

Commemorating
10 YEARS
of making the right
moves



Annual Report

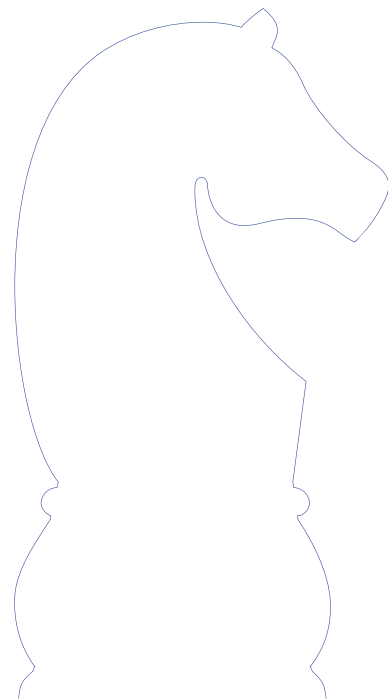
2013/2014



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LEGISLATIVE MANDATES



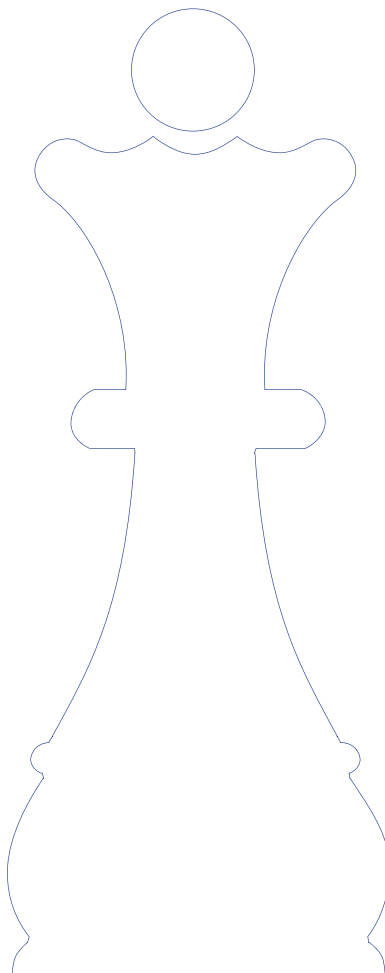
The FAIS Ombud was established in terms of section 20 of the Financial Advisory and Intermediary Services Act, (Act 37 of 2002) (FAIS Act). The FAIS Ombud is a schedule 3A public entity in terms of the Public Finance Management Act, (Act 1 of 1999) (PFMA) and reports to the Minister of Finance through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

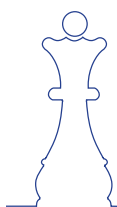
a) FAIS Act

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

b) FSOS Act

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





VISION, MISSION & CREDO

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Vision

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

Mission

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



Our Credo

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

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

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

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

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

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

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

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

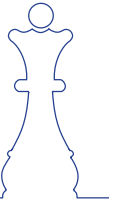
We are responsible to the communities in which we live and work and to the larger international community. We must be good citizens and support civic initiatives.

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

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



MINISTER'S REPORT



The financial sector plays a vital role in the ongoing transformation of our society. It can contribute to the creation of a better life for all our people. Financial services touch the lives of each and every citizen, making it possible for people to make daily economic transactions, save and preserve their wealth to meet future aspirations and retirement needs, and insure against personal disaster.

Yet, as National Treasury pointed out in the policy document (A safer financial sector to serve South African better) published in 2011, the financial sector is characterized by high and opaque fees, and, in some cases the unfair treatment of customers.

It is against this background that the work of the Financial and Intermediary Services (FAIS) Ombud should be seen. Now in its 10th year of operation, the FAIS Ombud adjudicates and deals with complaints against financial services providers, primarily the intermediaries selling investment products. The high number of complaints received by the FAIS Ombud's office confirm that the need for redress through avenues like the FAIS Ombud is real. Access to redress is one of the key features of constitutional democracy.

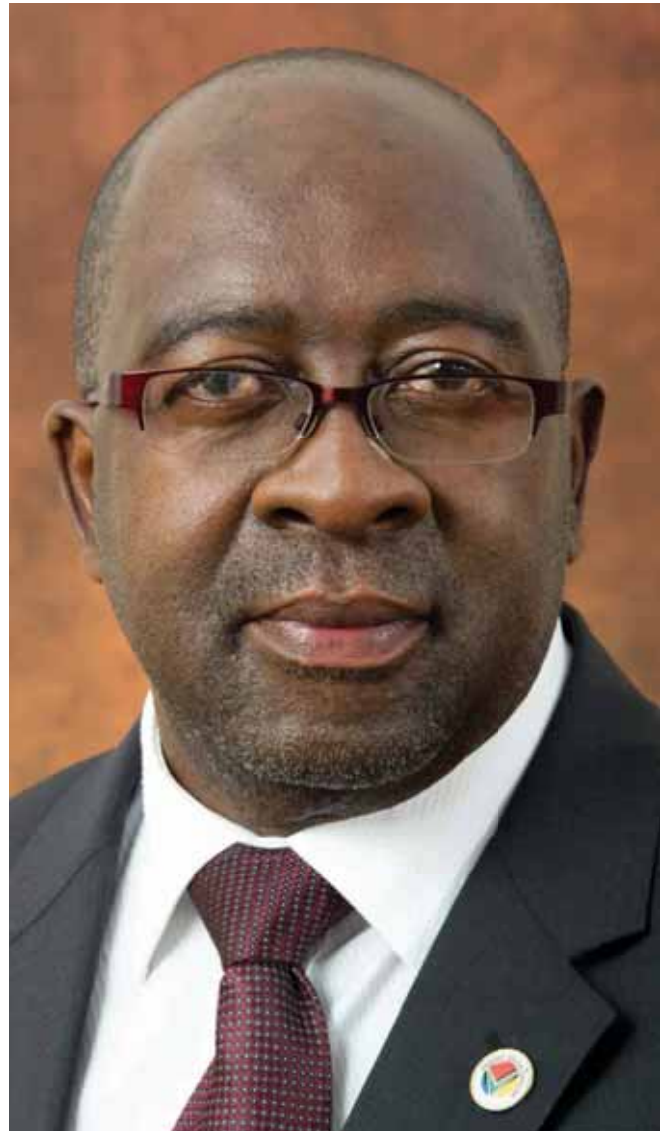
Section 20 of the FAIS Act states that the primary function of the Ombud is to resolve complaints informally, expeditiously and economically. The FAIS Ombud received 9 439 complaints during the 2013/2014 financial year in comparison to 9 949 complaints received in the 2012/2013 financial year. This marginal difference has been influenced by the extraordinary number of complaints relating to property syndication schemes which collapsed immediately before the 2012/2013 financial year. I have no doubt that the pressure exerted on the resources of the FAIS Ombud, in the 2013/2014 financial year, emanated from the legal complexities involved in resolving these types of complaints.

In spite of these challenges, the FAIS Ombud continues to meet its strategic goals; as can be gleaned from the consistent attainment of its strategic goals over the decade. Worthy of mentioning is the continuous fulfilment of the strategic goal relating to the number of complaints resolved within the financial year. This year was no different as 7 587 of the 9 439 complaints received in the financial year, were resolved within the same year.

The quantum of settled and determined complaints stands at R30.5 million, as opposed to R51.1 million in the 2012/2013 financial year. As the FAIS Ombud charts its next era of complaints resolution, I have no doubt that the Office will continue to fulfill a critical need in South Africa.

I congratulate Ms Bam and her team for achieving the Office's strategic goals.

Nhlanhla Nene



Mr Nhlanhla Nene
Minister of Finance

CHAIRPERSON'S REPORT

Commemorating
10 YEARS
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moves

Dear Stakeholders,

In all my nine successive reports, I have shared how well the FAIS Ombud has fared against its pre-determined strategic objectives. This report marks the tenth successive report of this nature.

While this is a formidable achievement, beyond the number of complaints reported to have been closed lies the real value created by the FAIS Ombud.

This value lies in the tangible change experienced by consumers who would otherwise have been disillusioned about how to enforce their rights, and the financial services providers who have had to change the way they render financial services.

These experiences change perceptions about our justice system, and provide personal testimony to what living in a democracy means.

An important aspect for our young democracy are the values of transparency and accountability as building blocks for good governance. I am pleased to note that while concentrating on the main goal of resolving complaints, the FAIS Ombud has been mindful of the manner and the atmosphere in which those results have been achieved. For this the entity received a clean audit award from the Auditor-General of South Africa in 2013 in recognition of its efforts in upholding good corporate governance precepts and complying with the law.

Having made it my business to understand the business of the FAIS Ombud, this kind of recognition from the Auditor-General of South Africa is an indication that the entity is indeed maturing.

While I remain concerned about the increasing number of complaints relating to investment related advice, I am pleased to note that the Office has resolved 8 551 complaints and returned R30 525 928 to consumers.

Having listened to the Ombud's concerns regarding the strain that is brought to bear on their resources because of the increased complexity in the nature of some of these complaints, I am persuaded that it would have been no easy matter to close such a large number of cases.

Congratulations to the Ombud and her staff on this sterling achievement.

Abel Sithole



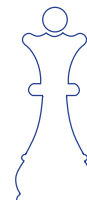
Mr Abel Sithole
Chairperson of the Board of the FSB

“In all my nine successive reports, I have shared how well the FAIS Ombud has fared against its pre-determined strategic objectives. This report marks the tenth successive report of this nature.”



OMBUD'S OPERATIONAL REPORT

FINANCIAL YEAR ENDED MARCH 2014



FAIS OMBUD ANNUAL REPORT THOUGHTS FOR THE YEAR ENDING 31 MARCH 2014

Celebrating 10 Years of Existence

On 1 August 2014, the Office of the Ombud for Financial Services Providers (the Office or the FAIS Ombud) will be ten years since the day it was first established. In this report, we take a look through the archives and ask the question, how much, if anything, has changed in the ten years?

Some would say, focusing on the future and building a sustainable organisation that remains firmly focused on its mandate is more important than dwelling on the past. Our belief is that it is important to pay attention to our history. It is in fact a source that keeps us fortified and helps align our values and from which we are able to draw parallels from the then with the now¹.

Many will recall the period between August 2003 to 29 September 2004 when we turned away complainants, often citing the statute and explaining we were not yet empowered to resolve complaints, a statement that was often received with scepticism by the consumer. We were aware that consumers of financial services were losing patience, but we had no authority to assist. It did not take long for the Office to devise a strategic way to assist the public, and with that, our role as a mediator between users of financial services and the financial services industry was established. Shortly thereafter, the FAIS Act came into full swing.

This new statute required a fundamental shift in the way business was done and called for, amongst other things, responsibility, accountability, transparency and fair treatment of consumers.



Noluntu Bam
Ombud

¹ Seaman John T Jnr and Smith George David, 'Taking your organisation forward by drawing on the past' HBR December 2012, p45.

See in this regard the case of **Helena Antoinette Dennis v Nedbank**², where the complainant challenged the conduct of the respondents in denying her freedom to utilise her existing short term cover with Santam, which adequately secured the respondents' interests and hers. Relying on the then section 43 (5) of the Short Term Insurance Act 53 of 1998, respondents refused to resolve the matter with the complainant. They also refused a recommendation made by this Office at the time, forcing the Ombud to determine the complaint.

Dismissing the respondents' contentions and finding that their conduct was inconsistent with the provisions of the FAIS Act, respondents were ordered to cancel the short term cover they had placed, accept cession of complainant's existing insurance with Santam and refund all premiums paid by complainant with interest.

Since then, several determinations have highlighted the way consumers of financial services industry are treated. In the case of **Gert Cornelius Johannes and Susara Jacoba van Vuuren v Kampstone Financial Services CC**³, the complainants, then aged 69 and 66, were sold two 15 year long monthly recurring Old Mutual Max investments at a point in their life when they could neither afford such premiums nor restricted access to their capital.

Complainants subsequently made several withdrawals to address their liquidity needs. Eventually, they reduced the premiums payable to the investments. When they realised that they were being charged penalties by Old Mutual, they complained to the respondents to no avail. Eventually, they lodged a complaint with this Office. The Office determined that the advice of the provider was unsuitable to complainants and their circumstances.

In dealing with the quantum of the complainants' loss, and being suspicious of double dipping⁴ on the part of the product provider, the Office requested Old Mutual to confirm the accuracy of the amount deducted as penalties. They replied stating that they intended to refund complainants the amounts of R30 827.46 and R10 163.79 respectively. No explanation was proffered. Respondents were ordered to pay the difference.

The case of **Andre du Toit and Valencia Thompson vs Johanna Susanna Petronella du Preez**⁵, is a classic example of the manner in which unscrupulous advisers repeatedly and unnecessarily replace policies to earn additional commission. Known as churning, this frequent unnecessary replacement of clients' financial products attracts additional costs, penalties and taxes, which significantly reduce investor returns. Accordingly respondent was ordered to pay a fair and reasonable compensation to complainants.

A more recent example of where we are in terms of treating customers fairly can be gleaned from **Port v Geldenhuys**⁶ and **Another**. The complaint was brought by two brothers, Warrick and Gerald Port, who, as a result of respondent's unconscionable conduct, found themselves

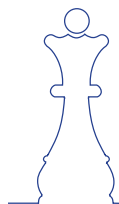
² FOC 979/05

³ 02156/09-10 GP1

⁴ The practice of applying penalties twice to the same transaction / causal event

⁵ 4705/11-12 GP 1

⁶ 01799/10-11 WC 1; 02216/10-11 WC 1



with 10 year endowment contracts with an annual recurring premium of R1,2 million and R1,5 million respectively, with Momentum. As construction workers who could be subjected to furloughs or have their contracts permanently terminated, complainants argued they could never have agreed to investments totalling R12 million and R15 million respectively over the 10 year period. It transpired that the discussion between the respondent and each of the brothers was about two, 5 year single premium investments of R1,2 million and R1,5 million respectively.

Forced to prematurely terminate these prohibitive investments, complainants were subjected to heavy penalties with the first complainant paying an amount of R480 933 whilst the second paid R445 781. Respondent was invited to defend his actions, which he failed to do. Communication between this Office and Momentum following the determination which had found that respondent had blatantly disregarded the FAIS Act, yielded positive results for the complainants as they were later refunded the amounts of R451 822 and R274 711 respectively.

In the case of **Jacqueline Bekker v Edward Carter-Smith and Others**⁷, the complainant complained about the advice furnished by the first respondent, Carter-Smith. Prior to the investments, complainant was promised that her funds would be kept in an attorney's trust account and only paid out in the event of transfer of the immovable properties to the name of the property syndication companies. However, prior to such transfer and contrary to the prospectuses, the directors authorised the withdrawal of funds from the attorney's trust account in violation of the law. Perhaps, what stands out in this case is the apparent lack of appreciation of the risk inherent in the product on the part of Carter-Smith. The respondents were ordered to compensate complainant for her financial loss. The respondents are appealing the determination.

