



*Enhancing  
the Integrity of the  
Financial Services  
Industry*

# FAIS OMBUD

ANNUAL REPORT  
2017 | 2018







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## ***Legislative Mandates***

The FAIS Ombud was established in terms of section 20 of the Financial Advisory and Intermediary Services Act, (Act 37 of 2002) (FAIS Act). The FAIS Ombud is a schedule 3A entity in terms of the Public Finance Management Act, (Act 1 of 1999) (PFMA) and reports to the Minister of Finance through the Board of the Financial Services Board (FSB), the Executive Authority. From time to time as may be required, the FAIS Ombud reports to the Select Committee on Finance and Public Service, by invitation. The report to this committee includes reporting on its work and finance.

### **a) FAIS Act**

The main objective of the FAIS Ombud is to investigate and resolve complaints in terms of the FAIS Act and the Rules promulgated thereunder.

### **a) FSOS Act**

A further function of the FAIS Ombud is to resolve complaints in terms of the Financial Services Ombud Schemes Act, (Act No. 37 of 2004) (FSOS Act), which is not covered by any of the other voluntary Ombud schemes or where there is uncertainty over jurisdiction.



## *Our Vision*

The vision of the FAIS Ombud is to be a preferred and world-class dispute resolution forum providing an accessible, impartial, efficient and professional service, respected by all stakeholders, provided by committed and passionate staff.

## *Our Credo*

**We believe** our first responsibility is to the Constitution of the Republic of South Africa and to the statutory mandate which created our organisation. We are completely independent and deal with all disputes fairly and impartially.

**Our service** is for people from all backgrounds. We will look at the facts of each complaint, not at how well the case is presented. No one should need any special expertise or professional help in order to bring their complaint to us.

**We aim** to give clear, sound and logical reasons for our decisions – any fair-minded person will understand why we reached a particular conclusion.

**We are** not bound by formal and rigid procedures to resolve complaints and we aim to be flexible in our approach.

**We will** engage all concerned to help both consumers and financial services providers understand their respective rights and responsibilities. Our ultimate aim is to reduce the level of complaints and improve confidence in the financial services industry.

**We must** constantly strive to educate both ourselves and those we serve about our services and make our services easily accessible. We will ensure all parties in a dispute have an opportunity to present their case. In doing so, we will ensure the dignity of those we serve, by treating each with the utmost respect and courtesy.

## *Our Mission*

The mission of the FAIS Ombud is to promote consumer protection and enhance the integrity of the financial services industry through resolving complaints impartially, expeditiously and economically.

**We must** at all times build a collegiate base that is diverse and equitable, and encourage contributions to our core business. We are responsible to ensure that each of our colleagues is regarded as an individual and experiences an affirming and empowering learning environment.

**We must** be mindful of the ways in which we help our colleagues fulfil their family responsibilities. We must encourage each other to communicate our opinions, feelings and indeed, our grievances in an environment conducive to amicable resolutions, not recriminations. We will support each other, to be innovative, to exercise reasonable initiative, and to share our learning.

**We are** responsible to the communities in which we live and work, and to the larger international community. We must be good citizens and support civic initiatives.

**We believe** our final responsibility is to the industry. Business must make a sound profit, underpinned by good corporate governance and moral values. We must explore and suggest fresh approaches to consumer services in the course of our enterprise.

**We believe** when we operate according to these principles, we will all realise a significant improvement.





## *Minister's Foreword*

The overhaul of the country's regulatory architecture for the financial sector reached a major milestone in April 2018 with the launch of the Financial Sector Conduct Authority and the Prudential Authority.

The next milestone in this reform journey will be the launch of the overhauled Ombud scheme to drive the financial sector to serve South Africans better. Financial services ombudsmen resolve complaints brought by consumers (and, in some cases, small businesses) against banks, insurers and other financial institutions.

An Ombudsman provides independent, impartial, fair, timely and efficient dispute resolution process that is free to consumers. It is independent of, and external to, the companies that are being complained about.

An Ombud system can be a cost-effective and practical way to resolve complaints without having to go to court. At their best, Ombudsmen aim to redress the imbalance of resources and expertise that is likely to exist between a consumer and a financial institution, so that neither party needs a lawyer.

There are currently six different schemes, each providing an impartial dispute resolution platform that is free to consumers and external to financial institutions. There are many differences in how these Ombud schemes are established and how they operate, including the fact that some are established through statute while others are established through industry initiative.

While this fragmented system has helped resolve disputes of many customers, it has weaknesses, inconsistencies and inefficiencies that may be hampering the achievement of good customer outcomes. The system is, among other things, underutilised. Hence, the reform of the system in terms of the Twin Peaks regime, as the new regulatory architecture is commonly referred to. To address the shortcomings of the current system, the Financial Sector Regulation Act (Act 9

of 2017) creates an Ombud Council, a statutory body tasked with ensuring that customers are able to access effective, independent, fair and timely dispute resolution. The Ombud Council will set rules for the Ombud schemes to drive consistent approaches and adherence to minimum best standards. The Act also requires that all financial institutions belong to an Ombud scheme if one exists for its line of business.

### **The Twin Peaks reform seeks to:**

- Ensure that all financial products and services are covered by the Ombud system.
- Reduce fragmentation of the Ombud system, making it easier to promote awareness of the role and functioning of the Ombud schemes to financial customers.
- Develop best practice standards of conduct across all Ombuds (whether voluntary or statutory), taking into account governance, complaints handling, jurisdiction and reporting.

At the same time as the implementation of the Twin Peaks regulatory architecture moved into full gear, the Financial Advisory and Intermediary Services (FAIS) Ombud was also undergoing its change of guard. Ms Noluntu Bam handed the baton to Mr Naresh Suresh Tulsie. I would like to thank Ms Noluntu Bam for steering the FAIS Ombud since 2010 and wish Mr Tulsie well during his tenure.

**Nhlanhla Nene, MP**  
Minister of Finance







## *Chairperson's Report*

This financial year's report is underscored by three very significant events in the history of regulation of financial services in South Africa. The first being that the Financial Services Board (FSB), officially ceased to exist on 31 March 2018; and the Financial Services Conduct Authority (FSCA) was born on 1 April 2018.

Essentially, this is my last report as Chairperson of the Board of the FSB. It is also noteworthy that the term of the previous FAIS Ombud, Ms Noluntu Bam, officially ended on 30 April 2018, after a fruitful and successful tenure as the FAIS Ombud. Ms Bam's contract officially ended two years ago but following agreement with the Board, she stayed on until a successor had been identified. Mr Naresh Tulsie was appointed as the new FAIS Ombud with effect from 1 May 2018.

For the 2017/18 financial year, there has been a slight drop in the number of complaints resolved by the Office of the FAIS Ombud. This, however, does not imply a deterioration in the performance of the Office, which has seen an increase in the number and value of relief afforded to consumers in the same period.

In the 2017/2018 financial year, a total of R60 889 786 was awarded to consumers compared to R58 343 824 during the previous financial year. During the year under review consumers received back R60 889 786. This increase reflects the fact that consumers value the service and continue to make use of the Office to access justice.

Ideally it is better if the number of complaints referred to the Ombud reduce significantly, indicating that fewer consumers

seek redress, signalling that consumers are well served and treated fairly by the providers.

It is encouraging to see that despite the challenges experienced by the Office, the Ombud and her staff managed to deliver on the Office's business goals. During my tenure as the Chair of the Board overseeing the Office of the Ombud, I have witnessed the Office grow from strength to strength in the face of challenges.

On behalf of the Board of the FSB, I thank Ms Bam and her team for their contribution to the FAIS Ombud during the past year and welcome and wish Mr Tulsie well in his new appointment.

**Abel Sithole**  
Chairperson of the Board of the FSB







## *Ombud's Operational Report*

*Resolving complaints and  
striving for fairness in  
rendering financial services.  
The FAIS Ombud's  
journey continues...*

### **INTRODUCTION**

About 15 years ago, I started working at the Office of the FAIS Ombud as an Assistant Ombud. Then, it was a little-known entity to many South Africans under the stewardship of the late Mr Charles Pillai.

At the start of my journey with the FAIS Ombud, I reasoned, wrongly, that I had brought along with me a small insurance policy in the form of my previous exposure to the financial services industry and my impending qualification as a Certified Financial Planner. I was comfortable that those would see me through the resolution of complaints. How mistaken I was.

My previous exposure to financial services gave me a major advantage, no doubt, as did my understanding of financial planning, but the work of a financial regulator demanded much more than legal technical prowess. We had to run a business, a highly regulated one at that.

As I clear my desk preparing for my departure from Office, I cannot help but reflect on the many successes the Office has achieved and the challenges it has experienced.

My train of thought, however, has been interrupted by the arrival of our 2017/18 financial year results which, once again, bear testimony to the extraordinary effort that has gone into building this Office. Overall, the results reflect fairly and accurately our commitment to and investment in building the FAIS Ombud.

We, therefore, present this 2017/18 annual report with pride, as it contains material information that will enable our stakeholders to evaluate how we fared against the ambitious goals we set for ourselves and to interrogate the credibility and robust nature or otherwise of our risk pillars, which by law we are obliged to erect, jealously protect and honour. Full details of our performance against organisational goals is provided in pages 77 to 80.

## COMPLAINTS RESOLUTION

### *Resolving complaints and striving for fairness in rendering financial services*

We begin the report with the human stories before we delve into the numbers. The reason for this is simple - in spite of the numbers of complaints and the extent of our achievements, there is always a human being behind each complaint, someone who is seeking justice. We respect each individual and investigate his or her complaint, sorting out the frivolous from the justified and providing closure.

Here are some of the stories that showcase the people behind the cases.

*Part of what is envisaged by the General Code in rendering financial services fairly to clients is the disclosure of exclusions or instances in which benefits will not be paid.*

*In a number of complaints involving dread diseases cover, the constant element is the alleged failure of the provider to explain to its customer whether the benefit provided by the policy will respond to a diagnosis or depends on the severity of the illness. Mr Jiya's case illustrates the point.*

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### **Mr Jiya and FSP**

On 2 February 2009, the complainant, Mr Jiya, applied for a long-term insurance policy with the respondent, which provided cover for life, disablement and dread disease, in the amounts of R500 000, R200 000 and R200 000 respectively.

During 2015, the complainant was diagnosed with early stage prostate cancer, which was detected before it had begun to spread. Subsequent to this traumatising experience, the complainant lodged a claim with the respondent in terms of the dread disease benefit on the policy. On 6 October 2015, the claim was rejected on the basis that cover for prostate cancer (very early stage prostate cancer) is specifically excluded under the cancer benefit. The letter from the respondent goes on to state that:

*'To qualify under the cancer benefit,  
you ought to have been  
diagnosed with  
any malignant tumour  
characterised by the  
uncontrolled growth and  
spread of malignant cells  
and invasion of tissue.  
Unequivocal histological evidence  
of invasive malignancy  
must be provided.'*

The complainant was shocked to learn of this exclusion. He claimed that he had never been advised of such an exclusion when the policy was sold to him – a policy that had been sold via telephone. The complainant claimed he had been assured during the telephonic conversation that he would be covered for cancer under the dread disease benefit.

Upon referral of the complaint to the respondent, the respondent simply informed the FAIS Ombud that the complaint was already pending before another ombudsman's office. The respondent further pointed out that the complainant had been provided with the full documents pertaining to the cover within 14 days of the call.

To resolve the complaint prior to it being officially accepted for investigation in accordance with Section 27(4) of the FAIS Act, this Office directed further correspondence to the respondent on 26 August 2016. The letter read (omitting words not material to the essence):

*'In terms of Section 7 (1) (a) & (c) (vii) of the General Code of Conduct for Authorised Financial Services Providers and Representatives ('the code'), a provider other than a direct marketer, must –*

- (a) provide a reasonable and appropriate general explanation of the nature and material terms of the relevant contract or transaction to a client, and generally make full and frank disclosure of any information that would reasonably be expected to enable the client to make an informed decision;
- (c) (vii) provide concise details of any special terms or conditions, exclusions of liability, waiting periods, loadings, penalties, excesses, restrictions or circumstances in which benefits will not be provided.

Based on the telesales recording submitted to our Office, there is no evidence that it was in fact discussed with the complainant that early detected prostate cancer would not be covered under the policy.'

The respondent was invited to revert to this Office with its response. Alternatively, it could resolve the complaint with the complainant by making a fair and reasonable offer. In spite of



the attempts of the Office, the complaint remained unresolved, leading to its acceptance for investigation.

The respondent was invited to submit its full case to enable the investigation to start. The main case of the respondent was that the complainant had been sent documents that adequately explained the scope of cover. The respondent stated that it would be impossible for it to know what conditions a client may claim for and, therefore, impossible to provide specific explanations on those conditions. For that reason, clients are provided with all relevant terms and conditions to read carefully and store in a safe place.

The respondent complained about the FAIS Ombud's interpretation of the Code, which it claimed placed too great an onus on financial services providers as to the disclosures

expected on the terms and conditions of dread disease benefits. The Office countered that the duty set out in Section 7 (1) of the Code was about acting in the interests of clients and assisting them to make informed decisions. In simple terms, the duty is about fairness. The Office recommended that the respondent settle the complaint. It did so, paying the full amount of the benefit – R200 000.

**In advising a client, the provider must act in the client's interests and be fair.**

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## ***Mr Labane v FSP***

The complainant had had motor vehicle and household contents insurance with the FSP since 2011. He was paying a monthly premium in the region of R1 200. In January 2015, the complainant called the FSP to cancel the household contents cover, but retain cover for his motor vehicles. He was advised to reduce cover for household contents instead to the minimum of R75 000 and increase the excess amount from R500 to R25 000.

This suggestion provided a solution for the complainant in that he was able to keep cover for his motor vehicles and still retain some household contents cover, albeit diminished. The complainant at this stage did not need cover for his household contents because his wife had cover. His premium was reduced to about R800 per month.

In June 2016, the complainant moved to a new home following a divorce. He now needed to cover his household contents. He called the respondent and asked to add his household contents cover to the original amount of R120 000. The respondent carried out the instruction but did not adjust the excess down to R500 and did not mention it to the client. The premium was changed back to R1200.

In September 2016, the complainant's house was broken into and household contents of about R24 000 were stolen. He lodged a claim with the respondent, which was rejected on the basis that the excess amount was higher than the claim amount. The complainant turned to the FAIS Ombud following several failed attempts to resolve the matter.

Upon receiving the complaint, the respondent made the point that it had effectively carried out the client's instructions. It was clear that the client's instructions had been carried out, but was the respondent fair in executing the client's instructions?

The respondent resolved the matter by offering the client R15 000, which was accepted.

**Advising the client of the material terms of cover.**

## Mr Shaw v FSP

The complainant was a 66-year-old retired quantity surveyor who had owned his own business. On 17 July 2015, he met with a representative of the FSP and made a request that his funds be moved to more cautious, low-return asset types, specifically to avoid losses. He also asked that all costs be disclosed.

The FSP recommended that the amount be split between funds. He disclosed his fees and the complainant agreed to the transaction. The complainant was thus shocked to see that SARS had levied R299 958.21 for capital gains tax and penalties as a result of the transaction.

He complained that he had not been advised of the tax implications of the transaction and argued that he would have

never agreed to the transaction had he known. To meet the tax bill, the complainant had to sell immovable property because he could not afford to pay from his retirement savings. That disposal also attracted capital gains tax.

Notwithstanding several efforts by the complainant to resolve the complaint, the FSP failed to come to his aid.

Following intervention by the FAIS Ombud, the respondent made an offer to settle, which was accepted by the complainant.

**Capital gains tax was not discussed at all in the solution offered by the FSP, placing complainant in an invidious position.**

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## Tshwarang Projects and Development (Pty) Ltd v FSP

On 1 November 2014, the complainant's tractor loader backhoe (TLB) was stolen from a client's site in Soweto during an armed robbery. The respondents were informed of the incident and a claim was lodged on Monday 3 November 2014.

The insurers declined the claim on 25 November 2014 as the stolen machine was not fitted with a tracking and retrieving device. Upon querying the rejection with the respondents, the complainant was referred to a clause in the policy dealing with a tracker, a clause which he claimed he had not been advised of. He added that the TLB had never been driven on the road and was always transported on a lowbed truck. The complainant blamed the respondents for failing to inform him of the insurer's security requirements, stating that they were negligent. He asked that the Office grant an order compelling them to pay his claim of R666 800.

On 24 March 2015, the complaint was referred to the respondents in terms of Rule 6 (b) of the Rules. The respondents' response was filed on 7 April 2015. The respondents denied that the complainant had never been informed of the security requirements of the insurer. They claimed that the security requirement had been introduced after the policy had inceptioned and suggested that the complainant knew about the requirement. As proof, they referred the Office to an email that had been sent to them by the complainant in which he asked them:

*'Please compile proof of insurance of the following new machine we are buying,  
2013 Volvo B61 TLB, R678 300 inclusive of VAT. The interest of.... (bank) must be noted.  
We will have a C-track fitted into it.  
I will send you the serial number and vin shortly.'* (own emphasis)

Inscribed in this particular e-mail is a question from the respondents: **why would complainant fit the tracker on this machine and not on others?**

The complainant was afforded an opportunity to respond to the assertion that he knew about the requirement of having a tracker fitted. He pointed out that his company had considered installing a C-track, which would monitor the performance of the vehicle and report on mechanical faults. However, his company had abandoned this idea because the respondents hadn't advised the company that it was a requirement. He confirmed that the policy was originally placed in 2012 to insure a new excavator. To his knowledge, there was no requirement for a tracking device.

Attaching confirmation from respondents relating to the stolen plant, the complainant pointed to the respondents' cover email and to an extract from the policy schedule that made no mention of the security requirements of a tracker and recovery unit. He again emphasised that respondents had failed to advise him of the requirement of installing a tracking device.

Communication between the FAIS Ombud and the underwriting managers revealed that the tracker retriever was a requirement from the start of the policy. Apart from arguing about what the complainant knew regarding the security requirements, the respondents failed to provide proof that they had advised the complainant of the requirement. Ultimately, a recommendation was issued by the Ombud that the respondents settle the claim. They paid and the matter was resolved.



## OPERATIONAL EFFECTIVENESS

### Finance, Risk Management and Human Resources

The 2017/2018 financial year started on a positive note, with the Office having once again achieved a clean audit.

On the score of risk management, we had, over the years, been nudged by both the internal and external auditors to take steps in support of good corporate governance, to separate a number of functions that were clustered and maintained under finance. We had collapsed finance, IT governance and supply chain under one roof with one person wearing all three hats. As time went on, the auditors applied pressure, noting that the practice was in violation of good governance, notwithstanding our small size and that it put the Office at risk.

We took the first step of separating IT governance in November 2015, when the Office appointed an IT manager. In September 2017, the appointment of a supply chain manager was finalised with the incumbent assuming responsibility from 1 October 2017.

### Our numbers

In spite of the challenges during the current financial year, the work of the Office continued in earnest. Our numbers tell the story.

*We resolve complaints at the FAIS Ombud.  
It is our business.*

During the year under review, we resolved 10 542 complaints, which were finalised as follows: 2 799 were referred, 6 303 dismissed and 1 440 settled, with the total amount of relief afforded to consumers at R60 889 786. This amount compares favourably with last year's R58 million. Complaints involving short-term insurance have, once again, claimed the number one position in terms of numbers, with 3243 complaints having been received. This was followed by long-term insurance complaints, at 3 100, and investments, at 1231.

The numbers confirm that South African consumers have put their faith in the FAIS Ombud. They trust the Office. It does not matter to the consumer that he does not have to present himself at the FAIS Ombud – he does so. Young, old, rich, poor, literate, illiterate – we have welcomed them this year.

