



labour

Department:
Labour
REPUBLIC OF SOUTH AFRICA

ANNUAL REPORT OF THE COMPENSATION FUND

2016-2017



Compensation Fund
WORKING FOR YOU

Contents

PART A: GENERAL INFORMATION	4
1. PUBLIC ENTITY'S GENERAL INFORMATION	4
2. LIST OF ABBREVIATIONS/ACRONYMS	5
3. FOREWORD BY THE COMMISSIONER	6
4. DIRECTOR-GENERAL OVERVIEW	7
5. STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF THE ACCURACY OF THE ANNUAL REPORT	10
6. STRATEGIC OVERVIEW	11
6.1. Vision	11
6.2. Mission	11
6.3. Values	11
7. LEGISLATIVE AND OTHER MANDATES	11
7.1. Constitutional Mandate	11
7.2. Legislative Mandate	11
8. ORGANISATIONAL STRUCTURE	13
PART B: PERFORMANCE INFORMATION	14
9. AUDITOR GENERAL'S REPORT: PREDETERMINED OBJECTIVES	14
10. SITUATIONAL ANALYSIS	15
10.1. Service Delivery Environment	15
10.2. Organisational Environment	20
10.3. Key policy developments and legislative changes	20
10.4. Strategic outcome oriented goals	20
11. PROGRAMME INFORMATION BY PROGRAMME	22
11.1. PROGRAMME 1: ADMINISTRATION	22
11.1.1. Programme Purpose	31
11.1.2. Strategy to overcome areas of under performance	37
11.1.3. Linking performance with budgets	37
11.2. PROGRAMME 2: COMPENSATION FOR OCCUPATIONAL INJURIES AND DISEASES ACT (1993) OPERATIONS	26
11.2.1. Programme Purpose	26
11.2.2. Strategy to overcome areas of under performance	28
11.2.3. Linking performance with budgets	28
11.3. PROGRAMME 3: PROVINCIAL OPERATIONS: COMPENSATION FOR OCCUPATIONAL INJURIES AND DISEASES ACT (1993)	28
11.3.1. Programme Purpose	28
11.3.2. Strategy to overcome areas of under performance	31
11.3.3. Linking performance with budgets	31
12. REVENUE COLLECTION	32
13. CAPITAL INVESTMENT	32

Contents

<u>PART C: GOVERNANCE</u>	35
14. INTRODUCTION	35
15. PORTFOLIO COMMITTEES	35
16. EXECUTIVE AUTHORITY	35
17. THE COMPENSATION BOARD	35
17.1. Introduction	35
17.2. The Role of the Board	35
17.3. Board Charter	36
17.4. Composition of the Board	36
18. RISK MANAGEMENT	40
18.1. Risk Management Policy and Strategy	40
18.2. Risk Management Process	40
18.3. Governance	40
18.4. Risk Management Committee Composition and Attendance	41
18.5. Management	41
18.6. Effectiveness of Risk Management	41
18.7. Risk Management Progress	41
19. INTERNAL CONTROL UNIT	42
20. INTERNAL AUDIT AND AUDIT COMMITTEES	43
21. COMPLIANCE WITH LAWS AND REGULATIONS	48
22. FRAUD AND CORRUPTION	48
23. MINIMISING CONFLICT OF INTEREST	48
24. CODE OF CONDUCT	48
25. HEALTH, SAFETY AND ENVIRONMENTAL ISSUES	49
26. SOCIAL RESPONSIBILITY	50
27. AUDIT COMMITTEE REPORT	50
<u>PART D: HUMAN RESOURCE MANAGEMENT</u>	54
28. INTRODUCTION	54
29. HUMAN RESOURCE OVERSIGHT STATISTICS	55
<u>30. REPORT OF THE AUDITOR GENERAL</u>	61
<u>PART E: FINANCIAL INFORMATION</u>	69
31. ANNUAL FINANCIAL STATEMENTS	70
<u>ANNEXTURE</u>	131
32. REPORT OF THE VALUATOR	131

PART A: GENERAL INFORMATION

1. PUBLIC ENTITY'S GENERAL INFORMATION

REGISTERED NAME: COMPENSATION FUND

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EXTERNAL AUDITORS INFORMATION : AUDITOR GENERAL OF SOUTH AFRICA (AGSA)

RP328/2017

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2. LIST OF ABBREVIATIONS/ACRONYMS

Table 1

ABC	Assessments and Benefits Committee
AGSA	Auditor General of South Africa
APP	Annual Performance Plan
BEE	Black Economic Empowerment
CAA	Constant Attendance Allowance
CF	Compensation Fund
CFO	Chief Financial Officer
COIDA	Compensation for Occupational Injuries and Diseases Act
CSF	Civil Society Fund
DG	Director General
DoL	Department of Labour
EXCO	Executive Committee
FINMAC	Financial Misconduct Advisory Committee
GRAP	Generally Recognised Accounting Principles
HRM	Human Resource Management
IC	Investment Committee
ILO	International Labour Organisation
KRA	Key Result Area
LEECF	Local Employment Equity Consultative Forum
MTSF	Medium Term Strategic Framework
NHI	National Health Insurance
PD	Permanent Disablement
PDP's	Personal Development Plans
PFMA	Public Finance Management Act
PIC	Public Investment Corporation
PWD	People with Disabilities
RMC	Risk Management Committee
ROE's	Returns of Earnings
SAICA	South African Institute of Chartered Accountants
SAPS	South African Police Service
SCSFC	Strengthen Civil Society Committee
SME	Small and Medium Enterprise
SMS	Senior Management Service
StratOp	Strategic and Operational Committee
TCOID	Technical Committee on Occupational Injuries and Diseases
TTD	Temporary Total Disablement

3. Foreword By The Commissioner



Mr Vuyo Mafata
COMPENSATION COMMISSIONER

The Compensation Fund is a schedule 3A entity of the Department of Labour with a clear mandate of providing compensation to the occupational diseased or injured employees.

I am pleased to announce that the Compensation Fund is finally turning the corner and service delivery has improved immensely. The driving force behind this is the continuous implementation of the Action Plan that was developed during June 2015. Of all the planned activities for the Action Plan, 81% was achieved by end of March 2017. The Plan is driven by four pillars, namely; Improving the Financial Administration of the Fund; Improving customer service and service delivery environment; Improving the overall internal administrative processes of the Fund and Improving the human resource management environment.

In addition to the aspects on the Action Plan, there are notable achievements for the financial year under review and this includes the financial position of the Fund, the reduction of backlog, the improved turnaround time for processing and payment of medical invoices, improvement of medical stakeholder relations, financial accountability including record keeping, the adjudication of medical claims and reduction of litigation cases against the Fund. During the year under review, the Fund adjudicated 145 922 out of 155 472 claims received. Of this, 130 800 claims were adjudicated within 60 days of receipt. The Fund also processed and paid 686 385 out of 747 525 medical claims, of which 612 960 were finalised within 60 days. We also finalised 21 055 out of 28 754 compensation benefits. This is a clear indication of an organisation that is turning the corner.

The Compensation Fund raised R9.3 billion in revenues from employers for the year under review which represents a 20% increase from the 2015/16 financial year. Total benefits paid amounted to R4.3 billion which amounts to a R554 million increase (15%) from the R3.7 billion paid out in the previous financial year. The Fund also generated a surplus of R6.6 billion compared to the R1.6 billion deficit in the previous year. The Compensation Fund managed to grow its investment portfolio by R4.1 billion which represents an 8% increase; this is despite the economy not growing as desired. The portfolio increased from R51.4 billion in 2015/16 to R55.5 billion for the year under review. The net assets of the Fund grew from R20.6 billion to R27.2 billion representing a 32% increase.

The performance presented above was as a result of the efforts put in by officials that resulted in improved operational efficiencies and the prudent management of financial resources.

I wish to send our heartfelt gratitude on behalf of management to the Minister, the Deputy Minister, the Director General, the Board and the Audit Committee, for their support and guidance during the financial year.

A handwritten signature in blue ink, appearing to read 'Vuyo Mafata', written over a horizontal line.

Mr. V. Mafata

THE COMPENSATION COMMISSIONER

4. DIRECTOR-GENERAL OVERVIEW

Mr Thobile Lamati
DIRECTOR GENERAL



4.1 General financial review of the public entity

The Compensation Fund Raised R9.3 billion in revenues from employers which represents a 20% increase from the 2015/16 financial year.

Total benefits paid amounted to R4.3 billion which amounts to a R554 million increase (15%) from the R3.7 billion paid out in the previous financial year.

The Fund also generated a surplus of R6.6 billion compared to the R1.6 billion deficit last year.

Even though the economy did not grow as desired, the Fund managed to grow its investment portfolio by R4.1 billion which represents a 8% increase. The portfolio increased from R51.4 billion in 2015/16 to R55.5 billion in 2016/17.

The net assets of the Fund grew from R20.5 billion to R27.2 billion in the 2016/17 financial year representing a 32% increase. The improvements mentioned above were as a result of the efforts put in by officials to improve operational efficiencies and the prudent management of financial resources.

4.2 Spending trends of the public entity

During September 2015 the Minister approved the budget for the 2016/17 Financial Year. The Fund adjusted this budget during the budget review process in September 2016.

The Fund's budget is broken down into three programmes; Administration, Operations and Provincial Operations.

Spending trends of the three programmes were as follow:

- Total Revenue : 97 % of approved budget was raised
- Programme 1 : Administration; 61% of the approved budget was spent
- Programme 2 : Operations Management; 60% of the approved budget was spent
- Programme 3 : Provincial Operations; 69% of the approved budget was spent

4.3 Capacity constraints and challenges facing the public entity

The Fund is continuously addressing the skills gap as per the recommendations of the Skills Audit project conducted during the 2015/2016 financial year. Among the recommendations is the need to capacitate the Finance section and appointment of Medical Officers in all provinces. Progress on the implementation of the recommendations is monitored on an on-going basis with a full progress report due by end of September 2017.

The other challenge faced by the Fund leading to poor performance relates to overlapping functions which resulted in lack of accountability. Inability to attract relevant required skills emanated due to this challenge. To address this challenge, the Fund engaged in a process to review its organisational functional structure. The completed review process resulted in the Compensation Fund refocusing on clearly defined three areas, thus; Compensation and Pension benefits, Medical Services and Disability Care. The Functional Structure has since been approved by the Minister of Labour and concurrence received from the Minister of Public Service and Administration. The implementation will be during Semester 1 of the 2017/2018 financial year. It is anticipated that the implementation of the Functional Structure will, among other issues, enable the Fund to attract the required skills.

Still on issues pertaining to skill enhancement, the Fund entered into partnership with the South African Institute of Chartered Accountants (SAICA) through which the funding for training of medical service personnel and chartered accountants is availed by the Fund. This project was launched by the Minister of Labour on 24 February 2017. A total of 100 beneficiaries are currently on board studying at different universities through this project.

4.4 Discontinued activities/activities to be discontinued

There were no discontinued activities.

4.5 New or proposed activities

During the 2016/17 the Fund reviewed its functional structure to align it to both the Constitutional and the Legislative mandate of the Fund.

4.6 Requests for roll over of funds

The Fund accumulates its surplus and deficits and as a result there will be no requests for roll over of Funds.

4.7 Supply chain management

The Fund has a fully capacitated Directorate which resulted in a significant decrease in irregular, fruitless and wasteful expenditure being recorded during the 2016/17 financial year.

4.8 All concluded unsolicited bid proposals for the year under review

There were no unsolicited bids accepted by the Fund during the 2016/17 financial year.

4.9 Whether SCM processes and systems are in place

The Fund has put in place the required SCM processes and systems during the financial year and strives to continuously improve in its SCM practices. These systems and processes will assist in addressing issues of non-compliance to policies.

4.10 Challenges experienced and how they will be resolved

The Fund has adopted an Action Plan which is aimed at addressing the root causes of the financial and administrative inefficiencies reported by the Auditor General in the different audit reports.

4.11 Audit report matters in the previous year and how they would be addressed

The Fund was issued with the 2015/16 management report with a total of 141 findings, compared to the 2014/15 which had 184 findings. This improvement was as a result of management efforts to improve financial administration. An Audit Action Plan was implemented in August 2016 by the Fund which focused on identifying and addressing the root

causes of the audit findings. Continuous monitoring and implementation of the Audit Action Plan took place during the 2016/17 financial year.

4.12 Outlook / plans for the future to address financial challenges

We will continue to implement the Action Plan and the Strategic Plan to ensure that the Fund delivers on its mandate.

4.13 Events after the reporting date

In the 2015/16 financial year, the Fund suspended the charging of interest and penalties to employers. This was as a result of the operating system calculating them incorrectly. The Fund wants to draw your attention that it wrote off R2.4 billion in interest and penalties that were incorrectly charged in the previous years. As from 1 April 2017 the Fund lifted the suspension of charging interest and penalties as the operating system now calculates them correctly.

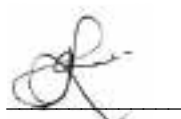
During the month of April 2017, the Fund placed thirty five (35) officials on precautionary suspension pending the outcome of an investigation. The details of the suspension will be communicated to users once the investigation is concluded.

4.14 Economic viability

The current assets exceed current liabilities by R20.7 billion. The Fund can, therefore, pay its short-term liabilities as they become due. The total assets exceed the total liabilities by R27.2 billion, resulting in the Fund maintaining its solvency position.

4.15 Acknowledgements and appreciation

I would like to extend the hand of appreciation to the Minister of Labour, the Deputy Minister, the Portfolio Committee on Labour, the Board of the Compensation Fund, Audit Committee and all other stakeholders of the Fund for their unwavering support during the past financial year.



Mr T M Lamati

DIRECTOR-GENERAL

Department of Labour

5. STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF THE ACCURACY OF THE ANNUAL REPORT

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

All information and amounts disclosed in the Annual Report is consistent with the Annual Financial Statements audited by the Auditor General.

The Annual Report is complete, accurate and is 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 Generally Recognised Accounting Practice (GRAP).

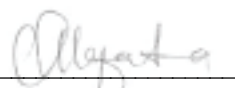
The Accounting Authority is responsible for the preparation of the Annual Financial Statements and for the judgements made in this information.

The Accounting Authority is responsible for establishing and implementing a system of internal control which 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.

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

In our opinion, the Annual Report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the entity for the financial year ended 31 March 2017.

Yours faithfully



Mr. V. Mafata

COMPENSATION COMMISSIONER



Mr. T. M. Lamati

DIRECTOR-GENERAL

6. STRATEGIC OVERVIEW

6.1. Vision

To be a world class provider of sustainable compensation for occupational injuries and diseases, rehabilitation and reintegration services.

6.2. Mission

- To provide efficient, quality, client-centric and accessible COID services.
- To sustain financial viability.
- To ensure an organisation which takes care of the needs of its staff for effective service delivery.

6.3. Values

We shall at all times adhere to or live the Batho Pele Principles.

7. LEGISLATIVE AND OTHER MANDATES

7.1. Constitutional Mandate

The mandate of the Compensation Fund is derived from Section 27 (1) (c) of the Constitution of the Republic of South Africa. In terms of this Act, specifically the mentioned Section, all South Africans have a right to social security. The Compensation Fund is mandated to provide social security to all injured and diseased employees.

7.2. Legislative Mandate

The Compensation Fund is a Schedule 3A Public Entity (These entities are normally extensions of a public entity with the mandate to fulfil a specific economic or social responsibility of government. They rely on government funding and public money, either by means of a transfer from the Revenue Fund or through statutory money. As such, these entities have the least autonomy.) of the Department of Labour. The Fund administers the Occupational Injuries and Diseases Act No 130/1993 as amended by the COIDA 61/1997. The main objective of the Act is to provide compensation for disablement caused by occupational injuries or diseases sustained or contracted by employees, or for death resulting from injuries or diseases, and provide for matters connected therewith.

The Fund generates its revenue from levies paid by employers and this consists of annual assessments paid by registered employers on a basis of a percentage or fixed rate of the annual earnings of their employees. The COID Act, however, makes provision for a minimum assessment to ensure the assessment is not less than the administration costs incurred.

The operations of CF are also informed by the following legislations:

- Constitution of the Republic of South Africa, 1996, as amended;
- Occupational Health and Safety Act, 1993;
- National Economic Development and Labour Council Act (NEDLAC), 1994;
- Labour Relations Act, 1995, as amended;
- Basic Conditions of Employment Act, 1997, as amended;
- Employment Equity Act, 1998, as amended;
- Skills Development Act 1998, as amended;
- Unemployment Insurance Act, 2001, as amended;
- Unemployment Insurance Contributions Act, 2002;

6. STRATEGIC OVERVIEW

- Employment Services Act, 2014;
- Public Finance Management Act, 1999, as amended;
- Public Service Act, 1994, as amended;
- Broad Based Black Economic Empowerment Act, 2003;
- Preferential Procurement Policy Framework Act, 2000;
- Prevention and Combating of Corrupt Activities Act, 2004;
- Promotion of Access to Information Act, 2000;
- Promotion of Administrative Justice Act, 2000; and
- Promotion of Equality and Elimination of Unfair Discrimination Act, 2000.

8. ORGANISATIONAL STRUCTURE

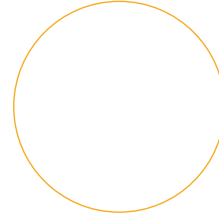
Mr Vuyo Mafata
COMPENSATION COMMISSIONER



Mr. Thando Headbush
Acting Chief Financial Officer



Mr. Madimetja Ledwaba
Acting Chief Director:
Corporate Services



VACANT
Chief Director Operations



Ms. Katlego Mocwiri
Director: Risk Management



Mr. Maitse Molotsi
Director: Income Management



Mr. Madimetja Ledwaba
Director: Organisational
Effectiveness



Ms. Pinkie Sihlangu
Director: Compensation
Benefits



Mrs. Boitumelo Gumbu
Director: Internal Audit



Mr. Linda Kotta
Director: Financial Reporting



Ms. Pindile Makhubu
Director: Human
Resource Management



Dr. Vuyiswa Mabudusha
Acting Director: Medical
Services



Mr. Armugam Pillay
Director: Executive
Support



Mr. Pitsi Moloto
Director: Financial Control



Ms. Hlonitshwa Mpaka
Director: Communications
& Stakeholder Management



Mr. Xola Mnene
Director: Customer Care



Ms. Rebecca Kgantsi
Director: Supply Chain
Management



Mr. Vishalin Pillay
Business Relationship
Manager: ICT



Adv. William Mogashoa
Principal Legal Officer

PART B: PERFORMANCE INFORMATION

9. AUDITOR GENERAL'S REPORT: PREDETERMINED OBJECTIVES

In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.

My procedures address the reported performance information, which must be based on the approved performance planning documents of the public entity. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programmes presented in the annual performance report of the public entity for the year ended 31 March 2017

Programmes	Pages in the annual performance report
Programme 1: Administration	22 - 26
Programme 2: Compensation for Occupational Diseases and Injuries (1993) Operations	26 - 28
Programme 3: Provincial operations: Compensation for Occupational Injuries and Diseases Act (1993)	28 - 31

I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

There are material findings in respect of the usefulness and reliability of the selected programmes.

Refer to part E (FINANCIAL INFORMATION), pg 62, for the AGSA Audit Report

10. SITUATIONAL ANALYSIS

10.1. Service Delivery Environment

The Compensation Fund has embarked in service delivery and performance improvement as one of its key strategic objective; it is on this basis that continuous improvement measures are put in place. The Compensation Fund Operations focus was on service delivery improvement hence the directorate has developed an AGSA Audit Action Plan in all directorates in order to address root causes. This will assist in ensuring that actions are in place to prevent the recurring of the findings. The Annual Performance Plan (APP) for 2017/18 was reviewed to concentrate on the turn-around time of 60 working days of receipt of claims/invoices. This will ensure that we provide efficient, quality, client-centric and accessible COID services to all workers of South Africa.

Compensation Benefits - Claims

The Compensation Fund adjudicates claims registered by employers (private and exempted), calculate earnings and compensate qualifying employees.

The Compensation Fund has adjudicated 145 922 of 155 427 registered claims in the 2016/17 financial year. Adjudication is the process whereby the Fund determines whether to accept liability of the claim submitted by the employer/employee, the process involves accepted, not accepted and repudiation of submitted claims. In the adjudication process some claims would need further examination or additional information, in order to assist in deciding upon liability of the claim. These claims are reflected as under investigation.

The table below indicates the claims received and processed in the last three financial years

Table 3

COMPENSATION FUND					
Period	Claims Registered	Claims Accepted	Claims Not Accepted	Claims Repudiated	Undecided, Outstanding Information
01 April 2014 to 31 March 2015	225 511	309 065		155	N/A
*01 April 2015 to 31 March 2016	129 123	135 531	2 805	1	2 807
01 April 2016 to 31 March 2017	155 427	132 718	13 203	1	9 505

*The 2015/16 includes backlog compensation benefit claims

The table above indicates that the number of claims registered in the 2016/17 financial year has increased by 20.4% when compared to 2015/16 financial year. The increase in registered claims might be attributed to the training conducted to stakeholders on how to register a claim in the new online system.

Provincial COID Services

The Compensation Fund made a decision to provide processing services in provinces for its beneficiaries. This was done in order to assist in improving processing within the turn-around-time. There are COID managers in all provinces, while medical doctors were appointed as Senior Manager Medical Services in five Provinces. The Compensation Fund, together with Provinces is embarking on the process of filling these posts in the remaining provinces during 2017/18 financial year.

Table 4

CLAIMS RECEIVED AND ADJUDICATED IN PROVINCES					
Province	2014/15	2015/16		2016/17	
	Registered	Registered	Adjudicated	Registered	Adjudicated
Gauteng	4 569	80 026	86 482	64 805	58 408
Free State	2 389	4 698	6 044	4 398	4 378
Northern Cape	76 312	2 885	3 491	2 795	2 719
Western Cape	11 437	14 705	16 459	34 998	34 257
Eastern Cape	2 240	3 781	3 566	7 119	6 807
KwaZulu-Natal	4 446	10 477	7 589	15 955	15 147
Mpumalanga	1 202	3 816	3 705	3 801	3 186
North West	2 797	2 844	3 483	4 154	3 981
Limpopo	23 897	5 891	7 583	17 402	17 039
Total	225 511	129 123	138 402	155 427	145 922

Claims Backlog Adjudicated

The Compensation Benefits Directorate (claims) has claims that were registered in the previous financial years but were not adjudicated, in the financial year under review. The Fund has implemented a plan to eradicate all claims that were registered with the Fund but not finalised. In implementing the Backlog Eradication Plan 116 021 claims were adjudicated.

Table 5

ADJUDICATED BACKLOG CLAIMS IN 2016/17	2014/15
Province	Adjudicated
Gauteng	60 221
Free State	2 030
Northern Cape	2 967
Western Cape	21 770
Eastern Cape	8 654
KwaZulu-Natal	8 095
Mpumalanga	2 655
North West	2 329
Limpopo	7 300
Total	116 021

Compensation Benefits

During the 2016/17 financial year, the Compensation Fund received 28 754 benefits and approved a total of 21 055 for payment.

Table 6

COMPENSATION BENEFITS RECEIVED AND FINALISED IN 2016/17		
Period	Benefits Received	Benefit Finalised
01 April 2014 to 31 March 2015	5 193	5 193
01 April 2015 to 31 March 2016	36 808	34 731
01 April 2016 to 31 March 2017	28 754	21 055

Benefits Improvement

The Fund has reviewed the existing compensation benefits. Benefits were increased for the 2017/18 financial year; these benefits are to be paid to injured employees and their dependants in a form of loss of earnings, lump sums and monthly pension. Increase was done in the following benefits:

- An increase of the salary ceiling from R377 097 to R403 500 per annum;
- All current pensions payable from the Compensation Fund to be increased by 6%;
- The maximum monthly earnings level on which compensation for temporary total disablement is based, should be increased with 7% from R31 425 per month to R33 625 per month;
- The maximum monthly earnings for the calculation of compensation for permanent disablement for 30% and less should be increased with 7% from R17 599 per month to R18 831 per month;
- The maximum monthly earnings level on which compensation for permanent disablement for 31% to 100% should be increased with 7%; from R31 425 per month to R33 625 per month;
- The maximum fatal lump sum to widow/widower is twice the employee's monthly pension that would have been payable to the employee under item 4.11.5 had he been totally permanently disabled, should be increased with 7% from R47 138 to R50 438;
- The maximum monthly pension to a widow/widower of 40% that would have been payable to the employee under item 4.11.5 had he been totally permanently disabled, should be increased with 7% from R9 428 per month to R10 088 per month;
- The maximum monthly pension of 20% per child of the pension that would have been payable to an employee under item 4.11.5 had he been totally permanently disabled, to a maximum of 60%, should be increased with 7% from R4 714 per month to R5 044 per month;
- The minimum monthly earnings level on which compensation for temporary total disablement is based, should be increased with 7% from R4 400 per month to R4 708 per month;

- The minimum monthly earnings level on which compensation for permanent disablement for 30% and less is based, should be increased with 7% from R65 993 per month to R70 613 per month;
- The minimum monthly earnings level on which compensation for permanent disablement for 31% to 100% is based, should be increased with 7%; from R4 400 per month to R4 708 per month;
- The minimum fatal lump sum to widow/widower is twice the employee's monthly pension that would have been payable to the employee under item 4.11.5 had he been totally permanently disabled should be increased with 7% from R6 600 to R7 061;
- The minimum monthly pension to a widow/widower of 40% that would have been payable to the employee under item 4.11.5 had he been totally permanently disabled should be increased with 7% from R1 320 per month to R1 412 per month;
- The minimum monthly pension to each child is 20% of the pension that would have been payable to an employee under item 5 had he been totally permanently disabled, up to 60% for all children, should be increased with 7% from R660 per month to R706 per month;
- The maximum benefit payable in respect of partial dependency should be increased by 7% from R135 797 to R145 302;
- The minimum level of the Constant Attendance Allowance (CAA) benefit should be increased from R1 759 to R1 881 per month;
- The maximum funeral benefit should be increased by 6% from R17 218 to R18 251;
- The minimum monthly value in respect of free food should be increased with 6% from R237 to R251 and the minimum for free quarters should be increased with 6% from R106 to R112;

Compensation Benefits Medical Payments

The Compensation Fund receives and processes all invoices switched by medical service providers and switching houses on services rendered to injured employees. During the 2016/17 financial year the Fund received 747 525 medical invoices and finalised 686 385 medical invoices. The Fund has medical invoices that were received in the previous years, in the 2016/17 the Fund has finalised 266 885 medical invoices from previous years. The total finalised medical invoices in the year under review including backlog is 953 270. The medical invoices are paid using tariff fees for medical expenses which are revised annually through a consultative process with healthcare service providers. In the year under review medical tariffs were increased by 7% which is 0.04% more than 2015/16 financial year.

Table 7
Medical Claims compared to last three financial years

Year	Number of Invoices Received	Number of Invoices Finalised
2014/15	-	609 589
*2015/16	750 682	899 018
2016/17	747 525	686 385

*The 2015/16 includes backlog medical claims

Medical Invoices Backlog

The Medical Payments Directorate has invoices that were received in the previous financial years but were not finalised. During the current financial year the Fund implemented a Backlog Project to eradicate all invoices that were received by the Fund but not finalised. In implementing the Backlog Project 266 885 invoices were finalised.