This Office has seen providers of short term insurance who are still struggling to make the mind shift and embrace the FAIS Act. These providers, who clearly have been left behind, still continue to render financial services in complete disregard of their clients' interest and the provisions of the FAIS Act. In the case of **Fliptrans CC v S & P Insurance Advisors (Pty) Ltd and E Solmes**⁸, Phillip Meyer, a representative of Fliptrans CC, complained that their insurers, New National, had refused to indemnify them for the loss of their motorcycle. According to the insurers, complainant had failed to comply with a security requirement relating to the fitment of a tracking device to the motorcycle. Complainant contended that no one had informed him of the requirement.

During investigation, two issues remained uncontested and these are:

- The respondents did not at any stage advise their client prior to concluding the insurance contract. They could not provide this Office with their record of advice. They pinned their case to the proposal form and the actual contract, the latter having been sent

to the complainant weeks after the sale.

- They could not provide any evidence that they had disclosed any of the material terms to the complainant. The communication was between the salesman and the respondents.

Still, respondents persisted through their lawyers and raised the defence that the FAIS Act does not apply to the provision of financial services relating to short term insurance. Dismissing respondents' argument, the Office ordered the respondents to pay the complainant what was considered fair and reasonable compensation.

For more determinations please refer to the FAIS Ombud website.

Looking back at the first ten years, the following benefits can be seen:

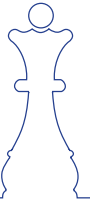
- There is an informal, cost effective, independent and impartial forum to which consumers of financial services can lodge their disputes;
- The determinations of the FAIS Ombud can be challenged through an open, transparent and cost effective process;
- Consumers of financial services industry, sophisticated and vulnerable, require no legal representation to lodge complaints with the FAIS Ombud;
- Consumers can be assisted without having to worry about how well their story is told;
- As evidenced by the substantial number of informal resolutions, providers of financial services have embraced the FAIS Act;
- Through the FAIS Ombud's determinations, financial services providers have seen the value of the FAIS Act in enabling them to grow sustainable businesses.

This is change.

Trends

- **Savings and Investments**
 - Over the years, there has been a growing number of complaints relating to costs associated with investments.
 - Complainants complain about these categories of **costs**:
- **Undisclosed costs by way of commission;**
- **Trail commission**
 - Many of the complaints point to trail fees being paid and complainants ask why they are paying such fees, when in some instances, they last heard from the financial advisor on the day they purchased the investment;
 - Almost all of these complainants claim they were not aware they were paying these costs;
 - Some complain that they only discovered that they were paying the trail commission when they made the call to the product provider, only to learn that the financial advisor left years ago. They then ask, 'why am I paying for this then?'

⁷ 06661 /10-11 WC 1. (An investment in the Public Property Syndication known as Sharemax Investments, or simply, Sharemax)
⁸ 07987/ 11-12 PG 3



- **Termination costs**
 - When consumers want to exit compulsory savings owing to sudden changes in their financial circumstances, they find they will be met with substantial penalties.
- **Downward variation of the premium**
 - In compulsory savings, people complain that when they asked that the premium be reduced owing to their changed financial circumstances, they were met with penalties.
- **Replacements**
 - We argue with FSPs everyday about this. The argument on the one side is that the complainant knew what the cost implications were. When we ask to demonstrate that the replacement is in the client's interest the matter then gets settled;
 - When we ask the new provider to provide proof of disclosure, we sometimes see only partial disclosure, which often does not take into account all the costs that the consumer has already incurred;
 - There are still problems with cancellation of an old life policy only for the provider to realise that the new policy cannot go through underwriting. This is a common complaint.
- **Retirement**
 - Plan amendment costs: either exiting before retirement date or downward variation of the premium is met by heavy costs, as a result of which we receive complaints from consumers;
 - It is not unusual to see complaints from people who had committed to pay premiums of R15 000 and more per month for more than 20 years on a retirement annuity. In one particular complaint, the complainant chose to use an endowment and was paying R25 000 per month for 15 years. When we asked the provider why a compulsory savings as opposed to a flexible one with no penalties, (the as and when type), no rational answer was provided.
- **Fraudulent or Improper Conduct**
 - Having clients sign incomplete documentation in contravention of the FAIS Act or even altering documents after the fact.
 - The enticement of clients to sign documents under false pretences i.e. surrendering policies to use the funds to earn commission on another policy or even signing up clients for policies or products which the client had no intention of purchasing. (See **Frikkie Loots v C C Bothma and another** where the adviser faced disbarment⁹).
 - There are still large numbers of people who have no knowledge that they are paying premiums for life policies, the beneficiaries whereof being unknown to them.
- **Assistance Business**
 - This area of business is fraught with problems, most of which include fraud;
 - Funeral business remains a challenge to the FAIS Ombud in many respects.

- **Complex Investment Products**
 - Property syndication related complaints form a substantial part of investment related complaints. The complexities surrounding these products place them out of reach for ordinary investors, alarmingly they are sold mainly to pensioners;
 - Hedge funds or similar arrangements are proving to be a problem.
- **Disability, Dread Disease, Critical Illness**
 - These products remain complex especially because the insured event may arise years later, since the day the product was purchased;
 - There is often lack of clarity in terms of what is covered;
 - Definitions are complex making it impossible for the provider to understand which product is suitable and for what instances;
 - Complainants complain that they paid premiums for many years and later realise that the product they bought is useless to them.

We believe that unless there is legislative intervention, the problems in this area are unlikely to be solved.

- **Short Term Products**

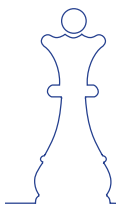
Many complainants claim they were not informed of the material terms, including:

 - Excesses;
 - People complain that they are inadequately covered;
 - People complain that they bought what they believed was a cheap premium, only to face high excesses at claim stage;
 - Sometimes cheap premiums come with cover that is totally unsuitable to the client's situation.

The Responsibility of the Client

The findings of the office are by no means a one way street of upholding complaints against financial advisers. In fact as evidenced by our statistics, in the 2013/2014 financial year, out of the resolved complaints 789 complaints were settled and 2740 complaints were dismissed.

Consider for example, the case of **Leshie Amiel Mojelo vs Estene Brokers and Christine Botha**¹⁰. In this matter we held that the claim for loss could not be upheld as the respondents' actions were not the cause of the loss. Complainant in the instance was negligent in using his vehicle when he should reasonably have known that his application for cover was still pending.



Highlights

During the ten years of our existence, we can boast amongst others, the following achievements. We have:

- established internal processes designed with fairness and legal certainty in mind;
- grown from being an organization consisting of the Ombud and his assistant to a dynamic organization of some 50 odd staff;
- a track record of paying attention to good governance to sustain desirable levels of transparency and accountability;
- an integral IT systems to track complaints and provide data for statistical analysis;
- a robust performance management system to develop and retain talent;
- a record of consistently attaining performance goals; (see for example, page 60);
- an agile and responsive framework to assist the organisation in managing fraud;
- a track recording evidencing intolerance to fraud;
- strong partnerships with strategically important organisations and individuals to guide the FAIS Ombud;
- a vibrant graduate trainee programme;
- an in-house training arm;
- written and produced a movie, 'Six Steps'¹¹.

Follow-up

In our previous report we shared the cases pertaining to Deeb Risk and Another. At the time, many of the cases determined were referred to the Appeal Board, following a dismissal by the High Court of the respondents' review application. The FAIS Ombud received a report that the respondents, Deeb Risk and company, subsequently settled all but two of the cases directly with the complainants and abandoned their appeal.

Acknowledgement

All of these things we have achieved because we have people with and around us, without whom, we would not have achieved much.

We have a competent Board that guides and advises the FAIS Ombud. We have many people of high calibre both from within and outside of the financial services industry who are high achievers in their own right, who enrich what we do.

We have employees who are committed and loyal to the FAIS Ombud¹². Our employees are paid market related salaries and incentives because the quality of what we do and our organisational sustainability depends on how we recognise and remunerate them.

Our employees appreciate the value that the FAIS Ombud has and continues to create in our society.

We are the FAIS Ombud.

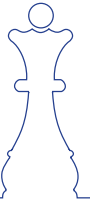
¹¹ Relating to the Six Steps of Financial Planning
¹² FAIS Ombud refers to the institution



Sydwell Shangisa
Deputy Ombud



David Davidson
Assistant Ombud



OUR PEOPLE

We took the decision a while ago that talent attraction, development and retention is the responsibility of line managers as opposed to the human resources department. Although this had and still is about our size and resources, we have found that this practice is not out of kilter with the practices in the developed world¹³. Through difficult lessons over the years, we are now in a position to answer some of those difficult questions about talent attraction, development and retention¹⁴.

We have finally been able to work out what our needs are. To get to this point was not an easy journey, because acquiring talent is completely different to acquiring tools and other systems¹⁵. There is a value system that must be present and underpinned by a clear understanding of our business goals. It was ultimately our creativity to balance those business goals with the broader societal issues that the FAIS Ombud graduate programme was born.

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

We also have first-hand experience that our answers to talent lie not in poaching what may appear to be the shining stars next door because a star from our neighbour may not be a star in our operation¹⁶. We know that in most instances, it is the contribution that is made by the neighbouring entity in the form of a particular manager, specific support structure and the nature of the operation that may produce a star¹⁷. There is in this regard research to back up this view¹⁸.

So with the need to grow our own, the leadership of the FAIS Ombud, with the blessings from our board embarked on a drive to recruit young, fresh, bright uncluttered minds for the programme. This is where the invaluable assistance of the CEO of Legal Education and Development, (LEAD) came in. After many necessary rounds we were able to filter out what we wanted and so the first stream of graduates was ready to start their training in January 2011. At certain intervals, we send our managers to law schools around the country to publish the programme to LLB graduates who have already undergone the training offered by the law schools.

The business case behind the graduate programme was always to create a pipeline from where the Office could select high performance individuals who have gone through the training and whose performance had been observed over a prolonged period of time, to the rank of junior case manager. Graduates who are not going to remain are also encouraged to apply for positions outside of the Office.

The training is offered in-house by senior and executive members of the FAIS Ombud including power talk from certain individuals who are

recognised by the Office for their special and outstanding achievement in their own careers. The graduates are then introduced to the players in the financial services regulatory landscape.

During their initial training period, the graduates are encouraged to research various concepts including financial products. They are also tested by means of complex case studies. Not only does this help them appreciate the type of work the Office handles but they also learn to develop the art of arguing their case with another party. The programme is designed in such a way that the graduates will emerge as wholly developed individuals who appreciate important but often neglected issues such as basic office etiquette, work ethic, dressing for success, budgeting skills coupled with an above average appreciation of handling their own finances.

The programme has been an unqualified success. The extent to which the graduates become marketable can be seen from the struggle faced by the Office to keep them for the full duration of the programme. Regardless of where they choose to go, we are certain that the graduates understand what it means to create value in an organisation.

In June 2013, the Office extended the graduate programme by introducing the July stream. Three candidates were selected for the programme. Their year finishes in June 2014. Efforts are already underway to secure the second stream of graduates for July 2014. The January and July streams carry a total of ten graduates who are trained by members of the FAIS Ombud.

Development

We must at all times build a collegiate base that is diverse and equitable and encourage contributions to our core business. We are responsible to ensure that each of our colleagues are regarded as individuals and experience an affirming learning environment that encourages their appropriate career development and empowerment.

Over the years we have recognised the value of continuous development so as to meet the needs of those we serve. Following approval by the board, it is now a requirement that all those who resolve cases must acquire a minimum qualification of NQF5 in financial planning.

During the year of reporting, we had four people with the CFP™ or Advanced CFP™ qualification. (Refer to page 13 for full details).

Those who came with a qualification in financial planning are encouraged to acquire a legal qualification. To date, we have five people studying towards an LLB degree.

We have an in-house training arm and partnerships with outside institutions. Most of our training is learning by doing. There is a price that comes with this type of training as we sometimes have to face the reality that an inexperienced case manager may have been unintentionally assigned a case, which, through evolving, became complex for their level of understanding. What the in-house training

¹³ Peter Cappelli, HBR Oct 2013, p25-27

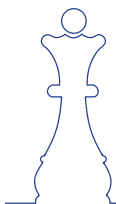
¹⁴ Peter Cappelli, HBR Oct 2013, p25-27

¹⁵ Peter Cappelli, HBR Oct 2013, p25-27

¹⁶ Peter Cappelli, HBR Oct 2013, p25-27

¹⁷ Peter Cappelli, HBR Oct 2013, p25-27

¹⁸ Peter Cappelli, HBR Oct 2013, p25-27



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of making the right
moves

and the on-the-job training does, is to minimise too much upfront loading of information¹⁹, which may come at a high cost to the employer and is very often not so useful. In short, whilst new employees learn, they contribute towards the organisational goals. The risks are there but we are unlikely to abandon this form of training, as it creates value for both parties.

In developing talent we are also transparent in how individuals can grow their careers within the Office. We have a career path, which is publicised to all employees. When a vacancy arises, it is advertised internally and often, line managers encourage employees who are likely to challenge the demands of the advertised position. There are obvious risks we have learnt in growing our own talent, which require maturity, for example, it is possible to promise growth but one needs to guard against making false promises.

To summarise, we knew right from the start that our business is heavily reliant on people and our greatest investment has to be focused on our people. We have managed to get better and better in dealing with talent.

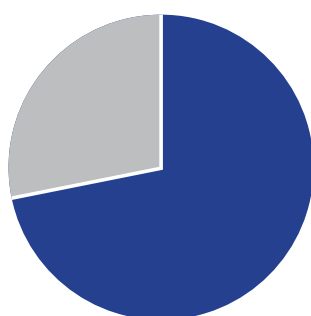
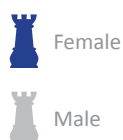
Today we boast a variety of highly skilled individuals who are ready to take the FAIS Ombud to the next level. This is what the FAIS Ombud is about.

