

Enhancing the future financial  
health of all South Africans



# ANNUAL REPORT

## 2014/2015

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## LEGISLATIVE MANDATES



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

### a) FAIS Act

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

### 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 is not covered by any of the other voluntary Ombud schemes or where there is uncertainty over jurisdiction.

# VISION, MISSION & CREDO



## 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 organisation. We are completely independent and deal with all disputes fairly and impartially.

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

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

## Our Credo (continued)

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

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

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

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

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

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

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

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



## MINISTER'S REPORT

The financial sector, once considered inaccessible by most South Africans, has now become integrated into the daily activities of most citizens. The growth in numbers of those with access has been accompanied by innovations into more sophisticated and complex products, the ultimate aim of which is to serve the needs of all South Africans. Where the provision of these services in a fair and equitable manner has been in dispute, the Office of the Ombud for Financial Services Providers (FAIS Ombud) has been called upon to investigate, mediate and determine complaints against financial services providers.

In its 11 years of existence, the FAIS Ombud has remained committed to its mandate as laid down in section 20 of the FAIS Act to resolve complaints informally, expeditiously and economically. Despite the increasing complexity in matters lodged with the institution, the FAIS Ombud has been able, through a constant review of its internal controls, to meet its strategic goals and resolve the increasing number of complaints received over the years. The number of complaints received in the 2014/2015 financial year amounted to 9 003 while the number of justiciable complaints rose to 3 699. The quantum of settled and determined cases stands at R46.6 million in the 2014/2015 financial year.

The FAIS Ombud and her team have also done a sterling job in achieving the Office's strategic goals. The number of complaints received by the FAIS Ombud over the course of the financial year bears testimony to a growing demand for access to redress, as well as for new and innovative structures and regulations to monitor the industry. I have no doubt that these figures will continue to grow, and provide consumers who would ordinarily not have the opportunity, with a solid platform to voice their dissatisfaction with financial services providers. In so doing, the FAIS Ombud plays a central role in ensuring that South Africans make more informed decisions about their financial future, thereby contributing to the ongoing transformation of our society.

I remain confident that the FAIS Ombud will continue in this upward trajectory as it navigates the next era of complaints resolution, increasing confidence in the financial services sector and creating a better life for all our people.

Mr Nhlanhla Nene



Mr Nhlanhla Nene  
Minister of Finance

*Despite the increasing complexity in matters lodged with the institution, the FAIS Ombud has been able, through a constant review of its internal controls, to meet its strategic goals and resolve the increasing number of complaints*





# CHAIRPERSON'S REPORT

This report marks another successful year for the FAIS Ombud and shows the great strides made by the Office in its effort to protect the interests of the consumer and foster the integrity of the financial services industry.

The number of resolved complaints has been increasing from year to year, attesting to the significance of the service provided by the FAIS Ombud, as well as its growth and resilience.

Part of this continued success is attributable to the manner in which the institution performs its duties. The Office strives for good governance in carrying out its mandate, placing emphasis on accountability, transparency and good corporate citizenship. Its goals have been achieved while harmonising the ethical and socio-economic principles which underpin the values of the Office of the FAIS Ombud.

Amongst the new challenges that the Office encountered during the year under review, are the complex investment schemes that lure investors with the promise of exceedingly high returns. Many investors who respond to these solicitations are senior citizens who are ultimately left destitute after losing all their money to these unscrupulous schemes. Often, by the time the investors lodge their complaints with the FAIS Ombud, there is very little left to salvage as these schemes either face liquidation or are already liquidated.

It takes courage and foresight to save and provide for the future; it is therefore imperative to ensure that savings are prudently managed and invested using competent and reputable entities. Investors should always remember the saying that if it is too good to be true, it probably is.

The Office of the FAIS Ombud is tasked with the responsibility to resolve disputes between financial services providers and their clients in a procedurally fair, informal, economical and expeditious manner. This should assist in fostering an environment where the playing field is level for both financial services providers and consumers.

Congratulations to the Ombud and her team.

Mr Abel Sithole



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

*Theme: The FAIS Ombud – Enhancing the future financial health of all South Africans*



# OMBUD'S OPERATIONAL REPORT

## ANNUAL REPORT THOUGHTS- FINANCIAL YEAR 2014/15

### ENHANCING THE FUTURE FINANCIAL HEALTH OF ALL SOUTH AFRICANS

Six years ago we took control of a clean, healthy and reputable institution from my predecessor. Since then, we continue to build this cardinal institution, steadily and stoically. Today, the FAIS Ombud continues to command respect; among others, it boasts clean audits, a robust set of good corporate governance systems including an effective complaints handling and risk management system to meet the demands of various stakeholders.

Over the years and in the face of many challenges, we have significantly improved our turn-around times and boldly shared these with the users of our service in order that they may hold us accountable. We have, to the extent that it is necessary, shared our challenges and how we constantly manage such challenges. For example, we had to shelve as many as two thousand complaints relating to public property syndication schemes, while waiting for the pronouncement of the Appeals Board on the two determinations of Siegriest and Bekker complaints. The question before the Appeals Board was the liability of the directors of the scheme along with a challenge against the procedures used by the Office to investigate complaints. Having considered these to be fundamental questions that could change the way the FAIS Ombud resolves public property syndication complaints, we took a cautious decision not to proceed with the investigation of all property syndication complaints, until the Appeals Board's pronouncement.

We closed the year off after having pronounced on the much publicised collapse of the Relative Value Arbitrage Fund, (RVAF). Almost all the investors who complained to the FAIS Ombud gave a somewhat glowing account of what was supposed to be a successful investment, until the sudden revelation of the true state of affairs following the death of Pretorius<sup>1</sup>.



Noluntu Bam  
Ombud

*A developmental state needs to be capable, but a capable state does not materialise by decree, nor can it be legislated or waved into existence by declarations. It has to be built, brick by brick, institution by institution, and sustained and rejuvenated over time. It requires leadership, sound policies, skilled managers and workers, clear lines of accountability, appropriate systems, and consistent and fair application of rules.*

<sup>1</sup> Mr Pretorius was the head of RVAF



As we illustrate in the Craig Inch determination in the determinations' section, none of the investors were told what they really needed to know about the scheme prior to their investment. The investors did not know that the RVAF had no license to trade as a Financial Services Provider. None of the investors knew just how much risk was inherent in the product. Much of that risk was simply brought about by matters that even the most basic due diligence search would have uncovered. For example, knowledge that the RVAF did not have a set of audited financial statements.

We find that as more South Africans experiment in the vast and complicated world of the financial services industry, more dubious elements are taking advantage of their ignorance.

***Through our investigations, we have come across investment schemes that exist with no visible and rational means of generating the returns they claim. These investment schemes have only managed to reach investors because they are prepared to pay substantial sums of money by way of commissions to independent providers (brokers). Unless providers recognise that they are a vital link to the consumers and refuse to participate in what are often sophisticated lies, the trusting and ignorant consumer will always fall prey.***

Alongside the complaints involving non-traditional products, we continue to receive complaints including traditional and established type of financial products. See our statistics on pages 29 through to 31, which have necessitated the need to make major changes in our operation in respect of complaints management.

We operate within the context of a complex and dynamic regulatory landscape, which requires that we keep interrogating our resources in order to determine whether we can cope with future demands. With the imminent changes that will come with the new system of regulation, we have had to make several and necessary adjustments. In this regard, we had to increase the resources in our risk department exponentially to manage those risks that may potentially weaken our governance systems.

On the question of relations with stakeholders, we have found cost effective ways of reaching out to consumers in order to spread the word about the work of the FAIS Ombud. Through our Graduate Internship Programme, we share our experiences and transfer skills as part of our mission to enhance the future financial health of all South Africans. In this regard, see our people section of this report on pages 11 through to 16.

We continue, in the face of many challenges, to execute our mandate without fear or favour and relentlessly pursue fairness without compromising our impartiality and independence. We have not allowed gratuitous criticism to stifle us. We focus on our mandate of ensuring that consumers of financial services are placed in a position where they can make informed decisions, their reasonable needs regarding financial products are suitably and appropriately addressed, whilst upholding the integrity of the financial services industry.

We know that the FAIS Ombud can neither fulfil its mandate nor achieve the dream of enhancing the future financial health of South Africans unless its systems and processes are driven by good governance. To this end, we have aligned our governance practices with those of other public institutions. We continue to benefit immensely from the creativity of many public institutions.

With its culture of simplicity and approachability, the FAIS Ombud is forever inundated with complaints that fall outside of its jurisdiction. Where it is possible to assist the consumer, we go the extra mile while observing the strictures that govern our operation. We do this as part and parcel of building the FAIS Ombud's brand.

As a schedule 3 A public entity, the FAIS Ombud draws substantially from the values espoused in the National Development Plan, (NDP). Through our work we bring to life the vision of the NDP of building this state entity. ***'A developmental state needs to be capable, but a capable state does not materialise by decree, nor can it be legislated or waved into existence by declarations. It has to be built, brick by brick, institution by institution, and sustained and rejuvenated over time. It requires leadership, sound policies, skilled managers and workers, clear lines of accountability, appropriate systems, and consistent and fair application of rules.'***

Refer to our results on pages 69 through to 72 where we demonstrate our achievements.





## OUR DETERMINATIONS

Alongside our efforts to build consumer confidence and foster the integrity of the financial services industry, there unfortunately remains a fair amount of non-compliance with the FAIS Act coupled with fraudulent practices. There is also something to be said about Financial Services Providers who eagerly recommend financial products they do not understand. These products, which are issued by relatively unknown small companies, always promise higher than normal returns to lure investors. The honeymoon however, is usually short-lived and the devastation that is followed by the collapse of these companies is no small matter when looked at from the point of view of the individual complainant. Consider the cases below and make your conclusion.

**Hendrik Christiaan Thessner**<sup>2</sup> lodged his complaint against Reginald William Lynton Rabie, (Rabie) and his alter ego, the Merlin Private Equity Fund. Thessner had invested an amount of R20 000 in 2007 following the advice of Rabie who at the time acted on behalf of iBear. iBear was never licensed by the Registrar of Financial Services Providers, which means Rabie was acting in an unauthorised and illegal capacity when he advised Thessner at the time. The Merlin Private Equity Fund could not even be traced as a registered entity. Most importantly, none of the risks involved in the product were disclosed to Thessner. When the unsuspecting Thessner called for his investment to be paid out in 2010, he was met with a litany of excuses and no money. He ultimately lodged a complaint with the FAIS Ombud. Notwithstanding numerous invitations to state his case, Rabie flatly refused and neglected invitations from the FAIS Ombud. An order was made against Rabie to repay complainant his capital together with interest.

**Mynard Motshoane Mabatle**<sup>3</sup> obtained funding from a financial institution to take advantage of what appeared to be an opportunity of a lifetime. Moved by the stories of accumulating wealth instantly, as shared by the financial advisor, Mr Mabatle did what many consumers do, assumed that the safety and integrity of the investment had already been investigated by others. Mr Mabatle transferred an amount of R60 000 into a company known as Motsoto's Trading and Investment (Pty) Ltd. He was told that Mr Lucky Motsoto, one of the directors of the company, was in the business of 'buying and selling shares under high gearing securities to make a profit in a short period'. Whatever Mr Mabatle understood by this, he could not have foreseen the consequences that were about to confront him. When he lodged his complaint, his proof of investment was an electronic fund transfer and two pages of an unsigned investment agreement. The three had neither the authority nor the infrastructure to run an investment business. There was simply no protection for investors. A

simple enquiry at the Registrar of FSPs would have revealed that the business was not legitimate. Mr Mabatle lost his investment.

**Craig Stewart Inch** v Impact Financial Consultants CC and Michal Johannes Calitz (04971-12/13-MP 1)

The complainant, Dr Craig Stewart Inch, invested the amount of R500 000 into the Relative Value Arbitrage Fund, (the RVPF) in 2010, following the advice of Mr Michal Calitz. None of the risks involved in investing in the RVPF were disclosed to Inch. For example, Inch was not told that the RVPF was not licensed by the Registrar of Financial Services. He was unaware that he had actually invested in a partnership as a partner en commandite (according to the papers he had signed) and clearly had no idea of the meaning and legal consequences. He did not know that there were no audited financial statements for the past activities of the RVPF. The provider, Mr Calitz was not aware that RVPF had no license to trade as a hedge fund. Calitz demonstrated through his conduct that he did not understand good corporate governance. He could not provide evidence of his due diligence. He had no evidence of RVPF's achievements, yet he comfortably promoted RVPF to clients. The Ombud concluded that Calitz was out of his depth regarding this particular investment and held him accountable to pay Dr Inch for his losses.

**Pastor Paul Teko Mosadi**<sup>4</sup> and his congregants, the Reformed Christians for the Truth Church, concluded an agreement to provide the church members with funeral benefits with Pastor Moeti Michael Matlaupane and his company, Merit Legal and Funeral Assistance (Pty) Ltd. Having concluded the agreement to provide funeral benefits to members of the church against a defined premium, the complainant discovered, upon lodging a claim following the death of one of the congregants, the misalignment between what existed in reality and the representations made by the respondent prior to the agreement. After numerous unfulfilled promises, the complainants decided to lodge their complaint with the FAIS Ombud seeking repayment of all premiums paid in pursuance of the agreement with Matlaupane and Merit Legal. The FAIS Ombud granted the relief after an extensive investigation.

<sup>2</sup> FAIS 00796/10-11/GP 1

<sup>3</sup> FAIS 06822/14-14 GP 1

<sup>4</sup> The Reformed Christians for Truth Church v Merit Legal and Funeral Costs Assistance (Pty) Ltd and Pastor Moeti Michael Matlaupane (All determinations are available on our website. [www.faisombud.co.za](http://www.faisombud.co.za))



## TRENDS

### **Disability products**

We report once again an upward trend in complaints received regarding disability products. There is clearly a need to pay attention to the manner in which these products are sold. Whether it is lump sum or income disability, there is certainly a problem. Though we have not organised our statistical information by way of product range, this particular area requires attention due to the growing number of cases. There is clear indication of overselling in many instances.

