

Ombud Council

Ensuring an accessible and trusted
financial sector ombud system

STRATEGIC PLAN

2023/24-2024/25

EXECUTIVE AUTHORITY STATEMENT BY THE MINISTER OF FINANCE

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. A well-functioning ombud system is a vital underpin to the market conduct component of the Twin Peaks financial regulatory framework and the Treating Customers Fairly consumer protection approach.

The Ombud Council has made impressive strides in its short lifespan, having become operational as recently as May 2021, with very limited resources. Its establishment has brought certainty to the ombud system, filling a long-standing regulatory vacuum. The Council has completed the recognition of the five financial sector industry ombud schemes, after a thorough assessment process. This ensured continuity of statutorily recognised alternative dispute resolution for financial customers. The Ombud Council has also already embarked on supervisory on-site inspections of ombud schemes and complied with its statutory responsibility to convene regular liaison meetings of the schemes, thus making its presence felt by the schemes it oversees.

I have the pleasure of acknowledging the Ombud Council's first formal Strategic Plan, covering the 2023/24 – 24/25 financial years. The start of this planning period also marks the Ombud Council's listing as a Schedule 3A public entity under the Public Finance Management Act, to coincide with the expected commencement of the Financial Sector and Deposit Insurance Levies Act, 2022, in April 2023. These milestones will ensure sustainability of funding for the Ombud Council and

enable it to build the necessary capacity to fulfill its mandate independently.

The Ombud Council also finds itself embarking on its functions amid far-reaching pending regulatory reform of the ombud system, informed by the recommendations of a World Bank Diagnostic Study completed in 2021 and the National Treasury's policy response. I am aware of the collaborative efforts the Ombud Council has embarked upon with its key stakeholders, both in relation to the regulatory reform agenda and in ensuring shared understanding of existing regulatory frameworks.

I am confident that the five strategic priorities identified in this Plan are appropriately focused on achieving the Ombud Council's statutory mandate, while also enabling it to facilitate and support anticipated structural reforms. These priorities are, in summary: 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; Monitoring the performance of ombud schemes. This combination of commitment to the Ombud Council's current mandate and to supporting the implementation of future reforms bodes well for the future of the ombud system.

I wish the Ombud Council and its Board well as it enters its third year, with this Strategic Plan forming a good foundation to monitor and enhance the quality of the ombud system, in the interests of financial customers and the financial sector.



Hon. Enoch Godongwana
MINISTER OF FINANCE

REMARKS FROM THE CHAIRPERSON OF THE BOARD

The Ombud Council's vision, articulated in this strategic plan, is to ensure that a known, trusted and easily accessible ombud system exists for all in the financial sector. I am pleased to present the Ombud Council's Strategic Plan for 2023/24 to 2024/25, setting out the priorities the Ombud Council will focus on over the next two financial years as it strives to achieve its vision.

The Ombud Council's founding legislation, Chapter 14 of the Financial Sector Regulation Act, commenced in November 2020, together with the appointment of its independent board members. However, the Council only became operational once an Interim Chief Ombud was appointed in May 2021. Since then, the Council has faced a range of challenges in its first two years of operation, including: Significant funding uncertainty due to delays in the passage of the legislation needed to secure its levy funding; resultant inability to build its staff establishment and infrastructure; and uncertainties about the future structure of the ombud system due to welcome but far-reaching systemic reform proposals in a World Bank Diagnostic study. Despite these challenges, the Ombud Council succeeded in fulfilling its statutory mandate and performing its key regulatory functions. For this, the Council is indebted to the leadership of its inaugural Chairperson, my predecessor Ms. Deanne Wood; the tenacity of its Interim Chief Ombud, Ms. Eileen Meyer; and the guidance of its other dedicated board members.

Fortunately, good progress has been made in clearing the hurdles facing the Ombud Council. Externally, clarity is beginning to emerge on the future structure of the ombud system, with the National Treasury expected to confirm its policy response to the World Bank reform proposals in the early part of the 2023/24 financial year. Internally, the Ombud Council's leadership has stabilised with the appointment of a permanent Chief Ombud in November 2022 and a new Chairperson from February 2023. Its funding risks have been mitigated with the levies legislation now signed into law and expected to

come into operation at the start of the financial year. Importantly, this means that the Ombud Council is to be formally listed as a public entity under Schedule 3A to the Public Finance Management Act (PFMA) effective 1 April 2023. This Strategic Plan and accompanying Annual Performance Plan are therefore the first such planning documents that the Ombud Council is formally submitting to the National Treasury and to Parliament as required by the PFMA.

The path is now clear for the Ombud Council to embark on the two-pronged set of priorities set out in this Strategic Plan and the Annual Performance Plan for 2023/24 that underpins it. On the one hand, these priorities are aimed at capacitating the Council and ensuring it is well governed and sustainably funded; and on the other hand, at 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.

I present this Strategic Plan in my capacity as Acting Chairperson (and hence accounting authority) of the Ombud Council. Although I will be passing this baton into the capable hands of the newly appointed Chairperson, Ms. Silindile Kubheka, on 1 February 2023, I look forward to continuing to support the Ombud Council and the board as I resume my role as its Deputy Chairperson. I have every confidence that the Council will respond successfully and innovatively to the exciting challenges ahead.



Silindile Kubheka
CHAIRPERSON
Board of the Ombud Council

OVERVIEW FROM THE CHIEF OMBUD

The Ombud Council is mandated by the Financial Sector Regulation Act, 2017 to assist in ensuring access to affordable, effective, independent, and fair alternative dispute resolution processes for financial customers who have complaints about financial institutions. A well-functioning ombud system is a vital, but not always sufficiently visible, prerequisite to ensure fair outcomes for financial customers.

Having commenced duties as Chief Ombud of the Council in November 2022, the timeline for developing this Strategic Plan has been an ideal opportunity, early in my tenure, to thoroughly review the Ombud Council's context, capacity, challenges, and how best to deliver its mandate against that background. I am also very grateful to all members of the Council's board for their participation and guidance in helping to shape this Strategic Plan, at our recent board strategy workshop.

The Ombud Council is still in the very early stages of its organisational development, having begun operations in May 2021, but has made impressive strides in meeting key elements of its statutory mandate. I am indebted to my predecessor, Ms. Eileen Meyer, for laying a sound foundation for the Council to build on, during her tenure as Interim Chief Ombud.

Although this first formally submitted Strategic Plan covers a shorter than usual planning period (being the remaining two years of the current administration), the two years concerned will be strategically pivotal for the Ombud Council - both from an internal and external perspective. At the start of the 2023/24 financial year, we

expect two key milestones to be reached: The Financial Sector and Deposit Insurance Levies Act, which establishes the Council's levy-based funding model, will come into operation, enabling the Ombud Council to become formally listed as a public entity under the PFMA; and the National Treasury will confirm its policy response to far-reaching World Bank proposals to reform the structure of the South African ombud system.

These developments, together with our commitment to continue meeting our existing statutory mandate while the legislative reforms unfold, underpin the combination of internally and externally focused strategic priorities set out in this Plan. In summary, the Ombud Council's priorities over the next two years will be to: (i) Build a well-governed, sufficiently capacitated institution; (ii) Enhance the jurisdictional coverage, effectiveness, and co-ordination of the ombud system; (iii) Promote financial inclusion by supporting initiatives to boost the visibility of ombud services; (iv) proactively contribute to positive reform of the ombud system; and (v) effectively monitor ombud scheme performance.

The Ombud Council team, small as it still is, looks forward to implementing this Strategic Plan to play its part in building a more equitable and responsive financial system for all South Africans.



