





Ensuring an accessible and trusted
financial sector ombud system

ANNUAL REPORT 2023|24

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PART A

GENERAL INFORMATION



1. OMBUD COUNCIL **GENERAL INFORMATION**

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Midrand
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EMAIL ADDRESS enquiries@ombudcouncil.org.za

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EXTERNAL AUDITORS Nexia SAB&T

BANKERS First National Bank (FNB)
7 Merchant Place, 1st Floor
Fredman Drive
Sandton

2. LIST OF **ABBREVIATIONS/ACRONYMS**

B-BBEE Broad Based Black Economic Empowerment

Board The Board of the Ombud Council, established by s.179 of the FSR Act.

COFI Act / Bill Conduct of Financial Institutions Bill, expected to be tabled in Parliament during 2024.

Council The Ombud Council, established by s.175 of the FSR Act.

FAIS Ombud Ombud for Financial Services Providers, established by the Financial Advisory and Intermediary Services (FAIS) Act, 2002

FSCA Financial Sector Conduct Authority, established by the FSR Act.

FSR Act Financial Sector Regulation Act, 2017.

JSE Johannesburg Stock Exchange

Levies Acts The Financial Sector and Deposit Insurance Levies Act, 2022; and the Financial Sector and Deposit Insurance (Administration) and Deposit Insurance Premiums Act, 2022.

MoA Memorandum of Agreement between the Ombud Council and the FSCA, for the provision of shared corporate services to the Ombud Council during its establishment phase.

NFO National Financial Ombud Scheme South Africa, an industry ombud scheme recognised under section 194 of the FSR Act.

Ombud Schemes Industry ombud schemes and statutory ombud schemes, as defined in s.1 of the FSR Act.

PFA Pension Funds Adjudicator, established by the Pension Funds Act, 1956

PFMA Public Finance Management Act, 1999

WB Diagnostic (WBD) "South Africa: Financial Ombud System Diagnostic", June 2021: Report of a Diagnostic study undertaken by the World Bank (WB) Group.



3. FOREWORD BY THE **MINISTER OF FINANCE**

I am pleased to acknowledge the Annual Report of the Ombud Council for the 2023/2024 financial year. The Ombud Council is established by the Financial Sector Regulation Act, 2017, as the oversight body for the financial sector ombud system. Its role is to help ensure an accessible, effective, independent, and fair ombud system for financial customers.

Having become listed as a Schedule 3A public entity under the Public Finance Management Act from April 2023, this is the Ombud Council's first formally tabled Annual Report. It records the entity's progress against the first phase of its inaugural Strategic Plan, which covers the 2023/24 to 2024/25 period. The 2023/24 financial year was also the first year in which the Ombud Council began to receive levy income from financial institutions, being its legislated funding model, after the commencement of the Financial Sector and Deposit Insurance Levies Act, 2022 at the start of the year.

The Ombud Council's strategic and performance plans comprise two overarching programmes of work: an internally focused Administration programme, with outputs aimed at capacitating the Ombud Council; and an externally focused Regulation and Oversight programme, to implement the Council's core statutory functions. These programmes aim to deliver on five strategic priorities: Building and capacitating the Council; Enhancing coverage and effectiveness of the ombud system; Supporting financial inclusion initiatives; Proactively contributing to policy and regulatory reform of the ombud system; and Monitoring the performance of ombud schemes.

Under the Administration programme, the Ombud Council enjoyed corporate services support from the Financial Sector Conduct Authority, through a memorandum of agreement concluded at my request, while focusing on building its own operational capability. I am very pleased to note the progress the Ombud Council has made in this regard, having finalised the necessary financial, human resources and operational policies and processes, and

key staff appointments, to enable operational autonomy from 2024/25 onward. I take this opportunity to thank the Financial Sector Conduct Authority for supporting the Ombud Council until it reached this point.

Through its Regulation and Oversight programme the Ombud Council has succeeded in fulfilling its core statutory oversight responsibilities, including supervision through regular on-site inspections of ombud schemes, and the making of its first set of Ombud Council Rules for the FAIS Ombud. A notable achievement was facilitating the amalgamation of the four industry ombud schemes covering the banking, credit, long-term insurance, and short-term insurance sectors to form the National Financial Ombud Scheme South Africa (NFO), culminating in granting recognition to the NFO to enable it to commence operations on 1 March 2024. This marks a significant step toward the "Simpler, stronger financial sector ombud system" proposed by the National Treasury in its February 2024 policy paper of that name – a set of far-reaching reform proposals, which the Ombud Council was instrumental in helping to shape over the course of the year.

The Ombud Council has done well to build a solid platform from which to launch full implementation of its strategic goals. The Council and its Board are to be commended for achieving the milestones set out in this Report, including achieving a clean audit, despite the resource limitations inherent in being in a start-up organisational stage. Looking forward however, much still needs to be done to ensure that the Ombud Council builds on this momentum to realise its stated vision that "a known, trusted and easily accessible ombud system exists for all in the financial sector". I wish the Ombud Council and its Board every success in this endeavour.

Hon. Enoch Godongwana
Minister of Finance



4. FOREWORD BY THE **CHAIRPERSON OF THE BOARD**

The progress on the performance of the Ombud Council in its Annual Report for the 2023/24 financial year reflects the dedication of a small, but very focused and highly skilled Ombud Council with a committed Board. This year was underscored by the amalgamation of four industry ombud schemes culminating in the Ombud Council recognising the new National Financial Ombud Scheme (NFO), covering banking services, credit, life insurance and non-life insurance ombud services, by the end of the financial year. In addition, the publication of the National Treasury's policy, "A Simpler, Stronger Financial Sector Ombud System" (February 2024) confirming reforms envisaged for the financial sector ombud system marked a major milestone in the transformation of the ombud system. The Ombud Council was strongly represented in supporting the policy formulation process, which benefitted from the Chief Ombud's financial regulatory skills.

This Annual Report covers the first year of a 2-year Strategic Plan which marks the end of the legislative period of the sixth administration. The strategic priorities for 2023/24 and 2024/25 were aimed at capacitating the Council and ensuring it is well governed and sustainably funded; and on the other hand, ensuring delivery of key aspects of its mandate - with plans for improving the coverage and co-ordination of the ombud system; enhancing its visibility and accessibility; facilitating positive regulatory reform; and holding ombud schemes to account by overseeing their conduct.

In the year under review, the Ombud Council continued managing its establishment, while delivering on its statutory obligations. Although not all targets were met, in particular those related to promoting consumer awareness of the ombud system by supporting awareness and education initiatives of ombud schemes and other regulators, which faced capacity challenges, under the leadership of the Board and the Chief Ombud, Ms. Leanne Jackson, and her very small team, excellent progress has been made in addressing the challenges facing the Ombud Council as well as the

ombud system. The recognition of the NFO in early 2024 is a major achievement and mitigates the aforementioned by far. The establishment of the NFO delivers on the Council's statutory functions of promoting co-ordination between the activities of ombuds and resolving jurisdictional overlaps between schemes, as well as its statutory objective to promote access to the ombud system.

During the establishment of the Ombud Council, the executive team and the Board were able to build strategic relationships with key role-players in the financial sector and in particular in relation to the ombud system. The relationship with the Financial Sector Conduct Authority (FSCA) has to be highlighted from two perspectives: Firstly, the FSCA was, upon request of the Minister of Finance, the 'hosting' entity under a Memorandum of Agreement (MoA) during the inception of the Ombud Council, which ended at the end of the year under review. The Board was grateful for this support as it provided an administrative launching pad for the Ombud Council to work toward operational independence while delivering on its mandate. Secondly, the role of the FSCA Commissioner on the Board of the Ombud Council enabled cross-referencing and a co-ordinated response to broader changes happening in the financial system which also affect the Ombud Council. The collaborative strategic relationship with the FSCA opened the door for the Council to engage in various forums dealing with legislative changes and their impact on financial institutions, helping the Council to find its place in the regulatory system.

The Ombud Council has been operational for three years now since the appointment of an interim Chief Ombud in May 2021, albeit initially on a limited scale having no infrastructure, staff establishment or confirmed funding. The Board must be commended for its tenacity in supporting the establishment of a new organisation in the face of these constraints and for remaining committed, thus ensuring stability. Governance continuity has been secured with the appointment of the new Chairperson from November 2023, and the re-appointment of the majority of the remaining board members for a further term. The Remuneration and



The Board must be commended for its tenacity in supporting the establishment of a new organisation in the face of these constraints and for remaining committed, thus ensuring stability.



HR Committee as well as the Audit & Risk Management Committee have provided guidance while policies were being developed. Very good progress has been made in finalising several key policies, some of which have already been implemented and others which will be applied with effect from the 2024/25 financial year to coincide with the ending of the FSCA MoA. The fact that the Ombud Council's first external audit has yielded a clean audit opinion, bears testimony to the close attention management and governance structures have paid to building credible, robust processes.

I am happy to confirm as the Accounting Authority that the Ombud Council was listed under the PFMA at the beginning of this financial year to coincide with the passage of the necessary legislation confirming the Ombud Council's levy funded revenue model. This ended the significant funding uncertainty under which the Ombud Council had been operating to that point, enabling levy funding to begin to flow in the course of the 2023/24 financial year.

Internally, the Ombud Council's leadership has stabilised with the appointment during the financial year of the three executive heads envisaged in the organisation structure (one of whom commenced duty shortly after the end of the financial year), to support the Chief Ombud. The implementation of the remainder of the organisational structure for the Ombud Council will soon be finalised.

I would like to extend heartfelt thanks to my fellow Board members who have been diligent in exercising oversight and supporting me in my role as Chairperson of the Board and Accounting Authority. Their expertise, wisdom and

interrogative approach enabled a smooth implementation of the obligations of the Board. This cannot be mentioned without expressing deep appreciation for the role of the executive of the Ombud Council, especially the progress made by the Chief Ombud, Ms. Leanne Jackson, in building the Ombud Council. Her regulatory expertise and sense of detail has been highly appreciated and we as the Board look forward to a continued good working relationship while navigating the transitions in the ombud system.

The Board looks forward to the next year with confidence when it expects the Ombud Council to have its full complement of staff, and its foundational policies, procedures and infrastructure in place, to take the Ombud Council to the next level of maturity as a regulatory body fulfilling its statutory obligations in the interests of the ombud system and the financial customers it serves.

Ms. Eileen Meyer

Chairperson: Ombud Council

IMPORTANT NOTE

Ms. Eileen Meyer was appointed by the Minister of Finance as Chairperson of the Board effective 1 November 2023, after Ms. Silindile Kubheka, the former Chairperson, stepped down from the Board at the end of October 2023. Accordingly, the role of Chairperson and Accounting Authority of the Ombud Council during the financial year being reported on was filled by Ms. Kubheka for the first seven months and by the incumbent Chairperson for the remaining five.



5. REPORT OF THE CHIEF OMBUD

I am pleased to present the Ombud Council's first formal Annual Report since becoming listed as a schedule 3A entity under the PFMA in April 2023. The report records the Council's progress as at the midpoint of our inaugural Strategic Plan, covering the two-year period 2023/24 and 2024/25, and our performance against the targets in our first formal Annual Performance Plan.

A YEAR FOCUSED ON TRANSITION

In many respects, the theme of financial year 2023/24 for the Ombud Council has been one of transition. This theme is manifest in both of our broad programmes of work: Our externally focused Regulation and Oversight programme, addressing the delivery of our statutory mandate and our mission to ensure that a known, trusted, and easily accessible ombud system exists for all in the financial sector; and our internally focused Administration programme, aimed at building our capacity and operationalising our functions.

TRANSITION TO A SIMPLER, STRONGER FINANCIAL SECTOR OMBUD SYSTEM

On the external front, the Ombud Council has been integrally involved in supporting and shaping the structural and policy reforms of the financial sector ombud system being driven by the National Treasury, culminating in the publication of the National Treasury policy paper "A simpler, stronger, financial sector ombud system" (February 2024). The reforms put forward in the paper confirm the intended transition from the complex, fragmented historic ombud system to a comprehensive, consolidated future system.

The Ombud Council achieved several key milestones in the year under review, that align to this policy transition. Most significantly, the Council granted recognition to the new, overarching National Financial Ombud Scheme (NFO) effective

1 March 2024, after a rigorous application and consultation process. The NFO replaces four previously recognised industry ombud schemes, ensuring a simpler, more accessible dispute resolution framework for the financial customers of banks, life and non-life insurers, and credit providers. The establishment of the NFO is a vital step in the transition toward the broader reforms announced by the National Treasury.

The year also saw the development of the Ombud Council's first set of binding regulatory instruments, the Ombud Council Rules for the Ombud for Financial Services Providers (FAIS Ombud), which were submitted to Parliament in the 4th quarter, and came into operation in the 2024/25 financial year. The Rules replace previous Rules made two decades ago under the FAIS Act. Among other enhancements, the new Rules provide financial customers who have been prejudiced by poor conduct of financial advisers with better redress, by increasing the FAIS Ombud's maximum compensation limit from an outdated and inadequate level of R800,000 to a more meaningful R3.5 million. Again, these Rules support the transition to the future reformed ombud system, by reducing historic disparities across different ombud schemes and improving the reach and availability of ombud scheme redress.

The Ombud Council also delivered on its mandate to exercise oversight over ombud schemes, by conducting on-site inspections of schemes and developing aligned complaint data reporting requirements.

An aspect of the Ombud Council's mandate where we had hoped for better progress during 2023/24 is our function to publicise and promote awareness of ombud schemes and what they do, where capacity constraints hampered our ability to implement planned stakeholder engagements. This is a key focus area for the 2024/25 financial year, with a media campaign to boost awareness of the new National Financial Ombud Scheme having been launched in the first quarter of the current year.



The Ombud Council achieved several key milestones in the year under review, including granting recognition to the new, overarching National Financial Ombud Scheme; and developing Ombud Council Rules for the FAIS Ombud



TRANSITION TO OPERATIONAL AUTONOMY AND STABLE FUNDING.

Since starting operations on a small scale during 2021, the Ombud Council enjoyed corporate services support from the Financial Sector Conduct Authority (FSCA) through a memorandum of agreement, while building its own capacity. The 2023/24 financial year was the final year of this arrangement and our Administration programme for the year focused on ensuring the Ombud Council would be ready for operational autonomy in the following financial year. This was achieved, with the adoption of our own financial, supply chain, human resources, and other key policies and processes by year end, ready for implementation as at April 2024.

The Ombud Council's PFMA listing at 1 April 2023 coincided with the commencement of the Financial Sector and Deposit Insurance Levies Act, 2022 and Chapter 15 of the Financial Sector Regulation Act, 2017. These provisions establish the Ombud Council's legislated funding model, being funding through levies payable by financial institutions. This has ensured stable funding, after prior years of interim funding through transfers from the fiscus. Levy income, collected by the FSCA on the Council's behalf, began to flow to the Council in the latter part of 2023/24. Although some contingency funding was received from the fiscus early in the year, the implementation of the permanent levy-based funding model enables the return of the superfluous funds to the National Treasury. From 2024/25 onwards, legislated levies will be the Ombud Council's only funding source.

The Ombud Council ended the financial year in a surplus position, partly attributable to the fiscal transfer noted above. Recruitment delays had knock-on effects on the procurement and implementation of some planned systems and processes, with the provision of corporate services by the FSCA also resulting in lower than budgeted expenditure. However, with senior appointments having since been made, and key policies and systems now in place, the Ombud Council is adequately capacitated to build on the foundations laid in 2023/24.

The Ombud Council was, for the first time, subjected to an external audit in respect of the year under review. The audit was conducted by an independent external audit provider, Nexia SAB&T, with the approval of the Auditor-General of South Africa (AGSA) following AGSA's decision not to conduct

our audit. I am proud to report that the auditors have confirmed a clean audit opinion for the Ombud Council for the 2023/24 financial year, which we believe is a significant achievement for a public entity in the early stages of its development.

APPRECIATION.

I am deeply grateful to my small, dedicated Ombud Council team for their commitment to ensuring that the Ombud Council plays a meaningful role in South Africa's financial consumer protection framework. The 2023/24 financial year was not without its challenges, from stretched resources to a shifting regulatory and policy landscape, and the progress outlined in this Report – including the notable achievement of a clean audit - would have been impossible without their support and can-do attitude.

I also thank Ms. Eileen Meyer, the Chairperson of the Board of the Ombud Council, and its Accounting Authority, for her wise insights and belief in the Ombud Council's vision, and the rest of the Board members for their ongoing guidance. Special thanks go to our board member Mr. Unathi Kamlana, the Commissioner of the FSCA, for ensuring the FSCA's operational support to the Ombud Council during its formative period.

Lastly, a word of appreciation to the financial sector Ombud schemes themselves, for their co-operation with the Ombud Council as we perform our oversight functions, and for their receptive and proactive participation in the evolving ombud system reform process.

The Ombud Council looks forward to carrying the momentum that has been built in 2023/24 forward into the new year and playing our part in furthering the bold ambitions of South Africa's seventh administration.

Ms. Leanne Jackson

Chief Ombud

Ombud Council

Date: 31 August 2024.

6. STATEMENT OF RESPONSIBILITY

STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY FOR THE ANNUAL REPORT

To the best of my knowledge and belief, I confirm the following:

All information and amounts disclosed in the Annual Report are consistent with the Annual Financial Statements audited by the external auditors.

The Annual Report is complete, accurate and free from any omissions.

The Annual Report has been prepared in accordance with the guidelines on the annual report as issued by National Treasury.

The Annual Financial Statements (Part E) have been prepared in accordance with the South African Standards of GRAP applicable to the public entity.

In terms of s.175(3) of the FSR Act, the Chairperson of the Ombud Council is the Accounting Authority of the Ombud Council for purposes of the PFMA. The Accounting Authority is responsible for the preparation of the Annual Financial Statements and for the judgements made in this information. In this instance the Accounting Authority has been supported by the Board of the Ombud Council in this regard.

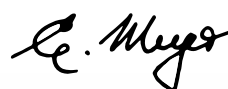
The Accounting Authority is responsible for establishing, and implementing a system of internal control that has been designed to provide reasonable assurance as to the integrity and reliability of the performance information, the

human resources information and the Annual Financial Statements. In this regard, the Accounting Authority and the Board of the Ombud Council have placed reliance on certain policies and internal controls of the FSCA, in accordance with a Memorandum of Agreement entered into between the Council and the FSCA for provision of corporate services, including financial management and human resource management services, while the Ombud Council was establishing its own policies and controls.

The external auditors were engaged to express an independent opinion on the Annual Financial Statements.

In my opinion, the Annual Report fairly reflects performance information, Human Resources information and the financial affairs of the entity for the financial year ended 31 March 2024.

Yours faithfully



Ms. Eileen Meyer

Accounting Authority
Chairperson of the Board
Date: 31 August 2024



7. STRATEGIC OVERVIEW

The Ombud Council became operational for the purposes of core statutory functions in May 2021 with the appointment of an interim Chief Ombud, followed by the appointment of Ms. Leanne Jackson as full-time Chief Ombud on 1 November 2022. However, the listing of the Ombud Council as a public entity for purposes of the PFMA and the commencement of Chapter 16 of the FSR Act (which governs the Ombud Council's funding) only occurred once the Levies Acts came into operation at the start of the 2023/24 financial year, the period covered by this report.

The Ombud Council's first formal Strategic Plan was therefore developed to cover a two year period, 2023/24 and 2024/25, as a result of the term of the sixth administration ending in 2024. This Annual Report therefore reports progress against the first year of that two-year Strategic Plan.

The Strategic Plan identifies five strategic priorities, aimed at striking a balance between delivering the Ombud Council's statutory mandate and operationalising the organisation to meet its PFMA and related governance and operational responsibilities, whilst also maintaining flexibility to respond to pending regulatory reforms of the ombud system.

The strategic priorities are:

SP1

Build a well-governed institution sufficiently capacitated to perform its functions efficiently and effectively.

Enhance the coverage and effectiveness of the ombud system by addressing jurisdictional gaps and overlaps and promoting coordination and alignment of scheme processes.

SP2

SP3

Support financial inclusion initiatives undertaken by ombud schemes and other regulators to create consumer awareness of the services offered by ombud schemes.

Contribute to reform of the ombud system through proactive participation in regulatory and policy reform and transition projects.

SP4

SP5

Effectively monitor the performance and compliance of ombud schemes in line with the Ombud Council's statutory objective (s. 176 of FSR Act).

Figure 1: Strategic Priorities

7.1. VISION

The Council will ensure that a known, trusted, and easily accessible ombud system exists for all in the financial sector.

7.2. MISSION

The Ombud Council will help the ombud system work better for financial customers by:

- 1. using our statutory powers to harmonise the system, improved its coverage and visibility, and keep track of its performance; and
- 2. proactively supporting regulatory reforms to improve the system’s structure.