Compounding the issue, are the various channels through which these products are sold without the necessary advice. In many of the complaints, the disability products were sold as an adjunct to a credit transaction. Walk into the various outlets that extend credit to customers and witness employees who hardly know the products on the shelf trying to persuade you to open an account and take out their insurance policy 'in order to take care of the debt if something happens to you', with disability and death being the main focus of the benefits that will be delivered by the policy. The many complaints received include credit provided by large to small retailers, money lenders and more. It is no wonder that many complain they had never seen a single compliance document in terms of the General Code.

### **Short Term Insurance**

There is still a belief that providers of short term insurance do not need to provide advice to their clients. This is evident from the many complaints we receive. Even though these complaints are mainly resolved without prejudice following an extensive exchange of paperwork with providers, there is a clear need for the providers to work with the FAIS Ombud in this area. Our statistics indicate that short term complaints still take the lead in the overall complaints dealt with by the FAIS Ombud. This has always been the case.

The main concern is that the focus of short term insurance would appear to be providing the most affordable premium possible, without any regard for what may or may not be in the client's interests. Many Financial Services Providers in this area often recommend the replacement of existing policies in favour of more affordable options, without disclosing the impact that higher excesses, more stringent security requirements, or enhanced exclusions may have on any potential future claims.

Commercial insurance has also seen a rise in complaints where there is a failure by providers to truly appreciate the intricacies of the policy wording, which leads to items being covered under the incorrect sections of the policy. This, together with the fact that

providers do not have an understanding of what the client's business entails, often has a disastrous effect on the clients business in the event of a claim.

### **Assistance (Funeral) Business**

The upward trend in respect of complaints regarding funeral business is unrelenting. There are enormous difficulties involved in obtaining a response from these providers. A large number of operators in this area are unlicensed with no fixed addresses. Often, the FAIS Ombud must trace the provider over a lengthy period of time before the process of resolving the complaint can begin. Even after we have traced the provider, there is often unwillingness to co-operate. The numerous complaints received demonstrates a clear unwillingness on the part of the providers to comply with the General Code. It is an extremely difficult area of our work.

Although not pervasive, there have been instances of consumers who lodged complaints to compel schemes to pay for illegitimate claims. A large number of complaints involve unauthorised debits in respect of policies that consumers have not consented to. Dealing with these cases continue to pose enormous challenges to our resources.

### **Unauthorised policies**

There are many complaints regarding unauthorised deductions from clients' bank accounts. The process of having these resolved is often cumbersome to the consumer, even in instances where the insurer has accepted that the policy was not authorised. Consumers from deep rural areas must depose to affidavits and repeatedly send the same paper work to the insurers until the person decides to lodge a complaint with the FAIS Ombud, only for the insurer to agree after two or three months that they will make payment. This goes against the grain of treating customers fairly.

### **Post Retirement Planning**

The concerns surrounding South Africa's low savings rate and the failure of many South Africans to adequately provide for retirement, are well documented. These concerns are, however, exacerbated upon retirement by the failure of providers to adequately advise their clients with regards to the options available and the need to focus on the preservation of capital to ensure that the client can generate an annuity income for life.



The reason for this is that providers often justify the recommendations made with claims that the client only had a single need, i.e. a monthly income. The provision of retirement products is, therefore, often made in isolation of any other factors that may impact the client. There is also the practice of attempting to remedy the lack of retirement provision by sourcing alternative investments that carry enormous risks to provide the desired level of income, often with disastrous consequences.

Of all the options available at retirement, it is living annuities that are most susceptible to negligent and inappropriate advice, where FSP's allow clients to draw an annuity income that cannot be supported by the performance of the underlying portfolio. The result is a rapid reduction of the capital, at a time when the investor is no longer economically active and incapable of recovering any losses sustained.

This loss of capital, which is amplified over time through the effects of inflation, seriously impact upon the client's ability to generate an income that will sustain his or her standard of living throughout retirement.

#### ***Credit Life***

The number of complaints that flow from the sale of credit life has increased exponentially over the years. The simple line that complainants (often surviving spouses where the main contracting party, present during the sale, has since deceased) claim was afforded to them is that the policy was positioned as an assurance, that in the event of any of the defined risks materialising, the outstanding amount in the credit agreement would be settled. These complainants, who come from different corners of South Africa, often claim that the limitations or exclusions in the product were not explained before, which goes to the heart of advising clients and recommending solutions that are suitable to their needs. The paper work we have seen from many of the providers leaves a lot to be desired.

#### ***Conclusion***

We recognise the growth that is signified by the numbers of complaints that were resolved over the past financial year. Equally important however, is the undeniable message that the FAIS Ombud continues to be a much needed player in the financial services landscape. It is encouraging to note that more and more South Africans, even those who would not normally consider themselves at the level of having sufficient disposable income to invest, are able to enter into the financial services space to better their lives, but there is also an increasing danger in this. There are unscrupulous fraudsters out there who recognise that there are many financially unsophisticated people who are dabbling in the financial services



**Sithabile Sabela**  
**Assistant Ombud**



**David Davidson**  
**Assistant Ombud**



waters and they are perfectly willing to take the opportunity to fleece them. For this reason, the FAIS Ombud and its systems must be flexible to respond to the increased demand for its service.

## ACKNOWLEDGMENTS

We have built this entity over the years as a dedicated and energetic FAIS Ombud team, supported by many people who identify with the cause of the Office. They include our Board, academics and various individuals who are outside the financial services space. These are high achievers in their own right who contribute to the building of the FAIS Ombud. We have also been fortunate to attract many young, bright and committed individuals as FAIS Ombud employees, to give this institution the impetus to pursue its goals. There are many critics who continue to enrich what we do; they too must be acknowledged. The consumers who trust that we will uphold the rule of law in dealing with their private matters and resolve their complaints as a truly impartial and independent forum, cannot be gainsaid. The media continues to hold a special place in the work we do. There are many Financial Services Providers out there who demonstrate appreciation of the value brought about by holding people accountable. As the FAIS Ombud, we will continue to shun insularity and demonstrate transparency in executing our mandate. Together, we continue to build the FAIS Ombud. Thank you.

## STRATEGIC GOALS

The FAIS Ombud has the following strategic goals:

- To resolve complaints in a fair, expeditious and informal manner to the satisfaction of customers;
- Achieve operational excellence; and
- Enhanced stakeholder management.

We proudly announce that the FAIS Ombud has once again achieved these strategic goals (refer to pages 69 to 72 for more detail).

## OUR PEOPLE

A young brand like that of the FAIS Ombud requires committed employees. Our people are conscious that building the FAIS Ombud requires continuous work on various aspects of the organisation and on employees themselves. As part of our efforts to deliver good quality service, self-development is non-negotiable.

### Development

Our in-house development is complemented by the services of various partners which includes individuals and academic institutions. A number of highly placed individuals continue to devote their time to this Office to share their invaluable knowledge.

We demand that our employees in the technical team have a minimum of the National Qualification Framework Level 5 (NQF5) qualification in financial planning, in the event they cannot provide evidence of a Post Graduate Diploma in Financial Planning Law. Many continue to obtain an NQF6 qualification, which we find useful. Though challenging, we have no choice but to keep pace with developments in the financial services industry, including regulation and product development, if we are to discharge on our mandate. We ensure that in building capacity in our personnel, they have a very good understanding of good governance. An appreciation of good governance creates better employees. No matter how highly skilled an employee may be, lack of appreciation of good governance offends our brand. In our sphere, good governance is not a matter solely for management or executives. All of our employees must understand the value that is brought about by good corporate citizenry.

Evidence on employee development is delineated on page 15. Two employees completed their development in NQF5 and one completed an NQF6. One employee completed her Post Graduate Diploma in Financial Planning (NQF8).

### *The FAIS Ombud Graduate Programme*

In December 2010, the Office of the FAIS Ombud identified a shortage of skilled young law graduates from communities and institutions, regarded as previously disadvantaged. With the aim to groom most deserving members of our society and expose them to the working environment, the Office embarked on a Graduate Trainee Development Programme which would run over a period of 12 months. Relations were forged with the Law Society's Legal and Development (L.E.A.D) division and the Directors of various law schools around the country in a bid to identify suitable candidates for the programme.

From inception, the programme focused primarily on females who would ordinarily not be afforded an opportunity to gain exposure to high performing specialist legal organisations, due to the fact that they come from previously disadvantaged communities and/or institutions. The rationale behind this initiative was to train and empower graduates who have just come out of law school and do not necessarily have previous work experience.

During 2014, the Office of the FAIS Ombud became a designated employer. This in essence meant that in recruiting its employees, the Office now had to give due cognisance to the Employment Equity Act, No. 55 of 1998, specifically section 3 of the Act which provides that "a designated employer must implement affirmative action measures for designated groups to achieve employment equity."



Prior to 2014, the programme was spearheaded by senior members of the Office. While these members had done a sterling job with the programme, a need was identified to involve individuals who had gone through the programme and would more easily identify areas of improvement. It is at this point that the programme evolved and began to embrace all genders.

Initially when considering candidates to become part of the programme, the Office only interviewed applicants recommended by the various Law Schools around the country. The need to improve the criteria was evident. In light of this, the Office embarked on a strategy of making direct presentations to the entire student bodies as well as receiving applications directly from the applicants.

In the interests of maintaining good stakeholder relationships with the Directors of the various law schools and ensuring that equal and fair opportunity is given to all interested graduates, the programme is now open for applicants twice a year.

The Graduate Trainee Programme not only focuses on induction into the many diverse activities of an organisation but also advances personal development. The programme runs over a period of 12 months and within such time the Office undertakes various tasks and activities to equip the trainees with a firm grounding in professional, organisational and social skills to enable them to subsequently assume positions of responsibility.

One of the most important benefits of the programme is financial education. It is undisputed that many young people are not well informed on financial matters, be it personal budgeting or factors affecting the economy at large. The programme is structured in such a manner that we are able to substantially improve their understanding of financial matters. In so doing, we encourage the trainees to go back to their communities and empower them with this information.

It is worth mentioning that the programme has a business and a social cause function. At times it is not possible to absorb all the candidates into fulltime employment. However, we remain fortified in our view that, because of the intensive nature of the training they receive in the programme, the investment is justified as the candidates are able to compete for employment opportunities across various sectors in the economy.

## **Retention**

Our Board has approved a Retention Strategy to help the FAIS Ombud retain talent. As an employer that employs mostly young and upwardly mobile individuals, the risk of losing talent is heightened. However, we pride ourselves in having an exceedingly challenging and supportive environment to keep our inquisitive employees interested. All our employees are also existing or potential consumers of investment products; their work is therefore very relevant to them personally, adding to their interest and commitment to the task. Each complaint is an occasion for self-development. The manner in which we have engineered our process of resolving complaints means that employees never feel alone in doing their work. Employees who prefer to deal with challenges on their own, find that there is a place for them too.

Our development programme complements our retention efforts to a large degree. All of this said, when an employee decides to leave, there is little that can be done to prevent this. We do, however, want to know what we can improve for the future. To this end, we have an established system of exit interviews to collect the necessary information from departing employees as to the reasons for their resignation (except in cases of mutual separation or terminations).

## **Remuneration report**

In a quest to ensure that, as a public entity, we are fair to our employees, we carried out a remuneration survey which was designed to ensure that the FAIS Ombud does not offend certain provisions of the Employment Equity Act, No. 55 of 1998 (as amended). As a result of this exercise, the FAIS Ombud has its work cut out in order to improve this area.

The FAIS Ombud pays two types of incentives to deserving employees in accordance with the remuneration strategy. Non-cash incentives are paid throughout the year to those employees who have contributed significantly in enhancing the business of the FAIS Ombud but not necessarily to the extent of attracting cash incentives. Cash incentives are paid at the end of the year to the top 20% performers.

In line with our governance framework, the FAIS Ombud recommends all cash incentives to the Remuneration Committee of the Board. Upon receiving the Board's approval, the FAIS Ombud executes the decision.

## **Employment Equity**

On 4 December 2014, the FAIS Ombud established its Employment Equity Forum. Immediately after taking office, the forum, known as FOEEF (pronounced FOF), set out to do its work, but not before it





had established its own governance arrangements. Its first report was due on 31 January 2015 and was successfully filed with the Department of Labour. Since establishment, FOEEF has been pursuing three programmes, namely:

1. The Golden Age programme – translators
2. The Disabled People's programme
3. The Graduate Trainee programme

The FOEEF's report is included below:

## FAIS OMBUD EMPLOYMENT EQUITY FORUM (FOEEF) REPORT

### Introduction

The formation of the FAIS Ombud Employment Equity Forum (FOEEF) brought with it an era of aggressive transformation within the organisation. On the wings of unwavering support and cooperation from the management structures of the Office, the various employment equity initiatives already in place were developed by FOEEF and formally codified in the form of an Employment Equity Plan.

### Mandate

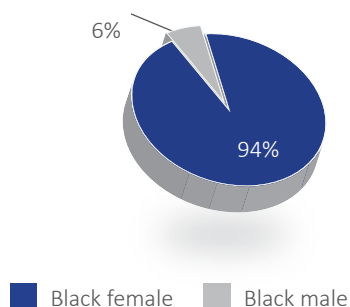
In line with the provision of the Employment Equity Act, the Employment Equity Plan developed by FOEEF outlines the numerical goals, timetables and strategies the Forum seeks to achieve with regards to the implementation of affirmative action measures. Section 20 of the Employment Equity Act<sup>5</sup> mandates that FOEEF specifically concentrate on the implementation of affirmative action measures where black people, women and people with disabilities are not represented.

### Achievements

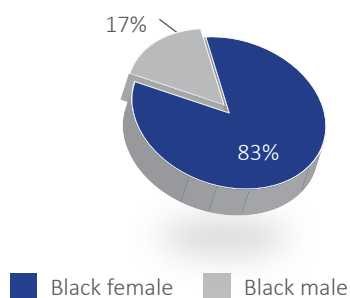
In the execution of our statutory mandate, FOEEF adopted the Office's Graduates Trainee Programme which was initially developed with the mind-set of transferring skills and providing workplace exposure to law graduates. Since FOEEF's involvement, imbalances within the FAIS Ombud workplace profile have been addressed and we can now boast a step in the right direction with regard to the correction of the marginal representation of black males within the organisation.