Ms. Leanne Jackson
CHIEF OMBUD
Ombud Council

Sign Off:

It is hereby certified that this Strategic Plan:

- **Was developed by the management of the Ombud Council, under direction of the Board of the Ombud Council;**
- **Considers all the relevant policies, legislation, and other mandates for which the Ombud Council is responsible;**
- **Accurately reflects the outcomes which the Ombud Council will endeavour to achieve over the period 2023/24 to 2024/25.**



Siphwe Dube

Senior Manager: Operations



Leanne Jackson

Chief Ombud

Approved by:



Silindile Kubheka

Chairperson and Accounting Authority

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GLOSSARY OF TERMS AND ABBREVIATIONS

Board	The Board of the Ombud Council.
COFI Bill	Conduct of Financial Institutions Bill, expected to be tabled in Parliament during 2023.
CO	Credit Ombud.
Council; or Ombud Council	The Ombud Council.
FAIS Ombud	Ombud for Financial Services Providers.
FSCA	Financial Sector Conduct Authority.
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, expected to be come into operation on 1 April 2023.
Ombud Schemes	Industry ombud schemes and statutory ombud schemes, as defined in the FSR Act.
OBSSA	Ombudsman for Banking Services South Africa.
OLTI	Ombudsman for Long-Term Insurance.
OSTI	Ombudsman for Short-Term Insurance.
PFA	Pension Funds Adjudicator.
PFMA	Public Finance Management Act, 1999.
World Bank Diagnostic; or WB Diagnostic	Report by the World Bank Group titled " <i>South Africa: Financial Ombud System Diagnostic</i> " (June 2021), commissioned by the National Treasury and the FSCA.

1 INTRODUCTION

The Ombud Council is created by and derives its mandate from the Financial Sector Regulation Act No. 9 of 2017 (FSR Act). The Minister of Finance appointed a Board of Directors for the Council in November 2020 and, on a temporary basis, a Chief Ombud in May 2021, followed by the appointment of the permanent current Chief Ombud in November 2022.

The Ombud Council presented a Business Implementation Plan (BIP) to the Board in January 2022, to operationalise the Council; set out its service delivery model; and ensure that an appropriate organisational structure, staff establishment and other institutional arrangements would be in place to enable it to deliver on its statutory mandate. The Council then drafted an interim Strategic Plan to ensure alignment between the strategic intent of the Council and the organisational plans in the BIP.

The interim Strategic Plan sought to align with Public Finance Management Act (PFMA) requirements and National Treasury Regulations and guidance to the extent possible for a start-up organisation without an institutional framework and was submitted to the National Treasury for noting¹. The Plan did not however strictly follow PFMA and related National Treasury prescripts for the Strategic Plans of public entities. This was because the Ombud Council was not listed in the applicable PFMA Schedules and was thus not yet fully subject to PFMA planning requirements². The Council is however expected to be listed for PFMA purposes with the coming into operation of the Levies Acts. This means that it will need to be fully compliant with all applicable PFMA requirements and Treasury Regulations from the start of the 2023/24 financial year.

This Strategic Plan is therefore the first Strategic Plan of the Ombud Council for formal, public PFMA reporting purposes, and the first Strategic Plan that will be tabled in

¹ The Council also produced an interim Annual Performance Plan for 2022/23, based on its interim Strategic Plan, and has been reporting its performance against that interim APP to the National Treasury and the Department of Planning, Monitoring and Evaluation - despite not yet being strictly required to do so.

² See discussion titled "Funding" in paragraph 7.2.2 below for further detail regarding the PFMA listing status of the Ombud Council.

Parliament. Although our interim Strategic Plan covered a five-year planning horizon, this Strategic Plan covers two years, in light of the remaining period of the current administration ending in 2024.

It is important to highlight at this point that a diagnostic study was undertaken by the World Bank Group (completed in June 2021) parallel to the establishment of the Council and its Board (the World Bank Diagnostic). The study provides an independent review of South Africa's financial ombud system and recommends reforms to enhance the effectiveness of the ombud system to support fair outcomes for financial customers. As explained in more detail in paragraph 7.1.2.1, the World Bank Diagnostic recommendations will have a significant impact on the ombud environment and are expected to impact the functions of the Council and thus its strategy.

Our Strategic Plan, and the interim Plan that preceded it, therefore proposes an institutional framework and organisation design that will be responsive to the anticipated policy reforms.

PART A: OUR MANDATE

2 LEGISLATIVE AND POLICY MANDATE

The Council derives its mandate from the FSR Act.

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 and services. 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 ombuds.

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. The Council needs to take cognisance of the larger body of financial sector laws within which ombud schemes and their member financial institutions operate. In particular, the Ombud Council will need a deep understanding of the Conduct of Financial Institutions Bill (COFI Bill) which, once enacted, will holistically regulate consumer protection in the financial sector - of which the ombud system is an integral component.

3 INSTITUTIONAL POLICIES AND STRATEGIES RELATED TO PLANNING PERIOD

3.1 FINANCIAL SECTOR POLICY CONTEXT

The Ombud Council is a product of financial sector policy position statements such as *"A safer financial sector to serve South Africa better"* (2011) and *"A Known and Trusted Ombud System"* (2017). These National Treasury publications respectively set out the overall Twin Peaks regulatory framework for the financial sector (including the role of the ombud system within that framework); and put forward policy proposals for the financial sector ombud system in particular.

The Council's strategic planning is also influenced by the following policy developments:

- The recommendations emanating from the **World Bank Diagnostic**.
- Reform of the overall financial consumer protection framework through the ongoing evolution of the Twin Peaks legislative framework, particularly the proposed overarching **COFI Bill**.
- Commencement of the **Levies Acts**, with impact on the levy funding process of the Ombud Council.

See paragraph 7.1.2 below for more detail of the **strategic impact of these regulatory developments** on the Council.

The Ombud Council's strategy is also supportive of the National Development Plan (NDP) goal of enabling **participation by all in the financial sector and contributing to economic inclusion** (linked to Outcome 4: Economic Growth and Employment as well as the MTEF of 2019-2024 Priority 2: Economic Transformation and Job Creation). The Council aims to play a transformational role in promoting the ombud system's accessibility for financial customers, enabling them to hold financial institutions to account through efficient and effective alternative dispute resolution structures. Through strengthening the ombud system, the Council will also contribute to **financial literacy** by empowering customers to understand their rights to fair treatment by financial institutions and to challenge unfair treatment and obtain redress. This supports a human rights-based approach which empowers financial customers to know and claim their rights.

3.2 STRATEGIC PRIORITIES OF THE OMBUD COUNCIL

Against the policy background outlined in paragraph 3.1, and the situational analysis set out in Part B, the Ombud Council has identified five strategic priorities for the planning period.

The first of these priorities - focused on building the organisation - is an enabler for the remaining priorities. The remaining priorities are aimed at delivering on the Ombud

Council's statutory mandate, as set out in paragraph 2. These priorities entail the Ombud Council using its regulatory and supervisory toolkit under the FSR Act to support the national and financial sector policy imperatives summarised in paragraph 3.1.

Table 1: Strategic Priorities of the Ombud Council.

1. Build a well-governed institution sufficiently capacitated to perform its functions efficiently and effectively.
2. Enhance the coverage and effectiveness of the ombud system by addressing jurisdictional gaps and overlaps and promoting co-ordination and alignment of scheme processes.
3. Support financial inclusion initiatives undertaken by ombud schemes and other regulators to create consumer awareness of the services offered by ombud schemes.
4. Contribute to reform of the ombud system through proactive participation in regulatory and policy reform and transition projects.
5. Effectively monitor the performance and compliance of ombud schemes in line with the Ombud Council's statutory objective (s. 176 of FSR Act).

The intended outcomes of these strategic priorities and planned performance for each of these priorities over the planning period, are set out in Part C of this Strategic Plan.

PART B: OUR STRATEGIC FOCUS

As explained in the Introduction, this is the first formal Strategic Plan for the Council, focusing on the upcoming two financial years from 2023/24 to 2024/25. This Part B of the plan sets out the Council's vision, mission, and values; and provides a situational analysis of its current internal and external environment.

4 VISION

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

5 MISSION

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

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

6 VALUES AND OPERATING PRINCIPLES

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

Table 2: Ombud Council core values.

Independence and impartiality.	We act independently and impartially, without fear, favour or prejudice and support the independence and impartiality of the ombud 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.

The Council has also adopted 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 3: Operating principles supporting our values.