I am reminded of an appeal from a consumer whose complaint had been dismissed by the Office. He wrote:

*'We, like most people who are in their twilight years, entrusted our finances with xxxxxx bank, a reputable institution. When these institutions take advantage and behave like they have done in our case, our only hope is watchdogs like the FAIS Ombud, whom we know is obliged by law to consider the facts and apply the law without fear or favour...'*

It is an undisputed fact the FAIS Ombud has changed the way the financial services game is played.

### The success of the Office is directly linked to its people

The work of the Office and its success are reflections of the drive and commitment of our people. The results detailed on pages 23 to 29 speak to that commitment and dedication. FAIS Ombud staff do not need to leave the Office by any particular time, and many stay on to continue their work and further the achievement of the FAIS Ombud's organisational goals.

Given the extent of personal involvement, commitment and ownership of what we do, it is important for us to recruit wisely. There is always a risk of selecting the wrong candidates and we have not always gotten it right. The impact of negative consequences, however, is reduced through ownership and expeditious remedying of problems by senior personnel.

### What we look for during selection

The work of the FAIS Ombud requires more than technical expertise and confidence in one's abilities. This is what is often referred to as a calling, reserved for those who demonstrate the values of public service, embracing the FAIS Ombud's brand, who have patience, understanding and the will to walk the extra mile as FAIS Ombud'sies.

Every recruitment exercise involves almost all the senior managers and panels that represent the FAIS Ombud's diverse nature and the departments that have an interest in the position being filled. The candidates' emoluments are decided by the FAIS Ombud's reporting EXCO. Just as recruitment involves the organisation's leadership, so too does monitoring organisational performance and individual performance, celebrating unsung heroes and expeditiously uprooting poor performers.

## **We invest in our people**

While complaints resolution remains the primary goal of the FAIS Ombud, training and development forms an integral part of the business. Senior and executive personnel make it their business to ensure that staff are adequately prepared for the work of the office. Regardless of the position of the new entrant, all new staff undergo compulsory and vigorous initial training for a month.

This covers financial services regulation, personal financial planning and financial products, accompanied by value-adding concepts of risk management, personal branding, ethics and working in public service.

The work of the FAIS Ombud is incredibly empowering. When we speak about individual growth, it refers not only to the networks staff have created, but to the life lessons and tuition they have gained from working with people's complaints, and the growing pains and joys of working in the public service.

## **We have not always got it right**

We have learnt our fair share of lessons, primarily from our mistakes. We were found to have inadvertently straddled lanes, in pursuit of justice, in the cases of Siegrist and Becker in 2015. The High Court was not impressed either and disagreed with us in 2017 when we took the matter on review. We experienced a major setback when the Appeals Board overturned a decision involving the Relative Value Arbitrage Fund (also known as RVAF cases), after upholding previous decisions over a number of years. The FAIS Ombud is currently opposing a High Court review involving the RVAF.

## **ICT Governance**

The incorporation of the governance of IT is a significant governance consideration under King III and King IV sees the Board as being responsible for the governance of information technology (IT). In this regard, the Board holds the responsibility of ensuring that IT strategy is aligned with the strategic objectives and performance targets of the FAIS Ombud. As a natural consequence of this commitment, during the year, the IT governance framework was reviewed. Further, IT governance remains on the agenda of both the Audit and Risk Committee and the Board.

The FAIS Ombud developed a three-year ICT strategy, the key focus being driving technology adoption for better efficiency and improved turnaround times and business agility. While driving adoption of technology to create optimal ICT services, cybersecurity remained a threat.

During the year, we strengthened IT security, by conducting a network vulnerability assessment to determine potential gaps presented by noted weaknesses. The recommendations have all been implemented. Furthermore, we conducted a cybersecurity workshop to cover the risks relating to human factors/conduct and its impact on information security vulnerability.

Although the FAIS Ombud has an IT governance framework, an IT Strategy, an IT roadmap and IT committees that assist IT to align its strategy to business strategy, challenges in maximising these remain. Among the activities worth noting within the reporting period are meetings that are held quarterly with all committees to ensure that challenges are addressed properly and timeously. The Office reviews the committee's charters and the IT governance framework annually to ensure that roles and responsibilities are aligned to key areas of strategic alignment, value delivery, ICT resource management, risk management and performance management.

## **Paying tribute to those who contributed to our success**

Without our conscientious staff, there would be no FAIS Ombud. I leave behind an office supported by competent stewards with an impeccable work ethic. I will always be indebted to the risk team and the senior managers. These people picked me up, fuelled my tank when it ran dry and encouraged me to go forward. They nurtured my spirit and powered me to give the best while observing the rules of common decency and giving me my space. They can attest to my hunger and passion for justice.

I am indebted to my principals, the members of the Board, who have over the years guided me in steering the Office, whilst maintaining a healthy balance between the operation and their oversight role. Several people held my hand and cautioned me to slow down in instances where my pace may not have been accommodative of hairpin bends. These people know who they are. They are too many to mention by name.

I am indebted to South Africans for their trust in the Office, which is demonstrated in the increased number of complaints we receive year after year. I would like to highlight that, in the pursuit of justice, it does not matter to consumers that the result may not favour them. They trusted us with their stories, knowing that we would treat them in confidence and not undermine the seriousness of their pain.

*My contract ends on 30 April 2018 and my successor takes over on 1 May 2018. I wish him and the team the best of luck.*

Following the recent establishment of the Financial Services Conduct Authority and the Prudential Authority under what has come to be known as the Twin Peaks model, the policymakers are hard at work at simplifying and consolidating the ombud schemes.

Although there are bound to be changes in the governance lines, the FAIS Ombud should continue its great work.

Adieu.

**Noluntu N Bam**

**Outgoing Ombud for Financial Services Providers**









### O vs T: CREDIT PROTECTION POLICIES

The complainant had purchased a credit protection policy from the respondent, which inceptioned on 29 June 2013, subsequent to the complainant having bought a motor vehicle. The vehicle had been financed by the respondent and this policy was to have provided cover if the complainant was unable to make the monthly payments as a result of death, permanent disability or retrenchment. Following a stroke in February 2015, the complainant was rendered disabled. He then submitted a claim against the policy. In a letter dated 4 August 2015, the complainant was notified that his claim had been rejected as the cause of the disability was directly linked to a condition that had been diagnosed prior to the start of the policy.

The policy, as the complainant found out, included a 24-month waiting period, which excluded any claims related to a pre-existing medical condition. The complainant had undergone a triple bypass in 1996 and had suffered from high blood pressure since the age of 21. He had been medically boarded in February 2015. He claimed that he had disclosed these conditions to the respondent's representative, but that none had been captured on the application form, and that no disclosures had been made

to him regarding the exclusion of any pre-existing condition or a 24-month waiting period. The complainant approached this Office.

The Office directed the matter to the respondent, requesting that it provide records to show compliance with the General Code of Conduct for Authorised Financial Services Providers and Representatives and to prove that it had attempted to obtain all relevant and available information from the client. This information was to ensure that not only was the recommendation appropriate to the needs and circumstances of the client, but it would have also directed the respondent to have made all material disclosures to have enabled the client to make an informed decision, a key requirement of the Code.

The respondent, upon receipt of the correspondence from the Office, revised its decision and decided to honour the claim in full by settling the outstanding finance on the vehicle.

**Settlement: R115 240**

### F vs O: ENDOWMENT POLICY

During 2014, the complainant, a 52-year-old unemployed female, had approached a representative of the respondent for options available for her to invest the proceeds from the sale of her home. The respondent's representative had recommended that she place her funds into an endowment policy and the complainant duly completed the application form. Two years later, the complainant began experiencing financial difficulties and approached the respondent with the intention of withdrawing the entire amount from the policy. The representative informed her that a full surrender of the policy would attract a surrender penalty, which the complainant could not afford.

The complainant states that she was then given the option to make a partial withdrawal of R50 000 from her investment and that she had completed the withdrawal forms. She had been under the impression that the remainder of the funds would remain intact, and available on request. She was, however, informed by the respondent that the investment could no longer be accessed and that the remainder of the funds would be available only in 2020, as the policy had been placed into a new restriction period. The complainant did not recall ever having been informed of the penalties and restrictions applicable to this policy and approached this Office for assistance.

The respondent, in accordance with the Rules on Proceedings of this Office, was provided with the opportunity to respond to the complainant's allegations. The respondent indicated (without evidence) that the complainant was aware that her funds had been moved from a unit trust to an endowment policy. The respondent advised that all terms and conditions of the endowment policy were provided for in the policy schedule and that that was sufficient disclosure. The respondent also stated that the complainant's signature on the documents demonstrated that she had been aware of the terms and conditions.

The Office, however, held that, regardless of the documentation signed, consideration of the complainant's personal circumstances, would show that the product recommended was not appropriate. The Office requested that the respondent reconsider its stance, which it did. The settlement offer was accepted by the complainant.

**Settlement: R150 000**

## P vs O: GOVERNMENT EMPLOYEE PENSION FUND (GEPF) AND PRESERVATION FUNDS

The complainant, who was 48 years old when the application was concluded, had been employed by the SANDF for 29 years. He had resigned to pursue another career and needed the proceeds from his pension fund – R2 841 364.86 – to buy an existing business. He had approached a representative of the respondent for advice on accessing R2 100 000 of his pension fund and was informed that he would incur a heavy tax burden should he access the funds directly from the GEPF.

The representative advised that, by transferring the pension fund benefit to a preservation fund, the complainant would be able to access the R2 100 000 and still preserve the remaining funds. The complainant accepted and, subsequent to the transfer of the funds to a pension preservation fund, he completed a withdrawal form. He was then advised that his withdrawal was limited to a third of the pension benefit, an amount of R947 121. After numerous attempts to resolve the

matter with the respondent, the complainant approached the Office.

Section 8 (1) (a) of the Code provides that all relevant and available information must be obtained from the complainant to ensure that the recommendation is appropriate to the needs and circumstances of the client. The Office found that although the representative had been aware of the complainant's plan to buy a business for a defined amount, he had failed to act with the required due skill, care and diligence. When this was put to the respondent, a decision was made to resolve the matter in full and final settlement of the complaint, and an offer was presented to the complainant that was ultimately accepted.

**Settlement: Undisclosed**

## N vs S: HOMEOWNERS INSURANCE

On 24 July 2014, the complainant applied for a home loan and a homeowner's insurance policy with the respondent. During November 2016, the area where the complainant lived experienced heavy thunder storms, which resulted in damage to her property. She lodged a claim with the respondent for damage sustained to the floor and to the roof of the building. On 20 January 2017, the complainant was informed that the claim for the floor had been approved, but that the respondent refused to repair the roof, which, it said, had been damaged as a result of poor maintenance. The complainant was dissatisfied, saying she had not been informed of this exclusion when applying for the policy.

In answering the initial correspondence from the Office, the respondent claimed that the policy had been sold without advice and that it had been sold solely on features and benefits. The respondent, therefore, remained adamant that it would settle only the claim for damage to the floor.

Prior to the matter being formally accepted for investigation,

the Office recommended that the respondent settle the matter. The letter of recommendation reiterated that financial services cannot be provided without the provision of advice. Furthermore, the exclusion that pertains to the failure to maintain the property was a material term of the policy that was required to have been disclosed in terms of Section 7(1) (c) (vii) of the Code, which requires that concise disclosures be made of any exclusions, and/or circumstances in which cover will not be provided.

There were no documents proving that the respondent had complied with this section of the Code. Had such a disclosure been made, the complainant would have been able to make an informed decision and to mitigate her losses. The respondent subsequently proposed a settlement offer in full and final settlement of the claim. The complainant accepted.

**Settlement: R166 830**



## T vs A: BUSINESS USE VS PRIVATE USE

The complainant had vehicle insurance policy with the respondent, the said policy having inceptioned during January 2016. On 21 September 2017, the complainant was involved in an accident. He lodged a claim, which was rejected on the basis that he had been using the car for business purposes. During the initial telephonic conversation with the respondent's representative, the complainant confirms having been asked what he would be using the car for and had answered that it was for personal use. The complainant had also sought further clarification on the meaning of 'business use' and received the following explanation: '...it is to use the car for running of a business'. The complainant confirmed that he would not fall under this category as he does not have a business, but was employed and, for the most part, was office bound. On the day of the accident, however, he had attended a work meeting. The complainant approached this Office looking for a settlement of R81 000, as the car had been written off.

The Office asked the respondent to show compliance with Section 7 (1) (c) (vii) of the General Code of Conduct for Authorised Financial Services Providers and Representatives,

which requires a provider to provide concise details of any material terms of the contract, including any exclusions or instances in which cover will not be provided.

It was evident from the recording provided of the initial interaction between the complainant and the respondent's representative that the complainant had not been correctly advised of 'business use'. The Office was also of the view that the complainant had been treated unfairly. The respondent should have obtained all relevant and available information to ensure that not only was the recommendation appropriate to the needs and circumstances of the client, but that it should have made all material disclosures to enable the client to make an informed decision, a key requirement of the Code. The respondent revised its decision and honoured the claim in full, inclusive of salvage.

**Settlement: R92 350**

## D vs L: WAITING PERIODS

The complainant, who was the aunt of the deceased and the beneficiary noted on the policy, claimed that the deceased had successfully applied for two funeral cover policies with the respondent during April 2017. The benefits provided by the two policies had been R30 000 and R50 000. On 14 May 2017, the deceased had been killed during a house robbery. The subsequent claim lodged with the insurer had been rejected, as the deceased had died during the initial six-month waiting period. Whilst the complainant argued that the deceased's passing was accidental, the rejection letter provided by the respondent claimed that its definition of an accidental death is 'a sudden, unforeseen and unexpected event which is unintended'. It added that the findings of the SAPS had determined that the cause was murder, which was not an unintended event, and as the policy was still in the waiting period, no benefits would be payable. The complainant does not recall ever having been informed of the restrictions applicable to this policy and felt that she was being treated unfairly. She, therefore, approached this Office for assistance.

The definition of a complaint in Section 1 of the Financial Advisory and Intermediary Services Act No 37 of 2002, includes instances in which the complainant has been treated unfairly. This Office put it to the respondent that the essence of a waiting period was to prevent the life assured or the beneficiaries of the policy from benefiting from antiselection, and that murder, whilst not specifically accidental, was unnatural. The complainant, as the beneficiary of the policy, cannot be seen to have benefited unfairly from this policy, and the Office asked the respondent to reconsider its stance or explain why its rejection of the claim was fair and reasonable. The respondent replied to the Office with proof of payment to the complainant in full and final settlement.

**Settlement: R80 000**

## K vs A: RETRENCHMENT AND SEVERANCE BENEFITS

The complainant, who was 47 years old at the time, had been retrenched during March 2015 from Phillips, where he had been employed for 15 years. The employer's provident fund held a retrenchment benefit of R1 373 12 with a severance package of R350 000. The complainant stated that, at retrenchment, the respondent had advised him to make a withdrawal from the provident fund to settle his debts, as the funds were going to be transferred into a provident preservation fund administered by the respondent. Prior to the transfer and in accordance with prevailing legislation, the complainant had withdrawn R200 000 from the provident fund to pay off an existing loan and other debts. The complainant states that, on 15 December 2016, he had asked the respondent for a further withdrawal of R400 000 net of tax, from the provident preservation fund. The complainant had been under the impression that R90 000 would be deducted for tax in accordance with the retirement lump sum tax-tables.

The complainant was, however, aggrieved to discover that as the funds were now in a preservation fund, the transaction was deemed a withdrawal and he had been taxed accordingly.

Instead of receiving just over R400 000 from the R500 000 withdrawal he received only R349 274.94, a difference of R61 108.54. After numerous attempts to resolve the matter with the respondent, the complainant approached this Office for assistance.

Section 7 (1) (a) of the Code provides that all material information must be disclosed to ensure that the client can make an informed decision. Furthermore, Section 8 (1) (c) of the Code requires that any recommendation made is appropriate to the needs and circumstances of the client. In this instance, the respondent's representative ought to have been aware of the tax implications of transferring the complainant's funds to a preservation fund and should have advised the complainant. When this was put to the respondent, a decision was made to resolve the matter in full and final settlement. The complainant accepted.

**Settlement: R61 108**

## DG vs L: UNDER INSURANCE

During January 2017, the complainants had requested their broker to specify the following items on their policy:

- Television cabinet R15 000
- Brush cutter R3 500
- Lawn mower R3 000
- Hives and equipment R15 000
- Carport R120 000

Subsequent to this instruction and, during June 2017, the complainants' main house was consumed by the Knysna fires. A claim was submitted on 12 June 2017 to the insurer. The complainant was, however, informed that the items had not been listed or specified on the policy and, as a result, they were under-insured. The complainants approached the Office to make sure the respondent settled the outstanding amount of the claim, which totalled R165 500.

Section 3 (1) (d) of the Code requires that the financial service be actioned in accordance with the reasonable requests and/or instructions of the client. There was sufficient documentation to support the complainants' claims that the respondent had been timeously notified of the need to provide for the additional items on the policy, and that the respondent had failed to action the request. The Office cited compliance with Rule 6(b) of the Rules on the Proceedings of the Office and requested that the respondent provide cogent reasons why, in the face of such overwhelming evidence, it had failed to resolve the matter with the complainant. In its response, the respondent proposed to settle the matter in full with the complainant. The complainant accepted.

**Settlement: R165 500**



## B vs S: RESTRICTIONS ON ENDOWMENT POLICIES

The complainant was 57 years old when the recommendation was made, and had been a housewife her entire life, her highest level of education being grade 10. Her only income was her SASSA grant, which she used to support her two daughters, both of whom were in tertiary education. When her husband died, she had received R200 000, which, on the recommendation of the respondent's representative, she had spent on an endowment policy, which inceptioned on 3 October 2014. During January 2015, the complainant applied for R100 000. On 1 September 2017, she asked to withdraw the remaining R100 000 and was told that there was only R78 000, which she could withdraw only at the end of the five-year term, i.e. 2019, as the policy had a five-year restriction period, which allowed for one withdrawal and one loan. The complainant, being unable to pay for her daughter's tuition as she had been unaware of the restrictions, approached the Office for assistance.

The Office put it to the respondent that a policy that restricted access to the funds invested was not appropriate to the needs and circumstances of the complainant, who was not only dependent on a state pension, but who also required liquidity to pay her daughter's tertiary education fees. It was evident that the respondent's representative had not considered all relevant and available information. The respondent agreed to facilitate the complainant's access to the remaining balance in the investment, an offer that was accepted by the complainant.

**Settlement: R70 559**

## G vs L: RESTRICTIONS ON PRESERVATION FUNDS

The complainant had emigrated to New Zealand, and she had given the respondent all necessary documentation, including her SARS tax clearance and her New Zealand residency certificate, to enable it to transfer the remainder of her preservation fund benefit to her in New Zealand. The complainant had, however, withdrawn one third of the benefit from her preservation fund during November 2016. The insurer refused her request for a withdrawal, stating that, as she had made the one withdrawal applicable to the policy, she would have to wait until the policy reached retirement age. The complainant claimed that the respondent's representative had been aware that she would need access to the funds before retirement, and yet he had

failed to advise her accordingly. The complainant approached the Office for help.

The Office was of the view that not only was the product inappropriate for the complainant's needs and circumstances, but the respondent's representative had not disclosed the material terms and conditions of the policy. The respondent agreed to facilitate a transaction that, ultimately, led to the complainant receiving the remaining fund value.