Table 8

MEDICAL INVOICES BACKLOG FINALISED IN 2016/17	
Province	Finalised
Gauteng	169 705
Free State	4 234
Northern Cape	681
Western Cape	44 638
Eastern Cape	8 058
KwaZulu-Natal	23 280
Mpumalanga	10 131
North West	4 280
Limpopo	1 878
Total	266 885

Contribution to the Social Security

The Compensation Fund continues to be a member of the Inter Departmental Task Team on comprehensive social transformations of our stakeholders in general and employees in particular.

- The Fund has developed a Strengthen Civil Society Fund Committee (SCSFC) which is working with the Department of Labour (DoL) Head Office secretariat to assess the proposals received from these organisations.
- The committee also presents recommended organisation to the SCS Board for funding approval.
- The committee in Compensation Fund visits organisations training sessions to monitor deliverables as per contract/agreement signed with DoL.
- The Fund is conducting COID training to all awarded organisations in the second quarter of each financial year.

As part of the monitoring and evaluation process, the Compensation Fund has developed COIDA Guidelines which are used as a basis for developing training material by the projects. Spread sheets for claims enquiries were also developed in order for all the projects, in respect of strengthening the civil society, to be monitored and evaluate the impact of the training workshops.

10.2. Organisational Environment

Based on the need to fulfil both the Constitutional and Legislative mandate, and further, in an effort to improve the ability of the Compensation Fund to be responsive to the needs of clients thereby improving service delivery, the Fund reviewed its organisational Functional Structure. The process was to ensure that functions are clearly streamlined. This would result in the Fund focusing on the following Core Areas; Pensions Administration, Medical Services and Disability Management. There will be capacitation of Governance and Compliance Structure with a strong Corporate Support. The review has since been approved by the Minister of Labour and concurrence received from the Minister of Public Services and Administration. Implementation will be during the first Semester of 2017/18 Financial Year after completion of all consultations processes.

10.3. Key Policy Developments and Legislative Changes

The Fund is currently in the process of amending the COIDA legislation. The process up to date is that, the Amendment Bill was forwarded to the Office of the Chief State Law Advisors to align it with the Constitution of the Republic of South Africa, other labour legislations, Public Finance Management Act 1 of 1999 and other local and international Social Security legislations and the Conventions of the International Labour Organisation (ILO). As soon as this process is finalised, the Office of the Chief State Law Advisor will then issue a certificate that will enable the Minister to introduce the amendment Bill to Cabinet. .

10.4. Strategic Outcome Oriented Goals

Government has agreed on 14 Outcomes as a key focus of work, each outcome has a limited number of measurable high-impact priority outputs and sub-outputs with targets. These 14 Outcomes reflect government's mandate and link up with the Medium Term Strategic Framework (MTSF) priorities. There are three (3) outcomes applicable to the Compensation Fund and these have now been the basis for the development of the Strategic Plan. The three outcomes identified for the Compensation Fund are:

- Outcome 4: Decent employment through inclusive economic growth.
- Outcome 12: An efficient, effective and development oriented public service.
- Outcome 13: A comprehensive, responsive and sustainable social protection system

Based on the three outcomes discussed above, the Compensation Fund has developed two key strategic outcome oriented goals. These strategic outcomes oriented goals are strategic priorities which form the basis of the Compensation Fund's strategic objectives. The strategic outcomes identified will be the results of the Fund's performance as viewed by our beneficiaries and will be the consequence of achieving the outputs. The following strategic outcomes have been identified:

Table 9

Strategic Outcome Oriented Goal 1	Strengthening the institutional capacity of the Fund
Goal Statement	Establish and maintain effective administration and corporate governance systems
Strategic Outcome Oriented Goal 2	Strengthening of Social Security through compensating for occupational injuries and diseases
Goal Statement	Effective administration of compensation for disablement caused by occupational injuries or diseases sustained or contracted by employees in the course of their employment, or for death resulting from such injuries or diseases; and to provide for matters connected therewith

The Compensation Fund will strive to contribute towards the achievement of all Department of Labour’s Strategic Objectives according to 5 year Strategic Plan 2015/16-2019/20, but will focus more specifically on the following:

- Objective (KRA 3): Protecting vulnerable workers
- Strategic Objective 5 (KRA 5): Strengthening social protection.
- Strategic Objective 8 (KRA 8): Strengthening the institutional capacity of the Department.

Table Alignment of Government Outcomes, DoL Strategic Objectives (KRA’s), CF Strategic Outcomes and CF Strategic Objectives according to the 5 year strategic plan:

Table 10

Government Service Delivery Outcomes	DoL Strategic Objectives	CF Strategic Outcomes	CF Strategic Objectives
Outcome 4: Decent Employment through inclusive economic growth	KRA 3: Protecting vulnerable workers,	Strengthening of Social Security through compensating for occupational injuries and diseases	Provide faster, reliable and accessible COID Services by 2020
	KRA 5: Strengthening social protection		
Outcome 13: A comprehensive, responsive and sustainable social protection system			
Outcome 12: An efficient, effective and development oriented public service	KRA 8: Strengthening the institutional capacity of the Department	Strengthening the institutional capacity of the Fund	Provide an effective and efficient client oriented support services.

Strategic Objectives of the Compensation Fund: 2015/16 – 2019/20

The Fund will pursue the following strategic objectives:

Tables 11

CF STRATEGIC OBJECTIVES	RESPONSIBLE PROGRAMME
1. Provide an effective and efficient client oriented support services.	Programme 1: Administration
2. Provide faster, reliable and accessible COID Services by 2020	Programme 2: Compensation for occupational injuries and diseases act (1993) operations Programme 3: Provincial operations: compensation for occupational injuries and diseases act (1993)

11.1. PROGRAMME 1: ADMINISTRATION

Programme Purpose

The purpose of the programme is to provide an effective and efficient client oriented support services to the entity.

Programme Description:

- The most important reason for the existence of the **Directorates: Risk Management** and **Internal Audit** is to assist the Compensation Fund in fulfilling its mandate and responsibilities for corporate governance and financial management, internal control, risk management systems and the internal and external audit functions.

The **Directorate: Internal Audit** provides independent, objective assurance and consulting services, designed to add value and improve the effectiveness of systems of governance, risk management and control processes within the Fund.

The **Directorate: Risk Management** supports the Compensation Fund to improve its performance, and this is embedded in a sound control environment by proactively identifying risks before they materialise so that mitigation strategies may be planned and executed as required in the day to day management of the business to minimise adverse impacts that could affect the Fund from achieving its objectives. In addition, security breaches are investigated and reported to the relevant authorities.

- The **Chief Directorate: Financial Management** offers financial support to the operations and day to day running of the Fund. The Chief Directorate must ensure that:
 - Revenue is generated timeously;
 - Debt is recovered timely;
 - All beneficiaries are paid on time;
 - All suppliers are paid within 30 days;
 - To ensure that Supply Chain Management (SCM) processes are followed when procuring goods and services and that reconciliations are done monthly and that monthly, quarterly and yearly reports (budget against expenditure and financial statements) are submitted to the relevant stakeholders timeously; and
 - The programme is also responsible for the provision of human resource management, communication, organisational development and organisational performance monitoring and information and communications technology services to the Compensation Fund.

Strategic Objectives and Objective Statement: Administration

Table 12: Strategic Objective: Administration

Strategic Objective	Provide an effective and efficient client oriented support services.
Objective statement	To provide value adding services to clients through Human Resources, Risk Management, Financial Services and Audit Services
Baseline	<ul style="list-style-type: none"> • 481 853 employers assessed • R33 billion proceeds from investments. • 70% achievement of the audit plan (Based on the average of 2013/14-81% and 2014/15- 61% • Risk Management maturity level 2

Table 13: PERFORMANCE OF CF PROGRAMMES AND SUB-PROGRAMMES

Programme 1						
Strategic objective	Performance Indicator	Actual Achievement 2015/2016	Planned Target 2016/2017	Actual Achievement 2016/2017	Deviation from planned target to Actual Achievement 2016/2017	Comment on deviations
Risk Management						
Provide an effective and efficient client oriented support services.	The Fund risk management maturity improved annually to a level by 31 March 2017	The Fund risk management maturity improved annually to level 3 by 31 March 2016	The Fund risk management maturity improved annually to level 3.5 by 31 March 2017	Achieved The Fund risk maturity level improved to level 3.5 by 31 March 2017	Not applicable	Not applicable
Internal Audit						
A three-year and Annual risk-based internal audit plan approved by 31 March 2017	A three-year and Annual risk-based internal audit plan approved by 31 March 2017	Annual Audit Plan 2016/17 approved by the Audit Committee on 23 February 2016	Plan approved by the Audit Committee by March 2017	Not achieved Audit Plan was prepared and presented at the audit committee meeting held on 16 March 2017	Annual Audit plan was not approved by the Audit Committee by 31 March 2017	The approval of the audit plan is subject to the provision of additional information requested by the Audit Committee.
	Percentage of projects on the risk based audit plan executed annually by 31 March 2017	70.45% (31/44) of the project plan were implemented by 31 March 2016	75% of projects on the risk based audit plan executed annually by 31 March 2017 [5 Ad Hoc and 6 Rolled over projects were also included in the updated annual audit plan resulting in the projects increasing from 33 to 44. These 11 projects were completed]	Achieved 78% of projects was executed during the financial year (36/46)	Overachievement of 3%	Processes put in place are effective

Financial Management						
Provide an effective and efficient client oriented support services.	Percentage of active registered employers assessed annually by 31 March 2017 (excl exempted employers)	46% of active employers were assessed [208 613 of active employers assessed as at 31 March 2016 272 443 ROEs (6.2 billion) assessed as at 31 March 2016]	60% of active registered employers assessed annually	Not achieved 95% of the annual target was achieved [268 218 active employers assessed / 283 685 (60% of the total active employers on databank= 472 808 annual target *100)]	Underachievement of 5%	Limitations of the estimation policy to address backlog of ROE's received
	Percentage annual increase on investment income by 31 March of the current financial year compared to the previous financial year	4.02% growth was achieved [The target should be R53 billion. Using CPI + 2% = 7% growth The Investments as at 1 April 2015 amounted to R49.7 billion and the closing balance as at 31 March 2016 amounted to R51 billion. Difference = R2 billion R2 billion/R49.7 billion = 4.02%]	Investment growth at a rate of CPI+2% annually	Not achieved Investment portfolio return = 7.3% for the year to March 2017 compared to 8.28% target return	Underachievement of 0.98%	Economic: The unfavourable economic landscape resulted in the expected growth not being achieved
	No of findings affecting the AGSA audit report as at 31 March 2015 cleared annually by 31 March 2017	16 matters affecting the AGSA audit report were cleared by 31 March 2016	78 findings affecting the AGSA audit report as at 31 March 2015 cleared annually by 31 March 2017	Not achieved 2 findings were cleared by 31 March 2017	Underachievement of 76 findings	The Fund opted to shift focus instead of trying to address findings it became necessary to establish the root cause. With this approach, it will be easy to address actual problems leading to findings

	Percentage of findings affecting the AGSA audit report as at 31 March 2016 cleared annually by 31 March 2017	New indicator	40% of the findings affecting the AGSA audit report as 31 March 2016 cleared by 31 March 2017)	Not achieved 5% of the annual target was achieved Of the 56 audit findings, 3 were cleared by 31 March 2017	Underachievement of 95%	The Fund opted to shift focus instead of trying to address findings it became necessary to establish the root cause. With this approach, it will be easy to address actual problems leading to findings.
Human Resource Management						
Provide an effective and efficient client oriented support services.	Percentage of vacancies at CF Head Office maintained annually	18% vacancy rate as at 31 March 2016 at CF Head Office and Provinces [Total vacant posts (240)/Total approved posts (1332)%]	10% of vacancies at CF Head Office maintained by 31 March 2017	Not achieved 10.3% of vacancy rate at CF Head Office maintained by 31 March 2017 Of the total 690 posts, 619 were filled while 71 were vacant by end of March 2017.	Underachievement of 0,3%	Beside vacancy being a moving target, lack of the retention strategy and inability to attract required specialised skill remains a challenge for the Fund.

Strategy to Overcome Areas of Under Performance

The following strategies will be implemented in order to improve areas of under-performance:

- The Annual Audit Plan will be updated and presented at the next Audit Committee meeting during Quarter 1 of the 2017/18 financial year.
- The master data based on IES investigation outcomes will be updated on an on-going basis to ensure assessment of registered employers.
- The revised Investment Strategy that seeks to achieve higher investments returns will be implemented during 2017/18 Financial Year and monitored on an on-going basis.
- The implementation of the developed Audit Action Plan to deal with root causes of audit findings and addressing those that can be addressed in the short-term is being monitored on an on-going basis. A dedicated Audit Champion Team has been established and the Team report to a Steerco.
- There is continuous implementation of the Human Resource Action Plan wherein one of the responsibilities is to address the vacancy rate. The implementation of the reviewed Functional Structure will ensure the attraction of relevant skills. The Fund further received accreditation by SAICA to ensure training and availing of relevant skills.

Table 14: Linking Performance with Budgets

Programme / activity/objective	2016/2017			2015/2016		
	Budget	Actual Expenditure	2016/2017 (Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Administration	1 706 236	983 480	722 756	796 658	821 534	(24 876)
Total	1 706 236	983 480	722 756	796 658	821 534	(24 876)

The Administration Programme budget allocation for 2016/17 amounted to R1,7 billion, and recorded a total spending of 58% for the period under review. This resulted in a 42% under-spending for the administration programme. This is mainly due to the cost containment that was imposed by the National Treasury.

This is in comparison to the achievement of 25% (2 out of the 8 indicators) of the performance indicators in the Annual Performance Plan.

11.2. PROGRAMME 2: COMPENSATION FOR OCCUPATIONAL INJURIES AND DISEASES ACT (1993) OPERATIONS

11.2.1 Programme Purpose

Provide an effective safety net through the registration, processing and payment of medical claims resulting from occupational injuries and diseases, and monitoring of compliance with COIDA legislation.

Programme Description

- The **Directorate: Compensation Benefits** is responsible for development and coordination of policy and procedures regarding benefits; review compensation benefits; manage and evaluate the impact of strengthening Civil Society Fund (CSF); Training of provinces and manage and communicate with compensation benefits stakeholder.
- The **Directorate: Medical Services** develop policies and procedures on medical services; manage decentralised medical services in provinces; manage the compensation process with necessary medical expertise providing appropriate medical advice and expertise.
- The **Directorate: Legal Services** provides legal support, legal administration and advice in the implementation of the COIDA and relevant legislation associated with the Compensation Fund. The strategic goal of this unit is to contribute to legislative reforms and provide an effective legal support to the Fund by advising on legal matters, addressing the entire current backlog in respect of the objections and application for increased compensation lodged in terms of sections 91 and 56 of the COIDA respectively and drafting of legislation.
- The **Directorate: Client Service** is responsible to support all components of the Fund to deliver COID services and information to the clients in line with Batho Pele Principles. The Directorate is responsible for the receipt of customer enquiries at the CF Head Office Call and Walk-in Centre enquiries.

Strategic Objectives and Objective Statement: Compensation for Occupational Injuries and Diseases Act (1993) Operations

Table 15: Strategic Objectives

Strategic Objective	Provide faster, reliable and accessible COID Services by 2020
Objective Statement	Promote rehabilitation, re-integration and return to work of injured and diseased workers and contribute to various schemes designed to decrease unemployment including investing mandated funds in socially responsible investments.
Baseline	All claims were paid within 45 days.

Table 16: PERFORMANCE OF CF PROGRAMMES AND SUB-PROGRAMMES

Programme 2						
Strategic objective	Performance Indicator	Actual Achievement 2015/2016	Planned Target 2016/2017	Actual Achievement 2016/2017	Deviation from planned target to Actual Achievement 2016/2017	Comment on deviations
Provide faster, reliable and accessible COID Services by 2020	Percentage of approved benefits paid within 5 working days	95% of claims paid within 5 working days (R3.706 billion out of R3.905 billion)	100% of approved benefits paid within 5 working days yearly	Achieved 100% of approved benefits paid within 5 working days by 31 March 2017 (R4.3 billion was paid within 5 working days.)	Not applicable	Improved processes in place.
	Reviewed Compensation benefits for annual adjustments	The proposed benefit increase were submitted on 28 January and published on the 12th of February in the Government Gazette	Annual review and approval of compensation benefits for adjustments by March 2017	Not achieved The Annual review and approval processes not completed by 31 March 2017.	The consultation process that resulted into the review took longer than planned.	The reviewed and approved will be adjusted by the 1 st quarter of 2017/18
	Reviewed medical Tariffs for annual adjustments	The medical tariffs were reviewed and published in the Government Gazette on 28 March 2016	Annual review and approval of medical tariffs for annual adjustment by March 2017	Achieved Reviewed and approved medical tariffs published for annual adjustment by 31 March 2017	Not applicable	Not applicable
	Annual improvement in the administration of chronic medication distribution	Chronic medication distribution programme was not piloted The Chronic medication tender was, however, advertised during quarter 4.	Chronic medication distribution programme to beneficiaries implemented by March 2017	Achieved The distribution of Chronic medication is fully implemented with total of patients by 31 March 2017	Not applicable	Not applicable

	Annual improvement in the management of litigation cases, hearings and objections	Electronic case management system was not piloted CF is in the process of finalising the improvement specifications for SAP	Electronic case management system implemented by March 2017	Not achieved Received Quotation from the Department Bid Adjudication Committee by 31 March 2017	Electronic case management system not implemented by March 2017	A service provider to manage the implementation of the electronic case management system will only be appointed during the 2017/18 financial year after all due processes are completed.
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11.2.2. Strategy to Overcome Areas of Under Performance

The following strategies will be implemented in order to improve areas of underperformance:

- Gazette for compensation benefits will be published by Q1 of the 2017/18 financial year
- A service provider to manage the implementation of the Electronic Case Management System will be appointed during the 2017/18 financial year.

11.2.3. Linking Performance with Budgets

Table 17: Linking performance with budgets

Programme / activity / objective	2016/2017			2015/2016		
	Budget	Actual Expenditure	2016/2017 (Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Operations Management	8 401 601	5 590 621	2 810 980	4 006 042	8 510 520	(4 504 478)
Total	8 401 601	5 590 621	2 810 980	4 006 042	8 510 520	(4 504 478)

The Operations Management Programme budget allocation for 2016/17 amounted to R8.4 billion, and recorded a total spending of 67% (R5.6 billion) for the period under review. This resulted in to a 33% under-spending.

This is in comparison to the achievement of 60% (3 out of the 5 indicators) of the performance indicators in the Annual Performance Plan.

11.3. PROGRAMME 3: PROVINCIAL OPERATIONS: COMPENSATION FOR OCCUPATIONAL INJURIES AND DISEASES ACT (1993)

11.3.1. Programme Purpose

Provide an effective safety net through the registration, processing and payment of medical claims resulting from occupational injuries and diseases, and monitoring of compliance with COIDA legislation

Programme Description

All Provinces are responsible for the provision of the following services within their scope of work:

- **Compensation Benefits:** registering, adjudicating and processing of compensation benefits comprising Loss of Earnings-Temporary Total Disablement (TTD); Permanent Disablement (PD), including pension as well as benefits for the surviving dependants in fatal injuries. The Directorate is responsible for authorising payments of all benefits including medical expenses. The Directorate also monitor compliance with COIDA by Exempted Employers as well as monitoring employers on reporting of accidents generally, through preliminary investigations and advise on levying of penalties for late reporting or non-reporting of accidents.
- **Medical Services:** medical advice and medical opinion, to all Sub-directorates within the Fund. The Directorate is responsible for preauthorisation for medical treatment and the rehabilitation and reintegration programme.
- **Legal Services:** legal support, legal administration and advice in the implementation of the COIDA and relevant legislation associated with the Compensation Fund. The strategic goal of this unit is to contribute to legislative reforms and provide an effective legal support to the Fund by advising on legal matters, addressing the entire current backlog in respect of the objections and application for increased compensation lodged in terms of sections 91 and 56 of the COIDA respectively and drafting of legislation.

Strategic Objective and Objective Statement:

Table 1 Strategic Objectives: Provincial Operations: Compensation for Occupational Injuries and Diseases Act (1993)

Table 18: Strategic Objectives

Strategic Objective	Provide faster, reliable and accessible COID Services by 2020.
Objective Statement	To process compensation benefits and medical expenses for injured and diseased workers and promote rehabilitation, re-integration and return to work policy for injured and diseased workers.
Baseline	60 working days to process claims for payment.

Table 19: PERFORMANCE OF CF PROGRAMMES AND SUB-PROGRAMMES

Programme 3						
Strategic objective	Performance Indicator	Actual Achievement 2015/2016	Planned Target 2016/2017	Actual Achievement 2016/2017	Deviation from planned target to Actual Achievement 2016/2017	Comment on deviations
Provide faster, reliable and accessible COID Services by 2020	Percentage of the registered claims adjudicated in the current financial year	80% 103 055 claims out 129 170 of registered claims were adjudicated	85% of the registered claims adjudicated in the current financial year	Achieved: 94% (A total of 145 922 claims of the 155 427 registered during the financial year were adjudicated)	Overachievement of 9%	The claims management process has been improved to the extent that it becomes easily identified if there are any outstanding documents and/or information.
	Percentage of received compensation benefit claims finalised in the current financial year	97% 40 097 out of 41 467 received benefits were approved for payment	85% of received compensation benefits claims finalised in the current financial year	Not achieved 73% (A total of 21 055 of the 28 754 compensation benefits claims received during the financial year were finalised)	Underachievement of 12%	Inadequate payment functionality of Total Temporary Disablement
	Percentage of finalised medical invoices in the current financial year	73% 529 785 approved for payment out of 729 954 invoices received	85% of finalised medical invoices in the current financial year	Achieved 92% (A total of 686 385 medical invoices of the 747 525 received during the financial year were finalised)	Overachievement of 7%	Improved Capacity-skills in that training was provided to all provincial staff and officials were given delegation to process and pay medical invoices
	Percentage of registered compensation claims adjudicated within 60 working days	76% 77 916 out of 103 055 claims adjudicated were adjudicated within 60 working days	85% of registered compensation claims adjudicated within 60 working days	Achieved 90% of the registered compensation claims were adjudicated within 60 working days (A total of 130 800 compensation of the 145 922 received during the financial year were adjudicated within 60 working days).	Overachievement of 5%	<ul style="list-style-type: none"> • Online engagement with external stakeholders contributed towards ensuring that verification and resubmission of information is done with the 60 days. • More officials in provinces have delegations to adjudicate claims.

Table 19: PERFORMANCE OF CF PROGRAMMES AND SUB-PROGRAMMES

Programme 3						
Strategic objective	Performance Indicator	Actual Achievement 2015/2016	Planned Target 2016/2017	Actual Achievement 2016/2017	Deviation from planned target to Actual Achievement 2016/2017	Comment on deviations
	Percentage of medical claims finalised within 60 working days of receiving invoice	97% 512 976 out of 529 785 medical invoices approved for payment within 60 working days	85% of medical claims finalised within 60 working days of receiving invoice	Achieved 89% of the medical claims were finalised within 60 working days of receiving invoice (A total of 612 960 medical claims of the 686 385 received during the financial year were finalised within 60 working days)	Overachievement of 4%	<ul style="list-style-type: none"> • Training was provided to all provincial staff and officials were given delegation to process and pay medical invoices aligned with the turnaround time. • Training was also provided to external stakeholders resulting in submissions of payable medical invoices. • Integration of permanent and contract workers increased human capital.

11.3.2. Strategy to Overcome Areas of Under Performance

The following strategies will be implemented in order to improve areas of underperformance:

- System enhancements and continuous contacts with the claimants will be done on an on-going basis to ensure that compensation benefits claims are finalised.

11.3.3 Linking Performance with Budgets

Table 20: Linking Performance with Budgets

Programme / activity/ objective	2016/2017			2015/2016		
	Budget	Actual Expenditure	2016/2017 (Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Provincial Operations	68 652	47 440	21 212	41 878	31 979	9 899
Total	68 652	47 440	21 212	41 878	31 979	9 899

The Provincial Operations Programme budget allocation for 2016/17 amounted to R69 million, and recorded a total spending of 69% (R47 million) for the period under review. This resulted in to a 31% under-spending for the Operations Management programme.

This is in comparison to the achievement of 80% (4 out of the 5 indicators) of the performance indicators in the Annual Performance Plan.

12. REVENUE GENERATION

Table 21: Revenue Generation

Sources of Revenue	2016/2017			2015/2016		
	Estimate	Actual Amount Generated	(Over)/Under Generation	Estimate	Actual Amount Generated	(Over)/Under Generation
	R'000	R'000	R'000	R'000	R'000	R'000
Revenue from non-exchange transactions	8 245 653	9 250 063	(1 004 410)	7 852 764	7 677 842	174 922
Revenue from exchange transactions	5 641 358	4 164 150	1 477 208	2 294 192	3 758 898	(1 464 706)
Total	13 887 011	13 414 213	472 798	10 146 956	11 436 740	(1 289 784)

The 2016/17 approved Revenue generation budget for the Fund, was estimated at a total of **R13.9** billion. At the end of the financial year under review, a total revenue generation of **R13.4** billion was recorded. This resulted in an under generation of about 3%, of the estimated target for the 2016/17 financial period.

13. CAPITAL INVESTMENT

Capital investment, maintenance and asset management plan

- Progress made on implementing the Capital, Investment and Asset Management Plan:
 - Plans to renovate the Compensation House were implemented through conducting condition assessment on the building in order to establish the extent of damage or risk. The condition assessment report highlighted that the building is not safe to be occupied and should be vacated. The process to identify an alternative office accommodation is at an advanced stage; the Delta Heights building has been identified as a suitable building for the Compensation Fund. Plans to relocate are in progress.
- Infrastructure projects which have been completed in the current year and the progress in comparison to what was planned at the beginning of the year:
 - Renovation of Compensation House was not implemented as planned due to delays in the relocation process however plans to relocate to an alternative office accommodation are in place.
 - Bhisho building: Roof rehabilitation & waterproofing, gutter cleaning and weeds removal around the building, balconies included.

- Infrastructure projects that are currently in progress (list projects) and when are they expected to be completed:
 - Relocation from Compensation House to Delta Heights (24 October 2017 Phase One and 20 February 2018 Phase Two)
 - CF building assessment 60% work done, the remaining works needs the building to be vacated to be completed.
 - Plumbing for Compensation House. (11 July 2016 – 10 July 2017)
 - Kusile hygiene and pest control. (10 March – 09 August 2017)
 - Cleaning services. (01 January 2016 – 31 December 2018)
 - Kone lifts and escalators maintenance. (01 January 2017 – 31 December 2017)

- Plans to close down or down-grade any current facilities:
 - Close Compensation House building to allow for assessment and renovations.

- Progress made on the maintenance of infrastructure:
 - Maintenance of glass doors at Compensation House.