Committed to current mandate	Notwithstanding anticipated regulatory reforms, the current provisions of the FSR Act remain the Council's founding legislation and we commit to implementing appropriate processes for performing our current statutory functions.
Pragmatic and cost-efficient	The OC recognises the need to perform its functions pragmatically, implementing processes that are realistic and practical at this point of its development and avoid non-essential expenses. We will take care to focus on our specific regulatory and oversight role over ombud schemes, to avoid stakeholder confusion regarding our functions. In particular, the Ombud Council will not be directly 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 OC'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. Over and above the specific framework for ombuds, the broader financial sector regulatory landscape will remain dynamic as it seeks to adapt to technological changes, new financial products and services and new ways of doing business, and it is incumbent on the Council to remain relevant.
Risk-based	The Council will prioritise functions and processes that are most likely to proactively mitigate identified risks to the effectiveness of the ombud system. These include current shortcomings identified by the WB Diagnostic, arising from the fragmented, complex, and inconsistent state of the current system.
Consultative and collaborative	The Council will consult openly and collaboratively with its stakeholders, including the ombud schemes it oversees, relevant financial regulatory authorities, policymakers, financial institutions, and financial consumers. The Council will also ensure that financial consumers and other stakeholders understand its role and that of the ombuds we oversee.
Future focused	The OC recognises that, despite 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

7 SITUATIONAL ANALYSIS

7.1 EXTERNAL ENVIRONMENT

7.1.1 PESTEL ANALYSIS

The external environment within which the Ombud Council operates has been assessed using the "PESTEL" analysis framework, which considers political; economic; social; technological; environmental; and legal factors impacting on the Council's strategy and operations. Several of these factors do not directly impact the Council's operations. However, they have a significant impact on financial customers

and financial institutions, which in turn influences the volume, incidence, and types of customer complaints that the ombud system must be equipped to deal with. The Ombud Council therefore needs to keep abreast of developments in all these areas, to support the ombud schemes it oversees in remaining relevant and fit for purpose.

Of these PESTEL factors, the **evolving legislative and regulatory framework for the ombud system and the financial sector more broadly**, requires particular strategic focus on the "legal" dimension. This factor is therefore **discussed separately in paragraph 7.1.1.6 below**.

7.1.1.1 Political environment

The Ombud Council's immediate political environment, under the policy direction of the Minister of Finance and the National Treasury, is stable. Notwithstanding regulatory reforms discussed in this Strategic Plan, the overall policy goals and priorities for the financial sector - particularly in relation to the financial consumer protection sphere of which the Council forms a part - are clear.

7.1.1.2 Economic environment

SA's economic growth has stagnated, and economic forecasts indicate a long way to recovery. The level of unemployment, poverty, and inequality are unacceptably high. The economic impacts of the Covid 19 lockdowns still linger, productivity losses due to frequent Eskom load shedding increasingly take their toll, and consumers face steep increases in the cost of living due to macroeconomic stresses. 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 puts them at risk of not fully realising the benefits of the financial products and services they pay for.

In this challenging economic environment, protection of financial customers against unfair treatment by financial institutions becomes particularly important. Accessible, affordable, and effective dispute resolution structures are a key component of the

consumer protection framework - particularly in times when consumers are most vulnerable to economic shocks.

7.1.1.3 Social environment

The economic situation outlined above has negative social consequences, which particularly impact lower income and less sophisticated financial customers. This highlights the imperative for ombud schemes to have processes in place that are accessible, suitable, and empathetic for vulnerable complainants. Customer outreach and consumer education initiatives by ombud schemes and the FSCA, and the Ombud Council's participation in and facilitation of these, is also important in this context.

Conversely, many consumers are becoming increasingly aware and assertive of their rights to fair treatment by financial institutions, supported by active media scrutiny. Social media platforms have become a powerful tool for consumers to voice dissatisfaction with the conduct of financial institutions, with examples of specific complaints going "viral" and exposing systemic conduct risks in the sector. In such cases, well-functioning ombud schemes allow for proper investigation of these cases, for the identification and resolution of actual legitimate complaints, and for impartial assessment of their underlying causes. Conversely, ineffective handling of such cases poses reputational risks for the ombud system and the Council.

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 related³ and "scams" becoming increasingly sophisticated; 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. Incidents of social unrest, with the riots and looting that took place in KZN and Gauteng

³ Ombudsman for Banking Services, 2021 Annual Report.

in July 2021 being an extreme example, also trigger spikes in insurance claim volumes - particularly relating to property damage - and resulting claim dispute volumes.

7.1.1.4 Technological environment

Technological "FinTech" developments mean ongoing innovation in financial product and service design. Just as the regulatory framework needs to evolve to be able to effectively regulate these products and services, the ombud system needs to evolve to be able to deal with the new types of complaints they give rise to. This has implications for the scope of the jurisdiction of current schemes, and hence the Ombud Council's jurisdictional rule-making and designation powers. Technological advancement also gives rise to new consumer risks, with the prevalence of "scams" relating to crypto assets, online foreign exchange dealing platforms, "phishing", and other cyber-crime activities increasing significantly. The ombud system is currently not fully equipped to deal with these types of complaints, and the Ombud Council will need to promote appropriate enhancements. A case in point is the FSCA's recent recognition of crypto assets as financial products for purposes of the Financial Advisory and Intermediary Services Act, 2002. This means that the FAIS Ombud now has jurisdiction to deal with complaints relating to advice on and selling of these products and needs to build the necessary capacity.

7.1.1.5 Environmental Issues

Although the Ombud Council is not materially directly impacted by environmental issues, they have indirect impacts - in particular in relation to the insurance sector. Examples of environmental factors that lead to spikes in insurance claims and thus complaint volumes include: Climate change related extreme weather events; Energy supply challenges, such as Eskom load shedding leading to equipment damage and business interruption claims; and of course health events, with the COVID pandemic massively increasing death and health insurance claims in the life insurance sector, and business interruption claims in the non-life sector, effects which are still being felt.

7.1.1.6 Legal issues

The Ombud Council, and the ombud schemes it oversees, find themselves amid far-reaching regulatory reforms expected to directly impact their roles and processes, and thus the Ombud Council's strategy. This dimension is discussed in paragraph 7.1.2.

As noted in section 1 of this document, the Council itself, as a national public entity, is expected to comply with all applicable government prescripts such as the PFMA and related National Treasury Regulations.

Table 4: Summary of PESTEL analysis.

POLITICAL	Political stability and policy certainty under National Treasury
ECONOMIC	Weakening economy
	High levels of unemployment, poverty, inequality, over-indebtedness
	Low levels of financial inclusion
SOCIAL	Need to accommodate vulnerable complainants
	Financial customers' rights awareness
	Crime and social unrest risks
TECHNOLOGICAL	Technological "FinTech" innovation (including recognition of crypto assets for FAIS purposes)
	Cyber-crime risks
ENVIRONMENTAL	Impacts on insurance claims
LEGAL	Significant pending regulatory reform
	World Bank Diagnostic Study
	COFI Bill
	PFMA and related obligations

7.1.2 LEGAL AND REGULATORY REFORM

7.1.2.1 World Bank Diagnostic

As noted in section 1, the National Treasury has commissioned and published a World Bank Diagnostic Study report titled *"South Africa: Financial Ombud System Diagnostic"* (June 2021). The report makes far-reaching recommendations for reform and strengthening of the ombud system which, to the extent implemented, will significantly impact the structure of the ombud system and the role and functions of the Ombud Council. The Council has analysed these potential impacts in detail and

