Mines and Works Compensation Fund

ANNUAL REPORT

ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

health

Department:
Health
REPUBLIC OF SOUTH AFRICA

A Long and Healthy Life for All South Africans

health

Department:
Health
REPUBLIC OF SOUTH AFRICA

NATIONAL DEPARTMENT OF HEALTH

Mine and Works Compensation Fund Annual Report

2016 / 2017

RP423/2020

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Part A: GENERAL INFORMATION

1.1 Entity’s legal form and domicile

The Occupational Diseases in Mines and Works Act, No. 78 of 1973 (ODMWA) prescribes that the Minister of Health shall appoint, an officer to be styled the Compensation Commissioner for Occupational Diseases (CCOD). The CCOD operates under the framework of the ODMWA.

The ODMWA provides for the establishment of a fund to be called the Mines and Works Compensation Fund (Fund). In terms of the ODMWA the CCOD is responsible for controlling and administering the Fund.

The ODMWA provides for the establishment of the Medical Bureau for Occupational Diseases (MBOD).

1.2 Address

The CCOD and MBOD have one national office based in Johannesburg that covers South Africa and the Southern African Development Community (SADC) region. The address is:

144 De Korte Street
Braamfontein
Johannesburg
2001

1.3 Postal address

PO Box 4566
Johannesburg
2000

1.4 Contact information

Contact number: 011 356 5600

1.5 External auditors

Auditor-General South Africa

1.6 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 this Annual Report are consistent with the annual financial statements of the Fund, audited by the Auditor-General South Africa.

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

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

The Annual Financial Statements (Part E) have been prepared in accordance with the Generally Recognised Accounting Practice (GRAP) Standards applicable to the Fund.

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

The Accounting Officer is responsible for establishing and implementing a system of internal control that is 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 (AGSA) are engaged to express an independent opinion on the Annual Financial Statements.

In my opinion, this Annual Report fairly reflects the Review of Operations, the Performance Information and Human Resources Information of the CCOD, and the financial affairs of the Fund for the financial year ended 31 March 2017.

Dr MB Kistnasamy
Compensation Commissioner for Occupational Diseases

Part A: GENERAL INFORMATION continued

1.7 MINISTER'S STATEMENT

The Compensation Commissioner for Occupational Diseases (CCOD) is a subprogramme of the National Department of Health (NDOH), responsible for controlling and administering the Mines and Works Compensation Fund (Fund). The mandate of the CCOD is to ensure that there are effective and efficient processes of claims management and compensation of workers and ex-workers in controlled mines and works in terms of the ODMWA. The NDOH provides oversight on the CCOD and provides funds from the fiscus for the administration of the Fund.

The Fund has made tremendous progress in the 2016/2017 financial year with the submission of annual reports and financial statements for the 2010/2011 and 2011/2012 financial years as well as the report on the actuarial valuation of the Fund to the Auditor-General of South Africa.

The Certification Committees of the MBOD conducted on average 1 679 certifications per month in the current financial year compared to 603 per month in the 2015/2016 financial year. In addition, the CCOD paid on average 437 claimants per month compared to 148 per month in the 2015/2016 financial year. The total value of payments made in the 2016/2017 financial year amounted to R205 749 751 compared to R76 038 803 in the prior financial year.

The business process reforms initiated by the CCOD, supported by Trade Unions, the Chamber of Mines and the Gold Working Group, have started to bear fruit and are enhancing the services provided by the MBOD/CCOD.

The Global Fund for AIDS, TB and Malaria is providing One Stop Service Centres in Botswana, Lesotho, Mozambique and Swaziland which supports the decentralised service delivery model and increased access to the services of the MBOD/CCOD. The database of the MBOD/CCOD has 583 968 records of claimants, will be boosted with additional data from 400 000 current workers in controlled mines and works. The database allows for web-based queries from authorised personnel at the MBOD/CCOD, controlled mines and works, service providers conducting benefit medical examinations and the call centre which has been set up with funding from the Chamber of Mines and Gold Working Group. The Chamber of Mines has agreed to get the records of service of ex-mineworkers from TEBA on request from the CCOD's office, which will be added to the claimant files. This is a major achievement given the problems faced by ex-mineworkers previously in accessing their record of service.

In October 2016, the previous minister, Dr AP Motsoaledi, and the previous Minister of Labour Ms NM Oliphant, received the interim report on the integration of compensation systems. The CCOD will use the report to align the compensation systems to ensure appropriate benefits for current workers, an enhanced disability assessment system for occupational lung diseases and improving services for ex-workers.

The previous minister, Dr AP Motsoaledi, with the support of the CCOD, has participated actively in the Inter-Ministerial Committee (IMC) for the Special Presidential Package for the Revitalisation of Distressed Mining Communities and Labour Sending Areas. The IMC covers partnerships between government and mining companies in delivering decent housing and living conditions for mine workers and community members. The development of mining towns, catalytic economic development projects in labour sending areas and fast tracking of access to medical assessments for ex-mineworkers is supported. The Departments of Health and Mineral Resources with partners will continue to work together and prevent mine related occupational injuries and diseases.

The TB in the mining sector project (TIMS) supported by the Global Fund for AIDS, TB and Malaria covers 10 countries in Southern Africa and builds on many of the legacy issues facing resource-led economies especially the need for effective policies and legislation on occupational health and TB, prevention and screening interventions for workers exposed to occupational hazards, development of a supra-regional database of workers and ex-workers, referrals of workers across facilities and borders, provision of occupational health services and access to compensation systems. The previous minister, Dr AP Motsoaledi, hosted a special session on the TB in the mining sector project and the enhanced services of the CCOD at the SADC Ministers of Health meeting in Swaziland in November 2016.

Dr ZL Mkhize, MP
Minister of Health

1.8 ACCOUNTING OFFICER'S REPORT

The Fund compensates workers and ex-workers for impairment or diseases of the cardio-respiratory system and reimbursement for loss of earnings incurred during TB treatment. In the case where the worker or ex-worker is deceased, the Fund compensates the beneficiaries. The Fund also administers the transfer payment for pensioners as per the Pneumoconiosis Compensation Act, 1962 (Act 64 of 1962).

The CCOD works within the framework of the ODMWA and administers the Fund. The CCOD operates as a subprogramme within the national Department of Health (NDOH). The MBOD provides facilities for medical examinations of workers or ex-workers as well as the assessment and certification process for claimants. Both offices are situated in one building in Braamfontein, Johannesburg as of 1 December 2012. The CCOD and MBOD have one national office based in Johannesburg that covers South Africa and the SADC region.

OVERVIEW OF PERFORMANCE ENVIRONMENT OF THE CCOD FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

The Chamber of Mines, Gold Mining companies and the World Bank continued their support for various business process reforms at the CCOD. These included secondment of medical doctors to the Certification Committees of the MBOD, technical support for the preparation of the annual reports and financial statements, personnel for the Carletonville One Stop Service Centre, funding for the electronic database of claimants, the development of a logistics and coordinating centre and tracking and tracing of claimants and beneficiaries.

The majority of targets in the Annual Performance Plan for the CCOD for the 2016/17 financial year were achieved and exceeded in certain instances. The CCOD's attempts to increase the operational budget of the CCOD through use of the interest generated on the capital amount was not possible given the legal opinion obtained that this will be in breach of ODMWA. The highlight for the financial year was the receipt of the report on the actuarial valuation of the Fund and the submission of the annual reports and financial statements of the Fund for the 2010/2011 and 2011/2012 financial years to the Auditor-General South Africa. The actuarial valuation will assist in the determination of the liability of the Fund and the adjustment of levies and compensation benefits.

5 249 claimants were paid R205,749,751 during the 2016/2017 financial year compared to R76,038,803 to 1 775 claimants in the prior financial year. The number of payments increased on average to 437 claimants per month compared to 148 per month in the 2015/2016 financial year.

There were 20 149 certifications in the 2016/2017 financial year compared with 7 233 in the prior financial year, increasing on average from 603 certifications per month in the in the 2015/2016 financial year to 1 679 per month in the 2016/2017 financial year.

Of the claims certified 12 635 were non-compensable, 6 623 compensable and 891 deferred. TB accounted for 61% of all certifications. The reasons for the deferrals was due to missing information in the claimant files. The CCOD continued to pay monthly pensions to 88 pensioners in terms of the Pneumoconiosis Compensation Act, No 64 of 1962 which preceded the ODMWA. Funds for the payment of monthly pensions are provided from voted funds.

A web-based scanning process of the movement of claimant files is in place, which assists with the location of files internal to the MBOD/CCOD. The query function on the reference database of claimant files has improved communication to claimants and other stakeholders while the website (www.health.gov.za/ccod/) assists claimants with documents required to complete a claim. The CCOD website also provides the contact details of the CCOD. Bi-weekly updates are given on the outputs of the MBOD/CCOD such as number of certifications and number of paid claimants which assists with performance monitoring. A logistics and coordinating centre has been set up incorporating a Call Centre (0801000240) to support outreach and awareness activities of the CCOD and provide feedback to claimants.

The MBOD plays a critical support role to the CCOD through the provision of Benefit Medical Examinations (BME) and certification of compensable claims. Under the ODMWA, BMEs must be performed every two years on the current or ex-worker in the controlled mines and works. The provision of decentralised facilities in neighbouring countries through the TIMS project will increase access of ex-workers to the services of the MBOD/CCOD. The Certification Committees are fully functional and have increased certifications by 500%. The Head of the Certifications Committee has upgraded the skills base of the medical doctors in assessing BMEs, introduced a work-flow procedure dealing with TB claims and revamped the quality assurance system of claim applications through outreach activities with mining companies and service providers.

18,145 BMEs were conducted in the financial year ended 31 March 2017 of which 1,209 were received from the One Stop Service Centres in Mthatha (475 BMEs) and Carletonville (734 BMEs). The One Stop Service Centres planned for Burgersfort in Limpopo and Kuruman in Northern Cape are awaiting the procurement process for construction and will be operational during the 2017/2018 financial year.

There have been some improvements in the development of the electronic database of 583 968 claimant files and financial management through the Gold Working Group and Chamber of Mines interventions. The database is covered by business continuity procedures and is backed up on a weekly basis. The upgrade of the MBOD/CCOD Information Technology System was not possible due to a lack of funds. An assessment report from the Council for Scientific Research funded by the Chamber of Mines on the Information Technology system alluded to the system having significant deficiencies and requiring a major overhaul to support the activities of the MBOD/CCOD in the hosting of a master database of claimant files, revenue and risk shift data from the controlled mines and works, health records (BMEs) and compensation payment records.

There are still problems with the buildings and the clinical and diagnostic facilities at the MBOD/CCOD in Braamfontein with significant drainage and security problems being experienced. Facilities are lacking to support the scale up and expansion of services, especially in labour sending areas, despite some interventions on One Stop Service Centres by the Global Fund TIMS project in neighbouring countries. Work stoppages took place at the CCOD resulting in setbacks with the business reform processes and service delivery activities.

Revenue generated from levies was R310,1 million in the 2015/2016 financial year and R315,4 million for the 2016/2017 financial year. The Deputy Compensation Commissioner with the support of the inspectors has re-doubled efforts in the collection of levies from non-paying controlled mines and works, which together with improved investment processes has resulted in increased revenue for the Fund.

Approximately 28% of controlled mines and works liable for levies, did not pay for the 2017/2018 financial year. A levy workshop was held in February 2017, which brought together 75 participants from the controlled mines and works. The workshop deliberated on the re-arrangement of the levy table by commodity, assigning all controlled mines and works to a commodity and determination of the basis for future levies on controlled mines and works based on claims data, exposure levels (using dust measurements) and TB incidence.

The nine health inspectors funded by the Global Fund for AIDS, TB and Malaria commenced assessing the TB programmes and health risks at mines/works on the list of controlled mines and works. The assessment shows that 90% of the controlled mines and works inspected have screening programmes for TB and that gold mines still account for the highest incidence of TB at 1 465/100 000 workers relative to other commodities. The Global Fund has renewed support for the health inspections' programme for the period commencing in 2016/2017 extending to the 2018/2019 financial year.

The CCOD supported the previous Minister of Health and played an active role in initiatives led by the Presidency on the Revitalisation of Distressed Mining Communities and on TB interventions in the mining sector through the Global Fund TIMS project in 10 countries in Southern Africa. The integration of compensation systems interim report was presented to the previous Ministers of Health and Labour in October 2016 and key recommendations have been incorporated into the Annual Performance Plan of the CCOD for the 2017/2018 financial year.

The previous Minister of Health and the Compensation Commissioner addressed the SADC Health Ministers' meeting in Swaziland in November 2016 on TB in vulnerable communities (especially mining) and on the reforms to the compensation system.

Controlled mines and works

There were 252 controlled mines and works in the register of controlled mines and works at 31 March 2017. A project to determine the complete list of controlled mines and works commenced in the 2016/2017 financial year and will continue in the next financial years. Health and finance inspectors have been accessing historical gazette notices for controlled mines and works at the State Archives in Pretoria. These controlled mines and works will be contacted and cross-referenced with the Department of Mineral Resources as to their operational status.

1.9 STRATEGIC OVERVIEW

VISION

The CCOD and MBOD will strive to deliver an accessible and effective occupational health system and services that ensure prevention, care and compensation for workers with occupational diseases and their beneficiaries.

MISSION

Enhancement of the health system to prevent occupational diseases and provide clinical services and compensation to workers and ex-workers in controlled mines and works.