**Settlement: R370 273**



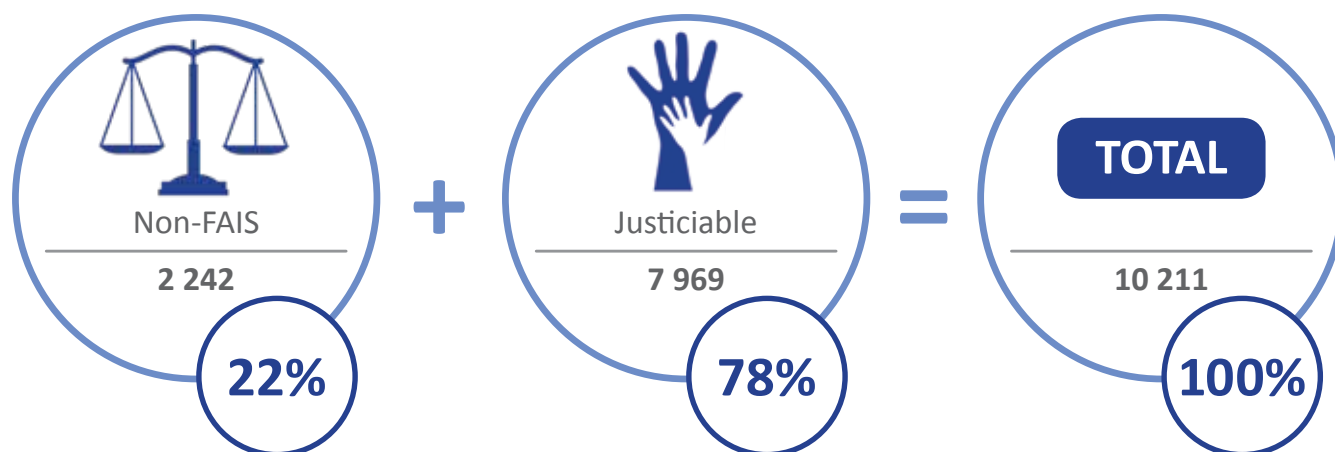
Description		
Quantity		
Amount		
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554.57		
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interdum odio  
pellentesque  
Maecenas molestie  
Integer varius nisi  
Quisque luctus turpis

Choice

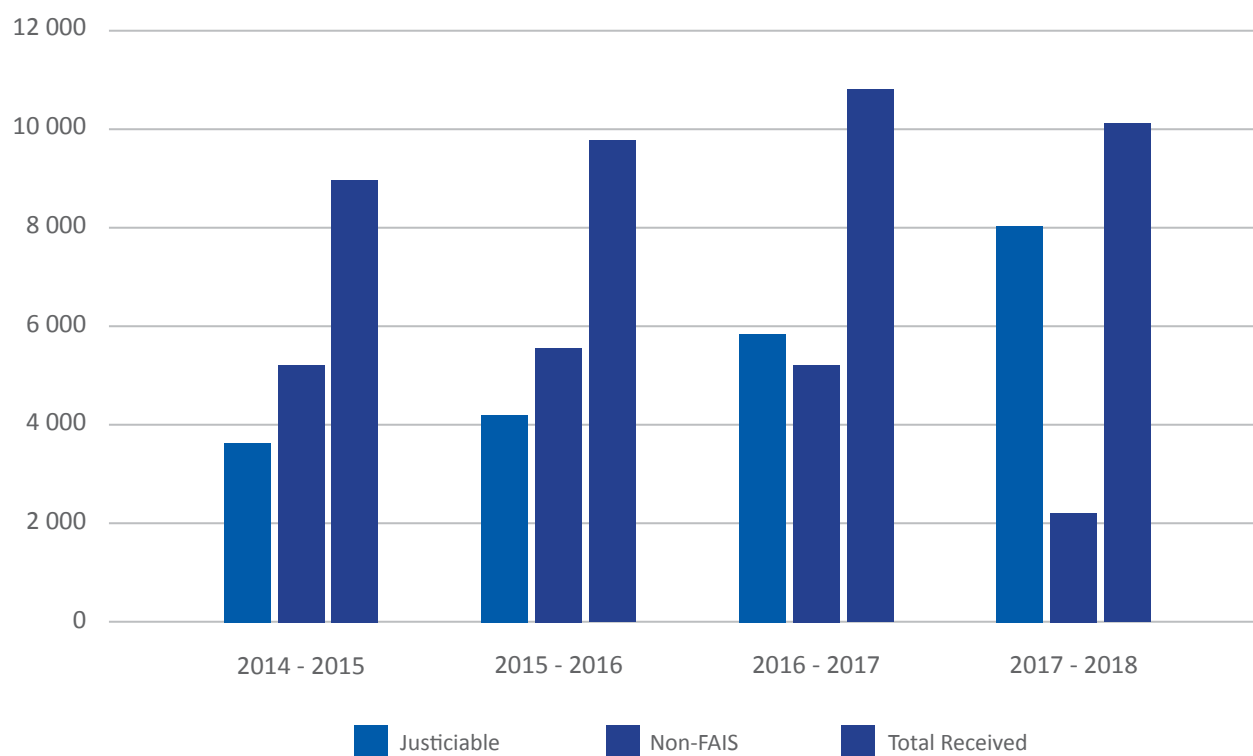


## Complaints received during the financial year 2017 – 2018

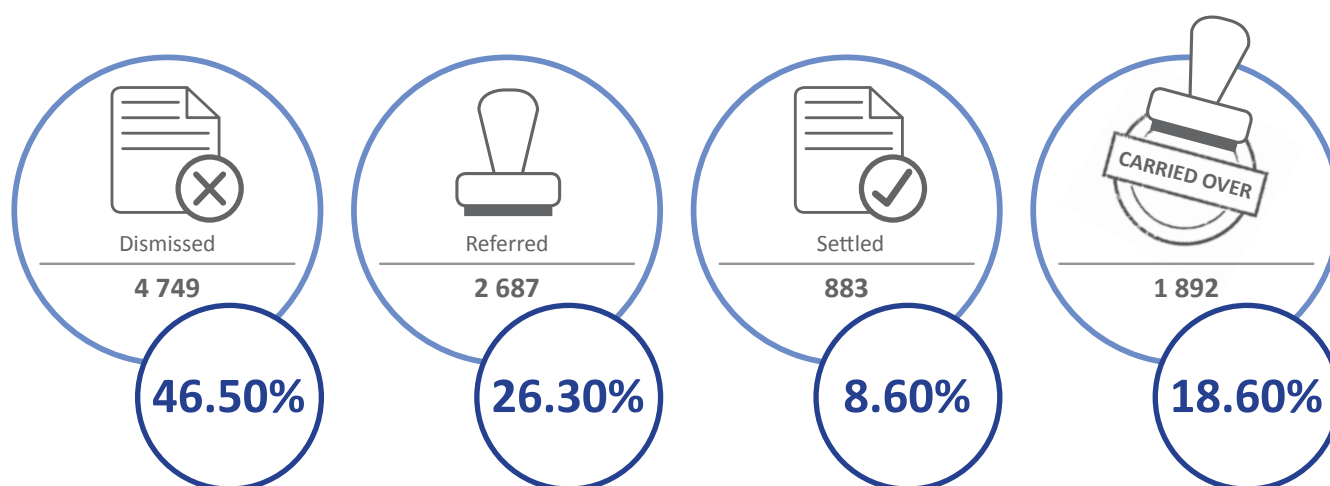


## Complaints received during the financial year

Financial year	Justiciable	Non-FAIS	Total received
2014 – 2015	3 699	5 304	9 003
2015 – 2016	4 263	5 628	9 891
2016 – 2017	5 630	5 216	10 846
2017 – 2018	7 969	2 242	10 211

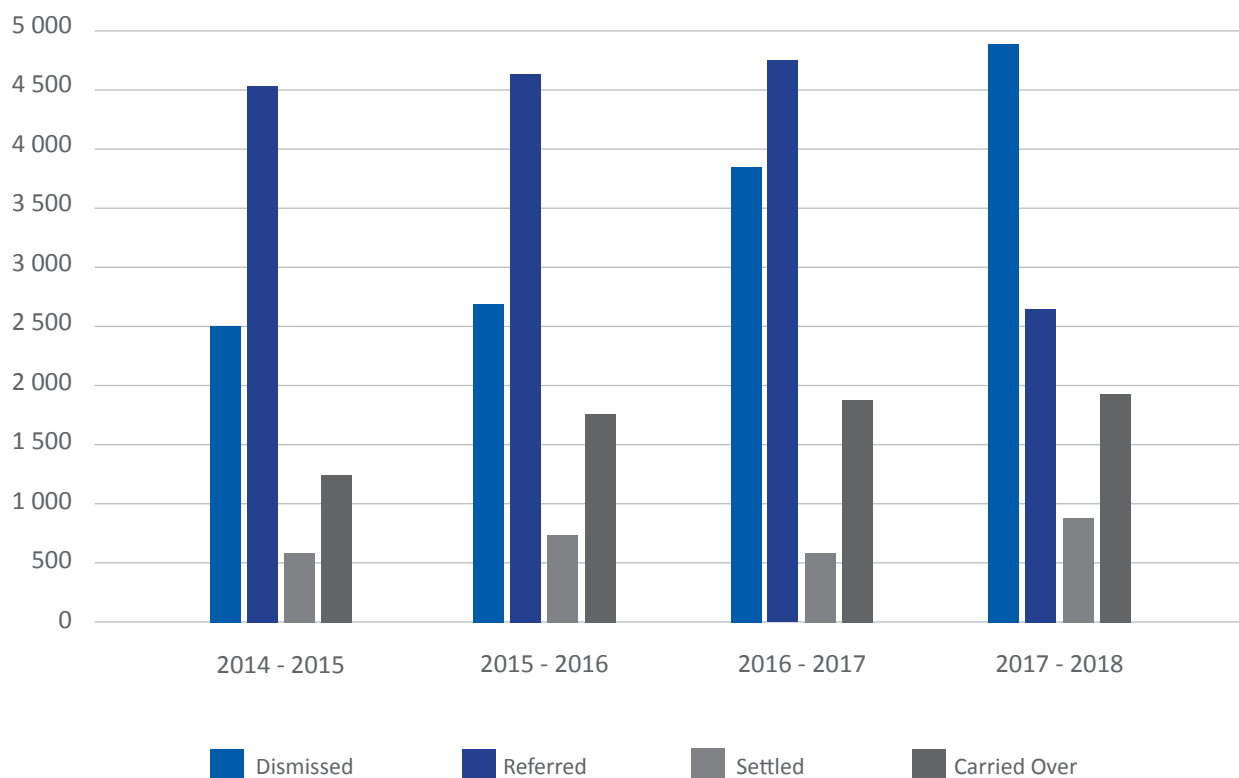


## Resolution of complaints received during the financial year 2017 – 2018



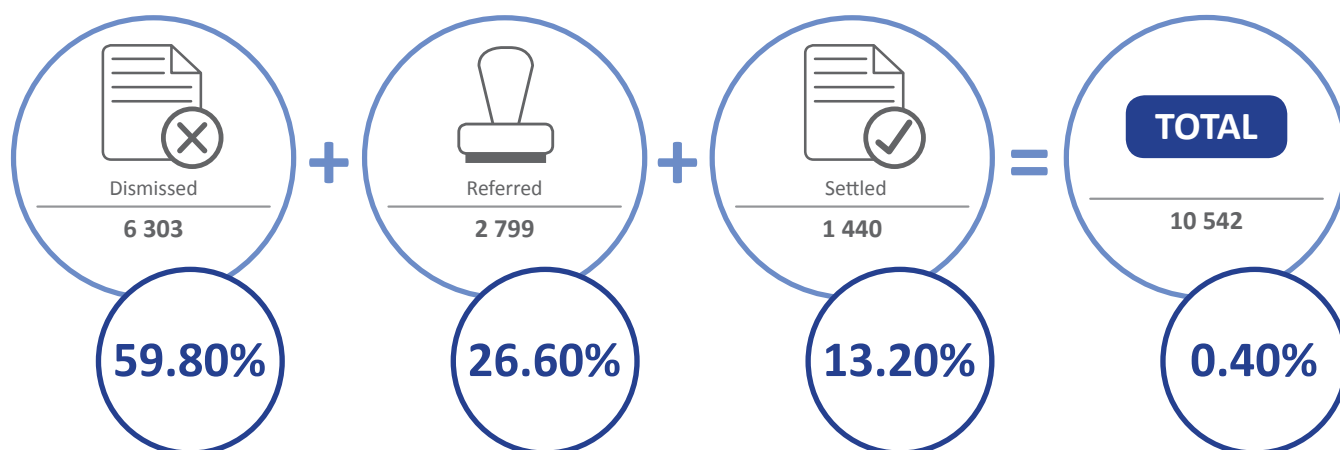
### How complaints were resolved

New cases resolved	No	Percentage
Dismissed	4 749	46.50
Referred	2 687	26.30
Settled	883	8.60
Carried over	1 892	18.60



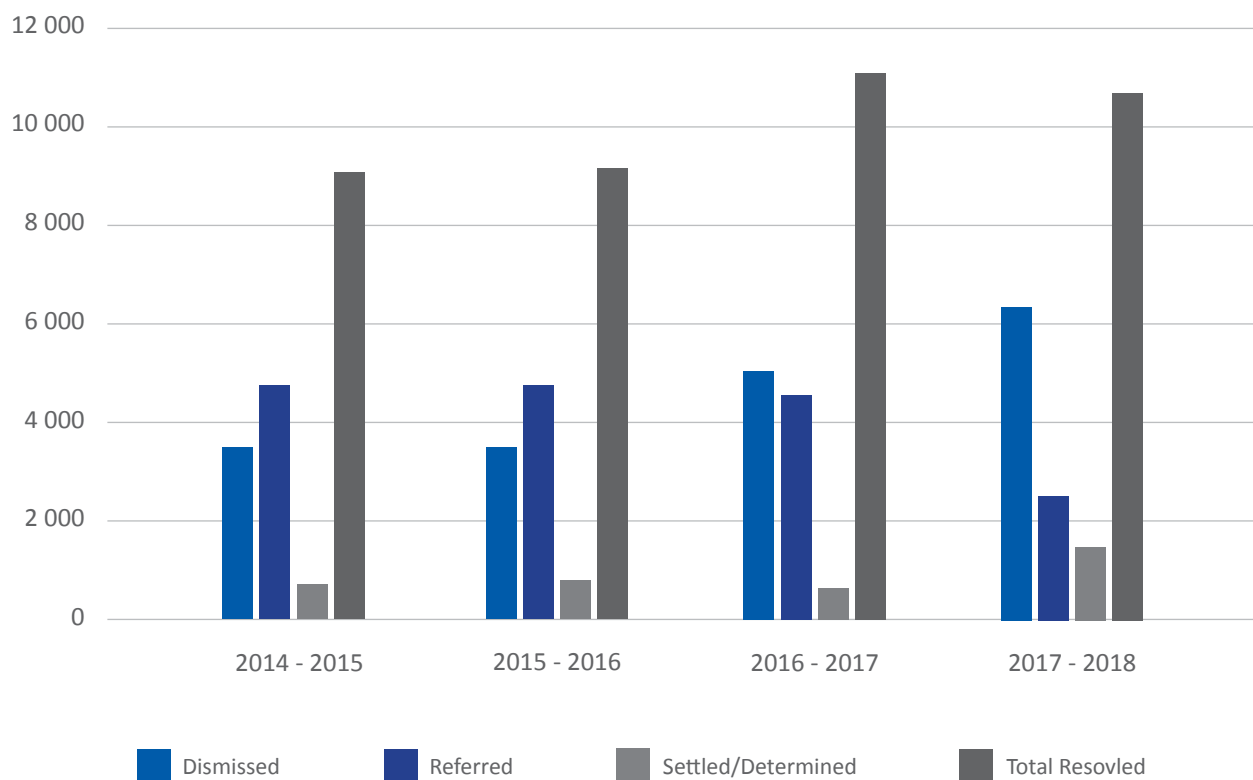


## All complaints resolved in a financial year 2017 – 2018

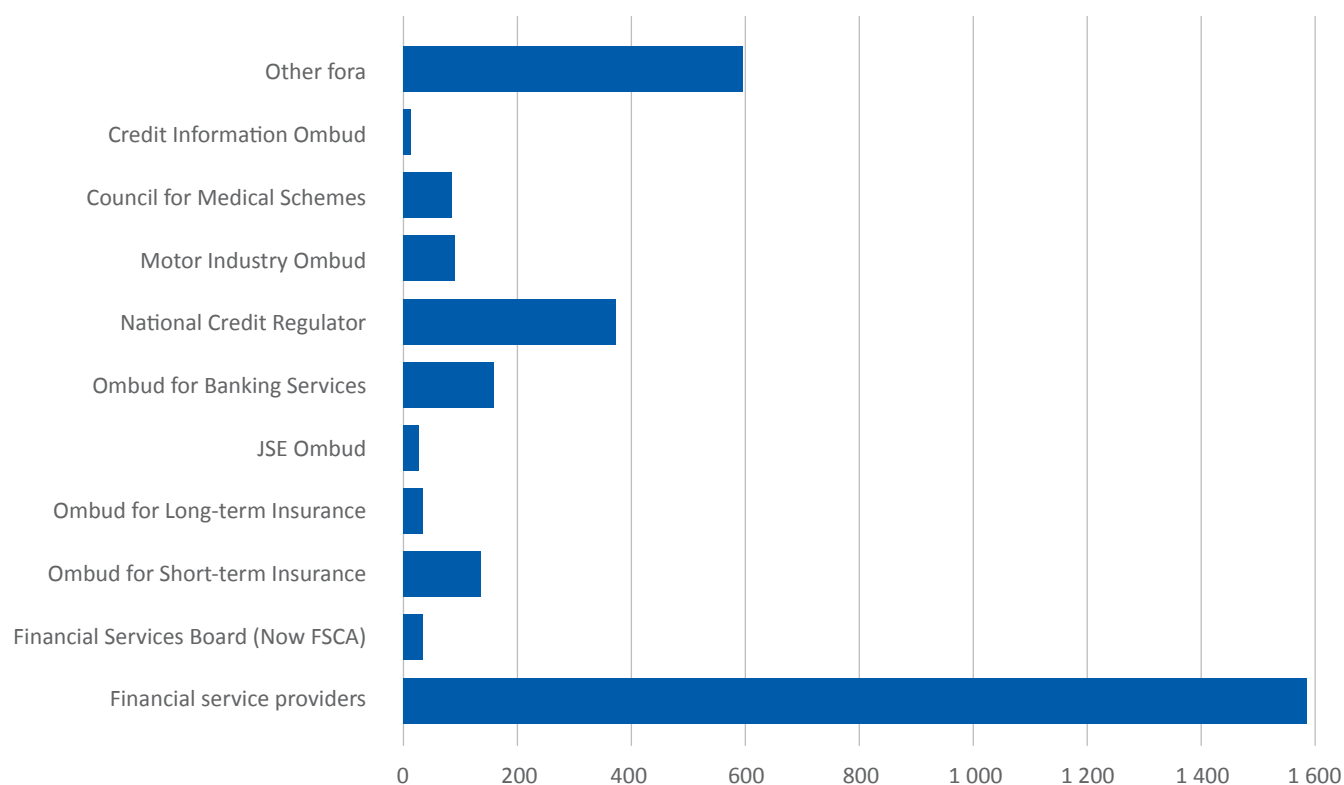


## How all complaints were resolved

All cases resolved	No	Percentage
Dismissed	6 303	59.80
Referred	2 799	26.60
Settled	1 392	13.20
Determined	48	0.40
Total	10 542	100