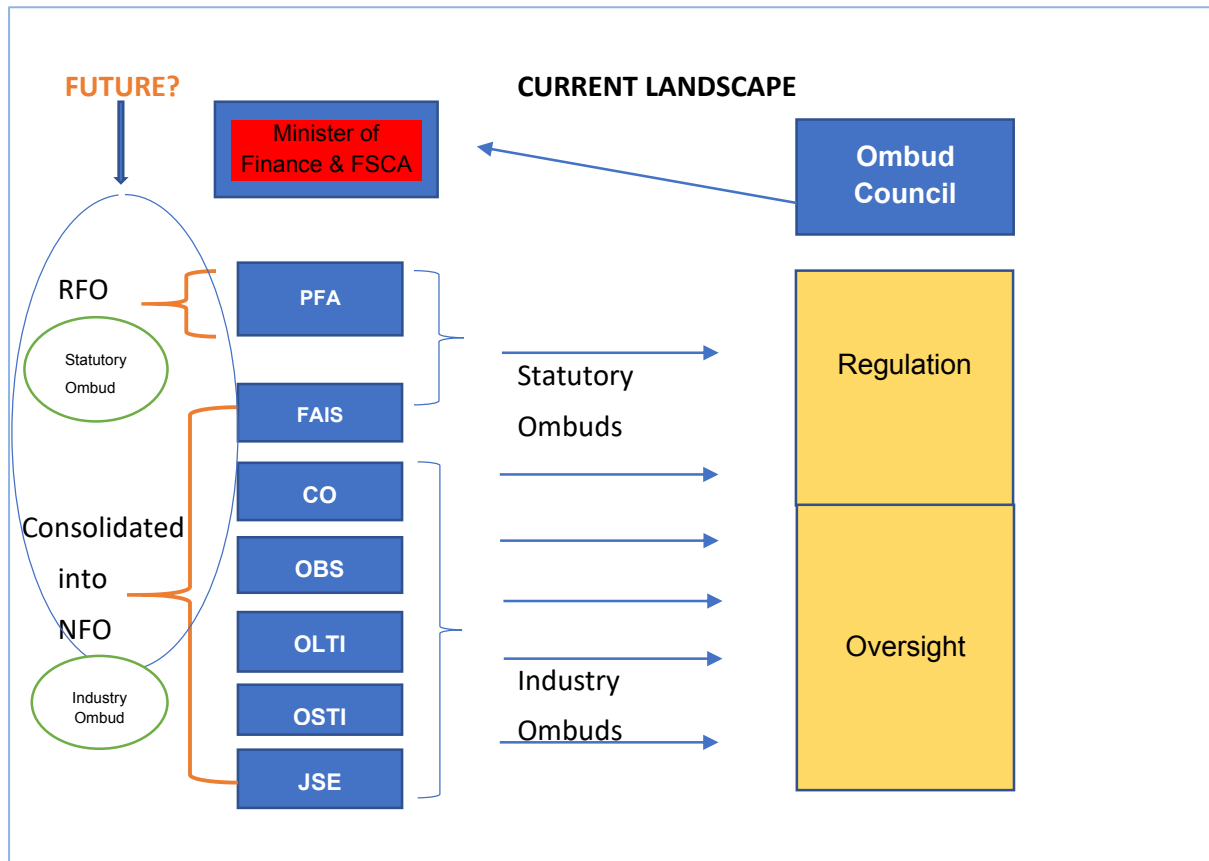
shared the analysis with the National Treasury, with the information below being a summary of key impacts.

Broadly, the Diagnostic proposes re-shaping the current ombud system by consolidating the five current voluntary industry ombud schemes, together with one of the current statutory schemes, being the Ombud for Financial Services Providers (FAIS Ombud), into one overarching National Financial Ombud (the NFO). The NFO's ambit would be expanded beyond the combined jurisdiction of the current schemes, to automatically cover complaints regarding all types of regulated financial institutions, products and services - other than retirement funds.

The current statutory Pension Funds Adjudicator would remain separate and be renamed the Retirement Fund Ombud (RFO), with jurisdiction over retirement fund related complaints, until such time that it is also integrated into the NFO at a later stage. Although the Diagnostic proposes that the NFO would be a non-statutory, industry-established scheme, the Ombud Council understands from engagements with the National Treasury that an appropriate statutory underpin will be developed for the NFO, while ensuring its independence from both industry and government. The RFO would remain a statutory scheme for the time being.

The proposed ombud system structure is as follows:

Figure 1: Proposed future structure of the ombud system as per World Bank Diagnostic.



The recommendations of the World Bank Diagnostic, if fully or substantially adopted, would have far-reaching impact on the scope of the Council's functions. The National Treasury has provided high-level feedback to the Council and ombud schemes regarding its policy response to the Diagnostic recommendations, confirming that it supports the majority of the core recommendations, but is planning further stakeholder consultation on various points of detail - which the Council understands will commence shortly before the start of the 2023/24 financial year. The Council has and will continue to participate in National Treasury and other stakeholder deliberations to support this process, to ensure that the independence of the Council and ombud schemes is protected, and to facilitate a smooth transition to a reformed ombud system structure.

7.1.2.2 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. A draft version of the COFI Bill was published for comment in October 2020 and the National Treasury provided an updated draft to the Ombud

Council for information in early December 2021. The Bill is expected to be formally tabled in Parliament in early 2023.

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. Examples include extending oversight to services related to credit; payment service providers; debt collectors; and authorised users of market infrastructures. 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.

The COFI Bill includes several consequential amendments to Chapter 14 of the FSR Act, the Council's founding legislation. These include moving the provisions establishing the two current statutory schemes, the Ombud for Financial Services Providers (FAIS Ombud) and the Pension Funds Adjudicator, from their current founding statutes⁴ 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.

7.1.2.3 Voluntary amalgamation of industry ombud schemes

In anticipation of consolidation of the ombud system based on the World Bank Diagnostic recommendations, four of the current five industry ombud schemes have embarked on a process of voluntary amalgamation⁵. The Ombud Council is supportive of the project, as it supports the Council's statutory functions of promoting co-ordination between the activities of ombuds and resolving jurisdictional overlaps

⁴ Being the Financial Advisory and Intermediary Services (FAIS) Act, 37 of 2002 and the Pension Funds Act, 24 of 1956 respectively.

⁵ The following four recognised industry ombud schemes have embarked on an amalgamation exercise: Ombudsman for Long-term Insurance; Ombudsman for Short-term Insurance; Ombudsman for Banking Services; Credit Ombud.

between schemes (s.177(1)(b) and (g) of FSR Act). It will also minimise potential disruption when the expected formal statutory establishment of the NFO takes place. The voluntary amalgamation is expected to be implemented during the planning period of this Strategic Plan and will entail the use of the Ombud Council's designation and rule-making powers.

7.1.2.4 Ombud System Statistics

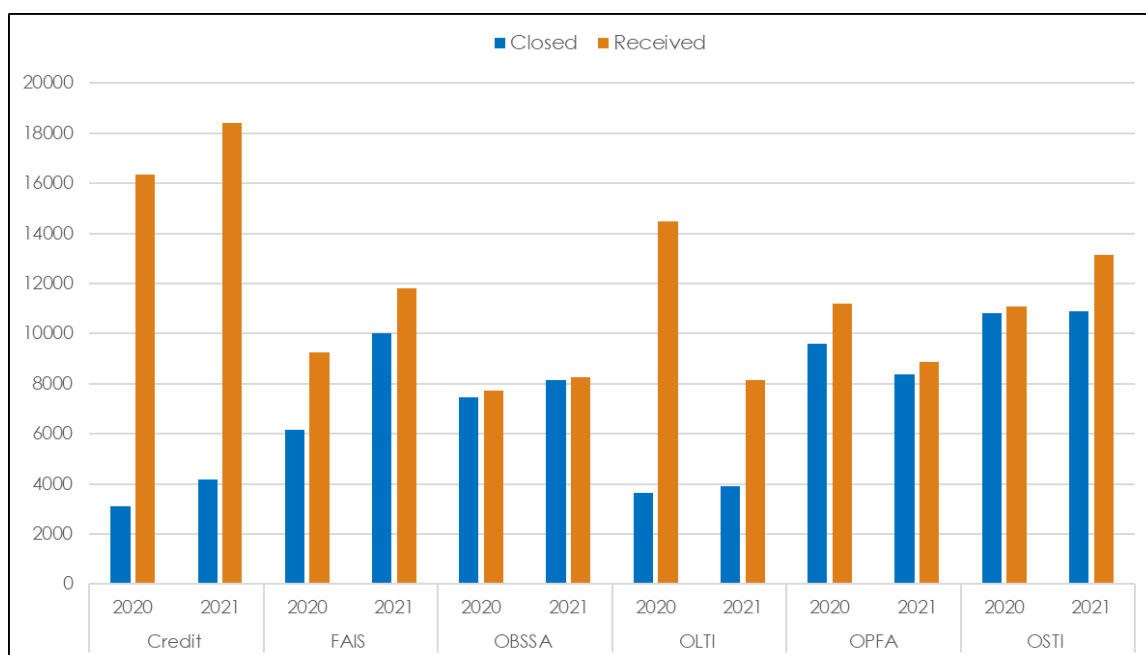
The following statistics provide an indication of the scope and functions of the current ombud system falling under the Ombud Council's supervisory and regulatory remit:

Complaint statistics:

The ombud schemes produce detailed statistics on a regular basis, with various data relating to complaint volumes, referrals to other fora, resolution rates, complaint types, trends, and case studies. These are published on an annual basis on the schemes' websites and are also available to the Ombud Council on a more frequent basis. Currently however this information is not compiled or reported on in a consistent manner, with different schemes using different complaint handling processes, terminology and classification systems. This, together with misaligned financial reporting periods and the Ombud Council's own current limited resources, means that the Council is not yet in a position to compile meaningful system-wide complaints statistics, compare the effectiveness of the schemes, or determine measurable trends. Hence the Ombud Council's strategic priority to promote better alignment of scheme reporting processes (see in particular targeted Outcome 6 in paragraph 10.2 below).

