



ANNUAL REPORT

2019/2020





WE HEAR YOU



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Legislative mandates

FAIS Act

The Office of the FAIS Ombud (“the FAIS Ombud Office”) was established in terms of Section 20 of the Financial Advisory and Intermediary Services Act (37 of 2002) (“the FAIS Act”).

The Office is a Schedule 3A Entity in terms of the Public Finance Management Act (1 of 1999) (“the PFMA”).

For purposes of the PFMA, the Accounting Authority of the FAIS Ombud Office is the Commissioner appointed in terms of the Financial Sector Conduct Authority Act (9 of 2017) (“the FSR Act”), through whom the FAIS Ombud Office reports to the Minister of Finance. From time to time and as invited, the FAIS Ombud Office also reports to the Select Committee on Finance and Public Service.

The main objective of the FAIS Ombud Office is to consider and dispose of complaints referred to it in terms of the FAIS Act and the Rules promulgated thereunder.

FSOS Act

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

Reconsideration of Ombud Determinations by Tribunal

For parties aggrieved by determinations issued by the FAIS Ombud Office, there is a process of reconsideration of such determination by the Financial Services Tribunal established in terms of the FSR Act.

WE HEAR YOU



Vision

Our vision is “to be respected by stakeholders as a preferred employer responsive dispute resolution forum that builds trust and confidence in the financial services industry through accessible and equitable justice.”

This vision statement presents an image of what success will look like for the organisation. It projects a future that is beyond the daily turmoil and distils the bigger picture. It is intended to represent a mental model of a future state of what the organisation is striving to achieve as it conducts its work.



Mission

The mission of the FAIS Ombud is “to promote consumer protection and contribute to the integrity of the financial services industry by resolving complaints in a manner that is impartial, expeditious, economic, accessible and at all times, equitable.”



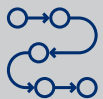
We believe our first responsibility is to the Constitution of the Republic of South Africa and to the statutory mandate which created our organisation. We are completely independent and deal with all disputes fairly and impartially.



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



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



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

OUR CREDO

The FAIS Ombud's credo states



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



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



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



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



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



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



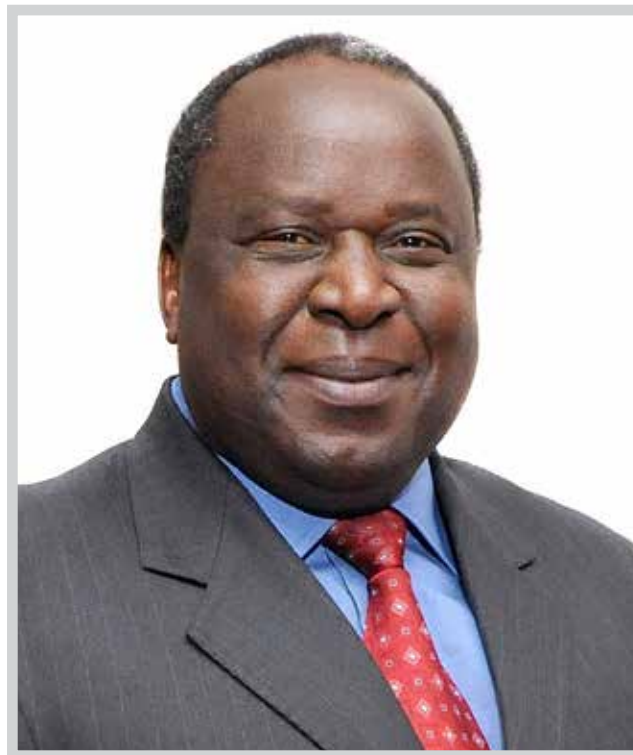
We believe when we operate according to these principles, we will all realise a significant improvement.

Message by the Minister of Finance

Over the past almost two decades, authorities worldwide have brought into sharp focus the necessity of a thorough regulation of the financial services industry. The reasons are numerous and have been set out in previous writings; one of them is to inspire confidence in consumers of financial services to entrust their funds to the financial services industry. However, absolute confidence in the financial services industry cannot be achieved via regulation only. The regulation must be accompanied by the appropriate enforcement mechanisms which allow not only for contravening financial services providers to be penalised for their actions, but for consumers to be compensated for any loss or damage they may have suffered on account of these actions.

However, in a society that is as heterogeneous as South Africa is, the best attempts at treating the parties to a dispute equally and fairly would be quashed without the existence of dispute resolution mechanisms that come at no cost to the consumer. Secondly the requisite consumer confidence in the financial services industry will not be achieved if the consumers are not aware of the existence of the FAIS Ombud Office. This then places a challenge on the FAIS Ombud and the regulation system all round to ensure a stakeholder engagement approach that puts the FAIS Ombud in the face of not only the industry but critically, in the face of consumers. This is in order to execute on the FAIS Ombud's three-fold commitment to the industry, firstly to enhance the integrity of the financial services industry, secondly to educate consumers about their rights and responsibilities and thirdly, to enhance access to the office by raising awareness about its existence and mandate.

Finally but very critically, as South Africa has, along with the rest of the world now entered the COVID-19 pandemic, as she faces the financial ramifications thereof, access by consumers to economical and cost effective dispute resolution mechanisms will become all the more pronounced and so will the need to have a thorough regulation of the financial services industry. Ironically, while the strategy and performance plan of the FAIS Ombud points to a coordinated effort to demonstrate that it wants to continue "hearing"



from the industry via a holistic stakeholder engagement, it is once again the COVID-19 health restrictions that threaten the stakeholder engagement efforts within the financial services industry. Be that as it may, the stakeholder engagements efforts need intensification in order for the FAIS Ombud to effectively hear from the industry.

The audit opinion issued on the FAIS Ombud's performance during the year under review, also shows a continued and concerted effort to fulfil its mandate and to add the value sought by the establishment of the Office. For that, we congratulate the Ombud and all the staff committed to contributing to a fair, equitable and ethical financial services industry that serves South Africans better.

A handwritten signature in black ink, appearing to read 'TT Mboweni'. The signature is fluid and cursive, written on a white background.

TT MBOWENI, MP

Minister of Finance

Commissioner's report

In the consultation Policy Document, "A known and Trusted Ombud System for All" issued in September 2017, National Treasury identified several weaknesses in the current Ombud system, some of which are inconsistencies and ineffectiveness. Inconsistencies will of course prevail if the legal framework is not interwoven. With inconsistencies, ineffectiveness will follow. The one thing that the current policy approach in South African financial services regulation seems to be geared towards is a legislative framework that is interwoven and working towards the goal of the protection of financial services consumers and achieving integrity in the financial services industry. The process is on-going and the Ombud system is being looked into; and a future reinforcement is already visible in parts of the legislative framework. In this regard it is befitting to mention the relationship that persists between the Code of Conduct for Financial Services Providers, the Policyholder Protection Rules and the Treating Customers Fairly Outcomes.

The parties necessary to achieve the above intention are by all indications executing on their challenges, in that government is on course in its role of providing the legal requirements that guide the manner of operation by services providers. The role of regulators is also enabled by a synergy within the legislative framework. In order to achieve such synergy and remove inconsistencies, it is necessary to have clarity of the legislative environment and interpretation by the courts is one of the necessary tools for the achievement of consistency. A legislative framework that is mutually reinforcing ensures effectiveness of the legal requirements facing services providers, proper supervision and enforcement thereof by regulators. A proper and supportive resolution of disputes by the relevant channels which include Ombud offices serves to complete the picture.

Low awareness and access remain a problem. The effectiveness of outreach efforts by the FAIS Ombud are thwarted mainly by budgetary constraints. This is expected to become even worse with the negative economic effects arising from the COVID pandemic. The industry that pays levies which support the operations of the office is bound to have shrunk markedly as a result of COVID.



The negative effects of the above will not only be financial but will also shrink the service provider stakeholder component and reverse any actual or expected gains with respect to financial inclusion.

The above notwithstanding, the Ombud Office is committed to 'hearing' concerns coming from the industry and is ready to act decisively towards addressing such concerns within a clear legislative framework.


The Ombud's Office deserves commendation for its perseverance towards executing on its mandate under some very challenging circumstances.

A handwritten signature in black ink, appearing to read "Dube Tshidi".

Dube Tshidi
Commissioner of the FSCA

Ombud's report

**WE HEAR YOU
WE SEE YOU
WE SUPPORT YOU**

Hear2Help 

Ombud's report

We Hear You

The opening words of the statutory mandate of the Ombud for Financial Services Providers ("the FAIS Ombud"), as set out in Section 20(3) of the FAIS Act, require the incumbent to "...consider and dispose of complaints in a procedurally fair, informal, economical and expeditious manner and by reference to what is equitable in all circumstances,..."

In his foreword, the Minister made reference to the Ombud's three-fold commitment to the industry – firstly to enhance the integrity of the financial services industry, secondly to educate consumers about their rights and responsibilities and thirdly, to enhance access to the office by raising awareness about its existence and mandate. In order to perform on all three elements of the commitment, the Ombud needs to be very aware of the concerns and challenges of its **two very important stakeholders, that is: the financial services providers and the consumers of such financial services and products.**

It is on this basis that the FAIS Ombud Office needs to continue in all its previous efforts in order to strengthen its footprint and follow through with respect to its efforts. Accordingly, and following through from the previous year's theme titled 'Change', the Ombud's office has recognised and embraced the changes that have flowed from pieces of regulatory legislation, both, those already in force and those which are still in draft.

"The Case Manager understands my home language (isiXhosa) as a result, at times I would communicate with him in it. This enabled me to better communicate and convey messaging. In turn, this reduced the intimidation that comes along at times in conversing in English, given that it is not my home language."



Adv Nonku Tshombe

Ombud

Along with the legislative changes, the Ombud Office has picked up indications that there is a need for the proper interpretation of not only new legislative approaches but also existing legislation and how new legislation enhances and emphasises existing frameworks; an exercise which is expected to create a solid base for legislative reinforcement. Among these is the need for financial services providers to understand what it means to treat customers fairly. This is a concept that has its origins in the Code of Conduct for Financial Services Providers ("the Code of Conduct") and is now interwoven into Treating Customers Fairly ("TCF"), with clear indications that it will make its way into the draft consolidated legislation facing financial services providers. In spite of this long history, this concept, and others, are still unclear having regard to the many instances where complainants come forward with genuine allegations of breaches of this regulatory approach. The Ombud's Office cannot help but hear this constant voice of 'unfair treatment' from consumers of financial services.

The second voice that is heard by the Ombud Office relates to the suitability of products marketed to and taken up by consumers. Once again this is an old concept which, although also emphasised in the TCF Outcomes, has its origin in the Code of Conduct. This continues to rear its head in the retirement space where the mismatch between the needs of the consumer and the product recommended results in the tragic loss of retirement funding for the elderly who can no longer earn any income. In this regard, the Code of Conduct has been amended to highlight the need for establishing the client's needs, requirements, risk appetite, financial product knowledge and ability to make an informed

decision before providing advice relating to investment in a particular financial product.

The manner of marketing of products by financial services advisers is another area where the Ombud's Office is hearing unhappy voices. This is particularly rife with reference to Endowment Policies which, while advertised as investments, do not satisfy the requirements of the customer who clearly focuses on the investment properties of the product without understanding the policy features thereof. This is further aggravated by the failure of financial services providers to maintain appropriate records of advice. The tick-box exercise that is rife in this aspect does not help the financial services provider at all because it does not amount to the requirement in the Code of Conduct, which is to the effect that the financial services provider must produce details of the 'due diligence' undertaken before the conclusion of a contract with the client in order to demonstrate that the provision of the advice was preceded by proper research into the client's circumstances and that the engagement enabled the client to make an informed decision on the choice of financial product.

The above notwithstanding, it is however encouraging that for the financial year under review there was an increase in the number of complaints that fell within the mandate of the Office of the FAIS Ombud. Further, the statistics following will show that the majority of the settlement value that was attained was from informal settlements that resulted from conciliation processes facilitated by the Ombud Office between financial services providers and consumers. This is an encouraging turn which the Ombud Office hopes will persist as it demonstrates improved relations between financial services providers and their customers. Such a development is a strong ingredient for the enhancement of the integrity of the financial services industry.

Outreach efforts, Creation of Awareness and Accessibility of the Office:

Consumer education

The court system is well established but the costs that can arise from turning to the courts and the time it can take to resolve a dispute can and have likely deterred many from doing so. The FAIS Ombud was created as an alternative to the courts and

“Having someone who listens is a great gift, but to be truly heard, is a treasure.”

the manner in which it has been established, including to whom it reports on its activities was rightly heralded as a progressive step. In recent years, the FAIS Ombud has spoken at length about the need to create awareness about the existence of the Office and also to educate, particularly, consumers of financial services about their rights and responsibilities when purchasing financial products. This is not to say that consumers are prioritised over providers of financial services nor should these attempts be read to mean that the services FAIS Ombud Office are skewed to favour complainants to the detriment of respondents.

The reality is that the FAIS Ombud was established to resolve complaints between consumers and providers of financial services and these complaints, which generally originate from a client being dissatisfied with the manner in which a financial service has been rendered to him, or her, by a provider of financial services. The relevance of the FAIS Ombud is then naturally dependent upon those who are meant to defer to it in the event of unresolved complaints between them and a financial services provider, being aware that the Office exists, the reasons why it exists and under what circumstances it can be of assistance. The efficacy of this Office is impaired when an overwhelming majority of those who should know about its existence and who should initiate its activity, do not know about it. This highlights the importance of the Ombud Office undertaking and proactively participating in CONSUMER EDUCATION drives, where the opportunity arises for it to execute on the CONSUMER PROTECTION element of its mandate, which is clear although not expressly mentioned by legislation.

The importance is further highlighted by the fact that clients who are aggrieved with the manner in which a financial service has been rendered to them are afforded a limited amount of time, from the time when a client becomes aware of the position adopted by the provider of the financial service towards its (client's) dissatisfaction regarding the particular financial service, to the time when the client refers a complaint to this Office. This requires this Office to embark on drives that awaken and inform consumers to timeously use the option available to them and to benefit from the fact that there is a forum that will not prescribe to them the language in which the complaint should be lodged and does not compel them to use an attorney because of the informality of the process. The Ombud Office is of the view that financial services is a specialised field and training on financial products must form part of the activities undertaken by the Office. If this is not undertaken, the gaps that exist between providers and consumers of financial services will remain and the ability for consumers to participate effectively in the financial services arena will continue to be impaired.

The FAIS Ombud, in pursuit of this goal travelled far within the borders of South Africa, from the innermost parts of the Northern Cape to those in Kwazulu-Natal. The diverse staff within the Office allow for the consumer awareness programmes to be delivered to audiences in languages appropriate to each specific audience and we have been met with positive responses to our ability to not only deliver such crucial information but also for having done so in a way that is cognisant of the country we live in, the diversity it is steeped in and the needs of all its people.

We remain committed to bettering our efforts and to see, as is the objective, an improved financial service that is underpinned by skilled, diligent and honest financial services providers who render financial services to their clients in a manner that caters to the needs of their clients and their interests while also to ensuring an industry with enlightened, knowledgeable clients who are able to engage in the industry with less apprehension and fear, to the betterment of their lives.

Resolving complaints:

When the Office of the FAIS Ombud reports on complaints received and complaints resolved during a specific financial year, it reports on firstly, the resolution of those complaints received within the period, in this case 1 April 2019 to 31 March 2020, and then it looks at the overall number of complaints resolved which includes complaints carried over from previous financial years. This is done to ensure that a more holistic view of how successful this Office has been in executing upon its mandate. During the 2019/2020 Financial Year the Office of the FAIS Ombud received 8835 new complaints. This is lower than the 9323 complaints for the corresponding period during the 2018/2019 Financial Year. Whilst this represents a 5.23% reduction in the number of complaints received, 65% or 5750, of those complaints fell within the mandate of this Office. This represents an increase over the 5589 received during the 2018/2019 Financial Year that fell within

“Good to know that an individual has a voice through organisations like you.”

the Office's mandate. Therefore, the Office of the FAIS Ombud may have received fewer complaints overall but more of those complaints represented matters that actually fell within its mandate, a positive development testifying to efforts to expand the awareness and understanding of the existence as well as the services provided by the FAIS Ombud Office.

Of the 8835 complaints received for the 2019/2020 Financial Year, a total of 3745 complaints were dismissed. A total of 2467 complaints were referred to alternative fora and 1290 complaints were settled in favour of the complainant. The number of complaints settled, 1290, was an increase over the 1209 complaints settled during the 2018/2019 Financial Year. This was achieved despite the reduction of the number of complaints received, and is a testament to the efforts made to improve the conciliatory resolution service this Office constantly strives to provide.

The number of complaints received during the 2019/2020 period that were carried over was 1333, lower than the 1660 complaints carried over during the 2018/2019 Financial Year. This means that a total of 7502 complaints, were resolved within the financial year, which represented 84.91% of all complaints received. This was the highest percentage ever achieved by this Office for the resolution of complaints received within a specific financial year, and confirms how efficient this Office was in executing upon its mandate to expeditiously investigate complaints. Further evidence of this is the fact that 81.76% of all complaints received by the Office were resolved within 3 months, 91.18% within 6 months and 96.25% within 9 months.