VALUES

The success of the CCOD and MBOD rests with the service ethos of the employees undertaking specific activities. The following values of our employees underpin the activities of the CCOD and MBOD:

- fairness
- equity
- accessibility
- transparency
- accountability
- participation
- professionalism
- integrity
- diligence

1.10 LEGISLATIVE AND OTHER MANDATES

Occupational Diseases in Mines and Works Act, 1973 (Act 78 of 1973)

The ODMWA prescribes that the Minister of Health shall appoint, an officer to be styled the CCOD.

The ODMWA provides for the establishment of a fund to be called the Mines and Works Compensation Fund (Fund). In terms of the ODMWA the CCOD is responsible for controlling and administering the Fund.

The ODWMA provides for the establishment of the MBOD.

The MBOD and CCOD derive their mandate from the ODMWA and provide for medical examinations of persons suspected of having contracted occupational diseases, especially in mines and works and provides for compensation in respect of those diseases. The activities of the CCOD and MBOD are regulated by the ODMWA. The ODMWA covers compensation for cardio-respiratory diseases (mainly dust exposure related) in workers in controlled mines and works.

Other legislation impacting on the work of the CCOD and MBOD include:

- Constitution of the Republic of South Africa, 1996 (Act 108 of 1996)
- National Health Act, 2003 (Act 61 of 2003)
- Promotion of Access to Information Act, 2000 (Act 2 of 2000)
- Promotion of Equality and the Prevention of Unfair Discrimination Act, 2000 (Act 4 of 2000)
- State Liability Act, 1957 (Act 20 of 1957)
- Public Finance Management Act, 1999 (Act 1 of 1999)
- Protected Disclosures Act, 2000 (Act 26 of 2000)
- Public Service Commission Act, 1997 (Act 46 of 1997)

- Control of Access to Public Premises and Vehicles Act, 1985 (Act 53 of 1985)
- Public Service Commission Act, 1997 (Act 46 of 1997)
- Labour Relations Act, 1995 (Act 66 of 1995)
- Promotion of Administrative Justice Act, 2000 (Act 3 of 2000)
- Basic Conditions of Employment Act, 1997 (Act 75 of 1997)
- Occupational Health and Safety Act, 1993 (Act 85 of 1993)
- Mine Health and Safety Act, 1996 (Act 29 of 1996)
- Compensation for Occupational injuries and Diseases Act, 1993 (Act 130 of 1993)

CCOD as a subprogramme of the national Department of Health
The CCOD works within the framework of the ODMWA and administers the Fund. The CCOD operates as a subprogramme within the national Department of Health.

The CCOD compensates current and ex-workers in controlled mines and works for impairment or diseases of the cardio-respiratory system and reimbursement for loss of earnings during TB treatment. The MBOD provides medical examinations for ex-workers as well as the assessment and certification process for claimants.

The CCOD functions cover:

- determination and recovering levies from controlled mines and works
- awarding benefits to workers and ex-workers in controlled mines and works suffering from lung and heart-related diseases due to risk work
- investment of levies collected and interest earned from investments on behalf of the Fund
- administration and implementation of generally acceptable accounting practices and keeping statistical data

1.11 REPORTING STRUCTURE

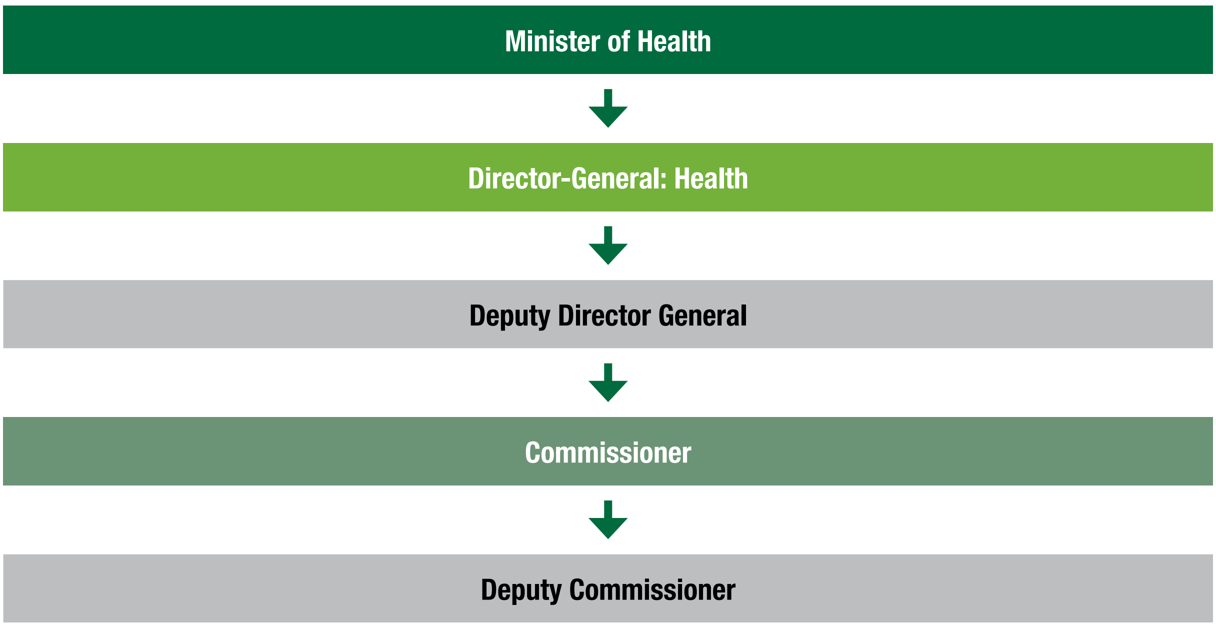

Figure 1: Reporting structure of the CCOD

Part B: PERFORMANCE INFORMATION

2.1 AUDITOR-GENERAL'S REPORT: PRE-DETERMINED OBJECTIVES

Performance Information for the CCOD has been included below as per the requirements of the ODMWA, the CCOD is responsible for administering the Fund.

2.2 KEY STRATEGIC OBJECTIVES/ACHIEVEMENTS

The key focus areas for the 2016/2017 financial year were:

- participation in the process towards integration of the compensation systems
- continued provision of decentralised service facilities for current and ex-workers in controlled mines and works at health facilities in provinces
- ensuring the effective and efficient management of the COOD through training of personnel on the use of the electronic database, increasing the number of paid claimants and submission of annual reports and financial statements of the Fund

2.3 PERFORMANCE INDICATORS AND ACHIEVEMENTS

Strategic objective		Performance indicator	Actual achievement 2015/2016	Planned target 2016/2017	Actual performance 2016/2017	Deviation from planned target to actual achievement 2016/2017	Comments on deviation
1	To develop and implement the policy and legislative framework for occupational health and compensation	Develop and implement the policy and legislative framework for occupational health and compensation	2 consultative meetings held on amendments to the Occupational Diseases in Mines and Works Act, 1973 and the occupational health framework held on 30 March to 1 April 2015 and 25 to 26 January 2016	Legal, management and organisational framework for integrated compensation systems developed	Submission of interim report on Integration of Compensation Systems to Ministers of Health and Labour	Achieved	None
2	To enhance the governance and management of the CCOD	Number of meetings of the Audit and Risk Committee, the advisory committee and the management committee	Advisory Committee – 6 meetings	Advisory Committee – 4 meetings	Advisory Committee – 5 meetings	Achieved	None
			Audit and Risk Committee – 3 meetings	Audit and Risk Committee – 4 meetings	Audit and Risk Committee – 5 meetings	Achieved	None
			7 Management meetings held in 6 calendar months	Management Committee – 6 meetings	Management Committee – 6 meetings	Achieved	None
3	To provide occupational health and compensation services through the development of One Stop Service centres in provinces	Number of provinces with One Stop Service Centres to deliver occupational health and compensation services	No One Stop Service Centres for occupational health and compensation services in one health facility in Northern Cape and Limpopo were established	Establishment of One Stop Service Centre for occupational health and compensation services in Kuruman in Northern Cape and Burgersfort in Limpopo	No One Stop Service Centres for occupational health and compensation services in Kuruman in Northern Cape and Burgersfort in Limpopo were established	Not achieved	Target not achieved due to budget constraints and administrative delays in the year under review. The One Stop Service Centres in Limpopo and the Northern Cape were opened on 27 October 2017 and 5 December 2017 respectively
4	To develop the database of current and ex-workers in controlled mines and works	Development of the database of claimant files of current and ex-workers in controlled mines and works	New Indicator	Update of the database of the claimant files of current and ex-workers at the CCOD and extension of the database to the One Stop Service Centres	Database of the claimant files of current and ex-workers at the CCOD updated and extended to the One Stop Service Centres	Achieved	None

2.3 PERFORMANCE INDICATORS AND ACHIEVEMENTS continued

TABLE 1: PERFORMANCE INDICATORS continued

	Strategic objective	Performance indicator	Actual achievement 2015/2016	Planned target 2016/2017	Actual performance 2016/2017	Deviation from planned target to actual achievement 2016/2017	Comments on deviation
5	To clear the backlog in the payment of unpaid compensable claims prior to 31st March 2015	% of unpaid compensable claims prior to 31st March 2015 paid by the CCOD	New Indicator	25% of unpaid compensable claims prior to 31st March 2015 paid by the CCOD	5% of compensable claims prior to 31st March 2015 paid by the CCOD	-20% Not achieved	Implemented new payments systems and track and trace activities that resulted in a significant increase of payments made of 5,198 for claims prior to 31 March 2015. Target could not be reached due to high levels of incomplete documentation received.
6	To ensure that all new compensable disease claims as from the 1st April 2015 are paid by the CCOD within 3 months of receipt of completed documents in the claimant file	% of new compensable disease claims as from 1st April 2015 paid by the CCOD within 3 months of receipt of completed documents in the claimant file from the MBOD and One Stop Service Centres	New Indicator	50% of new compensable disease claims as from the 1st April 2016 are paid by the CCOD within 3 months of receipt of completed documents in the claimant file from the MBOD and One Stop Service Centres	No actual performance to report	Not achieved	There were no processes in place to accurately determine the date when claimant files with completed documents were received from the MBOD and One Stop Service Centres to effectively measure performance for this performance indicator
7	To ensure collection of levies from 100% of controlled mines and works	% of controlled mines and works paying levies to the Fund.	65%	80% of controlled mines and works paying levies to the Fund	71%	-9% Not achieved	Accounting system not functioning to facilitate adequate debtor management
8	To conduct an actuarial valuation of the Fund.	Report of the Actuarial Valuation of the Fund.	No Actuarial report done	1 Actuarial Valuation report of the Fund	Actuarial Valuation report as at 31 March 2016 supplied on 7 November 2016	Achieved	None
9	To submit the annual reports including the financial statements of the Fund to the Auditor General of South Africa	Number of annual reports including the financial statements of the Fund submitted to the Auditor General of South Africa	New Indicator	Submission of the 2010/11 and 2011/12 annual reports including the financial statements to the Auditor General of South Africa	The 2010/11 and 2011/12 annual reports including the financial statements submitted to the Auditor General of South Africa on 16 January 2017.	Achieved	None

2.4 LINKING PERFORMANCE WITH BUDGETS

The administration costs, mainly the employee and operational costs of the CCOD and MBOD are provided from the budget of the NDOH, included within "Vote 16-Health" as part of the National budget. The budget constraints that are affecting the NDOH also affected the Fund resulting in an increase of only 4.8% in the budget available to the CCOD. Table 2 represents the allocation from the NDOH for the functioning of the CCOD:

Table 1: Budget to administer the CCOD – from voted funds

Statement of financial performance	Budget	Audited outcome	Variance	Budget	Audited outcome
R thousand	2016/17			2015/16	
Expense budget					
Compensation of Employees	31 461	31 523	(62)	28 283	29 285
Goods and Services	24 037	24 942	(905)	23 886	14 652
Transfer payments	3 541	3 541	–	3 363	3 363
Machinery and equipment	2 604	163	2 441	2 112	1 224
Software and Intangible assets	–	–		1 000	816
Total	**61 643**	**60 169**	**1 474**	**58 644**	**49 340**

2.5 STRATEGY TO OVERCOME AREAS OF UNDERPERFORMANCE

In order to overcome the areas of underperformance the CCOD is in the process of implementing a turnaround strategy that includes:

- The enhanced claims management process resulted in significant increases in the compensation of ex-miner's programme and the compensation of tuberculosis programme, with 5 249 claims paid out as for the period ended 31 March 2017 against a target of 3 300 (including compensation for Tuberculosis).
- The CCOD has embarked on outreach activities in labour sending areas within South Africa and in neighbouring countries. In partial fulfilment of the aim of these activities, the focus is also placed on updating the database of ex-workers and current workers in controlled mines and works and informing qualifying ex-workers of their rights and processes to follow in lodging claims in labour sending areas. The outreach activities being undertaken will continue to assist in tracking claimants
- Furthermore, the CCOD is increasing the number of decentralised service centres to bring service delivery closer to former workers. Decentralised service delivery centres in the Eastern Cape (Mthatha) and Gauteng (Carletonville) were established in the 2014/2015 financial year. Two additional centres in Kuruman (Northern Cape) and Burgersfort (Limpopo) are expected to be operational in the 2017/2018 financial year as these sites have been identified as areas from which many workers originate. The Global Fund TB in the Mining Sector project will provide One Stop Service Centres in Botswana, Lesotho, Mozambique and Eswatini during the 2017/2018 financial year which will also support the decentralised service activities of the MBOD/CCOD.
- Because of these interventions, it is anticipated that the number of people accessing benefit medical examinations will increase from 18 145 (actual) in 2016/17 to 22 000 in 2019/20, and that the number of claims paid will reach 7 700 in 2019/20.
- To increase the number of claims paid, the CCOD has embarked on partnerships with provincial Departments of Health, neighbouring country governments, social partners (such as the World Bank and Global Fund for AIDS, TB and Malaria), trade unions in the mines and works sector, the Chamber of Mines, the Gold Working Group and ex-mineworker associations, who are supporting track and trace activities, enhanced certifications of claims and provision of medical benefit examinations through decentralised services.

