



ANNUAL REPORT 2012/13

CONTENTS

MINISTER'S REPORT Minister Pravin Gordhan	4
CHAIRPERSON OF THE BOARD'S REPORT Abel Sithole	5
FAIS OMBUD'S OPERATIONAL REPORT Noluntu Bam	6
DETERMINATIONS	10
SETTLEMENTS	19





STATISTICS

- Growth in new complaints
- How new complaints were dealt with
- Where do our complaints come from
- What products do people complain about
- Referrals to other fora
- Growth in determinations
- All resolutions in 2012/2013 for cases from all years
- Quantum settled/determined

24

STAFFING

28

FINANCIALS

32

PERFORMANCE INFORMATION

59



MINISTER'S REPORT

The National Development Plan (NDP) is a broad strategic vision for South Africa and enables us to put the economy and society on a new trajectory. It proposes, *inter alia*, that by 2030 South Africa should have a comprehensive system of social protection which includes social security grants, mandatory retirement savings, risk benefits (such as unemployment, death and disability benefits) and voluntary retirement savings. While social protection is a crucial pillar of our socio-economic development agenda, we also need to focus our efforts on increasing the pool of savings. South Africa has a low level of savings and relies on foreign capital to finance its investments. This dependence on money from other countries, especially the short-term flows, increases the risk of volatility in the domestic economy.

It is against this background that we should evaluate the work of the Financial Advisory and Intermediary Services (FAIS) Ombud. Since its official launch in 2003, the FAIS Ombud has sought to promote consumer protection and enhance the integrity of the financial services industry by assisting consumers in avoiding lengthy and costly litigation by providing them with access to justice through an efficient and cost effective alternative dispute resolution mechanism.

Access to financial services plays a vital role in the on-going transformation and development of our society, and our desire to improve the lives of our people. The ability to increase or preserve one's wealth through investment, for example, can go a long way in facilitating a better life for all South Africans as well as increase the country's pool of savings. Millions of South Africans buy investment products each year, and the majority of these transactions are concluded via intermediaries. While most transactions are concluded without complications, there are times when things go wrong. And this is where the intervention of the FAIS Ombud becomes critical.

Investigations into fraudulent schemes and excessive charges placed on unassuming consumers are undertaken by the FAIS Ombud as are investigations into complex, fraudulent investment structures. Beneath the veneer of polished presentations and glossy brochures, fictitious inter-company loans and structures created between layered companies can fool even the most judicious into believing there is substance to the form and real returns on investment. In the absence of an arbiter to level the playing field, unsuspecting individuals who may not possess the necessary financial acumen nor able to sufficiently articulate their complaint are at a considerable disadvantage. The fact that an entity such as the FAIS Ombud is available to undertake investigations into such complaints goes a long way towards curbing abuses and creating integrity in the financial sector.

During the past financial year, the Ombud's Office received 9 949 complaints, indicating an increase of 13 per cent from the previous year. Of these, 7 898 complaints were resolved within the same year. The quantum of settled and determined cases rose to just over R51mn. There was also a marked increase in the number of justiciable complaints received, signifying consumer awareness of the work undertaken by the FAIS Ombud. In addition to providing assistance to members of the public through an expeditious dispute resolution process, the Office of the FAIS Ombud assists those consumers who



Mr Pravin Gordhan
Minister of Finance

have fallen victim to financial schemes perpetuated by unscrupulous financial service providers. Complaints relating to commercial crime fraud are on the increase and the Office of the FAIS Ombud has become inundated with complaints arising from collapsed, fraudulent investment schemes, chief amongst which have been property syndication schemes.

Integrity within the financial services industry is integral to ensuring investor confidence and a more inclusive savings culture. In this regard, I am pleased to note that the FAIS Ombud's quest to foster a culture of trust and accountability in the financial services and establish itself as a leading consumer protection institution is demonstrating tangible results.

I wish to take this opportunity to thank the Ombud Ms Bam and her staff for their efforts in ensuring that the Office of the FAIS Ombud exposes acts of malpractice and in so doing, continues to serve the people of South Africa. I also wish to reaffirm my commitment to working closely with the Office of the FAIS Ombud as it seeks to deliver on its challenging mandate.

CHAIRMAN'S REPORT



The Office of the FAIS Ombud has set itself a target to close cases for adjudication within nine months of receipt thereof. In the past financial year it has achieved this. While this represents a significant milestone, it does not provide a holistic picture of the office's achievements, which can be appreciated by looking at the nature and effect of the adjudications in terms of redress, rule and practice realignment. Therein lies the area of the most impact of the Office.

The Office of the FAIS Ombud was established as an independent tribunal to resolve disputes between financial services providers and their clients in a procedurally fair, informal, economical and expeditious manner thus providing ordinary South Africans who use financial services anywhere in the country easier access to justice through a free adjudication scheme.

Access to justice is a holistic concept. Professor Richard Moorhead, deputy head of Cardiff University's law school, makes the point that access to justice doesn't simply equate to legal aid. 'Access to justice means being treated fairly according to the law and if you are not treated fairly being able to get appropriate redress'.

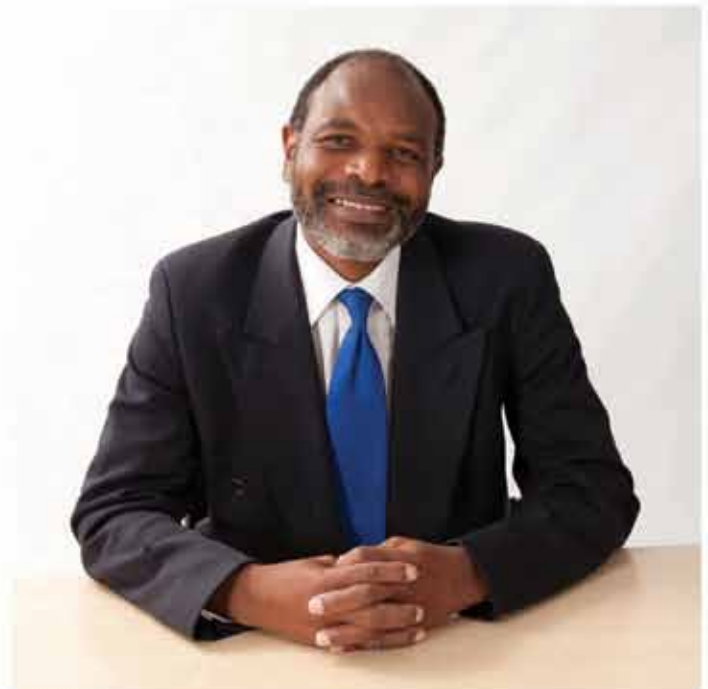
'That doesn't just mean access to lawyers and courts. It means access to ombudsmen, advice agencies and the police law. It means public authorities behaving properly. It means everyone having some basic understanding of their rights. It means making law less complex and more intelligible', says Moorhead.

Access to justice has been described as, 'access to a fair, respectful and efficient legal process, either through judicial, administrative or other public processes, resulting in a just and adequate outcome.'

Michael Mansfield says that, it is 'a much broader concept than access to the courts and litigation. It encompasses a recognition that everyone is entitled to the protection of the law and that rights are meaningless unless they can be enforced. It is about protecting ordinary and vulnerable people and solving their problems.'

This is what the FAIS Ombud's work is about, providing access to justice for ordinary people. After all the statistics and the rand value of the claims have been reckoned, the question remains: Are the people of South Africa freely able to access the justice system? We may not yet be there, but steadily, with commitment, we will.

I congratulate the Ombud and her staff for their achievement against their organizational objectives as they strive to fulfill the mandate for which the Office was established.



Mr Abel Sithole

Chairperson of the Board of the FSB

"This is what the FAIS Ombud's work is about, providing access to justice for ordinary people. After all the statistics and the rand value of the claims have been reckoned, the question remains: Are the people of South Africa freely able to access the justice system? We may not yet be there, but steadily, with commitment, we will."

OMBUD'S OPERATIONAL REPORT

FINANCIAL YEAR END- MARCH 2013

One of the most crucial things about a vision of any entity is not its originality but how well it serves the interests of its important constituencies, namely, employees, customers and other key stakeholders; and how easily this vision can be translated to a realistic strategy.¹ Bad visions tend to ignore legitimate interests and rights of important constituencies or are simply unsound².

It was with this notion in mind that we set the direction, and subsequently developed the goals, of the FAIS Ombud as far back as 2005. What an interesting journey it has been. If one were to have regard to where the Office started in 2003, it is easy to appreciate what it has achieved. We believe we have fared well against the ambitious goals we set for ourselves. An indication of this can be gleaned from a summary of our statistics below:

- Of the 9 949 complaints received during the financial year, 7 898 complaints were resolved within the same year.
- If we include cases carried over from previous years (and resolved in 2012/2013), the resolutions go up to 9 033.
- 4 288 complaints out of the 9 949 were justiciable³.
- Through the 1 387 cases settled or determined, we recovered R51 055 518.00 for the benefit of the consumer.

The FAIS Ombud not only renders a critical service to South Africans but fills what would otherwise be a lacuna in the justice space. Few people will deny that access to justice is not only value to a society but a key feature in a democratic dispensation.



Noluntu Bam
Ombud

¹ John P Kotter, 'What leaders really do', Harvard Business Review, May/June 1990, 103-111.

² This is a technical word meaning the complaint falls within the purview of the FAIS Ombud or the FAIS Ombud has the legal power to deal with the complaint.

Whilst we bring statistics to the public for the purpose of information, we never lose sight of the fact that behind the complaints we handle are living beings who cannot be treated simply as statistics. A large number of these individuals, in the absence of the FAIS Ombud, would not have access to justice as the choice of going to court is no choice to many South Africans. It is for this reason that this Ombud disagreed with the respondents in the Deeb Risk case when they demanded that the Ombud, whilst legally seized with jurisdiction, abandon its responsibility and refer the complaints to court. Following the Deeb Risk case there have been many cases wherein respondents, in a scheme designed to frustrate complainants and without good cause shown, argue that the Ombud refer complaints to court. Correctly so, the Ombud continues to dismiss such arguments as mischievous and aimed at denying access to justice to the complainants. None of the respondents have ever produced records that they warned the complainants at the time of rendering financial services that, in the event of a complaint arising, they do not believe the Ombud would have jurisdiction to entertain such complaint. We have also come across more ingenious attempts to deny complainants access to the Ombud by respondents wherein they unsuccessfully argue that what they sold to complainants is actually not a financial product, and as such falls outside the jurisdiction of the Ombud. On the contrary, the Act is clear in this regard.

This year marks ten years of the existence of the FAIS Ombud. It is tempting to say we will be celebrating this particular milestone during the month of August, but the truth is, there is nothing to celebrate when consumers, especially those who no longer have access to capital, continue to lose money notwithstanding all the protection that the legislature has put in place.

There is nothing to rejoice when commercial entities, one after another, collect money from the public and, as the money supply peters out, end up in the High Court roll for liquidation proceedings, or business rescue or compromise arrangement; the list goes on. All of these can present a serious challenge to the Office's ability to deliver justice.

There is also a feeling of helplessness when a determination of this Office cannot be executed against the entities that actually received the money collected from consumers due to either of the aforementioned legal impediments.

DETERMINATIONS

We bring you a summary of our determinations in order to share what we have also learnt. The area of investments has once again challenged our limited resources. Judging from the work load we have, it appears as though complaints arising from investments in property syndication companies and other phony investments are still going to be with us for a very long time. These are not complaints which are capable of speedy resolution. They require extensive and specialised investigation and the arduous task of going through copious volumes



of paper in order to piece together a cogent, factual and legally sound conclusion. We have geared up our resources and remain committed to this process.

Elizabeth Johanna Siegrist vs Cornelius Johannes Botha t/a C J Botha Finansiële Dienste and Others, Case Number FAIS 00039/11-12/GP 1

Towards the end of this financial year, this office determined the case of Gerbrecht Elizabeth Johanna Siegrist vs Cornelius Johannes Botha t/a C J Botha Finansiële Dienste and Others, Case Number FAIS 00039/11-12/GP 1. The case cracked wide open the myth behind the supposedly great offering that Sharemax investments (Pty) Ltd. (Sharemax), its alter ego FSP Network, trading as USSA, and its foot soldiers sold to consumers. During the investigation of this case many questions were raised about this unbelievable money making machine.

Elizabeth Siegrist is merely one of the elderly South African consumers who were made to believe that Sharemax, using its investment alchemy, could pay them a return of 12.5 % per annum, while their funds were safely put away in the attorneys' TRUST account. They were told the money would be kept safe until such time as the immovable properties were transferred into the names of their Sharemax companies, Zambezi Retail Park (Pty) Ltd., (Zambezi) and the Villa Retail Park (Pty) Ltd., (Villa).

At the time financial advisors solicited the investment, Zambezi was sparsely occupied and building activities were still going on, while the now derelict and half built Villa was not close to being habitable. Investors are now told that Zambezi will need a substantial amount of money to complete the access road leading to the shopping centre. In both cases, the truth is there for all to see. Zambezi is unable to pay investors the promised return. The Villa, now an eye sore to the public and an attraction to vagrants and a variety of miscreants, is a constant reminder that when an investment sounds too good to be true, it usually is.

But how did Sharemax and its army of advisors manage to hoodwink so many? Refer to our website: www.faisombud.co.za

Carel Johannes Weideman and Anna Maria Jacomina Weideman v Huis van Oranje Beherend Beperk and Stephanus Johannes van der Walt, FAIS 9071/10-11/MP 1

This is yet another example of the types of complaints that have occupied the bulk of this Office's resources. It relates to an investment in the now defunct Bloubergstrand hotel, referred to as Realcor, its formal name being Purple Rain Properties 15 (Pty) Ltd t/a Realcor. The complainants came to know about the public property syndication and its promoter Realcor from advertisements placed by the respondent in the print media and on radio. The investment was touted as one that was safe, with a return of 12.5% per annum and a possible growth of 30% on capital. The investment was for one year. Investors were invited

to double their investment within 4 years. Complainants invested R708 000.00 of their life savings based on the broker's assurances that their investments were safe.

Our investigations found that the dominant force behind this miraculous investment, Deonette de Ridder, used brokers to interface with the public. Funds collected from the public were raised using prospectuses registered in the names of Grey Haven Riches 9 Ltd and later, Greyhaven Riches 11 Ltd. The elderly couple, following the advice of their broker (second respondent), invested in Grey Haven Riches 9 Ltd and later in Grey Haven Riches 11 Ltd. Both entities were placed under business rescue on 14 June 2011 and later liquidated.

The demise of companies in the Realcor group³

Following an investigation commissioned by the Registrar of Banks (the Registrar), all the companies comprising the Realcor Group were found to have contravened the Banks Act by illegally taking deposits from members of the general public whilst not being registered as banks. The Registrar issued a directive to Realcor, in terms of Section 83 of the Banks Act, to repay the funds illegally collected. A manager was also appointed by the Registrar to manage the repayment process. Due to the Registrar's intervention, the Realcor Group was unable to procure further public funding for its operations, leading to the failure of many of its subsidiaries.