Overall, the total number of complaints resolved during the 2019/2020 financial year was 9252, which exceeded the number of complaints received, and contributed to this Office being able to reduce backlogged complaints from previous financial years. The highlight once again was the number of complaints settled during 2019/2020 of 1850. This saw the Office of the FAIS Ombud attain a settlement ratio of 29.97%, slightly lower than the 30% achieved during the 2018/2019 Financial Year, a discrepancy that could be attributed to the increased number of complaints that fell within the mandate of the Office of the FAIS Ombud. The overall settlement value for the 2019/2020 Financial Year was R57 263 775 compared to the R66 668 302 that was provided to consumers during the 2018/2019 financial year. The reduction in the settlement value can be attributed to the reduction in the number of determinations issued, from 49 during the 2018/2019 Financial as only 13 determinations were issued during the 2019/2020 Financial Year as compared to the 49 determinations issued during the previous financial year. The positive aspect

however is that the majority of the settlement value attained was from informal settlements achieved via conciliation processes between FSPs and consumers.

The dismissal of complaints is only considered after significant due diligence has been undertaken during the investigation and the Ombud Office is required by law to provide detailed reasons for any decision made inclusive of complaints dismissed. Any party that feels aggrieved by decisions taken by this Office can approach the Financial Services Tribunal for the matter to be reconsidered. During the 2019/2020 Financial Year a total of 159 applications for reconsideration were made to the Financial Services Tribunal and, of the 144 matters decided upon as at 31 March 2020, 132 of those applications were dismissed with only 6 referred back to this Office for further investigation. This reflects a favourable rate of agreement (95.65%) with the Tribunal. Therefore, whilst the number of complaints dismissed during the 2019/2020 Financial Year (i.e. 3745) has increased from the 3684 dismissed during the 2018/2019 Financial Year, the positive affirmation of this Office's decisions by the Tribunal confirms this Office's commitment to the diligent investigation of complaints in accordance with its mandate to provide independent and impartial rulings.

In respect of complaints referred to other fora, a total of 2467 complaints were referred to other ombud schemes, and whilst this was lower than the 2770 referred during the 2018/2019 Financial Year, it can once again be attributed to the fact that more complaints were received by this Office that fell within its mandate. The Office of the FAIS Ombud however, remains committed to ensuring that even where it is unable to be of assistance, the complaint of any person submitted to this Office, will be carefully considered and that where possible the complainant shall be referred to the correct forum to receive the assistance required. All this is part of our continued commitment to enhancing access to justice for all South Africans.

It is important to note that the figures detailed above do not include complaints that this Office has received in respect of investments made into property syndications. These complaints, which do not relate to complaints received and/or resolved during the 2019/2020 Financial Year, are maintained separately. This Office can however confirm that, in its commitment to resolve these long outstanding matters, it has for the first time during the 2019/2020 Financial Year included the resolution of property syndication complaints as a strategic outcome and committed to the systematic reduction of the backlog. The Office of the FAIS Ombud committed to reducing the 1300 remaining complaints by a minimum of 10% for the 2019/2020 Financial Year and, that at 31 March 2020 it had been able to reduce this number to 1114, a reduction of 14.31%.

Determinations:

Despite the efforts of this Office to resolve complaints informally there are complaints that require a formal resolution by way of a determination, as illustrated by the complaints outlined in the sections that follow.

Mr and Mrs Pelser v Johan Stander Finansiele Dienste

In 2008 the complainants in this matter contacted the respondent and requested his assistance in providing them with investment advice. From the common facts of the complaint it emerged that

the respondent had met with the complainants on three confirmed occasions to consult with them with regards to their request. The complainants met with the respondent between August and November 2008. During these discussions the respondent advised the complainants to invest in Zambezi Retail Park Holdings Limited (Zambezi) and The Villa Retail Park Holdings Limited 6 (The Villa) both of which were property syndication schemes managed by Sharemax Investment (Pty) Ltd (Sharemax).

Mrs Pelser was the first to invest in the syndication schemes when on 26 November 2008 she invested R450 000 into the Zambezi scheme. In May 2009 Mr Pelser followed suit and also invested R450 000 but into the Villa retail scheme. While the complainants received some income from the investments the income stopped abruptly and the assurances the complainants claim to have received from the respondent did not hold true. When the status of the property syndications became clear the complainants considered that they had lost their capital contributions and blamed the respondent for the loss.

The respondent's defence against the claims made by the complainants including claiming his liability for the loss they suffered rested, primarily, on two issues. The first was that he had made the recommendation to the complainants to invest in the property syndications in question with due consideration of how successful previous schemes managed by Sharemax had been and the second was that the complainants should have inspected and understood the prospectus for each syndication.

The respondent was unperturbed by how his defence appeared to be contradictory in that he could not, on the one hand, claim that he found the recommendation to complainants to invest in these schemes to have been appropriate in light of the success that previous property syndication schemes managed by Sharemax and then also claim that the complainants should have been conversant with the prospectus, meaning that he was aware of the risks that were inherent in the investment, apparent upon a proper reading of the prospectus. If the respondent, as a professed trained financial advisor, found no cause to steer clear of recommending the investments to the complainants, he could not have expected the complainants who were lay people and without the benefit of the professional training that the respondent had to have known the peril that awaited them when investing in the syndications?

None of these questions which were put to the respondent, in this Office's view, were answered satisfactorily. Though repeated opportunities were given to the respondent to revisit his view on his role in the loss suffered by the complainants and how, if he had complied with the obligations placed on him by the applicable

“Thank you for giving us, the simple man a voice. I truly hope that you understand the impact of your work, not only in terms of money but also what it means to someone when they feel they have been wronged and are powerless to do anything about it.”

legislative prescripts, namely the FAIS Act and Code of Conduct for Authorised Financial Services Providers, he probably would not have recommended the investments in the Villa and Zambezi, the respondent maintained that he was not the cause of the complainants' loss.

Instead, the respondent expressed that he was of the view that he had complied with his obligations as a financial services provider. The respondent claimed that it was not his advice that led the complainants to invest in the Villa and Zambezi but that the complainants had conducted their own research into the syndications and at all times understood the nature of the investment. In addition to these allegations the respondent claimed that the FAIS Ombud had not followed a fair process when assessing and investigating this complaint against him, that the FAIS Ombud's approach to the complaint was unconstitutional and that the FAIS Ombud appeared to be biased against him and to favour the complainants. These allegations by the respondent were not unfamiliar to the FAIS Ombud and had in fact been raised, almost verbatim, in response to investigations undertaken by the FAIS Ombud in similar complaints. The allegations had been thoroughly ventilated by the FAIS Ombud and then also by the Financial Service Tribunal (Tribunal) when raised before it.

The decision by the Tribunal highlighted that fairness in an adjudication process will eventually depend on and therefore be informed by the facts of a complaint and the nature of the dispute. The assertion that the FAIS Ombud must, in dealing with complaints where a dispute of fact arises, revert to the procedures employed by the courts in an adversarial system when the FAIS Ombud's

"I wish to convey my sincere thanks. Its institutions like yours that really protect and help when we need the help. My granny says with both arms folded, thank you."

mandate is to resolve disputes via an expeditious process, was found by the Tribunal to be without merit.

Having settled the preliminary issues that the FAIS Ombud could not fairly adjudicate the matter and finding that the allegations were without merit, the enquiry to whether the undisputed facts of the complaint supported the complainants' or the respondent's view continued.

The facts were that the complainants were pensioners, the funds used to invest in the Villa and Zambezi were from existing investments whose risk profile did not compare to that of the property syndications in question. Most notably, there was no evidence to show that the complainants were advised that neither the properties for the Villa nor Zambezi had been built. An advice record which spoke to the considerations that the respondent took into account when recommending the product was also unavailable. In the end, despite the respondent's protestations, the facts pointed to the respondent having been the cause of the complainant's loss. The matter was then concluded in favour of the complainants and the respondent was ordered to repay to the complainants the sum of R450 000 each, in lieu of the investment that each complainant made. The respondent was also ordered to pay the complainants interest on this amount at a rate of 10,25% per annum from the date of the determination to date of final payment thereof.

Consumers of financial services are consistently encouraged, when looking to purchase a financial product, to seek the services of an authorised financial services provider to assist them in doing so. The reasons for this are because financial services largely remains a specialised field and authorised financial services providers are trained professionals able to sift through

the, often, technical information provided on financial products and to relay this information to consumers using language and phrases that consumers can understand. Authorised financial services providers are monitored by a regulator, the Financial Sector Conduct Authority and are not a law unto themselves. All-in-all, relying on an authorised financial services provider should give consumers peace-of-mind that a provider will not purposely mislead them, or even facilitate elaborate schemes with a calculated modus operandi of targeting selected investors under the auspice of extravagant returns, with no evidence of how these returns would be generated. This however, does not prevent the practice, however uncommon, from taking place.

Dr Molehi Kgaile v Silver Seed Capital and Another

Between April 2006 and October 2007, the complainant, Dr Kgaile, bought shares into two companies UG2 Platinum Limited and Lazaron Biotechnologies to the value of R21 630. The complainant had made these investments following advice he received from the respondents. The investments were split between the UG2 Platinum Limited and Lazaron Biotechnologies as follows:

- R5 005 on 17 April 2006 - Lazaron Biotechnologies
- R6 000 on 29 September 2006 - UG2 Platinum Limited
- R5 625 on 4 July - UG2 Platinum Limited
- R5 000 on 2 October 2007 - UG2 Platinum Limited

The complainant provided little by way of explanation in terms of what he understood the product to be about including the returns he may have been advised he was to earn for as long as he held the shares. In his complaint, the complainant indicated that he had purchased the shares from the respondents and that when he contacted the respondents to enquire about the status of his portfolio and to sell the shares his emails went unanswered and he was unable to reach the respondents by telephone. The complainant employed the services of a legal consultant to assist him in his attempts to reach the respondents and to withdraw from the investments but even the attempts of the legal consultant were unsuccessful. In the end, the complainant wrote to the FAIS Ombud and asked that the Office intervene on his behalf regarding the matter.

The complaint was received on 18 November 2016 and 24 November 2016, after which the Office dispatched a letter to the respondents in which it referred to the complaint, the allegations made by the complainant and afforded the respondents the opportunity to either resolve the matter with the complainant or to respond to the allegations detailed in the complaint. The respondents did neither.

As with the enquiries that the complainant had sent to the respondents before he sought the intervention of the Office, correspondence addressed to the respondents went unanswered and the respondents remained inaccessible by phone. Notwithstanding the lack of response from the respondents, this Office, in accordance with section 27(4) of the FAIS Act, sent a notice to the respondents in which it drew the respondents' attention to the fact that despite the letter sent to them on 18 November 2016, the respondents were yet to address the allegations levelled against them by the complainant and that, having considered the facts and supporting documentation provided by the complainant, the Office was of the view that it seemed, in the absence of evidence to the contrary, that the respondents had contravened the provisions of the FAIS Act and

“Good friendly professional service, keep up the good work in representing citizens of SA.”

the General Code of Conduct. The respondents were called upon to address this Office on these submissions. Unsurprisingly, the respondents again did not respond.

In light of the fact that the complaint and the documents provided in support thereof indicated a prima facie case for the respondents to answer to and since the respondents made no move to so answer to the complaint and subsequent correspondence addressed to them by this Office, this Office found cause to determine the matter on the strength of the information provided by the complainant alone.

In its consideration of the complaint, this Office found that there were three main issues for consideration, namely, whether the respondents in rendering financial services complied with the provisions of the FAIS Act and the General Code of Conduct, whether the respondents' conduct caused the complainant's loss and, if it did, what the quantum of such loss was.

An investigation of the complaint revealed that the shares the complainant purchased in UG2 Platinum Ltd were unlisted. Previous investigations conducted into UG2 Platinum Ltd by this Office, revealed that the second respondent was in fact one of the directors of UG2 Platinum Ltd, along with two other individuals and that the second respondent is noted in the records of the Companies and Intellectual Property Commission (CIPC) as the company secretary of UG2 Platinum Ltd. The second respondent however, did not at any time while advising the complainant inform him of this and therefore reveal that he was conflicted in the matter. This is despite the obligation placed on all providers of financial services, by section 3 (1) (c) of the General Code of Conduct to, at the earliest reasonable opportunity, 'disclose to a client any conflict of interest' in respect of the advice to that client. Not only does section 3(1) require that a financial services provider who may be conflicted when providing advice, disclose that they are conflicted, but it also requires that the financial services provider must indicate the measures taken to avoid or mitigate the conflict. This too the respondents did not do.

In addition to the contravention of section 3(1) (c) of the General Code of Conduct, this Office found that the respondents had failed to comply with section 7 of the General Code of Conduct in that no documentation had been provided to show that the risks involved in the investment had ever been disclosed to the complainant. It was, for example, not explained to the complainant that he was investing in a high-risk venture in which his capital was at risk and that he in fact stood to lose his entire investment. The provisions of the agreement received from the complainant also showed that the complainant, on investing, agreed that any excess in capital could be invested in a venture capital share, which by its nature is intrinsically high-risk.

The documents provided to the complainant followed the advice rendered by the respondents and there is nothing to indicate that prior to signature thereof, that the complainant had been taken through the document and its contents and that these were

“I don’t think I would have succeeded on this matter without your help and for that I will forever be grateful for the service I received from your institution. Your services are very crucial to the communities that are experiencing high levels of injustice as a result of not knowing that there is help that they can get from your institution for free.”

explained to the complainant in the manner demanded by section 7 of the General Code of Conduct. Nor was there an indication that the investments had been recommended to the complainant after the second respondent satisfied himself of the fact that the product was suitable to the needs, circumstances and risk profile of the complainant, as demanded by section 8(1) (c) of the General Code of Conduct.

Having found that the respondents had breached the provisions of the General Code of Conduct, the question left to answer was whether the advice by the respondents, which evidently was materially flawed, caused the complainant’s loss. The information and documents collected from the complainant were sufficient to demonstrate that the respondent had not been candid with the complainant about the nature of the investment, in that he was in fact purchasing unlisted shares. The complainant indicated that the respondents did not disclose to him what risks were inherent in the investment and it is improbable then, that had the respondent explained to the complainant the true nature of the investment, as well as the associated risks, that he would have proceeded with the investment.

When the complainant made this investment, he based it solely on the representations made by the respondent. Consequently, as a result of the respondent’s failure to observe the Code, (the failure to appropriately advise) the complainant made the investment and lost his capital. The Office found then that it was as a result of the respondent’s conduct that the complainant lost his capital and this Office found in favour of the complainant and ordered the respondents to repay the complainant this capital amount, being R21 630, so as to compensate the complainant for his loss. The respondents were also ordered to pay interest of 10% per annum on the capital amount from date of the order to date of final payment.

Mr and Mrs Albertyn v Teo Herselman Makelaars BK and another

In 2010, Mr and Mrs Albertyn, first and second complainant, collectively invested R850 000 into property syndication schemes promoted by PIC Syndications (Pty) Ltd (PIC) on the advice of Teo Herselman, the second respondent. The first complainant invested R500 000 into Highveld Syndication 21 while the second complainant invested R350 000 into Highveld Syndication 22. While the investments were positioned to the complainants as being secure and guaranteed, the syndications failed within two years of the complainants’ investments. Mrs Albertyn was initially advised that her investment would subsist for a period of five (5) years and that during this period she would receive an income of 12%. In 2011, the income decreased from the 12% promised to investors to 6% and was never restored to the initial amount promised. Mr Albertyn opted not to receive an income from the investment and instead for the interest to be compounded and paid to him at the end of the investment period together with his capital.

Although the complainants were led to believe that they would receive their capital back at the end of the investment period, at the date of the determination, it had been almost six (6) years since the date on which the investments should have matured and the complainants had still not received their capital back. In their submissions to this Office, the complainants claimed, among other things, that the second respondent was fraudulent in his representations to them and that because they relied on these representations when deciding whether or not to invest in the property syndication schemes, that the respondents were to blame for them losing their capital. The complainants approached this Office to assist them recover their losses from the respondents.

Following receipt of the complaint this Office, on 7 February 2012, forwarded the complaint to the respondents in order to bring the complaint to their attention and to afford the respondents an opportunity to either settle the complaint with the complainants or to defend themselves against the claims raised by the complainants. The respondents opted to respond to the complaint rather than settle the complaint.

In the respondents’ initial response, the second respondent did not deny that he had rendered a financial service to the complainants, namely advice, but he also did not address the allegations against him as set out in the complaint. The respondent instead referred this Office to some of the information contained in the prospectus for each of the syndications into which the complainants were invested. In particular, the second respondent mentioned how in the prospectuses, PIC declared that it supports the regulations of the property syndications industry and that it complies with all the requirements stated in law. Alarming, the second respondent did not indicate that he had taken any steps to verify these claims made by PIC and that it was only after having so verified the information that he was satisfied that the investments were

what PIC had presented to investors and that he could therefore comfortably recommend them to the complainants. Instead, the version posited by the second respondent pointed to him having accepted the information PIC provided about the syndications at face value and did not evidence, as it was necessary to, that at all times when rendering the financial service he had done so in the interests of the complainants and with the due skill demanded by the General Code of Conduct.

In response to the allegation that he had not disclosed the risks inherent in the investment to the complainants, the second respondent again pointed to the prospectus and quite simply mentioned that the risk statement information was disclosed in the prospectuses. The respondent did not show that this risk statement had been brought to the complainants' attention and that he had satisfied himself that the complainants not only knew of the statement but that they understood it as well.