- To ensure that the entity remains adequately funded to cater for the expected increase in number of claims paid, onsite inspections are undertaken to ensure completeness of levies declared and to ensure compliance from non-complying mines and works. Inspections are carried out to ensure that the number of risk shifts is not understated. The CCOD is targeting over 60 inspections a year with a target of 77 per year in the 2019/2020 financial year. In addition, a project to determine the complete list of controlled mines and works commenced in the 2016/2017 financial year and will continue into the next financial year.

The budget for the administration of the CCOD and MBOD, provided for within voted funds in the NDOH, amounted to R61.6million for the 2016/2017 financial year. This budget allocation also covers the provision of BMEs and the activities of the certification committees. There has been no substantial increases in the CCOD budget with the business reform processes at the CCOD supported by human, technical and financial resources of the Chamber of Mines, the Gold Working Group and development partners. Additional resources are required to expand and scale up the services of the CCOD, recruit specialised staff in the legal, IT, occupational hygiene, medical and financial management disciplines and provide for the medical assessments, certifications, payments and infrastructural backlogs in buildings, medical facilities and information technology.

Part C: GOVERNANCE

3.1 INTRODUCTION

The Advisory Committee of the CCOD comprises representatives of employers and trade unions in the mines and works sector. The Advisory Committee was involved in many of the activities of the CCOD and provided advice and technical inputs and mobilised resources.

The Risk Committee of the MBOD, which determines the risk profile of controlled mines and works, met infrequently during the course of the financial year. The non-functioning of the Risk Committee poses significant risks to the Fund with respect to exposure and health risk assessments. The CCOD is making a concerted effort to ensure that the Risk Committee fulfils its mandate and role.

An additional concern is an inability to recruit a Director for the MBOD. The position has been vacant since September 2015 despite advertisements being placed and head–hunting. The post is at the level of a director in the public service and is required to be filled by a medical doctor with additional qualifications in occupational health.

3.2 STANDING COMMITTEE ON PUBLIC ACCOUNTS (SCOPA) RESOLUTIONS

There were no SCOPA hearings or resolutions for the year under review.

3.3 PRIOR YEAR MODIFICATIONS TO AUDIT REPORTS

There were no modifications to audit reports issued in previous years.

3.4 COMMITTEES

3.4.1 ADVISORY COMMITTEE MEMBERS

The Advisory Committee was established in terms of Section 59 of the ODMWA. The main function of the Advisory Committee is to advise the CCOD on the execution of his/her duties in relation to the Fund and to perform any functions assigned to the committee by the Minister of Health.

The Advisory Committee shall consist of not more than 12 members, of whom half shall be persons whose names have been submitted to the Minister of Health by owners of controlled mines/works and another half shall be persons whose names have been submitted to the Minister of Health by organisations acting on behalf of persons performing risk work at controlled mines/works.

As at 31 March 2017 the membership of the Advisory Committee was as follows:

Advisory Committee Members

Name of Member	Representing	Date of appointment	Attendance
Dr B Kistnasamy	Compensation Commissioner for Occupational diseases	Commissioner	5
A Letshele	NUM (Mineworkers)	1 April 2016 to 31 March 2019	5
A Rikhotso	NUM	1 April 2016 to 31 March 2019	5
P Mardon	SOLIDARITY	1 April 2016 to 31 March 2019	5
O Ralake	NUMSA (Metal workers)	1 April 2016 to 31 March 2019	5
P Mminele	NUMSA	1 April 2016 to 31 March 2019	5
N Mphofu	SEIFSA (Steel and Engineering Industries)	1 April 2016 to 31 March 2019	1
Dr T Balfour-Kaipa	Chamber of Mines	1 April 2016 to 31 March 2019	5
Dr J Pienaar	Chamber of Mines	1 April 2016 to 31 March 2019	2
C Chater	AngloGold Ashanti	1 April 2016 to 31 March 2019	3
A van Vuuren	Harmony	1 April 2016 to 31 March 2019	4
Dr J Andrews	Chamber of Mines	1 April 2016 to 31 March 2019	1

3.4 COMMITTEES continued

3.4.2 AUDIT AND RISK COMMITTEE MEMBERS

The Audit and Risk Committee has been set up in terms of sections 76(4)(d) and 77 of the PFMA. It has authority to conduct or authorise investigations and any matters within its scope of responsibility. It is empowered, but not limited to the following functions as they relate to the CCOD:

- resolve any disagreements between management and the auditor regarding financial reporting
- pre-approve all auditing and non-audit services
- retain independent counsel, accountants, or others in consultation with the CCOD, to advise the committee or assist in the conduct of an investigation
- seek any information it requires from all employees of CCOD and NDOH if desired
- meet with management, external auditors, or outside counsel, as necessary

The Audit and Risk Committee will consist of four members who are not employees of the CCOD nor the NDOH. The accounting officer, in consultation with the executive authority, will appoint the committee members and the chairperson. The chairperson is required to be independent and have the requisite business, financial and leadership skills.

The members are as follows:

Name of member	Representing	Qualification	Date of appointment	Attendance
H Buthelezi	Chairperson	Chartered Accountant	1 February 2014 to 31 January 2017 1 February 2017 to 31 January 2018	5
Adv. W Huma	Member	LLD (Doctorate of Law)	1 February 2014 to 31 January 2017	0
P Mvulane	Member	Chartered Accountant	1 August 2012 to 31 July 2015 1 August 2015 to 31 January 2017 1 February 2017 to 31 January 2018	3
CM Mahlakahlaka	Member	BCom (Accounting and Auditing)	1 May 2016 to 31 January 2017 1 February 2017 to 31 July 2019	4
SM Radebe	Member	Chartered Accountant	1 August 2016 to 31 July 2019	3

3.4.3 ADJUDICATING COMMITTEE MEMBERS

The Adjudication Committee of the CCOD is constituted as sub-committee to the Advisory Committee under Section 59 of the ODMWA. The committee meets on an ad hoc basis, as and when considered necessary. It was established as a result of a complaint to the Office of the Public Protector South Africa and the subsequent recommendation that an adjudication committee be established to adjudicate on all the claims submitted by persons with occupational asbestosis, based on affidavits and other corroborative evidence.

The Minister of Health appoints the members and approves the terms of reference for the committee.

No adjudicating committee meetings were held during the financial year ended 31 March 2017.

3.4 COMMITTEES continued

3.4.4 RISK COMMITTEE MEMBERS

This Committee is established in terms of section 18 (1) of the ODMWA and consists of the Chief Inspector of Mines, who is also the chairperson of the Risk Committee, the director of the MBOD and not less than three or more than four members representing the owners of mines and employee representatives, of which one shall be a medical practitioner. The Risk Committee has the mandate of declaring a mine or works controlled under Section 20 of the ODMWA for the CCOD's purposes.

The CCOD will thereafter maintain a register containing the name and description of every controlled mine and works as per Section10(3) of the ODMWA. The CCOD will also determine in respect of each controlled mines or works an amount payable by the owner of the mine or works to the CCOD, for the benefit of the Fund, in respect of each risk shift worked. This is to enable the CCOD to pay every person, who performs risk work at or in connection with mines and works, and who is found to be suffering from a compensable disease in terms of Section 62(1) of the ODMWA.

The Minister of Health has appointed and approved the terms of reference for the committee. The membership is as follows:

Name of member	Date of appointment	Attendance
MM Llale	1 February 2014 to 31 January 2016 1 February 2016 to 31 January 2018	–
A Letshele	1 February 2016 to 31 January 2018	1
V Nundlall	1 February 2014 to 31 January 2016 1 February 2016 to 31 January 2018	2
Dr C Badenhorst	1 February 2014 to 31 January 2016 1 February 2016 to 31 January 2018	1
D Msiza	DMR	–
M Zondi	DMR	1
JP van Vuuren	1 February 2016 to 31 January 2018	2

3.4.5 KEY PERSONNEL

Dr MB Kistnasamy – Compensation Commissioner

S Molautsi – Deputy Commissioner

MD Maswanganye – Director of finance

3.5 REPORT OF THE AUDIT AND RISK COMMITTEE

The Audit and Risk Committee met during the course of the 2016/2017 financial year, however due to the fact that the Audit And Risk Committee's term ended prior to the Annual report and Annual Financial Statements being finalised, no Audit and Risk Committee report has been included in this Annual Report. The NDOH is in the process of appointing a new Audit and Risk Committee.

Part D: HUMAN RESOURCE MANAGEMENT

4.1 INTRODUCTION

Whilst the CCOD is capacitated at 93 percent, these are mainly administrative posts and there are an inadequate number of posts for specialised employees within the CCOD with skills and knowledge in law, occupational health, information communication technology and accounting.

4.2 EMPLOYEE DISTRIBUTION

The employee distribution was as follows:

Table 2: Distribution of posts at the CCOD as at 31 March 2017

Designation	Level	Number of posts	Filled	Vacant
Commissioner	14	1	1	0
Director	13	2	2	0
Deputy Directors	12	2	2	0
Assistant Directors	10	3	3	0
Senior State Accountants	8	3	3	0
Senior Administration Officer	8	1	1	0
Administration Officers	7	3	3	0
Personal assistant	7	1	0	1
Personal assistant to the Director	6	2	1	1
Administration Clerks	6	4	4	0
Clerks	5	21	21	0
Switchboard Operator	4	1	1	0
General assistant	3	1	0	1
Messenger	3	1	1	0
Total		**46**	**43**	**3**

Table 3: Profile of the workforce at the CCOD

	African				Coloured				Indian				White				Total		
Level	**M**	**D**	**F**	**D**	**M**	**D**	**F**	**D**	**M**	**D**	**F**	**D**	**M**	**D**	**F**	**D**	**M**	**F**	**D**
14									1								1		
13	2	1															2		1
12			2															2	
10	2		1														2	1	
8	3		1														3	1	
7	3																3		
6	2		1												2		2	3	
5	5		16														5	16	
4			1															1	
3	1																1		
Total	**18**	**1**	**22**						**1**						**2**		**19**	**24**	**1**

* M=Male F=Female D=Disabled

4.2 EMPLOYEE DISTRIBUTION continued

Table 4: Distribution of posts at the MBOD as at 31 March 2017

Designation	Level	Number of posts	Filled	Vacant
Deputy Director: Inspectorate	12	9	9	0
Deputy Director: Administration	12	1	1	0
Chief Clinical Technologist	10	1	1	0
Assistant Director: Administration	10	1	1	0
Assistant Director: Clinical Technology	10	1	1	0
Assistant Director: Radiographer	10	1	1	0
Professional Nurse	9	1	1	0
Specialist	9	1	0	1
Radiographer	8	1	1	0
Senior Human Resource Officer	7	1	1	0
Personal Assistant	7	1	1	0
Chief Security officer	7	1	1	0
Registry clerk (supervisor)	7	1	1	0
Administrative clerks (supervisor)	7	3	3	0
Registry clerk (production)	6	1	1	0
Senior security officer	6	1	1	0
Administration clerks (production)	6	8	8	0
Finance clerks	5	1	1	0
Supply chain clerk (production)	5	2	1	1
Administration clerks (production)	5	13	10	3
Security officers	4	8	7	1
General Assistants	3	7	7	0
Driver	3	1	1	0
Total		**66**	**60**	**6**

* M=Male F=Female D=Disabled

Table 5: Profile of the workforce at the MBOD

	African				Coloured				Indian				White				Total			
Level	M	D	F	D	M	D	F	D	M	D	F	D	M	D	F	D	M	D	F	D
12	6		4														6		4	
10			3								1								4	
9	1																1			
8			1																1	
7	3		3												1		3		4	
6	6		2	1											1		6		3	1
5	4	1	7														4	1	7	
4	6		1														6		1	
3	3		5														3		5	
Total	**29**	**1**	**26**	**1**							**1**				**2**		**29**	**1**	**29**	**1**

* M=Male F=Female D=Disabled

5.1 OVERALL PERFORMANCE

The annual performance plan for the CCOD for 2016/2017 was approved by the Minister of Health on 6 March 2016.

Table 6: Budget to administer the CCOD/MBOD (from voted funds)

Classification	Budget R'000	Expenditure R'000	Available R'000	% Spend	Over/under expenditure
Compensation of employees	31 461	31 523	(62)	>100	Over
Goods and services	24 037	24 942	(905)	>100	Over
Transfer payments	3 541	3 541	–		
Machinery and equipment	2 604	163	2 441	6	Under
Total	**61 643**	**60 169**	**1 474**	**98**	**Under**

The CCOD's principal activities are those of receiving levies from controlled mines and works, conducting inspections of controlled mines and works, paying benefits that relate to compensable diseases and administering the Fund in terms of the requirements of the ODMWA.

5.2 FINANCIAL OVERVIEW

5.2.1 REVENUE

The Fund derives its revenue from levies from controlled mines and works, interest on investments, and a transfer payment from the NDOH to facilitate pension payments.

