
Office Machinery and Equipment	5 years

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

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

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

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

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.3 INTANGIBLE ASSETS

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

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

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred. Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life. The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Useful Life
Computer Software	2 years

1.4 FINANCIAL INSTRUMENTS

Classification

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

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

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

Initial Recognition and Measurement

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

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

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

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

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

Regular way purchases of financial assets are accounted for at settlement date.

Subsequent Measurement

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

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

Financial instruments at cost are subsequently measured at cost.

Fair Value Determination

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

Impairment of Financial Assets

At each end of the reporting period the entity assesses all financial assets, other than those at fair value through surplus or deficit, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the entity, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

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

Impairment losses are recognised in surplus or deficit.

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

Reversals of impairment losses are recognised in surplus or deficit except for equity investments classified as available-for-sale.

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

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Receivables from Exchange Transactions

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

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

Trade and other receivables are classified as loans and receivables.

Payables from Exchange Transactions

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

Cash and Cash Equivalents

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

1.5 TAX

Tax Expenses

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

1.6 LEASES

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

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

Finance Leases - Lessee

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

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

Contingent rentals are recognised as expenses in the period in which they are incurred.

Operating Leases - Lessee

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

1.7 INVENTORIES

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

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

Inventories are measured at the lower of cost and current replacement cost where they are held for:

- In the consumption of rendering CSOS services.

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

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

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

1.8 EMPLOYEE BENEFITS

Short-Term Employee Benefits

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

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

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

1.8.1 Employee Benefits - Defined Benefit Plan

CSOS is a member of the Government Employee pension fund and make contributions on behalf of its staff to the defined benefit scheme. For the period under review no contributions were made to the scheme and CSOS is currently finalising the application.

1.9 PROVISIONS AND CONTINGENCIES

Provisions are recognised when:

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

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

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

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

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

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

A provision is used only for expenditures for which the provision was originally recognised. Provisions are not recognised for future operating deficits.

1.10 FRUITLESS AND WASTEFUL EXPENDITURE

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

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

1.11 IRREGULAR EXPENDITURE

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

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

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

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

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

Where irregular expenditure was incurred in the previous financial year and is only condoned in

the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.12 BUDGET INFORMATION

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

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

The approved budget is prepared on an accrual basis and presented by programmes linked to performance outcome objectives. The approved budget covers the fiscal period from 1 April 2014 to 31 March 2015. The budget for the group includes all the entities' approved budgets under its control.

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

1.13 USE OF ESTIMATES

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

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

1.14 SIGNIFICANT JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

Impairment of Non-Financial Assets

The entity assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Indefinite life intangibles are tested for impairment annually and other times when such indicators exist. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

When value in use calculations are undertaken, management estimates the expected future cash flows from the asset or cash generating unit and chooses a suitable discount rate in order to calculate the present value of those cash flows.

Useful Lives and Residual Values

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

1.15 RELATED PARTIES

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015

2. CASH AND CASH EQUIVALENTS

	2015 R'000	2014 R'000
Cash and Cash Equivalents Consist of the Following:		
Cash at Bank	28 993	17 002
Total Cash and Cash Equivalents	28 993	17 002

3. INVENTORIES

	2015 R'000	2014 R'000
Carrying Value of Inventory	196	-
Consumable Stores	196	-
Inventory Carried at Net Realisable Value		
The following Classes of Inventory are Carried at Met Realisable Value:		
Consumable Stores	196	-
Total	196	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015

4. PREPAYMENTS

	2015 R'000	2014 R'000
Prepayments	24	-
Prepaid Expenses	24	-

5. OTHER RECEIVABLE DEPOSITS

BALANCE AS AT 31 MARCH 2015

	Gross Balances R'000	Provision for Doubtful Debts R'000	Net Balance R'000
Rental Deposit	249	-	249
Total Trade & Other Receivables From Exchange Transactions as at 31 March 2015	249	-	249
Recoveries of Staff Expenses	-	-	-
Other Trade Receivables	-	-	-
Employee Advances	-	-	-
Provincial Government	-	-	-
National Government	-	-	-
Total Trade & Other Receivables From Exchange Transactions As At 31 March 2014	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015

	2015 R'000	2014 R'000
Ageing of Trade & Other Receivables from Exchange Transactions (Net of Provision For Doubtful Debts)		
Current (0 – 30 days)		
31 - 60 Days		
61 - 90 Days		
91 - 120 Days		
121 + Days	249	-
Total	249	-

6. INTANGIBLE ASSETS

Reconciliation of Carrying Value

	2015			2014		
	Cost	Accumulated Amortisation & Impairment	Carrying Value	Cost	Accumulated Amortisation & Impairment	Carrying Value
	R'000	R'000	R'000	R'000	R'000	R'000
Computer Software	197	-27	170	-	-	-
Total	197	-27	170	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015