Given that the respondents' initial response to the complaint did not refute the complainants' allegations and that, by all accounts, it appeared to support their veracity, this Office concluded that the facts set out by the complainant had to be accepted for formal investigation and proceeded to inform the respondents of this. The respondents were informed that this Office would undertake a formal investigation of the complaint through a notice issued to respondents on 2 July 2015. In this notice of 2 July, the respondents were advised that their response was considered deficient to disprove the allegations in the complainants' complaint and were referred to various sections in the FAIS Act and the General of Conduct Code which this Office perceived the respondents had breached when the financial service was rendered to the complainants. On account of these perceived breaches, this Office recommended that the respondent make an offer to the complainants that is fair and reasonable in settlement of the complaint. Alternatively, the respondents were called on to submit the information and supporting documentation necessary to demonstrate such compliance in the event they elected not to resolve the matter with the complainants.

“If you build a great experience, customers tell each other about that. Word of mouth is very powerful.”

In response, the respondents referred to a business rescue plan that had been proposed shortly after it became apparent that the syndication had failed as well as to the subsequent restructure of this business rescue plan. The respondents also referred to the fact that a class action had been launched by investors aggrieved by the syndication's failure, against its founder, and that the second respondent had contacted the complainants and asked that they join the class action.

Respondents' response displayed a lack of appreciation for the duty they bore when rendering the financial service to the complaints because it did not speak to what had informed the decision to recommend the product to the complainants. Some of the information this Office was looking to receive from the respondent included the personal information the second respondent had collected from the complainants to determine what their needs were and what, about PIC, confirmed to the respondents that it

“We Hear You, We See you, We Support You.”

was the right product to meet these needs. Needless to say, this Office was unpersuaded that the second respondent, apart from the unsupported promise of lucrative returns, and the largely unhelpful performance of past syndications, had considered much else about the investment. The respondents were unable to successfully defend themselves against the claims against them despite the repeated opportunities given to them to do so.

This Office's investigation of the complaint revealed that the investment into PIC was wholly unsuitable to the complainants, that the complainants did not understand the advice and were not placed in a position to make an informed decision. Consequently, this Office found in favour of the complainants and ordered the respondent to repay to them the capital they invested in the syndications plus interest on the amounts at a rate of 10.25% per annum from the date of determination to date of final payment.

The respondents in this complaint were persistent in their denial that they were not liable for the loss suffered by the complainants even though the facts of the complaint showed that the duties which the FAIS Act and General Code of Conduct demanded they discharge, were not discharged. Product suitability must always be informed by the circumstances of each client and it can never be that a product must be recommended to a client on the grounds that it has worked for many others without an investigation into its legality and without reference to its appropriateness to the client concerned.

Over the years, consumers have been making strides to be more astute when investing and one of the more common ways in which they are doing this is by insisting on the provision of the contracts that record the terms of their agreements. Unfortunately though, the provision of a written contract does not always afford consumers the protection they believe will be provided to them as it may contain unfavourable provisions or may be provided to a consumer as a farce for a fraudulent transaction by an unqualified and/or unregistered financial services provider purporting to be registered and claiming to be offering a legitimate service and product.

Magrietha Pienaar v Introvest 2000 CC and Another

In February 2012, the complainant invested R700 000 into BondCare CC (“BondCare”) following a recommendation to do so by the respondent. The complainant alleged that the respondent was the one who recommended that she invests in BondCare and advised her that she need not worry about the investment.

The complainant claimed that when she learnt that there may be trouble with her investment she contacted the second respondent and that the second respondent denied having rendered the advice in the manner claimed by the complainant. When the speculation that had led the complainant to worry did not subside, the complainant again contacted the respondent and enquired about her investment. Following the complainant's repeated attempts to receive some update on what, if anything, had gone wrong with the investment and what this meant for her, the respondent eventually informed the complainant that she needed to address her queries to the Reserve Bank.

During November 2009, the Registrar of Banks investigated BondCare on suspicion that BondCare had received money by conducting the business of a bank without being registered as a bank or without being authorised to carry on the business of a bank. BondCare had been marketed to potential investors as an opportunity to advance funds to buyers of immovable property who did not have the necessary funds to pay transfer duties and fees. BondCare was said to facilitate an opportunity for these investors to advance their money to potential buyers at an attractive interest rate effectively meaning that investors' money was used as bridging finance in conveyancing transactions. Potential investors were advised that their capital was paid into an attorney's trust account and that while there investors would earn an interest of 18%, of their invested sum and would be able to withdraw from the investment by giving 90 (ninety) days' notice.

The document the complainant submitted as proof of her investment however showed that the funds were paid to BondCare Trust Association t/a BondCare Trust and not to an attorney's trust account. BondCare Trust was set up during 2010, after the Registrar of Banks had commenced its investigation into BondCare's funding model. BondCare Trust, which had been positioned as new, was quite evidently intended to be a ruse and offered, quite similarly to what BondCare did, the opportunity to receive money from investors and to pay this to conveyancers with clients who needed assistance to pay for the transfer costs associated with purchasing immovable property.

What BondCare CC did not do however, is provide clarity on how the model actually worked. So, if the account offered the kind of liquidity investors were informed was available how could all investors be assured that they could withdraw their capital provided they gave 90 days' notice since it was unlikely that the deposited capital would remain in the account for any protracted period of time? How also could the investment offer a return of 18% if the money would almost certainly be paid out from the account and would not be kept there long enough to generate an income that could realise the earnings promised? This Office was unable to find a response to these questions from any of the documents it received during the course of its investigation of the complaint.

This Office could equally not receive an answer to the complaint from the respondent that dispelled the allegations raised by the complainant regarding the advice, or lack thereof, that should have preceded the recommendation to the complainant that she invest in BondCare CC. Rather than address these allegations, the respondent referred this Office to the findings of the Reserve Bank which he claimed showed that the trustees of the of BondCare Trust, into whose account the complainant's capital was paid, was treated as a family trust and that this family had transferred the money they received to an offshore account. The respondent claimed that it was not only his clients who were defrauded but that he was as well.

The respondents' response did not speak to the questions raised regarding the information the respondent was meant to collect from the complainant, what the respondent assessed the needs of the complainant to be and why the respondent found BondCare Trust to be a stable product to meet the complainant's needs with

Meanwhile, I wish to express my sincere gratitude to your office. While I felt my whole world had shuttered in my face, you made me feel at ease. I had confidence in you I am not able to hold back my tears (of joy), as I am writing this email. I now know, there is Justice in South Africa through FAIS Ombud Office."

reference to her risk profile and financial personal circumstances. The respondent was unable to produce the record of advice to evidence the advice provided to the complainant nor could the respondent produce any other document containing pertinent information that may have addressed the issues in the complaint. The respondent claimed that the entire file on the financial service rendered to the complainant had been handed to the Reserve Bank following a request to do so.

Contrary to the respondents' claims that he was defrauded as were other investors due to conduct by the trustees of BondCare that he was unaware of, the evidence before this Office suggested that as soon as funds were paid into BondCare, the second respondent and his colleague, Mr Smit, paid themselves undisclosed amounts of money from investors' funds. The second respondent was approached by Mr Smit to become a trustee of BondCare, a position which he accepted and maintained for approximately two years. Due to internal conflict with other trustees he resigned and started BondCare Financing CC in 2010, the vehicle that was ultimately used to market to investors the bridging finance concept as an investment. The evidence suggested that there was impropriety in the manner in which BondCare was run and that the respondent, when advising the complainant, did not do so in the manner demanded of him by the FAIS Act and General Code of Conduct. In addition to the failure to disclose to the complainant, the risks implicit in the scheme, the respondent also did not disclose to the complainant how he was conflicted when rendering the advice.

The complainant trusted the respondent with her life savings which she had intended to rely on during her retirement but the actions of the respondent left her in a worse off position financially than the one she had been in prior to receiving and acting on the advice she received from the respondent. Ultimately, the evidence revealed the respondent to have contravened sections 2, 3(1), 4(1)(d), 7(1) and (8) (1) (a-c) of the General Code of Conduct. This Office ordered the respondents to compensate the complainant for her loss and to pay to her the value of her investment being R700 000 plus interest thereon at a rate of 10% from the date the complainant demanded repayment of her capital to date of final payment.

OPERATIONAL EFFECTIVENESS

ICT Governance

The Audit and Risk Committee monitors ICT governance by considering the efficiency and effectiveness of ICT controls, policies, processes and the associated risks. They also monitor the ICT initiatives in order to detect ICT risks and to recommend mitigation of potential threats to operational continuity and ensure return on investment (ROI).

The FAIS Ombud has adopted technology that ensured better efficiency and improved turnaround time. During the year under review ICT concluded a procurement process to upgrade the legacy core system to latest version. The process of replacing the core legacy system with an effective and efficient complaints handling system that will support the entity core business has commenced.

The common challenge faced by most organisations is lack of cyber security monitoring solutions and measures to mitigate cyber risks. However, FAIS Ombud ICT has ensured that the ICT environment and information system risks are managed and mitigated effectively by putting in place a number of compensating measures during 2019/2020 financial year, including a Security Information Event Management solution and vulnerability assessments that were conducted on a monthly basis. Deficiencies identified were addressed immediately to avoid any potential shortcomings and reduce related risks to minimal.

The ICT department embarked on various initiatives and projects to align ICT to business. The ICT governance framework and ICT strategy were revised to accommodate these envisaged changes.

“Having someone who listens is a great gift, but to be truly heard, is a treasure.”

TRENDS

Endowment Policies

The Office of the FAIS Ombud has noted that a majority of complaints with regards to endowment policies emanate from ‘causal effects’ such as a surrender penalty and the application of restriction periods. Whilst these causal effects only become prevalent at the termination of the policy or when the policy matures, at which point the clients are suddenly faced with surrender penalties and fees that they were not informed of, the main concern for the FAIS Ombud Office is that in most instances the endowment policy was not appropriate to the client’s needs and circumstances in any event, and ought not to have been recommended in the first place. The misleading component of endowment policies stems from the manner in which these policies are sold. These policies are in fact sold as investment solutions and savings products, utilising the term investment as opposed to policy, without any emphasis on the fact that they are actually life assurance policies. It may appear to be a fine technical issue but it has significant implications since this description results in the avoidance of how these life assurance products are structured and the various layers of costs involved; because the discussion then focuses on the investment horizon and illustrative returns. More needs to be done to change the manner in which these products are marketed, perhaps resulting in a further

TCF outcome; the reason being that whilst the products have a place within the financial planning environment they are not always suitable recommendations to the average client who is looking to invest funds for wealth creation or to save for a specific objective.

The categorisation of these products as life assurance policies means that, in addition to surrender fees and penalties, there are additional consequences to the restriction period applicable to, for instance, an endowment policy. In accordance with prevailing legislation the minimum restriction period applicable to an endowment policy is five years. During this five-year restriction period the insurance company may not allow an investor to either fully surrender the policy or to borrow the full investment value. Furthermore, in the event of the investor increasing the monthly or annual contributions by more than 20% of the previous year’s contributions, a new five-year restriction period will be applied. This means that a 5-year term endowment policy could effectively become an 8- or 9-year term policy by one merely increasing one’s premium in excess of what is allowed. These restrictions involved in investing in an endowment policy especially with regards to the liquidity and penalties are not adequately disclosed to potential clients to allow them to make an informed decision as to the policies’ suitability to their needs and circumstances.

The failure therefore of FSPs to disclose the implications and consequences of terminating or transacting in endowment policies stems from the manner in which these policies are marketed and sold and that they are, in most instances, not appropriate to the client’s needs and circumstances. These inappropriate recommendations and the resulting inability to make an informed decision by clients is the focus of the FAIS Ombud Office’s investigations. In addition, one cannot ignore the levels of illiteracy in South Africa which makes it all the more necessary for financial services providers to do more than to expect that a signature on the documents means a financial services consumer understands the product. This must be considered against the level of detail involved in the products in question, some of which are not understood by the very financial services representatives who fail to provide appropriate ‘Records of Advice’ or indeed rely on generic ‘Records of Advice’ that do not indicate what was disclosed to the complainant or indeed why the recommended endowment policy is appropriate to the client’s needs and circumstances.

Single Needs

There would appear to be a failure by Financial Services Providers (‘FSP’) and their representatives to appreciate the difference between providing the prospective client with a full financial needs analysis and compliance with the General Code of Conduct for Authorised Financial Services Providers and Representatives (‘the Code’), specifically Section 8 (1) of the Code. The default response to complaints received by FSPs when questioned, with regards to the appropriateness of the product recommended, would appear to be that as the transaction represented a single need such as saving for retirement, applying for life cover etc., and that there was no need to conduct a full financial needs analysis, the information collected was not sufficient to provide appropriate advice and the client was advised as such. The Code as amended on 26 June 2020 provides in section 8 (1)(a): A provider [other than a direct marketer,] must, prior to providing a client with advice, obtain from the client such information regarding the client’s needs and objectives, a financial situation risk profile and financial product knowledge and experience as is necessary for the provider to provide the client with appropriate advice.

Prior to the amendment on 26 June 2020 section 8 (1)(a) of the Code required that an FSP must, prior to providing a client with advice, take reasonable steps to seek from the client appropriate and available information regarding the client's financial situation, financial product experience and objectives to enable the provider to provide the client with appropriate advice. Therefore, even if a transaction would appear to relate to what is termed a single need, the FSP is still required to gather information specific to that need to ensure that appropriate advice can be provided. It cannot be accepted that a prospective client for example who has retired and is looking to obtain advice with regards the most appropriate options to invest his pension proceeds, a decision that has finite and lasting implications, is not provided with advice that considers his financial situation, needs and circumstances because the transaction represents a single need and a full financial needs analysis was not conducted.

Records of Advice

There is a growing trend towards standard generic advice records that not only provide generic statements such as "I can confirm that all fees and charges were disclosed to me." Or "I can confirm that all material terms and conditions of the policy were explained to me and that I was able to make an informed decision" but these records also, more often than not, require the client to merely tick a box next to these generic statements. The concern surrounding these records of advice is that whilst the complainant has signed or ticked in confirmation of the fact that aspects such as fees and charges were discussed or that material terms and conditions were disclosed, one cannot expect that the complainant would be able to confirm indeed what was disclosed with regards to fees and charges, for example what was comprehensive or indeed a correct representation that would have allowed the complainant to have made an informed decision. The Code requires that concise details be provided of the material terms of the contract to allow the client to make an informed decision. The word 'material' has been highlighted as an FSP is required to have knowledge of the client's needs and circumstances and ought to be in a position to identify the terms and conditions, exclusions etc. that would be material to their specific client which would need to be disclosed. The requirement that an FSP maintain a record of the advice provided it is twofold in that it is first and foremost, as the name suggests, a mechanism to record the advice provided and the basis for the advice provided to demonstrate that the client was placed in a position to make an informed decision.

The record of advice is also a mechanism that, if used correctly, will stimulate discussion with regards to the important aspects of the financial planning process and ensure that the FSP indeed covers all aspects required to indeed assist the client in making an informed decision. These generic records of advice, which appear to have been drafted to assist FSPs to automatically comply with the various sections of the Code, do not assist in either of these two respects and in fact fall short of compliance with the Code and detract from the financial planning process. These generic documents, which are seen as cumbersome and additional administration, are often grudgingly and apologetically provided to the client for completion when finalising the application process which merely pays lip service to the provisions of the Code instead

"We cannot change what we are not aware of, but once we are aware, we cannot help but change."

of utilising this process in the spirit for which it was intended to enhance the financial planning process and provide a more holistic service to the benefit of all parties involved in the transaction. The financial services industry needs to embrace the importance of advice records and better equip their representatives and financial planners through training initiatives to know their clients so that they are better placed to identify the material terms that need to be disclosed to a specific client.

Forex Investments

As reported on in the 2018/2019 Annual Report, there continues to be an increase in forex investment complaints. The current financial climate, even before the impact of COVID-19, has seen consumers of financial services lured by the attractive promises made of high returns and easy profits. The increased access by individuals to the various social media platforms has also contributed to this increase in forex investments as these entities, most of which are not registered with the Financial Services Conduct Authority ('FSCA') utilise these platforms to source prospective clients with promises of instant wealth. These often turn out to be scams and clients lose all their funds. Whilst the Office of the FAIS Ombud appreciates that the economic climate has placed a strain on many households there is no quick fix and the old adage that if it is too good to be true it probably is, has never more appropriate and consumers are advised to be wary of these products.

Forex investments do have a place within the financial planning environment and may provide a prospective client with the benefits of diversification within an investment portfolio. However, forex investments are very technical products that require in-depth understanding and should never be entered into without obtaining appropriate advice as to whether an investment of that nature is beneficial to one's financial situation and circumstances.

Consumers also need to be aware of those entities that, in an attempt to circumvent the FAIS Act and its corresponding legislation, entice clients by offering forex training software with the promise of turning an ordinary individual into a forex trader. Subsequent to the conclusion of the transaction the client is then offered broker services by the entity which is then that losses are incurred that were not explained or substantiated.



Adv Nonku Tshombe

Ombud

Settlements



Settlements

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

The complaints detailed below are matters where this Office was able to facilitate the successful resolution thereof by way of a conciliated settlement. Appreciating the fact that all matters settled by this Office are done on a without prejudice basis, these matters are highlighted as they address a few significant issues that this Office believes need to be highlighted.