The transfer is used to pay former workers or spouses who are now pensioners and receive monthly pension pay-outs from the Fund, in accordance with the Pneumoconiosis Compensation Act, 1962 (Act 64 of 1962). Table 7 provides a breakdown of the sources of revenue:

Table 7: Breakdown of the sources of revenue

	Audited amount			Targeted	Actual	% deviation from target	% deviation from prior year
Statement of financial performance item	2013/2014 R'000	2014/2015 R'000	2015/2016 R'000	2016/2017 R'000	2016/2017 R'000		
Levy income	278 712	262 701	310 074	311 635	315 415	1	2
Interest received	137 131	180 737	220 217	193 123	286 109	48	30
Other income	–	–	6 997	–	(241)	(100)	>(100)
Exchange revenue	415 843	443 438	537 288	504 758	601 283	19	12
Transfers received	1 647	1 344	1 370	3 541	1 041	(71)	(24)
Good and services in-kind	33 072	40 587	43 937	–	56 465	100	29
Total revenue	**450 562**	**485 369**	**582 595**	**508 299**	**658 789**	**30**	**13**

Levy revenue for the financial year ended 31 March 2017 was two percent higher than the prior financial year ending 31 March 2016. The increase to the gazetted levy rate, by an average of 18% on 1 July 2015, was offset by a decline in risk shifts reported in the financial year.

Investment income increased by 30 percent compared to the prior year due to the continued growth in investment balances which increased from R3.3 billion to R3.9 billion.

Actual pension payments in the 2016/2017 financial year of R1 041 122 were lower than the 2015/2016 financial year of R1.4 million as a result of the reduction in the numbers of pensioners eligible to receive pension payments, which reduced from 106 claimants to 88 claimants.

Please refer to Note 24 in the annual financial statements for commentary on actual results compared to target.

5.2 FINANCIAL OVERVIEW continued

5.2.2 EXPENDITURE

Expenditure for the Fund includes valuation adjustments, finance costs, movements in the impairment provision of trade receivables and pension payments. Table 8 provides a breakdown of the types of expenditure:

Table 8: Breakdown of the types of expenditure

	Audited amount			Targeted	Actual	% deviation from target	% deviation from prior year
Statement of financial performance item	2013/2014 R'000	2014/2015 R'000	2015/2016 R'000	2016/2017 R'000	2016/2017 R'000		
Finance costs	286 726	306 240	348 974	219	323 672	>100	(7)
Operating expenses	15 707	7 299	5 560	7 908	9 838	24	77
Claims including pensioners/ Valuation adjustments	17 215	352 081	(712 974)	167 220	(35 392)	>(100)	95
Goods and services in-kind	33 072	40 586	43 937	–	56 465	100	29
Total expenses	**352 720**	**706 206**	**(314 503)**	**175 347**	**354 583**	**>100**	**>100**

Total expenses for the current year were more than 100 percent higher than prior year due to a reduction in the release in provisions (prior to unwinding costs and claim payments) in the current year to 31 March 2017, compared to the prior year. The net decrease in provisions (prior to unwinding adjustments) was R36.4 million in 2016/2017 compared with a net decrease of R713.3 million in 2015/2016.

In addition, the increase in debt impairment (R7.7 million in 2016/2017 compared to R5.4 million in 2015/2016) contributed to higher operating expenses in 2016/2017.

Goods and services in-kind represent the cost to the NDOH for administration of the Fund by the CCOD. The increase of 29% in the 2016/2017 financial year is driven by an increase in goods and services costs. The higher costs are mainly attributable to higher audit fees (audits recommenced in the 2016/2017 financial year), and higher governance costs.

Please refer to Note 24 in the annual financial statements for commentary on actual results compared to target.

5.2.3 ASSETS

Investment balances comprise the bulk of the assets within the Fund. The largest investments are invested with the Corporation for Public Deposits (CPD) and the other funds are invested with First National Bank and Absa.

The CCOD administers four current accounts:

- **Mines account**

The mines account is funded through levies collected from controlled mines, in terms of Section 62 of the ODMWA.

- **Works account**

The works account is funded through levies collected from controlled works, in terms of Section 62 of the ODMWA.

- **State account**

The state account is funded by monies appropriated by Parliament annually in terms of Section 69 of the ODMWA, for compensating individuals who performed risk work in the employ of decontrolled mines/state mines.

- **Research account**

The research account is funded through levies collected from controlled mines and works in terms of Section 73 of the ODMWA. The money is amongst others meant for costs of maintenance and other expenses of, any institution or organisation having as its objective the doing of research with a view to the protection of the health of persons employed in or at or in connection with mines or works, or the prevention or alleviation of diseases to which such persons are exposed.

5.2 FINANCIAL OVERVIEW continued

Table 9 provides a breakdown of assets:

Table 9: Breakdown of assets

	Audited amount			Targeted	Actual	% deviation from target	% deviation from prior year
Statement of financial position item	**2013/2014 R'000**	**2014/2015 R'000**	**2015/2016 R'000**	**2016/2017 R'000**	**2016/2017 R'000**		
Investments	2 606 832	2 963 058	3 349 181	3 336 253	3 882 391	16	16
Trade and other receivables	65 631	71 799	74 562	18 360	52 355	>100	(30)
Cash and cash equivalents	74 613	58 995	131 935	70 000	21 751	(69)	(84)
Total assets	**2 747 076**	**3 093 852**	**3 555 678**	**3 424 613**	**3 956 497**	**16**	**11**

Investments were 16 percent higher at 31 March 2017 compared to 31 March 2016, due to a surplus of levies received over payments made to claimants, together with interest earned on surplus funds invested.

Cash and cash equivalents were 69% lower than balance at 31 March 2016 which can be attributable to the increase in payments to claimants of R123.6 million in the 2016/2017 financial year.

Please refer to Note 24 in the annual financial statements for commentary on actual results compared to target.

5.2.4 LIABILITIES

Liabilities of the Fund comprise the provision for incurred but not yet reported (IBNR) claims, provisions for benefits due as well as trade and other payables.

Table 10 provides a breakdown of liabilities.

Table 10: Breakdown of liabilities

	Audited amount			Targeted	Actual	% deviation from target	% deviation from prior year
Statement of financial position item	**2013/2014 R'000**	**2014/2015 R'000**	**2015/2016 R'000**	**2016/2017 R'000**	**2016/2017 R'000**		
Accumulated (deficit) /surplus	(760 869)	(981 706)	(84 608)	2 467 229	219 597	(91)	>100
Provisions, trade and other payables	3 507 945	4 075 558	3 640 286	957 384	3 736 900	>100	3
Total equity and liabilities	**2 747 076**	**3 093 852**	**3 555 678**	**3 424 613**	**3 956 497**	**16**	**11**

Provisions and payables at 31 March 2017 were three percent higher than 31 March 2016, mainly due to the impact of the increase in provisions of R79.6 million in the year. This was largely due to the unwinding adjustment of R321.8 million partially offset by claims paid during the year of R205.7 million.

The Fund moved into an accumulated surplus in the 2016/2017 financial year due to the surplus of R304.2 million recorded in the statement of financial performance.

Please refer to note 6 in the annual financial statements for a detailed breakdown of the movement in the provision liability during the year.

Please refer to note 24 in the annual financial statements for commentary on actual results compared to target.

APPROVAL

The annual financial statements for the financial year ended 31 March 2017 as set out on pages 24 to 58 have been approved by the accounting officer.

Dr MB Kistnasamy

Compensation Commissioner of Occupational Diseases

5.3 RESPONSIBILITY STATEMENT

These financial statements are the responsibility of the accounting officer. The Occupational Diseases in Mines and Works Act, 1973 (Act 78 of 1973), as amended (ODMWA) requires the CCOD to ensure that full and proper financial records of the financial affairs of the Mines and Works Compensation Fund (Fund) are maintained.

The Fund's business and operations and the result thereof are clearly reflected in the annual financial statements. The CCOD is responsible for the maintenance of adequate accounting records and the preparation and integrity of the annual financial statements and related information.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations of such statements issued by the Accounting Practice Board and in the manner required by the Public Finance Management Act, 1999 (Act 1 of 1999), as amended (PFMA).

The Accounting Officer is responsible for the Fund's system of internal control. The internal controls include a risk based system of internal accounting and administrative controls designed to provide reasonable but not absolute assurance that assets are safeguarded and that transactions are executed and recorded in accordance with generally accepted business practice policies and procedures. Employees of the CCOD, with an appropriate segregation of duties, implement these controls.

The annual financial statements have been prepared on the going concern basis since the CCOD has every reason to believe that the Fund has adequate resources in place to continue in operation for the foreseeable future due to its interrelationship with the South African Government and its affiliation with the national Department of Health.

The Auditor-General is responsible for examining and reporting on the fair presentation of the annual financial statements. The audit report of the annual financial statements of the Fund is presented on pages 21 to 23.

The annual financial statements of the Fund, set out on pages 24 to 58, were approved by the accounting officer, in terms of the ODMWA, for the financial year ended 31 March 2017 and were signed on its behalf by:

Dr MB Kistnasamy
Compensation Commissioner for Occupational Diseases

5.4 REPORT OF THE AUDITOR-GENERAL SOUTH AFRICA

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Qualified opinion

1. I have audited the financial statements of the Mines and Works Compensation Fund set out on pages 24 to 58, which comprise the statement of financial position as at 31 March 2017, statement of financial performance, statement of changes in net assets, 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. In my opinion, except for the possible effects of the matters described in the basis for qualified opinion section of this auditor's report, the financial statements present fairly, in all material respects, the financial position of the Mines and Works Compensation Fund as at 31 March 2017, and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA).

Basis for qualified opinion

Revenue from exchange transactions

3. I was unable to obtain sufficient appropriate audit evidence for section 62 levies and section 63 research levies, as internal controls had not been established to verify the risk shifts declared on assessment forms before their entry in the financial records. Additionally, the entity had not established internal controls had not been established to ensure all controlled mines and works are included in the list of controlled mines and works to be invoiced. I could not confirm whether all levy revenue had been recorded by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to section 62 levies stated at R314 975 304 (R309 621 894), section 63 research levies stated at R439 961 (R451 752), and the related trade receivables stated at R44 970 879 (R67 461 395) in the financial statements.

Context for the opinion

4. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of this auditor's report.

5. I am independent of the entity in accordance with sections 290 and 291 of the Code of ethics for professional accountants and parts 1 and 3 of the International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants (IESBA codes) as well as the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA codes.

6. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Responsibilities of the accounting authority for the financial statements

7. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with the SA Standards of GRAP and the requirements of the PFMA, and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

8. In preparing the financial statements, the accounting authority is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the accounting authority either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

5.4 REPORT OF THE AUDITOR-GENERAL SOUTH AFRICA continued

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS continued

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

9. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

10. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

REPORT ON THE AUDIT OF THE ANNUAL PERFORMANCE REPORT

11. The entity is not required to prepare a report on its performance against predetermined objectives, as it does not fall within the ambit of the PFMA and such reporting is also not required in terms of the entity's specific legislation.

REPORT ON THE AUDIT OF COMPLIANCE WITH LEGISLATION

Introduction and scope

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

13. The material findings on compliance with specific matters in key legislations are as follows:

Annual financial statements, performance reports and annual reports

14. Financial statements were not submitted for auditing within the prescribed period after the end of financial year, as required by section 55(1)(c)(i) of the PFMA.

15. The financial statements submitted for auditing were not supported by full and proper records as required by section 55(1)(a) of the PFMA.

16. Material misstatements identified by the auditors in the submitted financial statements were not corrected, which resulted in the financial statements receiving a qualified opinion.

Revenue management

17. The risk committee for mines and works was not in operation for the year under review, as is required by section 18(1) of the Occupational Diseases in Mines and Works Act of South Africa, 1973 (Act No. 78 of 1973), (ODMWA)

18. No mines or works performing risk shifts were declared as controlled because the risk committee for mines and works was not functioning, in contravention of section 10(1) of the ODMWA.

5.4 REPORT OF THE AUDITOR-GENERAL SOUTH AFRICA continued

OTHER INFORMATION

19. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements and the auditor's report.

20. My opinion on the financial statements and findings on compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.

21. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

22. I did not receive the other information prior to the date of this auditor's report. After I receive and read this information, and if I conclude that there is a material misstatement, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

INTERNAL CONTROL DEFICIENCIES

23. I considered internal control relevant to my audit of the financial statements and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the qualified opinion and the findings on compliance with legislation included in this report.

24. Leadership did not exercise oversight responsibility for financial reporting and compliance as well as related internal controls.

25. Insufficient capacity at the entity resulted in deficiencies in internal controls around revenue and trade receivables.

26. Management did not implement proper and timely record keeping to ensure that complete and relevant information is accessible and available to support the recognition of the levy revenue and trade receivables.

27. The accounting authority did not implement a system of risk management during the year under review resulting in no risk assessments being performed.

Auditor - General

Auditor-General
Pretoria

27 November 2020

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

5.5 STATEMENT OF FINANCIAL POSITION

for the year ended 31 March 2017

	Note(s)	2017 R	2016 R
Assets			
Current assets			
Investments	3	3 882 390 957	3 349 181 395
Receivables from exchange transactions	4	52 354 741	74 561 967
Cash and cash equivalents	5	21 751 031	131 934 602
Total assets		**3 956 496 729**	**3 555 677 964**
Liabilities			
Current liabilities			
Payables from exchange transactions	7	53 992 292	40 252 525
Payables from non-exchange transactions	8	9 693 143	6 393 265
Provisions	6	912 326 442	883 570 843
		976 011 877	**930 216 633**
Non-current liabilities			
Provisions	6	2 760 887 590	2 710 069 752
Total liabilities		**3 736 899 467**	**3 640 286 385**
Net assets		**219 597 262**	**(84 608 421)**
Accumulated surplus/(deficit)		219 597 262	(84 608 421)

The accounting policies on pages 30 to 37 and the notes on pages 38 to 58 form an integral part of the annual financial statements.

