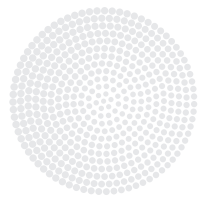
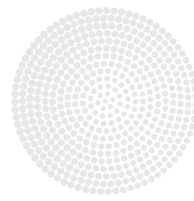
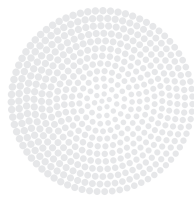
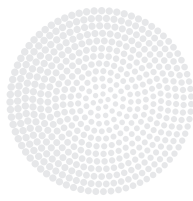
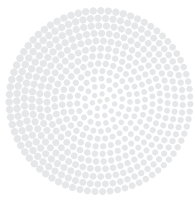
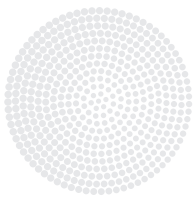


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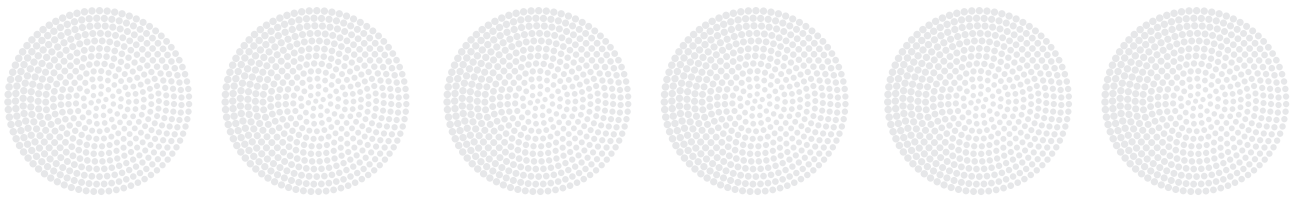
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“It is impressive to note the seriousness with which the FAIS Ombud is taking public service and accountability. The announcement of the improved service levels is an indication of commitment to transparency and accountability, both being important values in our democracy.”

Pravin Gordhan
MINISTER OF FINANCE

Charles's spirit will be with us for many years to come. He was a courageous man who fearlessly discharged his duty of resolving complaints, regardless of how big or small the parties to the complaint were.

Access to justice is a key feature in a constitutional democracy. The establishment of the FAIS Ombud eight years ago was aimed at establishing an independent and impartial forum for resolving complaints lodged by consumers who, without the forum, might not have had the option of going to court.

It is impressive to note that the FAIS Ombud continues to discharge on this important mandate, notwithstanding its limited resources. The increase in the number of complaints resolved indicates that consumers are becoming increasingly aware of the work the Office does. Another way of looking at the increased numbers would be that cowboy tactics are still being practised, despite efforts to combat these.

It saddens one to note that scammers continue to find their way into consumers' savings, in particular the savings of the aged, notwithstanding the efforts to educate the consumer. The case of *Dudley v Lifesure Financial Services CC*, which was the very first pronouncement by the FAIS Ombud that involved property syndications, conveyed to the public two very important messages: first, consumers must not take anything on face value. The fact that one's broker claims to be licensed to sell a particular product must be verified with the licensing authorities, and that is the FSB. Second, if in doubt, keep your money with reputable institutions; do not be lured by promises of high returns.

Remember the saying "if it is too good to be true, it probably is".

Following *Dudley*, two further important pronouncements were made by the FAIS Ombud, also involving property syndications. These are *Black v Moore* and *Naidoo vs Swanepoel, van Zyl and Lamprecht* where theft and fraudulent practices were publicly ventilated in the determinations once again to warn the public of the risks involved in the area of public property syndications. The battle of protecting the consumer and fostering integrity of the financial services industry is being made more difficult when licensed providers, instead of dispensing proper advice to clients, opt for short cuts to claiming commission. Clearly, without the aid of providers, *Blue Zone* and *Blue Pointer* would not have been able to exploit the consumer.

The Statutory Ombud was kept very busy during the year under review due to the matter of *Orange Insurance Limited (OIL)*. Had it not been for the Statutory Ombud, the consumers concerned in this matter would have been forced to approach the courts.

It is impressive to note the seriousness with which the FAIS Ombud is taking public service and accountability. The announcement of the improved service levels is an indication of commitment to transparency and accountability, both being important values in our democracy.

I thank Ms Bam and her small but capable team for their work.

Pravin Gordhan
Minister of Finance

CHAIRPERSON'S REPORT



As we consider the work of the Office of the FAIS Ombud during the year under review, it is worth noting that the work of regulatory bodies to carry out their mandates of protecting the rights of consumers by enforcing compliance with the law continues to be undermined by those whose aims are focused on exploiting or downright stealing from them through misinformation or disingenuous schemes.

However, at times, the unscrupulous succeed due to some members of the public's gullibility and or greed. It is thus important to appreciate that regulation aimed at protecting consumers is not meant to be paternalistic or to eliminate every possible risk there is in financial products and services. Regulation cannot anticipate future wrongdoing; nor can it know the specifics of all products and services. The maxim of "buyer beware" remains the first line of defence.

The determination of *Dudley v Lifesure Financial Services CC* has highlighted the fact that the FAIS Ombud continues to play a key role in educating the consumer about the inherent risks involved in financial services and products in general and investments in particular. The message to providers is very clear: steer clear of selling products whose nature and benefit to your potential clients you do not understand. Recommending an investment you do not understand is likely to result in your being held liable for the damage suffered by the consumer. The message to consumers remains one that says if it is too good to be true it is very likely that it is.

The need for vigilance was illustrated in the determination of *Naidoo v Swanepoel, van Zyl and Lamprecht*, in which a rather disappointing picture emerged – investors' funds were misappropriated by making use of, amongst other things, a

" . . . the FAIS Ombud has continued its efforts to improve the complaints-resolution process . . . the Office is pursuing identifiable and achievable organisational goals."

Abel Sithole

CHAIRPERSON OF THE FINANCIAL SERVICES BOARD

law firm and by misinforming investors that their funds would be kept in an attorney's trust account. This warranted the sending of a copy of the determination to the Law Society. The directors of the public property syndication involved were found also to have misled investors by continuously informing them that building construction was going according to plan and that investors should disregard letters from the South African Police Service warning the public that Blue Zone was actually engaged in an unlawful scheme. The use of licensed providers who are unqualified to render financial services in the areas of unlisted shares and debentures warrants attention. Often, these unqualified providers are a crucial link between members of the public and these fraudulent investments. Without these providers and other promoters of these schemes they would not reach consumers.

It is in this context that the Office of the FAIS Ombud carries its mandate. To this end the FAIS Ombud has continued its efforts to improve the complaints-resolution process. It is apparent that the Office is pursuing identifiable and achievable organisational goals. This is achieved through focusing on improving compliance and risk management, the maintenance and improvement of ICT systems, and building a robust human resources capability. This has resulted in new and improved service levels offered to the public.

The early work of the Office of the FAIS Ombud benefited from the dedicated work of Charles Pilai who passed away in the second half of 2010 while serving as the Pension Funds Adjudicator. I extend our condolences to his family and colleagues.

Heartfelt congratulations and appreciation are extended to the Office of the FAIS Ombud and the FAIS Ombud and staff for

CHAIRPERSON'S REPORT

continuing to champion the rights of the consumer by fostering an environment that recognises the value that providers bring while holding those who fall foul of the law or take advantage of consumers to account.

Abel Sithole

Chairperson of the Financial Services Board

“It is time for us all to stand and cheer for the doer, the achiever -- the one who recognizes the challenges and does something about it.” - Vince Lombardi



OMBUD'S OPERATIONAL REPORT



“Our aim was to drive in the best possible way towards attaining the organisation’s strategic goals. Chief of these is the improvement of the complaints-handling process for ensuring quicker and more cost-effective turnaround times and fairness in resolving complaints.”

Noluntu Bam
FAIS Ombud

This annual report marks the first official use of our new logo. We at the FAIS Ombud are very proud to share this milestone of our journey with you.

Following fundamental changes to the way we operate, reach out to the outside world, and the experience we offer to the users of our service, we felt it necessary to carefully consider all aspects of our identity. This process has led to the updating of our old logo as part of a corporate identity makeover that mirrors our growth and increased visibility.

We are really excited about the new logo, which we feel better captures and communicates a number of the key principles of the FAIS Ombud – the human touch of trust and caring, our professionalism, and the importance of the community in all our work.

This new branding will be rolled out to all new FAIS Ombud material over the coming months.

ONGOING CHANGE

1 March 2010 was the day I took over this Office from Charles Pillai – my late friend, brother and mentor. His spirit lives in all of us who knew him. We remember him as we put together this annual report particularly because of his passion for this area of work. We all feel privileged to have had such a bright mind to work with in building this institution. May his soul rest in peace.

I took over a properly functioning office from Charles. Like any other resource for it to continue to fulfil its purpose it requires continuous nurturing and, at times, overhauling.

Just as Charles was about to finish his term we started mooting the idea of effecting some changes in the operation. That is why on 1 May we re-organised departments, disbanded four technical teams, and replaced them with two teams. We cleared lines of authority and responsibility, moved a few people around, welcomed some new ones, said goodbye to a few – and got down to business. Our aim was to drive in the best possible way towards attaining the organisation’s strategic goals. Chief of these is the improvement of the complaints-handling process for ensuring quicker and more cost-effective turnaround times and fairness in resolving complaints. The goal of fairness in resolving complaints links up with the processes and structures we put into place to ensure more transparency and accountability.

SETTING STANDARDS

In our quest to offer a service that is relevant to the needs of those who use it, we figured that without ongoing development offering the right kind of service would be a challenge. This idea gave rise to the need to make choices in terms of lines of development. The Office was quick to resolve that an NQF 5 qualification in Financial Planning must be the minimum standard for employment in the technical team. This meant that all staff in the technical team had to either produce evidence of a qualification in Financial Planning or register for an NQF 5 qualification.

Milpark Business School has been a worthwhile partner in this regard. Our first batch of students registered for the NQF 5 and 6 examinations in July 2010. The first round of results is something we are all proud of. We view ourselves as a learning organisation; accordingly, we have made training and development a

mandatory element in each employee's performance pact, regardless of which department the employee serves.

From the time the FAIS Ombud was established, we have recognised the need to have academic institutions as partners. Our relationship with Milpark Business School is an addition to a growing number of academic institutions we partner with from time to time. I specifically thank Ms Ester Venter for her assistance, her patience and her understanding during the time of registration of our first batch of students.

IMPROVEMENT OF SERVICE LEVELS

For the financial year ending March 2011, we committed ourselves to resolving no less than 60% of complaints received within a nine-month period. This was a tough commitment to make at a time when the number of complaints following on from collapsing investment scams was growing. We are proud to say we have more than achieved that goal. The sacrifice made by our employees was huge.

We acknowledge that some complaints are easy to resolve in the space of nine months. Equally, some complaints are way too complex to be resolved in this time period. We call these our "outliers". Within the class of outliers we are concerned with the complaints that take longer to resolve. The delay in resolving these may come about as a result of:

- a) More than one state agency being interested in the complaint and, perhaps, doing work that will aid the FAIS Ombud's investigation but that brings about a delay in the interim;
- b) The possibility that the financial service provider or product provider is facing some legal impediment, such as curatorship proceedings or an application for liquidation;
- c) The financial services provider having disappeared, which would require the FAIS Ombud to trace.
- d) Financial services providers having asked for extensions because they need to source legal assistance due to the complexity of the complaint;
- e) Financial service providers having asked for an extension, citing circumstances beyond their control; and
- f) The complainant having asked for an extension of time.

In all the above mentioned cases, the FAIS Ombud will wait until such time that the event causing the delay is over. The cases of Blue Pointer, Blue Zone, Orange and Garek are examples of such outliers that cause delay. These cases are invariably resolved

formally, which means that a determination has to be written. While in the past the period of acknowledgement of complaints was one month from date of receipt, we have now reduced that period to seven days. Challenges regarding complainants furnishing us incomplete information are still experienced. Where there is a policy number, it is possible to seek help from the financial services provider to enable us to contact complainants. Without a policy number, telephone number and address, there is not much the FAIS Ombud can do.

CONSUMER CONFUSION

The number of complaints that were referred to other dispute-resolution forums does not appear to be reducing. On page 26 we share our statistics, which show the extent of consumer confusion. The numbers shown do not take into consideration the telephonic enquiries made by complainants who want to lodge claims to the FAIS Ombud. We have also had complaints that are processed over a period of months, only for more details to come up that then require the Office to refer the complaint to another Ombud. This obviously denies consumers timely resolution of their complaints. Over the years this Office has been raising the issue of consumer confusion and indicating that more needs to be done to resolve it.

ICT SYSTEMS

Since 2007 our operations have been aided by a rudimentary ICT system. This system aided us in recording and tracking complaints until such time that they were finalised. Following the overhaul of our complaints-resolution process, the need to update our ICT system was apparent and so a decision was made to reconsider our entire ICT system. The decision to re-consider the system was also motivated by the numerous disappointments we experienced with the limitations of the old system and its vendors. Costs are by no means unimportant in the list of headaches we have experienced.

We have also experienced difficulties with our website – hacking included – and several other difficulties with loading and updating information. The website was unavailable for some time, which presented a major inconvenience for the public and the professional bodies that frequently refer to the website for information. We believe we have finally found help. Work is being done behind the scenes to ensure that information is sorted in a user-friendly manner and that the website is always accessible.

RISK AND COMPLIANCE

With poor risk management or no risk management being singled out as one of the primary causes of the global financial crisis, it stands to reason that risk and compliance management move up to the top of any organisation's agenda. The FAIS Ombud is no exception. In this area of work we have found there is always something new to learn. Our managers have worked tirelessly to ensure that not only is the framework for managing risk and compliance in place and continuously updated but that compliance and risk are made a responsibility of every member of staff. Compliance and risk management are tough and demanding jobs. We have to keep pushing ourselves as an organisation so that gaps in the system are promptly identified and addressed.

RESOLVING COMPLAINTS

Complaints were on the increase as has been the case over the years. We received 7944 complaints received during the financial year, we resolved 8784 (which include matters carried over from the previous reporting year) with 91 being determinations and 988 resolved without prejudice. In keeping with the tradition, we summarise our determinations on pages 13 to 17 of this annual report as well as our settlements on pages 18 to 24. Most of our time was occupied by complaints regarding money lost in property-syndication vehicles and other phoney schemes. Judging from the volumes and the pace at which complaints are coming in, this year will be no different. Regrettably, vast sums of money have once again been stolen from consumers by what the Honourable Justice Nel¹ describes as 'incompetent and astute directors of companies who play fast and loose with investors money while deceiving investors and obfuscating facts on the one hand and on the other enriching themselves.' The pattern has remained the same over the years.