7.3. VALUES

The Ombud Council operates in accordance with the following core values:

INDEPENDENCE AND IMPARTIALITY	We act independently and impartially, without fear, favour or prejudice and support the independence and impartiality of the schemes we oversee.
INTEGRITY	We execute our functions with integrity.
FAIRNESS	We treat all stakeholders fairly.
EFFECTIVENESS AND RESPONSIVENESS	We implement effective and responsive processes to perform our functions.
TRANSPARENCY AND ACCOUNTABILITY	We perform our functions transparently, take accountability for our actions, and hold the ombud schemes we oversee to account. We will ensure that financial consumers and other stakeholders understand our role and that of the ombuds we oversee.



8. LEGISLATIVE AND OTHER MANDATES

The Ombud Council derives its mandate from the FSR Act. Chapter 14 of the FSR Act establishes the Council and confers oversight, enforcement, and regulatory powers on it in relation to financial sector statutory and industry ombud schemes.

The main objective of the Council, per section 176 of the FSR Act, is to assist in ensuring that financial customers have access to, and are able to use affordable, effective, independent and fair alternative dispute resolution processes for complaints about financial institutions in relation to financial products, financial services, and services provided by market infrastructures.

The Council is defined as a financial sector body in section 1 of the FSR Act, and section 96 provides that

its administrative actions are subject to the Promotion of Administrative Justice Act, 2000. The Act also confirms (section 175(3)) that the Council is a national public entity as defined in the PFMA. In addition, the Council needs to take cognisance of the larger body of financial sector law within which ombud schemes and the financial institutions covered by them operate.

The Ombud Council became listed as a Schedule 3A national public entity under the PFMA with effect from 1 April 2023, the start of the financial year covered by this report. Chapter 16 of the FSR Act 2017, read with the Levies Acts, facilitates the funding of the operations of the Ombud Council through levies collected from financial institutions. These provisions commenced on 1 April 2023, to coincide with the Council's PFMA listing.

9. ORGANISATIONAL STRUCTURE

The governance and accountability structure of the Ombud Council resides with the Board, with the Chairperson of the Board as the Accounting Authority for PFMA purposes (section 175(3) of the FSR Act). The statutory functions of the Council, and its day-to-day management, are performed by the Chief Ombud, who in effect acts as the Chief Executive of the Council. The Chief Ombud and the Board of the Ombud Council are appointed by the Minister of Finance in accordance with section 180 of the FSR Act.

The current Chairperson, Ms. E Meyer was appointed effective 1 November 2023, replacing Ms. S Khubheka who stepped down as Chairperson in October 2023.

The Chief Ombud was appointed in the third quarter of the 2022/23 financial year, with other key appointments following in the year under review. Prior to these appointments, for parts of the year staff were seconded from other entities to enable statutory functions to be performed. The illustration below provides an overview of the organisation structure as at 31 March 2024.

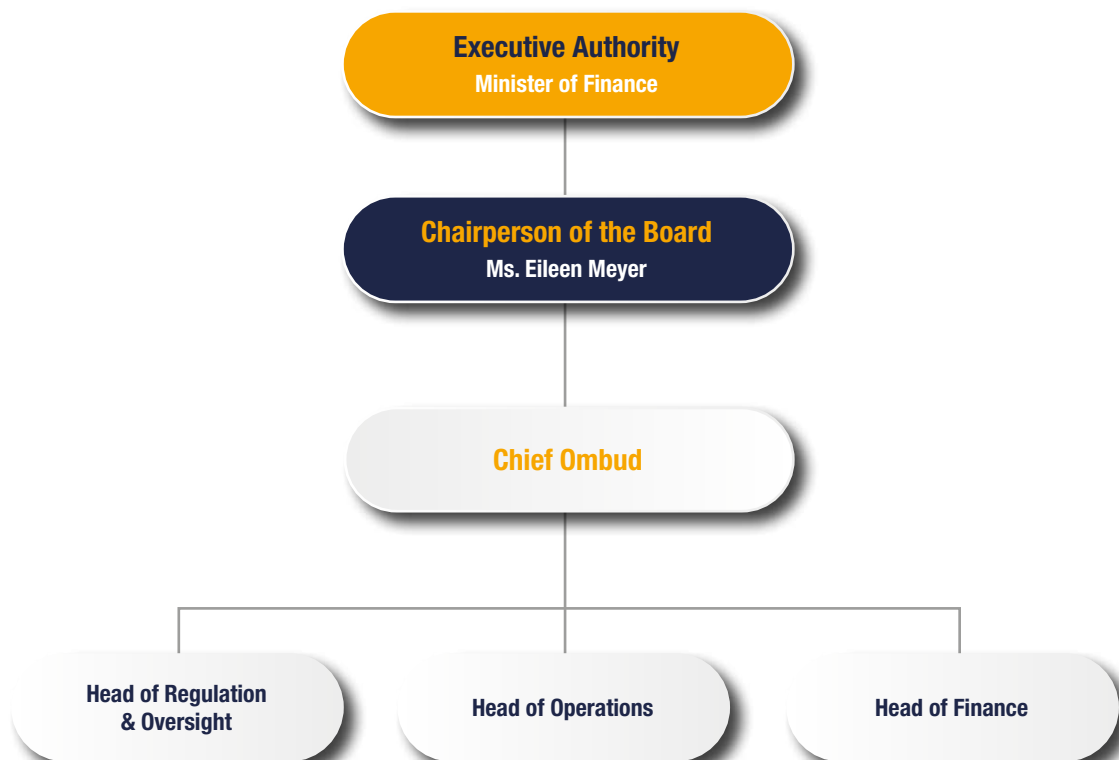


Figure 2: Organisational structure

10. EXECUTIVE COMMITTEE

The Executive Committee is responsible for strategic and operational matters as set out in Part B of this report:

 MS. LEANNE JACKSON	 MS. DEVRANI MOONSAMY	 MR. SIPHIWE DUBE	 VACANT APPOINTMENT MADE MARCH 2024, COMMENCED DUTY 1 MAY 2024
DESIGNATION Chief Ombud	DESIGNATION Head of Finance	DESIGNATION Head of Operations	DESIGNATION Head of Regulation & Oversight
RESPONSIBILITIES Executive oversight of all programmes	RESPONSIBILITIES Programme 1 (Outcomes and outputs related to financial and supply chain management).	RESPONSIBILITIES Programme 1 (Outcomes and outputs related to Human Resources, ICT, Board Secretariat, Operations).	RESPONSIBILITIES Programme 2 (Outcomes and outputs related to supervision, regulation, stakeholder engagements).

PART B

PERFORMANCE INFORMATION



1. EXTERNAL AUDITOR'S REPORT: PREDETERMINED OBJECTIVES

The report of the external auditor, Nexia SAB&T, is contained in Section E of this Annual Report. It confirms a clean audit opinion in respect of the Ombud Council for the 2023/24 financial year.

In relation to the Ombud Council's predetermined objectives, the Auditor's report indicates that no material findings on the reported performance information for the selected programmes were identified, and that the Ombud Council's annual performance report includes information on reported achievements against planned targets and provides explanations for over-and-under achievements.

2. SITUATIONAL ANALYSIS

2.1 SERVICE DELIVERY ENVIRONMENT

Alongside the need for internal focus on capacity building, and capacity constraints in the interim, the Ombud Council successfully delivered several key elements of its statutory mandate. In so doing, good progress was made in enhancing the public's access to an increasingly effective ombud system.

2.1.1. SERVICE DELIVERY HIGHLIGHTS

RECOGNITION OF THE NATIONAL FINANCIAL OMBUD SCHEME (NFO)

On 1 March 2024 the Ombud Council granted recognition under section 194 of the FSR Act to the National Financial Ombud Scheme South Africa, as an industry ombud scheme, after an intensive recognition application and assessment process. The granting of recognition included the Ombud Council's approval of the governing rules of the NFO Scheme, after public consultation.

The recognition of the NFO marks a significant shift in the financial ombud landscape, and a substantial achievement in the Ombud Council's delivery of its statutory responsibility to promote co-operation between, and co-ordination of the activities of ombuds; and to resolve overlaps of the jurisdictional coverage of different ombud schemes¹. The NFO is the successful outcome of a substantial project to amalgamate four previous industry ombud schemes, which

were recognised by the Ombud Council in May 2022, and which had previously operated in terms of the repealed Financial Sector Ombud Schemes Act, 2004:

- The Credit Ombud Association,
- The Ombudsman for Banking Services,
- The Ombudsman for Long-term Insurance, and
- The Ombudsman for Short-term Insurance.

The Ombud Council therefore, in parallel with granting the recognition of the NFO Scheme, revoked the recognition of the four predecessor schemes.

The establishment of the NFO took place against the following policy background: In 2021, the National Treasury and the Financial Sector Conduct Authority mandated the World Bank Group to carry out a diagnostic review of the South African financial ombud system. The World Bank published the findings of its review and proposed substantive reforms to the ombud system in its report titled "South Africa: Financial Ombud System Diagnostic" (June 2021). The report noted the fragmentation of the current ombud system with concern, and one of its key recommendations was to consolidate the ombud system into a new single ombud scheme, independent of both industry and government, to cover the whole of the financial sector (including credit but excluding retirement funds until a later stage). Following indications from the National Treasury that it supported the

¹ See section 177(1) of the FSR Act.

recommended broader consolidation of the ombud system proposed in the World Bank review, the four predecessor industry ombud schemes proactively and voluntarily embarked on an amalgamation exercise in anticipation of this reform. Approximately three years of work on the project to merge and align their operations and processes into a single new industry ombud scheme, culminated in the registration of a new non-profit company, titled the National Financial Ombud Scheme South Africa NPC. The Ombud Council also strongly supports this World Bank recommendation and worked closely with the amalgamation project team to support and facilitate the establishment of the NFO, which fully aligns with the Council's objectives and understanding of the policy direction.

The result is a significantly simpler, more streamlined, and more easily accessible process for financial customers who have been treated unfairly by banks, life and non-life insurers, and credit providers, to have their complaints heard.

MAKING OMBUD COUNCIL RULES

The Ombud Council is empowered by Section 201 of the FSR Act to make binding regulatory instruments for or in respect of ombuds and ombud schemes, aimed at delivery of its statutory mandate. These Rules must be made in accordance with the public and Parliamentary consultation processes prescribed in the FSR Act. During the year under review, the Council consulted on proposed Rules for the Ombud for Financial Services Providers (FAIS Ombud), culminating in them being finalised and submitted to the National Treasury in the fourth quarter to facilitate submission to Parliament. The Rules subsequently came into operation in the 2024/25 financial year.

These Ombud Council Rules mark the first formal regulatory instrument (subordinate legislation) made by the Ombud Council. Importantly, these Rules give effect to the long overdue increase in the FAIS Ombud's compensation limit, from the R800,000 maximum that has been in place for approximately twenty years, to a more meaningful R3.5 million. The Rules also effect some complaint handling process improvements and updating of outdated provisions.

MONITORING PERFORMANCE OF OMBUD SCHEMES

The Ombud Council is responsible for monitoring the performance of all the ombud schemes it oversees, including industry and statutory schemes. As at the end of the reporting period, because of the establishment of the NFO, the Ombud Council oversees two industry ombud schemes, the NFO, and the JSE Ombud Scheme; and two statutory ombud schemes, the FAIS Ombud and the PFA.

The Council's primary tool for monitoring ombud scheme performance is to conduct supervisory on-site inspections of ombud schemes. The Council developed a supervisory inspection procedure guide to manage these inspections in 2022, targeting one on-site inspection per quarter thereafter. Three inspections were conducted in the year under review, being those of the two former industry schemes, the Ombudsman for Long-term Insurance and the Ombud for Banking Services, as well as the statutory Pension Funds Adjudicator. A fourth planned inspection did not proceed due to the revocation of the relevant scheme's recognition following its amalgamation into the NFO scheme.

The Ombud Council also receives enquiries and complaints from the public about ombud schemes. Enquiries entail assisting customers by referring them to appropriate schemes to assist them with their complaints. A challenge the Ombud Council had to manage is the incorrect perception that the Ombud Council is an overarching adjudicator or escalation body in relation to complaints against financial institutions. In response to the complainant as well as on the website of the Ombud Council, it is made clear that the Council does not interfere in the decisions of the ombud schemes in relation to consumer complaints. It is not the role of the Council to become involved in, or review or reconsider the outcome of any specific complaints handled by ombud schemes. This would be inconsistent with its mandate to protect the independence and impartiality of ombuds (section 177(1)(c) of the FSR Act.).

The Ombud Council does, however, consider complaints regarding the conduct of ombud schemes themselves, including the extent to which they comply with financial sector laws applicable to them and with their own governing rules. The Ombud Council has not to date identified a need for enforcement action or other regulatory interventions in relation to ombud schemes.

OMBUD SCHEMES LIAISON FORUM

Section 188(4) of the FSR Act requires the Chief Ombud to convene quarterly meetings between the Ombud Council and all ombuds. These meetings, styled the Ombud Schemes Liaison Forum, were successfully convened as required. Formal terms of reference for the Forum were also finalised.

PROMOTING CO-ORDINATION OF THE ACTIVITIES OF OMBUD SCHEMES – STREAMLINED REPORTING

In the previous financial year, the Ombud Council used its FSR Act information gathering powers to issue an information request to the then existing industry schemes regarding their complaint data reporting and complaint

handling processes. During the year under review, this information was used to propose more consistent and aligned complaint data reports and processes, with the establishment of the NFO creating an excellent opportunity for more streamlined data gathering. The NFO and the Ombud Council have reached agreement on the structure of these strengthened reporting requirements, which the NFO will implement in 2024/25.

SUPPORTING REFORM OF THE OMBUD SYSTEM

The Ombud Council worked closely with the National Treasury, the World Bank and the FSCA to assist the National Treasury in formulating a policy response to the World Bank Diagnostic recommendations for reform of the ombud system and participated in a briefing session to the relevant National Treasury officials on the matter. This culminated in the National Treasury's publication of its policy paper, "A Simpler, Stronger Financial Sector Ombud System" (February 2024). This policy paper provides welcome confirmation of the Ombud Council's strategic approach to the anticipated reforms of the system and will be instrumental in guiding the Council's future strategy.

The publication of the policy paper paves the way for the next phase of legislative development to drive reform of the ombud system. This is expected to be in the form of an Omnibus Bill, giving effect to a broader scope for the NFO scheme (notably merging the functions of the FAIS Ombud

into the NFO); and strengthening the NFO's reach and effectiveness through an appropriate "statutory underpin".

2.1.2. EXTERNAL CHALLENGES TO SERVICE DELIVERY

As discussed in section 2.2 below, obstacles to achievement of the Ombud Council's targeted outputs have been mainly organisational. In addition, as discussed in more detail in section 2.3, the Ombud Council has been called on to deliver its mandate in an environment of regulatory and policy transition, with shifting timelines also impacting the Ombud Council's scope for proactive exercise of some of its functions.

2.2 ORGANISATIONAL ENVIRONMENT

2.2.1. OPERATING PRINCIPLES

In addition to the values set out in Part A, the Ombud Council's Strategic Plan adopts a set of operating principles to support and expand on its values and guide its decision-making. The operating principles recognise the Council's responsibility to deliver on its current statutory mandate, as well as the dynamic regulatory and policy context within which it will need to do so. These operating principles are interconnected and complementary, but also require appropriate balances to be struck between them.

Table 1: Operating principles supporting our values

COMMITTED TO CURRENT MANDATE	The Council reconfirms that the FSR Act remains its founding legislation and commits to implementing appropriate processes for performing its current statutory functions.
PRAGMATIC AND COST-EFFICIENT	The Ombud Council recognises the need to perform its functions pragmatically, implementing processes that are realistic and practical at this point of the Council's development. The Ombud Council will take care to focus on its specific regulatory and oversight role over ombud schemes, and avoid roles allocated elsewhere in the overall Ombud framework. The Ombud Council will not directly be involved in handling consumer complaints, which should be dealt with by ombud schemes or, where appropriate, by relevant financial sector regulators.
FLEXIBLE AND SCALEABLE	The Ombud Council's organisational structure, resources and business processes must be capable of responding promptly and effectively to the evolving regulatory framework within which it operates. This is particularly so in the initial years of the Council's establishment, until the regulatory framework for ombud schemes stabilises. However, over and above the specific framework for ombuds, the broader financial sector regulatory landscape will remain dynamic as it seeks to continually adapt to technological changes, new financial products and services and new ways of doing business.
RISK-BASED	In implementing functions and processes, the Ombud Council will prioritise those which are most likely to mitigate identified risks to the effectiveness of the ombud system. These include current shortcomings identified by the World Bank Diagnostic (WBD), arising from the fragmented, complex and inconsistent state of current systems. This principle needs to be balanced against the principle of efficiency and cost-effectiveness.
TRANSPARENT AND CONSULTATIVE	The Ombud Council will engage openly and collaboratively with its stakeholders, including the ombud schemes it oversees, relevant financial regulatory authorities, policymakers, financial institutions and financial consumers. It will conduct its affairs transparently and regularly report on its activities.
INDEPENDENT, IMPARTIAL AND RESPONSIVE	The Ombud Council will ensure that its governance framework and business processes support independent and impartial oversight of the ombud system, as well as the independence and impartiality of the schemes themselves. This includes the Council's statutory obligation to perform its functions without fear, favour or prejudice.
FUTURE-FOCUSED	The Ombud Council recognises that, notwithstanding its commitment to its current mandate, it needs to proactively participate in shaping the future ombud system regulatory framework and support existing ombud schemes, financial consumers, and other stakeholders in ensuring a smooth transition to that framework.

2.2.2. SUPPORT FROM THE FSCA THROUGH AN MOA

The Ombud Council's statutory obligations under the FSR Act commenced with the establishment of a Board of Directors by the Minister of Finance in November 2020, the date on which Chapter 14 of the FSR Act (the Council's founding legislation) came into operation. In May 2021, a Chief Ombud was appointed on an interim basis, which enabled the Ombud Council to commence its core functions. However, with no organisational structure or staff, a transitional arrangement to enable start-up was required. At the request of the Minister of Finance, the Ombud Council and the FSCA entered into a Memorandum of Agreement (MoA), for the FSCA to provide corporate services support to the Ombud Council. Support provided to the Council included financial and supply chain management, human resources management, risk management, ICT advisory support and, initially, Board secretariat support. This MoA remained in place until the end of the 2023/24 financial year, with the Ombud Council's focus during the year being on developing policies and processes for the Ombud Council to become largely operationally independent of the FSCA by the start of the 2024/25 financial year. The Ombud Council is very grateful to the FSCA for this support and the valuable guidance that accompanied it. Understandably however, the FSCA was itself under resource pressure at times during the year and needed to prioritise its own substantial statutory commitments. The Ombud Council's dependency on the FSCA under the MoA accordingly resulted in a few largely unavoidable delays, particularly in relation to recruitment of staff and procurement of goods and services.

2.2.3. GOVERNANCE STRUCTURES

The initial appointment terms of the majority of the Ombud Council's Board members expired in October 2023, but the Minister of Finance re-appointed them for a further term from November 2023. The Chairperson, Ms. Silindile Kubheka, advised however that she was not available for re-appointment, and the Minister proceeded to appoint Ms. Eileen Meyer, who had served as interim Chief Ombud from May 2021 to November 2022, as Chairperson in her stead, also effective 1 November 2023. These appointments provided valuable oversight continuity for the Ombud Council, which was particularly helpful in this early stage of its development, and with the permanent executive head of the organisation still relatively new in her post (Ms. Jackson was appointed as Chief Ombud in November 2022). There was however a period of uncertainty before the re-appointment of the Board members, particularly the appointment of a new Chairperson (who is also the Ombud Council's Accounting Authority) was confirmed, which led to delays in decision making.

2.2.4. STAFF

From a staffing perspective, the financial year began with the Ombud Council having only one full-time employee, the Chief Ombud, with two other operational roles (Senior Manager, Operations and Executive Administrative Assistant) being fulfilled by secondees from other public entities and by a temporary employee, at different times during the year. The following permanent appointments were however made during the year:

Table 2: Permanent appointments during 2023/24 financial year

POSITION	COMMENCEMENT OF DUTY
Head of Operations	August 2023
Head of Finance	November 2023
Head of Regulation & Oversight	May 2024 (appointment made in March 2024)
Executive Administrative Assistant	November 2023

These appointments mean that the Ombud Council's management structure is now in place, enabling us to move forward on filling the few remaining planned operational posts.

These resource constraints and dependency on FSCA support, in turn led to delays in implementing certain policies and processes required to operationalise the Ombud Council's full suite of functions. Nevertheless, as reflected in sections 3 and 4 below, considerable progress was made in achieving the Ombud Council's performance targets for the year.