- Developments relating to the above that are expected to impact on the public entity's current expenditure:

Relocation

 - Details as to how asset holdings have changed over the period under review, including information on disposals, scrapping and loss due to theft.
 - Damaged and obsolete assets were disposed through scrapping method of disposal during the period under review and asset register updated
 - Lost asset(s) were investigated and written off during the period under review, disciplinary process underway against affected officials.
 - The Fund reviewed and reassessed the useful life of its assets and adjustments were made to the asset register.

- Measures taken to ensure that the public entity's asset register remained up-to-date during the period under review:
 - Some of the measures taken to ensure that the Fund's asset register remained up to date during the period under review includes amongst others:
 - Future replacement plans (2017/18) are in place to improve performance of the assets and increase future expected service potential.
 - Performance of monthly asset reconciliation between asset register and general ledger
 - Performance of asset verification process twice in a financial year to establish existence of the Fund's assets as per asset register
 - Disposal of redundant, damaged and obsolete assets was performed during the period under review for the assets that were stored in the warehouse for over five years.

- The current state of the public entity's capital assets:
 - The Fund's capital assets are generally and mostly in a bad condition and fully depreciated, however, still in use. Future replacement plans are in place to improve performance of the assets and increase future expected service potential.

- There were no major maintenance projects undertaken during the period under review.
- Progress made in addressing the maintenance backlog during the period under review.

- Day to day maintenance was carried out. The backlog has not decreased due to the aging of the Compensation Fund building and some of its components. The assessment of the building is underway to give direction of possible renovations.

Table 22: Infrastructure

Infrastructure project	2016/2017			2015/2016		
	Budget	Actual Expenditure	2016/2017 (Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
	12 700	101 812	(89 112)	30 400	2 026	28 374
Total	12 700	101 812	(89 112)	30 400	2 026	28 374

The total approved Capital expenditure budget allocation for 2016/17 amounted to R12.7 million, and recorded a total spending of 800% (R101.8 million) for the period under review. This resulted into a 800% over-spending for the period under review.

This was due to the SAP license that was bought in the year under review.

14. INTRODUCTION

Corporate governance embodies processes and systems by which public entities are directed, controlled and held to account. In addition to legislative requirements based on a public entity's enabling legislation, and the Companies Act, corporate governance with regard to public entities is applied through the precepts of the Public Finance Management Act (PFMA) and run in tandem with the principles contained in the King's Report on Corporate Governance.

15. PORTFOLIO COMMITTEES

During the year under review, the Compensation Fund appeared before the Portfolio Committee on Labour four times as followed:

- 7 Apr 2016
- 24 Aug 2016
- 7 Dec 2016
- 22 Feb 2017

The purpose of these appearances was to update the Committee on progress made with regards to the implementation of the Action Plan, presentation of Annual Report including performance and financial information, and to brief the Committee on Annual Performance Plan and Strategic Plan of the Compensation Fund.

16. EXECUTIVE AUTHORITY

During the 2016/17 financial year, the Compensation Fund Annual Performance Plan for 2017/18 was signed off by the Executive Authority on the 28 February 2017 and was tabled to Parliament on the 14 March 2017. The quarter four Performance report for the 2015/16 financial year and quarter's one, two and three Performance Reports for the 2016/17 financial year was approved by the Executive Authority respectively on 25 May 2016, 22 September 2016, 22 December 2016 and 25 April 2017. The Annual Report of the Compensation Fund for the 2015/16 financial year was signed off by the Executive Authority in quarter two. The Revised Organisational Structure of the Compensation Fund was signed off and approved by the Executive Authority in quarter four of the 2016/17 financial year.

17. THE COMPENSATION FUND BOARD

17.1. Introduction

The role of the Board is to advise the Minister.

17.2. The Role of the Board is as follows:

- To advise the Minister on matters of policy arising out of or in connection with the application of compensation for Occupational Injuries and Diseases Act, 1993 (Act no 130 of 1993) as amended;
- The Board may advise on the nature and extent of the benefits that can be payable to employees or dependents of employees, including the adjustments of existing pensions;
- The Board may advise the Minister on the amendment of the Act;
- The Board may at the request of the Director General advise the Minister regarding the performance of particular functions.

17.3. Board Charter

The Board has made the following progress in complying with the charter:

- The Board deliberated on the CF quarterly reports and provided inputs
- Review of Post-Traumatic Stress Disorder Policy (PTSD),
- Review of the Organ Donor Policy
- Reviewed the recommended CF Asset Allocation Strategy and also approved Property and Property Management Strategy to be implemented by the PIC
- The Board has adopted the criterion for funding of Rehabilitation Centres for the employees injured and those who contracted diseases at workplaces
 - Annual Medical Tariffs were increased
 - Annual Benefits were increased
 - Instruction 168 aligned with AMA-guide

17.4. Composition of the Board

The Board consists of sixteen non-executive directors:

The Minister appoints the Advisory Board as per Section 10 of COIDA Act

Table 23 Board Members

NAME	DESIGNATION (IN TERMS OF THE PUBLIC ENTITY BOARD STRUCTURE	CONSTITUENCIES
Mr M Mngqibisa *	Principal Board Member	GPAA
Mr P Matshidze	Principal Board Member	RMA
Ms T Pugh	Principal Board Member	FEMA
Mr. G McIntosh	Alternate Member	FEMA
Mr. S Sobuwa	Principal Board Member	HPCSA
Dr C Mbekeni	Principal Board Member	BUSA
Mr F Xaba	Principal Board Member	BUSA
Dr B Kitsnasamy	Principal Board Member	Dept. of Health
Mr T Szana	Principal Board Member	Dept. of Labour
Mr S Tsiane	Principal Board Member	NUMSA
**Mr A Letshele	Principal Board Member	NUM
Ms J Bodibe	Principal Board Member	COSATU
Mr S Motloung	Principal Board Member	FEDUSA
Ms. E Kula	Principal Board Member	BUSA
Mr K Cowley	Principal Board Member	BUSA
Mr. M Samela	Principal Board Member	NACTU

*Chairperson

** New appointment

Table 24: Board Resignations

Name	Designation (In terms of the public entity Board structure)	Date appointed	Date Resigned	Qualifications	Area of expertise	Board Directorships (List the entities)	Other Committees or Task teams (e.g. Audit committee/ Ministerial task team	No of meetings attended
Ms T Pugh	Principal Board Member	2 nd of January 2014	31 st of December 2016		Insurance	FEMA and Compensation Fund		1

Table 25: Committee members Attendance of Board Meetings;

Committee	No of Meetings	No of members	Name of Members
Board	5	16	
	5		*Mr M Mngqibisa
	4		Mr K Cowley
	3		Mr F Xaba
	4		Ms E Kula Ameyaw
	2		Dr C Mbekeni
	5		Mr S Tsiane
	4		Mr A Letshele
	3		Ms J Bodibe
	5		Mr S Motloutung
	4		Mr M Samela
	3		Dr B Kistnasamy
	0		Mr T Szana
	1		Ms T Pugh
	3		Mr G McIntosh
	4		Mr P Matshidze
1	Mr S Sobuwa		

Table 26 Assessments and Benefits committee (ABC)

Committee	No of Meetings	No of members	Name of members
ABC	6	7	
	5		*Ms J Bodibe
	4		Mr S Motlough
	3		Mr S Tsiane
	4		Mr F Xaba
	5		Mr A Letshele
	4		Mr G McIntosh
	6		Mr M Willie

Table 27 Technical Committee on Occupational Injuries and Diseases (TCOID)

Committee	No of Meetings	No of members	Name of members
TCOID	4	7	
	4		*Mr S Motlough
	1		Ms J Bodibe
	1		Mr S Sobuwa
	2		Ms J Mahlangu
	3		Dr A V/D Merwe
	2		Dr Z Eloff
	2		Ms M Ruiters

Table 28 Investment committee (IC)

Committee	No of Meetings	No of members	Name of members
IC	6	6	
	6		*Mr S Tsiane
	4		Ms J Bodibe
	6		Ms E Kula
	6		Mr K Cowley
	4		Mr F Xaba
	3		Mr T Szana

Table 29 Strategic & Operational Committee (StratOp)

Committee	No of Meetings	No of members	Name of members
StratOp	4	9	
	4		*Ms E Kula Ameyaw
	3		Mr S Tsiane
	2		Ms J Bodibe
	0		Mr F Xaba
	3		Mr S Motloung
	2		Mr E Hadzi
	1		Mr G McIntosh
	1		Mr A Letshele
	4		Mr M Samela

Remuneration of Board members

Members of the Board shall be paid the prescribed remuneration, travelling and subsistence allowances out of the Compensation Fund.

Members not in full-time employment of the state must be paid allowances determined by the Minister.

Remuneration of Board members is determined by National Treasury Regulations. Chairperson remuneration per meeting is R3856 and member is R3048.

Table 30: Board members not remunerated

Name	Remuneration	Other allowance	Other re-imbursements	Total
*Mr M Mngqibisa	Not paid			
Mr P Matshidze	Not paid			
Ms T Pugh	Not paid			
Mr. G. McIntosh	Not paid			
Dr C Mbekeni	Not paid			
Dr B Kitsnasamy	Not paid			
Mr T Szana	Not paid			
Mr E Hadzi	Not paid			
Ms J Mahlangu	Not paid			
Dr D Kritzinger	Not paid			
Mr M Willie	Not paid			
Dr Z Eloff	Not paid			

Table 31: Board members remunerated

NAME	RENUMERATION	OTHER ALLOWANCE	TOTAL
Mr FA Xaba	152 862.00	14 695.00	167 557.00
Mr Cowley: Busa	33 528.00	12 553.65	46 081.65
Mr Samela: Nactu	21 336.00	1 168.92	22 504.92
Mr S Tsiane	113 358.00	14 685.84	128 043.84
Ms J Bodibe	54 424.00	9 489.40	63 913.80
Mr S Motloug	65 624.00	508.80	66 132.80
Ms E Kula	32 096.00	2 914.90	35 010.90
Ms S Sobuwa	9 144.00	-	9 144.00
Mr A Letshele	33 528.00	7 820.33	41 348.33
		Total	579 736.84

18. RISK MANAGEMENT

The Compensation Fund has continued to strengthen its risk management system and practices to provide reasonable assurance that the entity will achieve its objectives. This was achieved through the following:

18.1 Risk Management Policy and Strategy

During the 2016/17 financial year, the Fund continued to build on its Risk Management capabilities through the review and updating of the Risk Management governance documents which articulate the Fund's philosophy for Enterprise Risk Management and provide guidance to management and staff on the implementation of risk management.

The documents were reviewed and approved in line with the applicable prescripts and best practices to ensure relevance to the Fund and keep abreast with changes in the operating environment.

18.2 Risk Management Process

The Fund identifies its risks at the strategic, operational and process level. During the year under review both the strategic and operational risk registers were continuously monitored to ensure that risks are managed within the approved risk appetite and tolerance levels. As part of enhancing the internal control environment with the aim of improving the audit outcome, the risk assessments were conducted for the first time at process level. Further to this Management and staff continued to receive training on risk management through monitoring and awareness workshops at all levels throughout the Fund.

18.3 Governance

The Director-General (DG) has promoted a risk culture and set the risk management tone through the approval of the Risk Management Policy, furthermore the DG also ensured that risk management forms part of senior and middle management's performance agreements. The Compensation Commissioner has been delegated to oversee risk management in the Fund in discharging these responsibilities; the Risk Management Committee (RMC) is established to ensure that CF has effective risk management processes and systems that will enable it to achieve its objectives.

The RMC continued to fulfil its roles and responsibilities outlined in the Terms of Reference it has adopted and approved by the DG. In terms thereof, The RMC has reviewed the efficiency and effectiveness of the Fund's system

of risk management in improving the control environment to provide reasonable assurance that the objectives of the Fund will be achieved or not. The Committee also convened its meetings on a quarterly basis to fulfil its oversight role and advised the Minister, DG and Commissioner on significant and eminent risks, fraud related issues and the extent of effectiveness of risk management in the Fund as well as recommendations for improvement.

The RMC has reviewed the Risk Management Policy, Strategy, Methodology, Anti-Fraud and Corruption Strategy, and they were all recommended for approval.

18.4 Risk Management Committee Composition and Attendance

Table 32: The RMC consistently convened throughout the financial year and convened four (4) meetings. The Composition of the Committee and attendance are exhibited in the table below:

Name and Surname	Designation	Membership	Number of Meetings
Mr Luyanda Mangquku	Chairperson	External Chairperson	4
Mr Khulekani Buthelezi	Member	External Member	1 (contract ended November 2016)
Ms Tshidi Ikaneng	Member	External Member	2
Mr Vuyo Mafata	Compensation Commissioner	Internal Member	3
Mr Thando Headbush	Acting Chief Financial Officer	Internal Member	2
Mr Joseph Ledwaba	Chief Director: Corporate Services	Internal Member	2
Ms Lungisa Matandela	Chief Director: Operations	Internal Member	1 (resigned September 2016)
Ms Katlego Mocwiri	Director: Risk Management (Chief Risk Officer)	Internal Member	4
Mr Vishalin Pillay	Director: Information Technology	Internal Member	3
Ms Boitumelo Gumbu	Chief Audit Executive	Internal Member	3

18.5 Management

Management at all levels throughout the Fund are responsible for monitoring their own risks, reporting emerging risks and implementing risks mitigations to ensure that the risk exposure is reduced within the Risk Appetite and Tolerance.

18.6 Effectiveness of Risk Management

The RMC and the Risk Management Directorate have provided the advisory services to management in assisting them to manage risks effectively. The risks monitoring reports were compiled by the Risk Management Directorate and tabled at the RMC and the Audit Committee on a quarterly basis. However, Management continues to experience some difficulty in implementing the agreed upon action plans aimed at reducing the risks to acceptable levels of the Fund's risk appetite and tolerance. This is attributed to vacancies in critical areas.

It is our well-considered view that the Risk Management Directorate and the RMC delivered on their mandate through regular reporting and escalation of risk related matters affecting the Fund timeously to the relevant structures, including the Minister, DG, Commissioner, Advisory Board and the Audit Committee.

18.7 Risk Management Progress

The focus in the year under review was geared at improving the risk management maturity; the CF currently has a maturity level of 3.5. The Fund has elevated risk management as a strategic enabler and has implemented the following: The

RMC is fully functional, risk management is a standing agenda item at Executive Management Committee (EXCO), The Risk Champions for all directorates have been appointed and the Risk Champion forum is established and convenes once a quarter.

19. INTERNAL CONTROL UNIT

• Background information

Currently the Fund does not have an Internal Control Unit within its structure. The Internal Control function is performed on an ad-hoc structure into the Financial Reporting Directorate and is headed by a Director. The Internal Control Unit is responsible for Audit Co-ordination, the Audit Action Plan, responding to Audit Findings, Financial Misconduct Investigations and Compliance Management.

• Audit Co-ordination

A request for information register was put in place to track and monitor all information requested by the Auditor General.

The Internal Control Unit is the main custodian of the AGSA request for information register. As at 31 March 2017, 83 requests for information were received from AGSA as part of the 2016/17 planning and interim audit. Most of these request were fully submitted with some partially submitted by the Fund.

As part of ensuring that sufficient information is provided to AGSA, the request for information register was updated weekly by the Unit and sent weekly to the various directorates. On-going meetings between the directorates and AGSA were held to clarify misunderstandings of requests.

• The Audit Action plan

The Fund was issued with the 2015/16 management report with a total of 141 findings, compared to the 2014/15 which had 184 findings. This improvement was as a result of management efforts to improve financial administration. An Audit Action plan was implemented in August 2016 by the Fund and was followed up and monitored on a weekly basis. The results and fruits of the action plan will be revealed by AGSA when they present the Audit Report for 2016/17.

• Financial Misconduct Investigations

As at 31 March 2017, a total of 201 cases were recorded in the financial misconduct register. The Financial Misconduct Advisory Committee (FINMAC) was set up to oversee the investigation process and make recommendations to the Commissioner on actions to be taken as well as corrective action to address identified internal control deficiencies. A total of 2 meetings were held by FINMAC during the year. As at 14 November 2015, a total of 40 cases were investigated by the Unit and presented to FINMAC.

Out of the 40 cases, 8 Cases were recommended for condonation and 18 for derecognition. The submission was prepared accordingly for the Director General's approval. 2 cases are waiting the FINMAC approval for condonation and 12 cases referred back for further investigation by Internal Control.

- **Compliance Management**

As at 31 March 2017, the Compliance Register was in the developmental stage and the register will include the GRAP, PFMA, Treasury Regulations and COIDA. Due to capacity constraints within Internal Control unit the compliance register was not implemented. However the Compliance Register will be implemented in the 2017/2018 financial year.

20. INTERNAL AUDIT AND AUDIT COMMITTEES

Internal Audit is established in terms of section 51(1) (ii) of the Public Finance Management Act (PFMA), Act 1 of 1999, as amended, read with the Treasury Regulations 27.1 and 27.2. The sections states that “the Accounting Authority must ensure that the entity has and maintain a system of Internal Audit under the control and direction of the Audit Committee, complying with and operating in accordance with the regulations and instructions prescribed in terms of section 76 and 77 of the PFMA.”

The key objectives of Internal Audit are to assist the Fund to accomplish its established objectives by providing reasonable assurance on whether:

- Governance process is effective by establishing and preserving values, setting goals, monitoring activities, performance, and defining the measures of accountability;
- Risk management system is adequate, effective, and efficient;
- System of internal control is adequate, effective, and efficient;
- Integrity and reliability of financial information is maintained;
- Resources are utilised economically, effectively, and efficiently;
- Assets are safeguarded; and
- Rules, regulations, policies, procedures, and laws are complied with.

Key Activities Includes:

- Development of a Three Year Rolling and Annual Audit Plan and the Operational Plan, which is approved by the Commissioner and the Audit Committee;
- Execute the approved Internal Audit Plan;
- Report quarterly to the Management and the Audit Committee;
- Perform secretarial functions to the Audit Committee;
- Review the Internal Audit and Audit Committee Charters;
- Review Internal Audit Policies and Procedures;
- Monitor compliance to the procedures, standards, and the code of ethics;
- Staff training and development to ensure that the Internal Audit officials are competent.

Summary of Audit Work Done

- The Internal Audit and Audit Committee Charters were reviewed and approved.
- The directorate trained three (3) learners on the Internal Audit Technicians (IAT) and six (6) Professional Internal Auditor (PIA) Learnership Programmes.
- The Directorate independently executed audit projects based on the approved Risk Based Annual Plan and provided practical recommendations. The reports were communicated to responsible management, the Commissioner, Audit Steering Committee, and the Audit Committee. The details of executed projects are provided in the table below:

Table 33

No	Internal Audit Area	Number of Findings	Report Rating
1	Umehluko Post Implementation Review	16	Significant
2	POPI Act Compliance Report	12	Significant
3	Consolidated Action Plan	1	Significant
4	Performance Information Q4	3	Significant
5	Annual Report Review	3	Require Improvement
6	Annual Financial Statements Review	2	Significant
7	Asset Management	8	Significant
8	SCM-Procurement and Bidding Process Review	25	Significant
9	Legal Services and Third-Parties	12	Significant
10	Medical Payment Process Review	12	Significant
11	Medical Service Organisations (MSO) Verification	2	Significant
12	Performance Information Q1	4	Significant
13	Performance Information Q2	3	Significant
14	Performance Management and Development System	12	Significant
15	Pension Data Analytics	10	Significant
16	User Account Management	7	Significant
17	Performance Information Q3	3	Require Improvement
18	Eastern Cape Provincial Audit	22	Significant
19	Consolidated Action Plan	3	Significant
20	Subsistence and Travelling	9	Significant
21	Interest and Penalties-IT Audit	0	Satisfactory
22	Change Control Management	3	Significant
23	Gauteng Provincial Audit	14	Significant
24	Project Assurance C-Filing	0	Satisfactory
25	Compliance Review Bidding Process	7	Significant
26	Conflict of Interest	6	Significant
Total		199	

Table 34: Follow-up Audit

No	Internal Audit Area	Number of Findings per the original report	Report Rating	Findings Resolved	Partially Resolved	Not resolved
1	Debt Collection Follow up	5	Significant	3	0	2
2	Risk Management	9	Require Improvement	6	2	1
3	IT Governance Review	6	Significant	2	0	4
4	IT General Control Follow-up Review	10	Significant	6	0	4
5	Recruitment and Selection	11	Require Improvement	9	1	1
6	Free State	11	Require Improvement	9	2	0
7	Northern Cape	14	Require Improvement	10	1	3
Total		66		45	6	15

Based on follow-ups conducted, the Fund has resolved 68.18% of IA findings.

Key Activities and Objectives of the Audit Committee

The Audit Committee was established in terms of the PFMA and Treasury Regulations to assist the Executive Authority in fulfilling its oversight responsibility. The duties of the Committee are broadly defined in Section 27.1 of the Treasury Regulations.

The objective of the Audit Committee is to assist the Executive and Accounting Authorities in fulfilling their oversight responsibilities for:

- The integrity of the Fund's financial statements;
- The Fund's compliance with legislation, legal and regulatory requirements;
- The auditor's qualifications and independence, and
- The performance of the Fund's internal audit function and external auditors.

Audit Committee Activities

The responsibilities of the Audit Committee include the financial reporting process, the system of internal control, risk management, the audit process, and the monitoring of compliance with laws, regulations and the Fund's own code of business conduct.

Internal Control

- Consider the effectiveness of the internal control systems, including information technology, security and control.
- Understand the scope of internal and external auditor's review of internal control over financial reporting, and obtain reports on significant findings and recommendations together with management's responses.
- Assess whether the Fund's assets have been properly safeguarded and used.

Internal Audit

- Review the effectiveness of the internal audit function.
- Review the charter, plans, activities, staffing and organisational structure of the Internal Audit
- Approve the Risk-based three year Rolling Plan and the Annual Audit Plan.
- Review the Capacity Building and Training Strategy within the Internal Audit function.
- Monitor the work of the Internal Audit against the Annual Audit Plan.
- Review and evaluate the reports and results of the work undertaken by the Internal Audit and the implementation of follow up action required.
- Ensure that duplication of effort is avoided, through an effective partnership/combined assurance between the Internal Audit and the office of the Auditor-General.
- Review compliance with the International Standards for the Professional Practice of Internal Auditing and Code of Ethics of the Institute of Internal Auditors.

External Audit (Auditor-General)

Review the effectiveness of the external audit function and through the following:

- Review the Audit Plan of the Auditor-General (AG) and comment on the scope and approach and their co-ordination with Internal Audit.
- Review any accounting and auditing concerns arising from the internal and external audit.
- Make recommendations regarding follow up work, arising out of reports and queries raised by the AG.

-
- Discuss the extent of the external auditor's proposed audit coverage.
 - Discuss concerns about the nature, extent and frequency of management's assessment of the accounting and control systems in place to prevent and detect fraud, with the external auditor.
 - Review the extent of the external auditor's planned reliance on the work of Internal Auditors.

Risk Management

- Review the Fund's risk profile on an annual basis.
- Ensure that an Enterprise Risk Management System is in place and that Internal Audit evaluates and reports on the effectiveness of the process.
- Review that the Fraud Prevention Plan is implemented to prevent and detect fraud.

Compliance

- Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of non-compliance.
- Review the process for communicating the code of conduct to the Fund's personnel and for monitoring compliance therewith.

Management Accounts and Annual Financial Statements

- Review the adequacy, reliability and accuracy of the financial information provided to management and other users of such information and annually review the Annual Financial Statements and recommend its approval to the Director-General.
- Review significant accounting and reporting issues, including complex or unusual transactions and highly judgmental areas, and recent professional and regulatory pronouncements, and understand their impact on the financial statements.
- Review the Annual Financial Statements and consider whether they are complete, consistent with information known to committee members and reflect appropriate accounting principles.
- Review other sections of the Annual Report and related regulatory matters before release and consider the accuracy and the completeness of the information.

Reporting

- Regularly report to the Accounting/Executive Authority about committee activities and issues that arise with respect to the quality or integrity of the Fund's financial statements, the compliance with legal or regulatory requirements, and the performance of the internal audit function.
- Provide an open avenue of communication between internal audit, the external auditors, management and the Accounting Authority.
- Report annually to the Executive Authority, describing the committee's composition, responsibilities and how they were discharged, and any other information required by rules.
- Review any other reports the Fund issues that relate to committee responsibilities.

Ethics

- Monitor the ethical conduct of the Fund, its executives and senior officials.
- Review any statements on ethical standards or requirements for the Fund and assist in developing such standards and requirements.
- Identify any violations of ethical conduct.
- Make recommendations on any potential conflict of interest or questionable situations of a material nature.

Other Responsibilities

- Review and assess the adequacy of the audit committee charter annually.
- Evaluate the committee's and individual members' performance on a regular basis.
- Institute and oversee special investigations as needed.
- Confirm annually that all responsibilities outlined in this charter have been carried out.

Attendance of audit committee meetings by audit committee members (Tabular form);

The table below discloses relevant information on the audit committee members

Table 35: Audit Committee Members: Meeting Attended

Name	Qualifications	Internal or external	If internal, position in the public entity	Date appointed	Date Resigned	No of meetings attended
Mr D Hlatshwayo	Chartered Accountant	External Chairperson	N/A	November 2016	N/A	3/3
Ms. R. Kalidass #	Chartered Accountant	External Chairperson	N/A	October 2013 November 2016	October 2016 N/A	5/8
Mr. K. Buthelezi	ACCA	External Member	N/A	October 2013	October 2016	4/6
Mr. L. Mangquku	Chartered Accountant	External Member	N/A	October 2013	October 2016	5/6
Mr. N Mhlongo	Chartered Accountant	External Member	N/A	November 2016	N/A	3/3
Mr. C. Terhoeven #	Chartered Accountant	External Member	N/A	October 2013	#October 2016	6/8
Mr. F. Xaba	BA Hons (Industrial Psychology)	External Member	N/A	May 2014	N/A	8/8

#The Audit Committee term expired in October 2016 and the member was re-appointed as the Audit Committee member.

21. COMPLIANCE WITH LAWS AND REGULATIONS

During the year under review, the Compensation Fund implemented and complied with the provisions of the Public Service Act, 1994 (as amended), the Public Service Regulations, 2001, various departmental policies and circulars from the Department of Public Service and Administration in as far as employment and conditions of service of employees are concerned.

22. FRAUD AND CORRUPTION

The Anti-fraud and Corruption Policy is in place, the Anti-fraud and Corruption Strategy has been revised to include detection, prevention and investigation and is approved.

The Fund has adopted and enforced a zero tolerance stance to fraud and corruption.

All reported incidents of fraud are recorded in the case register and allocated for investigation. Where investigations are finalised and fraud is detected a criminal case is registered with South African Police Service (SAPS) for further investigation. Furthermore finalised cases which are recommended for disciplinary hearing process are submitted to Employee Relations for the implementation thereof. Where the control breakdown has been identified the investigation final report will contain findings and recommendations issued to management for implementation. Follow-ups on implementation of recommendations are made with business on a regular basis with progress presented to the Risk Management Committee at least quarterly.

During the year under review plans were put in place to enhance the prevention and detection capacity of the Fund. The Ethics Survey, Ethics training and awareness sessions as well as the fraud awareness and training were conducted to all Compensation Fund officials countrywide. New employees were also inducted on CF's Anti-fraud and Corruption Strategy. These measures have been put in place in pursuit of combating fraud and corruption within the Fund.

