



Affordable Reliable Justice



COMMUNITY SCHEMES OMBUD SERVICE

ANNUAL REPORT

2023/24
FINANCIAL YEAR

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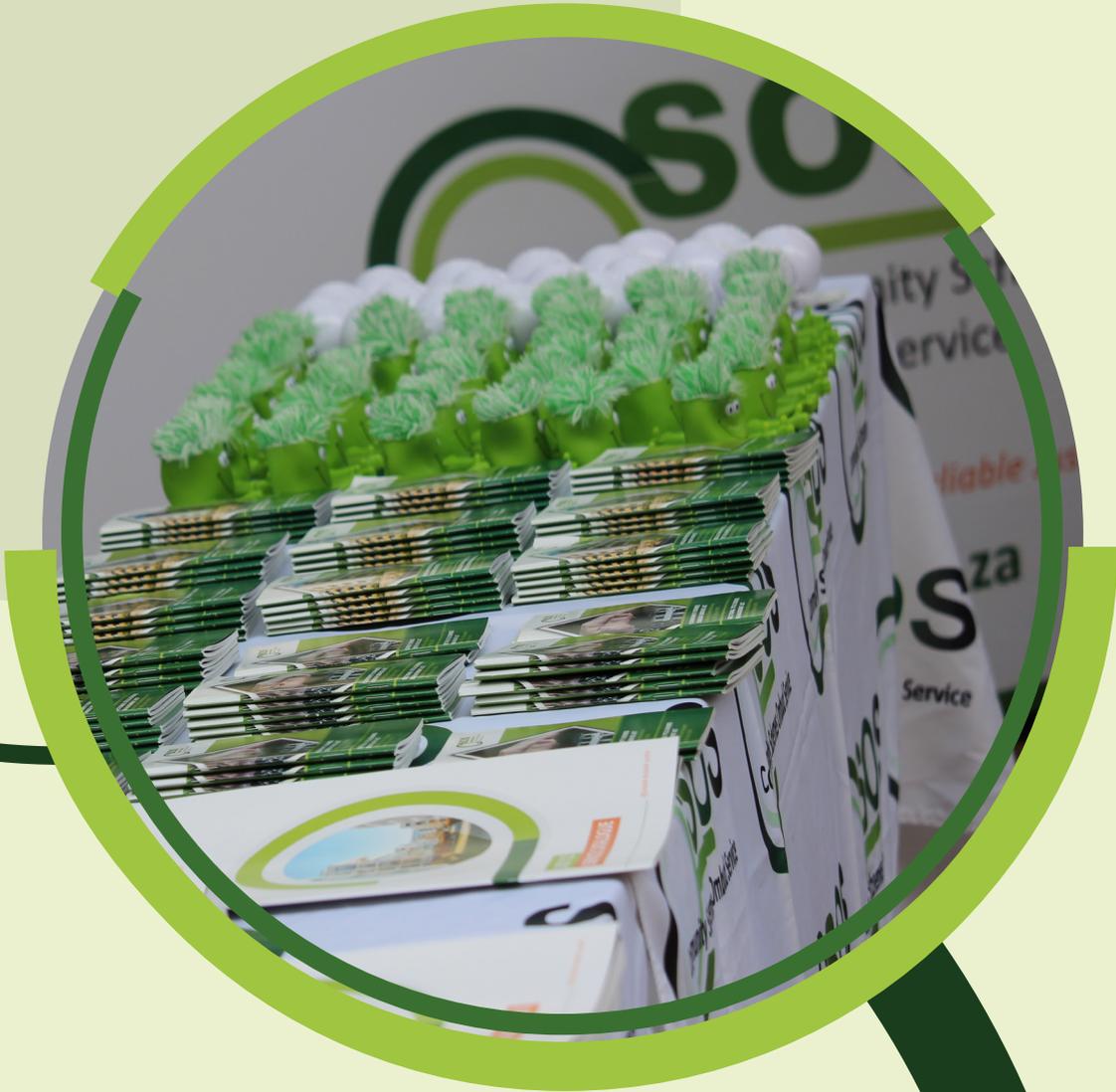
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GENERAL INFORMATION

PART A

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PUBLIC ENTITY'S GENERAL INFORMATION

COMMUNITY SCHEMES OMBUD SERVICE

PHYSICAL ADDRESS:	Berkley Office Park, 8 Bauhinia St, Highveld Techno Park, Centurion, 0169
TELEPHONE NUMBER/S:	(+27) 10 593 0533
EMAIL ADDRESS:	info@csos.org.za Fraudalert@csos.org.za
WEBSITE ADDRESS:	www.csos.org.za
SOCIAL MEDIA:	@CSOS_SA (X) @CSOS.SouthAfrica (Facebook)
EXTERNAL AUDITORS:	Auditor-General of South Africa (AGSA)
BANKERS:	First National Bank (FNB)
COMPANY/ BOARD SECRETARY:	Mr M. Penane

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LIST OF ABBREVIATIONS/ACRONYMS

AA	Accounting Authority	ICT	Information, Communications and Technology
AFS	Audited Financial Statement	IESBA	International Ethics Standards Board for Accountants
AGSA	Auditor-General of South Africa	IRBA	Independent Regulatory Board for Auditors
API	Application Programme Interface	ISA	International Standards on Auditing
APP	Annual Performance Plan	ISO	International Organisation for Standardisation
APR	Annual Performance Report	LATCOM	Legislation, Adjudication and Transformation Committee
ARC	Association of Residential Communities	LRA	Labour Relations Act
ARC	Audit and Risk Committee	MANCO	Management Committee
BAS	Business Automation Solution	M&E	Monitoring and Evaluation
BASA	Banking Association of South Africa	MPSA	Minister of Public Service and Administration
B-BBEE	Broad-Based Black Economic Empowerment	MOU	Memorandum of Understanding
BC	Body Corporate	MTEF	Medium Term Expenditure Framework
BCEA	Basic Conditions of Employment Act	MTSF	Medium Term Strategic Framework
CAE	Chief Audit Executive	NAMA	National Association of Managing Agents
CFO	Chief Financial Officer	NDP	National Development Plan
CIPC	Companies and Intellectual Property Commission	NSDF	National Spatial Development Framework
CO	Chief Ombud	OHSA	Occupational Health and Safety Act
COIDA	Compensation for Occupational Injuries and Diseases Act	PAA	Public Audit Act
COSO	Community of Sponsoring Organisations	PDA s	Priority Development Areas
CPD	Corporation for Public Deposit	PDI	Previously Disadvantaged Individual
CRM	Customer Relationship Management	PFMA	Public Finance Management Act
CSD	Central Supplier Database	PMR	Prescribed Management Rule
CSI	Corporate Social Responsibility	POPIA	Protection of Personal Information Act
CSIR	Council for Scientific and Industrial Research	PPPFA	Preferential Procurement Policy Framework Act
CSOS	Community Schemes Ombud Service	PPRA	Property Practitioner Regulatory Authority
DHS	Department of Human Settlements	Q	Quarter
DMV	Department of Military Veterans	RAH	Rise Against Hunger Africa
DPCI	Directorate for Priority Crimes Investigation	RFQ	Request For Quotation
DPME	Department of Planning, Monitoring and Evaluation	RMU	Risk Management Unit
EEA	Employment Equity Act	SARS	South African Revenue Services
EMA	Executive Managing Agent	SCM	Supply Chain Management
EPMS	Employee Performance Management System	SCOPA	Standing Committee on Public Accounts
ERM	Enterprise Risk Management	SDA	Skills Development Act
ERP	Enterprise Resource Planning	SDG	Sustainable Development Goals
EW	Employee Wellness	SDLA	Skills Development Levies Act
EXCO	Executive Committee	SEIAS	Socio-Economic Impact Assessment System
FINCOM	Finance Committee	SG	Surveyor General
GEPF	Government Employee Pension Fund	SLA	Service Level Agreement
GRAP	Generally Recognised Accounting Practice	SMART	Specific, Measurable, Achievable, Realistic and Time-Bound
HOAs	Homeowners' Associations	SONA	State of the Nation Address
HPE	Hewlett Packard Enterprise	SSA	State Security Agency
HR	Human Resources	STSMA	Sectional Titles Schemes Management Act
HRIS	Human Resources Information System	VBS	Venda Building Society
HRP	Human Resources Plan		
ICRM	Integrated Customer Relations Management		

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FOREWORD BY THE MINISTER



Ms M.T Kubayi
Minister of Human Settlements

Community schemes, through sectional ownership, play a critical role in mitigating against aspects of urban inequality in South Africa. This is because community schemes, through sectional titles, allow for communal undivided share of the land and common property which makes it more affordable for first time home buyers and the middle class in general. In a country, be-devilled with shortage of well-located urban land for human settlement, schemes have been increasing at a rapid rate bringing together people from various backgrounds. In this regard the communal nature of a shared living experience, sectional property also has the potential to foster ethnic, racial, religious and cultural integration.

This development brings to the fore the importance of good governance in the management of schemes so that all the inhabitants of schemes regardless of the origin can enjoy their fair share of benefits and advantages of living in such an arrangement. Promotion of good governance of community schemes is at the heart of your mandate which CSOS has to achieve through regulating, monitoring, and quality assuring the scheme governance documentation. As I have already mentioned you can only do this in a manner that builds confidence if you build internal capabilities. The question that you need to ask yourselves is whether CSOS has built sufficient capacity to carry out the role of promoting good governance of community schemes.

The use of digital technology must be central in ensuring that CSOS services are ubiquitous and easy to access. The development of a digital platform, CSOS Connect, has been implemented allowing ease of engagement with the CSOS in a real-time connection experience and this much needed progress is welcomed. CSOS Connect enables users to register a scheme and upload documents on the CSOS Connect platform; make amendments to the scheme details, deactivate, link the scheme under a specific agency profile, and delink the scheme. Upon successful registration of the scheme, users obtain a registration certificate signed by the Chief Ombud. Furthermore, March 2024 figures indicate that a total of 9 073 external users have registered on the CSOS Connect and the numbers increase daily. This means that the CSOS Connect system that will assist in registration of schemes and filling of returns as an absolute necessity.

Transformation of the schemes sector remains very important. I am encouraged to note that CSOS has begun to contribute to the transformation of the community schemes sector, through providing an enabling environment for the Executive Managing Agents (EMA) from Previously Disadvantaged Individuals (PDIs). This is done through the provision of training and appointment of historically disadvantaged EMAs to real economic opportunities in the governance and/or management of schemes. So far, CSOS has a database of 92 historically disadvantaged EMAs, of which 42 are women, and leverages its network for opportunities for placements in community schemes.

Over and above this, in the 2023/24 financial year, the Employment Equity (EE) Plan was approved for implementation and will cover the period from 1 September 2023 to 31 August 2028. The EE Plan serves as a guideline in the talent acquisition process and may be changed depending on the requirements and availability of scarce and critical skills. In line with the national effort

to broaden skills development as prescribed in the Skills Development Act of 1998, the CSOS will continue to implement an internship programme, which will assist young South Africans to make a practical contribution to the advancement of the organisation.

The CSOS' overall performance against its set 2023/24 Annual Performance Plan (APP) annual targets is registered at 83%, which is an increase of 12% compared to the previous financial year where the Entity had achieved 71% of its annual target. It should be noted that the 2023/24 overall performance exceeds the threshold set in the Shareholder Compact Agreement which stipulates that good performance is categorised as achieving 80% and above, of the annual targets. This is a demonstration of the continuous improvement principle which guides the human settlement department as a whole.

The appointment of the Chief Ombuds must take priority so that the organisation can reach the much needed stability at management. I wish to thank the members of the board led by chairperson Ms Phindile Mthethwa for serving with diligence and dedication in the past three years. As the term of board comes to an end, I appreciate the work done during the past three years.

I would also like to thank the CSOS executive team and the entire staff under the leadership of the Acting Chief Ombuds for the dedication and hard work that led to the improvement of performance.



Mmamoloko Kubayi, MP
Minister for Human Settlements

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FOREWORD BY THE CHAIRPERSON



Ms P. Mthethwa
Chairperson of the Board

Introduction

On behalf of the Board of the Community Schemes Ombud Service (CSOS), I hereby present the 2023/24 Annual Performance Report (APR) and the statement of financial results of the CSOS. This is the third Annual Performance Report under the oversight of this Board which was appointed in January 2022 and whose tenure comes to an end in December 2024. This report provides Parliament, the Executive Authority, and all other stakeholders with an overview of the CSOS' performance for the 2023/24 financial year in a transparent manner to account for how public resources were used to carry out the statutory functions of the Entity in accordance with its mandate.

In order to fulfil the requirements of regulating the community schemes sector and to provide services to all stakeholders in line with the CSOS mandate, the Board has made every effort to carry out its duties to the best of its abilities. The CSOS' overall performance against its set 2023/24 Annual Performance Plan (APP) annual targets is registered at 83%, which is an increase of 12% compared to the previous financial year where the Entity had achieved 71% of its annual target. It should be noted that the 2023/24 overall performance exceeds the threshold set in the Shareholder Compact Agreement which stipulates that good performance is categorised as achieving 80% and above, of the annual targets.

The Board exercised oversight on the implementation of the approved 2020-2025 Strategic Plan as well as the 2023/24 Annual Performance Plan. We have endeavoured to improve service delivery in the 2023/24 financial year, and to embrace the CSOS' values of service excellence, accountability, integrity, independence and being people-centred in executing our mandate to our stakeholders.

High-level overview of the public entities' strategy and the performance of the public entity in its respective sector

Schemes Registration: The entire CSOS value chain and service delivery model is underpinned by the success of establishing and maintaining a complete database of community schemes in the country. The database is critical not only for the collection of levies but also for the provision of education and training, and assuring good governance of schemes. In the 2023/24 financial year, 2 570 community schemes were registered with the CSOS, which brings the total universe of community schemes that are registered with CSOS to 35 016.

Scheme Compliance: CSOS implemented a range of activities, such as publishing guidance and engaging with stakeholders to educate and enable schemes to comply with their obligations under the CSOS Act and STSM Act and associated legislation. These activities include, but are not limited to the publishing of guides for schemes, establishment of social media groups, and in-person engagements with stakeholders. The Entity monitored and made more concerted effort in increasing the percentage number of compliant registered community schemes. As a result, we report that there is a 9,2% improvement from the previous financial year's performance with 69,2% of community schemes, which are registered with the CSOS, being compliant. This means that during the period under review, these community schemes had submitted both governance documents and annual returns or annual financial statements.

Dispute Resolution: CSOS is mandated in terms of section 2 of the Community Schemes Ombud Service Act, No. 09 of 2011, to deal with the functions and operations of CSOS, governance of schemes, and providing a dispute resolution service for community schemes in South Africa. The CSOS has implemented business processes and service standards to improve the turnaround time for the process of disputes. In addition, quality assurance for adjudication orders has been introduced to improve the quality of the orders and their enforcement. A backlog of 559 disputes across the regions were carried over into the 2023/24 financial year. In the period under review, each region's backlog was prioritised for eradication by Quarter 3 of the 2023/24 financial year. A total number of 15 587 new applications were received within the 2023/24 financial year. Of the 8 720 disputes finalised, 1 381 were finalised at assessment within 30 days, 3 027 were conciliated within 45 days and 4 326 were adjudicated within 90 days. Quality Assurance Adjudication received 4 769 adjudication orders for quality assurance of which 4 738 were quality assured within seven days resulting in a 99,3% performance, which is a 4,3% improvement from the 2022/23 financial year.

CSOS Brand: CSOS implemented its annual advocacy plan in a bid to improve the visibility of its brand. As per section 4(2)(b) of the CSOS Act, it is the responsibility of the Entity to develop, identify and publicise education and information programmes for owners, occupiers, scheme executives, body corporates and other persons who have rights and obligations in community schemes. This does not only help to make the sector more inclusive, but it is important for the prevention of unnecessary disputes that arise as a result of misunderstandings and a lack of information. Additionally, the CSOS focuses on educating adjudicators, conciliators, and executive committees. Through various initiatives, the CSOS aims to raise awareness of its services and promote registration among unregistered schemes. The inaugural CSOS Indaba was held between the 3rd and 4th of August 2023. This proactive approach has fostered a culture of open communication and idea sharing, as evidenced by numerous public profile enhancements, including interviews and articles in both print and electronic media.

Capacitating CSOS: A recruitment plan was developed to fill all the vacancies on the approved structure. This has resulted in the reduction in the vacancy rate from 47,4% to 21,4% as at the end of March 2024.

Strategic Relationships

The Board has established a strategic relationship with Sectional Titles Schemes Management Advisory Council (STSM Advisory Council) to identify and discuss areas of mutual interest. The STSM Advisory Council is established in terms of Section 18 of the STSM Act, 2011 to make recommendations to the Minister of Human Settlements regarding any matter stipulated in Section 19 of the STSM Act in respect of where the Minister may make regulations.

The CSOS has through separate Memorandum of Understandings (MOUs) agreed to cooperate with the;

- (a) Property Sector Charter Council (PSCC);
- (b) National Association of Managing Agents (NAMA);
- (c) Social Housing Regulatory Council (SHRC); and
- (d) the University of South Africa (UNISA) on areas of mutual concern as may be necessary to achieve the CSOS core business outcomes.

Challenges faced by the Board

The CSOS continues to operate without the full-time Accounting Officer (Chief Ombud) owing to ongoing recruitment process intended to fill the vacant position of the Chief Ombud.

The organisation has also seen a reduction in revenue largely from opposition from certain industry bodies, especially Home-owners' Associations who are questioning the CSOS locus standi in relation to them and agitating for schemes not to collaborate with the CSOS. These matters are currently being dealt with in the Courts. However, concerted effort has been made to advance the amendment of legislation. The Courts have also been collaborative and a number of these matters have been dismissed and applicants have been forced to refer their matters back to the CSOS for conciliation.

The strategic focus over the medium to long-term period

The CSOS has committed itself towards a strategic focus and direction that will enable significant contributions to the national development priorities through the implementation of our legislative and policy mandates. The CSOS will focus on the following key priorities over the medium to long-term period:

- i) **Effective regulatory framework:** The review of the CSOS and STSM legislation and the respective regulations will be pursued with focus given to concluding the Socio-Economic Impact Assessment System (SEIAS) requirements; and provide inputs towards the revision of the draft amendment Bills.
- ii) **Scheme governance:** Leverage the early successes of the implementation of digitisation initiative, the CSOS Connect, to continue the collaborative drive to register community schemes towards tackling the estimated 35 000 community schemes yet to be registered. Concerted effort will be given to quality assurance of schemes governance documentation and monitoring the compliance of registered community schemes.
- iii) **Dispute resolution:** Facilitate orderly and well-managed community schemes by providing a dispute resolution service for community schemes in South Africa through the implementation of a dispute resolution hybrid model (physical and online adjudications) that align with the needs of stakeholders. In addition, the training and development of conciliators and adjudicators will be prioritised to improve the quality of disputes resolved and adjudication orders issued.
- iv) **Driving transformation of the industry:** Increase the focus on procuring from businesses owned by the designated groups, with a particular focus on women, youth, military veterans, and persons with disabilities. The monumental task of changing the complexion of the population of managing agents is gaining significant momentum and will begin yielding positive outcomes in the medium to long-term period.
- v) **Revenue collection:** Improvement on the collection of CSOS levies from community schemes, as per the requirements of the CSOS Act, through the implementation of the approved Revenue Management Strategy with a focus on data cleansing, benchmarking with an aim to review the levy model, and continued collaborations with other entities to attain quality data on community schemes.
- vi) **Organisational re-alignment and capacitation:** Re-energise our organisational culture by encouraging behavioural changes coupled with innovative ways of service delivery. Continued capacitation of the organisational structure given that the organisational design and development process was completed in 2023. Priority will be given to capacitating all critical functions within the organisation.
- vii) **IT systems environment:** CSOS prioritising the improvement of its ICT Governance Maturity, as well as giving priority to the ICT governance improvement roadmap which is currently under way and improving the CSOS ICT Governance Maturity. Core operations will continue to be upgraded from being operated manually into automated and integrated platforms.
- viii) **Good governance:** Risk management implementation and staying true to the frameworks, being auditable and accountable remains an important focus area and our immediate task at hand is to fully capacitate the Risk Management Unit. CSOS will endeavour to deliver on achieving a clean audit for its Annual Reports in the medium term period by improving on our implementation of the audit remedial action plan based on AGSA findings.

Acknowledgements

Building upon the collective efforts of the Entity and our sector partners in the previous financial year, we remain steadfast in our commitment to effectively regulate the Community Scheme Sector. Working collaboratively with my fellow Board members and Executives, we are determined to realise the outcomes mandated to us, with the support of the Department of Human Settlements, in order to make a meaningful contribution to Chapter 8 of the NDP 2030 (Transforming Human Settlement and the National Space Economy), specifically in improving the regulation of community schemes.

Conclusion

The Board pledges to maintain vigilant oversight during the final year of the strategic planning period. On behalf of the CSOS Board, I would like to express our heartfelt appreciation to the Honourable Minister, Deputy Minister, the Department, and the dedicated staff of the CSOS for their unwavering support and commitment throughout the 2023/24 financial year.



Ms P. Mthethwa

Chairperson of the Board

Date: 28 August 2024

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ACCOUNTING OFFICER'S OVERVIEW



Ms K. Phetla
Chief Ombud (Acting)

5.1 General financial review of the CSOS

The 2023/24 annual financial statements of the Entity show a healthy financial position. The Entity has posted a surplus of R42 million. This is a 41% increase from the 2022/23 financial year of R30 million. The increase is mainly attributed to the surplus roll over retained by the Entity and the lower-than-projected expenditure in the 2023/24 financial year of 70% against the total budget. The lower expenditure is due to the late finalisation of the bid processes in some major projects. These delays were caused by, in some cases, re-advertisement of tenders due to cancellation and insufficient response for the bids and RFQs.

5.2 Spending trends of the CSOS

The total expenditure in the Entity has increased by 15% to R523 million from R453 million in the 2022/23 financial year. This significant increase from the previous year was caused by the significant adjustments made in the current financial year on the surplus surrender in line with National Treasury Instruction Note 12 of 2020/21.

There was a 26% increase in personnel expenditure from R132 million in 2022/23 to R166 million for the 2023/24 financial year due to new appointments in line with our new structure and organisational redesign project.

Another main driver for the increased 2023/24 financial year expenditure is under general expenses driven by the marketing drive initiatives the Entity embarked on to enhance the visibility of the CSOS brand.

5.3 The challenges facing the Entity

The Entity closed off the 2023/24 financial year with a vacancy rate of 21,4% which was significantly reduced from the 2022/23 financial year vacancy rate of 47,4%. This is due to the aforementioned organisational re-design project that was implemented in the medium-term period and the moratorium placed by the National Treasury on filling vacancies for the 2023/24 financial year. Additionally, the Entity has prioritised the personnel budget for the filling of critical positions which has impacted the organisational performance.

5.4 Discontinued key activities

There are no discontinued key activities in the Entity for the 2023/24 financial year.

5.5 New or proposed key activities

In line with the CSOS transformation strategy, a transformation programme is proposed to address some of the historical legacies in the industry that pose significant challenges to the socio-economic development and equitable opportunities of the previously disadvantaged communities and individuals in the country. The Entity has drafted a concept note and engaged in

the consultation process with various key stakeholders in the industry and other Entities in the sector, towards the implementation of its approach to the transformation of the industry. Furthermore, the CSOS contributes to job creation through the training and appointment of historically disadvantaged Executive Managing Agents (EMAs) with the aim of exposing them to real economic opportunities in the governance and/or management of schemes. CSOS has, over the past three years, compiled a database of historically disadvantaged EMAs and leverages its network for opportunities for placement in community schemes and amongst established EMAs.

5.6 Requests for rollover of funds

CSOS reported an accumulated surplus of R228 million for the 2022/23 financial period. The Entity sent an application to the National Treasury to retain R180 million to fund the implementation of transformation activities. These activities include training and awareness activities falling within the mandate of the CSOS and the implementation of systems such as BAS and CSOS Connect. The National Treasury had approved R125 million retention and a surrender of R103 million to the National Revenue Fund. CSOS has engaged National Treasury in terms of this response to be reconsidered for more surplus to be retained by the CSOS. The application is still under review by the National Treasury.

5.7 Supply chain management

Key annual targets were achieved for the percentage of procurement spend allocated to businesses owned by women and youth. However, the Entity did not meet its targets for procurement of goods and services from businesses owned by persons with disabilities and military veterans. Whilst this is a common challenge that is not unique to CSOS and it is experienced by other entities in our sector due to, arguably, the limited technical expertise in the high-value projects for participation by these designated groups; measures are in place and have been implemented to address these challenges such as signing the MOUs with the designated groups and placing of adverts for registration on the CSOS supplier database.

5.8 All concluded unsolicited bid proposals for the year under review

There were no unsolicited bid proposals concluded in the year under review.

5.9 Whether SCM processes and systems are in place

The SCM process of the Entity is guided by the approved SCM Policy and the National Treasury Prescripts, circulars and Practice Notes. The Entity has established various Bid Committees (BSC, BEC and BAC) that are chaired by Executives to facilitate the transparent procurement process of tenders. In addition, all tenders above R5 million are subjected to a probity process prior to awarding. In the last financial period, significant audit findings were raised in the supply chain management and contract management areas. CSOS has implemented various interventions during the 2023/24 financial year to address those gaps identified, through training of the Supply Chain officials and Bid Committees to strengthen the SCM processes and compliance in the Supply Chain Management. The Entity utilises the SAGE system as its financial system which includes an SCM module utilised as a procurement system and process that is under upgrade as a procurement system to facilitate a transparent and fair procurement process and system.

5.10 Challenges experienced and how these were resolved

The Entity has noted the challenges experienced in the collection of revenue in the year under review. This was mainly caused, by amongst others, the inability of the Entity to register more schemes from which revenue would be collected. The Entity noted that some schemes were not able to pay its levies due to financial challenges they faced and some are in financial distress. CSOS allows such schemes to enter into an arrangement to pay the outstanding levies in instalments until the overdue amounts are settled. The Entity has also implemented measures to ensure that more schemes are registered including amending the Practice Directive: Registration of Community Schemes; leveraging the early successes of the implementation of CSOS Connect; the verification and validation project; and debt collection for the non-paying schemes to address these challenges.

5.11 Audit Report matters in the previous year and how would be addressed

The Entity obtained an unqualified audit report for the 2022/23 financial year, with significant findings in relation to procurement and contract management and expenditure. CSOS implemented measures to address these challenges through an audit remedial action plan.

An audit remedial action plan will be implemented to address the findings raised in the 2023/24 audit report and will be monitored on a monthly and quarterly basis to track the progress of the plan's implementation.

5.12 Outlook/ Plans for the future to address financial challenges

The Entity has proposed a flat levy model as a proactive approach to the reduction of the administration levy by schemes. The CSOS levy is based and calculated on the scheme's administration levy. This reduction of administration levy by schemes was noted in Quarter 2 of the 2023/24 financial year. Further to the proposed flat levy model, is the increase in the registration of schemes through various interventions such as Integrated Customer Relations Management (ICRM). Cost cutting measures have been initiated in the organisation around travel and a review of some of the projects that have no bearing on the APP for the year.

5.13 Events after the reporting date

No events were reported after the reporting date.

5.14 Economic viability

The Entity remains a viable organisation from the financial position perspective coupled with the current revenue streams and the marginal growth of the community schemes. This, despite the slight decline in the schemes admin levy thereby decreasing the CSOS levy and the failure to register more schemes, which decreases the CSOS levy. The collection for the 2023/24 financial year has increased by 5% from the previous years. The Entity's financial position and debt ratios are above average of norm, as an indication of its ability to be able to honour its obligations when these become due and payable.

5.15 Acknowledgements

I wish to convey our deepest gratitude and many thanks to the Board, all the executives, and employees of the CSOS for their resilience, dedication, and commitment. In addition, I want to thank the Honourable Minister and the Honourable Deputy Minister as well as the oversight units within the Department of Human Settlement who have supported the CSOS to achieve significant results in the 2023/24 financial year.

5.16 Other

None



Ms K. Phetla
Chief Ombud (Acting)
Date: 28 August 2024

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STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY FOR THE ANNUAL REPORT

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

- 6.1 All information and amounts disclosed in the Annual Report are consistent with the Annual Financial Statements audited by the Auditor-General of South Africa (AGSA).
- 6.2 The Annual Report is complete, accurate, and free from any omissions.
- 6.3 The Annual Report has been prepared in accordance with the guidelines on the Annual Report as issued by the National Treasury.
- 6.4 The Annual Financial Statements (Part F) have been prepared in accordance with the GRAP standards applicable to the public entity.
- 6.5 The Accounting Authority is responsible for the preparation of the Annual Financial Statements and the judgments made in this information.
- 6.6 The Accounting Authority is responsible for establishing and implementing a system of internal control that 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.
- 6.7 The external auditors are engaged to express an independent opinion on the Annual Financial Statements.
- 6.8 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 2024.



Ms K. Phetla
Chief Ombud (Acting)
Date: 28 August 2024



Ms P. Mthethwa
Chairperson of the Board
Date: 28 August 2024

7

STRATEGIC OVERVIEW

7.1 Vision

A credible and world class regulatory authority for community schemes in South Africa.

7.2 Mission

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

7.3 Values

Accountability	The CSOS will apply innovative capabilities to improve its service delivery.
Excellence	The CSOS will provide excellent services to community schemes in a timely, cost-effective, and responsive manner.
Independence	The CSOS will act independently and objectively in the undertaking of its services.
Integrity	The CSOS will execute its functions in an honest, ethical, transparent, and reliable manner.
People-centred	The CSOS will focus on improving community schemes' self-reliance, social justice, and participatory decision-making.

Table 1: CSOS Values

8

LEGISLATIVE AND OTHER MANDATES**8.1 Constitutional Mandate**

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

The Constitution applies to the CSOS with reference to the following sections:

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

8.2 Legislative and Policy Mandate

A legislative framework, including the legislation set out below, which governs the work of the CSOS.

The CSOS derives its mandate from the Community Schemes Ombud Service Act, 2011 (No. 9 of 2011) – "CSOS Act".

The purpose of the CSOS Act is to provide for:

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

The functions of the CSOS are provided in Section 4 of the CSOS Act. Section 4 (1) provides that the CSOS must:

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

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

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

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



Figure 1: Legislative and Policy Mandates.

8.3 Institutional Policies and Strategies

It is CSOS' strategic intent to meaningfully contribute to the achievement of the 2030 Human Settlements vision through the enhancement of vibrant community schemes as an alternative tenure option for most citizens in the country.

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

- 1) Respond systematically, to entrenched spatial patterns across all geographic scales that exacerbate social inequality and economic efficiency.

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

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

In terms of the Revised 2019-2024 Medium-Term Strategic Framework (MTSF), the CSOS takes its guidance from the National Department of Human Settlements in alignment with Priority 5: Spatial Integration, Human Settlements and Local Government. The shared impact is to achieve spatial transformation through improved integrated settlement development and linking job opportunities and housing opportunities.

At an institutional level, the CSOS contributes to the following Revised 2019-2024 MTSF priorities:

- 1) Priority 1: Capable, Ethical and Developmental State is the bedrock of the CSOS operations as the organisation implements a range of governance improvement measures to progress towards the achievement of an unqualified audit outcome with no material findings.
- 2) Priority 2: Economic Transformation and Job Creation by driving transformation of the industry through the intent of increasing the focus on the targeted procurement from businesses owned by designated groups and through providing an enabling environment for the Executive Managing Agents (EMA) from Previously Disadvantaged Individuals (PDIs).
- 3) Priority 5: Spatial Integration, Human Settlements and Local Government focusing on the desired outcome of Spatial Transformation and Justice through the implementation of housing and human settlements in Priority Development Areas (PDAs).
- 4) Priority 6: Social Cohesion and Safe Communities where CSOS will contribute towards social cohesion and safer communities through the regulation of the conduct of community schemes and the provision of timeous dispute resolution services to ensure good governance and harmonious living within these community schemes.

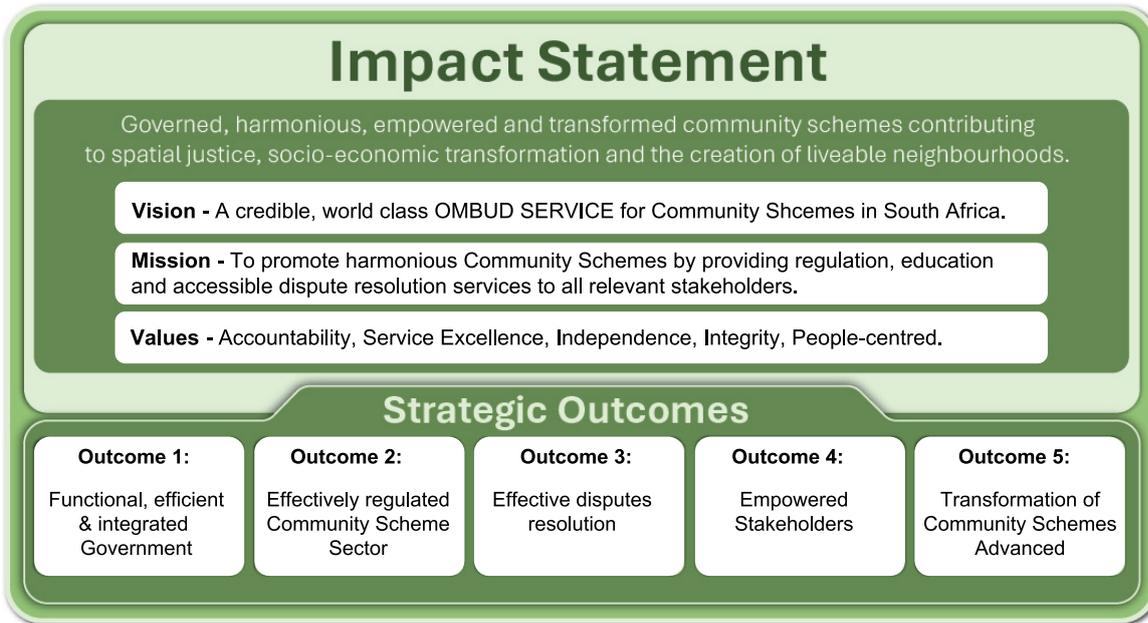


Figure 2: CSOS Strategy Overview

9 ORGANISATIONAL STRUCTURE

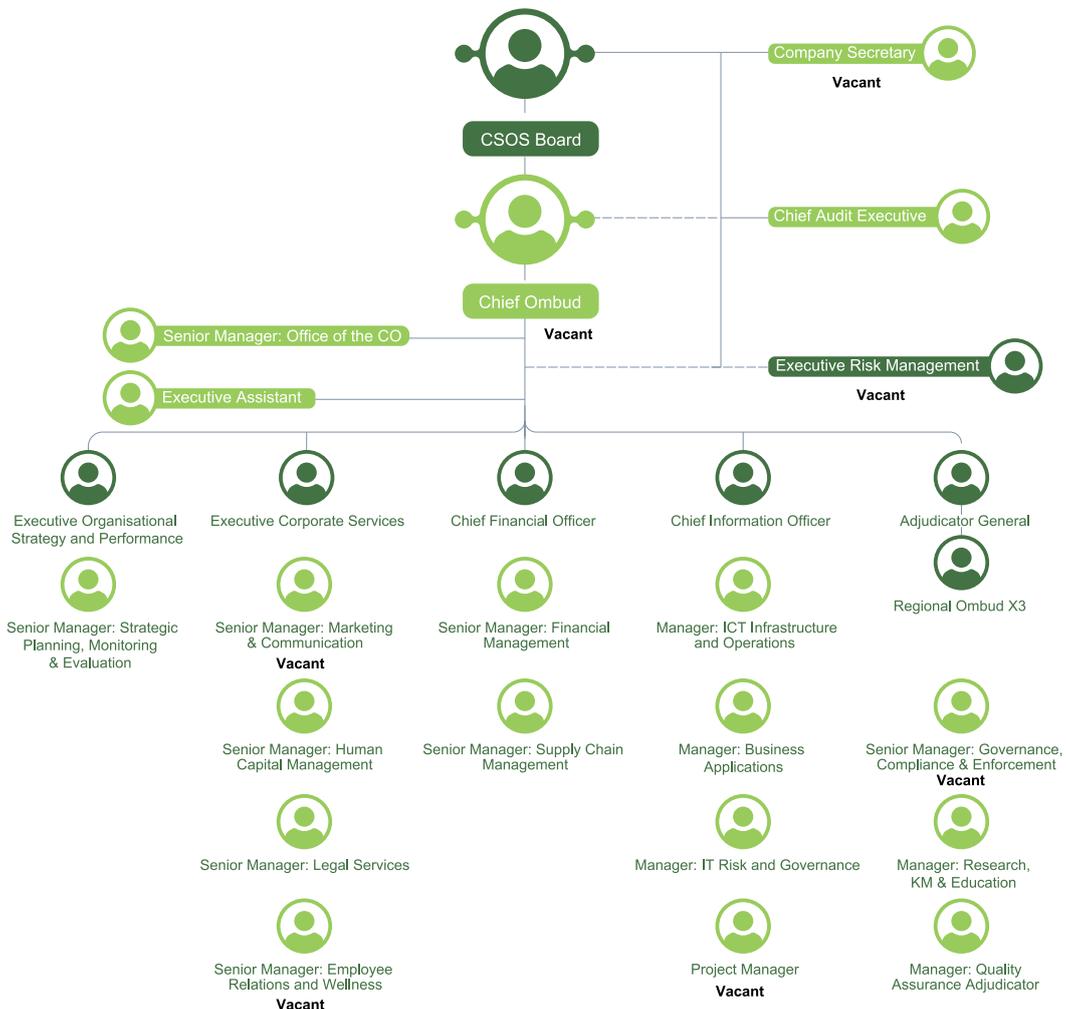


Figure 3: CSOS Organogram



PERFORMANCE INFORMATION

PART B

1

AUDITOR'S REPORT: PREDETERMINED OBJECTIVES**Report on the Annual Performance Report**

In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I must audit and report on the usefulness and reliability of the reported performance against predetermined objectives for the selected material performance indicators presented in the annual performance report. The accounting authority is responsible for the preparation of the annual performance report.