5.6 STATEMENT OF FINANCIAL PERFORMANCE

for the year ended 31 March 2017

	Note(s)	2017 R	2016 R
Revenue			
Revenue from exchange transactions			
Section 62 levies		314 975 304	309 621 894
Section 63 research levies		439 961	451 752
Other income – S74 (a) recovery		(378 079)	6 591 934
Other income – S74 (b) recovery		137 041	405 590
Interest received	10	286 108 686	220 216 541
Total revenue from exchange transactions		**601 282 913**	**537 287 711**
Revenue from non-exchange transactions			
Transfer revenue			
Good and services in-kind from the national Department of Health	11	56 464 663	43 937 145
Pension payments transfer utilised		1 041 122	1 370 141
Total revenue from non-exchange transactions		**57 505 785**	**45 307 286**
Total revenue	9	**658 788 698**	**582 594 997**
Expenditure			
Finance costs	12	(323 671 937)	(348 973 563)
Debt impairment	13	(7 717 734)	(5 395 381)
Goods and services in-kind from the national Department of Health	11	(56 464 663)	(43 937 145)
Movement in provisions and general expenses	14	33 271 319	712 808 672
Total expenditure		**(354 583 015)**	**314 502 583**
Operating surplus		**304 205 683**	**897 097 580**
Surplus for the year		**304 205 683**	**897 097 580**

The accounting policies on pages 30 to 37 and the notes on pages 38 to 58 form an integral part of the annual financial statements.

5.7 STATEMENT OF CHANGES IN NET ASSETS

for the year ended 31 March 2017

	Accumulated surplus/(deficit) R	Total net assets R
Balance at 01 April 2015	**(981 706 001)**	**(981 706 001)**
Changes in net assets		
Surplus for the year	897 097 580	897 097 580
Total changes	897 097 580	897 097 580
Balance at 01 April 2016	**(84 608 421)**	**(84 608 421)**
Changes in net assets		
Surplus for the year	304 205 683	304 205 683
Total changes	304 205 683	304 205 683
Balance at 31 March 2017	**219 597 262**	**219 597 262**

The accounting policies on pages 30 to 37 and the notes on pages 38 to 58 form an integral part of the annual financial statements.

5.8 CASH FLOW STATEMENT

for the year ended 31 March 2017

	Note(s)	2017 R	2016 R
Cash flows from operating activities			
Receipts			
Levy income		329 663 719	308 912 497
Interest income		241 569 532	209 015 104
Transfer payments (non-exchange)		4 341 000	3 363 000
		575 574 251	**521 290 601**
Payments			
Claimants		(194 131 106)	(70 551 109)
Finance costs		(1 915 186)	(1 507 978)
Pension payments		(1 041 122)	(1 370 141)
		(197 087 414)	(73 429 228)
Net cash flows from operating activities	16	**378 486 837**	**447 861 373**
Cash flows from investing activities			
Purchase of financial assets		(488 670 408)	(374 921 528)
Net cash flows from investing activities		**(488 670 408)**	**(374 921 528)**
Net increase/(decrease) in cash and cash equivalents		(110 183 571)	72 939 845
Cash and cash equivalents at the beginning of the year		131 934 602	58 994 757
Cash and cash equivalents at the end of the year	5	**21 751 031**	**131 934 602**

The accounting policies on pages 30 to 37 and the notes on pages 38 to 58 form an integral part of the annual financial statements.

5.9 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

for the year ended 31 March 2017

BUDGET ON CASH BASIS

	Approved budget R	Adjustments R	Final budget R	Actual amounts on comparable basis R	Difference between final budget and actual R	Reference
Statement of financial performance						
Revenue						
Revenue from exchange transactions						
Levy revenue	311 635 000	–	311 635 000	315 415 265	3 780 265	Note 24
Interest received	193 123 000	–	193 123 000	286 108 686	92 985 686	Note 24
Total revenue from exchange transactions	**504 758 000**	**–**	**504 758 000**	**601 523 951**	**96 765 951**	
Revenue from non-exchange transactions						
Transfer revenue						
Pension payments transfer utilised	3 541 000	–	3 541 000	1 041 122	(2 499 878)	Note 24
Total revenue	**508 299 000**	**–**	**508 299 000**	**602 565 073**	**94 266 073**	
Expenditure						
Finance costs	(219 000)	–	(219 000)	(1 915 186)	(1 696 186)	Note 24
Movement in provisions and general expenses	(175 128 000)	–	(175 128 000)	33 271 319	208 399 319	Note 24
Total expenditure	**(175 347 000)**	**–**	**(175 347 000)**	**31 356 133**	**206 703 133**	
Surplus	**332 952 000**	**–**	**332 952 000**	**633 921 206**	**300 969 206**	
Actual amount on comparable basis as presented in the budget and actual comparative statement	**332 952 000**	**–**	**332 952 000**	**633 921 206**	**300 969 206**	
Reconciliation						
Basis difference						
Other income – S74(a) recovery from the National Department of Health				(378 079)		Note 24
Other income – S74(b) recovery from the National Department of Health				137 041		Note 24
Non-exchange revenue – goods and services in-kind from the national Department of Health				56 464 663		Note 24
Non-exchange – services in-kind – employee related expenses				(31 523 111)		Note 24
Non-exchange – goods and services in-kind				(24 941 552)		Note 24
Debt impairment				(7 717 734)		Note 24
Provisions – unwinding adjustment				(321 756 751)		Note 24
Actual amount in the statement of financial performance				**304 205 683**		

5.9 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS continued

for the year ended 31 March 2017

BUDGET ON CASH BASIS

	Approved budget R	Adjustments R	Final budget R	Actual amounts on comparable basis R	Difference between final budget and actual R	Reference
Statement of financial position						
Assets						
Current assets						
Investments	3 336 253 000	–	3 336 253 000	3 882 390 957	**546 137 957**	Note 24
Receivables from exchange transactions	18 360 000	–	18 360 000	52 354 741	**33 994 741**	Note 24
Cash and cash equivalents	70 000 000	–	70 000 000	21 751 031	**(48 248 969)**	Note 24
	3 424 613 000	**–**	**3 424 613 000**	**3 956 496 729**	**531 883 729**	
Total assets	**3 424 613 000**	**–**	**3 424 613 000**	**3 956 496 729**	**531 883 729**	
Liabilities						
Current liabilities						
Payables from exchange transactions	16 363 000	–	16 363 000	53 992 292	**37 629 292**	Note 24
Taxes and transfers payable (non-exchange)	–	–	–	9 693 143	**9 693 143**	Note 24
Provisions	–	–	–	912 326 442	**912 326 442**	Note 24
	16 363 000	**–**	**16 363 000**	**976 011 877**	**959 648 877**	
Non-current liabilities						
Provisions	941 021 000	–	**941 021 000**	2 760 887 590	**1 819 866 590**	Note 24
Total liabilities	**957 384 000**	**–**	**957 384 000**	**3 736 899 467**	**2 779 515 467**	
Net assets	**2 467 229 000**	**–**	**2 467 229 000**	**219 597 262**	**(2 247 631 738)**	
Net assets						
Net assets attributable to owners of controlling entity						
Reserves						
Accumulated surplus/(deficit)	2 467 229 000	–	**2 467 229 000**	219 597 262	**(2 247 631 738)**	

The accounting policies on pages 30 to 37 and the notes on pages 38 to 58 form an integral part of the annual financial statements.

5.10 ACCOUNTING POLICIES

for the year ended 31 March 2017

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

The annual financial statements has been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 91(1) of the PFMA.

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

All financial information presented in Rands has been rounded to the nearest Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Presentation currency

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

1.2 Going concern assumption

These annual 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.

1.3 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade receivables or loans and receivables

The entity assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the entity makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

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.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 6 – Provisions.

Provisions, where the Fund does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period, are classified as current liabilities; and the balance of the liabilities are classified as non-current. Provisions are classified into one of the following categories:

- Provision for Benefit claims (Benefits due);
- Provision for Eastern Cape project related claims; or
- Provision for Incurred but not yet reported claims (IBNR)

5.10 ACCOUNTING POLICIES continued

for the year ended 31 March 2017

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS continued

1.4 Financial instruments

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

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

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.

A financial asset is either:

- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

5.10 ACCOUNTING POLICIES continued

for the year ended 31 March 2017

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS continued

1.4 Financial instruments continued

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Investments	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost
Payables from non-exchange transactions	Financial liability measured at amortised cost

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following category:

- Financial instruments at amortised cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

5.10 ACCOUNTING POLICIES continued

for the year ended 31 March 2017

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS continued

1.4 Financial instruments continued

Gains and losses

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired.

Impairment and uncollectibility of financial assets

The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting an allowance account. 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 recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Derecognition

Financial assets

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity:
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

1.5 Provisions and contingencies

Provisions are recognised when:

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

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

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

5.10 ACCOUNTING POLICIES continued

for the year ended 31 March 2017

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS continued

1.5 Provisions and contingencies continued

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

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

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

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

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

Provisions are not recognised for future operating deficits.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 23.

1.6 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from 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 from exchange transactions comprise levy revenue and interest.

Other income comprises recoveries raised i.t.o S74(a) and S74(b) of the ODMWA.

Measurement

Revenue is recognised at the fair value when the risk shift has been worked as indicated in the assessment submitted by the mines and works.

Interest

Revenue arising from the use by others of entity assets yielding interest is recognised when:

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

Interest is recognised, in surplus or deficit, using the effective interest rate method.

1.7 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an entity, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

5.10 ACCOUNTING POLICIES continued

for the year ended 31 March 2017

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS continued

1.7 Revenue from non-exchange transactions continued

Control of an asset arises when the entity can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting entity.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

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

Measurement

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

When, as a result of a non-exchange transaction, the entity recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Transfers

The entity recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Goods in-kind

Goods in kind, that are significant to the entities operations, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the entity and the fair value of the assets can be measured reliably.

5.10 ACCOUNTING POLICIES continued

for the year ended 31 March 2017

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS continued

1.7 Revenue from non-exchange transactions continued

Services in-kind

Except for financial guarantee contracts, the entity recognise services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related revenue when it is probable that the future economic benefits or service potential will flow to the entity and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the entity's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the entity discloses the nature and type of services in-kind received during the reporting period.

The entity recognises services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related revenue when it is probable that the future economic benefits or service potential will flow to the entity and the fair value of the assets can be measured reliably.

1.8 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.9 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.10 Fruitless and wasteful expenditure

Fruitless expenditure as defined in Section 1 of the PFMA is expenditure which was made in vain and could have been avoided had reasonable care been exercised.

Fruitless and wasteful expenditure is recorded in the notes to the financial statements when confirmed. The amount recorded is equal to the total value of the fruitless and or wasteful expenditure incurred.

Fruitless and wasteful expenditure is removed from the notes to the financial statements when it is resolved or transferred to receivables for recovery.

Fruitless and wasteful expenditure receivables are measured at the amount that is expected to be recoverable and are derecognised when settled or subsequently written-off as irrecoverable.

5.10 ACCOUNTING POLICIES continued

for the year ended 31 March 2017

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS continued

1.11 Budget information

The entity is 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.

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

The approved budget is prepared on a modified cash, except where stated otherwise, basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 1 April 2016 to 31 March 2017.

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

1.12 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.

1.13 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)

The entity will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The entity will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

5.11 NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2017

2. NEW STANDARDS AND INTERPRETATIONS

2.1 Standards and interpretations issued, but not yet effective

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 1 April 2017 or later periods:

Standard/interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 20 – Related parties	1 April 2019	Unlikely there will be a material impact
• GRAP 108 – Statutory receivables	1 April 2019	Unlikely there will be a material impact

3. INVESTMENTS

	2017 R	2016 R
At amortised cost		
CPD Investment	1 830 212 302	1 700 735 638
The interest bearing investment is money invested with the Corporation for Public Deposits (CPD). It bears interest at 7.26% per annum (2016: 7.07% per annum).		
Fixed deposit – Mines	1 912 045 109	1 518 233 244
Short term fixed deposits are funds invested in financial institutions which bear between 6.5% and 8.48% per annum (2016: between 6.5% and 8.4% per annum).		
Fixed deposit – Works	137 607 911	127 226 449
Short term fixed deposits are funds invested in financial institutions which bear interest between 8.25% and 8.3% per annum (2016: between 7.45% and 7.8% per annum).		
Fixed deposit – Research	2 525 635	2 986 064
Short term fixed deposits are funds invested in financial institutions which bear interest at 7.95% per annum (2016: 7.2% per annum).		
Investments will mature within the next year.		
	3 882 390 957	**3 349 181 395**
Current assets		
At amortised cost	3 882 390 957	3 349 181 395

4. RECEIVABLES FROM EXCHANGE TRANSACTIONS

	2017 R	2016 R
Trade debtors	44 970 879	67 461 395
Other receivables	627 376	103 048
S74(a) receivable	6 213 855	6 591 934
S74(b) receivable	542 631	405 590
	52 354 741	**74 561 967**

Standard terms and interest charged on overdue accounts

Standard terms on trade accounts receivable are 20 days following the month in which the risk shifts were worked. Interest is levied on overdue accounts using a simple interest basis in accordance with the rates as prescribed in guidelines issued by National Treasury. The rates applicable were:

5.11 NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 March 2017

4. RECEIVABLES FROM EXCHANGE TRANSACTIONS continued

2017	%
1 April 2016 to 30 April 2016	10.25
1 May 2016 to 31 March 2017	10.50
2016	**%**
1 April 2015 to 31 August 2015	9.25
1 September 2015 to 31 December 2015	9.50
1 January 2016 to 29 February 2016	9.75
1 March 2016 to 31 March 2016	10.25

Fair value of trade and other receivables

The fair value of trade and other receivables is deemed to be the carrying value due to the short term nature of the receivables and the market related interest rates attached to them.