Employment Equity

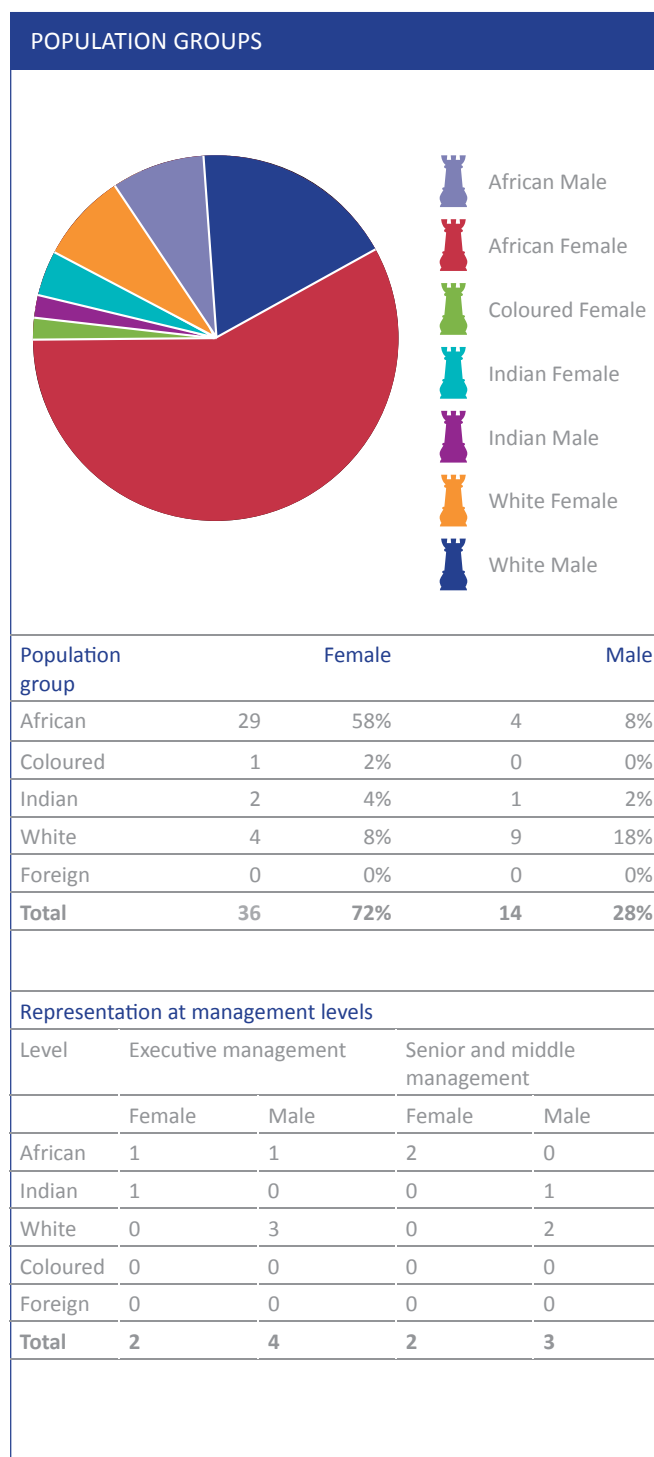
With our staff complement having reached the 50 mark comes certain legal responsibilities in terms of the Employment Equity Act, 55 of 1998. We are, to this end, busy with the process of synchronising the various employment equity initiatives into an Employment Equity Plan. We believe that not much will change in our recruitment and selection practices, as these methods have already been adopted in our existing Recruitment and Selection Policy.

The diagram below represents our male/female split as at 31 March 2014.

Total number of staff	
Female	36
Male	14
Total	50



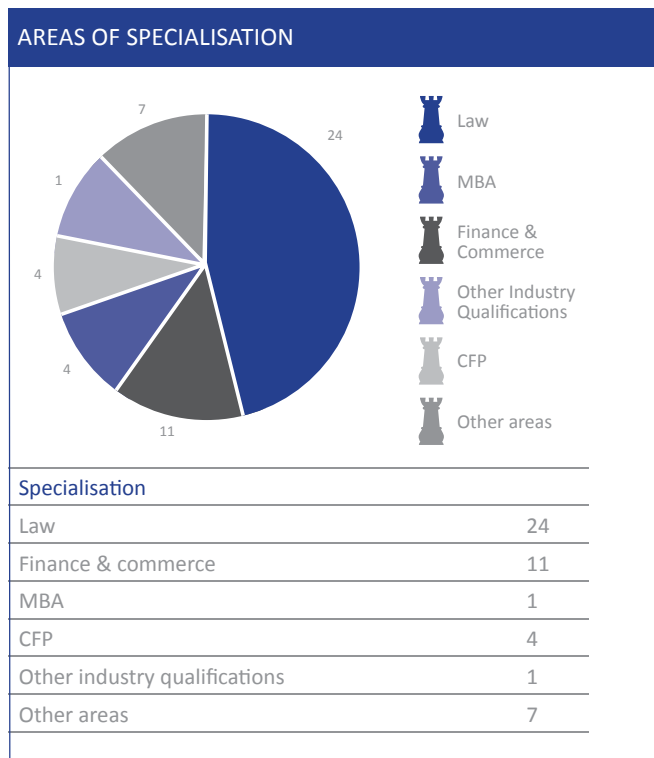
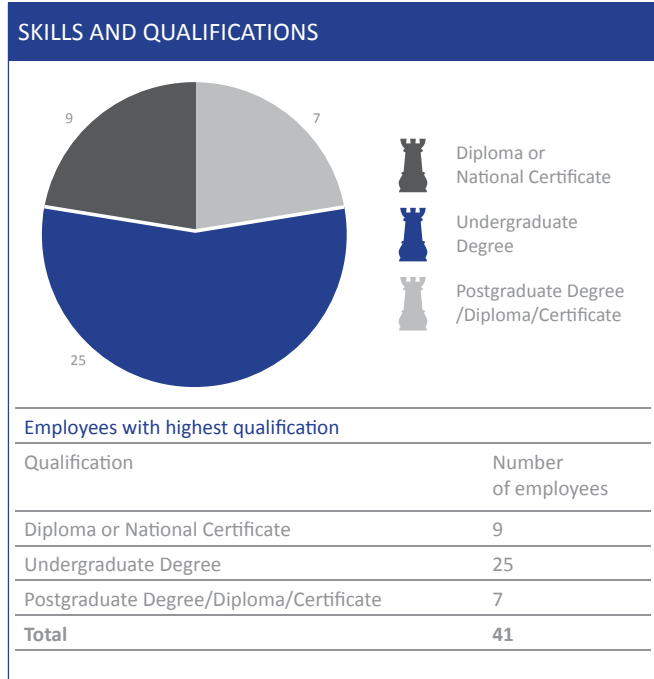
The diagram below represents our population group split as at 31 March 2014.



¹⁹ Peter Cappelli, HBR Oct 2013, p25-27



The diagram below represents the skills and qualification levels, as well as the areas of specialisation as at 31 March 2014.



Remuneration report

A few years ago, the FAIS Ombud partnered with the Hay Group to determine the grades applicable to the various positions within the Office. Following this, the FAIS Ombud had its remuneration strategy approved by the Board. The remuneration of the Ombud and Deputy Ombud are a matter for the Board, as their employer.

The FAIS Ombud, as the employer, determines the remuneration of the rest of the employees.

The FAIS Ombud pays two types of incentives to deserving employees in accordance with the remuneration strategy. The non-cash incentives are paid throughout the year to those employees who have contributed significantly in enhancing the business of the FAIS Ombud. Cash incentives are paid at the end of the year to the top 20% performers.

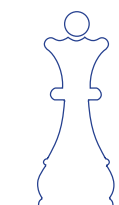
All proposed incentives are submitted to the Board for approval. Where applicable, the FAIS Ombud seeks the services of experts in this field to enhance its remuneration practices.

Personnel Cost by Objective

Objective	Total Expenditure for the FAIS Ombud (R'000)	Personnel Expenditure (R'000)	Personnel expenditure as % of total expenditure	Average No. of employees	Average personnel cost per employee (R'000)
Satisfied customers (complaints resolution)	17 859	16 876	94%	40	422
Operational excellence	12 667	3 223	25%	9	358
Stakeholder management	1 023	758	74%	2	379

Performance Rewards

Level	Performance Rewards (R'000)	Personnel Expenditure	% of performance rewards to total personnel cost
Top Management	270	7 855	9.2%
Professionally Qualified	17	3 510	0.5%
Skilled	36	7 263	0.5%
Semi-skilled	17	1 861	0.9%
Unskilled	-	368	0.0%
TOTAL	790	20 857	3.8%



Training Costs

Objective	Training Expenditure (R'000)	No. of employees trained	Avg training cost per employee (R'000)
Financial Planning Studies	53	12	4.4
Legal Studies	34	4	8.5
Other Commercial Studies	-	-	-
Other Skills Training Costs	189	64	3.0

Employment and Vacancies

Level	2012/2013 No. of employees	2013/2014 Approved Posts	2013/2014 No. of Employees	2013/2014 Vacancies	% of vacancies
Top Management	6	6	6	-	-
Senior and Middle Management	3	6	6	1	17%
Skilled	29	32	27	5	16%
Semi-skilled	9	10	10	-	-
Unskilled	3	3	3	-	-
TOTAL	50	57	51	6	11%

Reasons for staff leaving

Reason	Number	% of total no. of staff leaving
Death	1	5%
Resignation	11	52%
Dismissal	-	-
Retirement	-	-
Ill Health	-	-
Expiry of Contract	9	43%
Other	-	-
TOTAL	21	100%

Labour Relations: Misconduct and Disciplinary Action

Nature of Disciplinary Action	Number
Verbal Warning	Nil
Written Warning	Nil
Final Written Warning	Nil
Dismissal	Nil

SUSTAINABILITY

'Our credo talks to 'We are responsible to the communities in which we live and work and to the larger international community. We must be good citizens and support civic initiatives.'

We are not only proud of our achievements but of how we have attained these achievements. We have in the production of our service engineered ways of protecting the environment. We recycle paper whenever we can. In the event we have to dispose of paper, we have appropriate means to do so.

Our printers often operate on the lower cost black and white mode and many are automatically set to print on both sides unless a specific programming is selected, even then, the settings will automatically revert to black and white.

Our staff are informed routinely of the cost of our phone lines, printing costs and internet usage.

During the year we teamed up with the National Production Clean Up Centre in order to learn from their expertise. That partnership continues to date.

Our employees are encouraged to mind energy usage at all times. Lights are switched off when the area is not in use.

Our graduate internship programme is a means to build sustainability. We learnt through tough lessons that it is worth investing in the selection of employees as mistakes can be costly. The programme became a very important tool to select employees. Graduates enter the system knowing that there is no guarantee of employment. They are then observed by senior staff throughout the programme. At the end of the year, the Office advertises and the selection is backed up by actual evidence as opposed to potential.

There is something special about the graduate programme which we have discovered. We found that the programme helps us touch on sensitive social issues of reducing unemployment, transferring of skills, whilst contributing to our country's sustainability.

GOVERNANCE, RISK AND COMPLIANCE

Who governs us?

In terms of the FAIS Act, the Ombud is the accounting officer. As of 31 March 2010, the Board of the Financial Services Board, (FSB Board or the Board) became the accounting authority in terms of a treasury directive. Following amendments to the FAIS Act, the Board remains the accounting authority. The Ombud reports to the Board, to the Minister of Finance (the Minister), and by invitation to Parliament. Quarterly reports regarding the business of the Office are referred to the Board and the Minister's office. The Ombud, Deputy Ombud and Finance Manager represent the Office before the Board.



The Board is responsible for the FAIS Ombud's strategic goals, risk management and ICT strategies. The Board is responsible for monitoring standards of sound corporate governance and fully endorses the application of the recommendations of the King Report on Governance (King III). The Board is committed to governance processes that give assurance to stakeholders that the operations of the entity are conducted ethically within prudent risk parameters, in pursuit of best practice.

The Board, which is appointed by the Minister of Finance, comprises of 11 non-executive Board members from diverse backgrounds. The roles of the Chairman of the Board and the Ombud are separate, with a clear division of responsibilities to ensure a balance of power and authority between them. The chairman of the Board has no executive functions.

The Board remains primarily responsible for the strategic direction and policy, operational performance, financial matters, risk management and compliance. The mandate, role and responsibilities of the Board are set out in the Board Charter.

The Board exercises oversight over the FAIS Ombud's operations through a governance structure comprising various subcommittees. The committees are responsible for ensuring that the FAIS Ombud complies with relevant legislation, codes of good corporate governance and practices. Each committee has its own terms of reference, which are reviewed annually in line with best practice.

Audit Committee

The Audit Committee assists the Board with its responsibility of overseeing the internal and external audit functions, maintaining effective and efficient internal controls, reviewing the financial information and overseeing the preparation of the annual financial statements.

Risk Management Committee

The Risk Management Committee's function is to evaluate and advise the Board on the adequacy of risk management processes and strategies. The committee ensures that identified risks are monitored and appropriate measures are put in place and implemented to manage such risks.

Human Resources Committee

The Human Resources Committee's function is to ensure that the FAIS Ombud's human resources strategy and policies are implemented.

Remuneration Committee

The Remuneration Committee ensures that the FAIS Ombud's remuneration strategy and policies are implemented. It reviews compensation matters, benchmarks salaries of staff and makes recommendations to the Board.

Board meetings are held at least once every quarter and Special Board meetings are convened whenever necessary. During the period under review, four scheduled Board meetings were held and no Special Board meetings were convened. Details of attendance by each Board member to Board meetings and Board subcommittee meetings are set out in the table below.

Composition of the Board:

Board member	Board	Audit Committee	Risk Management Committee	HR Committee	Remuneration Committee
Total number of meetings	4	7	4	4	4
A Sithole	4	N/A	N/A	4	4
H Wilton	3	5	4	4	4
Z Bassa	4	N/A	4	4	4
O Makhubela	4	N/A	N/A	N/A	N/A
J Mogadime	4	7	3	N/A	N/A
F Groepe	2	N/A	N/A	N/A	N/A
I Momoniat	1	N/A	N/A	N/A	N/A
D Msomi	3	7	N/A	N/A	N/A
H Ratshefola	3	N/A	2	N/A	N/A
PJ Sutherland	4	5	N/A	N/A	N/A
D Turpin	3	N/A	4	N/A	N/A

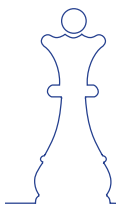
Ethics

The Board provides ethical leadership to the FAIS Ombud. It also has a Code of Ethics, which it expects all its members to abide by. In so doing, the Board expects and holds all of its members to high ethical standards.

The FAIS Ombud has a Code of Conduct for its employees, and holds employees to the standards as set out in the Code. Ethics is a standard topic in team meetings.

Conflict of interest

The Board has a duty to protect the legitimate interests of all stakeholders. In discharging its duty, the Board has the necessary checks and balances to avoid conflicts of interest when it comes to its members and expects the same of the employees of the FAIS Ombud.



Compliance with laws

The Board has an oversight responsibility when it comes to the FAIS Ombud's compliance with the law. In this regard the Board approves the FAIS Ombud's Compliance Framework. In turn, the FAIS Ombud applies and reports to the Board on the extent of compliance and the degree to which a compliance culture is embedded in the organisation. Overall, the FAIS Ombud has a very low risk appetite in respect of top ranking strategic risks.

Compliance with King III

The Board concluded that the FAIS Ombud must comply with King III. In this regard, the FAIS Ombud, when managing risk, endeavours to comply with the King III Code.

Risk Management

The Board delegates some of its responsibilities to the Risk Management Committee. The Risk Committee, through several frameworks including, the Delegation of Authority and its Terms of Reference delegates certain of these responsibilities to the management of the FAIS Ombud. The Board approves the FAIS Ombud's risk management framework.

The Board has adopted National Treasury's combined assurance approach to risk management. In terms of the combined assurance approach, management and internal auditors give assurance to the Board about the state of risk management at the FAIS Ombud. Where there have been significant breaches, the Board would be informed accordingly.

