FAISOmbud

Office of the Ombud for Financial Services Providers

ANNUAL REPORT

2022 | 2023

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2022 | **2023**

FAISOmbud

Office of the Ombud for Financial Services Providers

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Pretoria, 0010

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PART

A

GENERAL INFORMATION

Public Entity's General Information

FAIS OMBUD	
Country of incorporation and domicile	South Africa
Nature of business and principal activities	Resolution of complaints against financial services providers
Business address	11th Floor, Menlyn Central Office Building 125 Dallas Avenue Waterkloof Glen Pretoria 0010
Registered office	11th Floor Menlyn Central Office Building 125 Dallas Avenue Waterkloof Glen Pretoria, 0010
Latitude	Latitude –25.78545 Longitude 28.27918
Postal Address	P.O. Box 41 Menlyn Park 0063
Bankers	Standard Bank South African Reserve Bank
Auditors	Auditor General South Africa
Contact	Tel: +27 12 762 5000/+27 12 492 9711 Sharecall: 086 066 3274 Fax: +27 12 348 3447 Email: info@faisombud.co.za Website: www.faisombud.co.za

Foreword
By the Minister of Finance

The National Treasury's 2022/23 Annual Performance Plan makes the observation that "The economic growth pattern of South Africa shows that the economy has for some time expanded at a rate significantly below what is required to meaningfully address the triple challenges of poverty, inequality, and unemployment, with Gross Domestic Product (GDP) per capita declining for several years."

The challenges faced by South Africa are shared throughout the world, and every institution has an important role to play in addressing these challenges. The Office of the Ombud for Financial Services Providers (FAIS Ombud) serves the important purpose of resolving disputes between Financial Service Providers and their customers. Public confidence in the ombud system is especially vital during challenging economic conditions.

The FAIS Ombud Office welcomed the appointment of the Ombud, Advocate John Simpson, from 1 November 2022. The appointment sets the stage for the ongoing progress of implementing the recommendations in the World Bank Ombud Diagnostic Report.

Ongoing meetings and discussions are being held with National Treasury, the various financial Ombudsman offices, the Ombud Council, the Office of the Pension Funds Adjudicator and the FAIS Ombud to develop the framework for a single National Financial Ombudsman Office. The establishment of a single ombudsman office will serve the interests of both consumers and financial institutions. It will provide a single point of entry for all financial service-related complaints, with a unified dispute resolving process and approach.

The appointment of Leanne Jackson as the Chief Ombud of the Ombud Council has added further momentum to the implementation process.

The Financial Sector and Deposit Insurance Levies (Administration) and Deposit Insurance Premiums Act, 2022, was gazetted on 9 December 2022 and the implementation date was gazetted on 24 March 2023, commencing on 1 April 2023. As from 1 April 2023 the FAIS Office receives its levies directly from the Financial Service Providers. This provides for a direct and efficient funding model that will assist the Office in achieving its objectives.

Despite the serious challenges faced due to past leadership, the FAIS Office still assisted thousands of consumers in resolving their complaints efficiently and quickly. The Ombud and his team are thanked for their vital contribution to the economy and the public confidence.

MR ENOCH GODONGWANA
Minister of Finance

The establishment of a single ombudsman office will serve the interests of both consumers and financial institutions. It will provide a single point of entry for all financial service-related complaints, with a unified dispute resolving process and approach.

Mr Enoch Godongwana
Minister of Finance

ADV JOHN SIMPSON
Ombud

The Office's aim is to resolve disputes in the most expedient and conciliatory way possible, as this approach benefits both consumers and the Financial Service Providers.

Ombud's Report

My humble thanks to the Minister for the opportunity to lead this important and vital institution. My ongoing commitment is to ensure that the Office performs to the highest standards possible and provides the services that all its stakeholders, and especially the consumers, require.

The year was a challenging one indeed as there were many issues within the Office that required urgent attention. Numerous key staff vacancies made it especially difficult for the Office to deliver on its mandate. Progress was made in filling the Deputy Ombud position (which has been vacant for many years) and the Human Resources manager and Assistant Ombud positions.

The Office's aim is to resolve disputes in the most expedient and conciliatory way possible, as this approach benefits both consumers and the Financial Service Providers. Determinations are regarded as a last report option which should only be used if all other efforts to resolve the matter have failed. In achieving this aim, it was not necessary for the Office to issue any determinations for the financial year. Disputes were resolved by ongoing interaction and discussion with the parties. The cooperation by the FSPs in this regard is appreciated and commended.

Over a thousand active property-syndicate-related complaints, opened in 2009 to 2014, presented a serious problem for the Office. Numerous determinations on these matters were set aside by the Financial Services Tribunal ('the Tribunal'), and the Office engaged in ongoing litigation with the respondents in the High Court, which was largely unsuccessful. The Office was no closer to successfully resolving these complex and highly disputed matters than it was when they were opened, more than 10 years ago. A decision had to be made whether the Office was the appropriate forum to resolve these disputes. Matters where the determinations were set aside by the Tribunal and were referred back for reconsideration (in some cases more than once), were closed as being more appropriate for a court of law. The Office is in the process of withdrawing from the various property-syndicate-related High Court litigation matters in which it was involved. The Office sincerely sympathises with the mostly elderly consumers who were affected by the failure of these property syndicate investments but the ombud process is not appropriate, due to the nature of these disputes.

Despite the numerous challenges faced by the Office, it managed to assist thousands of consumers and resolve many complaints. The Office received 6 483 complaints which were within its jurisdiction, of which 4 796 were resolved. In 29% of the matters, a settlement was reached, and R39 133 121 in compensation was awarded to the consumer. The

matters were closed within an average of 38.24 working days. These statistics compare favourably with similar ombud organisations locally and internationally. The staff involved in case processing and adjudication are to be congratulated for their achievement.

The Office achieved 81.8% of its Annual Performance Targets (18 of 22). Some of the targets were missed by a fraction of a percentage. Ongoing effort will be made to achieve 100% of the targets.

The Office achieved a Clean audit opinion for the 2022/23 financial period.

The Ombud was appointed on 1 November 2022 and, at that time, the Commissioner of the Financial Sector Conduct Authority was the Accounting Officer for the Office. Following the amendment of sections 22 and 23(1) of the Financial Advisory and Intermediary Services Act, 2002 by implementation of the Financial Sector and Deposit Insurance Levies Act No. 11 of 2022 ('Levies Act'), the Ombud became the Accounting Authority for the Office as from 1 April 2023. Therefore, this report is signed by both the Ombud and the Commissioner, where applicable.

My sincere appreciation to the Commissioner and the Governance Committee members for their continued support and assistance to the Office.

Finally, to the FAIS Ombud staff, without you the Office is nothing. Thank you for your dedication and commitment to serving the public and the Office's stakeholders.

Adv John Simpson
Ombud

RESOLVED COMPLAINTS

6 483 complaints

4 796 were resolved

29% of the matters, a settlement was reached

R39 133 121 in compensation

matters were closed within an average of 38.24 working days

Statement of responsibility and confirmation of accuracy

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

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

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

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

The Annual Financial Statements have been prepared in accordance with the GRAP standards applicable to the public entity The accounting authority is responsible for the preparation of the annual financial statements and for the judgements made in this information.

The accounting authority is responsible for establishing, and implementing a system of internal control which has been designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the annual financial statements The external auditors are engaged to express an independent opinion on the annual financial statements.

In our opinion, the annual report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the entity for the financial year ended 31 March 2023.

Mr. U Kamlana
Commissioner:
FSCA/Accounting
Authority
(Until 31 March 2023)

Adv JR Simpson
Accounting Authority
(From 1 April 2023)

Settlements

The Office of the FAIS Ombud is committed to resolving complaints in a procedurally fair, informal, economical and expeditious manner with reference to what is equitable in all circumstances. In this regard the FAIS Ombud always explores every available avenue to resolve a complaint between the parties on an informal basis, without the need for a formal determination.

Detailed below are complaints where this Office was able to facilitate a successful resolution by way of a conciliated settlement.

CD v P

The complainant insured his Toyota Fortuner on 27 September 2021. On 01 April 2022, the vehicle was stolen, and he filed a claim in terms of his short-term insurance policy. However, the insurer rejected the claim on the basis that the complainant did not comply with the minimum-security policy requirements. The complainant's vehicle was not fitted with a tracking device at the time of the loss. The complainant claimed that he was never informed of security requirements for his vehicle or that noncompliance would result in him not enjoying cover in respect of theft and/or hijacking.

In its response to our initial correspondence, the respondent claimed that it had submitted the revised policy schedule and product provider policy wording to the complainant via return e-mail on 28 September 2021, and had clearly reflected the Toyota Fortuner's security details, stating the presence of a tracking device and immobiliser. The respondent argued that the policy schedule explicitly stipulated that the broker must be informed of any discrepancies within 31 days after the print date of the policy schedule, after which the broker would not be liable for errors or omissions. According to the respondent, the information contained in the policy schedule and policy wording provided to the client at the time was clear and concise. However, the respondent did admit that the specific security requirements had not been highlighted to the complainant. It remained of the view the policy schedule and policy wording sent to the client's e-mail address were sufficient to ensure that he was aware of the requirement for a tracking device.

The Office responded that the respondent had not taken reasonable and diligent steps to alert the complainant to the tracking device requirements. Despite its claims that the provision of a policy document/schedule was sufficient, merely providing the complainant with a policy's wording does not comply with section 7(1)(cii) of the General Code of Conduct for Authorised Financial Services Providers and Representatives ('the Code'). Section 7(1)(cii) provides that concise disclosures must be made of any special terms, exclusions or instances in which cover will not be provided. Compliance with this section of the Code is necessary to place the client in a position to make an informed decision as is required in terms of section 7(1)(a) of the Code. The ability to make an informed decision can only be made prior to the conclusion of the transaction and can never be made afterwards. Merely sending the policy wording to a layperson and expecting that person to appreciate the implications of any material terms does not constitute compliance with the Code, especially if those material terms had not even been raised by the FSP during its interactions prior to the conclusion of the transaction.

The ability to make an informed decision can only be made prior to the conclusion of the transaction and can never be made afterwards.

This Office recommended that the respondent resolve the matter with the complainant. The respondent resolved the matter by paying R644 000, which was accepted by the complainant.

The policy states that there is no cover for items stolen from an unoccupied vehicle if the items were not concealed in an enclosed storage area such as the cubbyhole, boot or a retractable or removable boot cover.

K v K

Upon arriving home, the complainant parked her vehicle and went inside. When she went outside again, she saw the vehicle's passenger door was open and realised that her camera and camera bag left on the back seat were missing. The complainant submitted a claim in terms of the All Risks Benefit of her policy, as the camera was a specified item with a separate premium. The complainant was subsequently advised that the claim had been rejected due to the items not being concealed. The complainant, a freelance photographer, was significantly prejudiced as she was unable to work.

The respondent confirmed that the claim was rejected as the items were not concealed in an enclosed storage area of the vehicle. The policy states that there is no cover for items stolen from an unoccupied vehicle if the items were not concealed in an enclosed storage area such as the cubbyhole, boot or a retractable or removable boot cover. The respondent reiterated that the front and back seats of the vehicle cannot be considered as an enclosed storage area.

Section 7(1)(c)(vii) of the Code provides that concise details be provided of any special terms, exclusions or instances in which cover will not be provided. Clients must be placed in a position to make an informed decision, as required in terms of section 7(1) (a) of the Code. The Office was of the view that this was a material disclosure required by the Code.

In the absence of proof of disclosure, the Office suggested that a settlement offer be made. The respondent reverted that the complainant had accepted an undisclosed offer made to her by the respondent.

S v S

The complainant and her husband had a credit life policy with the respondent to cover their outstanding bond, incepted on 6 April 2018. After the complainant's husband was diagnosed with Stage 4 brain cancer during October 2021, the complainant submitted a claim in respect of the dread disease benefit of the policy. After numerous follow-ups, the complainant was informed that the claim was denied as it was related to a pre-existing condition. The complainants submitted that when they had applied for the bond with the respondent, they were advised to apply for the credit life policy, based on the husband's medical history. The respondent's representative was aware of her husband's previous and existing medical conditions. Her understanding was that pre-existing conditions are covered after a period of 12 months.

In response to the complaint, the respondent confirmed that the policy was a Home Loan Protection Plan Policy, which provided both the complainant and her husband with cover in respect of death, temporary disability, retrenchment and dread disease. The policy had incepted on 6 April 2018, upon receipt of the first premium, and the complainants were sent a new business schedule inclusive of the Obligatory Disclosures Terms and Conditions. The dread disease claim was reported on 31 January 2022 and repudiated due to the event occurring prior to the policy inception. The cancer was first diagnosed during 2014 and had been spreading ever since.

The Office posed various questions to the respondent. Clause 4.2 of the Obligatory Disclosure Document provides that no claim relating to any pre-existing condition (which includes any medical condition, inclusive of cancer, where one has consulted a medical doctor, or treatment is being received) would be paid in the first 24 months after the start of cover. Section 7 (1)(c)(vii) of the General Code of Conduct, provides that a financial services provider must provide concise details of any special terms or conditions, exclusion of liability, waiting period, loadings, penalties, excesses, restrictions, or circumstances in which benefits will not be paid.

Having been aware of the complainant's medical condition in 2018, and in view of the 24-month exclusionary clause for pre-existing conditions, the respondent had a duty to advise the complainant of possible difficulties he could experience in claiming.

The respondent subsequently confirmed that it had paid the claim of R323 462 in full and final settlement.

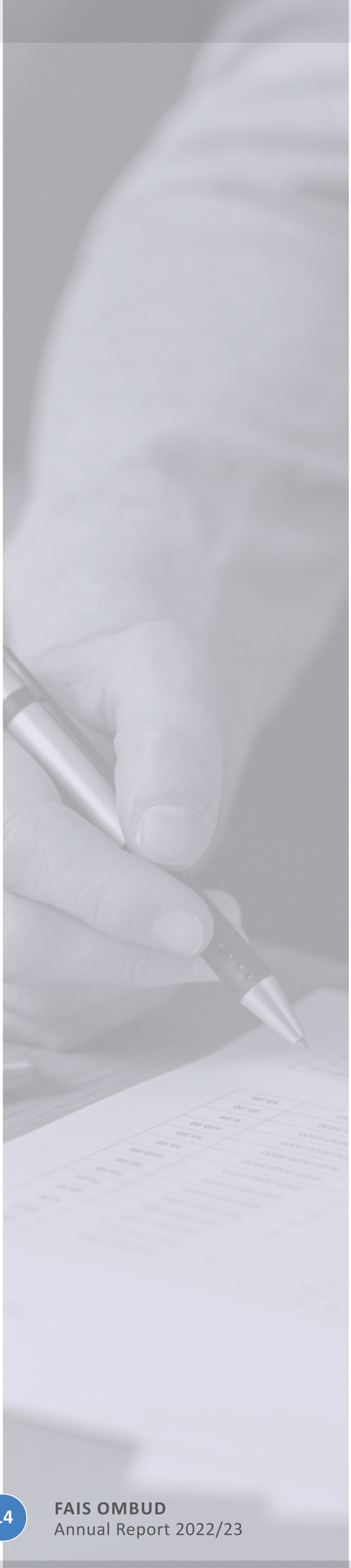
U v S

The complainant submitted that she had received a phone call from the respondent's representative, telling her that she could offer her better investments than her current money market account. The complainant submitted that she was told of the costs involved and decided not to invest. The representative then assured her that she would pay all the costs back into the investment after three months if she signed for a one-year fixed term. Based on the undertaking and the projected growth of 5–6% outperforming the money market account, the complainant agreed to invest R1 000 000. When they met a second time after three months, the representative denied making an undertaking to pay the fees of R34 000. Despite several attempts to contact the representative, the complainant never heard from her again. After lodging a complaint with the respondent, it was unable to assist her, and submitted that she had signed and initialled all the relevant documents disclosing the fees.

The complainant approached this Office for assistance. The respondent's initial response to the complaint was that the complainant had failed to provide definitive proof that its representative had promised the fees and charges would be paid back into the investment after three months.

This Office referred the respondent to a fund fact sheet, which contained the undertaking in the representative's own handwriting. The undertaking was made in July 2021 and then again during December 2021. The respondent submitted that no investment product or fund in the industry guarantees, or offers, any refund of fees after a specific period. These investment products pay upfront advice fees to the representative, which is deducted from the investment at inception. The net investment amount is then invested. The fees were fully disclosed and were contractually binding. No reliance could be placed on external documents.

This Office was of the view that the handwritten notes misled the complainant. The complainant would not have invested had the misrepresentation not been made. The respondent was asked to reconsider its stance and look to resolve this matter with the complainant. The respondent reverted with an offer of R25 149, which resulted in her original R1 000 000 investment being returned to her. The complainant accepted this offer.



H v M

During March 2017, the complainant, who was 50 years old at the time, provided the respondent's representative with permission to review her investment, retirement and insurance portfolio. The complainant was informed that she had a R103 000 paid-up retirement annuity (RA) with Sanlam. The representative advised the complainant to reinvest the funds with the respondent for five years. A Section 14 transfer was applied for, and the funds were placed into a retirement annuity with the respondent. Five years later, during 2022, the complainant approached the respondent to withdraw the funds, and she was informed that the policy had been implemented for a period of 15 years. Should she withdraw the funds prior to the maturity date, penalties in the region of R47 000 would be incurred.

The representative advised the complainant to reinvest the funds with the respondent for five years. A Section 14 transfer was applied for, and the funds were placed into a retirement annuity with the respondent.

The complainant approached the Office for assistance. It was noted that the investment period of 15 years did not appear to be appropriate for her requirements at the time. The respondent was requested to provide reasons why the period of 15 years was recommended as appropriate for her needs and circumstances (section 8(1)(a-c) of the Code). The respondent was also requested to provide evidence that the complainant was informed of the consequences of the 15-year term (section 7(1)(c)(vii) of the Code).

The respondent undertook to resolve the matter with the complainant. The respondent confirmed that an amount of R107 718.29 was invested into the RA and the value had increased to R138 279.06, which was paid to the complainant. The complainant confirmed that she had accepted the payment in full and final settlement.

C v O

During 2012, the complainant applied for an endowment policy with the respondent, which was incepted on 1 January 2013 for a period of 10 years. During 2018, the complainant successfully applied for a partial withdrawal of R10 000. In 2021, she also received a zero-interest loan of R10 000 on the policy. During 2019, the complainant voluntarily requested to increase her monthly premiums on the policy. When the complainant sought to access 100% of the remaining funds at maturity, she was informed that the policy had entered a new five-year restriction period, and the funds would now only be available on 1 December 2024. This was due to the premiums being increased by more than 20%. The complainant submitted that she was not advised regarding the consequences of increasing her premium.

Section 7(1)(c)(vii) of the Code provides that the respondent must disclose concise details of any special terms in respect of a specific product. The complainant must be placed in a position to make an informed decision as required in terms of section 7(1)(a) of the Code. The respondent was requested to provide evidence in this regard.

The respondent decided to amend the restriction end date and allow the withdrawal. The complainant completed the disinvestment forms and received a total payment of R69 544.20 in full and final settlement.

Operational effectiveness

ICT Governance Report

Shortly after the declaration of the COVID-19 pandemic lockdown in South Africa, the FAIS Ombud ICT department implemented major ICT changes. Various technological strategies, such as Microsoft Teams and Skype, were introduced to ensure business continuity to enable collaboration and virtual meetings. A secured virtual private network (VPN) was enabled for all the employees to continue working from home to deliver on the mandate.