2.3 KEY POLICY DEVELOPMENTS AND LEGISLATIVE CHANGES

Since its inception in 2021, the Ombud Council has operated in an environment of pending policy and legislative reforms expected to influence its strategy and operations. These reforms will impact the Ombud Council both directly and indirectly. Direct impacts will arise from policy and legislative reforms proposed by the National Treasury in its policy statement "A Simpler, Stronger Financial Sector Ombud System" (February 2024), informed by recommendations made by the World Bank in the WB Diagnostic; and changes to the Council's founding legislation (Chapter 14 of the FSR Act). Indirect impacts will be driven by broader financial sector legislative changes affecting the financial institutions falling within the ombud framework, mainly through the pending COFI Bill.

These pending developments, and their implications, are briefly summarised below:

2.3.1. OMBUD SYSTEM REFORM (POLICY DEVELOPMENTS)

The National Treasury and the FSCA commissioned and published a World Bank Diagnostic Study report titled “*South Africa: Financial Ombud System Diagnostic*” (June 2021). The report made far-reaching recommendations for reform and strengthening of the ombud system which, if fully implemented, would significantly impact the structure of the ombud system and the role and functions of the

Ombud Council. One of the key recommendations was consolidation of the fragmented ombud system, which at the time of the Diagnostic comprised seven schemes, to two schemes.

The National Treasury responded to the Diagnostic recommendations in its policy paper “*A Simpler, Stronger Financial Sector Ombud System*” (February 2024). Key elements of the policy response are set out in the box below.

BOX 1: KEY ELEMENTS OF THE PROPOSED REFORM THAT NATIONAL TREASURY SUPPORTS INCLUDE:

1. Structural reform of the ombud system, that will reduce the seven ombud schemes to two:
 - A new, consolidated ombud scheme: National Financial Ombud (NFO) – a new body, independent of industry and government, replacing 6 of the current 7 schemes (all the industry schemes plus the FAIS Ombud).
 - A Retirement Funds Ombud (RFO) – a renamed and reformed Pension Funds Adjudicator, with a board to underpin its independence and oversee its efficiency and effectiveness. National Treasury considers that it would be too complex a transition for the NFO to absorb the work of the RFO at this stage. However, this is likely to happen in the medium term, once the NFO has been up and running for a while.
2. A modified Ombud Council – modifications to the title and appointment of its chief executive and (later) a review of its powers in the light of the simplification of the ombud system.
3. Improved consistency across the ombud system on visibility and accessibility, eligibility of complainants, processes, powers and enforceability of decisions, and improved coverage to significantly reduce jurisdictional gaps and overlaps

Source: National Treasury media statement 29 February 2024.

The National Treasury noted that full implementation of the above reforms will require legislative amendments, and in the interim welcomed the voluntary amalgamation, in consultation with the Ombud Council, of four of the then current industry schemes to form the NFO, as an important step towards the broader reforms outlined in the policy position that will simplify their implementation.

2.3.2. CONDUCT OF FINANCIAL INSTITUTIONS (COFI) BILL

The COFI Bill proposes the repeal and consolidation of several existing financial sector laws into an overarching Act that will regulate the market conduct of all financial institutions, becoming the primary vehicle for the consumer protection peak in the Twin Peaks regulatory model.

The COFI Bill introduces a new activity-based licensing framework for financial institutions, broadening the scope of financial products and services that will be subject to oversight by the FSCA. As a result, the ombud system will need to adapt to ensure coverage of complaints in respect of a wider range of financial products and services than that covered by the existing schemes. This has implications for the jurisdiction of current schemes and the Council's designation functions. The COFI Bill is also expected to provide uniform definitions of 'complaint' and 'complainant', helping to resolve current inconsistencies across ombud schemes.

2.3.3. AMENDMENTS TO FOUNDING LEGISLATION (CHAPTER 14 OF FSR ACT)

The FSR Act is the Ombud Council's founding statute. Chapter 14 of the FSR Act sets out the Ombud Council's objective, prescribes its functions and duties, and provides the Ombud Council with a comprehensive toolkit of subordinate law-making, supervisory and enforcement functions to deliver on its mandate. The effect of these provisions is to establish the Ombud Council as the regulator of all financial sector ombud schemes.

The COFI Bill includes several consequential amendments to Chapter 14 of the FSR Act. These include moving the provisions establishing the two current statutory schemes, the FAIS Ombud, and the Pension Funds Adjudicator, from their current founding statutes² to the FSR Act. Amendments to the jurisdiction and governance processes of the two schemes, aimed at greater alignment between them, are also proposed, impacting the Council's responsibilities.

2.3.4. IMPLICATIONS OF DELAYS IN ABOVE DEVELOPMENTS

Although the publication of National Treasury's above-mentioned policy paper "A Simpler, Stronger Financial Sector Ombud System" in February 2024 is a very welcome development, it did take place later than anticipated when the Ombud Council's performance targets were set. In addition, extensive delays in finalisation of the COFI Bill have resulted in expected reforms of the broader financial market conduct ecosystem within which the Ombud Council operates, including key aspects of the FSCA's market conduct regulatory and licensing framework for financial institutions, being deferred.

2.4 OVERVIEW OF OMBUD SYSTEM OPERATIONS AND TRENDS

In addition to the matters required to be covered by this Annual Report in accordance with the PFMA and related requirements, section 184(d) of the FSR Act requires the Board of the Ombud Council to keep the Minister informed of compliance by ombud schemes with financial sector laws; trends in complaints dealt with by ombud schemes; and conduct of financial institutions giving rise to such complaints. The Ombud Council therefore takes this opportunity to provide an overview of these matters to our stakeholders.

The statistics below offer insights into the scale and operations of the ombud system overseen by the Ombud Council during the year under review. These include complaint volumes, referrals, resolution rates, complaint types, and trends. Although such data are regularly generated and made available on the ombud schemes' websites and to the Ombud Council, there has to date been inconsistency in the way in which they are compiled and reported, with schemes using divergent complaint handling processes, terminology, and classification systems. Differences in schemes' financial reporting periods also hinder comparability.

Consequently, the Ombud Council has prioritised promoting better alignment of reporting processes across schemes, to facilitate more accurate comparisons of effectiveness and the identification of measurable trends. At this stage, the following complaint statistics provide a broad overview of the most recent publicly reported complaint volumes per scheme. Going forward, the Ombud Council will access appropriate, sufficiently comprehensive, and comparable information from ombud schemes by utilising its information gathering powers, and its power to set ombud scheme reporting requirements, to improve the quality and consistency of the data it receives from schemes.

² Being the Financial Advisory and Intermediary Services (FAIS) Act, 37 of 2002 and the Pension Funds Act, 24 of 1956 respectively.

Alignment of reporting requirements will also be greatly simplified in future years by the merger of four of the previous industry schemes to form the National Financial Ombud scheme with effect from 1 March 2024, as described elsewhere in this Report.

2.4.1. OMBUD SYSTEM STATISTICS

Table 3: Statistics from Ombud Schemes' Annual Reports -2023/2024

SCHEME	OBS	CO	OSTI	OLTI	FAIS	OPFA	TOTAL
Financial institutions covered	All registered banks - 35	Substantial number of larger non-bank credit providers - 128	Almost all licensed short-term insurers - 55	Almost all licensed long-term insurers - 128	All licensed FSPs and their representatives - 11 897 FSPs (excludes representatives)	Retirement funds (4841) and administrators (127) regulated under the PF Act (excludes certain public sector pension funds)	17,054
Total staff	31	14	64	38	59	65	271
Total complaints received	21,894	15,140	16,086	13,750	10,574	9,177	86,621
Formal complaints received	8,521	1,939	12,188	2,720	4,501	6,083	40,844
Formal complaints closed	8,008	1,970	10,534	3,137	5,046	6,981	38,881
Average complaint handling completion times (working days)	52	63	97	Not reported	63	134	
Premature complaints	13,373	Not reported	411	5,465	3,165	6,639	23,113
Referrals to other forums	Not reported	340	3,898	3,941	5,087	1,509	14,775
Final determinations / rulings issued	0	0	2	4	2	5,379	5,387
Total award to consumers	25,735,594	4,899,209	102,644,365	283,084,533	39,525,923	89,680,354*	545,569,978

*Total award value for OPFA only includes determinations ordering payment of stated amounts. A significant number of awards require the respondent to perform a calculation before making payment and are not included in this total. In several cases, partial prescription of amounts owing reduces the award the OPFA is able to order.

NOTES FOR TABLE 3:

- The statistics pertain to:
 - Four industry ombud schemes: Ombudsman for Banking Services (OBS); Credit Ombud (CO); Ombudsman for Long-term Insurance (OLTI); and the Ombudsman for Short-term Insurance (OSTI); and
 - Two statutory ombud schemes: Office of the Ombud for Financial Services Providers (FAIS Ombud) and the Office of the Pension Funds Adjudicator (OPFA).
- Data for the fifth industry ombud scheme, the JSE Ombud scheme, is not included. The JSE scheme covers members of the Johannesburg Stock Exchange (JSE) in relation to JSE-listed securities. Unlike other industry ombuds, which operate as independent, non-profit entities, the JSE scheme is not a separate legal entity. The Ombud (a retired judge) is appointed by the JSE. If a complainant is dissatisfied with the response from a JSE member, their first recourse is to the JSE's Market Regulation Division. The Market Regulation Division will investigate, mediate, and/or recommend an outcome. The JSE Ombud acts as a final appeal

stage after the JSE's Market Regulation Division has investigated or mediated a complaint. The JSE scheme did not address any formal complaints during the year.

- Data for industry ombud schemes is extracted from their Annual Reports for the 2023 calendar year, while data for statutory schemes is sourced from their 2023/2024 Annual Reports, encompassing April 2023 to March 2024.
- Comparing statistics proves challenging due to differences in the stages of the complaint handling process and the data provided for each stage across schemes. Based on the available scheme data, "Total Complaints Received" includes all submissions to the schemes. Although schemes adopt somewhat different

approaches, this typically includes a combination of: Enquiries that do not constitute a complaint; matters that fall outside the scheme's jurisdiction for various reasons; and matters referred back to financial institutions or other forums. "Total complaints received" is therefore a far broader category than "Formal complaints", which comprise those fully investigated by the scheme.

- "Premature complaints" refer to complaints submitted directly to the ombud schemes without complainants first exhausting internal complaints handling processes of the financial institution. If a complainant has skipped the initial step of affording the financial institution an opportunity to resolve the complaint internally, the ombud scheme will refer the complaint to the financial



institution for resolution. If a response is not received within the specified time or the complainant remains aggrieved, the ombud schemes treat the complaint as a formal case under the schemes' rules.

2.4.2. COMPLAINT TRENDS

Outlined below are prominent trends identified across the ombud schemes, based on insights from their annual reports and ongoing engagements.

- The OBS's most frequent complaints from a banking product perspective related to current accounts, followed by personal loans, savings accounts, credit cards, and home loans. Within current accounts, digital banking was the primary source of complaints. From a complaint cause perspective, our engagements with the OBS informed that fraud, particularly through several types of on-line and digital scams, remains a significant category of complaints.
- Declined claims are the main cause of complaints to the OLTl, particularly in relation to funeral benefits and life policies. The primary reasons for claims being declined included policy terms or conditions not recognised or met and non-disclosure.
- Motor vehicle insurance complaints constituted approximately 40% of the complaints handled by the OSTl. The majority of these complaints related to declined accident-related claims due to policy exclusions. The main exclusions disputed were lack of due care or precaution in preventing or minimising loss especially in claims involving speeding, followed by misrepresentation or non-disclosure at different stages of the contract. Homeowners' insurance complaints often related to damage from acts of nature, gradual deterioration, lack of maintenance, and defects in design or construction.
- A significant portion of complaints against credit providers investigated by the CO, highlighted concerns over default listings at credit bureaux as well as debt counselling and a range of financial issues including judgments, prescription queries, and requests for credit profiles. It should be noted that complaints relating to debt counselling were routed to the National Credit Regulator, as this activity falls outside the scope of the FSR Act and hence outside the NFO's jurisdiction.
- Section 13A of the Pension Funds Act mandates employers to make regular and accurate contributions to pension funds, which is vital for ensuring the financial stability of retirement funds and securing employees' benefits upon retirement. However, a persistent trend seen by the OPFA relates to withdrawal benefits and non-compliance with Section 13A. The OPFA reports that complaints about withdrawal benefits and Section 13A non-compliance collectively account for approximately 83,5% of all complaints, stemming from employers' failing to contribute to retirement funds and funds not adequately collecting these contributions. These issues overlap, with employees typically discovering non-payment of contributions only when they are withdrawing their benefits.
- Complaints regarding mis-selling or poor advice in relation to funeral policies remained the largest category of complaints received by the FAIS Ombud accounting for approximately 58% of all complaints. Cryptocurrency complaints, being a new addition to the FAIS Ombud's jurisdiction, mainly related to allegations of fraud. Consumers made payments based on cryptocurrency investment advertisements on social media and did not receive a return. Another significant portion of complaints involved issues with non-life insurance household policies, and motor vehicle policies. These complaints often involve disputes over policy exclusions and terms. There is therefore a clear correlation between the underlying product and transaction types giving rise to the complaints against financial advisers submitted to the FAIS Ombud, and complaints against product providers submitted to the other schemes.
- With the Ombud Council's encouragement, the majority of ombud schemes have established processes to address complaints from vulnerable consumers, prioritising support to elderly complainants and complainants faced with other vulnerabilities such as physical or mental disabilities and literacy challenges, among others.

3. PROGRESS TOWARDS ACHIEVEMENT OF INSTITUTIONAL IMPACTS AND OUTCOMES

The Ombud Council's intended impact, informed by its statutory mandate, is an accessible, effective, independent and fair financial sector ombud system. The Table below, extracted from our Strategic Plan, sets out the Ombud Council's targeted outcomes, outcome indicators, and two-year targets, and also highlights linkages to our broader organisational priorities (set out in Part A) and relevant MTSF priorities.

Table 4: MTSF Priorities and Strategic priorities

OUTCOME	OUTCOME INDICATOR	TWO-YEAR TARGET (2024/25)
MTSF PRIORITY:	1. Building a capable, ethical, and developmental state	
OMBUD COUNCIL STRATEGIC PRIORITY:	Build a well-governed institution sufficiently capacitated to perform its functions efficiently and effectively.	
1. Adequate capacity and capability in place to perform statutory functions.	Staff appointed and sustainable support services implemented.	Five vacant positions filled, and support functions currently provided by FSCA through an MoA are performed or contracted by the OC itself.
2. Effective governance framework exists.	Compliance with Board Charter and Committee ToRs; Number of approved policies.	All meetings and business conducted in compliance with the Board Charter and Committee Terms of Reference and in compliance with approved policies.
3. Sustainable funding is ensured.	Levy income collected as per legislative requirements.	Levy funding model is in place and operationalised, in compliance with PFMA, FSR Act and Levies Act prescripts.
4. Financial management system and controls exist.	Clean audit of financial management system.	Funding is managed and controlled according to PFMA prescripts, as evidenced by clean audits.
MTSF PRIORITY:	2. Economic transformation and job creation	
OMBUD COUNCIL STRATEGIC PRIORITY:	Enhance the coverage and effectiveness of the ombud system by addressing jurisdictional gaps and overlaps and promoting co-ordination and alignment of scheme processes.	
5. Jurisdictional gaps, overlaps and inconsistencies between scheme processes reduced.	OC Rules made in accordance with Regulatory Plan.	Ombud Council regulatory powers used to improve clarity in relation to the jurisdiction of ombud schemes and alignment of ombud scheme processes, in accordance with annual Regulatory Plan.
6. Inconsistencies between ombud scheme reporting processes reduced.	Aligned scheme reporting framework developed.	Aligned scheme reporting framework developed. Industry scheme reports submitted in accordance with aligned reporting framework.

Table 4: MTSF Priorities and Strategic priorities (continued)

OUTCOME	OUTCOME INDICATOR	TWO-YEAR TARGET (2024/25)
MTSF PRIORITY:	2. Economic transformation and job creation	
OMBUD COUNCIL STRATEGIC PRIORITY:	Support financial inclusion initiatives undertaken by ombud schemes and other regulators to create consumer awareness of the services offered by ombud schemes.	
7. Enhanced consumer awareness of ombud services through Ombud Council support of awareness and education initiatives by stakeholders.	OC participation in stakeholder activities, as per stakeholder plan	Active participation in awareness / education activities of schemes and FSCA as per stakeholder plan.
MTSF PRIORITY:	2. Economic transformation and job creation	
OMBUD COUNCIL STRATEGIC PRIORITY:	Contribute to reform of the ombud system through proactive participation in regulatory and policy reform and transition projects.	
8. The implementation of regulatory and institutional reform of the ombud system is well-managed.	OC technical inputs to stakeholder engagements; Transition plan in place.	Ongoing technical, regulatory input into stakeholder engagements; Transition plan exists and is being implemented.
MTSF PRIORITY:	1. Build a capable, ethical, and developmental state. 2. Economic transformation and job creation.	
OMBUD COUNCIL STRATEGIC PRIORITY:	Effectively monitor the performance and compliance of ombud schemes in line with the Ombud Council's statutory objective (s.176).	
9. An effective supervision framework is in place to identify non-compliance or poor performance of ombud schemes.	Number of on-site inspections conducted.	Scheme performance monitored through on-site inspections carried out per Supervision Plan and Procedure Guide.

This section provides a high-level indication of progress toward the two-year targets for each of the above outcomes, with full details of achievements against 2023/24 annual performance targets set out in section 4 below.

OUTCOME 1: ADEQUATE CAPACITY AND CAPABILITY IN PLACE TO PERFORM STATUTORY FUNCTIONS.

Steady progress has been made on reaching the two-year target of ensuring that support functions previously provided by the FSCA through the MoA are performed or contracted by the Ombud Council itself. Senior appointments have been made and key policies are in place to enable the Ombud Council to manage its own financial and human resource processes, and to procure infrastructure and outsourced services using its own policies.

OUTCOME 2: EFFECTIVE GOVERNANCE FRAMEWORK EXISTS.

The Ombud Council's Board and governance Committees functioned effectively and productively throughout the year, in line with their documented terms of reference and applicable FSR Act and PFMA governance obligations.

OUTCOME 3: SUSTAINABLE FUNDING IS ENSURED.

As highlighted elsewhere in this Report, the Levies Acts and Chapter 16 of the FSR Act, which together ensure the Ombud Council's levy-based funding model and related budget and financial management frameworks, came into operation on 1 April 2023. Simultaneously, the Ombud Council was listed as a Schedule 3A entity under the PFMA. This ended the significant funding uncertainty under which the Ombud Council had been operating in prior financial years, enabling levy funding to begin to flow during the



2023/24 financial year, in compliance with PFMA, FSR Act and Levies Act prescripts. This has also enabled the Ombud Council to cease reliance going forward on interim contingency funding through fiscal transfers.

OUTCOME 4: FINANCIAL MANAGEMENT SYSTEM AND CONTROLS EXIST.

The annual and two-year target for this Outcome is to ensure that Ombud Council funding is managed and controlled according to PFMA prescripts, as evidenced by clean audits. Excellent progress has been made in this regard, with the Ombud Council's first external audit yielding a clean audit opinion. An internal audit of several processes and controls was also performed, which provided highly useful inputs for further refinement of the Council's control environment going forward.

OUTCOME 5: JURISDICTIONAL GAPS, OVERLAPS AND INCONSISTENCIES BETWEEN SCHEME PROCESSES REDUCED.

The main focus for this outcome was on making regulatory instruments, in the form of Ombud Council Rules, in accordance with a documented Regulatory Plan. A Regulatory Plan for the year was developed, targeting completion of two sets of Ombud Council Rules: Rules

for the FAIS Ombud; and Rules for the Pension Funds Adjudicator. Good progress was made on the Rules for the FAIS Ombud, with the final proposed Rules submitted to the National Treasury to facilitate submission to Parliament before the financial year-end, and the Rules subsequently coming into effect in the new financial year. These Rules replace previous Rules made two decades ago under the FAIS Act. Among other enhancements, they provide financial customers who have been prejudiced by poor conduct of financial advisers with better redress, by increasing the FAIS Ombud's maximum compensation limit from an outdated and inadequate level of R800,000 to a more meaningful R3.5 million.

The target in respect of Rules for the Pension Funds Adjudicator was not met, due to resource constraints, and the making of these Rules has been deferred to 2024/25.

OUTCOME 6: INCONSISTENCIES BETWEEN OMBUD SCHEME REPORTING PROCESSES REDUCED.

Consultation on a framework for aligned reporting of complaint related information by industry ombud schemes to the Ombud Council took place, and the Ombud Council is on track to achieve the two-year goal of industry schemes implementing the aligned reporting framework in 2024/25.