As the directors of phony schemes finance their luxury lifestyle, companies are bled of resources and eventually go into liquidation. These occurrences do not bode well for South Africa's efforts to build and maintain financial stability. Difficult as it might be to define financial stability, "it is, however, clear what kind of thing financial stability is about. It is about institutions not suddenly collapsing and causing economic damage to people who could not reasonably have been expected to anticipate the collapse."²

During the investigation of some of these property syndication investments, we questioned several things – notably, the routine

appearance of certain names of directors or people said to have played an influential role in these schemes. We also questioned whether consumers are playing their part in their own protection. I say so because from time to time newspapers all over the country carry some kind of warning to the consumer about 'shoddy' investments. For its part, this Office has contributed to educating the consumer by ensuring that those found wanting face the full wrath of the law and that such findings are promptly made known to the public. Are the brokers and agents perhaps missing the point too?

The case of **Dudley v Lifesure Financial Services CC**³ illustrates that it is not only consumers who are naive. Some intermediaries have shown themselves to be as naive. In the Dudley case, the complainant was a 70-year-old pensioner who wrote to this Office complaining about what he called his broker's failure to properly advise him following the much publicised collapse of the property syndication scheme best known as Blue Pointer. The complainant had invested an amount of R495 000 in November 2005 in Blue Pointer, following the advice of the respondent, then represented by Segers – the key individual and representative of Lifesure Financial Services CC. The investment was positioned as one in commercial property that provided excellent opportunity for growth while providing regular income. Sadly, it appeared that Segers believed that Blue Pointer had a licence to render financial services to the public when this was not the case. Importantly though, Segers also believed that the complainant's funds were buying an interest in a property company, another indicator that Segers in fact did not know anything about the investment he sold to the complainant.

Black vs Moore⁴ is yet another case demonstrating provider incompetence. Mr Black, a pensioner, and his wife invested R350 000 in January 2007 as follows: R250 000 was invested into Sharemax and R100 000 into Blue Zone Spitskop Village Properties Limited (Blue Zone). The FAIS Ombud's determination concerned the investment made into Blue Zone.

Ten months into the investment, which was meant to achieve the goal of ensuring a regular income for the complainant as well as capital growth, the complainant received news that Blue Zone was operating an illegal scheme.

The allegation was denied by the respondent, Mr Moore, who had described the investment as of low- to medium risk to the

¹The Final Report of the Commission of Inquiry into the Affairs of the Masterbond Group and Investor Protection in South Africa (2001).

²Allen WG & Wood G. Defining and achieving financial stability, Journal of Financial Stability, 2 (2006) pp 152-172.

³FOC 04114/08/09 WC1

⁴FAIS 01110/10/10-11/ WC1

complainant. Unlisted shares and debentures are, in fact, high risk. It also turned out that the provider, Moore, had done no independent assessment of the viability of the investment he had recommended to the complainant. Blue Zone was later liquidated, with the result that the complainant lost his R100 000.

Sydney Perumal Naidoo v Christiaan Johannes Swanepoel, Jacob Johannes van Zyl & Hendrik Christoffel Lamprecht⁵

Mr Naidoo complained to this office about the provider's failure to properly advise him in connection with his investment of R400 000 that was made into Blue Zone. Blue Zone was liquidated in 2009. In advising the complainant, the provider, Swanepoel, had told the complainant that the investment was seen as a moderate-risk investment and at that stage Blue Zone was able to deliver a return of 9.5% on capital whilst banks were offering a 'return' of 7% with no chance of capital growth. In fact, the 9.5% return was no investment alchemy on the part of the Blue Zone directors; it was the complainant's capital that was paying out the so-called "return", the complainant later discovered. Several aspects of the complaint indicated that it was the respondent's incompetence that had led the complainant to invest in the scam in the first place. The attorneys involved in the complaint were not spared either. This determination was referred to the Law Society of South Africa.

Vinesh Mohanlal v Raj Chutterpaul, Raj Chutterpaul Brokers CC⁶

Complainant Mohanlal, a motor mechanic, invested R200 000 in Edwafin Investment Holdings Limited (Edwafin) and R200 000 in Sharemax. The determination concerned the investment in Edwafin. Raj Chatterpaul, the provider, had described the investment to the complainant as a safe investment with very good returns that outperformed established insurance companies by offering a return of 20% per annum. The complainant agreed to buy 200 debentures in Edwafin to the value of R200 000 with a term of 63 months. In his complaint, the complainant suggested that the respondent had failed to advise him properly and, as a result of such failure, he (the complainant) lost R200 000 following the liquidation of Edwafin. Edwafin is another Ponzi scheme.

One point deserves mentioning, in respect of all these collapsed schemes. No indication exists that any one individual involved in the theft of the investors' funds is about to face prosecution.

A further class of matters that occupied our resources is the matter of Orange Insurance Limited (OIL). OIL, as we state in the determination of **Innocent Sithembele Mthethwa⁷**, unlawfully and without just cause failed to indemnify its policyholders. The first of such determinations was handed down in the previous financial year.

In this financial year, this Office went on to hand down about 52 Financial Service Ombudsman Schemes Act (FSOS) determinations against OIL. OIL first tried to set aside the determinations by lodging an urgent application through the High Court. The application was dismissed with costs. OIL later lodged an application for leave to appeal with this Office, which was refused. Had it not been for FSOS the complainants in the OIL matter would have been forced to go to court for relief, an option not open to many consumers because of high costs involved in litigation.

TRENDS

Licence matters

Clearly, from our statistics, property syndications and 'shoddy' investment schemes have taken centre stage. We highlight in the case of Black vs Moore a further ugly trend of brokers licensed as providers in their own right, but whose licences are limited in terms of the products they can sell. Moore, like many other brokers who sold property syndications to the public, happily accepted documentation that serves as prima facie proof that the broker is the appointed representative of Blue Zone in terms of Section 13 of the FAIS Act. With this documentation brokers were able to claim that they were licensed to sell unlisted shares and debentures, deliberately turning a blind eye to the requirement of competency as a ground for the issuing of a licence in terms of Section 8. All of this took place without any training and without an objectively assessable infrastructure by which such brokers may have been trained and accredited to sell unlisted shares and debentures to the public. According to its records, Blue Zone had 580 representatives.

We point out that both the licence holder and brokers were merely paying lip service to compliance with the provisions of Section 13 of the FAIS Act. As a result of a flawed understanding of the financial products, brokers transmitted incorrect information to their clients in their description of these investments as safe investment vehicles for capital growth and income. Most investments were said to be achieving way beyond what the

⁵ FAIS 04214/09-10/ NC1

⁶ FAIS 05679-09/10 KZN1

⁷ FAIS 05679-09/10 KZN1

markets were achieving in terms of their performance. Because the brokers concerned had no skill but were interested only in the lucrative commission that carries no clawbacks, they failed to ask obvious and relevant questions of the product providers. All of this led to the losses suffered by consumers and for this – as we point out in several determinations – the providers who render financial services in such a reckless fashion will pay. We use the principle of piercing the corporate veil in the case of Naidoo vs Swanepoel, Van Zyl and Lamprecht; lay bare the fraud, for this is what the scheme was about; and hold those responsible for perpetrating the fraud liable. We conclude that the directors knew that what they were doing was deceitful. What they were doing was stealing money from unsuspecting investors by making use of brokers.

The use of names of certain professionals and institutions in property syndication business

We note in some determinations the use of the words “attorneys’ trust account” and the reference to banks, certain auditing firms, and property valuers. The objective, we point out in these determinations, is to win the trust of consumers so that they more easily part with their money. We point out that some of the institutions clearly had nothing to do with the property syndication. Blue Pointer, for example, mentioned in its documentation that KPMG were its auditors, which was a lie. We point out with great disappointment how a firm of attorneys allowed itself to be used and went so far as to pass on monies that were supposed to have been fully accounted for to consumers to the promoters of the property syndication scheme. We referred this aspect of our finding to the Law Society for its investigation. Consumers will need to be more vigilant in the future, as the lies of scamsters take many forms.

SHARED VALUE

With the debate around the shortage of skills coming up at every turn in South Africa, the FAIS Ombud decided to act on a long-standing idea it has had of launching its own graduate trainee programme to contribute skills. Tapping on our long-standing partnership with Legal Education and Development (LEAD), we were led to a law school in the Eastern Cape, where we successfully found five young bright LLB graduates who had just completed law school. These graduates set out on a journey with the FAIS Ombud as the first-ever intake of graduate trainees.

Over the years we have been receiving students from the University of Pretoria during the winter vacation to serve for a period of two weeks. During that period, the students learn just about everything the Office does – from the simplest process of recording complaints to mediation and conciliation. The five graduate trainees commenced their training in December 2010. The training is to last 18 months.

For us at the FAIS Ombud, the graduate trainee project has a particular significance because it signals our commitment to South Africa’s national agenda; our contribution to skills development; the reduction in size of the large pool of unemployed graduates; and the empowerment of the previously disadvantaged. To the families of the five graduate employees, a whole host of social issues are addressed through this single initiative. As business is moving towards the direction of shared value, we too at the FAIS Ombud are proud to claim a part in the space of creating shared value.

“Our Credo, which followed the birth of this office, talks to our being responsible to the communities in which we live and work and to the larger international community.”

International Ombuds’ Conference

We keep in touch with our national and international counterparts whenever resources allow. Whenever we can, we ensure that our Office is represented in the annual gathering of International Ombuds. The International Ombuds’ Conference was held on South African soil for the first time last year at the Pavilion Conference Centre at the Victoria & Alfred Waterfront in Cape Town.

Credit goes to the various Ombud offices that put the conference together. In true South African style, the conference was by all measures a success. Such platforms not only afford the various Ombud offices time to connect; they also take home value-adding ideas.

WORD OF APPRECIATION

In the 17th century, John Donne – poet and dean of St Paul's Cathedral in London – wrote:

“No man is an island entire of itself; every man is a piece of the continent, a part of the main ...”

So many individuals have contributed to the success of this Office from the time of its existence. I have been fortunate to have been part of that history. Critics, soft and hard, have made this Office into what it is today. They know who they are. To them I say thank you. I thank the board of the FSB, which on 31 March 2010 became the accounting authority of the FAIS Ombud in terms of the Public Management Finance Act (PFMA). The members of the various committees of the FSB board deserve a thank you for their unwavering support and their maintenance of a zero-tolerance approach to sloppiness when it comes to matters of governance and financial discipline. We said goodbye to the FAIS Committee towards the end of this financial year. I specifically thank its members for their input to the governance of this Office.

I am indebted to my colleagues who form part of the leadership of the FAIS Ombud. To them I say thank you.

The foundations of our organization are built on “a collegiate base that is diverse and equitable and encourage contributions to our core business We will support each other, to be innovative, to exercise reasonable initiative, and to share our learning.”

To the remaining members of the FAIS Ombud, it is impossible to imagine advancing the goals of this Office without you.

Noluntu Bam

FAIS Ombud



“It is literally true that you can succeed best and quickest by helping others to succeed.”
- Napoleon Hill

DETERMINATIONS

SUMMARY OF DETERMINATIONS

Bernard Frederick Dudley v Lifesure Financial Services CC

In Dudley, an elderly pensioner was advised to invest R495 000 of his life savings in the property syndication scheme called “PropDotCom”, which was part of Blue Pointer Group. The directors of the group had committed a number of irregularities, including the intermingling of funds and improper accounting records. Yet, the intermediary claimed that he had checked and verified the status of the scheme, with the company being completely sound.

In reality his due diligence was superficial and he had no knowledge of Blue Pointer’s history, no idea of who was behind the entity, and no information as to the track record of the people behind the company. He did not verify the leases or property valuations nor did he care to know whether or not there were tenants in those properties.

The intermediary did virtually nothing to verify the information in the prospectus about Blue Pointer, which information was in a number of respects false and misleading. Had he bothered to check he would have realised that Blue Pointer was not licensed. Instead, he relied on the assurances of Blue Pointer administrators as opposed to documentary evidence.

It was held that:

Any financial services provider who intends to recommend an investment in a property syndication to a client must first obtain all the available information about the promoters as well as the financial viability of the underlying investment before the product can be presented to a client.

Further, financial service providers have a duty to be familiar with the legislation and apply it. This includes the minimum mandatory disclosures contained in Government Gazette No. 28690, Notice No 459 of 2006 issued by the Department of Trade and Industry, which requires that promoters of property syndications disclose material information to enable clients to make an informed decision.

Accordingly, the respondent was ordered to pay the complainant the amount of R495 000, which included interest. Following the Ombud’s decision in Dudley, it now seems inconceivable that an FSP who advises a client on a property syndication scheme could do so without paying careful attention to the guidelines referred to in the Dudley case.

Gerald Edward Black v John Alexander Moore and Johnsure investments

In Black, as in most such cases, the complainant was an elderly pensioner who was advised by the respondent to invest R100 000 of his life savings in the property syndication scheme called Spitskop Village Properties Ltd. This scheme was promoted by a company called Blue Zone, which subsequently collapsed.

Whilst Blue Zone was initially licensed to render advice and intermediary services, its authority in respect of debentures was only granted in October 2008. Nevertheless and prior to this approval, it had already started marketing the scheme in 2006. Upon uncovering impropriety and various breaches of its licence conditions, the registrar withdrew Blue Zone’s licence in 2009.

Unlisted shares are high risk while the complainant was a ‘moderately conservative’ investor. Despite this, the respondent advised Black to invest in the scheme, and claimed that his assessment had placed the risk between low and medium.

However, the respondent was not qualified to deal in unlisted securities and shied away from clearly telling the complainant that his experience in unlisted securities was extremely limited. The respondent was out of his depth and, as in Dudley, instead of conducting an independent and objective assessment he relied on the promotional material and information supplied by the implicated Blue Zone directors.

Indicative of this is a letter to the complainant in January 2007, in which the respondent stated that Blue Zone’s Steelpoort project was “way ahead of schedule and would prove to be a winner”. However, it was found upon an inspection by the FSB that no development work was ever undertaken in the Spitskop Steelpoort project. The respondent would have come to know of this fact had he bothered to carry out the most basic investigation of Blue Zone.

An elementary enquiry would have established that Blue Zone did not own any assets of value except the piece of land it had purchased through a sister company for R1 057 000. This on its own would have raised concerns as to how investors’ debentures in a subscription worth R425 million could be secured.

The respondent appeared blissfully ignorant of his duties in terms of the FAIS Act and even dismissed questions surrounding the legitimacy of the Spitskop investment, as well as allegations by the South African Police that Blue Zone was involved in the contravention of a number of laws.



DETERMINATIONS

Now this determination is particularly relevant from the manner in which it highlights the role played by intermediaries and professionals within these schemes. In so far as intermediaries are concerned, the promoters usually apply for a licence with the FSB and thereafter engage intermediaries in terms of Section 13 of the FAIS Act. Frequently, the intermediaries are given little or no training.

Despite the lack of training the schemes frequently produce documentation that provides prima facie proof that the intermediary was appointed as a representative and that the provisions of Section 13 were complied with. In most instances no such compliance took place. The intermediaries then use this to win over the confidence of the unsuspecting public. When the scheme fails intermediaries hide behind the fact that they have been acting as representatives of the FSP. It was, however, made clear that intermediaries will be held personally accountable if they recklessly or negligently market meaningless investments to their clients.