## Referrals to other fora

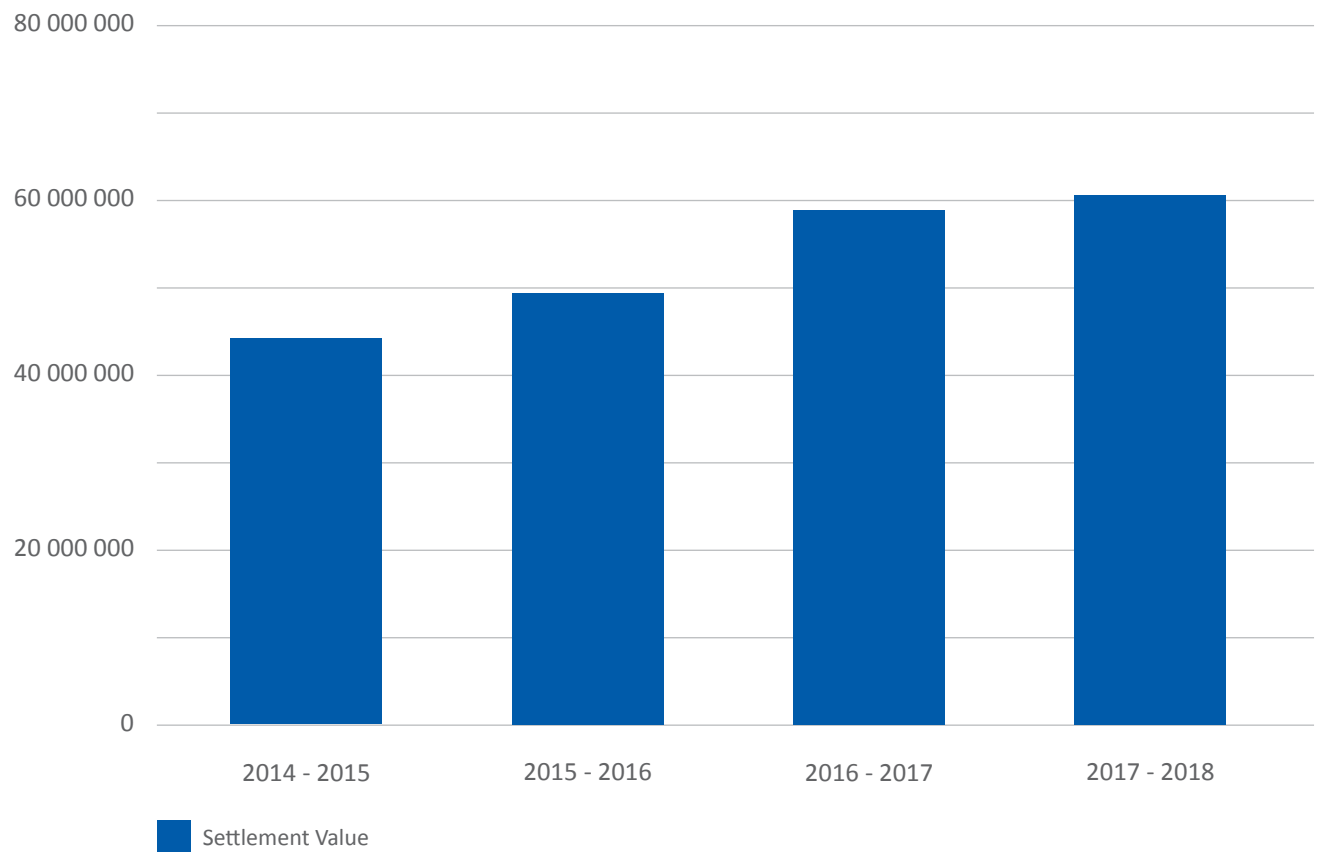


## How all complaints were resolved

Institution	Total number referred
Financial Service Providers	1 387
Financial Services Board (Now FSCA)	17
Ombud for Short-term Insurance	124
Ombud for Long-term Insurance	22
JSE Ombud	4
Ombud for Banking Services	141
National Credit Regulator	330
Motor Industry Ombud	66
Council for Medical Schemes	35
Credit Information Ombud	12
Other Fora	549



## Settlement value

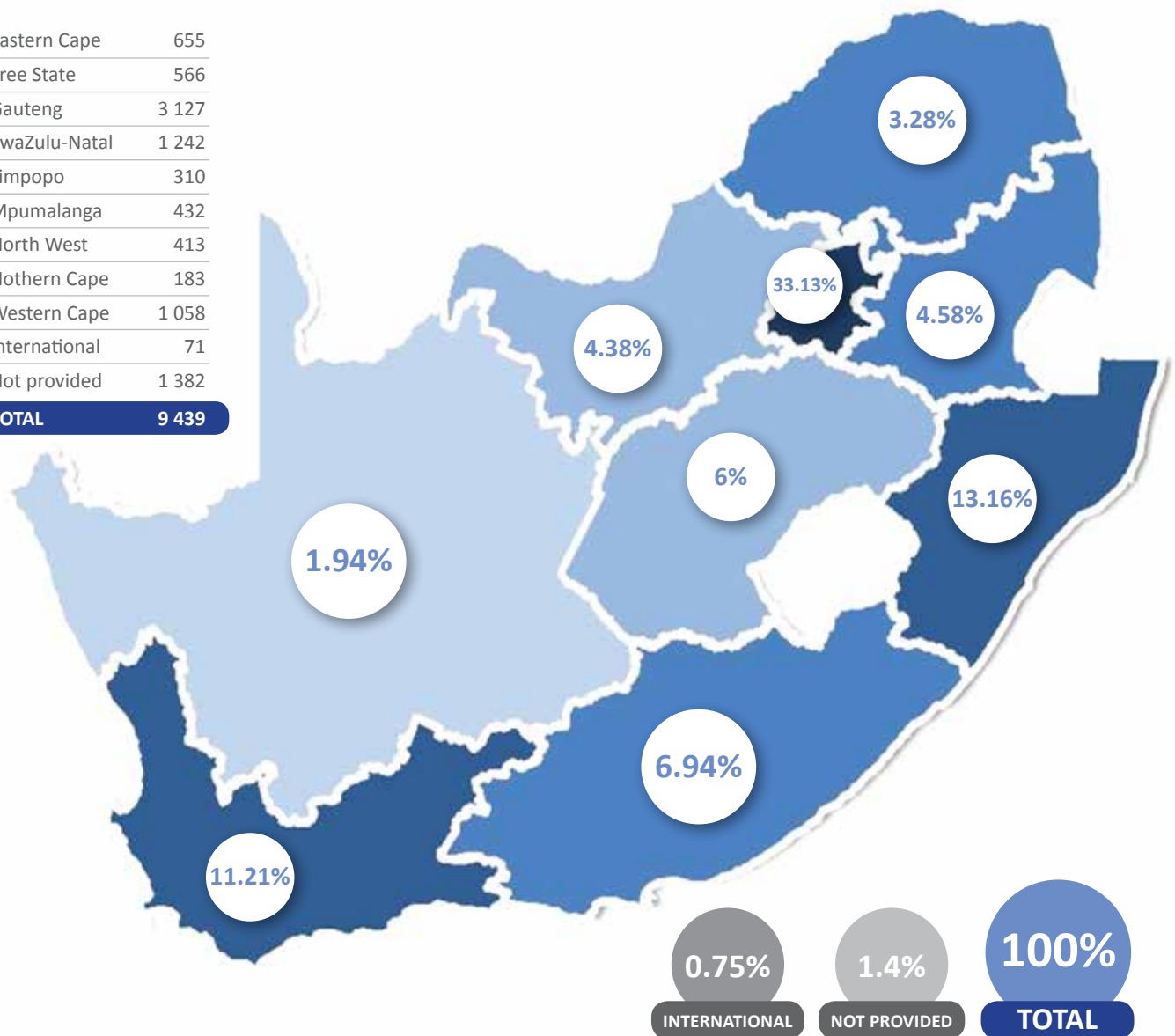


## How all complaints were resolved

Financial year	Settlement value
2014 – 2015	R46 630 471
2015 – 2016	R50 215 518
2016 – 2017	R58 343 824
2017 – 2018	R60 889 786

## Complaints received by province

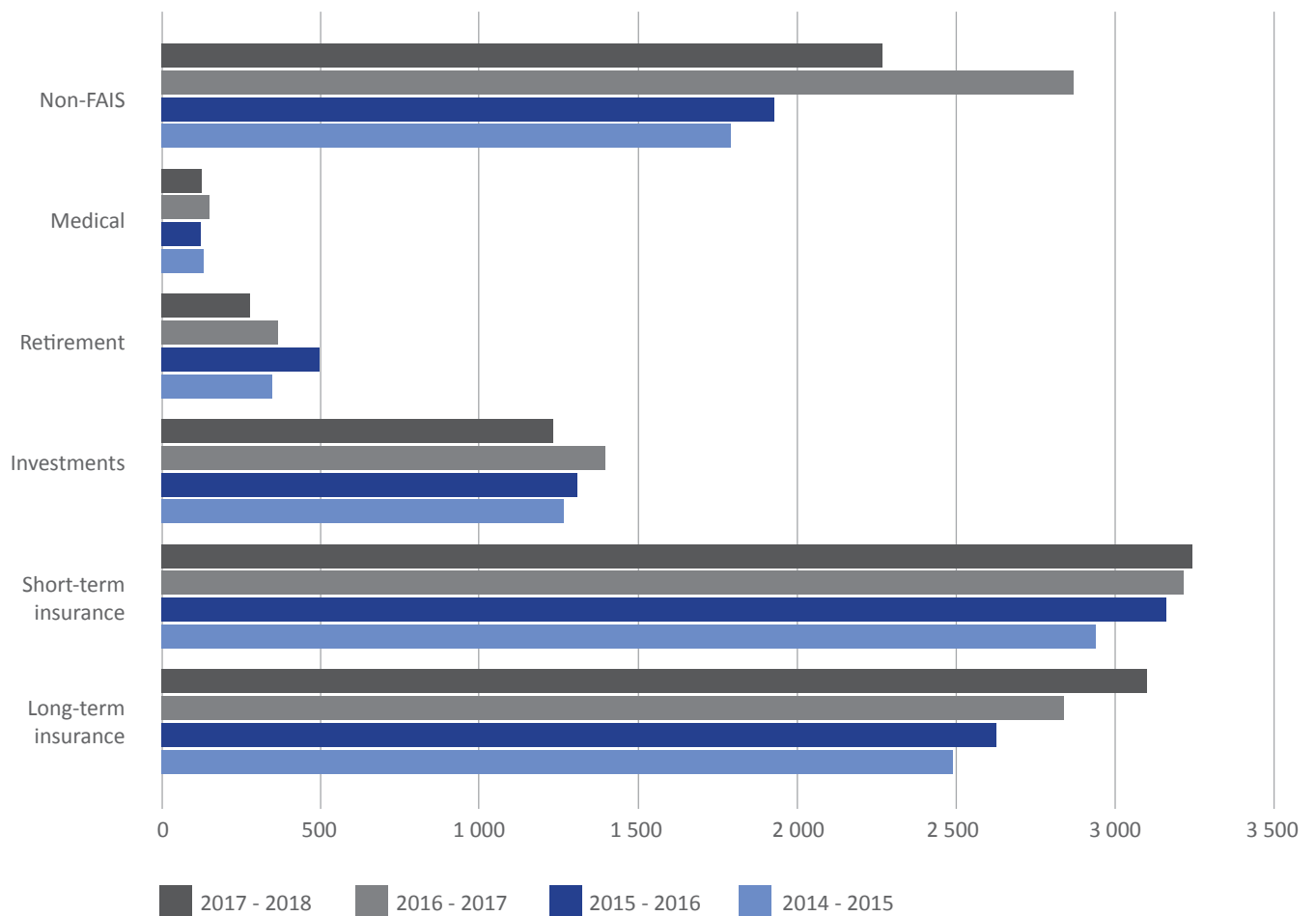
Eastern Cape	655
Free State	566
Gauteng	3 127
KwaZulu-Natal	1 242
Limpopo	310
Mpumalanga	432
North West	413
Notern Cape	183
Western Cape	1 058
International	71
Not provided	1 382
<b>TOTAL</b>	<b>9 439</b>



Province	2014 - 2015	2015 - 2016	2016 - 2017	2017 - 2018
Gauteng	2 986	3 228	3 779	4 271
KwaZulu-Natal	1 183	1 268	1 510	1 465
Western Cape	1 120	1 233	1 476	1 482
Eastern Cape	636	752	834	851
Free State	454	504	544	517
Limpopo	282	378	352	338
Mpumalanga	351	415	458	417
North West	319	353	447	383
Notern Cape	216	208	193	264
International	67	74	112	82
Not Provided	1 389	1 418	1 141	141



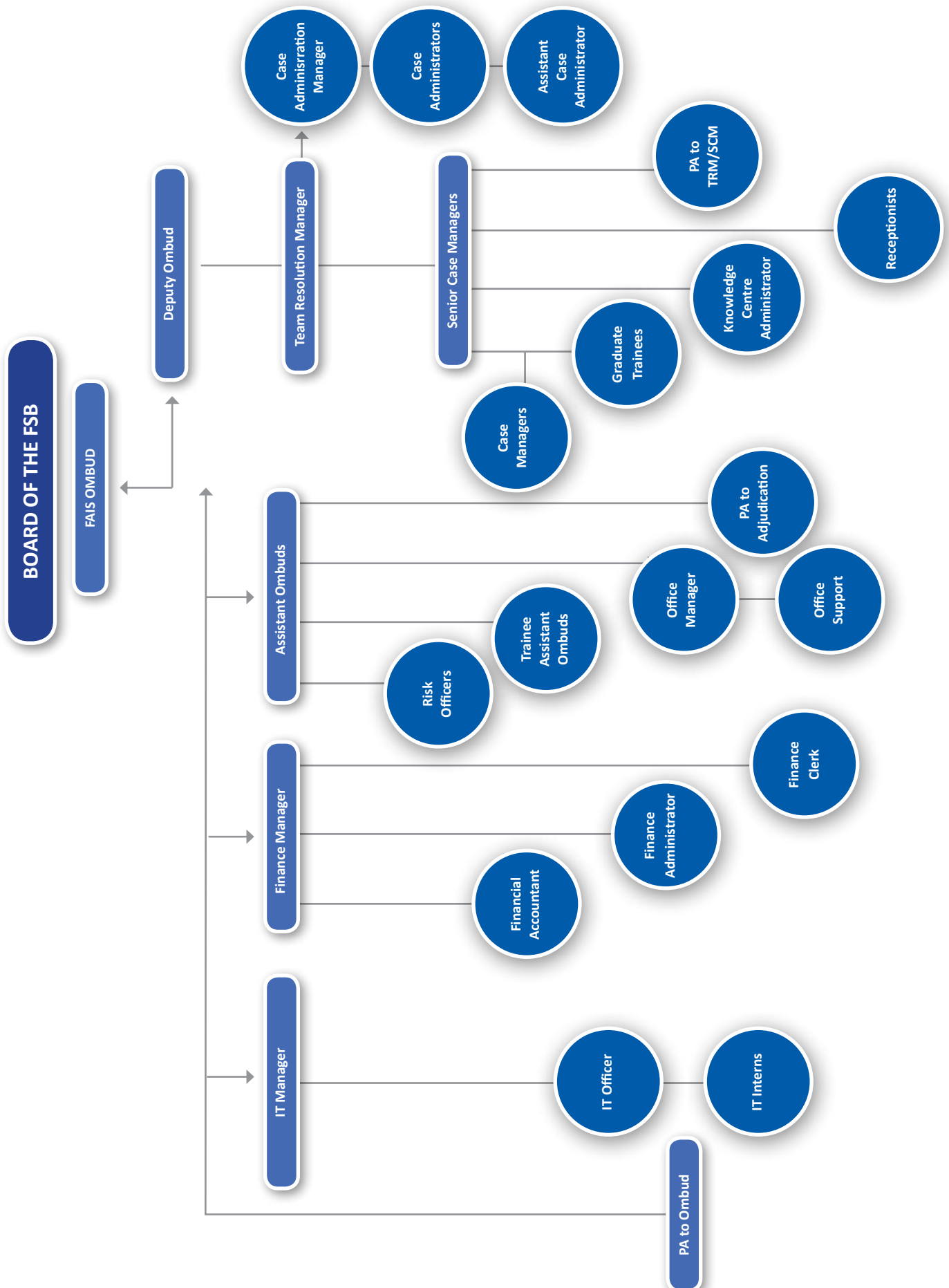
## Products complained about



Product	2014 - 2015	2015 - 2016	2016 - 2017	2017 - 2018
Long-term Insurance	2 491	2 627	2 841	3 100
Short-term Insurance	2 940	3 161	3 215	3 243
Investment	1 266	1 307	1 396	1 231
Retirement	347	497	367	277
Medical	132	124	152	126



# Organisational Structure





## Staffing

### EXCO

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*Noluntu Bam*  
Ombud



*Sithabile Sabela*  
Assistant Ombud



*Jean Goodey*  
Finance Manager

### Adjudication

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*Thobile Masina*  
Assistant Ombud



*Sithabile Sabela*  
Assistant Ombud



*Melani Winkler*  
Assistant Ombud



*Marc Alves*  
Team Resolution Manager

### Case Management



**Front from left to right:**

Siyanda Sindikolo, Marc Alves, Nozipho Madlala, Sesethu Memese, Nokubonga Zuma, Brian Nyide, Carol Mfusi, Thandekile Chiliza, Cebisa Mkiwane, Uyanda Phiri, Rita-Mari van der Westhuizen.

**Back from left to right:**

Wonke Mramba, Loyiso Nosenga, Sinethemba Majova, Zine Mahlaka, Nonhlakanipho Nhlapo, Lungelwa Mpapela.

**Absent:**

Sthando Kunene, Sifundo Tiki, Violet Ricketts, Mashite Makgoo.

### Case Administration



**From left to right:**

Mpho Koloko, Hector Gumede, Nhlanhla Mngomezulu, Rebotile Manakana.

**Absent:**

Ncebakazi Giqwa, Kelebogile Sesoko, Tshepiso Mabaso.

### Risk, IT, Finance and Support



**Front from left to right:**

Kwena Hlako, Nomvula Mtolo, Thokozile Memela, Ongako Ntata, Ayanda Mntonintshi, Thandi Jali, Johanna Mgidi, Yvonne Shili, Lindi Mahlangu, Tumelo Malete.

**Back from left to right:**

Mmulane Mohlala, Tshebeletso Hlapane, Tawanda Magunda, Julia Montoedi, Sithabile Sabela, Petronnell Sehloa, Charmaine Mosalo.

**Absent:**

Alicia Fynn, Florence Mokgonyana, Sithembele Ngwane, Jabulile Zwane, Hestie Teessen.







## Human Resources Committee

The Human Resources Committee assisted the Board to ensure that the FAIS Ombud's human resources strategy and policies were adequate, reviewed regularly for relevance and implemented effectively by management.

## Remuneration Committee

The Remuneration Committee provided assurance on the adoption of reward strategies that appropriately incentivised senior management and staff in their opportunity and risk management responsibilities. The committee further ensured that human resources talent was aligned to and could deliver passionately on the strategic goals of the entity.

## The FAIS Ombud Graduate Programme

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Trevor Manuel, in the National Development Plan could not have explained it better:

*'South Africa belongs to all its people and the future of our country is our collective future. Making it work is our collective responsibility. All South Africans seek a better future for themselves and their children. The National Development Plan is a plan for the country to eliminate poverty and reduce inequality by 2030 through uniting South Africans, unleashing the energies of its citizens, growing an inclusive economy, building capabilities, enhancing the capability of the state and leaders working together to solve complex problems'*

The FAIS Ombud is committed to the youth of this country, and to skills development. Furthermore, it supports an inclusive financial sector, as envisioned by National Treasury.

This Office plays its part by providing graduates with an opportunity to gain meaningful workplace experience to complement their studies. The Graduate Trainee Programme is directed at those who have completed their studies or are completing them and are interested in the financial services industry.

These graduate recruits will be part of a supportive environment, allowing for continuous development, the acquisition of skills and practical work experience.