I selected the following material performance indicators related to Programme 2 - Regulation presented in the annual performance report for the year ended 31 March 2024. I selected those indicators that measure the public Entity's performance on its primary mandated functions and that is of significant national, community or public interest.

- 2.2.1 Percentage of Unregistered Schemes Registered
- 2.2.2 Percentage of registered community schemes compliant
- 2.3.1 Percentage of schemes governance documentation quality assured within 30 days
- 2.3.2 Percentage of compliance certificates issued on all amended scheme governance documents
- 3.1.1 Percentage of disputes assessed within 30 days
- 3.1.2 Percentage of disputes conciliated within 45 days
- 3.1.3 Percentage of disputes adjudicated within 90 days
- 3.1.4 Percentage of adjudication orders quality assured within 7 days

I evaluated the reported performance information for the selected material performance indicators against the criteria developed from the performance management and reporting framework, as in the general notice. When an annual performance report is prepared using these criteria, it provides useful and reliable information and insights to users on the public entity's planning and delivery on its mandate and objectives.

I performed procedures to test whether:

- The indicators used for planning and reporting on performance can be linked directly to the public entity's mandate and the achievement of its planned objectives
- All the indicators relevant for measuring the public entity's performance against its primary mandated and prioritised functions and planned objectives are included
- The indicators are well defined to ensure that they are easy to understand and can be applied consistently, as well as verifiable so that I can confirm the methods and processes to be used for measuring achievements
- The targets can be linked directly to the achievement of the indicators and are time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated
- The indicators and targets reported on in the annual performance report are the same as those committed to in the approved initial or revised planning documents
- The reported performance information is presented in the annual performance report in the prescribed manner
- There is adequate supporting evidence for the achievements reported and for the reasons provided for any over- or underachievement of targets

I performed the procedures to report material only; and not to express an assurance opinion or conclusion. I did not identify any material on the reported performance information for the selected indicators.

Refer to the full Auditor's Report on page 99, published as Part F: Financial Information

2

OVERVIEW OF PERFORMANCE

2.1. Service Delivery Environment

Urbanisation will continue unabatedly throughout the next three decades. According to United Nation's estimates, "71,3% of the South African population will live in urban areas by 2030, reaching nearly 80% by 2050". Supporting these projections, the Council for Scientific and Industrial Research (CSIR) "Downscaled Settlement Locational Modelling-exercise" projects that under "a scenario with no radical intervention", by the year 2050, about 85% of South Africans will reside in urban agglomerations.

The three metropolitan areas Gauteng, KwaZulu-Natal, and the Western Cape in South Africa continue to see the highest rates of population growth. A significant amount of migration occurs from villages and small towns to larger, better-connected towns situated along major transportation routes. The migration drivers continue to be the availability of better and more dependable basic services, healthcare, education, and law enforcement. Urban areas therefore need specific and appropriate government attention and focus. Urban residents are becoming more and more involved in creating higher-quality urban environments in what will likely be their only home, and as a result, urban lifestyles and living styles are continuing to undergo drastic change. Equality in urban living necessitates equitable, sustainable, and universal access to social services¹.

For many South Africans living in urban areas, living in a community scheme is increasingly the preferred tenure option. This is because tenure in a community scheme has several advantages, including affordability, shared expenses, security, and joint ownership of structures or portions of land. Conflicts inevitably occur when numerous, diverse individuals are present in a maintained and shared living space. As a result, the regulation of community schemes necessitates a careful balance between the defence of each individual's housing consumer's rights; the implementation of just, fair, and transparent legal recourse; and the provision of all necessary documentation, education, and other services to help owners, occupiers, executive committees, and other parties understand their rights and responsibilities. Within the ambit of its mandate, the CSOS has delivered on the following key outputs for the 2023/24 year:

Scheme registration

CSOS continued to prioritise the registration of schemes, which includes the following types of community schemes as defined in terms of the CSOS Act: Sectional Title Schemes; Homeowners' Associations; Housing Co-operatives; Share Block Companies and Retirement Villages. During the 2023/24 financial year, a total of 2 570 scheme registration applications were processed and registered. In terms of the cumulative achievement during the current MTSF period, 9 216 community schemes have been registered which results in a total universe of 35 016 community schemes that are registered.

Compliance and enforcement

CSOS implemented a range of activities, such as publishing guidance and engaging with stakeholders to educate and enable schemes to comply with their obligations under the CSOS Act and STSM Act and associated legislation. The responsibility for complying rests with the community schemes. The CSOS assesses the circumstances and responds appropriately to instances of non-compliance. CSOS works with community schemes, where appropriate, in order to get them back on track to being compliant. CSOS regards intentional non-compliance as unacceptable and CSOS may take any one of a range of enforcement actions against community schemes that fail to comply with the regulatory compliance. Compliance and Enforcement Investigators issue non-compliance notices to community schemes that are not complying.

Levy collection

Section 59(a) of the CSOS Act provides that: "Every community scheme must, with effect from the commencement date of the Act, in each calendar year and at such time as may be prescribed, pay to the service a levy". Levies are the major source of revenue for the CSOS. CSOS continues to reach out to some known managing agents to obtain lists of community schemes that they manage, proof of payments, and levy calculators. This is to address the issue of unallocated levies. A service provider was appointed to assist with the levy study to review the current levy model. The study recommended a flat levy rate. CSOS is

¹ National Spatial Development Framework (2022).

currently in the process of reviewing the current levy model (Flat rate) which has been submitted to the DHS advisory committee for approval. The implementation of the newly recommended flat levy rate will commence upon the approval of the amended CSOS Regulation. In the 2023/24 year, R334 047 578.77 CSOS levy was collected, which a R23 404 937. 61 increase from the 2022/23 CSOS Levy collection of R310 642 641.16

Quality assurance and compliance certificates

To ensure that there is proper governance within community schemes, CSOS provides quality assurance to the scheme's governance documentation. Additionally, CSOS records all existing and new schemes' governance documentation as received from the community schemes and ensures that the documentation is adequately secured and protected, and accessible to the public on request. After quality assurance, schemes must submit the amended rules to CSOS for approval. In the 2023/24 financial year, the CSOS quality assured 99,6% (1 330 / 1 335) of schemes' governance documents within 30 days and issued 100% (564 / 564) of compliance certificates on all amended scheme documents.

Dispute resolution

The CSOS Dispute Resolution Model maps out stages to be followed in the dispute resolution process, including, but not limited to, the manner and instances upon which disputes must be finalised. Section 39 of the CSOS Act prescribes Prayers for Relief, which must be applied for, conciliated or ordered, depending on merits, in resolving disputes emanating from community schemes.

The Dispute Resolution Services, with the support of IT, has coded a SharePoint automated system for the management of disputes. This system encompasses the entire process from application to the issuance of an adjudication order. During the 2023/24 financial year, 15 587 new applications were received as compared to a total of 11 306 applications for dispute resolution received in the 2022/23 financial year, an increase of 4 281 applications. The CSOS has met the 2023/24 annual targets in respect of the dispute resolution service standards for turnaround times whilst ensuring that adjudication orders are of an appropriate quality through the quality assurance of adjudication orders.

Stakeholder engagement and advocacy

CSOS is still building its regulatory powers through the establishment and strengthening of the compliance and enforcement investigation function which will result in the issuance of non-compliance notices to community schemes which do not adhere to their legal obligations in respect of scheme registration, submission of schemes governance documents for quality assurance, payment of CSOS levies, and submission of annual returns. This will require collaboration with various stakeholders to assist CSOS in establishing its footprint within the industry. The stakeholders assist CSOS in making inputs into the implementation of the CSOS Act and the STSM Act and to further build the registration database. The provision of consumer education is also a key priority service delivery area. The need for CSOS to be more visible and play a more active role in educating consumers and raising awareness about its existence has also been highlighted in several important forums. In the 2023/24 financial year, 100% of the CSOS Advocacy Plan was implemented.

CSOS has made considerable strides as an organisation to bring the vision of a digital self-service solution and platform for our stakeholders to reality. A digital platform, CSOS Connect, has been implemented allowing ease of engagement with the CSOS in a real-time connection experience. CSOS Connect enables users to register a scheme and upload documents on the CSOS Connect platform; make amendments to the scheme details, deactivate, link the scheme under a specific agency profile, and delink the scheme. Upon successful registration of the scheme, users obtain a registration certificate signed by the Chief Ombud. Furthermore, March 2024 figures indicate that a total of 9 073 external users have registered on the CSOS Connect and the numbers increase daily.

2.2. Organisational Environment

The CSOS current Board of Directors which commenced its work in January 2022, consists of seven (7) non-executive members and two (2) executive members, namely, the Chief Ombud and the Chief Financial Officer (CFO).

Good governance is crucial to business sustainability and the growth of the organisation. The CSOS has committees that advise the Accounting Authority on matters pertaining to governance. These are the:

- Audit and Risk Committee;
- Human Resources and Remuneration Committee;
- Financial Committee;

- Legislation, Adjudication and Transformation Committee;
- Social and Ethics Committee, and
- Governance Committee.

These committees function by way of formal Committee Terms of Reference. The Chief Ombud, assisted by the EXCO and MANCO, is responsible for the day-to-day running of the CSOS.

Part-time Adjudicators

The panel of Part-time Adjudicators' contracts came to an end in Quarter 3 of the 2023/24 financial year. The challenge was that in Quarter 4 matters were allocated only to internal Adjudicators. A delay was experienced as the Entity had to comply with the audit finding and put out a tender for Adjudicators instead of accommodating them in the payroll. This resulted in a backlog of matters. The measures adopted to address the impact was that a new panel of Part-time Adjudicators was in the process of being finalised. Internal Adjudicators were dealing with the Adjudications on a 70/30 scale, the former being financial matters which could be finalised more efficiently.

ICT System challenges

The BAS teething challenges with the integration of the CSOS Connect became evident during the 2023/24 financial year resulting in the project experiencing an extension of timelines and certain delays in the development of specifications as it is typical of projects of this nature. This process is being managed by a Project Steering Committee with close attention given to it by EXCO and the Board. By the end of the financial year, the majority of these problems had been addressed by the service provider.

Staff complement

As of the end of the 2023/24 financial year, there were 198 permanent employees among the 252 positions on the approved organisational structure. The vacancy rate is at 21,4% and this constitutes a 26% decrease as compared to the 2022/23 financial year 47,4%.

Period	Permanent	Temps	Interns	Total	Vacancy Rate
Q1 (2023/24)	167	0	28	195	33%
Q2 (2023/24)	175	0	14	189	30%
Q3 (2023/24)	177	0	9	186	29,7%
Q4 (2023/24)	198	0	5	203	21,4%

Table 2: 2023/24 Vacancy Rate Trend

Intending to source and recruit from under-represented groups, the table below illustrates how the CSOS has progressed in terms of harmonising with national demographics based on census information.

CSOS Demographics			National Demographics		Variance
African	178	88%	African	79,2%	Over-subscribed by 8,8%
White	7	3%	White	8,9%	Under-subscribed by 5,9%
Coloured	8	4%	Coloured	8,9%	Under-subscribed by 4,9%
Indian	10	5%	Indian	2,5%	Over-subscribed by 2,5%
Other ²	0%	0%	Other	0,5%	Under-subscribed by 0%
Disabled	2	1%	Disabled	2%	Under-subscribed by 1%

Table 3: Demographics; Source: Census 2022

² Other relates to the Census 2022 responses from ethnic groups other than Africans, Whites, Coloureds, and Indians.

Facilities management

According to the Occupational Health and Safety Act 85 of 1993 (OHSA), workplace inspections help prevent incidents, injuries, and illnesses. Through a critical examination of the workplace, inspections help to identify and record hazards for corrective action. Regular OHS inspections are conducted at the CSOS Head Office, and the Gauteng, KwaZulu-Natal, and Western Cape regional offices as well as in satellite offices to ensure that there is compliance and adherence with the Occupational Health and Safety Act 85, 1993. In KwaZulu-Natal and Western Cape regional offices, Office Managers submit OHS monthly reports, reporting on health, safety, and maintenance issues for the month.

The CSOS received its letter of good standing from the Department of Employment and Labour, in June 2023, as proof of registration and compliance with the Compensation for Occupational Injuries and Diseases Act (COIDA). An incidents register, capturing all the incidents that occurred in all the CSOS offices, is compiled and reported quarterly. Monthly safety talks, on various health-related topics and on how to report incidents, are communicated through Internal Communications.

Three new satellite offices were established within the 2023/24 financial year. The Ballito satellite office was launched on the 7th of December 2023. The Mbombela office was launched on the 8th of January 2024. The Rustenburg office was acquired in February 2024. A new office for the Bloemfontein satellite office relocation was also established in February 2024. Additional office space was acquired for the Centurion office, which houses the Head Office and the Gauteng Regional Offices.

Building inspections are essential for any organisation to determine whether the structure complies with OHS regulations. Building inspection checks for structural damages and any conditions that may lead to structural damages were undertaken in all the CSOS offices. The building inspections aim to identify existing or potentially hazardous conditions and determine the hazards' underlying causes. Workplace inspections help prevent incidents, injuries, and illnesses. From the inspections conducted, a maintenance plan is compiled, monitored, and reported on.

The challenges that were encountered include two security incidents reported at Head Office in the Berkley Office Park in Centurion, during March 2024, where an employee's vehicle was stolen. Corrective steps were taken by the landlord by providing additional armed security. The security service provider managed by the CSOS also provided a vehicle that patrols the Office park at certain intervals.

Legal matters

The CSOS operates in a complex environment that requires agile and responsive legislation. Furthermore, this requires best practices to effectively regulate the community schemes industry, and compliance with legal processes and procedures to achieve the objective of well-governed community schemes and harmonious living. Due to several inconsistencies identified between social justice demands and the existing CSOS legal framework, the CSOS undertook a legislative review project aimed at enhancing its regulatory and enforcement capabilities, and to formulate best practices and a legislative framework that drives compliance.

As part of enhancing the CSOS image, profile, and reputation as an effective regulator and to protect the interests of the CSOS, Legal Services, with the assistance of the CSOS Panel of Attorneys, adopted an active role. This was done by either defending or instituting legal action in high-priority cases at various South African courts. During the period under review, the total number of matters before courts and quasi-judicial forums involving the CSOS has increased to 335, with 177 of these matters have been finalised and 158 remain pending before various courts and tribunals.

In June 2023, the Johannesburg High Court confirmed the CSOS' regulatory powers in matters pertaining to the appointment of scheme administrators. Section 16(1) of the Sectional Titles Schemes Management Act 8 of 2011 states: "A body corporate, a local municipality, a judgment creditor of the body corporate or any owner or other person having a registered real right in or over a unit may apply to a Magistrate's Court for the appointment of a suitably qualified and independent person to serve as the administrator of the body corporate". In *Jan van den Bos vs the Body Corporate of Panarama*, the CSOS was directed to provide the court with two reports in relation to the appointment of a suitable administrator to run the said scheme.

In August 2023 the matter between Waterford Estate HOA Association NPC and Riverside Lodge BC, 101 Owners of Units in Riverside Lodge the Johannesburg High Court dismissed the review application against the CSOS adjudication order as well as the contention that section 39(1)(c) and (e) is unconstitutional and ordered the Homeowner's Association to pay costs of the application. Pursuant to that, the HOA applied for leave to appeal the said judgment. In February 2024, the high court granted the leave to appeal against the review application to the full bench.

The court in *Spalding v Moquini Homeowners' Association* (1328/2021) [2023], reaffirmed the CSOS jurisdictional powers as the forum of first instance on issues involving community schemes disputes. This has also been answered in the affirmative in *Heathrow Property Holdings No. 3 CC and Others v Manhattan Place Body Corporate and Others* as well as *Coral Island Body Corporate v Hoge* 2019 (5) SA 158 (WCC). The courts have even gone as far as granting cost orders to discourage the inappropriate resort to the courts in respect of matters that could, and more appropriately should, have been taken to the CSOS.

Summary of 2023/24 annual performance

CSOS has 23 annual targets planned for the 2023/24 financial year, of which, 19 annual targets were achieved, and four targets were not achieved. This results in an overall achievement of 83%. When compared to the 2022/23 financial year, there is an increase of 12% performance, with 71% overall performance being reported in the 2022/23 Annual Report. It should be noted that the 2023/24 overall performance exceeds the threshold set in the Shareholder Compact Agreement which stipulates that good performance is categorised as achieving 80% and above of the 2023/24 APP annual targets.

CSOS 2023/24 Annual Performance per Programme

Programmes	Planned	Achieved	Not Achieved	2023/24 % Achieved	2022/23 % Achieved	2021/22 % Achieved
Programme 1: Administration	9	6	3	67%	62%	90%
Programme 2: Regulation	8	7	1	88%	78%	67%
Programme 3: Education and Training	6	6	0	100%	83%	83%
CSOS Performance Summary	23	19	4	83%	71%	82%

Table 4: Summary of 2023/24 Annual Performance per Programme

2023/24 Overall Annual Performance

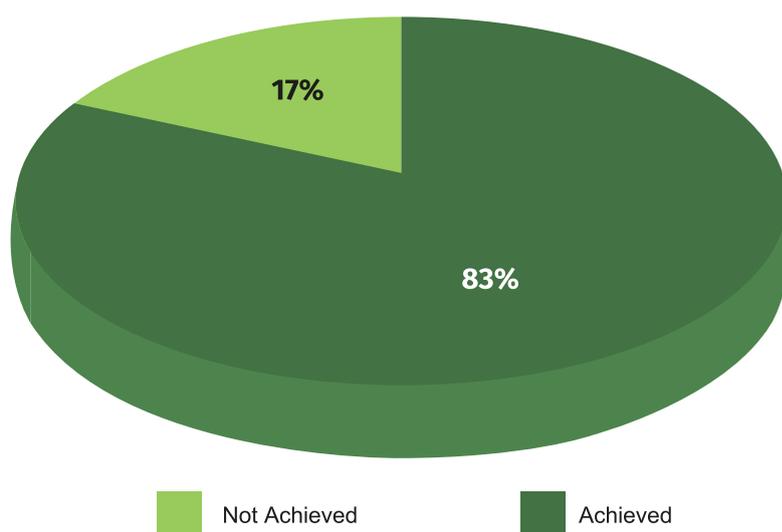


Figure 4: 2023/24 Annual Performance in Percentages

In-year audited performance reflected as 75% at Quarter 1, as 65% at Quarter 2, as 65% at Quarter 3, and as 78% at Quarter 4. Key challenges during the 2023/24 financial year included the lower-than-expected registration of community schemes; the lower than expected levy collection; and the inadequate procurement spend on businesses owned by persons with disabilities and military veterans. Improved performance at year-end can be attributed to focused monthly monitoring of performance and the implementation of a Turn-Around Strategy through the leadership and guidance of the Board and EXCO. Lessons learnt in the 2023/24 financial year will inform interventions in the 2024/25 financial year to address areas of less than desired performance. These interventions are elaborated on in section 3.4 Strategy to overcome areas of underperformance.

2.3. Key Policy Developments and Legislative Changes

Although the CSOS has been consistent in performing its regulatory function since its operations began in 2016, over the years, certain gaps and shortcomings have been identified in the legislation as a limitation to its socio-economic objectives, mandate, and the enforcement of its legislation namely the CSOS Act, No. 8 of 2011 and the STSM Act, No. 9 of 2011 and the Regulations thereto. The CSOS continued to support the amendment processes of its founding legislation in the period under review. A legislation task team was formed, and this process is underway and will continue to align with the DHS' legislative requirements and programme.

In the 2023/24 financial year, the amendment to the CSOS Practice Directive: Registration of Community Schemes was issued and effective from 1 March 2024. As encapsulated in section 36(1) of the CSOS Act, the Chief Ombud must issue practice directives regarding any matter pertaining to the operation of the Service. The Practice Directive made provision for the CSOS to register community schemes within seven days of receipt of a fully completed FORM CS1 registration form. It confirmed that the registration on the CSOS Connect constitutes the FORM CS1 registration form. In addition, it requires that the scheme must within 30 days after receipt of a certificate of registration, file with the CSOS, applicable supporting documents to be quality assured and approved.

The Minister of Public Service and Administration (MPSA) issued the Information Security Directive and section 6(b) of the Directive implies that a Security Policy must be aligned with the contents of the information directive. This process is underway in CSOS as the revised Security Policy has been tabled at the CSOS Policy Development Committee and MANCO. It is due to be presented at EXCO and further executive structures for consultation, adoption, and approval in the 2024/25 financial year.

In addition, regularly reviewing cybersecurity policies is crucial due to evolving threats, ensuring compliance, incorporating new technologies, aligning with business changes, identifying gaps, improving incident response, optimising risk management, and fostering employee awareness. The review of the CSOS Information and Cybersecurity was due to the above-mentioned factors to maintain a robust security posture, mitigate risks, and enhance CSOS resilience against cyber threats. Most of the operational policies have been collated into the Information and Cybersecurity Policy for ease of maintenance as they are focus areas of an Information Security Policy.

Part of addressing the Corporate Governance of ICT (CGICT) Directive, interviews were conducted to appoint the IT Steering Committee chairperson and one external member. Furthermore, ICT will be drafting the IT Governance roadmap which will address all focus areas highlighted in the directive. Management of ICT risks were done in conjunction with the enterprise risk management for effective mitigation of ICT risks, and regular awareness sessions and trainings were conducted for CSOS employees where contents of ICT Policies were discussed.

During 2023/24 financial year, the CSOS strategically partnered with SITA to conduct an organisational cyber security awareness and cyber maturity assessment free of charge. This session was conducted during the cyber awareness month (October 2023) and was very well attended by the CSOS employees.

The State Security Agency (SSA) is in the process of developing a Cyber Risk Management Framework and the CSOS was also invited to partake in this consultation process. The CSOS ensures that matters of legislative compliance and benchmarking are in order and aligned with the best ICT standards in reviewing their policies.

2.4. Progress Towards Achievement of Institutional Impacts and Outcomes

The CSOS has five strategic outcomes which are set out in the 2020-25 Strategic Plan as follows:

- Outcome 1: Functional, Efficient, and Integrated Government
- Outcome 2: Effectively Regulated Community Scheme Sector
- Outcome 3: Effective Dispute Resolution
- Outcome 4: Empowered Stakeholders
- Outcome 5: Transformation of Community Schemes Advanced

Functional, efficient, and integrated government

The CSOS executes its mandate and seeks to achieve its envisaged impact, in a complex environment, impacted by global, national, and provincial factors, which directly affect the pursuit of its desired impact and in delivering on its mandate. In the current strategic planning period, the CSOS prioritised the implementation of remedial audit action plans to improve internal governance and control mechanisms. The audit outlook is improving year on year as the CSOS progresses towards the achievement of a clean audit outcome. In the year under review, the CSOS progress on the external audit outcome is summarised in the table below:

Outcome	Outcome Indicator	Audited Actual Performance 2021/22	Audited Actual Performance 2022/32	Planned Annual Target 2023/24	Actual Achievement 2023/24	Reasons for Deviation
Outcome 1: Functional, efficient, and integrated government	External audit outcome	Qualified audit outcome	Unqualified audit opinion with limited material findings	Unqualified audit opinion with no material findings	2022/23 Unqualified audit opinion with findings	The unqualified audit opinion is against the findings on SCM and contract management

Table 5: Summary of external audit outcome trends

Effectively regulated community scheme sector

CSOS is a regulator of all community schemes in South Africa. It is mandated by the CSOS Act to regulate the governance of community schemes and ensure that schemes are compliant. The CSOS contributed towards improved governance in community schemes through supporting the establishment of body corporates, validation of submitted governance documents, and billing of CSOS levies to ensure compliance with section 59 of the CSOS Act. The entire CSOS value chain and service delivery model is underpinned by the success of establishing and maintaining a complete database of community schemes in the country. The CSOS continued to prioritise the registration of schemes in the 2023/24 financial year.

Effective dispute resolution

CSOS is mandated in terms of section 2 of the CSOS Act to deal with the functions and operations of CSOS, governance of schemes, and dispute resolution in community schemes. The CSOS Act empowers the organisation to help create and facilitate orderly and well-managed community schemes. This has been carried out by resolving disputes amongst the parties by providing a dispute resolution service for community schemes in South Africa. The CSOS has implemented business processes and service standards to improve the turnaround time for the process of disputes. In addition, quality assurance for adjudication orders has been introduced to improve the quality of the orders and their enforcement.

Empowered stakeholders

In terms of section 4(2)(b) of the CSOS Act, CSOS is mandated to provide education, information, documentation, and such services as may be required to raise awareness to owners, occupiers, executive committees and other person or entities who have rights and obligations in community schemes. Stakeholder engagement was coordinated through the implementation of the Advocacy Plan.

Transformation of community schemes advanced

In the achievement of this mandate, the CSOS places a strong emphasis on the transformation of designation groups, particularly focusing on women's economic transformation. The specific interventions have been implemented, within the ambit of the CSOS mandate, which aims to broaden opportunity and employment for designated groups in the sector towards the imperative of fostering faster and inclusive growth which is key to improving and sustaining higher living standards, and successfully reducing the inequalities that still puncture our economy.

In addition, emphasis is given to driving transformation in the industry through increasing the focus on the targeted procurement from businesses owned by designated groups. As per the policy directives of the Economic Reconstruction and Recovery Plan; the CSOS aimed to improve the ease of doing business with the State. One way in which this was done was by lowering barriers to entry to make it easier for businesses owned by designated groups to start, grow, and compete through our supply chain management processes on prequalification criteria so as to be more enabling for suppliers to participate. Furthermore, a system to better track and monitor B-BBEE and preferential procurement is in progress of being established, for ease of monitoring and reporting. CSOS procurement processes are geared towards establishing pre-approved panels of service providers consisting of entities owned by designated groups.

The monumental task of changing the complexion of the population of managing agents is gaining significant momentum. CSOS aims to contribute to the transformation of the community schemes sector, through providing an enabling environment for the Executive Managing Agents (EMA) from Previously Disadvantaged Individuals (PDIs). This is done through the provision of training and appointment of historically disadvantaged EMAs to real economic opportunities in the governance and/or management of schemes. CSOS has a database of 92 historically disadvantaged EMAs, of which 42 are women, and leverages its network for opportunities for placements in community schemes.

The CSOS is committed to the Code of Good Practice on Employment Equity. In the 2023/24 financial year, the Employment Equity (EE) Plan was approved for implementation and will cover the period from 1 September 2023 to 31 August 2028. The EE Plan serves as a guideline in the talent acquisition process and may be changed depending on the requirements and availability of scarce and critical skills. In line with the national effort to broaden skills development as prescribed in the Skills Development Act of 1998, the CSOS will continue to implement an internship programme, which will assist young South Africans to make a practical contribution to the advancement of the organisation.

Key Achievements for 2019-24 Medium-Term Strategic Framework (MTSF) Commitments

The table below provides a summary of the CSOS' achievements towards the realisation of its 2019-24 MTSF commitments:

MTSF Indicators	Outcome	2020-25 SP Outcome Indicators	Five-Year Target (March 2025)	Progress Report April 2020 to 31 March 2024
Consumer protection programmes implemented. • Report on total number of community schemes registered and paying levies as per legislation.	Outcome 2: Effectively regulated community scheme sector	Percentage increase of registered community schemes over the five-year period	58% (From 25 800 to 70 000)	<p>13,2%</p> <p>9 216 community schemes registered in the MTSF period, this brings a total universe of 35 016 community schemes on the database.</p> <p>34 984 schemes still to be registered during the MTSF to achieve a target of 70 000.</p> <p>Fewer than expected schemes registered. The CSOS issued an amended Practice Directive that came into effect on 1 March 2024 to simplify the registration process.</p>
		Percentage of registered schemes paying levies	75%	<p>71%</p> <p>(35 509 community schemes registered (SAGE), and 25 269 community schemes are paying levies).</p> <p>Non-compliance of registered schemes and insufficient schemes registered during the financial year. Compliance and enforcement interventions implemented supported by continued advocacy for compliance by community schemes to legal prescripts.</p>
		Rand value of levies collected	R427 179 097.00	<p>R1 118 778 453.93</p>

MTSF Indicators	Outcome	2020-25 SP Outcome Indicators	Five-Year Target (March 2025)	Progress Report April 2020 to 31 March 2024
Number of consumer disputes submitted and resolved within 90 days.	Outcome 3: Effective disputes resolution.	Percentage dispute resolution services provided within 90 days	85%	<p>79,4%</p> <p>(24 983 referred and 19 848 resolved) of Disputes were conciliated within 45 days and adjudicated within 90 days.</p> <p>Whilst there was less than desired performance prior to the 2022/23 financial year; there has been much improvement reported in the previous two financial years. Continued emphasis on meeting service standards and improved performance management.</p>
<p>Number of people in the target market exposed to educational programmes on owning and renting a home.</p> <ul style="list-style-type: none"> • Implement a borrower, homeownership (Zenzeleni) help me buy and tenant education programme. • Transactional support programme implemented. • CSOS to establish a presence in the transactional support site or centre 	Outcome 4: Empowered stakeholders.	Stakeholder perception rating.	55%	The baseline survey was concluded in October 2023 and indicates a 62% perception rating by stakeholders.
			90 training and education sessions conducted for schemes executives and owners	319 training and education sessions conducted for schemes executives and owners
			60 stakeholder information sessions conducted	153 stakeholder information sessions conducted. Target was exceeded by 48 stakeholder information sessions.
			4 editions of Shared Living e-newsletters published annually	16 editions of Shared Living e-Newsletters published.

MTSF Indicators	Outcome	2020-25 SP Outcome Indicators	Five-Year Target (March 2025)	Progress Report April 2020 to 31 March 2024
			100% implementation of Advocacy Plan annually	100% implementation of the Advocacy Plan.
			6 new transactional sites will be established (satellite office).	To date, there are 3 Regional Offices and 7 satellite offices : Bloemfontein, Gqeberha, Polokwane, George, Ballito, Mbombela and Rustenburg.

Table 6: Summary of Key Achievements for 2019-24 MTSF Commitments

3

INSTITUTIONAL PROGRAMME PERFORMANCE INFORMATION

3.1 Programme 1: Administration

The Administration Programme is responsible for ensuring that functions that support the core operations run effectively and that the organisation is sustainable. The Administration Programme covers the work of the following business functions:

Business Function	Purpose
Office of the Chief Ombud	To provide effective and efficient strategic support to the Chief Ombud and the executive team in order to achieve the mandate and strategic outcomes of the CSOS.
Company Secretary	To provide effective and efficient Board and Committee support, administrative services, and the provision of advice to ensure the effective functioning of the Board.
Organisational Strategy and Performance Monitoring	To coordinate the strategy development process, and business planning process and ensure strategy alignment across all operational areas, as well as monitor and evaluate strategy implementation.
Risk Management	To coordinate the strategic corporate risk register and mitigate strategies to ensure they are successfully managed. Create, promote, and maintain a culture of risk awareness and accountability within the organisation.
Internal Audit	To provide independent objective assurance and consulting (advisory) services by evaluating the governance, risk management, internal controls, as well as compliance against the relevant prescripts in order to add value and improve the CSOS operations.
Corporate Affairs	<p>To support the CSOS functions by attracting and retaining suitably qualified individuals, to create awareness of the CSOS services and build and protect the CSOS reputation; to provide cutting-edge legal support and advisory services in order to protect the interests of the CSOS; and to provide, maintain and develop the required office accommodation to support CSOS functions.</p> <p>Corporate Affairs has the following functions:</p> <ul style="list-style-type: none"> • Human Capital Management • Marketing and Communication • Legal Services • Facilities Management
Office of the Chief Financial Officer	<p>To ensure that functions that support the core operations run effectively and that the organisation is sustainable. The Office of the CFO has the following functions:</p> <ul style="list-style-type: none"> • Supply Chain Management • Revenue Management • Expenditure Management • Budgeting and Financial Reporting

Business Function	Purpose
Information Communication and Technology (ICT)	To partner with CSOS business units to deliver efficient ICT-enabled services to all stakeholders. This includes the development and implementation of an organisation-wide business automation system.

In contributing towards the Community Schemes Ombud Service desired impact of “governed, harmonious, empowered and transformed community schemes contributing to spatial justice, socio-economic transformation and the creation of liveable neighbourhoods”, the Administration Programme delivers against the following outcomes in the Strategic Plan:

- OUTCOME 1: Functional, Efficient, and Integrated Government
- OUTCOME 2: Effectively Regulated Community Schemes
- OUTCOME 5: Transformation of Community Schemes Advanced

3.1.1 Outcomes, Outputs, Output Indicators, Targets and Actual Achievement

Risk management

The reviewed Risk Management Governance Policies and Plans were approved by the Board for implementation from the 2024/25 financial year. These included the Risk Management Policy; the Risk Management Framework; the Anti-Fraud and Corruption Prevention Policy; the Whistle Blowing Policy; the Risk Appetite and Tolerance Framework; the Regulatory Compliance Policy; and the Regulatory Compliance Framework. Risk Management facilitated a review of the 2024/25 Strategic, Fraud, and Operational Risk Assessments for various business units.

Revenue management

The CSOS generated total revenue of R425 654 029.92 which was reported in the 2023/24 financial year. This was generated mainly through levies, interest income and SETA grant funding. The revenue generated from levies amounts to R398 304 254.47 in the 2023/24 financial year, which is an increase of R34 277 136 from R333 655 373 recorded in the 2022/23 financial year. This still constitutes 94% of the total revenue generated in the previous financial period. For the 2023/24 financial year, CSOS received R203 714 from SETA Grant received for skills development learnership programme. The Government Grant of R24 912 000 was withdrawn from CSOS during the mid-term adjustment due to the healthy financial position of the entity. There was an increase of R4 973 214 in interest income, due to the increase in interest rates on the CPD Investment with the South African Reserve Bank. The CSOS remains financially sustainable even though a slight decrease in the levy collections has been recorded for the period under review.