In this instance Blue Zone claimed to have trained its 482 representatives, despite having no capacity or infrastructure to manage this number.

In the case of professionals the perpetrators use the names of these professionals and their practices to lend credibility to the scheme and win the confidence of members of the public.

In the present instance the Ombud questioned how a property that changed hands in a supposed arm's length transaction for a purchase price of R1 057 000 could be valued by a certified valuator for R180 000 000.

For this reason, the Ombud recommended that the conduct of the accountants of Blue Zone and the valuers be investigated by their respective regulatory bodies. In addition, the role of the firm of attorneys known as Honey and Partners (Johannesburg) Inc (Honey & Partners) drew the attention of this Office.

Honey and Partners (Johannesburg) Inc were appointed as attorneys for Blue Zone/Spitskop. Mr J.J van Zyl, one of the master minds behind the scheme and also a director of Blue Zone, was at some stage also a director/partner in Honey and Partners. This fact was disclosed to neither representatives nor investors. Clearly a conflict of interest had arisen. The disclosure

documents, prepared by Van der Walt of Honey and Partners, reflected the acquisition price of the immovable property as R118 300 000, when in reality that purchase price was being paid to a sister company that acquired the property for only R1 057 000. A number of irregularities had occasioned the valuation and the purpose of these was clearly to defraud the investors.

The Ombud additionally raised questions around the non-payment by Honey and Partners (Johannesburg) of interest to investors, as required in terms of section 78(2) (A) of the Attorneys Act. Accordingly, copies of this determination were referred to the Law Society and Attorneys Fidelity Fund as well as to the NPA. The Ombud arrived at the same conclusions as in the Dudley matter and, as a result, the complaint was upheld. The respondents were ordered to pay the complainant the amount of R100 000 plus interest.

Sydney Perumal Naidoo v Christiaan Johann Swanepoel & Others

This determination followed the Black determination, but in an effort to get behind the facade of the company's separate personality, the Ombud held against the directors of Blue Zone in their personal capacity. These directors were Jacob Johannes van Zyl (formerly a director of Honey and Partners and a director of Blue Zone, as well as the Key Individual and Head of the Commercial Legal Division of Blue Zone and related companies) and Hendrik Christoffel Lamprecht, a managing director and co-founder of Blue Zone.

In this matter, and acting on the advice of Swanepoel, the complainant invested R400 000 into Blue Zone's Spitskop Village in November 2006. The whole amount was subsequently lost.

What is clear from the determination is that the objective facts indicate that the directors of Blue Zone set out to run the Spitskop project fraudulently. Even as the authorities began questioning the legitimacy of the scheme, the Blue Zone directors issued a document signed by van Zyl, urging investors to ignore a SAPS notice. What is more, he then brazenly assured the investors that their funds were sound at the time when it should have been clear that the scheme was possibly in breach of various pieces of legislation. Again, when the scheme was clearly headed for liquidation, van Zyl, who is a qualified and experienced attorney, wrote to investors informing them that the scheme was progressing well ahead of schedule. As in the Black determination the representative himself failed



DETERMINATIONS

to make any objective assessment of the Blue Zone product and was not licensed to deal in shares. The complaint was upheld and the respondents paid to the complainant, jointly and severally, the amount of R400 000 with interest.

Vinesh Mohanlal v Raj Chutterpaul

As in the other matters of Naidoo, Black and Dudley, in Mohanlal the intermediary failed to perform an elementary due diligence to determine the status of a company called Edwafin.

Acting on the advice of Chutterpaul, the complainant invested R200 000 in Edwafin Investment Holdings Ltd, a venture capital company (which purchased 200 debentures). This required a degree of sophistication and understanding not possessed by the complainant. The funds were derived from a matured policy intended for the complainant's child's education.

Mohanlal complained that Chutterpaul had described Edwafin as a safe investment, easily outperforming the established insurance companies by offering a return of at least 20% per annum guaranteed for the investment period. These returns were substantially and breathtakingly better than any normal investment company.

Chutterpaul, however, contended that the complainant was advised that the investment was unlisted and high risk. However, exactly what this advice entailed was not stated by Chutterpaul. There was no evidence that Chutterpaul explained what an unlisted investment meant. Additionally, while the risk analysis categorised the complainant as an assertive investor who was prepared to accept higher volatility and moderate risks, there was no evidence that the meaning of this had been explained to Mohanlal. Chutterpaul was obliged by the General Code of Conduct to present his client with information in simple language and in a manner that the client could easily understand. In fact, the complainant was a motor mechanic with a very conservative history.

There was no indication that Chutterpaul had conducted a proper due diligence to satisfy himself of the suitability and the viability of the scheme. He merely satisfied himself by visiting different offices and attending an official launch of the Damara vehicle (Edwafin's main product). No analysis of Edwafin's financial statements was carried out in order to determine how the extravagant return was possible and viable.

On the facts presented to the Ombud it appeared that the respondent's intention from the outset was to sell the complainant Edwafin's investments regardless of the outcome of the risk analysis. The respondent's actions were clearly influenced by the commission that was promised to him, which was said to be 6%. In actual fact he received 7.5% commission with no claim back.

As a result, the Ombud upheld the complaint and ordered the respondents to pay to the complainant, jointly and severally, the amount of R200 000 with interest.

I Mthethwa v Orange Insurance Ltd

In the previous financial year the Office issued the first of what was to turn out to be a series of determinations against Orange Insurance for its failure to settle the insurance claims of its policyholders

These determinations would not have been possible had it not been for the Financial Services Ombud Schemes Act (FSOS Act), which provides overriding jurisdiction to the FAIS Ombud acting in the capacity of Statutory Ombud. The FSOS Act essentially allows the Statutory Ombud to assume jurisdiction when an FSP does not fall within an existing Ombud Scheme. In this instance Orange was not a member of any such scheme.

Prior to this legislation these matters would have slipped through the cracks and complainants would have been compelled to litigate in court. This would have been both beyond the financial capability of most complainants and have left them susceptible to procedural delays.

To quote an old legal maxim, which would have been relevant in the instance – 'justice delayed is justice denied'. In the case of many of the Orange matters, complainants/policyholders were left stranded without transport due to Orange's failure to satisfy claims. Other policyholders were unable to settle finance agreements with financial institutions, had to bear interest charges, and some even faced the risk of blacklisting.

In Mthethwa's case his vehicle was involved in an accident on 7 December 2008, and he duly submitted his claim. The assessment of the vehicle was conducted by an authorised assessor who determined that the vehicle was a write off. On 16 January 2009 Orange accepted the claim and duly issued an Agreement of Loss to settle



DETERMINATIONS

Mthethwa's vehicle finance account amounting to R34 000. Orange, however, failed to honour its obligations, which in turn triggered the complaint.

Orange did not deal specifically with the individual complaints forwarded to it, but instead chose to issue a generic reply, the essence of this being that the administrator Fleetsure, along with Zurich Risk Financing SA Limited, had not validly transferred the complainants/policyholders over to Orange. Accordingly, Orange contended that Fleetsure had used the Orange logo on documentation and correspondence without authorisation. Therefore, Orange claimed that there was no valid contract between itself and the complainants, which included Mthethwa.

Given that the generic reply was equally applicable in all Orange matters, this was carefully considered in the Mthethwa determination.

The Ombud found that Orange by its own conduct held out to members of the public that it had accepted the Fleetsure cell and new business from Fleetsure, thereby placing itself on risk. Evidence of this was the fact that Orange had accepted premiums collected on its behalf and even accounted for these in its quarterly returns to the registrar.

Further, Fleetsure had presented invoices to Orange in respect of management and administration fees, which were paid by Orange. Importantly, initial claims had even been paid. Accordingly, and as Orange had provided no legitimate basis in law to avoid paying Mthethwa's claim, the Ombud held Orange to be the insurer at risk in terms of the policy and ordered Orange to pay Mthethwa's claim. The Ombud stated that "the respondent conducted itself with callous disregard for the rights of policyholders and its conduct undermines the integrity of the industry".

Zama Transport CC versus Acsenna Brokers CC

On 25 July 2008 the complainant's truck was hijacked on the Meyerton/Vereening highway while transporting a load of steel coils. At the time of the hijacking the driver had stopped on the side of the highway to secure the load which had loosened during the trip. The trailer and cargo valued at R229 167 were stolen. The complainant completed the necessary documentation and lodged the claim through its brokers Acsenna Brokers CC on 30 July 2008. Acsenna in turn, and outside of a strict seven-day policy claim notification requirement, only reported the claim to the insurers on 7 August 2008.

The insurer repudiated the claim on the basis of Acsenna's late reporting.

Although Acsenna requested a reconsideration of the decision it was again repudiated, but this time on the basis that the complainant's truck violated a clause in the contract that provided that no cover is provided while the vehicle is stopped, unless it is contained within a security compound and the driver crew/ security guard is present.

Unsurprisingly, it was the latter repudiation that Acsenna communicated to the complainant, as opposed to the repudiation based on the late notification by Acsenna itself.

The Office sought clarification from the insurer, who in turn confirmed that the correct basis of the repudiation remained the late submission by Acsenna itself, with the stop outside of the security compound being a possible secondary problem with the claim.

It was held that on the facts of the matter the driver had made a necessary stop, and as such it would be speculative to venture into an exercise to establish whether the reason for stopping the truck on the highway would have caused the claim to fail. Accordingly, the Ombud upheld the complaint and ordered the respondent to pay the complainant the sum of R171 875, being the amount for which the insurer would have been liable. In doing so the Ombud commented on the opportunistic nature of the respondent's conduct, stating that this type of conduct was unfortunate and inconsistent with the duty to act in the client's interest in terms of the Code of Conduct.

Akoob Ismail Laher versus LIA Holdings (Pty) Ltd (t/a

Laher Insurance Brokers

On 26 May 2008, the complainant assisted by Laher Insurance Brokers ('respondent') completed a proposal form for short-term insurance cover with CIB Insurance Solutions (Pty) Ltd.

A Toyota Run X, 140i RT valued at R85 100 and supposedly insured in term of this policy was stolen on 8 July 2008. The complainant duly submitted a claim only to receive a letter of repudiation from CIB on 5 September 2008 informing him that his claim had been rejected on the basis that his vehicle did not comply with the minimum security requirements; namely, that the vehicle should have been fitted with a tracking device.

According to CIB, the proposal form was completed and signed by the respondent, who confirmed that a tracking device was fitted

DETERMINATIONS

to the Toyota. This contrasted with the fact that the complainant himself had completed the form and at the same time indicated that the vehicle was not fitted with a tracking device. It then transpired that while cover was to commence from 1 July 2008 the motor section of the proposal form was only forwarded by the respondent to CIB on 14 July 2008. Further, this form was illegible and CIB requested a legible version. It was this second legible version that was completed by the respondent and in turn forwarded to CIB on 22 July 2008.

While completing this second version, an employee of the respondent accidentally and incorrectly recorded the registration number in addition to reflecting the vehicle as having a tracking device.

The Ombud held that on the respondent's own version, they had been negligent in insuring the complainant's vehicle. Not only was the policy documentation submitted incorrectly and after the event, but also an analysis of the schedule indicated that only domestic insurance in terms of house and contents was insured in terms of the policy.

Accordingly, there was cause to question whether the respondent had even insured the complainant's vehicle as from 1 June 2008. The respondent was ordered to compensate the sum of R80 845.

UNAUTHORISED DEBITS

Mrs Beverley Blainey versus Aquarius Consultants CC

In November 2007 the complainant, Mrs Beverley Blainey, purchased a Year 2000 Ford Fiesta 1.4 from a Ford dealership. While she was at the dealership an employee offered to arrange insurance cover for her. Accordingly, the relevant forms were faxed through to the dealership by Aquarius Consultants for signature by the complainant. These comprised a Client Mandate and Letter of Engagement in favour of Aquarius Consultants, alongside application forms for insurance through Hamford (Pty) Ltd underwritten by Lloyds of London. In February 2008, the complainant received a text message from Hamford stating that her insurance policy had been cancelled effective the end of February 2008. No reason was given for the cancellation and the complainant urgently concluded alternative insurance. Sometime later the complainant noted an unauthorised debit order on her account in favour of Niche Administrators.

The debit order had by then been running for nine months. The complainant had no knowledge of Niche Administrators and had not entered into any contract with them.

It transpired that Aquarius Consultants had moved all their clients' policies from Hamford to Saxum Insurance effective March 2008. Niche was the administrator of these new policies. While Aquarius claimed to have notified Mrs Blainey via letter, there was no proof that this had been posted and Mrs Blainey denied ever receiving the letter. It was held that the Aquarius had no authority to unilaterally cancel the Hamford policy and substitute it with a substantially more expensive policy administered by Niche. Mrs Blainey was neither consulted nor advised on the move.

Not long after this Niche had its licence revoked and was subsequently placed under administration. The Ombud concluded that Aquarius had conducted itself in a manner conflicting with the FAIS Act and ordered it to compensate Mrs Blainey the sum of R5 400.