The Case Management System, which is the core system to deliver on the organisational mandate, was moved to the cloud. The telephone system was also securely hosted in the cloud, allowing call centre functionality, and with the ability to receive and route calls while working from home. ICT is working on moving all the in-house hosted systems to the cloud to maximise performance, security and reliability. Constant protocols and updates while working from home are sent to all employees.

> ICT is working on moving all the in-house hosted systems to the cloud to maximise performance, security and reliability. Constant protocols and updates while working from home are sent to all employees.

The internet bandwidth was increased, and a secondary internet line was implemented as a backup.

Communication to staff on cyber security awareness is constant, with the anticipation that the cyber attackers might take advantage of systems and use the opportunity to exploit an organisation. Log360 enables ICT to audit and monitor Active Directory changes in real time over and above the Security Information Event Management (SIEM) solution and vulnerability assessments that were already in place.

All initiatives and projects are reported to the Risk Committee. The Office's internal ICT Committee continues to initiate and monitor technology developments.

Statistics

MR MARC ALVES
Team Resolution Manager

On average, 84.04% of all complaints received by the Office were resolved within three months, 91.05% within six months, and 96.47% within nine months. Overall, the total number of complaints closed during the 2022/23 financial year was 11 126.

Resolution of Complaints

When the Office of the FAIS Ombud reports on complaints received and complaints resolved during a specific financial year, it firstly reports on the resolution of those complaints received within the period (in this case 1 April 2022 to 31 March 2023), then it looks at the overall number of complaints resolved, which includes complaints carried over from previous financial years.

This is done to ensure a more holistic view of how successful this Office has been in carrying out its mandate. During the 2022/23 financial year, the Office of the FAIS Ombud received 10 970 new complaints. This is lower than the 11 827 complaints received for the corresponding period during the 2021/22 financial year and represents a 7.25% decrease in the number of complaints received over the preceding financial year. In addition, 59% of all complaints received fell within the mandate of this Office. This resulted in 6 483 complaints being referred to the Case Management department for investigation.

Of the 6 483 complaints received for the 2022/23 financial year that fell within this Office's jurisdiction, a total of 2 783 complaints were dismissed. A total of 639 complaints were referred to alternative fora and 1 364 complaints were settled in favor of the complainant. The number of complaints settled, 1 364, was more than the 1 269 complaints settled during the 2022/23 financial year. This is a testament to the efforts made and commitment to the conciliatory resolution of complaints by this Office and FSPs alike to ensure that complainants continue to be treated fairly. The number of complaints received during the 2022/23 period that were carried over was 1 687, which was lower than the 1 810, carried over during the previous financial year. This means that a total of 4796 complaints were resolved within the financial year, which represents 73.99% of all justiciable complaints received. Overall, the total number of justiciable complaints resolved, which included those carried over from previous financial years, was 6 614. The number of complaints settled during 2021/22 was 1 934 and was an increase on the 1 823 positively resolved in favor of the complainant during the previous financial year. As a result of this, the Office of the FAIS Ombud was able to increase its settlement ratio from 27.59% during the 2021/22 financial year to 29.24%. The overall settlement value for the 2022/23 financial year was R39 133 121.

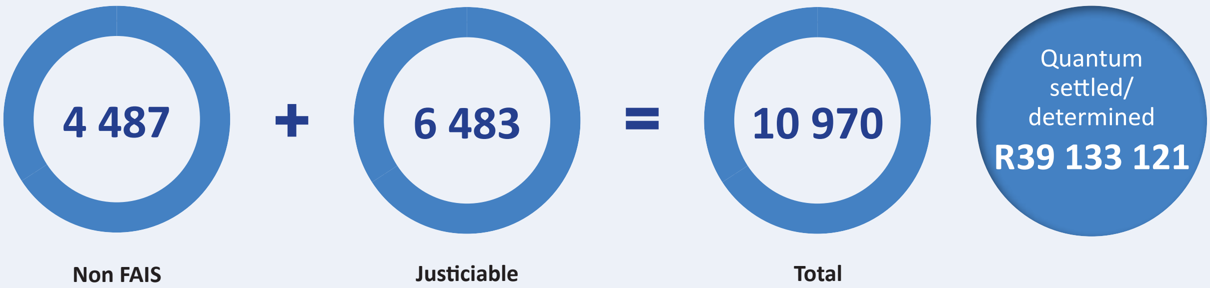
On average, 84.04% of all complaints received by the Office are resolved within three (3) months, 91.05% within six (6) months, and 96.47% within nine (9) months.

The dismissal of complaints is only considered after significant due diligence has been undertaken during the investigation, and the Ombud Office is required by law to provide detailed reasons for any decision made inclusive of complaints dismissed. Any party that feels aggrieved by the decisions taken by this Office can approach the Financial Services Tribunal for the matter to be reconsidered. During the 2022/23 financial year, a total of 104 applications for reconsideration were made to the Financial Services Tribunal. This was lower than the 158 made during the previous campaign and is due to improved quality control measures implemented within the Case Management Department. Of the 95 matters decided on as of 31 March 2023, 85 of those applications were dismissed with only five (5) referred to this Office for further investigation. This reflects a favorable rate of agreement (94.44%) by the Tribunal. Therefore, whilst a total of 4 736 complaints were dismissed during the 2022/23 financial year, the positive affirmation of this Office's decisions by the Tribunal confirms this Office's commitment to the diligent investigation of complaints in accordance with its mandate to provide independent and impartial rulings.

In respect of complaints referred to other fora, a total of 4 301 complaints were referred to other ombud schemes, which was higher than the 3 947 referred during the 2021/22 financial year. This is in accordance with the commitment of the Office of the FAIS Ombud which is to ensure that even where it is unable to be of assistance, the complaint of any person submitted to this Office will be carefully considered and that where possible, the complainant shall be referred to the correct forum to receive the assistance required. All this is part of our continued commitment to service and to enhancing access to justice for all South Africans.

Annual Report Statistics
For the Year Ending 31 March 2023

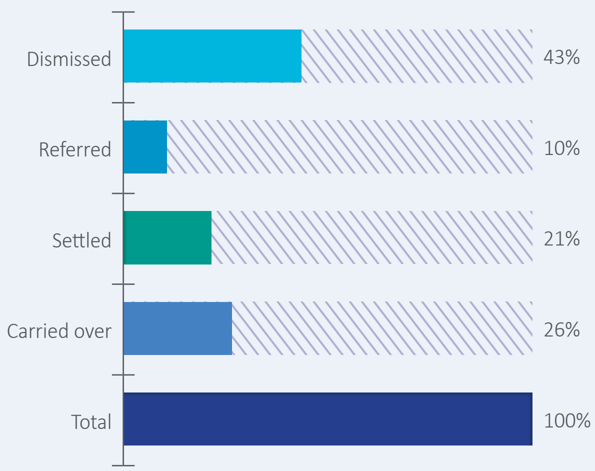
CASES RECEIVED – 2022/23



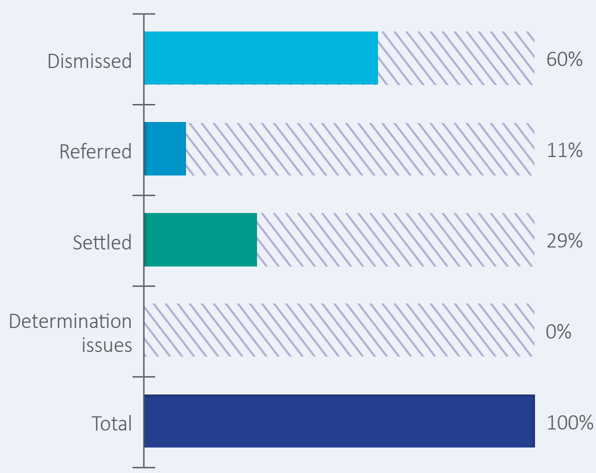
Cases received – 2022/23	No.	Percentage
Non FAIS	4 487	41%
Justiciable	6 483	59%
Total	10 970	100%

Quantum settled/determined
R39 133 121
Province not provided
369

NEW CASES RESOLVED – COMPLAINTS WITHIN OUR MANDATE (1 APRIL 2022 – 31 MARCH 2023)



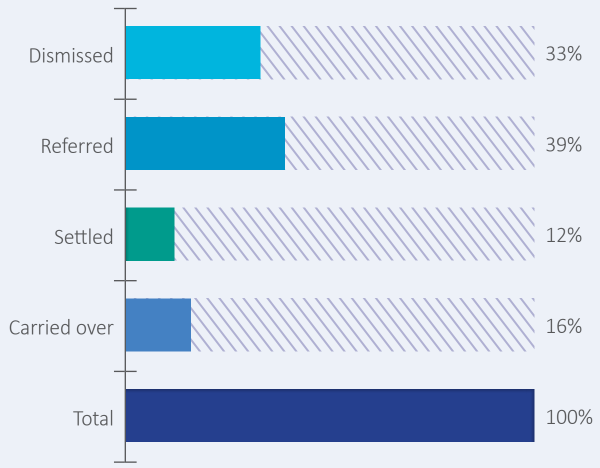
ALL CASES RESOLVED – COMPLAINTS WITHIN OUR MANDATE (INCLUSIVE OF COMPLAINTS CARRIED OVER FROM THE PREVIOUS FINANCIAL YEAR)



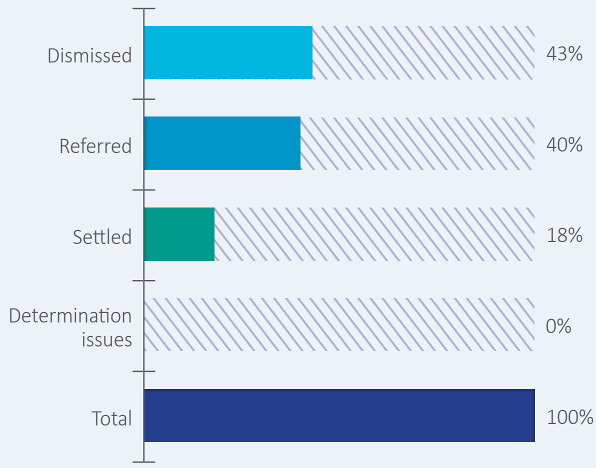
New cases resolved – Complaints within our mandate	No.	Percentage
Dismissed	2 793	43%
Referred	639	10%
Settled	1 364	21%
Carried over	1 687	26%
Total	6 483	100%

All cases resolved – Complaints within our mandate	No.	Percentage
Dismissed	3 936	60%
Referred	744	11%
Settled	1 934	29%
Determination issued	0	0%
Total	6 614	100%

NEW CASES RESOLVED – ALL COMPLAINTS RECEIVED (1 APRIL 2022 – 31 MARCH 2023)



ALL CASES RESOLVED – ALL COMPLAINTS RECEIVED (INCLUSIVE OF COMPLAINTS CARRIED OVER FROM THE PREVIOUS FINANCIAL YEAR)



New cases resolved – All complaints received	No.	Percentage
Dismissed	3 579	33%
Referred	4 301	39%
Settled	1 364	12%
Carried over	1 726	16%
Total	10 970	100%

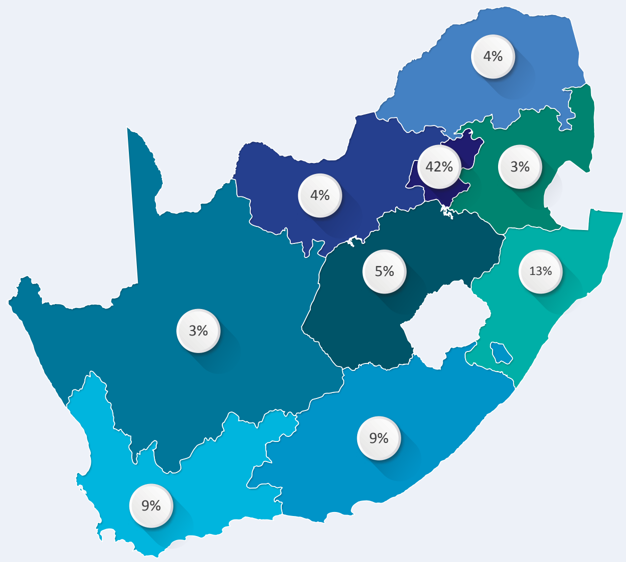
All cases resolved – All complaints received	No.	Percentage
Dismissed	4 736	43%
Referred	4 455	40%
Settled	1 935	18%
Determination issued	0	0%
Total	11 126	100%

Product category justiciable	No.	Percentage
Long term insurance	3 433	54.50%
Short term insurance	1 475	23.00%
Investment	602	9.00%
Retirement	373	6.00%
Medical Insurance	90	1.00%
Forex	170	2.50%
Non FAIS	236	4.00%
Banking	22	<1%
Medical Aid	44	<1%
Crypto Currency	24	<1%
Wills & Trusts	11	<1%
Property Syndication	3	<1%
Total	6483	100%

Average turnaround – Working days	No.	Days
No. of Days - Inclusive of Weekends	4 796	47.99
No. of Days - Excluding Weekends	4 796	31.99
Total	4 796	

Province justiciable	No.	Percentage
Gauteng	2 574	40.00%
Kwa-Zulu Natal	849	13.00%
Western Cape	826	13.00%
Eastern Cape	718	11.00%
Free State	390	6.00%
North West	291	4.50%
Limpopo	254	4.00%
Northern Cape	225	3.50%
Mpumalanga	204	3.00%
Not provided	91	1.00%
International	61	1.00%
Total	6 483	100%

COMPLAINTS RECEIVED BY PROVINCE



Complaints referred to the Tribunal	No.
Total number referred	104
Leave to reconsider granted	4
Referred back to this Office	5
Application dismissed	85
Awaiting decision	10
Total	94.44%

Referred to other fora	No.
Insurance Ombud	999
Financial Services Providers	967
Ombudsman for Banking Services	640
National Credit Regulator	636
National Consumer Commission	595
Pension Fund Adjudicator	142
Financial Services Conduct Authority	84
Credit Information Ombud	69
Motor Industry Ombud	49
Other fora	45
Council for Medical Schemes	31
Tax Ombud	22
Community Goods and Services Ombud	13
Community Schemes Ombud Service	2
JSE Ombud	7
Total	4 301

Strategic Overview

Vision

To be an independent, effective and trusted alternative dispute resolution office for the resolution of complaints arising from the provision of financial services.

Mission

To promote consumer protection and enhance the integrity of the financial services industry by the fair and expeditious resolution of complaints, reasonably, informally and free of charge.

Credo

The FAIS Ombud's credo states:

- 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 should 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 utmost respect and courtesy.
- 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 resolution, not recrimination. 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 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.

Legislative and Other Mandates

1 Constitutional Mandate

The Constitution guarantees equality before the law and the right to equal protection and benefit of the Law. The FAIS Ombud promotes this right of our citizens by providing an alternative dispute resolution mechanism in the financial services industry.

2 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 as amended by Act 29 of 1999) ('PFMA') and reports to the Commissioner of the FSCA and National Treasury.

FAIS Act

The main objective of the FAIS Ombud is to investigate and resolve complaints in terms of the FAIS Act, the Code of Conduct for Financial Institutions and the rules promulgated thereunder.

A complaint could arise where, in the rendering of a financial service by a Financial Services Provider or their representative, it is alleged that the financial services provider:

- has contravened the provisions of the FAIS Act and that the complainant has suffered or is likely to suffer financial prejudice or damage;
- has acted wilfully or negligently in rendering the financial service and has caused or is likely to cause prejudice or damage to the complainant; and/or
- has treated the complainant unfairly.

In resolving complaints in terms of the FAIS Act and Rules, the FAIS Ombud acts independently and must be impartial.

Conduct of Financial Institutions Bill ('COFI')

Once enacted, this legislation will repeal the various sectoral pieces of financial sector regulation and will cater to the implementation of singular legislation across all financial services sectors with market conduct standards being set for each financial services sector. The COFI legislation will centralise the market conduct legislative framework, thereby eliminating the silo approach that existed before.

Financial Institutions Levies Bill

This legislation caters for the imposition of levies on the financial services industry and will repeal the imposition of levies as previously provided in the Financial Services Board Act. The legislation will also create a mechanism for the imposition of levies to fund the FAIS Ombud's office.

Public Finance Management Act

The FAIS Ombud is a National Public entity and is listed under schedule 3A of the PFMA. Accordingly, it is bound by all the provisions of the PFMA. The PFMA regulates financial management in the national and provincial governments; ensures that all revenue, expenditure, assets and liabilities of those governments are managed efficiently and effectively, and it provides for the responsibilities of persons entrusted with financial management in those governments.

The PFMA regulates financial management in the national and provincial governments; ensures that all revenue, expenditure, assets and liabilities of those governments are managed efficiently and effectively, and it provides for the responsibilities of persons entrusted with financial management in those governments.

1 Government Priorities

The sixth government administration has set itself the following seven priorities:

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

The FAIS Ombud will seek to contribute generally to the achievement of the government priorities listed above, in particular, priorities (vi) and (vii), namely, "Building a capable, ethical and developmental state" and "A better Africa and world".