Internally, the FAIS Ombud has the following structures for managing risk:

- The Risk and Compliance Sub Committee, (RCS); and
- The Executive Committee, (EXCO)

The RCS reports to EXCO.

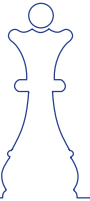
We believe that no entity is immune to fraud. Accordingly, one of the risks that the entity manages relentlessly is that of fraud. As part of its induction programme, the FAIS Ombud further engages new employees on its tolerance and attitude to fraud as a way of sensitising new employees. The entity also has demonstrated in the past that it has a zero tolerance to fraud by subjecting those employees involved in such activities to due process.



Ashley Percival
Assistant Ombud



Sithabile Sabela
Trainee Assistant Ombud



The FAIS Ombud's strategic risks are listed below:

No.	Risk
1	Non-Compliance with legislation
2	Fraud and corruption
3	Safeguarding the integrity and privacy of data
4	Business Continuity
5	Complaints handling process
6	Knowledge management
7	Inadequate stakeholder relationship management
8	Talent attraction and retention
9	Inability to meet the mandate
10	Threat to the independence of the Office
11	Funding

ICT Governance

ICT governance can be defined as the process that ensures the effective and efficient use of ICT in enabling an organisation to achieve its goals. It focuses on the performance and risk management of ICT systems and processes.

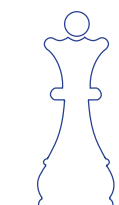
The King III report introduced ICT related responsibilities for the Board, which the FAIS Ombud has adopted in its ICT Governance Framework. The ICT Governance Framework is a guideline to all stakeholders involved regarding how ICT will manage demand against limited supply, deliver value, monitor performance and mitigate risk.

The FAIS Ombud ICT Governance Framework also articulates the responsibilities of EXCO, Line managers, and the Finance Manager with regard to key areas of strategic alignment, value delivery, ICT resource management, risk management and performance management.

The EXCO of the FAIS Ombud approves an IT Implementation Plan annually, the achievement of which is one of the strategic goals of the entity. The implementation plan facilitates good governance and compliance in the areas of technology and information security management, as well as addressing identified weaknesses.

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





SETTLEMENTS

Commemorating
10 YEARS
of making the right
moves

1. Complainant: L v A

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

The complaint pertains to the rejection of a short term insurance policy claim. Complainant states that when she lodged a claim for damage to the roof of her house after a severe storm, the claim was declined. The insurer stated that according to the information furnished to them, the roof was a tiled roof and not thatched. The complainant asserted that the respondent was made aware that her property had a thatched roof. This statement was accompanied by documentary evidence supporting her version. When the respondent was provided with the complaint together with the supporting documents, they promptly offered the complainant an amount of R80 000 to settle the matter. The complainant accepted the offer.

SETTLEMENT: R80 000

2. Complainant: M v S

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

Complainant lodged a death claim with respondent after the passing of her spouse. The claim was rejected due to a three-year waiting period for death as a result of natural causes. The complainant could not understand this as the policy was inceptioned some four years ago. She then submitted her complaint to our Office for assistance. The matter was investigated during which it was discovered that the respondent had advised the complainant to cancel an existing risk policy and take a new policy with another insurer. However, prior to the new policy being accepted, the representative proceeded to cancel the existing policy of the deceased. The new application was subsequently declined. The representative then advised the complainant to re-instate the old policy. However, this policy was now subject to a three year waiting period. The insured died within this three year waiting period and when a claim was submitted, the respondent was only prepared to refund the premiums paid. A recommendation was then made to the respondent, after which they agreed to settle the matter by paying the complainant an amount R734 341.

SETTLEMENT: R734 341

3. Complainant: T v A

Issue: Fictitious policy

Complainant's bank account had been continually debited by the respondent for a policy that she had not consented to. She requested the respondent to cancel the policy and refund her the premiums that they had been unlawfully deducting. She was not successful. She later lodged a complaint with this Office for assistance. We then forwarded the complaint to the respondent requesting that they furnish us with documentary proof as to how the policy was concluded. The respondent reverted by informing us that they had settled the matter with the complainant by refunding all premiums that were debited from her account. One might ask, why did the respondent wait until the complaint had been lodged with the FAIS Ombud?

SETTLEMENT: R2 662

4. Complainant: B v N

Issue: Failure to provide concise details of any special terms, exclusions of liability, restrictions etc.

The complaint pertains to the rejection of a credit life claim. After the passing of the insured, the executor of the estate lodged a claim with the respondent for the settlement of the outstanding balance on his mortgage bond. The insurer rejected the claim on the basis that the deceased died as a result of a pre-existing condition. Aggrieved by the rejection of the claim, the complainant turned to this Office for assistance. The complaint was forwarded to the respondent, requesting them to furnish this Office with the necessary compliance documentation; in particular, documentary proof that they had made the complainant aware of the exclusion clause relating to pre-existing conditions. The respondent could neither furnish the requested document, nor could they provide evidence that their application form makes provision for an applicant to disclose his/her pre-existing condition. After highlighting this to the respondent, they agreed to honour the claim in the amount of R400 000.

SETTLEMENT: R400 000

5. Complainant: J v Q

Issue: Failure to provide concise details of excess payable

According to the complainant, when he lodged a claim under his short term policy, he was required to pay additional excesses that were not disclosed to him at point of sale. The complainant contends that he was willing to pay the basic excess, which is the only excess that was disclosed to him. As the insurer was not prepared to waive the additional excesses payable, the complainant turned to this Office for assistance. Upon receipt of his complaint, the Office requested the respondent to provide proof that additional excesses were disclosed to the complainant prior to the inception of the policy. The respondent promptly settled the matter by waiving the additional excesses.

Settlement: R76 567

6. Complainant: A v O

Issue: Failure to disclose excesses applicable to the policy

During January 2011, the complainant obtained commercial short-term insurance cover for his trucks with the assistance of the respondent. The complainant subsequently lodged two claims with the insurer for damages suffered to his trucks on the 31st March 2011 and during May 2011 respectively. The complainant was surprised to learn that he had to pay an amount of R15 000 for each claim as a result of an excess applicable to foreign drivers. The complainant queried this issue with the respondent, claiming that he had not been informed of the additional excesses applicable to foreign drivers. He was advised that all excesses had been listed on the policy schedule. Not satisfied with the explanation, the complainant lodged a complaint with this Office. The respondent denied any wrongdoing in the initial response to the complaint. After the Office highlighted the respondent's duty to disclose all excesses and monetary obligations to the client, the matter was settled.

SETTLEMENT: R30 000



7. Complainant: M v N

Issue: Failure to disclose concise details of any special terms or restrictions.

During August 2008, the complainant invested in a five-year term endowment policy on the recommendation of his financial advisor ('respondent's representative'). During January 2010, the complainant increased his monthly premium on the advice of his advisor. Unbeknown to the complainant, the increase had invoked what is commonly referred to as the '20% Rule', which effectively extended the restriction period applicable on the policy with another 5 years. The complainant claimed not to have been advised of the implications of the proposed increase, and turned to this Office for assistance. Upon being informed of the complaint by this Office, the respondent requested confirmation of how the complainant wanted the matter to be resolved. It was communicated to the respondent that the complainant required access to a portion of the funds invested. The respondent duly facilitated the withdrawal and deposited the funds into the complainant's bank account.

SETTLEMENT: R7 000

8. Complainant: VDM v O

Issue: Failure to appropriately advise a client.

The complainant, a 57 year old widow, claimed that a representative of the respondent recommended a single life annuity to her husband, without having due regard to her husband's medical history and needs. When the complainant's husband passed away, the single life annuity purchased for R400 000 terminated, which left her destitute. The complainant claimed that her late husband would not have carelessly agreed to the said annuity had he known all the material terms and conditions associated with the product. She approached this Office for assistance. She was claiming the full R400 000 that her husband had invested initially. After having been notified of the complaint, the respondent initially offered an amount of R10 000 as a gesture of goodwill. This offer was rejected by the complainant. The matter was then officially accepted for investigation by the Office and a recommendation was made that the respondent settle the matter. The recommendation was based on the premise that the respondent failed to comply with numerous Sections of the Code in that he had failed to obtain all relevant and available information to make an appropriate recommendation. Given the deceased's medical history and the fact that his wife was dependent on him, a single life annuity was not an appropriate product in the circumstances. The respondent subsequently met with members of this Office and after much collaboration, agreed to review their offer. The respondent increased the settlement offer, which was accepted by the complainant.

SETTLEMENT: R200 000

9. Complainant: S v N

Issue: Appropriateness of advice and failure to act in the interest of client

During 2006 the complainant, who was 78 years old at the time, received R9 600 000 from the sale of his inherited shares. Upon recommendation by the respondent, the complainant purchased 3

second-hand endowment policies. In 2010, the same representative advised the complainant to purchase a further multi-access endowment policy. The monthly premiums of R100 000 payable on the multi access endowment were to be funded by withdrawals from the second-hand endowment policies. The complainant alleged that he had not been made aware of the high commission payable on the transaction. He claimed that his impression was that the advice was always in his interest. Since he had discovered this was not the case, he wanted the transaction reversed. Upon the respondent's failure to reverse the transaction, the complainant turned to this Office for assistance. The respondent argued that the multi-access endowment was purchased in order to create more liquidity in the complainant's estate. It was pointed out to the respondent that it was their own making that the complainant found himself with liquidity issues. The Office was of the view that the advice was calculated to maximise commission, a recommendation was made that the respondent settled the matter. After protracted negotiations, the matter was settled to the satisfaction of the complainant.

SETTLEMENT: R457 135.70

10. Complainant: S v S

Issue: Failure to act on instruction of client.

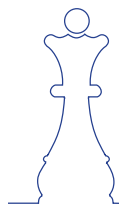
On the 27th August 2010, the complainant's husband applied for a life policy through his broker. When the complainant's husband passed away on 17 September 2010, she duly lodged a claim with the insurer. The claim was rejected on the basis that the policy inception on 01 November 2010, which was subsequent to the deceased's passing. Adamant that her late husband requested the broker to ensure that the policy inception on 01 October 2010, the complainant turned to this Office for assistance. The complaint was referred to the respondent who conceded that the inception date on the application documents is indicated as 01 October 2010. Furthermore, had the policy inception on 01 October 2010, the life insured would have enjoyed free cover for the month of September. Free cover provides for life cover prior to inception of the policy. The period of cover is based on the date the application is accepted, or 30 days prior to the first premium payable, whichever is shorter. In this instance the deduction date of the first premium was recorded as 1 November 2010 which meant that free cover only commenced on 1 October 2010, leaving the complainant exposed during September even though the application had been accepted. The matter was resolved when the complainant accepted the respondent's settlement offer.

SETTLEMENT: R921 805.58

11. Complainant: B v D

Issue: Appropriateness of advice/failure to act in the interests of client

During 2011, the complainant requested the respondent to assist him in investing for retirement. The complainant wanted a flexible product which would allow him to adjust or to stop contributions if and when required. Approximately one year after the contracts were entered into the client requested an adjustment of contributions. The respondent informed complainant that an adjustment of contributions would be met with hefty penalties from the product supplier. The complainant turned to this Office for assistance as he felt that the



respondent failed to act in his best interests and that the advice was calculated to maximise commission. Upon sending the complaint to the respondent, he had no hesitation to make a settlement offer. The complainant confirmed that the offer was acceptable and that he had no interest in pursuing the matter.

SETTLEMENT: R25 000

12. Complainant: D v N

Issue: Non-disclosure of material terms and conditions/failure to place client in position to make an informed decision

Upon purchasing a property in 2005, the late Mr L applied for credit life insurance to cover the outstanding balance of his mortgage bond. When Mr L passed away in 2011, the insurer rejected the death claim and cited an exclusion clause in the policy relating to pre-existing conditions as the reason. The complainant approached this Office contending that the terms and conditions were not properly explained to the deceased at point of sale of the policy. Furthermore, no provision was made on the documentation to allow disclosure of pre-existing conditions. Upon receiving the complaint, the respondent had no hesitation in making an offer in full and final settlement of the matter. The offer was accepted.

SETTLEMENT: R400 000

13. Complainant: B v T

Issue: Appropriateness of advice

During September 2006 the complainant, who was 63 years old at the time, invested R16 000 with Sharemax on the advice of the respondent. In May 2011, the interest payments on the investment ceased. The complainant's unsuccessful attempt to recover her capital triggered a complaint to this Office. The Office duly notified the respondent of the complaint. A few weeks later, the complainant informed this Office that an agreement was reached in that the respondent agreed to repurchase the Sharemax investment from her.

SETTLEMENT: R16 000

14. Complainant: B v F

Issue: Appropriateness of advice

The complainant was advised by his advisor to invest R1 035 179 of his pension benefits in a Life Annuity. While the complainant's funds were being transferred, he requested a lump sum withdrawal from his pension benefits. The advisor adhered to the request, but failed to inform the complainant about the income tax consequences of the withdrawal. The complainant was surprised when he had to pay income tax of R64 350 to the South African Revenue Services as a result of the withdrawal. Aggrieved by his adviser's omission to advise him appropriately, the complainant turned to this Office. Following the parties' failure to reach a resolution, the Office notified the respondent that it had accepted the matter for investigation in terms of Section 27 (4) of the FAIS Act. Shortly thereafter the respondent made a settlement offer which was accepted by the complainant.

SETTLEMENT: R64 350

15. Complainant: L v M

Issue: Failure to correctly insure client

According to the complainant, in August 2012 he insured his fishing vessel with the respondent. The complainant asserts that he not only informed the respondent that the vessel was rebuilt, but that he informed the respondent that he was unsure what model the vessel was. When the vessel was subsequently damaged at sea, the complainant instituted a claim of R126 000 in lieu of the damages to the hull and trailer, loss of electrical and other specified equipment. The respondent refused to honour the claim on the basis of their assessor's report that the vessel was rebuilt and over-insured. Aggrieved by the respondent's failure to indemnify him for the damages suffered, the complainant turned to this Office for assistance. Upon receiving the complaint from this Office, the respondent offered to settle the matter.

SETTLEMENT: R28 500

16. Complainant: R v A

Issue: Appropriateness of advice

In 2008 the complainant, a 76 year old retiree invested R110 000 in property syndication on the advice of her broker. When complainant's income ceased in July 2010, she turned to this Office for assistance, alleging that she was given a risky and unsuitable investment. The complaint was referred to the respondent and it was pointed out that the product was inappropriate given the complainant's needs and circumstances. The respondent ultimately made a settlement offer to the complainant by taking into consideration her capital as well as interest that had been lost since income payment ceased. The complainant had no hesitation in accepting the offer.