Since inception in 2010, the programme has assisted 62 graduate trainees in law and information technology.

The APP currently provides for the appointment of nine graduate trainees annually, with recruitment drives held in January and July in all provinces to identify candidates who are motivated to achieve not only their own goals, but those of the FAIS Ombud. The successful applicants relocate to the FAIS Ombud hometown, Pretoria, during which move they receive support and assistance through the staff wellness programme.

The induction training programme exposes the graduates to the finance industry as a whole, as well as to various products

and topics. They are introduced to the unique experience of working in the public service, the entity's reporting lines and contribution in executing government policy, business ethics (including the FAIS Ombud Code of Ethics), as well as other soft skills that assist us in ensuring that the graduates are properly assimilated into the culture of the FAIS Ombud. The graduates are also provided with practical training on the types of complaints received by the FAIS Ombud, and sensitised about the unique positioning of the FAIS Ombud in the delivery of its service.

Sound work ethics, good corporate governance and social skills enable the graduates to prepare for positions of influence in the near future.

## Remuneration and Retention Report

To recognise talent in our team, the Board of the former FSB subscribes to a strategy of financial and non-financial rewards. The financial rewards incentivise the top 20 percentile of FAIS Ombud employees who are fully engaged in driving the mission of the FAIS Ombud.

For employees who do not qualify for financial rewards, there are non-cash incentives based on the nominations of peers, but monitored by an oversight body to ensure integrity. Additional assurance is provided by the internal and external audit functions.

More important than the rewards is the effect on the morale of the FAIS Ombud.

Staff retention is much broader than just rewards and incentives. The Annual Performance Plan (APP) cites formal development as a necessary part of realising a return on investment for the shareholder, namely the government of South Africa, on behalf of members of the public. The FAIS Ombud, as a public entity, has to contend with the challenges faced by a high demand for services, with limited resources. As with many institutions, it has a young team, whose members may decide to change careers, or move to entities with more competitive remuneration.

## The FAIS Ombud Employment Equity Report

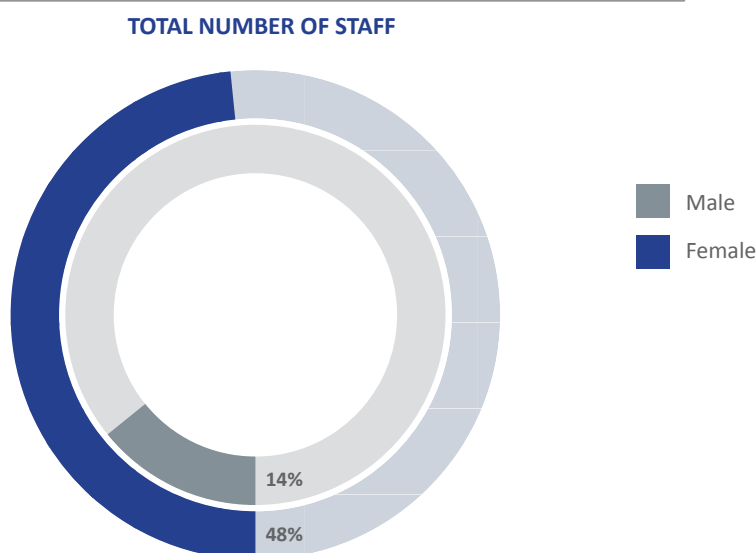
The Employment Equity Amendment Act 47 of 2013 seeks to achieve equity by promoting equal opportunity and fair treatment for all in the workplace.

The Act applies to all employers and workers, and protects employees and job seekers from unfair discrimination. It provides a framework for implementing affirmative action

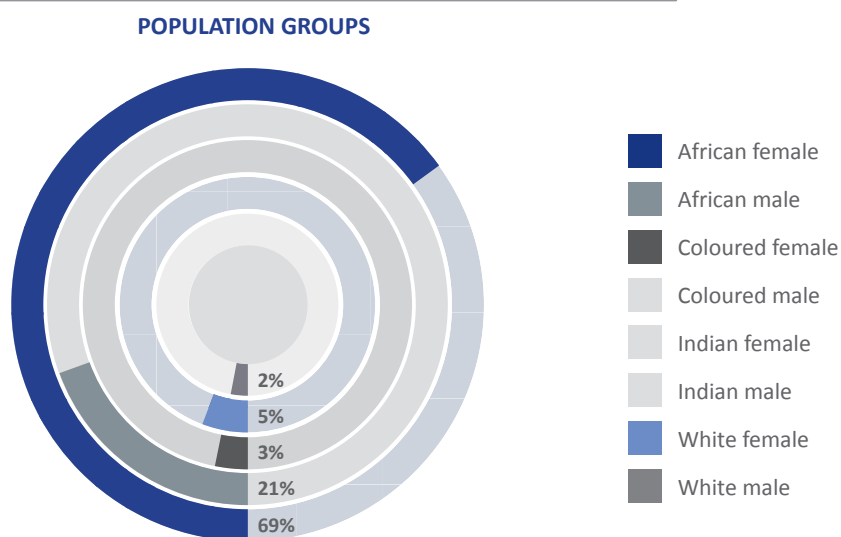
to redress the inequities of the past and to ensure equitable representation in all occupational categories and levels in the workforce.

During January 2018, the Office filed its Employment Equity Report electronically, via the Labour Department's online reporting system.

The diagram below represents our male/female split as at 31 March 2018.



The diagram below represents our population group split as at 31 March 2018.

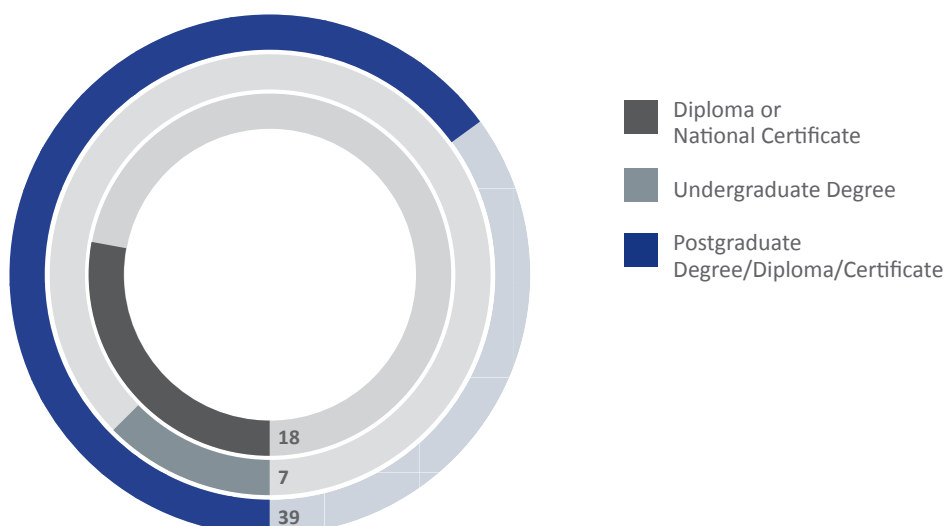


Population group	Female		Male	
African	43	69%	13	21%
Coloured	2	3%	-	-
Indian	-	-	-	-
White	3	5%	1	2%
Foreign	-	-	-	-
<b>Total</b>	<b>48</b>	<b>77%</b>	<b>14</b>	<b>23%</b>

Representation at management levels				
Level	Executive management		Senior and middle management	
	Female	Male	Female	Male
African	3	-	3	-
Coloured	-	-	-	-
Indian	-	-	-	-
White	-	-	2	1
Foreign	-	-	-	-
<b>Total</b>	<b>3</b>	<b>1</b>	<b>5</b>	<b>1</b>

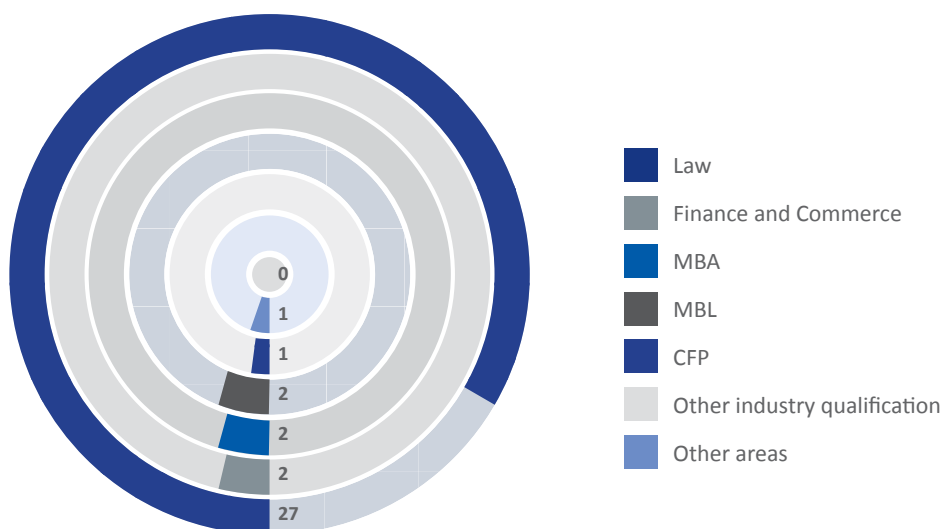
The diagrams below represent the skills and qualification levels, as well as the areas of specialisation as at 31 March 2018.

#### SKILLS AND QUALIFICATIONS



Employees with highest qualification	
Qualification	Number of employees
Diploma or National Certificate	15
Undergraduate Degree	2
Postgraduate Degree/Diploma/Certificate	37
<b>Total</b>	<b>54</b>

#### AREAS OF SPECIALISATION



Specialisation	
Law	27
Finance and commerce	2
Master of Business Administration (MBA)	2
Master of Business Leadership (MBL)	2
Certified Financial Planner (CFP) and/or advanced CFP	1
Other industry qualification	-
Other areas	1



Personnel cost by objective					
Objective	Total expenditure for the FAIS Ombud (R'000)	Personnel expenditure (R'000)	Personnel expenditure as % of total expenditure	Average number of employees	Average personnel cost per employee (R'000)
Satisfied customers (complaints resolution)	24 569	21 623	88%	48	450
Operational excellence	19 742	6 099	31%	16	381
Stakeholder management	2 243	1 766	79%	4	442

Performance rewards			
Level	Performance rewards (R'000)	Personnel expenditure (R'000)	% of performance rewards to total personnel cost
Top Management	708	6 682	10.6%
Senior Management	151	5 420	2.8%
Professionally Qualified	-	-	-
Skilled	90	13 582	0.7%
Semi-skilled	18	3 021	0.6%
Unskilled	18	559	3.2%
<b>Total</b>	<b>985</b>	<b>29 264</b>	<b>3.4%</b>

Training costs 2017/2018			
Objective	Training expenditure (R'000)	Number of employees trained	Average training cost per employee (R'000)
Financial planning studies	196	10	5.4
Legal studies	30	1	5.0
Other commercial studies	110	-	13.8
Other skills training costs	170	-	4.7

Employment and vacancies					
Level	2016/2017 average number of employees	2017/2018 approved posts	2017/2018 average number of employees	2017/2018 average number of vacancies	% of vacancies
Top management	5	5	4	1	20%
Senior and middle Management	5	7	7	-	-
Skilled	36	44	42	2	5%
Semi-skilled	15	15	15	-	-
Unskilled	3	4	4	-	-
Total	64	75	72	3	4%

Reasons for staff leaving – as at 31 March 2018		
Reason	Number	% of total number of staff leaving
Death	-	-
Resignation	22	67%
Dismissal	1	3%
Retirement	-	-
Ill health	-	-
Expiry of contract	6	18%
Other (exit)	2	6%
Total	31	94%

Labour relations: Misconduct and disciplinary action	
Nature of disciplinary action	Number
Verbal warning	Nil
Written warning	Nil
Final written warning	Nil
Dismissal	1





The annual strategic planning and risk assessment sessions held within the reporting period presented an opportunity for the senior management team to consider the FAIS Ombud's response to changes in the service delivery environment in delivering value to its stakeholders. They further enabled relevance testing of the strategic direction adopted by the governing body against good governance prescripts – given the entity's commitment to an integrated and risk intelligent strategic planning process – and one that further encourages a culture of compliance with South African laws.

'Taking the tune from the revisions introduced in the King IV Code, the workshops were approached with a view to strategy formulation that enables a culture in which: the formal adoption of policy reflects the FAIS Ombud's commitment to the governance of risk from an oversight and operational perspective, that demonstrates commitment to ethical leadership, business planning that considers risk and opportunity management through the formulation and consideration of risk taking limits in the course of taking business decisions, and that considers the sustainability of the entity through decision-making that balances the interests of the FAIS Ombud's stakeholders'.

### Board Member Appointments

The FAIS Ombud governing body (the Board of the FSB, as it was then) was appointed by the Minister of Finance and consisted of 11 non-executive members with diverse backgrounds. These appointments considered experience, technical skills and the interests of users and providers of financial services, including financial intermediaries and public interest.

Within the reporting period, Board meetings were held at least once a quarter and special meetings were convened when necessary.

Board members are listed below, with a record of the number of Board and Board sub-committee meetings attended.

Composition of the Board					
Board Member	Board	Audit Committee	Risk Management Committee	Human Resources Committee	Remuneration Committee
<b>Total number of meetings</b>	<b>4</b>	<b>5</b>	<b>4</b>	<b>4</b>	<b>4</b>
A Sithole	4	n/a	n/a	3	3
H Wilton	2	5	3	4	3
Z Bassa	3	n/a	2	3	4
O Makhubela	1	n/a	n/a	n/a	n/a
J Mogadime	4	5	4	n/a	n/a
F Groepe	3	n/a	n/a	n/a	n/a
J Momoniat	3	n/a	n/a	n/a	n/a
D Msomi	3	5	n/a	n/a	n/a
H Ratshefola	3	n/a	3	n/a	n/a
PJ Sutherland	3	4	n/a	n/a	n/a
D Turpin	4	n/a	4	n/a	n/a

## Defined and Separate Roles: Chairman and Ombud

In line with King IV, the roles of the Chairman of the Board and the Ombud are separate, with a clear division of responsibilities to ensure a balance of power and authority between them. The Chairman of the Board has a non-executive function.

## Delegation of Board Authority

The Delegation of Authority evidences the tangible separation of the roles of the Chairman and the Ombud. Under it, the Ombud is the Accounting Officer in terms of the FAIS Act and the PFMA, apportioning administrative powers that enable the Ombud to run the day-to-day operations of the FAIS Ombud efficiently.

## Performance Monitoring and Reporting

Quarterly reports on organisational performance against the APP are submitted to the Minister of Finance and National Treasury in accordance with Treasury Regulations, in the exercise of their indirect oversight on behalf of the shareholder.

Direct oversight is exercised by the Board through engagements with management following the submission of the quarterly reports on organisational performance.

Annually, however, and usually by invitation, the FAIS Ombud is called to account directly to Parliament.

## Accountability

Given the close alignment between opportunity and risk management, the Board exercises its oversight responsibility under the PFMA over the business operations of the FAIS Ombud. The Board provided strategic direction to the FAIS Ombud within the bounds of its adopted charter, and fulfilled its responsibilities with the contribution of the Audit Committee, Risk Management Committee and the Human Resources and Remuneration.

At the time of print, the Board of the FSB – as it was then – was dissolved on the effective implementation date of the Financial Sector Regulation Act (Act No 9 of 2017), colloquially referred to as the ‘Twin Peaks’, at the close of the financial year. The governing body for the FAIS Ombud under the regulatory revisions will be the Financial Services Ombuds Schemes (FSOS) Council. An interim governing body was established by the Minister of Finance to manage the transition to Twin Peaks.

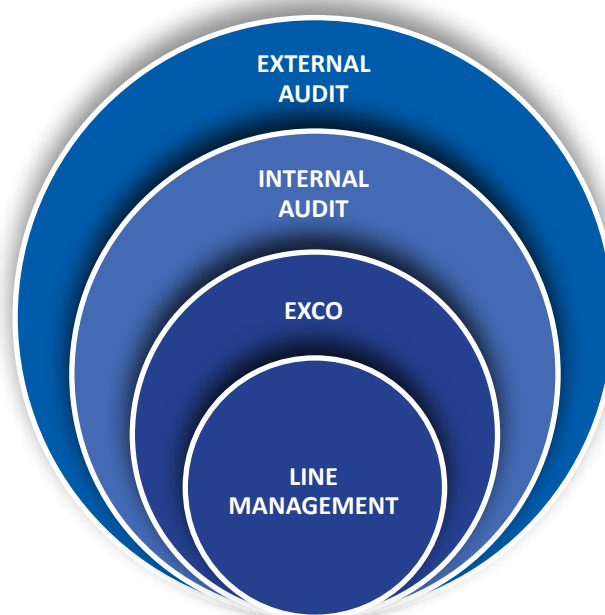
## Audit Committee

During the 2017/2018 financial year, the Audit Committee was responsible for overseeing the maintenance of effective and efficient internal controls, overseeing the internal and external audit functions, reviewing financial information and preparing the annual financial statements. In so doing, it assisted the Board in safeguarding the assets of the FAIS Ombud and enabled an environment that enhanced the delivery of the FAIS Ombud’s strategic goals.

## Risk Management Committee

The Risk Management Committee provided leadership in the evaluation of the adequacy of risk management strategies and processes for the unique business of the FAIS Ombud. This committee assisted the Board in ensuring that the FAIS Ombud implemented effective policies and plans for risk management that enhanced the FAIS Ombud’s ability to achieve strategic objectives.

**The governance of risk at the FAIS Ombud is depicted in the below-displayed lines of assurance:**



*Diagram 1: FAIS Ombud lines of assurance*

The proper embedding of the Risk Management Policy of the FAIS Ombud lies with the FAIS Ombud Executive Committee. The Executive Committee (EXCO) is tasked with fulfilling the risk management philosophy and supporting policy commitments through day-to-day decision-making and tone setting. The effectiveness of the system, however, is formally cascaded to line management performance agreements with proportionate weight to opportunity, and risk management performance indicators for operational risk management.

EXCO exercises oversight over the operations of the FAIS Ombud through established governance committees whose establishment give life to the principles of accountability, transparency and fairness. The jurisdiction of these committees and the meeting protocols are defined in their respective committee charters.