To a large extent, a number of investigations which were carried out during the year under review are at various stages of investigation. Statistics on reported cases on fraud and corruption investigated during the financial year under review is disclosed under Material Losses through Criminal Conduct section of the Annual Financial Statements.

The Whistle blowing mechanisms in place to facilitate reporting of fraud and corruption include fraud-hotline; e-mails; walk-ins or reporting directly to the line Manager if he/she is not implicated.

23. MINIMISING CONFLICT OF INTEREST

Conflict of Interest is minimised through signing of SCM Code of conduct for SCM practitioners. Service Providers doing business with the Fund declare interest through Standard bidding Forms. Bid Committee members sign declaration of Interest before meetings. Workshops on ethics are conducted by the Fund through the Risk Management unit. Officials declare interest through HR process.

24. CODE OF CONDUCT

The Code of Conduct clarifies and act as a guideline to all employees spelling out clearly what is expected of them from an ethical point of view. This normally occurs when both employer and employee in an employment relationship signs a performance agreement. The declaration is signed by the employee and attached to the agreed performance

agreement as a code of conduct declaring that the employee is expected to adhere to the code when performing his or her duties. This is a signed declaration of commitment and abiding to the expected conduct regarding performance of duties in an employer employee relationship.

The Code of Conduct is a policy document developed by the Department of Labour to give direction to its employees in relation to how they have to conduct themselves as public servants.

The primary objectives of this document are:

- To ensure that the employees are aware of the Laws of the country, stay away from politics at work, respect authority (protocol), respect and treat the public with dignity as well as showing respect to fellow employees;
- To pledge and commit to perform duties as per the agreed and acceptable standards; and
- To guide employees on what needs to be done to avoid conflicts of rights and interests as well as their personal conduct in both public and private capacity that might bring the image of the Department into disrepute.

The Code of Conduct requires its employees to operate in a professional manner that would result in the rendering of effective and sufficient service delivery to the public and communities in general. Commitment in the Code of Conduct will eliminate corruption as a destructor to service delivery within the Department.

The last point to note is that should there be any breach of this Code of Conduct by the employee, depending on the severity of the misconduct, disciplinary action may be instituted against such an employee.

It is therefore important and reasonable enough that every employee must read, understand and sign a copy of the Code of Conduct on completion of the Performance Agreement to be attached as an annexure and also as an indication that the said employee will conduct him/herself in a manner that would be acceptable and not questionable at all times.

25. HEALTH, SAFETY AND ENVIRONMENTAL ISSUES

Environmental Issues

Environmental issues are defined as problems with the planet's systems (air, water, soil, etc.) that have developed as a result of human interference or mistreatment of the planet.

All businesses have some impact on the environment. Even the simple act of switching on a light has some environmental impact. As a business owner or manager, it is your responsibility to ensure that whatever level of impact, that impact is managed appropriately and minimised where possible.

Environmental issues in the workplace are a growing concern for companies, especially as it relates to employee health and safety. Bad air quality and ventilation as well as broken asbestos structures can lead to sick building syndrome, which can compromise the health and comfort of your employees. Not only can poor workplace environments reduce productivity, but research has shown they may be linked to asthma, lung cancer and other medical problems.

There are a number of key areas within a public establishment that need to be considered when reducing negative environmental impacts.

Electricity Use

At Compensation Fund's buildings we do not have lights switches. As a result of constant energy usage within Compensation Fund, not only are we adding unnecessary costs to our budget, but we are also emitting additional carbons on the environment and having a serious negative impact on the way we operate. Conservation of electricity is easily implemented by turning off lights in the building and shutting down/unplugging equipment when not in use. The potential impact of electricity use is resource consumption contributing to air pollution and global warming.

Paper Consumption

Compensation Fund's operations requires a lot of papers, this can be minimised by introducing electronic filing systems and also print documents only when necessary. This will not only reduce paper wastage but also helps to cut energy required to run printer which in turn reduces energy cost and makes life of your printer longer.

Water Consumption

Water leaks are identified and fixed at the Compensation Fund. The only challenge at CF is the fire hydrant which is leaking. A requisition for the appointment of a service provider to fix the fire hydrant has been sent to Supply Chain. There is a need to install water efficient taps with an aerator or flow restrictor to use less water.

Waste Management

At Compensation Fund we have identified waste streams and categories, such that it is handled appropriately; (i.e. hazardous and non-hazardous or inert). Waste is one of the fundamentals of sustainability and there has been a lot of activity focusing on waste reduction and waste management.

26. SOCIAL RESPONSIBILITY

During the year 2016/17, the Compensation Fund invested more than R1.6 billion in Social Responsible Investments projects creating and sustaining more than 6000 jobs in the South African economy. 12 investments have been made to date, mainly supporting the SMME, Healthcare, Agriculture and Farming sectors. These investments are expected to produce long-term returns for both the Compensation Fund beneficiaries as well as the broader South African economy. The Compensation Fund will commit a further R3 billion to additional projects in the 2017/18 Financial Year.

27. AUDIT COMMITTEE REPORT

The Committee is pleased to present its report for the financial year ended 31 March 2017. The report is presented in accordance with the requirements of the Public Finance Management Act 1 of 1999 (PFMA), as amended and in line with the National Treasury Guide.

Audit Committee Responsibility

The Audit Committee has discharged its oversight responsibilities in respect of activities and operations of the Compensation Fund, independently and objectively in compliance with Section 51 (1)(a)(ii) of the Public Finance Management Act and Treasury Regulation 27.1. The Audit Committee also has adopted appropriate formal terms of reference as its Audit Committee Charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

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

Audit Committee Meetings

The Audit Committee of the Compensation Fund for the period 1 April 2016 to 31 March 2017 comprised of four independent members, and one Board representative, who have been instrumental in providing independent advice to the Fund. For the period under review, four members contract expired on 30 October 2016. Subsequently two members were reappointed from 1 November 2016 to ensure continuity with additional two new members as a stopgap while the Committee members' appointment process was being finalised.

The composition and meeting attendance of members were as follows

Name	Qualifications	Internal or external	If internal, position in the public entity	Date appointed	Date Resigned	No of meetings attended
Mr D Hlatshwayo	Chartered Accountant	External Chairperson	N/A	November 2016	N/A	3/3
Ms. R. Kalidass #	Chartered Accountant	External Chairperson	N/A	October 2013 November 2016	October 2016 N/A	5/8
Mr. K. Buthelezi	ACCA	External Member	N/A	October 2013	October 2016	4/6
Mr. L. Mangquku	Chartered Accountant	External Member	N/A	October 2013	October 2016	5/6
Mr. N Mhlongo	Chartered Accountant	External Member	N/A	November 2016	N/A	3/3
Mr. C. Terhoeven #	Chartered Accountant	External Member	N/A	October 2013	#October 2016	6/8
Mr. F. Xaba	BA Hons (Industrial Psychology)	External Member	N/A	May 2014	N/A	8/8

[^] Term expired on 31 October 2016

* Newly appointed Audit Committee member

#The Audit Committee term expired in October 2016 and the member was re-appointed

The Effectiveness of Internal Control

Our review of the findings of the Internal Audit work, which was based on the risk assessments conducted in the public entity revealed certain weaknesses, which were then raised with the public entity.

As at 31 March 2017, internal audit completed 78% of the approved Annual Audit Plan. The implementation rate of internal audit findings was 68.18% from the follow-up internal audits conducted in the period under review.

The Committee remains concerned about the slow progress on the implementation of management actions in the prior year to address audit findings and related risk associated with the Compensation Fund.

Internal Audit raised significant issues through internal audit reports. The following were areas of concern:

- Ineffective and inefficient Information Technology Systems Controls and Strategy;
- Inability to confirm the integrity, accuracy and reliability of Portfolio of Evidence for performance outputs;
- Lack of monthly reconciliation between the credit card (AMEX) and accounting records;

- Deficiencies in role matrix resulting in unauthorised access to the claim management system (Umehluko);
- Incorrect earnings and number of days used to calculate Permanent Disablement(PD) and Temporary Total Disablement (TTD) payments;
- Inadequate Performance Management and Monitoring;
- Lack of capacity and skills, especially in Financial Management;
- Poor contracts and records management;
- Inadequate action taken to minimize Irregular, fruitless and wasteful expenditure;
- Ineffective Supply Chain Management processes;
- Ineffective Revenue Management and Debt Collection;
- Non-compliance with laws, regulations, policies and contracts;
- No verification of Information submitted by switching houses on electronic claims resulting in processing/payment of possible invalid/fraudulent claims.
- Lack of segregation of duties resulting in possible errors and irregularities.
- Unjustifiable overpayments resulting in possible financial loss if not recovered.
- Integrity of data on uMehluko system resulting in continued negative audit outcome.
- Medical claims paid with payment dates coming before the invoice dates.
- Competencies not clearly completed on the performance development plans resulting in misalignment between training interventions and competency gaps.
- Inadequate document management resulting leakage/loss of confidential information.
- Possible financial losses due to failure to lodge a third party claims within the prescribed six months.

The Committee noted that the business environment in the Fund does not promote an effective and efficient culture, which has negative effects on the effectiveness and efficiency of Internal Audit Function. However, it is satisfied with the operations of internal audit function; and how it continues to provide assurance in relation to the risks pertinent to the Compensation Fund in its audits.

The Audit Committee has evaluated the risk management reports during its meetings and it is satisfied with the implementation of risk management processes in the Fund.

Based on all assurance reports presented to the Audit Committee, we can conclude that significant improvement is still required to improve the overall control environment of the Fund.

In-Year Management and Monthly/Quarterly Report

The public entity has reporting monthly and quarterly to the Treasury as is required by the PFMA. The Committee reviewed on quarterly basis the management Account and Performance Information report. Due to weaknesses in substantiating the figures reported the quarterly reports and the unreliable information from the system, the Committee is satisfied with the content and dissatisfied with the quality of quarterly reports.

The Committee will monitor the process of quarterly reports to ensure that there is improvement in the quality and reliability of performance information for the forthcoming financial year.

Evaluation of Financial Statements

We have reviewed the annual financial statements prepared by the public entity and recommended for approval with a disclaimer that the Annual Financial Statement be reviewed or revised to incorporate observation and comments of members and be supported by the necessary annexures and reconciliations.

Auditor's Report

We have reviewed the entity's implementation plan for audit issues raised in the prior year and concerned about the slow progress on the implementation of management actions in the prior year to address audit findings and related risk associated with the Compensation Fund.

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



Mr LED Hlatshwayo
Chairperson of the Audit Committee
Compensation Fund

PART D: HUMAN RESOURCE MANAGEMENT

28. INTRODUCTION

The primary purpose of the Directorate: Human Resource Management is to provide effective and efficient strategic human resources partnership by creating a healthy working environment through continuous service delivery.

During the year under review the following HR goals were set:

- Implement Recruitment and Retention Strategy through maintenance of 10% Vacancy rate
- Full compliance and implementation of the Performance Management Policy
- Strengthening human capacity through the implementation of 100% of training Programmes in the Workplace Skills Plan (WSP)
- Manage the Employee Health and Wellness (EHW) Strategy as well as the Gender, Disability and Youth of the Compensation Fund
- Manage employee relations of the Compensation Fund

The strategic workforce of the Compensation Fund was planned for by all Managers and it was integrated into each Directorate/Chief Directorate Work plan.

Compliance with the Department of Labour Performance Management system was communicated to the Compensation Fund staff throughout the year.

The Employee Health and Wellness Strategy was approved and implemented. The Gender, Disability and Youth programmes of the Compensation Fund were implemented and reports were produced.

The following achievements are seen as highlights

- The achievement of the 10.3% vacancy rate as at 31 March 2017 and the commitment by Management in filling vacant posts.
- Achievement of 50% target of the appointment of women at SMS level.
- The approval of the Compensation Fund Human Resource Plan which was forwarded to Head Office and communicated to all Managers.
- The Local Employment Equity Consultative Forum (LEECCF) was revived.
- The approval of the Employment Equity Plan of the Compensation Fund which was submitted to Head Office.
- The achievement of 92.9% submission the 2016/2017 performance agreements.
- 90% of staff has attended training interventions which were identified on their Personal Development Plans (PDP's).
- The Employee Health and Wellness Programmes as well as the Gender, Disability and Youth Programmes were achieved.
- The Compensation Fund has strived to improve services offered by the Employee Relations Sub-Directorate with the intention of harmonising the relationship between employees and Managers.

The following HR challenges were faced during the 2016/17 financial year:

- Achievement of the 2% target for the appointment of People with Disabilities (PWD).
- Slow response to the recruitment and selection process.

29. HUMAN RESOURCE OVERSIGHT STATISTICS

Table 36: Personnel Cost by Programme/ Activity/ Objective

Programme/ activity/ objective	Total Expenditure for the entity (R'000)	Personnel Expenditure (R'000)	Personnel Expenditure as a % of total expenditure	No. of employees	Average personnel cost per employee (R'000)
Compensation Fund	6 621 541	636 375	9.6%	623	1 021
TOTAL	6 621 541	636 375	9.6%	623	1 021

Table 37: Personnel Costs by Salary Band

Level	Personnel Expenditure (R'000)	% of total personnel cost (R'000)	No. of employees	Average personnel cost per employee (R'000)
Top Management (Level 15-16)	1 498	0.23	1	1 498
Senior Management (Level 13-14)	16 298	2.56	16	1019
Professional Skilled (Level 9-12)	98 805	15.53	97	1019
Skilled (Level 6-8)	299 471	47.06	294	1019
Semi-Skilled (Level 4-5)	205 375	32.27	200	1027
Unskilled (Level 2-3)	14 928	2.35	15	995
Total	636 375	100	623	1 021

Table 38: Performance Rewards

Salary bands	Personnel Expenditure (R'000)	Performance Reward (R'000)	% of Performance Rewards to total personnel cost (R'000)
Top Management (Level 15-16)	1 498	0	0.00
Senior Management (Level 13-14)	16 298	5	0.00
Professional Skilled (Level 9-12)	98 805	498	0.50
Skilled (Level 6-8)	299 471	4 433	1.48
Semi-Skilled (Level 4-5)	205 375	425	0.21
Unskilled (Level 2-3)	14 928	131	0.88
Total	636 375	5 492	1.01

Table 39 Training Cost

Programme/ activity/ objective	Personnel Expenditure (R'000)	Training Expenditure (R'000)	Training expenditure as a % of Personnel cost	No. of employees trained	Average training cost per employee
Top Management (Level 15-16)	1 498	0	0.00	0	0
Senior Management (Level 13-14)	16 298	482	0.08	91	5.3
Professional Skilled (Level 9-12)	98 805	1 307	0.21	253	5.2
Skilled (Level 6-8)	299 471	815	0.13	198	4.1
Semi-Skilled (Level 4-5)	205 375	381	0.06	104	3.7
Unskilled (Level 2-3)	14 928	288	0.05	87	3.3
Total	636 375	3 273	0.52	*733	4.5

**This is an intervention count and not a head count of officials*

Table 40: Employment and Vacancies

Programme/ activity/ objective	2015/2016 No of employees	2016/2017 Number of approved posts	2016/2017 No of employees	2016/2017 Vacancies	% of Vacancies
Programme 1: Administration	463	542	524	51	10
Programme 2: Compensation For Occupational Injuries And Diseases Act (1993) Operations	129	148	99	20	14
Programme 3: Provincial Operations: Compensation For Occupational Injuries And Diseases Act (1993)					
TOTAL	592	690	623	71	10.3

Table 41: Employment and Vacancies by Salary Band

Salary band	2015/2016 No of employees	2016/2017 Number of approved posts	2016/2017 No of employees	2016/2017 Vacancies	% of Vacancies
Top Management (Level 15-16)	0	1	1	0	0
Senior Management (Level 13-14)	12	19	13	3	15.8
Professional Skilled (Level 9-12)	90	116	107	19	16.4
Skilled (Level 6-8)	287	296	297	28	9.5
Semi-Skilled (Level 4-5)	190	230	200	21	9.2
Unskilled (Level 2-3)	13	34	14	0 ⁽³⁾	0
TOTAL	592	696 ⁽²⁾	623 ⁽¹⁾	71	10.3

¹ Six employees are additional to the establishment on permanent basis, which gives a total number of 623 employees for 2016/17.

² The total number on the column for approved posts is 696, which is inclusive of 6 additional posts to the total number of 690 approved posts.

³ 1 post at salary level 3 is occupied by an employee on salary level 6, hence there is no indication of a vacancy.

There are three vacant posts at SMS level, for which the recruitment and selection process is in progress. As at 31 March 2017, one post has been vacant for a period of three months and two for a period longer than six months due to re-advertisement emanating from lack of suitable pool of applicants.

It should be noted that due to the decentralisation process that occurred within the Compensation Fund, some of the employees are placed in the post either lower or above their salary levels (held out of adjustment) as reflected in the column for number of employees as at end of 2016/17 financial year. This was due to a minimal number of approved posts that matches the salary levels of the employees.

Table 42: Employment Changes for the period 1 April 2016 to 31 March 2017

Salary band	Employment at the beginning of the period	Appointments	Terminations	Employment at the end of the period
Top Management (Level 15-16)	0	1	0	1
Senior management (Level 13-14)	12	4	3	16 ⁽¹⁾
Professional skilled (Level 9-12)	90	12	5	97
Skilled (Level 6-8)	287	18	8	294 ⁽²⁾⁺⁽³⁾
Semi-skilled (Level 4-5)	190	13	3	200
Unskilled (Level 2-3)	13	1	0	15 ⁽³⁾
TOTAL	592	49	19	623

1. Three employees on SMS are additional to the establishment.
2. Three employees on level 6 - 8 are additional to the establishment.
3. Some of the employees are placed on post either above or below their salary levels due to the decentralisation process.

Table 43: Reasons Employees are Leaving as at 31 March 2017

Reason	Number	% of total no of staff leaving
Death	1	0,2
Resignation	10	1,6
Contract Resignation	9	1,5
Dismissals	0	0
Retirement	4	0,7
Ill health	1	0,2
Expiry of contract	50	8,1
Other (Transfers out of the Compensation Fund)	6	1,0
TOTAL	81	13

Retention Policy is applied as an effort to counter offer and retain employees leaving the CF. Recruitment and Selection process commence immediately upon failure to retain in order to fill the voids timeously.

Table 44: Labour Relations: Misconduct and Disciplinary Action

Nature of disciplinary Action	Number
Verbal Warning	0
Written Warning	4
Final Written Warning	23
Dismissal	0

Table 45: Equity Target and Employment Equity Status: Females as at 31 March 2017

Levels	MALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management (Level 15-16)	1		0		0		0	
Senior Management (Level 13-14)	7		0		1		0	
Professional Skilled (Level 9-12)	45		0		0		1	
Skilled (Level 6-8)	89		1		3		4	
Semi-Skilled (Level 4-5)	87		2		1		2	
Unskilled (Level 2-3)	16		0		0		0	
TOTAL	245		3		5		7	

Table 46: Equity Target and Employment Equity Status: Females as at 31 March 2017

Levels	FEMALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management (Level 15-16)	0		0		0		0	
Senior Management (Level 13-14)	8		0		0		0	
Professional Skilled (Level 9-12)	48		0		0		3	
Skilled (Level 6-8)	141		7		0		22	
Semi-Skilled (Level 4-5)	105		7		0		5	
Unskilled (Level 2-3)	17		0		0		0	
TOTAL	319		14		0		30	

Table 47: Employment equity: People with disabilities as at 31 March 2017

Levels	Disabled Staff			
	Male		Female	
	Current	Target	Current	Target
Top Management (Level 15-16)	0		0	
Senior Management (Level 13-14)	1		0	
Professional Skilled (Level 9-12)	3		0	
Skilled (Level 6-8)	1		0	
Semi-Skilled (Level 4-5)	1		1	
Unskilled (Level 2-3)	0		0	
TOTAL	6		1	

The CF is guided by the Cabinet Committee's decision, in line with the delivery agreement, to retain 2% minimum employment equity target for the employment of PWDs at all salary levels. There is variance of 0.8% as at the reporting period, between the target (2%) and the current target (1.2%).

GENERAL INFORMATION

Country of incorporation and domicile	South Africa
Legal form of entity	The Compensation Fund is in terms of section 48 of the PFMA (act 1 of 1999), classified as a schedule 3, "National Public Entity"
Nature of business and principal activities	To provide compensation under the Compensation for Occupational Injuries and Disease Act 130 of 1998 for disablement caused by occupational injuries or diseases sustained or contracted by workers, or death resulting from such injuries and diseases, and provide for matters connected therewith.
Business address	Cnr. Hamilton and Soutpansberg RD Arcadia 0007
Bankers	ABSA ABSA Towers, 15 Troy Street, Johannesburg , 2001
Auditors	Auditor General of South Africa

REPORT OF THE AUDITOR GENERAL

INDEPENDENT AUDITOR'S REPORT TO PARLIAMENT ON COMPENSATION FUND

Report on the audit of the financial statements

Disclaimer of opinion

1. was engaged to audit the financial statements of the Compensation Fund set out on pages 70 to 130, which comprise the statement of financial position as at 31 March 2017, the statement of financial performance, statement of changes in net assets, and cash flow statement and statement of comparison of budget information with actual information for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. I do not express an opinion on the financial statements of the public entity. Because of the significance of the matters described in the basis for disclaimer of opinion section of our report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for disclaimer of opinion

Revenue and receivables from non-exchange transactions

3. I was unable to obtain sufficient appropriate audit evidence for revenue from non-exchange transactions and receivables from non-exchange transactions as the entity did not have processes in place to ensure that all employers were assessed in terms of Compensation for Occupational Injuries and Diseases Act (COIDA). Furthermore, management did not maintain proper accounting records and adequate controls over assessment of revenue and debtors. This resulted in revenue being incorrectly recorded and payments received from debtors not being posted in the correct period for the current and prior years. In addition, the entity could not provide sufficient evidence to support unallocated receipts. The entity's records did not permit the application of adequate alternative auditing procedures regarding revenue and receivables from non-exchange transactions. Consequently, I was unable to determine whether any adjustments were necessary to:
 - Revenue from non-exchange transactions stated at R9,250 billion (2016: R7,677 billion) and
 - Receivables from non-exchange transactions stated at R6,001 billion (2016: R3,353 billion) in the financial statements.
4. The limitations indicated above also have an impact on the debt impairment stated at R44,753 million (2016: R600,796 million) in the financial statements.

Receivables from exchange transactions and administrative contributions by exempted employers

5. Management did not implement adequate internal controls to maintain records of revenue from exchange transactions. I was therefore unable to obtain sufficient appropriate audit evidence to substantiate whether management had correctly accounted for all administrative contributions by exempted employers in accordance with GRAP 9, Revenue from exchange transactions, for the current and prior year. The entity's records did not permit the application of adequate alternative audit procedures in this regard. Consequently, I was unable to determine whether any adjustments to administrative contributions by exempted employers stated at R32,001 million (2016: R33,019 million) and receivables from exchange transactions stated at R181,954 million (2016: R177,084 million) in the financial statements were necessary.

Benefits

6. Management did not implement adequate internal controls to maintain records of benefits. I was therefore unable to obtain sufficient appropriate audit evidence to substantiate whether management had correctly accounted for all claims in the current and prior year. The entity's records did not permit the application of adequate alternative audit procedures regarding benefits paid. As a consequence, I was unable to determine whether any adjustments to benefits paid stated at R5,526 billion (2016: R7,909 billion) in the financial statements were necessary.
7. The limitations indicated above also have an impact on the capitalised value for pensions stated in the annual financial statements as follows:
 - Non-current liability R20.656 billion (2016: R19.742 billion)
 - Current liability R1.100 billion (2016: R1.042 billion)

Provision for outstanding claims

8. I was unable to obtain sufficient appropriate audit evidence for the provision for outstanding claims. Management did not implement effective systems of internal control to maintain proper accounting records and information relating to the movement in the provision for outstanding claims resulting from payments and the measurement of estimates in accordance with GRAP 19, Provisions, Contingent liabilities and contingent assets. Therefore, I could not confirm, by any alternative means, whether any adjustments were necessary to the provision for outstanding claims stated in the annual financial statements as follows:
 - Non-current liability R6,245 billion (2016: R6,967 billion)
 - Current liability R3,878 billion (2016: R4,093 billion)

Current and non-current Investments

9. The entity did not account for investments as subsidiary and associates where control and significant influence could be demonstrated, in accordance with GRAP 6, Consolidated and Separate Financial Statements and GRAP 7, Investments in Associates. The entity has a number of investments that constitute a subsidiary and associates, which were accounted for as investments at fair value. The entity's records did not permit the application of adequate alternative audit procedures regarding investments. As a consequence, I was unable to determine whether adjustments were necessary to the Investments stated in the annual financial statements as follows:
 - Non-current investments R35.348 billion (2016: R37.612 billion)
 - Current investments R20.109 billion (2016: R13.773 billion)
 - Investment in associates R80,039 million (2016: R85,603 million)
 - Fair value adjustments R200,182 million (2016: 3,265 billion)

Payables from exchange transaction

10. I was unable to obtain sufficient appropriate audit evidence to substantiate whether management had correctly accounted for all payables from exchange transactions for the current and prior year, as management did not have adequate internal controls to maintain records of payables from exchange transactions. The entity's records did not permit the application of adequate alternative audit procedures in this regard. As a consequence, I was unable to determine whether any adjustments to payables from exchange transactions stated at R641.245 million (2016: R847.948 million) in the financial statements were necessary.

REPORT OF THE AUDITOR GENERAL

INDEPENDENT AUDITOR'S REPORT TO PARLIAMENT ON COMPENSATION FUND

Payables from non-exchange transactions

11. I was unable to obtain sufficient appropriate audit evidence to substantiate whether management had correctly accounted for all payables from non-exchange transactions for the current and prior year, as management did not have adequate internal controls to maintain records of payables from non-exchange transactions. The entity's records did not permit the application of adequate alternative audit procedures in this regard. As a consequence, I was unable to determine whether any adjustment was required to payables from non-exchange transactions stated at R530.091 million (2016: R530,102 million).

Prior Period errors

12. The entity did not provide adequate records in respect of prior period errors reported. Therefore, I was unable to obtain sufficient appropriate audit evidence to substantiate the amount disclosed as prior period errors. I could not confirm by any alternative means whether any adjustments were necessary to prior period errors disclosed in note 30 to the financial statements.

Related Party

13. The entity did not provide adequate records in respect of related parties disclosed. Therefore I was unable to obtain sufficient appropriate evidence to substantiate the amount disclosed as related party. I could not confirm by any alternative means whether any adjustments were necessary to related party disclosed in note 28 to the financial statements.

Contingencies

14. I was unable to obtain sufficient appropriate audit evidence for the amount disclosed as contingencies in note 27, as the entity did not maintain adequate internal controls to maintain accounting records in respect of contingencies. The entity's records did not permit the application of adequate alternative audit procedures in this regard. As a consequence, I was unable to determine whether any adjustments were necessary to contingencies stated at R349 million (2016: R310 million).