GOVERNMENT PRIORITIES

Economic transformation and job creation

Education, skills and health

Consolidating the social wage through reliable and quality basic services

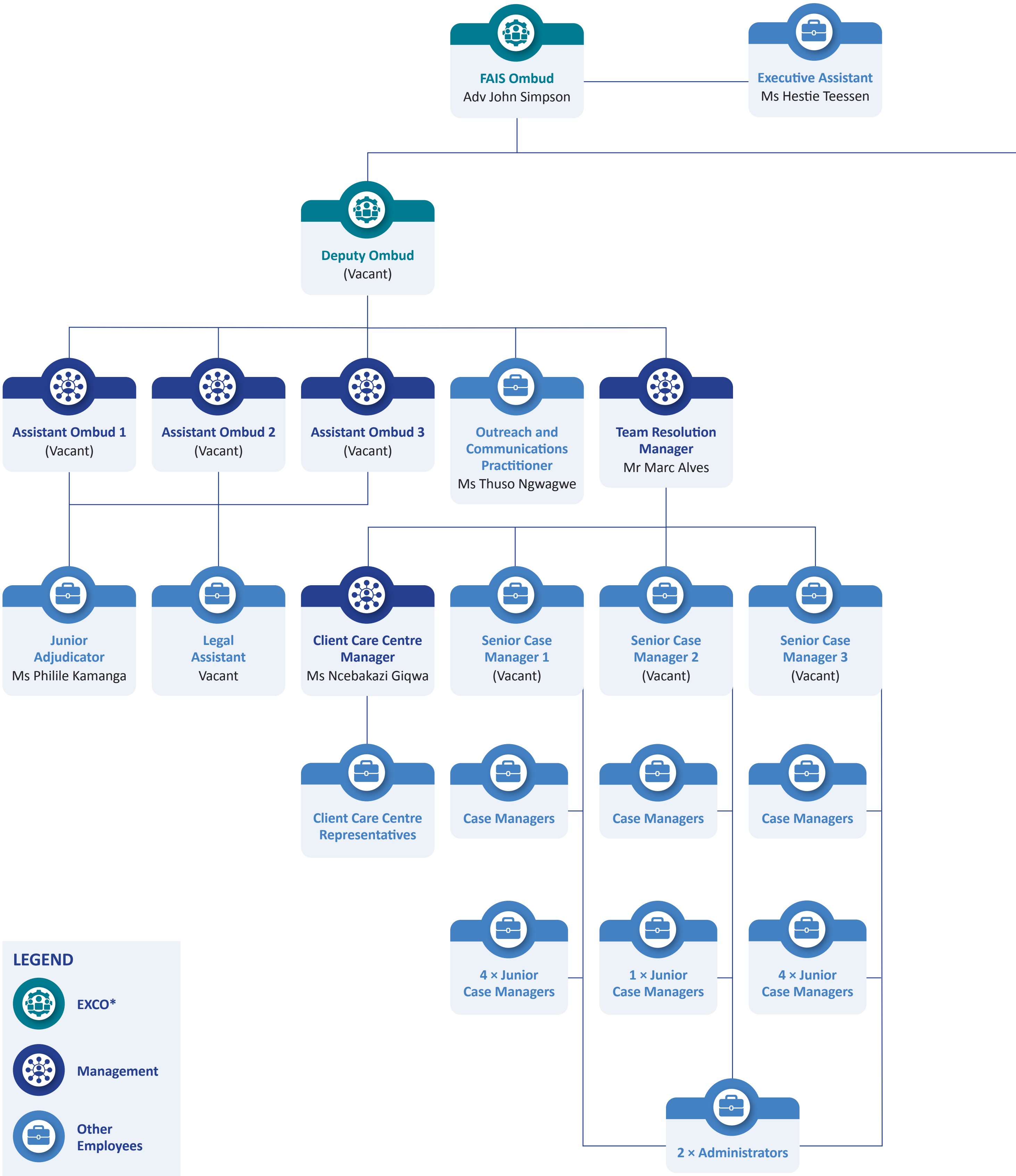
Spatial integration, human settlement, and local government

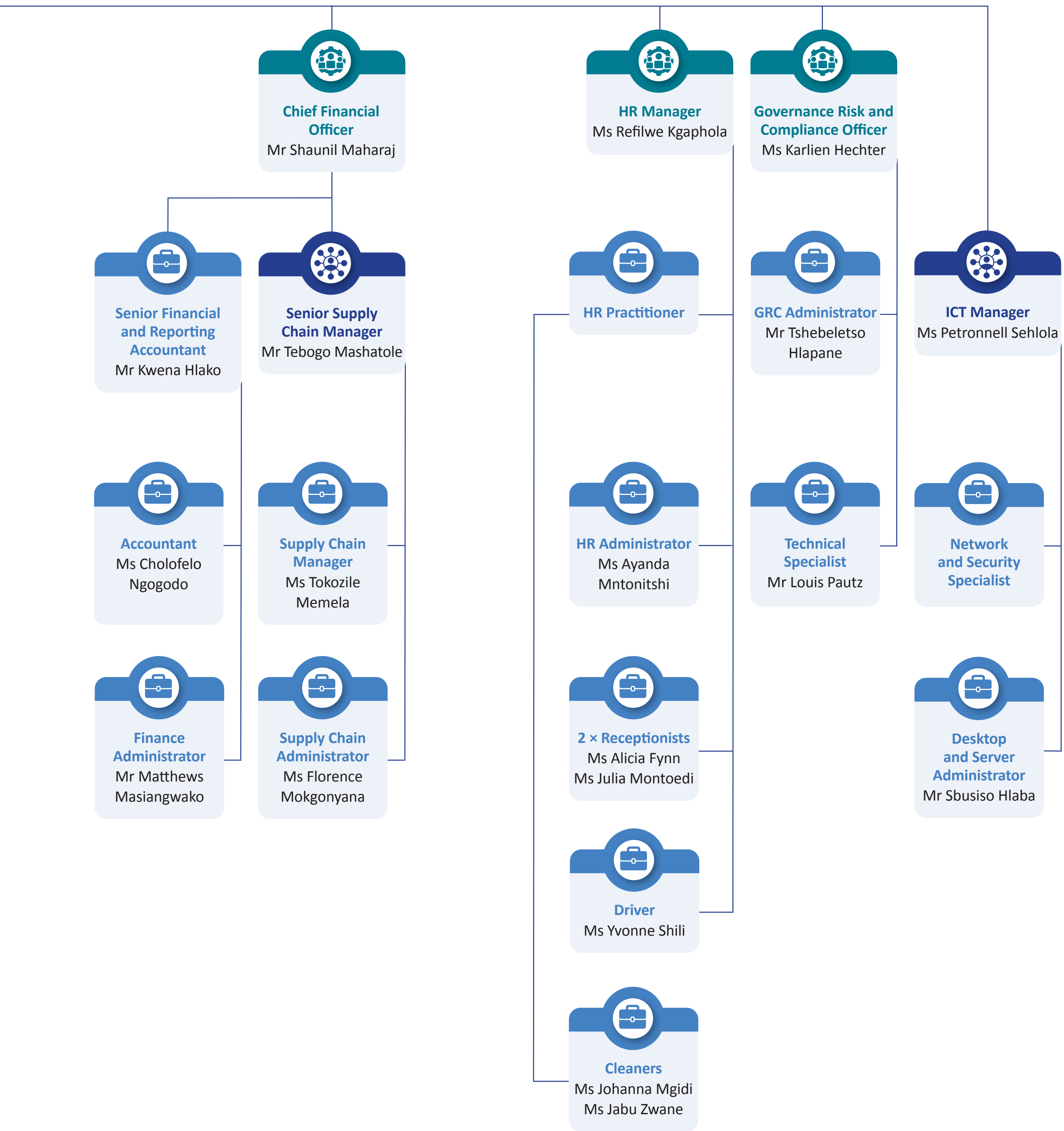
Social cohesion and safe communities

Building a capable, ethical and developmental state

A better Africa and world

Organisational Structure
As of 31 March 2023





Chief Financial Officer
Mr Shaunil Maharaj
HR Manager
Ms Refilwe Kgaphola
Governance Risk and Compliance Officer
Ms Karlien Hechter
Senior Financial and Reporting Accountant
Mr Kwena Hlako
Senior Supply Chain Manager
Mr Tebogo Mashatole
HR Practitioner
GRC Administrator
Mr Tshebeletso Hlapane
ICT Manager
Ms Petronnell Sehlola
Accountant
Ms Cholofelo Ngogodo
Supply Chain Manager
Ms Tokozile Memela
HR Administrator
Ms Ayanda Mntonitshi
Technical Specialist
Mr Louis Pautz
Network and Security Specialist
Finance Administrator
Mr Matthews Masiangwako
Supply Chain Administrator
Ms Florence Mokgonyana
2 × Receptionists
Ms Alicia Fynn
Ms Julia Montoedi
Desktop and Server Administrator
Mr Sbusiso Hlaba
Driver
Ms Yvonne Shili
Cleaners
Ms Johanna Mgidi
Ms Jabu Zwane

Executive Committee

Adv John Simpson
Ombud

Mr Shaunil Maharaj
Chief Financial Officer

Ms Karlien Hechter
Governance Risk and Compliance Officer

Management

Adv John Simpson
Ombud

Mr Marc Alves
Team Resolution Manager

Mr Shaunil Maharaj
Chief Financial Officer

Mr Tebogo Mashatole
Snr Supply Chain Manager

Ms Karlien Hechter
Governance Risk and Compliance Officer

Ms Ncebakazi Giqwa
Giqwa Case Administration Manager

Ms Petronnell Sehlola
ICT Manager

Ms Thobile Masina
Assistant Ombud

Adjudication Department

Adv John Simpson
Ombud

Ms Hestie Teessen
Executive Assistant to the Ombud

Ms Thobile Masina
Assistant Ombud

Ms Thuso Ngwagwe
Outreach and Communications Practitioner

Ms Philile Kamanga
Junior Adjudicator

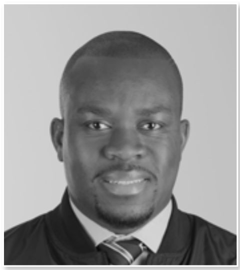
Case Management

Mr Marc Alves
Team Resolution Manager

Mr Mashite Makgoo
Case Manager

Mr Loyiso Nosenga
Junior Case Manager

Mr Sifundo Tiki
Junior Case Manager



Mr Vusani Mulovhedzi
Junior Case Manager

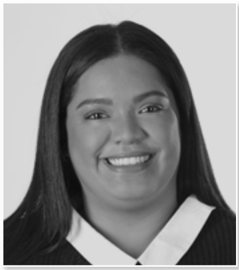
Mr Wonke Mramba
Junior Case Manager

Ms Agnes Tompa
Junior Case Manager

Ms Lungelwa Mpapela
Junior Case Manager

Ms Lutendo Mitileni
Junior Case Manager

Ms Sesethu Memese
Junior Case Manager



Ms Talisha Rothman
Junior Case Manager

Ms Tshilidzi Nemaonzeni
Junior Case Manager

Ms Uyanda Lila-Phiri
Junior Case Manager

Ms Violet Ellis
Junior Case Manager

Ms Zine Mahlaka
Junior Case Manager

Ms Zizipo Mazitshana
Junior Case Manager

Ms Nonhlakanipho Nhlapo
Case Management Administrator

Ms Cebisa Mkiwane
Case Management Administrator

Client Care Centre

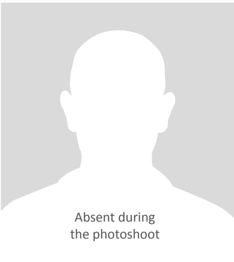
Ms Ncebakazi Giqwa
Case Administration Manager

Mr Tshepiso Mabaso
Case Administrator

Ms Mpho Koloko
Case Administrator

Ms Nhlanhla Mngomezulu
Case Administrator

Ms Tumelo Malete
Case Administrator



Mr Brian Nyide
Case Administrator

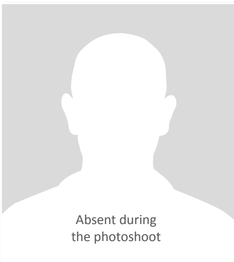
Ms Kelebogile Sesoko
Case Administration Assistant

Ms Rebotile Manakana
Case Administration Assistant

Mr Hector Gumede
Case Administration Assistant

Information and Communications Technology

Ms Petronnell Sehlola
ICT Manager



Mr TJ Riekert
ICT Network & Security Specialist

Mr Sbusiso Hlaba
ICT Desktop Support & Server Administrator

Finance Department

Mr Shaunil Maharaj
Chief Financial Officer

Mr Kwena Hlako
Senior Financial & Reporting

Ms Cholofelo Ngogodo
Accountant

Mr Matthews Masiangwako
Finance Administrator

Mr Karabo Mahapa
Graduate Trainee – Finance

Supply Chain Management

Mr Tebogo Mashatole
Snr Supply Chain Manager

Ms Tokozile Memela
Supply Chain Manager

Ms Florence Mokgonyana
Supply Chain Management Administrator

Human Resources

Ms Ayanda Mntonintshi
HR Administrator

Governance Risk and Compliance

Ms Karlien Hechter
Governance Risk and Compliance Officer

Mr Tshebeletso Hlapane
Governance Administration Assistant

Mr Louis Pautz
Technical Specialist

Support

Ms Alicia Fynn
Receptionist

Ms Julia Montoedi
Receptionist

Ms Yvonne Shili
Driver

Ms Johanna Mgidi
Cleaner

Ms Jabulile Zwane
Cleaner

PART

B

PERFORMANCE INFORMATION

Overview Performance

1 Service Delivery Environment

The mandate of the Office of the FAIS Ombud is to consider and dispose of complaints by clients against financial services providers in a procedurally fair, informal, economical and expeditious manner, and by reference to what is equitable in all circumstances. The Office of the FAIS Ombud strives to be an independent, effective and trusted alternative dispute resolution office for complaints arising from the provision of financial services and to provide a fair and honourable service to ensure that financial customers have access to, and are able to use, affordable alternative dispute resolution processes for complaints.

The FAIS Ombud's mission is to promote consumer protection and enhance the integrity of the financial services industry by the fair and expeditious resolution of complaints, informally and free of charge. In resolving complaints, the FAIS Act and the Rules on Proceedings of the Office of the Ombud for Financial Services Providers, require that the Office of the FAIS Ombud acts independently and impartially.

During the 2022/23 financial year, the FAIS Ombud operated within a service delivery environment that favourably contributed to the success of its achievements of the targets set for the year. All the processes and procedures within the Client Care Centre and the Case Management Department are tailored towards enhancing the experience of all complaints. The Office has implemented various technologies to ensure that the Office is responsive to its business needs. These improvements included the implementation of a new Complaints Resolution Management System (CRM), which is an integral part of the FAIS Ombud office, helping to ensure an effective and efficient complaints handling process, and enhancing expeditious investigation and resolution of complaints. The CRM is central to delivering upon the statutory mandate of the FAIS Ombud and to performing to the satisfaction of all those that utilise its services. The CRM also provides for functionality to accurately report and manage complaints.

Some of the challenges encountered during the implementation of the new CRM system are associated with the increased influx of responses received by the entity on customer satisfaction surveys. Initially, the target for the year was set based on previous manual surveys, with the Office receiving approximately 200 responses. However, with the implementation of the new CRM system, which took place during the financial year, the customer satisfaction surveys are now distributed electronically, resulting in approximately 650 responses being received by the Office. As a result, the target for the 2022/23 period will be revised to accommodate the significant increase in customer satisfaction survey responses.

The FAIS Ombud Office constantly strives to educate those we serve about our services and make our services easily accessible. In addition, the Office seeks to engage all concerned to help both consumers and financial services providers understand their respective rights and responsibilities. The ultimate aim is to reduce the level of complaints and improve confidence in the integrity of the financial services industry. In an effort to achieve targets relating to consumer education and improving brand awareness, a number of consumer awareness initiatives were conducted, utilising the various platforms.

2 Organisational Environment

For many years, the FAIS Ombud has been operating without a permanent Ombudsman. After the exit of two acting Ombudsmen, the Minister of Finance, Mr. Enoch Godongwana, appointed Advocate John Simpson as the Ombud for Financial Services Providers (FAIS Ombud), effective from 1 November 2022. His appointment is for a two-year period leading up to the anticipated amalgamation process.

It is worth noting that the Ombud has made significant contributions to the current financial performance, and the entity holds a positive outlook on achieving the long-term Strategic Impact Statement.

The appointment process for key staff, such as the Deputy Ombud and three Assistant Ombuds is underway and should be filled within the next financial year.

3 Key Policy Developments And Legislative Changes

The FAIS Ombud is a statutory entity established and mandated by the FAIS Act. The legislative environment is undergoing intended amendments, including the repeal of the FAIS Act. Consequently, these changes will impact the operations of the FAIS Ombud. Ongoing developments in the Ombud Council, which will assume responsibility for the governance of Ombud schemes recognised under the FSR Act, will affect the overall governance and support structure of the Office. It is anticipated that the changes resulting from the establishment of the Ombud Council will be implemented over the course of the next two financial years.

In addition, there are certain legislative provisions that pertain to the support functions of the FAIS Ombud. Changes in legislation, regulations, and policies by National Treasury and the DPSA, particularly those related to cost containment, have an impact on the entity's operations. These changes may affect procurement processes and could potentially impact staff recruitment.

4 Progress towards Achievement of Institutional Impacts and Outcomes

4.1 Impact statement

Promote consumer protection and enhance the integrity of the financial services industry in order to contribute to a robust economy.

4.2 Progress on the achievement of the impact statement

The FAIS Ombud seeks to align its critical activities to the national development agenda as set out in the Medium-Term Strategic Framework (MTSF) and National Development Plan (NDP). As a good governance entity, we are expected to play a critical role in contributing to the government's initiatives, especially towards the transformation of society and the economy of South Africa in the building of a capable and developmental state.

In contributing to the achievement of the NDP, we have, and will continue to, among other things, deliver efficient service while contributing to the development of the skills of our people and the enhancement of experience and expertise.

The FAIS Ombud has a firm plan to increase its visibility and accessibility and to continue enhancing its consumer education initiatives, to contribute towards "Building a capable, ethical and developmental state" and "A better Africa and world" through our consumer protection initiatives, which will result in the enhancement of the integrity of the financial services industry.

4.3 Outcomes and progress on the achievement

4.3.1 Enhanced customer experience through the achievement of the legislative mandate resulting in satisfied customers

All the processes and procedures within the Client Care Centre and the Case Management Department are tailored towards enhancing the customer experience of all parties to a complaint. This includes the manner in which the outputs for this outcome have been crafted.

All the outputs, as detailed below, are designed to measure the effectiveness of the Office of the FAIS Ombud in executing its mandate in respect of the expeditious investigation of complaints. Ensuring the expeditious investigation of complaints is central to delivering upon the mandate of the FAIS Ombud and to ensuring the satisfaction of all those that utilise its services. The following outputs, measure the effectiveness of the FAIS Ombud in expeditiously investigating complaints and the achievement thereof is vital to enhancing the customer experience and delivering upon this outcome:

- The percentage number of complaints resolved with a period of nine months from date of receipt – The Office of the FAIS Ombud has committed to ensuring that 92% of all complaints received are resolved within a period of nine months.
- The percentage number of complaints resolved within a period of six months from date of receipt – The Office of the FAIS Ombud has committed to ensuring that 87% of all complaints received are resolved within a period of six months.
- The percentage number of complaints resolved within a period of three months from date of receipt – The Office of the FAIS Ombud has committed to ensuring that 76% of all complaints received are resolved within a period of three months.
- Maximum percentage active complaints older than nine months of total active complaints (excluding property syndication complaints) – The Office of the FAIS Ombud has committed to ensuring that, at any time, not more than 20% of all active complaints will be older than nine months from date of receipt.

- Efficiency ratio measuring the percentage number of closed complaints received in a specific financial year – The Office of the FAIS Ombud has committed to ensuring that a minimum of 80% of all complaints received during the 2022/23 financial year are resolved within the financial year.
- The percentage reduction in the number of active property syndication complaints
- In addition to the outputs listed above, the Office of the FAIS Ombud has an additional output that is designed to measure the effectiveness of these outputs in enhancing the customer experience. At the conclusion of all investigations conducted by the Office of the FAIS Ombud, a Customer Satisfaction Form ('CSF') is sent to all the parties of a complaint to rate the service provided during the investigation and the effectiveness thereof. This output is detailed below:
- The percentage number of satisfied customers as measured on returned CSFs for all resolved cases – The Office of the FAIS Ombud has committed to ensuring that 85% of all CSFs that are returned are positive.

The Office has performed to a satisfactory level over the mid-term period and has exceeded the mid-term target. The projection for the end-term target is positive and the Office is well on track to achieve the end-term target.

4.3.2 Optimised internal capacity, business processes and systems to enhance operational excellence through support services

Operational excellence is achieved through compliance with applicable legislation/prescripts, which is measured by having an unqualified audit opinion.

The graduate trainee programme is a means by which the Office meets its resource requirements and creates a skilled workforce to achieve our strategic goals.

Employment equity statistics contribute to compliance with prevailing legislation.

4.3.3 Enhanced relationships (improved cooperation with stakeholders)

Given the nature of the work undertaken by this Office, enhancing stakeholder relationships requires that we engage in a number of programmes if we are to achieve this objective or outcome. To this end, the Office identifies outreach programmes in various parts of the country, including in rural and peri-urban areas, and engagements with members of the industry.