OUTCOME 7: ENHANCED CONSUMER AWARENESS OF OMBUD SERVICES THROUGH OMBUD COUNCIL SUPPORT OF AWARENESS AND EDUCATION INITIATIVES BY STAKEHOLDERS.

The Ombud Council's strategy in support of financial inclusion and financial literacy focuses on supporting the consumer education activities of ombud schemes, the FSCA and other stakeholders. Although some interim progress on consumer education related activities was made during the year, the targeted development of a stakeholder engagement plan to identify, implement and track such initiatives has not been met. In line with a Board-approved approach, the Ombud Council approached the Government Technical Advisory Centre (GTAC) for support in developing an appropriate business model to enable the Ombud Council to utilise its consumer education budget in line with the strategic intent to collaborate with other stakeholders on consumer education initiatives. A GTAC support project subsequently commenced in the 2024/25 financial year, and the Ombud Council expects to make much better progress on achieving this outcome in the new year.

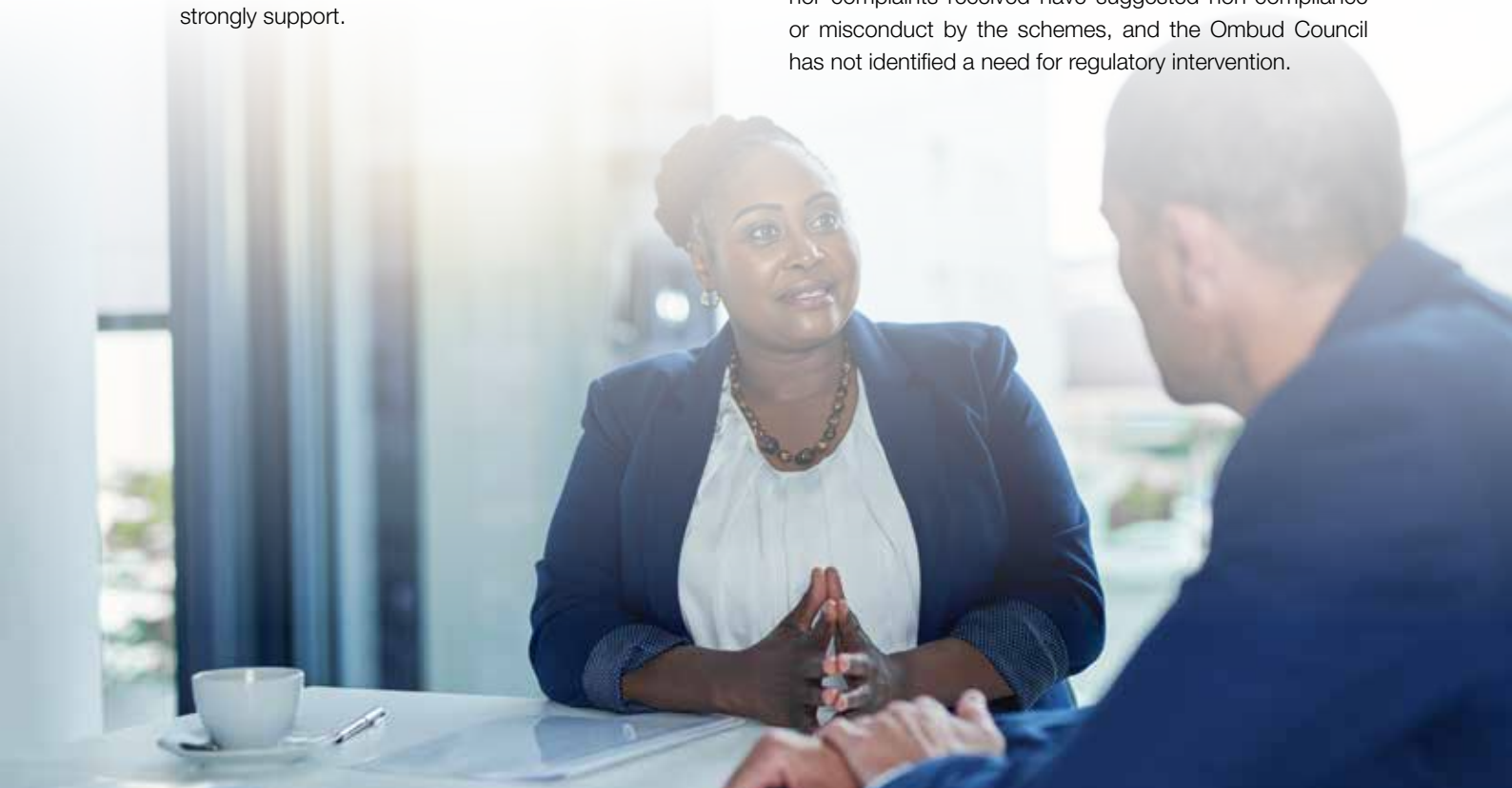
OUTCOME 8: IMPLEMENTATION OF REGULATORY AND INSTITUTIONAL REFORM OF THE OMBUD SYSTEM IS WELL-MANAGED.

The Ombud Council is a proactive contributor to the structural and policy reforms of the financial sector ombud system being driven by the National Treasury, which we strongly support.

Important highlights during the year were the Ombud Council's participation in developing the National Treasury policy paper "A simpler, stronger, financial sector ombud system", culminating in its successful publication in February 2024; and granting recognition to the new, overarching National Financial Ombud Scheme (NFO) effective 1 March 2024, after a rigorous application and consultation process. Further details regarding the amalgamation is set out in paragraph 2.1.1 above. The establishment of the NFO is a vital step in the transition toward the broader reforms announced by the National Treasury.

OUTCOME 9: AN EFFECTIVE SUPERVISION FRAMEWORK IS IN PLACE TO IDENTIFY NON-COMPLIANCE OR POOR PERFORMANCE OF SCHEMES.

Ombud scheme oversight through on-site inspections and several ad hoc engagements with schemes took place throughout the year. Three out of four planned inspections took place, with the fourth inspection rendered superfluous due to the scheme concerned being absorbed into the amalgamated NFO. The Ombud Council also considers complaints received from the public from time to time in relation to the service they have received from schemes. Such complaints have typically arisen when the financial customer concerned is dissatisfied that a scheme has not determined a complaint in their favour, and construes this as poor service. To date, none of the inspections conducted nor complaints received have suggested non-compliance or misconduct by the schemes, and the Ombud Council has not identified a need for regulatory intervention.



4. INSTITUTIONAL PROGRAMME PERFORMANCE INFORMATION

The Ombud Council's Annual Performance Plan (APP) for 2023/24 comprised two programmes: Administration; and Regulation & Oversight.

4.1 DESCRIPTION OF EACH PROGRAMME.

ADMINISTRATION PROGRAMME

The purpose of this programme is for the Ombud Council to meet its overall governance objective as per section 178 of the FSR Act – more specifically to deliver support services to the institution and towards performance and the delivery of services by other programmes. This programme therefore supports the Council's internally focused strategic priority to build a well-governed institution, sufficiently capacitated to perform its functions efficiently and effectively. During the year under review, this programme was largely supported by a Memorandum of Agreement (MoA) with the FSCA.

Due to the scale of operations, the Administration programme is not further split into sub-programmes. The programme targets the following outcomes:

- Adequate capacity and capability in place to perform statutory functions.
- Sustainable funding ensured.
- Financial management system and controls exist.

REGULATION AND OVERSIGHT PROGRAMME

The purpose of this programme is to perform regulatory and supervisory functions in line with the Ombud Council's statutory mandate to ensure that financial customers have access to and can use affordable, effective, independent and fair alternative dispute resolution processes. It entails operationalising the Ombud Council's core regulatory, supervisory and enforcement functions and also aims to promote consumer awareness of the ombud system and to proactively contribute to meaningful structural reform of the system in the interest of financial customers. Indirectly, this programme will contribute to the Medium-Term Strategic Framework's Priority 2 which addresses economic inclusion and job creation.

The Regulation and Oversight Programme comprises four sub-programmes:

SUB-PROGRAMME: JURISDICTION AND CO-ORDINATION

The purpose of this sub-programme is to use statutory powers to deliver on the mandate to clarify jurisdiction of ombud schemes and promote co-ordination in the ombud system. It targets the following outcomes:

- Jurisdictional gaps, overlaps, and inconsistencies between scheme processes reduced, and
- Develop consistent ombud scheme reporting processes.

SUB-PROGRAMME: FINANCIAL INCLUSION AND CONSUMER AWARENESS

The purpose of this sub-programme is to collaborate with stakeholders to promote consumer awareness of the ombud system and, in so doing, to support financial inclusion, to deliver on the mandate per section 177(1)(d) and (i) of the FSR Act. The sub-programme targets the following outcome:

- Enhanced consumer awareness of ombud services through Ombud Council support of awareness and education initiatives by stakeholders.

SUB-PROGRAMME: REFORM OF THE OMBUD SYSTEM

The purpose of this sub-programme is to facilitate reform of the ombud system to better support the Ombud Council's statutory objective. This entails ongoing proactive participation in reform and transition projects, targeting the following outcome.

- The implementation of regulatory and institutional reform of the ombud system is well-managed.

SUB-PROGRAMME: OMBUD SYSTEM OVERSIGHT

The purpose of this sub-programme is to exercise oversight over ombud systems to deliver on the Council's mandate to monitor the performance of ombud schemes (section 177(1)(h) of the FSR Act). The target outcome is:

- An effective supervision framework is in place to identify non-compliance or poor performance of ombud schemes.

4.2 OUTCOMES, OUTPUTS, OUTPUT INDICATORS, TARGETS AND ACTUAL ACHIEVEMENTS

4.2.1. PROGRESS ON ACHIEVEMENT OF OUTCOMES

The Ombud Council's progress against achievement of each of the targeted outcomes set out in paragraph 4.1, and the intended outputs related to those outcomes, is summarised as follows. For ease of reference, the same numbering is used for the outcomes as that used in the Table in paragraph 4.2.2:

OUTCOME 1: ADEQUATE CAPACITY AND CAPABILITY IN PLACE TO PERFORM STATUTORY FUNCTIONS

Good progress has been made in filling targeted vacant staff positions, with three of four targeted vacancies filled by financial year end (Heads of Operations and Finance, and Executive Administrative Assistant), and the fourth (Head of Regulation & Oversight) appointed by year end, with duty having commenced early in 2024/25. All remaining positions targeted for the end of the two-year period are budgeted for and on track to be filled during 2024/25.

Employment equity targets were partially achieved. From a gender perspective, the target for 51% female representation was exceeded, with 75% female representation by year end. The 92% Black representation could not be achieved, due to the Chief Ombud being a White female, thus making up more than 8% of the Ombud Council's small staff complement. The Chief Ombud is appointed by the Minister of Finance, and thus not within the Council's control. The small staff complement also makes the targeted 8% representation for people with disability very difficult to achieve. It should be noted that the employment equity targets in the APP were inserted at the request of the National Treasury.

Where the broader aspects of this outcome are concerned, steady progress has been made on reaching the two-year target in the Strategic Plan of ensuring that the Ombud Council support functions previously provided by the FSCA through the MoA are performed or contracted by the Ombud Council itself. Notably, the Board approved the Ombud Council's Financial Management, Supply Chain Management, Performance Management, and Employee Benefits & Remuneration Policies, readying the Ombud Council to adopt its own finance, procurement, and human resource processes and policies as from 1 April 2024, and to cease reliance on the FSCA in this regard. Some procurement delays were however experienced in securing Board Secretariat and IT services, which were held over to 2024/25.

The Ombud Council appointed an Enterprise Architect for a six-month period to assist in developing and mapping business processes for a wide range of corporate

processes. These will be used as the basis for accurately identifying and procuring the Ombud Council's remaining support service requirements.

OUTCOME 2: SUSTAINABLE FUNDING ENSURED

The targeted output of operationalising levy collection processes as per the Levies Act was achieved, with the FSCA having commenced collection of levies on the Ombud Council's behalf as required by the FSR Act. Levy income began to flow in the third quarter of 2023/24.

As provided for in the FSR Act and the Levies Acts, levies payable to the Ombud Council are collected on its behalf from financial institutions by the FSCA, and transferred to the Ombud Council. These levy collection and transfer arrangements between the entities have been agreed and operationalised, with a formal memorandum of understanding between the parties in development. In addition, the Ombud Council complied with FSR Act and Levies Act requirements to publish and consult on its proposed budget, expenditure estimates and levy proposals for the 2024/25 financial year.

The implementation of the levy collection process has also enabled the Ombud Council to cease reliance going forward on interim contingency funding through fiscal transfers. The contingency funding amount of R8 million received from the National Treasury in the year under review was not required as levies received were sufficient to fund the entity's operations and will be transferred back to the National Treasury.

OUTCOME 3: FINANCIAL MANAGEMENT SYSTEM AND CONTROLS EXIST

The targeted output for achievement of this outcome was a clean external audit of the Ombud Council for the 2023/24 financial year. We are pleased to report that this has been achieved, as confirmed in the report by the auditors, Nexia SAB&T, in Part E of this Annual Report.

In preparation for the external audit, and in view of the Ombud Council's limited internal finance resources, the Ombud Council during the first quarter of 2024/25 requested its internal audit service provider to perform an internal audit review on internal financial controls of the Ombud Council for the 2023/24 financial year, in accordance with the audit plan approved by the Audit and Risk Committee. Further details of the internal audit review, which provided very useful recommendations to the Ombud Council as we develop and implement our internal controls and processes, are set out in Part C, paragraph 6 of this Report.



The Board has in the year under review approved the Ombud Council's own Financial Management and Supply Chain Management Policies, which come into operation as from the start of the 2024/25 financial year. This was timed to coincide with the cessation of the MoA with the FSCA, in terms of which the FSCA performed financial and supply chain management on the Council's behalf (using its own policies and processes) up to 31 March 2024.

OUTCOME 4: JURISDICTIONAL GAPS, OVERLAPS AND INCONSISTENCIES BETWEEN SCHEME PROCESSES REDUCED

Intended outputs for this outcome were to finalise a Regulatory Plan for the Ombud Council setting out the nature, type and timelines for making regulatory instruments, in the form of Ombud Council Rules; and to achieve 80% of the milestones set out in the Regulatory Plan.

The first output was achieved, with a Regulatory Plan for the year finalised, targeting completion of two sets of Ombud Council Rules: Rules for the FAIS Ombud; and Rules for the Pension Funds Adjudicator. As described in paragraph 2.1.1 above, good progress was made on the Rules for the FAIS Ombud, with the final proposed Rules submitted to the National Treasury to facilitate submission to Parliament before the financial year end, meaning that all parts of the rule-making process that were within the Ombud Council's control were completed during the year. This did however take place later in the year than planned, due to unanticipated legislative interpretation questions around rule-making powers that needed to be resolved between the Council

and the FSCA. The final milestone, final publication of the Rules, was not achieved within the year due to delays in the Parliamentary submission process facilitated by the National Treasury. These matters were subsequently resolved, and the Parliamentary process completed, and the Rules came into operation on 1 July 2024.

The Regulatory Plan target in respect of Rules for the Pension Funds Adjudicator was not met, due to resource constraints, and the making of these Rules has been deferred to 2024/25. The subsequent appointment of the Head of Regulation and Oversight has created additional capacity for this work.

Overall achievement of the Regulatory Plan milestones is 33%, as compared to the targeted 80%.

OUTCOME 5: DEVELOP CONSISTENT OMBUD SCHEME REPORTING PROCESSES

The targeted output for this outcome was to finalise a reporting framework for aligned reporting of complaint related information by industry ombud schemes to the Ombud Council and communicate it to the industry schemes. This was achieved, and agreement was reached with the new NFO industry scheme to substantially implement the reporting requirements proposed by the Ombud Council, using the scheme's new single case management system, in 2024/25. The amalgamation of four former industry ombud schemes to form the NFO, and the recognition of the NFO by the Ombud Council in March 2024, greatly facilitated the alignment exercise.

OUTCOME 6: ENHANCED CONSUMER AWARENESS OF OMBUD SERVICES THROUGH OMBUD COUNCIL SUPPORT OF AWARENESS AND EDUCATION INITIATIVES BY STAKEHOLDERS

The Ombud Council's strategy in support of financial inclusion and financial literacy focuses on supporting the consumer education activities of ombud schemes, the FSCA and other stakeholders. The targeted output to deliver this outcome was therefore to agree a stakeholder plan setting out the Council's participation in awareness and education initiatives with the FSCA and ombud schemes. This output was not achieved as the stakeholder engagement plan was not finalised.

The Board agreed at its October 2023 Strategy Workshop that an appropriate business model first needs to be found to enable the Ombud Council to utilise its consumer education budget in line with the strategic intent to support the consumer awareness and education initiatives of other stakeholders - particularly the ombud schemes and the FSCA - rather than duplicating resources and risking consumer confusion by developing separate programmes of its own. To this end, after engagements with the National Treasury and the FSCA, the Ombud Council approached the Government Technical Advisory Centre (GTAC) in the third quarter to explore opportunities for collaboration and support, to enable the Council to deliver effectively on this part of its mandate. This resulted in a formal request for support to GTAC, with a GTAC support project due to commence in the 2024/25 financial year. The Ombud Council is confident that the result will be a fit for purpose operating model to enable it to design, develop, and implement educational and awareness initiatives in collaboration with key sector stakeholders. The intention is also to enable the Council to present a credible motivation to the National Treasury during 2024/25 for retention of some or all the 2023/24 budget surplus, to fund a meaningful consumer education project.

Despite non-completion and deferral of the stakeholder engagement plan, the Ombud Council did however make interim progress on this outcome during the year under review, including the following:

- The Ombud Council became a member of the National Consumer Financial Education Committee, a multi-stakeholder forum led by the National Treasury. The Ombud Council will use its participation in this forum for identifying further opportunities to support our consumer education and financial inclusion responsibilities and collaborate with other players in the financial education space.
- The Ombud Council participated in Money Smart Week SA (MSWSA), the NCFEC's flagship annual consumer education initiative, through producing social media messages about the ombud system, and the Chief
- Ombud participating in a webinar together with several of the ombud schemes about the services provided by ombuds. The Council intends to expand the scale of its participation in the 2024/25 iteration of MSWSA.
- Ongoing monitoring of the consumer education and awareness initiatives of ombud schemes takes place at quarterly Ombuds Liaison Forum meetings and on-site inspections.
- The Ombud Council secured participation in a contract entered into by the FSCA for media buying services, and the appointed the service provider developed an advertising campaign in the last quarter of the year to create awareness of the new NFO scheme, for launch in early 2024/25.
- The appointment of the Head of Regulation and Oversight, whose responsibilities will include consumer education / awareness and broader stakeholder engagement functions, adds much-needed capacity for this part of the Council's mandate. An additional position, Communication Officer has also been approved for 2024/25, to support this work.

OUTCOME 7: THE IMPLEMENTATION OF REGULATORY AND INSTITUTIONAL REFORM OF THE OMBUD SYSTEM IS WELL-MANAGED

As discussed in paragraph 2.3 above, the Ombud Council operates in an environment of significant pending regulatory and institutional reform of the ombud system itself, and the broader financial sector legislative framework of which the ombud system forms a part. The Ombud Council's Strategic Plan therefore recognises that it is imperative for the Council to actively contribute to shaping the future ombud system, to ensure the Council's readiness to continue delivering on its core statutory objective and maintain relevance in the new regime.

Outputs for this outcome are therefore focused on providing technical and regulatory inputs into stakeholder engagements on regulatory, policy and structural reform of the ombud system; and in particular timeously responding to stakeholder requests for such inputs (100% of input requests to be responded to within 60 days). These outputs were fully achieved.

Extensive written and in-meeting input has been provided, both proactively and on request, in respect of the following (Please also see further information on key achievements in paragraph 2.1.1 above):

- The development of the National Treasury's policy response to the World Bank Diagnostic recommendations, titled "A Simpler, Stronger Financial Sector Ombud System" (February 2024). This included

detailed input into the policy paper itself; the outline of the intended future regime; the implementation plan outline; and the feedback statement responding to comments on the Diagnostic. The Ombud Council also participated in a briefing to the National Treasury DDG on the policy response.

- The COFI Bill and proposed consequential amendments to Chapter 14 of the FSR Act (the Ombud Council's founding legislation). This included assisting the National Treasury in responding to ombud scheme comments on the proposed amendments.
- A possible additional Omnibus Bill to effect interim amendments to the FSR Act pending the COFI Bill.

A significant highlight in relation to this outcome (and which also supports Outcome 4) was the Ombud Council's recognition of the new NFO industry ombud scheme with effect from March 2024, as discussed in paragraph 2.1.1 above. In the lead-up to the NFO recognition, inputs provided by the Ombud Council included:

- Extensive input into the governing rules of the NFO scheme, comprising its Memorandum of Incorporation and Scheme Rules.
- Active participation in the selection committee to appoint the initial Board of the NFO scheme.