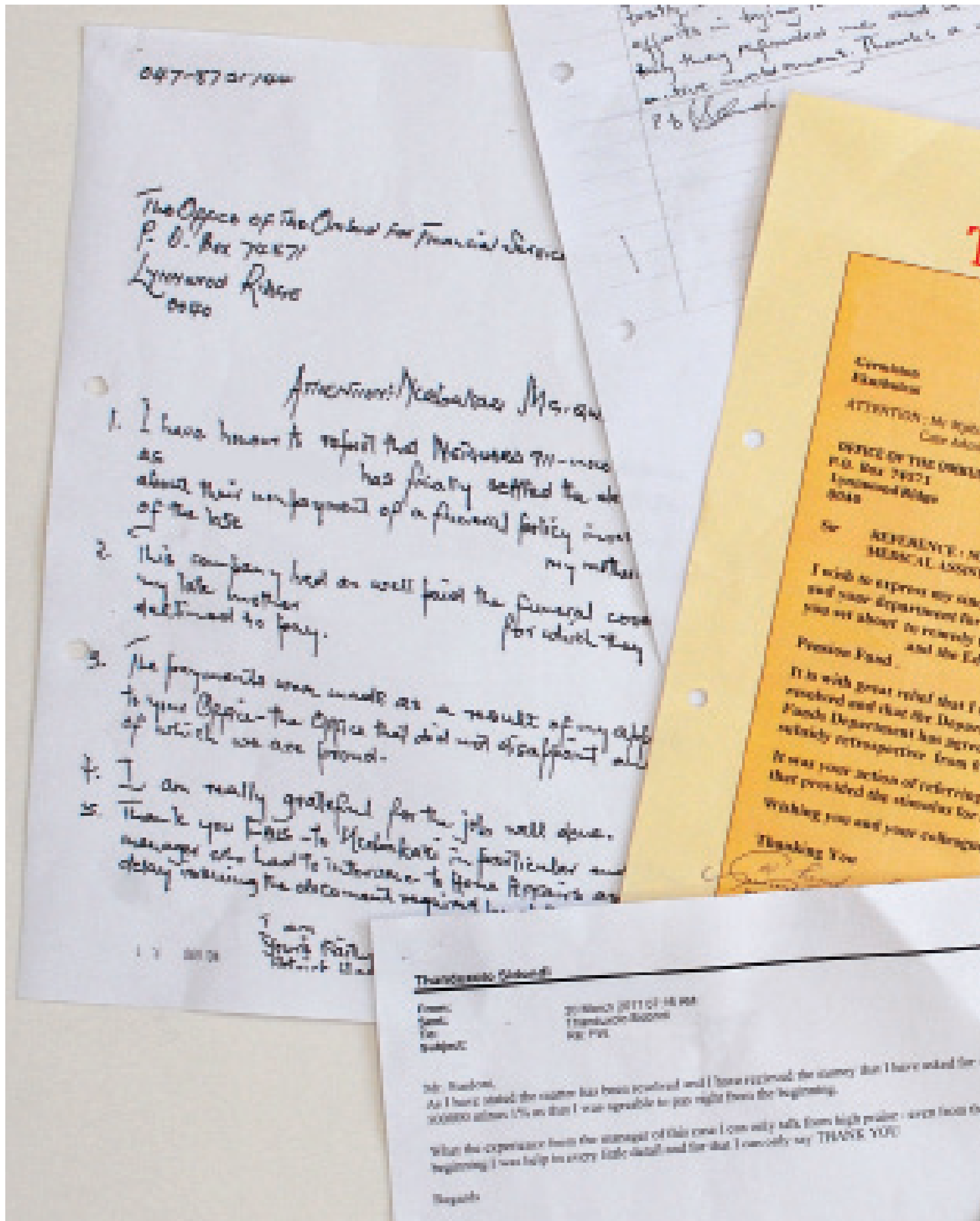
Alta Clarence versus Bestsure Financial Services (Pty) Ltd

On 30 June 2008, the complainant, Alta Clarence, represented by Bestsure Financial Services insured two motor vehicles with Constantia Insurance Company Ltd. On 8 November 2008 one of these vehicles, a Hafie Lobo, was involved in an accident, while being driven by the complainant's 19-year-old daughter. A claim was submitted but subsequently rejected by Constantia on the basis that the policy excluded cover while the insured vehicle was under the control of a person under the age of 23.

The complainant complained to the Office, alleging that Bestsure had not informed her that drivers under age 23 were excluded from cover. She further stated that had this been drawn to her attention she would not have purchased the policy. The Ombud found that there was a duty on the respondent to disclose the material term to the complainant and that it had failed to do so. The complaint was upheld. After deducting the applicable excesses, the Ombud ordered the respondent to pay Mrs Clarence the amount of R75 011.



Left to right: David Davidson, Sydwell Shangisa



FOR FINANCIAL SERVICES

FOR OTHERS WHO
WANT TO KNOW MORE

the prompt and efficient manner in which the dispute between the said
Education Department and the Government

Ministry of Education via the Prisons
to provide the medical assistance
1 November 2007.

the matter to the Public Prosecutor
such a positive response.

It will be all factors combined.

last September
in Chicago, Illinois
to the 10th, November 1944
the 10th, November 1944
the 10th, November 1944

I would like to express my sincere
 thanks in thanking you to move
 in business as well as out of
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 that these
 kind of

I am very very happy about the way you handled my complaint with such an interest. You have kept me in touch and I have the time to see that I have complaints when it after a long time.

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1000

CONCLUSIONS

For your assistance and for the help that I
have been given and that I
will continue to receive from you,
I am most grateful.

SETTLEMENTS

P v O

Issue: Failure to adhere to instruction of client

In July 2009, the complainant contacted his advisor to obtain alternative life cover. This was done on condition that the advisor cancel the complainant's existing life cover policy.

During April 2010, the complainant discovered that the replaced policy had not been cancelled and premiums on both the replaced and replacement policy were being debited from his bank account.

The complainant was aggrieved by the advisor who had failed to adhere to his instruction and lodged a complaint with our Office.

We referred the complaint to the respondent, which indicated that part of the fault could be apportioned to the complainant. However, the respondent was willing to refund all premiums paid after the policy in question was replaced.

Settlement amount: R4 710

M v O

Issue: Failure to adhere to instruction of client

During May 2007, the complainant retired from his employment and instructed his advisor to invest his retirement benefit amounting to R300 000 as follows: R150 000 was to be used to purchase an annuity and the balance was to be invested in an accessible five-year-term investment plan so that he could have access to at least part of his funds.

Contrary to the complainant's instruction, the advisor purchased two separate annuities. This meant that the complainant would receive income from two sources, but that he could not liquidate any of his investments should the need arise. Aggrieved by the state of affairs, the complainant turned to our Office for assistance.

After we intervened, the respondent conceded that the complaint had merit and agreed to reverse the second annuity transaction.

Settlement amount: R150 000

Dear Mashite

On behalf of Nelson Mphahlele, I hereby confirm that he has received his money and is very happy. When he informed me that he received the money, he

instructed me to pass his sincere gratitude to Mashite Makgoo and the staff of FAISOMBUD. As the person who was dealing with you directly, I am quite happy with the efficient and professional manner in handling the case throughout. Keep it up!!!

Kind regards

Pekwe Mphahlele

L v A

Issue: Failure to act with due skill, care and diligence

The complainant was aggrieved by the executor (a licensed financial services provider) of her late father's estate who had underinsured an estate asset (i.e. a dwelling). Consequently, when the dwelling was destroyed in a fire, the insurer did not fully indemnify the estate for the actual loss suffered.

Unable to resolve the matter with the executor, the complainant turned to our Office for assistance.

We referred the matter to the respondent, which argued that its representative did not render financial services as defined in the FAIS Act. Furthermore, as executor of the deceased estate, it is exempt from the provisions of the FAIS Act and falls under the jurisdiction of the Master of the High Court.

We pointed out to the respondent that the exemption relied upon does not apply to executors who render financial services as a regular feature of their business. Therefore, we recommended that it make an offer to settle the matter. The respondent managed to negotiate a settlement with the insurer, who offered to pay the complainant R210 626.

Settlement amount: R210 626

E v O

Issue: Failure to provide concise details of any waiting periods in which benefits will not be provided

The complainant cancelled an existing funeral policy and replaced it with another on the advice of the respondent's representative. According to the complainant, she had been informed that no waiting period would apply and that cover would be available immediately. When the complainant lodged a complaint with the insurer because of a death in the family, the insurer rejected liability and cited a waiting period of one year applicable to deaths through natural causes.



SETTLEMENTS

The complainant turned to our Office for assistance.

We requested the respondent to provide us with proof that all necessary disclosures had been made when the funeral policy was replaced. The respondent admitted that its representative had laboured under the mistaken belief that no waiting period would apply and paid the complainant an amount equal to her claim amount.

Settlement amount: R15 000

C v N

Issue: Failure to disclose all fees, penalties and charges in specific monetary terms

In August 2009, the complainant approached a representative of the respondent to assist her in having her retirement annuity (RA) paid out to her. (She was over the age of 55 and the RA had a fund value of R70 841; i.e. less than the statutory amount of R75 000.) Following the surrender, the complainant learnt that an amount of R12 237 had been deducted from the surrender value in the form of early termination charges. The complainant alleged that the early termination penalties had not been disclosed to her at application for disinvestment and if they had been disclosed she would not have surrendered the RA.

After we intervened, the respondent offered to refund all charges levied.

Settlement amount: R12 237

M v S

Issue: Failure to disclose material term of policy

In October 2007, the complainant purchased a Credit Protection Plan, which was meant to cover him in the case of his being retrenched.

Upon lodging a claim, the insurer repudiated the claim and cited as the reason for its repudiation the fact that the complainant was a member of a Close Corporation and for this reason was deemed to be self-employed and not covered by the policy.

We intervened and requested the respondent to provide us with proof that showed that the complainant had been informed of the fact that self-employed individuals do not qualify for the retrenchment cover. The respondent could not tender such proof

and, as a result, made an ex gratia payment to the complainant.

Settlement amount: R9 022

C v S

Issue: Failure to act on instruction of client and to act in the interest of client

During August 2007, the complainant sought the advice of the respondent's representative, as he wanted to invest a lump sum of R200 000 for a period of five years.

The complainant subsequently learnt that, contrary to his instruction, his funds were invested in a five-year endowment at an annual premium of R200 000.

As the complainant did not have the necessary funds to finance the endowment premiums and would have had to pay huge penalties on the early surrender of the policy, he turned to our Office for assistance.

As it was clear that the investment had not been made in the best interest of the complainant, we requested the respondent provide us with proof of the financial planning conducted in respect of the investment, as well as proof that the investment was appropriate to the complainant's circumstances. Burdened with our request the respondent then held a meeting with the complainant and a settlement was agreed that was acceptable to both parties.

Settlement amount: R30 368

K v A

Issue: Appropriateness of advice/failure to conduct needs analysis

According to the complainant, she invested R125 000 into a property syndication on the advice of a representative of the respondent. Share and debenture certificates were issued when the investment was made, but it subsequently emerged that the financial instruments were worthless, as the property syndication was, in fact, a sham.

We referred the matter to the respondent, but were not satisfied with the response as it did not address the pertinent issues in the complaint.

Furthermore, the respondent could not provide us with proof that a needs analysis had been performed for the complainant or with valid reasons as to why a moderate-risk investor's



SETTLEMENTS

funds were invested in high-risk unlisted shares and debentures. Following a recommendation from this Office, the respondent decided to settle the matter.

Settlement amount: R125 000

B v L

Issue: Failure to render financial services with due skill, care and diligence in the interests of client/allegedly providing client with blank forms to sign

The complainant was advised by his lifelong financial advisor to replace his existing dread disease policy with a policy that included life cover. Subsequent to the inception of the new policy (replacement policy), the complainant was diagnosed with cancer and instituted a claim with the insurer. The insurer repudiated the claim, citing non-disclosure of the complainant's full medical history as the reason.

The complainant avers that he was requested by his advisor to sign blank forms at point of sale of the replacement policy and would never have withheld any information requested by the insurer.

Having unsuccessfully attempted to have the claim honoured, the complainant sought the assistance of our Office.

We referred the complainant to the respondent, which denied liability. We reminded the respondent that it did not provide us with proof that the advisor had adequately explained the differences between the replaced and the replacement policy to the complainant. This meant that the complainant was not put into a position to make an informed decision at the replacement of his old policy.

Furthermore, the blank spaces on the policy application documents seemed to indicate that the complainant's allegation in respect of blank forms had merit.

On our recommendation, the respondent made a settlement offer of R298 846, being 25% of the total benefit payable for the type and severity of the cancer suffered from. We pointed out to the respondent that the type and severity of the cancer that the complainant suffered from actually qualified for a claim of 50% of the total benefit; i.e. a claim of R597 693.

The respondent revised its settlement offer, which was accepted by the complainant.

Settlement amount: R597 693

S v I

Issue: Failure to ensure that client was adequately covered/failure to act with due skill, care and diligence

The complainant submitted a claim to his insurer in respect of one of his sub-contractors, which had damaged certain goods in transit as a result of a vehicle accident.

The complainant duly instituted a claim and was advised that the insurer was only prepared to compensate him for 50% of his loss for the reason that he did not have the correct sub-contractors' insurance in place. According to the complainant, he had requested appropriate cover from the respondent and he therefore demanded his claim to be honoured in full. An unsuccessful attempt by the complainant to resolve the matter triggered a complaint to this Office.

We referred the matter to the respondent and requested all documents in compliance with the FAIS Act. We received notification that the respondent had successfully negotiated with the insurer to have the claim honoured.

Settlement amount: R46 057

M v F

Issue: Failure to adhere to instruction of client

According to the complainant, when she and her husband entered into a mortgage bond agreement with her bank, they instructed a representative of the respondent to arrange life cover for both of them. Upon her husband's passing she duly instituted a claim with the insurer. The insurer rejected liability and argued that only the complainant was noted as a life insured on the policy. Aggrieved by the state of affairs, the complainant approached our Office for assistance.

We referred the complaint to the respondent and requested to be provided with a response to the complaint, as well as all compliance documents in support of the response.



SETTLEMENTS

The respondent did not provide us with the documents as requested, but rather provided us with proof of an ex gratia payment to the complainant in full and final settlement of the matter.

Settlement amount: R136 000

Good morning Kfisi

Once again thank you for your assistance. I can only thank God for assigning you to this matter. May you always be blessed and help many more people in future. You are truly an asset to your organisation and I hope they know it.

T v O

Issue: Failure to render financial services honestly and in the interest of client

In November 2006, the complainant was informed by a representative of the respondent that the end of his RA term was imminent and offered to refer an advisor to the complainant to assist him with investing the retirement funds.

The complainant agreed to make use of the advisor's services and handed the advisor a signed cheque instead of investing the complainant's funds in a safe investment, the advisor invested the funds in an unknown financial venture. The complainant's unsuccessful attempts to disinvest his funds triggered a complaint to our Office.

The respondent denied liability and argued that the advisor had not acted within the course and scope of his duties; i.e. he had been on a frolic of his own.

We requested the respondent to reconsider its stance, emphasising that the complainant was contacted by the respondent's representative and offered the services of one of the respondent's advisors.

The advisor who assisted the complainant introduced himself as a representative of the respondent, which convinced the complainant to make use of the advisor's services. The respondent reconsidered its stance and offered to pay the complainant a cash amount in full and final settlement of the matter. The complainant accepted the offer.

Settlement amount: R328 000

M v N

Issue: Advisor acting negligently

When the complainant's vehicle was stolen on 24 July 2009, she duly instituted a claim with her insurer.

The insurer rejected liability, citing that the complainant had failed to comply with the policy conditions, as her car had not been fitted with a VESA-approved level 3 or 4 immobiliser.

According to the complainant, she had informed her broker that her vehicle had been fitted with a factory-fitted immobiliser at the point of sale of the policy. As her broker did not make any further enquiries, she was under the impression that her vehicle met the security requirements.

We referred the matter to the respondent, which denied liability. We pointed out to the respondent that the broker acted negligently when he failed to ensure that the factory-fitted immobiliser of the second-hand vehicle met the security requirements of the insurer. This meant that the complainant was denied the opportunity to fit the correct immobiliser or seek alternative cover.

The respondent conceded that our arguments had merit and adhered to our recommendation to settle the matter.

Settlement amount: R51 000

Z v G

Issue: Failure to disclose fees in specific monetary terms

The complainant made an investment with the assistance of the respondent. It was only after he had received his investment contract that he noticed that the investment carried a charge of an upfront commission. According to the complainant, at the time this investment was made, product-supplier charges and a trailing commission had been discussed but no upfront commission.

Several unsuccessful attempts to have the upfront commission refunded led to the complainant approaching our Office for assistance.

We forwarded the complaint to the respondent, which argued that all disclosures in respect of fees had been made to the complainant.



SETTLEMENTS

We informed the respondent that the General Code of Conduct required all fees and charges to be reflected in specific monetary terms.