Education of consumers can generally be split into two sub-sections or categories. The first is financial literacy, and the second is consumer literacy, of the regulated environment. Financial literacy means an understanding of, and ability to apply, financial management skills and will likely lead to consumers seeking financial advice or help so that they can adequately manage their finances since knowing that you need a financial product may not translate into knowing which financial product you need. Financial advisors provide a service to assist with the latter. Consequently, financially literate consumers, though wise to the need to manage their finances may not know what products can assist them to do so, and will very likely continue to rely entirely on the advice received from financial services providers and to trust this advice implicitly. Financial literacy alone may not translate to less reliance on the services of this Office if these consumers experience the failings that can give rise to a complaint.

Consumer literacy of the regulated environment is however different. It speaks to knowing more intimately how financial products are regulated, and that very likely means that a consumer can identify the processes that must be followed in the provision of financial services. Ideally, this should lead to fewer complaints, especially those complaints based on misinformation, failure to provide information (about risks and the nature of a financial product) and the incorrect recording of, or failure to record and/or to rely on, information received from a consumer because a consumer can scrutinise the process and identify any shortcomings during the process of rendering the financial service or advice.

Where the collective literacy is not sufficient to afford such protection, this Office will continue to serve as a free resource to consumers to resolve such disputes, for people often don't have access to our Courts because of the prohibitive costs, lengthy delays and adversarial nature of the litigation process.

The Office of the FAIS Ombud believes that our final responsibility is to industry. Business must make a sound profit, underpinned by good corporate governance and moral values. The Office of the FAIS Ombud must therefore explore and suggest fresh approaches to consumer services in the course of our enterprise. This is achieved through constant engagement and interaction with key industry entities and industry bodies, which include the Financial Services Conduct Authority, National Treasury and the Reserve Bank.

4.3.4 Improved brand awareness, financial literacy, customer awareness and understanding of their rights and responsibilities when making financial decisions to improve the financial literacy and capability of all persons living in South Africa

The Office of the FAIS Ombud must constantly strive to educate those we serve about our services and make our services easily accessible. In addition, the Office of the FAIS Ombud seeks to engage all concerned to help both consumers and financial services providers understand their respective rights and responsibilities.

The ultimate aim is to reduce the level of complaints and improve confidence in the financial services industry.

In an effort to achieve this, and to give life to this Office's values as expressed in its Credo, the Office of the FAIS Ombud has committed to an outcome that seeks to measure the number of media interactions conducted on an annual basis. By effectively utilising the various media platforms, which include social media platforms and radio, the Office of the FAIS Ombud believes that it can increase its footprint to all areas of South Africa to ensure that all citizens are not only aware of the existence of this Office and the service that it provides but also their rights as consumers of financial services, thereby enhancing access to justice.

The COVID-19 pandemic during the first term of the five-year planning period has severely impacted the Office's ability to conduct the planned awareness campaigns.

In addition, resource constraints also impacted on the Office's ability to achieve the mid-term target relating to financial literacy and consumer awareness initiatives.

The Marketing and Communication practitioner has made significant progress towards achieving the end-term targets in that all planned activities were executed and exceeded during the 2022/23 financial year.

Institutional Programme Performance Information

1 Programme: Administration

1.1 Purpose: Provide support to core operating divisions of the FAIS Ombud

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

Outcome	Output	Output indicator	Actual audited performance 2020/21	Actual audited performance 2021/22	2022/23		Deviation from planned target to actual achievement 2022/23	Reason for deviation
					Planned annual target	Actual achievement		
Programme: Administration								
Optimised internal capacity, business processes and systems to enhance operational excellence through the support services	External Audit Report.	Clean audit opinion (AGSA).	**Achieved:** Clean audit opinion.	**Not achieved:** AGSA Unqualified (with findings) audit opinion.	Obtain AGSA Clean Audit opinion.	**Achieved:** Clean Audit opinion (Unqualified without findings)	None	N/A
	Management Accounts on Supplier invoices paid.	Percentage suppliers' invoices paid within 30 days.	**Achieved:** 100% valid supplier's invoices within 30 days.	**Not achieved:** 99.47% of valid supplier's invoices within 30 days.	Pay 100% of valid supplier's invoices within 30 days.	**Not achieved:** 99.81% of valid supplier's invoices paid within 30 days.	−0.19%	Even though a manual system is utilised by the Finance Department, the payment of valid invoices within 30 days has improved since the prior year. This was due to the improvements in the controls surrounding payment of valid invoices within the specified time periods. The finance department relies heavily on manual processes which decreases the efficiency of the department., In turn, it also affects the department's ability to achieve the objective of paying all valid invoices within the set time frames.

Outcome	Output	Output indicator	Actual audited performance 2020/21	Actual audited performance 2021/22	2022/23		Deviation from planned target to actual achievement 2022/23	Reason for deviation
					Planned annual target	Actual achievement		
Programme: Administration								
Optimised internal capacity, business processes and systems to enhance operational excellence through the support services	Quarterly report on Employment Equity Targets	Percentage achievement of FAIS Ombud EE targets	**Achieved:** 67%	**Achieved:** 63.8%	51% female	**Achieved:** 62% Female	+11%	N/A
			Achieved: 86% black	**Achieved:** 94% black	75% black	**Achieved:** 92.25% black	+17.25%	N/A
			Not achieved: 0% employees with disabilities.	**Achieved:** 3% employees with disabilities.	2% employees with disabilities.	**Achieved:** 5% employees with disabilities.	+3%	N/A
	Signed trainee contracts.	Number of trainees appointed per annum.	**Achieved:** 11 trainees appointed by the 31 March 2020/21.	**Achieved:** 10 trainees appointed by the 31 March 2021/22.	9 trainees appointed by the 31 March 2022/23.	**Not achieved:** 8 trainees appointed by the 31 March 2023.	−1 trainees appointed by the 31 March 2021/22.	The Office envisaged to have 9 trainees appointed or in its employment during the financial year, however, 1 of the trainees resigned in March 2022, prior to the end of the contract date which caused the Office to miss the target by 1. The Office remains committed to appoint the 9 trainees in the new financial year.

2 Programme: Complaints Resolution

2.1 Purpose: Achievement of the legislative mandate – Satisfied customers

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

Outcome	Output	Output indicator	Actual audited performance 2020/21	Actual audited performance 2021/22	2022/23		Deviation from planned target to actual achievement 2022/23	Reason for deviation
					Planned annual target	Actual achievement		
Programme: Complaints Resolution								
Achievement of legislative mandate – Satisfied Customers	Customer satisfaction forms.	Percentage of satisfied customers as derived from the CSFs in 2022/23.	**Achieved:** 96.42% 90% satisfaction rate as derived from the CSFs by 31 March 2021.	**Achieved:** 90% satisfac-tion rate as derived from the CSFs by 31 March 2022.	**Achieved:** 90% satisfaction rate as derived from the CSFs in the 2022/23 financial year.	**Not achieved:** 87.89% satisfaction rate as derived from the CSFs.	−2.11%	The target was based on the Office receiving approximately 200 responses from previous manual surveys. With the implementation of the new CRM system, which was implemented during the financial year, the customer satisfaction surveys are now issued electronically, and the Office received approximately 650 responses. The target for 2023/24 will be revised to cater for the large influx in customer satisfaction survey responses.
	Report on complaints closed within 9 months of date of receipt.	Percentage of complaints closed within 9 months of receipt.	**Achieved:** 96.25% complaints closed within 9 months of date of receipt measured at 31 December 2020.	**Achieved:** 94.23% complaints closed within 9 months of date of receipt measured at 31 December 2021.	92% complaints closed within 9 months of date of receipt.	**Achieved:** 96.47% complaints closed within 9 months of date of receipt.	+4.47%	Target was exceeded due to greater efficiencies.
	Report on complaints closed within 6 months of date of receipt.	Percentage of complaints closed within 6 months of receipt.	**Achieved:** 91.18% complaints closed within 6 months of date of receipt measured at 31 December 2020.	**Achieved:** 88.60% complaints closed within 6 months of date of receipt measured at 31 December 2021.	85% of complaints closed within 6 months of receipt.	**Achieved:** 91.05% complaints closed within 6 months of date of receipt.	+6.05%	Target was exceeded due to greater efficiencies.

Outcome	Output	Output indicator	Actual audited performance 2020/21	Actual audited performance 2021/22	2022/23		Deviation from planned target to actual achievement 2022/23	Reason for deviation
					Planned annual target	Actual achievement		
Programme: Complaints Resolution								
Achievement of legislative mandate – Satisfied customers	Report on complaints closed within 3 months of date of receipt.	Percentage of complaints closed within 3 months of receipt.	Achieved: 81.76% complaints closed within 3 months of date of receipt measured at 31 March 2021.	Achieved: 82.14% complaints closed within 3 months of date of receipt measured at 31 March 2022.	75% complaints closed within 3 months of date of receipt.	Achieved: 84.04% complaints closed within 3 months of date of receipt.	+9.04%	Target was exceeded due to greater efficiencies.
	Report on Complaints older than 9 months.	Percentage of active complaints that are older than 9 months (excluding property syndications).	Achieved: 17.93% active complaints older than 9 months at 31 March 2021 (excluding property syndications).	Achieved: 17.57% active complaints older than 9 months at 31 March 2022 (excluding property syndications).	20% or less active complaints older than 9 months by 31 March 2023 (excluding property syndications).	Achieved: 15.20% complaints older than 9 months by 31 March 2023 (excluding property syndications).	+4.8%	Target was exceeded due to greater efficiencies.
	Report on efficiency ratio (% closed complaints vs received complaints within the financial year).	Efficiency ratio	Achieved: 84.91% efficiency ratio for the 2020/21 financial year.	Achieved: 84.70% efficiency ratio for the 2021/22 financial year.	80% Efficiency ratio for the 2022/23 financial year.	Achieved: 84.26% Efficiency ratio for the 2022/23 financial year.	+4.26%	Target was exceeded due to greater efficiencies.
	Property Syndication complaints report.	% Decrease in active property syndication complaints from the number of active property syndication complaints as at 1 April 2023.	Achieved: 14.31% decrease in active property syndication complaints from the number of active property syndication complaints as at 1 April 2020.	Not achieved: 3.09% decrease in active property syndication complaints from the number of active property syndication complaints as at 1 April 2021.	10% decrease in active property syndication complaints from the number of active property syndication complaints as at 1 April 2022.	Not achieved: 0.4% decrease in active property syndication complaints from the number of active property syndication complaints as at 1 April 2022.	−9.6%	Implementation of the new strategy for the property syndicate matters has commenced. The Ombud is reviewing the matters and is in the process of finalising them.

3 Programme: Stakeholder Management

3.1 Purpose: Achievement of the legislative mandate – Enhanced relationships (improved cooperation with stakeholders)

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

Outcome	Output	Output indicator	Actual audited performance 2020/21	Actual audited performance 2021/22	2022/23		Deviation from planned target to actual achievement 2022/23	Reason for deviation
					Planned annual target	Actual achievement		
Programme: Stakeholder Management								
Enhanced relationships with stakeholders	Exco reports on stakeholder engagements.	Number of stakeholder engagement with key stakeholders, including NT, Governance Committees, Union and Auditors.	N/A – stakeholder engagement initiative has been redefined.	Achieved: 13 National Treasury submissions	13 National Treasury submissions	Achieved: 16 National Treasury submissions	+3 National Treasury submissions	Additional submissions required by National Treasury.
				Achieved: 16 Governance committees	16 Governance committees	Achieved: 17 Governance committees	+1 Governance committees	Additional special audit committee meeting scheduled.
				Not achieved: 3 Union engagement meetings	4 Union engagement meetings	Achieved: 3 Union engagement meetings	−1 Union engagement meetings	Union cancelled one meeting as it was deemed unnecessary.
				Achieved: 16 Internal Audit Engagement meetings	2 Internal Audit Engagement meeting	Achieved: 7 Internal Audit Engagement meetings	+5 Internal Audit Engagement meetings	Additional Internal Audit Engagement meetings were required.
				Achieved: 3 External Audit Engagement meeting	2 External Audit Engagement meeting	Achieved: 6 External Audit Engagement meetings	+4 External Audit Engagement meeting	Additional External Audit Engagement meetings were required.

Outcome	Output	Output indicator	Actual audited performance 2020/21	Actual audited performance 2021/22	2022/23		Deviation from planned target to actual achievement 2022/23	Reason for deviation
					Planned annual target	Actual achievement		
Programme: Stakeholder Management								
Improved brand awareness, financial literacy and customer awareness	Exco reports on brand awareness, financial literacy and customer awareness activities.	Number of activities relating to brand awareness, financial literacy and customer awareness activities.	N/A – activities relating to brand awareness, financial literacy and customer awareness activities have been redefined.	Achieved: 1 MoneySmart week.	1 MoneySmart week.	Achieved: 1 MoneySmart week.	N/A	N/A
				Achieved: 176 posts on social media (Twitter, Facebook and LinkedIn).	48 posts on social media (Twitter, Facebook and LinkedIn).	Achieved: 353 of posts on social media (Twitter, Facebook and LinkedIn) TBC.	+305 posts on social media (Twitter, Facebook and LinkedIn).	Target exceeded due to greater efficiencies and due to news worthy information that needed to be disseminated to the public.
				Not achieved: 6 press releases	12 press releases	Achieved: 12 press releases	N/A	N/A
				Not achieved: 2 Newsletters	4 Newsletters	Achieved: 4 Newsletters	N/A	N/A

PART

C

GOVERNANCE

MS KARLIEN HECHTER

Governance, Risk and Compliance Officer

The FAIS Ombud is committed to driving and maintaining a culture that is accountable and upholds values of integrity and honesty.

Introduction Governance:

The King IV Report on Corporate Governance (2016) describes governance as the exercise of ethical and effective leadership by the governing body to achieve particular governance outcomes, such as ethical culture, good performance, effective control, and legitimacy.

The FAIS Ombud is committed to driving and maintaining a culture that is accountable and upholds values of integrity and honesty. Good corporate governance is not a set of rules but rather principles that organisations, such as the FAIS Ombud, choose to live by.

Governance Committee Appointments

The FAIS Ombud accounted to the Minister of Finance through the Accounting Authority (the Commissioner of the FSCA) assisted by the appointed Governance Committees. The Governance Committees, as appointed by the Director-General in terms of section 68 (1) of the Financial Sector Regulation Act ('FSR Act'), consist of non-executive members with diverse backgrounds. These appointments are made by giving consideration to experience, technical skills, and the competencies required for service in the financial services industry, with due regard to public interest.

The Governance Committees are empowered by the FSR Act to review, monitor, and advise the FSCA Executive Committee (EXCO) on the policies of the FAIS Ombud regarding remuneration and the risks faced by the Office, as well as plans for managing those risks. Furthermore, being a public entity in terms of the PFMA, the Accounting Authority of the FSCA, and thus of the FAIS Ombud Office, is required in terms of section 51 (1)(a) to establish an Audit Committee, which will direct and control internal and external audits as well as reporting responsibilities of the Accounting Authority in terms of the PFMA. The FSCA EXCO has also established a Human Resources and Social and Ethics Committee with responsibilities that extend to the FAIS Ombud office. These Governance Committees are responsible for ensuring the institution complies with relevant legislation, codes of good corporate governance, and practices. Each committee has its own terms of reference, which are reviewed annually in line with best practice.

Governance Committee Structures

Within the reporting period, the Governance Committees met at least once per quarter and special meetings were convened when required.

Audit Committee

As prescribed by the PFMA, an independent Audit Committee was established comprising of five external members. The committee provides oversight of financial reporting, internal financial controls, internal and external audits, compliance with legislation and financial risk management.

Key activities in 2022/23

- Reviewed the effectiveness of the entity's internal financial control systems, including receiving assurance from management and internal and external audits.
- Evaluated the independence, effectiveness and performance of the Finance Department's function and compliance with its mandate, including the internal and external auditors.
- Reviewed significant issues raised by the internal and external audit process, including how they were resolved.
- Noted management's actions in addressing identified control weakness.
- Reviewed the quarterly reports submitted to the National Treasury in terms of the PFMA and Treasury Regulations. No findings were noted.
- Reviewed the policies and procedures to ensure compliance with applicable laws and regulations.
- Reviewed the external audit report, indicating no instances of non-compliance.
- Reviewed and recommended the external and internal audit reports and charters for approval by Exco.
- Evaluated the internal and external audit function's independence, effectiveness, performance, and compliance with its mandate.
- Approved the internal audit plan.
- Reviewed and recommended the audit strategy and engagement letter for approval by the Exco.
- The committee has reviewed and accepted the external audit report.
- Reviewed and recommended the 2023/24 Mid-Term Expenditure Framework, 2023/24 Budget and Materiality and Significant Framework.
- Reviewed and recommended the annual financial statements and annual performance report for the year ended 31 March 2022.
- Reviewed quarterly combined assurance reports.
- Reviewed and recommended for approval by Exco.
- Reviewed the 2023/24 Budget and Materiality and Significant Framework and recommended for approval by Exco.
- Reviewed and approved Audit Committee Report for the year ended 31 March 2022.
- Reviewed the Three-Year Strategic Rolling Plan and Annual Coverage Plan and recommended it for approval by Exco.

Membership and attendance

The Audit Committee consists of independent members with the relevant qualifications and experience in financial matters to fulfil their duties. The Commissioner, the Ombud, the Chief Financial Officer, Chief Information Officer and Chief Risk Officers are permanent invitees to committee meetings, while the external and internal auditors attend by invitation. The internal and external auditors have unrestricted access to the committee. The committee met five times during the year.

Member	Qualifications	Appointment date	Total meetings	Attendance (%)
Mr Nico Esterhuizen (Chairperson)	MSc, MPhil, FCCA, ACA, CIA	13 September 2021	5/6	90%
Ms Jabu Mogadime	BA; MBA; Diploma in Marketing, Chartered Institute of Marketing (Cim)	1 April 2018	6/6	100%
Ms Precious Mvulane	BCom Hons.; CA; Diploma in Auditing	1 November 2020	5/6	90%
Ms Lebogang Senne	BCom Hons.; CA; Diploma in General Management, MBA	13 September 2021	5/6	90%
Mr Hamilton Ratshefola	BCom (Information Systems); IBM Executive Leadership	1 April 2018	5/6	90%

Remuneration Committee

The Remuneration Committee reviews, monitors and advises Exco on the FSCA remuneration policy. The committee has standard terms of reference, approved by the Director-General, detailing its roles and responsibilities. These are reviewed annually in line with best practice. The Director-General appoints external and independent members of the FSCA. The committee met four times during the year.

Key activities in 2022/23

- Reviewed and advised on the remuneration aspects and discretionary incentives.
- Reviewed and recommended staff promotions and structural adjustments to the Exco, which were ultimately approved.
- Reviewed and advised on the remuneration policies and procedures.
- Considered salary increases and market trends surveys.
- Considered the retirement benefit report and performance report (year-end).
- Reviewed and recommended salary increases and performance bonuses to Exco for approval.
- Evaluated and recommended the budget provisions (salaries, bonus, incentives) to Exco.
- Approved the remuneration statement for the annual report.
- Conducted committee evaluations.
- Reviewed the terms of reference and the annual work plan.

Membership and attendance

The members of the Remuneration Committee, together with their qualifications and attendance record, are listed below.