Irregular expenditure

15. I was unable to obtain sufficient appropriate audit evidence to confirm the irregular expenditure included in the notes to the financial statements for both the current and prior year, as sufficient appropriate evidence was not provided. . The entity's records did not permit the application of adequate alternative audit procedures in this regard. Therefore, I was unable to determine whether any adjustment was necessary to the irregular expenditure stated at R762,423 million (2016: R1,016 billion) in the financial statements.

Employee related costs

16. During 2016, I was unable to obtain sufficient appropriate audit evidence for employee related costs and to confirm the expenditure by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to employee related costs stated at R501.302 million. My audit opinion on the financial statements for the period ended 31 March 2016 was modified accordingly. My opinion on the current year financial statements was also modified because of the possible effect of this matter on the comparability of the operating expenditure for the current period.

Emphasis of matters

17. I draw attention to the matters below. My opinion is not modified in respect of these matters.

REPORT OF THE AUDITOR GENERAL

INDEPENDENT AUDITOR'S REPORT TO PARLIAMENT ON COMPENSATION FUND

Restatement of corresponding figures

18. As disclosed in note 30 to the financial statements, the corresponding figures for 31 March 2016 have been restated as a result of errors in the financial statements of the entity at, and for the year ended, 31 March 2017.

Material losses

19. As disclosed in note 37 to the financial statements, material losses to the amount of R 39.826 million were reported as a result of losses through criminal conduct.

Impairments – debtors

20. As disclosed in note 4 to the financial statements, material losses to the amount of R 2,422 billion were incurred as a result of a write-off of irrecoverable debtors

Irregular expenditure

21. As disclosed in note 36 to the financial statements, irregular expenditure to the amount of R762.423 million that was incurred in the previous years was still under investigation.

Responsibilities of the accounting authority for the financial statements

22. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with the South African Standards of General Recognised Accounting Practice (SA Standard of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) and Compensation for Occupational Injuries and Diseases Act of South Africa, 1993 (Act No. 130 of 1993) (COIDA), 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.

23. In preparing the financial statements, the accounting authority is responsible for assessing the Compensation Fund ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless there is an intention either to liquidate the public entity or to cease operations, or there is no realistic alternative but to do so.

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

24. My responsibility is to conduct an audit of the financial statements in accordance with International Standards on Auditing and to issue an auditor's report. However, because of the matters described in the basis for disclaimer of opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

25. I am independent of the entity in accordance with the International Ethics Standards Board for Accountants' Code of ethics for professional accountants (IESBA code) together with the ethical requirements that are relevant to my audit of the financial statements in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.

REPORT OF THE AUDITOR GENERAL

INDEPENDENT AUDITOR'S REPORT TO PARLIAMENT ON COMPENSATION FUND

Introduction and scope

26. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
27. My procedures address the reported performance information, which must be based on the approved performance planning documents of the public entity. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
28. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programmes presented in the annual performance report of the public entity for the year ended 31 March 2017:

Programmes	Pages in the annual performance report
Programme 1: Administration	22 - 26
Programme 2: Compensation for Occupational Diseases and Injuries (1993) Operations	26 - 28
Programme 3: Provincial operations: Compensation for Occupational Injuries and Diseases Act (1993)	28 - 31

29. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
30. The material findings in respect of the usefulness and reliability of the selected programmes are as follows:

Programme 2: Compensation for Occupational Diseases and Injuries (1993) Operations

Indicator: Percentage of Authorised claims paid within 5 working days

31. I was unable to obtain sufficient appropriate audit evidence for the reported achievement of the target on the percentage of authorised claims paid within 5 working days. This was due to inadequate technical indicator descriptions that predetermined how the achievement would be measured, monitored and reported, as required by the Framework for managing programme performance information. I was unable to confirm that the reported achievement of this indicator was reliable by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievement of 95% approved benefits paid within 5 working days.

REPORT OF THE AUDITOR GENERAL

INDEPENDENT AUDITOR'S REPORT TO PARLIAMENT ON COMPENSATION FUND

Programme 3: Provincial operations: Compensation for Occupational Injuries and Diseases Act (1993)

Indicator: Percentage of reported compensation benefits approved for payment in the current financial year

32. I was unable to obtain sufficient appropriate audit evidence for the reported achievement of the target on the percentage of reported compensation benefits approved for payment in the current financial year. This was due to inadequate technical indicator descriptions that predetermined how the achievement would be measured, monitored and reported, as required by the Framework for managing programme performance information. I was unable to confirm that the reported achievement of this indicator was reliable by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievement of 94% reported compensation benefits approved for payment in the current financial year.

Various Indicators

33. I was unable to obtain sufficient appropriate audit evidence for the reported achievements of the targets listed below. Furthermore the source information for the achievements of these planned indicators was not clearly defined, as required by the Framework for Managing Programme Performance Information (FMPPi). I was unable to confirm that the reported achievements of these indicators were reliable by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievements.

Indicator	Reported achievement
Percentage of approved medical invoices for payment in the current year	92%
Percentage of medical claims finalised within 60 working days of receiving invoice	89%

Other matters

34. I draw attention to the matters below:

Achievement of planned targets

35. Refer to the annual performance report on pages 22 to 31 for information on the achievement of planned targets for the year and explanations provided for the under/overachievement of a number of targets.

Adjustment of material misstatements

36. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of Programme 1: Administration, Programme 2: Compensation for Occupational Diseases and Injuries (1993) Operations and Programme 3: Provincial operations: Compensation for Occupational Injuries and Diseases Act (1993). As management subsequently corrected only some of the misstatements, I reported material findings on the usefulness and reliability of the reported performance information.

REPORT OF THE AUDITOR GENERAL

INDEPENDENT AUDITOR'S REPORT TO PARLIAMENT ON COMPENSATION FUND

Report on audit of compliance with legislation

Introduction and scope

37. In accordance with the PAA and the general notice issued in terms thereof I have a responsibility to report material findings on the compliance of the public entity with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

38. The material findings in respect of the compliance criteria for the applicable subject matters are as follows:

Financial statements

39. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework and supported by full and proper records as required by section 55(1)(a) and (b) of the PFMA. Material misstatements identified by the auditors in the submitted financial statements were not adequately corrected and the supporting records could not be provided subsequently, which resulted in the financial statements receiving a disclaimer audit opinion.

Revenue management

40. Effective and appropriate steps were not taken to collect all money due, as required by section 51(1)(b)(i) of the Public Finance Management Act and Treasury Regulations 31.1.2(a) and 31.1.2(e).

Expenditure management

41. Effective steps were not taken to prevent irregular expenditure, as required by section 51(1)(b)(ii) of the PFMA. The expenditure disclosed does not reflect the full extent of the irregular expenditure incurred as indicated in the basis for qualification paragraph.

42. Effective steps were not taken to prevent fruitless and wasteful expenditure, as required by section 51(1)(b)(ii) of the PFMA. The expenditure disclosed does not reflect the full extent of the fruitless and wasteful expenditure incurred as indicated in the basis for qualification paragraph.

Claims and payables management

43. The accounting authority did not maintain an effective control environment to accept, adjudicate, and make payments to the injured as required by section 22 and 29 of COIDA.

Consequence management

44. Disciplinary steps were not taken against officials who had incurred or permitted irregular expenditure amounting to R 762 423 million and or fruitless and wasteful expenditure amounting to R436 114 million, as required by section 51(1)(e)(iii) of the PFMA.

45. Disciplinary hearings were not held for confirmed cases of financial misconduct committed by officials, as required by treasury regulation 33.1.1.

Internal control deficiencies

46. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance thereon.

REPORT OF THE AUDITOR GENERAL

INDEPENDENT AUDITOR'S REPORT TO PARLIAMENT ON COMPENSATION FUND

The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for disclaimer of opinion, the findings on the annual performance report and the findings on compliance with legislation included in this report.

Leadership

47. Management did not hold officials accountable for the implementation and monitoring of the action plan to address audit findings from prior years. This resulted in the recurrence of numerous findings reported in prior years.
48. The entity lack sufficient adequately qualified and skilled people to support senior management and the operation. As a result corrective action were not carried out or inappropriately performed, thus minimal progress in addressing prior year audit findings.

Financial and performance management

49. The fund did not have a proper system of record management that provided for the maintenance of information to support revenue management, expenditure management as well as financial and performance reporting. This included information relating to supporting documentation for prior year misstatements, claims, payables, and impairment calculations.

Other reports

50. I draw attention to the following engagements conducted by various parties that had, or could have, an impact on the matters reported in the public entity's financial statements, reported performance information, compliance with applicable legislation and other related matters. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.

Investigations

51. The Special Investigation Unit investigated an allegation of financial misconduct at the request of the minister. This is a further investigation based on the outcome by an independent consulting firm relating to the allegation of financial misconduct involving previous key officials. The investigation has been completed, but the report has not been finalised yet.
52. A total of 152 financial misconduct cases were investigated during the year under review, 119 of which were still in progress and 33 of which had been completed but without proper investigation.
53. A total of 135 fraud-related cases were also under investigation during the year, 49 of which had been completed, 7 of which were in a reporting stage, 67 of which were ongoing, and 12 of which that had not yet been started. Some of the cases where investigations had been completed were referred to the South African Police Service.

Auditor - General

Pretoria

31 July 2017



PART E: FINANCIAL INFORMATION

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

Index	Page
Statement of Financial Position as at 31 March 2017	70
Statement of Financial Performance for the year ending 31 March 2017	72
Statement of Changes in Net Assets for the year ending 31 March 2017	73
Cash Flow Statement for the year ending 31 March 2017	74
Statement of Comparison of Budget and Actual Amounts for the year ending 31 March 2017	75
Accounting Policies	79 - 96
Notes to the Annual Financial Statements for the year ended 31 March 2017	97 - 130

The financial statements set out on pages 70 to 130, which have been prepared on the going concern basis, were approved by the Director General on 31 May 2017.

PART E: FINANCIAL INFORMATION

Annual Financial Statements for the year ended 31 March 2017

Statement of Financial Position as at 31 March 2017

	Note(s)	2017 R '000	2016 Restated* R '000
Assets			
Current Assets			
Inventories	3	1,787	2,416
Investment	2	20,109,061	13,773,738
Receivables from exchange transactions	5	181,954	177,084
Receivables from non exchange transactions	4	6,001,259	3,353,049
Prepayments		3,800	939
Cash and cash equivalents	6	588,841	87,398
		26,886,702	17,394,624
Non Current Assets			
Investment property	7	8,000	8,300
Property, plant and equipment	8	129,737	133,237
Intangible assets	9	103,348	8,437
Investments in associates	40	80,039	85,603
Investment	2	35,348,306	37,612,880
		35,669,430	37,848,457
Non Current Assets		35,669,430	37,848,457
Current Assets		26,886,702	17,394,624
Total Assets		62,556,132	55,243,081
Liabilities			
Current Liabilities			
Finance lease obligation	10	707	1,294
Payables from exchange transactions	12	641,245	847,948
Payable from non exchange transactions	11	530,091	530,102
Capitalised value for pensions	14	1,100,001	1,042,000
Provision for outstanding claims	16	3,878,000	4,093,000
Accruals	13	95,270	453,644
		6,245,314	6,967,988
Non Current Liabilities			
Finance lease obligation	10	668	424
Capitalised value for pensions	14	20,656,999	19,742,000
Provisions for outstanding claims	16	8,494,000	7,987,000
		29,151,667	27,729,424
Non Current Liabilities		29,151,667	27,729,424
Current Liabilities		6,245,314	6,967,988
Total Liabilities		35,396,981	34,697,412
Assets		62,556,132	55,243,081
Liabilities		(35,396,981)	(34,697,412)
Net Assets		27,159,151	20,545,669

*See Note 39&30

PART E: FINANCIAL INFORMATION

Annual Financial Statements for the year ended 31 March 2017

Statement of Financial Position as at 31 March 2017

	Note(s)	2017 R '000	2016 Restated* R '000
Reserves			
Revaluation reserve	15	102,441	102,441
Unclaimed monies		97,557	61,463
Accumulated surplus		26,959,153	20,381,765
Total Net Assets		27,159,151	20,545,669

*See Note 39&30

PART E: FINANCIAL INFORMATION

Annual Financial Statements for the year ended 31 March 2017

Statement of Financial Performance for the year ending 31 March 2017

	Note(s)	2017 R '000	2016 Restated* R '000
Revenue			
Revenue from exchange transactions			
Rental of facilities and equipment	17	1,367	2,166
Miscellaneous income	17	-	27
Administrative contributions by exempted employers (S88)	17	32,001	33,019
Interest received	21	3,762,128	3,423,125
Dividends received	21	368,654	300,561
Total revenue from exchange transactions		4,164,150	3,758,898
Revenue from non exchange transactions			
Contribution revenue			
Contributions by employer	17	8,852,341	7,566,935
Penalties on late submission of ROE's	17	370,371	104,929
Transfer revenue			
Recoveries from third parties		27,351	5,978
Total revenue from non exchange transactions		9,250,063	7,677,842
Total revenue from exchange transactions		4,164,150	3,758,898
Total revenue from non exchange transactions		9,250,063	7,677,842
Total revenue		13,414,213	11,436,740
Expenditure			
Employee related costs	19	(636,375)	(501,302)
Depreciation and amortisation	8&9	(10,264)	(12,351)
Reversal of impairments/ (Impairment loss) of Investment in Associates	40	10,635	(10,635)
Finance costs	22	(238)	(5,793)
Lease rentals on operating lease		(87,648)	(68,646)
Debt Impairment	20	(44,753)	(600,796)
Repairs and maintenance		(6,337)	(1,922)
Benefits	18	(5,526,309)	(7,909,975)
General expenses	23	(320,252)	(656,371)
Total expenditure		(6,621,541)	(9,767,791)
Total revenue		13,414,213	11,436,740
Total expenditure		(6,621,541)	(9,767,791)
Operating surplus		6,792,672	1,668,949
Loss on disposal of assets		(58)	(14)
Fair value adjustments	24	(200,182)	(3,265,511)
Share of deficits or surpluses from associates		(15,044)	2,284
Surplus (deficit) for the year		6,577,388	(1,594,292)

*See Note 39&30

PART E: FINANCIAL INFORMATION
Annual Financial Statements for the year ended 31 March 2017

Statement of Changes in Net Assets for the year ending 31 March 2017

	Revaluation reserve R '000	Unclaimed Monies R '000	Total reserves R '000	Accumulated surplus R '000	Total net assets R '000
Opening balance as previously reported	102,441	52,110	154,551	23,061,223	23,215,774
Adjustments					
Correction of prior period errors	-	-	-	(1,085,166)	(1,085,166)
Balance at 01 April 2015 as restated*	102,441	52,110	154,551	21,978,067	22,130,608
Changes in net assets					
Deficit for the year	-	-	-	(1,594,292)	(1,594,292)
Transfer to Unclaimed monies	-	9,353	9,353	-	9,353
Total changes	-	9,353	9,353	(1,594,292)	(1,584,939)
Balance at 01 April 2016 as restated*	102,441	61,463	163,904	20,381,765	20,545,669
Changes in net assets					
Surplus for the year	-	-	-	6,577,388	6,577,388
Transfer to Unclaimed monies	-	36,094	36,094	-	36,094
Total changes	-	36,094	36,094	6,577,388	6,613,482
Balance at 31 March 2017	102,441	97,557	199,998	26,959,153	27,159,151

Note(s)

15

*See Note 39&30

Cash Flow Statement for the year ending 31 March 2017

	Note(s)	2017 R '000	2016 Restated* R '000
Cash flows from operating activities			
Receipts			
Receipts from non exchange transactions		6,375,952	5,880,863
Rental facilities and equipment		1,367	2,167
Interest income		110,523	24,878
Other Income		30,319	34,497
		<u>6,518,161</u>	<u>5,942,405</u>
Payments			
Payments to suppliers and employees		(1,352,967)	(763,001)
Finance costs		(238)	(5,793)
Benefits		(4,261,374)	(3,707,233)
		<u>(5,614,579)</u>	<u>(4,476,027)</u>
Total receipts		6,518,161	5,942,405
Total payments		(5,614,579)	(4,476,027)
Net cash flows from operating activities	25	903,582	1,466,378
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(1,625)	(1,887)
Proceeds from sale of property, plant and equipment	8	16	26
Purchase of other intangible assets	9	(100,187)	-
Net outflow of investments		(300,000)	(1,410,000)
Net cash flows from investing activities		(401,796)	(1,411,861)
Cash flows from financing activities			
Finance lease payments		(343)	(2,673)
Net increase in cash and cash equivalents		501,443	51,844
Cash and cash equivalents at the beginning of the year		87,398	35,554
Cash and cash equivalents at the end of the year	6	588,841	87,398

*See Note 39&30

PART E: FINANCIAL INFORMATION

Annual Financial Statements for the year ended 31 March 2017

Statement of Comparison of Budget and Actual Amounts for the year ending 31 March 2017

	Approved Budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
		R '000	R '000	R '000	R '000	
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Administration contribution by exempted employer s88	20,000	-	20,000	32,001	12,001	
Rental of facilities and equipment	3,976	-	3,976	1,367	(2,609)	
Interest received - investment	4,808,172	-	4,808,172	3,762,128	(1,046,044)	2
Dividends received	809,210	-	809,210	368,654	(440,556)	3
Total revenue from exchange transactions	5,641,358	-	5,641,358	4,164,150	(1,477,208)	
Revenue from non-exchange transactions						
Revenue						
Contributions by employer	8,244,605	-	8,244,605	8,852,341	607,736	1
Penalties on late submission of ROE's	1,048	-	1,048	370,371	369,323	4
Transfer revenue						
Recoveries third party	-	-	-	27,351	27,351	
Total revenue from non-exchange transactions	8,245,653	-	8,245,653	9,250,063	1,004,410	
'Total revenue from exchange transactions'	5,641,358	-	5,641,358	4,164,150	(1,477,208)	
'Total revenue from non-exchange transactions'	8,245,653	-	8,245,653	9,250,063	1,004,410	
Total revenue	13,887,011	-	13,887,011	13,414,213	(472,798)	
Expenditure						
Employee costs	(512,806)	(120,000)	(632,806)	(636,375)	(3,569)	
ICT	(101,743)	-	(101,743)	(61,043)	40,700	10
Depreciation and amortisation	-	(26,234)	(26,234)	(10,264)	15,970	
Consultants and professional fees	(98,923)	-	(98,923)	(41,518)	57,405	
Finance costs	-	-	-	(238)	(238)	8
Lease rentals on operating lease	(46,180)	(101,766)	(147,946)	(87,648)	60,298	5
Impairment	-	-	-	(44,753)	(44,753)	13
Travel and subsistence	(38,790)	-	(38,790)	(30,151)	8,639	11
Repairs and maintenance	(10,097)	-	(10,097)	(6,337)	3,760	6
Investment management fees	(44,000)	-	(44,000)	(70,978)	(26,978)	9
Benefits	(4,075,745)	(4,746,137)	(8,821,882)	(5,526,309)	3,295,573	7
General Expenses	(235,505)	(5,863)	(241,368)	(116,562)	124,806	12
Reversal of impairment in associates	-	-	-	(10,635)	10,635	
Total expenditure	(5,163,789)	(5,000,000)	(10,163,789)	(6,621,541)	3,542,248	

PART E: FINANCIAL INFORMATION
Annual Financial Statements for the year ended 31 March 2017

Statement of Comparison of Budget and Actual Amounts for the year ending 31 March 2017

	Approved Budget	Adjustments R '000	Final Budget R '000	Actual amounts on comparable basis R '000	Difference between final budget and actual R '000	Reference
	13,887,011	-	13,887,011	13,414,213	(472,798)	
	(5,163,789)	(5,000,000)	(10,163,789)	(6,621,541)	3,542,248	
Operating surplus	8,723,222	(5,000,000)	3,723,222	6,792,672	3,069,450	
Loss on disposal of assets and liabilities	-	-	-	(58)	(58)	
Fair value adjustments	4,529,866	-	4,529,866	(200,182)	(4,730,048)	
Share of surpluses or deficits from associates	-	-	-	(15,044)	(15,044)	
	4,529,866	-	4,529,866	(215,284)	(4,745,150)	
Surplus for the year	13,253,088	(5,000,000)	8,253,088	6,577,388	(1,675,700)	
Capital budget	(12,700)		(12,700)	(101,812)	(89,112)	14
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	13,240,388	(5,000,000)	8,240,388	6,475,576	(1,764,812)	

Budget Explanations:

1. Contribution by Employer

The increase is result of implementation of estimation policy.

2. Investment Income

Interest on investments is below budget due to financial market conditions as a result of low economic growth environment and average bond yields remaining flat in the current financial year.

3. Dividends Received

Dividends are below budget as companies declared less income than was expected in the current low economic growth environment and as result of the equity allocation remaining flat.

4. Penalties on late Submission

The variance is as result of increase in non compliance which correlates with increase in estimated ROE.

5. Lease Rentals and Operating Lease

The over spending on the budget is due to the decentralisation of processing centres and on-line services.

The under budgeting was due to the backdrop that the Fund would be relocating to ABSA building as it was clear that the Fund should vacate the Compensation House as a matter of urgency, the move didn't materialise due to unforeseen circumstances. It was envisaged that almost R50 million should be made available for rental and other logistics relating to relocation.

6. Repairs and Maintenance

The underexpenditure was due to the fact that the Fund intended to renovate Compensation House, over R10 million was put aside to renovate the Compensation House after the move to ABSA building, but since the move was halted, the envisaged repairs didn't happen. Only repairs that where necessary for day to day did happen. Due to unforeseen circumstances the project did not kick-off the ground. The fund will engage the PIC through its property management division to renovate the building.

7. Benefits

The over expenditure is due to the actuarial valuation that was done at year end for the provision of outstanding claims and the increase in medical expenditure paid out. The reason for the under-recovery is due to the outstanding actuarial valuation that is due in the 13th period. Once that is passed in the SAP system the expenditure will be within acceptable limits.

8. Finance Costs

Management didn't budget for interest as it would be like budgeting for failure, all the interest was due to the court orders. The Fund is really trying to pay all invoices within the prescribed time. Management cannot budget for fruitless and wasteful expenditure.

9. Investment Management Fees

Investment Management fees are above budget as a result of increase in Social Responsible Investments, these fees are incurred on committed investments for new projects and on-going fees. During the financial year there was an increase in the balance of these investments.

10. ICT

The over expenditure was due to the R90 million that the Fund had to pay for the SAP licences.

11. Travel and Subsistence

Due to the austerity (cost Containment) measures that were imposed by National Treasury, the Fund tried hard to ensure that only crucial travelling is done only by top management. Budgeting was done due to the nature of the Fund's business in that also Provinces are to be catered for, however again due to austerity (cost Containment) measures DoL put a halt on travelling of other officials. Only where it was critical the travelling was allowed.

12. General Expense

Most of the under expenditure was due to the austerity (cost Containment) that National Treasury imposed.

13. Impairment Expenditure

The impairment variance is due change in accounting estimate and writing off interest and penalty.

14. Capital Expenditure

The underexpenditure was due to the fact that the Fund intended to renovate Compensation House. Due to unforeseen circumstances the project did not kick-off the ground. The fund will engage the PIC through its property management division to renovate the building.

PART E: FINANCIAL INFORMATION

Annual Financial Statements for the year ended 31 March 2017

Accounting Policies

1. Presentation of Financial Statements

The 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 55(1)(b)(c) of the Public Finance Management Act (Act 1 of 1999).

1.1 Basis of Presentation

These financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, except for the measurement of certain financial instruments at fair value less at the point of sale costs, and incorporate the principal accounting policies specified otherwise.

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

The principal accounting policies, applied in the preparation of these annual financial statements, are set out below. These accounting policies are consistent with those applied in the preparation of the prior year annual financial statements, unless specified otherwise. Details of any changes in the accounting policies are provided in the note on changes in accounting policies. A summary of the significant accounting policies of these financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.2 Presentation currency

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

1.3 Going concern assumption

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

1.4 Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results in the future could differ from these estimates which may be material to the financial statements. Significant judgements include:

1.4.1 Provision for outstanding claims

Liabilities for unpaid claims are calculated based on the long term trend of annual claim payments. The long term trend is achieved by grouping claims paid in each of the previous ten financial years according to the year of the accident or diagnosis of the disease and the number of years until the payment is made. The fund makes an allowance for short term factors and future claims inflations to project the likely incidence of future claim payments. Furthermore, a 'tail factor' is applied to the results to reflect the fact that the claim data contains claim payments in respect of accidents that occurred ten or more years ago. Additional disclosure of these estimates of provisions are included in note - Provision for outstanding claims.

PART E: FINANCIAL INFORMATION

Annual Financial Statements for the year ended 31 March 2017

Accounting Policies

1.4.2 Capitalised value of pensions

Annually the entity through its actuaries determine the actuarially technical liability that should be kept aside for all the existing pensioners in order to ensure that there will be adequate reserves invested at the PIC. This will ensure that all pensioners including those of the spouses and children will be paid for their entire natural life.

The assumption to determine the natural life is based on the factors that will be catered for in note 14.

1.4.3. Liability adequacy test in respect of claims benefits

Contracts under which the Fund accepts significant insurance risk from another party (the claimant), by agreeing to compensate the claimant for a specified uncertain future event (the insurable event) which affects the claimant adversely and are classified as insurance contracts. The Fund accepts insurance risk as it is mandated by legislation to compensate victims of work related accidents for injuries suffered.

1.4.4. Allowance for doubtful debts

On debtors, an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition. It is the policy of the Fund to impair all debtors that are over 180 days unless:

- The debtor is on installment plan and has not breached the terms.
- The debtor is blocked or is an estate debtor in which case these are impaired 100%.

1.4.5. Provision for assessments not raised

Where employer assessments have not been finalised and the ROE remains open, the Fund makes an estimate of assessments revenue due from the employers. These estimates relate to assessments that could not be finalised or were not part of the mass estimation provided by COIDA. The estimate is based on the most recent assessments recognised in the previous four years with the fifth year being used as a base. Impaired, blocked and inactive employers are excluded from the estimate.

ROEs remain open due to, amongst other things:

Incomplete Audit exceptions

Couldn't be estimated because the last final earnings have been declared ;

Couldn't be estimated because the the previous declaration was assessed as **Zero earnings**.

This provision is revised on an annual basis to take into account employers that subsequently submitted their ROE's. Where an employer was included in the prior year provision subsequently submit the ROE, the corresponding invoice is adjusted against this provision to the extent of the provision amount:

Where the subsequent invoice is less than the amount provided, the corresponding shortfall is treated as a change in accounting estimate and adjusted against the current revenue.

PART E: FINANCIAL INFORMATION

Annual Financial Statements for the year ended 31 March 2017

Accounting Policies

1.4.5. Provision for assessments not raised (continued)

Where the subsequent invoice exceeds the amount provided, the difference is adjusted against revenue as a change in estimate.

Minimum assessment for that particular year is also applied where ROEs have remained open during the four year estimation years.

1.4.6. Accrual for Accumulated Leave and Service Bonus

The cost of all short term employee benefits is recognised during the period in which the employee renders related services. Employee entitlements are recognised when they accrue to employees. An accrual is recognised for the estimated liability as a result of services rendered by employees up to the reporting date. Accruals relating to employee benefits include annual leave, capped leave and a thirteenth cheque.