SETTLEMENT: R190 000

17. Complainant: V v V

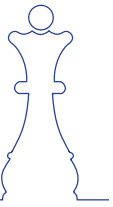
Issue: Failure to provide appropriate cover

On 1 August 2012 the complainant purchased a stud bull for the amount of R140 000. The bull was solely to be used for breeding purposes. However, over the course of time, the complainant began to suspect that the bull was impotent. After the bull was subjected to a number of veterinarian examinations, its impotency was confirmed. The complainant instituted a claim with his insurer, but the claim was rejected on the basis that the bull was insured only for injuries resulting in death. Upset and frustrated the complainant sold the bull to an abattoir for R13 450 to recover some of his losses. He also lodged a claim with this Office. The Office pointed out to the respondent that they mistakenly insured the bull as 'Livestock' as opposed to 'Live stud'. The substantial price paid for the bull (R140 000) should have been a clear indication that the bull could not be regarded as livestock. The respondent offered to settle the matter by taking into account the amount received when the bull was sold to the abattoir. The complainant accepted the offer.

SETTLEMENT: R126 550



TECHNICAL TEAMS CASE MANAGEMENT



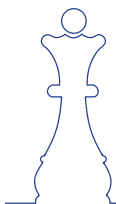
Left to right

Mashite Makgoo, Deon Esterhuizen, Phumza Mtshemla, Ronelle Begemann, Ashwin Singh, Zine Mahlaka, Johan Scheepers, Violet Ricketts and Thobekile Ngcobo.



Left to right

Nivedna Rajmohan, Sinomhlobo Kantangana, Ncebakazi Gqwa, Zetu Kulu, Marc Alves, Sinovuyo Puzi and Ayanda Mntonintshi.



CASE ADMINISTRATION

Commemorating
10 YEARS
of making the right
moves



Left to right

Mpho Koloko, Nhlanhla Mngomezulu, Lesego Moraka, Tshepiso Mabaso, Nomvula Mtolo, Lionel Uren, Tumelo Maletle and Rebotile Manakana.

ADJUDICATION SUPPORT



Hestie Teessen
Personal Assistant to the Ombud

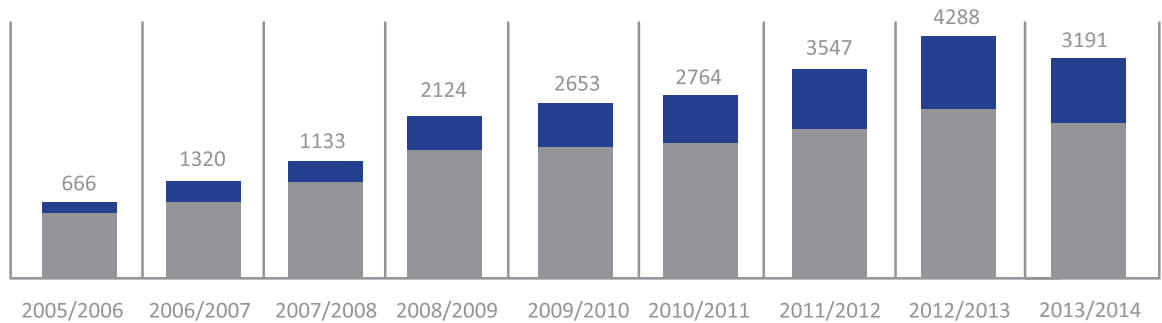


STATISTICS

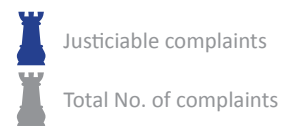
FOR THE YEAR ENDING 31 MARCH 2014



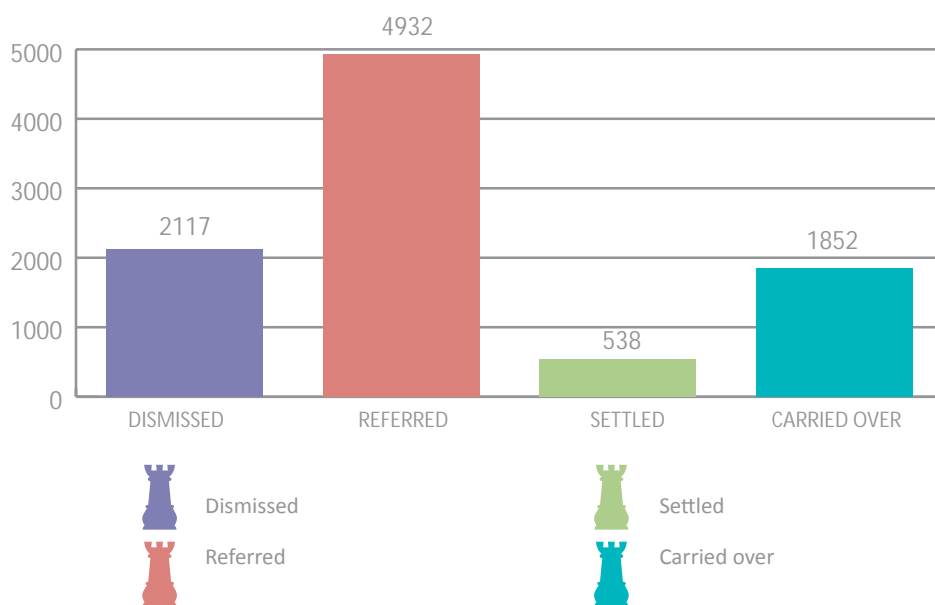
GROWTH IN NEW COMPLAINTS



FINANCIAL YEAR	TOTAL NO OF NEW COMPLAINTS	JUSTICIABLE COMPLAINTS
2005/2006	3806	666
2006/2007	4484	1320
2007/2008	5720	1133
2008/2009	7416	2124
2009/2010	7647	2653
2010/2011	7944	2764
2011/2012	8821	3547
2012/2013	9949	4288
2013/2014	9439	3191