OUTCOME 8: AN EFFECTIVE SUPERVISION FRAMEWORK IS IN PLACE TO IDENTIFY NON-COMPLIANCE OR POOR PERFORMANCE OF OMBUD SCHEMES

The Ombud Council aimed to carry out four on-site inspections of ombud schemes during the year under review, using its inspection powers under section 208 of the FSR Act, and three inspections were completed. No inspection was carried out in the fourth quarter, in view of the NFO amalgamation. The intention had been to inspect the Ombudsman for Short-Term Insurance (OSTI scheme) in the fourth quarter, being the only substantial scheme not inspected by the Ombud Council to date. The OSTI scheme however ceased to exist as a separate scheme after the NFO commencement in March 2024, and an inspection immediately before the amalgamation would have served no useful purpose.



4.2.2. ANNUAL PERFORMANCE REPORT TABLE

The Ombud Council presents the following Annual Performance Report Table for the 2023/24 financial year.

Table 5: Annual Performance Report Table for the 2023/24 financial year

OUTCOMES	OUTPUTS	OUTPUT INDICATORS	PLANNED ANNUAL TARGETS	ACTUAL ACHIEVEMENT 2023/24	REASON FOR DEVIATION	REMEDIAL ACTION
PROGRAMME 1: ADMINISTRATION						
1. Adequate capacity and capability in place to perform statutory functions.	1.1 4 vacant positions filled.	1.1 Number of vacant staff positions filled.	4 vacant positions filled.	3 vacant positions filled. Recruitment of the Head of Regulation and Oversight targeted for Q4 commenced during Q3 and was finalised in Q4, but assumption of duty date was 01 May 2024.	Delays in recruitment processes due to December / January holidays and SCM processes.	N/A
	1.2 Employment Equity targets achieved.	1.2 Total staff establishment percentage achievement of EE quarterly targets reflects at least 51% Female and 49% Male 92% Black (including Coloured and Indian) representation and 8% White	51% Female 49% Male 2% Disability 92% Black representation. 8% White representation	75% Female 25% Male 75% Black 25% White 0% Disability	Over-representation of White employees is mainly due to Chief Ombud (Ministerial appointment) being White, making up more than 8% of small staff complement.	Under-represented groups to be targeted in future recruitment.
	2.1 Levy collection process operationalised as per Levies Act.	2.1 Levy collection process implemented.	Levy collection process agreed with FSCA and implemented.	Achieved. Levy collection processes between FSCA and OC have been implemented. Levy cash flow commenced during Q3. Final Levy Collection MOU with FSCA under discussion.	N/A	N/A
3. Financial management system and controls exist.	3.1 Clean audit achieved for FY 2023/24 (to be confirmed in FY 2024/25).	3.1 Clean audit as per Auditor-General report. [Note: Subsequently confirmed with AGSA that audit must be conducted by external auditors.]	Clean Audit	Achieved. Clean audit opinion confirmed.	N/A	N/A ³
PROGRAMME 2: REGULATION AND OVERSIGHT						
SUBPROGRAMME 2.1: JURISDICTION AND CO-ORDINATION - TO USE STATUTORY POWERS TO DELIVER ON MANDATE TO CLARIFY JURISDICTION AND PROMOTE CO-ORDINATION IN OMBUD SYSTEM						
4. Jurisdictional gaps, overlaps and inconsistencies between scheme processes reduced.	4.1 Regulatory Plan setting out the nature, type and timelines for Rules to be made in the course of the year, with milestones for each quarter.	4.1 Regulatory Plan finalised.	Finalised Regulatory Plan.	Achieved.	N/A	N/A

³ A clean audit opinion for the 2023/24 financial year has subsequently been confirmed.

Table 5: Annual Performance Report Table for the 2023/24 financial year (continued)

OUTCOMES	OUTPUTS	OUTPUT INDICATORS	PLANNED ANNUAL TARGETS	ACTUAL ACHIEVEMENT 2023/24	REASON FOR DEVIATION	REMEDIAL ACTION
PROGRAMME 2: REGULATION AND OVERSIGHT (continued)						
	4.2 Ombud Council Rules (OCRs) made in accordance with Regulatory Plan milestones.	4.2 % of Regulatory Plan milestones achieved.	Achievement of 80% of Regulatory Plan milestones.	33% of full year Regulatory Plan milestones achieved.	Delays in finalising FAS Ombud OCRs due to unanticipated need to resolve legislative interpretations and delays in Parliamentary submission process facilitated by National Treasury. Delays in drafting OPFA OCRs due to resource constraints.	Legislative interpretation issue now resolved. FAS Ombud OCRs tabled in Parliament. Additional legal resource appointed effective 1 May 2024 (Head of Regulation & Oversight). 2024/25 Regulatory Plan will provide for finalisation of OPFA OCRs.
5. Develop consistent ombud scheme reporting processes.	5.1 Finalised reporting framework for industry ombud schemes, including aligned requirements for complaint categorisation and statistics.	5.1 Finalised reporting framework communicated to industry schemes.	Reporting framework with aligned reporting requirements finalised for industry ombud schemes.	Achieved. Agreement reached during Q4 with new NFO industry scheme that scheme will substantially adopt reporting framework proposed by Ombud Council. Implementation to commence in 2024/25 FY due to NFO coming into operation on 1 March 2024.	N/A	N/A
SUBPROGRAMME 2.2: FINANCIAL INCLUSION AND CONSUMER AWARENESS – TO COLLABORATE WITH STAKEHOLDERS TO PROMOTE CONSUMER AWARENESS OF THE OMBUD SYSTEM TO SUPPORT FINANCIAL INCLUSION, TO DELIVER ON MANDATE PER s.177(1)(d) AND (g)						
6. Enhanced consumer awareness of ombud services	6.1 Agreed Stakeholder Engagement Plan setting out Council participation in awareness and education activities.	6.1 Stakeholder Engagement Plan agreed with FSCA and ombud schemes.	Stakeholder Engagement Plan agreed with FSCA and ombud schemes.	Not achieved. Stakeholder Engagement Plan not finalised.	Challenges in developing a collaboration model to share resources with schemes and other stakeholder due to resource and PFMA constraints.	GTAC assistance requested. Additional resource for stakeholder engagement budgeted for in 2024/25 FY. OC included as a member of National Financial Consumer Education Committee. Participation in FSCA media buying contract concluded and media campaign to publicise new NFO ombud scheme developed. MOU with NFO scheme on consumer education collaboration finalised.

Table 5: Annual Performance Report Table for the 2023/24 financial year (continued)

OUTCOMES	OUTPUTS	OUTPUT INDICATORS	PLANNED ANNUAL TARGETS	ACTUAL ACHIEVEMENT 2023/24	REASON FOR DEVIATION	REMEDIAL ACTION
PROGRAMME 2: REGULATION AND OVERSIGHT (continued)						
SUBPROGRAMME 2.3: REFORM OF THE OMBUD SYSTEM – TO FACILITATE REFORM OF THE OMBUD SYSTEM TO BETTER SUPPORT THE OMBUD COUNCIL'S STATUTORY OBJECTIVE						
7. The implementation of regulatory and institutional reform of the ombud system is well-managed.	7.1 Technical and regulatory inputs into stakeholder engagements on regulatory, policy and structural reform of the ombud system.	7.1 Technical and regulatory inputs produced.	Technical and regulatory inputs submitted to stakeholders.	Achieved. Extensive written and in-meeting input provided to NT and WB on policy response on WBD, including feedback statement and legislative outline. Participated in briefing on policy response to new NT DDG. Culminated in publication of policy response by NT during Q4.	N/A	N/A
				Extensive support to industry scheme amalgamation process, including input and publication of rules, processing of NFO recognition, culminating in successful recognition of the NFO scheme effective 1 March 2024.		
SUBPROGRAMME 2.4: OMBUD SYSTEM OVERSIGHT – TO EXERCISE OVERSIGHT OVER OMBUD SCHEMES TO DELIVER ON MANDATE TO MONITOR THE PERFORMANCE OF OMBUD SCHEMES (S. 177(1) (H) OF FSR ACT						
8. An effective supervision framework is in place to identify non-compliance or poor performance of ombud schemes.	7.2 Responses to stakeholder requests for technical and regulatory inputs into proposals on regulatory, policy or structural reform of the ombud system.	7.2 % of stakeholder requests for input responded to within 60 days.	100% of requests for input responded to within 60 days.	100%	N/A	N/A
	8.1 4 on-site inspections conducted.	8.1 Number of on-site inspections conducted.	4 on-site inspections.	3 on-site inspections. No on-site inspection during Q4.	Due to the amalgamation of the schemes to form the NFO the recognition of former individual schemes was revoked effective 1 March 2024 and the scheme targeted for inspection ceased to exist. Inspection shortly before 1 March 2024 would have served no purpose.	N/A



4.3 STRATEGY TO OVERCOME AREAS OF UNDERPERFORMANCE.

The Ombud Council's proposals to address under-performance in relation to the deviations indicated in the Tables above are as set out in the applicable column in the Tables.

4.4 LINKING PERFORMANCE TO BUDGETS

The Ombud Council has spent 43% of the total expenditure budgeted on the two Programmes, with 86% of this expenditure spent on Programme 1 (Administration) and 14% on Programme 2 (Regulation and Oversight).

As noted elsewhere in this Report, the Ombud Council was listed as a public entity from 1 April 2023 only, with the agreement that the FSCA would provide assistance by use of

their policies, procedures and capacity to start up the entity under an MoA. Therefore, the actual expenditure over the 2022/2023 and 2023/2024 financial years was largely focused on capacitating the entity and creating its own policies and processes to be implemented in the 2024/2025 financial year in order to fully achieve performance targets set.

This FSCA support was invaluable, although the FSCA's need to prioritise its own substantial regulatory commitments, coupled with the Ombud Council's lack of internal capacity, did result in some largely unavoidable delays, particularly in relation to recruitment of staff and procurement of goods and services. Reasons for underspending against budget therefore include recruitment delays that had knock-on effects on the procurement and implementation of some planned systems and processes. The fact that corporate services were provided without cost by the FSCA also resulted in lower than budgeted expenditure for the Ombud Council.

Table 6: Linking Performance to Budgets

PROGRAMME	2023/24			2022/23		
	BUDGET	ACTUAL EXPENDITURE	(OVER)/UNDER EXPENDITURE	BUDGET	ACTUAL EXPENDITURE	(OVER)/UNDER EXPENDITURE
	R	R	R	R	R	R
1. Administration	15,647,000	8,436,759	7,183,242	10,000,000	5,020,473	4,979,528
2 Regulation and Oversight	7,279,000	1,407,507	5,871,494	1,462,000	1,082,834	379,167
TOTAL EXPENDITURE	22,926,000	9,871,265	13,054,735	10,000,000	6,103,306	3,896,694
	100%	43%	57%	100%	61%	39%

5. REVENUE COLLECTION

The 2023/24 financial year is the first year that the Ombud Council has begun to receive levy income, coinciding with the Ombud Council's PFMA listing effective 1 April 2023, and has received 4% more income than the budget anticipated.

Table 7: Revenue Collection

PROGRAMME	2023/24			2022/23		
	BUDGET R	ACTUAL REVENUE R	(OVER)/UNDER REVENUE R	BUDGET R	ACTUAL REVENUE R	(OVER)/UNDER REVENUE R
Levies	22,926,000	24,114,146	(1,188,146)	-	-	-
Government grant	8,000,000	8,000,000	-	10,000,000	10,000,000	-
Interest recieved	-	69,705	(69,705)	-	-	-
Other income	-	4,973	(4,973)	-	-	-
TOTAL EXPENDITURE	30,926,000	32,188,824	(1,262,824)	10,000,000	10,000,000	-
	100%	104%	4%	100%	100%	0%

In addition to the levy funding, the National Treasury provided a fiscal transfer of R8 million to the Ombud Council. These fiscal transfers over the years were intended to provide contingency bridging funding and cash flow for the Ombud Council until its levy funding stabilised, at which point they would no longer be required. The levy funds were sufficient to meet the targets set for the year under review. Therefore, the grant was not utilised and will be paid back to the National Treasury. The MTEF budget has been adjusted to remove the revenue related to future fiscal transfers as these are no longer a requirement.

6. CAPITAL INVESTMENT

The Ombud Council does not have any infrastructure projects requiring capital investment. The Council assets include computer equipment and finance leased assets only. During the period under review there were no losses incurred on the disposal of any assets. Asset management processes are in place to monitor and safeguard assets owned by the entity. All assets are insured.

PART C

GOVERNANCE



1. INTRODUCTION

The Board of the Ombud Council applies corporate governance through the Council's enabling legislation, the FSR Act, which stipulates the Council's overall governance objective as being to manage its affairs in an efficient and effective way; and establish and implement appropriate and effective governance systems and processes (section 178 of the FSR Act). To this end, the Ombud Council's APP targeted operationalising its governance and control functions. The Board has also committed to follow the principles contained in the King IV Report on Corporate Governance.

In terms of section 201 of the FSR Act, the Council is empowered to make regulatory instruments in the form of Ombud Council Rules, imposing obligations on ombuds and ombud schemes in support of the Ombud Council's mandate. The Ombud Council published its first set of draft Rules for the Ombud for Financial Services Providers (FAIS Ombud) for public comment on its website in the second quarter. Feedback on the draft Rules was reviewed and the rules were submitted to the National Treasury to facilitate submission to Parliament, as required by the FSR Act, for a period of 30 days while Parliament is in session. No Parliamentary input was provided, and the Rules came into operation in the first quarter of the 2024/25 financial year.

2. PORTFOLIO COMMITTEES

There were no engagements with Parliament during the financial year.

The Standing Committee on Public Accounts (SCOPA) reviews the Annual Financial Statements and audit reports of the external auditor for public entities, while the Standing Committee on Finance exercises oversight over the performance of public entities. Oversight by these Committees had however not yet commenced during the 2023/24 financial year.

3. EXECUTIVE AUTHORITY

The Minister of Finance has the power to appoint and dismiss the members of the Board of the Ombud Council as contemplated in section 180(1) of the FSR Act, as well as its Chief Ombud (section 188 of the FSR Act).

The Ombud Council has an obligation under the PFMA and the Treasury Regulations to submit a report after each quarter of the financial year to the Minister of Finance. All such quarterly reports were duly submitted for the financial

OMBUD COUNCIL BOARD



Back: (From left) Mr Adam Horowitz - Board Member, Ms Leanne Jackson - CEO/Chief Ombud, Mr Emmanuel Leggau - Board Member
Front: (From left) Advocate Dikeledi Chabedi - Deputy Chairperson, Ms Eileen Meyer - Chairperson, Ms Lebogang Senne - Board Member.
Inset: Ms Charmaine Soobramoney and Mr Unathi Kamlana.

year under review, in July and October 2022; and January and April 2023. Performance was reported against the targets in the Ombud Council's APP, and the required financial performance information was also provided. No issues were raised by the Ministry or the National Treasury. Similar performance reports were submitted to the Department of Monitoring and Evaluation, in accordance with its electronic submission prescripts.

Section 217(4) of the FSR Act requires the Ombud Council to provide information to the Minister and the National Treasury on request, or as prescribed in Regulations made for that section. No such requests were received during the year under review and no such Regulations have been prescribed.

4. BOARD AND ACCOUNTING AUTHORITY

The Ombud Council is established in terms of section 175 of the FSR Act, which also provides that notwithstanding section 49 (2) of the PFMA, the Chairperson of the Ombud Council (not its Board) is the accounting authority of the Ombud Council for purposes of the PFMA.

Section 184 of the FSR Act prescribes the role of the Ombud Council Board which, in summary, is to:

- oversee the management and administration of the Ombud Council to ensure that it is efficient and effective;
- appoint members of Committees of the Ombud Council and direct their work;
- make determinations of fees in terms of financial sector laws;
- keep the Minister and financial sector regulators informed of stated matters regarding the conduct of ombud schemes and financial institutions; and
- address other matters assigned to the Board in terms of financial sector laws.

BOARD CHARTER

As recommended by the King IV Code, the Board has a Charter setting out its role and responsibilities as well as the requirements for its membership, its meetings, and other procedures.

The Board acts as the focal point and custodian of corporate governance in the Ombud Council by steering the organisation and setting its strategic direction; granting approvals to give effect to that direction; overseeing and monitoring the implementation and execution of the strategy by management; and ensuring accountability for the organisation's performance through reporting and disclosure.

During the period under review the Board achieved the following in accordance with the Board Charter:

- All Board and Committee meetings were held as scheduled and there was a quorum in all Board and Committee meetings convened.
- The Board performed its duties and responsibility in terms of overseeing the management and administration of the Ombud Council to ensure that it is efficient and effective.
- The Board approved the Ombud Council's Strategic Plan and APP.
- The Board approved several Ombud Council policies.

COMPOSITION OF THE BOARD

The composition of the Board is prescribed by section 176 of the FSR Act. The Board consists of the Chief Ombud, the Commissioner of the FSCA, and six non-executive directors. The Commissioner does not have a vote on a question being considered by the Board (as per s.179(3) of the FSR Act).

The members of the Board were first appointed by the Minister of Finance on 01 November 2020. The Minister appointed a member as Chairperson and another member as Deputy Chairperson. The Deputy Chairperson acts as Chairperson when the Chairperson is absent from office or is otherwise unable to perform their functions.

Regarding the attendance of Board Meetings, four Board meetings were convened during the period under review. Three of the Board meetings took place on a virtual platform. A face-to-face Board strategic planning and risk workshop took place in October 2023.

The second Chairperson of the Board tendered her resignation in July 2023. A new Chairperson started her term on 1 October 2023. The remaining members of the Board whose initial terms had expired were re-appointed by the Minister of Finance on 01 November 2023 for a further term.

MEMBERS OF THE BOARD



Ms Eileen Meyer
Board Chairperson



Adv. Dikeledi Chabedi
Deputy Board Chairperson



Ms Lebogang Senne
Board member



Ms Charmaine Soobramoney
Board member



Mr Emmanuel Lekgau
Board member



Mr Adam Horowitz
Board member



Mr Unathi Kamlana
Board member/ FSCA Commissioner



Ms Leanne Jackson
Chief Ombud

An overview of Directors and their attendance of Board and Committee Meetings is as follows:

Table 8: Composition of the Board

NAME	DESIGNATION	DATE APPOINTED	DATE RESIGNED	QUALIFICATIONS	AREA OF EXPERTISE	BOARD DIRECTORSHIPS	OTHER COMMITTEES OR TASK TEAMS	NO OF MEETINGS ATTENDED
Ms. Silindile Kubheka ⁴	Board Chairperson	01/02/23	31/07/23	CA(SA) Bachelor of Commence (BCom) Honours degree in accounting	Financial, risk, accounting	None	None	2
Ms. Eileen Meyer ⁵	Board Chairperson	01/10/23	N/A	Master of. Arts in Sociology, Psychology & Political Science	Institutional development. Programme Management & Executive Coaching	None	None	2
Adv. Diki Chabedi	Dep. Chairperson	01/11/20	N/A	Bachelor of Laws degree (Bluris) and a Bachelor of Laws (LLB and postgraduate) degree	Legal expert	None	Audit and Risk Committee	3
Ms Charmaine Soobramoney	Board member/ Audit and Risk Committee Chairperson ⁶	01/11/20	N/A	Master's degree in financial management, a Higher Diploma in Company Law, and a Baccalaureus Procuratoris (BProc) in Law	Legal and Financial expertise	Rosebank Red Hotel Automobile Association of South Africa Chandra Designs Pty Each One Hold One NPC Khanyisa Empowerment Trust	Audit and Risk Committee	3
Mr. Emmanuel Lekgau	Board member/ Remuneration and HR Chairperson	01/11/20	N/A	Post Graduate Diploma in Compliance, LLB degree, Master of Laws (LLM) degree in Corporate Law, LLM degree in Labour and Social Security	Human resources, remuneration, recruitment, and selection, social and ethics and code of conduct	Molandri Holdings Pty	Remuneration and HR Committee	2
Mr. Adam Horowitz	Board member/ Remuneration and HR member	01/11/20	N/A		International Financial Services	None	Remuneration and HR Committee	4
Ms. Lebogang Senne	Board member/ Audit and Risk Committee member	01/02/23	N/A	CA(SA), Master in Business Administration (MBA), Bachelor of Commerce (BCom) Honours in Accounting, Post graduate diploma in general management, Bachelor of Business and Commerce	Financial, Risk and Accounting	Financial Reporting Standards Council	Audit and Risk Committee	4
Mr. Unathi Kamlana	Board member/ FSCA Commissioner (<i>ex officio</i>)	01/06/21	N/A	BCom Economics and Information Systems, Higher Diploma in Tax, MCom Tax Laws, Masters in Economic Policy	Commissioner of the FSCA (<i>ex officio</i>)	None	None	2 ⁷
Ms. Leanne Jackson	Board member/ Chief Ombud (<i>ex officio</i> Executive director)	01/11/22	N/A	BA (Hons)	Financial sector regulation	None	Remuneration and HR Committee	4

4 Appointed Board Chairperson on 01 February 2023 and resigned July 2023. Served notice period until 31 October 2023.

5 Appointed Chairperson on 01 November 2023.

6 Appointed Audit and Risk Committee Chairperson in February 2023.

7 For one of the meetings which Mr Kamlana was unable to attend his *ex officio* role was filled by an Acting Commissioner of the FSCA.