Levy revenue collection

CSOS initiated interventions to address the gaps and challenges identified in the levy collection, such as training and education to managing agents and community schemes on the payment of levies. It has been noted that community schemes still make their payments starting with old scheme registration numbers which makes it difficult to allocate the payment to the correct scheme’s CSOS account. Awareness campaigns targeting managing agents and community schemes have been implemented through various platforms including social media and training videos to support the submission of the proof of payments and levy calculators to CSOS in order to address the unallocated levies.

F/Y	2023-24 (YTD)	2023-24 (YTD)
Opening Balance: Allocated levies (1 April 2023)	R154 120 097	R115 011 449
Add: Unallocated levies	R26 955 004	R39 202 293
Closing Balance: Unallocated levies (31 March 2024)	R181 075 101	R 154 213 742

Table 7: Unallocated Levies

The unallocated levies constitute 7% of the total levies received during the 2023/24 financial year, which is a 5% increase from the previous year. There has been a 17% increase in the current year balance amounting to R27 million of unallocated levies compared to the R34 million from the 2022/23 financial year. This marginal increase in the balance stems from schemes making payments utilising incorrect references, resulting in the inability to appropriately allocate payments to the respective customer accounts. Consequently, this delayed efforts to reduce the existing balance, which stood at over R154 million from previous months. CSOS has implemented various initiatives to address this issue, including the FNB initiative and the integration of payment guidelines on invoices and statements issued.

The total historic unallocated levies from the inception of levy collection was R226 631 429 (2017), as at the 31 March 2024 the current historic unallocated levy balance is sitting at R181 075 101. Further Developments relating to eradicating the unallocated receipts include:

- The CSOS will continue to engage the financial institution (First National Bank) to assist in tracking unallocated funds with the hope that we will be able to track other prior years and quarterly payments made by the schemes.
- Issuing of a directive informing the schemes that the CSOS will be charging interest and penalties for schemes not making levy payments. With the charging of interest, more schemes will start coming forward to update their accounts which will resolve some of the unallocated funds.
- The appointment of a debt collection service provider to pursue long outstanding levies from community schemes.

Community Schemes Paying vs Non-Paying as of 31 March 2024

	2023/24	Percentage Schemes
No. of Community Schemes on SAGE	35 509	
Paying Community Schemes	25 269	71,16%
Non-paying Community Schemes	3 487	9,82%
Non-paying exempt Schemes	6 753	19,02%

Table 8: Levy Payment Compliance

CSOS continues to make follow-ups with managing agents and community schemes that have not sent scheme levy schedules pertaining to the breakdown of payments from schemes and proof of payments to help lower the unallocated schemes and non-paying schemes.

Supply Chain Management and Summary of the B-BBEE expenditure

The total procurement expenditure of the Entity for the financial year 2023/24 amounted to R104 246 772.20, which increased from R72 147 444.95 in the 2022/23 financial year. 66,63% was spent on businesses owned by women, up from 33,93% in the 2022/23 financial year; 16,61% was spent on businesses owned by youth, up from 12,68% in the 2022/23 financial year; 1,31% was spent on businesses owned by persons with disabilities, a marginal increase from 1,01% in 2022/23 financial year; and 1% was spent on business owned by military veterans. The table below shows how much CSOS has spent on the procurement of suppliers during the period under review. The CSOS has implemented plans to remedy the non-compliance to the B-BBEE, through the implementation of the Enterprise Supplier Development and updating the SCM database of CSD B-BBEE compliant service providers and designated groups, and all the applications received will be vetted for compliance.

Financial Year	2022/23	2023/24
Total expenditure for the year	R72 147 444.95	R104 246 772.20
Total procurement expenditure on >51% of entities owned by women	R24 480 658.79	R69 459 624.34
Total procurement expenditure on >51% of entities owned by youth	R9 153 582.62	R17 315 389.00
Total procurement expenditure on >51% of entities owned by Persons with Disabilities	R729 577.55	R1 365 632.00
Total procurement expenditure on >51% of entities owned by Military Veterans	-	R1 011 194.24
Others (non-designated e.g., <51% ownership)	R37 313 759.06	R15 094 932.62

Table 9: Procurement Spend Targeted at Designated Groups

Overall Summary of 2023/24 Procurement Plan

The table below depicts the overall summary and highlights the status of tenders on the approved procurement plan since the beginning of the 2023/24 financial year.

Summary of Tenders	
Tenders awaiting evaluation	3 (Office furniture; Managed SOC; ECDMS)
Awarded tenders	5 (Panel of attorneys; Organisational Culture Survey; Internal Audit; Mimecast; and Part-time adjudicators)
Tenders under BSC	1 (Cataloguing of adjudication orders)
Tenders under BEC	1 (Printing DRG manuals)
Tender under BAC	4 (Physical Verification; Pay progression; Legislative Technical advisor; Panel of training service providers)
Tenders under Internal Audit	1 (Panel of Recruitment services)
Tenders awaiting TORs	0 (none)
Tenders concluded via RFQ process, transversal, and MOU	2 (Concluded via RFQ process: Ballito satellite office and Northwest satellite office)
Cancelled tenders	4 (Pay Progression; Legislative Technical advisor; Debt collection; and Cataloguing of adjudication orders)

Table 10: Summary of Tenders

Record of expansions or variations for the year ended 31 March 2024

PFMA SCM Instruction No. 3 of 2021/22 paragraphs 5.4 and 5.5 prescribes that all goods and services varied and/or expanded by more than 15% or R15 million, whichever is the lesser must be recorded in the Annual Report. Below is the variation that exceeded the prescribed 15% National Treasury threshold:

No	Project Description	Supplier Name	Reason	Value
1	Rustenburg Satellite office	New Heights 480 (Pty) Ltd	The RFQ was advertised two times and failed to receive three responses. On the third issue, only one response was received from New Heights 480 (Pty) Ltd.	R818 072.28
2	Caseware license renewal	Adapt IT	Adapt IT is a Sole provider for the Caseware licenses.	R189 942.94
3	Caseware Specialist Support -Fundamentals Training (Remote).	Adapt IT	Adapt IT is the sole supplier of Case-ware training.	R30 205.81
4	Online search tool	Lexis Nexis	The market was tested various times with no successful bidder being appointed. Only one bidder complied with the mandatory requirements and quoted with the approved budget.	R180 352.33

Table 11: Record of Project Expansions or Variations

Procurement by other means for the year ended 31 March 2024

PFMA SCM Instruction No.3 of 2021/22 paragraph 4.7 prescribes that all goods and services procured by other means must be recorded in the Annual Report. Below is the list of procurement by other means for the year ended 31 March 2024:

No	Supplier Name	Description of Variation	Reason	Purchase Order Amount /Contract Value	Variation Order Amount within the 15% stipulated National Treasury Threshold
1	Mukona Consulting (Pty) Ltd	CSOS Brand awareness.	Deviation: the initial SABC radio campaign to have the SABC broadcast at the Mbombela Office launch	R6 016 002.48	R617 403.60
2	Assent Group (Pty) Ltd	Mbombela/ Nelspruit office furniture loan	For the provision of office furniture on loan for the Mbombela satellite office.	R727 678.60	R36 627.50

No	Supplier Name	Description of Variation	Reason	Purchase Order Amount /Contract Value	Variation Order Amount within the 15% stipulated National treasury Threshold
3	Moso Consulting (Pty) Ltd	Short-term insurance	Due to the additions in the asset register and increase in the premium. Further, due to the high rate of insurance claims resulting in a higher premium.	R6 016 002.48	R617 403.60
4	Internet Filing (Pty) Ltd t/a Interfile	Procurement of additional webhosting services in response to a security breach towards securing the CSOS website	Cession of incomplete obligation to a party, thereby unable to fulfil the most critical part of the security breach	R116 591 261.99	R4 560.00

Table 12: Goods and Services Procured by other means

Expenditure Management

The Entity achieved 99,9% of payments of valid invoices within 30 days of receipts in compliance with Treasury Regulation 8.2.3 and achieved 100% payments of valid claims including the part-time adjudicators. Compared to 100% in the 2023/24 financial year, this represents a 0,01% regression. It was noted that one invoice amounting to R1 499.00 was paid outside the standard of 30 days. CSOS has enforced weekly monitoring of the invoice register to support the age-analysis of invoices and identify risks prior to the expiry of 30 days. 100% of valid part-time adjudicators' claims were paid within 30 days in the 2022/23 financial year.

Description	Amount	Number of valid invoices/claims paid	2023/24
Valid invoice paid within 30 Days	R177 330 463.43	3 675	99,9%
Valid claims for part-time adjudicators paid within 30 Days	R12 219 000.00	475	100%
Total	R189 549 463.43	4 150	100%

Table 13: Summary of Payments of Invoices and Claims

Legal services

The general litigation matters during the period under review can be categorised as follows:

Review/ Appeal applications against CSOS Adjudication Orders	Labour Disputes	CSOS Mandate/Process	Civil action (contractual or delictual)	Total
250 (120 finalised)	26 (21 finalised)	25 (15 finalised)	34 (21 finalised)	335

Table 14: Litigation Matters

At the start of the 2023/24 financial year, Legal Services had an annual target of drafting and vetting 90% of the organisation's commercial agreements in-house to avoid potential litigation, minimise possible fraud and corruption, and ensure that both the organisation and the contractors meet their respective obligations. 112 of the 113 of commercial contracts consisting of Service Level Agreements as well as Lease Agreements with third parties were reviewed and drafted internally by Legal Services achieving an output of 99% against the 90% target resulting in a cost-saving benefit for the organisation. Contract management training targeting CSOS employees from all business units, and the concomitant in-house legal support provided, enhanced the effectiveness of internal control systems and ensured that the CSOS received value for money spent on goods and services. Furthermore, business units were able to meet their strategic outputs which saw the CSOS implement key strategic projects such as the Enterprise Resource Planning (ERP) project that aims to enhance business processes, service delivery, and operational efficiency.

Legal Services also saw the successful facilitation of Protection of Personal Information Act (POPIA) training within the organisation, thus ensuring compliance with the Protection of Personal Information Act.

ICT Management

The year commenced with the continued progress of the CSOS Connect project. Software development was put on hold due to several critical system issues that were identified in the registration module. The aim was to ensure the system was stabilised to improve efficiency and to allow seamless registration of schemes. Overall, CSOS was able to achieve all its ICT infrastructure targets maintaining a 98% uptime, and its security-related targets with no major breaches for the year, while intensifying the Cyber Defence Programme.

In terms of CSOS Connect, great progress and outcomes were achieved in the year with solution feature specifications and scoping concluded for most modules including the Governance Modules. A physical demo session was held in the middle of Quarter 3 to confirm whether critical identified challenges (showstoppers) were resolved or not and out of 46 items, 40 were confirmed to be working. The remaining 6 items were later confirmed in a follow-up session at the beginning of Quarter 4 to conclude system stabilisation. As part of the turnaround strategy, the CSOS through the CSOS Connect system managed to register approximately 1 600 schemes in the last quarter of the 2023/24 financial year. This is tangible evidence that the CSOS is starting to reap the benefits of its investment. In addition, the users are also able to extract reports without the assistance of the service provider. The project's total budget spent is at 44% with a total balance of approximately R64.3m remaining for the next two years. The development of the Governance module commenced in the last part of Quarter 4 and is expected to be completed end of July 2024.

An appointment letter for the implementation, support, and maintenance of the Community Schemes Ombud Services Commercial Off-the-Shelf Enterprise Resource Planning (ERP) solution for a period of five years was issued and signed during Quarter 2, and subsequently a service level agreement was prepared and signed by all relevant parties. The project aims to ensure the successful implementation of the Human Resources; Finance and Accounting; Supply Chain Management (SCM); and Legal Service modules. The solution will also allow for the functionality of an Application Programme Interface (API) to integrate with CSOS Connect for billing of schemes. By the end of Quarter 4, a needs analysis and user acceptance testing on various deliverables such as Accounts Receivables, E-billing, Accounts Payable, Fixed Assets, and General Ledger was already completed. The project is expected to be completed during Quarter 2 of the 2024/25 financial year.

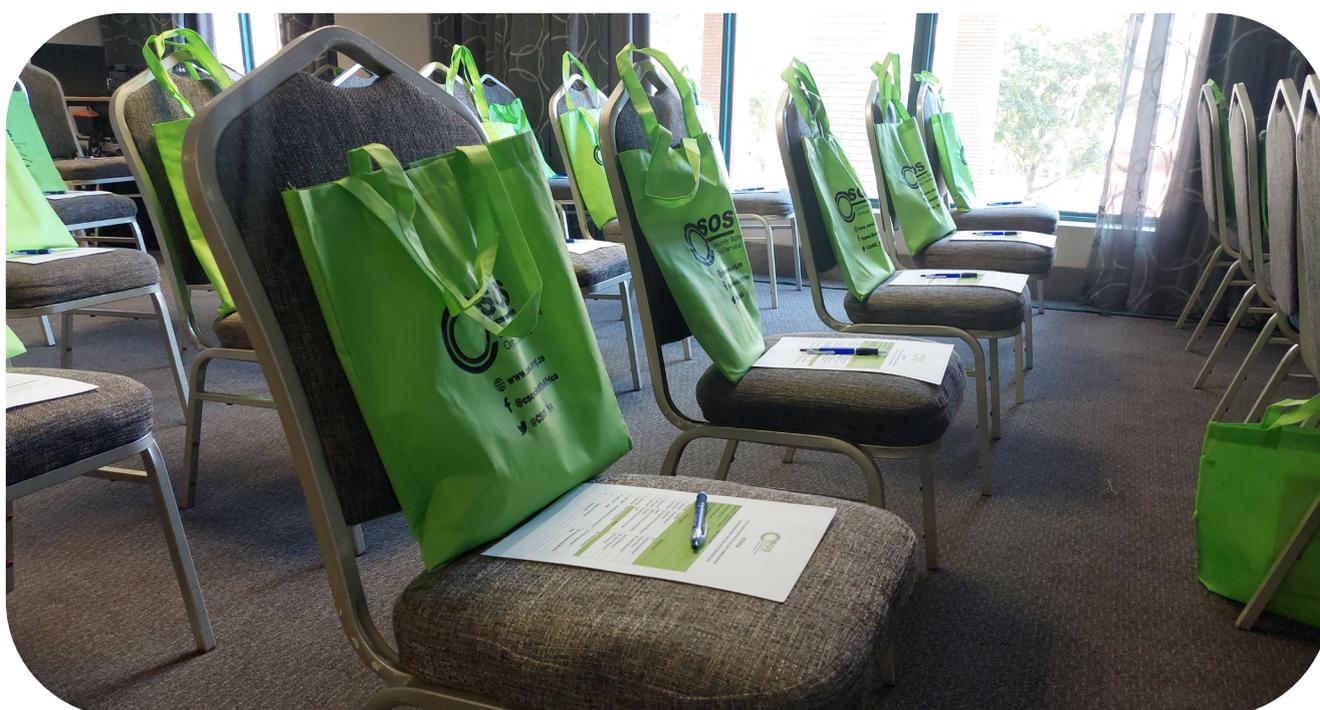
The internally implemented modernisation solution has received increased adoption in the 2023/24 financial year, such as electronic signature platforms and SharePoint automation solutions (Schemes Registration and Dispute Resolution). The Audio-Visual solution across all offices was successfully completed, allowing for virtual group meetings in our boardrooms. Additionally, the server room environmental monitoring solution across all data centres was successfully implemented which now allows for fire suppression, water leak detection, humidity monitoring, and server room access monitoring via biometrics.

In terms of infrastructure, security, and operations; multiple planned projects were implemented including a centrally managed Biometric Access control and Time and Attendance solution and network monitoring and optimisation tools managing and monitoring our hardware, databases, web-facing applications, and other critical resources. The Cyber defence initiatives have assisted with a stable and secure environment and ensure the implemented safeguards remain effective. The appointment of service providers for critical projects has allowed for the commencement of the implementation of the SD-WAN solution, PABX, and Contact centre and the overhaul of our server infrastructure. The Server Refresh Project was concluded in Quarter 4 with the completion of the Disaster Recovery node of the HPE (Hewlett Packard Enterprise) SimpliVity Hyperconverged Solution. The impact is that all CSOS production servers are now running on new, more reliable infrastructure with offsite replication configured for disaster mitigation.

During the 2023/24 financial year, focus was given to improving the ICT governance by continuing with the implementation of the governance roadmap with the continued aim to improve ICT governance maturity. The Corporate Governance of the ICT framework was extensively revised, and various critical ICT policies and procedures were updated or developed, and this was approved by the Board. Furthermore, the approved ICT strategy will continue to be implemented in the 2024/25 financial year.

Marketing and Communications (Internal)

Internally, the CSOS employs a multifaceted approach to support the organisation's functions by generating awareness of its services and safeguarding its reputation. Through regular internal communications, such as newsletters, emails, and intranet updates, CSOS ensures that employees are well-informed about the organisation's offerings and initiatives. Additionally, CSOS collaborates closely with different departments to understand their specific needs and tailor messaging accordingly. By organising training sessions, workshops, and Team Talk Townhalls, the staff is equipped with the knowledge and tools to effectively communicate the organisation's value proposition. Moreover, there is proactive monitoring and management of the organisation's reputation by promptly addressing any internal issues that may impact public perception. Through these concerted efforts, a cohesive internal environment is fostered while also bolstering the organisation's external image and credibility.



Programme 1: Administration								
Outcome	Output	Output Indicator	Audited Actual Performance 2021/22	Audited Actual Performance 2022/23	Planned Annual Target 2023/24	Actual Achievement 2023/24	Deviation from Planned Target to Actual Achievement 2023/24	Reasons for Deviation
1. Functional, Efficient, and Integrated Government	1.1 Anti-Fraud and Anti-Corruption	1.1.1 Percentage of the approved Anti-Fraud and Anti-Corruption Implementation Plan implemented	100% of the approved Anti-Fraud and Corruption Implementation Plan implemented	100% of the approved Anti-Fraud and Corruption Implementation Plan implemented	100% of the approved Anti-Fraud and Anti-Corruption Implementation Plan implemented	100% (38/38) of the approved Anti-Fraud and Anti-Corruption Implementation Plan implemented	Target achieved	Target achieved
	1.2 Risk Management	1.2.1 Percentage implementation of the approved Risk Management Plan	100% implementation of the approved Risk Management Plan	100% implementation of the approved Risk Management Plan	100% implementation of the approved Risk Management Plan	100% (35/35) implementation of the approved Risk Management Plan	Target achieved	Target achieved
	1.3 Internal Controls and Governance	1.3.1 Percentage implementation of the internal audit plan	No Target	100% (32 out of 32) implementation of the Internal Audit Plan	100% implementation of the Internal Audit Plan	100% (33/33) implementation of the Internal Audit Plan	Target achieved	Target achieved
	1.4 Transactional services offered	1.4.1. Number of new transactional sites established (satellite office)	1 transactional site (Gqeberha) established	2 transactional sites (Polokwane and George) established	3 new transactional sites established (satellite office)	3 new transactional sites established (Ballito, Mbombela, and Rustenburg)	Target achieved	Target achieved
2. Effectively regulated Community Scheme Sector	2.1 Revenue Collection	2.1.1. Rand value of CSOS levy collected	R250 518 259 CSOS levy collected	R333 655 373 CSOS levy billed	R408 698 702 of CSOS levy collected	R334 047 578.77	R74 651 124.23	Lower than expected registration of schemes by 18,6% resulted in fewer levies collected. 9,82% of registered schemes do not pay levies as required.

Programme 1: Administration								
Outcome	Output	Output Indicator	Audited Actual Performance 2021/22	Audited Actual Performance 2022/23	Planned Annual Target 2023/24	Actual Achievement 2023/24	Deviation from Planned Target to Actual Achievement 2023/24	Reasons for Deviation
Transformation of 5 Community Schemes Advanced	5.1 Transformation and Empowerment of Designated Groups	5.1.1. Percentage of annual procurement spend, targeted at businesses owned by women	No Target	33,93% (R 24 480 658,79 /R 72 147 444.95) of annual CSOS procurement spend targeted at businesses owned by women	40% of annual CSOS procurement spend, targeted at businesses owned by women	66,6% (R69 459 624.34 / R104 246 772.20) of procurement spend on businesses owned by women	The target was exceeded by 26,6%	Over-achievement is due to the targeted RFQ for businesses owned by women
		5.1.2. Percentage of annual procurement spend, targeted at businesses owned by youth	No Target	12,68% (R 9 153 582.62 /R 72 147 444.95) of annual CSOS procurement spend targeted at businesses owned by youth	16% of annual CSOS procurement spend, targeted at businesses owned by youth	16,6% (R17 315 388.87 / R104 246 772.20) of procurement spend on businesses owned by youth	The target was exceeded by 0,6%	Over-achievement is due to the targeted RFQ for businesses owned by youth.
		5.1.3. Percentage of annual procurement spend, targeted at businesses owned by Persons with disabilities	No Target	1,01% (R 729 577.55 /R 72 147 444.95) of annual CSOS procurement spend targeted at businesses owned by Persons with disabilities	5% of annual CSOS procurement spend, targeted at businesses owned by Persons with disabilities	1,3% (R1 365 632.72 / R104 246 772.20) of procurement spend on businesses owned by Persons with disabilities	The target is underachieved by 3,7%.	High expenditure on historical tenders and panel of service providers with most not being from Designated Groups. Inadequate responses were received by businesses owned by Persons with disabilities.

Programme 1: Administration								
Outcome	Output	Output Indicator	Audited Actual Performance 2021/22	Audited Actual Performance 2022/23	Planned Annual Target 2023/24	Actual Achievement 2023/24	Deviation from Planned Target to Actual Achievement 2023/24	Reasons for Deviation
		5.1.4 Percentage of annual procurement spend, targeted at businesses owned by Military Veterans	No target	No target	5% of annual CSOS procurement spend, targeted at businesses owned by Military Veterans	1% (R1 011 193.69 / R104 246 772.20) of procurement spend on businesses owned by Military Veterans	The target is underachieved by 4%	High expenditure on historical tenders and panel of service providers with most not being from Designated Groups. Inadequate responses were received by businesses owned by Military Veterans.

3.1.2 Linking Performance with Budgets

Administration	2023/24 R'000		2022/23 R'000	
	Estimated Budget	Actual Outcome	Estimated Budget	Actual Outcome
Goods and Services	R337 554	R323 001	R184 776	R294 204
Depreciation	R4 186	R7 305	R1 036	R4 004
Compensation of employees/Board	R56 507	R48 573	R45 302	R37 898
Payments of capital assets	R67 846	R20 177	R64 317	R15 636
Total	R466 093	R399 056	R295 431	R351 742

Table 15: Linking performance with budgets

3.2 Programme 2: Regulation

The Regulation Programme is responsible for performing the CSOS core operations where community schemes are regulated in South Africa. This is by ensuring that they are governed in line with the registered rules, their documentation is compliant with legislation, and an effective alternate dispute resolution service is provided to the community schemes.

The Regulation Programme covers the work of the following business functions:

Business Function	Purpose
Governance, Enforcement, and Compliance	To regulate all community schemes within South Africa, take over quality control, and provide public access to all sectional titles and other community scheme governance documentation.
Dispute Resolution	To develop and provide a dispute resolution service for community schemes in the regions of South Africa - assessment, conciliation, adjudication, and quality assurance of adjudication orders.

In contributing towards the Community Schemes Ombud Service desired impact of "governed, harmonious, empowered and transformed community schemes contributing to spatial justice, socio-economic transformation and the creation of liveable neighbourhoods", the Regulation Programme delivers against the following outcomes in the Strategic Plan:

- OUTCOME 2: Effectively Regulated Community Schemes
- OUTCOME 3: Effective Disputes Resolution

3.2.1 Outcomes, Outputs, Output Indicators, Targets and Actual Achievement

Governance, compliance, and enforcement

The entire CSOS value chain and service delivery model is underpinned by the success of creating a complete database of Community Schemes. The database is critical not only for the collection of levies but also for the provision of education and training and assuring good governance of schemes. During the period under review, a total of 2 570 scheme registration applications were processed and registered. It is noted that 1 357 more schemes were registered in the 2023/24 financial year as compared to the 2022/23 financial year where 1 213 schemes were registered. This brings a total universe of 35 016 community schemes to the database.

In implementing the mandate of ensuring proper governance of schemes, a total of 1 335 scheme governance documentations were received for quality assurance and 1 330 were quality assured within 30 days, which amounts to 99,6%. A total of 564 compliance certificates were issued on all amended scheme governance documents. In addition, 812 (69,2%) of 1 174 schemes that were registered in the 2023/24 financial year were compliant.

Dispute resolution

A total number of 15 587 new applications were received within the 2023/24 financial year. Of the 8 720 disputes finalised, 1 381 were finalised at assessment within 30 days, 3 027 were conciliated within 45 days and 4 326 were adjudicated within 90 days. The table below illustrates the number of applications received in the 2023/24 financial year including the performance in respect of Assessments, Conciliations and Adjudications.

Period	Assessed within 30 days	Conciliated within 45 days	Adjudicated within 90 days
Q1 (2023/24)	97,3% (3 147/3 234)	98,7% (822/833)	98,1% (1 219/1 242)
Q2 (2023/24)	97,2% (3 753/3 860)	89,2% (768/861)	99,5% (1 280/1 287)
Q3 (2023/24)	96,6% (3 290/3 406)	97,7% (764/782)	94,1% (1 319/1 401)
Q4 (2023/24)	94,7% (3 291/3 472)	96% (673/701)	99,2% (508/512)
Total	96,4% (13 481/13 972)	95,3% (3 027/3 177)	97,4% (4 326/4 442)

Table 16: Summary of Assessments, Conciliations and Adjudications

Classification (S39 of the CSOS Act)

Due to the current economic climate and high unemployment rate, disputes arising from non-payment of levy arrears and interest imposed against arrear levies continue to dominate dispute applications within the 2023/24 financial year. Disputes for governance and management services also remain the least, and this could be linked to regular training and awareness sessions conducted by CSOS nationally.

CLASSIFICATION FOR 2023/24 FY										
	Behavioural Issues	Financial Issues	General and Other	Meetings Issues	Management	Private/ Common Area	Governance Issues	Not Clearly Defined	Not Assessed	Total
Q1	211	2 303	177	107	27	270	32	185	418	3 730
Q2	204	2 400	175	132	28	351	40	214	195	3 739
Q3	181	2 378	198	118	20	291	21	207	359	3 773
Q4	201	2 661	205	100	28	308	37	212	593	4 345
Total	797	9 742	755	457	103	1 220	130	818	1 565	15 587

Table 17: Classification of Applications for 2023/24 Financial Year

As depicted in the table above, the trend analysis is that the financial issues dominate the type of applications received.

Eradication of backlog

The confirmed backlog for 2023/24 financial year was recorded at 559 disputes nationally. In the period under review, each region's backlog was eradicated or reduced as illustrated below.

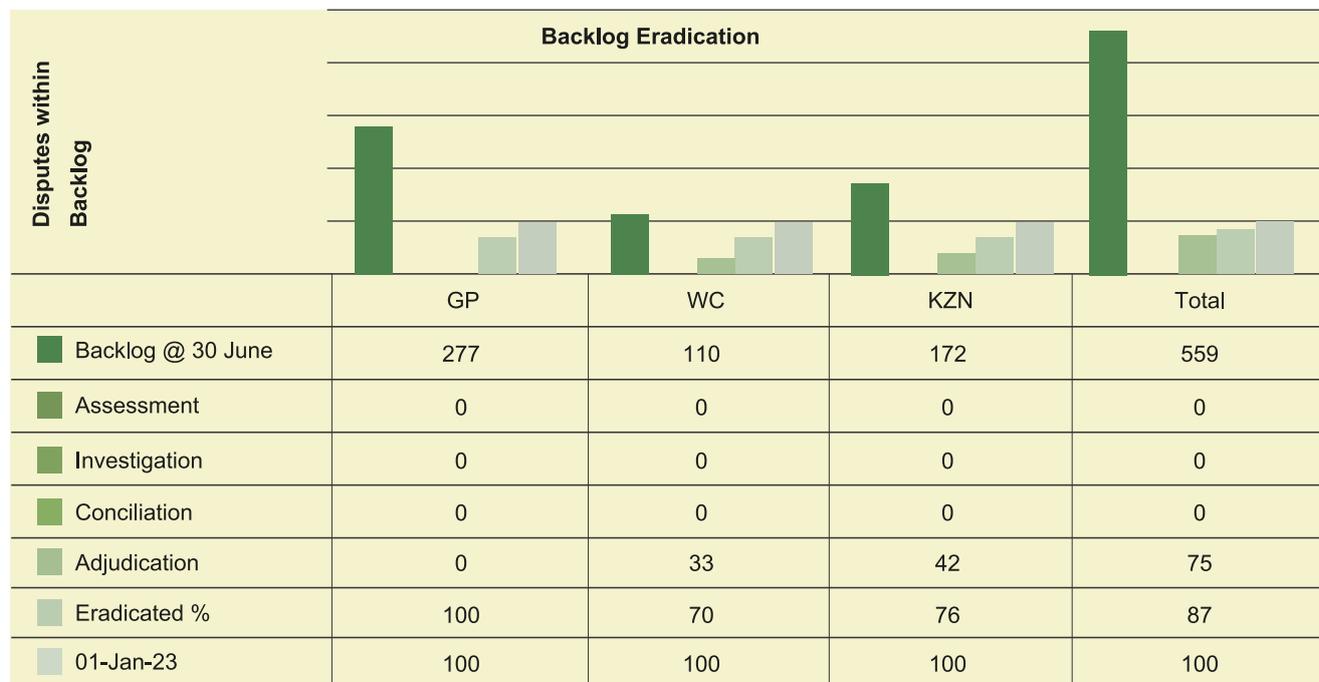


Figure 5: Backlog Eradication

As illustrated in the figure above, the backlog as determined at the beginning of the 2023/24 financial year, was finalised during Quarter 3 of the 2023/24 financial year.

Quality Assurance Adjudication received 4 769 adjudication orders for quality assurance of which 4 738 were quality assured within seven days.

QUALITY ASSURANCE ADJUDICATION ORDERS FOR 2023/24 FY							
Period	Orders Allocated	Orders QA	Orders QA within 7 days	Orders QA Outside 7 days	Exemplary	Satisfactory	Unsatisfactory
Q1	1 379	1 379	1378	1	51	1 155	173
Q2	1 488	1 483	1 476	7	48	1 306	129
Q3	1 466	1 471	1 449	22	45	1 288	138
Q4	436	436	435	1	5	430	1
Total	4 769	4 769	4 738	31	149	4 179	441

Table 18: Quality Assured Adjudication Orders

The table above reflects 149 exemplary orders, 4 179 satisfactory orders and 441 unsatisfactory orders.

Programme 2: Regulation								
Outcome	Output	Output Indicator	Audited Actual Performance 2021/22	Audited Actual Performance 2022/23	Planned Annual Target 2023/24	Actual Achievement 2023/24	Deviation from Planned Target to Actual Achievement 2023/24	Reasons for Deviation
2. An effectively regulated Community Scheme Sector	2.2 Community Schemes Registration	2.2.1 Percentage of unregistered schemes registered	100% (925) registration of community schemes that have submitted scheme registration documents	98% (1213/1232) registration of community schemes that have submitted scheme registration documents	25% of unregistered community schemes registered	6,4% of unregistered community schemes registered (2 570 / 40 000 as the total number of community schemes unregistered as per the data cleansing database) ³	The target is under-achieved by 18,6% ⁴	Fewer than expected schemes submitted registration documents whilst other registrations were incomplete
		2.2.2 Percentage of registered Community Schemes compliant	No Target	60% (726 schemes compliant/ 1213 schemes registered)	65% of registered schemes compliant	69,2% (812 / 1174) registered schemes compliant	The target exceeded by 4,2%	Improved monitoring and management of performance. Compliance and Enforcement Investigators issued non-compliance notices to community schemes that were not complying.
	2.3 Schemes governance documentation management	2.3.1 Percentage of schemes governance documentation quality assured within 30 days	80% (Received 1806 scheme governance documents and quality assured 1444) of scheme governance documentation were quality assured	99% (1752 /1773) quality-assured schemes governance documentation	95% of schemes governance documentation quality assured within 30 days	99,6% (1330 / 1335) of schemes governance documentation quality assured within 30 days	The target exceeded by 4,6%	Improved monitoring and management of performance. Compliance and Enforcement Investigators issued non-compliance notices to community schemes that were not complying.
		2.3.2 Percentage of compliance certificates issued on all amended scheme governance documents	100% (1113 certificates) compliance certificates issued on all amended scheme documents	100% (736/736) of compliance certificates issued on all amended scheme documents	100% of compliance certificates issued on all amended scheme governance documents	100% (564 / 564) of compliance certificates issued on all amended scheme documents	Target achieved	Target achieved

³ The target was determined through an estimate of the total universe of community schemes in the country of 70 000. About 30 000 community schemes were registered prior to the 2023/24 financial year, resulting in a remaining 40 000 community schemes to be registered. To break this target down into a feasible and SMART target for the 2023/24 financial year, the CSOS committed to registering 25% (10 000) of the 40 000 community schemes. ⁴ 7 430 of the 10 000 community schemes targeted for registration in the 2023/24 financial year were not registered.

Programme 2: Regulation								
Outcome	Output	Output Indicator	Audited Actual Performance 2021/22	Audited Actual Performance 2022/23	Planned Annual Target 2023/24	Actual Achievement 2023/24	Deviation from Planned Target to Actual Achievement 2023/24	Reasons for Deviation
3. Effective Disputes Resolution	3.1. Dispute Resolution	3.1.1 Percentage of disputes assessed within 30 days	No Target	98.9% 10 748/ 10 869) of disputes assessed within 30 days	90% of disputes assessed within 30 days	96,4% (13 481 /13 972) of disputes assessed within 30 days	The target exceeded by 6,4%	Improved monitoring and management of performance
		3.1.2 Percentage of disputes conciliated within 45 days	73% (1783/2436) of disputes conciliated within 90 days	100% (3762/ 3762) of disputes conciliated within 90 days	90% of disputes conciliated within 45 days	95,3% (3 027 / 3 177) of disputes conciliated within 45 days	Target exceeded by 5,3%	Improved monitoring and management of performance.
		3.1.3 Percentage of disputes adjudicated within 90 days	28% (741/2642) of disputes adjudicated within 90 days	96.57% (5861/ 6069) of disputes adjudicated within 90 days	90% of disputes adjudicated within 90 days	97,4% (4 326 / 4 442) of disputes adjudicated within 90 days	Target exceeded by 7,4%	Implementation of the Turnaround Strategy by conducting weekly performance feedback as a monitoring tool.
		3.1.4 Percentage of adjudication orders quality assured within 7 days	No Target	100% (6008/ 6008) of adjudication orders quality assured within 7 days	95% of adjudication orders quality assured within 7 days	99,3% (4 738 / 4 769) of adjudication orders quality assured within 7 days	Target exceeded by 4,3%	Improved monitoring and management of performance.

3.2.2 Linking Performance with Budgets

Regulation	2023/24 R'000		2022/23 R'000	
	Estimated Budget	Actual Outcome	Estimated Budget	Actual Outcome
Goods and Services	R22 517	R19 178	R19 000	R17 593
Compensation of employees/Board	R136 036	R105 147	R93 531	R84 330
Total	R158 553	R124 325	R112 531	R101 923

3.3 Programme 3: Education and Training

The Education and Training Programme is responsible for ensuring that all stakeholders, being property owners, occupiers, and all other identified stakeholders are receiving CSOS consumer awareness and are trained.

The Education and Training Programme covers the work of the following business functions:

Business Function	Purpose
Stakeholder Training and Consumer Education	To provide training and general education on the rights and obligations in community schemes for conciliators, adjudicators, trustees, owners, occupiers, managing agents, and any other persons the CSOS deems necessary. To train and place Executive Managing Agents from previously disadvantaged groups to improve compliance in community schemes, where requested.