K v O

The complainant, a nurse, had resigned from her employment and received her full pension benefit from the GEPP to the value of approximately R1.4 million. The complainant then approached the respondent for assistance on how best to invest the proceeds of her pension and, subsequent to the advice provided, the complainant invested in what she understood to be a 6-month investment. The complainant saw this as a suitable investment to allow her time to plan her business venture for which the funds

were ultimately earmarked. Three months after the inception of the policy the complainant began suspecting that something was amiss with the investment as her monthly statement indicated a substantial decrease in the capital amount invested. Upon enquiry, the complainant was advised that it was as a result of fees and charges that she claimed had not been disclosed to her. The complainant also noted that she had been provided with an endowment policy with a term of 5 years and that she would be penalised if she wanted to access her funds.

The complaint was duly submitted to the respondent to provide details as to why the recommendation of the endowment policy was deemed to have been appropriate to the complainant's needs and circumstances, especially considering the complainant's requirement that the funds be used to facilitate a business venture. The respondent was also requested to provide documentation in compliance with the provision of the General Code of Conduct for Authorised Financial Services Providers and Representatives ('the Code') showing that concise details of the material terms of the policy had been disclosed to the complainant to have allowed her to make an informed decision as to the appropriateness of the recommended policy to her needs and circumstances. In response to the complaint, the respondent advised that the matter would be settled. The complainant received her full invested capital back including an amount towards lost interest for the period in question.

S v F

The complainant invested R1 million with the respondent during 2013. The investment was for a term of 5 years and was to provide the complainant with a monthly income whilst safeguarding his capital. The respondent's representative had provided the complainant with a quotation reflecting a monthly income of R8000 which he had accepted. When the policy matured during 2018, the complainant was informed that his capital had reduced by an amount of R280 000. The complainant approached this Office for assistance in having his capital loss refunded. In response to the complaint submitted to it and in accordance with the rules on proceedings of this Office, the respondent provided a copy of the record of advice which it claimed clearly stated that the capital was not guaranteed and that the purpose of the investment was to provide for a monthly income. The respondent was also of the view that the record of advice was clear that the drawing of income in the amount stated may affect the capital amount invested.

This Office put it to the respondent that the document presented as a record of advice was a generic document that made no specific reference to the complainant's circumstances or the need for the complainant to preserve his capital. Furthermore, the appropriateness of the advice provided was made all the more concerning when one considered that the complainant was drawing an income of 9.8% whilst the funds had been placed in a low-risk fund that would never have provided a return to support the income being drawn. There was a duty on the respondent's representative to inform the complainant that he cannot be a conservative investor and still draw an income of 9.8%. There had to be a trade-off between risk and return and the complainant needed to make a decision to either reduce his income or, assume a higher level of risk. This was not done and the complainant was left with the false impression that the income he was earning was funded from the interest generated from the investment. The complainant was therefore not placed in a position to make an informed decision. The respondent made an offer of R186 414 in a full and final settlement which was accepted by the complainant.

H v D

The complainant was the executor of the estate for the late Mr H. Whilst finalising the affairs of the estate, it was discovered that the deceased's existing life insurance policy had been cancelled and replaced with a new policy with another insurer. The complainant subsequently submitted a claim to the new insurer which was rejected as the insured had passed away prior to the inception of the policy. On further investigation the complainant determined that the application for the replacement policy had been completed on 20 February 2018 and that there was correspondence dated 14 March 2018 from the respondent instructing the deceased to cancel his existing policy. This letter was signed by the deceased and forwarded to the existing insurer however, the replacement policy had at that time not yet been accepted. The replacement policy was supposed to incept on 1 April 2018 however, during the underwriting process there were concerns surrounding the results of the deceased's Body Mass Index ('BMI'). The results of the deceased's BMI resulted in the new insurer issuing an 'Acceptance of Offer Letter' which saw the inception date of the policy extended to 1 May 2018. As a result, when the deceased passed away on 13 April 2018, there was no policy in place.

"Your most unhappy customers are your greatest source of learning."

The complainant was of the view that the deceased had not been correctly advised to cancel the existing life insurance policy before the application for the new policy had even been accepted, let alone the new policy having been accepted. The complainant therefore held the respondent liable for the losses incurred as a result. This Office agreed with this view and the fact that the respondent had not acted with the required due skill care and diligence in the best interests of the deceased as required in terms of section 2 of the Code. This was communicated to the respondent who accepted responsibility for the losses incurred by the complainant and provided the complainant with an offer of R1 000 000, the cover amount, in a full and final settlement. The offer was accepted by the complainant.

Whilst the facts surrounding this matter would appear to have been rather straight forward, and highlight the additional duty of care that a Financial Services Provider must exercise during the replacement of an existing life assurance policy the significance of this matter lies in the respondent's willingness to resolve the complaint for the total loss incurred, despite this amount exceeding this Office's R800 000 jurisdictional limit. The Rules on Proceedings of this Office do restrict the jurisdiction of this Office to the investigation of complaints where the losses incurred do not exceed R800 000 and any matter received that does exceed this limit would require that the complainant confirm in writing to forego any amount in excess of R800 000. However, the very same rules do provide that this jurisdictional limit may be exceeded should the respondent agree to it in the interests of proceeding with the investigation. It is therefore refreshing to note that, especially during this time where there is a heightened focus on treating customers fairly, a respondent has chosen to not only acknowledge the negligence that resulted in the losses incurred, but was also willing to resolve the matter in full. It is this type of collaboration between industry and an institution such as this Office where the interests of the client are first and foremost, that will contribute further towards increasing the integrity of the financial services industry. Something that is not only part of the mandate of this Office but an aspect that we take very seriously and we encourage more FSPs to follow the example above.

L v Another

The complainant had approached this Office after having approached various entities and exhausted, what he believed to have been, all available avenues. During the period 31 January 2018 and 26 February 2018 the complainant was the victim of internet-fraud committed by an entity behind a web trading platform. The complainant claims that he had been misled by the entity that it was appropriately regulated, that his funds would be kept in a segregated account and that he would participate in real-time trading. All information provided turned out to be false and the complainant sustained losses as a result of the capital invested. The complainant had prior to approaching this Office asked the respondent for assistance in providing information about the name of the acquiring bank and/or financial institution for the transactions concluded so that the complainant and his

legal representatives could enter into direct communication with it. The respondent was unwilling to assist the complainant and the complainant approached this Office as he believed that the respondent's refusal to provide the required information has hindered the possibility of him adequately protecting his interests. Before officially accepting this matter for investigation, this Office contacted the respondent and implored it to consider, in the spirit of treating customers fairly, to utilise its significant resources to assist the complainant with the required information: information that the average man in the street would not have access to and which would allow the complainant to further his attempts at reclaiming his funds. The respondent to its credit agreed that assisting the complainant with his request would be in the spirit of treating customers fairly and so agreed to investigate the matter on his behalf. Additional information was requested from the complainant and after a thorough investigation by its fraud investigation unit the respondent was able to provide the complainant directly with the details of the merchant's details. The complainant let this Office know that the respondent had adequately assisted him and confirmed that the matter had been resolved to his satisfaction. This Office receives numerous complaints where individuals have either been the subject of a fraudulent transaction or where the complainant has merely transferred funds into the incorrect bank account. Whilst this Office does appreciate that it may not always be possible to facilitate compensation for such matters, financial institutions such as banks, with the resources at their disposal, could offer assistance in empowering the complainant with information that will allow the affected individual to further rectify the situation. This can only be done where these institutions fully commit to the essence of treating customers fairly as detailed above, something that this Office is committed to fostering in a cooperative manner.

C v W

The complainant was the policyholder of a funeral plan which commenced on 19 January 2017. In terms of the policy, the complainant, who was the policy owner and premium payer, had insured his wife and children. On 07 November 2019, the complainant's son passed away, and the subsequent claim had been rejected on the following ground (s):

"The deceased was over the age of 26 years, which is over the child maximum age allowable in terms of the policy. The deceased had no cover."

The complainant states that he was never advised about this clause and that he had also not been provided with any notice to say that when the child is 26 years old he will no longer enjoy cover that would have allowed him to source alternative options. The respondent initially maintained that the complainant was aware that once a child is over the age of 26, the child will not be covered under the policy and referred this Office to the terms and conditions that it claimed could not be deviated from. The respondent was however unable to provide this Office with any

documentation showing that it had complied with the provisions of the Code and that concise details of any special terms or instances in which cover would not be provided were made to the complainant. When this Office officially accepted this matter for investigation, the respondent agreed to pay-out the claim in the amount of R5000.

Z v S

The complainant had an existing policy which provided cover in respect of disability and income protection and was persuaded to replace the policy with an alternative product that would provide enhanced benefits at a reduced premium. The complainant was subsequently unable to work for a period of 3 months when he lodged a claim for loss of income. He was subsequently informed that the "Lumbar and sacral spinal column" condition for which he was claiming was a pre-existing condition and therefore excluded. The complainant claims that he was never informed of same prior to replacing the policy and would not have cancelled his existing policy had he been aware of the exclusion. In response the respondent indicated that the replacement product provided for a discounted monthly premium of R350 and that the complainant had been made aware of the exclusion prior to accepting the policy.

The respondent was of the view that the policy schedule also records that there was an exclusion for any claim which may arise which is linked to the "Lumbar and sacral spinal column". Upon officially accepting the complaint, this Office put it to the respondent that despite the premium saving there had in fact been no justification for the replacement as the new policy offered inferior benefits. Furthermore, having been aware that the replacement product specifically excluded the complainant's Lumbar and Sacral Spinal column condition, the respondent's representative should not have proceeded with the replacement which was to the detriment of the complainant. The respondent was also unable to provide this Office with a replacement policy advice record that is required in terms of the Code and which would have required that the respondent provide the complainant with all the consequences and implications involved in the replacement of the existing policy. The respondent made a decision to entertain the income replacement claim and that a total amount of R188 767.16 was paid to the complainant.

C v I

During June 2019 the complainant's Toyota Hilux was stolen and whilst the subsequent claim had been approved the complainant was dissatisfied with the final settlement offer. It transpired that

upon calculating the settlement offer the extras on the vehicle, to the value of R22 180 had been excluded. The reason being that these items did not form part of the vehicles retail value and were required to have been specifically noted on the policy as added extras and that an additional premium was payable. The complainant claimed that this had never been brought to his attention. The complaint was sent to the respondent and it was requested to provide this Office with confirmation that, in accordance with the provisions of the Code, the respondent had sought all relevant and available information from the complainant which would have included details of any extras so that a recommendation could have been made that would have provided a solution that would have ensured that the complainant was appropriately covered in the event of a total loss. The respondent was unable to show compliance with the Code and resolved the matter with the complainant by paying him the value of the extras in a full and final settlement.

Q v A

The complainant had cover in respect of her household contents which she had covered for an amount of R350 000. During 2018 there was a break-in at her home and items worth R98 924.45 were stolen. Upon submitting a claim the complainant was offered an amount of R32 974.81 on the basis that she was under insured and that the principle of average was applied. The assessor who had assessed the claim had valued the complainant's household contents amounted at R900 000.00. The complainant claims that she had never been cautioned as to the danger of underinsurance and that in the event of a claim the principle of average would apply. During the investigation it was revealed that the respondent had not been the original broker on the policy and had merely

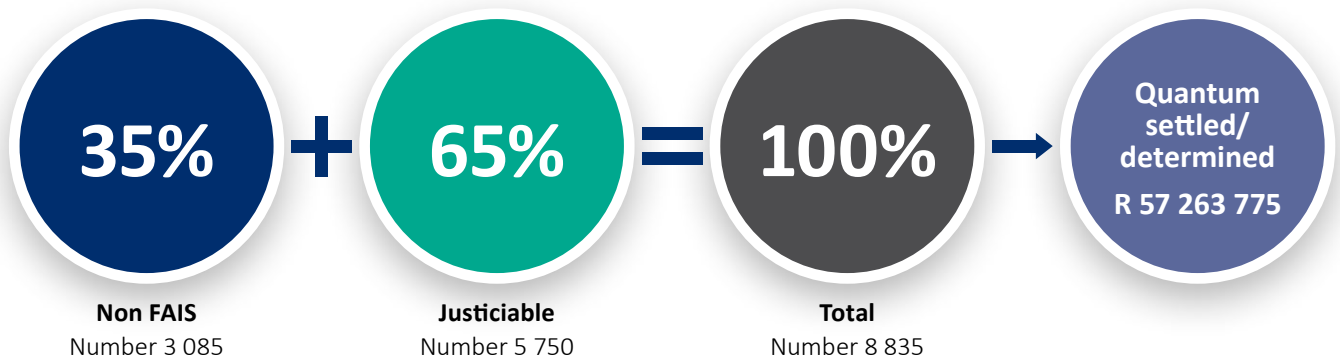
taken over the previous broker's book of clients. The respondent was therefore of the view that not only was it not responsible for the failure to adequately advise the complainant at the inception of the policy but, that from the records on file, the complainant had never really wanted to apply for household contents cover and that it had been provided to her as a package deal to reduce the premium payable on her vehicle.

The decision to choose the value of R350 000 for the household contents cover therefore met her affordability needs. This Office was of the view that the respondent had a duty to reassess the policies it had taken over from the previous broker, not only to ensure that the benefits provided remained suitable to the clients' needs and circumstances but to also justify the advisory fee that the respondent was now collecting in respect of these policies. Had the respondent acted with the required due skill, care and diligence and in the best interest of the complainant it would have been in a position to advise the complainant as to the risk of under insurance and the application of average and placed the complainant in a position to make an informed decision. The respondent reverted with an offer of R33 000 which was accepted by the complainant in a full and final settlement.

Statistics



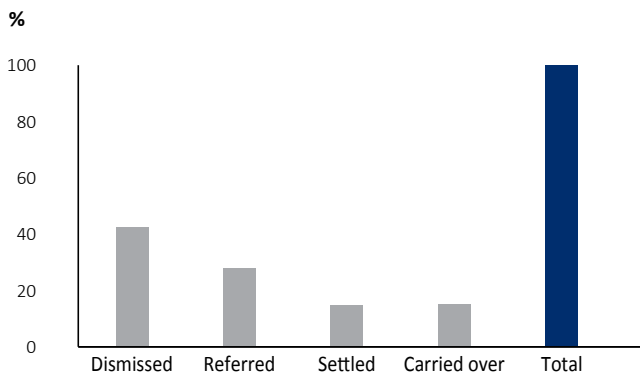
Statistics



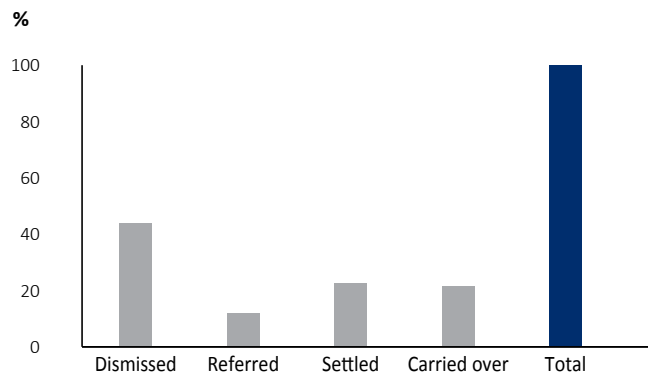
New cases resolved - all complaints received		No.	Percentage
Dismissed		3 745	42,39%
Referred		2 467	27,92%
Settled		1 290	14,60%
Carried over		1 333	15,09%
Total		8 835	100,00%

New cases resolved - within our mandate		No.	Percentage
Dismissed		2 525	43,91%
Referred		692	12,03%
Settled		1 290	22,43%
Carried over		1 243	21,62%
Total		5 750	100,00%

New cases resolved - all complaints received



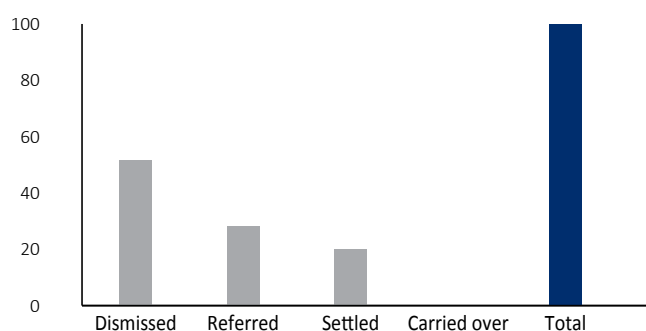
New cases resolved - within our mandate



All cases resolved - all complaints received	No.	Percentage
Dismissed	4 790	51,77%
Referred	2 599	28,09%
Settled	1 850	20,00%
Determined	13	0,14%
Total	9 252	100,00%

All cases resolved - within our mandate	No.	Percentage
Dismissed	3 503	56,76%
Referred	806	13,06%
Settled	1 850	29,97%
Determined	13	0,21%
Total	6 172	100,00%