6.1 RECONCILIATION OF INTANGIBLE ASSETS – 2015

	Carrying Value Opening Balance R '000	Additions R '000	Disposals R '000	Transfers R '000	Amortisation R '000	Impairment R '000	Revaluation R '000	Internally Developed R '000	Discontinued Operations R '000	Carrying Value Closing Balance R '000
Computer Software	-	197			27					170
Total	-	197	-	-	-27	-	-	-	-	170

6.2 RECONCILIATION OF INTANGIBLE ASSETS – 2014

	Carrying Value Opening Balance R '000	Additions R '000	Disposals R '000	Transfers R '000	Amortisation R '000	Impairment R '000	Revaluation R '000	Internally Developed R '000	Discontinued Operations R '000	Carrying Value Closing Balance R '000
Computer Software	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015

7. PROPERTY, PLANT AND EQUIPMENT

Reconciliation of Carrying Value

	2015			2014		
	Cost	Accumulated Depreciation & Impairment	Carrying Value	Cost	Accumulated Depreciation & Impairment	Carrying Value
	R'000	R'000	R'000	R'000	R'000	R'000
Furniture & Fittings	581	-27	554	-	-	-
Plant, Machinery & Equipment	253	-7	245	-	-	-
Computer Equipment	998	-104	895	-	-	-
Total	1 832	-138	1 694	-	-	-

7.1 RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT – 2015

	Carrying Value Opening Balance	Additions	Disposals	Transfers	Depreciation	Impairment	Revaluation	Discontinued Operations	Prior Year Errors	Carrying Value Closing Balance
	R '000	R '000	R '000	R '000	R '000	R '000	R '000	R '000	R '000	R '000
Furniture & Fittings	-	581			-27					554
Plant, Machinery & Equipment	-	253			-7					246
Computer Equipment	-	998			-104					894
Total	-	1 832	-	-	-138	-	-	-	-	1 694

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015

7.2 RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT – 2014

	Carrying Value Opening Balance R '000	Additions R '000	Disposals R '000	Transfers R '000	Depreciation R '000	Impairment R '000	Revaluation R '000	Discontinued Operations R '000	Prior Year Errors R '000	Carrying Value Closing Balance R '000
Furniture & Fittings	-	-	-	-	-	-	-	-	-	-
Plant, Machinery & Equipment	-	-	-	-	-	-	-	-	-	-
Office Equipment	-	-	-	-	-	-	-	-	-	-
Computer Equipment	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-	-

8. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

	2015 R'000	2014 R'000
Trade Creditors	670	111
Bonus Tax – Staff	5	-
Paye – Withholding Tax	7	34
Balance Trade and Other Payables	682	145

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015

9. SHORT-TERM BORROWINGS

	2015 R'000	2014 R'000
Credit Card Statement Balance	55	-
Closing Balance	55	-

10. CURRENT PROVISIONS

10.1 RECONCILIATION OF MOVEMENT IN CURRENT PROVISIONS – 2015

	Performance Bonus R'000	Provision for Leave Pay R'000	Other Provisions R'000	Current Portion of Other Non-Current Provisions R'000	TOTAL R'000
Opening Balance	-	-	-	-	-
Provisions Raised		309			309
Closing Balance	-	309	-	-	309

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015

10.2 RECONCILIATION OF MOVEMENT IN CURRENT PROVISIONS - 2014

	Performance Bonus R'000	Provision for Leave Pay R'000	Other Provisions R'000	Current Portion of Other Non-Current Provisions R'000	TOTAL R'000
Opening Balance	-	-	-	-	-
Provisions Raised	-	-	-	-	-
Closing Balance	-	-	-	-	-

11. NON-CURRENT LIABILITIES

	2015 R'000	2014 R'000
--	---------------	---------------

Operating leases

At the reporting date the entity has outstanding commitments under operating leases which fall due as follows:

Operating lease arrangements

Lessee

At the reporting date the entity had outstanding commitments under non-cancellable operating leases, which fall due as follows:

Up to 1 year	1 777	-
1 to 5 years	3 554	-
More than 5 years		

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015

12. NET SURPLUS

	2015 R'000	2014 R'000
Revenue		
Government Grant	40 000	17 000
Interest Earned	1 019	2
Other Income	16	-
Total Revenue	41 034	17 002
Expenses		
Administration Expenses	-10 790	-145
Total Expenses		
Surplus	30 244	16 857

13. GOVERNMENT GRANTS AND SUBSIDIES

	2015 R'000	2014 R'000
Government Grants	40 000	17 000
Total Government Grants and Subsidies	40 000	17 000

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015

14. INTEREST RECEIVED

	2015 R'000	2014 R'000
Bank Deposits on Cash Balances	1 019	2
Total Interest Received	1 019	2

15. OTHER INCOME

	2015 R'000	2014 R'000
Bid Document Fees	16	-
Total Other Income	16	-

16. EMPLOYEE RELATED COSTS

	2015 R'000	2014 R'000
Salaries - Employees	5 423	-
Accounting Authority Expenses	247	145
Total Employees Related Costs	5 670	145