As the respondent could not provide us with proof of disclosure of all fees in specific monetary terms, we recommended settlement of the matter. The respondent offered to settle the matter for an amount equal to the upfront commission charged. The complainant accepted the offer.

Amount settled: R90 450

Dear MS Ricketts

I would like to advise that the amount of R90 450.00 has been paid into our account as of today's date and we can consider this case closed.

Again, we would like to express our appreciation for the prompt and efficient work you have done and we both feel that justice has been served in this case. Keep up the good work,

Best regards,

Mr & Mrs Lutz Zeterberg

P.S. We have also spoken to a senior man at..... and requested that the wording in the fine print of their policies be made bolder, with an explanation that this 'establishment fee' is in fact a commission being paid to the financial adviser and is open for negotiation.

B v A

Issue: Failure to disclose restrictions or circumstances in which policy benefits would not be provided

During October 2009, the complainant insured his imported breeding stallion with the assistance of a representative of the respondent who requested the complainant to complete and return an application for insurance to him.

When the complainant's stallion fell ill and later died on 22 October 2009, he duly lodged a claim with his insurer. The claim was rejected on the basis that the complainant had failed to comply with a term of the policy; i.e. he had failed to refer the stallion for surgery on a vet's recommendation.

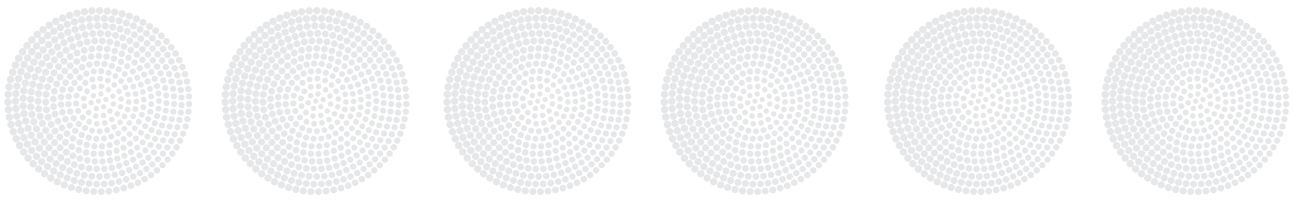
Unable to resolve the matter with the respondent, the complainant turned to our Office for assistance. The complainant argued that the terms and conditions of the policy had not been brought to his attention when the financial service was rendered.

Furthermore, he had only received the policy document after the horse had died.

We referred the matter to the respondent, which could not provide us with proof that the broker had disclosed the term in question to the client. As the only inference to be drawn was that the broker had not disclosed the term to the complainant, we requested the respondent to consider settlement of the matter.

After we refused the respondent's request to have the insurer joined as a party to proceedings, the respondent offered to settle the matter for the full insured amount less the cost at claim stage. The complainant accepted the offer.

Settlement: R287 140



Back row left to right: Zamazulu Nkubungu, Johan Scheepers, Thanduxolo Sidondi, Thembile Msuseni, Siphon Makuzeni, Muzi Magagula, Lelane Bezuidenhout

Middle row left to right: Violet Ricketts, Nivedna Rajmohan, Phumza Mtshemla

Seated left to right: Ayanda Mntonintshi, Malanee Murugan Modise, Khosi Segole Sibisi



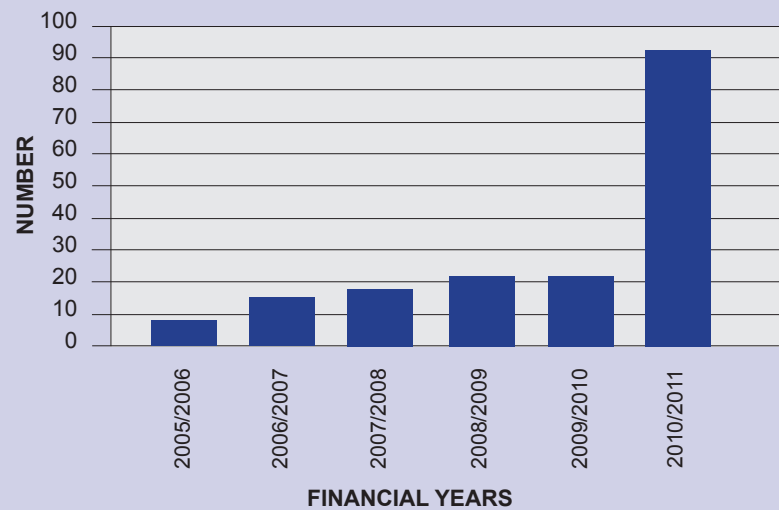
Back row left to right: Marc Alves, Ashwin Singh, Mashite Makgoo

Middle left to right: Ncebakazi Gqwa, Nomvula Mtolo, Akhona Zonke, Sinovuyo Puzi, Lesego Moraka, Oko Matshaya

Seated left to right: Ilne Potgieter, Ashley Percival, Kelebogile Sesoko

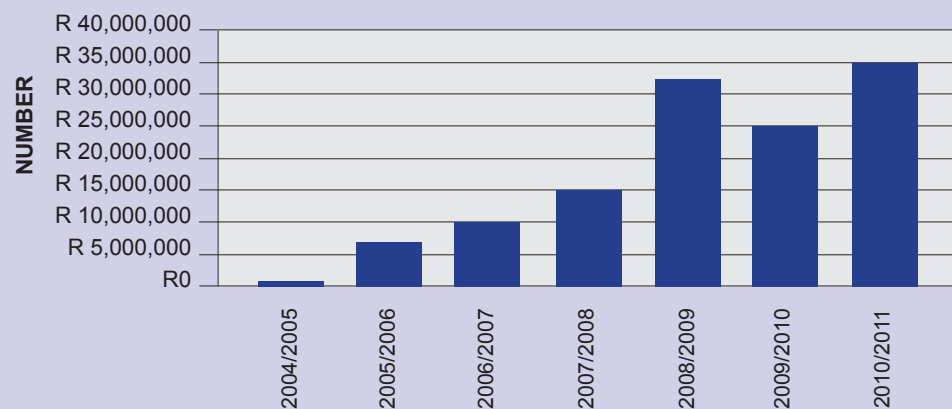
STATISTICS: GROWTH IN DETERMINATIONS

FINANCIAL YEAR	NO OF DETERMINATIONS
2005/2006	9
2006/2007	15
2007/2008	18
2008/2009	21
2009/2010	21
2010/2011	91



QUANTUM SETTLED/DETERMINED

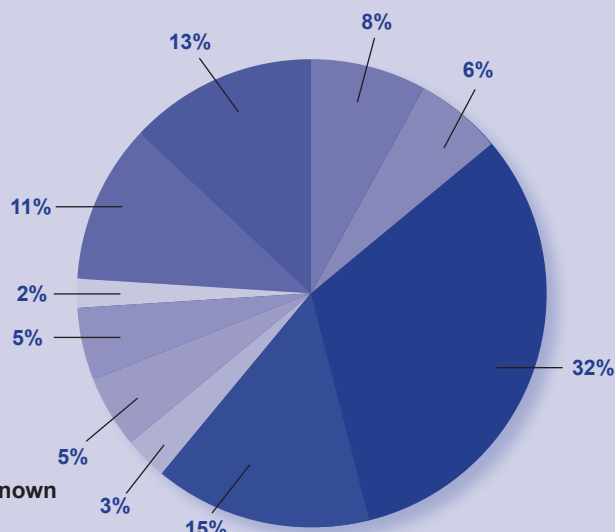
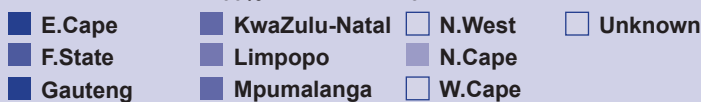
FINANCIAL YEAR	QUANTUM SETTLED/ DETERMINED	% DIFFERENCE
2004/2005	R 444,760	
2005/2006	R 6,500,000	1361.46%
2006/2007	R 10,059,978	54.77%
2007/2008	R 14,154,868	40.70%
2008/2009	R 32,916,192	132.54%
2009/2010	R 24,986,681	-24.09%
2010/2011	R 34 784 240	39.21%



WHERE OUR COMPLAINTS COME FROM

PROVINCE	PERCENTAGE	NUMBER
Eastern Cape	8%	631
Free State	6%	461
Gauteng	32%	2533
KwaZulu-Natal	16%	1232
Limpopo	3%	254
Mpumalanga	5%	362
North West	5%	391
Northern Cape	2%	158
Western Cape	11%	863
Unknown	13%	1059

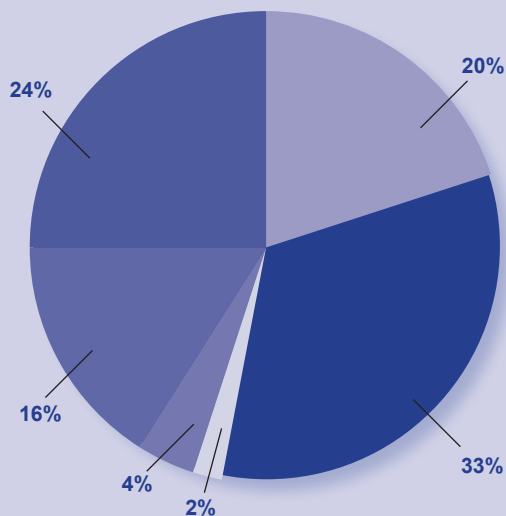
100% 7944



WHAT PRODUCTS PEOPLE COMPLAIN ABOUT

PRODUCT	PERCENTAGE	NUMBER
Long term	33%	2648
Short term	24%	1929
Investment	16%	1298
Retirement	4%	336
Medical	2%	177
Non FAIS	20%	1556

100% 7944



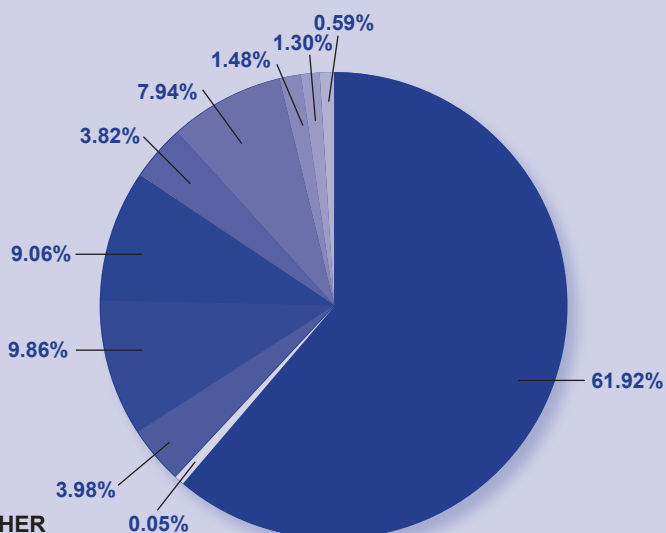
Left to right: Tshepiso Mabaso, Jaco van Rensburg, Mpho Koloko, Leoni Nieuwoudt, Khosi Segole Sibisi, Thanduxolo Sidondi, Rebotile Manakana

HOW COMPLAINTS WERE REFERRED TO OTHER FORUMS

REFERRED TO	PERCENTAGE	NUMBER
CIO	0.59%	26
CMS	1.30%	57
MIO	1.48%	65
NCR	7.94%	349
OBS	3.82%	168
OJSE	0.05%	2
OLTI	9.06%	398
OSTI	9.86%	433
FSB	3.98%	175
FSP and Other	61.92%	2720

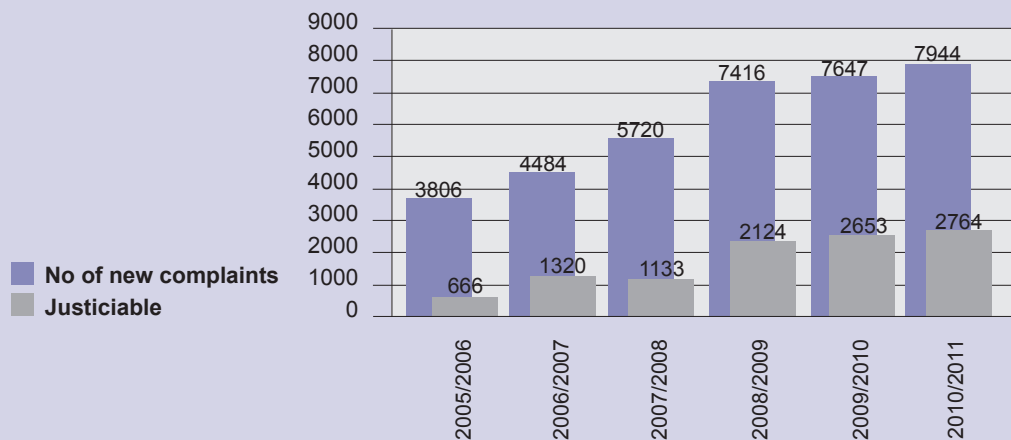
100% 4393

CIO
 MIO
 OBS
 OLT
 FSB
 CMS
 NCR
 OJSE
 OSTI
 FSP AND OTHER



GROWTH IN NEW COMPLAINTS

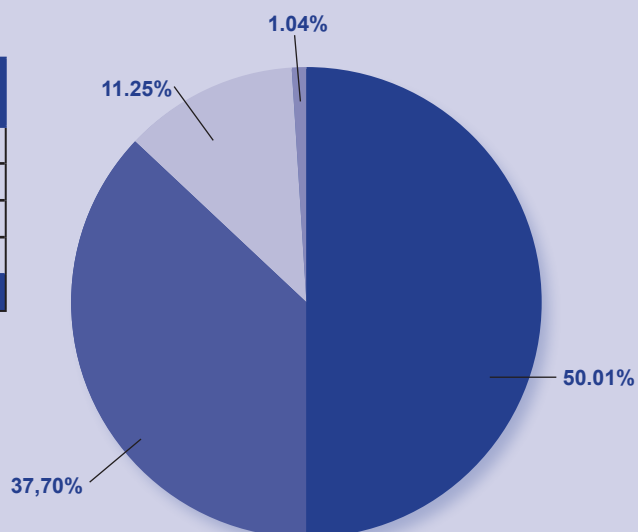
FINANCIAL YEAR	NO OF NEW COMPLAINTS	JUSTICIABLE
2005/2006	3806	666
2006/2007	4484	1320
2007/2008	5720	1133
2008/2009	7416	2124
2009/2010	7647	2653
2010/2011	7944	2764