Member	Qualifications	Appointment date	Total meetings	Attendance (%)
Professor Philippus Sutherland (Chairperson)	BCom LLB (Cum Laude); PhD	1 April 2018	4/4	100%
Ms Lerato Molebatsi	BA (Psychology); Senior Executive Programme; Post Graduate Diploma in Rural Development and Management; Senior Management Development Programme	1 August 2020	4/4	100%
Ms Tracy Randall	BCompt (Accounting and Auditing); Secretarial Diploma	1 August 2020	4/4	100%
Ms Vanisha Balgobind	B Administration Hons. (Industrial Psychology); Master's (Industrial Psychology); MBL	1 August 2020	3/4	75%
Ms Dudu Msomi	BA Hons.; Programme for Management Development; MBA; Postgraduate Diploma in Corporate Governance; Postgraduate Diploma in Advertising and Marketing	1 April 2018	4/4	100%

Risk Committee

The committee reviews, monitors and advises on the effectiveness of internal controls to manage risks faced by the FSCA. The Director-General appoints members who are external and independent of the FSCA. The committee has a standard term of reference, approved by the Director-General, detailing its roles and responsibilities. These are reviewed annually in line with best practices. The committee met four times during the year.

Key activities in 2022/23

- Reviewed and advised on the risk management policies, framework, strategy and practices.
- Reviewed and advised on opportunities or risks impacting our ability to achieve the organisational objectives and functions.
- Reviewed the design, implementation and monitoring of appropriate risk responses, including strategic risk reports, emerging risks, ICT security risk updates, litigation risks, compliance risk updates, the regulatory universe, whistle-blowing reports, loss events, and insurance claims.
- Reviewed the establishment and maintenance of the business continuity framework.
- Reviewed the risk integration and embedding of risk management in business activities.
- Reviewed the management report about sustainability, litigation, ICT, licensing and retirement funds risks.
- Reviewed and recommended insurance policies of the organisation for approval by Exco.
- Reviewed and advised on the insurance portfolio renewal and how to address insufficient cover options.

Membership and attendance

The members of the committee, together with their qualifications and attendance record, are listed in the following table.

Member	Qualifications	Appointment date	Total meetings	Attendance (%)
Mr Hamilton Ratshefola (Chairperson)	BCom (Information Systems); IBM Executive Leadership	1 April 2018	3/4	90%
Advocate Stephen Malatji	BA; LLB; Advanced Diploma in Banking, Financial Management and Investments; Postgraduate Diploma in Drafting and Interpretation	1 August 2020	4/4	100%
Mr Peter Koch	MSc (Industrial Relations and Human Resources Management); BA (Philosophy, Politics and Economics); Postgraduate Diploma in Accounting; BCom Hons.; BBusSci Hons; CA	1 August 2020	4/4	90%
Professor Tania Ajam	PhD (Public Management); MA; BA Hons. (Economics); MBus; BBusSc	1 August 2020	3/4	90%
Mr Nico Esterhuizen	MSc, MPhil, FCCA, ACA, CIA	13 September 2021	4/4	100%

Human Resources, Social and Ethics Sub-Committee

The sub-committee advises, oversees and monitors our activities concerning social and economic development, ethics, transformation, sustainability, corporate citizenship, environment, health, public safety, stakeholder relationship, labour and employment matters. The sub-committee met four times during the year.

Key activities in 2022/23

- Reviewed the human resources and social and ethics quarterly reports.
- Reviewed succession planning policy.
- Monitored employee wellness programmes.
- Closely monitored key appointments.
- Reviewed and advised on the changes to labour legislation.
- Reviewed the findings of the climate/change readiness survey.
- Advised on the implementation of the Leadership Development Programme report.
- Reviewed and approved the employment equity annual report (Department of Labour submission).
- Reviewed and advised on the HR Policies and Procedures.
- Reviewed the organisational risk register.
- Reviewed and advised on the quarterly reports.
- Advised on the implementation of the whistle-blowing report.
- Reviewed and advised on the fraud and corruption prevention plan.
- Reviewed and advised on the occupational health and safety policy.
- Reviewed BBBEE report and certificate.
- Reviewed and advised on the ethics management annual report – Declaration of Interest Report.
- Reviewed and advised on the findings of the ethics annual survey.

Membership and attendance

The members of the sub-committee, together with their qualifications and attendance record, are listed in the following table.

Member	Qualifications	Appointment date	Total meetings	Attendance (%)
Ms Dudu Msomi (Chairperson)	BA Hons.; Programme for Management Development; MBA; Postgraduate Diploma in Corporate Governance; Postgraduate Diploma in Advertising and Marketing	1 April 2018	4/4	100%
Ms Jabu Mogadime	BA; MBA; Dip Marketing (Cim)	1 August 2020	4/4	100%
Dr Phasoane Mokgobu	BAdmin; BAdmin Hons.; MAdmin; MBA; PhD; Diploma in Labour	1 August 2021	4/4	100%
Mr Hamilton Ratshefola	BCom (Information Systems); IBM Executive Leadership	1 April 2018	4/4	100%
Professor Philippus Sutherland	BCom LLB (Cum Laude); PhD	1 April 2018	4/4	100%

Induction of Governance Committee Members

A comprehensive induction programme is conducted to ensure that new Governance Committee members have the required knowledge of the structure of the FSCA, operations, policies and industry-related issues to enable them to fulfil their fiduciary duties and responsibilities. We conducted the induction programme for the two new committee members appointed during the year.

Conflict of Interest

In line with section 72 of the FSR Act and section 50(3)(a) of the PFMA, all Governance Committee and Exco members must disclose annually, and at a meeting, any direct or indirect interest in any matter being tabled. Where a conflict of interest is identified, it is resolved transparently and fairly. The Secretariat keeps a register of these declarations. There were no significant conflicts during the year.

Defined and Separate Roles: Accounting Authority and the Ombud

The roles of the Accounting Authority and the Ombud are separate, with a clear division of responsibilities, ensuring a balance of power and authority as set out in a Delegation of Authority document. The Accounting Authority fulfils a non-executive function.

Delegation of Authority

The Delegation of Authority evidences the separation of the roles of the Accounting Authority and the Ombud. In terms of the FAIS Act, the Ombud has administrative powers that enable the Ombud to run the day-to-day operations of the FAIS Ombud efficiently.

FAIS Ombud Risk Management Philosophy

The FAIS Ombud's philosophy is to ensure a safe working environment for employees, wherein risk is effectively managed and service delivery improved for the benefit of all stakeholders.

While the Accounting Authority is ultimately responsible for ensuring that effective, efficient, and transparent systems of financial and risk management and internal control are maintained, the reality is that every official in the Office of the FAIS Ombud has a part to play in risk management.

The Office is further committed to conducting risk management activities in a cost-effective manner that is commensurate with the principles of fairness, accountability, responsibility, and transparency.

To this end, the Executive Committee of the FAIS Ombud is committed to ensuring:

- that there is a sound and effective system of internal controls and an enterprise-wide risk management plan in place;
- that the FAIS Ombud's risk management framework ensures risk ownership from line management to the Executive Committee of the FAIS Ombud;
- that this framework is embedded in the operations of the FAIS Ombud and all measures are taken to ensure its effectiveness;
- that the FAIS Ombud's risk management strategies are consistently reviewed; and
- that there is an effective system of monitoring and reporting.

Risk Management within the FAIS Ombud

The Exco exercises ongoing oversight of risk management and sets the direction for how risk should be approached and addressed in the organisation. In making decisions, risks are treated as integral. Exco sets the tone for the organisation through its commitment to risk management and its support of internal policies.

The Exco further exercises oversight over the operations of the FAIS Ombud through monthly reporting by the respective departments and/or sub-committees within the organisation. This ensures accountability, transparency, and fairness. The aforesaid function is supported by regular internal and external audits.

Risk management is the responsibility of every employee at the FAIS Ombud. Not only is risk management incorporated in the individual performance contracts of each employee, but the respective departments in the organisation are actively involved in managing their risk registers on a regular basis. It is imperative that all employees understand the risks confronting the FAIS Ombud in their day-to-day activities and how to manage these risks.Below is a list of the top five strategic risks faced by the FAIS Ombud during the 2022/23 financial year, including the risk stemming from the global pandemic crisis with which the FAIS Ombud is currently faced. Detailed assessments of these risks are performed on a quarterly basis and at an annual strategic risk workshop.

No.	Risk
1	Going concern risk, including the risk of not being able to fund the operations of the Ombud
2	Uncertainty in the Ombud landscape
3	Inability to capacitate the entity optimally
4	Fraud and corruption risk – Exposure to fraud and corruption
5	Changes in legislation – Inability to adapt to new legislation as a result of lack of readiness

Risk Management Committee's Report

Committee Mandate

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

1 Governance of Risk

The Accounting Authority 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.

The Accounting Authority has delegated certain aspects of its authority as it pertains to risk management to the Risk Management Committee

The committee consists only of non-executive members. The committee's overall objective is to assist the Accounting Authority 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, Chief Financial Officer, Governance, Risk and Compliance Officer; and Human Resources Manager are permanent invitees of the Committee. Members of senior management of the FAIS Ombud, assurance providers and other 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 Accounting Authority 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.

2 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 Whistle Blowing Policy; and
- The systems for risk management processes are effective.

Risk committee representative
Date: 31 July 2023

Fraud and Corruption

Fraud and corruption in the public sector is a reality and is regarded as one of the major risks faced by public entities. No entity is immune to fraud and the FAIS Ombud, therefore, manages this risk relentlessly. Not only are newly-appointed employees made aware of the FAIS Ombud's zero tolerance to fraud but, throughout an employee's stay at the FAIS Ombud, they are reminded by means of training and information sessions.

The FAIS Ombud's fraud and corruption prevention strategy includes its Fraud and Corruption Prevention Policy, Fraud and Corruption Prevention Plan, Fraud and Corruption Response Plan, and Whistle-Blowing Policy. The whistle-blowing hotline is managed by an independent service provider. A register of tip-offs is maintained to ensure that all tip-offs received that fall within the mandate of the FAIS Ombud are followed up on. Tip-offs that fall within the mandate of other regulators are passed on to them. Ethical conduct and organisational integrity are key to preventing fraud and corruption in any organisation.

Code of Conduct and Ethics

The FAIS Ombud's code of conduct and ethics/credo statement establishes norms and standards related to integrity, ethics, professional conduct, and anti-corruption. It acts as a guideline to employees with regards to their conduct from an ethical point of view, both in their individual conduct and in their relationship with others. It helps to uphold organisational integrity and build a value- driven workplace.

The code/credo statement spells out the spirit in which employees should perform their duties, what should be done to avoid conflicts of interest, and what is expected of them in terms of their personal conduct. Compliance with the code of conduct and ethics enhances professionalism and helps ensure confidence in the Office of the FAIS Ombud. The code/credo statement always places a duty and responsibility on the employees to behave ethically. Employees will be subject to disciplinary steps if they are in breach of the code of conduct and ethics.

Health, Safety and Environmental Issues

In terms of the Occupational Health and Safety Act No. 85 of 1993 ('OHS Act') and Regulations, the Office must ensure and maintain a safe working environment for employees.

The FAIS Ombud's code of conduct and ethics/credo statement establishes norms and standards related to integrity, ethics, professional conduct, and anti-corruption.

Furthermore, the Office of the FAIS Ombud is required to comply with the Consolidated Direction on Occupational Health and Safety Measures in Certain Workplaces, issued by the Department of Employment and Labour in respect of COVID-19 safety measures in the workplace. The last updated version of this directive was 11 June 2021.

The FAIS Ombud remains committed to ensuring that the entity continues to operate while prioritising the health and safety of its employees. The FAIS Ombud has developed a hybrid working model, which is in adherence to the OHS Act.

Social Responsibility

The Office of the FAIS Ombud will continue the practice of donating the assets whose book values have been fully depreciated to schools and charitable institutions. Notwithstanding that these assets have been fully depreciated for accounting purposes, they can still be used by such institutions. The Office remains committed to sustainable business operations.

Environment

As an office-based organisation, the Office of the FAIS Ombud has a limited impact on the environment. Our office building incorporate many green features, particularly elements of energy and water saving.

Electricity Consumption

Some of our sustainable initiatives include the auto detector for switching off of lights and basement fans when no movement is detected, or after-hours and during weekends. Light sensors were installed in the bathrooms, meeting rooms, and training rooms.

Compliance with Laws and Regulations

Quarterly regulatory compliance reports in terms of the PFMA and Treasury Regulations were submitted to National Treasury, and reports were reviewed by the Risk and Audit Committee. No deviations were noted. Internal policies and procedures were reviewed to ensure compliance with applicable laws and regulations. The external audit report indicated that no instance of non-compliance was identified.

PART

D

HUMAN RESOURCES MANAGEMENT

Introduction

The Human Resources (HR) Department is at the centre of sound employment practices through the advisory and guidance service it provides to management and employees. As part of its objectives the HR department aims to build optimal capacity in terms of human resources and processes to deliver on the mandate in an economic, efficient and effective manner. In order to further ensure that the organisation provides a safe and sound work environment, the HR Department continues to review its policies. This is done to create and maintain optimal functioning of the organisation and its staff.

Employee wellness programme

Our wellness service programme is continuously educating and assisting our employees to take better care of themselves and their families. The wellness provider of the FAIS Ombud provides staff with communications relating to wellness topics and also provides a support channel for staff that require advice in dealing with personal and psychosocial issues. There have also been wellness webinars for staff.

Trainee development programme

The organisation considers the training and development of its employees as very important. Employees' education, training and development will always be undertaken in accordance with the strategic objectives and operational requirements of the FAIS Ombud. As such, the FAIS Ombud will ensure that all training provided is of a high quality, is relevant to its core functions and is in alignment with the development of employees in line with their Personal Development Plans (PDPs). During the 2022/23 financial period, the FAIS Ombud office spent R524 678.17 on various training programmes and formal studies.

Human Resources Oversight Statistics

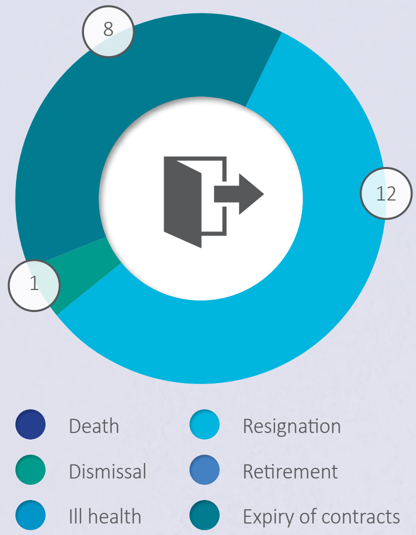
Employment equity statistics

Occupational level	African		Indian		Coloured		White		M	F	Total
	M	F	M	F	M	F	M	F			
Top management	0	0	0	0	0	0	1	0	1	0	1
Senior management	0	2	1	0	0	0	1	1	2	3	5
Professionally qualified and experienced specialists and mid-management	2	2	0	0	0	0	1	0	3	2	5
Skilled technical and academically qualified	6	11	0	0	0	1	1	1	7	13	20
Semi-skilled	5	11	0	0	0	1	0	0	5	12	17
Unskilled	0	3	0	0	0	0	0	0	0	3	3
Fixed-term contractors	2	1	0	0	0	0	0	0	2	1	3
Total	15	30	1	0	0	2	4	2	20	34	54

Terminations

At the request of the Accounting Authority, the services of an independent investigator were procured to investigate the conduct of the acting FAIS Ombud for the period 2019–20 to 2020–21. The investigation was concluded on 21 July 2021, and disciplinary proceedings were initiated. The outcome and sanction reports prepared by the Independent Chairperson were considered and accepted by the Minister of Finance, resulting in the dismissal of the acting FAIS Ombud.

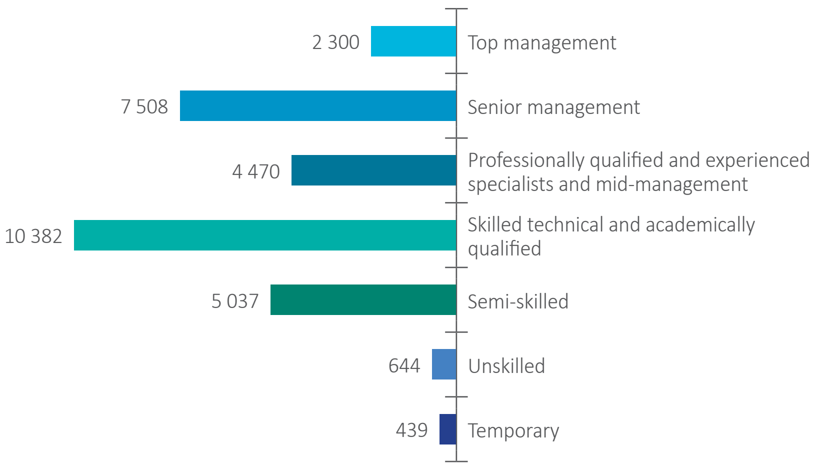
Reason for leaving	Number
Death	0
Resignation	12
Dismissal	1
Retirement	0
Ill health	0
Expiry of contracts	8
Total	21



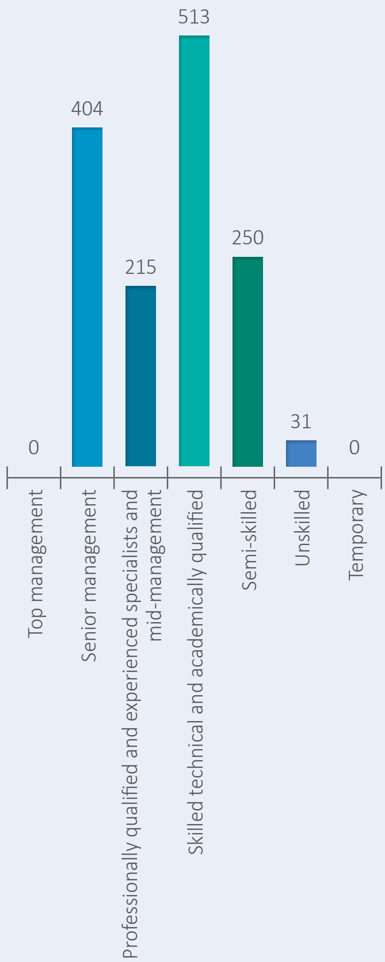
Personnel-related Costs

Salary by occupational level

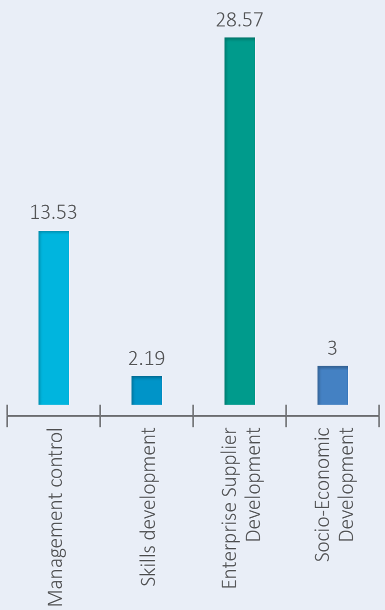
Occupational level	Salary (R'000)
Top management	2 300
Senior management	7 508
Professionally qualified and experienced specialists and mid-management	4 470
Skilled technical and academically qualified	10 382
Semi-skilled	5 037
Unskilled	644
Temporary	439
Total	30 780



PERFORMANCE REWARDS



SCORE CARD ELEMENT – ACTUAL SCORE



Performance rewards

Occupational level	Performance rewards (R'000)
Top management	0
Senior management	404
Professionally qualified and experienced specialists and mid-management	215
Skilled technical and academically qualified	513
Semi-skilled	250
Unskilled	31
Temporary	0
Total	1 413

Training

Type of training	Number of attendees	Total cost incurred (R'000)
Short courses	7	85
Formal studies (e.g. Degree)	12	245
Total	19	330

B-BBEE Compliance Performance Information

The FAIS Ombud's B-BBEE status was verified during the year under review and the overall B-BBEE Contribution level received was 'non-compliant'.