The following complaint statistics are therefore at this stage a high-level snapshot of most recent publicly reported complaint volumes per scheme.

Figure 2: Ombud system complaint statistics.



Notes to Figure 2:

- **Statistics are for 4 industry schemes (Credit Ombud; Ombudsman for Banking Services (OBSSA); Ombudsman for Long-term Insurance (OLTi); Ombudsman for Short-term Insurance (OSTI)); and 2 statutory schemes (FAIS Ombud; and Pension Funds Adjudicator (OPFA)).**
- **Statistics for industry schemes are sourced from their Annual Reports for the 2021 calendar year; those for statutory schemes are sourced from their 2021/2022 Annual Reports, covering April 2021 to March 2022.**
- **Statistics are difficult to compare as the stages of the complaint handling process and the data provided for each stage are not uniform across the schemes. As far as can be ascertained from the scheme data, complaints "received" include all complaints submitted to the schemes (including those that are subsequently referred back to financial institutions or other fora), and not only those that are in fact fully investigated by the scheme.**
- **As indicated in this Strategic Plan, one of the Ombud Council's targeted strategic outcomes is to reduce inconsistencies between ombud scheme reporting processes by setting more aligned reporting requirements. This will enable more comparable data in future reports.**

Scheme coverage statistics:

The number of financial institutions that are currently members of four of the five industry ombud schemes (the Credit Ombud, Ombudsman for Banking Services, Ombudsman for Long-term Insurance, and Ombudsman for Short-term Insurance) total a combined 252. Membership of the JSE Ombud Scheme comprises all authorised users of the JSE.

In addition, all FSCA-licensed financial services providers and their representatives are subject to the jurisdiction of the statutory FAIS Ombud, while all registered retirement funds and the employers and service providers associated with those funds, are subject to the statutory Pension Funds Adjudicator.

Further detail of the membership and scope of coverage of the schemes is as follows⁶:

- *Ombudsman for Long-term Insurance*: Membership comprises 57 life (long-term) insurers, representing the significant majority of all licensed life insurers, covering approximately 95% of the life insurance industry by asset size.
- *Ombudsman for Short-term Insurance*: Membership comprises 53 non-life (short-term) insurers, being approximately 80% of all licensed non-life insurers, with approximately half of this membership base representing 80% of the total non-life market.
- *Ombudsman for Banking Services*: Membership comprises all licensed banks (36 banks), representing the entire South African banking sector.
- *Credit Ombud Association (Credit Ombud)*: Membership comprises 106 registered non-bank credit providers. Although a number of small or micro credit providers are not currently members of the scheme⁷, membership

⁶ Scheme membership data for the industry schemes is based on information submitted during their applications for recognition by the Ombud Council in February 2022. Data for the statutory schemes is sourced from the FSCA's 2021/22 Annual Report.

⁷ The Credit Ombud has subsequently engaged constructively with Micro Finance South Africa to grow membership among small and micro lenders.

represents a significant proportion of larger lenders, particularly in the clothing and furniture retail and non-bank vehicle finance sectors.

- *JSE Ombud Scheme*: Membership comprises all authorised users of the JSE Equities, Interest Rate and Derivative markets, currently totalling 277 users (with some double counting as some users are members of more than one market).
- *Pension Funds Adjudicator*: The PFA has statutory jurisdiction in respect of over 5,000 registered retirement funds (of which 1,332 are active), 123 licensed retirement fund benefit administrators, and the associated trustees, employers and service providers. This covers approximately 17.7 million fund members, and over R4 trillion of retirement fund assets.
- *Ombud for Financial Services Providers (FAIS Ombud)*: The FAIS Ombud has statutory jurisdiction in respect of over 11,000 licensed financial advisers and intermediaries, as well as all of their registered representatives.

7.2 INTERNAL ENVIRONMENT

7.2.1 INTERNAL CAPACITY

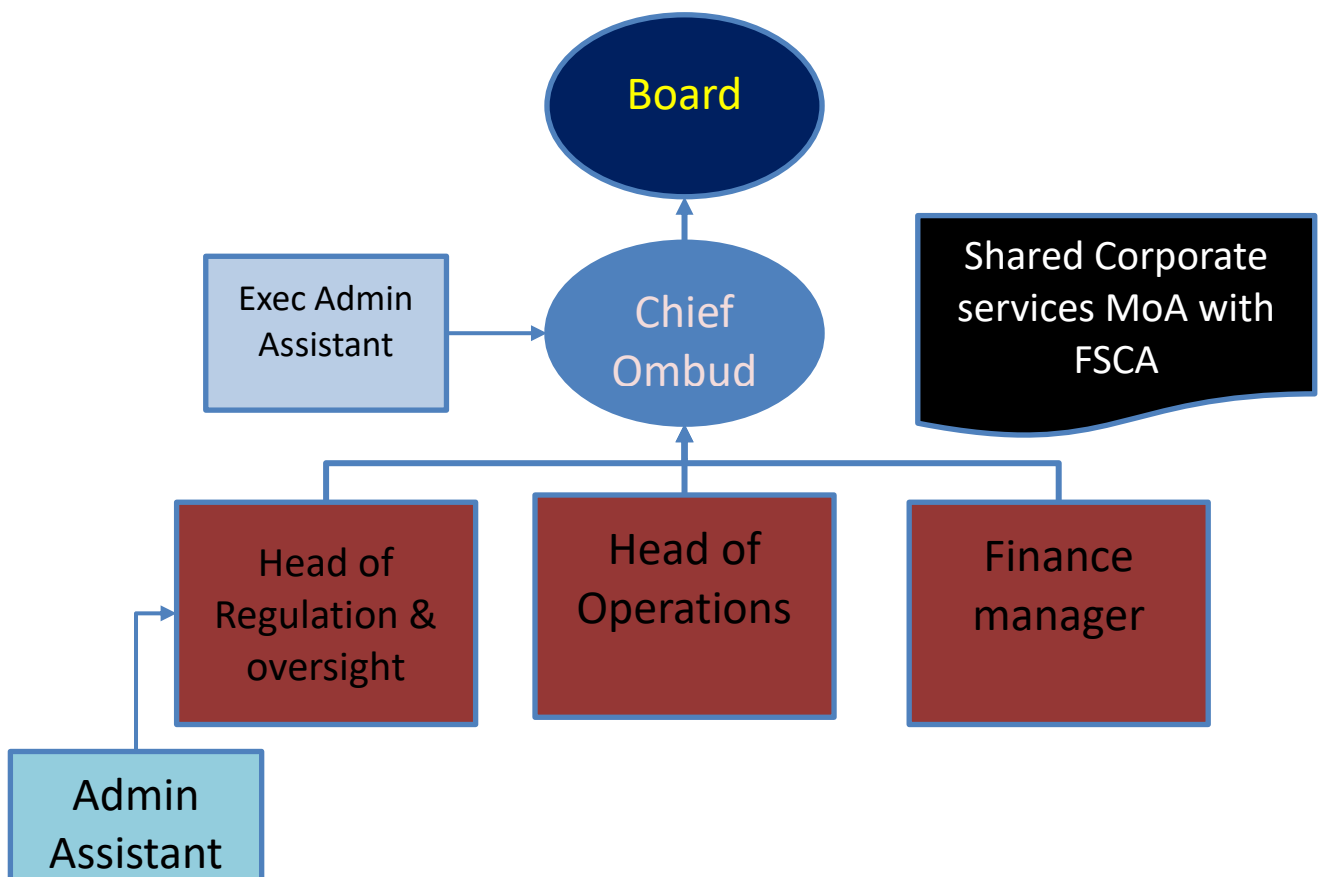
7.2.1.1 Human resources

The Minister of Finance has appointed a skilled board to guide the strategic direction of the Ombud Council in this critical phase of establishment. A permanent Chief Ombud is in place since November 2022 with continued support from a Senior Manager, Operations as a secondee from the National Treasury. It is expected that, besides fulfilling the role of the chief executive officer, the role of the Chief Ombud will be one of a change agent to support the ombud environment and the National Treasury in implementing policy reform and facilitating the change processes required. It remains essential for the Ombud Council to implement a fit for purpose organisational structure and staff establishment. The Ombud Council has a shared services agreement (Memorandum of Agreement - MoA) with the Financial Sector Conduct Authority (FSCA) to provide various corporate services to the Council until such time as it is internally capacitated. Services provided under the agreement

include human resource management, information technology advisory support, financial management, Board Secretariat support (until December 2022) and procurement support.