HOW COMPLAINTS WERE DEALT WITH

All resolutions in 10/11 for cases from all years

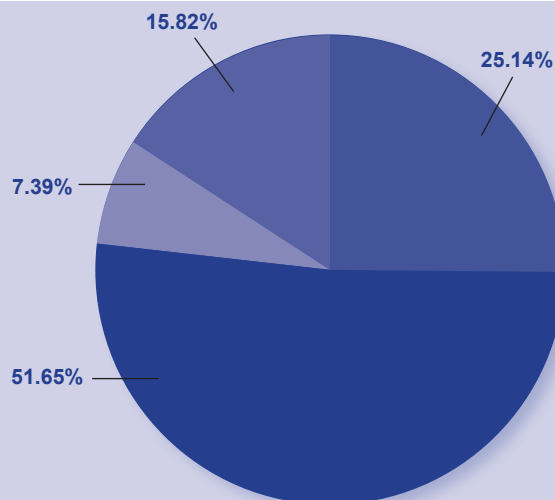
RESOLUTION TYPE	NUMBER	
Dismissed	3312	37.70%
Referred	4393	50.01%
Settled	988	11.25%
Determined	91	1.04%
TOTAL	8784	100.00%



HOW NEW COMPLAINTS WERE DEALT WITH

Dismissed	1997	25.14%
Referred	4103	51.65%
Settled	587	7.39%
Carried over	1257	15.82%
	7944	100.00%

■ Dismissed
■ Referred
■ Settled
■ Carried over



STAFFING

“One man can be a crucial ingredient on a team, but one man cannot make a team.” - Kareem Abdul-Jabbar



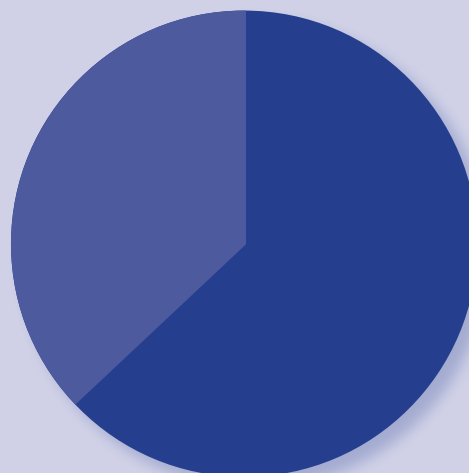
Gentleman, left to right back row: Ashwin Singh, Sydwell Shangisa, Muzi Magagula, Tshepiso Mabaso, Ashley Percival, Tebogo Mashatole, Vusi Mtshweni, Jaco van Rensburg, Thembile Msuseni, Thabani Ngcobo, Marc Alves, Johan Scheepers, David Davidson, Mashite Makgoo, Sipho Makuzeni, Thanduxolo Sidondi

Ladies, left to right: Khosi Segole Sibisi, Yvonne Shili, Rebotile Manakana (back), Johanna Mgidi, Kelebogile Sesoko (back), Lesego Moraka; Lelane Bezuidenhout, Akhona Zonke, Phumza Mtshemla, Malanee Murugan Modise, Ayanda Mtonintshi, Noluntu Bam, Sinovuyo Puzi, Nivedna Rajmohan, Ncebakazi Gqwa, Nomvula Mtolo, Leoni Nieuwoudt, Sbongile Mandita, Violet Ricketts, Zine Mahlaka, Zamazulu Nkubungu, Fundiswa Tiso, Hestie Teessen, Ilne Potgieter, Oko Matshaya, Mpho Koloko

STAFFING 2010 - 2011

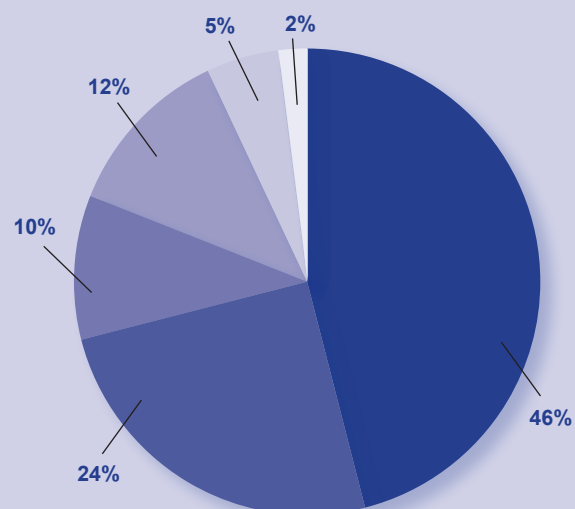
GENDER	
Female	25
Male	16
TOTAL NO. OF STAFF	41

■ Female
■ Male



POPULATION GROUPS

POPULATION GROUP	NUMBER	%
African Male	10	24%
African Female	19	46%
Coloured Male	0	0%
Coloured Female	0	0%
Indian Male	1	2%
Indian Female	2	5%
White Male	5	12%
White Female	4	10%
	41	100%

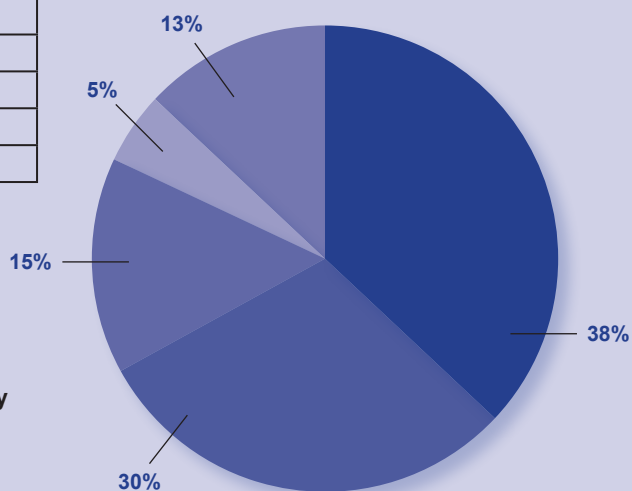


■ African Male
■ African Female
■ Indian Male
■ Indian Female
■ White Male
■ White Female

AREAS OF SPECIALISATION

SPECIALISATION:	
LAW	15
FINANCE AND COMMERCE	12
CFP	6
ADVANCED CFP	2
OTHER INDUSTRY QUALIFICATIONS	5

■ Law
 ■ CFP
 ■ Other industry qualifications
 ■ Finance & Commerce
 ■ Advanced CFP



REPRESENTATION AT MANAGEMENT LEVELS

	FEMALE	MALE	AFRICAN	INDIAN	WHITE	COLOURED
Executive Management	2	2	2	1	1	0
Senior Management	2	5	4	1	2	0



Left to right: Fundiswa Tiso, Yvonne Shili, Thabani Ngcobo, Johanna Mgidi, Vusi Mtshweni, Sbongile Mandita, Tebogo Mashatole, Zine Mahlaka

FAIS OMBUD GRADUATE TRAINING PROGRAMME

In November 2010 the Office of the FAIS Ombud embarked on a graduate trainee development programme. The drive behind this initiative was the need to groom candidates for case management positions within the organisation by bringing on board law graduates. These graduates would not ordinarily have been exposed to such an opportunity.

Through discussions with the Law Society of the Northern Provinces, the FAIS Ombud was directed to two law schools in the Eastern Cape. It had already been decided that five graduates would be selected, after an Ombud panel had carried out a thorough interview and screening process.

Among the broad spectrum of requirements and expectations of prospective candidates were their possession of a competitive edge and a probing personality, fluency in English, a good work ethic, and their being target driven and willing to relocate to Pretoria.

In addition, candidates were required to obtain a recommendation from their respective law school or university.

The training programme encompasses 18 months of formal on-the-job training in each aspect of the organisation's work flow. The trainees who display exceptional performance will be appointed at the level of Junior Case Manager.

From this position they will have the opportunity to mould a career path and be further exposed to professional and personal advancement through the FAIS Ombud's partnership with institutions of higher learning.

After much anticipation the five trainees were selected from a short list. They commenced employment on 1 December 2010, eager and ready to take on the challenge. The FAIS Ombud wishes them luck for the remainder of the programme.



Left to right: Zamazulu Nkubungu, Akhona Zonke, Sipho Makuzeni, Sinovuyo Puzi, Oko Matshaya



FAIS OMBUD GRADUATE TRAINING PROGRAMME

THE LAW SOCIETY OF SOUTH AFRICA AND THE FAIS OMBUD

The Law Society of SA's Legal and Development division (L.E.A.D) is proud of its relationship with the FAIS Ombud's office. The Ombud is central to sound financial regulation in our country.

The opportunity to participate in a recruitment exercise with the FAIS Ombud has been an inspirational one.

A wonderful career and learning opportunity was offered by the FAIS Ombud to graduates of L.E.A.D, who are from a province that needs every chance of advancement.

We trust that we have contributed to the professional capacity of the office in the important work that it does.

Nick Swart

LSSA

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011



Simphiwe Bana
FINANCE MANAGER

AUDITOR:

Auditor-General
Lefika House
300 Middel Street
Brooklyn

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REPORT OF THE AUDIT COMMITTEE

We are pleased to present our report for the financial year ended 31 March 2011.

AUDIT COMMITTEE MEMBERS AND ATTENDANCE

The Audit Committee consists of the members listed hereunder:

NAME OF MEMBER	NUMBER OF MEETINGS ATTENDED
H Wilton	6
P Sutherland	7
J Mogadime	6

The Audit Committee is a sub-committee of the Board of the Financial Services Board and consists of only non-executive Board members.

AUDIT COMMITTEE'S RESPONSIBILITY

The Audit Committee reports that it has complied with its responsibilities arising from sections 51(1)(a) of the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA) and Treasury Regulations 27.1. The Audit Committee reports that it has adopted appropriate formal terms of reference as its Audit committee charter, has regulated its affairs in compliance with this charter and has discharged its responsibilities as contained therein.

THE EFFECTIVENESS OF INTERNAL CONTROL AND THE INTERNAL AUDIT FUNCTION

The system of controls is designed to provide cost effective assurance that assets are safeguarded and that liabilities and working capital are efficiently managed.

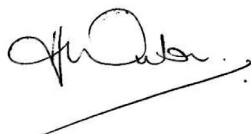
The internal audit provides the Audit Committee and management with assurance that internal controls are appropriate and effective. This is achieved by means of risk management processes as well as the identification of corrective actions and suggested enhancements to the controls and processes.

From the various reports of internal audit, the audit of the annual financial statements and management letter of the Auditor-General, it was noted that no material non-compliance with prescribed policies and procedures has been reported. Adequate progress has been made in attending to the other matters reported to ensure that errors and irregularities which may occur will be prevented or detected by the internal controls in good time. Accordingly we can report that the system of internal control for the period under review was sufficiently effective and efficient. The evaluation of the internal audit function was performed by the committee when considering the progress reports submitted by the internal auditors.

EVALUATION OF THE ANNUAL FINANCIAL STATEMENTS

The Audit Committee has reviewed and evaluated the financial statements of the FAIS Ombud for the year ended 31 March 2011 and are satisfied that the statements comply with the requirements of the Public Finance Management Act, Act No. 1 of 1999, as amended, and the Standards of Generally Recognised Accounting Practice (GRAP) issued by the Accounting Standards Board. The going concern principle was adopted in preparing the financial statements.

The Audit Committee concurs and accepts the conclusion of the Auditor-General on the annual financial statements and is of the opinion that the audited annual financial statements be accepted and read together with the report of the Auditor-General.



H Wilton

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE OFFICE OF THE OMBUD FOR FINANCIAL SERVICES PROVIDERS

REPORT ON THE FINANCIAL STATEMENTS

INTRODUCTION

1. I have audited the accompanying financial statements of the Office of the Ombud for Financial Services Providers, which comprise the statement of financial position as at 31 March 2011, and the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 41 to 57.

Accounting authority's responsibility for the financial statements

2. The accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA) and the Financial Advisory and Intermediary Services Act of South Africa, 2002 (Act No. 37 of 2002) (FAIS Act), and for such internal control as management determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-General's responsibility

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996), section 4 of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and section 23(3) of the FAIS Act, my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with International Standards on Auditing and *General Notice 1111 of 2010* issued in *Government Gazette 33872 of 15 December 2010*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
6. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

7. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Office of the Ombud for Financial Services Providers as at 31 March 2011, and its financial performance and cash flows for the year then ended in accordance with SA Standards of GRAP and the requirements of the PFMA and the FAIS Act.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

8. In accordance with the PAA and in terms of General notice 1111 of 2010, issued in *Government Gazette 33872 of 15 December 2010*, I include below my findings on the annual performance report as set out on pages 58 to 60 and material non-compliance with laws and regulations applicable to the entity.

Predetermined objectives

9. There are no material findings on the annual performance report.

Compliance with laws and regulations

10. There are no findings concerning material non-compliance with laws and regulations applicable to the entity.

INTERNAL CONTROL

11. In accordance with the PAA and in terms of General Notice 1111 of 2010, issued in Government Gazette 33872 of 15 December 2010, I considered internal control relevant to my audit, but not for the purpose of expressing an opinion on the effectiveness of internal control. There are no significant deficiencies in internal control that resulted in a qualification of the auditor's opinion on the financial statements and/or findings on predetermined objectives and/or material non-compliance with laws and regulations.

Auditor - General

Pretoria

22 July 2011



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

STATEMENT OF RESPONSIBILITY BY THE FAIS OMBUD

The FAIS Ombud is responsible for the preparation, integrity and fair presentation of the financial statements of the Office of the Ombud for Financial Services Providers ('Office'). The financial statements presented on pages 41 to 57 have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice including any interpretation of such statements issued by the Accounting Practices Board, with the prescribed Statements of Generally Recognised Accounting Practice issued by the Accounting Standards Board, and include amounts based on judgements and estimates made by management. The FAIS Ombud also prepared the other information included in the annual report and is responsible for both its accuracy and consistency with the financial statements.

Furthermore, the FAIS Ombud is responsible for designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.


The Office has relied, for payroll purposes, on the accounting controls, systems, frameworks and procedures adopted by the Financial Services Board. Nothing significant has come to the attention of the FAIS Ombud to indicate any material breakdown in the functioning of these controls, procedures and systems during the year under review.

In the opinion of the FAIS Ombud, based on the information available to date, the financial statements fairly present the financial position of the Office as at 31 March 2011 and the results of its operations and cash flows for the year then ended.

The going concern basis has been adopted in preparing the financial statements. The FAIS Ombud has no reason to believe that the entity will not be a going concern in the foreseeable future.

The audit report of the Auditor-General is presented on page 37 to 38.

The financial statements, set out on pages 40 to 57, have been approved by the FAIS Ombud on 31 May 2011 and are signed by:


pp

Abel Sithole

Chairperson of the Financial Services Board



Noluntu Bam

FAIS Ombud

FAIS OMBUD'S REPORT FOR THE YEAR

NATURE OF OPERATIONS

The Office of the Ombud for Financial Services Providers ('Office') was established in terms of section 20 of the Financial Advisory and Intermediary Services Act, 2002 (Act No 37 of 2002) ('FAIS Act'). The objective of the Office is to investigate and adjudicate complaints as defined in the FAIS Act, by clients against financial services providers or their representatives.

The FAIS Ombud in terms of the Financial Services Ombud Schemes Act, 2004 (Act No. 37 of 2004) ('FSOS Act'), can also act as statutory Ombud to determine who amongst the various scheme ombudsmen can deal with a complaint where there is uncertainty over which Ombud has jurisdiction. The FAIS Ombud, acting as statutory Ombud can also investigate and adjudicate on complaints where the scheme ombudsmen have no jurisdiction.