Louise Ellen Danielz (in her capacity as executrix of Estate Late Roelof Charl Germishuys) and Maria Jeanette Germishuys, vs Bernard Marc Edgcumbe and Others, FOC 3593/09-10 WC (1) and 3594/09-10 WC (1)

The second complainant and her late husband Roelof Charl Germishuys (RCG), were advised by the respondent to invest their retirement capital into an entity known as Genesis which was marketed as a safe, low risk investment secured by property. Genesis had about 22 affiliated entities at the time. The particular entity into which the complainants' capital went into was Fairhaven Estate. There was no question that the complainants relied heavily on their retirement capital. In fact, RCG had taken early retirement due to illness. On the basis of Edgcumbe's advice, they invested their savings into Genesis. The Genesis group's leadership prided itself for not only running the day to day business of the company on what they called 'uncompromised ethics, but on sound Biblical business principles.' In its mission, the group stated that it wanted to be a mature Christ company, set the trend in funding the Great Commission, help others to become financially free and influence others to operate on the same biblical principles. Genesis played a leading role in the founding of the South African Association of Property Syndicators. Genesis was nevertheless liquidated through the Cape High Court in 2009. When the complainants realised they had lost their investment, they lodged complaints against Edgcumbe, querying the appropriateness of his advice. In his complaint to the office, RCG wrote: 'I do not understand how a licensed financial advisor

³ See also par 11 of judgment by Clifft A., Southern Palace 285 (Pty) Ltd v Midnight Storms Investments 386 (Pty) Ltd Western Cape High Court, Case no 15155/2001.

can commit a handicapped risk – averse person like myself to a life of destitution when the government is presently battling to provide social security for every South African citizen. I saved money for 44 years in order to make myself and my wife financially independent in our retirement. It seems so unfair and unreasonable that he may keep all his assets while I have to walk around with a begging bowl. He has his business intact and is young enough to continue building wealth while I have no chance of working in my present predicament.⁶

During the examination of documents furnished by Edgcumbe to the complainants, it became clear that Edgcumbe had taken no time to understand the product he recommended to his clients. As this office has repeatedly pronounced, the brokers communicated to their clients what they learn from the pioneers of the scheme and nothing more. Brokers as licensed financial services providers must adhere to the letter of the law and should not advise clients on products they do not understand. These products are far more complicated than what they hear during the product launches.

TRENDS

Criticism that the FAIS Ombud is not independent

In the course of investigating complaints, respondents are invited to submit a response to the complaint against them. That response usually carries both technical defences and defence on the merits, in particular, information demonstrating the respondent's compliance with the FAIS Act and General Code of Conduct, at the time the financial service was rendered. Returning to the review application brought by Deeb Risk and Others, vs the Office of the Ombud and Others⁶, the matter was disposed of on 31 July 2012 by the South Gauteng High Court and an order was made dismissing the application with costs.

There were attacks that were raised in the applicant's papers on the independence of this Office.

The applicant's attack was based on the grounds that the Ombud:

- a) is neither independent or impartial;
- b) the person of the Ombud is appointed by the FSB and the Ombud serves at the pleasure of the FSB;
- c) the Ombud does not have the independence of a High Court Judge or even a Magistrate; and,
- d) the Ombud has a close relationship with the FSB.

'I must stress that it is not my case that the Ombud, in the person of Ms Bam as a matter of fact is not independent or is, as a decision maker, in fact biased against me. My case is that I have a reasonable suspicion of bias in that there is, seen objectively, the reasonable apprehension that the Ombud- whoever may be the occupant of the office – will not be able to bring an impartial mind to bear on the adjudication of the Complaint which is exacerbated by the consideration that there will not be evidence on oath or the submission of counsel that could otherwise

have persuaded a partial mind. I allege that there is moreover structural bias against FSPs given, for example, the disciplinary functions of the Ombud and the Ombud's close relationship with the FSB (that incidentally appointed Ms Bam.)⁸

This attack has left the office of the Ombud much to ponder about. In responding to these accusations, one needs to look at the letter of the law.

The law

Chapter VI, section 20 sub section (1) of the Financial Advisory and Intermediary Services Act (FAIS Act) provides:

There is an office to be known as the Office of the Ombud for Financial Services Providers, (FAIS Ombud). The functions of the office are performed by the Ombud for Financial Services Providers. Sub section (4) provides, when dealing with complaints, the **Ombud is independent and must be impartial.**

The Rules on Proceedings of the Office of the Ombud for Financial Services Providers, 2003 in section 2 provide:

In disposing of a complaint, the Ombud acts independently and objectively and takes no instructions from any person regarding the exercise of authority.

What one reads from the provisions of the Act and Rules is the legislature's intention to ensure independence of the office. But the applicants in the Deeb Risk matter were clearly referring to their perception that the Office lacks independence, the cornerstone upon which any Ombudsman's work is built and without which its work would not be credible.

There is abundance of research relating to the topic of independence of an Ombud's Office. In his speech on independence of the Ombudsman, Chris Field⁹ had the following to say:

'Independence for Ombudsman refers to the capacity to administer their budget without direction, to make employment decisions without direction and also to not undertake those whole of government policies that may give rise to the Ombudsman being perceived to be, or actually being not independent of Government. It is true to say that when it comes to most aspects of the operation of the Ombudsmen, it is both actually the case as well as what could reasonably be perceived to be the case that is actually important. Ombudsmen must be actually independent and also be perceived to be independent.'

The Ombudsman's office, in structure, function and appearance, should be free from outside control or influence. This standard enables the Ombudsman to function as an impartial and critical entity that reports findings and makes recommendations based solely on a review of facts and law, in the light of reason and fairness.⁷

⁶ Risk, Deeb Raymond, and O vs The Ombud for Financial Services Providers Case No. 38791/11.

⁷ Risk, Deeb Raymond, and O vs The Ombud for Financial Services Providers Case No. 38791/11, paragraph 52.8, founding affidavit.

⁸ Adjunct Professor in the Faculty of Law at the University of Western Australia and founder and co-coordinator of the unit Government Accountability – Law and Practice, Western Australian Ombudsman, 'Ombudsman Western Australia, Serving Parliament – Serving Western Australians', 6 May 2010.



Does being independent mean being unaccountable?

The FAIS Ombud is accountable to a board and to the taxpayers of South Africa. They are, after all, the people that are paying for the operations of the FAIS Ombud. We are beholden to a range of accountability mechanisms: for example, compliance with a whole range of government regulations and policies in relation to matters such as procurement, employment, financial accounting, annual reporting and record keeping. The FAIS Ombud's decisions are appealable. In addition, the FAIS Ombud is subject to oversight from the auditor general and internal auditors. Internally, the office has a set of rules, code of conduct, circulars, operational manuals, and other mechanisms to ensure that we exercise our powers of independence responsibly. In conclusion, independence is not a licence to recklessness in our activities. There is a great duty of responsibility we carry and we are always conscious of this.

How important is the independence of the Ombud?

Ombudsmen are now considered to be an integral part of the modern notion of government accountability and indeed, have become fundamental to the one non-negotiable element of all government responsibilities – the creation and maintenance of the rule of law. The FAIS Ombud must be constantly on guard in its actions and must jealously protect its independence. What is more, the FAIS Ombud has a responsibility to manage the public perceptions of independence; for without independence, there is no FAIS Ombud.

STAFFING MATTERS

One matter that takes the front seat when it comes to staffing arrangements is the graduate training programme we started in 2010. The beginnings of this programme can be traced back to the days of the late Charles Pillai. The idea was incubated during one of our evening sessions following intense concentration on a particular legal issue. By early 2009 we were working on the final touches of the plan and by early 2010 we were 'ready to roll' as he would say. The programme has been running for three years now, exposing 21 law graduates to the programme over the period. Perhaps what makes this initiative so special is the shared value that all parties derive from it⁸. We are now poised to run for the fourth year.

ACKNOWLEDGMENTS

There is no better way to thank the staff of the FAIS Ombud other than to make public their efforts in resolving complaints, adhering to our risk and compliance management functions including discipline when it comes to financial matters.

There is a saying in Nguni languages, the literal translation of which is, 'I am because you are'⁹. The Office of the FAIS Ombud is more than one person. Its success is as a direct result of the combined energies,

commitment and effort of all those individuals who devote their time to make it what it is.

Thank you.



⁸ Governmental Ombudsman Standards, United States Ombudsman Association.

⁹ In our *Credo*, we state: 'we are responsible to the communities in which we live' and 'we must constantly strive to educate both ourselves and those we serve about our service'.

¹⁰ 'umntu ngumntu ngabantu'.

DETERMINATIONS

Otto Walter Fourie vs RWP Finansiële Dienste CC t/a Consult Us Brokers and Willem Lombard

Case number: FAIS 09477/10-11-GP3

This complaint relates to the rejection of an insurance claim that was instituted with the complainant's insurer.

In 2006, the respondent assisted the complainant to obtain household and vehicle cover with Zurich. In 2008, the respondent notified the complainant that the complainant's short-term insurance cover had been moved to BSG Hollard ('Hollard'). When cover was initially taken out with Zurich, the complainant informed the respondent of all security features on his property.

In November 2009, an armed robbery took place at the complainant's property. The robbers made their way into the house by forcing open the front door which did not have a security gate. After lodging a claim with Hollard, complainant was notified that his claim was rejected due to non-compliance with a security requirement. The requirement (which was introduced via endorsement) was that all opening windows and external doors of the insured property had to be equipped with burglar bars and security gates. The complainant contends that the respondent failed to communicate this requirement to him and as such he could not comply with the requirement.

Upon investigation it transpired that the respondent had failed in his duty to disclose the new material term to the complainant. The respondent could also not provide any record of the advice that was furnished to the complainant.

Ultimately, the Ombud found that the respondent's conduct caused the loss suffered by the complainant and as such the respondents were ordered to pay an amount agreed upon between the parties.

Jan Hendrik van der Merwe vs Maree and Rogers Beleggers (Pty) Ltd and Lukas Marthinus Maree

Case number: FOC 23/07-08 WC(1)

This complaint relates to an investment made into the Blue Pointer Group of companies.

During March 2005, pursuant to the advice provided by the 2nd respondent, the complainant purchased Blue Pointer Marketing (Pty) Ltd ('Blue Pointer') shares to the value of R60 000.00. According to the agreement between the complainant and Blue Pointer, the complainant would receive a dividend of R1 000.00 per month. The complainant received his dividends regularly until early in 2006 when payments stopped.

Upon investigation by the Office, it transpired that Blue Pointer did not publish financial statements that were supposed to be open to public scrutiny. Moreover, the shares were unlisted and illiquid. There was also no publicly available information by which members could judge the risk associated with the shares. The shares would thus generally be regarded as high risk. The Ombud reasoned that,

on the facts presented, the respondent must have been aware of the risky nature of the scheme and was under a duty to disclose this to the complainant. The respondent's failure to do so thus constituted negligence and marked a contravention of the code.

The Ombud also dealt with the issue of the licensing of the respondent. The letterhead of the 1st respondent displays the licence number 17202; however, this number belongs to the 2nd respondent's son who was not authorised to render financial services relating to unlisted shares. The respondent knew this and was under a duty to disclose this information to the complainant. He failed to do so and such failure was contrary to the provisions of the Code.

The Ombud thus ordered the respondents to pay to the complainant the amount of R60 000.00 and interest thereon, to be calculated from a date 7 days from the date of the order.

Maria Christina Smit vs Petrus Stefanus Fourie

Case number: FAIS 01020/08-09/GP1

This complaint relates to an investment made into a company known as Network 2 – The Company Limited t/a Prop Dot Com no.3 ('Prop Dot Com').

In 2006 the complainant sold her house and, pursuant to the advice of the respondent, the complainant invested part of the proceeds of the sale (R195 000.00) in Prop Dot Com. The complainant contends that she requested a risk free investment with the highest monthly interest rate. Upon concluding the investment, the complainant received regular income payments of R1 706.00 per month commencing April 2007 until it ceased in August 2007.

Upon investigation it transpired that the respondent was not authorised to sell unlisted shares and debentures. The respondent argued that the investment was concluded under the license of Blue Pointer, however Blue Pointer was never authorised as a financial services provider. The respondent thus rendered financial services in respect of products on which he had no authorisation and he failed to disclose his licence status to the complainant.

Furthermore, it transpired that Prop Dot Com was a high risk scheme. The risks inherent in this scheme far outweighed any potential returns and the respondent furnished no documents evidencing that the risks were disclosed to the complainant.

The respondent also had a duty to maintain a record of advice ('ROA') given to the complainant. The ROA furnished by the respondent consisted of a single page which was basically a 'tick-box template' requiring the prospective client to tick 'YES' or 'NO' regarding whether or not certain compulsory disclosure were made. In short, the ROA merely paid lip service to the FAIS Act and the provisions of the Code.

The respondent was negligent in failing to advise the complainant in accordance with the Code of Conduct. This failure resulted in the complainant's loss. Ultimately the Ombud found that had it not been



for the conduct of the respondent, the complainant would not have invested her capital in the Prop Dot Com investment. The Ombud thus ordered the respondent to pay the complainant the amount of R195 000.00 and interest thereon to be calculated from a date 7 days from the date of the order.

Theodore Edwin Hill vs Bulls Eye Financial Consultants (Pty) Ltd and Craig Shelley

Case number: FAIS 03161/09-10/GP1

In September 2007 whilst acting on the advice of the respondent, the complainant and his wife (married in community of property) invested an amount of R300 000.00 each into Spitskop Village Properties Ltd ('Spitskop'). The investment was promoted by a property syndication group known as Blue Zone. Mr Hill laid the complaint on behalf of both his wife and himself.

The complainant had been retrenched years earlier and the funds were the proceeds of his pension fund pay-out. In his own words, the complainant was heavily dependent on this capital. When the income ceased in August 2009 the complainant learned from the liquidator that he stood to lose the majority of his capital.

The respondent's reply was signed by one Jamieson. According to Jamieson, Blue Zone fitted the complainant's risk profile of 'moderately aggressive' and the investment was made into Blue Zone after considering the complainant's needs. This however failed to take into consideration that this was essentially the complainant's sole means of providing for retirement. Jamieson further states that he was not a 'broker consultant' but merely a 'spotter' for Blue Zone.

The Ombud held that Jamieson had acted as the complainant's financial adviser, a role he had filled since 2004. Certainly there was no evidence that the supposed change in role to that of a spotter had been conveyed to the complainant. Jamieson was present throughout the investment process, a role for which he not only took the lion's share of the excessively large commission, but in addition thereto failed to disclose said commission in clear monetary terms as required by section 3.1(vii) of the general code.

Further, in order to render advice in respect of shares and debentures a category 1.8 and 1.10 licence was required. Although Blue Zone had a category 1.8 the respondent had neither a category 1.8, nor a 1.10 licence and thus was neither qualified nor capable of rendering advice in respect of shares and debentures.

Unsurprisingly then Jamieson describes Blue Zone more rather moderate than moderately aggressive; this despite Blue Zone being an unlisted entity with no track record. On top of which it paid a monthly income without holding any income producing assets. Even the most basic of due diligences would have revealed that apart from not being approved this was a very high risk venture indeed.

There was a duty on the respondent to conduct a check on Blue Zone and its entities. Jamieson failed to do so. He did not have the

qualification or skill to appreciate the risk to which he was exposing his client. In fact he failed to discuss with the client the prescribed minimum information required in terms of Government Notice No.459, Government Gazette 28690.

Ultimately the Ombud held that the respondent had failed in his duty to comply with section 8(1) (c) and 9 of the General Code, that is to identify a product appropriate to the client's needs and maintain a record of such advice.

The Ombud thus ordered the respondent to pay an amount of R300 000.00 each to the complainant and his wife; and interest thereon to be calculated from a date 7 days from the date of the order.

Leonardus Johannes Labuschagne vs Williams Maree Financial Advisors CC and Johannes Antonie Williams

Case number: FAIS 01128/11-12/GP3

This complaint relates to the rejection of a claim by the complainant's insurer New National Insurance Assurance Limited ("New National"). The complainant purchased a second hand ("Hilux") vehicle in January 2011. On the same day he contacted respondents' offices and informed an employee of the purchase and further requested her to remove the old vehicle from his policy and replace it with the new vehicle. In March 2011, the Hilux was stolen.