New cases resolved - all complaints received
%

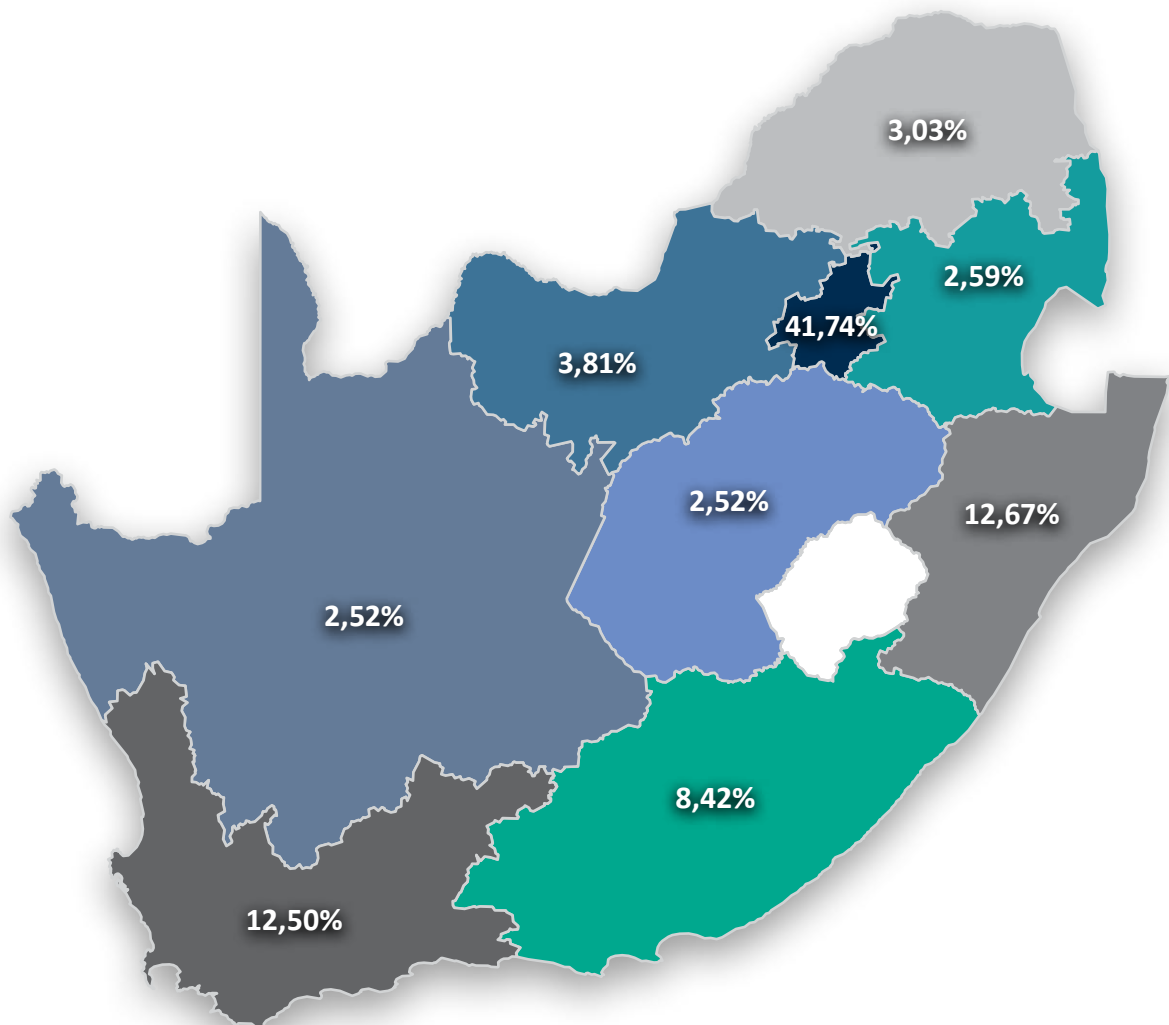


All cases resolved - within our mandate
%



Product	No.	Percentage
Long term insurance	2 630	29,77%
Short term insurance	2 449	27,72%
Investment	1 377	15,59%
Retirement	499	5,65%
Medical Aid/Assurance	168	1,90%
Forex	84	0,95%
Non FAIS	1 628	18,43%
Total	8 835	100,00%

Province	No.	Percentage
Eastern Cape	744	8,42%
Free State	419	4,74%
Gauteng	3 688	41,74%
Kwa-Zulu Natal	1 119	12,67%
Limpopo	268	3,03%
Mpumalanga	229	2,59%
North West	337	3,81%
Northern Cape	223	2,52%
Western Cape	1 104	12,50%
International	85	0,96%
Not provided	619	7,01%
Total	8 835	100,00%



Referred to other Fora	No.	Percentage
Other Fora	423	17,15%
Financial Services Providers	1 044	42,32%
Financial Services Board	48	1,95%
Ombudsman for Short Term Insurance	300	12,16%
Ombudsman for Long Term Insurance	72	2,92%
JSE Ombud	9	0,36%
Ombudsman for Banking Services	116	4,70%
National Credit Regulator	382	15,48%
Motor Industry Ombud	12	0,49%
Council for Medical Schemes	33	1,34%
Credit Information Ombud	28	1,13%
Total	2 467	100,00%

Referred to other Fora	No.	Percentage
No. of Days - Inclusive of Weekends	7 502	34,41 (55.69)
No. of Days - Excluding Weekends	7 502	24,58 (39.78)
Total	7 502	24,58

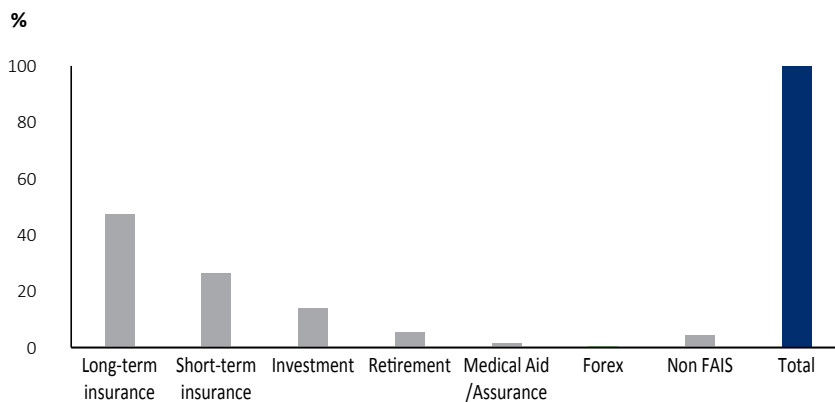
Complaints Resolved within 3, 6 and 9 Months	No.
Percentage Complaints Resolved within 3 Months	81,76%
Percentage Complaints Resolved within 6 Months	91,18%
Percentage Complaints Resolved within 9 Months	96,25%



Complaints Referred to the Tribunal	No.
Total number referred	159
Right of appeal granted	6
Referred back to this Office	6
Application dismissed	132
Awaiting decision	15
Total	95.65%

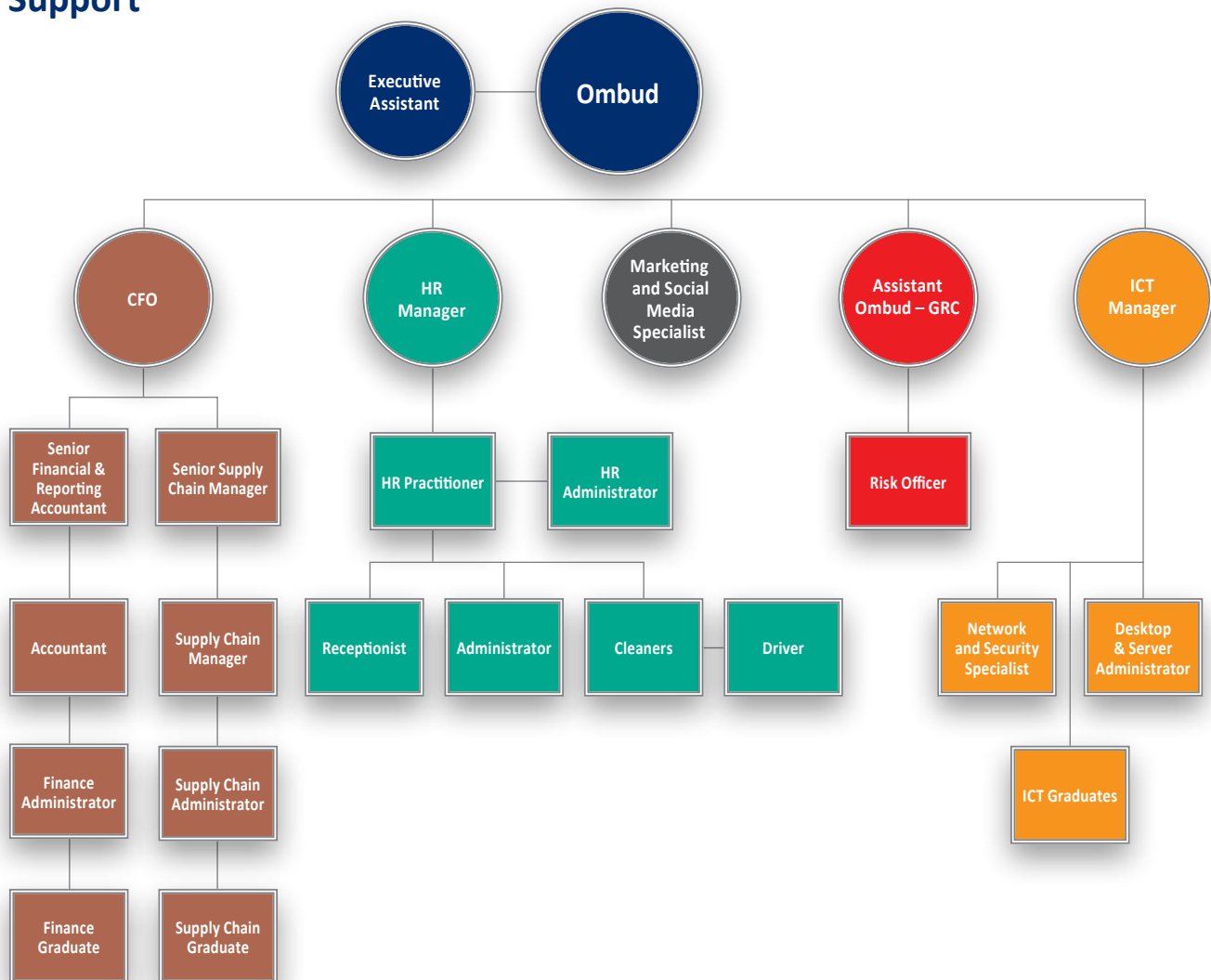
Settlement Value - Product	No.	Percentage	Value
Long-term insurance	882	47,34%	R17 869 100
Short-term insurance	496	26,62%	R10 262 722
Investment	261	14,01%	R23 036 363
Retirement	103	5,53%	R5 589 531
Medical Aid/Assurance	33	1,77%	R258 637
Forex	7	0,38%	R46 180
Non FAIS	81	4,35%	R201 240
Total	1 863	100,00%	R57 263 773

Settlement Value - Product

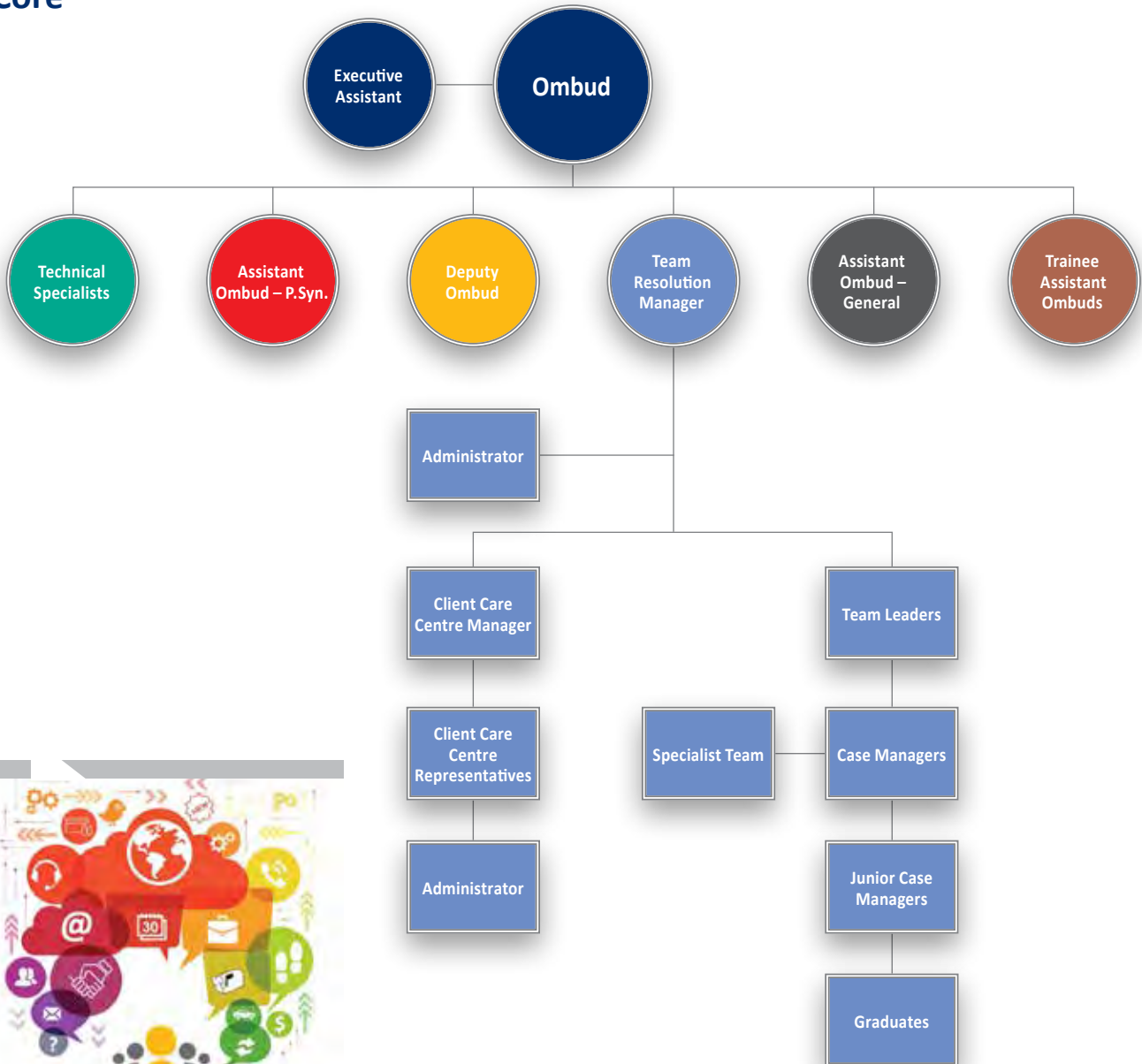


Organisational structure

Support



Core



Human Resources



Human Resources

Introduction

The role of the Human Resource Department is to ensure that our organisation's most important asset—the human capital—are nurtured.

Some of the key functions performed by the Human Resources Department include: Remuneration and Benefits, Training and Development, Performance Management, Employee Wellness, Leave Administration, Recruitment and Selection as well as Occupational Health and Safety. It places a strong emphasis on employees by incorporating best Human Resources practices in its daily activities.

Remuneration

The Human Resource department embarked on a job evaluation and salary benchmarking project during the period under review. The purpose of the exercise was to evaluate positions in order to determine job levels as well as to establish current remuneration practices. The office is in the process of implementing the recommendations from the exercise.

In order for the FAIS Ombud to maintain appropriate remuneration competitiveness vis-à-vis the labour market, remuneration is reviewed annually. As a guide, annual remuneration reviews are informed by:

- Projected inflation;
- Employee's Performance;
- Affordability;
- Internal equity – fairness and
- External market influences

Recruitment and terminations

The Office of the Ombud welcomed Advocate Nonku Tshombe as the acting Ombud. Advocate Tshombe comes from a regulatory environment where she headed the legal department. She comes with rich and valuable experience and continues to impart her knowledge with members of the organisation.



Lebogang Lebeko

HR Manager

Graduate recruitment

For the first time in 2019/20 our graduate recruitment programme was expanded to other departments such as Finance and Supply Chain Management. Previously graduates were only appointed in the Information Communication and Technology, Case Management and Adjudication departments.

The table below indicates the number of Graduate Recruits per department:

Table 1

Department:	Number of graduates
ICT	2
Finance	1
Supply Chain Management	1
Case Management	7
Total	11

Human Resources

Terminations

The table below gives a summary of the terminations during the period under review.

Table 2

Reason for leaving	Number of resignations
Death	0
Resignation	11
Dismissal	0
Retirement	0
Ill-health	0
Expiry of contract	2
Total	13

Personnel related expenditure:

Employee Salaries

Table 3

Occupational Level	Salaries
Top Management	581 196
Senior Management	6 815 293
Professionally qualified and experienced specialists and mid-management	3 921 256
Skilled technical and academically qualified	4 568 401
Semi-skilled	4 643 727
Unskilled	686 630
Total	26 333 471

Rewards

Rewards are aimed at recognising and rewarding individual employees who have through their endeavours significantly contributed to the performance of their respective departments as well as the FAIS Ombud as a whole.

The following are the types of incentives that the FAIS Ombud pays in recognition of its employees:

Performance Bonuses

A total of R621 596 was spent in the previous year on performance bonuses:

Table 4

Occupational Level	Performance Rewards
Top Management	0
Senior Management	396 615
Professionally qualified and experienced specialists and mid-management	81 943
Skilled technical and academically qualified	72 276
Semi-skilled	70 760
Unskilled	0
Total	621 596

Non-cash Incentive Awards

A total of twelve employees received non-cash incentive awards, the total value of the awards was R20 000. The awards are categorised in the following manner:

Table 5

Category	Value per category	Total spent (R)
Gold	R2 500	10 000
Silver	R1 500	6 000
Bronze	R1 000	4 000
	Total	20 000

Training

To ensure that individual employees are always up-to-date with developments in their various areas of expertise the FAIS Ombud continuously encourages its employees to attend courses and workshops that will upskill them and also improve the performance and the organisation's output.