In contributing towards the Community Schemes Ombud Service desired impact of “governed, harmonious, empowered and transformed community schemes contributing to spatial justice, socio-economic transformation and the creation of liveable neighbourhoods”, the Education and Training Programme delivers against the following outcomes in the Strategic Plan:

- OUTCOME 4: Empowered Stakeholders
- OUTCOME 5: Transformation of Community Schemes Advanced

3.3.1 Outcomes, Outputs, Output Indicators, Targets and Actual Achievement

Stakeholder empowerment

As per section 4(2)(b) of the CSOS Act, it is the responsibility of the Entity to develop, identify and publicise education and information programmes for owners, occupiers, scheme executives, body corporates and other persons who have rights and obligations in community schemes. This helps to make the sector more inclusive, and it is important to prevent unnecessary disputes that arise as a result of misunderstandings and a lack of information.

Additionally, the CSOS focuses on educating adjudicators, conciliators, and executive committees. Through various initiatives, the CSOS aims to raise awareness of its services and promote registration among unregistered schemes.

Stakeholder engagement sessions and training workshops are conducted regularly, targeting both registered and unregistered schemes. These sessions help stakeholders understand the processes of the CSOS and encourage registration. Furthermore, the CSOS publishes a quarterly electronic newsletter containing updates on procedures, suggestions, and new directives. This newsletter is promoted through social media and the CSOS website.

The CSOS also monitors media coverage on a monthly and quarterly basis, including traditional and online platforms. News is categorised as positive, neutral, or negative, with any negative coverage promptly addressed by the relevant business unit. To elevate its reputation and address low ratings, CSOS will persist in deploying an Annual Marketing and Public Relations Strategy. This comprehensive strategy encompasses conducting awareness campaigns, refining complaint management, strengthening brand presence, and educating tenants, body corporates, and owners, among other initiatives.

In addition to the existing radio, television, print, and internet advertising, future efforts will include activations, events, and social media web series. This expansion aligns with the Marketing and Communications Strategy ratified by the Board, which advocates for allocating resources toward leveraging diverse platforms and channels to amplify the CSOS brand, enhance awareness, and disseminate educational messages.

To raise awareness, the CSOS held its inaugural Indaba on the 3rd and 4th of August 2023. This historic event brought together stakeholders, industry experts, and community representatives to debate crucial concerns confronting community schemes and provide innovative solutions for a brighter future. The CSOS also ran a 13-part educational radio campaign on SABC Radio in 10 official languages. The campaign's goal was to educate listeners on the CSOS' mandate and services, as well as their rights and responsibilities.

In the 2023/24 financial year, the CSOS website received a total of 2 430 000 impressions. This represents an increase of 192,4% over the 831 000 impressions made overall in the preceding fiscal year. The CSOS published organic content on several social media sites, including Facebook, YouTube, X (Twitter), and LinkedIn. CSOS' social media is rapidly expanding. At the end of the 2023/24 financial year, CSOS' Facebook page had 8 500 followers, an increase from the 5 721 followers it had at the end of the 2022/23 financial year.

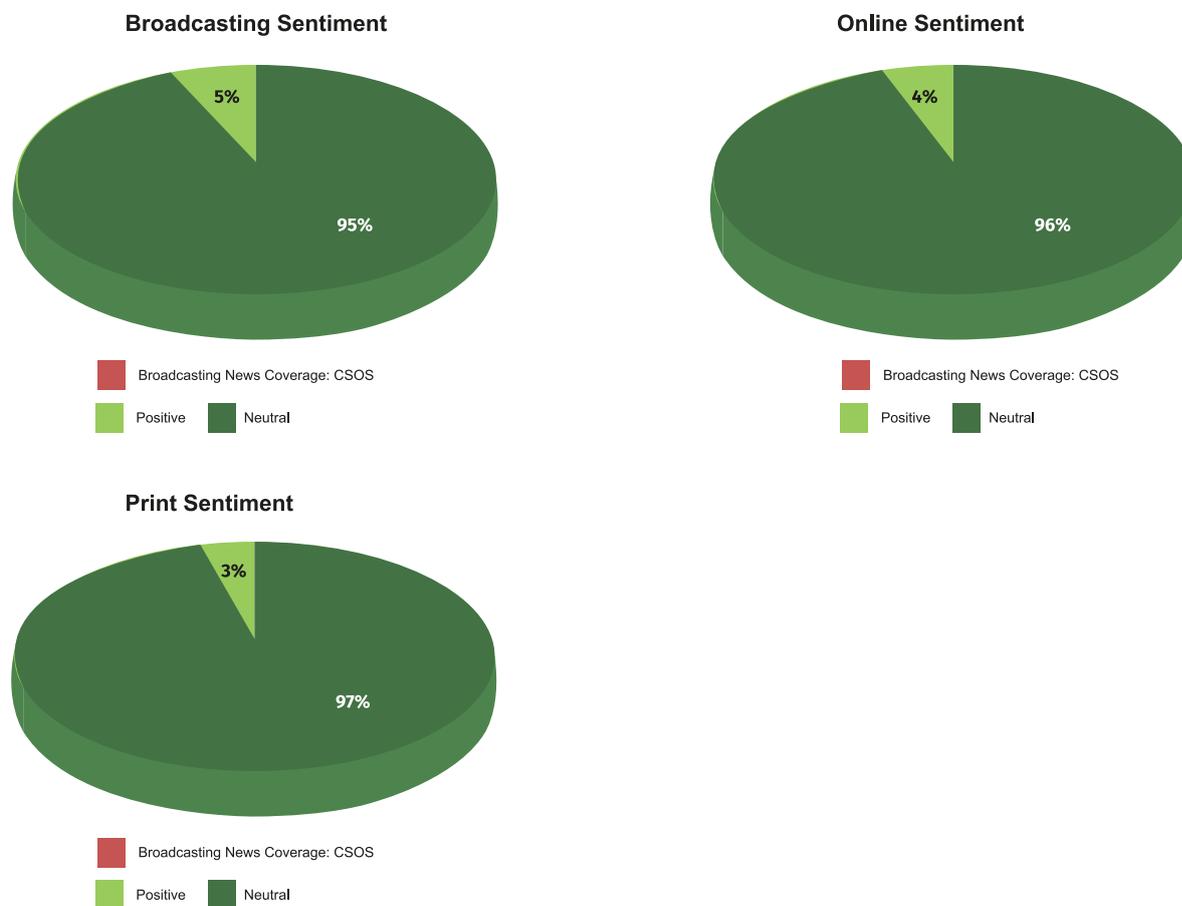


Figure 6: Media Coverage

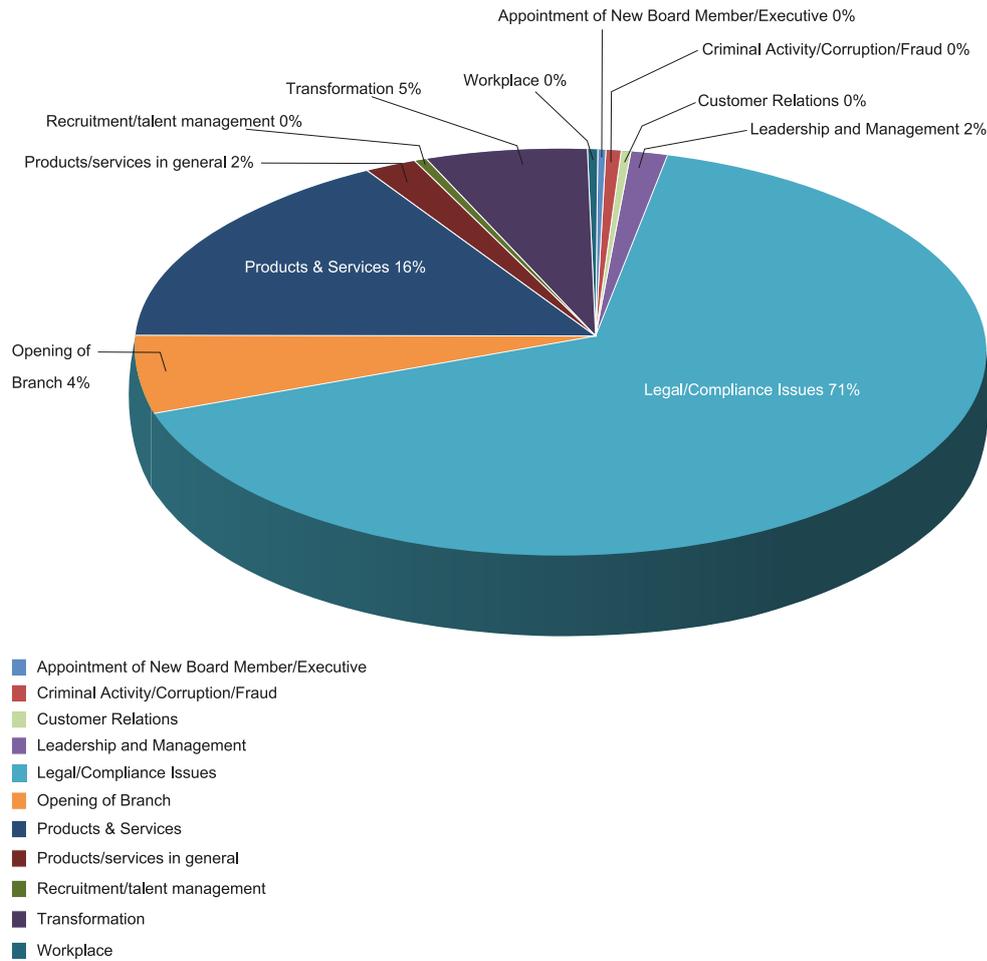


Figure 7: Categorisation of media coverage

The CSOS has entered into MOU agreements with the National Association of Managing Agents (NAMA) and the Association for Residential Communities (ARC). Part of the agreement entails the holding of at least one quarterly information-sharing session.

Body	Q1 date	Q2 date	Q3 date	Q4 date
NAMA	2023/07/29	2023/09/26	Deferred to Q4	2024/01/31 2024/03/25
ARC	2023/07/29	2023/09/26	Deferred to Q4	2024/01/31 2024/03/25
INFORMATION SESSIONS				
	Q1 Session Dates	Q2 date	Q3 date	Q4 date
	Ministerial Imbizo – Soweto 04 May 2023	Residential Investment & Dev Summit – Sandton GP 12 July 2023	Amashova Durban Classic 2023 Expo 20 October 2023	11 January 2024 Mbombela Office Launch

Body	Q1 Session Dates	Q2 date	Q3 date	Q4 date
	DHS Ministerial Imbizo – Khayelitsha, KZN 12 May 2023	DHS Ministerial Visit – Free State 1 – 3 August 2023	PPRA Stakeholder and Consumer Awareness 07 November 2023	18 January 2024 – Presidential Launch of the Northern Cape Provincial R1B Housing Project
	ARC Conference – Boschenmeer, Cape Town 16 -18 May 2023	Inaugural CSOS Indaba – Fourways, GP 3 – 4 August 2023	DHS Minister's Community Imbizo 21 November 2023	07 March 2024 Presidential Imbizo – Mpumalanga
	George Office Launch – George 18 May 2023	DHS Women Indaba – Kimberely, NC 19 – 20 August 2023	DHS NGO and Civil Society Summit Entities 2023 Exhibition 30 November 2023 - 01 December 2023	08 March 2024 - DHS International Women's Day Celebration
	NAMA Conference and Expo – Gallagher, Midrand 19 May 2023	Training of EMAs – Sandton, GP 6 September 2023	South Africa Kenya Affordable Housing Forum 14 December 2023	14 March - PPRA Stakeholder and Consumer Awareness I Kempton Park
	Polokwane Office Launch – Polokwane, Limpopo 25 May 2023	NAMA Community Expo – Gateway Hotel, KZN 15 – 16 September 2023		15 March 2024 – CSOS and City of Cape Town collaboration - Consumer Rights
	SHRA and DHS Open Day – Bloemfontein, Free-State 31 May 2023	GCIS Government Exhibition Day – Randfontein, GP 22 September 2023		19 March 2024 - PPRA Stakeholder and Consumer awareness – Durban
	Comrade Marathon Expo – Durban, KZN Day 1 08 June 2023			29 March 2024 Focus Group Engagement with EMA's
	Comrade Marathon Expo – Durban, KZN Day 2 09 June 2023			

Body	Q1 Session Dates	Q2 date	Q3 date	Q4 date
	Comrade Marathon Expo – Durban, KZN Day 3 10 June 2023			
	Comrade Marathon Race – Durban, KZN 11 June 2023			

Table 19: Industry Body engagements

At quarterly industry meetings with ARC and NAMA, the CSOS delegation was led by the Chief Ombud and supported by the Regional Ombuds, Adjudicator General, Manager: Governance, Compliance and Enforcement, Manager: Marketing and Communications. The agenda is the same for both where industry matters of concern as well as CSOS operational updates are discussed. For the reporting period regional information sessions were held in the Western Cape Region, KwaZulu-Natal Region, Gauteng and Head Office.

Knowledge management

The Knowledge Management project has reached finality and will be fully operational in the new financial year. This will surely enhance the quality of assessment, conciliation, and adjudication of disputes. Other additional mechanisms to ensure the improvement of the disputes processes was the establishment of a Forum for Case Management Officers. This forum will enable Case Management Officers to engage in aspects of assessments that are common to all. The Forum for Conciliators and Adjudicators also continued during the period under review and number of sessions were held including training on the Protection of Personal Information Act 4 of 2013.

Advancing transformation of the sector

The CSOS is bound by the STSMA to appoint a panel of Executive Managing Agent (EMA) for those community schemes that could not appoint an EMA via a special resolution. An EMA means a qualified managing agent with the required skill and experience, who is appointed to carry out all the functions and powers of the Trustees of a Body Corporate (BC) in terms of Prescribed Management Rule (PMR) 28 of the STSMA Act. In the 2023/24 financial year, four of the EMAs from the CSOS database were appointed by Schemes to perform functions and exercise the powers that would be performed by scheme executives. Participation of PDI EMAs in the sector is envisaged to continue growing in the medium term and efforts are being made to find more avenues to have more of these EMAs appointed to community schemes.

Programme 3: Education and Training								
Outcome	Output	Output Indicator	Audited Actual Performance 2021/22	Audited Actual Performance 2022/23	Planned Annual Target 2023/24	Actual Achievement 2023/24	Deviation from Planned Target to Actual Achievement 2023/24	Reasons for Deviation
4. Empowered stakeholders	4.1 Training and Education	4.1.1 Number of training and education sessions conducted for schemes executives and owners	73 training and education sessions conducted which consisted of a combination of contact, virtual training, webinars, and YouTube videos	103 training and education sessions conducted for schemes executives and owners	85 training and education sessions conducted for schemes executives and owners	125 training and education sessions conducted for schemes executives and owners	Target exceeded by 40	Overachievement is as a result of the virtual training sessions and collaboration with the Rental Housing Tribunal.
		4.1.2 Number of training sessions conducted for adjudicators and conciliators	14 training sessions were conducted for adjudicators and conciliators	16 training sessions conducted for adjudicators, conciliators and stakeholders	16 training sessions were conducted for adjudicators and conciliators	21 training sessions conducted for adjudicators and conciliators	Target exceeded by 5	Concerted effort to upskill adjudicators and conciliators.
	4.2 Stakeholder Information	4.2.1 Number of stakeholder information sessions conducted	17 Stakeholder information sessions conducted	33 stakeholder information sessions conducted	18 stakeholder information sessions conducted	28 stakeholder information sessions conducted	Target exceeded by 10	Received more exhibition invitations than anticipated. In addition, the PR and marketing campaign is generating more possibilities for stakeholder education than envisaged.
	4.3 Marketing and Educational Campaigns	4.3.1 Percentage implementation of the Advocacy Plan	100% of the activities of the Marketing and Communications Plan Implemented	100% implementation of the Advocacy Plan	100% implementation of the Advocacy Plan	100% (48/48) implementation of the Advocacy Plan.	Target achieved	Target achieved

Programme 3: Education and Training								
Outcome	Output	Output Indicator	Audited Actual Performance 2021/22	Audited Actual Performance 2022/23	Planned Annual Target 2023/24	Actual Achievement 2023/24	Deviation from Planned Target to Actual Achievement 2023/24	Reasons for Deviation
5. Transformation of Community Schemes Advanced	5.2 Executive Managing Agents' Development	5.2.1 Number of previously disadvantaged individuals trained as Executive Managing Agents	23 previously disadvantaged individuals trained as Executive Managing Agents	22 previously disadvantaged individuals were appointed as Executive Managing Agents	40 previously disadvantaged individuals trained as Executive Managing Agents	42 previously disadvantaged individuals trained as Executive Managing Agents	Target exceeded by 2	More PDIs were onboarded as a result of head-hunting.
		5.2.2 Percentage of community schemes' requests for Executive Managing Agents awarded to previously disadvantaged individuals	0% (2 requests were received for appointment of EMA; however, the appointment process was not finalised by end March)	100% (3/3) of community schemes requests for Executing Managing Agents awarded to previously disadvantaged individuals	90% of community schemes' requests for Executive Managing Agents awarded to previously disadvantaged individuals	100% (4/4) of community schemes requests for Executive Managing Agents awarded to previously disadvantaged individuals	Target exceeded by 10%	All valid requests were processed and approved timeously.

3.3.2 Linking Performance with Budgets

Regulation	2023/24 R'000		2022/23 R'000	
	Estimated Budget	Actual Outcome	Estimated Budget	Actual Outcome
Economic classification				
Goods and Services	R16 256	R7 141	R6 795	R5 325
Compensation of employees/Board	R16 743	R12 941	R12 217	R10 379
Total	R32 999	R20 082	R19 012	R15 704

3.4 Strategy to Overcome Areas of Underperformance

Supply chain management

Procurement of goods and services from designated groups remains a challenge for the Entity. Mainly with the procurement spend targeted at businesses owned by persons with disabilities and military veterans groups. Some of the reasons for this underperformance are that these target groups are under-capacitated, especially on technical goods and services; and that there is limited access to the military veterans' database even after signing a memorandum of understanding (MOU) with the Department of Military Veterans, and contracted service providers account for a larger portion of the procurement expenditure. Lack of technical expertise in specialised projects that are of high rand value within the designated groups has also been noted as a key challenge. This has inhibited the target groups' participation in the procurement process and response to the RFQ's and tenders issued.

The Entity did not achieve 100% implementation of its procurement plan for the 2023/24 financial year, resulting in a number of the projects being rolled over to the 2024/25 financial period. This roll-over has contributed to lower-than-expected spending of the budget for the 2023/24 financial year. In addition, the cancellation of the tenders during the 2023/24 financial period has contributed to the underperformance of the Entity in terms of spending on goods and services. These cancellations were a result of bidders not responding to the terms of reference and terms of reference issued which could not be evaluated.

Strategies for addressing underperformance:

- Supplier education workshop for the Military Veterans was held on 29 February 2024. 298 Military Veterans suppliers were registered on the database.
- Invite the suppliers on the Military Veterans database to respond to RFQs. RFQ invitations are shared with the business empowerment unit at the Department of Military Veterans (DMV).
- Advertise for database registration with the CSD and CSOS database, and register suppliers that are women, youth, persons with disabilities, and military veterans owned to the database.
- Early submission of business plans and terms of reference no later than the end of the first quarter for the 2024/25 financial year.
- Training on evidence handling for all the Bid Committees.

Revenue management

There was a decrease in the collection of the revenue for the 2023/24 financial year against the projected revenue. The underperformance in revenue collection is attributed to the low registration of schemes in the 2023/24 financial year and the reduction of the admin levy by schemes, which the CSOS levy is based on. This has led the Entity to use some of its reserves to meet its operational obligations.

Strategies for addressing underperformance:

- Training of Managing Agents and scheme on levy payment conducted in continuous stakeholder sessions.
- Online levy payment reminders and awareness issued on all CSOS social media platforms.
- Ongoing stakeholder engagements, customer statements and invoice templates showing our bank account number and reference number and how they should be utilised.
- Re-issue unallocated drive advert.

Governance, compliance and enforcement

Schemes not registering as anticipated due to the requirement for supporting documents whilst other registrations were incomplete. There is a lack of power to enforce scheme registration and the payment of levies. In addition, there are persistent CSOS Connect challenges that impede the efficient process of online scheme registration. The registration of community schemes is a core mandate deliverable that will receive significant attention in the 2024/25 financial year.

Strategies for addressing underperformance:

- Implementation of the Amendment Practice Directive with support provided to schemes to ensure that required supporting documents are submitted within 30 days.
- Engagements with managing agent to provide a list of all the schemes currently managed under their portfolio.
- Coordinate registration awareness and follow through on responses.
- Compliance Notices issued to non-registered schemes.

Dispute resolution

Dispute resolution targets have been met. However, the statistics have shown an increasing number of rollover matters / carried-over matters. The Entity will focus on solutions to address rollover matters / carried-over matters.

Strategies for addressing underperformance:

- Additional internal training sessions targeted at time management and organisational skills will be conducted.

4 REVENUE COLLECTION

Sources of revenue	2023/24			2022/23		
	Estimate	Actual Amount Collected	(Over)/Under Collection	Estimate	Actual Amount Collected	(Over)/Under Collection
	R'000	R'000	R'000	R'000	R'000	R'000
CSOS Levies	408 205	398 304	9 901	263 514	333 655	(70 141)
Interest Income: Exchange	10 462	21 361	(10 899)	9 511	16 388	(6 876)
Interest Non-Exchange	1 881	5 005	(3 124)	-	1 792	(1 791)
Government grant	24 912	-	24 912	24 817	24 817	-
Other revenue	83	780	(697)	70	164	(94)
SETA Funding Grant	-	204	(204)	-	-	-
Surplus retention	212 100	-	212 100	133 971	-	133 971
Total	657 643	425 654	231 989	431 883	376 816	55 067

5 CAPITAL INVESTMENT

Infrastructure Projects	2023/24			2022/23		
	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Property Plant and Equipment	17 298	14 300	2 998	16 324	3 981	12 343
Intangible Assets	50 548	5 877	44 671	47 993	11 655	36 338
Total	67 846	20 177	47 669	64 317	15 636	48 681



GOVERNANCE

PART C

1 INTRODUCTION

Corporate governance embodies processes and systems by which public entities are directed, controlled and held to account. In addition to legislative requirements based on a public entity's enabling legislation, and the Companies Act, corporate governance with regard to public entities is applied through the precepts of the Public Finance Management Act (PFMA) and runs in tandem with the principles contained in the King's Report on Corporate Governance. Parliament, the Executive and the Accounting Authority of the public entity are responsible for corporate governance.

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

2 PORTFOLIO COMMITTEES

Parliament exercises its oversight role of the CSOS by interrogating its Annual Financial Statements and other relevant documents that must be tabled, as well as any other documents tabled from time to time, and evaluating its performance accordingly. This oversight role is fulfilled by the Portfolio Committee on Human Settlements and the Standing Committee on Public Accounts (SCOPA).

The Portfolio Committee oversees service delivery and performance in accordance with the mandate and corporate strategy of the CSOS. It reviews financial and non-financial information such as efficiency and effectiveness measures and therefore reviews the non-financial information contained in the Annual Report of the CSOS. The SCOPA oversees the financial performance and accountability of the CSOS in terms of the PFMA. It therefore reviews the Annual Financial Statements and audit reports of the CSOS' external auditor. For the period under review, the CSOS appeared before the Portfolio Committee on the following dates:

Date	Purpose
03 May 2023	Briefing the Portfolio Committee on the Community Schemes Ombud Services (CSOS) the Strategic and Annual Performance Plan for the 2023/24 Financial Year.
18 October 2023	Briefing the Portfolio Committee on the CSOS Annual Report and the Audit Outcomes for the 2022/23 Financial Year.
08 December 2023	The Portfolio Committee met to consider a report on the participation of the Committee in the CSOS Indaba held from 03 – 04 August 2023.

Table 20: Portfolio Committee Engagements

3 EXECUTIVE AUTHORITY

The CSOS Act provides the Executive Authority of the CSOS vested in the Minister. The Minister of Human Settlements is the Executive Authority of the CSOS and is concerned with the financial viability and risks of the CSOS, as well as policymaking and monitoring of policy implementation to ensure that the CSOS effectively delivers on its mandate.

Oversight by the Executive Authority rests by and large on the prescripts of the PFMA which gives authority to the Executive Authority for oversight powers. During the 2023/24 financial year, the following organisational plans and quarterly performance reports were submitted to the Executive Authority within the periods as stipulated by the National Treasury and the Department of Planning, Monitoring and Evaluation (DPME).

Submission	Submission Date
Quarter 4 QPR 2022/23	30 April 2023
Quarter 1 QPR 2023/24	29 July 2023
Quarter 2 QPR 2023/24	30 October 2023
Revised CSOS 2022/23 Annual Performance Report	31 October 2023
Revised 2023/24 Shareholder Compact	11 November 2023
Quarter 3 QPR 2023/24	30 January 2024
Final Draft 2024/25 Annual Performance Plan	31 January 2024

Table 21: Executive Authority Submissions

4 THE ACCOUNTING AUTHORITY / BOARD

The Importance and Purpose of the Board

Governance of the CSOS and responsibility for promoting good corporate citizenship is vested in the Board of Directors, supported by its committees and the Company Secretary. The Board is the Accounting Authority of the CSOS, established in terms of Section 49 of the PFMA, 1999 and Section 6 of the CSOS Act, 2011. Section 6 (2) of the CSOS Act states that the Board is responsible for the management and governance of the CSOS.

The Board guides the strategic direction of the CSOS and monitors progress in executing the business strategy. The Board ensures that the organisation complies with the legislative requirements.

The Board is accountable to the Executive Authority for the performance of the CSOS and provides a fundamental base for the application of corporate governance principles. CSOS adheres to a governance framework as informed by, but not limited to:

- The Constitution of the Republic of South Africa (Act No. 108 of 1996).
- The Companies Act (Act No. 71 of 2008).
- The Public Finance Management Act (PFMA) (Act No. 1 of 1999).

- National Treasury Regulations.
- The CSOS Act (Act No.108 of 1997).
- The CSOS 2023/24 Shareholder Compact.
- The CSOS Board 2023/24 Charter.
- The King IV Report on Corporate Governance, 2016.
- The Protocol on Corporate Governance in the Public Sector.
- The Public Sector Risk Management Framework.
- Protection of Personal Information Act, 2013.

Board Roles and Responsibilities

The Shareholders Compact, signed with the Department of Human Settlements, together with the Board Charter are instrumental tools defining the roles, functions, responsibilities, and powers of the Board. The two documents are reviewed annually as per corporate governance requirements.

The Board is tasked in line with King IV with providing ethical leadership, managing the organisation's ethics effectively, and ensuring that the Entity is a responsible citizen. Corporate governance principles are adhered to, while fully appreciating that strategy, risk, performance and sustainability are integrated. Broadly speaking, the Board is expected to act in the best interests of the Entity. Among other things, the role of the Board is as follows:

- It holds absolute responsibility for the performance of the CSOS.
- It retains full and effective control over the CSOS.
- It has to ensure that the CSOS complies with the applicable laws, regulations and legislation.
- It formulates, monitors, and reviews corporate strategy, major plans of action, Risk Policy, annual budgets and business plans.
- It ensures that the shareholders' performance objectives are achieved.
- It manages potential conflicts of interest.
- It is responsible for formulating and implementing policies that are necessary to achieve the CSOS' strategic goals and maintain good governance.
- It has unrestricted access to the information of the CSOS.
- It monitors the efficiency and effectiveness of Management and supports Management in implementing Board strategies and policies.
- It ensures that the Annual Financial Statements are prepared.
- It appraises the performance of the Board collectively and individually.
- It ensures effective Board induction.

The CSOS 2023/24 Shareholder Compact

The relationship between the Department of Human Settlements and the Board of the CSOS is regulated through the Shareholder Compact Agreement.

The Department of Human Settlements has adopted the Shareholder Compact Agreement as a good governance principle for effective governance oversight and accountability and also in pursuit of the Auditor-General of South Africa (AGSA) recommendation that the Minister must enter into a Shareholder Compact Agreement with Public Entities fully or substantially funded by the National Revenue Fund or other money imposed in terms of national legislation to promote principles of good corporate governance.

The Shareholder Compact Agreement represents a basis for the designation and agreement of expectations, performance outcomes, and roles and responsibilities between the Minister as the Shareholder and the CSOS Board, with the intention of ensuring effective and efficient service delivery and performance monitoring.

The CSOS 2023/24 Board Charter

As recommended by King IV, the Board is governed by the Board Charter which details the roles, structures and functions of the Board, its various sub-committees, Chairpersons and the CEO. The Board Charter regulates how the Board and individual members discharge their responsibilities according to the principles of good governance. The charter aims to ensure that all the Board Members understand their duties and responsibilities, as well as the laws, regulations and best practices governing their conduct. It also details the division of responsibilities at the board level and between the Board and Management.

The Board Charter was approved by the Board in March 2023. In giving effect to the responsibilities of the Board as they are set out in the Charter, Board Committees were established and constituted in line with the approved terms of reference. The Committee meetings were held in order to deliberate on matters that were for the consideration and approval of the Board. The directors also fulfilled their fiduciary duties to the entity, in line with the requirements of the Charter.

Composition of the Board

Section 6(3) of the CSOS Board outlines the composition of the Board. The Board consists of two executive members; and seven non-executive members. The Minister of Human Settlements appoints seven non-executive members of the first Board for a period not exceeding three years. Board members are eligible for re-appointment on expiry of their respective terms; and may not serve for more than two consecutive terms of Office.

The CSOS Board is diverse in respect of origin, gender, race and education. As of 31 March 2022, 57% of the Board members are women. On 1 January 2022, the Minister of Human Settlements appointed the Board comprising:

Name	Designation (In terms of the Public Entity Board structure)	Date Appointed	Date Resigned	Qualifications	Area of Expertise	Board Directorships (List the entities)	Other Committees of Task Teams (e.g.: Audit Committee/ Ministerial Task Team)	No. of Meetings Attended
Ms. P Mthethwa	Chairperson of the Board Chairperson of the Governance Committee	1 January 2022	N/A	Master of Management in Business Executive Coaching – In progress (Wits) B Comm in Accounting and Human Resources Management (Wits) Management Development Program- (USB) AFM Theological Seminar, Auckland Park, B Theory. Cert. Director (IODSA)	Strategic leadership, corporate services and public governance, B-BBEE management	South African National Blood Services	HR-REMCO Finance Committee	17 of 17 meetings
Mr. D Goliath	Deputy Chairperson of the Board Chairperson of the Social and Ethics Committee	1 January 2022	N/A	Business Leadership Program (UCT) Graduate School of Business Executive Education (UCT) Postgraduate Dip in Education (UWC) Finance for non-financial Managers (UCT) Dip in Education (UWC) Ba BEd LS-D - (UWC)	Alternative Dispute Resolution and facilitation skills	None	Audit and Risk Committee Governance Committee	17 of 17 meetings

Name	Designation (In terms of the Public Entity Board structure)	Date appointed	Date Resigned	Qualifications	Area of Expertise	Board Directorships (List the entities)	Other Committees of Task Teams (e.g.: Audit Committee/ Ministerial Task Team)	No. of meetings attended
Ms. M Ramatabo e	Board member Chairperson of the ARC	1 January 2019	N/A	CA (Lesotho), MBA (University of the Free State) Accredited Associate of the Institute of Independent Business (UK)	Banking Risk Management & Compliance Financial Management Accounting and Auditing Corporate Governance Pensions Strategic Management	None	Social and Ethics Committee Governance Committee	17 of 17 meetings
Ms. T Godongwana	Board Member Chairperson of HR-REMCO	1 August 2022	N/A	BSc (Fort Hare), Bed (Unisa), HDE (Fort Hare), Master of Management Finance (Wits), Business Management Diploma (Damelin)	Strategic leadership, corporate services and public governance	None	Finance Committee Legislation, Adjudication and Transformation Committee Governance Committee	14 of 17 meetings
Adv. M Xulu	Board Member Chairperson of LATCOM	1 January 2022	N/A	Adv of the Hight Court LLB (Unisa), LLM (Unisa) current studies	Corporate governance and legal	None	Audit and Risk Committee Governance Committee	17 of 17 meetings
Ms. N Shandu	Board Member Chairperson of the Finance Committee	1 January 2022	N/A	Advanced Certificates in Management Practices 2021-Henley Business School, M (Eng.) Industrial 2018-University of Witwatersrand, BSc (Eng.) Civil 2013-University of Witwatersrand	Project and Risk Management	None	HR-REMCO Governance Committee	16 of 17 meetings

Name	Designation (In terms of the Public Entity Board structure)	Date appointed	Date Resigned	Qualifications	Area of Expertise	Board Directorships (List the entities)	Other Committees of Task Teams (e.g.: Audit Committee/ Ministerial Task Team)	No. of meetings attended
Mr. S Rakolote	Board Member	1 January 2022	N/A	Masters in Conflict Resolution and Management (NMU) current studies, Management Development Programme in BBBEE (Unisa) Master's in Public Administration (Unisa) Public Participation Cert- (Sun), Monitoring and Evaluation Cert – (Rhodes), B-Tech in Education Management - Unisa, Emerging Management Development Program Cert. (UP) National Diploma in Child and Youth Development (Unisa), Sports Management Diploma – Boston City Campus, Secondary Teachers Diploma – Mamo Kgale ke Chuene College of Education.	Corporate Services and Stakeholder Management. HR Management	None	Finance Committee HR-REMCO	16 of the 17 meetings

Board Sub-Committees

The Board is supported by various committees, to which it delegates authority without diluting its own accountability. These committees exercise their authority in accordance with terms of reference approved by the Board, and which define their composition, mandate, roles and responsibilities. The terms of reference of each committee are aligned to the Shareholders Compact and the Board Charter.

Section 12(4) of the CSOS Act allows the Board to appoint specialists to a committee for their technical support. Ms S Dikwayo and Ms S Mkhize were appointed as independent non-executive members of the ARC. Mr T Kekana and Mr G Matthee were appointed as independent non-executive members of the Finance Committee. Each committee is chaired by a non-executive member of the Board as required by Section 12(4) of the CSOS Act.

Committee	Mandate	No. of Meetings	No. of Members	Name of Members
Human Resources and Remuneration Committee	The committee's main focus is on performance, remuneration for CSOS employees, as well as other Human Capital matters.	7	4	Ms T. Godongwana (Chairperson); Ms M P. Mthethwa; Ms N. Shandu; Mr S D. Rakolote.
Finance Committee	The committee assists the Board in discharging its duties in relation to governance and oversight regarding financial management.	4	4	Ms N. Shandu (Chairperson); Mr S D. Sediko; Ms T Godongwana; Ms M P Mthethwa; Mr T. Kekana; Mr G. Matthee.
Audit and Risk Committee	The committee assists the Board in discharging its duties in relation to oversight of financial management and reporting processes, audit processes and systems of internal control Risk Evaluation and Risk Management.	11	5	Ms M. Ramataboe (Chairperson); Mr D. Goliath; Adv M. Xulu; Ms S. Dikwayo; Ms S. Mkhize.
Social and Ethics Committee	The committee assists the Board in setting the ethical tone within the CSOS and fulfilling its social and ethical duties in terms of Section 72(4) of the Companies Act No. 71 of 2008 and King IV, 2016.	5	4	Mr D V. Goliath (Chairperson); Mr S D. Rakolote; Ms M. Ramataboe; Ms M P. Mthethwa.
Legislation, Adjudication and Transformation Committee	The committee assists the Board in exercising oversight over the core regulatory business of the CSOS	7	3	Adv M D. Xulu (Chairperson); Mr D Goliath; Ms T Godongwana.
Governance Committee	Ensure that there is a robust and effective process for evaluating the performance of the Board, Board Committees and individual directors and ensure that the Board fulfils its legal, regulatory, and functional responsibilities.	4	6	Ms M P. Mthethwa (Chairperson); Mr D Goliath; Ms M. Ramataboe; Ms N. Sithole; Adv M D. Xulu; Ms T. Godongwana.