When the complainant lodged his claim with the insurer, the insurer



Sydwell Shangisa
Deputy Ombud



David Davidson
Assistant Ombud

avoided the claim due to non-compliance with the policy terms and condition. The specific provision states that all vehicles exceeding R200 000.00 in value must be fitted with a linked tracking device. The complainant contended that the respondent failed to disclose this information to him.

The respondent argued that he requested the complainant to study the policy schedule. He asserts that the said provision is stipulated in the said policy schedule. The respondent further asserts that the complainant requested various changes to his policy- one being removal of credit shortfall. The respondent alleges that the provision about the tracking device is contained on the same page as the credit shortfall provision and as such the complainant must have seen the provision.

The respondent further blames the insurer's administrators ("ACA") for erroneously including the requirement of a tracking device and not informing anyone. ACA replied by stating that this was not done in error. It is a requirement that the Hilux be fitted with a linked tracking device and their system is designed not to accept the risk without the 'tracking indicator' being selected. Furthermore, it was the duty of the broker to advise the complainant in respect of the policy.

Upon investigation it transpired that the provision requiring a tracking device was not applicable to the complainant's previous vehicle. Moreover, the complainant in an email to the respondent states: "as I

understand, everything remains the same". No reply was received by the complainant. The Ombud found this to be a clear indication that the complainant was labouring under the mistaken belief that besides the changes which he (complainant) made, all the other provisions remained the same. Further, upon perusal of the policy document, the Ombud could find nothing that would have alerted the complainant about the requirement.

Ultimately, the Ombud found that the respondents' conduct occasioned the loss of the complainant and as such ordered the respondents to pay an amount of R253 359.00 to the complainant; and interest thereon to be calculated from 7 days from the date of the order.

Christoffel Schutte vs R&S Walsh Investment Consultants CC, Ronald Walsh and Guy Coleman

Case number: FAIS 03984/09-10/EC1

The complaint relates to inappropriate advice provided by the respondents to the complainant, a terminally ill retiree, the advice given was that he switch funds from relatively conservative portfolios to aggressive and risky portfolios whilst knowing that the complainant was dependant on the funds and needed to make monthly withdrawals. In consequence thereof the complainant lost a substantial portion of his investment.

Whilst the complainant's relationship with Walsh dates as far back as the early eighties, the primary interaction in this instance was with Coleman, acting in concert with Walsh. Upon noting a diminution in his investment value, the complainant made enquiries with Coleman who stated that Walsh took a long term view when investing and that the markets would recover.

Walsh admits to having made the allocation stating that the switches were based on the complainant's risk profile of 'Moderately Aggressive' with a '10-15 years' timeline. Further he justifies the switch on the long term performance of all the funds, stating that the complainant's prior portfolio could not keep pace with inflation resulting in capital erosion. Past performance is however no indication of future performance.

Further the compliance documentation is blank in crucial areas. Whilst the risk profile reflects the complainant as moderately aggressive, which itself contrasts with the aggressive nature of the investment, there appears to have been no attempt to explain the contradiction between the complainant answering that he requires access to the his funds 'all the time' and his supposed willingness to tolerate market fluctuation. The advice record itself contains neither recommendations nor actions; in fact it is entirely blank yet still signed by complainant. This contravenes section 7(2) of the code which states 'No provider may in the course of the rendering of a financial service request any client to sign any written or printed form or document unless all details required to be inserted thereon by the client or on behalf of the client have already been inserted.

Further the complainant is credited as being 'knowledgeable & experienced in market highs & lows' without providing any basis to



such conclusion. In fact the complainant was previously employed as a foreman at his brother's amusement park; his highest level of education is a standard 6.

In response to the statement 'I would like to get as much long-term growth from my investment portfolio as possible, even if it means dramatic ups & downs on a year to year basis in my investment returns,' the complainant ticks the 'Strongly Agree' box. Yet there is not a single document evidencing that the complainant was alerted to the real implications of such a statement or the potential conflict with his requirement to access funds on a regular basis. In essence the need to withdraw funds during a dramatic downturn both compounds and irreversibly locks in losses unless the income drawdown is either dramatically reduced or stopped entirely.

The office pointed out to Walsh that 'the advisor should have explained and documented the reasons for the advice given to the complainant as well as the reasons as to why the products recommended are likely to satisfy the complainant's needs and objectives (section 9 of the General Code of Conduct)' In particular the complainant should have been alerted to the risks of the investment as required by section 7 (1) (c) (xiii) of the General Code. Clearly, none of which occurred.

Whilst Coleman himself attempted to shift the blame to Walsh, not only was he a key individual but the primary point of contact with complainant responsible not only for advice but the completion or lack thereof, of the compliance documentation.

Respondents were held jointly and severally liable, the one paying the other to be absolved, to pay the amount of R494 392.42 plus interest at the rate of 15.5%, per annum, seven (7) days from the date of this order to date of final payment.

Carel and Maria Weideman vs Huis Van Oranje Beherend Beperk and Stephanus Van Der Walt
Case number: FAIS 09071/10-11/MP1

A development known as the Blaauwberg Beach Hotel is at the heart of this complaint. Whilst the Hotel was held within Midnight Storm Investments 386 Limited, the scheme was promoted by Purple Rain Properties 15 (Pty) Ltd t/a Realcor Cape. The promoter was involved in the acquisition and development of commercial properties. There are two other entities namely Grey Haven Riches Limited, (Riches 9) and Grey Haven Riches 11 (Riches 11) referred to as investment companies. Riches 11 had secured the right to purchase the shares of Midnight Storm immediately upon completion of the Blaauwberg Beach Hotel, only in the event the shares were sold in full.

Riches 9 and 11 were the entities in which the investments were actually made.

Ultimately the scheme failed when an investigation commissioned by the Registrar of Banks found that the Realcor Group had contravened the Banks Act by illegally collecting deposits from the public whilst not registered as a bank. Complainants aver that they came to know

about the Beach Hotel and Realcor from respondents' advertisements in print media and on radio. Van der Walt, who acted on behalf of the first respondent, recommended the investment on the basis of high returns in a safe investment.

The shares were however unlisted and considered risk capital; meaning investors could lose their capital or a substantial portion thereof. Yet nowhere in the respondents' papers is it evident that van der Walt advised complainants that they were at risk of losing their retirement savings. That the complainants signed a record of advice in terms of section 8(4) of the Code does not assist the respondent in that he requested the complainant to sign pre-completed documents without explaining the contents of such documents or the consequences of signing them. Further he cannot provide any basis for considering the two entities as investments into which the complainants who are both pensioners could invest.

The building was nowhere near completion, yet investors continued to receive the so called income, a fact which should have raised suspicions on the part of the respondents. The probability that the income was actually investment from new entrants into the scheme is overwhelming. This is why when the Registrar of Banks stepped in, and income paid to investors ceased.

Yet in his version, van der Walt argues contrary to objective evidence, that the product is in fact low risk, thus rendering the advice to complainants that the investments in Riches 9 and 11 were safe investments, a violation of section 3(1) (a) (i) of the Code which requires that representations and information provided to a client must be correct.

Respondents were held jointly and severally liable to pay Carel Weideman R430 000.00 and Anna Weideman R265 000.00 plus interest on the aforesaid amounts at the rate of 15.5% per annum, seven (7) days from date of this order to date of final payment.

Denis James Schmidt and Margaret Schmidt vs Tradefirst 2071 CC t/a Status Insurance Brokers and Christoffel Johannes Nel
Case number: FOC 5610/10-11/KZN1

The complainants in the matter were both retired persons aged 71 and 68 years old respectively. They alleged that when they met the respondent they explained to him that they relied on the income from their investments to pay for their day-to-day living expenses. The respondent reacted by assuring the complainants that the Villa was a secured investment with no risk which led to the complainants investing a total of R320 000.00 into Sharemax The Villa Retail Park Holdings Ltd.

On page 6 of Prospectus 19 of the Villa, investors are warned that the shares on offer are unlisted and should be considered as a risk capital investment. Had the Respondent performed the necessary investigations he would have realised the extent of the risk.

The crux of the Respondent's argument is that he did not advise the

Complainants to invest in Sharemax. He argues that the Complainants had their minds made up to invest in Sharemax before they met him. He merely provided them with factual information. He neither recommended nor compared Sharemax with other investments.

The Ombud found on the evidence presented that the respondent had in fact advised the complainants to invest in the Villa. It was also found that the respondent had given advice in unlisted shares and debentures, notwithstanding the fact that he was not licensed to do so.

The respondent did not take reasonable steps to seek from the Complainants' appropriate and available information regarding their financial situation, financial product experience and objectives before he rendered the financial advice.

Accordingly, the Ombud made an order in the amount of R320 000.00 the other to be absolved.

Pamela Mary Short vs Nigel Henson & Associates CC and Nigel Henson
Case number: FOC 3883/06-07/KZN4

The complainant was in a long term same-sex relationship with one Miss Marilyn Jacobs. The complainant was entirely financially dependent on Miss Jacobs who at the age of 55 passed away from terminal cancer.

Miss Jacobs had a Metropolitan Odyssey retirement annuity. She had taken the allowable one third in cash, and acting on the advice of respondent, invested the balance thereof in a single life Metropolitan Odyssey annuity. This annuity provided a monthly income of R3 475.00 for the remainder of her life.

Miss Jacobs died a year later and the policy ended and paid out R3 817.55 which was in stark contrast from the R48 884.47 originally invested.

In dealing with the issue of the complainant's *locus standi*, the Ombud found that the complainant was a successor in title, and as such had *locus standi* to submit a complaint.

It was found that an experienced adviser would have understood the impact of Ms Jacobs illness on the policy pay-out, and would not have recommend a policy that had neither death benefit nor extended term. The General Code in section 3 (1) (iii) requires that information provided to a client must be adequate and appropriate in the circumstances.

Given the certain loss of capital the Ombud found that the product offered was inappropriate and illustrated a lack of due skill care and diligence on the part of the respondent.

The Ombud found that the respondent's conduct violated the General Code and as a result the complainant suffered a loss. Consequently the complaint was upheld and an award in terms of Section 28 (1) (b) (i) was made in the amount of R26 353.70.

Kgomo vs Abu Benitsius Insurance CC and Sipho Benitsius
Case number: FAIS 01367/09-10/GP3

In October 2007 the complainant bought a VW Polo; a few days before he was to collect his motor vehicle he contacted Sipho Benitsius, a key individual and representative of the respondent, to arrange for insurance cover on the car and was assured that it would be in place. Upon collecting the car on the 25th October 2007, he was involved in an accident which badly damaged the vehicle in the amount of R72 099.53.

Upon contacting the respondent, the complainant was informed that he was not covered as he had not informed the respondent that he was going to collect the vehicle. The respondent's version was that he merely secured a quote for the complainant, and not actual insurance. The respondent further contends that when the complainant consulted with him the vehicle had not yet been purchased and he thus requested that the complainant liaise with his office when he did eventually buy the vehicle.

However, enquiries with the insurer Santam, revealed the following; namely that on the 24th October 2007 the respondent was advised that a quotation ('703 policy') that had been prepared could not be granted, as the complainant was in possession of a C21 license and no previous insurance. The respondent was however advised that he could seek a quotation for a different policy ('747 policy') which would also be subject to approval. On the 24th October 2007, and



Ashley Percival
Assistant Ombud



as suggested respondent requested a quotation for the 747 policy; although advised by the Sanlam representative that this policy would also likely be declined as the criteria were the same for both policies the respondent insisted on the quote which he accepted on the 26th October 2007. When asked by the Santam representative for the inception date the respondent replied 'it should have been yesterday.' The accident had already occurred by then.

Additionally, the complainant, who worked in a call centre, had recorded a conversation with the respondent on the 23rd October 2007. In short this confirmed the complainant's version that he was informed by the respondent that cover was in place.

The Ombud held that in providing false information the respondent had contravened several sections of the Code, in particular section 2 which requires that financial services be rendered, honestly fairly, with due skill, care and diligence, and in the interests of clients and the integrity of the financial services industry; and section 3 (1) (a) (i) which provides that 'when a provider renders a financial service – representations made and information provided to a client by a provider must be factually correct.'

The respondent's conduct caused the loss in that had the complainant been aware that his vehicle was not insured he would have taken alternative steps to insure his vehicle.

After taking the excess into account the Ombud awarded complainant an amount of R67 494.53 plus interest at the rate of 15.5% per annum, seven (7) days from the date of this order to date of final payment.

Aletta Susanna Minnie vs Johann Frederick van Zyl, Salmon Christoffel Viljoen, Johannes Gerhardus Erasmus and Johan Jankowitz
Case number: 06244/09-10/ MP1

The determination concerns the complaint's investment in three property syndication ventures promoted by Propspec Investments, which were in turn primarily represented by van Zyl as their authorized representative, the key individuals being J G Erasmus, J Jankowitz and S C Viljoen. The scheme failed and despite numerous assurance over several years, of a potential buyer for the scheme and return of investor's funds; to date this has not materialized.

The syndications were Grey Haven Riches 15 Limited, Propmed (R200 000.00), Grey Haven Riches 19 Limited, Olympus Ridge (R100 000.00) and Ruimsig Gardens Properties Limited (R200 000.00). The investments were made with the object of earning a monthly income of R3 000.00 per month; the R20 000.00 invested with Ruimsig being intended as a short term capital growth investment.

The advice in respect Grey Haven Riches 15 and 19 was rendered by van Zyl as the advisor, whilst accompanied by a Mrs Heidi de Villiers, the broker consultant. With respect to the Ruimsig investment it was de Villiers who independently approached the complainant.

According to the complainant she expressly stated on several occasions

to van Zyl that the money was the last of her savings and that she was a pensioner. She was assured by both de Villiers and van Zyl that her money would be safe and would be placed in trust.

The complainant denies having been alerted to the risks or even having received a prospectus for any of the investments. According to van Zyl however, when he co-signed the documentation for the investments, he was assured by de Villiers that the economy, inflation and other risk factors that could influence the investment in terms of risk were explained to the complainant.

However, and despite having rendered advice; amongst the file of papers provided by the respondent there was not so much as a risk profile, needs analysis or any documentation that would in any way evidence the slightest attempt on the part of the respondent to understand the complainant's needs prior to recommending the products. This is a contravention of section 8(1)(a) of the code which requires that a provider take reasonable steps to seek from the client appropriate and available information regarding the client's financial situation and experience.

There was certainly no evidence whatsoever that the complainant was appraised of the risks; the Ombud finding that the products recommended were unsuitable to the complainant's needs, and accordingly the recommendations violated almost every aspect of the General Code. It follows that the complaint was upheld with all the respondents being ordered to pay, jointly and severally the sum of R300 000.00. In respect of the R20 000.00 invested in Ruimsig, given that van Zyl never rendered the key individuals Viljoen, Erasmus and Jankowitz were held jointly and severally liable.

Pieter and Jillian Wessels vs Clyde Langley and Levator Wealth CC
Case number: FAIS 7434/10-11/KZN1 & FAIS 7435/10-11/KZN1

The complainants are married pensioners aged 74 and 71 respectively.

No longer able to work, the complainants had been living off their retirement capital invested in the likes of Sanlam's glacier and ABSA Bank savings accounts. These existing investments were maturing and hence available for reinvestment. Attracted to an advertisement promoting Sharemax, placed by respondents in a local newspaper the complainants made contact with Langley. A promised 12% per annum return, as well as assurances that Sharemax was both "the safest property investment that was available" and "an investment safer than a bank." Thus assured by Langley the complainants virtually drained their savings accounts to invest in The Villa Retail Park Holdings 2 Limited (The Villa). Ultimately Pieter Wessels invested R740 000.00 and Jillian Wessels R720 000.00.