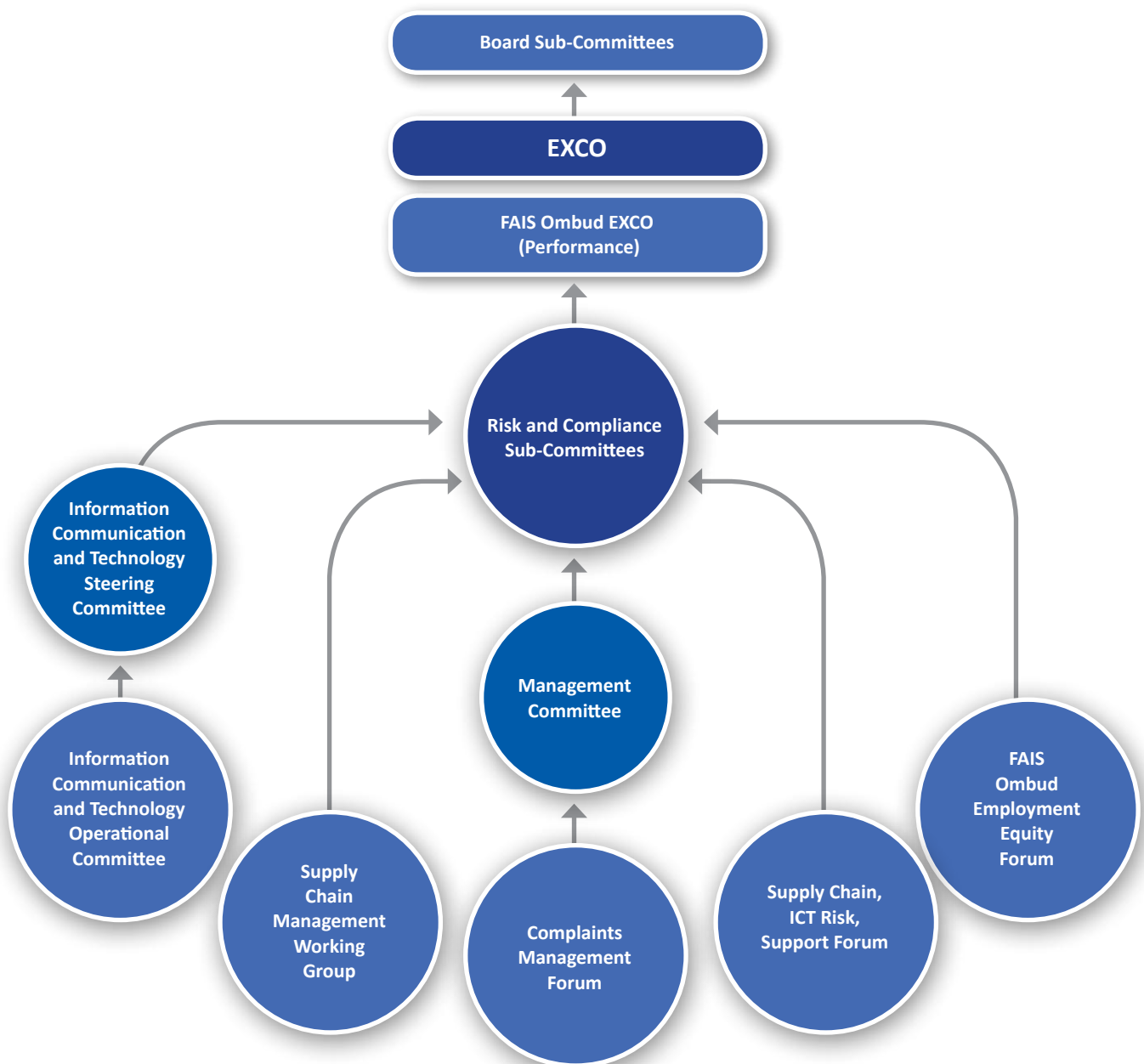


Diagram 2: FAIS Ombud Internal Governance Structure

Creating awareness and leadership role modelling is an integral part of maintaining the FAIS Ombud's risk culture. In all sessions the risk management responsibility of each role is discussed to catalyse voluntary modification of behaviour. However, there are instances where enforcement of policy is warranted and the most effective form of risk treatment. Standing rollover items in the compliance and risk management plans include an annual risk workshop, which involves the entire staff complement, and which allows for 'out of role' simulation exercises. Two examples of the risks that confronted the FAIS Ombud are discussed briefly below.

While FAIS Ombud management believes that the risk of fraud and corruption – a risk that can have a profound effect on the reputation of the entity – is adequately managed, it conducts case studies at targeted intervals during the financial year, such as employment contract conclusion.

Role modelling of acceptable ethical behaviour under the Code of Ethics continues to be the most effective control.

The FAIS Ombud has been supported extensively by the FSB ICT team in mitigating the risk of cybercrime. The Ombud will continue to learn from this team, and values the support provided in building its resilience against the risk.



The strategic risks faced by the entity are listed below.

Affected strategic goal(s)		Risk
	Risk category	High-level definition
Customer satisfaction through effective complaints resolution	Complaints management	Ineffective and inefficient complaints handling
Operational excellence	Information and communications technology	Cybersecurity
Operational excellence	Human capital	Inefficient human resource management
Sound and effective stakeholder relations	Stakeholder	Inadequate stakeholder management
Operational excellence	Information and communications technology	Inadequate information and communications technology governance and security
Operational excellence	Finance and supply chain	Ineffective resource use
Operational excellence	Human capital	Ineffective succession management
Operational excellence	Governance, risk and compliance	Fraud, corruption and unethical behaviour



*Jean Goodey*  
Finance Manager

## Annual Financial Statements

THE OFFICE OF THE OMBUD FOR FINANCIAL SERVICES PROVIDERS  
Financial Statements for the year ended 31 March 2018

# INDEX

The reports and statements set out below comprise the financial statements presented to the board:

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### Abbreviations

**AGSA** – Auditor-General South Africa

**ASB** – Accounting Standards Board

**FSB** – Financial Service Board

**GRAP** – Generally Recognised Accounting Practice

**PFMA** – Public Finance Management Act, 1999 (Act no of 1999)

**TR** – Treasury Regulations issued in terms of the PFMA



## ***Accounting Authority's Responsibilities and Approval***

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The Board of the Financial Services Board (Board), as the accounting authority is required by the Public Finance Management Act (Act 1 of 1999) (PFMA), to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the Board to ensure that the 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 Auditor-General of South Africa (AGSA) is engaged to express an independent opinion on the financial statements and was given unrestricted access to all financial records and related data.

The 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 (ASB).

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

The Board acknowledges that it is 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 Board to meet these responsibilities, it sets standards for internal control aimed at reducing the risk of error 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.

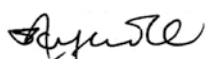
The Board is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control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

The Board has reviewed the entity's cash flow forecast for the year to 31 March 2019 and, in the light of this review and the current financial position, it is satisfied that the entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

Although the Board is primarily responsible for the financial affairs of the entity, it is supported by the entity's external auditors, the AGSA.

The AGSA is responsible for independently reviewing and reporting on the entity's financial statements. The financial statements have been examined by the AGSA and its report is presented on page 5.

The financial statements set out on pages 52 to 75, which have been prepared on the going concern basis, were approved by the Board on 25 July 2018.



**Abel Sithole**  
Chairperson



**Noluntu Bam**  
FAIS Ombud



## Audit Committee Report

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We are pleased to present our report for the financial year ended 31 March 2018.

### Audit Committee members and attendance

The Audit Committee is a sub-committee of the Board and consists of only non-executive Board members. During the current year five meetings were held. The Audit Committee consists of the members listed hereunder:

Name of member	Number of meetings attended
J Mogadime (Chairperson)	5
D Msomi	5
PJ Sutherland	4
H Wilton	5

### Audit Committee's responsibility

The Audit Committee reports that it has complied with its responsibilities arising from section 51(1)(a) and section 77 of the PFMA and Treasury Regulations 3.1 and 27.1.

The Audit Committee reports that it has adopted appropriate formal terms of reference as its Audit Committee Charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The Board has established a Risk Management Committee to oversee the risks associated with the entity. The chairperson of the Audit Committee is a member of the Risk Management Committee and vice versa to ensure that relevant information is transferred effectively. The Risk Management Committee fulfils an oversight role on financial reporting risks, internal financial controls, compliance risks, fraud risk as it relates to financial reporting, and information technology risks as these relate to financial reporting.

### The effectiveness of internal financial controls

The system of internal controls applied by the entity over financial and risk management is effective, efficient and transparent. In line with the PFMA and the King IV Report on Corporate Governance requirements, Internal Audit provides the Audit Committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of a risk-based internal audit plan, internal audit assessing the adequacy of controls mitigating the risks, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the Internal Auditors, the Audit Report on the financial statements, and the management report of the Auditor-General South Africa, it was noted that no matters were reported that indicate any material deficiencies in the system of internal control or any deviations therefrom. Accordingly, we can report that the system of internal control over financial reporting for the period under review was efficient and effective.

### Evaluation of financial statements

The Audit Committee has:

- reviewed and discussed the audited financial statements to be included in the annual report, with the Auditor-General of South Africa and the Board;
- reviewed the Auditor-General South Africa's management report and management's response thereto;
- reviewed the entity's compliance with legal and regulatory provisions.

The Audit Committee concurs with and accepts the Auditor-General South Africa's report on the financial statements, and is of the opinion that the audited financial statements be accepted and read together with the report of the Auditor-General South Africa.

### Internal audit

The Audit Committee is satisfied that the internal audit function is operating effectively in compliance with TR 3.2 and that it has addressed the risks pertinent to the entity.

### Auditor-General of South Africa

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

The Audit Committee recommended, at its meeting held on 13 July 2018, the approval of the annual financial statements to the Board.



**J Mogadime**  
Chairperson of the Audit Committee

## ***Risk Management Committee Report***

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Effective risk management is imperative for the FAIS Ombud to fulfil its mandate. Risk management efforts are focused on supporting the FAIS Ombud's strategic objectives.

### **Governance of Risk**

The Board has committed the FAIS Ombud to a process of risk management that is aligned to the principles of good corporate governance, as supported by the PFMA, and supported by King III principles.

The Board has delegated certain aspects of its authority as they pertain to risk management to the Risk Management Committee.

The committee consists only of non-executive Board members. The committee's overall objective is to assist the Board in fulfilling its responsibility of risk management by ensuring that management identifies significant risks associated with the environment within which the FAIS Ombud operates and develops a framework for managing these risks. The Risk Management Strategy, incorporating a Fraud Prevention Plan, has been developed accordingly.

The committee meets at least four times a year. The Ombud, Deputy Ombud and Finance Manager are permanent invitees of the Committee. Members of the FAIS Ombud Executive Committee or other members of senior management of the FAIS Ombud, assurance providers and other Board members may be required to attend committee meetings by invitation only.

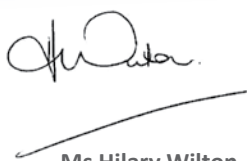
The committee is an advisory committee and not an executive committee and as such it does not perform any management functions or assume any management responsibilities. Its role is that of an independent and objective adviser and it operates as an overseer, making recommendations to the Board for final approval.

The committee has complied with its responsibilities as stipulated in Section 51 of the PFMA. Furthermore, the Risk Management Committee has regulated its affairs and discharged its responsibilities in accordance with its formal terms of reference and provided objective oversight and advice.

### **Roles and Responsibilities**

The Risk Management Committee has fulfilled its oversight responsibility for risk management by ensuring that:

- The risk management strategy, risk management policy and risk management plans were considered;
- The continual monitoring of risks was undertaken;
- The risk management plan is integrated into the daily activities of the FAIS Ombud;
- Management has identified significant risks associated with the environment within which the FAIS Ombud operates and has developed a framework for managing these risks;
- The risk management strategy covering strategic, operational and financial risks was reviewed and approved;
- The risk management strategy incorporates a Fraud Prevention Strategy, which in turn incorporates the Fraud Prevention Policy, the Fraud Prevention Plan, the Fraud Response Plan and the Whistleblowing Policy; and
- The systems for risk management processes are effective.



**Ms Hilary Wilton**

Chairperson: Risk Management Committee

## ***Report of the Auditor-General to the accounting authority on Office of the Ombud for Financial Services Providers***

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### **Report on the audit of the financial statements**

#### **Unqualified opinion**

1. I have audited the financial statements of the Office of the Ombud for Financial Services Providers set out on pages 50 to 73, which comprise the statement of financial position as at 31 March 2018, and the statement of financial performance, statement of changes in net assets and cash flow statement and statement of comparison of budget and actual information for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Office of the Ombud for Financial Services Providers as at 31 March 2018, and its financial performance and cash flows for the year then ended in accordance with Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999).

#### **Context for the opinion**

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of this auditor's report.
4. I am independent of the public entity in accordance with the International Ethics Standards Board for Accountants' Code of ethics for professional accountants (IESBA code) and the 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.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

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

6. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with 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.
7. In preparing the financial statements, the accounting authority is responsible for assessing the Office of the Ombud for Financial Services Providers' 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 accounting authority either intends to liquidate the public entity or to cease operations, or there is no realistic alternative but to do so.

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

8. 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 International Standards of Auditing (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.
9. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.



## Report on the audit of the annual performance report

### Introduction and scope

10. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected objectives presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
11. My procedures address the reported performance information, which must be based on the approved performance planning documents of the entity. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
12. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected objective presented in the annual performance report of the public entity for the year ended 31 March 2018:

Objective	Pages in the annual performance report
<b>Strategic objective 1 :</b> To Resolve complaints in a fair, expeditious and informal manner to the satisfaction of customers	<b>77 – 78</b>

13. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
14. I did not raise any material findings on the usefulness and reliability of the reported performance information for the following objectives:
- Strategic objective 1 – To Resolve complaints in a fair, expeditious and informal manner to the satisfaction of customers

## Report on the audit of compliance with legislation

### Introduction and scope

15. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the compliance of the public entity with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
16. I did not raise material findings on compliance with the specific matters in key legislation set out in the general notice in terms of the PAA.

### Other information

17. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report and those selected objectives presented in the annual performance report that have been specifically reported in the auditor's report.
18. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.
19. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected objectives presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
20. 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.

### Internal control deficiencies

I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. I did not identify any significant deficiencies in internal control.

*Auditor-General*

Pretoria  
27 July 2018



*Auditing to build public confidence*

## ***Annexure – Auditor-general’s responsibility for the audit***

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

### **Financial statements**

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

### **Communication with those charged with governance**

3. I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also confirm to the accounting authority that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, related safeguards.

# Statement of Financial Position

as at 31 March 2018

	Notes	2018 R	2017 R
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	2	3 617 053	1 959 993
Receivables from exchange transactions	3	861 941	818 980
Receivables from non-exchange transactions	4	1 055 544	-
		<b>5 534 538</b>	<b>2 778 973</b>
<b>Non-current assets</b>			
Property, plant and equipment	5	1 304 119	1 648 452
Intangible assets	6	408 666	255 452
		1 712 785	1 903 904
<b>TOTAL ASSETS</b>		<b>7 247 323</b>	<b>4 682 877</b>

<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Finance lease obligation	7	-	67 870
Payables from exchange transactions	8	3 459 305	2 854 870
Trade and other payables from non-exchange transactions	9	-	42 918
		3 459 305	2 965 658
<b>TOTAL LIABILITIES</b>		<b>3 459 305</b>	<b>2 965 658</b>

<b>NET ASSETS</b>	3 788 018	1 717 219
<b>ACCUMULATED SURPLUS</b>	<b>3 788 018</b>	<b>1 717 219</b>



## Statement of Financial Performance

as at 31 March 2018

	Notes	2018 R	2017 R
Revenue	10	49 421 164	39 136 919
Operating expenses		(16 369 959)	(16 404 290)
Personnel costs	11	(30 045 296)	(29 264 029)
Depreciation, Impairment and amortisation	5&6	(928 858)	(863 414)
Operating surplus/(deficit)	12	2 077 051	(7 394 814)
Finance costs	13	(6 251)	(22 323)
<b>(DEFICIT)/SURPLUS FOR THE YEAR</b>		<b>2 070 800</b>	<b>(7 417 137)</b>

## Statement of Changes in Net Assets

as at 31 March 2018

	Accumulated surplus	Total net assets
	R	R
<b>Balance at 01 April 2016</b>	<b>9 134 356</b>	<b>9 134 356</b>
Deficit for the year	(7 417 137)	(7 417 137)
Total changes	(7 417 137)	(7 417 137)
<b>Balance at 01 April 2017</b>	<b>1 717 218</b>	<b>1 717 218</b>
Surplus for the year	2 070 800	2 070 800
Total changes	2 070 800	2 070 800
<b>Balance at 31 March 2018</b>	<b>3 788 018</b>	<b>3 788 018</b>

## Cash Flow Statement

as at 31 March 2018

	Notes	2018 R	2017 R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Operating activities			
Cash receipts from entities		48 322 659	47 235 857
Cash paid to suppliers and employees		(45 853 740)	(44 590 386)
<b>Net cash inflow from operating activities</b>	16	<b>2 468 919</b>	<b>2 645 471</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	5	(306 863)	(548 021)
Purchase of intangible assets	6	(430 876)	(275 759)
<b>Net cash outflow from investing activities</b>		<b>(737 739)</b>	<b>(823 780)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Finance lease payments		(74 121)	(111 568)
<b>Net increase/(decrease) in cash and cash investments</b>		<b>1 657 059</b>	<b>1 710 123</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>1 959 993</b>	<b>249 870</b>
<b>Cash and cash equivalents at end of year</b>	2	<b>3 617 052</b>	<b>1 959 993</b>

# Statement of Comparison of Budget and Actual Amounts

as at 31 March 2018

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
<b>REVENUE</b>						
Levies	47 980 620	1 440 544	49 421 164	49 421 164	-	26
<b>EXPENSES</b>						
Personnel cost	(31 925 025)	-	(31 925 025)	(30 045 296)	1 879 729	26
Depreciation and amortisation	(1 014 372)	-	(1 014 372)	(928 858)	85 514	26
Finance costs	(6 938)	-	(6 938)	(6 251)	687	26
Lease rentals on operating lease	(3 022 393)	-	(3 022 393)	(3 077 384)	(54 991)	26
General expenses	(12 098 262)	-	(12 098 262)	(12 711 734)	(613 472)	26
<b>Total expenses</b>	<b>(48 066 990)</b>	<b>-</b>	<b>(48 066 990)</b>	<b>(46 769 523)</b>	<b>1 297 467</b>	
<b>(Deficit)/surplus for the year</b>	<b>(86 370)</b>	<b>1 440 544</b>	<b>1 354 174</b>	<b>2 651 641</b>	<b>1 297 467</b>	
<b>Actual amount on comparable basis as presented in the Statement of Comparison of Budget and Actual Amounts</b>	<b>(86 370)</b>	<b>1 440 544</b>	<b>1 354 174</b>	<b>2 651 641</b>	<b>1 297 467</b>	



# Summary of Significant Accounting Policies

as at 31 March 2018

## 1. Statement of Compliance

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board (ASB) in accordance with Section 91(1) of the Public Finance Management Act (Act 1 of 1999) (PFMA).

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

Standards and amendments to standards issued but not effective:		
GRAP 20	Related party disclosures	Issued June 2011
GRAP 32	Service concession arrangement: grantor	Issued August 2013
GRAP 34	Separate financial statements	Issued March 2017
GRAP 35	Consolidated financial statements	Issued March 2017
GRAP 36	Investments in associates and joint ventures	Issued March 2017
GRAP 37	Joint arrangements	Issued March 2017
GRAP 38	Disclosure of interests in other entities	Issued March 2017
GRAP 108	Statutory receivables	Issued September 2013
GRAP 109	Accounting by principals and agents	Issued July 2015
GRAP 110	Living and non-living resources	Issued March 2017

The entity has not early adopted any of these standards or amendments thereto. The implementation of these standards will not have a material impact on the reporting requirements of the entity. A summary of the significant accounting policies, which have been consistently applied in the preparation of these financial statements, is disclosed below.

These accounting policies are consistent with the previous year.

### 1.1 GOING CONCERN ASSUMPTION

These 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. The Board is of the view that the pending changes related to the so-called Twin Peaks regulation model will not impact on the future funding of the entity or the future operations of the entity.

### 1.2 SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

In preparing the financial statements, management is required to make estimates, judgments and assumptions that affect the amounts represented in the financial statements and related disclosures. Management is also required to exercise judgment in the process of applying the entity's accounting policies. Use of available information and the application of judgment is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimate is revised and any future periods affected. Significant estimates, judgments and assumptions include:

## Impairment of financial assets

The entity assesses its financial assets for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the entity makes judgments as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

## Useful lives and residual values

The entity reassesses the useful lives and residual values of property, plant and equipment and intangible assets on an annual basis. In reassessing the useful lives of these assets, management considers the condition and the use of the individual assets to determine the remaining period over which the asset can and will be used.

The residual values of these assets have been estimated as the amount that the entity would currently obtain from the disposal of each significant asset, in its current location, if the asset were already of the age and in the condition expected at the end of its useful life.