The scoring is as follows:

Score card element	Weighting points	Actual score
Management control	20	13.53
Skills development	25	2.19
Enterprise Supplier Development	50	28.57
Socio-Economic Development	5	3
Total	100	47.29

This FAIS Ombud has improved its scores from last year and will continue to put measures in place to ensure an improved rating in future.

PART

E

PFMA COMPLIANCE REPORT

Irregular, Fruitless and Wasteful Expenditure and Material Losses

1 Irregular expenditure

a. Reconciliation of irregular expenditure

Description	2022/23 R'000	2021/22 R'000
Opening balance	693 715	7 962 443
Add: Irregular expenditure confirmed	20 000	481 789
Less: Irregular expenditure condoned	0	−7 750 517
Less: Irregular expenditure not condoned and removed	0	0
Less: Irregular expenditure recoverable	0	0
Less: Irregular expenditure not recovered and written off	0	0
Closing balance	713 715	693 715

The irregular expenditure disclosed in the 2021/22 financial period relates to the extension of a consultant contract without following the applicable Supply Chain Management (SCM) processes. The contract has since been terminated, and the amount reflected in the 2022/23 period is the amount paid for the invoice issued in April 2022.

Reconciling notes to the Annual Financial Statement

Description	2022/23 R'000	2021/22 R'000
Irregular expenditure for the year	20 000	481 789
Total	20 000	481 789

b. Details of current and previous year's irregular expenditure (under assessment, determination, and investigation)

Description[1]	2022/23 R'000	2021/22 R'000
Irregular expenditure under assessment	0	0
Irregular expenditure under determination	0	0
Irregular expenditure under investigation	0	0
Total[2]	0	0

Irregular expenditure recorded during the year was as a result of the year-end audit conducted by the AGSA. Thus, the disclosure of the irregular expenditure in that specific period was already confirmed.

c. Details of current and previous year irregular expenditure condoned

Description	2022/23 R'000	2021/22 R'000
Irregular expenditure condoned	0	7 750 517
Total	0	7 750 517

During the 2021/22 financial period, National Treasury condoned certain expenditure previously recognised as irregular expenditure. The amounts condoned related to the expenditure incurred on the rental of the previous office premises which was procured without following the applicable SCM processes. The steps, as required in terms of the Irregular Expenditure Framework, were applied and, based on the evidence provided, Treasury condoned the irregular expenditure.

d. Details of current and previous year's irregular expenditure removed (not condoned)

Description	2022/23 R'000	2021/22 R'000
Irregular expenditure not condoned and removed	0	0
Total	0	0

1 Group similar items
2 Total unconfirmed irregular expenditure (assessment), losses (determination), and criminal conduct (investigation)

e. Details of current and previous year's irregular expenditure recovered

Description	2022/23 R'000	2021/22 R'000
Irregular expenditure recovered	0	0
Total	0	0

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

Description	2022/23 R'000	2021/22 R'000
Irregular expenditure written off	0	0
Total	0	0

Additional disclosure relating to inter-institutional arrangements

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

Description
N/A
Total

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

Description	2022/23 R'000	2021/22 R'000
N/A		
Total		

i. Details of current and previous year's disciplinary, or criminal steps, taken as a result of irregular expenditure

Disciplinary steps taken
Disciplinary steps were instituted against a member of staff for the procurement of legal services without following the proper SCM processes. The disciplinary process was chaired by an independent party who found the implicated party guilty of contravening the SCM processes. The condonation of this irregular expenditure was submitted to Treasury, and the outcome was still pending at year end.

2 Fruitless and wasteful expenditure

a. Reconciliation of fruitless and wasteful expenditure

Description	2022/23 R'000	2021/22 R'000
Opening balance	0	0
Add: Fruitless and wasteful expenditure confirmed	0	0
Less: Fruitless and wasteful expenditure written off	0	0
Less: Fruitless and wasteful expenditure recoverable	0	0
Closing balance	0	0

No fruitless and wasteful expenditure was incurred during the 2022/23 reporting year.

Reconciling notes

Description	2022/23 R'000	2021/22 R'000
Fruitless and wasteful expenditure that was under assessment in 2021/22	0	0
Fruitless and wasteful expenditure that relates to 2021/22 and identified in 2022/23	0	0
Fruitless and wasteful expenditure for the current year	0	0
Total	0	0

b. Details of current and previous year's fruitless and wasteful expenditure (under assessment, determination, and investigation)

Description	2022/23 R'000	2021/22 R'000
Fruitless and wasteful expenditure under assessment	0	0
Fruitless and wasteful expenditure under determination	0	0
Fruitless and wasteful expenditure under investigation	0	0
Total	0	0

c. Details of current and previous year's irregular and wasteful expenditure recovered

Description	2022/23 R'000	2021/22 R'000
Fruitless and wasteful expenditure recovered	0	0
Total	0	0

d. Details of current and previous year's fruitless and wasteful expenditure not recovered and written off

Description	2022/23 R'000	2021/22 R'000
Fruitless and wasteful expenditure written off	0	0
Total	0	0

e. Details of current and previous year's disciplinary, or criminal, steps taken as a result of fruitless and wasteful expenditure

Disciplinary steps taken
None

3 Additional disclosure relating to material losses in terms of PFMA Section 55(2)(b)(i) & (iii))

a. Details of current and previous year material losses through criminal conduct

Material losses through criminal conduct	2022/23 R'000	2021/22 R'000
Theft	0	0
Other material losses	0	0
Less: Recovered	0	0
Less: Not recovered and written off	0	0
Total	0	0

No material losses were experienced during the 2022/23 reporting period.

b. Details of other material losses

Nature of other material losses	2022/23 R'000	2021/22 R'000
None	0	0
Total	0	0

c. Other material losses recovered

Nature of losses	2022/23 R'000	2021/22 R'000
None	0	0
Total	0	0

d. Other material losses written off

Nature of losses	2022/23 R'000	2021/22 R'000
None	0	0
Total	0	0

Supply Chain Management

1 Procurement by other means

Project description	Name of supplier	Type of procurement by other means	Contract number	Value of contract R'000
N/A – There were no transactions exceeding the threshold				
Total				

2 Contract variations and expansions

Project description	Name of supplier	Contract modification type (expansion or variation)	Contract number	Original contract value R'000	Value of previous contract expansion/s or variation/s (if applicable) R'000	Value of current contract expansion or variation R'000
N/A – There were no transactions exceeding the threshold						
Total						

PART

F

FINANCIAL INFORMATION

MR SHAUNIL MAHARAJ
Chief Financial Officer

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

Abbreviations used

PFMA Public Finance Management Act
GRAP Generally Recognised Accounting Practice
IAS International Accounting Standards
TR Treasury Regulations
AGSA Auditor General South Africa
ASB Accounting Standards Board
FSCA Financial Sector Conduct Authority
SETA Sector Education and Training Authority
SARB South African Reserve Bank
CPD Corporation for Public Deposits

Accounting Authority's Responsibilities and Approval

The FAIS Ombud, as Accounting Authority, is required by the Public Finance Management Act (Act 1 of 1999), to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the Accounting Authority to ensure that the annual financial statements fairly present the state of affairs of the entity as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

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

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

The Accounting Authority acknowledges that he is ultimately responsible for the system of internal financial control established by the entity and place considerable importance on maintaining a strong control environment. To enable the Accounting Authority to meet these responsibilities, the he sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk.

These controls are monitored throughout the entity and all employees are required to maintain the highest ethical standards in ensuring the entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the entity is on identifying, assessing, managing and monitoring all known forms of risk across the entity. While operating risk cannot be fully eliminated, the entity endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

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

Accounting Authority's Responsibilities and Approval *(continued)*

The Accounting Authority has reviewed the entity's cash flow forecast for the year to 31 March 2024 and, in the light of this review and the current financial position, the Accounting Authority is satisfied that the entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements are prepared on the basis that the entity is a going concern and that the entity has neither the intention nor the need to liquidate or curtail materially the scale of the entity.

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

The external auditors are responsible for independently reviewing and reporting on the entity's annual financial statements. The annual financial statements have been examined by the entity's external auditors and their report is presented on page 73.

The annual financial statements set out on pages 80 to 116, which have been prepared on the going concern basis, were approved by the Accounting Authority on 31 July 2023 and were signed on its behalf by:

Mr. U Kamlana
Commissioner:
FSCA/Accounting
Authority
(Until 31 March 2023)

Adv JR Simpson
Accounting Authority
(From 1 April 2023)

Audit Committee Report

The Audit Committee is pleased to present its report for the financial year ended 31 March 2023.

Audit Committee members and attendance

The audit committee consists of the members listed hereunder and should meet 4 times per annum as per its approved terms of reference. During the current year 6 number of meetings were held.

Name of member	Number of meetings attended
Ms. J. Mogadime	6/6
Mr. H. Ratshefola	5/6
Ms. P. Mvulane	5/6
Ms. L. Senne	5/6
Mr. N. Esterhuizen (Chairperson)	5/6

Audit Committee's responsibilities

The Committee reports that it has complied with its responsibilities arising from section 55(1)(a) of the PFMA and Treasury Regulation 27.1.

The Committee also confirms 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.

Risk Management

The Risk Management Committee has been established in terms of the Financial Sector Regulation Act 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 requirements, Internal Audit and management provides the Committee with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, 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 Auditor-General of 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 annual financial statements

The audit committee has:

- reviewed and discussed the audited annual financial statements to be included in the annual report, with the AuditorGeneral ;
- reviewed the Auditor-General of South Africa's management report and management's response thereto;
- reviewed changes in accounting policies and practices;
- reviewed the entities compliance with legal and regulatory provisions;
- reviewed significant adjustments resulting from the audit.

The Committee has discussed and agreed on the conclusions of the Auditor-General of South Africa on the annual financial statements. The Committee has recommended the annual financial statements to the Accounting Authority for approval.

Audit Committee Report

In-Year Management and Monthly/ Quarterly Report

The Committee has:

- Reviewed the quarterly financial management and performance reports submitted to National Treasury in terms of the PFMA and Treasury Regulations.
- Reviewed the policies and procedures to ensure compliance with applicable laws and regulations.

The Committee is satisfied with the quality of the in-year reports that were presented at the Audit Committee meetings.

Internal Audit

The Committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the entity and its audits.

The following internal audit work was completed during the year under review. Internal audit reports and feedback on the following subject matter were issued:

Internal financial controls

- Audit of pre-determined objectives
- Supply Chain Management and contract management
- Follow up on External and Internal Audit Report
- Review of the draft annual financial statements
- Internal control audit opinion
- Complaints Handling
- Regulatory Compliance Review
- Review of Property Syndication Matters.

Auditor-General of South Africa (External Auditors)

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

F.N. Esterhuizen

Mr. N. Esterhuizen
Chairperson

Report of the Auditor-General

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the Office of the Financial Services Providers (FAIS Ombud) set out on pages 80 to 116, which comprise the statement of financial position as at 31 March 2023, statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Office of Ombud for Financial Services as at 31 March 2023 and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (Standards of GRAP) and the requirements of the Public Finance Management Act no. 1 of 1999 (PFMA).

Basis for 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 responsibilities of the auditor-general for the audit of the financial statements section of my report.

4. I am independent of the entity in accordance with the International Ethics Standards Board for Accountants' International code of ethics for professional accountants (*including International Independence Standards*) (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.

5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other matter

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

National Treasury Instruction Note No. 4 of 2022-23: PFMA Compliance and Reporting Framework

7. On 23 December 2022 National Treasury issued Instruction Note No. 4: PFMA Compliance and Reporting Framework of 2022-23 in terms of section 76(1)(b), (e) and (f), 2(e) and (4)(a) and (c) of the PFMA, which came into effect on 3 January 2023. The PFMA Compliance and Reporting Framework also addresses the disclosure of unauthorised expenditure, irregular expenditure and fruitless and wasteful expenditure. Among the effects of this framework is that irregular and fruitless and wasteful expenditure incurred in previous financial years and not addressed is no longer disclosed in the disclosure notes of the annual financial statements, only the current year and prior year figures are disclosed in note 26 to the financial statements. The movements in respect of irregular expenditure and fruitless and wasteful expenditure are no longer disclosed in the notes to the annual financial statements of Office of the Ombud for Financial Services. The disclosure of these movements (e.g. condoned, recoverable, removed, written off, under assessment, under determination and under investigation) are now required to be included as part of other information in the annual report of the auditees. I do not express an opinion on the disclosure of irregular expenditure and fruitless and wasteful expenditure in the annual report.

Responsibilities of the accounting authority for the financial statements

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

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

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

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

11. 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 annual performance report

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

13. I selected the following material performance indicators related to complaints resolution presented in the annual performance report for the year ended 31 March 2023. I selected those indicators that measure the entity's performance on its primary mandated functions and that are of significant national, community or public interest.

14. Percentage of satisfied customers as derived from the CSFs in 2022/23

- Percentage of complaints closed within 9 months of receipt
- Percentage of complaints closed within 6 months of receipt
- Percentage of complaints closed within 3 months of receipt
- Percentage of active complaints that are older than 9 months (excluding property syndications)

- Efficiency ratio
- Percentage decrease in active property syndication complaints from the number of active property syndication complaints as at 01 April 2022

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

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

17. I performed the procedures for the purpose of reporting material findings only.

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

Other matters

19. I draw attention to the matters below

Achievement of planned targets

20. The annual performance report includes information on reported achievements against planned targets and provides explanations for over- and underachievements.

Material misstatements

21. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information of complaints resolution. Management subsequently corrected all the misstatements and I did not include any material findings in this report.

Report on compliance with legislation

22. In accordance with the PAA and the general notice issued in terms thereof, I must audit and report on compliance with applicable legislation relating to financial matters, financial management and other related matters. The accounting authority is responsible for the entity's compliance with legislation.

23. I performed procedures to test compliance with selected requirements in key legislation in accordance with the findings engagement methodology of the Auditor-General of South Africa (AGSA). This engagement is not an assurance engagement. Accordingly, I do not express an assurance opinion or conclusion.

24. Through an established AGSA process, I selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the entity, clear to allow consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.

25. I did not identify any material non-compliance with the selected legislative requirements.

Other information in the annual report

26. The accounting authority is responsible for the other information included in the annual report. The other information referred to does not include the financial statements, the auditor's report and those selected material indicators in the scoped-in programme presented in the annual performance report that have been specifically reported on in this auditor's report.

27. My opinion on the financial statements, the report on the audit of the annual performance report and the report on compliance with legislation do not cover the other information included in the annual report and I do not express an audit opinion or any form of assurance conclusion on it.

28. My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with the financial statements and the selected material indicators in the scoped-in programme presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

Internal control deficiencies

30. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.

31. I did not identify any significant deficiencies in internal control.

Other reports

32. I draw attention to the following engagement concluded during the financial year under review. This report did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.

Investigation

33. An independent consultant was investigating the conduct of the acting FAIS Ombud at the request of the accounting authority, covering the period 2019-20 to 2021-21. The investigation was concluded on 21 July 2021. The proceedings into the implementation of the recommendations as per the investigation report were concluded in September 2022 resulting in the removal of the acting FAIS Ombud by the Minister of Finance.

Auditor General

Auditor-General
Pretoria
Date: 31 July 2023

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure to the auditor's report

The annexure includes the following:

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

Auditor-general's responsibility for the audit

Professional judgement and professional scepticism

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

Financial statements

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

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

Communication with those charged with governance

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

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

Compliance with legislation selected legislative requirements

The selected legislative requirements are as follows:

Legislation	Sections or regulations
Public Finance Management Act No. I of 1999	Treasury Regulation 8.2.1; 8.2.2 Treasury Regulation 16A 3.1; 16A 3.2; 16A 3.2(a); 16A 6.1; 16A6.2(a) & (b); 16A6.2(e);16A 6.3(a); 16A 6.3(a)(i); 16A 6.3(b); 16A 6.3(c); 16A 6.3(d); 16A 6.3(e); 16A 6.4; 16A 6.5; 16A 6.6; TR 16A.7.1; 16A.7.3; 16A.7.6; 16A.7.7; 16A 8.2(1); 16A 8.2(2); 16A 8.3; 16A 8.3(d); 16A 8.4; 16A9.1 16A9; 16A9.1(b)(ii); 16A9.1(c); 16A 9.1(d); 16A 9.1(e); 16A9.1(f); 16A 9.2; 16A 9.2(a)(ii); TR 16A 9.2(a)(iii) Treasury Regulation 30.1.1; 30.1.3(a); 30.1.3(b); 30.1.3(d); 30.2.1 Treasury Regulation 31.1.2(c') Treasury Regulation 31.2.1; 31.2.5; 31.2.7(a) Treasury Regulation 31.3.3 Treasury Regulation 32.1.1(a); 32.1.1(b); 32.1.1(c') Treasury Regulation 33.1.1; 33.1.3
Treasury Regulations for departments, trading entities, constitutional institutions and public entities (TR)	Treasury Regulation 8.2.1; 8.2.2 Treasury Regulation 16A 3.1; 16A 3.2; 16A 3.2(a); 16A 6.1; 16A6.2(a) & (b); 16A6.2(e);16A 6.3(a); 16A 6.3(a)(i); 16A 6.3(b); 16A 6.3(c); 16A 6.3(d); 16A 6.3(e); 16A 6.4; 16A 6.5; 16A 6.6; TR 16A.7.1; 16A.7.3; 16A.7.6; 16A.7.7; 16A 8.2(1); 16A 8.2(2); 16A 8.3; 16A 8.3(d); 16A 8.4; 16A9.1 16A9; 16A9.1(b)(ii); 16A9.1(c); 16A 9.1(d); 16A 9.1(e); 16A9.1(f); 16A 9.2; 16A 9.2(a)(ii); TR 16A 9.2(a)(iii) Treasury Regulation 30.1.1; 30.1.3(a); 30.1.3(b); 30.1.3(d); 30.2.1 Treasury Regulation 31.1.2(c') Treasury Regulation 31.2.1; Treasury Regulation 31.3.3 Treasury Regulation 33.1.1; 33.1.3
Prevention and Combating of Corrupt Activities Act No.12 of 2004 (PRECCA)	Section 34(1)
Construction Industry Development Board Act No.38 of 2000 (CIDB)	Section 18(1)
Construction Industry Development Board Act No.38 of 2000 (CIDB) Regulations	CIDB regulation 17; 25(1); 25 (5) & 25(7A
Preferential Procurement Policy Framework Policy Act (PPPFA), 2000	Section 1(i); 2.1(a); 2.1(b); 2.1(f)
Preferential Procurement Regulation (PPR) 2017	Paragraph 4.1; 4.2 Paragraph 5.1; 5.3; 5.6; 5.7 Paragraph 6.1; 6.2; 6.3; 6.5; 6.6; 6.8 Paragraph 7.1; 7.2; 7.3; 7.5; 7.6; 7.8 Paragraph 8.2; 8.5 Paragraph 9.1; 9.2 Paragraph 10.1; 10.2 Paragraph 11.1; 11.2 Paragraph 12.1 and 12.2