The complainants make mention of being overwhelmed with information, brochures and prospectuses. When asked to explain how Sharemax was able to pay 12% thereby outperforming the banks, Langley responded by stating that 'the banks were charging the developer 17% interest to finance the operation. Sharemax were lending money to the developer at 14%, thus saving him 3%, their

benefit was this difference between 11% and 12.5%, which they were paying their investors.⁵ Of significance to the complainants is that even after the Reserve Bank started to question the Sharemax model, Langley continued to advise them to invest in Sharemax stating that they should not believe the rumours and instead stating that instead of being paid 12% interest they would be paid a dividend of 10% free of tax.

Common sense should have dictated that respondents stop all further investments, that they did not, leads to the conclusion that they were motivated by the lucrative commission and were no longer acting in the interests of their clients.

It was made abundantly clear to the respondents that the complainants were not able to risk any part of their capital. Langley does not dispute that he told the complainants that this was a safe investment or that the complainants wanted their capital to be safe. Yet in complete contradiction thereto, the respondents sought to rely on the fact that the complainants signed application forms which themselves contain a warning that the Sharemax product comes with risks. These contain warnings regarding a lack of liquidity as well as the fact that neither the capital nor income is guaranteed.

The respondents ignored their own risk assessment of the complainants, which amounts to reckless conduct in breach of the code. In fact over the course of 14 months, there were eight separate investments, all of which were in the same asset class, namely Sharemax. The respondents failed to offer the complainants a choice of products.

In that the Sharemax investment replaced existing products the respondents were obliged to comply with section 8 (1) (d) of the Code. In particular the respondents had to comply with subsection (v) which provides that full details of "material differences between the investment risk of the replacement product and the terminated product" had to be provided. There was no compliance with this provision.

The complainants now struggle to survive on a meagre income; they receive no income from the Sharemax investments and believe that their capital is lost.

The Ombud held the respondents jointly and severally liable to compensate Pieter and Jillian Wessels, in the amounts of R740 000.00 and R720 000.00 respectively plus interest thereon at the rate of 15.5% per annum, seven (7) days from date of this order to date of final payment.

Iona Cowan vs Marthinus David Ras and Perfecsure Lewens (Pty) Ltd
Case number: FAIS 05862/10-11/WC1

The complainant was advised by the respondent to invest R800 000.00 in The Villa to supplement her income. The complainant alleges that the respondent did not discuss nor present any other options to her. The respondent maintains however that he enquired into whether

she had an emergency fund to which she replied she had sufficient funds; including an amount of R100 000.00 which she intended to use to modify her house into a guesthouse also with the intention of supplementing her income.

The respondent saw the complainant at a later stage where she asked him what her options would be if she wished to sell her share. He advised her that another buyer would have to be found and that it would cost 10% of the investment unless he could find another buyer which could potentially result in a loss.

The crux of the respondent's response to the Office was that he was a representative of USSA at the time. The Ombud equated the licensing agreement between the section 13 representatives and USSA as hiring a licence to trade in financial products the brokers would otherwise not be allowed to. Section 5 of the Code requires that the service provider make a full written disclosure as to his status and contractual basis under which they operate. This is a risk issue that a client needs to take into account at the onset.

The respondent had no experience in the field and was also not knowledgeable enough to interpret and convey the essence of the prospectus in a simple and meaningful manner to the complainant. The complainant received neither income nor capital. As a result, because the complainant's investment was made following the respondent's advice, the Ombud held that the respondent was liable to compensate the complainant for her R800 000.00 loss.

Johannes Petrus Snyman vs Souvenir Finansiële Dienste
and Pieter Andries Swanepoel
Case number: FAIS 09947/10-11/GP1

The complainant appointed the respondent as his financial advisor. When the complainant suffered a heart attack, he was assisted by the respondent in submitting a successful claim with his insurer.

Shortly after the proceeds of his claim were paid to the complainant, the respondent informed him of an investment opportunity where he could double his money in three months. A meeting was arranged at the respondent's residence where the complainant met the two individuals behind the bank guaranteed investment structure. The complainant deposited R300 000.00 into the bank account of the respondent's employee.

The respondent's defence that he did not render financial services to the complainant, was dismissed by the Office as all evidence indicated otherwise.

On the issue of compliance with the Act, the respondent's own admission that he did not have the relevant knowledge, skills and experience necessary to advise the complainant appropriately on the bank guaranteed investment proved damning. The Office requested the respondent to explain what exactly the "bank guaranteed investment structures" were, who DTME was and how it was possible to generate such inflated returns. The respondent failed to respond.



The respondent displayed a lack of competency when he invested the complainant's funds in an unregulated investment that he knew very little or nothing about. The respondent was not only reckless, he also violated of the General Code which requires an FSP to act with due skill, care and diligence and in the interest of clients.

Had it not been for the advice of the respondent, the complainant would not have invested in DTME. The respondent's conduct was thus found to be the direct cause of the complainant's loss and he was ordered to pay the complainant R300 000,00.

Fransisca Van Zyl vs Johan Van Der Walt
Case number: FAIS 04751/09-10/MP1

The respondent had been the family financial adviser since 1989. In March 2005 he advised the complainant to surrender her unit trusts and purchase shares in an unlisted company called Imuniti Holdings. The motivation being that the Imuniti share price would increase dramatically, when it listed in a months' time.

The complainant's version is that the respondent misled her on several accounts. Amongst these being a comparison between Imuniti and the well-known pharmaceutical company Aspen; in this regard suggesting that Aspen was both much smaller and that it held a 25% shareholding in Imuniti. Further the complainant was advised that Imuniti was worth R2.50 per share but could be purchased for 60 cents per share. Directly as a result of the respondent's advice the complainant purchased 1 466 667 Imuniti shares at 60 cents per share for a total investment of R880 000,00.

Essentially the respondent advised the complainant to replace her diversified unit trust investment, with Imuniti shares. Imuniti was unlisted and unknown and it is not clear how such a product satisfied complainant's needs. Further Imuniti was a replacement product and yet there was no record in terms of section 8 (1) (d) of the code comparing it to the existing products. Section 8(2) of the Code requires that the provider must take reasonable steps to ensure that the client understands the advice and that the client is in a position to make an informed decision. The complainant was not in a position to make such a decision.

Unsurprising given the non-compliance, the respondent was never authorized in terms of section 7 (1) of the FAIS Act to sell shares in the first place.

By advising the complainant to invest in Imuniti, without disclosing just how this product was suitable to the complainants needs, the respondent clearly failed to act with care and diligence, and in the interests of the complainant. The respondent failed to establish what risk the complainant could tolerate and match that with the risk presented by Imuniti. No record of advice as required in terms of section 9 (2) of the Code was even furnished to the complainant.

The various violations of the code directly led to the complainant suffering financial damages. The complainant, having abandoned

an amount of R80 000,00 so as to bring the complaint within the jurisdiction of the office, the Ombud ordered the respondent to pay the complainant the amount of R800 000,00 from a date seven days from the date of the order.

Leshie Arriel Mojela vs Estene Brokers and Christine Botha
Case number: FAIS 00150/08-09/GP3

The complainant purchased a vehicle on 8 August 2007, soon after which he arranged for its cover through Outsurance. Some 20 days after having this cover in place, the complainant instructed his broker to arrange an alternative cover which would have less onerous premiums. Heeding this instruction the broker provided a quote from Mutual and Federal on the 30th of August 2007, which was signed and returned to the broker (by the complainant) on the same day.

The complainant's vehicle was stolen on the 28th of September 2007, but was later recovered; only that by that time it had sustained considerable damage. The broker had, all the while, not confirmed the status of cover applied for with Mutual and Federal.

In response to the complaint lodged with our office, the broker submitted that even if cover had been in place, the insurer would have not settled the claim as the complainant had not disclosed the true nature of the use of the vehicle.

Upon investigation it transpired that the broker had been informed that the complainant was not eligible for cover through a group scheme policy with Mutual and Federal approximately a month before the loss



Malanee Murugan Modise
Assistant Ombud

was sustained. And that based on this, and the failure to furnish the Office with documents relating to the rendering of the financial service, the Ombud found that there was no doubt that Code of Conduct for Authorised Financial Services Providers had been undermined.

However, as to whether the broker's conduct caused the loss sustained by the complainant, the Ombud considered: that it did not make sense that the complainant believed that he was insured when he on his own account he had not followed up on the status of his application for cover; that by so doing, had not established the premium that would be payable for such cover; in addition to there being no evidence to suggest that he had tendered payment for the period that cover was allegedly in place.

Accordingly, and on the probabilities, the Ombud found that it was difficult to see how the complainant would have formed the impression that cover was in place at the time of loss.

Further, although the broker's conduct had fallen short of the standard expected of him by the Code, there had been no causal link between his conduct and the loss sustained by the complainant. The cause of the complainant's loss had been the complainant's own unreasonable belief that cover had been in place, and on such basis the complaint against the broker fell to be dismissed.

Quintanie CC vs Sencla Financial Services CC and Jose Baz Cortizo
Case number: FOC 2460/07-08/GP3

In January 2005, when the complainant purchased a supermarket in Lynnwood, he requested the respondent to assist with their insurance requirements. The respondent had assisted the previous owners with the insurance needs of the supermarket. The complainant instructed the respondent to provide "comprehensive cover most suitable to their needs. Cover was subsequently placed with Santam.

In July 2007, the complainant submitted a claim to the insurer (through the respondent) when one of the supermarket's walk-in freezers broke down overnight and stock stored in the freezer was damaged. The claim included R2 354.10 for the repairs to the freezer and loss of

stock totalling R33 695.00. The claim for the deterioration of stock was rejected on the grounds that there was no cover in place at the time. It appeared that the respondent had only added cover for the deterioration of stock under the "machinery breakdown" section of the policy on the morning the complainant had informed him of the loss.

In the complaint to this Office, the complainant alleged that the respondent had failed to provide him with suitable cover and as a result the supermarket had suffered financial loss of R33 964.88 for the damaged stock.

In response to the complaint, the respondent alleged that complainant had been offered the cover but had chosen not to take it due to cost consideration. The respondent was unable to furnish any proof that the cover was offered to the complainant. Neither the record of advice nor the quotation drawn at the time was submitted in support of his version. In order to verify the respondent's allegations, the Office requested the insurer to provide a breakdown of the premium which would have been payable had the deterioration of stock cover been in place. According to the insurer, the premium payable on that portion of cover would have been between R25.00 and R50.00 depending on the value of the stock insured.

The Ombud rejected the respondent's version as unlikely and found that, had the respondent taken into consideration the complainant's needs, he would have recommended cover for deterioration of stock following machinery breakdown. An examination of the policy schedule in place just prior to the Complainant purchasing the supermarket revealed that the previous owners also did not have this cover in place. This pointed to the possibility that the respondent was either not diligent in his handling of the supermarket's insurance needs, or alternatively did not appreciate that either owner needed such cover.

The respondent's failure to properly advise the complainant led to the complainant suffering financial loss, thus, the Office found the respondents jointly and severally liable for the payment of interest on the amount of R33 964.88.



FROM LEFT TO RIGHT

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

SETTLEMENTS



Complainant: Van Dyk

Issue: Failure to provide a reasonable and appropriate general explanation of the nature and material terms of the contract.

The complainant had sought financial advice from a representative of the respondent in relation to securing his outstanding bond. The complainant required a life cover policy with disability benefits. A policy was issued, which the complainant presumed covered his requirements. Sometime later, the complainant was injured at work and was unable to perform his duties. He was subsequently released from his employment. The complainant lodged a claim for disability under the policy. His claim was rejected on the grounds that the policy only provided cover in terms of physical impairment. Aggrieved by the respondent's failure to have provided him with disability benefits, the complainant turned to our office for assistance.

The respondent was requested to provide documentation showing that the representative had explained the difference between Physical Impairment and Disability.

The respondent responded by making an offer to the complainant, which was accepted in full and final settlement.

SETTLEMENT: R 20 000.00

Complainant: Wiid

Issue: Failure to disclose the actual and potential financial implications, costs and consequences of the replacement product.

The complainant alleged that he was advised by his financial advisor, a representative of the respondent, to replace an existing investment at Insurer A with a similar investment offered by the respondent. The complainant alleged that the respondent's representative assured him that he would not pay any commission. After receiving his policy schedule for the new investment, the complainant noticed that commission had been collected from his investment. After numerous attempts to have the matter resolved the complainant turned to this Office for assistance.

The matter was directed to the respondent who argued that the complainant had consented to the commission by signing both the quotation and the application form. This Office however directed the respondent's attention to its own documentation which reflected that the policy had been issued with a "100% allocation." This, in our view appeared to have created the illusion that commission should not have been deducted, but rather that all the funds paid in by the complainant had been invested.

The respondent agreed to repay the commission which was accepted by the complainant.

SETTLEMENT: R 44 533.17

Complainant: Twynham

Issue: Failure to act with due skill care and diligence in the best interests of the complainant.

The complainant's late father had approached the respondent to replace his existing life policy with a life policy from another life insurer. The policy was due to commence on 8th September 2011. The complainant's father however passed away on 3 September 2011, 5 days before the new life policy commenced. It appeared that by this time the existing policy had been cancelled.

The complainant, on behalf of the deceased's estate, lodged a complaint with this Office arguing that the respondent had a duty to ensure that the new policy was in place before cancelling the existing one. The complaint was sent to the respondent requesting it to either resolve the matter with the complainant, alternatively to revert with a response to the complainant's allegations. The respondent advised that the premium for the existing policy had been payable on the 10th of every month – in other words that the existing policy's cover was in place up until the 10th September 2011. Therefore the new policy would have incepted while the old policy was still in place.

Our investigations however revealed that this was not the case. The specific terms of the existing policy provided that although the premiums were deducted on 10th of every month, the benefits were only applicable for that specific calendar month, and that by cancelling the policy effective 31 August 2011, no benefits were provided for September 2011. This Office was of the view that the respondent's failure to adequately familiarize himself with the terms and conditions of the replaced policy had allowed the deceased to labour under the misconception that he had enjoyed cover.

The respondent agreed to make an offer to the complainant, which the latter accepted.

SETTLEMENT: R 400 000.00

Complainant: Ballim

Issue: Failure to provide the client with reasonable and appropriate information that would reasonably be expected to enable the client to make an informed decision.

With the assistance of the respondent, the complainant applied for medical aid cover. Unbeknown to the complainant the cover was granted with a three month general waiting period. The complainant subsequently incurred medical costs in the 1st three months and lodged a claim for reimbursement with the medical scheme. The claim was declined due to the three month waiting period restriction.

The complainant approached this Office alleging that the respondent had assured her that she had full cover from inception. Our office approached the respondent requesting proof that firstly, the waiting period had been disclosed; and secondly, that the complainant had been put in a position to make an informed decision. We further

highlighted the requirement to furnish factually correct information to a client. In turn, the respondent agreed to settle the complaint.

The complainant accepted the offer.

SETTLEMENT: R 10 000.00

Complainant: Kose

Issue: Failure to render the financial service in accordance with the contractual relationship and reasonable requests or instructions of the client.

The complainant took out a home loan with the respondent and had instructed the respondent to arrange for a home loan protection plan in respect of the loan. When the complainant's wife passed away, he lodged a claim with the respondent under the home loan protection plan in place. It was at this stage that the complainant discovered that his request had not been adhered to and approached the respondent to enquire about the plan. The respondent was evasive and did not provide the complainant with the necessary assistance. The complainant accordingly approached our Office for assistance in this matter.