### 1.3 PROPERTY, PLANT AND EQUIPMENT

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

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

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

Property, plant and equipment are initially measured at cost.

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

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

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 carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight-line basis over their expected useful lives to their estimated residual value. Leased assets are depreciated in a consistent manner over the shorter of their expected useful life or the lease term.

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

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 - 17 years
Motor vehicles	Straight-line	15 years
Office equipment	Straight-line	4 - 16 years
Computer equipment	Straight-line	3 - 15 years
Leasehold improvements	Straight-line	4 - 5 years
Office equipment under finance lease	Straight-line	5 years
Paintings	Straight-line	16 years

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 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.

The entity separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 5).

## 1.4 INTANGIBLE ASSETS

**An intangible 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.

**The cost of an item of intangible asset 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.

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

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

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

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date. Amortisation is provided to write down the intangible assets, on a straight-line basis, to their residual values as follows:

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
Licences	Straight-line	1 - 5 years
Computer software	Straight-line	3 - 9 years
Data management system	Straight-line	3 years
Website	Straight-line	6 - 7 years

**Intangible assets are derecognised:**

- on disposal; or
- when no future economic benefits or service potential are expected from their use or disposal.

The gain or loss arising from the derecognition of an intangible assets is included in surplus or deficit when the asset is derecognised.

## 1.5 FINANCIAL INSTRUMENTS

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

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.

### A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

### A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

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.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

### 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
Cash and cash equivalents	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	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
Trade and other payables from exchange transactions	Financial liability measured at amortised cost
Trade and other payable from non-exchange transactions	Financial liability measured at amortised cost



### **Initial recognition**

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting. The trade date is the date on which the entity commits to purchase or sell the instrument.

### **Initial measurement of financial assets and financial liabilities**

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

### **Subsequent measurement of financial assets and financial liabilities**

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value – subsequently measured at fair value, with gains and losses arising from changes in fair value being included in surplus or deficit for the period.
- Financial instruments at amortised cost – subsequently measured at amortised cost, using the effective interest rate method, less accumulated impairment losses.
- Financial instruments at cost – subsequently measured at cost less accumulated impairment losses.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

### **Impairment and uncollectibility of financial assets**

The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

### **Receivables**

Receivables are recognised initially at fair value and subsequently measured at amortised cost, using the effective interest method less allowance for impairment. An allowance for impairment is established when there is objective evidence that not all amounts due will be collected in accordance with the original terms. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy, and default or delinquency in payments are considered indicators that the receivable is impaired.

The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flow, discounted at the effective interest rate. The carrying amount of the asset is reduced by the amount of the impairment, which is recognised in the statement of financial performance. When the receivable is uncollectable, it is written off and subsequent recoveries of amounts previously written off are credited in operating expenses in the statement of financial performance.

### **Trade and other payables**

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

### **Cash and cash equivalents**

Cash and cash equivalents include cash on hand and deposits held at banks. Cash and cash equivalents are recognised at cost, which equates to their fair value.

### **Derecognition**

#### **Financial assets**

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the entity has transferred substantially all risks and rewards of ownership.

#### **Financial liabilities**

Financial liabilities (or a part of a financial liability) are removed from its statement of financial position when, and only when, they are extinguished — i.e. when the obligation specified in the contract is discharged, cancelled or expired.

### **Presentation**

Interest relating to a financial instrument or a component that is a financial liability is recognised as finance income or finance costs in surplus or deficit.

### **Offsetting financial instruments**

A financial asset and a financial liability are offset and the net amount presented in the statement of financial position only when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

## 1.6 LEASES

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

### Finance leases – lessee

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

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

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of return on the remaining balance of the liability.

### Operating leases

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 is recognised as an operating lease asset or liability.

## 1.7 IMPAIRMENT OF NON-CASH-GENERATING ASSETS

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

Non-cash-generating assets are assets other than cash-generating assets. The entity's non-financial assets only consists of non-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 or amortisation.

Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be

recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. Prior impairments of non-cash generating assets are reviewed for possible reversal at each reporting date. The entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for non-cash generating assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated. The increased carrying amount of a non-cash generating asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods. A reversal of an impairment loss of assets carried at cost less accumulated depreciation or accumulated amortisation is recognised immediately in surplus or deficit.

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 or 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:*

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

## 1.8 EMPLOYEE BENEFITS

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

### 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.

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

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

## 1.9 PROVISIONS AND CONTINGENCIES

Provisions are recognised when:

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

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

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 18.

## 1.10 REVENUE FROM NON-EXCHANGE TRANSACTIONS

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an entity, which represents an increase in net assets, other than increases relating to contributions from owners.

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

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

### Recognition

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

### Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the entity, which is based on the annual budget.

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

### 1.11 BORROWING COSTS

Borrowing costs are recognised as an expense in the period in which they are incurred, using the effective interest rate method.

### 1.12 FRUITLESS AND WASTEFUL EXPENDITURE

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

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

### 1.13 IRREGULAR EXPENDITURE

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

- (a) the PFMA; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) the entity's supply chain management policy.

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 required with the exception of updating the note to the financial statements.

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

### 1.14 BUDGET INFORMATION

The FAIS Ombud is subject to budgetary limits in the form of appropriations or budget authorisations, which is given effect through authorising legislation, appropriation or similar.

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

The approved budget covers the fiscal period from 2017-04-01 to 2018-03-31.

The statement of comparison of budget and actual amounts has been included in the financial statements as the recommended disclosure when the financial statements and the budget are on the same basis of accounting as determined by National Treasury.

Comparative information is not required.

### 1.15 RELATED PARTIES

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

Key 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. The entity regards all individuals at senior management as key management.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the entity.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed in accordance with IPSA20, Related Party Disclosures.

### 1.16 EVENTS AFTER THE REPORTING DATE

Events after the 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.



# Notes to the Financial Statements

as at 31 March 2018

## 2. Cash and cash equivalents

	2018	2017
<b>Cash and cash equivalents consist of:</b>		
Cash on hand	1 466	7 000
Bank balances	3 615 587	1 952 993
	<b>3 617 053</b>	<b>1 959 993</b>

### Credit quality of cash at bank and short-term deposits, excluding cash on hand

The credit quality of cash at bank, excluding cash on hand, that is neither past due nor impaired can be assessed by reference to external credit ratings:

Credit rating		
BB+ (Fitch)	3 615 587	1 952 993

## 3. Receivables from exchange transactions

	2018	2017
Prepayments	381 475	490 948
Sundry debtors	372 050	12 290
Study advances	108 416	283 051
Other receivables	-	32 691
	<b>861 941</b>	<b>818 980</b>

### Fair value of receivables from exchange transactions

The carrying amount of receivables from exchange transactions approximates their fair value. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The entity does not hold any collateral as security.

<b>Reconciliation of allowance for impairment of receivables from exchange transactions</b>		
Opening balance	-	6 180
Amounts written off as uncollectable	-	(6 180)
	-	-

## 4. Receivables from non-exchange transactions

	2018	2017
Receivable: Financial Services Board	1 055 544	-

### Fair value of receivables from non-exchange transactions

The carrying amount of receivables from non-exchange transactions approximates their fair value. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The entity does not hold any collateral as security.

## 5. Property, plant and equipment

	2018			2017		
	Cost/ valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost/ valuation	Accumulated depreciation and accumulated impairment	Carrying value
Furniture and fixtures	1 297 933	(993 159)	304 774	1 254 818	(921 384)	333 434
Motor vehicles	137 285	(135 369)	1 916	137 285	(133 454)	3 831
Office equipment	971 739	(684 694)	287 045	956 656	(553 112)	403 544
Computer equipment	1 841 892	(1 188 490)	653 402	1 637 314	(937 440)	699 874
Leasehold improvements	482 746	(426 005)	56 741	482 746	(328 329)	154 417
Office equipment under finance lease	375 333	(375 333)	-	375 333	(322 463)	52 870
Paintings	26 376	(26 135)	241	26 376	(25 894)	482
<b>Total</b>	<b>5 133 304</b>	<b>(3 829 185)</b>	<b>1 304 119</b>	<b>4 870 528</b>	<b>(3 222 076)</b>	<b>1 648 452</b>

Reconciliation of property, plant and equipment – 2018					
	Opening balance	Additions	Depreciation	Assets written off	Total
Furniture and fixtures	333 434	66 498	(93 717)	(1 441)	304 774
Motor vehicles	3 831	-	(1 915)	-	1 916
Office equipment	403 544	23 279	(139 778)	-	287 045
Computer equipment	699 874	217 086	(259 152)	(4 406)	653 402
Leasehold improvements	154 417	-	(97 676)	-	56 741
Office equipment under finance lease	52 870	-	(52 870)	-	-
Paintings	482	-	(241)	-	241
	<b>1 648 452</b>	<b>306 863</b>	<b>(645 349)</b>	<b>(5 847)</b>	<b>1 304 119</b>

Reconciliation of property, plant and equipment – 2017					
	Opening balance	Additions	Depreciation	Assets written off	Total
Furniture and fixtures	384 834	37 609	(1)	(89 008)	333 434
Motor vehicles	5 747	-	-	(1 916)	3 831
Office equipment	413 517	125 932	(566)	(135 339)	403 544
Computer equipment	553 481	384 480	(9 463)	(228 624)	699 874
Leasehold improvements	252 092	-	-	(97 675)	154 417
Office equipment under finance lease	127 936	-	-	(75 066)	52 870
Paintings	723	-	-	(241)	482
	<b>1 738 330</b>	<b>548 021</b>	<b>(10 030)</b>	<b>(627 869)</b>	<b>1 648 452</b>

## 5. Property, plant and equipment (cont)

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

General expenses	18 197	14 600
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## 6. Intangible assets

	2018			2017		
	Cost/ valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost/ valuation	Accumulated depreciation and accumulated impairment	Carrying value
Licences	241 658	(160 460)	81 198	190 427	(70 371)	120 056
Computer software	714 350	(609 373)	104 977	673 651	(540 078)	133 573
Data management system	485 843	(485 843)	-	485 843	(485 843)	-
Website	292 390	(69 899)	222 491	49 540	(47 717)	1 823
<b>Total</b>	<b>1 734 241</b>	<b>(1 325 575)</b>	<b>408 666</b>	<b>1 399 461</b>	<b>(1 144 009)</b>	<b>255 452</b>

Reconciliation of intangible assets – 2018				
	Opening balance	Additions	Amortisation	Total
Licences	120 056	147 326	(186 184)	81 198
Computer software	133 573	40 700	(69 296)	104 977
Data management system	-	-	-	-
Website	1 823	242 850	(22 182)	222 491
	<b>255 452</b>	<b>430 876</b>	<b>(277 662)</b>	<b>408 666</b>

Reconciliation of intangible assets – 2017				
	Opening balance	Additions	Amortisation	Total
Licenses	32 099	244 137	(156 180)	120 056
Computer software	177 681	31 622	(75 730)	133 573
Data management system	-	-	-	-
Website	5 458	-	(3 635)	1 823
	<b>215 238</b>	<b>275 759</b>	<b>(235 545)</b>	<b>255 452</b>

Intangible assets in the process of being constructed or developed

Other information

Fully amortised intangible assets still in use	485 843	485 843
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The data management system was budgeted to be replaced in previous financial years, resulting in the assets being fully amortised. The intention changed and it was no longer a priority to replace the system in the short term. The book value therefore remains at zero. It is budgeted to be replaced in the 2018/2019 financial years:

## 7. Finance lease obligation

	2018	2017
Minimum lease payments due within one year	-	74 808
	-	74 808
less: future finance charges	-	(6 938)
Present value of minimum lease payments	-	67 870
Present value of minimum lease payments due within one year	-	67 870

Some office equipment was being leased under a non-cancellable lease agreements. The lease term was five years and it expired in December 2017. After the expiry, it was renewed on a month-to-month basis at market-related rate. As the lease term transferred substantially all the risks and rewards of ownership to the entity, it was classified as a finance lease.

The lease agreements had a fixed 60-month term, interest was fixed at an average of 15.7% with equal lease payments over the lease term. The entity's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 5.

## 8. Payables from exchange transactions

	2018	2017
Trade payables	1 198 758	747 699
Operating lease liability	346 255	765 671
Accrued leave pay	1 068 428	925 107
Other accrued expenses	845 864	416 393
	<b>3 459 305</b>	<b>2 854 870</b>

The carrying amount of trade and other payables from exchange transactions approximates their fair value.

## 9. Trade and other payables from non-exchange transactions

<b>Payable: Financial Services Board</b>	-	42 918
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The carrying amount of trade and other payables from exchange transactions approximates their fair value.

## 10. Revenue

	2018	2017
Levies	49 421 164	39 127 718
Recoveries	-	9 201
	<b>49 421 164</b>	<b>39 136 919</b>

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

Transfer revenue		
Levies	49 421 164	39 127 718
Recoveries	-	9 201
	<b>49 421 164</b>	<b>39 136 919</b>



## 11. Personnel costs

	2018	2017
Salaries	27 652 425	26 806 108
Bonus payments	822 805	1 012 694
Unemployment Insurance Fund contributions	115 137	119 196
Compensation Fund contributions	-	23 403
Skills development levies	266 034	255 887
Accrued leave pay charges	1 170 895	1 040 741
Long-service awards	18 000	6 000
	<b>30 045 296</b>	<b>29 264 029</b>

## Non-executive Board members' fees

## 12. Operating (deficit)/surplus

The operating (deficit)/surplus is stated after accounting for the following:		
Auditors' remuneration	1 353 867	1 571 317
Bank charges	24 811	24 849
Cleaning	86 967	83 301
Conferences and seminars	6 000	109 767
Consulting and professional fees	6 590 726	5 937 320
Lease – photocopier	28 035	-
Electricity	419 714	404 394
Entertainment	39 419	45 142
Flowers and gifts	58 476	61 337
Insurance	113 384	102 620
IT expenses	367 617	266 767
Lease rentals on operating lease	3 022 393	3 022 393
Motor vehicle expenses	10 317	19 523
Non-executive Board members' fees	285 161	223 775
Operating cost – office building lease	359 092	330 609
Postage and courier services	9 919	21 342
Printing and stationery	627 266	735 755
Promotions	516 468	333 785
Recruitment and advertising	48 717	298 211
Repairs and maintenance	628 199	811 833
Security	74 430	6 863
Staff welfare	82 912	110 264
Strategic planning and workshops	128 629	193 711
Subscriptions and membership fees	82 594	61 341
Telephone and fax	424 023	443 244
Text books or library books	236 583	267 891
Training	353 039	505 722
Travel – local	391 201	361 738
Travel – overseas	-	39 446
	<b>16 369 959</b>	<b>16 394 260</b>

### 13. Finance costs

	2018	2017
Finance leases	6 251	22 323

### 14. Taxation

No provision has been made for taxation as the entity is exempt from taxation in terms of Section 10(1)(cA)(i)(bb) of the Income Tax Act, 1962 (Act No. 58 of 1962 as amended).

### 15. Auditors' remuneration

External audit: prior year audit fees	1 054 378	1 153 131
External audit: current year interim fee	-	29 274
Internal audit: current year fees	299 489	388 912
	<b>1 353 867</b>	<b>1 571 317</b>

### 16. Cash generated from operations

(Deficit)/surplus for the year	2 070 800	(7 417 137)
<b>Adjustments for non-cash movements:</b>		
Depreciation and amortisation	928 858	863 414
Loss on derecognition of assets	-	10 030
Finance costs – finance leases	6 251	22 323
<b>Changes in working capital:</b>		
Receivables from exchange transactions	(42 961)	(87 162)
Receivables from non-exchange transactions	(1 055 544)	8 186 100
Payables from exchange transactions	604 433	1 024 985
Trade and other payables from non-exchange transactions	(42 918)	42 918
	<b>2 468 919</b>	<b>2 645 471</b>

### 17. Operating lease commitments

<b>Operating leases – as lessee</b>		
Minimum lease payments due – within one year	2 109 318	3 468 227
– in second to fifth year inclusive	-	2 109 318
	<b>2 109 318</b>	<b>5 577 545</b>

Office accommodation is leased in terms of an operating lease. The entity is required to give six months' notice for the renewal of the lease. The operating lease rentals include charges for rental, parking, operational costs, electricity, rates and levies. Escalations of 9% annually have been included in the lease agreement.

Office accommodation leases are negotiated for an average term of five years. No contingent rent is payable. Office plants are leased in terms of an operating lease. The operating lease is for a term of three years and rentals include the installation, servicing and maintenance of the equipment. No contingent rent is payable.

## 18. Contingent liabilities

The are no known contingent liabilities or pending litigation that required disclosure that are known to management as at 31 March 2018 (2017: Rnil).

## 19. Related parties

	2018	2017
Related party balances		
Amounts included in trade receivable (trade payable) regarding related parties		
Financial Services Board	1 055 544	(42 918)
Related-party transactions		
Other 1		
Financial Services Board	49 421 164	39 127 718

The entity and the Financial Services Board both report to the Board of the Financial Services Board and the entity is funded by levies collected by the Financial Services Board.

## 20. Key management and non-executive board members' remuneration

Personnel costs include the cost to the Office for the following key staff members, as well as Board members' fees for non-executive Board members.

Key management						
2018						
	Emoluments travel	Allowance	Pension contribution	Performance bonus	Leave commutation paid	Total
NN Bam, FAIS Ombud	2 292 277	24 000	338 482	300 000	274 288	3 229 047
EB Sehlapelo, Deputy Ombud	1 264 764	-	136 636	-	32 251	1 433 651
J Goodey, Finance Manager (Resigned on 27 March 2018)	1 021 498	-	110 356	-	22 590	1 154 444
SS Sabela, Assistant Ombud	680 295	-	99 413	62 107	15 562	857 377
	5 258 834	24 000	684 887	362 107	344 691	6 674 519
2017						
	Emoluments travel	Allowance	Pension contribution	Performance bonus	Leave commutation paid	Total
NN Bam, FAIS Ombud	2 159 191	24 000	319 034	404 929	125 550	3 032 704
EB Sehlapelo, Deputy Ombud	1 098 358	-	118 659	80 000	51 495	1 348 512
J Goodey, Finance Manager (Resigned effective from 27 March 2018)	952 961	-	102 952	145 000	-	1 200 913
SS Sabela, Assistant Ombud	652 627	-	74 766	78 483	14 750	820 626
	4 863 137	24 000	615 411	708 412	191 795	6 402 755

## Non-executive Board members

### 2018

	Human Resource and Remuneration Committee	Audit Committee Risk	Management Committee	Other	Total
Sithole AM	11 524	-	-	-	11 524
H Wilton	17 132	28 348	17 132	-	62 612
ZBM Bassa	14 328	-	11 524	-	25 852
J Mogadime	-	34 265	22 740	-	57 005
D Msomi	-	34 265	-	22 187	56 452
MH Ratshefola	-	-	17 132	-	17 132
PJ Sutherland	-	28 657	-	-	28 657
DLD Turpin	-	-	25 924	-	25 924
	42 984	125 535	94 452	22 187	285 158

### 2017

	Human Resource and Remuneration Committee	Audit Committee Risk	Management Committee	Other	Total
Sithole AM	8 234	-	-	-	8 243
H Wilton	16 148	5 608	10 878	-	32 634
ZBM Bassa	16 148	-	16 148	-	32 296
J Mogadime	-	32 296	10 878	-	43 174
D Msomi	-	32 296	-	-	32 296
MH Ratshefola	-	-	21 418	-	21 418
PJ Sutherland	-	32 296	-	-	32 296
DLD Turpin	-	-	21 418	-	21 418
	40 539	102 496	80 740	-	223 775

## 21. Changes in estimates

### *Property, plant and equipment*

The useful life of certain property, plant and equipment was reassessed and management has revised its estimates. The effect of this revision has decreased the depreciation charges for the current period by R18 927 (2017: R102 066). In future periods the depreciation charges will increase by R18 927 (2017: R102 066).