Trade and other receivables past due but not impaired

At 31 March 2017, R20 391 124 (2016: R23 317 105) were neither past due nor impaired.
At 31 March 2017, R31 963 617 (2016: R51 244 862) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

	2017 R	2016 R
One month past due	1 531 262	1 411 630
Two months past due	2 596 455	3 115 060
Three months past due	27 835 900	46 718 172
	31 963 617	**51 244 862**

Trade and other receivables impaired

As of 31 March 2017, trade and other receivables of R86 938 748 (2016: R79 221 014) were impaired and provided for.

The ageing of these receivables is as follows:

	2017 R	2016 R
Current	6 701 543	6 707 556
One month past due	2 286	270 951
Two to three months past due	634 874	966 521
Over three months past due	79 600 045	71 275 986
	86 938 748	**79 221 014**
Reconciliation of provision for impairment of trade and other receivables		
Opening balance	79 221 014	73 825 633
Provision for impairment	7 717 734	5 395 381
	86 938 748	**79 221 014**

The creation and release of provision for impaired receivables has been included in expenses.

The maximum exposure to credit risk at the reporting date is the fair value of the receivables balance. The Fund does not hold any collateral as security.

5.11 NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 March 2017

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

	2017 R	2016 R
Bank balances	21 751 031	131 934 602

In terms of established practices, any costs associated with maintaining separate bank accounts, or any interest received on such accounts, is for the account of the Fund.

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:

	2017 R	2016 R
Credit rating		
Absa (F1+) – Current Account: Mines	5 783 589	114 025 129
Absa (F1+) – Current Account: State	9 871 388	9 565 410
Absa (F1+) – Current Account: Research	743 436	42 456
Absa (F1+) – Current Account: Works	4 007 862	3 921 342
FNB (F1+) – Current Account: Mines	1 344 756	4 380 265
	21 751 031	**131 934 602**

6. PROVISIONS

	2017 R	2016 R
Provisions comprise:		
Benefits due	907 307 154	878 340 777
IBNR provision	2 760 887 590	2 710 069 752
Provision for Eastern Cape claims	5 019 288	5 230 066
	3 673 214 032	**3 593 640 595**
Provisions comprise:		
Non-current liabilities	2 760 887 590	2 710 069 752
Current liabilities	912 326 442	883 570 843
	3 673 214 032	**3 593 640 595**

5.11 NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 March 2017

6. PROVISIONS continued

Reconciliation of provisions – 2017

	Opening balance R	Additions [1] R	Paid during the year [2] R	Changes in methodology and assumptions/ unexpected increase/ (decrease) [3] R	Unwinding [4] R	Transfer to benefits due R	Total R
IBNR – TB Loss of Earnings	3 409 664	14 083 088	–	(1 407 697)	931 584	(13 960 487)	3 056 152
IBNR – TB First Degree	5 754 135	5 762 679	–	4 265 776	750 787	(6 072 899)	10 460 478
IBNR – TB Second Degree	7 649 778	24 408 041	–	5 214 087	1 719 643	(24 706 672)	14 284 877
IBNR – Permanent First Degree	974 886 340	30 182 403	–	185 761 848	89 234 658	(30 403 567)	1 249 661 682
IBNR – Permanent Second Degree	1 718 369 835	54 500 846	–	(387 709 339)	156 204 372	(57 941 313)	1 483 424 401
Benefits due – TB Loss of Earnings	80 328 297	–	(7 699 845)	(418 805)	6 830 516	13 960 487	93 000 650
Benefits due – TB First Degree	45 734 609	–	(11 854 757)	2 343 459	3 804 781	6 072 899	46 100 991
Benefits due – TB Second Degree	225 355 471	–	(36 541 804)	395 826	18 907 164	24 706 672	232 823 329
Benefits due – Permanent First Degree	225 704 447	–	(64 427 486)	24 787 456	19 035 977	30 403 567	235 503 961
Benefits due – Permanent Second Degree	298 794 967	–	(85 217 759)	2 056 659	23 880 057	57 941 313	297 455 237
Eastern Cape Provision	5 230 066	–	(8 100)	(659 889)	457 211	–	5 019 288
Provision for PH files	2 422 986	–	–	–	–	–	2 422 986
	3 593 640 595	**128 937 057**	**(205 749 751)**	**(165 370 619)**	**321 756 750**	**–**	**3 673 214 032**

[1] *Additions represent the expected new claims during the 12-month inter-valuation period*

[2] *Actual payments for the year*

[3] *Changes in assumptions represent the impact on the liability as a result of changes in methodology and assumptions. Unexpected increase/ (decrease) is the amount required to add up to the newly calculated liability resulting from actual experience not following assumptions*

[4] *Unwinding represents interest credited to the liability as per the BEASSA nominal zero yield curve as at 31 March 2017 for the 12-month inter-valuation period*

5.11 NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 March 2017

6. PROVISIONS continued

Reconciliation of provisions – 2016

	Opening balance	Additions [(1)]	Paid during the year [(2)]	Changes in methodology and assumptions/ unexpected increase/ (decrease) [(3)]	Unwinding [(4)]	Transfer to benefits due	Total
	R	R	R	R	R	R	R
IBNR – TB Loss of Earnings	4 480 703	2 745 901	–	(1 754 540)	398 605	(2 461 005)	3 409 664
IBNR – TB First Degree	6 975 223	2 142 960	–	(1 559 559)	616 983	(2 421 472)	5 754 135
IBNR – TB Second Degree	7 550 454	4 320 818	–	(459 648)	661 457	(4 423 303)	7 649 778
IBNR – Permanent First Degree	1 639 520 938	47 757 427	–	(825 771 513)	147 797 111	(34 417 623)	974 886 340
IBNR – Permanent Second Degree	1 538 223 604	46 924 810	–	35 397 153	137 535 210	(39 710 942)	1 718 369 835
Benefits due – TB Loss of Earnings	72 319 388	–	(2 468 757)	2 732 303	5 284 358	2 461 005	80 328 297
Benefits due – TB First Degree	42 542 829	–	(3 324 507)	1 071 049	3 023 766	2 421 472	45 734 609
Benefits due – TB Second Degree	216 049 165	–	(11 431 539)	958 671	15 355 871	4 423 303	225 355 471
Benefits due – Permanent First Degree	223 898 565	–	(20 047 932)	(28 828 552)	16 264 743	34 417 623	225 704 447
Benefits due – Permanent Second Degree	277 009 893	–	(38 755 268)	706 472	20 122 928	39 710 942	298 794 967
Eastern Cape Provision	5 563 067	–	(10 800)	(726 754)	404 553	–	5 230 066
Provision for PH files	2 422 986	–	–	–	–	–	2 422 986
	4 036 556 815	**103 891 916**	**(76 038 803)**	**(818 234 918)**	**347 465 585**	**–**	**3 593 640 595**

(1) *Additions represent the expected new claims during the 12-month inter-valuation period*

(2) *Actual payments for the year*

(3) *Changes in assumptions represent the impact on the liability as a result of changes in methodology and assumptions. Unexpected increase/ (decrease) is the amount required to add up to the newly calculated liability resulting from actual experience not following assumptions*

(4) *Unwinding represents interest credited to the liability as per the BEASSA nominal zero yield curve as at 31 March 2016 for the 12-month inter-valuation period*

5.11 NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 March 2017

6. PROVISIONS continued

Provision for Benefits Due and IBNR provision

The total claims liability, including provision for claims incurred but not yet reported (IBNR), as at 31 March 2017 was estimated to be R3 668 194 743 (31 March 2016: R3 588 410 529). This represents the expected monetary amount that together with investment income, would be sufficient to cover future payments in respect of last risk work to 31 March 2017.

Benefits Due represent a liability, however what is not certain is when the claim will be paid or how much will be paid based on the environment the Fund operates in. Therefore, the valuation amount relating to Benefits Due is classified as a Provision for Benefits Due and is recognised as such in the statement of financial position.

With regards to the IBNR claims, claims have not been reported to the MBOD nor has an assessment been made to determine whether the claims are compensable or not and therefore whether the Fund has an obligation or not. The validity of the claim depends on the assessment done in terms of the ODMWA.

Provision for Benefits Due

The provision for Benefits Due was raised for all workers or ex-workers that were certified by the certification committee to be suffering from a compensatable disease and where it is anticipated that the outflow of resources embodying economic benefits required to settle that obligation is probable but the amount is not certain.

Claims in relation to Benefits Due were categorised as follows:

- TB Loss of Earnings
- TB First Degree
- TB Second Degree
- Other Permanent First Degree
- Unknown First Degree
- Other Permanent Second Degree
- Unknown Second Degree
- Other Permanent Unknown Degree
- Unknown claim type

The following methodology was applied to determine the Provision for Benefits Due as at 31 March 2017:

- the number of claims reported, certified and not yet paid per claims year was multiplied by the average cost per claim for that claim year
- the average cost per claim was calculated as the average of claims reported, certified and paid in each particular category
- payment rates (probability of payment) dependent on the time period between claim year and valuation date were applied
- these payment rates represent a sliding scale which are subject to a maximum of the payment rate for the IBNR provision at 31 March 2017
- a settlement pattern was applied to the proportion of claims that are assumed will be paid as at 31 March 2017. The settlement patterns were consistent with those used to calculate the IBNR provision
- expected future claim payments were discounted to 31 March 2017 using the Bond Exchange and Actuarial Society of South Africa (BEASSA) nominal zero coupon yield curve as at 31 March 2017
- the provision for Benefits Due equals to the sum of these discounted future claim payments

With respect to the Unknown First Degree and Unknown Second Degree category above, a weighted average of the applicable (first degree/second degree) average cost per claim and settlement periods for TB and Permanent Diseases was used for calculation purposes. Similarly, for Unknown Claim Type, a weighted average of the average cost per claim and settlement period was used.

5.11 NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 March 2017

6. PROVISIONS continued

IBNR provision

The IBNR provision makes allowance for future payments to be made on claim events which will arise in future as a result of exposure to conditions up to the valuation date that may lead to these claim events. In order to calculate the IBNR provision, run-off triangles have been constructed to model development pattern (reporting delay) and settlement pattern (payment delay).

In order to use these models, an occurrence date is needed. Last risk date has been used as a proxy for occurrence date. An "average cost per claim" method was used in respect of these run-off triangles.

It is noted for calculation purposes that last risk date was grouped into last risk year and claims date into claims year. Last risk year and claims year are defined as the twelve-month period to 31 March of the particular year.

The IBNR provision comprises the TB Liability and the Permanent Disease Liability.

Claims in relation to the TB Liability were categorised as follows:

- TB Initial (combination of TB Current and TB Can Antedate)
- TB Reactivated (combination of TB Reactivation and TB Relapse)
- TB First Degree
- TB Second Degree

Within each category of claim, the following sub-categories were used based on the mine the individual worked for at claim date or last risk date:

- gold
- platinum
- other commodities

The reason for subdividing TB claims into these groups was to obtain homogeneous groups to improve estimates of future claim payments.

The following methodology was applied to determine the TB Liability as at 31 March 2017:

- the ultimate number of claims were projected for last risk years up to the end of 31 March 2017 by applying a development pattern to the cumulative proportion of claims observed to have been reported to 31 March 2017. This process was repeated to determine incremental claims per development year for each applicable last risk year
- to allow for complete claims experience, current certification guidelines and based on an analysis of the data, a seven-year development period was used in determining the development pattern
- the average cost per claim was derived by analysing the underlying distribution of claim amounts awarded and subsequently paid per claim year. The following disease categories were analysed separately, based on the separate rules stipulated in the ODMWA with regard to the way in which award amounts are calculated:
  - TB Loss of Earnings (consists of TB Initial and TB Reactivated)
  - TB First Degree
  - TB Second Degree
- with respect to TB Loss of Earnings and TB Second Degree, the mean of the underlying distributions was used.
- with respect to TB First Degree, the mode of the underlying distributions was used which corresponds to the maximum benefit as per the ODMWA
- the average cost per claim for TB Loss of Earnings was projected forward by the observed 'inflation rate'
- the average cost per claim for TB First Degree was projected forward by applying a 33.8 percent increase in the maximum benefit which was allowed for effective 1 April 2018. Thereafter, inflation was applied to the maximum benefit each year

5.11 NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 March 2017

6. PROVISIONS continued

IBNR provision continued

- the average cost per claim for TB Second Degree was projected forward by adjusting the underlying distribution to each subsequent claims year by keeping the minimum and maximum benefits constant (as no increases to the limits occurred over this period) and increasing the benefits falling between these amounts by inflation each year (subject to the applicable maximum benefit).
- the total claim amounts per development year for each last risk year was calculated by multiplying the expected number of claims in each development year (for each risk year) by the average cost per claim for that year. With respect to TB Loss of Earnings, a proportion of claims result in no loss once assessed. These claims have therefore been reduced by the proportion of claims expected to result in no loss
- a payment rate (probability of payment) was applied to total outstanding claims to allow for a proportion of the ultimate claims that will result in no payment
- a settlement pattern was applied to the proportion of claims assumed to be paid in each development year for each last risk year. This gives an estimate of total claims that will be settled per claim year and settlement year. The settlement pattern was derived for the following groupings:
  - TB Loss of Earnings (consists of TB Initial and TB Reactivated)
  - TB Permanent Diseases (consists of First Degree and Second Degree)

  A 9-year settlement period was used in respect of both these groupings
- expected future claim amounts to be paid per settlement year for each claims year were discounted to 31 March 2017 using the BEASSA nominal zero coupon yield curve as at 31 March 2017
- the TB Liability equals to the sum of these discounted future claim payments across all settlement years for all risk years

With regards to the Permanent Diseases Liability, allowance has been made for under-reporting. Under-reporting exists where workers are eligible to claim from the Fund but do not do so for various reasons. This is particularly relevant to permanent diseases such as silicosis and asbestosis where there is a long latency period. Under-reporting therefore means liabilities based on actual claims experience will not reflect the true number of ultimate claims that may arise in future. The methodology for the Permanent diseases liability involved the following 7 step process:

Claims in relation to the Permanent Disease Liability were categorised as follows:

- Silicosis First Degree
- Silicosis Second Degree
- Asbestos-related Diseases First Degree
- Asbestos-related Diseases Second Degree
- Obstructive airway disease (OAD) First Degree
- OAD Second Degree
- Other First Degree
- Other Second Degree

The reason for subdividing Permanent Disease claims into these groups was to obtain homogeneous groups to improve estimates of future payments.