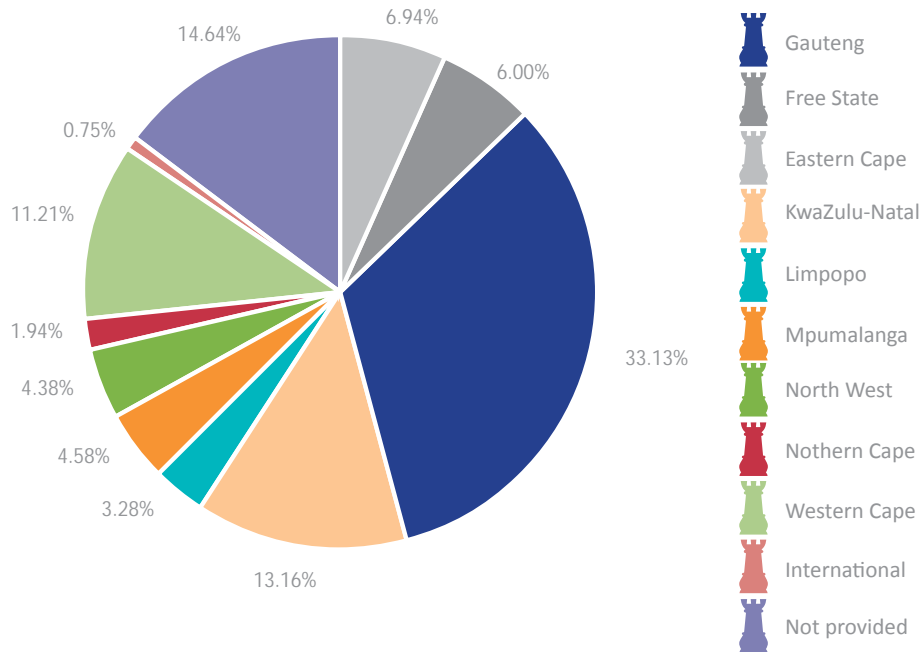


HOW NEW COMPLAINTS WERE DEALT WITH

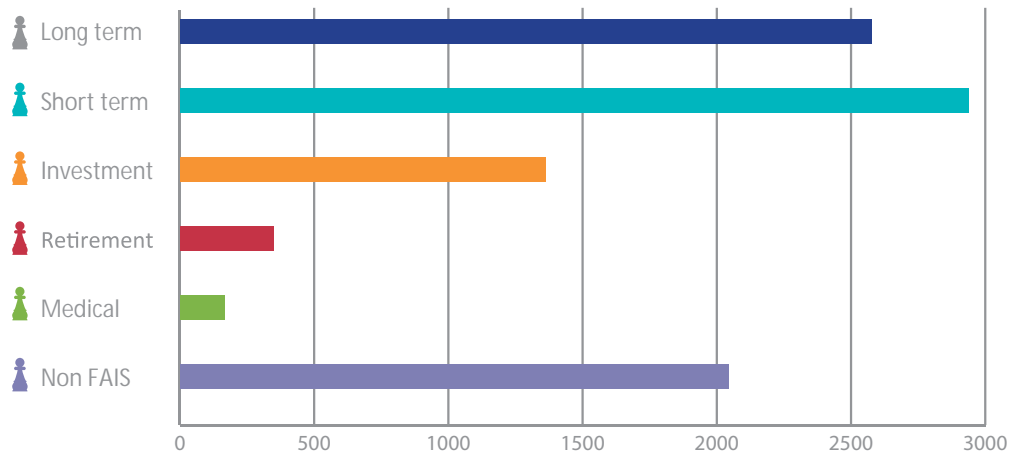




Commemorating
10 YEARS
of making the right
moves



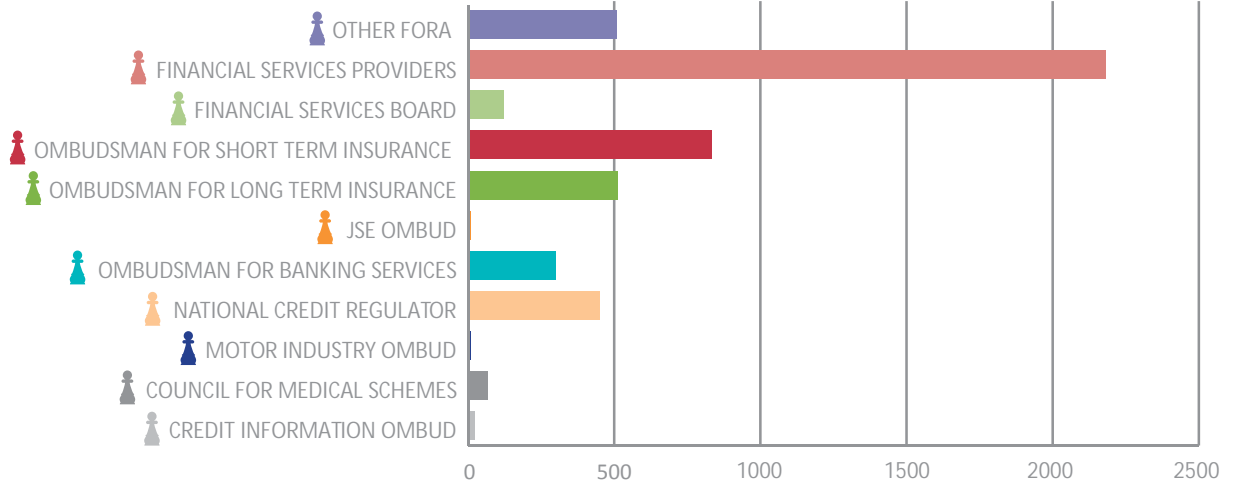
WHERE DO OUR COMPLAINTS COME FROM



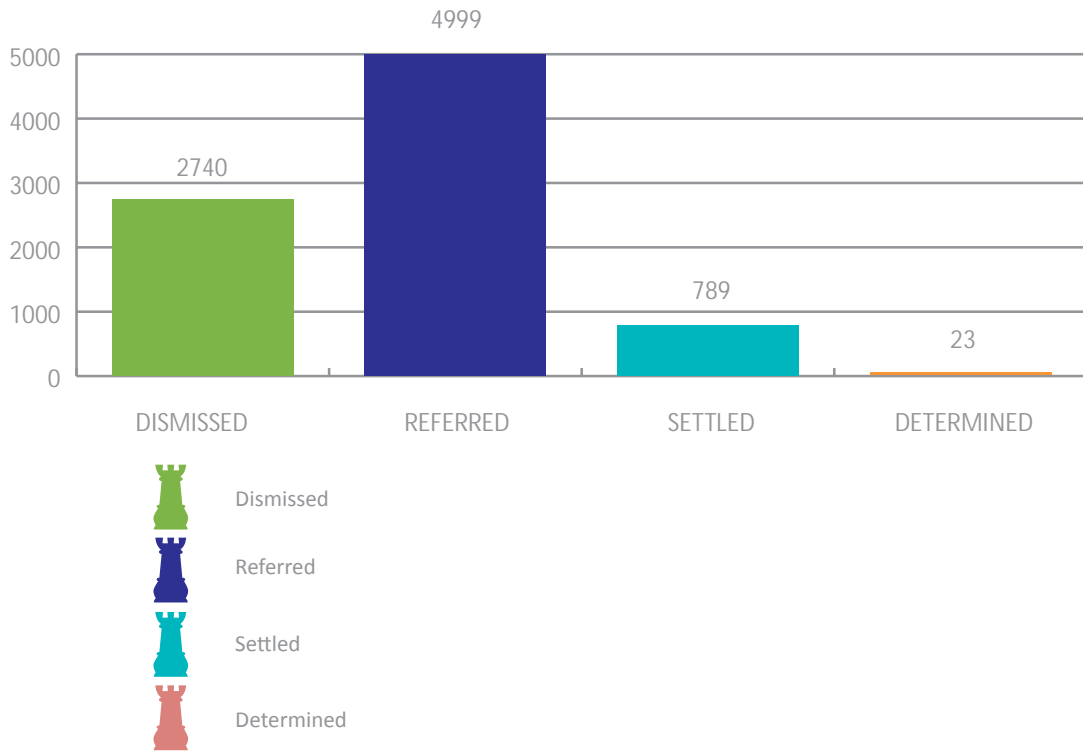
WHAT PRODUCTS DO PEOPLE COMPLAIN ABOUT



REFERRALS TO OTHER FORA



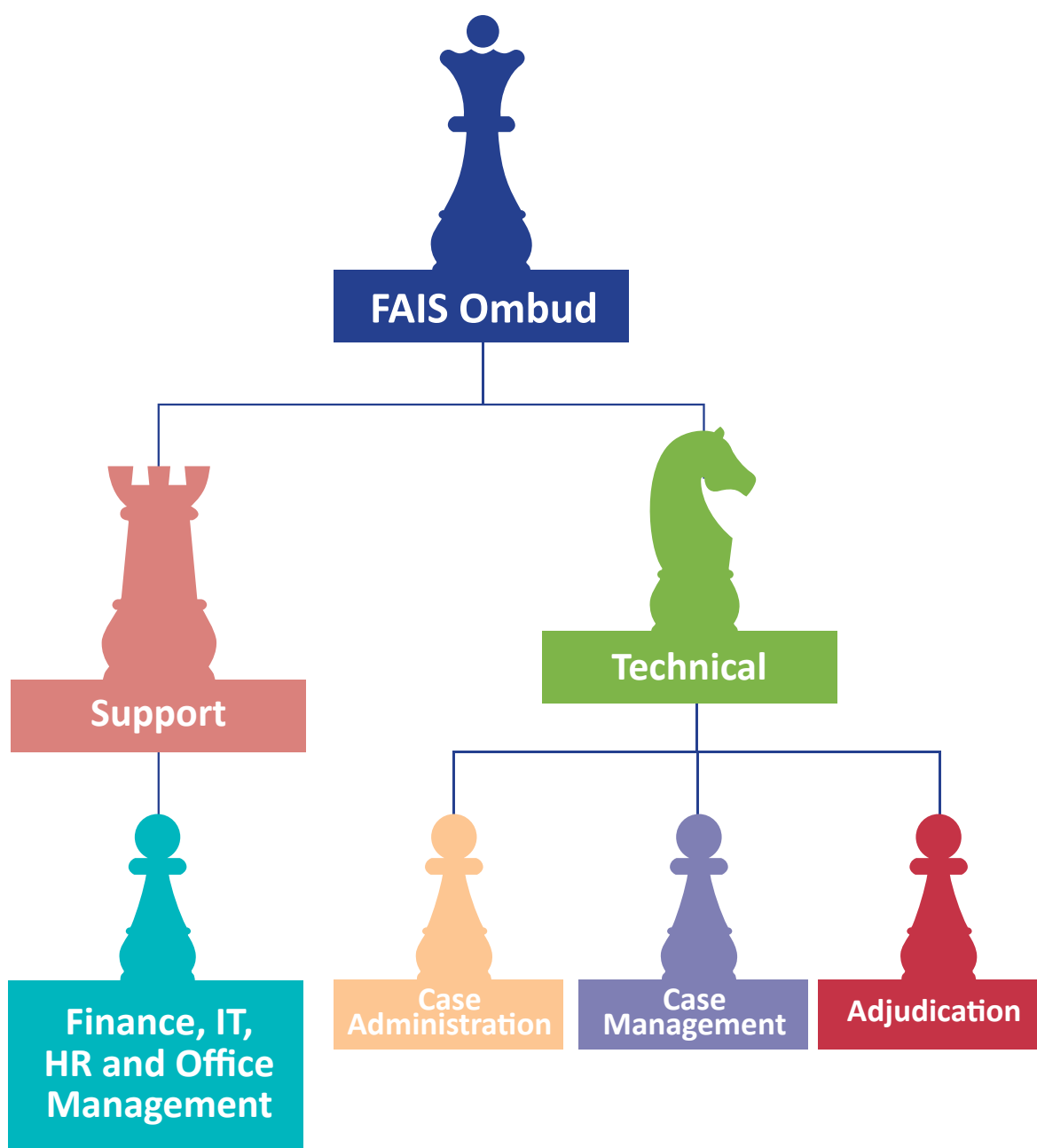
ALL RESOLUTIONS IN 2013/2014 FOR CASES FROM ALL YEARS





OPERATIONAL STRUCTURE

Commemorating
10 YEARS
of making the right
moves





STAFFING

AS AT 31 MARCH 2014



Back Row Left to Right

Ilne Potgieter, Deon Esterhuizen, Mashite Makgoo, Marc Alves, Nhlanhla Mngomezulu, Ntombintathu Majikijela, Anele Bilibana, Sinomhlobo Kantangana, Ronelle Begemann, Phumza Mtshemla, Lionel Uren, Tokozile Memela, Johan Scheepers, Rebotile Manakana, Tshepiso Mabaso and TJ Riekert.

Middle Row Left to Right

Xolile Ntuli, Candice Jane, Tumelo Maletle, Ncebakazi Gqwa, Thandi Jali, Nokukhanya Sonkwala, Nivedna Rajmohan, Yanga Ntantiso, Yvonne Shili, Zetu Kulu, Thobekile Ngcobo, Violet Ricketts, Hestie Teessen, Lesego Moraka, Ayanda Mntonintshi, Mpho Koloko, Sinovuyo Puzi, Chantel Van Wyk, Jaco Janse van Rensburg, Johanna Mgidi and Asithandile Mzana.

Front Row Left to Right

Ashley Percival, Ashwin Singh, Sithabile Sabela, Sydwell Shangisa, Noluntu Bam, David Davidson, Nomvula Mtolo and Jean Goodey.

Absent

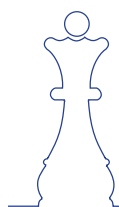
Kelebogile Sesoko.

ADJUDICATION



From left to right

Sydwell Shangisa (Deputy Ombud), Ashley Percival (Assistant Ombud), Noluntu Bam (Ombud), Sithabile Sabela (Trainee Assistant Ombud) and David Davidson (Assistant Ombud)



STAFFING

FINANCE & OFFICE SUPPORT

Commemorating
10 YEARS
of making the right
moves



Front left to right

Yvonne Shili, Thandi Jali, Tokozile Memela and Johanna Mgidi.

Back left to right

Chantel van Wyk, Jean Goodey, TJ Riekert and Ilne Potgieter.

2014 GRADUATE TRAINEES



Left to right

Xolile Ntuli, Ntombintathu Majikijela, Anele Bilibana, Asithandile Mzana, Candice Jane and Nokukhanya Sonkwala.



FINANCIAL STATEMENTS

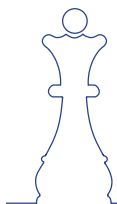


Mr Jean Goodey
Finance Manager

INDEX

THE REPORTS AND STATEMENTS SET OUT BELOW COMPRISE THE FINANCIAL STATEMENTS.

Accounting Authority's Responsibilities and Approval	30
Audit Committee Report	31
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ACCOUNTING AUTHORITY'S RESPONSIBILITIES & APPROVAL

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

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

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

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

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

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

The financial statements set out on pages 35 to 59, which have been prepared on the going concern basis, were approved by the Board on 30 July 2014 and were signed on its behalf by:

Chairperson
Abel Sithole

FAIS Ombud
Noluntu Bam



AUDIT COMMITTEE REPORT

We are pleased to present our report for the financial year ended 31 March 2014.

AUDIT COMMITTEE MEMBERS AND ATTENDANCE

The Audit Committee is a sub-committee of the Board of the Financial Services Board and consists of only non-executive Board members. During the current year 7 meetings were held. The Audit Committee consists of the members listed hereunder.

Name of member	Number of meetings attended
J Mogadime (Chairperson)	7
D Msomi	7
PJ Sutherland	5
H Wilton	5

AUDIT COMMITTEE'S RESPONSIBILITY

The Audit Committee reports that it has complied with its responsibilities arising from section 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 Board has established a Risk Committee to oversee the risk associated with the entity. The chairperson of the Audit Committee is a member of the Risk Committee and the chairperson of the Risk Committee is a member of the Audit Committee.

THE EFFECTIVENESS OF INTERNAL CONTROL

The system of internal controls applied by the entity over financial and risk management is effective, efficient and transparent. In line with the PFMA and the King III Report on Corporate Governance requirements, Internal Audit provides the audit committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of a risk based internal audit plan, internal audit assessing the adequacy of controls mitigating the risks, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the Internal Auditors, the Audit Report on the financial statements, and the management report of the Auditor-General of South Africa, it was noted, except for what has already been highlighted, that there is no material non-compliance with the prescribed policies and procedures that have 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 over financial reporting for the period under review was efficient and effective.

EVALUATION OF FINANCIAL STATEMENTS

The Audit Committee has:

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

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

INTERNAL AUDIT

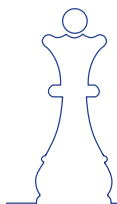
The Audit Committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the entity and its audits.

AUDITOR-GENERAL OF SOUTH AFRICA

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

The Audit Committee recommended, at its meeting held on 18 July 2014, the approval of the annual financial statements to the Board.

J. Mogadime



RISK MANAGEMENT COMMITTEE REPORT

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

GOVERNANCE OF RISK

The FSB Board (Board) has committed the FAIS Ombud to a process of risk management that is aligned to the principles of good corporate governance, as supported by the Public Finance Management Act (PFMA), Act 1 of 1999 as amended by Act 29 of 1999, and supported by King III principles.

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

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

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

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

The committee has complied with its responsibilities as stipulated in Section 51 of the Public Finance Management Act, Act No. 1 of 1999 as amended. Furthermore, the Risk Management Committee has regulated its affairs and discharged its responsibilities in accordance with its formal terms of reference and provided objective oversight and advice.

ROLES AND RESPONSIBILITIES

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

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

Ms Hilary Wilton
Chairperson: Risk Management Committee



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 financial statements of the Office of the Ombud for Financial Services Providers set out on pages 35 to 59, which comprise the statement of financial position as at 31 March 2014, the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget and actual amounts for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

ACCOUNTING AUTHORITY'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR-GENERAL'S RESPONSIBILITY

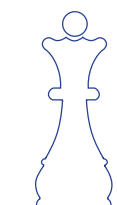
3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the general notice issued in terms thereof and International Standards on Auditing. Those standards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

OPINION

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Office of the Ombud for Financial Services Providers as at 31 March 2014 and its financial performance and cash flows for the year then ended, in accordance with the South African Standards of Generally Recognised Accounting Practice, and the requirements of the PFMA.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

7. In accordance with the PAA and the general notice issued in terms thereof, I report the following findings on the reported performance information against predetermined objectives for selected objectives presented in the annual performance report, non-compliance with legislation as well as internal control. The objective of my tests was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.



PREDETERMINED OBJECTIVES

8. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected objectives presented in the annual performance report of the entity for the year ended 31 March 2014:
 - Objective 1: To increase the number of satisfied customers on page 60.
 - Objective 2: To optimise internal capacity, business processes and systems to achieve operational excellence on page 61.
9. I evaluated the reported performance information against the overall criteria of usefulness and reliability.
10. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's Framework for managing programme performance information (FMPPPI).
11. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
12. I did not raise any material findings on the usefulness and reliability of the reported performance information for the selected objectives.

COMPLIANCE WITH LEGISLATION

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

PROCUREMENT AND CONTRACT MANAGEMENT

14. Goods and services of a transaction value above R500 000 were procured without inviting competitive bids, as required by Treasury Regulations 16A6.1 and deviations were approved by the accounting officer even though it was not impractical to invite competitive bids, in contravention of Treasury regulation 16A6.4.

INTERNAL CONTROL

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

FINANCIAL AND PERFORMANCE MANAGEMENT

16. Lack of effective monitoring of compliance with applicable laws and regulations and incorrect interpretation of the treasury regulations.

Auditor General

Pretoria

31 July 2014



AUDITOR-GENERAL
SOUTH AFRICA

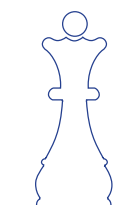
Auditing to build public confidence



STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2014

	Note(s)	2014 R	2013 R
Assets			
Current Assets			
Cash and cash equivalents	2	278 163	467 327
Accounts receivable	3	602 365	3 111 917
		880 528	3 579 244
Non-Current Assets			
Property, plant and equipment	4	1 933 619	1 563 391
Intangible assets	5	364 761	352 481
		2 298 380	1 915 872
Total Assets		3 178 908	5 495 116
Liabilities			
Current Liabilities			
Finance lease obligation	6	65 006	58 066
Accounts payable	7	1 569 540	1 185 612
		1 634 546	1 243 678
Non-Current Liabilities			
Finance lease obligation	6	233 277	298 283
Total Liabilities		1 867 823	1 541 961
Net Assets		1 311 085	3 953 155
Net Assets			
Accumulated surplus		1 311 085	3 953 155



STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 31 MARCH 2014

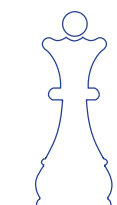
	Note(s)	2014 R	2013 R
Revenue	8	28 906 640	26 944 000
Operating expenses		(9 801 523)	(8 374 070)
Personnel costs	9	(20 857 057)	(20 253 336)
Depreciation and amortisation	4&5	(836 452)	(680 445)
Operating deficit	10	(2 588 392)	(2 363 851)
Finance costs	11	(53 678)	(51 470)
Deficit for the year		(2 642 070)	(2 415 321)



STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED 31 MARCH 2014

	Accumulated surplus R	Total net assets R
Balance at 01 April 2012	6 368 476	6 368 476
Changes in net assets:		
Deficit for the year	(2 415 321)	(2 415 321)
Total changes	(2 415 321)	(2 415 321)
Balance at 01 April 2013	3 953 155	3 953 155
Changes in net assets:		
Deficit for the year	(2 642 070)	(2 642 070)
Total changes	(2 642 070)	(2 642 070)
Balance at 31 March 2014	1 311 085	1 311 085



CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2014

	Note(s)	2014 R	2013 R
Cash flows from operating activities			
Cash received from entities		31 446 878	29 027 386
Cash paid to suppliers and employees		(30 244 819)	(28 461 852)
Net cash flows from operating activities	14	1 202 059	565 534
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(992 290)	(602 966)
Proceeds from sale of property, plant and equipment	4	-	40 462
Purchase of other intangible assets	5	(287 189)	(319 724)
Net cash flows from investing activities		(1 279 479)	(882 228)
Cash flows from financing activities			
Finance lease (payments) / receipts		(111 744)	244 598
Net decrease in cash and cash equivalents		(189 164)	(72 096)
Cash and cash equivalents at the beginning of the year		467 327	539 423
Cash and cash equivalents at the end of the year	2	278 163	467 327



STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Budget on Accrual Basis

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

Statement of Financial Performance

Revenue

Revenue from non-exchange transactions

Levies	28 708 836	-	28 708 836	28 708 832	(4)	
Recoveries	-	-	-	197 808	197 808	21
Total revenue from non-exchange transactions	28 708 836	-	28 708 836	28 906 640	197 804	

Expenditure

Personnel	(21 523 086)	-	(21 523 086)	(20 857 057)	666 029	21
Depreciation and amortisation	(999 415)	-	(999 415)	(836 452)	162 963	21
Finance costs	(53 553)	-	(53 553)	(53 678)	(125)	
Repairs and maintenance	(540 314)	-	(540 314)	(737 082)	(196 768)	21
General Expenses	(8 551 003)	-	(8 551 003)	(9 003 922)	(452 919)	21

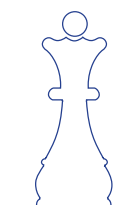
Total expenditure	(31 667 371)	-	(31 667 371)	(31 488 191)	179 180	
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Operating deficit	(2 958 535)	-	(2 958 535)	(2 581 551)	376 984	
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Loss on disposal of assets and liabilities	-	-	-	(60 519)	(60 519)	
--	---	---	---	----------	----------	--

Deficit for the year	(2 958 535)	-	(2 958 535)	(2 642 070)	316 465	
-----------------------------	--------------------	----------	--------------------	--------------------	----------------	--

Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	(2 958 535)	-	(2 958 535)	(2 642 070)	316 465	
--	--------------------	----------	--------------------	--------------------	----------------	--



SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. STATEMENT OF COMPLIANCE

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

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

Standards and amendments to standards issued but not effective:

The following standards and amendments to standards were issued by the Accounting Standards Board (ASB), but will only become effective in future periods or have not been given an effective date by the Minister of Finance.