Table 9: Roles and responsibilities of Committee members

COMMITTEE	NO. OF MEETINGS HELD	NO. OF MEMBERS	NAMES OF MEMBERS	NO. OF MEETINGS ATTENDED
Audit & Risk Committee	5 including 1 special meeting	3	Ms. Charmaine Soobramoney (Chairperson from 01/02/2023)	5
			Adv. Dikeledi Chabedi	3
			Ms. Lebogang Senne	4
Remuneration & HR Committee	5 including 1 special meeting	3	Mr. Emmanuel Lekgau (Chairperson)	5
			Mr. Adam Horowitz	5
			Ms. Leanne Jackson	5

BOARD GOVERNANCE COMMITTEES

According to the FSR Act (section 187 (1)(a) and (b)) the Board must establish a Committee to review, monitor and advise on the remuneration policy; and a Committee to review monitor and advise the Board on the risks faced by the Ombud Council. In addition, section 51(1)(a)(ii) of the PFMA requires the Ombud Council to have an Audit Committee. In view of the scale of the Council's operations and the small number of Board members, it was decided to combine the audit oversight with risk management and human resources with remuneration. The following Committees were thus established.

1. Audit and Risk Management Committee, and
2. Remuneration and Human Resources Committee ⁸

The Table above lists the members of each of these Committees and the number of meetings held during the year.

REMUNERATION OF BOARD MEMBERS

The remuneration of Board members is determined according to the applicable National Treasury circular and guidelines.⁹ The rates during the financial year are as follows:

1. Board member: R556.00 per hour with a maximum rate of R4,446.00 per day,
2. Vice-Chairperson: R606.00 per hour with a maximum rate of R4,851.00 per day, and
3. Chairperson: R714.00 per hour with a maximum rate of R5,716.00 per day.

The indicated rates are sitting fees and exclusive of payments for preparation, research and travelling time to and from meeting venues. The meeting preparation time is based on

an hourly rate and more than five hours preparation time requires a motivation from the Board member. During the period under review a travel reimbursement was paid to one member related to attendance of an in-person workshop held in October 2023 and an in-person Board meeting held in February 2024.

Mr. Unathi Kamlana and Ms. Leanne Jackson are not remunerated for serving on the Board, due to their ex-officio roles on the Board.

The amount of remuneration paid to each Board member for the attendance of Board meetings, preparation time, incidentals and travel is set out in note 11 to the Annual Financial Statements in Part E of this Report.

5. RISK MANAGEMENT

RISK MANAGEMENT POLICY AND STRATEGY

A Strategic Risk Register was developed allocating risks against the five strategic objectives mentioned in Part A of this report. The Strategic Risk Register was finalised under the guidance of the Chief Risk Officer of the FSCA in terms of the MoA for the provision of corporate services to the Ombud Council.

RISK ASSESSMENTS

Risks were regularly assessed by the Audit & Risk Committee and reported to the Board as part of the progress reports tabled at Board meetings.

The Council has seen progress in the management of its risks. The Strategic Risk Register helped in ensuring that identified risks were assessed and mitigated accordingly.

⁸ The Remuneration and HR Committee also has a mandate to address the Social & Ethics considerations of the Ombud Council.

⁹ National Treasury Circular 2019: Remuneration Levels: Service Benefit Packages for Office Bearers of Certain Statutory and Other Institutions, Annexure A, Category S.

6. INTERNAL CONTROL, INTERNAL AUDIT AND AUDIT COMMITTEES

Section 187(5)(a) of the FSR Act read together with Chapter 6 of the PFMA requires the Board of the Ombud Council to establish a Committee to review, monitor and advise the Board on the financial reporting, budget, audit, and risk matters. The Ombud Council's Audit and Risk Committee performs these functions, in accordance with its Terms of Reference as approved by the Board.

The internal control functions of the Ombud Council were fulfilled by the FSCA through the shared services MoA during the year under review.

Since being appointed in the third quarter of the year, the Head of Finance has focused on developing appropriate, PFMA compliant policies and underlying controls for the Ombud Council. The Board approved the Ombud Council's Financial Management and Supply Chain Management Policies, which came into operation as from the start of the 2024/25 financial year, coinciding with the cessation of the MoA with the FSCA, in terms of which the FSCA performed financial and supply chain management on the Council's behalf (using its own policies and processes) up to 31 March 2024. Furthermore, despite FSCA policies and procedures being implemented for the year under review, additional review processes were put in place to ensure the quality of financial reporting by the end of the financial year.

In preparation for the external audit, and in view of the Ombud Council's limited internal finance resources, the Ombud Council during the first quarter of 2024/25 requested its internal audit service provider to perform an internal audit review on internal financial controls of the Ombud Council for the 2023/24 financial year, in accordance with the audit plan approved by the Audit and Risk Committee.

The internal audit, which covered the 2023/24 financial year, was performed by Khulagro. There were five internal audits performed as listed in the table below and the Ombud Council received 18 internal audit findings of which only one was significant.

Table 10: Internal audits performed

NO.	INTERNAL AUDIT REVIEW	NUMBER OF FINDINGS
1	Performance Information Management Review	5
2	Supply Chain Management Review	4
3	Internal Financial Controls Management	4
4	Annual Internal Control Assessment opinion	4
5	Annual Financial Statements Review	1
		18

The internal audit review concluded that the controls are "inadequate" in providing reasonable assurance that the risk areas are being properly managed and controlled. This was mainly due to delays in finance processes performed by the FSCA and the Head of Finance committed that controls will be adequate from 1 April 2024 when the Ombud Council implements its own policies and procedures. The various recommendations made by the internal auditors were significantly useful to the Ombud Council considering that this was the first audit performed. Most recommendations were implemented by year-end in readiness for the external audit process, with a comprehensive action plan in place to ensure implementation of the remaining recommendations as per agreed implementation dates.

Based on the external audit management and audit reports performed, the Ombud Council received only one external audit finding on improvement to disclosures in the Annual Financial Statements as at 31 March 2024. The adjustments were made accordingly and the Council received a Clean audit opinion.

7. COMPLIANCE WITH LAWS AND REGULATIONS

The Ombud Council has since its inception complied with all the applicable provisions of its founding legislation, the FSR Act. A register of applicable laws binding the Ombud Council is maintained and reviewed by the Board.

Compliance with applicable supply chain and employment laws was ensured using compliant FSCA processes and policies through the shared services MoA.

8. FRAUD AND CORRUPTION

No incidents of fraud or corruption were identified during the financial year.

9. MINIMISING CONFLICT OF INTEREST

The Ombud Council's supply chain management processes were managed by the FSCA as part of the MoA, which include appropriate controls to minimise conflicts. Where the Ombud Council participates in bid evaluations a declaration of interest is placed on record at the beginning of the process. The Ombud Council also complies with the disclosure of interest provisions in section 193 of the FSR Act.

10. CODE OF CONDUCT

The Board Charter includes provisions dealing with the conduct and ethics of Board members, to promote professional and ethical behaviour. The Ombud Council has a Disciplinary Procedure Policy in place to manage misconduct. The Board approved a Code of Conduct & Ethics for all staff and board members. No actions for breach of the conduct provisions in the Charter or disciplinary actions were required during the period under review.

11. HEALTH, SAFETY AND ENVIRONMENTAL ISSUES

Although the Ombud Council is not materially directly impacted by environmental issues, they have indirect impacts - particularly in relation to the insurance sector. Examples of environmental factors that lead to spikes in insurance claims and thus complaint volumes dealt with by ombud schemes include climate change related extreme weather events; energy supply challenges, such as Eskom load shedding leading to equipment damage and business interruption claims; and health events, with the COVID-19 pandemic massively increasing death and health insurance claims in the life insurance sector, and business interruption claims in the non-life sector.

12. COMPANY SECRETARY

For the period under review the Ombud Council Board was supported by the Board Secretariat function handled by support staff of the Ombud Council.

13. SOCIAL RESPONSIBILITY

The Ombud Council has not yet implemented any specific social responsibility initiatives.

The Council's statutory mandate to promote and assist in ensuring access to ombud schemes for financial customers is itself part of the broader national social responsibility and financial inclusion agenda.

South Africa's economic challenges have negative social consequences, which particularly impact lower income and less sophisticated financial customers. The level of unemployment, poverty, and inequality are unacceptably high. These factors exacerbate already low levels of financial inclusion, while many South Africans (particularly individuals and small businesses) who do participate in the formal financial sector by utilising the products and services of licensed financial institutions, are over-indebted and struggling to make ends meet.

This situation highlights the imperative for ombud schemes to have processes in place that are accessible, suitable, and empathetic for vulnerable complainants.

South Africa's high levels of crime and social unrest also play out in the financial sector, impacting the ombud system. Both financial customers and financial institutions are victims of fraud, with a high proportion of complaints to the Ombud for Banking Services, for example, being fraud related and with insurance industry bodies reporting ever increasing numbers of fraudulent claims. This requires careful application of equity principles by ombud schemes, to impartially balance the need for financial institutions to protect their customers while also limiting their own exposure to criminal activity.

14. AUDIT AND RISK COMMITTEE REPORT

We are pleased to present our report for the financial year ended 31 March 2024.

The Audit and Risk Committee (the Committee) is required, as per the approved terms of reference, to meet at least once per quarter. During the period under review the Committee held at least four meetings.

AUDIT COMMITTEE RESPONSIBILITY

The Committee reports that it has complied with its responsibilities arising from section 55 (1) (a)(ii) of the Public Finance Management Act (PFMA) and Treasury Regulations 27.1.

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

THE EFFECTIVENESS OF INTERNAL CONTROL

During the establishment phase of the Ombud Council, the Ombud Council used the FSCA's policies and procedures, finance, supply chain management, payroll and banking systems for the year under review. This was in accordance with a formal Memorandum of Agreement encouraged and supported by the Minister of Finance.

The FSCA system of controls is designed to provide cost effective assurance that assets are safeguarded and that liabilities and working capital are efficiently managed. In line with PFMA and the King IV report on corporate governance requirements, internal audit provides the Committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes.

There were no significant findings or areas of concern in the internal and external audit reports. The Audit Committee reports that the finance function and the system of internal control during the year under review was effective.

IN-YEAR MANAGEMENT AND QUARTERLY REPORT

The Ombud Council has reported quarterly to the National Treasury as required by the PFMA and to the Department of Monitoring and Evaluation.

EVALUATION OF ANNUAL FINANCIAL STATEMENTS

The Committee has:

- reviewed and discussed the draft Annual Financial Statements to be included in the Annual Report, with the Internal auditors and the Accounting Authority;
- reviewed and discussed the performance information with management;
- reviewed changes in accounting policies and practices; and
- reviewed the entity's compliance with legal and regulatory provisions.

The Committee would like to highlight that the Ombud Council is dependent on levies received from financial institutions, collected on its behalf by the FSCA, in order to maintain its going concern status.

The Committee is satisfied that the entity continues to be a going concern per the assessment that has been performed by Management, and confirmed by the external auditors.

INTERNAL AUDIT

We are satisfied that the internal audit work performed covers the 2023/2024 financial year. The internal audit function should be appointed for at least a 3-year rolling period in order to operate effectively. There are plans for the appointment of internal audit to address the risks pertinent to the Ombud Council and its audits.

EXTERNAL AUDIT

After assessing the entity and the potential audit risk, the AGSA notified the Ombud Council in December 2023 that it had decided to opt out of auditing the Council in accordance with section 25(1)(a) of the Public Audit Act. The Council therefore commenced a process to procure audit services from a person registered in terms of the Auditing Professions Act. The AGSA's concurrence was obtained prior to the appointment of the external auditor, Nexia SAB&T. The Ombud Council's first external audit report is annexed hereto, and reflects a clean audit opinion.



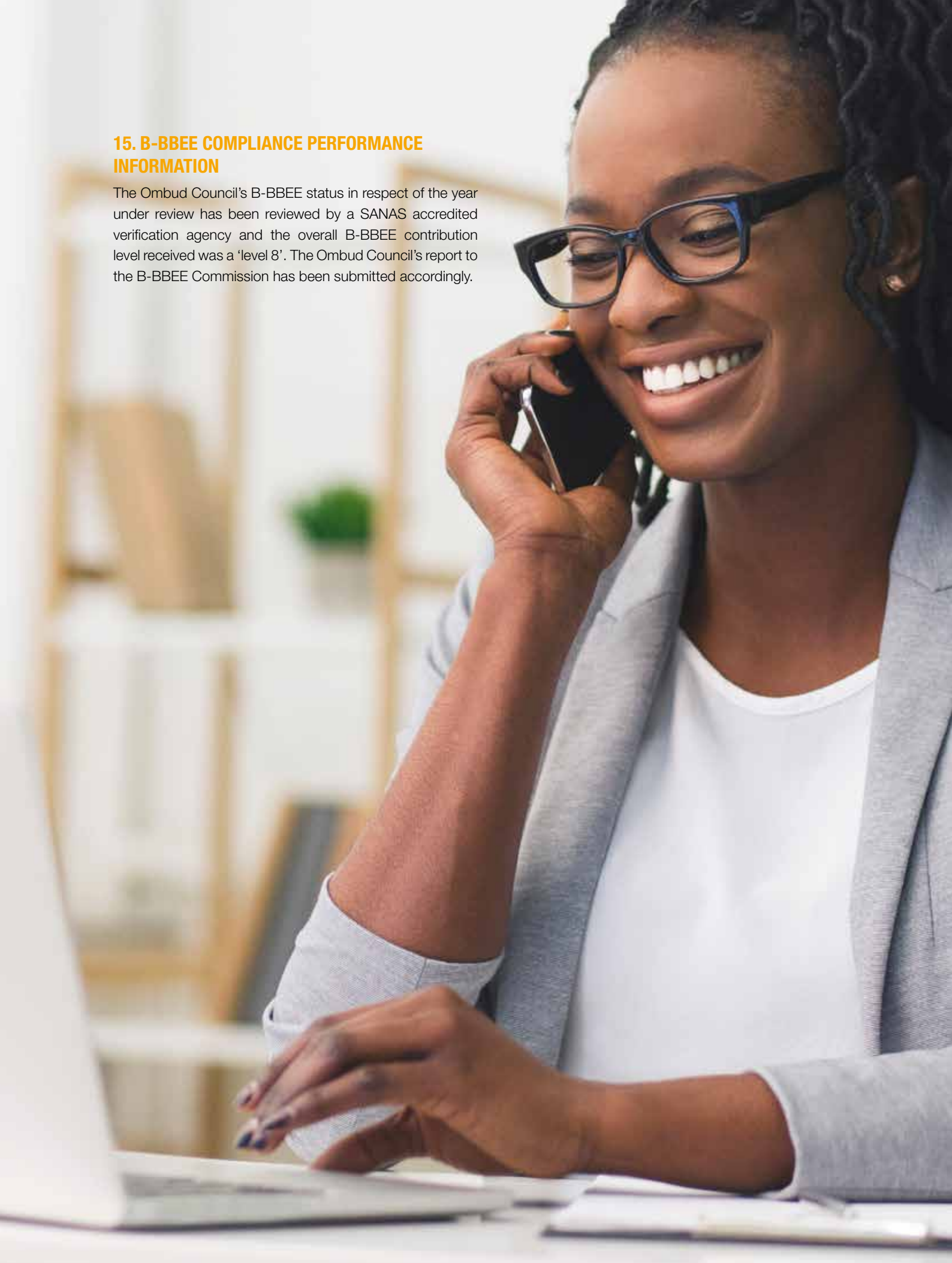
Charmaine Soobramoney

Chairperson: Audit and Risk Committee

Date: 31 July 2024.

15. B-BBEE COMPLIANCE PERFORMANCE INFORMATION

The Ombud Council's B-BBEE status in respect of the year under review has been reviewed by a SANAS accredited verification agency and the overall B-BBEE contribution level received was a 'level 8'. The Ombud Council's report to the B-BBEE Commission has been submitted accordingly.



PART D

HUMAN RESOURCES MANAGEMENT



1. INTRODUCTION

At the start of its third year of operation, the Ombud Council's staff complement comprised the permanent Chief Ombud appointed by the Minister of Finance, and a secondee from the National Treasury acting as Senior Manager of Operations.

The top staffing priority was to fill the senior management positions. The Head of Operations was appointed on 01 August 2023 and the Head of Finance was appointed on 1 November 2022. The Head of Regulation and Oversight was appointed in the 4th quarter and commenced duty in the first quarter of 2024/25.

Due to the Ombud Council's funding uncertainties prior to the commencement of the Levies Acts, the Ombud Council made use of seconded staff and outsourced service providers in the early part of the year, together with the FSCA's shared services support under the MoA, to enable it to deliver its services.

The Ombud Council also appointed an Executive Admin Assistant to provide support to the senior management. An Enterprise Architect was contracted for a six-month period to develop a Business Enterprise architecture framework for the Council.

Financial management, including payroll management and Human Resources support was performed by the FSCA under the shared services MoA during the reporting period.



Back: (From left) Mr Sipiwe Dube - Head of Operations, Mr Neo Phosiwa - Finance Intern

Front: (From left): Ms Sebolelo Seutloali - Executive Admin Assistant, Ms Leanne Jackson - CEO/Chief Ombud, Ms Devrani Moonsamy - Head of Finance.

2. HUMAN RESOURCES OVERSIGHT STATISTICS

PERSONNEL RELATED EXPENDITURE

Table 11: Personnel related expenditure

PROGRAMME	TOTAL EXPENDITURE FOR THE ENTITY (R'000)	PERSONNEL EXPENDITURE (R'000)	PERSONNEL EXP. AS A % OF TOTAL EXP. (R'000)	NO OF EMPLOYEES	AVERAGE PERSONNEL COSTS PER EMPLOYEE (R'000)
Administration	8,463	5,634	67%	3.5	1,610
Regulation and oversight	1,408	1,408	100%	0.5	2,816
Total	9,871	7,042	71%	4	1,761

PERFORMANCE REWARDS

A provision of R715 000 was made for performance rewards in respect of the 2023/24 financial year at year end. Three awards have been paid thus far totalling R362 700. These rewards were paid to three staff members (two members of Senior Management and one Skilled support staff member), in accordance with the Ombud Council's Remuneration and Employee Benefits and Performance Management Policies.

TRAINING COSTS

As permanent staff appointments were made relatively late in the year, only 2 members attended training.

EMPLOYMENT AND VARIANCES

Table 12: Employment Variances

PROGRAMME	2022/23 NO OF EMPLOYEES ¹⁰	2023/24 BUDGETED POSTS	2023/24 NO OF EMPLOYEES	2023/24 VARIANCE	% OF VACANCIES
Administration	0.5	3.5	3.5	0	0
Regulation and oversight	0.5	1.5	0.5	1	66%
Total	1	5	4	1	20%

EMPLOYMENT CHANGES

Table 13: Employment Changes

SALARY BAND	EMPLOYMENT AT BEGINNING OF PERIOD	APPOINTMENTS	TERMINATIONS	EMPLOYMENT AT END OF PERIOD
Top Management	1	0	0	1
Senior Management	0	3	1 ¹¹	2
Professional	0	1	0	1
Total	1	4	1	4

¹⁰ Excludes two seconded employees. Chief Ombud costs are split between the two programmes.

¹¹ Finance Manager appointed in July 2023 resigned to explore better opportunities. A replacement was appointed in November 2023.

REASONS FOR STAFF LEAVING

One staff member resigned to explore better opportunities.

LABOUR RELATIONS: MISCONDUCT AND DISCIPLINARY ACTION

No misconduct identified and no disciplinary action taken during the year.

EQUITY TARGETS AND EMPLOYMENT EQUITY STATUS

The employment equity status of the Ombud Council as at the end of the financial year was one white female executive, one African, male, senior manager and one African, female, administrative assistant. The organisation does not have any staff members with disabilities.

Employment equity targets were partially achieved. Please refer to Part B, paragraph 4.2.1 of this Report for details of the Ombud Council's progress against its employment equity targets.