We referred the complaint to the respondent and requested a comprehensive reply to the complaint. The respondent could not provide any relevant compliance documentation evidencing that the complainant declined the home loan protection plan. In fact, the finance application forms reflected that the complainant had requested this cover.

In light of the evidence the respondent agreed to settle the outstanding loan amount.

SETTLEMENT: R 399 023.00

Complainant: Van Boetticher

Issue: Failure to render financial services honestly, fairly, with due skill, care and diligence, and in the interests of clients and the integrity of the financial services industry.

The complainant sought investment advice from the respondent after having received a lump sum pay out from her divorce settlement. On the respondent's advice the complainant invested her lump sum of R1 million into a single premium investment which would yield a monthly income, which in turn was used to fund a monthly premium of R30 000.00 for an endowment investment. Sometime later, the complainant discovered that her initial lump sum investment was rapidly depleting due to the fact that the endowment's premium was being funded from the capital of her single premium investment and not as she had thought, from the interest of the investment. Furthermore, it appeared that the respondent had increased the premium from R30 000.00 to R50 000.00 per month. As she could no longer afford the monthly premiums of R 50 000.00, she was compelled to surrender the endowment. The complainant was however surprised at a heavy penalty she had to incur as a result of

the surrender.

The complainant approached our office for assistance alleging that she had been misled by the respondent who had failed to inform her that she would suffer a financial loss in the form of penalties should she stop contributing towards the investment. She further alleged that all commissions and fees were not properly disclosed or even negotiated prior to the inception of the policy.

The complaint was referred to the respondent for his version of events. The respondent refuted liability as he believed that all disclosures were made to the complainant and he acted in accordance with the relevant legislation. The respondent was thereafter requested to provide documentary evidence substantiating his statement that all disclosures were made including proof that the complainant agreed to the commission for the higher monthly premium, proof that the advisory fee, terms and conditions were explained to the complainant, compliance documentation demonstrating why the initial monthly premium was changed from R30 000.00 p.m. to R50 000.00 and proof that the complainant was made aware that she would pay penalties should she surrender the investment within the first 5 years.

The respondent was unable to furnish the necessary compliance documentation requested from him. A recommendation was therefore made to the respondent to settle the complaint. The respondent made a full and final offer which was accepted by the complainant.

SETTLEMENT: R 60 000.00

Complainant: Meandes

Issue: Failure to render the financial service in accordance with the contractual relationship and reasonable requests or instructions of the client.

The deceased purchased a vehicle at a dealership and had sought advice from an F&I Manager on the various insurance options available to him. During this meeting, the deceased accepted an Auto Settlement Policy. Due to his existing illness (diabetes) which was disclosed during application, the cover was restricted to death and retrenchment cover only. The deceased accepted this cover on these grounds. The insurer thereafter sent a letter to the respondent requesting the deceased to sign a disclosure notice and acceptance declaration prior to inception of the policy. It is unclear whether this letter was ever brought to the attention of the deceased. Upon the deceased's death, the complainant who is the insured's son and executor of his estate, lodged a claim with the insurer. The complainant maintains that the deceased was under the impression that the request for death and retrenchment cover had been granted as he had never been informed that such cover was not initiated and had clearly expressed his intention to take out the credit life policy.

The complainant approached our Office for assistance after being unsuccessful in his endeavours to resolve the matter with the insurer. The respondent in their response alleged that they had contacted the deceased telephonically and had during such conversation



received an instruction that the deceased no longer wished to take out the credit life insurance with restricted benefits. The respondent could however not provide any documentation or record confirming the purported telephone call or any other communication with the insured regarding the policy.

Based on their inability to provide documentary evidence of their submissions, the respondent offered to pay R597 100.76 in settlement of the deceased's account.

The complainant accepted this offer in full and final settlement of the matter.

SETTLEMENT: R 597 100.76

Complainant: T.T. v M

Issue: Failure to adhere to the obligations and requirements imposed by the general code of conduct for authorised financial services providers and representatives, when client funds are received.

The complainant had completed an investment application form with a representative of the respondent and had authorised the transfer of

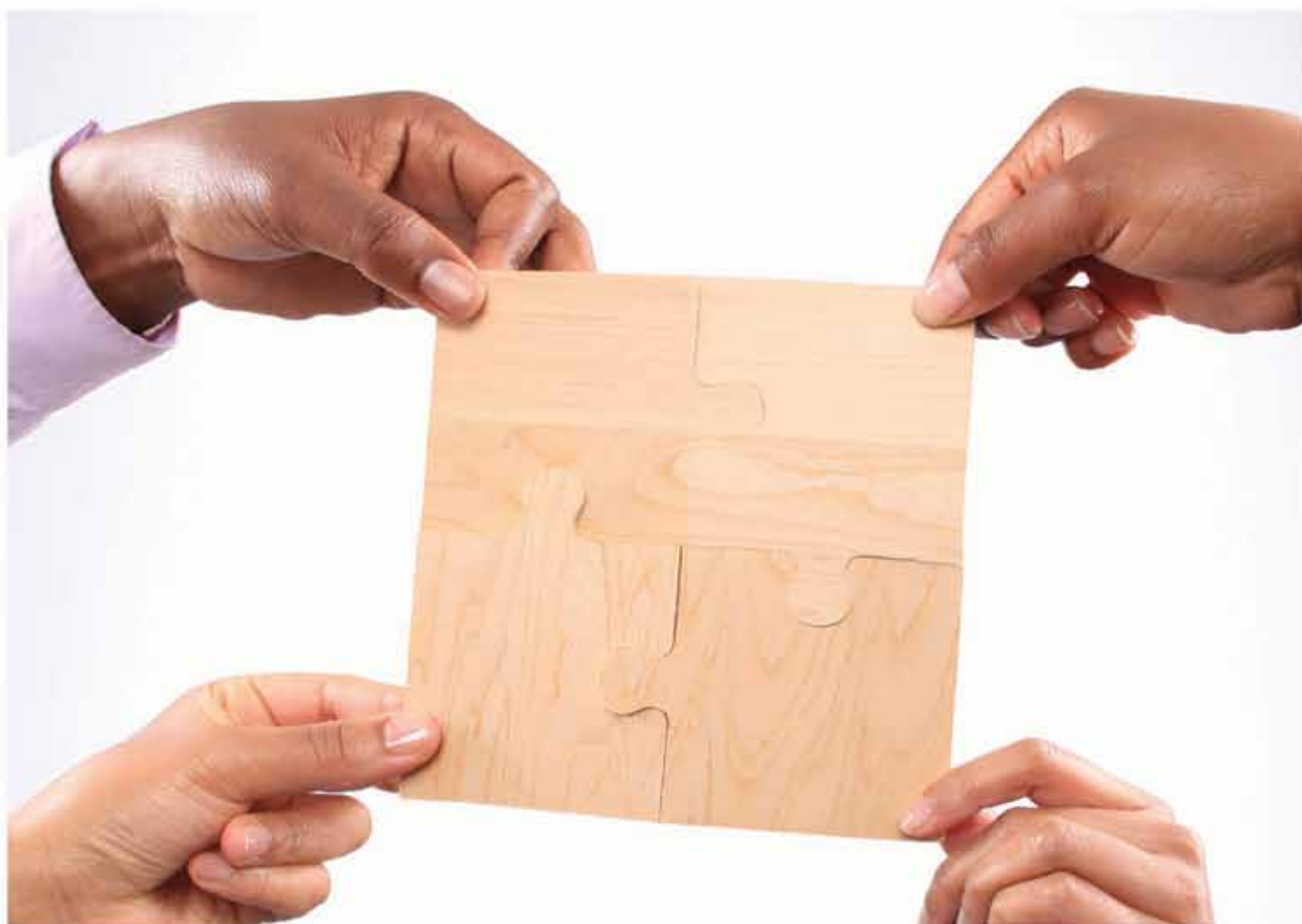
the funds. Subsequent to the completion of the application form, the representative had vacated his position with the respondent, and the application was never processed which resulted in the complainants funds being transferred to a suspension account.

When the complainant became aware of the respondents failure to allocate the funds as per the signed application form, he requested that he be provided with a full refund of his capital together with the growth he would have enjoyed had the funds been invested as per his instructions.

The matter was directed to the respondent who failed to adhere to the complainants claims for a refund, as the complainant had not been able to provide proof of payment. The respondent was reminded that the transaction had been a replacement of an existing investment also with the respondent, and that an unfair burden of proof had been placed upon the complainant.

The respondent agreed to the refund as requested by the complainant.

SETTLEMENT: R102 219.95



TECHNICAL TEAMS CASE MANAGEMENT



LEFT TO RIGHT (BACK ROW)

Johan Scheepers, Zama Nkubungu, Ashwin Singh, Siphon Makuzeni, Deon Esterhuizen,

LEFT TO RIGHT (FRONT ROW)

Thobekile Ngcobo, Violet Ricketts, Zine Mahlaka, Phumza Mtshemla, Sinomhlobo Katangana, Nomvula Mtolo, Ayanda Mntonintshi



LEFT TO RIGHT (BACK ROW)

Carl Timothy, Oko Matshaya, Marc Alves, Mashite Makgoo,

LEFT TO RIGHT (FRONT ROW)

Sinovuyo Puzi, Akhona Zonke, Nlivedna Rajmohan, Nicolene Pretorius, Ncebakazi Giqwa

CASE ADMINISTRATION



LEFT TO RIGHT

Muzi Magagula, Leoni Niewoudt, Mpho Koloko, Tshepiso Mabaso, Jaco Van Rensburg

ADJUDICATION SUPPORT



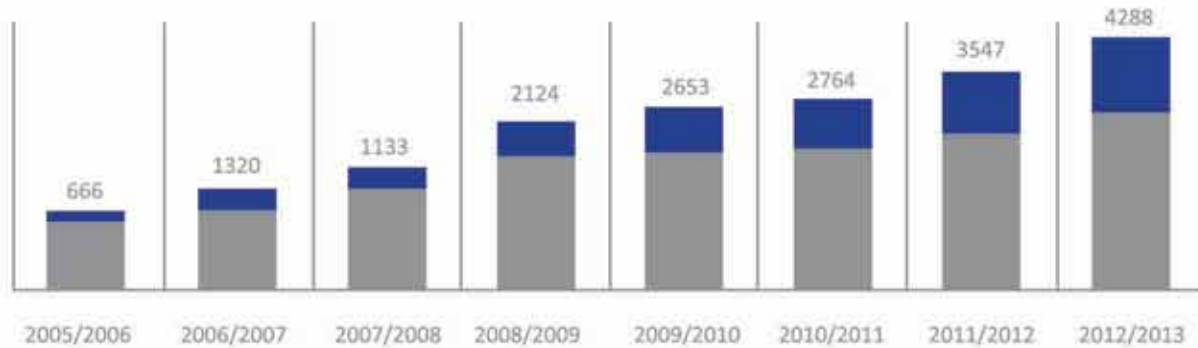
LEFT TO RIGHT

Hestie Teessen, Chantel van Wyk



STATISTICS

FOR THE YEAR ENDING 31 MARCH 2013

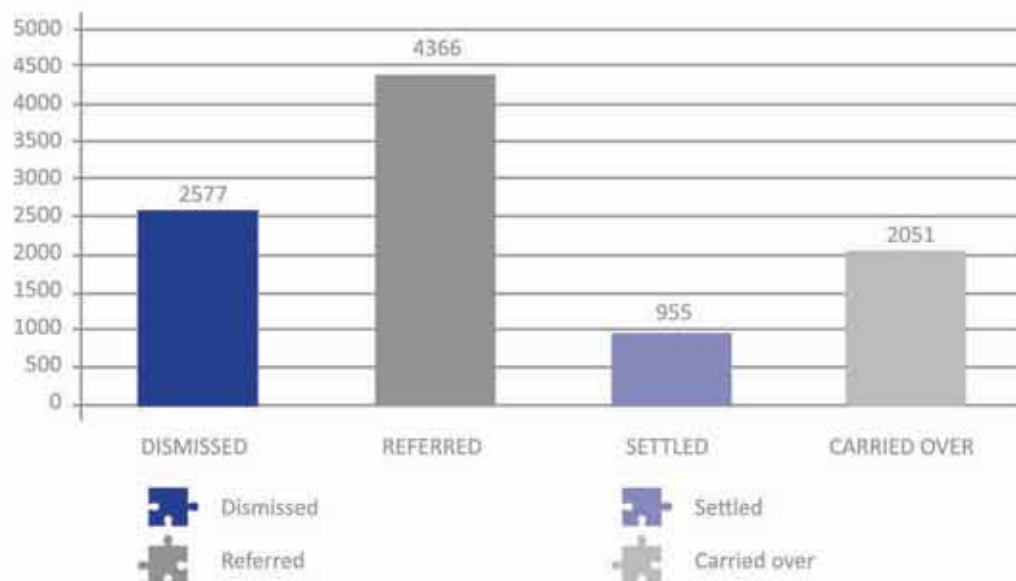
GROWTH IN NEW COMPLAINTS



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

 Justiciable complaints
 Total No. of complaints

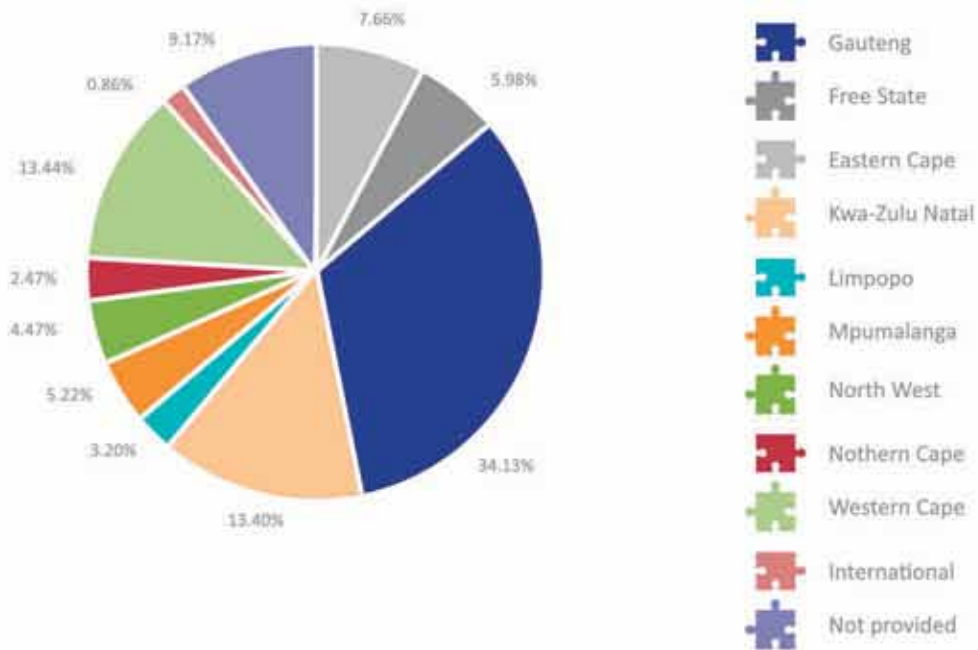
HOW NEW COMPLAINTS WERE DEALT WITH



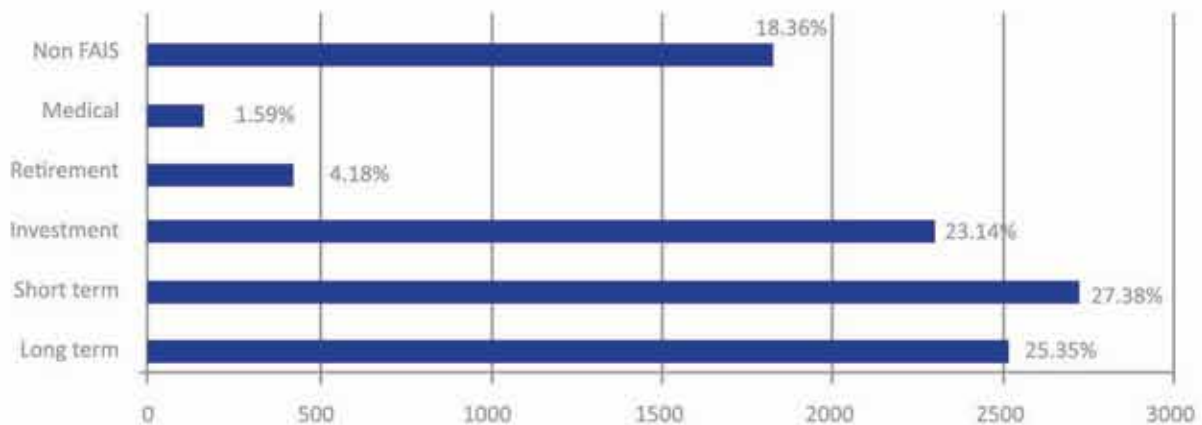
 Dismissed
 Referred
 Settled
 Carried over