• GRAP	18	Segment reporting	Issued Feb 2011
• GRAP	20	Related party disclosures	Issued Jun 2011
• GRAP	32	Service concession arrangement: grantor	Issued Aug 2013
• GRAP	105	Transfer of functions between entities under common control	Issued Nov 2010
• GRAP	106	Transfer of functions between entities not under common control	Issued Nov 2010
• GRAP	107	Mergers	Issued Nov 2010
• GRAP	108	Statutory receivables	Issued Sep 2013

The entity has not early adopted any of these Standards or amendments thereto. Except for the possible impact of Related Party Disclosures on the reporting requirements of the entity, the implementation of the remaining Standards will not have a material impact on the reporting requirements of the entity.

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

1.1 SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

IMPAIRMENT OF RECEIVABLES

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

USEFUL LIVES AND RESIDUAL VALUES

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



SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.2 PROPERTY, PLANT AND EQUIPMENT

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

Leasehold improvements are depreciated over the shorter of the expected period of the relevant lease agreement or its useful life. All other items of property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

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

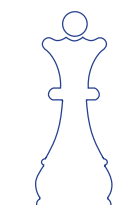
Item	Average useful life
Furniture and fixtures	3 - 15 years
Motor vehicles	12 years
Office equipment	4 - 15 years
Computer equipment	3 - 12 years
Leasehold improvements	5 years
Assets under finance lease	5 years
Paintings	13 years

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

The depreciation charge for each period is recognised in surplus or deficit.

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

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



SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.3 INTANGIBLE ASSETS

An asset is identifiable if it either:

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

An intangible asset is recognised when:

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

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

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

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

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

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

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

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

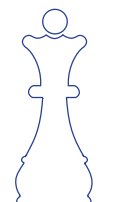
Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Data management system	3 years
Website	6 years
Computer software	2 - 8 years
Licenses	1 year

1.4 FINANCIAL INSTRUMENTS

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

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective



SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.4 FINANCIAL INSTRUMENTS (CONTINUED)

interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

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

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

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

A financial asset is:

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

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

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

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

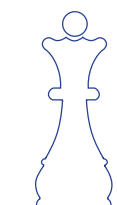
Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

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

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

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

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



SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.4 FINANCIAL INSTRUMENTS (CONTINUED)

Classification

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

Class

Cash and cash equivalents
Accounts receivable

Category

Financial asset measured at amortised cost
Financial asset measured at amortised cost

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

Class

Accounts payable
Finance lease obligation

Category

Financial liability measured at amortised cost
Financial liability measured at amortised cost

Initial recognition

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

Initial measurement of financial assets and financial liabilities

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

Subsequent measurement of financial assets and financial liabilities

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

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

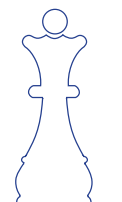
All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Impairment and uncollectibility of financial assets

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

Accounts receivable

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



SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.4 FINANCIAL INSTRUMENTS (CONTINUED)

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

Accounts payable

Accounts payable are recognised initially at fair value and subsequently measured at amortised cost, using the effective interest method.

Cash and cash equivalents

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

1.5 LEASES

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership. Leases in terms of which the entity assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

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

Finance leases - lessee

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

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

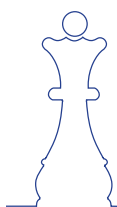
Operating leases

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

1.6 IMPAIRMENT OF NON-CASH-GENERATING ASSETS

Cash-generating assets are those assets held by the entity with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

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



SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.6 IMPAIRMENT OF NON-CASH-GENERATING ASSETS (CONTINUED)

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

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

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

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life. Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

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

Useful life is either:

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

1.7 EMPLOYEE BENEFITS

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

Short-term employee benefits

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

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

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

Post-employment benefits: Defined contribution plans

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



SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.8 PROVISIONS AND CONTINGENCIES

Provisions are recognised when:

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

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

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

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

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

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

Contingent assets and contingent liabilities are not recognised.

1.9 REVENUE FROM NON-EXCHANGE TRANSACTIONS

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

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

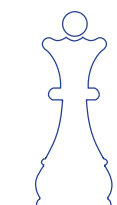
Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow. Revenue is recognised when the amount can be measured reliably and when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity.

Measurement

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

When, as a result of a non-exchange transaction, the entity recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.



SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.10 UNAUTHORISED EXPENDITURE

Unauthorised expenditure means expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, entity or organ of state and expenditure in the form of a grant that is not permitted in terms of the Public Finance Management Act (Act No. 29 of 1999).

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

1.11 FRUITLESS AND WASTEFUL EXPENDITURE

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

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

1.12 IRREGULAR EXPENDITURE

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

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

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

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

1.13 BUDGET INFORMATION

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

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

The approved budget covers the fiscal period from 2013/04/01 to 2014/03/31.

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

Comparative information is not required.



SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

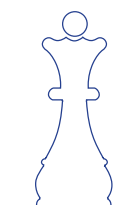
1.14 RELATED PARTIES

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

Key management is defined as being individuals with the authority and responsibility for planning, directing and controlling the activities of the FAIS Ombud, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions. The FAIS Ombud regards all individuals at senior management as key management per the definition of the financial reporting standard.

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

Related party disclosure for transactions between government entities that took place on terms and conditions that are considered arm's lengths is not required in accordance with IPSA20, Related Party Disclosures.



NOTES TO THE FINANCIAL STATEMENTS

	2014 R	2013 R
2. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	5 000	2 500
Bank balances	273 163	464 827
	278 163	467 327

3. Accounts receivable

Receivables: Case fees	-	6 000
Provision for doubtful debts	-	(6 000)
Receivable: Financial Services Board	-	2 529 098
Prepayments	492 243	423 268
Sundry debtors	6 031	47 520
Study advances	104 091	112 031
	602 365	3 111 917

All accounts receivable are due within twelve months from the statement of financial position date.

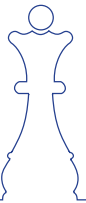
Reconciliation of provision for impairment of trade and other receivables

Opening balance	6 000	46 000
Provision for impairment	-	6 000
Amounts written off as uncollectible	(6 000)	(46 000)
	-	6 000

The maximum exposure to credit risk at the reporting date is the fair value of each class of loan mentioned above. The entity does not hold any collateral as security.

4. Property, plant and equipment

	2014			2013		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Furniture and fittings	984 678	(609 480)	375 198	846 678	(524 427)	322 251
Motor vehicles	137 285	(120 043)	17 242	137 285	(111 422)	25 863
Office equipment	574 134	(312 822)	261 312	486 981	(274 936)	212 045
Computer equipment	1 455 071	(882 619)	572 452	1 244 898	(663 403)	581 495
Leasehold improvements	464 484	(37 306)	427 178	164 894	(99 545)	65 349
Assets under finance lease	375 333	(97 264)	278 069	375 333	(22 197)	353 136
Paintings	26 376	(24 208)	2 168	26 376	(23 124)	3 252
Total	4 017 361	(2 083 742)	1 933 619	3 282 445	(1 719 054)	1 563 391



NOTES TO THE FINANCIAL STATEMENTS

2014
R

2013
R

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	322 251	138 000	-	(85 053)	375 198
Motor vehicles	25 863	-	-	(8 621)	17 242
Office equipment	212 045	137 381	(9 264)	(78 850)	261 312
Computer equipment	581 495	240 643	(3 745)	(245 941)	572 452
Leasehold improvements	65 349	476 266	(47 510)	(66 927)	427 178
Assets under finance lease	353 136	-	-	(75 067)	278 069
Paintings	3 252	-	-	(1 084)	2 168
Total	1 563 391	992 290	(60 519)	(561 543)	1 933 619

Reconciliation of property, plant and equipment - 2013

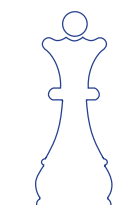
	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	404 253	3 998	(4 064)	(81 936)	322 251
Motor vehicles	39 286	-	-	(13 423)	25 863
Office equipment	251 835	41 075	(3 284)	(77 581)	212 045
Computer equipment	550 419	157 922	-	(126 846)	581 495
Leasehold improvements	77 408	24 638	-	(36 697)	65 349
Assets under finance lease	71 276	375 333	(45 931)	(47 542)	353 136
Paintings	4 878	-	-	(1 626)	3 252
Total	1 399 355	602 966	(53 279)	(385 651)	1 563 391

5. Intangible assets

	2014			2013		
	Cost	Accumulated amortisation and accumulated impairment	Carrying value	Cost	Accumulated amortisation and accumulated impairment	Carrying value
Licenses	76 074	(52 620)	23 454	192 401	(122 415)	69 986
Computer software	677 339	(352 406)	324 933	508 205	(247 542)	260 663
Data management system	485 843	(485 843)	-	485 843	(485 843)	-
Website	49 540	(33 166)	16 374	49 540	(27 708)	21 832
Total	1 288 796	(924 035)	364 761	1 235 989	(883 508)	352 481

Reconciliation of intangible assets - 2014

	Opening balance	Additions	Disposals	Amortisation	Total
Licenses	69 986	118 055	-	(164 587)	23 454
Computer software	260 663	169 134	-	(104 864)	324 933
Data management system	-	-	-	-	-
Website	21 832	-	-	(5 458)	16 374
Total	352 481	287 189	-	(274 909)	364 761



NOTES TO THE FINANCIAL STATEMENTS

2014
R

2013
R

5. Intangible assets (continued)

Reconciliation of intangible assets - 2013

	Opening balance	Additions	Disposals	Amortisation	Total
Licenses	78 237	192 401	-	(200 652)	69 986
Computer software	216 565	127 323	-	(83 225)	260 663
Data management system	-	-	-	-	-
Website	32 749	-	-	(10 917)	21 832
	327 551	319 724	-	(294 794)	352 481

Other information

Fully amortised intangible assets still in use

-

The Data Management System was budgeted to be replaced during the 2013 financial year, resulting in the assets being fully amortised as at the end of the previous year. The intention changed during the 2013 year and it was no longer a priority to replace the system on the short term. The book value therefore remains at zero. It is budgeted to be replaced in the 2015 year.

6. Finance lease obligation

Non-current liabilities	233 277	298 283
Current liabilities	65 006	58 066
	298 283	356 349

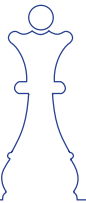
Some office equipment is leased under non-cancellable lease agreements. The lease terms are five years and are renewable on a month to month basis at the end of the lease period at market rates. As the lease terms transfers substantially all the risks and rewards of ownership to the FAIS Ombud, these are classified as finance leases. Lease agreements have a fixed 60 months term, interest is fixed at an average of 15.7% with equal lease payments over the lease term.

Reconciliation of minimum lease payments

	Minimum Payments	Interest Costs	Present Value
2014	-	-	-
Less than one year	110 416	45 410	65 006
Two to five years	294 444	61 167	233 277
	404 860	106 577	298 283
2013	-	-	-
Less than one year	109 440	51 374	58 066
Two to five years	401 280	102 997	298 283
	510 720	154 371	356 349

7. Accounts payable

Accounts payable	369 887	87 004
Operating lease liability	399 945	366 293
Payable: Financial Services Board	30 687	-
Accrued leave pay	646 802	608 778
Other accrued expenses	122 219	123 537
	1 569 540	1 185 612



NOTES TO THE FINANCIAL STATEMENTS

	2014 R	2013 R
8. Revenue		
Levies	28 708 832	26 910 000
Case fees	-	31 000
Recoveries	197 808	3 000
	28 906 640	26 944 000

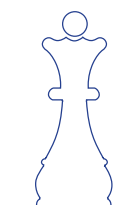
The amount included in revenue arising from non-exchange transactions is as follows:

Levies	28 708 832	26 910 000
Case fees	-	31 000
Recoveries	197 808	3 000
	28 906 640	26 944 000

Levies	28 708 832	26 910 000
Case fees	-	31 000
Bad debts recovered	2 000	3 000
Compensation from third party	195 808	-
	28 906 640	26 944 000

9. Personnel costs

Salaries	19 112 261	17 850 913
Bonus	805 410	1 335 191
UIF	82 285	76 309
WCA	18 000	14 793
SDL	193 820	184 655
Leave pay provision charge	591 281	749 475
Long-service awards	54 000	42 000
	20 857 057	20 253 336



NOTES TO THE FINANCIAL STATEMENTS

	2014 R	2013 R
10. Operating deficit		
The operating deficit is stated after accounting for the following:		
Auditors remuneration	1 620 839	773 526
Bank charges	23 132	28 962
Cleaning	51 932	50 570
Consulting and professional fees	1 795 816	1 905 262
Entertainment	129 016	111 935
Flowers and gifts	34 964	18 419
Insurance	90 579	82 379
Conferences and seminars	79 209	62 030
IT expenses	213 896	225 269
Lease rentals on operating lease	2 078 149	1 860 666
Motor vehicle expenses	12 799	14 236
Placement fees	29 556	131 434
Postage and courier	41 446	48 125
Printing and stationery	443 147	502 266
Promotions	183 511	202 069
Security	14 653	10 485
Staff welfare	119 220	126 002
Subscriptions and membership fees	55 905	42 171
Telephone and fax	537 205	530 577
Training	275 937	218 877
Travel - local	277 263	147 943
Travel - overseas	115 271	60 321
Electricity	426 711	409 032
Text book or library books	263 753	184 841
Repairs and maintenance	737 082	512 652
Debts impaired	6 000	79 000
Provision for doubtful debt	(6 000)	(40 000)
Strategic planning and workshops	90 013	62 206
	9 741 004	8 361 255
11. Finance costs		
Finance leases	53 678	51 470
12. Taxation		
No provision has been made for taxation 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).		
13. Auditors' remuneration		
External audit: prior year audit fees	1 040 186	642 700
External audit: current year interim fee	193 596	-
Internal audit	387 057	130 826
	1 620 839	773 526



NOTES TO THE FINANCIAL STATEMENTS

	2014 R	2013 R
14. Cash generated from operations		
Deficit	(2 642 070)	(2 415 321)
Adjustments for non-cash movements:		
Depreciation and amortisation	836 452	680 443
Loss on sale of assets	60 519	12 817
Finance costs - Finance leases	53 678	51 470
Debt impairment	-	39 000
Changes in working capital:		
Accounts receivable	2 509 552	2 044 384
Accounts payable	383 928	152 741
	1 202 059	565 534

15. Operating lease commitments

Operating leases - as lessee

Minimum lease payments due

- within one year	2 414 176	1 877 452
- in second to fifth year inclusive	10 542 198	980 204
	12 956 374	2 857 656

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 charges for rental, parking, operational costs, electricity, rates and levies. Escalations of 9% have been included in the lease agreement.