1.4.7. Claims Incurred

Claims incurred comprise the total estimated cost of claims that have occurred in the year and for which the Fund is responsible, whether or not reported by the end of the year. Claims and loss adjustment expenses are charged to surplus or deficit as incurred, based on the estimated liability for compensation. The Fund does not discount its liabilities for unpaid claims. Liabilities for unpaid claims are calculated based on an estimated average cost per claim for each underwriting year. The incurred but not reported claims ("IBNR") are based on estimated unreported claims as calculated by the actuaries. The average cost per claim is based on the actual claims paid and awards made, and estimated outstanding costs (based on the latest and most reliable information available), and the number of claims registered.

1.5 Investment Property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

PART E: FINANCIAL INFORMATION

Annual Financial Statements for the year ended 31 March 2017

Accounting Policies

Investment Property (continued)

1.5.1 Fair Value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

The fair value is determined annually by an independent valuer.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

1.6 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

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

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

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

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

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

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for building which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses and is carried at revalued amount being fair value at the date of revaluation and is not depreciated.

PART E: FINANCIAL INFORMATION

Annual Financial Statements for the year ended 31 March 2017

Accounting Policies

1.6 Property Plant and Equipment (continued)

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against gross carrying amount of the asset and net amount restated to the revalued amount.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

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

Item	Depreciation method	Average useful life
Land	Straight line	Indefinite
Buildings	Straight line	50 years
Furniture and fixtures	Straight line	6-10 years
Motor vehicles	Straight line	5 years
IT equipment	Straight line	3 years
Escalators and elevators	Straight line	12-20 years

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

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

PART E: FINANCIAL INFORMATION

Annual Financial Statements for the year ended 31 March 2017

Accounting Policies

1.6 Property Plant and Equipment (continued)

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit.

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

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

1.7 Intangible Assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

The entity assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

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

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

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

PART E: FINANCIAL INFORMATION

Annual Financial Statements for the year ended 31 March 2017

Accounting Policies

1.7 Intangible Assets (continued)

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

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

Item	Useful life
Computer software, other	3 - 9 years

1.8 Investments in Associates

An investment in an associate is carried in accordance with the Standard of GRAP on Financial instruments. The Compensation Fund classifies an investment as an Investment in Associates where it has significant influence. Potential voting rights can be obtained by owning share call options, debt or equity instruments, share warrants or other similar instruments that are convertible into ordinary shares.

When assessing whether an entity has significant influence, the existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by another entity, should be considered.

The existence of significant influence is usually evidenced by one or more of the following:

- Representation on the board of directors or equivalent governing of the investee;
- Participation in policy making processes, including participation in decisions about dividends or similar distributions;
- Material transactions between the investor and investee;
- Interchange of managerial personnel; or
- Provision of essential technical information.

Where the Fund holds, directly or indirectly 20% or more of the voting power of the investee, it is presumed that we have significant influence. A substantial or majority ownership by another investor does not necessarily preclude the Fund from having significant influence.

The Fund loses significant influence over an investee when it loses the power to participate in the financial and operating policy decisions of that investee. The existence of significant influence by an investor is usually evident in one or more of the following:

Goodwill amount is not separately tested for impairment however the carrying amount of the Investment is tested by comparing it to the recoverable amount.

Any impairment is first allocated to goodwill portion.

1.9 Financial Assets and Liabilities

The relationship is accordingly not established by contract but by legislation. Managements decided to enhance certain disclosures by applying some principles of GRAP 104. The following items are accordingly presented in the notes to the annual financial statements:

- Disallowances (Benefits paid in error)
- Benefits paid
- Legal costs

PART E: FINANCIAL INFORMATION

Annual Financial Statements for the year ended 31 March 2017

Accounting Policies

1.9.1. Classification of Financial Assets and liabilities

Financial assets and financial liabilities at fair value through surplus or deficit:

Financial instruments held for trading

These include equities, capital market instruments, money market instruments, options and all derivatives in a net receivable position (positive fair value). All derivatives in a net payable position are reported as financial liabilities. Derivatives are designed to facilitate the transfer and isolation of risk and are used by the fund for both risk transfer and investment purposes. The Fund does not use derivatives for speculative or gearing purposes. Fair value adjustments and gains/losses are recognised in the statement of financial performance.

Assets in this category are classified as current assets if they are expected to be realised within 12 months from the statements of financial position date.

If an instrument is a non-derivative instrument with fixed or determinable payments, an entity may designate non-derivative instruments with fixed or determinable payments at fair value at initial recognition when the following criteria is met:

- The designation is made at initial recognition, on an instrument by instrument basis
- A narrative description of the criteria used to designate financial assets at fair value should be provided.

Bills and promissory notes have been designated at fair value due to the money market curve valuation method that is used to value these financial assets. This is consistent prior years.

Financial instrument at amortised cost

Investments

Investments at amortised cost are non-derivative financial assets with fixed or determinable payments that are quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the reporting date. These are classified as non-current assets. Investments at amortised cost are subsequently measured using the effective interest method.

Cash and Cash Equivalent

Cash and cash equivalents include cash in hand, deposits held at call with the central banks and amounts due from banks and National Treasury on demand. Cash and cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investments of other purpose.

Bank overdrafts are shown as current liabilities on the statement of financial position. Bank overdrafts are due to bank accounts on which after hours transactions were processed and only cleared on the following date, which is after the reporting date.

Trade and other Receivables

Trade and other receivables are initially measured at fair value (transaction price), and are subsequently measured using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired.

PART E: FINANCIAL INFORMATION

Annual Financial Statements for the year ended 31 March 2017

Accounting Policies

1.9.1. Classification of Financial Assets and liabilities (continued)

Trade and other Payables

Trade payables are initially measured at fair value (transaction price) and are subsequently measured using the effective interest rate method. Trade and other payables are presented at their respective outstanding balances at year-end. These are subject to normal trade credit terms and relatively short payment cycles.

1.9.2 Recognitions

The Fund recognises financial assets and financial liabilities on the date it becomes a party to the contractual provision of the instrument, i.e. trade date accounting.

Financial liabilities are not recognised unless one of the parties has performed or the contract is a derivative contract not exempted from the scope of GRAP 104.

1.9.3. Measurement

Financial instruments are measured initially at fair value (transaction price) plus, in the case of financial assets or financial liability subsequently measured at amortised cost, transaction costs that are directly attributable to the acquisition or issue of the financial assets or financial liability. Transaction costs are excluded from financial instrument which are subsequently measured at fair value at initial recognition, these transaction costs are expensed in the statement of financial performance, while on other financial instruments they are capitalised.

1.9.4. Fair Value Measurement Principles

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at reporting date. For instruments where there are no active markets the fair value of the instrument is determined using valuation techniques, including use of recent arm's length market transactions, reference to the current market value of another instrument that is substantially the same, discounted cash flow techniques or any other valuation technique making maximum use of market inputs and relying as little as possible on entity specific inputs.

Certain financial instruments, including derivative financial instruments, are valued using pricing models that consider, among other factors, contractual and market prices, correlation, time value of money, credit risk, yield curve, volatility factors and/or prepayment rates of the underlying position. The use of different pricing models and assumptions could produce materially different estimates of fair values. Inputs are based on market data at the statement of financial position date where other pricing models are used.

The fair value of derivatives that are not exchange traded is estimated as the amount that the Fund would receive or pay to terminate the contract at the statement of financial position date, taking into account current market conditions (volatility, appropriate yield curve) and the current creditworthiness of the counterparties.

Unlisted investment are measured at fair value determined by external valuator, the external valuator uses valuation methods which comply with Generally Accepted Accounting Principles (GRAP) and the International Private Equity and Venture Capital (IEPVC) valuation guidelines. For the unlisted equity investments the price of recent investment approach method, the discounted cash flow techniques (DCF) and price earnings multiple (PE Multiple) used to determine fair value after adjusting for any subsequent events where necessary.

PART E: FINANCIAL INFORMATION

Annual Financial Statements for the year ended 31 March 2017

Accounting Policies

1.9.4. Fair Value Measurement Principles (continued)

The fair value of floating rate and overnight deposits with credit institutions are their carrying value. The carrying value is the cost of the deposit and accrued interest. The fair value of fixed interest bearing deposits is estimated using discounted cash flow techniques. Expected cash flows are discounted at current market rates for similar instruments at the statement of financial position date. If the fair value can not be measured reliably, these financial instruments are measured at cost, being the fair value of the consideration paid for the acquisition of the investment or the amount received on issuing the financial liability. All transaction costs directly attributable to the acquisition are also included in the cost of the investment.

1.9.5. Gains and Losses on Subsequent Measurement

Gains or losses arising from changes in the fair value of the "Financial assets at fair value through surplus or deficit" category are presented in the statement of financial performance within "Fair value adjustment" gains or losses in the period in which they arise.

1.9.6. Expenses

All expenses, including management fees, custodian fees and other transaction costs, are recognised in the statement of financial performance on an accrual basis.

1.9.7. Dividend Income

Dividend income relating to exchange-traded equity is recognised in the statement of financial performance on the ex-dividend date (when the Fund's right to receive payment is established). In some cases, the Fund may receive or choose to receive dividends in the form of additional shares rather than cash. In such cases the Fund recognise the dividend income for the amount of the cash dividend alternative with the corresponding debit treated as an additional investment.

Dividend income is recognised as part of "Investment Revenue"

1.9.8. Impairment of Financial Assets

The Fund assesses at each reporting date whether there are any objective evidence that a financial asset or group of financial assets is impaired. Financial assets that are stated at amortised cost are reviewed at each reporting date to determine whether there is objective evidence of impairment. If any such indication exists, an impairment loss is recognised in the statement of financial performance as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

If in a subsequent year the amount of an impairment loss recognised on a financial asset carried at amortised cost decreases and the decrease can be linked objectively to an event occurring after the write-down, the write-down is reversed through the statement of financial performance. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been previously recognised.

A provision for trade receivables impairment is made when there is objective evidence (the probability of insolvency or significant financial difficulties of the debtor, probability that the debtors will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired) that the Fund will not be able to collect all the amounts due under the original term of the invoice.

PART E: FINANCIAL INFORMATION

Annual Financial Statements for the year ended 31 March 2017

Accounting Policies

1.9.8. Impairment of Financial Assets (continued)

The amount of the provision in the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Short-term receivables are not discounted. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of financial performance within "administrative costs". An uncollectable trade receivable is written off against the allowance account for trade receivables. Changes in the carrying amount of the allowance account are recognised in the statement of financial performance. Subsequent recoveries of amounts previously written off are credited against "other income" in the statement of financial performance.

In the case of financial assets at fair value through surplus or deficit, gains and losses arising from changes in fair value are included in surplus or deficit of the statement of financial performance.

1.9.9. Derecognition

1.9.9.1. Financial Assets

The financial assets or a portion of a financial asset are derecognised where:

- The rights to received cash flows from the asset have expired;
- The Fund retains the right to receive cash flows from the asset, but has assumed obligation to pay them in full without any material delay to a third party under a "pass-through" arrangement; or
- The Fund has transferred its rights to receive cash flows from the asset and either has transferred substantially all the risks and rewards of the asset or has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

1.9.9.2. Financial liabilities

The financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of the existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in the statement of financial performance.

1.9.9.3. Interest Income and Expense

Interest income and expenses of financial instruments measured at amortised costs and interest bearing financial instruments classified as designated at fair value through surplus or deficit are recognised in the statement of financial performance as it accrues, using the original effective interest rate of the instrument calculated at the acquisition at origination date. Interest income includes amortisation of any discount or premium or any other differences between the initial carrying amount of an interest bearing instrument and its amount at maturity calculated on an effective interest rate basis. Interest income and expenses are recognised as part of "Investment Revenue".

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

PART E: FINANCIAL INFORMATION

Annual Financial Statements for the year ended 31 March 2017

Accounting Policies

1.10.1. Finance Lease - Lessee

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

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

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

Any contingent rents are expensed in the period in which they are incurred.

1.10.2. Operating Leases - Lessor

Operating lease revenue is recognised on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

1.10.3. Operating Leases - Lessee

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.11 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the entity.

1.12 Unclaimed Monies

1.12.1 Beneficiaries

If money owing to beneficiaries/claimant or his dependant has remained unpaid after 12 months because it has not been claimed and the person has not been traced (by utilising different method of communication and correspondence), the Compensation Commissioner shall effect a notice to be published annually in the Government

PART E: FINANCIAL INFORMATION

Annual Financial Statements for the year ended 31 March 2017

Accounting Policies

1.12.1 Beneficiaries (continued)

Gazette with particulars of claimant relating to amounts more than R100. Any person claiming the amount shall be called upon to submit his claim to the Commissioner within one month after the date of the notice.

If at the expiration of the said month, no claim has been submitted, or a claim that has been submitted has been rejected by the Compensation Commissioner, the said amount shall be paid into the reserve fund until an acceptable claim has been lodged within a specific period of time.

1.12.2 Unallocated Deposits

Unallocated funds received in the bank accounts must be identified as such and be promptly followed up and cleared. Initially unallocated funds will be posted to a suspense account if not cleared within three months, where if they are not cleared within twelve months they can be transferred to the relevant reserve account.

1.13 Employee Benefits

Short-term employee benefits

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

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

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

1.14 Contingencies

- 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.

Contingent assets and contingent liabilities are not recognised in the books of the entity, however for any pending litigation against and/or for the Fund is only disclosed as a note to the financial statement. This is done in order to show how the Fund is exposed.

1.15 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for

PART E: FINANCIAL INFORMATION

Annual Financial Statements for the year ended 31 March 2017

Accounting Policies

1.15 Commitments (continued)

computer or building maintenance services); and

- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.16 Revenue from Exchange Transactions

Revenue from exchange transactions refers to revenue that accrued to the economic entity directly in return for services rendered/goods sold, the value of which approximates the consideration received or receivable. 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 owners.

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.

Revenue is measured at the fair value of the consideration received or receivable. When the inflow of cash or cash equivalents is deferred and the fair value of the consideration is less than the nominal amount of cash received or receivable, the arrangement effectively constitutes a financing transaction.

1.16.1. Measurement

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

1.16.2. Contributions

Judgement is required in determining the provision for Assessment not raised due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The entity recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The entity recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the entity to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the entity to realise the net deferred tax assets recorded at the end of the reporting period could be impacted.

1.16.3. Rendering of Service

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

PART E: FINANCIAL INFORMATION

Annual Financial Statements for the year ended 31 March 2017

Accounting Policies

1.16.3. Rendering of Service (continued)

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by:

1.17 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 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 owners.

The fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating; or
- The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

Service charges relating to contributions from employers are based on rates according to class in which they are categorised under. Provisional estimates of revenue are made yearly when Return of Earning (ROE) have not been submitted and are based on the ROE historical information. Adjustments to provisional estimates are recognised as revenue in the invoicing period.

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.

1.17.1. Measurement

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

PART E: FINANCIAL INFORMATION

Annual Financial Statements for the year ended 31 March 2017

Accounting Policies

1.18 Finance Costs

Finance costs are interest and other expenses incurred by an entity in connection with late payments to suppliers and litigation.

Finance costs are recognised as an expense in the period in which they are incurred.

1.19 Comparative Figures

The Fund discloses comparative information in respect of the previous period for all amounts reported in the financial statements, both on the face of the financial statements and in the notes, unless standard require otherwise.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified to conform to changes in the current year.

The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.20 Fruitless and Wasteful Expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

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

1.21 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 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

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

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

PART E: FINANCIAL INFORMATION

Annual Financial Statements for the year ended 31 March 2017

Accounting Policies

1.21 Irregular Expenditure (continued)

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

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.22 Budget Information

The Fund are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar. Management assumes deviations between budget and actual amounts to be material when a deviation of more than 10% exists. All material differences are explained in the notes to the annual financial statements

General purpose financial reporting by The Fund shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

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

The approved budget covers the fiscal period from 2016/04/01 to 2017/03/31.

The budget for the economic entity includes all the entities approved budgets under its control.

The financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.23 Related Parties

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

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

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

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

PART E: FINANCIAL INFORMATION

Annual Financial Statements for the year ended 31 March 2017

Accounting Policies

1.24 Events after Reporting Date

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

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

1.25 Capitalised Value of Pensions

Pensions are paid to disabled claimants and widows and children of deceased workers from work related accidents or occupational diseases. The capitalised value of pensions (“CVP”) is the present value of future pension payments. The liability is based on assumptions as to future pension increases, mortality, demographics, management expenses and investment income which are reviewed by management on an annual basis for reasonableness.

The present value also provides for probable costs payable to the spouse and/or children on subsequent death of the pensioner. In addition to this basic liability value, contingency reserves are held to cover the possible impact of adverse variations in the liability. The liability is recalculated at each financial year-end, using the assumptions above. Valuation of the CVP are projected over the course of the year, and reassessed annually where adjustments are made for the changes in the assumptions. Adjustments to the CVP are included in the surplus or deficit for the year.

1.26 Prior Period Error

Prior period comparative information has been presented in the current year’s financial statements. Where necessary figures included in the prior period financial statements have been reclassified to ensure that the format in which the information is presented is consistent with the format of the current year’s financial statements

PART E: FINANCIAL INFORMATION

Annual Financial Statements for the year ended 31 March 2017

Notes to the Annual Financial Statements for the year ended 31 March 2017

	2017 R'000	2016 R'000
2. Investment		
Designated at fair value^a		
Listed shares	12,518,082	10,977,492
Unlisted shares	1,536,725	1,136,251
Bonds	34,693,230	36,476,628
Bills and promissory notes	295,109	178,203
Loans and receivables	6,414,221	2,618,044
	55,457,367	51,386,618
Reconciliation of investments		
Opening balance	51,386,619	49,753,029
Elimination of investment in associates	(7,704)	(96,552)
Interest received	3,651,605	3,398,247
Dividends received	368,654	300,561
Fair value adjustments	(199,882)	(3,266,311)
Bank charges and management fees	(59,492)	(39,329)
Transaction costs	(12,267)	(10,774)
Net deposits	300,000	1,410,000
Movement in investment receivables	26,147	(61,258)
Movement in investment payable	3,687	(995)
	55,457,367	51,386,618
Non-current assets		
Designated at fair value	35,348,306	37,612,880
Current assets		
Designated at fair value	20,109,061	13,773,738
Non-current assets	35,348,306	37,612,880
Current assets	20,109,061	13,773,738
	55,457,367	51,386,618
Financial assets at fair value		

PART E: FINANCIAL INFORMATION

Annual Financial Statements for the year ended 31 March 2017

Notes to the Annual Financial Statements for the year ended 31 March 2017

2. Investment (continued)

Fair Value: Compensation Portfolio 2017

	Loans and other receivables	Fair value through profit and loss	Designated as at fair value through profit and loss	Total carrying amount	Fair Value
	R'000	R'000	R'000	R'000	R'000
Capital Market	-	22,937,913	-	22,937,913	22,937,913
Equity - Listed Share	-	8,022,373	-	8,022,373	8,022,373
Isibaya - Unlisted Shares	-	1,536,725	-	1,536,725	1,536,725
Bills	-	-	91,505	91,505	91,505
Promissory Notes	-	-	33,785	33,785	33,785
Fixed Deposit	4,116,614	-	-	4,116,614	4,116,614
Trading Cash	246,317	-	-	246,317	246,317
	4,362,931	32,497,011	125,290	36,985,232	36,985,232

Fair Value: Pension Portfolio 2017

	Loans and other receivables	Fair value through profit and loss	Designated as at fair value through profit and loss	Total carrying amount	Fair Value
	R'000	R'000	R'000	R'000	R'000
Capital Market	-	11,755,317	-	11,755,317	11,755,317
Equity - Listed Share	-	4,495,708	-	4,495,708	4,495,708
Bills	-	-	98,606	98,606	98,606
Promissory Notes	-	-	71,213	71,213	71,213
Fixed Deposit	1,662,231	-	-	1,662,231	1,662,231
Trading Cash	389,060	-	-	389,060	389,060
	2,051,291	16,251,025	169,819	18,472,135	18,472,135

PART E: FINANCIAL INFORMATION

Annual Financial Statements for the year ended 31 March 2017

Notes to the Annual Financial Statements for the year ended 31 March 2017

2. Investment (continued)

Fair Value: Compensation Portfolio 2016

	Loans and other receivables	Fair value through profit and loss	Designated as at fair value through profit and loss	Total carrying amount	Fair Value
	R'000	R'000	R'000	R'000	R'000
Capital Market	-	24,134,599	-	24,134,599	24,134,599
Equity - Listed Share	-	7,325,802	-	7,325,802	7,325,802
Isibaya - Unlisted Shares	-	1,136,251	-	1,136,251	1,136,251
Bills	-	-	48,623	48,623	48,623
Promissory Notes	-	-	33,977	33,977	33,977
Fixed Deposit	832,963	-	-	832,963	832,963
Trading Cash	849,983	-	-	849,983	849,983
	1,682,946	32,596,652	82,600	34,362,198	34,362,198

Fair Value: Pension Portfolio 2016

	Loans and other receivables	Fair value through profit and loss	Designated as at fair value through profit and loss	Total carrying amount	Fair Value
	R'000	R'000	R'000	R'000	R'000
Capital Market	-	12,342,029	-	12,342,029	12,342,029
Equity - Listed Share	-	3,651,690	-	3,651,690	3,651,690
Bills	-	-	23,161	23,161	23,161
Promissory Notes	-	-	72,442	72,442	72,442
Fixed Deposit	767,961	-	-	767,961	767,961
Trading Cash	167,137	-	-	167,137	167,137
	935,098	15,993,719	95,603	17,024,420	17,024,420

PART E: FINANCIAL INFORMATION

Annual Financial Statements for the year ended 31 March 2017

Notes to the Annual Financial Statements for the year ended 31 March 2017

2. Investment (continued)

Maturity Schedule Compensation Portfolio as at 31 March 2017

	Money Market R'000	Capital Market R'000	Trading Cash R'000	Equity Listed R'000	Isibaya Unlisted R'000	Closing Balance R'000
0 - 3 months	1,663,961	551,642	246,317	8,022,373	1,536,725	12,021,018
3 - 12 months	2,577,942	225,778	-	-	-	2,803,720
1 - 3 years	-	442,479	-	-	-	442,479
3 - 7 years	-	2,094,208	-	-	-	2,094,208
7 - 12 years	-	6,633,610	-	-	-	6,633,610
12+ years	-	12,990,197	-	-	-	12,990,197
	4,241,903	22,937,914	246,317	8,022,373	1,536,725	36,985,232

Maturity Schedule Pension Portfolio as at 31 March 2017

	Money Market R'000	Capital Market R'000	Trading Cash R'000	Equity Listed R'000	Isibaya Unlisted R'000	Closing Balance R'000
0 - 3 months	701,975	-	389,060	4,495,708	5,586,743	5,586,743
3 - 12 months	1,130,075	104,229	-	-	1,234,304	1,234,304
1 - 3 years	-	213,460	-	-	213,460	213,460
3 - 7 years	-	2,990,082	-	-	2,990,082	2,990,082
7 - 12 years	-	2,746,767	-	-	2,746,767	2,746,767
12+ years	-	5,700,779	-	-	5,700,779	5,700,779
	1,832,050	11,755,317	389,060	4,495,708	18,472,135	18,472,135

Maturity Schedule Compensation Portfolio as at 31 March 2016

	Money Market R'000	Capital Market R'000	Trading Cash R'000	Equity Listed R'000	Isibaya Unlisted R'000	Closing Balance R'000
0 - 3 months	360,125	-	849,983	7,325,802	1,136,251	9,672,161
3 - 12 months	555,438	-	-	-	-	555,438
1 - 3 years	-	1,003,959	-	-	-	1,003,959
3 - 7 years	-	4,436,390	-	-	-	4,436,390
7 - 12 years	-	7,784,160	-	-	-	7,784,160
12+ years	-	10,910,090	-	-	-	10,910,090
	915,563	24,134,599	849,983	7,325,802	1,136,251	34,362,198

PART E: FINANCIAL INFORMATION

Annual Financial Statements for the year ended 31 March 2017

Notes to the Annual Financial Statements for the year ended 31 March 2017

2. Investment (continued)

Maturity Schedule Pension Portfolio as at 31 March 2016

	Money Market R'000	Capital Market R'000	Trading Cash R'000	Equity Listed R'000	Isibaya Unlisted R'000	Isibaya Unlisted R'000
0 - 3 months	234,391	-	167,137	3,651,690	-	4,053,218
3 - 12 months	629,173	-	-	-	-	629,173
1 - 3 years	-	619,998	-	-	-	619,998
3 - 7 years	-	1,821,345	-	-	-	1,821,345
7 - 12 years	-	4,241,255	-	-	-	4,241,255
12+ years	-	5,659,431	-	-	-	5,659,431
	863,564	12,342,029	167,137	3,651,690	-	17,024,420

2017 R'000	2016 R'000
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3. Inventories

Consumable stores

1,787

2,416

4. Receivables from non-exchange transactions

Trade receivables	11,370,122	9,817,941
Other receivables	1,778	8
Recoverable medical expenses	24,285	11,812
Duplicate payments to service providers	34,529	71,856
Provision for assessments not raised	1,515,595	2,753,000
Third party claims	182,131	182,837
Disallowances	64,925	23,118
Provision for doubtful debts	(7,707,891)	(10,086,370)
Unallocated payments)	61,142	122,606
Advance payments to Medical Services Providers	454,643	456,241
	6,001,259	3,353,049

PART E: FINANCIAL INFORMATION

Annual Financial Statements for the year ended 31 March 2017

Notes to the Annual Financial Statements for the year ended 31 March 2017

4. Receivables from non-exchange transactions (continued)

Significant Receivables from Non-Exchange Transaction - 2017

	30 days R'000	60 days R'000	90 days R'000	180 days R'000	365 days R'000	> 365 days R'000	Total R'000
Contributions by employers	3,127,403	25,428	644,523	640,167	1,431,640	5,500,961	11,370,122
Medical advance	-	-	-	-	-	454,643	454,643
Recoverable medical expenses	6,853	-	5,857	2,691	372	8,512	24,285
Duplicate payment to service providers	-	-	-	-	-	34,529	34,529
Provision for assessments not raised	1,515,595	-	-	-	-	-	1,515,595
Third party	-	-	-	-	-	182,131	247,056
Disallowances	-	-	-	-	-	64,925	64,925
Other receivables	-	-	1,773	5	-	-	1,778
	4,649,851	25,428	652,153	642,863	1,432,012	6,245,701	13,712,933

Significant Receivables from Non Exchange Transaction - 2016

	30 days R'000	60 days R'000	90 days R'000	180 days R'000	365 days R'000	> 365 days R'000	Total R'000
Contributions by employers	102,917	117,233	5,322	211,866	1,418,380	7,962,223	9,817,941
Medical advance	-	-	-	-	-	456,241	456,241
Recoverable medical expenses	2,619	-	-	-	9,193	-	11,812
Duplicate payment to service providers	37,232	-	-	9,544	-	25,080	71,856
Provision for assessments not raised	1,561,905	-	-	-	-	1,191,095	2,753,000
Third party	-	-	-	-	1,014	181,823	182,837
Disallowances	-	-	-	-	-	-	23,097
Other receivables	-	-	-	8	-	-	8
	1,704,673	117,233	5,322	221,418	1,428,587	9,816,462	13,316,792

PART E: FINANCIAL INFORMATION

Annual Financial Statements for the year ended 31 March 2017

Notes to the Annual Financial Statements for the year ended 31 March 2017

2017 R'O'00	2016 R'O'00
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4. Receivables from non-exchange transactions (continued)

Reconciliation of Provision for Impairment of Receivables from Non-Exchange Transactions

Opening balance	10,086,370	9,487,810
Provision for impairment	44,390	601,858
Amounts written off as uncollectible	(2,422,869)	(3,298)
	7,707,891	10,086,370

5. Receivables from exchange transactions

Advance	362	132
Creditors with debit balances	-	172
Investment income receivables	110,832	136,979
Contribution exempted employer	75,254	49,299
Rent receivable	1,985	635
Accrued interest	4,041	24
Provision for impairment	(10,520)	(10,157)
	181,954	177,084

Significant Receivables from Exchange Transaction - 2017

	Investment income receivables R'O'00	Advances R'O'00	Contribution exempted employer R'O'00	Accrued Interest R'O'00	Rent Receivable R'O'00
30 days	110,832	-	65,778	-	1,942
180 days	-	-	27	-	-
365 days	-	60	22	-	34
more than 365 days	-	302	9,427	4,041	9
Totals	110,832	362	75,254	4,041	1,985

Significant Receivables from Exchange Transaction - 2016

	Advances R'O'00	Creditors with debit balance R'O'00	Investment income receivables R'O'00	Contribution exempted employer R'O'00	Accrued Interest R'O'00	Rent Receivable R'O'00
30 days	-	172	136,979	33,021	24	609
90 days	-	-	-	-	-	9
365 days	-	-	-	-	-	17
more than 365 days	132	-	-	16,278	-	-
Totals	132	172	136,979	49,299	24	635

Reconciliation of provision for impairment of receivables from exchange transactions

Opening balance	10,157	11,219
Provision/(Reversal) for impairment	363	(1,062)
	10,520	10,157

PART E: FINANCIAL INFORMATION

Annual Financial Statements for the year ended 31 March 2017

Notes to the Annual Financial Statements for the year ended 31 March 2017

2017	2016
R'000	R'000

6. Cash and Cash Equivalents

Cash and cash equivalents consist of:

Cash on hand	2,293	3
Bank balances	59,484	87,155
Short-term deposits	527,064	240
	588,841	87,398

7. Investment Property

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
	R'000	R'000	R'000	R'000	R'000	R'000
Investment property	8,000	-	8,000	8,300	-	8,300

Reconciliation of Investment Property - 2017

	Opening balance	Fair value adjustments	Total
	R'000	R'000	R'000
Investment property	8,000	(300)	8,000

Reconciliation of Investment Property - 2016

	Opening balance	Fair value adjustments	Total
	R'000	R'000	R'000
Investment property	7,500	800	8,300

A register containing the information required by GRAP 17 is available for inspection at the registered office of the entity.