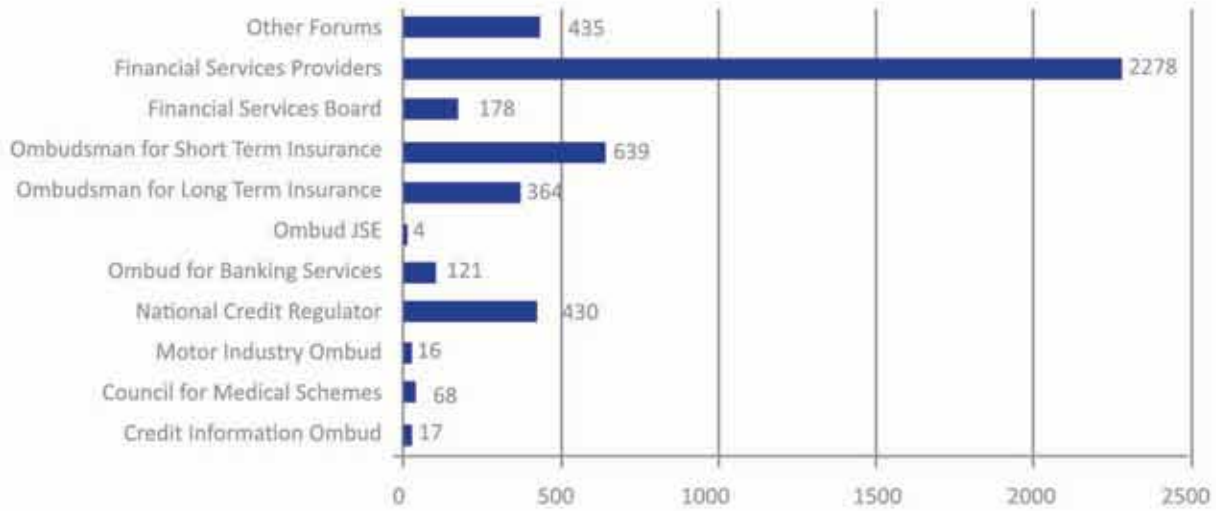
WHERE DO OUR COMPLAINTS COME FROM



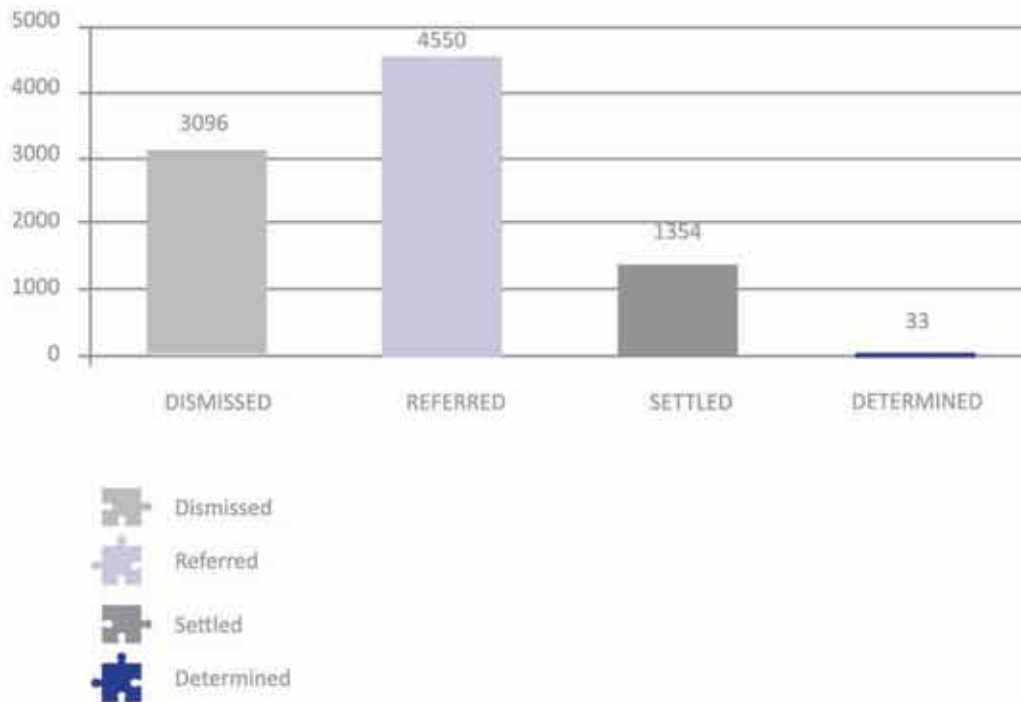
WHAT PRODUCTS DO PEOPLE COMPLAIN ABOUT



REFERRALS TO OTHER FORA



ALL RESOLUTIONS IN 2012/2013 FOR CASES FROM ALL YEARS

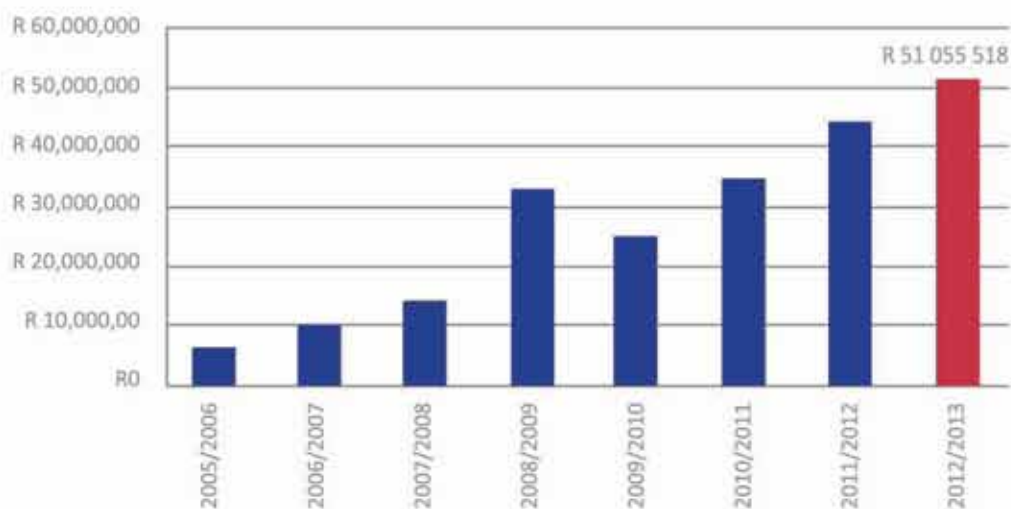




GROWTH IN DETERMINATIONS



QUANTUM SETTLED / DETERMINED



FINANCIAL YEAR	QUANTUM SETTLED / DETERMINED	% DIFFERENCE
2005/2006	R 6,500,000	
2006/2007	R 10,059,978	54.77%
2007/2008	R 14,154,868	40.70%
2008/2009	R 32,916,192	132.54%
2009/2010	R 24,986,681	-24.09%
2010/2011	R 34,784,240	39.21%
2011/2012	R 44,112,534	26.82%
2012/2013	R 51,055,518	15.74%

STAFFING

AS AT 31 MARCH 2013



LEFT TO RIGHT (BACK ROW)

IIne Potgieter, Johan Scheepers, Sipo Makuzeni, Oko Matshaya, Phumza Mtshemla, Busisiwe Kolweni, Leoni Niewoudt, Vusi Mtshweni, Zama Nkubungu, Tshepiso Mabaso, Mashite Makgoo, Carl Timothy, Jaco Van Rensburg

LEFT TO RIGHT (MIDDLE ROW)

Nivedna Rajmohan, Sinovuyo Puzi, Babalwa Ntozini, Lusanda Chili, Thobekile Ngcobo, Hestie Teessen, Nomvula Mtolo, Akhona Zonke, Sinomhlobo Katangana, Yvonne Shili, Nicolene Pretorius, Zine Mahiaka, Ayanda Mntonintshi, Mpho Koloko, Violet Ricketts, Chantel Van Wyk, Deon Esterhuizen, Kelebogile Sesoko, Tokozile Memela, Ncebakazi Giqwa

LEFT TO RIGHT (FRONT ROW)

Sithabile Sabela, Muzi Magagula, Marc Alves, David Davidson, Noluntu Bam, Sydwell Shangisa, Malanee Murugani-Modise, Ashley Percival, Jean Goodey, Ashwin Singh

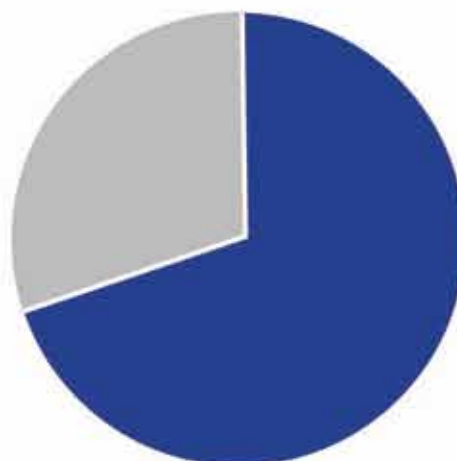
ABSENT

Lelane Bezuidenhout, Fundiswa Tiso, Johanna Mgidi, Rebotile Manakana, Lesego Moraka, Samantha Harvey

STAFFING 2012 -2013

Total number of staff

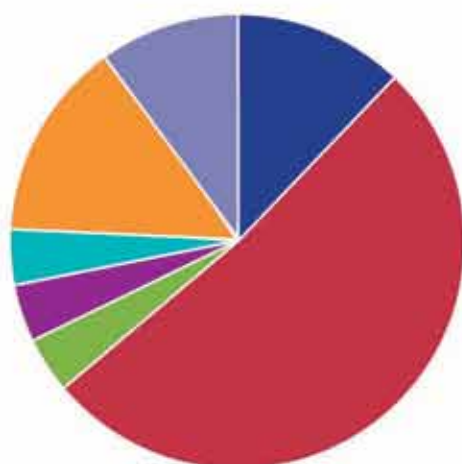
Female	35
Male	15
Total	50



STAFFING



POPULATION GROUPS

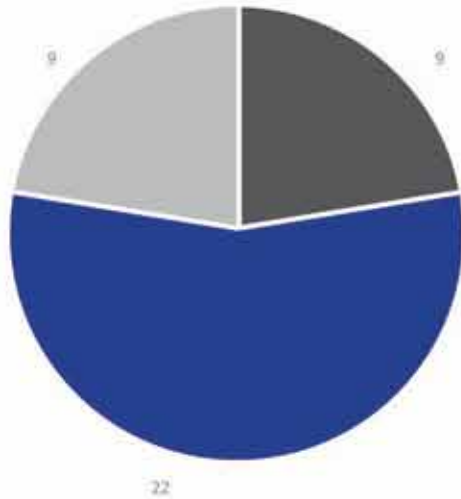


Population group	Female		Male	
African	26	52%	6	12%
Coloured	2	4%	0	0
Indian	2	4%	2	4%
White	5	10%	7	14%
Foreign	0	0	0	0
Total	35	70%	15	30%

Representation at management levels

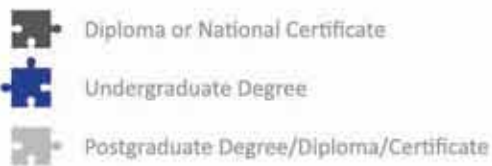
Level	Executive management		Senior and middle management	
	Female	Male	Female	Male
African	1	1	-	1
Indian	1	-	-	1
White	-	3	-	1
Coloured	-	-	-	-
Foreign	-	-	-	-
Total	2	4	0	3

SKILLS AND QUALIFICATIONS

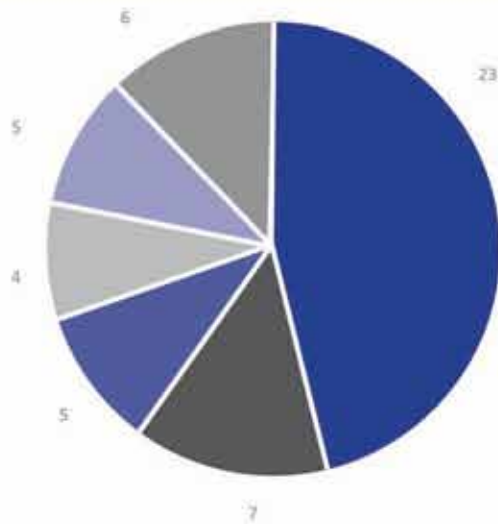


Employees with highest qualification

Qualification	Number of employees
Diploma or National Certificate	9
Undergraduate Degree	22
Postgraduate Degree/Diploma/Certificate	9
Total	40



AREAS OF SPECIALISATION



Specialisation

Specialisation	Number of employees
Law	23
Finance & commerce	7
CFP	5
Combination of law/Commerce and CFP	4
Other industry qualifications	5
Other areas	6

Staff members currently enrolled for further study

LLB	6
Financial Planning qualification	22



OFFICE SUPPORT



LEFT TO RIGHT

Tokozile Memela, Ilne Potgieter, Jean Goodey, Vusi Mtshweni, Kelebogile Sesoko, Yvonne Shill

2013 GRADUATE TRAINEES



LEFT TO RIGHT

Babalwa Ntozini, Lusanda Chill, Sinomhlobo Katangana, Busisiwe Kolweni

FINANCIAL STATEMENT



Mr Jean Goodey
Finance Manager

THE REPORTS AND STATEMENTS SET OUT BELOW COMPRISE THE FINANCIAL STATEMENTS PRESENTED TO THE PROVINCIAL LEGISLATURE:

Accounting Authority's Responsibilities and Approval	33
Audit Committee Report	34
Report of the Auditor-General	35 - 36
FAIS Ombud's Report	37
Statement of Financial Position	38
Statement of Financial Performance	39
Statement of changes in Net Assets	40
Cash Flow Statement	41
Statements of Comparison of Budget and Actual Amounts	42
Accounting Policies	43 - 50
Notes to the Financial Statements	51 - 58



ACCOUNTING AUTHORITY'S RESPONSIBILITIES & APPROVAL

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

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

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

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

The members have reviewed the entity's cash flow forecast for the year to 31 March 2014 and, in the light of this review and the current financial position, they are satisfied that the entity has access to adequate resources to continue in operational existence for the foreseeable future.

