

Community Schemes Ombud Service: Who is guarding the guardian?

While there has been much focus in the property media on how homeowners can save costs as the fees for basic services continue to rise, sectional title property owners had more added to their monthly levies from late 2016 in the form of an additional levy to the Community Schemes Ombud Service, which was established to regulate the conduct of parties within community schemes and to ensure their good governance.

 By [Chris Renecke](#) 12 Sep 2018



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While on the surface this was a good move that was welcomed by many community scheme homeowners who appreciated having a ‘guardian’ they could turn to should they encounter disputes that were not easily resolved, this umbrella body for sectional title consumer complaints and watchdog over sectional title rules has recently come under the microscope for a number of financial irregularities.

A woeful tale

Recent media reports tell a woeful tale about the Community Schemes Ombud Service (CSOS), which, while still in its infancy of 24 months, has already lost some R80m of homeowners’ money. While the CSC was established to protect owners and tenants in community schemes, it has instead placed them at risk and lost the monies which were paid to ensure its proper functioning.

Ironically, the CSOS finds itself in a position where its own audit has moved from qualified to adverse, when it is mandated to check each and every registered community schemes’ audited financials. In addition, there are further reports of unauthorised expenditure running into millions.

The CSOS has recently announced the suspension of its acting chief ombud, Adv. Seeng Letele and chief financial officer Themba Mabuya with effect from 3 September 2018, “following allegations of gross negligence, dishonesty and dereliction of duty in regards to an R80m investment in VBS Bank and failure to provide relevant information to the board relating to the investment of surplus funds” according to a recent press statement.

Basic incompetencies rife

It is clear that the CSOS are not meeting their undertaken requirements to the property owners who pay the monthly levies for their services and there are a number of basic incompetencies rife throughout the organisation.

Our experience of the two-year report card has been that adjudicators arrive late or not at all for hearings. Poor decisions that are made in adjudication are being referred to the High Courts for relief, which is costly and counterproductive and can potentially be stuck in the system for a number of years. There is also non-adherence to their own practice directive timelines. All of this means that managing agents are spending an inordinate amount of time managing their clients' interests at their own cost and time.

Tax creep

From the outset, the CSOS has been overprovided for, and is nothing more than tax creep. Monthly levies paid by homeowners on the Renprop book to the CSOS average between R30 and R40 per unit for a limited service. Managing agents, by comparison, only charge R70-R100 per unit per month for a 24/7 service. So why is the CSOS levy so high?.

To date, only a small number of the approximately 200,000 community schemes have registered with the CSOS. How much money will the CSOS have to spend when there is full compliance and all schemes are registered, and who is guarding the guardian?

Word on the community scheme street is that owners may well boycott these levies. This is a mess that could easily have been avoided. Sadly, the CSOS had the opportunity to have a positive impact on the way this sector of the property industry functions, if they had operated properly and professionally from the outset.

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