Details of Valuation

The effective date of the revaluations was 24 March 2017. Revaluations were performed by an independent valuer,

Mr A J de Villiers of Goosen and De Villiers Valuer. They are not connected to the entity and have recent experience in the location and category of the investment property being valued.

The valuation was based on open market value for existing use.

The investment property is situated on ERF 252, Bhisho House. The building has been leased by the Department of Public Works.

Changes in the fair value are recognised in surplus and deficit for the year.

PART E: FINANCIAL INFORMATION

Annual Financial Statements for the year ended 31 March 2017

Notes to the Annual Financial Statements for the year ended 31 March 2017

8. Property, Plant and Equipment

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
	R'000	R'000	R'000	R'000	R'000	R'000
Land	36,000	-	36,000	36,000	-	36,000
Buildings	93,678	(7,227)	86,451	93,678	(5,529)	88,149
Furniture and fixtures	19,489	(17,171)	2,318	19,105	(16,249)	2,856
Motor vehicles	2,825	(1,481)	1,344	2,825	(1,388)	1,437
IT equipment	11,824	(9,490)	2,334	12,940	(9,579)	3,361
Finance leased assets	4,861	(3,571)	1,290	3,808	(2,374)	1,434
Total	168,677	(38,940)	129,737	168,356	(35,119)	133,237

Reconciliation of Property, Plant and Equipment - 2017

	Opening balance R'000	Additions R'000	Disposals R'000	Adjustment R'000	Depreciation R'000	Total R'000
Land	36,000	-	-	-	-	36,000
Buildings	88,149	-	-	-	(1,698)	86,451
Furniture and fixtures	2,856	428	-	-	(966)	2,318
Motor vehicles	1,437	-	-	-	(93)	1,344
IT equipment	3,361	82	(74)	-	(1,035)	2,334
Finance leased Assets	1,434	1,115	-	(63)	(1,196)	1,290
	133,237	1,625	(74)	(63)	(4,988)	129,737

Reconciliation of Property, Plant and Equipment - 2016

	Opening balance R'000	Additions R'000	Disposals R'000	Depreciation R'000	Total R'000
Land	36,000	-	-	-	36,000
Buildings	89,847	-	-	(1,698)	88,149
Furniture and fixtures	3,490	283	-	(917)	2,856
Motor vehicles	1,765	-	(40)	(288)	1,437
IT equipment	4,218	1,184	-	(2,041)	3,361
Finance leased Assets	2,419	420	-	(1,405)	1,434
	137,739	1,887	(40)	(6,349)	133,237

Details of Properties

Compensation House on lot 70, 66/R, Prinshof, No 349, JR, Pretoria.

PART E: FINANCIAL INFORMATION

Annual Financial Statements for the year ended 31 March 2017

Notes to the Annual Financial Statements for the year ended 31 March 2017

9. Intangible Assets

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
	R'000	R'000	R'000	R'000	R'000	R'000
Computer software	121,515	(18,167)	103,348	21,329	(12,892)	8 437

Reconciliation of Intangible Assets - 2017

	Opening balance	Additions	Amortisation	Total
	R'000	R'000	R'000	R'000
Computer software and other intangible assets	8,437	100,187	(5,276)	103,348

Reconciliation of Intangible Assets - 2016

	Opening balance	Amortisation	Total
	R'000	R'000	R'000
Computer software and other Intangible assets	14,439	(6,002)	8,437

10. Finance Lease Obligation

Minimum lease payments due

- within one year	707	1,294
- in second to fifth year inclusive	668	424
Present value of minimum lease payments	1,375	1,718
Non-current liabilities	668	424
Current liabilities	707	1,294
	1,375	1,718

11. Payables from non-exchange transactions

Compensation medical and pension creditors	530,091	530,102
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12. Payables from Exchange Transactions

Trade payables	6,179	9,295
Debtors with credit balances	604,911	767,139
Unsettled investments	1,801	6,981
Unallocated receipts	28,354	64,533
	641,245	847,948

PART E: FINANCIAL INFORMATION

Annual Financial Statements for the year ended 31 March 2017

Notes to the Annual Financial Statements for the year ended 31 March 2017

13. Accruals

2017	Opening balance R'000	Additions R'000	Utilised during the year R'000	Total R'000
Accumulated Leave	31,443	16,858	(8,195)	40,106
Service Bonus	14,844	4,196	(583)	18,457
Accrued expenses	400,609	791,469	(1,163,903)	28,175
Performance bonus	6,748	7,276	(5,492)	8,532
	453,644	819,799	(1,178,173)	95,270

2016	Opening balance R'000	Additions R'000	Utilised during the year R'000	Total R'000
Accumulated Leave	27,870	10,550	(6,977)	31,443
Service Bonus	12,738	2,630	(524)	14,844
Accrued expenses	14,666	552,736	(166,793)	400,609
Performance bonus	5,923	4,816	(3,991)	6,748
	61,197	570,732	(178,285)	453,644

14. Capitalised Value of Pensions

	2017 R'000	2016 R'000
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The amounts recognised in the statement of financial position are as follows:

Carrying value

	2017 R'000	2016 R'000
Opening Balance	(20,784,000)	(18,044,000)
Addition due to Pension Actuarial Valuation	(1,101,000)	(3,610,183)
Increase (decrease) in capitalised value of pension	(845,374)	(90,153)
Pension paid during the year	973,374	960,336
	(21,757,000)	(20,784,000)
Non-current liabilities	(20,656,999)	(19,742,000)
Current liabilities	(1,100,001)	(1,042,000)
	(21,757,000)	(20,784,000)

Key assumptions used

The Pensioner and Constant Attendance Allowance Provision is determined by calculating the present value of all expected future:

- pension payments,
- constant attendance allowance payments and
- expenses associated with paying such pensions.

PART E: FINANCIAL INFORMATION

Annual Financial Statements for the year ended 31 March 2017

Notes to the Annual Financial Statements for the year ended 31 March 2017

14. Capitalised Value (continued)

In the calculation, account is taken of expected future mortality, investment income and pension increases. The present value incorporates provision for the spouse and/or children on the subsequent death of a worker pensioner. It also allows for margins typically applied in actuarial valuations of insurance business. The liability is calculated on a "best estimate" plus margins basis:

- The best estimate liability is determined such that where there is a 50% probability that the actual cost will be either lower or higher than the estimated liability.
- The purpose of adding additional margins to the best-estimate liability is to protect the Pensions Account against possible future adverse experience. Margins prescribed by actuarial practice notes for annuity business were applied.

The calculations allow for the following risk margins:

- Investment Return: Expected pension payments and expenses were discounted using an investment return as a assumption lower than the best estimate by 0.25%.
- Mortality: Mortality assumption used in the provision calculations were reduced by 7.5% (implying improving longevity).
- Expenses: Allowance was made for a 10% loading on the expected expenses and the inflation assumption was increased by 10%.

The Basic Chain Ladder method to estimate the future capitalised pensions was used. The Bequest-Sherman method with a number of adjustments to the data was used for the previous valuation. Claims processed in each of the previous ten financial years were grouped into a table according to year of accident (accident year) and the year of payment of the claim (development year). The claim payments are then adjusted for inflation. The link ratios per accident and development year with the following formula was calculated: $(\text{Cumulative claims paid in accident year } x \text{ and development year } i+1) / (\text{Cumulative claims paid in accident year } x \text{ and development year } x)$. After investigation of these ratios, the accident years 2012, 2009 and 2001 were excluded in the calculation of the first development factor. These accident years appear to have experienced a different development pattern compared to other accident years.

Tail factor:

An increasing percentage of claims are paid in relation to development years beyond 17 years. We fitted a polynomial to the percentage of claims that developed after 17 years for financial years 1999 to 2016.

PART E: FINANCIAL INFORMATION

Annual Financial Statements for the year ended 31 March 2017

Notes to the Annual Financial Statements for the year ended 31 March 2017

	2017 R"000	2016 R"000
15. Revaluation Reserve		
Opening and closing balance	102,441	102,441
16. Provisions for Outstanding Claims		
Reconciliation Provision of outstanding claims		
Opening Balance	12,080,000	10,548,000
Increase in the provision	3,580,000	2,088,968
Claims paid during the year	(3,288,000)	(556,968)
	12,372,000	12,080,000
Non-current liabilities	8,494,000	7,987,000
Current Liabilities	3,878,000	4,093,000
	12,372,000	12,080,000

Valuation methodology:

An Adjusted Bornhuetter-Fergusson method was used to determine the Outstanding Claims Provisions.

The assumptions used to determine the Outstanding Claims Provisions are informed by past valuations. Key assumptions are the claims development pattern and the anticipated level of claims arising from each historical accident year. A polynomial curve was fitted to the percentage of claims that developed after 16 years for the financial years 2000 to 2017. These assumptions were set at the start of the financial year, and used to generate an expected level of claims development over the year. Actual claims emerging over the years were compared to the expected claims experienced and used to assess the reasonableness of the assumptions.

The Outstanding Claims Provision is determined by applying the assumptions to historical accident years. For the latest accident year the Bornhuetter Fergusson method is applied by estimating the ultimate claims based on the total employed people as a measure of claims exposure.

The provision was then discounted to reflect the extent to which it is expected that future investment returns will outstrip future inflation. For all benefit types except medical, it was assumed that future investment returns will exceed claims inflation by 1%.

In accordance with insurance industry norms, the following margins were added to the different components of the Outstanding Claims Provision:

PART E: FINANCIAL INFORMATION

Annual Financial Statements for the year ended 31 March 2017

Notes to the Annual Financial Statements for the year ended 31 March 2017

16. Provisions for Outstanding Claims (continued)

Expenses: 10%

Mortality exposure: 7.5%

Disability exposure: 10%

Medical expense exposure: 15%.

Expense Reserve

The number of claims expected, based on the Outstanding Claims Provision, is determined by dividing the provision into the average claim amount expected. The average claim is derived as the average claim amount paid (in money-terms as at the valuation date) on all claims with accident date in or after the 2007/08 financial year. The average claim amount was adjusted upwards to reconcile the 2016 expense reserve with that determined by the previous actuaries.

The expense reserve is determined as the number of claims represented in the Outstanding Claims Provision, multiplied by the assumed expense associated with administering and paying such a claim.

High-Level Description of the Basic Chain Ladder Valuation Method:

Claims proceed are grouped into a matrix according to:

Accident year: The financial year of the accident or diagnosis or disease;

Development year: The difference between the financial year within which the claim was paid and the accident year;

The claim payments are then adjusted for inflation (based on CPI figures) from date payment till the valuation date, so that all the amounts in the matrix are in money terms as at this date. The inflation rates used are:

Historic inflation rates applied to past claims

In making this inflationary adjustment, we assure that claims are on average paid halfway through each financial year.

Benefit

Temporary disability payments

Permanent disability lump sum claims

Fatal accident lump sums

Medical claims

Capitalised pensions and CAA benefits

Historic claims inflation used

2% per annum above CPI over the relevant period

2% per annum above CPI over the relevant period

2% per annum above CPI over the relevant period

2% per annum above CPI over the relevant period

2% per annum above CPI over the relevant period

PART E: FINANCIAL INFORMATION

Annual Financial Statements for the year ended 31 March 2017

Notes to the Annual Financial Statements for the year ended 31 March 2017

16. Provisions for Outstanding Claims (continued)

In making this inflationary adjustment, we assume that the claims are on average paid halfway through each financial year.

“Link ratios” (by how much the cumulative claim payments for a particular accident year is expected to increase from one development year to the next) are then calculated using the following formula:

Cumulative claims paid in accident year x and development year i + 1

Cumulative claims paid in accident year x and development year x.

The development factors are then applied to total claims paid to date for each accident year to derive the total claims ultimately expected to be paid for the specific accident year.

Tail Factor Adjustment:

TTD, PD and Death LS claims: Payments for accident year 1992 are materially run off and no need exists for the application of tail factors. For Medical expenses, Claims are not yet fully run off. A polynomial curve was fitted to the percentage of claims that developed after 23 years for financial years 1994 to 2016. For capitalised pensions, claims are not yet fully run off. An average percentage of the claims which developed after the sixth development year for accident years from 1994 to 2005 was determined.

	2017 R'000	2016 R'000
17. Revenue		
Rental of facilities and equipment		
Miscellaneous income	1,367	2,166
Administrative contributions by exempted employers (S88)	-	27
Interest received	32,001	33,019
Dividends received	3,762,128	3,423,125
Contributions by employer	368,654	300,561
Penalties on late submission of ROE's (Return of earnings)	8,852,341	7,566,935
Recoveries from third parties	370,371	104,929
	27,351	5,978
	13,414,213	11,436,740
The amount included in revenue arising from exchanges of goods or services are as follows:		
Rental of facilities and equipment	1,367	2,166
Miscellaneous income	-	27
Administrative contributions by exempted employers (S88)	32,001	33,019
Interest received - investment	3,762,128	3,423,125
Dividends received	368,654	300,561
	4,164,150	3,758,898
The amount included in revenue arising from non-exchange transactions is as follows:		
Revenue		
Contributions by employer	8,852,341	7,566,935
Penalties on late submission of ROE's	370,371	104,929
Recoveries from third parties	27,351	5,978
	9,250,063	7,677,842

PART E: FINANCIAL INFORMATION

Annual Financial Statements for the year ended 31 March 2017

Notes to the Annual Financial Statements for the year ended 31 March 2017

	2017 R'000	2016 R'000
18. Benefits		
Funeral Expense	10,763	7,782
Constant Attendance Allowances	-	19,609
Compensation For Permanent Disability	123,687	244,477
Pension Capitalised During The Year	2,812,943	4,494,752
Medical Claims	2,578,916	3,143,355
	5,526,309	7,909,975
19. Employee Related Costs		
Salaries	441,298	348,085
Bargaining Council Contributions	8,077	10,999
Leave Pay	10,689	6,205
Allowances	39,396	28,387
Overtime Benefits	10,186	6,217
Thirteenth Cheque	36,816	28,824
Bargaining Council Contributions	143	111
Pension Contributions	54,188	43,141
Medical Aid Contributions	35,582	29,333
	636,375	501,302
20. Debt Impairment		
Debt Impairment	44,753	600,796
21. Investment Revenue		
Dividend Revenue		
Dividend Income - Compensation Portfolio	240,566	197,693
Dividend Income - Pension Portfolio	128,088	102,868
	368,654	300,561
Interest Revenue		
Interest Income - Bank	110,523	24,878
Interest Revenue - Compensation Portfolio	2,431,241	2,342,045
Interest Revenue - Pension Portfolio	1,220,364	1,056,202
	3,762,128	3,423,125
	368,654	300,561
	3,762,128	3,423,125
22. Finance Costs		
Interest Paid	238	5,793

PART E: FINANCIAL INFORMATION

Annual Financial Statements for the year ended 31 March 2017

Notes to the Annual Financial Statements for the year ended 31 March 2017

	2017 R'000	2016 R'000
23. General Expenses		
Auditors Remuneration	8,318	8,856
Consulting And Professional Fees	41,518	35,241
Printing And Stationery	3,650	3,552
Subsidies For Accident Prevention	2,372	7,323
Ict Expenses	61,043	72,484
Subsistence And Travel	30,151	28,800
Training	8,100	3,894
Assets Expensed (Less Than R 5000)	312	116
Assessors' Fees	1,649	2,744
Breach Of Contract Debt Collector	-	349,160
Other Expenses	86,529	92,071
Investment Management Fees	70,978	49,595
Compensation Board	847	804
Venue Expenses	4,785	1,731
	320,252	656,371
24. Fair Value Adjustments		
Investment Property	(300)	800
Other Financial Assets	(199,882)	(3,266,311)
• Investments		
	(200,182)	(3,265,511)
25. Cash Generated From Operations		
Surplus (Deficit)	6,577,384	(1,594,292)
Adjustments For:		
Depreciation And Amortisation	10,264	12,351
Lease Rentals On Operating Lease	63	-
Loss On Disposal Of Assets	58	14
Share Of Profits/(Losses) From Associates	15,044	(2,284)
Administration Contribution	(32,001)	(33,019)
Fair Value Adjustments	200,182	3,265,511
Investment Management Fees And Transaction Costs	71,759	49,849
Interest Income From Investments	(3,651,605)	(3,398,247)
Dividends Received	(368,654)	(300,561)
Refund Due To The Fund	-	(26,329)
Impairment	(10,635)	10,635
Debt Impairment	44,753	600,796
(Decrease)/Increase In Accruals	(358,373)	398,351
Increase In The Actuarial Pension Adjustment	972,936	2,740,000
Increase In The Provision For Outstanding Claims	292,000	1,532,000
Transfer To Unclaimed Monies	36,094	9,353
Changes In Working Capital:		
Increase In Inventories	629	308
Increase(Decrease) In Receivables From Exchange Transactions	10,005	34,470
Decrease In Other Receivables From Non-Exchange Transactions	(2,853,797)	(1,636,843)
Decrease In Prepayments	(2,861)	(327)

PART E: FINANCIAL INFORMATION

Annual Financial Statements for the year ended 31 March 2017

Notes to the Annual Financial Statements for the year ended 31 March 2017

25. Cash Generated From Operations (continued)

	2017 R'000	2016 R'000
Decrease in Payables from exchange transactions	(49,652)	(64,289)
(Decrease) in Payable from Non-exchange transactions	(11)	(131,069)
	903,582	1,466,378

26. Commitments

Authorised capital expenditure

Already contracted for but not provided for

• Property, plant and equipment	175	541
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Not yet contracted for and authorised by members

• Property, plant and equipment	-	-
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Total capital commitments

Already contracted for but not provided for	175	541
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Authorised operational expenditure

Already contracted for but not provided for

• Services	5,446	10,772
• Goods	29	325
• Contracts	37,721	31,705
• Minor Assets	48	23

	43,244	42,825
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Total Commitments

• Already contracted for but not provided for operations	43,244	42,825
• Total capital commitments	175	541

	43,419	43,366
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Approved and not yet Contracted

Contracts	377,321	6,884
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This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.

Operating leases - as lessee (expense)

Minimum lease payments due

- within one year	75,006	17,008
- in second to fifth year inclusive	5,383	2,068
	80,389	19,076

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

PART E: FINANCIAL INFORMATION

Annual Financial Statements for the year ended 31 March 2017

Notes to the Annual Financial Statements for the year ended 31 March 2017

27. Contingencies

Licences in terms of section 30 of the act to carry out the business of the fund in certain industries have been granted by the Minister of Labour to two Mutual Associations. These mutual associations must deposit securities with the fund to cover its liabilities. Furthermore, certain local authorities have been granted exemption from paying annual assessments and are liable to pay compensation benefits to employees who get injured while on duty. In terms of section 31 of the COIDA, these exempted employees are required to deposit securities/cede securities to the Fund which are equivalent to the capitalised value of pension of their employees.

If a mutual association or an exempted employer fails to meet its liabilities in full in terms of the Act, the Accounting Authorities may apply such securities to pay the liabilities and the balances of any liabilities not paid from such securities will have to be paid from Reserves from the fund which creates a contingent liability to the fund. The extent of securities held/ceded to the fund amounts R349 Million (2016: R344 Million)

Furthermore the Fund have received approximately 235 (2016:316) notices of motions and summons and as a result thereof to approximately R21 Million (2016: R310 Million)

28. Related Parties

Relationships

Board Members	Refer to members' report note 29
Senior Management	Refer to note 29
Audit and Risk Committees	Refer to note 29
Rand Mutual Association	Provides IT maintenance and support for the Claims management system
Medical Service Provider	These are medical service provider that received interest free loan from the Fund in 2012/13. The figures are stated below:
Public Investment Corporation	The provide the investment management services to the Fund.

Related party balances

Loan accounts - Owing (to) by related parties

Life care	108,223	108,233
Coid Link	47,690	47,690
Comsol	148,672	150,953
Netcare	150,000	150,000

The full balance of R454 585 has been provided for impairment in full

Related party transactions

Department of Labour (Amount paid and recovered on behalf of DoL)		
Compensation of employees	634,592	494,758
Goods and services	232,164	182,995

Rand Mutual Associations

Umehluko Lincence	30,364	3,831
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PART E: FINANCIAL INFORMATION

Annual Financial Statements for the year ended 31 March 2017

Notes to the Annual Financial Statements for the year ended 31 March 2017

28. Related Parties (continued)

Board Members who are serving without Compensation :

Mr Gys McIntosh

Mr Charles Mbekeni

Mr B Kistansamy

Mr Tibor Szana

Mr Mongezi Mngqibisa

Mr Patrick Matshidze

Mr Jay Singh

Ms Thelma Pugh

During the year under review Ms Thelma Pugh retired from FEM and as a result she will no longer be serving on the board.

Department of Labour:

Transactions and balances with the National Departments of Government and State controlled entities which occur other than in accordance with the operating parameters established are regarded as related parties transactions. The Fund is an entity of the Department of Labour. Salaries of the Commissioner and officers and employees are remunerated out of the National Revenue Fund which is in turn reimbursed out of the Fund. Expenditure in respect of COIDA related services rendered to the Fund by provincial offices and labour centres of the Department of Labour are also reimbursed to the Department of Labour. The Director-General is the Accounting Authority and the Minister is the Executive Authority.

Transactions between the Fund and Rand Mutual Association:

There are several board members of RMA who are also on the board of the Fund. This creates a related party transaction between the Fund and RMA. The Fund has the use of the RMA system for claims and it pays a monthly maintenance fee for this system. The system came into operation on 1 August 2014. R30 362 (2016: R 7 746).

The Public Investment Corporation

In terms of section 18 subsection 1 which reads: "The Director-General may transfer any part of the monies in the Compensation Fund and the reserve fund to the (PIC) for investments). The PIC is where the Fund has invested its surplus funds. There is a memorandum of understanding between the PIC and the Fund which spells out on how to invest the surplus funds. The Fund invested in bonds, equities and trading cash. Over and above that the Fund has made socially responsible investments at the PIC for job creation. The PIC is a standing member of the Investment Committee.

PART E: FINANCIAL INFORMATION

Annual Financial Statements for the year ended 31 March 2017

Notes to the Annual Financial Statements for the year ended 31 March 2017

29. Executive Emoluments

Executive

2017	Emoluments	Other benefits	Pension paid or receivable	Total
	R'000	R'000	R'000	R'000
Compensation Commissioner	828	423	157	1,408
Chief Financial Officer	888	183	182	1,253
Chief Director: Human Resource Management	535	203	99	837
Chief Director: Operations	378	105	78	561
Director: Medical Claims	672	112	130	914
Director: Financial Reporting	642	138	129	909
Director: Income	617	153	127	897
Director: Communications	686	167	130	983
Director: Human Resources	672	127	127	926
Director: Organisational Effectiveness	672	105	127	904
Director: Compensation	620	267	118	1,005
Director: Risk Management	675	143	128	946
Director: Call Centre	698	157	132	987
Director: SCM	672	134	127	933
Director: Financial Control	605	274	115	994
Director: Internal Audit	620	170	127	917
Principal Legal Administration Officer	672	139	127	938
Director Medical Payments	605	264	118	987
Director: Income*****	550	295	113	958
Director: Project Management	622	281	-	903
	12,929	3,840	2,391	19,160

PART E: FINANCIAL INFORMATION

Annual Financial Statements for the year ended 31 March 2017

Notes to the Annual Financial Statements for the year ended 31 March 2017

29. Executive Emoluments (continued)

Executive

2016	Emoluments R'000	Other benefits R'000	Pension paid or receivable R'000	Total R'000
Compensation Commissioner	756	322	131	1,209
Chief Financial Officer	857	174	176	1,207
Chief Director: Human Resource Management	671	269	127	1,067
Chief Director: Operations	798	178	151	1,127
Director: Medical Services	573	230	109	912
Director: Medical Claims	652	103	128	883
Director: Financial Reporting	576	246	109	931
Director: Income	523	281	107	911
Director: Communications	655	125	124	904
Director: Human Resources	307	112	54	473
Director: Organisational Effectiveness	590	132	117	839
Director: Compensation	518	251	106	875
Director: Risk Management	645	136	122	903
Director: Call Centre	664	164	126	954
Director: SCM	645	128	122	895
Director: Financial Control	239	72	49	360
Director: Internal Audit	592	158	121	871
Principal legal Administration Officer	101	11	10	122
	10,362	3,092	1,989	15,443

* During the year under review the Fund paid the emoluments for the following official who were seconded to DoL and SOE in the previous year respectively as follows: Chief Director: Corporate services (Mr T Mokomatsidi) seconded to DoL was recognised in the Fund's responsibilities until 31 January 2016 and Directors Income (Ms E Ntshabele) and Medical Services (Ms WK Tselane) respectively are still within the responsibility of the Fund.