Remuneration of Board Members

Name	Designation (in terms of the Public Entity Board structure)	Remuneration	Other Allowances	Other Reimbursements	Total
MP Mthethwa	Chairperson	R853 954.00	R0.00	R4 968.00	R858 922.00
DG Goliath	Deputy Chairperson	R880 075.00	R0.00	R2 109.00	R882 184.00
S Rakolote	Board Member	R350 740.00	R0.00	R2 749.00	R353 489.00
Adv MD Xulu	Board Member	R588 164.00	R0.00	R10 153.00	R598 317.00
N Shandu	Board Member	R458 660.00	R0.00	R2 031.00	R460 691.00
M Ramataboe	Board Member	R566 580.00	R0.00	R1 733.00	R568 313.00
T Godongwana	Board Member	R423 586.00	R0.00	R0.00	R423 586.00
Total		R4 121 759.00	R0.00	R23 743.00	R4 145 502.00

5

RISK MANAGEMENT

The CSOS has committed itself to a Public Sector Risk Management Framework, which is based on Enterprise Risk Management (ERM) principles articulated in the Community of Sponsoring Organisations (COSO) and International Organisation for Standardisation (ISO) 31000 frameworks. The framework also recognises the King Code of Good Governance Principle 11. Risk Management in CSOS is fundamental for the delivery of the Entity's mandate and the achievement of all corporate objectives. The Board exercised oversight in the implementation and management of risks within the organisation and the Audit and Risk Committee advised the Entity on risk management and independently monitored the effectiveness of the systems within risk management. The CSOS ensured that risk is not only seen as a threat but as an opportunity to enhance its commitment to continuous improvement.

During the period under review, the Risk Management Unit reviewed the Risk Management Policy and Framework, which were presented to and approved by the Executive Committee (EXCO), Audit and Risk Committee (ARC) and Board. In addition, the Risk Management Unit conducted risk assessments within the various programmes of the Entity, to determine the effectiveness of its Risk Management Policy and to identify new and emerging risks.

Resulting of these risk assessments, the revised Strategic and Operational Risk Register as well as a Fraud Risk Register were realigned to focus on the newly identified risk mitigation strategies. A strategic Risk Register which contains 10 risks that are considered to impede the achievement of the CSOS strategic outcomes was reviewed and approved by the Board. Business Units within the CSOS compiled risk registers aligned with divisional operational plans. Both the strategic and operational risks were monitored and reported to the Audit and Risk Committee on a quarterly basis. Furthermore, during this period, the Risk Appetite and Tolerance Framework was reviewed by Management and approved by the Board. The CSOS continuously manages the risks throughout the financial year using other measures such as Key Risk Indicators, and Key Control Indicators including Emerging Risks. These indicators signal if the identified risks are within the desired levels or if they are about to be breached.

6

INTERNAL AUDIT AND AUDIT COMMITTEES

6.1 Internal Audit

The Internal Audit Function at CSOS provides an independent, objective assurance and consulting service designed to add value and improve the organisation's operations. It helps the organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, compliance, and governance processes. The CSOS Internal Audit Function is responsible for the following:

- Evaluating controls, and risk management activities of the organisation and reporting on the effectiveness and efficiency of the implementation of management controls.
- Evaluating risks by identifying key activities and relevant risk factors and assessing their significance. The Internal Audit Function has adopted a more proactive and risk-based approach. This enables the function to anticipate possible future concerns and opportunities as well as identify current issues.
- Analysing operations and confirming information by closely working with line managers to review operations and then report their findings; and
- Reviewing compliance to ensure that the organisation is adhering to rules, regulations, laws, codes of practice, guidelines, and principles as they apply individually and collectively to all parts of the organisation.

The Internal Audit Function assesses and makes appropriate recommendations for improving risk and governance processes to accomplish the following objectives:

- Promote appropriate ethics and values within the organisation.
- Achieve effective organisational performance management and accountability.
- Communicate risk and control information to appropriate areas of the organisation.
- Assist Management in achieving the organisation's strategic objectives.
- Secure reliability and integrity of financial and operational information.
- Operate effectively and efficiently.
- Safeguard of assets; and
- Comply with laws, regulations, policies, and procedures.

The Internal Audit Function strives to conform to the International Standards for the Professional Practice of Internal Auditing and performs its activities in compliance with the PFMA, National Treasury Regulations and the King IV Report on Corporate Governance. Accordingly, Internal Audit adopted a risk-based approach, and its Annual Audit Operational Plan is approved by the Audit and Risk Committee. The Audit Operational Plan is flexible and responsive to CSOS' risk profile. The purpose, authority and responsibility of the Internal Audit Function is formally defined in the Internal Audit Charter. Internal Audit reports functionally to the Audit and Risk Committee and has full and unrestricted access to all organisational activities, records, property, and personnel.

6.2 Audit and Risk Committee

The Audit and Risk Committee is responsible for an oversight role and monitoring the effectiveness of internal control; financial controls and risk management; compliance with legislation and regulations, overall good governance, and the review of the Annual Financial Statements. Internal Audit reports to the Audit and Risk Committee on a quarterly basis and submits written annual assessments of controls at the end of each year.

The table below discloses relevant information on the Audit Committee Members:

Name	Qualifications	Internal or External	If internal, position in the public entity	Date appointed	Date Resigned	No. of Meetings attended
Ms. M Ramataboe	CA (Lesotho), MBA (University of the Free State) Accredited Associate of the Institute of Independent Business (UK)	Internal	N/A	1 January 2019 and reappointed on 1 January 2022	N/A	11 of 11 meetings
Mr D Goliath	Business Leadership Program (UCT Graduate School of Business Executive Education (UCT) Postgraduate Dip in Education (UWC) Finance for non-financial Managers (UCT) Dip in Education (UWC) Ba BEd LS-D - (UWC)	Internal	N/A	1 January 2022	N/A	10 of 11 meetings
Adv M Xulu	Adv of the Hight Court LLB (Unisa), LLM (Unisa)	Internal	N/A	1 January 2022	N/A	9 of 11 meetings
Ms S Dikwayo	Member of the South African Institute of Chartered Accountants (SAICA); Postgraduate Diploma in Applied Accounting Sciences Certificate in Part II Auditing Specialist Course Initial Test of Competence (ITC) – (January 2013); Master of Philosophy in Development Finance (2020); Postgraduate Diploma in Applied Accounting Sciences (2012); Bachelor of Commerce in Accounting (2007).	External	N/A	16 September 2022	N/A	10 of 11 meetings
Ms S Mkhize	Bachelor of Commerce Master of Business Leadership Certificate in Development and Management of Local Government Certificate in Municipal Executives' Financial Management	External	N/A	3 March 2023	N/A	11 of 11 meetings

7

COMPLIANCE WITH LAWS AND REGULATIONS

The Board recognises its accountability to its stakeholders under the regulatory requirements applicable to its business and remains committed to high standards of integrity and fair dealing in its conduct. Given the importance of complying with the ever-increasing domain of regulatory requirements, and the increased national and international emphasis placed on regulatory supervision, the Board, Executive Committee, and employees continue to monitor, align, and adhere to compliance requirements.

Further, during this period, CSOS developed its Regulatory Compliance Universe, detailing a list of laws, rules, best practice standards and codes that affect the CSOS either directly or indirectly. This Compliance Universe shall be updated annually, and as and when there are developments in the CSOS regulatory environment. A compliance monitoring tool was utilised to maintain a compliance culture by ensuring that the CSOS identified and complied with applicable laws, rules, codes, and best practice standards.

Currently, there are 67 pieces of legislation that have been recorded for the CSOS Regulatory Universe. The Compliance focus for the period was selectively limited to 20 pieces of legislation that were clustered for compliance monitoring. The Risk Management Unit and Legal Services Unit were both capacitated to ensure compliance. Furthermore, all identified gaps were closed to mitigate the risks of not complying with applicable laws and mandatory requirements. This is to fast-track the completion of tasks and projects such as the review of the CSOS Regulatory Compliance Register and Legislative Review Project which entails the amendment of the CSOS and STSM Acts and Regulations thereto.

The CSOS remains vigilant in monitoring material risks and developing an appropriate control environment to ensure organisation-wide compliance. The Board oversees compliance management and has delegated the review and approval of the organisation's compliance programme to the Audit and Risk Committee and the Social and Ethics Committee.

8

FRAUD AND CORRUPTION

Fraud and corruption erode good governance and obstruct service delivery hence the CSOS is committed to a zero-tolerance approach to fraud and corruption. The CSOS has an Anti-Fraud and Corruption Prevention Policy and Strategy and Whistle Blowing Policy which were reviewed and approved by the Board during the period under review. The Whistleblowing Policy enables officials and third parties to report fraud and corruption anonymously. One of the fraud prevention measures at CSOS entails pre-employment screening of prospective employees to ensure employees of the CSOS have and maintain integrity. By performing pre-employment screening the potential risk that a person may pose to the CSOS is determined and areas of concern detected before appointments are made.

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

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

To enhance the Fraud risk culture in the Entity, Risk Management performed and conducted the following during the period:

- An organisational-wide awareness of the CSOS Anti-Fraud and Corruption Policy and Strategy was conducted during the quarterly Organisation Team-Talk sessions.
- The Anti-Fraud and Whistle Blowing pamphlets were displayed at the CSOS Head and Regional Offices as well as screen savers on the employees' computers.
- Risk Management commemorated the International Fraud Awareness Week (12 – 18 November 2023) which encourages business leaders and employees to proactively take steps to minimise the impact of fraud by promoting anti-fraud awareness and education. Fraud awareness is critical at a time when organizations around the world lose an estimated five percent of their annual revenues to fraud.

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



**PLAY YOUR PART
BLOW
THE WHISTLE ON
CORRUPTION**

It is your responsibility to report fraud and corruption.
Members of the public must report fraud and corruption they witness anywhere – no matter how small or big.

Disclosure may be made by using any of the following methods:

- CSOS Fraud hotline: +27872889684.
- E-mail: Fraudalert@csos.org.za.
- Telephone: 0800 701 701 National Anti-Corruption Hotline (NACH) toll free number.
- Website: publicservicecorruptionhotline.org.za.
- E-mail: Integrity@publicservicecorruptionhotline.org.za

www.csos.org.za

Twitter: @CSOS_SA Facebook: CSOS.SouthAfrica

STOP CORRUPTION
FIGHTING CORRUPTION IS EVERYONE'S BUSINESS

CSOS
Community Schemes
Ombud Service

9 MINIMISING CONFLICT OF INTEREST

Risk Management facilitated a Fraud Risk Assessment for the period under review and appropriate segregation of duties and internal controls are in place to mitigate the identified risks of any conflict of interest that may arise from the supply chain management process.

10 CODE OF CONDUCT

The Code of Conduct provides direction for employees with regard to their employment relationship with the CSOS management, the Board, its stakeholders, fellow employees and the public, and indicates the spirit in which employees should perform their duties, what should be done to avoid conflicts of interest and what is expected of them in terms of their personal conduct in public and private life. Secondly, the Code of Conduct is a guideline to all CSOS employees for the purposes of indicating what is expected of them from an ethical point of view, both in their individual conduct and in their relationship with others. Furthermore, compliance with the

Code of Conduct is necessary for the purposes of enhancing professionalism and to ensure confidence in the CSOS and it must be read in conjunction with the Whistle-blowing policy/process. CSOS reviewed the Code of Conduct, which was adopted by the Board and widely publicised to all staff to guarantee compliance. The Code of Conduct complements other human capital policies, such as the Talent Acquisition and Onboarding Policy, which requires a thorough recruitment process for new employees.

The goal is to attract and retain bright personnel while also assessing the potential of organisational conflict with CSOS values. This is a crucial aspect in deciding whether to confirm the appointment or not. On an annual basis, employees are expected to complete a declaration of interest and financial disclosure form. This is another strategy for ensuring that employees consistently comply with the highest standards of ethical behaviour within the CSOS.

Moreover, to prevent breaches of Code of Conduct, CSOS aims to integrate newly appointed employees into the CSOS' culture, policies, norms, and values within a month of their appointment. CSOS also developed a transparent and well-communicated Disciplinary Policy, which outlines clear guidelines for reporting misconduct, investigating allegations, and taking corrective action when necessary. To encourage employees to report wrongdoing, employees are encouraged to use various reporting channels like hotlines or whistle-blower guidelines. In order to ascertain the truth of the matter, a comprehensive investigation is conducted in response to a misbehaviour charge. In line with the CSOS' policies and procedures, the appropriate disciplinary action is implemented in light of the findings.

11

HEALTH SAFETY AND ENVIRONMENTAL ISSUES

The Occupational Health and Safety Act, 85, of 1993 (OHSA) aims to guide the provision of health and safety against hazards to health and safety at the workplace. Section 8 of the Occupational Health and Safety Act (Act 85 of 1993) prescribes the general duties of employers to their employees. Furthermore, Section 8(1) stipulates that the employer is obligated to provide and maintain a workplace that is safe and without risk to the health of their employees.

It is in this regard that the CSOS, as an employer, considers its employees to be its most valuable assets and undertakes to safeguard them through providing and maintaining, as far as reasonably practical, a working environment that is safe and without risk to the health of its employees.

The OHSA prescribes that workplace inspections must be conducted to help prevent incidents, injuries, and illnesses. Through a critical examination of the workplace, inspections help to identify and record hazards for corrective action. Regular OHS inspections are conducted at all the CSOS offices to ensure compliance and adherence with the OHSA.

Monthly inspections of all fire equipment are conducted to ensure that the fire equipment is serviced accordingly and that they are in a good state to be used in the event of a fire. Where there is non-compliance, the matter is reported to the relevant landlords, requesting them to ensure the servicing of fire equipment.

The Occupational Health and Safety Committee, whose functions and terms of reference are prescribed in Section 19 and Section 20 of the OHSA, meets every quarter to discuss compliance matters and any incidents that occur within the workplace. In compliance with Section 17 of the Occupational Health and Safety Act (Act 85 of 1993), which states that employers who employ 20 or more workers on premises must appoint representatives to monitor health and safety conditions, the CSOS has appointed and trained OHS Compliance Officers in their various specialities.

12

COMPANY /BOARD SECRETARY

The Company Secretary is responsible for developing systems and processes that enable the Board and its other governance structures to discharge their fiduciary responsibilities, efficiently and effectively. The Company Secretary's roles and responsibilities include, but are not limited to, the following:

- Providing a central source of guidance and support to the Board on matters of good governance.
- Assisting with the Board induction and training programmes.
- Ensuring that Board and Committee Charters are kept up to date.
- Preparing and circulating Board documents.
- Eliciting responses for Board and Board Committee meetings.
- Drafting annual work plans.
- Ensuring preparation and circulation of the Minutes of Board and Board Committee meetings.
- Assisting with the evaluation of the Board, Committees and individual Board members.

These roles and responsibilities of the Company Secretary are outlined in Section 88(1) - (2) of the Companies Act and include, among others, providing guidance to the Board and its members, collectively and individually, as to their duties, responsibilities, and powers, as well as making the Board aware of any legislation and regulations relevant to, or affecting the organisation.

The Company Secretary reports functionally to the Board through the Chairperson and administratively to the Chief Ombud. The Board evaluates the performance and independence of the Company Secretary on a quarterly, and annual basis.

13

SOCIAL RESPONSIBILITY

The CSOS conducts all its activities with deep respect for all our stakeholders and constant focus on reducing the environmental impact. During the reporting period, no formal social responsibility policy had been implemented at an organisational level, but the policy was drafted for Board approval.

During the period under review, CSOS supported and teamed up with Rise Against Hunger Africa (RAH) on a Comrades Marathon activation as part of Corporate Social Responsibility (CSI) programmes. RAH Africa is a volunteer-based nutrition organisation that packages and distributes meals to the poor. It has three full-time operations in Johannesburg, Cape Town, and Pietermaritzburg. The Comrades Marathon Association has officially designated RAH Africa as one of its select charities.

As part of our ongoing efforts at the CSOS to support and uplift youth, the organisation participated in yet another sporting activity during the Amashova National Classic Race. The CSOS collaborated with the Al-Falaah Cycling Club and Team Asidlali Nawe. The organisation supported 40 young cyclists, mainly from previously disadvantaged communities, who participated in the race. These cyclists were provided with entrance fees and uniforms for race day. The supported cyclists will also form the CCC (CSOS Cycling Club), which we will continue to be supported in similar projects in the future.

Al-Falaah College, located in Durban, established the Al-Falaah Cycling Club in 2023, with over 15 college students participating in the race. Team Asidlali Nawe, a cycling team from Gauteng's East Rand, focuses on teaching young people, particularly those from disadvantaged backgrounds, how to ride.

In honour of Mandela Day, CSOS provided food packages, toiletries, feminine hygiene products, and blankets to King's Hope Development Foundation, a faith-based organisation in Olievenhoutbosch that feeds the hungry and offers home-based care to those living with HIV and AIDS.

The Audit and Risk Committee is pleased to present its report for the financial year ended March 31, 2024, in compliance with Treasury Regulations 3.1.9 and 27.1.7 issued in terms of Section 51(1)(a)(ii) of PFMA and King IV Code of good governance. The CSOS Audit and Risk Committee ("The Committee"), is established as an independent statutory committee in terms of the PFMA. The committee functions within approved terms of reference, which are reviewed annually to ensure their continued relevance, and compliance with relevant legislation, regulations, and governance codes.

Audit and Risk Committee members and attendance

During the year under review, the Committee consisted of three (3) independent Non-Executive Members appointed by the Accounting Authority and two (2) independent Members appointed by the CSOS Board of Directors during the period under review. The Committee attended its meetings as indicated below, which were also attended by the Auditor-General of South Africa, the Chief Audit Executive, and the Executive Management in an Ex-officio capacity, led by the Chief Ombud. The Membership is constituted as follows:

Members	Date Appointed	Meetings Held	Meetings Attended	Date Resigned
Ms. Thandiwe Godongwana (Chair)*	20 March 2024	1	1	N/A
Ms. Maemili Ramataboe (Past Chair)**	1 January 2019 and reappointed on 1 January 2022	11	11	N/A
Adv. Mthokozisi Xulu	1 January 2022	11	9	N/A
Mr. Donovan Goliath	1 January 2022	11	10	N/A
Ms S Dikwayo	16 September 2022	11	10	N/A
Ms F Mkhize	03 March 2023	11	11	N/A

* = chairperson from 20 March 2024

** = chairperson from April 2023 - December 2023

Audit and Risk Committee Responsibility

The Committee reports that it has adopted formal Terms of Reference and that it has complied with its responsibilities as set out in the Terms of Reference and has discharged all its duties as contained therein. The Committee has an objective and independent role which consists of assisting the Board and Management in discharging their oversight responsibilities relating to financial reporting and the audit process and related activities, the system of internal controls, risk management process and systems, IT governance and compliance with laws and regulations.

In the current reporting period, key activities were as follows:

- Reviewing the Internal Audit Plan as well as internal audit findings and related management's responses. The Committee was satisfied with the quality and content of Internal Audit reports and have noted the progress made by management in resolving overdue internal audit findings.
- Approving the contract of the co-sourced internal audit partner and related work.
- Reviewing the scope of external Audit work and related findings and have also noted the progress made in implementing the Post Audit Action Plan and resolving AGSA findings, particularly the revenue collection finding which has been materially addressed.

- Reviewing Risk Management Policies, including Fraud and Prevention strategy, Business Continuity as well as the Risk Implementation plan and monitored progress thereto.
- Reviewing progress made in managing the risk profile of the organisation.
- Reviewing the Quarterly reports to the Department and monitored implementation of the Predetermined Objectives, and overall performance of the entity against the approved targets.
- Reviewing the progress made in reviewing the IT governance policies, which were subsequently approved by the Board in the current period.

Combined Assurance Process

The Committee ensured co-operation between the internal audit function and the External Auditors in relation to the External Auditors relying on work done by the internal audit, and reports of the Risk Management Unit (RMU), for purposes of risk assessment, and in developing the audit plan. We are of the view that Combined Assurance process adds demonstrable value; and enhances the adequacy, reliability and accuracy of financial information provided by Management to such other users of the information. The Committee has reviewed and approved the CSOS the combined assurance framework and program that incorporate and align both internal and external assurance. In the ensuing period the Committee expects to see expansion of the combined assurance with the implementation of a structured Combined Assurance Forum, which is expected to enhance management participation.

The Effectiveness of Internal Control and Internal Audit Performance

During the year under review the internal control environment of the CSOS continued to improve towards increasing the probability of achievement of strategic objectives. The Chief Audit Executive (CAE) and his team supported by out-sourced Internal Audit firm conducted audit reviews in line with approved Internal Audit Plan. Good progress was made this year towards resolving previous audit findings, particularly programs designed to facilitate collection of levies from unregistered schemes and billing of schemes, however allocation of receipts from schemes remains to be a concern to the Committee. From the various reports of the internal auditors and the management, as well as audit reports of the AGSA it was noted that there were material deficiencies in the system of internal controls in areas pertaining to Revenue Collection, SCM and compliance with laws and regulations. The deficiency which is a result of the low rate of registrations by schemes across the provinces, was notably addressed through several initiatives such as Schemes Registration Friday, designed to bring all schemes into the fold, as well as enforce levy collections and billing thereof. The Committee notes the regression of CSOS from an unqualified audit opinion to a qualification for the reporting period. We believe more effort in improving the audit results should be demonstrated in the ensuing financial period.

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

Enterprise Risk Management

The Committee is responsible for the oversight of the CSOS' risk management systems and activities. In the current reporting period, the Committee reviewed the Enterprise Risk Management (ERM) policies and strategy. The Board participated in the annual risk assessment workshop in the prior year and continuous monitoring is being done to ensure that key risks are within the desired risk appetite. However, the Committee remains to be concerned about the capacitation of the Unit, in particular, the vacant position of Chief Risk Officer and Senior Manager: Risk Management. The Committee has noted that the appointment of the CRO was in process at time of the issuance of this report.

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

Compliance with Laws and Regulations

The Committee also considered previous and current Irregular Expenditure which awaits condonation from National Treasury. The Loss Control Committee has been established, and the Committee expects that the frameworks that have now been put in place will

be implemented in the ensuing period, including consistent application of consequence Management, to enhance good governance, promote a positive organisational culture and compliance with the PFMA and other relevant laws and regulations. The Committee has noted the increase in reported irregular expenditure in the current period because of prior period activities, and the Committee will monitor this development closely. The Committee has also noted the delays in filling the position of the Chief Ombud to ensure that there is stability within the CSOS.

Management and Monthly or Quarterly Reports

We can confirm that quarterly reports were submitted to the National Treasury and the Department on time. The Committee continued to review and monitor the content and quality of these reports during the year under review as required by the PFMA.

Evaluation of Annual Financial Statements

The Committee has:

- reviewed and discussed the audited Annual Financial Statements to be included in the Annual Report, with the management, the AGSA and the Accounting Authority;
- reviewed compliance of the Annual Financial Statements with the Accounting Framework;
- reviewed the AGSA's management report and management's responses thereto;
- reviewed significant assumptions and judgements made by management including changes in accounting policies and practices;
- reviewed the entity's compliance with legal and regulatory provisions; and
- reviewed the information on predetermined objectives to be included in the Annual Report.

The Auditor-General of South Africa

The Committee reviewed the Engagement letter issued by the AGSA, as well as the Audit Strategy and related fees, and were satisfied with the scope of the Audit and identified key risks.

The Committee is pleased to report that it concurs fully with the AGSA report and Audit Opinion on the Annual Financial Statements. The Committee further recommends that the Audit Opinion be accepted and read together with the Audit Report.

The Annual Report 2023/24

The Committee reports that it has read the information in the Annual Report and found it to be consistent with the Annual Financial Statements.



Thandiwe Gondongwana

Chairperson of the Audit and Risk Committee

15

B-BBEE COMPLIANCE PERFORMANCE INFORMATION

The CSOS has been audited for B-BBEE compliance in the past year and was unable to obtain a compliant status. However, CSOS endeavoured to comply organisationally in the 2023/24 financial year and committed to continuous improvement to attain a B-BBEE compliant status. To date, the CSOS has implemented a new supplier development programme where it empowers service providers on issues of compliance and managed to spend 86% of the overall 2023/24 budget on B-BBEE level 1 and level 2 compliant companies. The CSOS has a newly constituted Employment Equity Committee to investigate the issues of employee representation and compliance with WSP requirements and related B-BBEE compliance components of HR.

The following table has been completed in accordance with the compliance to the B-BBEE requirements of the B-BBEE Act of 2013 and as determined by the Department of Trade, Industry and Competition. The CSOS is currently a non-compliant contributor to B-BBEE.

Has the Department / Public Entity applied any relevant Code of Good Practice (B-BBEE Certificate Levels 1 – 8) with regard to the following:		
Criteria	Response Yes / No	Discussion (include a discussion on your response and indicate what measures have been taken to comply)
Determining qualification criteria for the issuing of licences, concessions or other authorisations in respect of economic activity in terms of any law?	No	Issuing licenses or concessions does not fall within the ambit of CSOS' mandate.
Developing and implementing a preferential procurement policy?	Yes	The SCM Policy was amended and approved in line with the current National Treasury Regulations and Instruction Notes.
Determining qualification criteria for the sale of state-owned enterprises?	No	CSOS is operating on a going-concern basis.
Developing criteria for entering into partnerships with the private sector?	No	The nature of goods and services CSOS procures have not warranted CSOS to form partnership with the private sector. Should the need arise in future, CSOS would be open to forming such partnerships.
Determining criteria for the awarding of incentives, grants and investment schemes in support of Broad Based Black Economic Empowerment?	No	In terms of CSOS' procurement spend, there is a portion that CSOS is envisaged to spend on designated groups. In some of CSOS' tenders, it is mandatory for companies to partner with Qualifying Small Entities or Exempted Micro Enterprises. Furthermore, CSOS intends to participate in supplier development programmes.





HUMAN RESOURCE MANAGEMENT

PART D

1

INTRODUCTION**1.1 Overview of Human Capital (HC) Matters at the CSOS**

A Human Resource Plan (HRP) is adopted as a tool to ensure that all the employees' needs are identified on time and are adequately addressed to enable optimum achievement of the CSOS' strategic objectives. During the 2023/24 financial year, the Human Capital Management Unit focused mainly on the continuous recruitment drive in order to capacitate the various business units within the CSOS. The Human Capital Management is governed, but not limited by the following legislation:

- Labour Relations Act (LRA)
- Basic Conditions of Employment Act (BCEA)
- Skills Development Act (SDA)
- Skills Development Levies Act (SDLA)
- Employment Equity Act (EEA)

The HCM unit's mandate is to provide service excellence and support the CSOS' functions by attracting and retaining suitably individuals who will add value to the organisation. The objectives of the HCM are as follows:

- To support the CSOS' strategic goals through creating learning opportunities, empowerment, support, and rewards whilst developing a culture of high performance through the application of processes, best practices, and skills across the CSOS.
- To create a sustainable organisation and business continuity through structured succession planning and ensuring that employees are supported, trained, and equipped to occupy all positions.
- To strengthen the human capital capability to fulfil its roles as a strategic partner, creating intellectual capital and administrative expertise.
- Developing a culture of high performance through the application of rigorous tools, best practices, provision of relevant techniques and skills and mobilisation of energy across the organisation.
- Implementing effective performance management measurement tools in order to improve standards of delivery and formally address poor standards of performance.
- Reviewing all HC Policies and procedures and ensure that they are user-friendly, legally compliant, reflect best practice and satisfy current and future operational needs.
- Supporting the CSOS strategic goals through creating learning opportunities, empowerment, support, and rewards.

1.2 Set Human Capital (HC) Priorities for the year under review and the impact of these priorities

- To attract the right calibre of talent by filling prioritised vacant and funded posts as per the approved organisational structure; as well as the approved 2023/24 Recruitment Plan.
- To implement training interventions, in line with the approved Workplace Skills Plan / Training Plan.
- To implement the CSOS' Employee Performance Management System (EPMS).
- To ensure sound employee relations.

1.3 Workforce Planning Framework and key strategies to attract and recruit a skilled and capable workforce

- Transformation and employment equity remain key focus areas and the CSOS continues to build a sustainable workforce that reflects the demographics of the economically active population in South Africa. The CSOS complies with the Employment Equity Act of 1998, as amended: the 2023/28 Employment Equity Plan and the 2023/24 Employment Equity Report were submitted and accepted by the Department of Employment and Labour.
- Putting careful thought and consideration into the (future) skills of the CSOS workforce is a very important function within the HC Business Unit.
- Recognising the priority the CSOS places on the recruitment and retention of high-quality staff and the need to offer comprehensive salaries and an attractive environment to be able to achieve its strategic objectives. It is, therefore, clear that the CSOS must continue to seek out the right calibre of employees to remain competitive.

1.4 Employee Performance Management Framework

CSOS recognises that culture is reinforced by the behaviours that we value and practice. To this end, we continue to review and enhance our people practices supporting the required culture. Performance management and recognition are two key supporting practices. Performance management contributes to the CSOS' culture and shift behaviours. We will continue to enhance the system to ensure that it promotes the behaviours our staff members need to display to achieve the required culture. Furthermore, we believe an environment with clear expectations and regular performance discussions promotes a high-performing and productive workforce as encapsulated in the Performance Management Policy.

1.5 Employee Wellness Programmes (EWP)

Employee Wellness (EW) is a strategic way to demonstrate that CSOS cares about its employees. The ethos that a healthy employee is more engaged and productive than one who experiences problems is the driver of this programme. This is continuously being attained by creating an environment that encourages well-being through various well-being engagement programmes, counselling through CSOS' Employee Wellness Partner (Lyra formerly known as ICAS), and information to assist employees to manage their well-being.

1.5.1 Overall Engagement

The overall engagement rate which includes uptake of all services provided, amounted to 27,7% during the period under review, which compares to 11,5% during the comparable previous period. Annualised individual usage of the core counselling and advisory services, 19,8% was recorded during the most recent period, which compares to 8,9% during the previous period and 5,9% ICAS client companies during the most recent review period.

	Current (August 2023 – Jan 2024)		Previous		ICAS Average
	Number	%	Number	%	%
Staff enrolled on EWP	150		158		
Total engagement rate	21	27,7%	9	11,5%	7,2%
Adjusted engagement rate	19	24,9%	8	10,4%	6,5%
Comprising the following contributions to total engagement:					
Individual cases	15	19,8%	7	8,9%	5,9%
Group intervention participants	6	7,9%	2	2,6%	1,3%

Table 22: Overall Engagement

1.6 Policy Development

The Human Capital Management unit modifies policies to conform with current labour legislation and adapt to CSOS' changing operations. The board considered and approved the following policies:

- Bereavement Policy
- Compensation Management Policy
- Internship Management Policy
- Leave Management Policy
- Performance Management Policy
- Acting Policy

1.7 Highlight Achievement

Our employees are important enablers of CSOS' ability to achieve its strategic objectives. We operate in a highly regulated industry. Some of our achievements are as follows:

- Appointment of a designated Senior Manager: Employment Equity in line with Section 24 of the Employment Equity Act.
- Hosted the Human Capital Open Days for Head including the three Regional Offices.
- CSOS hosted Employee Awards, which honoured the outstanding abilities and noteworthy achievements of our committed staff members in the Head Office, Western Cape, KwaZulu-Natal, and Gauteng Regional Offices. This historic event served as evidence of the exceptional passion and commitment shown by our staff members all year long. The occasions proved to be a great success and a genuine testament to our team's collective effort.
- In line with the HR Legislative Framework, CSOS embraces the Employment Equity Act, 55 of 1998, for the advancement of women. As a result, CSOS hosted a Women's Day event where women were empowered on issues affecting them at work and home.

1.8 Human Capital Challenges

The following Human Capital challenges were encountered by the CSOS during the period under review:

- Aligning recruitment practices with CSOS' Employment Equity Plan.
- Some of the set EE targets have not been met in specific areas due to the fact that the CSOS had its first Employment Equity Plan approved in November 2023, a freeze in recruitment on 31 August 2023, as per the National Treasury's circular – "Cost containment measures to Assist National Departments, Public Entities and Provinces to close Fiscal GAP".
- Improving the representation of persons with disabilities.
- Keeping abreast of proposed amendments to sections of the Employment Equity Act and its impact at CSOS, particularly mandatory sectoral targets.
- Organisation culture that promotes an employee and leadership experience based on trust, encouraging open dialogue, accountability, and high performance.
- The existing HR Information System (HRIS) does not adequately enable human capital to align itself with CSOS' vision of being a credible, world-class regulatory authority for community schemes in South Africa.
- A Total Reward Strategy is required to ensure flexible options that will speak to the needs of the different segments of talent.
- Culture Transformation Strategy that will articulate the journey towards a culture that enables our employees to thrive, and is conducive to high performance as an organisation.

1.9 Future HC Plans/Goals

In order for the human capital management functions to respond strategically to the operating context and challenges facing the organisation, we first looked at the current state of the function in terms of the Strengths, Weaknesses, Opportunities and Threats (SWOT) that will either enable or hinder the function from doing so. The following are some of our future goals in order to strategically respond to the CSOS' operating context:

- Address barriers identified in CSOS' policies, procedures practices and the working environment that adversely affect people from designated groups.

- Adequately capacitate the approved organisational structure with suitable talent.
- Appoint a panel of training providers to assist with the effective training of CSOS employees.
- Conduct an organisational culture survey.
- Continuously engage all staff employed at the CSOS through Human Capital Open Days.
- Develop and implement a talent management, succession planning and pay progression exercise.