Table 6

Type of training	Number of attendees	Total cost incurred
Short courses	7	59 424
Formal studies (e.g. Degree)	12	193 889
Total	19	253 313

Employment Equity

The table below shows Employment Equity statistics as at 31 March 2020:

Table 7

Occupational Level	African		Indian		Coloured		White		M	F	Total
	M	F	M	F	M	F	M	F			
Top Management	0	1	0	0	0	0	0	0	0	1	1
Senior Management	2	2	1	0	0	0	2	0	5	2	7
Professionally qualified and experienced specialists and mid-management	0	2	0	0	0	0	0	0	0	2	2
Skilled technical and academically qualified	5	8	0	0	0	1	1	1	6	10	16
Semi-skilled	4	11	0	0	0	1	0	0	4	12	16
Unskilled	0	4	0	0	0	0	0	0	0	4	4
Fixed Term Contractors	4	6	0	1	0	0	0	0	4	7	11
Total	15	34	1	1	0	2	3	1	19	38	57

Below is a headcount by departments/business units as at 31 March 2020:

Table 8

Department	African		Indian		Coloured		White		Totals		Staff Total
	M	F	M	F	M	F	M	F	M	F	
Adjudication	0	3	0	1	0	0	1	1	1	5	6
Governance, Risk and Compliance	0	0	0	0	0	0	0	0	0	0	0
ICT	1	1	0	0	0	0	1	0	2	1	3
Finance	2	0	1	0	0	0	0	0	3	0	3
Human Resources	1	2	0	0	0	0	0	0	1	2	3
Supply Chain Management	2	2	0	0	0	0	0	0	2	2	4
Case Administration	3	7	0	0	0	0	0	0	3	7	10
Case Management	5	14	0	0	0	1	1	0	6	15	21
Support	1	5	0	0	0	1	0	0	1	6	7
Total	15	34	1	1	0	2	3	1	19	38	57
Total headcount expressed in percentage	26%	60%	2%	2%	0%	3%	5%	2%	33%	67%	100%

Employee wellness

Our employee wellness program continues to support our staff members. Our utilisation statistics confirm that members of the Office mostly make use of face-to-face counselling. The type of referral for utilising the services was "self-referral". The Office is comforted by the fact that employees are aware of their mental needs and know where to get assistance when required.

The following problem categories have a proportionally higher representation in the FAIS Ombud as per the January to December 2019 problem profile, when compared to the Corporate Sector during the same period:

- Psychosocial;
- Couple and family related and
- Dependency Problems.

Employees of the FAIS Ombud, as well as their immediate family members, have access to a 24-hour counselling service which is available either telephonically or face-to-face.

Executive Committee



Adv Nonku Tshombe
Ombud



Shaunil Maharaj
Chief Financial Officer



Lebogang Lebeko
HR Manager

Management Committee



Adv Nonku Tshombe
Ombud



Shaunil Maharaj
Chief Financial Officer



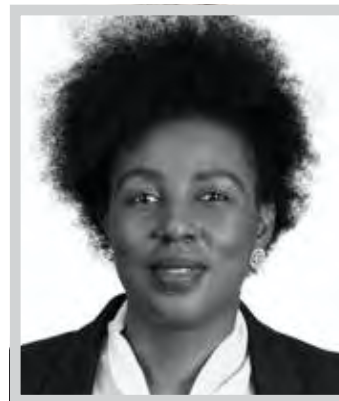
Lebogang Lebeko
HR Manager



Thobile Masina
Assistant Ombud



Louis Pautz
Technical Specialist



Petronnell Sehlola
ICT Manager



Masilu Kgofelo
Senior Supply Chain Manager



Marc Alves
Team Resolution Manager



Ncebakazi Giqwa
Case Administration Manager

Governance, Risk and Compliance

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

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

Governance Committee Appointments

The FAIS Ombud accounts to the Minister of Finance through the Accounting Authority (the Commissioner of the FSCA) and the appointed Governance Committees. The Governing Body, as appointed by the Minister of Finance, consists of 6 non-executive members with various backgrounds. In making these appointments consideration is given to experience, technical skills and the interests of stakeholders in the financial services industry.

Within the reporting period the Governance Committees met at least once per quarter and special meetings were convened when required. The names of the members as well as a record of the number of Committee and Sub-committee meetings attended are noted below:

Committee Member	Combined Committee	Audit Committee	Risk Management Committee	HR Committee	Remuneration Committee
Total number of meetings	18	6	4	4	4
A Sithole	2	N/A	N/A	1	1
H Wilton	15	5	3	3	4
J Mogadime	10	6	4	N/A	N/A
D Msomi	14	6	N/A	4	4
H Ratshefola	8	4	4	N/A	N/A
PJ Sutherland	14	6	N/A	4	4

Defined and Separate Roles: Accounting Authority and the Ombud

The roles of the Accounting Authority and the Ombud are separate with a clear division of responsibilities to ensure a balance of power and authority. The Accounting Authority fulfils a non-executive function.

Delegation of Authority

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

Performance Monitoring and Reporting

Reports on the performance of the FAIS Ombud against the Annual Performance Plan are submitted to the Minister of Finance and National Treasury quarterly, in accordance with Treasury Regulations. Direct oversight is exercised by the Governance Committees through engagements with management following the submission of the aforesaid reports. The FAIS Ombud also reports to Parliament by invitation, normally on an annual basis.

Accountability

One of the duties of the Accounting Authority, as outlined in Section 51 of the PFMA, is to ensure that effective, efficient and transparent systems of financial and risk management and internal control are in place. The Accounting Authority provides strategic direction to the FAIS Ombud and fulfils its responsibilities through the contributions of the Audit, Risk Management, Human Resources and Remuneration Governance sub-committees.

Ethics

The Accounting Authority provides ethical leadership to the FAIS Ombud. Its members abide by a Code of Ethics, expecting and holding its members to high ethical standards. Similarly, The FAIS Ombud has a Code of Ethics for its employees and holds employees to the standards as set out in the Code.

Audit Committee

The Audit Committee is, amongst others, responsible for overseeing the internal and external audit functions, maintaining effective and efficient internal controls, reviewing the financial information and ensuring the integrity of the annual financial statements. The Audit Committee assists the Accounting Authority to safeguard the assets of the FAIS Ombud and to manage financial and other risks that might affect the organisation.

Human Resources Committee

The Human Resources Committee assisted the Accounting Authority by ensuring that the FAIS Ombud's Human Resources strategy and policies were adequate, reviewed regularly for relevance, and that it was implemented effectively by management.

Remuneration Committee

The role of the Remuneration Committee is to assist the Accounting Authority in ensuring that senior management and employees of the FAIS Ombud are appropriately rewarded for the contribution they make towards the goals of the organisation. Not only does this ensure the retention of employees with appropriate skills but also employees that are motivated to contribute in a positive manner.

Risk Management Committee

The Risk Management Committee is responsible for assisting the Accounting Authority and the Ombud in addressing its oversight requirements of risk management and evaluating and monitoring the organisation's performance with regards to risk management. The Risk Management Committee's role is to formulate, promote and review the institution's Enterprise Risk Management objectives, strategy and policy and monitor the process at strategic, management and operational levels.

Risk Management within the FAIS Ombud

The optimisation of the governance of risk in the FAIS Ombud is noted below.

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

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

Risk management is the responsibility of every employee at the FAIS Ombud. Not only is risk management incorporated in the individual performance contracts of each employee but the respective departments in the organisation are actively involved in managing their risk registers on a regular basis. It is imperative that all employees understand the risks confronting the FAIS Ombud in their day-to-day activities and how to manage these risks.

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

A list of the strategic risks faced by the FAIS Ombud during the 2019/2020 Financial Year are as follows:

Number	Risk
1.	Ineffective and inefficient complaints handling resulting in reputation damage and failure to meet legislative mandate.
2.	Cyber security threats.
3.	Inadequate stakeholder management.
4.	Fraud, corruption and unethical behaviour.
5.	Old and inefficient core case management system.
6.	Ineffective and rudimentary financial management systems.

Annual Financial Statements



Annual Financial Statements

Index

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

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Shaunil Maharaj
Chief Financial Officer

Abbreviations

PFMA	Public Finance Management Act
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
TR	Treasury Regulations
IAS	International Accounting Standards
AGSA	Auditor-General South Africa
ASB	Accounting Standards Board
FSCA	Financial Sector Conduct Authority

Accounting Authority's Responsibilities and Approval

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

The annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice ("GRAP") including any interpretations, guidelines and directives issued by the Accounting Standards Board ("ASB"). The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimate.

The Accounting Authority acknowledges that he is ultimately responsible for the system of internal financial control established by the entity and place considerable importance on maintaining a strong control environment to enable the Accounting Authority to meet these responsibilities, he 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 responsible circumstances is above reproach. The focus of risk management in the entity is on identifying, assessing, managing and monitoring all known forms of risk across the entity. While operating risk cannot be fully eliminated, the entity endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

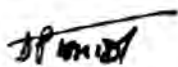
The Accounting Authority is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal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

The Accounting Authority has reviewed the entity's cash flow forecast for the year to 31 March 2021 and, in the light of this review and the current financial position, he is satisfied that the entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

The AGSA are responsible for independently reviewing and reporting on the entity's annual financial statements. The annual financial statements have been examined by the AGSA and their report is presented on page 9.

The annual financial statements set out on pages 52 to 77, which have been prepared on the going concern basis, were approved on 30 September 2020 and were signed on it's behalf by:



Adv D. Tshidi

Commissioner-FSCA

Audit Committee Report

We are pleased to present our report for the financial year ended 31 March 2020.

Audit Committee members and attendance

The Audit Committee is a sub-committee and consists of only non-executive members. During the current year a total of six (6) meetings were held. The Audit Committee consists of the members listed hereunder

Name of member	Number of meetings attended
Mogadime J (Chairperson)	6/6
Wilton H	5/6
Msomi D	6/6
Ratshefola MH	4/6
Sutherland PJ	6/6

Audit Committee's responsibility

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

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

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

The effectiveness of internal financial controls

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

Evaluation of annual financial statements

The Audit Committee has:

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

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

Audit Committee Report continued

Internal Audit

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

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 29 September 2020, the approval of the annual financial statements to the Accounting Authority.



J. Mogadime

Chairperson-Audit Committee

Risk Management Committee's Report

Committee Mandate

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

1. Governance of Risk

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

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

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

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

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

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

2. Roles and Responsibilities

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

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



Hamilton Ratshefola

Chairperson: Risk Management Committee

Corporate Governance Report

1. GOVERNANCE COMMITTEES

The governance committees are empowered by the Financial Sector Regulation Act to review, monitor and provide advice on the reports from management and thereafter make recommendations to the Accounting Authority. These governance committees are responsible for ensuring the institution complies with relevant legislation, and codes of good corporate governance and practices. Each committee has its own terms of reference, which are reviewed every two years in line with best practice.

2. AUDIT COMMITTEE

The committee assists the institution in its responsibility for safeguarding assets, operating control systems, combined assurance, finance functions, internal and external audit services, and advises the on the adequacy of risk management processes and strategies. The committee met six times in the previous year, with attendance shown below.

Member	24/05/19	12/07/19	05/09/19	03/10/19	29/11/19	23/03/20
J Mogadime – Chairperson	Yes	Yes	Yes	Yes	Yes	Yes
D Msomi	Yes	Yes	Yes	Yes	Yes	Yes
PJ Sutherland	Yes	Yes	Yes	Yes	Yes	Yes
H Wilton	Yes	Yes	No	Yes	Yes	Yes
H Ratshefola	No	Yes	Yes	No	Yes	Yes

3. RISK COMMITTEE

The committee assists the institution in ensuring the institution implements effective policies and plans for risk management that will enhance its ability to achieve strategic objectives. It advises the institution on the adequacy of risk management processes and strategies. It met four times in the review period, with attendance reflected below. Please note that Mr Abel Sithole had recused himself from participating in all the governance committee meetings due to a possible conflict of interest by virtue of his appointment as the Accounting Authority.

Member	05/06/2019	04/09/2019	27/11/2019	05/03/2020
H Ratshefola – Chairperson	Yes	Yes	Yes	Yes
A Sithole	No	No	N/a	N/a
H Wilton	Yes	No	Yes	Yes
J Mogadime	Yes	Yes	Yes	Yes

4. HUMAN RESOURCES COMMITTEE

The function of this committee is to ensure the institution's human resources strategy and policies are implemented. It met four times plus two special meetings in the period, with attendance shown below. Please note that Mr Abel Sithole had recused himself from participating in all the governance committee meetings due to a possible conflict of interest by virtue of his appointment as the Accounting Authority.

Member	05/06/2019	04/09/2019	25/11/2019	05/03/2020
D Msomi – Chairperson	Yes	Yes	Yes	Yes
A Sithole	No	Yes	N/a	N/a
H Wilton	Yes	No	Yes	Yes
P Sutherland	Yes	Yes	Yes	Yes

5. REMUNERATION COMMITTEE

The committee ensures the institution's remuneration strategies and policies are implemented. It reviews compensation matters, benchmarks salaries of staff. The committee met four times plus two special meetings in the review period, with attendance reflected below. Please note that Mr Abel Sithole had recused himself from participating in all the governance committee meetings due to a possible conflict of interest by virtue of his appointment as the Accounting Authority.

Member	05/06/2019	04/09/2019	25/11/2019	05/03/2020
H Wilton – Chairperson	Yes	Yes	Yes	Yes
A Sithole	No	No	N/a	N/a
D Msomi	Yes	Yes	Yes	Yes
P Sutherland	Yes	Yes	Yes	Yes

Report of the Auditor-General to Parliament

on the Office of the Ombud for Financial Services Providers

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the Office of the Ombud for Financial Services Providers, set out on pages 52 to 77, which comprise the statement of financial position as at 31 March 2020, statement of financial performance, statement of changes in net assets, and cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Office of the Ombud for Financial Services Providers as at 31 March 2020, and its financial performance and cash flows for the year then ended, in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Public Finance Management Act, 1999 (Act no. 1 of 1999) (PFMA).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the Auditor-General's responsibilities for the audit of the financial statements section of this auditor's report
4. I am independent of the public entity in accordance with sections 290 and 291 of the Code of ethics for professional accountants and parts 1 and 3 of the International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants (IESBA codes), as well as the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA codes.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the accounting authority for the financial statements

6. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with the Standards of Grap and the requirements of the PFMA, and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
7. In preparing the financial statements, the accounting authority is responsible for assessing the public entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the public entity or to cease operations, or has no realistic alternative but to do so.

Auditor-General's responsibilities for the audit of the financial statements

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

Report on the audit of the annual performance report

Introduction and scope

10. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for the selected strategic goals presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.
11. My procedures address the usefulness and reliability of the reported performance information, which must be based on the approved performance planning documents of the public entity. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also do not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
12. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected strategic goals presented in the annual performance report of the public entity for the year ended 31 March 2020:

Strategic Goal	Pages in the annual performance report
Strategic goal 1: provide customer satisfaction through effective complaints resolution	78-82

13. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
14. I did not raise any material findings on the usefulness and reliability of the reported performance information for this strategic goal:
 - Strategic goal 1: provide customer satisfaction through effective complaints resolution.

Other matter

15. I draw attention to the matter below.

Achievement of planned targets

16. Refer to the annual performance report on pages 78 to 82 for information on the achievement of planned targets for the year and explanations provided for the under-/and overachievement of a number of targets.