Board Members Fees	2017 R'000	2016 R'000
Mr FA Xaba	168	52
Mr Cowley: Busa	46	30
Mr S Samela: Nactu	23	36
Mr S Tsiane	128	54
Ms J Bodibe	64	116
Mr S Motloung	66	96
Ms E Kula	35	50
Ms S Sobuwa	9	3
Mr A Letshele	41	17
	580	460

PART E: FINANCIAL INFORMATION

Annual Financial Statements for the year ended 31 March 2017

Notes to the Annual Financial Statements for the year ended 31 March 2017

29. Executive Emoluments (continued)

Audit Committee Members Fees	2017 R'000	2016 R'000
Mr FK Buthelezi	47	176
Ms R Kalidass	65	243
Mr D Hlatshwayo	100	-
Mr LM Managuku	36	225
MR N Mhlongo	48	-
Mr CF Terhoeven	195	140
Mr FA Xaba	21	96
	512	880

Risk Committee	2017 R'000	2016 R'000
Mr FK Buthelezi	26	104
Mr L Manguku	216	342
	242	446

PART E: FINANCIAL INFORMATION

Annual Financial Statements for the year ended 31 March 2017

Notes to the Annual Financial Statements for the year ended 31 March 2017

30. Prior period errors

The correction of the error(s) results in adjustments as follows:

Statement of Financial Position

Accumulated Surplus	1,376,495
Investment: Current Asset	(74,040)
Receivables From Exchange Transactions	(1,021,317)
Investment In Associates	85,603
Accruals	46,835
Lease Commitments: Non Current	1,767
Receivables From Non-Exchange Transactions	(437,708)
Payables From Exchange Transactions	22,389
Lease Commitments:current	(25)

Statement Of Financial Performance

Rental Of Facilities And Equipment	1,147
Contributions By Exempted Employers	7,922
Interest Received	18,704
Share Of Profits From Associates	2,284
Penalties On Late Submissions	(2,226)
Dividend Received	50,962
Employee Cost	(7,109)
Impairment Loss /Reversal Of Xempted Employers	(10,635)
Finance Costs	(23)
Operating Lease	3,841
Debt Impairment	(488,535)
Benefits	42,930
Fair Value Adjustments	28,666
General Expenses	55,779
Recoveries From Third Party	4,964

31. Comparative Figures

The Fund discloses comparative information in respect of the previous period for all amounts reported in the financial statements, both on the face of the financial Statement and in the notes, unless another standard requires otherwise.

Certain comparative figures have been reclassified.

PART E: FINANCIAL INFORMATION

Annual Financial Statements for the year ended 31 March 2017

Notes to the Annual Financial Statements for the year ended 31 March 2017

The effects of the reclassification are as follows:

Statement of financial Position - Extract

	Prior Year Financials R'000	Prior Year Adjustments R'000	Reclassifications R'000	Adjusted Financials R'000
Investments	14,984,029	122	(1,210,412)	13,773,739
Receivables from exchange transactions	1,207,924	(1,031,475)	635	177,084
Receivables from non-exchange transactions	3,740,970	(427,555)	39,634	3,353,049
Investments: Non Current	36,476,630	(74,162)	1,210,412	37,612,880
Investments in associates	-	85,603	-	85,603
Lease Liability: Current	(1,269)	(25)	-	(1,294)
Payables from exchange transactions	(817,883)	22,389	(52,454)	(847,948)
Payables from non-exchange transactions	(542,287)	-	12,185	(530,102)
Accruals	(500,479)	46,835	-	(453,644)
Capitalised value of pensions: Current	(1,042,000)	-	-	(1,042,000)
Lease Liability: Non Current	(2,191)	1,767	-	(424)
Capitalised value of pensions: Non Current	(19,742,000)	-	-	(19,742,000)
Accumulated surplus	(23,061,223)	1,085,166	-	(21,976,057)
	10,700,221	(291,335)	-	10,408,886

Statement of Financial Performance - Extract

	Comparative figures previously reported R'000	Prior Period adjustments R'000	Restated Opening balances R'000
Rental Of Facilities And Equipment	1,019	1,147	2,166
Recoveries From Third Parties	1,014	4,964	5,978
Contributions By Exempted Employers	25,100	7,922	33,022
Interest Received	3,404,422	18,703	3,423,125
Dividends Received	249,599	50,962	300,561
Penalties On Late Submission	107,155	(2,226)	104,929
Employee Related Cost	(494,193)	(7,109)	(501,302)
Impairment Loss / Reversal Of Impairments	-	(10,635)	(10,635)
Finance Costs	(5,770)	(23)	(5,793)
Lease Rental On Operating Lease	(72,486)	3,840	(68,646)
Debt Impairment	(112,261)	(488,535)	(600,796)
Benefits	(7,952,904)	42,929	(7,909,975)
General Expenses	(712,147)	55,776	(656,371)
Fair Value Adjustment	(3,294,179)	28,666	(3,265,513)
Share Of Surplus Or Deficit From Associates	-	2,284	2,284
Total	(8,855,631)	(291,335)	(9,146,966)

PART E: FINANCIAL INFORMATION

Annual Financial Statements for the year ended 31 March 2017

Notes to the Annual Financial Statements for the year ended 31 March 2017

32. Risk Management

Financial Risk Management

In terms of Section 18(2) of the Compensation of Occupation Disease Act (act no 130 of 1993 ('COIDA')), the Public Investment Corporation ('PIC') is appointed as the Fund's Investment Manager. The Fund transfers surplus cash to the PIC to invest in term of the investment strategy and the investment policy of the Fund. All investments and deposits are registered by the PIC in the Fund's portfolio account.

The Fund is exposed to financial risk through its financial assets and liabilities. The main components of financial risk are:

Liquidity Risk

Liquidity risk is the risk that cash resources are not available to pay claims when due. Due to the nature of the Fund's Operational requirements, it is exposed to daily call on its available cash resources arising mostly from short term claims. The Fund ensures that adequate levels of cash are immediately available in its bank and call accounts to cover all the operational expenses. Through its investment activities, liquidity risk is the risk of being unable to close out open financial instrument positions quickly enough and in sufficient quantities at near market prices to avoid adverse financial impacts as a result of there being insufficient volume in the market.

The Funds asset allocation range as per investment mandate for the current financial year is as follows:

Compensation Portfolio

Assets Class	Strategic asset allocation range %	Minimum Percentage	2017
			Maximum Percentage
Cash and Money Market	3	-	5
Capital Market	62	60	65
Equity	20	20	25
Unlisted Property	5	-	5
Social Responsibility Investment	10	-	10

Pension Portfolio

Assets Class	Asset allocation range %	Minimum Percentage	2017
			Maximum Percentage
Cash and Money Market	3	-	5
Capital Market	60	55	65
Equity	22	15	25
Unlisted Property	5	-	5
Social Responsibility Investment	10	-	10

PART E: FINANCIAL INFORMATION

Annual Financial Statements for the year ended 31 March 2017

Notes to the Annual Financial Statements for the year ended 31 March 2017

32. Risk Management (continued)

Credit Risk

The Fund has exposure to credit risks through its investments in financial market securities, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk is managed by undertaking a risk assessment and evaluation of the creditworthiness of a counterparty in accordance with the credit risk policy and the investment mandate. This also includes on-going monitoring of the credit quality and limit compliance. Factors that influence credit decisions includes: credit ratings from rating agencies, assessment of the general operating environment, the relative competitive market position of the counterparty or issuer, counterparty's reputation, deal tenor, the level and volatility of earnings, corporate governance, risk management policies, liquidity and capital management.

Credit risk is managed by utilising ratings from external credit ratings agencies and risk models, incorporating limit measures that accounts for both current and potential exposures and are set and monitored by broad risk types, product type and maturity. Risk reports are submitted to the Investment Management Committee, Audit and Risk Committee and Boards. Financial assets exposed to credit risk at year end were as follows:

Pension Portfolio

Credit Risk Rating	Compensation on 2017 R'000	Compensation on 2016 R'000	% 2017	Pensions 2017 R'000	Pensions 2016 R'000	% 2017
AAA/Aaa	19,225,202	19,731,086	71	9,744,590	9,895,193	72
AA+/Aa1	3,069,334	3,055,956	11	1,765,543	1,936,570	13
AA/Aa2	4,246,429	2,618,427	15	1,855,138	1,323,639	14
AA-/Aa3	40,863	39,699	-	-	-	-
A+/A1	460,974	140,488	2	-	-	-
A/A2	154,722	150,555	1	20,138	19,657	-
A-/A3	118,883	117,297	-	201,954	197,891	1
Unrated	49,571	47,171	-	-	(560)	-
Subtotal	27,365,978	25,900,679	100	13,587,363	13,372,390	100
	-	-	-	-	-	-
	27,365,978	25,900,679	100	13,587,363	13,372,390	100

Market Risk

Market risk arises from fluctuations in the fair value or future cash flows actively traded financial instruments as a result of market factors such as interest rates, equity and bond prices. The Fund's investment portfolio hold more than 50 % of its financial assets in debt securities (Government and Parastatal Bonds), investments in cash and cash equivalents and money market instruments.

Interest Rate Risk

Interest rate risk is the risk that the market value or the income from financial instruments will fluctuate due to interest rate movements. Changes in interest rates are managed on behalf of the fund by the PIC. Price risk that arises from changes in the price of the listed equity instruments and is managed through diversification of the investment instruments.

PART E: FINANCIAL INFORMATION

Annual Financial Statements for the year ended 31 March 2017

Notes to the Annual Financial Statements for the year ended 31 March 2017

32. Risk Management (continued)

Sensitivity for Bonds

Spread in basis points	Compensation: Profit and loss R'000	Compensation: Market Value of bonds R'000	Pension: Profit and loss R'000	Pension: Market Value of bonds R'000
-200	3,677,479	26,523,995	2,523,707	14,279,024
-150	2,670,582	25,517,098	1,812,373	13,567,689
-100	1,725,135	24,571,652	1,158,562	12,913,879
-50	836,383	23,682,899	556,209	12,311,526
0	-	22,846,516	-	11,755,316
50	(787,949)	22,058,568	(514,734)	11,240,581
100	(1,531,050)	21,315,466	(992,102)	10,763,213
150	(2,232,574)	20,613,941	(1,435,726)	10,319,589
200	(2,895,511)	19,951,005	(1,848,806)	9,906,509
	-	-	-	-

Sensitivity for Money Market

Spread in basis points	Compensation: Profit and loss R'000	Compensation: Market Value of bonds R'000	Pension: Profit and loss R'000	Pension: Market Value of bonds R'000
-200	27,882	4,361,183	13,779	1,845,829
-150	20,864	4,354,165	10,306	1,842,355
-100	13,878	4,347,179	6,852	1,838,902
-50	6,923	4,340,224	3,417	1,835,466
0	-	4,333,301	-	1,832,050
50	(6,891)	4,326,409	(3,399)	1,828,651
100	(13,753)	4,319,548	(6,779)	1,825,271
150	(20,583)	4,312,718	(10,141)	1,821,908
200	(27,383)	4,305,918	(13,486)	1,818,564
	-	-	-	-

PART E: FINANCIAL INFORMATION

Annual Financial Statements for the year ended 31 March 2017

Notes to the Annual Financial Statements for the year ended 31 March 2017

32. Risk Management (continued)

Equity Price Risk

The entity is exposed to equity securities price risk because of investments held by the entity and classified on the consolidated statement of financial position either as available-for-sale or at fair value through surplus or deficit. The entity is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the entity diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the entity.

The entity's investments in equity of other entities that are publicly traded and are included in the SWIX40 equity index.

The sensitivity analysis is employed to measure the impact of price movements in the investment portfolio and is based on the portfolio holdings as at 31 March 2017, and it involves a full revaluation of the portfolio constituents at the relative price points. The sensitivity analysis methodology on equities and listed properties has been improved.

Previously, in the exercise absolute changes on portfolio were considered to reflect the impact on the portfolio if such changes were to be realised. This implies that the equities in the portfolio move in tandem with one another and are perfectly correlated to the portfolio benchmark. For 31 March 2017, beta sensitivity were employed to capture the expected equity returns given a certain impact on the benchmark. The sensitivity analysis excludes cash and makes a distinction between listed property and listed equity

The table below summarises the impact of increases/decreases of the indexes on the entity's post-tax surplus for the year and on equity. The analysis is based on the assumption that the equity indexes has increased/decreased by 1% with all other variables held constant and all the entity's equity instruments moved according to the historical correlation with the index:

Price changes percentage	Compensation Portfolio		Pension Portfolio	
	Profit/loss	Market value	Profit/loss	Market value
		R'000		R'000
-1%	(83,696)	8,034,530	(46,903)	4,502,517
0%	-	8,118,226	-	4,549,420
1%	83,696	8,201,923	46,903	4,596,323

surplus for the year would increase/decrease as a result of gains or losses on equity securities classified as at fair value through surplus or deficit. Other components of equity would increase/decrease as a result of gains or losses on equity securities classified as available-for-sale.

33. Going Concern

We draw attention to the fact that at 31 March 2017, the entity had accumulated surplus of R26,959,153 and that the entity's total assets exceed its liabilities by R27,159,151.

The 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 members continue to procure funding for the ongoing operations for the entity.

PART E: FINANCIAL INFORMATION

Annual Financial Statements for the year ended 31 March 2017

Notes to the Annual Financial Statements for the year ended 31 March 2017

34. Events after the Reporting Date

Disclose for each material category of non-adjusting events after the reporting date:

- nature of the event.
- estimation of its financial effect or a statement that such an estimation cannot be made.

The following are the material events after reporting date for the Fund

1) Incorrect Interest and Penalty Charges

Compensation Fund discovered that incorrect interest and penalty charges were raised on outstanding assessment debtors. An approval was granted to suspend the implementation of section 86(2) and 87 on interest and penalties until an investigation on the functionality of interest and penalty program on SAP have been completed.

During the 2015/16 financial year Compensation fund through its CF action plan embarked on a process to investigate and correct the interest and penalties on SAP system. It is through this process that the net interest amounting to R1,691,233,749.09 and penalties amounting to R731, 635,535.40 was identified as incorrectly charged to employers, therefore qualifies to be written off. Furthermore quality assurance audit was conducted by internal audit to ascertain the accuracy of the interest and penalties calculation going forward.

An approval by the Accounting Authority to implement this corrective measure that enable the Compensation Fund to lift the suspension of section 86 and 87 of COIDA was granted in April 2017 which makes this an adjusting events after then reporting date valued R2, 422,869,102.49.

2) Precautionary Suspension of the Fund's Officials

During the month of April 2017, the Fund placed thirty five (35) Officials on a precautionary suspension pending the outcome of an investigation. The details of the suspension will be communicated to users once the investigation is concluded.

35. Fruitless and Wasteful Expenditure

Fruitless and wasteful expenditure

Add: New Cases

Less: Cases Condoned

	2017 R'000	2016 R'000
Fruitless and wasteful expenditure	436,126	32,318
Add: New Cases	3	403,808
Less: Cases Condoned	(15)	-
	436,114	436,126

The Fund had a total of 33 cases in the Financial Misconduct register that were accumulated over the past few years, classified as Fruitless and Wasteful expenditure at the beginning of the financial year.

01 additional case of Fruitless and Wasteful expenditure was identified and recorded in the Financial Misconduct register during the current period. This resulted in a total of 34 cases of Fruitless and Wasteful recorded in the Financial Misconduct register.

During the current financial year, 01 case was derecognised by the Accounting Authority as it was ascertained that no Financial Misconduct had occurred. A further 01 case was condoned by the Accounting Authority and 32 Cases were under investigation as at the end of the financial year.

PART E: FINANCIAL INFORMATION

Annual Financial Statements for the year ended 31 March 2017

Notes to the Annual Financial Statements for the year ended 31 March 2017

	2017 R'000	2016 R'000
36. Irregular Expenditure		
Opening balance	1,016,162	1,009,566
Add: Irregular Expenditure - current year	424	6,596
Less: Amounts condoned	(1,283)	-
Less: Amounts De-recognised	(252,880)	-
	762,423	1,016,162
Analysis of Expenditure Awaiting Condonation Per Age Classification		
Current year	424	6,596
Prior years	761,999	1,009,566
	762,423	1,016,162
Details of irregular expenditure - current year		
Service rendered in the current year, but procured in the 2015/16 period not disclosed as a commitment in the current period		6
Services rendered without a contract in place		206
Budget overrun		212
		424

The Fund had a total of 163 cases recorded in the Financial Misconduct register as at the beginning of the financial year. In the current year, 04 cases were identified and recorded as irregular expenditure. This resulted in the total amount of cases in the irregular amounting to 167.

17 cases were derecognised by the Accounting Authority in the current year and 7 cases were condoned by the Accounting Authority.

143 cases were under investigation as at the end of the financial year.

PART E: FINANCIAL INFORMATION

Annual Financial Statements for the year ended 31 March 2017

Notes to the Annual Financial Statements for the year ended 31 March 2017

37. Material Losses

Total number of cases	Number of cases	Rand Value R'000
Cases carried forward 01/04/2016	102	12,408
Registered allegations	48	30,957
	150	43,365
Decrease in estimates		
Decrease in estimate		1,958
Total number of finalised cases		
Cases finalised externally	-	-
Cases finalised internally	49	1,581
	49	1,581
Breakdown of the above finalised cases		
Cases finalised - prior year	41	1,573
Cases finalised - current year	8	8
	101	39,826
Closing balance as at 31 March 2017		
Analysis serve as an illustration of how the actual, potential & referral to law enforcement have been broken down (the analysis amounts should not be reconciled to the information above)		
Recovered	-	-
Actual Loss	10	1,581
Potential loss	7	1,763
Referred to law enforcement	14	40,709
Recommended write-off	-	-
Cases with no loss	29	-
Comparison figures from prior year		
Cases carried forward 01/04/2015	58	4,686
Registered allegations	89	10,503
Total number of cases	147	15,189
Increase in estimates		36,755
Cases finalised externally		
Cases finalised internally	45	39,536
Total number of cases finalised	45	39,536
Breakdown of the above finalised cases		
Cases finalised - prior year	22	39,485
Cases finalised - current year	23	51
Closing balance as at 31/03/2016	102	12,408

PART E: FINANCIAL INFORMATION

Annual Financial Statements for the year ended 31 March 2017

Notes to the Annual Financial Statements for the year ended 31 March 2017

37. Material Losses (continued)

	Number of cases	Rand Value R'000
Analysis serve as an illustration of how the actual, potential & referral to law enforcement have been broken down (the analysis amounts should not be reconciled to the information above)		
Recovered	-	-
Actual Loss	11	39,536
Potential loss	5	2 459
Referred to law enforcement	12	2,072
Recommended write-off	-	-
Cases with no loss	32	-

38. Taxation

The Fund is exempted from normal income tax on its income, including income from investment and reserve fund in terms of section 21 of the Compensation for Occupational Injuries and Disease Act 130/1993, as amended by Act 61 of 1997.

39. Changes in Accounting Estimates

Compensation Fund management realised during their annual assessment of useful lives, residual values and based on experience, that the depreciable assets estimates used has changed from that in the previous periods. These depreciable assets are currently depreciated using the straight line method over their useful lives. As a result, management decided to change the remaining useful lives of the depreciable assets as follows:

Asset class	Original Useful life in months	Remaining Useful life at beginning in months	Revised Useful life in months	Remaining Useful life at end in months
Vehicle (26 months)	60	14	84	26
Vehicle (23 months)	60	11	84	23
DP hardware (39 months)	36	27	60	39
DP hardware (29 months)	36	17	60	29
Intangible assets (32 months)	36	20	60	32
Intangible assets (40 months)	36	28	60	40
Intangible assets (28 months)	36	16	60	28
	-	-	-	-

The effects of the above on the current and future periods will be a decrease in the depreciation charge by R4,827,000 in the current period and an equal decrease in the depreciation charge of R4,827,000 over the remaining useful life.

PART E: FINANCIAL INFORMATION

Annual Financial Statements for the year ended 31 March 2017

Notes to the Annual Financial Statements for the year ended 31 March 2017

2017 R'000	2016 R'000
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40. Investments in Associates

Reconciliation

Opening Balance	85,603	96,552
Share of post-acquisition profit	(15,044)	2,284
Impairment (loss)/ reversal of investment	10,635	(10,635)
Net of dividend received	(1,155)	(2,598)
	80,039	85,603

Name of entity	Listed / Unlisted	% holding 2017	% holding 2016	Carrying amount 2017 R'000	Carrying amount 2016 R'000	Fair value 2017 R'000	Fair value 2016 R'000
Afric Oil		28.00 %	28.00 %	80,039	85,603	-	-
				80,039	85,603	-	-
Reversal /(Impairment) of investments in assoc		- %	- %	-	-	10,635	(10,635)
				80,039	85,603	10,635	(10,635)
Non-current assets					87,319		93,273
Current assets					228,671		320,917
Non-current liabilities					(6,664)		(8,765)
Current liabilities					(131,458)		(174,246)
					177,868		231,179
Compensation Fund's share of net assets (28%)					49,803		64,730
Elimination of unrealised profit or loss					-		-
					49,803		64,730
Revenue							
Revenue 100%					2,294,964		3,042,417
Operating (loss)/ profit 100%					(50,584)		30,400
(Loss)/profit for the year 100%					(59,598)		13,923
Other comprehensive income 100%					5,869		(5,765)
Total comprehensive income 100%					(53,729)		8,158
					2,136,922		3,089,133
Total comprehensive income							
Total comprehensive income (28% of Total comprehensive income above)					(15,044)		2,284
Elimination of unrealised profit or loss					-		-
					(15,044)		2,284

The Fund acquired a 28% equity stake in Afric Oil at a cost of R96 551 724 in December 2014. The financial year end date of Afric Oil is December 31, while the year end date for the Fund is March 31.

The associate's financial statements used for consolidation relates to December 2016 and 2015 respectively and these were not adjusted as there were no material transactions that took place between January and March that will necessitate adjustments to the reported financial statements.

ANNEXTURE
REPORT OF THE VALUATOR
For the year ended 31 March 2017

PARTICULARS OF FINANCIAL CONDITION OF THE FUND BASED ON THE ACTUARIAL VALUATION EFFECTIVE
 31 MARCH 2017

1. The net assets of the Fund as per the Fund's statement of Financial Position as at 31 March 2017, amounted to R27,159 million.
2. The actuarial value of the Fund's technical liabilities, as determined by QED, as at 31 March 2017, amounted to R34,130 million. This included the outstanding claims liabilities, liabilities in respect of pensions in payments, expenses and a margin.
3. The breakdown of the liabilities are shown, as at the 2016 and 2017 financial year-end, in the table below.

Provision in R'million	31-Mar-17			31-Mar -16		
	Best estimate R'000	Margin R'000	Total R'000	Best estimate R'000	Margin R'000	Total R'000
Outstanding claims provision	10,562	1,518	12,080	10,812	1,56+0	12,372
Claims provision	10,429	1,505	11,934	10,692	1,549	12,240
Expense provision	133	13	146	120	12	132
Pensioner & CAA Provision	18,563	2,221	20,784	19,384	2,374	21,758
Claims provision	18,401	2,184	20,585	19,178	2,349	21,527
Expense provision	162	32	199	205	25	230
Total provision	29,125	3,739	32,864	30,195	3,935	34,130
Claims provision	28,830	3,689	32,519	29,870	3,870	33,768
Expense provision	295	50	345	325	37	362

4. The surplus capital or Minimum Reserve Fund (MRF) required for the Fund was calculated as R20,387 million. When considering the net assets available to cover the MRF the impact of reserve margins should be excluded, as this is allowed for within the MRF. The net assets, excluding the impact of liability margins is R31,094 million, resulting in net assets covering the MRF 1.53 times.
5. Details of the valuation method adopted and changes since the previous valuation are summarised below. These are shown separately for compensation benefits and pension benefits.

- **Compensation Benefits Methodology**

The South African workforce and expected cost per employee were used in an adjusted Bornhuetter-Ferguson method to obtain the ultimate claims in respect of each origin period. A development pattern was applied to the ultimate claims by origin period to determine the total amount of claims outstanding.

The Assumptions Made in the Valuation are as follows:

- Discount rate: 7.40% p.a. (previously 9.50% p.a.)
- Benefit inflation: 6.40% p.a. (previously 8.50% p.a.)
- Margins applied to the best-estimate reserves have remained unchanged since the previous valuation and are as follows:
 - Expense margin: 10%
 - Death benefit: 7.5%
 - Disability benefits: 10%
 - Medical benefits: 15%
 - Capitalised pension benefits: 15%
- Average expense per medical claim: R41.06 (previously R38.69)
- Average expense for all other claims: R708.45 (previously R667.59)
- Average claim per covered employed for the purpose of the Bornhuetter-Ferguson method (has remained fixed in real terms):
 - TTD benefits: R5.59
 - PD benefits: R6.11
 - Death benefits: R0.41
 - Medical benefits: R123.22
 - Capitalised pension benefits: R33.55
- **Pensions Methodology**

The pensioner and constant attendance allowance provision is determined by calculating the present value of all expected future associated obligations, namely:

- Pension payments;
- Constant attendance allowance payments;
- Expenses associated with paying the provisions; and,
- Investment returns.

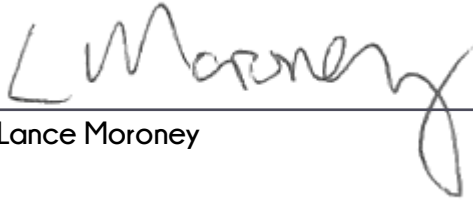
The present value includes margins.

The Assumptions Made in the Valuation are as follows:

- Discount rate: South Africa's nominal risk free yield curve less a 0.25% margin (previously 10.38% p.a.)
- Mortality: In-house table, reduced by a margin of 7.5%, with a 1.5% improvement each year (previously an in-house table)
- Annuity increases: Consumer Price Index curve increased by a margin of 5% (previously 8.25% p.a.)
- Inflation: South Africa's implied inflation curve increased by a 10% margin (previously 8.25% p.a.)
- Renewal expense: R358.37 per annuity p.a. (previously R300.96)
- Expense increases: Consumer Price Index curve increased by a margin of 10% (previously 8.25% p.a.)

ANNEXTURE
REPORT OF THE VALUATOR
For the year ended 31 March 2017

6. The Fund is considered to be financially sound in that the net assets exceed the Minimum Reserve Fund, with a solvency ratio of 153%.



Lance Moroney

Fellow of the Actuarial Society of South Africa

For the purposes of professional regulation my regulator is the Actuarial Society of South Africa

In my capacity as valuator to the Fund

14 July 2017



labour

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