### *Intangible assets*

The useful life of certain intangible assets was reassessed and management has revised its estimates. The effect of this revision has decreased the amortisation charges for the current period by R4 253 (2017: R32 008). In future periods, the amortisation charges will increase by R4 253 (2017: R32008).



## 22. Risk management

### Financial risk management

In the course of the entity's operations, it is exposed to credit, liquidity, and market risk (currency, interest rate and other price risk). The entity has developed a strategy in terms of Treasury Regulation 28.1 in order to monitor and control these risks.

Internal audit reports are submitted quarterly to the Audit and Risk Management Committees, independent committees that monitor risks and policies implemented to mitigate risk exposures. The entity is not exposed to significant currency risk or other price risk. The risk management process relating to each of these risks are discussed under the headings below.

#### Liquidity risk

Prudent liquidity risk management implies maintaining sufficient liquid resources and the ability to settle debts as they become due. In the case of the entity, liquid resources consist mainly of cash and cash equivalents. The entity maintains adequate resources by monitoring rolling cash flow forecast of the cash and cash equivalents on the basis of expected cash flow.

The table below analyses the entity's financial liabilities at year end. The amounts disclosed in the tables are the contractual undiscounted cash flows.

At 31 March 2018				
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables from exchange transactions	3 301 070	-	-	-

At 31 March 2017				
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables from exchange transactions	2 854 870	-	-	-
Trade and other payables from non exchange transactions	42 918	-	-	-
Finance lease obligation	74 808	-	-	-

#### Credit risk

Credit risk is the risk of financial loss to the entity if the counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the entity's accounts receivable and cash and cash equivalents. Strict credit control is exercised and when necessary, provision is made for doubtful debts.

The entity is exposed to certain concentrations of credit risk relating to its cash balances. The entity only deposits cash with major banks with high quality credit standings. The counterparties that are used by the entity are evaluated on a continuous basis.

Financial assets exposed to credit risk at year end were as follows:		
Financial instrument	2018	2017
Bank balance	3 615 587	1 952 993
Receivables	480 466	328 032

#### Market risk

##### Interest rate risk

The entity's interest rate risk arises from finance leases (refer note 7).

The entity's exposure to interest rate risk is reflected under the respective notes. As part of managing the entity's exposure to interest rate risk, interest rate characteristics of new borrowings and the refinancing of existing borrowings are positioned according to expected movements in interest rates.

The entity manages its cash flow interest rate risk by using fixed interest rates. As a result, the entity's income and operating cash flows are substantially independent of changes in market interest rates.

##### Capital risk management

The entity's objectives when managing capital are to safeguard the entity's ability to continue as a going concern in order to provide services to the public. The entity has developed systems and internal controls that are sufficient and effective in maintaining efficient levels of working capital, which ensure that the entity has sufficient cash flow to fund its operations. As a public entity, the office has no desire to maintain a highly geared capital structure.

## 23. Events after the reporting date

The Board is not aware of any matter or circumstance arising since the end of the financial period and up to the date of signing these financial statements that warrants adjustment or disclosure.

## 24. Fruitless and wasteful expenditure

	2018	2017
Opening balance	-	-
Current year fruitless and wasteful expenditure – current year	31 725	-
Less amounts recoverable	-	-
	<b>31 725</b>	<b>-</b>

**Payment was made to a service provider for disaster recovery subsequent to contract cancellation.**

25 878

**Action taken:**

Disciplinary action was instituted

**Assets written off following asset count.**

5 847

**Action taken:**

None

## 25. Irregular expenditure

Opening balance	-	-
Add: irregular expenditure identified in the current year	3 451 164	3 292 640
Add: irregular expenditure identified in the current year relating to prior years	489 941	-
Less: amounts condoned	(3 277 528)	(3 292 640)
Less: amounts awaiting condonation	(663 577)	-
	<b>-</b>	<b>-</b>

### Details of irregular expenditure condoned

Copiers were procured in the previous financial year by way of a finance lease agreement. Three quotations were obtained for the transaction. Due to the total value of the agreement being in excess of R500 000, a competitive bidding process should have been followed. The FAIS Ombud did not follow a competitive bidding process as the capital amounts of the transaction was evaluated instead of the full rental amount. The capital amount was lower than R500 000. The irregular expenditure was condoned by the Accounting Authority.	112 170	112 191
The FAIS Ombud entered into a lease agreement for new office space. The Office did not invite competitive bids, as it was of the opinion that it was impractical to do so due to the Office being bound to an existing lease agreement, which expired only in September 2014. A deviation from supply chain policy was approved and a lease agreement signed with the existing landlord. It was, however, concluded that the competitive bidding process should have been followed. The irregular expenditure was condoned by the Accounting Authority.	3 165 358	3 180 449
ICT services for email exchange and disaster recovery were procured from a service provider. The contract was procured however, but functionality testing was not done and the BEE/EME credentials of the subcontracted service provider were not requested.	663 577	-

## 26. Actual operating expenditure versus budgeted operating expenditure

The budget is prepared on the accrual basis. A deficit of R86 370 was budgeted for the financial year in an effort to utilise the accumulated surplus from previous years. The retention of the surplus was approved by National Treasury.

The reasons for material differences between the budget and actual amounts are provided below:

### *Personnel cost*

The savings on personnel cost against budget (R1 879 729) are mainly due to several vacancies in the organisation not being filled, as well as lower incentive scheme payouts than budgeted for.

### *Depreciation and amortisation*

The savings (R85 514) is due to the timing of the actual capital expenditure, as well as lower than budgeted capital spending for the year. This was mainly as a result of the postponement of the replacement of the complaints handling system to the next financial years. The useful life review and adjustment also contributed to the saving against budget.

### *General expenses*

The overspending in general expenses (R613 472) was mainly due to higher legal costs than budgeted for. The legal costs relate to various legal proceedings regarding review applications, as well as a disciplinary matter.

## 27. Segment information

### General information

#### *Identification of segments*

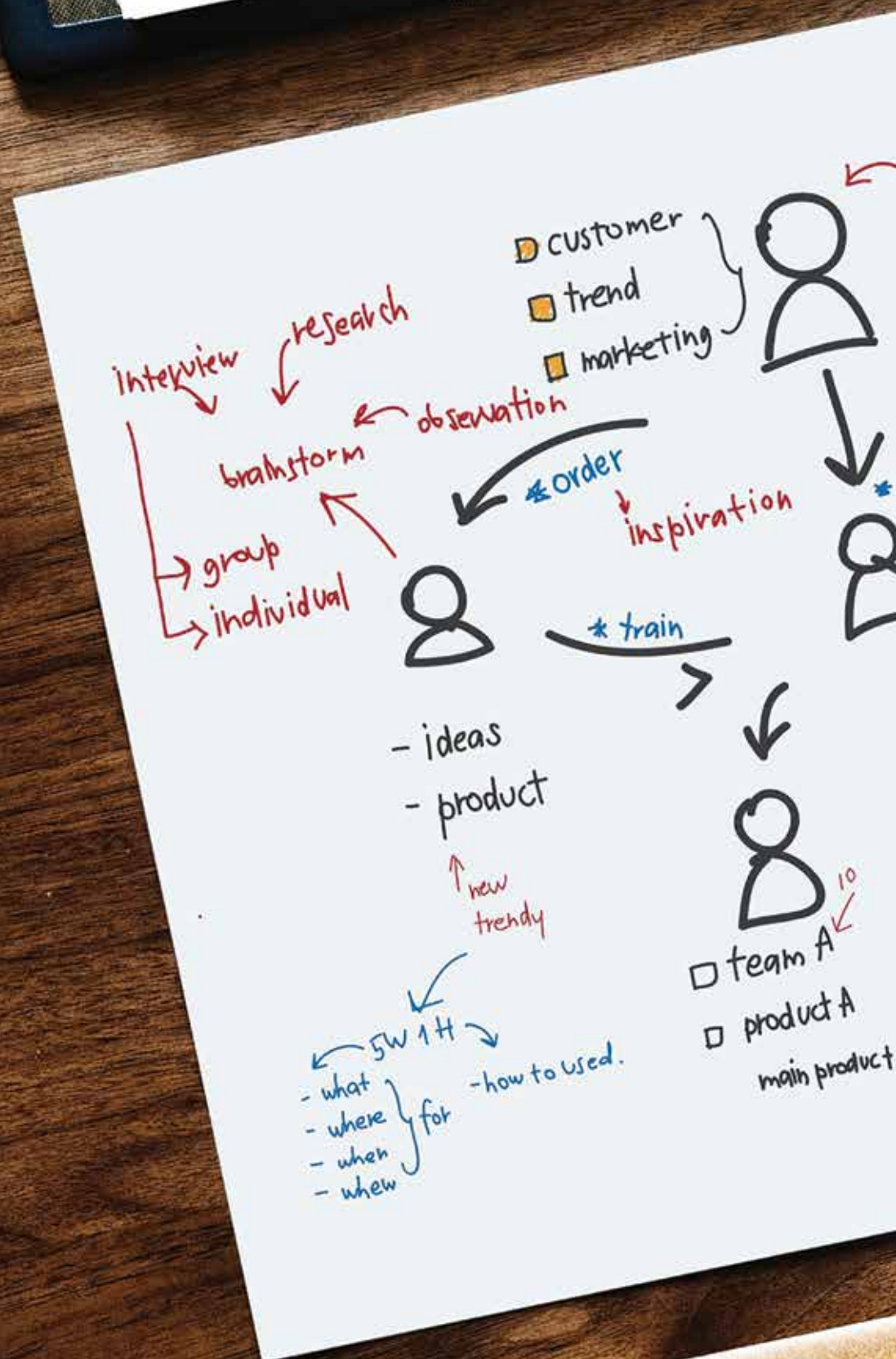
The entity is organised and reports to management on the basis of only one functional area: the resolution of complaints.

The existing operations does not warrant segmental reporting.

## 28. Employee benefits – defined contribution plan

The entity pays contributions towards the pension fund established for its employees. Other than these monthly contributions, the entity has no other obligation to provide retirement benefits to its employees. The amounts recognised in the statement of financial performance are as follows:

	2018	2017
Pension fund contributions	2 719 791	2 582 371





STRATEGIC GOAL 1: To Resolve complaints in a fair, expeditious and informal manner to the satisfaction of customers			
STRATEGIC OBJECTIVE	To increase the number of satisfied customers		
OUTPUTS	Customer satisfaction survey forms. Closed complaints files.		
OUTCOMES	Satisfied customers		
Performance Targets			
Programme Performance Indicator	Target 2017/2018	Progress as at 31 March 2018	Explanation/ Variance
1.1 % satisfied customers as measured on returned CSFs	80%	On average, 97.74% of the customer satisfaction forms received rated our services positively. <b>This goal has been achieved.</b>	Despite high case volumes and individual loads, the FAIS Ombud attributes the variance to this goal to its on-going commitment to strengthening internal controls, and improving efficiency.
1.2 % closed complaints within 9 months of date of receipt of complaint	85%	<b>Quarter 1:</b> Cases received in July 2016: 92.10 % closed by 30 April 2017 Cases received in August 2016: 95.41% closed by 31 May 2017  Cases received in September 2016: 92.75% closed by 30 June 2017 On average 93.38 % of cases received were closed within 9 months of receipt  <b>Quarter 2:</b> Cases received in October 2016: 93.96 % closed by 31 July 2017 Cases received in November 2016: 93.82% closed by 31 August 2017 Cases received in December 2016: 93.78% closed by 30 September 2017 On average 93.82 % of cases received were closed within 9 months of receipt  <b>Quarter 3:</b> Cases received in January 2017: 94.92 % closed by 31 October 2017 Cases received in February 2017: 93.48 % closed by 30 November 2017 Cases received in March 2017: 90.70 % closed by 31 December 2017 On average 93.07 % of cases received were closed within 9 months of receipt  <b>Quarter 4:</b> Cases received in April 2017:92.25% closed by 31 January 2018 Cases received in May 2017: 93.47 % closed by 28 February 2018 Cases received in June 2017: 90.62% closed by 31 March 2018 On average 92.11% of cases received were closed within 9 months of receipt.  <b>This goal has been achieved.</b>	The FAIS Ombud puts in great effort in monitoring output on a regular basis against this goal. To measure its effectiveness, the output is cascaded into individual performance contracts. Most efforts to obtain this result are designed to achieve the most out of this key performance area

STRATEGIC GOAL 1: To Resolve complaints in a fair, expeditious and informal manner to the satisfaction of customers (cont)			
STRATEGIC OBJECTIVE	To increase the number of satisfied customers		
OUTPUTS	Customer satisfaction survey forms. Closed complaints files.		
OUTCOMES	Satisfied customers		
Performance Targets			
Programme Performance Indicator	Target 2017/2018	Progress as at 31 March 2018	Explanation/ Variance
1.3 % satisfied customers in respect of process and communication as measured by returned CSFs for dismissed, settled, and referred cases	80%	<b>Quarter 1:</b> 96.43 % cases dismissed 100% cases settled 93.75% cases referred <b>Quarter 2:</b> 96.78% cases dismissed 100% cases settled 97.14% cases referred <b>Quarter 3:</b> 98.07% cases dismissed 100% cases settled 100% cases referred <b>Quarter 4:</b> 92.23 % cases dismissed 99.13% cases settled 100% cases referred  On average 95.87 % cases dismissed recorded satisfaction with our process and communication. On average 99.78 % cases settled recorded satisfaction with our process and communication  On average, 97.72% cases referred recorded satisfaction with our process and communication.  <b>This goal has been achieved.</b>	The FAIS Ombud adapted its internal environment to easily decipher response to this performance indicator. On the basis that these are clearly measurable indicators, monitoring of whether or not the entity is on track to achieve or surpass the goal is easier to manage, foresee and to in turn stretch performance.
1.4 % satisfied customers in respect of ease of access to the office as measured by returned CSFs.	80%	<b>Quarter 1:</b> 91.67% satisfied customers in respect of ease of access <b>Quarter 2:</b> 93.05 % satisfied customers in respect of ease of access <b>Quarter 3:</b> 96.37 % satisfied customers in respect of ease of access <b>Quarter 4:</b> 95.05 % satisfied customers in respect of ease of access  On average, 94.04 % satisfied customers in respect of ease of access to the office.  <b>This goal has been achieved.</b>	Being a dispute resolution body utilising flexible means of resolving complaints places great pressure on our entity to constantly strive to carry out our functions in a transparent manner. Given that what is not measured can't be attained, it was a priority to adapt our internal processes to measure this outcome, which in turn aided our ability to push performance.
1.5 % complaints responded to within 7 days of date of receipt of complaint	80%	<b>Quarter 1:</b> 98.60% satisfied customers responded to within 7 days of date of receipt of complaint. <b>Quarter 2:</b> 100% satisfied customers responded to within 7 days of date of receipt of complaint. <b>Quarter 3:</b> 99.89% satisfied customers responded to within 7 days of date of receipt of complaint. <b>Quarter 4:</b> 100% satisfied customers responded to within 7 days of date of receipt of complaint.  On average 99.62% responded to within 7 days of date of receipt of complaint.  <b>This goal has been achieved.</b>	This capability has been enhanced by the power of technology, which has made it easier to track performance against this indicator.

STRATEGIC GOAL 2: Achieve operational excellence			
STRATEGIC OBJECTIVE	To optimise internal capacity, business processes and systems to achieve operational excellence.		
OUTPUTS	Unqualified audit report. Approved Budget. Management accounts. Internship contracts. Revised Training plan. Executed training plan. Reviewed HR policies. Implemented performance management system. Approved succession plan. Updated Compliance and Risk Management Framework. Implemented IT plan.		
OUTCOMES	Operational excellence. Enhanced internal effectiveness and service delivery. Sufficient funds to deliver on mandate. Motivated staff to achieve FAIS Ombud’s objectives. The FAIS Ombud is seen as a compliant entity.		
Performance Targets			
Programme Performance Indicator	Target 2017/2018	Progress as at 31 March 2018	Explanation/ Variance
2.1 Type of audit opinion issued by AG in respect of Annual Financial Statements and Performance Information	Unqualified audit Opinion	The FAIS Ombud achieved an unqualified audit opinion of its 2016/2017 Annual Financial Statements, which exceeds the target of an unqualified opinion  <b>This goal has been achieved.</b>	
2.2 Approved Budget	Complete and approved budget by 31 March 2018.	The budget for 2017/2018 financial year was approved by 31 March 2017.  The budget for 2018/2019 financial year was approved by 31 March 2018.  <b>This goal has been achieved.</b>	
2.3 Review and approval of organisational policies	Review and approval of 40% of policies	Out of 45 policies, a total 27 were reviewed by 30 March 2018.  <b>This goal has been achieved.</b>	The variance is attributable to the need to constantly adapt our policies to changes in the external environment. Policies which, to this end, may not have been earmarked for change, were amended in response to the dynamism of the external environment.
2.4 Minimum number of trainee contracts concluded	9 trainee contracts by 31 March 2018.	A total of 10 trainee contract were concluded by 30 March 2018.  <b>This goal has been achieved.</b>	As this indicator is an important indicator of the entity’s commitment to delivering value within the community that the Office exists, the additional contract is attributable to the expansion of the programme to other functional areas of the business which, alongside delivering on its societal commitments, assists the FAIS Ombud in capacitating business units in need of more manpower.
2.5 % adherence to performance management system as set out in the implementation plan	100%	There was 100% adherence to the performance management system.  <b>This goal has been achieved.</b>	This capability has been enhanced by the power of technology, which has made it easier to track performance against this indicator.

STRATEGIC GOAL 3: Enhanced stakeholder management			
STRATEGIC OBJECTIVE	To manage stakeholder relationships		
OUTPUTS	Implemented marketing and communication plan.		
OUTCOMES	Enhanced relationships (improved co-operation with stakeholders)		
Performance Targets			
Programme Performance Indicator	Target 2017/2018	Progress as at 31 March 2018	Explanation/ Variance
3.1 Hits on website	2500	There was a total of 10 495 hits on the website as at 30 March 2018.  <b>This goal has been achieved.</b>	The variance is attributable a positive response to the recently launched website.
3.2 Numbers of engagements with key stakeholders, including outreach programmes	26	A total of 77 engagements were held as at 30 March 2018.  <b>This goal has been achieved.</b>	Engagements with key stakeholders are planned events, however, owing to events affecting the business in the external environment may necessitate more than the planned activities.
3.3 Numbers of media related activities	10	A total of 20 mediarelated activities were held by 30 March 2018  <b>This goal has been achieved.</b>	Media plays a huge role in sustaining a positive image, and in the absence of formalised approach to engaging the media may detract from the intended positioning of the FAIS Ombud brand. It is, to this end, important for growing the FAIS Ombud brand to have frequent engagements with the media which assist stakeholders in understanding the value that the entity can add in the financial services industry.



## Notes

## Notes

## Notes







TRANSPARENCY



FAIRNESS



EQUITY



HONESTY



ACCOUNTABILITY



ACCESSIBILITY



INDEPENDENCE

*Magnifying  
glass over  
document –  
access and  
transparency  
allowed*

*Law scales:  
ensuring  
fairness*

*Shaking hands:  
agreement from  
both parties –  
equity and  
fairness*

*Hand on  
Book of Oath  
symbolising  
**truth and  
honesty***

*Correct “tick” –  
prepared to take  
**responsibility**  
and be held  
**accountable***

*Open lock  
and key  
symbolising  
**giving  
access***

*Document  
with rosette  
symbolises the  
**status of  
independence***

## **FAIS OMBUD**

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### **External Auditors**

Auditor-General

### **South Africa Banker**

Standard Bank