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015

17. GENERAL EXPENSES

	2015 R'000	2014 R'000
Advertising	1 720	-
Admin Fees	349	-
Audit Fees	35	-
Bank Charges	43	-
Insurance	1	-
Postage	2	-
Printing and Stationery	166	-
Rental of Buildings	1 107	-
Office Refurbishment	458	-
Subscription & Publication	28	-
Telephone Cost	429	-
Travel and Subsistence – Local	559	-
Water and Electricity	58	-
Total General Expenses	4 955	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015

18. DEPRECIATION AND AMORTISATION EXPENSE

	2015 R'000	2014 R'000
Property, Plant and Equipment	138	-
Intangible Assets	27	-
Total Depreciation and Amortisation	165	-

19. CASH FLOWS FROM OPERATING ACTIVITIES

	2015 R'000	2014 R'000
Surplus / (Deficit) for the Year from:		
Continuing Operations	30 244	16 857
Amortisation	27	-
Depreciation	138	-
Increase / (Decrease) in Provisions	309	-
Operating Surplus Before Working Capital Changes:	30 718	16 857
(Increase) / Decrease in Inventories	-196	-
(Increase) / Decrease in Trade and Other Receivables	- 249	-
Increase / (Decrease) in Trade and Other Payables	628	145
Increase / (Decrease) in Conditional Grants and Receipts	-16 857	-
Movements in Payments Made and Received in Advance	-24	-
Net cash Flows from Operating Activities	14 020	17 002

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015

20. IRREGULAR EXPENDITURE

	2015 R'000	2014 R'000
Reconciliation of Irregular Expenditure		
Opening Balance	-	-
Irregular Expenditure Current Year	639	-
Condoned or Written Off by Relevant Authority	-639	-
Transfer to Receivables for Recovery - Not Condoned		
Irregular Expenditure Awaiting Condonation	-	-

21. CONTINGENT LIABILITIES

	2015 R'000	2014 R'000
Accumulated Surplus *	30 244	-

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015

22. MEMBERS' EMOLUMENTS

Board members and senior management's remuneration during the year

Executives - 2015

	Basic Salary R'000	Pension R'000	Bonus R'000	Medical Aid R'000	Travel Allowance R'000	Total R'000
Chief Executive Officer – Mr T. Mthethwa (Appointed 01/10/14)	770	-	-	-	180	950
Chief Financial Officer – Mr T. Mabuya (Appointed 01/04/14)	1 380	-	-	-	120	1 500
Corporate Services – Ms L. Less (Appointed 01/12/14)	493	-	-	-	40	533
Adjudicator General – Ms D. Dube (Appointed 01/01/15)	270	-	-	-	30	300
Board Secretary – Mr R. Maruma (Appointed 01/02/15)	171	-	-	-	12	183
	3 084	-	-	-	382	3 466

Non-Executives - 2015

	No. of Schedule Meetings	No. of Attended Meetings	Board Fee R'000	Other Meetings R'000	Travel Claims R'000	Total R'000
Rev. Dr C. Mehana	6	6	20	44	2	66
Adv. N. Memani	6	6	12	34	3	49
Adv. T. Bailey	6	6	12	22	2	36
Adv. D. Block	6	2	4	12	1	17
Ms T. Mhlari	6	5	11	29	3	43
Mr M. Shoji	6	6	12	21	3	36
			71	162	14	247

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015

Non-Executives - 2014

	No. of Schedule Meetings	No. of Attended Inflow	Board Fee R'000	Other Meetings R'000	Travel Claims R'000	Total R'000
Rev. Dr C. Mehana	3	3	10	19	1	30
Mr M. Malebye	3	1	2	-	-	2
Adv. N. Memani	3	3	6	29	3	38
Adv. T. Bailey	3	3	6	5	-	11
Adv. D. Block	3	3	6	9	1	16
Ms T. Mhlari	3	3	6	24	2	32
Mr M. Shozi	3	3	6	9	1	16
			42	95	8	145

23. RELATED PARTIES

	2015 Inflow R'000	2015 Outflow R'000	2014 Inflow R'000	2014 Outflow R'000
Related Party Transactions				
Department of Human Settlement	40 000	16 857	17 000	-
Estate Agency Affairs Board	-	1 165	-	-
South African Airways	-	225	-	-
Total Transaction with Related Party	40 000	18 247	17 000	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015

24. COMMITMENT SCHEDULE FOR THE 2014/15 FINANCIAL YEAR

Tender No.	Description	Current Year	2 Years and above	Total
CSOS002-2015	Training - Dispute Resolution	3 500	7 000	10 500
CSOS004-2015	ICT Infrastructure	6 723	6 277	13 000
CSOS005-2015	Office Refurbishment	1 002	-	1 002
CSOS012-2015	Enterprise Resource Planning	4 432	-	4 432
CSOS013-2015	Audit and Create Database	2 000	-	2 000
CSOS014-2015	Offsite Record Storage	12 411	17 643	30 054
Total		* 30 068	30 920	60 988

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