Within each category of claim, the following sub-categories have been used based on racial categorisation:

- black
- white

The reason for subdividing the categories into sub-categories based on racial classification is to determine the extent of under-reporting with regards to Permanent Disease Claims.

5.11 NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 March 2017

6. PROVISIONS continued

IBNR provision continued

The following methodology was applied to determine the Permanent Disease Liability as at 31 March 2017:

- the ultimate number of claims were projected for last risk years up to the end of 31 March 2017 by applying a development pattern to the cumulative proportion of claims observed to have been reported to 31 March 2017. This process was repeated to determine incremental claims per development year for each applicable last risk year
- to allow for complete claims experience, current certification guidelines are based on an analysis of the data, the development patterns have been allowed for over the following number of years:
  - Asbestos-related diseases: 55 years
  - Silicosis: 45 years
  - OAD: 10 years
  - Other: 55 years
- the ultimate number of claims expected to arise for last risk years 2004 to 2017 was determined applying this method. The ultimate number of claims for risk years prior to 2004 was done in conjunction with the estimation of under-reported claims
- the average cost per claim was derived by analysing the underlying distribution of claim amounts awarded and subsequently paid per claim year. The following disease categories were analysed separately, based on the separate rules stipulated in the ODMWA with regard to the way in which award amounts are calculated:
  - Permanent Disease First Degree
  - Permanent Disease Second Degree
- with respect to Permanent Disease First Degree, the mode of the underlying distributions was used which corresponds to the maximum benefit as per the ODMWA
- with respect to Permanent Disease Second Degree, the mean of the underlying distributions was used
- the average cost per claim for Permanent Disease First Degree was projected forward by applying a 33.8 percent increase in the maximum benefit was allowed for effective 1 April 2018. Thereafter, inflation was applied to the maximum benefit each year
- the average cost per claim for Permanent Disease Second Degree was projected forward by adjusting the underlying distribution to each subsequent claims year by keeping the minimum and maximum benefits constant (as no increases to the limits occurred over this period) and increasing the benefits falling between these amounts by inflation each year (subject to the applicable maximum benefit)
- a payment rate (probability of payment) was applied to total outstanding claims to allow for a proportion of the ultimate claims that will result in no payment
- a settlement pattern was applied to the proportion of claims assumed to be paid in each development year for each last risk year. A nine-year settlement period was used
- expected future claim amounts to be paid per settlement year for each claims years were discounted to 31 March 2017 using the BEASSA nominal zero coupon yield curve as at 31 March 2017
- the number of under-reported claims was estimated as follows:
  - the development pattern for white workers is assumed be representative of the true development of permanent diseases such as Silicosis
  - within the black and white workers' development patterns, active workers claim within development year zero and ex-workers claim after development year zero. Under-reporting is minimal with respect to active workers
  - under-reporting is therefore assumed to occur predominantly for black ex-workers
  - the proportion of black ex-workers claiming after development year zero was adjusted such that the proportion of black workers claiming in development year zero to the proportion of black ex-workers claiming after development year zero equals the proportion of white workers claiming in development year zero to the proportion of white ex-workers claiming after development year zero. This was applied to last risk years from 2004 to 2017

5.11 NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 March 2017

6. PROVISIONS continued

IBNR provision continued

- frequency rates (excluding and including under-reporting) were estimated for this period and projected prior to 2004. The relationship between post 2003 frequency rates including and excluding under-reporting was used to determine pre-2004 frequency rates including under-reporting
- pre-2004 frequency rates including and excluding under-reporting were applied to estimated total risk shifts prior to 2004 to determine total ultimate claims including and excluding under-reporting for last risk years prior to 2004
- an adjustment was made for under-reported black silicosis second degree claims to ensure reasonable progressions in the frequency rates after allowing for corrections to under-reporting – this was as a result of Silica-TB claims in black workers, resulting in an immediate second degree certification, thereby distorting the relative frequency rates of black silicosis first degree claims versus black silicosis second degree claims
- the proportion of the total ultimate number of claims excluding under-reporting relating to last risk years prior to 2004 expected to be reported and certified after 31 March 2017 was determined by using the applicable development patterns
- past under-reported claims was calculated as the difference between ultimate claims including and excluding under-reporting that are assumed to have developed by 31 March 2017
- after the payment rate was applied, a settlement pattern was applied to past under-reported claims with effect 1 April 2017. Mortality was allowed for to allow for the probability of survival from the point the worker should have claimed to the valuation date
- future under-reported claims were calculated as the difference between ultimate claims including and excluding under-reporting that are assumed to arise after 31 March 2017 for last risk years to 31 March 2017. After the payment rate was applied, these were assumed to be settled in line with claims arising through the normal course of events

- expected future claim amounts to be paid per settlement year for each claim years were discounted to 31 March 2017 using the BEASSA nominal zero coupon yield curve as at 31 March 2017
- the Permanent Liability equals to the sum of these discounted future claim payments across all settlement years for all risk years

Assumptions

The following were the principal assumptions at the reporting date:

Economic assumptions

The economic assumptions used for the purposes of the valuation are:

- annual cash flows have been discounted at the rate implied by the BEAASA nominal zero coupon bond curve as at 31 March 2017 at that point in time
- inflation is calculated to be difference between the yields on the BEASSA nominal zero coupon bond curve and real zero bond curve as at 31 March 2017. An inflation risk premium of 0.5% has been applied

Demographic assumption

The demographic assumptions used for the purposes of the valuation are:

- pre-retirement mortality: It was assumed that the mortality for under-reported claims arising to the valuation date would be in line with the 1985 base mortality table for black males in the Actuarial Society of South Africa Acquired Immune Deficiency Syndrome (ASSA AIDS) model
- post-retirement mortality: It was assumed that mortality for pensioners would be in line with the PA(90) mortality tables for males and females

5.11 NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 March 2017

6. PROVISIONS continued

Other assumptions

	2017 %	2016 %
Future 'inflation rate' for TB Loss of Earnings	12	15
Proportion of TB Loss of Earnings claims that result in no loss	15	15
TB Liability – percentage future claims that will be paid	90	90
Permanent Disease Liability – percentage future claims that will be paid	90	90
Permanent Disease Liability – percentage of under-reported claims that will be paid	75	75

Provision for Eastern Cape Claims

The Provision for Eastern Cape Claims was raised for Eastern Cape ex-workers that were entitled to share R54 million that was transferred from the former Transkei and Ciskei Governments to the CCOD.

The following methodology was applied to determine the provision for Eastern Cape claims as at 31 March 2017:

- the number of unpaid claims at the valuation date was multiplied by R2 700 per claim
- payment rates (probability of payment) dependent on the time period between claim year and valuation date were applied
- these payment rates represent a sliding scale which are subject to a maximum of the payment rate for the IBNR provision at 31 March 2017
- a settlement pattern was applied to the proportion of claims that are assumed will be paid as at 31 March 2017
- the settlement patterns were consistent with those used to calculate the IBNR provision
- expected future claim payments were discounted to 31 March 2017 using the BEASSA nominal zero coupon yield curve as at 31 March 2017
- the provision for Eastern Cape claims equals to the sum of these discounted future claims

Sensitivity analysis

Where variables are considered to be immaterial, no impact has been assessed for insignificant changes to these variables. Particular variables may not be considered material at present. Should the materiality level of an individual variable change, an assessment of reasonable possible changes to that variable in the future may be required.

The Fund believes that the stated discounted provision is reasonable. It was calculated on a best estimate basis. The actual payments will differ from the estimated liability, as the estimate was based on certain variables and assumptions.

The sensitivity of some of the assumptions is shown in this table:

2017	Benefits due R	IBNR provision R	Impact on deficit/ accumulated deficit R
Base scenario	907 307 153	2 760 887 590	–
90% TB payment, 75% Other permanent payment	800 458 548	2 697 858 645	169 877 550
90% TB payment, 60% Other permanent payment	693 609 835	2 163 847 378	810 737 530
90% TB payment, 90% Other permanent payment	907 307 153	3 231 870 314	(470 982 724)

5.11 NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 March 2017

6. PROVISIONS continued

2016	Benefits due R	IBNR provision R	Impact on surplus/ accumulated deficit R
Base scenario	878 340 777	2 710 069 752	–
100% of IBNR claims (Permanent diseases), 85% of under reported claims, 100% maximum payment rate for benefits due	981 654 437	3 063 268 072	(456 511 980)
80% of IBNR claims (Permanent diseases), 65% of under reported claims, 80% maximum payment rate for benefits due	831 746 836	2 356 871 434	399 792 259

7. PAYABLES FROM EXCHANGE TRANSACTIONS

	2017 R	2016 R
Trade payables	46 306 145	35 098 230
Other payables	7 686 147	5 154 295
	53 992 292	**40 252 525**

8. TRANSFERS PAYABLE (NON-EXCHANGE)

	2017 R	2016 R
National Department of Health – Pensions	8 893 143	6 393 265
Other payables from non-exchange transactions	800 000	–
	9 693 143	**6 393 265**

9. REVENUE

	2017 R	2016 R
Section 62 levies	314 975 304	309 621 894
Section 63 research levies	439 961	451 752
Other income – S74(a) recovery from the National Department of Health	(378 079)	6 591 934
Other income – S74(b) recovery from the National Department of Health	137 041	405 590
Interest received	286 108 686	220 216 541
Goods and services in-kind from the national Department of Health	56 464 663	43 937 145
Pension payments transfer utilised	1 041 122	1 370 141
	658 788 698	**582 594 997**
The amount included in revenue arising from exchanges of goods or services are as follows:		
Section 62 levies	314 975 304	309 621 894
Section 63 research levies	439 961	451 752
Other income – S74(a) recovery from the National Department of Health	(378 079)	6 591 934
Other income – S74(b) recovery from the National Department of Health	137 041	405 590
Interest received	286 108 686	220 216 541
	601 282 913	**537 287 711**

5.11 NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 March 2017

6. PROVISIONS continued

	2017 R	2016 R
The amount included in revenue arising from non-exchange transactions is as follows:		
Transfer revenue		
Goods and services in-kind from the national Department of Health	56 464 663	43 937 145
Pension payments transfer utilised	1 041 122	1 370 141
	57 505 785	**45 307 286**

Basis on which fair value of inflowing resources was measured

Transfers

Services in-kind from the national Department of Health – Employee related costs

Measured at the value of employee-related expenses incurred by the national Department of Health which relate to the CCOD.

Goods and services in-kind from the national Department of Health

Measured at the value of services related expenses incurred by the national Department of Health which relate to the CCOD.

Pension payments made

Pension payments made by the CCOD on behalf of the national Department of Health.

Nature and type of goods in kind are as follows:

Rental paid for CCOD buildings

The national Department of Health pays rent to the Department of Public Works for the CCOD premises at 144 De Korte Street. The rental for 144 De Korte Street is included in a rental covering a number of buildings. The Department of Public Works has not allocated the rental payable by the national Department of Health to the various locations and so it is not possible to allocate the rental paid.

Property, plant and equipment

This represents the various items of equipment and furniture located at the CCOD offices. These items are not deemed to be significant to the functioning of the CCOD and as such no items have been recognised. These items belong to the national Department of Health with the CCOD having the right of use over these assets.

Nature and type of services in-kind are as follows:

Services in-kind from the national Department of Health

Services in-kind represents expenditure incurred on behalf of the CCOD by the national Department of Health which includes employee-related and operational expenses necessary for the functioning of the CCOD.

Services in-kind from social partners and the mining industry

The Chamber of Mines, the Gold Mining companies and the World Bank supported various business process reforms at the CCOD. These included secondment of medical doctors to the Certification Committees of the MBOD, technical support for the preparation of the annual reports and financial statements, personnel for the Carletonville One Stop Service Centre and funding for the electronic database, the development of a logistics and coordinating centre and tracking and tracing of claimants and beneficiaries. Funding support was made available by the social partners through the provision of technical and human resources to the CCOD and not through direct cash transfers and as such is not possible to quantify.

5.11 NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 March 2017

10. INVESTMENT REVENUE

	2017 R	2016 R
Interest revenue		
Interest on investments	273 572 621	207 493 008
Interest on cash and cash equivalents	5 609 983	5 266 249
Interest charged on trade and other receivables	6 926 082	7 457 284
	286 108 686	**220 216 541**

The amount included in Investment revenue arising from exchange transactions amounted to R286 108 686 (2016: R220 216 541).