## WORKPLACE PROFILE

Workplace profile as at 31 March 2014



Workplace profile as at 01 July 2015



This transformation was possible through FOEEF's increased visibility and participation in all interviews conducted. Our participation in the recruitment process allowed us to both influence business decisions and ensure that the successful candidates are aligned with our numerical goals.

### The way forward

One of the portfolios attached to our equity plan is an initiative where service level agreements are entered into with retirees for the translation of complaints received by the office. Currently the service is for the translation of Afrikaans complaints to English. This initiative is termed "The Translators" and, with the development of the Use of Official Languages Policy, the Forum now seeks to also include translators of indigenous languages under this portfolio.

Currently, people with disabilities are not represented at all within the FAIS Ombud workforce profile which FOEEF seeks to address by way of a disability portfolio.

<sup>5</sup> Employment Equity Act 55 of 1998



After consultation with assessors from the Association for The Physically Disabled in Greater Johannesburg and the National Council for Persons with Physical Disabilities in South Africa, we were able to carry out a section 19<sup>6</sup> analysis of the risks and barriers that may adversely affect this designated group. FOEEF is currently in the process of putting together a proposal to the Office where the suggested initiatives to address the lack of representation of people with disabilities will be put forward and budget requested for the implementation of a pilot programme.

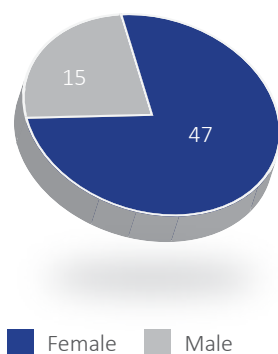
As a Forum, we are very impressed with what has been achieved in the short period of our existence and we look forward to launching the proposed pilot programmes in the near future.

**Nomfundo Dhlomo**  
Deputy Chairperson of the FAIS Ombud Employment Equity Forum

#### Employment Statistics

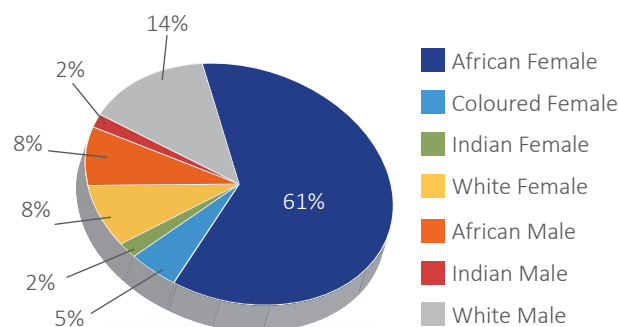
##### TOTAL NUMBER OF STAFF

The diagram below represents our male / female split as at 31 March 2015.



##### POPULATION GROUPS

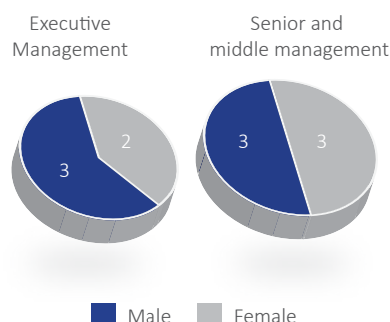
The diagram below represents our population group split as at 31 March 2015.



POPULATION GROUP	Female		Male	
African	38	61%	5	8%
Coloured	3	5%	-	0%
Indian	1	2%	1	2%
White	5	8%	9	14%
Foreign	-	0%	-	0%
<b>Total</b>	<b>47</b>	<b>76%</b>	<b>15</b>	<b>24%</b>

##### REPRESENTATION AT MANAGEMENT LEVELS

REPRESENTATION AT MANAGEMENT LEVELS				
LEVEL	Executive management		Senior and middle management	
	Female	Male	Female	Male
African	2	-	2	-
Coloured	-	-	-	-
Indian	-	-	-	1
White	-	3	1	2
Foreign	-	-	-	-
<b>Total</b>	<b>2</b>	<b>3</b>	<b>3</b>	<b>3</b>

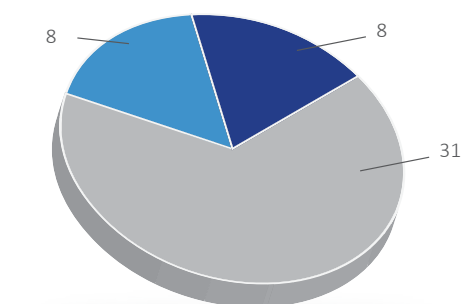


<sup>6</sup> Employment Equity Act 55 of 1998

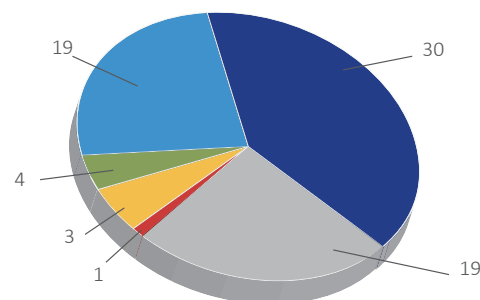


## SKILLS AND QUALIFICATIONS

The diagrams below represent the skills and qualification levels, as well as the areas of specialisation as at 31 March 2015.



■ Diploma or National Certificate  
■ Undergraduate Degree  
■ Postgraduate Degree/Diploma/Certificate



■ Finance & Commerce  
■ CFP and/or Advanced CFP  
■ Other industry qualification  
■ MBA  
■ Other areas  
■ Law

EMPLOYEES WITH HIGHEST QUALIFICATION	
Qualification	Number of employees
Diploma or National Certificate	8
Undergraduate Degree	31
Postgraduate Degree/Diploma/Certificate	8
<b>Total</b>	<b>47</b>

SPECIALISATION	
Law	30
Finance & Commerce	19
MBA	1
CFP and/or Advanced CFP	4
Other industry qualification	3
Other areas	19

## 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)	18 323	17 684	97%	42	421
Operational excellence	14 871	4 144	28%	13	319
Stakeholder management	1 050	807	77%	2	404



## PERFORMANCE REWARDS

LEVEL	PERFORMANCE REWARDS (R'000)	PERSONNEL EXPENDITURE (R'000)	% OF PERFORMANCE REWARDS TO TOTAL PERSONNEL COST
Top Management	873	7 277	12.0%
Senior Management	54	3 617	1.5%
Professionally Qualified	-	-	-
Skilled	46	8 883	0.5%
Semi-skilled	22	2 445	0.9%
Unskilled	10	410	2.4%
<b>Total</b>	<b>1 005</b>	<b>22 632</b>	<b>4.4%</b>

## TRAINING COSTS

OBJECTIVE	TRAINING EXPENDITURE (R'000)	NO. OF EMPLOYEES TRAINED	AVG TRAINING COST PER EMPLOYEE (R'000)
Financial Planning Studies	67	15	4.5
Legal Studies	44	3	14.7
Other Commercial Studies	10	2	5.0
Other Skills training Costs	118	74	1.6

## EMPLOYMENT AND VACANCIES

LEVEL	2013/2014 AVE NO. OF EMPLOYEES	2014/2015 APPROVED POSTS	2014/2015 AVE NO. OF EMPLOYEES	2014/2015 AVE NO. OF VACANCIES	% OF VACANCIES
Top Management	6	6	5	1	17%
Senior and Middle Management	5	7	5	2	29%
Skilled	27	34	31	3	9%
Semi-skilled	10	14	13	1	7%
Unskilled	3	3	3	-	-
<b>Total</b>	<b>51</b>	<b>64</b>	<b>57</b>	<b>7</b>	<b>11%</b>

## REASONS FOR STAFF LEAVING

REASON	NUMBER	% OF TOTAL NO. OF STAFF LEAVING
Death	-	-
Resignation	9	56%
Dismissal	1	7%
Retirement	-	-
Ill Health	-	-
Expiry of Contract	6	37%
Other	-	-
<b>Total</b>	<b>16</b>	<b>100%</b>

## LABOUR RELATIONS: MISCONDUCT AND DISCIPLINARY ACTION

NATURE OF DISCIPLINARY ACTION	NUMBER
Verbal Warning	Nil
Written Warning	Nil
Final Written Warning	1
Dismissal	1



## SUSTAINABILITY

Our policy on Sustainability guides us as we negotiate the various areas of our work. During the middle of the year, we partnered with National Cleaner Production Centre<sup>7</sup>, (NCPC). An exhaustive study of our environment was carried out by engineers and other relevant experts. Their final report was tabled almost three months later, recommending several opportunities to follow in order to produce our services more cost effectively.

We have since pursued a number of these avenues and the results are rewarding. Perhaps the most gratifying aspect of this initiative was the serendipitous discovery of cost saving opportunities. We had casually invited the NCPC to our offices hoping that they would take less than an hour before bidding us goodbye with no findings. To our pleasant surprise, their work claimed two months or more, providing us with comprehensive guidelines on becoming more cost-effective.

To add to this initiative, we continue with our efforts to print only where it is absolutely necessary. Our printers are automatically set on default to print on both sides of the page, unless prompted. We use black and white as opposed to colour. This does not come easy, as our young new employees require repeated lessons before they buy into the practice.

Work still needs to be done on saving on electricity costs, particularly in the ablution facilities. Apart from the problem of sharing with other tenants, the set-up in the building makes it awkward to practice this to the point where it becomes natural.

Though we are proud of these initiatives, we realise there is little time to be complacent, as more work needs to be done. We continue to explore many other leads that will add to our quest to produce our services in a sustainable manner.

<sup>7</sup> The National Cleaner Production Centre of South Africa (NCPC-SA) is a national programme of government that promotes the implementation of resource efficiency and cleaner production (RECP) methodologies to assist industry to lower costs through reduced energy, water and materials usage, and waste management. It is hosted by the CSIR on behalf of the Department of Trade and Industry (the dti). The NCPC-SA is a member of UNIDO and UNEP's global resource efficiency and cleaner production network (RECPnet) and plays a leading role in the African Roundtable on Sustainable Production and Consumption (ARSCP).

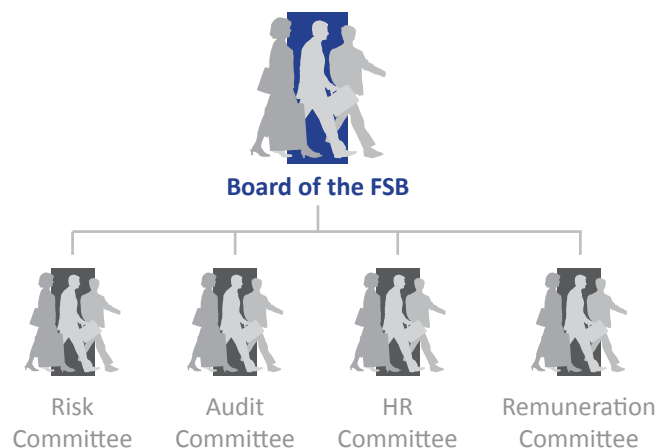
## GOVERNANCE, RISK AND COMPLIANCE

Good corporate governance involves the establishment of structures and processes with appropriate checks and balances which enables the Board to discharge on its legal responsibilities and promote accountability, transparency and fairness.

### Accountability

We account to the Board of the Financial Services Board (the Board), which exercises oversight responsibility over the operations of the FAIS Ombud in line with the principles of the King III Code of Corporate Governance (King III). The Board has adopted and fully endorses the principles of King III.

The Board provides strategic direction to the FAIS Ombud within the bounds of the Board Charter, and fulfils its responsibilities with the contribution of the Audit Committee, the Risk Committee, the Human Resources Committee and the Remuneration Committee.



### Audit Committee

The Audit Committee is responsible for 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 role is to evaluate and advise the Board on the adequacy of risk management processes and strategies. The Risk 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 remuneration and benchmarks salaries of the Ombud and the Deputy and makes recommendations to the Board.

The terms of reference for the sub-committees of the Board are reviewed annually, in line with best practice.

Quarterly reports on organisational performance against the Annual Performance Plan are submitted to the Minister of Finance, and National Treasury in accordance with Treasury Regulations.

We also report to Parliament, by invitation, usually on an annual basis.

## Board Member Appointments

The Board is appointed by the Minister of Finance and is made up of 11 non-executive members of diverse backgrounds. Their appointment is made with due regard to experience, technical skills, and the interests of users and providers of financial services, including financial intermediaries and the public interest.

## Composition of the Board

BOARD MEMBER	BOARD	AUDIT COMMITTEE	RISK MANAGEMENT COMMITTEE	HR COMMITTEE	REMUNERATION COMMITTEE
<b>Total number of meetings</b>	<b>4</b>	<b>5</b>	<b>4</b>	<b>4</b>	<b>4</b>
A Sithole	4	N/a	N/a	3	3
H Wilton	2	3	1	2	2
Z Bassa	3	N/a	3	3	3
O Makhubela	3	N/a	N/a	N/a	N/a
J Mogadime	4	5	4	N/a	N/a
F Groepe	3	N/a	N/a	N/a	N/a
I Momoniat	1	N/a	N/a	N/a	N/a
D Msomi	2	5	N/a	N/a	N/a
H Ratshefola	4	N/a	3	N/a	N/a
PJ Sutherland	4	4	N/a	N/a	N/a
D Turpin	4	N/a	4	N/a	N/a

## Board Secretary

All Board members have access to the advice and services of a Board Secretary, who is responsible for ensuring proper governance of the Board. The Board Secretary provides guidance to Board members on their responsibilities within the enabling legislative framework.

## Delegation of Board Authority

The Ombud is the accounting officer in terms of the FAIS Act and the PFMA.

The Ombud, through the delegation of authority, assumes further authority and responsibility arising under the PFMA, enabling the Ombud to run the day-to-day operations of the FAIS Ombud efficiently.