PART E

FINANCIAL INFORMATION



REPORT BY THE **ACCOUNTING AUTHORITY**

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

In terms of Section 175 of the Financial Sector Regulation Act, the Accounting Authority is the Chairperson of the Board of the Ombud Council and not the Board itself. The Accounting Authority and the Board acknowledges responsibility for the preparation and integrity of the financial statements and related information included in the annual report. In order for the Accounting Authority to discharge these responsibilities, as well as those bestowed on it in terms of the Public Finance Management Act 1 of 1999 (PFMA) and other applicable legislation, it has developed and maintains a system of internal control.

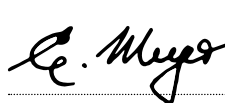
Internal controls include a risk-based system of internal accounting and administrative controls designed to provide reasonable, but not absolute assurance that assets are safeguarded and that transactions are executed and recorded in accordance with GRAP, as well as policies and procedures established by the Accounting Authority and independent oversight by the Audit and Risk Management Committees. During the financial year the Ombud Council relied on the internal controls of the Financial Sector Conduct Authority, in accordance with a Memorandum of Agreement entered into between the entities to provide corporate services support to the Ombud Council during its establishment phase.

The Ombud Council was formally listed as a National Public Entity under Schedule 3A effective 1 April 2023. This listing introduces requirements with which the Ombud Council must comply with from a PFMA and audit perspective going forward. The Ombud Council will be well placed to manage future funding requirements pertaining to its regulatory activities and will have sufficient resources to continue its business for the foreseeable future. The Accounting Authority therefore concludes that using the going concern basis is appropriate in preparing its financial statements as there are no material uncertainties related to events or conditions that may cast significant doubt about the Ombud Council's ability to continue as a going concern.

Although the members are primarily responsible for the financial affairs of the entity, they are supported by the entity's external auditors.

The external auditors are responsible for independently reviewing and reporting on the entity's annual financial statements. The annual financial statements have been examined by the entity's external auditors and their report has been presented on page 56.

The annual financial statements set out on page 61 to 81, which have been prepared on the going concern basis, were approved by the Accounting authority on 31 July 2024 and were signed on its behalf by:



Eileen Meyer

Chairperson of the Board



Leanne Jackson

Chief Ombud

REPORT OF THE **INDEPENDENT AUDITOR**

INDEPENDENT AUDITOR'S REPORT TO PARLIAMENT AND ACCOUNTING AUTHORITY OF THE OMBUD COUNCIL

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

1. We have audited the financial statements of the Ombud Council set out on pages 61 to 81 which comprise the statement of financial position as at 31 March 2024, statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget information with actual amounts for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
2. In our opinion, the financial statements present fairly, in all material respects, the financial position of the Ombud Council as at 31 March 2024 and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Accepted Accounting Practice (GRAP) and the requirements of the Public Finance Management Act (PFMA).

BASIS FOR OPINION

3. We conducted our audit in accordance with the International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.
4. We are independent of the public entity in accordance with the *Code of professional conduct for auditors* of the Independent Regulatory Board for Auditors (IRBA) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *International code of ethics for professional accountants (including International Independence Standards)*.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

RESPONSIBILITIES OF THE ACCOUNTING AUTHORITY FOR THE FINANCIAL STATEMENTS

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

RESPONSIBILITIES OF THE AUDITOR FOR THE AUDIT OF THE FINANCIAL STATEMENTS

8. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
9. A further description of our responsibilities for the audit of the financial statements is included in the annexure to this auditor's report. This description, which is located at page 59 to 60, forms part of our auditor's report.

REPORT ON THE AUDIT OF THE ANNUAL PERFORMANCE REPORT

10. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, we must audit and report on the usefulness and reliability of the reported performance against predetermined objectives for the selected programmes presented in the annual performance report. The Accounting Authority is responsible for the preparation of the annual performance report.
11. We selected the following programmes presented in the annual performance report for the year ended 31 March 2024 for auditing. We selected objectives that measure the entity's performance on its primary mandated functions and that are of significant national, community or public interest.

[PROGRAMME/ OBJECTIVE/ DEVELOPMENT PRIORITY]	PAGE NUMBERS	PURPOSE
Administration	35	The purpose of this programme is to meet the overall governance objective as per section 178 of the FSR Act - specifically, to deliver support services to the entity and towards performance and the delivery of services by other programmes in an efficient and effective way. This programme is currently supported by a MoA between the Ombud Council and the FSCA.
Regulation and oversight	35	The purpose of this programme is to perform regulatory and supervisory functions in line with the statutory mandate of the entity to ensure that financial customers have access to and can use affordable, effective, independent and fair alternative dispute resolution processes. It entails operationalising the core regulatory, supervisory and enforcement functions and also aims to promote consumer awareness of the ombud system and to proactively contribute to meaningful structural reform of the system in the interest of financial customers.

12. We evaluated the reported performance information for the selected programmes against the criteria developed from the performance management and reporting framework, as defined in the general notice. When an annual performance report is prepared using these criteria, it provides useful and reliable information and insights to users on the entity's planning and delivery on its mandate and objectives.
13. We performed procedures to test whether:
 - the indicators used for planning and reporting on performance can be linked directly to the entity's mandate and the achievement of its planned objectives
 - all the indicators relevant for measuring the entity's performance against its primary mandated and prioritised functions and planned objectives are included
 - the indicators are well defined to ensure that they are easy to understand and can be applied consistently, as well as verifiable so that we can confirm the methods and processes to be used for measuring achievements
 - the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated
 - the indicators and targets reported on in the annual performance report are the same as those committed to in the approved initial or revised planning documents
 - the reported performance information is presented in the annual performance report in the prescribed manner and is comparable and understandable
 - there is adequate supporting evidence for the achievements reported and for the reasons provided for any over or underachievement of targets
14. We performed the procedures for the purpose of reporting material findings only; and not to express an assurance opinion or conclusion.
15. We did not identify any material findings on the reported performance information for the selected programme.

ACHIEVEMENT OF PLANNED TARGETS

16. The annual performance report includes information on reported achievements against planned targets and provides explanations for over-and-under achievements.

REPORT ON COMPLIANCE WITH LEGISLATION

17. In accordance with the PAA and the general notice issued in terms thereof, we must audit and report on compliance with applicable legislation relating to financial matters, financial management and other related matters. The Accounting Authority is responsible for the entity's compliance with legislation.
18. We performed procedures to test compliance with selected requirements in key legislation in accordance with the AGSA findings engagement methodology. This engagement is not an assurance engagement. Accordingly, we do not express an assurance opinion or conclusion.
19. Through an established AGSA process, we selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the entity, clear to allow consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.
20. We did not identify any material non-compliance with the selected legislative requirements.

OTHER INFORMATION IN THE ANNUAL REPORT

21. The Accounting Authority is responsible for the other information. The other information comprises the information included in the annual report, which includes the directors' report and the audit committee's report. The other information does not include the financial statements, the auditor's report and those selected programmes presented in the annual performance report that have been specifically reported on in this auditor's report.
22. Our opinion on the financial statements and our findings on the reported performance information and the report on compliance with legislation do not cover the other information and we do not express an audit opinion or any form of assurance conclusion on it.
23. In connection with our audit, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected programmes presented in the annual performance report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.
24. If based on the work we have performed, we conclude that there is a material misstatement in this other information, we are required to report that fact. We have nothing to report in this regard.

INTERNAL CONTROL DEFICIENCIES

25. We considered internal control relevant to our audit of the financial statements, annual performance report and compliance with applicable legislation; however, our objective was not to express any form of assurance on it.
26. We did not identify any significant deficiencies in internal control.

AUDITOR TENURE

27. In terms of the IRBA rule published in Government Gazette No. 39475 dated 4 December 2015, we report that Nexia SAB&T has been the auditor of the Ombud Council for one 1 year.

Nexia SAB&T

Nexia SAB&T

Per: Talha Mayet

Director

Registered Auditor

31 July 2024

ANNEXURE TO THE AUDITOR'S REPORT

The annexure includes the following:

- the auditor's responsibility for the audit
- the selected legislative requirements for compliance testing.

AUDITOR'S RESPONSIBILITY FOR THE AUDIT

PROFESSIONAL JUDGEMENT AND PROFESSIONAL SCEPTICISM

As part of an audit in accordance with the ISAs, we exercise professional judgement and maintain professional scepticism throughout our audit of the financial statements and the procedures performed on reported performance information for selected programmes and on the entity's compliance with selected requirements in key legislation.

FINANCIAL STATEMENTS

In addition to our responsibility for the audit of the financial statements as described in this auditor's report, we also:

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

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

We communicate with the Accounting Authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Accounting Authority with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to have a bearing on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

COMPLIANCE WITH LEGISLATION – SELECTED LEGISLATIVE REQUIREMENTS

The selected legislative requirements are as follows:

LEGISLATION	SECTIONS OR REGULATIONS
Public Finance Management Act No.1 of 1999 (PFMA)	Section 51(1)(b)(i); 51(1)(b)(ii); 51(1)(e)(iii); 53(4); Section 54(2)(c); 54(2)(d); 55(1)(a); 55(1)(b); Section 55(1)(c)(i); 56(1); 57(b); 66(3)(c)
Treasury Regulations, 2005	Regulation 8.2.1; 8.2.2; 16A3.2; 16A3.2(a); Regulation 16A6.1; 16A6.2(a); 16A6.2(b); Regulation 16A6.3(a); 16A6.3(a); 16A6.3(b); Regulation 16A6.3(c); 16A6.3(e); 16A6.4; 16A6.5; Regulation 16A6.6; 16A.7.1; 16A.7.3; 16A.7.6; Regulation 16A.7.7; 16A8.3; 16A8.4; 16A9.1(b) (ii); Regulation 16A 9.1(d); 16A9.1(e); 16A9.1(f); Regulation 16A9.2; 16A9.2(a)(ii); 30.1.1; 30.1.3(a); Regulation 30.1.3(b); 30.1.3(d); 30.2.1; 31.2.1. Regulation 31.2.5; 31.2.7(a); 32.1.1(a); 32.1.1(b); Regulation 32.1.1(c); 33.1.1; 33.1.3
Prevention and Combating of Corrupt Activities Act No.12 of 2004 (PRECCA)	Section 34(1)
Preferential Procurement Regulations, 2011 (PPR 2011)	Paragraph 9.1
Preferential Procurement Regulations, 2017 (PPR 2017)	Paragraph 4.1; 4.2 Paragraph 5.1; 5.3; 5.6; 5.7 Paragraph 6.1; 6.2; 6.3; 6.5; 6.6; 6.8 Paragraph 7.1; 7.2; 7.3; 7.5; 7.6; 7.8 Paragraph 8.2; 8.5 Paragraph 9.1 Paragraph 10.1; 10.2 Paragraph 11.1; 11.2
Preferential Procurement Regulations, 2022 (PPR 2022)	Paragraph 4.1; 4.2; 4.3; 4.4 Paragraph 5.1; 5.2; 5.3; 5.4
Preferential Procurement Policy Framework Act 5 of 2000	Section 1; 2.1(a); 2.1(f)
National Treasury SCM Instruction No. 03 2021/22	Paragraph 4.2
National Treasury SCM Instruction No. 11 2020/21	Paragraph 3.4(a); 3.4(b); 3.9
National Treasury Instruction No. 4 of 2015/16	Paragraph 3.4
National Treasury SCM Instruction No. 4A of 2016/17	Paragraph 6
National Treasury Instruction No. 5 of 2020/21	Paragraph 4.8; 4.9; 5.3
Second amendment National Treasury Instruction No. 5 of 2020/21	Paragraph 1
Erratum National Treasury Instruction No. 5 of 2020/21	Paragraph 2
Practice Note 11 of 2008/9	Paragraph 2.1; 3.1 (b)
Practice Note 5 of 2009/10	Paragraph 3.3
Practice Note 7 of 2009/10	Paragraph 4.1.2

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2024

	NOTES	2024 R	2023 R
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	2	20,070,738	-
Statutory receivables from non-exchange transactions	3	3,311,142	11,736,767
Prepayments	4	23,581	476
		23,405,461	11,737,243
NON-CURRENT ASSETS			
Property, plant and equipment	5	196,054	78,635
Total Assets		23,601,515	11,815,878
LIABILITIES			
CURRENT LIABILITIES			
Finance lease obligation	6	14,694	-
Payables from exchange transactions	7	737,526	367,160
Provisions	8	715,000	-
Levies received in advance		80,640	-
		1,547,860	367,160
NON-CURRENT LIABILITIES			
Finance lease obligation	6	24,145	-
Total Liabilities		1,572,005	367,160
Net Assets		22,029,509	11,448,717
Accumulated surplus		22,029,509	11,448,717
Total Net Assets		22,029,509	11,448,717

STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 31 MARCH 2024

	NOTES	2024 R	2023 R
REVENUE			
Levies		24,114,146	-
Government grant	9	8,000,000	10,000,000
Interest received		69,705	-
Other income		4,973	-
		32,188,824	10,000,000
EXPENSES			
Employee costs	10	(7,042,466)	(3,953,725)
Advertising		(1,289,327)	(734,518)
Board and committee remuneration	11	(327,364)	(333,159)
Impairment loss		(188,493)	-
Professional and consulting fees		(264,161)	(661,980)
Operating lease expense		(144,781)	(41,366)
Legal expenses		-	(227,408)
Other operating expenses	12	(554,090)	(132,345)
Depreciation	5	(57,959)	(18,805)
		(9,868,641)	(6,103,306)
Operating surplus		22,320,183	3,896,694
Finance costs		(2,624)	-
Surplus for the year		22,317,559	3,896,694

STATEMENT OF **CHANGES IN NET ASSETS**

FOR THE YEAR ENDED 31 MARCH 2024

	Accumulated Surplus R	Total net assets R
Balance at 01 April 2022	7,552,023	7,552,023
<i>Changes in net assets</i>		
Surplus for the year	3,896,694	3,896,694
Total changes	3,896,694	3,896,694
Balance at 01 April 2023	11,448,717	11,448,717
<i>Changes in net assets</i>		
Surplus for the year	22,317,559	22,317,559
Transfer to National Treasury	(11,736,767)	(11,736,767)
Total changes	10,580,792	10,580,792
Balance at 31 March 2024	22,029,509	22,029,509

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2024

	NOTES	2024 R	2023 R
CASH FLOWS FROM OPERATING ACTIVITIES			
RECEIPTS			
Government grant		19,736,767	6,292,729
Interest received		69,705	-
Levies		20,803,005	-
		40,609,477	6,292,729
PAYMENTS			
Employee costs		(6,327,466)	(4,057,697)
Suppliers		(2,340,316)	(1,810,071)
Other payments		-	(327,522)
Finance cost		(2,624)	-
		(8,670,406)	(6,195,290)
Net cash flows from operating activities	19	31,939,071	97,439
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	5	(163,189)	(97,439)
Insurance refund on asset	5	39,781	-
Net cash flows from investing activities		(123,408)	(97,439)
CASH FLOWS FROM FINANCING ACTIVITIES			
Finance lease payments		(8,158)	-
Transfer to National Treasury		(11,736,767)	-
Net cash flows from financing activities		(11,744,925)	-
	2		
Net increase/(decrease) in cash and cash equivalents		20,070,738	-
Cash and cash equivalents at the end of the year		20,070,738	-

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

FOR THE YEAR ENDED 31 MARCH 2024

	Approved budget R	Adjustments R	Final Budget R	Actual amounts on comparable Basis R	Difference between final budget and actual R	Reference
STATEMENT OF FINANCIAL PERFORMANCE						
REVENUE						
REVENUE FROM EXCHANGE TRANSACTIONS						
Interest received	-	-	-	69,705	69,705	22
Other income	-	-	-	4,973	4,973	22
Total revenue from exchange transactions	-	-	-	74,678	74,678	
REVENUE FROM NON-EXCHANGE TRANSACTIONS						
Government grants	13,000,000	(5,000,000)	8,000,000	8,000,000	-	
Levies	22,926,000	-	22,926,000	24,114,146	1,188,146	22
Total revenue from non-exchange transactions	35,926,000	(5,000,000)	30,926,000	32,114,146	1,188,146	
Total revenue	35,926,000	(5,000,000)	30,926,000	32,188,824	1,262,824	
EXPENDITURE						
Employee cost	(8,594,000)	-	(8,594,000)	(7,042,466)	1,551,534	22
Advertising	(2,350,000)	(1,894,000)	(4,244,000)	(1,289,327)	2,954,673	22
Impairment loss	-	-	-	(188,493)	(188,493)	
Board and Committee	(400,000)	-	(400,000)	(327,364)	72,636	22
Remuneration						
Professional fees and consulting	(3,549,000)	-	(3,549,000)	(264,161)	3,284,839	22
Operating lease expense	(1,010,000)	-	(1,010,000)	(144,781)	865,219	22
Other Operating Expenses	(4,839,000)	(250,000)	(5,089,000)	(554,090)	4,534,910	22
Depreciation	(40,000)	-	(40,000)	(57,959)	(17,959)	22
Finance costs	-	-	-	(2,624)	(2,624)	22
Total expenditure	(20,782,000)	(2,144,000)	(22,926,000)	(9,871,265)	13,054,735	
Surplus/(Deficit) for the period	15,144,000	(7,144,000)	8,000,000	22,317,559	14,317,559	

ACCOUNTING POLICIES

1. SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

The Ombud Council was established in terms of Chapter 14 of the Financial Sector Regulation Act 9 of 2017 (the FSR Act). Its objective is to assist financial customers to have access to affordable, effective, independent and fair alternative dispute resolution when they have complaints about financial institutions. This includes complaints that relate to financial products, financial services and services provided by market infrastructure such as exchanges.

BASIS OF ACCOUNTING

The principal accounting policies applied in the preparation and presentation of these financial statements are set out below. These policies were consistently applied to the years presented, unless otherwise stated.

The Ombud Council financial statements have been prepared in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP), as set out in the Accounting Standards Board (ASB) Directive 5 (Determining the GRAP Reporting Framework) and the Public Finance Management Act (as amended by Act No 29 of 1999). The financial statements are presented in South African Rand.

The financial statements have been prepared in concurrence with the going concern principle and on an accrual basis in line with the measurement base applied, being the historical cost unless stated otherwise.

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

1.1 BASIS OF PREPARATIONS

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

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

1.2 SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements in conformity with GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Ombud Council's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

DEPRECIATION AND AMORTISATION

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

At the end of each financial year management assesses whether there is any indication that the Ombud Council's expectations about the useful life of assets included in property, plant and equipment have changed since the preceding reporting date.

1.3 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment comprise computer equipment.

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. Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition. Subsequently all items of property, plant and equipment are measured at cost less accumulated depreciation and any impairment losses. Depreciation commences when the item of property, plant and equipment is available for use. Property, plant and equipment items are tested for impairment when there is an indicator that the asset or assets should be impaired.

Property, plant and equipment are depreciated on a straightline basis at rates that will reduce their carrying value to estimated residual value over their estimated useful lives, refer to note 5.

The annual depreciation rates are based on the following average useful lives:

ITEM	DEPRECIATION METHOD	AVERAGE USEFUL LIFE
Computer equipment	Straight-line	3 - 5 years

The useful life and depreciation method of each asset are reviewed at the end of each reporting date when there's an indicator. If the expectations differ from previous estimate, the change is accounted for as a change in accounting estimate. Items of property, plant and equipment are also tested for impairment annually when there's an indicator that the asset or assets should be impaired.

The depreciation charge for each period is recognised in the statement of financial performance.

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

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

Maintenance and repairs, which neither materially add to the value of assets nor prolong their useful lives, are charged against the statement of financial performance. The entity separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 5).

1.4 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 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 surplus.

Contingent assets and contingent liabilities are not recognised.

PERFORMANCE BONUS

Performance bonus is a short term employee benefit which is expensed as the related services are provided. A liability is recognised for the amount expected to be paid if the entity has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably. A provision for performance bonus is raised on the estimated amount payable in terms of the incentive scheme which is based on the business and employee's performance in the applicable year.

1.5 CASH AND CASH EQUIVALENTS

Cash comprises cash on hand and demand deposits.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Cash and cash equivalents comprise bank balances, cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less which are available on demand.

1.6 FINANCIAL INSTRUMENTS

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

Financial instruments are classified in the following categories:

Financial Instrument at amortised cost.

RECEIVABLES

Receivables which are not accounted for as statutory receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment losses. A provision for impairment loss is established when there is objective evidence that not all amounts due will be collected according to original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired.

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

PAYABLES

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

1.7 STATUTORY RECEIVABLES IDENTIFICATION

Statutory receivables are receivables that arise from legislation or supporting regulations and require settlement by another entity in cash. The Ombud Council's statutory receivables is made up of transfers received from the National Treasury for its establishment payable by the FSCA and Levy received from the financial institutions collected by the FSCA in accordance with applicable legislation.