A staff establishment of five people is proposed by the end of the 2023/24 financial year, increasing to six people in the following year, to perform the Council's functions. This structure and approach will be reviewed on a regular basis in the light of ongoing regulatory reforms of the ombud framework and can be adapted to respond to future changes to the mandate and functions of the Council. The intention is to reduce reliance on outsourced and shared services and secure an appropriate dedicated staff complement once the longer-term scope of the Council's functions is confirmed.

Figure 3: Proposed Ombud Council staff establishment and structure at end of FY 2024/25



7.2.1.2 Technology and infrastructure

Once fully operational and capacitated, the Council will leverage appropriate technology to work smarter in performing its functions. Considering the small scale of the staff establishment, the hybrid physical and remote working model, and the nature of the Council's operations, it is envisaged that the Council will adopt a "virtual" ICT model, governed by an appropriate ICT Governance Policy.

7.2.2 FUNDING

In terms of the FSR Act, the Council's operations are funded through the imposition of levies, payable by financial institutions. The Council is also empowered to collect fees for the performance of specific functions. Chapter 16 of the FSR Act which enables the Ombud Council's financial processes, is expected to come into operation on 1 April 2023, to coincide with the expected commencement of the Levies Acts. The commencement of the Levies Acts is also a prerequisite for the Ombud Council to be formally listed as a national public entity under Schedule 3A of the PFMA.

Considering delays in processing the Levies Acts, the Council was during its first two years of operation (financial years 2021/22 and 2022/23) allocated funding of R10 million for each year, as a ring-fenced component of FSCA funds derived from administrative penalties, to fund its operationalisation. The National Treasury has subsequently confirmed that funding of R13 million per year will be allocated to the Council under the upcoming budget appropriation, for each year of the current MTEF period (viz. 2023/24 to 2025/26), as contingency funding until levy collections under the Levies Acts are fully operationalised. Once this occurs, which is expected to be during the 2023/24 financial year, fiscal funding will no longer be required, and appropriate budget adjustments can be made.

In terms of the FSR Act read with the Levies Acts, the Ombud Council has the option of submitting a proposal to the Minister of Finance for an amendment to the applicable Schedule to the Levies Act for 2024/25 or subsequent financial years, should it believe an adjustment to its levy formulae is appropriate. In the absence of such an

amendment to the Schedule, the Levies Act contemplates levy increases linked to the CPI unless the Minister determines a lower increase. A decision regarding the need for any levy formula adjustment will be taken as part of future budget review processes.

7.2.3 TRANSFORMATION AND B-BBEE

The FSR Act defines financial inclusion to mean "that all persons have timely and fair access to appropriate, fair and affordable financial products". The Council aims to support financial inclusion by promoting the ombud system's accessibility for financial customers and supporting and facilitating customer outreach and consumer education initiatives by ombud schemes and the FSCA.

The Council will also contribute to socio-economic objectives by procuring from suppliers that meet the B-BBEE Black and/or Black woman ownership or exempt micro-enterprise (EME) and qualifying small enterprise criteria. In addition, all valid invoices will be paid within 30 days as required by the PFMA to ensure the financial sustainability of its service providers. This commitment is confirmed in the Council's Social and Ethics policy.

7.2.4 STAKEHOLDER ENGAGEMENT

The Table below sets out the Ombud Council's key stakeholders, the nature of their interest, and the Council's expectations of them.

Table 5: Stakeholder engagement.

Stakeholder	Influence/ Interest	Council's expectations
Ministry of Finance / National Treasury (Government)	High influence (policy level), high interest	Formulation of conducive financial sector policy. Policy direction on ombud system reforms Support in mobilising resources

Regulators	High interest, medium influence	Collaboration in fighting unfair treatment of financial customers and in financial inclusion (consumer education) initiatives.
Parliament	High interest	Hold the Council accountable for use of resources and performance in the delivery of its services
Financial customers	High interest, high influence (response to customer needs)	Ultimate beneficiary of effective ombud system
Media	High interest, low influence (reputational)	Information dissemination and collaboration in the areas of public awareness Exposing alleged financial sector misconduct
Ombud schemes	High interest, low influence (but transparent and responsive engagement)	Compliance with Ombud Council rules and directives Collaboration re alignment; regulatory reform; consumer education and outreach initiatives

The Council has a broad range of key stakeholders with competing demands and expectations. The Council will build and maintain meaningful, constructive relations and trust with all stakeholders through effective communication and delivering on our commitments. It is critical for the Council to ensure that effective stakeholder engagement processes are conducted. The Council will develop a stakeholder engagement and communication framework to guide stakeholder engagement processes.

7.3 SWOT ANALYSIS

Considering the analyses of the internal and external environment set out in paragraphs 7.1 and 7.2, the Ombud Council has assessed its Strengths, Weaknesses, Opportunities and Threats as follows:

Table 6: SWOT Analysis

Strengths	Weaknesses
• Breadth, depth and diversity of skills and experience in the board and executive. • Reciprocal trust relationship with ombud schemes • Access to FSCA support services to assist with establishment (MOA) • Quality of relationships and engagement with National Treasury enables proactive participation in policy development • Demonstrable commitment to good governance (even before PFMA listing)	• Bridging funding from fiscus not ideal funding model to ensure impartiality. • Current limited staff complement and delays in filling vacancies • Dependency on the FSCA i.r.o. the MoA (shared services agreement) • Not yet PFMA listed, hampers setting up infrastructure and processes
Opportunities	Threats
• WB Diagnostic recommendations (with and without related NT reforms) provide opportunities for the Council to improve scheme performance • Broader market conduct regulatory reforms create opportunities to improve coverage of the ombud system. • The expected consolidation of ombud schemes enables the Council to redefine its role and scope to ensure it is fit for purpose • The Ombud Council could contribute to financial consumer education, protection, and inclusion through support to the initiatives of the ombud schemes and other regulators. • The opportunity to develop a more appropriate levy model	• Financial institutions challenge perceived inappropriate (untested) levy model • Uncertainty regarding Ombud Council's future powers and role pending implementation of new regulatory model • Difficulty attracting staff with the right combination of skills and experience, particularly in a rapidly changing environment • Governance and compliance burden disproportionate to scale of Ombud Council operations. • Stakeholders misunderstand Council's role, for e.g., see it as the appeal mechanism for ombud rulings.

Section C below provides detail of the Ombud Council's planned work programmes. The Regulation and Oversight sub-programmes, aside from ensuring delivery of the Council's core mandate, are also aimed at exploiting several of the opportunities noted in the SWOT analysis, particularly by participating in the developing structural reforms of the ombud system and by supporting stakeholder consumer outreach initiatives.

The current shared services arrangement (MOA) between the Ombud Council and the FSCA is positioned as both a strength and a weakness. The MOA has and continues to enable the Council to make further progress in carrying out its core functions than would have been possible without this support. On the other hand, the FSCA's own performance commitments and resource constraints mean that support to the Ombud Council competes with other FSCA priorities. The Council's approach will be to leverage the FSCA support as efficiently as possible for so long as the MOA remains in place, to enable it to build the necessary capacity - particularly through the FSCA's human resources, procurement, and ICT advisory support - to become self-sufficient as soon as possible.

The Ombud Council's anticipated PFMA listing in the 2023/24 year will further facilitate setting up infrastructure and processes. The Council will engage with the relevant public entity oversight structures in the National Treasury to ensure that the Ombud Council designs its governance and control environment to meet its PFMA obligations in a manner that will, as far as possible, be proportionate to its scale and risks.

PART C: MEASURING OUR PERFORMANCE

8 INSTITUTIONAL PERFORMANCE INFORMATION

This section of the Strategic Plan sets out the planned performance, intended impact, outcomes, and targets for each of the Council's five strategic priorities (as set out in paragraph 3.2), and the indicators that will be used to measure the attainment of these outcomes. Ultimately, the outcomes outlined below are aimed at implementing the core statutory functions of the Ombud Council and ensuring fulfilment of its statutory mandate, including building the institutional capacity required to do so.