## Defined and Separate Roles: Chairman and Ombud

In line with King III, 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.

## Ethics

The Board provides ethical leadership to the FAIS Ombud. It 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 Ethics 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 conflict 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.

### Risk Management

Effective risk management is a strategic imperative rather than an option within high performing organisations. This is supported by King III.

Being a PFMA regulated entity, the Board has adopted the Public Sector Risk Management Framework (the framework). The framework incorporates the King III principles.

The framework assigns risk governance to the Board. The Board, however, achieves its responsibilities through the Risk Sub-Committee of the Board within the parameters of the Risk Sub-Committee's terms of reference.

Through the recommendations of the Risk Committee, the Board reviews and approves the FAIS Ombud's Risk Management Framework, the FAIS Ombud's Risk Management Plans, and its risk appetite on an annual basis.

The implementation of the FAIS Ombud's Risk Management Framework and Risk Management Plans is the responsibility of Management. The on-going measurement of the effectiveness of the risk management plans is jointly monitored by internal risk governance structures, and by the internal and external audit function, who collectively provide assurance to the Risk Sub-Committee about the effectiveness of risk management systems of the FAIS Ombud.

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

1. EXCO (Performance)
2. FAIS Ombud Risk and Compliance Sub-Committee (FAIS Ombud RCS)
3. Heads of Departments supported by the Risk Department

The Risk and Compliance Sub-Committee is the point of consolidation for the Office's reporting and the central body for the execution of management's risk responsibility.

The FAIS Ombud RCS meets on a quarterly basis and reports to EXCO. The RCS discharges its function by reviewing the Strategic Risk Register whilst considering enterprise-wide emerging risks.

The FAIS Ombud's philosophy, as set out in the FAIS Ombud's Risk Management Framework, is that risk management is everyone's business. As such, although the Accounting Officer is considered the Chief Risk Officer in terms of the Public Sector Risk Management Framework, this responsibility is cascaded to members of the internal risk governance structures, all the way into the individual performance contracts of each employee.

Awareness of each employee's responsibility for managing risk in the area that employees perform their technical duties is re-enforced through the rolling out of risk management activities, such as, the Annual Risk Workshop. Over the years, we have learnt that the sustenance of risk management practices will not be effective unless members of the Office can relate to the risks confronting the Office in their day-to-day activities.

Much focus is placed on the risk of fraud and corruption in the Public Sector Risk Management Framework, as a risk faced by public entities. We believe, to that end, that no entity is immune to fraud. Accordingly, this is one of the risks that the entity manages relentlessly. We achieve this by ensuring that newly-appointed employees are made aware (during induction) about the FAIS Ombud's zero tolerance attitude to fraud. During these sessions, cases of how fraud can manifest in our environment are discussed with parallels being drawn to the FAIS Ombud's Code of Ethics. Throughout their journey at the FAIS Ombud, employees are sensitised of the Office's stance to fraud during monthly staff meetings, where once again case studies are used, and during our annual risk workshop. As such, work in this area is a never ending exercise.



The FAIS Ombud's strategic risks are listed below:

NO.	RISK
1	Threat to the independence of the Office
2	Inadequate stakeholder relationship management
3	Talent attraction and retention
4	Ineffective complaints handling process
5	Complex and dynamic regulatory environment
6	Inadequate funding
7	Inconsistent decisions on cases
8	Non-compliance with legislation
9	Fraud, corruption and unethical behaviour
10	Disruption of service
11	Breach of confidential information (internally and externally)

## 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. The FAIS Ombud has adopted this 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, IT Steering Committee, line managers, and the IT Operational Committee with regard to key areas of strategic alignment, value delivery, ICT resource management, risk management and performance management.

Having had the IT Strategy approved by the Board, the EXCO of the FAIS Ombud approves the 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. As part of our efforts to strengthen this area, the FAIS Ombud incorporated the requirements of the Department of Public Service and Administration's Corporate Governance of ICT Policy Framework in the IT Implementation Plan.

The FAIS Ombud has had its own set of challenges in this critical area, which has made it urgent for management to commit more resources. Following a deviation from our policies, we dealt with the risk of a possible breach of confidentiality. This resulted in management calling those responsible to account for their actions. Partnering with our sister entity, we continue to build this area of our operation to prevent the same occurrences in the future. We are confident that as we grow, the lessons we learn, although difficult, will ultimately see the FAIS Ombud maturing in this area.

As at the close of the financial year, we were moving towards installing a brand new complaints management system. Owing to the need to pay attention to our ageing infrastructure which is meant to support the complaints management system, as well as some additional recommendations made by experts, the implementation of the system has been delayed.

We thank our Board, our sister entities and our staff for committing themselves to improving this area of our operation.



# SETTLEMENTS

## COMPLAINANT N v K

### Issue: Failure to act on instructions of client

The complainant stated that he had given his broker instructions to cancel his short term insurance policy with the insurer. He later discovered that this instruction had not been forwarded to the insurer and as a result his bank account was still being debited in respect of the monthly premium. Having failed to resolve the complaint with the respondent, complainant lodged a complaint with this Office. Upon forwarding the complaint to the respondent, he initially denied receiving any such instruction to cancel the policy. However, when an email was produced by the complainant, confirming that the request had indeed been sent, the respondent agreed to refund the complainant all premiums debited after the instruction had been received. An amount of R9 077.50 was paid to complainant in full and final settlement.

**SETTLEMENT: R9 077.50**

## COMPLAINANT P v O

### Issue: Failure to disclose amendment costs

During September 2014, the complainant commenced with the process of changing his retirement annuity policy in favour of a new and improved version. It was the complainant's contention that despite having liaised with the respondent on numerous occasions regarding the anticipated change, the respondent had failed to disclose the fact that there would be a change to the costs incurred in respect of the transaction.

In its response to this Office, the respondent had stated that while it acknowledged that its representative may have failed to highlight the pertinent charges applicable to the complainant, it would be unreasonable to assume that the complainant had not been aware that certain charges would be levied. As a result, the respondent offered to pay the complainant an amount of R3 000.00 in lieu of the poor service. The respondent further contended that in terms of the old fund rules, charges are applied to all members who access their retirement benefits before the end of the premium paying term and it should also be noted that the respondent had itself incurred upfront costs when the contract had been issued, which it had planned to recoup over the term of the contract.

The matter was officially accepted for investigation by this Office and a recommendation was made to the respondent to refund all the charges incurred. This Office was of the view that the actions of the respondent's representative had denied the complainant

an opportunity to have made an informed decision regarding the proposed change.

The complainant was subsequently refunded the charges incurred.

**SETTLEMENT: R17 658.71**

## COMPLAINANT D v DD

### Issue: Failure to disclose charges upon termination of investment policy

Complainant had enquired from the respondent about the costs involved for the early surrender of her policy. The respondent had indicated that the surrender penalties would only be R 839.29.

After the policy had been surrendered, the complainant noticed that the amount paid out to him was R10 869.31 less than what had originally been indicated.

Complainant proceeded to lodge a complaint with our office as she felt that the explanation provided to her had not been satisfactory.

The complaint was forwarded to the respondent, specifically requesting that it address the Office on the R10 869.31 charged. The respondent argued that the percentage charged was contained in the documents signed by complainant. However, there was no evidence to prove that this had been disclosed to complainant and it was further noted that it would not suffice for the respondent to convey the percentage charged. There was a duty for it to have reflected the amount in specific monetary terms as the Code demands where the amount is reasonably ascertainable.

The respondent settled the matter by offering the complainant an amount of R10 869.31.

**SETTLEMENT: R10 869.31**

## COMPLAINANT: L v L

### Issue: Failure to disclose commission and appropriateness of the product sold

The complainants, a retired couple, held various policies some of which had reached maturity; some had been ceded and new policies issued on the recommendation of their advisor.

The complainants were eventually advised to consolidate all the policies and replace them with one policy from Old Mutual. When the complainants received their policy documents they noticed that



commissions had been charged by the respondents representative despite having been informed that the proposed changes represented a reinvestment and that no fees would be payable as a result. Furthermore the complainants also noted that the maturity date for the policy was recorded as 2029. This despite the fact that the complainants, at the inception of the policy, were already at the ages of 82 and 76 years respectively.

Initial correspondence was sent to the respondent requesting that it address this Office on the suitability of the changes effected. Particularly how the changes had been conveyed to the complainants and how the extended term was in the complainants' interests. The respondent replied agreeing to refund the commission received and to amend the term of the policy to one agreeable to the complainants' particular circumstances.

**SETTLEMENT: R26 141.72**

## COMPLAINANT: R v C

### Issue: Failure to act with integrity and in the interests of the client

Complainant's husband passed away having purchased numerous life policies and various other death benefits.

However the respondent who was also the advisor to the deceased had noted his (respondent's) wife as a creditor and beneficiary on the policies, of the deceased. It was only when the deceased's wife enquired about the proceeds due to her that she was informed that she was no longer noted as a beneficiary on the policies.

Correspondence was sent to the respondent, requesting details of how his (respondent's) wife had ended up being nominated as a beneficiary on his client's policies. Further investigations revealed that the deceased had entered into a loan agreement with the respondent's wife, however the outstanding balance of the loan had been paid during the deceased's lifetime.

The complainant provided proof that the loan had in fact been settled during her husband's life time and the matter was resolved.

**SETTLEMENT: R110 250.00**

## COMPLAINANT: S v M

### Issue: Misinformation to the client

The complainant had applied for life cover in order to cover himself and his family. During the sales call, prior to the inception of the policy, the respondent had advised the complainant that he enjoyed

immediate cover under the policy, notwithstanding the fact that the first premium had not yet been paid.

On 24 June 2014 the complainant's son was involved in a fatal car accident. The complainant submitted a claim on his policy which was subsequently rejected on the basis that cover only commenced on 2 July 2014.

The respondent however conceded that its representative had provided the complainant with incorrect information at the time the financial service was rendered. Specifically it was incorrect for the representative to have said "immediate cover" would be enjoyed by the complainant and his family. The respondent offered an ex gratia amount of R10 000.00 and the matter was settled.

**SETTLEMENT: R10 000.00**

## COMPLAINANT: I v B

### Issue: Failure to appropriately advise a client

The complainant's husband had been on chronic treatment for high blood pressure and had died from a heart attack during November 2013. The complainant's claim against the policy, which had been sourced to provide cover in respect of the bond was rejected by the insurer. The basis for the rejection was the 24 month exclusion of pre-existing health conditions as set out in the policy. The complainant contended that no one had explained meaning of the words "pre-existing condition exclusion". The complaint was referred to the respondent who argued that the complainant had a duty to have made all the necessary disclosures and to have reviewed the policy wording. The respondent made an initial offer of R335 000.00 which was rejected by the complainant. The respondent argued that with a life policy one's existing health conditions are highly relevant and that this ought to have been disclosed to its representative. It was pointed out to the respondent that the deceased would not have known to disclose life threatening condition simply because his representative had not explained what is meant by pre-existing condition. The respondent increased the settlement offer, which was subsequently accepted by the complainant.

**SETTLEMENT: R400 000.00**

## COMPLAINANT: G v O

### Issue: Appropriateness of advice

Complainant had, upon the recommendation of the respondent, invested funds in an overseas property syndication structure that owned student housing.





The complainant subsequently submitted a redemption instruction against her investment but had been unable to access her funds as a result of the fund having been temporarily suspended following its inability to meet the high volume of redemption requests.

We sent initial correspondence to the respondent and received a response with documentation supporting the various delays in the redemption of the complainant's investment. After an investigation it was found that the Fund was a high risk investment, and therefore not suitable for the complainant, when one considered her established risk profile.

The respondent agreed to pay the complainant an amount of GBP31 084.52 in full and final settlement of the complaint.

**SETTLEMENT: GBP31 084.52 – R558 620.45**

## COMPLAINANT: N v H

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

The respondent made recommendations to move the complainant's funds out of an Offshore Commercial Property Fund into an Offshore European logistics Fund and EEA Life Settlements Fund, allegedly to diversify the risk. Subsequently, the Offshore European Logistics Fund was investigated for fraud by the Financial Standards Authority in the UK and ultimately suspended. Over time, the value of the funds depreciated drastically which resulted in the submission of the complaint. The complainant alleged that the respondent had been negligent when advising her to move her funds and had not acted with due skill, care and diligence. As the complainant had no success in her pursuit to be reimbursed, she lodged a complaint with the FAIS Ombud. 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: R450 000.00**

## COMPLAINANT: M v N

### Issue: Failure to correctly insure client/Failure to provide factually correct information

The complainant purchased a motor vehicle and had sought vehicle finance and Insurance from the respondent. The proposal for the insurance policy covering the vehicle had included a restriction of cover in terms of 'Nominated Drivers' and an exclusion for drivers below the age of 27. The complainant alleged that the broker had advised him to use his parents as the nominated drivers of the vehicle due to his age, the complainant was 26 years old at the time. (The technical aspect of this case is that a quotation was issued on

the basis that the complainant's father and mother were the drivers of the vehicle. Upon acceptance of the quote, it was added in the proposal forms that the son was an additional driver.) Subsequently, the vehicle was involved in an accident whilst driven by the complainant (the owner of the vehicle) and the insurer had rejected his claim citing that the driver at the time of accident was not one of the nominated drivers. The complainant alleged that the broker had failed to inform the insurer once he had reached the age of 27, which would have removed all restrictions applicable. The complainant concluded by stating that the broker's conduct or omission had resulted in him suffering financial loss of R1 166 752.93. After much deliberation, the respondent agreed to settle the matter by paying an amount limited to this Office's jurisdiction in full and final settlement.

**SETTLEMENT: R800 000.00**

## COMPLAINANT: J v O

### Issue: Failure to act on instruction of client

The complainant sought investment advice from the respondent's representative. The complainant stated that he had instructed the advisor to invest R100 000.00 in a long-term deposit account and R250 000.00 in a flexi deposit. The representative had however failed to carry out his instructions having invested the R250 000.00 in an endowment policy. After the complainant had made two withdrawals, he was prevented from making another one, as he could only access the remaining funds after 5 years. The complainant alleged that the advisor had not followed his instructions, and as a result had lodged a complaint with this Office. Upon assessment of the complaint the respondent agreed to settle the matter by cancelling the policy. The complainant accepted the offer.