11. GOODS AND SERVICES IN-KIND FROM THE NATIONAL DEPARTMENT OF HEALTH

	2017 R	2016 R
Operating grants		
Goods and services in-kind from the national Department of Health	56 464 663	43 937 145
Goods and services in-kind from the national Department of Health comprise:		
Non-exchange – services in-kind – employee related expenses	31 523 111	29 284 724
Non-exchange – goods and services in-kind	24 941 552	14 652 421
	56 464 663	**43 937 145**

12. FINANCE COSTS

	2017 R	2016 R
Trade and other payables	1 915 186	1 507 978
Provisions – Unwinding adjustment	321 756 751	347 465 585
	323 671 937	**348 973 563**

13. DEBT IMPAIRMENT

	2017 R	2016 R
Contributions to debt impairment provision – refer to Note 4	7 717 734	5 395 381

Contributions to debt impairments of R137 041 (2016: R405 590) included in the amount above are considered fruitless and wasteful expenditure and have been included in the disclosures in Note 15.

5.11 NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 March 2017

14. MOVEMENT IN PROVISIONS AND GENERAL EXPENSES

	2017 R	2016 R
Actuarial valuation expenses	1 895 294	–
Bank charges	225 827	164 189
Pensions	1 041 122	1 370 141
Movement in provisions	(36 433 562)	(714 343 002)
	(33 271 319)	**(712 808 672)**
Movement in provisions		
Disease in the First Degree – Section 80(1)	240 731 707	(806 842 638)
Disease in the Second Degree – Section 80(3)	(331 151 834)	83 028 435
Tuberculosis at 75% – Section 80(1)	12 256 586	3 723 664
Tuberculosis in First Degree – Section 80(4)	12 371 914	1 654 450
Tuberculosis in Second Degree – Section 80(2)(b)	30 017 954	4 819 841
Eastern Cape	(659 889)	(726 754)
	(36 433 562)	**(714 343 002)**
Pension payments for pneumoconiosis which has permanently impaired cardiorespiratory functions by:		
Not less than 20 percent but not more than 50 percent	106 238	145 724
More than 75 percent	23 604	68 045
Pneumoconiosis together with tuberculosis	21 722	36 754
Tuberculosis	19 788	33 352
Dependants	869 770	1 086 266
	1 041 122	**1 370 141**

15. FRUITLESS AND WASTEFUL EXPENDITURE

	2017 R	2016 R
Fruitless and wasteful expenditure - incurred in prior year and identified in current year	–	403 849
Fruitless and wasteful expenditure - incurred in current year and identified in current year	137 041	1 741
Less: amounts transferred for recovery i.t.o S74 – refer note 4	(137 041)	(405 590)
	–	**–**

Fruitless and wasteful expenditure relates to the impairment of other receivables for a duplicate payment made to claimant in error in March 2017 which is deemed to be not recoverable by the CCOD.

Controls and processes over the claimant payment process have been strengthened to prevent and detect duplicate payments to claimants. Examples of process improvements include electronic database queries which significantly reduces the risk of duplicate payments.

Under section 74(b) of the ODMWA any amount paid to any person who was not entitled to receive such amount, and which the CCOD is unable to recover from such person can be recovered from the minister of Health.

5.11 NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 March 2017

16. CASH GENERATED FROM OPERATIONS

	2017 R	2016 R
Surplus	304 205 683	897 097 580
Adjustments for:		
Finance costs (provisions unwinding adjustment)	321 756 751	347 465 585
Debt impairment	7 717 734	5 395 381
Net movement in provisions (excluding unwinding adjustment)	(242 183 313)	(790 381 805)
Accrued interest on investments	(44 539 156)	(11 201 437)
Changes in working capital:		
Receivables from exchange transactions	14 489 492	(8 158 673)
Payables from exchange transactions	13 739 768	5 651 883
Transfers payable (non exchange)	3 299 878	1 992 859
	378 486 837	**447 861 373**

17. FINANCIAL INSTRUMENTS DISCLOSURE

Categories of financial instruments

2017 Financial assets	At amortised cost R	Total R
Investments	3 882 390 957	3 882 390 957
Trade and other receivables from exchange transactions	52 354 741	52 354 741
Cash and cash equivalents	21 751 031	21 751 031
	3 956 496 729	**3 956 496 729**

2017 Financial liabilities	At amortised cost R	Total R
Trade and other payables from exchange transactions	53 992 292	53 992 292
Transfers payable (non-exchange)	9 693 143	9 693 143
	63 685 435	**63 685 435**

2016 Financial assets	At amortised cost R	Total R
Investments	3 349 181 395	3 349 181 395
Trade and other receivables from exchange transactions	74 561 967	74 561 967
Cash and cash equivalents	131 394 602	131 394 602
	3 555 137 964	**3 555 137 964**

2016 Financial liabilities	At amortised cost R	Total R
Trade and other payables from exchange transactions	40 252 525	40 252 525
Transfers payable (non-exchange)	6 393 265	6 393 265
	46 645 790	**46 645 790**

5.11 NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 March 2017

18. RELATED PARTIES

Relationships

Controlling entity: National Department of Health

Related party balances	2017 R	2016 R
Amounts included in Trade receivable (Trade Payable) regarding related parties		
National Department of Health	8 893 143	6 393 265
Related party transactions		
Transfer payments for pension payments		
National Department of Health	3 541 000	3 363 000
Goods and services in-kind from the national Department of Health		
National Department of Health	56 464 663	43 937 145

The transactions above represent transfer payments from the national Department of Health for the payment of pensions as well as the assistance necessary for the functioning of the CCOD.

19. COMPARATIVE FIGURES

Comparative figures have not been restated.

20. RISK MANAGEMENT

Financial risk management

The Fund's activities expose it to a variety of financial risks: market risk (including cash flow interest rate risk and price risk), credit risk and liquidity risk.

The Fund's principal financial liabilities are benefits payable to workers and ex-workers. The Fund's principal financial assets include interest bearing investments with the CPD, short term fixed deposits, cash and trade and other receivables from its operations.

The Fund monitors the management of these risks.

Liquidity risk

The Fund manages liquidity risk through ensuring adequate reserves and liquid resources are maintained.

Financial liabilities include trade accounts payable, which consist of benefits payable for claims approved and are due in less than one year. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Credit risk

Maximum exposure to credit risk is represented by the carrying amounts of investments, trade accounts receivable and cash and cash equivalents in the statement of financial position. The risk is managed by investing surplus funds per Treasury requirements and guidelines for an entity of government with funds under management.

Funds are deposited with the CPD, which is a subsidiary of the South African Reserve Bank. In addition, the Minister of Finance approved that funds can be deposited in a short-term fixed deposit in a rated registered bank or financial institution.

Trade accounts receivable comprises a large, widespread customer base and risk exists on delinquent accounts and possible defaults by customers.

The Fund did not consider there to be any material concentration of credit risk.

5.11 NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 March 2017

20. RISK MANAGEMENT continued

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2017 R	2016 R
Investments – CPD	1 830 212 302	1 700 735 638
Short-term fixed deposits – Absa	269 668 151	191 513 468
Short-term fixed deposits – FNB	1 782 510 504	1 456 932 289
Cash and cash equivalents – Absa	20 406 275	127 554 337
Cash and cash equivalents – FNB	1 344 756	4 380 265

Market risk

Interest rate risk

As the Fund has significant interest-bearing assets, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

The estimated fair value at 31 March 2017 has been determined using the market value and appropriate valuation methodologies, but are not necessarily indicative of the amounts the Fund could realise in the normal course of business. The fair value of financial instruments equals their carrying value, either because of the short-term nature and normal trade terms thereof, or the market-related interest rate attached to them.

The Fund is exposed to cash flow interest rate risk on various financial assets including trade receivables, trade payables, cash and cash equivalents and investments.

The exposure to interest rate fluctuations in line with movements in the prime lending rate are managed to minimise the impact on the statement of financial performance by amongst others entering into fixed-rate instruments for investment balances held.

Financial Instruments and their exposure to interest rate risk are:

A reasonably possible change of 100 basis points in interest rates at the reporting date would have increased/(decreased) the deficit for the year by the amounts shown below.

This analysis assumes that all other variables remain constant.

	100 bp increase	100bp decrease
31 March 2017		
Interest bearing investments – CPD	18 386 241	(18 218 471)
Short term fixed deposits	20 616 106	(20 427 989)
Cash and cash equivalents	218 510	(216 516)
Trade and other receivables	1 319 708	(1 307 666)
Trade and other payables	465 190	(460 945)
	41 005 755	**(40 631 587)**
31 March 2016		
Interest bearing investments – CPD	17 085 524	(16 929 622)
Short term fixed deposits	16 560 221	(16 409 114)
Cash and cash equivalents	1 325 410	(1 313 316)
Trade and other receivables	1 469 491	(1 456 082)
Trade and other payables	(352 595)	349 378
	36 088 051	**(35 758 756)**

5.11 NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 March 2017

20. RISK MANAGEMENT continued

Cash flow interest rate risk

Financial instrument	Current interest rate %	Due in less than a year R	Due in one to two years R
Trade and other receivables – normal credit terms	10.50	131 366 996	–
Interest bearing investment – CPD	7.26	1 830 212 302	–
Short term fixed deposits – Mines	8.30	187 976 332	–
Short term fixed deposits – Mines	8.30	466 933 685	–
Short term fixed deposits – Mines	8.30	451 572 003	–
Short term fixed deposits – Mines	8.30	511 965 982	–
Short term fixed deposits – Mines	6.50	39 169 409	–
Short term fixed deposits – Mines	8.48	40 886 901	–
Short term fixed deposits – Mines	8.22	213 540 797	–
Short term fixed deposits – Works	8.30	124 893 093	–
Short term fixed deposits – Works	8.25	12 714 818	–
Short term fixed deposits – Research	7.95	2 525 635	–
Short term fixed deposits – Mines	6.00	5 783 589	–
Cash and cash equivalents – Mines	6.00	1 344 756	–
Cash and cash equivalents – State	4.00	9 871 388	–
Cash and cash equivalents – Research	6.00	743 436	–
Cash and cash equivalents – Works	6.00	4 007 862	–
Trade and other payables	10.50	46 306 146	–

Price risk

Fund is exposed to fluctuations in the employment market because its revenue is derived from the risk shifts worked by the employees in mines and works multiplied by the applicable rate per commodity.

21. GOING CONCERN

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

The actuarial valuation of the Fund is conducted at least every three years as prescribed in s77A(1) of the ODMWA. The latest actuarial valuation for 2017 was performed as at 31 March 2017 by Deloitte Touché Tohmatsu Limited.

The accounting for the provision resulted in an accumulated surplus for the Fund. As at 31 March 2017 the Fund had an accumulated surplus of R219 597 262 (2016: Accumulated deficit of R84 608 421).

The Fund believes there is sufficient liquidity to meet short-term financial obligations as they become due, as current assets (R3 956 496 729) exceed current liabilities (R976 011 877) by R2 980 484 852 as at 31 March 2017.

5.11 NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 March 2017

22. CONTINGENCIES

The Fund is not aware of any contingencies or potential obligations not already recorded in the annual financial statements.

23. EVENTS AFTER THE REPORTING DATE

No material events have taken place between the statement of financial position date and the authorisation of the annual financial statements.

24. BUDGET DIFFERENCES

Material differences between budget and actual amounts

Material differences can be explained as follows:

Interest received

Interest received was R92 985 686 higher than budget due to higher than budgeted investment balances.

General expenses

The budget for general expenses includes forecast payments of R167 220 000 for claims and pension payments compared to actual claim and pension payments of R205 749 751. General expenses, in the statement of financial performance, includes net decreases to provisions of R36 433 563. The updated Actuarial valuation at 31 March 2017 was performed after the budget process for the year was completed.

Investments

Actual investment balances (R3 882 390 957) were R546 137 957 higher than budget (R3 349 181 395) as a consequence of lower than forecast claims payments made in the year. The excess of cash received from levies over claim payments made and interest earned was invested into short-term fixed deposits, with an increase of R533 209 562 compared to 31 March 2016.

Receivables from exchange transactions

Receivables from exchange transactions were higher than budget due to lower than forecast collections from debtors, higher revenues and interest on outstanding accounts levied for the year ended 31 March 2017.

Cash and cash equivalents

Actual cash and cash equivalents of R21 751 031 was lower than budget of R60 000 000. The excess cash received from levies over claim payments made was invested in short-term fixed deposits.

Payables from exchange transactions

Payables from exchange transactions were higher than budget largely due to an increase in trade payables (R21 006 256 as at 31 March 2017) and payments received from unregistered mines (R24 602 957 at 31 March 2017). Trade payables represents benefits payable for claims approved.

Transfers payable

Transfers payable of R9 693 143 largely represents excess funds from pension transfer payments which were not utilised by the CCOD to date.

5.11 NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 March 2017

24. BUDGET DIFFERENCES continued

Provisions

The budget process did not split provisions into current and non-current. Total provisions per the statement of financial position was R3 673 214 032 compared to the budget of R941 021 000. The updated actuarial valuation at 31 March 2017 was performed after the budget process for the year was completed.

Differences between budget and actual amounts basis of preparation and presentation

The budget and the accounting bases differ. The annual financial statements for the whole-of-government are prepared on the accrual basis using a classification based on the nature of expenses in the statement of financial performance. The annual financial statements are for the fiscal period from 1 April 2016 to 31 March 2017. The annual financial statements differ from the budget, which is approved on the cash basis.

The amounts in the annual financial statements were recast from the accrual basis to the modified cash basis and reclassified by functional classification to be on the same basis as the final approved budget.

Mines and Works Compensation Fund
144 De Korte Street
Braamfontein
Johannesburg, 2001
Switchboard: 011 356 5600

www.health.gov.za/ccod

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Department:
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