Legislation	Sections or regulations
Preferential Procurement Regulation (PPR) 2022	Paragraph 3.1 Paragraph 4.1; 4.2; 4.3; 4.4 Paragraph 5.1; 5.2; 5.3; 5.4
Public Finance Management Act No.1 of 1999 (PFMA) Supply Chain Management (SCM) Instruction no. 09 of 2022/2023	Paragraph 3.1; 3.3 (b); 3.3 (c); 3.3 (e); 3.6
National Treasury Instruction (NTI) No.1 of 2015/16	Paragraph 3.1; 4.1; 4.2
National Treasury Supply Chain Management (NT SCM) Instruction Note 03 2021/22	Paragraph 4.1; 4.2 (b); 4.3; 4.4; 4.4 (a); 4.4 (c) -(d); 4.6 Paragraph 5.4 Paragraph 7.2; 7.6
National Treasury Instruction (NTI) No.1 of 2015/16	Paragraph 3.1; 4.1; 4.2
National Treasury Supply Chain Management (NT SCM) Instruction Note 03 2021/22	Paragraph 4.1; 4.2 (b); 4.3; 4.4; 4.4 (a); 4.4 (c) -(d); 4.6 Paragraph 5.4 Paragraph 7.2; 7.6
National Treasury Supply Chain Management (NT SCM) Instruction 4A of 2016/17	Paragraph 6
National Treasury Supply Chain Management (NT SCM) Instruction Note 03 2019/20	Par 5.5.1(vi); Paragraph 5.5.1(x);
National Treasury Supply Chain Management (NT SCM) Instruction Note 11 2020/21	Paragraph 3.1; 3.4 (a) and (b); 3.9; 6.1;6.2;6.7
National Treasury Supply Chain Management (NT SCM) Instruction Note 2 of 2021/22	Paragraph 3.2.1; 3.2.2; 3.2.4(a) and (b) ; 3.3.1; 3.2.2 Paragraph 4.1
Public Finance Management Act No.1 of 1999 (PFMA) SCM Instruction Note 04 of 2022/23	Paragraph 4(1); 4(2); 4(4)
Practice Note 5 of 2009/10	Paragraph 3.3
Public Finance Management Act No.1 of 1999 (PFMA) Supply Chaim Management (SCM) Instruction Note 08 of 2022/23	Paragraph 3.2 Par. 4.3.2; 4.3.3
Competition Act No.89 of 1998	Section 4(1)(b)(ii)
National Treasury (NT) instruction note 4 of 2015/16	Paragraph 3.4
Second amendment of National Treasury Instruction (NTI) 05 of 2020/21	Paragraph 4.8; 4.9 ; 5.1 ; 5.3
Erratum National Treasury Instruction (NTI) note 5 of 202/21	Paragraph 1
Erratum National Treasury Instruction (NTI) note 5 of 202/21	Paragraph 2
Practice note 7 of 2009/10	Par paragraph 4.1.2

Legislation	Sections or regulations
Practice note 11 of 2008/9	Paragraph 3.1 Paragraph 3.1 (b)
National Treasury (NT) instruction note 1 of 2021/22	Paragraph 4.1

Statement of Financial Position

AS AT 31 MARCH 2023

	Note(s)	2023 R	2022 R
Assets			
Current Assets			
Receivables from exchange transactions	2	564 806	568 612
Statutory receivables from non-exchange transactions	3	5 334 910	1 416 007
Prepayments	4	1 683 632	940 894
Cash and cash equivalents	5	48 332 100	45 694 045
Other financial assets	6	1 594	–
		55 917 042	**48 619 558**
Non-Current Assets			
Property, plant and equipment	7	3 820 349	4 645 620
Intangible assets	8	4 088 096	5 249 069
Other financial assets	6	1 510 123	1 510 123
		9 418 568	**11 404 812**
Total Assets		**65 335 610**	**60 024 370**
Liabilities			
Current Liabilities			
Finance lease obligation	9	27 583	24 452
Payables from exchange transactions	10	3 759 320	2 679 348
		3 786 903	**2 703 800**
Non-Current Liabilities			
Finance lease obligation	9	–	27 584
Total Liabilities		**3 786 903**	**2 731 384**
Net Assets		**61 548 707**	**57 292 986**
Accumulated surplus		61 548 707	57 292 986
Total Net Assets		**61 548 707**	**57 292 986**

Statement of Financial Performance

AS AT 31 MARCH 2023

	Note(s)	2023 R	2022 R
Revenue from non exchange transactions	11	60 946 171	57 797 457
Revenue from exchange transactions	12	2 596 382	957 912
Operating expenses	13	(17 786 010)	(19 355 841)
Profit/(Loss) on disposal of assets		7 569	(82 524)
Operating lease rentals	14	(4 557 667)	(3 522 612)
Personnel costs	15	(33 827 134)	(32 749 167)
Depreciation, impairment and amortization	16	(3 085 978)	(3 082 506)
Operating surplus (deficit)		**4 293 333**	**(37 281)**
Finance costs	17	(37 612)	(19 673)
Surplus (deficit) for the year		**4 255 721**	**(56 954)**

Statement of Changes in Net Assets

AS AT 31 MARCH 2023

	Accumulated surplus/deficit R	Total net assets R
Balance at 01 April 2021	**57 349 940**	**57 349 940**
Deficit for the year	(56 954)	(56 954)
Total changes	(56 954)	**(56 954)**
Balance at 01 April 2022	**57 292 986**	**57 292 986**
Surplus for the year	4 255 721	4 255 721
Total changes	4 255 721	4 255 721
Balance at 31 March 2023	**61 548 707**	**61 548 707**

Cash Flow Statement

AS AT 31 MARCH 2023

	Note(s)	2023 R	2022 R
Cash flows from operating activities			
Receipts			
Levies received		56 329 798	102 536 531
Interest income		2 553 327	953 137
		58 883 125	103 489 668
Payments			
Suppliers		(21 590 393)	(22 615 634)
Salaries		(33 500 447)	(32 749 167)
		(55 090 840)	(55 364 801)
Net cash flows from operating activities	18	**3 792 285**	**48 124 867**
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(1 140 923)	(3 675 674)
Proceeds from sale of property, plant and equipment	7	48 751	90 060
Purchase of other intangible assets	8	–	(1 004 523)
Net cash flows from investing activities		**(1 092 172)**	**(4 590 137)**
Cash flows from financing activities			
Repayment of finance leases		(24 453)	(6 565)
Finance costs		(37 612)	(19 673)
Finance lease inflow at inception		–	58 600
Net cash flows from financing activities		**(62 065)**	**32 362**
Net increase/(decrease) in cash and cash equivalents		**2 638 048**	**43 567 092**
Cash and cash equivalents at the beginning of the year		45 694 052	2 126 960
Cash and cash equivalents at the end of the year	5	**48 332 100**	**45 694 052**

Statement of Comparison of Budget and Actual Amounts

AS AT 31 MARCH 2023

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Revenue from exchange transactions	1 320 000	–	**1 320 000**	2 596 382	**1 276 382**	27
SETA Income	–	–	–	61 929	61 929	
Revenue from non exchange transactions	60 884 242	–	60 884 242	60 884 242	–	
Total revenue from nonexchange transactions	**60 884 242**	**–**	**60 884 242**	**60 946 171**	**61 929**	
Total revenue	**62 204 242**	**–**	**62 204 242**	**63 542 553**	**1 338 311**	
Expenditure						
Personnel cost	(43 317 959)	5 918 424	(37 399 535)	(33 827 134)	3 572 401	27
Depreciation and amortisation	(3 000 000)	(3 040 000)	(6 040 000)	(3 085 978)	2 954 022	27
Finance costs	(30 000)	(7 700)	(37 700)	(37 612)	88	
Rental and operating costs	(4 540 000)	(591 382)	(5 131 382)	(4 557 667)	573 715	27
Other operating expenses	(19 009 491)	(2 279 342)	(21 288 833)	(17 786 010)	3 502 823	27
Total expenditure	**(69 897 450)**	**–**	**(69 897 450)**	**(59 294 401)**	**10 603 049**	
Operating (deficit)/surplus	**(7 693 208)**	**–**	**(7 693 208)**	**4 248 152**	**11 941 360**	
Profit on sale of property, plant and equipment	–	–	–	7 569	7 569	
Savings/Retention of surplus	7 693 208	–	**7 693 208**	–	**(7 693 208)**	27
(Deficit)/Surplus for the year	**–**	**–**	**–**	**4 255 721**	**4 255 721**	
Actual amount on comparable basis as presented in the Statement of Comparison of Budget and Actual Amounts	**–**	**–**	**–**	**4 255 721**	**4 255 721**	

Summary of Significant Accounting Policies

1 Presentation of Annual Financial Statements

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

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

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

These accounting policies are consistent with the previous period. Where applicable, the amounts are rounded off to the nearest Rand.

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Materiality

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

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

The FAIS Ombud Materiality and Significance Framework is used to assess whether an omission or misstatement is material and could influence the user's decision.

1.4 Significant judgements and sources of estimation uncertainty

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

In the process of applying its accounting policies, and in preparing the annual financial statements, management is required to make various judgements, including estimates and assumptions, that may affect the determination of the reporting framework, affect amounts represented in the annual financial statements and as well as related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements.

Summary of Significant Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty *(continued)*

Other significant judgements, sources of estimation uncertainty and/or relating information, have been disclosed in the relating notes.

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 judgements 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 disposal of each significant asset, in its current condition, if the asset were already of the age and in the condition expected at the end of its useful life.

Impairment testing of receivables from exchange and non-exchange transactions

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

The impairment for receivables from exchange and non-exchange transactions is calculated individually, when assets are individually significant, and individually or collectively for financial assets that are not individually significant. Where no objective evidence of impairment exists for an individually assessed asset (whether individually significant or not), an entity includes assets in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

Impairment testing for non-financial assets

The Office has judged all non-financial assets to be non-cash generating based on the entity's objective of using these assets to deliver a service and not to generate a commercial return. The entity reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. The recoverable service amount is the higher of fair value less costs to sell and value in use. These calculations require the use of estimates and assumptions.

1.5 Property, plant and equipment

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

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

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

Summary of Significant Accounting Policies

1.5 Property, plant and equipment *(continued)*

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

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

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

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

Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation of an asset ceases at the date that the asset is derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses. The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Furniture and fixtures	Straight-line	Up to 10 years
Motor vehicles	Straight-line	5 to 10 years
Office equipment	Straight-line	3 to 10 years
Computer equipment	Straight-line	3 to 15 years
Leasehold improvements	Straight-line	Lease period (5 years)
Assets under finance lease	Straight-line	Lease period (2 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 entity expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the entity revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

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

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

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

The entity separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements.

Summary of Significant Accounting Policies

1.6 Intangible assets

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

An intangible asset is recognised when:

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

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.

Amortisation begins when the asset is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Amortisation ceases at the date that the asset is derecognised.

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:

Item	Depreciation method	Average useful life
Licenses	Straight-line	2–5 years
Computer software	Straight-line	3–10 years
Data management system	Straight-line	7 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 its use or disposal.

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

Summary of Significant Accounting Policies

1.7 Financial instruments

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

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.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

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.

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.

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

Summary of Significant Accounting Policies

1.7 Financial instruments *(continued)*

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 payables 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.

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 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 assess 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 from exchange from exchange and non-exchange

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 cashflow, 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 from exchange from exchange and non-exchange

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

Summary of Significant Accounting Policies

1.7 Financial instruments *(continued)*

Cash and cash equivalents
Cash and cash equivalents include cash on hand and deposits held at banks. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. 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 only offset and the net amount presented in the statement of financial position 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.

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

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

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

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

1.8 Statutory receivables

Identification

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

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

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

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

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

Summary of Significant Accounting Policies

1.8 Statutory receivables *(continued)*

Recognition

The entity recognises statutory receivables as follows:

- if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions;
- if the transaction is a non-exchange transaction, using the policy on Revenue from non-exchange transactions (Taxes and transfers); or
- if the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

Initial measurement

The entity initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

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

Impairment losses

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

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

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

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

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

1.8 Statutory receivables *(continued)*

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

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

Derecognition

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

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

The carrying amounts of any statutory receivables transferred are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date.

The entity considers whether any newly created rights and obligations are within the scope of the Standard of GRAP on Financial Instruments or another Standard of GRAP. Any difference between the consideration received and the amounts derecognised and, those amounts recognised, are recognised in surplus or deficit in the period of the transfer.

1.9 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 on the remaining balance of the liability.

Operating leases – lessee

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

Summary of Significant Accounting Policies

1.10 Impairment of non-cash-generating assets

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

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

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

An impairment loss 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.

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

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

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

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

Useful life is either:

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

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The entity assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the entity estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Summary of Significant Accounting Policies

1.10 Impairment of non-cash-generating assets *(continued)*

Reversal of an impairment loss

The entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.11 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.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

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.

Summary of Significant Accounting Policies

1.12 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.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

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

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

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

Provisions are not recognised for future operating surplus.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 21.

1.13 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.14 Revenue from exchange transactions

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

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

Summary of Significant Accounting Policies

1.14 Revenue from exchange transactions *(continued)*

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

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the entity has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

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

Interest is recognised using the effective interest rate method for financial instruments, and using the nominal interest rate method for statutory receivables. Interest levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction.

1.15 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.

The Office is funded from levies from the financial sector industry where the various financial services providers are levied on annual basis. These levies are collected on behalf of the office by the FSCA. Once collected, the levy is transferred over to the Office where it is utilised for its operational requirement. The full levie per the budget is available to the office at the commencement of the financial period. The Office recognises this levie on a straight line basis over the twelve month period.

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.

Summary of Significant Accounting Policies

1.15 Revenue from non-exchange transactions *(continued)*

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.

1.16 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.17 Fruitless and wasteful expenditure

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

Fruitless and wasteful expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

1.18 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 and which was condoned before yearend 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.

1.19 Budget information

The entity is typically subject to budgetary limits in the form of budgets authorised by the Accounting Authority, which is given effect through the authorising legislation.

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

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

The approved budget covers the fiscal period from 2022/04/01 to 2023/03/31.

The Statement of comparative and actual information has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

The annual financial statements and the budget are not on the same basis of accounting therefore a reconciliation between the statement of financial performance and the budget have been included in the annual financial statements. Refer to note 27.

Comparative information is not required.

Summary of Significant Accounting Policies

1.20 Related parties

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

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

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

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.

1.21 Events after reporting date

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

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

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

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

1.22 Prepayments

Prepayments are payments made in advance for services that have not been delivered for which the entity expects the delivery in the next financial period. Prepayments are recognised as current assets and are not discounted as the discounting effect thereof is considered immaterial.

Prepayments are subsequently expensed when the goods and services are received in condition and location desired by management.

1.23 Statement of Compliance

The annual 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 annual 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. Standards and amendments to standards issued and implementation date:

GRAP 1	Presentation of financial statements	1 April 2023
GRAP 103	Heritage Assets	1 April 2023
GRAP 104	Financial Instruments	1 April 2023

Notes to the Financial Statements

2 Receivables from exchange transactions

	2023 R	2022 R
Sundry debtors	12 677	30 569
Study advances	552 129	538 043
	564 806	**568 612**

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.

Age Analysis

No age analysis has been disclosed for the two receivables below due to their nature.

Sundry debtors – The Office intends to recover this debt within twelve months and hence the full amount is deemed to be current.

Study advances – The Office assumes the study cost only upon such time an employee has passed the module/programme and has completed the workback period. An acknowledgement of debt is signed for all modules that the Office pays on behalf of employees. When a module is passed by an employees, that employee is required to work back the time over a twelve month period. The study advance balance is written off over these twelve months. Study advances are recovered through payroll as a deduction from salaries where necessary.

3 Statutory receivables from non-exchange transactions

	2023 R	2022 R
Financial Sector Conduct Authority	5 334 910	1 416 007
Reconciliation of statutory receivables:		
Opening balance	1 416 007	47 836 848
Levies receivable	60 884 242	57 755 000
Funds utilised for operating expenses, other expenses and transfers	(56 965 339)	(104 175 841)
Total receivables from non-exchange transactions	**5 334 910**	**1 416 007**

Fair value of statutory 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.

Notes to the Financial Statements

3 Statutory receivables from non-exchange transactions *(continued)*

Transaction(s) arising from statute

The FAIS Ombud is funded by the levies that are collected from the financial services industry. These levies are in terms of the relevant legislation. The FSCA collects these levies on behalf of the FAIS Ombud and recognises these levies in their financial records. Annually, the FAIS Ombud submits its budgetary requirements to the Commissioner of the FSCA, who is also the Accounting Authority for the FAIS Ombud for approval. Once approved by the Commissioner, these funds become available to the FAIS Ombud for their operational and capital requirements. The FSCA then deposits the approved funds in trenches throughout the year as and when required by the FAIS Ombud. The trenches received are recognised as income and presented as 'Revenue from non-exchange transactions' in the Statement of Financial Performance. The receivable arises when a portion of the total budget has not been transferred by year end. The remaining portion due to the Office is transferred from the FSCA in the next financial period or set off against amounts owed by the Office to the FSCA.

4 Prepayments

	2023 R	2022 R
Software licenses	123 653	124 119
Rental of office premises	342 438	317 072
ICT services	1 217 541	499 703
	1 683 632	**940 894**

5 Cash and cash equivalents

	2023 R	2022 R
Cash and cash equivalents consist of:		
Cash on hand	7 000	7 000
Standard Bank	5 902 995	1 732 907
South African Reserve Bank	42 422 105	43 954 138
	48 332 100	**45 694 045**

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

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:

	2023 R	2022 R
Credit rating		
F1+(zaf) (Fitch)	5 902 995	1 732 907

6 Other financial assets

	2023 R	2022 R
Designated at cost		
Rental deposit – Office premises		
Rental deposit on the office building is repayable at the end of the five year lease and no interest is receivable per the agreement entered into with the lessor.	1 510 123	1 510 123
Rental deposit – Water bottles		
A deposit is paid on water bottles delivered to the Office and refunded when the bottles are returned to the supplier. No interest is receivable on this deposit due to its short term nature.	1 594	–
	1 511 717	**1 510 123**
Non-current assets		
Designated at cost	1 510 123	1 510 123
Current assets		
Rental deposit – Water bottles	1 594	–

7 Property, plant and equipment

	2023 R			2022 R		
	Cost/ Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost/ Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Furniture and fixtures	346 066	(134 946)	211 120	422 331	(152 340)	269 991
Motor vehicles	449 828	(245 988)	203 840	449 828	(156 022)	293 806
Office equipment	134 788	(85 924)	48 864	237 410	(166 138)	71 272
Computer equipment	4 300 116	(3 181 371)	1 118 745	4 690 990	(2 856 768)	1 834 222
Leasehold improvements	3 216 815	(994 720)	2 222 095	2 519 991	(388 647)	2 131 344
Equipment under finance lease	58 601	(42 916)	15 685	58 601	(13 616)	44 985
Total	**8 506 214**	**(4 685 865)**	**3 820 349**	**8 379 151**	**(3 733 531)**	**4 645 620**

Reconciliation of property, plant and equipment – 2023

	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	269 991	–	(1 501)	(57 370)	211 120
Motor vehicles	293 806	–	–	(89 966)	203 840
Office equipment	71 272	7 255	(289)	(29 374)	48 864
Computer equipment	1 834 222	431 324	(30 916)	(1 115 885)	1 118 745
Leasehold improvements	2 131 344	702 344	–	(611 593)	2 222 095
Equipment under finance lease	44 985	–	–	(29 300)	15 685
	4 645 620	**1 140 923**	**(32 706)**	**(1 933 488)**	**3 820 349**

7 Property, plant and equipment *(continued)*

Reconciliation of property, plant and equipment – 2022

	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	111 486	265 059	(64 503)	(42 051)	269 991
Motor vehicles	383 770	–	–	(89 964)	293 806
Office equipment	107 941	12 052	(6 104)	(42 617)	71 272
Computer equipment	2 112 032	1 228 737	(101 977)	(1 404 570)	1 834 222
Leasehold improvements	190 423	2 111 225	–	(170 304)	2 131 344
Equipment under finance lease	–	58 601	–	(13 616)	44 985
	2 905 652	**3 675 674**	**(172 584)**	**(1 763 122)**	**4 645 620**

Pledged as security

No assets have been pledged as security and there are no restrictions on the assets.