**SETTLEMENT: R229 096.00**

## COMPLAINANT: C v L

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

On 10 April 2012, the complainant had applied for life assurance. When the complainant was provided with an updated policy schedule she discovered that she had been contributing premiums towards an accidental death policy. The complainant's intention was to have life cover in the wider sense including death due by natural causes. She complained to this Office claiming a refund of all premiums contributed towards the policy. The complaint was referred to the respondent who responded by stating that after its consultant had gone through the medical and lifestyle questions with the complainant she only qualified for an accidental death



benefit and not whole of life cover. A recommendation was made by the Office that the respondent reconsider its stance by resolving the matter with the complainant, as the consultant would appear to have failed to advise the complainant that based on the results of the medical and lifestyle questionnaire conducted, she only qualified for the accidental death benefit. The complainant had not been placed in a position to have made an informed decision. The respondent subsequently decided to cancel the policy and refund all the premiums paid since inception. The matter was resolved and the complainant accepted the settlement offer.

**SETTLEMENT: R6 591.16**

## COMPLAINANT: P v F

### Issue: Failure to provide cover for vehicle extras

During September 2011 the complainant had requested the respondent to comprehensively insure his 2009 Toyota Hi-Lux 3.0 4 WD vehicle. On the 29<sup>th</sup> December 2011 the complainant's vehicle was stolen. The complainant subsequently submitted a claim and was however dismayed to learn that the settlement value proposed by the insurer did not provide for any of the extra's on his vehicle. The complainant claimed that the respondent had never advised him that the extras on the vehicle had to be specifically insured. The respondent had initially been unwilling to resolve the matter after having received initial correspondence from this Office. The matter was therefore officially accepted for investigation. The respondent reconsidered its stance and offered a further amount to the complainant in lieu of the extras.

**SETTLEMENT: R7 500.00**

## COMPLAINANT: H v S

### Issue: Failure to act with the required due skill care and diligence

The complainant had, during 2006, invested an amount of R600 000 into a product called Sanvest, upon the recommendation of a representative of the respondent. The complainant had then invested a further R676 581.74 into the investment during 2010. During 2013, the complainant fell ill, and required capital from the investment to pay for medical expenses. However, when sought to withdraw she was informed that her investment was tied up in property and that no funds could be withdrawn. The complainant contended that this had not been what had been agreed to, and claimed to have been under the impression that funds were always available. Prior to the submission of the complaint to this Office, the respondent had offered to refund the initial R600 000.00 to the complainant, an offer that was reiterated when the respondent

responded to the initial correspondence received from this Office. The respondent had, however, refused to take responsibility for the remaining R676 581.74 as it claimed that the representative had facilitated this investment after he had left its employ during 2008. This Office officially accepted the matter for investigation, and further investigation revealed that the representative had been debarred during 2008 after an investigation by the Financial Services Board, (FSB). This fact had been known to the respondent and yet no documentation was provided to show that the complainant, or indeed, any of the debarred representative's clients had been notified of and or cautioned as to the representative's reasons for leaving. It was put to the respondent that the complainant, as a result of its perceived failure to act with the desired due skill care and diligence and in the complainant's interests, as required by the General Code of Conduct, would not have been alive to the representative's debarred status when he asked her for an additional investment in 2010. The respondent after a lengthy consideration provided an offer for half of the outstanding R676 581.74, which was subsequently accepted by the complainant.

**SETTLEMENT: R938 745.00**

## COMPLAINANT: K v A

### Issue: Failure to disclose material information to the complainant.

After having insured his motor vehicle with the assistance of the respondent, the complainant had been involved in a motor vehicle accident, and had submitted a claim against the policy. The complainant's claim was however rejected on the grounds that the person driving the vehicle at the time of the accident had not been listed as a nominated driver of the vehicle. The complainant, aggrieved by the decision, had claimed that she had never been adequately informed with regards to the nominated driver exclusion on the policy. This Office after receiving the complaint, directed our initial correspondence to the respondent, requesting that it provide documentation, in compliance with the General Code of Conduct, that it had firstly sought to determine the status of the regular driver from the complainant, but that secondly it had provided concise details with regards to the importance of ensuring that the correct identity of the regular driver be provided. The respondent after careful consideration reconsidered its stance with regards to the resolution of the complaint, and had decided to settle the matter to the satisfaction of the complainant.

**SETTLEMENT: R111 599.18**



## COMPLAINANT: C v O

### **Issue: The replacement of a financial product is not always appropriate**

The complainant had informed the respondent's representative that she had an existing life assurance policy and that he was welcome to provide her with an alternative recommendation should he be able to source a more affordable premium. The complainant, therefore on the recommendation of the respondent's representative, had agreed to replace her existing policy with a new policy which had also included Life, Disability and Severe Illness benefits. The representative had allegedly assured the complainant that she had, as a result of the replacement, acquired the best policy in terms of disability and severe illness cover. The complainant was subsequently admitted to hospital for the treatment of a pulmonary embolism, and after having submitted a claim under the severe illness benefit of the policy, she had been informed that this condition was only available under the Comprehensive and Extensive Cover option - an option that she had not been provided with. After receiving initial correspondence from this Office, the respondent remained reluctant to resolve the complaint. This Office then recommended the respondent reconsider its stance with regards to the resolution of the complaint. Not only had it been established that the replaced policy would have reacted positively to the claim, but that we were unable to find any documentation to support the fact that the complainant had been advised as to the consequences and/or implications involved in the replacement of her existing policy. Furthermore, the replacement policy, albeit a cheaper option, did not provide the same level of cover. The respondent, after careful consideration, presented the complainant with an offer that had been accepted in resolution of the matter.

**SETTLEMENT: R11 765.00**







## TECHNICAL TEAMS CASE MANAGEMENT



Left to right:

Sthando Kunene, Boitumelo Rantao, Andisiwe Stofile, Marc Alves, Rita-Marie van der Westhuizen, Ncebakazi Gqwa, Hendrina Williams



Left to right:

Willem van Staden, Bongwekazi Balintulo, Zine Mahlaka, Ashwin Singh, Dorothy Letsoalo, Adelaide Nyatumba, Thobekile Ngcobo



## TECHNICAL TEAMS CASE MANAGEMENT



Left to right:

Lindani Makhanya, Nothemba Sonjica, Sinomhlobo Katangana, Zetu Kulu, Mashite Makgoo, Phumza Mtshemla, Sesethu Memesa, Philile Kamanga, Charmaine Mosalo, Florence Mokgonyana, Cebisa Mkiwane, Boitumelo Motholo





## CASE ADMINISTRATION



Left to right:

Kelebogile Sesoko, Nhlanhla Mngomezulu, Hector Gumede, Nomvula Mtolo, Mpho Koloko, Brian Nyide, Tumelo Malete

## ADJUDICATION SUPPORT



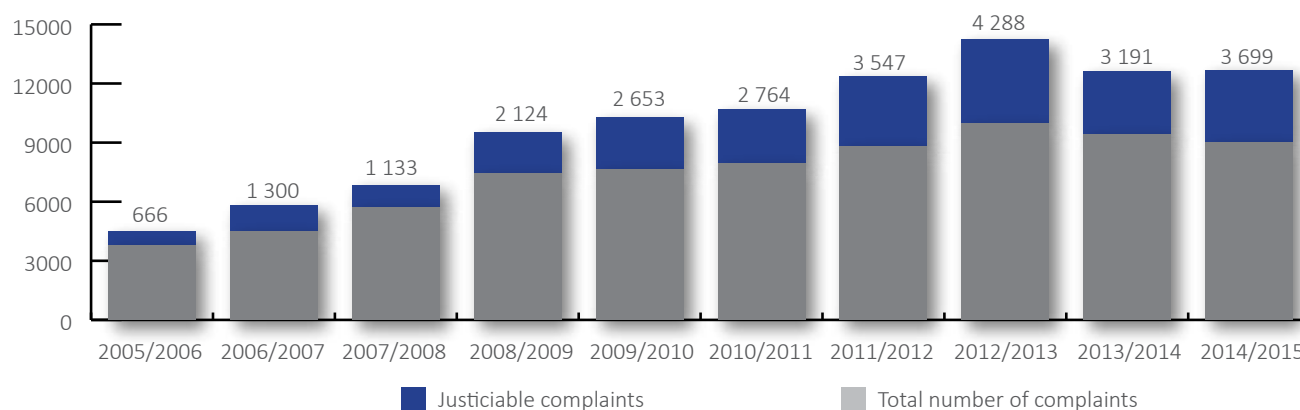
Left to right:

Alicia Fynn, Hestie Teessen



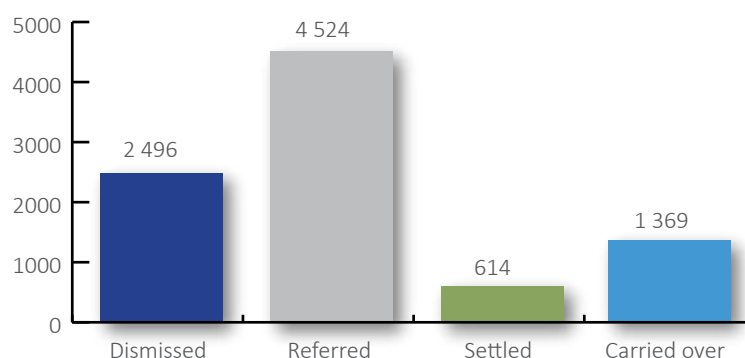
# STATISTICS FOR THE YEAR ENDING 31 MARCH 2015

## GROWTH IN NEW COMPLAINTS



FINANCIAL YEAR	TOTAL NO OF NEW COMPLAINTS	JUSTICIABLE COMPLAINTS
2005/2006	3 808	666
2006/2007	4 484	1 320
2007/2008	5 720	1 133
2008/2009	7 416	2 124
2009/2010	7 647	2 653
2010/2011	7 944	2 764
2011/2012	8 821	3 547
2012/2013	9 949	4 288
2013/2014	9 439	3 191
<b>2014/2015</b>	<b>9 003</b>	<b>3 699</b>

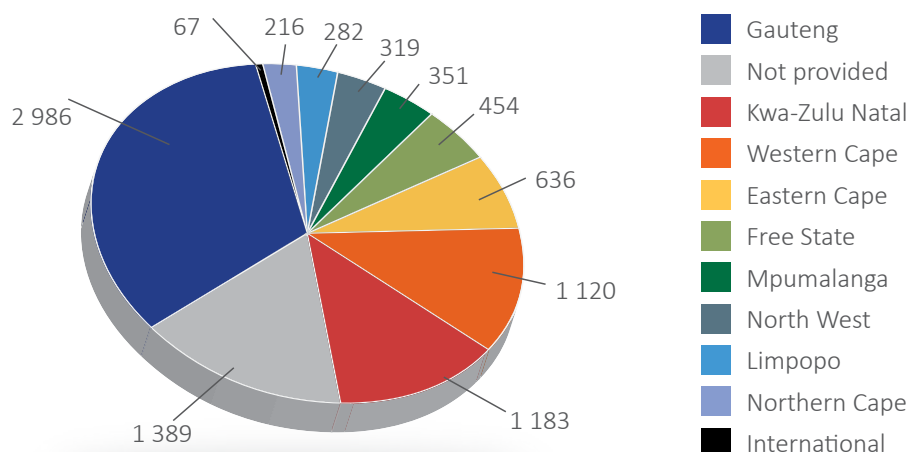
## HOW NEW COMPLAINTS WERE DEALT WITH



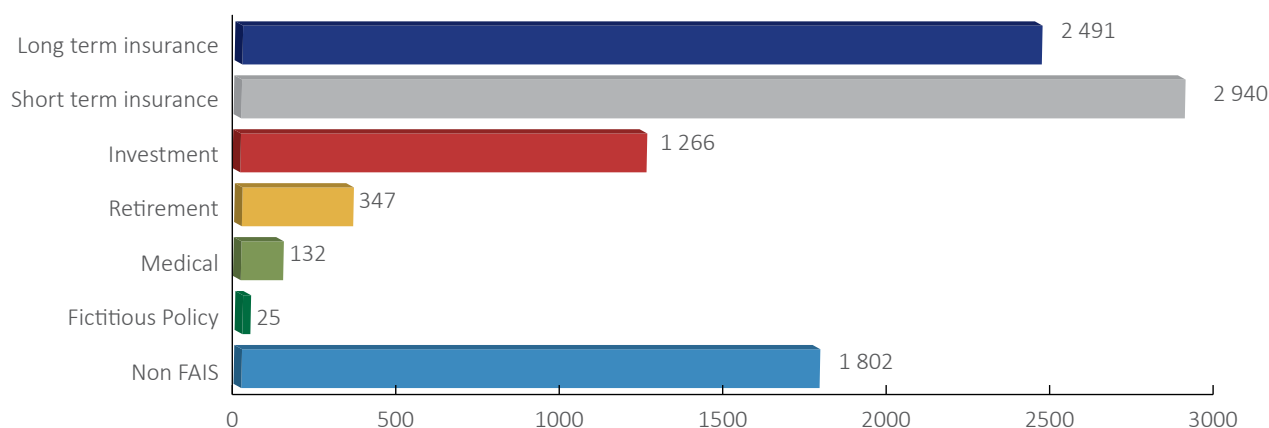


# STATISTICS FOR THE YEAR ENDING 31 MARCH 2015

## WHERE DO OUR COMPLAINTS COME FROM



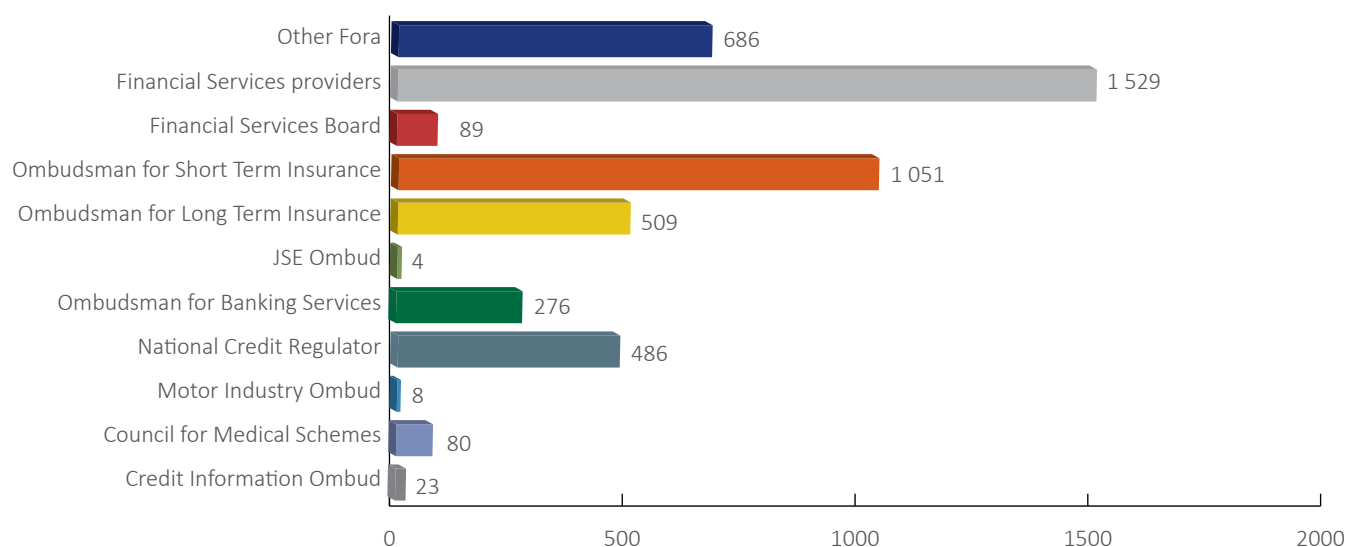
## WHAT PRODUCTS DO PEOPLE COMPLAIN ABOUT