The financial statements set out on pages 38 to 58, which have been prepared on the going concern basis, were approved by the accounting authority on 31 May 2013 and were signed on its behalf by:

Chairperson
Abel Sithole

FAIS Ombud
Noluntu Bam

AUDIT COMMITTEE REPORT

We are pleased to present our report for the financial year ended 31 March 2013.

Audit Committee members and attendance

The Audit Committee is a sub-committee of the Board of the Financial Services Board and consists of only non-executive Board members. During the current year 6 meetings were held. The Audit Committee consists of the members listed hereunder.

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

Audit Committee's responsibility

The Audit Committee reports that it has complied with its responsibilities arising from section 51(1)(a) of the Public Finance Management Act, 1999 (Act No. 1 of 1999 - the PFMA) and Treasury Regulations 27.1. The Audit Committee reports that it has adopted appropriate formal terms of reference as its Audit Committee Charter, has regulated its affairs in compliance with this charter and has discharged its responsibilities as contained therein. There is a Risk Committee in place, which shares responsibility with the Audit Committee for risk management.

The effectiveness of internal control

The system of internal controls applied by the entity over financial and risk management is effective, efficient and transparent. In line with the PFMA and the King III Report on Corporate Governance requirements, Internal Audit provides the audit committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of a risk based internal audit plan, internal audit assessing the adequacy of controls mitigating the risks, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the Internal Auditors, the Audit Report on the financial statements, and the management report of the Auditor-General of South Africa, it was noted 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 financial statements

The Audit Committee has:

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

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

Internal audit

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

Auditor-General of South Africa

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



J. Mogadime



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

INTRODUCTION

1. I have audited the financial statements of the Office of the Ombud for Financial Services Providers set out on pages 38 to 58, which comprise the statement of financial position as at 31 March 2013, the statement of financial performance, statement of changes in net assets and the cash flow statement for the year then ended, the notes, comprising a summary of significant accounting policies and other explanatory information.

ACCOUNTING AUTHORITY'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR-GENERAL'S RESPONSIBILITY

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

OPINION

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Office of the Ombud for Financial Services Provider as at 31 March 2013, and its financial performance and cash flows for the year then ended in accordance with SA Standards of GRAP and the requirements of PFMA and the requirements of the FAIS Act.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

7. There in accordance with the PAA and the General Notice issued in terms thereof, we report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

PREDETERMINED OBJECTIVES

8. I performed procedures to obtain evidence about the usefulness and reliability of the information in the annual performance report as set out on pages 59 to 61 of the annual report.
9. The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of information in the annual performance report relates to whether it is presented in accordance with the National Treasury's annual reporting principles and whether the reported performance is consistent with the planned objectives. The usefulness of information further relates to whether indicators and targets are and relevant as required by the National Treasury Framework for managing programme performance information.
10. The reliability of the information in respect of the selected objectives is assessed to determine whether it adequately reflects the facts.
11. There were no material findings on the annual performance report concerning the usefulness and reliability of information.

COMPLIANCE WITH LAWS AND REGULATIONS

12. I performed procedures to obtain evidence that the entity has complied with applicable laws and regulations regarding financial matters, financial management and other related matters.
13. I did not identify any instances of material non-compliance with specific matters in key applicable laws and regulations as set out in the General Notice issued in terms of the PAA.

INTERNAL CONTROL

14. I did not identify any deficiencies in internal control which I considered sufficiently significant for inclusion in this report.

Auditor - General

Pretoria
31 July 2013



FAIS OMBUD'S REPORT OF THE YEAR

NATURE OF OPERATIONS

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

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

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

The Office is funded in terms of a budget approved by the Board of the Financial Services Board in terms of Section 22 of the FAIS Act.

SUBSEQUENT EVENTS

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

OFFICE BEARERS

The Ombud is the responsible accounting officer for the year ended 31 March 2013 and the Board of the Financial Services Board is the designated accounting authority in terms of the National Treasury letter dated 31 March 2010.

STATEMENT OF FINANCIAL POSITION

	Note(s)	2013 R	2012 R
Assets			
Current Assets			
Accounts receivable	4	3 111 917	5 185 300
Cash and cash equivalents	5	467 327	539 423
		3 579 244	5 734 723
Non-Current Assets			
Property, plant and equipment	2	1 563 391	1 399 355
Intangible assets	3	352 481	327 551
		1 915 872	1 726 906
Total Assets		5 495 116	7 461 629
Liabilities			
Current Liabilities			
Finance lease obligation	8	58 066	23 894
Accounts payable	7	1 185 612	1 032 672
		1 243 678	1 056 766
Non-Current Liabilities			
Finance lease obligation	6	298 283	36 387
Total Liabilities		1 541 961	1 093 153
Net Assets		3 953 155	6 368 476
Net Assets			
Accumulated surplus		3 953 155	6 368 476



STATEMENT OF FINANCIAL PERFORMANCE

	Note(s)	2013 R	2012 R
Revenue	8	26 944 000	26 809 109
Operating expenses		(8 374 070)	(8 255 147)
Personnel costs	10	(20 253 336)	(17 702 945)
Depreciation and amortisation	2&3	(680 445)	(690 846)
Operating (deficit) surplus	9	(2 363 851)	160 171
Finance costs	11	(51 470)	(50 349)
(Deficit) surplus for the year		(2 415 321)	109 822
Attributable to:			
Owners of the controlling entity		(2 415 321)	109 822

STATEMENT OF CHANGES IN NET ASSETS

	Accumulated surplus R	Total net assets R
Balance at 01 April 2011	6 258 654	6 258 654
Changes in net assets		
Surplus for the year	109 822	109 822
Total changes	109 822	109 822
Balance at 01 April 2012	6 368 476	6 368 476
Changes in net assets		
Deficit for the year	(2 415 321)	(2 415 321)
Total changes	(2 415 321)	(2 415 321)
Balance at 31 March 2013	3 953 155	3 953 155



CASH FLOW STATEMENT

	Note(s)	2013 R	2012 R
Cash flows from operating activities			
Cash received from entities		29 027 386	26 600 491
Cash paid to suppliers and employees		(28 461 852)	(25 703 333)
Net cash flows from operating activities	14	565 534	897 158
Cash flows from investing activities			
Purchase of property, plant and equipment	2	(602 966)	(238 227)
Proceeds from sale of property, plant and equipment	2	40 462	6 242
Purchase of other intangible assets	3	(319 724)	(281 334)
Proceeds from sale of other intangible assets	3	-	2 849
Net cash flows from investing activities		(882 228)	(510 470)
Cash flows from financing activities			
Finance lease receipts / (payments)		244 598	(108 863)
Net (decrease)/increase in cash and cash equivalents		(72 096)	277 825
Cash and cash equivalents at the beginning of the year		539 423	261 598
Cash and cash equivalents at the end of the year	5	467 327	539 423

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Statement of Financial Performance						
Revenue						
Revenue from non-exchange transactions						
Transfer revenue						
Levies	26 910 000	-	26 910 000	26 910 000	-	
Case fees	160 000	-	160 000	31 000	(129 000)	
Recoveries	-	-	-	3 000	3 000	
Total revenue from non-exchange transactions	27 070 000	-	27 070 000	26 944 000	(126 000)	
Expenditure						
Personnel	(21 643 000)	-	(21 643 000)	(20 253 336)	1 389 664	21
Depreciation and amortisation	(650 000)	-	(650 000)	(680 443)	(30 443)	
Finance costs	-	-	-	(51 470)	(51 470)	
Repairs and maintenance	(596 000)	-	(596 000)	(512 652)	83 348	
General Expenses	(10 315 000)	-	(10 315 000)	(7 848 603)	2 466 397	21
Total expenditure	(33 204 000)	-	(33 204 000)	(29 346 504)	3 857 496	
Operating deficit	(6 134 000)	-	(6 134 000)	(2 402 504)	3 731 496	
Loss on disposal of assets and liabilities	-	-	-	(12 817)	(12 817)	
Deficit before taxation	(6 134 000)	-	(6 134 000)	(2 415 321)	3 718 679	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	(6 134 000)	-	(6 134 000)	(2 415 321)	3 718 679	



ACCOUNTING POLICIES

1. STATEMENT OF COMPLIANCE

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board in accordance with section 55 and 89 of the Public Finance Management Act, (Act No.1 of 1999 – as amended by Act 29 of 1999).

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

BASIS OF PREPARATION AND PRESENTATION

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

These accounting policies are consistent with the previous year.

1.1 SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

IMPAIRMENT OF RECEIVABLES

The entity assesses its loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus 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 FAIS Ombud reassesses the useful lives and residual values of property, plant and equipment and intangible assets on an annual basis. In this reassessment 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.

1.2 PROPERTY, PLANT AND EQUIPMENT

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

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

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

Property, plant and equipment is initially measured at cost.

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

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

ACCOUNTING POLICIES

1.2 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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 subsequently carried at cost less accumulated depreciation and any impairment losses. Depreciation is recognised in surplus or deficit on the straight line basis over the expected useful lives to their estimated residual values. Assets held under finance leases are depreciated over the expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

Depreciation commences when the asset is ready for its intended use.

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

Item	Average useful life
Furniture and fixtures	5-15 years
Motor vehicles	11 years
Office equipment	4-12 years
Computer equipment	3-11 years
Leasehold improvements	2-8 years
Assets under finance lease	5 years
Paintings	5-13 years

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

Items of property, plant and equipment are de-recognised 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 de-recognition 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 de-recognition 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.

1.3 INTANGIBLE ASSETS

An asset is identified as an intangible asset when it:

- 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, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the entity or from other rights and obligations.

An intangible asset is recognised when:

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

Intangible assets are initially recognised at cost.

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

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

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



ACCOUNTING POLICIES

1.3 INTANGIBLE ASSETS (CONTINUED)

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

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

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

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

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

ITEM	USEFUL LIFE
Data management system	3 years
Website	3-7 years
Computer software	3-7 years
Licenses	1 year

1.4 FINANCIAL INSTRUMENTS

Initial recognition and measurement

Financial instruments are recognised initially when the FAIS Ombud becomes a party to the contractual provisions of the instruments.

The FAIS Ombud classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Regular way purchases of financial assets are accounted for at trade date.

Subsequent measurement

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Fair value determination

Fair value information for trade and other receivables is determined as the present value of the estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Impairment of financial assets

At each end of the reporting period the FAIS Ombud assesses all financial assets, other than those at fair value through surplus or deficit, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

ACCOUNTING POLICIES

1.4 FINANCIAL INSTRUMENTS (CONTINUED)

For amounts due to the entity, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

Impairment losses are recognised in surplus or deficit.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Receivables from exchange transactions

Accounts receivable are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in the statement of financial performance.

Accounts receivable are classified as loans and receivables.

Payables from exchange transactions

Accounts payables are initially measured at fair value less any transaction costs (if any), and are subsequently measured at amortised cost, using the effective interest rate method.

Accounts payable are classified as financial liabilities at amortised cost.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially measured at fair value and subsequently at amortised cost using the effective interest method.

Cash and cash equivalents are classified as loans and receivables.

1.5 LEASES

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

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



ACCOUNTING POLICIES

1.5 LEASES (CONTINUED)

Finance leases - lessee

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

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

Operating leases

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

1.6 EMPLOYEE BENEFITS

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

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 expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Retirement benefits

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

1.7 PROVISIONS AND CONTINGENCIES

Provisions are recognised when:

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

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

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

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

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The

ACCOUNTING POLICIES

1.7 PROVISIONS AND CONTINGENCIES (CONTINUED)

reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

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

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

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

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
 - the activity/operating unit or part of a activity/operating unit concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for services being terminated;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

Contingent assets and contingent liabilities are not recognised.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The entity recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the entity for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the entity considers that an outflow of economic resources is probable, an entity recognises the obligation at the higher of:

- the amount determined using the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.



ACCOUNTING POLICIES

1.8 REVENUE FROM EXCHANGE TRANSACTIONS

Non-exchange transactions are defined as transactions where the entity 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 the liability is recognised in respect of the same inflow.

As the FAIS Ombud satisfies a present obligation recognised as a liability in respect of an inflow of resources from a nonexchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

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

When as a result of a non-exchange transaction the FAIS Ombud 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 in revenue.

1.9 UNAUTHORISED EXPENDITURE

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

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

1.10 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.

1.11 IRREGULAR EXPENDITURE

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

- (a) the PFMA
- (b) the State Tender Board Act, 1968 (Act No. 85 of 1968), or any regulations made in terms of the Act; or
- (c) the FAIS Ombud's supply chain management policy

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

ACCOUNTING POLICIES

1.12 BUDGET INFORMATION

The FAIS Ombud is subject to budgetary limits in the form of budget authorisations, which are 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 2012/04/01 to 2013/03/31.

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

Comparative information is not required.

1.13 RELATED PARTIES

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

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

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

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



NOTES TO THE FINANCIAL STATEMENTS

2. Property, plant and equipment

	2013			2012		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Furniture and fittings	846 678	(524 427)	322 251	853 323	(449 070)	404 253
Motor vehicles	137 285	(111 422)	25 863	138 593	(99 307)	39 286
Office equipment	486 981	(274 936)	212 045	473 573	(221 738)	251 835
Computer equipment	1 244 898	(663 403)	581 495	1 090 215	(539 796)	550 419
Leasehold improvements	184 894	(99 545)	85 349	140 257	(62 849)	77 408
Assets under finance lease	375 333	(22 197)	353 136	218 598	(147 322)	71 276
Paintings	26 376	(23 124)	3 252	28 376	(21 498)	4 878
Total	3 282 445	(1 719 054)	1 563 391	2 940 935	(1 541 580)	1 399 355

Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	404 253	3 998	(4 064)	(81 936)	322 251
Motor vehicles	39 286	-	-	(13 423)	25 863
Office equipment	251 835	41 075	(3 284)	(77 581)	212 045
Computer equipment	550 419	157 922	-	(126 848)	581 495
Leasehold improvements	77 408	24 638	-	(36 697)	65 349
Assets under finance lease	71 276	375 333	(45 931)	(47 542)	353 136
Paintings	4 878	-	-	(1 626)	3 252
	1 399 355	602 966	(53 279)	(385 651)	1 563 391

Reconciliation of property, plant and equipment - 2012

	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	517 769	-	(23 945)	(89 571)	404 253
Motor vehicles	52 382	-	-	(13 096)	39 286
Office equipment	282 352	43 972	-	(74 489)	251 835
Computer equipment	782 561	188 085	(206 008)	(214 219)	550 419
Leasehold improvements	99 732	6 170	-	(28 494)	77 408
Assets under finance lease	114 995	-	-	(43 719)	71 276
Paintings	7 316	-	-	(2 438)	4 878
	1 857 107	238 227	(229 953)	(466 026)	1 399 355

NOTES TO THE FINANCIAL STATEMENTS

3. Intangible assets

	2013			2012		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Licenses	192 401	(122 415)	69 986	163 006	(84 769)	78 237
Computer software	508 205	(247 542)	260 663	504 608	(288 043)	216 565
Data Management system	485 843	(485 843)	-	485 843	(485 843)	-
Website	49 540	(27 708)	21 832	49 540	(16 791)	32 749
Total	1 235 989	(883 508)	352 481	1 202 997	(875 446)	327 551

Reconciliation of intangible assets - 2013

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

Reconciliation of intangible assets - 2012

	Opening balance	Additions	Disposals	Amortisation	Total
Licenses and franchises	-	163 006	-	(84 769)	78 237
Computer software	221 296	118 328	-	(123 059)	216 565
Data Management system	-	-	-	-	-
Website	52 588	-	(2 849)	(16 990)	32 749
	273 884	281 334	(2 849)	(224 818)	327 551