Report of the Auditor-General to Parliament continued

Report on the audit of compliance with legislation

Introduction and scope

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

Other information

19. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report, which includes the commissioners' report and the audit committee's report. The other information does not include the financial statements, the auditor's report and those selected strategic goals presented in the annual performance report that have been specifically reported in this auditor's report.
20. My opinion on the financial statements and findings on the reported performance information and compliance with legislation does not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.
21. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected strategic goals presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
22. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

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

Auditor General

Pretoria

30 September 2020



Annexure – Auditor-General’s responsibility for the audit

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

Financial statements

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

Communication with those charged with governance

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

Statement of Financial Position

as at 31 March 2020

	Note	2020 R	2019 R
Assets			
Current Assets			
Receivables from exchange transactions	2	635 660	979 409
Receivables from non-exchange transactions	3	36 246 492	13 778 267
Prepayments	4	697 990	307 443
Cash and cash equivalents	5	3 428 592	1 636 246
		41 008 734	16 701 365
Non-Current Assets			
Property, plant and equipment	6	2 338 842	1 782 516
Intangible assets	7	433 043	579 083
		2 771 885	2 361 599
Total Assets		43 780 619	19 062 964
Liabilities			
Current Liabilities			
Finance lease obligation	8	11 615	–
Payables from exchange transactions	9	1 858 369	1 468 873
		1 869 984	1 468 873
Total Liabilities		1 869 984	1 468 873
Net Assets		41 910 635	17 594 091
Accumulated surplus		41 910 635	17 594 091

Statement of Financial Performance

	Note	2020	2019
Revenue from non exchange transactions	10	64 384 188	54 846 504
Revenue from exchange transactions	11	1 000	22 646
Operating expenses		(12 505 871)	(15 613 418)
Personnel costs	12	(26 473 969)	(24 559 153)
Depreciation, impairment and amortization	7&6	(1 057 989)	(890 506)
Operating surplus/(deficit)	13	24 347 359	13 806 073
Finance costs	14	(30 815)	–
Surplus for the year		24 316 544	13 806 073

Statement of Changes in Net Assets

	Accumulated surplus R	Total net assets R
Balance at 01 April 2018	3 788 018	3 788 018
Surplus for the year	13 806 073	13 806 073
Total changes	13 806 073	13 806 073
Balance at 01 April 2019	17 594 091	17 594 091
Surplus for the year	24 316 544	24 316 544
Total changes	24 316 544	24 316 544
Balance at 31 March 2020	41 910 635	41 910 635

Cash Flow Statement

	Note	2020 R	2019 R
Cash flows from operating activities			
Cash received from entities		42 241 215	41 698 870
Cash paid to suppliers and employees		(38 962 395)	(42 163 002)
Net cash flows from operating activities	17	3 278 820	(464 132)
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(1 250 849)	(1 102 656)
Proceeds from sale of property, plant and equipment	6	1 000	54 916
Purchase of intangible assets	7	(217 425)	(468 935)
Net cash flows from investing activities		(1 467 274)	(1 516 675)
Cash flows from financing activities			
Finance lease payments		(19 200)	–
Net decrease in cash and cash equivalents		1 792 346	(1 980 807)
Cash and cash equivalents at the beginning of the year		1 636 246	3 617 053
Cash and cash equivalents at the end of the year	5	3 428 592	1 636 246

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget R	Adjustments R	Final Budget R	Actual amounts on comparable basis R	Difference between final budget and actual R	Reference
Statement of Financial Performance						
Revenue						
Levies	64 384 188	–	64 384 188	64 384 188	–	26
Expenditure						
Personnel cost	(37 044 716)	–	(37 044 716)	(26 473 969)	10 570 747	26
Depreciation and amortisation	(2 150 000)	–	(2 150 000)	(1 057 989)	1 092 011	26
Finance costs	(60 000)	–	(60 000)	(30 815)	29 185	26
Operating expenses	(17 944 250)	–	(17 944 250)	(12 505 871)	5 438 379	26
Total expenditure	(57 198 966)	–	(57 198 966)	(40 068 644)	17 130 322	
Operating (deficit)/surplus	7 185 222	–	7 185 222	24 315 544	17 130 322	
Profit on sale of property, plant and equipment	–	–	–	1 000	1 000	26
(Deficit)/Surplus for the year	7 185 222	–	7 185 222	24 316 544	17 131 322	
Actual amount on comparable basis as presented in the Statement of Comparison of Budget and Actual Amounts	7 185 222	–	7 185 222	24 316 544	17 131 322	

Summary of Significant Accounting Policies

1. Statement of Compliance

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

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

Standards and amendments to standards issued and implementation date:

• GRAP 34	Separate financial statements	Effective 1 April 2020
• GRAP 35	Consolidated financial statements	Effective 1 April 2020
• GRAP 36	Investments in associates and joint ventures	Effective 1 April 2020
• GRAP 37	Joint arrangements	Effective 1 April 2020
• GRAP 110	Living and non-living resources	Effective 1 April 2020
• GRAP 104	Financial Instruments (Revised)	No effective date

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

These accounting policies are consistent with the previous period.

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates, judgements and assumptions that affect the amounts represented in the annual 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 annual financial statements. Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimate is revised and any future periods affected. Significant estimates, judgements and assumptions include:

Impairment of financial assets

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

Useful lives and residual values

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

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

1.4 Property, plant and equipment

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

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

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

Property, plant and equipment 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 initial cost as at date of acquisition is measured as its fair value as at that date.

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

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

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

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

Item	Depreciation method	Useful life
Furniture and fixtures	Straight-line	3 – 17 years
Motor vehicles	Straight-line	17 years
Office equipment	Straight-line	4 – 17 years
Computer equipment	Straight-line	3 – 16 years
Leasehold improvements	Straight-line	4 – 5 years
Office equipment under finance lease	Straight-line	5 years
Paintings	Straight-line	17 years

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the entity. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The entity assesses at each reporting date whether there is any indication that the expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the entity revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

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

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

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

The entity separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 6).

Summary of Significant Accounting Policies

continued

1.5 Intangible assets

An intangible asset is identifiable if it either:

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

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

The cost of an item of intangible asset is recognised as an asset when:

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

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

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

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

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

Item	Depreciation method	Useful life
Licences	Straight-line	2 – 5 years
Computer software	Straight-line	3 – 10 years
Data management system	Straight-line	3 years
Website	Straight-line	6 – 7 years

Intangible assets are derecognised:

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

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

1.6 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.

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

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

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

Summary of Significant Accounting Policies

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

Initial recognition

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

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

Subsequent measurement of financial assets and financial liabilities

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

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

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

Impairment and uncollectibility of financial assets

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

Receivables from exchange from exchange and non-exchange

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

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

Trade and other payables from exchange from exchange and non-exchange

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

Cash and cash equivalents

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

Derecognition Financial assets

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

Financial liabilities

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

Presentation

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

Offsetting financial instruments

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

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

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

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

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

The transaction amount (for purposes of this Standard) for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

1.7 Leases

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

Finance leases – lessee

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

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

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

Operating leases

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

Summary of Significant Accounting Policies

continued

1.8 Impairment of non-cash-generating assets

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

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

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

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.

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.

1.9 Employee benefits

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

Short-term employee benefits

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

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

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

Post-employment benefits: Defined contribution plans

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

1.10 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

1.11 Revenue from exchange transactions

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

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

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

Measurement

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

Sale of goods

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

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

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

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

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the entity's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

Summary of Significant Accounting Policies

continued

1.12 Revenue from non-exchange transactions

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

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

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

Recognition

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

Measurement

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

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

1.13 Comparative figures

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

1.14 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.

1.15 Irregular expenditure

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

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

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

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

1.16 Budget information

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

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

The approved budget covers the fiscal period from 2019/04/01 to 2020/03/31.

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

Comparative information is not required.

1.17 Related parties

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

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

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

Management are those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions.

1.18 Events after the reporting date

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

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

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

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

1.19 Prepayments

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

Notes to the Annual Financial Statements

	2020 R	2019 R
2. Receivables from exchange transactions		
Other debtors	–	7 500
Study advances	237 028	134 607
Sundry debtors	398 632	837 302
	635 660	979 409
Fair value of receivables from exchange transactions		
The carrying amount of receivables from exchange transactions approximates their fair value. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The entity does not hold any collateral as security.		
3. Receivables from non-exchange transactions		
Financial Sector Conduct Authority	36 246 492	13 778 267
The above amount represents the funds owed to the FAIS Ombud by the FSCA for the levies collected on its behalf.		
Fair value of receivables from non-exchange transactions		
The carrying amount of receivables from non-exchange transactions approximates their fair value. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The entity does not hold any collateral as security.		
4. Prepayments		
The prepayments consists of:		
CPD Bundles	8 506	–
Caseware License	–	68 232
Office car – purchase consideration	431 136	–
Rental of office premise	258 348	239 212
	697 990	307 444
5. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	3 033	7 000
Bank balances	3 425 559	1 629 246
	3 428 592	1 636 246
Credit quality of cash at bank and short term deposits, excluding cash on hand		
The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:		
Credit rating		
AAA (Fitch)	–	1 629 246
F1+(zaf) (Fitch)	3 425 559	–
	3 425 559	1 629 246

6. Property, plant and equipment

	2020			2019		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Furniture and fixtures	1 318 177	(1 155 876)	162 301	1 309 552	(1 091 653)	217 899
Motor vehicles	137 285	(137 285)	–	137 285	(136 327)	958
Office equipment	1 089 337	(907 407)	181 930	1 007 296	(815 995)	191 301
Computer equipment	3 509 913	(1 808 743)	1 701 170	2 373 357	(1 391 806)	981 551
Leasehold improvements	891 512	(598 071)	293 441	885 993	(495 186)	390 807
Office equipment under finance lease	–	–	–	375 333	(375 333)	–
Paintings	26 376	(26 376)	–	26 376	(26 376)	–
Total	6 972 600	(4 633 758)	2 338 842	6 115 192	(4 332 676)	1 782 516

Reconciliation of property, plant and equipment – 2020

	Opening balance	Additions	Depreciation	Total
Furniture and fixtures	217 899	8 625	(64 223)	162 301
Motor vehicles	958	–	(958)	–
Office equipment	191 301	82 040	(91 411)	181 930
Computer equipment	981 551	1 154 664	(435 045)	1 701 170
Leasehold improvements	390 807	5 520	(102 886)	293 441
	1 782 516	1 250 849	(694 523)	2 338 842

Reconciliation of property, plant and equipment – 2019

	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	304 774	11 619	–	(98 494)	217 899
Motor vehicles	1 916	–	–	(958)	958
Office equipment	287 045	36 829	–	(132 573)	191 301
Computer equipment	653 402	650 961	(32 270)	(290 542)	981 551
Leasehold improvements	56 741	403 247	–	(69 181)	390 807
Paintings	241	–	–	(241)	–
	1 304 119	1 102 656	(32 270)	(591 989)	1 782 516

The residual values of the assets were assessed at year end and no change was required.

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

	2020 R	2019 R
General expenses	21 030	11 721

Notes to the Annual Financial Statements

continued

7. Intangible assets

	2020			2019		
	Cost/ Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost/ Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Licenses	254 181	(238 294)	15 887	254 181	(221 371)	32 810
Computer software	1 183 236	(1 056 181)	127 055	1 061 261	(780 109)	281 152
Data management system	485 843	(485 843)	–	485 843	(485 843)	–
Website	497 340	(207 239)	290 101	401 890	(136 769)	265 121
Total	2 420 600	(1 987 557)	433 043	2 203 175	(1 624 092)	579 083
Reconciliation of intangible assets – 2020						
			Opening balance	Additions	Amortisation	Total
Licenses			32 810	–	(16 923)	15 887
Computer software			281 152	121 975	(276 072)	127 055
Data management system			–	–	–	–
Website			265 121	95 450	(70 470)	290 101
			579 083	217 425	(363 465)	433 043
Reconciliation of intangible assets – 2019						
			Opening balance	Additions	Amortisation	Total
Licenses			81 198	12 524	(60 912)	32 810
Computer software			104 977	346 911	(170 736)	281 152
Data management system			–	–	–	–
Website			222 491	109 500	(66 870)	265 121
			408 666	468 935	(298 518)	579 083

The residual values of the intangible assets were assessed at year end and no change was required.

	2020 R	2019 R
8. Finance lease obligation		
Minimum lease payments due		
– within one year	32 340	–
– in second to fifth year inclusive	–	–
	32 340	–
less: future finance charges	(20 725)	–
Present value of minimum lease payments	11 615	–
Present value of minimum lease payments due	11 615	–
– within one year	–	–
– in second to fifth year inclusive	–	–
	11 615	–
The entity leased some computer equipment in terms of a finance lease.		
9. Payables from exchange transactions		
Trade payables	329 076	515 095
Operating lease liability	238 318	98 236
Accrued leave pay	981 493	852 569
Other accrued expenses	309 482	2 973
	1 858 369	1 468 873

Fair value of trade and other payables

The carrying amount of trade and other payables from exchange transactions approximates their fair value. Furthermore, the operating lease liability results from the smoothing of the operating lease over the lease term. The entity entered into a three year lease for the office premises which escalates at 8% p.a.

Operating lease smoothing	2020	2021	2022	Total
Current liability	238 318	141 103	–	379 421
Subtotal	238 318	141 103	–	379 421
	238 318	141 103	–	379 421

	2020 R	2019 R
10. Revenue		
Funds from the FSCA	64 384 188	54 846 504
The amount included in revenue arising from non-exchange transactions is as follows:		
Transfer revenue		
Funds from the FSCA	64 384 188	54 846 504
11. Revenue from exchange transactions		
The amount included in other revenue arising from exchanges of goods or services are as follows:		
Gain on sale of assets	1 000	22 646

Notes to the Annual Financial Statements

continued

	2020 R	2019 R
12. Personnel costs		
Accrued leave pay charges	981 493	852 569
Bonus payments	641 596	880 412
Compensation Fund contributions	34 805	17 717
Long-service awards	78 000	96 000
Salaries	24 411 324	22 393 901
Skills development levies	229 615	223 855
Unemployment Insurance Fund contributions	97 136	94 699
	26 473 969	24 559 153
13. Operating expenses		
Auditors' remuneration	2 237 380	1 594 623
Bank charges	25 881	29 272
Cleaning	107 726	83 713
Conference and seminars	191 766	154 503
Consulting and professional fees	713 203	2 159 428
Entertainment	35 966	47 977
Flowers and gifts	2 550	28 495
IT expenses	683 488	618 861
Insurance	115 939	120 260
Lease rentals on operating lease	3 106 305	2 836 242
Litigation fees	1 326 445	2 239 796
Non-executive Board Members' Fees	457 816	359 157
Operating cost – office building lease	193 927	423 970
Pool car maintenance and fuel	21 030	11 721
Postage and courier services	3 175	10 266
Printing and stationery	503 382	763 575
Promotions	137 773	72 404
Recruitment and advertising	148 879	154 580
Relocation costs	–	136 453
Repairs and maintenance	1 001 227	1 669 741
Security	18 282	150 157
Staff welfare	113 285	112 421
Strategic planning and workshops	57 965	305 802
Subscriptions and membership fees	103 601	64 870
Telephone and fax	146 385	220 409
Text books or library books	17 058	33 682
Training and study costs	120 348	197 688
Travel – Domestic	311 831	336 090
Travel – International	–	186 624
Water and electricity	603 258	490 638
	12 505 871	15 613 418
14. Finance costs		
Finance leases	30 815	–

	2020 R	2019 R
15. Taxation		
No provision has been made for taxation as the entity is exempt from taxation in terms of section 10(1)(cA)(i)(bb) of the Income Tax Act,1962 (Act No. 58 of 1962 as amended).		
16. Auditors' remuneration		
External audit	1 514 165	1 402 542
Internal audit	723 215	192 081
	2 237 380	1 594 623
17. Cash generated from (used in) operations		
Surplus	24 316 544	13 806 073
Adjustments for:		
Depreciation and amortisation	1 057 989	890 506
Profit on sale of assets	(1 000)	(22 646)
Finance costs – Finance leases	30 815	–
Other non-cash items	10	–
Changes in working capital:		
Receivables from exchange transactions	343 749	(498 943)
Other receivables from non-exchange transactions	(22 468 225)	(12 722 723)
Prepayments	(390 547)	74 032
Payables from exchange transactions	389 485	(1 990 431)
	3 278 820	(464 132)
18. Commitments		
Authorised capital expenditure		
Not yet contracted for and authorised by the Minister		
• Intangible assets	8 870 000	–
Total capital commitments		
Not yet contracted for and authorised by members	8 870 000	–
During the course of the year it was decided to replace the case management core system, Case Resolution Management (CRM). The decision was taken to replace CRM due to its age, being unsupported, manual based and not meeting the needs of the of the entities changing environment. The relevant procurement processes were followed and the successful supplier identified and notified. The supplier was also informed that the entity was still awaiting the approval of the Minister in terms of section 54(2)(d) of the PFMA. An amount of R8,870 million has been allocated for the purchase. The process could not be finalised as at year end due to the national lockdown as a result of the COVID-19 pandemic. Every effort will be made to finalise the processes once the lockdown is lifted.		
Operating leases – as lessee		
Minimum lease payments due		
– within one year	3 203 520	2 966 223
– in second to fifth year inclusive	1 953 114	5 156 634
	5 156 634	8 122 857

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 8% annually have been included in the lease agreement.

Office accommodation leases are negotiated for an average term of three years. No contingent rent is payable.

Notes to the Annual Financial Statements

continued

	2020 R	2019 R
19. Contingent liabilities		
The are no known contingent liabilities or pending litigation that required disclosure that are known to management as at 31 March 2020 (2019: Rnil).		
20. Related parties		
Public entities in National Sphere of Government – Financial Sector Conduct Authority		
Related party balances		
Amounts included in Trade receivable (Trade Payable) regarding related parties Financial Sector Conduct Authority	36 246 492	13 778 267
Related party transactions		
Revenue from non exchange transactions Financial Sector Conduct Authority	64 384 188	54 846 504
Administration fees (paid) to received from related parties		
Financial Sector Conduct Authority	(28 260)	(80 582)
The entity and the Financial Sector Conduct Authority both report to the Acting Commissioner who is the Accounting Authority and the entity is funded by levies collected by the Financial Sector Conduct Authority.		