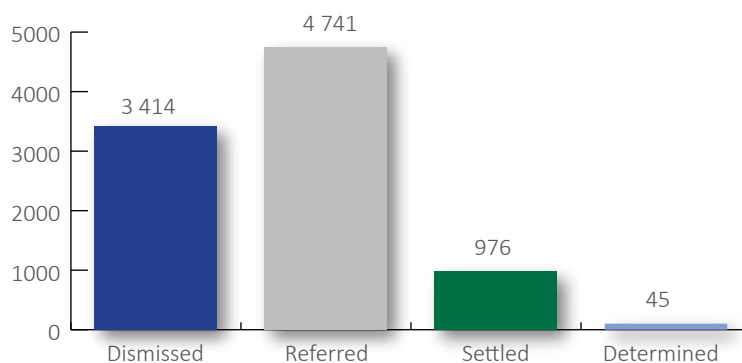


# STATISTICS FOR THE YEAR ENDING 31 MARCH 2015

## REFERRALS TO OTHER FORA

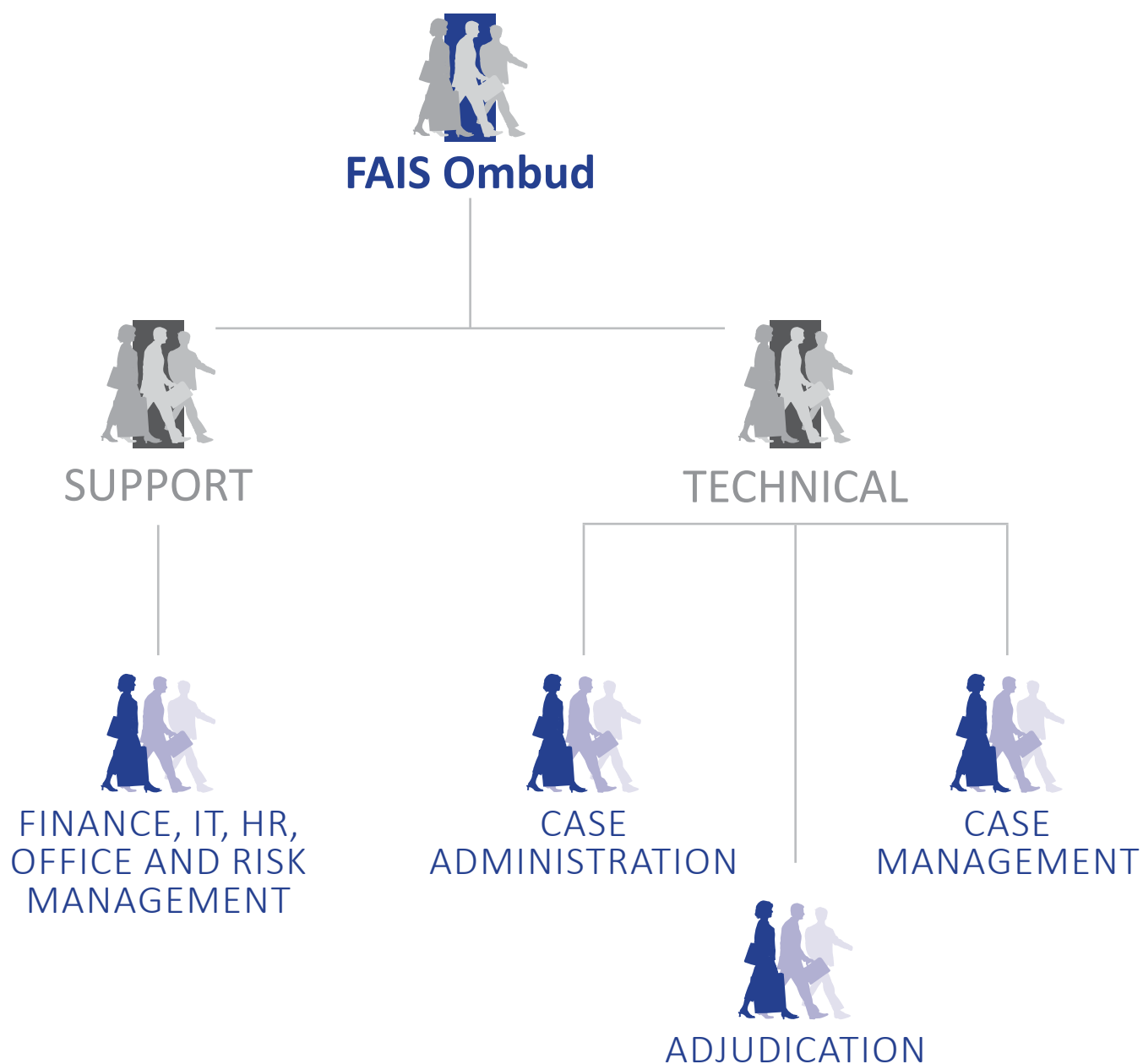


## ALL RESOLUTIONS IN 2014/2015 FOR CASES FROM ALL YEARS





# OPERATIONAL STRUCTURE





## STAFFING AS AT 31 MARCH 2015



### BACK Left to right:

Tumelo Maletle, Boitumelo Rantao, Tokozile Memela, Winnie Muger, Nhlanhla Mngomezulu, Ilne Potgieter, Rita- Marie van der Westhuizen, Andisiwe Stofile, Portia Makhanya, Zine Mahlaka, Sinomhlobo Katangana, Chantel van Wyk, Kelebogile Sesoko, Willem van Staden, TJ Riekert, Lindani Makhanya, Brian Nyide, Julie Malan, Mashite Makgoo, Hector Gumede.

### MIDDLE Left to right:

Hestie Teessen, Alicia Fynn, Zetu Kulu, Dorothy Letsoalo, Florence Mokgonyana, Shaylene Wood, Nokwanda Dube, Ncebakazi Gqwa, Philile Kamanga, Yvonne Shili, Adelaide Nyatsumba, Hendrina Williams, Ayanda Mntonintshi, Mpho Koloko, Bongwekazi Balintulo, Sesethu Memese, Nothemba Sonjica, Boitumelo Motholo, Cebisa Mkiwane, Thobekile Ngcobo, Charmaine Mosalo, Nomfundo Dhlomo, Thandi Jali, Sthando Kunene, Yanga Ntantiso

### FRONT Left to right:

Marc Alves, Ashwin Singh, Sithabile Sabela, David Davidson, Noluntu Bam, Phumza Mtshemla, Nomvula Mtolo, Jean Goodey, Johan Scheepers

## ADJUDICATION



### Left to right:

Sithabile Sabela (Assistant Ombud), David Davidson (Assistant Ombud), Noluntu Bam (Ombud)





## FINANCE AND OFFICE SUPPORT



Left to right:

Ayanda Mntonintshi, Yvonne Shili, Thandi Jali, Chantel van Wyk, Ilne Potgieter, Jean Goodey, TJ Riekert, Tokozile Memela, Winnie Muger, Julie Malan

## 2015 GRADUATE TRAINEES



Left to right:

Sthando Kunene, Dorothy Letsoalo, Lindani Makhanya, Bongwekazi Balintulo, Nothemba Sonjica, Sesethu Memese, Shaylene Wood, Nokwanda Dube, Philile Kamanga



## RISK AND COMPLIANCE



Left to right:  
Yanga Ntantiso, Sithabile Sabela, Boitumelo Rantao

## EMPLOYMENT EQUITY FORUM



Left to right:  
Willem van Staden, Yvonne Shili, Nomfundo Dhlomo, Zetu Kulu, Portia Makhanya, Winnie Muger, Thobekile Ngcobo



# FINANCIAL STATEMENTS



Jean Goodey  
Finance Manager

## INDEX

The reports and statements set out below comprise the financial statements.

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# ACCOUNTING AUTHORITY'S RESPONSIBILITIES AND APPROVAL

The Board of the Financial Services Board ("the Board"), as the Accounting Authority, is required by the Public Finance Management Act 1999 (Act No 1 of 1999) ("PFMA"), to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the Board to ensure that the financial statements fairly present the state of affairs of the entity as at the end of the financial year and the results of its operations and cash flows for the period then ended. The Auditor-General South Africa ("AGSA") is engaged to express an independent opinion on the financial statements and was given unrestricted access to all financial records and related data.

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

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 in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties

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

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

The Board has reviewed the entity's cash flow forecast for the year to 31 March 2016 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 42 to 68, which have been prepared on the going concern basis, were approved by the Board on 29 July 2015 and were signed on its behalf by:

Abel Sithole  
Chairperson

Noluntu Bam  
FAIS Ombud



# AUDIT COMMITTEE REPORT

We are pleased to present our report for the financial year ended 31 March 2015.

## AUDIT COMMITTEE MEMBERS AND ATTENDANCE

The Audit Committee is a sub-committee of the Board and consists of only non-executive Board members. During the current year 5 meetings were held. The Audit Committee consists of the members listed hereunder.

NAME OF MEMBER	NUMBER OF MEETINGS ATTENDED
J Mogadime (Chairperson)	5
D Msomi	5
PJ Sutherland	4
H Wilton	3

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

## THE EFFECTIVENESS OF INTERNAL FINANCIAL CONTROLS

The system of internal financial 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 South Africa, it was noted that no matters were reported that indicate any material deficiencies in the system of internal financial controls or any deviations therefrom. Accordingly, we can report that the system of internal control over financial reporting for the period under review was efficient and effective.

## EVALUATION OF FINANCIAL STATEMENTS

The Audit Committee has:

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

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

## INTERNAL AUDIT

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

## AUDITOR-GENERAL SOUTH AFRICA

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

The Audit Committee recommended, at its meeting held on 17 July 2015, the approval of the annual financial statements to the Board.

J Mogadime  
Date





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

The Board has delegated certain aspects of its authority as 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 and Finance Manager are permanent invitees of the Committee. Members of the FAIS Ombud Executive Committee or other members of senior management of the FAIS Ombud, assurance providers and other Board members may be required to attend committee meetings by invitation only.

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

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

## ROLES AND RESPONSIBILITIES

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

- The risk management strategy, risk management policy and risk management plans were considered;
- The continual monitoring of risks was undertaken;
- The risk management plan is integrated into the daily activities of the FAIS Ombud;
- Management has identified significant risks associated with the environment within which the FAIS Ombud operates and has developed a framework for managing these risks;
- The risk management strategy covering strategic, operational and financial risks was reviewed and approved;
- The risk management strategy incorporates a Fraud Prevention Strategy, which in turn incorporates the Fraud Prevention Policy, the Fraud Prevention Plan, the Fraud Response Plan and the 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 financial statements of the Office of the Ombud for Financial Services Providers set out on pages 42 to 68, which comprise statement of financial position as at 31 March 2015, 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 accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No.1 of 1999) (PFMA) and the Financial Advisory and Intermediary Services Act of South Africa, 2002 (Act No. 37 of 2002) (FAIS Act), and for such internal control as 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 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 2015 and its financial performance and cash flows for the year then ended, in accordance with South African Standards of Generally Recognised Accounting Practice and the requirements of the PFMA and FAIS Act.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

7. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report findings on the reported performance information against predetermined objectives for selected objectives presented in the annual performance report, non-compliance with legislation and 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 2015:
  - Objective 1: To increase the number of satisfied customers on pages 69 to 70



- Objective 2: To optimise internal capacity, business processes and systems to achieve operational excellence on pages 71 to 72.

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 objectives. 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* (FMPPI).
11. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
12. I did not identify any material findings on the usefulness and reliability of the reported performance information for the following objectives:  
  
Objective 1: To increase the number of satisfied customers  
  
Objective 2: To optimise internal capacity, business processes and systems to achieve operational excellence.

#### Additional matter

13. Although I identified no material findings on the usefulness and reliability of the reported performance information for the selected objectives, I draw attention to the following matter:

#### Achievement of planned targets

14. Refer to the annual performance report on pages 69 to 72 for information on the achievement of the planned targets for the year.