2013
R

2012
R

Other information

Fully amortised intangible assets still in use

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

4. Accounts receivable

Receivables: Case fees	6 000	107 091
Provision for doubtful debts	(6 000)	(46 000)
Receivable: Financial Services Board	2 529 098	4 846 979
Prepayments	423 268	287 230
Sundry debtors	47 520	-
Study advances	112 031	-
	3 111 917	5 195 300



NOTES TO THE FINANCIAL STATEMENTS

	2013 R	2012 R	
4. Accounts receivable (continued)			
Trade and other receivables impaired			
As of 31 March 2013, trade and other receivables of R79 000 (2012: R116 000) were impaired. The amount of the provision for doubtful debt was R6 000 as of 31 March 2013 (2012: R46 000).			
5. Cash and cash equivalents			
Cash and cash equivalents consist of:			
Cash on hand	2 500	2 500	
Bank balances	464 827	536 923	
	467 327	539 423	
6. Finance lease obligation			
Non-current liabilities	298 283	36 387	
Current liabilities	58 066	23 894	
	356 349	60 281	
Some office equipment is leased under non-cancellable lease agreements. The lease terms are five years and are renewable on a month to month basis at the end of the lease period at market rates. As the lease terms transfers substantially all the risks and rewards of ownership to the FAIS Ombud, these are classified as finance leases. Lease agreements have a fixed 60 months term, interest is fixed at an average of 15,7% with equal lease payments over the lease term.			
Reconciliation of minimum lease payments	Minimum Payments	Interest Costs	Present Value
2013	-	-	-
Less than one year	109 440	51 374	58 066
Two to five years	401 280	102 997	298 283
	510 720	154 371	356 349
2012	-	-	-
Less than one year	70 045	46 151	23 894
Two to five years	116 720	80 333	36 387
	186 765	126 484	60 281
7. Accounts payable			
Accounts payable	87 004	126 477	
Operating lease liability	366 293	492 875	
Accrued leave pay	608 778	413 520	
Other accrued expenses	123 537	-	
	1 185 612	1 032 872	
8. Revenue			
Levies	26 910 000	26 615 081	
Case fees	31 000	160 000	
Recoveries	3 000	34 028	
	26 944 000	26 809 109	

NOTES TO THE FINANCIAL STATEMENTS

	2013 R	2012 R
8. Revenue (continued)		
The amount included in revenue arising from non-exchange transactions is as follows:		
Levies	26 910 000	26 615 081
Case fees	31 000	160 000
Recoveries	3 000	34 028
	26 944 000	26 809 109
Non-exchange revenue	26 910 000	26 615 081
Case fees	31 000	160 000
Bad debts recovered	3 000	24 200
Compensation from third party	-	9 828
	26 944 000	26 809 109
9. Operating (deficit) / surplus		
Auditors remuneration	773 526	1 435 659
Bank charges	28 962	22 746
Cleaning	50 570	64 006
Consulting and professional fees	1 905 262	1 158 620
Entertainment	111 935	112 766
Flowers	18 419	5 515
Gifts	-	2 765
Hire	-	43 738
Insurance	82 379	48 649
Conferences and seminars	62 030	49 539
IT expenses	225 269	184 946
Lease rentals on operating lease	1 860 666	2 004 177
Levies	-	166 285
Motor vehicle expenses	14 236	11 513
Placement fees	131 434	78 070
Postage and courier	48 125	44 061
Printing and stationery	502 266	640 570
Promotions	202 069	-
Security	10 485	11 387
Staff welfare	126 002	129 646
Subscriptions and membership fees	42 171	38 912
Telephone and fax	530 577	384 581
Training	218 877	247 835
Travel - local	147 943	114 833
Travel - overseas	60 321	108 869
Electricity	409 032	396 793
Text book or library books	184 841	213 213
Debts impaired	79 000	116 000
Provision for doubtful debt	(40 000)	(27 000)
Strategic planning and workshops	62 206	69 938
	7 848 603	7 878 632



NOTES TO THE FINANCIAL STATEMENTS

	2013 R	2012 R
10. Employee related costs		
Salaries	17 850 913	16 073 394
Bonus	1 335 191	1 020 029
UIF	76 309	62 389
WCA	14 793	-
SDL	184 655	-
Leave pay provision charge	749 475	531 133
Long-service awards	42 000	16 000
	20 253 336	17 702 945
11. Finance costs		
Finance leases	51 470	50 349
12. Taxation		
No provision has been made for 2013 tax as the office of the FAIS Ombud is exempt from taxation in terms of section 10(1)(cA)(i) (bb) of the income tax Act, 1962 (Act No. 58 of 1962 as amended).		
13. Auditors' remuneration		
External audit	642 700	787 722
Internal audit	130 826	647 937
	773 526	1 435 659
14. Cash generated from operations		
(Deficit) / surplus	(2 415 321)	109 822
Adjustments for:		
Depreciation and amortisation	680 443	690 846
Loss on sale of assets	12 817	223 711
Finance costs - Finance leases	51 470	50 349
Debt impairment	39 000	89 000
Changes in working capital:		
Accounts receivable	2 044 384	(171 655)
Accounts payable	152 741	(94 915)
	565 534	897 158
15. Operating lease commitments		
Operating leases - as lessee		
Minimum lease payments due		
- within one year	1 877 452	1 722 376
- in second to fifth year inclusive	980 204	2 857 656
	2 857 656	4 580 032

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

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

NOTES TO THE FINANCIAL STATEMENTS

	2013 R	2012 R
16. Contingent liabilities		
The are no contingent liabilities or pending litigation that are known to management as at 31 March 2013.		
17. Related parties		
Related party balances		
Amounts included in Receivables regarding related parties		
Financial Services Board	2 529 097	4 846 927
Related party transactions		
Funding of the Office received in terms of section 22 (1) (a) of the Financial Advisory and Intermediary Services Act 37 of 2002.		
Financial Services Board	26 910 000	26 615 081
The FAIS Ombud and the Financial Services Board both report to the Board of the Financial Services Board and the FAIS Ombud receives its funding from levies via the Financial Services Board.		



NOTES TO THE FINANCIAL STATEMENTS

18. Key management remuneration

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

Executive

2013

	Emoluments	Travel allowance	Pension contribution	Performance bonus	Leave commutation paid	Total
NN Bam, FAIS Ombud	1 507 788	24 000	223 843	313 643	144 052	2 213 326
S Shangisa, Deputy Ombud, appointed 1 October 2012	419 663	-	39 794	105 388	57 966	622 811
X Mhlongo, Finance Manager, resigned 30 August 2012	329 868	-	35 637	-	37 852	403 357
J Goodey, Finance Manager, appointed 1 January 2013	157 937	-	17 063	-	-	175 000
M Murugan-Modise, Assistant Ombud	719 243	-	77 054	146 673	16 211	959 181
AA Percival, Assistant Ombud	717 674	-	76 906	123 730	16 017	934 527
DE Davidson, Assistant Ombud, appointed to Exco 1 January 2013	223 798	-	24 178	-	19 023	266 999
	4 076 171	24 000	494 475	689 434	291 121	5 575 201

2012

	Emoluments	Travel allowance	Pension contribution	Performance bonus	Leave commutation paid	Total
NN Bam, FAIS Ombud	1 360 680	24 000	202 346	261 300	87 681	1 936 007
S Bana, Finance Manager, resigned 30 June 2011	171 645	6 000	19 192	-	37 085	233 922
X Mhlongo, Finance Manager, appointed 22 August 2011	329 868	-	35 637	-	-	365 505
S Sikhita, Assistant Ombud, resigned 29 February 2012	598 107	22 000	76 001	-	16 876	712 984
M Murugan-Modise, Team Resolution Manager	646 319	-	69 824	104 600	12 436	833 179
AA Percival, Team Resolution Manager	628 298	18 000	69 822	104 630	14 831	835 581
	3 734 917	70 000	472 822	470 530	168 909	4 917 178

19. Change in estimate

Property, plant and equipment

The useful life of certain property, plant and equipment was reassessed and management have revised their estimates. The effect of this revision has decreased the depreciation charges for the current and future periods by R27 101.

Intangible assets

The useful life of certain intangible assets was reassessed and management have revised their estimates. The effect of this revision has decreased the amortisation charges for the current and future periods by R5 131.

NOTES TO THE FINANCIAL STATEMENTS

20. Risk management

Financial risk management

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

Interest rate risk

The FAIS Ombud has cash and cash equivalents and its income and operating cashflow are dependent on an approved budget received from the Financial Services Board.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents as well as accounts receivable. The entity only deposits cash with established financial institutions approved by National Treasury.

Accounts receivable consist mainly of monies owed by the Financial Services Board. Credit risk is limited as the FAIS Ombud is a regulatory body and levies are charged in terms of legislation.

Liquidity risk

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

The table below analyses the FAIS Ombud's financial liabilities at year end:

At March 31, 2013	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Accounts payable	1 243 221	-	-	-
At March 31, 2012	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Accounts payable	1 032 872	-	-	-

21. Actual operating expenditure versus budgeted operating expenditure

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

The savings in general expenses was mainly driven by lower than budgeted legal expenses, which was due to less actual litigation than anticipated. There was also savings in audit expenses, recruitment expenses and property rental expenses.

22. Employee benefits - Defined contribution plan

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

	2013 R	2012 R
Pension fund contributions	1 743 106	1 637 626

PERFORMANCE INFORMATION



STRATEGIC GOAL 1:

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

STRATEGIC OBJECTIVE		To increase the number of satisfied customers		
OUTPUTS		Closed complaints files. Customer satisfaction survey forms. Implemented Quality control plan		
OUTCOMES		Satisfied customers		
PROGRAMME PERFORMANCE INDICATOR		Performance Targets		
		Target 2012/2013	Progress as at 31 March 2013	Explanation/ Variance
1.1	% increase in satisfied customers	50%	During the year, of the customer satisfaction survey forms received 99% reflected positive feedback from customers.	This goal has been achieved. This was the first year that this programme was rolled out, hence the conservative target. However, the addition of new case managers and improvement of service levels have contributed to the overall levels of customer satisfaction.
1.2	% closed complaints within 9 months of date of receipt of complaint	70%	<p>Quarter 1: Cases received in July 2011: 93.06% closed by 30 April 2012 Cases received in August 2011: 93.24% closed by 31 May 2012 Cases received in September 2011: 92.87% closed by 30 June 2012 <i>On average 93% of cases received were closed within 9 months of receipt</i></p> <p>Quarter 2: Cases received in October 2011: 92.9% closed by 31 July 2012 Cases received in November 2011: 88.4% closed by 31 August 2012 Cases received in December 2011: 85.9% closed by 30 September 2012 <i>On average 89% of cases received were closed within 9 months of receipt</i></p> <p>Quarter 3: Cases received in JANUARY 2012: 88.99% closed by 31 October 2012 Cases received in FEBRUARY 2012: 88.97% closed by 30 November 2012 Cases received in MARCH 2012: 90.26% closed by 31 December 2012 <i>On average 89% of cases received were closed within 9 months of receipt</i></p> <p>Quarter 4: Cases received in APRIL 2012: 89% closed by 31 January 2013 Cases received in MAY 2012: 93% closed by 28 February 2013 Cases received in JUNE 2012: 92% closed by 31 March 2013 <i>On average 91% of cases received were closed within 9 months of receipt</i></p> <p>This goal has been achieved.</p>	The addition of resources in the case administration and case management departments as well as improvements in general system and quality controls have resulted in increased turn-around times
1.3	% achievement of activities in quality control implementation plan	100%	100% of the quality control implementation plan has been achieved. This goal has been achieved.	

PERFORMANCE INFORMATION

STRATEGIC GOAL 2:

Achieve operational excellence				
STRATEGIC OBJECTIVE		To optimise internal capacity, business processes & systems to achieve operational excellence.		
OUTPUTS		Unqualified audit report. Approved Budget. Management accounts. Internship contracts. Revised Training plan. Executed training plan. Reviewed HR policies. Implemented performance management system. Approved succession plan. Updated Compliance and Risk Management Framework. Implemented IT plan.		
OUTCOMES		Operational excellence. Enhanced internal effectiveness and service delivery. Sufficient funds to deliver on mandate. Motivated staff to achieve FAIS Ombud's objectives. The FAIS Ombud is seen as a compliant entity.		
PROGRAMME PERFORMANCE INDICATOR		Performance Targets		
		Target 2012/2013	Progress as at 31 March 2013	Explanation/Variance
2.1	Type of audit opinion issued by AG	Unqualified	The FAIS Ombud achieved an unqualified audit of its 2011/2012 Annual Financial Statements. This goal has been achieved.	
2.2	Approved budget	Approved budget before 31 March	The current Budget was approved in March 2012. The budget for 2013/2014 was approved in March 2013. This goal has been achieved.	
2.3	Management accounts - % unexplained deviation from budget vs actual	Less than 10% unexplained deviation	Less than 10% unexplained deviations in the management accounts. This goal has been achieved.	
2.4	No. of internship contracts in place	6 internship contracts in place	The 2012 internship contracts ended on 31 December 2012. Following a successful recruitment drive in November/December 2012, 6 new law graduates were appointed to commence 1 January 2013. This goal has been achieved.	
2.5	Date of Approval of Revised training plan	Updated training plan by March 2013	The updated training plan was approved by the FAIS Ombud EXCO during the 4th quarter. This goal has been achieved.	
2.6	% execution of training plan	100% of training plan executed	100% of the training strategy plan was executed by 31 March 2013. This goal has been achieved.	
2.7	No of HR policies reviewed	6 HR policies reviewed	At least 6 HR policies were reviewed before 31 March 2013. This goal has been achieved.	
2.8	% adherence to performance management system	90% of adherence to performance management system processes and deadlines	At least 90% adherence to performance management systems. This goal has been achieved.	
2.9	Date of Approval of Succession plan	Approved Succession Plan by 31 March 2013	The succession plan was updated and approved by the Board of the FSB in the 4th quarter. This goal has been achieved.	
2.10	Date of Approval of Updated Compliance and Risk Management Framework and the % achievement of steps mentioned in Compliance and Risk Management/Implementation plan	Approved updated Compliance and Risk Management Framework by 31 March 2013 and 100% achievement of steps mentioned in Compliance and Risk Management/Implementation plan	The Compliance and Risk Management framework was approved before 31 March 2013 and 100% of the steps mentioned in the Compliance and Risk Management plans were achieved. This goal has been achieved.	
2.11	% achievement of activities in Approved IT implementation plan	90% achievement of milestones for the financial year within the IT plan	96% of the milestones in the IT plan were achieved. This goal has been achieved.	Concerted effort and commitment by all parties involved in IT resulted in the 96% achievement.

PERFORMANCE INFORMATION



STRATEGIC GOAL 3:

Enhanced stakeholder management				
STRATEGIC OBJECTIVE		To manage stakeholder relationships		
PROGRAMME		Office of the Ombud		
OUTPUTS		Implemented Marketing & communication plan		
OUTCOMES		Enhanced relationships (improved co-operation with stakeholders)		
PROGRAMME PERFORMANCE INDICATOR		Performance Targets		
		Target 2012/2013	Progress as at 31 March 2013	Explanation/ Variance
3.1	% of marketing and communication plan implemented	90%	100% of the activities in the marketing and communication plan were implemented by 31 March 2013. This goal has been achieved.	The roll out of the marketing and communication plan, the increased commitment from the FAIS Ombud staff and the interest shown by stakeholders in the activities of the office resulted in the overachievement of the goal



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