21. Key management and committee members' remuneration

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

Key management

	Emoluments	Pension contributions	Performance bonus	Leave Commutation	Total
2020					
LC Lebeko, HR Manager	686 182	74 130	56 250	15 175	831 737
NL Tshombe, Acting Ombud (Effective 1 November 2019)	575 000	–	–	–	575 000
NS Tulsie, Ombud (Resigned, 31 October 2019)	1 329 823	132 382	–	223 194	1 685 399
S Maharaj, CFO	1 191 526	128 724	99 375	–	1 419 625
	3 782 531	335 236	155 625	238 369	4 511 761

21. Key management and committee members' remuneration continued

Key management

	Emoluments	Allowances	Pension contributions	Performance bonus	Leave Commutation	Total
2019						
EB Sehlaphelo, Deputy Ombud (Until 30 April 2018)	105 397	–	11 386	–	103 903	220 686
LC Lebeko, HR Manager (Appointed 1 November 2018)	282 031	–	30 469	–	–	312 500
NN Bam, Ombud (Resigned 30 April 2018)	198 905	2 000	29 359	–	72 811	303 075
NS Tulsie, Ombud (Appointed 1 May 2018)	1 851 519	–	199 735	255 000	142 844	2 449 098
S. Maharaj, CFO (Appointed 1 September 2018)	622 951	–	67 299	–	–	690 250
	3 060 803	2 000	338 248	255 000	319 558	3 975 609

Committee Members

	Human Resources and Remuneration Committee	Audit	Risk Committee	Other	Total
2020					
AM Sithole	6 218	–	–	–	6 218
H Wilton	22 850	34 696	18 964	17 100	93 610
J Mogadime	–	40 914	23 628	15 341	79 883
D Msomi	29 069	40 914	–	49 784	119 767
MH Ratshefola	–	25 368	23 628	15 793	64 789
PJ Sutherland	29 069	40 914	–	23 566	93 549
	87 206	182 806	66 220	121 584	457 816

	Human Resources and Remuneration Committee	Audit	Risk Committee	Other	Total
2019					
A M Sithole	23 968	–	5 916	–	29 884
H Wilton	18 051	23 968	23 968	–	65 987
J Mogadime	–	38 909	23 968	–	62 877
D Msomi	23 968	38 910	–	10 352	73 230
MH Ratshefola	–	12 135	23 968	–	36 103
P J Sutherland	17 749	38 909	–	5 916	62 574
DLD Turpin	–	–	17 010	–	17 010
	83 736	152 831	94 830	16 268	347 665

Notes to the Annual Financial Statements

continued

23. Risk management

Financial risk management

In the course of the entity's operations, it is exposed to credit, liquidity, and market risk (currency, interest rate and other price risk). The entity has developed a strategy in terms of Treasury Regulation 28.1 in order to monitor and control these risks. Internal audit reports are submitted quarterly to the Audit and Risk Management Committees, independent committees that monitor risks and policies implemented to mitigate risk exposures. The entity is not exposed to significant currency risk or other price risk. The risk management process relating to each of these risks are discussed under the headings below.

Liquidity risk

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

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

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 31 March 2020				
Trade and other payables from exchange transactions	1 858 368	–	–	–
Finance lease obligations	32 340	–	–	–
At 31 March 2019				
Trade and other payables from exchange transactions	1 468 873	–	–	–

Credit risk

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

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

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

	2020	2019
Financial instrument		
Bank balances	3 425 559	1 629 246
Receivables from exchange transactions	635 660	971 909

Market risk

Interest rate risk

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

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

Capital risk management

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

24. Events after the reporting date

On 27 March 2020, the President of the Republic placed the country under level five lockdown, having declared a national state of disaster on 15 March 2020, following the emergence of the COVID-19 pandemic in South Africa. The lockdown saw the closure of the Office for the initial period of two weeks and by a further two weeks thereafter. Prior to the closure of the office, management took a decision to, where applicable, to incur the capital expenditure relating to ICT hardware, software and other tools earlier than expected in order to capacitate the employees to work remotely. After the initial lockdown was extended, further ICT hardware was procured to enable and capacitate additional staff members to work remotely. Due to these measures that were implemented, the Office has attended to address the complaints received from the public. The first month of the lockdown saw fewer complaints received by the Office but the complaints began to increase thereafter. As of August 2020, the office had received 192 fewer complaints when compared to the same period a year ago. As at September 2020, the pandemic has not impacted on the levy received by the Office. The Office has been proactive in addressing the impact of the pandemic on its operations. Measures include revising the current budget by reducing same as well as implementing additional stringent cost containment measures to limit its exposure to any unnecessary factors. As a result, management do not foresee any future disruptions or significant impact to its operations due to the current pandemic.

On 31 July 2020, Mr A Sithole, the Commissioner of the FSCA and the Accounting Authority for the FAIS Ombud resigned. An Acting Commissioner, Adv. D Tshidi, was appointed immediately thereafter.

	2020 R	2019 R
25. Fruitless and wasteful expenditure		
Opening balance	39 941	31 725
Payments made on maintenance contract after asset had been returned to the supplier. Action Taken: Disciplinary action was instituted.	–	7 517
Interest charged on printing account where the account was received by post. The resultant postal delay resulted in the interest being charged. Action Taken: None	–	6
Interest incurred on the Bulk SMS account due to delayed payments on contract entered into. Action Taken: Disciplinary action instituted	–	693
Closing balance	39 941	39 941

Notes to the Annual Financial Statements

continued

	2020 R	2019 R
26. Irregular expenditure		
Opening balance	2 348 373	–
Add: Irregular Expenditure – current	3 782 544	5 255 275
Less: Amounts condoned	–	(2 906 902)
Closing balance	6 130 917	2 348 373

Incidents/cases identified in the current year include those listed below:

	Disciplinary steps taken/criminal proceedings	2020 R	2019 R
The matter relates to lease payments effected on the previous office lease. The matter had been previously condoned.	Condoned	–	2 906 902
The matter relates to the payments made towards the lease of the current office space. The competitive bid process as required had not been followed.	None	3 782 544	1 196 055
The matter relates to payments made to a supplier after the contract had ended. The procurement of a new supplier had been completed but due to the supplier being linked to state capture allegations the office had to reassess their involvement with that supplier.	None	–	19 779
The matter relates to payments made to a supplier after the contract term had ended.	Written warning	–	6 380
The matter relates to a deviation in Supply Chain Management processes where payment made exceeded 15% of the original contract value. No National Treasury approval was obtained for this deviation.	Still in progress	–	115 798
The services of an accounting firm were required as a matter of urgency when the previous financial manager resigned effectively on 31 March 2018. Initially the contract entered into was not expected to exceed R500,000 in total but due to the extent of services required the contract value exceeded the R500,000 threshold which required the office to have followed the competitive bid process rather than a request for quotations.	None	–	1 010 361
		3 782 544	5 255 275

27. Actual operating expenditure versus budgeted operating expenditure

The budget is prepared on the accrual basis. A surplus of R0.152 million was budgeted for the financial year. The retention of the surplus was approved by National Treasury.

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

Personnel cost

The savings on personnel cost against budget amounting to R10.5 million is mainly due to several vacancies in the organisations not being filled, as well as lower incentive scheme payouts than budgeted for.

Depreciation and amortisation

The savings amounting to R0.952 million is due to the timing of the actual capital expenditure, as well as lower than budgeted capital spending for the year. This was mainly as a result of the postponement of the replacement of the complaints handling system to the next financial years. The useful life review and adjustment also contributed to the saving against budget.

General expenses

The underspending of general expenses amounting to R6.2 million was mainly due to cost saving relating to consulting and professional fees.

28. Segment information

General information

Identification of segments

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

The existing operations does not warrant segmental reporting.

29. Employee benefits – Defined contribution plan

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

	2020 R	2019 R
Pension fund contributions	2 179 216	2 122 498

Performance Information

Performance Information

STRATEGIC GOAL 1: To Resolve complaints in a fair, expeditious and informal manner to the satisfaction of customers.				
STRATEGIC OBJECTIVE		To resolve complaints in fair, expeditious and informal manner.		
OUTPUTS		Customer satisfaction survey forms. Closed complaint files.		
OUTCOMES		Satisfied customers		
PROGRAMME PERFORMANCE INDICATOR		Target 2019/2020 Achievement of targets as at 31 March 2020	Performance Targets	Explanation/Variance
1.1	% satisfied customers as measured on returned CSFs for all resolved cases	90%	<p>Quarter 1: April 2019 – June 2019 Percentage satisfied customers – 96.94</p> <p>Quarter 2: July 2019 - September 2019 Percentage satisfied customers - 98.30%</p> <p>Quarter 3: October - December 2019 Percentage satisfied customers – 94.26%</p> <p>Quarter 4: January 2020 – March 2020 Percentage satisfied customers – 96.17%</p> <p>Annual Average: 96.42% This goal has been achieved</p>	<p>The achievement of this goal in excess of the 90% target is as a result of the processes and procedures put in place within Case Management to monitor customer satisfaction on an ongoing basis.</p> <p>This included but was not restricted to incorporating this goal into the individual KPA's of the Case Managers.</p>
1.2	% closed complaints within 9 months of date of receipt of complaint	90%	<p>Quarter 1: April 2019 – June 2019 Average percentage closed within 9 months – 96.88%</p> <p>Quarter 2: July 2019- September 2019 Average percentage closed within 9 months - 96%</p> <p>Quarter 3: October 2019 - December 2019 Average percentage closed within 9 months – 95.87%</p> <p>Quarter 4: January 2020 – March 2020 Average percentage closed within 9 months – 96.24%</p> <p>Annual Average: 96.25% This goal has been achieved.</p>	<p>The achievement of this goal in excess of the 90% target was as a result of the processes and procedures put in place within Case Management to monitor and report on the achievement of this goal on an ongoing basis and to address any concerns that may arise as and when they occur.</p>
1.3	% closed complaints within 6 months of date of receipt of complaint.	85%	<p>Quarter 1: April 2019 – June 2019 Average percentage closed within 6 months – 91.52%</p> <p>Quarter 2: July 2019- September 2019 Average percentage closed within 6 months - 90.26%</p> <p>Quarter 3: October 2019- December 2019 Average percentage closed within 6 months - 90.79%</p> <p>Quarter 4: January 2020 – March 2020 Average percentage closed within 6 months – 92.15%</p> <p>Annual Average: 91.18% This goal is has been achieved.</p>	<p>The achievement of this goal in excess of the 85% target was as a result of the processes and procedures put in place within Case Management to monitor and report on the achievement of this goal on an ongoing basis and to address any concerns that may arise as and when they occur.</p>
1.4	% closed complaints within 3 months of date of receipt of complaint.	75%	<p>Quarter 1: April 2019 – June 2019 Average percentage closed within 3 months – 83.52%</p> <p>Quarter 2: July 2019 - September 2019 Average percentage closed within 3 months - 80.40%</p> <p>Quarter 3: October 2019 - December 2019 Average percentage closed within 3 months – 79.93%</p> <p>Quarter 4: January 2020 – March 2020 Average percentage closed within 3 months – 83.18%</p> <p>Annual Average: 81.76% This goal has been achieved</p>	<p>The achievement of this goal in excess of the 75% target was as a result of the processes and procedures put in place within Case Management to monitor and report on the achievement of this goal on an ongoing basis and to address any concerns that may arise as and when they occur.</p>

STRATEGIC GOAL 1: To Resolve complaints in a fair, expeditious and informal manner to the satisfaction of customers.

STRATEGIC OBJECTIVE		To resolve complaints in fair, expeditious and informal manner.		
OUTPUTS		Customer satisfaction survey forms. Closed complaint files.		
OUTCOMES		Satisfied customers		
PROGRAMME PERFORMANCE INDICATOR		Target 2019/2020 Achievement of targets as at 31 March 2020	Performance Targets	Explanation/Variance
1.5	% complaints responded to within 7 days of date of receipt of complaint	90%	<p>Quarter 1: April 2019 – June 2019 Percentage Complaints Responded to in 7 days - 99.96%</p> <p>Quarter 2: July 2019 - September 2019 Percentage Complaints Responded to in 7 days - 100%</p> <p>Quarter 3: October 2019 - December 2019 Percentage Complaints Responded to in 7 days – 99.83%</p> <p>Quarter 4: January 2020 – March 2020 Percentage Complaints Responded to in 7 days – 100%</p> <p>Annual Average: 99.95% This goal has been achieved</p>	The achievement of this goal in excess of the 90% target was as a result of the processes and procedures put in place within the Case Administration Department to monitor and report on the achievement of this goal on an ongoing basis and to address any concerns that may arise as and when they occur
1.6	Maximum % active complaints older than 9 months of total active complaints (excluding property syndication complaints)	24%	<p>Quarter 1: April 2019 – June 2019 Percentage > 9 Months –12.5 %</p> <p>Quarter 2: July 2019 - September 2019 Percentage > 9 Months – 14%</p> <p>Quarter 3: October 2019 - December 2019 Percentage > 9 Months – 20%</p> <p>Quarter 4: January 2020 – March 2020 Percentage > 9 Months – 17.93%</p> <p>This goal has been achieved</p>	<p>The achievement of this goal in excess of the 24% target was as a result of the processes and procedures put in place within Case Management to monitor and report on the achievement of this goal.</p> <p>This was a new goal in terms of the APP for the 2018/2019 Financial Year and active steps were taken to address complaints in excess of 9 months which included setting specific targets for Case Managers in terms of their KPAs</p> <p>This goal was also monitored on a weekly and monthly basis to ensure that progress was being made towards the achievement thereof.</p>
1.7	Efficiency ratio (% closed complaints of complaints received in 2018/19)	80%	<p>Quarter 1: April 2019 – June 2019 Percentage achieved – 60%</p> <p>Quarter 2: July 2019 - September 2019 Percentage achieved – 75%</p> <p>Quarter 3: October 2019 - December 2019 Percentage achieved – 83%</p> <p>Quarter 4: January 2020 – March 2020 Percentage achieved – 84.91%</p> <p>This goal has been achieved.</p>	The achievement of this goal in excess of the 80% target was as a result of the processes and procedures put in place within Case Management to monitor and report on the achievement of this goal.
1.8	% decrease in active property syndicate complaints older than 9 months of total active complaints	10% (1300)	<p>Quarter 1: April 2019 – June 2019 Percentage achieved – 12.23%</p> <p>Quarter 2: July 2019 - September 2019 Percentage achieved – 12.92%</p> <p>Quarter 3: October 2019 - December 2019 Percentage achieved – 13%</p> <p>Quarter 4: January 2020 – March 2020 Percentage achieved – 14.31%</p> <p>This goal has been achieved.</p>	The achievement of this goal in excess of the 10% required was as a result of having allocated resources within Case Management to specifically manage these matters.

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		Target 2019/2020 Achievement of targets as at 31 March 2020	Performance Targets	Explanation/Variance
2.1	Type of audit opinion issued by AG in respect of Annual Financial Statements and Performance Information	Unqualified audit Opinion	A clean audit opinion was achieved for 2019/20 period. This goal has been achieved.	This goal was achieved based on the audit opinion issued by the AG based on the Annual Financial Statements.
2.2	Minimum number of trainee contracts concluded	9	By 31 March 2020 a total of 11 Graduate Trainee contracts had been concluded. This goal has been achieved.	This target was achieved as 8 contracts were concluded in respect of the Case Management Department. One Graduate Trainee contract was concluded in respect of the ICT Department and 2 contracts concluded for Finance/Supply Chain.
2.3	% disabled employees of total employees	2%	By 31 March 2020 no person satisfying this criterion had been employed by the organisation. The goal was not achieved	This goal was not achieved as required due to recruitment processes not being completed due to the COVID-19 pandemic which resulted in the closure of the Office as a result of the implementation of the Natural Disaster Act by the President.
2.4	% female employees of total employees	51%	Quarter 1: April 2019 – June 2019 67% = 38 female employees Quarter 2: July 2019 – September 2019 66% = 36 female employees Quarter 3: October 2019 – December 2019 66% = 38 female employees Quarter 4: January 2020 – March 2020 67% = 38 female employees This goal has been achieved	This goal was achieved and exceeded as required.
2.5	% black employees of total employees	75%	Quarter 1: April 2019 – June 2019 88% = 50 black employees Quarter 2: July 2019 – September 2019 87% = 47 black employees Quarter 3: October 2019 – December 2019 88% = 49 black employees Quarter 4: January 2020 – March 2020 86% = 49 black employees This goal has been achieved	This goal was achieved and exceeded as required.
2.6	Payment of invoices within 30 days - % of invoices paid within 30 days of receipt	95%	01 April 2019 – 31 March 2020 Total payments made within 30 days – 100% The goal was achieved.	This goal was achieved as a result of the processes and procedures put in place to ensure effective monitoring of this requirement.
2.7	% of contracts awarded to BEE Companies	40%	01 April 2019 – 31 March 2020 % Contracts awarded to BEE Companies – 61.60% The goal was achieved.	This goal was achieved as a result of the processes and procedures put in place to ensure effective monitoring of this requirement.

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		Target 2019/2020 Achievement of targets as at 31 March 2020	Performance Targets	Explanation/Variance
3.1	Hits on website	2500	<p>Quarter 1: April 2019 – June 2019 19 485 Hits</p> <p>Quarter 2: July 2019 – September 2019 17 026 Hits</p> <p>Quarter 3: October 2019 – December 2019 14 762 Hits</p> <p>Quarter 4: January 2020 – March 2020 17 647 Hits</p> <p>Total hits for the year – 68 920</p>	<p>This goal was exceeded as there have been concerted efforts to increase the awareness of this Office which include notifying and encouraging the public to utilise the website for information on submitting complaints.</p> <p>It is now possible to submit a complaint via the website.</p> <p>Vacancies are regularly advertised.</p>
3.2	Number of engagements with key stakeholders, including outreach programs	36	<p>Quarter 4: April 2019 – 31 March 2020 Engagements until 31 March 2020 – 83</p> <p>This goal has been achieved.</p>	<p>With the introduction of the FSR Act and the movement towards a consolidated Ombud environment, stakeholder engagement has been a crucial focus of this Office to ensure that it is able to meet the changing demands of legislation.</p> <p>This has seen this goal achieved and exceeded.</p>
3.3	Number of media related activities	28	<p>Quarter 4: April 2019 – 31 March 2020 Media activities until 31 March 2020 – 43</p> <p>The goal has been achieved.</p>	<p>There has been a concerted effort to increase the awareness of this Office and the service it provides. This has included increased consumer awareness campaigns, increased number of press releases and engagement with media through radio a newspaper interview.</p> <p>This has seen this goal achieved and exceeded.</p>

WE HEAR YOU



WE HEAR YOU



GENERAL INFORMATION

FAIS Ombud

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