#### Compliance with legislation

15. I performed procedures to obtain evidence that the public entity had complied with applicable legislation regarding financial matters, financial management and other related matters. I did not identify any instances of material non-compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA.

#### Internal control

16. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with legislation. I did not identify any significant deficiencies in internal control.

*Auditor General*

Pretoria  
31 July 2015



AUDITOR - GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*



# STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2015

	Notes	2015 R	2014 R
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	2	211 292	278 163
Receivables from exchange transactions	3	687 520	602 365
Receivables from non-exchange transactions	4	1 929 303	-
		<b>2 828 115</b>	<b>880 528</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	5	1 908 998	1 933 619
Intangible assets	6	280 057	364 761
		<b>2 189 055</b>	<b>2 298 380</b>
<b>Total Assets</b>		<b>5 017 170</b>	<b>3 178 908</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Finance lease obligation	7	76 161	65 006
Trade and other payables from exchange transactions	8	1 891 216	1 538 853
Trade and other payables from non-exchange transactions	9	-	30 687
		<b>1 967 377</b>	<b>1 634 546</b>
<b>Non-Current Liabilities</b>			
Finance lease obligation	7	157 116	233 277
<b>Total Liabilities</b>		<b>2 124 493</b>	<b>1 867 823</b>
<b>Net Assets</b>		<b>2 892 677</b>	<b>1 311 085</b>
<b>Net Assets</b>			
Accumulated surplus		2 892 677	1 311 085



# STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 31 MARCH 2015

	Notes	2015 R	2014 R
Revenue	10	35 822 198	28 906 640
Operating expenses		(10 683 251)	(9 801 523)
Personnel costs	11	(22 631 782)	(20 857 057)
Depreciation and amortisation	5&6	(880 365)	(836 452)
<b>Operating surplus / (deficit)</b>	12	<b>1 626 800</b>	<b>(2 588 392)</b>
Finance costs	13	(45 208)	(53 678)
<b>Surplus / (deficit) for the year</b>		<b>1 581 592</b>	<b>(2 642 070)</b>



# STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED 31 MARCH 2015

	ACCUMULATED SURPLUS	TOTAL NET ASSETS
	R	R
<b>Balance at 01 April 2013</b>	<b>3 953 155</b>	<b>3 953 155</b>
Deficit for the year	(2 642 070)	(2 642 070)
<b>Balance at 01 April 2014</b>	<b>1 311 085</b>	<b>1 311 085</b>
Surplus for the year	1 581 592	1 581 592
<b>Balance at 31 March 2015</b>	<b>2 892 677</b>	<b>2 892 677</b>



# CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2015

	Notes	2015 R	2014 R
<b>Cash flows from operating activities</b>			
Cash received from entities		33 806 497	31 446 878
Cash paid to suppliers and employees		(32 968 244)	(30 244 819)
<b>Net cash flows from operating activities</b>	16	<b>838 253</b>	<b>1 202 059</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	5	(639 119)	(992 290)
Purchase of intangible assets	6	(155 791)	(287 189)
<b>Net cash flows from investing activities</b>		<b>(794 910)</b>	<b>(1 279 479)</b>
<b>Cash flows from financing activities</b>			
Finance lease payments		(110 214)	(111 744)
<b>Net decrease in cash and cash equivalents</b>		<b>(66 871)</b>	<b>(189 164)</b>
Cash and cash equivalents at the beginning of the year		278 163	467 327
<b>Cash and cash equivalents at the end of the year</b>	2	<b>211 292</b>	<b>278 163</b>





# STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

## BUDGET ON ACCRUAL BASIS

	APPROVED BUDGET	ACTUAL AMOUNTS ON COMPARABLE BASIS	VARIANCE BETWEEN FINAL BUDGET AND ACTUAL	NOTES
	R	R	R	

### STATEMENT OF FINANCIAL PERFORMANCE

#### Revenue

Levies	35 798 004	35 798 004	-	
Recoveries	-	24 194	24 194	
<b>Total revenue from non-exchange transactions</b>	<b>35 798 004</b>	<b>35 822 198</b>	<b>24 194</b>	

#### Expenditure

Personnel	(24 567 600)	(22 631 782)	1 935 818	23
Depreciation and amortisation	(1 023 253)	(880 365)	142 888	23
Finance costs	(44 434)	(45 208)	(774)	
Lease rentals on operating lease	(3 050 848)	(3 258 494)	(207 646)	23
General expenses	(8 088 040)	(7 400 887)	687 153	23
<b>Total expenditure</b>	<b>(36 774 175)</b>	<b>(34 216 736)</b>	<b>2 557 439</b>	
<b>Operating (deficit) / surplus</b>	<b>(976 171)</b>	<b>1 605 462</b>	<b>2 581 633</b>	
Loss on disposal of assets	-	(23 870)	(23 870)	
<b>(Deficit) / surplus for the year</b>	<b>(976 171)</b>	<b>1 581 592</b>	<b>2 557 763</b>	
<b>Actual amount on comparable basis as presented in the Statement of Comparison of Budget and Actual Amounts</b>	<b>(976 171)</b>	<b>1 581 592</b>	<b>2 557 763</b>	



## 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 ("ASB") in accordance with Section 91(1) of the Public Finance Management Act 1999 (Act No 1 of 1999) ("PFMA").

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

Standards and amendments to standards issued but not effective:

The following standards and amendments to standards were issued by the 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. The implementation of these Standards will not have a material impact on the reporting requirements of the entity.

A summary of the significant accounting policies, which have been consistently applied to all the years presented in the preparation of these financial statements, are 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 accounts receivable***

The entity assesses its 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 method 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	4 - 15 years
Motor vehicles	13 years
Office equipment	3 - 15 years
Computer equipment	3 - 13 years
Leasehold improvements	4 - 5 years
Office equipment under finance lease	5 years
Paintings	14 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. The carrying amount of an asset is written down to its recoverable amount if the asset's carrying amount is greater than the recoverable amount.

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.

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, the required impairment is accounted for. 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	3 - 8 years
Licences	1 year



## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 1.4 Financial instruments

#### **Definitions:**

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 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, 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.



## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 1.4 Financial instruments (continued)

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

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

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

#### **Classification**

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

CLASS	CATEGORY
Cash and cash equivalents	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost

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

CLASS	CATEGORY
Trade and other payables from exchange transactions	Financial liability measured at amortised cost
Trade and other payables from non-exchange transactions	Financial liability measured at amortised cost
Finance lease obligation	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.

#### **Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

#### **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.





## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 1.4 Financial instruments (continued)

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

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

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

#### **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.

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.

#### ***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 due 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.



## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 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.

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:

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

### 1.7 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 (excluding sick leave) 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 and termination benefits 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 event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

### 1.10 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.



## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 1.11 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 PFMA.

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 accounted for as revenue in the statement of financial performance.

### 1.12 Fruitless and wasteful expenditure

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

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

### 1.13 Irregular expenditure

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

- a. the PFMA
- 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 is also 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.

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

### 1.14 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 2014-04-01 to 2015-03-31.

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

### 1.15 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 is considered arm's length are not required in accordance with IPSA20, Related Party Disclosures.

### 1.16 Events after reporting date

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

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

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

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



## NOTES TO THE FINANCIAL STATEMENTS

	2015	2014
	R	R

### 2. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

Cash on hand	5 000	5 000
Bank balances	206 292	273 163
	<b>211 292</b>	<b>278 163</b>

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

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

#### Credit rating

AA	206 292	273 163
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### 3. RECEIVABLES FROM EXCHANGE TRANSACTIONS

Prepayments	558 524	492 243
Sundry debtors	1 204	6 031
Study advances	127 792	104 091
	<b>687 520</b>	<b>602 365</b>

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

Receivable do not contain any items that need to be impaired at year end (2014: R0). The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The entity does not hold any collateral as security.

Reconciliation of provision for impairment of trade and other receivables

Opening balance	-	6 000
Amounts written off as uncollectible	-	(6 000)
	-	-

### 4. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Receivable: Financial Services Board	1 929 303	-
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The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The entity does not hold any collateral as security.





## NOTES TO THE FINANCIAL STATEMENTS

### 5. PROPERTY, PLANT AND EQUIPMENT

	2015			2014		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Furniture and fittings	1 154 105	(716 729)	437 376	984 678	(609 480)	375 198
Motor vehicles	137 285	(125 790)	11 495	137 285	(120 043)	17 242
Office equipment	665 314	(362 032)	303 282	574 134	(312 822)	261 312
Computer equipment	1 552 221	(949 589)	602 632	1 455 071	(882 619)	572 452
Leasehold improvements	482 746	(132 980)	349 766	464 484	(37 306)	427 178
Office equipment under finance lease	375 333	(172 331)	203 002	375 333	(97 264)	278 069
Paintings	26 376	(24 931)	1 445	26 376	(24 208)	2 168
<b>Total</b>	<b>4 393 380</b>	<b>(2 484 382)</b>	<b>1 908 998</b>	<b>4 017 361</b>	<b>(2 083 742)</b>	<b>1 933 619</b>

#### Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	375 198	186 755	(2 302)	(122 275)	437 376
Motor vehicles	17 242	-	-	(5 747)	11 495
Office equipment	261 312	139 547	(2 834)	(94 743)	303 282
Computer equipment	572 452	294 555	(18 734)	(245 641)	602 632
Leasehold improvements	427 178	18 262	-	(95 674)	349 766
Office equipment under finance lease	278 069	-	-	(75 067)	203 002
Paintings	2 168	-	-	(723)	1 445
	<b>1 933 619</b>	<b>639 119</b>	<b>(23 870)</b>	<b>(639 870)</b>	<b>1 908 998</b>

#### 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
Office equipment under finance lease	353 136	-	-	(75 067)	278 069
Paintings	3 252	-	-	(1 084)	2 168
	<b>1 563 391</b>	<b>992 290</b>	<b>(60 519)</b>	<b>(561 543)</b>	<b>1 933 619</b>



## NOTES TO THE FINANCIAL STATEMENTS

	2015	2014
	R	R

### 6. INTANGIBLE ASSETS

	2015			2014		
	Cost	Accumulated amortisation and accumulated impairment	Carrying value	Cost	Accumulated amortisation and accumulated impairment	Carrying value
Licenses	82 304	(57 560)	24 744	76 074	(52 620)	23 454
Computer software	657 358	(412 961)	244 397	677 339	(352 406)	324 933
Data Management system	485 843	(485 843)	-	485 843	(485 843)	-
Website	49 540	(38 624)	10 916	49 540	(33 166)	16 374
<b>Total</b>	<b>1 275 045</b>	<b>(994 988)</b>	<b>280 057</b>	<b>1 288 796</b>	<b>(924 035)</b>	<b>364 761</b>

#### Reconciliation of intangible assets - 2015

	Opening balance	Additions	Disposals	Amortisation	Total
Licenses	23 454	128 484	-	(127 194)	24 744
Computer software	324 933	27 307	-	(107 843)	244 397
Data management system	-	-	-	-	-
Website	16 374	-	-	(5 458)	10 916
	<b>364 761</b>	<b>155 791</b>	<b>-</b>	<b>(240 495)</b>	<b>280 057</b>

#### 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
	<b>352 481</b>	<b>287 189</b>	<b>-</b>	<b>(274 909)</b>	<b>364 761</b>

#### Other information

Fully amortised intangible assets still in use - at cost 485 843 485 843

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 2013. 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 2016 year.



## NOTES TO THE FINANCIAL STATEMENTS

	2015	2014
	R	R

### 7. FINANCE LEASE OBLIGATION

Non-current liabilities	157 116	233 277
Current liabilities	76 161	65 006
	<b>233 277</b>	<b>298 283</b>

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 entity, 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.

The entity's obligations under finance leases are secured by the lessor's charge over the leased assets (refer to note 5).

#### Reconciliation of minimum lease payments

##### 2015

	MINIMUM PAYMENTS	FINANCE COSTS	PRESENT VALUE
Less than one year	110 859	34 698	76 161
Two to five years	184 765	27 649	157 116
	<b>295 624</b>	<b>62 347</b>	<b>233 277</b>

##### 2014

Less than one year	110 416	45 410	65 006
Two to five years	294 444	61 167	233 277
	<b>404 860</b>	<b>106 577</b>	<b>298 283</b>

### 8. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Accounts payable	346 320	369 887
Operating lease liability	775 410	399 945
Accrued leave pay	741 355	646 802
Other accrued expenses	28 131	122 219
	<b>1 891 216</b>	<b>1 538 853</b>

#### Fair value of trade and other payables

The carrying amount of payables approximates their fair value.