2

HUMAN RESOURCE OVERSIGHT STATISTICS

2.1 Personnel-Related Expenditure

Personnel cost by programme/ activity/ objective

The following table depicts the salary cost of individuals by Division:

Programme/ activity/objective	Total Expenditure for the entity	Personnel Expenditure	Personnel exp. as a % of total personnel exp.	No. of employees	Average personnel cost per employee
Office of the Chief Ombud	R2 218 707.71	R2 218 707.71	2%	3	R739 569.23
Office of the CFO	R20 167 470.88	R19 016 195.88	13%	28	R679 149.85
ICT	R11 560 595.81	R11 536 445.81	8%	15	R769 096.38
Internal Audit	R7 272 030.10	R7 242 042.10	5%	8	R905 255.26
Corporate Services	R18 618 825.84	R18 392 346.84	13%	31	R593 301.51
Company Secretary	R4 478 738.41	R4 478 738.41	3%	5	R895 747.68
Supply Chain Management	R4 159 189.58	R4 129 226.33	3%	8	R516 153.29
Risk Management	R1 555 786.84	R1 555 786.84	1%	3	R518 595.61
Organisational Strategy and Performance	R4 700 249.45	R4 700 249.45	3%	5	R940 049.89
Adjudicator General	R5 992 389.68	R5 992 389.68	4%	6	R998 731.61
Gauteng Regional Office	R27 525 516.19	R27 525 516.19	19%	39	R705 782.46
KwaZulu-Natal Regional Office	R17 208 006.85	R17 109 521.85	12%	25	R684 380.87
Western Cape Regional Office	R18 275 221.15	R18 275 221.15	13%	28	R652 686.46
Interns	R1 324 800.00	R1 324 800.00	1%	31	R42 735.48
Total	R145 057 528.49	R143 497 188.24	100%	235	R610 626.33

Personnel cost by salary band

The following table depicts the salary cost of individuals by salary band:

Level	Personnel Expenditure (R'000)	% of personnel exp. to total personnel cost	No. of employees	Average personnel cost per employee
Patterson Grade E	R20 968 786.75	15%	11	R1 906 253.34
Patterson Grade D	R73 302 750.72	51%	81	R904 972.23
Patterson Grade C	R41 915 637.91	29%	89	R470 962.22
Patterson Grade B	R5 985 212.86	4%	23	R260 226.64
Patterson Grade A	R0.00	0%	0	R0.00
Intern Stipend	R1 324 800.00	1%	31	R42 735.48
TOTAL	R143 497 188.24	100%	235	R3 585 149.91

Performance rewards

Programme/ activity/objective	Performance rewards	Personnel Expenditure	% of performance rewards to total personnel cost
Patterson Grade E	R0.00	R0.00	0%
Patterson Grade D	R0.00	R0.00	0%
Patterson Grade C	R0.00	R0.00	0%
Patterson Grade B	R0.00	R0.00	0%
Patterson Grade A	R0.00	R0.00	0%
Intern Stipend	R0.00	R0.00	0%
TOTAL	R0.00	R0.00	0%

Training costs

The table below shows training costs per Business Unit:

Programme/ activity/objective	Personnel Expenditure	Training Expenditure	Training Expenditure as a % of Personnel Cost	No. of employees trained	Average personnel cost per employee
GRAP Training	R2 318 012.56	R645 150.00	27,83%	8	R80 643.75
Data Analytics Training	R10 171 455.99	R490 000.00	4,81%	19	R25 789.47
Contract Management Training	R505 924.11	R16 125.00	3,18%	1	R16 125.00
Introduction to Forecasting and Acquisition Management Training	R5 951 536.09	R29 963.25	0,50%	9	R3 329.25
Compliance Investigation and Marketing Training	R6 317 068.77	R24 150.00	0,38%	8	R3 018.75
Problem-Solving and Decision-Making Training	R3 930 838.14	R31 200.00	0,79%	5	R6 240.00
OHS Training	R9 138 597.29	R195 279.00	2,13%	18	R10 848.83
Executive Support and Public Admin Training	R894 196.64	R98 485.00	11,01%	2	R49 242.50
Ethics Officer Certification Programme	R1 344 008.95	R29 988.00	2,23%	1	R29 988.00

Employment and vacancies

The table below illustrates the number of employees in each Patterson Band, as well as the number of additional positions filled in each band during the 2023/24 financial year:

Programme/ activity/objective	2022/23 No. of Employees	2023/24 Approved Posts	2023/24 No. of Employees	2023/24 Vacancies	% of vacancies
B1-B5	19	9	22	10	18%
C1-C5	64	42	87	20	36%
D1-D5	55	41	77	24	43%
E1-E4	8	3	10	1	2%
F1	1	1	0	1	2%
Total	147	96	196	56	100%

Employment changes

The table below illustrates the number of people appointed and terminated at each level of the organisation during the 2023/24 financial year:

Salary band	Employment at beginning of period	Appointments	Terminations	Employment at end of the period
Top Management	9	2	1	10
Senior Management	19	12	2	26
Professional qualified	36	22	1	51
Skilled	64	31	0	89
Semi-skilled	19	13	0	22
Interns	31	0	28	5
Total	178	80	32	203

Reasons for staff leaving

The table below illustrates the total number of employees who left the organisation and their reasons for leaving during the year under review:

Salary band	Appointments	Employment at end of the period
Death	0	0%
Resignation	7	22%
Dismissal	0	0%
Retirement	0	0%
Ill health	0	0%
Expiry of contract	25	78%
Other	0	0%
Total	32	100%

Labour Relations: Misconduct and disciplinary action

Nature of disciplinary action	Number
Verbal Warning	0
Written Warning	5
Final Written warning	2
Dismissal	0

Equity Target and Employment Equity Status

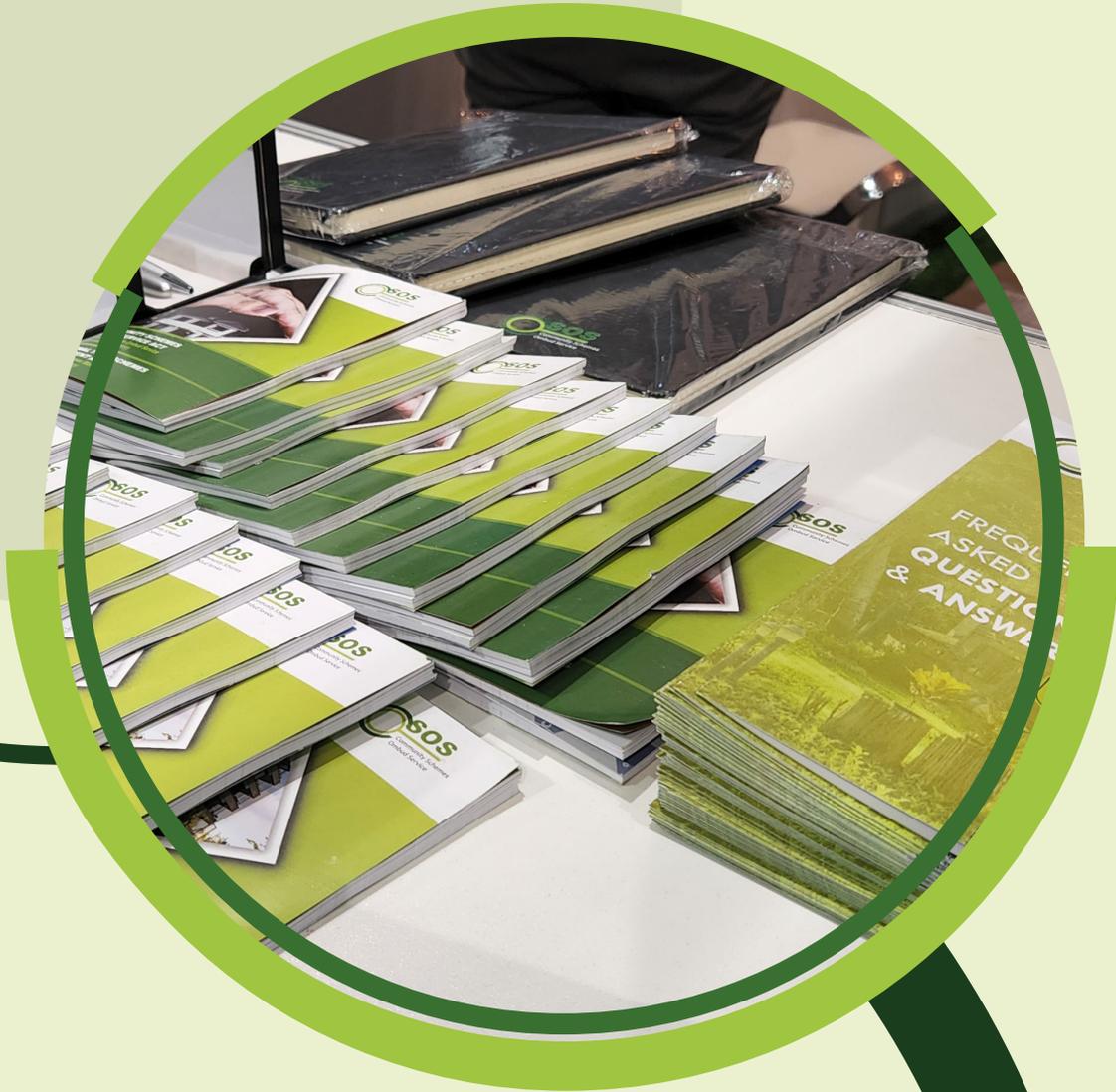
The tables below show the breakdown of employment equity in terms of gender, race and disability:

Level	Male							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	5	6	0	0	1	1	0	0
Senior Management	13	3	0	0	1	0	1	0
Professional qualified	14	22	3	5	0	0	1	2
Skilled	32	26	0	0	1	1	0	0
Semi-skilled	9	5	0	0	0	0	0	0
Interns	1	0	0	0	0	0	0	0
TOTAL	74	62	3	5	3	2	2	2

Level	Female							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	4	4	0	0	0	0	0	0
Senior Management	8	3	0	0	1	1	2	1
Professional qualified	26	24	3	2	3	3	1	2
Skilled	50	45	1	2	3	1	2	2
Semi-skilled	13	7	0	0	0	0	0	0
Unskilled	4	0	0	0	0	0	0	0
TOTAL	105	83	4	4	7	5	5	5

Level	Disabled Staff			
	Male		Female	
	Current	Target	Current	Target
Top Management	0	0	0	0
Senior Management	1	0	1	0
Professional qualified	0	1	0	1
Skilled	0	0	0	0
Semi-skilled	0	0	0	0
Unskilled	0	0	0	0
TOTAL	1	1	1	1





PFMA COMPLIANCE REPORT

PART E

1

IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE AND MATERIAL LOSSES**1.1. Irregular Expenditure****a) Reconciliation of irregular expenditure**

Description	2023/24	2022/23
	R'000	R'000
Opening balance	78 647.44	49 827.07
Adjustment to opening balance	0.00	0.00
Opening balance as restated	0.00	0.00
Add: Irregular expenditure confirmed	24 070.86	28 820.37
Less: Irregular expenditure condoned	0.00	0.00
Less: Irregular expenditure not condoned and removed	0.00	0.00
Less: Irregular expenditure recoverable	0.00	0.00
Less: Irregular expenditure not recoverable and written off	0.00	0.00
Closing balance	102 718.30	78 647.44

Reconciling notes

Description	2023/24	2022/23
	R'000	R'000
Irregular expenditure that was under assessment	0.00	0.00
Irregular expenditure that relates to the prior year and identified in the current year	0.00	0.00
Irregular expenditure for the current year	24 070.86	28 820.37
Total	24 070.86	28 820.37

b) Details of irregular expenditure (under assessment, determination, and investigation)

Description	2023/24	2022/23
	R'000	R'000
Irregular expenditure under assessment	0.00	0.00
Irregular expenditure under determination	0.00	0.00
Irregular expenditure under investigation	0.00	0.00
Total	0.00	0.00

c) Details of irregular expenditure condoned

Description	2023/24	2022/23
	R'000	R'000
Irregular expenditure condoned	0.00	0.00
Total	0.00	0.00

d) Details of irregular expenditure removed - (not condoned)

Description	2023/24	2022/23
	R'000	R'000
Irregular expenditure NOT condoned and removed	0.00	0.00
Total	0.00	0.00

e) Details of irregular expenditure recoverable

Description	2023/24	2022/23
	R'000	R'000
Irregular expenditure recoverable	0.00	0.00
Total	0.00	0.00

f) Details of current and previous year irregular expenditure written off (irrecoverable)

Description	2023/24	2022/23
	R'000	R'000
Irregular expenditure written off	0.00	0.00
Total	0.00	0.00

Additional disclosure relating to Inter-Institutional Arrangements

g) Details of non-compliance cases where an institution is involved in an inter-institutional arrangement (where such institution is not responsible for the non-compliance)

Description	2023/24	2022/23
	R'000	R'000
None	0.00	0.00
Total	0.00	0.00

h) Details of irregular expenditure where an institution is involved in an inter-institutional arrangement (where such institution is responsible for the non-compliance)

Description	2023/24	2022/23
	R'000	R'000
None	0.00	0.00
Total	0.00	0.00

i) Details of disciplinary or criminal steps taken as a result of irregular expenditure

Description	2023/24	2022/23
	R'000	R'000
Disciplinary steps taken- Warning letters issued	7 084.00	7 969.00
Total	7 084.00	7 969.00

1.2. Fruitless and Wasteful Expenditure

a) Reconciliation of fruitless and wasteful expenditure

Description	2023/24	2022/23
	R'000	R'000
Opening balance	1 480.50	1 447.00
Adjustment to opening balance	0.00	0.00
Opening balance as restated	0.00	0.00
Add: Fruitless and wasteful expenditure confirmed	2 859	46.00
Less: Fruitless and wasteful expenditure recoverable	(30.32)	(12.50)
Less: Fruitless and wasteful expenditure not recoverable and written off	(6.56)	0.00
Closing balance	4 302.62	1 480.50

Reconciling notes

Description	2023/24	2022/23
	R'000	R'000
Fruitless and wasteful expenditure that was under assessment	0.00	0.00
Fruitless and wasteful expenditure that relates to the prior year and identified in the current year	832.55	0.00
Fruitless and wasteful expenditure for the current year	2 027	46.00
Total	2 859.55	46.00

b) Details of fruitless and wasteful expenditure (under assessment, determination, and investigation)

Description	2023/24	2022/23
	R'000	R'000
Fruitless and wasteful expenditure under assessment	0.00	0.00
Fruitless and wasteful expenditure under determination	0.00	0.00
Fruitless and wasteful expenditure under investigation	0.00	0.00
Total	0.00	0.00

c) Details of fruitless and wasteful expenditure recoverable

Description	2023/24	2022/23
	R'000	R'000
Fruitless and wasteful expenditure recoverable	(30.32)	(12.50)
Total	(30.32)	(12.50)

d) Details of fruitless and wasteful expenditure not recoverable and written off

Description	2023/24	2022/23
	R'000	R'000
Fruitless and wasteful expenditure written off	(6.56)	0.00
Total	(6.56)	0.00

e) Details of disciplinary or criminal steps taken as a result of fruitless and wasteful expenditure

Disciplinary steps taken	2023/24	2022/23
	R'000	R'000
Irregular expenditure recoverable	0.00	0.00
Total	0.00	0.00

1.3. Additional Disclosure Relating to Material Losses in Terms of PFMA Section 55(2)(b)(i)&(iii)

a) Details of material losses through criminal conduct

Material losses through criminal conduct	2023/24	2022/23
	R'000	R'000
Theft	0.00	0.00
Other material losses	0.00	0.00
Less: Recoverable	0.00	0.00
Less: Not recoverable and written off	0.00	0.00
Total	0.00	0.00

b) Details of other material losses

Nature of other material losses	2023/24	2022/23
	R'000	R'000
(Group major categories, but list material items)	0.00	0.00
Total	0.00	0.00

c) Other material losses recoverable

Nature of losses	2023/24	2022/23
	R'000	R'000
(Group major categories, but list material items)	0.00	0.00
Total	0.00	0.00

d) Other material losses not recoverable and written off

Nature of losses	2023/24	2022/23
	R'000	R'000
(Group major categories, but list material items)	0.00	0.00
Total	0.00	0.00

2

LATE AND/OR NON-PAYMENT OF SUPPLIERS

Description	Number of Invoices	Consolidated Value
		R'000
Valid invoices received	3 675	175 503.00
Invoices paid within 30 days or agreed period	3 675	175 501.62
Invoices paid after 30 days or agreed period	01	1.45
Invoices older than 30 days or agreed period (unpaid and without dispute)	None	None
Invoices older than 30 days or agreed period (unpaid and in dispute)	11	6 045.23

3

SUPPLY CHAIN MANAGEMENT

3.1. Procurement by other means

Project description	Name of supplier	Type of procurement by other means	Contract number	Value of contract R'000
Procurement of forensic investigation services requested by the Board	Nexia SAB & T	Exceptional case	N/A	2 017.66
Procurement of Ethics Officer certification programme for Mr Comfort Nabane	The Ethics Institute	Sole supplier	N/A	29.99
Procurement of teammate software licenses renewal and payment of license	Wolters Kluwer Tax & Accounting Southern (Pty) Ltd	Sole supplier	N/A	148.92
Procurement of attendance of the 26 th annual Southern African Internal Audit hybrid conference for the CSOS internal audit team	The Institute of Internal Audit Auditors	Sole supplier	N/A	67.28
Procurement of behavioural Intelligence for directors	The Institute of Directors in SA (IODSA)	Sole supplier	N/A	6.37
Procurement of Governance Ethics training for board member	The Institute of Directors in SA (IODSA)	Sole supplier	N/A	2.90
Procurement of Ballito CSOS satellite office lease	Regency Investments	The RFQ was advertised more than three times and only one response was received.	N/A	1 000.00
Procurement of annual licence fee subscription	Kreston Pretoria	Sole supplier	N/A	76.29
Procurement of yearly subscription service	Hello Peter	Single source	N/A	6.89
Procurement of Caseware training	Adapt IT	Sole supplier	N/A	30.21
Procurement of license renewal	Adapt IT	Sole supplier	N/A	189.94
Procurement of Rustenburg Satellite office	New Heights 480 (Pty) Ltd	The RFQ was advertised four times and failed to receive three responses.	N/A	1 000.00
Procurement of internal audit services	MNB Chartered Accountants	To avoid project overruns and possible overspending, an additional 15% of the contract amount was needed to allow MNB Chartered Accountants to execute the remaining allocated projects.	N/A	477.76
Total				5 054.21

3.2. Contract Variations and Expansions

Project description	Name of supplier	Contract modification type (Expansion or Variation)	Contract number	Original contract value	Value of previous contract expansion/s or variation/s (if applicable)	Value of current contract expansion or variation
				R'000	R'000	R'000
Procurement of CSOS Brand awareness.	Mukona Consulting (Pty) Ltd	Variation	RFQ	6 016.00	0.00	617.40
Procurement of Mbombela/Nelspruit office furniture loan	Assent Group (Pty) Ltd	Variation	RFQ	727.68	0.00	36.63
Procurement of Short-term insurance	Moso Consulting (Pty) Ltd	Variation	RFQ	718.92	0.00	115.17
Procurement of Short-term insurance	Moso Consulting (Pty) Ltd	Variation	RFQ	718.92	0.00	101.25
Procurement of Webhosting services	Internet filing (Pty) Ltd t/a Interfile	Variation	RFQ	116 591.26	0.00	4.56
Procurement of CSOS Brand awareness	Courtesy Group Pty Ltd	Variation	CSOS 010-2022	3 400.00	0.00	325.90
Procurement of Furniture removal and storage services	Majobezi Trading (Pty) Ltd	Variation	RFQ	65.00	0.00	7.04
Procurement of Financial consulting services	Sondlo Chartered Accountants	Variation	CSOS 017-2022	3 185.04	0.00	477.76
Provision of office lease for CSOS Western Cape Regional office	Mowana Properties	Variation	Rental	The monthly rental payable in respect of the premises is R 103.00 (exclusive of VAT, utilities and operating costs) per square metre escalating at a rate of 8% per annum compounded on each anniversary of the commencement date of the lease.	0.00	The estimated rental cost is R120 per square meter per month for or R10 007.66 per month excluding VAT and other billing.
Provision of legal services by representing the CSOS in a High Court Review application for setting aside the CSOS adjudication order and declaring a provision of the CSOS Act unconstitutional	Seanego Attorneys Inc	Variation	RFQ	500.00	0.00	250.00
Procurement of Microsoft excel training for CSOS officials	CTU training Institute	Variation	RFQ	44.85	0.00	2.15
Procurement of Mimecast license renewal and support for a period of three years	Neo Technologies (Pty) Ltd	Variation	CSOS003 -2020	1 769.78	0.00	265.47
Procurement of Legal Services	Panel of Attorneys	Variation	CSOS003 -2021	Approved budget 12 000.00	0.00	1 800.00
Procurement of offsite document storage services	Metrofile	Variation	RFQ	500.00	0.00	It was an extension of the contract period without any financial implication.
Procurement of CSOS indaba.	African Charm	Variation	CSOS010 -2022	4 547.22	0.00	452.84



FINANCIAL INFORMATION

PART F

1

REPORT OF THE EXTERNAL AUDITOR**Report of the auditor-general to the Parliament on Community Schemes Ombud Service****Report on the audit of the financial statements****Qualified opinion**

1. I have audited the financial statements of the Community Schemes Ombud Service set out on pages 107 to 159, which comprise the statement of financial position as at 31 March 2024, statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, except for the possible effects of the matters described in the basis for qualified opinion section of this report, the financial statements present fairly, in all material respects, the financial position of the Community Schemes Ombud Service as at 31 March 2024 and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (Standards of GRAP) and the requirements of the Public Finance Management Act 1 of 1999 (PFMA).

Basis for qualified opinion**Receivables from non-exchange transactions: Allowance for impairment**

3. I was unable to obtain sufficient appropriate audit evidence that the allowance for impairment loss had been properly accounted for, due to the status of the accounting records. I was unable to confirm the allowance for impairment loss by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to allowance for impairment loss stated at R129 086 961 in the financial statements.

Unallocated levies

4. I was unable to obtain sufficient appropriate audit evidence that unallocated levies had been properly accounted for, due to the status of the accounting records. I was unable to confirm the unallocated levies by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to unallocated levies stated at R183 530 071 in the financial statements.

Revenue from non-exchange transactions: Levies

5. I was unable to obtain sufficient appropriate audit evidence that levies and related receivables from non-exchange transactions had been properly accounted for, due to the status of the accounting records. I was unable to confirm the levies and related receivables from non-exchange transactions by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to levies stated at R398 304 255 in the financial statements.

Context for opinion

6. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the responsibilities of the auditor-general for the audit of the financial statements section of my report.
7. I am independent of the public entity in accordance with the International Ethics Standards Board for Accountants' International code of ethics for professional accountants (including International Independence Standards) (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
8. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Emphasis of matter

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

Irregular expenditure

10. As disclosed in note 41 of the financial statements, irregular expenditure of R24 070 857 was incurred, due to non-compliance with supply chain management requirements.

Responsibilities of the Accounting Authority for the financial statements

11. The Accounting Authority is responsible for the preparation and fair presentation of the financial statements in accordance with the Standards of GRAP and the requirements of the PFMA; and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

12. In preparing the financial statements, the Accounting Authority is responsible for assessing the public entity's ability to continue as a going concern; disclosing, as applicable, matters relating to going concern; and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the public entity or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the auditor-general for the audit of the financial statements

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

14. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report. This description, which is located at (pg 105 to 106), forms part of our auditor's report.

Report on the annual performance report

15. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I must audit and report on the usefulness and reliability of the reported performance against predetermined objectives for the selected material performance indicators presented in the annual performance report. The Accounting Authority is responsible for the preparation of the annual performance report.

16. I selected the following material performance indicators related to Programme 2 - Regulation presented in the annual performance report for the year ended 31 March 2024. I selected those indicators that measure the public entity's performance on its primary mandated functions and that is of significant national, community or public interest.

- 2.2.1 Percentage of Unregistered Schemes Registered
- 2.2.2 Percentage of registered community schemes compliant
- 2.3.1 Percentage of schemes governance documentation quality assured within 30 days
- 2.3.2 Percentage of compliance certificates issued on all amended scheme governance documents
- 3.1.1 Percentage of disputes assessed within 30 days
- 3.1.2 Percentage of disputes conciliated within 45 days
- 3.1.3 Percentage of disputes adjudicated within 90 days
- 3.1.4 Percentage of adjudication orders quality assured within 7 days

17. I evaluated the reported performance information for the selected material performance indicators against the criteria developed from the performance management and reporting framework, as defined in the general notice. When an annual performance report is prepared using these criteria, it provides useful and reliable information and insights to users on the public entity's planning and delivery on its mandate and objectives.

18. I performed procedures to test whether:

- the indicators used for planning and reporting on performance can be linked directly to the public entity's mandate and the achievement of its planned objectives
- all the indicators relevant for measuring the public entity's performance against its primary mandated and prioritised functions and planned objectives are included
- the indicators are well defined to ensure that they are easy to understand and can be applied consistently, as well as verifiable so that I can confirm the methods and processes to be used for measuring achievements
- the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated
- the indicators and targets reported on in the annual performance report are the same as those committed to in the approved initial or revised planning documents
- the reported performance information is presented in the annual performance report in the prescribed manner.
- there is adequate supporting evidence for the achievements reported and for the reasons provided for any over- or underachievement of targets

19. I performed the procedures to report material findings only; and not to express an assurance opinion or conclusion.

20. I did not identify any material findings on the reported performance information for the selected indicators.

Other matter

21. I draw attention to the matter below.

Achievement of planned targets

22. The annual performance report includes information on reported achievements against planned targets and provides explanations for over- or under-achievements.

23. The table that follows provides information on the achievement of planned targets and lists the key indicator that was not achieved as reported in the annual performance report. The reasons for any underachievement of targets are included in the annual performance report on page 48.

Programme 2 -Regulation

Targets achieved: 88% Budget spent: 31%		
Key indicator not achieved	Planned target	Reported achievement
2.2.1. Percentage of unregistered schemes registered	25%	6,4%

Report on compliance with legislation

24. In accordance with the PAA and the general notice issued in terms thereof, I must audit and report on compliance with applicable legislation relating to financial matters, financial management and other related matters. The accounting authority is responsible for the public entity's compliance with legislation.
25. I performed procedures to test compliance with selected requirements in key legislation in accordance with the findings engagement methodology of the Auditor-General of South Africa (AGSA). This engagement is not an assurance engagement. Accordingly, I do not express an assurance opinion or conclusion.
26. Through an established AGSA process, I selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the public entity, clear to allow consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.
27. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

Annual financial statements

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

Expenditure management

29. Effective and appropriate steps were not taken to prevent irregular expenditure as disclosed in note 41 to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA. The majority of the irregular expenditure was caused by non-compliance with the requirements of supply chain management.
30. Effective and appropriate steps were not taken to prevent fruitless and wasteful expenditure as disclosed in note 41 of the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA. The majority of the fruitless and wasteful expenditure was caused by payment relating to interest charged, missed flights and penalties.

Revenue management

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

Procurement and contract management

32. The preference point system was not applied in some of the procurement of goods and services as required by section 2(a) of the Preferential Procurement Policy Framework Act and Treasury Regulation 16A6.3(b).

Consequence management

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

Other information in the annual report

34. The accounting authority is responsible for the other information included in the annual report. The other information referred to does not include the financial statements, the auditor's report and those selected material indicators in the scoped-in Programme 2 - Regulation presented in the annual performance report that have been specifically reported on in this auditor's report.
35. My opinion on the financial statements, the report on the audit of the annual performance report and the report on compliance with legislation do not cover the other information included in the annual report and I do not express an audit opinion or any form of assurance conclusion on it.
36. My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with the financial statements and the selected programmes presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
37. If, based on the work I have performed, I conclude that there is a material misstatement in this other information, I am required to report that fact. I have nothing to report in this regard.
38. The other information I obtained prior to the date of this auditor's report is PFMA compliance report, and the general information, governance, and human resource management are expected to be made available to us after 31 July 2024.
39. If, based on the work I have performed on the other information that I obtained prior to the date of this auditor's report, I conclude that there is a material misstatement of this other information, I am required to report that fact.
40. When I do receive and read the general information, governance, and human resource management, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

41. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.
42. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the qualified opinion, the material findings on the annual performance report and the material findings on compliance with legislation included in this report.
43. Management did not implement proper record keeping in a timely manner to ensure that complete, relevant, and accurate information is accessible and available to support financial and performance reporting, due to the absence of a systematic record keeping system.
44. Management did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information, due to the absence of adequate reviews.
45. Leadership did not adequately oversee the public entity's compliance with the applicable laws and regulations.

Other reports

46. I draw attention to the following engagements conducted by various parties. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.
47. A forensic examination by an independent investigator on a reported fraud matter against a supplier appointed in 2021/22 is currently underway.
48. A forensic examination by an independent investigator based on the recommendation of an investigation report dated 06 October 2023 is currently underway.

Auditor General

Pretoria
31 July 2024



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure to the auditor's report

The annexure includes the following:

- The auditor-general's responsibility for the audit
- The selected legislative requirements for compliance testing

Auditor-general's responsibility for the audit

Professional judgement and professional scepticism

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

Financial statements

In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the public entity's internal control
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made
- Conclude on the appropriateness of the use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the public entity to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a public entity to cease operating as a going concern
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

Communication with those charged with governance

I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide the accounting authority with a statement that I have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated to those charged with governance, I determine those matters that were of most significance in the audit of the financial statements for the current period and are therefore key audit matters. I describe these matters in this auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in this auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest of such communication.

Compliance with Legislation selected Legislative Requirements

The selected legislative requirements are as follows:

Legislation	Sections or regulations
Public Finance Management Act 1 of 1999	Section 51(1)(b)(i); 51(1)(b)(ii); 51(1)(e)(iii); 53(4); Section 54(2)(c); 54(2)(d); 55(1)(a); 55(1)(b); Section 55(1)(c)(i); 56(1); 57(b); 66(3)(c)
Treasury Regulations, 2005	Regulation 8.2.1; 8.2.2; 16A3.2; 16A3.2(a); Regulation 16A6.1; 16A6.2(a); 16A6.2(b); Regulation 16A6.3(a); Regulation 16A6.3(c); 16A6.3(e); 16A6.4; 16A6.5; Regulation 16A6.6; 16A.7.1; 16A.7.3; 16A.7.6; Regulation 16A.7.7; 16A8.3; 16A8.4; 16A9.1(b)(ii); Regulation 16A 9.1(d); 16A9.1(e); 16A9.1(f); Regulation 16A9.2(a)(ii); 30.1.1; 30.1.3(a); Regulation 30.1.3(b); 30.1.3(d); 30.2.1; 31.2.1; Regulation 31.2.5; 31.2.7(a); 32.1.1(a); 32.1.1(b); Regulation 32.1.1(c); 33.1.1; 33.1.3
Construction Industry Development Board Act 38 of 2000	Section 18(1)
Construction Industry Development Board Regulations, 2004	Regulation 17; 25(7A)
Second amendment National Treasury Instruction No. 5 of 202/21	Paragraph 1
Erratum National Treasury Instruction No. 5 of 202/21	Paragraph 2
National Treasury instruction No 5 of 2020/21	Paragraph 4.8; 4.9
National Instruction No. 1 of 2021/22	Paragraph 4.1
National Treasury SCM Instruction No. 4A of 2016/17	Paragraph 6
National Treasury SCM Instruction No. 03 of 2021/22	Paragraph 4.1; 4.2(b); 7.2;
National Treasury SCM Instruction No. 2 of 2021/22	Paragraph 3.2.1; 3.2.4; 3.3.1
Practice Note 5 of 2009/10	Paragraph 3.3
Preferential Procurement Policy Framework Act 5 of 2000	Section 1; 2.1(a); 2.1(f)
Preferential Procurement Regulations, 2022	Regulation 4.4; 5.4
Preferential Procurement Regulations, 2017	Regulation 4.1; 4.2; 5.1; 5.3; 5.6; 5.7; Regulation 6.8; 7.8; Regulation 8.2; 8.5; 9.1; 9.2; 10.1; 10.2; 11.1
Prevention and Combating of Corrupt Activities Act 12 of 2004	Section 34(1)

2 ANNUAL FINANCIAL STATEMENTS

Accounting Authority's Responsibilities and Approval

The accounting authority is required by the Public Finance Management Act (Act 1 of 1999), to maintain adequate accounting records and are responsible for the content and integrity of the 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 entity as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and were given unrestricted access to all financial records and related data.

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

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

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

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

The accounting authority have reviewed the entity's cash flow forecast for the year to 31 March 2025 and, in the light of this review and the current financial position, they are satisfied that the entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

The accounting authority is primarily responsible for the financial affairs of the entity.

The external auditors are responsible for expressing an opinion on the entity's annual financial statements.

The annual financial statements set out on page 108 to 159 which have been prepared on the going concern basis, were approved by the Accounting Authority on 31 July 2024 and were signed on its behalf by:



Ms. M.P. Mthethwa
Chairperson



Ms. T. Mbatha (CA)SA
Acting Chief Ombud (Acting as at 31 July 2024)

The members submit their report for the year ended 31 March 2024.

1. Review of activities

Main business and operations

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

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

- To regulate all community schemes within South Africa
- To control and provide quality assurance of community schemes governance documentation
- To provide a dispute resolution service for community schemes
- Provide stakeholder training, consumer education and awareness for property owners, occupiers and other stakeholders in community schemes
- To ensure that the CSOS is an effective and sustainable organisation.

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

2. Going concern

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

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

3. Accounting Authority

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

Non-Executive Directors

Changes

Ms. M.P. Mthethwa

Mr D.V. Goliath

Ms. M. Ramataboe

Mr. S. Rakolote

Ms. T. Godongwana

Adv. M.D Xulu

Ms. M. Shandu

Executive Directors

Adv. B. Mkhize - Former Chief Ombud

Resigned 13 April 2023

Ms. T. Mbatha (CA)SA - Acting Chief Ombud

Acting appointment date 13 April 2023

Mr. M. Nhlungwana (Acting Chief Financial Officer)

Acting appointment date 13 April 2023

4. Secretary

Mr M Penane was appointed as a Company Secretary on Thursday, 01 June 2023.

5. Irregular, Fruitless and Wasteful Expenditure

Irregular, fruitless and wasteful expenditures incurred for the period under review are disclosed in note 41 of these annual financial statements.

6. Other significant matters

VBS Update

Our ongoing efforts to recover a portion of the R81 million investment from VBS Mutual Bank continue. Due to the process being subject to insolvency requirements and procedures, it is impossible to predict the prospects of successful recovery, the amount to be recovered, or the timeline for completion of the recovery exercise.

It is evident that the CSOS claim was submitted late, following the initial liquidator's meetings. On November 23, 2023, VBS informed CSOS that a special meeting to consider late claims had not yet been convened, thus the CSOS' claim had not been proven. VBS further stated they would provide an update once the meeting had taken place.

The claim was not proven by the Master during the special meeting held on March 7, 2024. However, based on certain reasons, the liquidator was confident in the validity of the claim and exercised his powers to admit it. The claim submitted by CSOS has been confirmed as a liquidated claim, with its cause of action predating sequestration. Based on available information, it appears that the claim was not assigned after sequestration, given that CSOS was the entity that deposited the funds for investment purposes.

According to the information we have, CSOS is neither a secured nor a preferential creditor. The investment contract it entered into does not include any clauses related to hypothecation over the investment, as it does not constitute a loan. If it were a loan instead of an investment, there would have been a surety over the debt to guarantee repayment in the event that the debtor fails to service or repay the debt.

Forensic Investigation

CSOS commissioned an investigation on allegations of irregular expenditure on procurement and contract management.