The FAIS Ombud employs various mechanisms to resolve the complaint, including mediation, conciliation or determination of the complaint in terms of the FAIS Act and the Rules on Proceedings of the Office. Determinations by the FAIS Ombud are deemed to have the same effect as a judgment of a Court.

The Office is funded in terms of a budget approved by the Financial Services Board in terms of Section 22 of the FAIS Act. In addition, the Office is entitled to levy a case fee of R1 000 per case once it has accepted a case for investigation.

SUBSEQUENT EVENTS

There have been no significant events subsequent to the financial year end that have had an impact on the financial statements.

OFFICE BEARERS

The FAIS Ombud is the responsible officer for the year ended 31 March 2011 and Board of the Financial Services Board is the designated accounting authority in terms of section 23 of the FAIS Act, 2002 (Act No 37 of 2002).

STATEMENT OF FINANCIAL POSITION

		2011	2010
	Notes	R	R
Assets			
Non-current assets		1,617,295	951,414
Property, plant and equipment	1	1,365,544	765,409
Intangible assets	2	251,751	186,005
Current assets		5,337,279	2,586,843
Accounts receivable	3	5,075,681	1,419,033
Cash and cash equivalents	4	261,598	1,167,810
Total assets		6,954,574	3,538,257
Funds and liabilities			
Funds		5,744,959	2,561,457
Accumulated surplus		5,744,959	2,561,457
Total liabilities		1,209,615	976,800
Non-current liabilities			
Finance lease liability	5	74,243	118,795
Current liabilities		1,135,372	858,005
Short term portion of finance lease liability	5	44,552	35,846
Accounts payable	6	1,090,820	822,159
Total funds and liabilities		6,954,574	3,538,257

STATEMENT OF FINANCIAL PERFORMANCE

		2011	2010
	Notes	R	R
Operating revenue		255,600	234,305
Expenses		22,408,037	21,426,994
Operating expenses		7,641,773	6,396,182
Personnel costs		14,490,616	14,270,965
Amortisation		237,248	203,333
Depreciation		(7,352)	520,866
Finance costs		45,752	35,648
Operating deficit	7	(22,152,437)	(21,192,689)
Contribution to assets and expenses by the financial services board	8	25,335,939	23,011,658
Surplus of the year		3,183,502	1,818,969

STATEMENT OF CHANGES IN NET ASSETS

R

Accumulated surplus**Balance at 31 March 2008**

567,023

Surplus for the year

175,465

Balance at 31 March 2009

742,488

Surplus for the year

1,818,969

Balance at 31 March 2010

2,561,457

Surplus for the year

3,183,502

Balance at 31 March 2011**5,744,959**

CASH FLOW STATEMENT

		2011	2010
	Notes	R	R
Cash flows from operating activities			
Cash received from entities		21,817,133	21,713,259
Cash paid to suppliers and employees		(21,745,970)	(20,544,752)
Cash generated by operations	10	71,163	1,168,507
Finance costs		(45,752)	(35,648)
Net cash flows from operating activities		25,411	1,132,859
Cash flows from investing activities			
Proceeds from asset disposal		-	71,806
Purchase of property, plant and equipment		(592,783)	(455,479)
Purchase of intangible assets		(302,994)	-
Net cash flows from investing activities		(895,777)	(383,673)
Cash flows from financing activities			
Decrease in finance lease liabilities		(35,846)	(3,849)
Net cash flows from financing activities		(35,846)	(3,849)
Net increase/(decrease) in cash and cash equivalents		(906,212)	745,337
Cash and cash equivalents at beginning of year		1,167,810	422,473
Cash and cash equivalents at end of year		261,598	1,167,810

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. SIGNIFICANT ACCOUNTING POLICIES

The Ombud for Financial Services Providers (FAIS Ombud) is a National Public Entity as specified in Schedule 3A of the Public Finance Management Act (PFMA), Act No. 1 of 1999 (as amended by Act 29 of 1999). The principle accounting policies applied in the preparation and presentation of these financial statements are set out below. These policies have been consistently applied to the years presented, unless otherwise stated.

1.1 Basis of preparation

The FAIS Ombud's financial statements are prepared in compliance with Generally Recognised Accounting Practice (GRAP), as determined by Directive 5 (Determining the GRAP Reporting Framework) issued by the Accounting Standards Board (ASB) in accordance with Section 55 and 89 of the Public Finance Management Act, Act No. 1 of 1999 (as amended by Act 29 of 1999).

These financial statements are prepared in concurrence with the going concern principle and on an accrual basis with the measurement base applied being the historical cost unless stated otherwise.

In terms of Notice 991 and 992 in Government Gazette 28095 of December 2005 and Notice 516 in Government Gazette 31021 of 9 May 2008 the FAIS Ombud must comply with the requirements of GRAP. Directive 5 details the GRAP Reporting Framework comprising the effective standards of GRAP, interpretations (IGRAPs) of such standards issued by the ASB, ASB guidelines, ASB directives, and standards and pronouncements of other standards setters, as identified by the ASB on an annual basis.

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, as detailed above, have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3 and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

In applying accounting policies management is required to make various judgements, apart from those involving estimations, which may affect the amounts of items recognised in the financial statements. Management is also required to make estimates of the effects of uncertain future events which could affect the carrying amounts of certain assets and liabilities at the reporting date. Actual results in the future could differ from estimates which may be material to the financial statements. Details of any significant judgements and estimates are explained in the relevant policy where the impact on the financial statements may be material.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Standards and amendments to standards issued but not effective

The following standards and amendments to standards have been issued but are not effective.

Standard	Summary and impact	Effective date
GRAP 18 – Segment Reporting	This standard establishes principles for reporting financial information by segments. The impact on the financial results and disclosure is considered to be minimal.	Issued by the ASB – March 2005
GRAP 21 – Impairment of Non-cash-generating Assets	This standard prescribes the procedures that apply to determine whether a non-cash generating asset is impaired and to ensure that impairment losses are recognised. The impact on the financial results and disclosure is considered to be minimal.	Issued by the ASB – March 2009 Effective date - To be determined by the Minister of Finance
GRAP 23 – Revenue from Non-exchange transactions	This standard prescribes the procedures that apply to determine whether a non-cash generating asset is impaired and to ensure that impairment losses are recognised. The impact on the financial results and disclosure is considered to be minimal.	Issued by the ASB – March 2008 Effective date - To be determined by the Minister of Finance
GRAP 24 – Presentation of Budget Information in the Financial Statements	This standard requires a comparison of budget and actual amounts and an explanation for material differences. The impact on the financial results is considered to be minimal. However the impact on disclosure is significant.	Issued by the ASB – November 2007 Effective date - To be determined by the Minister of Finance
GRAP 25 – Employee Benefits	The standard prescribes the accounting treatment and disclosure for employee benefits. The impact on the financial results and disclosure is considered to be minimal.	Issued by the ASB – November 2009 Effective date - To be determined by the Minister of Finance
GRAP 26 – Impairment of Cash-generating Assets	This standard prescribes the procedures to determine whether a cash generating asset is impaired and to ensure that impairment losses are recognised. The impact on the financial results and disclosure is considered to be minimal.	Issued by the ASB – March 2009 Effective date - To be determined by the Minister of Finance
GRAP 104 – Financial Instruments	This standard prescribes the procedures to determine whether a cash generating asset is impaired and to ensure that impairment losses are recognised. The impact on the financial results and disclosure is considered to be minimal.	Issued by the ASB – October 2009 Effective date - To be determined by the Minister of Finance
* Improvements to the Standards of GRAP	Improvements are proposed to the following standards of GRAP: GRAP 1- 4, 9-14, 16-17, 19 and 100 as part of the ASB's improvement project. The impact on the financial results and disclosure is considered to be minimal.	Proposed effective date is 1 April 2011
IFRS 9 – Financial Instruments	New standard issued relating to the classification and measurement of financial assets, which will replace the relevant portions of IAS 39. This standard will not have an impact on the financial results or disclosure as it has been removed from the framework prescribed in Directive 5 for periods beginning on 1 April 2010.	1 January 2013

[* Standards affected by the Improvements Project of the ASB issued in an exposure draft as ED 63 - Improvements to the Standards of GRAP]

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.2 Property, plant and equipment

Property, plant and equipment, comprising of office furniture, office equipment, motor vehicle's, assets under finance lease, computer equipment as well as paintings, are stated at cost less accumulated depreciation and any accumulated impairment losses.

All items of property, plant and equipment are depreciated on a straight-line basis at rates which will reduce their book values to estimated residual values over their estimated useful lives. The assets' residual values and useful lives are reviewed and adjusted if appropriate at each balance sheet date. The useful lives are as follows:

Motor vehicles	5 years
Computer equipment	3 - 5 years
Office equipment	5 years
Furniture and fittings	5 - 10 years
Paintings	5 years
Assets under finance lease	5 years

Maintenance and repairs, which neither materially add to the value of assets nor appreciably prolong their useful lives, are charged against the income.

1.3 Intangible assets

Computer software

Acquired computer software licences and costs associated with the development of unique software products controlled by the office are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (not exceeding three years). Costs associated with developing and maintaining of computer programmes are recognised as an expense when incurred.

1.4 Impairment of non-financial assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds the recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

1.5 Significant accounting judgements and estimates

The preparation of financial statements in conformity with the basis of preparation as described above requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the FAIS Ombud's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed below:

Critical accounting estimates and assumptions

Depreciation

During each financial year, management reviews the assets within property, plant and equipment and intangible assets to assess whether the useful lives and residual values applicable to each asset are appropriate.

Impairment of trade and other receivables

The FAIS Ombud tests annually whether trade and other receivables have suffered any impairment, in accordance with the accounting policy stated in Note 1.6 over the page.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.6 Financial assets

Loans and trade receivables are classified as 'Trade and other receivables' in the balance sheet. Loans and trade receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are carried at cost and are included in current assets as their maturity is less than 12 months from balance sheet date. Financial assets are derecognised when the rights to receive cash flows from the loans and trade receivables have expired.

1.7 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the FAIS Ombud will not be able to collect all amounts due according to the original terms of the trade and other receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

1.8 Cash and cash equivalents

Cash and cash equivalents includes cash in hand and bank balances.

1.9 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease. All other leases are classified as finance leases.

1.10 Finance leases

Leases of property, plant and equipment where substantially all the risks and rewards of ownership are transferred to the FAIS Ombud are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property, plant and equipment and the present value of minimum lease payments. Each finance payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term.

1.11 Trade and other payables

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

1.12 Provision and contingencies

Provision are recognised when there is a presented obligation as a result of a past event, making it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the obligation.

1.13 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable in terms of section 22(1) of the FAIS Act. Revenue is recognised as follows:

Case fees

Fee income is recognised when the case is accepted for investigation.

Contributions to expenses by the Financial Services Board

Contributions from the Financial Services Board towards expenses are recognised on the accrual basis.

The amount recognised is limited to the budget approved by the Financial Services Board in terms of section 22 of the FAIS Act.

1.14 Retirement benefits

Contributions towards a defined contribution plan are paid to an administered pension fund on a contractual basis. There are no further payment obligations once contributions have been paid. The contributions are recognised as employee benefit expense in the period in which the employee renders the related service.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.15 Related parties

All payments to executive management are classified as related party transactions. All transactions and balances with national departments of government and state-controlled entities are regarded as related party transactions and are disclosed separately in the notes to the financial statements (refer note 16).

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

1. PROPERTY, PLANT AND EQUIPMENT

	Motor vehicles R	Computer equipment R	Office equipment R	Furniture & fittings R	Assets under finance lease R	Paintings R	Total R
2011							
Cost	138,593	1,463,834	406,582	1,365,145	218,598	26,376	3,619,128
Accumulated depreciation	(68,138)	(876,633)	(196,895)	982,039	(103,603)	(26,276)	(2,253,584)
Net book value at 31 March 2011	70,445	587,201	209,687	383,106	114,995	100	1,365,544
Reconcilliation of carrying value							
Net book value at the beginning of the year	32,000	321,417	110,856	142,341	158,715	80	765,409
Additions	-	227,871	99,106	265,806	-	-	592,783
Current year depreciation	-	(214,957)	(39,494)	(252,239)	(43,720)	-	(550,410)
Useful life adjustment	38,455	252,870	39,219	227,198	-	20	557,762
Total	70,455	587,201	209,687	383,106	114,995	100	1,365,544

Assets under finance lease
are encumbered as per
note 5.

	Motor vehicles R	Computer equipment R	Office equipment R	Furniture & fittings R	Assets under finance lease R	Paintings R	Total R
2010							
Cost	138,593	1,235,963	307,476	1,099,339	218,598	26,376	3,026,345
Accumulated depreciation	(106,593)	(914,546)	(196,620)	(956,998)	(59,883)	(26,296)	(2,260,936)
Net book value at 31 March 2010	32,000	321,417	110,856	142,341	158,715	80	765,409
Reconcilliation of carrying value							
Net book value at the beginning of the year	50,506	363,476	129,159	179,157	135,318	100	857,716
Additions	-	169,494	23,668	160,190	102,127	-	455,479
Assets disposal	-	-	-	-	(26,920)	-	(26,920)
Current year depreciation	(18,506)	(211,553)	(41,971)	(197,006)	(51,810)	(20)	(520,866)
Total	32,000	321,417	110,856	142,341	158,715	80	765,409

Assets under finance lease
are encumbered as per
note 5.

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

2. INTANGIBLE ASSETS

	Computer software R	Data management system R	Website R	Total R
2011				
Cost	402,557	485,843	146,881	1,035,281
Accumulated amortisation	(203,394)	(485,843)	(94,293)	(783,530)
Net book value at 31 March 2011	199,163	-	52,588	251,751
Reconcilliation of carrying value				
Net book value at the beginning of the year	18,296	142,742	24,967	186,005
Additions	253,454	-	49,540	302,994
Current year amortisation	(72,587)	(142,742)	(21,919)	(237,248)
Total	199,163	-	52,588	251,751
2010				
Cost	149,103	485,843	97,341	732,287
Accumulated amortisation	(130,807)	(343,101)	(72,374)	(546,282)
Net book value at 31 March 2010	18,296	142,742	24,967	186,005
Reconcilliation of carrying value				
Net book value at the beginning of the year	37,420	304,674	47,424	389,338
Additions	-	-	-	-
Current year amortisation	(18,944)	(161,932)	(22,457)	(203,333)
Total	18,296	142,742	24,967	186,005

3. ACCOUNTS RECEIVABLE

	2011 R	2010 R
Trade receivables	177,000	148,000
Provision for doubtful debts	(73,000)	(46,000)
Net trade receivables	104,000	102,000
Contribution from the Financial Services Board	4,668,746	1,065,940
Prepaid expenses	302,935	251,093
	5,075,681	1,419,033

A provision for doubtful debts is created where there is evidence that the collection of a debtor will not be possible according to the original terms of the receivable. When the trade receivable is uncollectable, it is written off against the provision already created.

All accounts receivable are due within twelve months from the balance sheet date and are valued at fair value.