Operating lease payments represent rentals payable by the entity for its office space. Leases are negotiated for an average term of five years. No contingent rent is payable.

16. Contingent liabilities

There are no contingent liabilities or pending litigation that are known to management as at 31 March 2014.

17. Related parties

Related party balances

Amounts included in Trade receivables / (Trade Payables) regarding related parties

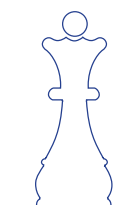
Financial Services Board	(30 687)	2 529 097
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Related party transactions

Funding of the Office received in terms of section 22 (1) (a) of the Financial Advisory and Intermediary Services Act (Act 37 of 2002)

Financial Services Board	28 708 832	26 910 000
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The FAIS Ombud and the Financial Services Board both report to the Board of the Financial Services Board and the FAIS Ombud receives its funding from levies via the Financial Services Board.



NOTES TO THE FINANCIAL STATEMENTS

2014
R

2013
R

18. Key management remuneration

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

Executive

2014

	Emoluments	Other benefits	Pension contribution	Performance bonus	Leave commutation paid	Total
NN Bam, FAIS Ombud	1 663 548	36 000	246 604	478 846	125 037	2 550 035
S Shangisa, Deputy Ombud	880 459	-	95 119	20 460	62 005	1 058 043
J Goodey, Finance Manager	681 500	-	73 625	51 100	-	806 225
M Murugan-Modise, Assistant Ombud, ceased to be member of EXCO on 30 November 2013	508 589	-	54 944	61 707	-	625 240
AA Percival, Assistant Ombud	772 593	-	83 466	86 023	17 619	959 701
DE Davidson, Assistant Ombud	907 947	-	98 088	21 822	-	1 027 857
	5 414 636	36 000	651 846	719 958	204 661	7 027 101

2013

	Emoluments	Other benefits	Pension contribution	Performance bonus	Leave commutation paid	Total
NN Bam, FAIS Ombud	1 507 788	24 000	223 843	313 643	144 052	2 213 326
S Shangisa, Deputy Ombud, appointed 1 October 2012	419 663	-	39 794	105 388	57 966	622 811
X Mhlongo, Finance Manager, resigned 30 August 2012	329 868	-	35 637	-	37 852	403 357
J Goodey, Finance Manager, appointed 1 January 2013	157 937	-	17 063	-	-	175 000
M Murugan-Modise, Assistant Ombud	719 243	-	77 054	146 673	16 211	959 181
AA Percival, Assistant Ombud	717 874	-	76 906	123 730	16 017	934 527
DE Davidson, Assistant Ombud, appointed 1 January 2013	223 798	-	24 178	-	19 023	266 999
	4 076 171	24 000	494 475	689 434	291 121	5 575 201

19. Changes in estimates

Property, plant and equipment

The useful life of certain property, plant and equipment was reassessed and management has revised their estimates. The effect of this revision has decreased the depreciation charges for the current period by R35 343 (2013: R27 101).

Intangible assets

The useful life of certain intangible assets was reassessed and management has revised their estimates. The effect of this revision has decreased the amortisation charges for the current period by R30 002 (2013: R5 131).



NOTES TO THE FINANCIAL STATEMENTS

2014
R

2013
R

20. Risk management

Financial risk management

In the course of the FAIS Ombud's operations, it is exposed to credit, liquidity and market risk. The FAIS Ombud has developed a strategy in terms of Treasury Regulation 28.1 in order to monitor and control these risks. Internal Audit reports are submitted quarterly to the Audit and Risk Management Committees, independent committees that monitor risks and policies implemented to mitigate risk exposures. The risk management process relating to each of these risks is discussed under the headings below.

Interest rate risk

The entity's interest rate risk arises from cash and cash equivalents and finance leases. The operating cashflow is dependent on an approved budget received from the Board of the Financial Services Board.

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

Credit risk

Credit risk is the risk of financial loss to the entity if the counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the entity's accounts receivable and cash and cash equivalents.

Strict credit control is exercised and when necessary, provision is made for doubtful debts.

The entity is exposed to certain concentrations of credit risk relating to its cash balances. The entity only deposits cash with major banks with high quality credit standings. The counterparties that are used by the entity are evaluated on a continuous basis. At 31 March 2014 there was no significant concentration of credit risk.

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

Financial instrument	2014 R	2013 R
Standard Bank Limited	273 163	464 827
Accounts receivable	602 365	3 111 917

Liquidity risk

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

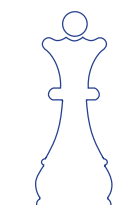
The table below analyses the FAIS Ombud's financial liabilities at year end. The amounts disclosed in the table are the contractual undiscounted cash flows.

At March 31, 2014

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Accounts payable	1 569 540	-	-	-
Finance lease liability	110 416	110 416	184 028	-
	1 679 956	110 416	184 028	-

At March 31, 2013

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Accounts payable	1 185 612	-	-	-
Finance lease liability	109 440	109 440	291 840	-
	1 295 052	109 440	291 840	-



NOTES TO THE FINANCIAL STATEMENTS

2014
R

2013
R

21. Actual operating expenditure versus budgeted operating expenditure

Material differences between the budget and actual amounts

The budget is approved on the accrual basis. The budget and accounting bases are thus similar.

Recoveries

The recoveries relate mainly to a legal matter that was awarded with cost to the entity.

Personnel cost

The savings in personnel costs against budget is mainly due to vacancies during the year.

Depreciation and amortisation

The savings is due to the timing of the actual capital expenditure, as well as slightly lower than budgeted capital spending for the year.

Repairs and maintenance

The overspending on repairs and maintenance is mainly due to the outsourcing of IT support following the resignation of the IT Officer in March 2013, as well as additional IT maintenance and support during the office relocation.

General expenses

The overspending in general expenses was mainly driven by the higher than budgeted external audit fee, legal fees and library expenses. The external audit fee was as a result of under-invoicing in the previous year, as well as the VAT amount not included in the budgeted amount. The legal fees related mainly to HR matters, as well as costs related to the property syndication cases. Library expenses was higher than budgeted due to updates to the FAIS Manual.

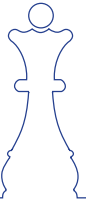
22. Employee benefits - Defined contribution plan

The office of FAIS Ombud pays contributions towards the pension fund established for its employees. The office has no other obligation to provide retirement benefits to its employees. The amounts recognised in the statement of financial position are as follows:

Pension fund contributions	1 858 541	1 743 106
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23. Irregular expenditure

Opening balance	36 480	-
Add: Irregular Expenditure - current year	1 272 975	36 480
	1 309 455	36 480



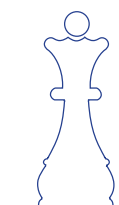
NOTES TO THE FINANCIAL STATEMENTS

2014
R

2013
R

23. Irregular expenditure (continued)

Details of irregular expenditure – current year	Disciplinary steps taken	Amount
Copiers were procured in the previous financial year by way of a finance lease agreement. Three quotations were obtained for the transaction. Due to the total value of the agreement being in excess of R500 000, a competitive bidding process should have been followed. The FAIS Ombud did not follow a competitive bidding process as the capital amount of the transaction was evaluated instead of the full rental amount. The capital amount was lower than R500 000. Condonation has been requested from National Treasury.	No disciplinary steps taken, as there was no monetary loss or intentional non-compliance with supply chain regulations.	109 521
The FAIS Ombud entered into a lease agreement for new office space. The Office did not invite competitive bids, as it was of the opinion that it was impractical to do so due to the Office being bound to an existing lease agreement, which only expired in September 2014. A deviation from supply chain policy was approved and a lease agreement signed with the existing landlord. It was, however, concluded that the competitive bidding process should have been followed. Condonation has been requested from National Treasury. The amount disclosed is the rental paid on the new lease agreement in the current financial year.	No disciplinary steps taken, as there was no monetary loss or intentional non-compliance with supply chain regulations.	1 163 454
		1 272 975



PERFORMANCE INFORMATION

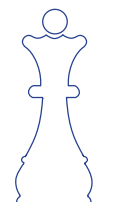
Commemorating
10 YEARS
of making the right
moves

STRATEGIC GOAL 1:

To resolve complaints in a fair, expeditious and informal manner to the satisfaction of customers.				
STRATEGIC OBJECTIVE		To increase the number of satisfied customers.		
OUTPUTS		Customer satisfaction survey forms. Closed complaints files. Implemented Quality Control Plan.		
OUTCOMES		Satisfied customers.		
PROGRAMME PERFORMANCE INDICATOR		Performance Targets		
		Target 2013/2014	Progress as at 31 March 2014	Explanation/ Variance
1.1	% satisfied customers as measured on returned CSFs	70%	98% of the customer satisfaction forms received rated our services positively. This goal has been achieved.	The FAIS Ombud attributes the variance to its commitment to delivering work of a high quality, within workable and reasonable turnaround times. The FAIS Ombud has, furthermore, put in great effort in instilling a culture of customer service in its complaints handling divisions.
1.2	% closed complaints within 9 months of date of receipt of complaint	80%	<u>Quarter 1:</u> Cases received in July 2012: 85.16% closed by 30 April 2013 Cases received in August 2012: 77.05% closed by 31 May 2013 Cases received in September 2012: 76.34% closed by 30 June 2013 On average 80% of cases received were closed within 9 months of receipt <u>Quarter 2:</u> Cases received in October 2012: 80.48% closed by 31 July 2013 Cases received in November 2012: 85.64% closed by 31 August 2013 Cases received in December 2012: 82.85% closed by 30 September 2013 On average 83% of cases received were closed within 9 months of receipt <u>Quarter 3:</u> Cases received in January 2013: 85.42% closed by 31 October 2013 Cases received in February 2013: 77.85% closed by 30 November 2013 Cases received in March 2013: 84.70% closed by 31 December 2013 On average 83% of cases received were closed within 9 months of receipt <u>Quarter 4:</u> Cases received in April 2013: 78.83% closed by 31 January 2014 Cases received in May 2013: 79.61% closed by 28 February 2014 Cases received in June 2013: 86.08% closed by 31 March 2014 On average 82% of cases received were closed within 9 months of receipt This goal has been achieved.	The FAIS Ombud puts in great effort in monitoring output on a regular basis against this quarterly strategic goal. Although this goal has been achieved, it has strained our resources due to the higher number of complaints received.
1.3	% achievement of activities in quality control implementation plan	100%	100% of the quality control implementation plan has been achieved. This goal has been achieved.	

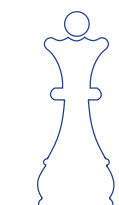


PERFORMANCE INFORMATION



STRATEGIC GOAL 2:

Achieve operational excellence				
STRATEGIC OBJECTIVE		To optimise internal capacity, business processes and systems to achieve operational excellence.		
OUTPUTS		Unqualified audit report. Approved Budget. Management accounts. Internship contracts. Revised Training plan. Executed training plan. Reviewed HR policies. Implemented performance management system. Approved succession plan. Updated Compliance and Risk Management Framework. Implemented IT plan.		
OUTCOMES		Operational excellence. Enhanced internal effectiveness and service delivery. Sufficient funds to deliver on mandate. Motivated staff to achieve FAIS Ombud's objectives. The FAIS Ombud is seen as a compliant entity.		
PROGRAMME PERFORMANCE INDICATOR		Performance Targets		
		Target 2013/2014	Progress as at 31 March 2014	Explanation/ Variance
2.1	Type of audit opinion issued by AG in respect of Financial Statements	Unqualified Opinion	The FAIS Ombud achieved an unqualified audit opinion of its 2012/2013 Annual Financial Statements. This goal has been achieved.	
2.2	Type of audit opinion issued by AG in respect of Performance Information	Unqualified Opinion	The FAIS Ombud achieved an unqualified audit opinion of its 2012/2013 Performance Information This goal has been achieved.	
2.3	Approved budget.	Approved budget before 31 March	The current Budget was approved in March 2013. The budget for 2014/2015 financial year was approved in March 2014. This goal has been achieved.	
2.4	Management accounts - % unexplained deviation from budget vs actual	Less than 10% unexplained deviation	Less than 10% unexplained deviations in the management accounts. This goal has been achieved.	
2.5	No. of internship contracts in place	6 internship contracts in place by March 2014	The internship contracts concluded at the beginning or during the course of 2013 lapsed a year later. Eight graduates were appointed to commence service on 1 January 2014. The number of contracts in place as at 31 March 2014 was 8. This goal has been achieved.	The minimum number of internship contracts committed to was maintained throughout the year. The variance at different stages is attributable to people movement for personal reasons and/or overlapping contract expiry dates.
2.6	Date of Approval of Revised training plan	Updated training plan by March 2014	The training plan for the 2014/2015 financial year was updated by 31 March 2014, and subsequently approved by the FAIS Ombud EXCO. This goal has been achieved.	
2.7	% execution of training plan	100% of training plan executed	100% of the training plan was executed by 31 March 2014. This goal has been achieved.	
2.8	No of HR policies reviewed	6 HR policies reviewed	At least 6 HR policies were reviewed before 31 March 2014. This goal has been achieved.	
2.9	% adherence to performance management system	90% of adherence to performance management system processes and deadlines	There was at least 90% adherence to the performance management system. This goal has been achieved.	
2.10	Date of Recommendation to Board by FAIS Exco of updated succession guideline	Recommendation to Board of updated Succession guideline by 31 March 2014	The succession plan was updated and recommended to the Board of the FSB. This goal has been achieved.	
2.11	Date of Approval of Updated Compliance and Risk Management Framework and the % achievement of steps mentioned in Compliance and Risk Management/ Implementation plan	Approved updated Compliance and Risk Management Framework by 31 March 2014 and 100% achievement of steps mentioned in Compliance and Risk Management/ Implementation plan	The Compliance and Risk Management framework was approved before 31 March 2014 and 100% of the steps mentioned in the Compliance and Risk Management plans were achieved. This goal has been achieved.	
2.12	% achievement of activities in Approved IT implementation plan	95% achievement of milestones for the financial year within the IT plan	100% of the milestones in the IT plan were achieved. This goal has been achieved.	A concerted effort and commitment by all parties involved in IT resulted in the 100% achievement. Regular IT Steering Committee meetings were held.



PERFORMANCE INFORMATION

Commemorating
10 YEARS
of making the right
moves

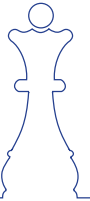
STRATEGIC GOAL 3:

Enhanced stakeholder management

STRATEGIC OBJECTIVE		To increase the number of satisfied customers		
OUTPUTS		Customer satisfaction survey forms. Closed complaints files. Implemented Quality Control Plan.		
OUTCOMES		Satisfied customers		
PROGRAMME PERFORMANCE INDICATOR		Performance Targets		
		Target 2013/2014	Progress as at 31 March 2014	Explanation/ Variance
3.1	% of marketing and communication plan implemented	95%	At least 95% of the activities in the marketing and communication plan were implemented by 31 March 2014. This goal has been achieved.	



GENERAL INFORMATION



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