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance	**2023 R**	**2022 R**
General expenses	9 166	10 525

Proceeds on disposal of property, plant and equipment

The Office disposed of fully depreciated items of property, plant and equipment for R48 751 (2022: R90 060).

8 Intangible assets

	2023 R			2022 R		
	Cost/ Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost/ Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Licenses	318 586	(224 611)	93 975	318 586	(118 415)	200 171
Computer software	–	–	–	106 840	(75 942)	30 898
Data management system	5 967 830	(2 072 759)	3 895 071	5 967 830	(1 098 991)	4 868 839
Website	204 950	(105 900)	99 050	447 800	(298 639)	149 161
Total	**6 491 366**	**(2 403 270)**	**4 088 096**	**6 841 056**	**(1 591 987)**	**5 249 069**

Reconciliation of intangible assets – 2023

	Opening balance	Disposals	Amortisation	Total
Licenses	200 171	–	(106 196)	93 975
Computer software	30 898	(8 482)	(22 416)	–
Data management system	4 868 839	–	(973 768)	3 895 071
Website	149 161	–	(50 111)	99 050
	5 249 069	**(8 482)**	**(1 152 491)**	**4 088 096**

8 Intangible assets *(continued)*

Reconciliation of intangible assets – 2022

	Opening balance	Additions	Amortisation	Total
Licenses	306 600	–	(106 429)	200 171
Computer software	74 392	–	(43 494)	30 898
Data management system	4 963 307	1 004 523	(1 098 991)	4 868 839
Website	219 631	–	(70 470)	149 161
	5 563 930	**1 004 523**	**(1 319 384)**	**5 249 069**

9 Finance lease obligation

	2023 R	2022 R
Minimum lease payments due		
– within one year	36 944	62 064
– in second to fifth year inclusive	–	36 944
	36 944	**99 008**
Present value of minimum lease payments due – within one year		
	27 583	24 452
	–	27 584
	27 583	**52 036**

The Office entered into a finance lease agreement for the procurement of computer equipment (tablets) for a period of two years.

	2022 R	2022 R
Non-current liabilities	–	27 584
Current liabilities	27 583	24 452
	27 583	**52 036**

10 Payables from exchange transactions

	2022 R	2022 R
Trade payables	976 127	675 298
Operating lease liability	718 640	109 910
Accrued leave pay	1 965 701	1 639 014
Other accrued expenses	98 852	255 126
	3 759 320	**2 679 348**

Notes to the Financial Statements

11 Revenue from non-exchange transactions

	2022 R	2022 R
SETA Income	61 929	42 457
Funds received from the FSCA	60 884 242	57 755 000
	60 946 171	**57 797 457**
The amount included in revenue arising from non-exchange transactions is as follows:		
Transfer revenue		
SETA Income	61 929	42 457
Funds received from the FSCA	60 884 242	57 755 000
	60 946 171	**57 797 457**

12 Revenue from exchange transactions

	2023 R	2022 R
Other revenue	2 596 382	957 912
The amount included in other revenue arising from exchanges of goods or services are as follows:		
Interest received	2 553 327	953 138
Discount received	–	4 773
Other income	43 054	–
	2 596 381	**957 911**

Notes to the Financial Statements

13 Operating expenses

	2023 R	2022 R
Assets costing less than R5 000	324 913	1 062 959
Auditors remuneration	2 147 040	2 164 731
Bank charges	27 312	55 749
Cleaning	39 655	100 326
Committee members' fees	795 156	775 435
Conferences and seminars	34 057	271 211
Consulting and professional fees	1 163 848	1 614 409
Entertainment	3 354	18 342
Flowers	799	–
IT expenses	1 042 583	879 138
Insurance	209 045	196 640
Library costs	–	566 230
Litigation fees	3 245 310	4 998 177
Motor vehicle expenses	9 166	10 525
Operating cost – office building lease	647 778	275 975
Postage and courier	2 811	2 577
Printing and stationery	233 246	452 895
Promotions	392 923	320 134
Recruitment and advertising	1 007 259	1 004 957
Relocation costs	–	274 082
Repairs, maintenance and support	3 538 645	2 099 483
Security	14 762	7 891
Staff welfare	131 322	294 631
Subscriptions and membership fees	75 582	70 727
Telephone and fax	414 746	514 429
Training	277 241	464 318
Travel – local	24 183	5 025
Water and electricity	1 983 274	854 845
	17 786 010	**19 355 841**

14 Lease rentals on operating lease

	2023 R	2022 R
Premises		
Contractual amounts	4 464 328	3 439 898
Equipment		
Contractual amounts	93 339	82 714
	4 557 667	**3 522 612**

Notes to the Financial Statements

14 Lease rentals on operating lease *(continued)*

These are payments effected towards the rental of the office premises, office printers and water coolers.

Office premises: An operating lease agreement was entered into in February 2022 for the lease of the new office premises. The lease term is for a period of five years with an annual escalation of 8%.

Office printers: The operating lease for the office printers is for a period of 3 years, the agreement was entered into in May 2021.

Water coolers: The operating lease for the water coolers is for a period of 3 years, the agreement was entered into in June 2022.

15 Employee related costs

	2023 R	2022 R
Accrued leave pay charges	326 687	447 895
Basic salary	31 526 362	30 272 224
Bonus payments	1 434 215	1 550 711
Compensation Fund Contributions	35 386	32 118
Long-service awards	78 000	36 000
Skills Development Levy	302 342	292 876
Travel allowances	2 629	–
Unemployment Insurance Fund	121 513	117 343
	33 827 134	**32 749 167**

16 Depreciation and amortisation

	2023 R	2022 R
Property, plant and equipment	1 933 488	1 763 122
Intangible assets	1 152 490	1 319 383
	3 085 978	**3 082 505**

17 Finance costs

	2023 R	2022 R
Finance leases	**37 612**	**19 673**

Notes to the Financial Statements

18 Cash generated from operations

	2023 R	2022 R
Surplus (deficit)	4 255 721	(56 954)
Adjustments for:		
Depreciation and amortisation	3 085 978	3 082 505
Loss/(Profit)on sale of assets	(7 569)	82 524
Finance costs – Finance leases	37 612	19 673
Changes in working capital:		
Receivables from exchange transactions	3 806	381 300
Other receivables from non-exchange transactions	(3 918 903)	46 420 841
Prepayments	(742 738)	(557 716)
Payables from exchange transactions	1 079 972	262 817
Rental deposit	(1 594)	(1 510 123)
	3 792 285	**48 124 867**

19 Auditors' remuneration

	2023 R	2022 R
External audit	1 654 028	1 598 632
Internal audit	493 012	566 099
	2 147 040	**2 164 731**

20 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).

21 Contingent Liabilities

There are several contingent liabilities as at 31 March 2023. These relate to High Court litigation matters relating to property syndication complaints and a Labour Court litigation matter where the Office has been cited as a respondent. In the property syndication matters, the attorneys acting on behalf of the Office were instructed to withdraw and tender costs on a party-toparty scale. The complainant's attorneys have objected to this proposal.

On the second investment related matter, the Office is cited as a respondent where the applicant is claiming costs against the office.

In both instances above, the matters are on-going and the costs to the Office cannot be reasonably estimated at year end.

Notes to the Financial Statements

22 Related parties

	2023 R	2022 R
Relationships		
Public Entities in National Sphere of Government: Financial Sector Conduct Authority - Both entities report to the National Treasury Key management: Refer to note 23		
Related party balances		
Amounts included in Trade receivable (Trade Payable) regarding related parties: Financial Sector Conduct Authority	5 334 910	1 416 007
Related party transactions		
Revenue from statutory non exchange transactions: Financial Sector Conduct Authority	60 884 242	57 755 000
Administration fees paid to (received from) related parties: Financial Sector Conduct Authority	15 640	15 640

23 Members' emoluments

Executive

2023

	Emoluments	Other benefits	Pension paid	Performance bonus	Leave commutation	Total
JR Simpson, Ombud (Appointed 1 Nov 2022)	958 333	–	–	–	–	958 333
S Maharaj, CFO	1 712 789	1 270	185 038	130 885	–	2 029 982
KE Hechter, GRCO	1 604 020	–	234 398	90 563	–	1 928 981
PD Sehlola, ICT Manager	1 097 098	–	118 523	59 883	24 347	1 299 851
MJ Alves, Team Resolution Manager	1 173 130	72 000	132 571	80 376	27 233	1 485 310
TP Masina, Assistant Ombud (Resigned 31 March 2023)	815 823	–	85 655	43 277	114 651	1 059 406
NL Tshombe, Acting Ombud (Terminated 14 September 2022)	1 058 302	–	–	–	–	1 058 302
LC Lebeko, Human Resources Manager (Resigned 30 April 2022)	177 009	–	19 123	–	87 611	283 743
	8 596 504	**73 270**	**775 308**	**404 984**	**253 842**	**10 103 908**

Executive

2022

	Emoluments	Pension paid	Performance bonus	Total
KE Hechter, GRCO	1 523 876	222 687	75 469	1 822 032
LC Lebeko, HR Manager	981 107	105 992	67 245	1 154 344
NL Tshombe, Acting Ombud	2 385 313	–	238 596	2 623 909
S Maharaj, CFO	1 593 228	171 970	106 845	1 872 043
	6 483 524	**500 649**	**488 155**	**7 472 328**

23 Members' emoluments *(continued)*

Committee members

2023

	Human Resources and Remuneration Committee	Audit Committee	Risk Committee	Other Meetings	Total
D Msomi	68 782	–	–	53 910	122 692
J Mogadime	32 330	58 194	–	–	90 524
L Molebatsi	27 481	–	–	–	27 481
L Senne	–	48 495	–	–	48 495
MH Ratshefola	32 330	51 728	19 398	–	103 456
N Esterhuizen	–	58 194	25 864	48 493	132 551
P Koch	–	–	25 864	–	25 864
P Mokgobu	32 330	–	–	–	32 330
P Mvulane	51 728	–	–	–	51 728
PJ Sutherland	59 811	–	–	6 466	66 277
S Malatji	–	–	25 864	–	25 864
T Ajam	–	–	19 398	–	19 398
TL Randall	27 481	–	–	–	27 481
V Balgobind	21 015	–	–	–	21 015
	353 288	**216 611**	**116 388**	**108 869**	**795 156**

Committee members

2022

	Human Resources and Remuneration Committee	Audit Committee	Risk Committee	Other Meetings	Total
D Msomi	75 490	–	–	37 180	112 670
J Mogadime	30 713	42 029	–	–	72 742
L Molebatsi	29 097	–	–	–	29 097
L Senne	–	29 097	–	–	29 097
MH Ratshefola	30 714	42 029	25 864	17 782	116 389
N Esterhuizen	–	29 097	12 932	1 616	43 645
P Koch	–	–	19 398	6 466	25 864
P Mokgobu	24 247	6 466	–	–	30 713
P Mvulane	–	32 330	–	–	32 330
PJ Sutherland	58 194	–	–	32 330	90 524
S Gounden	–	12 932	6 466	51 728	71 126
S Malatji	–	–	25 864	6 466	32 330
T Ajam	–	–	19 398	6 466	25 864
TL Randall	35 563	–	–	–	35 563
V Balgobind	27 481	–	–	–	27 481
	311 499	**193 980**	**109 922**	**160 034**	**775 435**

Notes to the Financial Statements

24 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

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

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 cashflow forecast of the cash and cash equivalents on the basis of expected cashflow.

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 2023	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables from exchange transactions	1 694 767	–	–	–

At 31 March 2022	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables from exchange transactions	1 040 341	–	–	–

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 that potentially subject the entity to concentrations of credit risk consist primarily of cash and cash equivalents as well as accounts receivables. The maximum exposure to credit risk relating to accounts receivable is the amount as shown in the statement of financial position.

Notes to the Financial Statements

24 Risk management *(continued)*

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

Financial instrument at fair value	2023 R	2022 R
Standard Bank SA	5 902 995	1 732 907
South African Reserve Bank	42 422 105	43 954 138
Receivables from exchange transactions	564 806	568 612
Statutory receivables from non-exchange transactions*	5 334 910	1 416 007

*Statutory receivable from non-exchange transactions were erroneously omitted in the prior year.

Market risk

Interest rate risk

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.

Financial assets exposed to interest rate risk are as follows:

	2023 R	2022 R
South African Reserve Bank	42 422 105	43 954 137

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.

Notes to the Financial Statements

25 Events after the reporting date

The Office has been dealing with thousands of property syndication related complaints dating from 2009 to 2014. Numerous matters have been closed over the years for a number of reasons but approximately one thousand cases remain active. The Office took a decision to start the process of closing the remaining property syndication matters as they are more appropriate for a court of law. One of these dismissals was taken on appeal to the Financial Services Tribunal. The Tribunal refused leave to reconsider the dismissal. At the date of reporting, it cannot be determined whether the Office would be liable for any further litigation and/or legal costs as a result of the action taken. If this should arise, the Office will take the appropriate course of action in the best interest of the organization.

A potential litigation matter involving the dismissal of the former Deputy Ombud was finalized by the High Court of South Africa (Gauteng Division, Pretoria) on 18 May 2023. The applicant had brought an application to the courts to review the decision of her dismissal. The court dismissed her application with costs. Potentially, this may amount to a contingent asset for the Office. However, due to the uncertainty attached to the matter, the contingent asset cannot be reliably estimated at this stage as the taxing process is still to be conducted.

26 Irregular expenditure and Fruitless and Wasteful expenditure

	2023 R	2022 R
Irregular expenditure	20 000	481 790
Fruitless and wasteful expenditure	–	–
Total	**20 000**	**481 790**

Incident description 2022/23

The irregular expenditure disclosed in the current period relates to the contract of service provider that was extended without following the proper supply chain management processes. The contract was extended in the 2021/22 financial period and the amount disclosed in the current year relates to the same service provider. The contract with the service provider was terminated. At reporting date, the application for condonation to National Treasury was still pending.

27 Actual operating expenditure versus budgeted operating expenditure

The budget is prepared on the accrual basis. The reasons for differences between the budget and actual amounts are provided below where significant variances were identified. The internally approved Materiality and Significance Framework was used as a basis in determining the material variances to be explained. For the 2022/2023 financial period, the approved materiality level was R335 518.00

Revenue from exchange transactions

Revenue from exchange transactions consists of interest income from the South African Reserve Bank (SARB). The variance identified for the period is as a result of interest rates increasing during the course of the year and lower than expected withdrawals from the SARB account.

Notes to the Financial Statements

27 Actual operating expenditure versus budgeted operating expenditure *(continued)*

Personnel costs

The Office had critical vacant positions during the year like the roles of Deputy Ombud, HR Manager, Senior Case Managers and Assistant Ombuds. The variance identified for the period is as a result of the savings attributable to these various positions not being filled to date.

Rental and operating costs

The savings was attributable to the lower than anticipated operating costs applicable to the Office premises. During the budgeting process, it was projected that the effects of load shedding would have a greater impact on the buildings operating costs.

Other operating expenses

The expenses were less than the budgeted amount as the Office continued with its implementation of its hybrid model which saw certain expenses being reduced and/or eliminated which contributed toward the saving.

Depreciation and amortisation

The revision of the estimated useful life of the Office's core system, CRM, contributed significantly towards the lower amortisation costs as it is predicted that CRM system will be utilised for a longer period than originally anticipated.

Savings/Retention of Surplus

During the budget planning phase for the 2022/23 financial period, savings available to the Office where considered in funding the budget shortfall. The use of these savings was approved by the Accounting Authority and the National Treasury. However, due to the various cost-containtment measures implemented, the Office was able to limit its expenses to the levies available. Hence the Office was not required to utilise any of the savings during the course of the financial period.

28 Employee benefits – Defined contribution plan

The entity pays contributions towards the pension fund established for its employees which forms part of the cost to company package payable to staff. 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:

	2023 R	2022 R
Pension fund contributions	2 753 919	2 568 892

Notes to the Financial Statements

29 Commitments

	2023 R	2022 R
Authorised operational expenditure already contracted for but not provided for		
General expenses	9 558 004	4 557 960

In the current year, the internal audit engagements have not been disclosed as a commitment due to it not being a fixed contractual amount and costs on audits conducted might vary.

	2023 R	2022 R
Operating leases as lessee		
Minimum lease payments due		
Within one year	4 258 418	3 945 832
In second to fifth year	13 680 891	18 019 882
	17 939 309	**21 965 714**

Office lease: An operating lease agreement was entered into in February 2022 for the lease of the new office premises. The lease term is for a period of five years with an annual escalation of 8%.

Printer lease: The operating lease for the printers was entered into in May 2021. This lease has no escalation clause and it is for a period of three years.

Water coolers lease: The operating lease for the water coolers is for a period of 3 years; the agreement was entered into in June 2022.

30 The Financial Sector and Deposit Insurance Levies (Administration) and Deposit Insurance Premiums Act, 2022

The Act was gazetted on 9 December 2022 and the implementation date was gazetted on 24 March 2023 as commencing on 1 April 2023. As from 1 April 2023 the FAIS Office receives its levies directly from the Financial Service Providers. The FSR Act allows for the Financial Sector Conduct Authority (FSCA) to collect the levy on behalf of the Office of the FAIS Ombud (Office). Once collected from industry, the FSCA will transfer the levy through to the Office where it will be managed by its internal structures. Once the applicable delegations have been finalised between the Minister of Finance and the Ombud, the memorandum of understandings (MOUs) will be formalised and finalised for certain services with the FSCA. There are no concerns or anticipated problems that are expected to be experienced from the transition of the “old” FSB Levy formula to that contained in The Financial Sector and Deposit Insurance Levies (Administration) and Deposit Insurance Premiums Act, 2022.

Notes to the Financial Statements

31 Change in estimate

Property, plant and equipment

The useful life of property, plant and equipment was reassessed and management have revised their estimates as these items are expected to be used for longer period than previously expected. The effect of this revision has decreased the depreciation charges for the current period by R1 632 694 (2022: (R31 469)). In future periods the depreciation charges will increase by R1 632 694. The useful life of the data management system was revised from three years to seven years.

The impact of the change in estimate per class of assets on surplus/deficit is as follows (Decrease)/Increase:

	2023 R	2022 R
Property, plant and equipment (Decrease)/Increase		
Computer equipment	70 774	(34 443)
Furniture and fittings	–	2 974
Leasehold improvements	44 186	–
	114 960	**(31 469)**
Intangible assets (Decrease)/Increase		
Data management system	1 517 734	–

32 Going concern

We draw attention to the fact that at 31 March 2023, the entity had an accumulated surplus of R61 548 707 and that the entity's total assets exceed its liabilities by R61 548 707.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. The transition and implementation of the Financial Sector Regulation Act No.9 of 2017 and The Financial Sector and Deposit Insurance Levies (Administration) and Deposit Insurance Premiums Act, 2022 will not materially impact the mandate or going concern of the FAIS Ombud. There is no indication that the Office will not be able to meet its commitment when it comes due.

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Office of the Ombud for Financial Services Providers

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