Management concluded that there were no adjustments necessary for the impairment of trade receivables at the end of the year.

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

4. CASH AND CASH EQUIVALENTS

For purposes of the cash flow statement, cash and cash equivalents comprise of cash in the current account with the bank. Cash and cash equivalents are stated at fair value at 31 March 2011.

2011	2010
R	R
261,598	1,167,810

5. FINANCE LEASE LIABILITY

Some office equipment is leased under non-cancellable lease agreements. The lease terms are between three and five years and are renewable on a month to month basis at the end of the lease period at market rates. As the lease terms transfers substantially all the risks and rewards of ownership to the FAIS Ombud, these leases are classified as finance leases. Lease agreements have a fixed 60 months term, interest is fixed at 10% with equal lease payments over the lease term.

Opening balance

New agreement entered into

Repayments

Short term portion transferred to current liabilities

Long term portion under non-current liabilities

	154,641	158,490
	-	102,127
	(35,846)	(105,976)
	118,795	154,641
	(44,552)	(35,846)
	74,243	118,795

Reconciliation of minimum lease payments

2011

Less than one year

Two to five years

2010

Less than one year

Two to five years

Minimum payments R	Interest costs R	Present value R
79,351	34,799	44,552
119,017	44,774	74,243
198,368	79,573	118,795
79,351	43,506	35,845
198,368	79,573	118,795
277,719	123,079	154,640

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

6. ACCOUNTS PAYABLE

	2011 R	2010 R
Trade payables	452,699	440,535
Leave pay accrual	250,385	191,181
Other payables	-	36,304
Lease liability	387,736	154,139
	<u>1,090,820</u>	<u>822,159</u>

All accounts payable are due within twelve months after balance sheet date.

7. OPERATING DEFICIT

The following items have been charged in arriving at operating deficit:

Audit fees	848,445	633,051
Operating lease rentals - office	1,660,909	1,071,445
Operating lease rentals - office equipment	55,086	22,496

8. CONTRIBUTION TO ASSETS AND EXPENSES BY THE FINANCIAL SERVICES BOARD

Funds received from the Financial Services Board in terms of section 22 of the Financial Advisory and Intermediary Services Act, 2002.

Donation of assets	-	79,875
Contribution towards funding of the office	25,335,939	22,931,783
	<u>25,335,939</u>	<u>23,011,658</u>

9. TAXATION

No provision has been made as the Office of the FAIS Ombud 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).

10. RECONCILIATION OF THE SURPLUS FOR THE YEAR TO CASH GENERATED BY OPERATIONS

Surplus of the year	3,183,502	1,818,969
Profit on asset disposal	-	(44,885)
Amortisation	237,248	203,333
Bad debts written off	33,000	73,140
Depreciation	(7,352)	520,866
Finance costs	45,752	35,648
Provision for doubtful debts	73,000	46,000
Movements in working capital:		
Increase in accounts receivable	(3,762,648)	(1,306,794)
Increase/Decrease in accounts payable	268,661	(177,770)
	<u>71,163</u>	<u>1,168,507</u>

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

11. RECONCILIATION OF BUDGET SURPLUS IN THE STATEMENT OF FINANCIAL PERFORMANCE

	2011 R	2010 R
Net surplus	3,183,502	1,818,969
Over recovery of income	(171,600)	(162,305)
Increase in provision for bad debts	73,000	46,000
Underspending on personnel cost	(2,181,066)	(2,177,367)
(Underspending)/overspending on expenditure	(452,936)	481,438
Asset donation from Financial Service Board	-	(79,875)
Net surplus per approved budget	450,900	(73,140)

12. CREDIT QUALITY OF FINANCIAL ASSETS

Trade receivables

Group 1	4,723,746	1,128,940
Group 2	49,000	39,000
	4,772,746	1,167,940
Cash at bank		
A1 Bank	261,598	1,167,810

Group 1 - debtors outstanding for less than 90 days

Group 2 - debtors outstanding for more than 90 days with no provision necessary

13. OPERATING LEASE COMMITMENTS

Office accommodation is leased in terms of an operating lease. The FAIS Ombud is required to give six months' notice for the renewal of the lease. The operating lease rentals include a charge for rental, parking, operational costs, electricity, rates and taxes. Escalations of 10% (2010: 10%) have been included in the lease agreement.

The future minimum lease payments payable under non-cancellable operating leases are as follows:

Not later than one year	1,580,789	1,450,265
Later than one year but not later than five years	4,580,032	6,160,821

14. RETIREMENT BENEFITS

The Office of the FAIS Ombud pays a defined contribution towards the pension funds established for its employees. The office has no other obligation to provide retirement benefits to its employees.

Pension fund contributions	1,317,075	1,149,678
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EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

15. FINANCIAL RISK MANAGEMENT

15.1 Financial risk factors

The FAIS Ombud has limited exposure to a variety of financial risks as a consequence of its operations. The FAIS Ombud's risk management programme is limited to the management of liquidity, case management and credit exposure. The FAIS Ombud complies with written principles for overall risk management.

(a) Market risk

Cash flow and fair value interest rate risk

The FAIS Ombud has no significant cash and cash equivalents and its income and operating cash flows are not dependent on changes in market interest rates. Finance leases are on a fixed interest rate and, therefore, there is no adverse exposure relating to the interest rate movements.

(b) Credit risk

Cash and cash equivalents and accounts receivable potentially subject the FAIS Ombud to credit risk. Cash and cash equivalents in excess of the FAIS Ombud's immediate operational requirements are always minimal and are deposited with a major bank. The credit risk is limited as the FAIS Ombud is a regulatory body and levies and other fees are charged in terms of legislation. Below is the balance that is held by the bank at the balance sheet date:

Standard Bank Limited

2011
R

2010
R

261,598

1,167,810

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient liquid resources and the ability to settle debts as they become due. The FAIS Ombud maintains adequate liquid resources consisting of cash and cash equivalents. Rolling cash flow forecasts of the cash and cash equivalents are monitored on the basis of expected cash flow.

The table below shows the FAIS Ombud's financial liabilities at the balance sheet date:

Year ended 31 March 2011

Accounts payable

Less than
1 year
R

Between 1
and 2 years
R

Between 2
and 5 years
R

1,090,820

-

-

Year ended 31 March 2010

Accounts payable

822,159

-

-

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

16. RELATED PARTIES

All National Departments of Government and State-controlled entities are regarded as related parties in accordance with Circular 4 of 2005: Guidance on the term "state controlled entities" in the context of IAS 24 (AC 126) - Related Parties, issued by the South African Institute of Chartered Accountants. The following transactions were recorded relating to transactions with related parties:

	2011 R	2010 R
Services provided by related parties		
<i>Public entities</i>		
Skills Development Levy	(124,309)	(129,573)
Unemployment Insurance Fund	(50,300)	(43,258)
Workmens' Compensation	(11,555)	-
	(186,164)	(172,831)
<i>National government agencies</i>		
South African Airways	(59,069)	(57,717)
Telkom Limited	(328,418)	(352,708)
	(387,487)	(410,425)
Year-end balances arising from services provided by related parties		
<i>National government agencies</i>		
Telkom Limited	40,642	9,774
Funding received from related parties		
<i>Public entities</i>		
Financial Services Board	25,335,939	23,011,658
Year-end balances arising from funding receivable		
<i>Public entities</i>		
Financial Services Board	4,668,746	1,065,940

Management Emoluments

Personnel costs include the cost to the office for the following key managerial staff:

	Salary	Travel allowance	Pension contribution	Performance bonus	Leave commutation Paid	Total
	R	R	R	R	R	R
Year ended 31 March 2011						
N Bam, FAIS Ombud, appointed on 1 April 2011	1,132,935	24,000	169,065	148,155	134,630	1,608,785
S Bana, Financial Manager	583,841	64,000	66,743	80,000	6,000	800,584
K Ntlonti, Office Manager, resigned on 20 October 2010	203,216	25,096	18,250	-	27,486	274,048
S Sikhitha, Assistant Ombud *	463,620	60,000	56,568	80,000	14,375	674,563
M Murugan Modise, Team Resolution Manager**	590,582	-	63,802	65,000	13,377	732,761
A Percival, Team Resolution Manager**	548,473	42,000	63,791	65,000	-	719,264
	3,522,667	215,096	438,219	438,155	195,868	4,810,005

* Moved from key management on 31 January 2011

** Appointed on 1 April 2010

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2010	Salary R	Travel allowance R	Pension contribution R	Performance bonus R	Leave commutation Paid R	Total R
C Pillai, FAIS Ombud	1,254,138	180,000	-	255,439	82,371	1,771,948
N Bam, Deputy Ombud	889,159	24,000	133,452	204,714	42,794	1,294,119
S Bana, Financial Manager	470,891	72,000	58,650	102,953	12,298	716,792
K Ntlonti, Office Manager	298,072	60,000	38,684	39,821	8,084	444,661
	2,912,260	336,000	230,786	602,927	145,547	4,227,520

17. CONTINGENT LIABILITIES

There are no contingent liabilities or pending litigation that are known to management as at 31 March 2011.

18. CHANGE IN ACCOUNTING ESTIMATE

During the year ended 31 March 2011, the FAIS Ombud reviewed the useful lives of its assets, as a result the useful lives were adjusted upward by (2-5) years. The effect of the changes on depreciation expenses in current financial year is a decrease in depreciation expense of R557 762. Amount in future period is not disclosed because estimating it is impracticable.

PERFORMANCE INFORMATION

1. STRATEGIC FOCUS AREA 1: IMPROVEMENT OF COMPLAINTS HANDLING PROCESS

The FAIS Ombud intends to continuously improve the processes of case management so that it remains capable of delivering cost effective services.

Taking into account the practical experiences the office has, the implementation of a complaints-handling process was recognised as a key priority. The improved process will ensure immediate registration of complaints thereby avoiding a backlog of unregistered files and proved clients with up-to-date feedback when required. This will include clear, efficient and unambiguous case handling procedures to ensure smooth flow and consistent performance standards. Benchmarks for quality and timelines will be identified and maintained. This will enable the office to improve its turnaround times and efficiencies, increase case load and provide better client satisfaction in the speed and manner in which complaints are resolved.

Measurable objective	Output	Outcomes	Measurable Indicator	2010/11	Performance Targets	
					Progress on 31 March 2011	Explanation/ Variance
Proper implementation of the approved complaints handling process for a cost effective service, quicker turnaround times on cases and ensuring smooth flow and consistent performance standards	Implementation of the approved workflow process for each kind of contact	Fair and appropriate outcome of investigations	Effective implementation of plan	100% achievement of activities set out in implementation plan	The implementation plan was approved by EXCO during the last quarter. 70% of the activities have been achieved	Achievement of 3.5 out of 5 of the steps in the Implementation Plan. Management has accepted the report and has decided to shelve the remaining steps as they are covered in a bigger IT project scheduled for the next financial year
	Closed complaints files		% of complaints closed within 9 months of receipt of complaint	60%	This objective has been achieved. In fact, 93% of cases received in the last 9 months been closed	
	Quality control plan		Date of approval of Approved quality control plan	31 March 2011	A Quality Control Plan was completed and approved by EXCO on 31 May 2010	
	Automated the contact handling process by integrating it with CRM system which has inbuilt checks and balances		% Compliance with automated process	95% compliance with the prescribed handling process	Management has decided that this is linked to a bigger IT project that is shelved for the next financial year. This goal will be included in the IT Strategy for the financial year ending 31 March 2012	

PERFORMANCE INFORMATION (continued)

2. STRATEGIC FOCUS AREA 2: OPERATIONAL EFFECTIVENESS – STRENGTHENING THE FAIS OMBUD's ORGANISATIONAL

CAPABILITY, CAPACITY AND PERFORMANCE TO DELIVER ON ITS MANDATE IN AN ECONOMICALLY, EFFICIENT AND EFFECTIVE MANNER, IN ACCORDANCE WITH THE RELEVANT REGULATORY FRAMEWORK

A major component of the overall success of the FAIS Ombud depends on the effective and efficient service of its support functions. The focus for the next period will be on the following:

- Information Technology: Effective use and further enhancement of technology in order to improve the operations of the FAIS Ombud.
- Finance: Ensure a sustainable source of revenue to fund operations in accordance with mandate.
- Human Resources: Ensure that appropriate talent is recruited, developed, retained and managed to support the execution of the FAIS Ombud's mandate.
- Stakeholder management: Develop and maintain stakeholder relationships to enhance performance, accountability and public confidence.
- Governance and Risk management: Ensure an effective risk and compliance framework in order to optimise operational and strategic efficiencies.

Measurable objective	Output	Outcomes	Measurable Indicator	2010/11	Performance Targets	
					Progress on 31 March 2011	Explanation/ Variance
To maintain, improve and align IT systems to support business needs and overall objectives by implementing the IT strategy	Approved IT strategy and plan and the successful implementation thereof	Enhanced internal effectiveness and service delivery	Approved IT strategy and plan	Approved IT strategy and plan by April 2011	IT strategy and plan has been approved	
To ensure a sustainable source of revenue to fund operations in accordance with the FAIS Ombud's mandate	Approved Budget	Sufficient funds to deliver on mandate	An approved budget	Completed and approved budget by 31 March	The Budget has been approved	
	Management accounts		% deviation from budget vs actual	Less than 10% deviation	Deviations from the budget vs actual are explained in the management accounts. An insignificant 3% of the deviations were considered not to require an explanation	

PERFORMANCE INFORMATION (continued)

Measurable objective	Output	Outcomes	Measurable Indicator	2010/11	Performance Targets	
					Progress on 31 March 2011	Explanation/ Variance
Ensure that appropriate talent is recruited, developed, retained and managed to support the execution of the FAIS Ombud's mandate	Approved recruitment strategy and successful implementation thereof	Appropriate skilled staff and competent staff to execute mandate	Approved recruitment strategy	Approved strategy by April 2011	The Recruitment Strategy was approved	
	Approved training strategy and plan and successful implementation thereof		Approved and updated training strategy and plan	Approved training strategy by March 2011	The training strategy was approved	
	Approved performance management system	Motivated staff to achieve objectives of FAIS Ombud's	Approved performance management system	Approved performance management system by June 2010	The goal has been achieved	
	Implemented performance management system		% of adherence to performance management system processes and deadlines	90%	The goal has been achieved	
Develop and maintain stakeholder relationships to enhance performance, accountability and public confidence	Approved Stakeholder relationship strategy	Informed and improved cooperation with stakeholders and public confidence	Approved Stakeholder relationship strategy	Approved strategy by March 2011	The Stakeholder Relationship Strategy has been approved	
	Approved and implemented marketing and communication plan		Approved marketing and communication plan	Approved plan by March 2011	The plan has been approved	
Ensure an effective risk and compliance framework in order to optimise operational and strategic efficiencies	Approved Compliance and Risk Management Framework and the successful implementation thereof	The FAIS Ombud is seen as a compliant entity	Date of approval of Compliance and Risk management framework	30 June 2010	The goal was achieved	

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**“Without a sense of caring, there
can be no sense of community.”
- Anthony D’Angelo**



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