This being the Ombud Council's first formal Strategic Plan, outcome indicator baselines have not been provided as the Ombud Council is a new organisation and these are newly proposed outcomes.

9 IMPACT STATEMENT

Underpinned by our statutory mandate set out in section 1, the Ombud Council's intended impact is an accessible, effective, independent, and fair financial sector ombud system.

10 OUTCOMES

10.1 MEASURING OUR OUTCOMES

Table 7: Priorities, outcomes and indicators.

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.	
Outcome	Outcome indicator	Two-year target (2024/25)

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 of the ombud system by addressing jurisdictional gaps and overlaps and promoting co-ordination and alignment of scheme processes.	
Outcome	Outcome Indicator	Two-year target (2024/25)
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.	Industry scheme reports submitted in accordance with aligned reporting framework.
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.	
Outcome	Outcome Indicator	Two-year target (2024/25)
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.	
Outcome	Outcome Indicator	Two-year target (2024/25)
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).	
Outcome	Outcome Indicator	Two-year target (2024/25)
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.

10.2 EXPLANATION OF PLANNED PERFORMANCE

Outcome 1: Adequate capacity and capability to perform statutory functions is in place.

As a new organisation, this outcome speaks to building and capacitating the Council's organisational structure, to effectively enable and operationalise its statutory regulatory and oversight functions.

This will require attracting, developing, and retaining experienced and qualified human capital with a culture that supports commitment to the Ombud Council's values and mandate. To enhance our capability and improve performance, the Council will implement effective processes and instruments in capacitating its operations. This will include developing the capability to perform - or directly contracting service providers for - the corporate functions currently provided by the FSCA under a shared services agreement.

Outcome 2: An effective governance framework exists.

Embedment of a good governance culture will be critical in building capacity. The Council will strive to maintain sound and effective governance systems that will ensure adherence to relevant legislative frameworks, including FSR Act and PFMA prescripts. The Council has also opted to comply with the King IV Code on Corporate Governance, to the extent appropriate to its scale and functions.

This outcome aligns with the Council's prescribed governance objective to manage its affairs efficiently and effectively and implement appropriate and effective governance systems and procedures (s.178 of the FSR Act).

Outcome 3: Sustainable funding is ensured.

A sustainable, transparent, levy-based funding model is essential to ensure the Ombud Council's independence and enable it to meet its statutory obligation to performance its functions without fear, favour or prejudice (s.177(4) of the FSR Act). It is also incumbent on the Council to ensure that, going forward, its levy model is set at appropriate levels, proportional to the functions it performs.

This requires the Ombud Council to focus on fully operationalising the budgeting, levy proposal, and levy collection processes prescribed in the Levies Acts and Chapter 16 of the FSR Act, in collaboration with the FSCA.

Outcome 4: Financial management system and controls exist.

As a regulator and a public entity subject to the PFMA, the Ombud Council must be a responsible organisation with regard to its finances. It must be able to demonstrate to the financial institutions that pay the levies that the funds are controlled and used to maximum efficiency and effectiveness. This will become more important when the levy funding model is fully operationalised and the Council is listed under Schedule 3A of the PFMA. Thus, the Council and its Board are committed to achieving clean audits.

Outcome 5: Jurisdictional gaps and overlaps and inconsistencies between ombud scheme processes are reduced.

One of the statutory objectives of the Ombud Council is to resolve gaps and overlaps in the jurisdictional coverage of different ombud schemes. To this end, the Council is empowered to make Ombud Council Rules (see more on this rule-making power below) on the types of complaints to be dealt with by specified schemes, and also to designate schemes to deal with types of complaints where there are jurisdictional gaps. (See sections 177(1)(g); 201(2)(d) and 211(1) of the FSR Act). The Council will use these powers to ensure adequate scheme coverage and jurisdictional certainty to address current gaps and overlaps, and where new - or previously non-regulated - financial products and services emerge.

Section 201 of the FSR Act empowers the Ombud Council to make regulatory instruments, in the form of Ombud Council Rules, on a wide range of matters - after following a prescribed, transparent consultation process. For this planning period, the focus will be on identifying the need for Ombud Council Rules relating to governing rules of existing industry schemes, based on information already requested and received from schemes. Such Rules would be aimed at strengthening and aligning governance and complaint handling processes of existing schemes, also informed by findings of the World Bank Diagnostic. This includes a focus on ensuring that scheme governing rules ensure the independence and accessibility of schemes. Promoting consistency and co-ordination would be a key purpose of any Ombud Council Rules made pending transition to the future reformed ombud system framework. This outcome reflects another of the Ombud Council's statutory functions, being to promote co-operation between and co-ordination of ombud activities per section 177(1)(b) of the FSR Act.

The Council will, after appropriate stakeholder engagement, annually develop a Regulatory Plan setting out the nature, type, and timelines for Ombud Council Rules to be developed during the year.

Outcome 6: Inconsistencies between ombud scheme reporting processes are reduced.

The Ombud Council is required to monitor and keep the Minister and financial sector regulators informed of trends in the nature of complaints and how they are being dealt with by ombud schemes, and the conduct of financial institutions giving rise to such complaints (s.184(d) and (e) of the FSR Act. To do so, the Council will need access to appropriate, sufficiently comprehensive, and comparable information from ombud schemes. The Ombud Council will use 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.

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 awareness and education activities of the schemes and the Financial Sector Conduct Authority. Ombud Council support may take the form of presentations, content provision and, where appropriate, financial contributions. In this way, the Council will assist in empowering financial customers to understand their rights to fair treatment by financial institutions and to challenge unfair treatment and obtain redress. The Council will also take appropriate steps to create awareness of its own role for its key stakeholders. In particular, the Council will seek to resolve any misconception that the Ombud Council acts as an appeal or escalation mechanism in respect of rulings by ombuds.

Outcome 8: The implementation of regulatory and institutional reform of the ombud system is well managed.

In light of the significant regulatory reform agenda impacting the Ombud Council's operations, as discussed in paragraph 7.1.2 above, it is imperative for the Ombud

Council to actively contribute to shaping the future ombud system. This will ensure the Council's readiness to continue delivering on its core statutory objective and maintaining relevance in the new regime. The Ombud Council will therefore proactively provide ongoing technical inputs to the National Treasury policy team and other stakeholders in relation to regulatory developments and support the development of an effective transition plan to implement new requirements.

Outcome 9: An effective supervision framework is in place to identify non-compliance or poor performance of ombud schemes.

The Ombud Council's core supervisory function is to monitor the performance of ombud schemes, including their compliance with applicable provisions of the FSR Act and other financial sector laws. This will include monitoring schemes' compliance with Ombud Council Rules once the Council makes these. The Ombud Council has developed a procedure guide for carrying out on-site supervisory inspections of ombud schemes, to ensure that it exercises this power strictly in accordance with FSR Act provisions and sound supervisory practice.

11 KEY RISKS

In line with the risk management framework developed by its Board and its Audit and Risk Committee, the Ombud Council has identified and assessed risks to its effectiveness and put measures in place to reduce the impact and probability of these risks to an acceptable level. The Table below summarises the key risks to the Council's achievement of its strategic objectives, and mitigation strategies.

Table 8: Overview of Ombud Council strategic risks.

Strategic Objective	Business Risk	Risk Mitigation
Build a well-governed institution sufficiently capacitated to perform	Funding risk: Delays in operationalising levy collection processes.	Engagement with FSCA to agree and implement levy collection processes.

Strategic Objective	Business Risk	Risk Mitigation
its functions efficiently and effectively.	Prolonged dependency on fiscal bridging funding creates perception of compromised independence.	Appropriate budget adjustments to reduce reliance on fiscal funding.
	ICT infrastructure risk: Rudimentary ICT structure with no central infrastructure or governance framework. Dependence on short-term outsourced support.	Appointment of service provider to develop, implement and support an appropriate (virtual) ICT framework.
	Cyber security risk: Current cyber security controls rudimentary.	Engage ICT expert to ensure frameworks are in place, procure security systems that reduce risk and potential impact of a cyber breach.
	Organisational structure risk: Lack of dedicated own resources and recruitment delays resulting in overdependence on outsourced support; and on current key resources (key person risk).	Seeking approval for extension of secondment of Senior Manager from NT. MoA with FSCA extended until October 2023 for support services. Recruitment for key positions has commenced.
	Board governance risk: The simultaneous expiry of the tenure of the majority of the board members could impact continuity.	Engage with National Treasury to ensure timeous, preferably staggered, future board appointments.
Enhance the coverage and effectiveness of the ombud system by addressing jurisdictional gaps and overlaps and promoting coordination and alignment of scheme processes.	Mandate risk: Jurisdictional gaps in ombud system due to changes in scope of broader financial sector conduct framework under COFI Bill.	Keeping abreast of NT and FSCA COFI developments to assess opportunities for improving coverage through designations and rule-making.