Statement of Financial Position as at 31 March 2024

Figures in Rand	Note(s)	2024	2023 Restated
Assets			
Current Assets			
Receivables from exchange transactions	8	1 075 481	720 080
Receivables from non-exchange transactions	9	281 498 292	131 030 646
Other receivables - Rental deposits	7	84 260	-
Prepayments	10	8 164 396	5 706 902
Cash and cash equivalents	11	270 108 986	309 596 258
		560 931 415	447 053 886
Non-Current Assets			
Property, plant and equipment	4	19 847 241	9 767 665
Intangible assets	5	28 361 260	25 849 448
Other receivables - Rental deposits	7	869 951	687 965
		49 078 452	36 305 078
Total Assets		610 009 867	483 358 964
Liabilities			
Current Liabilities			
Operating lease liabilities	12	823 518	1 779 972
Payables from exchange transactions	13	22 839 354	13 918 932
Provisions	14	62 675 119	2 585 229
Unallocated Levies	15	183 530 071	154 213 742
Revenue received in advance- Scheme payments	43	65 410 664	42 335 944
Transfer of prior year surplus payable	44	103 838 024	-
		439 116 750	214 833 819
Total Liabilities		439 116 750	214 833 819
Net Assets		170 893 117	268 525 145
Accumulated surplus		170 893 117	268 525 145
Total Net Assets		170 893 117	268 525 145

Statement of Financial Performance

Figures in Rand	Note(s)	2024	2023 Restated
Revenue			
Revenue from exchange transactions			
Other revenue	16	779 744	164 462
Interest received from the bank	45	21 361 041	16 387 827
Total revenue from exchange transactions		22 140 785	16 552 289
Revenue from non-exchange transactions			
Government grants & subsidies	17	-	24 817 000
Levies	18	398 304 255	333 655 373
Interest from non-exchange receivables	19	5 005 277	1 791 604
SETA Funding Grant received	48	203 714	-
Total revenue from non-exchange transactions		403 513 246	360 263 977
Total revenue	20	425 654 031	376 816 266
Expenditure			
Employee and Emoluments related costs	21	(166 661 191)	(132 606 270)
Depreciation and amortisation	22	(7 304 908)	(4 004 650)
Finance costs	23	(261 721)	(2 353)
Lease rentals on operating lease	24	(12 518 560)	(10 870 278)
Debt Impairment	46	(9 028 080)	(120 207 594)
Contracted services	25	(33 642 072)	(43 022 984)
Loss on disposal of property, plant and equipment	26	(241 550)	(417 885)
Surrender of surpluses	30	(163 223 285)	(105 200 000)
General Expenses	27	(130 404 692)	(37 400 950)
Total expenditure		(523 286 059)	(453 732 964)
Deficit for the year		(97 632 028)	(76 916 698)

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus/deficit	Total net assets
Opening balance as previously reported	345 572 423	345 572 423
Adjustments		
Correction of errors	(130 580)	(130 580)
Balance at 01 April 2022 as restated*	345 441 843	345 441 843
Changes in net assets		
Deficit for the year	(76 916 698)	(76 916 698)
Total changes	(76 916 698)	(76 916 698)
Restated* Balance at 01 April 2023	268 525 145	268 525 145
Changes in net assets		
Deficit for the year	(97 632 028)	(97 632 028)
Total changes	(97 632 028)	(97 632 028)
Balance at 31 March 2024	170 893 117	170 893 117

Cash Flow Statement

Figures in Rand	Note(s)	2024	2023 Restated
Cash flows from operating activities			
Receipts			
Grants		-	24 817 000
Levies		305 232 837	263 374 568
Interest Received		21 364 973	16 187 057
Other receipts		624 124	168 412
		<u>327 221 934</u>	<u>304 547 037</u>
Payments			
Employee costs		(160 002 505)	(130 914 129)
Suppliers		(186 040 898)	(101 839 424)
Finance costs		(261 721)	(2 353)
		<u>(346 305 124)</u>	<u>(232 755 906)</u>
Net cash flows from operating activities	31	(19 083 190)	71 791 131
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(14 318 230)	(3 957 851)
Proceeds from sale of property, plant and equipment	4	57 432	36 964
Purchase of other intangible assets	5	(5 877 038)	(10 822 047)
Movement in Other receivables (rental deposit)		(266 246)	(55 000)
		<u>(20 404 082)</u>	<u>(14 797 934)</u>
Cash flows from financing activities			
Transfer of Prior year surplus		-	(105 200 000)
Net cash flows from financing activities		-	(105 200 000)
Net increase/(decrease) in cash and cash equivalents		(39 487 272)	(48 206 803)
Cash and cash equivalents at the beginning of the year		309 596 258	357 803 061
Cash and cash equivalents at the end of the year	11	270 108 986	309 596 258

Statement of Comparison of Budget and actual Amounts

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Budget on Accrual Basis

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Other Revenue	83 465	-	83 465	779 744	696 279	1
Interest received from the bank	10 462 798	-	10 462 798	21 361 041	10 898 243	2
Total revenue from exchange transactions	10 546 263	-	10 546 263	22 140 785	11 594 522	

Revenue from non-exchange transactions

Transfer revenue

Government grants & subsidies	24 912 000	-	24 912 000	-	(24 912 000)	3
Levies	408 698 702	(492 782)	408 205 920	398 304 255	(9 901 665)	4
SETA Funding Grant received	-	-	-	203 714	203 714	5
Interest from non-exchange receivables	-	1 881 184	1 881 184	5 005 277	3 124 093	6
Surplus retention	-	212 100 000	212 100 000	-	(212 100 000)	7
Total revenue from non-exchange transactions	433 610 702	213 488 402	647 099 104	403 513 246	(243 585 858)	
Total revenue	444 156 965	213 488 402	657 645 367	425 654 031	(231 991 336)	

Expenditure

Employee related cost and board emoluments	(179 500 994)	(34 351 798)	(213 852 792)	(166 661 191)	47 191 601	8
Depreciation and amortisation	(1 081 633)	(3 104 012)	(4 185 645)	(7 304 908)	(3 119 263)	9
Finance costs	-	-	-	(261 721)	(261 721)	10
Lease rentals on operating lease	(39 847 836)	23 704 634	(16 143 202)	(12 518 560)	3 624 642	11
Debt Impairment	-	-	-	(9 028 080)	(9 028 080)	12
Contracted Services	(62 371 711)	(10 102 500)	(72 474 211)	(33 642 072)	38 832 139	13
General Expenses	(128 818 080)	(25 987 982)	(154 806 062)	(130 404 692)	24 401 370	14
Transformation Activities	-	(128 337 285)	(128 337 285)	-	128 337 285	15

Total expenditure

Total expenditure	(411 620 254)	(178 178 943)	(589 799 197)	(359 821 224)	229 977 973	
Operating surplus	32 536 711	35 309 459	67 846 170	65 832 807	(2 013 363)	
Loss on disposal of assets	-	-	-	(241 550)	(241 550)	
Surrender of surpluses	-	-	-	(163 223 285)	(163 223 285)	
	-	-	-	(163 464 835)	(163 464 835)	

Surplus

Surplus	32 536 711	35 309 459	67 846 170	(97 632 028)	(165 478 198)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	32 536 711	35 309 459	67 846 170	(97 632 028)	(165 478 198)	

Reasons are provided for significant variances:

1. Other Revenue:

The significant increase in other revenue relates to recoveries from staff debtors, proceeds from insurance claims & auctioned assets as well as recoveries for cost deemed fruitless & wasteful expenditure.

2. Interest Received:

The favourable variance is mainly as a result of the repo rate increase from 7,75% to 8,25 % during the year on compounded interest investment with SARB.

3. Government Grant:

The DHS has since withdrawn the grant due to an anticipation of an increase in levies revenue. With the review of the levy model, this will ensure that CSOS is financially self-sustaining.

4. Levies

The unfavourable variance on the levies billed is due to fewer registration of new schemes therefore resulted in less revenue billed.

5. SETA Funding Grant Received:

This relates to grant received from Services SETA for the approval of the 2023-2024 Mandatory Grant application made (Workplace Skills Plan and Annual Training Report).

6. Interest from Non-Exchange Receivables:

This is due to increase in long overdue debtors resulting in the interest charged at 2%.

7. Retention of Surplus:

This relates to retention of roll-over funds of R212million which was approved by National Treasury.

8. Employee Related Cost:

The underspending is caused by the vacancies as the budget was based on the entire approved OD structure.

9. Depreciation and Amortisation:

There was an increase in depreciation/amortisation due to additions in the current year resulting in the increase in depreciation/amortisation.

10. Finance Costs:

This mainly relates to SARS penalties on the delayed payment as well as resubmission of the revised EMP 201 submissions.

11. Lease Rentals on Operating Lease:

The variance is due to the procurement of the Head Office and GP regional office being on short term period and the late opening of the satellite offices which was budgeted for at the beginning of the financial year.

12. Debt Impairment:

The variance is due increase in the provision for impairment loss caused by the increase in long outstanding balances.

13. Contracted Services:

Underspending in contracted services is attributed to the absence of appointments for service providers in financial consulting services, knowledge management, legislative review projects, and printing of material studies. Furthermore, the contracts for part-time adjudicators end in December 2023.

14. General Expenses:

Underspending in general expenses primarily resulted from delays in appointing the service provider for schemes verification project and lower expenditure on security costs against the budget.

15. Transformation-Activities:

The variance is caused by delayed implementation of the Transformation activities.

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figure in Rands	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Statement of Financial Position

Assets

Non-Current Assets

Property, plant and equipment	(17 953 129)	655 475	(17 297 654)	(14 300 293)	2 997 361	1
Intangible assets	(14 583 581)	(35 964 935)	(50 548 516)	(5 877 038)	44 671 478	2
	(32 536 710)	(35 309 460)	(67 846 170)	(20 177 331)	47 668 839	
Total Assets	(32 536 710)	(35 309 460)	(67 846 170)	(20 177 331)	47 668 839	
Net Assets	(32 536 710)	(35 309 460)	(67 846 170)	(20 177 331)	47 668 839	

Net Assets

Net Assets Attributable to Owners of Controlling Entity

Reserves

Accumulated surplus	(32 536 710)	(35 309 460)	(67 846 170)	(20 177 331)	R47 668 839	
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1. Property Plant and Equipment

The underspending occurred due to delays in purchasing office furniture and computer equipment for the new staff.

2. Intangible Assets

The underspending is due to delays in the appointment and completion of capital projects such as ECDMS & ERP as well the delays in the CSOS Connect project.

The accounting policies on pages 116 to 134 and the notes on pages 135 to 159 form an integral part of the Annual financial statements.

Accounting Policies

1. Presentation of Annual Financial Statements

CSOS is established in terms of Community Schemes Ombud Services Act 9 of 2011, and is classified as a Schedule 3A entity in terms of the Public Finance Management Act (Act of 1999). The Annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 89(1) of the Public Finance Management Act (Act 1 of 1999).

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

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

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the Entity.

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the entity will continue to operate as a going concern for at least the next 12 months.

1.3 Materiality

Omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users. The Framework for the Preparation and Presentation of Financial Statements states that users are assumed to have a reasonable knowledge of government, its activities, accounting and a willingness to study the information with reasonable diligence. Therefore, the assessment takes into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions.

Quantitative materiality -CSOS will base their materiality on 0,5% of revenue from levies.

Qualitative materiality- Materiality is not merely related to the size of the entity and the elements of its financial statements. Misstatements that are large either individually or in aggregate may affect a "reasonable" user's judgment on the financial statements. Misstatements may also be material on qualitative grounds.

1.4 Significant judgements and sources of estimation uncertainty

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

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

Impairment of statutory receivables

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the entity measures and impairment loss. The impairment loss is measured as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable, or group of statutory receivables, are reduced, either directly or through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

In estimating the future cash flows, the entity considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the entity discounts the estimated future cash flows using a rate that reflects the current risk free rate and, if applicable, any risks specific to the statutory receivable, or group of statutory receivables, for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable are revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows.

Debtors will be evaluated for recoverability based on their aging at each reporting date. The impairment losses are estimated based on historical experience of the recoverability of debt at CSOS. The CSOS further took into consideration current macro- economic factors to conclude on appropriate expected loss rates being the sudden economic downturn, increase in unemployment, increase in interest rate, inflation, amongst other - were expected to result in increases in defaults in the short term.

Impairment of non-financial assets

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

Useful lives and residual values

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

1.5 Intangible assets

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

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

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

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

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

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

Item	Depreciation method	Average useful life
Licenses	Straight-line	Based on the License period
Computer software	Straight-line	5-10 years

1.6 Financial Instruments

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

Classification

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

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

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

Initial recognition and measurement

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

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

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

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

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

Subsequent Measurement

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

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

Financial instruments at cost are subsequently measured at cost.

Impairment of financial assets

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

Impairment losses are recognised in surplus or deficit.

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

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

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

Payables from exchange transactions

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

Cash and cash equivalents

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

Other financial assets

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

Derecognition**Financial assets**

The entity derecognises a financial asset only when:

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

- derecognises the asset; and
- recognise separately any rights and obligations created or retained in the transfer.

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

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

Financial liabilities

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

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

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Receivables from exchange transactions- Trade debtors	Financial asset measured at amortised cost
Receivables from exchange transactions- Staff debtors	Financial asset measured at amortised cost
Receivables from exchange transactions- Interest accrued	Financial asset measured at amortised cost
Cash and cash equivalents: Bank balances	Financial asset measured at amortised cost
Cash and cash equivalents: Call deposits	Financial asset measured at amortised cost

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Payables from exchange transactions-Trade creditors	Financial liability measured at amortised cost
Payables from exchange transactions- Accruals	Financial liability measured at amortised cost
Payables from exchange transactions-Leave payable	Financial liability measured at amortised cost
Payables from exchange transactions- Payroll liabilities	Financial liability measured at amortised cost
Revenue received in advance	Financial liability measured at amortised cost
Unallocated levies	Financial liability measured at amortised cost

1.7 Tax

Tax expenses

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

1.8 Property, plant and equipment

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

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

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

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

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

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

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

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

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

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

Item	Depreciation method	Average useful life
Furniture and Fixtures	Straight-line	3-9 years
Motor Vehicles	Straight-line	5-8 years
Office Machinery and Equipment	Straight-line	3-6 years
Computer Equipment	Straight-line	3-6 years
Leasehold Improvements	Straight-line	Based on the lesser of lease period or useful lives of the asset
Mobile Devices	Straight-line	3 years

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

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the entity. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

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

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.

1.9 Statutory receivables

Identification

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset.

Carrying amount is the amount at which an asset is recognised in the statement of financial position.

The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

The transaction amount for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

Recognition

The entity recognises statutory receivables as follows:

- if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions;
- if the transaction is a non-exchange transaction, using the policy on Revenue from non-exchange transactions (Taxes and transfers); or

- if the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

Initial measurement

The entity initially measures statutory receivables at their transaction amount.

Subsequent measurement

The entity measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

Accrued interest

Where the entity levies interest on the outstanding balance of statutory receivables, it adjusts the transaction amount after initial recognition to reflect any accrued interest. Accrued interest is calculated using the nominal interest rate.

Interest on statutory receivables is recognised as revenue in accordance with the policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (taxes and transfers), whichever is applicable.

Other charges

Where the entity is required or entitled in terms of legislation, supporting regulations, by-laws or similar means to levy additional charges on overdue or unpaid amounts, and such charges are levied, the entity applies the principles as stated in "Accrued interest" above, as well as the relevant policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (taxes and transfers).

Impairment losses

The entity assesses at each reporting date whether there is any indication that a statutory receivable, or a group of statutory receivables, may be impaired.

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the entity considers, as a minimum, the following indicators:

- Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.
- A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).
- Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the entity measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable, or group of statutory receivables, is reduced, either directly or through the use of an allowance account. The amount of the losses is recognised in surplus or deficit.

In estimating the future cash flows, an entity considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the entity discounts the estimated future cash flows using a rate that reflects the current risk-free rate and, if applicable, any risks specific to the statutory receivable, or group of statutory receivables, for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows.

Any previously recognised impairment loss is adjusted either directly or by adjusting the allowance account. The adjustment does not result in the carrying amount of the statutory receivable or group of statutory receivables exceeding what the carrying amount of the receivable(s) would have been had the impairment loss not been recognised at the date the impairment is revised. The amount of any adjustment is recognised in surplus or deficit.

Derecognition

The entity derecognises a statutory receivable, or a part thereof, when:

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

In this case, the entity:

- derecognise the receivable; and
- recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of any statutory receivables transferred are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. The entity considers whether any newly created rights and obligations are within the scope of the Standard of GRAP on Financial Instruments or another Standard of GRAP. Any difference between the consideration received and the amounts derecognised and, those amounts recognised, are recognised in surplus or deficit in the period of the transfer.

1.10 Leases

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

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

Operating leases - lessee

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

1.11 Cash and cash equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash and cash equivalents comprises bank balances and deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less which are available on demand.

1.12 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the entity; or
- the number of production or similar units expected to be obtained from the asset by the entity.

1.13 Impairment of non-cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the entity; or
- the number of production or similar units expected to be obtained from the asset by the entity.

An impairment loss shall be recognised immediately in surplus or deficit, unless the asset is carried at a revalued amount in accordance with another Standard of GRAP

CSOS shall assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the entity shall estimate the recoverable service amount of that asset.

An impairment loss recognised in prior periods for an asset shall be reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset shall, be increased to its recoverable service amount. That increase is a reversal of an impairment loss.

1.14 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

. Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;

- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

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 entity measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognises the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits: Defined contribution plans

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

1.15 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

A provision is used only for expenditures for which the provision was originally recognised. Provisions are not recognised for future operating surplus (deficit).

Provision for bonuses -Employees entitlement to performance bonus is recognised when the Board has approved a percentage of the annual package as bonus for the year. The provision becomes actual after being qualified by the results of the performance measurement tool applied.

Payment of performance bonuses is the sole discretion of the Board. The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the reporting date.

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

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

1.16 Commitments

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

1.17 Revenue from Exchange Transactions

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

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

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

Measurement

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

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

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

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

Dispute resolution fee

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

Revenue from these fees will be recognised when it is probable that the future economic benefits will flow to the CSOS, and the fair value can be measured reliably. This happens when the community scheme or a member of the scheme files for dispute resolution, files a request for referral of adjudication or requests access to documentation filed with the CSOS. The amount for the fees will be determined in accordance with the regulations of the CSOS Act issued by the Minister of Human Settlements.

Currently the prices are determined as follows:

- Access Fee - R8 per copy

A person whose gross monthly income is below R5 500 is entitled to a waiver of the application and adjudication fees. The entire spectrum of Dispute resolution fees were waived as from 30 November 2021.

1.18 Revenue from non-exchange transactions

Non-exchange revenue consists mainly of Levies and Interest on levies. Levies are charged to registered community schemes in terms of section 54 of the CSOS Act .

Levies

Levies and the related receivable (see statutory receivables note 4) are recognised from registered community schemes as the monies becomes due to the CSOS. The amount receivable is calculated at the lesser of R40 or 2% of the levies exceeding R500, to a maximum of R2 500 per month charged by the schemes as per the regulations issued in terms of the CSOS Act. It is assumed that the receipt of these levies is probable at the time of recognition. No provision is made for any unregistered community scheme's outstanding levies until the date of registration at which time all amounts accrued and outstanding, including interest, is levied and recognised.

Community schemes are expected to provide an annual declaration and levy schedules at registration for the levies to be charged. The CSOS uses the last annual declaration for a given financial year of the scheme to calculate the amount due. Where annual declarations have not been submitted, the CSOS will estimate the amount due based on the last declaration received adjusted for inflation (if applicable). Where levies are received from schemes without a levy declaration, the levy assessment and recognition are based on the actual amounts received where the CSOS will look at the trend of payments and select the highest payment made by the scheme to raise levies due to CSOS. Adjustments are made and accounted for between revenue accruals and the assessment amount on the assessment date and presented as changes in estimates to the extent that these were made after reporting date for previous year accruals.

Interest on levies

Interest is charged from the 7th day following the due date. Levies are due quarterly to the CSOS. Interest on levies is charged for the late payment or non-payment of the levies as per the impairment policy. Interest is payable at 2%, however the CSOS has elected to start charging interest from the 2022/23 financial year.

1.19 Other Income

Other income may include donations received, salaries recoveries and Insurance payouts.

1.20 Investment Income

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

1.21 Fruitless and Wasteful Expenditure

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

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

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

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

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

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

When an Irregular Expenditure is being suspected, it is reported to the Accounting Authority and then recorded in the Irregular Expenditure Register.

The alleged Irregular Expenditure is then investigated for confirmation.

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

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

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

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.

1.23 Segment Information

A segment is an activity of an entity:

- that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity);
- whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance; and
- for which separate financial information is available.

Reportable segments are the actual segments which are reported on in the segment report. They are the segments identified above or alternatively an aggregation of two or more of those segments where the aggregation criteria are met.

Measurement

The amount of each segment item reported is the measure reported to management for the purposes of making decisions about allocating resources to the segment and assessing its performance. Adjustments and eliminations made in preparing the entity's financial statements and allocations of revenues and expenses are included in determining reported segment surplus or deficit only if they are included in the measure of the segment's surplus or deficit that is used by management.

Similarly, only those assets and liabilities that are included in the measures of the segment's assets and the segment's liabilities that are used by management are reported for that segment. If amounts are allocated to reported segment surplus or deficit, assets or liabilities, those amounts are allocated on a reasonable basis. If management uses only one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities in assessing segment performance and deciding how to allocate resources, segment surplus or deficit, assets and liabilities are reported in terms of that measure. If management uses more than one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities, the reported measures are those that management believes are determined in accordance with the measurement principles most consistent with those used in measuring the corresponding amounts in the entity's financial statements. The entity has used asymmetrical allocation of expenses where the resources were not clearly allocated to a segment.

GRAP 18 Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the Community Schemes Ombud Service (CSOS). The major classifications of activities identified in entity strategy documents will usually reflect the segments for which an entity reports information to management. Segment information is presented based on geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with CSOS' overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by CSOS within a particular region.

The effective date of the standard is for years beginning on or after 01 April 2020. CSOS has adopted the standard for the first time in the 2022/23 annual financial statements. The adoption of this standard has not had a material impact on the results of the entity, but has resulted in fair presentation of the CSOS annual financial statements.

1.24 Budget Information

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

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

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

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

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

1.25 Related Parties

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

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

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

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

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

Management are those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions. Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with the entity. As a minimum, a person is considered to be a close member of the family of another person if they are married or live together in an arrangement that may be regarded as similar to a marriage; or are separated by no more than two degrees of natural or legal consanguinity or affinity.

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

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

1.26 Events After Reporting Date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The entity will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The entity will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.27 Prepayments

The entity recognises a prepayment as an asset when:

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

Notes to the Annual Financial Statements

2. Changes In Accounting Estimate and Prior Period Errors

A “change in accounting estimate” is an adjustment of the carrying amount of an asset or a liability or the amount of the periodic consumption of an asset, that results from the assessment of the present status of, and expected future benefits and obligations associated with, assets and liabilities. Changes in accounting estimates result from new information or new developments and, accordingly, are not corrections of errors. Changes in accounting estimates are recorded prospectively in the current period only, or current period and future periods, depending on the period affected.

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

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

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

3. New Standards and Interpretations

3.1 Standards and Interpretations Effective and Adopted In the Current Year

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
<ul style="list-style-type: none"> • GRAP 1 (amended): Presentation of Financial Statements (Going Concern) 	01 April 2023	The impact of the is not material.
<ul style="list-style-type: none"> • iGRAP 21: The Effect of Past Decisions on Materiality 	01 April 2023	The impact of the is not material.
<ul style="list-style-type: none"> • GRAP 25 (as revised): Employee Benefits 	01 April 2023	The impact of the is not material.
<ul style="list-style-type: none"> • iGRAP 7 (as revised): Limit on defined benefit asset, minimum funding requirements and their interaction 	01 April 2023	The impact of the is not material.
<ul style="list-style-type: none"> • GRAP 2020: Improvements to the Standards of GRAP 2020 	01 April 2023	The adoption of this has not had a material impact on the results of the company, but has resulted in more disclosure than would have previously been provided in the financial statements.
<ul style="list-style-type: none"> • GRAP 1 (amended): Presentation of Financial Statements (Materiality) 	01 April 2023	The impact of the is not material.

3.2 Standards and interpretations issued, but not yet effective

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity’s accounting periods beginning on or after 01 April 2024 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
<ul style="list-style-type: none"> • GRAP 104 (as revised): Financial Instruments 	01 April 2025	Impact is currently being assessed

4. Property, Plant and Equipment

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Furniture and fixtures	6 654 854	(1 880 380)	4 774 474	3 922 340	(1 431 132)	2 491 208
Motor vehicles	846 106	(362 778)	483 328	846 106	(244 323)	601 783
Office equipment	2 967 882	(701 045)	2 266 837	2 294 381	(439 329)	1 855 052
IT equipment	16 529 624	(6 129 793)	10 399 831	8 464 462	(4 714 183)	3 750 279
Leasehold improvements	1 281 215	(652 224)	628 991	199 254	(143 905)	55 349
Mobile devices	2 537 405	(1 243 625)	1 293 780	1 573 495	(559 498)	1 013 997
Total	30 817 086	(10 969 845)	19 847 241	17 300 038	(7 532 370)	9 767 668

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	2 491 208	2 880 993	(10 713)	(587 014)	4 774 474
Motor vehicles	601 783	-	-	(118 455)	483 328
Office equipment	1 855 052	847 459	(31 408)	(404 266)	2 266 837
IT equipment	3 750 279	8 360 739	(143 471)	(1 567 716)	10 399 831
Leasehold improvements	55 349	1 081 961	-	(508 319)	628 991
Mobile devices	1 013 997	1 147 078	(113 383)	(753 912)	1 293 780
	9 767 668	14 318 230	(298 975)	(3 939 682)	19 847 241

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	2 624 259	333 547	(54 876)	(411 722)	2 491 208
Motor vehicles	720 238	-	-	(118 455)	601 783
Office equipment	431 954	1 604 660	(8 690)	(172 872)	1 855 052
IT equipment	3 910 627	1 718 839	(754 481)	(1 124 706)	3 750 279
Leasehold improvements	121 767	-	-	(66 418)	55 349
Mobile devices	1 511 222	300 805	(211 243)	(586 787)	1 013 997
	9 320 067	3 957 851	(1 029 290)	(2 480 960)	9 767 668

Pledged as security

No assets of the Entity have been pledged as security.

Expenditure incurred to repair and maintain property, plant and equipment

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

Contracted services	49 879	190 187
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Refer to note 32 for the capital commitments

Refer to note 35 for the reassessment of the useful life

5. Intangible Assets

	2024			2023		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	34 748 224	(6 386 964)	28 361 260	28 871 186	(3 021 738)	25 849 448

Reconciliation of intangible assets - 2024

	Opening balance	Additions	Amortisation	Total
Computer software	25 849 448	5 877 038	(3 365 226)	28 361 260

Reconciliation of intangible assets - 2023

	Opening balance	Additions	Amortisation	Total
Computer software	16 551 092	10 822 047	(1 523 691)	25 849 448

Refer to Note 32 for the capital commitments.

6. Other Financial Assets

At amortised cost

Other financial assets	81 814 769	81 814 769
Impairments	81 814 769	(81 814 769)
	-	-

Financial assets at amortised cost

Financial assets at amortised cost impaired

Investments Impaired

Our ongoing efforts to recover a portion of the R81 million investment from VBS Mutual Bank continue. Due to the process being subject to insolvency requirements and procedures, it is impossible to predict the prospects of successful recovery, the amount to be recovered, or the timeline for completion of the recovery exercise.

It is evident that the CSOS claim was submitted late, following the initial liquidator's meetings. On November 23, 2023, VBS informed CSOS that a special meeting to consider late claims had not yet been convened, thus the CSOS' claim had not been proved. VBS further stated they would provide an update once the meeting had taken place.

The claim was not proven by the Master during the special meeting held on March 7, 2024. However, based on certain reasons, the liquidator was confident in the validity of the claim and exercised his powers to admit it. The claim submitted by CSOS has been confirmed as a liquidated claim, with its cause of action predating sequestration. Based on available information, it appears that the claim was not assigned after sequestration, given that CSOS was the entity that deposited the funds for investment purposes.

According to the information we have, CSOS is neither a secured nor a preferential creditor. The investment contract it entered into does not include any clauses related to hypothecation over the investment, as it does not constitute a loan. If it were a loan instead of an investment, there would have been a surety over the debt to guarantee repayment in the event that the debtor fails to service or repay the debt.

7. Other Receivables - Rental Deposits

Deposits - office rental	954 211	687 965
	<hr/>	
Non-current assets	869 951	687 965
Current assets	84 260	-

8. Receivables From Exchange Transactions

Trade debtors	124 469	58 423
Staff debtors	602 991	160 990
Interest Accrued	496 734	500 667
Allowance for Impairment loss	(148 713)	-
	<hr/>	<hr/>
	1 075 481	720 080

Trade debtors include monies owed to the CSOS for legal tax cost recoveries. CSOS is in the process of recovering the monies from all the parties.

Staff debtors relate to costs incurred deemed fruitless & wasteful (missed flights, cancelled meetings/bookings, etc..) and other staff recoveries. CSOS is in the process of recovering monies.

Interest accrued relates to interest receivable from the FNB account that only gets received on the 10th of each month

Trade and other receivables past due but not impaired

The ageing of amounts past due but not impaired is as follows:

0-30 days	496 734	500 667
31-60 days	460 612	4 959
61-90 days	-	13 130
+90 days	118 135	201 324

Trade and other receivables impaired

As of 31 March 2024, trade and other receivables of R148 713 were impaired and provided for.

The amount of the provision was R148 713 as of 31 March 2024.

Reconciliation of provision for impairment of trade and other receivables

Allowance for impairment loss	148 713	-
	<hr/>	<hr/>

9. Receivables From Non-Exchange Transactions

Levies	410 585 253	251 238 240
Allowance for Impairment loss	(129 086 961)	(120 207 594)
	<hr/>	<hr/>
	281 498 292	131 030 646

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

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

9. Receivables From Non-Exchange Transactions (continued)

The CSOS charges interest on levies as per Section 13 of the Regulations on the CSOS Act and the Accounting Policy states that interest will be charged on outstanding levies.

Credit quality of receivables from non-exchange transactions

Debtors will be evaluated for recoverability based on their aging at each reporting date. The impairment losses are estimated based on historical experience of the recoverability of debt at CSOS.

Receivables from non-exchange transactions impaired

As of 31 March 2024, management evaluated all debtors for recoverability based on their aging. The impairment losses are estimated based on historical experience of the recoverability of debt at CSOS. The CSOS further took into consideration current macro-economic factors to conclude on appropriate expected loss rates being the sudden economic downturn, increase in unemployment, increase in interest rate, inflation, amongst other - were expected to result in increases in defaults in the short term

Impairment loss	Amounts past due from customers	Expected future cash flows	Actual impairment
30 days (74% expected future cash flow)	5 291 257	3 904 419	1 386 839
60 days (72% expected future cash flow)	1 257 043	902 431	354 612
90 days (96% expected future cash flow)	9 840 523	9 452 806	387 717
180 days (92% expected future cash flow)	16 960 292	15 679 790	1 280 502
270 days (92% expected future cash flow)	21 683 261	20 041 838	1 641 422
360 days (73% expected future cash flow)	148 052 337	108 803 663	39 248 675
Individual significant debtors (25% expected cash flow)	113 023 629	28 236 435	84 787 194
	316 108 342	187 021 382	129 086 961

Reconciliation of provision for impairment of receivables from non-exchange transactions

Opening balance	120 207 594	-
Allowance for impairment loss	8 879 367	120 207 594
	129 086 961	120 207 594

10. Prepayments

Prepaid expenses	8 164 396	5 706 902
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Prepaid expenses relate to advance payments made for the operational licences, mainly relating to Microsoft, CSOS Connect, Caseware, etc..

The advance payments are in line with the contractual arrangement with the service provider.

11. Cash and Cash Equivalents

Cash and cash equivalents consist of:

Bank balances	119 553 302	170 847 800
Short-term deposits	150 555 684	138 748 458
	270 108 986	309 596 258

12. Operating Lease Liability

Current liabilities	823 518	1 779 972
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Operating Leases are recognised on the straight-line basis as per the requirement of GRAP 13.

Leasing Arrangements

Operating Leases relate to Property, Plant and Equipment with lease terms not longer than 5 years, with an option to extend for a further period. All operating lease contracts contain market review clauses in the event that the Entity exercises its option to renew. The Entity does not have an option to purchase the leased asset at the expiry of the lease period.

Amounts payable under Operating Leases

At the reporting date of the Entity had outstanding commitments under Non-cancellable operating leases for Property, Plant and Equipment, which fall due as follows:

Building and photocopy machines:

Up to 1 year	16 626 140	11 412 177
2 to 5 years	11 708 668	6 638 136
	28 334 808	18 050 313

Total Operating Lease Arrangements

The following payments have been recognised as an expense in the Statement of Financial Performance:

Minimum lease payments	12 518 560	10 870 278
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Operating Lease payments represent rentals payable by the Entity for certain of its office properties and photocopy machines. Leases are negotiated for an average term of two (2) years. The lease term for Gauteng and Head Office, PE, George, Balitso, Rustenburg, Bloemfontein & Polokwane Satellite Office is two (2) years.

13. Payables From Exchange Transactions

Trade payables	5 841 941	5 527 216
Payroll liabilities	1 791 803	805 617
Accrued leave pay	3 524 546	3 453 700
Other accrued expenses	11 681 064	4 132 399
	22 839 354	13 918 932

Trade Creditors:

Trade Creditors are in respect of amounts due to suppliers for services rendered and goods supplied. Creditors are paid within 30 days from receipt of invoice as required by Treasury Regulations.

Other Accrued Expenses:

This relates to services rendered and goods supplied before year-end not invoiced at year-end mainly in ICT, travel and accommodation, advertising and other general expenses.

Payroll Liabilities:

Salary related payables relates to amounts owing to third parties such as medical aids & SARS for PAYE, Board related fees as well as staff savings.

Accrued leave pay

This relates to the employees' balance of annual leave days accumulated and not taken as of 31 March 2024. Employees have six (6) months after their leave cycle anniversary to utilise or take leave as per the CSOS Leave Management Policy, failure of which those leave days are forfeited.

14. Provisions

Reconciliation of provisions - 2024

	Opening Balance	Additions	Reversed during the year	Total
Performance bonuses	2 585 229	3 289 858	(2 585 229)	3 289 858
Surrender of surpluses	-	59 385 261	-	59 385 261
	2 585 229	62 675 119	(2 585 229)	62 675 119

Reconciliation of provisions - 2023

	Opening Balance	Additions	Total
Performance bonuses	-	2 585 229	2 585 229

Bonus provision:

Provision for bonus was calculated at 1,5% of total budgeted salary for the next financial year. The bonus liability is anticipated to be paid within the next twelve months.

No performance bonus was paid in the current year.

The provision for performance bonus relating to 2022/23 performance cycle has been reversed as the board took a decision in April 2024 to not approve the bonus payment for 2022/23 performance cycle.

The provision for performance bonus for 2023/24 performance cycle is R3 289 858.

The timing is uncertain as the payment of performance bonuses is at the sole discretion of the Board

Surrender of surpluses

The entity annually declares all surpluses or deficits to the relevant Treasury from the period 1 August to 30 September of each year, using its audited annual financial statements as the basis for calculation of surpluses or deficits.

The entity submits requests to the relevant Treasury to retain surpluses in terms of section 53(3) of the PFMA, as and when appropriate. Unless exempted by the National Treasury, the entity invests surplus funds with the Corporation for Public Deposits.

Contingent liabilities are subject to continuous reassessment due to the possibility of their development differing from initial expectations. When an outflow of future economic benefits for an item, previously classified as a contingent liability, becomes probable, it necessitates the recognition of a provision in the period during which this change in probability is identified

Except in extremely rare cases, an entity will be able to determine a range of possible outcomes and can therefore estimate the obligation that is sufficiently reliable to use in recognising a provision.

The accumulated surplus determined as per the NT instruction note 12 of 2020/21 amounted to R173 035 530.

The amount likely to be payable to the National Treasury was determined taking into account the below assumptions.

The following assumptions were made by CSOS management in determining the likelihood of the a provision in relation to accumulated surplus:

- The provision was determined taking into account the past experience on the retention of surplus applications.
- The provision was based on history in terms of the response by NT on the request submitted.
- Historical approval of 100% retention for ICT projects (BAS) project unspent funds.
- Historical approval of 100% retention for ICT new projects.
- The past 5 years' trends indicate an average of 60% retention of the accumulated surplus declared.

The provision amount as determined by management taking into account the assumptions amounted to R59 385 261 and the remaining balance has been disclosed as contingent liability in note 33.

The timing is uncertain as the payment of the surplus is dependent on the response by National Treasury.

15. Unallocated Levies

	183 530 071	154 213 742
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This relates to payments received which could not be allocated to schemes. The reason for the payments not being able to be allocated is as a result of use of incorrect referencing by community schemes, reference number being cut-off on the bank statement resulting in the inability to allocate and bank generated POPs which do not have community schemes details, which the entity cannot trace to community schemes in case of inquiries. CSOS was able to make progress on allocating some of the funds received to schemes.

The movement of the unallocated levies is as follows as at year-end

Opening balance	154 213 742
Add -Movement	29 316 329
Closing balance	183 530 071

16. Other Revenue

Dispute resolution	-	600
Sundry income	779 744	163 862
	779 744	164 462

17. Government Grants and Subsidies**Operating grants**

Department of Human Settlements	-	24 817 000
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The Department of Human Settlement has since withdrawn the grant due to an anticipation of an increase in levies revenue.

18. Levies

Levies Allocated	398 304 255	333 655 373
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19. Interest From Non-Exchange Receivables

Interest received - Levies	5 005 277	1 791 604
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20. Revenue

Other income	779 744	164 462
Interest received from the bank	21 361 041	16 387 827
Interest received - Levies	5 005 277	1 791 604
Government grants & subsidies	-	24 817 000
Levies	398 304 255	333 655 373
SETA Funding Grant received	203 714	-
	425 654 031	376 816 266

The amount included in revenue arising from exchanges of goods or services are as follows:

Other income	779 744	164 462
Interest received from the bank	21 361 041	16 387 827
	22 140 785	16 552 289

The amount included in revenue arising from non-exchange transactions is as follows:

Government grants & subsidies	-	24 817 000
Levies	398 304 255	333 655 373
Interest received - Levies	5 005 277	1 791 604
SETA Funding Grant received	203 714	-
	403 513 246	360 263 977

21. Employee Related Costs

* Basic salaries and other benefits	148 667 977	120 600 076
Unemployment Insurance Fund	369 745	319 402
Workmen's Compensation Act	248 522	1 470
Skills Development Levy	1 403 963	1 145 542
Pension fund	11 073 959	7 671 474
Board Emoluments	4 897 025	2 868 306
	166 661 191	132 606 270

*Included in other benefits are - Non-pensionable allowance , Leave ,Travel allowance ,etc.