## NOTES TO THE FINANCIAL STATEMENTS

	2015	2014
	R	R

### 9. TRADE AND OTHER PAYABLES FROM NON-EXCHANGE TRANSACTIONS

Payable: Financial Services Board	-	30 687
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### 10. REVENUE

Levies	35 798 004	28 708 832
Recoveries	24 194	197 808
	<b>35 822 198</b>	<b>28 906 640</b>

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

#### Transfer revenue

Levies	35 798 004	28 708 832
Recoveries	24 194	197 808
	<b>35 822 198</b>	<b>28 906 640</b>

Levies	35 798 004	28 708 832
Bad debts recovered	-	2 000
Compensation from third party	24 194	195 808
	<b>35 822 198</b>	<b>28 906 640</b>

### 11. PERSONNEL COSTS

Salaries	20 609 371	19 112 261
Bonus	1 017 008	805 410
Unemployment Insurance Fund	91 051	82 285
Workmen's compensation	14 092	18 000
Skills development levies	204 730	193 820
Accrued leave pay charge	665 530	591 281
Long-service awards	30 000	54 000
	<b>22 631 782</b>	<b>20 857 057</b>



## NOTES TO THE FINANCIAL STATEMENTS

	2015	2014
	R	R
<b>12. OPERATING SURPLUS / (DEFICIT)</b>		
The operating surplus / (deficit) is stated after accounting for the following:		
Auditors' remuneration	1 382 570	1 620 839
Bank charges	16 907	23 132
Cleaning	65 626	51 932
Conferences and seminars	41 888	79 209
Consulting and professional fees	2 379 026	1 795 816
Debts impaired	-	6 000
Electricity	416 630	426 711
Entertainment	22 296	129 016
Flowers and gifts	41 778	34 964
Insurance	109 243	90 579
IT expenses	233 456	213 896
Lease rentals on operating lease	3 258 494	2 078 149
Motor vehicle expenses	7 861	12 799
Placement fees	18 191	29 556
Postage and courier	28 665	41 446
Printing and stationery	498 208	443 147
Promotions	175 117	183 511
Provision for doubtful debt	-	(6 000)
Repairs and maintenance	524 474	737 082
Security	6 473	14 653
Staff welfare	108 071	119 220
Strategic planning and workshops	126 071	90 013
Subscriptions and membership fees	56 249	55 905
Telephone and fax	349 449	537 205
Text book or library books	233 011	263 753
Training	238 590	275 937
Travel - local	170 658	277 263
Travel - overseas	150 380	115 271
	<b>10 659 382</b>	<b>9 741 004</b>



## NOTES TO THE FINANCIAL STATEMENTS

	2015	2014
	R	R
<b>13. FINANCE COSTS</b>		
Finance leases	45 208	53 678
<b>14. TAXATION</b>		
No provision has been made for taxation as the entity is exempt from taxation in terms of section 10(1)(cA)(i)(bb) of the Income Tax Act, 1962 (Act No. 58 of 1962 as amended).		
<b>15. AUDITORS' REMUNERATION</b>		
External audit: prior year audit fees	843 694	1 040 186
External audit: current year interim fee	197 421	193 596
Internal audit: current year fees	341 455	387 057
	<b>1 382 570</b>	<b>1 620 839</b>
<b>16. CASH GENERATED FROM OPERATIONS</b>		
Surplus / (Deficit)	1 581 592	(2 642 070)
<b>Adjustments for non-cash movements:</b>		
Depreciation and amortisation	880 365	836 452
Loss on disposal of assets	23 870	60 519
Finance costs - Finance leases	45 208	53 678
<b>Changes in working capital:</b>		
Receivables from exchange transactions	(85 155)	(19 546)
Receivables from non-exchange transactions	(1 929 303)	2 529 098
Trade and other payables from exchange transactions	352 363	353 241
Trade and other payables from non exchange transactions	(30 687)	30 687
	<b>838 253</b>	<b>1 202 059</b>





## NOTES TO THE FINANCIAL STATEMENTS

2015	2014
R	R

### 17. OPERATING LEASE COMMITMENTS

#### OPERATING LEASES - AS LESSEE

##### Minimum lease payments due

▪ within one year	2 896 902	2 414 176
▪ in second to fifth year inclusive	8 708 750	10 542 198
	<b>11 605 652</b>	<b>12 956 374</b>

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

Leases are negotiated for an average term of five years. No contingent rent is payable.

### 18. CONTINGENT LIABILITIES

There are no contingent liabilities or pending litigation that are known to management as at 31 March 2015.

### 19. RELATED PARTIES

#### Related party balances

##### Amounts included in Receivables / (Payables) regarding related parties

Financial Services Board	1 929 374	(30 687)
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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, 2002 (Act No. 37 of 2002)

Financial Services Board	35 798 004	28 708 832
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The entity and the Financial Services Board both report to the Board of the Financial Services Board and the entity receives its funding from levies via the Financial Services Board.



## NOTES TO THE FINANCIAL STATEMENTS

### 20. KEY MANAGEMENT REMUNERATION

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

#### EXECUTIVE

2015						
	Emoluments	Other benefits	Pension contribution	Performance bonus	Leave commutation paid	Total
NN Bam, FAIS Ombud	1 859 172	24 000	275 191	556 154	191 649	2 906 166
S Shangisa, Deputy Ombud (Resigned 30 June 2014)	243 971	-	26 357	-	43 341	313 669
J Goodey, Finance Manager	815 147	-	88 063	84 123	-	987 333
AA Percival, Assistant Ombud	845 706	-	91 364	87 276	19 028	1 043 374
DE Davidson, Assistant Ombud	965 140	-	104 267	99 602	-	1 169 009
SS Sabela, Assistant Ombud (Appointed to EXCO 1 Feb 2015)	99 095	-	10 705	-	-	109 800
	<b>4 828 231</b>	<b>24 000</b>	<b>595 947</b>	<b>827 155</b>	<b>254 018</b>	<b>6 529 351</b>

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 Nov 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
	<b>5 414 636</b>	<b>36 000</b>	<b>651 846</b>	<b>719 958</b>	<b>204 661</b>	<b>7 027 101</b>



## NOTES TO THE FINANCIAL STATEMENTS

### 21. CHANGES IN ESTIMATES

#### Property, plant and equipment

The useful life of certain property, plant and equipment was reassessed and management have revised their estimates. The effect of this revision has decreased the depreciation charges for the current period by R29 101 (2014: R35 343). In future periods, the depreciation charges will increase by R29 101.

#### Intangible assets

The useful life of certain intangible assets was reassessed and management have revised their estimates. The effect of this revision has decreased the amortisation charges for the current period by R10 532 (2014: R30 002). In future periods, the amortisation charges will increase by R10 532.

### 22. RISK MANAGEMENT

#### Financial risk management

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

#### Interest rate risk

The entity's interest rate risk arises from finance leases. The operating cashflow is dependent on an approved budget.

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 2015 there was no significant concentration of credit risk.

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

	2015	2014
	R	R
Bank balances	206 292	273 163
Accounts receivable	2 616 823	602 365

#### Financial instrument

Bank balances	206 292	273 163
Accounts receivable	2 616 823	602 365



## NOTES TO THE FINANCIAL STATEMENTS

### 22. RISK MANAGEMENT (CONTINUED)

#### Liquidity risk

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

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

AT 31 MARCH 2015	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Accounts payable	1 891 216	-	-	-
Finance lease liability	110 859	110 859	73 906	-
	<b>2 002 075</b>	<b>110 859</b>	<b>73 906</b>	<b>-</b>
AT 31 MARCH 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	-
	<b>1 679 956</b>	<b>110 416</b>	<b>184 028</b>	<b>-</b>

### 23. ACTUAL OPERATING EXPENDITURE VERSUS BUDGETED OPERATING EXPENDITURE

The budget is also prepared on the accrual basis. Material differences between the budget and actual amounts:

#### 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 lower than budgeted capital spending for the year.

#### Lease rentals on operating lease

The overspending is due to higher operational costs than anticipated, as well as increased rental for additional office space that became available. Additional space was budgeted for, but the opportunity arose earlier than anticipated.

#### General expenses

The savings in general expenses were mainly due to decreased use of consultants, as well as savings in computer maintenance and support and travelling costs.



## NOTES TO THE FINANCIAL STATEMENTS

	2015	2014
	R	R

### 24. EMPLOYEE BENEFITS - DEFINED CONTRIBUTION PLAN

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

Pension fund contributions	1 989 284	1 858 541
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### 25. EVENTS AFTER THE REPORTING DATE

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

### 26. IRREGULAR EXPENDITURE

Opening balance	1 309 455	36 480
Add: Irregular expenditure - current year	2 542 302	1 272 975
Less: Amounts condoned	(3 851 757)	-
	-	<b>1 309 455</b>

#### Details of irregular expenditure condoned

Copiers were procured in the 2013 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 entity did not follow the competitive bidding process as the capital amount of the transaction was evaluated instead of the full rental payable. The capital amount was lower than R500 000.

The entity entered into a lease agreement for new office space in the previous financial year. 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.

#### Condoned by Accounting Authority

The irregular expenditure was condoned by the Accounting Authority 256 676

The irregular expenditure was condoned by the Accounting Authority 3 595 081

**3 851 757**



# PERFORMANCE INFORMATION

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 2014/2015	Progress as at 31 March 2015	Explanation/ Variance
1.1	% satisfied customers as measured on the returned CSF's	75%	On average, 98.5% of the customer satisfaction forms received rated our services positively.  <b>This goal was achieved.</b>	The FAIS Ombud attributes the variance to its on-going commitment to delivering work of high quality, within workable and reasonable turnaround times. This is effective because this goal is cascaded into individual performance contracts.
1.2	% closed complaints within 9 months of date of receipt of complaints	82%	<b>Quarter 1:</b> Cases received in July 2013: 92.09 % closed by 30 April 2014 Cases received in August 2013: 93.51 % closed by 31 May 2014 Cases received in September 2013: 90.75 % closed by 30 June 2014 <i>On average 92.11% of cases received were closed within 9 months of receipt.</i> <b>Quarter 2:</b> Cases received in October 2013: 93.63 % closed by 31 July 2014 Cases received in November 2013: 93.30% closed by 31 August 2014 Cases received in December 2013: 94.55% closed by 30 September 2014 <i>On average 93.71% of cases received were closed within 9 months of receipt.</i>	The FAIS Ombud puts in great effort in monitoring output on a regular basis against this goal. To be effective, this goal is cascaded into individual performance contracts.



# PERFORMANCE INFORMATION

## STRATEGIC GOAL 1: TO RESOLVE COMPLAINTS IN A FAIR, EXPEDITIOUS AND INFORMAL MANNER TO THE SATISFACTION OF CUSTOMERS.

			<p><b>Quarter 3:</b></p> <p>Cases received in January 2014: 95.44% closed by 31 October 2014</p> <p>Cases received in February 2014: 95.95% closed by 30 November 2014</p> <p>Cases received in March 2014: 94.63% closed by 31 December 2014</p> <p><i>On average 95.35% of cases received were closed within 9 months of receipt.</i></p> <p><b>Quarter 4:</b></p> <p>Cases received in April 2014: 95.35% closed by 31 January 2015</p> <p>Cases received in May 2014: 95.72 % closed by 28 February 2015</p> <p>Cases received in June 2014: 94.88% closed by 31 March 2015</p> <p><i>On average 95.33% of cases received were closed within 9 months of receipt.</i></p> <p><b>This goal was achieved.</b></p>	
<b>1.3</b>	% achievement of activities in the quality control implementation plan	100%	<p>100% of the quality control implementation plan was achieved.</p> <p><b>This goal was achieved.</b></p>	





# 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 2014/2015	Progress as at 31 March 2015	Explanation/ Variance
2.1	Type of audit opinion issued by the AG in respect of the Financial Statements	Unqualified Opinion	The FAIS Ombud achieved an unqualified audit opinion of its 2013/2014 Annual Financial Statements. <b>This goal was achieved.</b>	
2.2	Type of audit opinion issued by the AG in respect of the Performance Information	Unqualified Opinion	The FAIS Ombud achieved an unqualified audit opinion of its 2013/2014 Performance Information. <b>This goal was achieved.</b>	
2.3	Approved budget	Approved budget before 31 March	The current budget was approved in March 2014. The budget for 2015/2016 financial year was approved in March 2015. <b>This goal was achieved.</b>	
2.4	Management accounts - % unexplained deviations from budget vs actual	Less than 10% unexplained deviations	Less than 10% unexplained deviations in the management accounts. <b>This goal was achieved.</b>	
2.5	No. of internship contracts concluded	9 internship contracts were concluded by March 2015	A total of 11 contracts were concluded in the financial year. <b>This goal was achieved.</b>	The FAIS Ombud has a January and July intake each calendar year. The contracts are in force for 12 months. The number of contracts concluded in the 2014/2015 financial year include the January 2015 appointments.
2.6	Date of approval of the revised training plan	Updated training plan by March 2015	The updated training plan for the 2015/2016 financial year was approved by the FAIS Ombud EXCO. <b>This goal was achieved.</b>	
2.7	% execution of the training plan	100% of the training plan executed	100% of the training plan was executed by 31 March 2015. <b>This goal was achieved.</b>	
2.8	No. of HR policies reviewed	6 HR policies reviewed	6 HR policies were reviewed before 31 March 2015. <b>This goal was achieved.</b>	More than six policies were reviewed so as to ensure that there is alignment between the evolving environment and the policies governing the environment.



# PERFORMANCE INFORMATION

## STRATEGIC GOAL 2: ACHIEVE OPERATIONAL EXCELLENCE

<b>2.9</b>	% adherence to the performance management system	95% of adherence to the performance management system processes and deadlines	There was at least 95% adherence to the performance management system. <b>This goal was achieved.</b>	There was over-performance of this goal owing to a concerted effort by the persons charged with the responsibility of monitoring compliance.
<b>2.10</b>	Date of Recommendation to Board by FAIS Exco of updated Succession guideline	Recommendation to Board of updated Succession guideline by 31 March 2015	The succession plan was updated and approved by the Board of the FSB. <b>This goal was achieved.</b>	
<b>2.11</b>	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 2015 and 100% achievement of steps mentioned in the Compliance and Risk Management/ Implementation plan	The Compliance and Risk Management framework was approved before 31 March 2015 and 100% of the steps mentioned in the Compliance and Risk Management plans were achieved. <b>This goal was achieved.</b>	
<b>2.12</b>	% achievement of activities in Approved IT implementation plan	95% achievement of the milestones for the financial year within the IT plan	96% of the milestones in the IT plan were achieved. <b>This goal was achieved.</b>	The 96% achievement was supported by an ongoing focus on the activities included in the plan, as well as regular IT Steering Committee meetings.

## STRATEGIC GOAL 3: ENHANCED STAKEHOLDER MANAGEMENT

STRATEGIC OBJECTIVE		To manage stakeholder relationships.		
OUTPUTS		Implemented marketing and communication plan.		
OUTCOMES		Enhanced relationships (improved co-operation with stakeholders)		
PROGRAMME PERFORMANCE INDICATOR		PERFORMANCE TARGETS		
		2014/2015	Progress as at 31 March 2015	Explanation/ Variance
<b>3.1</b>	% of the marketing and communication plan implemented	98%	At least 98% of the activities in the marketing and communication plan were implemented by 31 March 2015. <b>This goal was achieved.</b>	

# GENERAL INFORMATION



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## EXTERNAL AUDITORS

Auditor-General South Africa

## BANKER

Standard Bank