Strategic Objective	Business Risk	Risk Mitigation
Contribute to reform of the ombud system through proactive participation in regulatory and policy reform and transition projects.	Unfocussed ombud system. Lack of clarity on policy response and transition plan for ombud system reform compromises focus and commitment of schemes.	Work closely with NT to support development of policy response, design of new legislation, and transition planning. Support voluntary industry scheme amalgamation process in lead-up to more comprehensive reform.

PART D – TECHNICAL INDICATOR DESCRIPTIONS

The indicators below are numbered to align with the strategic priorities and related outcomes set out in paragraph 10 of this Strategic Plan.

STRATEGIC PRIORITY 1

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

Targeted outcomes for Strategic Priority 1:

- Outcome 1: Adequate capacity and capability to perform statutory functions is in place.
- Outcome 2: An effective governance framework exists.
- Outcome 3: Sustainable funding is ensured.
- Outcome 4: Financial management system and controls exist.

Indicator Title 1	Staff appointed and sustainable support services implemented.
Definition	Vacant positions to be filled, office premises secured, and service provider contracts concluded.
Source of Data	Employment contracts; lease agreement; service provider contracts.
Method of Calculation	Simple count: Numbers of contracts.
Assumptions	Suitably skilled staff can be sourced. Efficient HR, SCM and legal support from FSCA under MOA.
Disaggregation of Beneficiaries	N/A
Spatial Transformation	N/A
Desired Performance	5 employment contracts; 1 lease agreement; 4 service provider contracts.
Indicator Responsibility	Chief Ombud.

Indicator Title 2	Compliance with Board Charter and Committee ToRs; Number of approved policies.
Definition	The Council will develop and review: A Charter for its Board; TORs for its 2 Board Committees; Approved policies for its operations.
Source of Data	Approved Charter; TORs; Policies; with supporting Board minutes confirming approval / review of policies. Board work plan.
Method of Calculation	Simple count: Numbers of Charter; TORs; Policies.
Assumptions	Quorate Board for approval processes.
Disaggregation of Beneficiaries	N/A
Spatial Transformation	N/A
Desired Performance	1 x Charter developed and reviewed; 2 x TORs developed and reviewed; Policies developed / reviewed in 80% compliance with Board work plan.
Indicator Responsibility	Chairperson of Board.

Indicator Title 3	Levy income collected as per legislative requirements.
Definition	The Ombud Council will, in agreement with the FSCA, develop and implement a levy collection process in accordance with applicable provisions of the FSR Act, Levies Act, and PFMA.
Source of Data	Documented levy collection process; Financial records of levies collected and credited to Ombud Council bank account.
Method of Calculation	N/A
Assumptions	PFMA listing completed; Efficient financial management support from FSCA in terms of MOA.

Disaggregation of Beneficiaries	N/A
Spatial Transformation	N/A
Desired Performance	Levy income flows received per an implemented collection process in full compliance with applicable legislation.
Indicator Responsibility	Chief Ombud.

Indicator Title 4	Clean audit of financial management system.
Definition	Clean audits.
Source of Data	Auditor-General audit report.
Method of Calculation	N/A.
Assumptions	Efficient audit and financial management support from FSCA in terms of MOA.
Disaggregation of Beneficiaries	N/A
Spatial Transformation	N/A
Desired Performance	Unqualified audit opinion for both 2023/24 and 2024/25.
Indicator Responsibility	Board Chairperson.

STRATEGIC PRIORITY 2

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

Targeted outcomes for Strategic Priority 2:

- Outcome 5: Jurisdictional gaps and overlaps and inconsistencies between ombud scheme processes are reduced.
- Outcome 6: Inconsistencies between ombud scheme reporting processes are reduced.

Indicator Title 5	Ombud Council Rules made in accordance with Regulatory Plan.
Definition	The Council will use its FSR Act rule-making powers to make Ombud Council Rules aimed at reducing jurisdictional gaps / overlaps and inconsistent scheme processes, as per an annual Regulatory Plan.
Source of Data	Regulatory Plan; Records of rule-making activities indicating Regulatory Plan milestones achieved.
Method of Calculation	Rate of progress against Regulatory Plan milestones, expressed as a %.
Assumptions	No undue delays on the part of stakeholders, for e.g., Parliament.
Disaggregation of Beneficiaries	N/A
Spatial Transformation	N/A
Desired Performance	80% achievement of Regulatory Plan milestones.
Indicator Responsibility	Chief Ombud.

Indicator Title 6	Aligned scheme reporting framework developed.
Definition	The Council will use its information gathering powers under the FSR Act (s.217) to develop aligned reporting requirements for schemes.
Source of Data	Records of consultation on draft reporting requirements; Finalised reporting requirements.
Method of Calculation	N/A
Assumptions	Reasonable co-operation from ombud schemes.
Disaggregation of Beneficiaries	N/A
Spatial Transformation	N/A
Desired Performance	Industry schemes submit annual reports in compliance with new reporting framework in respect of their 2024/25 operations.
Indicator Responsibility	Chief Ombud.

STRATEGIC PRIORITY 3

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

Targeted outcomes for Strategic Priority 3:

- Outcome 7: Enhanced consumer awareness of ombud services through Ombud Council support of awareness and education initiatives by stakeholders.

Indicator Title 7	Ombud Council participation in stakeholder activities, as per stakeholder plan.
Definition	The Ombud Council will develop and implement a stakeholder plan setting out details of its participation in stakeholder consumer awareness and education initiatives.
Source of Data	Stakeholder Plan; Records of Ombud Council activities.
Method of Calculation	N/A
Assumptions	Stakeholders develop and implement their own consumer education / awareness plans; and are reasonably co-operative.
Disaggregation of Beneficiaries	N/A
Spatial Transformation	N/A
Desired Performance	Stakeholder Plan finalised and implemented, with regular progress reported against plan.
Indicator Responsibility	Chief Ombud.

STRATEGIC PRIORITY 4

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

Targeted outcomes for Strategic Priority 4:

- Outcome 8: The implementation of regulatory and institutional reform of the ombud system is well managed.

Indicator Title 8	Ombud Council technical inputs to stakeholder engagements; Transition plan in place.
Definition	The Ombud Council will make ongoing proactive technical and regulatory inputs into stakeholder engagements on regulatory, policy and structural reform of the ombud system; and will develop a Transition Plan for implementation of regulatory reforms.
Source of Data	Records of Council participation in stakeholder engagements; records of inputs. Transition Plan.
Method of Calculation	Number of stakeholder requests for input complied with within 60 days, expressed as a % of requests received.
Assumptions	Stakeholders are reasonably consultative. NT provides sufficient clarity on its policy positions and its own transition plans.
Disaggregation of Beneficiaries	N/A
Spatial Transformation	N/A
Desired Performance	100% of requests for input responded to within 60 days. Transition Plan in place and in process of being implemented by end of 2024/25.
Indicator Responsibility	Chief Ombud.

STRATEGIC PRIORITY 5

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

Targeted outcomes for Strategic Priority 5:

- Outcome 9: An effective supervision framework is in place to identify non-compliance or poor performance of ombud schemes.

Indicator Title 9	Number of on-site inspections conducted.
Definition	The Council will conduct on-site inspections of ombud schemes as contemplated in the FSR Act, in accordance with an On-site Inspection Procedure Guide and annual Supervision Plan.
Source of Data	Procedure Guide; Supervision Plan; completed post-inspection reports.
Method of Calculation	Simple count: Number of inspections completed.
Assumptions	Co-operation from ombud schemes; Industry scheme amalgamation process may influence number and timing of inspections.
Disaggregation of Beneficiaries	N/A
Spatial Transformation	N/A
Desired Performance	1 on-site inspection per quarter.
Indicator Responsibility	Chief Ombud.

Ombud Council

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