The statutory receivables are initially recognised at their transaction amount. Subsequently, statutory receivables are measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

Statutory receivables are recognised as follows:

- if the transaction is an exchange transaction, using the policy on revenue from exchange transactions; or
- if the transaction is a non-exchange transaction, using the policy on revenue from non-exchange transactions.

An impairment loss is established when there is an indication that a statutory receivable, or a group of statutory receivables that are due, will not be collected according to the original terms of the receivables. Significant financial difficulty of the debtor which may be evidenced by an application for debt counselling or business rescue, probability that the debtor will enter sequestration, liquidation or other financial re-organisation, default, bankruptcy or delinquency in payments, and adverse changes in international, national or local economic conditions are considered indicators that the trade receivable is impaired.

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable, is reduced, through the use of an allowance account.

When the statutory receivable is uncollectable, it is written off and subsequent recoveries of amounts previously written off are credited in the statement of financial performance.

1.8 PREPAYMENTS

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

1.9 REVENUE FROM EXCHANGE TRANSACTIONS

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

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

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

INTEREST RECEIVED

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

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

Interest is recognised using the effective interest rate method for financial instruments, and using the nominal interest rate method for statutory receivables. Interest levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction.

1.10 REVENUE FROM NON-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.

Revenue is recognised when the asset is recognised and if an obligation arises from the receipt of the asset, the revenue is recognised to the extent that there is no further obligation. Revenue from non-exchange transactions comprises levies and other income.

The Ombud Council is funded through levies charged to the industry from 01 April 2023. The levies are accounted for on an accrual basis. In addition, funding was obtained from the National Treasury to assist with the establishment of the Ombud Council. The funding has been accounted for as a transfer from the National Treasury. The transfer is not subject to any conditions.

Services in-kind are recognised as assets and revenue when they are significant to operations and/or service delivery objectives and it is probable that the future economic benefits or service potential will flow to the entity and the fair value of the assets and revenue can be measured reliably. If the services in-kind are not significant to the operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the nature and type of services in-kind received during the reporting period are disclosed in the notes to the annual financial statements.

1.11 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 annual leave and bonuses), are recognised in the period in which the employee renders the related service.

1.12 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.

OPERATING LEASES - LESSEE

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.

The operating lease liabilities are derecognised when the entity's obligation to settle the liability is extinguished. The operating lease assets are derecognised when the entity no longer anticipates economic benefits or service potential to flow from the asset.

1.13 ACCUMULATED FUNDS AND RESERVES

ACCUMULATED FUNDS

Accumulated surplus include non-cash amounts such as invoiced income not recovered, hence the full balance at year end is not always represented by actual cash. National Treasury approval is required at the end of every financial year in order to retain the accumulated surplus.

1.14 RELATED PARTIES

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

All payments to executive management and committee members of the Ombud Council are disclosed as related party transactions. Transactions and balances with National Departments of Government and State-owned Entities which occur other than in accordance with the operating parameters established are disclosed separately in the notes to the financial statements.

1.15 IRREGULAR EXPENDITURE

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

- (a) this Act: or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1986) or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

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 surplus or deficit.

Irregular expenditure is disclosed in the notes to the financial statements when confirmed. The amount disclosed is the value of the irregular expenditure incurred, unless it is impractical to determine, in which case the reasons therefore must be provided in the notes.

1.16 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.

Fruitless and wasteful expenditure is disclosed in the notes to the financial statements when confirmed.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2024 R	2023 R
2. CASH AND CASH EQUIVALENTS		
Cash and cash equivalents consist of First National Bank account for daily transactions and the Corporation for Public Deposits bank account for investment purposes.		
Bank balances	2,150,564	-
Short-term deposits	17,920,174	-
	20,070,738	-

3. STATUTORY RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS		
Statutory receivable: FSCA	2,476,631	11,736,767
Statutory receivable: Levy Debtors	1,023,004	-
Less: Impairment loss	(188,493)	-
	3,311,142	11,736,767

STATUTORY RECEIVABLES

Statutory receivables: FSCA consist of balances owing to the Ombud Council by the FSCA for levies that have been paid by financial institutions to the FSCA, collected on behalf of the Ombud Council.

Statutory receivables: Levy Debtors consists of balances owing to the Ombud Council by financial institutions for levies that have been invoiced by the FSCA on behalf of the Ombud Council, but not yet paid to the FSCA.

RECONCILIATION OF PROVISION FOR IMPAIRMENT FOR STATUTORY RECEIVABLES

Opening balance	-	-
Charged to the statement of financial performance	188,493	-
	188,493	-

4. PREPAYMENTS

The prepayments in the current year, R23 581(2023: R476) is made up of subscriptions paid in advance and warranties on computer equipment.

5. PROPERTY, PLANT AND EQUIPMENT

	2024			2023		
	Cost R	Accumulated depreciation R	Carrying value R	Cost R	Accumulated depreciation R	Carrying value R
Computer equipment	220,849	(62,652)	158,197	97,440	(18,805)	78,635
Leased assets	46,997	(9,140)	37,857	-	-	-
Total	267,846	(71,792)	196,054	97,440	(18,805)	78,635

RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT - 2024	Opening balance R	Additions R	Disposals R	Depreciation R	Total R
Computer equipment	78,635	163,189	(34,808)	(48,819)	158,197
Leased asset	-	46,997	-	(9,140)	37,857
	78,635	210,186	(34,808)	(57,959)	196,054

Compensation received for the value of the lost asset therefore no loss incurred on disposal of asset.

RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT - 2023	Opening balance R	Additions R	Depreciation R	Total R
Computer equipment	-	97,440	(18,805)	78,635

EXPENDITURE INCURRED TO REPAIR AND MAINTAIN PROPERTY, PLANT AND EQUIPMENT

No expenditure for the repair and maintenance of property, plant and equipment incurred in the current year.

6. FINANCE LEASE OBLIGATION

	2024 R	2023 R
MINIMUM LEASE PAYMENTS DUE		
- within one year	18,483	-
- in second to fifth year inclusive	26,185	-
	44,668	-
less: future finance charges	(5,829)	-
Present value of minimum lease payments	38,839	-
PRESENT VALUE OF MINIMUM LEASE PAYMENTS DUE		
- within one year	14,694	-
- in second to fifth year inclusive	24,145	-
	38,839	-
Non-current liabilities	24,145	-
Current liabilities	14,694	-
	38,839	-

The entity entered into a finance lease agreement for a shredder and a printer starting date 1 September 2023 to 31 August 2026. Interest rate used is 11.75%.

7. PAYABLES FROM EXCHANGE TRANSACTIONS

	2024 R	2023 R
Trade payables	595,412	128,529
Accruals	30,760	140,184
Accrued Leave	111,354	98,447
	737,526	367,160

8. PROVISIONS

RECONCILIATION OF PROVISIONS - 2024	Opening Balance R	Additions R	Total R
Provision for bonus	-	715,000	715,000

The provision for bonus represents management's estimate of the entity's liability for performance bonuses for the 2023/2024 financial year. The budgeted amount has been used as the performance process was not finalised by the reporting date.

9. REVENUE

	2024 R	2023 R
Interest received	69,705	-
Other income	4,973	-
Levies	24,114,146	-
Transfers	8,000,000	10,000,000
	32,188,824	10,000,000

THE AMOUNTS INCLUDED IN REVENUE ARISING FROM EXCHANGES OF GOODS OR SERVICES ARE AS FOLLOWS:

Interest received	69,705	-
Other income	4,973	-
	74,678	-

THE AMOUNTS INCLUDED IN REVENUE ARISING FROM NON-EXCHANGE TRANSACTIONS IS AS FOLLOWS:

Levies	24,114,146	-
Government grant	8,000,000	10,000,000
	32,114,146	10,000,000

A transfer of R8 million (2023: R10 million) was received from National Treasury to cater for the operational costs of the Ombud Council pending the enactment of the Financial Sector Levies Bill.

10. EMPLOYEE COSTS

	2024 R	2023 R
Basic	396,597	98,447
Bonus	715,000	-
Other salary related costs	1,291,286	1,689,611
Executive management remuneration (Note 11)	4,639,583	2,165,667
	7,042,466	3,953,725

11. RELATED PARTIES

2024
R

2023
R

RELATIONSHIPS

Financial Sector Conduct Authority	Collects Levies on behalf of the Ombud Council
National Treasury	Funded the Ombud Council

RELATED PARTY BALANCES

AMOUNTS INCLUDED IN TRADE RECEIVABLE REGARDING RELATED PARTIES

Financial Sector Conduct Authority	2,476,631	11,736,767
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RELATED PARTY TRANSACTIONS

AMOUNTS RECEIVED IN REVENUE

Financial Sector Conduct Authority (interest)	33,708	-
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AMOUNTS INCLUDED IN REVENUE FROM RELATED PARTIES

Financial Sector Conduct Authority (levies)	24,116,146	-
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AMOUNTS INCLUDED IN REVENUE REGARDING RELATED PARTIES

National Treasury	8,000,000	10,000,000
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REMUNERATION

BOARD AND COMMITTEE REMUNERATION

	Board R	HR and Remuneration R	Audit and Risk R	Other R	Total R
2024					
E Meyer	19,972	-	-	14,280	34,252
C Soobramoney	21,678	-	28,348	9,452	59,478
MPD Chabedi	21,219	-	15,762	6,060	43,041
AM Horowitz	33,135	25,012	-	25,720	83,867
E Lekgau	14,452	26,680	-	12,230	53,362
L Senne	21,678	-	21,122	10,564	53,364
	132,134	51,692	65,232	78,306	327,364

2023

E Lekgau	21,122	35,018	-	14,452	70,592
C Soobramoney	28,348	-	24,456	7,226	60,030
MPD Chabedi	30,708	-	27,089	11,428	69,225
AM Horowitz	28,318	35,018	-	7,226	70,562
D Wood	26,630	-	-	9,019	35,649
L Senne	7,226	-	7,226	-	14,452
	142,352	70,036	58,771	49,351	320,510

In terms of the PFMA, public servants serving as Board members in the public entities should not be remunerated for their services. Ms S Kubheka served as the Chairperson of the board from February 2023 - November 2023 and did not receive remuneration as she was a public servant.

Ms. E Meyer was appointed as the new Chairperson from November 2023.

11. RELATED PARTIES (CONTINUED)

	Basic salary R	Total R
EXECUTIVE MANAGEMENT REMUNERATION: 2024		
Leanne Jackson, Chief Ombud	2,815,013	2,815,013
Devrani Moonsamy, Head of Finance (appointed November 2023)	724,855	724,855
Siphiwe Dube, Head of Operations (appointed August 2023)	1,153,215	1,153,215
	4,693,083	4,693,083

EXECUTIVE MANAGEMENT REMUNERATION: 2023

E Meyer, Interim Chief Ombud (Contract concluded 31 October 2022)	999,000	999,000
Leanne Jackson, Chief Ombud (appointed 01 November 2022)	1,166,667	1,166,667
	2,165,667	2,165,667

12. OTHER OPERATING EXPENSES

	2024 R	2023 R
Computer support and Maintenance	237,516	85,300
Printing and stationery	32,336	35,467
Travel and subsistence	128,863	3,227
Training and development	42,153	-
Other general expenses	113,222	8,351
	554,090	132,345

13. LEASE RENTALS ON OPERATING LEASE

Contractual amounts	144,781	41,366
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14. FINANCIAL ASSETS BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

	Financial assets at amortised cost R	Total R
2024		
Cash and cash equivalents	20,070,738	20,070,738

15. FINANCIAL LIABILITIES BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

	Other financial liabilities R	Total R
2024		
Payables	737,526	737,526
2024		
Payables	367,160	367,160

16. CREDIT QUALITY OF RECEIVABLES

2024
R

2023
R

TRADE RECEIVABLES

Group 1	2,946,726	-
Group 2	21,256	-
Group 3	531,653	-
	3,499,635	-

Group 1 - debtors outstanding for less than 90 days with no defaults

Group 2 - new debtors outstanding for more than 90 days with no defaults

Group 3 - existing debtors outstanding for less than 90 days with some defaults

The total gross carrying amount of the impaired receivables as at reporting date is R3 499 635(2023: R0) and the associated total impairment is R188 493. None of these debtors have been handed over for collection. See note 3.

17. RISK MANAGEMENT

FINANCIAL RISK MANAGEMENT

The Ombud Council is exposed to a variety of financial risks as a consequence of its operations namely, credit risk and liquidity risk. Financial risk management is carried out under approved policies.

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 Ombud Council, the entity received a transfer from the National Treasury for its establishment in the interim until such a time the Financial Sector Levies Bill is enacted. The entity will continue to manage liquidity risk through an ongoing review of future commitments.

CASH FLOW AND FAIR VALUE INTEREST RATE RISK

The Ombud Council does not have any interest bearing borrowings and therefore there is no adverse exposure relating to the interest rate movements in borrowings.

The table below analyses the Ombud Council's financial liabilities at reporting date.

	Less than 1 year R	Between 1 and 2 years R	Between 2 and 5 years R	Over 5 years R
AT 31 MARCH 2024				
Trade and other payables	626,172	-	-	-
Finance lease obligation	14,694	24,145	-	-
	640,866	24,145	-	-
AT 31 MARCH 2023				
Trade and other payables	268,713	-	-	-

17. RISK MANAGEMENT (CONTINUED)

CREDIT RISK

Financial assets that potentially subject the Ombud Council to credit risk consists mainly of receivables. The Ombud Council maximum exposure to credit risk relating to account receivables is the amount as shown in the Statement of Financial Position.

The Ombud Council's investment policy limits the entity to invest with the Reserve Banks' Corporation of Public Deposits (CPD). Management does not expect the credit risk exposure to materialise in the medium term, if conditions change, then the risk will be mitigated at such time. The maximum exposure to credit risk at the reporting date is the carrying value of each class financial assets. Financial assets at amortised cost.

18. ACCOUNTING BY PRINCIPALS AND AGENTS

The entity is a party to a principal-agent arrangement.

DETAILS OF THE ARRANGMENT IS AS FOLLOWS:

Section (2)(1)(a) of the Financial Sector and Deposit Insurance Levies (Administration) and Deposit Insurance Premiums Act, 2022 (Act No. 12 of 2022) Levies (Administration Act) provides that the FSCA is responsible for the collection and administration of the financial sector levy and the special levy referred to in sections 2 to 8 and 12 of the Levies Act read with Schedules 2 to 5 to that Act, to provide for the funding of the Ombud Council.

Furthermore, section (2)(1)(b) of the Levies (Administration) Act provides that the financial sector levy referred to in section 4(1)(a) of the Levies Act and the special levy referred to in section 8(2)(a) of that Act, must be collected and administered by the FSCA and paid to the financial sector bodies referred to in paragraph (a) under section 246 of the FSR Act.

On 1 April 2023, the Financial Sector and Deposit Insurance Levies (Administration) and Deposit Insurance Premiums Act, 2022 (Act No. 12 of 2022) (Levies (Administration Act)) came into effect. Based on the above legislation, the principal-agent agreement came into effect, whereby the Ombud Council invoiced the financial services industry on behalf of the Ombud Council, the levy applicable for the 2023/24 financial period. The full invoicing and collection process was undertaken by the FSCA on behalf of the Office as the FSCA are the custodians of all the financial services providers (FSP) information as all FSPs are required to be licensed with the FSCA.

The Ombud Council is the principal. More information relating to the services in kind received from the FSCA is disclosed in the related party note 11.

ENTITY AS PRINCIPAL

RESOURCES (INCLUDING ASSETS AND LIABILITIES) OF THE ENTITY UNDER THE CUSTODIANSHIP OF THE AGENT

The resources that have been recognised by the agent in its financial statements at year end amount to R2 476 631. The remittance of resources during the period amounted to R24 116 146.

The expected timing of remittance of the remaining resources by the agent to the entity is June 2024.

FEE PAID

The principal-agent arrangement does not include a fee for the agent.

RESOURCE AND/OR COST IMPLICATIONS FOR THE ENTITY IF THE PRINCIPAL-AGENT ARRANGEMENT IS TERMINATED

There will be no cost implications should the principal-agent arrangement be terminated.

19 CASH GENERATED FROM OPERATIONS

	2024 R	2023 R
Surplus	22,317,559	3,896,694
Adjustments for:		
Depreciation	57,959	18,805
Movements in provisions	715,000	-
Other income	(4,973)	-
Changes in working capital:		
Receivables	8,425,625	(3,706,795)
Prepayments	(23,105)	(476)
Payables	451,006	(110,789)
	31,939,071	97,439

20. COMPARATIVE FIGURES

The Depreciation expense and the Surplus for the year were overstated in the prior year by R1 326 due to a miscalculation. The comparative figures were adjusted to reflect the more accurate amount despite the adjustment being immaterial.

The Board and Committee remuneration and the other operating expenses comparative figures in the Statement of Financial Performance have been reclassified. The reason for reclassification is to move board expenses of R12 649 from the other operating expenditure to the Board and Committee expense line item in order to more accurately reflect the full Board and Committee expense.

21. PRIOR-YEAR ADJUSTMENTS

Presented below are those items contained in the statement of financial performance and statement of financial position that have been affected by prior-year adjustments:

	Note	As previously reported R	Correction of error R	Restated R
STATEMENT OF FINANCIAL POSITION: 2023				
Property, plant and equipment	5	77,309	1,326	78,635
STATEMENT OF FINANCIAL PERFORMANCE : 2023				
Depreciation	5	20,131	(1,326)	18,805

22. BUDGET DIFFERENCES

MATERIAL DIFFERENCES BETWEEN BUDGET AND ACTUAL AMOUNTS

There are material differences between the actual amounts for the 2023/2024 financial year. It must be noted that only two employees existed until November 2023 and thereafter increased to 5 until the year end.

ADVERTISING

A significant amount of the budget relates to consumer education which was not spent in this financial year as plans to capacitate the entity were prioritised and the Head of Regulation and Oversight position was to be filled to assist. The Ombud Council is also engaging with Government Technical Advisory Centre to develop an appropriate business model for delivery of its consumer education mandate.

EMPLOYEE COST

Only the Chief Ombud and Head of Operations were employed throughout the year and the Head of Finance, Executive Administrative Assistant & Finance intern started later in the year, in November 2023. These posts had however been budgeted for the full year, resulting in an underspend.

BOARD AND OTHER COMMITTEE FEES

Favourable variance due to less time spent on meeting preparations and that some members were public servants therefore no costs were incurred.

PROFESSIONAL AND CONSULTING FEES

The budget includes internal, external audit and the consulting fees for services required in the absence of the full capacity of the organisational structure during the year. The main reasons for the underspend is that the internal and external audit appointments were delayed and took place early in the 2024/25 financial year and most services covered under a memorandum of agreement with the FSCA and was not charged for.

OPERATING LEASE EXPENSE

The entity occupied office space at the FAIS Ombud for part of the year at no cost and for the other part of the year subleased office space from the FSCA at a very low cost therefore a significant saving on office rental expenses.

OTHER OPERATING EXPENSES

The FSCA did not charge the Ombud Council for shared services support during the year, despite this being contemplated in the shared services Memorandum of Agreement between the entities. Had such services been paid for, significant additional expenses would have been incurred.

LEGAL EXPENSES

There was no requirement for such expenses in this year.

23. COMMITMENTS

	2024 R	2023 R
AUTHORISED OPERATIONAL EXPENDITURE		
ALREADY CONTRACTED FOR BUT NOT PROVIDED FOR		
Computer services	62,068	-
NOT YET CONTRACTED FOR AND AUTHORISED		
Computer software	294,068	-
TOTAL OPERATIONAL COMMITMENTS		
Already contracted for but not provided for	62,068	-
Not yet contracted for and authorised	294,068	-
	356,136	-
OPERATING LEASES - COMMITMENTS		
Minimum lease payments due		
- within one year	474,444	144,781
- in second to fifth year inclusive	474,444	-
	948,888	144,781

Operating lease commitments represent rentals payable by the entity for office rental at office space occupied in Midrand from 1 April 2024 for a period of 2 years. The prior year agreement was a subletting agreement at the FSCA offices in Menlyn for a period shorter than 12 months. No contingent rent is payable.

24. IRREGULAR, FRUITLESS AND WASTEFUL AND UNAUTHORISED EXPENDITURE

The Ombud Council did not incur any irregular, fruitless and wasteful and unauthorised expenditure in the current financial year.

25. GOING CONCERN

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the entity to continue as a going concern is dependent on a number of factors. The most significant of these is that the entity continues to receive Levy funding for the ongoing operations for the entity. The Ombud Council's annual approved budget for the 2024/2025 financial year indicates that it continues business, with its full complement of employees and fulfilment of its mandate. The entity is solvent, and the liquidity ratios are favourable. There are no contingent liabilities that may jeopardise future operations and the cash flows are such that the Ombud Council can maintain its operations for at least one year of the reporting date of the financial statements.

NOTES

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