Defined Contribution Plan:

The CSOS provides a defined contribution scheme for its employees which is the Government Employees Pension Fund (GEPF).

Contributions to the Pension Plan in respect of service in a particular year are included in the employees' total cost of employment and are charged to the statement of financial performance in the year to which they relate, as part of the cost of employment.

The CSOS has no legal or constructive obligation in respect of normal retirements to pay further contributions if the GEPF does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior years.

The total economic entity contribution to such scheme was as follows :

Employer Contribution - R11 073 959

Employee Contribution (included in basic salaries above) - R6 388 820

22. Depreciation and Amortisation

Property, plant and equipment	3 939 682	2 480 959
Intangible assets	3 365 226	1 523 691
	7 304 908	4 004 650

23. Finance Costs

Other Late Payments	261 721	2 353
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This mainly relates to SARS penalties on delayed payment as well as submission of revised EMP 201.

24. Operating Lease Charges

Premises		
Contractual amounts	11 832 620	9 986 373
Equipment		
Contractual amounts	685 940	883 905
	12 518 560	10 870 278

25. Contracted Services

Adjudication fees	12 128 202	17 592 833
Legal Services	5 542 901	11 533 264
Consulting and Professional fees*	15 921 090	13 706 700
Repairs and maintenance services	49 879	190 187
	33 642 072	43 022 984

*Consulting and professional fees relates to ICT services (support & maintenance, call centre services & hosting fees), forensic investigation services and risk management solution.

26. Loss On Disposal Of Property, Plant and Equipment

Loss on disposal of assets	241 550	417 885
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27. General Expenses

Annual report	296 355	237 284
Advertising	67 942 446	683 555
Auditors remuneration	6 456 782	3 055 247
Bank charges	196 437	143 670
Cleaning	539 282	-
ICT Infrastructure*	1 756 786	-
Delivery expenses	-	46 000
Donations	-	39 921
Insurance	436 020	392 749
Conferences and workshops	1 499 784	547 420
ICT Accessories	702 300	971 255
Marketing	1 920 732	2 042 086
Motor vehicle expenses	80 354	105 603
Postage and courier	301 916	129 018
Printing and stationery	427 997	509 663
Project related costs*	6 888 049	3 472 004
Security	2 886 223	-
Subscriptions and membership fees	71 282	52 464
Telephone and internet costs	2 655 436	3 378 982
Training and staff development	4 679 517	2 947 385
Travel and accommodation	14 118 324	6 355 519
Municipal services (utilities)	1 655 870	1 618 223
Office expenses	1 476 439	1 465 579
Relocation costs	496 981	205 624
License fees	11 518 759	7 983 321
Recruitment costs	1 253 999	987 213
Offsite record storage	146 622	31 165
	130 404 692	37 400 950

*Project related costs relate mainly to costs incurred for schemes validation & verification (V&V) project as well as HR projects (Mandela day, HR Open day, Women's day event, Employee awards etc..)

*ICT infrastructure relate mainly to costs incurred for hosting fees and wide area network.

28. Advertising

Exhibitions	5 000 063	-
TV Advertising	9 400 111	-
Social Media Adverts	2 502 155	629 625
Radio Advertising	19 210 406	-
Newspaper Adverts	1 825 397	-
Outdoor Advertising (incl Billboards)	14 695 631	-
Publications (CSOS Act & Reg)	1 423 585	-
Marathons	5 575 900	-
Branding	452 807	-
Customer relationship management Campaigns	7 129 920	-
Media Monitoring	114 545	-
Others (HR Advertising (Vacant posts/Tenders)	611 926	53 930
	67 942 446	683 555

29. Auditors' Remuneration

External audit fees	5 215 685	2 312 619
Internal audit fees	1 241 097	742 628
	6 456 782	3 055 247

30. Surrender Of Surplus

Surrender of surpluses - relating to current year	59 385 261	-
Surrender of surpluses - relating to prior year(s)	103 838 024	105 200 000
	163 223 285	105 200 000

The accumulated surplus determined as per the NT instruction note 12 of 2020/21 amounted to R173 035 530

The amount likely to be payable to the National Treasury was determined taking into account the below assumptions
The following assumptions were made by CSOS management in determining the likelihood of the a provision in relation to accumulated surplus:

- The provision was determined taking into account the past experience on the retention of surplus applications.
- The provision was based on history in terms of the response by NT on the request submitted.
- Historical approval of 100% retention for ICT projects (BAS) project unspent funds.
- Historical approval of 100% retention for ICT new projects.
- The past 5 years trends indicate an average of 60% retention of the accumulated surplus declared

The provision for current year surplus based on the above assumption amounted to R59 385 261

The R103 838 024 relates to the surplus requested by National Treasury to be surrendered.

31. Cash (used in) Generated From Operations

Deficit	(97 632 028)	(76 916 698)
Adjustments for:		
Depreciation and amortisation	7 304 908	4 004 650
Loss on sale of assets and liabilities	241 550	417 885
Surrender of surpluses- for prior year	103 838 024	105 200 000
Movements in operating lease assets and accruals	(956 454)	(516 917)
Movements in provisions	60 089 890	2 585 229
Changes in working capital:		
Receivables from exchange transactions	(355 401)	(196 824)
Other receivables from non-exchange transactions	(150 467 646)	(33 403 050)
Prepayments	(2 457 497)	(3 453 739)
Payables from exchange transactions	8 920 422	(7 467 645)
Unallocated Levies	28 312 982	39 202 295
Revenue received in advance- Scheme payments	24 078 060	42 335 945
	(19 083 190)	71 791 131

32. Financial Instruments Disclosure

Categories of financial instruments

2024

Financial assets

	At amortised cost	Total
Receivables from exchange transactions- Trade debtors	38 943	38 943
Receivables from exchange transactions-Staff debtors	539 804	539 804
Receivables from exchange transactions-Interest accrued	496 734	496 734
Cash and cash equivalents- Bank balances	119 553 302	119 553 302
Cash and cash equivalents- Call deposits	150 555 684	150 555 684
	271 184 467	271 184 467

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions- Trade creditors	5 841 941	5 841 941
Payables from exchange transactions- Accruals	11 681 064	11 681 064
Payables from exchange transactions- Payroll liabilities	1 791 803	1 791 803
Unallocated levies	183 530 071	183 530 071
Revenue received in advance- Scheme payments	65 410 664	65 410 664
Payables from exchange transactions- Leave payable	3 524 546	3 524 546
Transfer of Prior year surplus payable	103 838 024	103 838 024
	375 618 113	375 618 113

2023**Financial assets**

	At amortised cost	Total
Receivables from exchange transactions- Trade debtors	58 423	58 423
Receivables from exchange transactions- Interest accrued	500 667	500 667
Receivables from exchange transactions- Staff debtors	160 990	160 990
Cash and cash equivalents- Bank balances	170 847 800	170 847 800
Cash and cash equivalents- Call deposits	138 748 458	138 748 458
	310 316 338	310 316 338

Financial liabilities

	At amortised cost	Total
Payables from Exchange transaction- Trade creditors	5 527 216	5 527 216
Payables from Exchange transaction- Accruals	4 132 399	4 132 399
Payables from Exchange transaction- Payroll liabilities	805 617	805 617
Unallocated levies	154 213 742	154 213 742
Revenue received in advance -Scheme payments	42 335 944	42 335 944
Payables from Exchange transaction- Leave payable	3 453 700	3 453 700
	210 468 618	210 468 618

33. Commitments**Authorised capital expenditure****Already contracted for but not provided for**

• Property, plant and equipment	1 608 858	-
• Business Automation Services	26 456 052	29 427 641
• Supply installation and maintenance support access control solution for a period of 12 months	-	330 814
• The appointment of a service provider for the supply, delivery, installation and support of server hardware and storage	211 360	4 698 952
• Procurement of computer monitors	-	13 650
• Procurement of office furniture	-	431 500
• Sage Upgrade (ERP)	6 789 411	-
	35 065 681	34 902 557

Total capital commitments

Already contracted for but not provided for	35 065 681	34 902 557
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The total commitments for the Business Automation Services amounts to R61 385 357, the remaining balance of R34 929 305.17 relates to operational expenditure commitment.

The total commitments for the SAGE Upgrade(ERP) amounts to R16 738 008, the remaining balance of R9 948 597 relates to operational expenditure commitment

This committed expenditure relates to capital expenditure in future financial periods and will be financed by available retained surpluses, existing cash resources and funds internally generated.

34. Contingencies

Contingent Liabilities

Labour Matters	395 833	486 413
National Treasury: Accumulated Surplus	113 650 269	228 118 024
	114 046 102	228 604 437

Labour matters are under review and yet to be adjudicated by the labour court. The timing is uncertain as the labour matter is still pending and not yet finalised.

Accumulated surplus is subject to National Treasury approval in response to the CSOS appropriate application for such fund retention. The accumulated surplus is determined in terms of the National Treasury Instruction No. 12 of 2020/21.

A declaration of the cash surplus as at 31 March 2024 will be submitted to the National Treasury, together with an application to retain such surpluses in terms of section 53(3) of the PFMA and National Treasury instruction No 12 of 2020/2021.

CSOS will make an application to the National Treasury to retain the surplus in order to fund the capital and operational commitments as they are not taken into account in the determination of the accumulated surplus.

A provision has been raised amounting to R59 385 261 relating to the estimated amount to be paid to National Treasury based on previous submission.

The response on the application to retain the 2022/23 surplus was received in April 2024 whereby the entity is required to surrender R103 838 024. The amount has been included in the current liabilities as well as current year expenses.

Contingent assets

1. Fruitless and wasteful costs:

The entity has incurred costs totaling R47 858, which have been categorised as fruitless and wasteful expenditure. However, no recoveries have been initiated because the responsible officials have not yet signed the debt acknowledgment forms.

2. Cedar Lake HOA vs Jane Naude, Mr. Abraham Masilo, CSOS and Boyce Mkhize N.O

The CSOS has a contingent asset which arose because of an application to review and set aside CSOS dispute referral and have a declaratory order that the application for dispute should be set aside.

The applicant (HOA) has tendered our wasted costs and settlement negotiations on the amount payable to the CSOS are still on-going between Legal and the HOA's legal representative.

Cedar Lakes has agreed to withdraw the matter and pay the CSOS costs. Their initial offer was to pay R20 000 however the amount was unreasonable. CSOS has made them a counter offer and requested them to pay the Counsel's fees in full being the total amount of R241 736. Cedar Lakes declined the counter offer and offered to pay a total amount of R75 000. CSOS has re-appointed PPM Attorneys to deal with issue of costs.

35. Related Parties

Relationships

Controlling entity

Entities under common control

National Department of Human Settlements
Housing Development Agency, National Housing
Finance Corporation, Property Practitioners
Regulatory Authority, National Home Builders
Registration Council and Social Housing Regulatory
Authority.

National sphere of government

National Departments and Public entities

Non-Executive directors

Board Members

Acting Chief Ombud

Ms. T. Mbatha CA (SA)

Acting Chief Financial Officer

Mr. M. Nhlungwana

Chief Audit Executive

Mr. O. Masogo

Executive Manager- Corporate Services

Mr. L. Seshoka

Chief Information Officer

Mr. R. Khamali

Adjudicator General

Ms. K. Mlatha

Executive: Organisational Strategy and Performance

Ms. K. Phetla

Company Secretary

Mr. M. Penane

Acting Adjudicator General (From 24 November 2023 to date)

Mr. M. Dorasamy

Acting Chief Information Officer (until 30 June 2023)

Mr. M. Jadezweni

Related party transactions

Funds received

National Department of Human Settlements	-	24 817 000
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Surrender of prior year surplus

National Department of Human Settlements	103 838 024	105 200 000
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Apart from the transactions disclosed as above, no further services were rendered to related parties and all transactions were concluded on an arms length basis

Key management information

Remuneration of management

Management class: Board and Committees members

2024

Name	Board meeting fees	Other meetings	Travel claim	Total
Ms. M. Mthethwa (*01 Jan 2022)	231 192	622 762	4 968	858 922
Mr. D. Goliath (* 01 Jan 2022)	202 384	677 691	2 109	882 184
Mr. S. Rakolote (*01 Jan 2022)	124 108	226 632	2 749	353 489
Adv. M.D. Xulu (*01 Jan 2022)	148 390	439 774	10 153	598 317
Ms. N. Shandu (*01 Jan 2022)	137 598	321 062	2 031	460 691
Ms. M. Ramataboe (*01 Jan 2019)	134 900	431 680	1 733	568 313
Ms. T. Godongwana (*01 Oct 2022)	124 108	299 478	-	423 586
Mr. G. Matthee (*01 June 2023)	-	40 470	-	40 470
Ms. V. Ndlovu (*22 April 2022)	-	16 030	-	16 030
Ms. V. Nayagar (*01 Feb 2021)	-	8 094	-	8 094
Ms. P. Lengolo (*25 March 2022)	-	16 030	-	16 030
Mr. M.F. Kekana (*01 June 2023)	-	40 470	-	40 470
Ms. S. Dikwayo (*03 March 2023)	-	129 504	122	129 626
Ms. F. Mkhize (*17 March 2023)	-	134 900	-	134 900
Ms. N. January (*01 April 2023)	-	62 985	1 699	64 684
Mr. K. De Beer (*01 April 2023)	-	60 594	3 927	64 521
Mr. M. Motala (*01 April 2023)	-	63 807	8 439	72 246
Ms. K. Choenyana (*01 April 2023)	-	66 021	2 055	68 076
Mr. P.C. Ngove (*01 April 2023)	-	82 931	12 315	95 246
Dr. V. Moss (*01 April 2023)	-	-	1 131	1 131
	1 102 680	3 740 915	53 431	4 897 026

35. Related Parties (continued)

2023	Board Meeting fees	Other meetings	Travel claims	Other benefits received	Total
Name					
Ms. M. Mthethwa	160 056	467 134	1 654	9 199	638 043
Mr. D. Goliath	53 234	578 486	152	44 457	676 329
Mr. S. Rakolote	83 638	245 518	-	-	329 156
Ms. D. Subbiah	-	5 396	-	-	5 396
Adv. M.D. Xulu	89 034	248 520	2 776	-	340 330
Ms. N. Shandu	86 336	258 601	995	-	345 932
Ms. M. Ramataboe	99 668	240 584	1 311	-	341 563
Ms. T. Godongwana	32 376	48 564	-	-	80 940
Ms. V. Ndlovu	-	16 188	-	-	16 188
Ms. P. Lengolo	-	24 282	-	-	24 282
Ms. V. Nayagar	-	21 584	-	-	21 584
Mr. D. Sicard	-	24 282	-	-	24 282
Ms. S. Dikwayo	-	24 282	-	-	24 282
	604 342	2 203 421	6 888	53 656	2 868 307

* -Appointment date

Management class: Executive management

2024	Basic salary	Other short-term employee benefits	Post-employment benefits	Other benefits received	Total
Name					
Adv. B. Mkhize	162 400	390 367	21 112	5 000	578 879
Ms. T. Mbatha CA (SA)	1 592 332	1 550 182	197 767	32 410	3 372 691
Mr. O. Masogo	1 284 289	779 748	159 508	21 613	2 245 158
Mr. L. Seshoka	1 485 832	948 879	184 539	24 928	2 644 178
Mr. R. Khamali	955 194	597 333	121 195	16 420	1 690 142
Ms. K. Mlotha	1 485 832	930 173	184 539	25 221	2 625 765
Ms. K. Phetla	1 284 289	820 170	159 508	22 250	2 286 217
Mr. M. Penane	1 024 406	640 893	128 873	17 681	1 811 853
Mr. M. Nhlungwana	-	924 559	-	-	924 559
Mr. M. Jadezweni	-	147 929	-	-	147 929
Mr. M. Dorasamy	-	85 441	-	-	85 441
	9 274 574	7 815 674	1 157 041	165 523	18 412 812

2023	Basic salary	Bonuses and performance related payments	Other short-term employee benefits	Post-employment benefits	Other benefits received	Total
Name						
Adv. B. Mkhize	2 241 932	292 970	1 194 723	253 344	36 966	4 019 935
Ms. T. Mbatha CA (SA)	1 681 449	219 727	831 231	190 008	28 353	2 950 768
Mr. O. Masogo	1 247 034	150 814	702 520	139 954	22 082	2 262 404
Mr. L. Seshoka	1 469 458	164 204	804 329	156 705	25 121	2 619 817
Mr. P. Naicker	1 032 622	114 760	511 915	117 910	17 761	1 794 968
Ms. K. Mlotha	1 535 830	188 927	593 481	143 762	24 478	2 486 478
Ms. K. Phetla	98 237	-	52 721	12 771	1 613	165 342
	9 306 562	1 131 402	4 690 920	1 014 454	156 374	16 299 712

Other short-term employee benefits relates to non-pensionable salary allowance, travel allowance, leave encashment and acting allowance.

Other benefits received relates to employer contribution for Unemployment Insurance Fund and Skills Development Levy.

36. Change In Estimate

Property, plant and equipment

2024

In the current period management have revised their estimate life and increased the useful life by 2 years. The effect of this revision has increased the computer equipment for the current and future periods.

The useful life of office equipment was revised In the current period and the useful life was increased by 2 years. The effect of this revision has increased the office equipment for the current and future periods.

The impact on the statement of financial performance is:

	Amortisation before change in estimates	Amortisation after change in estimate	Impact
Computer Equipment	99 867	35 480	64 387
Office Equipment	2 038	884	1 154
	101 905	36 364	65 541

2023

The useful life of Computer Equipment (Servers) was re-assessed in 2023 financial year. Management have revised their estimate to 6 years. The effect of this revision has increased the computer equipment for the current and future periods.

The useful life of furniture and fittings was re-assessed in 2023 financial year. Management have revised their estimate to 9 years. The effect of this revision has increased the computer equipment for the current and future periods

The impact on the cash flow statement is:

The impact on the statement of financial performance is

	Amortisation before change in estimates	Amortisation after change in estimate	Impact
Computer Equipment-Servers	2 984	1 306	1 668
Furniture and Fittings	37 782	11 406	26 376
	40 766	12 712	28 044

37. Prior-Year Adjustments

Erros

Error 1

The following prior period errors adjustments occurred:

Property Plant & Equipment- The Bypass Activation Alarm devices, totalling R23 100 were erroneously capitalised under Property, Plant, and Equipment instead of being expensed.

Property Plant & Equipment & Loss on disposal of assets- The laptop, with a carrying amount of R43 721 was stolen during the 2022/23 financial year; however, the asset was not removed from the records.

Operating lease liabilities- The escalation rate was incorrectly applied to the photocopy machine lease. According to the rental agreement, the rental for the photocopy machines remains fixed.

Payables from exchange transactions- Invoices totalling R1 662 186 related to services rendered in the 22/23 financial year however they were not included in the liabilities therefore resulting in understatement of liabilities.

Prepayments- This relates to the balance (R83 562) on the prepayment relating to the Antivirus Licence which had expired during 2021/22 financial year however the balance was not expensed therefore resulting in an understatement of expenses and overstatement of prepayment.

Intangible assets- This relates to the amount of R832 545 relating to the CSOS Connect interXchange licence cost capitalised for modules not yet in use. This also resulted in the adjustment to the licence cost included in the general expenses.

Depreciation- The adjustment of R 3 821 relates to the reversal of the depreciation expense for the assets (Bypass) incorrectly capitalised as well as depreciation on the laptop that was stolen during the 2022/23 financial year but not removed from the assets.

Operating lease expenses- The adjustment of R 33 697 relates to the lease smoothing adjustment on the photocopy machines lease which was incorrectly accounted for since the rental amount is fixed.

Contracted services (R1 214 234) & General expenses (400 404)- The adjustments relates to invoices relating to 22/23 financial year which were not recorded therefore resulting in understatement of expenses.

Conference and Workshops- Expenses relating to conference& workshop amounting to R547 420 were incorrectly included under Staff training & development expenses.

Surrender of surpluses-This is a correction of the surplus funds surrendered, previously disclosed as a contingent liability in terms of GRAP 19. An amount of R105 200 000 was surrendered to National Treasury in the 2022/23 financial year. In terms of the National Treasury Instruction Note 12 of 2020/21, it requires for an entity to recognise an expense for an amount that must be surrendered to the National Treasury which was previously recognised as a contingent liability. The correction requires disclosure from the Statement of Changes in Net Assets to an expense in the Statement of Financial Performance in the year that the funds are confirmed.

The comparative figures and opening accumulated surplus were adjusted to account for the asset and expense in the prior years as follows:

Statement of Financial Position	Comparative as previously reported	Adjustment	Restated amount
Property Plant and Equipment	9 830 667	(63 002)	9 767 665
Operating lease liabilities	1 837 299	(57 327)	1 779 972
Opening Accumulated Surplus	271 109 111	(2 583 966)	268 525 145
Payables from exchange transactions	12 256 746	1 662 186	13 918 932
Prepayments	5 790 464	(83 562)	5 706 902
Intangible assets	26 681 993	(832 545)	25 849 448
	327 506 280	(1 958 216)	325 548 064

Statement of Financial Performance	Comparative previously reported	Adjustment	Restated
Depreciation & Amortisation	4 008 471	(3 821)	4 004 650
Loss on disposal of assets	374 164	43 721	417 885
Lease rentals on Operating lease	10 903 975	(33 697)	10 870 278
Contracted Services	41 808 750	1 214 234	43 022 984
General Expenses	36 168 001	1 232 949	37 400 950
Surrender of surpluses	-	105 200 000	105 200 000
	93 263 361	107 653 386	200 916 747

Change in account name- The account name for the following expenses was changed to accurately reflect their nature:

Electricity and Water- changed to *Municipal services (Utilities)*

Project Maintenance costs- changed to *Project related costs*

Cash flow statement

The effect of adjustments made resulted in adjustment of the cash flow statement

Cash Flow Statement	Comparative previously reported	Adjustment	Restated
Net cash flows from operating activities	72 646 775	(855 644)	71 791 131
Net cash flows from investing activities	15 653 578	(855 644)	14 797 934
	88 300 353	(1 711 288)	86 589 065

Error 2**Adjustment to disclosure line items:**

Capital Commitments- There were adjustment made to the capital commitments disclosed in the prior year whereby the capital commitments for Business Automation Services(CSOS Connect) was incorrectly calculated.The impact of this resulted in the reduction of the capital commitments which has been disclosed below.)

Disclosure line item	Comparative previously disclosed	Adjustment	Restated Amount
Capital Commitments	40 729 310	(5 826 753)	34 902 557

38. Risk Management**Financial risk management**

The Accounting Authority has overall responsibility for the establishment and oversight of the Entity's risk management framework. The Entity's risk management policies are established to identify and analyse the risks faced by the Entity, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

The Entity Board manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The Entity does not enter into or trade financial instruments for speculative purposes.

Management is responsible for initiating a control framework , monitoring and responding to potential risk.

The internal audit reports periodically to the Entity's audit committee, an independent body that monitors the effectiveness of the internal audit function.

Further quantitative disclosures are included throughout these Annual Financial Statements.

Liquidity risk

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

At 31 March 2024	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from Exchange Transactions	22 839 354	-	-	-
Operating lease liability	823 518	-	-	-
	23 662 872	-	-	-

At 31 March 2023	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payable from Exchange Transaction	13 918 932	-	-	-
Operating lease liability	1 779 972	-	-	-
	15 698 904	-	-	-

38. Risk Management (continued)

Credit risk

The CSOS has exposure to credit risk, which is the risk of financial loss to the CSOS if a counterparty to a financial instrument fails to meet its contractual obligations. Key areas where the CSOS is exposed to credit risk are:

- Community Scheme Levy Receivables (Receivables from non-exchange transactions)
- Trade Receivables for suppliers over paid (Receivables from exchange transactions)
- Rental deposits
- Other Financial Assets (CPD Investment)

The nature of the CSOS exposure to credit risk, as well as the policies and processes for managing the credit risk have not changed significantly from the prior period. Potential concentrations of credit risk consist mainly of other financial assets. Financial instrument operations are only entered into with well-established and reputable financial institutions. Consequently, the CSOS is exposed to credit risk. The carrying amounts of financial assets included in the Statement of Financial Position represent the CSOS exposure to credit risk in relation to these assets. As at 31 March 2024

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

Financial Instrument	2024	2023
Long term receivables	869 951	687 965
Receivables from exchange transactions	1 075 481	720 080
Receivables from Non-exchange transactions	281 498 292	131 030 646
Other receivables- Rental deposits	84 260	-

Market risk



38. Risk Management (continued)

Interest rate risk

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

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

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

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

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

The Entity limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with major banks with high quality credit standing and limits exposure to any one counterparty. No investments with a tenure exceeding twelve months are made

Investments/Bank, Cash and Cash Equivalents

The Entity limits its counterparty exposures from its short-term investments (financial assets that are neither past due nor impaired) by only dealing with well-established financial institutions. The Entity's exposure is continuously monitored and the aggregate value of transactions concluded is spread amongst different types of approved investments and institutions, in accordance with its investment policy. Consequently, the Entity is not exposed to any significant credit risk.

The Entity limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with well established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting transaction / exposure limits, which are included in the entity's investment policy. These limits are reviewed annually by the Chief Financial Officer and authorised by the Board.

Maximum Credit Risk Exposure

	2024	2023
Long-term Receivables	869 951	687 965
Receivables from Exchange Transactions	1 075 481	720 080
Statutory Receivables from Non-exchange Transactions	281 498 292	131 030 646
Bank, Cash and Cash Equivalents	270 108 986	309 596 258
Other receivables (Rental deposit)	84 260	-
	553 636 970	442 034 949

39. Going Concern Assessment

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

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

Taking the aforementioned into account, management has prepared the Annual Financial Statements on the Going Concern Basis.

40. Events After The Reporting Date

There were no events after reporting date that were noted by management.

41. Irregular Expenditure, Fruitless and Wasteful Expenditure

	2024	2023
Irregular Expenditure	24 070 857	28 820 374
Fruitless and wasteful expenditure	2 859 277	45 506
Total	26 930 134	28 865 880

The irregular expenditure relates to irregular appointment of part time adjudicators, irregular awarding of Head office & GP office lease, inaccurate evaluation process on panel of attorneys, inaccurate evaluation process on office furniture, inaccurate evaluation process on marketing panel appointments that are not specialised in nature, appointment of suppliers with non-tax compliant status and deviation not justifiable.

The Fruitless and wasteful expenditure relates to costs incurred due to missed flights, Cancellation fees, interest on late payments, acting allowances paid and SARS penalties on late submissions, revised EMP 201 submissions and cost incurred for CSOS Connect interXchange licence cost for modules not in use.

Included in the Fruitless & wasteful expenditure disclosed above is an amount of R832 545 relating to licence fees incurred in the previous year's however identified in the current year as fruitless & wasteful expenditure.

National Treasury issued Instruction note 4, effective 1 January 2023 that impacted the amounts disclosed. Refer to the Annual Report for additional information.

Disciplinary steps taken/criminal proceedings1. Supply chain management procedures not followed - (TSA Properties) - R7 084 324

Disciplinary action in the form of warning letters were issued to the officials involved in the irregular appointment of the head office and GP office lease.

2. Supply chain management procedures not followed (Part-time adjudicators) - R12 128 202

The irregular expenditure on part-time adjudicators has been referred to the loss control committee for determination.

42. Segment Information**General information****Identification of segments**

CSOS is organised and reports to management on the basis of four major segments. These are three geographical segments and one service segment. The geographical segments are Gauteng, Kwa Zulu Natal & Western Cape Region. Head Office is the service segment. These segments are based on the location of community schemes.

Information reporting about these segments is used by management as a basis for evaluating the segments' performance and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes.

Reportable segments are identified based on the activities performed that generate economic activities including internal services that contribute to achieving CSOS objectives without necessarily generating cash inflows.

Management has only identified segment information for which data is reported on and reviewed during the decision-making process of the entity.

Segment reporting was based on the amended half year budget and reports that are reviewed by senior and executive management and board of directors to make strategic decisions and monitoring segment performance on a monthly basis. The disclosure of information about segments in these reports are organised around the geographical location. This is considered appropriate for external reporting purposes to achieve the objectives of GRAP 18.

42. Segment Information (continued)

Aggregated segments

Two or more segments may be aggregated into a single segment if they have similar economic characteristics. Although geographical segments have similar economic characteristics, CSOS has not aggregated the segments as the economic environments in which they operate is dissimilar in nature.

Types of goods and/or services by segment

These reportable segments as well as the goods and/or services for each segment are set out below:

Reportable segment
Gauteng Segment
Kwa Zulu Natal Segment
Western Cape Segment
Head Office

Regions
Gauteng, North West and Limpopo
Kwa Zulu Natal, Free State and Mpumalanga
Western Cape, Eastern Cape and Northern Cape
Service Segment



42. Segment Information (continued)

Segment surplus or deficit, assets and liabilities

2024

	Head Office	Gauteng	Kwa Zulu Natal	Western Cape	Total
Revenue					
Revenue from non-exchange transactions	203 714	214 079 776	119 642 979	69 586 777	403 513 246
Revenue from exchange transactions	22 117 191	12 261	-	11 332	22 140 784
Total segment revenue	22 320 905	214 092 037	119 642 979	69 598 109	425 654 030
Entity's revenue					425 654 030
Expenditure					
Employee and Board Emoluments costs	98 143 769	26 508 891	21 844 378	20 164 153	166 661 191
Depreciation and Amortisation	5 532 964	465 847	620 537	685 560	7 304 908
Finance cost	261 721	-	-	-	261 721
Debt Impairment	148 713	5 220 550	1 533 322	2 125 495	9 028 080
Loss on disposal of assets	241 550	-	-	-	241 550
Contracted Services	10 311 911	12 984 903	5 409 565	4 935 692	33 642 071
Operating lease expenses	4 812 857	2 195 797	3 011 625	2 498 281	12 518 560
General expenses	38 815 871	42 096 469	29 447 207	20 045 145	130 404 692
Surrender of surpluses	163 223 285	-	-	-	163 223 285
Total segment expenditure	321 492 641	89 472 457	61 866 634	50 454 326	523 286 058
Total segmental surplus/(deficit)					(97 632 028)
Assets					
Segment assets	381 718 725	130 700 472	41 911 707	55 678 963	610 009 867
Total assets as per Statement of financial Position					610 009 867
Liabilities					
Segment liabilities	363 182 247	37 421 489	14 633 869	23 879 145	439 116 750
Total liabilities as per Statement of financial Position					439 116 750

Measurement of segment surplus or deficit, assets and liabilities

Basis of accounting for transactions between reportable segments

The accounting policies of the segments are the same as those described in the summary of significant accounting policies.

The nature and effect of any asymmetrical allocations to reportable segments

The entity has used asymmetrical allocation of expenses, Assets and Liabilities where resources were not clearly allocated to a segment.

Information about geographical areas

CSOS has a key function of regulating the conduct of parties within community schemes and to ensure their good governance. All regions are mandated to execute the key function of CSOS which is to regulate the conduct of parties within the community schemes and to ensure their good governance. All satellite offices are incorporated within their respective regional areas, as the establishment costs and separate accounting are not significant enough to warrant individual disclosure.

Transitional Provisions

CSOS has adopted provisions of Directive 2 issued by the Accounting Standards Board which allows entities to adopt a three-year transitional period when implementing GRAP 18 for the first time. These provisions allow those entities not to disclose comparative information on first time adoption of GRAP 18. CSOS has made every reasonable effort to restate its comparative financial information and came to a conclusion that it is impracticable to apply GRAP 18 retrospectively or to make retrospective restatement of comparative information. The retrospective application or retrospective restatement of comparative information requires significant estimates to provide evidence of circumstances that existed on the date that the transaction occurred and was recognised, measured or disclosed.

CSOS intends to fully comply with GRAP 18 in its financial statements for the year ended 31 March 2025.

43. Revenue Received In Advance - Schemes Payments

Revenue Received in advance	2024	2023
	65 410 664	42 335 944

Revenue Received in Advance

Revenue received in advance consists of payments received from community schemes that have been paid ahead of schedule, as well as payments from schemes that have not submitted annual returns, which are required for billing purposes.

Advance Payments from Community Schemes: CSOS has received a significant amount of revenue in advance due to community schemes making early payments. These advance payments are recorded as liabilities until the related services are rendered or the required documentation is received.

Non-compliance Notices: To address instances where annual returns have not been submitted, CSOS issued non-compliance notices to the relevant community schemes. These notices serve as reminders to submit the required documentation to maintain compliance.

Flagging Non-compliant Schemes: Community schemes that do not respond to non-compliance notices are flagged as non-compliant, indicating that further action may be needed to resolve the issue of non-submission.

Balance Confirmations: CSOS has sent out balance confirmations to ensure that advance payments from community schemes are accurate and properly documented. This process helps validate the amounts received in advance and assists in the reconciliation of financial records.

Compliance and Enforcement Investigations: For schemes that continue to be non-compliant, CSOS has initiated compliance and enforcement investigations. These investigations are designed to address the non-submission of annual returns and other required documentation, ensuring that billing processes are accurate..

44. Transfer Of Prior Year Surplus Payable

This relates to the surplus payable to National Treasury.

The response on the application to retain the 2022/23 surplus was received in April 2024 whereby the entity is required to surrender R 103 838 024

45. Interest Earned

	2024	2023
Interest from bank Accounts	21 361 041	16 387 827

46. Debt Impairment

	2024	2023
Receivables from non-exchange transactions	8 879 367	120 207 594
Receivables from exchange transactions	148 713	-
	9 028 080	120 207 594

At the end of the reporting date, management evaluated all debtors for recoverability based on their aging. The impairment losses are estimated based on historical experience of the recoverability of debt at CSOS. The CSOS further took into consideration current macro-economic factors to conclude on appropriate expected loss rates being the sudden economic downturn, increase in unemployment, increase in interest rate, inflation, amongst other - were expected to result in increases in defaults in the short term.

47. Budget Differences

Changes from the approved budget to the final budget

The reason for the budget adjustments is indicated as follows:

Total revenue from non-exchange transactions

The inclusion of the already approved R212 million from retention of surplus request in the current mid-term adjustment to defray expenditure.

Reduced the levies revenue by R492 782 as the dispute resolution income was incorrectly added and the correct levies budget should be R408 205 920.

Added the budget for interest charged on levies as it was not budgeted for and there is an increase of overdue levies.

Expenditure

Employee related cost and board

Increased the budget for personnel costs to cater for the salary increases as well as the leave encashment approved.

Depreciation and amortisation

Revised the budget upward due to additions in the current year.

General expenses

Increased budget for audit fees due to the extension of the audit timelines which impacted on audit fees. Increased the budget for travel and accommodation due more travelling.

Added budgets for phase 2 Schemes Verification and Vetting included in the procurement plan but initially not sufficiently budgeted for.

Increased the advertising budget to cater for more planned marketing activities.

Added additional budgets for funding the establishment of the Transformation Enhancement Programme.

Lease rentals on operating lease

Reduced the budget for satellite office as the costs based on the feasibility study were excessive and the rental for each satellite office is anticipated not to exceed R42 000 per month.

Contracted Services

Added budget for Consulting and Professional fees to cater for items included in the procurement plan however not fully funded.

Revised upwards for legal services to accommodate for the appointment of panel of attorneys.

Capex budget:

Upward adjustment for the CSOS Connect implementation budget for 2022/23 which was not utilised.

48. SETA Funding grant received

This relates to grant received from Services SETA amounting to R203 714 for the approval of the 2023/24 Mandatory Grant application (Workplace Skills Plan and Annual Training Report) made.



Contact Us

HEAD OFFICE:

BERKLEY OFFICE PARK, 8 BAUHINIA ST,
HIGHVELD TECHNO PARK,
CENTURION, 0169

T. (+27 10) 593 0533 | F. (+27 10) 590 6154